

Africa Offices Market Dashboard

Q1 2023

The background of the entire page is a stylized silhouette of an African city skyline. The buildings are rendered in various shades of green and yellow, creating a layered effect. The skyline includes a mix of modern skyscrapers and traditional structures with domes and minarets. The top of the page features a decorative border with a repeating geometric pattern in a darker shade of green.

MARKET OVERVIEW

Multinational occupiers boost office demand

A renewed global interest in Africa is evidenced by the recent engagement and investment commitments made by major powers such as the U.S., U.K., South Korea, UAE, Saudi Arabia, Turkey, and China. For instance, the U.K. has committed to investing US\$2 billion in sustainable projects across Africa, while the U.S. has pledged an initial US\$200 billion for its partnerships for Global Infrastructure Initiative. These efforts are expected to trigger an influx of multinational corporations into major

hub cities, including Lagos, Nairobi, Cairo, Johannesburg, and Accra, leading to a surge in demand, particularly for Grade A offices. Consequently, the office market in these cities is witnessing a recovery, with Grade A offices registering lower average vacancy levels of around 20%.

Heightened demand for ESG-compliant offices, despite low supply

Across the continent, there is a growing demand for best-in-class and ESG-compliant offices. However, the supply of such stock remains low, creating an

opportunity for landlords and investors to capitalise on this demand. Africa currently only has approximately 800 green-rated buildings, with over 600 of these being located in South Africa alone. Despite this number being a fraction of the 120,000 global green buildings, markets such as Nairobi, Accra, and Lagos have recorded over a 200% increase on average in the past three years.

In this edition of the Africa Offices Market Dashboard, we highlight ten selected iconic ESG-compliant office buildings on the continent.

● ●
Africa only has approximately 800 green-rated buildings, with more than 600 located in South Africa.
 ● ●



Johannesburg, South Africa

800

Green-rated buildings in Africa

12,000

Global green-rated buildings



Across the continent, there is a global trend of robust demand for best-in-class and ESG-compliant offices.

20%

Average vacancy
levels registered by
Grade A offices

US\$ 2 Bn

UK's commitment to invest in
sustainable projects across
Africa

US\$ 200 Mn

US government's
pledge to invest
in sustainable
projects across Africa



BUILDING

SIZE IN SQM

DESCRIPTION



35 LOWER LONG

Cape Town,
South Africa

14,000

The building is characterised by a singular sculpted massing which is transformed via dynamic glazed planes that extend seamlessly over the office and parking levels. The two main corners of the building are chamfered towards the roofline and soar upwards, forming a striking wing-like effect – resulting in a distinctive, non-orthogonal addition to Cape Town’s skyline.



CFC FIRST TOWER

Casablanca,
Morocco

20,000

The tower was built with eco-friendliness in mind. Hence the double skinned façade, the panels of which dissipate heat and cold, and therefore help improving the overall energy efficiency of the building. The CFC tower has got a LEED Gold certification from the World Green Building Council.



PPF TOWER

Dar es Salaam,
Tanzania

66,000

The 37-floor tower is often described as the jewel of Dar Es Salaam. The magnificent building combines conservation and aesthetics.



MAROC TELECOM H.Q

Rabat,
Morocco

27,500

This tower reflects the flair and potential of tradition and also stand out as modern. It rises from a large, pure parallelepiped-shaped volume covering the whole surface area. Two prisms are formed by sliding two halves of the volume diagonally, thereby revealing the “original” interior of the form. Only the base of the tower remains intact as if rooted in the ground. The building is topped off by a 27-metre overhang, which makes a powerful impression on the observer.



KINGSWAY TOWERS

Lagos,
Nigeria

28,000

This oval tower that sits on a rectangular podium has a North and South orientation to reduce the solar load and is effectively shaded with a feature screen and planters to limit the amount of direct sun on it.



BUILDING & LOCATION

SIZE IN SQM

DESCRIPTION



BRITAM TOWER
Nairobi, Kenya

32,000

The building is properly designed to maximize the availability of natural light. Cross ventilation is also integrated to reduce the demand for air-conditioning (“Britam Tower Named as Having the Best Mechanical”). The building has a coordinated system intended for harvesting rain water.



