Knight Frank

AFRICA HORIZONS

THE CONTINENT'S UNIQUE GUIDE TO REAL ESTATE INVESTMENT TRENDS AND OPPORTUNITIES

2025/26

CONTENTS

AFRICA HORIZONS

WELCOME TO THE AFRICA HORIZONS REPORT 2025/26

Africa stands at the cusp of a profound transformation. With urban populations growing at an average annual rate of 3.5%, the fastest globally, over 360 million people have moved into cities in the past five decades. By 2050, 60% of Africa's population is expected to live in urban centres, a shift that is reshaping the very fabric of our cities and igniting demand for new housing models, infrastructure, and industrial growth.

In this edition, we highlight the continent's staggering 51-million-unit housing deficit – a crisis that, if unaddressed, could widen to 130 million units by 2030. Amidst this challenge emerges innovation: from blockchain-financed affordable homes in Mozambique to Kenya's Boma Yangu initiative aiming for 200,000 houses annually to the rise of short-term rentals and co-living solutions tailored to Africa's mobile, digital-savvy youth.

We also uncover how Africa's repositioning as a manufacturing and logistics hub is taking shape. Strategic investments such as Kenya's Naivasha Special Economic Zone, Ghana's US$ 60 bn Petroleum Hub, and the revival of key transport corridors like the TAZARA railway, point to a continent that is not only building for today but industrialising for tomorrow.

In addition, we explore Africa's emerging Green Opportunity, highlighting the continent's immense renewable energy potential against the backdrop of critically low climate finance investment flows. Furthermore, we examine the nascent but growing REITs market, fuelled by rising investor demand for diversified, transparent, and income-generating real estate vehicles. Finally, we delve into the rise of mixed-use developments, with a special focus on Egypt, where projects in Cairo are increasingly appealing to buyers seeking upscale homes integrated with amenities such as medical facilities, schools, wellness centres, and retail spaces – mirroring urban trends seen in some middle eastern cities such as Dubai and Riyadh.

We hope you find our research both informative and stimulating, and I look forward to discussing the opportunities we have highlighted with you in more detail.

James Lewis
Managing Director, Middle East and Africa

AFRICA HORIZONS 2025/26

5

THE HOUSING EVOLUTION

AFFORDABLE HOUSING, THE GROWTH OF SHORT-TERM RENTALS, AND CO-LIVING SPACES

BY HILLARY MBAIHAYO – HEAD OF RESEARCH & STRATEGIC CONSULTING, KNIGHT FRANK UGANDA
ADDITIONAL REPORTING BY DANIEL FABI – RESEARCH ANALYST, KNIGHT FRANK NIGERIA

Africa's urban housing landscape is undergoing a profound transformation, fuelled by unprecedented urbanisation, population growth, and evolving consumer preferences. Over the past two decades, the continent has experienced an average annual urban growth rate of 3.5%, outpacing Asia and Latin America, a trend set to persist until 2050. (African Union). This surge is reshaping cities, with luxury developments rising alongside expanding informal settlements. Amid these changes, innovative housing models such as affordable housing initiatives, short-term rentals, and co-living spaces are gaining traction, reflecting digitalisation, remote work, and socioeconomic shifts. For instance, in Nigeria, co-living spaces are becoming popular among young professionals and students seeking affordable, flexible housing options that foster community and collaboration.

AFFORDABILITY KEY TO UNLOCKING AFRICA'S HOUSING CRISIS

Africa faces a dire housing crisis, with 54% of the region's urban population currently living in urban slums. The continent contends with a 51-million-unit housing shortage, most acute in Nigeria, Egypt, the Democratic Republic of Congo, and Tanzania. Closing this gap requires a staggering US$ 1.4 trillion in financing, with projections warning of a 130-million-unit deficit by 2030 if unaddressed. (International Finance Corporation). Rapid urbanisation, with 60% of Africans expected to live in cities by 2050, up from 40% today, exacerbates the situation.

To address the housing deficit, investment in affordable housing solutions is essential, as the formal housing market primarily serves a small elite, leaving the majority struggling with unaffordable options.

Innovative Solutions to Affordable Housing

- **Innovative Financing:** Models like micro-loans, impact investing, or blended finance could help close the $1.4 trillion gap.
- **Public-Private Partnerships:** Collaboration between governments and private sectors can mobilise resources and expertise.
- **Smarter Urban Planning:** Sustainable development practices, affordable housing projects, better land use, and improved infrastructure, can prepare cities for future growth.

Affordable Housing Interventions:

Across the continent, several projects illustrate sustainable alternatives for supporting the development of affordable houses and the alleviation of the housing crisis. While these initiatives currently operate on a limited scale, they highlight the potential for impactful solutions. However, significant scaling up is required to effectively tackle the continent's housing deficit:

Table 1: Housing Deficit in Select African Countries

COUNTRY	POPULATION (MILLION)	HOUSING DEFICIT (MILLION)
Nigeria	229.5	28
Kenya	52.4	2
South Africa	62	2.2
Egypt	107.25	3
Uganda	45.9	2.4

Source: Knight Frank, Census & Government reports, World Bank, Statista

Table 2: Affordable Housing Interventions

COUNTRY	PROJECT	NOTES
Mozambique	Casa Real	Cyclone-resistant homes in Beira integrate solar power and rainwater collection, with blockchain-based financing from Empowa offering lease-to-own options.
Ghana	The Lahagu Affordable Housing Development	This project delivered 100 energy-efficient homes using compressed earth blocks partnered with financial institutions for affordable loans.
Mauritania	Taaz	A Social Housing Program that uses compressed banco, a locally renewable building material, to build local houses, particularly for rural regions.
Uganda, Mozambique, Ghana, and Tanzania	Easy Housing	Operating in Uganda, Mozambique, Ghana, and Tanzania, this initiative uses sustainable, pre-fabricated materials to create scalable, weather-resistant homes tailored to local needs.
Kenya	Boma Yangu	The Boma Yangu portal is a main component of a large framework established towards achieving 200,000 Affordable Houses in Kenya annually.

Source: Knight Frank

Low cost housing Namibia

THE RISE OF THE SHORT-TERM RENTALS

The delicate balance of harnessing the economic benefits of short-term rentals without deepening the housing crisis.

Africa's short-term rental market is surging, driven by platforms like Airbnb in cities such as Cape Town, Nairobi, and Lagos. In 2023, Cape Town saw over 700,000 Airbnb guest arrivals, contributing R14.4 bn (US$ 778 million) to its GDP. (Airbnb Report).

