

Lagos Market Update

H2 2024

Lagos Market Update provides half year update on the real estate market performance of the commercial nerve centre and economic hub of Nigeria.

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Economic Update

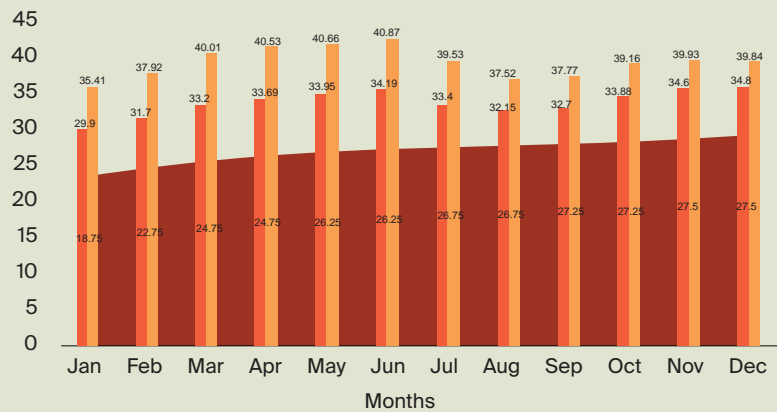
Each move towards a market-driven economy has the country's economic policymakers facing the hard truth of the Impossible Trinity - striving to balance exchange rate stability, capital mobility, and monetary policy independence. Inflation remains wild, despite efforts to tame it, showing signs of easing in August when it dipped to 32.15%. However, this progress was short-lived as it climbed again to 32.70% in September and eventually surged to a near 28-year high of 34.80% in December 2024.

The Monetary Policy Rate (MPR) was raised by 75 basis points to 27.50%, a move aimed at curbing inflation but one that risks further dampening economic growth. This continuous tightening echoes the CBN's commitment to price stability. After a tough period in late October to mid November, the Nigerian Naira began a turnaround as December dawned. The Central Bank of Nigeria (CBN) implemented a series of measures to streamline operations and encourage remittances through formal channels. The \$2.2 billion euro bond infusion served as a catalyst, reinvigorating liquidity, while the introduction of the Electronic Foreign Exchange Matching System brought harmony to interbank transactions.

Capital importation saw a notable shift. Total inflows in Q3 2024 reached \$1.25 billion, a 91.35% rise

Inflation & MPR (%)

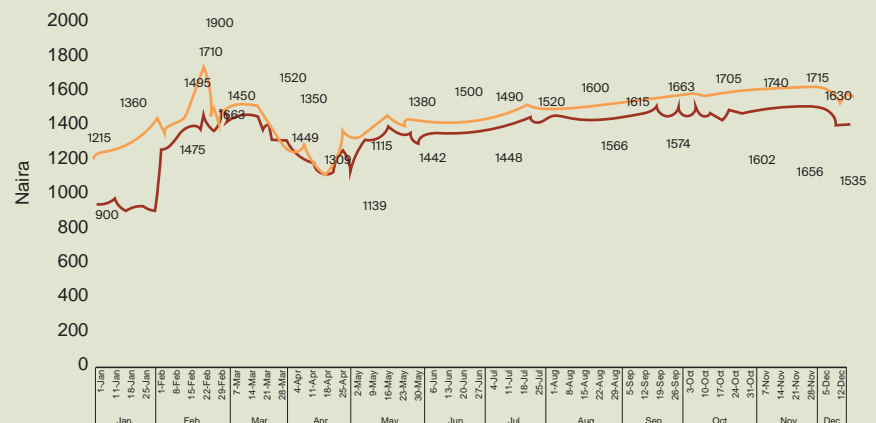
■ Monetary Policy Rate ■ All Items Inflation ■ Food Inflation



Source: CBN, Knight Frank Research

Official vs Parallel Rate

— Official Rate — Parallel Market



Source: CBN, Knight Frank Research

27.50%

The MPR was raised to 27.50% in order to curb inflation....

compared to the previous year. However, this was a sharp decline of 51.90% from Q2 2024, reflecting investor caution. The banking and financing sectors dominated, attracting the largest share of capital, with Lagos and Abuja receiving nearly all the inflows. As the Central Bank tightens its grip on inflation, maintaining the balance remains delicate.

