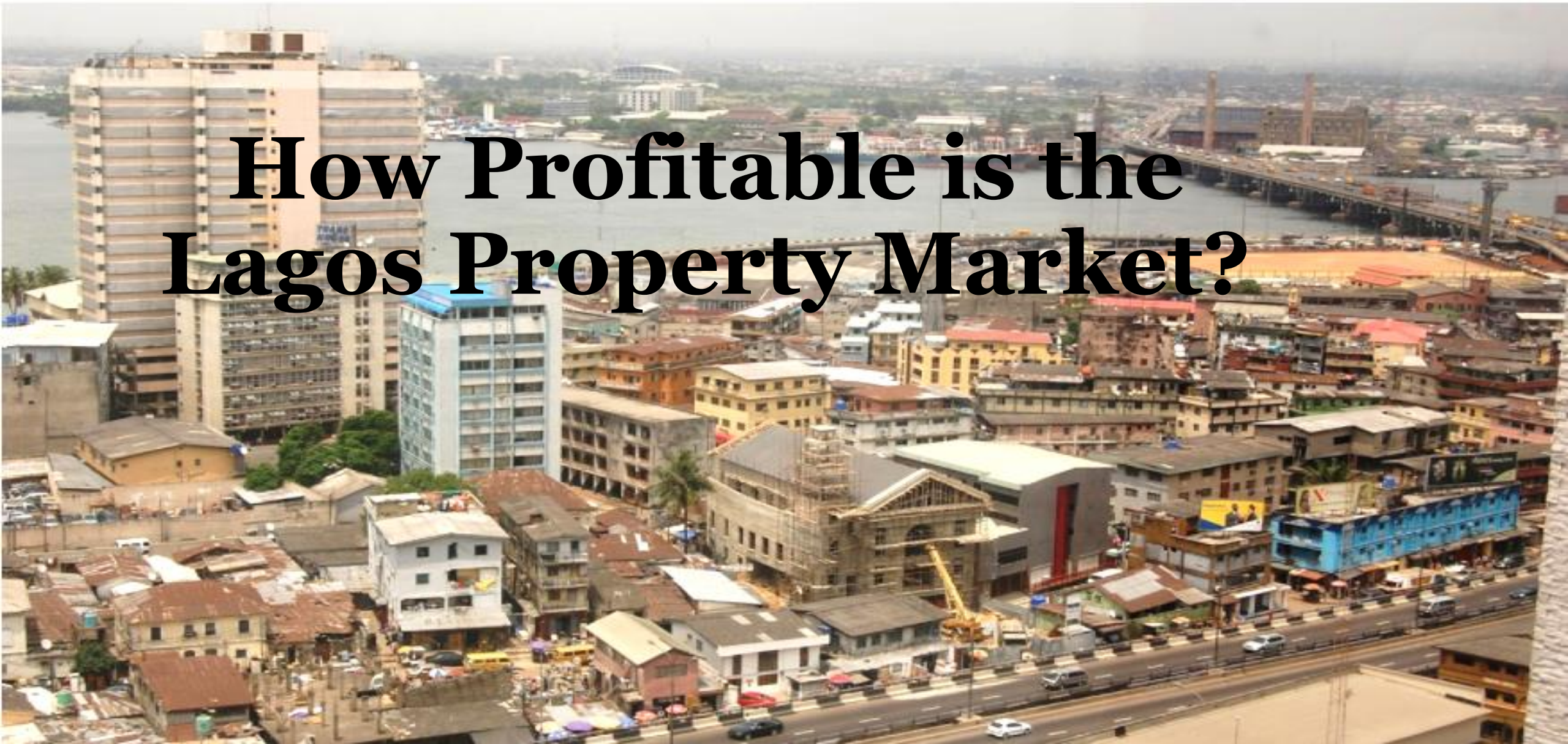
