



# **NIGERIA REAL ESTATE MARKET REVIEW**

## **H1 2019**

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## SUMMARY

### OF TANGENTS AND INFLECTION POINTS

Presidential elections were conducted with the incumbent returning for a second term. Expectations are that performance levels will be more of the same. The 2019 budget was passed at ₦8.6Trn, less than the 2018 budget in both nominal and real terms. More will be required to solve the nations critical problems. Borrowing remains the leading option of choice in strengthening the economy. The reappointment of the Central Bank Governor might just be what the market needs - a stabilising pair of hands.

Nigeria's largest telecoms services provider, South African based MTN Telecommunications listed on the Exchange, summarily becoming the second most capitalised firm at ₦2.89Trn. The second largest services provider - Airtel Nigeria also listed, averaging a ₦1.22Trn market cap. Another ICT firm, Interswitch, plans to list within the next 12 months.

The supply side of the residential real estate

market continues to show signs of life. Tenants, yet to recover from the weak economy pushed for better rents to Landlords who conceded - but only negligibly. Middle income 'work, live and play' projects were announced by developers. And land values have appreciated with frontier land investments in Lagos offering impressive rates of return. Also, the real estate sector came out of recession in Q1, growing by 0.93%.

Online retailer, Jumia listed in London after a few fits and starts. Local retailers have continued to display confidence, leaning on improved distribution networks. Logistics firms Gokada and Max.NG raised \$5.3M and \$7M respectively. Konga plans to list on the New York Stock Exchange by 2020. Hubmart also opened a new store. Eat N' Go Africa, franchisees of Domino's Pizza opened its 100th location and plans 300 more over the next 5 years. Analysts believe that the Federal Government scored its highest ratings in infrastructure, and it has

continued to push its growth agenda, signing a 25,000MW, six-year electricity deal with Siemens.

How we live continues to form a vital part of our everyday lives. And effective demand for property assets will continue to mirror general market conditions fuelled by the efficiencies gained through technological advancements. Artificial Intelligence, Virtual Reality and PropTech are changing our interaction with the real estate value chain - from design to construction and completion. As materials science breakthroughs force their way into existing construction frameworks, we can safely expect improvements.

Green buildings continue to feature in conversations, waiting for a generally

traditionalist market to catch up. Projects such as the Recycle Pay project, which allow school fees payments in plastic bottles join the list of sustainability initiatives. Still, long term profitability through sustainability, when compared with current systems, remains a more complex calculation.

Land values have continued to appreciate and the Grade A office market's struggle with unhealthy vacancy rates remains the case. Coworking models are also evolving and, for the first time, we will be including property prices from emerging cities for your investment consideration.

**Ayo Ibaru**

COO / Director – Real Estate Research & Advisory  
Lagos, Nigeria





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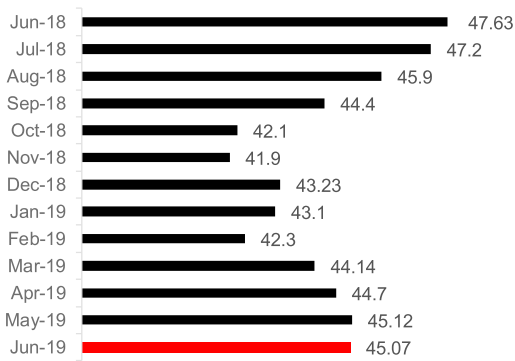


# MACROECONOMIC INDICATORS

Towards growing the nation's manufacturing contribution to GDP, the FG released ₦30.7Bn as part of its 25% commitment to the NSEZCO industrial park. AfDB, Bank of Industry, Nigerian Sovereign

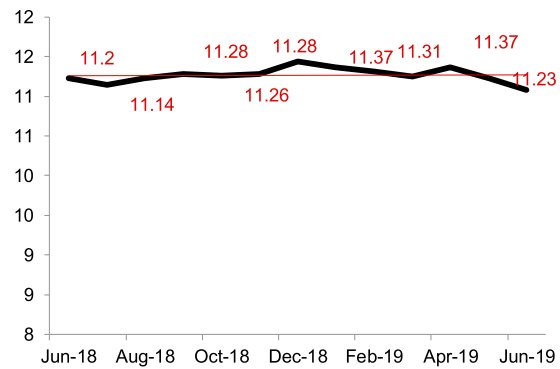
Investment Authority, IFC and other finance donors will provide the remaining 75% of the total ₦180Bn. Still, the improvement of the power infrastructure needs to be quicker to fully contribute to the

**External Reserve (\$Bn)**



Source: Central Bank of Nigeria

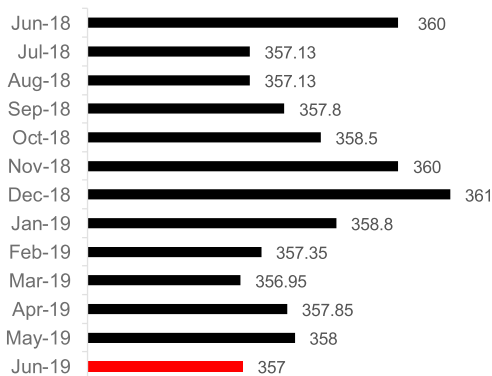
**Inflation (%)**



Source: National Bureau of Statistics

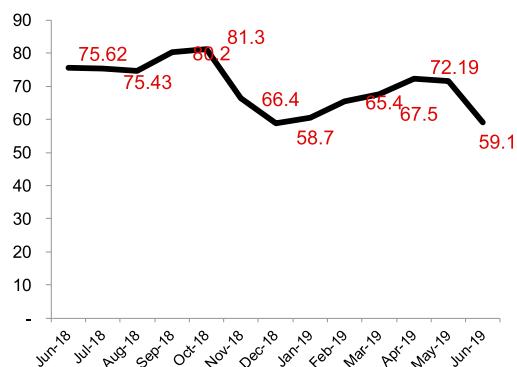


### Exchange Rate (₦ to \$)



Source: Central Bank of Nigeria

### Price of Crude (\$/B)

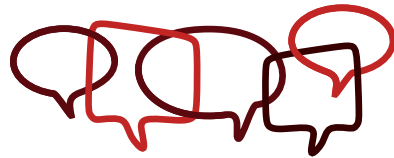


Source: Central Bank of Nigeria

OPEC agreed to extend production cuts by nine months after several members endorsed the move aimed at supporting oil prices amidst a weakening global economy. The ongoing Dangote petroleum refinery project is expected to create an \$11Bn market for Nigerian crude annually, starting

in April 2020. Shell and Total have progressed on their respective \$16Bn and \$500M investments in Bonga South West, Aparo and Ikike Field Development projects. Upon completion, Total's Ikike project will add 32,000bpd to national production.





## TOPICAL ISSUES

### THE ACCESS / DIAMOND BANK MERGER

In 2011, local lender - Access bank successfully acquired the much larger Intercontinental bank. So it came as no surprise when news went round of a possible merger with Diamond bank. After some speculation, the merger was confirmed by the Central Bank. Diamond Bank shareholders would receive ₦3.13 for every share held - ₦1.00 per share in cash and 2 Access Bank ordinary shares for every 7 Diamond Bank ordinary shares held - a 260% premium on Diamond bank's closing market price of ₦0.87 at the date of the final binding offer (as of December 13, 2018). The merger resulted in the formation of the largest bank in Africa by customer base - 29M customers, over 13M mobile customers, 3,100 ATMs and about 32,000 PoS terminals. The merger contributes to strengthening the nation's financial services sector.



### EXECUTIVE ORDER NO. 7 / THE NATIONAL HOUSING FUND (ESTABLISHMENT) ACT 2018

The Executive order No. 7 - the Road Infrastructure Development and Refurbishment Investment Tax Credit Scheme – partners with the government for road infrastructure development. The Order covers the execution of 19 road projects located in 11 states. Partner firms get tax credits. The firms involved are; Dangote Industries Limited, Lafarge Africa Plc., China Road & Bridge Corporation, Nigeria LNG Limited, Unilever Nigeria Plc. and Flour Mills Nigeria Plc.

The National Housing Fund (Establishment) Act 2018 sought to grow the National Housing Fund by levying 10% of the Profit Before Tax from Nigerian banks, insurance companies and pension fund administrators. Manufacturers, importers and citizens earning above the minimum wage are expected to contribute 2.5% to the fund. Failure to comply would

lead to the loss of operating licenses and fines of up to ₦100M for corporates and ₦10M for individuals. Experts believe that this will put financial pressure on private companies forcing them to cut costs.

