Africa Industrial Market Dashboard

Knight Frank

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Knight Frank's ultimate guide to real estate market performance and opportunities in the world's most exciting continent.

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MARKET OVERVIEW

Unveiling the Continent's Industrial Capacity

Against the backdrop of robust international collaboration, Africa is embarking on ambitious infrastructure projects spanning national boundaries to foster intra-African trade and attract investment. These projects' cumulative impact resonates regionally and globally, wielding substantial influence destined to shape the African energy sector well into 2024 and beyond.

One such initiative is the Dangote Refinery in Nigeria. Poised to emerge as the largest refinery in Africa, with a staggering daily production capacity of 650,000 barrels, the Dangote Refinery encompasses a comprehensive complex featuring a 435 MW power station, a deep seaport, and a fertiliser unit. Executed through a phased approach, the project, built at a cost of US$ 20bn, is set to address chronic fuel shortages in Nigeria, curb petroleum costs, and position the country as a pivotal refining hub in the region. Other key infrastructure projects to watch in 2024 include The Lobito Corridor (Angola), Lake Albert Development (Uganda), and Punta Europa Gas Mega Hub (Equatorial Guinea).

Elsewhere, the burgeoning demand for premium warehouses continues to fuel industrial sector growth in South Africa, Tanzania, and Nigeria. In South Africa, the industrial sector stands out as a top performer among non-residential asset classes, particularly in warehousing and logistics, boasting impressively low vacancy rates of approximately 5%.

Conversely, Tanzania is experiencing a surge in warehouse demand spurred by heightened investment and trading activities, maintaining prime industrial rents at a stable US$ 5 psm per month for the past five years.

At the same time, several governmental initiatives are actively propelling industrial sector growth in countries such as Botswana, Egypt, and Kenya. In Egypt, a concerted effort to boost domestic consumption of locally produced goods is underway, complemented by the launch of fifth-generation cities that incorporate strategically planned industrial zones. Meanwhile, Botswana is incentivising private international investors with tax incentives to stimulate foreign direct investment (FDI).

Key Findings

~5%
Low vacancy rates in South Africa

US$5psm
Five year consistently stable industrial rents in Tanzania

~650,000
Dangote Refinery daily production capacity in barrels

Burgeoning demand for premium warehouses

Source: Knight Frank

The recently innogurated Dangote oil Refinery in Lagos, Nigeria set to become Africa's largest

Botswana

Investor-friendly policies boosting the industrial sector.

The government has introduced tax incentives to private international investors in an effort to boost FDI. This includes the introduction of the Development Approval Order – Tax Holiday (zero corporate tax) available to investors for five to ten years. The investor-friendly policies seem to bear fruits already as De Beers, the world's largest diamond producer by value, launched a US$1 bn investment to extend the life of its flagship Jwaneng mine in the country by moving operations underground.

Separately, the limited availability of serviced industrial land in the inner city is helping to boost the occupancies of warehouses in the country. Concurrent with the government's endeavours to steer the economy towards diversification beyond mining, there has been a consistent surge in demand for industrial properties, particularly from budding industries such as manufacturing. Prime industrial yields range from 7.5% - to 8.5%, making the industrial sector one of the best-performing asset classes in the country.

7.5% - 8.5%

Prime industrial yields

US$1 Bn

De Beers investment into the diamond business

Introduction of tax incentives

Source: Knight Frank

The De Beers Diamond processing plant in Namibia

Egypt

Government policies boosting industrial growth.

The China-Egypt TEDA Suez Economic and Trade Cooperation Zone

Like many other countries on the continent, there is a heightened demand for logistics and warehousing facilities. The growth of e-commerce has driven the need for efficient storage and distribution, leading to the development of modern industrial zones equipped with state-of-the-art logistics infrastructure. Automated warehousing systems and optimised supply chain management are becoming integral components of these developments. Despite the surge in demand, prime warehousing rents have held steady at US$ 4 psm per month for the third quarter in a row.

