The Africa Offices Market Dashboard

Knight Frank

H1 2024

Providing occupiers, landlords, and investors with a regular analysis of the rental performance and trends of prime office markets across Africa.

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Market Overview

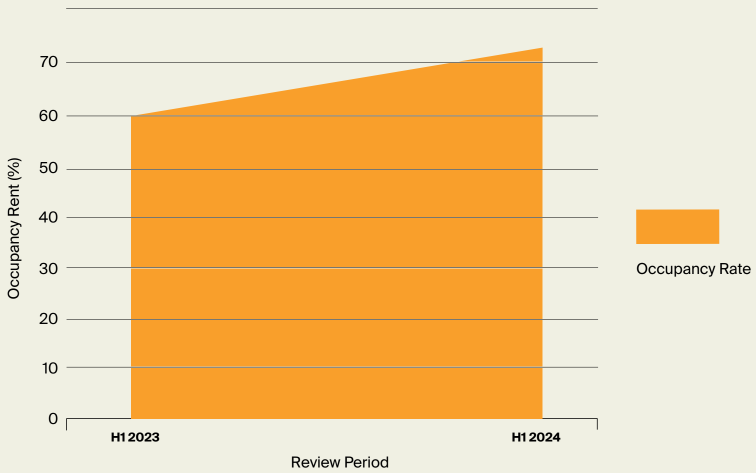
An emerging trend is the growing emphasis on sustainable and green buildings in markets like South Africa, Kenya, Egypt, and Morocco

Across the 29 African markets tracked by Knight Frank, prime office rents have remained largely stable over the review period, primarily due to historical oversupply holding back rental growth in markets such as Nigeria, Kenya, and Tanzania. Despite this oversupply, office occupancy rates have risen to an average of 75%, up from 60% in the same period last year. This increase in occupancy can be attributed to the full resumption of physical office activities, as many organisations have reverted to traditional office settings over flexible and hybrid working models that became more favourable during and immediately after the global pandemic. According to a recent Bankrate survey, approximately 68% of full-time workers in broader African markets prefer hybrid work schedules, yet over 90% of companies plan to enforce full return-to-work policies by the end of 2024. This trend contrasts with global tendencies towards increased flexibility in work arrangements.

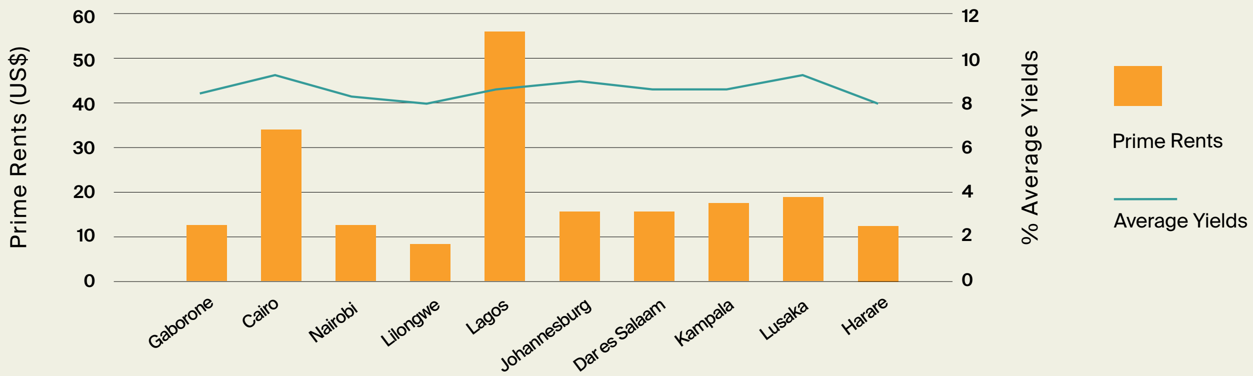
Apart from Lagos and Cairo where prime office rents stand at US$ 56 psm and US$ 35 psm, respectively, most other cities are recording prime office rents from US$ 10 psm to US$ 18 psm. Average yield performance across these markets is similarly consistent, ranging between 8% and 10%, as illustrated in the graph across:

Another emerging trend is the growing emphasis on sustainable and green buildings in markets like South Africa, Kenya, Egypt, and Morocco. An increasing number of occupiers are becoming environmentally conscious, seeking offices that meet their ESG criteria. This aligns with global efforts to reduce carbon emissions and mitigate climate change effects. The Green Building Council of South Africa (GBCSA) reports a significant increase in green-certified buildings, with over 740 certifications covering approximately 11.6 million sqm of green building space. This represents approximately 15% year-on-year growth in green-certified buildings in the country. The GBCSA's efforts align with global sustainability trends, offering certifications like Green Star SA and EDGE (Excellence in Design for Greater Efficiencies) across various building types, including commercial and residential sectors.

Office Occupancy Rate trends in Africa



Source: Knight Frank



Source: Knight Frank

Botswana

Despite the growing demand for top-grade offices, especially from government entities, the supply of such spaces remains limited.

Similar to trends observed in other African markets, occupiers increasingly prefer Grade A offices that meet their ESG criteria. This preference is particularly evident in the CBD, where occupancy rates for high-grade offices have reached 98%. In contrast, older business areas, such as Kgale, are experiencing comparatively lower occupancy rates, around 90%, indicating a shift towards newer, more modern office facilities.

Despite the growing demand for top-grade offices, especially from government entities, the supply of such spaces remains limited.

Average office yield in Gaborone stands at 8%

This scarcity has helped stabilise prime office rental rates between US$ 9 and US$ 11 psm per month. A notable recent completion is Prime Plaza II, a 5-star green-rated building, whose Phase 1 delivered 2,780 sqm of additional Grade A office space. Future phases are expected to be delivered from 2026 onwards. Other planned developments are estimated to add approximately 90,000 sqm of office space to the market over the next 3-5 years.

The average office yield in Gaborone stands at 8%, comparable to neighbouring Zimbabwe but lower than South Africa's 9.5%.

Photo: Gaborone CBD

US$ 9 - 11 psm

Prime office rental range per month

9,000 sqm

Estimated office space addition from other planned developments over the next 3-5 years.

98%

CBD occupancy rates for high-grade offices

Source: Knight Frank

Egypt

The supply of office space is anticipated to increase to approximately 3.6 million sqm by 2025

In line with global trends, the influence of remote and hybrid work models is driving demand for co-working spaces and serviced offices in Egypt, particularly among start-ups and smaller businesses. This trend is mostly pronounced in major cities such as Cairo, Alexandria, and the New Administrative Capital. Notable new entrants to Cairo's co-working market include CO-55 and MQR Spaces, which together contribute approximately 2,500 sqm of additional co-working space in the market.

Despite these developments, prime office rents in Egypt have remained relatively stagnant at US$ 35 psm per month. This is attributed to an oversupply in the market, as most workers continue to operate from home, impacting average office occupancy levels. The total office space supply is projected to increase to approximately 3.6 million sqm by 2025.

3.6 Million sqm

Estimated increase in the total office supply by 2025

US$ 35 psm

Prime Office Rents

Photo: Cairo, Egypt

Source: Knight Frank

Kenya

Despite an oversupply, monthly prime office rents have remained steady at US$ 13 psm.

Despite an oversupply, monthly prime office rents have remained steady at US$ 13 psm. The major office completion during this period was the US$50 million Eneo project, which introduced an additional 25,800 sqm of office space to the market. Additional projects slated for completion by the end of 2024, including Mandrake, Purple Tower, The Atrium (Westlands), and Highway Heights, are collectively expected to contribute c.48,100 sqm of new office space. The trend towards returning to physical offices has been prominent in the first half of 2024, potentially driving the higher occupancy rates (77.2% as of June 2024, up from 76.5% at the end of 2023). Most organisations favour traditional office settings over flexible workspaces, motivated by improved oversight, team coordination, and enhanced productivity.

Commercial Development	Location	Approx. Size (sqm)	Estimated Completion Date
Mandrake	Westlands	11,148	2024
Purple Tower	Mombasa Road	18,383	2024
The Atrium	Westlands	9,290	2024
Highway Heights	Kilimani	9,290	2024

76.5% - 77.2%

Increase in average occupancy rates

US$ 13 psm

Prime Office Rents

25,800sqm

Additional space introduced by the US$50Million Eneo project

Photo: Nairobi Skyline **Source:** Knight Frank

Malawi

Blantyre is experiencing an increase in office vacancy levels, rising to an average of 25% from 15% recorded in the second half of 2023.