Low income earners will pay about 250% of their personal income tax (PAYE) to the NHF monthly. Banks would be required to invest a minimum 10% of their profits at 1% above current deposit rates. This will increase the already high cost of borrowing. More interestingly, the bill also proposed a 2.5% levy on cement. Pension Fund Administrators are required to invest pension funds in the scheme which only means lower returns for pension contributors and the 2% return per annum for contributors withdrawing after attaining 60 years of age or 35 years of service is far below the inflation rate.

The National Housing Fund (Establishment) Act 2018, a bill to repeal the NHF Act 1992 (now NHF Act Cap N45, LFN 2004) is broadly considered as among the most retrogressive pieces of legislature to ever come up for consideration. It only increases the cost of development and discourages investment in the real estate market. This 2% rate cannot compensate for the time value of money besides the penalties being too stiff.

The President did not approve the Bill.

## MTN'S LISTING

In 2001, MTN became the first GSM network to make a call after winning the Nigerian GSM auction conducted. Full operations then launched in Lagos, Abuja, and Port Harcourt. 223 locations, more than 10,000 communities and 36 states later, the company would list on the Nigeria Stock Exchange by introducing 20.35Bn ordinary shares at ₦90 per share - a price the firm decided to list with (which also values the firm at ₦1.84Trn) after agreeing to pay a \$1.7Bn fine to settle a sim card registration dispute with the Federal Government. This is phase one of the listing.

MTN is the first telecommunications network provider to be listed on the NSE's Premium Board reserved for an elite group of issuers that meet the Exchange's most stringent corporate governance and listing standards. The firm thus joins Access Bank Plc, Dangote Cement Plc, FBN Holdings Plc, Lafarge Africa Plc, Seplat Petroleum Development Company Plc, United Bank for Africa Plc and Zenith Bank Plc.



## MINIMUM WAGE

Income remains the starting point for many an investment calculation. Nigeria's minimum wage has been ₦18,000 for quite a while, a figure few states have struggled to pay. But with the political environment shaping up for elections, the labour union used the opportunity to raise the minimum wage issue reminding the government of its promised increase. And the government reluctantly agreed.

This throws up a number of issues. First is financial capacity; most states owe salaries in arrears already - at the old minimum wage rate. This will be more difficult as their income projections are far from encouraging. Next, the new wage is lower in real terms when compared with the 2015 version, when inflation and other macroeconomic variables are considered. In effect, the minimum wage, even if paid, is unlikely to have a significant impact on the spending patterns of the average income earner.

## OANDO: CHAPTER 2

Based on the outcome of a forensic audit conducted, The Securities and Exchange Commission (SEC) constituted an interim management team for Oando Plc., recommending that key management and board members step down. Oando would

respond that the alleged infractions were calculated to undermine their enterprise. Experience from past board takeovers shows interim management only pile on more allegations and would include a review of current transactions threatening the interest of its stakeholders. More extreme could be a complete takeover by the regulators. The Federal High Court in Lagos recently granted leave to Oando Plc to file a motion for a judicial review of the SEC's decision imposing a fine of ₦89.67M on it, further granting an order of certiorari for the quashing of SEC's directive to Oando to convene an extra-ordinary general meeting on or before July 1 to appoint new directors and articulate remedial measures for alleged corporate governance lapses.

## CBN'S 5 YEAR POLICY

The Central Bank of Nigeria unveiled a five-year plan (2019 - 2024) which went beyond monetary policy to include intervention in the real sector. It further outlined Nigeria's economic management direction. The regulator is working with other fiscal authorities to ensure macroeconomic stability and promote economic inclusiveness. It also has double-digit growth rates, single-digit inflation rates, and wider access to finance as strategic objectives. The current capital base of banks is no longer adequate to

provide credit at levels required for the real economy. The plan suggests that banks would be required to increase capital bases to properly stimulate growth. A long-term national plan is critical to solving national problems over the long term as it outlines the part each stakeholder has to play to make it work.

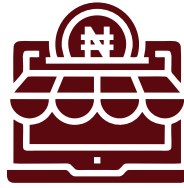
### **THE AfCFTA AGREEMENT**

**N**igeria signed the Africa Continental Free Trade Agreement (AfCFTA) creating the world's largest free trade area. This agreement seeks to establish of a single market for goods and services for Africa's 53 countries (as Eritrea is the last country yet to sign up), facilitating free movement of goods and services between partner countries. The agreement aims to enhance African interconnectivity and increase output. It is also believed that it will create jobs as the market size increases, in a continent projected to have the youngest

people in the world by 2050.

African countries stand to benefit from removing current barriers to increased trade on the continent, such as current high tariffs and trade restrictions. AfCFTA creates access to a market of 1.2Bn people which opens new possibilities for employment on a continent home to the world's youngest population and fastest-growing labour force. The agreement is projected to improve trade across the continent by up to 60% by 2022.

But African countries need to industrialise quickly to take advantage. Rules of origin, a trade-in-goods dashboard, a payments system, and a trade commission are elements required to facilitate the full implementation of the agreement. And while some of these were launched at the summit, they would require sustained follow-through.



# INVESTMENT MARKETS

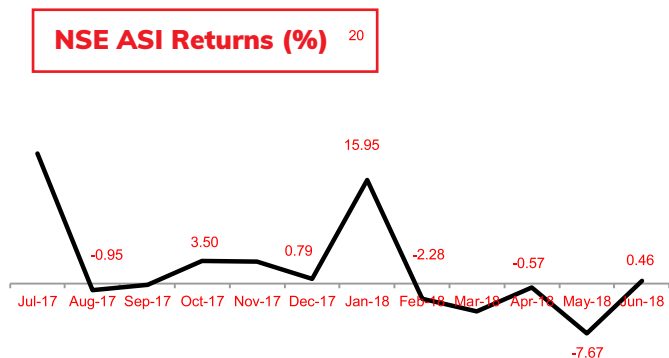
## EQUITIES

The equity market depreciated by 17.81% in 2018, after an appreciation of 42.30% recorded in 2017. The stock market opened in February 2019 with a market capitalisation of ₦11.42Trn and closed at ₦11.86Trn - showing a ₦444Bn profit. And towards the elections, there was a growth with market capitalisation rising as high as ₦12.2Trn by mid-February. Changes in the elections timetable would lead to the subsequent loss in the stock market.

Nigerian Breweries reported a 1.4% YoY decline in revenue to ₦170.2Bn - possibly a result of higher excise duties payment with the second phase of ad valorem excise duty system implemented by mid-year. The Debt Management Office listed ₦100Bn Sukuk bonds on the Nigerian Stock Exchange (NSE). The Sukuk was raised at a 15.743% rental rate, compared to the last year's issuance at 16.47% in April 2018.

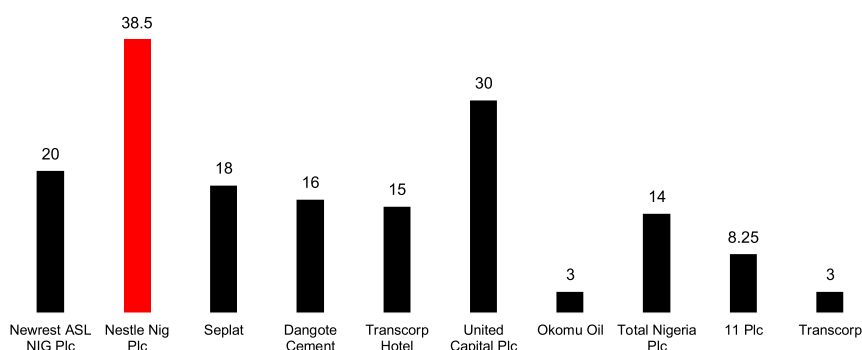
The Exchange also listed Mixta's ₦2.96Bn 16.50% (Series II), Tranche A Senior Guaranteed Fixed Rate Bond and ₦2.32Bn 17.75% (Series II) Tranche B Senior Secured Fixed Rate Bond, both due in 2023. It also listed Sterling Investment's ₦32.89Bn, 7-Year 16.25% Fixed Rate Unsecured Bonds, due in 2025 (Series II) and issued under the ₦65Bn Debt Issuance Program.

With the Exchange cleaning house - delisting equities below minimum performance levels while encouraging the listing of well-run organisations, analysts project that the equity market will close the year in the positive.



Source: NSE

### Top 10: Dividends per Share as of June 2019 (₦)



Source: NSE

## FIXED INCOME

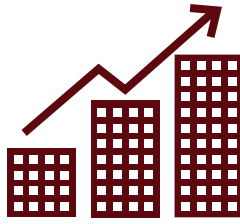
North South Power Company Limited through its NSP-SPV PowerCorp Plc, issued its first ₦8.5Bn 15-year 15.60% Series I Guaranteed Fixed Rate Senior Green Infrastructure Bonds due in 2034. The Bond is the first certified green corporate bond. It is also the longest tenured corporate bond issued in the Nigeria debt capital markets - 15 years. The Series I Green Bond was oversubscribed by 60%.