Similarly, the short-let market has significantly bolstered Lagos's economy. During the December 2024 festive season, the Lagos State Government reported generating over US$ 71.6 million in revenue across the tourism, hospitality, and entertainment sectors. Hotels contributed over US$ 44 million, while short-let apartments added over US$ 13 million.

This growth provides property owners with new income streams and travellers with flexible options, but it also sparks concerns about housing affordability. A 2023 report from the Centre for Affordable Housing in Africa noted that 15% of Nairobi's housing units have shifted to short-term rentals, driving a 10% rent increase over two years as the city's residents are now competing with this new demand. Policymakers face a delicate task: harnessing the economic benefits of short-term rentals without deepening the housing crisis.

THE CO-LIVING MOVEMENT

Co-living: shared housing with private bedrooms and communal spaces is also gaining ground as a flexible, affordable option for young professionals and remote workers in Africa's dense urban centres. This model fosters community while addressing affordability and space constraints.

Table 3: Some Key Players in the Co-Living Movement in Africa

NOTABLE PLAYERS	LOCATIONS
HaapLiving	Lagos
AfricaWorks	Abidjan, Cape town, Lagos, Nairobi, Accra
Neighbourhood	Cape town
Africa Nomads	Nairobi
SunDesk	Morocco

Source: Knight Frank

Seaside residence at Clifton Beach, South Africa

What are the benefits of Co-Living?

- **Affordability:** Co-living provides a cost-effective alternative to traditional housing by allowing residents to share amenities and living spaces. This model significantly reduces rental expenses, making it an ideal choice for young professionals, students, and startup entrepreneurs.
- **Flexibility:** With short-term leases and adaptable contracts, co-living accommodates diverse lifestyles and evolving needs. This flexibility is especially valuable for entrepreneurs, freelancers and digital nomads who require mobility and adaptability in their living arrangements.
- **Enhanced Amenities:** Beyond just accommodation, co-living spaces offer a range of premium amenities that elevate residents' quality of life. These may include housekeeping, laundry services, co-working spaces, fitness centres, and curated community events, ensuring a seamless and convenient living experience.
- **Community Integration:** Co-living fosters a sense of belonging by creating a supportive and inclusive environment. It is particularly beneficial for individuals new to a city or young professionals looking to expand their social and professional networks.

OUTLOOK AND IMPLICATIONS

Africa's housing future hinges on integrated, sustainable strategies that address immediate needs and long-term growth. Policymakers must prioritise land tenure reforms, developer incentives, and expanded financing, such as rent-to-own models and cooperative housing, to boost affordable housing and temper the impact of short-term rentals.

The continent's housing ecosystem is poised to blend traditional and innovative approaches such as co-living, fostering inclusive urban development. For stakeholders, navigating these trends offers both challenges and opportunities. By embracing innovation and collaboration, Africa can not only tackle its housing crisis but also build vibrant, resilient cities for the future.

> "Africa's housing crisis is daunting, but it's not insurmountable. With concerted efforts and forward-thinking strategies, the continent can turn the tide on this escalating challenge. The opportunity for developers and investors is tremendous as Africa's middle classes continue to grow and aspire to own their own homes. Arguably, the continent presents one of the World's most exciting residential market frontiers for developers.
>
> **JUDY RUGASIRA – MD KNIGHT FRANK UGANDA**

THE INDUSTRIAL POTENTIAL

UNPACKING THE EMERGING TRENDS IN THE AFRICAN INDUSTRIAL SECTOR

BY JAMES HODGETTS-HEAD OF AFRICA OLSS

Africa's industrial real estate sector has undergone significant transformations over the past decade, driven by rapid urbanisation, infrastructure investments, shifting economic priorities, strategic government policies, and private sector investments. According to the African Development Bank Group, the continent's urban/rural split has increased from 19% to 39% over the past 50 years, adding more than 360 million urban residents.

This trend is expected to accelerate, with an additional 350 million city dwellers projected by 2030. Key economies, including Kenya, Nigeria, Ghana, Egypt, and South Africa are spearheading large-scale industrial zones to attract manufacturers, logistics providers, and exporters. This shift is bolstered by policy incentives, infrastructure development, and the continent's growing role in global trade networks.

In a notable example, the Government of Kenya, through the Ministry of Investments, Trade, and Industry, officially designated the Olkaria area in Naivasha as a Special Economic Zone (SEZ) in February 2025. This initiative aims to position Kenya as a regional industrial hub by capitalising on the country's abundant geothermal energy resources to drive sustainable economic growth. The SEZ offers a range of incentives, including tax exemptions, dedicated infrastructure support and access to affordable geothermal power, making it an attractive destination for both local and international investors seeking efficient and sustainable operations. (KenGen).

STRATEGIC INVESTMENTS IN MANUFACTURING AND LOGISTICS

The sector is also witnessing a robust expansion, driven by increasing manufacturing, logistics and warehousing infrastructure demand across the continent. Notably, South Africa has committed R1 bn (US$ 54 million) to support domestic electric vehicle (EV) production and battery manufacturing, aiming to transition the automotive industry towards EVs by 2035. This investment underscores the sector's strategic pivot towards sustainability and value-added production.

IN FOCUS

SOME NOTABLE INDUSTRIAL PROJECTS AND INVESTMENTS IN FOCUS:

1. **GHANA'S PETROLEUM HUB DEVELOPMENT**

   Ghana has unveiled plans to establish a US$ 60 bn "Petroleum Hub" in Jomoro, envisioned as a key industrial complex for West Africa's energy sector. The project will span three phases through 2036 to house three oil refineries with a total processing capacity of 900,000 barrels per day alongside five petrochemical plants, extensive storage facilities, and port infrastructure. This project is expected to be fully financed by private investors, demonstrating confidence in the region's industrial growth potential.

2. **KENYA'S INDUSTRIAL AND EXPORT MANUFACTURING EXPANSION**

   Kenya has positioned industrial parks and SEZs at the core of its economic transformation agenda. The African Export-Import Bank (Afreximbank) has committed to a three-year, US$ 3 bn country program to support trade-related investments. Among the flagship initiatives are the Dongo Kundu Integrated Industrial Park and Naivasha Special Economic Zone II. These projects, incorporated into Kenya's Fourth Medium-Term Plan (2023-2027) under the Vision 2030 framework, seek to expand Kenya's manufacturing capacity for export markets.

