AFRICA: STILL RISING?

The rise of Africa’s economies has been interrupted by recent external shocks, but there remain grounds for optimism over the longer-term outlook.

After decades of disappointing performance, African economic growth began to accelerate around the turn of the century. The continent averaged GDP growth of more than 5% per annum between 2000 and 2014, primarily driven by fast-growing Sub-Saharan economies. During this period, the term “Africa Rising”, popularised by publications such as The Economist, became shorthand for this rapid economic growth and the increased optimism about Africa’s future prospects.

However, economic growth has since moderated, due primarily to the exposure of African countries to external factors including falling commodity prices and slower growth in China. The International Monetary Fund (IMF) estimates that African GDP growth slowed to 3.4% in 2015, easing further to 2.1% in 2016. Growth for the Sub-Saharan region was estimated at just 1.5% in 2016. Against this backdrop, the question “is Africa still rising?” has moved to the forefront of economic debate.

A multi-speed Africa

The headline GDP figures disguise the increasingly multi-speed nature of African economies. In broad terms, there has been a divergence between the growth rates of commodity-importing and commodity-exporting countries since 2015. The major oil exporters, in particular, have been impacted by low oil prices, but more resilient growth rates have been seen in oil-importing countries.

Within Sub-Saharan Africa, the drop in GDP growth can be largely attributed to the region’s three biggest economies; Nigeria, South Africa and Angola. As Africa’s two largest oil exporters, Nigeria and Angola have both seen oil revenues badly hit by lower prices, and this has additionally put strain on government spending, debt levels and currencies.

Nigeria entered recession in 2016, while the IMF expected Angola to record zero growth for the year. Smaller oil-driven economies, such as Equatorial Guinea and Gabon, have also been severely impacted by the decline in commodity prices.

Although South Africa is a net oil importer, its growth has been subdued by weakness in the mining and manufacturing sectors and the effect of a severe drought on agricultural production. The country only narrowly avoided entering recession in 2016.

Source: World Bank/Knight Frank calculations

FIGURE 1

Source: International Monetary Fund
In contrast, a group of commodity-importing East African countries, including Tanzania, Ethiopia, Kenya and Rwanda, have all maintained GDP growth rates well in excess of 5%, benefiting from low oil prices and growth in private consumption and investment. The West African economies of Côte d’Ivoire and Senegal have also emerged as two of the continent’s strongest performers aided by improved political stability, economic reforms and infrastructure investment.

In a reversal of the general pattern of recent years, the North Africa region saw higher GDP growth than Sub-Saharan Africa in 2016. However, growth within the region has been uneven and Libya and Algeria have both been impacted by lower oil prices.

Economic diversification and technological change

The current struggles of Africa’s oil-producing countries emphasise the need for the continent’s economies to diversify so that they are not dependent on commodities, or any other single source of economic output. Expediting the ongoing process of economic diversification is an absolute priority for many African governments. Potential sources of growth and diversification for African economies include sectors such as retailing, food and agriculture processing, business process outsourcing, financial services and construction. There is also significant growth potential for manufacturing industry in Africa, as this sector consistently underperforms in comparison with other emerging markets.

Technological change will be at the heart of the future growth and diversification of African economies. Mobile telecommunications have already had a transformative socio-economic impact in Africa by allowing large sections of the population to skip landlines and move straight to wireless technology. This has led to African consumers embracing mobile banking and payment services, improving the financial inclusion of populations with limited access to formal banking. East Africa, in particular, is a hotbed for innovation in this sector and, according to Global Findex data, Kenya leads the world, with 58% of the population having mobile money accounts.

African mobile phone markets have now entered a second phase of growth, as consumers shift from basic feature phones to smartphones. By 2020, it is expected that smartphone connections will have a large role in shaping consumer behaviour, and it will drive the growth of sectors such as online retailing.

### Africa’s largest oil-exporting countries

- **Nigeria**
- **Angola**
- **Algeria**
- **Libya**
- **Egypt**
- **Equatorial Guinea**
- **Gabon**
- **Cameroon**
- **South Sudan**
- **Congo (Brazzaville)**

### Africa mobile technology growth forecasts

- **Key**
  - **GDP growth estimates, 2016**
    - Above 6.0%
    - 4.1-6.0%
    - 2.1-4.0%
    - 1.1-2.0%
    - 0% or lower
    - No data available
    - Major net oil exporting countries

- **Source:** International Monetary Fund

### FIGURE 4

Africa’s largest oil-exporting countries

- **Source:** Observatory of Economic Complexity (2016)/Knight Frank calculations

### FIGURE 5

Africa mobile technology growth forecasts

- **Source:** GSMA Intelligence
Population growth and urbanisation

While economic growth has faltered in parts of Africa, demographic trends remain favourable to the continent’s longer term development. The population of Africa is rising at a faster rate than that of any other global region and its demographic profile is both young and increasingly urbanised. Africa’s population has more than doubled over the last 30 years to over one billion, and the United Nations (UN) forecasts that it will surpass four billion by 2100, which would be around 40% of the global population. With other global regions likely to be characterised by slower population growth and ageing trends over the coming decades, Africa will be home to an increasingly significant portion of the global workforce. McKinsey projects that, by 2024, Africa’s working-age population will be 1.1 billion, overtaking both China and India.

Rural-to-urban migration is intensifying population growth rates within many major cities in Africa. Currently, the urban population of Africa is increasing by more than 15 million people each year and the UN forecasts that Africa’s overall urbanisation rate will increase from its current level of around 40% to over 50% by 2040. The fastest growing cities of Africa are nearly all within the Sub-Saharan region, outside South Africa. Cities such as Kampala, Lagos and Lusaka are currently growing at rates in excess of 4% per annum and, over the coming decades, an increasing number of Sub-Saharan cities will join the ranks of the world’s megacities with populations over 10 million. Projections made by the Global Urbanisation rate (%)

The fastest growing cities of Africa are nearly all within the Sub-Saharan region, outside South Africa. Cities such as Kampala, Lagos and Lusaka are currently growing at rates in excess of 4% per annum and, over the coming decades, an increasing number of Sub-Saharan cities will join the ranks of the world’s megacities with populations over 10 million. Projections made by the Global

Cities Institute suggest that Lagos, Kinshasa and Dar es Salaam will be the three most populous cities in the world at the end of the century. The heavily urbanised stretch of coast running from Lagos through to the Ivorian capital Abidjan, covering the best part of 1,000 km, may provide the foundation for a future global megalopolis. Rapid population growth will create challenges for city authorities and put strain on urban infrastructures. It will also create opportunities for property development as huge investment will be needed in the built environment of African cities if they are to cope with the pressures of population growth.

A complex but positive outlook

A more complex and challenging economic outlook has emerged for Africa, at a time when the global geopolitical environment also appears increasingly fractured. Recent patterns of growth have highlighted the diverse nature of Africa’s economies, and significant variations in growth rates will persist, especially if oil prices fail to recover to levels that are more sustainable for Africa’s oil-exporting countries. The outlook for 2017 and beyond is coloured by wider global concerns. Much attention will be paid to the effects of the Trump presidency on Africa and whether, among other concerns, it threatens the future of the US African Growth and Opportunity Act (AGOA) trade agreement. However, it is possible that OPEC deals limiting oil production will work to the benefit of African oil exporters and spur a better-than-expected bounce in these economies.

Economic growth for Sub-Saharan Africa is generally expected to show a moderate recovery in 2017 and the IMF forecasts that regional GDP growth will be back above 4% by 2019. Over the longer term, many of the factors that supported economic growth in the early part of the century will remain in Africa’s favour and its growing, young urban population could prove to be Africa’s greatest asset in an ageing world. Recent events have underlined how important it is for investors targeting Africa to gain a detailed understanding of individual markets and to time their market entry correctly. Africa continues to offer great opportunities to investors able to navigate the markets astutely and for those with long-term investment horizons.
The persuasive long-term investment case for Sub-Saharan Africa has drawn increased numbers of international investors to investigate opportunities within the region over recent years, albeit transactional activity has been restricted by the limited availability of investment-grade stock and the opacity of the markets outside of South Africa. Interest in the sector remains heightened, despite the weakening of some Sub-Saharan economies over the last two years.

A growing volume of capital is targeted at Sub-Saharan Africa prime office yields

Selected Sub-Saharan Africa investment transactions, 2015-16

<table>
<thead>
<tr>
<th>Date</th>
<th>Property</th>
<th>Location</th>
<th>Sector</th>
<th>Seller</th>
<th>Buyer</th>
<th>Estimated price ($US million)</th>
<th>Reported yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4 2015</td>
<td>Ikeja City Mall</td>
<td>Lagos, Nigeria</td>
<td>Retail</td>
<td>Actis/RMB Westport/Paragon</td>
<td>Hypop (75%)/ Atterc (25%)</td>
<td>91.0 &gt;8.00%</td>
<td></td>
</tr>
<tr>
<td>Q2 2015</td>
<td>Two Rivers Development (39% stake)</td>
<td>Nairobi, Kenya</td>
<td>Mixed Use</td>
<td>Aviation Industry Corporation of China (AVIC)</td>
<td>N/A</td>
<td>70.0 N/A</td>
<td>8.68%</td>
</tr>
<tr>
<td>Q4 2015</td>
<td>East Park Mall, Acacia Office Park &amp; Jocacendra Mall (50% stakes)</td>
<td>Lusaka &amp; Ndola, Zambia</td>
<td>Retail/Office</td>
<td>Castelli Group</td>
<td>SA Corporate</td>
<td>49.6 N/A</td>
<td>6.7%</td>
</tr>
<tr>
<td>Q3 2015</td>
<td>WingsClovis Development (37.1% stake)</td>
<td>Lagos, Nigeria</td>
<td>Office</td>
<td>RMB Westport</td>
<td>Proscenium</td>
<td>49.0 N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Q2 2015</td>
<td>Vodacom Building</td>
<td>Maputo, Mozambique</td>
<td>Office</td>
<td>Sociedade De Construcoes Calamba</td>
<td>Delta (now Mara Delta)</td>
<td>46.0 6.63%</td>
<td></td>
</tr>
<tr>
<td>Q4 2016</td>
<td>Cosmopolitan Mall (50% stake)</td>
<td>Lusaka, Zambia</td>
<td>Retail</td>
<td>Rockcastle</td>
<td>Mara Delta</td>
<td>37.1 7.75%</td>
<td></td>
</tr>
<tr>
<td>Q4 2015</td>
<td>Bagatelwa – Mall of Mauritius (34% stake)</td>
<td>Port Louis, Mauritius</td>
<td>Retail</td>
<td>Atterbury</td>
<td>Aacervus</td>
<td>28.9 c.7.00%</td>
<td></td>
</tr>
<tr>
<td>Q1 2016</td>
<td>Barclays House</td>
<td>Ebenes, Mauritius</td>
<td>Office</td>
<td>Jade Group</td>
<td>Delta (now Mara Delta)</td>
<td>13.4 8.50%</td>
<td></td>
</tr>
</tbody>
</table>

A larger number of capital is targeted at Sub-Saharan Africa real estate investment and development.

Investors’ appetite for Sub-Saharan real estate was highlighted in 2016 by the announcement of the UK-based emerging markets specialist Actis which had raised US$500 million for its third African property fund, Actis Africa Real Estate Fund 3. This is the largest amount that has ever been raised for a private real estate fund focused on Sub-Saharan Africa outside South Africa, and it included a commitment from the Government of Singapore Investment Corporation (GIC).

In the rest of Africa are part of a wider trend that has seen them increasingly move into foreign markets in order to hedge against a weak rand and a sluggish domestic economy. This has also led to South African investors directing significant volumes of capital to Central and Eastern Europe, attracted by the relatively high yields on offer in this region. During 2016, South African investors including Hyprop, Redefine and Tower acquired US$2.1 billion of property in CEE markets.

African real estate yields from Middle Eastern investors, who generally have a preference for large-scale development projects rather than direct property investment. Middle Eastern-backed developments in Sub-Saharan Africa include the UAE firm Eagle Hills’ Century City project in the Nigerian capital Abuja. There is also strong interest from Middle Eastern companies in Africa’s growing hospitality real estate sector.

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Apart from the Government of Singapore Investment Corporation (GIC), China’s state-owned AVIC has invested US$250 million of property in CEE markets. This was followed by GIC and Grosvenor by investing a substantial investment vehicle in Two Rivers development in Nairobi.

Recent transactional evidence indicates that yields within the 7-9% range are typical for investment-grade assets in the most attractive Sub-Saharan markets. While there are few other regions of the world where such yields can be achieved by prime assets, not all international investors will feel that these yields adequately compensate for the higher risk profile of African markets. Yield levels are supported by the strength of demand for the very limited number of institutional-grade assets that come to the market, and this dynamic is likely to be maintained as recently-launched investment vehicles seek to grow their funds.

Developments made by groups such as Actis and RMB Westport will add significantly to Sub-Saharan Africa’s investment stock over the next five years, increasing the availability of assets that meet international institutional investors’ requirements. However, global investors seeking to enter African markets may feel that it is prudent to initially follow the path taken by GIC and Grosvenor by investing in funds created by established investors within the region, rather than making direct property investments. When raising capital, the new wave of Sub-Saharan property funds will seek to tap into the burgeoning demand from international investors seeking to gain exposure to Sub-Saharan Africa.
The development of modern shopping malls is changing the urban landscapes of Sub-Saharan Africa.

Completed shopping centre space in Sub-Saharan African cities

The retail property sector has been a major focus for development activity within Africa over the last decade, causing the shopping mall concept to take root in increasingly wide range of major African cities. Development has been driven by the growth of the continent’s consumer markets and the expansion of domestic and international retailers, particularly the leading South African supermarket chains such as Shoprite, Pick n Pay and Game.

South Africa is by far the largest and most mature retail market in the Sub-Saharan region, with approximately 23 million sq m of shopping centre floor space, compared with only about 3 million sq m in the whole of the rest of Sub-Saharan Africa. The South African market continued to grow in 2016, most notably through the completion of Atterbury’s 131,000 sq m Mall of Africa, the largest single-phase mall development ever in Sub-Saharan Africa.

Outside of South Africa, the Kenyan capital Nairobi has the greatest volume of modern retail floor space in Sub-Saharan Africa, and it continues to be a development hotspot. The city saw the completion of the first phase of Actis’ Garden City Mall (33,500 sq m) in 2015, followed by the opening of The Hub (30,000 sq m) in the affluent suburb of Karen in 2016. The 67,000 sq m Two Rivers Mall, which is now the largest in Kenya, opened in February 2017.

