



Lagos is Nigeria's most populous city with a population of over 21M. It is the 2nd fastest growing city in Africa and 7th in the world. And land use classes across income levels are adjusting to keep up with both economic and demographic outcomes of this growth. The city is projected to exceed 30M inhabitants by 2030 creating more demand for basic infrastructure - housing, roads, electricity and the like.

The city's economic foundations remain strong, evident in the most recent national figures - Q3 2018 where, despite the general decline in Internally Generated Revenue, it earned the highest of all Nigeria's states - ₦283.5Bn. The State's proposed 2019 budget of ₦852.3Bn is also targeted at completing key infrastructure projects.

Residential

Landlords' post-recession posture aimed at keeping rents moderately high, besides maintenance expenses and a relatively positive economic outlook - continues to keep vacancies

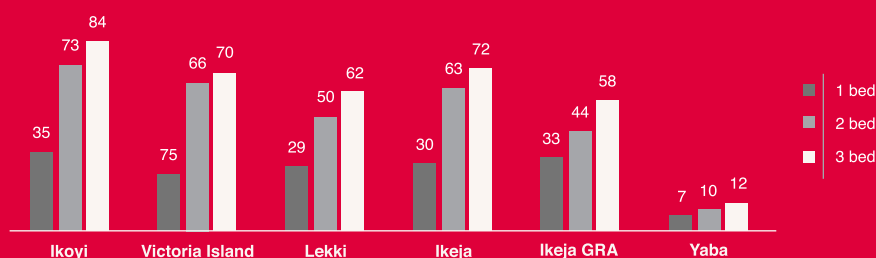
above average. Currently however, market forces continued to squeeze the middle class - who make up a significant demand bloc (by volume) for residential housing. This had caused relocations to more modest apartments from the upscale ones.

There is also demand for short-let apartments, reflected in high occupancy rates of the sub-sector which has led to quite a few conversions from hitherto standard residential apartments. Again, the growing millennial demographic has continued to drive the growth in demand for 1 & 2 Bed apartments. Specifically, there has been more demand for 3 & 4 bed apartments (for lease and sale) in the Agungi, Chevron & Lekki Phase 1 areas; some of which have been for conversion

to commercial use. The demand on the mainland - with Gbagada & Yaba as leading examples have been for 1 & 2 bed apartments.

The Lagos State Development Property Corporation (LSDPC) in partnership with Direct Construction Limited is set to develop 48 housing units in Ogudu GRA extension with a completion time of 12 months. For developers in general, space optimisation remains a leading consideration for all projects as they seek to maximise earnings per square metre by intensifying development. Plans are underway by FHF to set up a rental housing fund giving low-income citizens a first step on the housing ladder.

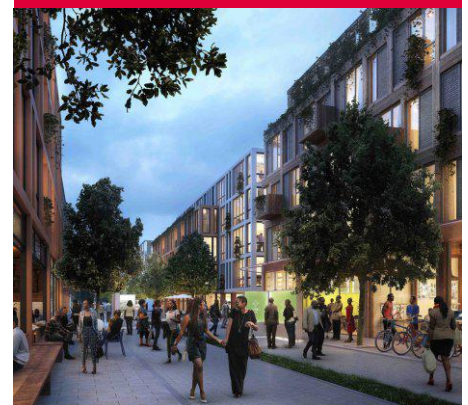
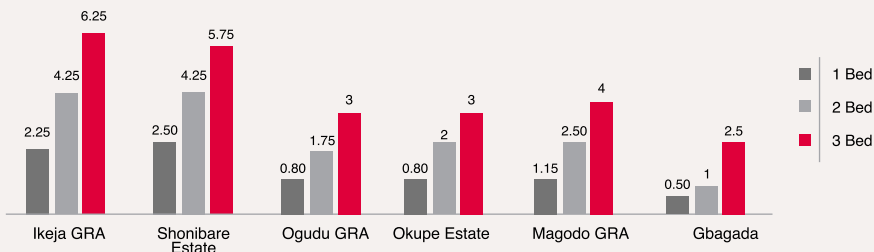
Short Let Apartments Average Rent Per Night (N'000)



Source: Northcourt Real Estate

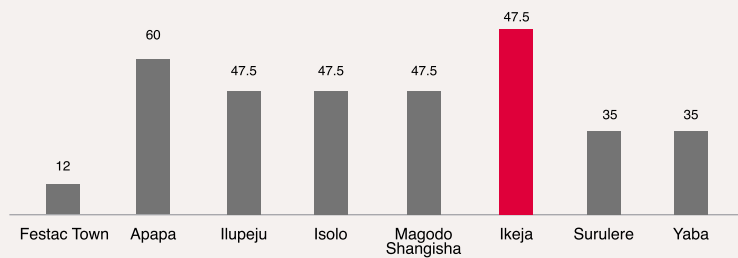


Lagos Mainland: Select Areas - Rent per anum (₦'M)

