

Africa Market Pulse Survey Results

Responses and Strategies to the COVID-19 Crisis

Key findings from

Office Landlords
Office Tenants
Retail Landlords & Tenants



Africa Market Pulse Survey

Responses and outlook to the COVID-19 crisis.

- Since the onset of COVID-19, countries across Africa have adopted a range of measures to curb the spread of COVID-19 and the subsequent impact on the respective economies.
- However, uncertainty remains rife as to the extent of the impact of the pandemic on the real estate markets across the continent.
- Knight Frank has therefore aggregated industry and sector specific data to assess the impact of this pandemic on regional economies and real estate asset classes.
- We remain committed to delivering substantive guidance and solutions to the challenges faced by our clients as a result of the COVID-19 pandemic.
- We would like to thank our clients who participated in these surveys and are pleased to share the following survey results.

Survey conducted 01/06/2020 – 03/07/2020
Percentages may not sum to 100% due to rounding
Source: Knight Frank Research



Survey Results

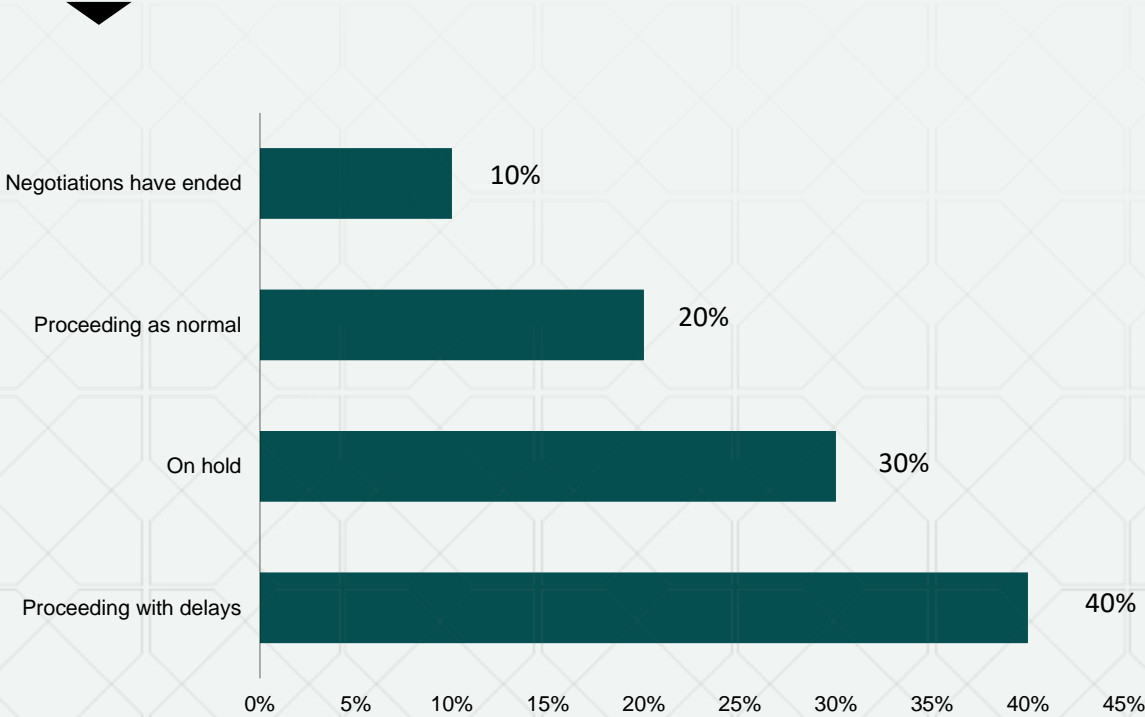
Office Landlords

Survey Results

Office Landlords.

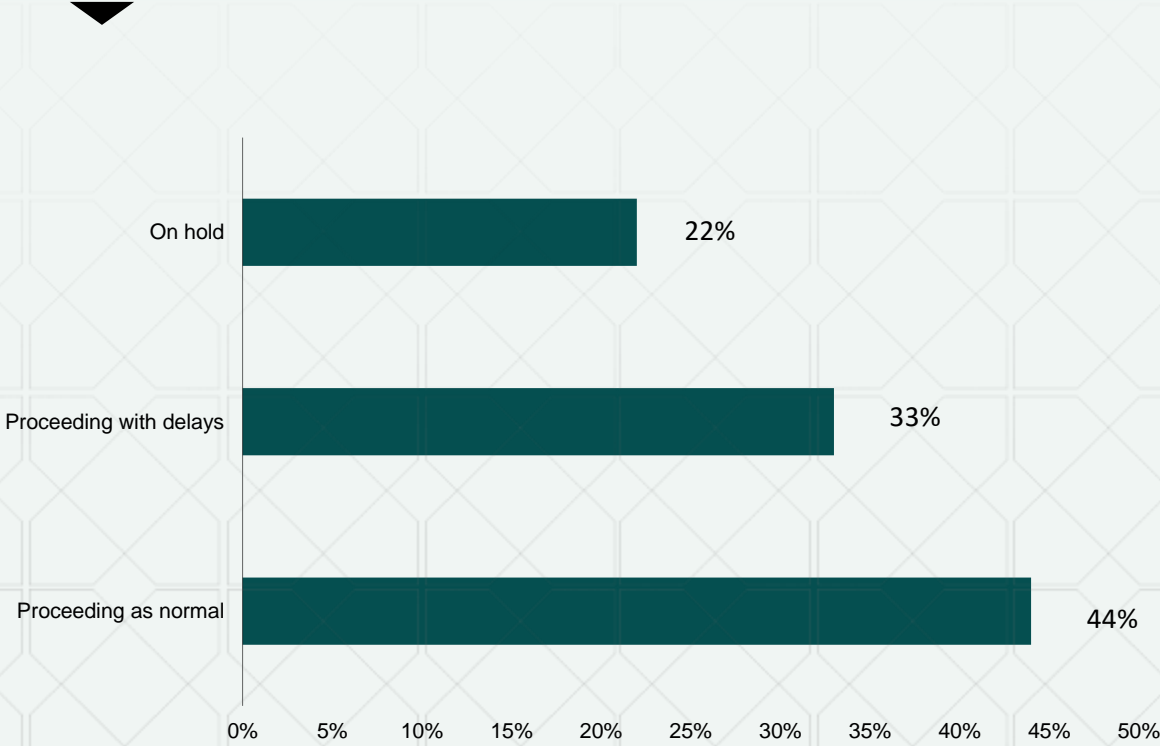
1

What is the status of office leasing deals that were in negotiations at the onset of COVID-19 in your country?



2

For leases that were signed, what is the current tenant move in status?

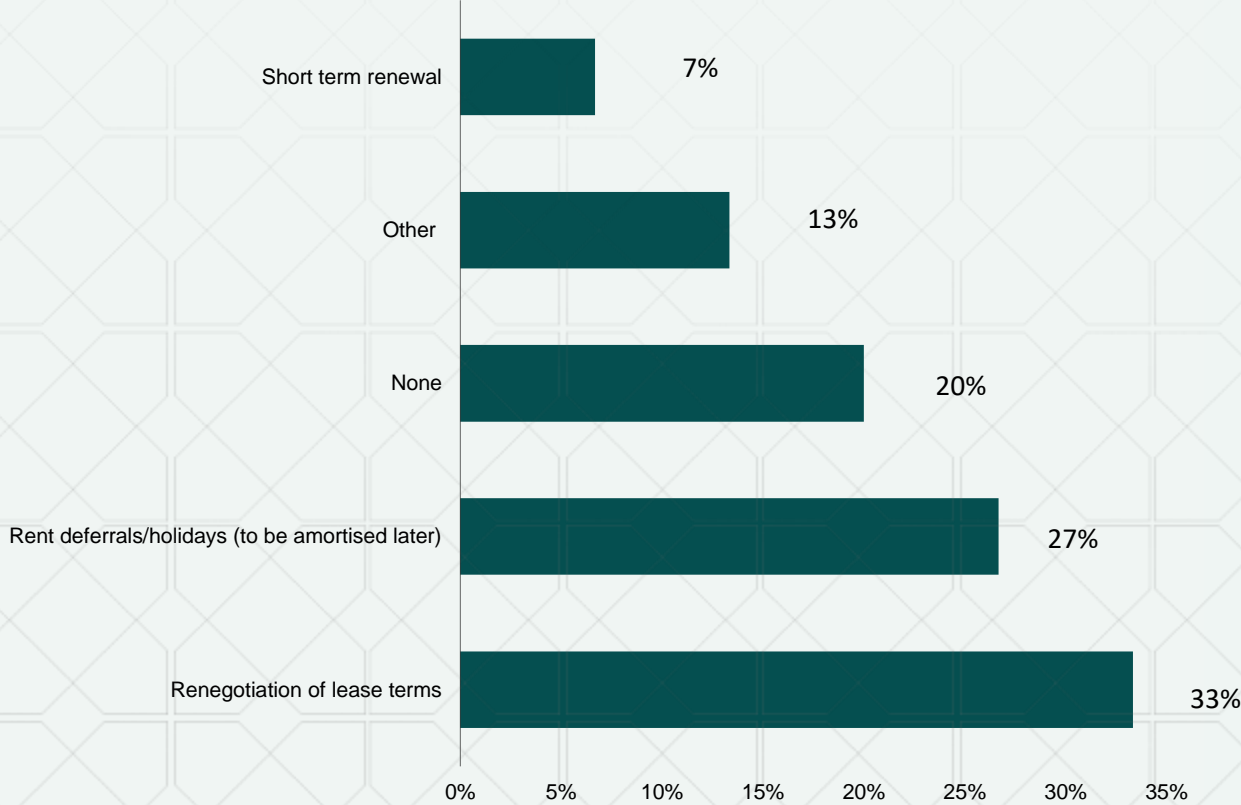


Survey Results

Office Landlords.

