

RESEARCH



RWANDA

PROPERTY MARKET PROFILE

A RAPIDLY DEVELOPING PROPERTY MARKET AT THE HEART OF AFRICA

RWANDA: AFRICA'S RISING STAR

The small landlocked country of Rwanda has emerged as an unlikely star among Africa's economies in recent years.

It has averaged GDP growth of more than 7% per annum over the last decade, outperforming the wider Sub-Saharan region. This has been achieved despite Rwanda having fewer natural resources than many of Africa's other fast-growing economies.

The capital Kigali is generally recognised as one of the cleanest, greenest and safest cities in Africa. Its streets are remarkably litter-free; Rwanda was one of the first countries in the world to ban plastic bags and all adults participate in Umuganda, a mandatory monthly clean-up day.

The Rwandan government has placed information technology at the heart of the country's development. Its Vision 2020 plan envisages a shift from an agricultural to a knowledge-based economy, and over 5,000 km of fibre optic cable has been laid across the country. Kigali's technology sector is currently centred on Telecom House in Kacyiru; this is the home of the kLab start-up incubator and the Rwanda base of Pittsburgh's Carnegie Mellon University, which offers information technology degree programmes. However, there are plans to set up an ICT park at the Kigali Special Economic Zone in Nyandungu, to which Carnegie Mellon will relocate its campus.

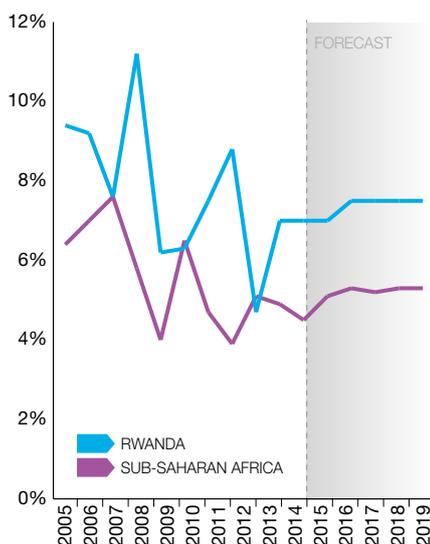
Key infrastructure projects include the development of a new modern international airport at Bugesera, approximately 30 km south of Kigali. This will complement the existing Kigali International Airport, which is now operating at full capacity, and it will support plans to establish Rwanda as a major regional aviation hub for East Africa.

Rwanda's property markets are still small, but Kigali is experiencing a wave of construction activity. In part, this has resulted from the implementation of the Kigali City Master Plan, which provides an overarching vision for land use throughout the city. Another important initiative encouraging property development is the City of Kigali One Stop Centre for construction, which has streamlined the application process for construction permits, so that they can be applied for online and obtained within a maximum of 20 days.

The country's economic growth has been fostered by the Rwandan government's investment in infrastructure and by its concerted efforts to encourage business activity and entrepreneurship. It has introduced a series of reforms with the specific aim of meeting the criteria of the World Bank's Doing Business survey, which ranks countries' commercial environments. Rwanda has risen up the World Bank ranking from 139th in the world in 2006 to 46th in 2015. This means that Rwanda is now rated as an easier place to do business than, for example, Italy.

Rwanda's standing in other global surveys reflects its success in opening up to business. Over the last ten years, it has climbed rankings such as the Heritage Foundation's Index of Economic Freedom and Transparency International's Corruption Perceptions Index. It is now consistently rated as one of the most open, least corrupt countries in Africa.

FIGURE 1
GDP growth rates



Source: International Monetary Fund

FIGURE 2
Rwanda factbox

GDP (2014)	US\$8.0 billion
GDP growth rate (2014)	7.0%
Population	12.3 million
Capital city	Kigali (population: 1.1 million)
Total area	26,338 sq m
Official languages	Kinyarwanda, French, English
President	Paul Kagame
Currency	Rwandan franc (RWF)
Main exports	Tantalum and niobium ore, coffee, tin ores, tea
Mobile phone penetration rate (June 2015)	72.6%
Key interest rate (June 2015)	6.50%
Sovereign risk rating	B+

Sources: International Monetary Fund, CIA World Factbook, The Observatory of Economic Complexity, Rwanda Utilities Regulatory Authority, National Bank of Rwanda, Standard and Poor's

DEMOCRATIC
REPUBLIC
OF THE
CONGO

UGANDA

TANZANIA

RWANDA



BURUNDI

KIGALI



Source: Knight Frank Research

Office market

There are only a small number of modern office buildings in Kigali, with the most prominent being the 20-storey Kigali City Tower, which opened in 2011 and has the serviced office operator Regus among its tenants. Other notable buildings include the 18-storey Grand Pension Plaza, which opened in 2010, and the 15-storey M. Peace Plaza commercial complex, inaugurated in Q3 2015.

