

Lagos Market Update

H2 2022

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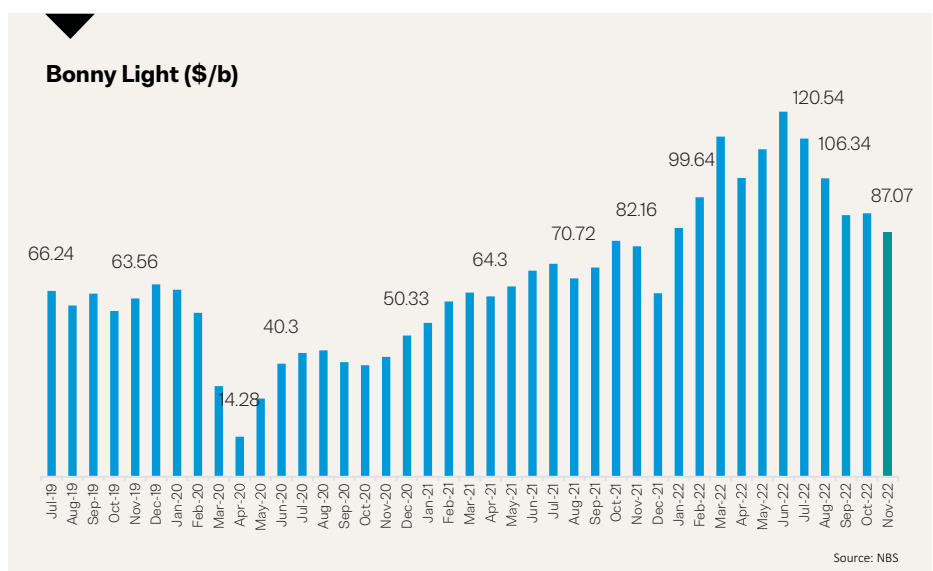
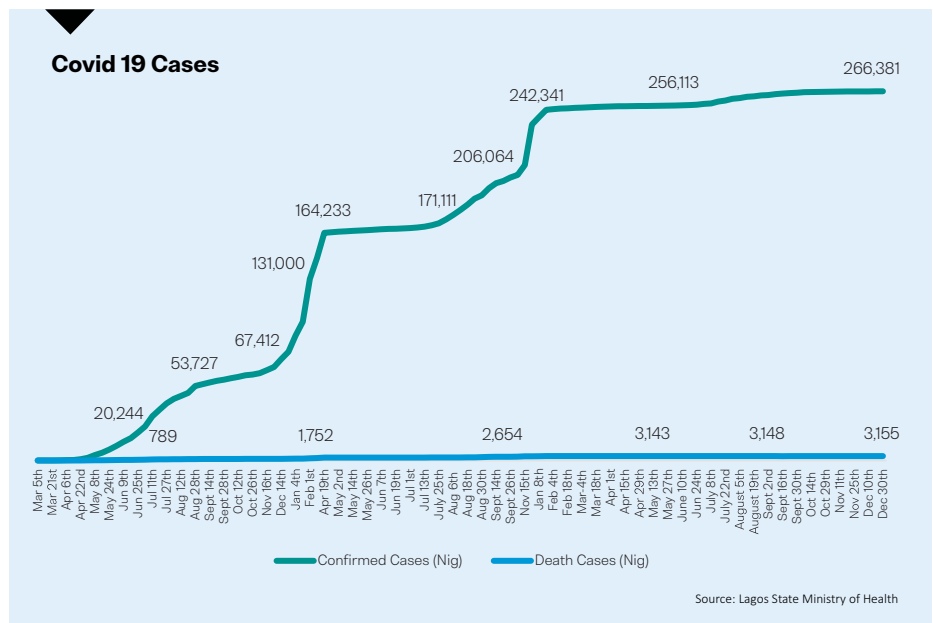
COVID-19

Towards the end of 2022, the number of COVID-19 related deaths and hospitalization cases began to drop significantly in most countries compared to the figures recorded at the height of the pandemic in 2020, although China began to see a sudden surge in COVID-19 cases after relaxing its stringent Zero Covid policy.

