

From **DOWN-side** To **UP-side**



SSA Capital Markets



Behind The Numbers

API Summit

Johannesburg, August 2017

2H 2017 | 'From Downside to Upside'

The tone is starting to shift

- Europe's unexpected strong economic growth has re-set the tone for EMEA
- The end of QE is the next challenge for asset allocation in SAA

EMEA Capital Markets outlook

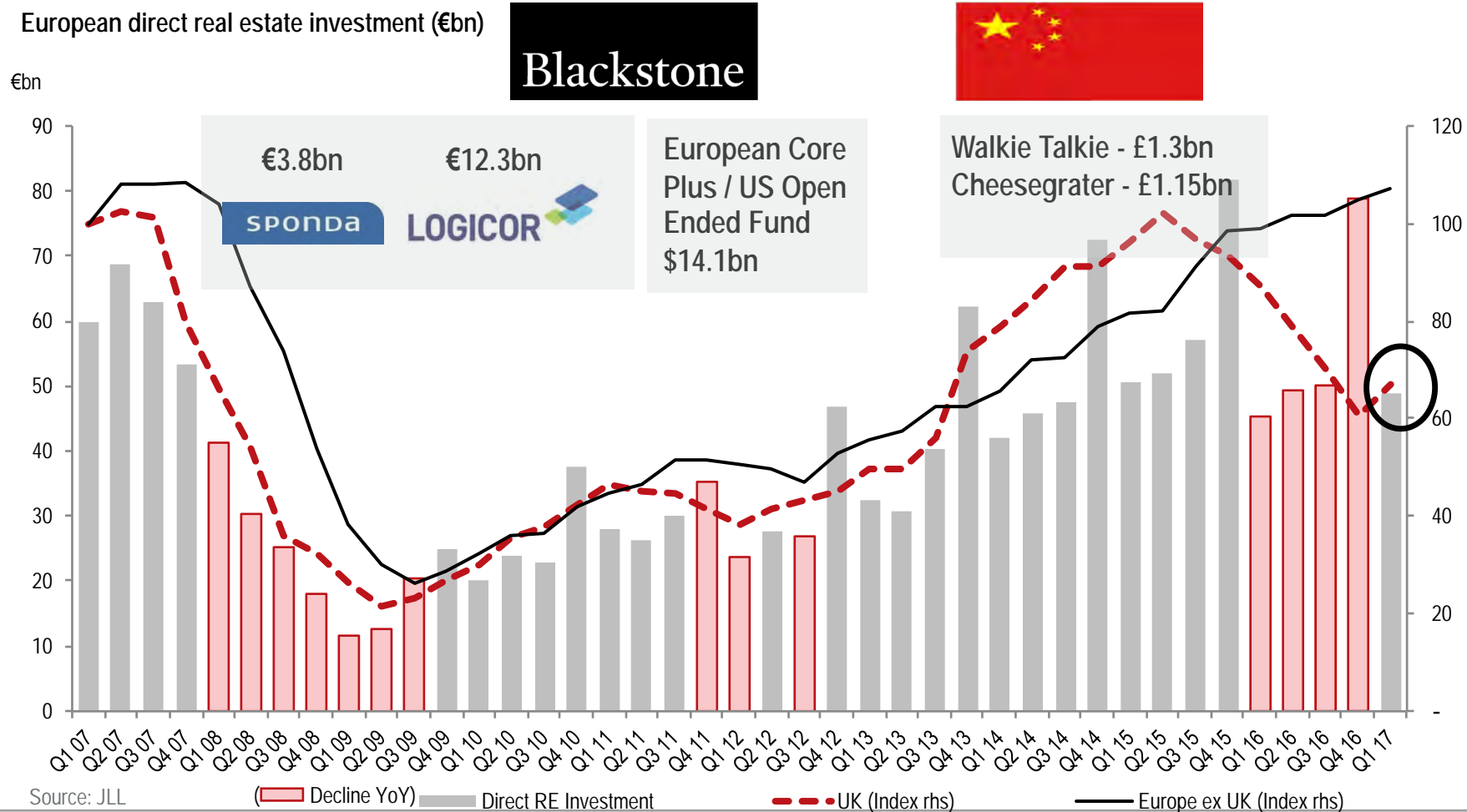
- From Peak to mid-cycle rotation - investors have been RETHINKING RISK
- No homogenous story in SSA – markets at different stages in the cycle.

