The Africa Industrial Market Dashboard

Knight Frank

H1 2024

Providing occupiers, landlords, and investors with a regular analysis of the rental performance and trends of prime industrial markets across Africa.

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Market Overview

Several key factors are driving the increased demand for industrial space. E-commerce expansion is a primary driver, with the rapid growth of online shopping contributing to a 20% increase in e-commerce sales.

The industrial sector across the 29 African markets tracked by Knight Frank has demonstrated notable growth in the first half of 2024, driven by various factors, including increased demand for warehouses and evolving infrastructure. The warehousing sector remains a critical component of the industrial market. In key markets such as Johannesburg, Nairobi, and Lagos, the occupancy rates for modern warehouses have reached approximately 85%, up from 78% in H1 2023. Prime warehouse rents in Johannesburg have also risen to approximately US$5.50 per sqm per month, reflecting a 7% increase from H1 2023. Nairobi and Lagos also reported 5% and 6% rent increases, respectively, with current rates being recorded at US $6 and US$ 5 psm per month.

Several key factors are driving the increased demand for industrial space. E-commerce expansion is a primary driver, with the rapid growth of online shopping contributing to a 20% increase in e-commerce sales. This trend is exemplified by notable investments such as Amazon's US$ 200 million fulfilment centre in Johannesburg. The new facility is anticipated to create over 2,000 jobs and significantly enhance regional logistics efficiency.

Manufacturing Growth is another crucial factor. The sector's expansion, fuelled by local and international investments, has increased demand for industrial facilities. A good example is the Dangote Industries' US$ 600 million cement plant in Ethiopia. It commenced its operations in early 2024 and has already stimulated additional industrial activity in the surrounding areas.

Regional Trade Agreements also play a significant role. For instance, the implementation of the African Continental Free Trade Area (AfCFTA) is facilitating enhanced intra-African trade, which in turn is increasing the need for industrial logistics and warehousing solutions across the continent.

7%
Growth of occupancy rates for modern warehouses

US$ 5.5 psm
Rise in monthly prime warehouse rents in Johannesburg

5% & 6%
Rental increases in Nairobi and Lagos respectively, with current rates being recorded at US $6 and US$ 5 psm per month.

Source: Knight Frank

Photo: Dangote Cement Plant, Ethiopia

Botswana

Prime industrial rents have experienced an average increase of over 5% during the first half of 2024.

The demand for industrial space has surged significantly in H1 2024. This spike can be attributed to the rapid expansion of e-commerce and the country's associated need for efficient logistics solutions. The demand for warehouse space increased by 18% year-on-year, with a notable uptake from both local and international companies. Several factors are driving this heightened demand, including the growth of e-commerce, which expanded by 22% in the first half of 2024. Retailers and logistics firms seek Grade A warehouses that accommodate advanced inventory management systems and facilitate faster distribution networks.

In response to heightened demand, prime industrial rents have experienced an average increase of over 5% during the first half of 2024. Monthly rents have risen to US$ 4 psm, up from US$ 3.70 psm at the close of 2023.

22%
Growth in e-commerce

Elsewhere, significant infrastructure developments are bolstering the strength of the country's industrial market. A good example is the Kazungula Bridge, which spans 923 metres and connects Botswana and Zambia across the Zambezi River.

It features an integrated transport design, incorporating vehicular lanes, a rail track, and pedestrian walkways. This multifaceted approach is designed to streamline transit times and mitigate traffic congestion at other major regional border crossings.

Photo: Gaborone

US$ 4 psm
Rise in monthly prime rental from US$3 per sqm at the end of 2023

5%
Increased demand for warehouse space.

Source: Knight Frank

Egypt

The e-commerce sector has been a significant driver, with a 25% increase in online retail sales

The demand for warehouses has surged in H1 2024, driven by the expansion of e-commerce, increased manufacturing activities, and the country's strategic location as a logistics hub connecting Africa, the Middle East, and Europe. The occupancy rates for warehouse spaces in Cairo and Alexandria have reached 92% and 89%, respectively. This high demand is reflected in the increased leasing activity, with a 15% year-on-year growth in new leases signed during the first half of 2024.

