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EASE OF EXIT PUTS RESIDENTIAL REAL ESTATE INVESTMENT OVER COMMERCIAL DEVELOPMENTS

The Residential subsector continues to witness increasing activity over other subsectors. This is largely driven by the requirement of most investors and providers of debt funding to achieve the quickest possible exit – through the off-plan sale of residential apartments.

Over the past 10 months, more than 20 luxury residential projects have commenced in Ikoyi: also projected to bring 700 units of 2, 3, and 4 bedroom flats/townhouses into the market (for sale) over the next 12 months. These projects are valued conservatively at \$300 million.

The commercial subsector has not had its fair share of investment, and the lull in activity will continue for the foreseeable future, at least until there is a market for commercial sales and long leases (5-10 years).

In its own effort to stimulate the market, the government lifted the ban on importation of cement in Q1, 2008. Information from the ports indicates that about 200,000 tonnes of cement arrived through the Nigerian ports by end of September 2008. The price of cement has shown any significant drop so far as expected.

In Lagos the prime areas are , Victoria Island, Ikoyi, Lagos Island, Apapa, Ikeja GRA and Lekki Peninsula. 90% of on-going projects in all of these areas are residential developments. Average capital yield on residential and commercial developments are 10% and 5% respectively.

Over 2500 units of housing have been constructed and sold in the past 5 years at an average price of \$300,000.00. The capital yield on some these assets have gone from 10% to 18% within the same period. In the next five years over 3,000 units will be completed and put on the market.

CAPITAL MARKET MELTDOWN AND REAL ESTATE PRICING

While prices of quoted stocks are crashing on the Nigeria Stock Exchange (NSE) the prices of Real Estate Assets have stabilised in the major markets and minor markets have had more than 80% price increase in the past 12 months. The Minor markets refers to new real estate markets such as suburb areas of the City. The increase in prices in the Minor Markets is due to the diversion of investible funds away from the capital markets into the real estate sector.

Rental prices in the Prime Real Estate market has been on the increase in the past 12 months. This has been driven by the market dynamics on one side and the fact that many leases fell due and were being renegotiated.

On the sales side a lot of Federal Government properties which have not been on the market for over 20 years were unloaded into the market. The Lagos state government redevelopment plan for

the major markets have also placed additional expenditure burden on developers who in turn transfer these to the buyers.

New 2008 lease negotiated for a 3 bedroom serviced, Ikoyi apartment on Gerrard road went for \$80,000/annum. While a two bedroom apartment off Bishop Oluwole on Victoria Island went for \$45,000.00/annum. Average Excaltation rate is 10% while average capital yield is 8%.

FMBN DISBURSED N25BILLION HOUSING LOANS

As at January 2008, FMBN's total loans granted through Primary Mortgage Institutions (PMIs) stood at N24.4 billion for disbursement to 18,676 contributors to the NHF. Total contribution from inception to January 2008 was N32.74 billion (\$312mil).

The collections made in the first decade was N10.4 billion while there was marked improvement in collections in the past six years. FMBN was established in 1977.

NEWS FLASH

CBN INTERVENES TO CLEAR MARKET CONFUSION

Following the conclusion of the Monetary Policy Committee (MPC) meeting on Thursday September 18, 2008, the CBN took the following steps to address the liquidity situation in Nigeria.

- Monetary Policy Rate (MPR) was reduced from 10.25% to 9.75%
- Cash Reserve Requirement (CRR) for banks was reduced from 4 % to 2%. This is the % of cash to deposit liabilities held at the Central Bank of Nigeria against all bank deposits.
- The CBN is quite optimistic that the effect of the meltdown in North America and West Europe markets will have little or no effect on the Nigeria economy.

LAGOS STATE GOVERNMENT THROUGH ITS EKO MICROFINANCE INSTITUTION GRANTS N500M LOANS

- The loans were granted to 5000 beneficiaries 'to boost their economic enterprises'.
- The figure equals an average of N1m per beneficiary
- The rate and tenor of the loans are yet to be confirmed.

CORNERSTONE INS. TO DELIVER 4,000M2 OF COMMERCIAL GRADE A LETTING AREA BY END OF 2009 IN ONIRU ESTATE AREA OF VICTORIA ISLAND

- The building will house the new corporate headquarters of Cornerstone group and its subsidiary companies.
- It is located at Oniru Royal Family Estate on Victoria Island.
- The Insurance firm is expected to let out office spaces in excess of 4,000 square metres in what is expected to be a Class A.
- The contractor for the 10-storey office tower project is Cappa & D'Alberto Plc.
- Estimated completion date is June 2009.