

MAY 2022

CORPORATE DIGEST

The Nigerian Real Estate Industry:
Strengthened by Economic Growth



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The Economic Intelligence Group

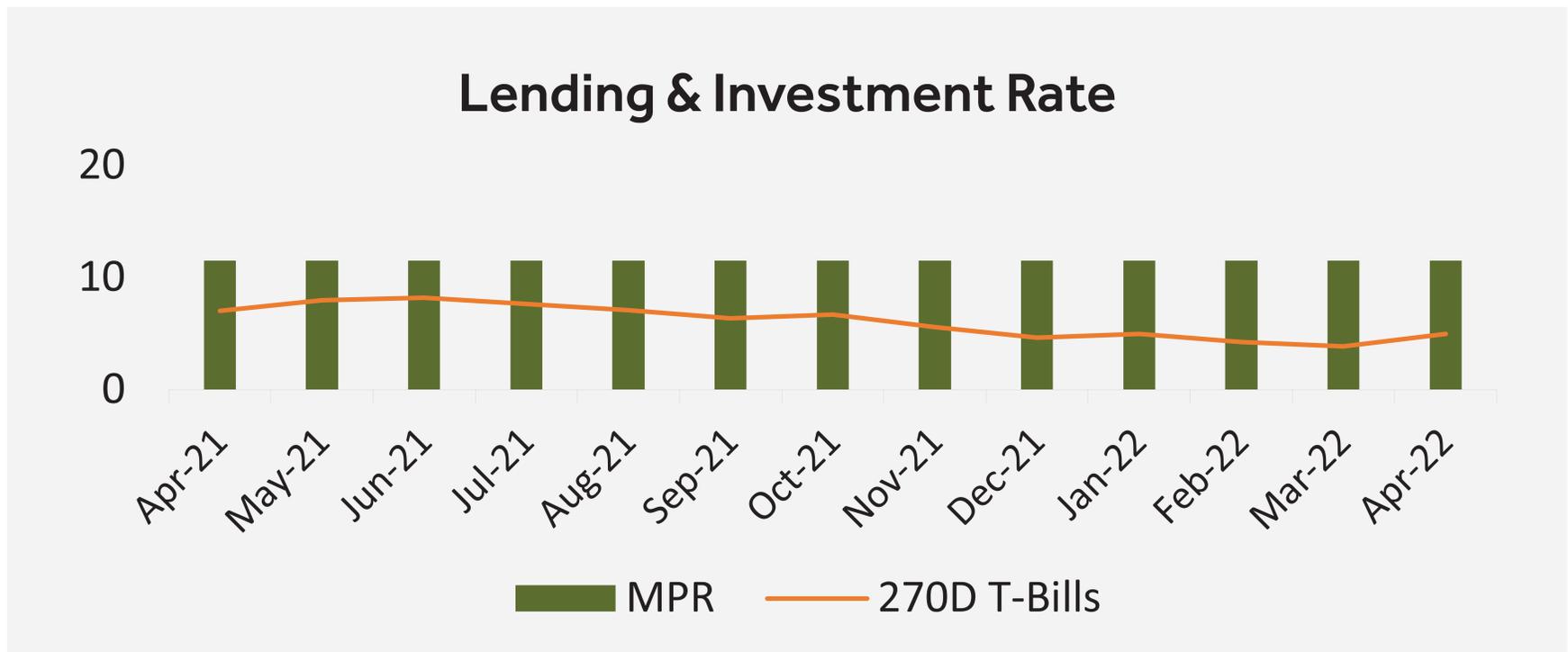
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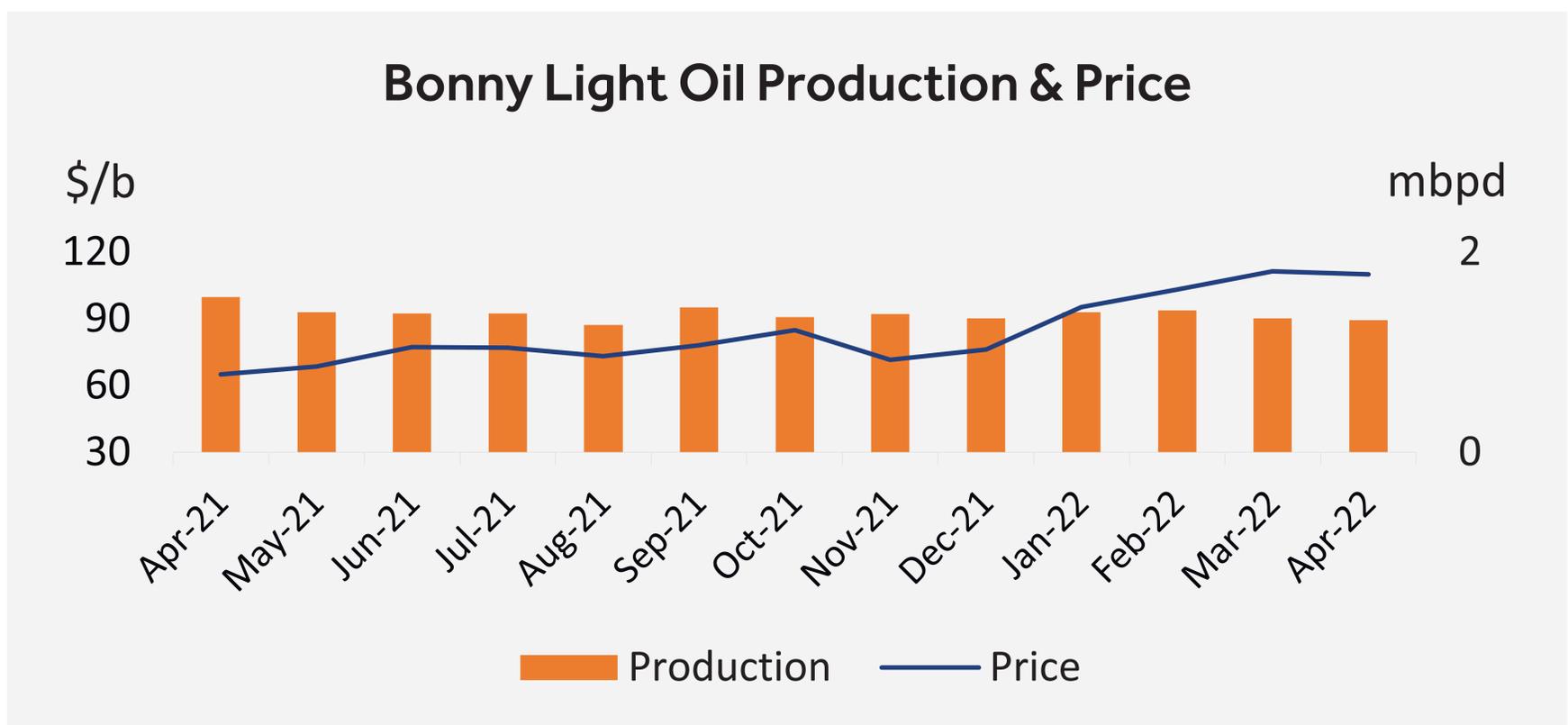
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Macroeconomic Updates