Photo: Lilongwe, Malawi

Blantyre is experiencing an increase in office vacancy levels, rising to an average of 25% from 15% recorded in the second half of 2023. This increase is primarily driven by the relocation of several government offices and company headquarters from Blantyre to Lilongwe. In response to Lilongwe's growing demand for office space, developers are actively pursuing new projects.

For instance, the recently completed Public Service Pension Fund Building has added 6,000 sqm of office space to the market. Other developments, including the East and Southern Africa Management Institute Building and the Manobec projects, are scheduled for completion by late 2024 to early 2025 and will collectively add approximately 12,000 sqm of office space. This influx of new space could potentially lead to an oversupply in the market, with the outlook suggesting a possible negative impact on prime rents in the short to mid-term.

In Blantyre, rental growth remains subdued, with average rents around US$ 6 psm per month, making it one of the most affordable cities on the continent for office leasing.

25%

Increase in office vacancy levels

6,000 sqm

Space addition from the completed Public service pension Fund building

US$ 6 psm

Blantyre Prime Office Rents

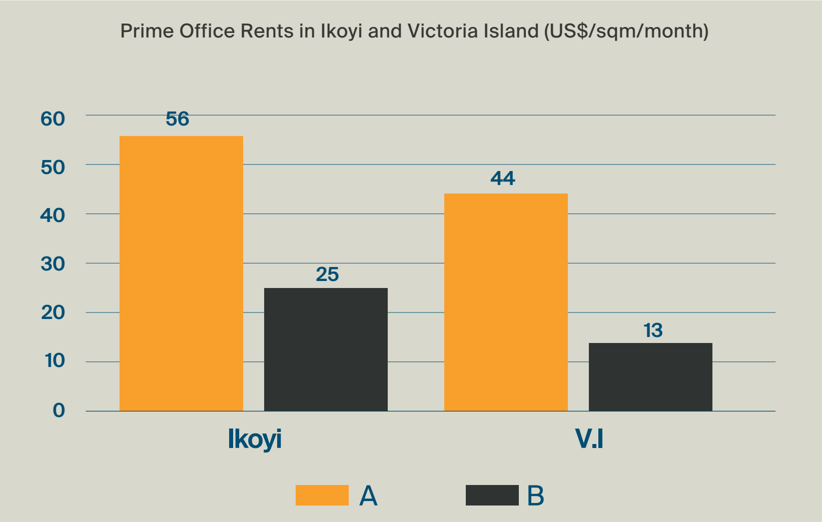
Source: Knight Frank

Nigeria

In the medium-term, the oversupply is expected to persist, with several office pipeline projects in progress.

The Lagos office market is experiencing an oversupply, particularly of Grade A office spaces, which has held prime office rents at US$ 56 psm per month. Although rents have remained steady in US Dollar terms over the past 12 months, local currency rents have surged by over 150-200% due to the Naira's depreciation against the US dollar. Consequently, landlords prefer to price rents in US Dollars to ensure financial stability, placing significant financial strain on tenants. This has led many tenants to negotiate for leases in Naira or seek substantial reductions in dollar-denominated rents.

In the medium-term, the oversupply is expected to persist, with several office pipeline projects in progress. Notable developments anticipated for completion by 2025 include Ulesh Ikoyi (16,390 sqm), Dangote Industries HQ (17000 sqm), The Phoenix (8000 sqm), and the 18C Glover Road Ikoyi (2100 sqm). Office spaces have maintained relatively high occupancy levels despite the surplus, averaging 77%, up from 72% recorded in H1 2023. This increase is attributed to various landlord adaptation strategies, including a willingness to accommodate tenant negotiations.



Source: Knight Frank

77%

Relatively high occupancy levels

US$ 56

Lagos Prime Office Rents

43,500 sqm

Total space anticipated from current pipeline projects.

Source: Knight Frank

Lagos Nigeria

South Africa

Prime office rents have remained stable, ranging between US$ 12 and US$ 15 psm per month.

