

Africa Offices Dashboard

H2 2020

HEADLINES

11%

DECLINE IN AVERAGE YEAR - ON - YEAR PRIME OFFICE RENTS IN H2 2020

9%

AVERAGE GROSS PRIME OFFICE YIELDS RECORDED IN H2 2020

Lagos

RECORDED THE HIGHEST YEAR - ON - YEAR DECLINE BY 25%

Tenant Favoured

GENERAL MARKET OUTLOOK FOR 2021

We anticipate that the office market will remain subdued over the course of 2021 with earlier signs of recovery only expected in the last quarter of the year

The last half of 2020 saw majority of Africa's regional economies ending the year in recession and activity across the prime office markets remaining relatively muted. As a result, demand remained subdued with prime office rents across the markets tracked by Knight Frank declining by 11% on average in the year to December 2020.

Occupier activity in the period under review was characterized by office relocations in a bid to consolidate space and acquisitions in a flight to quality as they sought to leverage on the softer market conditions. Demand for smaller fitted out office spaces (<80 – 100 sq. m) remained rife as flexible working patterns became the 'new normal'.

With majority of the markets remaining tenant favoured, landlords continued to grant concessions on lease renewals in a bid to attract and retain tenants.

Going forward, while vaccine optimism has generally boosted economic growth expectations across the region, the uncertainty created by recent infection resurgences, which has put some markets back into lockdown, could act as a deterrent for occupiers and potentially hamstring any recovery momentum built up towards late last year.

In general, we anticipate that the office market will remain subdued over the course of 2021 with earlier signs of recovery only expected in the last

quarter of the year. However, we expect that the increased occupier activity in major hotspots such as Nairobi will continue.

In Uganda, prime office vacancy levels in Kampala increased by 6% year on year from 17% in H2 2019 to 23% in H2 2020. This was attributed to increased downsizing activities, postponement of office take up decisions by occupiers and the shift in a majority of occupiers' preference to smaller fitted out spaces. These increased vacancy levels led to softening of prime office rents by 7% in H2 2020 compared to a year earlier as occupiers continued to seek concessions during lease renewals. Further, prime office yields were recorded at between 8% and 10% in the period under review.

In Kenya, prime office rents in Nairobi declined by 13% in H2 2020 compared to H1 2020 with average occupancy rates across commercial offices recorded at approximately 72% in the same period. However, absorption of Grade A and B office space increased by 13% in the second half of 2020 compared to the first half of 2020. This was attributed to the easing of lockdown measures and the gradual re-opening of businesses allowing multi-national and local occupiers to proceed with key business decisions and finalise transactions. This trend is expected to continue in the first half of 2021 with the expected rebound of the economy and Covid-19 vaccine roll out.

In Nigeria, prime office rents in Lagos were

recorded at US\$50 per square metre per month in the second half of the year. Grade A office landlords continued to issue rent concessions and renegotiate lease terms during this period due to the current economic downturn. Whilst vacancy levels are expected to remain high for prime office spaces, there has been increased demand for smaller coworking spaces due to most of the occupiers downsizing their companies.

In Zambia, office rents in Lusaka remained relatively stable in H2 2020 at US\$ 17 per square metre per month. Average gross office yields were recorded at 10% over the same period. This trend is expected to continue in 2021 with increased occupier requirements by multinationals in the prime office market.

In South Africa, prime office rents remained relatively stable in Johannesburg and Cape Town in the second half of the year compared to a year earlier due to the appreciation of the South African Rand against the USD. However, activity in the commercial office market is expected to remain muted due to the second wave of the Covid-19 pandemic and lockdown imposed in the first half of 2021. As a result, vacancy levels are expected to remain high throughout the year due to the current economic downturn.

AFRICA PRIME OFFICE RENTS AND YIELDS

CITY	H2 2020	
	PRIME OFFICE RENTS (US\$/SQM/MONTH)	PRIME OFFICE YIELDS
ABIDJAN	\$32.50	10%
ACCRA	\$28.00	9%
ADDIS ABABA	\$16.00	6%
ALGIERS	\$28.20	10%
ANTANARIVO	\$11.00	10%
BAMAKO	\$20.00	10%
CAIRO	\$30.00	9%
CAPE TOWN	\$17.06	10%
CASABLANCA	\$20.00	9%
DAKAR	\$21.00	10%
DAR ES SALAAM	\$15.00	9%
DOUALA	\$27.00	11%
GABORONE	\$11.96	8%
HARARE	\$7.00	9%
JOHANNESBURG	\$18.43	10%
KAMPALA	\$14.00	8%
KINSHASA	\$35.00	5%
LAGOS	\$50.00	9%
LIBREVILLE	\$20.00	10%
LUANDA	\$50.00	9%
LUSAKA	\$18.00	10%
MALABO	\$30.00	10%
MAPUTO	\$30.00	9%
NAIROBI	\$12.00	8%
PORT LOUIS	\$20.00	8%
TUNIS	\$10.00	9%

Source: Knight Frank Research

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