The e-commerce sector has been a significant driver, with a 25% increase in online retail sales compared to the same period in 2023. This surge has necessitated additional warehousing and fulfilment centres to manage the increased volume of goods. Prime rents have steadily risen, reflecting the high demand and limited supply. For example, prime rents have increased by 6% year-on-year to an average of US$ 4 psm per month in Cairo. Alexandria has also experienced a 5% increase, reaching US$ 3.5 psm monthly. The overall occupancy rates in major industrial zones remains high, averaging around 90%.

92% & 89%

Occupancy rates in Cairo & Alexandria respectively

US$ 4 & 3.5 psm

Average Monthly Prime Rents in Cairo and Alexandria respectively

25%

Increase in online sales

Photo: Business Park in Cairo, Egypt

Source: Knight Frank

Kenya

Kenya's burgeoning demand for data centres is another critical trend shaping the industrial market.

Kenya's industrial sector is experiencing a dynamic transformation, propelled by strategic initiatives such as Special Economic Zones (SEZs) and Export Processing Zones (EPZs). These initiatives are crucial for attracting investment and fostering industrial growth. The government's sanctioning of Tilisi Logistics Park as an EPZ in January 2024 marks a significant milestone.

This move aligns with the broader strategy to enhance Kenya's industrial capacity and export potential. Furthermore, the inauguration of a 100,000 sqm Textile Park within Nairobi Gate Industrial Park, designated as an SEZ, underscores the sector's expansion. The Textile Park is anticipated to generate over 5,000 jobs and contribute significantly to the country's GDP, estimated to add KES 10 Bn (approximately US$ 77 Million) annually by 2025.

Kenya's burgeoning demand for data centres is another critical trend shaping the industrial market. The surge in demand is driven by the increasing necessity for high-quality internet services, particularly among Kenya's expanding middle class. This demographic shift has amplified the need for enhanced connectivity to support remote work and social interactions. In this context, iColo's initiatives are noteworthy.

Following the successful completion of NBO1 last year, iColo is advancing the construction of the second phase of its Nairobi Karen Campus (NBO2). The combined capacity of NBO1 and NBO2 will reach 13MW of IT power, with sustainability enhancements, including a 200kW solar power installation. NBO2 is scheduled for completion in 2025, positioning iColo as a leader in the East African data centre market. Notably, the data centre market in Kenya is projected to grow at a CAGR of 12.7% from 2023 to 2028, reflecting robust demand

100,000sqm
Textile Park

GDP **10 Bn**
Projected addition to GDP by the textile Park

Source: Knight Frank

Photo: Nairobi Gate Industrial Park

Malawi

Prime industrial rents have remained relatively stable, with an average rental rate of US$ 3 psm per month.

Photo: Malawi Agricultural and Industrial Investment Corporation Project Plant

The demand for warehouse space in Malawi has surged by 18% in H1 2024 compared to the same period in 2023. This increase is driven by the expansion of the agricultural sector, which saw a 12% rise in output, necessitating more storage space for produce. Additionally, the burgeoning e-commerce sector, which grew by 22% in H1 2024, has significantly contributed to this demand. Companies are increasingly seeking modern warehouse facilities that can support their logistics and distribution needs.

Prime industrial rents have remained relatively stable, with an average rental rate of US$ 3 psm per month. However, there has been a noticeable increase in rents for high-specification warehouses, which command premiums of up to US$ 4.5 psm per month. This trend reflects the growing preference for modern, well-equipped facilities among tenants.

Occupancy rates have also improved, with prime industrial spaces boasting an occupancy rate of over 80% in H1 2024, up from 73% in H1 2023. This rise can be attributed to the increased demand from sectors such as agriculture, retail, and logistics.

Elsewhere, Malawi's government has prioritized infrastructure development, recognizing its critical role in economic growth. One such example is the Lilongwe Industrial Park Expansion, which is set to add 100,000 sqm of industrial space upon completion in late 2024.

18%

Increase in demand for warehouse space

80%

Improved occupancy rates from 73% in H1 2023.

US$ 3 psm

Average Prime Rents per month

Source: Knight Frank

Nigeria

The warehousing and logistics sector is navigating significant challenges stemming from macroeconomic pressures, notably a deceleration in manufacturing activity.

The warehousing and logistics sector is navigating significant challenges stemming from macroeconomic pressures, notably a deceleration in manufacturing activity. This slowdown has been exacerbated by key industry players like GlaxoSmithKline (GSK) exiting the market after 51 years of operation. Companies attribute their exit to an unfavourable business climate, escalating energy costs, and security concerns. In response, domestic firms such as Lagos-based Fidson Healthcare are stepping in to fill the void left by departing US and European multinationals. Simultaneously, companies like Jumia and APM Terminals are adapting by consolidating operations and investing in infrastructure upgrades.

