

SAMRRA unlocks data for investment into the multifamily residential property asset class

Issued by [Catchwords](#)

3 Apr 2024

Multifamily residential rental property is set to become a mainstay of the South African institutional investment landscape, driven by the consistent performance of this real estate asset class, its low volatility, and its foreseeable returns. This is according to the first research of its kind into residential property investment and fundamental performance in South Africa and globally.



Myles Kritzinger, CEO, South African Multifamily Residential Rental Association (SAMRRA).

The research, co-commissioned by the [South African Multifamily Residential Rental Association \(SAMRRA\)](#), the newly formed industry body, with research sponsors Absa and Divercity Urban Property Group, was conducted by MSCI to adhere to global standards, ensuring the results are directly comparable and benchmarked with those of the other 33 markets it researches.

The research findings, presented at SAMRRA's national roadshow in Cape Town and Johannesburg, attracted significant attendance from the asset management, banking, and investment communities, a clear indication of their keen interest in this type of investment. The quantitative analysis provides data necessary to convert this interest into capital for the multifamily residential property sector, which is still quite new in South Africa and has tremendous growth potential.

Multifamily residential properties are housing units built-to-rent (BTR), not for sale. These commonly include apartment buildings and multiple housing units within a single complex or estate. Often, institutional investors own these large-scale rental properties and have them managed by professional and specialist residential property operators.

"One of SAMRRA's key objectives is to build a credible knowledge base to assist local institutional investors in developing their understanding of the multifamily residential asset class. The groundbreaking research presented in this paper is a first step towards expanding the pool of robust, relevant and reliable data about the multifamily residential sector for its key stakeholders," says Myles Kritzinger, CEO of SAMRRA.

“MSCI has been measuring residential property returns as part of the MSCI South Africa Annual Property index since 2018. With five years of data, we are now able to start comparing the performance of South African residential assets to other asset classes,” reports Eileen Andrew, vice president of Client Coverage and Real Estate at MSCI.



SAMRRA Roadshow Cape Town (left to right: Anton De Goede: portfolio manager at Coronation Fund Managers, Craig Smith: head of research at Equity Sales & Business Development and Anchor Stock Brokers, Keillen Ndlovu: independent property analyst, Eileen Andrew: vice president Client Coverage and Real Estate at MSCI, Amelia Dieperink: head of OPF Affordable Housing at Absa, Carel Kleynhans: CEO of Divercity Urban Property Group, Myles Kritzinger: CEO of South African Multifamily Residential Rental Association (SAMRRA).

From a global perspective, the research shows that residential real estate is the largest asset class in the world, making up roughly 40% of all fixed capital. Investable commercial real estate accounts for only 7% by comparison. Although households own most residential property directly, institutional investors have started investing heavily in the Multifamily Residential asset class in recent decades. In the US REIT (real estate investment trust) sector, for instance, multifamily residential grew from 9% by asset value in 1990 to over 26% in 2020.

According to the report, one of the main reasons for the growth of this well-invested, major asset class globally is its consistent performance in the global property market.

In 2022, residential assets accounted for 21% of global property investment by value - equal in size to industrial property and second only to offices at 35%. Residential property has also outperformed all other sectors except industrial property, but has a lower risk profile than industrial property, enhancing its attractiveness to certain investors.

A key factor behind the residential sector's superior risk-to-return profile compared to the other property types is its relatively stable income, which makes it less reliant on market timing. Globally, residential property was the only sector that managed to maintain its net operating income.

The SAMRRA research points out that, in South Africa, the multifamily residential asset class is still in its infancy - accounting for less than 2% of the REIT sector by asset value today. Yet, South Africa's residential property market has been relatively strong. Its five-year annualised total return is 70bps below the global residential average, and the country's relatively higher income return offsets negative capital growth.

The paper also indicates that South African residential property fundamentals reacted faster than other property sectors post-pandemic, outperforming other sectors in 2022, similar to the trend observed across other global markets.

Notably, the research highlights that higher-quality residential properties in South Africa produced higher and more stable returns than lower-quality properties, adding to its attractiveness for institutional investors.

Carel Kleynhans, CEO of Divercity, comments, *“Against the backdrop of an acute need for housing delivery in South Africa, the research demonstrates the immense value that well-developed, well-managed residential portfolios may offer these investors.”*

Amelia Dieperink, head: CPF affordable housing, Absa, notes, *“We are proud to have sponsored the original compilation by MSCI of residential data in 2018 thereby setting the foundation for relevant, reliable and comparable data as well as allowing for research papers of this nature. This research contributes significantly towards the understanding and shaping of the multifamily residential sector in South Africa. We remain committed to supporting growth in this emerging asset class.”*

SAMRRA officially launched earlier this year to represent the agile and growing specialist multifamily residential rental real estate asset class. Its 13 founding members represent more than R40bn in property assets and over 75,000 residential units across South Africa.

[Click here for the full report: Residential Property: Quantitative Analysis of an Emerging Asset Class Analysis of residential property investment and fundamental performance in a Global and South African context 2024.](#)

- **Johannesburg: data centre hub for big operators in South Africa** 8 May 2024
- **Growthpoint student accommodation REIT thrives, adding R1.5bn of assets in 2 years** 30 Apr 2024
- **A rallying cry from the South African real estate sector** 19 Apr 2024
- **Parkdene Boulevard redevelopment bolsters growth of Boksburg node** 12 Apr 2024
- **Growthpoint Healthcare adds Johannesburg Eye Hospital to its portfolio** 5 Apr 2024

Catchwords



Catchwords is born out of one of the original real estate and retail property marketing and communication agencies in South Africa. We think strategically, stand for simplicity and work with agility.

[Profile](#) | [News](#) | [Contact](#) | [Twitter](#) | [RSS Feed](#)

For more, visit: <https://www.bizcommunity.com>