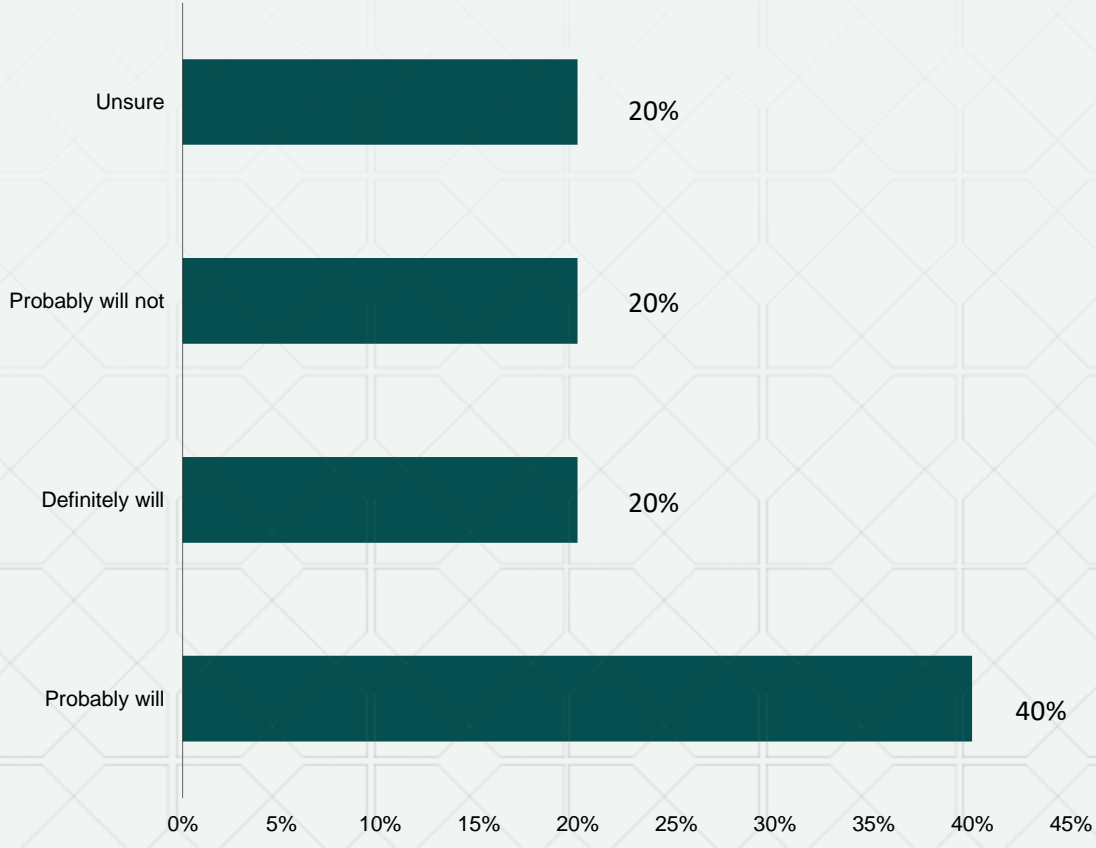
3

What accommodations have been requested by tenants and granted on existing lease obligations?



4

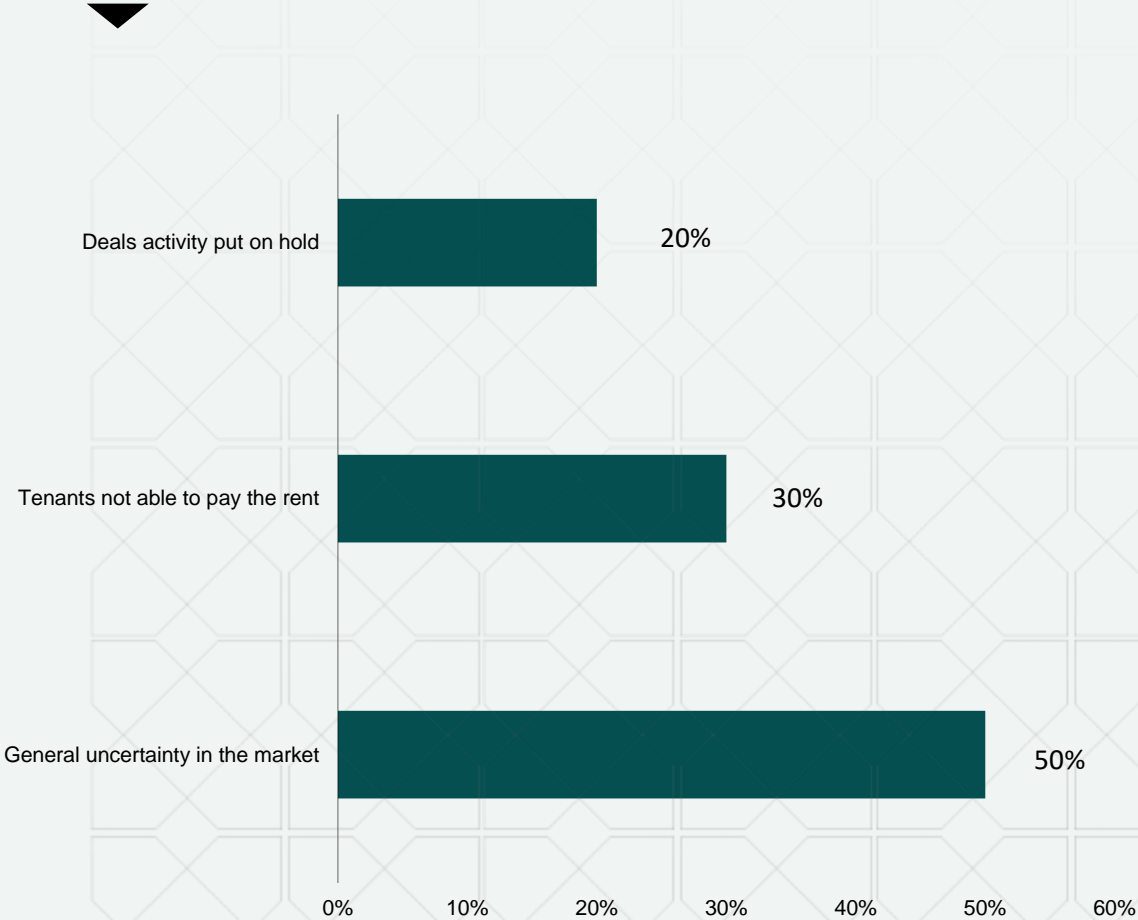
Are you considering increasing the amount of concessions offered to keep existing tenants or attract new ones?



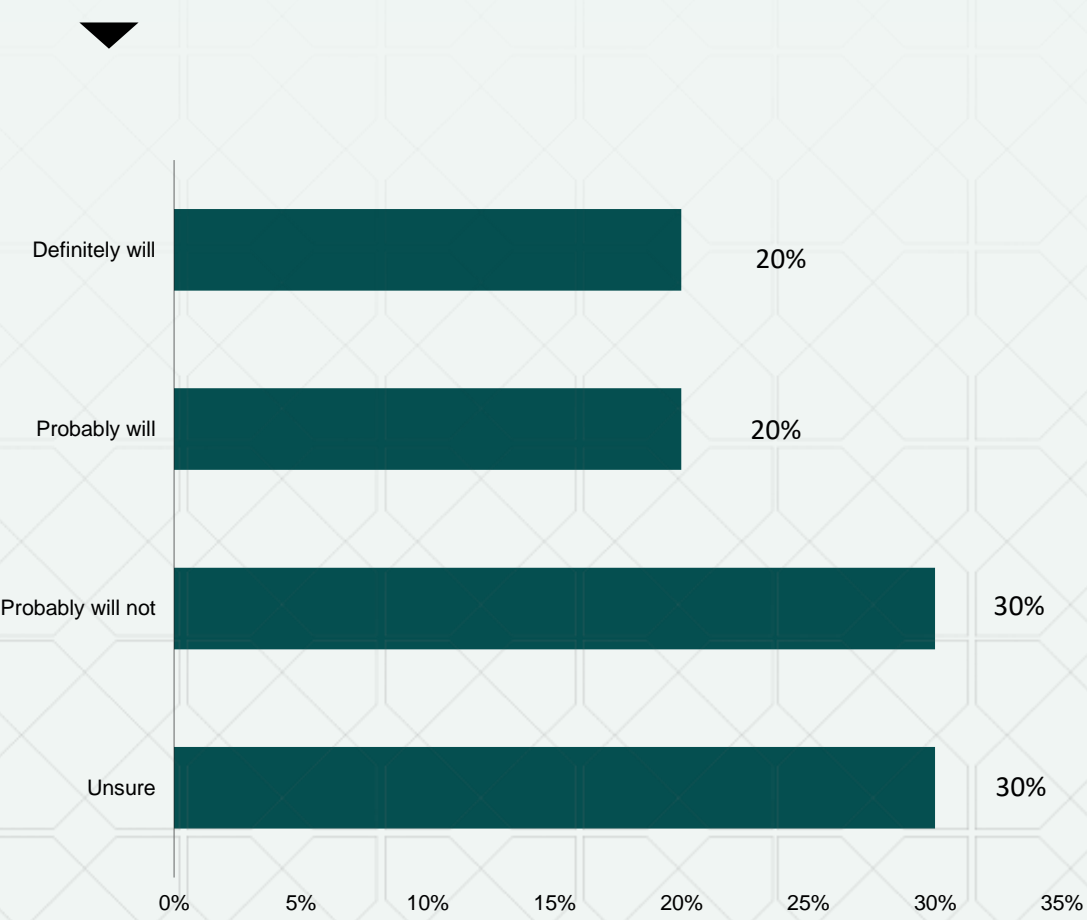
Survey Results

Office Landlords.

