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Global Real Estate Trends, Africa and Opportunities for 2017/2018

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REAL ESTATE OUTLOOK
SEPTEMBER 2017

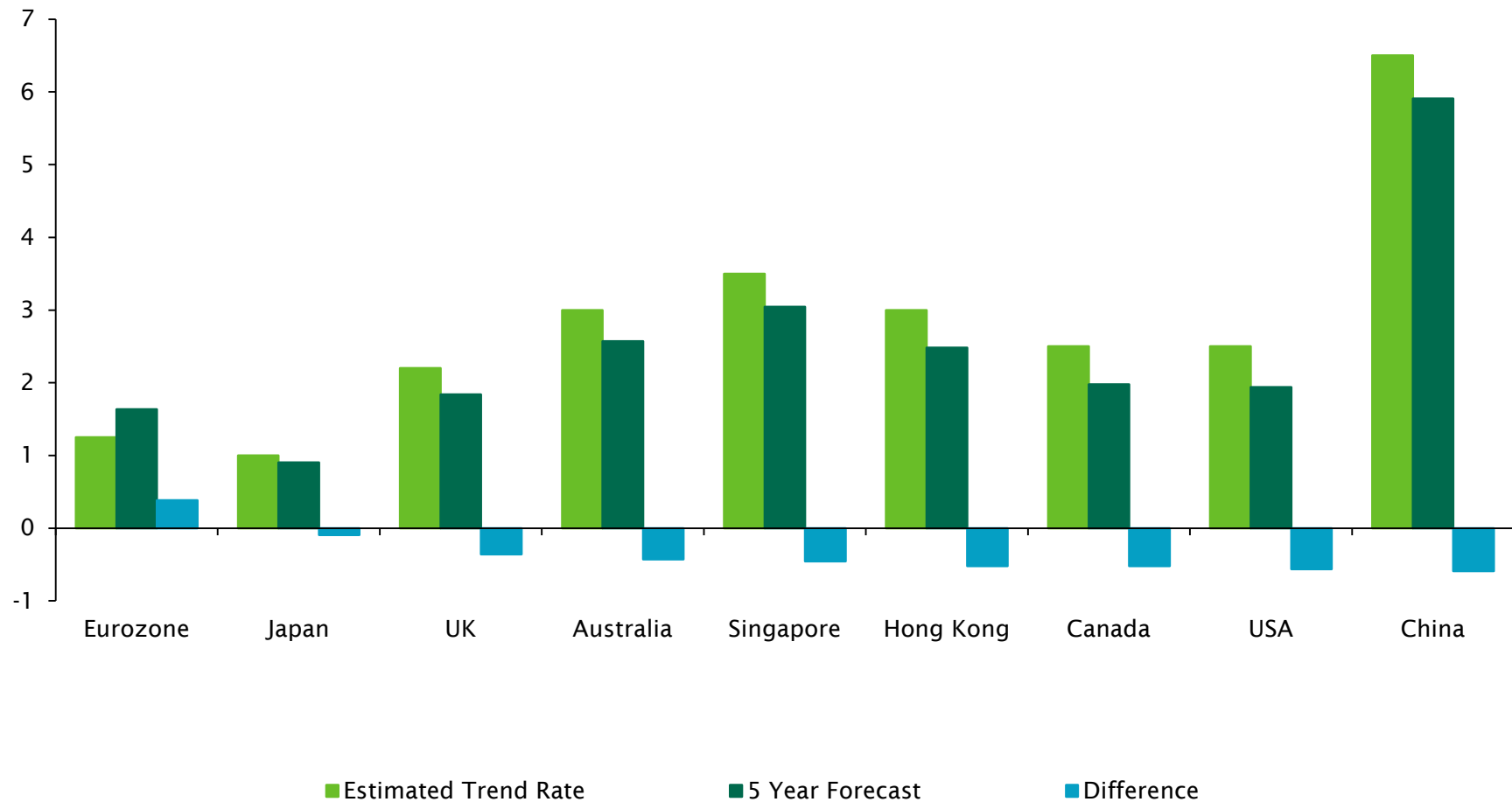
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THE GDP FORECASTS ARE BENIGN, IF BECOMING LATE CYCLE

The Eurozone is lagging the US and UK and will thus outperform over the medium term

GDP Forecasts Compared To The Estimated Trend Rate Of Growth, %.

Source: Oxford Economic Forecasting.

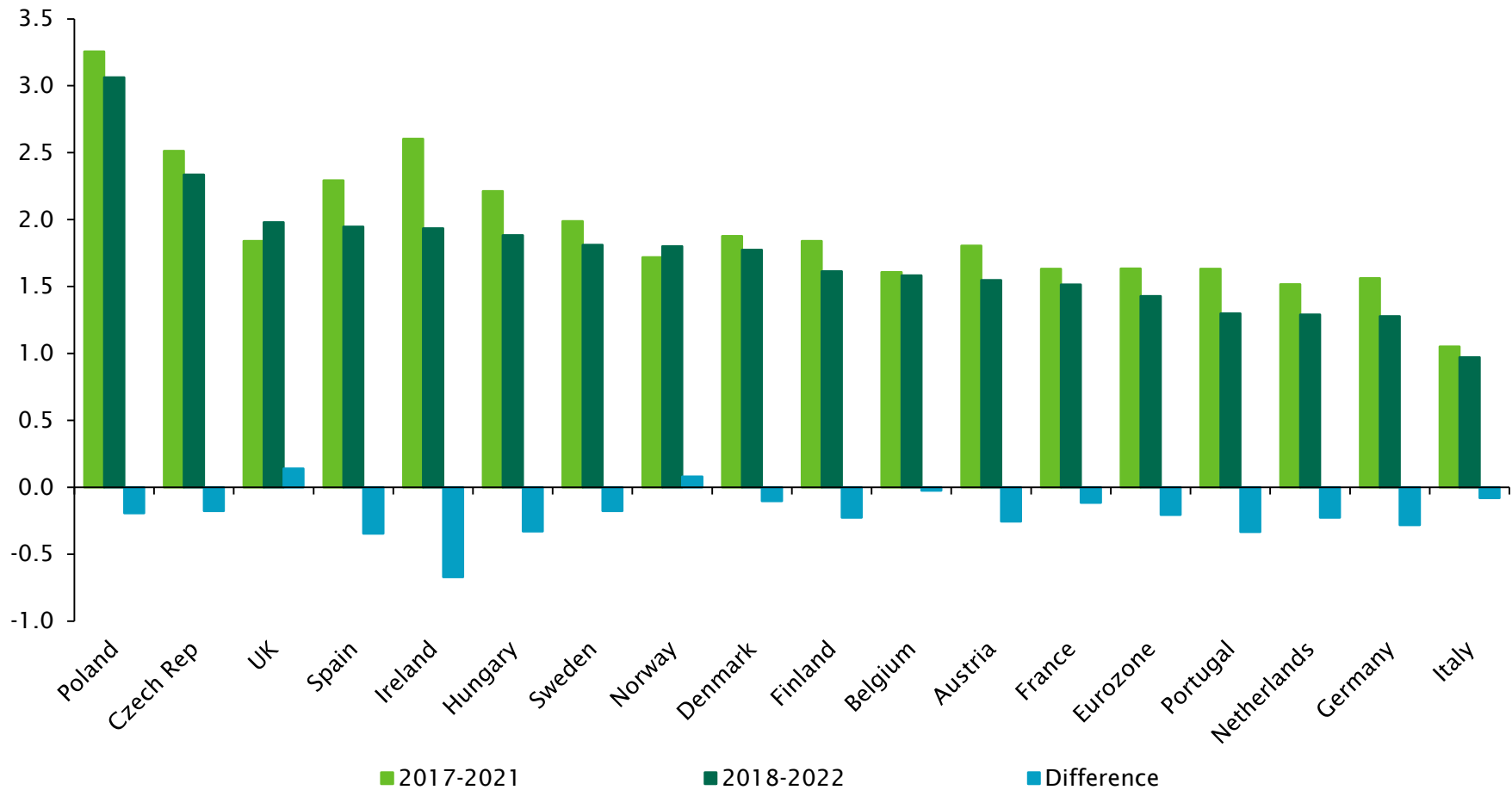


WITHIN EMEA, THE GDP THE RANKING MAY SURPRISE YOU

With the exceptions of the UK and Norway, the forecasts are weaker as we move later cycle

GDP Forecasts, % Y/Y Average 2017-2021 and 2018-2022.