Ecobank Trans International announced the

oversubscription of its \$50M bond issued at 8.25%. The bonds will be consolidated to form a single series with the \$450M at 9.5% issued in April 2019 and due in April 2024. Access Bank's Tier II ₦30Bn subordinated unsecured bond issued by the bank to strengthen its funding base was oversubscribed.

By mid-year, spreads widened as bids rose in response to the release of the FGN Bond Circular. The DMO indicated plans to offer ₦145Bn of the 5, 10 and 30yr bonds at an auction scheduled for the 24th of July.





# REAL ESTATE PERFORMANCE

AS THE PILLARS REMAIN

## OVERVIEW

Security has grown as a critical selector tool in the residential market. Secure gated communities are priced higher than estates perceived to be less so. Investment thinking in property is shifting. Some expect the new administration to devalue the currency with the uncertainty around this delaying property purchasing decisions. Some investors are opting to buy assets out of the country. Many are looking to sell local assets. On this backdrop is the migration of young and middle-aged professionals to Western economies, a fact not lost on the balance sheets of local agents. The residential real estate market is gradually picking up. Tenants pushed for better deals with Landlords making little or no reductions. Mini flats, 1 and 2 Bed flats remain favourites.

Vacancy rates in Port Harcourt have moved, but only slightly, when compared with EoY 2018. Old GRA, GRA Phases 1, 2

and 3 recorded vacancy rates of 7%, 9%, 9% and 15% respectively. Abuja's Apo and Gwarimpa are 14% and 2% vacant. Ikoyi and Victoria Island in Lagos state are respectively 41% and 23% vacant.

An additional 400,000m<sup>2</sup> of Grade-A office space is expected in 2019. Coworking continues to grow as business owners are unable to meet up to the dollar rent obligations for Grade A office space. Nigeria's commercial real estate market is going green. Most ongoing prime office developments - or those that have been delivered in recent years are a testament to the fact that green buildings have come to stay. The US government acquired about 50,000m<sup>2</sup> of land in Eko Atlantic City for the Consulate's new head office. A 21-storey smart office tower is being constructed in Uyo, Akwa Ibom state at an approximate cost of ₦19Bn, funded via a PPP. Upon completion, it is expected to house leading oil services firms.

IFRS 16 standards on leases became effective 1 January 2019. Under IAS 17 leases (former lease standard) operating leases are not recognised as assets and liabilities in the books of an entity who is a lessee. IFRS 16 recognises lease arrangements by adding that where a

contract conveys the “right to control the use of an identified asset, the lessee will recognise a Right-Of-Use asset”. This would include a corresponding lease liability for most lease arrangements that were classified as operating leases under IAS 17.

### Cost of Building Materials

Description	H1-2015 (₦)	H1-2016 (₦)	H1-2017 (₦)	H1-2018 (₦)	H1-2019 (₦)	% Change 2018/2019
Cement (50kg)	1,950	1,500	2,800	2,700	2,600	-4%
Sandcrete block (9 inch)	190	200	220	210	240	14%
Aluminium Roofing Sheet (0.55mm)	1,550	1,550	2,500	1,800	3,000	67%
Cables (6mm / Coil)	13,500	16,000	38,000	35,000	32,000	-9%
Coloured Emulsion Paint	7,500	8,500	12,000	5,500	14,000	155%
Paving stone 60mm (Local)	1,400	1,750	2,100	1,800	2,000	11%
Harvey roof tiles	6,000	5,700	11,000	3,500	3,500	0%
White Emulsion (Dulux)	22,000	26,000	28,000	30,368.86	31,000	-6%
Twyford complete set WC	14,500	14,500	14,000	14,500	27,000	-6%
Ariston water heater (Small)	17,500	28,000	28,000	25,000	24,000	-6%
13A socket	900	950	1,200	1,500	800	-47%
Distribution board	45,000	40,000	45,000	48,000	48,000	0%

Source: Castles-, Northcourt

## LAND

Lagos State is a coastal city with its geography characterised by natural water bodies and is increasingly coming to terms with climate change and the attendant complexities of building and living with water. As it joins the ranks of cities under the African Water City concept - which presents innovative ways to sustainable infrastructure development,

the state needs to better manage its water challenges and is in need of improved drainage systems. Developers in Lagos would do well to consider advancing waterfront development with addressing environmental challenges.

Land reprised its role as a stable investment, rising YoY in almost all the areas considered. Average prices in Ikoyi, Lekki Phase 1, Victoria Island, Sangotedo,



## Land Prices

Location	2017 Average	2018 Average	2019 Average	2018-2019 % Change (%)
Ikoyi	₦435,000	₦363,000	₦450,000	24
Lekki Phase 1	₦140,000	₦196,000	₦200,000	2
Victoria Island	₦312,000	₦300,000	₦340,000	13
Sangotedo	₦26,000	₦28,000	₦30,000	7
Agungi	₦84,000	₦95,000	₦100,000	5
Abraham Adesanya	₦34,000	₦24,000	₦36,000	50
Magodo	₦86,000	₦110,000	₦130,000	18
Ikeja GRA	₦260,000	₦261,000	₦240,000	- 8

Source: Northcourt

## RESIDENTIAL

The Federal Government's National Housing Plan to construct 536 units in the Northern parts of the country even though below the expectation of analysts made some progress. Developments were based on the study of what would fit best with the prevailing culture. The FCT's quota amounted to 72 units, Kogi, Kwara, Nasarawa and Benue - 76 units each while Niger and Plateau had 80 housing units. Units in Kogi state are complete while those in Plateau, Niger, Nasarawa and FCT are between 85 to 90% completed.

The low vacancy rates recorded in many parts of Ogun state, South-West Nigeria was largely due to the affordable cost of housing in its capital city - Abeokuta. High

to mid-income areas such as Ewang Housing Estate, Ibara Housing Estate and Asero Housing Estate have vacancy rates of 1%, 9% and 14% respectively. Affordability, serene environment, adequate infrastructure and proximity to both federal and state secretariat offices have been identified as major drivers of the high occupancy levels. Low-mid income area, Kuforiji is a promising residential neighbourhood with a number of pipeline projects such as government-led Orange Valley Estate and AAK Degun Mitros.

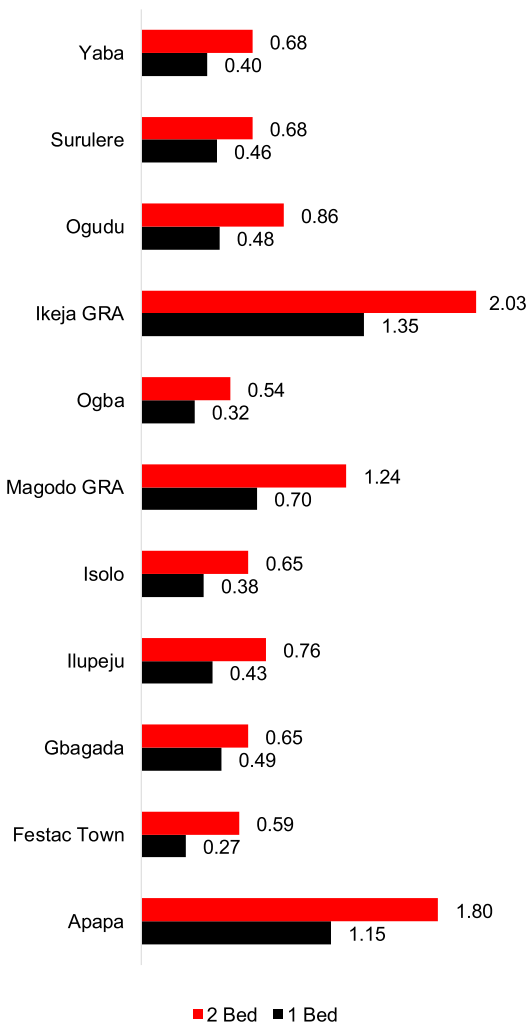
Oyo's leading gated community in Ibadan (another South-Western state) - Samonda Estate (Aerodrome) – is comprised mostly of 4- & 5-bedroom houses and is 98% owner-occupied. Other prime locations such as New & Old Bodija have lower occupancies