THE MARC
Johannesburg, South Africa

62,000

The Marc was designed and constructed to be environmentally sustainable. The development has a 5-star Green Rating, an independent standard awarded by the Green Building Council SA for the environmental sustainability of the design, construction and management of a building.



15 ALICE LANE TOWERS
Johannesburg, South Africa

24,000

The 15 Alice Lane project was driven from the outset by a strategic decision to create a unique three dimensional form and an arresting series of internal spaces. Viewed from all angles, the building presents a highly patterned and highly abstracted surface of architectural elements that change constantly with the changing time and atmosphere of the day.



ALEXANDER FORBES BUILDING
Johannesburg, South Africa

29,000

The design guaranteed a flexible structure hence the large floor plates, punctuated by two atria. These would help to maximize the natural daylight in the office spaces. The site’s northwest orientation had an impact on the design as well. Thus, strong scalloped elements were used to capture north and south light and shield the building’s occupants from east and west light.



UNO HEADQUARTERS
Diamniadio, Senegal

60,000

Its shape mimics a water mill or a sun whose rays evoke concentration but also radiation and influence. It appears as a white circular volume with seven radiant wings. The spatial conception gives it a strong identity: the combination of independence and collaboration for the agencies it hosts and the symbol of a powerful decision center in a brand-new urban landscape.

COUNTRY SNAPSHOTS

Overall, occupancy levels on the continent are at a steady rise as the market picks up from the devastation of post covid pandemic plunge. Looking over the horizon, the African office market landscape is set on a solid path to growth from the city suburbs outwards.



BOTSWANA

In the first quarter of 2023, the Gaborone office market has demonstrated a slight upturn, coinciding with a decrease in inflation by 27% over the months of January and February. Headline rentals and prime yields have remained stable, which could be attributed to the unchanging interest rates which have remained above the Government's target range.

To stimulate the market, the Government has revealed plans to reduce transfer duty payable by foreigners who purchase property from 30% to a range of 10% to 15%, which should result in an increase in market activity.

Despite increased demand for office spaces from the finance, government, and mining sectors, rental rates have remained unchanged for the past three quarters.



EGYPT

Cairo is recognised as the primary financial and business hub of Egypt, although, it differs from other international cities because it lacks a clearly defined Central Business District (CBD).

The Greater Cairo area offers Grade A office space along major commercial arteries such as 90th Street.

The best office spaces are in business parks mainly in the eastern and western nodes of Cairo. New Cairo is the favoured destination among corporate tenants because of its superior build quality, parking facilities, and proximity to the New Administrative Capital and the airport.

The growing demand for premium offices in Egypt and the need to adhere to ESG considerations have prompted many developers to enhance the quality of their building stock. For instance, in the

Northern Central Business District of Cairo's New Administrative

Capital, cutting-edge commercial towers such as the Iconic Tower, The Capital Business Park Tower, and The Tower will have solar panel rooftops, fully automated HVAC field devices, and state-of-the-art intelligent building technology.

In general, the rental rates for prime offices have remained steady at \$30 psm per month. This can be attributed to an oversupply of offices, which has had a dampening effect on rental growth.



27%

Decrease in inflation in 1st quarter of 2023



Despite increased demand for office spaces from the finance, government, and mining sectors, rental rates have remained unchanged for the past three quarters.



KENYA

The average monthly prime rents have stabilised at US\$13 psm, attributed to the completion of high-quality office developments and the increasing demand for premium properties. As a result, Westlands has become the most popular

office location in Nairobi due to its substantial share of grade-A commercial office space compared to competing nodes like Upperhill, Kilimani, and Mombasa Road. The occupancy rates in Grade A offices have slightly increased to around 74%, up from 72.8% in Q1 2022.

Investors have been showing a growing preference for rent payments in U.S. dollars due to the ongoing depreciation of the Kenyan Shilling.. Currently, 1 USD is equivalent to 129.3 Kenyan Shilling., marking a significant decrease compared to the average exchange rate of Ksh. 103.4 in 2017.