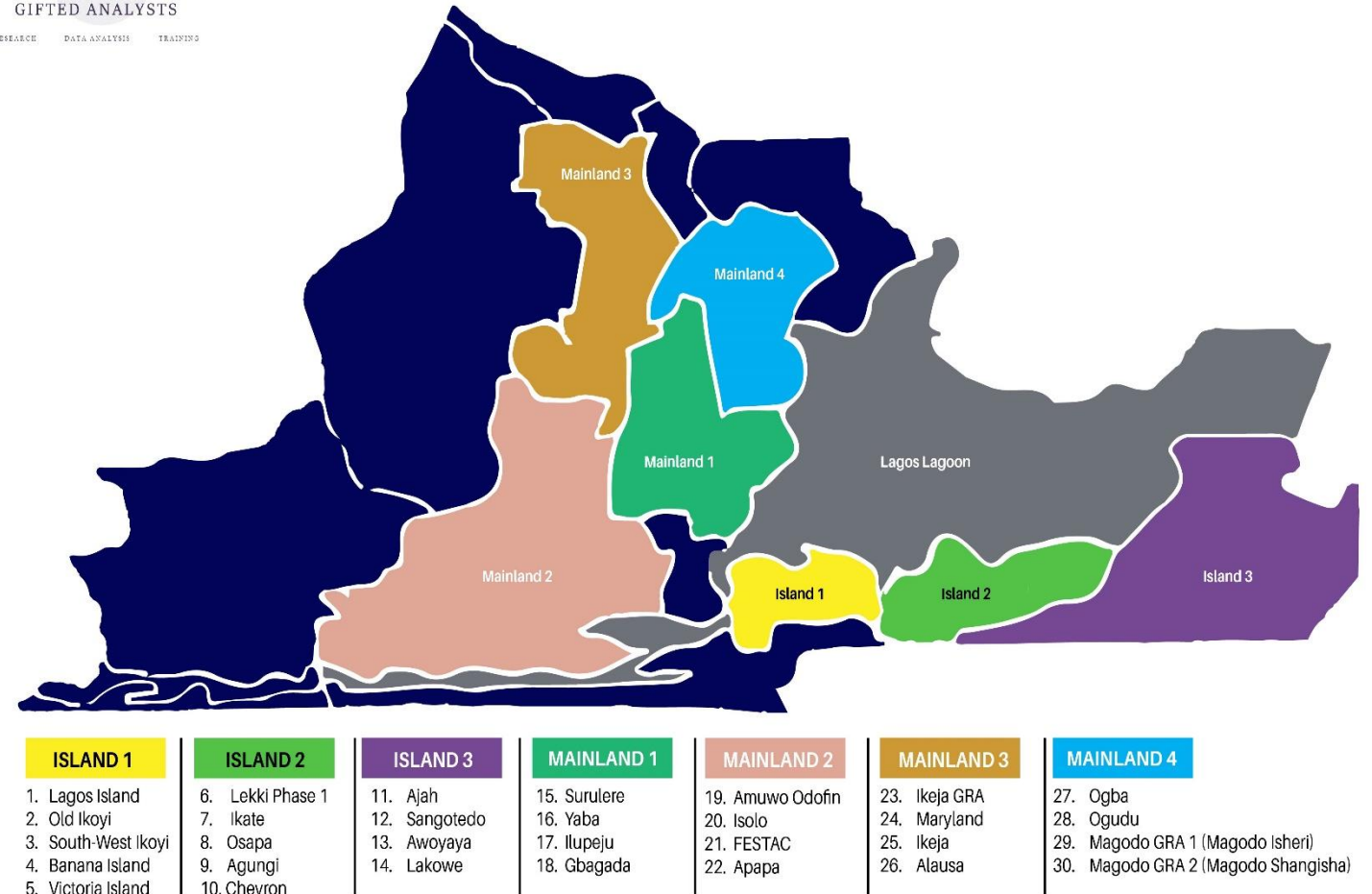


