

THE AFRICA REPORT

2024/25
6TH EDITION

The Ultimate Guide to
Africa's Real Estate Markets

WELCOME



James Lewis

Managing Director, Knight Frank Middle East and Africa

Welcome to the 6th edition of The Africa Report 2024/25, Knight Frank's ultimate guide to real estate market performance and opportunities across the continent.

As we unveil our biennial 2024/25 Africa Report, we are optimistic about the prospects for Africa's real estate markets. Over 95% of the African markets tracked by Knight Frank have fully rebounded from the COVID-19 pandemic, with most now matching pre-pandemic figures in transactions, prime rents, and average yields across major real estate sectors.

The office sector across the continent is witnessing increased demand for Grade A stock, with ESG-compliant stock growing in popularity. This shift is also prompting some developers to refurbish older buildings to Grade A standards to help sustain demand and occupancy levels, as has been the case in Uganda. Overall, Grade A offices boast an average occupancy rate 10% higher than lower-grade offices.

Elsewhere, the retail sector continues to evolve, with a heightened focus on enhancing consumer experiences. For example, retail shopping in Kampala and Entebbe has transformed from necessity-driven downtown markets to leisure experiences in modern shopping centres.

Africa's industrial markets have shown remarkable resilience, bolstered by government initiatives in countries like Kenya and Zimbabwe, with their Special Economic Zones (SEZ) and Export Processing Zones (EPZ) helping to create new demand. Additionally, the rise of e-commerce across the continent is driving requirements for efficient

storage and distribution facilities, prompting the development of modern industrial zones equipped with state-of-the-art logistics infrastructure.

In the residential sector, the global trend of the live-work-play model is driving demand for mixed-use and community living developments. For most households aspiring to transition from renting to owning however, affordability remains a key concern. Developers are addressing this by offering innovative financing options, complementing government initiatives like Egypt's 'Housing for All scheme', which provides long-term subsidised mortgage loans.

Our 2024/25 Africa Report includes comprehensive coverage of property markets in 19 countries, as well as detailed insights from our experts exploring retail, economic, and healthcare trends across the continent.

I invite you to delve into our research and look forward to discussing our findings with you in more detail.



DISCOVER THE AFRICA
REPORT 2024/25



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THE EVOLUTION OF THE RETAIL SECTOR IN UGANDA

Hillary Mbaihayo

Head of Research and Strategic Consulting – Knight Frank Uganda

Shopping within Kampala and Entebbe have evolved from experiences driven by necessity in downtown local markets and shops to leisure experiences, as evidenced by the growth in formal retail shopping centres, marking the emergence of a more international level of retail offerings. Furthermore, the retail sector in Uganda is experiencing a significant transition driven by technological advancements, changing occupier trends, consumer behaviour, urbanisation trends, investment patterns, and increasing emphasis on environmental, social, and governance (ESG) initiatives.

Rising disposable incomes

The economic backdrop in Uganda has also improved over the last few years, with GDP growth rising to 5.2% in 2022/2023, up from an average of 3.6% between 2019-2022 (Bank of Uganda). This has helped to lift disposable income levels as has been reflected in rising consumer spending.

Table 1: Prime retail rents* in Kampala (US\$ psm)

SIZE	RENTS PSM*
<10m2	\$220
<50m2	\$36
<100M2	\$22
<500M2	\$17
>500M2	\$15
>1000M2	\$11

Source: Knight Frank

**Rates are for ground floor space in prime Kampala shopping malls, but do not take the shopfront-to-depth ratio into account and excludes any service charges.

Perhaps unsurprisingly, developers are capitalising on this, with 30,000 sqm of formal retail added to the market in Uganda and Entebbe over the last 3 years, taking total retail supply in these two cities to more than 300,000 sqm.

The fashion and food and beverage categories remain the highest contributors to retail demand. The cinema entertainment offering continues to be a strong drawcard.

And retailers have responded to the evolving consumer behaviour. With a burgeoning middle class and rising urbanisation, there is a growing appetite for convenience, with retailers vying for locations that offer adequate parking and easy access. Retailers are also increasingly targeting high-traffic areas in urban centres to capture footfall and drive sales. Additionally, the integration of technology and innovation is reshaping the retail landscape, with retailers embracing omnichannel strategies and digital solutions to enhance shopping experiences.

EXPERT INSIGHT FROM HILLARY:

The retail sector has exhibited sustained growth over the past decade, evidenced by rising occupancy levels, increased turnover, and positive footfall growth across Knight Frank-managed malls. Like all sectors, it registered negative growth during the COVID-19 pandemic due to prolonged lockdown periods and restrictions on social interactions, negatively affecting categories seen as “non-essential” together with the global supply chain disruptions. Notably, the sector has exhibited remarkable resilience, achieving a near-complete recovery to pre-pandemic levels as of 2023, as evidenced by a 14% surge in general retail turnover and a 3.79% rise in occupancy levels across Knight Frank-managed Malls.



Retail in Uganda has, for most of its existence, been informal. Over the last decade, we have seen exponential growth in the formalised retail space. The evolving needs of both retailers and consumers will continue to fuel this expansion over the next decade.

Judy Rugasira Kyanda, Managing Director –Knight Frank Africa





Retail market opportunities

Growth of mixed-use developments: Developers are capitalising on the synergies between different asset classes with developments that embrace a 'live-work-play' mantra. These developments cater to the preferences of modern consumers who seek convenience, accessibility, and a sense of community in their retail destinations.

Expansion of shopping malls: Shopping malls, particularly in Jinja, Masaka, Mbarara, Fort Portal, Arua, Lira, Mbale, Hoima, and Gulu, are attracting investment. With the growth in the middle-class population and changing consumer patterns, there is a growing demand for modern shopping destinations, hinged on offering experiences, entertainment, education/edutainment and well-being services.

Rise of neighbourhood retail centres: In addition to large-scale shopping malls, there is a growing demand for neighbourhood retail centres and convenience stores in residential areas and suburban locations. These smaller-scale retail developments cater to the daily needs of residents, offering a mix of grocery stores, pharmacies, cafes, and other essential services.

Focus on experiential retail: To attract consumers in an increasingly competitive market, retailers are moving away from traditional transactional models towards experiential concepts engaging all five senses. Memorable shopping experiences are created through interactive pop-up shops, themed entertainment zones and experiential retail offerings to drive foot traffic and enhance the overall appeal of retail destinations.

Embrace of retail technology and innovation: Developers and retailers are leveraging digital tools, such as augmented reality (AR), virtual reality (VR), mobile applications, POS (point of sale) technology, and self-checkout technology systems, to enhance the shopping experience, drive foot traffic, and increase sales. From interactive digital signage to mobile payment options, technology is being integrated into retail spaces to create engaging and immersive environments that resonate with tech-savvy consumers.

THREE TRENDS TO MONITOR



Demographic trends play a pivotal role in shaping retail demand. With Uganda's young and growing population – 77.5% of the population is aged under 30 (Uganda Bureau of Statistics) – there is a significant consumer base driving demand for retail goods and services. Retailers and developers are tailoring their offerings to cater to the preferences and aspirations of different demographic segments and households.



With the growing awareness of ESG considerations, there is increased emphasis on green building practices and sustainability initiatives. Developers are incorporating energy-efficient design features and using eco-friendly materials to reduce carbon footprints and enhance the environmental performance of retail properties. Sustainable retail developments not only appeal to environmentally conscious consumers but also contribute to long-term cost savings and market competitiveness for retailers themselves. A prime recent example is Arena Mall, Uganda's first certified green building, which obtained a 4-star green certification in 2019 from the Green Building Council.



The presence of renowned anchors such as Carrefour, Uhome, Woolworths, LC Waikiki, Hummel, Café Javas Regional Branch, Optica, Adidas, Puma, KFC, and Mr Price, among others, signifies not only established demand but also act as a magnet, attracting further investment.



The consumer is looking to convenience in suburbia which in turn has and is driving the emergence of a greater number of neighbourhood retail centres. International retailers have been quick to take up prime positions in neighbourhood centres, while domestic retailers have been slower to 'decentralise' and move closer to their consumers. As a result, some domestic retailers have had to contend with falling revenues and even closure.

Marc du Toit, Head of Retail Knight Frank – Africa

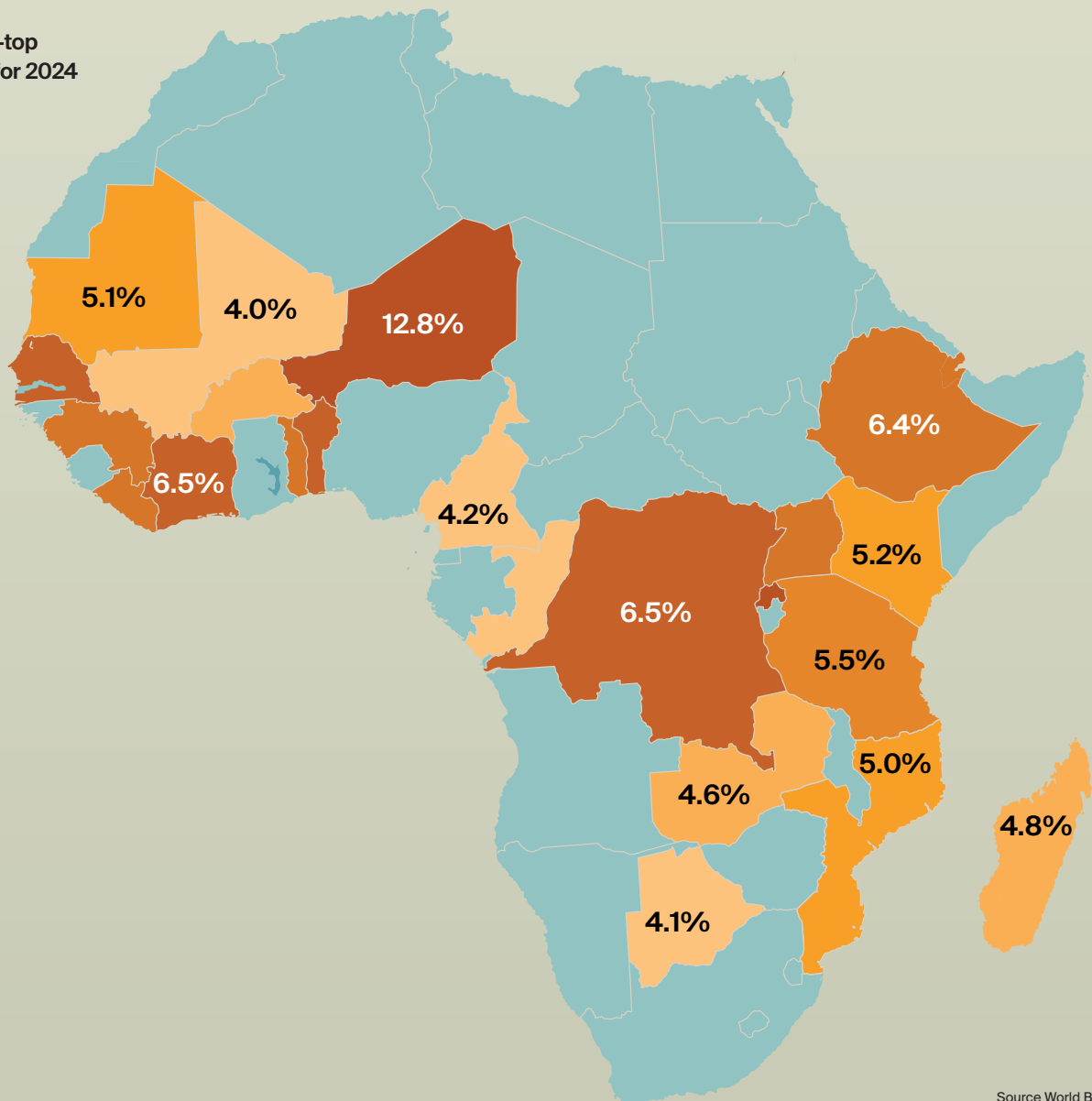
NAVIGATING CHALLENGES AND OPPORTUNITIES IN SUB-SAHARAN AFRICA

Charles Macharia

Head of Research and Strategic Consulting – Knight Frank Kenya

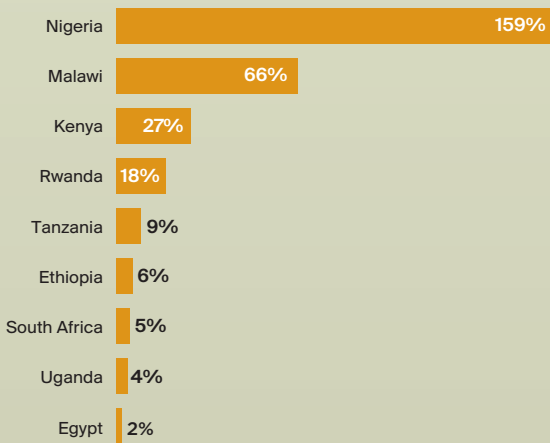
Sub-Saharan Africa is at a crossroads, with economic growth projections indicating a rebound in 2024 (3.8%) and 2025 (4.1%) after a sluggish performance in 2023 (2.9%). Real GDP growth across the Eastern and Southern Africa subregion is estimated to have expanded by 1.9% in 2023, while the Western and Central Africa subregion is thought to have grown by 3.3% (World Bank).

GDP growth-top performers for 2024



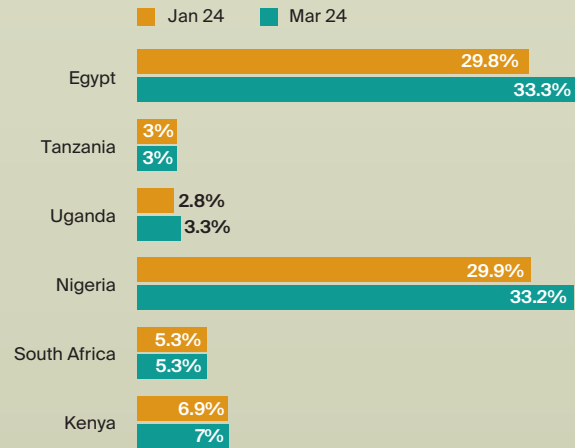
Source World Bank

Currency depreciation across Africa against the US dollar



Source: Various Central Banks

Inflation rates across Africa (January/March 2024)



Source: Trading Economics.

However, risks such as political instability, high debt burdens, elevated costs of living, and depreciating currencies continue to pose risks to the region's future economic growth. Amidst these complexities, the real estate market in Sub-Saharan Africa faces both challenges and opportunities.

While the projected growth rates for 2024 and 2025 across Sub-Saharan Africa are encouraging, per capita incomes are not expected to make significant gains, hindering the region's ability to alleviate extreme poverty.

Challenges

The economic challenges across Sub-Saharan Africa have implications for the real estate sector across the region, with growth in several countries hampered by conflicts, energy crises, and a subsequent weakening in demand across all real estate sectors.

In Nigeria, for instance, the largest economy in the region, disruptive economic policies and currency demonetisation in 2023 contributed to weakened growth in the business services sector. Furthermore, the continuous rise in inflation in the country, which climbed to a 15-year high of 33.2% in the 12-months to the end of March, has curbed consumer spending and retail footfall.

Over the past 12 months, some prominent retailers such as South Africa's Mr Price and Shoprite, have exited the market, citing macroeconomic volatility, the depreciation of the naira, and weakened consumer purchasing power. In the wake of their departure, retail developers have turned their attention to expanding small-scale neighbourhood malls to drive growth and footfall.

Similarly, South Africa has faced energy crises, and demand across the country's real estate sectors has weakened. Unsurprisingly, speculative development has also come to a stand-still, underpinned by escalating construction costs, high levels of inflation, and weak initial returns.

In Angola, government revenues have been impacted by lower oil production, which has subsequently resulted in a fall in public spending levels, which has dampening demand for real estate across all sectors.

Political instability

Elsewhere, political instability in parts of Sub-Saharan Africa, including contested elections and conflicts in countries like the Democratic Republic of Congo, Ethiopia, Somalia, and Sudan, adds yet another layer of complexity to the real estate sector. Recent coups in Niger, Guinea, and Gabon raise concerns about the setback of reforms and potential disruptions in property markets.

Increased conflict and violence in the Sub-Saharan region are further hampering economic activity, while also dissuading real estate investors.

Finally, high levels of national debt leave little room for fiscal manoeuvring amongst Central Banks, which is creating challenges for those seeking real estate financing. Debt service ratios are continuing to rise, with public investments, including infrastructure development, emerging as casualties. The shift from concessional borrowing to private creditors is increasing the vulnerability of regional economies to economic shocks, which we believe is constraining the real estate market's growth potential.

AFRICA HEALTHCARE

Dr. Gireesh Kumar

Associate Partner – Healthcare Advisory Services, MENA

The healthcare sector in Africa has historically lagged with limited access, low quality of healthcare services and a scarcity of skilled manpower resources. However, as the continent experiences rapid demographic transitions, economic growth, and advances in technology, the demand for accessible, affordable, and high-quality healthcare has surged.

While some regions have advanced medical facilities and skilled healthcare professionals, others face enduring challenges such as inadequate infrastructure, a scarcity of medical staff and restricted access to essential medications. Communicable diseases such as malaria, HIV/AIDS and tuberculosis are still prevalent in the Sub-Saharan African region, in addition to the growing concerns about non-communicable diseases and maternal health issues. The World Health Organization has reported that Africa bears more than 22%-24% of the global disease burden and accounts for less than 1% of global healthcare expenditure, creating a major healthcare infrastructure deficit. Additionally, an underinvestment puts considerable strain on health workers, contributing to an annual loss of USD 2bn as African doctors emigrate to high-income countries.

Despite strides made in continent-wide improvement of the healthcare sector, including broadening primary care access and embracing telemedicine and health data management technologies, there persists a gap that emphasises the ongoing necessity for sustainable investments, innovative solutions and collaborative partnerships to cater to the diverse healthcare demand of Africa's population.