Prime office rents have remained stable, ranging between US$ 12 and US$ 15 psm per month. This stability is supported by sustained demand for A and Premium-grade offices, which continue to experience low vacancy rates, while lower-grade offices experience increased vacancies. As of April 2024, the national vacancy rate for A and Premium grade offices stood at approximately 14.7%, a decrease of 50 basis points from the previous quarter (Q4 2023). This marked the seventh consecutive quarter of improvement, primarily driven by a "flight-to-quality" trend among office occupiers. Tenants are increasingly seeking high-quality buildings equipped with backup systems such as generators, UPS, solar power, water tanks, and modern, efficient mechanical and electrical infrastructure, which provide utility cost benefits. This trend is a response to the ongoing challenges of electrical load shedding and rising utility costs.

US$ 12 & US$ 15

Monthly Prime Office Rents

14.7%

National vacancy rate for A and Premium Grade offices

Source: Knight Frank

An Overview of Office Market Performance in Johannesburg and Cape Town:

The office market performance in Johannesburg and Cape Town exhibits contrasting trends. In Johannesburg, the market is marked by subdued demand, stagnant rental growth, and consistently high vacancy rates.

This is largely due to a poor local economic outlook, rising construction and inflation costs, and halted speculative office developments, with businesses primarily relocating and consolidating rather than expanding. In contrast, Cape Town's office market is experiencing increasing demand and rental performance, particularly for A and Premium-grade offices. The city benefits from "semigration," attracting skilled workers, entrepreneurs, and corporates seeking better governance, an improved lifestyle, and fewer power outages. This trend has created a landlord-favourable market in Cape Town.

Photo: Cape Town, South Africa

Tanzania

A significant trend in the market is the rising demand for smaller office spaces ranging from 10 to 100 sqm.

Dar-es-Salaam is currently experiencing an oversupply of office space, similar to Lagos, which is creating a tenant-favourable market. Prime office rents have remained stable at approximately US$ 15 psm per month, positioning them competitively in the region—higher than Kenya's US$ 13 but slightly lower than Uganda's US$ 16. Despite the oversupply, Dar-es-Salaam maintains a strong prime office occupancy rate of around 80%, exceeding the continent's average of 75%. This resilience is largely due to proactive measures taken by landlords to retain tenants.

Since the beginning of the year, new office developments have been scarce, which may lead to a gradual increase in office rents over the mid to long term.

The ongoing developments are primarily driven by major developers and government institutions, such as the Tanzania Building Agency, which focuses on building for government employees. Additionally, the National Housing Corporation has entered into joint ventures with private developers to modernise strategic plots, particularly in areas like Kariakoo.

A significant trend in the market is the rising demand for smaller office spaces ranging from 10 to 100 sqm. This demand is fuelled by start-ups and small to medium-sized enterprises (SMEs) seeking to downsize in an effort to cut costs.

80%

Average occupancy rate

Rising demand for smaller office spaces ranging from 10 to 100 sqm

US$ 15 psm

Monthly Prime Office Rents

Photo: Dar Es Salaam

Source: Knight Frank

Uganda

There has also been a noticeable increase in pipeline projects, particularly for owner-occupied spaces, constituting 28% of the current pipeline.

Similar to what is being observed in Tanzania, the demand for smaller office spaces (50-150 sqm) continues to be strong, particularly among sectors such as IT/Telecom, retail, legal services, business and professional services, energy, industrial, and financial services. This trend is driven by cost considerations, leading occupiers to downsize or relocate to more affordable or higher-quality facilities.

Sustainability remains a priority for most occupiers, with a significant preference, especially among expatriates, for buildings that meet their ESG criteria. This is reflected in the high occupancy rates and Grade B offices (84%).

There has also been a noticeable increase in pipeline projects, particularly for owner-occupied spaces, constituting 28% of the current pipeline. Delays in these projects are largely due to economic downturns, financial constraints, and unexpected regulatory challenges. However, most of the upcoming pipeline projects are anticipated to be completed and brought to market by late 2024 and 2025, introducing over 90,000 sqm of office space during this period.