Furthermore, large-scale infrastructure projects are reinforcing industrial growth. China is currently negotiating a US$ 1 bn rehabilitation of TAZARA (the Tanzania-Zambia Railway), a vital transport corridor linking landlocked Zambia to Tanzania's coastal ports. This project is expected to enhance regional connectivity and bolster industrial supply chains and is an example of many such projects that are positioning Africa as a crucial player in global trade networks.

THE AFCFTA OPPORTUNITY

Africa's industrial landscape is also being reshaped by the African Continental Free Trade Agreement (AfCFTA), which is projected to increase intra-African trade by over 50% by 2030, according to the United Nations Economic Commission for Africa (UNECA). The anticipated surge in trade is driving heightened demand for logistics hubs, warehousing facilities, and cross-border industrial parks. Investors are increasingly targeting strategic locations with strong transport linkages, capitalising on Africa's evolving role in global supply chains.

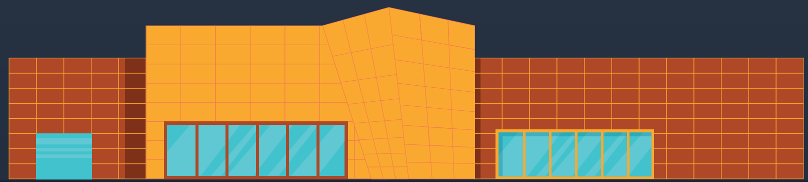
INDUSTRIAL HUBS: KEY DRIVERS FOR GROWTH

Strategic Location and Infrastructure

The geographical positioning of industrial hubs is critical for trade efficiency. Many hubs are located near ports, airports, and major transport corridors to facilitate regional and international commerce:

- **Tatu City, Kenya**: Tatu City benefits from proximity to Nairobi's transport networks, and offers tax incentives such as reduced corporate taxes, zero-rated VAT, and import duty exemptions. The Tatu Industrial Park currently hosts over 50 operational companies, reflecting strong investor confidence.
- **Hawassa Industrial Park, Ethiopia:** Specialising in textile and garment manufacturing, this SEZ meets international environmental standards and benefits from its location near major road networks and Hawassa Airport, enabling streamlined logistics for export-oriented industries.

Aerial view of the large glass houses of a rose nursery in a suburb of Nairobi, Kenya



CHALLENGES FACING INDUSTRIAL GROWTH IN AFRICA

INFRASTRUCTURE DEFICITS

Inadequate roads, unreliable electricity, and limited water supply pose hurdles for industrial development. Although progress is being made, gaps remain, particularly in secondary cities.

REGULATORY AND BUREAUCRATIC HURDLES

Unclear land ownership laws, complex business registration processes, and inconsistent government policies deter some investors. Foreign investors remain cautious about investing in opaque markets. Streamlining regulations will be key to attracting long-term investments.

ACCESS TO FINANCING

Developing large-scale industrial projects requires significant capital. While foreign direct investment (FDI) is increasing, especially from countries like China, local financing options remain limited due to high interest rates and strict lending criteria.

SKILLS GAP

A shortage of skilled labour in manufacturing and logistics slows industrial growth. Countries like Ethiopia and South Africa are addressing this through vocational training programs and partnerships with international firms.

OPPORTUNITIES FOR AFRICA'S INDUSTRIAL SECTOR

AFCFTA'S POTENTIAL

The AfCFTA is set to boost intra-African trade, increasing demand for industrial and logistics real estate. Countries establishing competitive industrial hubs early will benefit from this growing market and a "first mover" advantage.

GREEN INDUSTRIAL PARKS

Sustainability is becoming a priority, with eco-friendly industrial zones emerging. Many multinational firms prioritise ESG, having made pledges to their shareholders.

PUBLIC-PRIVATE PARTNERSHIPS (PPPS)

Governments are increasingly partnering with private developers to build industrial parks, leveraging expertise and funding from global players to accelerate growth.

TECHNOLOGY AND SMART WAREHOUSING

Advances in automation, AI-driven logistics, and smart warehouses are creating opportunities for tech-driven industrial developments, particularly in urban centres for distribution centres and "last mile" delivery facilities.

Special Economic Zones (SEZs) as Investment Catalysts

Governments across Africa are leveraging SEZs to attract foreign direct investment through tax incentives, regulatory relief, and improved infrastructure:

- **SEZs in Lagos, Nigeria:** The Lekki Free Zone has attracted multibillion-dollar investments, including Aliko Dangote's US$ 17 bn oil refinery and petrochemical complex. Investors benefit from 100% tax holidays, exemptions from customs duties and levies, unrestricted foreign ownership, and waivers on import/export licenses. In January 2025, the International Finance Corporation (IFC) committed up to US$ 50 million in equity investment to further develop the Lagos Free Zone.
- **Tema Export Processing Zone, Ghana:** Strategically located near Tema Port, this SEZ offers logistical advantages and tax incentives to encourage industrial investment, further strengthening Ghana's export capabilities.

The Growth of E-commerce and Logistics

In addition to manufacturing and heavy industry, demand for warehousing and logistics infrastructure is also being driven by the rapid expansion of e-commerce and global supply chain integration:

- **South Africa:** Grade A warehousing facilities have experienced a 10% year-on-year rental growth as of H2 2024 (Knight Frank Africa Industrial Market Dashboard H2 2024), reflecting heightened demand for premium logistics infrastructure.
- **E-commerce Expansion:** Africa's e-commerce market is projected to surpass 500 million users by 2025, with a compound annual growth rate (CAGR) of 17% (International Trade Administration).

Local Manufacturing and Supply Chain Development

The shift towards nearshoring (the outsourcing of business processes to companies in a nearby country) is promoting local industrial production in key sectors such as automotive, pharmaceuticals, and food processing:

- **Volkswagen Africa:** In 2024, Volkswagen's African division recorded exports of 131,485 Polos to Europe and Asia-Pacific, a significant rise from 108,422 in 2019. This reflects Africa's increasing competitiveness in global automotive manufacturing.
- **Pharmaceutical Localisation:** In September 2024, Eli Lilly partnered with Egypt's Eva Pharma to localise the production of Olumiant, a rheumatoid arthritis drug. By 2026, this initiative aims to supply medication to 49 African countries, reducing reliance on imports and strengthening the continent's pharmaceutical supply chain.