On another note, Nigeria's real Gross Domestic Product (GDP) saw a slight increase, growing from 3.19% to 3.46% in the third quarter of 2024. This growth was primarily driven by the service sector, which experienced a 5.19% growth and contributed

3.46%

Nigeria's GDP grew to 3.46% in Q3 2024

53.58% to the country's aggregate GDP. However, this contribution is lower than the 58.76% recorded in the second quarter of 2024.

Nigeria's oil production averaged 1.47 million barrels per day (mbpd) in Q3 2024, slightly higher than the 1.45 mbpd recorded in the same period in 2023. However, this still fell short of OPEC's quota. The proposed 2025 budget, dubbed the "Budget of Restoration," aims to increase average oil production to 2.06 million barrels per day (mbpd).

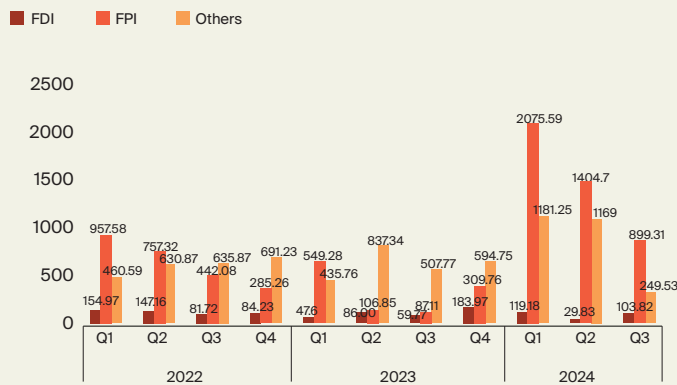
Nevertheless, production remains a concern, with the benchmark oil price set at \$75 per barrel. The oil sector contributed 5.57% to Nigeria's total real GDP. Despite modest growth, the economy still faces significant challenges. Inadequacies in political

and structural systems, rising fiscal deficits, and a high cost of government reveal some of the underlying vulnerabilities and hint at the complex dynamics that could shape the nation's future.

The Key Insights

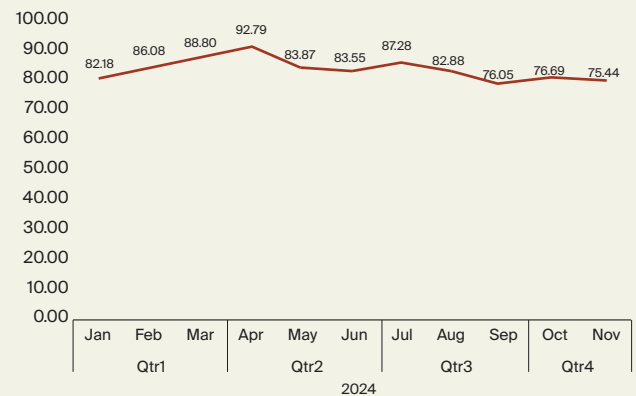
- Inflation hit a 28-year high of 34.80% in December 2024 despite monetary tightening efforts.
- Capital inflows rose 91.35% YoY but dropped 51.90% from Q2, indicating investor caution.
- The CBN raised the MPR to 27.50%, balancing inflation control with economic growth concerns.