Bed density

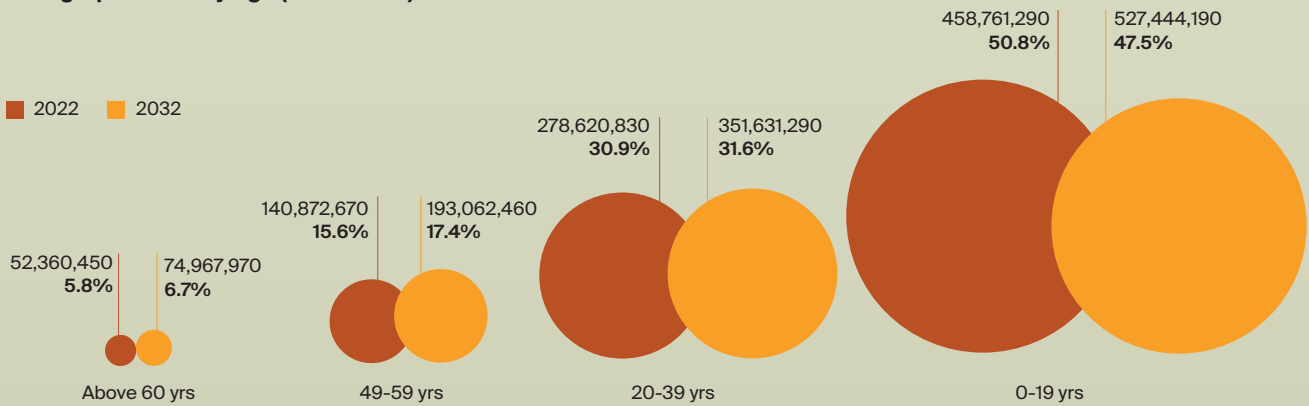
Access to adequate healthcare infrastructure is a critical determinant of public health outcomes. Among the fundamental components of healthcare infrastructure, hospital bed density serves as a key indicator of a country's preparedness to address health crises and provide essential medical services. Countries such as Mauritius and Ethiopia

Bed density per 1,000 population (2006-2022)



Source: Various sources (WHO, CIA fact sheet, World Data, African Development Bank, Official Health Ministry Portal)

Demographic shift by age (2022-2032)

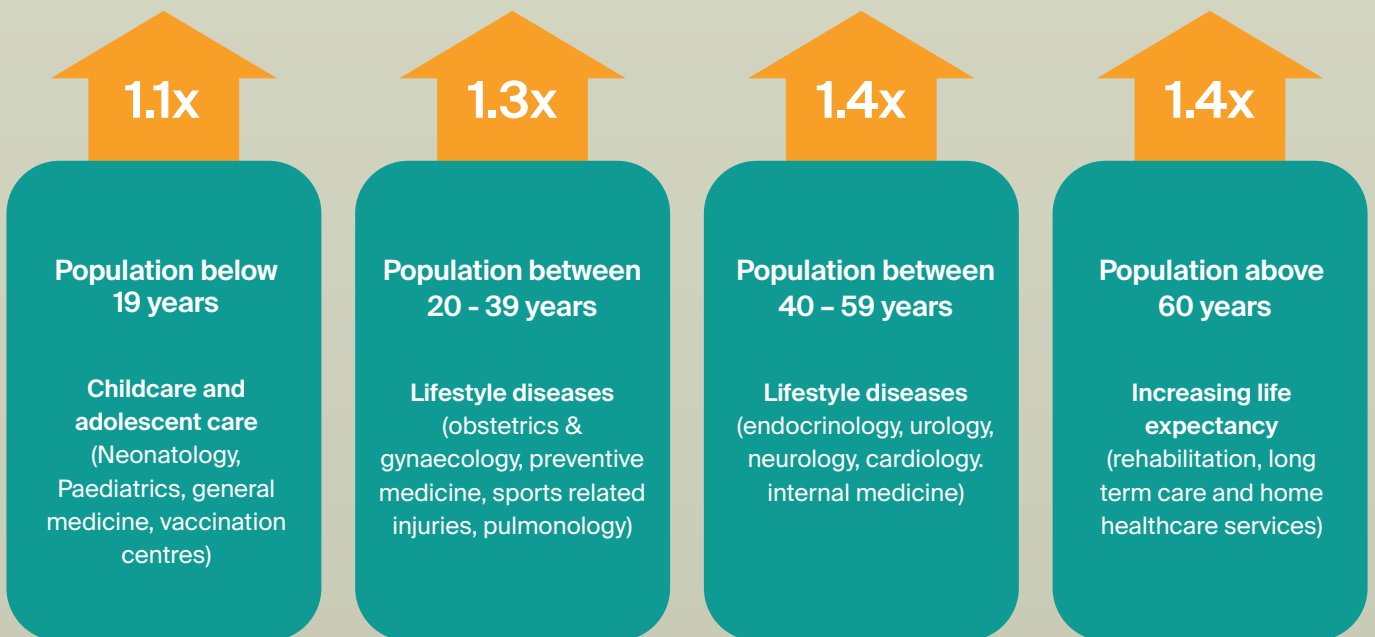


have a higher bed density at 3.9 and 3.3 beds per 1,000 population, respectively, in comparison to the global average of 2.9 beds per 1,000 population indicating optimum bed capacity to cater to the current needs of the population. Meanwhile, countries such as Nigeria, Uganda, Egypt and Morocco have a relatively low bed density compared to their respective population. Several factors contribute to the challenges associated with hospital bed density, such as limited financial resources, inadequate infrastructure development and rapid population growth. Strategic investments in infrastructure development, coupled with robust healthcare financing mechanisms, are essential for expanding bed capacity and improving healthcare access. Moreover, further leveraging technological innovations, such as telemedicine and mobile health clinics, can augment

healthcare delivery in underserved areas, alleviating pressure on traditional hospitals. Collaborative efforts involving governments, international organisations, and the private sector are paramount in addressing Africa's multifaceted challenges of hospital bed density.

Demographic impact on healthcare

Africa's demographic profile indicates a youthful population compared to other global regions. Currently, 50.8% of the population is below the age of 19 years. The population between the ages of 40-59 and above 60 years is expected to grow by 1.4x in the next decade. This increase in population within the different age groups indicates demand for specialised services focusing on paediatrics, chronic care management, rehabilitation and so on.

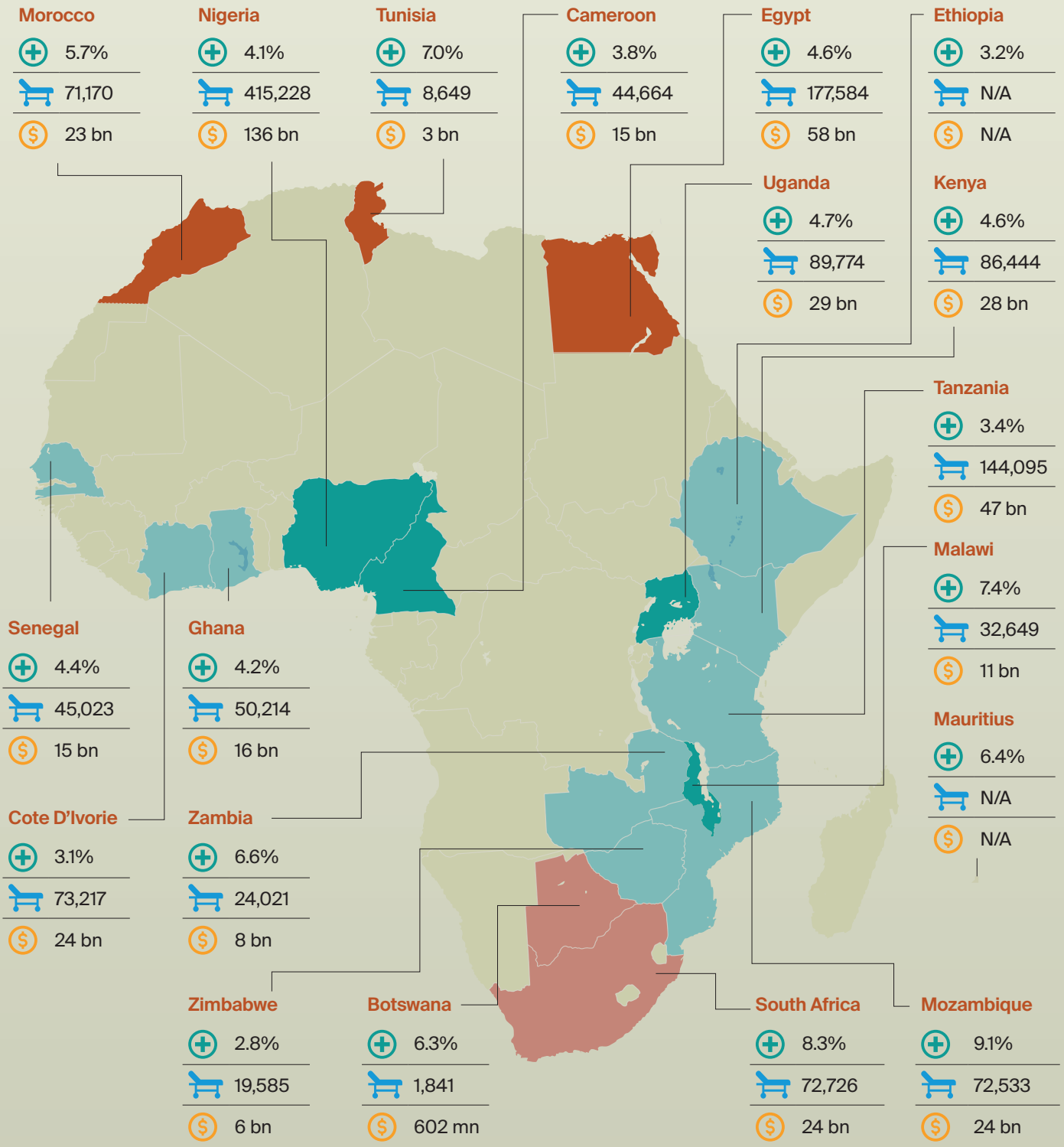


OVERVIEW OF AFRICA HEALTHCARE



Over the past decade, health expenditure in Africa has been on the rise, reflecting growing investments in healthcare infrastructure, services and personnel.





Key

The red indicates countries that have primarily Non- Communicable Diseases as the top causes of death and DALY.



The green indicates countries that have primarily Communicable Diseases as the top causes of death and DALY.



Current Health Expenditure as a % of GDP

Additional beds required at global average (2.9 beds per 1,000 population)

Real estate investment required for the additional beds (In USD and includes the construction of hospital only). Excludes cost for medical equipment

Source: IHME, WHO



The identified gap in healthcare infrastructure presents both challenges and opportunities for investors, governments and healthcare stakeholders.



Current Health Expenditure (CHE)

- Current health expenditure (CHE) as a % of GDP provides an indication of the level of resources channelled into health and determines the importance of the health sector in the overall economy.
- Over the past decade, health expenditure in Africa has been on the rise, reflecting growing investments in healthcare infrastructure, services and personnel. Mozambique has the highest CHE at 9.1%, whilst Zimbabwe has the lowest at 2.8%.
- In Africa, private funding is the primary source of financing, followed by government and external funding. However, long-term financing solutions are required to address infrastructure gaps, strengthen the healthcare workforce and build resilient health systems to improve the quality of care.

Real Estate Investment

Taking into consideration the global average bed density of 2.9 beds per 1,000 population, the gap in the healthcare infrastructure and the total real estate investment required has been identified. With the exception of Ethiopia and Mauritius, the majority of the countries fall short of the global average and require a significant investment in healthcare infrastructure. To put this into perspective, Nigeria, for example, requires 415k beds costing over USD 136 bn*, and Egypt requires 177k beds with an infrastructure investment of USD 58 Bn*.

The identified gap in healthcare infrastructure presents both challenges and opportunities for investors, governments and healthcare stakeholders.

On one side, bridging this gap demands significant financial investments and strategic foresight to construct, enhance, and modernize healthcare facilities. On the other hand, it opens avenues for real estate developers, investors, and healthcare providers to engage in infrastructure projects that can have an impact on public health and overall welfare.

Disease Burden

- Deaths and DALY are key indicators to analyse the disease burden of a country.
- Disease Adjusted Life Years (DALY) is known as the total years of potential life lost due to premature death and the years of productive life lost due to disability. It is used as a measure for the quantity and quality of life of the population.

- Northern African countries such as Egypt Morocco and Tunisia, have non- communicable diseases as the primary causes of deaths and DALY which includes cardiovascular, neonatal, respiratory disorders etc and could be attributed to sedentary lifestyle, urbanization and unhealthy diet.
- Sub Saharan African countries such as Uganda, Cameroon, Nigeria and Malawi have a higher burden of communicable diseases such as malaria, HIV/AIDS, TB which could be attributed to factors as such poverty, inadequate healthcare infrastructure and limited access to essential medicines and preventive care.



Deaths and DALY are key indicators to analyse the disease burden of a country.



OVERVIEW OF AFRICA HEALTHCARE



Population growth & Demographic Shift

Between 2000 and 2019, Africa experienced a 46% decrease in its mortality rate and a 10-year increase in life expectancy¹, resulting in rapid population growth. Although majority of the population comprises of individuals under the age of 20 years, the population aged 60 years and above is expected to grow by 1.4x reaching approximately 74 million² by 2032. This trend suggests a growing demand for specialized healthcare services specifically for this age group.



Disease Burden

Africa constitutes 15% of the world's population, yet it shoulders 22%-24% of the global disease burden and suffers 50% of deaths from communicable diseases³. The increase in tobacco consumption, alcohol intake, unhealthy dietary habits, and sedentary lifestyle has also resulted in an increase in non-communicable diseases such as diabetes and cardiovascular ailments. This drives demand for chronic care management services across the continent.



Urbanization

Africa's urban population is projected to reach 770 Mn³ by 2030 an increase of approx. 300 Mn from 2015. Urbanization leads to an increased demand for healthcare infrastructure as it is accompanied by increasing risk factors for NCD's such as cardiovascular diseases, diabetes and hypertension etc.



Covid Impact

Africa experienced disruptions to healthcare services during the pandemic and continues to face emerging comorbidities. Mass immunization programs were halted in approximately 25 countries³, potentially leaving children vulnerable to diseases such as measles, polio, and diphtheria. This underscores the need for screening and vaccination centres as well as primary care facilities.



Telehealth

According to a 2022 UNDP report, leveraging telemedicine could provide affordable health insurance to an estimated 186.1 million individuals earning between \$3.20 and \$5.50 per day, as well as 156.6 million individuals earning more than \$5.50 per day as premiums are reduced through telemedicine use⁴. This suggests a significant demand for the establishment of infrastructure to support teleconsultation, teleradiology, e-pharmacy, and other telemedicine services.

Source: 1. WHO 2. Oxford economics 3. African Development Bank 4. UNDP



LISTEN TO
OUR EXPERTS

Health Insurance in Africa

Only 17% of Africa's population currently has access to health insurance (either covered by government or private insurers). The coverage varies significantly from one country to another within Africa and therefore majority of them still make out of pocket payments.

The health insurance is provided by the following stakeholders:

only

17%

of Africa's population currently has access to health insurance (either covered by government or private insurers).

Public Health Insurance – funded by the central government

Eg: Ghana has the National Health Insurance coverage for basic services, Morocco's Universal health coverage provides coverage to 70% of its population (2021)

Private Health Insurance – managed by private insurance players

Eg: Most of insurance companies operate in East Africa such as AAR, Bupa Arabia, CIC group. The primary challenge in the private health insurance sector lies in its limited reach beyond corporate clientele, resulting in low retail penetration especially for low income population.

Community based insurance

Managed by the community targeting rural, underserved population and informal sector

Employer sponsored health insurance

This typically covers medical expenses such as hospitalization, doctor consultations and medicines.

By investing in health insurance and strengthening healthcare financing mechanisms, African countries can work towards building more resilient and equitable health systems that meet the needs of their populations.

Source: The Lancet: "The path to universal health coverage in five African and Asian countries: examining the association between insurance status and health-care use", 2023, Prosper Africa

Some of the countries where health insurance schemes have been implemented



Ghana



Nigeria



Kenya



Ethiopia



Tunisia



Tanzania



South Africa



Uganda



Morocco

Going forward

Some countries in Northern Africa that have relatively well-developed healthcare and have made significant improvements over the years by placing strong emphasis on preventive care and primary health services should focus on investing in the following areas:

1. Tertiary care facilities
2. Specialised outpatient clinics such as Cardiology, nephrology, dialysis etc
3. Pharmaceuticals
4. Diagnostic services

The majority of the Sub-Saharan African countries (with the exception of South Africa, Ghana, and Ethiopia) that are still grappling with communicable diseases should focus on the following:

1. Strengthening primary healthcare
2. Better access to essential medicines
3. Tele-health services, especially in the rural areas.



COUNTRY FOCUS

BOTSWANA

Botswana's real estate is experiencing high levels of demand across all asset classes, with rents and values also rising in tandem. Robust economic growth and political stability is underpinning the market's performance. The surge in demand for high-end residential properties is being driven by recent amendments to the Transfer Duty Act, effectively lowering duty rates for international buyers and reshaping the dynamics of the luxury housing market. Similarly, fast rising industrial lease rates have positioned industrial yields as among the highest in Sub-Saharan Africa.

Investor-friendly policies boosting the industrial sector

Like other African countries, Botswana's government has introduced tax incentives for private international investors in an effort to boost FDI. This includes the introduction of the Development Approval Order – Tax Holiday (zero corporate tax) available to investors for 5-10 years. Investor-friendly policies are already bearing fruit, as De Beers, the world's largest diamond producer by value, launched a US\$ 1bn investment to extend the life of its flagship Jwaneng mine by moving operations underground.

Elsewhere, the limited availability of serviced industrial land in the inner city is helping to boost the occupancy of warehouses in the country. Concurrent with the government's endeavours to steer the economy towards diversification beyond mining, there has been a sustained surge in demand for industrial properties, particularly from budding industries such as manufacturing. Prime industrial yields range from 7.5% to 8.5%, making the industrial sector one of the best-performing asset classes in the country.