US\$ 13 psm

Average prime monthly office rents



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NAIROBI OFFICE SUPPLY PIPELINE

COMMERCIAL DEVELOPMENT	LOCATION	APPROX. SIZE (SQM)	ESTIMATED COMPLETION DATE
CCI HQ	Tatu City	22,000	2023
Curzon	Lavington	5,500	2023
Purple Tower	Mombasa Road	18,500	2024
The Atrium	Westlands	9000	2024
Bishop's Road	Upperhill	9000	2024

Source: Knight Frank



MALAWI

Like elsewhere on the continent, the Malawian Office Market is largely driven by the flight to quality, particularly among international occupiers. Consequently, older office buildings in Blantyre and Lilongwe have experienced increasing vacancy rates, whilst, Grade A offices have enjoyed greater occupancy rates, thereby contributing to the growth in prime rentals, which currently stands at U.S. \$6.70 psm.

Our assessment of the country's office sector predicts a conflicted outlook. On the positive side, we anticipate that the rental

growth of offices will continue to track the robust 4% annual growth of the country's GDP.

This growth trajectory is largely attributed to the influx of foreign investments, which have also increased grade-A property occupancy rates.

Conversely, it is important to note that Malawi continues to grapple with economic challenges that may impede the sector's full growth potential. Notably, inflation has remained a persistent issue, with prices rising at an average annual rate of approximately 8%.

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NIGERIA

The popularity of co working spaces that prioritise amenities and cultivate a sense of community and collaboration continues to rise in Lagos.

This trend is attributed to the increasing demand for flexible and cost-effective alternatives to traditional office spaces, evidenced by the recent rollout of some notable of coworking centres.

Walure Capital unveiled a coworking space in Ojodu Berger in 2022 to meet this growing need, and

earlier this year a new Regus centre was launched: The Zone, located in Gbagada, Lagos, their 8th location in the city. The Adrenalina has also launched its operations in Lagos with facilities and initiatives facilitating the growth of SMEs and businesses in the country.

At the same time, there has been a notable trend towards environmental



There has been a discernible shift in recent times towards a few projects where the landlords are fully resident and owner-occupiers sponsor the projects.



sustainability, such as the installation of solar panels covering an area of 6,500 sqm on Sterling Towers Marina.

As environmental concerns continue to be a topic of discussion for governments and corporations alike, and the challenge of ensuring energy efficiency in office buildings persists at local, national, and international levels, the demand for Building Integrated Photovoltaic (BIPV) energy systems for high-rise glazed buildings is expected to rise

Overall, the office sector has experienced a notable increase in returns, as evidenced by the rise in yields in Lagos from 8.2% during Q4 of 2022 to the present 9.5%, representing a 15.2% increase.



A view of the Lagos Lagoon, Victoria Island in Lagos, Nigeria



SOUTH AFRICA

Cape Town

Cape Town continues to be a popular destination for South African businesses relocating from Johannesburg and KwaZulu Natal. This trend is driven by economic and infrastructure deterioration in those areas, which has led to heightened demand for offices in the Cape.

At the same time, South Africa is facing its highest-ever rolling blackouts, which has accelerated staff return to offices with backup electrical supply, as they are unable to work from home without power.

During the First Quarter of 2023, prime grade office vacancies in Cape Town have slightly increased, with asking rentals remaining from US\$ 11.74 to USD 11.90 psm. The estimated office vacancy rates stand at 16%.

Johannesburg:

The Johannesburg office rental market remains under pressure, with monthly rental rates remaining stagnant at US\$ 12.44 psm. Landlords are actively competing to attract new tenants, often offering generous relocation/renewal incentives to new tenants and existing tenants, creating a tenant;s market

Efforts to maximise space efficiency remain a focus for many occupiers, whether renewing existing leases or relocating. The goal is to reduce space wherever possible and create more functional office interiors through appropriate space planning and fit out design.

One sector of the office market performing well is the serviced office industry, which caters to new start-ups and small to medium businesses by offering flexible leases and plug-and-play environments.



TANZANIA

Tanzania has witnessed a substantial fall in office rents in recent history, with rates dropping from USD 20 per sqm per month in 2015 to USD 15 in 2023, a notable 20% decline. This trend has been attributed to the change of government policies in 2016 where it was required for all government offices to relocate their headquarters to Dodoma (being the Capital of Tanzania) – which resulted in an oversupply of offices in the Dar es Salaam office market, resulting in vacancy rates rising to a staggering 50%.