How Profitable is the Lagos Property Market?



The Zonal Structure.

- Island 1 represents areas right from Eko Idumota to Victoria Island.
- Island 2 spans Lekki Phase 1 all through Chevron.
- Island 3 moves from Ajah to Lakowe.
- Mainland however represents all other areas before the Lagos lagoon/Atlantic Ocean.
- Thus, Mainland 1 spans Surulere all through through Gbagada.
- Mainland 2 represents the Ajeromi Ifelodun areas including Isolo.
- Mainland 3 is the seat of Power, that is, the Ikeja and Maryland axis.
- Mainland 4 are the areas close to Lagos border with Ogun State.

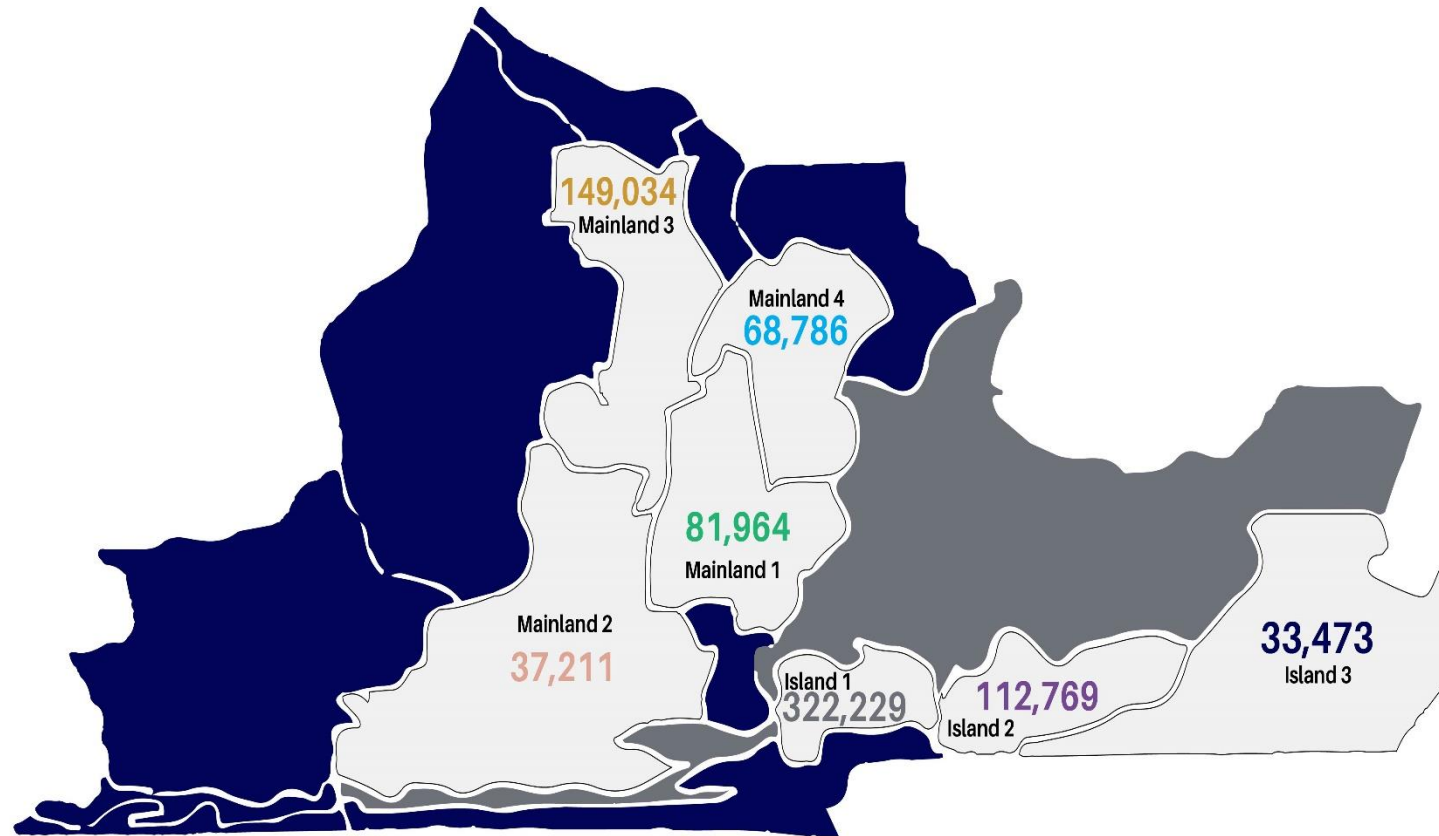


Source: Nigerian Institution of Estate Surveyors and Valuers, NIESV
Data Analysis & Visualization: Gifted Analysts

Average Price of Land Across the Zones.

- On the mainland, the farther the area from the seat of power (Mainland 3 - Ikeja), the lower the average price of land.
- Although Ogba and Magodo (Mainland 4) are closer to Ikeja than, average price of land is higher in Yaba, Surulere and Gbagada axis because they are closer to the island – the fastest growing part of Lagos state.
- On the Island, the closer the area to Victoria Island (Island 1), the more expensive the average price of land.
- Victoria and Lagos Island is where most of companies situate their head quarters, hence prices are higher there.
- Ajah areas (Island 3) are relatively cheap because for now, they are very far from where significant economic activities take place in Lagos state.

AVERAGE PRICE OF LAND (PER SQUARE METERS) ACROSS LAGOS STATE



Source: Nigerian Institution of Estate Surveyors and Valuers, NIESV

Data Analysis & Visualization: Gifted Analysts

How Profitable is Renting a Property in Lagos City?



$$\frac{\text{Average Rental value}}{\text{Average Capital Value}}$$

=

$$\text{Rental Yield}$$

