INTO AFRICA

A publication from Capital Markets in Africa

NOVEMBER 2016

SPOTLIGHT ON AFRICA'S REAL ESTATE

FEATURED ARTICLES

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BRIDGING THE GAP BETWEEN SUSTAINABLE INFRASTRUCTURE DEVELOPMENT AND FINANCE

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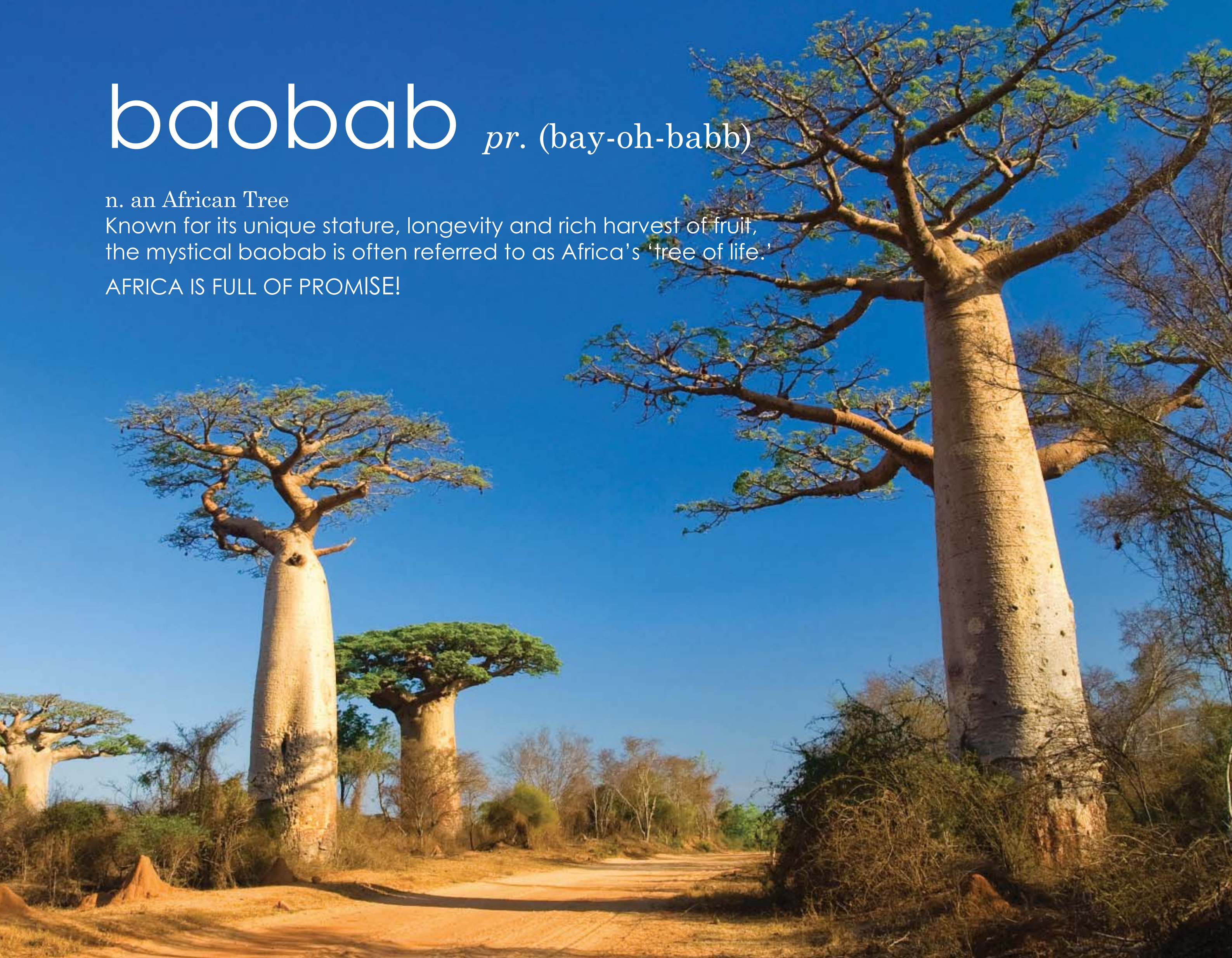

Novare Equity Partners is a private equity fund manager focused on retail and commercial property developments in sub-Saharan Africa, excluding South Africa.

Novare Equity Partners participates in the significant growth of Africa's retail and commercial sector, driven by positive demographics, urbanisation and growing personal incomes.

As the sub-adviser to Novare Fund Manager, we source and present new development opportunities for the Novare Africa Property Fund I and II. These funds invest in some of the most exciting new property development opportunities in Nigeria, Mozambique and Zambia. Most recently, we opened Novare Lekki, the largest shopping centre in Nigeria's most populous city, Lagos.

Like the **baobab**, Novare Equity Partners represents diverse investment potential that delivers superior long-term investment returns for our clients.

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Cover Image : Nadir shoot of a crystal building. Image by Onlyyouqj.

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Welcome to the November edition of INTO AFRICA, a publication with fresh insight into Africa's emerging capital markets. In this edition, we bring a selection of insights on Real Estate and Property Investment prospects and challenges in Africa.

Macro-economic pressures continue to bear on economies in the African region. Low commodity prices, slowing global demand and uncertainty in the FX markets as well as weakening GDP growth have lowered forecasts and with this a shift in investment priorities. Political uncertainty and fiscal tensions add to the adjusted outlooks while economic growth has undoubtedly decelerated over the course of the year.

Despite these headwinds the Real Estate markets in Africa have experienced considerable upturn in recent years, driven by rapid urbanization, a growing middle class demographic and increasing political stability which has caught the attention of marginal and corporate investors. A Report by Knight Frank projects that between 2015 to 2020, 13 of the 20 fastest-growing economies in the world will be in Africa and Real Estate remains one of the key drivers of this change. These macro-economic factors coupled with real estate market dynamics in growth markets create compelling investment opportunities.

The Real Estate market in Africa is undeniably in its early stages. In recent years Africa focused Real Estate Funds have closed in extremely strong positions exceeding their targets. The Novare Africa Property Fund II had its first close in 2014 raising $351 mil. The Phatisa Group raised $42mil investing in middle-income housing development projects allowing the real estate funds in market to target a combined $2.2 bn. RMB Westport Real Estate Development Fund II met its target of $450mil, Actis Africa Real Estate Fund 3 closed its third private Africa real estate fund at more than $500 million.

To throw some light on these subjects we sought the experience of experts in the field. Commentary this month comes from **Derrick Roper**, CEO, Novare Equity Partners, an innovator in the Fund arena with *A Strong Case For Real Estate Investment In Africa.*

Scott King, Global Leader – Public Sector at Grant Thornton International writes *Cities Face Tough Competition for Business Investment If They Are Not National Capitals*. **Mark Walley**, Managing Director, EMEA at the Royal Institution of Chartered Surveyors (RICS) provides insight in his article RICS: *Increasing Confidence In South African Property Markets*. **David Harper**, Managing Director, Leisure Property Services identifies the potential hotspots and the huge opportunity available for hotel investors in sub-Saharan Africa in *African Hotels and Resorts: Investors' Hidden Treasures*.

Xander Nijnens, Head of JLL's Hotels & Hospitality Group, Sub-Saharan Africa, discusses the demand for hotels amidst the challenges on the continent in *Cautious Optimism For Investors In Sub-Saharan Africa Hotel Sector*. The *Declaration of the Members of The African Union For Housing Finance (AUHF) Following The Annual General Meeting held In Abuja, Nigeria On 16 September 2016* details the 5 critical challenges national governments should address in order to encourage the growth of housing markets and in *The Fundamental Review of the Trading Book*, **Ahimsa Gounden**, Capital & Models Absa CIB Market Risk reviews the impact of the new Basel standard on the market risk framework.

In *Bridging the Gap Between Sustainable Infrastructure Development and Finance*, **Hans-Peter Egler**, CEO, and **André Kummer,** Communications, Global Infrastructure Basel, Switzerland offer an approach to bridging the Infrastructure gap that governments should aim to consider when building the global economy for the future.

Finally, as we approach the close of the year we would like to thank all our contributors for providing their views in INTO AFRICA.

Kind regards,

Michael Osu,
Associate Editor

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ENJOY!

A STRONG CASE FOR REAL ESTATE INVESTMENT IN AFRICA

Says **Derrick Roper,** Chief Executive Office, Novare Equity Partners

Africa is experiencing the world's fastest rate of urbanisation, with rapid growth in middle class populations in sub-Saharan cities driving demand for quality products and a modern shopping experience.

While uncertainty and volatility have clouded the near term investment outlook for Africa, astute real estate investors with a longer term perspective recognise the continent's potential based on positive demographics, urbanisation and growing personal incomes.

The continent's challenges have tended to over-shadow its longer term potential. In our view, this stage of the economic cycle presents significant opportunities for superior future investment returns.

Commercial property development in sub-Saharan Africa is an enticing proposition. The retail sector remains among the most under-penetrated globally, with significant potential. Facilities for retailers to operate from, as well as to support their logistical operations, remain scarce.

Earlier this year, global real estate consultants Knight Frank released their Shop Africa report, analysing the retail landscape across most of Africa.

According to data they and the South African Council of Shopping Centres collated, South Africa has 23 million square metres of shopping centre space, while the whole of the rest of sub-Saharan Africa with its bigger population and faster growing economy has a corresponding figure of three million square metres.

Within the rest of sub-Saharan, there are also anomalies. For example, Windhoek, with a population of just over 300 000 (as at the last census in 2011) has 260 000 square metres of formal retail space, while further north, Nigeria's Lagos with an estimated population in the central area of 20 million, has a total formal retail area of 121 000 square metres.

Indicative of the potential in African commercial property is that, despite tough economic conditions, an estimated 20 000 shoppers descended on Novare Lekki, the largest shopping centre in Lagos when it opened for trade on 25 August 2016.

Novare Lekki was developed by Novare Real Estate Africa at a project cost of $80 million and boasts 22 000 square meters of gross lettable area. With Shoprite and Game as anchor tenants, the mall has 100 shops, including restaurants and five Genesis cinemas, as well as 1,000 parking bays.

"The Commercial property development in sub-Saharan Africa is an enticing proposition. The retail sector remains among the most under-penetrated globally, with significant potential."

Mandate to invest

Novare Fund Manager, a private equity fund manager with a mandate to invest in retail and commercial real estate in sub-Saharan Africa outside of South Africa, has a strong track record of successful property development in Africa.

Novare launched its first fund, the $81 million Novare Africa Property Fund I, in July 2010. Its first investment was the successful Novare Apo mall in Abuja, Nigeria, which opened in June 2012.

The Novare Africa Property Fund II had its first close at the end of June 2014, having raised $351 million from South African institutional investors. . The fund has invested in various projects, with a strong pipeline awaiting capital deployment, including in West-, East- and Southern Africa.

Novare's approach when identifying property developments is to work in partnership with leading South African and international retailers expanding in sub-Saharan Africa.

Aside from Novare Lekki, other projects the fund has invested in include the Novare Gateway mall in Abuja, where construction is in full swing. With bulk earthworks completed at Novare Central, also in Abuja, construction has also commenced on this mixed use centre consisting of retail space and A-grade offices.

Construction has also started at Novare Matola mall in Maputo, Mozambique, while groundworks is underway at Novare Great North in Lusaka, Zambia.

Despite the positive outlook, the reality of the current business environment is that many African countries find themselves heading towards the bottom of the "Ease of doing business" indices, with infrastructure backlogs

proving to be a reoccurring problem.

While there has been significant progress in these areas since 2000, businesses that choose to operate in these economies are often faced with unique challenges and risks, both economic and political.

In Mozambique, for example, there are concerns that overall external debt levels are in unsustainable territory, raising concerns about the government's administrative capabilities and prospects for growth.

The Central Bank of Nigeria recently unpegged the naira from the US dollar and introduced a more liberal dispensation to determine the value of the currency. This resulted in the naira depreciating significantly, which in the property context, has implications for tenants' dollar indexed rentals and investors' dollar denominated debt.

As in other countries, Zambia is experiencing power outages that have become worse due to the country's dependence on hydroelectricity. The drought caused by the effects of El Nino has had a significant influence on the country's ability to generate sufficient electricity, with implications for the economy.

> *"while uncertainty and volatility have clouded the near term investment outlook for Africa, astute real estate investors with a longer term perspective recognise the continent's potential based on positive demographics, urbanisation and growing personal incomes."*

Managing the risks

Novare Real Estate Africa has been investing on the continent since 2007. One of the ways it manages the risks involved with property development is by taking the unusual approach of handling in-house the management of all aspects of a project, starting with construction and procurement, through to letting and management of the completed centre.