Capital Importation (\$ million)



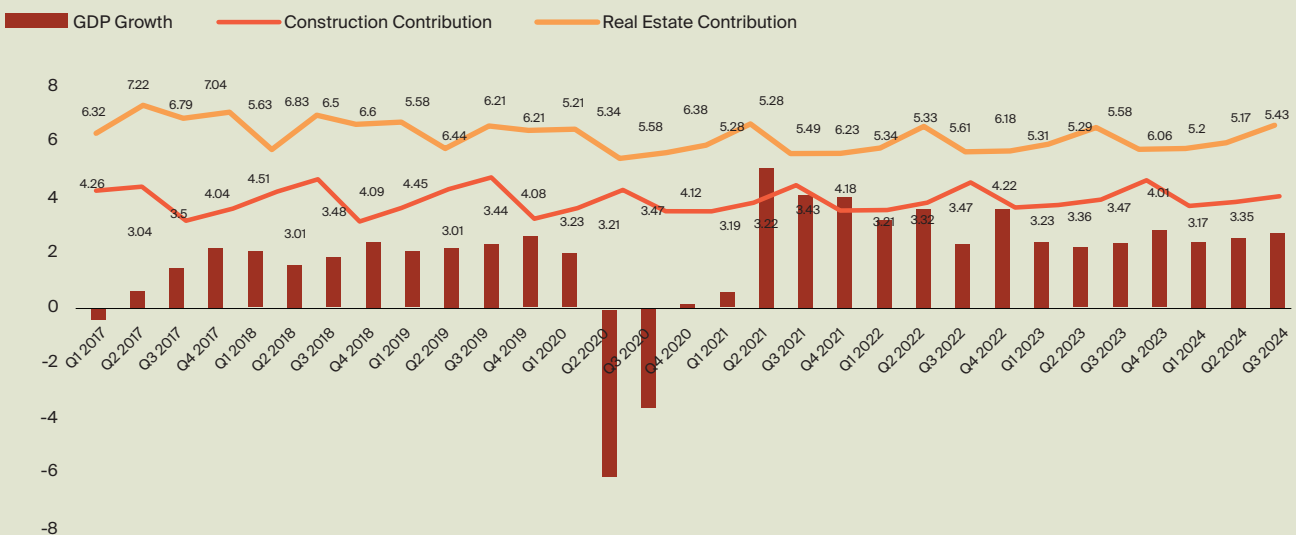
Source: Knight Frank

Avg. Monthly Crude Oil (\$)



Source: Knight Frank

GDP Growth, Construction & Real Estate Contributions to GDP (%)



Source: NBS

Residential Market Review

Geared towards increasing housing stock in Lagos, there have been notable investments and partnerships by institutional and private investors in the residential sector. For instance, the Lagos State Government partnered with Access Bank to provide 704 housing units consisting of two-bedroom apartments in Ikorodu.

Furthermore, government initiatives within Special Economic Zones (SEZs) are driving significant growth in the residential sector. The Renewed Hope Cities and Estates Programme has seen the commencement of the construction of 2,000 housing units in the Ibeju-Lekki. Additionally, the successful handover of 96 residential units to their property owners within Alaro City, a prominent mixed-use development within the Lekki Free Zone, demonstrates the thriving residential market fueled by strong

investor demand.

Although there is increased investment in the sector, which has continued to raise hopes, this optimism is tempered by the incessant rise in demolition activity across Lagos State, termed 'urban renewal strategy'. Some believe that this approach might be counterproductive in the long run, as it might discourage further investments in the residential sector, particularly in a country grappling with a housing deficit estimated to exceed 28 million units.

In a continuing trend from the previous half-year, rising inflation has severely eroded purchasing power, exacerbating tensions between landlords and tenants. Landlords are increasing rents significantly by up to 20% in some cases, to offset inflationary costs, leading to continuous rise in rent defaults. This has greatly reduced the attractiveness of build-to-rent investments for investors due to the

extended capital recovery period.