With most of the world already forgetting about the COVID-19, a new variant called the XBB.1.5 and also called the Kraken variant began to spread in Q4:2022. According to the WHO, it has been identified in at least 29 countries. Further reports from the US Centers for Disease Control and Prevention show a surge from accounting for 1% of Covid cases at the start of December 2022 to 41% by the end of the month. The XBB.1.5 is a descendant of the omicron XBB subvariant exhibiting signs of immunity evasion in recipients of CoronaVac vaccines. The variant has not been identified in Africa.

Economic Update

Nigeria's economy has battled with high inflation and low oil production in the last six months, with about 95% of oil revenue spent on subsidy payments and oil production sinking to 972,394bpd in August. In attempts to navigate through global pressures and stabilize the Nigerian economy, the CBN has made strides, from struggling to defend the naira and solving exchange rate crises to interest rate hikes from 14% in July to 15.5%



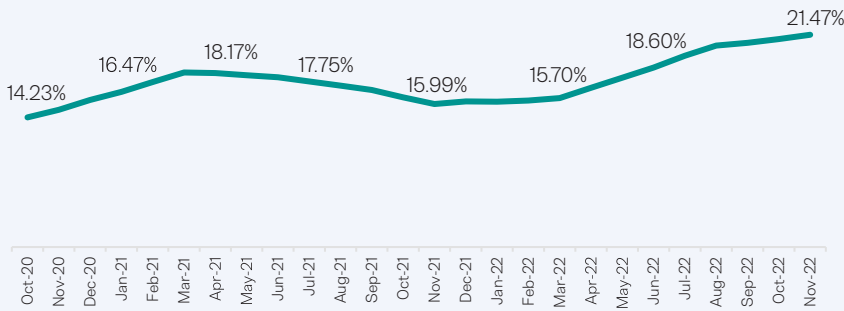
in August as a strategy to increase investment in government securities. To further slow down inflationary pressure and control money in circulation, the CBN has rolled out new regulations that limit cash withdrawals in banks and point-of-sale terminals.

In Q3 2022, Nigeria's GDP growth grew by 2.25% declining from the 4.03% growth rate recorded in Q3 2021. Growth in GDP has continued to nosedive since the fourth quarter of 2021 given several economic challenges encumbering the ease of doing business. Low production continues to confront the oil

sector of the economy and In Q3 2022, daily oil production dipped to 1.2mbpd recording a negative growth of -22.67% and contribution to GDP of 5.66%. According to the Q3 NBS report, growth in the non-oil sectors was pegged to the contribution of Telecommunications, Trade, Financial institutions, agriculture and real estate contributing 94.34% to GDP recording a growth of 1.83%.

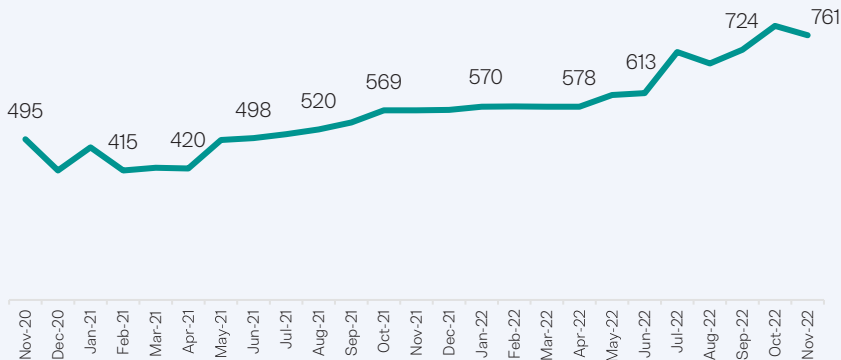
The real estate and construction sectors are gaining investor confidence and this is evident in growth and contribution to the national gross domestic product, as real estate recorded a 5.61% contribution to GDP in Q3 2022 being the highest in the last three quarters and maintaining pole positions as the fifth largest contributor to GDP while the construction sector contributed to 3.32% in Q3: 2022 higher than its contribution in the same quarter in 2021, being the seventh largest contributor to GDP.

