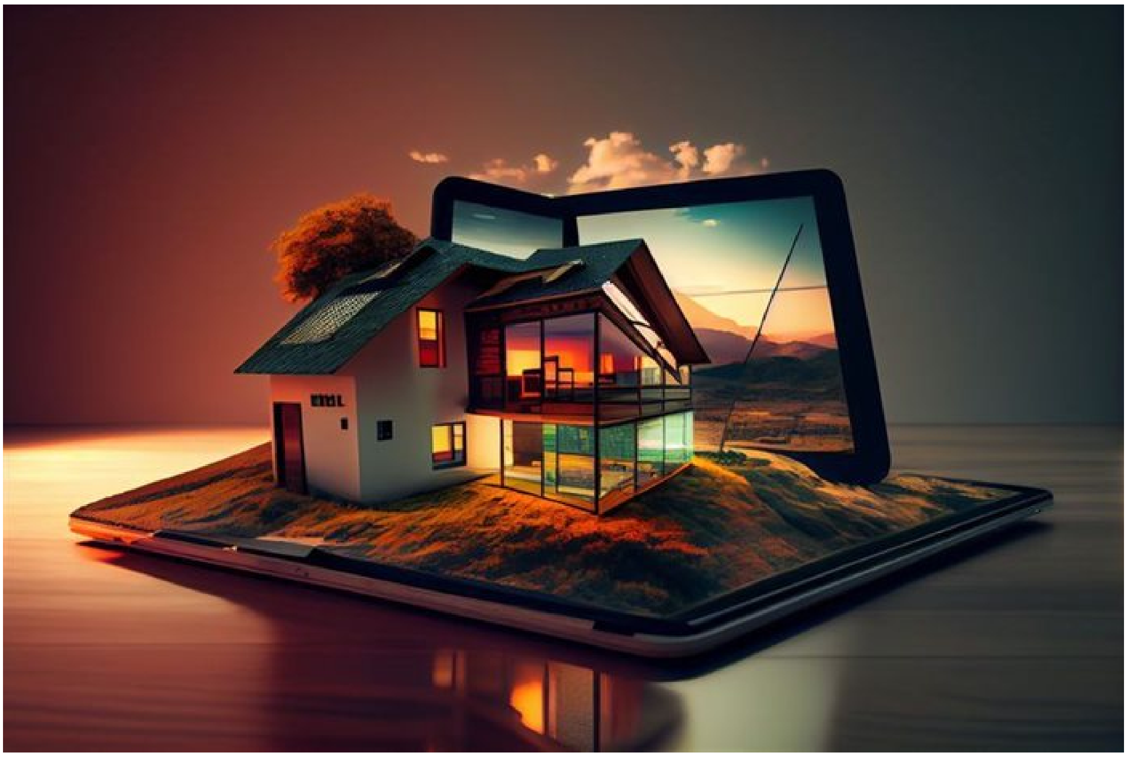
BIZCOMMUNITY

Proptech in Africa: The potential for innovation and growth

By Sindy Peters

3 Apr 2023

The Africa Proptech Forum held its 2023 Africa Proptech Outlook webinar last month, with an expert panel unpacking some of the trends, challenges and opportunities within this emerging marketspace.



Source: pavel shlykov © 123RF.com

Featuring Peter Clark, managing partner and founder of REdimension Capital; Mostafa el Beltagy, CEO of Nawy; and Tayo Odunsi, co-founder of CutStruct Technology, the panel was moderated by Will Harris, CEO of Gmaven.

Setting the scene, Harris noted that - based on global trends - for every $100-venture capital cheque written in Africa, $5 of that should be allocated to proptech. Currently, however, African proptech only receives 39c, resulting in a funding shortfall of $656m.

According to Clark, in regions like the US and UK where the sector has gone mainstream, 10% of venture capital funding has been allocated to proptech, ranging between $20-30bn per year over the last four to five years. Africa, however, did not benefit from the boom years and is still at the start of its journey, he said.

Regional challenges

Egypt

Looking at the Egyptian context, El Beltagy highlighted the challenge of inaccessibility as real estate transactions with a mortgage attached make up less than 1% of the $60bn property market. The problem, he noted, is inadequate registration of property as many of the transactions that do occur are between individuals.

"I bought the plot of land, I built it up, I sold to you, it's a contract between me and you, not a registered contract in a government registry for the unit. Banks don't want to finance something based on a contract, they want a registry," he said.

