Nigeria Real Estate Market Outlook 2017

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Summary

For the first time in 25 years, the country experienced a recession. The year 2016 started with crude oil prices at $39.33/b, the lowest average annual price in over a decade. For a country that derives over 70% of its public revenue from oil receipts, this was not good news. While the budget price of $38 gave reasons for hope, restiveness in the oil producing regions ensured that both revenue and output targets were not met. GDP declined Q1 through Q3, running into the negative (-2.24%), a zone last visited in 1995.

The effects of low revenue crude receipts reduced the Government's ability to grow the economy. Despite the central bank's decision to float the Naira, decline relative to the Dollar persisted from N165 in 2014 to N305 by the end of 2016. This only aggravated the already high cost of living. FDI increased from $184.3 million in Q2 to $340.64 million in Q3 due to increased investment in money market instruments. However, there was a 53% drop when compared with the same period in Q3 2015 reflecting the overall dreary state of the economy.

Looking to the real estate market, tenants chose to play 'wait and see' at their current locations, uncertain of the various economic winds. Landlords looked on as negotiating nil increments on leased out properties were chalked up as a good deal. The properties that saw an increase in rents above the average were those recently opened, or those having a focus on relatively high quality. The economic situation it seems, served to separate the good from the great. Corporate clients in high-end locations moved some of their staff to properties not as pricey. The depressed property market however served as a motivator for alternative forms of accommodation. Co-working spaces, towing the line of the increasingly popular sharing economy a la Uber, meant that businesses could rent offices without having to deal with the cost burden of managing the space.

Industrial space requirements, slowed by a weakened economy reduced to match the declined demand for goods and services. As of November, new orders, production levels, raw material inventory in the sector had declined for the 11th straight month. This reduced production capacity and output further fuelled increased demand for imported products, the supply of which remained insufficient for the better part of year. In all, prices of market items went up even as the authorities continued to tinker with the economy.

Hopefully you made it to this penultimate paragraph, as the situation is not all disconsolate. Indirect real estate opportunities, a government-planned social housing programme and increased budget allocation towards infrastructure are a few indicators the market may be down but not dead.

We trust you'll find this read insightful in identifying real estate positions to take in the coming season.

Ayo Ibaru
Director, Real Estate Advisory
Lagos – December 2016

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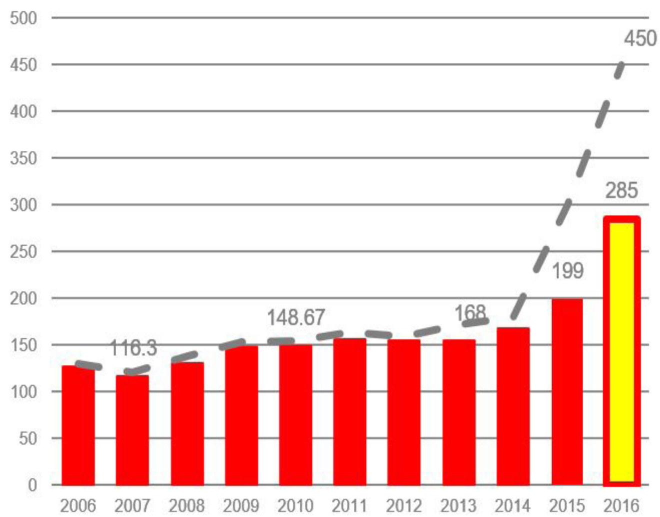
The Nigerian Economy in 2016

Nigeria has always had the unenviable position of running a mono – economy, dependent on a commodity whose prices were determined by forces beyond her control. On the back of a global glut, oil prices started the year at $36/b and it took the intervention of the OPEC to get the prices to a shaky yet manageable $50/b. With a budget price of $38/b, the country should have experienced surplus revenues but for disruptions in production activity. The 2.2 million bpd target was missed for most of the year as the nation struggled to curtail militant activity.

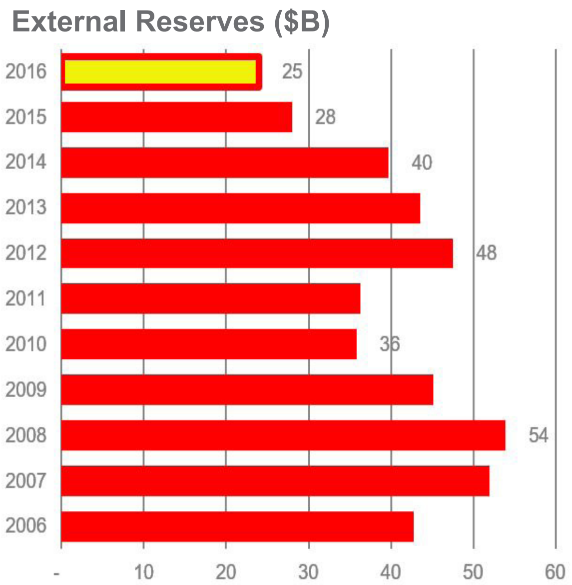
If macroeconomic indices were the Olympics, the movement of the Naira/Dollar exchange rate would qualify as the high jump event. Staring at a relatively modest ₦196 = $1 in January, the official rate would go on to set a new national record of ₦310 in September with the parallel market quoting much higher values. While some alleged ineffectiveness on the part of foreign exchange policy design, others insist that the central bank's intermittent meddling in the foreign exchange policy did little to encourage investment. For an import dependent country, this only meant harsh times for the average consumer. Market prices for staple food items increased on a monthly basis as demand for goods and services met reduced supply.