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- The rental and capital values are based on the consensus estimates of property professionals in Lagos state.
- The average rental yield is the average yield for renting out a 3-bedroom and 4-bedroom apartment per year.
- It is critical to understand that these figures used in this report are averages of a consensus of value opinions and may not reflect every individual transaction.
- The higher the capital given the rental value, the lower the rental yield and vice versa.

The Average Rental Yield Per Zone



AVERAGE RENTAL YIELD AT ISLAND ZONE 1, LAGOS STATE



Old Ikoyi
5.73%



Banana Island
5.17%



Victoria Island
4.88%



South-West Ikoyi
4.67%



Lagos Island
3.82%

Source: NIESV

Data Analysis & Visualization: Gifted Analysts

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- The average rental yield in Island Zone 1 is 4.85% per annum.
- Although the rental yield for renting a 4-bedroom flat (5.96%) is higher than that of a 3-bedroom flat (5.51%) in old Ikoyi, we highlight that the 4-bedroom flat rental yield in the other areas of Island zone 1, is lower than rental yield on 3-bedroom flat.
- For example, the rental yield on a 3-bedroom flat in Banana Island is 6.16% while the same rental yield is 4.19% for a 4-bedroom flat.
- Also in Lagos Island, the rental yield on 3-bedroom flat is 4.23% while it is 3.42% for a 4-bedroom flat.

The Average Rental Yield Per Zone



AVERAGE RENTAL YIELD AT ISLAND ZONE 2, LAGOS STATE



Chevron
6.87%



Agungi
6.31%



Osapa
6.06%



Ikate
5.97%



Lekki Phase 1
3.87%

- The average rental yield in Island Zone 2 is 5.82% per annum.
- Across all the areas here, the rental yield on a 3-bedroom flat is higher than the rental yield on a 4-bedroom flat.
- For example, rental yield on a 3-bedroom flat in Lekki Phase 1 is 4.52% while it is 3.23% for a 4-bedroom flat.