Increased demand for Grade A offices

There have been increased inquiries for best-in-class offices, especially within the Gaborone CBD. Occupancy rates have experienced a 10% uptick over the last six months of 2023 ending last year at 95%. This trend extends beyond the CBD, encompassing areas such as the old Gaborone CBD and Fairgrounds.

Among the latest additions to the CBD's office supply is Prime Plaza II, a 5-star green-rated building with a total floor area of 2,780 sqm. This development is regarded as the epitome of the high-end quality within the local office market, and this is reflected in asking rents (US\$ 11 psm).

Despite the escalating demand for premium offices, monthly prime headline rents have held steady for the past two quarters (Q4 2023 and Q1 2024), and stand at between US\$ 10-12 psm.

Retail market records a sterling performance

The retail sector continues to attract significant interest from new entrants, highlighted by major developments like GLA Mogolori Mall, which spans 28,400 sqm, and The A10, exceeding 17,000 sqm. Phase one of The A10 is projected to be completed by 2025. These new additions will contribute approximately 50,000 sqm of retail space to the market, increasing the total retail inventory to around 350,000 sqm.

While the scale of development is below that of neighbouring South Africa it reflects a steady growth in the market.

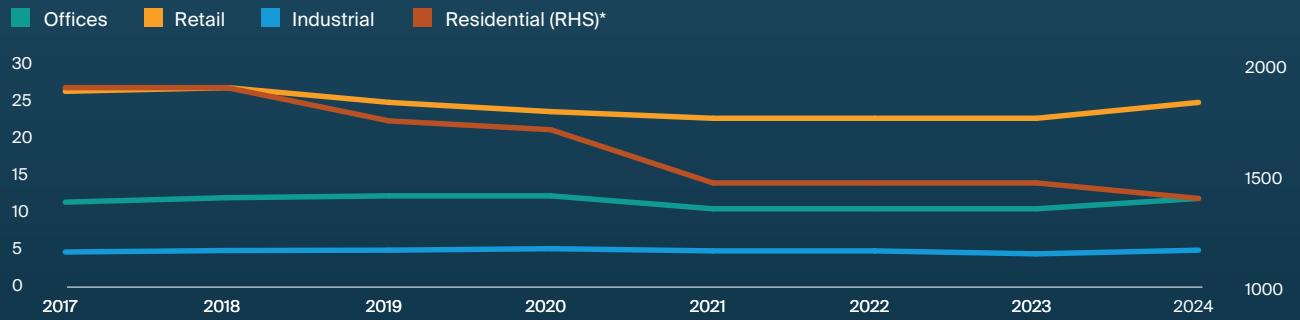
The sector is underpinned by a number of active local and South African players. Spar, Shoprite, Woolworths, Pick n Pay, and Massmart are all among the South African retailers represented, while local chain, Choppies, is an example of a thriving Botswanan supermarket brand. Choppies has over 100 stores throughout the country and plans to expand further into other African countries, having already opened stores in South Africa, Zimbabwe, Zambia, and Kenya.

Heightened demand for high-end residential units

Against a backdrop of robust economic growth and political stability, Botswana's residential property market continues to thrive. The heightened demand for high-end residential properties has been further fuelled by recent amendments to the Transfer Duty Act, which have substantially reduced duty rates for international buyers. The revised rates, now set at 10% for properties up to US\$ 145,000 (approximately BWP 2 million) and 15% for properties exceeding this threshold, have stimulated interest and activity in the luxury residential segment.

While the demand for low to middle-income residential properties in Gaborone is outpacing supply, the investment landscape presents a unique challenge. Yields stand at between 4-5%, the lowest among all asset classes.

Monthly rent (US\$ psm)



The residential row is in dollars per unit per month. All the remaining sectors are in dollars/psm

Office

Increased inquiries for best-in-class offices



Retail

Attract significant interest from new entrants



Industrial

Tax incentives boosting the industrial sector

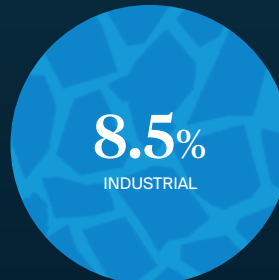


Residential

Demand for low to middle-income residential properties outpacing supply



2024 Yields (%)



Source: Knight Frank, EMC





COUNTRY FOCUS

CAMEROON

Centrally located retail offerings are thriving, while in the residential market, demand for high-end homes is underpinning capital value growth, particularly in the most affluent neighbourhoods.

Office leasing activity centred on Douala

Despite the introduction of new office properties in the Yaoundé market, Douala remains the primary hub for office demand among occupiers. Positioned strategically as the nation's economic epicentre and a prominent port city, Douala appeals to both local and international tenants through its wide range of office options.

Immeuble Grassfield, located on Rue du Gouverneur Carras, is an example of a modern, high-quality office that has attracted international tenants such as Nestle, British American Tobacco, KPMG, and NSIA.

Elsewhere, tenants with ties to the logistics sector are establishing satellite offices in Kribi, attracted by the recent inauguration of the new deep-water port and its proximity to the offshore gas facility.

Centrally located retail outlets thriving

The retail market in Cameroon is evolving, characterised by a mix of traditional markets and modern retail outlets. With a growing middle class and urbanisation, consumer demand is steadily rising, driving expansion in various sectors, including supermarkets, shopping malls, and e-commerce platforms. In addition, retail developers that centre their offerings around an experience are emerging as the most successful.

Major cities like Douala and Yaoundé serve as retail hubs, attracting domestic and international retailers. Small malls, in particular, such as Super 'U,' The PlaYce, and the Spa Malls have thrived in inner city locations.

In contrast, malls in out-of-town locations are still unable to attract high levels of footfall. The Douala Grand Mall (18,000 sqm), for instance, opened in 2020 and features 140 Stores, 22 restaurants, and 5 cinema halls. Although anchored by Carrefour, the mall struggled to reach reasonable occupancy levels due to its out-of-town location close to the Douala Airport.

Industrial rents hold steady

Local and international investors are showing interest in the manufacturing, mining and energy sectors, boosting demand for warehousing. The government's efforts to attract investment through incentives and infrastructure development have contributed to the sector's expansion.

The most significant investment to date has been Kribi's US\$ 1.3bn deep water port, which started construction in 2011 and was delivered across multiple phases. It has modern facilities capable of handling large vessels and a wide range of cargo types, including containers, bulk and general cargo.

The port's proximity to the Kribi Industrial Zone further enhances its significance, as it facilitates the movement of goods to and from industrial facilities. However, challenges persist, including bureaucratic hurdles and infrastructural limitations, not least in the N7 road from Kribi to the intersection with the N3 (Douala to Yaoundé highway), which has not been designed to take heavy traffic. As a result, it is showing significant signs of deterioration, causing concern to those operating logistics businesses who often continue to favour the Douala port.

Residential sales expected to rebound as international travel resumes

Affluent local and international buyers have fuelled demand for the high-end residential market in Yaoundé. Upscale properties attracting interest tend to include good amenities and sophisticated design and are in prime locations within exclusive neighbourhoods such as Bastos and Mont Fébé. There is an increasing move towards apartments in gated communities, away from the villas, partly due to increasing land prices, which is driving up sales prices in the best areas.

Likewise, in Douala, developers are focused on high-end apartment buildings buoyed by a notable increase in demand from affluent domestic and international buyers, with upscale neighbourhoods like Bonanjo and Akwa amongst the most sought after.



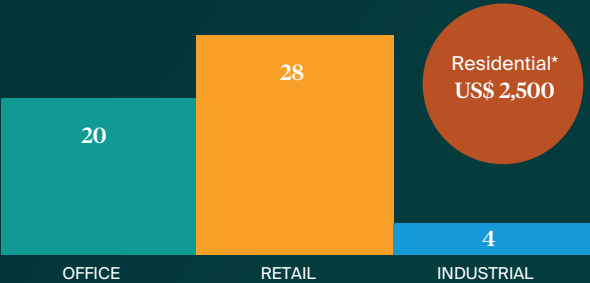
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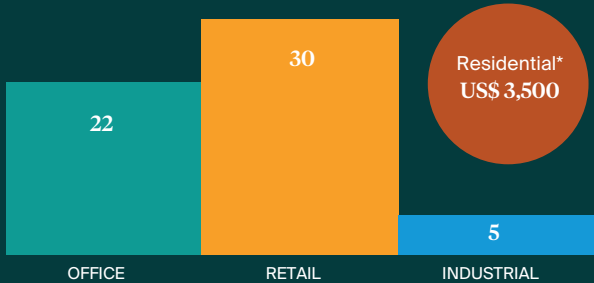
Major cities like Douala and Yaoundé serve as retail hubs, attracting domestic and international retailers.

Monthly rent (US\$ psm)

Yaoundé



Douala



Average monthly prime lease rates for 4-bedroom homes (US\$).

Office

Douala remains the primary hub for office demand



Retail

Characterised by a mix of traditional markets and modern retail outlets



Industrial

The most significant investment has been Kribi's US\$1.3bn deep-water port



Residential

Developers are focused on high-end apartment buildings



2024 Yields (%)

Yaoundé



Douala



Source: Knight Frank, EMC



COUNTRY FOCUS

CÔTE D'IVOIRE

Owner occupation is growing in popularity in Abidjan's office market, mirroring the behaviour in the industrial sector. In the residential market, developers have a renewed focus on high-quality build-to-rent homes in response to rising demand.

Increased demand for ESG-compliant offices

The Abidjan office market has limited availability, with vacancy rates of less than 5%. Notably, a significant portion of existing space is considered to be of a low quality. Development is typically small-scale, with most new buildings ranging from 6,000-8,000 sqm and often incorporating retail or residential components. These offices are designed for multiple tenants, offering self-contained units of 100-500 sqm.

There is also a growing trend towards owner-occupation, such as the 64-storey Tour F by PFO Africa/Besix, which has been developed for the exclusive use of the government.

Additionally, there is a growing emphasis on sustainability requirements among occupiers, with developers responding by offering new offices featuring green accreditation.

Well-developed retail market

The retail market in Abidjan stands out as significantly more developed than other Francophone West African markets. New shopping malls have emerged across established areas of the city, except in the Plateau CBD, where retail development is hindered by exceedingly high land values.

As the city continues to expand, opportunities for retail growth will likely arise in new neighbourhoods, with a clear gap in retail offerings for consumers in the low-mid income bracket.

A segment within the retail landscape that is rapidly evolving is the supermarket sector. Vigorous competition exists between key local supermarket player Prosuma and major international entrant Carrefour/CFAO, which is underpinning quality, variety, and pricing enhancements within the sector, with consumers emerging as the key beneficiaries.

New industrial development is focused on PK24

The traditional industrial zones at locations such as Vridi, Koumassi, and Yopougon are largely fully complete, with minimal space available. The industrial market is defined by owner-occupation, rather than speculative development for lease.

Much of the development activity is taking place to the north of the city around PK24, where Agility, for instance, has developed Agility Logistics Park, which contains 27,000 sqm of warehousing and is anchored by CDCI, Cote d'Ivoire's largest retailer.

Elsewhere and in close proximity to PK24, TRCI has successfully sold over 100 hectares of land for industrial development, demonstrating the depth of demand for industrial assets.

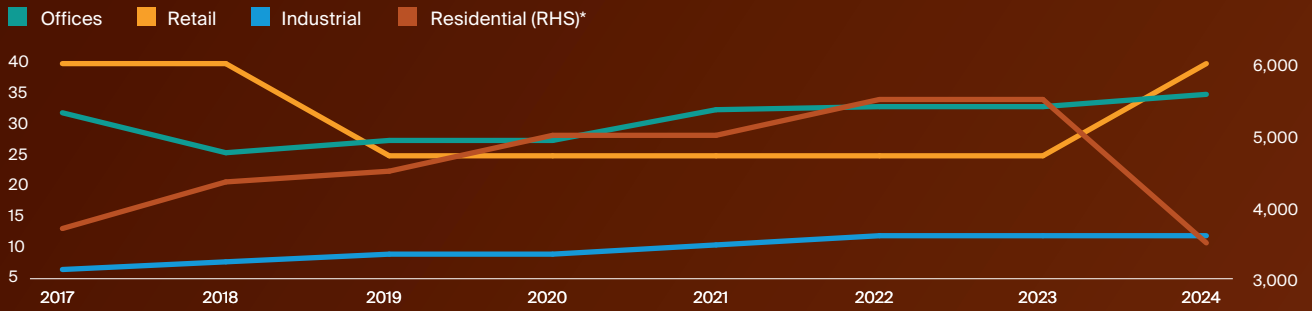
Significant residential development

There continues to be strong demand for well-specified homes in Abidjan's residential leasing market. The top end of the leasing market is focused on Marcory, Cocody, and the Riviéras (with some high-end urban development in Plateau).

Major schemes contributing to the build-to-rent supply are the Akwaba project and Teyliom's Waterfront, both of which are expected to add 150 residential units to Abidjan's residential leasing supply upon completion.

Mid-market build to rent schemes are also rising in number, as evidenced by developments such as Eco-Cité's Esperance (1,500 lot units) and Adoha's Green City (6,271 units), both of which are expected to be completed in stages over the next 10 years.

Monthly rent (US\$ psm)



The residential row is in dollars per unit per month. All the remaining sectors are in dollars/psm

Office

Growing trend towards owner-occupation



Retail

Retail market in Abidjan stands out as significantly more developed than other Francophone West African markets



Industrial

Much of the development activity is taking place to the north of the city around PK24



Residential

Major schemes contributing to the build-to-rent supply are the Akwaba project and Teyliom's Waterfront



2024 Yields (%)



Source: Knight Frank, EMC





COUNTRY FOCUS

EGYPT

The currency devaluation of the Egyptian pound has fuelled real estate investment activity, especially in the residential sector, with buyers rushing to preserve savings and capitalise on rental growth to secure retirement income.

Heightened demand for Grade A, ESG-Compliant Offices

Cairo's office market is undergoing a dynamic evolution, with businesses responding to the emergence of hybrid working patterns, and a growing emphasis on sustainability. Another key trend is the increasing demand for both small as well as flexible offices measuring 100-150 sqm. This surge is being driven by a growing community of local start-ups, freelancers, and SMEs seeking collaborative and cost-effective work environments.

Co-working space has emerged as a popular choice for this group of businesses, not least because of the flexible lease arrangements and near-instant availability of 'plug-and-play' space. Recent new coworking market entrants in Cairo include CO-55 and MQR Spaces.

Elsewhere, occupiers have shown an increased appetite for the best-in-class offices that also meet their ESG obligations. Developers are embracing eco-friendly practices and incorporating energy-efficient designs into their office developments which not only helps to satisfy occupiers' ESG considerations, but also delivers a cost-efficient solution to the challenge of rising utilities costs.

The rising demand for grade A offices has put upward pressure on prime rents, which have risen by 7% over the last 12 months and currently stand at c. US\$ 35 psm per month by the end of 2023.

Booming e-commerce

The retail sector is witnessing transformative trends that reflect Cairo's evolving consumer landscape and expenditure trends. One notable shift is the increasing prominence of e-commerce. The market entry of Amazon and Noon has helped to further entrench this shift.

Local and regional retailers are responding by investing in robust e-commerce infrastructure and delivery services. This trend has reshaped the traditional brick-and-mortar retail model, prompting businesses to create seamless omnichannel experiences to meet the diverse preferences of consumers.

Government policies boosting industrial growth

The growth of e-commerce is driving demand for efficient storage and distribution facilities, which is catalysing the development of modern industrial zones equipped with state-of-the-art logistics infrastructure. Automated warehousing systems and optimised supply chain management are becoming integral components of these developments. Despite the surge in demand, monthly prime warehousing rents have held steady at US\$ 3 psm for the last nine months.

Mirroring the markets in Kenya and Zimbabwe, the government of Egypt is keen to encourage the consumption of locally produced goods and reduce imports. With several industrial parks in the pipeline, such as the new Abu Rawash eco-industrial park by Orascom (2.2 million sqm) and Industria October by Elsewedy (2.5 million sqm), among others, approximately 300,000 sqm of additional warehousing supply is forecast by 2025.

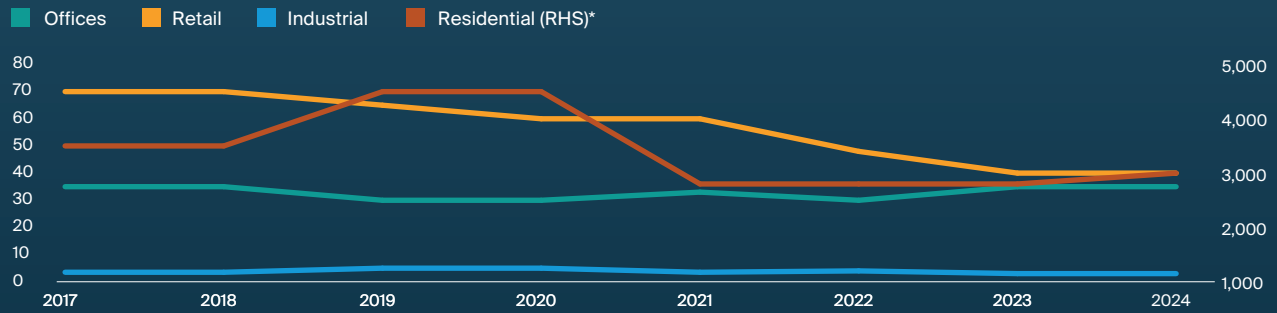
Residential

The desire for convenience and worldwide growth of the live-work-play model for urban living, where residents can access amenities, workspaces, and leisure options within walking distance is driving up demand for mixed-use and/or community living among residential tenants.

In the sales market, affordability remains a top priority for buyers. Developers are wary of this and are increasingly offering innovative financing options, which are supplementing the government's own initiatives, such as the Housing for All scheme, which offers long-term subsidised mortgage loans.