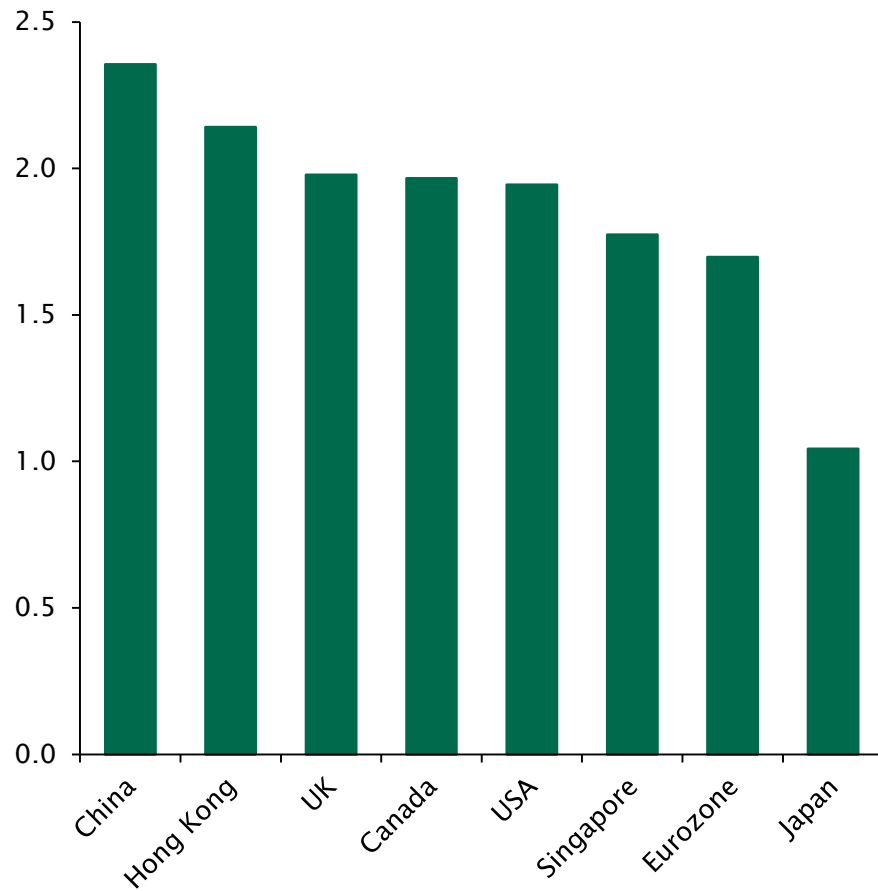
Source: Oxford Economic Forecasting,.



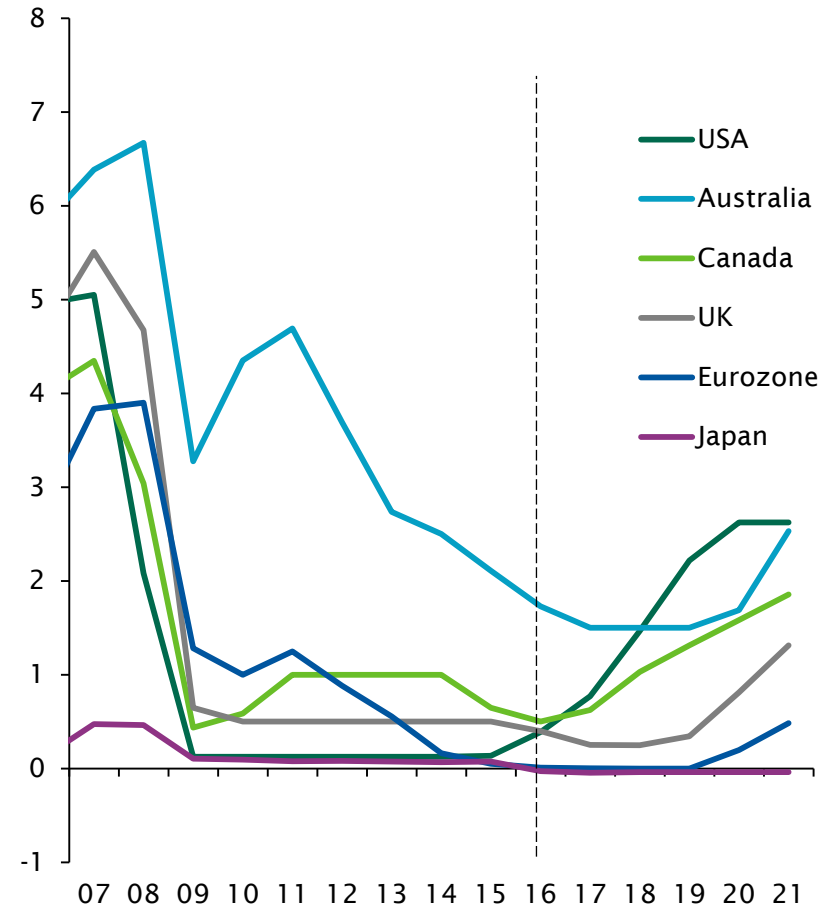
WITH INFLATION WEAK, MONETARY POLICY WILL TIGHTEN SLOWLY

The Eurozone and Japan will have the most accommodative monetary conditions

Consumer Price Inflation, % Y/Y,
Average, 2017-2021.
Source: Oxford Economic Forecasting.



Central Bank Policy Rates, %.
Source: Oxford Economic Forecasting.

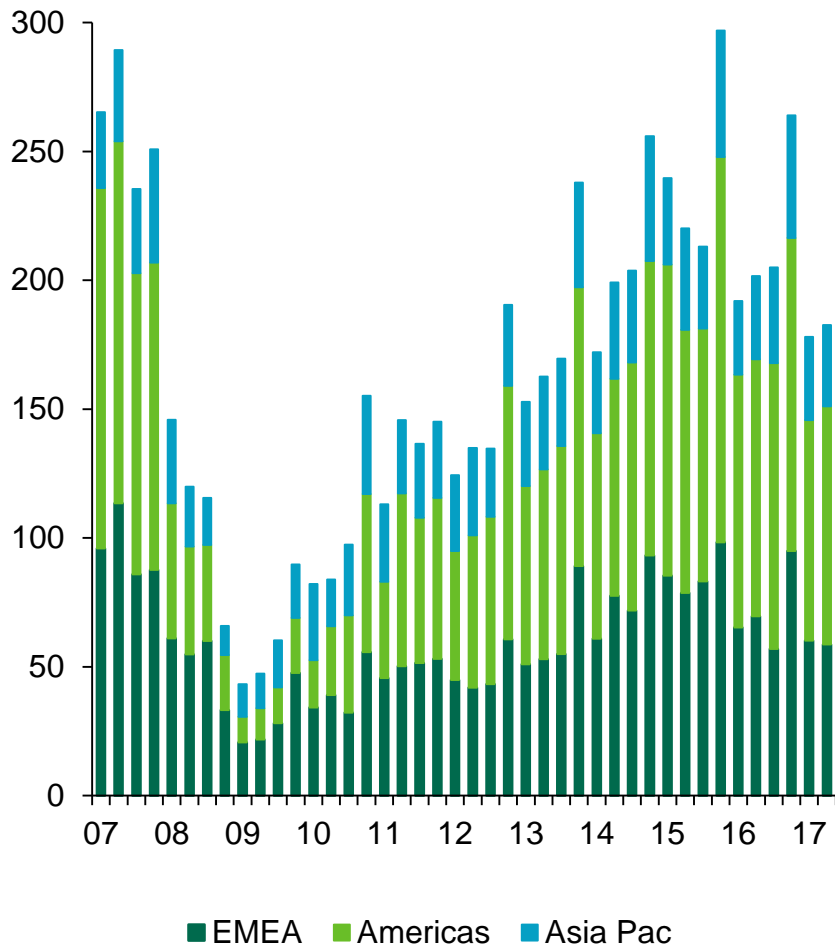


GLOBAL INVESTMENT VOLUMES ARE FALLING BUT REMAIN HISTORICALLY HIGH

London in particular has been propped up by Asian capital

Global Transaction Volumes, USD Billions.

Source: Real Capital Analytics.



