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**2023**

# **Nigeria Real Estate Market Outlook**

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# Summary

## Campaigns, Crusades and Marks of the Age II

Nigeria maintained its 3rd position in the ABSA Financial Markets Index – scoring highly on market depth, transparency and enforceability of legal agreements, a fair result considering the global challenges across many investment classes. Nigerians head to the polls in 2023 to choose a new government in 1 of 5 elections to watch according to the Council on Foreign Relations, a New York based Think Tank (the others being Turkey, Pakistan, Argentina and Bangladesh). The leading contenders for the Office of The President find themselves on opposing sides, whereas they were once bedfellows in the not-too-distant past. And as is the staple of the season, debates have raged around who should win, and in characteristic Nigerian parlance, who ‘must



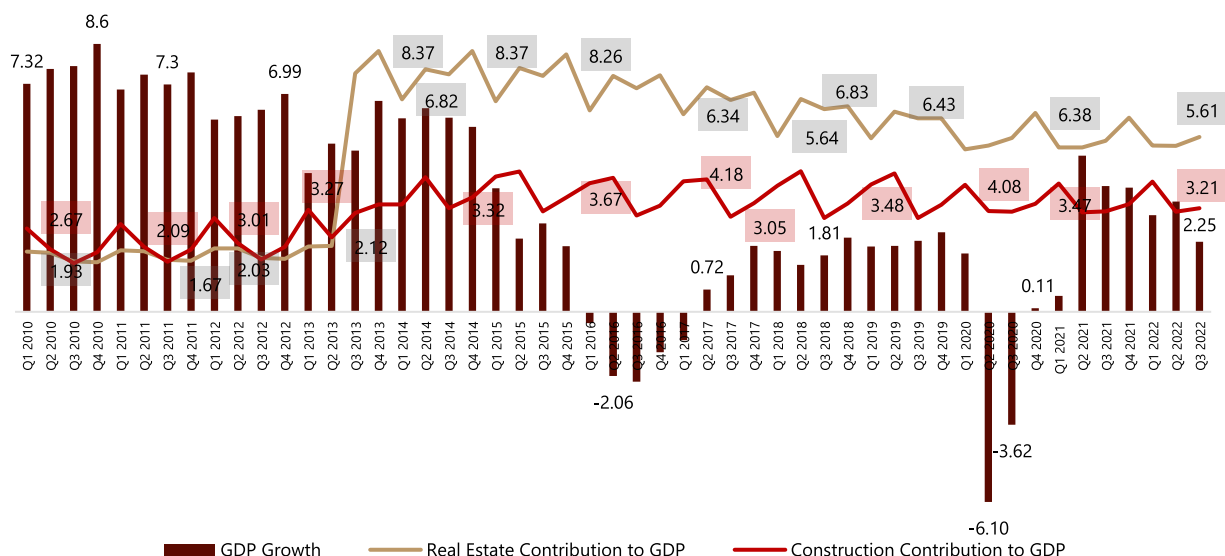
**Nigeria's economy has never been in straits this dire”**

lose’. Some suggest that the winner may likely come through a runoff election – which would be a first for Nigeria.

Nigeria's economy has never been in straits this dire. The Naira declined precipitously and the Central bank sought to stabilise its value by redesigning the currency.

### Band of brothers

GDP Growth, Construction and Real Estate Contributions to GDP (%)

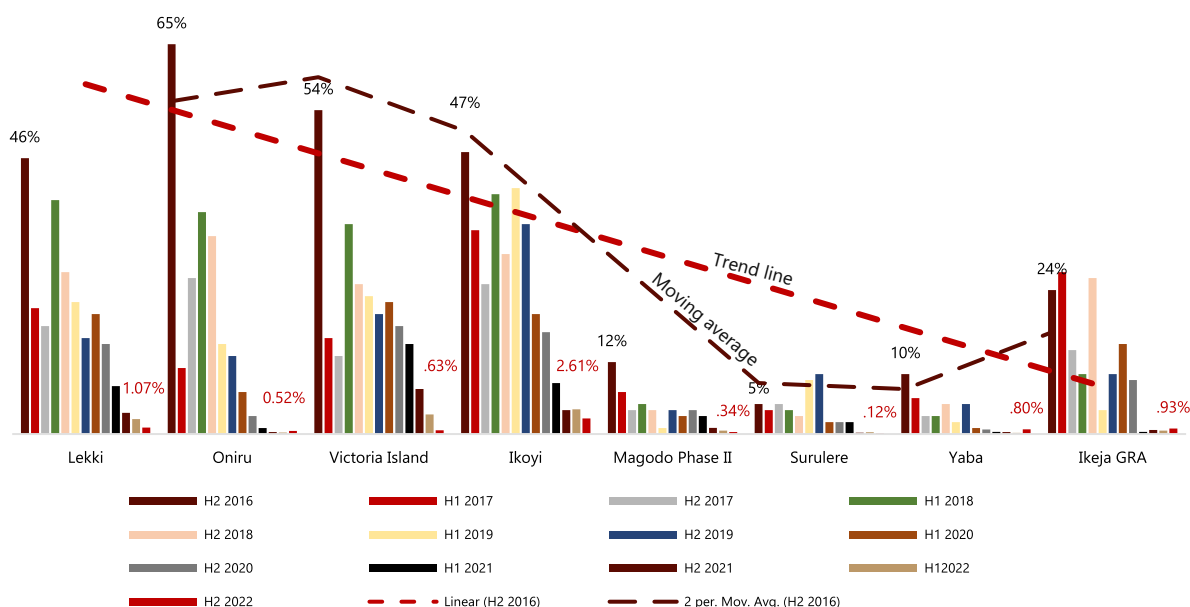


Source: NBS



## Out and about

Residential vacancy rates in Lagos state, select nodes (in %, 2016 to H2 2022)



Source: Northcourt

Crude oil prices, while still relatively high were not of much benefit due to accountability issues. Unsurprisingly, inflation has continued to accelerate with food inflation leading the charge. The floods that culminated in November further contributed to this. The government has maintained heavy borrowing to fund infrastructure projects, duly announced with execution timelines uncertain.

Demand for real estate assets is strong. Residential vacancy rates in the urban centres of Lagos, Abuja and Port Harcourt are at an all-time low – and progressively so. Vacancy rates are now 0.12% in Surulere, 0.93% in Ikeja GRA and 0.52% in Oniru, Lagos; 2.62% in Wuse 2, 0.93% in Utako and 4.22% in Gwarimpa, Abuja; 5% in Elenlewo, 3% in Woji and 9% in Stadium Road, Port Harcourt. New areas are opening up as developers continue to capitalise on local demand. Leading developers report that effective demand for their projects is 55 – 65% diaspora driven.

There's also a flight to quality residential assets as the number of developers have increased even though construction standards could be better in quite a few of their builds. Competent developers have seen their waiting lists grow –

albeit slightly. This flight to quality is also the case in the Office market as leading local and global brands explored options to reducing dollar rent exposure typical with Grade A office leases, choosing rather to sign multi-year leases with serviced/flex office providers.

The hospitality sector has attracted an estimated \$5bn in investment into the country in the last 3 years, while the food and dining sub sector is expected to exceed \$22bn this year. Local and international franchises continue to operate in Lagos, Abuja and Port Harcourt. Tourism growth is being supported by foreign entities. The latest institution to return its collection of Benin bronzes to Nigeria -



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**The Impacts of  
the Post EndSARS Vandalisations on  
Property Investment and Development**



The Rautenstrauch-Joest-Museum in Germany, giving the conversation around restitution in Western institutions more traction. The country has further agreed to fund the Edo Museum of West African Art's building as Nigeria rejigs its efforts to grow inbound (and local) tourism

Land, once again, maintains its position atop the chart of stable real estate investments. In some instances, returns have risen by double-digit percentage points. But it has also had some help from industrial developments – take for example, the Lekki Deep Seaport commissioned in Q4 2022 and projected to attract manufacturers and 3PL operators from the Tin Can Island/Apapa axis. This has driven up demand for land in the surrounding areas.

The retail real estate market, not one to be behind in adjusting to economic curve balls has continued with the trend of developing locations circa 3,000sqm. Slightly more ambitious players have conceptualised their assets to either continue with the mixed-use development train or attempt the riskier catchment area approach where assets have a retailer mix that target aspirational consumers within a circa 2km radius.

More funding rounds have been successfully completed by both traditional and tech-driven real estate firms. Leading South African retailer,



**Slightly more ambitious players have conceptualised their assets to either continue with the mixed-use development train or attempt the riskier catchment area approach”**

Game Store exited Nigeria, closing all its branches in December. The retailer also plans to exit Ghana, Kenya, Tanzania and Uganda. Retail Supermarket Nigeria Limited (RSN), owners of Shoprite Nigeria, reopened its store at Circle Mall in Jakande, Lekki - Lagos, 24 months after the 2020 post #EndSARS vandalisations and launched a new store in the recently completed 11,720sqm Garden City Mall, Port Harcourt..

Despite the real estate sector contributing 5.34% to GDP growth in the Q1 2022, housing supply remains inadequate considering Nigeria's estimated 219m population. The ₦470bn national budget allocation for housing in 2022 would be but a silent wind in the face of the Federal Government's stated ₦21trn required to tackle the 28m housing deficit. Nigeria increased its investment in pan-African housing development financier, Shelter Afrique, growing from 13.27% to 15.8%. Kenya remains the largest shareholder, holding 16.85%. Landmark Africa and Mixta Africa received funding from Shelter Afrique – ₦10bn and ₦8bn respectively for mixed-use housing and affordable housing projects respectively.

The Securities and Exchange Commission released new regulations on the issuance, offering and custody of digital assets in Nigeria. The proposed rules apply to all issuers seeking to raise capital in Nigeria through digital asset offerings, digital asset offering platforms, digital asset custodians and FinTech Companies. The Nigeria Startup Bill was passed into law and is expected to remove the legal ambiguities that have slowed the startup industry.

Going into the 2023 elections, there appears to be the unfolding of a tale of two halves. In the pre-election phase, (i.e. before February) developers, investors and occupiers will likely adopt a wait and see approach. This will lead to pent up demand post-election. From an investment perspective, capital will likely need expression as a result. Residential developments with strong infrastructure will see demand – more from the diaspora than from local investors (especially sale transactions). Retail





real estate will continue to expand as local developers capitalise on mid-income markets and emphasise smaller sized projects but broad tenant mixes. With the further establishment of e-commerce and foreign investor interest, the growth of industrial real estate has remained consistent. There is still a demand for inner city last-mile warehousing as this report observed a few editions ago and the ratio of the total population to market size remains a strong predictor for the need for more industrial real estate.

The demand for industrial real estate, last mile logistics and warehousing is expected to grow in urban areas and in second tier cities. The market for small to mid-sized Healthcare real estate is seeing more supply. Demand still remains. Outside gated communities, residential sales slowed down locally as diaspora investment for sales remain the mainstay even though rental markets have remained robust. The growth in new towns and senior living centres supported by strong infrastructure currently provided by private developers has continued. Certain nodes in Lagos, Abuja and PH have shown signs of ageing infrastructure with examples being Yaba and Surulere.

This report looks as the quietly but aggressively growing market for data centres. It also attempts to discuss the critical role of infrastructure planning – seeing that floods wreaked havoc in over 33 states; assess the investment in industrial real estate (noting Pinnacle oil's \$1bn petroleum terminal and the \$1.5bn Lekki Deep Sea Port); review fund raises by PropTech startups and conclude with a peek into the watershed year that is 2023.

**Ayo Ibaru**

COO / Director – Real Estate Research  
Lagos, Nigeria



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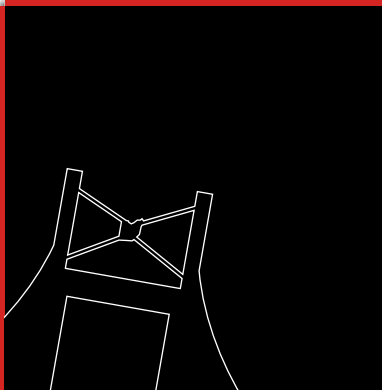
“Nigeria's economy has never been in straits this dire”



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### The Nigerian Economy in 2022

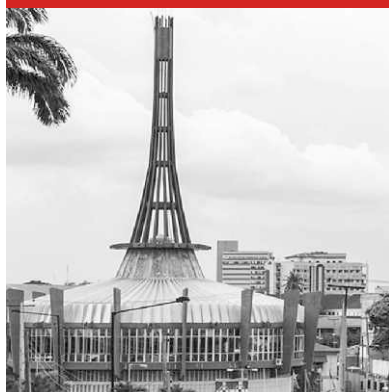
“The currency's value against the dollar declined to unprecedented depths”



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### Outlook 2023

“As economic clouds darken and real estate deal flows decelerate buyers and sellers are increasingly adopting a wait and see attitude”







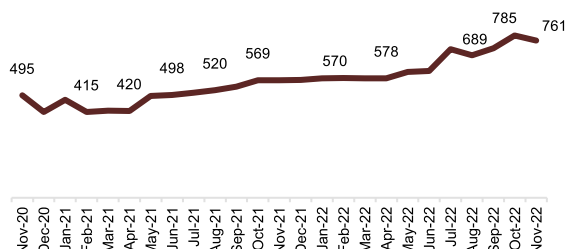
# The Nigeria Economy in 2022

Opportunities and upheavals are likely characterisations of the Nigeria economy in 2022. The opportunities came in the form of high oil prices, the kinds not seen in quite a while. Translating this to growth, however, was something of a challenge as accounting for the total number of barrels exported per day seemed an onerous task. Global inflationary pressures found its way into the Nigerian economy as inflation increased, driven by the food component. The currency's value

against the dollar declined to unprecedented depths. The CBN, by its actions, appears to have run out of solutions with the priorities in Q4 2022 being changing the design of the Naira and retrieving old banknotes. In October, the country's external reserves decreased by \$1.16bn over the preceding five weeks due to the central bank's increased efforts to protect the local currency and the payment of obligations. This maintained the downward trend that began in late 2021.

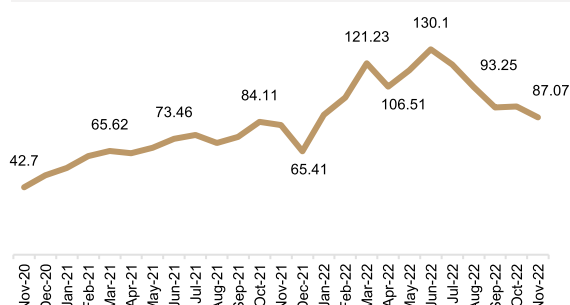
## New notes, new rates

Exchange Rate (₦=\$)



## As prices decline

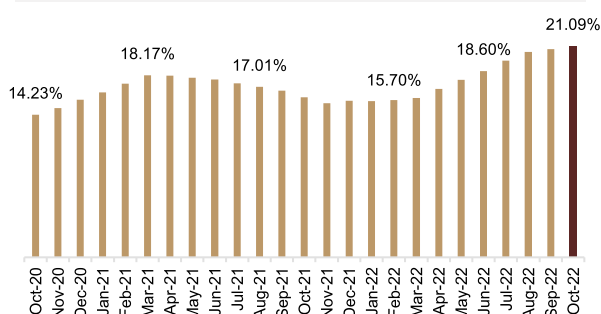
Oil price per barrel (\$)



Source: CBN, NBS

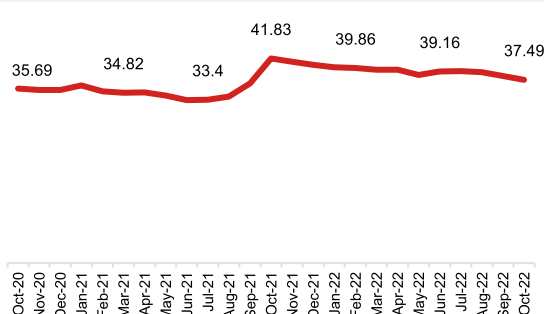
## Rockets

Nigeria's Monthly Inflation Rate (%)



## Savings, to be sure

External Reserves (\$'Bn)



Source: CBN, NBS



BOOKSHOP HOUSE



# Investment Markets

In the first half of 2022, Nigerians received an estimated \$10.11bn in diaspora remittances. This was a 9.6% increase over the \$9.23bn received during the same period in 2021. The Federal Government invested \$7.15m in Shelter Afrique, increasing its shareholding to 15.8%, one percentage point below the largest shareholder, Kenya, which currently has 16.85%. The AfDB has a shareholding of 12.16%, down from 12.71%; Mali's shareholding is now 5.3%, down from 5.54%; and Ghana, which has a shareholding of 5.05%, down from 5.28%.

## Fixed Income and Money Markets

Property investment and development firm, Lekki Gardens Estate Limited raised a ₦25bn Commercial Paper on the FMDQ to be used as working capital. The NGX listed the second tranche of the Lagos Free Zone's ₦25bn series 2

bonds, Nigeria's first 20-year corporate infrastructure bond. Stanbic IBTC Asset Management launched the Series III offer for its ₦100bn Stanbic IBTC Infrastructure Fund. The Fund seeks to close the funding gap in Nigeria's infrastructure sector by investing in projects across the country.

## Equities

In October 2022, Geregu Power Plc became the first power company to list on the NGX and to be allowed onto the Mainboard of the Exchange through the process of Listing by Introduction. Purple Real Estate Income Plc, a real estate investment platform, launched a ₦10bn equity public offering to sell 2 billion ordinary shares at ₦5 per share. The proceeds will be used to refinance debt, develop the Lekki retailtainment centre, acquire income-producing real estate assets and meet working capital requirements. The company plans to eventually list on the NGX.



**In October 2022, Geregu Power Plc became the first power company to list on the NGX”**



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# Topical Issues

## The man called Government

Analysts agree that the awarding of a ₦48bn-a-year contract to a former Niger Delta militant, Government Ekpemupolo (a.k.a. Tompolo), to protect pipelines carrying petroleum products, while a convenience for the Federal Government, does few favours for the country's sense of security. Setting such a precedent, the country is now dealing with parties vying for a piece of said contract. Some ex-militants in Akwa Ibom State threatened to shut down the state's oil output if the Federal Government did not rescind Tompolo's contract. This is unlikely. Two days following the signing of the contract with NNPC Limited, Tompolo swung into action starting with daily meetings at Oporoza, the historical seat of the Gbaramatu kingdom in the Warri South-West local government area of Delta state. These meetings were with traditional rulers, community leaders, and stakeholders from six Niger Delta states to discuss ways to secure oil pipelines.

## The 1982 Dam

As a result of the release of waters from the Lagdo Dam in neighbouring Cameroon, several Nigerian settlements along the Niger and Benue rivers were flooded. The resultant flooding devastated communities in the 33 states. The issue first arose in the 1980s, when the Nigerian government breached an agreement it had



**Some ex-militants in Akwa Ibom state threatened to shut down the state's oil output if the Federal Government did not rescind Tompolo's contract.**

*This is unlikely”*

made with Cameroon to build a dam (decidedly 2.5 times Cameroon's effort) that would control the waters when they were released by Cameroon's Lagdo dam.

The Lagdo Dam, located in Northern Cameroon, was constructed between 1977 and 1982 to provide electricity to the northern portion of Cameroon and allow the irrigation of 15,000 hectares of farmland. To mitigate the impact of potential flooding from the Lagdo dam in Cameroon, the Nigerian government agreed to build the Dasin Hausa Dam in the Fufore Local Government Area of Adamawa State, which



would irrigate approximately 150,000ha of land in Adamawa, Taraba, and Benue States and generate 300MW of energy in Adamawa State. The 1982 dam is yet to be completed.

In 2012, fatalities and the displacement of nearly two million people were caused by flooding not seen in more than 40 years. Water levels would rise in 2022 and by September, the Cameroonian government issued warnings before the release of water. This led to much loss.

In Kogi State, losses included a submerged building in the Ayah community within Ibaji Local Government Area (LGA) regarded as one of the most impacted in the state. Floods contributed to the traffic gridlock on the Lokoja-Abuja Road. Retail stalls in Ojatuntun market, Baboko – Kwara State were submerged. Askira Uba, Shani, Kwaya Kusar, Biu, Damboa, Chibok, Kaga, MMC, Jere, Mobbar, Monguno and Kala Balge LGAs in Borno State were all flooded, displacing almost 20,000 residents. Ibi, Lau and Karim-Lamido Councils in Taraba State were also flooded.

The Kiyawa – Kafin Hausa road was destroyed in Jigawa State. Farmlands along Kafin Hausa – Auyo route were also submerged. Some villages affected by the flood include Matarar Gamji, Dilmari, Maikintari, and Maragwado. In Abia State,

Ariaria International Market in Aba and Orié Ugba Market in Umuahia township areas lost many assets to flooding while in Anambra, Nzam community in Anambra West LGA recorded several submerged buildings. Multiple buildings in Uzo-Uwani LGA, Enugu state were also flooded. The Federal Medical Centre, White house road, Peace Avenue and Azikoro village in Yenagoa, Bayelsa state experienced flooding, in the end, all eight LGAs in the state were flooded.

Musagha and Effiowan in Cross River state were flooded. Ogurude, Osopong, Okimbogha village, Ijeghe ibum, and Ofonagama, Ogurokpon, Omen, Ebiem and Okpechi communities in Cross River State all recorded submerged properties. Patani area and Umeh Bridge in Isoko South LGA in Delta state were also impacted. Abua Kingdom, Mbiama community, Ogba/Egbema/Ndoni LGA, Onelga LGA, and Abua-Odual LGA in Rivers state experienced flooding.

Temidire Emirin community in Ado Ekiti was also flooded alongside Balemo and Tinuola areas, off Afao road, Ado Ekiti. Semusemu area in Ikare-Akoko, Akoko North East council area experienced flooding. Roads and property in Lagbeja community and its environs in the Akinyele LGA, Oyo state were affected. Also, residents in rural areas of the capital city of Ibadan; Oke-Ado, Gbekuba, Apata, and Omi-Adio were displaced because of floods.

## COP 27

Nigeria LNG's gas production expansion project, Train 7 (T7) is about 30% complete. It has a targeted commencement date of 2024, but company officials have suggested that 2025 is more realistic in light of construction and engineering delays which occurred as a result of the COVID-19 pandemic. The entire capacity of NLNG would expand to 30.8m metric tonnes per annum (MTPA) with the addition of T7, which will have a capacity of 8MTPA.



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**The Impact of the Floods on the  
Nigeria Real Estate Market**



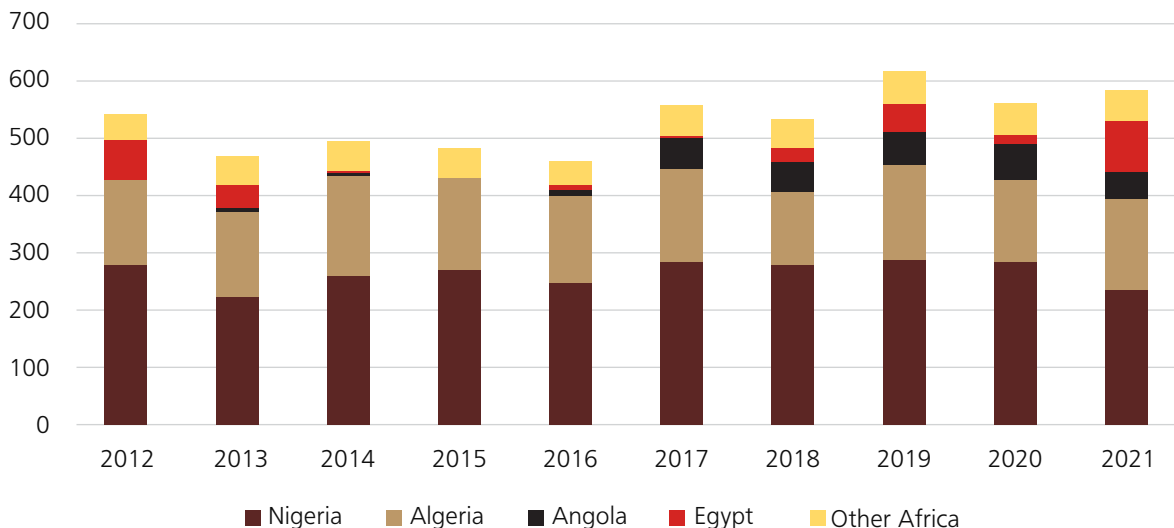


However, Nigeria's liquefied natural gas (LNG) production has been hampered by issues upstream which have reduced the amount of gas delivered to the facility. The previous year, LNG shipments from Nigeria were 16.42MT, which is 74% capacity. The natural gas that

NLNG uses comes from joint ventures that encompass a variety of concession regions, both on land and at sea. The business reported in August that it had suffered a loss in sales of \$7bn in year 2022 alone as a direct result of the scarcity of gas. The utilisation rate for this year, according to NLNG officials, is 68%.

### All Natural

Africa LNG Exports (bcm)



Source: BP

Outages on the plant's feeder pipelines, which are typically the consequence of sabotage, are a source of the problem. The NLNG does not have control over the pipelines, and as a result, the firm has limited ability to ensure the safety of those pipes in the midst of an increase in oil thefts that have reached historic levels, and are compromising the supply of associated gas. Any rise in Nigeria's LNG exports is largely dependent

on improved security for its onshore feeder pipelines.

## Putting the pieces together

The need for the importation of construction materials has continued to rise across Western, Eastern and Southern Africa, for two key reasons: a lack of trust in locally manufactured building products, and a schism between the construction and manufacturing sectors. Property developers operating in Nigeria's high-end real estate market import a major share of building materials, including flooring finishes, plumbing detailing, roofing sheets, etc. The Nigerian government has made piecemeal investments in their manufacturing and production sectors, pushing a substantial portion of the burden onto the private sector.