Inflation Rates (%)



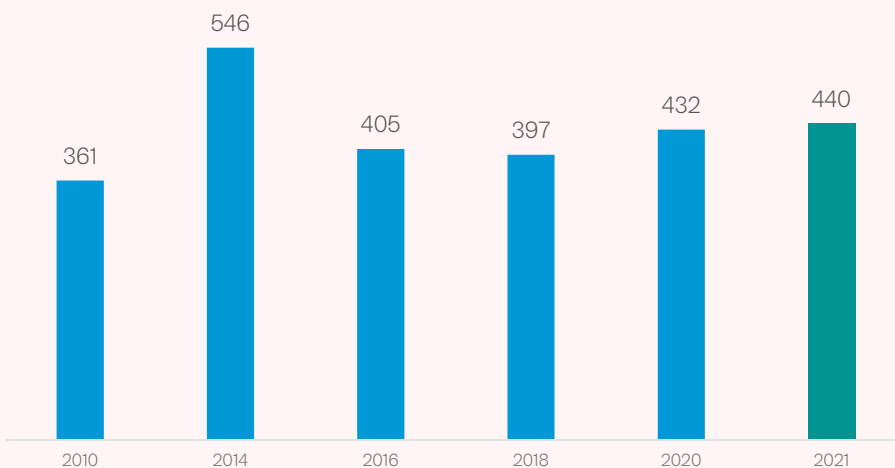
Source: NBS

Exchange Rate (₦ = \$)



Source: NBS

Nigeria's GDP (\$'Bn)



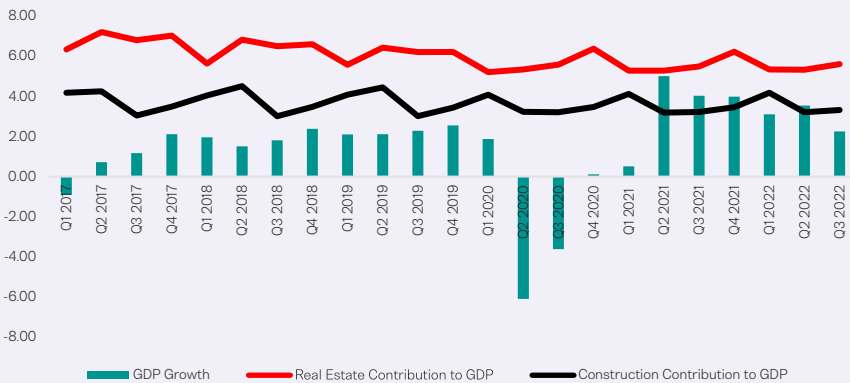
Source: World Bank

In Q3 2022,
Nigeria's GDP
grew by
2.25%
declining from the
4.03%
growth rate
recorded in
Q3 2021

The Key Insights

- CBN increases MPR from 14% to 15.5% in August 2022
- Nigeria's GDP grew by 2.25% in Q3 2022 declining from 4.03% recorded in Q3 2021
- Oil production averaged 1.2mbpd in Q3:2022
- The real estate sector remains the fifth largest contributor to GDP while the construction sector is Nigeria's seventh largest contributor to GDP
- The inflation rate accelerates to 21.47% in November 2022

GDP Growth, Construction & Real Estate Contributions to GDP (%)



Source: NBS

Solving inflation remains the focus for the CBN, as Nigeria's inflation continues to surge. In November 2022, Nigeria recorded its highest inflationary figure in the past seventeen years, recording 21.47%. Navigating through rising energy and food prices has been a herculean task for middle and low-income earners. Spending priority would remain on food and other essential goods and services.