Mirroring the case in Kenya and Botswana, the government is keen on encouraging the consumption of locally produced goods and reducing imports.

With several industrial parks in the pipeline, which will provide approximately 165,000 sqm of additional supply by 2025, much of the current demand is expected to be met within the next two years. The new fifth-generation cities the government has launched to double the existing urban landscape are also planned to have several industrial zones, which could cater to growing demand in the long term.

US$4 psm

Prime warehousing rents

165,000sqm

of industrial space that several industrial parks in pipeline will provide

Growth of e-commerce

Source: Knight Frank

Kenya

Government initiatives boosting the industrial sector as prime warehousing demand maintains prime rental at US$6 per sqm year-over-year.

Government initiatives are playing a pivotal role in bolstering Kenya's industrial sector, aligning with the transformative goals of Vision 2030 to shift the nation from agriculture to a middle-income industrialised country. The government actively promotes investments by utilising the Special Economic Zones (SEZ) and Export Processing Zones (EPZs). Nairobi Gate Industrial Park sets a precedent with a fully integrated customs control area designed to facilitate ultra-modern logistics, warehousing, and distribution centres. This innovative 'build to suit' concept in Nairobi offers Grade A flexible space, optimal accessibility, efficient circulation, and ample loading facilities with volumetric capacity.

Elsewhere, in response to the growing emphasis on sustainability, the ascendance of green manufacturing is evident, notably witnessed in the emergence of local assembly warehouses for e-bikes and e-motorcycles. Despite increased demand, prime warehousing rents have been consistently maintained at around US$ 6 psm per month year-over-year, underscoring market stability.

Hotpoint Appliances Ltd new East Africa Headquarter Office in Thika, Kenya.

Malawi

Country Strategy Paper (CSP) to boost industrial growth.

In the fiscal year 2024-25, Malawi's economic landscape grapples with persistent inflation, albeit on a declining trajectory, and exchange-rate uncertainties stemming from a substantial currency devaluation of 44% in late 2023. Anticipated challenges from the El Niño weather event in 2024 may impact the agricultural sector; However, a notable surge in growth is anticipated, driven by dedicated development finance channelled into vital road infrastructure projects, including the Chileka-Malingunde-Likuni (53km), Chamtulo on Golomoti-Monkey Bay Road-Mkutumula (79km), Euthini-Chikwawa in Rumphi (67km), and Mkanda-Linga, Kasungu (88km).

Aligned with the broader continental trend, the Malawian government is dedicated to enhancing the country's industrial productivity. A key governmental initiative, the Country Strategy Paper (CSP) 2023-2028, takes centre stage in this pursuit. The CSP strategically directs resources towards bolstering economic infrastructure, emphasising energy, transport, water, sanitation, and hygiene investments.

Furthermore, it champions economic diversification by injecting resources into agriculture value chains. The overarching goal of this policy is to foster inclusive and sustainable growth through agro-industrialisation, enhance connectivity, and fortify competitiveness, setting the stage for a more robust and diversified industrial sector.

44%

Currency depreciation

Development of vital road infrastructure projects that point to an anticipated growth surge.

Source: Knight Frank

Lilongwe Grand Business Park

Nigeria

Increased demand for top-tier warehouses

The increasing demand for top-tier warehouses is evident, notably driven by the escalating storage and distribution needs in key industrial nodes and specialised economic zones, such as the Lagos Free Trade Zone (LFTZ), which has seen increased infrastructure spending from both the public and private sectors. The fall in supply of Grade A facilities has further exacerbated the situation, suggesting a gap between the demand for top-tier warehouse spaces and the available supply, thereby placing a premium on such facilities, with monthly leasing rates now going at approximately US$ 6 psm.

