



ESG real estate insights

Global perspectives on sustainability and climate

Bricks and mortar improve lives and livelihoods: A look at the “S” in ESG in Africa

The development and operation of real estate—be it retail, office, industrial, housing, or mixed—and the associated value chain can have a profoundly positive impact on countries and local communities. In Africa, infrastructure development in general, and real estate development more specifically, can be a key driver of growth, with positive spill over for socio-economic development through job creation, productivity, and poverty alleviation.

After energy & power and transport projects, Deloitte analysis shows that real estate projects have been and continue to be an important sector within the infrastructure and capital projects landscape in Africa. Annually since 2016, one in five projects under development and valued at over US\$50 million has been in the real estate sector.¹

However, beyond providing the much-needed physical infrastructure – be it residential, such as housing for Africa’s rapidly urbanizing population, or commercial and industrial for business, retail, industrial, and manufacturing activities—the positive socio-economic impact of real estate

development is not always understood, nor quantified. And the focus is often predominantly on the negative environmental considerations and how to reduce them.

It is true that real estate development can have a negative environmental impact, whether from the materials used in construction, or the daily use of energy in operation. However, businesses and government have to balance environmental impact with the improvement of lives and livelihoods.

Much work has been and continues to be done to minimize negative environmental impact. Examples include utilizing the latest building technologies, “green building” ratings, and sustainable construction materials. Green building practices and technologies will allow Africa to leapfrog the relatively more harmful industrial and building practices of the Global North over the past two centuries.

Every real estate development creates a myriad of jobs, directly in the build and indirectly in the supply chain, with associated opportunities around skills and enterprise development. The direct, indirect, and induced impacts on GDP, including taxes raised, jobs created on the project, and in the supply chain, as well as the multiplier effects from these jobs given the wage income of employees spent on other sectors, should not be downplayed. Real estate projects can stimulate the economy by creating a demand for other products and services, opening education opportunities for dependents, and reducing the burden on governments' social security spend.

Localization of economic activity of real estate projects is crucial to ensure the socio-economic upliftment of the surrounding community, both during and after the project build phase. This requires a shared focus on longevity, as evidenced in mining communities, where local development continues after the end of life of a mine. A key consideration for stakeholders, such as governments, businesses, and communities, should thus be ensuring jobs and skills development after the infrastructure has been built.

After construction and once in operation, a real estate development can have a notable impact on community upliftment as new jobs are created and new services and amenities grow, including medical facilities, public transport, increased safety and security, and access to a stable supply of energy and water. Spillovers create additional opportunities and improve living conditions in the newly developed areas.

There are other often-overlooked impacts, such as on productivity of work: office buildings with good indoor air quality and more plants and greenery have been found to reduce absenteeism.²

Building users should demand more of the buildings they work and live in, given their material impact on health and wellbeing. Fostering this demand could lead to greater productivity and healthier living, stimulating economic output and lowering medical and health-related expenses in broader society.

While the World Health Organization (WHO) officially declared an end to the Covid-19 pandemic in May 2023,³ Covid's impact on the real estate sector continues. Commercial real estate is still reeling from the move to hybrid or remote work which has made office space and new office development somewhat redundant: office vacancy rates in the second quarter of 2023 stood at 15.6% in South Africa, up from 11% in 2019 and down from more than 20% in 2022.⁴ The retail sector has also been negatively impacted by ongoing pandemic-related economic challenges which have suppressed consumer demand in many markets. The stubbornly high vacancy rates in office and retail markets have had knock-on effects on jobs in the catering, facility management, security, and transport sectors.

As technologies to reduce the environmental impact of real estate development and operation continue to improve, and as real estate demand grows, the focus should be on how to use this infrastructure more smartly, to improve the lives and livelihoods of Africa's people. This will help drive the sustainable development of African economies and societies to create long-term and shared value for all, while minimizing negative environmental impacts.

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Endnotes:

1. Deloitte analysis based on various editions of the Deloitte Africa Construction Trends report (2016-2021). See the most recent edition here: Deloitte Africa, 2022. [Africa Construction Trends Report 2021](#). March 2022
2. Over the years, numerous studies have found that office buildings, and specifically green buildings, have a direct positive correlation with worker productivity.
3. UN News, 2023. [WHO chief declares end to COVID-19 as a global health emergency](#), United Nations. 5 May 2023.
4. S. Jacobs, 2023. [Landlords lose R2.8 billion from Joburg office vacancies](#), Daily Investor. 7 July 2023; B. Nel, 2022. [Covid blues: South Africa's office vacancy rate soars to 20%](#), IOL. 18 October 2022.



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