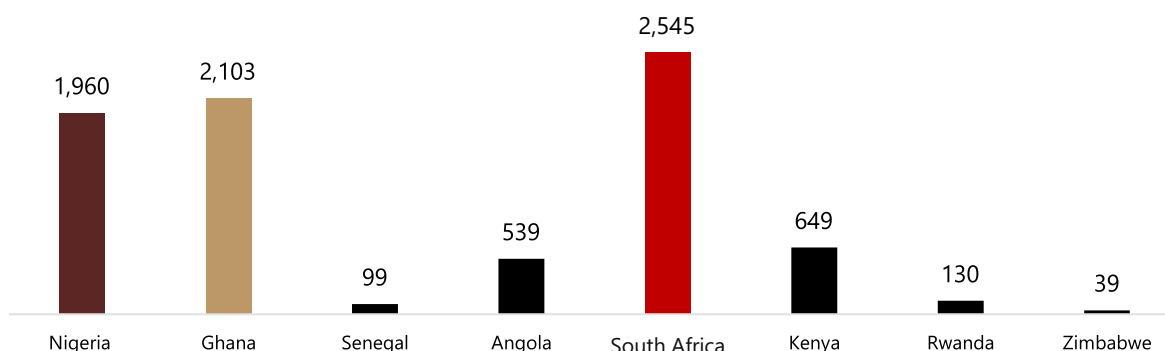


**By 2021, Nigeria's imports of iron and steel totalled \$930.41m”**



## How the light gets in

Import value of doors, windows & frames (\$'000) in 2021



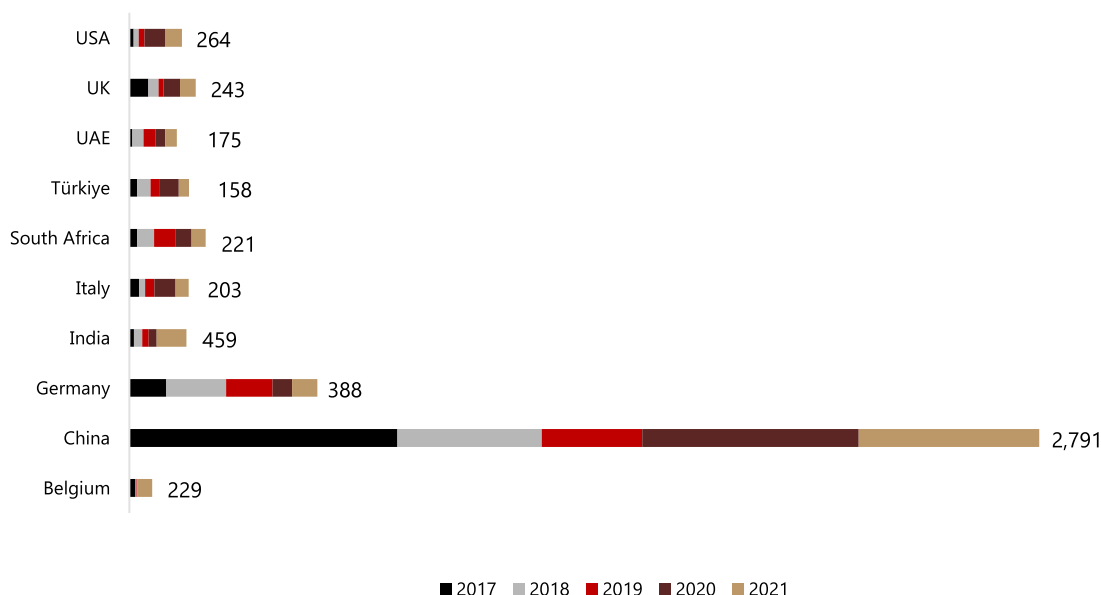
Source: ITC 2021

According to data from the Nigerian Building and Road Research Institute, construction materials imports account for 90% of total materials used, indicating that imported construction materials are heavily utilised in the construction of buildings and roads in Nigeria. This is despite having what is perhaps West Africa's largest cement sector, with three large capacity plants (Dangote Cement, BUA Cement

and LafargeHolcim). Nigeria's total cement production capability has grown from 30m tonnes in 2014 to over 60m tonnes as of Q3 2022. Over the last four years, Nigeria's imports of specific materials such as ceramic roofing tiles, cement, concrete, and ceramic bricks have increased. By 2021, Nigeria's imports of iron and steel totalled \$930.41m according to most recent numbers from the World Bank's WITS.

## In this together

Supplier markets for construction materials imported by Nigeria (\$'M)



Source: 2022 WITS



## The 2023 Elections

Leading Think Tank, The Council on Foreign Relations suggested in a recent report that in addition to the elections in Turkey, Pakistan, Bangladesh and Argentina, Nigeria's 2023 elections is one of the 5 elections critical to shaping the world in 2023. Frontrunners are Bola Tinubu of the current administration's All Progressives Congress, former Vice President Atiku Abubakar of the People's Democratic Party, and Peter Obi, the former state governor of Anambra state, running under the Labour Party. Candidates need to win both 50% of total votes and 25% of ballots in two-thirds of the country's 36 states. Political analysts suggest that Nigeria may be heading into a runoff election. There will be over 1,400 additional contests, including 28 state governorships and legislative seats.



**In addition to the elections in Turkey, Pakistan, Bangladesh and Argentina, Nigeria's 2023 elections is one of the 5 elections critical to shaping the world in 2023”**

# What the numbers say



## 100,000MT

AFEX launched a 100,000MT/year Grain Quality Enhancement Centre and 30,000MT storage capacity warehouse at Zaria-Kano

## ₦100bn

Newly launched Series III offer of the Stanbic IBTC Infrastructure Fund



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# Real Estate Summary

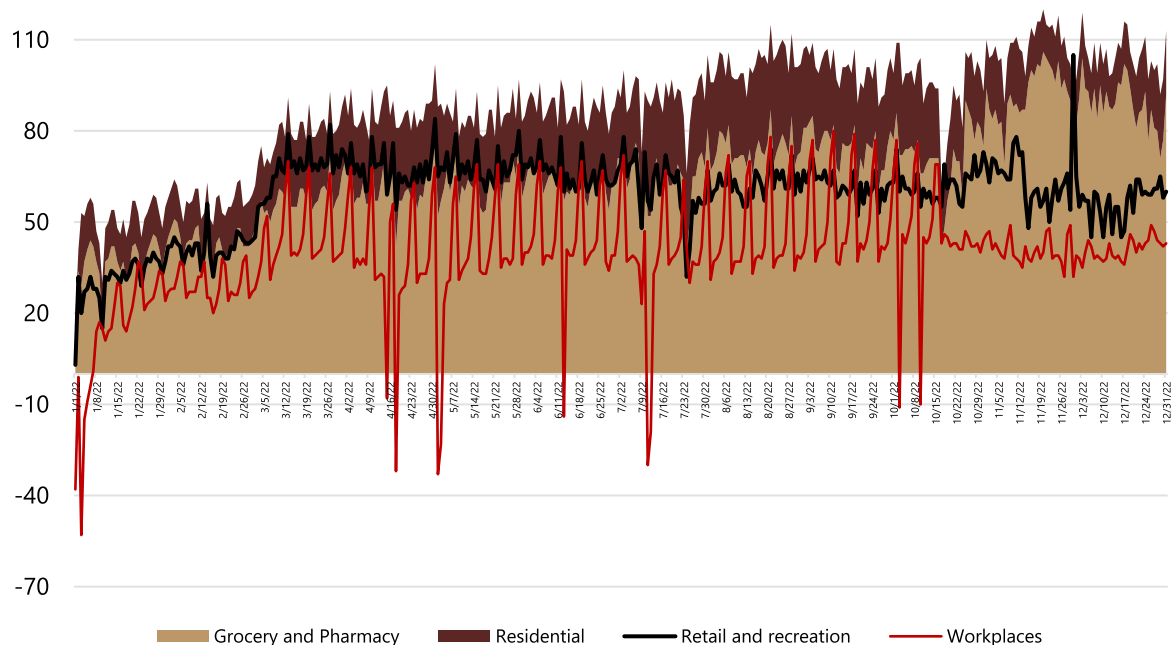


**High-return assets remain available, and the long-term outlook for real estate investment remains strong”**

The constraints on property investments have become trickier to navigate as the economy and financial markets have remained volatile, with repercussions for real estate performance and valuations. The current fiscal and monetary policies, occupier sentiment and political considerations are weighing on investor mood, contributing to a more uncertain perspective and causing more cautious decision-making. Rising interest rates have led to capital limits for many market participants, who are becoming more content to sit on the sidelines. However, high-return assets remain available, and the long-term outlook for real estate investment remains strong.

## Points of connection

Mobility Trend for Nigeria: Jan to December 2022

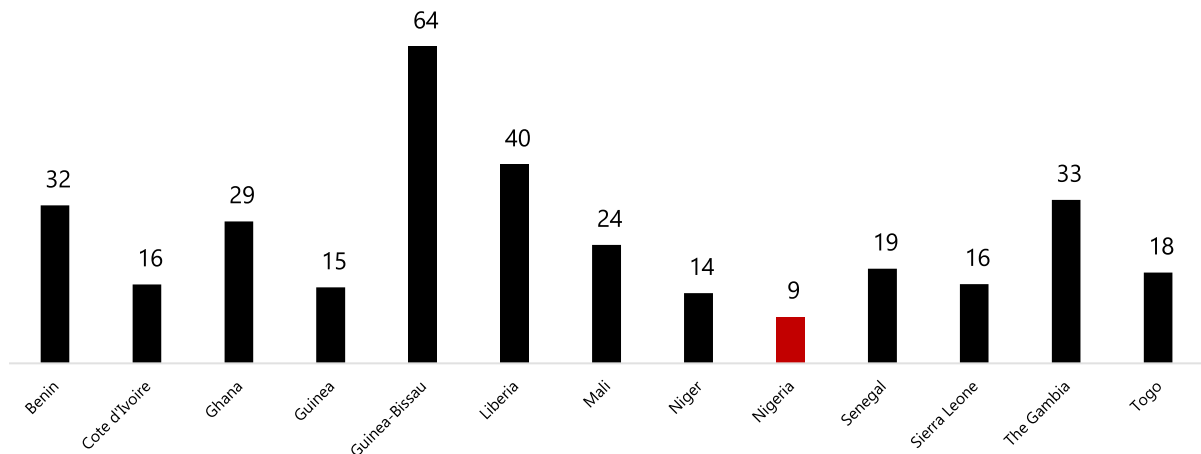


Source: Google Mobility, Northcourt



## Housing, repriced

The cheapest newly built house across Africa (\$'000)



Source: 2022 CAHF

And, in the current environment, there is a greater emphasis on portfolio strategy as assets are put to the test by market volatility, with opportunistic managers and some of their backers expecting dislocation to result in investment opportunities. In the current context, performance across property sectors is varied.

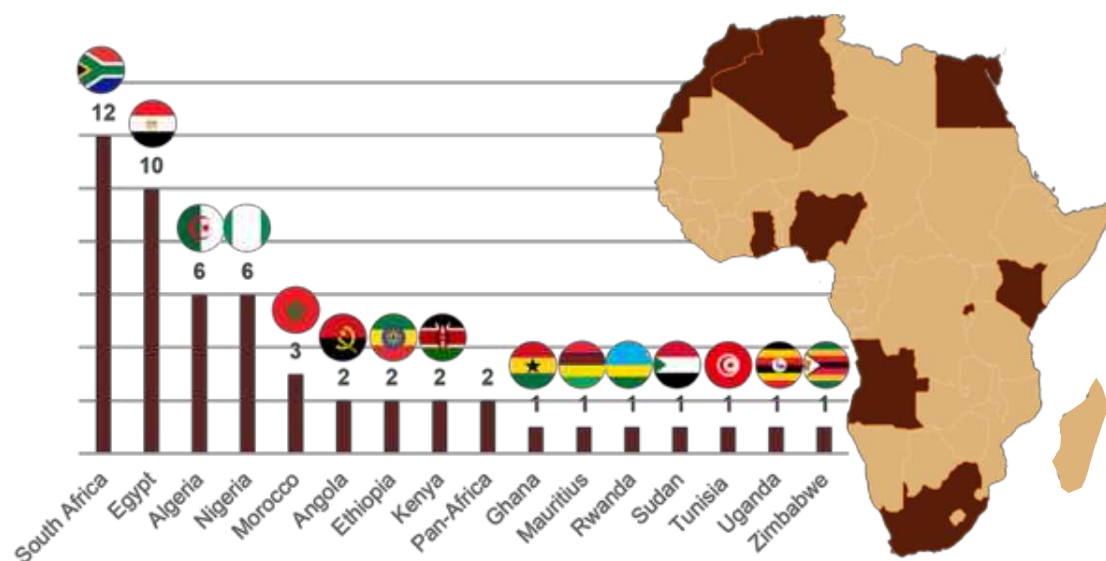
The FCT took steps towards recovering the ₦29bn debt owed it by property owners in the

nation's capital. As part of this process, the administration placed a caveat on properties whose cases are already pending in the courts. Some projects will likely be abandoned as stakeholders update their political alignments. Abandoned properties attracts vagrants and increases the overall sense of insecurity.

The Cross River State Government has begun the process of enumerating all built-up properties in the state. Homeowners and landlords can then

## Do not ask what your country can do for you

52 Satellites launched by 14 countries



Source: 2022 Spacehubs Africa



correctly evaluate their properties for use as collateral for securing loans, while the government can properly plan infrastructure development.

The Bauchi State government concluded arrangements to privatise six state-owned assets in the state through a bidding process, in which AY Shafa emerged as the preferred bidder for Bauchi Fertilizer and Blending Company at ₦400m and New Frontier acquired 75% of Bauchi Meat Factory at ₦301m. For ₦150m, H&Y Global Ventures acquired Galambi Cattle Ranch. Since the Chief Judge of Bauchi State ordered the Economic and Financial Crimes Commission (EFCC) to cease disruptive activity, the Zaranda Hotel was long-leased to the preferred bidder Butfield for ₦1.2bn for 25 years.

Satellites have been known to enhance mineral exploration and the monitoring of natural disasters – including floods and droughts. They contribute to the mapping of human settlements and disease outbreaks and provide photographs to aid in analyses of land use water quality, soil fertility, land and land cover. 14 African countries have launched 52 satellites to date. Commercial entities launched nine of the 52 satellites. Sunsat-1, South Africa's first



**Collaboration among asset owners, managers, and employers, with a long-term perspective, will be critical to providing flexibility across sub-markets”**

satellite, was launched in 1998. Nigeria has launched 6.

The Office real estate market has continued to adapt to the vagaries of the economy. Collaboration among asset owners, managers, and employers, with a long-term perspective, will be critical to providing flexibility across sub-markets. The ability of a company to expand, contract, sublet, and terminate early while delivering increasingly appealing flexible workspaces may likely correlate with its ability to survive, particularly as energy and labour expenses rise.





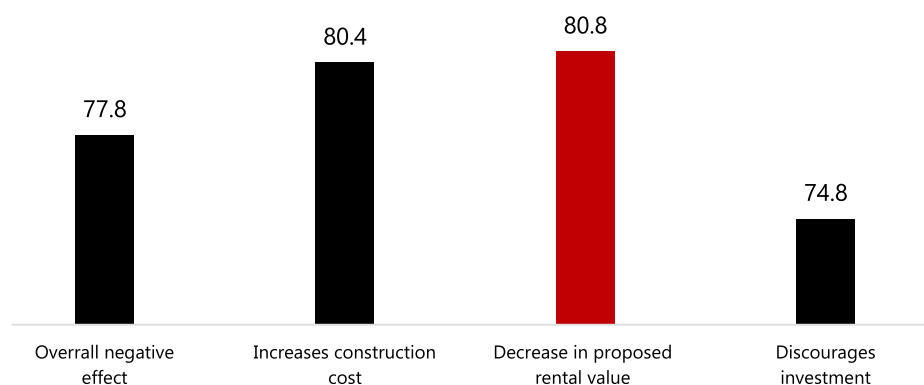
# Land

Demand for land will likely ensure that prices grow and this may accelerate as the election cycle kicks into high gear. This is despite the persistence of land titling issues in many of Nigeria's urban areas. A recent study of the Uyo real estate market in Akwa Ibom state suggests that a large proportion of the population

disregards securing legal titling through formal land registration before embarking on any real estate investment decision – wary of the additional costs that this attracts, choosing rather to have informal arrangements with regulatory officials when contraventions are highlighted. Land title registration processes have been shown to increase the building costs and loan rates of many proposed projects in Uyo, Akwa Ibom state.

## Lords of the Land

The effects of land titling processing delays on development in Uyo, Akwa Ibom (%)



Source: 2022 IJERES, Northcourt

Failed policies, inefficient land markets, rigid banking systems and a fundamental lack of political interest have all contributed to the growth of informal settlements in many Nigerian towns. Due to irregular layouts, poor accessibility, congestion and a lack of basic

infrastructural services, informal land development is the main system of development in the Katsina Metropolis.

In Tudun Yan-Lihidda, Katsina state, the average plot size is approximately 64% of the minimum standards prescribed by urban planning regulations, with some plots being as little as one-third of the normal requirement. An effect of the high plot prices and low-income levels is that ensuring buyers follow development regulations is difficult.

Roads are typically 40% less than the minimum regulatory requirements, unpaved, and prone to erosion, with limited access, particularly during the rainy season. Drainages are 50% below required regulatory levels, while setbacks are 42% below minimum regulatory standards. Houses are densely populated, exceeding the minimum number of people per square metre ratio requirement by 25%.



**Land title registration processes have been shown to increase the building costs and loan rates of many proposed projects in Uyo, Akwa Ibom state”**

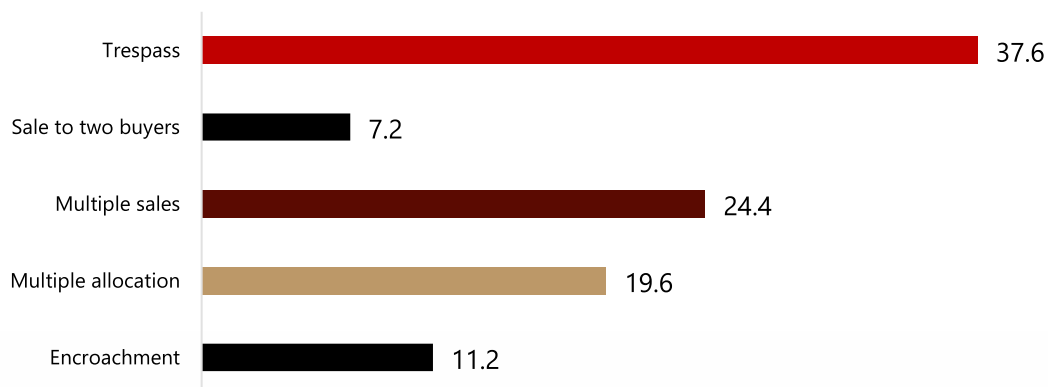
Trespassing, encroachment, and double or multiple sales and allocations are major causes of land tenure disputes that hinder sustainable land tenure and subsequent real estate investment and development. To facilitate real estate investment and development and eliminate land tenure conflicts, public and private actors must reach common solutions. To reduce land encroachment, local governments may choose to prepare registered floor plans that are referenced by state land title offices before issuing land titles. Reducing encroachment on state property may require site layouts rather than paper layouts as is the case with many government layouts.



**A recent study of the Uyo real estate market suggests that a large proportion of the population disregards securing legal title through formal land registration before embarking on any real estate investment decision”**

### Different points of view

Nature of land title conflicts in River's state (%)



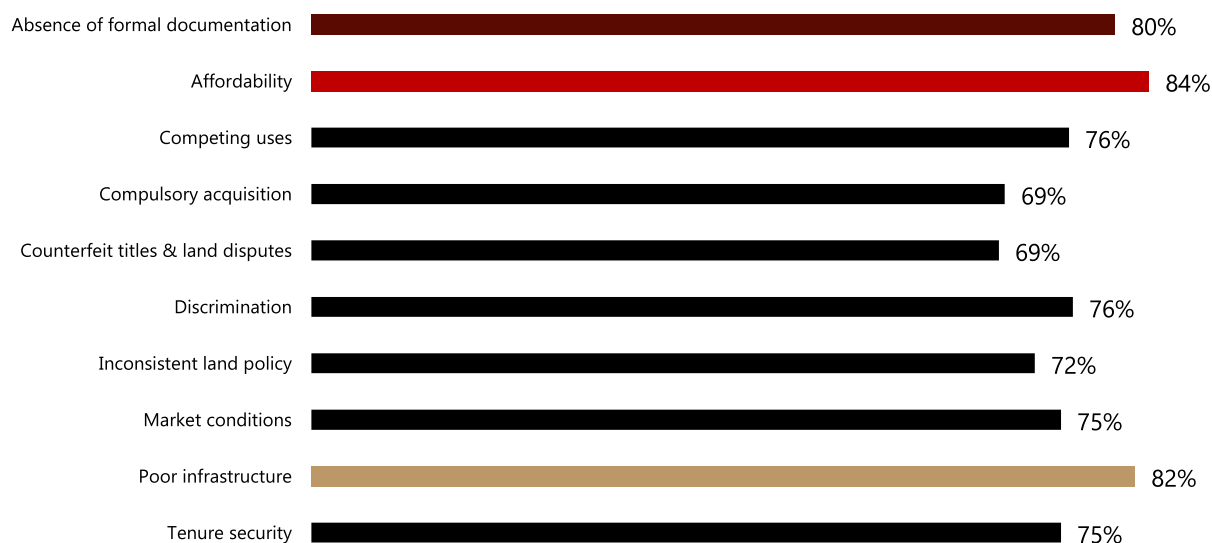
Source: 2022 AJHSSR





## But these are the issues

Constraints associated with formal and informal access to land in Nasarawa State (%)



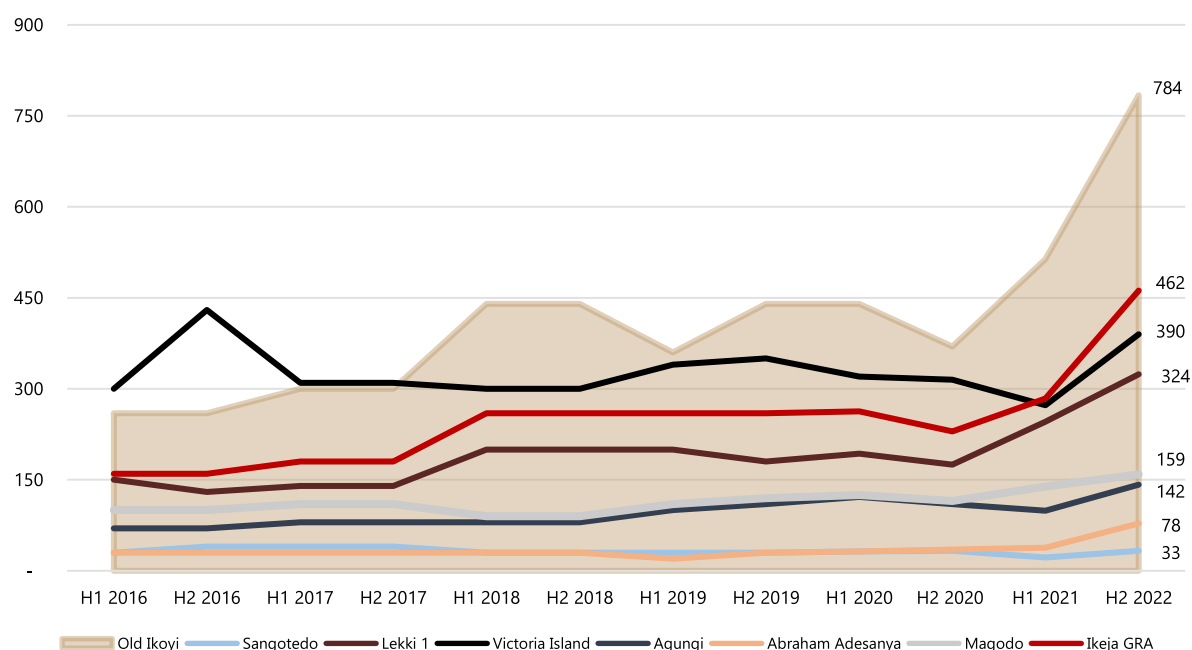
Source: 2022 JBEGR

Kinship and families, private purchases, inheritance, landowning families and locals are among the most widely used informal types of land access in Nasarawa state. State government allocations through government agencies is the principal formal method of access to land, with coercive acquisition and

adverse possession being less common. Inadequate infrastructure, excessive land costs, insufficient land documentation procedures and affordability are just a few of the impediments to gaining access to land via formal or informal channels.

## 30% covered

Average land prices in select Lagos nodes (₦/psm)



Source: Northcourt



## Infrastructure

Recent studies show that investment in data centres is projected to grow by over 50% globally. The increased growth of e-commerce, the use of social media by Nigeria's mostly young population, the use of streaming platforms, virtual meeting rooms, the demand for cloud storage services, a slight growth in IoT, the gradual adoption of artificial intelligence, and the rollout of 5G networks are all factors driving the demand for data centres. The Nigerian Communications Commission (NCC) estimated that the number of people using the internet had reached 151.4m by Q2 of 2022. The expansion of financial inclusion achieved via the use of mobile money apps and electronic currency transfers is another factor contributing to the rise in data use. By 2025, McKinsey anticipates a 152% rise in Africa's electronic payments market. With a growth rate of 35% per year, Nigeria accounts for a fair portion of this rise.

The real estate market in Nigeria has witnessed an unprecedented degree of investment in data centres which range from single tenant or enterprise data centres to co-location data centres. The city of Lagos is at the forefront of



**The Nigerian Communication Commission (NCC) estimated that the number of people using the internet had reached 151.4m by Q2 of 2022”**

Nigeria's investment in digital infrastructure, with the state government playing a significant role. The MDXi Lekki II colocation data centre that was launched by Main One to offer open access connectivity to leading telecom networks is now operational. Tier 3 data centre facilities have multiple power and cooling channels in place to reduce downtime to 1.6 hours per year, and Airtel, a leading telecommunications provider, launched its colocation of Tier 3 data centres in Lagos.

Some data centre operators have taken aggressive initiatives to put their data centre assets in special economic zones. Africa Data Centres operates a 9,800sqm colocation white space data centre with an IT load of 20.65MW. Although there has been some success in the developing data centre market in Nigeria, operators are confronted with the challenge of gaining access to energy sources that are affordable, reliable, and environmentally sustainable. Nigeria continues to put the pieces in place aimed at establishing itself as a strategic investment location for both investors and operators of data centres.

The rising demand for digital infrastructure for the storage and administration of data indicates that investments in data centres will likely continue to be profitable. Free Trade Zones, particularly those with heavy industrial components and those positioning themselves to accommodate asset classes outside of traditional real estate submarkets, are often where new entrants will want to locate their assets when they first enter a market. Occupancy rates of colocation data centres are expected to stay high since once facilities host a user's digital infrastructure, it is generally difficult for the user to depart that facility, except for the necessity to upgrade to a data centre facility with a higher rating.