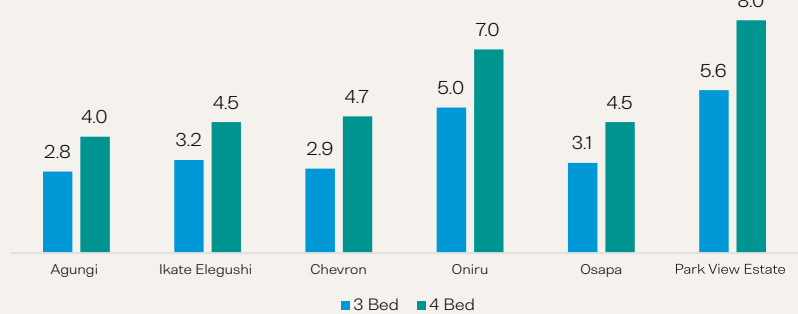
Residential Market Review

The Lagos state government launched a 30-year transformational plan dubbed LSDP 2052 focused on making Lagos Africa's model mega city. Increasing formal housing to 70%, making rent affordability at 32% of disposable income and increasing annual housing supply to between 150,000-200,000 units are the focal points in the plan.

A few housing projects have been commissioned by the Lagos state government in the last six months, one of which is dubbed Channel Point Apartments, a 38-unit 2-bedroom and 3-bedroom housing scheme in Victoria Island, developed by the Lagos State Development and Property Corporation and Brook Assets Resources Ltd. To further increase the housing supply in the state, Love Garden, which is a 20-unit 2-bedroom residential project, has been commissioned and delivered in Surulere through the partnership between the Lagos State Development Company and State Universal Basic Education Board (SUBEB). The state government has shown willingness to partner with private developers towards reducing the housing deficit within the state which would lead to more project commissioning in the nearest future.

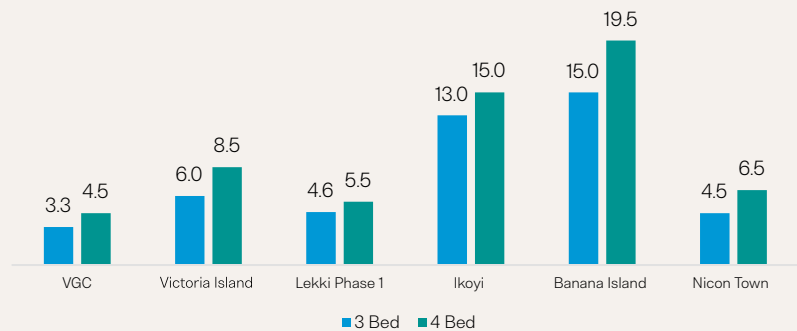
The supply of small-sized housing units ranging from 1, 2 and 3-bedroom apartments has continued to dominate the residential real estate submarket as investors have shifted demand towards such units to maintain reduced vacancy cycles and constant cash flow. The adoption of property technology for monthly rental payment, coliving and management of services and visitor access typically associated with gated communities and multifamily residential developments by private developers and

Lagos Island: Select Areas - Rent per annum (₦/M)



Source: Knight Frank

Lagos Island: Select Areas - Rent Per Annum (₦/M)