Different dynamics at play in SSA

- South African capital still targeting European opportunities
- SSA (ex South Africa) has been excluded from the hunt for yield – limits downside risk

EMEA Investment | From “peak” to “mid-cycle” rotation

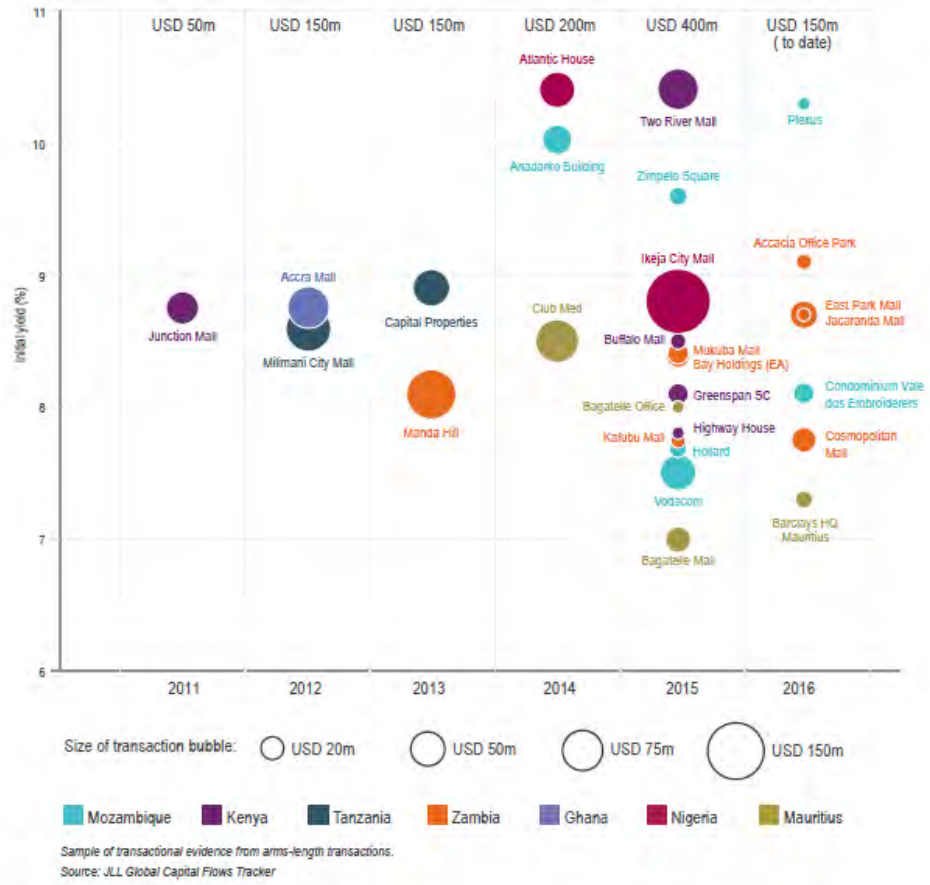
The hunt for yield has driven EMEA investment to record levels – it’s not over