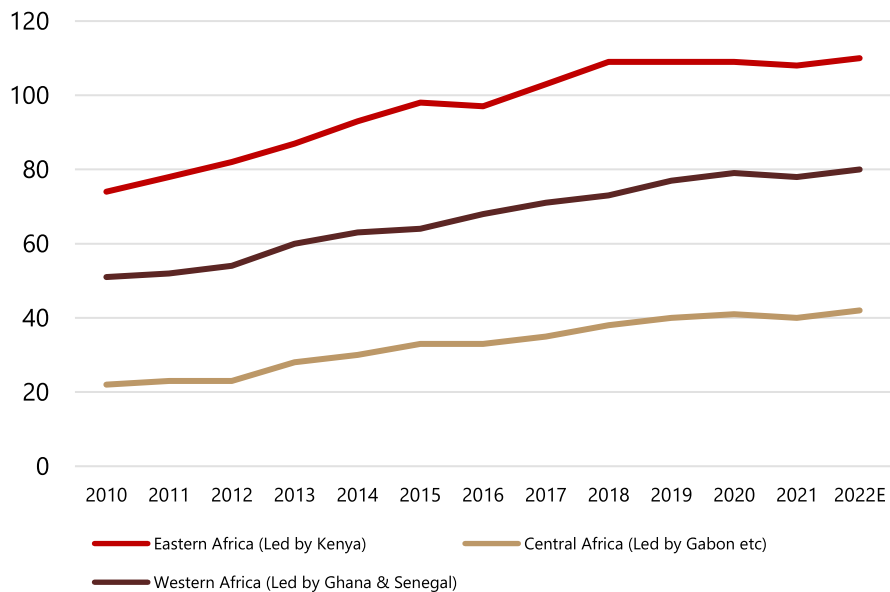
Construction firm Julius Berger Nigeria Plc - known for executing many-an-infrastructure project since 1965 commissioned a cashew processing plant in Lagos as it seeks to diversify its revenue streams.





## Where the power is

Electricity generation by type (Twh)



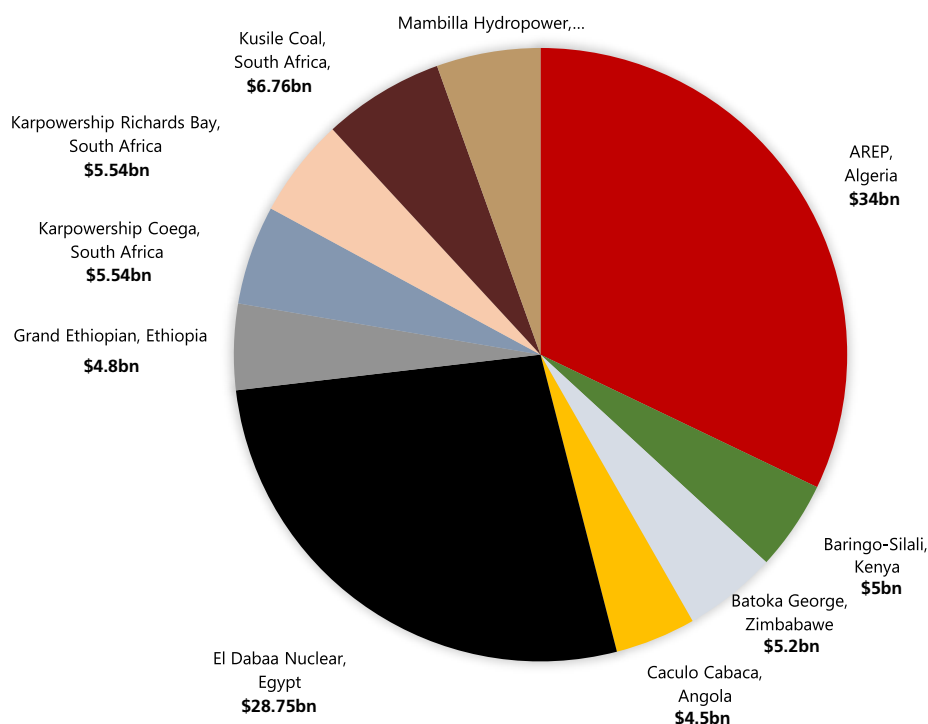
Source: Energy and Utilities, ABiQ

Across the continent, there is a substantial imbalance between supply and demand for electricity, as well as a significant financial deficit. As financing for fossil fuel projects

gradually becomes increasingly difficult, more attention is being paid to renewable energy options across the continent.

## Electric Cities

Africa: Top 10 ongoing power projects (\$bn)



Source: Energy and Utilities, ABiQ

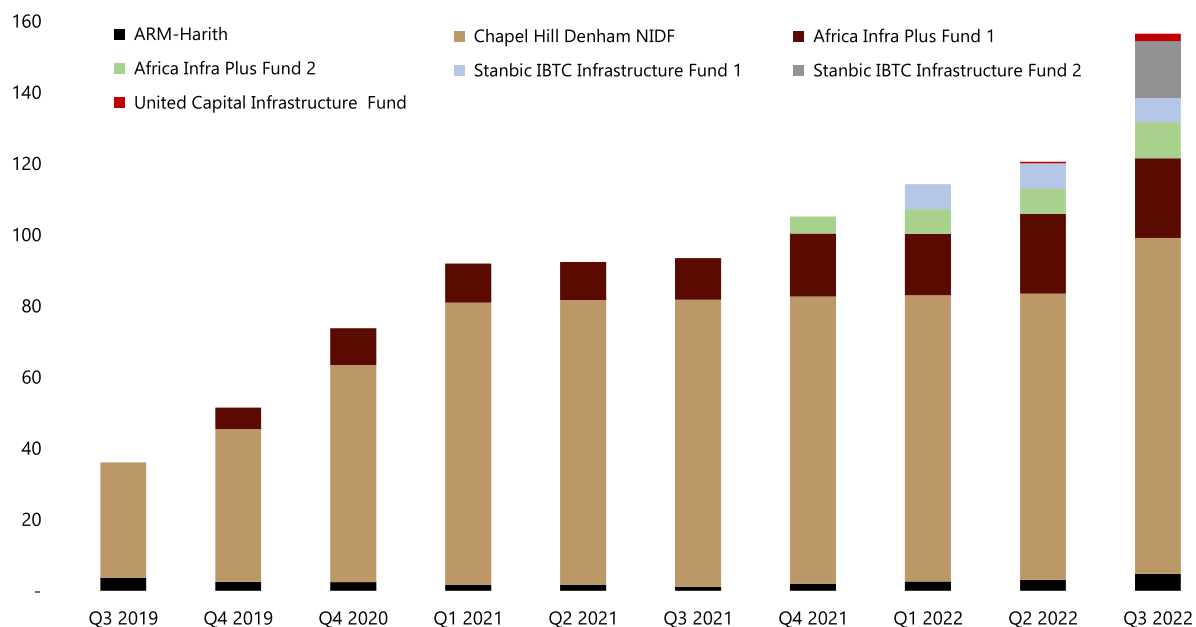


The ₦17bn Nigerian Law School building in Port Harcourt was built over 10 months by the Rivers state government with a 1,500-capacity classroom block, a 1,638-capacity hostel block

and a 1,500-capacity multipurpose hall, 16 units 3-bedroom flat staff quarters, a swimming pool, gymnasium and a lawn tennis court.

### Lights in a box

Nigerian Infrastructure Funds - Total Assets Under Management (₦bn)



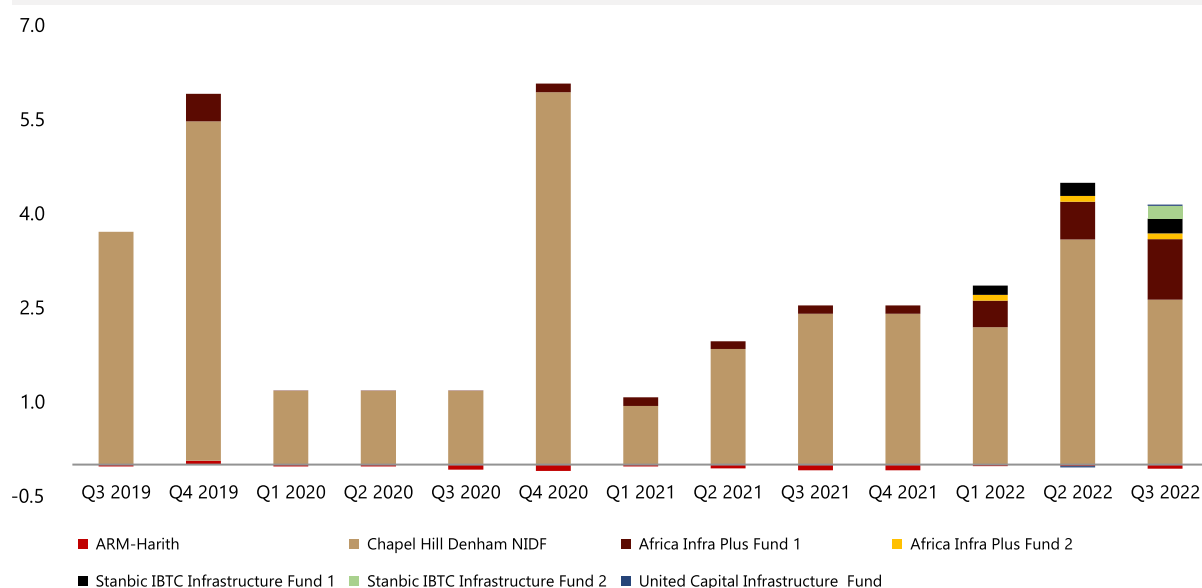
Source: SEC

Starsight, a C&I (Commercial and Industrial) provider of solar energy, signed a 10-year credit facility worth over \$9m with Chapel Hill Denham's Nigeria Infrastructure Debt Fund (NIDF) in January 2021 to expand its portfolio. By Q4 2022, the firm had reached an agreement

with the NIDF to refinance its \$20m debt over ten years. Since 2015, Starsight has installed small-scale solar power plants in over 500 locations, with a total capacity of 36MW of electricity generation and 28 MWh of electricity storage.

### The colour spectrum

Nigerian Infrastructure Funds – Total Net Income (₦bn)



Source: SEC



ARM Harith made an undisclosed investment in Nayo Tropical Technology, manufacturers of renewable energy semiconductors. This investment is anticipated to aid in the expansion

of its portfolio of 14 Nigeria electrification programs and interconnected mini-grid acceleration scheme projects.

### Saying and doing

Estimated number of days since the announcement of infrastructure project\*\*

States	Ongoing infrastructure projects	Estimated number of days since announcement**
Adamawa	Yola-Hong-Mubi Road	2,086
Adamawa*	Mararaba Mubi Madagali-Michika-Askira- Gwarzo-Bama Road	2,133
Adamawa*	Numan-Jalingo Road	2,048
Bauchi	Burga-Dull-Mbatt II-Tadnum-Gobiyya-Badagari-Gwarangah-Sum Road	2,110
	Tudun Wuss-Wandi-Wandi-Baraza-Durr- Zumbul-Polchi-Dot-Kwanar	2,086
Bauchi*	Rehabilitation of Bridges & Federal Roads along Bauchi-Gombe Road	2,086
Ebonyi	Abakalike-Oferekpe Road	1,787
Enugu	Ugwueme-Nenwenta-Nkwe-Ezere-Awgunta-Obeagu-Mgbidi Nmaku Road	2,117
	Nenwe-Nomeh-Mburubu-Nara Road	2,110
	Akpasha (Umuatugbuoma)-Obijioffia, Amodu Road	2,110
	Runway of the Akanu Ibiam International Airport	1,153
Kaduna	Kafin-Mayaki-Goduwa-Maraku-Saminaka Road	2,117
Kaduna*	Zaria-Hunkuyi-Kafur-Gidan Mutum Daya Road	2,110
Kaduna*	Makarfi-Basawa-Funtua Road	2,117
Kano	Rogo-Karaye-Kiru-Kwanar Dangora Road	2,117
	Wudil-Kwanar Huguma Road	2,110
Lagos	Apapa-TinCan-Mile 2-Oshodi-Oworonshoki Expressway	1,521
	27.5km Blue Line - Rail, Lagos	5,110
	37km Red Line - Rail, Lagos	5,110
	Ojota Opebi Link Bridge, Lagos	7,300
	26.7km Phase 2, Lekki - Epe Expressway	790
Lagos*	Ikorodu-Sagamu Road	1,705
Plateau*	Digare-Masir-Garga-Furyam Kasuwa-Jarmai Road	2,110

Project status

Construction

Rehabilitation

Source: Federal and State Government reports \*State of Inception \*\*As of 31 Dec 2023

## Office

Tight markets for skilled labour mean that employees have the upper hand in negotiations and may refuse their employers' requests that they return to the office more times than they want to. A portion of the current office supply will likely become suitable for repurposing. This is already the case in key Lagos nodes. If the majority of employees report to the office on the same days, accounting for employee preferences may pose a challenge. Flex space may be the answer for many businesses as they determine their space requirements.

Some businesses have signed multi-year leases with private office providers, having thoroughly reconsidered their present and near-future demand. Others have kept their unused offices as a precaution or because they have entered into sublease agreements with other businesses. On average, physical office occupancy is significantly lower per company. In contrast to all other submarkets, vacancy rates continue to rise slowly in the office market where more companies are downsizing or



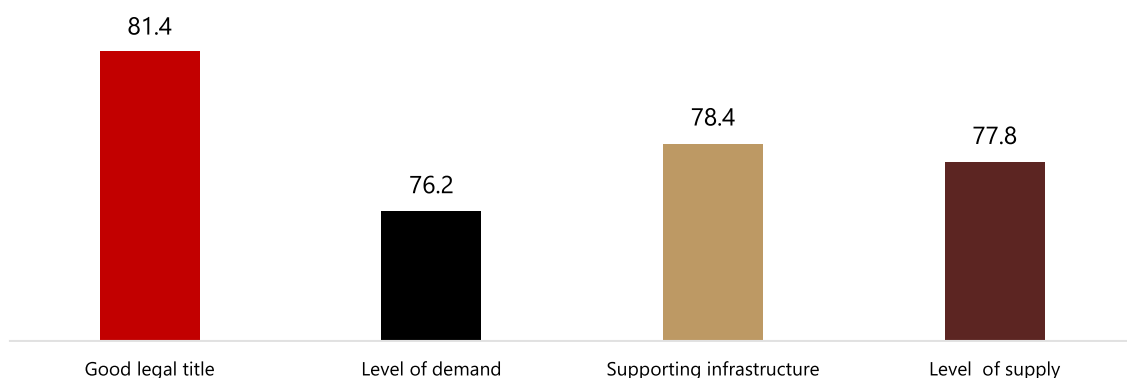
**Some businesses have signed multi-year leases with private office providers, having thoroughly reconsidered their present and near-future demand”**

delaying their lease renewal. In addition, Office market brokers confirm that a record level of office space is available for lease. Still, an irreversible departure from office buildings is not on the horizon as more firms figure out their true space demand, design, and location.

Landlords are having to adapt to the reduced need for office space, while also finding workarounds for their underutilised Grade A

### Investment determinants

Commercial real estate investment considerations in Uyo, Akwa Ibom State (%)



Source: 2022 IJERES, Northcourt

and B+ real estate assets located in urban centres. This has become necessary, not only because of the adoption of WFH policies by occupiers but also as a result of the challenging economic climate. Workers who have grown accustomed to the benefits of working from home recognise that returning to the office

located in key nodes would mean potentially much longer or impossible commutes, less time with family, less flexibility and privacy, and increased costs and complexity, especially in light of the rising cost of living.





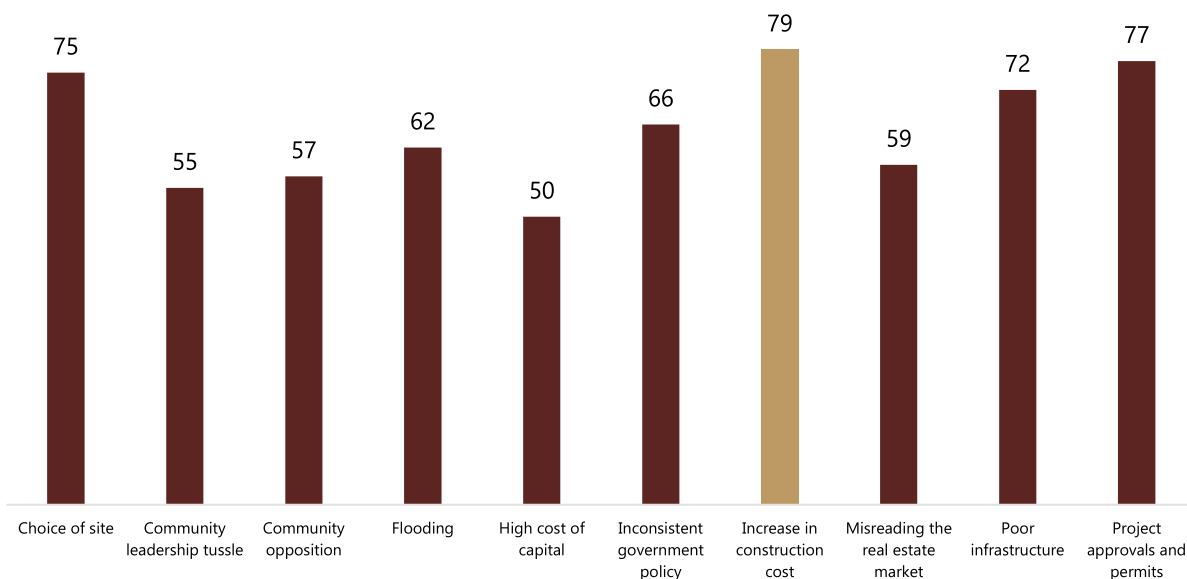
Despite claims of isolation, loneliness, and fatigue associated with remote work, as well as blurred boundaries between work and personal life, workers appear to value the autonomy that remote work gives.

Many offices have been decreased in size, with much of the space deactivated, presumably for future use. Private office spaces similar to

coworking arrangements are in demand, where close to grade-A space service can be enjoyed without the attendant dollar rents. Inflation, rising interest rates (the CBN raised rates to an unprecedented 16.5% in Q4 2022), rising housing prices and rents, and uncertainty surrounding healthcare, schooling and childcare all contribute to a greater need for hybrid work arrangements.

### Foster the factors

Factors that affect commercial real estate development in Onne, Rivers State (%)



Source: 2022 IJERES, Northcourt

The prediction is that office space demand will moderate if remote work continues. As a result of the pandemic and decentralisation, a part of the workforce will work remotely or in a hybrid capacity. Because of this de-concentration of employees, occupiers will explore resource deployment patterns that support a more distributed economy while repurposing unused space. The government may face renewed pressure to build new and upgrade existing infrastructure, as well as a greater demand for infrastructure in more peri-urban nodes, which are frequently the most expensive and difficult to supply. The COVID-19 disruption and resulting shift to remote work could be a forerunner for future office space resilience, pushing the transition toward a more decentralised built environment.



**In contrast to other submarkets, vacancy rates continue to rise slowly in the office market where more companies are demanding less space”**

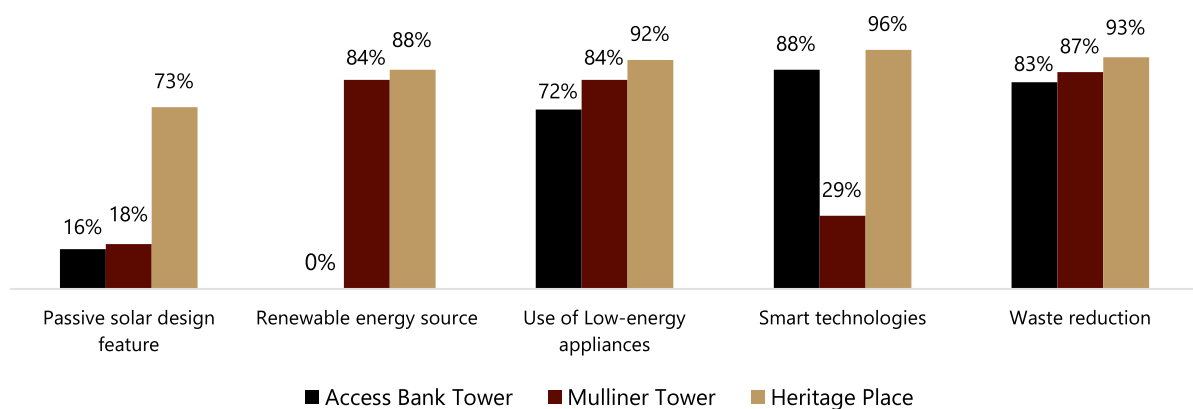


The challenge for commercial real estate development in Onne, Rivers is rising construction costs due to inflationary pressures and the importation of building materials. Project permits and poor infrastructure are also challenges often faced by investors who usually require permits (or guarantees thereof) before

commencement, which often involves bureaucratic hurdles.

Poor infrastructure is one of the reasons respondents cited as an obstacle to commercial real estate development impacting project initiation, scheduling, development costs, and ultimately rental and property prices.

### Greener on the other side Energy strategies compared (%)



Source: 2022 IOP Conference Series: Earth and Environmental Science

## Purpose Built Student Accommodation

Modern Shelter Systems and Services Limited partnered with Dubai-based Strategic Housing Group (SHG) to develop a 792-bed student housing community - The Myriad Abuja, which will include study rooms, outdoor spaces, coffee shops, and lounge areas. SHG manages the

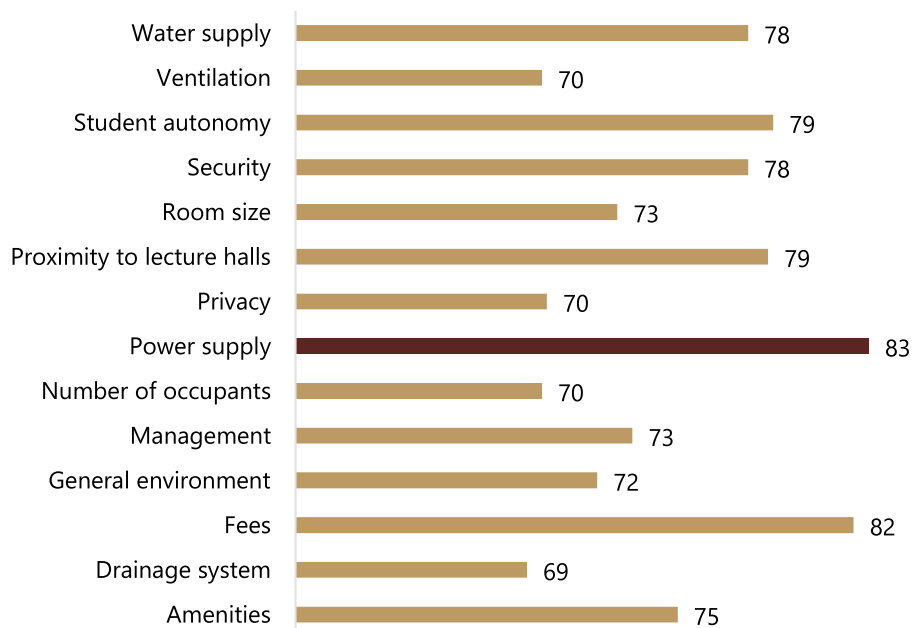
Myriad brand and is the Middle East, Africa, and Asia partner of Asset Living Group, which has over 36 years of experience managing 175,000 units in the United States. SHG is also the owner of the Myriad trademark. United Capital, Marble Capital and Modern Shelter are jointly funding the project through a combination of equity investments and loan financing. The project is expected to be operational by 2024.





### Campuses – On, or Off?

Determinants on the student's choice of hostels in Akure, Ondo State (%)



Source: 2022 IJER

A study of hostel accommodation in Akure, Ondo state concluded that on-campus hostels were more crowded than those off-campus – although cheaper. Students consider electricity supply and hostel rental prices/fees as the more important variables in choosing a hostel. In all, security, amenities, number of occupants, water

supply, room size, room ventilation, privacy (considered more important by off-campus students than on-campus students), proximity to lecture halls, hostel management, and drainage system are factors considered by students when choosing their hall of residence – but with varying levels on importance attached.

## Industrial

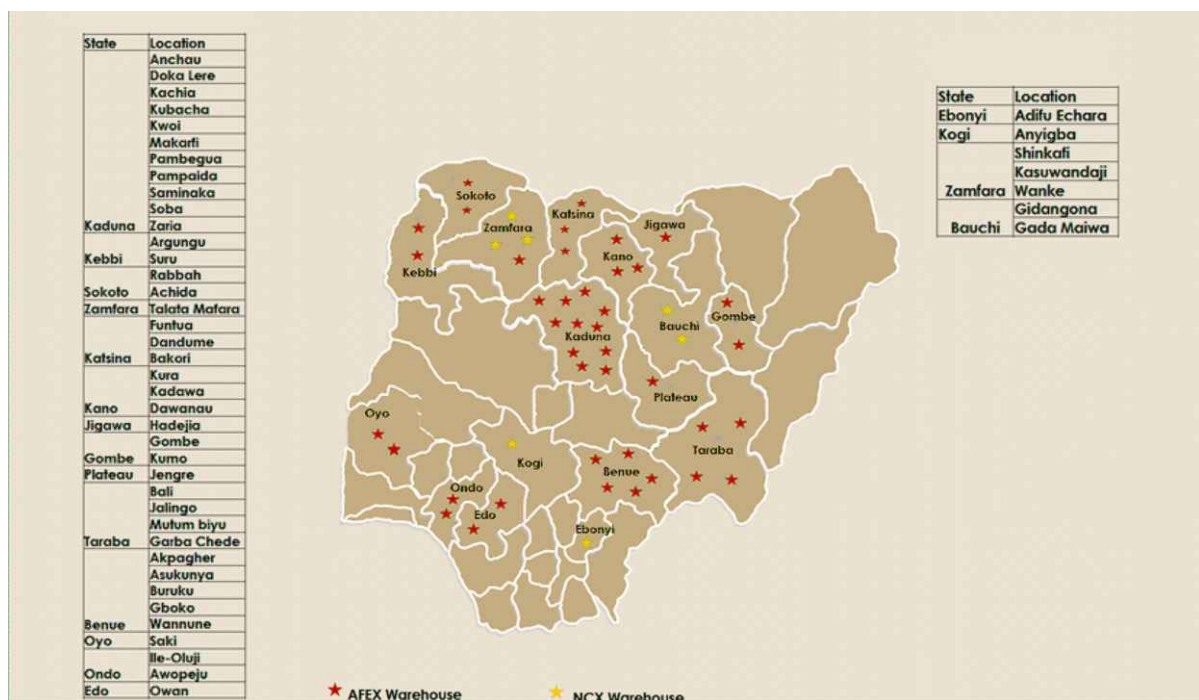
Leading indigenous wires and cables manufacturing company, Coleman Cables and Wires commissioned a fibre-optic cable factory at Arepo, Ogun state as part of its expansion strategy. Supply chain disruptions highlighted by the pandemic have led to a growing list of industrial and agricultural investments. The IFC

offered agrochemicals manufacturer and distributor - Jubaili Agrotec \$35m in financing to improve food security in sub-Saharan Africa. IFC is giving a total of \$40m, with half coming from the International Development Association. The financing package will be accompanied by advisory services to assist Jubaili in the incorporation of items that contribute to climate-smart agriculture. The financing package is expected to enable Jubaili increase its production capacity in Nigeria, Ghana, Tanzania, and Uganda.