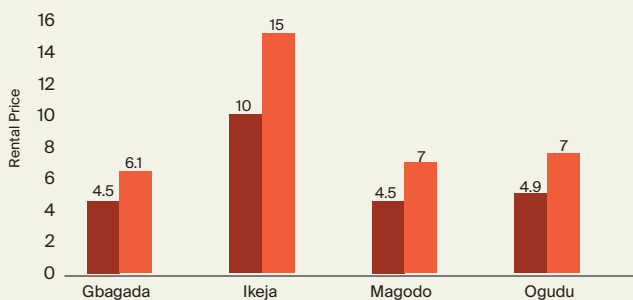
Despite these trends, infrastructural developments are poised to significantly impact property values in certain areas of Lagos. The Mile 2-Badagry corridor is emerging as an attractive investment hub, driven by ongoing infrastructure projects, including the construction of the Blue Line Rail, the expansion of the Bus Rapid Transit system, and the development of the Transport Interchange Hub.

The Key Insights

- Lagos State partnered with Access Bank to deliver 704 housing units, boosting residential investment.
- Rising inflation has led to rent increases of up to 20%, worsening tenant-landlord tensions.
- Infrastructure projects like the Blue Line Rail are transforming the Mile 2-Badagry corridor into an investment hotspot.

Lagos Mainland: Select Areas - Rent Per Annum (N'M)

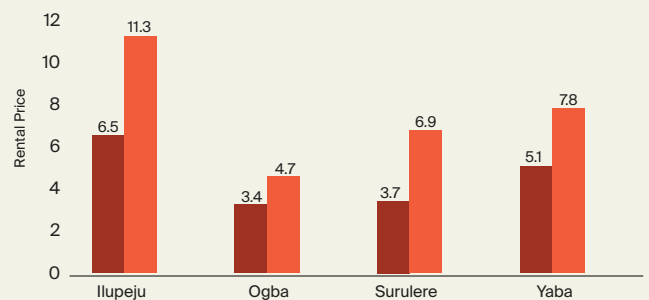
■ 3-beds ■ 4-beds



Source: Knight Frank

Lagos Mainland: Select Areas - Rent Per Annum (N'M)

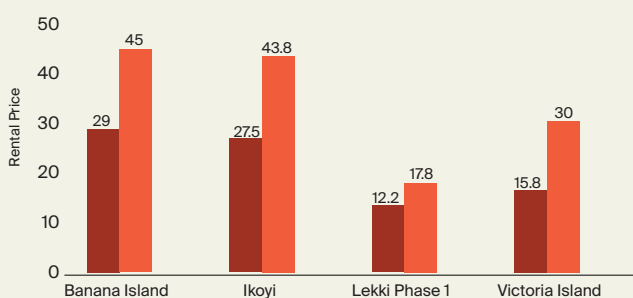
■ 3-beds ■ 4-beds



Source: Knight Frank

Lagos Island: Select Areas - Rent Per Annum (N'M)

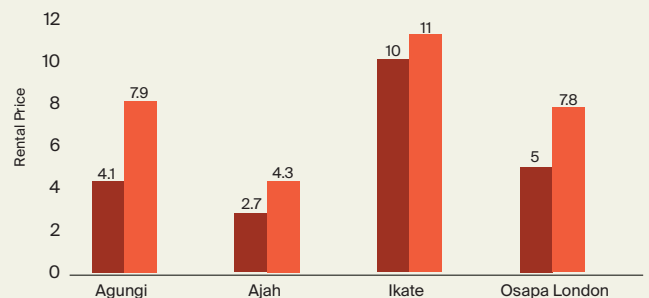
■ 3-beds ■ 4-beds



Source: Knight Frank

Lagos Island: Select Areas - Rent Per Annum (N'M)

■ 3-beds ■ 4-beds



Source: Knight Frank



Retail Market Review

The e-commerce landscape in Lagos is rapidly expanding, transforming the traditional retail sector. According to GoGlobe, Nigeria ranks 38th globally in e-commerce, with 89% of internet users engaging in online shopping.