5 What is the greatest challenge to your RE portfolio at this time?



6 Will the current pandemic deter you from investing in commercial office space?

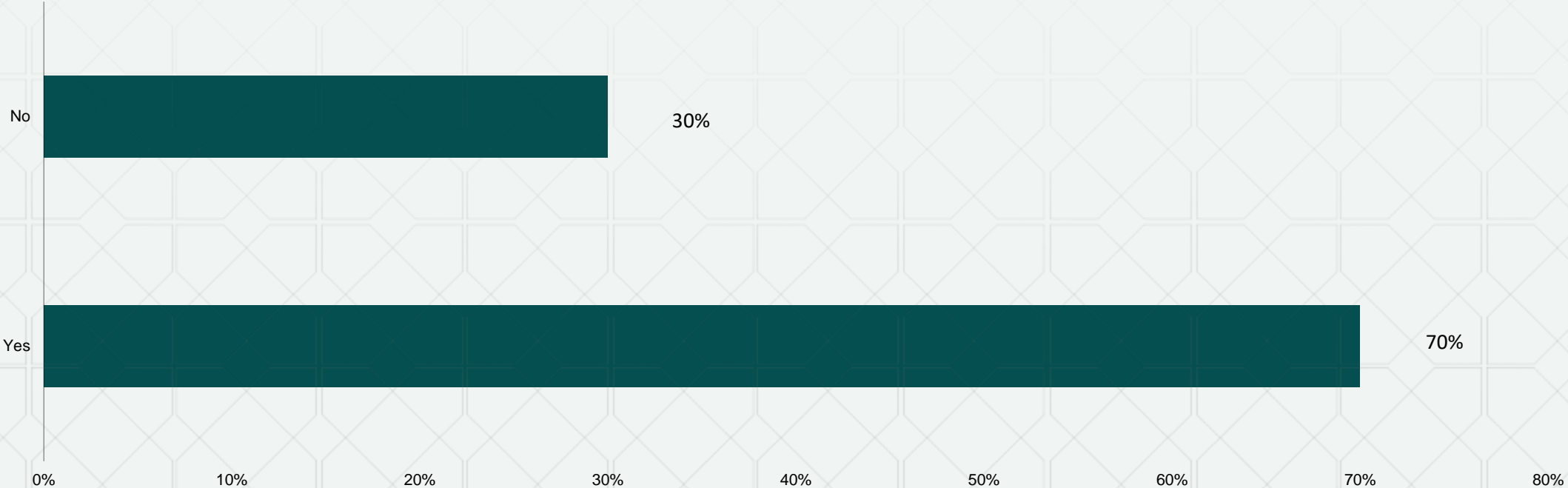


Survey Results

Office Landlords.

5

Have you adopted a post- COVID re-occupancy strategy?



Implications for our Clients

Office Landlords.

- **40%** of office leasing deals under negotiation at the onset of the COVID-19 crisis are proceeding with delays while **30%** are on hold as **20%** proceed normally. This signals the impact of the pandemic on businesses even as they try to adapt to market conditions.
- This adaptability in the office market is further accentuated by the fact that in terms of move in status, only **22%** of signed leases are on hold while **44%** of signed leases are proceeding as planned.
- **27%** of respondents indicated that they have granted their tenants rent deferrals while **33%** have undertaken a renegotiation of lease terms in a bid to ensure that tenant businesses stay afloat. Other accommodations that have been granted include granting of rent waivers during the lockdown periods.
- Moving forward, **40%** of landlords stated that they are likely to offer concessions to retain existing and attract new tenants while **20%** indicated that they definitely will increase concessions offered.



Implications for our Clients

Office Landlords.

- As different countries adopt various policy measures towards cushioning the effects of the pandemic, **50%** of the respondents indicated that general uncertainty in the market was their greatest challenge in managing their real estate portfolio followed by **30%** who indicated that they were wary tenants would not be able to pay their rent.
- With regards to future investments, **30%** of the respondents indicated that the current pandemic would not deter them from investing in commercial office space in the future. An additional, **30%** were unsure if the current pandemic would deter them from investing in commercial office space in the future, reflecting the need for additional market information in investment decisions.
- As the world braces itself for a life after COVID and adapting to the 'new normal', businesses across the continent recognise the importance of adopting a post COVID re-occupancy strategy with an overwhelming **70%** of the respondents indicating that they have a strategy in place.



Survey Results

Office Tenants

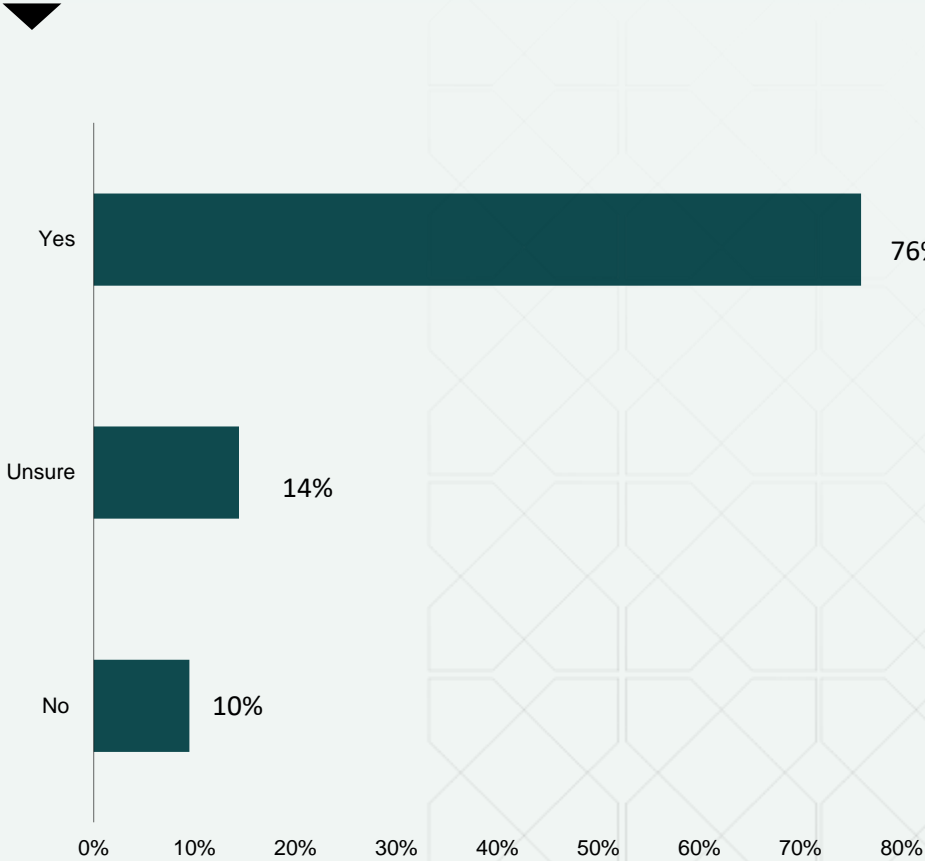
Survey Results

Office Tenants.



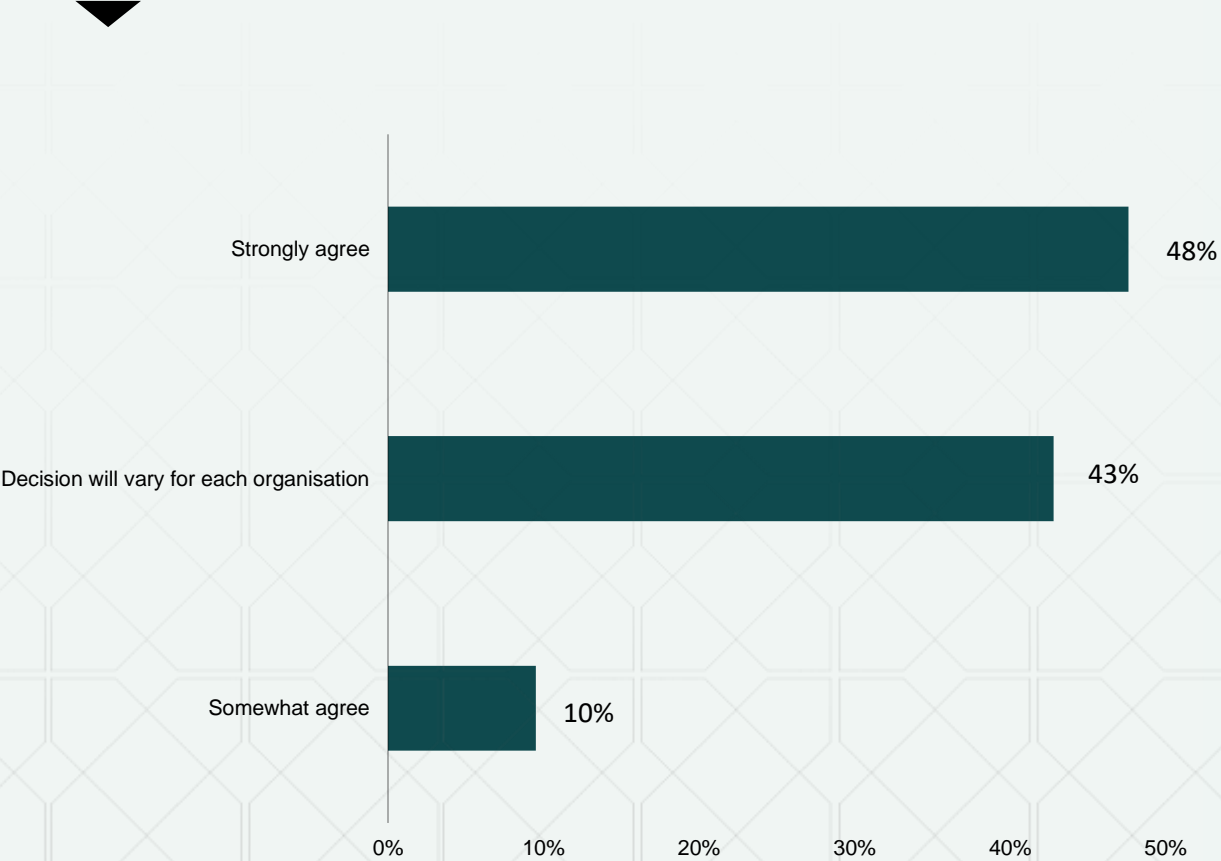
1

As part of the new normal, it is anticipated that social distancing will become a part of our daily lives, reducing density in our social and professional spaces. Is your organisation planning to reduce density as you transition back to the new normal?