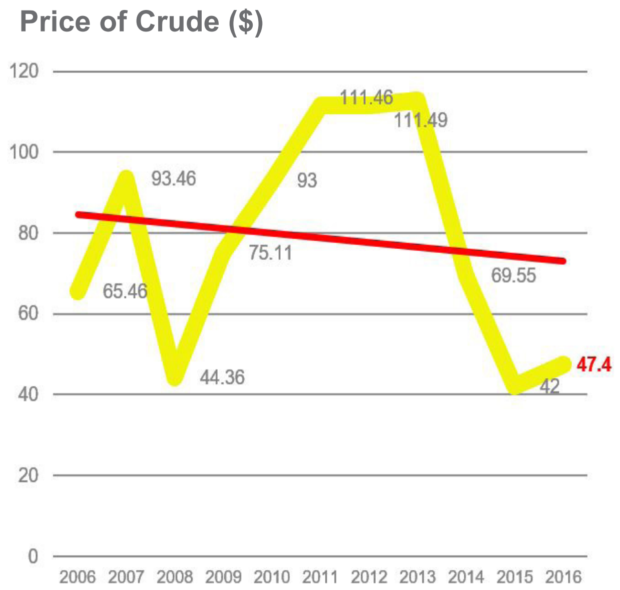
Inflation (%)

Exchange Rate (₦ to $)

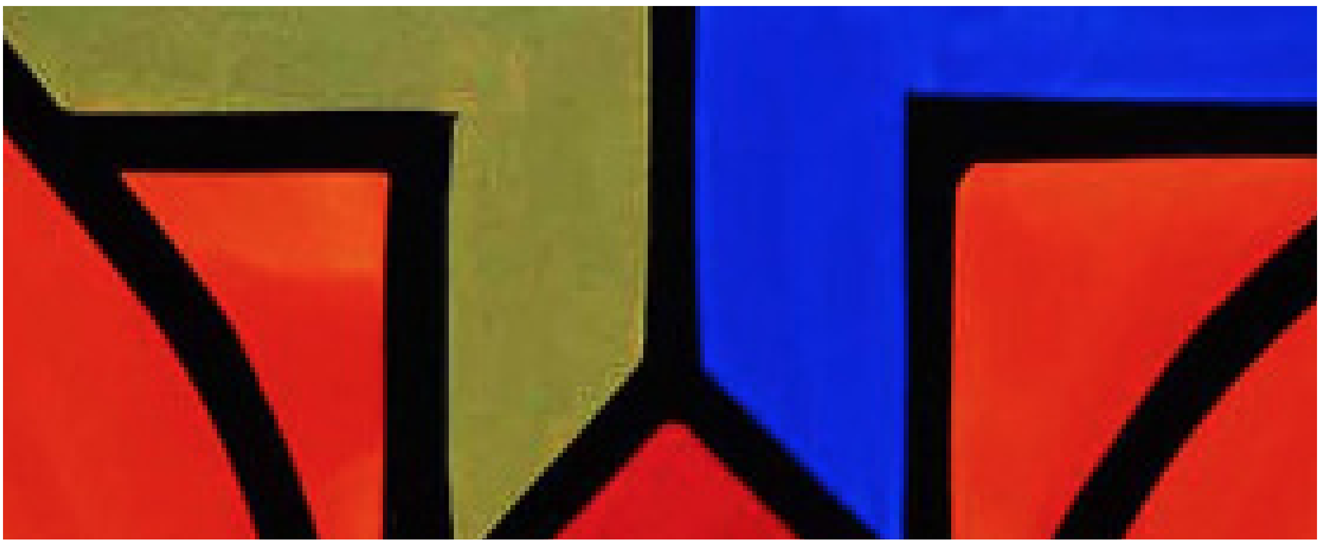


Towards the end of the year, inflation took leaps the likes of which not seen since mid-2008 levels reaching 18.48%, a tenth straight monthly rise. Inflation in a recessionary economy being an anomaly can only be best described as forex-push inflation. Tight monetary policies, food insecurity, the forex regime of the apex bank and the aftereffects of the 41-item ban combined to form the cocktail that kept the inflation rate on the uptick. Towards the close of the year, this rise in pricing was fuelled by movements in the household item price index as seen in water, electricity and the like.





The Nation's foreign reserves has since been on the list of casualties as 2016 marked the 4th consecutive year of decline starting from $47.55bn in 2012 to $25.4bn in 2016. This is the lowest value in over 10 years. Slight increases in the month of November although encouraging still saw reserve totals below the $25bn mark. While the CBN introduced strict capital controls to peg the effects of reduced foreign exchange earnings, a growth stimulating economic policy is required for a true bounce back.



2016 Topical Issues

Recession (Official)

After months of speculation, the Government officially named the white elephant in the room. The country was officially in a recession. Q3 2016 numbers released by the Nigerian Bureau of Statistics showed GDP contracting by -2.24%. Capital inflows reduced by 75.73% to $647.1mn in Q2 of 2016, the lowest amount on record. Approval of the 3-year MTEF is expected to stimulate the economy through the injection of funds into key development projects. Pointing to the 18.3% rate of inflation, market analysts are divided on this strategy stating that the current economic experience disagrees with textbook definitions. Current monetary policies are not fully aligned with fiscal policies – which will only prolong the recession.

Made in Nigeria

For years, the country paid lip service to developing local content, as initiative after initiative never really took off. A significantly weakened global economy for commodity dependent nations changed all that. To add bite to intent, the Nigeria Economic Summit Group focused its high profile annual summit on driving sustainable local production and patronage. If all goes according to plan, this would perhaps strengthen the country's resolve to depart from oil dependency.

Family Homes Fund

The Ministry of Finance in partnership with the private sector outlined plans for tackling Nigeria's housing deficit through the creation of a 20-year mortgage scheme. The Family Homes Fund would provide loans at interest rates as low as 9.99% interest for the purchase of housing units ranging between ₦2.5 and ₦4.5 million. Would-be buyers are expected to make a 10% down payment. Funding for the scheme is to come from the Sovereign Wealth Fund, Federal Government bonds and the Bank of New York. Housing units are to be built with local raw materials to achieve an annual target of 100,000 units a year, for the next 4 years. To avoid the challenges of speculation and corruption, housing applications will be linked to BVN numbers. ₦500bn has been approved for this project so far and work is expected to start in 2017.

