

Real Estate

Sector Report, Africa:
DECEMBER 2024

TABLE OF CONTENTS

01	Industry Overview	
	Sector Performance	3.1
02	Industry Milestones 1	
	Market Expansion by Global Players	3.3
03	Challenges & Opportunities	
	Hospitality Industries Growth	5.1
	Mixed Use Developments	7.1
04	Glossary	
	Glossary	9.1

Industry Overview:

Sector Report | Issue #01 | 11/01/2025

Context and Trends:

The global real estate sector continues to experience steady growth, driven by urbanization, technological innovation, and the increasing demand for sustainable developments. In Africa, the real estate market is evolving rapidly, with heightened interest in mixed-use developments and hospitality real estate, spurred by a growing middle class and increasing foreign direct investment (FDI).

Trends to be discussed in the Challenges & Opportunities Section include the rise of mixed-use developments, the growing importance of sustainable practices, and the impact of urbanization. Additionally, Africa's real estate landscape will be examined in greater depth to provide a more comprehensive overview, as it represents a significant emerging market.

Market Expansion Strategies by Global Players - UAE Investment in Egypt

Overview:

The Ras El Hekma project is a landmark development located on Egypt's Mediterranean coast. It encompasses a wide range of facilities, including residential units, hospitality ventures, and significant infrastructure upgrades. These elements are expected to position Ras El Hekma as a central hub for tourism and economic activity in the region.

Significance:

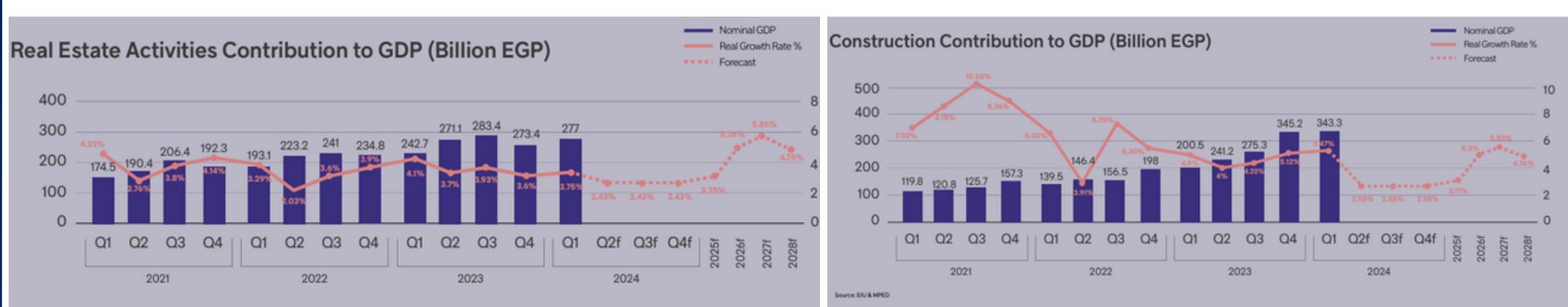
The UAE's substantial investment in Egypt's real estate sector, particularly through the Ras El Hekma mega-project, is transformative, significantly boosting economic growth, creating numerous jobs, fostering regional integration, and potentially empowering local communities. This investment demonstrates strong confidence in Egypt's long-term prospects and signals the potential for substantial returns, attracting further international investment and solidifying Egypt's position as a regional economic hub. The scale of the Ras El Hekma project is particularly impactful, extending positive ripple effects far beyond the real estate sector.

Key Beneficiaries:

- UAE Investors:** High returns on investment (ROI), portfolio diversification, access to a large and rapidly growing market.
- Egyptian Construction Sector:** A massive boost in activity, generating approximately 750,000 jobs during the development and construction phases, and providing ample opportunities for technology and knowledge transfer.
- Egyptian Hospitality and Tourism Sectors:** Creation of meaningful employment opportunities significant revenue generation from new hotels and resorts, and improved infrastructure directly enhancing Egypt's tourism appeal. The project's Mediterranean location and year-round tourism options are projected to attract 8 million tourists annually.
- Local Communities (in project areas):** Improved infrastructure (roads, utilities, etc.), increased property values, numerous new job opportunities, and improved access to amenities and services. Careful planning and mitigation strategies are crucial to address the potential for displacement or strain on local resources.
- Egyptian Economy as a Whole:** A considerable increase in GDP (projected at \$25 billion annually, with Egypt receiving 35% of the total profits), a substantial boost to foreign exchange reserves, and significant overall economic growth. The free economic zone will also attract information technology industries and logistics hubs, further diversifying the economy.