CONCLUSION:

Africa's industrial real estate sector is on a trajectory of sustained growth, driven by trade liberalisation, infrastructure advancements and the rising demand for localised manufacturing. Strategic investments in SEZs, government-led initiatives, and increasing private-sector engagement are transforming the continent into a competitive industrial hub. The integration of robust logistics networks, favourable tax policies and expanding e-commerce further reinforces Africa's position in global supply chains. While regulatory complexities and infrastructure gaps remain, continued investment in industrial hubs presents a significant opportunity to unlock economic potential, enhance industrial output, and solidify Africa's role in global manufacturing and trade.

THE GREEN OPPORTUNITY

SUSTAINABILITY AND CLIMATE FINANCE

BY BONIFACE ABUDHO- RESEARCH ANALYST FOR AFRICA

AFRICA'S RENEWABLE ENERGY POTENTIAL

Africa possesses immense potential for renewable energy development, particularly in solar and wind power. The continent benefits from some of the world's highest solar irradiance levels, with regions in North Africa receiving over 2,000 hours of sunlight annually. According to the International Finance Corporation (IFC), Africa's onshore wind capacity is estimated at nearly 180,000 terawatt-hours (TWh) per year, sufficient to meet the continent's energy needs 250 times over.

Strategic investments in renewable energy could significantly reduce Africa's dependence on fossil fuels while advancing economic development, employment creation, and poverty alleviation. The International Renewable Energy Agency's (IRENA) "Transforming Energy Scenario" projects that global renewable energy employment could exceed 42 million jobs by 2050, while energy efficiency employment may expand sixfold, reaching over 21 million additional jobs. Furthermore, Africa's extensive forest ecosystems, including the Congo Basin Rainforest and Miombo Woodlands, serve as vital carbon sinks, emphasising the continent's role in global carbon sequestration. Despite this potential, Africa accounts for only 2% of global carbon market transactions, primarily in voluntary carbon markets (World Economic Forum). Unlocking this potential will require establishing a structured carbon trading system, enforcing regulations, and securing investment in renewable energy and low-carbon technologies.

GREEN FINANCING AND INVESTMENT GAPS

Financial constraints remain a significant barrier to unlocking Africa's green potential. Public-sector initiatives alone are inadequate, necessitating the deployment of innovative financing mechanisms to attract private capital. Blended finance, which integrates public and private funds, has emerged as a critical tool to de-risk green investments and enhance investor confidence.

In 2020, Africa's total annual climate finance inflows stood at approximately US$ 30 bn, representing only 11% of the US$ 277 bn required annually to achieve the continent's climate objectives by 2030 (Climate Policy Initiative, CPI). The shortfall is even more pronounced in clean energy investments, with Africa requiring approximately US$ 133 bn annually between 2026 and 2030 to meet its energy transition goals. Current renewable energy investment levels remain critically low, however, at just US$ 9.4 bn per year, reflecting a substantial financing deficit.

Emerging green financial instruments, such as climate bonds, present opportunities for mobilising capital for sustainable projects. Investor interest in climate-aligned assets is growing, signalling the potential to scale up financing for African climate initiatives. Equity financing, despite its perceived risk, offers another pathway for funding renewable energy infrastructure and sustainable agriculture projects.

TRANSFORMATIVE CLIMATE INITIATIVES IN AFRICA

In spite of financial constraints, Africa has launched several transformative initiatives aimed at fostering green growth:

- **Africa Carbon Market Initiative (ACMI):** Aims to increase Africa's voluntary carbon market participation, targeting 300 million carbon credits annually by 2030, which could generate US$ 6bn in revenue and create 30 million jobs. By 2050, ACMI projects annual credit production exceeding 1.5bn, potentially leveraging over US$ 120bn and supporting 110 million jobs.
- **Africa Green Hydrogen Alliance:** Seeks to position green hydrogen as a key pillar of Africa's sustainable energy transition. The European Union has pledged US$ 35 million in grants to support South Africa's green hydrogen projects, emphasising infrastructure expansion and value chain development.
- **Africa Climate Risk Insurance Facility for Adaptation (ACRIFA):** Enhances Africa's climate resilience by providing rapid insurance payouts for climate-related disasters. Utilising parametric insurance, the initiative has disbursed over US$ 170 million in claims, covering 50 million people, with an expansion goal to all 55 African Union member states by 2034.

A 2024 Climate Policy Initiative (CPI) report highlights stark regional disparities in climate finance allocation:

- The top ten recipient nations account for 50% of total climate finance, whilst the bottom 30 countries receive merely 10% of total funds.
- South Africa, Egypt, and Nigeria collectively receive half of all private climate finance allocated to the continent

STRUCTURAL BARRIERS TO CLIMATE FINANCE ACCESS:

Several systemic challenges impede Africa's ability to attract climate finance at scale:

- **Complex, time-intensive application processes** for major funding bodies such as the Green Climate Fund limiting accessibility.
- **Limited institutional and technical capacity** to develop bankable projects and complete stringent accreditation procedures.
- **Inadequate climate data,** restricting effective project design and climate impact monitoring.
- **High climate debt burdens,** with up to 70% of climate finance disbursed as loans, exacerbating existing fiscal constraints.

GREEN INDUSTRIALISATION AND ESG:

Green industrialisation presents a strategic opportunity for Africa to achieve low-carbon economic growth while enhancing resilience to climate change. The decarbonisation of Africa's manufacturing sector aligns with industrial expansion and sustainability objectives and investment in renewable energy infrastructure are integral to this transition. For example, the United Arab Emirates has committed US$ 72bn to renewable energy projects in Africa between 2019 and 2023, reflecting a substantial effort to improve clean energy accessibility across the continent.

In the commercial real estate sector, demand for ESG-compliant office spaces in Africa is rising. Adopting ESG criteria has been linked to unlocking capital for sustainable projects, attracting Grade A tenants and mitigating financing bottlenecks. ESG focussed real estate investments are becoming a key factor in bridging Africa's green financing gap, fostering long-term economic growth and supporting environmental sustainability.

CONCLUSION:

Africa's green financing landscape presents a dichotomy of immense potential and significant challenges. While the continent possesses world-class renewable energy resources, climate finance inflows remain inadequate relative to the scale of investment required. Expanding structured financial instruments, strengthening institutional capacity, and fostering regional collaboration will be critical in bridging the green finance gap and accelerating Africa's transition toward a sustainable, low-carbon economy.