This digital revolution is evident in the rise in online shopping platforms, the emergence of digital stores, and a decline in foot traffic at physical malls. Recognizing this shift, both government and private businesses are adapting and capitalizing on the growing e-commerce market, particularly within the Fast-Moving Consumer Goods (FMCG) sector.

For instance, proptech company SmallSmall has launched a digital platform to facilitate installment

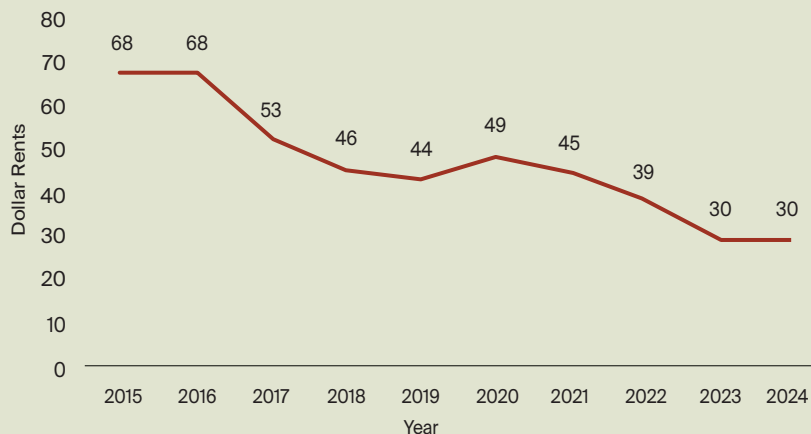
payments for goods and services, with the aim of addressing the over N64 million credit gap in the retail space. Also, the Lagos State Government is actively supporting this transition by implementing initiatives to enhance the digitalization of the retail industry. Some of these initiatives include the development of the 'Digital Retail' policy aimed at improving internet infrastructure, the advancement of digital literacy in low-income communities to encourage greater e-commerce participation, and the upcoming launch of the Women in Tech initiative, which will equip over 100 women with the necessary technology and coding skills, supporting their career growth in the digital sector.

This episode has elicited mixed reactions within the retail ecosystem. While some stores are successfully

adapting to the changing landscape, others face the risk of closure. South African retailer Pick n Pay, for example, is exiting the Nigerian market by selling a 51% stake in its joint venture. This decision can also be attributed to the challenging economic climate, characterized by increased operational costs and reduced consumer purchasing power.

However, the Nigerian retail landscape also witnessed positive developments. The opening of flagship stores such as Genesis Cinema at Purple Mall in Lekki and the Hisense store in Wuse, Abuja, as well as the acquisition of Ikeja City Mall (ICM) by South African real estate company Lango, owners of The Wings Tower and Circle Mall, from Hyprop and Attacq, demonstrate the resilience of the retail sector and the continued belief in its long-term potential despite the unfavorable business environment.

Average Retail Dollar Rents (\$/mnh)



Source: Knight Frank

The Key Insights

- Nigeria ranks 38th globally in e-commerce, with 89% of internet users shopping online.
- Digital platforms like SmallSmall address Nigeria's N64 million retail credit gap through installment payments.
- Lagos State is enhancing digital retail with policies on internet infrastructure and digital literacy programs.
- Major retail investments, like Ikeja City Mall's acquisition, show confidence in Nigeria's retail sector's long-term potential.



Office Market Review

With performance varying significantly across locations, property types and grades, the Lagos office market remained under significant pressure, shaped by enduring trends that highlight the

challenges within the sector. Economic uncertainties, shifting work trends, rising costs and the longstanding oversupply of office spaces in prime locations, particularly in Ikoyi and Victoria Island, persist, with landlords continuing to adopt flexible leasing strategies to retain tenants. Data from selected properties show that well-located,

occupier-centric, premium assets such as Heritage Place and Alliance Place enjoy near-full occupancy, demonstrating sustained demand for top-tier spaces, while newer or less competitive properties struggle with low or moderate occupancy rates, suggesting that even premium assets face pressure to differentiate in an oversupplied market, where tenant

preferences are increasingly driven by value for money, efficiency, and flexible lease terms.