**Recent studies suggest a steady growth in returns on investments in warehouses in Abak, Akwa Ibom state, except for declines in 2016, 2019 and 2020”**

Nigeria's leading commodities market player, AFEX launched a 100,000MT/year Grain Quality Enhancement Centre and 30,000MT storage capacity warehouse in Kaduna State. Work has also begun on a Food Security Systems and Central Logistics Park, which will be built on 1.2m sqm of land in Ketu-Ereyun, Epe – Lagos State. It will have the capacity for more than 1,500 trucks when completed. The development of this logistics is through a PPP arrangement, and will be carried out using the Design-Build-Finance-Operate-and-Transfer model.



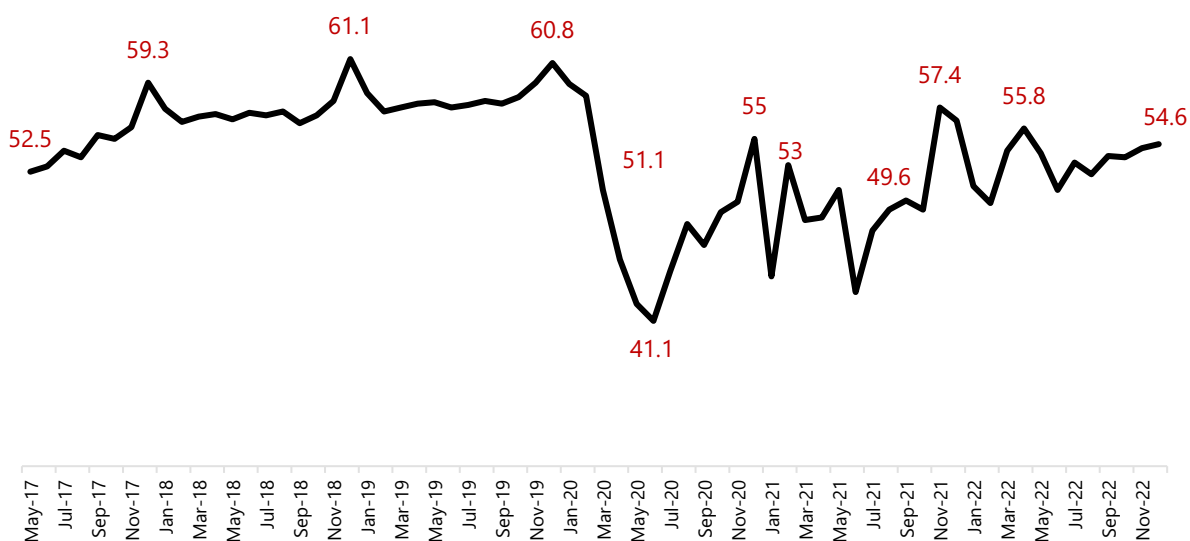
Source: AFEX and NCX





## Stacking the numbers

Trend: Purchasing Managers' Index (2017-2022)



Source: Global Economy

The AfDB with support from the Islamic Development Bank (IsDB) and the International Fund for Agricultural Development (IFAD), launched Special Agro-Industrial Processing Zones (SAPZs) in Nigeria with Cross River, Ogun, Kaduna, Imo, Oyo, Kano, and the FCT serving as initial beneficiaries. OCP Africa Fertilisers, a leading Moroccan fertiliser producer, launched a 200,000MT per annum, \$13m fertiliser blending plant in collaboration with the Kaduna state government. The facility also includes a soil testing laboratory, a retail centre for agricultural products and services, and a training school. Each blending facility has a production capacity of 120MT per hour and warehousing for 25,000MT.

Egypt signed a two-year agreement with Tiamin Rice to import milled rice from Nigeria following the completion of a 600MT mill in Bauchi by China's Changzhou Techgen Engineering. Jaiz Bank financed the project through a CBN intervention scheme.

Recent studies suggest a steady growth in returns on investments in warehouses in Abak, Akwa Ibom state, except for declines in 2016, 2019 and 2020.

The highest return, 10.93%, was obtained in 2018, while the lowest return, 6.93%, was obtained in 2020. The rate of return decreased gradually from 2018 to 2020, which may be attributed to macroeconomic headwinds and the COVID-19 pandemic but improved thereafter.

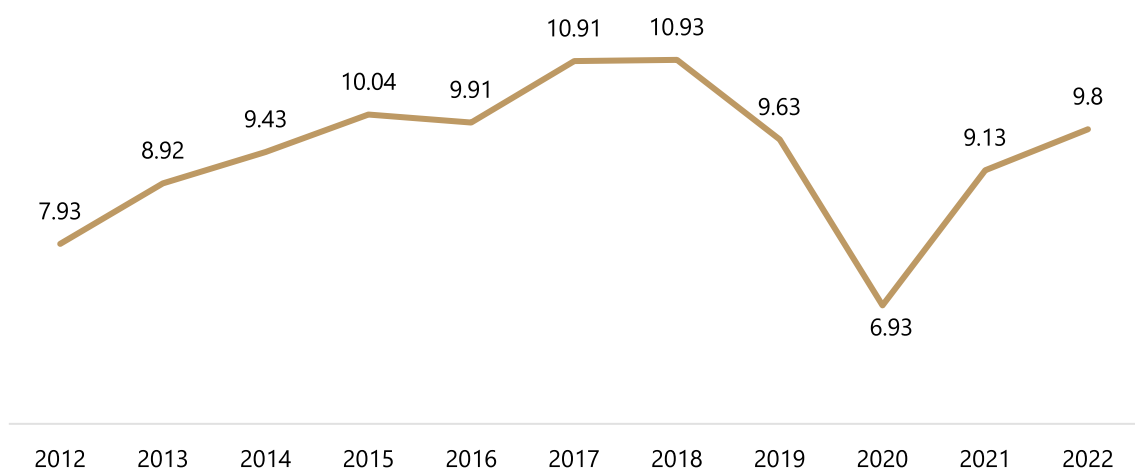
Pinnacle Oil & Gas Petroleum launched a \$1bn product terminal. Vessels arriving at the facility can anchor at either the 120m-litre capacity Buoy Mooring or the 200m-litre capacity Single Point Mooring. Both moorings are linked to storage facilities by four networked pipelines totalling 40km, which can empty vessels in two days, a significant improvement from the previous 30-day timeframe. The shore tank farm can accommodate a maximum of 300m litres of both gasoline and diesel.

GIG Logistics expanded its operations to China to capitalise on Nigeria's annual trade volume with the eastern giant, even as online shopping's convenience accelerates transactions, putting pressure on logistics services.



## Cool and dry

Average returns of warehouses in Abak Local Government area, Akwa Ibom (%)



Source: 2022 JBEGR, Northcourt

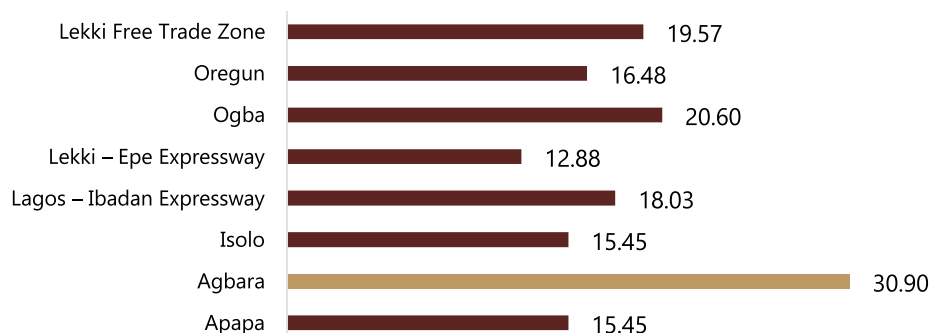
Demand for logistics and cold storage has increased as a result of the rising demand for retail items, especially in urban centres. Additionally, the combined effects of e-commerce and e-payment systems have made efficient logistics and warehousing essential. This is in part due to the growing demand for courier and package delivery services. There appears to be a significant demand for Grade A storage facilities. Ideally, they should be located near urban centres. To encourage the development of warehousing and logistics development, the Lekki and Lagos Free Zones have moderated some of their requirements and control procedures in comparison to other

industrial nodes. Given that Lagos state has Nigeria's most populous consumer market, the proximity of the Lekki and Lagos Free Zones is one of the key factors fuelling their demand.

The Lagos seaports system has experienced steady development mainly due to its strategic location and market size. The system which thrived on the environment of being the seat of political power and commercial capital also maintained steady development. In October, China Harbor Engineering Company Ltd (CHEC) completed the \$1.5bn Lekki Deep Sea Port. It is one of the largest seaports in West Africa and the largest in Nigeria.

## Space

Lagos: Av. warehouse rent per sqm per annum (₦'000)



Source: 2022 JBEGR, Northcourt

# What the numbers say



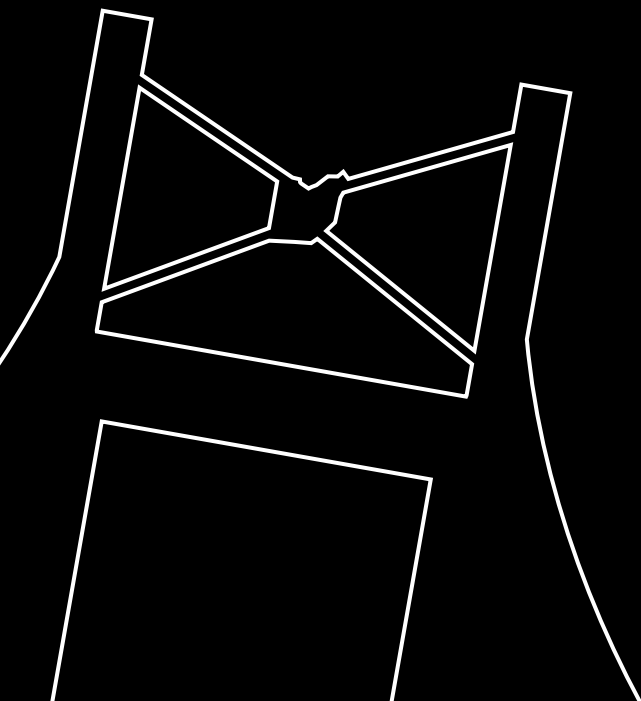
## \$35m

Funding offered to Jubaili Agrotec, by the International Finance Corporation (IFC) to improve food security in sub-Saharan Africa

## ₦25bn

Newly listed NGX Series 2 Bond for the second tranche of the Lagos Free Zone's offering.

It is Nigeria's first 20-year Corporate Infrastructure Bond



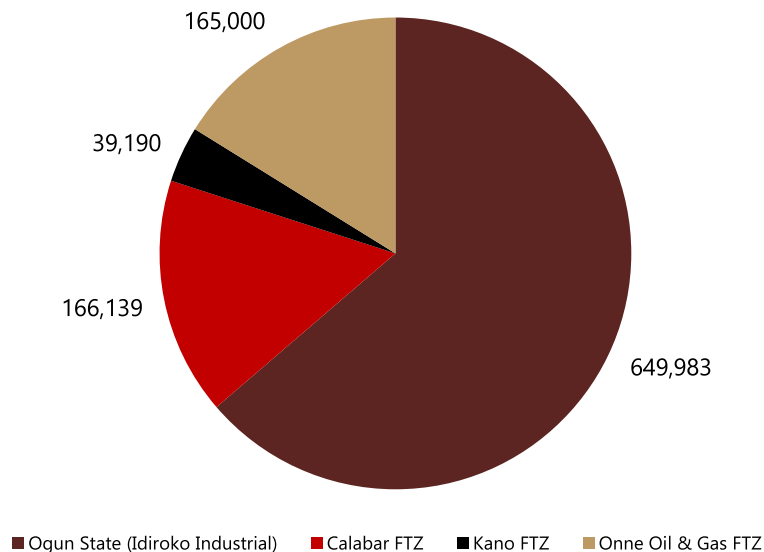
*SCAN to download*

The Northcourt Real Estate  
research catalogue



## Go big

Estimated total size of warehouses, nationwide (sqm)



Source: 2022 Integrated Logistics Services

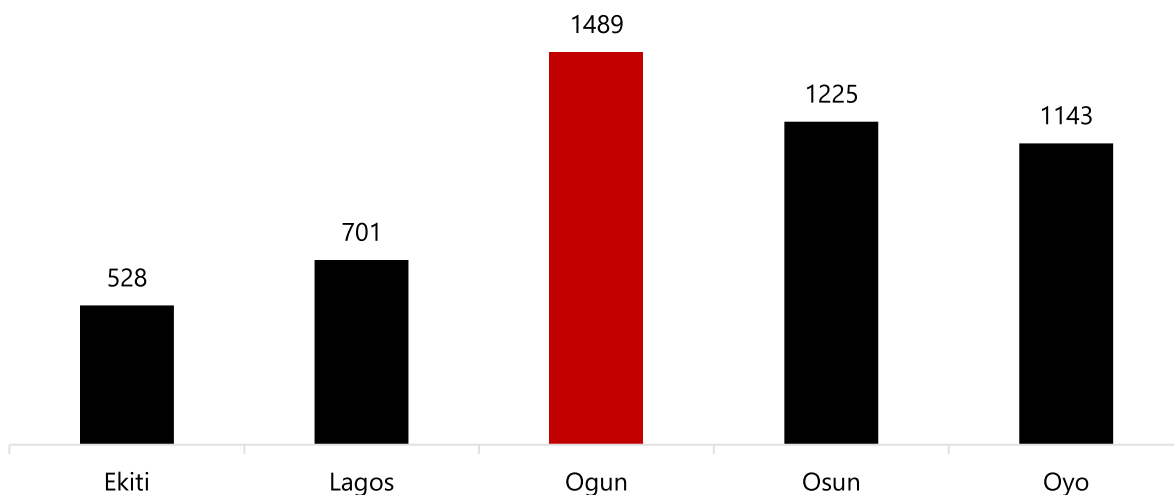
The construction of the port is intended to accommodate 1.2m standard-size containers per year. The port is part of a tripartite deal between China, France and Nigeria. It is, in part, an attempt to decongest the Apapa port, which handles more than 70% of Nigeria's imports. Managed properly, the Lekki deep sea port has the potential to contribute to the growing trade and logistics infrastructure in Lagos State.



**In October, China Harbor Engineering Company Ltd (CHEC) completed the \$1.5bn Lekki Deep Sea Port”**

## Production

Select South-Western States: Estimated number of factories in use, as of Q3 2022



Source: 2022 GRID<sup>3</sup>, Northcourt





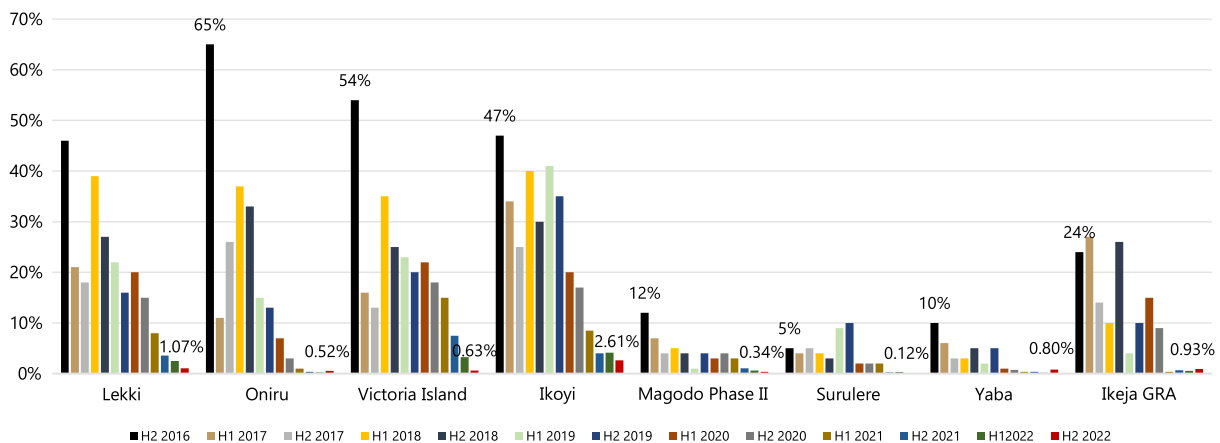
## Residential

The time may have come to fully exploit the opportunities in the low to mid-income markets. This is where potential capital/rental values are in volumes high enough to generate margins for the developers with attuned financing models. This also mirrors growing investor interest in this market segment and is in lockstep with increasing building costs and high demand for housing in urban centres. There are questions around funding and Nigeria's financial markets may be a good (although picky) source.



**The time may have come to fully exploit the opportunities in the low to mid-income markets”**

**As new areas open up**  
Residential vacancy rates for Lagos (%)



Source: Northcourt

Urban areas in Nigeria are home to an estimated 53% of the population - with an estimated 33% unemployed and a housing deficit estimated at 28m units - as indicated by the Swiss-based International Human Rights Commission (IHRC). Occupier financing remains a challenge. Over 34 Primary Mortgage Banks (PMBs) in Nigeria offer residential mortgage loans and they are supported, albeit selectively, by 24 commercial banks. FMBN reports that mortgage rates remain a high 6%. PMBs and commercial banks charge 28% on average. The federal government intends to boost mortgage funding to ₦712bn by 2024, as part of a five-year strategy that started in 2020. The FMBN intends to increase annual NHF contributions from ₦49bn in 2018 to ₦285bn by 2024, finance a

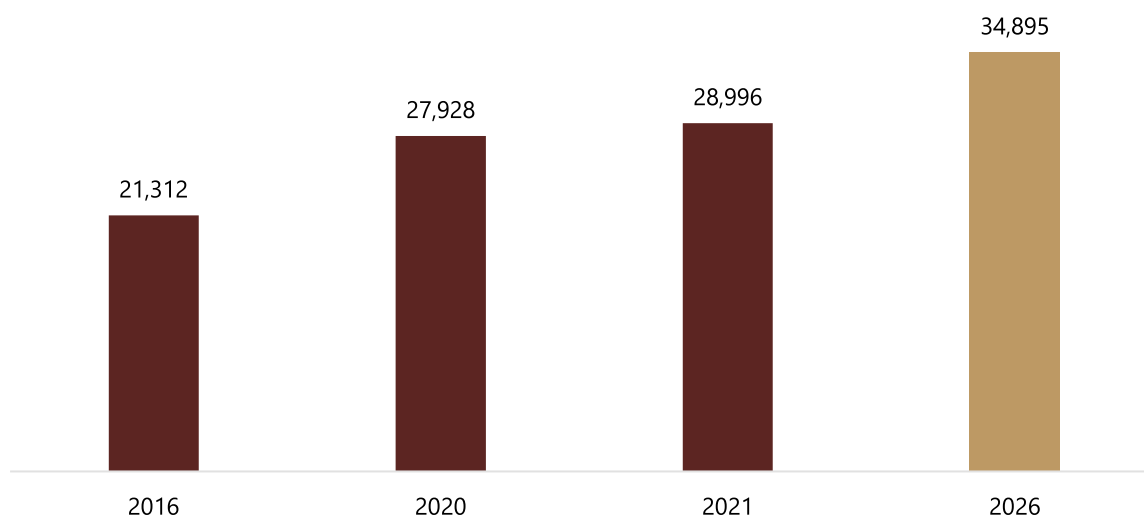
total of 100,000 housing units, increase NHF contributors from ₦4.8m in 2018 to ₦31.6m, and increase mortgages to ₦712bn by 2024, launch a rent-to-own mortgage package with a rental payment period of 30 years and an interest rate of 7% of the property's purchase price. The property's purchase price is capped at ₦15m.

Family Homes Funds Limited (FHFL) established its Help to Own (HTO) fund aimed at first-time homebuyers who can provide a 10% down payment on homes. The Fund then provides a low-interest, delayed equity loan of up to 40% of the home's purchase price, thus halving the mortgage payment. With support from the AfDB, over 3,500 HTO mortgages will receive financial assistance from AfDB.



## Some countries do have them

Nigeria: Number of High Net-Worth Individuals (\$1m+)



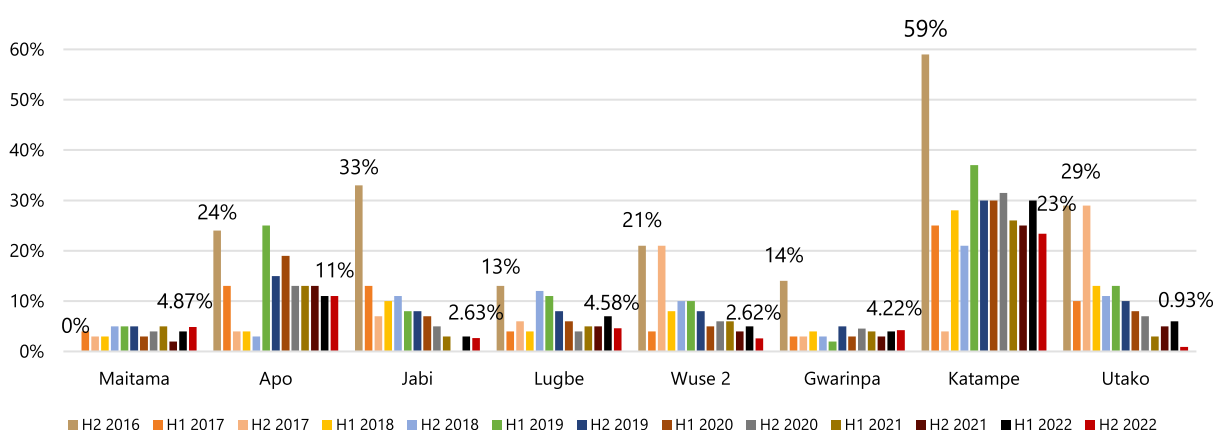
Source: Knight Frank

The FHFL completed slightly more than 5,400 homes as of the start of 2022. In the past five years, the FMBN has issued over 4,985 mortgages and disbursed home improvement loans totalling ₦49.3bn. This represents an annual average of ₦8.9bn. Recent estimates place the cost of acquiring a Certificate of Occupancy (C-of-O) and registering property in

Lagos and Abuja at 15% and 12%, respectively, of the value of the subject transaction. Property prices have increased, in some areas by as high as 30 – 40% even as the government seeks to reduce the cost of construction by negotiating with major cement makers to offer their products at a 30% discount.

## Geographically central

Residential Vacancy Rates for Abuja (%)



Source: Northcourt

Mixta Africa secured ₦8bn in development financing from pan-African lender, Shelter Afrique. The company is currently executing the 1,000-unit Marula Park Project, a gated community consisting of 1, 2- and 3-bedroom apartment blocks, located within the Lagos

New Town area, off Lekki-Epe expressway. Shelter Afrique also extended ₦20bn in funding to Landmark Africa for financing the construction of a mixed-used housing project – Landmark Waterview Apartments and refinance its existing debt.



## A place for all, for a time

Survey: The influence of lease contracts on affordable housing (% of respondents)



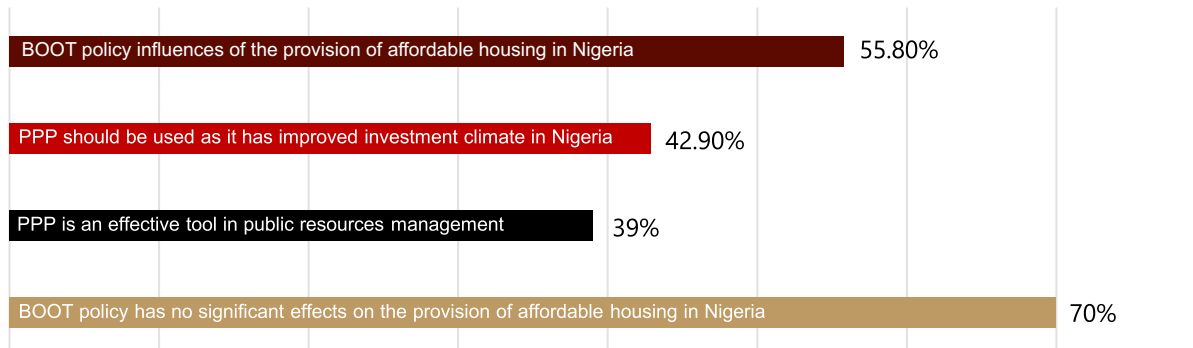
Source: 2022 JSSM

Public-Private Partnerships (PPP) have become a more viable alternative to infrastructure and housing as a result of the issues posed by public funding and its effect on Nigeria's growth. The

Build Own Operate & Transfer (BOOT) policy has a positive effect on the provision of affordable housing in Nigeria.