In this way, costs and quality can be controlled, while ensuring that tenants' needs are taken care of. Novare Real Estate Africa have direct relationships with contractors and suppliers and have earned a reputation for not cutting corners and for taking care of the interests of our stakeholders.

They adopt a hands-on approach and strive for consistency amongst the various developments. These factors, in turn, help ensure that there is delivery on the expectations of investors. The principal-agent problem in Africa is simply too large a factor to follow a business strategy of outsourcing some of the key functions.

Because of generally high building costs in Africa, Novare has been able to secure significant savings without compromising on quality thanks to its in-house capabilities. This applies to construction costs and procurement.

Where the procurement of materials is concerned, Novare's preference is to support local suppliers in each of the countries in which it operates, subject to price and quality criteria. The group retains control of shipments because it's important to know where materials are for planning purposes.

Aside from the benefit of currency inflows due to local procurement, property developments in Africa contribute to each country's infrastructure while also creating significant numbers of sustainable jobs.

Importantly, Novare's mostly institutional investors, mostly pension funds whose long-term liabilities match the investment horizons required with the private equity asset class, benefit from superior returns.

In Africa, as elsewhere, the keys to success lie in having the specific skills set and experience to execute transactions profitably, and of course, solid business relationships based on trust.

Contributor's Profile

Derrick Roper is a qualified actuary. He graduated from the University of Stellenbosch in South Africa and is a Fellow of the Institute of Actuaries in England. Before joining Novare he worked for a number of large financial services companies in South Africa including Sanlam and Gensec Asset Management. He spent some time in the United Kingdom where he gained experience in investment product development in the pension fund market. Derrick co-founded Novare in October 2000. He is a regular commentator on industry topics in the financial media and has addressed numerous conferences across the globe. Derrick's areas of expertise include asset-liability matching, strategic asset allocation, alternative investments and private equity investments in sub-Saharan Africa. Derrick's tendency to innovate in product development saw Novare launch the first South African Fund of Hedge Funds in 2003, and subsequently, the first Novare Africa Property Fund in 2010. Derrick is the CEO of Novare Equity Partners, a private equity firm investing exclusively in Sub-Saharan Africa outside of South Africa. He is listed amongst the top 50 most influential, innovative and powerful figures in African asset management by Africa Asset Management magazine for 2013 and 2014. He has 24 years' experience in the industry and is an executive director on the board of directors for Novare Holdings.

CITIES FACE TOUGH COMPETITION FOR BUSINESS INVESTMENT IF THEY ARE NOT NATIONAL CAPITALS

By **Scott King,** Global Leader – Public Sector at Grant Thornton International

Every city official knows that if you're not running a global capital city, you're going to have to work twice as hard to attract business investment. Being a second or third city might seem to be a handicap but it forces you to innovate, which can only be a good thing.

Innovation doesn't have to be difficult, though. Most city officials are looking for an epiphany that will bring investment flooding in but in reality, workers and businesses simply want to go somewhere that feels relevant and vibrant. This environment cultivates creative, productive workforces and long-term, sustainable businesses. Here are five things city officials can do to start the journey towards that transformation.

1) Make your city a place where young people want to live, work and play

Businesses want to invest in cities with a young workforce. Omaha, in the US state of Nebraska, used to have a population of mostly under-20s and over-45s, and very little in between.

City officials recognised that the community may not thrive without the missing demographic. So they benchmarked themselves against other US cities with young working-age populations to answer the question: what do they have that young people want to experience that we don't have?

The answer? River walks, downtown boulevards and arts districts. Young people aren't ready for the house in the suburbs. They want central areas where they can meet, relax and have fun with friends.

Omaha remade itself over a decade, transforming its industrial area alongside the Missouri River into promenades and bridges. Arts districts have sprung up near the river too and more people, of all ages, are being drawn into the city by activities such as the performing arts.

The city continues to remake itself. Last May, the Campaign for a Greater Omaha launched a survey to identify what keeps young professionals in the area and what could improve the city's chances of attracting and retaining more of them.

Previous survey results have influenced the development of attractions such as the city's TD Ameritrade Baseball Park and the Midtown Crossing Project, which provides residents with "urban walkable retail".

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2) Use good data to tell a compelling story about your city

Many federal and national governments require their cities to publish data on economic and social performance. Often these figures are presented in the format mandated by national governments, rather than considering how, if presented well, they could be part of the story to attract investors.

Cities that can provide businesses with good, concise information about relevant factors – economic performance, wellbeing of the population and where entrepreneurs are located, for example – will be the ones that attract investment. If they can use that data to tell a story, even better. There are many cost-effective tools available that some cities have already adopted to help tell their story.

Finland's Espoo is one of three main cities in the metropolitan area of Greater Helsinki. Vantaa and the capital, Helsinki, are the other two. Espoo offers a handy statistics pocketbook for download, sharing top-line data on education, employment and income levels, a sector breakdown of the labour market, figures on real-estate stock and much more besides.

It's just a taster, however, of what Espoo is making publicly available through its participation in the Six City Strategy, an initiative involving Finland's six largest cities and designed to encourage "smart and open urban development".

The Helsinki Region Infoshare website, part of this initiative, pulls together comprehensive data from across the Helsinki Metropolitan area, which includes Espoo. The website offers in-depth data about Espoo on 20 categories, including economy and taxation, jobs and industries, IT, health, housing, and education and training. Everything a business needs to conduct its due diligence is there.

Separately, the jobs and enterprise section of the City of Espoo's website lists user-friendly pages such as 'For employers' and 'Businesses and potential entrepreneurs'. The pages offer companies a range of information on starting, operating and growing businesses in the city.

Right now, there's a lot of data to trawl through and it could be curated more effectively to explain why Espoo is worth investing in. The city has a lot to learn from neighbouring Helsinki on this front.

However, at least city officials are thinking about the questions that investors might be asking. It's a step in the right direction.

3) Build a case for positioning yourself as an international location

When a young person joins a business, if it's international and they can see an international career path for themselves, they are two to three times more likely to stay. International companies are more likely to want to invest in international locations.

The UK's second city, Birmingham, has long pitched itself as an international city.

Birmingham Airport's slogan, "Hello world", reflects its positioning as a global travel hub operating flights to Europe, the Middle East, the Indian subcontinent, North America and the Caribbean and, most recently, China.

Birmingham City University describes itself as a "modern, dynamic international university" with staff, students and alumni from more than 100 countries.

The city council has a dedicated European and international affairs team that oversees the implementation of its European and international strategy for Birmingham, which sets out the direction for the city's global engagement.

The message is getting through, with newspapers such as the Financial Times running headlines such as "Why Birmingham is now one of Europe's best cities for investors".

4) Elect and appoint visionary leaders

Smart city expert Uri Ben-Ari recently wrote: "Every smart city programme around the world started with a visionary mayor. No smart city programme can even succeed – or begin – without a visionary and smart mayor."

Smart cities are gaining traction around the world. They use technology and intelligent management systems to solve current and future challenges and deliver groundbreaking services to their constituents.

Israel – the "start-up nation" – is no stranger to the potential of smart cities and Eilat was the first city in Israel to adopt the concept. In 2012, mayor Meir Yitzhak Halevi appointed Ben-Ari as its smart city strategy consultant and tasked him with formulating its smart city strategy, working alongside a dedicated smart city team led by deputy mayor Eli Lankri.

Results are already starting to emerge. Around 70% of Eilat's daily energy supply now comes from renewable sources and visitors have access to free Wi-Fi after officials voted to put an internet cloud over the city. The European Union has awarded a €500,000 grant to Eilat to establish a "smart neighbourhood" that comprises all aspects of a smart city.

Whether you decide to attract investment through smart-city status or some other means, you need visionary leadership of the kind Halevi and Lankri provide to understand what will attract investment in the first place and push through the changes to make that happen.

5) Identify and exploit your cachet

A World Bank report, "Competitive cities for jobs and growth: what, who and how", examines the characteristics that make up globally competitive cities. Researchers say all the cities they identified as globally competitive had a clear strategy to exploit their competitive advantages.

Cities named as exemplifying global competitiveness are not the usual suspects. The list includes Bucaramanga in Colombia, which has used oil revenues to turn itself into a centre of oil expertise. City officials have invested in universities known for their research into the oil industry, boosting the availability of technical skills in the process. Bucaramanga is also home to the Colombian Petroleum Institute, the research arm of state oil company Ecopetrol.

The report also cites Tangier, Morocco's third city, which it says has gone from "dormant to dominant" in just over a decade. The city has regenerated around its old port and now boasts one of Africa's largest seaports, automotive factories, multiple free trade zones, industrial parks and a thriving tourist industry.
Like their colleagues in Bucaramanga and Tangier, city officials all over the world need to find the one thing that rival cities don't have and which will give investors a reason to come.

As globalisation makes the world smaller, pitting second cities against national and international rivals, city officials face a stark choice: adapt or contract. Like Omaha, Espoo, Birmingham, Eilat, Bucaramanga and Tangier, those that adapt can look forward to an investment-rich future.

This content was extracted from GrowthiQ. The GrowthiQ insights are drawn from thought leaders both inside and outside Grant Thornton providing actionable information for leaders of dynamic businesses.

Contributor's Profile

Scott King is global leader of Grant Thornton International's public sector team. He also leads the state and local practice and the international development and organisations practice for Grant Thornton US. Prior to this, Scott served as CEO of a Grant Thornton wholly owned subsidiary in Dubai, and established a member firm in Iraq.

Scott has more than 25 years' experience in strategic performance management, providing consultancy to local and foreign governments, as well as Fortune 500 companies. Before joining Grant Thornton in 2001, Scott was a principal with UMS Group and spent 13 years at the Department of Defence.

REAL ESTATE INVESTMENT NEWS ACROSS AFRICA

Westin Hotels & Resorts Debuts in Cairo, Egypt, setting a new standard for well-being in Egypt's capital city. It announced the opening of Egypt's best kept secret, The Westin Cairo Golf Resort & Spa Katameya Dunes. Owned by New Cairo for Real Estate Investment Company, the resort and spa is located in the prestigious, residential community of Katameya Dunes, anchored by a 27-hole championship golf course designed by world-renowned Nick Faldo and Brian Curley. With Westin's signature wellness initiatives offered for global travelers and local residents alike, the hotel is poised to set a new standard for well-being in Cairo.

Marriott International Rapidly Expands its Footprint across Africa. Marriott International continues its robust expansion across the African continent with news of brand-new signings of new properties in Cape Town, Nairobi, Cairo, and Mauritius. This announcement comes hot on the heels of Marriott's recently completed acquisition of Starwood Hotels and Resorts, which has created the world's largest hospitality. The transaction has increased Marriott's distribution in Africa, thus affirming the company's number one position across the continent.

Carlson Rezidor on Track to achieve More than 23,000 Rooms in Africa. As part of an accelerated African growth strategy for Carlson Rezidor, one of the world's largest hotel groups, is on track to achieve its target of more than 23,000 rooms open or under development in Africa by the end of 2020. Rezidor's President and CEO, Wolfgang M. Neumann, says the hotel group launched its accelerated African growth strategy in 2014 with ambitions to double its portfolio in Africa by the end of 2020.

Hilton Expands Presence in Nigeria with Signing of Hilton Lagos Airport. Hilton has announced the signing of a management agreement with Quality Inspection & Testing Services Limited to open a 350 guest-room and suite hotel at Lagos' Murtala Muhammed International Airport, Nigeria. The hotel is set to open in 2023 and joins Hilton's growing African portfolio of more than 80 properties trading or in the development pipeline, which will see Hilton more than double its presence across Africa in the next 3-5 years.

Best Western Hotels & Resorts adds another hotel to its East African portfolio. The newest addition is BW Premier Collection The Alba, located in Nairobi, Kenya. Centrally located, with easy access to businesses, offices, banks, shopping and tourist attractions, it is the ideal place to stay in Nairobi for either business or pleasure. The new construction property, set to open in Q3 2017, features 83 carefully designed rooms all featuring a selection of modern amenities including flat-screen TVs and complimentary Wi-Fi. The hotel also offers secure underground parking.

Mara Delta splashes out $40m on coastal resort in Mauritius: Multi-listed Real Estate Investment Trust (Reit), Mara Delta has entered into agreement with Nereide Ltd, a unit of Lux Island Resorts Ltd to buy Tamassa Resort, located in Bel Ombre on the south western coast of Mauritius. Mara is set to acquire the property on a sale-and-leaseback basis that will see Lux Island Resorts continue as operator of the hotel. Tamassa is a four-star beach hotel comprising 214 rooms in close proximity to golf courses, nature parks and other attractions including the Seven Coloured Earths geological formations.