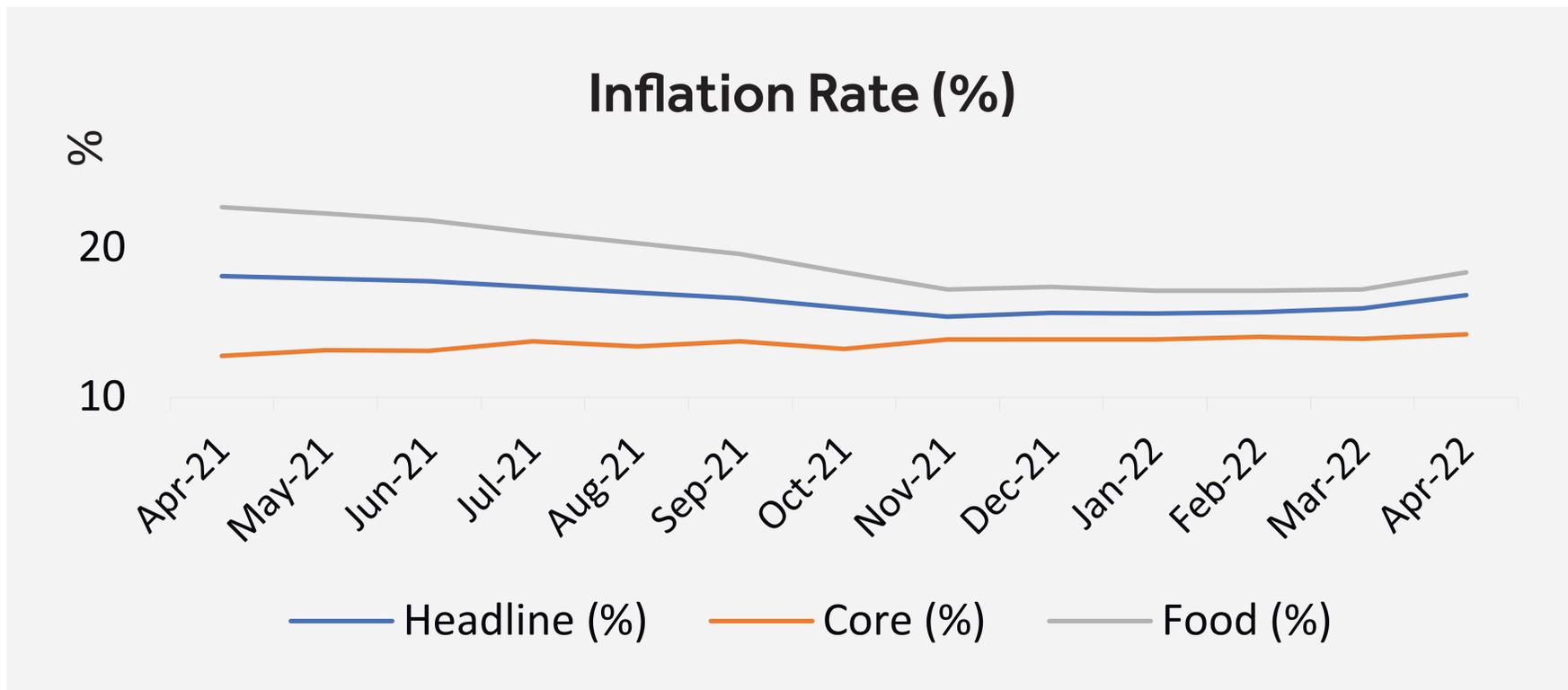
Sources: CBN

- The Monetary Policy Rate (MPR) remained at 11.5% in April after the Monetary Policy Committee (MPC) held its second meeting for the year in March 2022.
- The 270-day Treasury Bills (T-Bills) picked up pace in April 2022 to post 4.99% relative to 3.89% posted in the preceding month.
- While the increase in government yields provide a safer alternative investment platform for businesses, it also crowds out funds. This reduces the amount of loanable funds available for businesses