## An all-in plan

Survey: The influence of PPP and BOOT on affordable housing (% of respondents)



Source: 2022 JSSM

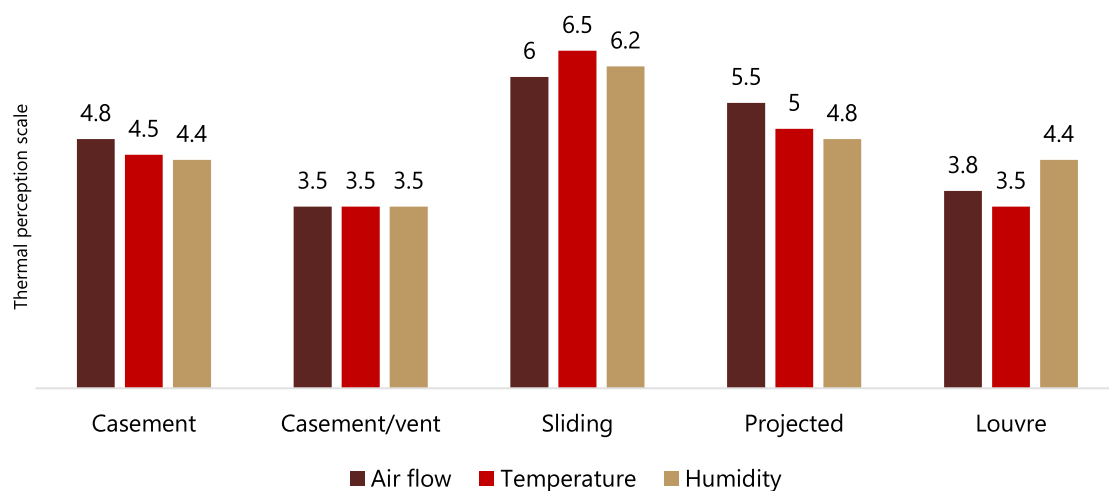
Apartment design and architecture are critical to the sustainability discussion. A recent study demonstrated how window arrangements could be employed in naturally ventilated residential designs to obtain a tolerable room temperature, concluding that differing window configurations have a marked effect on room temperature in naturally ventilated residential buildings in Asaba, Delta State. The influence of window design on room temperature is shown by the occupier's sense of thermal comfort originating from the monitored building.

A multi-year study of the Akwa Ibom residential market showed a YoY increase in both capital and rental values except in 2015 (Uyo), 2016 (Eket and Uyo) and 2019 (Ikot Ekpene). This may be related to the global economic performance inconsistencies. 2 Bedroom apartments generated the largest returns in 2022 with 9.72%, 7.84% and 7.66% for Ikot Ekpene, Eket and Uyo respectively.



## When the light comes in

Asaba: Occupier's perception of thermal comfort per window type\*



\*ASHRAE scale: 4.5 (which indicates neither cool nor warm), 3.5 (comfortably cool), 6.5 (too warm), 5.3 (comfortably warm), louvre 3.5 (comfortably cool)

Source: 2022 IJEAST

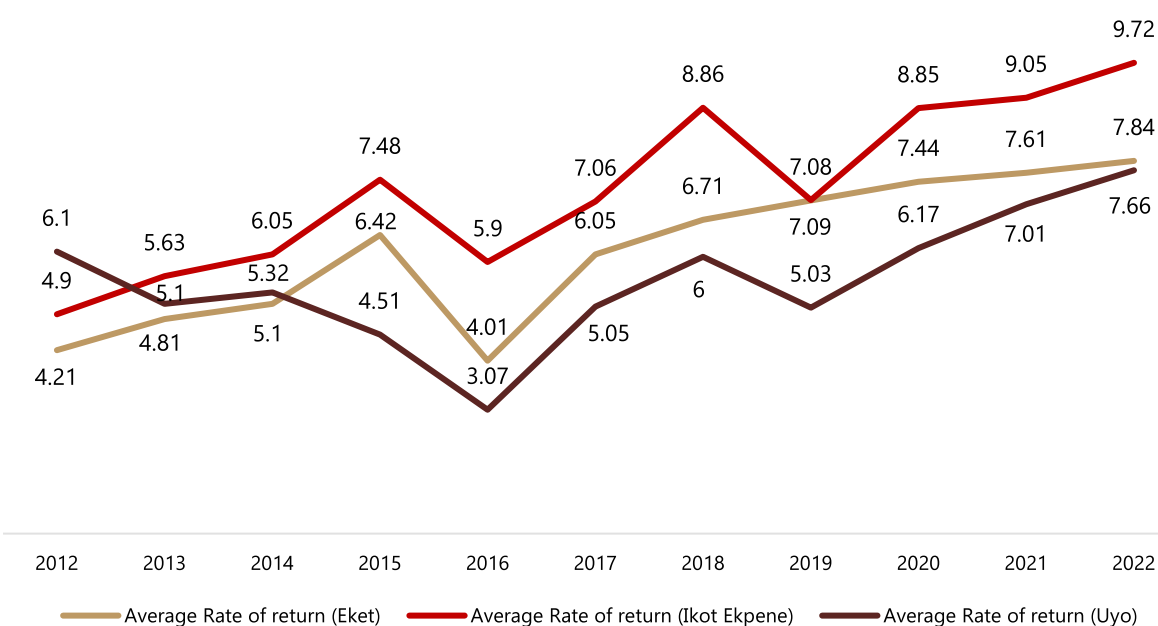
An assessment of Eket, Uyo and Ikot Ekpene senatorial districts in Akwa Ibom state suggested that the highest average rental and capital values are in Uyo senatorial district. The study however concluded that the district provided limited hedging against inflation, suggesting that the Ikot Ekpene senatorial district might provide more

protection in this regard.

The construction industry continues to face difficulties, ranging from a shortage of skilled labour and high material costs to the evasion of regulatory frameworks by some new and established developers.

## Beginnings

2 Bedroom apartments in Akwa Ibom State: Average rate of returns of investment (%)



Source: 2022 JSSM

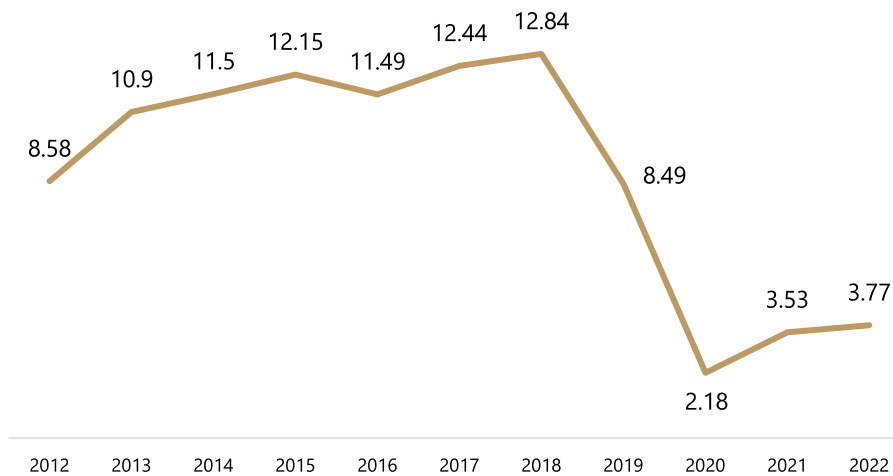






### Rates of return

Abuja Phase 2 residential real estate market: Average rates of return (%)



Source: 2022 JBEGR, Northcourt

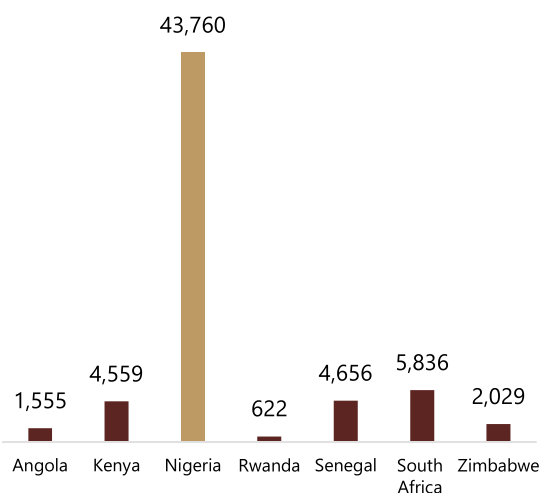


**The importation of heavy-duty equipment is still a necessary requirement for any complex construction project in Nigeria”**

These have contributed to the conversation around build quality and the adoption of construction technology solutions. The development of modular and prefabricated construction techniques is yet to reach points of maturity and contribute its quota to reducing overall construction costs. The importation of heavy-duty equipment is still a necessary requirement for any complex construction project in Nigeria.

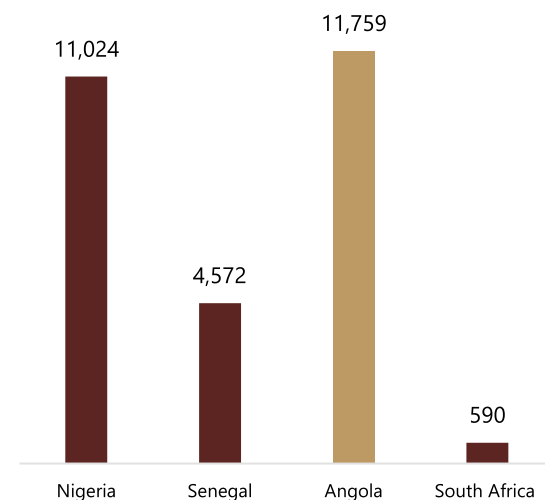
### Hard things

Concrete or Mortar Mixers (2021 Import Value, \$'000)



### This side up

Amount of imported ceramic roofing tiles ('000Kg)



Source: 2021 ITC, WITS

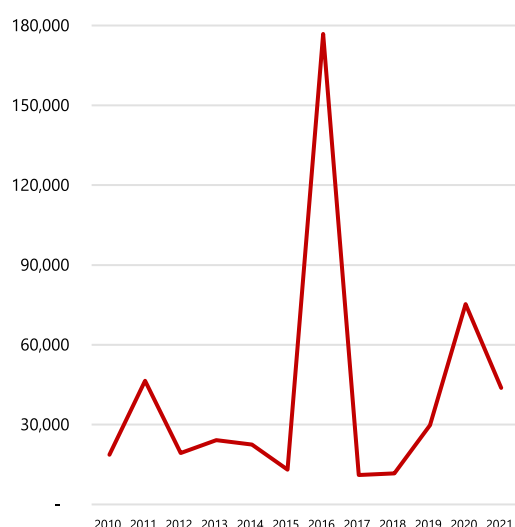


As more large-scale construction projects shift to design-build contracting frameworks, PropTech platforms are making it easier for developers, construction contractors and other stakeholders to make more efficient decisions. Advanced materials procurement strategies and construction technology initially deployed by

forward-thinking developers are gradually becoming the norm. Developers are also forming partnerships with leading material suppliers to hedge against price movements and mitigate material shortages where possible, a trend that had begun before the pandemic.

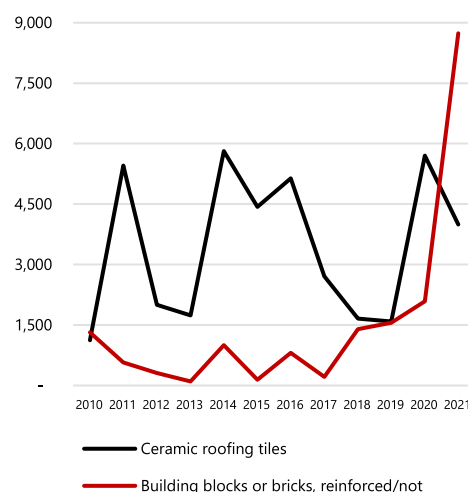
### Pieces

Concrete or mortar mixers imported into Nigeria (\$'000)



### Parts of the whole

Ceramic roofing tiles and building blocks/bricks (\$'000)



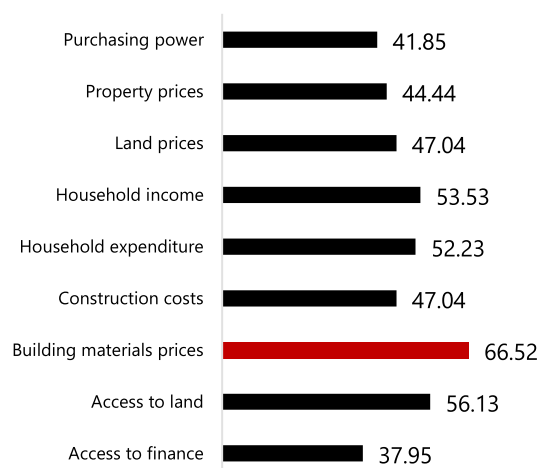
Source: 2021 ITC, WITS

The leading factors influencing residential property development in Abuja include access to land (with speculation on the increase), building material costs (complicated by spates

of insecurity), high cost of capital (lending rates remain high), high cost of labour, property development expertise and low purchasing power amongst others.

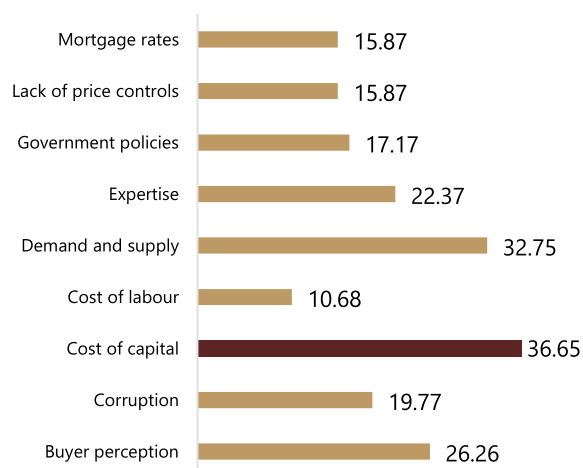
### When the centre holds

Leading factors affecting residential development in Abuja (%)



### More to do

Lagging factors affecting residential development in Abuja (%)

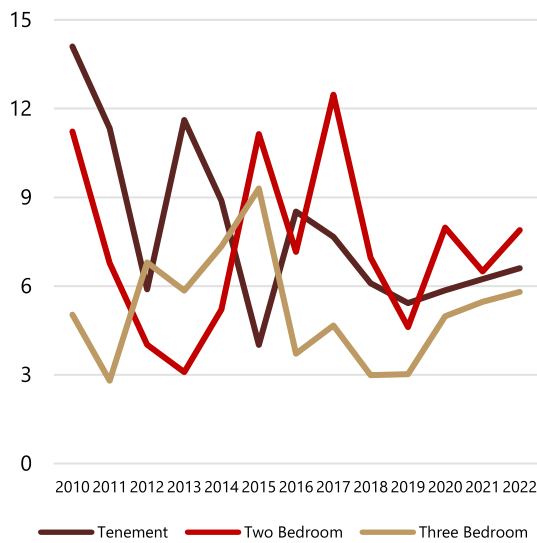


Source: 2022 JAHR



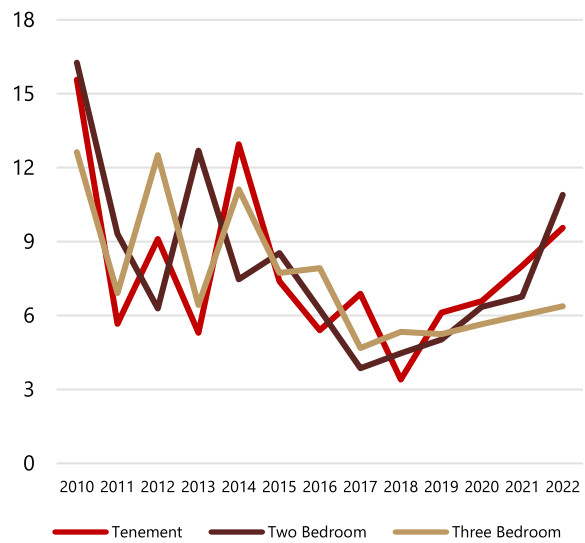
### Sun and sand

Average total returns in Badawa, Kano state (%)



### North of centre

Average total returns in Rijiyar Zaki, Kano state (%)



Source: 2022 JCEES, Northcourt

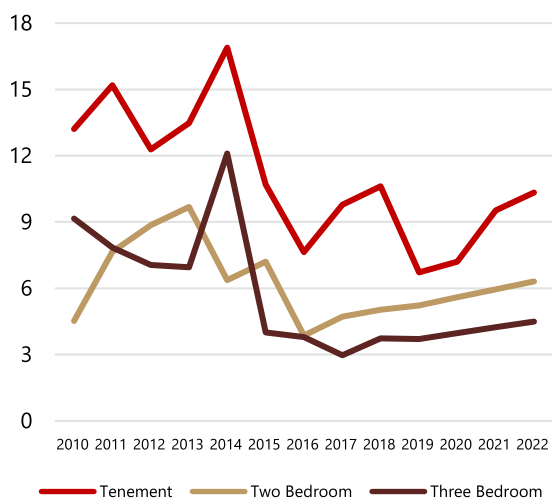
These not only influence if residential projects are embarked upon but also if they are completed.

A review of select nodes in the Kano real estate market demonstrated the variances in residential investment trend/performance YoY

for the various locations. Naibawa had the highest ROI for tenement apartments (11.04%) while Rijiyar-Zaki had the lowest (7.84%). For two-bedroom properties, RijiyarZaki was the highest performing location (8%), while Badawa was the least performing (6.22%).

### Housing at 38°C

Average total returns in Ninawa, Kano state (%)



Source: 2022 JCEES, Northcourt

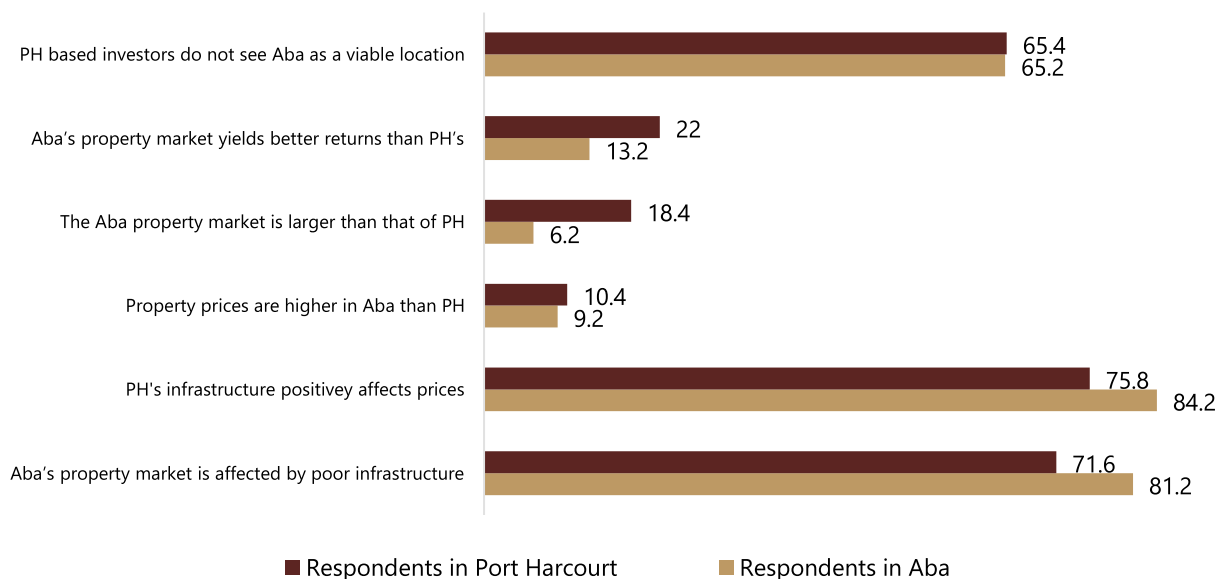


**The development of modular and prefabricated construction techniques is yet to reach points of maturity and contribute its quota to reducing overall construction costs”**



## Both ways all day

Perceptions of the Aba and Port Harcourt real estate markets (%)



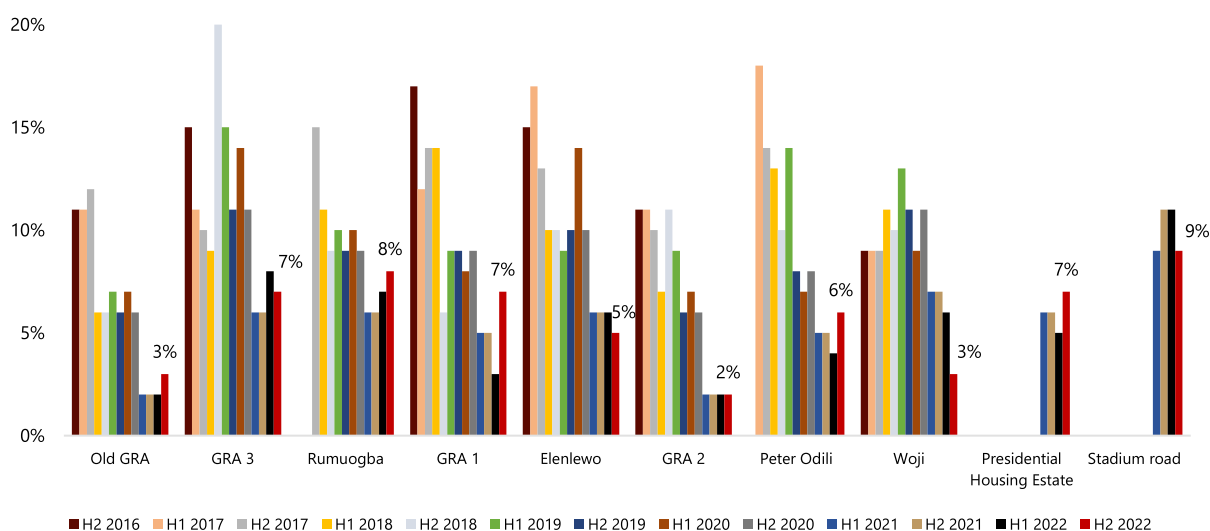
Source: 2022 IARD

The real estate market in eastern Nigeria has grown over the past few years but at different rates. The property market in Port Harcourt commands greater prices when compared to the

property markets in Aba and Onitsha. This is in part because of its larger size, higher prices, and superior infrastructure - especially important for commercial properties, particularly industrial and

## Homes by the rig

Residential Vacancy Rates for Port Harcourt (%)



Source: Northcourt

The Aba property market is generally considered less efficient than that of Port Harcourt, with lower property prices and consequently, returns. The distance between both cities is

roughly 54km, but inadequate roads extend 1-hour commutes to over 2 hours. Aba's proximity to the expressway leading to Port Harcourt provides little benefit.

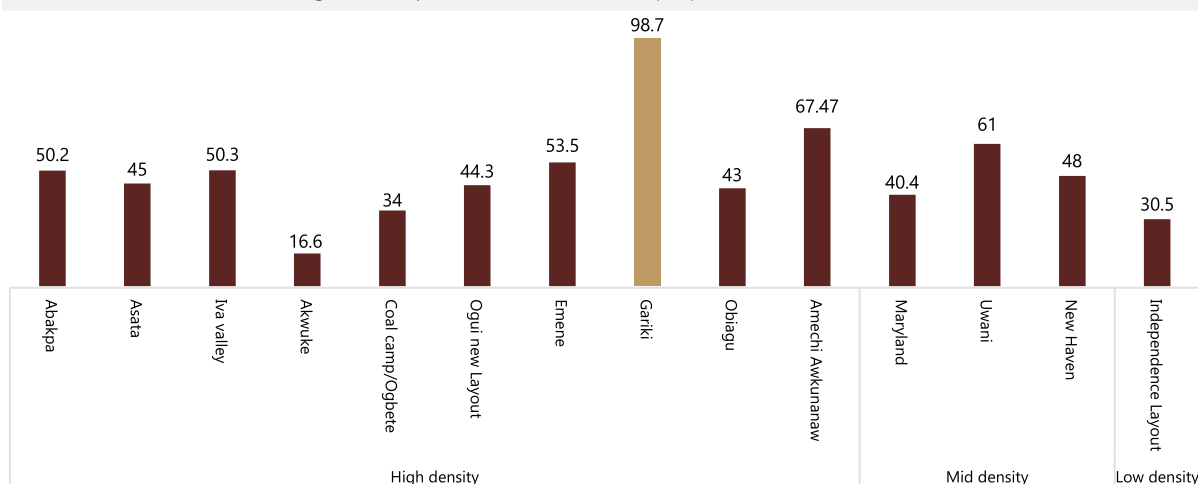


Despite the attraction represented by the former's productivity, the Aba environment discourages property investment from investors based in Port Harcourt. Many argue that Aba's property market scarcely reflects the city's economic productivity. Low rental and capital value expectations will tend to slow down the development of new buildings. The consequent decrease in supply should ordinarily raise rents, but the accessibility issues remain a barrier to growth.

This infrastructure handicap prevents investors from gaining access to producers. It also prevents producers from exporting goods conveniently and effectively. As a result, Aba's property market fails to attract consistent revenues from Aba's trade economy. The inadequacy of rental growth and property values to match economic productivity indicates a lack of connection between the Port Harcourt property market and the economy.

### High chiefs

Mid-sized nodes in the Enugu metropolis: Total land area (Ha)



Source: 2022 European Journal of Sustainable Development

The expansion and distribution of higher learning institutions, as well as the creation of manufacturing hubs and related commercial entities, have enhanced rural-urban migration in Enugu. This has put a strain on urban housing supply, evidenced by housing shortages, increased rents and high land values within cities. This has predictably resulted in the rise of squatter communities on the outskirts of the city, illegal changes in land use, planning breaches, substandard amenities, and inadequate infrastructure. A review of Enugu's public housing framework from 1999 to 2020 shows a decided bent towards low-income earners, who make up a significant proportion of the city's population. The implementation has not been efficient with examples such as Ebeano and Golf Course Housing Estates being developed with high-

income residents in mind. This has resulted in overcrowding of the low to mid-income nodes in the city. As things stand, the rate and extent of rural-urban migration in Enugu has exceeded the government's ability to manage the demands for providing suitable housing.



