RESEARCH

Knight Frank

AFRICA REPORT 2017

REAL ESTATE MARKETS IN A CONTINENT OF GROWTH AND OPPORTUNITY

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AFRICA: STILL RISING?

The rise of Africa's economies has been interrupted by recent external shocks, but there remain grounds for optimism over the longer-term outlook.

After decades of disappointing performance, African economic growth began to accelerate around the turn of the century. The continent averaged GDP growth of more than 5% per annum between 2000 and 2014, primarily driven by fast-growing Sub-Saharan economies. During this period, the term "Africa Rising", popularised by publications such as The Economist, became shorthand for this rapid economic growth and the increased optimism about Africa's future prospects.

However, economic growth has since moderated, due primarily to the exposure of African countries to external factors including falling commodity prices and slower growth in China. The International Monetary Fund (IMF) estimates that African GDP growth slowed to 3.4% in 2015, easing further to 2.1% in 2016. Growth for the Sub-Saharan region was estimated at just 1.5% in 2016. Against this backdrop, the question "is Africa still rising?" has moved to the forefront of economic debate.

A multi-speed Africa

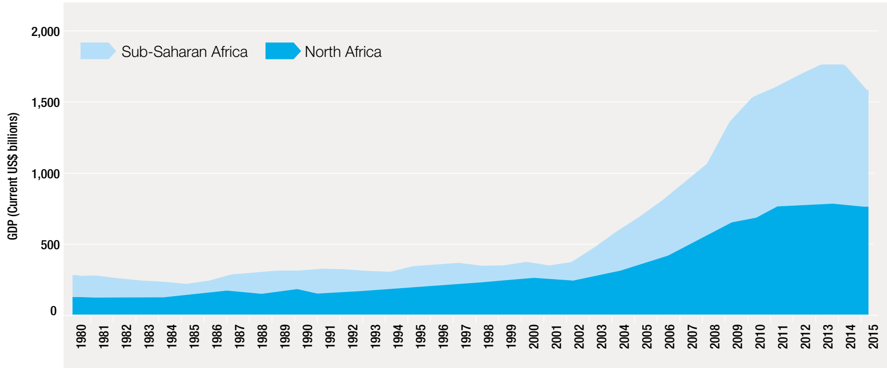
The headline GDP figures disguise the increasingly multi-speed nature of African economies. In broad terms, there has been a divergence between the growth rates of commodity-importing and commodity-exporting countries since 2015. The major oil exporters, in particular, have been impacted by low oil prices, but more resilient growth rates have been seen in oil-importing countries.

Within Sub-Saharan Africa, the drop in GDP growth can be largely attributed to the region's three biggest economies; Nigeria, South Africa and Angola. As Africa's two largest oil exporters, Nigeria and Angola have both seen oil revenues badly hit by lower prices, and this has additionally put strain on government spending, debt levels and currencies.

Nigeria entered recession in 2016, while the IMF expected Angola to record zero growth for the year. Smaller oil-driven economies, such as Equatorial Guinea and Gabon, have also been severely impacted by the decline in commodity prices.

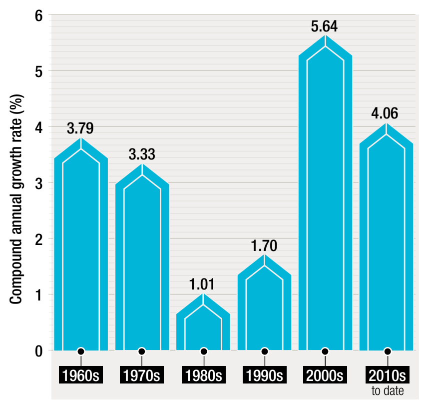
Although South Africa is a net oil importer, its growth has been subdued by weakness in the mining and manufacturing sectors and the effect of a severe drought on agricultural production. The country only narrowly avoided entering recession in 2016.

FIGURE 1
African GDP in current US$



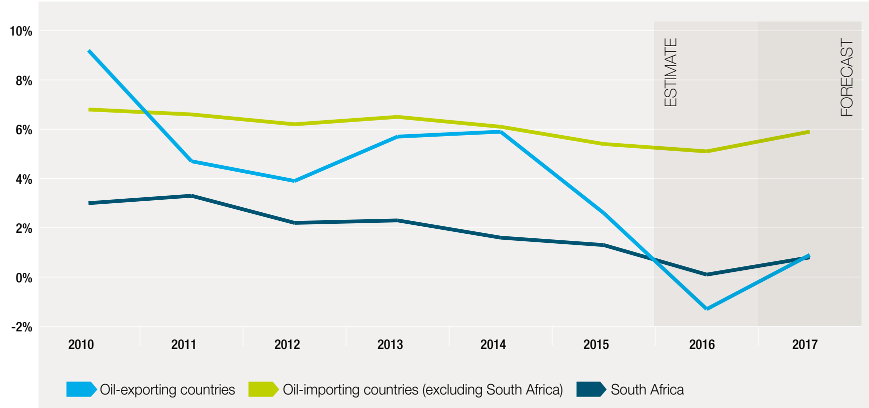
Source: World Bank/Knight Frank calculations

FIGURE 2
Sub-Saharan Africa GDP growth rates by decade



Source: World Bank/Knight Frank calculations

FIGURE 3
Sub-Saharan Africa GDP growth rates



Source: International Monetary Fund

In contrast, a group of commodity-importing East African countries, including Tanzania, Ethiopia, Kenya and Rwanda, have all maintained GDP growth rates well in excess of 5%, benefiting from low oil prices and growth in private consumption and investment. The West African economies of Côte d'Ivoire and Senegal have also emerged as two of the continent's strongest performers aided by improved political stability, economic reforms and infrastructure investment.

In a reversal of the general pattern of recent years, the North Africa region saw higher GDP growth than Sub-Saharan Africa in 2016. However, growth within the region has been uneven and Libya and Algeria have both been impacted by lower oil prices.

Economic diversification and technological change

The current struggles of Africa's oil-producing countries emphasise the need for the continent's economies to diversify so that they are not dependent on commodities, or any other single source of economic output. Expediting the ongoing process of economic diversification is an absolute priority for many African governments.

Potential sources of growth and diversification for African economies include sectors such as retailing, food and agriculture processing, business process outsourcing, financial services and construction. There is also significant growth potential for manufacturing industry in Africa, as this sector consistently underperforms in comparison with other emerging markets.

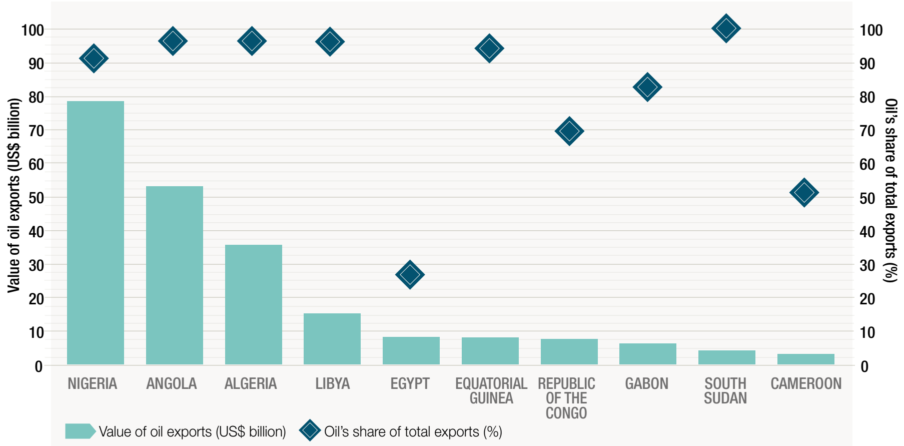
Technological change will be at the heart of the future growth and diversification of African economies. Mobile telecommunications have already had a transformative socio-economic impact in Africa by allowing large sections of the population to skip landlines and move straight to wireless technology. This has led to African consumers embracing mobile banking and payment services, improving the financial inclusion of populations with limited access to formal banking. East Africa, in particular, is a hotbed for innovation in this sector and, according to Global Findex data, Kenya leads the world, with 58% of the population having mobile money accounts.

African mobile phone markets have now entered a second phase of growth, as consumers shift from basic feature phones to smartphones. By 2020, it is expected that smartphone connections will be the majority in Africa. The adoption of more sophisticated mobile technology will have a large role in shaping consumer behaviour, and it will drive the growth of sectors such as online retailing.

Dar es Salaam

FIGURE 4

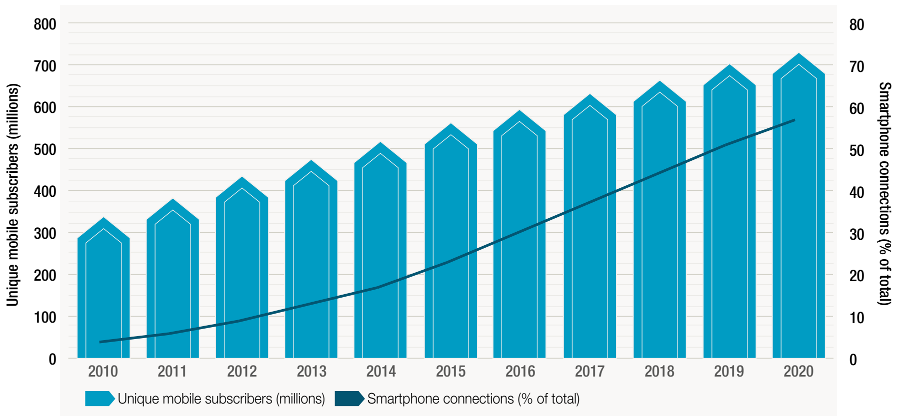
Africa's largest oil-exporting countries



Source: Observatory of Economic Complexity (2014)/Knight Frank calculations
Data includes crude and refined oil

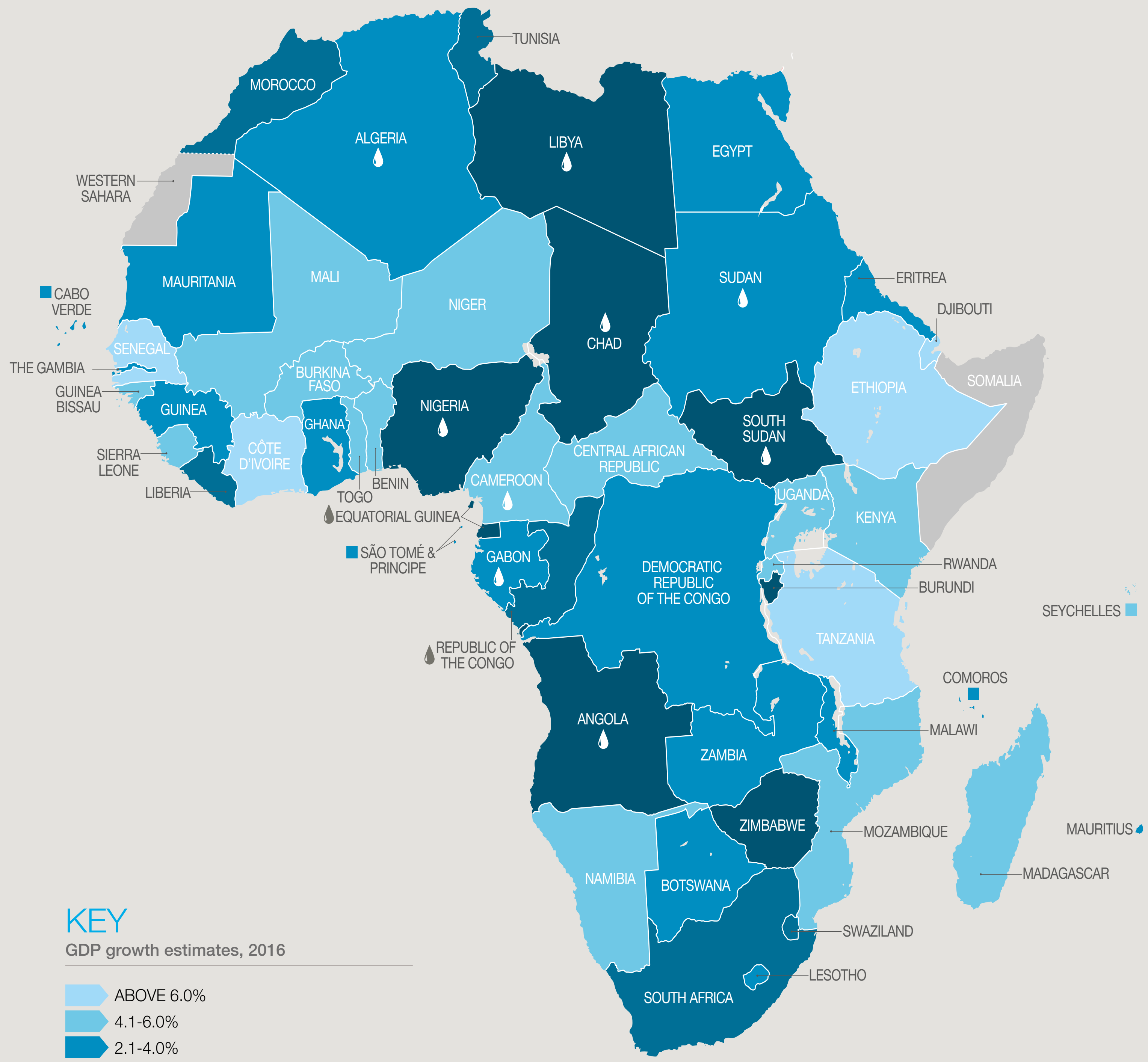
FIGURE 5

Africa mobile technology growth forecasts



Source: GSMA Intelligence

AFRICA GDP GROWTH RATES, 2016



KEY

GDP growth estimates, 2016

- ABOVE 6.0%
- 4.1-6.0%
- 2.1-4.0%
- 0.1-2.0%
- 0% or lower
- NO DATA AVAILABLE
- MAJOR NET OIL EXPORTING COUNTRIES

Source: International Monetary Fund

Population growth and urbanisation

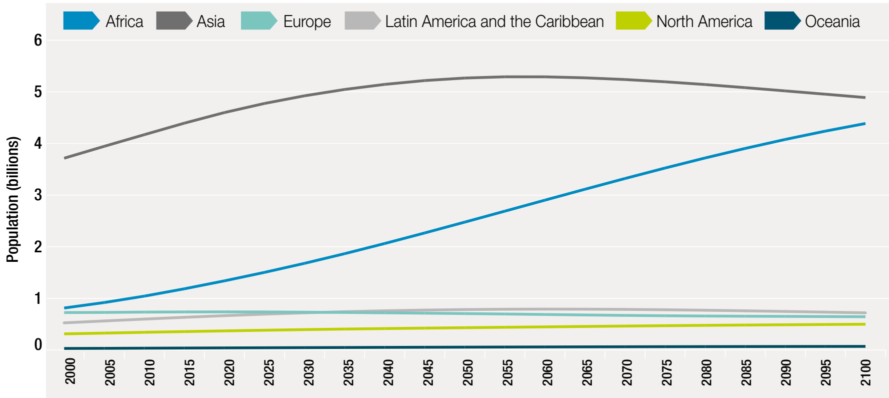
While economic growth has faltered in parts of Africa, demographic trends remain favourable to the continent's longer term development. The population of Africa is rising at a faster rate than that of any other global region and its demographic profile is both young and increasingly urbanised.

Africa's population has more than doubled over the last 30 years to over one billion, and the United Nations (UN) forecasts that it will surpass four billion by 2100, which would be around 40% of the global population. With other global regions likely to be characterised by slower population growth and ageing trends over the coming decades, Africa will be home to an increasingly significant portion of the global workforce. McKinsey projects that, by 2034, Africa's working-age population will be 1.1 billion, overtaking both China and India.

Rural-to-urban migration is intensifying population growth rates within many major cities in Africa. Currently, the urban population of Africa is increasing by more than 15 million people each year and the UN forecasts that Africa's overall urbanisation rate will increase from its current level of around 40% to over 50% by 2040.

The fastest growing cities of Africa are nearly all within the Sub-Saharan region, outside South Africa. Cities such as Kampala, Lusaka and Nairobi are currently growing at rates in excess of 4% per annum and, over the coming decades, an increasing number of Sub-Saharan cities will join the ranks of the world's megacities with populations over 10 million. Projections made by the Global Cities Institute suggest that Lagos, Kinshasa and Dar es Salaam will be the three most populous cities in the world at the end of the century. The heavily urbanised stretch of coast running from Lagos through to the Ivorian capital Abidjan, covering the best part of 1,000 km, may provide the foundation for a future global megalopolis.

FIGURE 6
Global population forecasts



Source: United Nations Population Division

Rapid population growth will create challenges for city authorities and put strain on urban infrastructures. It will also create opportunities for property development as huge investment will be needed in the built environment of African cities if they are to cope with the pressures of population growth.

A complex but positive outlook

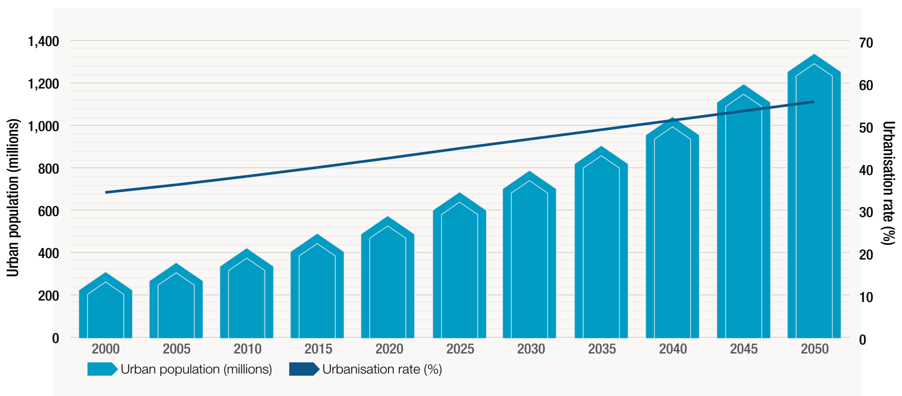
A more complex and challenging economic outlook has emerged for Africa, at a time when the global geopolitical environment also appears increasingly fractured. Recent patterns of growth have highlighted the diverse nature of Africa's economies, and significant variations in growth rates will persist, especially if oil prices fail to recover to levels that are more sustainable for Africa's oil-exporting countries.

The outlook for 2017 and beyond is coloured by wider global concerns. Much attention will be paid to the effects of the Trump presidency on Africa and whether, among other concerns, it threatens the future of the US African Growth and Opportunity Act (AGOA) trade agreement. However, it is possible that OPEC deals limiting oil production will work to the benefit of African oil exporters and spur a better-than-expected bounce in these economies.

Economic growth for Sub-Saharan Africa is generally expected to show a moderate recovery in 2017 and the IMF forecasts that regional GDP growth will be back above 4% by 2019. Over the longer term, many of the factors that supported economic growth in the early part of the century will remain in Africa's favour and its growing, young urban population could prove to be Africa's greatest asset in an ageing world.