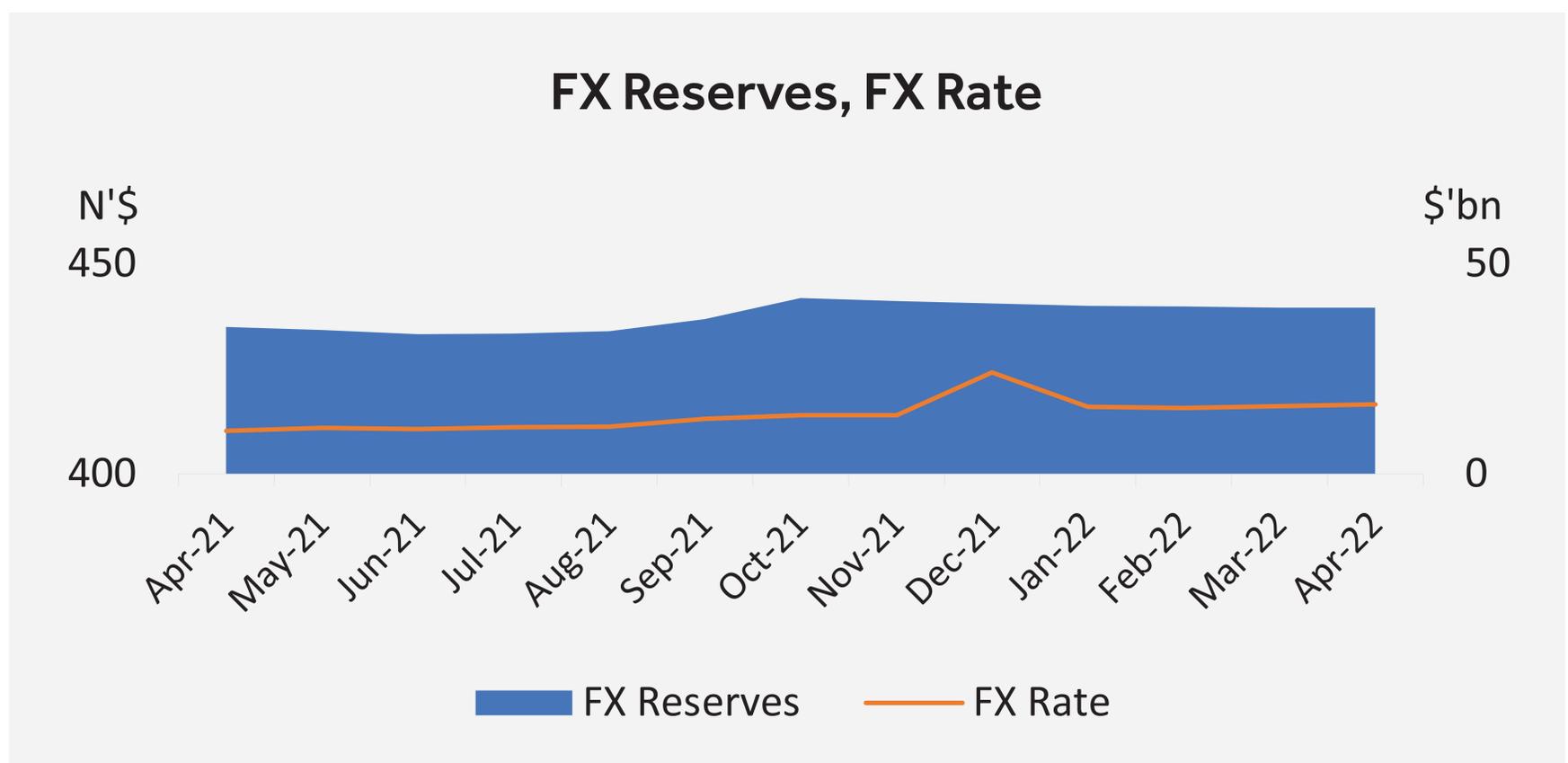
Sources: NBS

- Oil prices slightly dropped to \$110.11/b in April 2022 from \$111.51/b recorded in the previous month as recession fears heightened amidst supply concerns, the hawkish stance of the Federal Reserves (Fed), geopolitical tensions in Europe and lockdown in China (the world's largest importer of crude oil).
- Oil production also declined slightly to sit at 1.32 million barrels per day (mbpd) in April 2022 from 1.34mbpd produced in the previous month.



Sources: OPEC

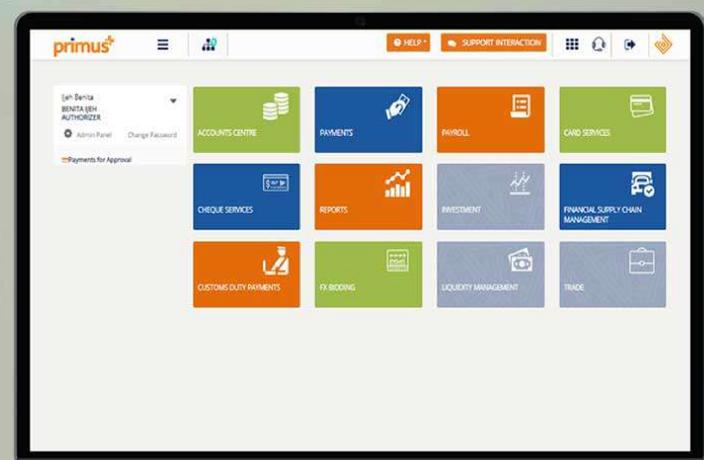
- Headline inflation rate continues to look northwards as a figure of 16.82% was recorded in April 2022 compared to 15.92% posted in the previous month.
- The impact of the Muslim Ramadan fast coupled with high prices deregulated petroleum products pushed inflation higher.
- Food inflation rate rose by 1.17% to close April at 18.37%. Also, core inflation rate rose by 0.27% to close at 14.18% compared to March figures.