● ●
25% decline
in the expansion of prime
office rents from US\$ 20
psm per month in 2015 to
US\$ 15 in 2023



However, based on the improved economic conditions in the country we predict that Tanzania’s office sector will witness a recovery in 2023. The country’s inflation rate began to move in the right direction, declining from 4.9% in November to 4.8% in December 2022, indicating a slower pace in the increase of consumer prices. The new regime in Tanzania has also undertaken several initiatives to strengthen its economy, including bolstering its tourism sector and enhancing its trade ties with its African, European, Asian, and American trade partners.



US\$ 11.74 to 11.9 psm

Range of monthly prime office rents psm

4.9% to 4.8%

Decline in inflation rate



UGANDA

In Kampala, requirements for prime office space have remained stable, supported by steady demand from professional services, IT, Oil and Gas, and NGOs. On a quarterly basis, average rents remained relatively steady, with occupancies recording a slight increase, especially for the Grade AB office space. Occupiers are opting for space options with competitive rental rates.



Construction pipeline activities remain high, with approximately 150,000 square meters of office space in the pipeline, expected in the next 24 months.



This trend is expected to persist, fuelled by growing business confidence and an improved economic outlook.

In the prime market, Net Zero initiatives, Environmental, Social and Governance (ESG) standards, flexible office solutions, and coworking models increasingly impact office choices, particularly for multinational companies. The preference for high-quality offices is expected to persist, despite current limited supply.

Construction pipeline activities remain high, with approximately 150,000 square meters of office space expected in the next 24 months.

ZAMBIA

Since the beginning of the year, there has been a noticeable uptick in activity within the Zambian Office Market. The demand for small-sized office units ranging from 100-350 sqm has increased significantly, driven by both local and global occupiers. Of particular interest are Grade A offices, with a rising trend towards fully furnished and serviced offices in Lusaka.

Notwithstanding the existing excess supply in the market, it is expected that this subsector will experience swift uptake this year, owing in part to the comparatively growing economic activity in the nation.

To both entice and retain tenants while elevating the overall office environment for occupants, landlords are increasingly providing a more comprehensive array of lifestyle options within office spaces. These offerings encompass facilities promoting health and fitness and dining options such as cafes and restaurants.

100 to 350 sqm

Increase in demand for this range of office sizes in Lusaka

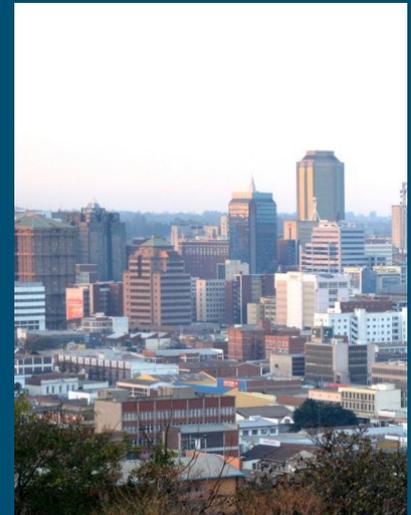
 **A noticeable uptick in activity within the Zambian Office Market.**

ZIMBABWE

In Harare, there has been an increase in demand for small-sized offices in recent months. As a result, property developers are adapting or repurposing their buildings to accommodate small and medium-sized enterprises.

This shift has led to a significant decline in vacancies in the Central Business District, previously composed of large offices, from 60% to 40%, since the beginning of last year .

