

## Industrial Parks

An industrial park is generally a section or part of a city or urban development that has been zoned out for industrial use, mostly in favour of light industries. Common developments in such areas are distribution centres, warehouses, oil refineries, plastic manufacturers as well as food and beverage processors. They are commonly located at the edge of integrated high density residential developments or cities most especially in areas served by more than one mode of transport, i.e. roads, railway, airports and seaports. Development of such is mainly aimed at reducing costs associated with meeting key infrastructural needs for light industries such as:

- Good transport networks
- High voltage electricity
- Adequate water supply
- Good network coverage

In the Nairobi metropolitan area, the real estate industry has been involved in this sector mainly in Industrial Area, Mombasa Road and Baba Dogo. The Mombasa Road and Industrial area nodes are accentuated by the close proximity to the Jomo Kenyatta International Airport, the Standard Gauge Railway Station and the Nairobi – Mombasa Highway which have been vital in the emergence of the nodes as key industrial zones in the country. Three-phase power supply is also available as well as adequate water supply to support industries in these nodes. In Baba Dogo, the key infrastructural pull factor is its proximity to the Thika Superhighway as well as the Eastern Bypass, making it also an ideal location for storage and distribution developments such as warehouses.

We conducted a market research on the warehouses in the month of February 2016 in these areas and our results were as summarised below:

### **Mombasa Road**

<i>All values in Ksh unless stated otherwise</i>									
No.	Location	Size in sq. ft.	Current price	2014 Price per sq. ft.	Current Price per sq. ft.	Rent per sq. ft.	Occupancy %	Price Appreciation	Rental Yields
1	Mombasa Rd	10,500	42,000,000	3,619	4,000	37	60%	4.80%	6.66%
2	Mombasa Rd	10,000	35,000,000	3,200	3,500	25	50%	4.30%	4.29%
3	Ryden International	40,946	150,000,000	3,297	3,663	30	70%	5.00%	6.88%
4	Mombasa Rd	9,300	48,000,000	4,516	5,161	38	90%	6.30%	7.95%
5	Mombasa Rd	6,500	37,000,000	5,077	5,692	24	90%	5.40%	4.55%
6	Duldul GO Downs	9,000	40,000,000	3,889	4,444	25	70%	6.20%	4.73%
7	Mombasa Rd	9,000	47,000,000	4,778	5,222	35	80%	4.30%	6.43%

8	Mombasa Rd	8,725	42,000,000		4,814	35	70%		6.11%
9	Mombasa Rd	9,300	40,000,000	3,925	4,301	32	80%	4.40%	7.14%
10	AMS Properties	3,000	19,500,000	6,000	6,500	35	90%	3.80%	5.82%
11	Mombasa Rd	9,500	55,000,000	5,263	5,789	35	90%	4.50%	6.53%
12	Fortis Industrial Park	3,100	19,770,000	6,377	6,377	42	60%	0.00%	4.74%
<b>Average</b>		<b>10,739</b>	<b>47,939,167</b>	<b>4,540</b>	<b>4,955</b>	<b>32.75</b>	<b>75%</b>	<b>4.50%</b>	<b>5.99%</b>
<b>Total return</b>									<b>10.44%</b>

Warehouse rental yields in the Mombasa Road node are relatively high at 6%. Grade A offices in this area yield at 7% while grade B offices yield at 9%. This means that returns from investment in industrial parks in this node can be maximised through development of both offices and warehouses in a well thought out product mix. With residential developments similarly yielding at 6%, annual price appreciations of up to 6.9% have resulted in the growth of residential estates along Mombasa Road leading to overstretching of infrastructural services as evidenced by the frequent traffic congestion in this area.