Elsewhere, developers including Atterbury, Novare, Resilient and RMB Westport have all delivered modern mall projects over the last two years, adding to the retail stock of countries including Ghana and Nigeria. The positive growth outlook for Côte d’Ivoire and Senegal has caused these countries to also attract increased interest, having previously seen relatively limited modern retail development. Of particular note, CFAO has opened PlaYce Marory in Abidjan as the first of a series of Carrefour-anchored malls that are planned for West and Central Africa.

Large volumes of modern retail space remain in the pipeline across Sub-Saharan Africa, although the weakening of the oil-driven economies has led to the postponement or scaling down of some projects in these countries. With most of the region’s major capital cities now having at least one modern mall, developers have increasingly targeted secondary cities in order to gain first-mover advantage in these locations. There are also signs that pragmatic developers are now concentrating on the delivery of well-located small and medium-sized convenience shopping centres rather than regional mega-malls.

As the sector grows and competition between retail schemes intensifies, developers will seek to differentiate their malls by offering access to international brands, leisure facilities and upscale consumer experiences. Selecting the right micro-locations for development will be crucial to the success of new centres, particularly in cities that already have successful existing malls. Modern mall development will play a major role in shaping the future landscapes of Africa’s growing cities.

### SELECTED SHOPPING MALL OPENINGS 2015-Q1 2017

<table>
<thead>
<tr>
<th>Mall Name</th>
<th>Location</th>
<th>Anchor Tenants</th>
<th>Opening Date</th>
<th>Developer/Investor</th>
</tr>
</thead>
<tbody>
<tr>
<td>MALL OF AFRICA</td>
<td>Dublin, South Africa</td>
<td>Shoprite, Game</td>
<td>Q2 2015</td>
<td>Actis/Laurus/Duval Properties</td>
</tr>
<tr>
<td>TWO INNERS MALL</td>
<td>Nairobi, Kenya</td>
<td>Kero</td>
<td>Q1 2016</td>
<td>Zahara Imobiliária</td>
</tr>
<tr>
<td>GARDEN CITY MALL (PHASE ONE)</td>
<td>Nairobi, Kenya</td>
<td>Shoprite</td>
<td>Q3 2016</td>
<td>African Capital Alliance</td>
</tr>
<tr>
<td>THE HUB KAREN</td>
<td>Nairobi, Kenya</td>
<td>Shoprite, Game</td>
<td>Q2 2016</td>
<td>Actis/Aspire/Mentor Management</td>
</tr>
<tr>
<td>COSMOPOLITAN MALL</td>
<td>Luanda, Angola</td>
<td>Shoprite</td>
<td>Q2 2016</td>
<td>Resilient Property Fund</td>
</tr>
</tbody>
</table>

### FIGURE 8
Completed shopping centre space in Sub-Saharan African cities

Source: Knight Frank Research

Floor space estimates include schemes with a minimum gross leasable area (GLA) of 5,000 sq m.
SECTOR FOCUS: LOGISTICS

The logistics property sector has emerged as a growing focus for new development.

Over the last decade, modern commercial property development within Sub-Saharan Africa has largely been concentrated on the retail and office sectors, with logistics development being more limited. However, there is a growing recognition that the region’s key cities are undersupplied for modern logistics space. Development activity is burgeoning, supported by demand for high quality space from retailers and consumer goods manufacturers seeking to expand their African operations and improve distribution networks and supply chains.

New developments opened in 2016 included York Commercial Park in the Zambian capital Lusaka and the Agility Distribution Park at the Port of Tema in Ghana. Both projects offer built-to-suit units of a quality previously unavailable in these markets. The Ghanaian project is the first of a number of logistics parks that the Kuwaiti developer Agility plans to build across Africa, with Angola, Côte d’Ivoire, Mozambique, Nigeria and Tanzania among its target markets.

Several major logistics and industrial parks are in the pipeline as part of wider urban developments such as Rendeavour’s Tatu City near Nairobi and Roma Park in Lusaka. The areas around ports are also hotspots for logistics developers, as Africa’s reliance on sea transport for international trade means that its ports are crucial locations in firms’ logistics networks. Dubai’s DP World is notably active in the development and operation of ports and associated logistics property in Africa.

The future of African logistics property markets will be shaped by the impact of disruptive technologies. Drones, for example, have the potential to help logistics operators overcome the deficiencies of African transport infrastructure, by enabling the movement of goods to locations without reliable road networks. A system described as the world’s first commercial drone delivery service was launched in Rwanda by the US company Zipline in 2016. The rise of online retailing will also shape logistics property markets going forward. While small by global standards, Africa’s logistics property markets going forward.

SELECTION LOGISTICS DEVELOPMENT PROJECTS

- **Dakar Free Zone**
  - Dakar, Senegal
  - DP World has agreed with the Senegalese government to develop a logistics free zone at the new Blaise Diagne International Airport on the outskirts of Senegal. The group already operates the Port of Dakar Container Terminal.

- **Agility Distribution Park**
  - Tema, Accra, Ghana
  - In October 2016, Agility opened the first phase of a logistics park built on a 46-acre site at Tema Free Zone, east of Accra. When fully built, the park is expected to have 150,000 sq m of warehouse space.

- **Kigali Logistics Platform**
  - Kigali, Rwanda
  - DP World has been granted a concession to develop and operate a new logistics centre in Kigali. The first phase will be built on 90,000 sq m of land and will comprise a 12,000 sq m container yard and a 19,600 sq m warehousing facility.

- **Tatu Industrial Park**
  - Nairobi, Kenya
  - Part of the Tatu City urban development project, Tatu Industrial Park comprises 450 acres of serviced land suitable for light industrial, warehouse and logistics uses. Unleap has signed an agreement to acquire 70 acres of land at the park.

- **York Commercial Park**
  - Lusaka, Zambia
  - Actis, in conjunction with the South African developer Improvon, is developing a modern logistics park in the south of Lusaka. The park’s first phase was completed in early 2016.

Africa Logistics Properties
Nairobi, Kenya
- Africa Logistics Properties (ALP) is an investment vehicle backed by the East African group Maris. ALP is seeking to raise US$65-70 million, including a proposed investment from the World Bank’s International Finance Corporation arm, to develop logistics parks on sites around Nairobi.

CoastDryport
Soga, Tanzania
- The US-based Blacksky Group has plans to build a dry port and intermodal logistics park at the village of Soga, west of Dar es Salaam. The 500-acre site will be served by two dedicated rail lines.

Kigali Logistics Platform
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**RAPID START**

- **Port of Capetown**
- **Port of Dakar Container Terminal**
- **Port of Tema**
- **Port of Cape Town**
- **Kigali Logistics Platform**
- **Tatu Industrial Park**
- **York Commercial Park**

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**AFRICA REPORT 2017/18 | RESEARCH**
Industrial market

Algeria's oil-dependent economy is currently depressed and attempts to diversify the economic base have had only limited success. It is anticipated that the government will increase taxes and subsidised fuel prices in 2017, targeting businesses more than individuals. This will negatively impact Algeria's appeal as a manufacturing location and discourage international investment, which is already deterred by restrictions on foreign ownership. There are several major industrial zones around Algiers including Rouiba, Ouéd El Fayet, Birtouta and Dar El Baida/Oued Smar; these are all practically full and it is difficult to find good quality real estate. There is a pharmaceutical/biotechnology cluster at Sidi Abdallah, 30 km south west of Algiers, where Sanofi is building a factory.

Key facts

- Population: 39.7 million
- Major cities: Algiers 2.6 million, Oran 0.9 million, Constantine 0.5 million
- Official languages: Arabic
- Total area: 2,381,741 sq km
- GDP growth (2016): 3.6%
- Key export: Petroleum
- Currency: Algerian Dinar (DZD)
- EIU country risk rating: D (most risky)
- World Bank Doing Business rank: 166 (out of 190 countries)

Algeria prime rents and yields

<table>
<thead>
<tr>
<th>Prime rents</th>
<th>Prime yields</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offices</td>
<td>US$30/sq m/month</td>
</tr>
<tr>
<td>Retail</td>
<td>US$33/sq m/month</td>
</tr>
<tr>
<td>Industrial</td>
<td>US$45/sq m/month</td>
</tr>
<tr>
<td>Residential</td>
<td>US$40,000/sq m/month</td>
</tr>
</tbody>
</table>

Source: Knight Frank LLP

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Office market

The traditional office locations in Algiers of Hydra and the city centre generally remain the prime areas for local businesses. However, international corporate occupiers with larger requirements have tended to shift eastwards towards the airport and the new commercial districts of Bab Ezzouar and Alger Medina. Banking, in particular, is largely no longer headquartered in the city centre, with Natixis, BNP Paribas, Citi and HSBC all now out to the east. Trust Bank and Al Baraka Bank also have new headquarters under construction in Bab Ezzouar. The office market has been subdued over the last year as a result of economic uncertainty and many of the largest construction projects have made slow progress. However, prime rents have been stable, as the availability of space suitable for international occupiers remains limited.

Retail market

The informal retail sector is still predominant in Algeria, but a series of modern retail developments have emerged over the last decade. The first of these was Sidar’s Al Qods in Cherga, which has since been joined by SCCA’s Centre Commercial Bab Ezzouar, Arcofina’s Ardis-Medina Center and Chabbi/Ascom’s City Center. These shopping centres are all performing well in terms of occupancy and footfall, although Algeria’s current economic challenges are likely to slow further development. Carrefour has recently re-entered Algeria but the requirement to form a joint venture with local partners is an inhibitor to the market entry of other international retailers.

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Residential market

The prime residential area of Algiers is Hydra, which is also the main area of the city for the diplomatic sector. The upmarket housing market has slowed in the last two years and rents have fallen, with the potential for further decreases due to the depressed economic conditions. Lease renewals are being agreed without review or at discounts to previous levels. The Finance Act 2017 has raised taxes on landlords’ rental incomes, impacting the attractiveness of residential investment. There is strong potential demand for affordable housing and government initiatives have attempted to encourage investment in this sector.

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Industrial market

The retail sector in Luanda remains at a nascent stage of development, with the majority of activity being either informal trading or in standalone units. International retailers, who were looking at the market in 2013-14, have all but disappeared. However, local investors have promoted the expansion of the mall operator Kyma, which is rolling out retail centres in Luanda and other Angolan cities. There are currently fourteen shopping centres in Greater Luanda, mainly concentrated in the downtown and Talatona, where many expatriates live. There has been a lack of open market transactions, but anecdotal evidence suggests that rents have fallen by around 50% since 2014.

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Key facts

- Population: 25.0 million
- Major cities: Luanda 5.5 million, Huambo 1.3 million
- Official languages: Portuguese
- Total area: 1,246,700 sq km
- GDP growth (2016): 0.6%
- Key export: Petroleum
- Currency: Kwanza (AOA)
- EIU country risk rating: D (most risky)
- World Bank Doing Business rank: 182 (out of 190 countries)

Luanda prime rents and yields

<table>
<thead>
<tr>
<th>Prime rents</th>
<th>Prime yields</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offices</td>
<td>US$80/sq m/month</td>
</tr>
<tr>
<td>Retail</td>
<td>US$60/sq m/month</td>
</tr>
<tr>
<td>Industrial</td>
<td>US$10/sq m/month</td>
</tr>
<tr>
<td>Residential</td>
<td>US$10,000/sq m/month</td>
</tr>
</tbody>
</table>

Source: Knight Frank LLP

*4 bedroom executive house – prime location

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Residential market

As is the case in other real estate sectors, high-end residential apartments and villas in Luanda are the most expensive in Africa, despite a 30-50% fall in prices in recent years. Unlike other sectors, residential values were already in decline before the drop in oil prices, due to increased levels of new supply in 2015-16. The prime residential market is dominated by the expatriate community, who generally look to rent rather than buy. A four bedroom villa on one of the most sought-after compounds in Talatona can still fetch US$15,000 per month, but in 2014 the same villa would have achieved US$25,000 per month. Despite the weaker rental market, yields have actually hardened slightly, as investors have bought real estate to hedge against inflation and the devaluation of the kwanza.

Retail market

Office demand in Luanda has virtually ground to a halt and supply has increased, causing vacancy rates for new buildings to rise above 20%, with further increases expected in 2017. Luanda still has the highest office rents in Africa, but Grade A rents have almost halved in the last three years. The market has also been affected by recently-introduced legislation prohibiting real estate rents from being set, or linked to, a foreign currency. This has badly impacted landlords who have typically borrowed in US dollars but are now receiving their revenues in kwanza.

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Office market
Office supply continues to outstrip demand in Gaborone and this imbalance is likely to worsen for secondary space. With several large CBD office towers due for completion in 2017 and government departments set to move into new CBD buildings, older and poorly located offices will be left empty with little expectation that they will be taken up by the private sector. Fairgrounds Office Park remains the decentralised location of choice, with rents around 20% lower than in the CBD. Despite the perceived oversupply, several occupiers with requirements for 500-1,000 sq m are unable to secure appropriate accommodation in the new CBD buildings, and many high-rise towers with smaller floor plates do not suit corporate occupiers.

Retail market
The retail sector continues to see new development, but demand for space has waned, with few new market entrants and existing businesses contracting in response to weak consumer spending. Historically, mall developers have targeted South African chains, who were able to obtain exemptions to legislation that limits the granting of certain trading licenses to local businesses. However, a hardening of the government’s stance on this meant that South African retailers were unable to obtain exemptions throughout 2016. If this situation persists, it will deter the development of new malls and landlords will have to target Botswana-based tenants, who generally occupy smaller shops of less than 200 sq m.

Demand for industrial space is focused on units of less than 500 sq m, as tenants have started to use newly built business space as cheaper quasi-offices or showrooms. The lack of strict planning controls within industrial areas has enabled this trend. For new warehouses under 200 sq m, rents are now as high as 50 pula/sq m/month, close to half the level of fully-fledged offices. Demand for larger space is dominated by quasi-retailers seeking prominent properties with good visitor parking. With Botswana reaching 50 years of independence in 2016, many 50-year Fixed Period State Grant (FPSG) leases are nearing expiration and industrial property owners are anxious to see how the state treats requests to renew FPSG leases.

Gaborone prime rents and yields

<table>
<thead>
<tr>
<th>Prime rents</th>
<th>Prime yields</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offices</td>
<td>US$11.50/sq m/month 8.25%</td>
</tr>
<tr>
<td>Retail</td>
<td>US$26.50/sq m/month 7.5%</td>
</tr>
<tr>
<td>Industrial</td>
<td>US$4.75/sq m/month 9%</td>
</tr>
<tr>
<td>Residential</td>
<td>US$1,300/month* 6%</td>
</tr>
</tbody>
</table>

Source: Knight Frank LLP

*4 bedroom executive house – prime location

Key facts

- Population: 2.3 million
- Major cities: Gaborone 0.2 million, Francistown 0.1 million
- Official languages: English
- Total area: 111,730 sq km
- GDP growth (2016): 3.1%
- Key export: Diamonds
- Currency: Pula (BWP)
- EIU country risk rating (Emr0st risky): B
- World Bank Doing Business rank: 71

Office market
Cameron has some significant advantages, having a good education system that produces high quality employees and being both English and French speaking. However, a challenging business environment has held back the development of its office market. There are hardly any good quality office buildings and rents are flat. Douala is the main commercial city, while the capital Yaoundé has a much smaller corporate market which generally accommodates businesses that need access to government departments. Office development has tended to be by local individuals and businesses and is below the standards required by global corporate occupiers.