Despite the increased focus on homes that are more affordable, demand for residential units is also being fuelled by the Egyptian pound's devaluation. The pound has lost 35% of its value against the US dollar over the last three months. This is driving some households to purchase residential real estate as a way to preserve the value of their savings.

Monthly rent (US\$ psm)



* Average monthly prime lease rates for 4-bedroom homes (US\$).

Office

Prime monthly office rents fall in US\$ terms due to currency depreciation

Retail

Retail e-commerce has reshaped the traditional brick-and-mortar retail model

Industrial

Prime warehousing rents have held steady at US\$ 3 psm per month for the third quarter in a row.

Residential

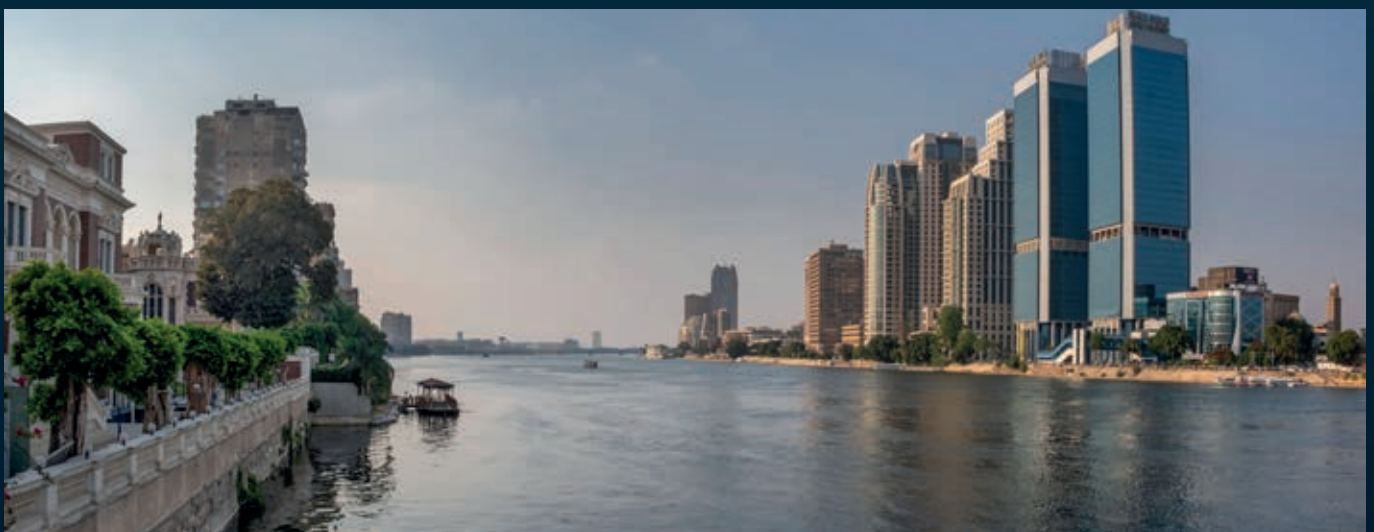
The government continues its urban expansion announcing plans for a second new capital



2024 Yields (%)



Source: Knight Frank, EMC





COUNTRY FOCUS

ETHIOPIA

After years of minimal development activity, the Addis Ababa skyline is rapidly transforming, unveiling a bustling metropolis. Despite a temporary slowdown in development activity due to the recent conflict in Tigray, significant advances in developing infrastructure have taken place, the latest is the Addis Ababa Urban Corridors Development Plan (AAUCDP) that stretches 10.4km and impacts a total land area of 460ha. The AAUCDP was launched on 27 March 2024 by the Prime Minister Abiy Ahmed and is causing some controversy particularly due to the lack of consultation with existing businesses and occupiers.

Speculative office development activity rising

The demand for office space primarily stems from the administrative, insurance, and banking sectors, which typically opt to construct or develop their headquarters rather than leasing office space. Nevertheless, there is an increase in the supply of speculatively developed office properties, particularly concentrated in the central areas of Addis Ababa.

The surge in speculatively built office properties has piqued the interest of tenants, some of whom are considering relocating from lower-quality accommodation.

While much of the existing office stock does not meet international standards, there are exceptions, such as the c.16,000 sqm National Oil Company (NOC) building in Bole, recently chosen by the World Bank as their Ethiopian Headquarters.

Parking availability remains a critical factor influencing rents, and indeed this has prompted the expansion of the NOC complex, with the addition of a new adjacent building to improve the office-to-parking ratio.

Challenges for the retail market

Currently centred around markets and ad-hoc high-street style units, Addis Ababa's retail landscape faces challenges linked to declining footfall and revenues. This weakened performance is linked largely to the high levels of inflation which stood at 26.2% in March and has been responsible for the erosion of disposable incomes.

Furthermore, many malls are rapidly aging and are considered to be outdated. This includes While Century Mall (completed in 2017), Gast (completed in 2019), and Zefmesh (that opened over 10 years ago).

To ensure sustained footfall, retail developers are bringing forward mixed-use schemes that incorporate retail on the ground level, which has been well received by retailers.

When it comes to new supply, the second phase of Eagle Hills' La Gare project is underway and will introduce further residential units, two hotels and a retail mall that is expected to be delivered at the end of 2025.

Stability persists in the industrial market

With the country entirely reliant on Djibouti for maritime deliveries, the inauguration of a railway connecting the port of Djibouti to Addis Ababa in 2018 has been instrumental in facilitating trade.

Despite Ethiopia's lack of a seaport, government incentives designed to facilitate the Addis Ababa's emergence as a regional trade hub are expected to boost demand for warehousing.

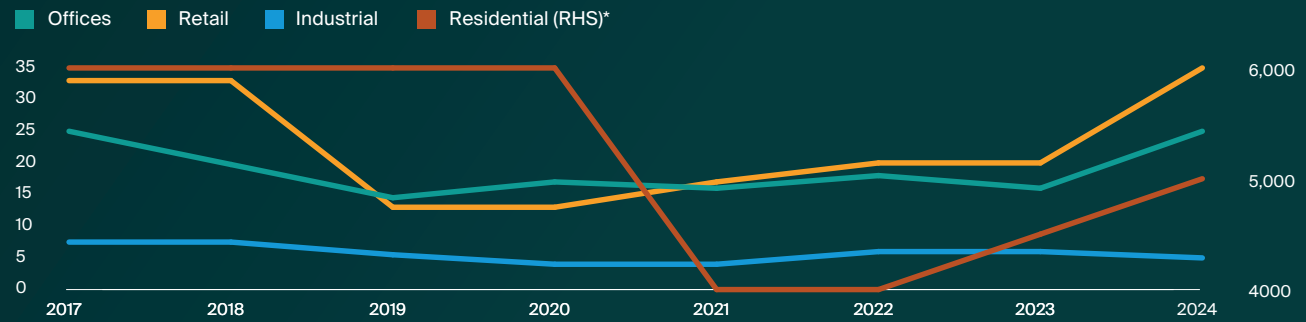
Challenges, however, still remain. The textile sector, for instance, has experienced a decline in growth since Ethiopia's removal from the African Growth & Opportunity Act treaty, which was in part driven by the conflict in the north of the country. This, coupled with challenges such as a severe shortage of hard currency, as well as the political and economic instability, has prompted some American and Chinese textile companies to reconsider their presence in Ethiopia, denting demand for warehousing.

An expanding residential sales market

The high-end residential market of Addis Ababa encompasses key neighbourhoods such as La Gare/ Commercial District, Kazanchis, and Bole. Demand is centred on secure, well-conceived developments in sought-after areas. Bole, for instance, is a popular district for expatriates and affluent Ethiopians, boasting good housing options and proximity to essential amenities.

Similarly, Kazanchis and La Gare offer central locations that appeal to international buyers.

Monthly rent (US\$ psm)



* Average monthly prime lease rates for 4-bedroom homes (US\$).

Office

The demand for office space primarily stems from the administrative, insurance, and banking sectors

Retail

Retail landscape faces challenges linked to declining footfall and revenues

Industrial

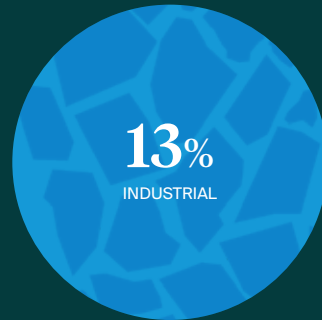
Government incentives expected to boost demand for warehousing

Residential

Expanding residential sales market



2024 Yields (%)



Source: Knight Frank, EMC





COUNTRY FOCUS

GHANA

Ghana has taken longer to recover from the effects of the COVID-19 pandemic when compared to its regional peers. High inflation rates which peaked at 54% in December 2022 (and eased to 23% at the end of last year) have added to the economic malaise. Signs of positivity in the real estate sector are emerging, with falling speculative office development, for instance, pointing to a recovery in office rents in the near term.

A slow post-COVID recovery for the office market

Like elsewhere in the world in the immediate aftermath of the pandemic, occupiers have been reassessing their office requirements, most with a view to reduce footprints. On average, vacancy rates in Grade A office buildings immediately after the pandemic stood at around 20-30%.

Subsequent competition for tenants resulted in landlords not only offering greater flexibility on lease terms, but also drive some to reduce headline rents. Monthly prime rents in 2019 were in the mid US\$ 30s psm, but these declined to the low-mid US\$ 20s last year.

The ensuing 'race to the bottom' for headline rents has prompted some occupiers to boost their footprints over the last 6-9 months, which contributed to the recovery in prime rents, which now stand at around US\$ 28 psm.

Pressure building on residential sales prices

Investor interest in the residential sector remains robust, with many seeking assets perceived as a hedge against inflation. This has contributed to the strong performance of Accra's residential market.

Developers have reacted to this increase in demand by building apartments in prime areas and houses further afield. While the demand for the best quality units remains strong, the market is starting to soften against this increase in supply. Asking prices are beginning to weaken, and payment terms are becoming more flexible.

Subdued industrial activity

The main industrial areas in Ghana encompass Accra, Tema, Takoradi, and Kumasi, with Tema being the largest, incorporating the Free Zone Enclave.

The Ghanaian industrial market, while relatively compact, has faced subdued activity amid recent economic challenges. Predominantly comprised of older grade B units, available properties often lease for as little as US\$ 2-4 psm per month. Notable exceptions include grade A warehousing developments by Agility and LMI within the Tema Free Zone.

After experiencing high vacancy rates of around 30% between 2020 and 2022, leasing activity has risen, boosting occupancy levels in developments by Agility and LMI.

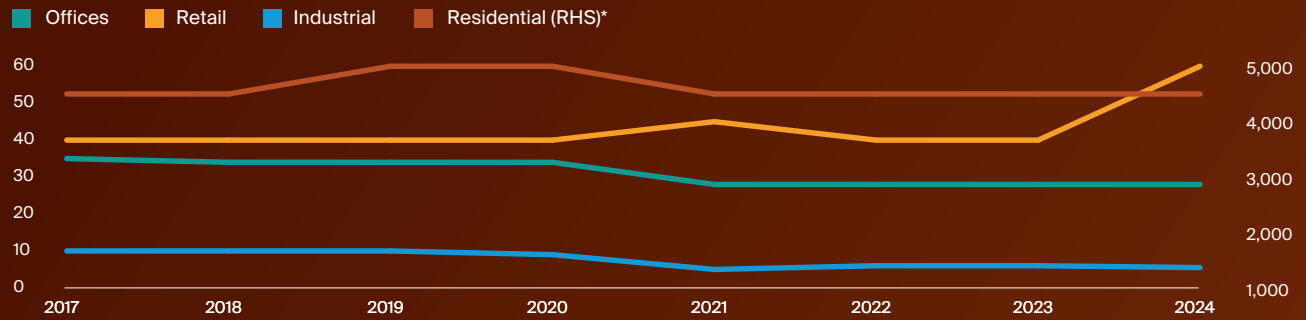
Retail rents stabilise

The retail sector has been slow to rebound from the impacts of the COVID-19 pandemic, a challenge that has been exacerbated by the devaluation of the cedi. In 2022, the currency depreciated by 30% against the US dollar, followed by a 27.8% depreciation in 2023. So far this year (as of May 16, 2024), the cedi has lost another 13.7% of its value, according to Bank of Ghana.

The impact of this has been particularly pronounced for formal retailers who rely on imported goods bought in cedi. Landlords have been responsive to this dynamic, with all major shopping malls owners adjusting rental rates downwards during 2022 and throughout H1 2023.

Rental rates have since stabilised, and vacancy rates have decreased across most major malls. By the beginning of 2024, Accra Mall, for instance, was nearly fully leased.

Monthly rent (US\$ psm)



* Average monthly prime lease rates for 4-bedroom homes (US\$)

Office

Prime office rents are up 15% on 2022 levels



Retail

Retail rents set to increase



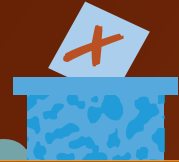
Residential

Increasing supply is causing house prices to weaken



Election

The planned December 2024 election will introduce political uncertainty



2024 Yields (%)



Source: Knight Frank, EMC





COUNTRY FOCUS

KENYA

Amid economic downturns, Kenya's real estate landscape remains resilient. The subdued supply of Grade A offices has resulted in office occupancy levels rising by 5% in the last 12 months. Meanwhile, convenience retail and heightened demand for prime residential units dominate the retail and residential sectors, respectively. The industrial sector, historically marred by lacklustre performance, is getting a boost from several government initiatives.

Positive outlook for the office market

Driven by occupiers' preference for flexibility, developers are meeting increased demand by expanding the supply of co-working space in the market, particularly in Westlands, Kenya's primary office hub. Renowned for prime offices, Westlands has recently welcomed new flexible operators such as Regus, Spaces, and Ikigai, reinforcing its status as the nation's preferred office hub.

Despite the positivity surrounding flexible offices, prime office rental rates have fallen by 15% over the past four years to US\$ 13 psm, underpinned by the historic supply overhang.

This trend is however expected to reverse this year as the supply imbalance begins to recede due to rising deal activity. Indeed, average occupancy rates have climbed by 5% to 77% between Q1 2023 and Q1 2024.

Convenience retail on the rise

Traditionally, retailers have focused their attention on well-established malls, predominantly situated in affluent neighbourhoods. However, evolving consumer spending behaviour, marked by a preference for convenience, has resulted in more retailers turning their attention to smaller neighbourhood retail centres in residential areas.

This shift, coupled with reduced disposable incomes and the surge in online retailing, is also prompting retailers to recalibrate their customer outreach strategies. As a result, there has been a discernible decrease in physical expansionary activity and new entrants.

Supermarkets dominate the formal retail market, with prime monthly rents ranging between c. US\$ 30- 55 psm. With an average yield of 9.5%, the retail sector stands as one of the top-performing sectors in the market.

Prime residential market remains resilient

Prime rents have sustained an upward trajectory, registering a 5% increase over the last 12-months. Expats who earn in US dollars have benefitted from the strengthening greenback,

which has lifted disposable incomes. In turn, this has underpinned demand for more luxurious rental properties, which are now in short supply.

The high levels of demand and dwindling high-end supply is best reflected in the rise in prime three-bedroom apartment rents which have increased by 5% over the last 12 months to stand at between US\$ 900-1400 per month.

Similarly, four- and five-bedroom houses have experienced rental rate rises of 6% and 4%, respectively, over the same period and command rents of between US\$ 2000-4000 per month, depending on the location, property amenities/features, and the perceived exclusivity of the neighbourhood.

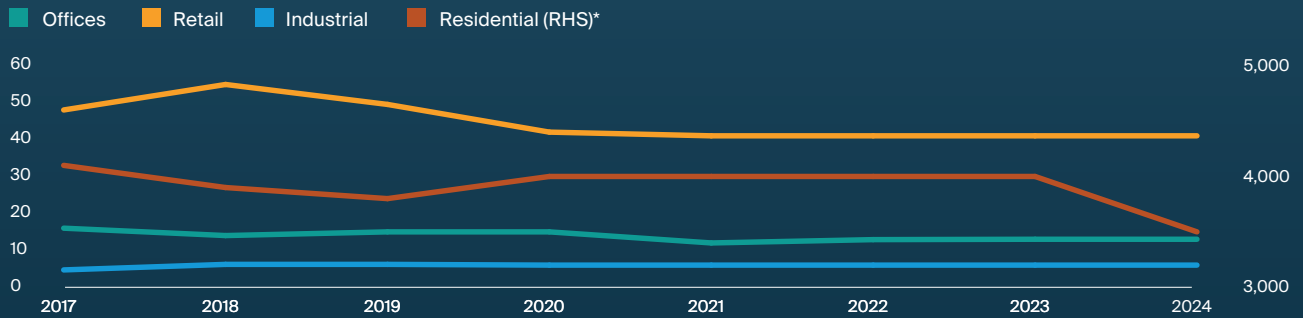
Government initiatives boosting the industrial sector

Government initiatives are playing a pivotal role in bolstering Kenya's industrial sector, aligning with the transformative goals of Vision 2030 to shift the nation from an agriculture-reliant economy to a middle-income industrialised country.

The government has been actively promoting inward international investments through the establishment of Special Economic Zones (SEZ) and Export Processing Zones (EPZs). Nairobi Gate Industrial Park, a pioneering SEZ in East Africa, for instance, includes a fully integrated customs control area, ultra-modern logistics, warehousing built to international specifications, and distribution centres. This innovative 'build-to-suit' concept in Nairobi offers Grade A flexible space, optimal accessibility, efficient circulation, and ample loading facilities with volumetric capacity, all of which are key consideration for occupiers, particularly those of the international variety.

Elsewhere, 'green-manufacturing' is rising in prominence as evidenced by the rise in local assembly warehouses for e-bikes and e-motorcycles. Over the past six years, this trend has contributed to heightened demand, which has driven monthly prime warehousing rents up by 20% to approximately US\$ 6 psm.