Sources: FMDQ

- External reserves uptick by 0.07% to settle at \$39.58 billion at the end of April 2022 from \$39.55 billion posted in the previous month.
- Despite lower oil prices, external reserves witnessed an increase owing to the efforts of the CBN, such as the "Naira 4 Dollar Scheme" to boost forex inflow into the country.
- The Naira depreciated further by ₦0.46 to settle at ₦416.55/\$ at the end of April 2022 compared to ₦416.09/\$ recorded in the previous month

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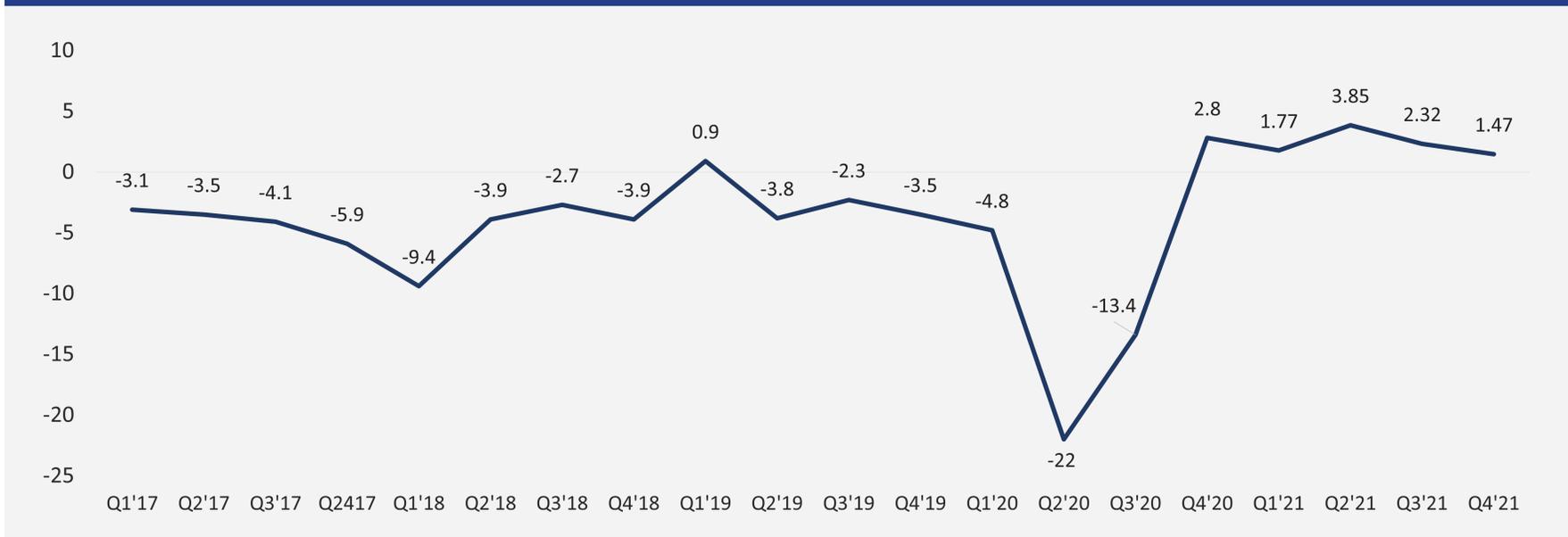
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The Nigerian Real Estate Industry: Strengthened by Economic Growth

