

## **10 reasons to invest in Africa**

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**Many phrases have been coined to describe the direction Africa as a continent is heading in the 21st Century. Although conflicts and famine still exist, Africa has become the place to be if you are a serious investor. Not only was Africa a “hopeless” continent (as infamously described by the “Economist” a few years ago). Africa, now, is “rising”, as described by the same “Economist” a decade later. Africa is “the last frontier” for investment; Africa is an investor’s paradise; Africa, is fashionable... Africa is sexy! Here, are 10 reasons why investors must not turn a blind eye to Africa:**

**1. First-mover advantage.** Attend any Africa-focused summit or conference and you'll most likely hear the term "first-mover advantage". Just about every successful player in a specific industry in Africa's economy was the first one to enter the respective country's market. Being first often makes you the go-to person or business. But retaining that position requires constant work, nurturing relationships and gaining the trust of the market.

The same is true of the real estate industry. In Africa, companies like Actis, Shoprite and hotel chains are fast spreading their tentacles where ever they can. And it appears that they are retaining pole position. But there is still so much opportunities for international construction companies to actively get involved instead of sit on the fence.

**2. The fastest growing economy:** \$2 Trillion Economy: Africa's \$2 trillion economy is growing faster than the economies of all other continents. This means better returns on investment – especially in respect of the sluggish recovery of most developed economies. I attended a Tanzania business forum organized by the Business Council for Africa (BCA) a few months ago. During question time, one American financial broker stood up and asked about the risks associated with investing in Zanzibar, the island state of Tanzania. Frankly, time did not permit me but I could feel my temperature boiling and I was eager to answer the question. Reason being that countries like the US, UK and the rest of Europe have had associations with Africa for over 500 years. The Chinese's economic association with Africa is very recent. Yet, the western countries are still, today, asking about risks associated with investing in Africa. Do they not see that Africa is not what they think? I muttered to myself: "typical American...they want to know if they can start reaping before they sow".

My answer to his question would have been: If you wish to know about the risks associated with investing in Africa, board an air plane, fly to Zanzibar or any African town or city. When you see a Chinese, sit them down and ask them why they left China to be in Africa. It really baffles me to hear at forums and business meetings how Africa is full of risks; which is the reason the west is withholding investment flows into Africa and hesitating in partnering with local businesses. Yet they criticise China for "taking over" Africa, or the Africans for opening their arms wide to China. I have only one sentence for the western investor who sits on their high horse and want to look in: The Chinese see what the west do not see, after all the years of being in Africa! The real estate industry in Africa is awash with opportunities. It takes the bold and wise to see them. To the western investor, I say, wake up and smell the coffee!

3. **Potential workforce:** Africa will soon boast the world's largest workforce. By the year 2020, it is anticipated to comprise of 163 million. And we're not just talking about informal workers; these are educated individuals, thanks to 20% of the continent's education spend comes directly from governments.

**4. Infrastructure deficit:** The continent is resource-rich but lacks the infrastructure to fully exploit the opportunities. There is massive need for civil infrastructure, retail, education, and healthcare. Oh, and it can pay for all of this. From road construction to bridges, energy plants to storage facilities almost every African country has a crucial need to upgrade their infrastructure. This offers a huge opportunity for multi-national companies who are willing to invest in the long term. I say long-term because you do not enter into an investment in Africa and pull out on schedule – the opportunities will over-whelm the investor.

**5. 6 years from now:** By 2020 (yup, in six years' time) half of Africa's households will have discretionary income. And 10 years later (in 2030), 50% of its residents will live in cities. Urbanization has its own issues: housing, crime, employment, etc. This is where I believe that African governments and the private sector must strike an alliance to meet the potential menace which could result in unbridled urbanization head on – a huge opportunity for the savvy, multi-national investor.

**6. Improved Governance:** Broadly, Africa's debt and inflation have markedly decreased, and continue to drop thanks to better governance and stable economic policies. For the real estate sector, African governments are still lagging behind in implementing far reaching policies that will make it easy for investors and for them to tackle the housing deficit. Regulatory framework for land purchase and build quality are still poor. The housing deficit on the continent must be met with a broader, more planned approach. In my previous diary note, I talked at length about how build technology is the key to tackling the housing deficit. Good governance must not be about replacing guns with votes. It must be about long term strategic planning for a continent whose population growth rate is one of the fastest in the world.

**7. Africa is connected:** Africa is connected not so much through laptops and desktop computers, but rather through mobile internet. Mobile penetration sits pretty at over 80% – a massive jump from just 2% in the year 2000. But this penetration is not on smartphones, so companies need to consider this when connecting with potential customers.

**8. Oil & Gas Discoveries:** Sub-Saharan Africa boasts around 590 million hectares of arable farmland and recent discoveries of oil and gas in Mozambique mean there is great opportunity for investment in these industries.

**9. Global Index:** Africa recently topped the Young President's Organisation's (YPO) Global Pulse Confidence Index after interviewing 1600 global CEOs.

**10. Decreasing cost of doing business:** The cost of doing business is falling. As is the difficulty in getting product into the continent, thanks to improving infrastructure development – albeit at a slow pace.

### **Final thoughts:**

For all the doubts, risks and sometimes harsh geographical conditions, Africa for me, still offers some of the best returns on investment compared to anywhere in the world. Huge deficits in infrastructure, energy, housing, etc., offer opportunities for investors. Boosted by the oil and gas find in many countries, the opportunities are endless but it takes a savvy investor or multi national to seize the moment and become the market leader.

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[Douglas Opong](#) is the CEO at [Angel Finance Group](#); Founder - [Property Investor Africa](#)

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