PROPERTY	LOCATION	APPROXIMATE BUILT-UP-AREAS (SQM)
Pension Towers	Lumumba Avenue	32,000
Speke Business Park	Yusuf Lule road	16,660
Plot 5, Luthuli Avenue	Luthuli, Bugolobi	4,500
Saddler View Office Park (Mixed)	Saddler Ave, Naguru	8,329
IGG Building	Opposite Garden City	19,000
Tweed Heights	Kyadondo	13,310

84%

High occupancy rates in Grade A & B offices.

90,000 sqm

Anticipated space from 2024/25 pipeline projects

Photo: Kampala, Uganda

Zambia

The Zambian office market has experienced a general slowdown in pipeline projects during the first half of 2024.

Photo: Zepre Office Park, Lusaka, Zambia

65%
Increased occupancy rate

US$ 18
Monthly Prime Office Rents

9,000 sqm
ZEP RE Office Park at 69 Occupancy

The Zambian office market has experienced a general slowdown in pipeline projects during the first half of 2024, with the exception of developments for owner-occupied offices. Developers and landlords are focusing on leasing the existing oversupply of space by offering more flexible leasing terms and smaller unit sizes, aligning with current market demands. This strategy appears effective, as evidenced by increased occupancy rates averaging above 65%. For instance, the prime 9,000 sqm ZEP RE Office Park on Alick Nkhata Road in Lusaka has reached 69% occupancy, with an additional 18% under offer following a strong uptake in the first half of the year.

Prime office rentals in Zambia are competitively priced at US$ 18 psm per month, surpassing neighbouring countries such as Zimbabwe (US$ 13), Malawi (US$ 8.6), and Tanzania (US$ 15). The average office yields in Zambia stand at 10%, among the highest of the 29 African markets tracked by Knight Frank.

Elsewhere, in response to the growing demand for serviced offices in Lusaka, AfricaWorks and Regus are expanding their presence in the country. They have opened new serviced office spaces in strategic locations, including the AGORA complex in the Mass Media area and The Sunshare Tower in the Arcades Mall area.

Zimbabwe

In contrast, the suburban office market is experiencing robust demand, with occupancy rates exceeding 90%.

The office space market in Harare's CBD is expected to remain subdued as many businesses are relocating to suburban areas. This shift is attributed to traffic congestion, deteriorating infrastructure, inadequate parking facilities, elevated operational costs, and excessive noise pollution in the CBD. Consequently, vacancy rates in the CBD have surged, ranging between 40% and 60%. In contrast, the suburban office market is experiencing robust demand, with occupancy rates exceeding 90%.

Rental rates for Grade A office spaces in the CBD typically lie between US$ 6 and US$ 10 psm. Suburban office spaces command higher rents due to the heightened demand, ranging from US$ 12 to US$ 15 psm.