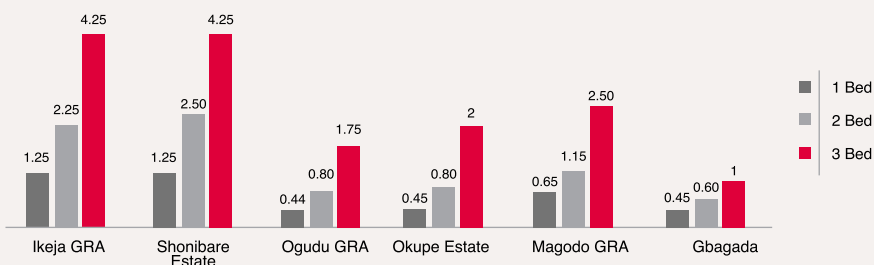


SOM Design for the Alaro City, Lagos
Image Source: Archdaily

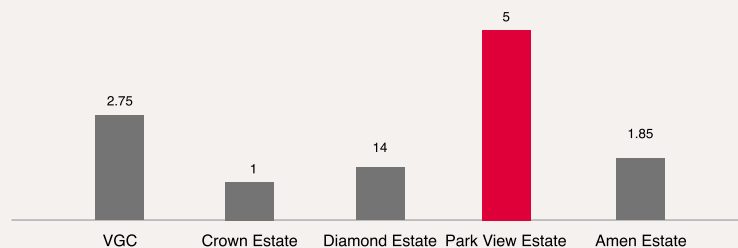
Lagos Mainland: Select Areas - Sales Price for 3 Bedroom Apartments (₦'M)



Lagos Mainland: High Income Areas - Rent per anum (₦'M)



Lagos Island: Select Gated Communities - Rent per anum (₦'M)



Source: Northcourt Real Estate

Alaro City – a modern city development in the Lekki Free Zone is a partnership between Rendevour and the Lagos state government estimated to cost \$249M. The Nation's Mortgage Bank – FMBN is to begin the provision of ₦500M affordable housing, beginning in Anambra state following the state's up-to-date contribution to the NHF.

Ongoing projects within the city include Bluewater Lagos and Bayview Estate both situated on the Lekki corridor, with estimated completion dates as Q4 2019 & Q2 2020 respectively. Developers of the 3-winged Labana Apartments and Twin-Tower Empire Court expect to complete their developments this year.



Kings Tower, Ikoyi Lagos
Image Source: Business Post Nigeria

Office

Vacancy rates for Grade A offices have remained high. The market is yet to recover sufficiently enough to support effective demand for the rentals circa \$500 per square metre. There were a few new tenants who signed Grade A leases. Location and security remain primary drivers for commercial spaces and buildings designed with these considerations tend to have lower vacancies.

And with sustainability features becoming the accepted expectation for Grade A developments, new entrants are going green. Kingsway Towers opened in Q1 2019, contributing 13,317sqm space to the already oversupplied office space. Rent-free fit out periods, back-end rent payments and other incentives which started as incentives to stimulate demand during the 2017 recession have remained as landlords and tenants continue to seek mutually beneficial lease terms.

Office spaces outside the Grade A bracket have enjoyed some interest and are being converted to Coworking use. Millennials and tech-startups have remained drivers of coworking space demand. Coworking in Nigeria, from just 2 in 2011 has grown to 109 and 1.7M individuals involved globally and industry experts suggest that 1 location opens every month in Lagos.

Construction work is ongoing on Dangote Industries' new HQ and Famfa towers. Renovated IMB Plaza, now called Number One will add 8900sqm of space to the Grade A office market.

Retail

Local retailers have increased their presence. Now shopping centres have opened and existing brands have opened more locations. There is renewed interest from international investors having knowledge of the growing consumer base in Nigeria. Accessibility, parking, entertainment features and children play areas have remained core considerations for the success of retail developments. Rent payment in local currency is now accepted for Grade A retail spaces and payable monthly.

Hubmart, a growing retail brand opened a new store in Lagos. Burger King's attention is now on Sub-Saharan Africa outlying plans to open in Nigeria. Film House Cinemas opened in Twin Waters as retail complex in the Lekki area and is expected to be a key consumer attraction. The Triangular Business Mall, Landmark Retail Boulevard are all at advanced stages of development. Grace Arena - a shopping mall in the Oniru area is also under construction.