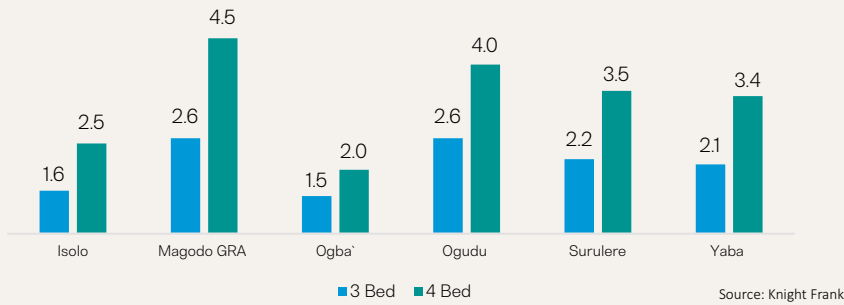
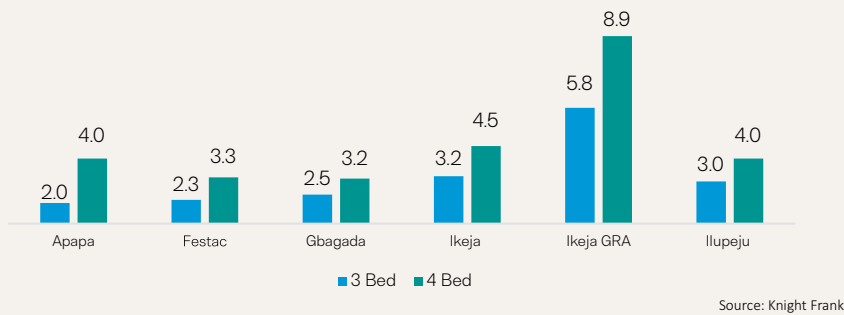


Source: Knight Frank

property owners has rapidly increased. SmallSmall tech, Spleet and VENCO have raised capital to improve their residential service offerings.

Despite general economic shocks, the Lagos real estate market attracted foreign and local investment in H2 2022. Mixta Africa secured an ₦8Bn line of credit from Shelter Afrique to finance its flagship Marula Park affordable housing project which is a 1,000-unit gated community consisting of 1, 2 & 3-bedroom

apartments located in the Lagos New Town district. Shelter Afrique also approved ₦10Bn for Landmark Africa to finance the construction of Landmark Waterview apartments in Oniru, Victoria Island. GMH luxury has signed a ₦5Bn commercial paper listed on the FMDQ Securities Exchange to finance 8 ongoing residential projects. Purple Plc announced its REICO Initial Public Offering (IPO) of 2Bn ordinary shares of 50 kobo at ₦5 per share to raise ₦10Bn which would be used as working capital for ongoing projects across Lagos and

Lagos Mainland: Select Areas - Rent per annum (₦/M)**Lagos Mainland: Select Areas - Rent Per Annum (₦/M)**

other real estate asset acquisitions to expand their portfolio. Total Energies Staff Housing Cooperative Multipurpose Society Ltd (TEHC) has launched Louisville, a mixed-use project located in Eko Atlantic and would comprise 300 housing units, sports and recreational facilities and up to 12,000 sqm of retail area. A 56-unit residential project comprising 1, 2 & 3-bedroom apartments has recently been completed and delivered in Lekki Phase 1 by Periwinkle.

The Key Insights

- Lagos State launches LSDP 2052
- Shelter Afrique finances Mixta Africa's Marula Park residential project and Landmark Waterview apartments
- Total Energies Staff Housing Cooperative Multipurpose Society Ltd launches Louisville 300-unit project

Retail Market Review

A recent study revealed essential factors for the feasibility and viability of shopping malls as recreational facilities, ease of transportation, variety and product mix, the income of consumers, parking facilities, demographics, tenant mix, ambience, and security. E-commerce is fast becoming integrated into everyday life and has benefitted the local economy in a variety of ways. However, delivery and distribution networks (physical transportation) must be efficient and cost-effective to sustain the continued and healthy growth of e-commerce. The design of pipeline retail developments tends to be on a smaller scale. The seasonal nature of retail purchases dictated a higher demand in the second half of the year,

particularly in the fourth quarter.

Purple Lekki is scheduled for completion in the first half of 2023 and has announced three international fashion brands as tenants. Well renowned clothing brands opened stores in Ikeja City Mall. Circle mall reopened in October and has seen healthy uptake by tenants.