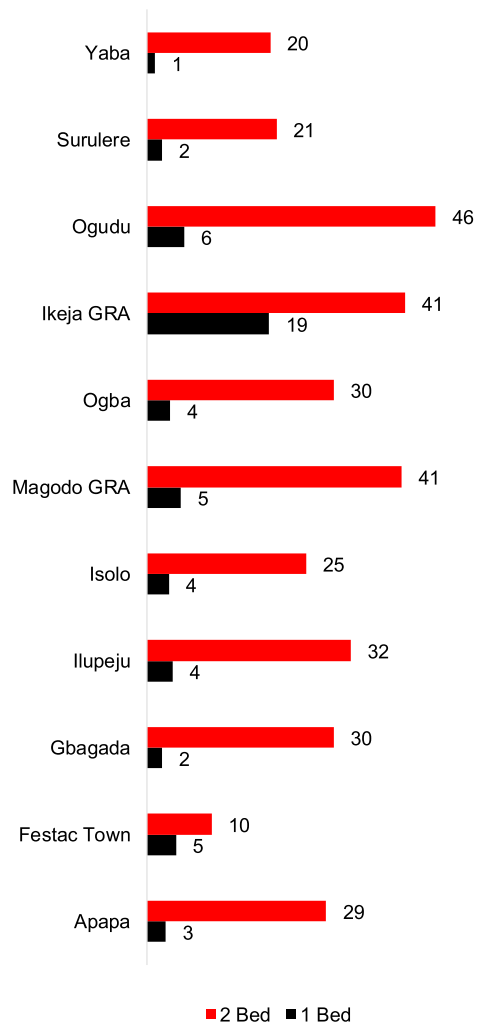
due to high rents. The Odu'a Investment Company Limited and UK-based Iconic Limited, signed a ₦3.5Bn contract for the

development of residential apartments on 38,000sqm of land in the Alakia area of the State.

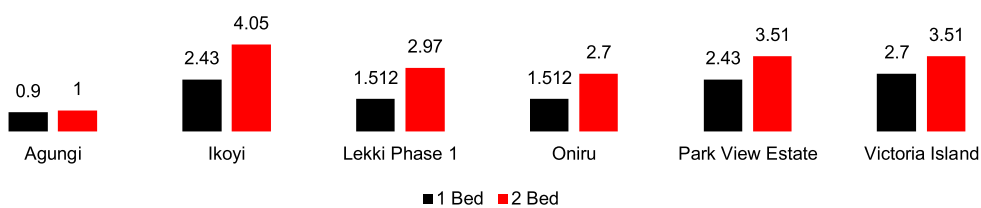
### Lagos Mainland: Rent Per Annum (₦'M)



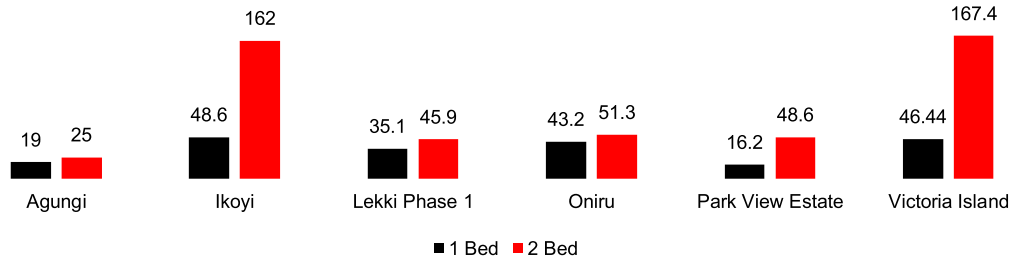
### Lagos Mainland: Sale Prices (₦'M)



### Lagos Island: Rent Per Annum (₦'M)



### Lagos Island: Sale Prices (₦'M)



Owners' refusal to sell off ancient structures has contributed to the poor ambience of otherwise high-end residential areas in Benin City, Edo State. Etete GRA, Ihama GRA and Boundary road are respectively 6%, 9% and 6% vacant. Low- and mid-income areas such as 1 Ugbor, 2 Ugbor recorded low vacancies due to their being centrally located. Ongoing road construction in the city has reflected in price appreciation across a number of residential locations: Ugbor Village, Limit Road and PZ areas. Pipeline developments are also ongoing in these areas. Accessibility to high-end areas such as Udoka and Ngozilika Housing Estates in Enugu state have served as drivers to the high occupancy levels. However, high rentals for both 3-bed and 4-bed apartments have led to 13% & 10% vacancies in both locations respectively.

Infrastructure works on the Ekiti State Housing Project have reached 55% completion as more than half of the 70 flats

have been completed. Niger State government in partnership with Happy Home Builders Nigeria Limited signed an agreement for the construction of 200 housing units on 334,000sqm of land along the Suleja-Madalla axis. Certificates of Occupancy are being issued within the state at ₦5,000 and ₦15,000 for both rural and urban applicants respectively. The Lagos State Development and Property Corporation (LSDPC) and Direct Construction Limited are concluding plans to develop 48 housing units in Ogudu GRA extension along Alapere/Oworoshoki axis of Lagos State. The urban renewal project is expected to take 12 months.

₦3.7Bn has been committed by the Federal Government for the completion of the Zuma Housing Project situated in Abuja expected to be commissioned by Q2 2019. Adjacent to the future Epe International Airport is Alaro City – a modern city development sitting on 8M sqm of land and estimated to

cost \$249M. Phase 1 is already sold out.

projected to start in June following the state's up-to-date contribution to the NHF.

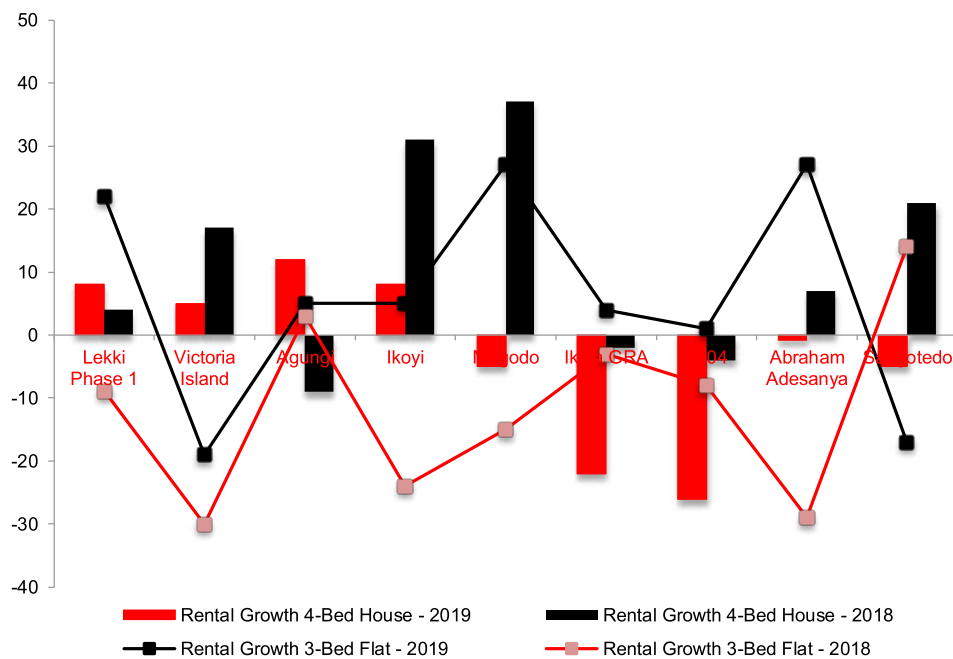
FMBN's ₦500M effort to provide affordable housing for workers in Anambra state is

### Residential Vacancy Rates – H1 2019

Abuja	Vacancy Rate	Lagos	Vacancy Rate	Port Harcourt	Vacancy Rate
Apo	14%	Ikeja GRA	4%	Old GRA	7%
Gwarimpa	2%	Ikoyi	41%	GRA Ph 1	9%
Jabi	8%	Lekki	22%	GRA Ph 2	9%
Katampe	37%	Magodo Phase II	1%	GRA Ph 3	15%
Lugbe	11%	Oniru	15%	Elenlewo	9%
Maitama	5%	Surulere	9%	Peter Odili	14%
Utako	13%	Victoria Island	23%	Rumuogba	10%
Wuse 2	10%	Yaba	2%	Woji	13%