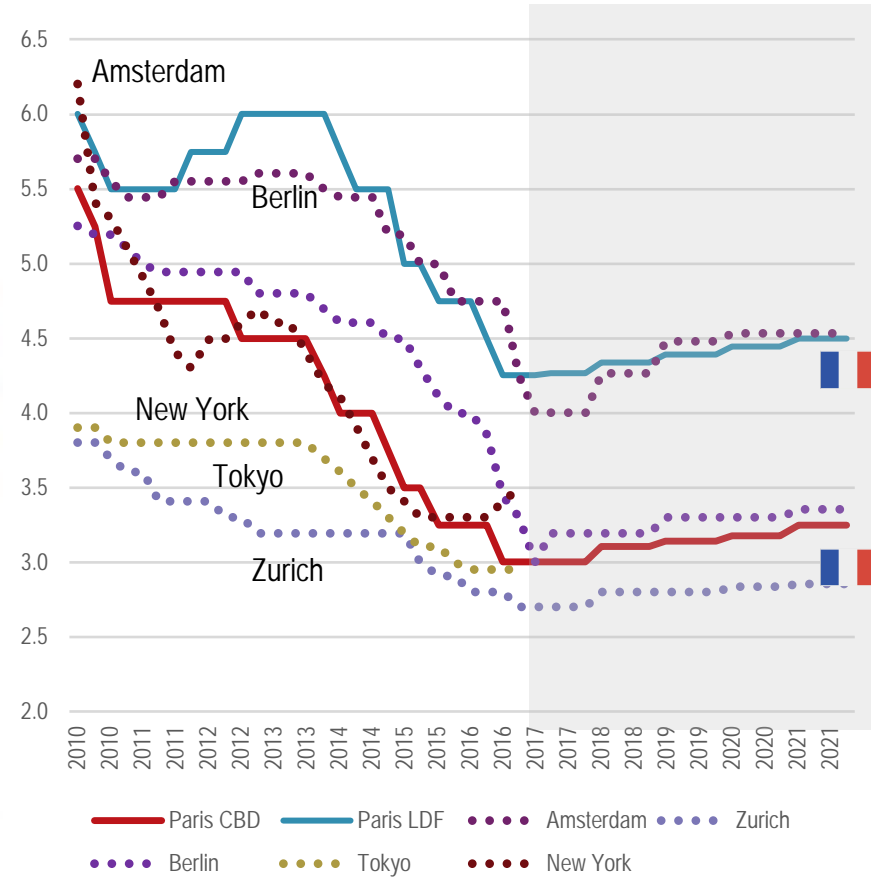
SSA Investment | Still early in the cycle