Monthly rent (US\$ psm)



*Average monthly prime lease rates for 4-bedroom homes

Office

Average occupancy rates have climbed by 5% to 77% between Q1 2023 and Q1 2024



Retail

Supermarkets dominate the formal retail market, with prime monthly rents ranging between c. US\$ 30- 55 psm



Industrial

'Green-manufacturing' is rising in prominence



Residential

Prime rents have sustained an upward trajectory, registering a 5% increase over the last 12-months



2024 Yields (%)



Source: Knight Frank, EMC





COUNTRY FOCUS

MALAWI

The Malawian real estate sector is gradually regaining momentum after the pandemic, albeit with some significant economic obstacles. While the market navigates a number of challenges some sectors have shown resilience. There has been a surge in demand for affordable housing and retail trading has experienced a notable uptick.

Office leasing activity in mixed fortunes between cities

Business closures during the pandemic mean that commercial landlords are grappling with significant debtor balances. This situation has been exacerbated by an economic downturn in the last quarter of 2023. Nonetheless, landlords, property managers, and occupiers remain optimistic, buoyed by expectations of an economic resurgence fuelled by the ongoing harvest season and tobacco auctions.

Persistent challenges such as parking issues, street vending, and the relocation of government, NGO, and diplomatic offices from Blantyre to Lilongwe, the capital city, have contributed to subdued economic activities. Consequently, demand for CBD offices in both Lilongwe and Blantyre has experienced a slight decline, with a notable oversupply of office spaces in both cities resulting in vacancy rates averaging around 20-30%.

While demand hasn't entirely dried up, relocating some government offices from Blantyre to Lilongwe has led to an increase in office supply in Blantyre and a corresponding decrease in rental growth in Lilongwe.

Sustained demand in retail market

Retail occupiers are gravitating towards high-traffic areas within town centres to maximise footfall. Sustained demand means vacancy rates remain low across key cities such as Blantyre, Lilongwe, and Mzuzu. Prime monthly rents are approximately US\$ 10 psm in these urban centres.

However, in the former capital Zomba, low economic activity has dampened demand for retail spaces compared to other urban centres in the country.

Subdued growth in the industrial sector

The industrial sector in Malawi is of a modest scale due to the economy's heavy reliance on agriculture and a relatively small number of manufacturing industries. This translates into limited growth prospects for the sector. Warehousing facilities are primarily owner-occupied or leased by a select few heavy manufacturing enterprises, particularly those associated with emerging sectors such as agricultural produce storage, agro-food processing, and logistics.

Over the past few years, monthly lease rates have remained steady at approximately US\$ 3 psm. Given the comparatively modest rental rates, negotiations typically revolve around the unit's specifications rather than its cost.

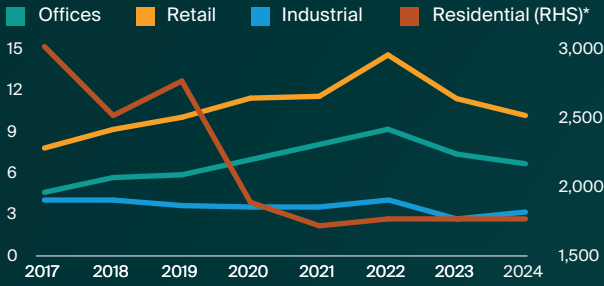
Weak prime residential market

In Lilongwe and Blantyre, self-funded home construction continues to thrive, largely driven by unfavourable lending rates. However, the number of residential units under development is anticipated to decline rapidly this year due to a significant rise in construction costs.

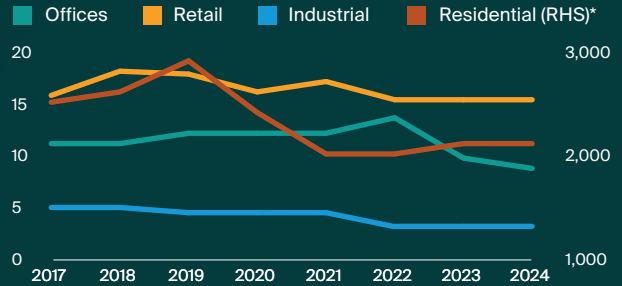
Elsewhere, economic challenges have dampened the prime residential leasing market. Sluggish job creation rates have resulted in subdued demand and stable rental rates. Similar to trends observed in other African markets, demand remains concentrated on mainstream and affordable housing, where a lack of supply continues to exert upward pressure on rates. In response to the economic downturn, landlords and property managers are implementing rental increases of approximately 20-25%.

Monthly rent (US\$ psm)

Blantyre



Lilongwe



*Note: 1 US\$ = K1,750. In real terms, the rentals escalated in Malawi Kwacha but depreciated in US\$.

Office

Vacancy rates averaging around 20-30%



Retail

Retail occupiers are gravitating towards high-traffic areas within town centres to maximise footfall



Industrial

Monthly lease rates have remained steady at approximately US\$ 3 psm



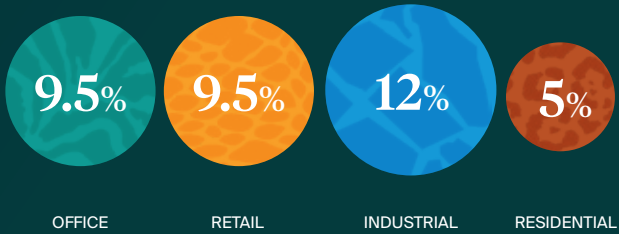
Residential

Self-funded home construction continues to thrive



2024 Yields (%)

Blantyre



Lilongwe



Source: Knight Frank, EMC





COUNTRY FOCUS

MAURITIUS

Grounded in a stable democratic framework, Mauritius remains Africa's frontrunner in ease of doing business, now ranking 13th globally. The country's financial services sector is experiencing robust growth, further bolstered by a tourism recovery and increased foreign direct investment since 2020. In 2023, the leading real estate sectors, in terms of yields and capital growth, have been private healthcare, retail, and the luxury residential market.

Surge in demand for luxury villas and apartments

Transaction values for residential properties reached US\$ 1.5 bn in 2022/23, marking a 16% increase from 2021/22. Despite the repo rate holding steady at 4.5% in April 2024, the highest since 2015, domestic housing demand slightly eased in 2023. However, the market for luxury villas and apartments saw a significant surge in demand from foreign buyers, with France, South Africa, and the UK contributing to 68% of transaction volumes in this segment.

Residential property prices have been on an upward trajectory, averaging an annual increase of 10.6% since 2019. Notably, the 12 months ending Q1 2023 also saw a sharp 35% rise in residential property prices.

Oversupply of lower grade offices

Prime-grade office vacancies in Mauritius have decreased to 7%, while B-grade vacancies have risen to 25%. The country hosts c.1,055,000 sqm of investment-grade office space, predominantly in the West. Ebene Cybercity leads with 49% of the total stock, followed by the capital, Port Louis, with 31%. Additional nodes stretch from the airport corridor to Moka, Grand Baie in the north, and Cascavelle in the south.

The oversupply of Grade B office space, primarily concentrated in 15 non-performing assets totalling approximately 76,000 sqm that have remained vacant for 4 to 6 years, skews the overall vacancy rate. Excluding these, the vacancy rate adjusts to approximately 7% on average.

New office developments slowed to a 1% growth rate in the second half of 2023, largely due to the addition of 10,000 sqm of Grade A offices in the 3rd and 4th towers at the Docks in Port Louis. Despite efforts to restore heritage sites and the newly opened metro rail network, traffic congestion and limited parking in the capital continue to hinder office rental growth.

Looking ahead, the development pipeline for the next two years includes approximately 140,000 sqm of additional Grade A office space. Over 75% of this new development is concentrated in and around Ebene, notably within the Tribeca and Cote d'Or Technopole precincts and the centre of Telfair. The market has also seen a significant increase in LEED Green-certified office buildings, growing from just six buildings in 2020 to an additional 20 buildings in 2024, bringing the total to c. 60,000 sqm.

Robust performance in the hospitality sector

The Mauritian tourism market has seen a robust recovery, with 2023 tourist arrivals reaching 95% of 2019 levels, totalling 1.3 million visitors. The Stock Exchange of Mauritius (SEM)-listed LUX Island Resorts, Sunlife Resorts, and New Mauritius Hotels lead the luxury hotel sector. The sector witnessed a significant increase in demand in 2023, with New Mauritius Hotels reporting a 6% rise in revenues for the first half of FY2024. Average hotel occupancy rates for 2023 stood at 67%, with revenue per available room (RevPAR) surpassing 2019 levels in the 4-star and 5-star segments. With limited new supply on the horizon, hotel performance is expected to remain strong through 2024 and into 2025.

Increased occupancies in the retail sector

Mauritius boasts over 350,000 sqm of mall shopping establishments, with average occupancies exceeding 90%. Ascencia dominates the sector, controlling approximately 40% of the total mall space. Most shopping malls are strategically located along the North-South Highway, as well as in Grand Baie, Flaq, and Tamarin on the West Coast.

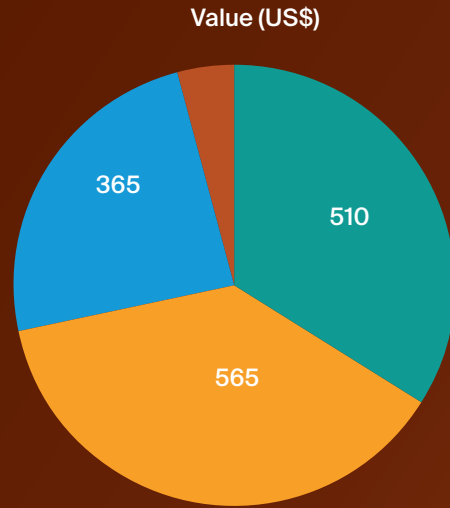
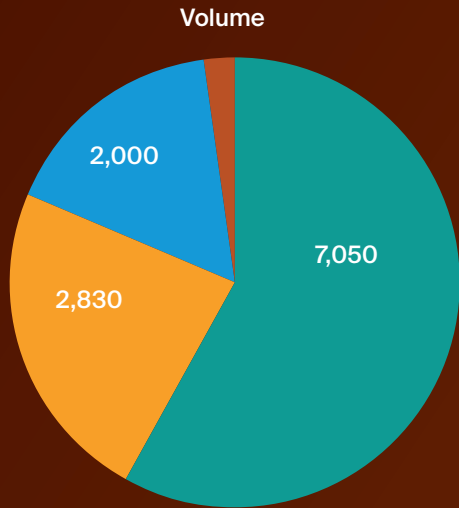
Land average price
US\$ 70k

House & Villa average price
US\$ 200k

Apartments average price
US\$ 180k

Transactions

■ Land
 ■ House and villa
 ■ Apartments
 ■ Commercial & Other



Source: Knight Frank

Office

Prime-grade office vacancies in have decreased to 7%, while B-grade vacancies have risen to 25%

Retail

Over 350,000 sqm of mall shopping establishments, with average occupancies exceeding 90%

Hospitality

Tourism market has seen a robust recovery, with 2023 tourist arrivals reaching 95% of 2019 levels

Residential

Residential property prices have been on an upward trajectory, averaging an annual increase of 10.6% since 2019





COUNTRY FOCUS

MOROCCO

In the Morocco Core Inflation Rate is projected to trend around 4.00 percent in 2025 and 4.30 percent in 2026, according to Trading Economics. This coupled with a relatively low level of inflation (6.1% in 2023) (Bank Al-Maghrib), has spared the north African nation of the economic malaise prevalent elsewhere on the continent. This has meant that the Real Estate Price Index, the national barometer for all sectors in the real estate market maintained by the Central Bank (Bank Al-Maghrib), has remained fairly stable, growing by 1% over the last 12 months.

Stability in the office market

Office rents remained steady in Casablanca during 2023, but rising demand has exerted upward pressure on rental rates. At the beginning of 2024, monthly prime rents touched US\$ 21 psm, reflecting a 5% increase on H1 2023.

The growing demand is also driving a rise in development activity, particularly in Casablanca Finance City (CFC) where we expect to see new developments emerge across the 100 hectare CFC (including 50 hectares of green areas).

Subdued retail sector

The retail market remains subdued, with retailers encountering challenges linked to import regulations, including elevated import taxes. Despite this, there has been an increase in retail space within shopping malls, with Aeria Mall (25,000 sqm GLA) in Casa Anfa emerging as a significant addition to the market.

Nevertheless, there persists a preference among the local population for street-front retail, where rental rates can often surpass those within enclosed shopping malls. In general, rents vary significantly based on location and unit size.

The true performance of rents in the sector is further complicated by the prevalence of rent-free periods and other incentives, particularly in new malls, which are used to preserve high headline rents.

A robust warehousing market

The primary warehouse markets are centred in Casablanca and Tangier, catering predominantly to the needs of import-export businesses. Rental rates in these markets typically hinge on a calculated return on investment for both the land and the building.

A significant portion of new warehouse space has been developed within designated zones, often granted on long-term leases. However, in cases where the development is intended for owner occupation, the land may be sold outright.

A recent example of this is a new turnkey facility spanning 20,000 sqm in Tangier Automotive City. This facility was completed within 12-months and leased to TE Connectivity for 6-years.

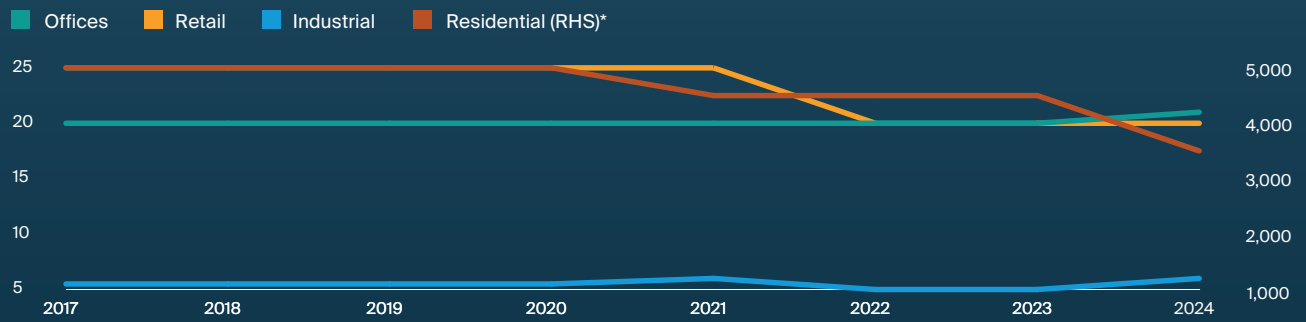
Resilient residential sector

The residential leasing market remains resilient, particularly for high-end properties. In contrast, the mid-market and social housing sectors face challenges due to limited supply; however, this is putting upward pressure on rents.

In Casablanca, apartments dominate the market, with new high-end units priced around US\$ 2,000 per month, which typically achieve rental yields ranging from 6.5-7%.

Villas are often self-developed, with pricing determined by development costs, including land and building expenses. Villa yields are typically 50 basis points lower than those of apartments.

Monthly rent (US\$ psm)



* Average monthly prime lease rates for 4-bedroom homes (US\$)

Office

Monthly prime rents at US\$ 21 psm, reflecting a 5% increase on H1 2023



Retail

Retailers encountering challenges linked to import regulations



Industrial

Primary warehouse markets are centred in Casablanca and Tangier



Residential

The residential leasing market remains resilient, particularly for high-end properties



2024 Yields (%)



Source: Knight Frank, EMC





COUNTRY FOCUS

MOZAMBIQUE

Maputo, emblematic of broader market trends, experienced a downturn in 2023 characterised by lower rents stemming from sustained low demand. Stagnation persists, awaiting the impact of the LNG project's resumption, which TotalEnergies initially announced for February 2024 but postponed again until the end of 2024.

Office leasing activity expected to increase

The Maputo office market offers a nuanced landscape of challenges and prospects. Positioned as Mozambique's economic hub, Maputo attracts enterprises looking to establish a foothold in the country. However, amidst economic turbulence, the halted LNG project, elevated inflation rates and security concerns have contributed to a decline in office rental rates since 2021.

Prime office locations in Maputo, notably the JAT/New Downtown and burgeoning business precincts like Julius Nyerere/Avenida Marginal, offer contemporary office accommodation with vital amenities. They cater for an eclectic range of businesses spanning local enterprises to multinational corporations operating across the finance, oil and gas, and telecommunications sectors. A recent leasing milestone saw GRIT Real Estate Income Group sign an 11-year lease agreement with Total Mozambique at the Commodity House Phase One development, culminating in a building occupancy of 95%.

Vibrant retail sector

The retail market in Maputo is experiencing robust growth, reflecting Mozambique's economic recovery and increasing consumer purchasing power. Key drivers include new store openings, strategic acquisitions, and a burgeoning e-commerce sector projected to significantly influence the retail industry outlook. The expansion of distribution channels and strong M&A activity are benefiting companies operating in Mozambique's retail markets, while increasing disposable incomes among middle-class families and the ease of access to retail products are further stimulating market growth.

Key retail locations underscore these positive trends. For instance, Polana Shopping Center, located in the Polana neighbourhood, continues to attract significant foot traffic with its blend of local and international brands, dining options, entertainment amenities, and a comprehensive supermarket. Similarly, Centro Comercial 24 de Julho in the city center maintains high consumer engagement with its diverse array of clothing boutiques, electronics retailers, and culinary establishments. Other prominent retail hubs

like Baia Shopping Mall and Maputo Shopping Center, along with the widespread presence of the renowned supermarket chain Shoprite, highlight the robust performance and growth trajectory of Maputo's retail market.

Industrial sector poised for growth

Maputo's industrial sector is a cornerstone of the city's economic landscape, demonstrating strong performance and attracting both domestic and international investors. The strategic location near major transportation arteries and the Port of Maputo facilitates seamless trade and logistics operations, offering convenient access to regional markets. This prime positioning is a significant driver of industrial activity, enhancing the sector's appeal to investors and supporting the growth of diverse industrial segments, including manufacturing, agro-processing, logistics, and construction.