Indirect Real Estate

As the year turned, Suru Ventures sponsored the HMK REIT seeking to raise N13.3 Billion to recapitalise and partly offset AMCON and GTBank loans. The transaction unfortunately didn't get the minimum subscription for listing. UPDC REIT – a well-known brand on the other hand issued 180-day commercial papers totalling N24 Billion and received very favourable acceptance. In the near future, the sponsoring company plans to further strengthen its working capital and reduce it's holding in the REIT via a public offer mid-2017. In the last quarter of the year, Mixta Nigeria issued a N30 Billion medium term bond. The results of the issuance will be apparent early in the new year, and are largely expected to be equally successful. These instruments offer Nigerian and international investors a rare access to local real estate returns.

Judicial Misconduct

Investors and industry players were once again treated to a parody of sorts. Supreme Court Justices meant to be the chief interpreters of the law were arrested on grounds of corruption - accepting bribes to pervert the course of the law. This immediately threw into question the country's ability to provide unbiased umpires in legal matters. As the Justices denied and the accusers brought evidence on the allegations, the market only got feebler as Investors saw their last local recourse in the event of disputes on investments being obliterated. For a country battling a gloomy economy in a recession and ranked 169th on the ease of doing business scale, this could not have come at a worse time.

Escalating Insurgency

The nation celebrated as 21 of the almost 300 Chibok girls captured in 2013 by the Boko Haram sect, were returned in a cash-for-girls deal. A supposed sign of good things to come, the militants would later raze communities (and end precious lives) totalling an estimated cost of ₦2.1trn. These and actions by herdsmen in the South-East, militants in the South-South regions prompted a defence budget of ₦294.5bn, comfortably among the top four allocations for the year. Still, businesses have reduced their presence in the North-Eastern part of the country, an area that may have been useful for solar farms and other sustainability initiatives.

Deregulation of PMS

The deregulation of PMS (Premium motor spirit) primarily used to fuel Nigerian cars aimed at reducing the government's foreign exchange expenditure, which stood at about 30% in 2015. Now, sales and importation of PMS is an all-comers affair and is no longer government subsidized. According to the Ministry of Budget & National Planning, the implementation of this policy has led so far to savings of $4.5m per day freeing up much needed liquidity for capital projects.

Asset Performance in 2016

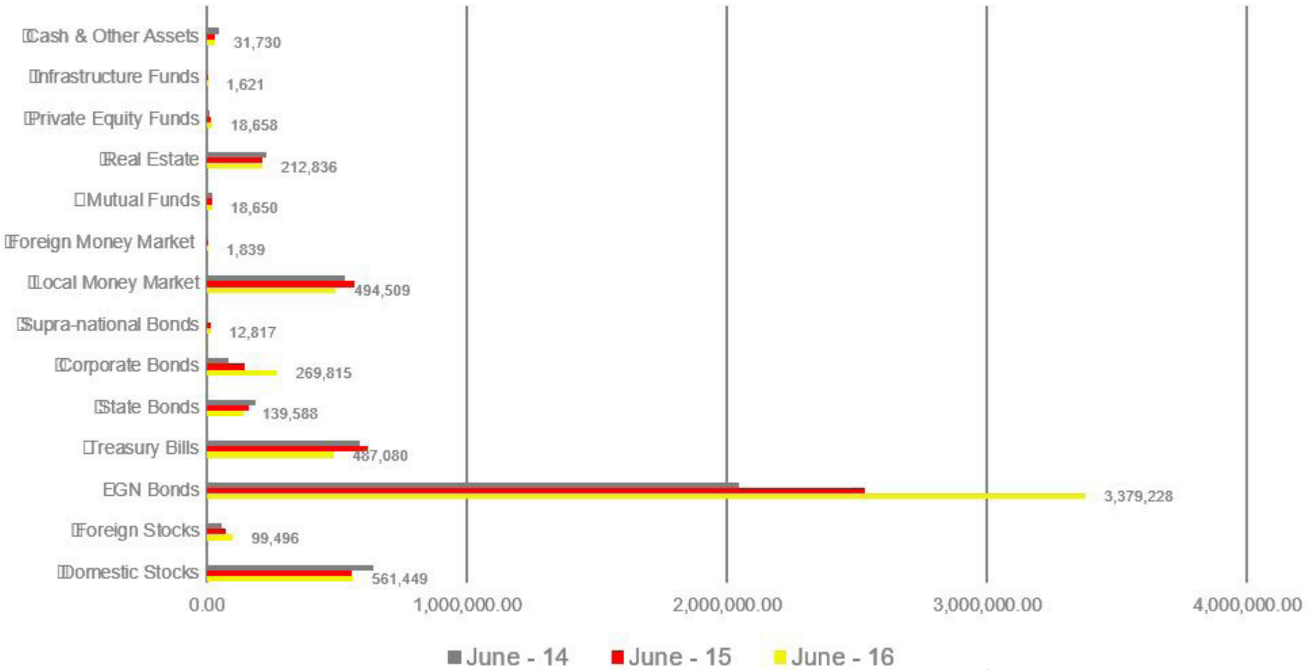
Fixed Income and Money Market

The fixed income market remained a safe haven for stable investment with 90-day T-bills rates as high as 18% towards the close of the year. The value of the 10-year bonds increased almost consistently throughout the year. June 2016 saw a 33% increase in funds loaned to the Government by the nation's pension body – Pencom who sought to hedge against economic challenges. These further echo the reduced appetite for adventure caused by the depressed economy.