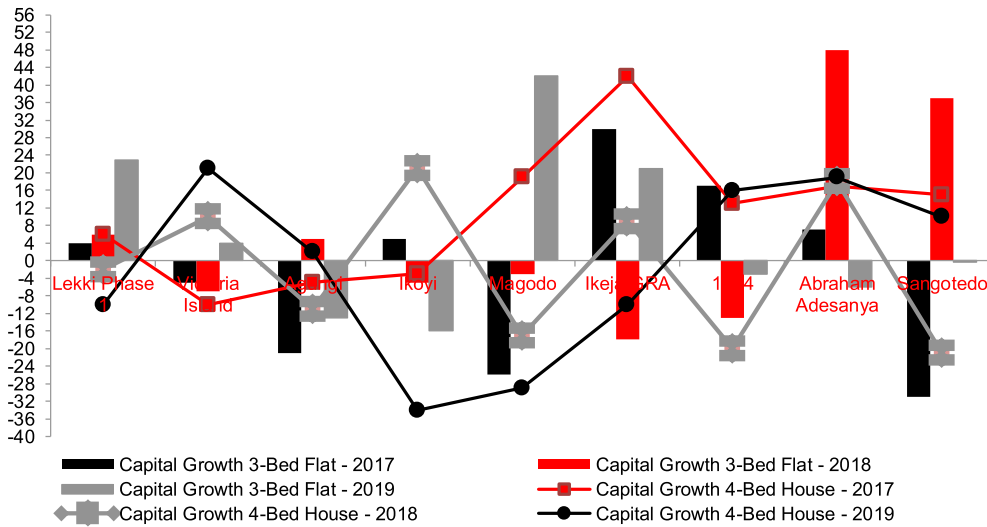
Source: Northcourt

### Growth in Rental Values - Lagos (2018 to 2019)



Source: Northcourt

### Growth in Capital Values - Lagos (2017 to 2019)



Source: Northcourt

## OFFICE

The past few years have seen changes in the Lagos skyline - but by only so much. Rents have continued to gradually decline in the Grade A office market. Three towers - Cornerstone, Greystone and Kingsway brought 12,000sqm, 11,190sqm and 13,317sqm of leasable office space to the market. With Heritage Place, The Wings Complex and Alliance Place recording vacancies circa 55%, the use of anchor/off-taker tenants, accessibility, security and green features are increasingly being recognised as key drivers to the success of Grade A office buildings.

In Maitama, rental values are considerably higher than in other areas in the nation's capital - Abuja. Office spaces on average

go ₦45,000 - ₦60,000/sqm. Major tenants include pharmacies, boutiques and travel agencies. Commercial vacancy rates currently stand at 12%. Rentals in the Utako area average ₦35,000/sqm with commercial vacancy rates at 52%. More development pipelines are in the area as land prices average ₦112,000/sqm. In Wuse 1, rentals for office spaces go for ₦36,000/sqm on average. Shops go for slightly lower - ₦35,000/sqm. Commercial vacancy rates average 45%.

The growing demand for coworking spaces, especially in Lagos state, has encouraged conversions of grade B offices. Service providers are moving more into the 'Space as a service' model - upgrading, fitting out and managing grade B spaces to

meet client specifications. Strong occupancy levels in mainland areas like Yaba has only mirrored demand on the Island where spaces in Victoria Island and Lekki lead the charge. The millennial demographic, tech start-ups, women-led enterprises and SMEs have remained the leading drivers of demand for coworking office space. The recently launched Delta State Innovation Hub has also increased the demand for coworking in South-Eastern Nigeria. Leadspace partnered with FCMB to open Hub One, a coworking space in Yaba, Lagos. Grade A offices are considering partnerships with coworking space providers. To better manage their costs, coworking spaces are opting for

management agreements where they introduce their brand to an existing development, splitting site management expenses 75% - 25%. Private developers are looking to develop a low-cost coworking 100-man centre in the Alimosho area of Lagos state with a ₦1,000 daily charge. 1 - 2 man private offices remain the most profitable.

Landlord flexibility demonstrated in friendly lease terms continues to be the norm in Grade A office space transactions as the sub-market has struggled to shake off the garment of weak demand and high vacancies. The challenges of offering incentives while coughing up funds for

### Prime Office Rents

Location	2017 Average (000)	2018 Average (000)	2017-2018 % Change (₦)	2017-2018 % Change (\$)
<b>Abuja</b>				
CBD	₦57/\$0.16	₦40/\$0.11	-30	-30
Wuse 2	₦53/\$0.15	₦61/\$0.17	15	14
Garki 11	₦21/\$0.06	₦33/\$0.09	57	56
<b>Port Harcourt</b>				
Olu Obasanjo Way	₦16/\$0.04	₦12.5/\$0.03	-22	-23
Trans Amadi Road	₦17/\$0.05	₦13.5/\$0.04	-21	-21
Aba Road	₦16/\$0.04	₦10.5/\$0.03	-34	-35
<b>Lagos</b>				
Lekki Phase 1	₦38/\$0.10	₦60/\$0.17	58	65
Lagos Island	₦21/\$0.06	₦16/\$0.04	-24	-27
Ikeja	₦26/\$0.07	₦34/\$0.09	31	30
Yaba	₦25/\$0.07	₦18/\$0.05	-28	-29
Ikoyi	₦309/\$0.85	₦207/\$0.57	-33	-33
Victoria Island	₦246/\$0.68	₦252/\$0.69	2	2

Source: Northcourt, Broll

### Office Pipeline

Name	Floors	Size (m <sup>2</sup> )	Location	Delivery date
Africa Tower	26	-	Abuja	Not Specified
Atlantic Resort	16	15,588	Oniru	2019
Bloomsbury	6	10,000	Victoria Island	On Hold
Cornerstone Head Office	12	10,000	Victoria Island	Not specified
Continental Re Building	7	1,300	Victoria Island	Ongoing
Corporate Towers II	34	-	Eko Atlantic	Not Specified
Dangote Head Office	18	-	Ikoyi	2020
Dimension Building	6	-	Lekki	Ongoing
Famfa Oil Tower	20	55,000	Ikoyi	Ongoing
FIRS Head Office	17	81,000	Abuja	Not Specified
Jenkin's Place	8	1,350	Victoria Island	On Hold
NDIC Head Office			Ikoyi	
Number One (Old IMB Plaza)	5	8,000	Victoria Island	Q4 2019
Ogun House	5	1,000	Ikoyi	Q4 2018
Sogenal Tower	14	11,560	Ikoyi	Q1 2019
The Waves	13	44,000	Victoria Island	On Hold
World Trade Center	22	26,000	Abuja	Not Specified

Source: Northcourt

maintaining largely vacant multi-storey buildings led to the listing of same for sale. The demand for office space is weak in most other states of the country due to the struggling economy.

Nigeria's commercial real estate market is going green and transparent. Developers, Investors and professionals are more willing than ever before to share transaction details and operate more transparently. Most prime office developments that have been delivered in recent years or expected to come on stream are going green. Projects which have attained energy efficiency certifications

include Heritage Place, which obtained the LEED Silver certification, and Cornerstone Tower, which is EDGE certified. This consciousness for sustainability is influencing more desirable commercial real estate spaces, reducing costs of occupation while being environmentally friendly.

### Grade A Office Rents

Project	Location		Price/Sqm (\$)
Alliance Place	Victoria Island	Lagos	550
Civic Center			550
Heritage Place			550
KPMG Towers			400
Madina Tower			550
Mansard Place			400
Nest Oil Towers			550
NIPOST Towers			500
Sapetro Towers			Ikoyi
Standard Chartered Tower	450		
The Wings	650		
Lakepoint Towers	450		
Rising Sun	450		
Temple Tower	450		
Landmark Towers	Lekki	450	
Novare Central	Wuse	Abuja	450

## RETAIL

The world of retail is changing, and the transformation extends beyond online. And according to the World Economic Forum on the future of consumption, retail is becoming more “inspirational, exciting, simple and convenient” in order to meet the needs of the consumer. There are also indications that Digitally Native Vertical Brands

(DNVBs) which are born online with a focus on the customer experience. are now extending to a brick-and-mortar manifestation. Unlike typical e-commerce companies, DNVBs control their distribution.

Experts suggest that a focus on underserved segments - age groups; Gen-Z; demographics e.g. men - globally a \$50Bn market in 2017 expected to rise to \$60Bn by 2020); niche categories (e.g.



green products, fitness and healthcare) and experience retail (as opposed to providing value by being just efficient in delivery) they

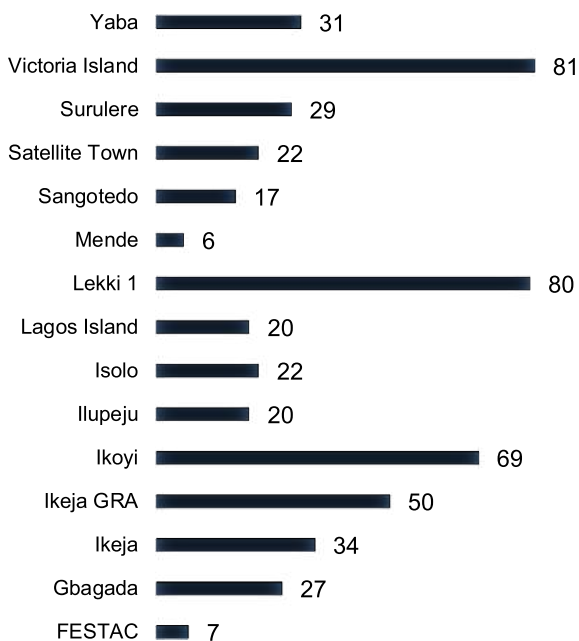
emphasise service experience and improved distribution are the drivers of growth.