Hilton Worldwide has unveiled plans to build a 255 guest-room and suite hotel in Kenya's capital, Nairobi, expected to open in 2020. An estimated $110 million has been budgeted for the construction of what could be the tallest hotel in Africa. Hilton announced that it had reached a management agreement with Jabavu Village Ltd to open a 255 guest-room and suite hotel. The hotel joins 50 Hilton Hotels & Resorts properties trading or under development in 17 countries across Africa.

Novare Real Estate to build $68m Shopping Mall for Abuja, Nigeria. Construction has begun in Nigeria's capital city of Abuja on a new $68 million shopping Centre, Novare Gateway Mall, scheduled to open during the third quarter of 2017. Developed by Novare Real Estate Africa, the total size of the mall will be approximately 25 000m2. The development will be phased with an initial stage of 15 278m2. The total cost for the first phase is forecast to be $68 million.

Egypt is going ahead with its plans to build a multi-billion new city near Cairo, which will become the new country's capital. The scale of the plans certainly defy historical norms. If completed, the currently nameless city would span 700 sq km (a space almost as big as Singapore), house a park double the size of New York's Central Park, and a theme park four times as big as Disneyland – all to be completed within five to seven years.

South Africa's Menlyn Park Shopping Centre to cement its place as Africa's largest mall. Despite a slowdown in consumer spending across South Africa, Pretoria's Menlyn Park Shopping Centre is undergoing a R2.5-billion revamp that will make it the largest mall in Africa, unseating Durban's Gateway Theatre of Shopping. The on-going shopping mall developments and others that are still in the planning phase in SA, is increasingly driving concerns about an oversaturated retail property market despite consumer spending being in the doldrums.

RICS: INCREASING CONFIDENCE IN SOUTH AFRICAN PROPERTY MARKETS

By **Mark Walley,** Managing Director, EMEA, Royal Institution of Chartered Surveyors (RICS)

In the extensive travel that I do in my role I get to talk to professionals and market leaders right across the UK, Europe, Middle East and Africa. I also get to talk to governments and policy makers. What is very clear to me is that for all these parties the Royal Institution of Chartered Surveyors (RICS) name promises the consistent delivery of standards – bringing confidence to the markets we serve.

We are taking a lead in developing and embedding international standards which are recognised throughout the world. These high level standards sit across our profession, providing a common framework for all practitioners and other stakeholders.

Since 2013, we have been working with more than 100 other professional and standards-setting organisations throughout the world to develop high-level international standards. Collectively, these organisations own the standards which are implemented by each organisation through their own professional guidelines. We are implementing these new international standards through RICS Professional Statements.

RICS is a founding member of four separate coalitions, which are working to create the following standards for our profession:

International Property Measurement Standards (IPMS)
Property measurement standards differ drastically around the world. It means that the same building could be up to 24% different in size depending on the standard used. In an interconnected global marketplace this inconsistency leads to confusion and risk for all property owners, occupiers and investors, especially those that operate across borders. Fundamentally it makes analysing property portfolios incredibly difficult.

More than 70 professional and standards bodies, including RICS, make up the IPMS Coalition, which will establish a common standard for measuring property, enhancing transparency and comparability in real estate. IPMS: Office Buildings was published in November 2014. IPMS: Residential Buildings was released in September 2016 and will be followed by versions for industrial and then retail property.

RICS Property Measurement, 1st edition updates the RICS Code of Measuring Practice, 6th edition and incorporates International Property Measurement Standards (IPMS).

International Construction Measurement Standards (ICMS)
The standards used to calculate the cost of construction projects differ markedly throughout the world. In simple terms the 'line items' which make up the project cost total differ depending on where the project is being carried out. This makes it difficult to understand and compare project costs between markets. It also compromises our ability to interpret the social, economic and environmental 'footprint' of a construction project on a consistent basis.

Formed in 2015 the ICMS Coalition totals more than 30 professional and standards bodies from around the world. It is developing and implementing the first international standard for measuring construction costs. It will enhance transparency and help to de-risk investment in construction projects.

International Land Measurement Standards (ILMS)
Land tenure and ownership rights are a global challenge. Statistics show that some 70% of land and property in the developing world is un-registered and outside of formal markets which in turn has a direct impact on communities, wealth and our ability to effectively manage resources and the environment. Today, land measurement standards used to interpret and document tenure are at best inconsistent and at worst non-existent. RICS is one of the founding organisations setting up a coalition to address these issues. The Coalition was launched in June 2016

International Ethics Standards (IES)
Despite the prevalence of quality ethics standards within our profession today, there is no agreed, internationally observed norm - something the medical and accountancy professions both have.

Initiated at a meeting hosted by the United Nations in 2014, a coalition of professional organisations in the property and built environment sector are collaborating to align ethics standards at the international level. The IES Coalition of over 60 organisations hopes to publish the standard in 2016.

Consistency in standards will help all stakeholders understand what they are getting which brings confidence to markets.

Valuation
Valuation is one of the key areas of practice for RICS qualified professionals. In order to ensure globally

consistent standards in valuation, the institution publishes RICS Valuation Standards - also known as the “Red Book”, which are mandatory for RICS professionals and RICS regulated firms and apply the requirements of International Valuation Standards (IVS). The International Valuation Standards Council (IVSC) is an independent, not-for-profit organisation that produces and implements universally accepted standards for the valuation of assets across the world in the public interest.

In response to the last global financial crisis, RICS developed a regulatory monitoring initiative, known as Valuer Registration (VR), to ensure the consistent application of Red Book valuation standards worldwide.

Implemented as a mandatory scheme for all RICS members undertaking valuations in, inter alia, the UK, Netherlands, France, United Arab Emirates, Cayman Islands and Hong Kong, RICS Valuer Registration was launched in June 2016 and on a voluntary basis for any RICS valuer practicing in South Africa. RICS Valuer Registration will become mandatory for all member valuers working in the field in South Africa from 1 February 2017.

The Valuer Registration scheme is intended to ensure confidence in the delivery of valuation advice and reinforce the highest professional standards in property valuation - a key component underpinning most economic activity. RICS main objective with this initiative is to reinforce the quality and accuracy of valuations while raising consumer confidence in the profession and, through effective regulation, minimising the risk associated with property valuations.

Valuer Registration provides key stakeholders in the property market with a clear designation that easily identifies the best regulated and qualified valuation professionals, as RICS members welcome complete transparency and open benchmarking against industry best practice. It follows that making this mandatory in South Africa from 1 February next year will reinforce transparency and enhance market confidence.

In a globally competitive business environment, internationally benchmarked property valuation standards are essential to facilitate greater transparency, and through effective monitoring the Valuer Registration scheme will demonstrate compliance with existing international standards.

While RICS members are regulated, registered valuers are subject to a specific monitoring regime that begins as soon as members sign up to Valuer Registration. An automatic risk score is established for the individual member and should any risks come to light, RICS will conduct further enquiry, including checking information against Red Book requirements, processes and audit trails that the Registered Valuer has in place.

The South African valuation profession has made good progress in the implementation of global valuation standards in recent years but is under more scrutiny than ever. The additional transparency that VR seeks to offer is vital in ensuring the trajectory towards international best practice continues.

RICS has committed to support the development of property professionals across Sub Saharan Africa through working in collaboration with local professional bodies and regulators – we want to bring our experience of international best practice to support the development of the continent. It is exciting to be part of that.

“In a globally competitive business environment, internationally benchmarked property valuation standards are essential to facilitate greater transparency, and through effective monitoring the Valuer Registration scheme will demonstrate compliance with existing international standards.”

Contributor’s Profile

As a member of the Executive Team of the RICS, Mark has responsibility to shape the direction of RICS and to fully contribute to the leadership of the organisation.
Mark is responsible for ensuring growth in the RICS' EMEA (UK, Europe, Middle East and Africa) region and that new segments are developed.

Through a strong network across the EMEA region Mark is responsible for the gathering and understanding of market insight, using this to form and develop strategies based on evidence based assessments and priorities. There is a strong focus on engaging with members, especially regional chairmen and boards working with them, to establish delivery of agreed plans.

Mark joined RICS in February 2011 from the ifs School of Finance. Prior to that, he spent time in consultancy and had a 25 year career with Barclays.

He is a Fellow of the Institute of Directors and holds a BSC (hons) in Banking and Finance.

AFRICAN HOTELS AND RESORTS: INVESTORS' HIDDEN TREASURES

By **David Harper,** Managing Director, Leisure Property Services

In 2015 the latest of the biannual reports by Hotel Partners Africa outlined the huge opportunity that was available for hotel investors in sub-Saharan Africa, echoing many earlier reports by a whole series of academic and professional luminaries. Everyone knows about Africa's potential, created by the population explosion, the demographic profile of the population and the commodities "lottery win". However, the shortage of hotel bedrooms provides one of the best opportunities for traditional property investors anywhere in the world. To set this opportunity into context it is useful to look at some of the key facts. In the USA, one of the most mature hotel markets in the world there are approximately 15,000 branded hotel bedrooms per million people in the population. Across sub-Saharan Africa there are only 89 bedrooms per million population. That is 168 times less; purely in terms of supply, the opportunities are huge. If a hotel is built in the right place, at the right time, without delays or cost overruns, and the right hotel is developed, then the returns can be huge. Many projects at feasibility stage show geared investment returns at 30% and above, and we have even seen hotels pay back the initial investment after less than three years.

This article provides our insight into some of the potential investment hotspots across sub-Saharan Africa, where opportunities may be at the most ripe, for intelligent investors. Please note, each opportunity will need careful consideration, on aa project by project basis. Just because an opportunity is located in one of the identified "hotspots" does not mean it will automatically work. It is still essential to look local market dynamics compared with the proposal, if the best returns are to be made; there is no substitute for detailed due diligence. Our hotspot analysis focuses on business hotels, and is heavily weighted to key cities in each country, albeit we refer to the country as the hotspot. Our analysis looks at GDP per head capita and compares it with branded bedroom supply. A country that has a strong economy, with limited supply of bedrooms is looked at carefully, in terms of the market dynamics. We have concentrated on countries that have the opportunity for more than one hotel, so investors can create natural scale efficiencies, by developing more than one property. As such certain very promising markets are not listed here, when using a different base methodology they would qualify as a hotspot.

Ghana

Ghana is the darling of property investment in West Africa, attracting significant commercial investment from experienced "Africa hands", and until the currency crisis it seemed to be growing strongly. In terms of hotels, it is the second most significant market in West Africa with 1,530 branded bedrooms already operational across 3 different cities. 9 brands are represented and the Ease of Doing Business rating (67 out of 198) and Property Rights Protection rating (60 out of 144) have resulted in a strong pipeline of a further 1,080 bedrooms over 6 projects. The population of almost 26m growing by an estimated 2.2% has the highest GDP per capita in the region at USD 3,500 (GDP/ Capita PPP).

In terms of branded bedrooms per million population it has a low 59 bedrooms, whilst the average bedroom is worth $351,411. Over the last six years, hotel values have risen at an average of 6.5%, which compares favourably with offices (5.4% per annum increase), retail (a 7% per annum drop in value) and industrial properties (which showed a 7.4% per annum drop in value).

Nigeria

Nigeria is the most important economy on the continent, and arguably the most important country, given its huge size, trading power, and potential for growth. It is by far the most significant hotel market in West Africa with over 6,000 branded rooms across 41 hotels, with 21 brands (and 14 hotel companies) represented in 9 cities. With a population of almost 180m, growing at an estimated 2.5% per annum and with the largest economy on the continent, it is unsurprising that more hotel projects (40) and more branded bedrooms (6,614) are proposed here than in any other country on the continent. The last 2 years have been difficult, with the decline in oil prices and the devaluation of the local currency, but with 37 state capital cities, all of which arguably could accommodate new hotel bedrooms, this country will always provide interesting opportunities.

In terms of branded bedrooms per million population it has a low 34 bedrooms, whilst the average bedroom is worth $433,674. Over the last six years, hotel values have risen at an average of 5.5%, which compares with offices (1.4% per annum decrease), retail (a 14.5% per annum increase in value) and industrial properties (which showed a 16.5% per annum increase in value).

Ethiopia

Ethiopia presents one of the clearest opportunities on the continent. The existing supply consists of just 3 existing branded hotels with 879 rooms, meaning it really is the "sleeping giant" in East Africa. With a population of just under 100 million it is woefully under supplied in terms of branded bedrooms, with nothing outside of Addis Ababa. Even when taking into account the 6 new hotels in the pipeline (which would more than double the existing supply at 19 rooms per million population) significant development potential exists across the

country.

