



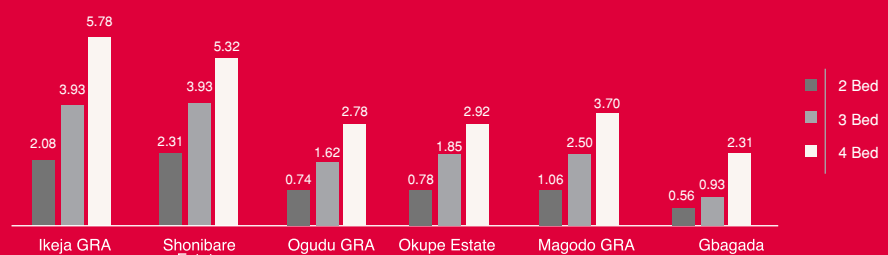
**T**he Lagos Real Estate market has continued to stabilise over the last six months. Stakeholders on the demand and supply sides of the property delivery framework have accepted the direction in which the market is headed. Developers have buckled down on projects with a maximum of 3 bedrooms. Residential rents are more open to negotiation on the mainland. Residential rents on the Island are stable. Grade A office is still on the back foot while other purpose-built office and co-working spaces continue to thrive. Agents report a demand for warehouse space in the city, and this is unlikely to go away soon.



### Residential

The supply side of the residential market is gradually picking up. Tenants, yet to recover from the weak economy pushed for better

### Lagos Mainland: Select Areas - Rent per annum (₦/M)

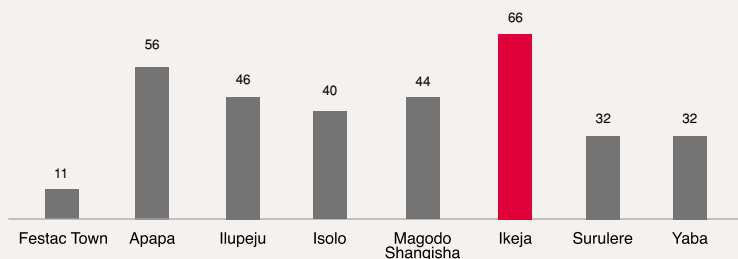


Source: Northcourt Real Estate

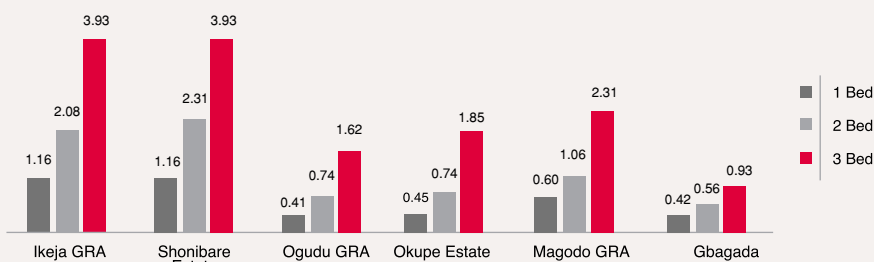
deals on their rents. But a lot of Landlords have also kicked-back in the period under review, making little or no reductions in their rents. With sales prices however, there was some flexibility. This confirms an assertion that the rental market is stronger than the sales market. More 'work, live and play' projects have been announced by developers to accommodate the lower and middle-income classes. This is a trend that is expected to continue for the foreseeable future.

To make the most of the economy, landlords have made adjustments to their holdings - converting residential apartments to commercial use. And this continues to be popular, driving rentals up, as can be seen on many streets in Lekki Phase 1, Ikeja GRA and Magodo Phase II. This has favoured relocations to areas of a more residential nature. Ikoyi, Victoria Island and

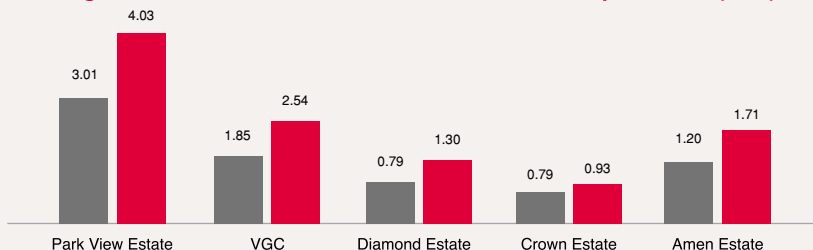
**Lagos Mainland: Select Areas - Sales Price for 3 Bedroom Apartments (₦'M)**



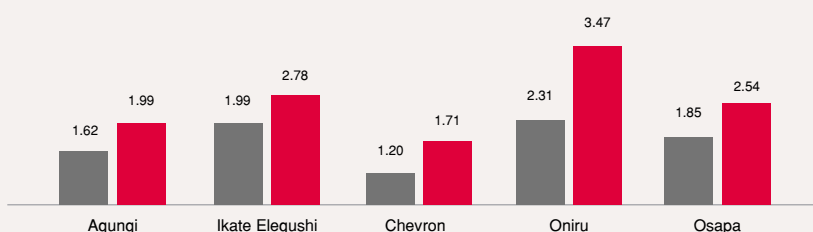
**Lagos Mainland: High Income Areas - Rent per annum (₦'M)**



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



**Lagos Island: Select Gated Communities - 2 & 3 Bed Rent per annum (₦'M)**



Source: Northcourt Real Estate



Oniru still record vacancies of 48%, 35% and 30% respectively. LSDPC has recently partnered with a number of private developers to open up the Ogudu GRA extension area.