Massmart has exited the Nigerian retail market on foreign exchange hurdles. The "Game" store owners conducted a review of its store portfolio outside of Southern Africa leading to the disposal of 14 stores across Ghana, Nigeria, Uganda, Kenya, and Tanzania. The majority shareholder of PricePointe Wholesale Club is the purchaser of the Massmart assets. This type of exit paves the way for more indigenous investors in the retail

real estate market who have local knowledge of market conditions. Tana Africa Capital and Sango Capital have invested in Sundry Markets, operators of Marketsquare. Ikoyi plaza, Banex mall and Admiralty mall have commenced operation, having vacancy rates of 27%, 81% and 33% respectively. Leasing managers of Ikoyi plaza reported positive take up rates upon completion of the project with the entry of popular brands like FoodCo and KFC.

Retail Development Pipeline

Name	Location	Size (m ²)	Delivery Date
Lekki Town Square	Lekki	Unspecified	2024
Oasis Centre	Ikeja	30,000	2023
Resurgence Plaza	Lekki	Unspecified	2023
Falomo Shopping Centre	Ikoyi	10,000	2025
Purple Lekki	Lekki	12,000	2023

Source: Knight Frank

The Key Insights

- Purple Real Estate Income Plc listed ₦10 billion initial public offer on NGX
- Essential factors for the feasibility and viability of shopping malls are recreational facilities, variety and product mix, tenant mix, etc
- Massmart exits the Nigerian retail market
- Tana Africa Capital and Sango Capital have invested in Marketsquare

Office Market Review

The need for local presence that led to the opening of Amazon Web Services' Nigeria

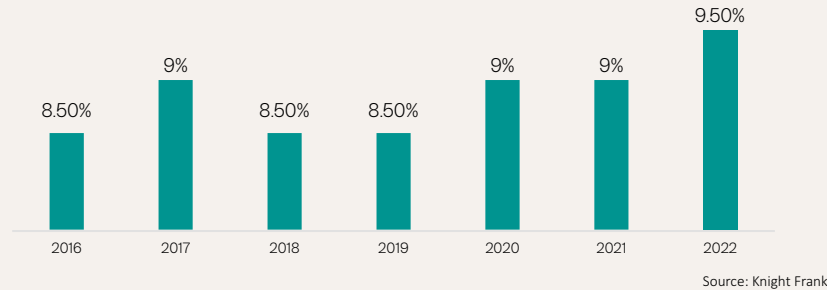
office gives credence to Nigeria's ICT sector and further reinforces the dependence of the office real estate market on overarching economic conditions. Global trends also

observed in Lagos indicate that hybrid working is here to stay, and investing in quality space is becoming a greater priority than expanding total footprint. Flexible leasing options and increased ancillary features are becoming increasingly important determinants of tenant satisfaction.

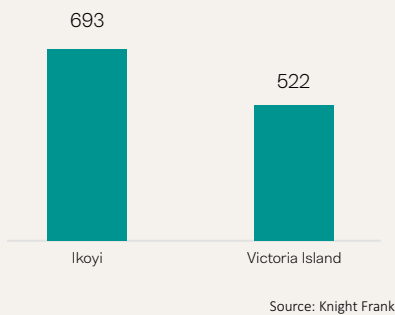
A continued alignment toward environmental sustainability was observed as Sterling Towers, Marina was glazed with solar panels covering 6,500 sqm. As environmental concerns are increasingly the subject of conversation by both governments and corporates and because ensuring energy efficiency in office buildings is an uphill task, locally, nationally, and internationally, the demand for these Building Integrated Photovoltaic (BIPV) energy systems for high-rise glazed buildings is expected to increase. A new building for the Federal Inland Revenue Service to be located on Awolowo Road, Ikoyi has been approved by the Federal Government.

Coworking spaces that offer a special focus on amenities, and foster a sense of community and collaboration remain increasingly popular in Lagos. This is because of rising demand for flexible, cost-effective alternatives to traditional office. Walure Capital launched a coworking space in Ojodu Berger. In September, the Lagos State Safety Commission announced its safety audit on coworking spaces and tech hubs but subsequently suspended the plan to ensure adequate stakeholder engagement.