Kenya

The most developed hotel market in East Africa (and arguably all of Africa except Egypt and South Africa) is in Kenya, with 38 existing branded hotels with 4,200 bedrooms spread across 19 different brands. However, in the last few years the market has suffered badly because of terrorism and safety fears for travellers. High profile attacks, like the Westgate Siege in Nairobi or the massacre at Garissa University in Eastern Kenya, compounded by travel advisories warning against non-essential travel led to a drastic decrease in tourism visitation, trading and performance.

In terms of branded bedrooms per million population it has a relatively high 93 bedrooms, whilst the average bedroom is worth $227,629. Over the last six years, hotel values have risen at an average of 5.7%, which compares relatively unfavourably with offices (30.3% per annum increase), retail (an 11.7% per annum increase in value) and industrial properties (which showed a 22.2% per annum increase in value).

The market is ripe for opportunistic purchasers, with interest increasing the pressure on existing ownerst o reduce asking prices. Kenya will rebound in terms of leisure business and with an increase in corporate demand the medium to long term prospects look good.

Tanzania

Tanzania's branded hotel stock showed the highest growth in the region over the last 6 years at 6.3% per annum and with 41 hotels and 3,150 bedrooms it is a very important regional market. 17 brands are represented in different locations with a further 10 new hotels and 945 bedrooms in the pipeline. With a population of just under 50 million, growing at 2.8% per annum, the expanding oil and gas sector are starting to reduce the significance of the travel and tourism sector to the country's economy as a whole (currently 11.5% of all jobs are in the wider travel and tourism segment).

Dar es Salaam remains the primary commercial market but leisure hotels at the beach (Zanzibar and Pemba) or the game reserves (Ngorongoro Crater and Serengeti) or at Kilimanjaro all have significant demand.

Angola

In terms of value, Angola is the leading location in the region, in part down to Luanda being consistently rated the most expensive city in the world. Asking rates of about USD500 per person per night in Luanda compounded with huge tariffs for food (USD30 burgers), combined with low staff costs have led to strong hotel values. Even an increase in supply over the last five years of over 100% of the available (branded and nonbranded) hotel stock have not adversely impacted on performance. The existing branded market is small (4 hotels with 910 rooms), but a further 780 rooms (86% increase) are in the pipeline.

However, Angola remains a difficult place to do business. The Ease of Doing Business rating of 179 out of 189, and a Property Rights Protection rating (141 out of 145) tell a clear story, of just how much perseverance and careful due diligence is required to allow investors to take advantage of this lucrative market.

How to review new opportunities

Two types of opportunities exist for hotel investors on the continent – the chance to buy an existing asset or the chance to develop new hotels. Both require expert advice if mistakes are to be avoided.

Most investors in Africa have concentrated on developing new hotels, and the simple way to ensure this is done well is to ensure you are building the most suitable hotel, and then to make sure you don't spend too much money, or encounter any undue delays. In a piece of research Hotel Partners Africa carried out earlier this year on actual hotel developments in key cities, it was shown that the typical delay in hotel openings was around 4 years across sub-Saharan Africa, with Lagos showing an average delay of 7 years, Accra and Dar es Salaam showing 3 years, Addis Ababa, Kigali and Kampala showing a 4-year delay, Lusaka showing a 5-year delay, and Nairobi and Abidjan showing and average delay of 2 years. These delays cost money – the returns on a development diminish rapidly if there are delays, and in one project the IRR dropped from an ungeared 15% to less than 7% on the back of a 4-year delay. Typical reasons for delay are not being prepared, changing your mind about the project during the process, not have an experienced development team, or not having enough money.

New developments do provide an opportunity to make excellent returns, if things go right. Buying an existing hotel minimises the risks of the process, as the property will usually already be operating, so a cashflow can be anticipated immediately. The key thing here will be to ensure you do not pay too much money – and as such a formal valuation by a hotel valuation expert is essential. Such a valuer will ensure you understand all the risks associated with the purchase, the state of the market currently, and anticipated movements in the market, both from an operational perspective and an investment perspective. They will advise on branding, the terms of the management contract, capital expenditure requirements as well as any "treasure hunting" opportunities.

The simple conclusion is that Africa is full of really exciting opportunities for hotel investors, but it is essential they understand the market place and get expert advice if mistakes are not to be made. There are risks, but for the right project the returns can be extraordinary, which is why so many investors are looking closely at the top locations, and if they are wise the "hotspots" listed above will form their starting point.

CAUTIOUS OPTIMISM FOR INVESTORS IN SUB-SAHARAN AFRICA HOTEL SECTOR

By **Xander Nijnens,** Head of JLL 's Hotels & Hospitality Group, Sub-Saharan Africa

Investor sentiment for hotels in Sub-Saharan Africa remains positive despite economic headwinds in key markets, according to the latest JLL research into the sector. The long-term outlook continues to be strong and is driven by positive economic, demographic and tourism trends, with all indicators pointing to continued hotel demand growth as the region's economy and hotel sector continue to mature.

Speaking at the Africa Hotel Investment Forum in Kigali, Rwanda, Xander Nijnens, Senior Vice-President, Hotels and Hospitality Group, JLL Sub-Saharan Africa, said: "Our medium-term outlook for the hotel sector is positive and JLL forecasts demand growth of 3% to 5% per annum during the coming three years. From an investment perspective, we forecast USD1.7 billion to be invested in hotels in Sub-Saharan Africa in 2017 and a further USD1.9 billion in 2018. The new supply pipeline continues to grow with greater efficiency in realising new developments as the sector matures".

Nijnens added, "The hotel sector is not, however, without its challenges and we are seeing an increasing divergence of the performance and outlook for key markets. The region offers a broad range of challenges and opportunities, as well as risk and reward. From the perspective of global capital searching for investment opportunities, the region can be a challenging one to navigate. Investors and lenders alike are recognising this and, while regional players continue to leverage their first mover advantage to entrench their presence in the sector, global capital will increasingly flow into the region as markets mature and transparency increases."

Hotel developers and operators are increasingly understanding how to tap into this demand and are offering a broader hospitality offering best suited for each market and client base. This demand growth, paired with more effective matching of supply to demand, sets a good foundation for investment. Nijnens noted that, "Long-term investment fundamentals for the region remain positive despite the short-term challenges that have impacted the hotel sector in Sub-Saharan Africa in the past two years. Macro-economic development and government policy towards tourism, investment and economic growth remain critical in a corporate demand-led sector."

The main barrier to entry in Sub-Saharan Africa, according to the research, is finding projects that meet the minimum return threshold. The capital is available, but investors are seeking the right leveraging to achieve their equity returns. Lack of foreign currency ranked higher this year as investors struggle to deal with various currency factors. Improvements in political, economic and currency stability will see a reduction in the risk premium placed on hotel investment in the region, which will in turn increase capital flows. Development costs should reduce in the medium-term as development professionals, owners and lenders gain experience in the region. As the pipeline of new projects is more effectively implemented, liquidity will increase and exit options will improve.

Lenders in the region are more cautious towards the hotel sector than their clients, particularly with regard to underwriting operational cash flows in what is seen as an emerging sector. Nijnens concludes, "For the foreseeable future, we can expect commercial bank lending to be determined on the basis of recourse to the sponsor, while the development banks will play a critical role in pioneering new frontiers. As institutional investment increases, lending is expected to become more readily available at improved terms, which will in turn provide better leverage returns on equity."

Investors who carefully consider the supply and demand variables of the markets in which they develop and transact are well placed to generate high risk adjusted returns. Those who are able to establish platforms with scale should be increasingly well placed to attract external capital or become an acquisition prospect for larger global players.

The diverse set of fundamentals in each market is becoming integral to the way in which investors and lenders approach the sector, with a region-wide approach becoming increasingly challenging. The research promotes the view that investors should embrace the diversity that these markets bring, but most importantly understand the variety and nuances of these markets.

Contributor's Profile

Xander Nijnens is Head of JLL's Hotels & Hospitality Group in Sub-Saharan Africa and leads assignments and projects in the region. Xander focuses on delivering Strategic Advisory, Investment Sales, Financing and Asset Management services to local, regional and global clients across the region. Xander has over 11 years of experience in hotel advisory, investment and operations in 20+ countries in Africa and the Indian Ocean region. His broad range of hotel experience includes corporate finance, capital markets, asset management, strategy and development and he has wide experience across all market segments from budget to luxury hotels.

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DECLARATION OF THE MEMBERS OF THE AFRICAN UNION FOR HOUSING FINANCE (AUHF) FOLLOWING THE ANNUAL GENERAL MEETING HELD IN ABUJA, NIGERIA ON 16 SEPTEMBER 2016[1]

We, the members of the African Union for Housing Finance, having met with colleagues from the public and private sectors from over twenty countries over the past three days, and having held our 32nd annual general meeting in Abuja, Nigeria, on 16 September 2016, express our commitment to driving investment in Africa's housing sector so that it contributes substantially to Africa's growth agenda.

We note:

Affordable housing delivery to meet an ever increasing demand presents a tremendous investment opportunity that can substantially impact on Africa's growth agenda. The construction, management, and occupation of housing is a labour intensive activity with substantial job creation potential, and which stimulates demand for goods and services across the primary, secondary and tertiary sectors of the economy. Calculating these backwards and forwards linkages together with housing backlogs that extend into the tens of millions (26 million units just among nine sub-Saharan African countries and growing annually), the investment opportunity actually runs into the trillions of dollars.

This enormous opportunity, increasingly recognized by both the private and the public sectors, cannot be realised however, in the face of a broken housing delivery value chain. The constraints and inefficiencies that exist at each link in the chain then manifest in growing informal settlements and poor housing conditions which persist notwithstanding a growing middle class and evidence of, albeit limited, housing affordability. This is a problem that requires the active engagement by both the public and private sectors, in setting and implementing policy; and developing appropriate instruments, products and services that meet the needs and capacities of the growing populations in our cities and towns.

The role of affordable and sustainable housing and housing finance, including social habitat production, in economic development, and the contribution of the sector in stimulating productivity in other economic sectors and contributing towards sustainable and inclusive economic transformation at the national, sub-national and local levels is a key commitment (paragraph 46) in the Quito Implementation Plan for the New Urban Agenda. It is towards the realization of this commitment and in the spirit of an explicit role for the private sector in the New Urban Agenda, that we frame our expectations and make our commitments, here, in this Abuja Declaration.

We understand:

Increasing urbanization, growing populations and a growing middle class together contribute towards rising housing demand – we have the choice of meeting this demand effectively, with well-targeted, affordable housing that responds to the capacities of the demand side; or suffering the challenge with ineffective housing delivery systems that lead to growing informal settlements and inadequate housing outcomes. With an urbanisation rate of 3.5% over the past two decades, Africa's cities are the fastest growing in the developing world. Currently, about 40% of the continent's one billion people live in cities and towns; and it is estimated that in the next few years, some African cities will be home to as much as 85% of their country's population. Between 2009 and 2030 it is estimated that the middle class in Sub-Saharan Africa will grow from 32 million people to 107 million. This growth presents a remarkable opportunity to stimulate our economies in the production of affordable housing at scale, transforming our cities into productive spaces that meet the needs of our people. We see an opportunity to turn investor interest towards the large market of middle and lower income housing in urban areas across Africa and to use this to champion both improved housing conditions and economic growth, while also addressing inequality with the asset potential that housing offers.

Housing is infrastructure, fundamental to the functioning of our cities and towns and essential to the ability of our people to operate effectively in our economies. The production and consumption of housing stimulates economic growth and growing property markets support enhanced financial intermediation contributing to the efficient development of national economies. And housing assets, whether geared with finance or not, can act as a financial springboard to micro and medium enterprise and human capital development. Good housing contributes substantially towards good outcomes in health, education, the realization of sustainable livelihoods, and the sustainability of our human settlements. Poor housing has an equal but opposite effect, contributing towards the proliferation of disease and infection, poor

1 The African Union for Housing Finance held its 32nd Conference and Annual General Meeting in Abuja, Nigeria, from 14-16 September 2016. Hosted by the Nigeria Mortgage Refinance Company, an AUHF member, the meeting attracted 184 delegates from about 126 organisations in the public and private sectors across 23 countries. The conference theme – "Housing and Africa's Growth Agenda" – focused on the opportunities for housing investment to stimulate economic growth and job creation across the African continent. Conference presentations are available on the AUHF website: *http://www.auhf.co.za/conference/housing-and-africas-growth-agenda/*

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access to education, rising inequality and poorly functioning cities. The realization of adequate housing is a matter of international interest and something towards which we must all focus our efforts if we are to be able to achieve any of our individual goals.

