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General Improvement in Real Estate Transparency Globally, but Sub-Saharan Africa Treading Water

Still warm off the press, the tenth edition of JLL's Global Real Estate Transparency Index (GRET^I) 2018 reflects continued improvements in the transparency of the real estate sector globally. Initiated 20 years ago (and updated every two years), the GRET^I Index and its accompanying analysis is an indispensable resource for those looking to compare the transparency of real estate markets across regions. While real estate (RE) is one of the most important sectors of the economy – land is a critical factor of production while physical structures such as factories and offices constitute a key source of fixed capital investment by the private sector – few outside the industry fully appreciate the role of transparency in RE markets. Transparency is an essential ingredient in making RE markets efficient. Additionally, it is crucial for capital raising and investment decision-making. An opaque RE sector not only discourages investment but reduces the broader economic dividend from RE markets.

According to the latest GRET^I, the United Kingdom, the United States, and Australia boast the most transparent RE sectors in the world. However, some of the more tech-savvy markets in Continental Europe are catching up; the Netherlands has consolidated its position in the top tier, while Sweden has joined the elite group of highly transparent countries for the first time. The four Asia-Pacific markets of Myanmar, Macau, Thailand and India are among the Top 10 global improvers while some of the world's most populous developing economies – China, India, Indonesia, Brazil, Russia, Mexico, Turkey and Thailand – are clustered on the edge of the "Transparent" tier of countries.

However, the performance of Sub-Saharan African (SSA) countries is cause for some concern. The star performers of 2014 appear to be slowing down in 2018. Just under half of the 15 SSA countries have RE sectors rated opaque overall. South Africa is the only SSA country in the "Transparent" tier. There has been no movement of any country out of its 2016 tier into the more transparent tier above it. Critically, the seven countries in the "Opaque" tier in 2016 – Uganda, Ethiopia, Angola, Tanzania, Mozambique, Ivory Coast, and Senegal – have all remained in that tier in 2018. While it is difficult to compare the composite scores between 2016 and 2018 due to the inclusion of the sustainability sub-index in 2018 edition of GRET^I, there were only 21 improvements in transparency out of a possible 75 (28%) across the five comparable areas (performance measurement, market fundamentals, governance of listed vehicles, regulatory & legal frameworks, and transaction process). Even here, direct comparison is challenging as the 2018 Index contains greater granularity in these areas than the 2016 version. Yet the fact remains that the SSA region has seen limited advancement.

The table below lists the countries that have made advancements in each area.

| Investment Performance | Market Fundamentals | Listed Vehicles | Regulatory and Legal | Transaction Process | World Bank DTF* (>3% points) |
|--|-------------------------|---|-------------------------|---|--|
| Ivory Coast Kenya Mauritius Mozambique Senegal | Nigeria South Africa | Botswana Kenya Mauritius Nigeria | Nigeria South Africa | Angola Ghana Ivory Coast Kenya Mauritius Senegal Tanzania Uganda | Nigeria Rwanda Senegal Zambia |

Source: Adapted from JLL's Global Real Estate Transparency Index (GRETl) 2016 & 2018; <http://www.doingbusiness.org/>

The report singles out Nigeria, Kenya and Rwanda for their reforms. However, of all the countries that have made advancements in two or more areas in the 2018 Index, only Nigeria and Senegal have improved their World Bank Doing Business “Distance to the Frontier”¹ score by more than 3 percentage points. Additionally, Senegal’s RE transparency improvements have come off a relatively low base. It should be noted that the slow progress of SSA countries in RE transparency coincides with the lowest levels of economic growth seen in the region for many years. Poor data availability continues to impede progress on a number of fronts, not least in accurate comparative performance measurement which is essential for capital allocation and investment decision-making.

More work is needed to improve transparency across the board and create the virtuous feedback loop of higher standards and higher investment seen in the most transparent economies. Availability of, and access to, more and better RE data is key to such improvements. The adoption of PropTech (especially blockchain) has the potential to enable SSA countries with low transparency to leap up the rankings but how quickly it is embedded in policy and regulatory frameworks is critical. On balance, Nigeria is probably the region’s star performer. South Africa, SSA’s most mature market, has made scant progress over the last two years, and the region overall is treading water.

¹ The distance to frontier (DTF) measure shows the distance of each economy to the “frontier,” which represents the best performance observed on each of the World Bank’s Doing Business indicators across all economies in the *Doing Business* sample since 2005.