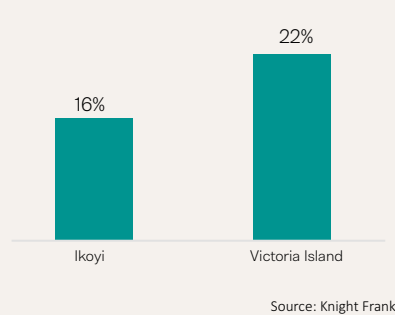
Lagos Office Yields (%)



Average Grade A Office Rent (\$/sqm/annum)



Average Grade A Office Vacancy Rates (%) - By Sub-market



Office Development Pipeline

Name	Location	Size (m ²)	Delivery Date
Ulesh Ikoyi	Ikoyi	16,390	2023
Dangote Industries HQ	Ikoyi	17,000	2023
40 Adetokunbo Ademola Street	Victoria Island	14,000	2023
A & A Towers	Eko Atlantic	Unspecified	2023
The Phoenix	Ikeja	8,000	2023
Stanbic IBTC HQ	Victoria Island	12,208	2023
Federal High Court	Unspecified	8,000	2023
Crystal Tower	Victoria Island	12,000	2024
Bratatek Office	Ikoyi	Unspecified	2023
NIPOST Ikoyi Office	Ikoyi	Unspecified	2023
Aerobell Towers	Victoria Island	Unspecified	2023
The Beacon	Lekki	1,759	2023
27 Glover Office Tower	Ikoyi	Unspecified	2023
First Pension Custodian Nigeria Limited Office	Victoria Island	Unspecified	2023

Source: Knight Frank

The Key Insights

- Amazon Web Services opens Nigeria office
- Sterling Towers glazed with solar panels
- Ventures Park announces tenancy in Purple Lekki
- Walure Capital launched a coworking space
- Lagos State Safety Commission suspends safety audit on coworking spaces

Infrastructure

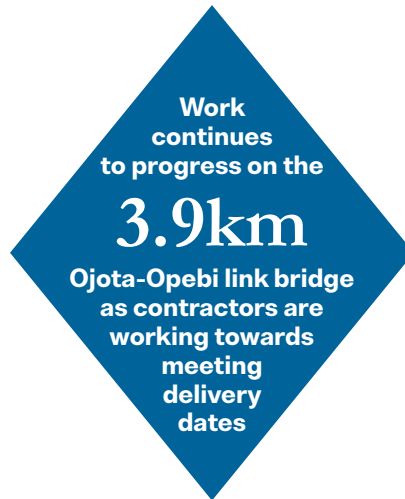
Towards accelerating the progress and completion of the Red line project, the Lagos state government commenced the compensation of Ogun state property owners whose houses were affected by the construction of the Agbado train station and stabling yard. Phase 1 of the 27km Blue line is fast approaching completion and would be operational to the public commuting Marina to Mile 2.

The ongoing Lekki-Epe expressway rehabilitation project has seen phase 1 which stretches 18.75km from Epe to Eleko 95% complete, and phase 2, a 26.7km stretch from Abraham Adesanya to Eleko is yet to commence. Other rehabilitation and upgrade of the road network are ongoing in various parts of the state, some of which have had recent site visits by the Governor, are Adeniji Adele Road in Lagos Island, Eko bridge, and flyovers on the Lagos Badagry expressway. To improve waterway transportation, the Lagos

State Waterways Authority (LASWA) has opened a data management centre in Ikoyi.

Work continues to progress on the 3.9km Ojota-Opebi link bridge as contractors are working towards meeting delivery dates. In Lagos, between June 2021 and July 2022, 34 zonal interventional projects have been completed while 99 federal consolidated

projects have been completed. The Lagos state government has received federal government approval for the construction of the Lekki International Airport with an estimated project cost of \$900m for its first phase as well as approval for the \$2.5Bn Badagry deep sea port project.