> "African Real Estate developers cannot afford to overlook the green aspects of their new and existing portfolios in the face of a lack of legislation – the demands from grade-A tenants themselves is sufficient to necessitate LEED and similar certification in order to prevent their property from being overlooked by increasingly green-conscious occupiers, many of whom now have global mandates to occupy nothing less than green-rated space.
>
> **BEN WOODHAMS, PARTNER, AFRICA DESK, KNIGHT FRANK LONDON**

REITS IN AFRICA

GROWTH, TRENDS AND OPPORTUNITIES

BY CHARLES MACHARIA- SENIOR RESEARCH ANALYST, KNIGHT FRANK KENYA

Real Estate Investment Trusts (REITs) have emerged as a transformative investment vehicle globally, allowing investors to access real estate markets without the challenges of direct property ownership. In Africa, REITs are gaining momentum, driven by urbanisation, population growth, and the need for diversified investment opportunities. The African REIT market remains underdeveloped compared to global standards, however, presenting both challenges and opportunities for growth. This article explores the size of the African REIT market, key countries and players, emerging trends, and where investors can focus on future opportunities.

THE AFRICAN REIT MARKET IN A GLOBAL CONTEXT

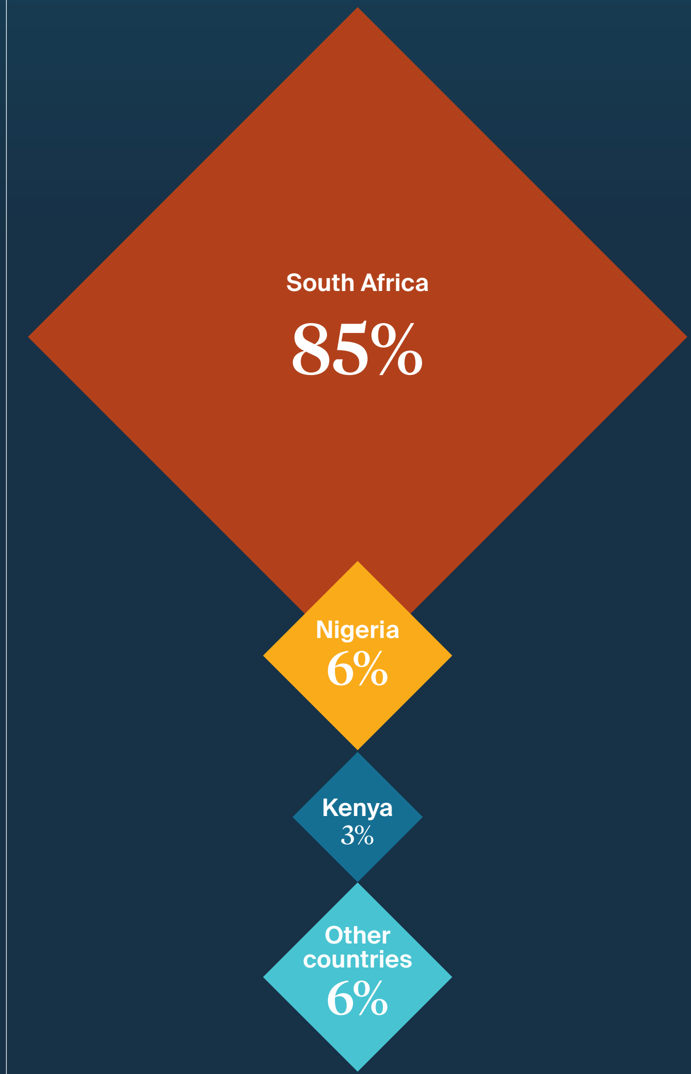
The global REIT market is valued at approximately US$ 4tn, with the United States accounting for nearly 80% of this total, equating to around US$ 3.2 trillion. The African REIT market represents a small fraction of the global market, with South Africa leading the continent, boasting a market capitalisation exceeding US$ 20 bn (CAHF). Despite its modest size, the African REIT market has grown steadily over the past decade, with South Africa, Nigeria, and Kenya making significant contributions.

SHARE OF THE REIT MARKET IN AFRICA (2024)

South Africa dominates the African REIT market, with a market capitalisation of approximately $ 8.5 bn. Nigeria and Kenya follow, with market capitalisations of US$ 600 million and US$ 300 million, respectively, in spite of regulations being established at the same time. Other countries, such as Ghana, Morocco, and Egypt are beginning to explore the market and have legislation in place but are yet to establish any actual REITS.

Below is a breakdown of the African REIT market by country:

Figure 1: Share of the REIT Market in Africa (2024)



Source: Johannesburg Stock Exchange (JSE), Securities and Exchange Commission, and Nairobi Securities Exchange (NSE)

KEY COUNTRIES AND PLAYERS

1. SOUTH AFRICA

South Africa is the most developed REIT market in Africa, thanks to its well-established regulatory framework and mature real estate sector. Key players include:

- **Growthpoint Properties:** As Africa's largest REIT, Growthpoint holds a diversified portfolio spanning office, retail and industrial properties. The company owns and manages over 500 properties across South Africa, Eastern Europe, Australia and the UK, with total property assets valued at R174.7bn (US$ 9.3bn). Its market capitalisation as of April 2025 stands at R43.62bn (US$ 2.3bn).
- **Redefine Properties:** A key player in the commercial real estate sector, Redefine maintains a diversified investment portfolio in South Africa and Europe. The company's total property assets are valued at R44.5 bn (US$ 2.4bn), with a market capitalisation of US$ 1.72bn as of April 2025.
- **Hyprop Investments:** Specialising in retail properties, Hyprop Investments owns and manages some of South Africa's most prominent shopping centres. The company's portfolio comprises mixed-use precincts anchored by dominant retail centres in key economic hubs across South Africa and Eastern Europe. Hyprop's total property assets are valued at approximately R40bn (US$ 2.1bn), with a market capitalisation of R15.33bn (US$ 811.5m) as of April 2025

