



AFRICREST PROPERTIES

Relentless Tenant Focus

Fuels Africrest Triumph





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PRODUCTION: James Davey

Continued success for award-winning Africrest Properties sees the company - famed for converting plain office buildings into outstanding residential rental apartments - plan for further great developments that will delight residents. Director Grant Friedman talks to Enterprise Africa about delivering a hands-on approach to property development and management.





At the end of 2021, Africrest Properties Director, Grant Friedman outlined unmistakably that tenants are at the core of the business. “Our success comes because we offer such incredible value for money,” he said.

Realising the potential in the residential multi-family housing market (multi-family housing is an asset class where by one institutional landlord owns and manages the entire property) after shifting from the commercial space, the company has boomed thanks to a strategy of converting office space to modern,

high-quality, affordable apartments.

At the end of 2022, the journey continued as Africrest completed the Atlas – its third major development in Sunninghill, Gauteng –, and The Alpha and Apollo remained fully let. “We offer a unique product that appeals to tenants,” he said.

Now, the company is recognised as an industry leader because it does what others cannot or dare not, growing sustainably and only developing where it makes sense. The tenant always remains the beating heart of the organisation and this is why every decision that

is made is taken with liveability for the tenant as a key consideration.

“The difference between us and other developers is that they develop to sell. They will develop 50 apartments and sell them off to individual buyers – job done; the developer moves on. At Africrest, we don’t sell our apartments off, we only rent them,” Friedman tells Enterprise Africa. “That creates a different incentive as we have to ensure tenants are happy for years to come. Our apartments have to be exceptionally liveable, and we have to update continuously with what tenants like. If we didn’t do that, our tenants would leave, and very quickly the estate would be vacant. The same goes for our amenities – I don’t think there is a company in South Africa that has the same amenities as us. We know our competitors and we know

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what challenges they face. It is very difficult for a sectional title developer to put a lot of money into common area facilities. Buyers are not buying the amenities, they are focused on the apartment. Our tenants are renting the apartment and the amenities. That is why we build beautiful swimming pools and fully-kitted out gyms so that people can cancel their gym membership etc. We have free community events such as movies under the stars, group gym classes, sip and paint events, ultimately our estates create communities and an amazing lifestyle."

EXCEPTIONALLY STRONG

Concentrated on the business districts within Johannesburg, Africrest continues to grow during a long period of higher interest rates. The higher rates

have resulted in more people looking to rent, holding off on purchasing a home. Due to this, demand for multi-family residential rental apartments continues to outstrip supply.

"The rental market has been exceptionally strong and we have seen real rental growth. Our occupancy levels are above 95% and our bad debts are below 0.5% - essentially negligible," says Friedman.

"The way Africrest tries to do business is to provide resort-style living at affordable pricing for our tenants," he adds. "That means brilliant work-from-home facilities (that could rival a WeWork), movie theatres, braai areas, yoga rooms, swimming pools and more."

The obsession with tenant satisfaction comes from a culture that has been embedded throughout the

company. Africrest employs more than 100 people and each one is instilled with the mantra that tenant happiness tops the list of priorities. Whether it's the on-site maintenance team who is repairing a broken cable, or the on-site management team resolving a billing query, everyone understands that the job is about providing the best possible service.

"We have often stayed in the apartments ourselves for a few days to see what needs to be improved. We also love to ask our tenants directly what they like and what can be improved. We run surveys throughout the year and we ask very direct questions. Given our scale we get excellent feedback," explains Friedman, adding that Africrest is confident that a hands-on approach to asset management





and tenant satisfaction is the way to secure tenants for the long-term.

“We recently ran a survey about ovens in apartments. All of our apartments come with an oven but our tenants are typically younger, between 28 and 35. Are they using an oven? Or would they be happy with a stove and a microwave? We asked the question considering that rent could be cheaper without the oven, and the response was very interesting. We want to know about each individual element in the apartment. We build an in-depth profile of our tenant’s likes and requirements.”