### Lagos Retail Development Pipeline

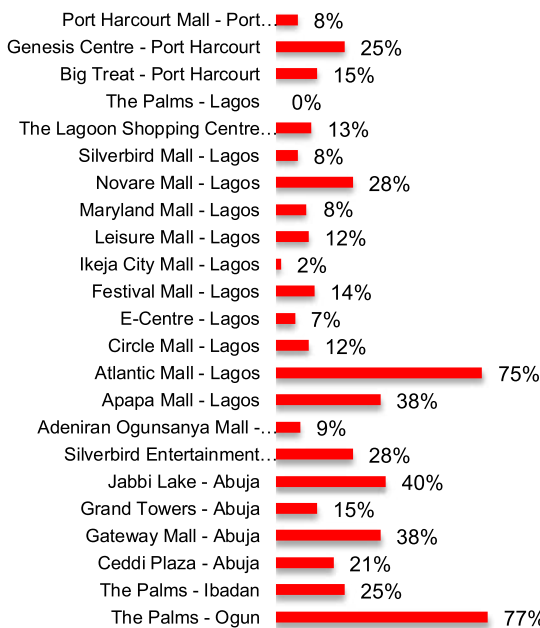
Name	Location	Delivery Date
Triangular Business Mall	Lekki, Lagos	Q2 2019
Landmark Retail Boulevard	Oniru, Lagos	Q2 2019
Westfield Mall	Lekki, Lagos	Not specified
Victory Mall Plaza	Victoria Island	Not specified
Oasis Mall	Ikeja, Lagos	Not specified
Amore Multiplex	Lekki, Lagos	Q4 2019
Royal Gardens Mall	Lekki, Lagos	Q4 2019
Grace Arena Mall	Oniru	Not specified

Source: Northcourt (2019)

### Rent Per Sqm (#'000)



### Retail Vacancy Rates



Rates are as of May 2019  
Source: Northcourt

### Average Retail Rents

Location	2017 Average Monthly Rental (Psm)	2018 Average Monthly Rental (Psm)	% Change \$	% Change ₦
Lagos	\$53 / ₦18,876	\$46 / ₦16,560	-13	-12
Abuja	\$60 / ₦21,780	\$39 / ₦14,040	-35	-35
Port Harcourt	\$35 / ₦12,705	\$41 / ₦15,000	17	18
Enugu	\$32 / ₦11,616	\$46 / ₦16,560	43	42
Warri	\$35 / ₦12,705	\$25 / ₦9,000	-28	-29
Kano	\$30 / ₦10,890	35 / ₦12,600	14	13

Source: Northcourt

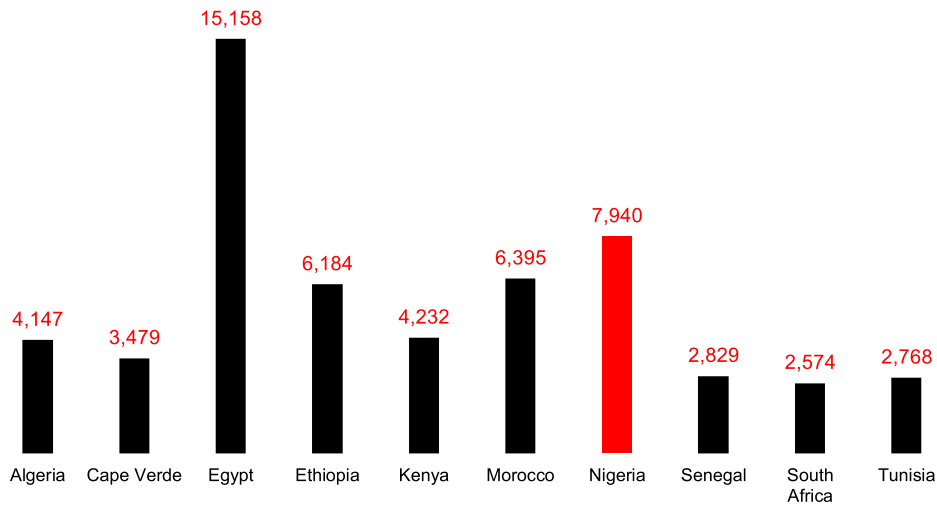
## HOSPITALITY

High-end room prices per night average ₦70,000 in Lagos and ₦80,000 in Abuja. And Lagos was rated the among the fastest growing Airbnb markets due to tourists exploring the arts and culture scene. The large number of Nigerians who live abroad who return home for holidays during the festive seasons driving Airbnb bookings in Lagos. Business, leisure and MICE (Meetings, Incentives, Conferences and Events) are the pillars on which Nigeria's hospitality sector currently stands. The Nigerian hospitality market depends on the business traveller.

The reconstruction of Oshodi-Murtala

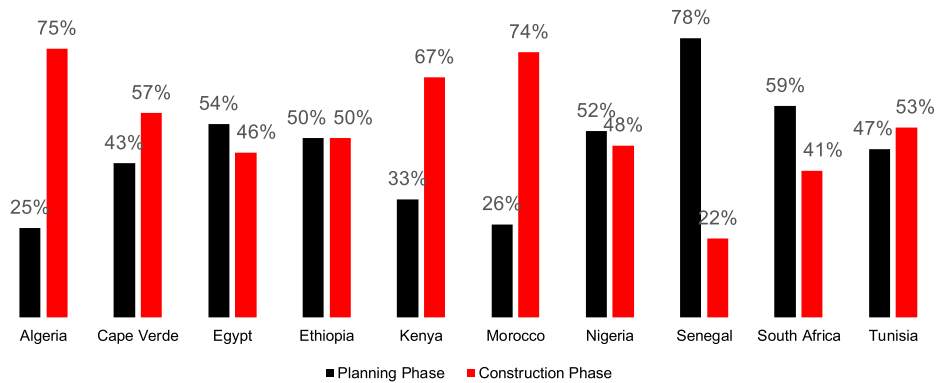
Muhammed International Airport Road is 75% complete. Designed as a 10-lane highway comprising, three express lanes, five pedestrian bridges and two-service lanes in each direction the project will attempt to improve the traffic situation to and from the airport when completed by Q4 2019.

### Hotel Development Pipeline: Top 10 in Africa by number of Rooms



Source: W-Hospitality

### Hotel Development Pipeline: Hotel Development Phases



Source: W-Hospitality

Marriott, Hilton, Radisson and Sheraton have outlined plans to open locations over the next three to five years in Lagos and Abuja. This is due to the available infrastructure (and basic business/tourist activity) required to accommodate an increase in rooms. Business travel between Lagos and Abuja is one of the busiest routes in Africa and the Murtala Muhammed International Airport in Lagos is the fifth

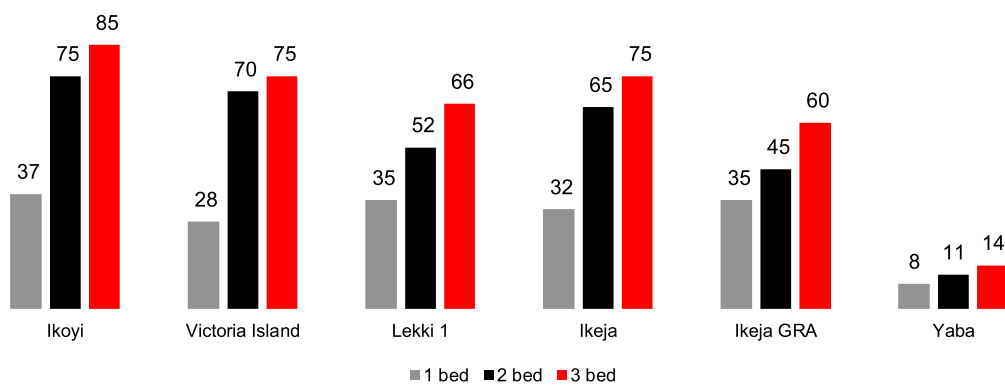
busiest on the continent with more than 7M travellers annually. The effects of the recession are fading, as business activity returns to normal. There is a clear focus on experiences as visitors are interested in the local culture, choosing tours over purchasing items. Analysts expect this tourism market to centre on mid-scale hotels and serviced apartments.