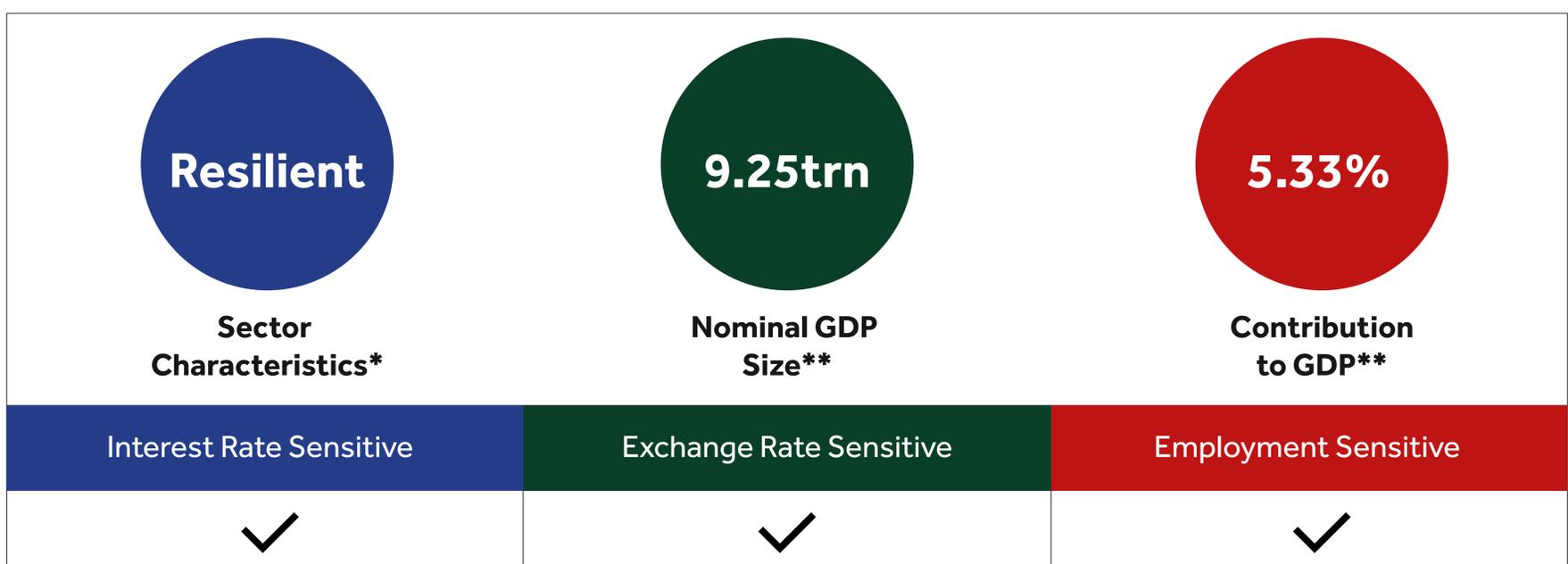
- ◆ The Real Estate Industry remains a key driver of the Nigerian economy accounting for 5.33% of 2021 GDP, recording an increase in the nominal size to ₦9.25 trillion from ₦8.68 trillion posted in the preceding year. The Government's continued support towards the sector, Mortgage Banking reforms by the Central Bank of Nigeria (CBN), urbanization, improving occupancy rate and strong corporate demand has provided some uplift for the Real Estate Industry from the pangs of the 2020 pandemic.
- ◆ According to Agosto & Co. research, the housing deficit in Nigeria is around 22 million, compared to African peers like South Africa, Kenya, Angola and Ghana with housing deficits of 2.3 million, 2 million, 1.9 million and 1.7 million, respectively. The World Bank estimates that Nigeria's housing deficit is expected to grow at between 18% and 20% annually. The huge gap between Nigeria and its peers can be attributed to the ever-rising population, rural-urban migration, high interest rates on Mortgages and weak capacity building in the Industry. Structural construction challenges continue to inhibit the growth of the real estate industry in Nigeria.
- ◆ According to the Mortgage Bankers Association of Nigeria, the country's mortgage finance deficit stands at ₦20 trillion – ₦30 trillion. Borrowing for home construction is more common, although still at low levels of 1.7%. Home ownership levels are exceedingly low, with around 85% of the urban population living in rented accommodations.