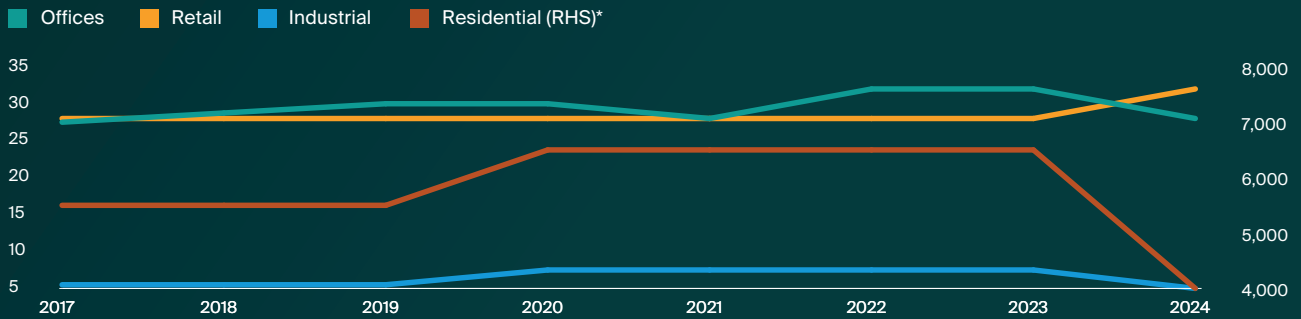
Key industrial zones, such as the Maputo Port area and the Matola industrial area, exemplify the sector's vitality. The Maputo Port area, despite featuring predominantly small, low-grade colonial warehousing, has seen significant renovation and modernisation efforts. Meanwhile, the Matola industrial area offers a range of warehousing facilities from lower to higher grades and hosts large-scale industrial buildings occupied by prominent businesses such as Parmalat, Ford, Caterpillar, Volvo, and British American Tobacco. The prevalence of owner-occupied facilities in Matola underscores the stability and long-term commitment of established businesses, further reinforcing the sector's robust performance and promising investment prospect.

Positive Outlook for the residential sector

Forecasts suggest a surge in demand for prime residential properties in Maputo in the near term. Despite recent market contractions, the prestigious Sommerschild district, synonymous with luxury residences and gated communities, has limited property available to rent or buy.

Conversely, Costa do Sol emerges as a burgeoning hub along the scenic coastline, offering an array of waterfront properties, beachfront villas, and contemporary apartments boasting sweeping views of the Indian Ocean.

Monthly rent (US\$ psm)



* Average monthly prime lease rates for 4-bedroom homes (US\$).

Office

Economic turbulence, the halted LNG project, elevated inflation rates and security concerns have contributed to a decline in office rental rates since 2021

Retail

Retail market in Maputo is experiencing robust growth

Industrial

Maputo's industrial sector is a cornerstone of the city's economic landscape

Residential

Forecasts suggest a surge in demand for prime residential properties



2024 Yields (%)

10%
OFFICE

11%
RETAIL

12%
INDUSTRIAL

Source: Knight Frank, EMC





COUNTRY FOCUS

NIGERIA

The commercial and residential markets face a resilience test amid various macroeconomic risks. Inflationary pressures from the removal of petrol subsidies and the floating of the Naira have introduced economic uncertainties. Elevated capital costs have ensued, with the residential, retail and office markets being marked by a slowdown in requirements.

Subdued residential sector

In the luxury residential leasing market, a nuanced challenge has emerged, driven by the escalating impact of inflation on construction costs. To navigate this, build-to-rent developers are adapting their pricing strategies with a preference towards dollar-denominated rents. This shift is particularly pronounced among landlords servicing dollar-denominated loans and those procuring construction materials internationally. Ultimately, these costs are being transferred to tenants in the form of escalating rents. Currently, the average monthly rent for a 4-bedroom home in Lagos is c.US\$ 5,000, an increase of 4.2% since 2020.

Inflation impacting retail footfall

The continuous rise in inflation, which reached a 28-year high of 33.2% in March, has unsurprisingly lowered consumer spending while retail footfall has also declined.

Over the past 12 months, prominent retailers, such as the South African supermarket chains, Mr Price and Shoprite, have exited the market due to the increasingly challenging trading conditions.

Elsewhere, retail developers have turned their attention to neighbourhood mall developments, and/or the expansion of neighbourhood malls, where footfall remains resilient.

Tenant-Led Office Market

Mirroring other African nations, most businesses have made a full return to the office. Notably, the prime offices occupancy levels in Lagos and Abuja stand at over 80%.

Despite this return in demand, office rental growth across Nigeria is being tempered by an oversupply of office space, especially in Lagos. For instance, the completion of Centrepoint (Famfa Towers) and Trinity Towers, located in Ikoyi and Victoria Island, respectively, have together added 30,000 sqm of new office space to the Lagos office market. Consequently, tenants remain firmly in the driving seat when it comes to lease negotiations. Monthly prime office rents have held steady for the third quarter in a row at c.US\$ 50 psm.

Increased demand for top-tier warehouses

The burgeoning demand for top-tier warehouses is discernible, notably driven by the escalating storage and distribution needs in key industrial nodes and specialised economic zones, such as the Lagos Free Trade Zone (LFTZ), which has seen increased infrastructure spending from both the public and private sectors. The subdued supply of Grade A space has further exacerbated the situation, suggesting a gap between the demand for top-tier warehouse spaces and the available supply, thereby placing a premium on such facilities, with monthly leasing rates now going at approximately US\$6 psm, an increase of almost 10% from the figures recorded in 2020.



DISCOVER THE FULL REPORT

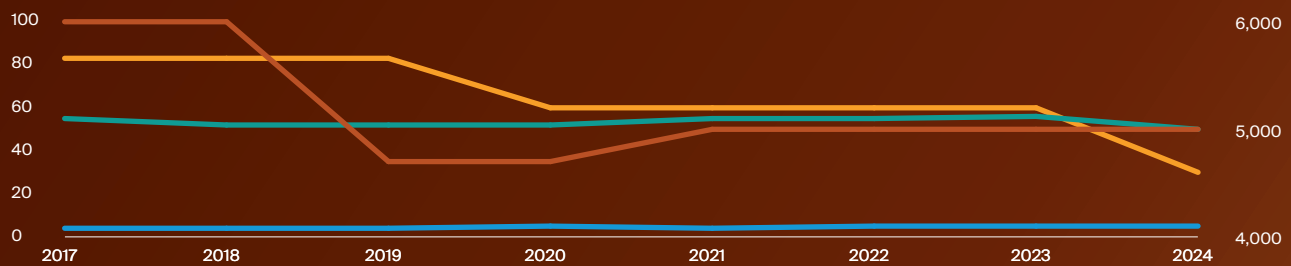


Mirroring other African nations, most businesses have made a full return to the office. Notably, the prime offices occupancy levels in Lagos and Abuja stand at over 80%.

Monthly rent (US\$ psm)

Lagos

Offices Retail Industrial Residential (RHS)*



*Average monthly prime lease rates for 4-bedroom homes

Office

Office rents average at c. US\$50 psm/month



Retail

Prime retail rents stand at c. US\$28 psm/month



Industrial

Monthly warehousing lease rates are stable at c. US\$6 psm



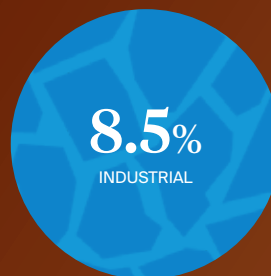
Residential

Average monthly rent for a 4-bedroom home in Lagos is c.US\$ 5,000, an increase of 4.2 % since 2020



2024 Yields (%)

Lagos



Source: Knight Frank, EMC



COUNTRY FOCUS

SENEGAL

The emerging CBD in Diamniadio is set to unlock pent up office demand in Senegal, while DP World's planned US\$ 1bn deep water port could be a 'game-changer' for the industrial sector.

Diamniadio poised to unlock new office demand

The UN's relocation of 2,400 staff to a new US\$ 300 million regional HQ at Diamniadio, approximately 30km from Dakar, could be a 'game-changer' for the country's office market. There is limited office development activity in Dakar, with Sertem's Tour des Mamelles (48,000 sqm) north of the peninsula being the principal Grade A pipeline availability.

The potential impact of the proposed CBD at Diamniadio on the market is yet to be fully realised, and the UN's decision to relocate from Dakar could catalyse further corporate relocations.

Weak demand for new retail developments

The retail landscape in Dakar is characterised by a minimal supply of malls, with Teyliom's Sea Plaza (16,500 sqm), anchored by Casino and developed over a decade ago, remaining the city's sole major upmarket retail destination. Compared to cities like Abidjan in Côte d'Ivoire, Dakar's retail market is notably underdeveloped, as evidenced by the absence of further mall developments similar to Sea Plaza, highlighting the relatively weak demand.

Despite this, there has been notable activity in the supermarket sector. Spanish retailer Dia established a chain of small supermarkets, subsequently acquired by French retailer Auchan in 2017, expanding from nine units to nearly 30 outlets. Carrefour entered the Dakar market in 2019, albeit with only one unit of 8,600 sqm in Point E. However, protests by local retailers against the presence of French businesses in the market may serve as a deterrent to further expansion.

New US\$ 1bn deep-water port could boost the industrial sector

Much of Dakar's industrial activity is concentrated around the port area, where older more secondary stock dominates. Congestion, primarily due to the high volume of trucks transporting containers from the port to processing hubs, is cited as a regular challenge by occupiers.

All however does appear set to change. Dubai's DP World is constructing a US\$ 1bn deep-water port 50km south of Dakar. This project is expected to support economic growth, complementing the country's rapidly expanding oil and gas sector. The investment by DP World builds on the UAE's position as the largest investor in Africa. Indeed, the Emirates committed to US\$ 44.5bn in African investments last year.

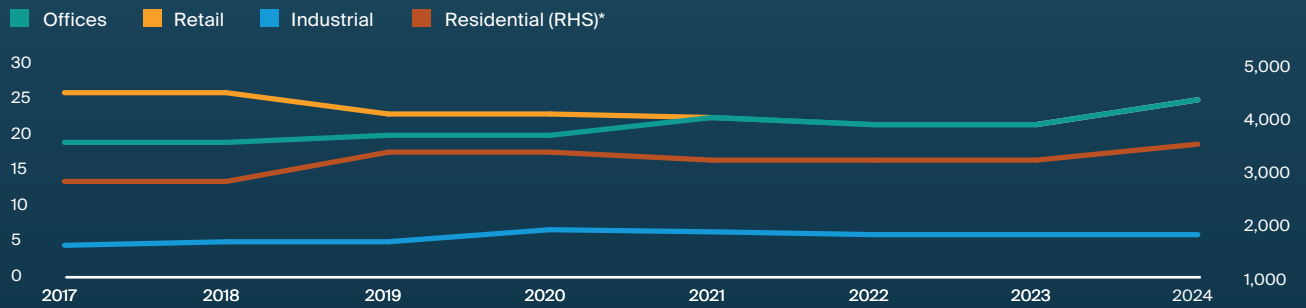
Despite this positivity, the current instability in Mali and Burkina Faso, along with the exit of these countries (and Niger) from the ECOWAS trading bloc, could potentially disrupt these plans. One of the key motivations behind the deep-water port development is the ability to serve these markets, and instability in the region may pose challenges to the project's objectives.

Rising residential development activity

There has been a notable surge in residential development across Dakar from the start of 2024. At the higher end of the market, a substantial portion of this development comprises apartments from Plateau in the south of the peninsula through to Mermoz and Les Almadies.

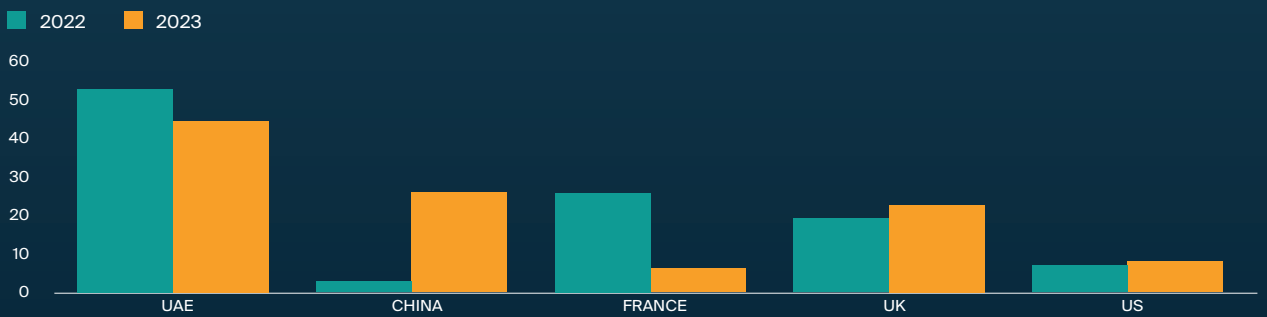
This rise in activity is in stark contrast to 2023, which was punctuated by the stalling of several projects. The slowdown in construction activity was linked to escalating construction costs, financing challenges, and some apprehension by developers around the risk of an oversupply of housing.

Monthly rent (US\$ psm)



*Average monthly prime lease rates for 4-bedroom homes

International investment pledges for Africa (US\$ billions)



Source: fDi Markets Bloomberg

2024 Yields (%)



Source: Knight Frank, EMC





COUNTRY FOCUS

SOUTH AFRICA

Prime offices in Cape Town have recorded an increase in occupancy of more than 10% in the last two years and currently stand at 85%, while the industrial sector remains a top performer in terms of yields against other non-residential asset classes, particularly in the warehousing and logistics segments.

Heightened demand for serviced offices

In Johannesburg, the office leasing market remains under pressure, with monthly prime rents remaining stagnant at between c.US\$ 10.82-12.44 psm over the last 3 quarters. As a result, landlords are actively competing to attract occupiers, often offering generous relocation incentives to new tenants and renewal incentives to existing tenants.

And just like in Kenya, occupiers have also shown increased interest in serviced offices, attracted by flexible leases and 'plug-and-play' environments.

Prime offices in Cape Town have recorded more than 10% increase in occupancy levels in the last two years. This can be attributed to the accelerated return-to-office trend by most organisation, which prefer an office set up with a backup electricity supply. Due to the continued load shedding in the country, occupiers require energy-efficient buildings with reliable power and water backup systems to ensure the continuity of their business operations.

Warehousing and logistics segments boosting the industrial growth

The prevailing energy crisis is negatively impacting the productivity of industrial occupiers, leading to escalated electricity expenses. Furthermore, landlords continue to grapple with inflationary pressures, which are driving up operational expenditures.

Despite this, we still expect net rental growth in medium to long term, driven by the growing demand for premium warehouses. Indeed, sustained demand means warehouse vacancy rates have fallen 5%, down 3% from last year. Similarly, monthly prime warehouse rents in Johannesburg have risen by 2% to US\$ 5 psm over the last two years.

Online retail boom

Online shopping has taken centre stage in South Africa's retail landscape. According to the recent 'Online Retail Study in South Africa' by Worldwide Worx and Mastercard, the country's online retail market has been valued at ZAR 55bn (approximately US\$ 3bn), underscoring the growing affinity among South Africans for the convenience of online shopping.

Notably, Checkers Sixty60, a leading grocery delivery app, that collaborates with Mars, has become a pivotal channel, outpacing traditional physical retail stores for sales of products like Whiskas cat food. The arrival of Amazon this year is likely to further amplify the momentum in South Africa's burgeoning e-commerce space.

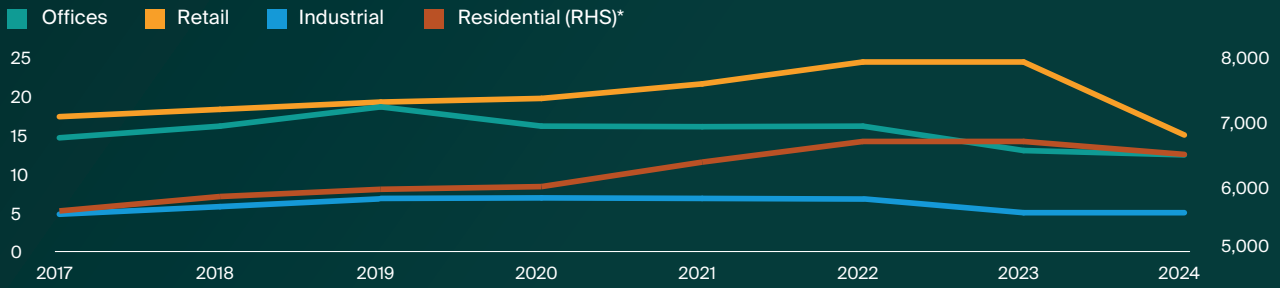
The quest for affordable homes continues

As high-income households feel the pinch of the rising cost of living and the tightening of lending criteria against a backdrop of higher borrowing costs, some are gravitating towards homes that are perceived to be affordable. Furthermore, ongoing migration into urban areas is also contributing to rising demand for affordable housing.

The demand is further heightened by semigration – the practice of migrating within your own country. In 2023, First National Bank's estate agent survey showed that semigration was cited as the reason for selling a house for over 10% of home sales during Q2 2023. Semigrants typically move for a variety of reasons, including better municipal services, safety, better employment opportunities, and more appealing lifestyles. The Western Cape remains the country's semigration hotspot.

Monthly rent (US\$ psm)

Johannesburg



*Average monthly prime lease rates for 4-bedroom homes

Office

Increased interest in serviced offices, attracted by flexible leases and 'plug-and-play' environments



Retail

Online shopping has taken centre stage in South Africa's retail landscape



Industrial

The prevailing energy crisis is negatively impacting the productivity of industrial occupiers, leading to escalated electricity expenses



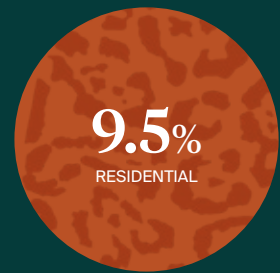
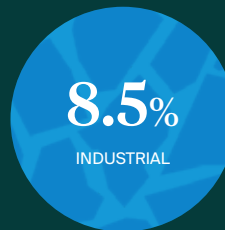
Residential

Ongoing migration into urban areas is contributing to rising demand for affordable housing



2024 Yields (%)

Johannesburg



Source: Knight Frank, EMC





COUNTRY FOCUS

TANZANIA

The picture across Tanzania's real estate landscape remains mixed, with the office market still hampered by an oversupply of stock, while in the residential market, expats are lifting demand and rents for luxury homes. Elsewhere, the retail market continues to be dominated by informal retail, with the formal retail market remaining oversupplied.

