

actis

Improvon  
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**Across sub-Saharan Africa (SSA), economic development and rising disposable incomes are creating demand for products as diverse as construction materials and consumer goods. At the same time, the growth of retail chains and online stores across the region is leading to greater demand for high quality, modern logistics and distribution hubs. Following on from one of Kenya's largest mixed use developments and a number of retail mall developments across SSA, Actis spotted the opportunity to develop new warehousing and logistics sites in key locations. With the aim of acquiring and developing land in Lusaka, Zambia and Nairobi, Kenya, together with South Africa's Improvon, we created a platform in 2017 to build industrial parks that meet local business requirements with sustainable features as standard. With 17,000 sq m already developed in Lusaka and up to 30,000 sq m planned in Nairobi in 2019 (with 10,000 sq m already under construction), we are creating modern supply chain infrastructure that will support the growth of the region's businesses and economies.**

### **The opportunity**

As demand for products grows across SSA, so retail, construction and manufacturing businesses increasingly require space to store inventory and hubs from which they can distribute it efficiently, while multinationals are consolidating into single facilities that also include office space. Actis has seen these trends first-hand, after successfully developing a number of destination malls in SSA, including Kenya's largest mixed use space, Garden City in Nairobi; world class commercial and retail developments, Heritage Place and Jabi Lake Mall in Nigeria and Mozambique's first institutional quality shopping centre, Baia Mall.

Having helped close the supply-demand gap for high quality retail and office space through these investments, Actis identified a need for modern industrial space in strategic locations. We acquired land in Lusaka, Zambia in 2013, an important hub situated on major routes that run to ports in South Africa, Mozambique, Tanzania and Namibia, to create the country's first modern logistics and industrial park. Recognising the unique challenges and characteristics of creating industrial parks, Actis sought to work with a best-in-class specialist warehouse and logistics developer. Through our extensive local networks, we identified Improvon, a leading South African family business that had a significant South African footprint and reputation for sustainable design. Together in 2016, we proved the concept by delivering and tenanting the first 5,000 sq m unit. In partnership with Improvon, we also optimised the design and built a pipeline for further growth that would work for the local Zambian market.

Having forged a strong relationship with the Improvon team through this project, and with Improvon considering raising capital through an IPO to develop its business in, and beyond, South Africa, it became clear that there was an opportunity to create a formal partnership that would marry Actis's reputation and local knowledge in key markets with Improvon's specialist capability in the warehousing and logistics development space. In 2017, we agreed a joint venture that would see the creation of a platform business focused on developing industrial parks in the key distribution hubs of South Africa, Kenya and Zambia.

### **What did we do?**

With development continuing at Lusaka, the team on the ground in Kenya set about securing 100 acres of land situated close to Jomo Kenyatta international airport and on the Eastern Bypass around Nairobi, the logistics gateway to East Africa. We acquired the site, with clear, unfettered title in 2018, a feat that is difficult to achieve but was made possible by our local presence, understanding of the Kenyan markets and network of contacts that enabled us to navigate significant local bureaucracy. With plans to develop lease and turnkey projects accommodating tenants from 2,000 sq m up to 50,000 sq m, Actis and Improvon have worked together to plan the premium grade warehousing, logistics and distribution park at Nairobi Gate and in early 2019, we broke ground on the first 10,000 sq m of units. Improvon's expertise in industrial design and development, combined with Actis's understanding of local market nuances and preferences has assisted with building design and finish.

As with any successful partnership, our joint venture with Improvon offers benefits to both parties. For Improvon, Actis has provided vital growth capital to the business as well as important early-stage capital investment on projects. We are one of the few investors able to provide significant funding for the early phases of construction and take development risk. In addition, our decades' long experience of operating in markets such as Kenya lowers the risk of expanding outside of South Africa for Improvon – many South African businesses have attempted this in the past and faced significant challenge.

For Actis, the partnership brings significant experience in the specialist field of developing warehouse and logistics facilities that meet the needs of local and international businesses. Improvon has been instrumental in accelerating the delivery of a further 12,000 sq m of space in Lusaka and helping to shape the build requirements and letting strategy for York Commercial Park while also engaging in active marketing of the site.

## Improvon

In addition, Improvon's track record of using sustainable features is an ideal match for Actis, which has a longstanding responsible investing approach including an integrated focus on improving environmental, social and governance (ESG) standards across its portfolio businesses. Nairobi Gate and York Commercial Park are being developed according to Improvon's high environmental standards, including water-conservation and recycling features, solar panels, energy-preserving orientation of the buildings and use of louvres and parapets to limit direct sunlight exposure, double glazing and insulation.

Actis has developed the first green certified buildings in Nigeria, Kenya, Ghana and Cameroon and is now working with Improvon and the South African Green Building Council to develop Zambia's first green building standards for logistics and industrial spaces. With support from Actis, Improvon is seeking to link its sustainable practices and design with the United Nations' Sustainable Development Goals. For Actis and Improvon, the social impact of investments and developments is equally important. Improvon has run training programmes in areas such as scaffolding for unskilled workers and its family owners have established a foundation that helps vulnerable people with medical needs. Following an introduction to our Actis Acts foundation and to the skills programme we ran at the Garden City development, Improvon's CEO and human resources officer devised a new training programme based on the needs of the local community in Nairobi.

Improvon has already recruited four local recent engineering graduates to receive training in Johannesburg and work alongside consultants and our own teams with the aim of complementing their engineering training with practical experience, together with the prospect of long-term employment. The plan is to offer similar opportunities to more graduates over the coming years, providing not just high quality employment, but also building valuable knowledge, skills and experience within the local workforce.

### Future developments

With the Zambian site now offering 17,000 sq m of high quality logistics and industrial space and the first phase of Nairobi Gate site set for completion in late 2019, the platform's portfolio now includes over 50 buildings occupied by more than 75 businesses. Already attracting considerable interest among potential tenants, Nairobi Gate will be further developed in the next phase, with plans for another 20,000 sq m of space to meet growing demand for modern, sustainable industrial space designed to meet the needs of a growing economy.