

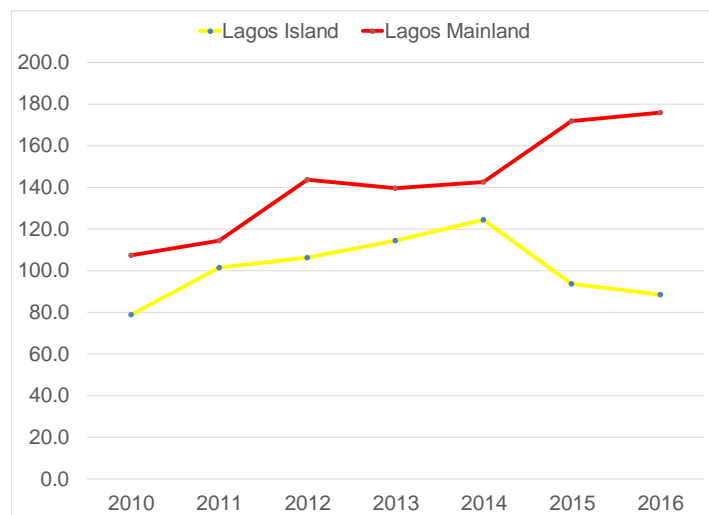


The RAC Lagos House Price Index - 2017 Post Recession Outlook

In 2016, the Nigerian economy suffered one its worst recession in recent history following the country's Gross Domestic Product (GDP) recording negative growth in the first two quarters of the year at -0.36% (q1) and -2.06% (q2) respectively and by the third quarter GDP had fallen by -2.24% according to data released by the Nigeria Bureau of Statistics (NBS).

The gradual decline of the Nigerian economy into the abyss of recession started with the sharp fall in global crude oil prices which is the country's largest source of foreign exchange which took a turn for the worse in 2015 resulting in a drastic drop-in government revenue which severely affected the country's foreign reserve. All these culminated in the rapid decline in the value of the Nigerian Naira against other currencies on the foreign exchange market and eventually resulting in the devaluation of the country's currency. The effects of the recession included rising inflation as the prices of basic commodities including building materials increased astronomically (the cost of cement rose by 40%) in the country, a rise in the unemployment rate as jobs were lost due to struggling businesses as all sectors of the economy felt the crunch of the recession and rising interest rates on bank loans. The country's real estate market was not spared as it suffered its own share of the decline in GDP as transaction activities fell in the year.

Figure 1 RAC Lagos House Price Index



Source: Residential Auctions Company

The Lagos Island sub-locations of Ikoyi, Victoria Island and Lekki Phase 1 all saw house prices move in different directions in 2016. In Ikoyi, asking house prices were down by -12.29%. Also in Victoria Island, asking house prices fell by -10.62%. The drop in asking house prices in both sub-locations can simply be attributed to the excess supply of houses on the market for sale and waning demand for housing, due to few buyers, bringing about a low volume of transaction



The RAC Lagos House Price Index - 2017 Post Recession Outlook

activities in these locations. However, in Lekki Phase 1, asking house prices rose by 15.53% due to renewed interest and demand for houses in this location. Overall, average house prices in Lagos Island house fell for the second year running in what could be termed to be a market correction of prices. The last twelve months saw asking house prices fall in this market by -5.58% as the average house price for a 4/5-bedroom house was N172, 214, 772. Despite the -5.58% drop for 2016, it was nothing compared to the drastic drop of the preceding year 2015 of -25% and shows that the Lagos Island housing market is showing some form of resilience and come back.

Table 1 Lagos Island House Price Growth

Locations	House Price 2016/2015 (% Change)
Ikoyi	-12.26%
Victoria Island	-10.62%
Lekki Phase 1	15.53%

Source: Residential Auctions Company

In Lagos Mainland, asking house prices varied across different sub-locations as some locations saw drops in asking prices and others saw a rise in asking house prices. See table below.

Table 2 Lagos Mainland House Price Growth

Locations	House Price 2016/2015 (% Change)
Anthony Village	-23.2%
Gbagada	-12.0%
Ifako-Gbagada	18.8%
Ikeja	17.4%
*Ikeja GRA	-29.4%
Ilupeju	4.0%
Magodo Isheri	-11.7%
Magodo Shangisha	21.7%
Maryland	-9.2%
Ogudu GRA	-8.3%
Omole Phase 1	21.1%
Omole Phase 2	12.8%
Surulere	-
Yaba	-4.0%

Source: Residential Auctions Company *Ikeja GRA was not included in the index.



The RAC Lagos House Price Index - 2017 Post Recession Outlook

Overall, average house prices in Lagos Mainland increased by 2.33% as the average house price for a 4/5-bedroom house was N75,509, 463. The steep increase keeping in line with the increase recorded for the preceding year 2015 at 20%. The reason for the sustained growth in Lagos Mainland house prices can be attributed to the low supply of houses particularly new housing units in this geographical location and sustained demand.

The IMF's forecast for Nigeria in 2017 is that GDP will rise into positive territory again and therefore this gives us an optimistic view on Lagos Island and Mainland house prices. On a last note, we would like to state that perhaps there is no better time particularly for investors seeking long term capital appreciation of assets to invest in the real estate market as we anticipate to see asking prices rising this year.

The RAC Lagos House Price Index - 2017 Post Recession Outlook



Important Note

Finally, in accordance with our normal practice, we would state that this report is for general informative purposes only and does not constitute a formal valuation, appraisal or recommendation. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent, which will not be unreasonably withheld.

Our findings are based on the assumptions given. As is customary with market studies, our findings should be regarded as valid for a limited period and should be subject to examination at regular intervals.

Whilst every effort has been made to ensure that the data contained in it is correct, no responsibility can be taken for omissions or erroneous data provided by a third party or due to information being unavailable or inaccessible during the research period. The estimates and conclusions contained in this report have been conscientiously prepared in the light of our experience in the property market and information that we were able to collect, but their accuracy is in no way guaranteed.

Contact

For further information on this report please contact:

Omorotimi Akinlose

Managing Director

Mobile: +2347082276528

E-mail: rotimi.akinlose@rac.com.ng