

Lagos Market Update

Q4 2019



The Key Insights

Inflation rate hit 11.98% in December 2019

VAT rate increased from 5% to 7.5%

Global investment in property technology stood at \$18Bn in 2019

Average office rent prices range between \$450 - \$800/sqm

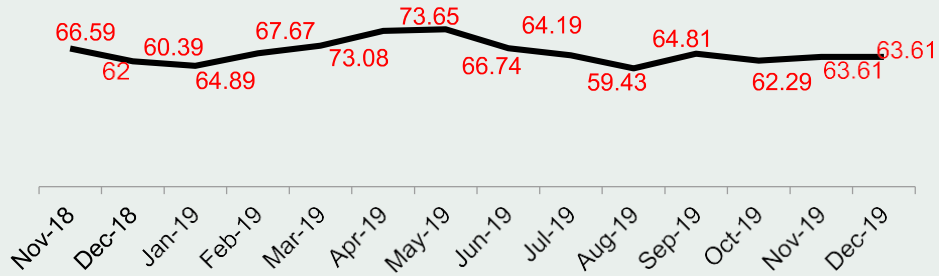
Nigeria's global ranking in retail development dropped from 27 in 2018 to 30 in 2019

2019 Economic Update

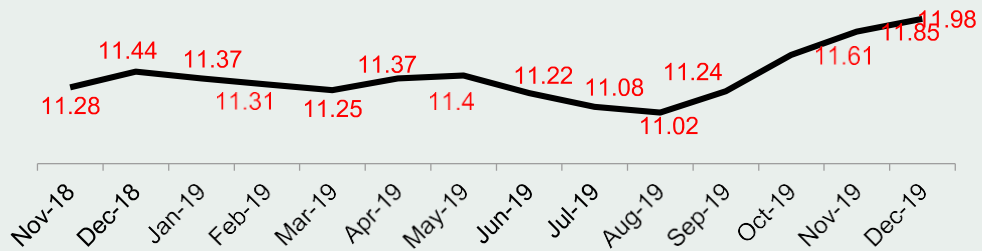
Nigeria's Ease of Doing Business ranking moved up 39 places from 170 to 131 in 2019. Agriculture, crude oil, transportation, services and telecommunications sectors were major drivers of GDP growth. An estimated 2.3% real GDP was recorded in 2019, 0.4% higher than 2018. Inflation rate stood at 11.98%, rising for the 6th consecutive time since July 2019.

Rising FX obligations led to increased pressures on external reserves in 2019. Foreign capital inflows stood at \$3Bn, 7.8% lower than \$5.82Bn recorded in the early part of 2019.

Price of Crude Oil (\$/B)



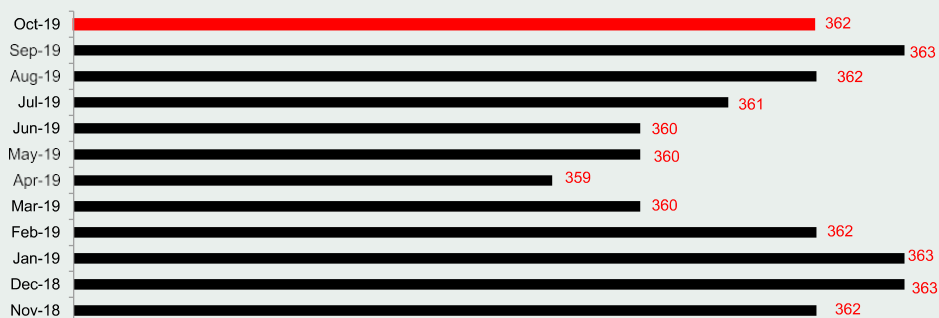
Inflation (%)



External Reserve (\$'BN)



Exchange rate (N=)



Residential Market Review

There has been a gradual drop in vacancy rates in the Lagos mainland areas, due to the growing demand for housing by mid to low-income earners. On average, rental values are inching up with increasing supply in the market

Magodo, Phase 2 and Ikeja GRA recorded vacancy rates of 5%, 4%, and 10%, an increase from 2%, 1% and 4% in the preceding quarter (Q3 2019). Surulere and Lekki Phase 1 recorded vacancy rates of 10% and 7%. Lekki Phase 1 recorded a decline from 22% to 7%.