Africa has largely missed out on the global hunt for yield

Investment and pricing trends in SSA

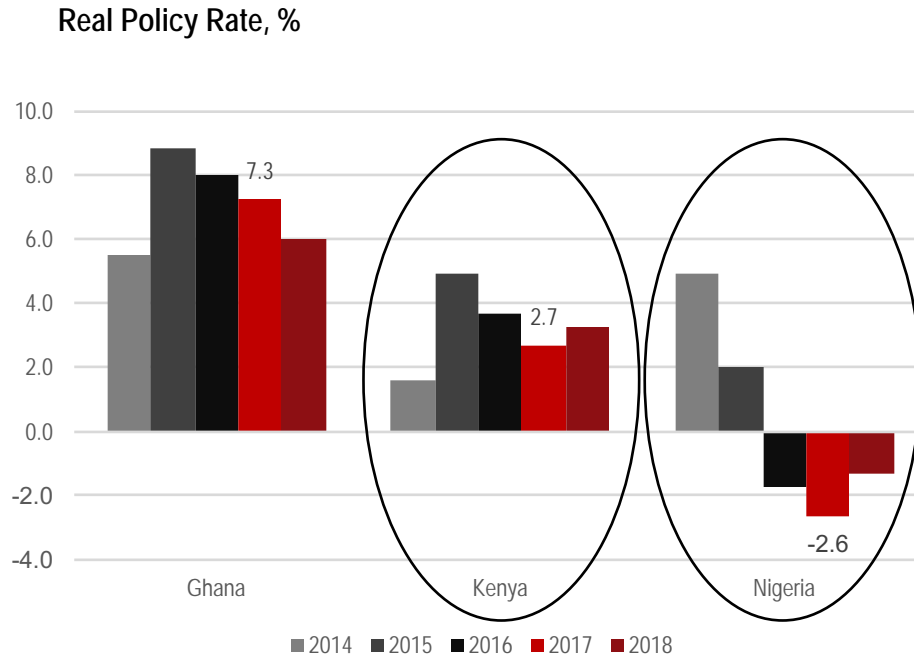


Prime office yields 2010-21F, %



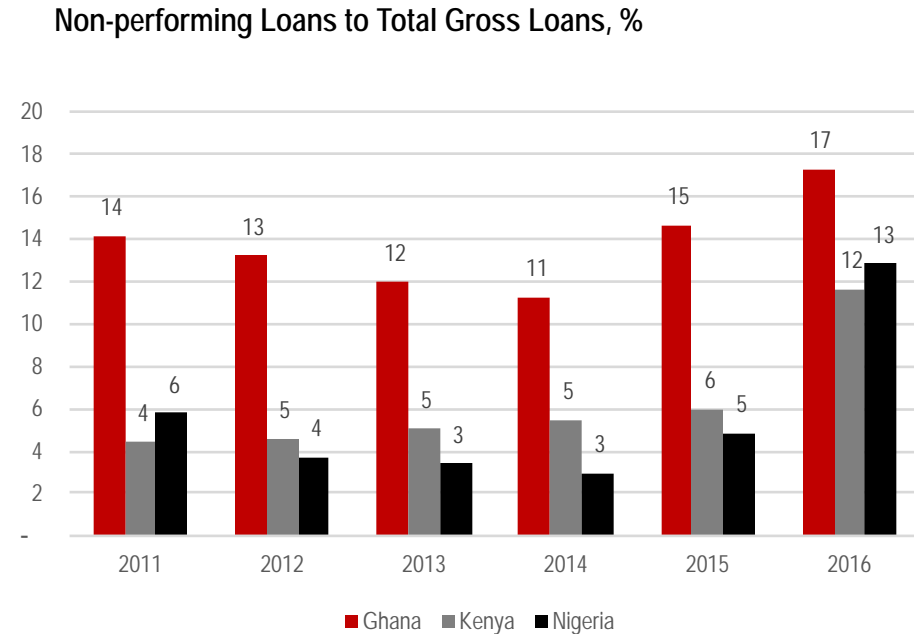
Real interest rates | A challenging time the banks

Interest rate caps, and negative real rates have hurt profits and restricted lending



Kenya - real rates to pick up as inflation eases

Nigeria: MPC cautious but negative real rates to remain in ST



Source: OECD

QE | The end of an era – SSA is protected (but not immune)

The era of low rates has underpinned RE in Europe, but bypassed SSA

Net G4 central bank asset purchases % global GDP and projection (red)

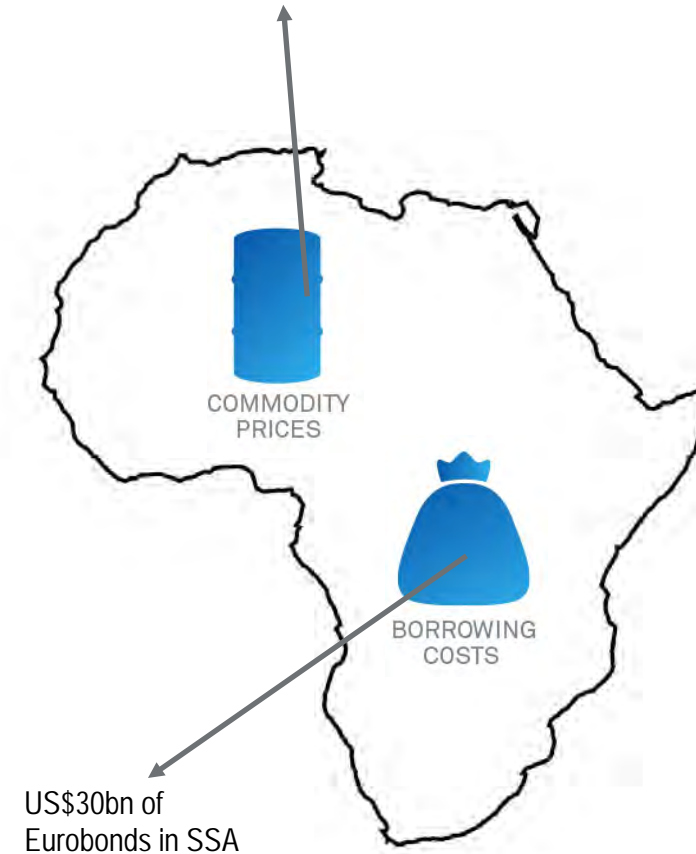


US Fed Funds Rate



Source: Renaissance Capital / Bloomberg / IMF

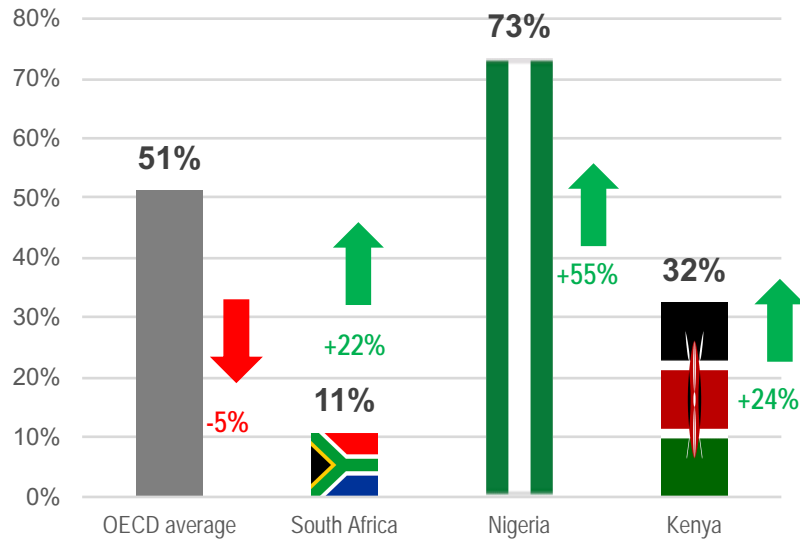
Commodities in SSA can range from 15% to 85% of GDP