Retail market
There are only a small number of international retailers present in Cameroon and most of these, such as Casino and City Sport, are operated as franchises. Until recently, there were no malls in Cameroon but Douala has lately seen the opening of L’Armur, anchored by Spar, and Kadjé Square, which has a Super U hypermarket. The largest retail spaces in Yaoundé are mostly supermarkets or general stores such as Casino, Mahima and DOVIV. CFA/ Camfou have targeted both cities, and are most likely to open first in Douala, possibly as a standalone supermarket rather than a mall-with-supermarket format.

Industrial market
As the location of Cameroon’s main port, Douala is the country’s principal industrial centre. However, there is also significant development activity further south around Kribi, where a new deep-water port is under construction. The country is rich in natural resources with significant industrial agriculture, including rubber, palm oil and coffee. The stability of the local currency, which is pegged to the Euro, is an advantage, as is Cameroon’s geographical position and the potential to sell into the landlocked countries of Chad and the Central African Republic. However, road networks are relatively poor, which creates distribution challenges, and there are persistent delays and other issues associated with moving products through the port.

Residential market
Almost half of Cameroon’s population lives in informal dwellings, and there is a housing supply deficit estimated to be the equivalent of 100,000 units per year. This will be compounded in future years as the middle class swells and demand for housing. It is very difficult to get financing unless you are a government employee, with funding mainly available through the government agency, Credit Foncier de Cameroun. With supply lagging demand, house prices are increasing, particularly at the mid-to-top end of the market where financing is a less important consideration. The best residential zones in Douala are Akwa, Bonapriso and Bonamoussadi. In Yaoundé, the prime areas are mainly around Centre Ville, Quartier du Lac and Bastos/Golf.

Key facts

- Population: 23.3 million
- Major cities: Yaoundé 3.1 million, Douala 2.9 million
- Official languages: French, English
- Total area: 475,440 sq km
- GDP growth (2016): 4.8%
- Key export: Petroleum
- Currency: CFA Franc (XAF)
- EIU country risk rating (Emr0st risky): D
- World Bank Doing Business rank: 166

Cameroun. With supply lagging demand, house prices are increasing, particularly at the mid-to-top end of the market where financing is a less important consideration. The best residential zones in Douala are Akwa, Bonapriso and Bonamoussadi. In Yaoundé, the prime areas are mainly around Centre Ville, Quartier du Lac and Bastos/Golf.
Recent construction activity in N’Djamena has largely targeted hotels and ministries, rather than commercial offices. There is a large area of the city which has been designated as the Cité Internationale des Affaires, but it is unclear if this will present opportunities to corporate occupiers and, if it does, this will not happen for several years. The city’s office market is basic, and purpose-built offices are generally not suitable for international companies. As a result, such operations often work out of hotels and apartments where rents can be very high at XAF30,000/sq m/month plus. However, the local rate for offices is around one-third, or less, of this. The US Embassy’s relocation to Dembé/Chagoua is likely to spur the movement of other administrative functions to this area of the city.

There are no international retailers in N’Djamena, and the formal retail market largely comprises small supermarkets selling imported products. Supermarket brands include Modern Market, Alimentation Générale and Alimentation La Tchadienne. The most significant retail and commercial street in the city is Avenue Charles de Gaulle. In early 2016, N’Djamena’s first mall opened opposite the Cité Internationale des Affaires, anchored by a 2,600 sq m Modern Market. However, this is still a fairly basic development by international standards, being essentially ground floor space under apartments.

N’Djamena saw a surge in the development of high-end villas and hotels in the run-up to the 2015 African Union summit, including a 60-villa compound at Sabangali, and a residential development alongside the Ledger Plaza hotel. However, the summit was cancelled due to the country’s economic crisis and, since then, construction activity has almost entirely halted. At the top end of the market, property is generally developed for owner-occupation or for leasing to expatriates. The expatriate leasing market is currently dominated by the diplomatic sector as oil companies have downsized operations. Prime residential rents are around XAF175-2,500/month, which is slightly down on a year ago, and the market is generally stagnant.

Abidjan’s industrial activity is mostly concentrated around Farcha where some of the oil companies have bases. There is significant oil activity in the south and west of the country, where ExxonMobil has large operations. However, the government has a history of tense relations with foreign oil companies and it recently imposed on ExxonMobil a fine equivalent to seven times the country’s GDP for the alleged non-payment of taxes.

The leasing of Green Buro in Cocody and its first investment-grade mall, the Cité Internationale des Affaires, but it is unclear if this will present opportunities to corporate occupiers and, if it does, this will not happen for several years. The city’s office market is basic, and purpose-built offices are generally not suitable for international companies. As a result, such operations often work out of hotels and apartments where rents can be very high at XAF30,000/sq m/month plus. However, the local rate for offices is around one-third, or less, of this. The US Embassy’s relocation to Dembé/Chagoua is likely to spur the movement of other administrative functions to this area of the city.

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The opening of CFAO/Carrefour’s Plateau Marcey in December 2015 gave Abidjan its first investment-grade mall, along with a variety of new and mainly-French retail brands. The same group is developing a second mall to the north of the lagou, known as Plateau Palmére, which is progressing quickly and will open in 2017. The nearby Abidjan Mall opened in August 2016, adding further to the recent rapid growth of Abidjan’s mall sector, which is now significantly ahead of other markets in Francophone Africa. In the immediate future, any further construction activity is likely to comprise the upgrading of older centres and new development in more peripheral locations such as Yopougon.

Upmarket residential development tends to focus on Zone 4/Bagyti to the south, and Cocody and the Rivieras to the north. Recent years have seen the development of a significant volume of luxury apartment buildings, and this trend is continuing. The market was boosted by the return of the African Development Bank to Abidjan in 2014, but with the bank now starting a process of “decentralisation”, high-end residential demand may be negatively impacted. Increased development outside of Abidjan is being encouraged by improvements to roads and other infrastructure. Most of this is at the affordable end of the market, with small plots being bought for the construction of owner occupied housing, but there has also been a significant amount of speculative activity.
Office market
Office development accelerated after the presidential elections in 2011, but market activity has recently slowed due to uncertainty caused by the postponement of the next elections from 2016 to 2017. New occupiers entering the Kinshasa market are rare, resulting in weak demand for the space that is currently available. The prime area for offices is in the north of the city, with many of the most prominent buildings being along Boulevard du 30 Juin. International companies with a presence include Ericsson, Orange, Credit Suisse, Elit, Vodacom, Nestlé and Alcatel-Lucent. Most of these have offices in Gombe, which is regarded as the most secure area. Office buildings in Kinshasa are generally of a poor standard and many lack air conditioning or elevators.

Retail market
The Kinshasa retail market has shown limited progress in recent years. The 10,000 sq m Le Premier Shopping Mall opened on Avenue de la Justice in 2016, while Comimmo has plans to build the 32,000 sq m City Mall in Gombe. However, the massive and unfinished Gare Centrale mixed-use development provides a reminder of the difficulties of developing in Kinshasa. Shoprite is the only major international retailer in Kinshasa, having a supermarket in the city centre and Gombe, resulting in relatively high rents. However, more recent development has generally occurred in the east of the city, in areas between the port and the international airport. Industrial property is clustered around the Route des Poids Lourds, particularly in Kingabwa and Limete. Medium and large industrial properties are generally owner-occupied, there is little speculative development, and the leasing market mostly comprises basic second-hand units. Industrial rents in the newer areas drop by as much as 50% compared with the city centre. Much of the centrally-located industrial space can be expected to be gradually converted to office or residential use.

Residential market
With security concerns becoming more acute, residential values have risen dramatically in parts of Kinshasa regarded as being safe. There has been a significant volume of apartment development, but the availability of standalone houses in good, secure locations remains limited. The best residential areas are generally in the north of the city and include Gombe, Kinshambo, Binza, Lingwala and Barangou. A number of relatively small developments targeting expatriates have been completed in recent years, and these have been successfully leased. Prime rents are in the region of US$1,000/month, but drop off dramatically outside of the safe areas.

Key facts
Population 77.3 million
Major cities: Kinshasa 11.6 million
Lubumbashi 2.1 million
Mbuji-Mayi 2.0 million
Kananga 1.2 million
Official languages French
Total area 2,344,858 sq km
GDP growth (2016) 3.9%
Key export Copper
Currency Congolese Franc (CDF)
EIU country risk rating (E=most risky) D
World Bank Doing Business rank (out of 190 countries) 177

Kinshasa prime rents and yields
<table>
<thead>
<tr>
<th>Prime rents</th>
<th>Prime yields</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offices US$35/sq m/month</td>
<td>10.5%</td>
</tr>
<tr>
<td>Retail US$25/sq m/month</td>
<td>12%</td>
</tr>
<tr>
<td>Industrial US$15/sq m/month</td>
<td>15%</td>
</tr>
<tr>
<td>Residential US$10,000/month*</td>
<td>12%</td>
</tr>
</tbody>
</table>
Source: Knight Frank LLP
* 4 bedroom executive house – prime location

Office market
A major issue affecting all property market sectors is the floating of the Egyptian pound, which happened in November 2016 and led to a sharp devaluation against the US dollar. As a result, where rents are payable by local companies at a dollar equivalent rate, they have effectively doubled in local currency terms. Some landlords have been forced to cap the rate at which their rents are converted to the local currency and it is likely to be some time before the market stabilises. Cairo’s main office areas are Downtown and New Cairo to the east of the city. The latter offers commercial and residential accommodation in a less congested environment than the city centre and a number of major companies and bank headquarters are now located in this area. The government appears to be pressing ahead with plans to create a new administrative capital to the east of New Cairo which may cause a further shift in focus away from the city centre. Prime city centre office rents are in the region of US$30-35/sq m/month, and drop to around US$26/sq m/month in New Cairo, albeit prime schemes such as Cairo Festival City quote higher rates.

Retail Market
The floating of the local currency has caused additional issues for retailers, as they have not just seen rents rise in local currency terms, but the cost of imported goods has also increased. There is further uncertainty over the impact that the currency devaluation will have on consumer spending. No new malls were delivered to the Cairo market in 2016, and the opening of the massive Mall of Egypt (165,000 sq m GLA) was put back to 2017. Prime rents for small retail units can be in excess of US$100/sq m/month, but rates for larger units are typically in the order of US$50-70/sq m/month.

Industrial market
The Industrial Development Authority continues to control and promote new industrial activity in Egypt. It owns significant areas of land which are available for sale or lease. Land in outlying areas such as Upper Egypt may even be offered free, while in other areas land is available at discounted rates. Rents for industrial buildings are in the region of US$2/sq m/month, and for warehousing are in the range of US$3-3.50/sq m/month.

Residential market
Developers have reported good take-up of residential units in high quality new developments, although to some extent this reflects the release of a decreased number of units to the market. High-end residential development is primarily focused on 6th of October City and New Cairo. The devaluation of the Egyptian pound will create issues in this sector as developers face increased costs in local currency terms and, as a result, may seek to increase local currency prices.
EQUATORIAL GUINEA

**Key facts**

- **Population**: 0.8 million
- **Major cities**: Malabo 0.2 million
- **Official languages**: Spanish, French
- **Total area**: 28,051 sq km
- **GDP growth (2016)**: -9.9%
- **Key export**: Petroleum
- **Currency**: Central African CFA Franc (XAF)
- **EIU country risk rating (E=most risky)**: D
- **World Bank Doing Business rank**: 178 (out of 190 countries)

**Malabo prime rents and yields**

<table>
<thead>
<tr>
<th>Prime rents</th>
<th>Prime yields</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offices</td>
<td>US$37/sq m/month 11%</td>
</tr>
<tr>
<td>Retail</td>
<td>US$37/sq m/month 11%</td>
</tr>
<tr>
<td>Industrial</td>
<td>US$11/sq m/month 14%</td>
</tr>
<tr>
<td>Residential</td>
<td>US$6,500/month* 9%</td>
</tr>
</tbody>
</table>

Source: Knight Frank LLP

<table>
<thead>
<tr>
<th>Prime rents</th>
<th>Prime yields</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offices</td>
<td>US$75/sq m/month 6%</td>
</tr>
<tr>
<td>Retail</td>
<td>US$95/sq m/month 6%</td>
</tr>
<tr>
<td>Industrial</td>
<td>US$150/sq m/month 10%</td>
</tr>
<tr>
<td>Residential</td>
<td>US$2,000/month* 8%</td>
</tr>
</tbody>
</table>

Source: Knight Frank LLP

**Office market**

Office demand in Equatorial Guinea has historically been primarily driven by the construction and energy sectors. The country has a history of big “statement” infrastructure projects such as the Malabo II stock exchange and the Sipopo luxury resort, and work has begun on the construction of a new capital city at Oyala on the mainland. The construction industry has been hit by reduced government spending resulting from lower oil revenues. The oil and gas sector has also contracted, generating muted office demand. However, the market’s few major office landlords are debt-free and able to cope with vacancies, so rents are likely to decrease less rapidly than would be expected in other markets with similar supply/demand dynamics.

**Industrial market**

Equatorial Guinea was one of the fastest-growing economies in the world in the first decade of the 2000s, with its success resting on a string of oil and gas discoveries. Almost all industrial activity relates to the oil and gas sector and, to a lesser extent, agriculture and timber. Industrial activity is focused around KM5, a purpose-built transit-port for oil-related cargo, and the massive liquefied natural gas (LNG) facility at Punta Europa. There has been a drive to relocate some oil and gas activity across Bloko Island to Lorno’s Luba Freeport, where there has been significant purpose-built construction and real estate speculation.

**Residential market**

Equatorial Guinea has the highest GDP per capita in Africa, but its wealth is concentrated in a very small section of the population. Wealthy individuals have channelled a significant amount of capital into residential real estate development and there are some good quality apartment blocks to the west and centre of Malabo. The oil and gas sector drives expatriate demand, and recent falls in oil prices have thus had a significant impact on activity. There does, though, remain a reasonable market for serviced apartments and compounds catering for oil workers in transit to and from offshore operations. There has been some mass house building at developments such as Buena Esperanza on the outskirts of Malabo, but it is debatable if this is truly affordable to most locals.