POWER PROBLEM

Of course, the past 12 months have not been challenge-free for Africrest. Like most businesses, the micro and macro-economic climate has created a difficult environment for business because the ability for consumers to spend money has been eroded. But Freidman is optimistic. The major problem for the company is widely faced in South Africa and, as such, there is a market in place to mitigate.

“Loadshedding puts additional pressure and cost on property management as you must buy diesel

to run generators to power properties,” he says. “The silver lining is that our estates continue to supply power to the common areas of the properties 24/7. This encourages people to come together to charge their devices and this further helps to create a community.”

He says that the installation of back up generators across the company’s entire portfolio was an expensive burden. “It’s easy to say sorry, blame it on the government, and remove those services, but that is not what Africrest is about. The commitment to tenant happiness again outweighs the expense.



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Currently, Africrest is installing solar PV generating capacity atop the entire portfolio. "We want to greenify our properties but it comes at a large cost," says Friedman, suggesting over R30 million to cover every square meter of rooftop as well as car ports and other spaces.

QUALITY, CONVENIENCE

Africrest is not a listed property fund and therefore has no requirement to grow for the sake of growth. There is no need for satisfying third party shareholder returns and there is not a defined growth target for each quarter. This, say Friedman, allows for true commitment to tenant happiness.

"We only look for great assets to grow our portfolio. We want to carry

on building a great business, but we only grow when the opportunities are right. We only engage around a new project if it's a great project.

"Our tenants are really happy," he adds. "Eight out of ten of our tenants would recommend us to a friend. For a landlord, we think that is phenomenal. We treat our tenants like gold – we are here for them, and that filters all the way through the business."

Africrest has developed and owns just over 3,500 apartments and around 3,500 more are currently in development. With a new project in the heart of the Sandton CBD underway right now. 450 new apartments will be made available in 'Africa's richest square mile' and this exciting new development will further entrench

Africrest as an industry leader.

"We are excited about our pipeline at the moment," Friedman beams. "We have more than 3,500 apartments in the pipeline. Those are all in and around Johannesburg and our investment methodology is to invest and develop these residential estates so that they are within or very close to business districts. They need to be within a 10-minute drive from a major business district – that is unheard of in somewhere like London or New York."

AWARD WINNING

A demonstration of the excellence in the Africrest product, backing up the commitment to service quality, the company claimed the International Property Awards 'Best Residential





Renovation' prize for 2022-23 for The Apollo in Sunninghill. Each apartment is loaded with quality amenities including designer kitchens, free high-speed fibre, quality appliances, modern bathrooms, and on site basement parking and much more, the Apollo is a flagship development for Africrest.

"It was the scale of the development at almost 700 units alongside the resort-style living and incredible amenities that impressed the judges," says Friedman. "We create facilities that were not just tick boxes to place on a marketing pamphlet. Sometimes you go online to book a

