Developing Africa's future cities

By Nadir Jeeva

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Cities are "smart" when infrastructure, urban assets, public services, human and social capital, mobility systems and other forces are improved and optimised under ICT. The important benefit is higher economic growth, better quality of life for citizens and a more responsible form of stewardship over natural resources. However, the creation of such futuristic cosmopolitan utopias is often complex because of variables and variances in development levels, resource availability, technological infrastructure, innovation, cultural systems and issues such as the digital divide. While other non-African nations are successful in building future cities, their templates cannot simply be cast over the cities of this continent, each with its own unique set of challenges, opportunities, urban development maps, and local economic development plans.

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Growth will come from mid-size cities

Commercial real estate developers, investors, property owners and facility managers are a critical link in casting a vision and blue print for future African cities, especially because they provide the spaces and sites for profitability, productivity, sustainability, innovation, cultural cohesion and heritage preservation.

There is a misunderstanding that megacities are the engines of global growth. According to a McKinsey Global Institute (MGI) report, the 23 megacities in the world — with populations exceeding the 10-million mark — will only contribute about 10% of global growth in 10 years from now. Growth will come from mid-size cities with populations of between 150,000 and 10-million.

To achieve this growth, role players in the commercial real estate value chain have shaped developmental narratives with local planning authorities.

Challenges in the commercial real estate sector

However, the South African commercial real estate sector is faced with a set of challenges: on the one hand, sluggish economic growth and, on the other hand, the slow-burning and very real transmutation of physical spaces into virtual sites of economic productivity as a result of technological innovation. Since the great recession of 2008/09, South Africa's national vacancy rate has hovered between 9,8% – 10,6%, and is likely to be frozen at the same level or increase further unless South Africa's economic growth prospects improve. Workplace flexibility, virtual working and telecommuting - as a result of technological innovation and shifts in organisational policies can put the national vacancy rate under further pressure in the distant future.

In the age of economic uncertainty and neoliberal economic volatility, new alternatives to traditional models of commercial real estate economics is a reality that needs to be embraced, understood and explored.

Focus on small and micro enterprises

In order to prepare for the future, commercial property owners, investors and developers should turn the focus to a growing, important but often neglected segment of the market: the country's small and micro enterprises, and emergent entrepreneurs. It is estimated that by 2030, no less than 90% of new jobs will be created by small and expanding firms. Thus, a huge opportunity exists to offer solutions to real estate products and solutions to new startup companies for relatively young and small businesses. This segment of the market comprises 2.8-million businesses that are responsible for 52% – 57% of South Africa's GDP.

Landlords and tenants in South Africa are effectively placed between a knowledge-intensive economy which permits development of the smart city and the shadow or sharing economy, which is a direct result of slower economic growth and a response to neoliberal economic globalisation.

Sharing economy

In particular, South Africa's commercial real estate will be affected more by the sharing economy in the future than by ultra-modern and ultra-sleek urban design with smart technologies and the internet of things.

If we are committed to smaller and micro enterprises, there will be a greater demand for shared space, flexible office work spaces and a mix of fixed and variable spaces from tenants. Furthermore, a lease agreement will become more layered with arrangements for flexible space to meet either peak demands or for meeting the needs of short-term special projects.

Importantly, this requires a new model of design and lettable space: new or existing office developments will need to be forged with design principles of incubation centres, startup innovation labs and flexible work spaces in mind. These spaces are productivity sites and are purpose-built for the sharing economy as they will create opportunities for people to interact and collaborate in creative ways. Thus, the future of commercial real estate in terms of office space will definitely borrow from centres with shared and communal resources.

Flexible arrangements

In such a configuration, landlords and tenants will need to approach and be more open to more flexible arrangements. Of course, a major challenge for landlords and facility managers is the challenge of vetting companies that are startups or relatively young, but yet the lifeblood of the economy and commercial real estate in the future. This will in all probability result in higher rentals as part of the risk management for property owners and will likely affect pricing dynamics in the future.

Secondly, real estate owners and facility managers have to invest in evolving technologies that can improve interactions with tenants and customers if they are committed to offer smart real estate solutions for the smart city.

Technology strategies

This will require putting technology strategies in place for newly built or existing real estate assets. Investment in technologies to obtain, manage and exploit can offer rich information layers for the management of buildings to control or reduce operational costs. It will find its way into facilities management at an operational and strategic level. Investment and exploration of new technologies is important not only for the core business, but also as part of change management and innovation. Effectively such investments are important for change but also as a possible value-added service for clients and tenants.

Thirdly, tech and creative economies are spreading to emerging market cities like wild fire. In fact, the technology and innovation are the lifeblood of economic growth for the future. For the economies of regional municipalities, it is critical that commercial real estate planning and development are anchored in a socio-centric paradigm. This means that office spaces with facilities and amenities that support the wellness of its social capital can unleash productivity, increase levels of profitability and exceptional innovation. In a setup of global economic competition, the competitiveness of regional economies relies on its ability to attract and retain top talent and creative minds. Cities that succeed in repositioning themselves away from manufacturing towards creative services will be economic engines generating future growth.

Overhaul of urban retail spaces

Fourthly, we should expect a drastic overhaul of urban retail spaces in the distant future. As we have seen in South Africa recently, major retailers are downsizing and shutting the doors of their presences in the real world and some are opting to move to online spaces. The result of this is that brick-and-mortar stores and physical shopping malls are being reimagined as experiential sites. Thus, malls of the future will focus more on mixed-use experiences.

Clearly, a compelling vision, clear road map and creativity are required to build Africa's urban utopias of the future.

And, while smart city planning and development is often led by municipalities and development in response to pressures such as increased urbanisation, city management challenges, rising population and climate change, amongst others, role players such as commercial real estate developers, investors and facility managers, through smart commercial real estate planning, development, investment and upgrading, should also take part in laying the foundation of future cities.

ABOUT NADIR JEEVA

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