Guest nights, number of available rooms, and room capacity are expected to rise as economic conditions improve, exchange rates stabilise, security improves and consumer inflation moderates. When combined with current development plans, available rooms are expected to grow at a rate fast enough to keep occupancy rates around 70%. The combination of economic growth and room rate growth are expected to lead to growth in guest nights. 3 and 4-star hotels currently account for 45% of total available rooms and 50% of guest night stays.

The average room price for mid-range hotels is ₦35,000 per night for available rooms and is also expected to grow to about ₦50,000 over the next 3 years. Analysts expect that nationwide room revenue will exceed \$280M by 2023, coming from \$110M 2017. Comprehensive hotel room revenue is expected to grow to \$400M in 2023 from \$220M in 2017. The development of mid-range hotels is the future of hotel profitability in the leading cities - as opposed to the prestige projects that tend to have only large returns on ego.

**Short let Apartments rent per day (₦ '000)**



## INFRASTRUCTURE

Globally, the infrastructure gap by 2040 is estimated to be \$15Trn with Nigeria's share of that, ₦3Trn. Raising funds continues to be at the forefront of the national discourse. The National Pension Commission has directed that Pension

Fund Administrators invest a minimum of 60% of their infrastructure funds in projects within Nigeria. However, the minimum value of the projects to be considered for investment is ₦5Bn. There have been announcements too. Over \$90Bn is expected from DFIs with AfDB's newly

announced intervention schemes bringing its total commitment in Nigeria to \$4.5Bn.

Current rail development requires more than \$40Bn to complete. \$2.3Bn is to be injected in the Lagos-Calabar coastal railway while work on the Lagos-Ibadan end of the Lagos-Kano standard gauge makes steady progress. Construction of the Ebute Meta railway station, also in Lagos, is expected to tee off in Q4 2019. It is aimed at decongesting the Apapa seaport.

Lagos remains a strong market for other means of transport with a per square meter population density in excess of 22,000. With population numbers growing at ten times the pace of New York. There are opportunities for public-private sector collaboration, some of which have started in earnest. Relatively old-timers, Uber, Bolt (formerly Taxify) and Oga Taxi, Gokada and MAX.NG are on the current roster. Market entry by Egypt-based startup - SWVL is in its final stages.

14.9% of Nigeria's total 193,200km road network is currently paved or tarred. And to improve this, the Presidency signed Executive Order 007 to accelerate the development of 19 road projects across 11 states. The second tranche of the ₦100Bn Sukuk funding for road construction recorded 132.25% oversubscription as at Q1 2019. This will fund 28 road projects

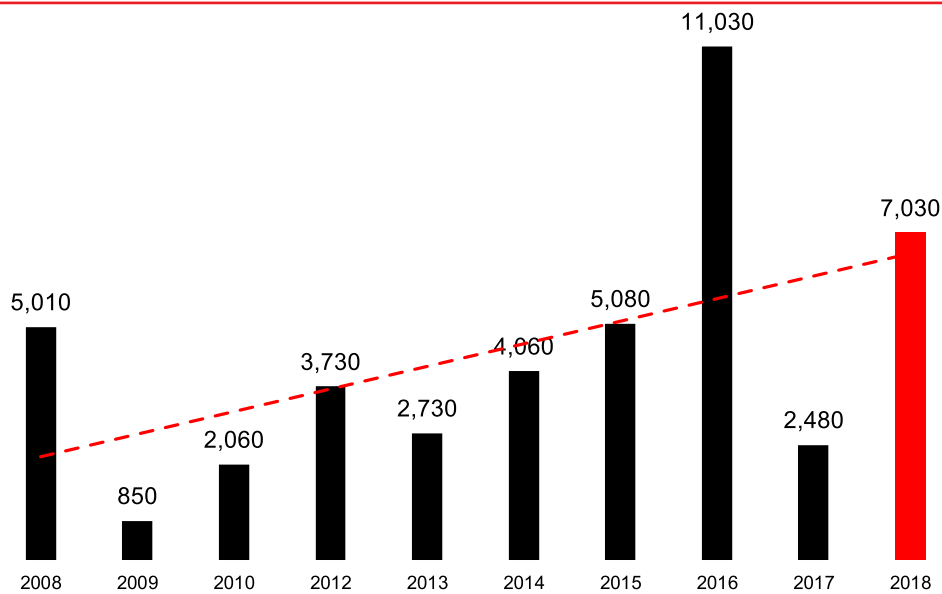
across the country: the dualisation of the Lokoja-Abuja-Benin; Abaji-Lokoja; Kano-Maiduguri; Oyo-Ogbomosho and Benin-Shagamu roads and the rehabilitation of the Enugu-Onitsha and Enugu-Port Harcourt roads.

140 road projects are undergoing construction and rehabilitation in Edo state as the state government aggressively seeks to attract foreign investment. Ogun and Ebonyi states are investing ₦26Bn and \$70M respectively in road development. The rehabilitation of the Agbara-Seme border section of the Lagos-Badagry expressway is ongoing and completion is expected in 30 months. The ₦51.6Bn, 1.8Km Loko-Oweto bridge linking Benue and Nasarawa States is in its concluding stages.





**10 Year Trend: China's Investment in Nigeria's Transport, Energy & Real Estate sectors (\$'M)**



Source: AEI / Brookings Institute / China Global Investment Tracker

In 2018, 11% of China's investment in Africa was in real estate - the fourth largest behind transport (33%), Energy (33%) and Metals (11%). Moroccan electricity company, Themis partnered with Kingline Development Nigeria Limited to develop a 550MW natural gas-fired power plant in Ondo State. The low-cost natural plant is estimated to cost \$600M. Also, Pan African Towers Limited entered a \$20M telecoms infrastructure investments deal with Canadian firm, Watt Renewable Corporation. Lafarge Africa's Ashaka Cement continued work on its 16MW power plant having already invested ₦11Bn since the project's inception in 2017.

National Inland Waterways Authority partnered with Messrs Liebherr Nigeria

Limited to enhance the Lokoja-Jamata River Port at ₦1.6Bn. Terminal 'B' Warri Old Port has been privatised with the introduction of Ocean & Cargo Terminal Services Limited in a deal that will see the concessionaire pay \$1.62M annually for the next 25 years.

**INDUSTRIAL**

The Nigeria SEZ Investment Company Limited (NZESCO), Afreximbank, Nigeria's Bank of Industry, The Nigeria Sovereign Investment Authority (NSIA), the AfDB and AFC intend raising \$500M in equity over the first five years to develop special economic zones in the country. China's Shandong Ruyi Group of China

further announced \$2Bn investment by way of anchor investments in textile manufacturing facilities in Enyimba Economic City, Abia State, Funtua Cotton Cluster and Lekki Free Trade Zone, Lagos state where 1,000Ha of land has been allocated in the North East Quadrant of the Lekki Free Zone.

However, Industrial development continues to be unevenly distributed nationwide. Ogun and Kogi states lead the charge for the production of cement, accounting for 42% of national production. South Eastern trading centre - Anambra State accounts for 18% of motor vehicles assembled. Ogun

### Industrial Projects Development Pipeline: Select locations

	Project (Project Name)	Owner/Developer	Location	Size	Delivery Date	Focus
1	Agility Warehousing	Agility	Lagos	-	Ongoing	Logistics & Warehousing
2	Anambra Industrial City	Anambra State Government / Golden Promise Ltd.	Anambra	-	Not specified	Infrastructure
3	Benin Industrial Park	Edo State Government / Mahindra Group	Edo	-	Q3 2019	Automobiles, Agriculture
4	Dangote Refinery	Dangote Group	Lagos	2,200Ha	Q1 2020	Energy
5	Ekiti Industrial Park	Odu'a / Afe Babalola University	Ekiti	12,000 sqm	Ongoing	Textiles
6	Elizade Motors Warehouse	Elizade Motors	Akwa Ibom	-	Ongoing	Automobiles / Logistics
7	Enyimba Industrial City	Enyimba Industrial Development Company	Abia	9,600Ha	Not specified	Automobiles / Logistics
8	Jiangsu Taihu Wuxi Industrial Park	Osun State Government / Jiangsu Wuxi Taihu	Osun	200Ha	Not specified	Food processing
9	Spare Parts & Technicians Mart	Rivers State Government / Foreign Partnerships	Rivers	25Ha	Ongoing	Auto spare parts
10	Tomaro Industrial Park	Integrated Oil and Gas	Lagos	75Ha	Q4 2019	Energy / Shipbuilding

Source: NIPC

Newly completed Baro Port in Niger State will give support to its counterpart in Lagos as a point for import/export goods into the country. Plans are underway by the China Railway Construction Corporation Limited (CRCC) to develop a \$250M inland dry port in Ibadan, Oyo state. Upon completion, Nigeria's 1st major gold refinery - the

