



AVCA Member Profile: Purple Capital Partners Limited



Purple Capital Partners Limited (Purple Capital) is an investment firm specialising in Real Estate and Financial Services, based in Lagos, Nigeria.

Founded in 2013 by a group of experienced investment bankers with a successful record of property investment, the firm is currently raising its first private equity (PE) fund.

Obinna Onunkwo and Laide Agboola, the Managing Partners, talk to AVCA about how they are leveraging their experience to harness Nigeria's exciting investment prospects.

Q: When you consider recent macro-economic events such as the fall in oil prices, the slowdown in the pace of economic growth and the reduction in the Naira's value - is investment in Nigeria as attractive as before?

A: LAIDE: Investors understand that financial market volatility, including fluctuations in currency values, translates into financial benefits if they take a longer-term view. Taking such a view, we see that the slowdown in Nigeria has actually generated attractive investing opportunities because asset prices have become more reasonable.

OBINNA: Investors also know that Nigeria and many other emerging markets look even better after they are compared with the alternatives. The Japanese economy is supported by negative interest rates, whilst the EU's share of global GDP has progressively shrunk over the decades. If investors ask themselves, "Where am I going to get the most value for my money?" many realise that they'll get it in the emerging economies.

China serves as a barometer for the state of the global economy. For more than 10 years its economy was growing at an average rate of 10%, and it was the world's industrial hub for manufacturing. Consequently, there is a positive correlation between growth in the Chinese economy and global commodity prices. The recent slowdown in China's growth to 6% has significantly dampened demand for minerals, and set off a decline in commodity prices; and to some extent the global economic outlook on commodity dependent countries like Nigeria and South Africa.

This obviously has an effect on balance of payments and currency, and explains the recent monetary stance of the Central Banks of these economies as they try to find a balance between stimulating growth and stabilising currency. In our view, the key to uncovering new opportunities in an economy within this context is hinged on the potential size and strength of the internal market, and that is where Nigeria is uniquely positioned with

General Partner Profile

Name of General Partner
Purple Capital Partners Limited

Funds
Purple Commercial Real Estate Fund

Regional Focus
Nigeria



almost 70% of its 170 million population under the age of 30.

Q: Why are Real Estate and Financial Services compelling sectors of focus for you and how have you seen these markets develop over time?

A: OBINNA You cannot afford to miss the opportunities! Of course there are challenges, but as an investment proposition, we have focused on the retail subsector of the Real Estate market as it's more interesting than any other retail real estate sector in the world. Organised retail accounts for only about 2% of the total retail market in Nigeria, compared with about 87% in the UK. Even within Africa, Nigeria is relatively behind its rival cities. Take for instance Johannesburg, South Africa which, with a population of about 4 million, has about 80 Grade A Malls; whereas Lagos (with about 5 times the population of Johannesburg) currently has only 5.

LAIDE: International retailers such as Shoprite are actively seeking to expand their presence in Africa in general, and in Nigeria in particular, due to the vast consumer population and growing middle class. However international retailers are also seeking to protect their brand by ensuring that their distribution outlets meet minimum standards, which are typically only available in modern shopping centres. This has led to the higher demand from international retailers for modern shopping mall space.

Q: Tell us more about the evolution of Purple Capital and your plans to raise a PE fund.

A: LAIDE: Purple Capital was incorporated in 2013 as a specialist investment firm with interests in Financial Services and Real Estate. Since 2013, Purple has made investments of US\$60mn. We plan to raise US\$50mn in 2016 for two parallel funds focused on retail properties or mixed use properties involving retail, in the Lagos urban area. In the first few months of 2015, we focused on our Lagos-registered fund dedicated to domestic investors, but we are now beginning to market more proactively to foreign investors through a fund domiciled in Mauritius. We will also provide opportunities for institutions that want to co-invest with us outside a private equity fund structure.

Q: Some investors find it difficult to originate property deals in Nigeria. What is your perspective?

A: LAIDE: Origination is one of the more challenging things about real estate investment in Nigeria. You have to be sure you're getting it right in your relations with landowners and the government. It is significantly harder to do that if you are not an experienced player at the local level. The Maryland Mall illustrates our expertise in origination. Many international investors in retail real estate concentrate on Lagos Island, but we are taking the unconventional approach by focusing on the more urbanised Lagos mainland. This is ultimately more challenging given that large pieces of land, on the scale of those required for malls, are harder to obtain.

Experience in the local market acquired in past Real Estate transactions have made it possible for us to achieve the lowest development cost per square meter for Grade A retail malls in Nigeria. Prior to Purple Capital, we built up our experience in the industry with smaller investments in the residential and hospitality sub-sectors; these included multi-family dwellings and a premium golf and lifestyle club, amongst others. Our investment banking and asset management backgrounds, and our combined experience in Real Estate have enabled us to discern higher yield investments.

Q: How do you plan to add value to your investments?

A: OBINNA: We intend to actively manage all our assets; we believe this is the most effective approach to getting the best value out of them. To this effect, we have established subsidiary companies that allow us to have an impact along every step of the value chain, from development to construction, to sales and leasing, and facility management. We even have a microfinance bank; "purple money", that offers tenants and consultants financial services.

We have worked hard to redevelop the Maryland Mall site to a Grade A retail mall, by assembling and managing an indigenous team of consultants toward the delivery of a world class retail experience. Our hands on approach allowed us to unlock the full potential of this location as evidenced by the inclusion of the first dedicated underground car park within a Nigerian mall, to make the most of the land and mitigate parking issues that plague real estate developments in built-up areas.

The mall sits on one of the most important arterial routes in Lagos today, with 5,000 cars passing through every hour. We have also created strong alternative revenues by installing a 550 square meter LED screen (the largest in sub-Saharan Africa) along the external facade of the mall, which advertisers will be able to use to publicise their brands on a major strategic route.

Q: Looking beyond the near-term, what opportunities do you see for Purple Capital in the future?

When it comes to Nigerian retail property there is a substantial gap between current capacity and potential demand. We anticipate that it will take the next 20 or 30 years to narrow the variance, so we will continue to focus our efforts on this particular sector.

Looking more broadly at Nigeria as a whole, it makes up more than half of West Africa's economy, and has the continent's largest GDP. Taking this into account, we do not feel the need to look beyond Nigeria for now, but we do see opportunities in other national sectors, such as infrastructure. Agriculture could also generate strong returns, through investment in upskilling and mechanisation.

For Purple Capital, Nigeria's future is bright.