## Industrial Area

All values in Ksh unless stated otherwise

No.	Location	Size in sq. ft.	Current Price	2014 Price per sq. ft.	Current Price per sq. ft.	Rent per sq. ft.	Occupancy %	Price Appreciation	Yield
1	Likoni Rd	13,000	100,000,000	7,000	7,692	35	75%	4.50%	4.10%
2	Kitui Rd	13,360	73,000,000	4,865	5,464	34	60%	5.50%	4.40%
3	Addis Ababa Rd	18,150	118,000,000	5,785	6,501	34	80%	5.50%	5.00%
4	Lungalunga Rd	1,000	7,500,000	6,500	7,500	64	90%	6.70%	9.20%
5	Gilgil Rd	5,600	45,000,000	7,143	8,036	35	75%	5.60%	3.90%
6	Enterprise Rd	14,000	100,000,000	6,500	7,143	46	67%	4.50%	5.20%
7	Falcon Rd	14,526	70,000,000	4,268	4,819	40	60%	5.70%	6.00%

8	Enterprise Rd	5,000	35,000,000	6,000	7,000	42	67%	7.10%	4.80%
9	Likoni Rd	9,100	55,000,000	5,275	6,044	38	50%	6.40%	3.80%
10	Road C	22,000	171,600,000	7,045	7,800	40	100%	4.80%	6.20%
11	Road C	29,000	217,500,000	6,897	7,500	55	100%	4.00%	8.80%
12	Dar es Salaam Rd	6,614	50,000,000	6,653	7,560	30	80%	6.00%	3.80%
13	Likoni Rd	6,000	40,000,000	5,833	6,667	35	100%	6.30%	6.30%
<b>Average</b>		<b>12,104</b>	<b>83,276,923</b>	<b>6,136</b>	<b>6,902</b>	<b>41</b>	<b>77%</b>	<b>5.60%</b>	<b>5.50%</b>
<b>Total Return</b>									<b>11.10%</b>
<p><i>Characterised by larger sized warehouse space as well as relatively high sale prices, the Industrial Area node recorded the highest price appreciation at 5.6%. At a total return of 11.1% this zone is ideal for developers seeking to invest in warehouses for sale.</i></p>									

### Baba Dogo

All values in Ksh unless stated otherwise

No.	Location	Plinth Area in sq. ft.	Current price	Current Price per sq. ft.	Current Rent	Rent per sq. ft.	Occupancy %	Yields	
1	Baba Dogo	19,500	90,000,000	4,615	682,500	35	80%	7.28%	
2	Baba Dogo	10,000	50,000,000	5,000	350,000	35	90%	7.56%	
3	Baba Dogo	15,000			600,000	40	100%		
4	Baba Dogo	4,200			147,000	35	100%		
5	Baba Dogo	15,000	80,000,000	5,333	450,000	30	100%	6.75%	
6	County Shelters Ltd	7,500	45,000,000	6,000	285,000	38	95%	7.22%	
7	County Shelters Ltd	7,200	43,200,000	6,000	273,600	38	90%	6.84%	
<b>Average</b>		<b>11,200</b>	<b>61,640,000</b>	<b>5,390</b>	<b>398,300</b>	<b>36</b>	<b>93.57%</b>	<b>7.13%</b>	
<p><i>Despite charging higher rents per square meter as compared to the Mombasa Road node, warehouses in Baba Dogo have the highest occupancy at 93.57%. This translates into relatively higher yields at 7.13% placing this node as most ideal for developing and holding warehouses as yielding property. The key driver is the improved Thika Super Highway. With the rental yields in the Thika Road office node averaging at 8.1%, investors in this node can opt to incorporate office space in their yielding property to maximize their returns.</i></p>									

### Conclusion

Given the current growth in the Kenyan manufacturing sector, at 3.4% as per KNBS, the real estate industry could capitalise on this through development of warehouses in the existing as well as emerging zones. At an average rental yield of 6.2% such developments are lucrative for investors seeking to hold property for rental purposes. The improving infrastructure development in the road network, the SGR and the Lappset Corridor, we expect to see the setting up of more warehouses in industrial parks most especially along the key infrastructural nodes.

At average total returns of up to 11.1%, the industrial area node emerges as the most ideal location for investment in warehouses. Proximity to the Jomo Kenyatta International Airport and the Eastern Bypass further increases the attractiveness of this zone. Scarcity of development land has however hindered further developments in Industrial Area prompting developers to shift focus to other emerging industrial zones such as the Athi River area where the government has established the Export Processing zones, the Ruai area and the Eastern Bypass Corridor, Ruiru area and Thika Town. These developments are driven by the improved infrastructure allowing ease of doing business.