

# EAPI SUSTAINABILITY AGENDA

## REVEALING EAST AFRICA'S GREEN REAL ESTATE AGENDA

This year's East Africa Property Investment (EAPI) Summit on the 24th and 25th of April 2018 will explore the expanding impact of sustainability and green principles on the real estate sector. This year's theme, 'Paving Forward, Where to Next for East Africa's Real Estate Market' provides a unique opportunity for the implementation of sustainability concepts as the market enters a period of consolidation and growth. Globally, sustainability is viewed as an integral business process, and East Africa is no exception, as social, economic and environmental returns must be realised in an environment supported by good governance, peace and security.

### 1. THE IMPACT OF ELECTIONS

Increased political robustness within Africa has resulted in market uncertainty, especially during election periods with the most notable recent example being Kenya's protracted and damaging election cycle. The International Climate Agreement, or Paris Agreement, is a framework for countries to reduce global warming and its effects, which is based on intended nationally determined contributions (INDCs). The contributions outline how governments' plan to address climate change according to the agreement, while meeting their development objectives. The built environment is uniquely positioned to achieve development aims in line with INDCs commitments through coordinated commitment across public and private sectors.

The key determining point will be is how will governments' in the region align their development goals to the INDCs and the UN's 17 Sustainable Development Goals, and how will they ensure consensus with rival political parties and the private sector to ensure implementation and compliance?

### 2. DEBT & EQUITY FINANCING

The availability of financial instruments to financiers and developers for green principled developments continues to increase such as Islamic finance, Sukuk (Islamic bonds), green bonds, blended finance and Direct Foreign Investment (DFI) money. However, there remains a lack of clarity on what type of third-party certification is needed to qualify, especially as new green councils continue to emerge, as is evident with new councils established in Kenya, Tanzania and Rwanda. Islamic finance blended with green financial instruments is likely to develop into one of the preferred finance vehicles for real estate investment as it has a social purpose as its core tenet.

As demand and knowledge of these finance instruments and council certifications increases; what will their impact be on the viability and funding of proposed and existing projects, and can local banks in the region step up to the challenge of the Sustainable Finance Initiative (SFI), and unlock finance for sustainable development projects?

### 3. THE REGIONAL PICTURE

East Africa's slate of significant infrastructure and urban regeneration projects are suited to sustainable led design and green financing options to ensure compliance to the INDCs and achieving the SDGs. However; what will market reaction be, and is there an appetite to implement these principles on such large CAPEX projects, and what is the risk? Additionally, can Africa afford to follow the path of develop first and clean up later like other regions before them when global commitments to climate change targets need to be met?

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## 4. UNCOVERING OPPORTUNITIES IN KENYA'S COUNTIES

Kenya's county development plans provide a singular opportunity and challenges for sustainable development due to the lack of capacity to manage devolved water assets; the lack of national to county-level budget allocations, and the necessity for Private Public Partnerships (PPPs) to execute major infrastructure and housing projects. The private sector has shown great interest in partnering in county projects, but how will these additional obligations affect these partnerships and what impact, if any, will policy and the lack of national budget allocation have on these critically needed partnerships?

## 5. WAREHOUSING & INDUSTRIAL BOOM

As warehousing and industrial projects take centre stage in East Africa, green building technologies and strategies such as solar renewables on rooftops and responsible water management could play a significant role in managing daily operational expenditure (OPEX) on projects. Will developers and investors embrace additional CAPEX spend in the short-term for long-term profits?

## 6. HOUSING

Without addressing energy and water resilience in the region; will current policies to address extreme housing shortages impact their long-term viability and financing? Can political, social, economic and environmental concerns be aligned to truly elevate Africans into affordable, quality and resilient housing?

## 7. PENSION & INSTITUTIONAL CAPITAL

Liquidity challenges in regional markets and Kenya's capped interest rate market has propelled the pension and institutional markets to the vanguard of financing long-term assets with short-term deposits. The challenge, however, remains their investment mandates and the lack of sustainability obligations in Kenya. While this state of affairs is likely to change with the introduction of the UN Principles for Sustainable Insurance and SDGs, how will their introduction impact these markets, and will we see a changing of the status-quo?

## 8. THE EAST AFRICAN RETAIL SHAKE-UP

Does the large quantity of retail space coming online in Kenya provide an opportunity for retail centres to implement green strategies to manage OPEX, and will this attract anchor tenants and increase footfall? Moreover, will fractional sales of space drive the right behaviours to ensure the longevity of retail centres' attractiveness and footfall in the long-term

## 9. TRANSFORMATION OF NAIROBI INTO A GLOBAL HUB

If the region's energy, land, water, transport, emissions, waste management policies and other critical category usage policies are not amended using sustainable green principles, will East Africa's cities head down the same path such as cities such as Lagos? Will urban regeneration plans to transform the CBD with the aim of attracting higher rentals and return on assets through the development of green spaces and mixed-use developments achieve their objectives, and at what cost?

## 10. PUBLIC SECTOR INFLUENCE

Public-sector influence and support is a necessity for compliance to the INDCs' obligations, as the state provides the framework, leadership and enabling environment for the private sector to implement and execute. How does one get transparency on the means to collaborate between public and private sectors to achieve development goals against strained public-sector infrastructure?