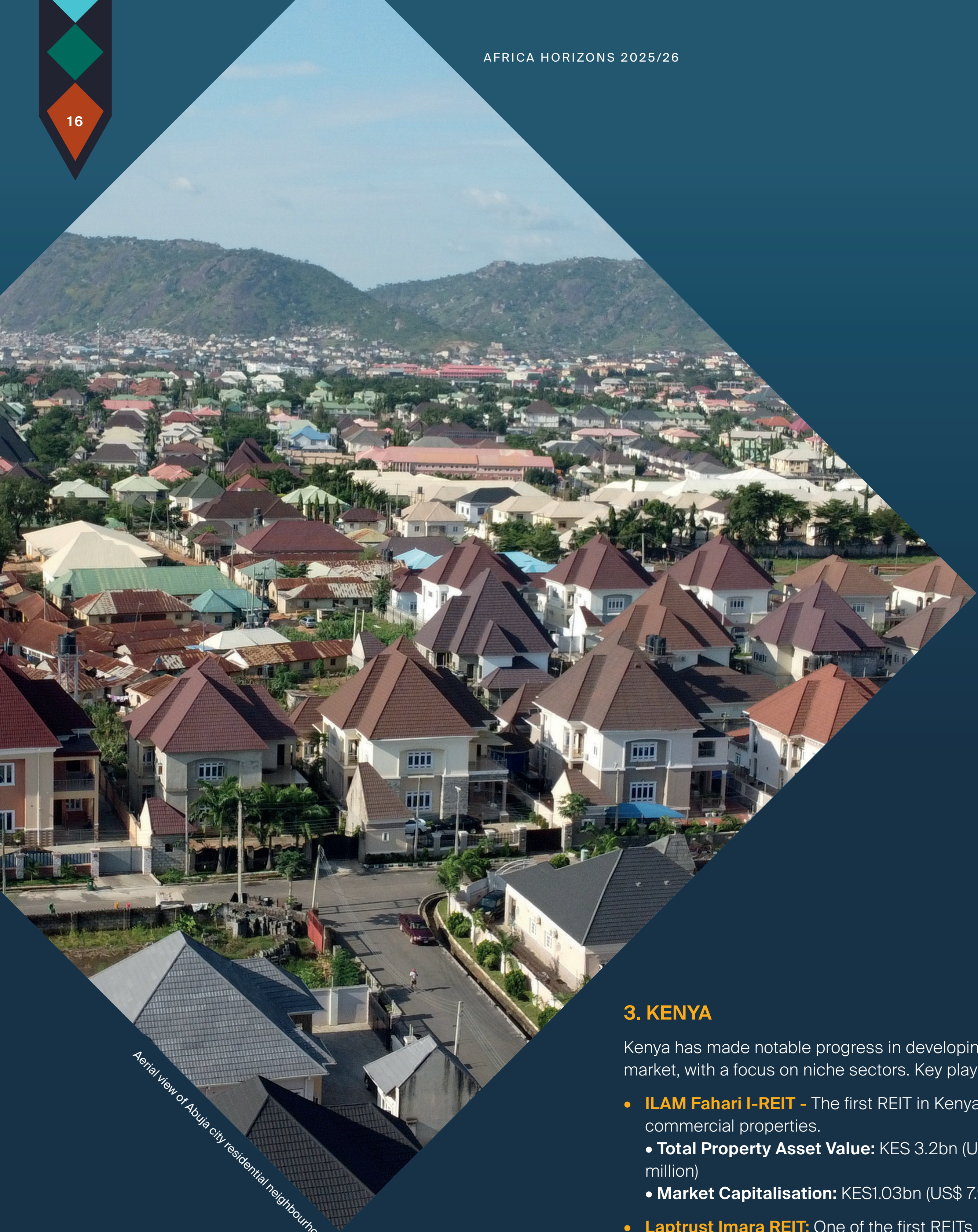
Source: Trading Economics

2. NIGERIA

Nigeria's REIT market is still emerging but holds significant potential due to its large population and rapid urbanisation. Key players include:

- **UPDC REIT:** Nigeria's first REIT, focusing on residential and commercial properties.
  • **Total Property Asset Value:** ₦33.47bn. (US$ 21.8 million)
  • **Market Capitalisation:** ₦16.1bn (US$ 10.5 million)
- **Skye Shelter Fund:** A pioneer in the Nigerian REIT market targeting affordable housing.
  • **Total Property Asset Value:** ₦3.473bn (US$ 2.3 million)
  • **Market Capitalization:** ₦4.12bn (US$ 2.7 million)

Aerial view of Johannesburg city, South Africa



Aerial view of Abuja city residential neighbourhood

3. KENYA

Kenya has made notable progress in developing its REIT market, with a focus on niche sectors. Key players include:

- **ILAM Fahari I-REIT -** The first REIT in Kenya focusing on commercial properties.
  - **Total Property Asset Value:** KES 3.2bn (US$ 24.7 million)
  - **Market Capitalisation:** KES1.03bn (US$ 7.94 million)
- **Laptrust Imara REIT:** One of the first REITs in Kenya, focusing on commercial properties.
  - **Total Property Asset Value:** KES 7.3bn (US$ 56 million)
  - **Market Capitalization:** KES 6.92 bn (US$ 53.4 million)
- **Acorn Student Accommodation REITS:** A niche REIT catering to the growing demand for student housing.
  - **Acorn Student Accommodation Income REIT (ASA I-REIT):** As of June 30, 2024, ASA I-REIT's investment property was valued at KES 10.3bn (US$ 79.8 million)
  - **Acorn Student Accommodation Development REIT (ASA D-REIT):** As of June 30, 2024, ASA D-REIT reported total assets of KES 12.6bn. (US$ 97.6 million)

4. OTHER COUNTRIES

Ghana, Morocco, and Egypt are beginning to explore REITs as a tool for real estate development. For example, Ghana's Affordable Housing REIT aims to address the country's housing deficit, while Morocco and Egypt are leveraging REITs to attract foreign investment.

Emerging Trends in African REITs

- **Niche Markets -** Niche sectors such as student housing, healthcare facilities, and affordable housing are gaining traction such as the Acorn Student Accommodation REIT in Kenya, which has successfully tapped into the growing demand for student housing in urban areas.
- **Sustainability and Green Buildings -** As global awareness of environmental issues grows, African REITs are increasingly focusing on sustainable and green building practices. Properties that meet environmental, social, and governance (ESG) criteria are attracting more investors due to their long-term cost savings and higher returns.
- **Technology Integration -** The adoption of technology in property management is another emerging trend. Proptech solutions, such as smart building systems and online property management platforms, are being integrated into REIT portfolios to enhance efficiency and tenant satisfaction.
- **Cross-Border Investments -** African REITs are beginning to explore cross-border investments to diversify their portfolios and mitigate risks. For example, South African REITs like Growthpoint and Redefine have expanded into other African countries and beyond into Europe.