Source: NIESV

Data Analysis & Visualization: Gifted Analysts

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The Average Rental Yield Per Zone



AVERAGE RENTAL YIELD AT ISLAND ZONE 3, LAGOS STATE



Ajah
4.44%



Sangotedo
4.41%



Lakowe
3.89%



Awoyaya
3.58%

- The average rental yield in Island Zone 3 is 4.08% per annum.
- In these areas, rental yield on 4-bedroom flat is generally higher than the rental yield on a 3-bedroom flat.
- For example, the rental yield on a 4-bedroom flat in Sangotedo is 4.72% while it is 4.09% for a 3-bedroom flat in the same area.

Source: NIESV

Data Analysis & Visualization: Gifted Analysts

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The Average Rental Yield Per Zone



AVERAGE RENTAL YIELD AT MAINLAND 1, LAGOS STATE



- The average rental yield in Mainland Zone 1 is 4.45% per annum.
- Rental yield on a 4-bedroom flat in these areas is also relatively higher than the rental yield on a 3-bedroom flat (safe Surulere where the yield is the same for both properties).
- For example, while the rental yield on a 4-bedroom flat in Yaba is 4.49%, the same yield on a 3-bedroom flat in the same location is 4.16%.



Source: NIESV

Data Analysis & Visualization: Gifted Analysts

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The Average Rental Yield Per Zone



AVERAGE RENTAL YIELD AT MAINLAND 2, LAGOS STATE



Apapa
4.85%



Isolo
4.32%



FESTAC
3.68%



Amuwo Odofin
3.17%

- The average rental yield in Mainland Zone 2 is 4.01% per annum.
- In all the areas in Mainland 2, it is profitable to let a 3-bedroom flat than a 4-bedroom flat based on the rental yield on each property.
- For example, the rental yield on a 3-bedroom flat in Apapa is 4.16% while the yield on a 4-bedroom flat in the same location is 3.55%.

Source: NIESV

Data Analysis & Visualization: Gifted Analysts

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The Average Rental Yield Per Zone



AVERAGE RENTAL YIELD AT MAINLAND 3, LAGOS STATE



Maryland
4.41%



Ikeja GRA
4.32%



Alausa
3.98%



Ikeja
3.82%

- The average rental yield in Mainland Zone 3 is 4.13% per annum.
- Just like Mainland 2, it is more profitable to rent out a 3-bedroom flat than a 4-bedroom flat in the areas denoted at Mainland 3.
- For example, the rental yield on a 3-bedroom flat in Ikeja GRA is 4.89% while it is 3.75% on a 4-bedroom flat in the same location.

Source: NIESV

Data Analysis & Visualization: Gifted Analysts

www.giftedanalysts.com



The Average Rental Yield Per Zone



AVERAGE RENTAL YIELD AT MAINLAND 4, LAGOS STATE



- The average rental yield in Mainland Zone 4 is 3.26% per annum.
- At Mainland 4, the reverse is the case as the rental yield on a 4-bedroom flat is higher than the rental yield on a 3-bedroom flat.
- For example, the rental yield on a 4-bedroom flat at Ogudu is 3.97% while it is 2.24% on a 3-bedroom flat in the same location.



Ogba
3.54%



Magodo GRA 1
3.20%



Magodo GRA 2
3.19%



Ogudu
3.10%

Source: NIESV

Data Analysis & Visualization: Gifted Analysts

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Conclusion

- Yields on renting out properties in Lagos city are very low due to the high cost of capital – high prices of land, high prices of building materials, cost of building permit, and miscellaneous expenses such as the settling of ‘omo oniles’.
- The high cost of capital is passed on to the tenants in the form of high rental values.
- But because the capital is high, the rental yield tend to be low, which is typical of the real estate industry.
- Land and house prices in Island 2 and Island 3, are most likely to keep increasing due to the rapid level of development in the zones.