For this reason, effective housing markets depend on the active participation and cooperation of both the public and the private sectors. **Effectively structured public private partnerships are critical** and we seek to enter into these in our respective local contexts. The role of government is to set an appropriate and enabling legal and regulatory framework, and to lead in the provision of serviced land for housing. Government can also provide legislative innovation and budgetary support for specific development objectives in the housing sector, such as VAT relief on newly constructed units sold to target market households. Full subsidisation is not required, however, as financial institutions have the capacity and appetite to provide development capital, risk mitigation products and end user finance. Development Finance Institutions can provide additional capital, technical assistance and targeted risk sharing mechanisms. With the legal and financial framework in hand, developers can then drive the initiative with their development expertise, also taking part of the risk. Lastly, households themselves, have a variety of capacities to contribute towards the realisation of their housing needs, whether financially or with their labour. Public private partnerships are risk-sharing arrangements in which parties bring together their resources, using these collectively to realise the objectives of the project.

A key economic indicator in the developed world, the housing economy is not well-tracked in African countries. Property and construction data, captured as part of the national GDP statistics, conflates activity in the commercial, retail and industrial sectors with residential data; lenders do not differentiate in their monitoring and reporting between loan products; and indeed, in many contexts land rights are not captured on an electronic registry. When data is collected, it is for the high-end market – a very small minority of the overall potential for growth, and of the activity that actually comprises local housing markets. And then, of course, the majority of housing across the continent is owner-built, incrementally, without formal finance. This makes it very difficult to quantify the impact that housing has on the economy, and to then motivate for increased policy attention to address market constraints.

We urge national governments to address the following five critical challenges at the national level:

1. *Macro-economic and monetary policy that is supportive of investment in housing markets:* the growth of the housing sector in Africa demands greater financial innovation that increases the capital available, whether for lenders, developers, or households themselves. Our capital markets are shallow and secondary markets are ineffective. Notwithstanding substantial financial capacity in our pension industries we are overly reliant on foreign capital for investment, and this places us at risk of currency fluctuation and other global economic factors. Policy must explicitly enable long term funding and increased investment of local capital, especially pension funds, into affordable housing. The role of the central bank and monetary policy is fundamental in this regard. Key areas for policy attention include interest rates, inflation, tax policy, currency risk, capital requirements, legislation governing the pensions industry, and other macro-economic issues that impact on housing.

2. *Consistent national housing policy and regulatory framework and the inclusion of affordable housing in national development plans.* The long term nature of housing investments makes the current situation of policy uncertainty critically important. Unpredictable regulatory changes, complex legal frameworks and volatile local currencies all limited investment timeframes and challenge exit strategies, encouraging investors to look elsewhere, or upmarket, where the capacity to absorb costs is greater. Government policy and focused national plans can have a significant impact on investor interest and market participation, simply by being reliable and timely. At the same time, good policy can improve the reach of good investment – extending the benefits of investor interest to a wider array of people, and critically, down market.

3. *Transparent and realistic land management systems:* the investment of capital in housing markets depends on legal frameworks that confirm and support ownership or tenancy rights as they exist, and allow property to be used as collateral for access to credit. The legal infrastructure necessary to support formal title might not be immediately possible in all jurisdictions so mechanisms that recognize and secure tenancy rights in a practical manner are necessary. Sound planning frameworks that promote the growth of sustainable human settlements are a critical part of the enabling environment on which investment depends. Governments across Africa should streamline and prioritise their land legal frameworks, establishing and improving appropriate and sustainable titling systems, ensuring security of tenure, allowing for efficient foreclosure processes, and clarifying and upholding rights of occupation and use, all in favour of effective housing markets.

4. *Transparent dissemination of key data relevant to the functioning of the housing sector.* A fundamental precondition for investment is the availability of data and market intelligence that quantifies the demand, supply and activity of housing markets and enables investors to assess market risk and opportunity with precision. When this is not possible, investors either shift their attention to more easily quantified investments in other sectors, or they set their return expectations higher to compensate for poorly understood markets and risk, compromising affordability. By their nature, governments control access to considerable data in the housing delivery, land

and property market, and credit market sectors. Governments should adopt "Open Data" policies, and should actively track and report on housing market performance broadly, to enable and encourage investor participation.

5. The promotion of *a national housing finance framework that addresses the breadth of housing finance needs of households, from mortgage to non-mortgage finance,* with specific attention to how such financing products intersect with the housing delivery value chain. There are very positive examples of inclusive housing finance systems across the continent, but these are not yet operating at the scale required. Governments can assist in promoting non-mortgage housing finance systems through the active and regulatory promotion of developmental credit, effective and appropriate credit regulatory systems, and the establishment of land use management systems that provide for and facilitate incremental housing delivery approaches.

At the city level, we urge further attention to the following three local challenges:

1. The establishment of *effective PPPs (public private partnerships)* that appropriately allocate roles and responsibilities between the public and private sector, while also drawing in the participation of local population (people as a fourth "P") in support of specific affordable housing projects at the local level. PPPs enable each party to offer their specific capacity to a project – land, services and municipal approvals from government; financial and construction capacity from the private sector; savings, planning and labour from the community.

2. *Clear, efficient statutory approval processes for affordable housing delivery, and transparent and realistic land management systems:* the cost of housing is substantially impacted by the time it takes to deliver. Much of the housing delivery process is framed by the approvals that developers have to secure from local government regarding land availability, bulk services connections, environmental assessments, building plan approvals, and so on. Delays in the achievement of these impacts on the overall time it takes to deliver the housing, and therefore the length of time that investment capital sits without return. This increases the peak funding required, which in turn increases costs, lowers profitability and discourages investment. Governments can entice developers and investors into affordable housing by ensuring efficient processing and approval times. Not only will this reduce costs and contribute towards affordability, it will also encourage investor interest in the affordable housing market.

3. *Investment in infrastructure and serviced land for housing:* a key constraint facing housing developers in the delivery of housing at scale is access to serviced land for housing. Government can facilitate increased construction by making land available through its regulatory and other levers, and investing in bulk infrastructure to support this. As cities develop, the establishment of effective rating and collections systems can also build municipal capacity to further meet the need on an ongoing basis, while also establishing critical contracts for local citizenship.

We commit ourselves:

We, the members of the AUHF, confirm our commitment to the growth and development of affordable housing across our continent. As individual housing sector practitioners, and collectively as members of the African Union for Housing Finance, we are committed to:

- Constructive and accountable participation in PPPs that effectively leverage both public and private resources for the benefit of better market targeting and increased scale of delivery of affordable housing across Africa.
- The development of appropriate housing and housing finance products, services and underwriting standards, that are affordable to our populations, that respond appropriately to the reality of informality, and that contribute effectively towards adequate housing for all, across our nations.
- The mobilisation of local capital resources of sufficient tenor, debt and equity, with the appropriate risk underpins and supportive frameworks to encourage the participation of a diverse range of investors across the range of housing solutions, and to enable developers to grow their capacity to operate at scale.
- Investment in housing that is both for rent and for ownership, that supports the increasing diversity of our cities and contributes towards sustainable human settlements.
- Ongoing professional development to support the establishment, and consolidation, of sustainable and robust institutions throughout the housing supply chain, and the provision of capacity support, technical assistance and professional development.
- Data transparency and information sharing. We will support the collection, analysis and dissemination of evidence based information on effective housing finance practice and the performance of the housing market. In this, we are committed to sharing best practice and building track records that can be monitored on an ongoing basis, setting benchmarks for our peers and one another, in support of more effective housing markets across the continent.
- Increased dialogue and engagement between the public and private sectors, at a local, national, regional, continental and international level.
- Working in collaboration with each other, and other stakeholders, whether in the public or private sectors, to promote the realisation of sustainable human settlements across Africa.

The AUHF is keen to engage with respective governments at the national and local level on both macro and micro economic issues, including interest rates, tax and monetary policy, and housing and land policy as it influences the growth and performance of

housing markets.The AUHF and its members look forward to working with governments and other stakeholders, in their respective cities, countries, and across the continent, in driving investment in Africa's housing sector so that it contributes substantially to Africa's growth agenda.

16 September 2016
AUHF Board of Directors: Oscar Mgaya (Chairman), Charles Inyangete (Vice Chairman), Cas Coovadia (Treasurer), Omar Sarr (Secretary), Femi Adewole, Ruth Odera, Reginald Motswaiso, Joseph Chikolwa

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The African Union for Housing Finance is a member-based association of mortgage banks, building societies, housing corporations and other organisations involved in the mobilisation of funds for shelter and housing on the African continent. The AUHF is committed to promoting housing finance on the African continent and is grounded on the following objectives:

- To identify and connect stakeholders, establishing a vibrant and supportive housing finance sector across the African continent;
- To understand and communicate the key issues facing practitioners and our members in the housing sector in Africa;
- To promote best practice in the affordable housing industry across Africa;
- To enable members to respond to the challenges and opportunities within the contexts of their businesses, supporting better engagement between the public and the private sectors;
- To promote and drive effective professional development among its members through the provision of housing finance training;
- To build capacity towards improved housing finance systems in Africa, through the delivery of conferences, seminars, workshops, member exchanges and other mechanisms;
- To ensure the effective governance and sustainability of the AUHF towards the realisation of the mission and overall objectives.

THE FUNDAMENTAL REVIEW OF THE TRADING BOOK

By **Ahimsa Gounden,** Capital & Models Barclays Africa CIB Market Risk

The very aptly named Fundamental Review of the Trading Book (FRTB) is set to go live in 2019 according to the final standards[1] published by Basel Committee on Banking Supervision (BCBS) in January this year. The paper calls for the rules to be incorporated into national legislations by January 2019 with banks expected to use FRTB for calculating reported regulatory capital by January 2020.

Whilst it's main objective is to reform the market risk capital framework, which has remained relatively consistent[2], the impact of the standards reaches much further beyond just market risk modelling.

Background and rationale

After three rounds of consultations, four quantitative impact studies and around five years of discussions, the final FRTB standards are finally here to completely revamp the market risk capital requirements with the intent to remediate shortcomings in the current market risk framework post-crisis and to promote a more stable, transparent and consistent market risk capital framework across various jurisdictions.

The following are among the deficiencies within the current framework, which act as the overarching objectives guiding the main areas of reform:

- Inadequate capture of tail and liquidity risks.
- Possibility for the existence of regulatory arbitrage between banking and trading book.
- Disjoint nature of standardised vs. internal models as well as the disparities across various jurisdictions.

Summary of the main reforms

There are three main areas of reform proposed by the standards:

Trading book/banking book boundary

The final framework imposes stringent rules for internal risk transfers between trading and banking books, which are likely to have a material impact, given the contradiction between the new proposals and current hedge accounting practices of allowing partial designation. In addition, the new framework introduces a presumptive list of assets that should be placed in the trading book unless a justifiable reason exists not to do so. This is intended to limit an institution's ability to move illiquid assets from its trading book where they must be marked to market to its banking book to avoid higher capital charges. One of the main criticisms about the current trading book/banking book boundary is that the definition may lead to insufficient capital being held against the risk that banks run.

The revised internal models approach (IMA)

The revisions of the IMA replaces the current 99% 10-day value-at-risk (VaR) and stressed VaR approach with a 97.5% stressed expected shortfall (ES) in order to improve the capture of tail risk. Market liquidity is accounted for through varying liquidity horizons (ranging from 10 – 120 days) based on risk classes which define the liquidity holding period from a capital calculation point of view. In addition, the breakdown of correlations under stressed conditions is recognized through restraints on diversification benefits.

The inclusion of strict formal market data observability and quality standards requiring risk-factor level analysis to demonstrate that risk factors meet "real" price criteria to support the eligibility of risk factors within the ES measure or be subject to an alternative non-modellable risk factor (NMRF) add-on charge which adds further complexity.

All model approvals will be granted on a desk level, nominated by the bank itself, which will likely put additional strain on the relevant national supervisor. Banks will have to prove the mettle of their internal models through back testing and P&L attribution assessments using daily model results on a desk by desk basis instead of portfolio level. Failure to meet the validation criteria that is implemented will result in the desk having to report under the standardised approach for a minimum of 12 months.

In addition, the current incremental risk charge (IRC) will be replaced with with a Default Risk Charge (DRC) as the modelled measure for default risk, which will have the mandatory inclusion of equities.

The revised standardised approach (SA)

The new standardised regime is more risk sensitive through the inclusion of first- and higher-order risk factor sensitivities in the delta, vega, and curvature charges, in order to serve as a more credible fallback for the internal models approach, the standardised "bucket" risk weights within each risk class under the standardised approach have been calibrated to stressed market conditions using an ES methodology.