Equities

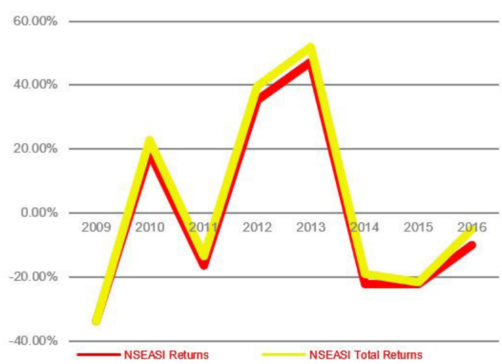
A total market loss of over ₦2.79trn in just one year, gives a high-level summary of the 2016 performance of the Nigerian equities market. The All Share Index's highest point in late June would steadily descend to a 12% aggregate loss in investment value by November. Culprits in the affair were the recession, increased investor apathy, a 14% benchmark interest rate by the central bank and a sustained illiquidity of the foreign exchange market.

Nigerian Pension Fund Assets as at 31st June 2014, 2015 and 2016



Source: Pencom and Northcourt

Nigeria Equities Returns (%)



The year also saw the continued exit of institutional investors who were unimpressed by the nation's foreign exchange policy direction. Potential international investors also did not buy into the equities market, unconvinced as to how funds could be taken out should the need arise. This uncertainty surrounding repatriation of capital and/or profit was a key impediment to closing investment deals.

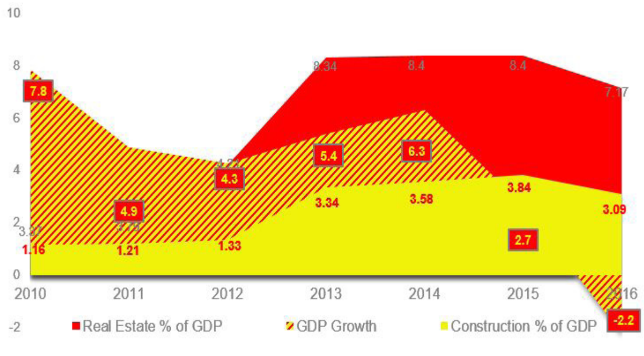
Real Estate Performance in 2016

The Year of Correction

2016 was the year of correction in Nigerian real estate. Rising inflation, declining GDP growth, a weakening currency, reduced public revenue and being officially declared to be in recession all ensured things were not normal for the property sector. The proposition that property markets are often a very good mirror of the patterns and times of the overall economy cannot be over-flogged and is no different to Nigeria. As the nation's GDP declined, so did the contribution and activities of the construction and real estate sectors.

The Nigerian economy is not only oil dependent but also import dependent which means the balance of trade tilts in favour of the dominant external currency – the Dollar. Hence, as exchange rates increased in 2016, the price of goods, building materials inclusive shot up. Imported fit-out items such air-conditioners and water heaters were most directly impacted as few existing OEM representatives and oligarchs enjoyed the reserve to move prices directly with dollar movements, suffering little or no corporate losses.

GDP Growth, Construction and Real Estate Contributions (%)



Source: NBS

Prices of Building Materials to Prices of Building Materials (in NGN)

Item	Nov. 2015	Nov. 2016	% Change
Cement (50kg)	1,500	2,200	46.70%
Sandcrete block (9 inch)	170	220	29.40%
Aluminum Roofing Sheet (0.55mm)	1,550	2,200	41.90%
Cables (6mm / Coil)	13,500	17,400	28.90%
Coloured Emulsion Paint	7,500	8,500	13.30%
Glass Sheet (5mm)	7,000	11,500	64.30%
Reinforcement (8mm)	130,000	140,000	7.69%
Paving stone 60mm (Local)	1,400	1,900	35.70%
Harvey roof tiles	5,500	8,000	45.50%
White Emulsion (Dulux)	22,000	27,000	22.70%
Twyford complete set WC	14,500	16,500	13.80%
Ariston water heater (Small)	17,500	31,000	77.10%
13A socket	900	900	0.00%
Distribution board	45,000	47,000	4.40%
Wall split unit AC (1.0 HP)	65,000	100,000	53.80%

Sources: Castles and Northcourt

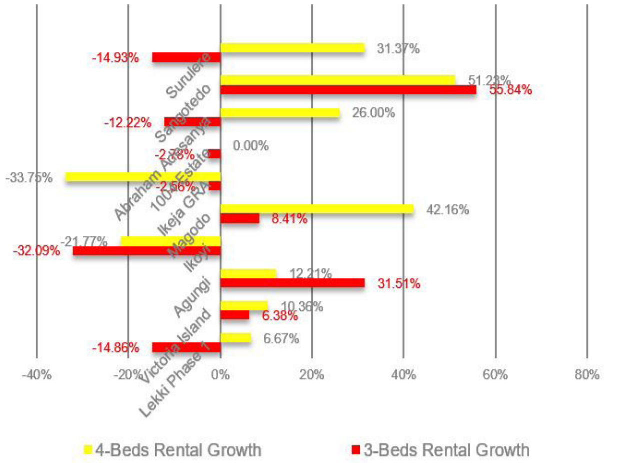
Residential

While bare land continued to retain its value and appreciated in some cases; quality, functionality and price-appropriateness separated the winning from the not-so-winning residential developments. The average residential occupier is definitely growing in discernment. As household disposable income shrinks, property values have been steered by market forces towards values that a buyer and seller can equally agree upon. It's definitely no longer a sellers market and even the buyers are forced to act very rationally, contrary to past seasons when money-bags with potentially ill-gotten wealth drove property prices to unrealistically high values.

In Lagos, rents also moved in alignment with basic economic principles of demand and supply. With increasing demand there was a corresponding price increment and as supply rose, prices declined. Locations such as Agungi, Magodo and Sangotedo experienced price increases for both 3-beds and 4-beds, while Ikoyi and Ikeja GRA inversely experienced declines on both fronts. Certain locations saw increased demand for 4-bed houses only such as Lekki Phase 1, Surulere and Victoria Island. This increased demand for large houses is partly due to a growing trend of conversions from residential use to retail and office space, which generate greater utility for the leases in these nodes.