Development activity has accelerated in recent years and several substantial projects are under construction. Most of these are in a mixed-use format combining office and retail space, for example Fusion Capital's Kigali Heights development in Kimihurura which will include 12,750 sq m of office space. Other office projects under construction include SORAS Towers (15,000 sq m) and a new headquarters for Cogebanque (11,570 sq m). Additionally, the existing Kigali Business Centre is being demolished to make way for a new development including 24,000 sq m of office and retail space.

The Nobelia project, designed as Rwanda's first large-scale "green" building, is under development by Habi Ltd and Eris Property Group. It will be built in two phases, with the first phase expected to be completed in 2017, and is planned to include 32,000 sq m of office, retail and hotel space.

Office rents in Kigali are generally in the US\$12-15 per sq m per month range, but can reach US\$25 per sq m per month, which is relatively high compared with most other East African capital cities.

Office occupancy levels are good, but the new buildings currently under development may help to ease supply pressures and cause a reduction in rental levels.

Retail market

Kigali's only modern shopping mall is the relatively small Union Trade Centre, which opened in 2006. The city does not yet have any mega-malls on the scale of those that have been developed in some other East African capitals. Nonetheless, Rwanda has considerable potential for retail development, with A.T. Kearney ranking it as the most attractive market for retail expansion in Africa.

The Kenyan supermarket chains Nakumatt and Uchumi have both targeted the

Rwandan market. Nakumatt is the anchor tenant at the Union Trade Centre and also has a store at Kigali City Tower. Uchumi plans to open two stores in Kigali and one in Musanze in northern Rwanda. In Kigali, it has agreed to lease space at CHIC Complex in Muhima, which is currently under development, and it will anchor the upcoming Uchumi Remera mall in Giporoso. The local supermarket chain Simba is also expanding, and has signed an agreement to anchor the retail part of the Kigali Heights development.

Other mixed-use schemes with significant retail components under development include MIC Commercial Complex, Amarembo City Centre and Acacia Plaza.

Industrial market

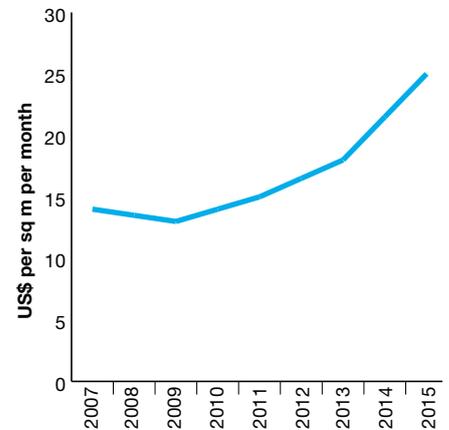
The Rwandan authorities have ambitions to establish the country as a regional trade and logistics hub, taking advantage of its strategic location at the heart of East Africa. Manufacturing industry is seen as an essential part of the country's continued economic growth.

Industrial activity in Kigali is shifting from traditional locations such as Gikondo towards other parts of the city. A Special Economic Zone has been established near the airport; phase one has been completed and all plots have been sold, to a total of 61 companies including several Chinese manufacturers. Phase two is under development with many plots already reserved. Additionally, the Kigali Logistics Platform, a new inland dry port, is planned for a site at Masaka.



Central Kigali

FIGURE 3
Prime office rents



Source: Knight Frank Research

FIGURE 4
Kigali prime rents and yields

	Prime rents	Prime yields
Offices	US\$25/sq m/month	10%
Retail	US\$25/sq m/month	9%
Industrial	US\$4/sq m/month	12%
Residential	US\$2,500/month*	8%

Source: Knight Frank Research

*4 bedroom executive house – prime location

Hotel market

Hotel development has been encouraged by the growth of the Rwandan tourist industry and the country’s drive to become a regional hub for conferences and exhibitions. After numerous delays to its construction, the Kigali Convention Centre is nearing completion, with the Turkish developer Summa being contracted to finish it by Q1 2016. This landmark development will include a five-star Radisson Blu hotel.

Other international brand hotels due to open in Kigali include a Park Inn by Radisson scheduled for late 2015, a Marriott due in 2016 and a Sheraton expected in 2018. Kempinski entered the market in 2014 by taking over the management of the Hôtel des Mille Collines. Kigali’s only existing five-star hotel is the Serena Hotel in the city centre.

Residential market

There are a number of desirable residential locations spread out over Kigali’s hills. These include Nyarutarama, Kagugu, Kimihurura and Kacyiru, which is the

location of the US Embassy. Ex-pat villas generally rent for US\$1,500-2,500 per month and there is a strong market for serviced apartments, with rents in the order of US\$2,200-3,000 per month.