Relevant Data for Visualisation:

- Total Investment (Ras El Hekma):** US\$35 billion.
- Job Creation (Ras El Hekma):** Approximately 750,000 jobs during development and construction.
- Economic Impact (Ras El Hekma):** Projected annual contribution of US\$25 billion to Egypt's GDP, with Egypt receiving 35% of total project profits.



- Tourism Impact (Ras El Hekma):** Projected 8 million tourists annually.
- Infrastructure Development (Ras El Hekma):** Includes a new international airport, high-speed rail, marinas, and other significant infrastructure upgrades.
- Free Economic Zone (Ras El Hekma):** Dedicated zone for information technology industries and logistics hubs.
- Central Business District (Ras El Hekma):** Aimed at attracting global companies.

Industry Trends: Challenges & Opportunities

Sector Report | Issue #01 | 11/01/2025

Explanation:

The real estate and construction sectors exhibited robust growth in Q1 2024, expanding by 3.75% and 5.47%, respectively. These figures surpass the EIU's annual projections of 2.58% and 2.43% for the same sectors, collectively contributing approximately 18.3% to the total nominal GDP.

A pivotal development in early 2024 was the landmark real estate deal between Egypt and ADQ (Abu Dhabi Developmental Holding Company), an Abu Dhabi investment fund, to develop the Ras el-Hekma Mediterranean resort. This strategic partnership has injected a substantial boost into the economy, with immediate inflows of US\$35 billion, comprising US\$24 billion in foreign direct investment (FDI) and US\$11 billion from the conversion of ADQ's foreign currency deposits. The project's full implementation is projected to attract up to US\$150 billion in investments dedicated to infrastructure and real estate, exerting a transformative impact on both sectors.

The real estate sector remains one of the few viable options for both Egyptian and foreign investors looking to invest in Egypt. Real estate is seen as a safe haven for preserving the value of money, especially in light of the ongoing inflation and exchange rate instability.

Hospitality Real Estate Markets Growth and Transformation

Significance:

The African hospitality real estate market is witnessing a transformative phase, driven by strategic investments, urbanisation, and a surge in both business and leisure travel. The sector has shown remarkable resilience, capitalising on a growing middle class, increasing foreign direct investment (FDI), and favorable government policies. High-profile players like Marriott International and Radisson Hotel Group are accelerating their expansion plans, identifying Africa as a high-growth market with immense potential.

Recent developments underscore the sector's significance. For instance, Optiva Capital Partners' commitment to attracting \$500 million in investments into Nigeria's hospitality sector highlights the growing confidence of international investors in Africa's real estate landscape. Similarly, Centum Real Estate's successful delivery of housing units in Kenya and Uganda has created economic opportunities and demonstrated the potential for combining residential and hospitality developments to enhance urban living.

This expansion not only addresses the growing demand for luxury and mid-tier accommodations but also contributes significantly to infrastructure development and regional economic integration. Moreover, the sector's growth aligns with global sustainability trends, as many new projects incorporate eco-friendly practices and renewable energy solutions to appeal to environmentally conscious travellers.

Overall, the African hospitality real estate market is emerging as a cornerstone of economic growth, fostering job creation, increasing tourism revenues, and enhancing the continent's global appeal.

Industry Trends: Challenges & Opportunities

Sector Report | Issue #01 | 11/01/2025

Key Beneficiaries:

- **Shareholders and Investors:** The African hospitality sector's expansion offers substantial returns for investors.
 - For instance, Optiva Capital Partners plans to attract \$500 million into Nigeria's hospitality industry, indicating strong investor confidence and potential for significant financial returns.
- **Local Communities:** The development of new hospitality projects stimulates local economies by creating employment opportunities and enhancing infrastructure.
 - Centum Real Estate's completion of 384 units in Kenya and Uganda in 2024 has not only provided housing but also generated jobs and improved local amenities.
- **National Economies:** The hospitality sector's growth contributes to national economies through increased tourism revenue and foreign direct investment.
 - A recent \$500 million real estate deal between Egyptian and Emirati companies to develop a project along the Nile in Cairo exemplifies such economic benefits.
- **Youth Employment:** The hospitality industry's expansion offers significant employment opportunities for the youth, particularly in urban areas.
 - Centum Real Estate's projects in Kenya and Uganda have created numerous job opportunities for young professionals in the construction and hospitality sectors.