Meanwhile, our outlook for the manufacturing sector is buoyant, largely attributed to the commencement of the Dangote Refinery. Projections indicate that this facility could contribute more than 0.7% to Nigeria's GDP and result in annual foreign exchange savings of approximately US$ 8b. Furthermore, there is ample potential for increased oil refining capacity, with the anticipated commissioning of the 60,000 barrels Port Harcourt Refinery in the first quarter of 2024. Additionally, the mechanical completion of the 125,000 barrels Warri Refinery is scheduled for Q1-2024, with full-scale operations expected to commence in Q2-2024.

Special Economic Zone (SEZ) in Nigeria**

Source: Knight Frank

US$6 psm

Monthly leasing rates

Notable increase in warehousing demand

US$8Bn

Expected annual forex savings from the Dangote Refinery

South Africa

Warehousing and logistics segments boosting the industrial growth

The industrial sector remains a top performer against other non-residential asset classes, particularly in the warehousing and logistics segments. Low vacancy rates of around 5% are currently enjoyed due to sustained demand, with prime rentals and average yields in Johannesburg at approximately US$ 5.00 psm per month and 8.25%, respectively.

However, the prevailing energy crisis is exerting a detrimental influence on the productivity of industrial occupiers, as a result of escalated electricity expenses and persistent occurrences of load-shedding. Furthermore, landlords grapple with inflationary pressures that drive up their operational expenditure. Despite these challenges, the net industrial rents are poised for growth in the mid and long-term due to the increased demand for prime warehouses..

Occupiers are still in demand for multi-park warehousing and logistics estates as they seek to consolidate shared services and achieve financial and operational savings through modern warehouse design efficiencies.

US$5psm

Prime rentals in Johannesburg

8.25%

Average Yields per month in Johannesburg

Source: Knight Frank

Plumbago Business Park, Johannesburg 1 Spier street

Tanzania

Heightened demand for prime warehouses.

Dar es Salaam Port

Heightened investment and trading activities have led to a surge in warehouse demand, particularly along Nyerere Road, the city's prime industrial area. This increasing need for warehouses and storage facilities is a direct consequence of the thriving manufacturing and logistics sectors, fueled by the current upswing in economic activities across the country. The increased demand has led to the sustained stability observed in prime industrial rents, holding steady at US$ 5 psm per month over the past four years.

Despite the evident increase in demand, a notable oversupply of industrial spaces exists, as reflected in the average occupancy rate hovering at approximately 65%, indicative of a measured utilisation of the available industrial spaces.

The trajectory of demand in Tanzania's industrial sector is poised for further growth, driven by recent offshore natural gas discoveries and a comprehensive slate of planned infrastructure projects. Notably, the government's strategic focus on enhancing infrastructure development to attract Foreign Direct Investments (FDIs) is evident in initiatives such as the ongoing US$1.9 bn railway infrastructure project. The railway is part of a bigger 1,219-kilometre railway network, increasing Tanzanian trade with its neighbours.

US$5psm

Prime rental rates

65%

Average occupancy rate

US$1.9Bn

FDI in the ongoing infrastructural development projects

Source: Knight Frank

Uganda

Increased demand for best-in-class warehouses promoting rental growth

The demand for industrial space is hinged on business growth and an improved economic environment. Notably, there is a significant rise in demand for spaces ranging from 300 to 1000 sqm, predominantly driven by the automotive, manufacturing, interior design, pest control, pharmaceutical, and beverage sectors. This heightened demand reflects businesses' needs to expand, relocate, or initiate operations.

Rents for warehouse spaces have remained relatively stable, varying between US$ 3 to US$ 7 psm per month, depending on size and location. The growing demand, particularly in the Traditional Industrial Area, has led some landlords to adjust rental rates upwards. However, tenants, keen on cost-effectiveness, have been negotiating for more favourable lease terms. Landlords, in turn, seek longer lease commitments to ensure stable cash flows. Industrial players prioritise proximity to suppliers, customers, and transportation hubs, aiming to enhance operational efficiency. The market reflects a balance between landlords seeking stability and tenants prioritising cost concerns, creating a fluid landlord and tenant market.