2

In light of the current events, organisations will more aggressively consider a flexible work space arrangement and move away from the traditional real estate model for workspaces. To what extent do you agree with the above statement.

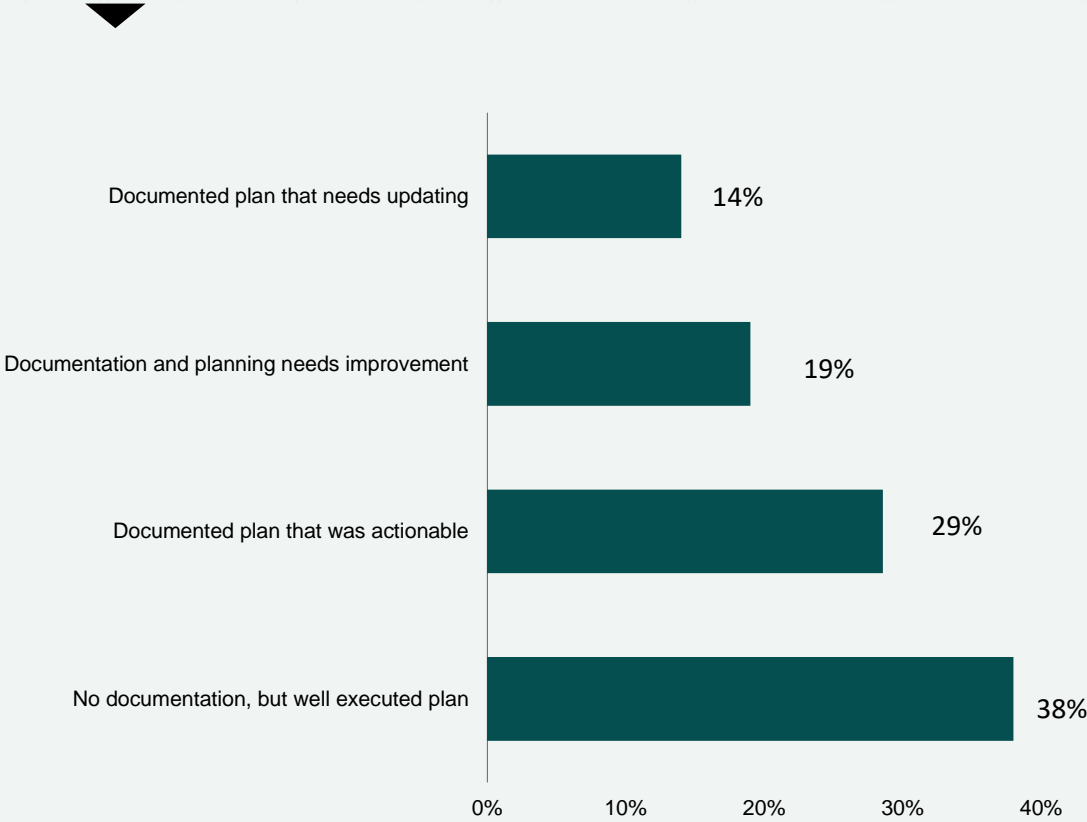


Survey Results

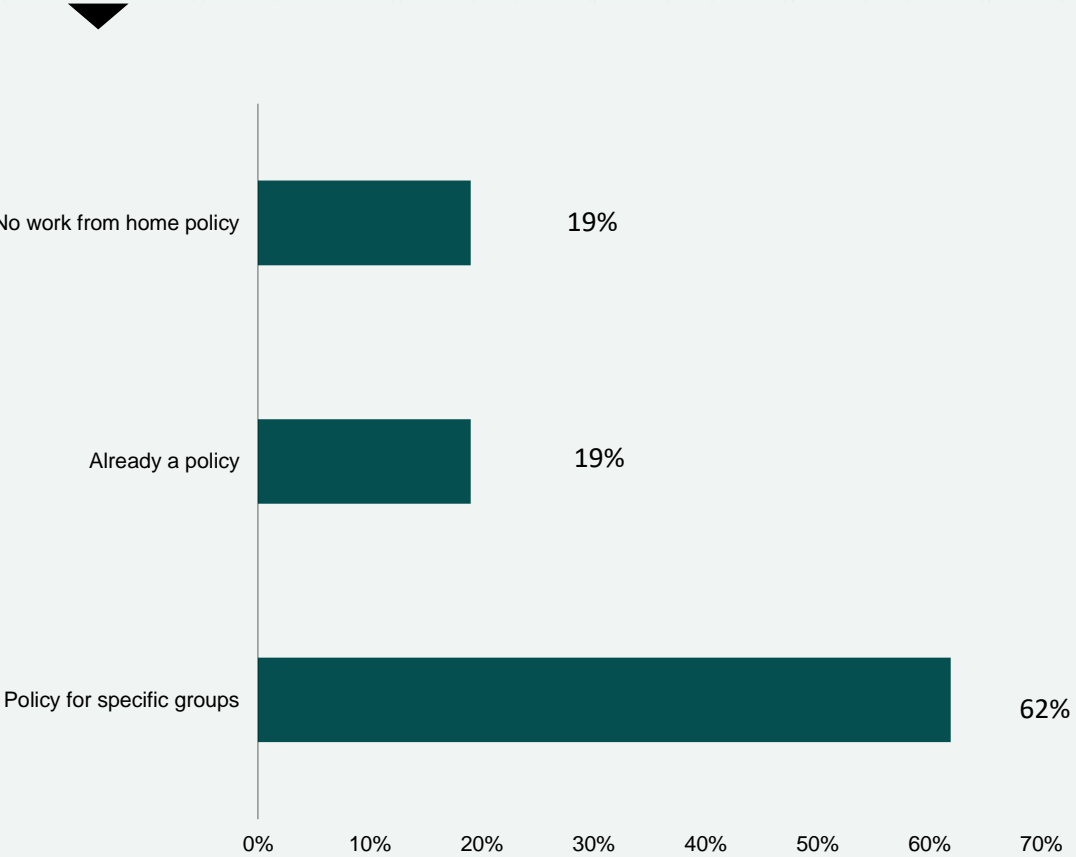
Office Tenants.



3 How would you rate your preparedness for deployment of work from home strategies in response to COVID-19?



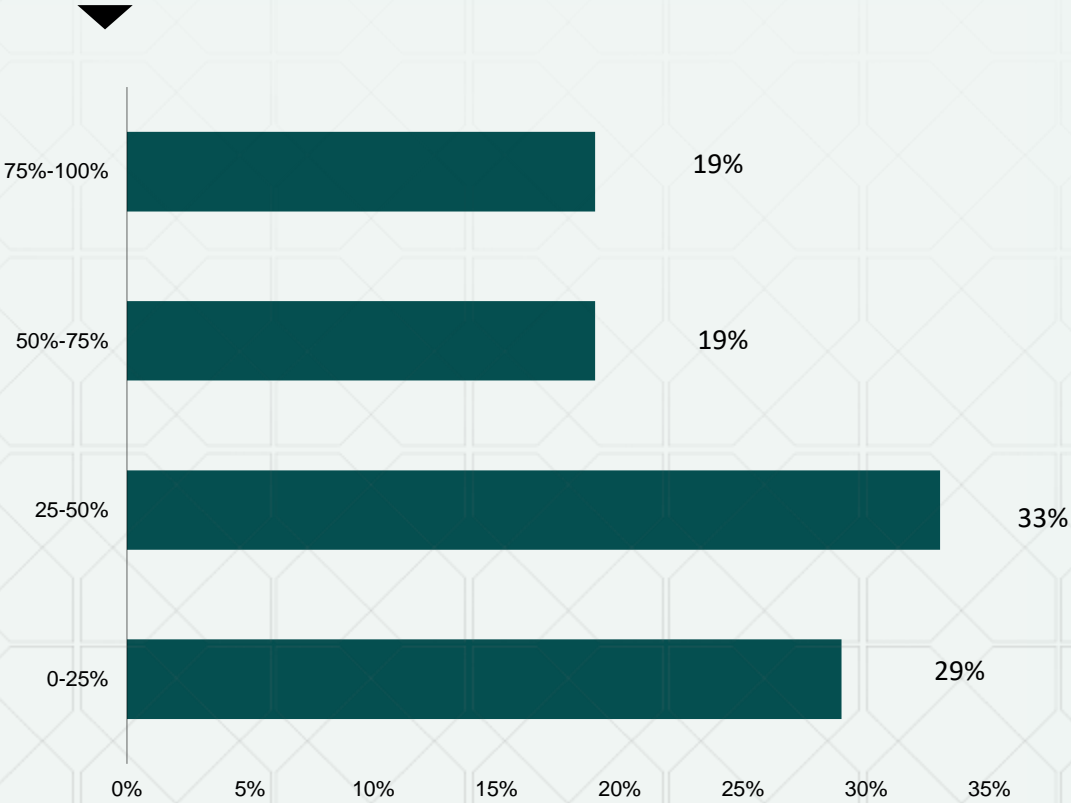
4 As a result of COVID-19, where do you see work from home strategically?



