The Africa Office Market Dashboard details the performance of prime office markets in major cities across Africa.

Knight Frank

www.knightfrank.com

Africa Office Market Dashboard

Q1 2021

KEY Q1 2021 TAKE-AWAYS

Stable
Overall prime office rents performance across the continent.

20%
Lagos recorded the highest increase in prime office rents.

US$7 psm
Harare recorded the lowest monthly prime office rents.

12.0%
Dakar recorded the highest gross prime office yield.

Source: Knight Frank
*arrows indicate quarterly change

Backdrop

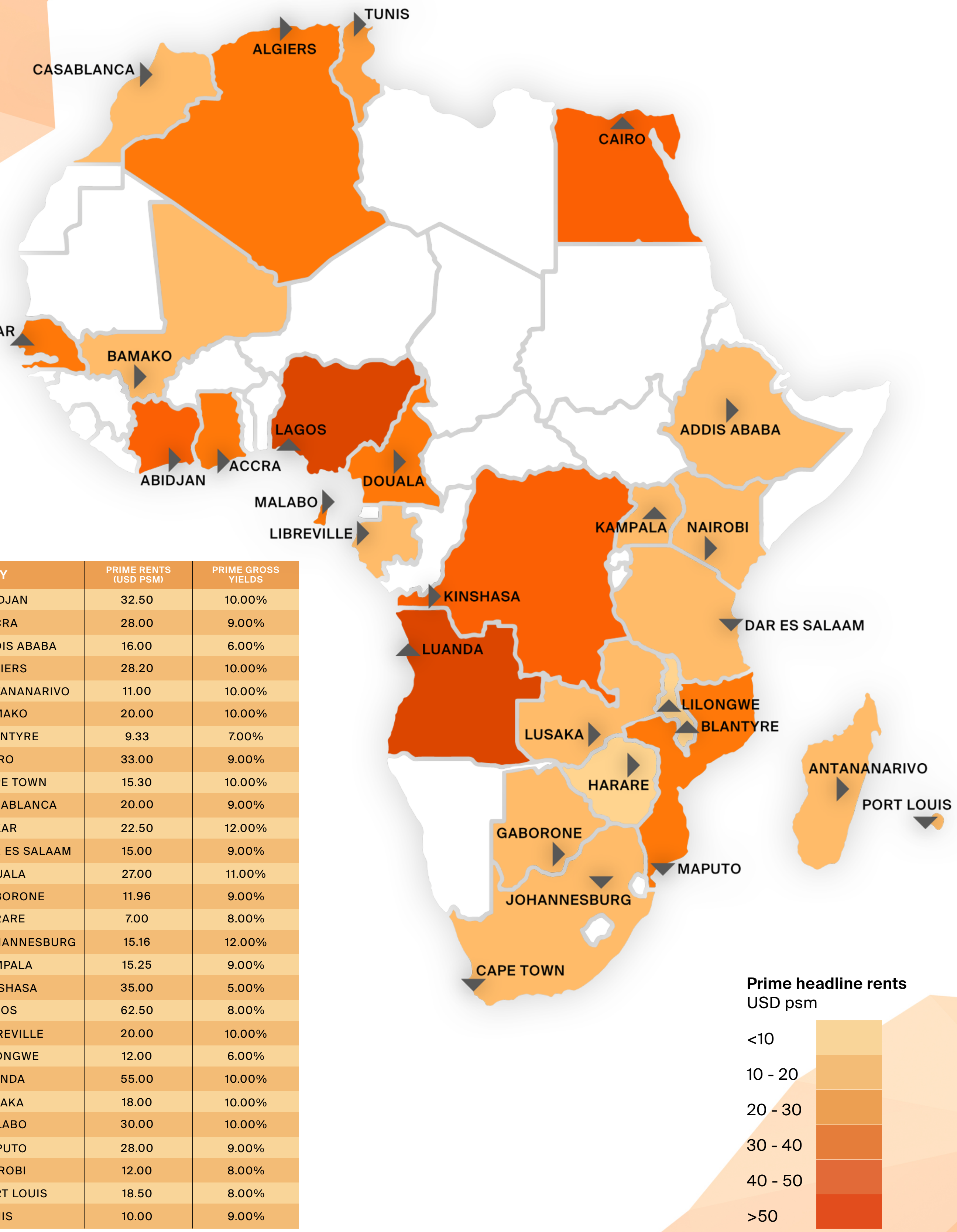
The economy in Sub-Saharan Africa is expected to make a strong recovery in 2021, following a contraction of 1.9% last year, according to the IMF's latest outlook. This will be driven by an expected improvement in export levels, as well as a stabilisation and recovery in commodity prices. In tandem, consumer spending and investment are also expected to increase. GDP growth this year is projected to reach 3.4%, up from 3.1% forecast in October 2020.