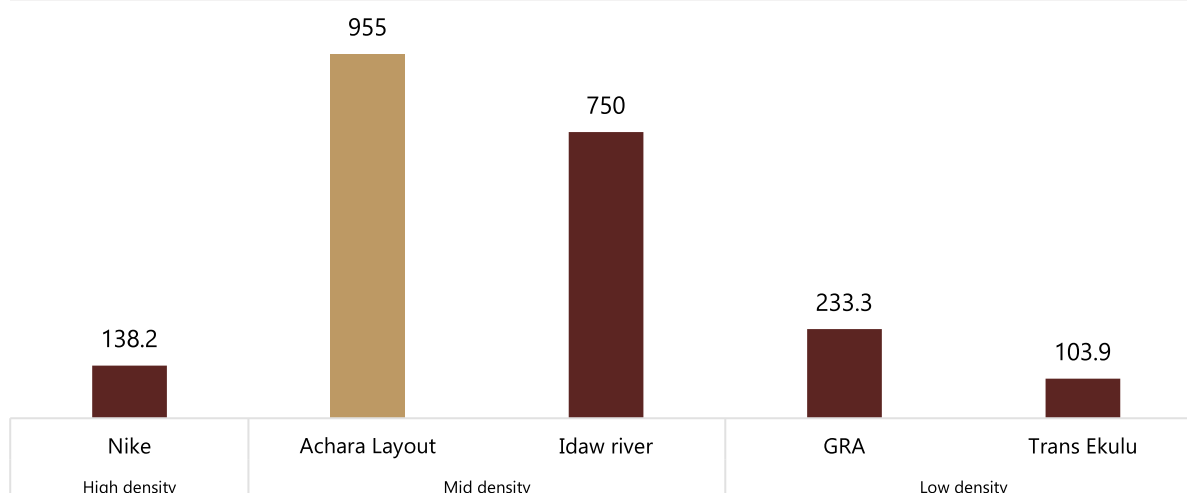
**Many argue that Aba's property market scarcely reflects the state's economic productivity”**





## Villages, towns and the future

Large nodes in the Enugu Metropolis: Total land area (Ha)



Source: 2022 European Journal of Sustainable Development

Harmony Estates, which was intended to support low, middle, and high-income residents appears to have been lopsidedly occupied by high-income residents. This is also the case in Coal City View Estate, initially planned for more

high-density developments than exist today. Enugu property prices have also been influenced the high cost of building and construction materials.

## Parts of a house

Prices of Building Materials (₦)

Item	2018	2019	2020	2021	2022
Cement (50kg)	2,650	2,650	2,630	3,850	4,300
Sandcrete block (9 Inches)	220	240	230	300	350
Aluminium Roofing Sheet (0.55mm)	1,650	3,000	2,800	4,350	4,700
Cables (6mm/coil)	30,000	32,000	27,000	39,000	53,000
Coloured Emulsion Paint	16,000	14,000	17,800	28,000	29,800
Glass Sheet (5mm)	22,000	23,000	21,000	26,000	30,000
Reinforcement (10mm)	220,000	210,000	275,000	415,000	420,000
Paving stone 60mm (Local)	1,950	2,000	4,500	4,550	6,100
Harvey roof tiles	4,500	3,500	6,300	8,500	11,500
White Emulsion (Dulux)	32,000	31,000	35,000	35,000	61,000
Twyford Complete set WC	24,000	27,000	25,000	40,000	60,000
Ariston water heater (Small)	25,000	24,000	27,000	38,000	53,000
13A Socket	1,200	800	700	1,500	1,650
ABB Distribution board	38,000	48,000	44,500	49,750	67,550
Wall split unit AC (1.0 HP) Panasonic	125,000	126,600	175,600	230,000	275,000

Source: Northcourt, Castles Weekly



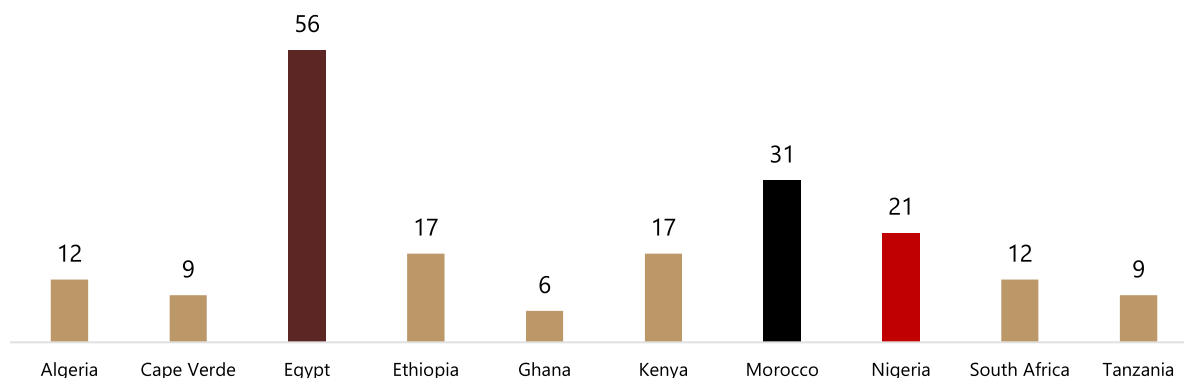
# Hospitality

Since the pandemic's peak, the lodging industry has made progress toward recovery, as evidenced

by the YoY growth in RevPAR. The recovery has been mostly driven by rising levels of demand for leisure, group travel, and—to a lesser extent—individual business travel.

## Foresight and foremen

Number of hotel projects



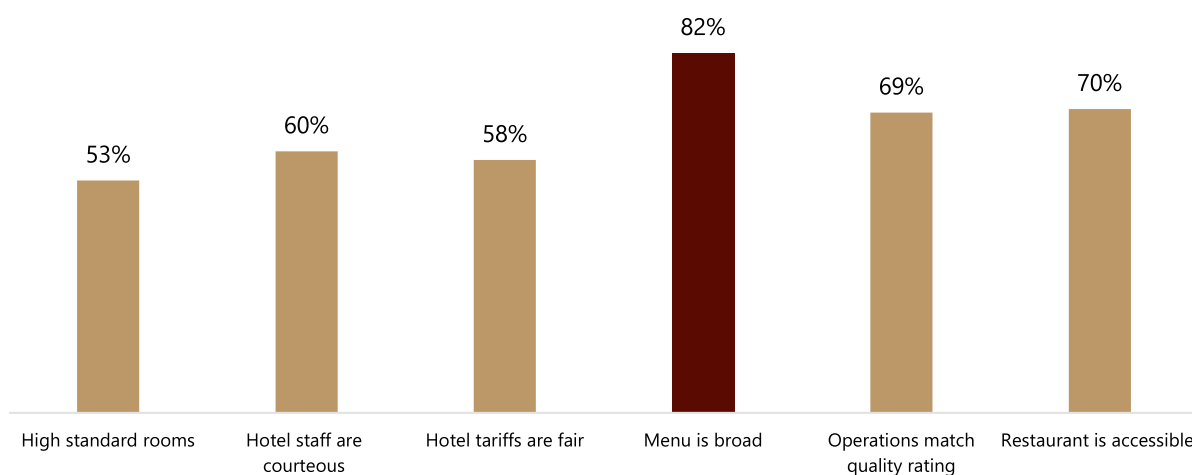
Source: THP

According to the Nigerian Civil Aviation Authority, Nigeria has over 26 airports, 23 operational domestic airlines, and over 554 licenced pilots. These individuals transported approximately 13m passengers. A total of 6.53m passengers enter the country, while 4.87m passengers left the country. When it comes to passengers using airports for flights within the country, Abuja registered the largest number, with 4.76m people using its facilities.

Besides having the largest number of domestic passengers (4.09m), Lagos Airport also had the highest number of international passengers (1.6m). In addition, the Abuja airport served over 565,000 international passengers, and airports in Kano, Port Harcourt, Enugu, also saw large numbers of international travellers. A new domestic airline, Value Jet, launched in October with free flights to Lagos, Abuja, Asaba and Port Harcourt.

## Warm beds in a cold town

Hotel service quality in Jos, Plateau State



Source: 2022 IJAAR



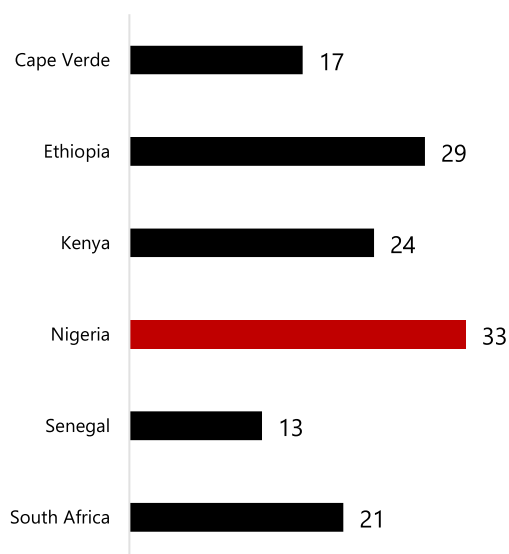
**When it comes to passengers using the airport for flights within the country, Abuja registered the largest number, with 4.76m people using its facilities”**



From 2019 to 2020, inbound tourism spending in Nigeria decreased from an estimated ₦455.5bn to ₦114.4bn. Domestic tourism spending fell from ₦922.4bn to ₦898bn. London-based market research company, Euromonitor International suggests that it will reach ₦1.2 trillion by 2025. There has been a consistent growth trend in tourism enterprise, an example being the local art market (with the Edo Museum and the National Theatre under development – and ART X Lagos recording another successful fair), film (Netflix and Showtime picked up more locally produced/directed shows), music (event organisers report growth in demand for outdoor shows) and general entertainment.

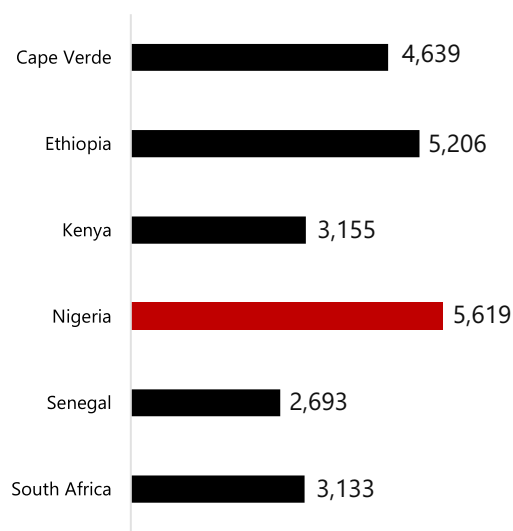
#### Still going

Development pipelines: Number of Hotels



#### Almost there

Development pipelines: Number of Rooms



Source: W-Hospitality Group

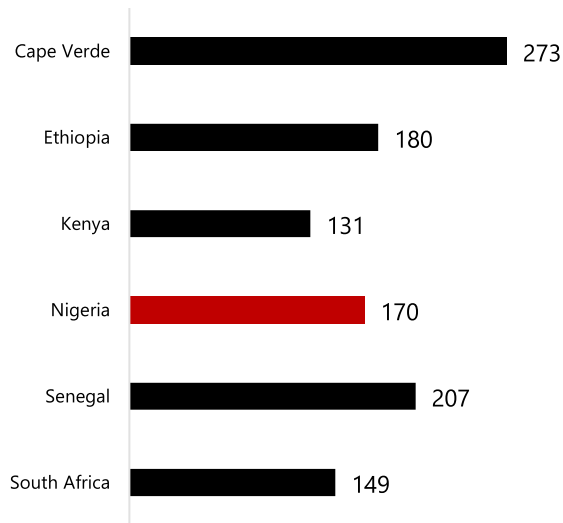
In July, Germany negotiated a deal with Nigeria that included the return of more than 1,000 pieces in its museums. By August, the UK's Horniman Museum stated it would return 72 artefacts to Nigeria, while the Smithsonian in the United States agreed to return 29 Benin Bronzes from its National Museum of African Art collection.

The food processing business is valued at \$20bn and is driven by an intricate balance of local and multinational companies. The customer-facing food service industry is valued at over \$7bn, and the Quick Service Restaurants subsector is projected to expand by 25%. Consumption of fast food in Nigeria is expected to exceed \$250 million and is currently growing at 20% per year.



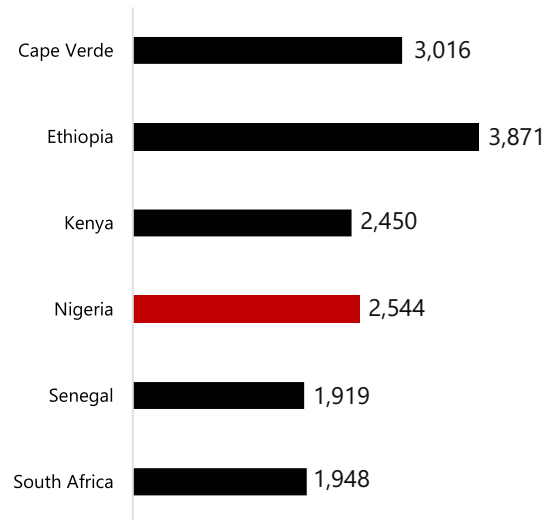
### All sizes

Development Pipelines: Average room size (Sqm)



### One Africa

Development Pipelines Number of rooms:  
Onsite construction



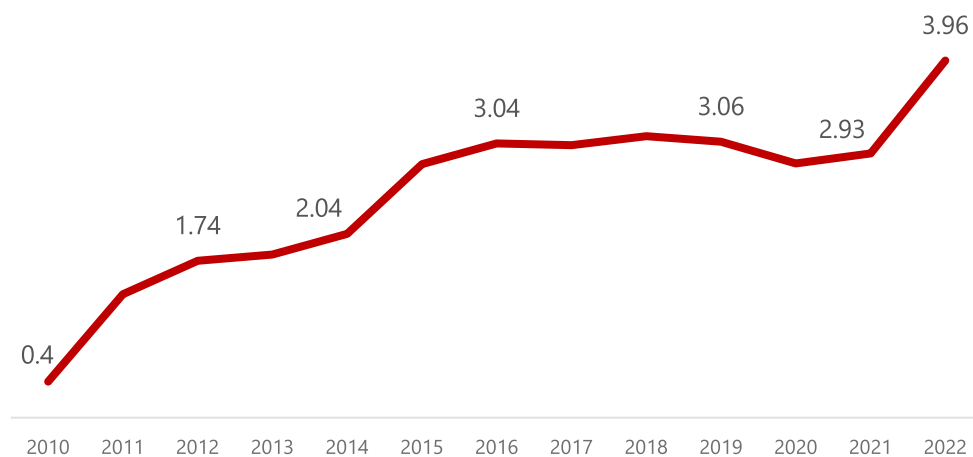
Source: W-Hospitality Group

A review of the Jos Hospitality market suggests that despite security challenges, the hospitality industry has expanded and continues to foster tourism and local economic development. Revisiting the absence of a hotel classification and grading system as perceived by local

industry stakeholders, some suggest that secure urban locations and sufficient parking are critical for customer satisfaction. Hotel design, user experience, manager expertise, gym and spa facilities and WIFI connection seem to be lesser considerations, albeit slightly so.

### Rooms

Number of bed places per 1,000 residents



Source: Northcourt, Statista

A recent report comparing the global recovery of the hospitality industry following the devastation of the pandemic indicated that

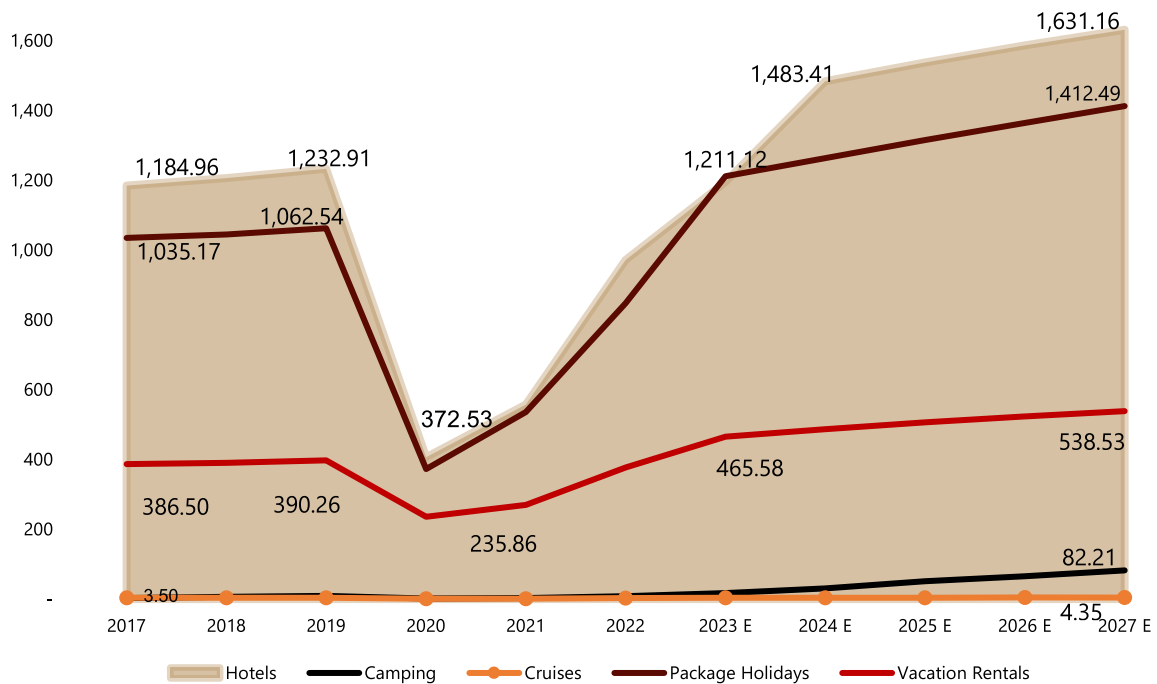
Nigeria's performance, particularly in Lagos and Abuja, has already reached 2019 levels, in contrast to the majority of global cities.





## Rooms

Revenue (\$'M)



Source: Northcourt, Statista

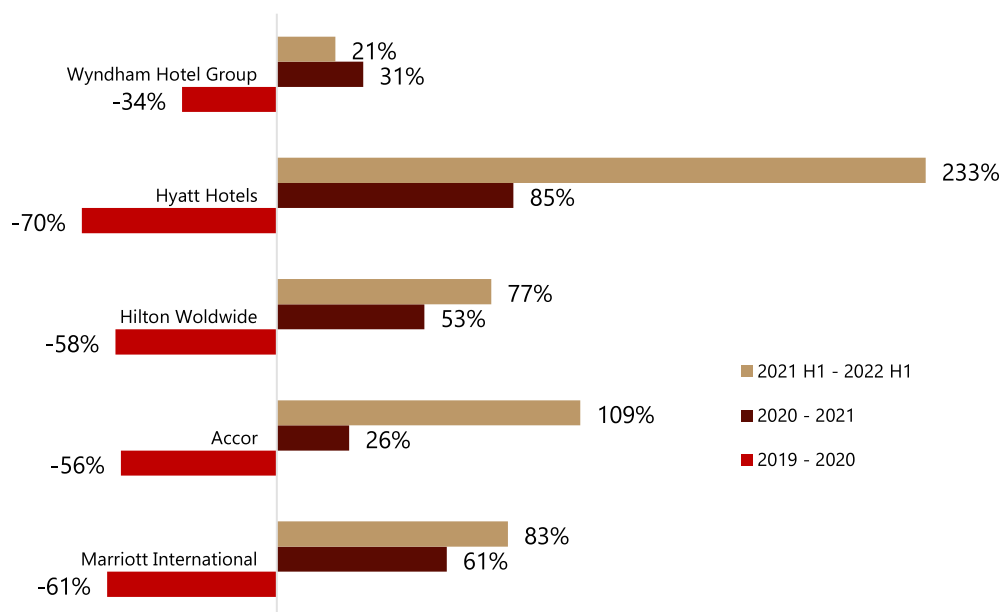
Hotels in Lagos and Abuja have seen stronger demand from local sources than international tourists, with managers producing unique products to capitalise on the growth in domestic tourism by persons seeking leisure time and

families reserving hotel rooms to celebrate national holidays.

Local leisure demand for staycations has been further encouraged by the rising prices of both domestic and international flight travel.

## The five families

YoY revenue growth (%)



Source: 2022 Company reports, CapitalQ, Skift Research



Depending on how the elections are conducted and the results, 2023 might experience further growth in demand.

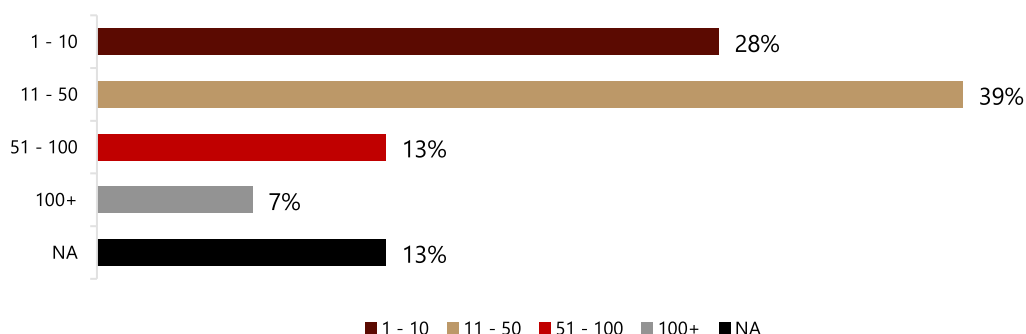
Regardless, the hospitality market in Nigeria has demonstrated its ability to recover from difficult situations, most recently the COVID-19

pandemic.

Many event organisers hosted their events in person and planned to do so in 2023 as attendance is projected to reach levels closer to pre-pandemic numbers.

### Click here to register

Survey: How many meetings and events does your organisation host annually?



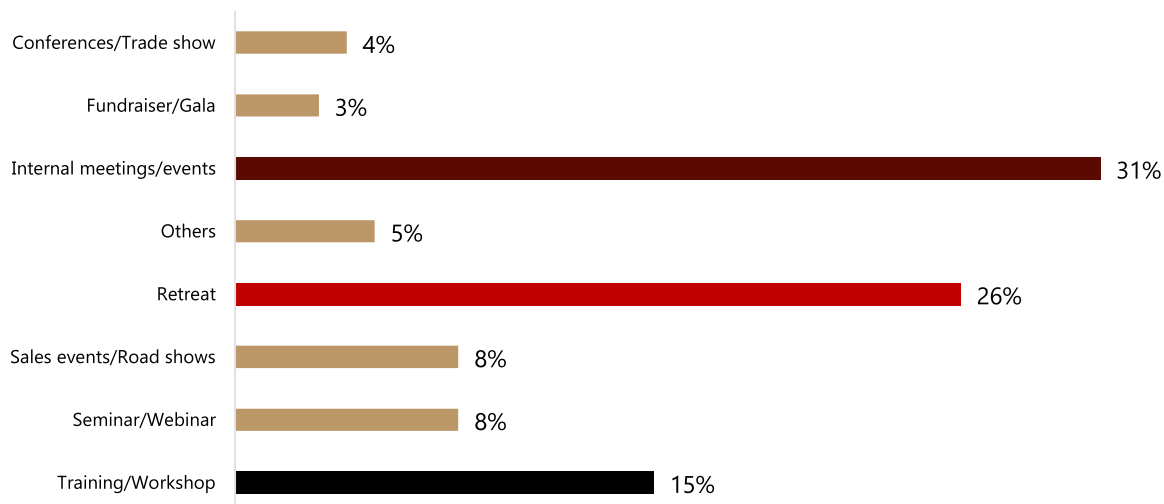
Source: Cvent, Northcourt

And once again it will likely be made obvious that locations like Lagos lack modern centres for large events - even though a few projects are in the works. Whether this confidence in the

future of meetings, conferences and events will lead to new events being organised remains to be seen.

### Round tables

Survey: What type of meetings and events does your organisation host?



Source: Cvent, Northcourt

# What the numbers say

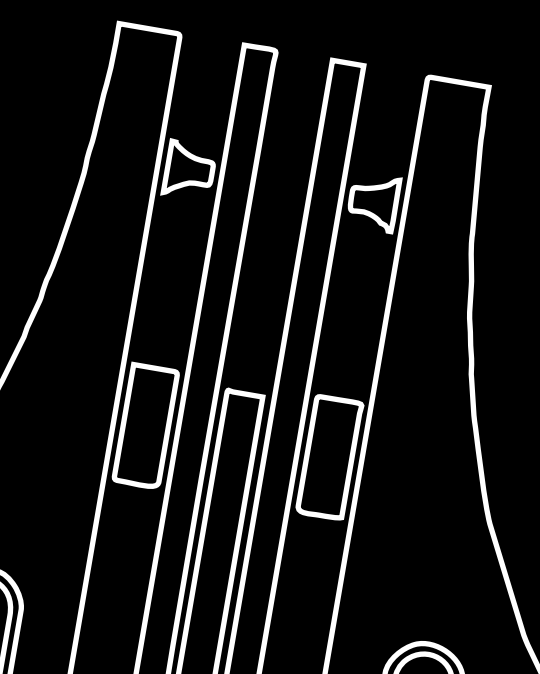


## \$20m

Funding raised by Moove, a mobility startup that is democratising access to car ownership in Africa

## ₦2bn

Cost of the 11,720sqm Galaxy shopping mall by the Kaduna State Government and its partners is now in the finishing stages



*SCAN to download*

The Northcourt Real Estate  
research catalogue



## Retail

Nigeria's retail food sector consists of supermarkets, convenience stores, and traditional, open-air markets sharing 2%, 25%, and 73% of total retail food sales respectively. Retailers purchase more than 80% of their stock of consumer-oriented foods from importers and wholesalers located in traditional, local markets.