Key Trends



Mixta Africa partnered with the Family Homes Fund to deliver the first phase of the proposed 5,000 units



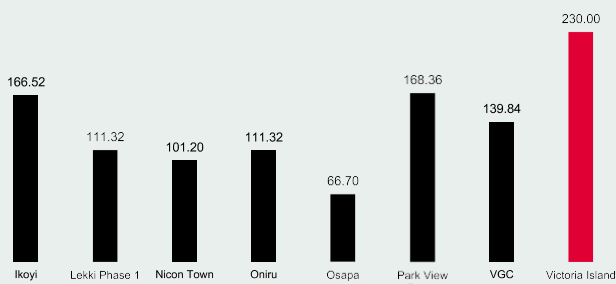
Africa currently has 121 PropTech firms with 45 in Nigeria and 61 in South Africa



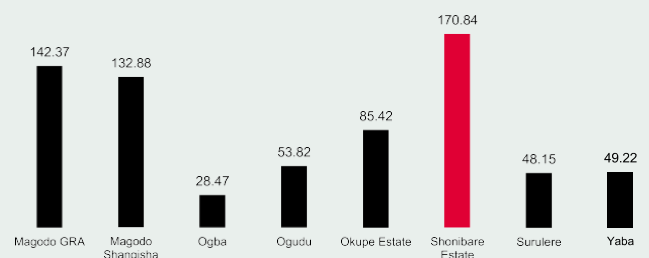
Local and foreign investors are investigating the potential of student accommodation

Performance Indicators

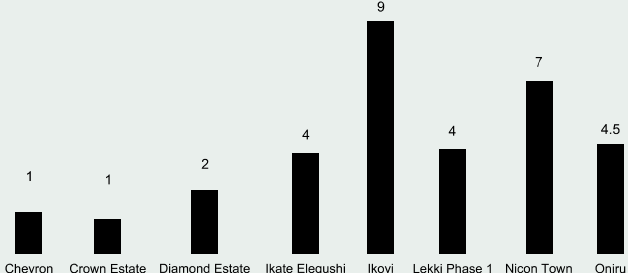
Lagos Island: Average Land Prices (N'450sqm)



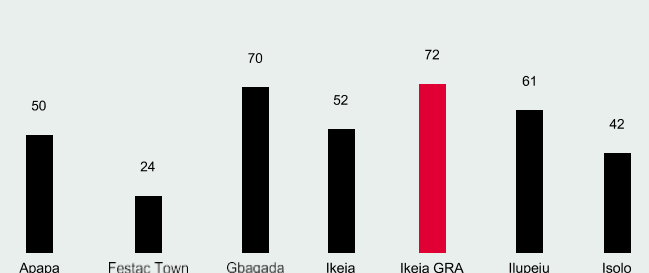
Lagos Mainland: Average Land Prices (N'450sqm)



Lagos Island: Select Areas - Rental values (N'M)



Lagos Mainland: Select Areas Sale Price for 4-bed Apartments (N'M)



Retail Market Review

According to the Global Retail Development Index (GRDI), total national sales from the sector declined from \$109Bn to \$105Bn. This is due to decline in consumer purchasing power, changing e-commerce trends and rising inflationary pressure. There is a reduction in the vacancy

rates across malls, a reflection that retailers are taking more spaces.

Focus has shifted from larger stores to smaller retail stores to get higher yields. Achieving a strong central hub in the retail sector will involve the use of e-commerce and proper warehousing facilities.

Key Trends



Nigeria has the largest e-commerce market in Africa with online retail expected to grow at double digit rate through 2020.



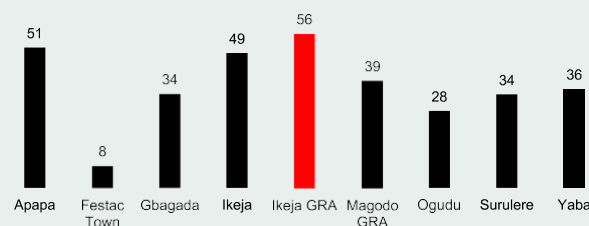
Warehousing Development
Attention is now on large-scale global standard warehousing – the new model for growth and trading expansion.



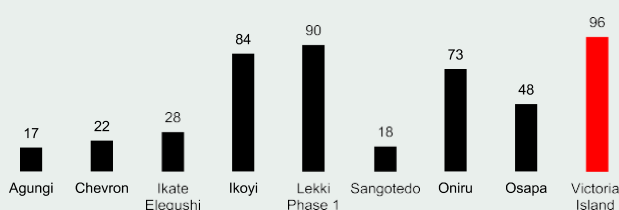
The vacancy rates across grade A malls have relatively remained the same from their H1 rates.