The Key Insights

- Phase 1 of the Lekki-Epe expressway rehabilitation project is 95% complete
- Between June 2021 and July 2022, 34 ZIPs and 99 federal consolidated projects have been completed
- Lagos has received approval for Lekki International airport and Badagry deep sea port

Industrial Market Review

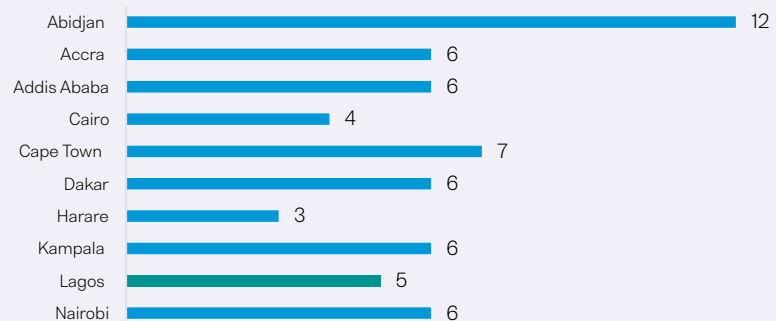
Lagos state has witnessed a considerable boost in supply and logistics activity and it continues to position itself as the logistics hub of the country through private and public investments. The \$1.5Bn Lekki Deep Sea Port is fully completed and is equipped to handle 2.7m TEUs annually. Lagos state has commenced the construction of a food security system and central logistic park in Epe and is being built on 1.2msqm of land with a proposed capacity of 1,500 trucks daily.

Pinnacle Oil and Gas Limited has completed its \$1Bn Lekki petroleum product terminal at the Lekki Free Trade Zone with a storage capacity of 300m litres of refined petroleum products allowing vessels of 90,000 - 150,000 Dead Weight Tons to berth.

The Lagos industrial leather hub is 65% complete and is expected to be fully complete in Q1 2023. The long awaited Imota rice mill has been commissioned by the President, prior to it commissioning, the Lagos state government had signed a management agreement with WACOT Rice Limited to manage the facility, which has a capacity of 32 metric tonnes per hour and total production capacity of 2.4m, 50kg bags per annum.

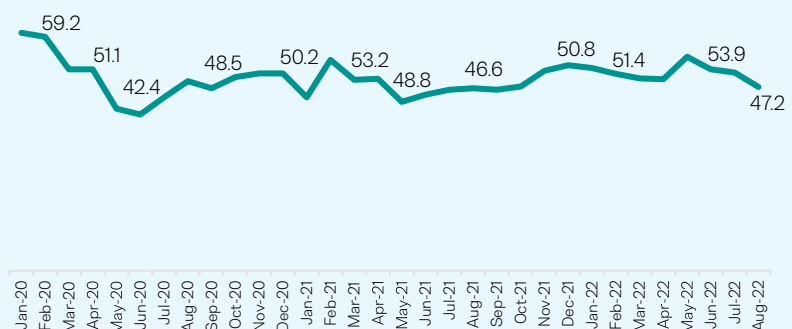
The Lagos state government invested in the acquisition of a tier III data centre with 2N redundancy towards improving digital

Average Industrial Rents for African Cities (\$/Sqm)



Source: Knight Frank

Purchasing Managers Index



Source: CBN

infrastructure. AMS XI and MDXI, the data centre of MainOne have partnered to operate and grow internet exchange services in Lagos.

Investor diversification to emerging markets has spurred growth in the industrial sector, institutional and private investors are making higher investment bets on developing and acquiring warehousing facilities especially in business-friendly clusters like special economic zones. Tax benefits, ease of doing business, nearness to sea ports and competitive price points remain compelling factors to operating in free zones in Lagos.



The Lekki Deep Sea port (Image: Lagos state government)

Please get in touch with us

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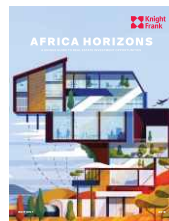
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