Elsewhere, the limited availability of high-quality warehousing space has created a premium market, with notable increases in prime warehousing rents, especially within Special Economic Zones (SEZs). This surge is driven by strong demand for top-tier storage facilities.

Currently, prime warehousing rents are approximately US$ 5 psm per month, reflecting a 4% increase from H1 2023 rates. Significant infrastructure investments from both the public and private sectors fuel this heightened demand.

US$ 5 psm Monthly prime warehousing rental rates

4% Increase in prime warehousing rents from H1 2023

Source: Knight Frank

Cross River Industrial Park Free Zone Calabar

South Africa

The industrial sector is demonstrating remarkable resilience and strong performance compared to other non-residential sectors.

The industrial sector is demonstrating remarkable resilience and strong performance compared to other non-residential sectors, particularly in warehousing and logistics. This sector is characterized by low vacancy rates (approximately 6%) and significant rental growth amid broader economic uncertainties. For instance, in Cape Town, industrial properties have experienced a notable surge in nominal rentals, with a 20% increase compared to pre-pandemic levels (now averaging c.US$ 5 psm per month). The market is highly competitive, with multiple tenants competing for the same properties, leading to rapid lease agreements, sometimes within a day.

Other major industrial hubs, such as Durban, are also experiencing significant growth. Across South Africa, the first quarter of 2024 saw a 4.8% increase in prime industrial rentals for 500 sqm units. Regions like Durban and the Central Witwatersrand recorded even higher nominal growth rates of 6.7% and 5.8%, respectively.

20%

Increase in prime warehousing rental

6.7% and 5.8%

Norminal growth rates within Durban and central Witwatersrand respectively.

Source: Knight Frank

Photo: Graphite Industrial Park, Johannesburg

Tanzania

Looking ahead, the construction sector is anticipated to maintain robust growth, averaging 7.9% annually from 2025 to 2028.

According to the Tanzania Investment Centre (TIC), there was a significant increase in project registrations in Q1 2024. Specifically, TIC reported registering 211 projects worth US$1.48 bn, which marks a 111% increase in the number of projects compared to the same period in 2023. This total value reflects a notable rise from the previous year's US$1.26 bn, demonstrating a year-over-year growth of about 17% in project value. A key infrastructure development is the newly launched US$ 1.9 bn modern standard gauge railway aimed at enhancing connectivity.

The industrial sector's growth is further reinforced by various infrastructure initiatives, including flyovers, a bus rapid transit system, and upgraded road networks. In February 2024, the government signed a US$ 385.5 million agreement for the second phase of the Dar es Salaam Metropolitan Development Project (DMDP), which will significantly improve the city's road infrastructure.

Looking ahead, the construction sector is anticipated to maintain robust growth, averaging 7.9% annually from 2025 to 2028. This growth trajectory will be underpinned by substantial investments in transport infrastructure and the US$ 13.5 bn Tanzania Water Investment Program (TanWIP), which aims to enhance water supply infrastructure and establish a national grid by 2030.

US$ 1.9 Bn

Newly launched modern standard gauge railway

7.9%

Anticipated growth of the construction sector from 2025 to 2028

Photo: Modern Industrial Park Tanzania

Source: Knight Frank

Uganda

In May 2024, Uganda was recognized as the premier investment destination in Africa by the Annual Investment Meeting (AIM) Congress.

Uganda is experiencing a notable increase in investment in green industrial projects, with key players such as Nexus Green, MTN, and Sprouts of Water securing over US$ 400 million in Foreign Direct Investments (FDIs) for the fiscal year 2023/24. This trend reflects the global move towards sustainability in industrial development.

In May 2024, Uganda was recognized as the premier investment destination in Africa by the Annual Investment Meeting (AIM) Congress. The country attracted over US$ 1.5 bn in FDI from the UAE over the past two years, with an additional US$ 1.27 bn expected by December 2023/24.

However, the industrial sector is experiencing a slow uptake of warehouse space due to the economic downturn impacting the overall business climate. The demand for industrial rental properties is mainly driven by the food and beverage sector and coffee exporters, with high interest in Ntinda, Banda, Kawempe Industrial Area, and Namanve.

