

SA Investors Urged to Create Opportunities Elsewhere in Africa

SOUTH AFRICAN property investors have to start investing in the rest of the continent because there are “major opportunities that are being overlooked”, says Wayne van der Vent, head of property investments at the Public Investment Corporation.

Van der Vent, who was speaking to the media at the 40th annual convention of commercial property association Sapoa in Cape Town last week, says there is a tendency for South African property players to limit themselves to offshore investments in the UK and other European property markets.

“At the moment we (SA) are an island of prosperity in a sea of decay.” He says the xenophobia that is raging in SA will not “go away until we start investing in the economies around us”. “People come to SA because they are looking for opportunities. We must create those opportunities in their own countries.”

Van der Vent says South African property companies should start developing infrastructure and focus on developments such as shopping centres, offices and private hospitals in neighbouring countries such as Mozambique. He says while there are risks attached to developments in other parts of Africa, there is also money to be made.

Wayne Wright, business development director of the African operations of JHI, says there are a number of reasons why investors and property service providers such as JHI have established their operations in Southern African Development Community (SADC) countries, including the fact that it enables a transfer of skills and expertise to joint venture businesses there.

He says there are limited skills systems and human resource facilities available in these markets and this creates opportunities for companies to establish themselves as partners in these countries.

“Thirdly, fees are based on US dollars and tend to be higher than what could be earned as a percentage in SA.

“Therefore, JHI believes that, notwithstanding the risks and high set-up costs required ... one would take a long-term view and the returns outweigh the risks.”

Colin Young, head of asset management at Old Mutual Investment Group Property Investments (OMIGPI), says “capital follows opportunity” and countries have to be “foreign investment-friendly”.

“When it is difficult to invest and it is too difficult to get your money out of a country, then your capital won’t flow in there. If there is a restriction in liquidity, be it because there is a lock-in or it is difficult to get your money out of a country, it adds risk to an investment.

“When you add risk to an investment, then as an investor you demand more returns.”

OMIGPI MD Ben Kodisang says his group is looking at investing in other African countries, particularly Nigeria. The group has a pilot property project in Abuja, the capital.

What attracted Old Mutual to Nigeria was its huge population and its strong gross domestic product growth because of the oil-based economy.

“We chose the capital of Nigeria because the government is located there and demand for property space will be quite strong.”

The group is developing a waterfront mixed-use property that includes about 30000m² of retail, two hotels, and an office and residential component.