Liquidity | The pension fund Catch 22

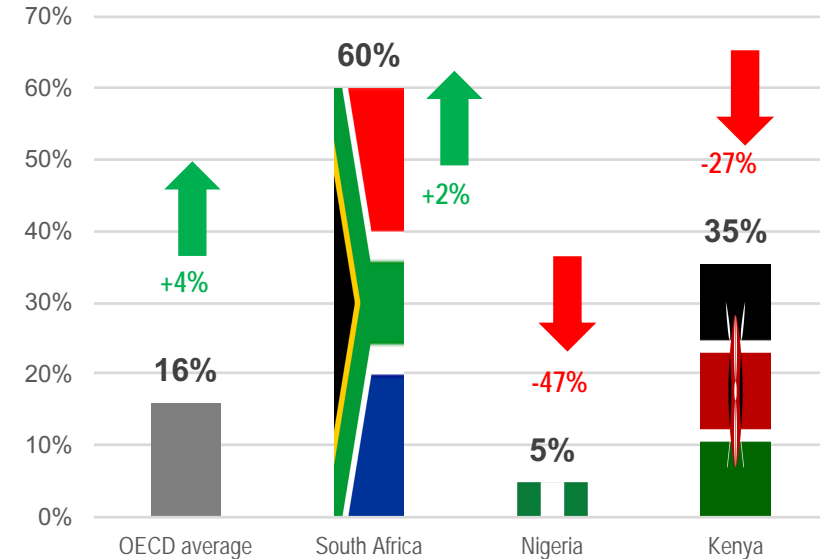
Potential pension fund allocation to real estate presents a huge opportunity to deep the market

Pension fund allocation to Fixed Income instruments, % of total portfolio




 = change over last 5 years

Pension fund allocation to Alternative instruments, % of total portfolio



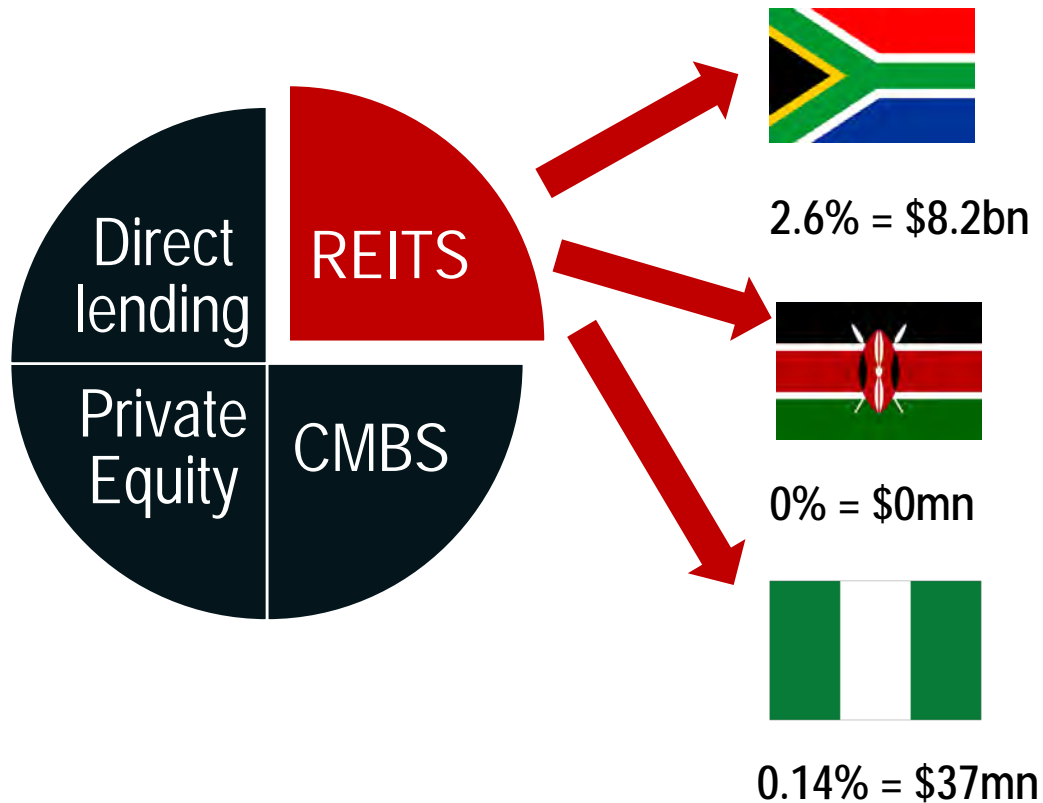
% in RE	:	5%	3.5%	19%
\$ to 10%	:	\$15.8bn	\$1.7bn	\$0.8bn*