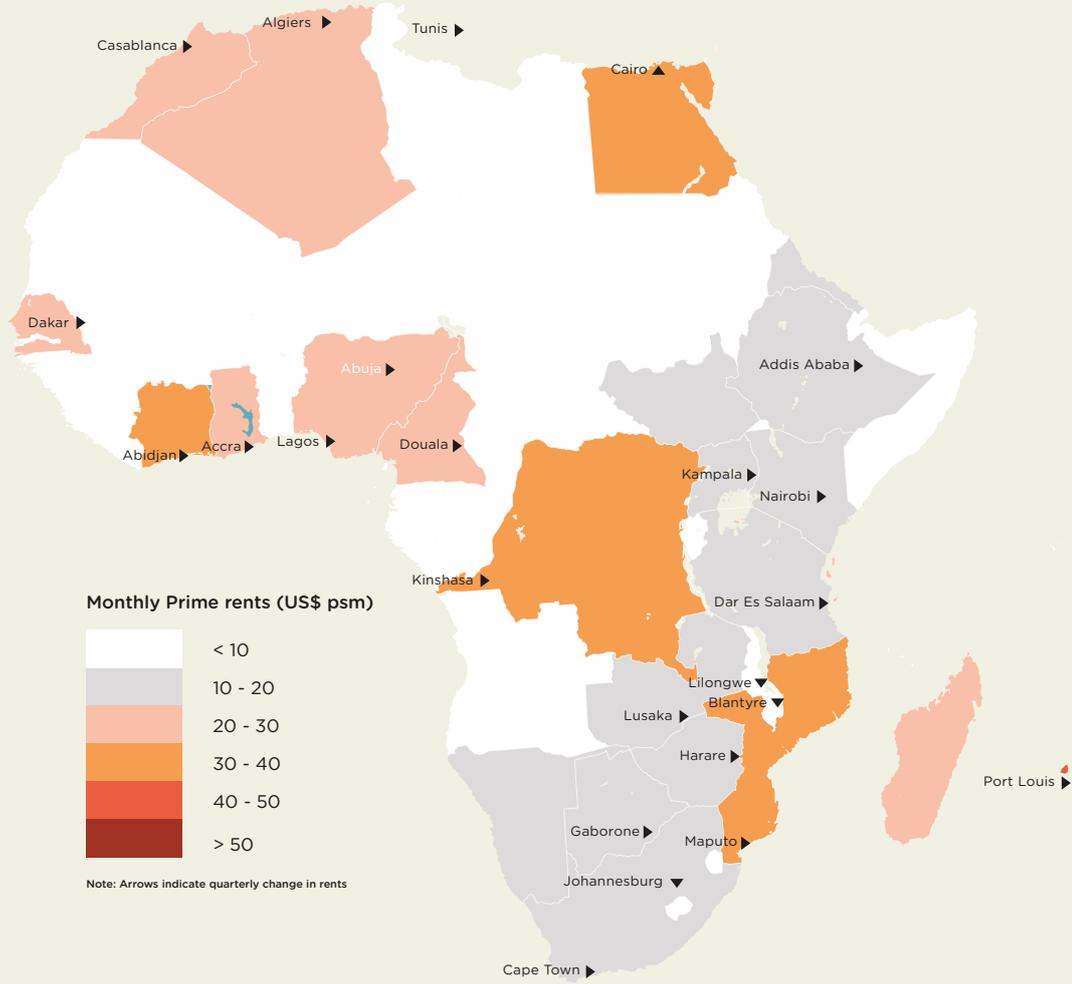
The relocation of corporate tenants to the northern suburbs had initially contributed to the high vacancy rates at the CBD.



US\$8.00 to US\$13.00 psm

Range of monthly prime office rents psm

Q1 2023 AFRICA OFFICE MARKETS SUMMARY



	 Prime Rents (US\$/psm)	% Prime Yields		 Prime Rents (US\$/psm)	% Prime Yields
ABIDJAN	33.00	9.00	HARARE	12.00	8.00
ABUJA	25.00	8.00	JOHANNESBURG	14.50	9.50
ACCRA	28.00	9.00	KAMPALA	15.00	9.00
ADDIS ABABA	16.00	6.00	KINSHASA	35.00	10.00
ALGIERS	20.00	10.00	LAGOS	55.00	8.20
BLANTYRE	6.70	9.00	LILONGWE	9.60	9.50
CAIRO	30.00	10.00	LUSAKA	18.00	9.50
CAPE TOWN	15.20	8.80	MAPUTO	32.00	8.50
CASABLANCA	20.00	8.50	NAIROBI	13.00	8.50
DAKAR	21.50	9.50	PORT LOUIS	20.00	8.80
DAR ES SALAAM	15.00	9.00	TUNIS	7.00	7.00
GABORONE	10.60	8.80			

Source: Knight Frank

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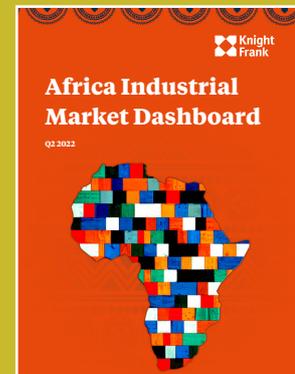
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