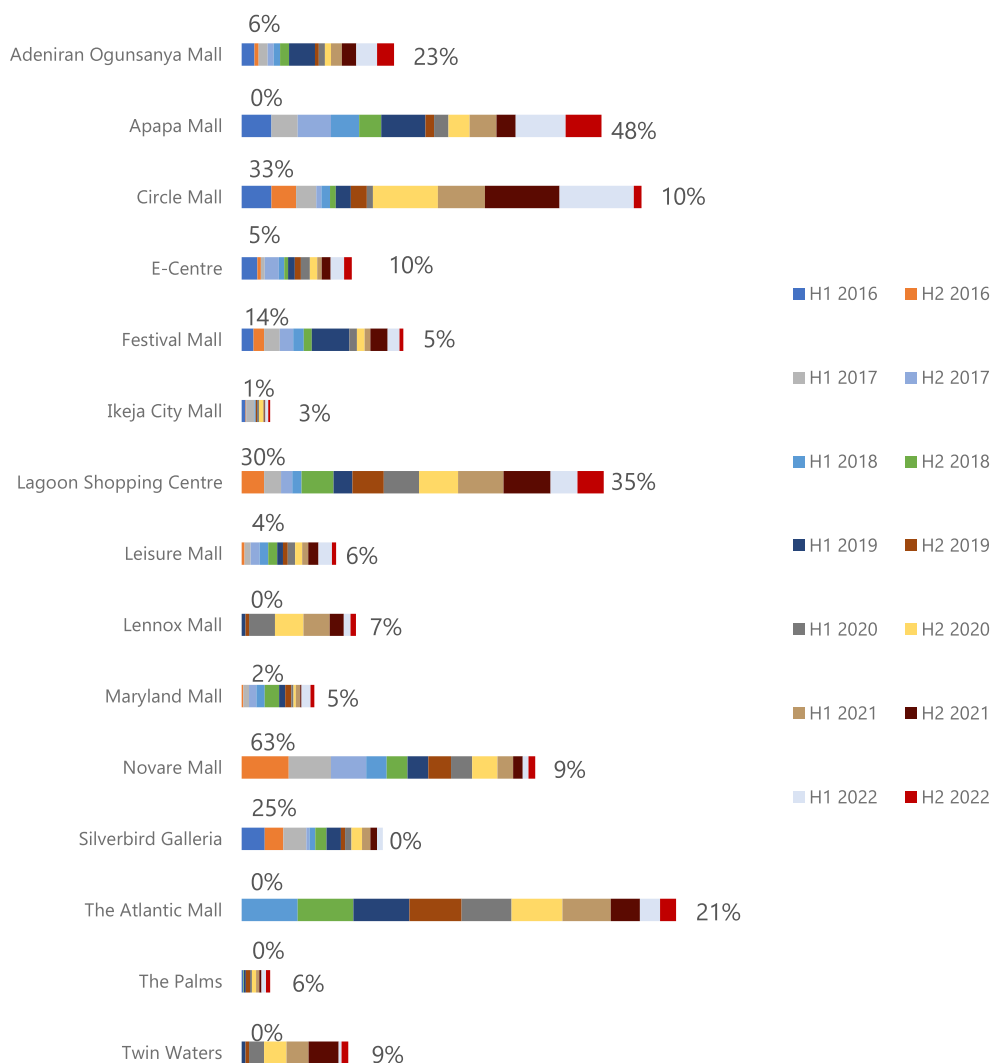
There are growing instances where middlemen are bypassed in Nigeria's distribution channel for consumer-oriented foods with a clear lead being online retailing, which although aggressively growing, is still in its infancy.



**Retailers purchase more than 80% of their stock of consumer-oriented foods from importers and wholesalers located in traditional, local markets”**

### All at once

Grade A Malls: Lagos Vacancy rates trend (%)



Source: Northcourt



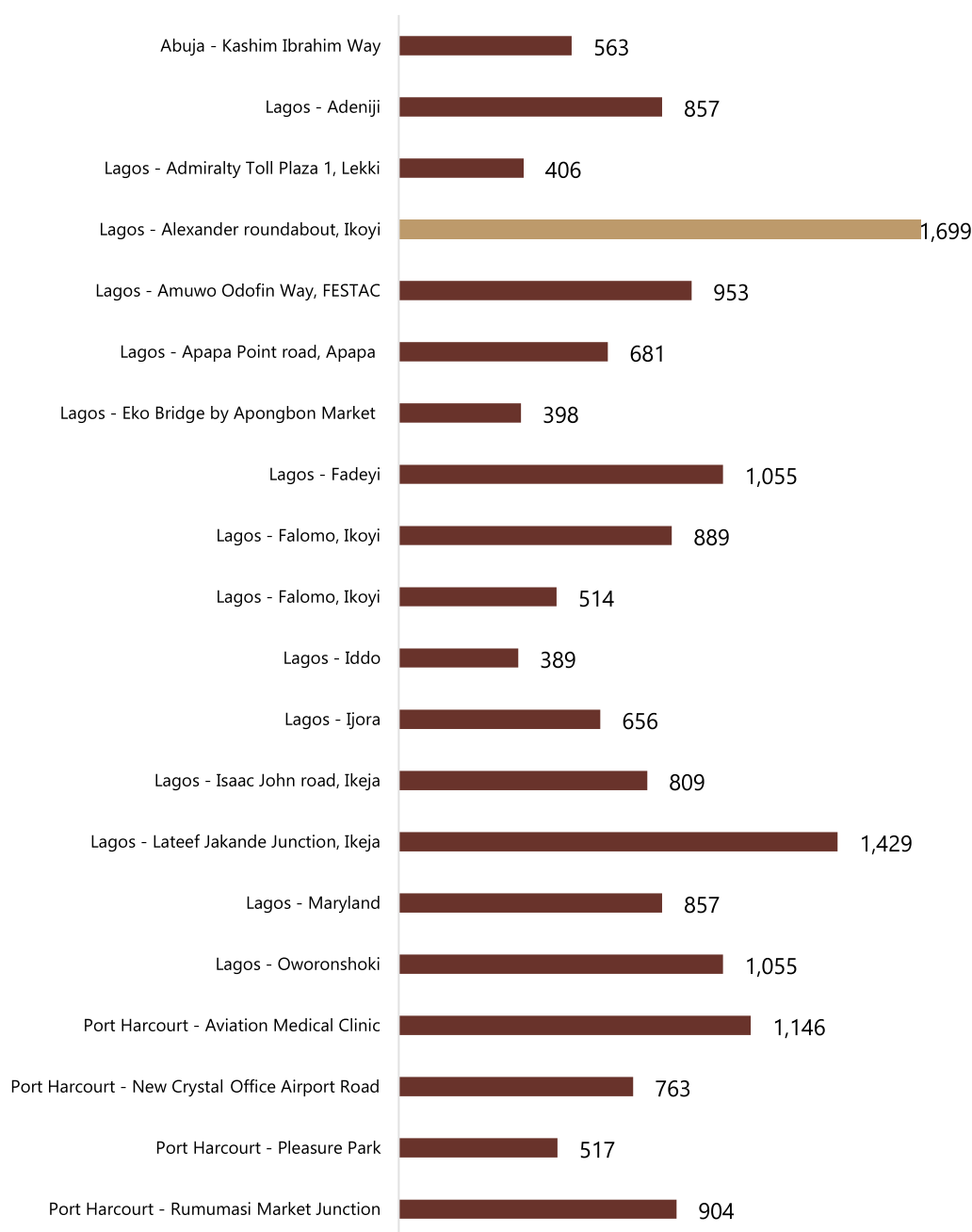
Consumers are increasingly leveraging the growing internet penetration to consummate online retail transactions.

The growth in demand through online channels experienced during the pandemic has continued. More retailers have elected to broaden the range of their in-store offerings to

include fresh farm produce, foodstuff, fruits and vegetables, take-away food service and baked goods contracted to local producers. Nigeria's large consumer base and growing demand for modern outlets will continue to make the retail food sector attractive to investors despite challenging negative macroeconomic factors.

### Coloured stands

Nigeria: Select Outdoor LED Advert boards - estimated psm rental price per annum (N'000)



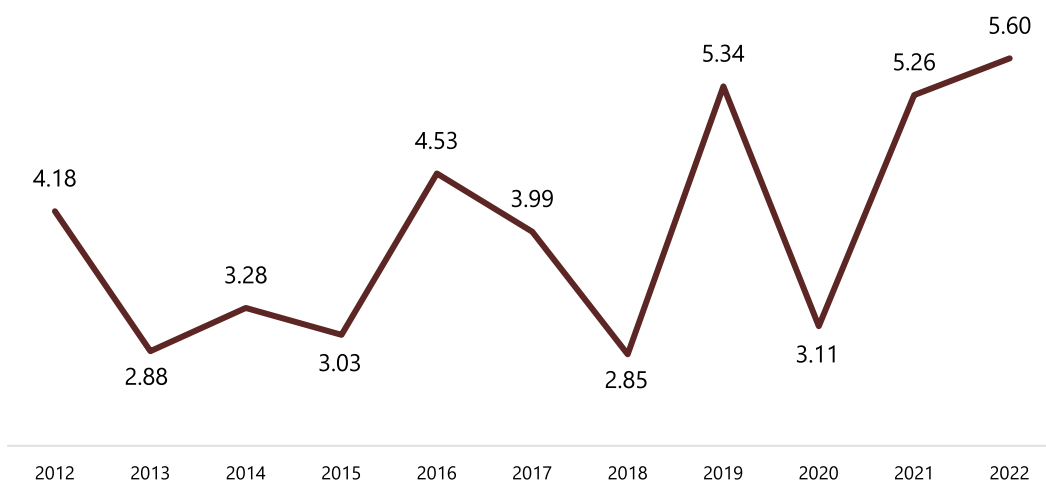
Source: 2022 JCDcaux, Loatsad Promomedia, Northcourt, Purple Group, Strada Media, Ultimate Media reports





## Stocked up shops

Average returns of shops in Abak Local Government area, Akwa Ibom (%)



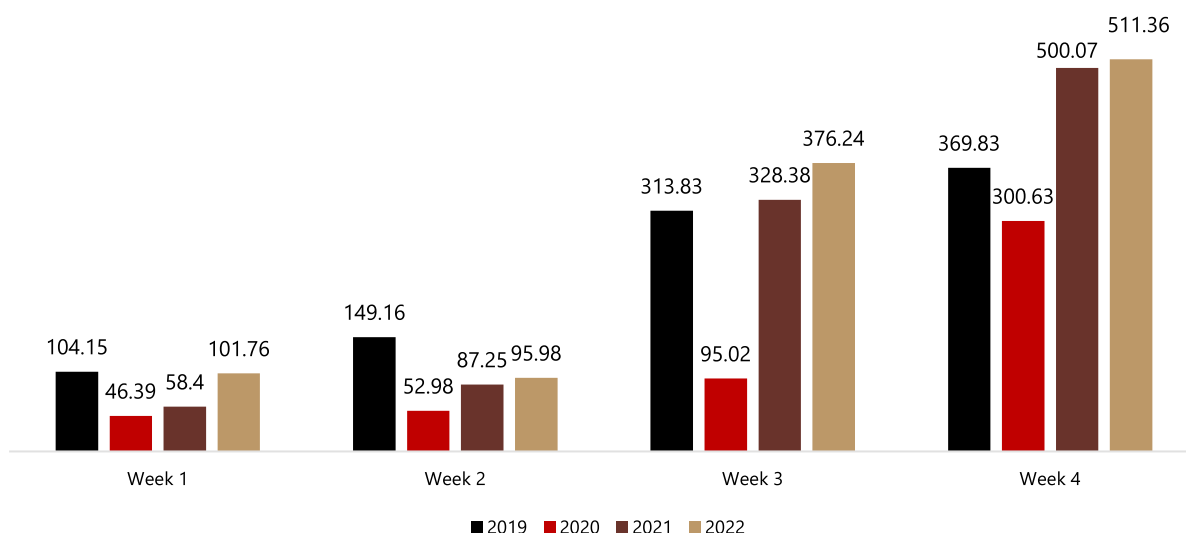
Source: 2022 JBEGR, Northcourt

Traditional ruler, The Ooni of Ife launched the OjajaMore retail outlet on Ibadan-Ile-Ife road to encourage large and small-scale farming to globalise made-in-Nigeria products which provide affordable access to everyday groceries. The Kaduna State government and its partners is in the finishing stages of constructing a ₦2bn, 11,000sqm Galaxy shopping mall. The shopping

mall's anchor tenant is Shoprite. Rates of return on investing in shops in Abak local government area, Akwa Ibom state increased overall from 2012 to 2022. The best return (5.60%) was gained in 2022, while the lowest return (2.85%) was obtained in 2018. A gradual decrease in the rate of return was also observed from 2016 to 2018.

## Now showing

2019 - 2022: Estimated box office receipts in December (₦M)

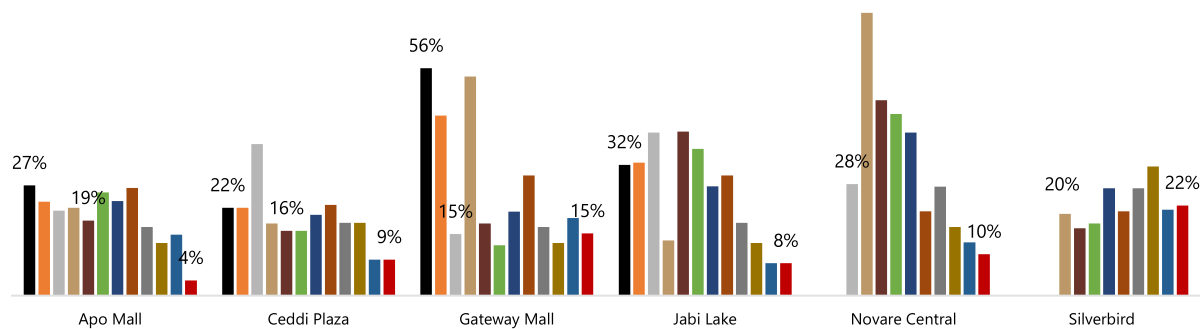


Source: Northcourt, ShockNG



## All sides

Grade A Malls in Abuja: Vacancy rates trend (%)



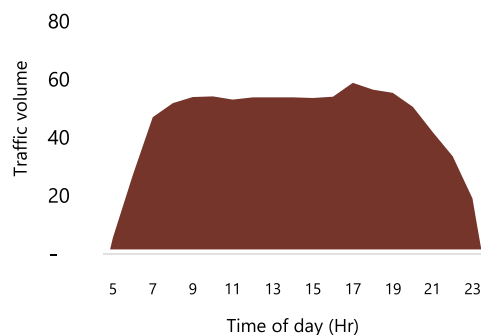
Source: Northcourt

Outdoor advertising and its digital counterpart are considered effective types of advertising worldwide, with a projected global market value estimated at \$33bn by 2026. It is a normal practice in Nigeria for owners of land assets to

install billboards. During the pre-election season, the political affiliation of the proposed marketing campaign sponsor is the primary concern for billboard operators.

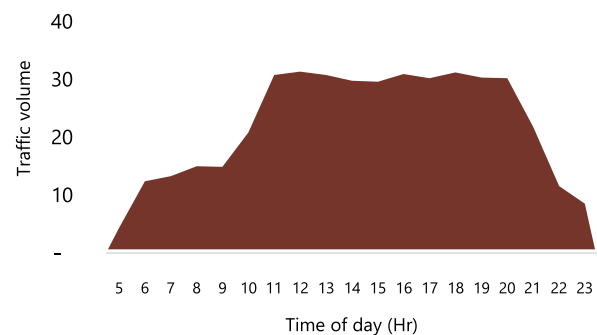
### From Adeniji, Lagos:

Traffic facing Sura, Ikoyi & Victoria Island ('000)



### From Adeniji, Lagos:

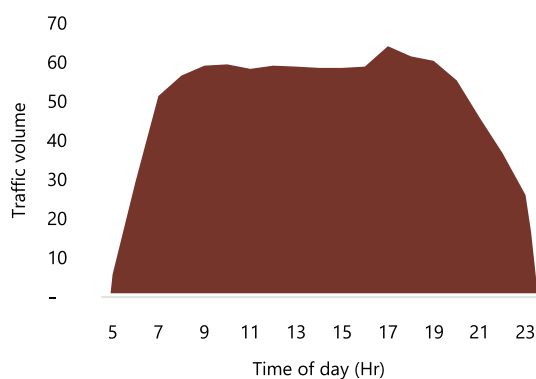
Traffic facing 3rd Mainland Bridge, Carter Bridge & Yaba ('000)



Source: JC Decaux, LATIS, Northcourt

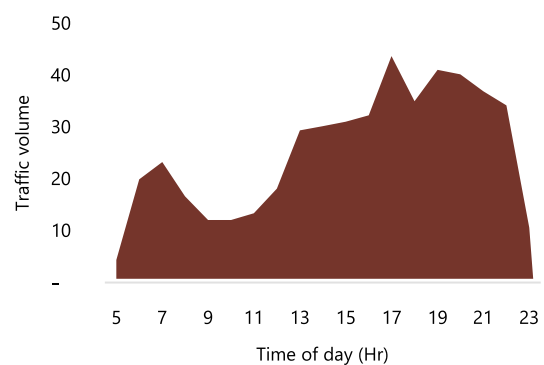
### From Oworonshoki, Lagos:

Traffic facing Lagos Island ('000)



### From Oworonshoki, Lagos:

Traffic facing Lagos Mainland ('000)



Source: JC Decaux, LATIS, Northcourt



Outdoor advertising may contribute to environmental overstimulation, which may adversely affect the mental health of viewers (due to its ability to distract) and effectiveness of outdoor advertising messages. This overstimulation may result in behaviour breakdown which could egg on societal issues such as drug usage, outbreaks of violence, vandalism and criminal activity.

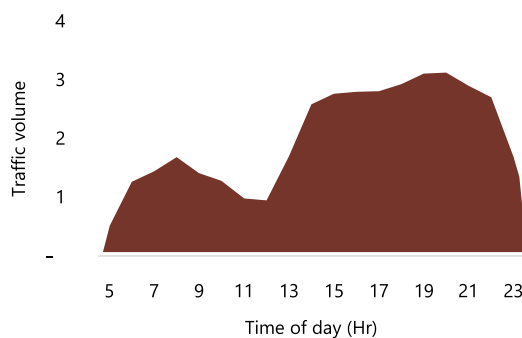
Some argue that the growth of outdoor advertising may have a significant detrimental effect on retail real estate by producing distracting environments that discourage shopping. It is the overall character of a

shopping mall or district that draws shoppers, not the appearance of individual stores or the prominence of individual store signs.

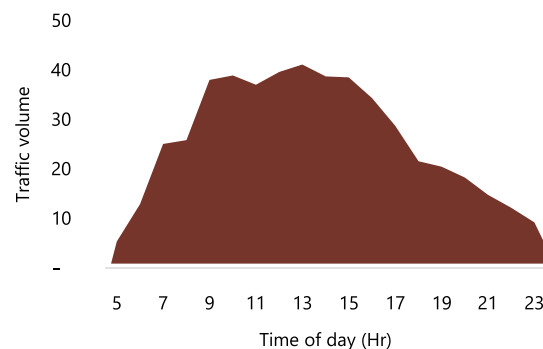


## Concerns about motorist distraction are developing concerning traffic safety and outdoor advertising”

From Maryland, Lagos:  
Traffic facing Ojota, Ikorodu ('000)

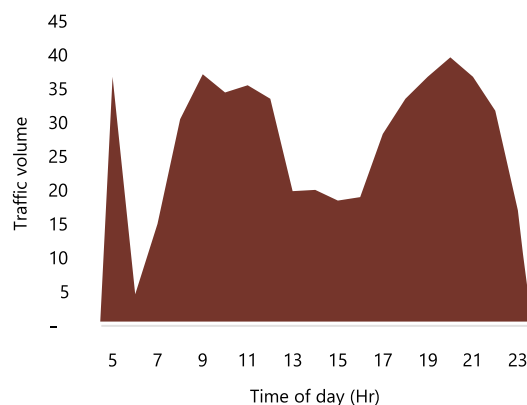


From Maryland, Lagos:  
Traffic facing Airport, Maryland ('000)

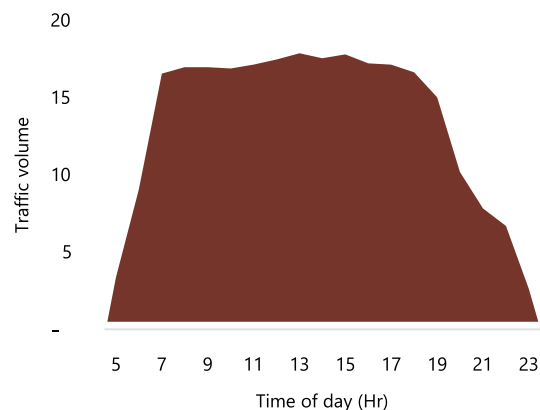


Source: JC Decaux, LATIS, Northcourt

From Fadeyi, Lagos:  
Traffic facing Maryland, Airport ('000)



From Fadeyi, Lagos:  
Traffic facing Surulere and Yaba ('000)



Source: JC Decaux, LATIS, Northcourt

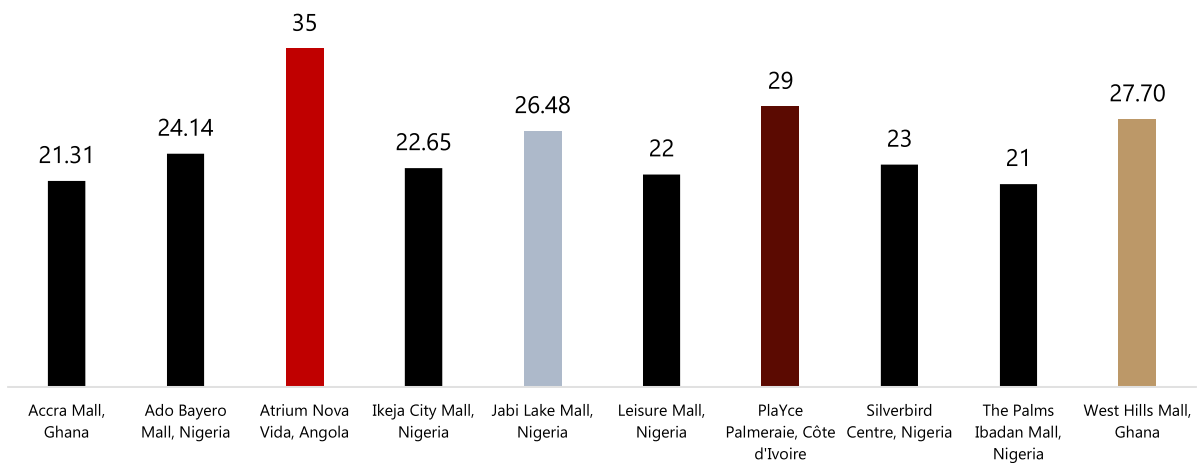


The proliferation of billboards and other signage may have a negative effect on residential and commercial property values. Some studies show that the excessive deployment of billboards are both a symptom and a possible cause of urban decay.

Still, the future of outdoor advertising and the demand for related real estate will likely be

shaped by a variety of trends and technological improvements, including an increase in the adoption of digital advertising and enhanced targeting of niche populations. This may involve tailoring adverts to the exact interests and preferences of individual viewers using real-time data. Although pricey, augmented reality can be used to incorporate digital aspects into the

**The big ten**  
West Africa: Largest malls by estimated GLA ('000sqm)



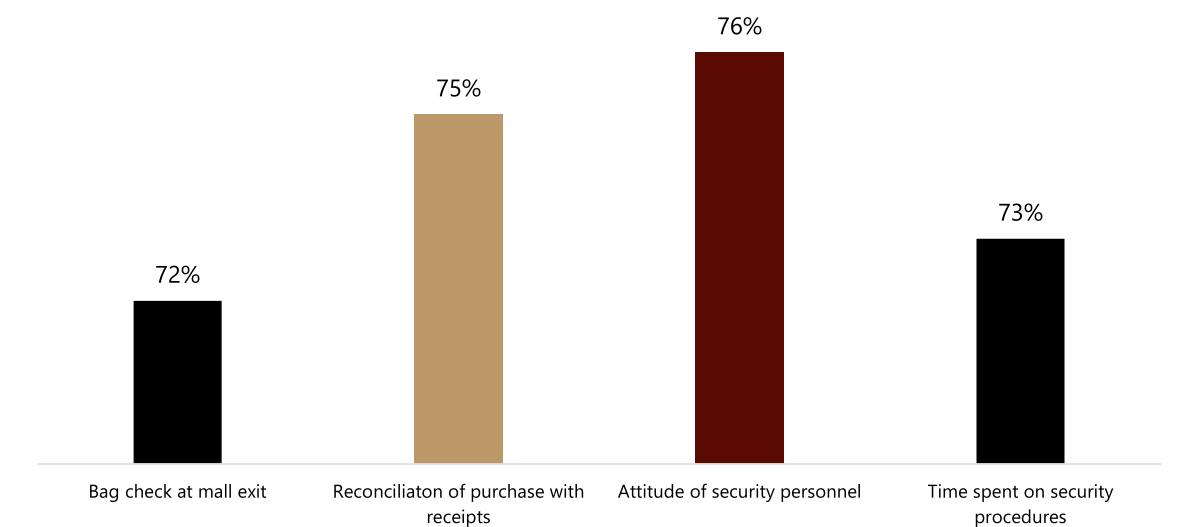
Source: Northcourt

physical environment, such as virtual stores and other immersive experiences.

Food services provider, Sundry Foods Limited opened two branches on Asa Dam Road and

Post Office Junction, Ilorin, Kwara state. In December, the South African retailer, Game Discount World Limited operators of Game

**Bags, please**  
Satisfaction with mall security procedures in Akure, Ondo State



Source: 2022 Journal of Facilities Management

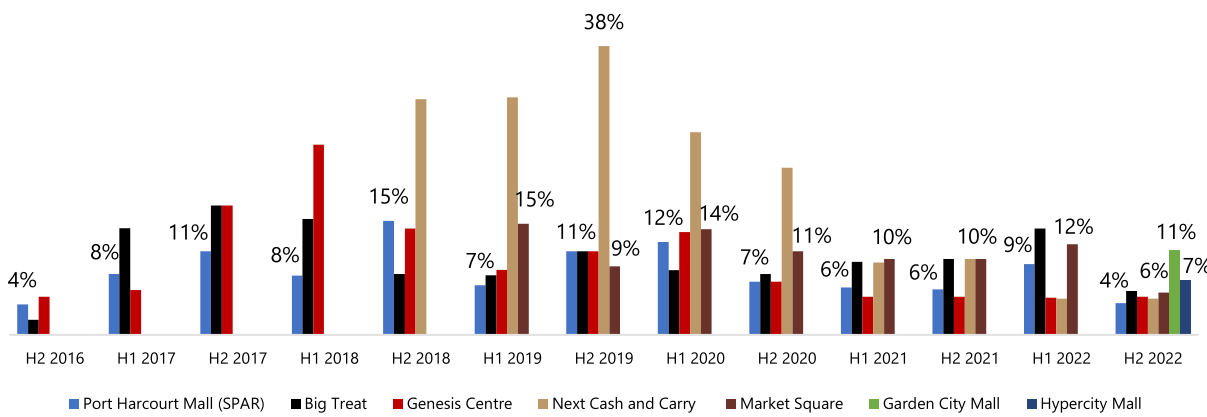


Stores in Nigeria exited the Nigerian market. As part of its restructuring plan, Game Store intends to sell assets in Ghana, Uganda, Kenya, and Tanzania.

In the Borokiri axis of Port Harcourt, the Naval Officers Wives Association (NOWA) has begun

the construction of a 36,750sqm retail centre. The mall is expected to be completed in 18 months with 1,000 lockup shops, 168 single-unit shops, banking halls, warehouses, administrative offices, a clinic, fire station, cold room facilities and 16 warehouses.