For upscale locations where rents are charged in dollars, tenants negotiated fixed exchange rates to ease payments. Some simply insisted on converting to Naira denominated rents. The Lagos residential market also saw renewed attempts to increase the supply of middle income housing by the State Government. The Ilubirin mass housing project received a fresh foreign investment injection of $500 Million officially taking the project off the list of abandoned public sector works. The State Government also reduced the sale price for existing developments to attract citizens disinterested by the previous high prices. A significant move to open up

2016 Lagos Rental Price Growth (Residential)



Source: Northcourt

space for development was the MOU signing of the ₦844 Billion 4th mainland bridge set for completion in 2019.

The recovery of Port Harcourt as a residential property investment destination has been hindered amongst other macro-economic factors, by its local political uprisings, which have become more frequent in recent times. A few residential projects have taken off successfully such as Rivtaf and Intels camp. Rainbow town – the biggest residential project in Port Harcourt is a joint venture between the Rivers state government and First Bank Plc has not done quite as well. The slow pace of work has left early subscribers with doubts and prevented new ones from joining. Increasingly cost conscious oil-servicing firms in Port Harcourt relocated expatriate personnel closer to the place of business. The signs were clear in most companies hat business would not be as usual.

The seat of government – Abuja saw a reduction in rents as a result of the sour economy. Many termed the none-passage of the budget for 4 months as a lack of a clear economic direction which in part translated to reduced money in circulation and much less for property investment. Where there was a willingness to brave the economic tempest, the Government's anti-corruption drive acted as a second dampener of property transactions. Not sure of who was spying, moneybags were careful of the number and value of transactions executed.

Counter-intuitively; of the three locations reviewed (Lagos, PH and Abuja), Lagos tends to have the highest vacancy rates. The average vacancy rate for residential property in Abuja stands at 25.67%; in Port Harcourt this figure is significantly lower at 12.02%, while Lagos is the highest of the three with a figure of 31.46%. This may be partly due to Lagos having the highest built up area, development stock and investment focus in the country.

Residential Vacancy Rates

Location	Vacancy Rate	Location	Vacancy Rate	Location	Vacancy Rate
Abuja		Port Harcourt		Lagos	
Gwarinpa	14%	Old GRA	11%	Ikoyi	47%
Apo	24%	GRA 1	17%	Lekki	46%
Utako	29%	GRA 2	11%	Victoria Island	54%
Lugbe	13%	GRA 3	15%	Oniru	65%
Katampe	59%	Elenlewo	15%	Yaba	10%
Wuse 2	21%	Woji	9%	Surulere	5%
Jabi	33%			Ikeja GRA	24%
				Magodo II	12%

Source: Northcourt

Office

Despite what seemed an initial slowdown, construction activities in the office development space soon peaked with supply partially on target in line with 2016 pipeline projections. The rise in inflationary pressures and weakening of the Naira clearly pushed up construction costs beyond pre-development estimations. While many new projects didn’t take-off and some ongoing works stalled, experts suggest that the developers who kept faith with their projects contemplated further delay would only translate to increased costs when construction resumed.

2016 completions such as Nest Oil Towers, Heritage Place and The Wings have partly increased the existing unoccupied stock of commercial property, which had the effect of reducing the rentals of upscale locations. Sitting tenants in the low - mid level cadre also had the option of newer locations equal in rents to their current offices.
Port Harcourt saw decline in rentals as corporates who had offices in Abuja or Lagos wholly vacated their Port Harcourt space to better manage their bottom lines. Some businesses were reported to have closed down, some as a result of an inability to survive without government contracts, others because the cost of doing business had gone up. Key arteries in the business environment - Olu Obasanjo way and Aba road lost approximately 14% of their rental value when compared with last year while rents on Trans Amadi way, another erstwhile buoyant business location struggled to maintain last year’s ₦20,000 psm per month rental value.

As the Administrative capital of the country, Abuja has fewer private office developments in comparison to Lagos but higher than Port Harcourt. In the last 12 months, there has been limited demand for office space as government departments or retail developments occupy some of the most suitable locations. As such, developers are less willing to risk starting office developments of significant scale in Abuja, waiting for the current economic winds to blow over. The World Trade Centre is slowly but surely ongoing while other complexes as the Federal Inland Revenue Service and Africa Tower buildings are yet to have a completion date.

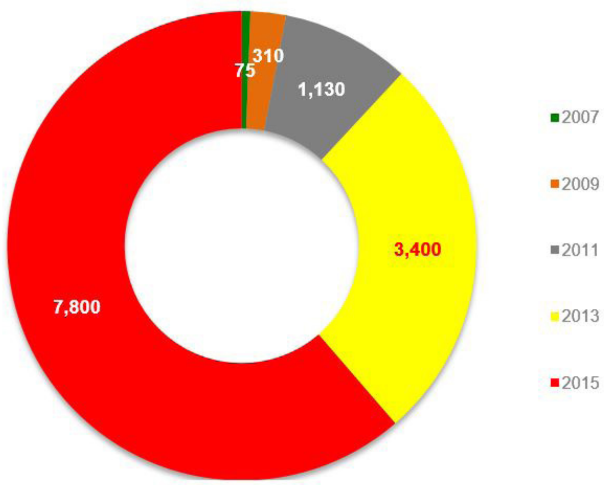
Average Office Rents (2014 – 2016)

Average Office Rents (NGN except otherwise stated)			
	2014	**2015**	**2016**
Abuja			
CBD	60,000	60,000	70,000
Wuse 2	50,000	55,000	50,000
Garki 11	25,000	35,000	30,000
Port Harcourt			
Olu Obasanjo Way	22,000	25,000	20,000
Trans Amadi Road	20,000	20,000	20,000
Aba Road	15,000	15,000	12,000
Lagos			
Lekki Phase 1	35,000	35,000	40,000
Lagos Island	20,000	25,000	28,000
Ikeja	30,000	35,000	35,000
Yaba	18,000	18,000	15,000
Ikoyi	$1,000	$950	$850
Victoria Island	$850	$785	$780

Sources: Northcourt, Broll

The year has not been without its bright spots – one of which is the increased recognition of co-working spaces as an alternative to standard offices. With beginnings in 2005 these arrangements strip bare the costs for office space such that users only need to pay rentals for office space and furniture that they use. Support facilities like a common front desk, wifi internet, energy, cleaning and the like are also factored into the quarterly, monthly or even daily rental. This is especially useful for project based organisations, itinerant and creative professionals and is of value in locations with limited space and high costs for standard offices.

