

## Research Note: Focus on Kikuyu

Kikuyu is a semi urban town located in Kiambu county approximately 20km from Nairobi CBD and forms part of the Nairobi metropolitan area. With an estimated population of 240,000 people from the 2009 census statistics, the town is generally a low to medium density area with most residents being within the middle income class.

Kikuyu area comprises of a mix of residential, retail and few commercial developments. The average price of a 1-bedroom apartment is Ksh 3.5 Mn, while that of a 2-bedroom is Ksh 6.2 Mn. 3 bedroomed apartments usually cost Ksh 9.2 Mn on average. One bed-room units have higher yield of 7% due to their higher occupancy. This is because the area is attractive to the lower middle class who make up the majority of Kikuyu's population. The key determinants of prices are location, distance from the main tarmac roads, the unit sizes and designs used. Apartments with extra facilities, more parking spaces, easy access from the main road are very attractive and thus have a higher sales and occupancy levels.

Unit	Average Unit Size (Sqm)	Average Rent	Average Price (Mn)	Average Rent Per Sqm	Average Price Per Sqm	Average Sales	Rental Yield	Price Appreciation
1 bedroom	57	19,600	3.53	343	61,930	87%	7%	8.05%
2 bedroom	87	27,500	6.00	328	70,272	68%	6%	7.11%
3 bedroom	131	43,500	9.29	332	72,032	66%	6%	6.02%
<b>Average</b>						<b>74%</b>	<b>6%</b>	<b>7.06%</b>

Retail developments in Kikuyu generally have a high occupancy of approximately 92%, thus generating an average yield of 10%. This is higher compared to the Kitengela market which has a 7.8% yield but lower when compared to Ruaka which has a higher yield of 12% due to higher rental charges. These retail developments are however nascent consisting mainly of small scale supermarkets, retail shops and stores. Most of the major retail developments in Ruaka and Kikuyu are also owner occupied. Commercial office developments in Kikuyu are less lucrative with low occupancy rate of 42%. This indicates that there's low demand for commercial office space as it is majorly a dormitory town. However, on-going infrastructural development in the area may open it up for more opportunities in future.

With reference to Cytonn Weekly Report #6, the main infrastructural issues of concern facing Kikuyu residents include roads, sewerage connection and security. Developers should consider addressing these concerns so as to attract residents and meet their needs. The on-going road construction and expansion are likely to significantly boost development as well as demand for property in the area.

In conclusion, for real estate investment opportunity in Kikuyu we would recommend development of apartments in a well-secured gated compound. Addressing sewerage, access and security will create demand, thus ensuring high occupancy. In addition, the lower middle income population in the area creates a ready market for small scale retail space as indicated by the high occupancy. We recommend development of small-scale retail centres targeting retail stores and service outlets, or a vertical mixed use development encompassing both retail and residential units. Real estate continues to be a viable investment opportunity in satellite towns such as Kikuyu, driven by infrastructural development and demographic changes.