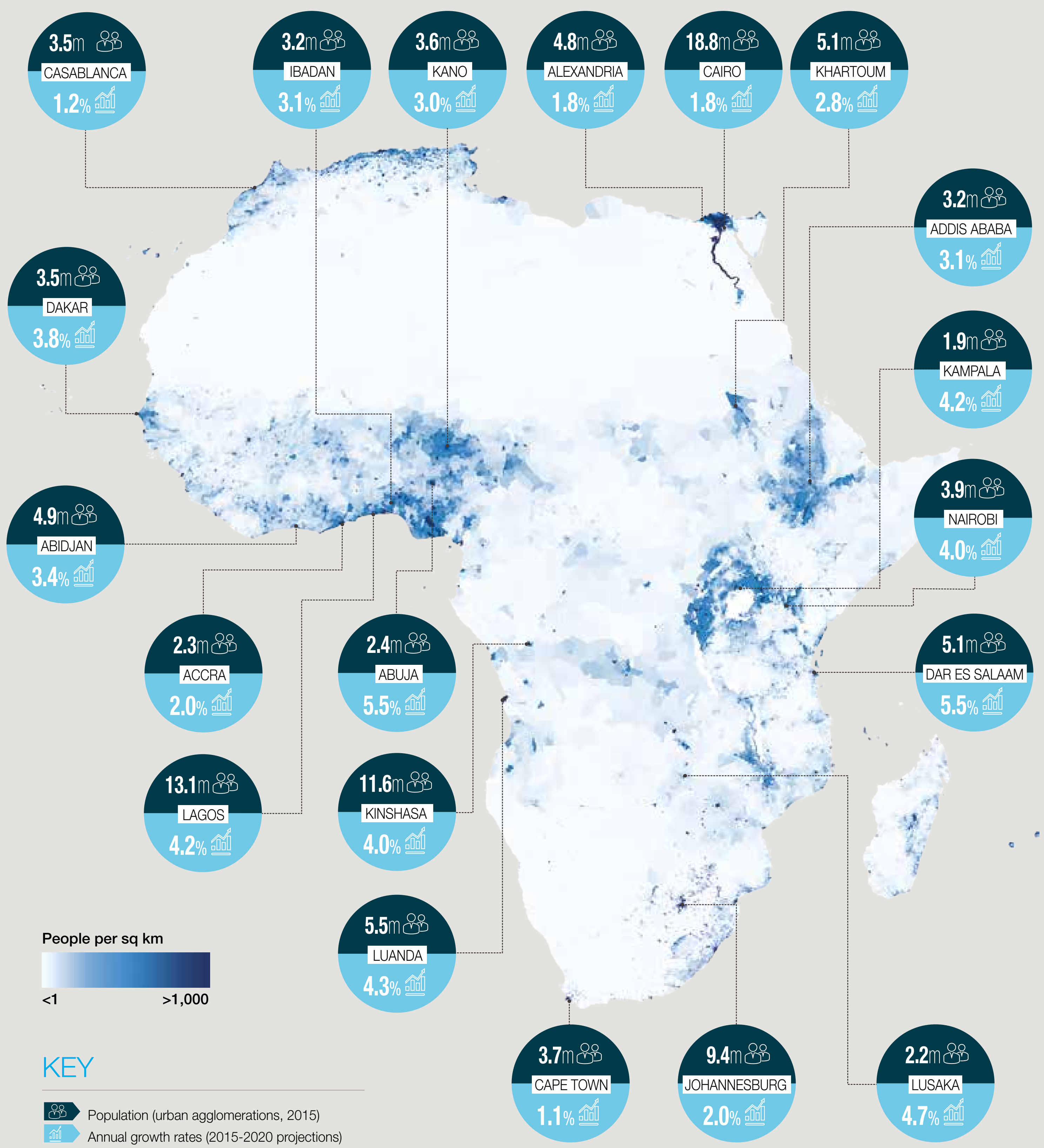
Recent events have underlined how important it is for investors targeting Africa to gain a detailed understanding of individual markets and to time their market entry correctly. Africa continues to offer great opportunities to investors able to navigate the markets astutely and for those with long-term investment horizons.

FIGURE 7
Africa urbanisation forecasts



Source: United Nations Population Division

AFRICA POPULATION DENSITY AND CITY GROWTH



Source: Socioeconomic Data and Applications Center (SEDAC)/United Nations Population Division/Knight Frank

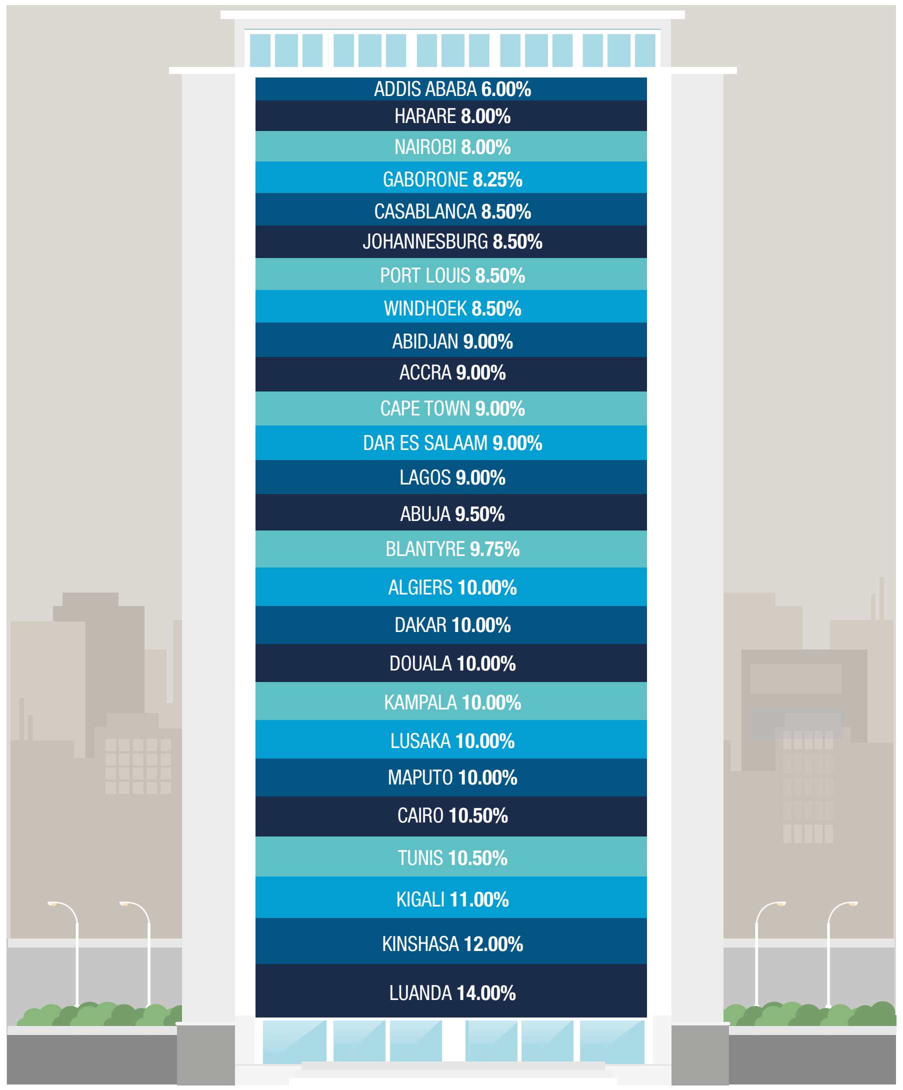
CAPITAL MARKETS REVIEW

A growing volume of capital is targeted at Sub-Saharan Africa real estate investment and development.

The persuasive long-term investment case for Sub-Saharan Africa has drawn increased numbers of international investors to investigate opportunities within the region over recent years, albeit transactional activity has been restricted by the limited availability of investment-grade stock and the opacity of the markets outside of South Africa. Interest in the sector remains heightened, despite the weakening of some Sub-Saharan economies over the last two years.

Investors' appetite for Sub-Saharan real estate was highlighted in 2016 by the announcement that the UK-based emerging markets specialist Actis had raised US$500 million for its third African property fund, Actis Africa Real Estate Fund 3. This is the largest amount that has ever been raised for a private real estate fund focused on Sub-Saharan Africa outside South Africa, and it included a commitment from the Government of Singapore Investment Corporation (GIC).

FIGURE 7
Africa prime office yields



Source: Knight Frank Research

Actis' two previous funds, closed in 2006 and 2012, have been involved with some of Sub-Saharan Africa's most modern commercial property developments, in countries such as Ghana, Kenya, Nigeria and Tanzania. In recent years, Actis has exited from many of its first wave of investments, selling its interests in assets including the Accra Mall, Nairobi Business Park and Ikeja City Mall.

When Actis launched its first Sub-Saharan Africa fund over a decade ago, it was a pioneer entering a market largely untapped by global property funds. However, its third fund will enter a significantly more crowded marketplace as a series of property investment vehicles have emerged in recent years targeting Sub-Saharan real estate. Many of these are South African-controlled funds, albeit often registered or listed offshore in Mauritius.

A prominent example is RMB Westport, which was created in 2008 as a joint venture between Rand Merchant Bank and the Westport Property Group. Its current development projects include the Wings Office Complex in Lagos and Muxima Shopping Centre in Luanda. RMB Westport's second fund, which has a target of raising US$450 million, has attracted commitments from both GIC and the UK investor Grosvenor.

Other real estate investment vehicles to have been launched in the last two years include a pan-African joint venture created by Growthpoint and Investec, which has the target of raising US$500 million. Momentum Global Investment Management and Eris Property Group have also formed a joint venture, the US$250 million Momentum Africa Real Estate Fund, which has allocated capital to development projects in Ghana and Nigeria.

The Anglo-South African group Old Mutual signalled its intention to expand its African footprint by announcing a partnership with the Nigerian Sovereign Investment Authority in the second half of 2016. This venture aims to raise US$500 million for a real estate fund, in addition to a US$200 million agriculture investment vehicle.

A further noteworthy event during 2016 was the creation of Mara Delta, a pan-African real estate fund formed from the merger of Delta Africa and Mara Diversified Property Holdings. During 2016, Mara Delta was one of the most acquisitive buyers of real estate across the region, growing a portfolio which currently includes assets in Kenya, Mauritius, Morocco, Mozambique and Zambia.

The activities of South African investors in the rest of Africa are part of a wider trend that has seen them increasingly move into foreign markets in order to hedge against a weak rand and a sluggish domestic economy. This has also led to South African investors directing significant volumes of capital to Central and Eastern Europe, attracted by the relatively high yields on offer in this region. During 2016, South African investors including Hyprop, Redefine and Tower acquired US$2.1 billion of property in CEE markets.

Significant demand for African real estate stems from Middle Eastern investors, who generally have a preference for large-scale development projects rather than direct property investment. Middle Eastern-backed developments in Sub-Saharan Africa include the UAE firm Eagle Hills' Century City project in the Nigerian capital Abuja. There is also strong interest from Middle Eastern groups in Africa's growing hospitality real estate sector.

Among Asian investors, Chinese groups are most visible in Africa, although the Japanese government has also taken significant steps to encourage investment into Africa. Chinese institutions are heavily involved with the financing and construction of large infrastructure projects across Africa, but pure-play property investment involving Chinese firms is much less common. Notable large-scale urban development projects involving Chinese investors include Shanghai Zendai's Modderfontein New City, near Johannesburg. Additionally, China's state-owned AVIC has made a substantial investment in the mixed-use Two Rivers development in Nairobi.

Recent transactional evidence indicates that yields within the 7-9% range are typical for investment-grade assets in the most attractive Sub-Saharan markets. While there are few other regions of the world where such yields can be achieved by prime assets, not all international investors will feel that these yields adequately compensate for the higher risk profile of African markets. Yield levels are supported by the strength of demand for the very limited number of institutional-grade assets that come to the market, and this dynamic is likely to be maintained as recently-launched investment vehicles seek to grow their funds.

Developments made by groups such as Actis and RMB Westport will add significantly to Sub-Saharan Africa's investment stock over the next five years, increasing the availability of assets that meet international institutional investors' requirements. However, global investors seeking to enter African markets may feel that it is prudent to initially follow the path taken by GIC and Grosvenor by investing in funds created by established investors within the region, rather than making direct property investments. When raising capital, the new wave of Sub-Saharan property funds will seek to tap into the burgeoning demand from international investors seeking to gain exposure to Sub-Saharan Africa.

Selected Sub-Saharan Africa investment transactions, 2015-16

Date	Property	Location	Sector	Seller	Buyer	Estimated price (US$ million)	Reported yield
Q4 2015	Ikeja City Mall	Lagos, Nigeria	Retail	Actis/RMB Westport/Paragon	Hyprop (75%)/ Attacq (25%)	91.0	>8.00%
Q2 2015	Two Rivers Development (39% stake)	Nairobi, Kenya	Mixed Use	Centum	Aviation Industry Corporation of China (AVIC)	70.0	N/A
Q4 2015	East Park Mall, Acacia Office Park & Jacaranda Mall (50% stakes)	Lusaka & Ndola, Zambia	Retail/Office	Casilli Group	SA Corporate	49.6	8.68%
Q3 2015	Wings Oando Development (37.1% stake)	Lagos, Nigeria	Office	RMB Westport	Pivotal	49.0	N/A
Q2 2015	Vodacom Building	Maputo, Mozambique	Office	Sociedade De Construçoes Catemba	Delta (now Mara Delta)	46.0	6.63%
Q4 2016	Cosmopolitan Mall (50% stake)	Lusaka, Zambia	Retail	Rockcastle	Mara Delta	37.1	7.75%
Q4 2015	Bagatelle – Mall of Mauritius (34.9% stake)	Bagatelle, Mauritius	Retail	Atterbury	Ascencia	28.9	c.7.00%
Q4 2015	Makuba Mall & Kafubu Mall (50% stakes)	Kitwe & Ndola, Zambia	Retail	Rockcastle	Delta (now Mara Delta)	21.6	7.75%
Q4 2015	Greenspan Mall	Nairobi, Kenya	Mixed Use	Greenspan Mall Limited	Stanlib Kenya Fahari I-REIT	20.0	8.10%
Q1 2016	Barclays House	Ebene, Mauritius	Office	Jade Group	Delta (now Mara Delta)	13.4	8.30%

Source: Knight Frank Research/Real Capital Analytics/Company reports and financial statements

SECTOR FOCUS: RETAIL

Sub-Saharan Africa's modern retail stock continues to grow in size and quality.

The development of modern shopping malls is changing the urban landscapes of Sub-Saharan Africa

The retail property sector has been a major focus for development activity within Africa over the last decade, causing the shopping mall concept to take root in increasingly wide range of major African cities. Development has been driven by the growth of the continent's consumer markets and the expansion of domestic and international retailers, particularly the leading South African supermarket chains such as Shoprite, Pick n Pay and Game.

South Africa is by far the largest and most mature retail market in the Sub-Saharan region, with approximately 23 million sq m of shopping centre floor space, compared with only about 3 million sq m in the whole of the rest of Sub-Saharan Africa. The South African market continued to grow in 2016, most notably through the completion of Atterbury's 131,000 sq m Mall of Africa, the largest single-phase mall development ever in Sub-Saharan Africa.

Outside of South Africa, the Kenyan capital Nairobi has the greatest volume of modern retail floor space in Sub-Saharan Africa, and it continues to be a development hotspot. The city saw the completion of the first phase of Actis' Garden City Mall (33,500 sq m) in 2015, followed by the opening of The Hub (30,000 sq m) in the affluent suburb of Karen in 2016. The 67,000 sq m Two Rivers Mall, which is now the largest in Kenya, opened in February 2017.

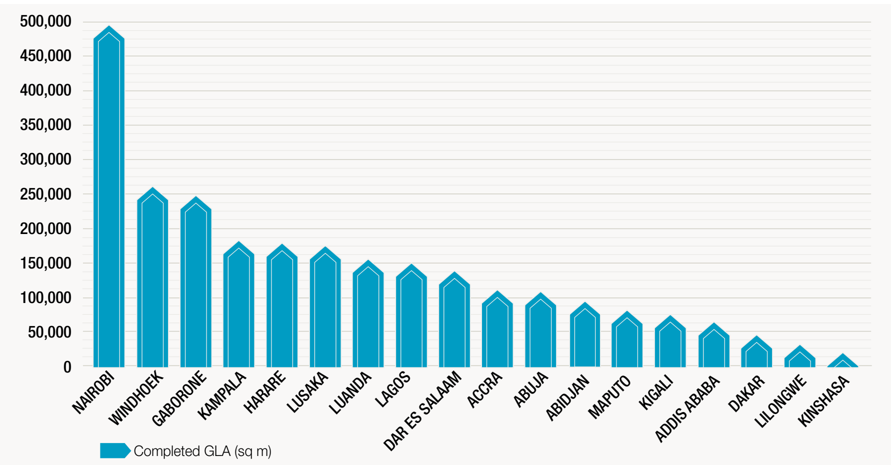
Elsewhere, developers including Atterbury, Novare, Resilient and RMB Westport have all delivered modern mall projects over the last two years, adding to the retail stock of countries including Ghana and Nigeria. The positive growth outlook for Côte d'Ivoire and Senegal has caused these countries to also attract increased interest, having previously seen relatively limited modern retail development. Of particular note, CFAO has opened PlaYce Marcory in Abidjan as the first of a series of Carrefour-anchored malls that are planned for West and Central Africa.

Large volumes of modern retail space remain in the pipeline across Sub-Saharan Africa, although the weakening of the oil-driven economies has led to the postponement or scaling down of some projects in these countries. With most of the region's major capital cities now having at least one modern mall, developers have increasingly targeted secondary cities in order to gain first-mover advantage in these locations. There are also signs that pragmatic developers are now concentrating on the delivery of well-located small and medium-sized convenience shopping centres rather than regional mega-malls.

As the sector grows and competition between retail schemes intensifies, developers will seek to differentiate their malls by offering access to international brands, leisure facilities and upscale consumer experiences. Selecting the right micro-locations for development will be crucial to the success of new centres, particularly in cities that already have successful existing malls. Modern mall development will play a major role in shaping the future landscapes of Africa's growing cities.

FIGURE 8

Completed shopping centre space in Sub-Saharan African cities



Source: Knight Frank Research
Graph excludes South African cities
Floor space estimates include schemes with a minimum gross leasable area (GLA) of 5,000 sq m

SELECTED SHOPPING MALL OPENINGS

2015-Q1 2017

SECTOR FOCUS: LOGISTICS

The logistics property sector has emerged as a growing focus for new development.

Over the last decade, modern commercial property development within Sub-Saharan Africa has largely been concentrated on the retail and office sectors, with logistics development being more limited. However, there is a growing recognition that the region's key cities are undersupplied for modern logistics space. Development activity is burgeoning, supported by demand for high quality space from retailers and consumer goods manufacturers seeking to expand their African operations and improve distribution networks and supply chains.

New developments opened in 2016 included York Commercial Park in the Zambian capital Lusaka and the Agility Distribution Park at the Port of Tema in Ghana. Both projects offer built-to-suit units of a quality previously unavailable in these markets. The Ghanaian project is the first of a number of logistics parks that the Kuwaiti developer Agility plans to build across Africa, with Angola, Côte d'Ivoire, Mozambique, Nigeria and Tanzania among its target markets.

