

The Nigerian economy experienced major policy changes including the removal of the fuel subsidy and the floating of the Naira, leading to soaring inflation. These policy changes are expected to prompt significant adjustments in income expectations and strategy realignment as the new administration makes some tough calls in the hope that they can restore confidence and lead to long term prosperity.

LAGOS CITY REPORT

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Economic Overview

223m

Population

▲ 2.4%
Growth in
2023

18.75%

Interest Rate

▲ 7.1% YTD
increase in
2023

₦19.44Tn

GDP Size

▲ 2.54% Q3
2023
Growth

28.92%

Inflation

▼ 32.5% YTD
increase in
2023

\$1: N899

Exchange Rate

▼ 125.5% YTD
increase in
2023

\$32.89M

External Reserves

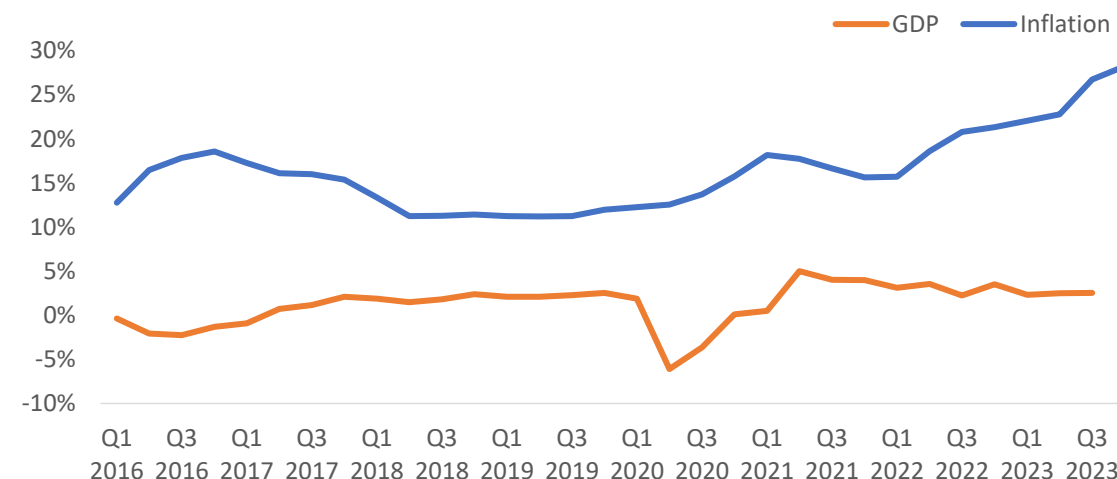
▼ 11.5% YTD
depletion in
2023

At his inauguration on May 29th 2023, the President unveiled a new regime that signaled a major policy shift in the Africa's largest economy, by removing the fuel subsidy and subsequently, unifying the foreign exchange market. The economy has since struggled with sky rocketing inflation and the steady depreciation of the Naira despite efforts by the CBN to control inflationary measures.

H2 2023 Economic Highlights

- The Nigerian economy has remained challenging and struggled to attract capital inflow in 2023. According to NBS report, in Q3 2023, total capital importation into Nigeria stood at US\$654.65 million, lower than US\$1,159.67 million recorded in Q3 2022, indicating a decline of 43.55%. However, Lagos continues to remain the most attractive investment destination in the country for foreign investors with \$1.79 billion which represents 64 per cent of the total foreign investment inflow in Q3 2023. Unfortunately, the economy also witnessed exits of some major companies notably, Sanofi, GSK AND P&G.
- The inflation rate increased for the ninth consecutive month to reach a two-decade high of 26.72% driven by rising energy and food costs.
- On a positive note, Nigeria's economy grew marginally by 2.54% in Q3 2023, in comparison with 2.51% growth seen in Q2 2023. The economy recorded its highest growth for the year in Q3 2023. This indicates the economy maybe taking a steady stride towards recovery.

Nigeria's GDP rate and Headline Inflation



Source: CBN, NBS | 2023

Analysts cautiously anticipate a better economic outlook in 2024, with IMF predicting GDP growth of up to 3%, moderating inflation, and FX rate stability. The Central Bank may adopt a restrictive stance to counter large inflows, impacting yields.