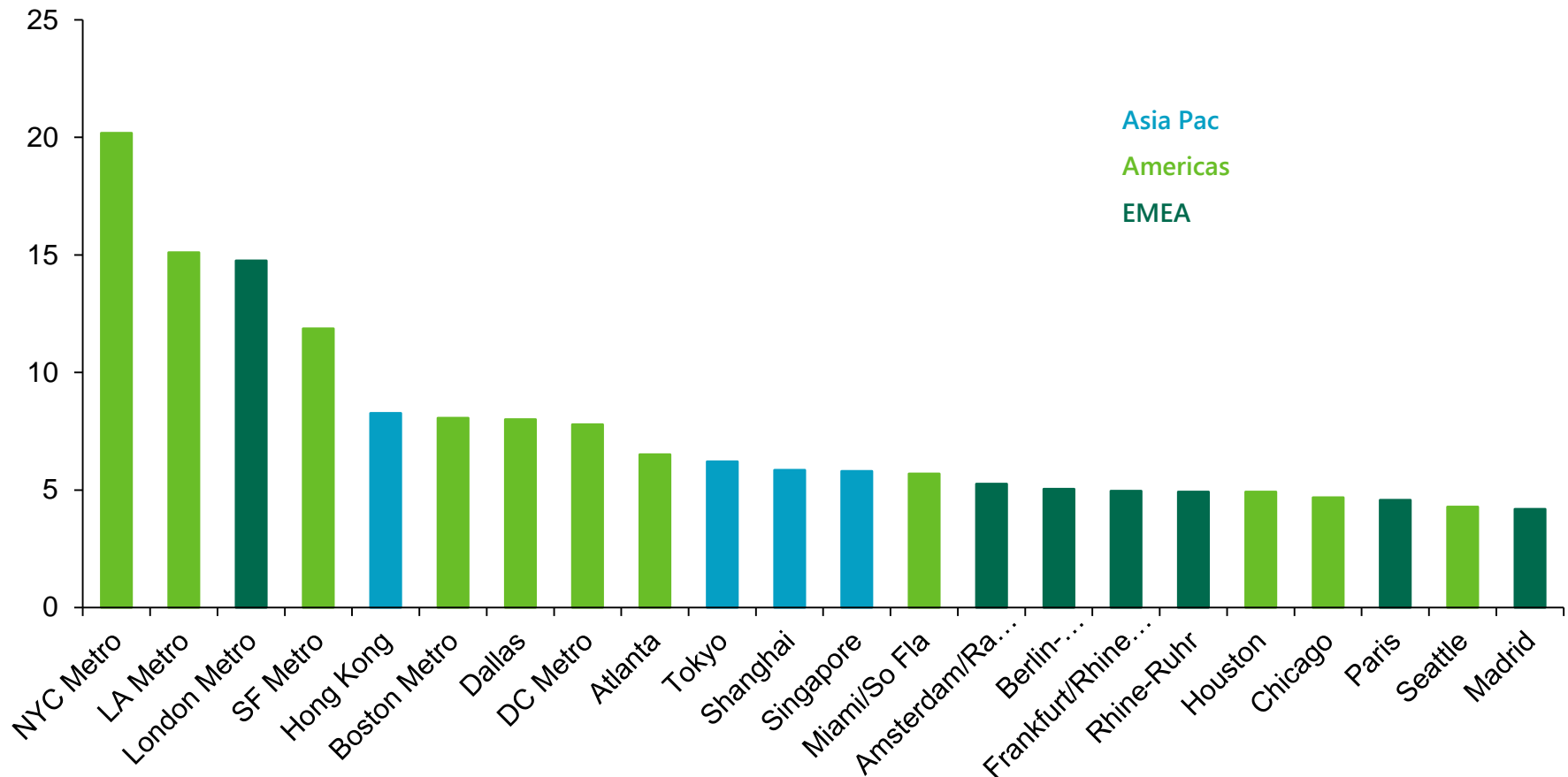
Sources of Cross Border Capital, 12 M Rolling, % Of Total. Source: Real Capital Analytics.



LONDON HAS LOST ITS #2 SPOT AND THE GERMAN METROS ARE CLIMBING FAST

Paris has been impacted (temporarily?) by the elections, San Francisco by pricing

Global Transaction Volumes, USD Billions, H1 17.
Source: Real Capital Analytics.

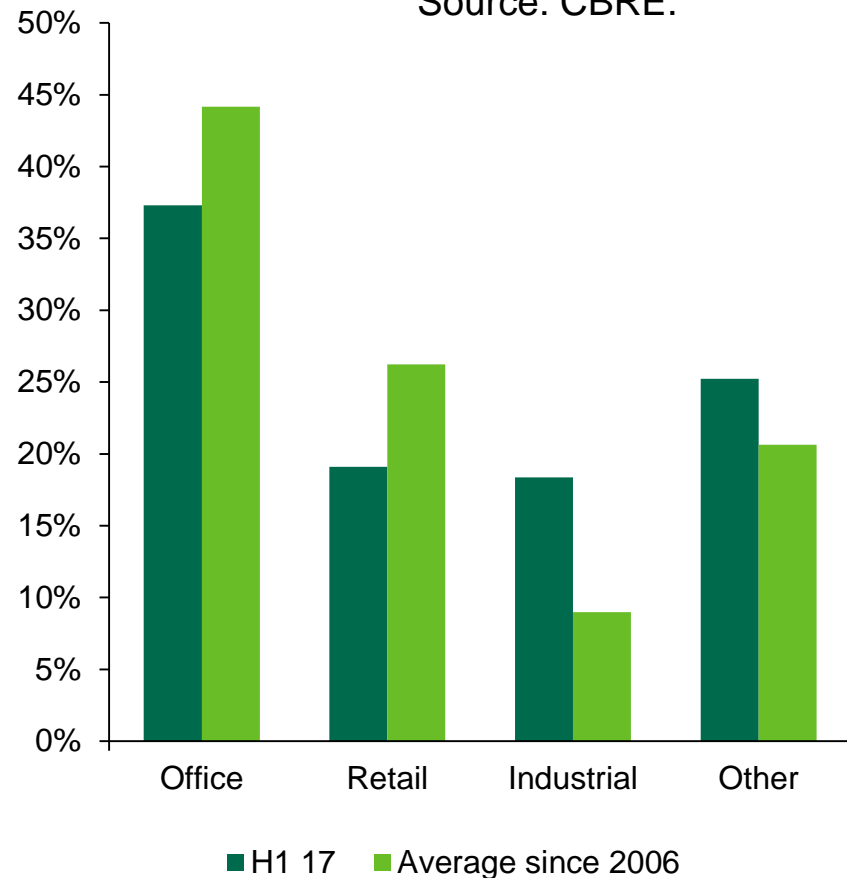


WITH PRICING HOT, LOGISTICS AND NICHE SECTORS HAVE INCREASED VOLUMES

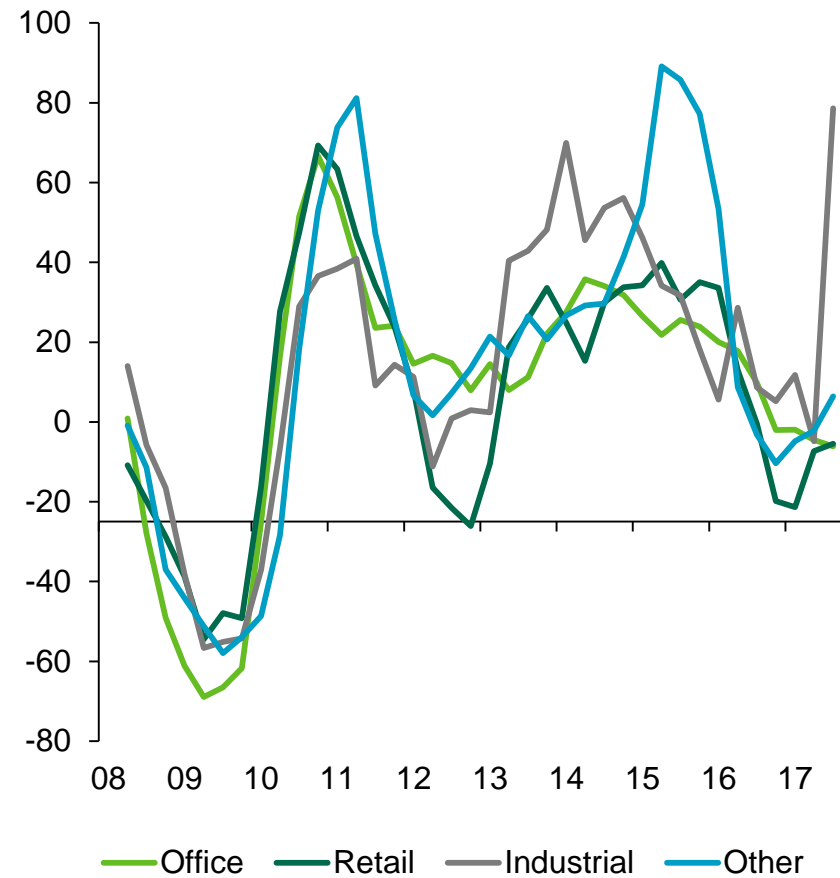
These are global trends, but particularly pronounced in EMEA

Sector Shares In Investment, % Of Total.