US$ 6 - 10
Monthly Rentals for Grade A offices

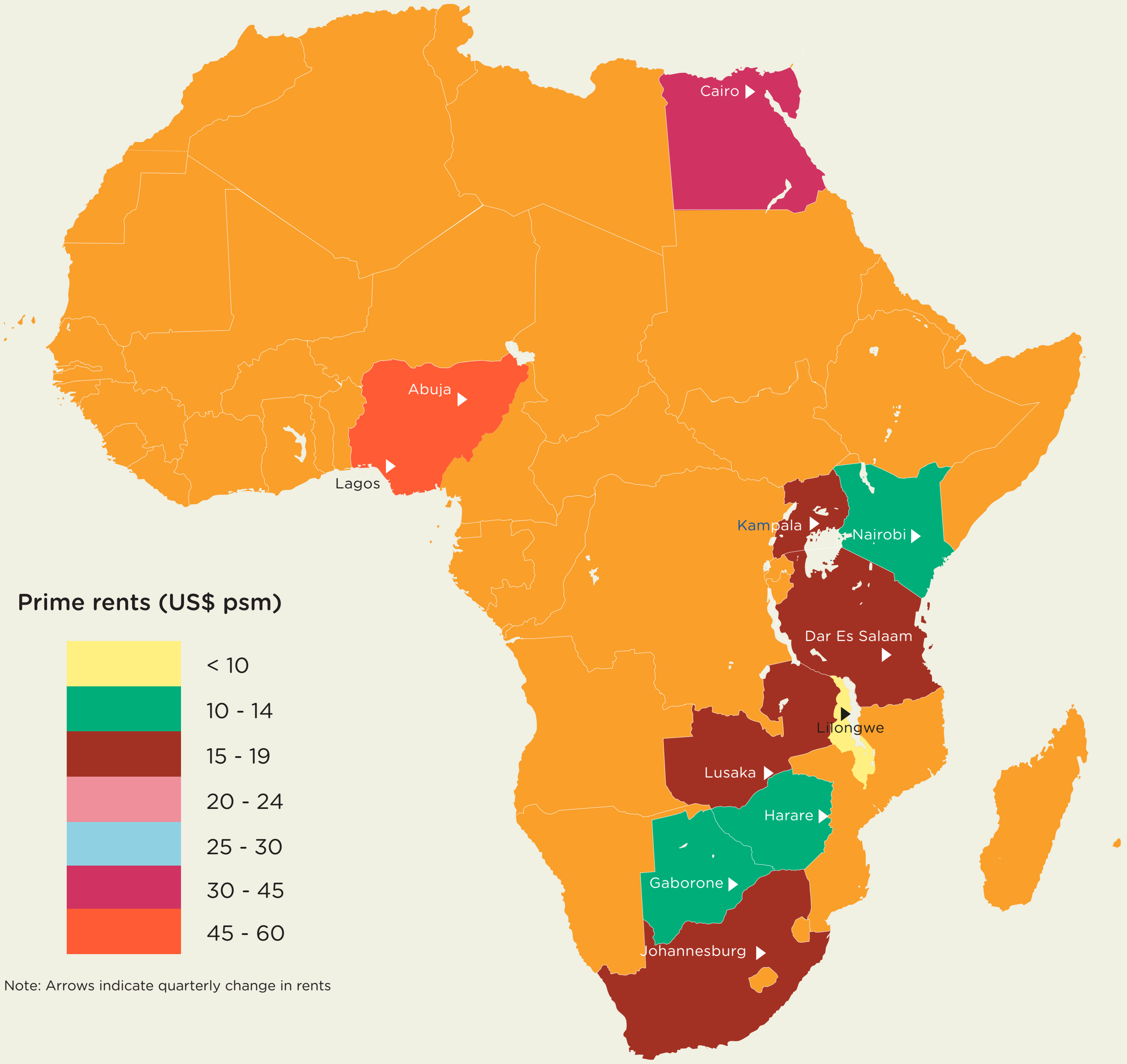
US$ 12 - 15
Monthly Suburban Office Rentals

90%
High Suburban Occupancy Rates

40 - 60%
High vacancy rates in the CBD

Source: Knight Frank **Photo:** Harare, Zimbabwe

PRIME OFFICE RENTS AND AVERAGE PERCENTAGE YIELDS



COUNTRY	CITY	PRIME RENTS (US$ PER SQM)	PRIME YIELDS (%)
BOTSWANA	GABORONE	11	8.75
EGYPT	CAIRO	35	10
KENYA	NAIROBI	13	8.5
MALAWI	LILONGWE	8.6	8.0
NIGERIA	LAGOS	56	9
SOUTH AFRICA	JOHANNESBURG	15	9.50
TANZANIA	DAR ES SALAAM	15	9
UGANDA	KAMPALA	16	9
ZAMBIA	LUSAKA	18	10
ZIMBABWE	HARARE	13	8

Source: Knight Frank

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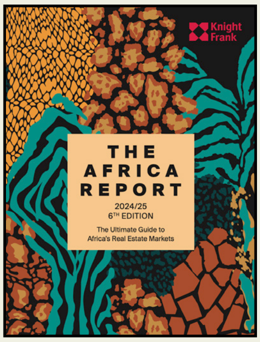

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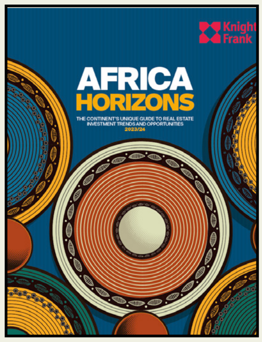

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