Global Co-working Spaces (Total Number)



Source: Global Co-working Survey 2015/2016

Co-working Spaces in Nigeria

Name	Location	Price per Workspace (Monthly / ₦)	Price per Sqm (Monthly / ₦)
Virtual Hub	Ikeja GRA, Lagos	180,000.00	15,000.00
Canton Concourse	Oniru, Lagos	125,000.00	10,416.67
Cranium One	Victoria Island, Lagos	90,000.00	7,500.00
BVF	Lekki phase 1, Lagos	80,000.00	6,666.67
Business office support	Victoria Island, Lagos	66,000.00	5,500.00
Crea8 space	Victoria Island, Lagos	65,000.00	5,416.67
Venia Business Hub	Lekki phase 1, Lagos	50,000.00	4,166.67
Capital square	Lekki, Lagos	45,000.00	3,750.00
Sinet hub	Lekki phase 1, Lagos	45,000.00	3,750.00
Deskyard	Lekki phase 1, Lagos	45,000.00	3,750.00
Seedspace	Ikoyi, Lagos	40,000.00	3,333.33
Leadspace	Yaba, Lagos	40,000.00	3,333.33
Passion Incubator	Yaba, Lagos	40,000.00	3,333.33
iDea Hub	Yaba, Lagos	30,000.00	2,500.00
Mutual Workspace	Ikoyi, Lagos	27,666.67	2,305.56
TerraKulture	Victoria Island, Lagos	27,000.00	2,250.00
Work bay	Ikeja, Lagos	25,000.00	2,083.33
LitCaf	Yaba, Lagos	25,000.00	2,083.33
Co-Creation Hub	Yaba, Lagos	17,500.00	1,458.33
Mutual Workspace	Yaba, Lagos	12,500.00	1,041.67
Ventures Park	Aso Drive, Abuja	60,000.00	5,000.00
Chase Executive Business	Maitama, Abuja	60,000.00	5,000.00
Tawona Workspaces	Wuse II, Abuja	50,000.00	4,166.67
Box office Incubator	Wuse II, Abuja	33,000.00	2,750.00
Enspire Incubator	Maitama, Abuja	15,000.00	1,250.00
Regus	CBD, Abuja	42,750.00	3,562.50
nHub	Jos, Plateau	10,000.00	833.33
Regus	Port Harcourt, Rivers	47,509.50	3,958.65

Source: Northcourt

The average co-working space has 46% more members than it did two years ago with Nigeria having the 4th highest number of locations in Africa. Of the 173 locations in Africa, 29 are in Nigeria and the number is growing. To take advantage of this opportunity, property owners were seen converting vacant addresses of over two years into co-working spaces in 2016.

Industrial

7.83% in 1982 marked the peak contribution of the industrial sector to total national economic output and thanks to years of neglect only 0.04 square metres per capita out of the 10 million square metres of industrial space nationwide is developed till date. Indonesia and India with similar spending power have gone farther down the road of development and could serve as models. Major sub sectors of the sector include food, beverages and tobacco, textiles and apparel, as well as chemicals. As an employer of labour, textiles, when combined with agriculture and trade account for 2 in 3 employees in Nigeria and can shoulder more with the right policy direction investment.

Lagos state saw a slight return to form with Ford and Volkswagen restarting their plants in 2015 only to experience a lull in 2016 as a result of the current foreign exchange regime. With the exception of the Ogun/Mowe industrial axis, the country's major industrial zones – Lagos, Edo/Delta, Kano, Kaduna, Bauchi/Plateau/Benue, Enugu/Onitsha/Aba and Oyo/Ondo were all affected by the economic downturn. The Ogun/Mowe axis however received plant relocations from Lagos state thus adding to it's rental take-up rate.

Rents were stable between Q1 – Q3 of 2016 for large sized, non-serviced warehouse locations in Lagos. Although demand for industrial space outstripped supply, consumers' demand for manufactured goods was not enough to encourage the taking up of more warehouse space. Government initiatives directed at the industrial sector did not have the expected impact on consumer spending and banks did not increase loans to the sector - even as the benchmark interest rate was raised to 14%.