Performance Indicators

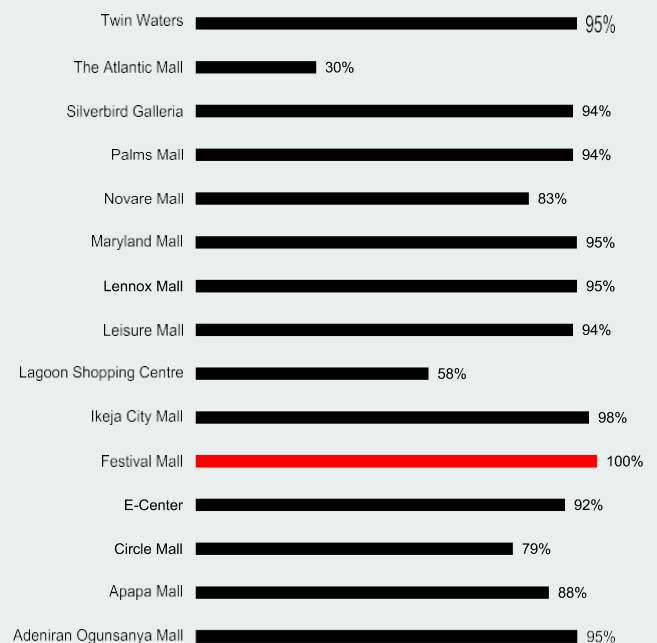
Lagos Mainland: Average Retail Prices/Sqm (000'N)



Lagos Island: Average Retail Prices/Sqm (000'N)



Retail Occupancy Rates (%)



Office Market Review

Grade A office vacancy rates have improved slightly. A few developments are still ongoing in 2020 – even though this could change during the year depending on the decisions by the central bank.

Demand for office space leases are from internationals and tech companies. Modern property management practices remain integral to ensuring investor returns and improving property yields over the life of the investment.

Foreign Direct Investment into the commercial real estate sector has compared favourably with global benchmarks. Modern property management practices are required to ensure returns to investors and improve property yields over the life of the investment.

Key Trends



Co-working spaces recorded more than 300 % growth between 2016 and 2019



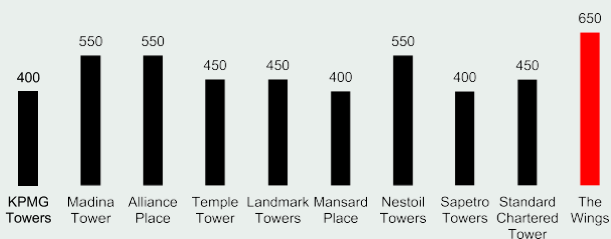
Average rent prices are \$450 -\$800/sqm



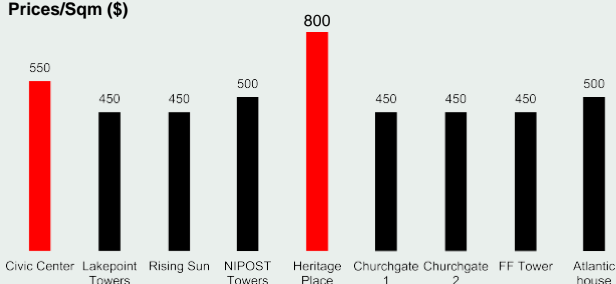
Demand for office space leases are from multinationals and technology companies.

Performance Indicators

Prices/Sqm (\$)



Prices/Sqm (\$)



Source: Northcourt



Lagos Real Estate Outlook 2020

Nigeria Economic Outlook

Nigeria's 2020 ₦10.59Trn budget of sustaining growth with an oil price benchmark of \$57pb and production of 2.18mbpd is set to offset infrastructure deficit, health, security and other areas. Exchange rate stability and increased CAPEX spend will stimulate economic activity. VAT increase from 5% to 7.5% will trigger rise in prices as border closure continues to influence movements in food prices.

Lagos Residential Market Outlook

Local and foreign investors are investigating the potentials in student accommodation. Student numbers are projected to grow as financing instruments, infrastructure and technology support are being considered by the government.

The government also signed a \$629M contract with the Chinese Development Bank (CDB) for the development of the Lekki Deep Sea Port. This is expected to attract further investment to the Ibeju-Lekki axis.

Lagos Occupier Market Outlook

Property owners and managers have to ensure that their investments remain competitive. With more businesses cutting down on team strength, leveraging partnerships, enquiries for coworking spaces continues to strengthen.

High vacancy rates will likely remain for Grade A offices.

Lagos Retail Market Outlook

Large scale global-standard warehousing is now the new frontier for growth and trading expansion. The adoption of new trends in the market, an eye on government regulations and investment in infrastructure is expected to stabilise and eventually scale activities in the retail sector.

Contact Us:

NIGERIA

Frank Okosun

Senior Partner

+234 803 303 0380

frank.okosun@ng.knightfrank.com

Erhabor Ehondor

Partner

+234 701 496 2507

erhabor.ehondor@ng.knightfrank.com

Knight Frank Research
Reports are available at
knightfrank.com/research



Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for expert independent advice customised to their specific needs. Important Notice: © Knight Frank LLP 2019 This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.