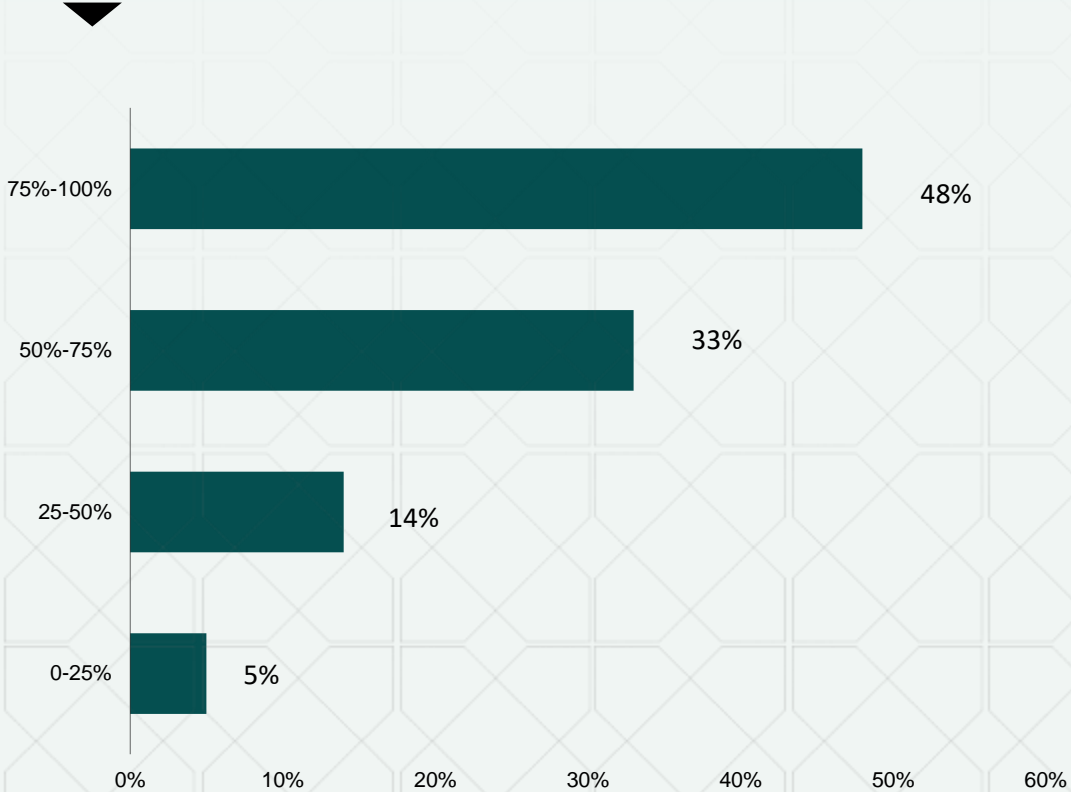
Survey Results

Office Tenants.

5 What percentage of your staff is currently working from home?



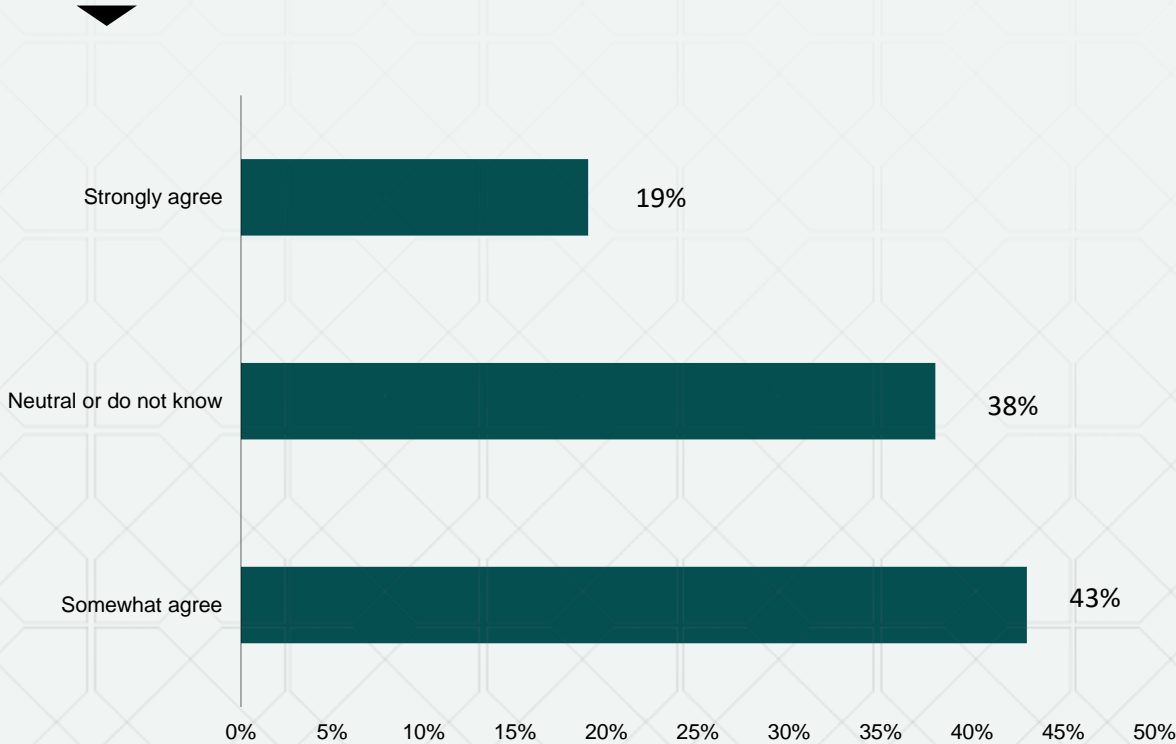
6 Assuming post COVID what percentage of your staff would return to work on a full office basis?



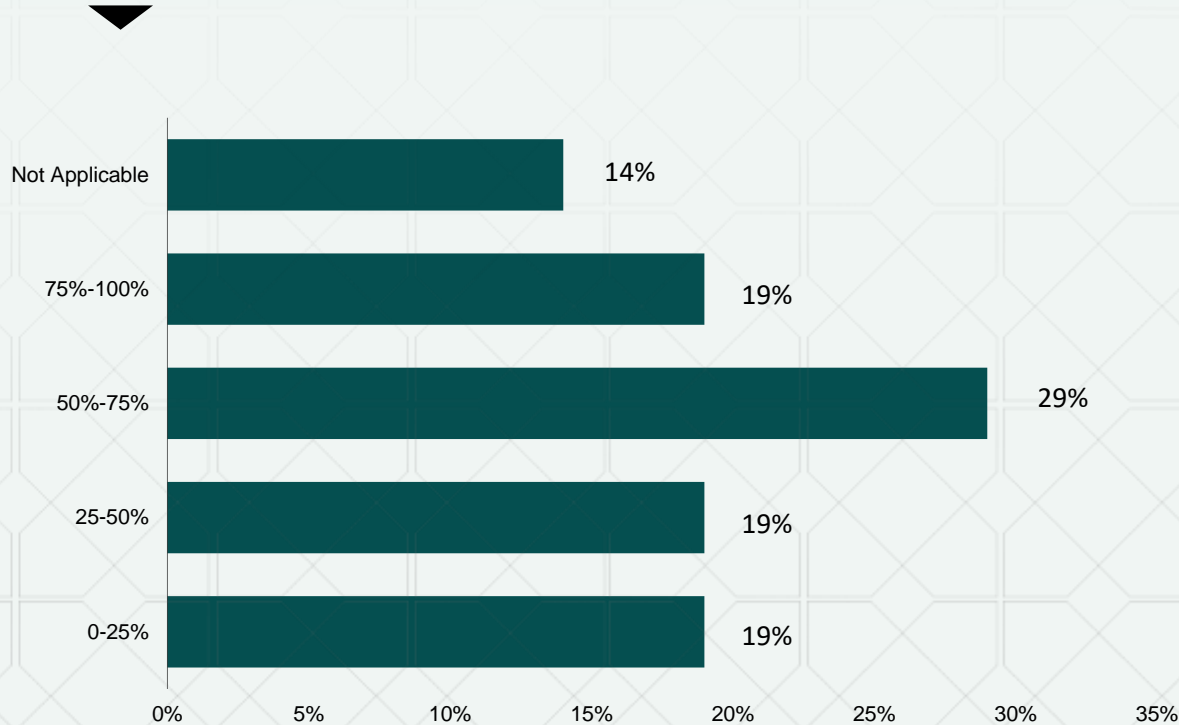
Survey Results

Office Tenants.

7 Given the current change in working patterns will you consider reducing the amount of office space in the near future?



8 Since the detection of the first COVID-19 case in your country, in your opinion, to what extent has your business turnover declined to date from the budgeted?