Source: OECD * assumes a 10% reallocation to indirect RE investment

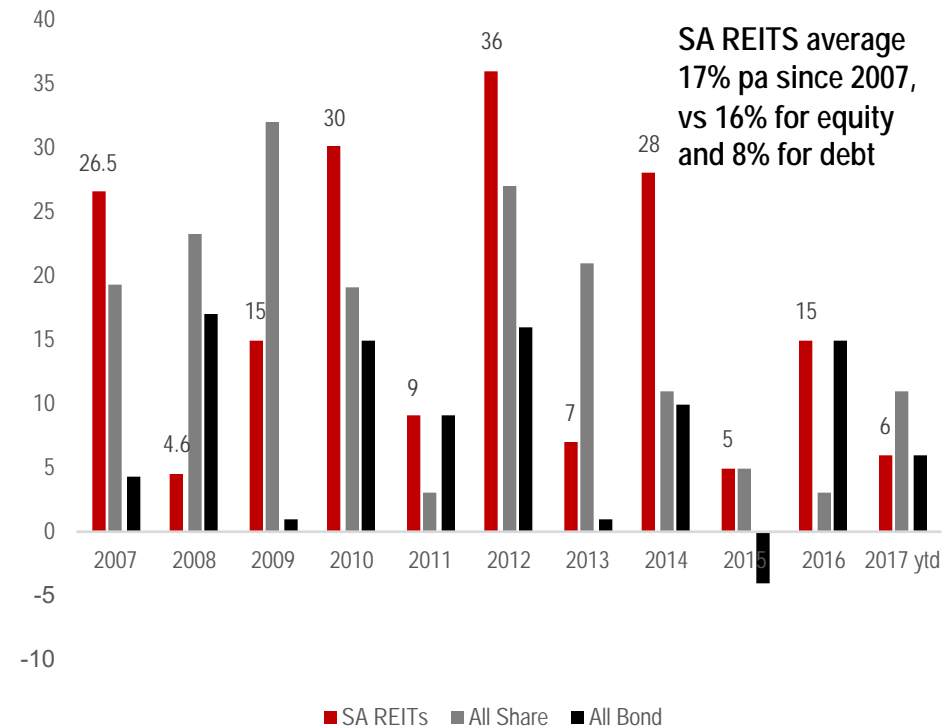
SSA REITs | The opportunity for real estate