1 Minimum capital requirements for market risk, January 2016, BCBS (https://www.bis.org/bcbs/publ/d352.htm)
2 Revisions to the Basel II market risk framework, December 2010, BCBS (http://www.bis.org/publ/bcbs193.pdf)

Another component of the revised standardised approach is the standardised Default Risk Charge ("standardised DRC"). The standardised DRC as a whole is calibrated to the credit risk treatment in the banking book to reduce potential discrepancies. And where other risks occur beyond the main risk factors mentioned, this is catered for under a simple Residual Risk add-on charge.

In addition, upon further calibration, the revised standardised approach will potentially act as a floor to the internal models approach-based Pillar 1 capital charges, adding to the computational volume that a banks infrastructure would be required to handle. The inclusion of residual and basis risks in the new SA, as well as the lack of recognition of risk-reducing higher order sensitivities will likely result in higher capital charges.

Given the sheer enormity, complexity and cross functional nature of the data demands, both from an IMA and SA perspective, the FRTB certainly calls for better alignment between Front Office (FO), Finance, Risk and Technology functions.

However, while the revisions are well-intended to address shortcomings in the current market risk regulatory framework, some of them may result in unwarranted or unintentional side effects, such as increased market risk capital volatility and increased systemic risk[3]. This is particularly true for most Emerging Markets economies, and as a result, there has been much lobbying within the industry for BCBS to modify the new SA further in order to simplify it ("Simplified Standardised Approach") for smaller institutions who typically maintain relatively smaller trading books[4].

Challenges and implications

As a result of the stricter and more prescriptive demands of the FRTB, banks are presented with a number of methodology, data granularity and computation challenges regardless of whether they deliver the internal model approach or the sensitivity based approach. And while BCBS reassures that the intention of the reforms are not necessarily to increase capital requirements, the committee estimates that the rules are likely to lead to an approximate median capital increase of 22% and a weighted average capital increase of 40% compared with the current framework[5] when considering the potential 3 to 4 times increase under the SA compared with the new IMA.

Beyond the data & infrastructure strain, methodology implementation challenges and subsequent capital impact, the FRTB will have significant effects on the economics of trading activities, with banks responding by altering desk strategies and redeploying capital as required. This would need to be supplemented with significant organizational, governance and operational change as well as the coordination of efforts that would be required to deliver this major reform.

> *"Given the sheer enormity, complexity and cross functional nature of the data demands, both from an IMA and SA perspective, the FRTB certainly calls for better alignment between Front Office (FO), Finance, Risk and Technology functions."*

Summary

Since no regulation can act in isolation, BCBS anticipates further refinement and recalibration of the market risk measures due to the impact of related evolving frameworks including the principles for effective risk data aggregation and risk reporting (BCBS 239), credit valuation adjustments (CVA) standards that will govern CVA risk management separately from FRTB regulation, capital requirements for credit risk, treatment of sovereign exposures and interest rate risk in the banking book. BCBS has also indicated that it would provide separate additional guidance pertaining to market risk disclosures.

While the details of some areas of the FRTB remain in flux and there are still a number of unaddressed issues and widespread discussions within the industry, including, but not limited to, NMRFs, P&L attribution as well as the impact on liquidity specifically in Emerging Markets[6], a very clear takeaway is that the time for piecemeal action has ended, and the need for a comprehensive and transformative change has arrived. Banks now have the chance to seize the opportunities that the FRTB offers in terms of strategic investments in good data, better infrastructure and the best possible expertise.

Contributor's Profile: Ahimsa Gounden is Barclays Africa's senior Market Risk capital analyst. Her primary foci are regulatory and economic market risk capital demands of the Corporate and Investment Bank. Ahimsa previously worked on the implementation of market risk systems, policies and frameworks for the multiple Barclays Africa entities across the continent. Ahimsa holds an Honors degree in Advanced Math of Finance from the University of Witwatersrand.

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3 Fundamental Review of the Trading Book, ISDA/ GFMA/ IIF – March 2016
4 ISDA/AFME response to the DG FISMA consultation document – June 2016
5 Explanatory note on the revised minimum capital requirements for market risk (https://www.bis.org/bcbs/publ/d352_note.pdf)
6 FRTB Industry Working Group – April 2016 Trading Book Group meeting notes

BRIDGING THE GAP BETWEEN SUSTAINABLE INFRASTRUCTURE DEVELOPMENT AND FINANCE

By **Hans-Peter Egler,** CEO and **André Kummer,**Communications, Globla Infrastructure Basel, Switzerland

We live in an age of fundamental infrastructure development. Roads, ports, energy generating facilities, water and waste management systems etc. will be key to ensuring increased connectivity between rural and urban areas in the future. They will also play a vital role to give local and regional markets better access to the global economy, increase the circulation of goods, services and people, and thereby improve economic and social development. Given this important role of infrastructure for development, and knowing about its close interrelation with the environment, it is vital that decision-makers from the public, construction and financial sectors take on board as many elements from sustainable and resilient development as possible. Only by doing so can we pave the way for further sustainable infrastructure development, which will serve current and future generations as the backbone of our global economy.

A recent study by EDHECinfra[1] identified diversification and possible higher returns as the key drivers for private investors' increased interest in infrastructure allocation. However, due to the lack of bankable quality infrastructure projects, current figures still reveal an infrastructure investment gap of about USD 39-51 trillion until 2030.[2] Global Infrastructure Basel (GIB), a Swiss foundation, aims to bridge this gap by equipping the relevant stakeholders (project developers, public sector institutions and financial players) with SuRe® - The Standard for Sustainable and Resilient Infrastructure, and its complementary products.

SuRe® is the first independent, cross-sectoral, globally applicable and ISEAL-compliant infrastructure standard in the world. Together with the French investment bank Natixis, GIB successfully launched SuRe® at COP 21 in December 2015. This global voluntary standard was developed using a multi-stakeholder approach and helps to integrate state-of-the-art sustainability and resilience aspects into infrastructure development and upgrade. SuRe® establishes a common understanding of sustainable and resilient infrastructure between project developers, financial players, public sector institutions and end-users. It integrates leading standards and consists of 65 criteria divided into 14 themes spanning environmental, social and governance (ESG) aspects.

Applying SuRe® will generate numerous benefits for the financial sector. In particular, SuRe® will:

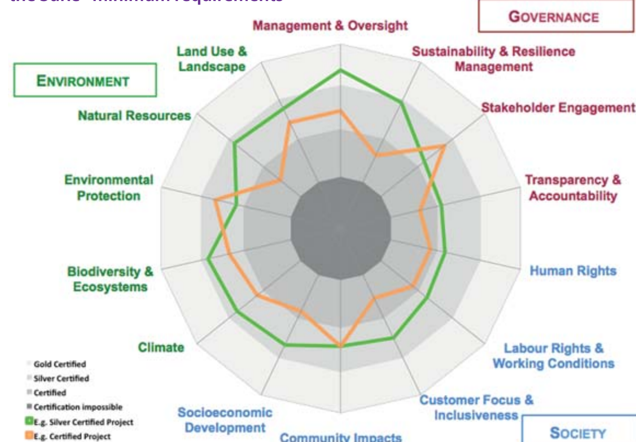
- facilitate *risk mitigation and benefit definition*;
- identify *sustainable investment opportunities* (particularly for unlisted infrastructure);
- enable the *comparability of infrastructure projects*, within and across sectors;
- ensure *compatibility* with *ESG safeguards*, principles and standards used in project finance.

GIB has also developed the SuRe® SmartScan, a self-assessment tool for infrastructure projects and the first step towards certification using the SuRe® Standard. Using the SmartScan allows project developers to present their sustainability efforts to a broader audience and shows the strengths and weaknesses of a project according to different ESG criteria. Consequently, it enables project developers to identify specific areas where they can adjust their

Fig. 1: SuRe® Criteria

	14 Themes	63 Criteria	+2	
Environment	Climate	19	Materiality Assessment	Reporting/ Impact Assessment
	Biodiversity and Ecosystems			
	Environmental Protection			
	Natural Resources			
	Land Use and Landscape			
Society	Human Rights	25		
	Labour Rights and Working Conditions			
	Customer Focus and Inclusiveness			
	Community Impacts			
	Socioeconomic Development			
Governance	Management and Oversight	19		
	Sustainability and Resilience Management			
	Stakeholder Engagement			
	Transparency and Accountability			

Fig. 2: Performance assessment of two projects meeting the SuRe® minimum requirements



1 Frédéric Blanc-Brude, Grace Chen, Tim Whittaker. "Towards Better Infrastructure Investment Products? A survey of investor's perceptions and expectations from investing in infrastructure." EDHEC Infrastructure Institute Publications, July 2016.

2 Aaron Bielenberg, Mike Kerlin, Jeremy Oppenheim and Melissa Roberts. "Financing change: How to mobilize private-sector financing for sustainable infrastructure." McKinsey Center for Business and Environment, January 2016.

resource allocation to reduce a project's exposure to high levels of risk. This helps to improve the project's overall ESG performance while allocating resources in an optimal way.

In order to complement SuRe® with additional financial products, GIB is currently developing Credit SuRe and SuRe Underwriting.

Credit SuRe will become an essential tool to promote private-sector investment in sustainable infrastructure. The possibility to obtain a resilience and sustainability rating via Credit SuRe will make it easier for projects to access credit from ESG-sensitive investors. Credit SuRe can be applied to projects that have reached financial closure, and can be used for refinancing purposes during both the construction and operation stages.

Complementary to the above product, SuRe Underwriting is an underwriting tool based on the SuRe® criteria. It is being developed in cooperation with the South African insurance company Santam. SuRe Underwriting aims to improve on existing risk assessment standards and to identify new and possible project-inherent mitigation measures.

Considering ESG factors in the underwriting process is likely to lead to improved resilience and reduced initial risks. It will also result in new products, increased access to insurance, and better prices for insurance coverage.

GIB's current endeavours will incite other players in the financial community to pursue ESG benefits, and should in the future lead to an adjusted cost and premium calculation for projects which respect ESG aspects.

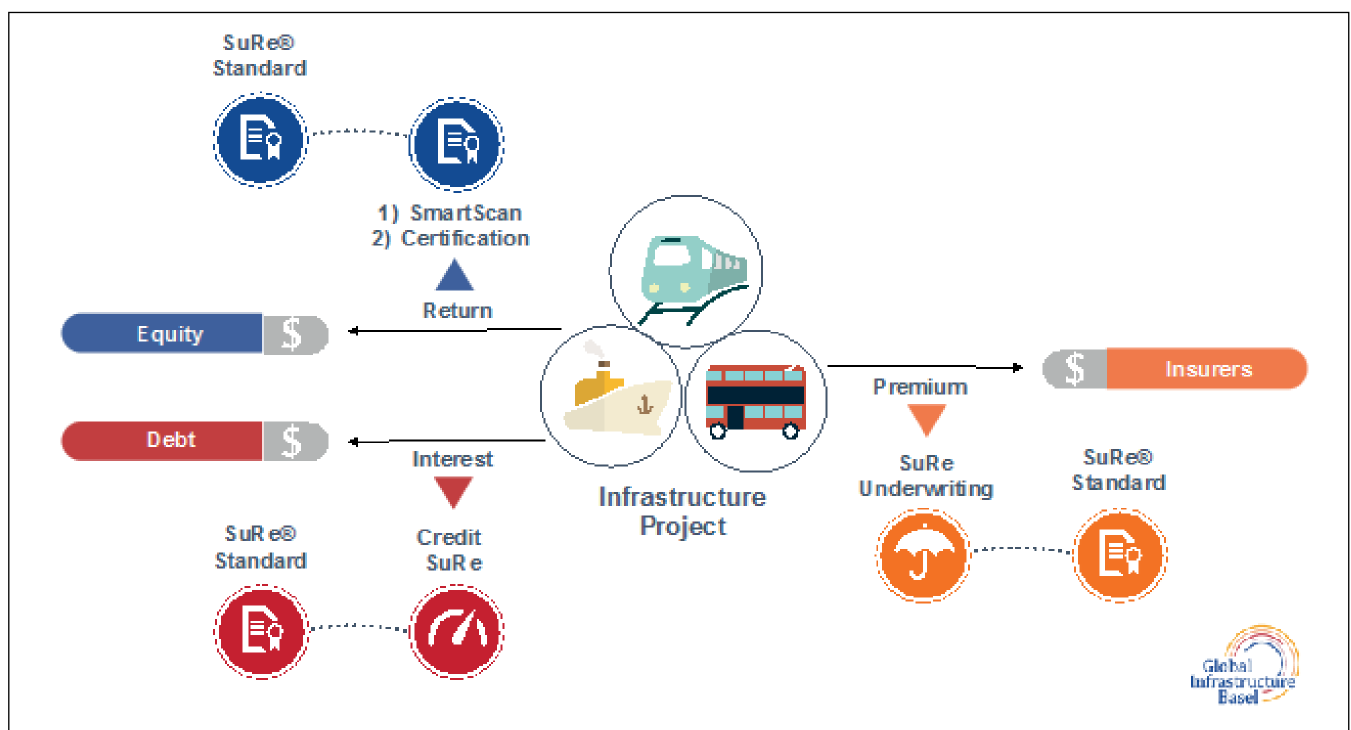
From a mid- to long-term perspective, the presented tools will help to establish sustainable and resilient infrastructure as a separate asset class in order to mobilise additional financial means from institutional investors and asset managers.

