

NIGERIA – A ROBUST ECONOMY AND AN INVESTMENT HOTSPOT

According to the latest research bulletin on Africa’s property hotspots issued by Knight Frank, Nigeria is gradually attracting international investment interest as a result of robust economic growth and a wide range of investment opportunities. Nigeria’s growth has been driven by strong population trends, a diversifying economy and an evolving urban environment. Lagos and Abuja are the top growth cities in Nigeria, where the property sector is showing strong performance indicators.

Highlights

- Nigeria is currently the biggest economy in Africa with a GDP of USD 594.3 billion.
- Africa’s economic growth is anticipated at 7% over the next 4 years.
- Nigeria is Africa’s most populous country, with Lagos and Abuja being among eight cities with populations over one million.
- By most estimates, Lagos has already overtaken Cairo as Africa’s biggest city and its population may be close to 40 million by 2050, making it a true global megacity.
- Prime office rents in Lagos are among the highest in Africa, with only a handful of buildings able to provide high quality space.
- Abuja is a modern planned capital city which is seeing increased development activity, including the huge WTC Abuja scheme.
- Land reclamation is underway for the vast Eko Atlantic project, which will create a new city district off Victoria Island, Lagos.
- The retail sector is developing rapidly, with increased numbers of modern malls being built, such as Ikeja City Mall in Lagos.



Growth story

Following a recalculation of its GDP in 2014, Nigeria ascended to the position of Africa’s largest economy, overtaking South Africa. The rapid population growth and the increase in the output of oil, agricultural, and service sectors were the main drivers of the Nigerian economy, leading to strong GDP growth. Economic growth was mirrored in many infrastructure projects as well as large real estate developments. Lagos and Abuja are in the centre of the investment scene of the country as the top growth cities; Abuja is the capital of the state while Lagos is the largest city and the commercial capital.

Over the past decade, Nigeria’s economic and population growth has not grown in parallel with property supply, this is especially so in the prime segment, where there are major shortages. This has attracted the attention of international investors and resulted in an increased inflow of foreign investment over the past years.

FIGURE 1
Key facts

Population (million)	2014	2025
	177.2	234
Population in major cities (million)		
Lagos	12.4	18.9
Abuja	2.6	4
Official languages	English	
Total area	923,768 sq km	
GDP growth (2014)	6.3%	
GDP per capita (PPP)	6,031 US\$	
Urbanisation	47%	
Key export	Petroleum	
Currency	Naira (NGN)	
EIU country risk rating (E = most risky)	D	
World Bank Doing Business rank (out of 189 countries)	170	

Source: Knight Frank Research

Major projects

Eko Atlantic is a new city district which is being developed on 10 sq km of land currently being reclaimed from the sea off the coast of Victoria Island in Lagos. Construction began on the district with the first residential tower expected to be completed in 2016. Eventually, it is envisaged that Eko Atlantic will be home to around 400,000 residents.

Lekki Deep Seaport: The Nigerian government has approved the construction of a new port at Lekki, 60 km east of Lagos. It is designed to relieve congestion at Nigeria's existing ports, with a projected annual capacity of 2.5 million TEUs. Port operations are scheduled to commence in 2017.

Lagos-Calabar Railway: A state-owned Chinese company has agreed a US\$12 billion contract to build a railway stretching more than 1,400 km along the coast of Nigeria. It will run from Lagos in the west to Calabar in the east, connecting cities including Aba, Port Harcourt, Warri and Benin City.

International Interest

Diaa Noufal, MENA Researcher at Knight Frank notes, "Nigeria, South Africa, Kenya and Uganda, are the top destination for GCC investments in Africa's Sub-Saharan countries thanks to healthy economic performance and strong investment opportunities."

Nigeria's agriculture, industrial, communication and financial services sectors play a prominent role in attracting Gulf investment interest. Nigeria has also been targeted by investors from other Gulf countries, especially Saudi Arabia over the last couple of years.

Nigeria has also attracted UAE investment where in 2014, the Investment Corporation of Dubai (ICD) bought a stake in "Dangot Cement," Nigeria's largest cement manufacturer, and the UAE's Etisalat currently owns a dominant share of one of the top GSM operators in the country trading as Etisalat Nigeria since 2008.

Foreign investment in Nigeria has contributed to domestic property

demand particularly in the sectors of energy and financial services raising the demand for grade A office space. The technology boom in particular has led to the generation of new sources of demand for offices. Silicon Lagoon in Lagos is an example for the growing technology clusters in the Sub-Saharan markets.

Diaa adds: "A large segment of investors are looking to invest in the residential market with a strong population growth and a steady rise in income levels. The scarcity of land and the severe lack of luxury properties have been the impetus for developing major projects such as Eko Atlantic, which is expected to attract more international investment. "Peter Welborn, Head of Africa at Knight Frank, states: "Foreign investment in the Nigerian property sector is still modest considering the size of opportunities. International investors are more and more positively weighing the improving investment scene in the country. Investing in the Nigerian property sector provides comparatively high yields, coupled with increasing capital values across all property asset classes, whether offices, industrial, residential or retail."

Market snapshot

Office market

Several Grade A schemes are currently under construction in key cities in the country especially in Lagos. RMB Westport's Wings development, for example, due for completion in 2016, will provide prime space on Victoria Island. In the longer term, the Eko Atlantic project is likely to have a huge impact on the market, bringing a large amount of new commercial space.

Retail market

Actis pioneered modern shopping mall development in Nigeria, building the Palms Mall in Lagos in partnership with the Persianas Group and Ikeja City Mall. There is still considerable room for further development and a number of local operators such as Artee Group are seeking to roll out smaller mall concepts across Nigeria.

Industrial market

Lagos continues to attract significant interest from international manufacturers seeking to grow their Nigerian operations.

Historically, industrial development has concentrated on the port area Apapa and Ikeja near the airport, as well as the Oshodi-Apapa Expressway which connects these two locations. However, peripheral areas such as Agbara and Ikorodu are attracting increased interest.

Residential market

The Lagos residential market is showing signs of increased activity, even at the top end of the luxury market, which is characterised by apartments in Ikoyi priced in excess of US\$1 million. Concurrently, the mid-market is also performing positively, with well-priced and well-located estates selling quickly off-plan.



FIGURE 2

Nigeria prime rents and yields

Abuja	Prime rents	Prime yields
Offices	US\$ 60 /sq m /mo.	9.5%
Retail	US\$ 72 /sq m /mo.	8%
Industrial	US\$ 12 /sq m /mo.	13%
Residential	US\$ 8,500 /mo.*	6.5%
Abuja	Prime rents	Prime yields
Offices	US\$ 85 /sq m /mo.	8.5%
Retail	US\$ 80 /sq m /mo.	7.5%
Industrial	US\$ 8 /sq m /mo.	12%
Residential	US\$ 8,000 /mo.*	7.5%

* 4 bedroom executive house – prime location

Source: Knight Frank Research



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