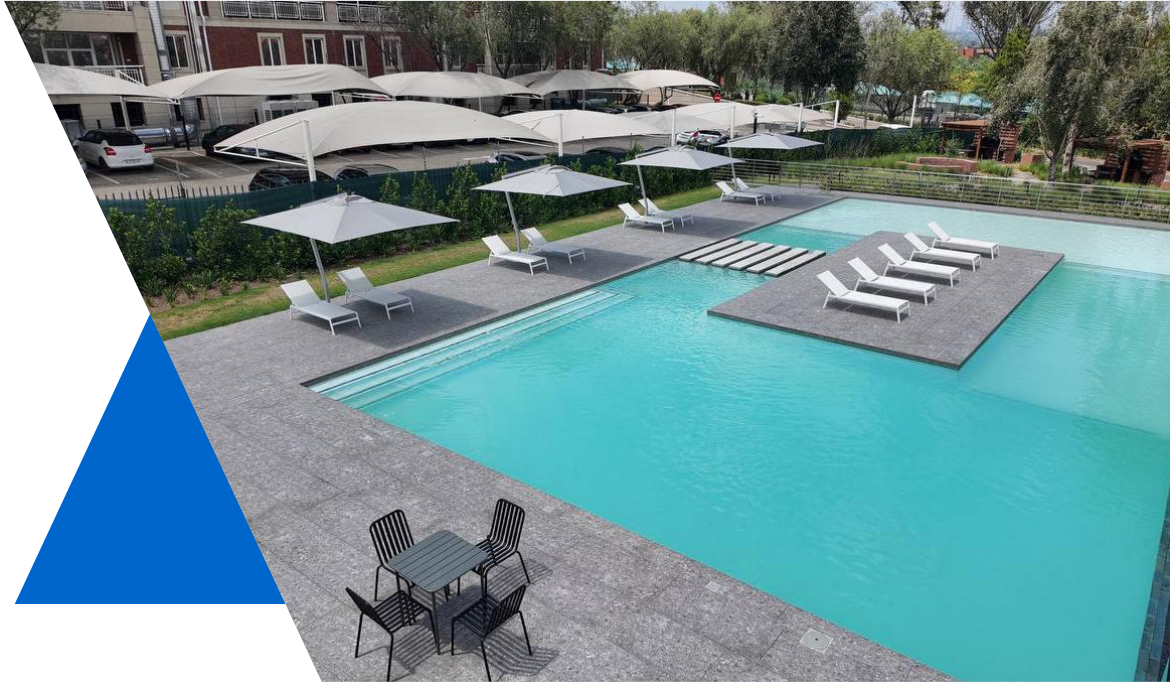
hotel and you see there is a gym or a business centre and it ends up being just a tick box. You arrive on site and the gym has a single treadmill and basic weights machine. We create facilities that people look forward to using, as they are incredible."

At the Apollo, amenities were not an added extra but designed as part of the fabric of the building, aimed at enhancing the life of its residents and elevating the offering from the former-PwC office building.

"We ignored the tick boxes and tried to create facilities that are mind-blowing, especially in the middle-income housing sector. The swimming pool is amazing, right on the corner where the street intersects. It changed the whole look and people drive past thinking it's a high-end hotel."

Since the Apollo, the expansion of The Landmark project and The Atlas project have added units to the portfolio, bringing more options





for affordable luxury in Gauteng.

In Ferndale, The Landmark was first completed in 2018. Africrest owned an adjacent piece of land which has now been developed to a world-class standard. "We decided to develop a seven-story building on the land. We have just completed the development and demand has been overwhelming," says Friedman.

At the time of initial development, Africrest converted mainly apartments with minimal common areas. Since then, the company has become known for its amenities and this new building allowed for the development of a gym, pool, business centre, and more to serve those living in the original development as well as the new building.

The Atlas, according to Friedman, is the perfect example of Africrest's work - in the Sunninghill node, high quality and very liveable spaces, at scale.

"That was a conversion of 10 buildings in an office park," he says.

"At the centre of the development was a big car park. We never needed so much parking, so we removed the entire lot and created an enormous garden with a brilliant swimming pool."

During South Africa's famous 2023 Rugby World Cup campaign, Africrest put up a large screen in this area and projected every match for tenants.

"Everyone came to watch and we had hundreds of people coming out to see the final - other developers simply can't offer this. Because we manage the estate, we have the resources and knowledge to do this. It was only bars, restaurants, and sports clubs that had a set up like this, but we managed to offer the same vibe and it was fantastic."

Purchasing properties with great potential and converting them to resort-style living of the highest quality will remain the mission for Africrest, and more like The Atlas will come soon.

"Going forward, we want to do more of the same but better. Across

all of our estates that are in planning or development, we want to make them better than the last. There are no big changes happening, but there are hundreds of tiny changes. Those small changes that we invest in on a continuous basis is what creates an extra-ordinary product.

"We have an exceptionally high occupancy rate, and we are doing so well because we are focused. All we spend our time on is how we can provide the best rental experience for tenants and how we can develop beautiful estates that are great to live in." **E**

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