Rental prices for warehouse space have remained stable over the past year, ranging from US$ 3 to US$ 7 psm per month, depending on location and property-specific factors. The economic slowdown has led to increased tenant negotiations and greater flexibility from landlords, particularly in properties with lower occupancy rates.

Figure 1: Warehouse rent across the different industrial locations in Uganda.

S/N	LOCATION	RENT IN US$ PSM/ MONTH
01	Traditional Industrial Area	US$ 5.0 –US$ 7.0
02	Kampala Industrial Business Park (Namanve)	US$ 3.0 – US$ 4.50
03	Ntinda-Nakawa	US$ 4.5 – US$ 6.5

Source: Knight Frank

Photo: Namanve Industrial Park

Zambia

Zambia's strategic location, being land-linked to eight neighbouring countries, presents further prospects for the warehousing sector.

Photo: York Commercial Park, Zambia.

US$ 5 psm

Monthly Prime warehouse Rents

Over supply of warehouses

Source: Knight Frank

New infrastructure projects across Zambia, such as the Lusaka to Ndola dual carriageway, are set to catalyse significant opportunities in the warehousing sector, driven by an upsurge in the logistics industry. However, Lusaka has experienced subdued growth in rental rates, stagnating at US$ 5 psm per month over the past year. This stagnation can be attributed to an oversupply of warehouses, with negotiations primarily centred on unit specifications rather than rental costs.

Zambia's strategic location, being land-linked to eight neighbouring countries, presents further prospects for the warehousing sector. Enhanced road connectivity from ongoing and planned road projects bolsters trade links with these neighbours.

Concurrently, investments in the mining and agricultural sectors and significant road developments are anticipated to attract new logistics opportunities.

Demand remains robust in key industrial zones like York Commercial Park. This park offers secure and well-serviced warehousing facilities, positioning itself as a premier logistics hub in Lusaka.

Zimbabwe

The yield for industrial properties in the region remains robust, fluctuating between 11% and 13%.

Over the past two years, the industrial market has shown stability, characterized by a high demand for warehousing facilities driven primarily by the agriculture and retail sectors. Key industrial zones, such as Graniteside, have experienced a surge in inquiries for industrial spaces, particularly smaller units around 500 sqm. This heightened demand is largely due to the affordability of these smaller units, constructed with cost-effective materials like plastic ware and cardboard, catering to the growing low to middle-income demographic.

Rental rates in Zimbabwe's industrial sector vary based on the space size. For units larger than 1,000 sqm, rental prices range from US$ 2 to US$ 4 psm per month. In contrast, spaces under 500 sqm command monthly rental rates ranging from US$ 6 to US$ 10 psm. The yield for industrial properties in the region remains robust, fluctuating between 11% and 13%.

Investor interest in Zimbabwe's industrial real estate market continues to grow. Notably, the African Export-Import Bank (Afreximbank) has committed US$ 400 million to support Zimbabwean-based pan-African companies seeking to invest across the continent. This initiative supports the broader goal of integrated industrialization within the Southern African Development Community (SADC) region, further bolstering the appeal of Zimbabwe's industrial sector.