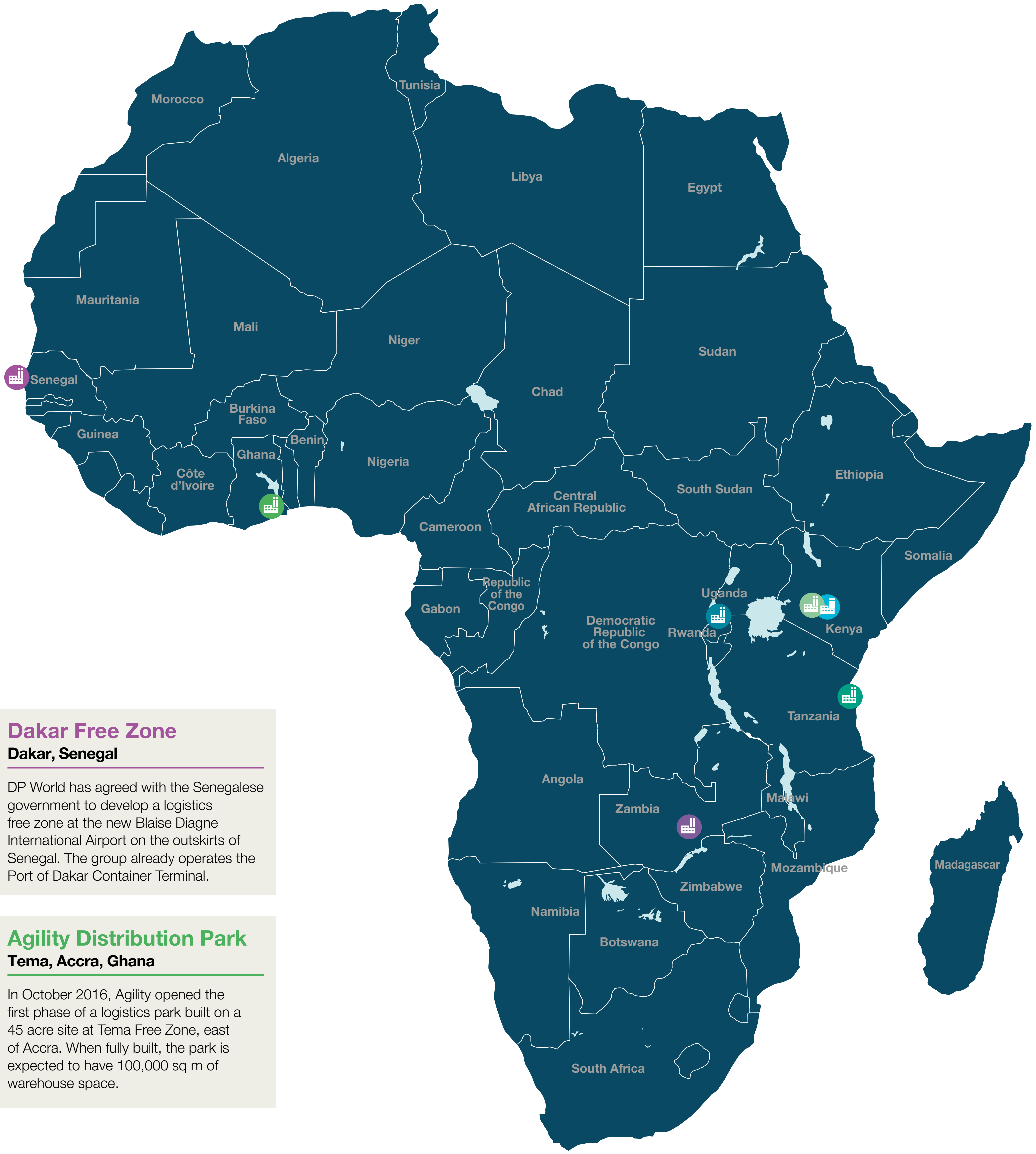
Several major logistics and industrial parks are in the pipeline as part of wider urban developments such as Rendeavour's Tatu City near Nairobi and Roma Park in Lusaka. The areas around ports are also hotspots for logistics developers, as Africa's reliance on sea transport for international trade means that its ports are crucial locations in firms' logistics networks. Dubai's DP World is notably active in the development and operation of ports and associated logistics property in Africa.

The future of African logistics property markets will be shaped by the impact of disruptive technologies. Drones, for example, have the potential to help logistics operators overcome the deficiencies of African transport infrastructure, by enabling the movement of goods to locations without reliable road networks. A system described as the world's first commercial drone delivery service was launched in Rwanda by the US company Zipline in 2016.

The rise of online retailing will also shape logistics property markets going forward. While small by global standards, Africa's online retail sector has started to grow at a fast pace, driven primarily by the increased penetration of smart mobile devices. Pioneering online retailers such as Nigeria's Jumia and Konga are building distribution networks that will require increasingly sophisticated logistics properties.


Port of Cape Town

SELECTED LOGISTICS DEVELOPMENT PROJECTS



Dakar Free Zone
Dakar, Senegal

DP World has agreed with the Senegalese government to develop a logistics free zone at the new Blaise Diagne International Airport on the outskirts of Senegal. The group already operates the Port of Dakar Container Terminal.

Agility Distribution Park
Tema, Accra, Ghana

In October 2016, Agility opened the first phase of a logistics park built on a 45 acre site at Tema Free Zone, east of Accra. When fully built, the park is expected to have 100,000 sq m of warehouse space.

Africa Logistics Properties
Nairobi, Kenya

Africa Logistics Properties (ALP) is an investment vehicle backed by the East African group Maris. ALP is seeking to raise US$65-70 million, including a proposed investment from the World Bank's International Finance Corporation arm, to develop logistics parks on sites around Nairobi.

CoastDryport
Soga, Tanzania

The US-based Blacklvy Group has plans to build a dry port and intermodal logistics park at the village of Soga, west of Dar es Salaam. The 500 acre site will be served by two dedicated rail lines.

Kigali Logistics Platform
Kigali, Rwanda

DP World has been granted a concession to develop and operate a new logistics centre in Kigali. The first phase will be built on 90,000 sq m of land and will comprise a 12,000 sq m container yard and a 19,600 sq m warehousing facility.

Tatu Industrial Park
Nairobi, Kenya

Part of the Tatu City urban development project, Tatu Industrial Park comprises 450 acres of serviced land suitable for light industrial, warehouse and logistics uses. Unilever has signed an agreement to acquire 70 acres of land at the park.

York Commercial Park
Lusaka, Zambia

Actis, in conjunction with the South African developer Improvon, is developing a modern logistics park in the south of Lusaka. The park's first phase was completed in early 2016.

ALGERIA

Office market

The traditional office locations in Algiers of Hydra and the city centre generally remain the prime areas for local businesses. However, international corporate occupiers with larger requirements have tended to shift eastwards towards the airport and the new commercial districts of Bab Ezzouar and Alger Medina. Banking, in particular, is largely no longer headquartered in the city centre, with Natixis, BNP Paribas, Citi and HSBC all now out to the east. Trust Bank and Al Baraka Bank also have new headquarters under construction in Bab Ezzouar. The office market has been subdued over the last year as a result of economic uncertainty and many of the largest construction projects have made slow progress. However, prime rents have been stable, as the availability of space suitable for international occupiers remains limited.

Retail market

The informal retail sector is still predominant in Algeria, but a series of modern retail developments have emerged over the last decade. The first of these was Sidar's Al Qods in Chéraga, which has since been joined by SCCA's Centre Commercial Bab Ezzouar, Arcofina's Ardis-Medina Center and Chaïbi/Asicom's City Center. These shopping centres are all performing well in terms of occupancy and footfall, although Algeria's current economic challenges are likely to slow further development. Carrefour has recently re-entered Algeria but the requirement to form a joint venture with local partners is an inhibitor to the market entry of other international retailers.

Industrial market

Algeria's oil-dependent economy is currently depressed and attempts to diversify the economic base have had only limited success. It is anticipated that the government will increase taxes and subsidised fuel prices in 2017, targeting businesses more than individuals. This will negatively impact Algeria's appeal as a manufacturing location and discourage international investment, which is already deterred by restrictions on foreign ownership. There are several major industrial zones around Algiers including Rouïba, Ouled Fayet, Birtouta and Dar El Beïda/Oued Smar; these are all practically full and it is difficult to find good quality real estate. There is a pharmaceutical/biotechnology cluster at Sidi Abdallah, 30 km south west of Algiers, where Sanofi is building a factory.

Residential market

The prime residential area of Algiers is Hydra, which is also the main area of the city for the diplomatic sector. The upmarket housing market has slowed in the last two years and rents have fallen, with the potential for further decreases due to the depressed economic conditions. Lease renewals are being agreed without review or at discounts to previous levels. The Finance Act 2017 has raised taxes on landlords' rental incomes, impacting the attractiveness of residential investment. There is strong potential demand for affordable housing and government initiatives have attempted to encourage investment in this sector.

Key facts

Population	39.7 million
Major cities:	
Algiers	2.6 million
Oran	0.9 million
Constantine	0.5 million
Official languages	Arabic
Total area	2,381,741 sq km
GDP growth (2016)	3.6%
Key export	Petroleum
Currency	Algerian Dinar (DZD)
EIU country risk rating (E=most risky)	D
World Bank Doing Business rank (out of 190 countries)	156

Algiers prime rents and yields

	Prime rents	Prime yields
Offices	US$30/sq m/month	10%
Retail	US$33/sq m/month	9%
Industrial	US$9.50/sq m/month	13%
Residential	US$4,500/month*	7.5%

Source: Knight Frank LLP

*4 bedroom executive house – prime location

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Bab Ezzouar Mall, Algiers

ANGOLA

Key facts

Population	25.0 million
Major cities:	
Luanda	5.5 million
Huambo	1.3 million
Official languages	Portuguese
Total area	1,246,700 sq km
GDP growth (2016)	0.0%
Key export	Petroleum
Currency	Kwanza (AOA)
EIU country risk rating (E=most risky)	D
World Bank Doing Business rank (out of 190 countries)	182

Luanda prime rents and yields

	Prime rents	Prime yields
Offices	US$80/sq m/month	14%
Retail	US$60/sq m/month	12%
Industrial	US$10/sq m/month	14%
Residential	US$15,000/month*	11%

Source: Knight Frank LLP

*4 bedroom executive house – prime location

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BESA Headquarters, Luanda

Office market

Falling oil prices have had a dramatic impact on Angola's oil-dependent economy and the real estate sector. Office demand in Luanda has virtually ground to a halt and supply has increased, causing vacancy rates for new buildings to rise above 20%, with further increases expected in 2017. Luanda still has the highest office rents in Africa, but Grade A rents have almost halved in the last three years. The market has also been affected by recently-introduced legislation prohibiting real estate rents from being set in, or linked to, a foreign currency. This has badly impacted landlords who have typically borrowed in US dollars but are now receiving their revenues in kwanza.

Retail market

The retail sector in Luanda remains at a nascent stage of development, with the majority of activity being either informal trading or in standalone units. International retailers, who were looking at the market in 2013-14, have all but disappeared. However, local investors have promoted the expansion of the mall operator Xyami, which is rolling out retail centres in Luanda and other Angolan cities. There are currently fourteen shopping centres in Greater Luanda, mainly concentrated in the downtown and Talatona, where many expatriates live. There has been a lack of open market transactions, but anecdotal evidence suggests that rents have fallen by around 50% since 2014.

Industrial market

Luanda's main industrial and warehousing locations are in and around the port area and Viana to the east of the city. Historically, it has been very difficult to find good quality warehousing in Luanda, but the drop in demand from the oil sector and an increase in supply has caused the market to become more balanced. Rents and values have fallen by 30-50% in the last couple of years. In the short-term, the market is expected to remain stable, but values should increase once the economy recovers and government initiatives to promote diversified industries have an effect.

Residential market

As is the case in other real estate sectors, high-end residential apartments and villas in Luanda are the most expensive in Africa, despite a 30-50% fall in prices in recent years. Unlike other sectors, residential values were already in decline before the drop in oil prices, due to increased levels of new supply in 2013-14. The prime residential market is dominated by the expatriate community, who generally look to rent rather than buy. A four-bedroom villa on one of the most sought-after compounds in Talatona can still fetch US$15,000 per month, but in 2014 the same villa would have achieved US$25,000 per month. Despite the weaker rental market, yields have actually hardened slightly, as investors have bought real estate to hedge against inflation and the devaluation of the kwanza.

BOTSWANA

Office market

Office supply continues to outstrip demand in Gaborone and this imbalance is likely to worsen for secondary space. With several large CBD office towers due for completion in 2017 and government departments set on moving to new CBD buildings, older and poorly located offices will be left empty with little expectation that they will be taken up by the private sector. Fairgrounds Office Park remains the decentralised location of choice, with rents around 20% lower than in the CBD. Despite the perceived oversupply, several occupiers with requirements for 500-1,000 sq m are unable to secure appropriate accommodation in the new CBD buildings, and many high-rise towers with smaller floor plates do not suit corporate occupiers.

Retail market

The retail sector continues to see new development, but demand for space has waned, with few new market entrants and existing businesses contracting in response to weak consumer spending. Historically, mall developers have targeted South African chains, who were able to obtain exemptions to legislation that limits the granting of certain trading licenses to local businesses. However, a hardening of the government's stance meant that South African retailers were unable to obtain exemptions throughout 2016. If this situation persists, it will deter the development of new malls and landlords will have to target Botswana-based tenants, who generally occupy smaller shops of less than 200 sq m.

Industrial market

Demand for industrial space is focused on units of less than 500 sq m, as tenants have started to use newly built business space as cheaper quasi-offices or showrooms. The lack of strict planning controls within industrial areas has enabled this trend. For new warehouses under 200 sq m, rents are now as high as 50 pula/sq m/month, close to half the level of fully-fledged offices. Demand for larger space is dominated by quasi-retailers seeking prominent properties with good visitor parking. With Botswana reaching 50 years of independence in 2016, many 50-year Fixed Period State Grant (FPSG) leases are nearing expiration and industrial property owners are anxious to see how the state treats requests to renew FPSG leases.

Residential market

Gaborone has a diminishing supply of low-to-middle income housing, with most people on average incomes finding it difficult to locate affordable housing or finance their own self-build homes. The drift to smaller and cheaper properties has been reinforced by an increased number of single-family households due to growing student and elderly populations. Many residential buy-to-let investors are struggling to find tenants, particularly as expatriate workers have found it difficult to renew work permits. Demand for multi-residential housing has increased and developers are increasingly tailoring schemes to the demands of average local buyers and tenants. Sales at the high end of the market are far less frequent and likely to stay muted for some time.

Key facts

Population	2.3 million
Major cities:	
Gaborone	0.2 million
Francistown	0.1 million
Official languages	English
Total area	581,730 sq km
GDP growth (2016)	3.1%
Key export	Diamonds
Currency	Pula (BWP)
EIU country risk rating (E=most risky)	B
World Bank Doing Business rank (out of 190 countries)	71

Gaborone prime rents and yields

	Prime rents	Prime yields
Offices	US$11.50/sq m/month	8.25%
Retail	US$26.50/sq m/month	7.5%
Industrial	US$4.75/sq m/month	9%
Residential	US$1,900/month*	6%

Source: Knight Frank LLP
*4 bedroom executive house – prime location

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Zambezi Towers, Gaborone

CAMEROON

Key facts

Population	23.3 million
Major cities:	
Yaoundé	3.1 million
Douala	2.9 million
Official languages	French, English
Total area	475,440 sq km
GDP growth (2016)	4.8%
Key export	Petroleum
Currency	Central African CFA Franc (XAF)
EIU country risk rating (E=most risky)	D
World Bank Doing Business rank (out of 190 countries)	166

Cameroon prime rents and yields

DOUALA

	Prime rents	Prime yields
Offices	US$26/sq m/month	10%
Retail	US$46.50/sq m/month	8.75%
Industrial	US$4.50/sq m/month	12%
Residential	US$2,800/month*	7.5%

YAOUNDÉ

	Prime rents	Prime yields
Offices	US$22/sq m/month	10%
Retail	US$22/sq m/month	9%
Industrial	US$2/sq m/month	15%
Residential	US$2,800/month*	7.5%

Source: Knight Frank LLP
*4 bedroom executive house – prime location

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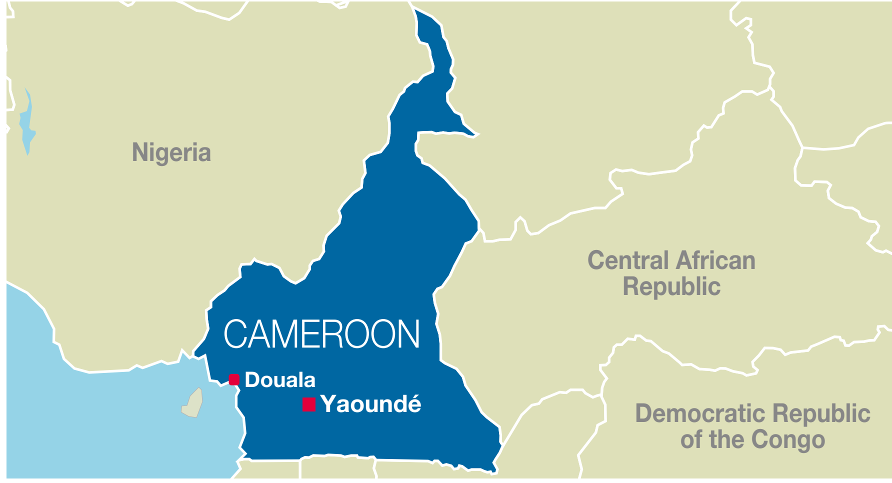
New office development, Yaoundé



Office market

Cameroon has some significant advantages, having a good education system that produces high quality employees and being both English and French speaking. However, a challenging business environment has held back the development of its office market. There are hardly any good quality office buildings and rents are flat. Douala is the main commercial city, while the capital Yaoundé has a much smaller corporate market which generally accommodates businesses that need access to government departments. Office development has tended to be by local individuals and businesses and is below the standards required by global corporate occupiers.

Retail market

There are only a small number of international retailers present in Cameroon and most of these, such as Casino and City Sport, are operated as franchises. Until recently, there were no malls in Cameroon but Douala has lately seen the opening of L'Atrium, anchored by Spar, and Kadji Square, which has a Super U hypermarket. The largest retail spaces in Yaoundé are mostly supermarkets or general stores such as Casino, Mahima and DOVV. CFAO/Carrefour have targeted both cities, and are most likely to open first in Douala, possibly as a standalone supermarket rather than a mall-with-supermarket format.

Industrial market

As the location of Cameroon's main port, Douala is the country's principal industrial centre. However, there is also significant development activity further south around Kribi, where a new deep-water port is under construction. The country is rich in natural resources with significant industrial-scale agriculture including rubber, palm oil and coffee. The stability of the local currency, which is pegged to the Euro, is an advantage, as is Cameroon's geographical position and the potential to sell into the landlocked countries of Chad and the Central African Republic. However, road networks are relatively poor, which creates distribution challenges, and there are persistent delays and other issues associated with moving products through the port.