Source: CBRE.



EMEA Investment Volumes, % Y/Y, 1 Year Moving Average. Source: CBRE.

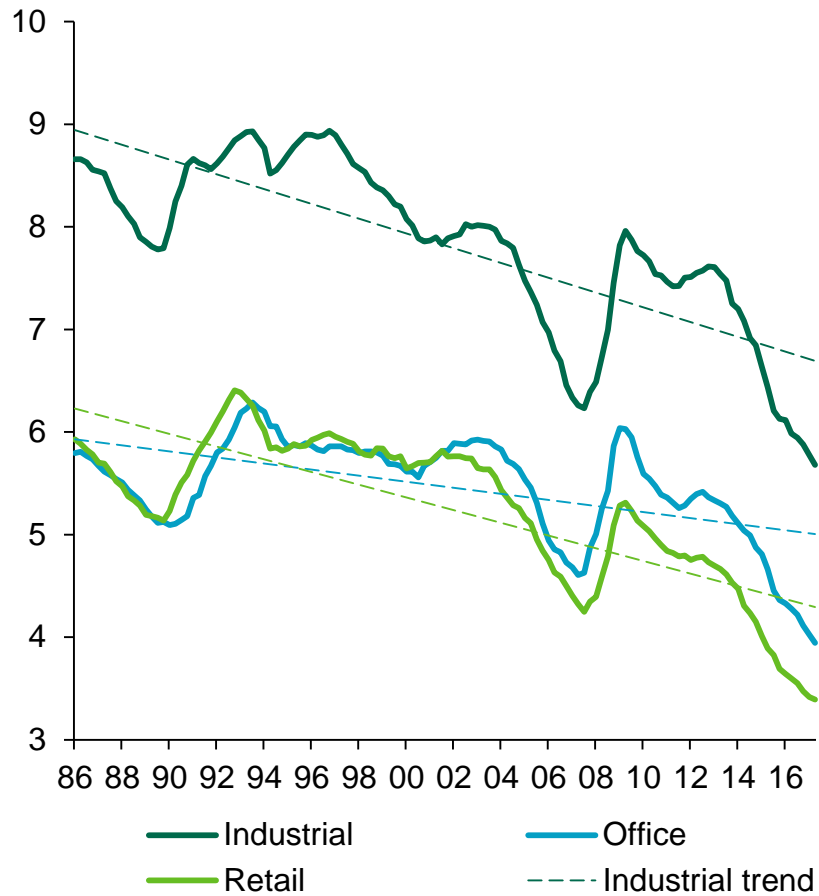


The Industrial number spikes because Blackstone sold its European industrial arm “Logicor” to CIC for around EUR 12.2 bn and Hansteen sold a German/Dutch portfolio of EUR1.3 bn to Blackstone/M7.

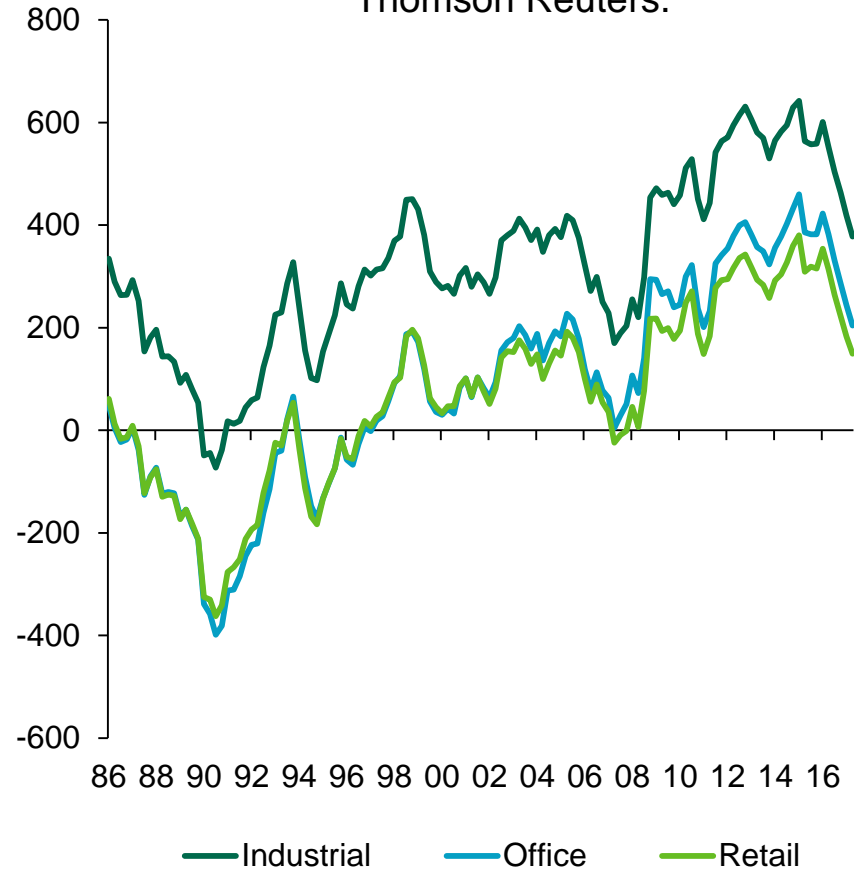
PRIME YIELDS ARE AT RECORD LOWS BUT STILL OFFER VALUE RELATIVE TO BONDS

Capital values per square metre are also attractive in many markets

EU-15 Prime Valuation Yields, %.
Source: CBRE.



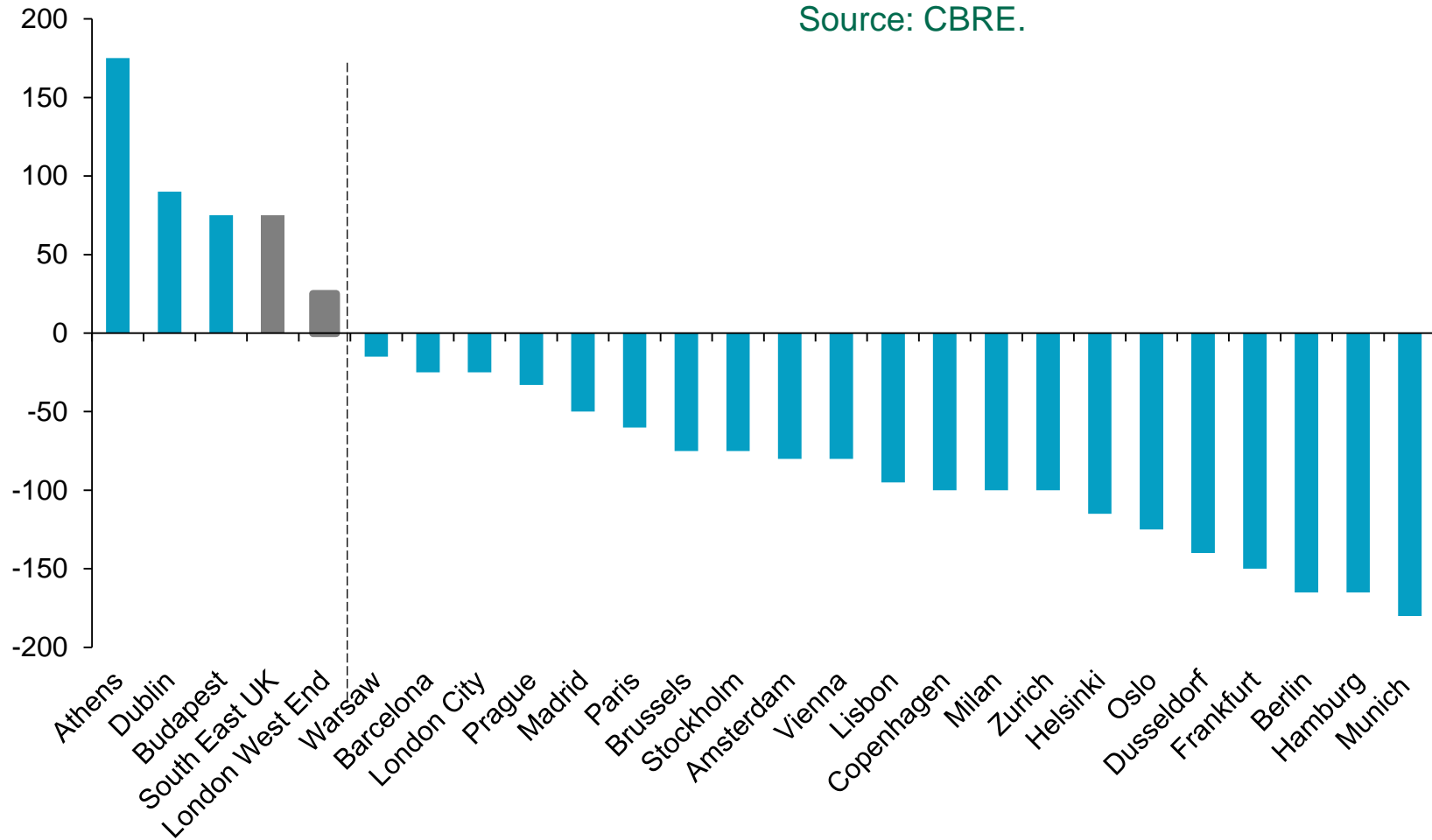
EU-15 Income Premia Over Sovereign Bonds, Basis Points. Sources: CBRE & Thomson Reuters.



