

Nairobi Metropolitan Area Land Report 2018, & Cytonn Weekly #17/2018

Private Equity

South African-based Vantage Capital, Africa's largest mezzanine fund manager, has acquired an undisclosed stake in the Rosslyn Riviera Shopping Mall for USD 8.0 mn (Kshs 800.0 mn). The Kshs 2.9 bn mall located along Limuru Road sits on a 4.5-acre piece of land and measures approximately 116,000 SQFT. Currently, Nairobi is the leading city in Africa outside South Africa in terms of mall space, with 761,805 SQM of available retail space. The yield on investment in retail space along Kiambu and Limuru Roads, where Rosslyn Riviera is located, currently stands at 10.6% against an average yield of 9.6% for malls located in Nairobi Metropolitan Area, whereas occupancy rates stand at 96.3% compared to an average occupancy of 80.3%. The occupancy and yields are an indication of the viability of the investment in Rosslyn Riviera Mall by Vantage.

The investment is Vantage Capital's 7th transaction in Mezz Fund III, a USD 280.0 mn (Kshs 28.0 bn) fund, with a 55.0% allocation to countries outside South Africa for investment in real estate projects. The firm recently invested USD 12.5 mn in Nigerian-based Purple Capital, which is the developer of 6,000 SQM Maryland Mall in Nigeria. The investment in Rossyln Riviera represents the 25th transaction executed by Vantage across three generations of mezzanine funds. Vantage manages funds in excess of USD 500.0 mn (Kshs 50.0 bn) invested in projects across Africa.

In the Fintech segment, Digital Financial Services (DFS) Lab, a Fintech accelerator supported by the Bill and Melinda Gates Foundation, is investing USD 200,000 (Kshs 20.0 mn) in four African startups, two of which are Kenyan: (i) Cherehani Africa, which relies on mobile-based tech to provide credit and distribute personalized financial literacy content to women and adolescent girls who own micro-enterprises, and (ii) another unnamed startup that focuses on digital lending. DFS Lab identifies promising entrepreneurs and invests in for-profit companies that focus on consumers in sub-Saharan Africa and Asia. Products from the four companies have been found to simplify processes for accessing financial information and cash via mobile phone. Cherehani Africa provides access to finances to women and adolescent girls with basic level education, aged 17-45 years.

On the fundraising front, the International Finance Corporation (IFC) announced that it led the USD 8.6 mn (Kshs 860.0 mn) Series A equity investment in Africa's Talking, a Kenyan based communication-platform-as-a-service Application Programming Interface (API) startup. Africa's Talking's cloud-based software platform provides universal access to critical digital infrastructure that African start-ups and businesses need to scale. The software currently serves over 1,000 fast-growing digital companies, enabling them to create real-world applications faster and more efficiently. Africa Talking has operations in 7 African states including Kenya, Uganda, Tanzania, Nigeria, Ethiopia, Malawi and Rwanda. The funds will be used to expand to more countries. With more than 20,000 developers under its umbrella, the firm looks forward to adding more talent to this group as it gears to building more products.

Private equity investments in Africa remain robust as evidenced by the increasing investor interest, which is attributed to; (i) rapid urbanization, a resilient and adapting middle class

and increased consumerism, (ii) the attractive valuations in Sub Saharan Africa's private markets compared to its public markets, (iii) the attractive valuations in Sub Saharan Africa's markets compared to global markets, and (iv) better economic growth projections in Sub Saharan Africa compared to global markets. We remain bullish on PE as an asset class in Sub-Saharan Africa. Going forward, the increasing investor interest and stable macro-economic environment will continue to boost deal flow into African markets.

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