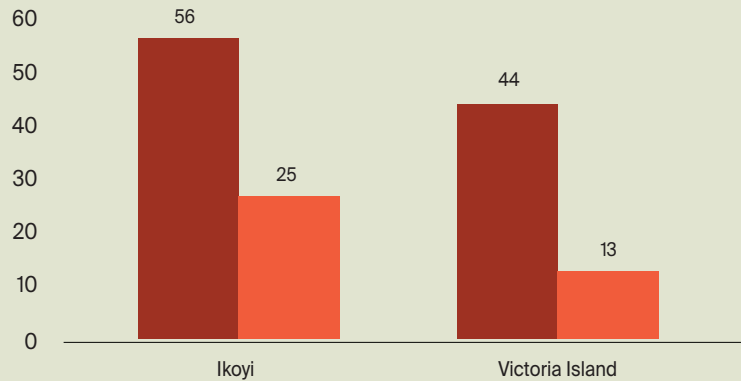
Conceptual projects and new entrants into Lagos' commercial office sector are adopting strategies such as pre-letting agreements to enhance project viability. Developments nearing completion, like Pantheon in Ikoyi and Phoenix, have gained significant traction, with substantial commitments already secured.

The Key Insights

- Lagos office market faces pressure from economic uncertainties, shifting work trends, and office space oversupply.
- Prime office locations like Ikoyi and Victoria Island struggle, leading landlords to offer flexible leasing strategies.
- Tenant preferences now prioritize value for money, efficiency, and flexible lease terms in office spaces.

Prime Ikoyi Office Rent (\$/sqm/month)

Grade A Grade B



Source: Knight Frank

Prime Office Pipeline

Name	Location	Size (m ²)	Completion Date
Ulesh Ikoyi	Ikoyi	16,390	2025
Dangote Industries HQ	Ikoyi	17,000	2025
The Phoenix	Ikeja	8,000	2025
RCO Court Tower	Victoria Island	8,000	2027
Harbour Point Towers	Victoria Island	20,000	2025
The Pantheon	Ikoyi	8,160	2025
Oasis Plaza	Ikoyi	3,000	2025
Roseworth	Ikoyi	1,680	2025
IoD House	Ikoyi	3,340	2025
The Rubicon	Ikoyi	9,361	2027

Industrial Market Review

Macroeconomic pressures continued to weigh on manufacturing activity, as evidenced by the decline in the Manufacturers Association of Nigeria (MAN) CEO Confidence Index. Concerns over rising interest rates, increased import duties, and high energy costs further dampened business sentiment and posed significant challenges to manufacturers.

In Lagos, Free Trade Zones (FTZs) remain focal points of industrial activities. With \$8 billion in cumulative

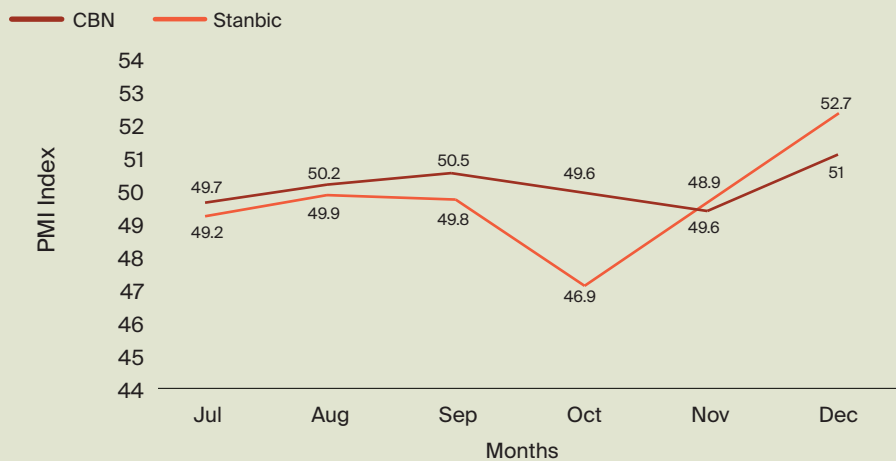
investments across the Lagos Free Trade Zone, Lekki Free Trade Zone, Alaro City, and LADOL, these zones

have fostered international trade relations and bolstered local economic activity.