Surge in demand for smaller units around 500 SQM

US$ 2 -4 psm

For units larger than 1,000 SQM

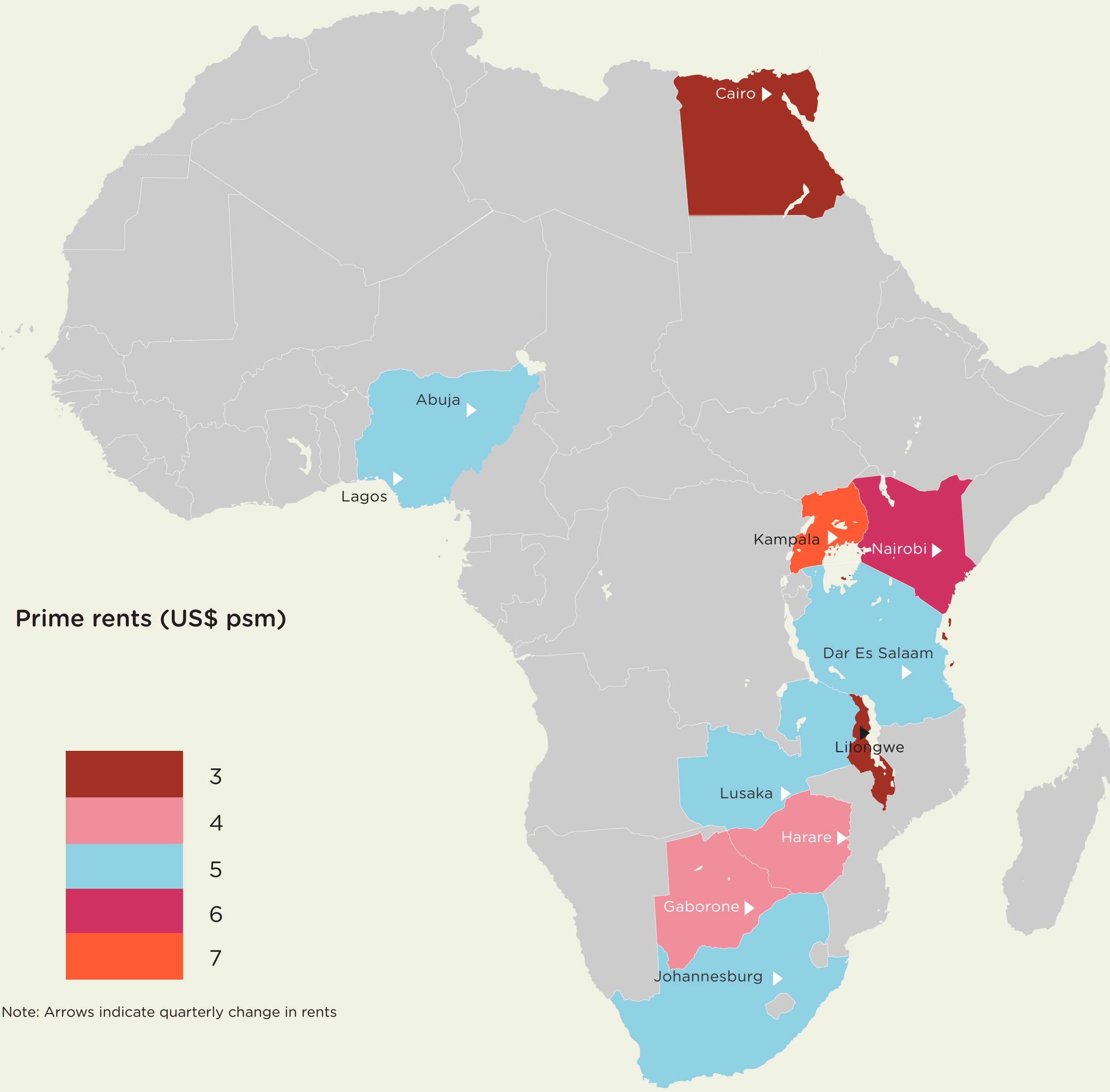
US$ 6 -10 psm

For units larger than 500 SQM

Source: Knight Frank

Photo: Madokero Buisiness Park, Harare

AVERAGE PRIME INDUSTRIAL RENTS AND AVERAGE YIELDS



Note: Arrows indicate quarterly change in rents

COUNTRY	CITY	PRIME RENTS (US$ PER SQM)	AVERAGE YIELDS (%)
BOTSWANA	GABORONE	4.5	8.5
EGYPT	CAIRO	3	10
KENYA	NAIROBI	6	9.50
MALAWI	LILONGWE	3	12
NIGERIA	LAGOS	5	8.0
SOUTH AFRICA	JOHANNESBURG	5	8.25
TANZANIA	DAR ES SALAAM	5	10
UGANDA	KAMPALA	7	13
ZAMBIA	LUSAKA	5	12.5
ZIMBABWE	HARARE	4	13

Source: Knight Frank

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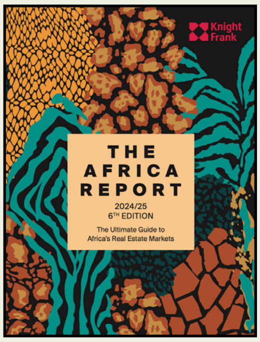

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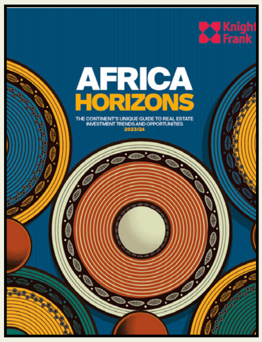

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