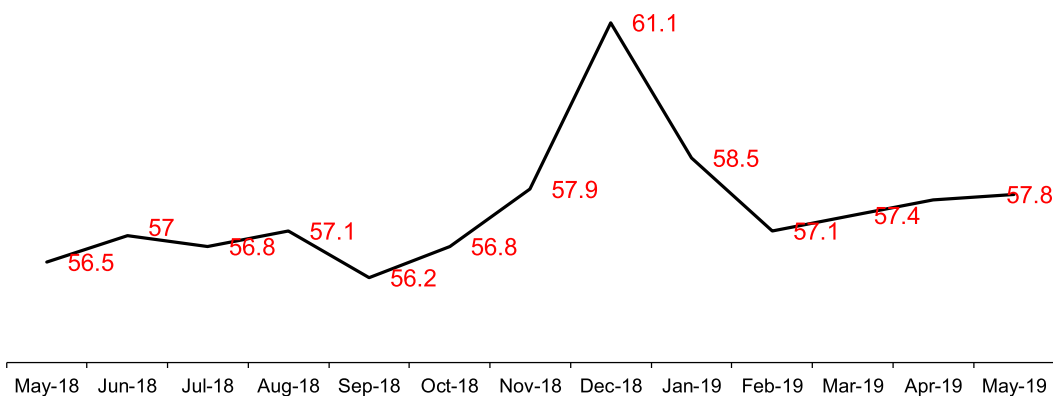
Segilola gold project, Osun state – will start with a production of 3 Tonnes Per Month (TPM) of 99% gold and 1TPM of 99% silver. Monthly offers of gold have been secured from states and other parts of Africa with the AFC injecting \$78M in investments.

FMCG brand – GB Foods and the Kebbi State government have drafted an

agreement to develop a ₦20Bn Tomato processing plant, which upon completion will be the largest in Sub-Saharan Africa and aims to close Nigeria's 500,000MT tomato supply gap. Major food and agri-business supplier, Olam International expanded its manufacturing assets by concluding a \$361M acquisition of Dangote Flour Mills. The Federal Ministry of

Agriculture selected Enugu, Benue, Kogi and Oyo states for the establishment of cashew processing plants to end an estimated 8MMT of cashew fruits wasted annually. Demand for Grade A warehousing continues to be the case, especially in Lagos state as retailers look to circumvent the economic loss from the city's traffic situation.

**Purchasing Managers' Index – 1Yr trend**



Source: National Bureau of Statistics

PMI moved to 57.8 in May from 57.4 in April, driven by robust trading activity, consumer demand, and stable forex liquidity. Increased partnership between the government and private sector to promote manufacturing will deepen the nation's export diversification agenda. Upon commencement of operations in 2019, the \$2Bn Dangote fertilizer company will position the country as Africa's largest exporter.

The Nigeria Sovereign Investment Authority (NSIA) has invested ₦100Bn on the ongoing construction and rehabilitation of the Abuja-Kano Road, the Lagos-Ibadan Expressway and the 2nd Niger Bridge (due for delivery in 2022). Anchor Tenant has committed \$250M in Edo state towards the development of Benin Enterprise and Industrial Park project. TMDK Industries will be developing a 100,000sqm industrial park in Kaduna with a \$25M investment.



Nigeria's second largest cement producer by volume, BUA Group signed a contract with Finnish Wartsila Oy to construct 48MW power plant and an agreement with Chinese Construction firm - CBMI Construction Co., Ltd to construct Kalambaina Cement Line 2 which, upon completion, will add 3MMT to the Group's total capacity. . Operations are projected to start in 2020.

## HEALTHCARE

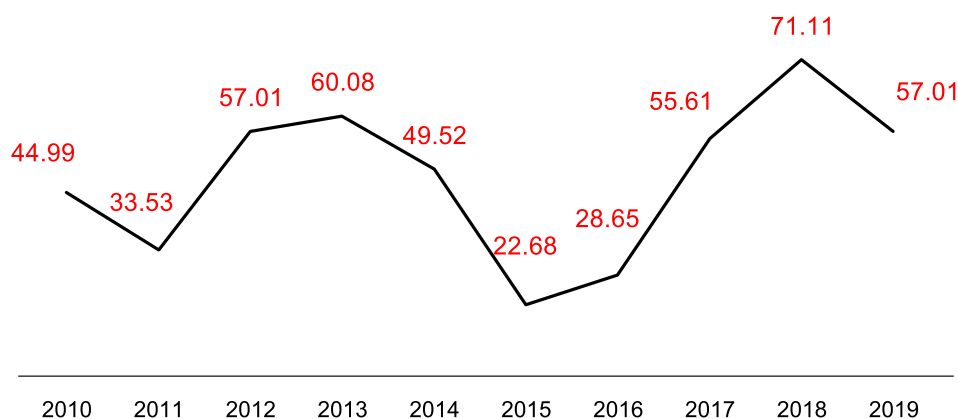
**H**ealthcare provision in Nigeria is made up of a decentralised system of over 10,000 primary health centers looking to provide service for approximately 200M inhabitants. This is insufficient.

Different states are approaching the issue in different ways. The Ogun State Government has started work on a 4-storey, 250-bed multi-specialist tertiary hospital construction project. So far, ₦1.56Bn has been spent on construction. The newly reconstructed Institute of Maternal And Child Health hospital in Lagos upgraded its 80-bed facility to a 170-bed centre with more sophisticated equipment. The Adamawa State Government signed a MoU with the UNICEF and the EU for the rehabilitation of 140 primary healthcare facilities in the state.

Nigeria currently has 9 comprehensive cancer care centres - 8 of which are privately run. International agencies continued their investment in the growth of Nigeria's healthcare sector. GE Healthcare partnered with the NSIA to provide Computed Tomography (CT), Discovery RT, to Lagos State University Teaching Hospital for its modern Cancer Center. Health-tech firm, 54genes raised \$4.5M seed funding to build the world's first biobank for African DNA and seeks to install electronic data capture systems in ten leading tertiary hospitals in Nigeria. Edo State contributed ₦100M in counterpart funding to enable the state benefit from Basic Health Care Provision Fund to create accessible health care through primary health centres in the state. The NSIA also invested a further \$11M in the Lagos University Cancer Care Centre.

GSK Consumer Nigeria partnered with local pharma giant - Fidson Healthcare Plc as its preferred local manufacturing partner to manufacture its respiratory and wellness products starting Q3 2021.

### National Budget - Capital Expenditure: Healthcare (#Bn)



Source: Ministry of Budget & National Planning

It has been argued the government needs to spend at least \$86 per capita on health - far over the current \$5. It is expected that over the next two decades, Nigeria will be ineligible for a range of external health financing (from the World Bank for example) due to the country's moderately improving economy. As pressure on erstwhile free clinics continues to grow, many will find themselves forced to charge fees in order to carry on operations.

\$14.2M has been provided by the Japanese government to support the country's diagnostic capacity. Investors have contributed equity funding amounting to \$1M in Lagos-based medical tech startup MDaaS Global. GE Healthcare and Access Bank Nigeria have partnered to provide Nigeria's Private Healthcare Providers with equipment financing. Under the

partnership, borrowers will be able to secure loans of up to \$800,000.

### PROPERTY TECHNOLOGY

PropTech is everything tech enabled relating to real estate, encompassing planning, building & property management stages. There are startups along the value chain actively creating new products and services, from property listing & search services, Facility and Property Management, Funding & Investments, Coworking and Digital Innovation to Data & Information and Short stay. Its growth in Nigeria has been consistent.

Currently, technology is a small portion of the CRE budget, and this is a leading barrier to adding strategic value. Over 40% of CRE

leaders are cautious about investing in technology. Still, projections are that technology will become the top investment over the next 3 years with 48% of them planning to outsource their technology. These solutions increasingly facilitate land transactions, provide access to end-user finance, organise infrastructure and

services, construction & building materials/construction finance and support management solutions for rental property. The Proptech market in Nigeria is still young but growing quickly as there are now 60 startups, most of which did not exist prior to 2012.



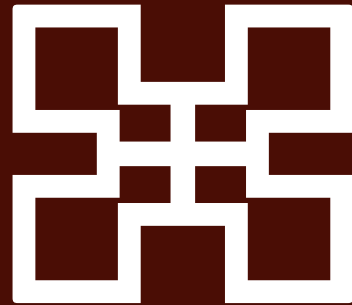
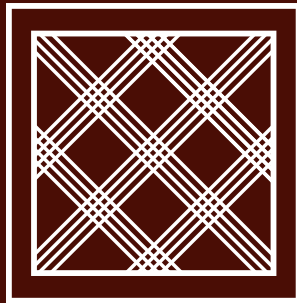


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Images by: Kevin Lee / Hans-Wilschut / Nairametrics / Seyi Body Lawson

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