The office sector remains a tenants' market

Tenants maintain a dominant position, driven by an oversupply in the office sector. An example of a significant pipeline development in the country is the US\$ 2bn Morocco Square Project by the National Housing Corporation (NHC), which is contributing nearly 50,000 sqm of additional space. Keenly aware of market challenges, landlords are flexible with lease terms, offering rent reductions and proactively renegotiating rents to safeguard occupancy levels, which currently stand at approximately 70%.

Monthly prime office rents of US\$ 15 psm, while 12% lower than in 2020, are likely to be positively influenced by the country's improved economic prospects. According to the latest IMF forecasts, Tanzania is poised to record 6% GDP growth this year, outpacing neighbouring Kenya (5.3%) and Uganda (5.7%).

Heightened demand for prime warehouses

The current upswing in economic activity is boosting warehousing demand, particularly along Nyerere Road, Dar es Salaam's prime industrial area. Despite this, however, an oversupply of warehousing has curbed rental growth. Indeed, monthly prime rents have remained stable at US\$ 5 psm for the past four years.

Demand is poised to rise over the medium term, driven by recent offshore natural gas discoveries and a comprehensive slate of planned national infrastructure projects. The government's strategic focus on enhancing infrastructure is tied to the desire to boost FDI. The new US\$ 1.9bn, 1,219km national standard gauge rail network is one of such examples evidencing the initiatives.

Expatriates boosting residential demand

The residential market, particularly in prime areas like Oyster Bay and Masaki (Peninsular), stand out as the best-performing areas, with rent in this location rising by 15% - 20%, over the last 2 years.

This surge in demand has also elevated prime rents in Dar es Salaam, which has experienced a 21% increase over the past five years. Monthly rents for three-bedroom apartments have risen from US\$ 2,900 in 2019 to approximately US\$ 3,500 at present.

Developers are capitalising on the demand by bringing forward a raft of new residential developments, particularly in and around Peninsular, such as the Manhattan Garden (98 units) and 711 NHC Project (320 units), both of which are expected to be completed by 2025.

Informal retail flourishing

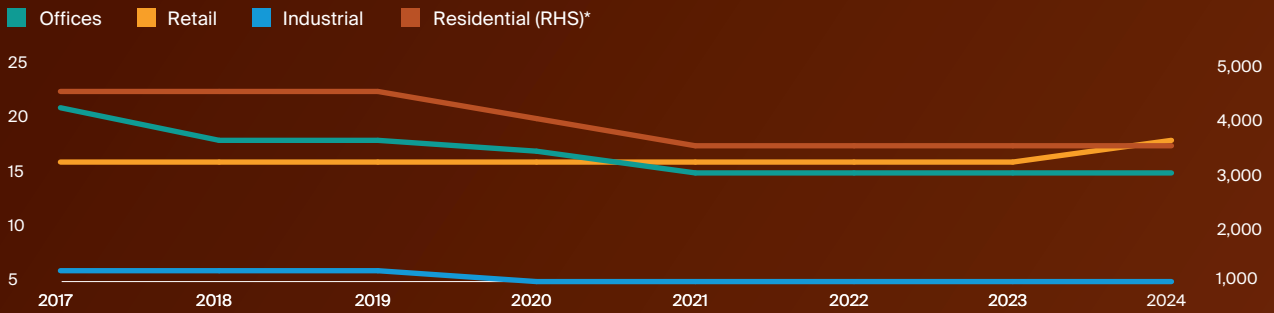
Tanzania's retail landscape is characterised by an informal shopping culture, with an estimated 90% of food and beverage sales transpiring through traditional small stores, street vendors, and unregulated markets. Unsurprisingly, the retail market is predominantly under the sway of small-scale, primarily domestic retailers, a trend entrenched in long-standing consumer shopping habits that have hindered the flourishing of larger malls in the country.

The impending completion of Morocco Square and Dar Village, which collectively will introduce an excess of 65,000 sqm of additional retail space is expected to contribute to the ongoing oversupply of formalised retail space in the country.

Reflecting the subdued uptake of formal retail space, monthly prime rents have stagnated at US\$ 18 psm, while occupancy rates have contracted currently at an average of 70% from 65% last year.

Still, our outlook for the country's retail market remains positive, underpinned by the combination of strong economic growth, diminishing inflation, and low rates of unemployment, which together will contribute to a rise in consumer spending, as well as confidence levels amongst businesses and investors.

Monthly rent (US\$ psm)



*Average monthly prime lease rates for 4-bedroom homes

*Average monthly prime lease rates for 4-bedroom homes

Office

Tenants maintain a dominant position, driven by an oversupply in the office sector



Retail

Retail landscape is characterised by an informal shopping culture



Industrial

The current upturn in economic activity is boosting warehousing demand

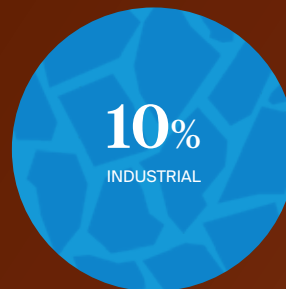


Residential

Monthly rents for three bedroom apartments have risen from US\$ 2,900 in 2019 to approximately US\$ 3,500 at present



2024 Yields (%)



Source: Knight Frank, EMC





COUNTRY FOCUS

TUNISIA

The Tunisian economy has encountered challenges in recent years, primarily stemming from the persistent impact of COVID-19 and a prevailing sentiment of investor uncertainty. According to estimates by the IMF, the country experienced modest GDP growth of 0.4% in 2023, with projections of less than 2% growth annually over the next five years. Consequently, the real estate sector in Tunisia has experienced diminished demand and a notable withdrawal of investor activity.

Subdued activity in the residential sector

Tunis' prime residential locales are predominantly in the northern and eastern precincts, notably Les Berges du Lac I & II, Carthage and La Marsa. While Carthage and La Marsa are renowned for offering traditional villa-style residences, Les Berges Du Lac presents many apartment alternatives.

The recent economic stagnation, evidenced by contractions in the final two quarters of 2023, has cast a shadow over the residential real estate sector. Notably, rental prices for upscale properties have consistently declined over the past two years, averaging around 5% per annum. Although sale prices have also experienced a downward trend, the decline's magnitude has been mitigated. This phenomenon can be attributed to the high construction costs and demand from a few local investors seeking refuge against inflationary pressures, coupled with the diaspora capitalising on advantageous exchange rates to delve into real estate acquisitions.

Concurrently, the deceleration in demand has prompted developer caution in launching new projects into the market. Consequently, the prevailing sentiment in the industry is "wait and see", with minimal market activity anticipated in the short to medium term.

Office recovery threatened by economic conditions

Office activity in Tunis centres around Les Berges du Lac I & II, Centre Urbain Nord, the Central Business District, Monplaisir, and Belvedere. La Pearl du Lac, nestled between Les Berges du Lac and the city centre, is currently under development. This emerging district has garnered attention from financial institutions and insurance companies, as evidenced by land acquisitions to develop their own flagship headquarters.

Preceding the COVID-19 pandemic, vacancy rates in Tunis's prime office market hovered between 5% to 10%.

However, the landscape has since been characterised by a conspicuous lack of demand, compounded by corporate downsizing. Initially attributed to the pandemic's repercussions, the present downturn in demand can be predominantly attributed to poor economic performance, resulting in businesses reducing staff numbers. Vacancy rates are estimated to reach 25% to 30%.

The industrial sector dominated by lower-grade stock

Tunisia's industrial landscape benefits significantly from its strategic proximity to Europe and its relatively low labour costs, which make it an attractive destination for manufacturing and logistics operations. However, recent political upheavals have deterred investment, severely impacting the sector. These disruptions have created an uncertain business environment, discouraging both local and foreign investors from committing to long-term industrial projects.

Tunis, the capital, features several strategically located industrial areas designed to leverage logistical advantages. The Charguia area, situated near the airport on the city's north side, and the Chotrana zone are notable examples. The majority of industrial activity, however, is concentrated in the southern part of the city, particularly in the Goulette-Marsa Free Zone near Megrine. Additionally, the El Mghira area to the southwest specializes in aerospace industries, while the southeastern region near the port of Tunis also serves as a significant industrial hub. Beyond Tunis, major industrial zones are found in Bizerte to the north and Sfax to the south. Despite these well-positioned areas, the industrial real estate market is dominated by lower-grade stock, with a shortage of Grade A facilities. Low rental rates and sale prices, coupled with an abundance of secondhand space, have hindered speculative construction and are expected to suppress significant price growth in the short to medium term.



LISTEN TO OUR EXPERTS

Sluggish retail growth

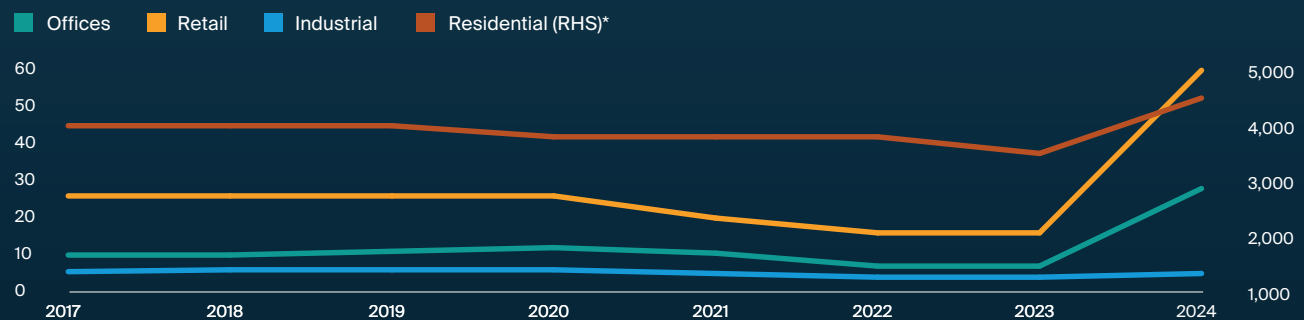
Tunis has witnessed a scarcity of retail development over the past five years. The prominent retail destinations include Tunisia Malls 1 and 2 in Les Berges du Lac II, alongside Géant and Carrefour Malls in La Marsa. Beyond the confines of Tunis, notable retail hubs include Azur City in Sousse and Ibn Khaldoun Mall in Sfax.

Like other sectors, there have been a number of challenges, including the devaluation of the local currency, which has

catalysed a direct inflationary impact on retail sales and exacerbated the prevailing headwinds. This predicament is particularly pronounced within the malls, where most retailers specialise in imported merchandise.

Premium malls have relatively stable occupancy rates, hovering around 70-80%. However, the enduring preference amongst Tunisians for local shops underscores the perception of malls as high-priced venues.

Monthly rent (US\$ psm)



*Average monthly prime lease rates for 4-bedroom homes

Office

Office landscape characterised by a conspicuous lack of demand, compounded by corporate downsizing

Retail

Tunis has witnessed a scarcity of retail development over the past five years

Industrial

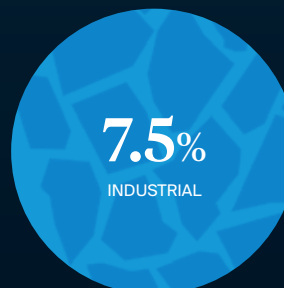
Industrial landscape benefits significantly from its strategic proximity to Europe

Residential

While Carthage and La Marsa are renowned for offering traditional villa-style residences, Les Berges Du Lac presents many apartment alternatives



2024 Yields (%)



Source: Knight Frank, EMC



COUNTRY FOCUS

UGANDA

The prime residential and office markets in Uganda are experiencing rising demand, which is fuelling rental growth and occupancy levels. In the retail sector too, a similar trend is playing out.

A resilient residential rental market

Monthly prime rents for two-bedroom apartments in Kampala have grown by 4% over the last 12 months to US\$2,100, while average prime rents across the market as a whole remained stable. The increase is in part due to rising demand from newly arrived expats. In turn, this has lifted average occupancy residential occupancy levels in Kampala to 84%, representing a 6% rise between H2 2022 and H2 2023.

Turning to the sales market in Kampala, demand remains robust for apartments priced at between US\$ 150-200,000. The rising prices are prompting developers to enter the market and indeed, we are currently tracking 600 new residential units under construction and due to be delivered over the next two years. These developments are concentrated in sought-after areas such as Nakasero, Kololo, and Naguru.

Increased appetite for small-sized offices

Monthly prime office rents (US\$ 16.50 psm) have risen by 10% over the last 12-months, while grade B rents (US\$ 15 psm) have experienced slightly stronger growth of 12% over the same period.

When it comes to demand, small offices (< 200 sqm) are rising in popularity and accounted for 47% of the requirements we registered during H2 2023. Business services (29.7%), NGOs (21.6%), the banking and finance sector (10.81%) accounted for 62.16% of all the new requirements our teams recorded in 2023.

Conversely, demand for larger offices (200-1,000 sqm) has fallen to just 29% of all new demand in H2 2023. 24% of the demand we recorded over the same period was for space in excess of 1,000 sqm.

Positive outlook for the retail sector

The retail landscape welcomed new entrants during H2 2023 further enriching the country's shopping experience. Notable additions include Strat Bridal and Oak Café at TMT Atrium, Krunchix at Metroplex Shopping Centre, Eden Gym at Village Mall, and The Patio, Myavanna, and Black Drip at Arena Mall.

Unsurprisingly, the arrival of the new tranche of international retailers has contributed the rise in overall occupancy levels, which have grown by 4% to 81% as at the end of 2023. While footfall declined by 5% during 2023, total turnover across stores in Kampala grew by 14% over the last 12-months, lifted by sales during the Black Friday and Festive periods.

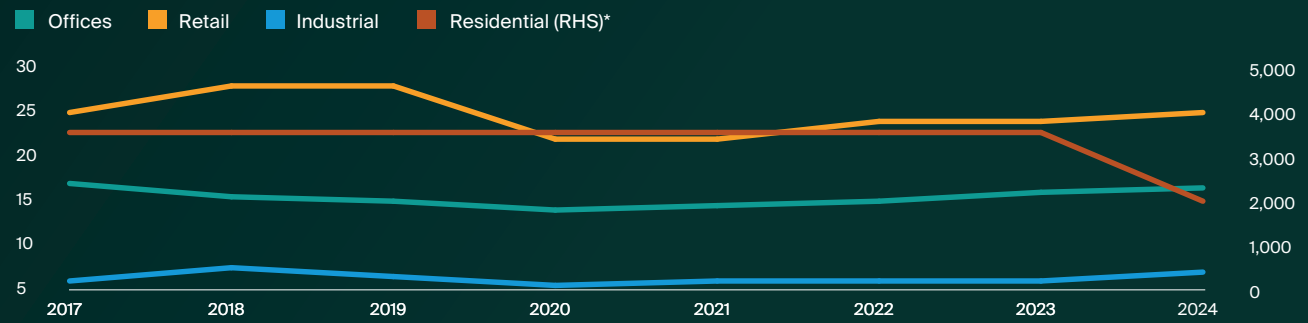
Increased demand for best-in-class warehouses

The rising demand for industrial space is linked to business growth and an improved economic outlook. Indeed, GDP growth is expected to reach 6% during FY 2023/24, up from 5.2% last financial year. The agro-processing, energy, construction, cold storage and tech sectors are the primary sources of new demand.

Monthly rents, however, have remained relatively stable at between US\$ 3-7 psm, depending on size and location. Notably, demand for space ranging from 300-1,000 sqm has risen, predominantly driven by businesses connected to the automotive, manufacturing, interior design, pest control, pharmaceuticals and beverages sectors.

In an effort to continue fostering demand in the sector, the government's Special Economic Zones (SEZs) are playing a key role in attracting new occupiers. Four new free zones were created in the FY 2022/23 bringing the total number of free zones in the country to 35. The new free zones are into mineral processing, agro-processing, and ship assembly. The SEZs often boast developments that embrace ESG considerations and superior transport and utilities infrastructure, which further adds to their appeal.

Monthly rent (US\$ psm)



* Average monthly prime lease rates for 4-bedroom homes (US\$).

Office

Small offices (< 200 sqm) are rising in popularity



Retail

Total turnover across stores in Kampala grew by 14% over the last 12-months, lifted by sales during the Black Friday and Festive periods



Industrial

Monthly rents have remained relatively stable at between US\$ 3-7 psm

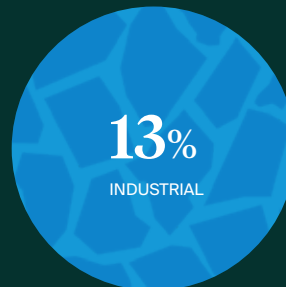


Residential

Monthly prime rents for two-bedroom apartments in Kampala have grown by 4% over the last 12 months to US\$2,100



2024 Yields (%)



Source: Knight Frank, EMC





COUNTRY FOCUS

ZAMBIA

Zambia's real estate market is experiencing a surge in demand for commercial property due to the country's growing economy and investment-friendly policies.

Uptick in the office leasing activity

The office market has experienced a steady rise in take-up, which has begun to chip away at the historic oversupply, especially in markets such as Lusaka. This has helped to lift occupancy levels by 7% over the last 12-months to 90% as at the end of March.

Some landlords are strategically adjusting lease rates to more affordable levels to further boost occupancy. This proactive approach has proven to be successful for many landlords.

Average monthly prime office rents have been relatively stable at c. US\$ 18 psm for the third consecutive quarter.