Arctic Infrastructure, Heinrich Böll Stiftung and the Development Envision lab have embarked on the regeneration of Adeniji Adele Estate - 120 blocks of low income 2 and 3 bedroom apartments. Phase 1 of the Bluewaters Lagos project is expected to be completed with 119 units by Q4 2019. Developers of Alaro City report that the first phase of its residential serviced plots is fully sold out.



Heritage Place, Ikoyi Lagos  
Image Source: Connect Nigeria

### Office

Landlords have continued to offer incentives to better manage vacancy rates as expectations remain for the economy to recover. The high vacancy rates in Grade A buildings continued to exist, around 30 - 55% on average. Average rent prices are still within the \$550 - \$850 per sqm range. Heritage Place, The Wings and Alliance Place have stood out in terms of low vacancies with anchor tenants, green features and modern security features contributing to their success. There is a growing insistence for green/sustainability features in office buildings, especially from internationals.

As the Grade A office space market continues to weaken, conversion of residential apartments has grown and more coworking spaces have opened. This is observed in Victoria Island and Yaba. Relocations from Grade B to prime offices were recorded, but Grade A and other well developed purpose-built offices have seen some uptake in a number of locations. It was reported that the US Consulate purchased 50,000 sqm from Eko Atlantic city at \$150M.

Recent completion - Cornerstone Head Office building at Oniru adds 12,000m<sup>2</sup> of office space. This further reduces the list of ongoing Grade A projects in the country. Adding to the Lagos skyline is Greystone Towers

contributing 11,190m<sup>2</sup> of office space out of the more than 40,000m<sup>2</sup> expected for 2019.



Maryland Mall, Lagos  
Image Source: Connect Nigeria

### Retail

Nigeria signed the Africa Continental Free Trade Agreement designed to improve trade relations within Africa. Both local and foreign retailers have renewed their interest in taking up more space. Larger malls are seeing a gradual improvement in their performance. Play areas for children and cinemas have remained vital elements to the success

of Grade A malls. New developments at the conceptualisation stages are emphasising entertainment features.

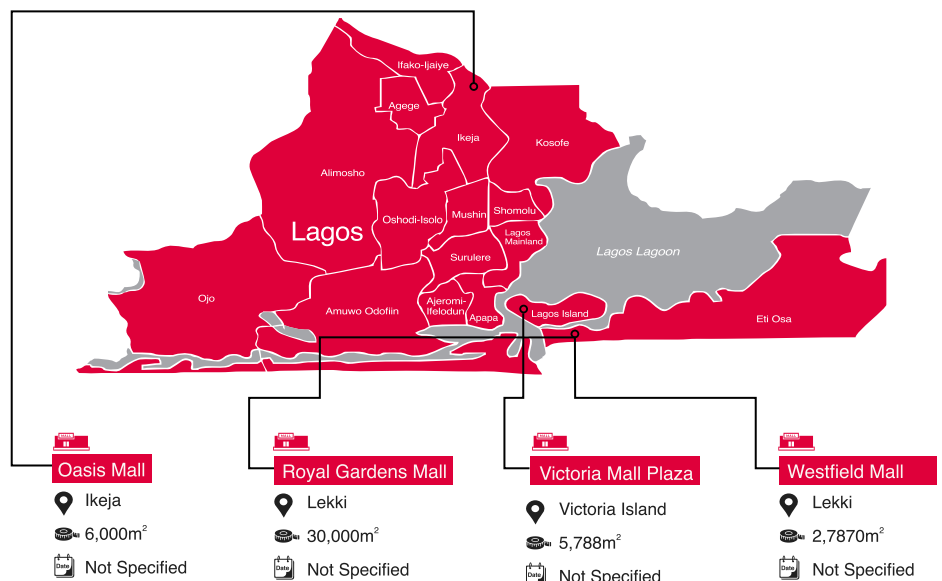
Reliable logistics platforms and an efficient supply chain have been identified as factors for a successful e-commerce venture. Jumia listed on the New York Stock Exchange raising above \$200M on its first day of trading.

While vacancy rates remain stable across most Grade A malls, Apapa mall has seen decline in footfall. In addition, vacancy rates are growing due to the development's poor infrastructure in the area. Eat 'N' Go Limited (Dominos Pizza) has opened its 100th outlet and plans to open more.



Dominos's Pizza, Ilupeju Lagos  
Image Source: Coldstone Creamery

### Retail Pipeline



Source: Northcourt Real Estate





### Hospitality

Nigeria's hospitality market is projected to grow by an estimated 5.5% YoY according to W Hospitality group. Though still plagued with a lengthy construction period of 5 – 7 years (unlike Kenya which takes 3 years), the next few years will see more additions as international investors take position in the market. Hotels have maintained a 75% average occupancy rate but there is a gradual shift to the serviced apartments model as Radisson opened 55 units in Ikeja. Boutique hotels, almost moving in lockstep with coworking service



providers are establishing themselves as a developer's delight. Regulators find them easier to approve and construction is generally completed within 24 months. Hotel Management however remains critical to profitability. The Oriental hotel in Lagos is up for sale at ₦90Bn.

(as some tenants may take advantage of this to frustrate a landlord).

The proposed law is still undergoing review.



### A Question of Laws

Towards regulating the relationship of parties under tenancy agreements and clarifying the procedure for the recovery of premises in Lagos State, the proposed changes made of the Lagos Tenancy Law 2011 seek to disconnect tenants from common facilities where there is a default in service charge payments. Other highlights of the proposed law include a 10% tax on rent and compulsory exploration of alternative dispute resolution (ADR) measures which could affect real estate investment