Residential market

Almost half of Cameroon's population lives in informal dwellings, and there is a housing supply deficit estimated to be the equivalent of 100,000 units per year. This will be compounded in future years as the middle class swells and due to diaspora demand. It is very difficult to get financing unless you are a government employee, with funding mainly available through the government agency, Credit Foncier de Cameroun. With supply lagging demand, house prices are increasing, particularly at the mid-to-top end of the market where financing is a less important consideration. The best residential zones in Douala are Akwa, Bonapriso and Bonamoussadi. In Yaoundé, the prime areas are mainly around Centre Ville, Quartier du Lac and Bastos/Golf.

CHAD

Office market

Recent construction activity in N'Djamena has largely related to hotels and ministries, rather than commercial offices. There is a large area of the city which has been designated as the Cité Internationale des Affaires, but it is unclear if this will present opportunities to corporate occupiers and, if it does, this will not happen for several years. The city's office market is basic, and purpose-built offices are generally not suitable for international companies. As a result, such operations often work out of hotels and apartments where rents can be very high at XAF30,000/sq m/month-plus. However, the local rate for offices is around one-third, or less, of this. The US Embassy's relocation to Dembé/Chagoua is likely to spur the movement of other administrative functions to this area of the city.

Retail market

There are no international retailers in N'Djamena, and the formal retail market largely comprises small supermarkets selling imported products. Supermarket brands include Modern Market, Alimentation Générale and Alimentation La Tchadienne. The most significant retail and commercial street in the city is Avenue Charles de Gaulle. In early 2016, N'Djamena's first mall opened opposite the Cité Internationale des Affaires, anchored by a 2,600 sq m Modern Market. However, this is still a fairly basic development by international standards, being essentially ground floor space under apartments.

Industrial market

Chad is consistently ranked as one of the most challenging countries in the world in which to do business. As a landlocked country with a relatively small and low-income population, Chad is not a target market for international manufacturers, and activity mainly involves local businesses involved with agri-processing. In N'Djamena, industrial activity is mostly concentrated around Farcha where some of the oil companies have bases. There is significant oil activity in the south and west of the country, where ExxonMobil has large operations. However, the government has a history of tense relations with foreign oil companies and it recently imposed on ExxonMobil a fine equivalent to seven times the country's GDP for the alleged non-payment of taxes.

Residential market

N'Djamena saw a surge in the development of high-end villas and hotels in the run-up to the 2015 African Union summit, including a 60-villa compound at Sabangali, and a residential development alongside the Ledger Plaza hotel. However, the summit was cancelled due to the country's economic crisis and, since then, construction activity has almost entirely halted. At the top end of the market, property is generally developed for owner-occupation or for leasing to expatriates. The expatriate leasing market is currently dominated by the diplomatic sector as oil companies have downsized operations. Prime residential rents are around XAF1.75-2.5 million/month, which is slightly down on a year ago, and the market is generally stagnant.

Key facts

Population	14.0 million
Major cities:	
N'Djamena	1.3 million
Moundou	0.1 million
Official languages	French, Arabic
Total area	1,284,000 sq km
GDP growth (2016)	-1.1%
Key export	Petroleum
Currency	Central African CFA Franc (XAF)
EIU country risk rating (E=most risky)	D
World Bank Doing Business rank (out of 190 countries)	180

N'Djamena prime rents and yields

	Prime rents	Prime yields
Offices	US$55/sq m/month	10%
Retail	US$46.50/sq m/month	9.5%
Industrial	US$3.75/sq m/month	13%
Residential	US$4,600/month*	8%

Source: Knight Frank LLP
*4 bedroom executive house – prime location

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New housing next to Ledger Plaza, N'Djamena

CÔTE D'IVOIRE

Key facts

Population	22.7 million
Major cities:	
Abidjan	4.9 million
Bouaké	0.8 million
Yamoussoukro	0.3 million
Official languages	French
Total area	322,463 sq km
GDP growth (2016)	8.0%
Key export	Cocoa
Currency	West African CFA Franc (XOF)
EIU country risk rating (E=most risky)	C
World Bank Doing Business rank (out of 190 countries)	142

Abidjan prime rents and yields

	Prime rents	Prime yields
Offices	US$32/sq m/month	9%
Retail	US$46.50/sq m/month	8.75%
Industrial	US$6.50/sq m/month	12%
Residential	US$3,700/month*	8%

Source: Knight Frank LLP
*4 bedroom executive house – prime location

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PlaYce Marcory, Abidjan

Office market

The leasing of Green Buro in Cocody Ambassades in early 2016, to tenants including GE, Pfizer and ExxonMobil, established a new benchmark for prime rents in Abidjan of XOF17,000/sq m/month. This confirmed Abidjan as the market with the fastest rental growth in Africa over recent years. Several new office developments have been announced by international developers, notably Actis' Renaissance Plaza project in Plateau, but no significant new supply will come to the market until at least 2018, putting further upward pressure on rents. Development tends to be focused on Plateau, which is the established CBD where skyscraper construction is permitted, but many international companies prefer Marcory and Cocody.

Retail market

The opening of CFAO/Carrefour's PlaYce Marcory in December 2015 gave Abidjan its first investment-grade mall, along with a variety of new and mainly-French retail brands. The same group is developing a second mall to the north of the lagoon, known as PlaYce Palmeraie, which is progressing quickly and will open in 2017. The nearby Abidjan Mall opened in August 2016, adding further to the recent rapid growth of Abidjan's mall sector, which is now significantly ahead of other markets in Francophone Africa. In the immediate future, any further construction activity is likely to comprise the upgrading of older centres and new development in more peripheral locations such as Yopougon.

Industrial market

Much of Abidjan's industrial activity is located in areas to the south of the lagoon near the port, such as Vridi, Zones 3 and 4, and Koumassi. These traditional industrial areas are essentially at full capacity. Occupiers are either in legacy real estate or need fast access to the port for import/export activity. To the north of the lagoon, the most important industrial zone is Yopougon, where the majority of businesses are larger users processing local products. International companies in this location include Nestlé and Cargill. Further north, Heineken and CFAO are building a new brewery on the road to Yamoussoukro, which will open in 2017 and give some critical mass to the proposed PPP-funded PK24 industrial zone.

Residential market

Upmarket residential development tends to focus on Zone 4/Bietry to the south, and Cocody and the Rivieras to the north. Recent years have seen the development of a significant volume of luxury apartment buildings, and this trend is continuing. The market was boosted by the return of the African Development Bank to Abidjan in 2014, but with the bank now starting a process of "decentralisation", high-end residential demand may be negatively impacted. Increased development outside of Abidjan is being encouraged by improvements to roads and other infrastructure. Most of this is at the affordable end of the market, with small plots being bought for the construction of owner-occupied housing, but there has also been a significant amount of speculative activity.

DEMOCRATIC REPUBLIC OF THE CONGO

Office market

Office development accelerated after the presidential elections in 2011, but market activity has more recently slowed due to uncertainty caused by the postponement of the next elections from 2016 to 2017. New occupiers entering the Kinshasa market are rare, resulting in weak demand for the space that is currently available. The prime area for offices is in the north of the city, with many of the most prominent buildings being along Boulevard du 30 Juin. International companies with a presence include Ericsson, Orange, Citibank, Elf, Vodacom, Nestlé and Alcatel-Lucent. Most of these have offices in Gombe, which is regarded as the most secure area. Office buildings in Kinshasa are generally of a poor standard and many lack air conditioning or elevators.

Retail market

The Kinshasa retail market has shown limited progress in recent years. The 10,000 sq m Le Premier Shopping Mall opened on Avenue de la Justice in 2016, while Conimmo has plans to build the 32,000 sq m City Mall in Gombe. However, the massive and unfinished Gare Centrale mixed-use development provides a reminder of the difficulties of developing in Kinshasa. Shoprite is the only major international retailer in Kinshasa, having a supermarket on Avenue de l'OUA. Rents for ground floor retail space are at a similar level to office rents, highlighting the immaturity of the sector as a higher value is attached to ground floor retail units in more advanced markets.

Industrial market

Historically, prime industrial property has been located in the city centre and Gombe, resulting in relatively high rents. However, more recent development has generally occurred in the east of the city, in areas between the port and the international airport. Industrial property is clustered around the Route des Poids Lourds, particularly in Kingabwa and Limete. Medium and large industrial properties are generally owner-occupied, there is little speculative development, and the leasing market mostly comprises basic second-hand units. Industrial rents in the newer areas drop by as much as 50% compared with the city centre. Much of the centrally-located industrial space can be expected to be gradually converted to office or residential use.

Residential market

With security concerns becoming more acute, residential values have risen dramatically in the parts of Kinshasa regarded as being safe. There has been a significant volume of apartment development, but the availability of standalone houses in good, secure locations remains limited. The best residential areas are generally in the north of the city and include Gombe, Kintambo, Binza, Lingwala and Barumbu. A number of relatively small developments targeting expatriates have been completed in recent years, and these have been successfully leased. Prime rents are in the region of US$10,000/month, but drop off dramatically outside of the safe areas.

Key facts

Population	77.3 million
Major cities:	
Kinshasa	11.6 million
Lubumbashi	2.1 million
Mbuji-Mayi	2.0 million
Kananga	1.2 million
Official languages	French
Total area	2,344,858 sq km
GDP growth (2016)	3.9%
Key export	Copper
Currency	Congolese Franc (CDF)
EIU country risk rating (E=most risky)	D
World Bank Doing Business rank (out of 190 countries)	177

Kinshasa prime rents and yields

	Prime rents	Prime yields
Offices	US$25/sq m/month	12%
Retail	US$25/sq m/month	12%
Industrial	US$15/sq m/month	15%
Residential	US$10,000/month*	12%

Source: Knight Frank LLP
*4 bedroom executive house – prime location

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Immeuble Tilapia, Kinshasa

EGYPT

Key facts

Population	91.5 million
Major cities:	
Cairo	18.8 million
Alexandria	4.8 million
Giza	3.6 million
Official languages	Arabic
Total area	1,001,450 sq km
GDP growth (2016)	3.8%
Key export	Petroleum
Currency	Egyptian Pound (EGP)
EIU country risk rating (E=most risky)	C
World Bank Doing Business rank (out of 190 countries)	122

Cairo prime rents and yields

	Prime rents	Prime yields
Offices	US$35/sq m/month	10.5%
Retail	US$70/sq m/month	8.5%
Industrial	US$3.50/sq m/month	12%
Residential	US$3,500/month*	7.5%

Source: Knight Frank LLP
*4 bedroom executive house – prime location

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Maadi Technology Park, Cairo

Office market

A major issue affecting all property market sectors is the floating of the Egyptian pound, which happened in November 2016 and led to a sharp devaluation against the US dollar. As a result, where rents are payable by local companies at a dollar equivalent rate, they have effectively doubled in local currency terms. Some landlords have been forced to cap the rate at which their rents are converted to the local currency and it is likely to be some time before the market stabilises. Cairo's main office areas are Downtown and New Cairo to the east of the city. The latter offers commercial and residential accommodation in a less congested environment than the city centre and a number of major companies and bank headquarters are now located in this area. The government appears to be pressing ahead with plans to create a new administrative capital to the east of New Cairo which may cause a further shift in focus away from the city centre. Prime city centre office rents are in the region of US$30-35/sq m/month, and drop to around US$25/sq m/month in New Cairo, albeit prime schemes such as Cairo Festival City quote higher rates.

Retail Market

The floating of the local currency has caused additional issues for retailers, as they have not just seen rents rise in local currency terms, but the cost of imported goods has also increased. There is further uncertainty over the impact that the currency devaluation will have on consumer spending. No new malls were delivered to the Cairo market in 2016, and the opening of the massive Mall of Egypt (165,000 sq m GLA) was put back to 2017. Prime rents for small retail units can be in excess of US$100/sq m/month, but rates for larger units are typically in the order of US$50-70/sq m/month.

Industrial market

The Industrial Development Authority continues to control and promote new industrial activity in Egypt. It owns significant areas of land which are available for sale or lease. Land in outlying areas such as Upper Egypt may even be offered free, while in other areas land is available at discounted rates. Rents for industrial buildings are in the region of US$2/sq m/month, and for warehousing are in the range of US$3-3.50/sq m/month.

Residential market

Developers have reported good take-up of residential units in high quality new developments, although to some extent this reflects the release of a decreased number of units to the market. High-end residential development is primarily focused on 6th of October City and New Cairo. The devaluation of the Egyptian pound will create issues in this sector as developers face increased costs in local currency terms and, as a result, may seek to increase local currency prices.

EQUATORIAL GUINEA

Office market

Office demand in Equatorial Guinea has historically been primarily driven by the construction and energy sectors. The country has a history of big "statement" infrastructure projects such as the Malabo II urban corridor and the Sipopo luxury resort, and work has begun on the construction of a new capital city at Oyala on the mainland. The construction industry has been hit by reduced government spending resulting from lower oil revenues. The oil and gas sector has also contracted, generating muted office demand. However, the market's few major office landlords are debt-free and able to cope with vacancies, so rents are likely to decrease less rapidly than would be expected in other markets with similar supply/demand dynamics.

Retail market

The retail market in Equatorial Guinea is limited in size, reflecting the country's small population, much of whom live in extreme poverty with wealth being concentrated in the hands of a very small minority. There are medium-sized supermarkets alongside local markets and street trading. Supermarkets used by expatriates in Malabo include EGTC, Martínez Hermanos, Supermercado Santy and Supermercado Muankaban. These stores are well stocked with international goods but are very expensive, as almost everything has to be imported. There are plans for the construction of larger retail developments including the 12,000 sq m Sipopo Mall.

Industrial market

Equatorial Guinea was one of the fastest-growing economies in the world in the first decade of the 2000s, with its success resting on a string of oil and gas discoveries. Almost all industrial activity relates to the oil and gas sector and, to a lesser extent, agriculture and timber. Industrial activity is focused around KM5, a purpose-built transit-port for oil-related cargo, and the massive liquefied natural gas (LNG) facility at Punta Europa. There has been a drive to relocate some oil and gas activity across Bioko Island to Lonrho's Luba Freeport, where there has been significant purpose-built construction and real estate speculation.

Residential market

Equatorial Guinea has the highest GDP per capita in Africa, but its wealth belongs to a very small section of the population. Wealthy individuals have channelled a significant amount of capital into residential real estate development and there are some good quality apartment blocks to the west and centre of Malabo. The oil and gas sector drives expatriate demand, and recent falls in oil prices have thus had a significant impact on activity. There does, though, remain a reasonable market for serviced apartments and compounds catering for oil workers in transit to and from offshore operations. There has been some mass house building at developments such as Buena Esperanza on the outskirts of Malabo, but it is debatable if this is truly affordable to most locals.

Key facts

Population	0.8 million
Major cities: Malabo	 0.2 million
Official languages	Spanish, French
Total area	28,051 sq km
GDP growth (2016)	-9.9%
Key export	Petroleum
Currency	Central African CFA Franc (XAF)
EIU country risk rating (E=most risky)	D
World Bank Doing Business rank (out of 190 countries)	178

Malabo prime rents and yields

	Prime rents	Prime yields
Offices	US$37/sq m/month	11%
Retail	US$37/sq m/month	11%
Industrial	US$11/sq m/month	14%
Residential	US$6,500/month*	9%

Source: Knight Frank LLP
*4 bedroom executive house – prime location

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Ibis Hotel, Malabo II

ETHIOPIA

Key facts

Population	99.4 million
Major cities: Addis Ababa Dire Dawa	 3.2 million 0.4 million
Official languages	Amharic
Total area	1,104,300 sq km
GDP growth (2016)	6.5%
Key export	Coffee
Currency	Birr (ETB)
EIU country risk rating (E=most risky)	C
World Bank Doing Business rank (out of 190 countries)	159

Addis Ababa prime rents and yields

	Prime rents	Prime yields
Offices	US$25/sq m/month	6%
Retail	US$33/sq m/month	6%
Industrial	US$7.50/sq m/month	10%
Residential	US$6,000/month*	8%

Source: Knight Frank LLP
*4 bedroom executive house – prime location

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Zefmesh Grand Mall, Addis Ababa

Office market

As a location for international companies, Ethiopia is restricted by its investment code, which prohibits foreign investment in the banking, telecoms and financial services sectors. Nonetheless, office demand is relatively strong in Addis Ababa and buildings generally have high occupancy rates. Most offices are in mixed-use buildings, few of which would meet the quality or health and safety standards required by international corporate occupiers. The traditional locations for upscale offices in Addis Ababa are in Bole Road, Bole Medhanealem/Cameroon Street, Kazanchis and La Gare/Mexico. Investment yields can be very low as there is strong demand from wealthy locals who are subject to restrictions on the transfer of money outside Ethiopia and have few alternative investments available.

Retail market

The Ethiopian retail market has significant growth potential but its development is fundamentally restricted by the fact that foreign investment is not permitted in this sector. Modern retailing in Addis Ababa is still in the early stages of development compared with other countries in the region. The most prominent supermarkets, such as Shoa and Bambis, are local companies operating from medium-sized stores. Addis Ababa has several small and medium-sized malls, including Zefmesh Grand Mall, Medhanealem Mall and Friendship City Centre, which all generally operate at around 100% occupancy.

Industrial market

There is a growing market for consumer products in Ethiopia which has encouraged the market entry in recent years of firms such Diageo, Heineken, SAB Miller, Duet Group, Tiger Brands and Unilever. However, the manufacturing real estate market is not well developed. The most developed areas and locations with future growth potential are generally found within 100 km of Addis Ababa, to the south of the city and along the new Addis Ababa-Djibouti railway. The only two major new industrial parks are at Bole Lemi, which is mainly used for clothing production, and Dukem/EIZ. While it is possible to construct on a standalone basis, this generally has to be in locations without good infrastructure and requiring land purchases from multiple parties. However, Heineken has successfully achieved this at Akaki Kality.

Residential market

The best locations in Addis Ababa for high-end apartments are in Bole and Kazanchis. Old Airport is also a good residential area, which mainly comprises villas. The market has been buoyant, with high-end apartments mainly being sold off-plan and during their construction periods. Most schemes have been on a relatively small scale, but there are now also some decentralised mega-schemes such as Poli Lotus and Royal Garden. While availability is likely to increase and the market is expected to slow a little, a flight to quality is anticipated and the prime market will remain strong. At the top end of the apartment market, purchases are mainly made for investment.

GABON

Key facts

Population	1.7 million
Major cities:	
Libreville	0.7 million
Port-Gentil	0.1 million
Official languages	French
Total area	267,667 sq km
GDP growth (2016)	3.2%
Key export	Petroleum
Currency	Central African CFA Franc (XAF)
EIU country risk rating (E=most risky)	C
World Bank Doing Business rank (out of 190 countries)	164

Libreville prime rents and yields

	Prime rents	Prime yields
Offices	US$35/sq m/month	9%
Retail	US$45/sq m/month	9%
Industrial	US$8/sq m/month	14%
Residential	US$6,000/month*	8%

Source: Knight Frank LLP
*4 bedroom executive house – prime location

Office market

Across all sectors, the property market in Gabon has been affected by economic and political uncertainty over the last 12 months. Declining oil reserves and depressed oil prices have led to reduced government spending and an increased focus on the non-oil economy. The results of presidential elections in August 2016 were disputed leading to political unrest. Office rents in Libreville are currently coming under downward pressure, primarily due to significant volumes of new space being either recently completed or close to completion in and around the city centre. These new developments have mostly been built by Lebanese or Chinese developers and investors, and are entering the market when demand for new space is subdued.