Industry Overview

Real GDP Growth (%) for the Nigerian Real Estate Industry



Sources: NBS

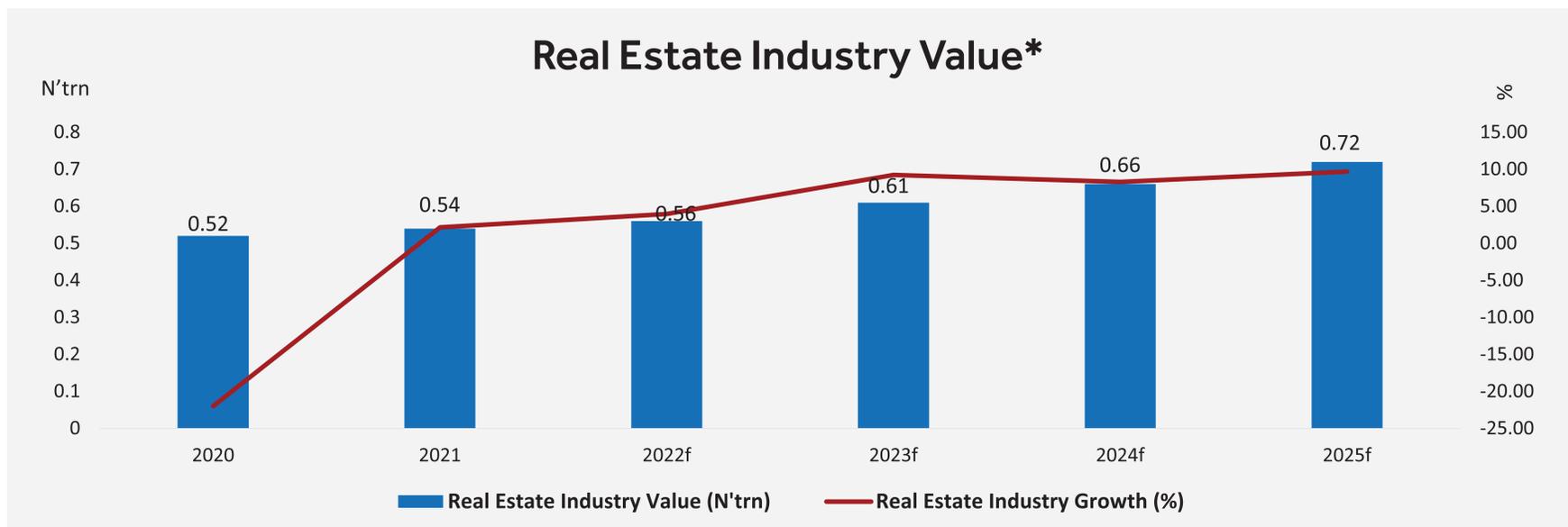


* - The real estate industry has experienced more 2 consecutive quarterly positive growth rates.

** - Data as at full year 2021

Nigerian Real Estate Industry Outlook

- The Nigerian Real Estate industry is expected to grow by 3.96% in 2022 to settle at ₦0.56 trillion from ₦0.54 trillion recorded in the previous year.
- The improvement in 2022 industry growth will be driven by recovering oil prices and exports, economic diversification, government support for local production, a strong population growth amongst others. These factors will drive impressive economic performance, thereby spurring the demand for either residential and commercial buildings.
- The growing middle class will also continue to fuel demand on the back of steady incomes, which has enabled the small-scale expansion of Nigeria's mortgage market. The commercial segment of the industry especially the office space segment has witnessed a strong post-COVID bounce as more organisations have fully resumed in offices as opposed to the working from home practices.
- The potential within Nigeria's residential and commercial building market warrants a more bullish long-term growth outlook, even as the market retains some key risks in a more positive economic environment. Downside risk to these growth projections include the rising cost of building materials as a result of the weakening naira, rising inflation, infrastructural deficiency, multiple taxation and land acquisition challenges amongst others.
- Unless the Government can channel its own funds or encourage private investment into affordable housing, growth in the residential segment will remain constrained, keeping the lacuna between housing supply and demand in the country extremely wide.



Sources: Fitch, Agosto

*Real Estate Industry includes the residential and non-residential industry. The residential and non-residential industry values are a function of construction minus infrastructure industry value

Business Advice for Players in the Real Estate Industry

- Networking remains a key tool for the growth of the real estate industry. Research has shown that a chunk of realtors' business comes from referrals and word of mouth. Hence, realtors must never be afraid to ask for referrals and their testimonies.
- According to an independent source, the total number of active social media users in Nigeria as at January 2022 was 32.90 million. Realtors must take advantage of the social media space to have a wider reach of potential sellers or buyers of properties. Real estate firms should be visible both online and offline by running massive and appealing advertisements. In order to stimulate purchases and increase income, competitive pricing strategy and other attractive promotional offers must also be employed.
- To mitigate the harmful effects of the Russia-Ukraine crisis or any other crisis in the future, firms should establish a culture of saving a percentage of profit. The surplus profit would enable the company temporarily weather the storm of increased operating costs.
- Companies can standalone or form strategic alliance in order to leverage the African Continental Free Trade Area (AfCFTA) in registering their presence home and abroad.
- Advisory services from financial and economic professionals should be sought. Access Bank continues to evolve and provide innovative solutions to customers in the face of a turbulent macroeconomic climate.

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