

Africa Residential Dashboard

H1 2020

HEADLINES

Lagos

RECORDED THE HIGHEST INCREASE IN PRIME RESIDENTIAL RENTS

60%

OF THE CITIES RECORDED STABLE OR INCREASED RENTS

Affordable housing demand

ACROSS THE CONTINENT CONTINUES TO PERSIST

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The need for quality living spaces due to remote working is anticipated to result in increased demand for prime residential units
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Residential rents remained relatively stable across the Africa region in the first half of 2020 despite the COVID-19 pandemic and subsequent lockdowns imposed. Of the cities tracked by Knight Frank, 60% recorded stable or increased rents over the first half of the year. Whilst physical viewings were restricted in majority of the markets, a surge in virtual viewings was observed over the review period.

In the short to medium term, we anticipate a flight in the number of expatriates from the continent's cities to the working from home phenomenon to impact residential demand. On one hand, while the flight in the number of expatriates from the continent due to the pandemic is anticipated to lead to a decline in demand for prime residential units. The need for quality living spaces due to remote working is anticipated to result in increased demand for prime residential units.

Further, affordable housing demand especially by the young professionals working in African cities continues to persist in the wake of the COVID-19 pandemic and subsequent measures adopted towards reduced density as a means to curb the spread of the virus. As a result, renewed government interventions towards ensuring affordable housing delivery have been observed in countries such as Kenya and Nigeria.

Uganda's residential market activity ceased in Q1 2020 as a result of the lockdown restrictions imposed. Ongoing developments were put on hold as well as any ongoing transactions. The market

further suffered setback due to the mass exit of over 1000 expatriates who constitute majority of the prime residential tenants. The market is set to continue experiencing subdued demand in the short term owing to continued government restrictions on international travel. Further, we anticipate slight declines in prime residential rents in the short term due to the current economic conditions and subsequent impact on disposable income in the country.

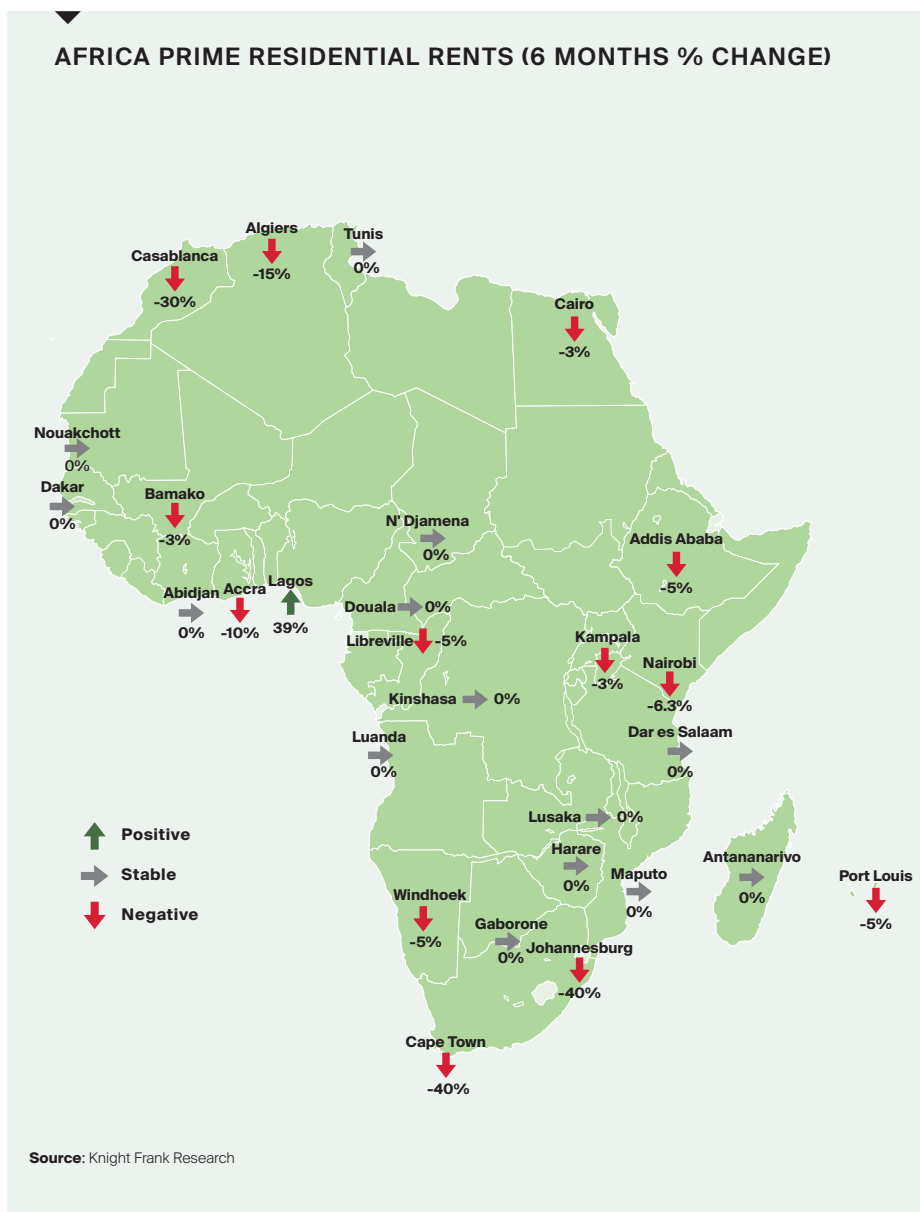
Kenya's average prime residential prices in Nairobi declined by 2.9% over the first half of 2020 compared to a decline of 1.8% in the first half of 2019, pushing the annual decline to 5.1% in the year to June. Prime residential rents also declined over the review period by 6.55% compared to 1.67% over a similar period in 2019, taking the annual decline to 7.62% in the year to June. The decline in both prime residential rents and prices is mainly attributed to the continued oversupply of residential developments, unfavourable economic climate, low liquidity and expatriates returning to their home countries. We expect prime residential rents to decline in the second half of 2020 due to the projected negative economic growth, tighter liquidity, continued relocation of expatriates and less disposable income from potential tenants. Prime residential prices are also expected to decline albeit at a slower rate.