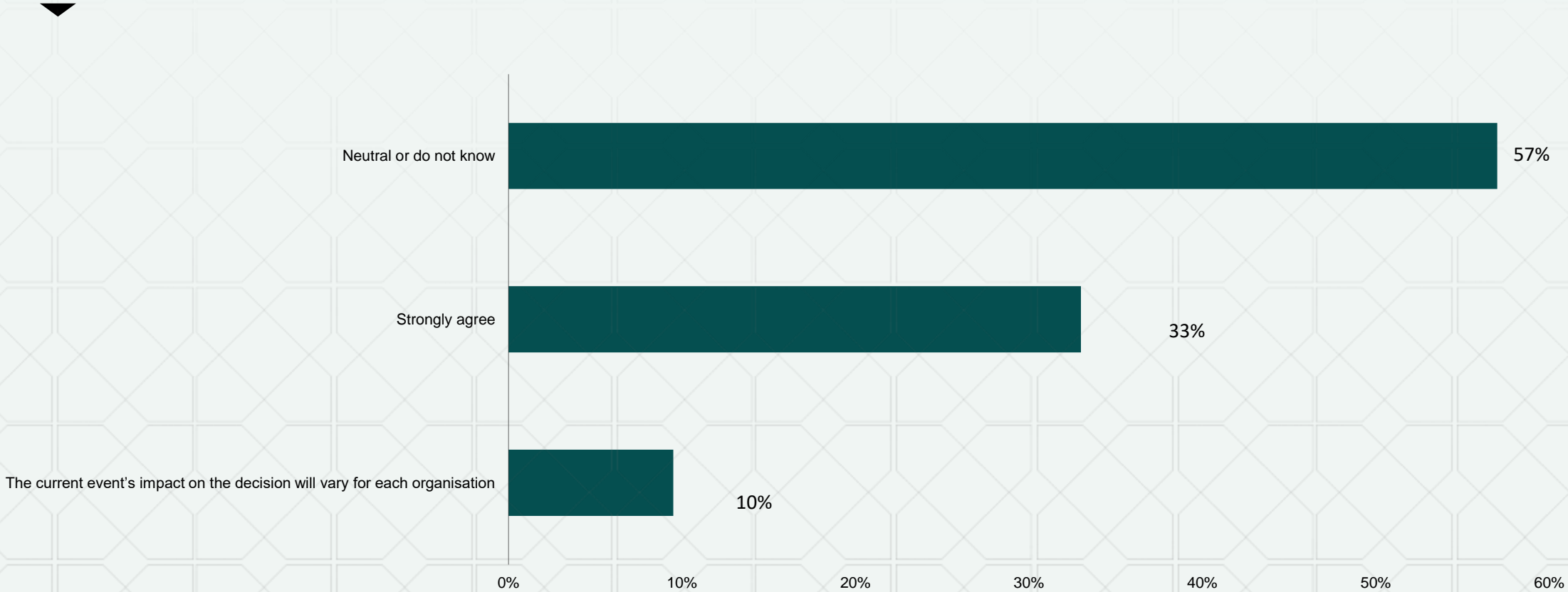


Survey Results

Office Tenants.

9

In light of current events, is this the time to fundamentally redesign the office workplace from a real estate model to a cloud cloud-based operating model? While investments will be required to improve existing technology and management processes, locational issues such as economic incentives, cost of real estate, and the location and cost of labour evaporate. Organizations can assemble the ideal team regardless of their physical location. To what extent do you agree with the above statement.



Implications for our Clients

Office Tenants.

- **76%** of respondents indicated that their organizations intend to implement social distancing policies upon resumption of business leading to reduced density in their offices.
- While this means that tenants would require more space per person potentially increasing their footprints, opinion remains divided with regards to the types of workspace models to be adopted moving forward where **48%** of respondents strongly believe that organizations will consider moving away from the traditional real estate workspace model and implement flexible workspace policies more aggressively while **43%** believe that the type of workspace model adopted will vary for each organisation.
- While majority of the respondents (**38%**) lacked a strategic document, they were able to execute the working from home plan well with **33%** of the respondents indicating that between 25% and 50% of their staff were currently working from home.



Implications for our Clients

Office Tenants.

- While globally the accelerated adoption of remote working is expected to filter into normal work life after the resumption of business as usual, **48%** of the respondents expect that 75% to 100% of their employees will return to work on a full office basis . Subsequently only **19%** of the respondents expect to reduce their amount of office space occupied
- Overall, a majority of the businesses indicated that they had experienced a decline in their turnover from the budgeted, with the most dominant impact bracket categorized at 50% to 75% by **29%** of the respondents.
- Going forward, while the pandemic is expected to lead to a new normal of remote working, the need for physical space in Africa remains dominant even as organisations embrace the values towards collaboration and flexibility.





Survey Results

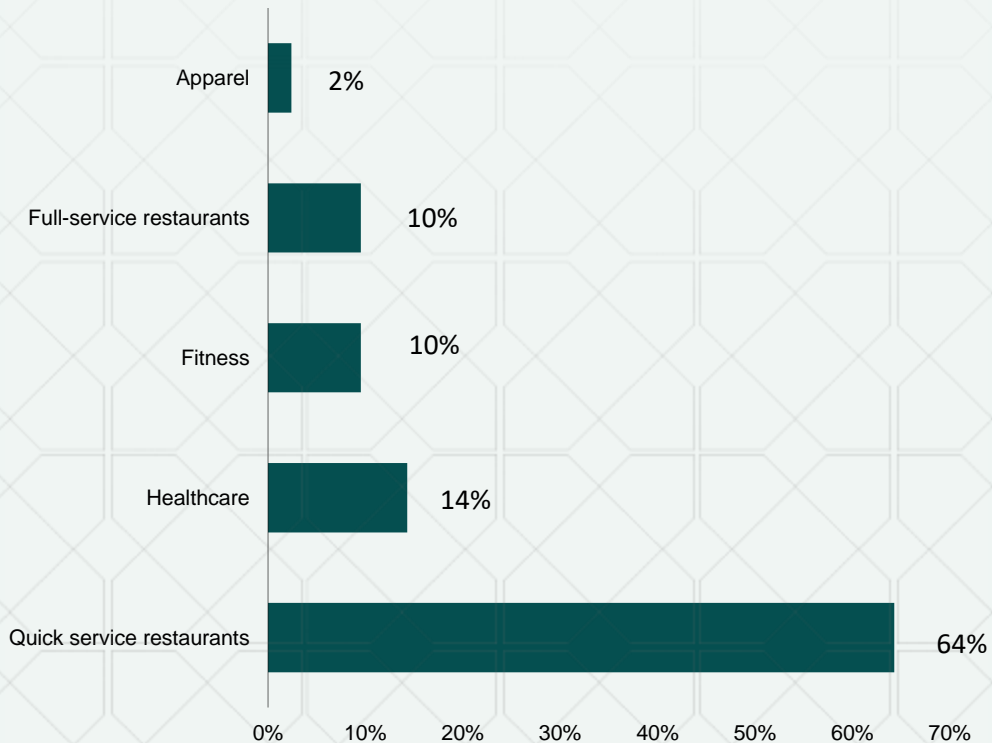
Retail Landlords & Tenants

Survey Results

Retail Landlords & Tenants.

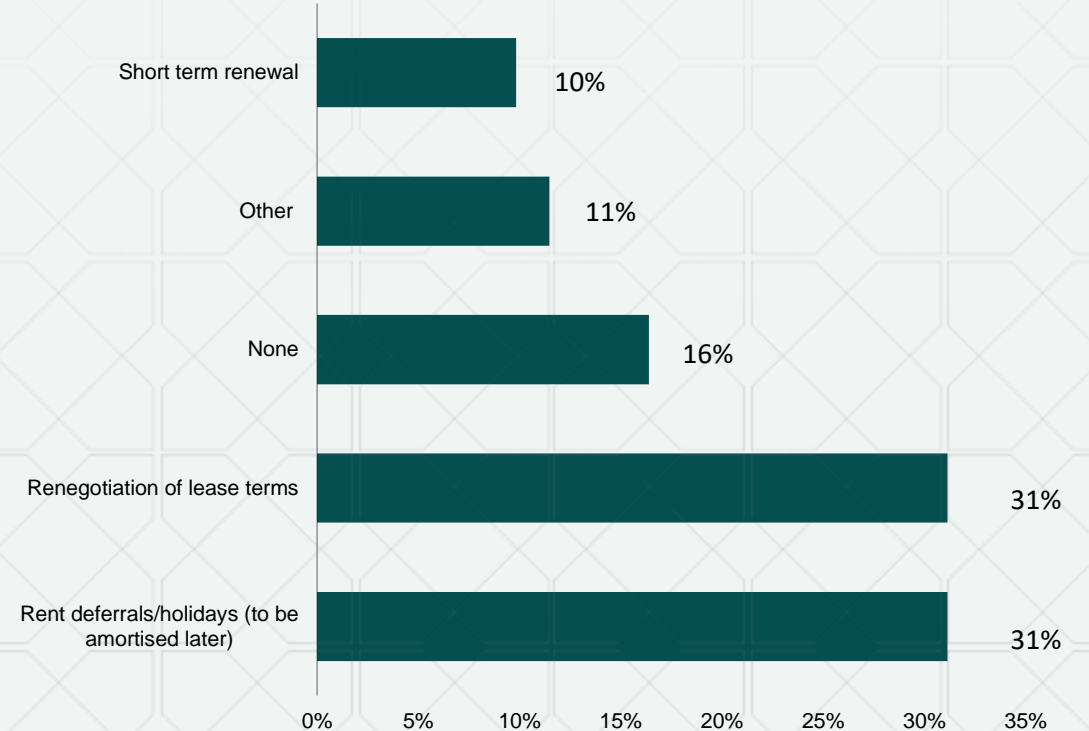
1

Excluding essential goods and services (grocery stores, pharmacies, etc.) which sectors of retail do you expect to bounce back soonest?



2

What accommodations have you/ have been requested and granted on existing lease obligations?

