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Uncovering new opportunities for retail in East Africa

East Africa's appeal to international retailers appears to have increased as the fast growing, middle class consumer fuels a demand for convenience, variety and competitive pricing. While this does present a wide range of opportunities in every market for retail developments of significant scale, do developers really understand the nuances of East Africa's vast and widely differing regions?

Facilitating the right space to answer this question, and more, the EAPI summit is proud to announce the introduction of the Future Retail Forum which will take place on day 2 of the conference. EAPI will be host to 5 in-depth and exclusive retail discussions where leading retailers, developers, professionals and industry experts will share their insights and advice on how best to approach each of the identified sweet spots for retail in East African region.

While some have been quick to point out the oversupply of retail offerings in East Africa, others are finding opportunity with a long term view for decent economic growth in regions like Kenya, Uganda and Rwanda in mind, all countries where this oversupply could quickly be absorbed.

According to Gordon Bell, Director for Broll Property Group East Africa Operations, there is currently some concern due to the relatively small tenant base and shopping centres and landlords are, as a result, competing for tenants. "The market is still maturing and so it will take time for the current stock to be absorbed, and there are a number of new malls due for completion this year which will only add to the current stock," he says.

"Our Broll Kenya H1 2017 report, which will be launched at the EAPI Summit next month, has also highlighted that local retailer expansion plans are unable to match the current increased supply space in Nairobi and its environs, largely due to spending power not yet reflecting within the retail space".

In this region, however, retail opportunities may still present themselves in the form of smaller retail convenience stores, well located in areas with efficient transport systems, as the fad of new and big centres quickly approaches its peak.

Following the delivery of the new phases of Village Market and Sarit Centre, as well as the Waterfront Karen which is under construction, other new, iconic malls in the pipeline include Montave in Upperhill area and Britam's mall in Kileleshwa, both of which have been designed to cater for their respective neighbourhoods rather than the wider catchments.

"Considering the traffic challenges experienced in the city that hinder movements, Kenyans have developed an affinity towards convenience retail such as ABC place, Muthaiga Shopping Centre and Valley Arcade. This is a trend that we shall continue to see even with smaller malls in place," says Betty Musyoki, Director at Celer Retail.

But the "build it and they'll come" model does not necessarily apply to all countries in the region.

In Uganda, the high cost of land and construction materials have not allowed for formal retail to take off at the same rate as Nairobi. Nevertheless, despite these costs and the pervasive presence of informal retail - even in the bigger cities like Kampala and Entebbe - local developers have proved their deep understanding for the market dynamics.

With the likes of leisure based malls like Acacia, Village, Metroplex and Victoria driving the transition of local consumers from less formalized retail outings into a more aspirational leisure retail environment, there is still scope - particularly in Kampala - for more retail developments.

According to Marc du Toit, Head of retail at Knight Frank Uganda, retail developments in Kampala have seen initial first year yields of between 10.5 and 13%, proving that even local developers have managed to overcome a number of challenges posed by the current business environment, including the exorbitant cost hurdle of developing shopping centres in a landlocked country where the costs of acquiring land is still high.

“And they have managed to overcome this challenge simply by building multilevel developments on small footprints in upmarket primary catchment nodes. Other new developments in the pipeline include Kingdom Kampala at 42000m², Ggaba Mall at 7500m² and the Arena Mall, a 14,000m² shopping centre in Nsambya which is being developed for Chestnut Uganda Limited by Stanlib with Knight Frank as leasing agents, and is set to open in late 2018,” he says.

Looking to Rwanda, bigger does not mean better. Here, the relative scale of the market has meant that a Westgate or Victoria Mall simply would not work, and astute local developers – many of whom are increasingly supported by local and international capital - are fully aware of this.

Instead of creating A-grade, stand-alone malls, Kigali has rather made retail spaces available as part of mixed use developments, like the newly opened Kigali Heights, where the scale and offering is smaller, and attached to an office tower.

“In a market place where brands have struggled to find suitable sites, developers are now being pushed to provide them. In addition to Kigali Heights there are other interesting developments in the pipeline such as Amarembo City, Nobelia and Vision City Town Centre. The scale of both Amarembo and Vision City will definitely, I think, be a game changer for retail in Kigali,” says Charles Haba, Managing Director of Century Rwanda.

Overall it is abundantly clear that, despite the differences in approach across countries, the real success of retail in East Africa will rely heavily on a deep understanding of each country’s unique circumstances. And, unlike the mostly consistent, international-driven retail landscapes of West and Southern Africa, where the same investors, developers and brands reign supreme, the various cities of East Africa clearly require a very different approach.

For more information around East African retail, and to hear from directly from these voices as well as the local developers making it happen, join us at the fourth annual East Africa Property Investment Summit (EAPI) www.eapisummit.com taking place from 5 – 6 April in Nairobi, Kenya at the Radisson Blu Hotel. EAPI is the largest retail gathering in the region, hosted by the organizers of the Africa Property Investment Summit, as well as the West Africa Property Summit and ZAMReal.