A KEY QUESTION IS WHETHER UK CITIES ARE NOW ATTRACTIVE RELATIVE TO CE

Yield compression remains strong in German cities and Madrid and Milan

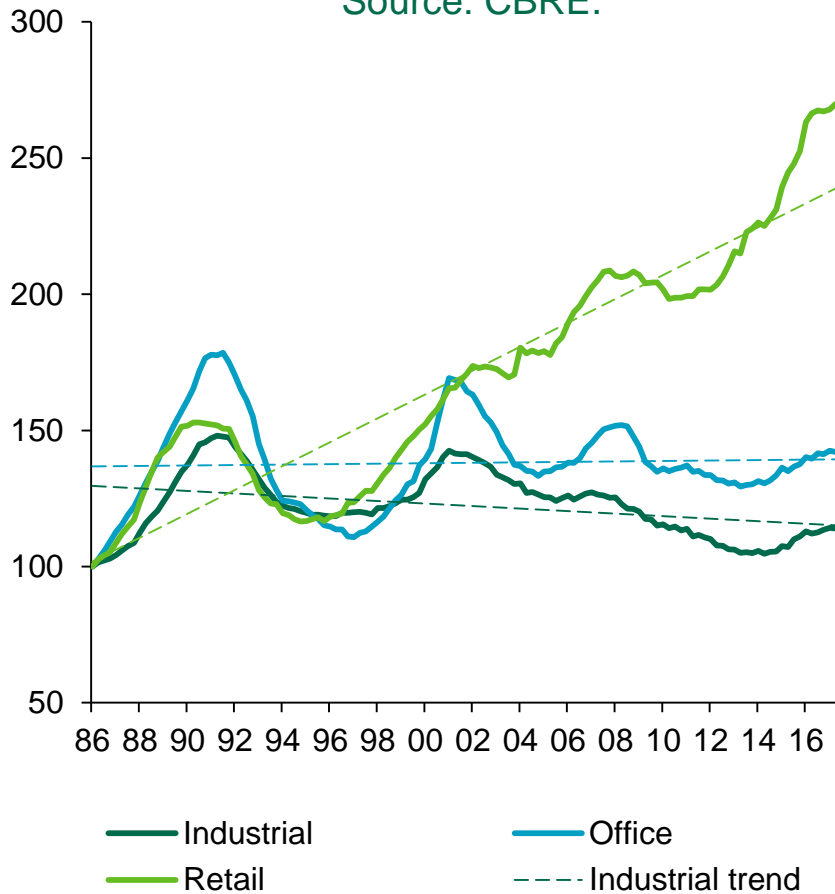
Prime Office Yields In Q2 17 Compared To Previous Cyclical Trough, Basis Points.
Source: CBRE.



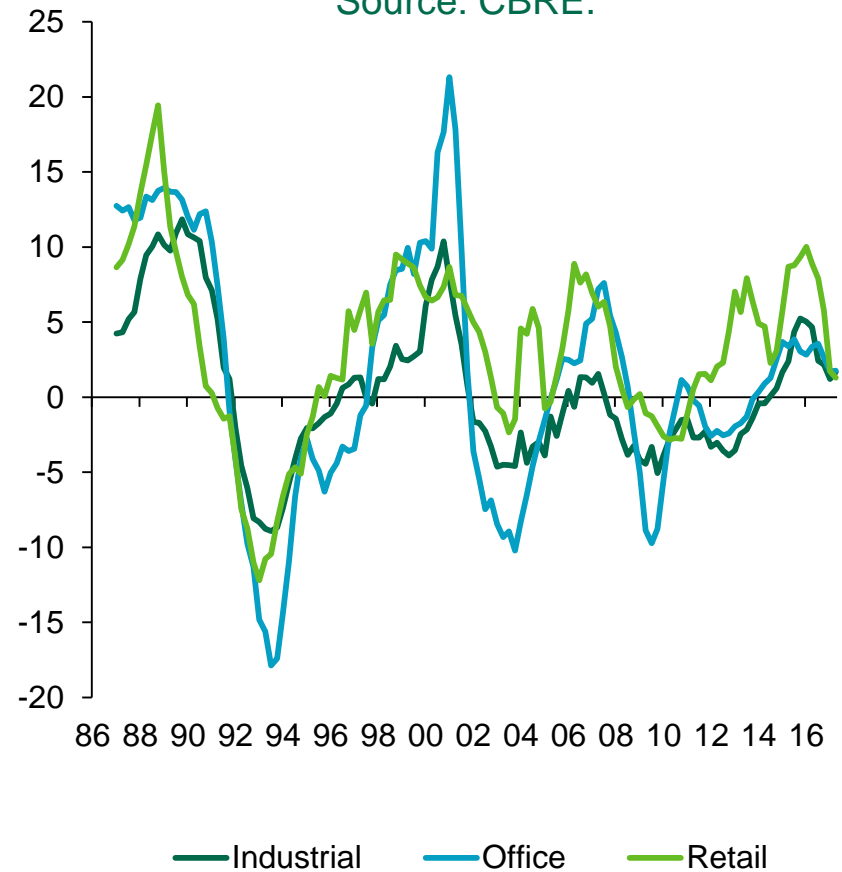
PRIME RENTS ARE RECOVERING BUT SECONDARY IS STILL LAGGING

There is a wide gap between prime and secondary retail in particular

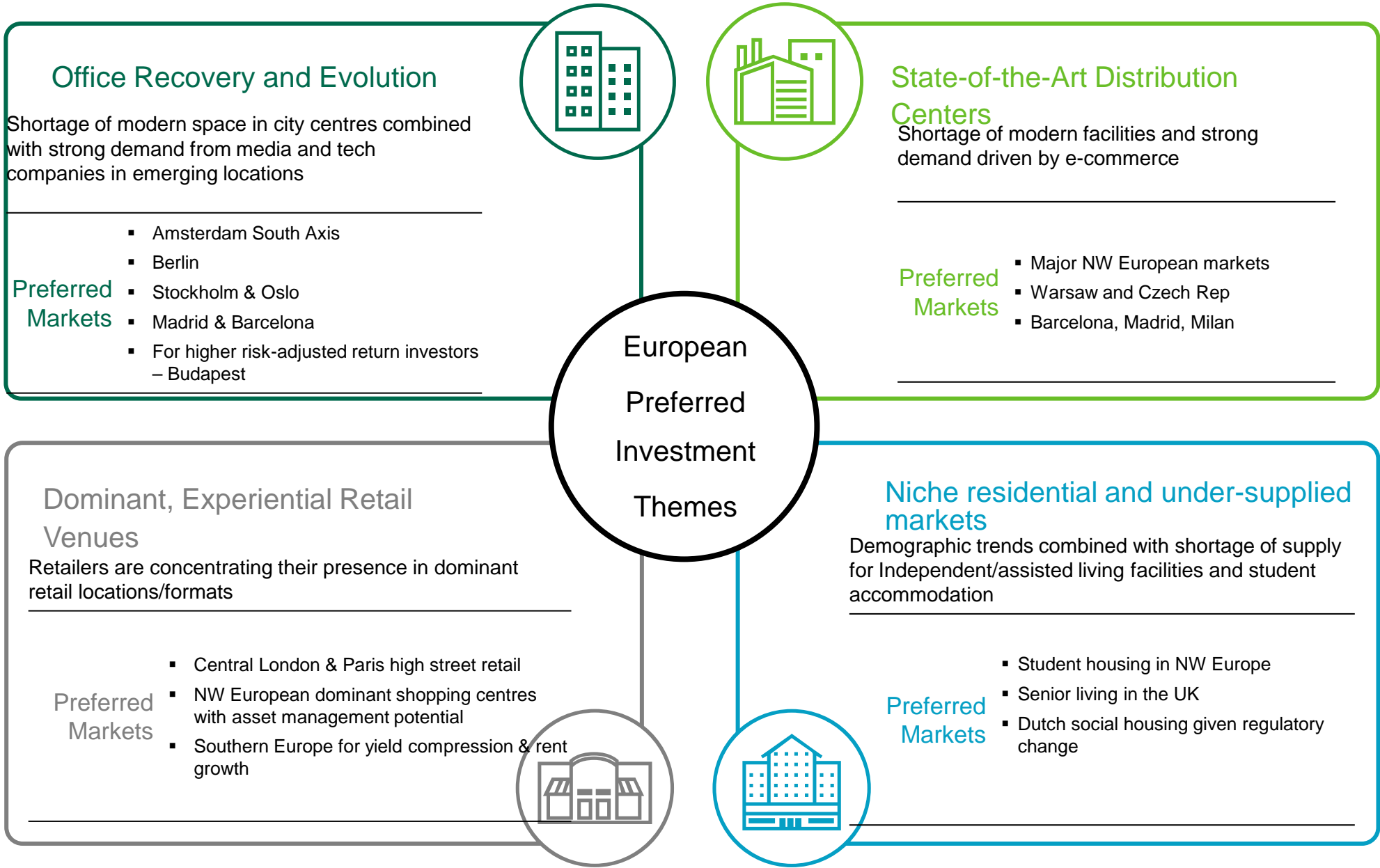
EU-15 Prime Real Rent Indices, 1986=100.
Source: CBRE.