Hans-Peter Egler is the CEO of Global Infrastructure Basel (GIB). He has long-standing expertise in international cooperation, management and project innovation. Before joining GIB, Hans-Peter led the Trade Promotion Division of the Swiss State Secretariat for Economic Affairs (SECO). Prior to that, he was responsible for investment promotion activities and infrastructure financing for Latin America and Africa. Hans-Peter holds a degree in Economic Sciences and has also studied Economic History and Sustainable Management. He has over 28 years of work experience.

André Kummer joined GIB in 2016 as part of the communications team. Prior to that, he gained experience in sustainability at WWF Switzerland. André studied Economic Sciences at the Universities of Fribourg (CH) and Pantheon-Sorbonne (FR) and holds a Master's degree in Economics from Leuven University (BE).

Global Infrastructure Basel Foundation (GIB) is a Swiss foundation working to promote sustainable and resilient infrastructure design and financing on a global scale.

Fig 3: How GIB's SuRe® and complementary products aim to contribute to the bankability of infrastructure projects



SHOULD I TRY TO TIME THE MARKET?

The behaviour of pigeons may appear an unusual place to look for investment guidance.

However, since we have recently run a campaign comparing the personalities of investors to characteristics of animals (http://www.investment philosophy.com/) this seemed a good time to examine what we can learn about long-term investing from the way that some animals respond to risk.

Animal behaviour researchers spend a surprising amount of time studying pigeons, and have discovered some remarkable similarities between how these birds negotiate risky environments and decision-making biases in humans.

In one series of experiments, researchers trained pigeons to peck at coloured lights by rewarding them with pellets of food. The experimenters then manipulated the probability, timing, or quantity of food depending on the colour of the light the pigeons pecked at. The experiment is set up so that pecking the green light delivers food 60% of the time, but the red light only for 40% of pecks. After each peck the system shuts down for a period of time; so a hungry pigeon really wants to choose the green light. Over time, the pigeons learn which colours have the highest probability of winning them food and adapt their choices accordingly.

This is not dissimilar to the experience of an investor trying to decide on a month-by month basis whether to be in the market or out of it. Most developed world equity indices post gains around 60% of months, with losses the other 40%[1]. You only get to make one choice at a time: if you're 'risk on' (invested in the market) rewards will be forthcoming in the up months, but you'll go hungry if the markets drop. If you're 'risk off', you're rewarded in the down months.

When pigeons encounter this problem they display behaviour that psychologists call probability matching: they gradually learn the relative probabilities of getting food from the green and red light and, over time, they tend towards pecking the green light 60% of the time, and the red light 40% of the time. This seems pretty ingenious, and human subjects given a similar task, incidentally, will tend to do the same thing…and the investing world is rife with those attempting to time the market by flipping between 'risk on' and 'risk off' on a monthly basis. The trouble is, when the underlying process that generates the result is essentially random – this is the wrong answer!

When you have little or no way of knowing whether the next result will be up or down, the rational solution is to always pick the light with the highest probability. Pigeons (or traders) who peck green at every opportunity will be right 60% of the time. Any deviation from this strategy is likely to reduce your pay-off even further. So what can this tell us about market timing?

Faced with a completely random process, the strategy of probability matching results in an expected score of 52%, rather than 60%[2]. So the natural tendency of both humans and pigeons leads them to be wrong on 8% more occasions than they should be if they followed a simple (buy and hold) strategy of sticking to the option with the best long-term odds.

Of course, the underlying process of the markets is not entirely random, so there may be occasions when an investor is sufficiently confident that the performance over the next month will be negative to warrant a risk-off position. As such, tactical shifts in a portfolio can pay off – although only if an investor has sufficient skill to time the market correctly.

Over longer periods, prediction of the outcome of individual events is even more difficult (as John Kenneth Galbraith said, "The only function of economic forecasting is to make astrologers look respectable"). However, long-term investors can take comfort in the fact that, if they're in the market, the odds are stacked firmly in their favour, and that over longer horizons investment skill can make a discernible difference. The 60-40 edge you have by staying invested on a month-by-month basis adds up over time, to such an extent that the chance of observing a loss in any given year drops to 25%[3], and even this highly risky equity index has only shown a loss in 4% of 10 year periods, all of which were 16 of the 22 months between November 2008 and August 2010. Please note that past performance is not a guide to future performance.

So, whatever animal reflects your financial personality (and you can discover yours here http://www.investment philosophy.com/fpa/), don't perform like a pigeon, but rather stay invested for the long term.

This is an excerpt from: Compass: December 2013 / January 2014 from Barclays Wealth and Investment Management

1 The MSCI World Developed Market Total Return Equity index (USD) has historically posted a loss in 40% of months for the period November 1973 to November 2013.
2 40% of the time they choose red, which pays off in 40% of occasions, and 60% of time they choose green, which pays off 60% of the time: 40%*40% + 60%*60% = 52%.
3 MSCI World Total Return Index in USD, for the period November 1973 to November 2013.

AFRICA'S ECONOMY: IT'S NOT ALL DOOM AND GLOOM

Angola unveils $44 billion 2017 budget, sees economic growth of 2.1 percent. Angola unveiled a 2017 budget of 7.3 trillion kwanza ($44.22 billion) with a budget deficit of 5.9 percent of gross domestic product. Aia–Eza Silva, the budget state secretary, told reporters the budget forecasts the economy to grow 2.1 percent in 2017 compared with estimates of 1.3 percent in 2016.

Botswana's economy will grow by an average of 4.4 percent annually from April 2017 to March 2023, the National Development Plan presented to Parliament showed. Botswana will introduce a new fiscal rule next year that will see its diamond producers save 40 percent of the southern African nation's annual mineral revenue in a sovereign wealth fund, according to the document.

Congo Republic government sees 2017 GDP growth rising to 3.4 percent, as a result of several new oil blocks which are expected to come live, government spokesman Thierry Moungalla said in a statement. In addition, Congo Republic plans to cut its budget by 24.3 percent in 2017 to 2.74 trillion CFA francs ($4.7 billion) as it reins in public spending following this year's presidential election, the government said.

Ghana is revising its forecast for gross domestic product growth in 2017 to between 7.0 percent and 7.4 percent from a previous forecast of above 8 percent, Finance Minister Seth Terkper said. Government spending remains within targets set by the International Monetary Fund under a three-year programme to stabilize the economy, despite an approaching December 7 presidential election, Terkper told reporters.

Kenya's economy is expected to grow by 5.9 percent in 2016, the World Bank stated, unchanged from an earlier forecast and up from actual growth of 5.6 percent last year. The World Bank said growth will be driven by improved performance in the agriculture sector and tourism, and increased foreign direct investments. Also, the bank predicted that Kenya's economy will grow by 6 percent in 2017 and 6.1 percent in 2018.

Morocco's economy grew 1 percent in the third quarter of 2016, up from 0.5 percent in the previous three months, due to a severe drought that hit the agricultural sector, the planning agency said. The agency expects Moroccan gross domestic product (GDP) growth to slow to 0.8 percent in the fourth quarter of the year.

Nigeria's economy is likely to shrink 1.3 percent in 2016, the National Bureau of Statistics executive said, a sharp downward revision of its estimates he said was prompted by sharp falls in the naira after dollar peg was dropped. The NBS had predicted the Nigerian economy to grow 3.8 percent in 2016, but low oil prices have hammered the government income and the naira, and recession first appeared in the second quarter with 2.1 percent contraction.

Uganda's economy will grow by 5 percent in the 2016/17 (July-June) fiscal year, the International Monetary Fund (IMF) forecast stated, trimming the forecast from 5.5 percent after state revenues missed targets and some major projects faced delays. The IMF also predicted Uganda would grow 5.5 percent next fiscal year, boosted by rising spending on infrastructure.

South Africa's economy is expected to grow by 0.5 percent in 2016, down from an estimate of 0.9 percent in February, Treasury said in its medium term outlook. Treasury's growth forecast for 2017 was cut to 1.3 percent from 1.7 percent previously, and its 2018 estimate was trimmed to 2 percent from 2.4 percent. Lower growth estimates were partly due to weak investor confidence linked to perceptions of elevated political risk.

Tunisia has cut its 2016 growth forecast to 1.5 percent this year, down from an expected 2.5 percent,, Finance Minister Lamia Zribi stated, citing difficulties in the phosphate sector where protests have disrupted production.

Zambia's economy should grow 3.0 percent in 2016, little changed from 2015, while the fiscal deficit will widen after Africa's second largest copper producer was hit by depressed metal prices, Finance Minister Felix Mutati said. Zambia's fiscal deficit will top 10 percent of Gross Domestic Product this year, up from 8.1 percent in 2015, after state spending rose due to infrastructure projects, emergency power imports and subsidies, Mutati told parliament.

Zimbabwe expects economic growth to quicken to 4.8 percent in 2017 from 1.2 percent this year on improved agriculture production and higher global commodity prices, the Zimbabwe's Treasury said in a budget strategy document. In a document dated October and marked "pre-budget strategy paper for 2017", the Treasury said the economy had this year shown resilience in the face of liquidity shortages and the worst drought in a quarter of a century but would rebound next year.

AFRICAN CENTRAL BANKS MONETARY POLICY RATE & FOREIGN RESERVES

Algeria's foreign exchange reserves dropped by $7.1 billion to $121.9 billion in the third quarter of 2016 due to lower oil prices that have hit the country's finances, Central Bank Governor Mohamed Loukal said. Oil and gas earnings, which make up 94 percent of total exports and 60 percent of the state budget, fell to $18.8 billion in the first nine months of 2016, down 26.3 percent from the same period a year earlier.

Angola's central bank kept its benchmark lending rate unchanged at 16 percent, partly due to slowing inflation resulting from an increase in the supply of goods and services as well as restrained demand, it said. Angola's net foreign exchange reserves fell to $22.989 billion in September from a revised $23.221 billion the previous month, data posted on the central bank's website showed.

Botswana's central bank left its benchmark lending rate at 5.5 percent, the regulator said. The current state of the economy and both the domestic and external economic outlook, suggest that the prevailing monetary policy stance is consistent with maintaining inflation within the Bank's medium-term objective range of 3 - 6 percent," the bank said.

Egypt's net foreign reserves rose to $19.591 billion at the end of September, up from $16.564 billion at the end of the previous month, the central bank said. Egypt had roughly $36 billion in reserves before its 2011 uprising ushered in a period of political turmoil, scaring off tourists and foreign investors, key sources of hard currency. The International Monetary Fund in September agreed in principle to grant Egypt a $12 billion three-year facility to support a government reform programme aimed at reducing a budget deficit.

Mozambique's central bank has lifted its benchmark lending rate by 600 basis points to 23.25 percent, its monetary policy committee said. The Bank of Mozambique said in a statement the decision was taken to stabilise the exchange rate and tame high inflation, which quickened to 21.96 percent in August.

Namibia's central bank left its benchmark lending rate unchanged at 7 percent for a fourth consecutive time on Wednesday, continuing attempts to support the weakening economy. The southern African nation's economy shrank by 1.2 percent in the second quarter of 2016 compared with a 3.4 percent expansion in the first three months of the year as construction, hospitality and mining sectors declined.

Nigeria's foreign currency reserves fell 20.5 percent year-on-year to $23.95 billion by 27th October 2016, down 2.7 percent month-on-month, central bank data showed. The central bank has been selling dollars to support the weakening naira, hit by low oil prices that have triggered the first recession for 25 years.

South Africa's Treasury widened its budget deficit forecast for the 2016/17 fiscal year to 3.4 percent of GDP from 3.2 percent previously, saying declining economic growth had reduced tax revenue estimates. In its medium term budget statement, Treasury said efforts to reduce borrowing had been frustrated by consistent downward adjustments to growth forecasts and tax revenue as household consumption and private sector investment fell.

South Africa's net foreign reserves rose to $41.953 billion in September from $40.795 billion the previous month, the Reserve Bank said. Gross reserves were also up at $47.247 billion from $45.708 billion, the bank's data showed.