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ETHIOPIA

**Key facts**

- **Population**: 99.4 million
- **Major cities**: Addis Ababa 3.2 million
- **Diredawa 0.4 million
- **Official languages**: Amharic
- **Total area**: 1,104,300 sq km
- **GDP growth (2016)**: 6.5%
- **Key export**: Coffee
- **Currency**: Birr (ETB)
- **EIU country risk rating (E=most risky)**: C
- **World Bank Doing Business rank**: 159 (out of 190 countries)

**Addis Ababa prime rents and yields**

<table>
<thead>
<tr>
<th>Prime rents</th>
<th>Prime yields</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offices</td>
<td>US$20/sq m/month 6%</td>
</tr>
<tr>
<td>Retail</td>
<td>US$10/sq m/month 6%</td>
</tr>
<tr>
<td>Industrial</td>
<td>US$150/sq m/month 10%</td>
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<td>Residential</td>
<td>US$2,000/month* 8%</td>
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<table>
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<tr>
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<tr>
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<td>US$2,000/month* 8%</td>
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</tbody>
</table>

Source: Knight Frank LLP

**Office market**

As a location for international companies, Ethiopia is restricted by its investment code, which prohibits foreign investment in the banking, telecoms and financial services sectors. Nonetheless, office demand is relatively strong in Addis Ababa and buildings generally have high occupancy rates. Most offices are in mixed-use buildings, few of which would meet the quality or health and safety standards required by international corporate occupiers. The traditional locations for upscale offices in Addis Ababa are in Bole Road, Bole Medanealem/Cameron Street, Kazanchis and La Gare/Mexico. Investment yields can be very low as there is strong demand from wealthy locals who are subject to restrictions on the transfer of money outside Ethiopia and have few alternative investments available.

**Retail market**

The Ethiopian retail market has significant growth potential but its development is fundamentally restricted by the fact that foreign investment is not permitted in this sector. Modern retailing in Addis Ababa is still in the early stages of development compared with other countries in the region. The most prominent supermarkets, such as Shoa and Bambis, are local companies operating from medium-sized stores. Addis Ababa has several small and medium-sized malls, including Zefmesh Grand Mall, Medhanealem Mall and Friendship City Centre, which all generally operate at around 100% occupancy.

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**Industrial market**

There is a growing market for consumer products in Ethiopia which has encouraged the market entry in recent years of firms such as Diageo, Heineken, SAB Miller, Duett Group, Tiger Brands and Unilever. However, the manufacturing real estate market is not well developed. The most developed areas and locations with future growth potential are generally found within 100 km of Addis Ababa, to the south of the city and along the new Addis Ababa-Djibouti railway. The two major new industrial parks are at Bole Lemi, which is mainly used for clothing production, and Dukem/IZL. While it is possible to construct on a standalone basis, this generally has to be in locations without good infrastructure and requiring land purchases from multiple parties. However, Heineken has successfully achieved this at Akaki Kality.

**Residential market**

The best locations in Addis Ababa for high-end apartments are in Bole and Kazanchis. Old Airport is also a good residential area, which mainly comprises villas. The market has been buoyant, with high-end apartments mainly being sold off-plan and during their construction periods. Most schemes have been on a relatively small scale, but there are now also some decentralised mega-schemes such as Pol Lotus and Royal Garden. While availability is likely to increase and the market is expected to slow a little, a flight to quality is anticipated and the prime market will remain strong. At the top end of the apartment market, purchases are mainly made for investment.
Office market
Across all sectors, the property market in Gabon has been affected by economic and political uncertainty over the last 12 months. Declining oil reserves and depressed oil prices have led to reduced government spending and an increased focus on the non-oil economy. The results of presidential elections in August 2016 were disputed leading to political unrest. Office rents in Libreville are currently coming under downward pressure, primarily due to significant volumes of new space being either recently completed or close to completion in and around the city centre. These new developments have mostly been built by Lebanese or Chinese developers, and are entering the market when demand for new space is subdued.

Retail Market
While the retail market in Gabon remains dominated by small-scale and informal retailing, more modern and larger scale operations have steadily been introduced to the country. There are few international retailers in Libreville although a franchise operations have steadily been introduced retailing, more modern and larger scale dominated by small-scale and informal. While the retail market in Gabon remains due to significant volumes of new space being either recently completed or close to completion in and around the city centre. These new developments have mostly been built by Lebanese or Chinese developers, and are entering the market when demand for new space is subdued.

Residential market
As with the office sector, the prime residential market is seeing new developments coming on line at a time when demand is limited. Properties that would have previously been expected to re-lease easily once being vacated are now becoming much harder to lease and landlords are experiencing void periods. There is a shortfall of lower income housing, which the government has attempted to address by developing new units, but the number of units completed to date is well behind initial targets.

Key facts
Population 1.7 million
Major cities: Libreville 0.7 million
Port-Gentil 0.1 million
Official languages French
Total area 267,467 sq km
GDP growth (2016) 3.2%
Key export Petroleum
Currency Central African CFA Franc (XF)
EIU country risk rating (Emomost risky) C
World Bank Doing Business rank 164

Libreville prime rents and yields
<table>
<thead>
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<tr>
<td>Offices</td>
<td>US$35/sq m/m</td>
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</tr>
<tr>
<td>Retail</td>
<td>US$40/sq m/m</td>
<td>9%</td>
</tr>
<tr>
<td>Industrial</td>
<td>US$16/sq m/m</td>
<td>14%</td>
</tr>
<tr>
<td>Residential</td>
<td>US$6,000/month*</td>
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Source: Knight Frank LLP
* 4 bedroom executive house – prime location

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Office market
The recent downturn in the Ghanaian economy has reduced office space demand in Accra. Several new office properties have been completed in the CBD and Airport Area, with the largest new office building to enter the market in 2016 being Dream Realty’s The Octagon (36,000 sq m). A number of new developments due in the medium-term are for owner-occupier, but these will still remain in the result of a small amount of second-hand space. Asking rents remain relatively high but are coming under downward pressure due to rising vacancy rates and the limited number of tenants seeking space. The Accra market is expected to remain balanced in the tenant’s favour for the next few years.

Retail market
While the Ghanaian retail market is still predominantly informal, there are some major malls, particularly in Accra. A number of international retailers, largely from South Africa, have a presence in the market. Accra’s first Grade A shopping centre was the 20,000 sq m Accra Mall, which is now ten years old. Subsequent openings have included West Hills Mall (27,000 sq m) and The Junction Shopping Centre (11,500 sq m), while pipeline projects include Actis/Mabar’s mixed-use Exchange. There are concerns that the Accra retail market is close to reaching saturation point, and new developments will be entering a challenging economic environment. In the short-to-medium term, retail development is likely to focus on secondary cities such as Takoradi and Kumasi.

Key facts
Population 27.4 million
Major cities: Accra 2.3 million
Kumasi 2.1 million
Sakonadi-Takoradi 0.6 million
Official languages English
Total area 236,533 sq km
GDP growth (2016) 3.3%
Key export Petroleum
Currency Cedi (GHC)
EIU country risk rating (Emomost risky) C
World Bank Doing Business rank 108

Accra prime rents and yields
<table>
<thead>
<tr>
<th></th>
<th>Prime rents</th>
<th>Prime yields</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offices</td>
<td>US$35/sq m/m</td>
<td>9%</td>
</tr>
<tr>
<td>Retail</td>
<td>US$40/sq m/m</td>
<td>8.75%</td>
</tr>
<tr>
<td>Industrial</td>
<td>US$10/sq m/m</td>
<td>12%</td>
</tr>
<tr>
<td>Residential</td>
<td>US$4,500/month*</td>
<td>8%</td>
</tr>
</tbody>
</table>

Source: Knight Frank LLP
* 4 bedroom executive house – prime location

Contact
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peter.welborn@knightfrank.com

African countries identified as targets for
retailers in Libreville although a franchise
operations have steadily been introduced
retailing, more modern and larger scale
dominated by small-scale and informal
While the retail market in Gabon remains
due to significant volumes of new space
being either recently completed or close to
completion in and around the city centre.
These new developments have mostly been
built by Lebanese or Chinese developers,
and are entering the market when demand
for new space is subdued.

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built by Lebanese or Chinese developers,
and are entering the market when demand
for new space is subdued.

Libreville prime rents and yields
<table>
<thead>
<tr>
<th></th>
<th>Prime rents</th>
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</tr>
<tr>
<td>Retail</td>
<td>US$40/sq m/m</td>
<td>9%</td>
</tr>
<tr>
<td>Industrial</td>
<td>US$16/sq m/m</td>
<td>14%</td>
</tr>
<tr>
<td>Residential</td>
<td>US$6,000/month*</td>
<td>8%</td>
</tr>
</tbody>
</table>

Source: Knight Frank LLP
* 4 bedroom executive house – prime location

Contact
Peter Welborn, Managing Director, Africa
+44 20 7861 1200
peter.welborn@knightfrank.com

The current economic environment in Accra is characterized by low office stock and tight vacancy rates, with the CBD and Airport Area seeing the most robust demand. The market is expected to remain balanced in the near term, with tenants seeking space. The Accra market is expected to remain balanced in the tenant’s favour for the next few years.

The Accra retail market is predominantly informal, with major malls, particularly in Accra. International retailers, largely from South Africa, have a presence in the market. Accra’s first Grade A shopping centre was the 20,000 sq m Accra Mall, which is now ten years old. Subsequent openings have included West Hills Mall (27,000 sq m) and The Junction Shopping Centre (11,500 sq m), while pipeline projects include Actis/Mabar’s mixed-use Exchange. There are concerns that the Accra retail market is close to reaching saturation point, and new developments will be entering a challenging economic environment. In the short-to-medium term, retail development is likely to focus on secondary cities such as Takoradi and Kumasi.

Industrial market
The economic boom earlier in the decade encouraged high levels of development, and the market now suffers from oversupply. Prices are generally falling, but good quality product priced at a level that provides developers with a reasonable profit margin will still well sell.
Retail market

The retail sector is largely informal, and Antananarivo is home to markets including the Andivahany craft market, the Petite Vitesse food market and the Analalakely covered market. The areas around Avenue de l’Indépendance are the main focus for retail activity. As a relatively poor country, Madagascar offers limited opportunities for formal retailing, although there are supermarket chains including Shoprite, Jumbo Score and Leader Price. The most modem shopping centre in Antananarivo is the Shoprite-hosted La City which opened in Ivandry in 2012, while development projects include Flatters’ Aambahra Gallery. Many international brands, including Gap, Ralph Lauren and Zara, manufacture clothing in Madagascar, and this could open up opportunities for international retailers to enter the market. The island’s location and history would suggest that these would most probably come from South Africa or France.

Industrial market

The main industrial areas are located in the south of Antananarivo. There is a mixed-use area to the south of the city centre which mainly contains lower quality buildings, Madagascan businesses and airline companies. As it forms the main arterial route south of the city, the road in this area can become very congested. About 5 km to the south of the city centre, the Zone Industrielle Forello is the location of some of the heavier industries. Nearby is the Zone Industrielle Filatex Arkadimbahoaka, which is one of Madagascar’s first free zones. There is also a small amount of light industrial activity just south of the airport.

Residential market

The relatively low household income in Madagascar means that most people cannot afford to purchase housing. The development that does take place is generally focused on the prime end of the market and the expatriate sector. These parts of the market were badly affected by the political instability up until 2013 but have since shown signs of recovery. Most high-end residential areas are in and around Ivandry to the north of the city centre, where many of the embassies are located.
Malawi

Office market
The rental market has seen rising demand for small office space, but there has been a decrease in demand for larger offices. There is a general move towards modular office space that allows occupiers to downsize or increase space as the need arises. Annual rental escalations of 20% or more are common, in line with Malawi’s high inflation rate. Lilongwe city centre has a shortage of high quality office space and no construction has taken place in recent years as a lack of infrastructure inhibits the development of vacant sites in central areas. However, five new office buildings are under construction and will be ready for occupation within two years, in parts of the city where infrastructure is in place. Office development and sales in Blantyre are both at a standstill due to the high cost of finance.

Retail market
Demand for high quality retail space is tapering off due to the low purchasing power of consumers. The Gateway Mall in Lilongwe opened in December 2014 but it is not yet fully occupied. The mall was developed by MIPCO Limited and is anchored by Shoprite. Malawi currently has two large modern shopping malls and Blantyre has Lilongwe now has two large modern shopping malls and Blantyre now has two large modern shopping malls and Lilongwe now has two large modern shopping malls. The mall was developed by MPICO Limited and is anchored by Shoprite. The Gateway Mall in Lilongwe opened in December 2014 but it is not yet fully occupied. The mall was developed by MIPCO Limited and is anchored by Shoprite. Malawi currently has two large modern retail markets, the Gateway Mall in Lilongwe opened in December 2014 but it is not yet fully occupied. The mall was developed by MIPCO Limited and is anchored by Shoprite. Malawi currently has two large modern retail markets, the Gateway Mall in Lilongwe opened in December 2014 but it is not yet fully occupied. The mall was developed by MIPCO Limited and is anchored by Shoprite. The Gateway Mall in Lilongwe opened in December 2014 but it is not yet fully occupied. The mall was developed by MIPCO Limited and is anchored by Shoprite. Malawi currently has two large modern retail markets, the Gateway Mall in Lilongwe opened in December 2014 but it is not yet fully occupied. The mall was developed by MIPCO Limited and is anchored by Shoprite. Malawi currently has two large modern retail markets, the Gateway Mall in Lilongwe opened in December 2014 but it is not yet fully occupied. The mall was developed by MIPCO Limited and is anchored by Shoprite. Malawi currently has two large modern retail markets.

Generally, the traditional high street retailers continue to thrive.

Industrial market
Electricity blackouts and water shortages have worsened to the extent that industrial production is now estimated to be at less than 50% of its capacity. However, demand for warehouses continues to be relatively strong, and is dominated by industrial users requiring logistics and storage space. Warehousing rents have thus maintained comparatively high levels. Investment transactions in this sector are negligible.

Residential market
Although there is still a disparity between the cities of Blantyre and Lilongwe in terms of both rental and market values, this gap is being reduced by the indexation of rents to the US dollar, especially for high quality properties. Lilongwe now has a surplus of representational residential properties, for which rents are quoted in dollars, due to a reduction in demand from the international donor and business communities. Other tenants are moving into smaller and less expensive accommodation in medium density areas where rents are quoted in the local currency. Residential sales have slowed down due to the difficult economic environment.