This improved outlook is already filtering through to the continent's office market, with rising confidence amongst occupiers leading to increased demand for prime space in some of the 28 cities we monitor. In Lagos, for instance, prime headline monthly rents rose by 20% to USD 62.50 psm in Q1, fuelled by a strong economic recovery and pent-up occupier demand. In contrast, currency fluctuations and over supply factors have led to sharp declines in prime headline dollar-based rents in Johannesburg, which fell by a record 22% over the same period, taking them to just over USD 15 psm; however, rand-based rents remained relatively stable at ZAR 226 psm.

Overall, prime office rents in our 28-city composite index remained stable q-o-q during the period under review but increased by 2% y-o-y.

Varying approaches by the region's governments to recurring infection flare-ups means the economic outlook is likely to remain mixed, leaving the office market in most locations tenant favourable. Many occupiers are still reviewing their occupational strategies, with plans to incorporate greater remote working going forward.

AFRICA OFFICE MARKET PERFORMANCE AT A GLANCE



CITY	PRIME RENTS (USD PSM)	PRIME GROSS YIELDS
ABIDJAN	32.50	10.00%
ACCRA	28.00	9.00%
ADDIS ABABA	16.00	6.00%
ALGIERS	28.20	10.00%
ANTANANARIVO	11.00	10.00%
BAMAKO	20.00	10.00%
BLANTYRE	9.33	7.00%
CAIRO	33.00	9.00%
CAPE TOWN	15.30	10.00%
CASABLANCA	20.00	9.00%
DAKAR	22.50	12.00%
DAR ES SALAAM	15.00	9.00%
DOUALA	27.00	11.00%
GABORONE	11.96	9.00%
HARARE	7.00	8.00%
JOHANNESBURG	15.16	12.00%
KAMPALA	15.25	9.00%
KINSHASA	35.00	5.00%
LAGOS	62.50	8.00%
LIBREVILLE	20.00	10.00%
LILONGWE	12.00	6.00%
LUANDA	55.00	10.00%
LUSAKA	18.00	10.00%
MALABO	30.00	10.00%
MAPUTO	28.00	9.00%
NAIROBI	12.00	8.00%
PORT LOUIS	18.50	8.00%
TUNIS	10.00	9.00%

Source: Knight Frank
*arrows indicate quarterly change

COUNTRY SNAPSHOTS

Botswana

7.5%
2021 GDP growth forecast

The economy remained subdued in Q1 2021 due to the prevailing Covid-19 restrictions, which continue to hamper the tourism and diamond industries. Prime dollar-based office rents in Gaborone remained stable at approximately USD 12 psm, although this can be attributed to currency fluctuations during the period under review. Looking ahead, activity in Gaborone is expected to be underpinned solely by investment disposals, as the ongoing state of emergency continues to hold back the leasing market.

Kenya

7.6%
2021 GDP growth forecast

Occupier activity has been characterised by consolidation activity by both domestic and international businesses, many of whom were capitalising on weaker rents by upgrading their offices, mirroring the flight to quality trend we are observing elsewhere in the world. As a result, monthly prime office rents remained subdued at USD 12 psm. New lockdown restrictions towards the end of Q1 are expected to further dampen demand, with rents coming under renewed downward pressure.

Malawi

2.2%
2021 GDP growth forecast

Monthly prime office rents remained subdued in both Lilongwe (USD 12 psm) and Blantyre (USD 9 psm) during Q1. Despite this, we have noted an upturn in demand in recent weeks as occupiers are starting to assess their options, with a view to upgrading. However, fluctuating energy prices are likely to drive up overall occupational costs. Overall, prime office rents are expected to remain stable throughout the year, with the possibility of some localised increases, depending on the supply-demand dynamic.