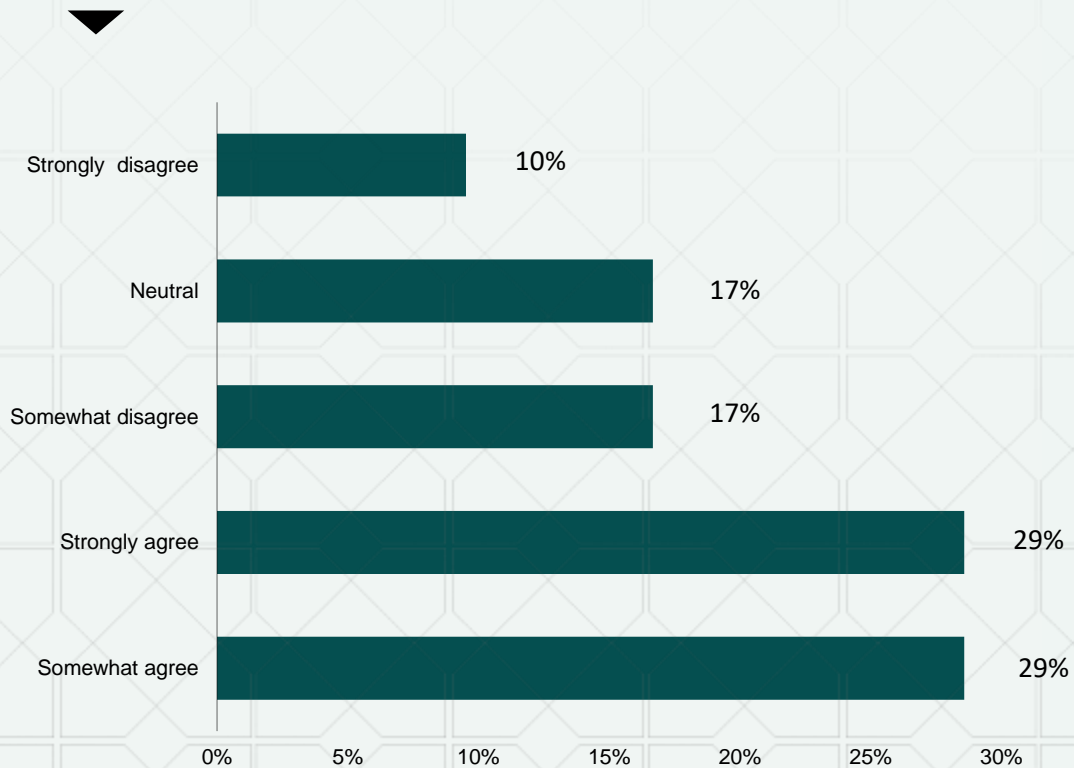


Survey Results

Retail Landlords & Tenants.

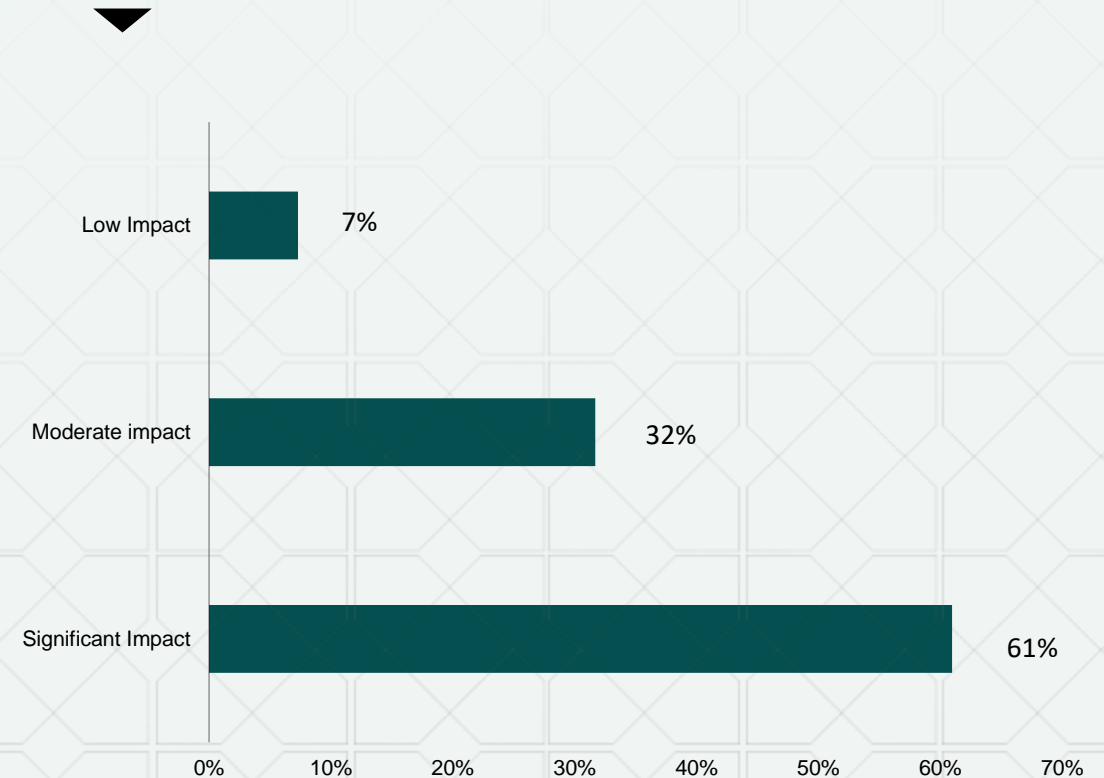
3

In light of the current events, retailers are anticipated to ask for a rental model weighted more heavily towards a revenue sharing agreement. To what extent do you agree with the above statement?



4

To what degree are supply chain disruptions impacting retailers ability to fulfil demand for products?

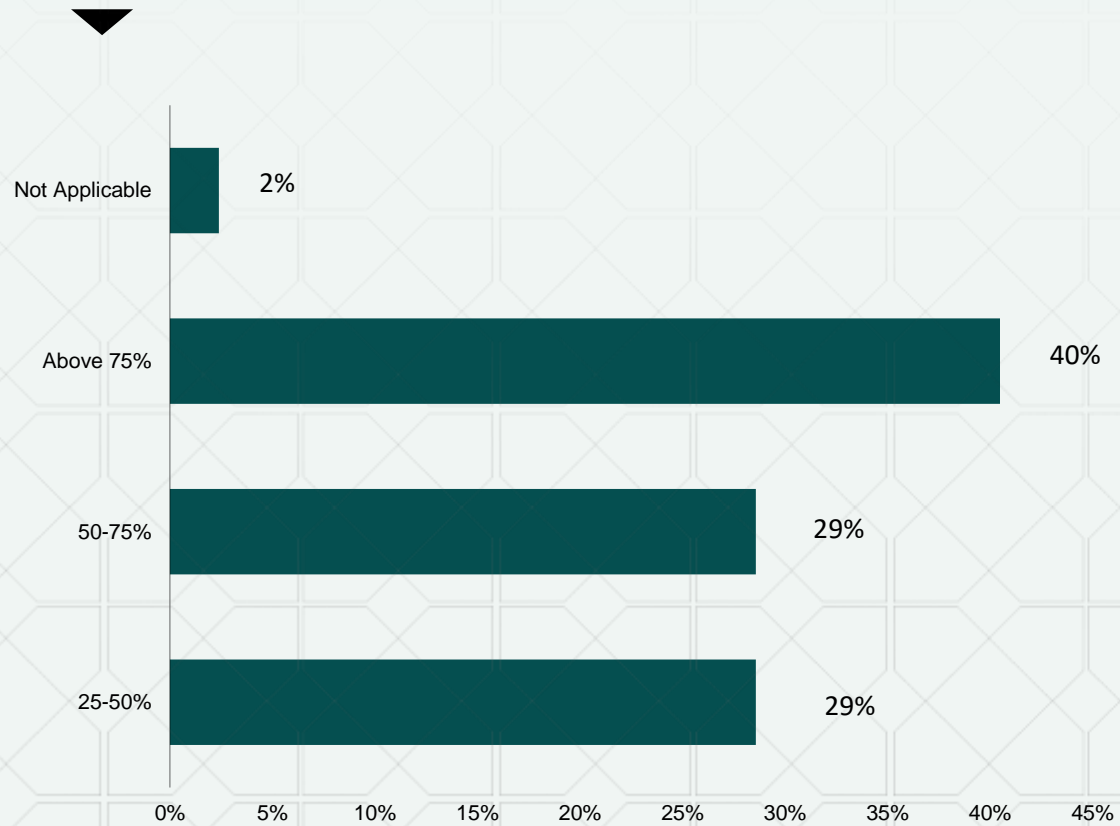


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Retail Landlords & Tenants.