Retail Market

While the retail market in Gabon remains dominated by small-scale and informal retailing, more modern and larger scale operations have steadily been introduced to the country. There are few international retailers in Libreville although a franchise of the French supermarket Géant Casino operates at Centre Commercial Mbolo. The main market in Libreville, Marché de Mont-Bouët, is due to be replaced by the Grand Marché de Libreville which will provide better quality market stalls alongside more modern retail units, but work on the new facility has not yet commenced. Gabon is among eight African countries identified as targets for development by CFAO/Carrefour.

Industrial market

With the industrial market being impacted by the slowdown in oil-related activity, future growth may depend on the success of the government's drive to expand non-oil industries. However, the business environment in Gabon is challenging and the government's diversification strategy has so far been based on the granting of specific incentives to foreign investors. There is a special economic zone at Nkok, about 30 km east of Libreville, which was established as a partnership between the government and the Singaporean agri-business Olam. Much of the country's oil-related industry is based in the city of Port-Gentil, which is currently only accessible via air and sea. However, the first road link to the city, involving the construction of several bridges, is being built by the China Road and Bridge Corporation.

Residential market

As with the office sector, the prime residential market is seeing new developments coming on line at a time when demand is limited. Properties that would have previously been expected to re-lease easily once being vacated are now becoming much harder to lease and landlords are experiencing void periods. There is a shortfall of lower income housing, which the government has attempted to address by developing new units, but the number of units completed to date is well behind initial targets.

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Immeuble Premium, Libreville

GHANA

Key facts

Population	27.4 million
Major cities:	
Accra	2.3 million
Kumasi	2.1 million
Sekondi-Takoradi	0.6 million
Official languages	English
Total area	238,533 sq km
GDP growth (2016)	3.3%
Key export	Petroleum
Currency	Cedi (GHC)
EIU country risk rating (E=most risky)	C
World Bank Doing Business rank (out of 190 countries)	108

Accra prime rents and yields

	Prime rents	Prime yields
Offices	US$35/sq m/month	9%
Retail	US$40/sq m/month	8.75%
Industrial	US$10/sq m/month	12%
Residential	US$4,500/month*	8%

Source: Knight Frank LLP
*4 bedroom executive house – prime location

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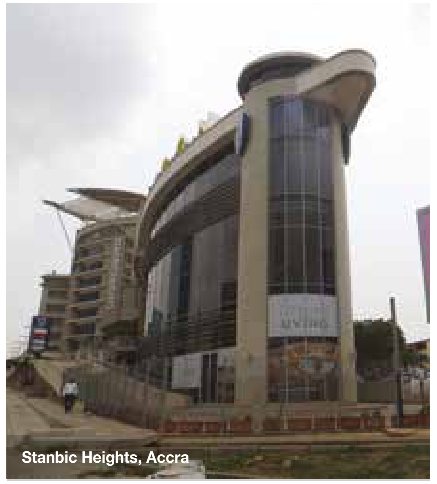

Stanbic Heights, Accra

Office market

The recent downturn in the Ghanaian economy has reduced office space demand in Accra. Several new office properties have been completed in the CBD and Airport Area, with the largest new office building to enter the market in 2016 being Dream Realty's The Octagon (36,000 sq m). A number of the new developments due in the medium-term are for owner-occupation, but these will still result in the release of a significant amount of second-hand space. Asking rents remain relatively high but are coming under downward pressure due to rising vacancy rates and the limited number of tenants seeking space. The Accra market is expected to remain balanced in the tenant's favour for the next few years.

Retail market

While the Ghanaian retail market is still predominantly informal, there are some major malls, particularly in Accra. A number of international retailers, largely from South Africa, have a presence in the market. Accra's first Grade A shopping centre was the 20,000 sq m Accra Mall, which is now ten years old. Subsequent openings have included West Hills Mall (27,000 sq m) and The Junction Shopping Centre (11,500 sq m), while pipeline projects include Actis/Mabani's mixed-use The Exchange. There are concerns that the Accra retail market is close to reaching saturation point, and new developments will be entering a challenging economic environment. In the short-to-medium term, retail development is likely to focus on secondary cities such as Takoradi and Kumasi.

Industrial market

The industrial property market has faced challenges stemming from power supply issues, taxation changes, high borrowing costs and the collapse of the cedi. There has been some rationing of power which has resulted in several businesses having to stop production and lay off staff to reduce costs. The key industrial locations in Accra include North Industrial Area, South Industrial Area, Spintex Road and Tema, while Kpone and Accra-Aflao Road are emerging submarkets where land is readily available. Demand for space has eased in recent years and there is some vacancy, with more development to come at Rendeavour's Appolonia project and LMI Holdings' Dawa Industrial City.

Residential market

Ghanaian housing has traditionally taken the form of low-rise accommodation but in larger cities such as Accra, where land prices have increased substantially in recent years, there are an increasing number of townhouses and apartment blocks. The trend to construct apartment buildings has been driven by the mid-to-high income groups in Ghana, with this type of property being seen as a good investment vehicle. The economic boom earlier in the decade encouraged high levels of development, and the market now suffers from oversupply. Prices are generally falling, but good quality product priced at a level that provides developers with a reasonable profit margin will still sell well.

KENYA

Office market

Approximately 300,000 sq m of commercial office space was delivered to the Nairobi market in 2016, compared with an average of 150,000 sq m in recent years. The high levels of new supply have negatively affected rental levels and occupancy rates. This situation has been exacerbated further by external events that have caused some multinationals, particularly in the oil industry, to downsize their operations in Kenya. The take-up of new prime offices in Nairobi remains steady, however, with the city continuing to be the preferred location for global corporates looking to establish regional hubs serving East Africa's 150 million-plus population.

Retail market

Approximately 100,000 sq m of formal retail space was delivered to the market in 2016, up from about 50,000 sq m in 2015. As a result of this new supply, it has taken longer for space to be let and prime rents have stagnated. Retailers from outside Africa are taking a growing interest in Kenya, with the most high profile recent market entrant being the French supermarket chain Carrefour, which has stores at both The Hub and Two Rivers Mall. However, the sudden rise in supply has stretched the capacity of local retailers to occupy the new space.

Industrial market

Most of the stock in the established industrial zones of Nairobi and other major Kenyan cities remains outdated and of poor quality, and industrial areas suffer from heavy traffic congestion. Modern well-configured logistics space is currently scarce in spite of growing demand for high specification facilities, and this has led to some occupiers developing their own space. Rising demand in this sector has prompted the emergence of several master planned industrial parks, particularly on the outskirts of Nairobi where developers are taking advantage of new infrastructure developments, but construction is yet to commence on a large scale.

Residential market

The residential sector remained stable throughout 2016, due to steady macroeconomic conditions and minimal impact from external shocks. Luxury home sales prices increased marginally, but prime rental prices declined as a result of a slight oversupply, which was partly attributable to the exodus of a large number of expatriates following the downsizing of Kenya's oil extraction industry. The Kenyan government estimates that there is a shortage of approximately 200,000 units per annum and is addressing the situation through measures such as slum upgrading and the provision of tax incentives for major developers.

Key facts

Population	46.0 million
Major cities: Nairobi Mombasa Kisumu	 3.9 million 1.1 million 1.0 million
Official languages	English, Kiswahili
Total area	580,367 sq km
GDP growth (2016)	6.0%
Key export	Tea
Currency	Kenyan Shilling (KES)
EIU country risk rating (E=most risky)	C
World Bank Doing Business rank (out of 190 countries)	92

Nairobi prime rents and yields

	Prime rents	Prime yields
Offices	US$16/sq m/month	8%
Retail	US$48/sq m/month	8%
Industrial	US$4.70/sq m/month	8.5%
Residential	US$4,100/month*	5%

Source: Knight Frank LLP
*4 bedroom executive house – prime location

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Britam Tower (under construction), Nairobi

MADAGASCAR

Key facts

Population	24.2 million
Major cities: Antananarivo	 2.6 million
Official languages	French, Malagasy
Total area	587,041 sq km
GDP growth (2016)	4.1%
Key export	Nickel
Currency	Malagasy Ariary (MGA)
EIU country risk rating (E=most risky)	C
World Bank Doing Business rank (out of 190 countries)	167

Antananarivo prime rents and yields

	Prime rents	Prime yields
Offices	US$15/sq m/month	14%
Retail	US$15/sq m/month	13%
Industrial	US$4.50/sq m/month	18%
Residential	US$1,250/month*	12%

Source: Knight Frank LLP
*4 bedroom executive house – prime location

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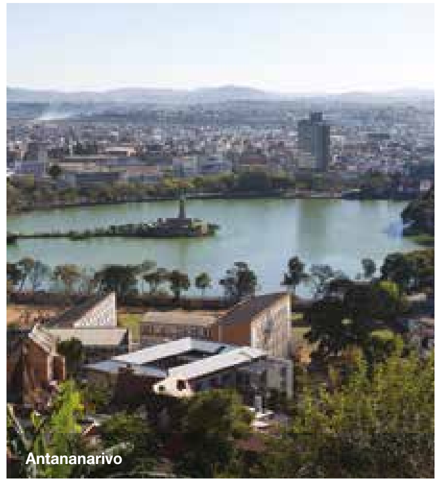
Antananarivo

Office market

The office market in Madagascar deteriorated after the coup in 2009, but greater stability followed the presidential elections of 2013, leading to a period of steady growth. The preferred office locations for multinationals are the areas to the north of the city centre such as Andraharo, Tana Waterfront, Ivandry and Ankorondrano. The last of these is home to Antananarivo's tallest building, the 33-storey Tour Orange, which was completed in 2013. The areas to the north are favoured over the city centre, as congestion and a lack of car parking make it unattractive to most companies. However, the majority of government and banking occupiers remain in the city centre.

Retail market

The retail sector is largely informal, and Antananarivo is home to markets including the Andravoahangy craft market, the Petite Vitesse food market and the Analakely covered market. The areas around Avenue de L'Independence are the main focus for retail activity. As a relatively poor country, Madagascar offers limited opportunities for formal retailing, although there are supermarket chains including Shoprite, Jumbo Score and Leader Price. The most modern shopping centre in Antananarivo is the Shoprite-anchored La City which opened in Ivandry in 2012, while development projects include Filatex's Alhambra Gallery. Many international brands, including Gap, Ralph Lauren and Zara, manufacture clothing in Madagascar, and this could open up opportunities for international retailers to enter the market. The island's location and history would suggest that these would most probably come from South Africa or France.

Industrial market

The main industrial areas are located in the south of Antananarivo. There is a mixed-use area to the south of the city centre which mainly contains lower quality buildings, Madagascan businesses and airline companies. As it forms the main arterial route south of the city, the road in this area can become very congested. About 5 km to the south of the city centre, the Zone Industrielle Forello is the location of some of the heavier industries. Nearby is the Zone Industrielle Filatex Ankadimbahoaka, which is one of Madagascar's first free zones. There is also a small amount of light industrial activity just south of the airport.

Residential market

The relatively low household income in Madagascar means that most people cannot afford to purchase housing. The development that does take place is generally focused on the prime end of the market and the expatriate sector. These parts of the market were badly affected by the political instability up until 2013 but have since shown signs of recovery. Most high-end residential areas are in and around Ivandry to the north of the city centre, where many of the embassies are located.

MALAWI

Office market

The rental market has seen rising demand for small office space, but there has been a decrease in demand for larger offices. There is a general move towards modular office space that allows occupiers to downsize or increase space as the need arises. Annual rental escalations of 20% or more are common, in line with Malawi's high inflation rate. Lilongwe city centre has a shortage of high quality office space and no construction has taken place in recent years as a lack of infrastructure inhibits the development of vacant sites in central areas. However, five new office buildings are under construction and will be ready for occupation within two years, in parts of the city where infrastructure is in place. Office development and sales in Blantyre are both at a standstill due to the high cost of finance.

Retail market

Demand for high quality retail space is tapering off due to the low purchasing power of consumers. The Gateway Mall in Lilongwe opened in December 2014 but it is not yet fully occupied. The mall was developed by MPICO Limited and is anchored by Shoprite. Lilongwe now has two large modern shopping malls and Blantyre has one, although several smaller malls have appeared in the past two years. Generally, the traditional high street retailers continue to thrive.

Industrial market

Electricity blackouts and water shortages have worsened to the extent that industrial production is now estimated to be at less than 50% of its capacity. However, demand for warehouses continues to be relatively strong, and is dominated by industrial users requiring logistics and storage space. Warehousing rents have thus maintained comparatively high levels. Investment transactions in this sector are negligible.

Residential market

Although there is still a disparity between the cities of Blantyre and Lilongwe in terms of both rental and market values, this gap is being reduced by the indexation of rents to the US dollar, especially for high quality properties. Lilongwe now has a surplus of representational residential properties, for which rents are quoted in dollars, due to a reduction in demand from the international donor and business communities. Other tenants are moving into smaller and less expensive accommodation in medium density areas where rents are quoted in the local currency. Residential sales have slowed down due to the difficult economic environment.

Key facts

Population	17.2 million
Major cities:	
Blantyre	1.1 million
Lilongwe	1.1 million
Official languages	English
Total area	118,484 sq km
GDP growth (2016)	2.7%
Key export	Tobacco
Currency	Malawian Kwacha (MWK)
EIU country risk rating (E=most risky)	D
World Bank Doing Business rank (out of 190 countries)	133

Malawi prime rents and yields

LILONGWE

	Prime rents	Prime yields
Offices	US$11/sq m/month	12%
Retail	US$18/sq m/month	10%
Industrial	US$5/sq m/month	12.5%
Residential	US$2,500/month*	8%

BLANTYRE

	Prime rents	Prime yields
Offices	US$5.50/sq m/month	9.75%
Retail	US$9/sq m/month	8.5%
Industrial	US$4/sq m/month	10%
Residential	US$2,500/month*	8%

Source: Knight Frank LLP
*4 bedroom executive house – prime location

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The Gateway Mall, Lilongwe

MALI

Key facts

Population	17.6 million
Major cities:	
Bamako	2.5 million
Official languages	French
Total area	1,240,192 sq km
GDP growth (2016)	5.3%
Key export	Cotton
Currency	West African CFA Franc (XOF)
EIU country risk rating (E=most risky)	C
World Bank Doing Business rank (out of 190 countries)	141

Bamako prime rents and yields

	Prime rents	Prime yields
Offices	US$19/sq m/month	12%
Retail	US$19/sq m/month	12%
Industrial	US$5/sq m/month	16%
Residential	US$1,000/month*	10%

Source: Knight Frank LLP
*4 bedroom executive house – prime location

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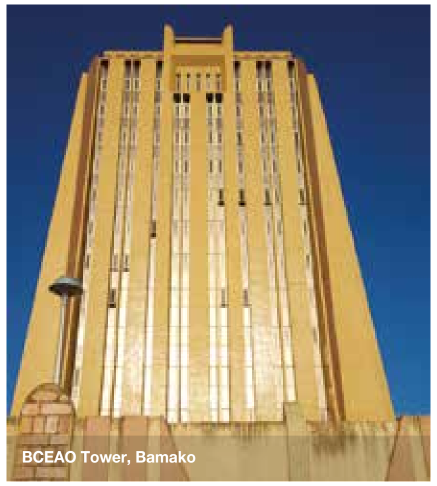
BCEAO Tower, Bamako

Office market

In the five years since the coup d'état of 2012, the Bamako office market has struggled to grow and the supply of quality offices remains very limited. The initial improvements in the economic, political and security environment immediately after the coup d'état were short lived. There are significant risks to the outlook, most notably Mali's fragile security situation. Setbacks to the country's improving security, especially in Bamako, may dampen any economic recovery and further stifle office demand and new supply. What little demand there is for offices comes from the banking, telecommunications, government and NGO sectors. Prime rents are currently stable at US$19/sq m/month, but rental levels fall away dramatically outside the CBD to around US$6/sq m/month.

Retail market

The continued high security risk has hindered the development of the Bamako retail market. Mali has fallen well behind other West African countries such as Côte d'Ivoire, Ghana and Senegal, where modern retail malls have been developed in recent years. Retail activity in Bamako continues to be generally informal and based around street trading, with the Marché Rose and Street Market in the city centre being key locations. The most modern retail provision is to the west at ACI 2000, where there are also a number of showrooms.

Industrial market

The industrial market continues to be based around local tradesmen, with no international manufacturers in the city. The main industrial zone is to the east of the commercial centre, and the availability of good quality storage and logistics warehousing is minimal. As much as 80% of the Malian workforce is employed in agriculture, with cotton being one of the country's largest exports. Mining is also an important sector, and both areas have potential for growth should political stability be achieved. If the market stabilises, there should be opportunities for logistics companies and developers, particularly where they hold land in inner city zones, as the continued expansion of Bamako is resulting in higher land values in central areas.

Residential market

The high-end residential market has been hit hard over the last two years. The continued security woes have led to lower demand from NGOs and company executives, resulting in a significant downturn in rental levels. Property owners have had to compete to attract interest from the diminishing number of occupiers in the market for high quality residences. There is stronger demand for lower value housing, particularly because Bamako is growing at a fast pace as many rural Malians are choosing to move to the relative safety of the city. This increased demand for houses is largely being satisfied by the public sector, with government-built housing units significantly outnumbering those built by private developers.

MAURITANIA

Office market

Aside from the diplomatic sector, the oil and mining industry has historically been the main source of international demand in the Nouakchott office market. However, the market is currently quiet with oil and mining companies putting expansion plans on hold and cutting costs due to low commodity prices. Glencore abandoned its Askaf iron ore project in 2015 while Kinross has scaled back its plans for the Tasiast gold mine. Some international businesses operating in Mauritania, including Kinross, have based themselves offshore in the Canary Islands. It is difficult to find good quality offices in Nouakchott, and Al Khaima City Center remains arguably the city's best commercial building, approximately ten years after completion.

Retail market

As a sparsely-populated country of around four million people, Mauritania is not an obvious target for international retailers. However, a large ATAC supermarket, a brand of the French retail group Auchan, opened in 2015 operating under franchise. The main shopping malls in Nouakchott are at the Al Khaima Center and Mauricenter, but these are relatively small and basic. Other supermarkets around the city include Sky Rim and Salam. The large supermarket unit fronting the Ribat Al Bahr development to the north of the city has never opened for business. The prime high street retail location is the Avenue du General de Gaulle, while the largest market for local shopping is the busy Marché Capitale.

Industrial market

Mauritania's reputation for having an opaque tax and import/export regime has inhibited the entry of international businesses. The country is commodity-rich being Africa's second largest exporter of iron ore and with good reserves of oil. However, the collapse of global commodity prices has caused these sectors to contract. In Nouakchott, the main industrial zone closest to the city is at El Mina, which mainly comprises local businesses operating out of older, owner-occupied facilities. Further out of the city, there is heavier industry including cement production, at the Zone Industrielle du Wharf and Port de l'Amitié. Assisted by the World Bank, a free zone has been created at the port in Nouadhibou.