Malawi prime rents and yields

<table>
<thead>
<tr>
<th>Location</th>
<th>Prime rents</th>
<th>Prime yields</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lilongwe</td>
<td>US$18/sq m/month</td>
<td>12%</td>
</tr>
<tr>
<td>Blantyre</td>
<td>US$18/sq m/month</td>
<td>10%</td>
</tr>
</tbody>
</table>

Bamako prime rents and yields

<table>
<thead>
<tr>
<th>Location</th>
<th>Prime rents</th>
<th>Prime yields</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bamako</td>
<td>US$20,000/month*</td>
<td>8%</td>
</tr>
</tbody>
</table>

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Mali

Office market
In the five years since the coup d’etat of 2012, the Bamako office market has struggled to grow and the supply of quality offices remains very limited. The initial improvements in the economic, political and security environment immediately after the coup d’etat were short lived. There are significant risks to the outlook, most notably Mali’s fragile security situation. Setbacks to the country’s improving security, especially in Bamako, may dampen any economic recovery and further stifle office demand and new supply. What little demand there is for offices comes from the banking, telecommunications, government and NGO sectors. Prime rents are currently stable at US$19/sq m/month, but rental levels fall away dramatically outside the CBD to around US$8/sq m/month.

Retail market
The continued high security risk has hindered the development of the Bamako retail market. Mali has fallen well behind other West African countries such as Côte d’Ivoire, Ghana and Senegal, where modern retail malls have been developed in recent years. Retail activity in Bamako continues to be generally informal and based around street trading, with the Marché Rose and Street Market in the city centre being key locations. The most modern retail provision is to the west at ACI 2000, where there are also a number of showrooms.

Industrial market
The industrial market continues to be based around local tradesmen, with no international manufacturers in the city. The main industrial zone is to the east of the commercial centre, and the availability of good quality storage and logistics warehouses is minimal. As much as 80% of the Malian workforce is employed in agriculture, with cotton being one of the country’s largest exports. Mining is also an important sector, and both areas have potential for growth should political stability be achieved. If the market stabilises, there should be opportunities for logistics companies and developers, particularly where they hold land in inner city zones, as the continued expansion of Bamako is resulting in higher land values in central areas.

Residential market
The high-end residential market has been hit hard over the last two years. The continued security woes have led to lower demand from NGOs and company executives, resulting in a significant downturn in rental levels. Property owners have had to compete to attract interest from the diminishing number of occupiers in the market for high quality residences. There is stronger demand for lower value housing, particularly because Bamako is growing at a fast pace as many rural Malians are choosing to move to the relative safety of the city. This increased demand for houses is largely being satisfied by the public sector, with government-built housing units significantly outnumbering those built by private developers.

Key facts

<table>
<thead>
<tr>
<th>Location</th>
<th>Population</th>
<th>Major cities</th>
<th>Official languages</th>
<th>Total area</th>
<th>GDP growth (2016)</th>
<th>Key export</th>
<th>Currency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malawi</td>
<td>17.2 million</td>
<td>Blantyre, Lilongwe</td>
<td>English</td>
<td>116,484 sq km</td>
<td>2.7%</td>
<td>Tobacco</td>
<td>Malawian Kwacha (MWK)</td>
</tr>
<tr>
<td>Mali</td>
<td>17.6 million</td>
<td>Bamako</td>
<td>French</td>
<td>1,240,192 sq km</td>
<td>5.3%</td>
<td>Cotton</td>
<td>West African CFA Franc (CFA)</td>
</tr>
</tbody>
</table>

World Bank Doing Business rank (out of 190 countries)

<table>
<thead>
<tr>
<th>Location</th>
<th>World Bank Doing Business rank (out of 190 countries)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malawi</td>
<td>133</td>
</tr>
<tr>
<td>Mali</td>
<td>141</td>
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Key facts

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<tbody>
<tr>
<td>Bamako</td>
<td>141</td>
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</table>

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peter.welborn@knightfrank.com
Office market

Aside from the diplomatic sector, the oil and mining industries have historically been the main source of international demand in the Nouakchott office market. However, the market is currently quiet with oil and mining companies putting expansion plans on hold and cutting costs due to low commodity prices. Glencore abandoned its Achak iron ore project in 2015 and Kinross has scaled back its plans for the Tasiast gold mine. Some international businesses operating in Mauritania, including Kinross, have based themselves offshore in the Canary Islands. It is difficult to find good quality offices in Nouakchott, and Al Khmaia City Center remains arguably the city’s best commercial building, approximately ten years after completion.

Retail market

As a sparsely-populated country of around four million people, Mauritania is not an obvious target for international retailers. However, a large ATAC supermarket, a brand of the French retail group Auchan, opened in 2015 operating under franchise. The main shopping malls in Nouakchott are at the Al Khmaia Center and Mauricenter, but these are relatively small and basic. Other supermarkets around the city include Sky Rim and Salam. Mauritius has a well-developed retail market, which includes both small local strip malls and larger regional malls. These include Grand Baie La Croisette, Cascavelle Shopping Mall, Trianon Shopping Park and Phoenix Les Halles. The largest shopping mall is the Bagatale Mall of Mauritius, which is located south of Port Louis on the M1 near Ebene and is anchored by Monoprix, Intermart, Woolworths and Food Lovers Market. Since opening in 2011, it has been expanded from 130 to 155 stores, and it also includes a hotel and cinema.

Residential market

The ambitious Ribat Al Bahr urban development project north of Nouakchott, which was first announced in 2010 as capable of housing 50,000 people, remains unbuilt. Nonetheless, future development at the top end of the market is likely to be concentrated on areas to the north of the city. The upmarket expatriate housing area of Tervah Zeina is located in the north of Nouakchott and, beyond this, there is an area of former green belt land where development has been encouraged in part by the opening of the new University of Science, Technology and Medicine and Oumtounsy International Airport.

Key facts

**Population**

<table>
<thead>
<tr>
<th>Country</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mauritania</td>
<td>1.3 million</td>
</tr>
<tr>
<td>Mauritius</td>
<td>4.1 million</td>
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**Major cities:**

<table>
<thead>
<tr>
<th>Mauritania</th>
<th>Port Louis</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0 million</td>
<td>0.2 million</td>
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**Official languages**

<table>
<thead>
<tr>
<th>Mauritania</th>
<th>Mauritius</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arabic</td>
<td>English</td>
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</table>

**GDP growth (2016)**

<table>
<thead>
<tr>
<th>Mauritania</th>
<th>Mauritius</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.2%</td>
<td>3.5%</td>
</tr>
</tbody>
</table>

**Currency**

<table>
<thead>
<tr>
<th>Mauritania</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Mauritian Rupee (MUR)</td>
<td>Ouguiya (MRO)</td>
</tr>
</tbody>
</table>

**World Bank Doing Business rank**

<table>
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<tr>
<th>Mauritania</th>
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</tr>
</thead>
<tbody>
<tr>
<td>(out of 190 countries)</td>
<td>(out of 190 countries)</td>
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**Offices Prime rents and yields**

<table>
<thead>
<tr>
<th>Mauritania</th>
<th>Port Louis</th>
</tr>
</thead>
<tbody>
<tr>
<td>US$12/sq m/month</td>
<td>US$16/sq m/month</td>
</tr>
<tr>
<td>11%</td>
<td>8.5%</td>
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</tbody>
</table>

**Retail Prime rents and yields**

<table>
<thead>
<tr>
<th>Mauritania</th>
<th>Port Louis</th>
</tr>
</thead>
<tbody>
<tr>
<td>US$16/sq m/month</td>
<td>US$16/sq m/month</td>
</tr>
<tr>
<td>10%</td>
<td>7.6%</td>
</tr>
</tbody>
</table>

**Industrial market**

Mauritania’s reputation for having an opaque tax and import/export regime has inhibited the entry of international businesses. The country is commodity-rich being Africa’s second largest exporter of iron ore and with good reserves of oil. However, the collapse of global commodity prices has slowed the traditional sectors to contract. In Nouakchott, the main industrial zone closest to the city is at El Mina, which mainly comprises local businesses operating out of older, owner-occupied facilities. Further out of the city, there is heavier industry including cement production, at the Zone Industrielle du Wharf and Port de l’Amitié. Assisted by the World Bank, a free zone has been created at the port in Nouadhibou.

**Retail market**

The prime high street retail location is the Waterfront, Edith Chaussée and Royal Road. The Waterfront, which includes Barkly Wharf, commands the highest office rents, at nearly double the level of other parts of the CBD. Mauritius’ second major office location is the relatively new Cyber City business park at Ebene, about 10 km to the south east of Port Louis. Office rents in this location are at similar levels to the CBD, but in newer buildings with better parking availability. The government is following the lead of the private sector, by relocating many of its downtown offices to Ebene. This may cause supply to increase in Port Louis, while availability falls in Ebene, pushing rents in the two locations in opposite directions.

**Residential market**

Mauritius has a well-developed retail market, which includes both small local strip malls and larger regional malls. These include Grand Baie La Croisette, Cascavelle Shopping Mall, Trianon Shopping Park and Phoenix Les Halles. The largest shopping mall is the Bagatale Mall of Mauritius, which is located south of Port Louis on the M1 near Ebene and is anchored by Monoprix, Intermart, Woolworths and Food Lovers Market. Since opening in 2011, it has been expanded from 130 to 155 stores, and it also includes a hotel and cinema.

**Industrial market**

Due to the nature of the Mauritian economy, demand for industrial and warehousing facilities is relatively low. Most of the existing stock is either owner-occupied or leased in small units. The Mauritian government continues to promote industries away from traditional sectors such as fishing, sugar cane, mining and cement production. It has further developed warehousing and freight facilities around Port Louis and the airport. Private developers have taken advantage of land released around Riche Terre to construct warehousing, although to date most of this has been offered on a build-to-suit basis. Prices have shown little movement over the last couple of years.

**Industrial market**

The ambitious Ribat Al Bahr urban development project north of Nouakchott, which was first announced in 2010 as capable of housing 50,000 people, remains unbuilt. Nonetheless, future development at the top end of the market is likely to be concentrated on areas to the north of the city. The upmarket expatriate housing area of Tervah Zeina is located in the north of Nouakchott and, beyond this, there is an area of former green belt land where development has been encouraged in part by the opening of the new University of Science, Technology and Medicine and Oumtounsy International Airport.

**Office market**

The traditional CBD of Port Louis centres on locations such as the Waterfront, Edith Cavell Street, Pope Hennessy Street, La Chaussee and Royal Road. The Waterfront, which includes Barkly Wharf, commands the highest office rents, at nearly double the level of other parts of the CBD. Mauritius’ second major office location is the relatively new Cyber City business park at Ebene, about 10 km to the south east of Port Louis. Office rents in this location are at similar levels to the CBD, but in newer buildings with better parking availability. The government is following the lead of the private sector, by relocating many of its downtown offices to Ebene. This may cause supply to increase in Port Louis, while availability falls in Ebene, pushing rents in the two locations in opposite directions.

**Residential market**

The residential real estate market in Mauritius continues to attract high levels of investment, although foreign ownership is restricted to government-approved developments. High-end developers targeting wealthy foreign buyers need to ensure that their schemes are approved under the Property Development Scheme (PDS), which has replaced the previous Real Estate Scheme (RES) and Integrated Resort Scheme (IRS). Mauritian nationals are well served by multiple developments across the island and many of the former sugar plantations offer large tracts of land for master planned residential schemes. An increase in supply, combined with a slower global economy, has caused the market to see little growth in rents or prices over the last few years. However, the open, stable, low-tax environment means that the island continues to attract expatriates and investors.
Morocco

Office market
Casablanca is Morocco’s main business location and its largest office market. The principal office districts are downtown, Sidi Maarouf and areas around the port including the massive Casablanca-Marrakech development. An important emerging area is Casablanca Finance City (CFC), on the site of the former Casa-Anta airport. Although there have been delays to its physical construction, international businesses such as Ford, AIG and BNP Paribas have been attracted by the incentives offered to companies granted CFC status. Office developments in the capital Rabat are generally Grade B low-rise buildings with little street setback. Office areas in Rabat include the city centre, Aghoud and Hay Ryad, where a notable current development is Foncière Chellah’s Agdal and Hay Ryad, where a notable

Retail market
There was practically no modern retail space in the country until the opening of the Morocco Mall (70,000 sq m) in 2011, and AntaPlace Shopping Center (31,000 sq m) in 2013. A significant number of international brands have since entered the market, including H&M, McDonald’s and Marks & Spencer. IKEA opened its first Moroccan outlet in 2016, at Zenata on the outskirts of Casablanca. The development pipeline includes Novare Matola Africa’s Pick n Pay until 2013. Pipeline developments include Novare Matola

Residential market
Figures from the Bank Al-Maghrib and Moroccan Land Registry show a significant increase in the number of residential transactions in 2016. This was driven by a rise in activity at the low-to-mid end of the market, supported by the increased availability of mortgage finance. The government has attempted to stimulate the construction of social housing by providing tax breaks and easy access to loan packages. Despite this, Morocco has a shortfall of housing and there are several master planned new cities at varying stages of development including Zenata Eco-City, Victoria City at Boukoura and Tamesna near Rabat.

Morocco

Moçambique

Office market
The new Downtown area of Maputo is now seen as the city’s CBD and is the main focus for office development. Demand for space has been negatively impacted by the recent downturn in the economy, which deepened in 2016 when the IMF withdrew aid to Mozambique following the discovery of approximately US$1.4 billion of previously undisclosed government debt. Low occupier demand combined with increased supply has led to prime rents slipping from US$37.50/ sq m/month in 2015 to the current level of US$27.50/sq m/month. Prime rents are expected to remain around this level over the medium-term.

Retail market
Despite economic headwinds, Mozambique’s retail sector has continued to show steady growth over the last two years, driven by the expansion of the middle-class coupled with an historic under-provision of formal retail space. In 2016, the Portuguese retail group Sonae in partnership with private fund Satya Capital bought the Extra supermarket chain, which had been owned by South Africa’s Pick n Pay until 2013. Pipeline developments include Novare Maputo and Marginal Mall (30,500 sq m) which will expand the site of the existing Game store on Avenida da Marginal into a fully-fledged shopping centre. Demand for retail space is stable and well-located units are usually readily leased at prime rents in the region of US$28/sq m/month.

Residential market
The residential market has been heavily impacted by the economic downturn. The rental apartment sector has been most affected due to a significant reduction in expatriate demand as a result of companies cutting their overheads. Rents for mid-to-high end apartments have fallen by more than 40% and are unlikely to recover in the medium-term as there is a large volume of new units due to come to the market. Rental villas at the top end of the market have been less severely affected and currently lease for US$4,500-5,500/ month, although rents drop to around 35-45% of this level on the local mass market.