Overall, the outlook for 2024 is cautiously optimistic, contingent on various factors, including policy measures and external risks. The non-oil sector is expected to remain resilient, supported by the services sector and gradual recovery in agriculture, manufacturing and construction, with concerted efforts to tame rising insecurity in the country.

Prime Office

Ikoyi

The prime office markets in Ikoyi has remained resilient, despite a slowdown in office delivery with Centre Point adding over 15,000 m² of prime office space to the market.

We noticed a shift in demand for prime office space in Ikoyi, driven by increasing occupier demand for quality, accessibility and flexible lease terms.

Notably, hybrid work schedules gained more relevance with occupiers, with the majority of the demand coming from the technology and finance sectors.

During this period, the occupancy rate for prime office space in Ikoyi dropped by 3% from 76% in H1, 2023 to 73% in H2, 2023.

Rent remained relatively stable with an average annual rent of \$637/m² with Landlords' incentives continuing to have an impact on headline rents offered to existing tenants and prospective occupiers.

Victoria Island

The supply of prime office space in Victoria Island, witnessed a significant increase with the anticipated delivery of The Azuri Towers, Eko Atlantic City, adding circa GLA 27,000 m² of office space to the Victoria Island prime office market, with other recent completions including Trinity Tower in Oniru Estate with an additional GLA 13,000 m² of office space.

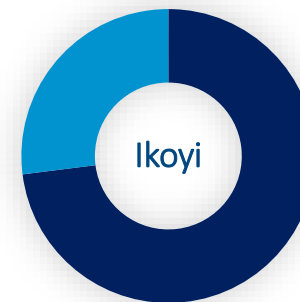
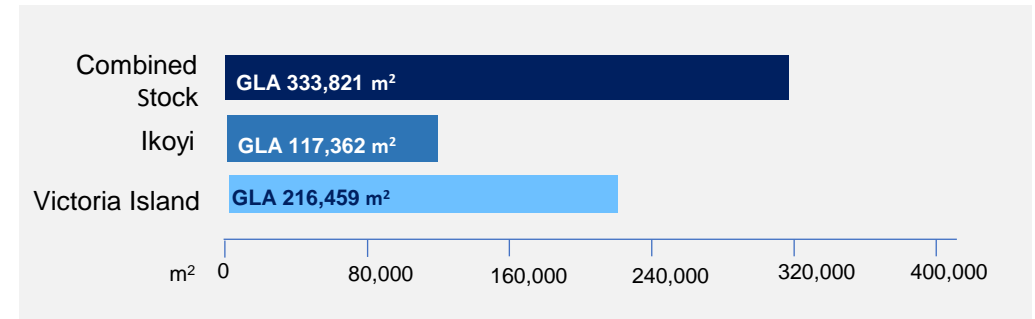
On the demand side of things, absorption rates for Grade B offices were noticeably higher than Grade A offices.

We anticipate the emergence of Eko Atlantic as a new commercial sub-market and a major driver for demand with some notable transactions completed during the second half of the year, including the relocation of Shell Nigeria's new head office from the Lagos Island CBD to Eko Atlantic City.

The prime office occupancy rate rose by 3%, from 58% in H1, 2023 to 61% in H2, 2023.

Average annual rent fell by 3.28% from \$549/m² to \$531/m² in H2, 2023.

Prime Office Stock, Pricing & Occupancy

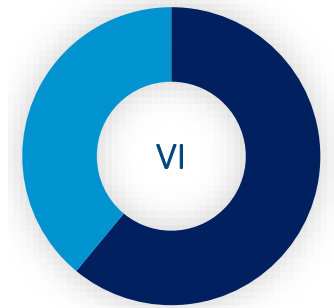


73% | Occupancy Status

27% | Vacancy Status

Average Rent Grade A - Ikoyi (per sq. m./Annum)

10 Buildings \$637



61% | Occupancy Status

39% | Vacancy Status

Average Rent Grade A - VI (per sq. m./Annum)