Residential market

The ambitious Ribat Al Bahr urban development project north of Nouakchott, which was first announced in 2010 as capable of housing 50,000 people, remains unbuilt. Nonetheless, future development at the top end of the market is likely to be concentrated on areas to the north of the city. The upmarket expatriate housing area of Tevrah Zeina is located in the north of Nouakchott and, beyond this, there is an area of former green belt land where development has been encouraged in part by the opening of the new University of Science, Technology and Medicine and Oumtounsy International Airport.

Key facts

Population	4.1 million
Major cities: Nouakchott	1.0 million
Official languages	Arabic
Total area	1,030,700 sq km
GDP growth (2016)	3.2%
Key export	Iron ore
Currency	Ouguiya (MRO)
EIU country risk rating (E=most risky)	D
World Bank Doing Business rank (out of 190 countries)	160

Nouakchott prime rents and yields

	Prime rents	Prime yields
Offices	US$12/sq m/month	11%
Retail	US$14/sq m/month	10%
Industrial	US$2/sq m/month	15%
Residential	US$2,000/month*	7.5%

Source: Knight Frank LLP
*4 bedroom executive house – prime location

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Al Khaima City Center, Nouakchott

MAURITIUS

Key facts

Population	1.3 million
Major cities: Port Louis	0.2 million
Official languages	English
Total area	2,040 sq km
GDP growth (2016)	3.5%
Key export	Textiles
Currency	Mauritian Rupee (MUR)
EIU country risk rating (E=most risky)	B
World Bank Doing Business rank (out of 190 countries)	49

Port Louis prime rents and yields

	Prime rents	Prime yields
Offices	US$15/sq m/month	8.5%
Retail	US$45/sq m/month	7.5%
Industrial	US$8/sq m/month	10%
Residential	US$3,500/month*	4%

Source: Knight Frank LLP
*4 bedroom executive house – prime location

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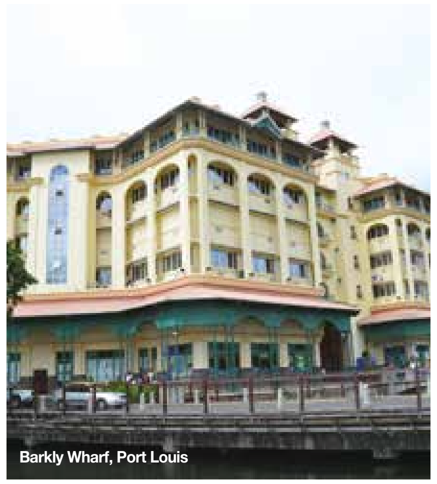
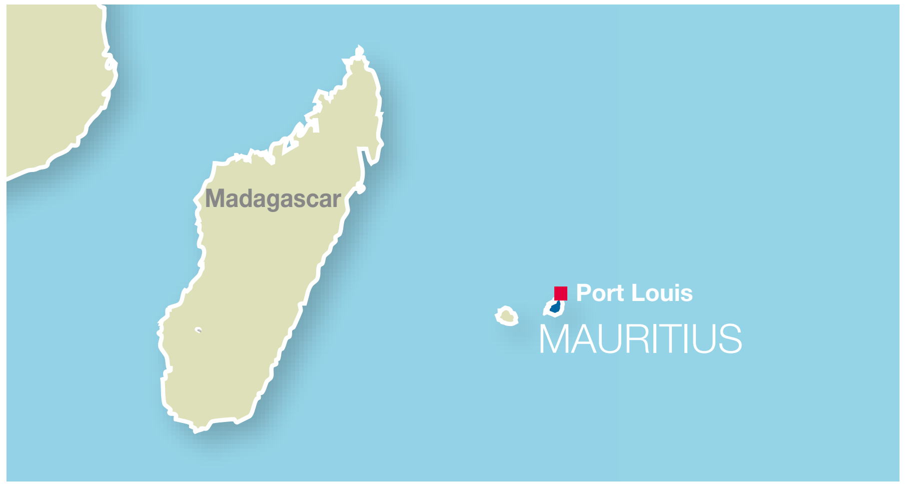

Barkly Wharf, Port Louis



Office market

The traditional CBD of Port Louis centres on locations such as the Waterfront, Edith Cavell Street, Pope Hennessy Street, La Chaussée and Royal Road. The Waterfront, which includes Barkly Wharf, commands the highest office rents, at nearly double the level of other parts of the CBD. Mauritius' second major office location is the relatively new Cyber City business park at Ebene, about 10 km to the south east of Port Louis. Office rents in this location are at similar levels to the CBD, but in newer buildings with better parking availability. The government is following the lead of the private sector, by relocating many of its downtown offices to Ebene. This may cause supply to increase in Port Louis, while availability falls in Ebene, pushing rents in the two locations in opposite directions.

Retail market

Mauritius has a well-developed retail market, which includes both small local strip malls and larger regional malls. These include Grand Baie La Croisette, Cascavelle Shopping Mall, Trianon Shopping Park and Phoenix Les Halles. The largest shopping mall is the Bagatelle Mall of Mauritius, which is located south of Port Louis on the M1 near Ebene and is anchored by Monoprix, Intermart, Woolworths and Food Lovers Market. Since opening in 2011, it has been expanded from 130 to 155 stores, and it also includes a hotel and cinema.

Industrial market

Due to the nature of the Mauritian economy, demand for industrial and warehousing facilities is relatively low. Most of the existing stock is either owner-occupied or leased in small units. The Mauritian government continues to promote industries away from traditional sectors such as fishing, sugar cane, mining and cement production. It has further developed warehousing and freeport facilities around Port Louis and the airport. Private developers have taken advantage of land released around Riche Terre to construct warehousing, although to date most of this has been offered on a build-to-suit basis. Prices have shown little movement over the last couple of years.

Residential market

The residential real estate market in Mauritius continues to attract high levels of investment, although foreign ownership is restricted to government-approved developments. High-end developers targeting wealthy foreign buyers need to ensure that their schemes are approved under the Property Development Scheme (PDS), which has replaced the previous Real Estate Scheme (RES) and Integrated Resort Scheme (IRS). Mauritian nationals are well served by multiple developments across the island and many of the former sugar plantations offer large tracts of land for master planned residential schemes. An increase in supply, combined with a slower global economy, has caused the market to see little growth in rents or prices over the last few years. However, the open, stable, low-tax environment means that the island continues to attract expatriates and investors.

MOROCCO

Office market

Casablanca is Morocco's main business location and its largest office market. The principal office districts are downtown, Sidi Maârouf and areas around the port including the massive Casablanca Marina development. An important emerging area is Casablanca Finance City (CFC), on the site of the former Casa-Anfa airport. Although there have been delays to its physical construction, international businesses such as Ford, AIG and BNP Paribas have been attracted by the incentives offered to companies granted CFC status. Office developments in the capital Rabat are generally Grade B low-rise buildings with little street setback. Office areas in Rabat include the city centre, Agdal and Hay Ryad, where a notable current development is Foncière Chellah's Mahaj Ryad Center.

Retail market

There was practically no modern retail space in the country until the opening of the Morocco Mall (70,000 sq m) in 2011, and AnfaPlace Shopping Center (31,000 sq m) in 2013. A significant number of international brands have since entered the market, including H&M, McDonald's and Marks & Spencer. IKEA opened its first Moroccan store in 2016, at Zenata on the outskirts of Casablanca. The development pipeline includes Aksal's planned Mall of Rabat at Wessal Bouregreg. To support further retail development, the European Bank for Reconstruction and Development has invested €45 million in Vecteur LV, the real estate vehicle of Label'Vie, which operates the Carrefour franchise in Morocco.

Industrial market

Morocco's relatively diversified economic base and advantageous geographic location make it well-positioned to become a major manufacturing centre for exporting to Europe and the rest of Africa. The government has been successful in attracting foreign investment and interest has been encouraged by a new investment law introduced in 2016 creating free zones across the country. Currently, industrial activity is concentrated in the Casablanca-Tangier axis, particularly in the regions of Casablanca-Settat and Rabat-Salé-Kénitra, and around the port of Tanger-Med. About 30 km from the port, Renault has the largest car factory in Africa. A new port is under construction at Safi on the Atlantic coast, which will provide a major new coal terminal and phosphate hub.

Residential market

Figures from the Bank Al-Maghrib and Moroccan Land Registry show a significant increase in the number of residential transactions in 2016. This was driven by a rise in activity at the low-to-mid end of the market, supported by the increased availability of mortgage finance. The government has attempted to stimulate the construction of social housing by providing tax breaks and cheap land to developers. Despite this, Morocco has a shortfall of housing and there are several master planned new cities at varying stages of development including Zenata Eco-City, Victoria City at Bouskoura and Tamesna near Rabat.

Key facts

Population	34.4 million
Major cities:	
Casablanca	3.5 million
Fès	1.2 million
Rabat	2.0 million
Official languages	Arabic, Berber
Total area	446,550 sq km
GDP growth (2016)	1.8%
Key export	Insulated wire
Currency	Moroccan Dirham (MAD)
EIU country risk rating (E=most risky)	C
World Bank Doing Business rank (out of 190 countries)	68

Morocco prime rents and yields

CASABLANCA

	Prime rents	Prime yields
Offices	US$20.50/sq m/month	8.5%
Retail	US$25/sq m/month	8.25%
Industrial	US$5.50/sq m/month	12%
Residential	US$5,000/month*	8%

RABAT

	Prime rents	Prime yields
Offices	US$17/sq m/month	9%
Retail	US$22/sq m/month	8.5%
Industrial	US$5/sq m/month	13%
Residential	US$4,500/month*	8%

Source: Knight Frank LLP
*4 bedroom executive house – prime location

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Maroc Telecom Headquarters, Rabat

MOZAMBIQUE

Key facts

Population	28.0 million
Major cities:	
Maputo	1.2 million
Official languages	Portuguese
Total area	799,380 sq km
GDP growth (2016)	4.5%
Key export	Aluminium
Currency	Metical (MZM)
EIU country risk rating (E=most risky)	C
World Bank Doing Business rank (out of 190 countries)	137

Maputo prime rents and yields

	Prime rents	Prime yields
Offices	US$27.50/sq m/month	10%
Retail	US$28/sq m/month	10%
Industrial	US$5.50/sq m/month	13%
Residential	US$5,500/month*	7%

Source: Knight Frank LLP
*4 bedroom executive house – prime location

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Edificio 24, Maputo

Office market

The new Downtown area of Maputo is now seen as the city's CBD and is the main focus for office development. Demand for space has been negatively impacted by the recent downturn in the economy, which deepened in 2016 when the IMF withdrew aid to Mozambique following the discovery of approximately US$1.4 billion of previously undisclosed government debt. Low occupier demand combined with increased supply has led to prime rents slipping from US$37.50/sq m/month in 2015 to the current level of US$27.50/sq m/month. Prime rents are expected to remain around this level over the medium-term.

Retail market

Despite economic headwinds, Mozambique's retail sector has continued to show steady growth over the last two years, driven by the expansion of the middle class coupled with an historic under-provision of formal retail space. In 2016, the Portuguese retail group Sonae in partnership with private fund Satya Capital bought the Extra supermarket chain, which had been owned by South Africa's Pick n Pay until 2013. Pipeline developments include Novare Matola Mall (19,500 sq m, phase one) and Marginal Mall (30,500 sq m) which will expand the site of the existing Game store on Avenida da Marginal into a fully-fledged shopping centre. Demand for retail space is stable and well-located units are usually readily leased at prime rents in the region of US$28/sq m/month.

Industrial market

The discovery of natural gas off the coast of Mozambique has yet to have its anticipated positive impact on the industrial sector. Over the medium-term, revenues from the production of liquefied natural gas (LNG) should start to flow to the government, although plans to process the gas offshore may mean that limited additional demand is generated for industrial property. Historically, industrial rents in Maputo have been relatively high, reflecting the fact that many of the traditional industrial areas are in central locations or near the port, but rents have fallen over the last two years. The decline in the economy and delays to LNG production have also depressed the industrial markets in the port cities of Nacala and Pemba.

Residential market

The residential market has been heavily impacted by the economic downturn. The rental apartment sector has been most affected due to a significant reduction in expatriate demand as a result of companies cutting their overheads. Rents for mid-to-high end apartments have fallen by more than 40% and are unlikely to recover in the medium-term as there is a large volume of new units due to come to the market. Rental villas at the top end of the market have been less severely affected and currently lease for US$4,500-5,500/month, although rents drop to around 35-45% of this level on the local mass market.

NAMIBIA

Key facts

Population	2.5 million
Major cities:	
Windhoek	0.3 million
Official languages	English
Total area	824,292 sq km
GDP growth (2016)	4.2%
Key export	Diamonds
Currency	Namibian Dollar (NAD)
EIU country risk rating (E=most risky)	B
World Bank Doing Business rank (out of 190 countries)	108

Office market

Windhoek is a relatively small office market with steady demand for space. There is an ongoing shift in activity away from the CBD towards less central areas, where more modern offices with better parking are available. Popular non-CBD office locations include Mandume Park in the south of the city. Office rents have shown steady growth in recent years, but continued new development may lead to downward pressure, especially for space in older buildings. In the office investment market, demand from South African investors has helped to drive yield compression and capital value growth.

Retail market

Despite having a relatively small population of just over 300,000, Windhoek has a significant volume of modern mall space. The largest shopping centres are Grove Mall (52,000 sq m), Maerua Mall (51,000 sq m) and Wernhil Park (38,000 sq m). With Windhoek being well-supplied for retail space, developers have been encouraged to build large-scale malls in other towns; for example, Safari Development's Platz Am Meer (27,000 sq m) opened in Swakopmund in 2016, while Atterbury's Dunes Mall (25,000 sq m) in Walvis Bay is due for completion in 2017. Demand for larger retail units primarily stems from South African chains such as Spar, Pick n Pay, Edgars and Foschini, while the most prominent Namibian-owned supermarket operator is Woermann Brock.

Industrial market

Windhoek has well-established industrial zones at the Northern Industrial Area, Southern Industrial Area, Prosperita and Lafrenz. Development is also taking place at Shali Industrial Estate, north of Windhoek. Logistics is identified as a priority sector by the government's Fourth National Development Plan (NDP4), and the country's geographical location gives it the potential to be a trade gateway for neighbouring countries including landlocked Botswana, Zambia and Zimbabwe. The Namibian authorities are keen for Walvis Bay to become the preferred port location on the west coast of Africa serving the Southern African Development Community area, and a port expansion is currently under construction by China Harbour and Engineering Company.

Residential market

Figures from FNB Namibia suggest that average house prices in Namibia have more than doubled since 2010, but there are signs that the market is now cooling with demand impacted by weakening economic growth. At the prime end of the market, the most desirable locations in Windhoek include the suburbs of Eros, Ludwigsdorf and Klein Windhoek. High sales prices and rents are also commanded by luxury housing in the coastal resort of Swakopmund. Namibia has a shortage of affordable housing and serviced land, which is exacerbated by high levels of rural-to-urban migration.

Windhoek prime rents and yields

	Prime rents	Prime yields
Offices	US$14/sq m/month	8.5%
Retail	US$25/sq m/month	7.75%
Industrial	US$6/sq m/month	10%
Residential	US$2,900/month*	6%

Source: Knight Frank LLP
*4 bedroom executive house – prime location

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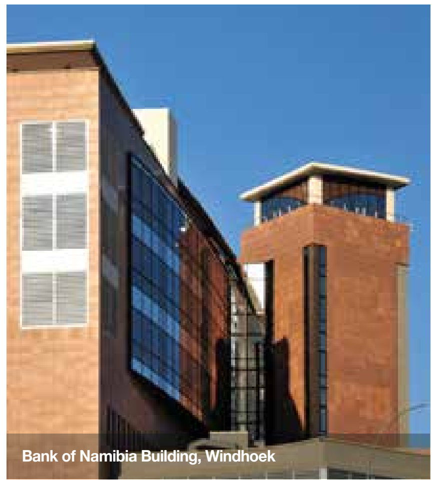
Bank of Namibia Building, Windhoek

NIGERIA

Key facts

Population	182.2 million
Major cities:	
Lagos	13.1 million
Abuja	2.4 million
Official languages	English
Total area	923,768 sq km
GDP growth (2016)	-1.7%
Key export	Petroleum
Currency	Naira (NGN)
EIU country risk rating (E=most risky)	D
World Bank Doing Business rank (out of 190 countries)	169

Nigeria prime rents and yields

ABUJA

	Prime rents	Prime yields
Offices	US$33/sq m/month	9.5%
Retail	US$58/sq m/month	9%
Industrial	US$12/sq m/month	12%
Residential	US$6,500/month*	7%

LAGOS

	Prime rents	Prime yields
Offices	US$67/sq m/month	9%
Retail	US$83/sq m/month	8.5%
Industrial	US$10/sq m/month	12%
Residential	US$6,000/month*	8%

Source: Knight Frank LLP
*4 bedroom executive house – prime location

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Heritage Place, Lagos

Office market

There is an oversupply of recently-constructed good quality office space in both Lagos and Abuja. Grade A rents have fallen in recent years, but there is pent-up demand partly resulting from companies' delayed decision-making, and this finally appears to be strengthening activity in Lagos. Two recently-completed projects are RMB Westport's Wings Office Complex (26,000 sq m) where Ericsson has acquired space and Heritage Place (16,000 sq m). Additionally, the first office building at the huge Eko Atlantic development is now complete and available for lease, having been purpose-built for the now-defunct Afren oil company. Within Abuja, the recent completion of the World Trade Center office tower has added to the supply surplus.

Retail market

The slowdown in the Nigerian economy has not detracted from the huge opportunities that its burgeoning middle class are creating for retail development. Nigeria has continued to transition from informal market trading to more modern retail formats. Major developments planned or underway include the Eko Mall within Eko Atlantic which would potentially be the largest in West Africa, and Actis' proposed Twin Lakes Mall (50,000 sq m). The latter is rumoured to have Carrefour as its anchor tenant, thus breaking Shoprite's near-monopoly on the anchoring of Nigeria's modern malls. Developers have also targeted second-tier cities, with locations such as Onitsha, Ibadan and Warri seeing recent mall developments.

Industrial market

The industrial sector has been hard hit by the rapid depreciation of the naira. Several multinationals have to some extent retrenched on previous growth plans, postponed capital projects or sought to sublease warehousing space. Major industrial development is almost entirely restricted to the south west of Nigeria in and around Lagos and neighbouring Ogun State. There are plans for the expansion of the market-leading Agbara Estate, while Lekki Free Trade Zone's viability as an industrial location should be enhanced by the development of a new gas pipeline. Rendeavour has recently acquired a site of approximately 10,000 hectares in the free trade zone.

Residential market

There is a surplus of high-end residential space in Lagos, as a result of over-construction in the previous development cycle. The traditional high-end residential areas of Ikoyi, Victoria Island and Banana Island have also seen increased competition from Lekki to the east. Although Lekki remains heavily congested, master planned communities such as Victoria Garden City have grown rapidly. Within the luxury sector, Eko Atlantic had its first residents in 2016, at the Eko Pearl Towers, while the World Trade Center residential tower in Abuja also began to be occupied. Despite the slowdown in the sector, a significant number of luxury developments are planned, including Gracefield Island and Orange Island.