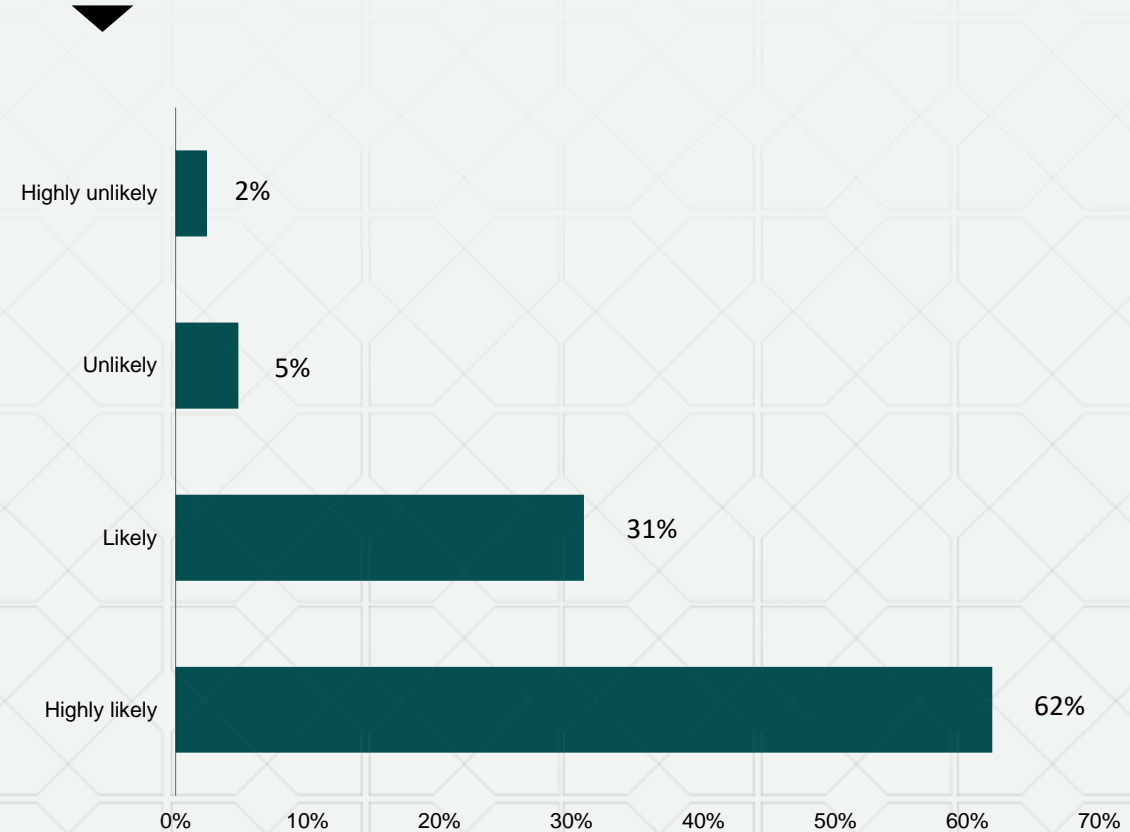
5

To what extent has COVID-19 impacted your H2 2020 forecasts?



6

In terms of retail outlook, do you anticipate a change in the retail mix moving forward?

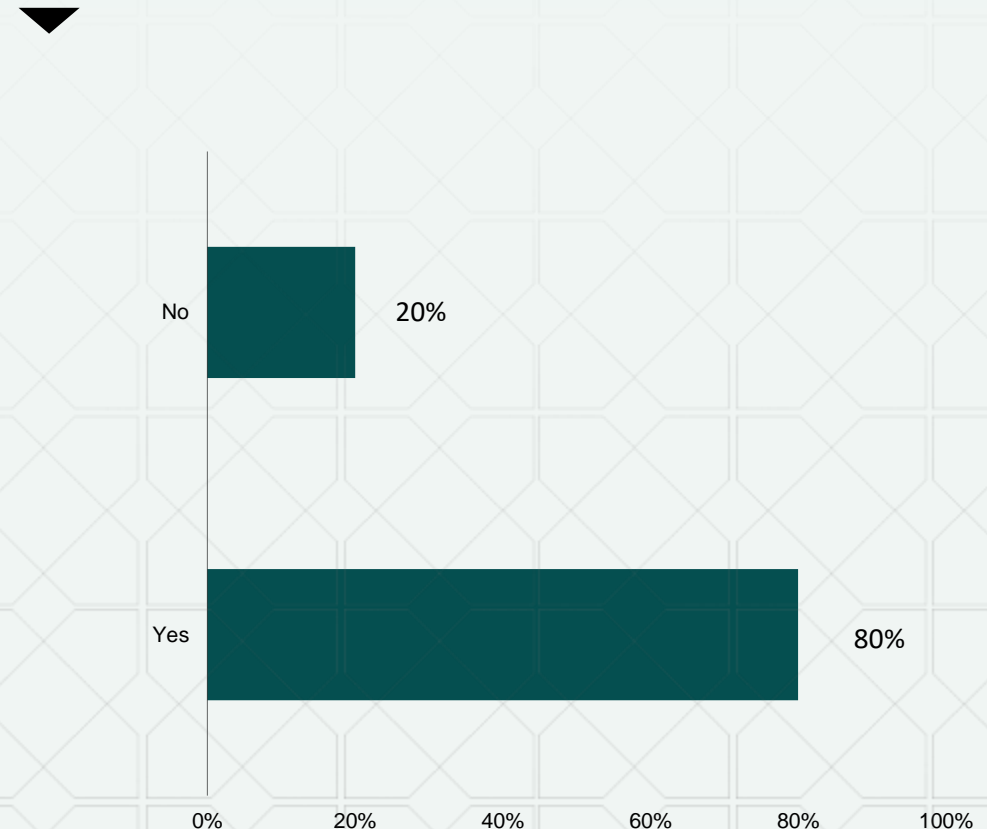
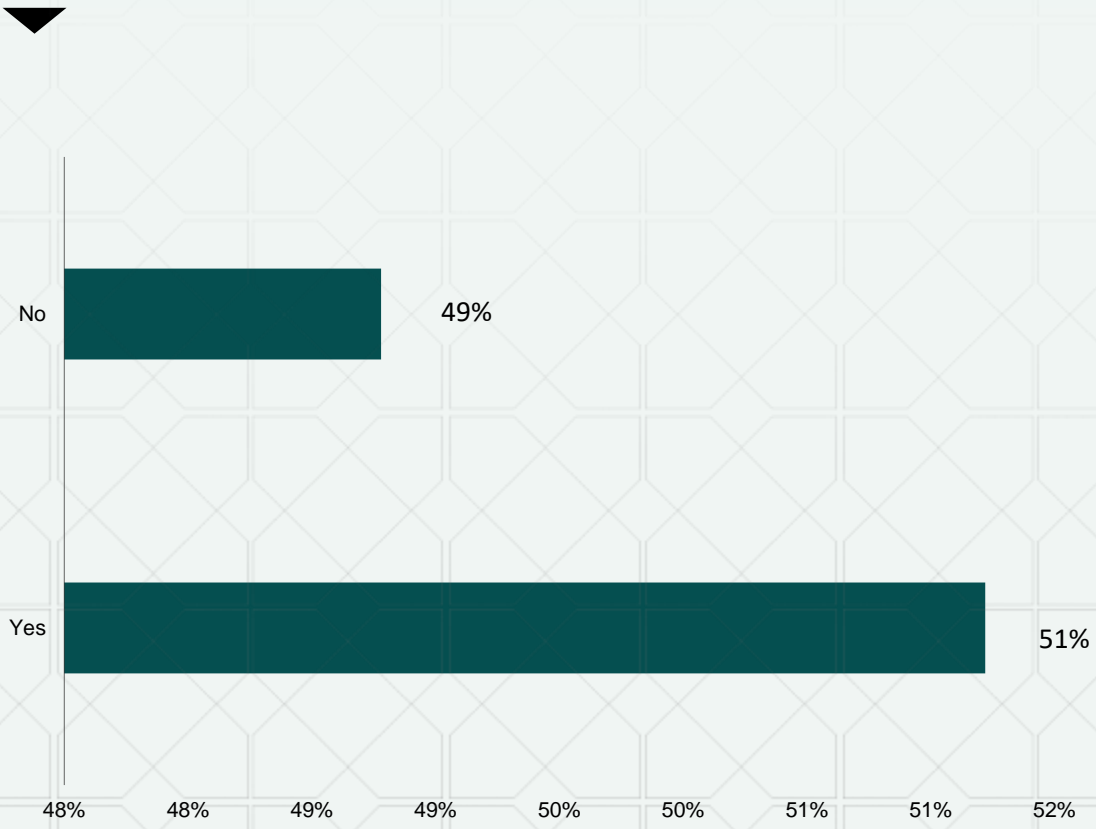


Survey Results

Retail Landlords & Tenants.

7 Do you have an online platform for your retail business?

8 Have you considered adopting an online platform?



Implications for our Clients

Retail Landlords & Operators.

- In terms of retail sectors, fast food restaurants are anticipated to be the quickest to recover from the crisis at **64%**. This is followed by healthcare related retail tenants at **14%**.
- Different accommodations were sought by retail tenants with **31%** reporting that rent holidays were requested while **31%** reported that a renegotiation of lease terms was requested. Other accommodations sought were short term renewals as well as rental payments on a turn over basis pointing to the increasing flexibility in lease terms required by retail tenants in times of uncertainty.
- On the issue of potential retail leasing structures incorporating revenue sharing/percentage rent models, respondents' opinion indicated the anticipation towards this model becoming more common. **29%** of the respondents agreed that this model should become more commonplace, while an equal number of respondents somewhat agreed.
- With the increasing disruption in supply chains as a result of lockdown measures imposed and border closures, **61%** of the respondents indicated that this had significantly impacted their ability to fulfil demand for products leading to additional financial stress.



Implications for our Clients

Retail Landlords & Operators.

- With the retail sector expected to be under pressure for the short to medium term, it is expected that more flexible lease terms and potential revenue sharing arrangements may be requested by retail tenants in the future as they seek to hedge themselves in the event of similar crises.
- As a result of the crisis, retailers are expected to feel the brunt of the crisis more severely. As such **40%** of the respondents indicated they expected their H2 2020 forecasts to be impacted by up over 75%.
- Moving forward, majority of the respondents anticipate that there will be a change in the retail mix with increasing biases towards essential goods provision. As Omni-channel platforms continue to be dominant, **51%** of the respondents indicated that they had an online platform with **80%** of the businesses without an online presence are already looking to adopt a platform.
- In addition to COVID-19, respondents indicated that additional factors continue to exacerbate the stress on the sector in different countries such as currency devaluations impacting ability to pay rent and already subdued economies prior to COVID-19 impacting consumer spending. These factors are expected to lead to a generally slowed down recovery of the sector post COVID.



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