Source: images.ctfassets.net

Stanbic - CBN PMI



Source: CBN, Knight Frank Research

The Key Insights

- The MAN CEO Confidence Index declined due to rising interest rates, import duties, and energy costs.
- Macroeconomic pressures continue to challenge Nigeria's manufacturing sector, dampening business sentiment.
- Lagos Free Trade Zones attracted \$8 billion in investments, boosting international trade and local economic activity.

Infrastructure Market Review

Lagos witnessed robust infrastructural rehabilitation activities and ongoing developments in the second half of the year, driven by the current administration's focus on transportation networks.

Less than two years after the successful launch of the Blue Line, the 27km first phase of the Lagos Red Line Rail commenced partial passenger operations on August 28th and achieved full operational status on October 15th. Both lines have been granted temporary operational licenses by the Nigerian Railway Corporation (NRC): six months for the Red Line and three years for the Blue Line. Also, the 14km Phase 2 of the Lagos Blue Rail has reached 27% level of completion with plans in place to demolish the Mazamaza Bridge to construct a stronger bridge that will support the intensive operations of the rail system.

Furthermore, construction of the Transport Interchange Terminal at Mile 2 commenced on November 11th, with an anticipated completion timeline of 15 months. This intermodal hub is expected to significantly enhance the investment potential of the Mile 2 corridor.

Following the recent rehabilitation of the Third Mainland Bridge, the

Federal Government awarded a N42 billion contract for the rehabilitation of Adeniji-Falomo Roads and the repair of damaged loops and ramps on the bridge, to ensure road safety and ease traffic congestion.

Other infrastructural activities include the undertaking of 11 road projects across the state by the Federal Government and the rehabilitation of a 300-meter road in Apapa to alleviate traffic congestion.

The Key Insights

- Mile 2 Transport Interchange enhances connectivity and boosts investment potential.
- The Lagos Red Line Rail achieved full operational status on October 15, boosting transportation.



Source: Guardian.ng

Data Center Market Review

Driven by the growing demand for cloud-based services across sectors like finance, telecommunications, and oil & gas, the Lagos data center market is experiencing rapid growth within Africa, closely following South Africa. Leading data centres such as MainOne, Equinix, WIOCC are at the forefront of this growth.

Telecommunications giant MTN Nigeria has announced plans to build the continent's largest data center in Lagos with a capacity of 1,500 racks, aiming to enhance internet access speeds and improve service delivery for Nigerians amidst rapidly growing

data usage. Airtel is also developing a 35 MW data center facility in the prime location of Eko Atlantic. Open Access is also developing a data center facility in Lekki, commencing with a 12 MW capacity and with expansion plans to reach 24 MW. Additionally, the data center capacity under construction in Lagos totals 70 to 80 MW, with an estimated investment of \$700 million. These projects are projected to have a significant economic impact on Lagos, potentially reaching \$7 billion.

These developments underscore the significant growth potential of the Lagos data center market, driven by the increased adoption of technology and the surging demand for robust digital infrastructure.

The Key Insights

- Lagos' data center market is rapidly growing, second only to South Africa.
- MTN Nigeria plans to build Africa's largest data center with 1,500 racks.
- Airtel and Open Access are developing major data centers in Lagos.
- Data center investments could contribute \$7 billion to Lagos' economy.

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We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.

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