



## Takeaways from the Africa PropTech Forum & Johannesburg Connect Series

### **Forword:**

At the recently concluded Africa PropTech Forum Virtual and the Johannesburg leg of the Connect global PropTech festival, local and global industry experts shared insights on this growing sub-sector and its implications for the continents' property industry.

As one of the few sectors predicted to emerge on a stronger footing post Covid-19, the rapid adoption of proptech applications and services by the industry will reshape the entire real estate value chain. From property and facilities management, brokerage and agency, construction, transactions and more, the adoption of property technology solutions within the property ecosystem is taking place across the African continent with existing real estate firms, investors, financiers, developers, startups and tech players all investing in and developing innovative solutions and products ready for use.

Below is a summary of the key takeaways and insights from the events.

### **PROPTech IN AFRICA BY THE NUMBERS**

**130+** PropTech firms in Africa | 85% of these are based in Nigeria and South Africa  
**±80%** of Africa's PropTech firms are B2B or B2C focused with only ±20% focused on both  
**±50%** of Africa's PropTech firms are focused on Big Data and Data Analytic technologies  
**Only 19%** of all PropTech firms in Africa are focused on property management

### **FUNDING INSIGHTS**

- PropTech funding in Africa reached +\$10million in 2019
- HomeME is the most funded PropTech firm in Africa with over \$13,6million raised to date
- There is a large gap in early stage venture funding across Africa where the majority of VC funds focus on \$1m to \$5m Series A and B type deal sizes.
- Despite the early aftermath of COVID-19, in the first 8 months of this year (Jan-Aug 2020) alone, African tech startups raised more than \$600 million+ in VC funding, an 8% increase from the same period in 2019.
- Kenya, Nigeria and South Africa are the 3 dominant markets for venture capital on the continent, with Nairobi, Lagos and Cape Town emerging as Africa's premier 'Tech Cities'
- Raising decent cash in Africa, as a PropTech firm, is a complex and difficult undertaking for the following reasons:
  - o PropTech is out of mandate for regional and local big money;
  - o The local/regional market size is relatively small – making it hard to justify proptech funding value asks;
  - o There are no well-known local success stories available as reference points for potential investors; and
  - o Finally, because of demand and supply issues- which has led to unfavourable terms for PropTech com

## **PROPTECH TRENDS**

- Key Covid-19 related technologies being implemented across existing buildings and new developments on the continent include: thermal cameras; contactless access points with Bluetooth/mobile integration; automated control systems for air filtration as well as office occupancy tracking hardware and software
- Technology is changing the world of real estate in the three distinct ways:
  - Cutting out the middleman by way of peer to peer services or products, crowdfunding and the sharing economy
  - Driving innovation in property uses, by way of cloud working, co-working, immersive technology (e.g. VR & augmented reality) and the online retail revolution, including click & collect or delivery:
  - Driving the efficient use of space by way of the internet of things (IoT), smart buildings and smart cities
- Three Covid-19 related trends driving adoption of technology in real estate:
  - People have moved online now more than ever - increasing general digital uptake across all sectors and populations
  - Social distancing is digitising the transaction process - including for example the way we view buildings, sign contracts or pay for rent/a property
  - Landlords are having a mindset shift in terms of retention being cheaper than acquisition – thus driving new real estate as a service and technology platforms that will enhance tenant experience and satisfaction
- Which part of the value chain will be most impacted by Proptech?
  - Property and facilities management – through the use of sensors, thermal cameras etc.
  - Site Inspections – through the use of drone / gopro technology capturing live data
  - Valuations- through the use of apps and platforms that better leverage and aggregate data
  - Land titles/deed registry – through the use of digitization and blockchain technologies
- Property is becoming more and more of a service rather than just pure GLA. What is being delivered to the end user needs more consideration – technology will have a greater role to play in enabling this environment in terms of how tenants interact with their space
- REITs and large landlord adoption of technology:
  - First key adoption for REITs / larger portfolios will be in property & facilities management with applications for smart/electronic meters, water meters, sensors etc. – continuing the drive to automate and digitize the manual property management processes
  - There is / will be a strong preference for local products versus global solutions as there is a better cost benefit and understanding for the local environment plus boots on the ground for support
  - Retrofitting technology into existing buildings is difficult and more expensive with the preference being to rather focus on including smart tech into new developments
  - Operating cost containment solutions for older existing stock would be a key solution that the market could adopt
- Landlords need to better understand that the cost savings generated through proptech are seen over the entire life cycle of the development and not just for the initial capital cost
- We are entering a hybrid future where tech automates processes and people focus on the relationships to get jobs done resulting in a reduction in costs across the value chain
- The need for an end to end solution throughout the sale and rental process will drive the consolidation of all current market places and platforms
- Agents/agencies will not disappear; however, they will need to adapt and work with the new platforms and embrace technology in order to remain relevant. The need for the human service in real estate still exists.

