

Monday, March 1, 2021

The day in review

- Equities market closed northwards
- Financial system liquidity was fairly robust
- Quiet activity in Fixed Income market
- Naira appreciated at the NAFEX window

Looking forward

Q4-2020 Capital Importation Report - NBS
 FY-2020 Earnings Publications - NSE

Daily Insight

Nigeria's real estate sector: Positive signs but not yet out

According to the NBS, Nigeria's real estate sector printed a 2.2%/y growth in Q4-2020, the first time since Q4-2015. However, the sector tumbled -9.2% in FY-2020, the steepest decline since 2016. Notably, the sector has been in recession for five straight years. Prior to 2016, the real estate sector was growing at a fast pace, driven by the oil market boom and a +6.0% aggregate income growth in Nigeria. However, during the 2016 recession, the sector saw a contraction of -6.9% and has not quite recovered since. The sector suffered the most, economically, during the 2020 lockdown, tumbling -21.9% in Q2-2020, however, the Q4-2020 number showed a surprising rebound in Q4-2020.

Nigeria's real estate sector is trapped in a vicious cycle of lower crude oil income, decreasing income-per-head and poor FDI inflows. This is worsened by FX shortages and a poor policy framework. So, even before Covid-19, Nigeria's sub-2.0% GDP growth, alongside its one-commodity economy and shrinking middle class, made investment in the real estate sector unattractive. In countries where real estate has blossomed in recent times, e.g., Indonesia and Columbia, GDP has grown by c.5%, bolstered by a growing middle class. Also, the government plays a vital role in driving real-estate sector growth, creating mortgage funds through subsidies that encourage homeownership.

Although, the Nigerian government, through the Federal Mortgage Bank (FMB), has initiatives such as the National Housing Fund (NHF) aimed at boosting homeownership in Nigeria, mortgage loans to GDP in Nigeria is a paltry 0.5%, vs. 72.0% and 78.0% in the US and UK. Notably, the N15.0m funding gap by the FMB seems inadequate in a high-cost market and a reported average loan processing time of 2-3 years, makes the NHF scheme too bureaucratic. For private investors looking for alternative investments, the low rental income yield, even in highbrow areas such as Victoria Island and Ikoyi, compared with returns on risk-free government notes, makes real estate investing unattractive. As such, resurgence in the sector seems unlikely in the interim amid Nigeria's shrinking middle class, the large population outside the housing market and unaffordable mortgage facilities.

Headline	Level	1 day	YTD
NSE ASI	39,931.6	▲ 0.3%	▼ -0.8%
Mkt. Cap (₦bn)	20,892.4	▲ 0.3%	▼ -0.8%
Mkt. Cap (\$mn)	55,125.1	▲ 0.3%	▼ -0.8%
Value (N'mn)	1,888.2	▼ -22.7%	
Value (\$mn)	5.0	▼ -22.7%	
Volume	544.0	▲ 7.2%	
Deals	4,673.00		
Market Breadth	0.4x		

T-Bills Yields	Current	Previous	%Δ
3 months	0.76	0.76	0.00
6 months	2.02	2.02	0.00
12 months	2.07	2.07	0.00

Bonds Yields	Current	Previous	% Δ
3 years	6.89	6.87	▲ 0.02
5 years	9.91	8.15	▲ 1.76
7 years	10.33	10.33	0.00
10 years	10.62	10.77	▼ -0.15

Currencies	Current	Previous	% Δ
Official	379.00	379.00	0.00%
Parallel	478.50	478.50	0.00%
NAFEX	409.20	410.25	▲ 0.26%

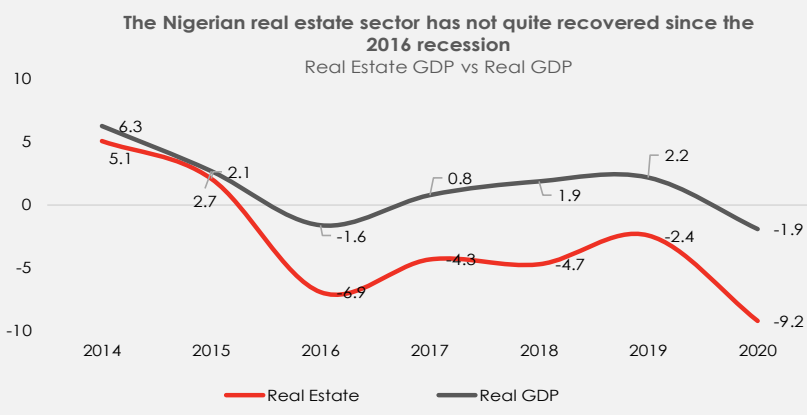
Other Key indices	Current	Previous	% Δ
OBB	6.0	5.7	▲ 0.33
OVN	6.8	6.3	▲ 0.42
Brent	66.7	66.7	0.00

	1 day	MTD	YTD	P/E (x)	Div. Yid.
Agriculture	0.0%	0.0%	0.0%	0.0	0.0%
Banks	0.8%	-8.0%	-0.7%	3.9	8.8%
Consumer	-0.3%	-7.0%	-0.5%	304.3	3.9%
Industrial	0.2%	-8.6%	-7.3%	20.8	4.9%
Insurance	-1.9%	-16.1%	8.9%	5.2	2.6%
Oil & Gas	0.8%	4.3%	17.2%	111.1	5.4%
Mkt. Avg. P/E		15.2		Mkt. Avg. Div. Yid	4.6%

*P/E's are based on the last twelve months trailing earnings
 *Dividend yields are based on past year dividend payments



Pan African Market Monitor as at today					
Equities	Level	1 day	YTD	P/E (x)	Div. Yid.
BRVM	133.0	▲ 0.9%	-8.5%	8.3	7.1%
Egypt	11,416.7	▼ -1.2%	5.3%	13.0	2.6%
Ghana	2,177.4	0.0%	12.3%	n/a	n/a
Kenya	165.9	▲ 0.0%	9.1%	12.0	4.1%
Mauritius	1,606.2	▼ -0.2%	-2.6%	n/a	1.1%
Morocco	305.4	▲ 0.3%	0.2%	24.3	3.5%
MSCI FM	551.1	▲ 0.1%	3.3%	12.8	3.2%
South Africa	65,921.6	▼ -2.1%	11.0%	26.0	2.3%
Tunisia	6,695.4	▼ 0.0%	-2.8%	20.3	0.6%
Zimbabwe	82,833.7	0.0%	78.8%	1.7	1.3%



Sources: NBS, United Capital Research

Contact us

Research | +234-1-631-7898
 research@unitedcapitalplcgroup.com

Trustees | +234-1-631-7877
 trustees@unitedcapitalplcgroup.com

Securities Trading | +234-1-631-7891
 securities@unitedcapitalplcgroup.com

Investment Banking | +234-1-631-7883
 investmentbanking@unitedcapitalplcgroup.com

Asset Management | +234-1-631-7876
 assetmanagement@unitedcapitalplcgroup.com