EU-15 Prime Real Rent Indices, 1986=100.
Source: CBRE.



EMEA: PREFERRED INVESTMENT THEMES



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Africa – an Introduction

James Green

The “real” world map



Source: <http://rue89.nouvelobs.com/2013/12/21/lafrique-grandeur-nature-carte-bouscule-les-idees-recues-248512>

The importance of Africa

- Fifth largest economy in the world after US, China, Japan and Germany
- IMF projects Africa will be world's second-fastest growing economy to 2020
- World-class oil & gas/ mineral assets
- Young and growing population - by 2034, larger workforce than either China or India
- Consumer industries expected to grow by US\$410bn between 2013 - 2020
- Fastest growing and second largest mobile phone market in the world
- Increasing urban migration

Barriers

- Corruption
- Political instability
- Resource nationalism
- Energy shortages
- Lack of infrastructure
- Currency fluctuations
- Under-developed legal systems
- Restrictions on foreign investment



Economic Dynamics in Africa's Real Estate Sector

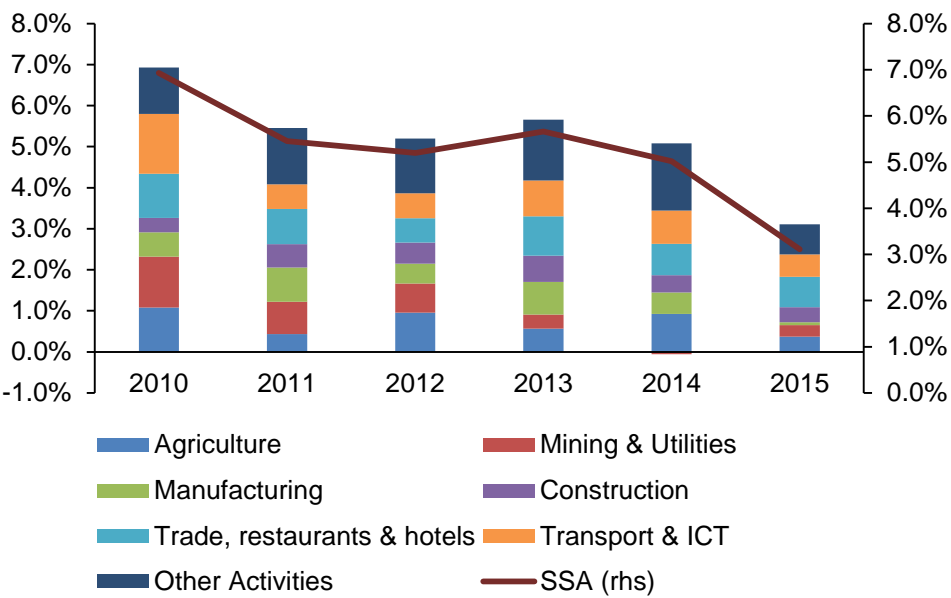
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September 2017

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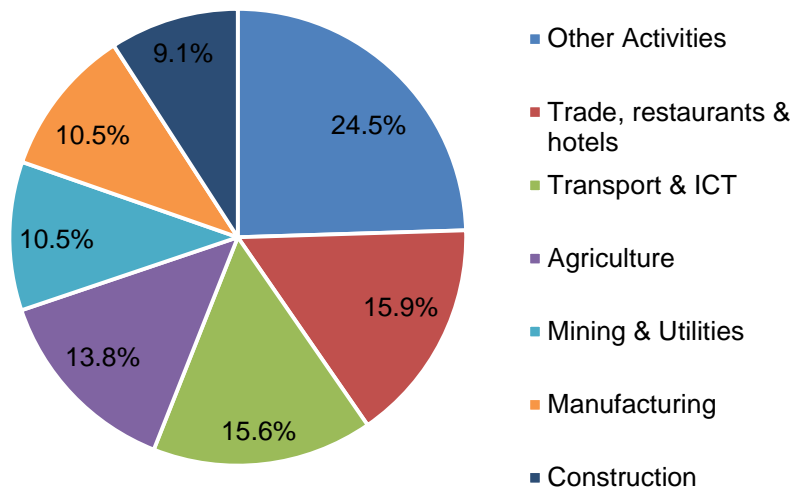
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SSA's changing landscape as markets adjust to shocks

SSA growth decomposition (2010-2015)