RWANDA

Office market

The supply of office space in Kigali has outstripped demand for the last few years. Over 50,000 sq m of new office space came to the market in the past year, with an additional 70,000 sq m in the pipeline for the next two years. The take-up of space is relatively slow, and the excess supply is putting downward pressure on prime rents. Kigali City Council is currently leading an urban regeneration drive in the CBD whereby old and low density structures are being demolished to make way for modern, high density commercial developments. As part of this strategy, tenants currently renting residential properties for office use are being encouraged to relocate to newly constructed offices. This will generate demand for some of the space currently on the market and in the pipeline.

Retail market

The retail industry in Rwanda is currently dominated by local retailers, with a small number of regional chains from Kenya and South Africa having a presence, most notably Nakumatt and Mr Price. Retail businesses in Kigali are generally found in destination locations that are not necessarily convenient for the majority of consumers. These environments tend to lack aesthetic appeal, public access and leisure and entertainment facilities that would increase dwell times and revenues. However, Kigali's retail landscape is evolving with the advent of developments such as Union Trade Centre, Kigali City Tower, MTN Centre, CHIC Complex and M-Peace Plaza, and consumer habits are starting to change.

Industrial market

Rwanda has only a small industrial base, but the government has ambitions to turn it into a regional centre for trade, logistics and manufacturing. A major part of these plans is the Kigali Logistics Platform, a dry port which is due to be developed on a site at Masaka near Kigali. DP World has been granted a 25-year concession to develop and operate the facility. The government has also signed a deal with Alpha Logistics for the construction of a modern bonded warehouse at Petit Barrière, on the border with DR Congo.

Residential market

There has been an increase in the number of apartments and houses coming on to the rental market, and demand for such accommodation is strong. Increased interest in residential rental accommodation has been observed from the expatriate community, with Gacuriro and Kagugu being particularly popular due to their affordable rents and modern housing stock. In the residential sales market, the majority of enquiries stem from indigenous Rwandans seeking houses in the US$50,000-100,000 range, in locations such as Nyamirambo, Gisozi, Kibagabaga and Kagugu. The prime residential pipeline in Kigali is active with a number of developments scheduled for completion in 2017 including Ridgeview Court, Karibu Homes and Serene Crest Apartments.

Key facts

Population	11.6 million
Major cities: Kigali	 1.3 million
Official languages	Kinyarwanda, French, English
Total area	26,338 sq km
GDP growth (2016)	6.0%
Key export	Tin ore
Currency	Rwandan Franc (RWF)
EIU country risk rating (E=most risky)	C
World Bank Doing Business rank (out of 190 countries)	56

Kigali prime rents and yields

	Prime rents	Prime yields
Offices	US$20/sq m/month	11%
Retail	US$25/sq m/month	10%
Industrial	US$6/sq m/month	13%
Residential	US$3,000/month*	9%

Source: Knight Frank LLP
*4 bedroom executive house – prime location

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Larubibi apartments, Kigali

SENEGAL

Key facts

Population	15.1 milion
Major cities: Dakar	 3.5 million
Official languages	French
Total area	196,722 sq km
GDP growth (2016)	6.6%
Key export	Gold
Currency	West African CFA Franc (XOF)
EIU country risk rating (E=most risky)	C
World Bank Doing Business rank (out of 190 countries)	147

Dakar prime rents and yields

	Prime rents	Prime yields
Offices	US$19/sq m/month	10%
Retail	US$26/sq m/month	9.5%
Industrial	US$4.50/sq m/month	12%
Residential	US$2,800/month*	7%

Source: Knight Frank LLP
*4 bedroom executive house – prime location

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Focus One office building, Dakar

Office market

In Dakar, businesses tend to prefer either Plateau or the areas to the north at Les Almadies and Point E. In general, office market activity has shown a shift northwards, particularly when involving international companies. However, demand is relatively flat, and international requirements tend to be small, typically 400 sq m. Larger requirements generally come from the banking and telecoms sectors. Supply and demand are relatively balanced, resulting in almost no rental growth for the last decade. However, this now makes Dakar appear relatively inexpensive and in a similar position to that which the Ivorian capital Abidjan was in two years ago before its recent rapid growth. There are ambitious plans for the development of a new city at Diamniadio, 30 km east of Dakar, and this is likely to become an increased focus for activity across all property market sectors.

Retail market

The Dakar retail market is relatively undersupplied, with only two major upscale developments, Sea Plaza and Dakar City. These malls are both anchored by Casino and between them offer a total of around 20,000 sq m GLA. International brands in the Dakar market include Benetton, Mango and Guess. There are small supermarkets throughout the city, the most ubiquitous being those of the Spanish group, Citydia. Additionally, the city has some boutique shopping, historically centred on Rue Jules Ferry in Plateau. Retail rents are relatively flat and have fallen well behind those of the other large Francophone West African markets of Côte d'Ivoire and Cameroon.

Industrial market

Compared with many other West African cities, the industrial market in Dakar is fairly stagnant. Over the past five years, there has been little interest in Dakar from international manufacturers and many of the international businesses that are in the city have been scaling back their operations. Small-scale local industrial activity is found throughout Dakar, but the prime area for bigger businesses is the port. Most industrial property is owner-occupied and there is practically no speculative development in this sector.

Residential market

Residential development in Dakar is generally on a small scale, typically up to 20 units. There is a market for well-priced apartments in small blocks and developments such as O2 and Ocean Drive have performed well. A key to the success of schemes is the willingness of owners to lease, as well as sell, units. Progress at the larger-scale Waterfront development has continued to be relatively slow, and no further similarly-sized schemes are likely to be commenced until it is completed and sold. Away from the seafront, the market is comparatively buoyant, although prices drop from up to CFA1,500,000/sq m to around CFA500,000-650,000/sq m at developments such as Mixta/ARM's Residence de la Paix.

SOUTH AFRICA

Office market

Despite relatively weak economic growth in 2016, South African office markets recorded above-inflation rental growth and vacancy rates were broadly stable. In Johannesburg, vacancy rates are relatively high in the CBD and new development is largely focused on the Sandton and Rosebank nodes, particularly in locations within easy reach of stations on the Gautrain rapid rail line. The largest projects in the pipeline are office buildings under construction for Discovery (87,000 sq m) and Sasol (67,000 sq m). In Cape Town, vacancy rates are low at the V&A Waterfront and offices in this location command a premium over the CBD. The Century City node remains an important focus for new development in Cape Town. Office investment volumes were moderate in 2016, with many South African investors preferring to pursue overseas opportunities as a hedge against the weak rand.

Retail market

The Mall of Africa (131,000 sq m) opened in 2016 as part of the ambitious Waterfall City development, located between Johannesburg and Pretoria. A significant volume of additional new retail space is in the pipeline, which will add to South Africa's existing mall stock of more than 23 million sq m. Although there are some concerns of retail oversupply, the sector has generally performed well. The next few years may see a shift in developers' focus towards smaller neighbourhood shopping centres, rather than large regional malls. International brands such as H&M, Zara, Cotton On and Forever 21 have expanded their South African presence in recent years, providing increased competition to domestic retailers.

Industrial market

The South African industrial market is experiencing an ongoing shift in activity away from heavy manufacturing towards warehousing and distribution, and developers are focused on the delivery of high quality logistics space. In Gauteng, development activity is largely concentrated towards the north and east of Johannesburg in locations such as the Lords View Industrial Park, while the Waterfall City project also includes substantial logistics property elements. Over the longer term, the Ekurhuleni Aerotropolis project around OR Tambo International Airport may prove to be an important catalyst for industrial property development.

Residential market

South African house price growth slowed in 2016, reflecting the more subdued economic backdrop. However, the major coastal cities of Cape Town, Port Elizabeth and Durban outperformed inland markets. This trend was driven in part by demand from domestic buyers relocating to the coast from inland cities for lifestyle reasons, with locations in Cape Town and along the Western Cape coast generally attracting the strongest interest. The housing market should be boosted by a moderate improvement in economic growth in 2017, although a cut in interest rates appears unlikely in the immediate term.

Key facts

Population	54.5 million
Major cities:	
Johannesburg	9.4 million
Cape Town	3.7 million
Durban	2.9 million
Official languages	11 official languages
Total area	1,219,090 sq km
GDP growth (2016)	0.1%
Key export	Gold
Currency	Rand (ZAR)
EIU country risk rating (E=most risky)	C
World Bank Doing Business rank (out of 190 countries)	74

South Africa prime rents and yields

CAPE TOWN

	Prime rents	Prime yields
Offices	US$18/sq m/month	9%
Retail	US$60/sq m/month	7.75%
Industrial	US$5/sq m/month	9%
Residential	US$5,000/month*	5%

JOHANNESBURG

	Prime rents	Prime yields
Offices	US$17/sq m/month	8.5%
Retail	US$60/sq m/month	8%
Industrial	US$5/sq m/month	9%
Residential	US$4,500/month*	5.5%

Source: Knight Frank LLP
*4 bedroom executive house – prime location

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15 Alice Lane Towers, Sandton, Johannesburg

TANZANIA

Key facts

Population	53.5 million
Major cities:	
Dar es Salaam	5.1 million
Mwanza	0.8 million
Arusha	0.4 million
Dodoma	0.4 million
Official languages	Kiswahili, English
Total area	947,300 sq km
GDP growth (2016)	7.2%
Key export	Gold
Currency	Tanzanian Shilling (TZS)
EIU country risk rating (E=most risky)	C
World Bank Doing Business rank (out of 190 countries)	132

Dar es Salaam prime rents and yields

	Prime rents	Prime yields
Offices	US$21/sq m/month	9%
Retail	US$16/sq m/month	10%
Industrial	US$6/sq m/month	10%
Residential	US$4,500/month*	6%

Source: Knight Frank LLP
*4 bedroom executive house – prime location

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PSPF Twin Towers, Dar es Salaam

Office market

Dar es Salaam is the commercial capital of Tanzania and its CBD remains at the heart of office market activity. Significant new office development projects within the CBD include Mzizima Towers and the Tanzania Ports Authority HQ building. There are also office development projects outside the city centre, particularly along Ali Hassan Mwinyi Road and Bagamoyo Road. Such developments include Jangid Plaza, Fakyat Tower, Morocco Square and Paloma Park. Despite the increase in supply, office rents remain relatively high and vacancy rates are low.

Retail market

The retail market in Tanzania has steadily grown over a long period, largely through small-scale retail outlets operated from residential buildings and small downtown specialist shops in National Housing Corporation buildings. Such outlets compete with ad-hoc street trading known locally as "Wamachinga", which can sometimes be found on a massive scale in areas such as Kariakoo and Manzese. There are a number of large-scale modern retail malls located in areas such as the city centre, Oyster Bay, Msasani, Mbezi Beach and Mikocheni, and several larger retail schemes are planned. Rock City Mall, in the city of Mwanza, is also now operational. However, some large retailers have closed their Tanzanian operations, including the Kenyan supermarket chain Uchumi and South Africa's Shoprite. The Kenyan retailer Nakumatt, which took over Shoprite stores in Tanzania, is reported to be struggling in the country.

Industrial market

The prime industrial areas of Dar es Salaam are located on Nyerere Road and Mandela Road, and have good transport links to the harbour, international airport and the interior of the country. There are secondary industrial locations in Chan'gombe, Mikocheni, Mwenge and Ubungo. The port of Dar es Salaam is a gateway for goods destined for landlocked countries including Malawi, Zambia, Rwanda and Burundi, therefore logistics companies have significant demand for warehousing space for goods in transit. As part of a government initiative to focus on industrialisation, public corporations such as pension funds have been instructed to invest in industrial activities, and this is expected to stir up the market for industrial premises.

Residential market

Dar es Salaam's high-end residential market is concentrated to the north of Salender Bridge, across the entire Msasani Peninsula and extending northwards to Mbezi and beyond. The most exclusive residential area is Oyster Bay at the southern base of the peninsula. At this end of the market, demand is dominated by diplomats, government executives and high net-worth individuals. The middle market is much less well-defined, with pockets of middle-income housing spread fairly evenly across the city. Within central Dar es Salaam, the Upanga neighbourhood is a well-established residential area offering good quality accommodation mainly in apartment blocks, and it is the preferred location for the Asian community.

TUNISIA

Office Market

Office market activity in Tunis is generally focused on a few key districts of the city. Belvédère and Montplaisir in the downtown area are mainly home to government departments, banks, medical centres and small Grade B offices. Planned commercial districts such as Urbain Nord and Les Berges du Lac I and II are to the north east of the downtown area and offer modern buildings in secure pleasant environments close to the city centre and airport. Construction activity has slowed noticeably over recent years due to limited occupier demand, a lack of bank liquidity and concerns about the economy. Although rents have remained stable through this period, the lack of new supply has caused vacancy rates to fall, and rents are expected to rise in the near future.

Retail market

There has been limited new retail development in Tunis, with the exception of the Tunisia Mall in Les Berges du Lac II which opened in 2015. This 80-unit centre features several foreign brands including Massimo Dutti, Zara, Mango and Pull & Bear. An extension known as Tunisia Mall 2 is under construction and will be connected to the original centre by a tunnel. Despite difficult economic conditions and inflationary pressures, retail market sentiment is generally positive and chains such as Carrefour Market, Monoprix and MG Maxi have continued to expand across Tunisia.

Industrial market

Tunisia has traditionally been seen as a low-cost manufacturing location for mainly French and Italian companies, although local manufacturing has grown due to increased infrastructure spending and restrictions on foreign companies operating in Tunisia. Limited industrial property development and moderate occupier demand have kept the market balanced in recent years. The majority of properties are either owner-occupied or small units serving the local market. Most industrial zones are to the south and west of Tunis, including Mghira where a large labour pool and modern warehousing attracts local and multinational occupiers. Newer industrial zones are being developed in locations close to the city including Manouba and Zaghouan.

Residential market

The prime residential areas in Tunis are generally located to the north and east of the city centre and include Les Berges du Lac I and II, Carthage, Notre Dame and La Marsa. The residential market showed strong growth between 2010 and 2015, with demand boosted by a lack of alternative investment opportunities for Tunisians and by Libyans leaving their own country's troubles. More recently, activity has slowed due largely to restrictions on borrowing and an easing of demand from foreign investors. Prices for high-end residential property have held up more strongly than the wider market, partly because wealthier buyers are less sensitive to borrowing restrictions.

Key facts

Population	11.2 million
Major cities: Tunis	2.0 million
Official languages	Arabic
Total area	163,610 sq km
GDP growth (2016)	1.5%
Key export	Insulated wire
Currency	Tunisian Dinar (TND)
EIU country risk rating (E=most risky)	C
World Bank Doing Business rank (out of 190 countries)	77

Tunis prime rents and yields

	Prime rents	Prime yields
Offices	US$10/sq m/month	10.5%
Retail	US$26/sq m/month	9.5%
Industrial	US$5.50/sq m/month	14%
Residential	US$4,000/month*	7.5%

Source: Knight Frank LLP
*4 bedroom executive house – prime location

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Tunisia Mall, Tunis

UGANDA

Key facts

Population	39.0 million
Major cities: Kampala	1.9 million
Official languages	English
Total area	241,038 sq km
GDP growth (2016)	4.9%
Key export	Coffee
Currency	Ugandan Shilling (UGX)
EIU country risk rating (E=most risky)	C
World Bank Doing Business rank (out of 190 countries)	115

Kampala prime rents and yields

	Prime rents	Prime yields
Offices	US$17/sq m/month	10%
Retail	US$25/sq m/month	12%
Industrial	US$6/sq m/month	13%
Residential	US$5,000/month*	8%

Source: Knight Frank LLP
*4 bedroom executive house – prime location

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Mirembe Business Centre, Kampala

Office market

Demand for office space in Kampala picked up in the second half of 2016, particularly for Grade A/AB offices. However, Kampala remains a tenant's market against the backdrop of rising vacancy rates in the Grade B/C segment. Demand for better quality space largely stems from multinational companies and government organisations seeking modern, energy-efficient buildings with ample parking away from the congested CBD. Oil and gas companies have increased their operations in Uganda following the issuance of production licences in 2016, and are considering increasing their office space. This is likely to positively impact demand for prime offices in the medium-to-long term.

Retail market

The retail sector had an unsettled 2016, with several leading retailers running into difficulties. However, increased footfall was recorded in a number of leading malls and many shops continued to trade well, particularly international-branded stores targeting middle-to-upper income consumers. A significant new shopping centre is the Imperial Mall, which opened in Entebbe in December 2016. The development pipeline includes the Arena Mall, a 15,000 sq m centre on Nsambya Road in Kampala, which is currently in the final pre-letting stage with earthworks due to commence in H1 2017. Leasing has also commenced on the proposed 42,000 sq m Kingdom Kampala development, and this has the potential to revitalise the Kampala CBD following the recent trend for retail activity to drift towards suburban locations.

Industrial market

The traditional industrial areas in the Kampala CBD and its outskirts, such as Banda, Ntinda, Nakawa and Kyambogo, saw subdued leasing activity in 2016 and occupancy rates are fairly low. The supply of space outstrips demand, and a slowdown in trade has reduced the need for warehousing for goods and commodities exported to neighbouring countries. However, demand has increased for relatively large warehouses in areas along the Entebbe-Kampala highway, where interest stems from logistics and transport companies and UN agencies, due to the proximity to Entebbe International Airport.

Residential market

The residential lettings market was relatively slow in 2016, although activity increased slightly in the final quarter. Demand for prime rental accommodation mainly came from those working in the oil and gas, diplomatic and corporate sectors. Residential sales activity was dominated by the transaction of properties in non-performing loan portfolios of various banks. Increased demand has been registered in prime locations, with apartments attracting stronger interest than standalone houses, partly because they are perceived as being more secure. Prime residential development activity has increased and is mostly focused on rental properties with two-to-four en-suite bedrooms. The prime locations for development are Kololo, Nakasero, Bugolobi and Naguru, which are all in close proximity to the CBD.

ZAMBIA

Office market

Lusaka is a growing commercial hub with office space demand primarily stemming from the financial and communication sectors. An oversupply of Grade A space has placed downward pressure on rents, as well as providing more choice for occupiers. The economy was relatively sluggish in 2016, largely due to low copper prices, but a return to better economic growth is expected from the second half of 2017, which should result in increased demand. The prime location is the emerging Great East Road/Thabo Mbeki Road node in the immediate vicinity of the East Park Mall and Arcades Shopping Centre.

Retail market

Over 90% of Zambia's modern shopping mall space is in either Lusaka or the towns of the Copperbelt, with approximately 250,000 sq m of existing retail space in these locations. As a result there are opportunities to develop formal retail centres in expanding towns around the rest of the country. The recently opened Kafue Shopping Mall, anchored by Pick n Pay, highlights the demand for niche malls in other towns, from both shoppers and retailers. Competition for customers and retailers is expected to intensify between the shopping malls in Lusaka, however Zambia's fast-developing property market is proving to be a resilient and risk-tolerant long-term investment destination.

Industrial market

The logistics and industrial sector is one of the most consistent-performing property market sectors in Lusaka, with strong demand for warehouse space supported by the growth of the retail, food and beverage and agricultural industries. While warehouses with low quality specifications still attract good demand, in the long run pressure on Lusaka's transport infrastructure combined with the demand for increasingly sophisticated logistics properties will result in a shift away from the existing industrial area to emerging hubs elsewhere around the city.