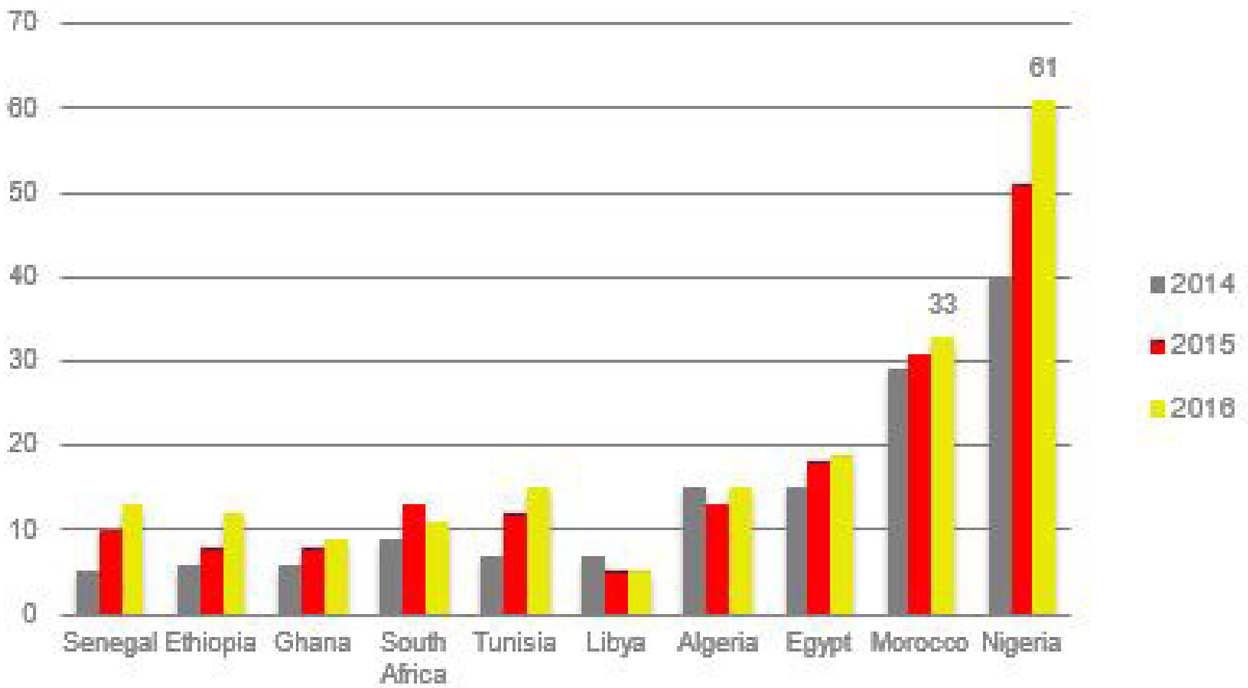
The Nigeria Manufacturing Purchasing Manager's Index (PMI), a measure of manufacturing performance, increased to 46 in November 2016 from 44.10 in October averaging 47.50 from 2014. The index recorded an all year low of 41.90 in June of 2016 with rents expected to fall going into 2017. Despite the drive to increase production by local manufacturers, key indigenous manufacturers exited the country citing harsh business conditions and unfair forex policies, thus adding their voice to calls for fiscal and monetary policy review.

Hospitality

Nigeria remains an attractive business destination judging by the increase in planned hotel chain supply as a percentage of the Africa total. This rate of growth could have been much faster but for the country's dependency on one sector. Diverse economies are experiencing faster rates of growth as diverse economies attract a wider range and a larger number of professionals. The Accor hotels' groundbreaking deal to add 50 hotels to the Angolan hospitality sector made it number 1 in the pipeline development ranking – an indicator of good things to come. It is suspected that the relatively higher security in Angola made it a better target for this investment.

The West African bloc had the most in development with 45% of the total, the largest number of rooms being 20,000 in 2016. Nigeria, with the largest pipeline (over 10,000 rooms) when combined with Angola has 30% of the Africa pipeline and 40% of all signed rooms. 90% of the Angola/Accor hotels are under construction. 40% of hotels in the Nigeria pipeline are under construction – the lowest of the top 10. Lagos leads the top 10 cities in Africa by number of planned rooms with Abuja and Sharm el Sheikh coming in 2nd and 3rd place with 3,722 and 2,917 rooms respectively. Seasoned brands are making

Hotel development Pipeline



Source: W Hospitality

significant investments to expand their footprint in the region - further translating into jobs and positive inflows into the economy. Radisson Blu, Hilton & Ibis lead by number of rooms planned with 5,693 rooms, 4,851rooms and 3,822 rooms respectively.

Experts remain confident about the growth potential of Africa hospitality, despite currency shocks and the increasing threat of terrorist violence – well aware that the current state of the economy has impeded the take up rate of hotel accommodation. 61,391 hotels are planned to be opened by 2021.

Retail

Since the teeming success of The Palms, shopping mall development in Nigeria has caught the undivided interest of developers, financiers and investors. This trend has successfully given platform to international retailers seeking access to Nigerian shoppers as well as strong Nigerian brands that need to retail their offerings.

But the retail development pipeline is beginning to shrink. This may be expected since most large cities have at least 3 major malls and tier 2 cities also have at least one or two, coupled with all the economic headwinds.

Recently opened Novare Mall – Lagos and Jabi Lake – Abuja have the highest vacancy rates of 63% and 49% respectively though some reports show that more space in these malls have been taken but are yet to be fitted out and occupied by the tenants. Coincidentally, these malls are two of the biggest malls in the country; which raises questions on if the malls were too big to be successful.

Size optimization and the availability of a good variety of entertainment features may be some of the success secrets of the 6,000sqm Maryland Mall, which always seemed to be fully packed despite just being opened in Q3 2016. The mall has just a

2% vacancy rate, which really represents a single shop that is currently up for lease. Some other malls haven't had such great fortunes in terms of vacancies such as Circle Mall (33%), Lagoon (30%) and Silverbird Galleria (25%), which had a legal takeover by AMCON during the course of the year.

Citing poor economic times as an alibi, sitting retail tenants found it easier to negotiate nil increments/reduced rents on their tenancies and even The Palms – the highest rent charging mall in the land, was barely able to hold on to its $900 psm rental.

Retail Vacancy Rates

Lagos	Total Shops	Vacant Shops	Vacancy Rate
Circle Mall	52	17	33%
The Palms	64	0	0%
The Lagoon Shopping Centre	40	12	30%
Festival Mall	64	9	14%
Maryland Mall	46	1	2%
Ozone	41	2	5%
Apapa Mall	48	0	0%
Ikeja City Mall	104	1	1%
Leisure Mall	26	1	4%
Novare Mall	89	56	63%
Silverbird Galleria	27	7	25%
Adeniran Ogunsanya Mall	156	9	6%
Port Harcourt			
Port Harcourt Mall	132	5	4%
Big Treat	125	2	2%
Genesis Centre	42	2	5%
Abuja			
Silverbird Mall	80	15	19%
Ceddi Plaza	76	9	12%
Jabbi Lake	112	55	49%
Apo Mall	50	6	12%
Febson Mall	73	5	7%

Source: Northcourt

In 2016, some tier 2 cities got their first mall opening such as the Owerri Mall (9,950sqm) commissioned in March, Onitsha Mall (11,00sqm) opened in April and the Abia Mall, also 11,000sqm and was commissioned in November 2016. These openings along side others in Lagos and Abuja, as well the continuing trend of residential conversions to retail spaces go to show the deepening of the Nigerian retail market. Ademola Adetokunbo Way in Wuse 2 – Abuja, Admiralty Way and Fola Osibo Street in Lekki Phase 1 – Lagos are poised to become Nigeria's hottest high streets in the order of the 90's Adeniran Ogunsanya Street and Allen Avenue.