Attribution analysis of average growth, 2010-15



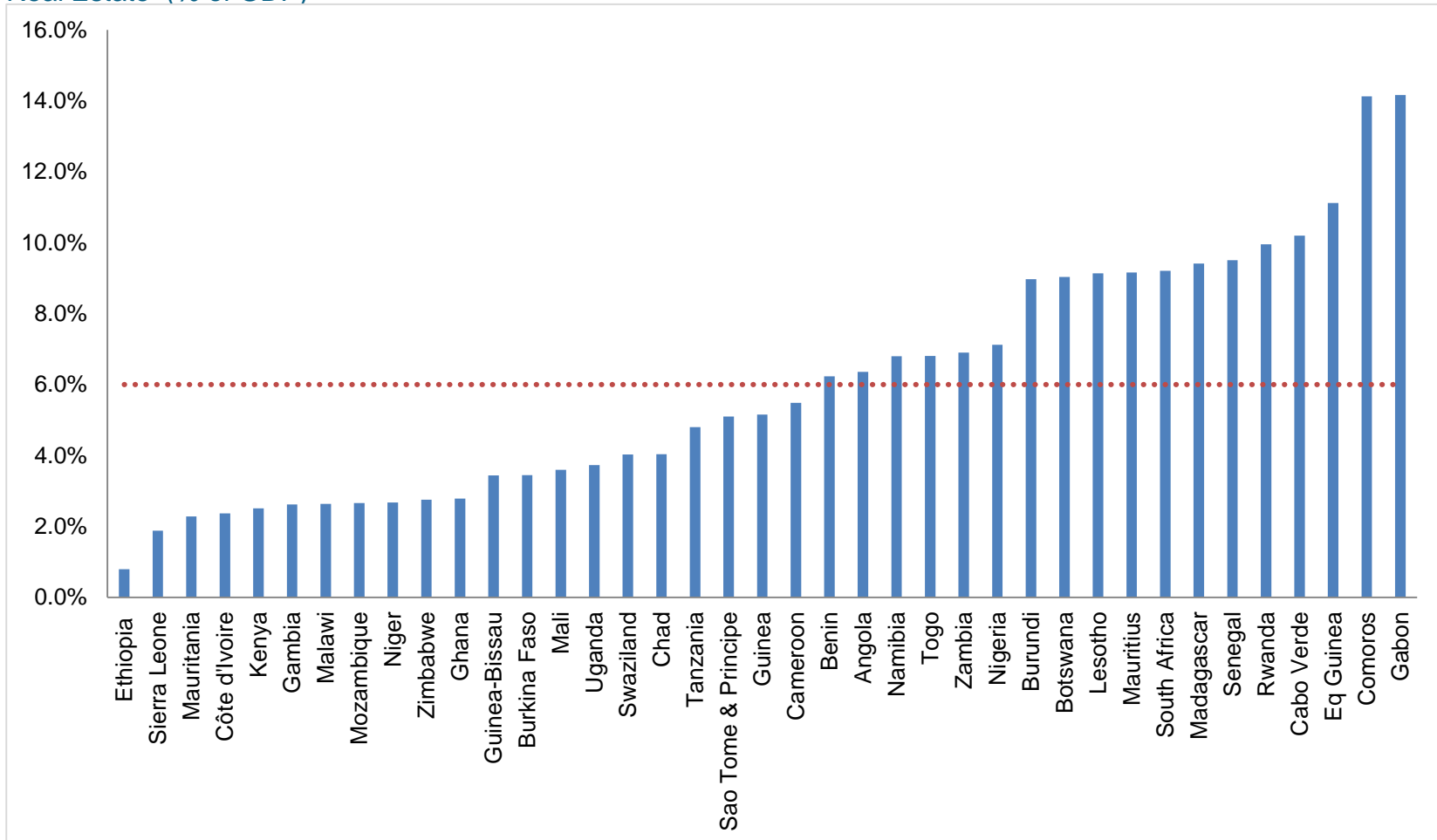
Source: UN; Ecobank Research

- SSA's growth averaged 5.2% p.a. in 2010-15 driven by growth in the non-mining sector, which accounted for 89% of the expansion in SSA growth.
- Non-mining sector has been boosted by revenue from the commodity boom, specifically agriculture, trade, transport and ICT and other activities, which include real estate and financial services.
- Manufacturing and construction have lagged the broader sectors.
- In recent years, SSA growth has slowed amid the commodity-price shock and tight lending conditions.
- Markets are now adjusting to low growth rates as economic diversification efforts to broaden growth gains traction and as tight lending conditions continue.

Real estate share of SSA GDP is relatively small

- Real estate accounts for an average of 6% of SSA GDP
- Countries with higher per capita income appear to have larger shares

Real Estate (% of GDP)



Source: UN

Key factors undermining growth in real estate

- Structural constraints: weak property rights regime, poor town planning systems and a still developing financial sector.
- Restrictions on foreign capital repatriation and an inefficient tax system affect the involvement of foreign interest and private capital.
- High interest rates which undermine the development of SSA's mortgage finance system.
- Currency volatility which tend to dampen foreign investment to real estate.
- But foreign interest has started to rise in recent years in the hotel and retail shopping malls sector amid modest financial sector reforms.

But SSA climate still ripe for more real estate activity

Africa's young and increasingly urban population will drive the demand for real estate

Growing industrialisation will drive retail sector

Infrastructure deficit will create opportunities for investment

Local partnerships becoming increasingly important

Improving pension fund and stock exchange driving demand for real-estate investment opportunities

Sustainability will become entrenched in building design and occupier requirements

Improving pension fund and stock exchange driving demand for real-estate investment opportunities

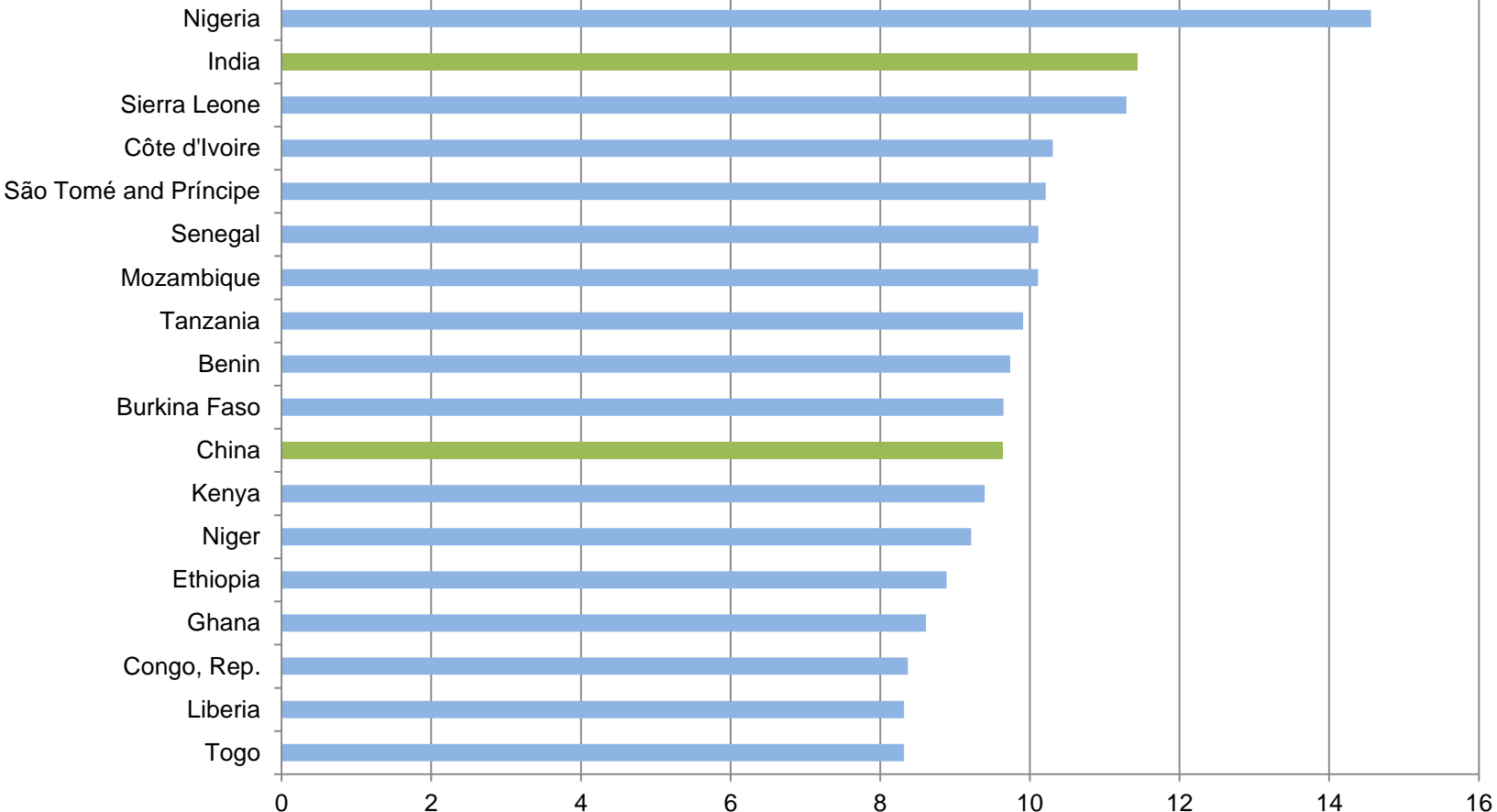
Source: PWC, Building the Future of Africa

SSA has huge potential – market sizes to grow over M/T

- providing businesses with opportunities to take advantage of economies of scale and scope