FUTURE OPPORTUNITIES FOR INVESTORS

For investors looking to capitalise on the African REIT market, several areas present promising opportunities:

- **Affordable Housing -** With rapid urbanisation and a growing middle class, there is a significant demand for affordable housing across Africa. REITs that focus on this sector can benefit from long-term growth potential.
- **Commercial Real Estate -** As African economies continue to grow, the demand for offices, retail malls, and industrial properties is expected to rise. Investors can focus on REITs with strong portfolios in these sectors.
- **Niche Sectors -** Niche markets such as student housing, healthcare facilities, and logistics hubs offer unique opportunities for investors. These sectors are less saturated and can provide higher returns.
- **ESG-Focused Investments -** REITs that prioritise sustainability and green building practices are likely to attract more investors in the future. ESG-focused properties not only align with global trends but also offer long-term cost savings.

Overall, the African REIT market, though still in its early stages, holds immense potential for growth. South Africa, Nigeria, and Kenya are leading the way, with emerging markets like Ghana and Egypt showing promise. Emerging trends such as niche markets, sustainability, and technology integration are shaping the future of African REITs. For investors, focusing on affordable housing, commercial real estate, niche sectors, and ESG-focused investments can unlock significant opportunities.

> "As the market matures and regulatory frameworks improve, African REITs are poised to play a crucial role in the continent's real estate development and economic growth. With the right strategies and investments, the African REIT market could become a key player in the global real estate landscape.
>
> **MARK DUNFORD- CEO KNIGHT FRANK KENYA**

MIXED-USE DEVELOPMENTS: A FOCUS ON EGYPT

INCREASING DESIRE FOR CONVENIENCE, CONNECTIVITY, AND COMMUNITY

BY ALIAA M ELESAAKI-RESEARCH MANAGER - UAE & EGYPT

Egypt's economic hub and largest city, Cairo, has experienced a change in investor sentiment and end-user preference, driving a substantial appetite for integrated, mixed-use schemes. This growing demand is not simply the result of demographic growth or urban migration, but is a profound, structural change in the way that Egyptians, end-users, investors and developers alike, are building the future of urban living in the capital.

A prime example of this paradigm shift is the New Administrative Capital (NAC), a flagship urban megaproject launched in 2015 and strategically located approximately 35 km east of Cairo. Designed to alleviate congestion in the capital and redefine urban planning in Egypt, the NAC has become a focal point for substantial investment in mixed-use infrastructure. Notable among these is the Spark Capital Insight project by Brouq Developments, which represents an investment of EGP 1.5bn (US$ 48.5m). The development exemplifies the multi-functional nature of new urban schemes, incorporating residential, hotel, administrative, and retail elements within a single, cohesive environment.

South Park, Madinaty, New Cairo

URBAN INTEGRATION AS A LIFESTYLE

In most ways, Cairo's trend towards mixed-use development reflects wider regional patterns seen in the larger MENA gateway cities. Just as is the case with Dubai, where destination communities proved to be the key to residential success, Cairo's residents also increasingly desire convenience, connectivity, and community, the same key elements upon which the mixed-use model must be defined.

Today's city residents, especially the emerging middle and wealthy classes in Egypt, are paying top dollar for the convenience of access to central lifestyle amenities. Walkability, proximity to schools and hospitals, co-working buildings, hospitality services, and well-designed retail experiences are no longer luxuries but necessities. Developers have obliged, with a swing towards large, single, autonomous ecosystems that integrate commercial, residential, hospitality, and recreational components.

NOTABLE EXAMPLES OF MIXED-USE DEVELOPMENTS IN CAIRO:

- **One Ninety:** Located in East Cairo, this project includes branded residential apartments, a business district, and a retail pavilion, with a total investment exceeding EGP 33bn (US$ 673m). Launched in 2021, it is expected to be delivered between 2024 and 2025.
- **Creek Town:** Situated in New Cairo, this 100-acre project encompasses commercial, residential, and administrative spaces. Launched in 2022, it is slated for delivery in 2025.
- **Jazebeya:** Located in Sixth of October City, this development spans over 40 feddans (168,000 sqm) and includes residential, commercial, and administrative areas. Launched in February 2024, it is expected to be completed by 2027.

DEMAND DRIVERS: DEMOGRAPHICS, INVESTMENT, AND INFRASTRUCTURE

- Egypt's increasing population – now in excess of 110 million – is the key demand driver. Cairo itself has about 20 million inhabitants and is an in-migration centre drawing enormous numbers of internal migrants. This population pressure, coupled with an increasingly young population willing to purchase property and adopt more contemporary lifestyles, has also driven the move to mixed-use developments.
- Investment-wise, mixed-use projects have proven to generate diversified and long-lasting sources of revenue and are thus favoured by both domestic and foreign capital. For instance, 94% of wealthy GCC investors with over US$ 1 million in investable assets were keen to purchase property in Egypt in 2023 (Knight Frank's Destination Egypt). The retail and hospitality sectors provide strong leasing potential, and the residential sectors draw end-users and investors pursuing stable rental yields.
- Upgrades to infrastructure – fuelled by government-funded mega projects – are also in the spotlight now. The construction of the New Administrative Capital (NAC), the increasing importance of East Cairo, and widespread upgrades to roads and metro lines across the city have unlocked new areas for development, most notably to the east, where substantial landholdings allow for integrated planning. As of Q1 2025, the second phase of the NAC's construction is set to begin, with investments estimated at EGP 24bn (US$ 4.67bn). The Administrative Capital for Urban Development (ACUD) has secured partnerships valued between EGP 180 and EGP 200bn (US$ 3.5-3.8bn) and approved land acquisitions worth EGP 1.25bn (US$ 24.3m). (Arab Finance).

THE EVOLUTION OF DEVELOPER STRATEGY

Major private sector players have embraced the mixed-use concept, introducing master-planned developments that combine luxury residences with shopping boulevards, office parks, health clubs and hotel facilities. New Cairo is highly desirable and is becoming a focus for such schemes in East Cairo. Schemes such as Madinaty, Hyde Park and Mivida have raised benchmarks of size and quality, and mixed-use products have emerged as Egypt's high-net-worth individuals (HNWI) and internationally connected professionals' preferred choice.

West Cairo was also a peripheral area until recently; housing schemes such as Palm Hills October and SODIC's Beverly Hills are transforming the urban nature of the area, facilitated by new highways, improved civic amenities and proximity to major business hubs.

