

JLL report reveals growing demand for prime logistics space in Africa

According to JLL's *2017 Africa Prime Industrial Report*, within Africa's more diversified economies, the prime industrial sector is set to emerge as an attractive asset class over the short to medium term.



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Anthony Lewis, head of investor services for JLL Sub-Saharan Africa comments, “With forecasts of sustained high economic growth rates in several African countries, there is quite some room for the development of prime logistics and warehousing space in markets that have historically been under-served. This trend, when coupled with the growing logistics requirements of sophisticated occupiers entering these high-growth markets, suggests that sturdy growth drivers should push the establishment of the prime industrial sector.

JLL’s demand analysis finds that:

- In the top 11 African countries, demand stands at c.15-million m2 for all grades of space as at Q2 of 2017. If only 10% of this demand is for prime space, the market should be providing c.1.5-million m2 of prime space to the market. The reality is that far less than this is being provided currently.
- In addition, over the next decade total demand is forecasted to grow to over 20 million m2. Once again if only 10% of this demand is for prime space, the market should be able to sustainably provide 2-million m2 of prime space to the market by 2027.
- Given the clear lack of good quality prime industrial space, particularly in the distribution and logistics markets, many new prime developments should be springing up over the next decade.

On a regional basis, demand in East Africa is geared to exceed West Africa for the first time by Q1 of 2018, while North Africa and Southern Africa are set to experience stable growth in demand.

Lewis says that while there are several challenges in the prime industrial sector in these markets, there are a number of opportunities that should help drive the supply required to meet the ever-growing demand:

- **Global trends** driving the adoption of e-commerce, drone technology and the potential for the growth of major logistics clusters in these countries will exacerbate the current chronic shortage.
- **Africa-specific trends** such as manufacturing and farming potential, growing household consumption, rapid

urbanisation, inter-regional and international trade potential, and rising economic growth (especially in East Africa), should,when considered cumulatively, help sway perceptions towards adopting new prime developments.

Lewis adds: "The benefits bundled with prime industrial space, which can be up to 35% more efficient and cost effective than traditional or B-grade space, have been recognised in developed markets which has in turn driven the global prime industrial sector as a major asset class. In the sub-Saharan Africa context, developers such as Africa Logistics Properties (ALP) are pioneering the idea that prime industrial portfolios can be successfully developed on the continent through its major developments in Nairobi, with plans to expand to other major logistics hubs in Africa. ALP's roll-out of over 1-million m2 in Russia indicates that a prime industrial portfolio can be grown in emerging markets. At the same time Actis, Agility and Mara Delta have entered the market with some success.

"Naturally, each market must be assessed on its individual merits but the overall growth story makes is quite compelling."

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