A related issue is that banks in Egypt work as they do in Europe and the US, basing mortgages on people's fixed incomes. "The reality is, in Egypt, that is rarely the case," he said.

In Africa, many people wanting to buy property usually own a small business, and they may not be declaring all their profits in their personal accounts. "It becomes very difficult for those people with significant financial means to get a loan, despite the fact that they should be more than eligible for one."

Nigeria

Odunsi, providing a West African perspective, said many of the same challenges exist in that region, with mortgages being particularly expensive in Nigeria at an annual percentage rate of 18-22%.

However, these are some of the issues its proptech players are trying to address through innovative payment models, blended rental-ownership structures, one-platform transactions, etc., to add more flexibility to the market.

On the demand side, there'd previously been a lack of data to support individual investment decisions. Many of the first proptechs addressed this through listing platforms, enabling greater access and overcoming some of the bureaucracy involved in renting and buying property, highlighted Odunsi.

He noted that challenges related to fraud and identification remain, but those are rails that need to be built to support what the listing platforms are doing.

South Africa

The challenges in South Africa are largely macro-driven, according to Clark, with limited economic growth and an oversupply of developed space that hasn't been taken up. Players in the property arena, however, are starting to see tech as a positive enabler, he noted.

"It's not going to solve economic growth, but it is going to help create efficiencies within their buildings and put them in the best possible space to be competitive, to attract tenants and to reduce operating costs," said Clark.

He noted that one of the big themes in South Africa is energy pricing and energy security, given the ongoing load shedding in the country. "Besides renewable energy and plugging that in, a lot of other thinking and work is being done about monitoring electricity and making sure it can be used in an efficient way. It's ESG, but it's kind of driven from necessity more than anything else."

Benefits and limitations of using AI in the commercial property sector
7 Feb 2023

Can African proptech leapfrog ahead?

Considering whether African proptech could leapfrog what's already out there, El Beltagy said there is definitely potential for this. "Because of the lack of infrastructure, because you're getting to build it from scratch... it allows for a lot more innovation, a lot more integration, a lot more synergies between things."

In most cases, the major technologies, such as AI or blockchain, exist, so proptech developers don't have to reinvent the wheel, said Clark. But because proptech is attached to an immovable asset in a particular geography, it does need to incorporate a level of localisation.

While the African market does have many unique challenges when it comes to property that require unique tech solutions, he said that taking what's happened globally and reengineering it for the local context will help slingshot Africa quickly up the proptech curve.

Third-party versus inhouse proptech development

While some corporates have the capital to try and create the proptech solutions they require in-house, they lack the nimble leadership needed within their teams to succeed, noted Odunsi. What they have in-house may be well designed and developed, but their teams may not be using it and it may not be robust enough to give them a competitive edge, he said.

Clark added that while developing the technology themselves during the adoption phase might give them an advantage, once it goes mainstream and everyone has it, "they'll quickly realise that their core skills and expertise are not tech development and that any competing product developed by good third-party proptech guys is going to outrun them over time".

"They often think you build it once and then it's done, but tech is a moving beast [that requires] building new features and fixing all the time, and they can't keep pace with that," he said.

Local proptech developer secures $4.5m in funding
19 Jan 2023

Proptechs sometimes lack property expertise

El Beltagy noted that on the other side of the coin, not enough proptechs have property people with property expertise within their founding teams and that's also a problem. "A lot of the time, proptechs are failing at executing the right solutions for property because they're not property enough themselves.

"For example, I have no property background to stand upon, but two of the co-founders come from 10-15 years in real estate, and that gives us a significant advantage because a lot of our assumptions as the product tech marketing folk would be off if they weren't properly calibrated with people who truly understand the industry."

ABOUT SINDY PETERS

Sindy Peters (@sindy_hullaba_lou) is a group editor at Bizcommunity.com on the Construction & Engineering, Energy & Mining, and Property portals. She can be reached at

sindy@bizcommunity.com.
- #WomensMonth: Judy Foster on what's needed to make it in the property industry - 3 Aug 2023
- #PropertyRevamped: 5-star Shawu's Hills Wildlife Estate offers refuge from city life - 28 Jul 2023
- #PropertyRevamped: Wale Street Chambers responds to shifting market dynamics with upcycled office space - 25 Jul 2023
- #PropertyRevamped: TUHF driving economic transformation in SA's urban rental market - 21 Jul 2023
- #PropertyRevamped: Newinbosch creating a connected, inclusive community in Stellenbosch - 18 Jul 2023

View my profile and articles...