Nigeria

2.5%
2021 GDP growth forecast

As a challenging year ended with the country officially exiting a recession in the last quarter of 2020, occupier demand increased in the first quarter of 2021, reflecting pent-up demand by businesses for prime space. As a result, monthly prime office rents in Lagos increased by 20% q-o-q to USD 62.50 psm. Overall, increased activity in Lagos's prime office market is expected to continue, driven in particular by the growing start-up environment, the agricultural sector which is often linked with a rise in office take-up by consultancies, as well as multinational corporations.

South Africa

3.1%
2021 GDP growth forecast

Limited conditions in the prime office market have prevailed, with the pandemic continuing to curtail occupier demand. The vast majority of leasing decisions are being deferred as occupiers review occupational strategies with a view to factoring greater remote working going forward. As a result, monthly prime office rents in both Cape Town and Johannesburg have continued to weaken, ending the quarter at approximately USD 15 psm. We expect rents to remain depressed this year due to an oversupply of office stock, combined with weak economic conditions.

Source: Knight Frank, IMF

Tanzania

2.7%
2021 GDP growth forecast

Dar es Salaam's prime office market has remained subdued. The fall out of the pandemic, coupled with the ongoing economic uncertainty and an oversupply of office stock has placed occupiers firmly in the driving seat. Those businesses that remain in the market for space are seeking greater lease concessions in the form of longer rent-free periods and rent reductions through lease renegotiations. Despite this, monthly prime office rents have remained stable at USD 15 psm. The recent change in leadership is likely to boost investor confidence in the country, translating into stronger occupational demand as the year progresses.

Uganda

6.3%
2021 GDP growth forecast

The first quarter of the year saw a surge in occupier demand across a number of sectors, ranging from agriculture, the food and beverage industry and multinational oil companies based in Kampala. As a result, monthly prime office rents increased by 8% q-o-q to USD 15 psm. Overall, office occupancy rates increased by 3.4% during the period under review. However, a shift in occupier preferences towards more flexible lease terms, with shorter rent payment periods, is likely to impact occupancy levels at the lower end of the market. The recent signing of the East African Crude Oil pipeline project is expected to further boost occupier demand, particularly from the oil and gas sector.

Zambia

0.6%
2021 GDP growth forecast

Monthly prime office rents in Lusaka remained relatively stable during the period under review at USD 18 psm. However, prime rental rates are still 6% below pre-Covid levels due to increased lease concessions offered by landlords to sustain demand and maintain occupancy. Uncertainty stemming from the upcoming general election is likely to negatively impact on national infrastructure development initiatives, while also supressing demand for office space. However, the rise in copper prices and a buoyant agricultural sector will likely negate this to an extent as the year progresses.

Zimbabwe

3.1%
2021 GDP growth forecast

Harare's prime office market remained subdued as a result of the fresh lockdown imposed in Q1. However, monthly prime office rents held steady at the previously adopted incentive level of USD 7 psm in 2020. Still, high levels of payment defaults were recorded during the period under review due to the depressed business environment. Looking ahead, we anticipate the market will remain quiet throughout 2021 against the backdrop of a weak economic environment.

Source: Knight Frank, IMF

AFRICA OFFICE MARKET DASHBOARD Q1 2020

CONTACT US

Anthony Havelock, MRICS
Head of OSCA, Africa
anthony.havelock@ke.knightfrank.com

James Charnaud
Consultant, Knight Frank-EMC
james.charnaud@knightfrank-emc.com

Charles Onyenze
Partner, Knight Frank Nigeria
charles.onyenze@ng.knightfrank.com

Steve Rennie
Managing Director, Steve Rennie | Knight Frank
Steve.rennie@knightfrank.com

Faisal Durrani
Head of Middle East Research
faisal.durrani@me.knightfrank.com

Tilda Mwai
Researcher for Africa
tilda.mwai@me.knightfrank.com

RECENT PUBLICATIONS

Knight Frank research reports are available at knightfrank.com/research

Your partners in property for 125 years