Residential market

Market activity has slowed across all sections of the residential market, but there remains a mismatch between demand and supply at the top end of the Lusaka rental market due to a shortage of well-designed modern properties in the best locations. Self-build projects dominate the housing supply across the market, as a result of high interest rates. Zambia has one of the most developed commercial farming sectors in Africa, with increasing interest from private individuals, investment consortiums and funds. The sophistication of Zambian farming comes as a surprise to most outsiders, as many businesses have yields, agronomy and technology on a par with European operations.

Key facts

Population	16.2 million
Major cities: Lusaka Ndola Kitwe	 2.2 million 0.5 million 0.5 million
Official languages	English
Total area	752,618 sq km
GDP growth (2016)	3.0%
Key export	Copper
Currency	Zambian Kwacha (ZMK)
EIU country risk rating (E=most risky)	C
World Bank Doing Business rank (out of 190 countries)	98

Lusaka prime rents and yields

	Prime rents	Prime yields
Offices	US$20/sq m/month	10%
Retail	US$40/sq m/month	8.5%
Industrial	US$6/sq m/month	12%
Residential	US$3,500/month*	10%

Source: Knight Frank LLP

*4 bedroom executive house – prime location

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PWC Office Park, Lusaka

ZIMBABWE

Key facts

Population	15.6 million
Major cities: Harare Bulawayo	 1.5 million 0.7 million
Official languages	16 official languages
Total area	390,757 sq km
GDP growth (2016)	-0.3%
Key export	Gold
Currency	Zimbabwe Bond Notes (from 2016). Other major currencies accepted
EIU country risk rating (E=most risky)	D
World Bank Doing Business rank (out of 190 countries)	161

Harare prime rents and yields

	Prime rents	Prime yields
Offices	US$10/sq m/month	8%
Retail	US$25/sq m/month	7%
Industrial	US$3/sq m/month	12%
Residential	US$2,000/month*	8%

Source: Knight Frank LLP

*4 bedroom executive house – prime location

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Joina City, Harare

Office market

Zimbabwe is suffering from economic and liquidity challenges which have stagnated office market activity. Supply is higher than demand and tenants are voluntarily surrendering space. Office buildings in the Harare CBD have void rates in excess of 50%, making them unattractive investments. Suburban offices have become more sought-after investments, due to their lower void rates, but there continues to be few sales transactions. To reduce vacancy levels, some CBD landlords are converting office space to shops, while others are partitioning floors into smaller suites. Given the challenging market, no new multistorey buildings have been constructed in the last twenty years.

Retail market

Demand for retail space remains high. However, empty units in the CBD have become visible and vacant space is taking long to lease. Retailers face stiff competition from street vendors who sell their goods on shop pavements. The construction of new suburban shopping malls such as the Mall of Zimbabwe and the Gunhill Mall has been shelved in light of the country's poor economic outlook. Nonetheless, demand for prime suburban retail space remains buoyant and there are high occupancy rates in this sector. Prime rents are currently higher for suburban retail space, at US$25/sq m/month, compared with US$20/sq m/month in the CBD. Investors are holding on to their retail investments, with Riverside Walk being the only suburban shopping mall that has been sold since 2015.

Industrial market

The continued decline of the economy has led to several manufacturing companies closing operations. Very little foreign direct investment has come into the country as a result of the government's indigenisation policies, the high cost of capital and socio-political instability. This has led to an oversupply and underutilisation of industrial space. The sector is therefore characterised by high vacancy rates, declining rents and the voluntary surrender of leased space by tenants. A number of investors in this sector are looking to disinvest, but there is little or no demand except from a few owner-occupiers.

Residential market

Residential market transactions are being slowed down by the lack of mortgage finance to assist buyers. Most transactions are therefore on a cash basis, and the majority of the population does not have the necessary funds to be able to buy property. Low disposable incomes and poor liquidity have depressed rental levels and reduced property prices. Therefore, no major speculative housing developments have been built in recent times, and the few attempts to construct such projects have failed. The limited available new stock has mainly come from self-build projects and housing cooperatives.

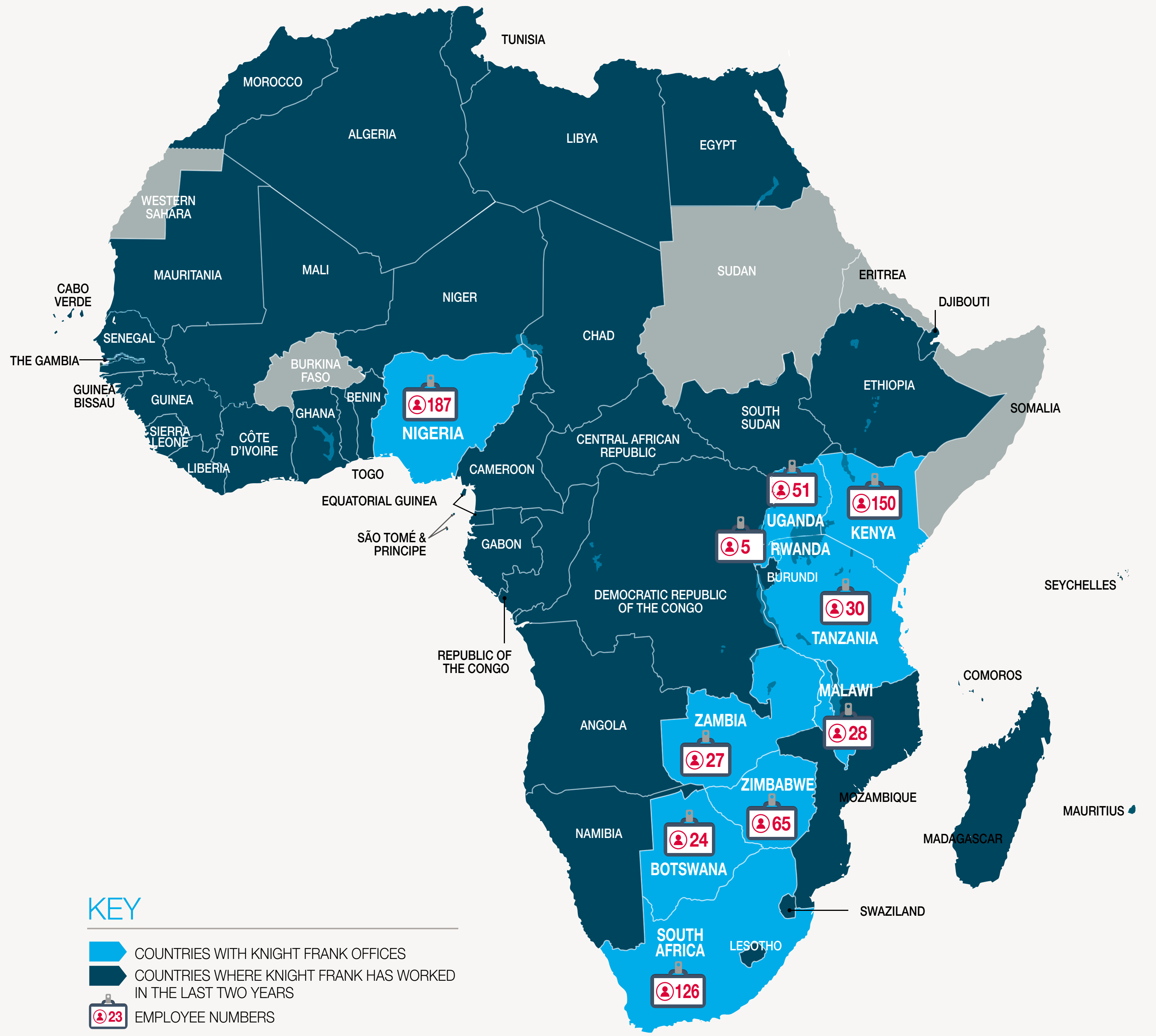
AFRICA COMMERCIAL OCCUPIER GUIDE

		Angola	Botswana	Egypt	Ghana	Kenya	Malawi	Nigeria	Rwanda	South Africa
LEASE TERMS										
	Rents quoted	US$/sq m/month	Pula/sq m/month	EGP/sq m/month	US$/sq m/month	KSh/sq ft/month or US$/sq ft/month	MWK/sq m/month	US$/sq m/annum or Naira/ sq m/annum	US$/sq m/month	Rand/sq m/month
	Typical lease lengths	1-3 years	1-5 years	1-5 years	2-5 years	6 years	1-3 years	2-5 years	1-5 years	3-5 years
	Frequency of rent payments	Monthly to annually in advance	Monthly in advance	Quarterly in advance	Usually paid quarterly or biannually in advance	Quarterly in advance	Quarterly in advance	Quarterly in advance (now the norm, although historically rents were paid 2-3 years in advance)	Monthly to quarterly in advance	Monthly in advance
	Basis of rent reviews	None	Pre-agreed escalation, typically 6-10% per annum	Pre-agreed escalation, typically 5-10% per annum	Periodic rent reviews at an agreed annual percentage, typically 5-10%	Fixed rental increases, typically 7.5% per annum if rents are paid in KSh or 5% if paid in US$	Annual rent reviews based on open market rents	Periodic rent reviews based on open market rents	Pre-agreed escalation, typically 5-10% per annum	Fixed annual escalation, typically 7-9%
	Break options	Can be exercised by either party. Typical notice period is 3 months	Uncommon, but can be exercised by either party when in place. Typical notice period is 3 months	Can be exercised by either party. Typical notice period is 3 months	Can be exercised by either party. Typical notice period is 3 months	Break clauses are not common	Can be exercised by either party. Typical notice period is 3 months	Break clauses are not common, except in longer leases	Break clauses are not common	No break options
	Ability to assign lease	Subletting permissable, with landlord's consent	Subletting permissable, with landlord's consent	Subletting permissable, with landlord's consent	Subletting permissable, with landlord's consent	Subletting not permitted	Subletting permissable, with landlord's consent	Subletting permissable, with landlord's consent	Subletting not permitted	Subletting permissable, with landlord's consent
OCCUPATIONAL COSTS										
	Service charges	Paid by tenant. Typically 10-15% of net rents	Paid by tenant. Typically 10-15% of net rents	Paid by tenant. Typically 8-15% of net rents	Paid by tenant. Typically 10-15% of net rents	Paid by tenant. Typically 20-25% of gross rents	Paid by tenant based on actual bills received for services	Paid by tenant. Typically 20-30% of net rents	Paid by tenant, typically 10-15% of rents	Paid by tenant. Covers all landlord expenses except property rates, which are not recoverable.
	Utilities	Tenant pays for all utilities consumed. Communal consumption is recovered through service charge	Tenant pays for all utilities consumed. Communal consumption is recovered through service charge	Tenant pays for all utilities consumed. Communal consumption is recovered through service charge	Tenant pays for electricity. Landlord pays for water, recovering cost via service charge	Tenant pays for electricity. Landlord pays for water, recovering cost via service charge	Paid by tenant through service charge	Tenant pays for utilities, either via service charge or on a metered basis	Tenant pays for electricity. Landlord pays for water, recovering cost via service charge	Tenant pays for all consumables including water, electricity and sewerage/waste
	Relevant local taxes payable	No VAT on rents. Urban Property Tax applies to commerical rents, at an effective rate of 15%	VAT of 12% payable by registered bodies. Withholding tax of 5% paid by tenant on rents above P36,000 per annum	VAT introduced in Egypt in 2016, but the lease of land and buildings is exempt	No VAT on rents. Rent tax of 8% payable by tenant	VAT of 16% payable on rents, service charges and parking fees	VAT of 16.5% payable on rents	VAT of 5% payable on commercial rents. Withholding tax of 10% payable by tenant	VAT of 18% payable on rents	VAT of 14% payable on rents
	Internal repairs	Tenant responsible	Tenant responsible	Tenant responsible	Tenant responsible	Tenant responsible	Tenant responsible	Tenant responsible	Tenant responsible	Tenant responsible
	External repairs and repairs to common parts	Landlord responsible	Landlord responsible	Landlord responsible	Landlord responsible	Landlord responsible	Landlord responsible	Landlord responsible	Landlord responsible	Landlord responsible
	Building insurance	Landlord responsible	Landlord responsible	Landlord responsible	Landlord responsible	Landlord responsible	Landlord responsible	Landlord responsible	Landlord responsible	Landlord responsible
	Restoration	Tenants required to restore premises to original state, subject to reasonable wear and tear	Tenants required to restore premises to original state, subject to reasonable wear and tear	Tenants required to restore premises to original state, subject to reasonable wear and tear	Tenants required to restore premises to original state, subject to reasonable wear and tear. Typically let as shell & core	Tenants required to restore premises to original state, subject to reasonable wear and tear. Typically let as shell & core	Tenants required to restore premises to original state, subject to reasonable wear and tear	Tenants required to restore premises to original state, subject to reasonable wear and tear	Tenants required to restore premises to original state, subject to reasonable wear and tear	Varies by lease agreement. Fair wear and tear will apply in most, but not all, cases
TRANSACTION COSTS										
	Agency fees: new lease	Paid by landlord or tenant. Typically one month's rent	Paid by landlord or tenant. Typically one month's rent	Paid by landlord or tenant. Typically one month's rent	Paid by landlord or tenant. Typically one month's rent	Paid by landlord. Typically 4-8.3% of annual rent	Paid by landlord. Typically 5-10% of annual rent	Paid by landlord or tenant. Typically 5-10% of the total rent	Paid by the landlord, typically one month's rent	Paid by landlord. Typically 15-20% of the annual rent, depending on lease length
	Agency fees: renewal	Paid by landlord or tenant. Typically one month's rent	Paid by landlord or tenant. Typically 2-3% of annual rent	Paid by landlord or tenant. Typically one month's rent	Paid by landlord or tenant. Typically one month's rent	Paid by landlord. Typically 2.5% of annual rent	Paid by landlord. Typically 5-10% of annual rent	Paid by landlord or tenant. Typically 5-10% of the total rent	Paid by the landlord, typically one month's rent	Paid by landlord. Typically 10-15% of the annual rent, depending on lease length
	Agency fees: sublease	Typically one month's rent	Typically one month's rent	Typically one month's rent	Typically 50-100% of one month's rent	No subleasing	N/A	Typically 5-10% of the total rent	No subleasing	Paid by existing tenant. Typically 15-19% of annual rent, depending on lease length
	Legal fees	Payable by tenant on attorney scale	Payable by landlord or tenant on attorney scale	Payable by tenant on attorney scale	Landlord and tenant pay their own costs	Payable by tenant, on a sliding scale depending on rents	Payable by tenant, based on a prescribed scale of fees	Payable by tenant, tarriffs vary by lawyer	Landlord and tenant pay their own fees	Landlord and tenant pay their own costs
	Is stamp duty payable on leases?	Yes. Tenant pays	No	No	Yes. Tenant pays	Yes. Tenant pays. It is calculated as 2% of combined total of the average rent over the 6 years plus the service charge for 1 year	Yes. Stamp duty of 3% payable where lease is registered	Yes. Rates vary by state	No	No

		Tanzania	Uganda	Zambia	Zimbabwe
LEASE TERMS					
	Rents quoted	US$/sq m/month, but government organisations are now asking to charge in TShs	US$/sq m/month	US$/sq m/month	US$/sq/month
	Typical lease lengths	1-5 years	2-5 years	2-5 years	1-3 years
	Frequency of rent payments	Quarterly in advance	Usually paid quarterly or biannually in advance	Monthly or quarterly in advance (retail mall tenants pay monthly)	Monthly in advance
	Basis of rent reviews	Annual escalations are not a norm	Periodic rent reviews at an agreed annual percentage, typically 3.5-10%	Fixed annual rental escalations, typically 3-5%	Annual rent reviews based on open market rents
	Break options	Can be exercised by either by either party. Legal notice period is 3 months	Can be exercised by either party. Typical notice period is 6 months	Can be exercised by either party. Typical notice period is 3 months	Can be exercised by either party. Typical notice period is 6 months
	Ability to assign lease	Subletting permissable, with landlord's consent	Subletting not permitted	Subletting permissable, with landlord's consent	Subletting permissable, with landlord's consent
OCCUPATIONAL COSTS					
	Service charges	Paid by tenant. Typically US$2-3/sq m/month	Paid by tenant. Typically 15-40% of net rents	Paid by tenant. Typically 10-15% of net rents	Paid by tenant. Typically 75-100% of net rents
	Utilities	Tenant pays for electricity. Water paid for through service charge	Tenant pays for electricity. Landlord pays for water, recovering cost via service charge	Tenant pays for electricity. Landlord pays for water, recovering cost via service charge	Tenant pays for all utilities including electricity and water
	Relevant local taxes payable	VAT of 18% payable on rents. Withholding tax of 10% on rents	VAT of 18% payable on rents	VAT of 16% on commercial rents. Withholding tax of 10% payable by tenant	VAT of 15% payable on rents
	Internal repairs	Tenant responsible	Tenant responsible	Tenant responsible	Tenant responsible
	External repairs and repairs to common parts	Landlord responsible	Landlord responsible	Landlord responsible	Landlord responsible
	Building insurance	Landlord responsible	Landlord responsible	Landlord responsible	Landlord responsible
	Restoration	Tenants required to restore premises to original state	Tenants required to restore premises to original state, subject to reasonable wear and tear	Tenants required to restore premises to original state, subject to reasonable wear and tear	Tenants required to restore premises to original state, subject to reasonable wear and tear
TRANSACTION COSTS					
	Agency fees: new lease	Paid by landlord. Typically one month's rent or between 0-5% of annual rent	Paid by landlord. Typically one month's rent	Paid by landlord. Typically equivalent to one or one and a half month's gross rent	Paid by landlord. Typically 10% of annual rent
	Agency fees: renewal	Paid by landlord. Typically between 0-2% of annual rent	Paid by landlord. Typically one month's rent	Paid by landlord. Typically 2.5-5% of annual rent	Paid by landlord. Typically 10% of annual rent
	Agency fees: sublease	Typically up to one month's rent	No subleasing	Paid by existing tenant. Typically equivalent to one month's gross rent	Typically 50-100% of one month's rent
	Legal fees	Landlord and tenant pay their own costs	Landlord and tenant pay their own costs	Either paid by landlord, or shared between landlord and tenant. Fees by negotiation	Payable by tenant, tarriffs vary by lawyer
	Is stamp duty payable on leases?	Yes. Tenant pays at 1% of first year's annual rent	No	No. A lease registration fee is payable based on a statutory scale. Typically landlord pays	Stamp duty payable when leases are registered, based on a statutory scale

Source: Knight Frank Research

KNIGHT FRANK IN AFRICA



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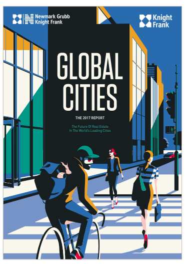

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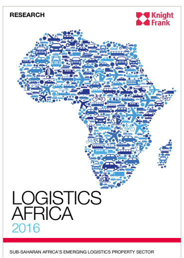

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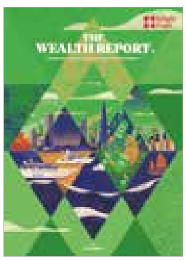

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