**Chugging along**  
Grade A Malls in Port Harcourt: Vacancy rates trend (%)



Source: Northcourt







## Healthcare

The Akwa Ibom State government began the construction of a 200-bed general hospital in the Ibiono Ibom Local Government Area. The Economic and Financial Crimes Commission recovered ₦1.4bn for the National Health Insurance Scheme, NHIS. The funds were from commercial banks that fraudulently refused to transmit to the Treasury Single Account TSA since 2015. The NSIA Healthcare Development

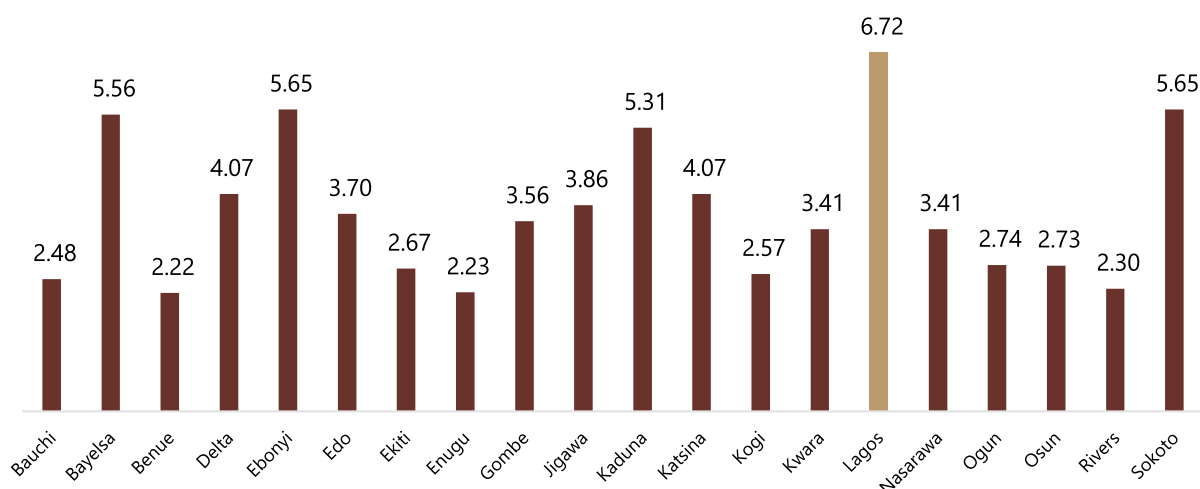
and Investment Company (NHDIC) is investing \$100m to build, equip, maintain, and operate catheterisation labs in the states of Kwara, Oyo, Sokoto, Bauchi, and Delta; diagnostic centres in the states of Enugu, Kaduna, Kwara, Akwa Ibom, Oyo, Sokoto, Bauchi, and Delta; and an oncology centre for advanced radiotherapy treatment. Kelina Hospital in Lagos launched to perform procedures for a variety of illnesses. A 32 Slice CT, digital X-ray machine, and high-resolution ultrasound scanner are also available.





## A dollar a day?

Select states: Estimated healthcare spending per capita (\$)



Source: Northcourt



**Zipline, a provider of logistics drone services, has begun the commercial delivery of medical items via drones to health facilities in Kaduna state**

Overcrowding and a lack of hospital bed capacity remain major issues in Nigeria's healthcare system, a more visible problem in emergency rooms at many public health institutions. Despite Nigeria's high mortality rate, overcrowding remains an issue in many states.

Zipline, a provider of logistics drone services, has begun the commercial delivery of medical items via drones to health facilities in Kaduna state. Its distribution centre, Pambegua is the first of three distribution hubs with the capacity to deliver medical supplies to over 500 health facilities within an 80km radius to all parts of the state. Over 370,897 shipments containing more

than 5m vaccines and other medical products have been sent to facilities in Rwanda, Ghana, Japan, and the United States. Cross River and Bayelsa states have also signed up.

In Kogi state, the following medical facilities were either constructed or upgraded – Reference Hospital Okene – Centre of Excellence for Renal Services, General Hospital Badoko, Ajaokuta LGA, General Hospital with a Trauma Centre in Gegu Beki, Kogi LGA, The Prince Abubakar Audu Teaching Hospital, Anyigba, and The Zonal Hospital in Idah. Vanguard Pharmacy Limited, a player in Nigeria's South-West Region, opened its eighth branch in Asero, Abeokuta – and it's third in Abeokuta.

A study by the Bauchi State Government in collaboration with Health Systems Consult and Strategic Purchasing for Family Planning suggests that gaps in healthcare delivery can be attributed to a combination of factors not the least of which are the availability of primary healthcare centres, power and internet connectivity infrastructure and storage (cold and pharmaceutical). Approximately 40.9% of health facilities lack electricity. When analysing by ownership type about 44.7% of government-owned healthcare facilities (HFs) lack electricity.



Most primary health care centres (PHCs) lack power with 44% of health facilities having access to backup electricity. Power generators constitute 64% of backup electricity sources. Approximately half of the time, when HF begin offering services, they do not have electricity from the mains or any backup supply. As a result, HF in the state are reliant on backup sources of electricity to provide effective healthcare. Due to renovations however, the number of health facilities and infrastructures has increased. The Nigeria State Health Investment Project (NSHIP) renovated about 196 health facilities while an EU/UNICEF programme renovated an additional 107.

The state's health facilities have only one operable refrigerator used as pharmaceutical storage - with the exception of secondary-level facilities, which have two refrigerators. In addition, health facilities have four cool cabinets with icepacks for outreach vaccinations while the average secondary level facility has three cool boxes with ice packs. In around 7% of health facilities, pharmacists manage the drug supply chain and the pull distribution system is typically used to calculate replenishment amounts. Data from Columbia University's

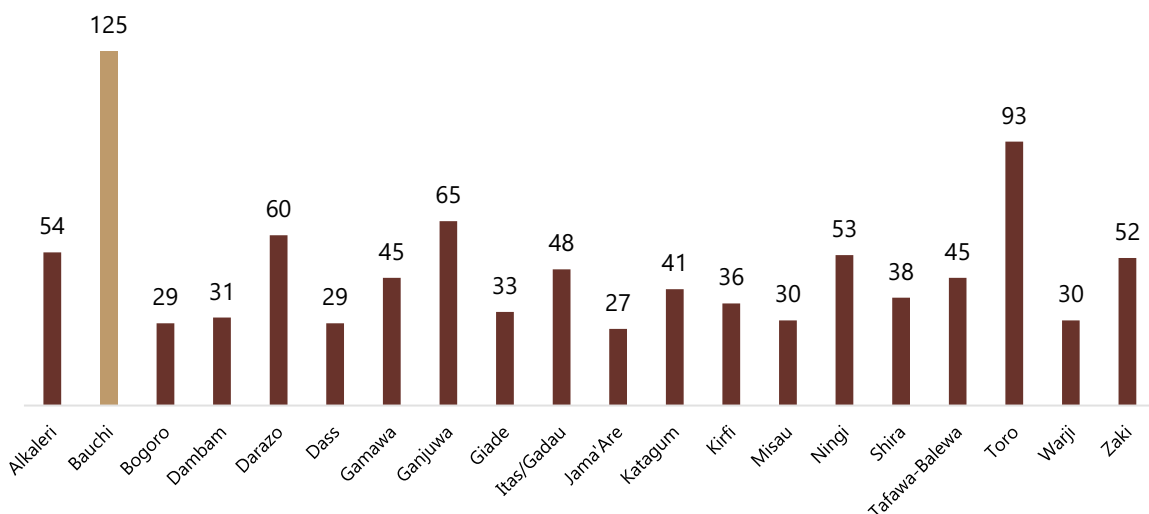
GRID3 reviewing a wide range of medical centres in Bauchi state ranging from Comprehensive Health Centres (CHCs), PHCs, dispensaries and general hospitals to maternity homes, military and paramilitary clinics concluding that there is much opportunity for growth.



**Most primary health care centres (PHCs) lack power with 44% of health facilities having access to backup electricity. Power generators constitute 64% of backup electricity sources”**

### Lanterns in the night

Health Care Facilities in Bauchi State, Nigeria by LGA



Source: Northcourt



## PropTech

The problems with the world economy have led to a few changes. Startups will need to implement funding management strategies designed to lower burn and increase runway. Market momentum for technology with an ESG focus will likely increase, as will access to different submarkets. As seen by the adoption of tech entrepreneurs in the fields of retail, housing, construction technology, healthcare, and hospitality, there is also a demand. Investors are also less interested in the conventional "expand at all costs" approach and more interested in continuous profitability based on steady growth.

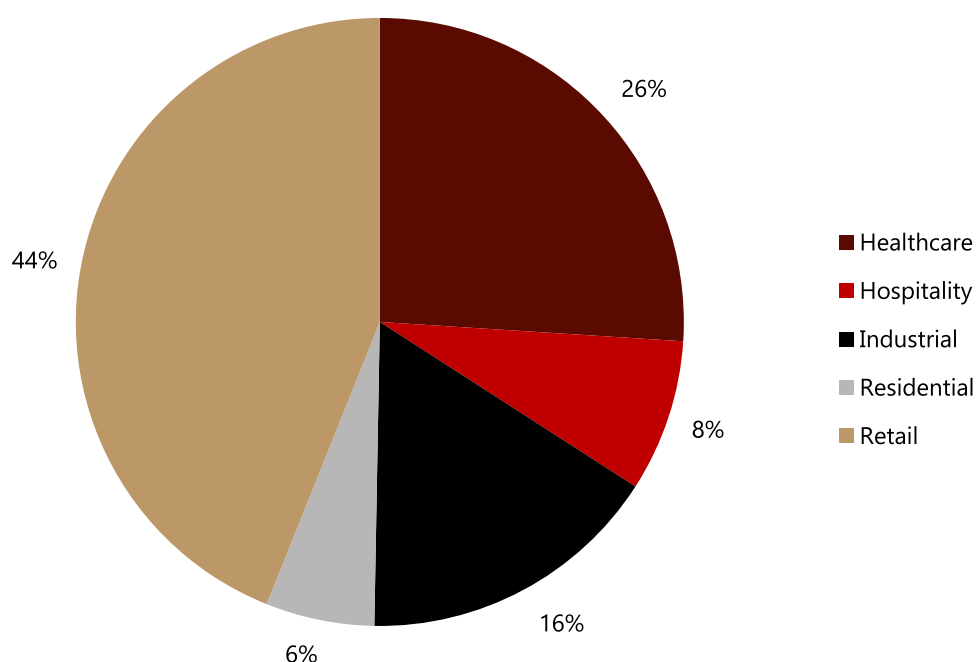
A recent study concluded that the use of digital currencies in real estate transactions include lowering the cost of real estate transactions, facilitating cross-border trade, increasing liquidity in real estate investing, increasing financial inclusion, balancing the security of brick-and-mortar real estate with the flexibility of cryptocurrencies, monetary policy effectiveness, improved payment efficiency,

remittance improvement, revenue tax collection and avoiding tax on transferring properties. Bitcoin, Ethereum, and Binance coin were the most popular for online payments. The biggest perceived benefit of digital currencies in real estate finance among professionals were cross-border trade facilitation, liquidity in real estate investment, financial inclusion, and lower transaction costs.

Spleet raised \$2.6m to scale its residential rent management and rent financing offerings. SmallSmall secured \$3m to expand into Port Harcourt, Enugu and Jos and provides renters with access to monthly rent payments and screens tenants on behalf of Landlords and manages their properties. Construction materials supply startup, LiveVend, raised \$600,000 in pre-seed capital to help with the development and expansion of its B2B construction procurement application LiveVend. LiveVend enables buyers such as real estate developers and contractors work with vetted vendors while also benefiting from other services such as transportation, goods-in-transit insurance, and trade credit.

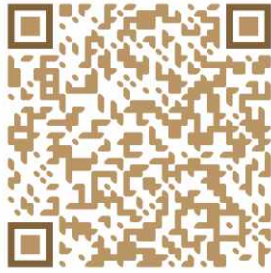
### Accelerated development

PropTech startups in Nigeria by submarket



Source: Northcourt





*SCAN to read about*

### **LiveVend's \$600,000 Pre-seed capital raise**

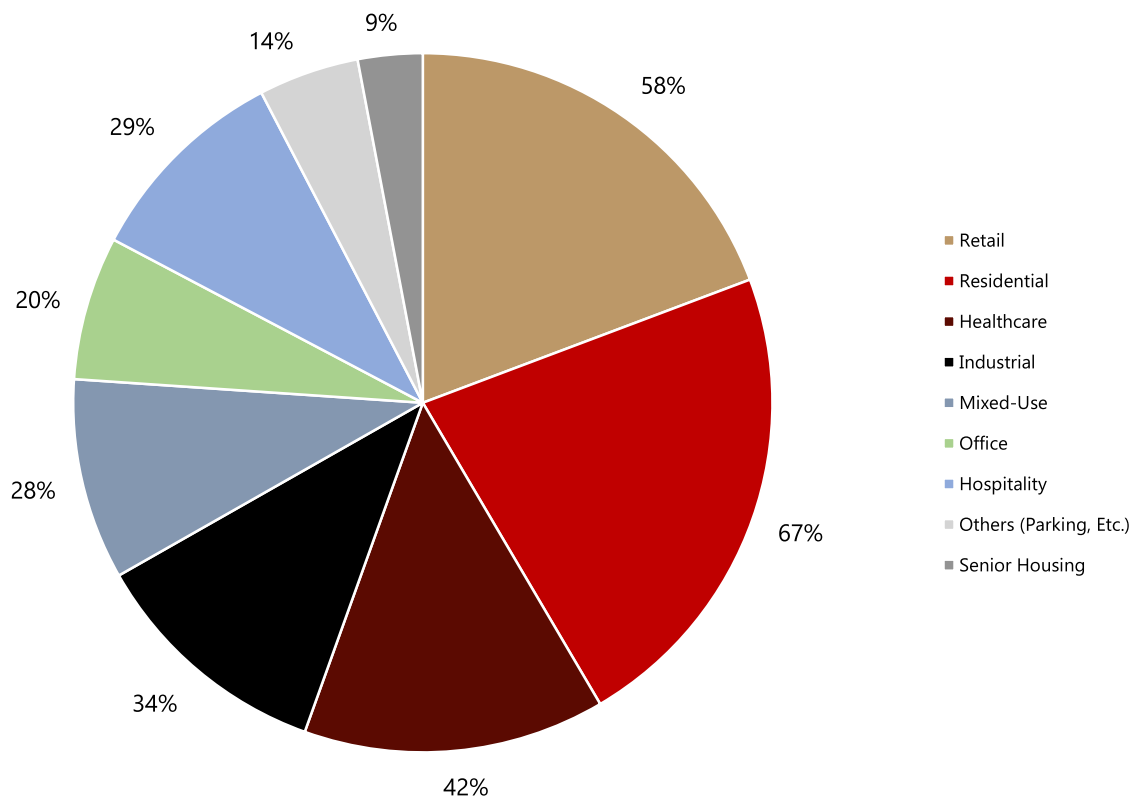
British International Investment announced a \$20m, 4-year structured credit investment in Moove, a mobility firm that is democratising access to car ownership in Africa. Moove, which obtained \$10m in debt financing in February and then \$105m in March, has demonstrated a strong appetite for capital. The company has raised a total of \$194.5m.

Orda, a startup that provides cloud-based operating systems for restaurants, raised \$3.4m in addition to the \$1.1m it had raised earlier. Orda has added more than 600 restaurants in Nigeria and Kenya and its products include kitchen display systems, order and inventory management, and integrations with major food aggregators. Far Out Ventures and Outside VC, Doneci Kone and Julian Shapiro, Norrskén Foundation, Lofty Inc Capital and Enza Capital all took part in the seed round, which was led by Quona Capital and FinTech Collective.

Management platform, VENCO, raised \$670,000 in pre-seed funding to scale its platform that manages service charge administration, collections, utilities vending, visitor access and related services.

### **Place your bets**

Survey: Submarkets being targeted for commercial deployment



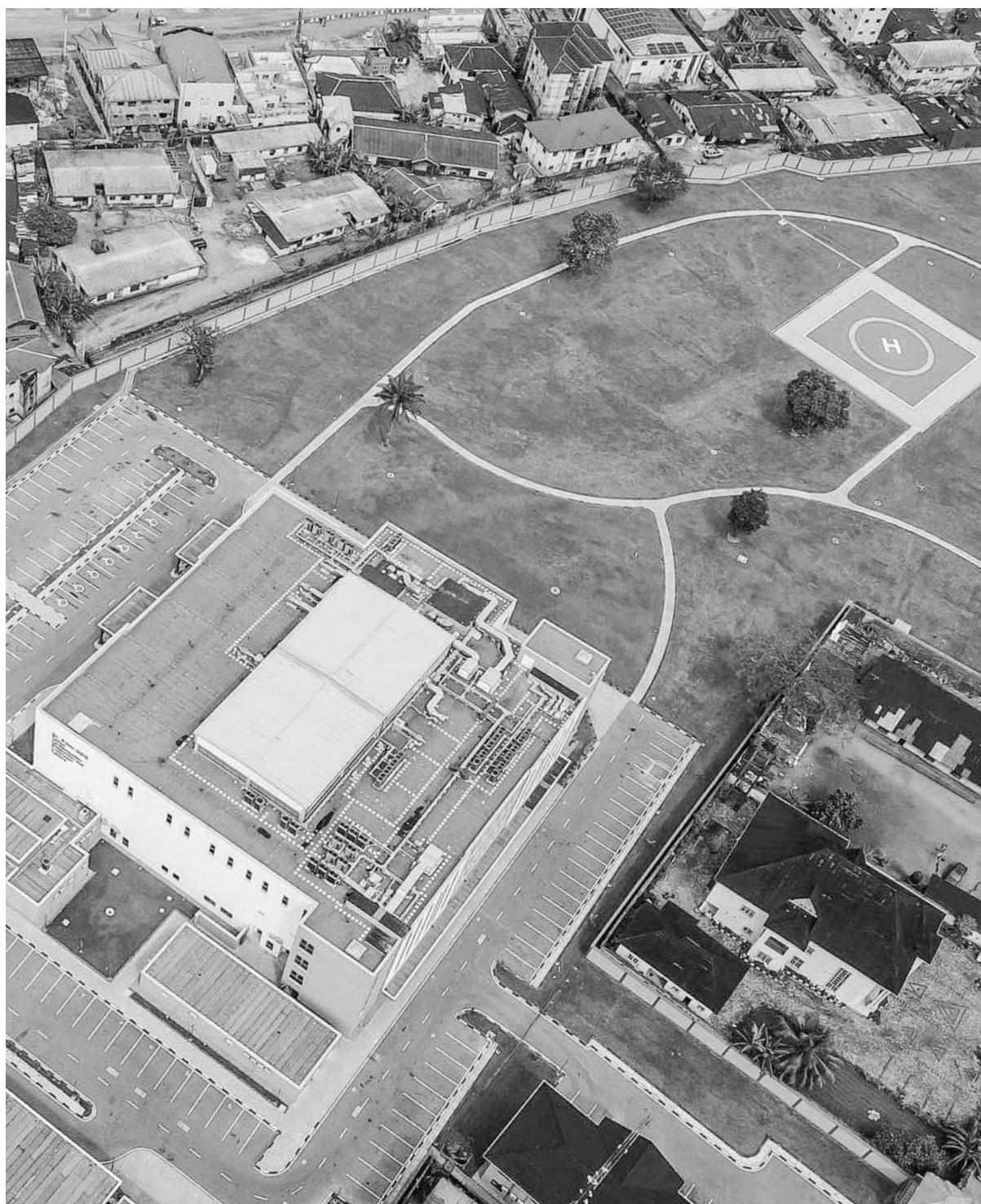
Source: Metaprop, Northcourt





Research from New York-based venture capital firm, Metaprop suggests that Global Startup Confidence declined from 8.3 (out of a maximum of 10), recorded in Mid-Year 2021, to an all-time low of 4.2 in 2022. According to survey results, more than 50% of respondents claimed that they would run out of runway in less than a year without acquiring new funds. Apartment management is becoming more

popular, and revenue and unit economics are once again receiving attention. Businesses are likely to use technologies and goods that increase revenue per unit and decrease operating costs per unit, freeing up costs for SaaS products that either lower operational costs or allow for the introduction of new services for residents and asset owners.



## Private Equity / Venture Capital

Vendease, a platform that enables restaurants in Africa purchase supplies, gain access to financial services and improve their operations raised \$30m through equity and debt financing. It plans to consolidate its growth and operations in Nigeria and Ghana, as well as expand across the continent. Remedial Health, a start-up that develops solutions to make Africa's pharmaceutical value chain more efficient raised \$4.4m to accelerate its expansion across Nigeria and to provide access to credit for inventory purchases for partner pharmacies and hospitals.

Tana Africa Capital and Sango Capital invested in Sundry Markets, a grocery store chain. The grocer intends to use the funding to expand from 21 to 50 locations and quadruple revenue by 2025. This is Sango Capital's second investment in the company, having previously invested through its Fund I. This current investment was made through its Fund III.

Actis, a company that invests in sustainable infrastructure projects, raised \$45m in the first closing of its West Africa Real Estate Investment



**Actis, a company that invests in sustainable infrastructure projects, raised \$45m in the first closing of its West Africa Real Estate Investment Fund”**

Fund. The Fund, which will focus on investing in high-quality real estate assets in West Africa with a particular focus on Nigeria, has Stanbic IBTC Pensions Managers, FCMB Pensions Limited and Pensions Alliance Limited as anchor investors. The fund will acquire and manage real estate assets across various sub-markets including retail, commercial, industrial, education and healthcare. Portfolio assets must meet a minimum level of IFC Edge certification to qualify for investment. This is the fourth vintage of real estate funds focused on Africa that Actis has administered.









# Outlook 2023

## Economy

Many activities have already returned to pre-pandemic levels, especially those involving socialising. Nigerians are back to attending concerts and leisure travelers have returned. Gym memberships have reached historical levels, with iFitness in Lagos & Abuja launching more branches as other gyms remodel to protect their turf. Restaurant sales are also back. Yet some activities—and how we use space – seem unlikely to return to the old ways. People are looking to achieve their lifestyle choices



**As economic clouds darken and real estate deal flows decelerate buyers and sellers are increasingly adopting a wait and see attitude. Commercial developers remain upbeat about longer-term prospects”**

more quickly. They're less focused on their employer and more focused on their personal lifestyle which is hinged on convenience. And that is changing how residential and retail assets are being viewed, how office space is being utilized, and where the Nigeria real estate market is heading.

As economic clouds darken and real estate deal flows decelerate, buyers and sellers are increasingly adopting a wait and see attitude. Commercial developers remain upbeat about longer-term prospects. But the consensus seems to be one of cautious optimism that will ride out projected macroeconomic headwinds and position for another period of sustained growth and strong returns.

## Residential

Family Homes Funds Limited, Nigeria's largest social housing fund is investing over ₦19.9bn in developing 2- and 3-bedroom houses across six states - 650 units in Akwa Ibom, 250 in Enugu, 620 in Kebbi, 600 in Zamfara, 500 in Kano and 134 in Kaduna (in partnership with the Adashe Women Housing Society). Some suggest that considering the magnitude of the problem to be solved (the provision of housing) these number should be at least ten times. Still, construction has started and is scheduled for completion by April 2023.



## Office

Hybrid work is here to stay and will likely increase the demand for flexible space and outsourcing/related partnerships will become increasingly significant. To this end, Walure Capital, a consulting firm launched its corporate office and coworking space in Lagos.

There is the slight adoption of the Office as a Destination concept as office owners and employers are improving the workplace experience and environment adopting healthy ventilation and lighting, fitness centres, food service, meeting rooms and an array of services. Some employers have apps that help workers plan their day by providing food, car services or seat reservations. The idea appears to be that the companies that make the workplace a destination instead of an obligation will benefit the most. Still, occupiers are voting with their feet and procurement budgets as the tendency is to relocate from stodgy arrangements to more flexible ones, quality of service held constant.

## Hospitality

Hotels and restaurants are increasingly establishing food service contract divisions to serve institutional and event clients. In Nigeria, institutional food service contractors include small and medium-sized enterprises, hospital catering, school meal service, transport catering, contract catering, and outdoor catering. Quite a few contractors are located in Lagos, FCT, Ogun, Rivers and Delta states. The sector is mostly made up of full-service catering and food businesses, such as camp-style canteens, university-style cafeterias, à la carte restaurants, themed cafés, bakeries, supermarkets, and special events catering.

## Retail

While consumer spending patterns returned to in-store shopping, the future of retail will rely on e-commerce as consumers prefer the convenience of shopping online. And e-commerce supply chains are being tweaked to accommodate faster delivery. This is helped by the COVID-19 pandemic that forced some physical stores out of business, limiting the number of retail options close to home. Some retailers are now focused on more supply chain optimisation and less on absorbing additional space. E-commerce will continue to drive logistics' demand for the foreseeable future, and with increasing depth. Given rising prices and unreliable supply chains, the need for higher inventories will likely increase.



**Hybrid work is here to stay and will likely increase the demand for flexible space and outsourcing/related partnerships will become increasingly significant”**



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## Research Methodology

While most of the data in our analysis were directly available, certain data were not immediately available, did not have granularity, or required adjustments. This section provides a detailed overview of assumptions taken to address estimates and adjustments to data where needed for the purpose of this report. In aggregating property prices in various nodes we adopted statistical tools (mean & medians) as the case maybe. Prices are reported based on both open listings and closed prices from sale and letting transactions. Property prices are being reported based on their various types due to demand dynamics surrounding those prices. Properties listed in dollars were quoted in \$ while properties listed in naira were left in ₦.

Primary and secondary sources are used to report on property prices and necessary adjustments were made. In any instance in which secondary data was reported, the research institute, firm or house was indicated as the source. Time frame in which data points were collected pertaining to property prices, vacancy rates, total stock etc are also indicated. Northcourt collects data from a wide range of sources including private and public sources. Public sources include Academic publishing, government publications, company reports, media houses, press releases, expert interviews, company reports and other open-source information portals.

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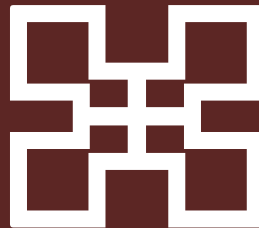
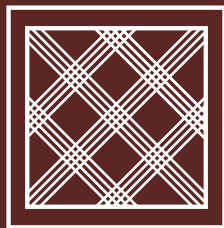
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Semostev | Gididrone

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## Disclaimer

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual, entity or property. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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