17 Buildings \$531

Source: Trollope Research, 2023

Prime Office - Pipeline

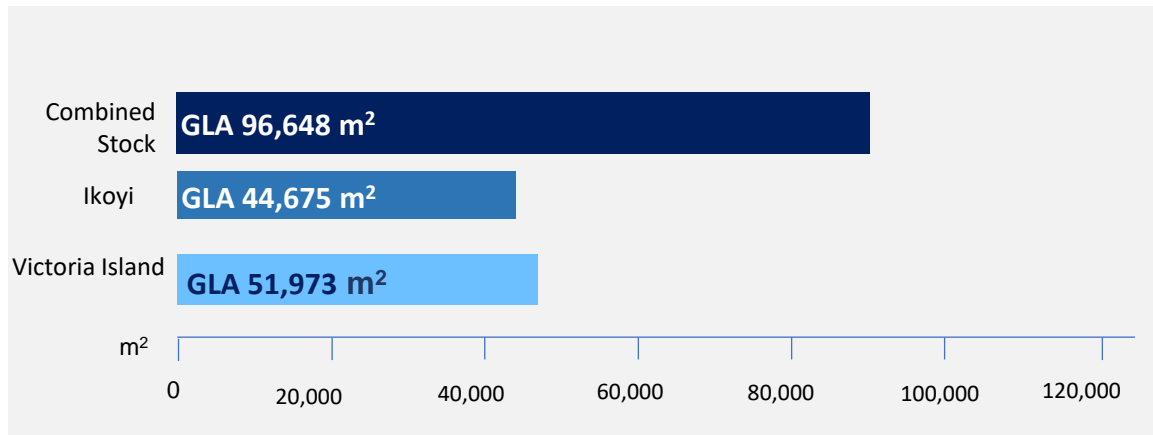
Ikoyi

There was a notable slowdown in office construction in 2023, leading to the delay of anticipated deliveries now anticipated in 2024. This delay is expected to give rise to the delivery of an estimated GLA 48,675 m² of Grade A office space in Ikoyi. The completion of key projects, including Pantheon Tower are expected to have a significant impact on market dynamics in 2024.

Victoria Island

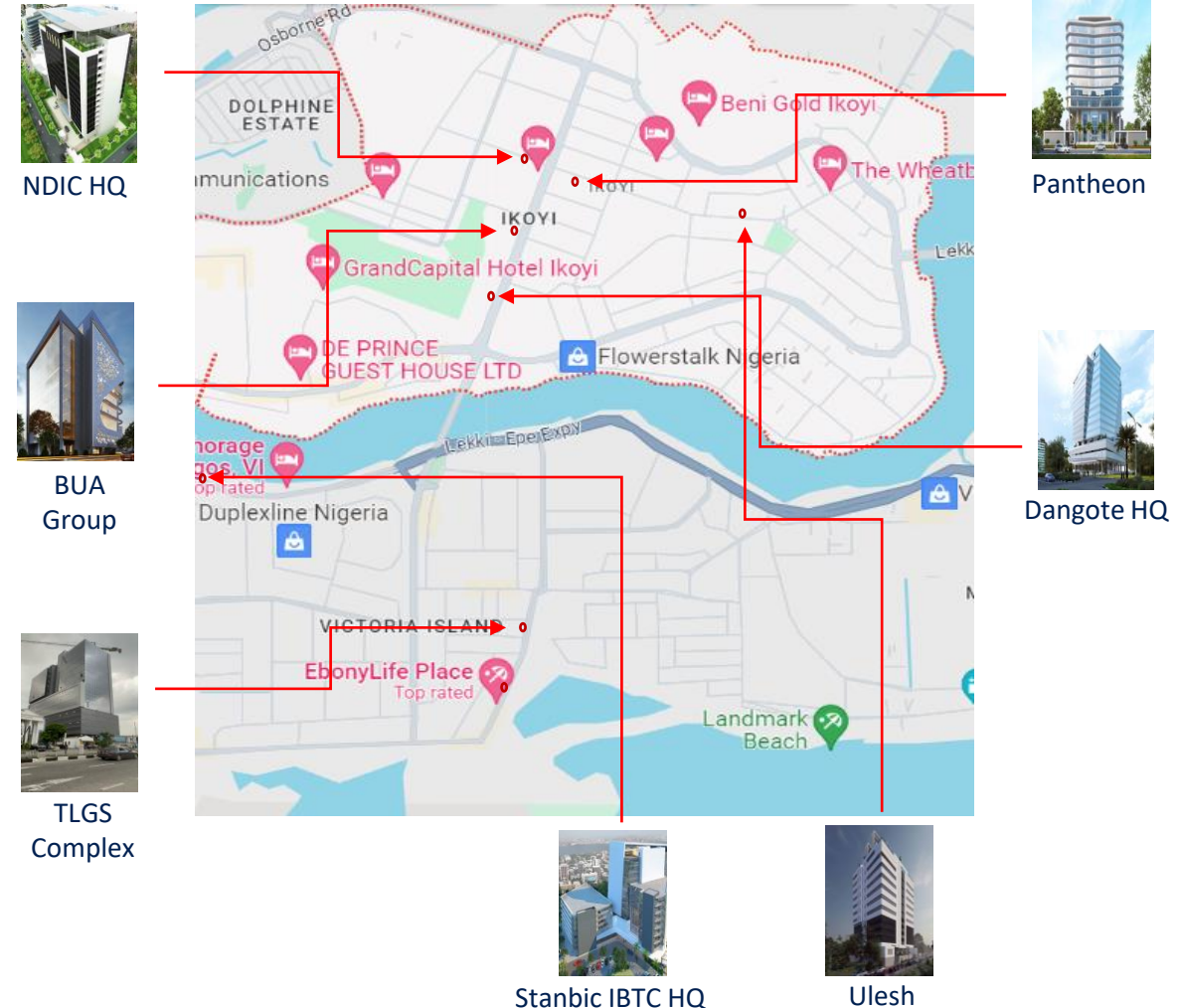
Circa GLA 51,973 m² is anticipated in 2024 which is expected to result in a significant reduction in absorption rates across the market.