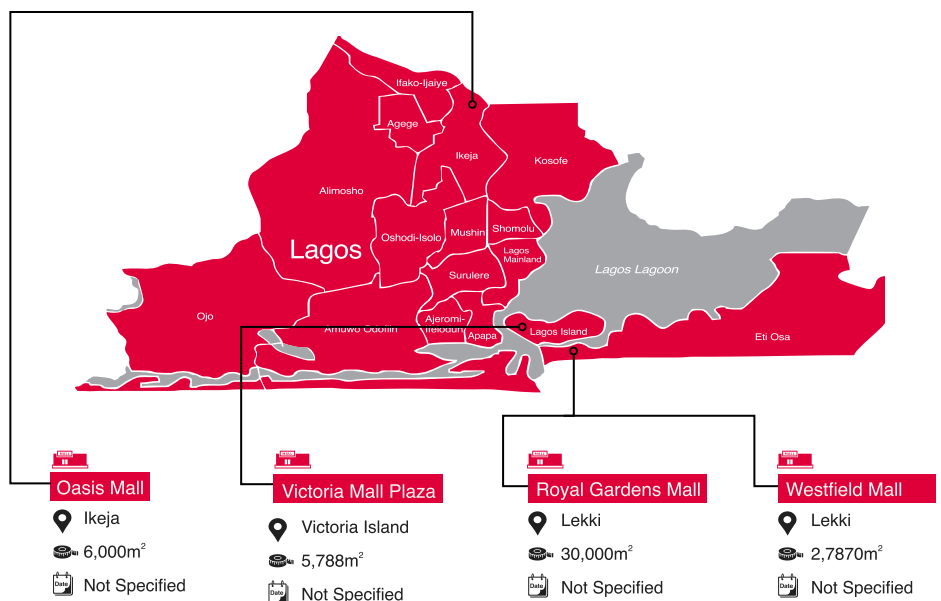


Hubmart, Ultra Modern Mall, Lagos
Image Source: Business Post Nigeria



Twin Waters Entertainment Centre, Lekki 1, Lagos
Image Source: Estateintel

Retail Pipeline



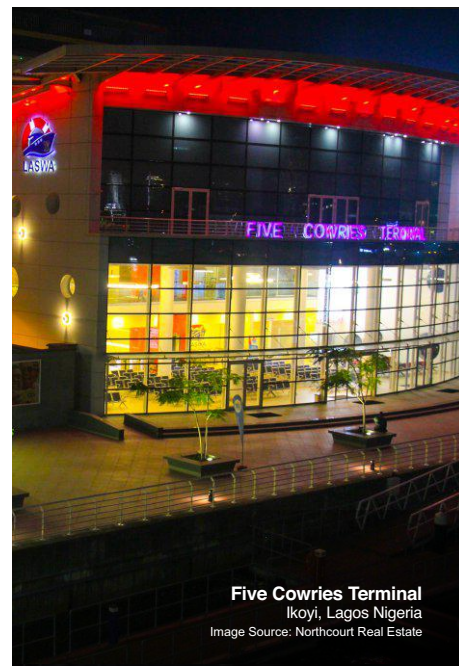
Source: Northcourt Real Estate



Four Points by Sheraton, Lekki Lagos
Image Source: Business Post Nigeria

Hospitality

The lengthy construction period for hotel projects is a reflection of the current regulatory involvement. Safety and stronger government support remain key considerations to the growth of any nation's hospitality sector. With 75% occupancy rate recorded for hotel accommodation in Lagos, current pipelines will add to available space over the next 2 years as more partnerships between international managers and local operators are recorded. Notable developments include Landmark's ongoing hospitality development along the Victoria Island Extension axis to be completed in 2022.



Five Cowries Terminal
Ikoyi, Lagos Nigeria
Image Source: Northcourt Real Estate

Great Expectations

PropTech is everything tech-enabled that touches real estate, encompassing planning, building & property management stages. The rise of this sector in the Nigeria real estate market has been consistent having more than the likes of Italy and Ireland. The Proptech market in Nigeria is young - still, the Nation boasts of 60 startups, more than Italy and Ireland.

On the supply side, solutions being developed facilitate access to land, infrastructure and services, planning and building regulations, construction & building materials and construction finance. Those on the demand side cover end-user finance and O&M (operate & manage) solutions for rental property. Challenges to this growth include difficulties in getting investment especially as FinTech is seeing a surge in funding. Still, innovations are developing far faster than any legislation and they are not letting this stop them.

The residential market will see more partnerships as tech-heavy real estate service providers, also known as Proptech firms introduce new products and services. Startups across use classes - healthcare, data analyses, retail and residential are raising funds from investors who are well aware of the risks and rewards.

The Grade A office market is expected to struggle in reducing vacancies. Landlords will remain on hand to offer incentives to would be tenants. We expect a gradual uptake of traditional office space as coworking and conversions from residential use continue.

The newly proposed National Housing Fund (Establishment) Act 2018, which sought to increase contributions to the NHF with stiff penalties for defaulters, albeit without sufficient public consultation has been rejected by the President. While the average stakeholders heave a sigh of relief, ongoing conversations are on the

provision of affordable housing. Government's partnership with the private sector will continue to play a major role in achieving this.

The role of selected private firms in participating in infrastructure as provided under Executive order No. 7, will serve as a major boost to accelerating road infrastructure across the nation. Completed section of the Lagos – Ibadan standard rail gauge will help reduce travel distance for commuters between Lagos and Abeokuta.

Foreign industrial concerns will have outlined plans to increase their presence Lagos, & so the search for Grade A warehousing continues. In conclusion, the Lagos real estate market will see more supply across the various sub-sectors. However, there will be varying levels of demand.