Elsewhere, the government's commitment to attracting foreign investment is evident through efforts to create a conducive environment, including establishing Special Economic Zones in various districts. These zones incorporate infrastructure development to improve transportation, energy, and utility infrastructure, enhancing accessibility and operational efficiency for investors.

The primary sources of industrial space demand stem from the agro-processing, renewable energy, construction, cold storage, and technology sectors.

Source: Knight Frank

300 - 1000sqm

Notable increase in demand for spaces within this range

US$3 - US$7 psm

Range of rents of warehouse space

Aerial view of Kampala Industrial and Business Park, Namanve

Zambia

New infrastructure projects poised to generate opportunities for warehousing.

Over the past two years, warehouse prime monthly lease rates have demonstrated stability, maintaining a range of US$ 4-5 psm. This situation can be attributed to the prevailing oversupply of warehouses, where negotiations predominantly revolve around the specification of the unit rather than its cost, contributing to the lack of growth in rental rates.

Looking ahead into the medium to long term, the landscape of warehouse leasing is poised for change, driven by strategic road infrastructure projects such as the Lusaka to Ndola dual carriageway. This development is expected to generate new opportunities for warehousing and commercial centres, particularly in areas where the road will detour and bypass towns such as Kabwe and Kapiri. Furthermore, the ongoing investment and projects in the mining and agriculture sectors across the country are expected to attract and stimulate new logistics development, further reshaping the warehouse leasing market in the country.

Source: Knight Frank

US$3 - US$7 psm

Range of rents of warehouse space

Roma Industrial Park in Zambia

Zimbabwe

Currency devaluation challenges affecting domestic manufacturing sector

The recent re-introduction of a multi-currency economy, using the US dollar, has presented challenges for local commodities. The resultant loss of competitiveness for locally manufactured goods has led to an upsurge in the importation of affordable goods, adversely impacting the domestic manufacturing sector and reducing overall capacity utilisation. Despite these challenges, the industrial sector remains a standout performer (with an average yield of 12%) among other asset classes which face even bigger challenges.

Recognising the imperative to fortify the industrial sector and unlock its full potential, the government has implemented strategic measures and policies to safeguard and enhance local industries. Notably, the recently unveiled National Industrial Development Policy for 2024-2030 signifies a pivotal step towards achieving industrialisation objectives. The policy seeks to propel the country towards the status of an upper middle-income economy by 2030. Emphasising structural transformation, the policy envisions a robust industry with interconnections to the agriculture and mining sectors.

Elsewhere, there is a visible shift in demand towards smaller industrial park-type units, primarily dedicated to wholesaling, warehousing, distribution, and logistics activities. This shift has contributed to stabilising average monthly rents at US$ 3 psm for the fourth consecutive quarter, thus positioning Zimbabwe as one of the most cost-effective destinations for leasing warehouses across Africa.