## **LESSONS AND INSIGHTS**

- Critical components needed to drive technology / start-ups in Africa were identified as:
  - o talented, tech savvy entrepreneurs;
  - o availability of risk capital;
  - o growth in corporate-startup collaboration;
  - o the emergence of accelerators, incubators and government support
- Africa/emerging market bottlenecks for PropTech firms include:
  - o The costs and complexity of emerging market proptechs are usually underestimated by both founders and investors leading to financial constraints and issues;
  - o Africa and emerging markets have completely different customer characteristics and smaller market sizes compared to global peers – e.g.: the B2B customer base is significantly smaller
  - o Lack of access to quality data
  - o High level of incompetence and red tape at the public sector level
  - o Low internet connectivity and penetration levels
- Dos and Don'ts of starting a PropTech firm in Africa:
  - o 'Focus on the pain killers not the vitamins' – i.e. ensure your product or platform is directly solving a specific industry problem not just improving an existing function of the industry
  - o Imperative to have two co-founders: One sales/marketing/property focused and one tech focused
  - o B2C products in Africa do not work – they are too expensive to build and there is not enough opportunity to scale
- Secret to scaling:
  - o Having the right team in place
  - o Having an effective product development strategy that can then translate the expertise into a usable product
  - o Ensuring there is scope for repeatable and scalable growth
  - o Founder / CEO needs to move from being an entrepreneur to a leader
  - o Growth capital

## **PROPTech SUB-SECTORS: SMART TECHNOLOGY; GREEN TECH; CONSTRUCTION TECH (CONTECH); & BLOCKCHAIN**

### **Smart & Green Tech**

- Implementing smart proptech in your workplace needs to be based on two key components:
  - o Understanding how people use the space through sensors etc.; and
  - o Empowering people to interact with their workplace through smart integrated applications etc.
  - o Green offices are said to increase productivity by €3,600 (70K Rand) per employee per year (Source: Arcadis)

### **Contech and Affordable housing**

- Technology can have a huge impact on the cost of affordable housing and its processes in Africa through the following key areas:

- o Increase in recycling and utilization of available environmentally sustainable materials which will reduce costs and help our environs.
  - o Modern technology improvements and digital collaboration making our processes and projects efficient.
  - o Utilizing offsite construction methods such as prefabricated homes and precast components for affordable housing which will greatly assist in saving time and costs
- What is driving technological change in the construction industry?
    - o Productivity inefficiencies in existing framework / process
    - o Modern methods of construction are outdated
    - o Growing demand for connected devices through the construction value chain across the different professionals working on the project
    - o Growing need to have green / sustainable projects
    - o Drive to use less waste on site
  - Main technologies used to boost productivity in the construction phase:
    - o RFID tracking management
    - o Use of 360° cameras and scanning – reducing the number of people on site
    - o Use of augmented reality - being able to overlay installation instructions etc.
  - The adaptation curve for modular construction is still very low in Africa due to regulatory hurdles.

## **Blockchain**

- Blockchain technology can impact the real estate sector through the following key ways:
  - o Reducing the transfer cost of real estate transactions by replacing a conveyancer with a smart contract, which will enable an instant transfer and settlement of the asset.
  - o Redefining the due diligence and risk analysis process with the majority of property and tenant data being stored on immutable ledgers
  - o Being used as the underlying and secure database for title deeds/land registry and fractional ownership schemes
  - o Using blockchain to create liquidity in the supply chain – paying people based on and as and when the work is complete