Key facts
Populations: 34.4 million
Major cities: Casablanca 3.5 million, Fès 1.2 million, Rabat 2.0 million
Official languages: Arabic, Berber
Total area: 446,550 sq km
GDP growth (2016): 1.8%
Key export: Insulated wire
Currency: Moroccan Dirham (MDR)
EIU country risk rating (E=most risky): C
World Bank Doing Business rank (out of 190 countries): 68

Morocco prime rents and yields

<table>
<thead>
<tr>
<th>City</th>
<th>Prime rents</th>
<th>Prime yields</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASABLANCA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office</td>
<td>US$20.50/sq m/month 8.5%</td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td>US$25/sq m/month 8.25%</td>
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</tr>
<tr>
<td>Industrial</td>
<td>US$55.00/sq m/month 12%</td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td>US$5,500/month* 8%</td>
<td></td>
</tr>
<tr>
<td>RABAT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prime rents</td>
<td>US$17/sq m/month 9%</td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td>US$20/sq m/month 8.5%</td>
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<tr>
<td>Industrial</td>
<td>US$56/sq m/month 13%</td>
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<tr>
<td>Residential</td>
<td>US$5,000/month* 8%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Knight Frank LLP
* 6 bedroom executive house – prime location

 Contacts
Peter Welborn, Managing Director, Africa
+44 20 7861 1200
peter.welborn@knightfrank.com

Key facts
Populations: 28.0 million
Major cities: Maputo 1.2 million
Official languages: Portuguese
Total area: 799,380 sq km
GDP growth (2016): 4.5%
Key export: Alumium
Currency: Metical (MZN)
EIU country risk rating (E=most risky): C
World Bank Doing Business rank (out of 190 countries): 137

Maputo prime rents and yields

<table>
<thead>
<tr>
<th>Prime rents</th>
<th>Prime yields</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office</td>
<td>US$27.50/sq m/month 10%</td>
</tr>
<tr>
<td>Retail</td>
<td>US$28/sq m/month 10%</td>
</tr>
<tr>
<td>Industrial</td>
<td>US$55.00/sq m/month 13%</td>
</tr>
<tr>
<td>Residential</td>
<td>US$5,500/month* 7%</td>
</tr>
</tbody>
</table>

Source: Knight Frank LLP
* 6 bedroom executive house – prime location

Contacts
Ben Woodhams, Managing Director, Kenya
+254 20 4239000
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Peter Welborn, Managing Director, Africa
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**NAMIBIA**

**Office market**
Windhoek is a relatively small office market with steady demand for space. There is an ongoing shift in activity away from the CBD towards less central areas, where more modern offices with better parking are available. Popular non-CBD office locations include Mandumae Park in the south of the city. Office rents have shown steady growth in recent years, but continued new development may lead to downward pressure, especially for space in older buildings. In the office investment market, demand from South African investors has helped to drive yield compression and capital value growth.

**Retail market**
Despite having a relatively small population of just over 300,000, Windhoek has a significant volume of modern mall space. The largest shopping centres are Grove Mall (52,000 sq m), Abayak Buildings, Malabo (10,000 sq m), and Wernhil (25,000 sq m) in Walvis Bay. With Windhoek being well-served for retail space, developers have been encouraged to build large-scale malls in other towns; for example, Safari Development’s Platz Am Meer (27,000 sq m) opened in Swakopmund in 2016, while Atturbury’s Dunes Mall (65,000 sq m) in Walvis Bay is due for completion in 2017. Demand for larger retail units primarily stems from South African chains such as Spar, Pick n Pay, Edgars and Foschini, while the most prominent Namibian-owned supermarket operator is Woermack Brock.

**Industrial market**
Windhoek has well-established industrial zones at the Northern Industrial Area, Southern Industrial Area, Prosperita and Laferenz. Development is also taking place at Shali Industrial Estate, north of Windhoek. Logistics is identified as a priority sector by the government’s Fourth National Development Plan (NDP4), and the country’s geographical location gives it the potential to be a trade gateway for neighbouring countries including landlocked Botswana, Zambia and Zimbabwe. The Namibian authorities are keen for Walvis Bay to become the preferred port location on the west coast of Africa serving the Southern African Development Community area, and a port expansion is currently under construction by China Harbour and Engineering Company.

**Residential market**
Figures from FNB Namibia suggest that average house prices in Namibia have more than doubled since 2010, but there are signs that the market is now cooling with demand impacted by weakening economic growth. At the prime end of the market, the most desirable locations in Windhoek include the suburbs of Eros, Ludwigdorf and Klein Windhoek. High sales prices and rents are also commanded by luxury housing in the coastal resort of Swakopmund. Namibia has a shortage of affordable housing and serviced land, which is exacerbated by high levels of rural-to-urban migration.

**AFRICA REPORT 2017/18**

**Key facts**

| Population | 2.5 million |
| Major cities: Windhoek | 0.3 million |
| Official languages | English |
| Total area | 824,292 sq km |
| GDP growth (2016) | 4.2% |
| Key export | Diamonds |
| Currency | Namibian Dollar (NAD) |
| EIU country risk rating (Emerit-risk) | B |
| World Bank Doing Business rank | 108 (out of 190 countries) |

**Nigeria**

**Industrial market**
The industrial sector has been hard hit by the rapid depreciation of the naira. Several multinationals have to some extent retracted on previous growth plans, postponed capital projects or sought to sublease warehousing space. Major industrial development is almost entirely restricted to the south west of Nigeria in and around Lagos and neighbouring Ogun State. There are plans for the expansion of the market-leading Agbara Estate, while Lekki Free Trade Zone’s viability as an industrial location should be enhanced by the development of a new gas pipeline. Rendesources has recently acquired a site of approximately 10,000 hectares in the free trade zone.

**Retail market**
The slowdown in the Nigerian economy has not detracted from the huge opportunities that its burgeoning middle class are creating for retail development. Nigeria has continued to transition from informal market trading to more modern retail formats. Major developments planned or underway include the Eko Mall within Eko Atlantic which would potentially be the largest in West Africa, and Actis’ proposed Twin Lakes Mall (50,000 sq m). The latter is rumoured to have Carrefour as its anchor tenant, thus breaking Shoprite’s near-monopoly on the anchoring of Nigeria’s modern malls. Developers have also targeted second-tier cities, with locations such as Otissha, Badan and Warri seeing recent mall developments.
Office market

The supply of office space in Kigali has outstripped demand for the last few years. Over 50,000 sq m of new office space came to the market in the past year, with an additional 70,000 sq m in the pipeline for the next two years. The take-up of space is relatively slow, and the excess supply is putting downward pressure on prime rents. Kigali City Council is currently leading an urban regeneration drive in the CBD whereby old and low density structures are being demolished to make way for modern, high density commercial developments. As part of this strategy, tenants currently renting residential properties for office use are being encouraged to relocate to newly constructed offices. This will generate demand for some of the space currently on the market and in the pipeline.

Industrial market

Kigali is becoming an increasingly important logistics and manufacturing hub. Rwanda has an attractive business environment, with an emerging middle-class consumer base and an abundance of natural resources. The government is committed to attracting foreign direct investment and has put in place a range of incentives to support industrial development.

Residential market

There has been an increase in the number of apartments and houses coming on to the rental market, and demand for such accommodation is strong. Increased interest in residential rental accommodation has been observed from the expatiate community, with Gacurucu and Kagugu being particularly popular due to their affordable rents and modern housing stock. In the residential sales market, the majority of enquires stem from indigenous Rwandans seeking houses in the US$50,000-100,000 range, in locations such as Nyamirambo, Gisozi, Kibagabaga and Kagugu. The prime residential pipeline in Kigali is active with a number of developments scheduled for completion in 2017 including Ridgeview Court, Karibu Homes and Serene Crest Apartments.

Retail market

The retail industry in Rwanda is currently dominated by local retailers, with a small number of regional chains from Kenya and South Africa having a presence, most notably Nakumatt and Mr Price. Retail businesses in Kigali are generally found in destination locations that are not necessarily convenient for the majority of consumers. These environments tend to lack aesthetic appeal, public access and leisure and entertainment facilities that would increase dwell times and revenues. However, Kigali’s retail landscape is evolving with the advent of developments such as Union Trade Centre, Kigali City Tower, MTN Centre, CHIC Complex and M-Peace Plaza, and consumer habits are starting to change.

Key facts

- **Population**: 11.6 million
- **Major cities**: Kigali
- **Official languages**: Kinyarwanda, French, English
- **Total area**: 26,338 sq km
- **GDP growth (2016)**: 6.0%
- **Key export**: Tin ore
- **Currency**: Rwandan Franc (RWF)
- **EIU country risk rating (Emerging-risk)**
  - World Bank Doing Business rank
    - (out of 190 countries)
  - 56

Kigali prime rents and yields

<table>
<thead>
<tr>
<th>Prime rents</th>
<th>Prime yields</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offices</td>
<td>US$80/sq m/month* 11%</td>
</tr>
<tr>
<td>Retail</td>
<td>US$80/sq m/month* 10%</td>
</tr>
<tr>
<td>Industrial</td>
<td>US$64/sq m/month* 13%</td>
</tr>
<tr>
<td>Residential</td>
<td>US$83,000/month* 9%</td>
</tr>
</tbody>
</table>

Source: Knight Frank LLP
*Bedroom executive house – prime location

Contact

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Dakar prime rents and yields

<table>
<thead>
<tr>
<th>Prime rents</th>
<th>Prime yields</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offices</td>
<td>US$100/sq m/month* 10%</td>
</tr>
<tr>
<td>Retail</td>
<td>US$80/sq m/month* 9.5%</td>
</tr>
<tr>
<td>Industrial</td>
<td>US$4.50/sq m/month 12%</td>
</tr>
<tr>
<td>Residential</td>
<td>US$500,000/month* 7%</td>
</tr>
</tbody>
</table>

Source: Knight Frank LLP
*Bedroom executive house – prime location

Contact

Peter Welborn, Managing Director, Africa +44 20 7861 1200 peter.welborn@knightfrank.com

Office market

In Dakar, businesses tend to prefer either Plateau or the areas to the north at Les Almadies and Point E. In general, office market activity has shown a shift northwards, particularly when involving international companies. However, demand is relatively flat, and international requirements tend to be small, typically 400 sq m. Larger requirements generally come from the banking and telecoms sectors. Supply and demand are relatively balanced, resulting in almost no rental growth for the last decade. However, this new makes Dakar appear relatively inexpensive and in a similar position to that which the Ivorian capital Abidjan was in two years ago before its recent rapid growth.

Residential market

Residential development in Dakar is generally on a small scale, typically up to 20 units. There is a market for well-priced apartments in small blocks and developments such as O2 and Ocean Drive have performed well. A key to the success of schemes is the willingness of owners to lease, as well as set-out, units. Progress at the larger-scale Waterfront development has continued to be relatively slow, and no further similarly-sized schemes are likely to be commenced until it is completed and sold. Away from the seafront, the market is comparatively buoyant, although prices drop from up to CFA1,500,000/sq m to around CFA500,000-650,000/sq m at developments such as Mixta/ARM’s Residence de la Paix.
Office market

Despite relatively weak economic growth in 2016, South African office markets recorded above-inflation rental growth and vacancy rates were broadly stable. In Johannesburg, vacancy rates are relatively high in the CBD and new development is largely focused on the Sandton and Rosebank nodes, particularly in locations within easy reach of stations on the Gautrain rapid rail line. The largest projects in the pipeline are office buildings under construction for Discovery (87,000 sq m) and Sasol (87,000 sq m). In Cape Town, vacancy rates are low at the V&A Waterfront and offices in this location command a premium over the CBD. The Century City node remains an important focus for new development in Cape Town. Office investment volumes were moderate in 2016, with many South African investors preferring to pursue overseas opportunities as a hedge against the weak rand.

Industrial market

The South African industrial market is experiencing an ongoing shift in activity away from heavy manufacturing towards warehousing and distribution, and developers are focused on the delivery of high quality logistics space. In Gauteng, development activity is largely concentrated towards the north and east of Johannesburg in locations such as the Lords View Industrial Park, while the Waterfall City project also includes substantial logistics property elements. Over the longer term, the Ekurhuleni Aerotropolis project around OR Tambo International Airport may prove to be an important catalyst for industrial property development.

Residential market

South African house price growth slowed in 2016, reflecting the more subdued economic backdrop. However, the major coastal cities of Cape Town, Port Elizabeth and Durban outperformed inland markets. This trend was driven in part by demand from domestic buyers relocating to the coast from inland cities for lifestyle reasons, and extending northwards to Mbezi and beyond. The most exclusive residential area is Oyster Bay at the southern base of Dar es Salaam’s high-end residential market. In Tanzania, is reported to be struggling in the Asian community.

Retail market

However, some large retailers have closed schemes are planned. Rock City Mall, in particular along Ali Hassan Mwinyi Road and Bagamoyo Road. Such developments include Jangid Plaza, Fakyat Tower, Morocco Square and Paloma Park. Despite the increase in supply, office rents remain relatively high and vacancy rates are low.

Industrial market

The prime industrial areas of Dar es Salaam are located on Kynerere Road and Mandela Road, and have good transport links to the harbour, international airport and the interior of the country. There are secondary industrial locations in Chambuzi, Mtokocheni, Mwenge and Ubungo. The port of Dar es Salaam is a gateway for goods destined for landlocked countries including Malawi, Zambia, Rwanda and Burundi, therefore logistics companies have significant demand for warehousing space for goods in transit. As part of a government initiative to focus on industrialisation, public corporations such as pension funds have been instructed to invest in industrial activities, and this is expected to stir up the market for industrial premises.

Residential market

Dar es Salaam’s high-end residential market is concentrated to the north of Salander Bridge, across the entire Msasani Peninsula and extending northwards to Mbezi and beyond. The most exclusive residential area is Oyster Bay at the southern base of the peninsula. At this end of the market, demand is dominated by diplomats, government executives and high-net-worth individuals. The middle market is much less well-defined, with pockets of middle-income housing spread fairly evenly across the city. Within central Dar es Salaam, the Upanga neighbourhood is a well-established residential area offering good quality accommodation mainly in apartment blocks, and it is the preferred location for the Asian community.

Retail market

The retail market in Tanzania has steadily grown over a long period, largely through small-scale retail outlets operated from residential buildings and small downtown specialist shops in National Housing Corporation buildings. Such outlets compete with ad-hoc street trading known locally as “Wamachinga”, which can sometimes be found on a massive scale in areas such as Kariakoo and Marufu. There are a number of large-scale modern retail malls located in areas such as the city centre, Oyster Bay, Mwasani, Mbezi Beach and Mikocheni, and several larger retail schemes are planned. Rock City Mall, in the city of Mwanza, is also now operational. However, some large retailers have closed their Tanzanian operations, including the Kenyan supermarket chain Uchumi and South Africa’s Shoprite. The Kenyan retailer Nakumatt, which took over Shoprite stores in Tanzania, is reported to be struggling in the country.