In Nigeria, Lagos's prime residential rents for a 4-bedroom unit were recorded at \$8,333 per month at the end of H1 2020, a 38% increase from Q4 2019. This increase was attributed to increased demand for prime residential units as a result of

the COVID-19 restrictions resulting in an increased appreciation for the quality living spaces offered by prime residential real estate. However, ongoing developments suffered major setbacks due to supply chain disruptions impacting the availability of construction materials. As the need for quality living spaces increases in the wake of COVID-19, affordable housing demand especially by young professionals in Lagos has continued to persist, resulting in various government interventions.

In Zambia, Lusaka's overall transactions in the prime residential market slowed in H1 2020 as a result of the COVID-19 pandemic exerting downward pressure on prices. Increased supply of residential units onto the market coupled with lower demand resulted in a softening of the market and a reduction in rents. This resulted in average prime residential yields increasing in the first half of 2020. We anticipate this trend will continue throughout the year. Further, increasing urbanisation and infrastructure development in the city is set to lead to increased demand for land in Leopard's Hill, New Kasama, Ibex Hill, Roma, Ngwerere and Lilayi in the medium term.

South Africa's prime residential rents plummeted in the first half of the year. Prime residential US\$ rents in Cape Town and Johannesburg declined by approximately 40% on average to circa \$3200 per month and \$1,760 respectively. This has been attributed to the current economic downturn in the country and subsequent currency depreciation against the US\$ over the past six months. We anticipate that this trend will continue in the short to medium term as the country continues to suffer the effects of being in a recession.



Contact us:



Nick Gaertner
 Head of Residential Consulting
 +27 79 504 2638
 nick.gaertner@res.za.knightfrank.com



Ian Lawrence
 Head of Consulting
 +44 792934 7755
 ian.lawrence@knightfrank-emc.com



Jayne Mugambi
 Head of Residential Agency, Kenya
 +25 47 332 99978
 jayne.mugambi@ke.knightfrank.com



Tilda Mwai
 Researcher for Africa
 +971 54 3224 749
 tilda.mwai@me.knightfrank.com

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