Source: Knight Frank

US$3 psm
Average monthly rents

12%
Average yields

Most cost effective destinations for leasing warehouses

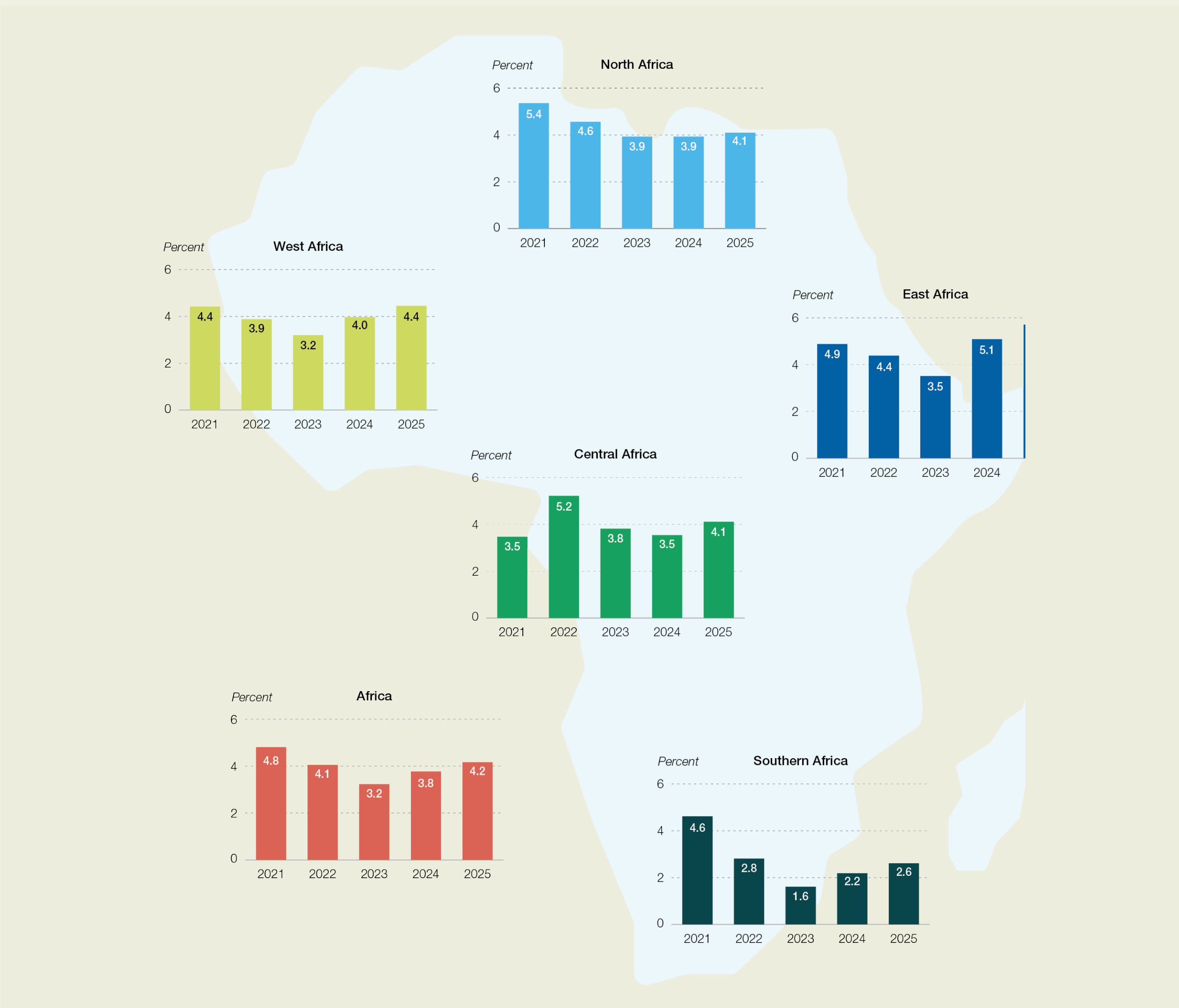
Madokero Business Park, Harare

AVERAGE PRIME INDUSTRIAL RENTS AND PERCENTAGE YIELDS

COUNTRY	CITY	PRIME RENTS (US$ PSM)	AVERAGE YIELDS (%)
BOTSWANA	GABORONE	4.5	8.5
EGYPT	CAIRO	4	10
KENYA	NAIROBI	6	9.50
MALAWI	LILONGWE	3	12
NIGERIA	LAGOS	6	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	3	12

Source: Knight Frank

Growth performance and outlook, by African region, 2021 – 25. Source: African Development Bank - Africa's Macro-economic performance and outlook January 2024



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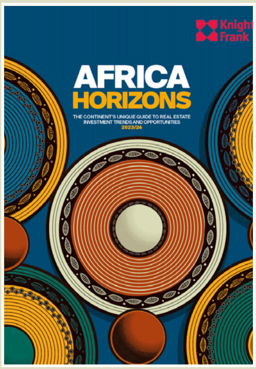

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