Key facts

**South Africa prime rents and yields**

<table>
<thead>
<tr>
<th>Location</th>
<th>Prime rents</th>
<th>Prime yields</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cape Town</td>
<td>US$15/sq m/month</td>
<td>9%</td>
</tr>
<tr>
<td>Johannesburg</td>
<td>US$19/sq m/month</td>
<td>9%</td>
</tr>
<tr>
<td>Johannesburg</td>
<td>US$17/sq m/month</td>
<td>8.5%</td>
</tr>
<tr>
<td>Industrial</td>
<td>US$8/sq m/month</td>
<td>8%</td>
</tr>
<tr>
<td>Residential</td>
<td>US$4.500/month*</td>
<td>5.5%</td>
</tr>
</tbody>
</table>

**Dar es Salaam prime rents and yields**

<table>
<thead>
<tr>
<th>Location</th>
<th>Prime rents</th>
<th>Prime yields</th>
</tr>
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<tbody>
<tr>
<td>Dar es Salaam</td>
<td>US$12/sq m/month</td>
<td>9%</td>
</tr>
<tr>
<td>Industrial</td>
<td>US$8/sq m/month</td>
<td>10%</td>
</tr>
<tr>
<td>Residential</td>
<td>US$4,500/month*</td>
<td>6%</td>
</tr>
</tbody>
</table>

Contact

Ahkadi Meskiri, Managing Director
+255 22 211 3300
ahkadi.meskiri@tanz.knightfrank.com

Key facts

**Population**

- South Africa: 54.5 million
- Tanzania: 53.5 million

**Major cities**

- South Africa: Johannesburg (9.4 million), Cape Town (3.7 million), Durban (2.6 million)
- Tanzania: Dar es Salaam (5.1 million), Mwanza (0.8 million), Arusha (0.4 million), Dodoma (0.4 million)

**Currency**

- South Africa: Rand (ZAR)
- Tanzania: Tanzanian Shilling (TZS)

**Country risk rating (Emotis-risky)**

- South Africa: C
- Tanzania: C

**World Bank Doing Business rank**

- South Africa: 74
- Tanzania: 132

Source: Knight Frank LLP

*4 bedroom executive house – prime location

38

AFRICA REPORT 2017/18

RESEARCH

TANZANIA

39
Office market

Office market activity in Tunis is generally focused on a few key districts of the city, Belvédère and Montplaisir in the downtown area are mainly home to government departments, banks, medical centres and small Grade B offices. Planned commercial districts such as Urbain Nord and Les Berges du Lac I and II are to the north east of the downtown area and offer modern buildings in secure pleasant environments close to the city centre and airport. Construction activity has slowed noticeably over recent years due to limited occupier demand, a lack of bank liquidity and concerns about the economy. Although rents have remained stable through this period, the lack of new supply has caused vacancy rates to fall, and rents are expected to rise in the near future.

Retail market

There has been limited new retail development in Tunis, with the exception of the Tunisia Mall in Les Berges du Lac II which opened in 2015. This 80-unit mall and many shops continued to trade successfully and restrictions on foreign companies operating in Tunisia. Limited industrial property development and moderate occupier demand have kept the market balanced in recent years. The majority of properties are either owner-occupied or small units serving the local market. Most industrial zones are to the south and west of Tunis, including Mghira where a large labour pool and modern warehousing attracts local and multinational occupiers. Newer industrial zones are being developed in locations close to the city including Manoubia and Zaghouan.

Residential market

The prime residential areas in Tunis are generally located to the north and east of the city centre and include Les Berges du Lac I and II, Carthage, Notre Dame and La Marsa. The residential market showed strong growth between 2010 and 2015, with demand boosted by a lack of alternative investment opportunities for Tunisians and by Libyans leaving their own country’s troubles. More recently, activity has slowed due largely to restrictions on borrowing and an easing of demand from foreign investors. Prices for high-end residential property have held up more strongly than the wider market, partly because wealthier buyers are less sensitive to borrowing restrictions.

Industrial market

Tunis has traditionally been seen as a low-cost manufacturing location for mainly French and Italian companies, although local manufacturing has grown due to increased infrastructure spending and restrictions on foreign companies operating in Tunisia. Limited industrial property development and moderate occupier demand have kept the market balanced in recent years. The majority of properties are either owner-occupied or small units serving the local market. Most industrial zones are to the south and west of Tunis, including Mghira where a large labour pool and modern warehousing attracts local and multinational occupiers. Newer industrial zones are being developed in locations close to the city including Manoubia and Zaghouan.

Key facts

<table>
<thead>
<tr>
<th>Population</th>
<th>11.2 million</th>
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<td>Major cities</td>
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<tr>
<td>Official languages</td>
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<tr>
<td>Total area</td>
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<td>GDP growth (2016)</td>
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<tr>
<td>Key export</td>
<td>Insulated wire</td>
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<tr>
<td>Currency</td>
<td>Tunisian Dinar (TND)</td>
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<tr>
<td>EIU country risk rating (E=most risky)</td>
<td>C</td>
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<td>World Bank Doing Business rank (out of 190 countries)</td>
<td>77</td>
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</table>

Tunisia prime rents and yields

<table>
<thead>
<tr>
<th></th>
<th>Prime rents</th>
<th>Prime yields</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offices</td>
<td>US$10/sq m/month</td>
<td>10.5%</td>
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<tr>
<td>Retail</td>
<td>US$26/sq m/month</td>
<td>9.5%</td>
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<tr>
<td>Industrial</td>
<td>US$5.50/sq m/month</td>
<td>14%</td>
</tr>
<tr>
<td>Residential</td>
<td>US$4,000/month*</td>
<td>7.5%</td>
</tr>
</tbody>
</table>

Source: Knight Frank LLP

Contact

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peter.welborn@knightfrank.com

Kampala prime rents and yields

<table>
<thead>
<tr>
<th></th>
<th>Prime rents</th>
<th>Prime yields</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offices</td>
<td>US$17/sq m/month</td>
<td>10%</td>
</tr>
<tr>
<td>Retail</td>
<td>US$25/sq m/month</td>
<td>12%</td>
</tr>
<tr>
<td>Industrial</td>
<td>US$6.50/sq m/month</td>
<td>13%</td>
</tr>
<tr>
<td>Residential</td>
<td>US$1,000/month*</td>
<td>8%</td>
</tr>
</tbody>
</table>

Source: Knight Frank LLP

Contact

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judy.rugasira@ug.knightfrank.com

Office market

Demand for office space in Kampala picked up in the second half of 2016, particularly for Grade A/AB offices. However, Kampala remains a tenant’s market against the backdrop of rising vacancy rates in the Grade B/C segment. Demand for better quality space largely stems from multinational companies and government organisations seeking modern, energy-efficient buildings with ample parking away from the congested CBD. Oil and gas companies have increased their operations in Uganda following the issuance of production licences in 2016, and are considering increasing their office space. This is likely to positively impact demand for prime offices in the medium-to-long term.

Retail market

The retail sector had an unsettled 2016, with several leading retailers running into difficulties. However, increased footfall was recorded in a number of leading malls and many shops continued to trade well, particularly international-branded stores targeting middle-to-upper income consumers. A significant new shopping centre is the Imperial Mall, which opened in Entebbe in December 2016. The development pipeline includes the Arena Mall, a 15,000 sq m centre on Naambya Road in Kampala, which is currently in the final pre-letting stage with earthworks due to commence in H1 2017. Leasing has also commenced on the proposed 42,000 sq m Kingdom Kampala development, and this has the potential to revitalise the Kampala CBD following the recent trend for retail activity to drift towards suburban locations.

Industrial market

The traditional industrial areas in the Kampala CBD and its outskirts, such as Banda, Ntinda, Nakawa and Kyambogo, saw subdued leasing activity in 2016 and occupancy rates are fairly low. The supply of space outstrips demand, and a slowdown in trade has reduced the need for warehousing for goods and commodities exported to neighbouring countries. However, demand has increased for relatively large warehouses in areas along the Entebbe-Kampala highway, where interest stems from logistics and transport companies and UN agencies, due to the proximity to Entebbe International Airport.

Residential market

The residential lettings market was relatively slow in 2016, although activity increased slightly in the final quarter. Demand for prime rental accommodation mainly came from those working in the oil and gas, diplomatic and corporate sectors. Residential sales activity was dominated by the transaction of properties in non-performing loan portfolios of various banks. Increased demand has been registered in prime locations, with apartments attracting stronger interest than standalone houses, partly because they are perceived as being more secure. Prime residential development activity has increased and is mostly focused on rental properties with two-to-four en-suite bedrooms. The prime locations for development are Kitoro, Nakasero, Bugolobi and Nalugga, which are all in close proximity to the CBD.
ZAMBIA

Office market
Lusaka is a growing commercial hub with office space demand primarily stemming from the financial and communication sectors. An oversupply of Grade A space has placed downward pressure on rents, as well as providing more choice for occupiers. The economy was relatively sluggish in 2016, largely due to low copper prices, but a return to better economic growth is expected from the second half of 2017, which should result in increased demand. The prime location is the emerging Great East Road/Thabo Mbeki Road node in the immediate vicinity of the East Park Mall and Arcades Shopping Centre.

Retail market
Over 90% of Zambia’s modern shopping mall space is in either Lusaka or the towns of the Copperbelt, with approximately 250,000 sq m of existing retail space in these locations. As a result there are opportunities to develop formal retail centres in expanding towns around the rest of the country. The recently opened Kafue Shopping Mall, anchored by Pick n Pay, highlights the demand for niche malls in other towns, around the rest of the country. The recent opening of Kafue Shopping Mall, however, is expected to intensify between the two shoppers and retailers. The demand for niche malls in other towns, such as the recent opening of Kafue Shopping Mall, is expected to intensify between suburban and city centres.

Residential market
Market activity has slowed across all sections of the residential market, but there remains a mismatch between demand and supply at the top end of the Lusaka rental market due to a shortage of well-designed modern properties in the best locations. Self-build projects dominate the housing supply across the market, as a result of high interest rates. Zambia has one of the most developed commercial farming sectors in Africa, with increasing interest from private individuals, investment consortiums and funds. The sophistication of Zambian farming comes as a surprise to most outsiders, as many businesses have yields, agronomy and technology on a par with European operations.

LUSAKA PRIME RENTS AND YIELDS

<table>
<thead>
<tr>
<th>Location</th>
<th>Prime rents</th>
<th>Prime yields</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offices</td>
<td>US$30/sq m/month</td>
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<tr>
<td>Retail</td>
<td>US$40/sq m/month</td>
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<tr>
<td>Industrial</td>
<td>US$6/sq m/month</td>
<td>12%</td>
</tr>
<tr>
<td>Residential</td>
<td>US$3,500/month*</td>
<td>10%</td>
</tr>
</tbody>
</table>

Source: Knight Frank LLP

*4 bedroom executive house – prime location

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ZIMBABWE

Office market
Zimbabwe is suffering from economic and liquidity challenges which have stagnated office market activity. Supply is higher than demand and tenants are voluntarily surrendering space. Office buildings in the Harare CBD have void rates in excess of 50%, making them unattractive investments. Suburban offices have become more sought-after investments, due to their lower void rates, but there continues to be few sales transactions. To reduce vacancy levels, some CBD landlords are converting office space to shops, while others are partitioning floors into smaller suites. Given the challenging market, no new multi-storey buildings have been constructed in the last twenty years.

Industrial market
The continued decline of the economy has led to several manufacturing companies closing operations. Very little foreign direct investment has come into the country as a result of the government’s indigenisation policies, the high cost of capital and socio-political instability. This has led to an oversupply and underutilisation of industrial space. The sector is therefore characterised by high vacancy rates, declining rents and the voluntary surrender of leased space by tenants. A number of investors in this sector are looking to divest, but there is little or no demand except from a few owner-occupiers.

Residential market
Residential market transactions are being slowed down by the lack of mortgage finance to assist buyers. Most transactions are therefore on a cash basis, and the majority of the population does not have the necessary funds to be able to buy property. Low disposable incomes and poor liquidity have depressed rental levels and reduced property prices. Therefore, no major speculative housing developments have been built in recent times, and the few attempts to construct such projects have failed. The limited available new stock has mainly come from self-build projects and housing cooperatives.

HARARE PRIME RENTS AND YIELDS

<table>
<thead>
<tr>
<th>Location</th>
<th>Prime rents</th>
<th>Prime yields</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offices</td>
<td>US$10/sq m/month</td>
<td>8%</td>
</tr>
<tr>
<td>Retail</td>
<td>US$25/sq m/month</td>
<td>7%</td>
</tr>
<tr>
<td>Industrial</td>
<td>US$3/sq m/month</td>
<td>12%</td>
</tr>
<tr>
<td>Residential</td>
<td>US$2,000/month*</td>
<td>8%</td>
</tr>
</tbody>
</table>

Source: Knight Frank LLP

*4 bedroom executive house – prime location

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AFRICA REPORT 2017/18 | RESEARCH
### AFRICA COMMERCIAL OCCUPIER GUIDE

#### LEASE TERMS

<table>
<thead>
<tr>
<th>Country</th>
<th>Rents quoted</th>
<th>Typical lease lengths</th>
<th>Frequency of renewal payments</th>
<th>Basis of rent reviews</th>
<th>Break options</th>
<th>Ability to assign lease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Angola</td>
<td>US$/sq m/month</td>
<td>1-2 years</td>
<td>Monthly to annually in advance</td>
<td>None</td>
<td>Can be exercised by either party. Typical notice period is 3 months.</td>
<td>Subletting permissible, with landlord’s consent</td>
</tr>
<tr>
<td>Botswana</td>
<td>Pula/sq m/month</td>
<td>1-5 years</td>
<td>Monthly in advance</td>
<td>Pre-agreed escalation, typically 8-10% per annum</td>
<td>Can be exercised by either party. Typical notice period is 3 months</td>
<td>Subletting permissible, with landlord’s consent</td>
</tr>
<tr>
<td>Egypt</td>
<td>EGP/sq m/month</td>
<td>2-5 years</td>
<td>Quarterly in advance</td>
<td>Periodic rent reviews at an agreed and reasonable percentage, typically 5-10%</td>
<td>Can be exercised by either party. Typical notice period is 3 months</td>
<td>Subletting not permitted</td>
</tr>
<tr>
<td>Ghana</td>
<td>US$/sq m/month</td>
<td>6 years</td>
<td>Usually paid quarterly or biannually in advance</td>
<td>Fixed rental increases, typically 7.5% per annum if rents are paid in KES or 5% if paid in USD</td>
<td>Break clauses are not common except in larger leases.</td>
<td>Subletting permissible, with landlord’s consent</td>
</tr>
<tr>
<td>Kenya</td>
<td>MWK/sq m/month</td>
<td>1-3 years</td>
<td>Quarterly in advance</td>
<td>Annual rent reviews based on open market rents</td>
<td>Can be exercised by either party. Typical notice period is 3 months</td>
<td>Subletting permissible, with landlord’s consent</td>
</tr>
<tr>
<td>Malawi</td>
<td>US$/sq m/month/annum or Naira/ sq m/annum</td>
<td>2-5 years</td>
<td>Quarterly in advance</td>
<td>Periodic rent reviews based on open market rents</td>
<td>Break clauses are not common except in larger leases.</td>
<td>Subletting not permitted</td>
</tr>
<tr>
<td>Nigeria</td>
<td>US$/sq m/month</td>
<td>1-5 years</td>
<td>Monthly to quarterly in advance</td>
<td>Pre-agreed escalation, typically 5-10% per annum</td>
<td>Break clauses are not common except in larger leases.</td>
<td>Subletting permissible, with landlord’s consent</td>
</tr>
<tr>
<td>Rwanda</td>
<td>Rand/sq m/month</td>
<td>3-5 years</td>
<td>Monthly to annually in advance</td>
<td>Fixed annual escalation, typically 7-9%</td>
<td>No break options</td>
<td>Subletting permissible, with landlord’s consent</td>
</tr>
<tr>
<td>South Africa</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### OCCUPATIONAL COSTS