South Africa's September credit growth quickens to 7.19 percent year-on-year. Growth in credit demand by South Africa's private sector accelerated to 7.19 percent year-on-year in September from 6.15 percent in August, central bank data showed. Expansion in the broadly defined M3 measure of money supply was also faster at 5.64 percent year-on-year compared to 5.48 percent.

Uganda's central bank cut its benchmark lending rate to 13 percent from 14 percent, saying there was room to support growth by easing. Ugandan policymakers embarked on an easing cycle in April, and they have since brought down the rate from a peak of 17 percent, that was caused by a surge in prices. Core inflation dipped to 4.8 percent last month from 5 percent in August, while the economy expanded by 4.8 percent in the financial year ended June, up from an earlier estimate of 4.6 percent.

Kenya will raise its borrowing from the domestic market for the fiscal year from July to 294.6 billion shillings ($2.91 billion) from its initial target of 236.1 billion shillings, the Treasury said on its website. The new amount will be equivalent to 4.1 percent of the gross domestic product, from 3.3 percent in the initial forecasts, the Treasury said in a budget review document posted on its website. The overall fiscal deficit, which was projected at 9.7 percent of GDP, would fall to 8.1 percent, while net foreign financing would be halved to 287.6 billion shillings.

SEPTEMBER'S INFLATION TRENDS ACROSS THE CONTINENT

Angola's inflation quickened to 39.44 percent in September from 38.18 percent in August, data from the national statistics agency showed. Prices increased at a slower pace month-on-month, rising 2.14 percent in September from 3.3 percent the prior month.

Botswana's consumer inflation quickened to 2.8 percent in September from 2.6 percent in August, data from the statistics office showed. On a month-on-month basis, prices rose 0.3 percent in September after a 0.2 percent increase the previous month, Statistics Botswana said.

Egypt's annual urban consumer price inflation eased to 14.1 percent in September, from an eight-year high of 15.5 percent in August, the official statistics agency CAPMAS said. September's fall is the first in the urban measure since March. Month-on-month inflation was 1.2 percent in September, compared with 1.9 percent in August.

Ethiopia's inflation rate rose to 6.9 percent in September from 5.9 percent in August, due to a rise in the price of food items, Central Statistics Agency data showed. Food price inflation rose to 6.1 percent in September from 4.4 percent in August and non-food inflation rate was 7.8 percent in September compared to 7.6 percent August.

Ghana's annual consumer price inflation rises to 17.2 percent in September from 16.9 percent in August, the statistics office said. It was the highest reading since July food and non-alcoholic beverages group pooled 9.0 percent inflation which is a 0.5 percentage point higher than the August figure.

Ivory Coast consumer inflation rose to 0.7 percent in September compared with deflation of 0.4 percent in August, data from the National Statistics Institute revealed. Food and soft drink prices rose 2 percent year-on-year, housing and utility prices added 1.3 percent but transport costs fell 1.4 percent.

Kenya's inflation rose slightly to 6.34 percent in September from 6.26 percent a month earlier, the statistics office said. The Kenya National Bureau of Statistics said in a statement that on a month-on-month basis, inflation was at 0.34 percent. Rising food prices outweighed consumer gains from falling fuel prices, it said.

Malawi's consumer inflation braked slightly to 21.2 percent in September from 22.8 percent in August, the statistics office said. The headline inflation for the same period last year was at 24.1 percent (September 2015). The urban and rural rates stand at 17.5 percent and 24.2 percent respectively.

Mauritius' inflation was 0.9 percent year-on-year in September, the statistics office said. Month-on-month, consumer prices rose 0.2 percent drive mainly by food and non-alcoholic beverages at 0.6 percent.

Morocco's annual consumer price inflation rose to 2.3 percent in September from 1.6 percent in August due to higher food prices, the High Planning Authority said. Annual food inflation jumped to 4 percent from 3 percent August. On a month-on-month basis, the consumer price index rose to 0.7 percent in September, up from 0.2 percent in August.

Mozambique's consumer inflation rose to 24.92 percent in September from 21.96 percent in August, data from the statistics agency showed. Monthly inflation hit 2.71 per cent in September; as usual most of the rise in inflation is accounted for by food prices. Thus in September, rice rose in price by 3.8 per cent.

Namibia's consumer inflation edged up slightly to 6.9 percent in September from 6.8 percent in August, the statistics office said. Inflation on a month-on-month basis rose 0.2 percent, unchanged from the previous month, the Namibia Statistics Agency said in a statement.

Nigerian Annual inflation accelerated in September to 17.9 percent, a more than 11-year high and the eighth monthly rise in a row, the National Bureau of Statistics (NBS) data showed. The rise from 17.4 percent in August reflected higher prices for electricity, kerosene, transport and food.

Rwanda's inflation rose to 5.8 percent in September from 6.4 percent in August, the state-run statistics office said. It was the lowest reading since June driven by slower rise in cost of housing and utilities. On a monthly basis, consumer prices rose 1.7 percent.

Uganda's inflation eased to 4.2 percent in September from 4.8 percent in August due to slowing food and drink price rises, the statistics office said. Month-on-month inflation stood at 0.9 percent against 0.5 percent a month earlier, the Uganda Bureau of Statistics said in a statement. The food and non-alcoholic beverages inflation fell to 4.6 percent from 5.1 percent a month earlier.

Tanzanian inflation continued to fall in September after food prices rose more slowly and fuel prices fell, the statistics office said. The state-run National Bureau of Statistics said inflation fell to 4.5 percent year-on-year last month from 4.9 percent in August. Month on month, the headline inflation rate was 0.2 percent in September.

Zambia's inflation slowed to 18.9 percent in September from 19.6 percent in August, the central statistical office (CSO) said on. The monthly inflation rate eased to 0.1 percent in September from 0.4 percent in the previous month.

AFRICAN EQUITY MARKET INDICATORS AS AT 31-OCTOBER-2016								
Country Name	Index Name	Index at 31-Oct	1-month % Δ	YTD % Δ	1-Year % Δ	1-Year Low	1-Year High	30 Days Volatility %
Botswana	BSE DCI	9,728	-8.25	-8.25	-7.95	9,504	10,655	4.105
BRVM	IC Comp	273	-10.25	-10.25	-10.07	264	321	10.106
Egypt	EGX 30	8,386	19.70	19.70	11.70	5,526	8,613	20.966
Ghana	GSE ALSI	1,728	-13.36	-13.36	-14.15	1,709	2,015	6.640
Kenya	FTSE NSE15	137	-5.94	-5.94	-0.17	130	148	7.287
Malawi	MSE ALSI	13,782	-5.36	-5.36	-10.11	12,478	15,333	5.107
Mauritius	SEMDEX	1,802	-0.48	-0.48	-4.21	1,738	1,888	3.666
Morocco	MORALSI	10,565	18.36	18.36	16.33	8,790	10,594	5.881
Namibia	Local	1,037	19.85	19.85	2.34	767	1,072	19.708
Nigeria	NIG ALSI	27,220	-4.97	-4.97	-6.75	22,331	31,073	7.658
Rwanda	RSEASI	128	-1.88	-1.88	-4.09	128	138	1.143
South Africa	JSE ALSI	50,590	-0.20	-0.20	-5.96	45,976	54,761	15.827
Swaziland	SSX ALSI	379	15.72	15.72	20.79	314	379	4.471
Tanzania	DAR ALSI	2,491	6.74	6.74	4.03	2,173	5,005	19.456
Tunisia	TUNIS	5,489	8.87	8.87	7.36	4,812	5,563	4.807
Uganda	USE ALSI	1,573	-10.83	-10.83	-13.69	1,419	1,852	13.373
Zambia	LuSE ALSI	4,307	-24.90	-24.90	-25.39	4,291	5,772	11.439
Zimbabwe	IDX (USD)	120.82	5.20	5.20	-7.65	93	131	18.769

SELECTED AFRICAN CURRENCY EXCHANGE Vs. US DOLLAR AS AT 31-OCTOBER-2016								
Country Name	Currency Name	Index at 31-Oct	1-month % Δ	YTD % Δ	1-Year % Δ	1-Year Low	1-Year High	30 Days Volatility %
Algeria	Dinar	109.91	-0.26	-2.56	-3.05	103.80	111.32	3.140
Angola	Kwanza	167.56	0.99	-19.30	-18.46	133.90	169.43	18.562
Botswana	Pula	0.09	-0.84	6.29	-0.21	0.08	0.10	9.777
CFA Franc	CFA Franc	598.30	-0.40	3.38	1.22	567.51	633.62	12.953
Egypt	Pounds	8.88	0.01	-11.85	-9.70	7.77	8.96	0.733
Ethiopia	Birr	22.26	-0.02	-4.84	-4.96	20.36	22.42	7.507
Ghana	Cedi	3.97	-0.14	-4.17	-2.28	3.43	4.27	7.633
Kenya	Shillings	101.51	-0.26	0.78	0.53	100.18	103.20	0.841
Malawi	Kwacha	720.50	0.06	-7.32	-22.52	545.00	757.03	3.921
Mauritius	Rupee	35.91	-1.42	-0.17	-0.45	34.61	36.50	3.964
Morocco	Dirham	9.83	-0.90	1.06	-0.07	9.23	10.20	3.613
Mozambique	Metical	77.00	1.95	-37.66	-43.99	43.13	79.38	11.251
Nigeria	Naira	310.38	1.49	-35.79	-35.82	196.48	350.25	23.855
Rwanda	Franc	821.00	-1.84	-9.26	-9.14	715.50	828.00	4.281
South Africa	Rand	13.59	0.03	13.78	1.41	13.20	17.92	21.421
Tanzania	Shilling	2,184.00	0.00	-1.59	-0.55	2,117.49	2,212.00	1.010
Tunisia	Dinar	2.24	-1.62	-8.89	-10.86	1.98	2.27	4.421
Uganda	Shilling	3,471.00	-2.25	-2.85	1.99	3,302.50	3,550.00	2.927
Zambia	Kwacha	9,755	2.5115	12.7627	28.97	9,110	14,605	15.751

SELECTED AFRICAN GOVERNMENT INTERNATIONAL BONDS AS AT 31-OCTOBER-2016								
Country Name	Maturity	Price at 31-Oct	Mid-Yield at 31-Oct	1-month Yield Chg (%)	YTD Price Change (%)	Price 1-Year Low	Price 1-Year High	Amount Outstanding (US$ M)
Angola	12-Nov-25	97.775	9.877	0.359	4.965	78.535	102.806	USD
Cameroon	19-Nov-25	111.017	7.780	0.018	19.105	81.683	113.384	USD
Congo	30-Jun-29	68.568	10.326	0.178	-13.058	66.329	84.062	USD
Cameroon	19-Nov-25	111.017	7.780	0.018	19.105	81.683	113.384	USD
Egypt	30-Apr-40	91.707	7.640	0.488	11.715	79.322	100.290	USD
Ethiopia	11-Dec-24	94.890	7.475	0.722	6.859	82.037	100.503	USD
Gabon	16-Jun-25	92.453	8.186	-0.012	15.646	69.735	96.664	USD
Ghana	14-Oct-30	117.967	8.522	-0.090	15.885	87.092	120.315	USD
Kenya	24-Jun-22	99.838	6.901	-0.227	13.575	83.919	101.130	USD
Ivory Coast	31-Dec-32	97.697	6.094	0.164	9.475	83.659	101.499	USD
Morocco	11-Dec-42	112.840	4.646	0.114	16.612	92.194	118.426	USD
Namibia	29-Oct-25	104.125	4.682	0.241	11.271	88.524	108.052	USD
Nigeria	12-Jul-23	96.942	6.952	0.345	10.098	84.651	101.380	USD
Rwanda	02-May-23	100.405	6.547	0.201	4.728	92.349	102.978	USD
Senegal	30-Jul-24	103.208	5.729	0.076	15.073	84.764	105.956	USD
South Africa	24-Jul-44	103.905	5.109	0.317	14.796	85.773	116.008	USD
Tanzania	09-Mar-20	104.696	5.732	0.000	10.483	92.702	105.644	USD
Tunisia	19-Sep-27	97.318	9.000	0.212	22.061	66.194	101.494	USD
Zambia	30-Jul-27	98.181	9.237	0.117	23.805	65.003	102.284	USD

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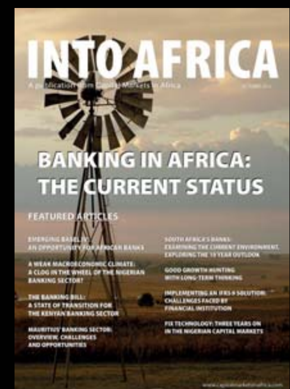

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