REIT total return in SA and asset allocation in SSA

SSA REIT Exposure, % of pension fund portfolio/\$bn



Performance SA REITs vs Equity & Debt since 2007

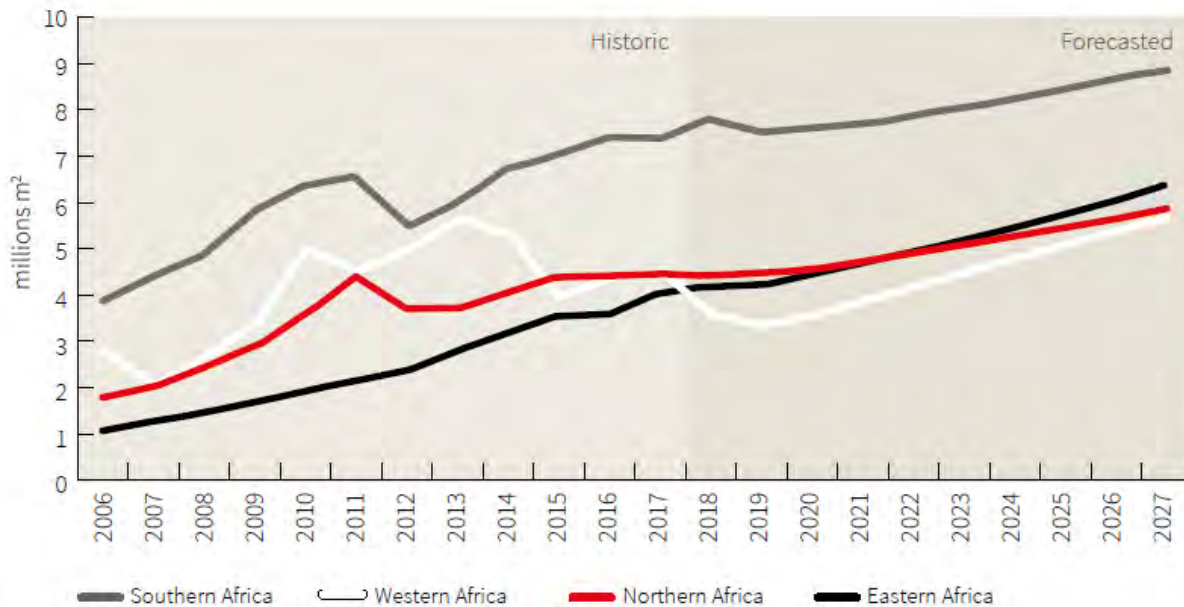


Source: JLL, OECD, SA REIT Association

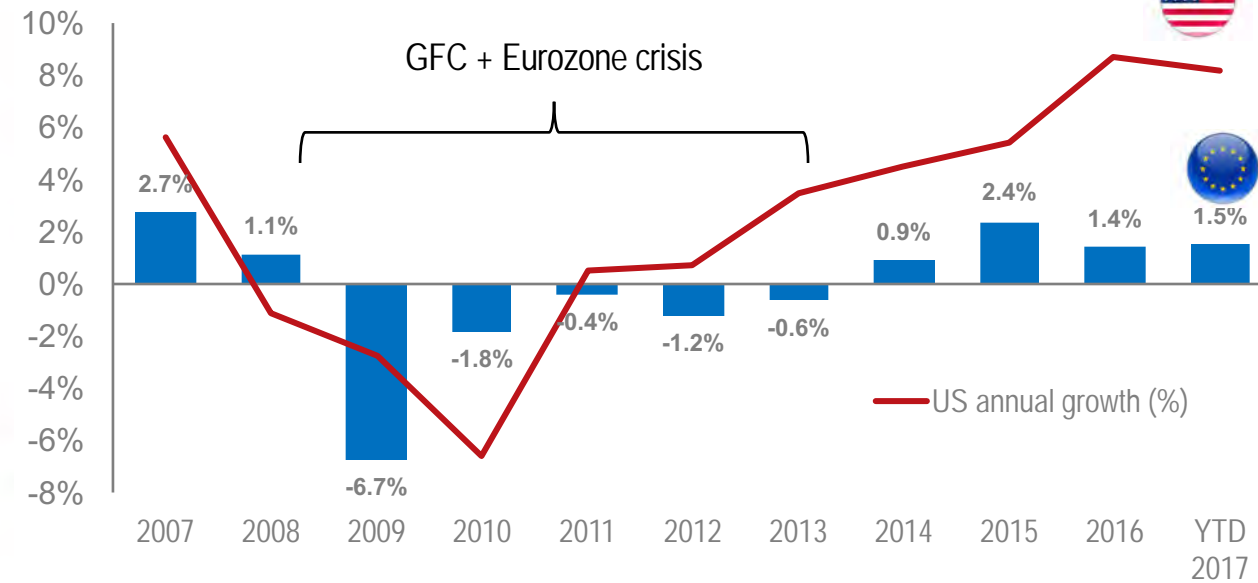
The opportunity | SSA industrial sector has huge potential

Africa could double manufacturing output to nearly \$10trn over the next decade

Regional demand for industrial space in Africa



The impact of E-Commerce – US vs European rental growth



Pent up demand = 15mn sq mq / New demand = 5mn sqm over next decade

Key drivers: Infrastructure - E Commerce - Drone technology - Industrial clusters

Source: JLL

Thank you

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