Pipeline



Source: Trollope Research, 2023

Pipeline Map



Prime Residential (Ikoyi & Victoria Island)

Ikoyi

The market continues to experience a considerable increase in the delivery of developments across all Ikoyi sub-markets, adding to the market's supply.

Anticipated deliveries such as 39 Bourdillon and Queen's Residence are expected to contribute significantly to cushioning the luxury market demand.

Development projects within the prime Ikoyi experienced swift absorption rates during the construction phase, indicating an uptick in demand from buy to let investors and owner occupiers.

Ikoyi sustained the high occupancy rates experienced during the first half of 2023 with a 3% increase from 89% to 92% in the second half of the year.

Increased demand for prime residential units along with a rise in inflation leading to a 31% rise in price for a 3-bedroom luxury apartment for sale from \$550,000 in H1, 2023 to \$720,000 in H2, 2023.

The rental market also experienced an increase over the second half of the year with a 22% rise from an average of \$13,000 per annum in H1, 2023, for a 3-bedroom apartment to \$17,000 per annum in H2, 2023.

Victoria Island

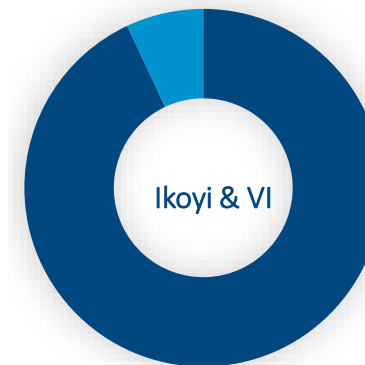
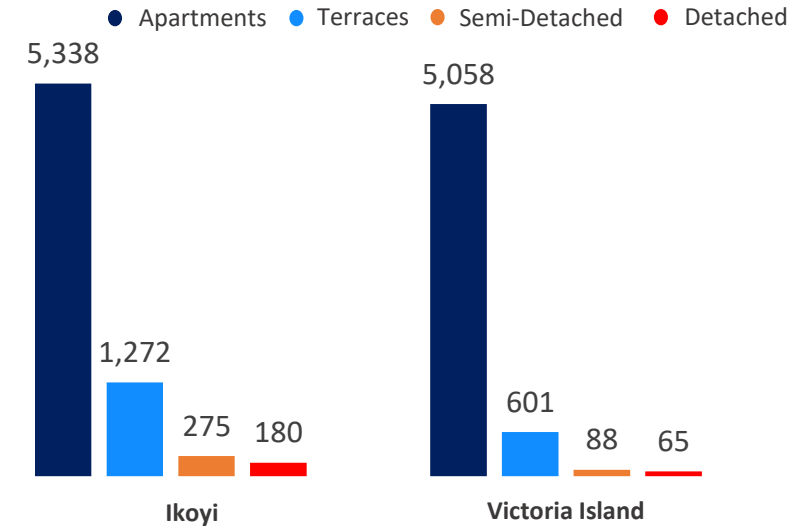
The prime residential market received a boost with the delivery of 130 units in Azuri Towers, Eko Atlantic City along with Sails Palace expected to be delivered in H1, 2024 adding an additional 260 prime residential units.