Relevant Data for Visualisation:

- **Investment Inflows:** Data on the \$500 million investment by Optiva Capital Partners into Nigeria's hospitality sector.
- **Employment Figures:** Number of jobs created by Centum Real Estate's projects in Kenya and Uganda.
- **Tourism Revenue:** Statistics on the increase in tourism revenue in countries with significant hospitality investments.
- **Youth Employment Rates:** Data on youth employment rates in regions with expanding hospitality projects.

Industry Trends: Challenges & Opportunities

Sector Report | Issue #01 | 11/01/2025

Evolving Use of Mixed-Use Developments

A significant trend shaping the African real estate sector is the increasing integration of mixed-use developments across urban centers.

This trend is driven by rapid urbanisation, rising demand for flexible spaces, and changing consumer preferences for "live-work-play" environments. Cities like Lagos, Nairobi, and Accra have witnessed a surge in mixed-use projects combining residential, commercial, and recreational spaces.

For instance, the ongoing Eko Atlantic City project in Lagos has set a precedent for integrating commercial, residential, and leisure facilities within a single development. Similarly, Nairobi's Two Rivers Development continues to attract international investors and brands, showcasing the viability and profitability of these ventures in Africa's growing markets.

These projects address urban challenges such as traffic congestion and limited space while creating opportunities for economic activity and community building.

Key Factors, Players, and Projects Driving the Trend:

- **Urbanisation:** Africa's urban population is projected to grow by 3.5% annually, necessitating innovative urban planning solutions like mixed-use developments.
- **Players:** Leading companies such as Centum Real Estate, Actis, and UACN Property Development Company are at the forefront of this trend.
- **Key Projects:**
 - **Two Rivers Development (Nairobi):** Over 100 retail outlets, luxury residences, and office spaces in a 100-acre complex.
 - **Eko Atlantic City (Lagos):** A \$6 billion development with commercial, residential, and leisure facilities on reclaimed land.
- **Consumer Preferences:** Young, urban professionals prefer multi-functional spaces to reduce commute times and enhance lifestyle convenience.

Relevant Data:

- **Urbanization Rates:** Data showing annual urban population growth rates in key African countries.
- **Mixed-Use Development Statistics:** Growth in mixed-use projects over the last five years.
- **Economic Impact:** Revenue and job creation figures for major projects like Eko Atlantic City and Two Rivers.
- **Investment Trends:** Amount of FDI directed towards mixed-use developments in Africa since 2020.

Key Challenges:

- **Infrastructure Deficits:** Many African cities lack the necessary infrastructure to support large-scale mixed-use developments, leading to higher project costs and delays.
- **Regulatory Hurdles:** Complex and often outdated regulatory frameworks can slow approvals for new developments.
- **Financing Challenges:** Mixed-use developments require significant upfront capital, which can be challenging to secure in markets with limited access to affordable financing .

Potential Solutions:

- **Public-Private Partnerships (PPPs):** Governments can partner with private developers to co-fund infrastructure improvements, reducing costs and timelines.
- **Regulatory Reforms:** Simplifying zoning laws and streamlining approval processes can encourage more investments in mixed-use projects.
- **Innovative Financing Models:** Developers can explore real estate investment trusts (REITs) and green bonds to raise capital for sustainable mixed-use developments.
- **Localisation:** Partnering with local architects, contractors, and suppliers can reduce reliance on imports and lower costs.

Our Editors:



Maxwell Akrasi
Head of RE&PD



Yassin Aly
Head of RE&PD



Emmanuel Ogunsakin
Co-President

Our Contributors:



Temi Balogun
Co-President



Iliriana Rexhepi
Head of market insights

Glossary:

Mixed-Use Development: Real estate projects that combine residential, commercial, and recreational facilities within a single development to create "live-work-play" environments.

Urbanisation: The increasing movement of populations from rural to urban areas, leading to the growth of cities and the demand for infrastructure and housing.

Public-Private Partnerships (PPPs): Collaborative agreements between government entities and private sector companies to fund and develop infrastructure or services.

Real Estate Investment Trusts (REITs): Companies that own, operate, or finance income-generating real estate, allowing individuals to invest in large-scale properties.

Green Bonds: Fixed-income financial instruments used to raise funds for projects with environmental benefits, such as sustainable real estate developments.