<table>
<thead>
<tr>
<th>Service charges</th>
<th>Utilities</th>
<th>Relevant local taxes payable</th>
<th>Internal repairs</th>
<th>External repairs and repairs to common parts</th>
<th>Building insurance</th>
<th>Restoration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid by tenant. Typically 10-15% of net rents</td>
<td>Tenant pays for all utilities consumed. Communal consumption is recovered through service charge</td>
<td>No VAT on rents, Urban Property Tax applies to commercial rents, at an average rate of 15%</td>
<td>Tenant responsible</td>
<td>Landlord responsible</td>
<td>Landlord responsible</td>
<td>Tenants required to restore premises to original state, subject to reasonable wear and tear</td>
</tr>
<tr>
<td>Paid by tenant. Typically 8-15% of net rents</td>
<td>Tenant pays for all utilities consumed. Communal consumption is recovered through service charge</td>
<td>VAT of 13% payable by registered bodies. Withholding tax of 5% paid by tenant on rents above P36,000 per annum</td>
<td>Tenant responsible</td>
<td>Landlord responsible</td>
<td>Landlord responsible</td>
<td>Tenants required to restore premises to original state, subject to reasonable wear and tear</td>
</tr>
<tr>
<td>Paid by tenant. Typically 10-15% of net rents</td>
<td>Tenant pays for electricity. Landlord pays for water, recovering cost via service charge</td>
<td>VAT introduced in Egypt in 2016, but the lease of land and buildings is exempt</td>
<td>Tenant responsible</td>
<td>Landlord responsible</td>
<td>Landlord responsible</td>
<td>Tenants required to restore premises to original state, subject to reasonable wear and tear</td>
</tr>
<tr>
<td>Paid by tenant. Typically 20-25% of gross rents</td>
<td>Tenant pays for electricity. Landlord pays for water, recovering cost via service charge</td>
<td>No VAT on rents. Rent tax of 8% payable by tenant</td>
<td>Tenant responsible</td>
<td>Landlord responsible</td>
<td>Landlord responsible</td>
<td>Tenants required to restore premises to original state, subject to reasonable wear and tear</td>
</tr>
<tr>
<td>Paid by tenant based on actual bills received for services</td>
<td>Tenant pays for utilities, either via service charge or on a metered basis</td>
<td>VAT of 16.5% payable on rents, service charges and parking fees</td>
<td>Tenant responsible</td>
<td>Landlord responsible</td>
<td>Landlord responsible</td>
<td>Tenants required to restore premises to original state, subject to reasonable wear and tear</td>
</tr>
<tr>
<td>Paid by tenant, typically 20-30% of net rents</td>
<td>Tenant pays for electricity. Landlord pays for water, recovering cost via service charge</td>
<td>VAT of 5% payable on commercial rents. Withholding tax of 10% payable by tenant</td>
<td>Tenant responsible</td>
<td>Landlord responsible</td>
<td>Landlord responsible</td>
<td>Tenants required to restore premises to original state, subject to reasonable wear and tear</td>
</tr>
<tr>
<td>Paid by tenant, typically 10-15% of rents</td>
<td>Tenant pays for all utilities consumed. Communal consumption is recovered through service charge</td>
<td>VAT of 18% payable on rents</td>
<td>Tenant responsible</td>
<td>Landlord responsible</td>
<td>Landlord responsible</td>
<td>Tenants required to restore premises to original state, subject to reasonable wear and tear</td>
</tr>
<tr>
<td>Paid by tenant, covers all landlord expenses except property rates, which are not recoverable.</td>
<td>Tenant pays for all consumables including water, electricity and sewerage/waste water</td>
<td>VAT of 14% payable on rents</td>
<td>Tenant responsible</td>
<td>Landlord responsible</td>
<td>Landlord responsible</td>
<td>Varies by lease agreement.</td>
</tr>
</tbody>
</table>

#### TRANSACTION COSTS

<table>
<thead>
<tr>
<th>Agency fees: new lease</th>
<th>Agency fees: renewal</th>
<th>Agency fees: sublease</th>
<th>Legal fees</th>
<th>In stamp duty payable on leases?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid by landlord or tenant. Typically one month’s rent.</td>
<td>Paid by landlord or tenant. Typically one month’s rent.</td>
<td>Typically one month’s rent.</td>
<td>Payable by tenant on attorney scale</td>
<td>Yes. Tenant pays</td>
</tr>
<tr>
<td>Paid by landlord or tenant. Typically one month’s rent.</td>
<td>Paid by landlord or tenant. Typically one month’s rent.</td>
<td>Typically one month’s rent.</td>
<td>Payable by tenant on attorney scale</td>
<td>No</td>
</tr>
<tr>
<td>Paid by landlord or tenant. Typically one month’s rent.</td>
<td>Paid by landlord or tenant. Typically one month’s rent.</td>
<td>Typically one month’s rent.</td>
<td>Payable by tenant on attorney scale</td>
<td>No</td>
</tr>
<tr>
<td>Paid by landlord or tenant. Typically one month’s rent.</td>
<td>Paid by landlord or tenant. Typically one month’s rent.</td>
<td>Typically 50-100% of one month’s rent</td>
<td>Payable by tenant on an attorney scale</td>
<td>Yes. Tenant pays. It is calculated as 2% of combined total of the average rent over the 6 years plus the service charge for 1 year</td>
</tr>
<tr>
<td>Paid by landlord or tenant. Typically 4-8.3% of annual rent</td>
<td>Paid by landlord or tenant. Typically 5-10% of the total rent</td>
<td>No subleasing</td>
<td>Payable by tenant, on a prescribing scale of fees</td>
<td>Yes. Stamp duty of 3% payable where lease is registered</td>
</tr>
<tr>
<td>Paid by landlord or tenant. Typically 5-10% of the total rent</td>
<td>Paid by landlord or tenant. Typically 5-10% of one month’s rent</td>
<td>Typically 5-10% of the total rent</td>
<td>Payable by tenant, based on a prescribed scale of fees</td>
<td>Yes. Rates vary by state</td>
</tr>
<tr>
<td>Paid by landlord or tenant. Typically one month’s rent.</td>
<td>Paid by landlord or tenant. Typically one month’s rent.</td>
<td>Typically 5-10% of the total rent</td>
<td>Payable by tenant, based on a prescribing scale of fees</td>
<td>No</td>
</tr>
<tr>
<td>Paid by landlord or tenant. Typically 15-20% of the annual rent, depending on lease length</td>
<td>Paid by landlord or tenant. Typically 10-15% of the annual rent, depending on lease length</td>
<td>Typically 15-19% of annual rent, depending on lease length</td>
<td>Payable by tenant, tariff varies by lawyer</td>
<td>No</td>
</tr>
<tr>
<td>Paid by landlord or tenant. Typically one month’s rent.</td>
<td>Paid by landlord or tenant. Typically one month’s rent.</td>
<td>Typically one month’s rent.</td>
<td>Payable by tenant, based on a prescribing scale of fees</td>
<td>No</td>
</tr>
<tr>
<td>Paid by the landlord, typically one month’s rent.</td>
<td>Paid by the landlord, typically one month’s rent.</td>
<td>Typically one month’s rent.</td>
<td>Payable by tenant, based on a prescribing scale of fees</td>
<td>No</td>
</tr>
<tr>
<td><strong>LEASE TERMS</strong></td>
<td>Tanzania</td>
<td>Uganda</td>
<td>Zambia</td>
<td>Zimbabwe</td>
</tr>
<tr>
<td>----------------</td>
<td>----------</td>
<td>--------</td>
<td>--------</td>
<td>----------</td>
</tr>
<tr>
<td>Rents quoted</td>
<td>US$/sq m/month</td>
<td>US$/sq m/month</td>
<td>US$/sq m/month</td>
<td>US$/sq m/month</td>
</tr>
<tr>
<td>Typical lease lengths</td>
<td>1-5 years</td>
<td>2-6 years</td>
<td>2-6 years</td>
<td>1-3 years</td>
</tr>
<tr>
<td>Frequency of rent payments</td>
<td>Quarterly in advance</td>
<td>Usually paid quarterly or biannually in advance</td>
<td>Monthly or quarterly in advance (retail mall tenants pay monthly)</td>
<td>Monthly in advance</td>
</tr>
<tr>
<td>Basis of rent reviews</td>
<td>Annual escalations are not a norm</td>
<td>Periodic rent reviews at an agreed annual percentage, typically 3.5-10%</td>
<td>Fixed annual rental escalations, typically 3-5%</td>
<td>Annual rent reviews based on open market rents</td>
</tr>
<tr>
<td>Break options</td>
<td>Can be exercised by either party, Legal notice period is 3 months</td>
<td>Can be exercised by either party, Typical notice period is 3 months</td>
<td>Can be exercised by either party, Typical notice period is 3 months</td>
<td>Can be exercised by either party, Typical notice period is 6 months</td>
</tr>
<tr>
<td>Ability to assign lease</td>
<td>Subletting permissible, with landlord's consent</td>
<td>Subletting permissible, with landlord's consent</td>
<td>Subletting permissible, with landlord's consent</td>
<td>Subletting permissible, with landlord's consent</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>OCCUPATIONAL COSTS</strong></th>
<th>Tanzania</th>
<th>Uganda</th>
<th>Zambia</th>
<th>Zimbabwe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service charges</td>
<td>Paid by tenant. Typically US$/sq m/month</td>
<td>Paid by tenant. Typically 15-40% of net rents</td>
<td>Paid by tenant. Typically 10-15% of net rents</td>
<td>Paid by tenant. Typically 75-100% of net rents</td>
</tr>
<tr>
<td>Utilities</td>
<td>Tenant pays for electricity. Water paid for through service charge</td>
<td>Tenant pays for electricity. Landlord pays for water, recovering cost via service charge</td>
<td>Tenant pays for electricity. Landlord pays for water, recovering cost via service charge</td>
<td>Tenant pays for all utilities including electricity and water</td>
</tr>
<tr>
<td>Relevant local taxes payable</td>
<td>VAT of 18% payable on rents. Withholding tax of 10% on rents</td>
<td>VAT of 18% payable on rents</td>
<td>VAT of 15% payable on rents</td>
<td>VAT of 16% on commercial rents. Withholding tax of 10% payable by tenant</td>
</tr>
<tr>
<td>Internal repairs</td>
<td>Tenant responsible</td>
<td>Tenant responsible</td>
<td>Tenant responsible</td>
<td>Tenant responsible</td>
</tr>
<tr>
<td>External repairs and repairs to common parts</td>
<td>Landlord responsible</td>
<td>Landlord responsible</td>
<td>Landlord responsible</td>
<td>Landlord responsible</td>
</tr>
<tr>
<td>Building insurance</td>
<td>Landlord responsible</td>
<td>Landlord responsible</td>
<td>Landlord responsible</td>
<td>Landlord responsible</td>
</tr>
<tr>
<td>Restoration</td>
<td>Tenants required to restore premises to original state</td>
<td>Tenants required to restore premises to original state, subject to reasonable wear and tear</td>
<td>Tenants required to restore premises to original state, subject to reasonable wear and tear</td>
<td>Tenants required to restore premises to original state, subject to reasonable wear and tear</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>TRANSACTION COSTS</strong></th>
<th>Tanzania</th>
<th>Uganda</th>
<th>Zambia</th>
<th>Zimbabwe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency fees: new lease</td>
<td>Paid by landlord. Typically one month's rent or between 0-5% of annual rent</td>
<td>Paid by landlord. Typically one month's rent</td>
<td>Paid by landlord. Typically equivalent to one or one and a half month's gross rent</td>
<td>Paid by landlord. Typically 10% of annual rent</td>
</tr>
<tr>
<td>Agency fees: renewal</td>
<td>Paid by landlord. Typically between 0-2% of annual rent</td>
<td>Paid by landlord. Typically one month's rent</td>
<td>Paid by landlord. Typically 2.5-5% of annual rent</td>
<td>Paid by landlord. Typically 10% of annual rent</td>
</tr>
<tr>
<td>Agency fees: sublease</td>
<td>No subleasing</td>
<td>Paid by existing tenant. Typically equivalent to one month's gross rent</td>
<td>Typically 10-100% of one month's rent</td>
<td>Payable by tenant, terms vary by lawyer</td>
</tr>
<tr>
<td>Legal fees</td>
<td>Landlord and tenant pay their own costs</td>
<td>Landlord and tenant pay their own costs</td>
<td>Payable by tenant, terms vary by lawyer</td>
<td>Payable by tenant, terms vary by lawyer</td>
</tr>
<tr>
<td>Is stamp duty payable on leases?</td>
<td>Yes. Tenant pays at 1% of first year's annual rent</td>
<td>No</td>
<td>No</td>
<td>A lease registration fee is payable based on a statutory scale. Typically landlord pays</td>
</tr>
<tr>
<td>Stamp duty payable when leases are registered</td>
<td>Stamp duty payable when leases are registered</td>
<td>Stamp duty payable when leases are registered</td>
<td>Stamp duty payable when leases are registered</td>
<td>Stamp duty payable when leases are registered</td>
</tr>
</tbody>
</table>

Source: Knight Frank Research

**CONTACT:** PETER.WELBORN@KNIGHTFRANK.COM

**FULL CONSULTANCY AND VALUATION SERVICES PROVIDED ACROSS 49 OF THE 54 AFRICAN COUNTRIES**

**KEY**
- **COUNTRIES WITH KNIGHT FRANK OFFICES**
- **COUNTRIES WHERE KNIGHT FRANK HAS WORKED IN THE LAST TWO YEARS**
- **EMPLOYEE NUMBERS**

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