Increased demand witnessed in H1, 2023 was sustained even with the increase in supply with a 3% rise from 94% to 97% in H2, 2023.

Victoria Island has been slow to follow the price increase trend witnessed in Ikoyi, with a marginal increase of 2.88% for a 3-bedroom apartment from \$243,000 in H1, 2023 to \$250,000 in H2, 2023.

The average annual rent for a 3-bedroom apartment increased by 8.3% from \$12,000 per annum in H1, 2023 to \$13,000 per annum in H2, 2023.

Ikoyi & Victoria Island Residential Stock & Pricing



93% | Occupancy Status

7% | Vacancy Status

Average Annual Rent

Ikoyi & VI

2,332 Units

Apartments
\$15,000

Source: Trollope Research, 2023

Prime Residential – Pipeline



39 Bourdillon
38 Units



Cuddle
43 units



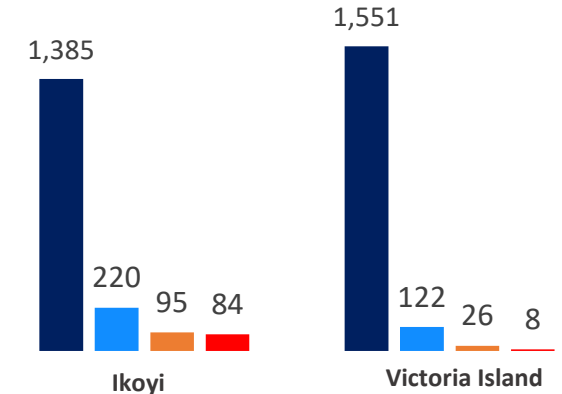
The Bijou
33 Units



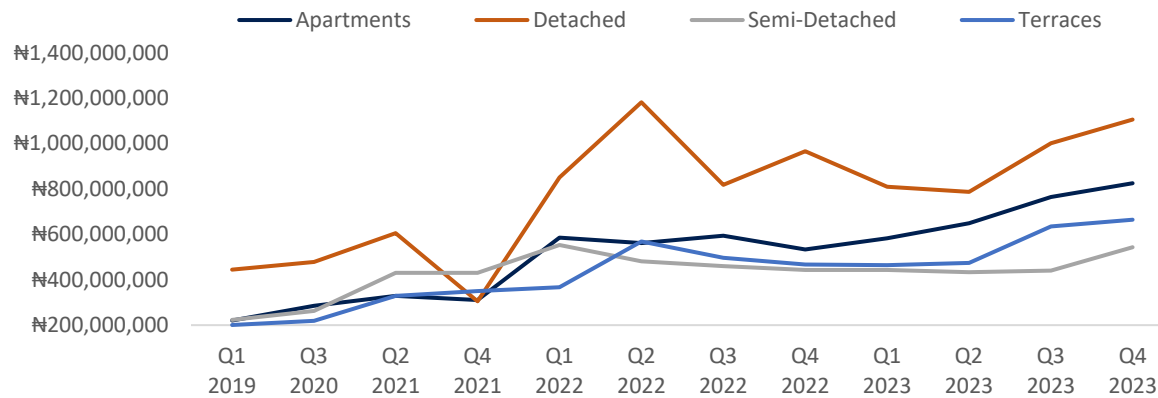
The Nexus of Iconic Towers
35 Units

Pipeline Stock

● Apartments ● Terraces ● Semi-Detached ● Detached



Residential Sales Pricing



Source: Trollope Research, 2023

Top Developers





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