FLIGHT TO QUALITY AND SELF-SUFFICIENCY

A transparent 'flight to quality' scenario is unfolding in Cairo's residential real estate market, with end-users seeking integrated communities that provide security, access to green space and lifestyle amenities. Most significantly among the HNWI, buyers are being attracted to projects that offer not only upscale homes but also direct access to medical facilities, schools, wellness centres and amenity-rich shopping without having to endure long drives through the traffic-congested centre of Cairo. For instance, areas like Zamalek and Maadi are experiencing increased demand due to their blend of historical charm and modern amenities, attracting affluent buyers.

This demand for freedom has been intensified in the post-pandemic world when openness, liveability and exposure to open space have become paramount attributes of desirability in real estate. Just as Dubai has witnessed demand for housing around parks and beachfront properties, Cairo residents are also finding themselves looking for landscaped master planning that fosters well-being, sustainability and people-first design.

INVESTOR INTEREST AND CAPITAL FLOW

The Cairo mixed-use market also increasingly draws regional and international investors, specifically those looking for long-term capital appreciation as well as diversification. Sovereign wealth capital, private equity funds that are Gulf-based, and institutional capital now also started considering options in Egypt's real estate market, motivated by Cairo's population, moderate level of entry point, and potential in the long term.

The resilience of the mixed-use model has also been confirmed by the success of retail and hospitality space in these developments, much of which has sustained high levels of occupancy and traffic in spite of market volatility.

MADINATY:

- Covers 8,000 acres
- Presents residential options, including standalone villas, townhouses, twin houses and apartments.

HYDE PARK:

- Covers 1,200 acres
- Features a central park spanning 141 acres—one of the largest in Egypt, clubhouses, a sports club, a commercial mall, luxury hotels, international schools and an entertainment hub.

MIVIDA:

- Covers 890 acres
- Offers a blend of residential units, commercial spaces and recreational facilities.

Source: Knight Frank

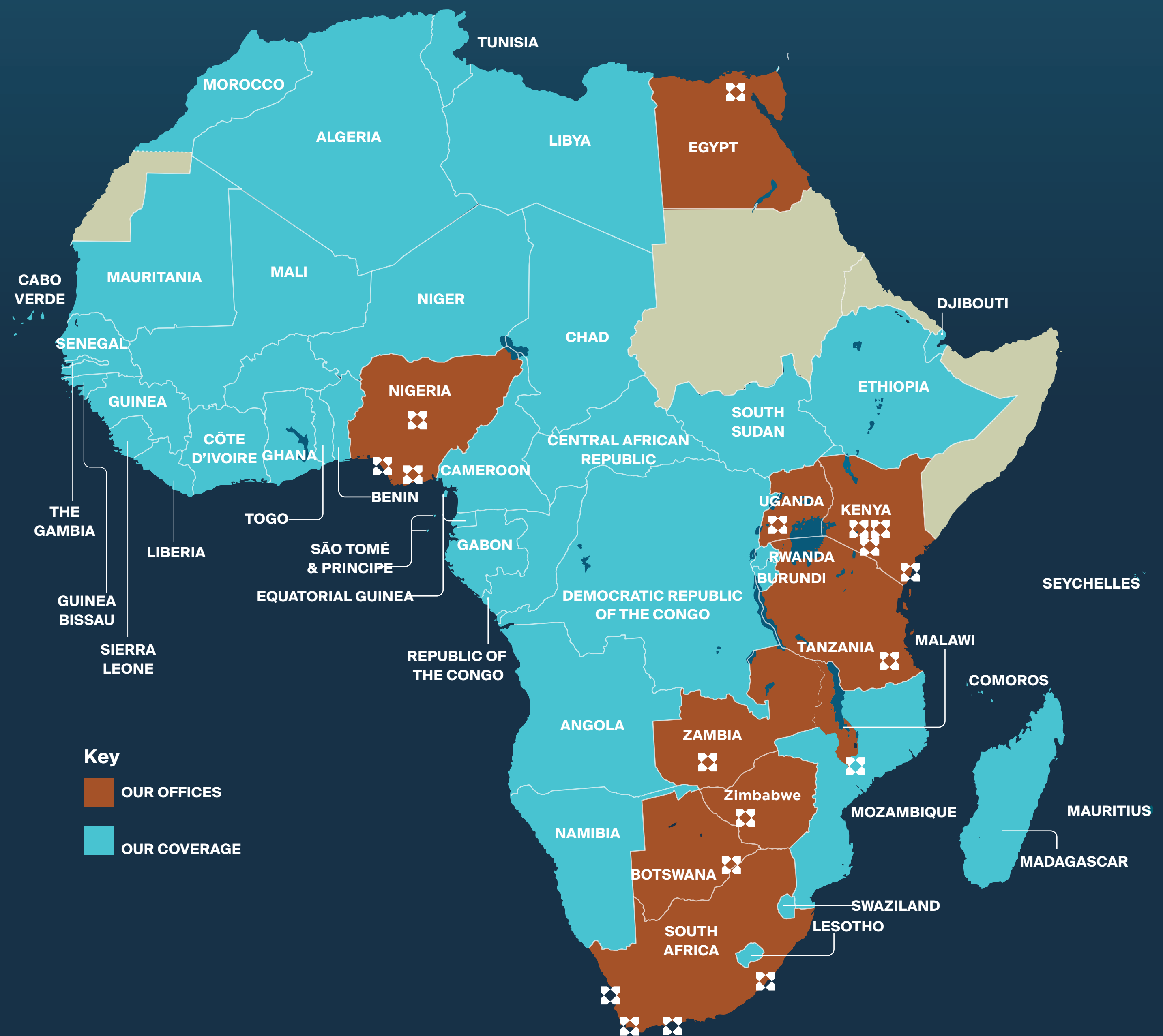
A MARKET IN TRANSITION

While Cairo's real estate market is at the early stages of its mixed-use development relative to more mature cities such as Dubai or Doha, the direction is certain. As the government remains committed to decentralising the functions of the capital city and real estate developers become more and more sensitive to the needs of a new consumer class, mixed-use schemes will be an ever more important part of the capital's urbanisation.

As Knight Frank's experience across the MENA region has established, mixed-use communities are no longer the specialist development niche; they are the new urban model. Cairo, with its size, momentum, and desire for modernity, is well-positioned to take advantage of this trend.

Madinaty, New Cairo

KNIGHT FRANK IN THE MIDDLE EAST AND AFRICA



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