The Africa Offices Dashboard report aims to provide occupiers, landlords and investors with a regular analysis of the rental perfomance and trends of prime office markets across Africa

Knight Frank

Africa Offices Dashboard

H1 2020

HEADLINES

Kinshasa

RECORDED THE HIGHEST INCREASE IN RENTS

Rents Decline

MAJORITY OF THE CITIES RECORDED A DECLINE IN RENTS

Serviced Offices

INCREASE IN SERVICED OFFICES DEMAND ANTICIPATED IN THE LONG TERM

The heightened safety regulations and increased agile working is causing a shift in operations as occupiers will have to re-configure their office layout

As the COVID-19 pandemic rages on, the first half of the 2020 has been challenging for most of Africa's economies and real estate markets.
As a result, office market performance remained subdued for the first half of the year. Of the 29 cities tracked by Knight Frank in this dashboard, majority of the markets recorded a decline in rents attributed to the ongoing pandemic, currency devaluation and persisting economic slowdown witnessed prior to the COVID-19 pandemic.

As observed in Knight Frank's Africa Market Pulse Survey Report, majority of the landlords across the continent resulted to granting their tenants rent deferrals while others have undertaken lease terms renegotiations in order to ensure tenant retention and attract new ones. We expect these trends will continue in the second half of 2020.

Majority of the occupiers delayed their move in dates with regards to already negotiated leases while others opted to put this on hold for the first half of the year.

Further, we anticipate that potential tenants will most likely pause their expansion or take up decisions for the next half of the year, as they wait to see business perfomance post-lockdown. Similarly, occupiers are likely to reduce commitments to capital expenditure which will put fit outs and other projects on hold as most corporate attention turns towards building financial resilience to ride out the storm. The heightened safety regulations and increased agile working is causing a shift in operations as occupiers will have to re-configure their office layout. If strictly adhered to, social distancing requirements in offices which require a minimum distance of 2 metres between occupiers will lead to a low density use of buildings down to 40% - 50% of total space max.

We anticipate the demand for serviced offices will decline in the short to medium term due to the financial stress on SMEs and start ups as a result of the pandemic. However, in the long term we anticipate an increase in demand as occupiers will be more anchored towards flexibility and efficiency in space occupied.

In Uganda, downward pressure on rents has not been witnessed. However, liquidity pressure on occupiers has in turn led them to request for lease concessions reference to rent repayment or abatement of their contractual obligations. Landlords have however remained reluctant to reduce headline rents and have instead sought to offer short term remedies by way of rental discounts and or deferred payments. As a result, we expect a 10%-20% reduction on net annual rent collections.

In Kenya, prime office rents declined in the first half of 2020. This has been attributed to the continued oversupply of commercial space in some locations and current economic slowdown that has resulted in most of the organisations putting on hold office space requirements as they focus on operational rather than capital expenditure. Occupancy rates on average were recorded at 73% at the end of the first half of the year with higher levels recorded in certain districts such as Westlands.

In Nigeria, the current downturn in the economy due to the COVID-19 pandemic and slump in oil prices has resulted in high vacancy rates in Grade A office buildings, high vacancy rates in Grade A office buildings and decline in headline rents. To ensure tenant retention and attract new ones, landlords have re-introduced incentives that were previously adopted in the 2016 recession.

In Zambia, the office market has remained relatively stable so far in the face of the pandemic, coming from a background of oversupply towards the end of 2019. Office rents are expected to continue to adjust to demand over the medium to long term while landlords and tenants renegotiate terms in the short term.

In South Africa, a significant decline in rents in Johannesburg and Cape Town was observed in the first half of 2020. This has been attributed to the depreciation of the South African Rand (ZAR) against the USD. Pre-Covid, the ZAR had already depreciated by 20% earlier on in the year. Increased vacancy rates have also been observed as a result of the current economic downturn and strict lockdown imposed causing businesses to close down or consolidate their activities. This trend is expected to continue in the short to medium term.

AFRICA PRIME OFFICE RENTS

CITY	RENT USD/SQM/MONTH	
	H1 2020	6 MONTHS % CHANGE
ABIDJAN	$27.50	0%
ACCRA	$32.00	-6%
ADDIS ABABA	$14.25	-16%
ALGIERS	$27.00	0%
ANTANARIVO	$11.00	0%
BAMAKO	$20.00	0%
CAIRO	$30.00	0%
CAPE TOWN	$13.56	-23%
CASABLANCA	$20.00	0%
DAKAR	$21.00	5%
DAR ES SALAAM	$16.00	-6%
DOUALA	$28.00	-7%
GABORONE	$10.79	-13%
HARARE	$7.98	-11%
JOHANNESBURG	$13.89	-18%
KAMPALA	$15.01	7%
KINSHASA	$35.00	17%
LAGOS	$62.87	-6%
LIBREVILLE	$19.00	-5%
LUANDA	$55.00	0%
LUSAKA	$17.98	-5%
MALABO	$30.00	0%
MAPUTO	$30.00	0%
NAIROBI	$13.99	-7%
N' DJAMENA	$27.00	0%
NOUAKCHOTT	$16.00	0%
PORT LUIS	$20.90	-5%
TUNIS	$12.00	0%
WINDHOEK	$12.83	-5%

Source: Knight Frank Research

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