Expected Market Expansion

average nominal growth rate per annum, 2017-21

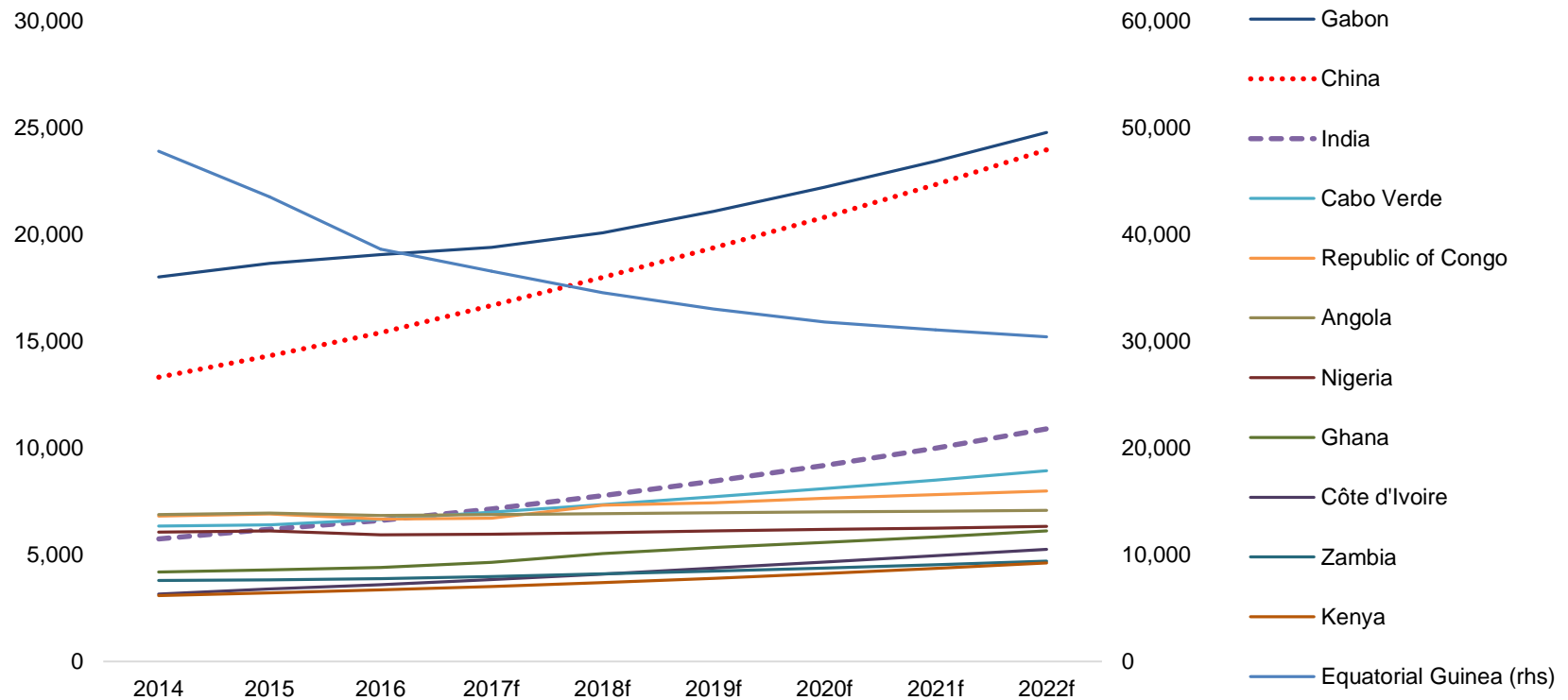


Source: IMF

Income levels to rise, boosting consumer sectors

- Consumer market is developing - Per capita GDP at PPP to rise steadily (besides Equatorial Guinea), boosting consumer sectors
- But to still lag behind resource-intensive markets such as China and India

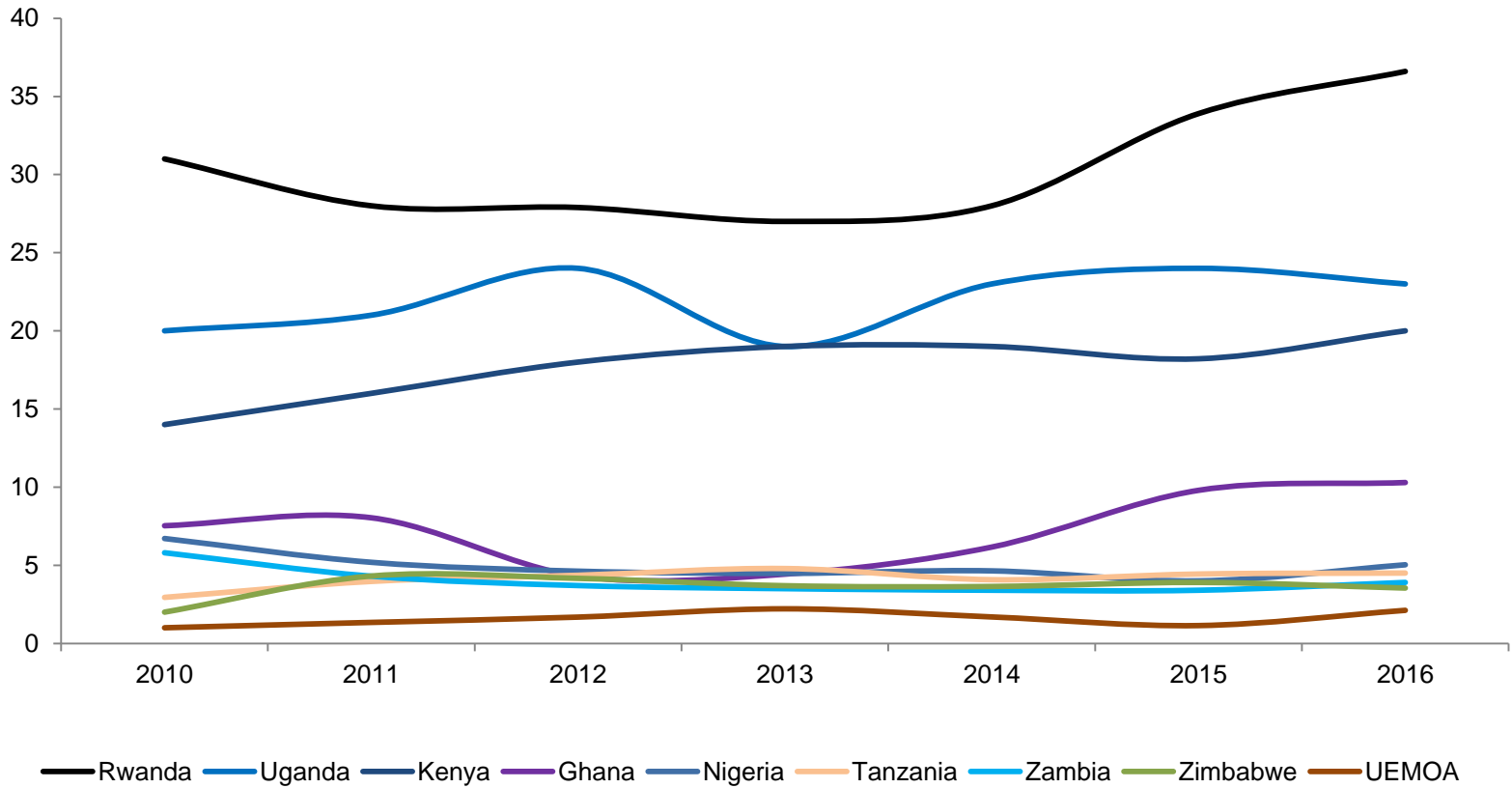
Per Capita Income, at Purchasing Power Parity, US\$



Source: IMF

East African countries dominate banks' lending to real estate

Banks' lending to real estate and construction sector (percent of total loans), 2010-16



Source: Ecobank Research

Real estate investment example yields

Date	Property	Location	Sector	Seller	Buyer	Estimated price (US\$ million)	Reported yield
Q4 2015	Ikeja City	Lagos, Nigeria	Retail	Actis/RMB Westport/Paragon	Hyprop (75%)/ Attacq (25%)	91	>8.00%
Q2 2015	Two Rivers Development (39% stake)	Nairobi, Kenya	Mixed Use	Centrum Aviation Industry	Corporation of China	70	N/A
Q4 2015	East Park Mall, Acacia Office Park & Jacaranda Mall (50% stakes)	Lusaka & Ndola, Zambia	Retail/ Office	Casilli Group	SA Corporate	49.6	8.68%
Q2 2015	Wings Oando Development (37.1% stake)	Lagos, Nigeria	Office	RMB Westport	Pivotal	49	N?A
Q3 2016	Vodacom Building	Maputo, Mozambique	Office	Office Sociedade De Construcoes Catemba	Delta (now Mara Delta)	46	6.63%
Q4 2016	Cosmopolitan Mall (50% stake)	Lusaka, Zambia	Retail	Rockcastle	Mara Delta	37.1	7.75%
Q4 2015	Bagatelle – Mall of Mauritius (34.9% stake)	Bagatelle, Mauritius	Retail	Atterbury	Ascencia	28.9	7.00%
Q4 2015	Makuba Mall & Kafubu Mall (50% stakes)	Kitwe & Ndola, Zambia	Retail	Rockcastle	Delta (now Mara Delta)	21.6	7.75%
Q4 2015	Greenspan Mall	Nairobi, Kenya	Mixed Use	Greenspan Mall Limited	Stanlib Kenya Fahari I-REIT	20	8.10%
Q1 2016	Barclays House	Ebene, Mauritius	Office	Jade Group	Delta (now Mara Delta)	13.4	8.30%

Source: Knight Frank

Thank you

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