The prime business node around the Addis Ababa roundabout remains the focal point of Lusaka's office market. Hosting the new head offices for Standard Chartered Bank, Liquid Telecom, and Citi Bank, this area continues to be the preferred office address.

Elsewhere, in response to evolving market demands, AfricaWorks and Regus are expanding their presence in Lusaka. Both firms have opened serviced offices in new locations, including the Mass Media area at the AGORA complex and the Arcades Mall area in The Sunshare Tower, spurred by rising demand for serviced office space.

Evolving retail landscape

Most retail leases in Zambia are denominated in US dollars, making retailers and landlords vulnerable to the effects of the kwacha's depreciation. In 2023 alone, the kwacha lost 20% of its value against the US dollar.

Like elsewhere in the world, the retail landscape is undergoing a transformative shift towards experiential retail. Shopping malls are strategically redirecting their focus towards refining their tenant mixes and elevating overall consumer experiences.

Elsewhere, national infrastructure projects are paving the way for the future success of neighbourhood malls and standalone outlets in the underdeveloped northern and north-western regions, close to the borders of Tanzania and the Democratic Republic of the Congo, where formal retail is yet to reach its full potential.

New infrastructure projects poised to generate opportunities for warehousing

Over the past two years, the prime monthly lease rates for warehouses have remained steady at US\$ 4-5 psm, largely due to the oversupply of warehousing.

Looking ahead the landscape of warehouse leasing is poised for change, driven by strategic road infrastructure projects such as the Lusaka to Ndola dual carriageway. This development is expected to generate new development opportunities for warehousing and commercial centres, particularly in areas where the road will detour and bypass towns such as Kabwe and Kapiri.

Furthermore, ongoing investment and projects in the mining and agriculture sectors across the country are expected to attract and stimulate new logistics developments, potentially reshaping the demand dynamic for warehousing.

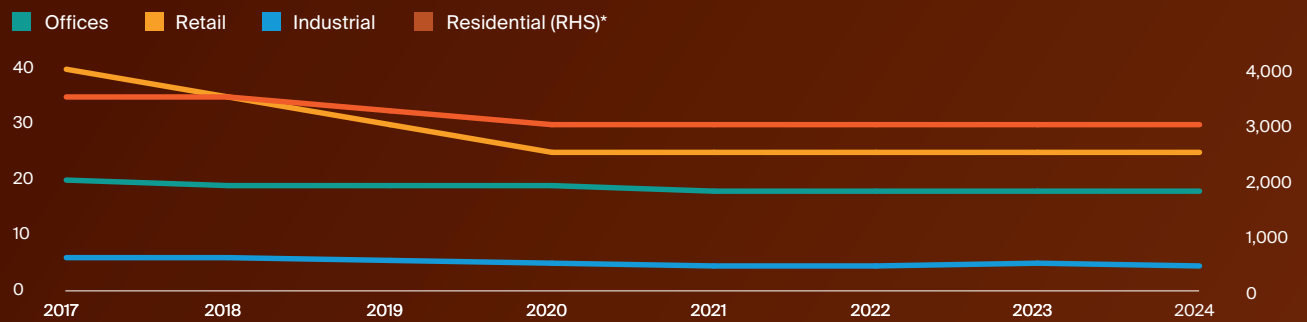
Elsewhere, agricultural land is also in high demand. Zambia boasts c. 42 million hectares of arable land, yet only approximately 1.5 million hectares are cultivated annually.

Affordability key to unlocking housing potential

The residential market is characterised by a prevalence of The residential sales market, currently valued at US\$ 262.4bn (Statista) is characterised by a prevalence of self-build projects, reflecting the expanding middle-income segment of the population.

In contrast to the buoyancy in the sales market, prime lease rates have remained subdued and largely unchanged for the last three years.

Monthly rent (US\$ psm)



*Average monthly prime lease rates for 4-bedroom homes

Office

Prime office rents average at c. US\$18 psm



Retail

Prime retail rents stand at c. US\$ 25 psm



Industrial

Monthly warehousing lease rates are stable at c. US\$ 4.50 psm



Residential

Residential capital and rental values have experienced limited growth



2024 Yields (%)



Source: Knight Frank, EMC





COUNTRY FOCUS

ZIMBABWE

The CBD office market grapples with significant vacancies as tenants opt for suburban offices. Conversely, the industrial market faces hurdles due to ongoing power supply issues, which drive up tenants' occupancy costs.

Suburban office boom

In the CBD, the office market continues to experience subdued activity, with major corporates opting to relocate to suburban locations instead. This exodus to the suburbs is being driven by traffic congestion in central Harare, dilapidated infrastructure, poor parking provisions, high operational costs, and noise pollution. Unsurprisingly, high vacancy rates have ensued across the CBD and range from 40-60%.

In the CBD, demand mainly stems from the SME sector, with the bulk of requirements under 100 sqm. Monthly rental rates in the CBD vary between US\$ 6 and US\$ 10 psm, while the average office yield hovers around 8%.

Conversely, suburban offices continue to record increased demand, with occupancy rates averaging between 90-100%. Subsequently, suburban offices command relatively higher prime rents ranging from US\$ 12-15 psm.

Resilient retail sector despite challenging economic conditions

Despite the challenging economic conditions, occupancy rates across malls and newly constructed suburban shopping centres continue to edge upwards, with the latter segment of the market exceeding 80%. This is contributing to rising rents, with larger and centrally located retail units in Harare commanding monthly rents of between US\$ 17-25 psm. Monthly rents in suburban locations hover between US\$ 13-17 psm.

Demand is notably rising from informal traders, who dominate market activity and tend to focus on securing smaller units. In response, landlords are subdividing space into smaller units, particularly ground floor units, by offering space ranging from 9-50 sqm. Consequently, monthly rental rates for smaller shops have surged by 100%, jumping from US\$20 in 2022 to US\$40 psm as at the end of Q4 2023.

Paradoxically, the pace of new retail development remains sluggish, with only a handful of projects underway, including the Big Poppers Shopping Mall (12, 000 sqm) which is expected to be completed by 2025. Some notable recent completions include the Harare Drive complex (2, 000 sqm) and the first phase of Madokero Shopping Mall (11, 000 sqm).

Prime residential rents rise

The influx of expatriates into the country, drawn in by increased business opportunities has fuelled demand for prime residential properties for lease. In turn, this has driven up rents. For instance, monthly rents for 4-bedroom apartments have risen by 10% (or about US\$ 200) since the beginning of 2022 to US\$ 3,500 at the start of 2024.

The Zimbabwean residential market in 2024 is a tale of two segments. While high-end properties like these 4-bedroom apartments see rising demand and rents, the market for affordable housing remains a major focus. The government, along with private developers, is prioritizing the construction of smaller, more affordable units to bridge the widening gap between supply and demand, especially in high-density suburbs and satellite towns around major cities. This trend is driven by a growing population and a need for housing solutions that cater to the average Zimbabwean income.

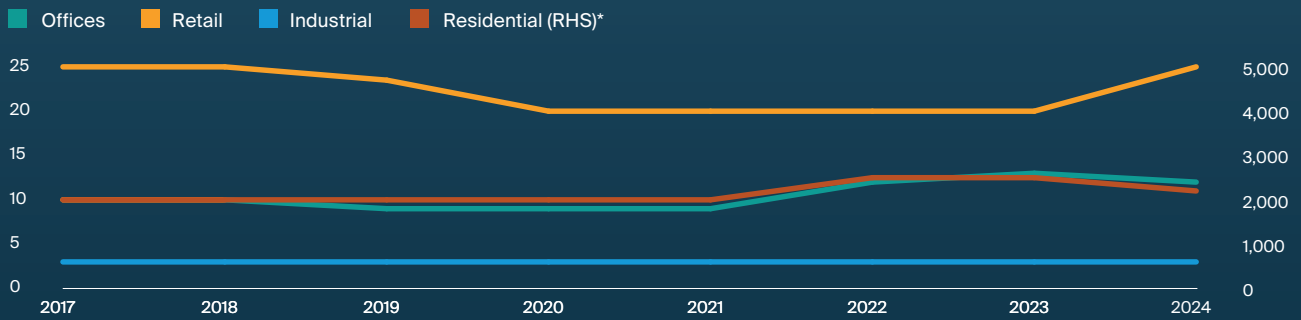
Heightened demand for Grade A warehousing

The escalating demand for grade A warehouses in Zimbabwe is prompting developers to accelerate speculative projects. This surge in demand is primarily driven by the country's increased imports, which totalled US\$ 9.2 bn in 2023 – a 6.99% increase from 2022. Key import commodities include mineral fuels, machinery, vehicles, electrical machinery, and cereals, with South Africa being the largest source of imports at 38%, followed by China at 14.9%.

Recent examples of warehouse construction projects include the Madokero Business Park warehouses by Exodus & Co., slated for completion by 2025/6. Additionally, new warehousing projects have emerged in areas such as Westlea, Sunway City, Msasa, and Mt. Hampden. These developments reflect the growing need for high-quality storage solutions to accommodate the rising volume of imported goods and enhance logistics capabilities across the country.

Despite the increasing level of demand, monthly rents have remained relatively unchanged over the last 12 months, hovering at c.US\$5 psm, for warehouses under 1,000 sqm and at US\$1.50 psm for much larger warehouses (> 1,000 sqm).

Monthly rent (US\$ psm)



* Average monthly prime lease rates for 4-bedroom homes (US\$).

Office

In the CBD, the office market continues to experience subdued activity, with major corporates opting to relocate to suburban locations

Retail

Demand rising from informal traders, who dominate market activity and tend to focus on securing smaller units

Industrial

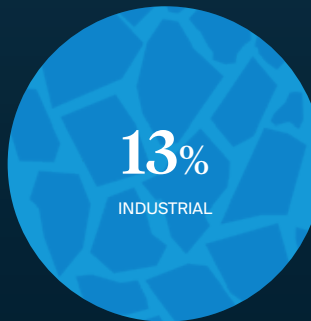
The escalating demand for grade A warehouses is prompting developers to accelerate speculative projects

Residential

Monthly rents for 4-bedroom apartments have risen by 10% since the beginning of 2022 to US\$ 3,500 at the start of 2024



2024 Yields (%)



Source: Knight Frank, EMC



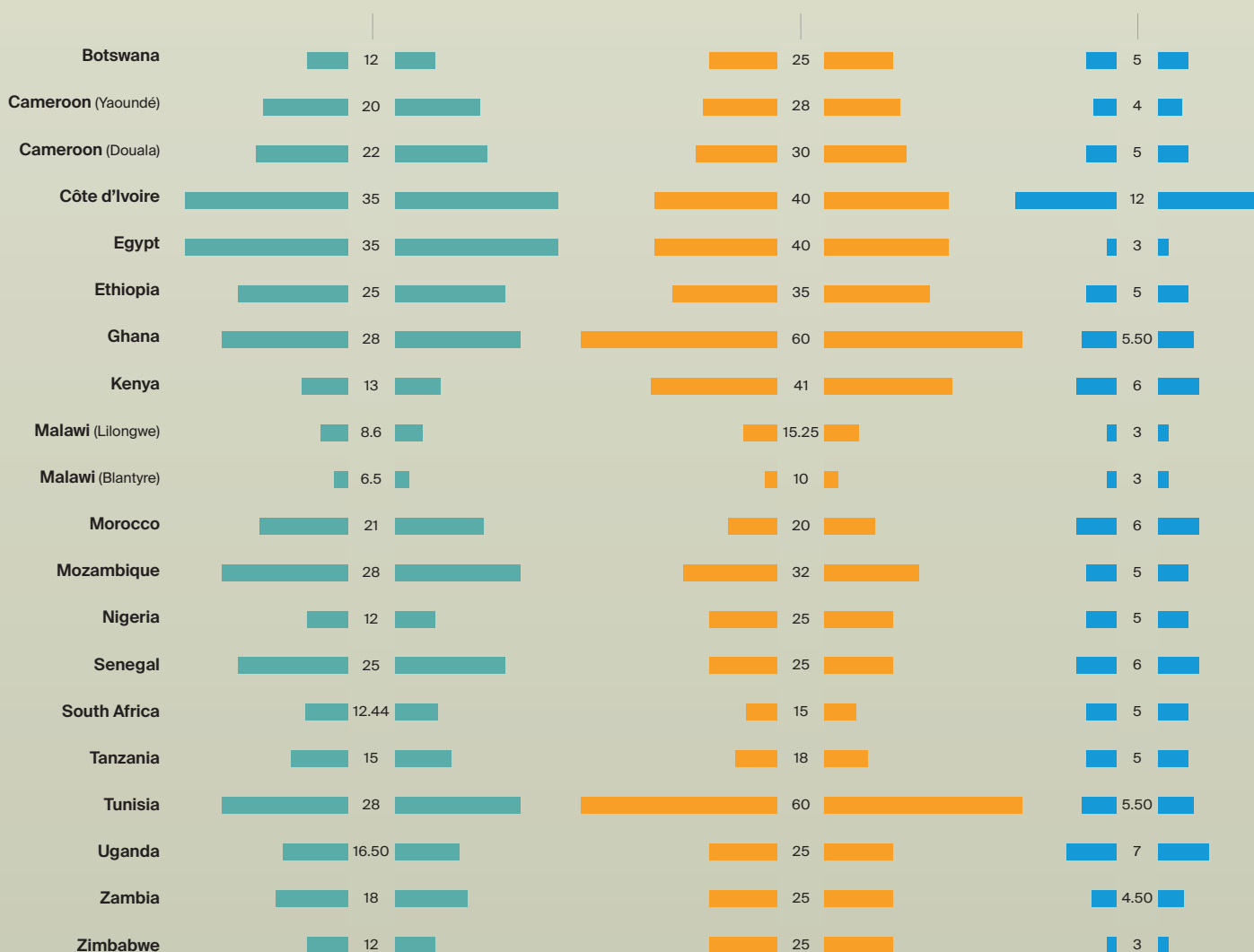
MONTHLY RENTS AT A GLANCE (US\$ PSM)



Office

Retail

Industrial



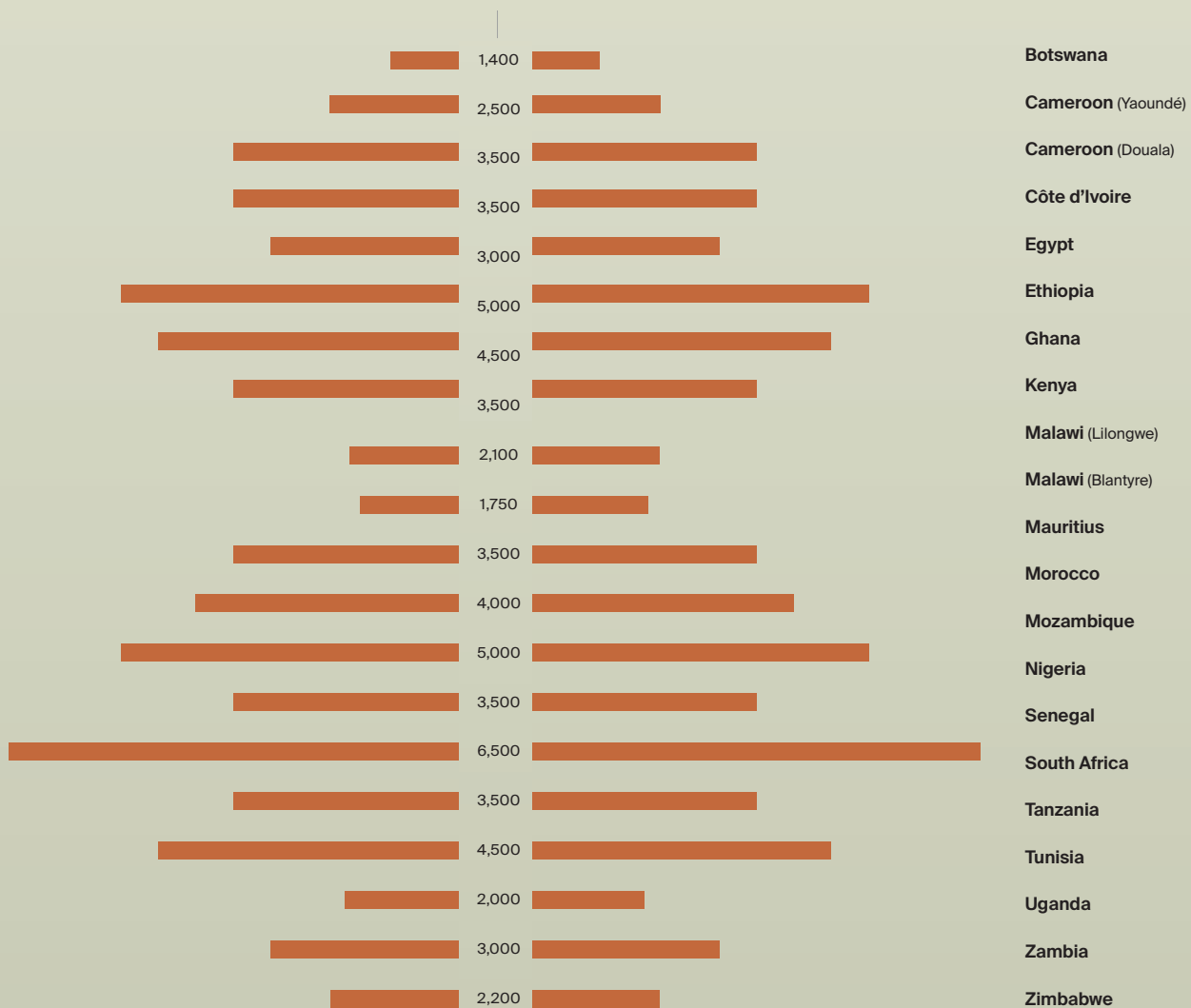
*Average monthly prime lease rates for four-bedroom homes Source: Knight Frank, EMC



EXPLORE
OUR DATA



Residential *



KNIGHT FRANK IN THE MIDDLE EAST AND AFRICA



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- Our offices
- Our coverage



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AFRICA REPORT
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