2017 Real Estate Outlook

2017 will mark half way into the term of the current administration and the standard mid-term deluge of performance analysis is to be expected. The verdict is not likely be good as practical signs of progress have been few and far between. Opposition parties have been aligning forces for the 2019 elections to capitalise on the current administration's inability to deliver on campaign promises. As such, there will be accelerated efforts to rack up clear quick wins and this should start with shifts in key policies. One of these is the 41-item forex access for import ban, a subset of the much criticised trade policy. This is likely to be reversed early next year in a bid to reduce food prices and encourage consumer spending. However, it might be paired with an increase in petrol pump prices - expected to go up at the start of the year as importers have maintained that bringing in product at current prices is unsustainable.

The 2017 budget only recently read has been termed impractical and unlikely to inspire the much needed investor confidence. Although crude price per barrel is expected to reach $55/b (good news for a budget based on $42.5/b) the Naira is expected to hit the ₦500/$1 mark. The current foreign exchange policy has been defined as ineffective and will need adjustment to attract the right amounts of investment. In all, experts state that the fundamentals necessary

Office development Pipeline

Name	Floors	Size	Location	Delivery Date
Alliance Place	13	6,670	Ikoyi	2017
Lake Point Towers	12	13,400	Banana Island	Not Specified
The Wings Towers	12	27,000	Victoria Island	2016
Zekwes Office Complex	5	-	Lekki	2017
World Trade Center	22	26,000	Abuja	2016
Kingsway Towers	15	12,000	Ikoyi	2017
Medina Towers	15	8,300	Victoria Island	2017
Eko Towers II	27	-	Victoria Island	2017
Tiamuyu Commercial	8	4,000	Victoria Island	2017
Novare Central Office Park	3	5,313	Abuja	Not Specified
Sogenal Tower	14	11,560	Ikoyi	2018
Harbour Point	20	20,000	Victoria Island	2018
Atlantic Resort	16	15,588	Oniru	2019
Dangote Head Office	18-24	-	Ikoyi	Not Specified
Desiderata	9	4,654	Banana Island	Not Specified
Trinity Towers	25	13,000	Victoria Island	Not Specified
Greystone Tower	17	-	Victoria Island	Not Specified
One Zero Place	14	11,000	Oniru	Not Specified
Corporate Towers II	34	-	Eko Atlantic	Not Specified
Africa Tower	76	-	Abuja	Not Specified
Federal Inland Revenue Service	17	-	Abuja	Not Specified
Waves	13	44,000	Victoria Island	On Hold
Bloomsbury	6	10,000	Victoria Island	On Hold
Raymond House	7	-	Lagos Island	2017
Providus Commercial Bank	5	-	Victoria Island	2017
BUA office building	10	-	Victoria Island	2016
Cornerstone Head Office	12	1,250	Victoria Island	Not Specified
Daimond Bank Head Office	13	-	Victoria Island	2018

Source: Northcourt

for a stronger currency are yet to be fully implemented and without new external stimuli, 2017 could simply be a remix of 2016, only with more tracks missing.

As is the case for most import dependent countries, the global economy will serve as the inspiration for local economic activity and real estate transactions will reflect this. Large office and retail projects scheduled for delivery may have slow take-up rates, where they make completion.

However, a few factors that hindered growth in 2016 may be averted in 2017 and create far-reaching positive vibes for the Nigerian marketplace Starting with a swift passage of the federal budget early in January 2017, maintaining local fuel prices, tackling militancy and taking concrete steps to restore confidence in the judiciary will all catch the positive attention of local and international onlookers.

This is because as the overall economy remains weak, consumer spending is equally affected and unable to drive demand for additional office or retail space. This is where co-working spaces and smaller retailers may see increased engagement as they naturally have lower overheads. As was the case in 2016, there may be delays in project handover resultant from cash flow issues. Still, the Government intends increasing the supply of housing through the Family Homes Fund backed with a N100 Billion budget capital vote and it is hoped that the residential market will experience some growth as a result of this.

Retail Development Pipeline

Name	Location	Size	Delivery Date
Abia Mall	Umuahia, Abia	11,000	2016
Asokoro City Mall	Asokoro, Abuja	28,000	2016
Benin Mall	Benin City, Edo	13,300	2016
Capital Mall	CBD, Abuja	21,500	2016
Gateway Mall	Lugbe, Abuja	15,000	2017
Oasis Centre	Ikeja, Lagos	6,100	2016
Royal Gardens Mall	Lekki	30,000	2017
Silver valley Mall	Rumuomasi, Port Harcourt	13,000	2017
Twin Lakes Mall	Lagos	30,000	2018
Victoria Mall Plaza	Lagos	5,788	Not Specified

Source: Northcourt

As 2017 gets into full steam and the assumptions underpinning the current economic policies begin to give way, adjustments that will make the most of the global situation may be expected. It is only hoped that these adjustments happen sooner rather than later.

The 2017 Nigerian Real Estate Market Outlook Report was prepared by Northcourt

Euromoney Real Estate Awards 2016 - Best Real Estate Advisor and Consultant in Nigeria

Stained Glass art series “Faces of Northcourt” by Isaac Emokpae (2016)

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