The prime market has been a major focus for residential development, for example the developer Kigali Top Mountain has built estates targeting wealthy buyers and the Rwandan diaspora. A recently commenced high-end project is Century Park in Nyarutarama, which includes upmarket villas, apartments and hotels. A first phase costing US\$7 million, which will test the viability of the project, is due to be completed in 2017 and a second phase is planned, costing US\$200 million and expected to take 4-6 years to complete.

Another noteworthy large-scale project is the Rwanda Social Security Board’s Vision City development comprising 4,500 residential units, including luxury villas and apartments, to be built in four phases on a 158 hectare site in Gacuriro.

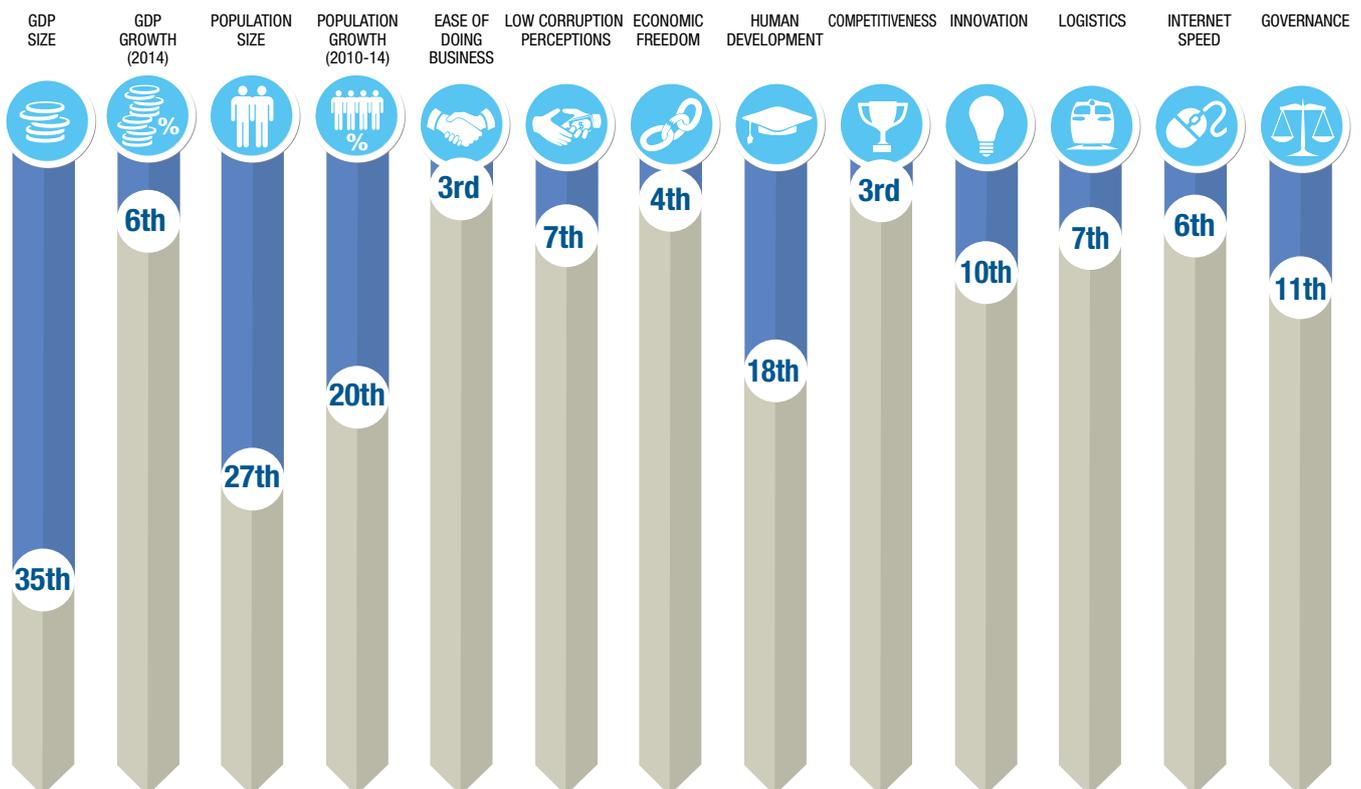
As with most other African countries, Rwanda requires large volumes of affordable housing to accommodate its fast-growing population. The Kigali

authorities estimate that the city will need approximately 344,000 new housing units by 2022. Several low-cost housing projects have been announced, with locations such as Batsinda being earmarked for affordable development.

3rd

The World Bank ranks Rwanda as the third best business environment in Africa, behind only Mauritius and South Africa.

FIGURE 5 How does Rwanda rank among Africa’s 54 countries for....?



Sources: International Monetary Fund, World Bank, Transparency International, Heritage Foundation, United Nations Development Programme, World Economic Forum, Global Innovation Index, Ookla, Mo Ibrahim Foundation

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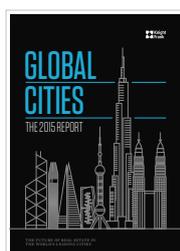
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