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I. Introduction to Cytonn Investments
Our Mission
We deliver innovative & differentiated financial solutions that speak to our clients’ needs

Our Vision
To be Africa’s leading investment manager by consistently exceeding clients’ expectations

Our Values
People
Passionate and self-driven people who thrive in a team context

Excellence
Delivering the best at all times

Client Focus
Putting clients’ interest first at all times

Entrepreneurship
Using innovation and creativity to deliver differentiated financial solutions

Accountability
We take both corporate and personal responsibility for our actions

Integrity
Doing the right things
Strategy is straightforward – just pick a general direction and implement like hell

— Jack Welch
About Us

Cytonn Investments is an alternative investment manager with presence in East Africa, Finland and the US. We provide investors with exposure to the high growth East Africa region. Our investors include global and local institutional investors, individual high net-worth investors and the diaspora. We also service retail investors through our Cytonn Co-operative.

FACT FILE

<table>
<thead>
<tr>
<th>Number</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>77</td>
<td>Over Kshs. 77 billion under mandate</td>
</tr>
<tr>
<td>4</td>
<td>Four offices across 2 continents</td>
</tr>
<tr>
<td>300</td>
<td>Over 300 staff members</td>
</tr>
<tr>
<td>12</td>
<td>12 investment ready projects</td>
</tr>
</tbody>
</table>

A unique franchise differentiated by:

**Independence & Investor Focus**
Focused on serving the interest of clients, which is best done on an independent platform to minimize conflicts of interest

**Alternative Investments**
Specialized focus on alternative assets - Real Estate, Private Equity, and Structured Solutions

**Strong Alignment**
Every staff member is an owner in the firm. When clients do well, the firm does well; and when the firm does well, staff do well

**Committed Partners**
Strong global and local partnerships in financing, land and development affiliate
Why We Exist

Africa presents an attractive investment opportunity for investors seeking attractive and long-term returns. Despite the alternative markets in Africa having high and stable returns, only a few institutional players serve the market. Cytonn is focused on delivering higher returns in the alternative markets, while providing the best client service and always protecting our clients’ interests.

WE SERVE FOUR MAIN CLIENTS SEGMENTS:
- Retail segment through Cytonn Co-operative membership
- High Net-worth Individuals through Cytonn Private Wealth
- East Africans in the Diaspora through Cytonn Diaspora
- Global and Local Institutional clients

WE INVEST OUR CLIENT FUNDS IN:
- Real Estate
- Private Equity
- Fixed Income Structured Solutions
- Equities Structured Solutions

We collect funds from our clients — We invest them in high growth opportunities — We deliver the best possible returns

Overview of The Firm
Our Business

Where We Operate

- **NORTH AMERICA**
- **AFRICA**
- **EUROPE**

Our Business Lines

- **Investments**
  Alternative investment manager focused on private equity and real estate

- **Real Estate**
  We develop institutional grade real estate projects for investors

- **Diaspora**
  We connect East Africans in the diaspora to attractive investment opportunities in the region

- **Technology**
  We deliver world-class financial technology solutions

- **Co-operative**
  Provides access to attractive alternative investment opportunities for members
Our Solutions

To unearth the attractive opportunity that exists in alternative markets in Africa, we offer differentiated investment solutions in four main areas:

**HIGH YIELD SOLUTIONS**

Our expertise in the alternative markets enables us to offer investors high yielding investments. Our robust credit analysis coupled with our quick dealing capabilities, our extensive research coverage and our innovative structuring helps to ensure consistent and above market returns to investors.

**REAL ESTATE INVESTMENT SOLUTIONS**

Our comprehensive real estate capabilities enable us to find, evaluate, structure and deliver world-class real estate investment products to our investors in the East African region. Our capabilities include fundraising, market research and acquisition, concept design, project management and agency and facility management.

**PRIVATE REGULAR INVESTMENT SOLUTIONS**

Attractive returns in the alternative segments have typically been accessible to institutional and high net-worth investors. Our regular investment solutions provide access to the alternative investments to members of the Cytonn Co-operative.

**PRIVATE EQUITY**

We seek to unearth value by identifying potential companies and growing them through capital provision, partnering with management to drive strategy and institutionalizing their processes. Our areas of focus are Financial Services, Education, Renewable Energy and Technology Sectors.
Our Products

We serve three main types of clients namely, high net-worth individuals, institutions and retail, each with diverse needs. Below are the suitability criteria for the various products.

<table>
<thead>
<tr>
<th>INSTITUTIONAL CLIENTS</th>
<th>HIGH NET WORTH INDIVIDUALS (HNWI)</th>
<th>RETAIL CLIENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Management Solutions</strong></td>
<td><img src="image" alt="Cash Management Solutions" /></td>
<td><img src="image" alt="Cash Management Solutions" /></td>
</tr>
<tr>
<td><strong>Regular Investment Plan</strong></td>
<td><img src="image" alt="Regular Investment Plan" /></td>
<td><img src="image" alt="Regular Investment Plan" /></td>
</tr>
<tr>
<td>● Education Investment Plan</td>
<td><img src="image" alt="Education Investment Plan" /></td>
<td><img src="image" alt="Education Investment Plan" /></td>
</tr>
<tr>
<td>● Regular Investment Solution</td>
<td><img src="image" alt="Regular Investment Solution" /></td>
<td><img src="image" alt="Regular Investment Solution" /></td>
</tr>
<tr>
<td>● Co-op Premier Investment Plan</td>
<td><img src="image" alt="Co-op Premier Investment Plan" /></td>
<td><img src="image" alt="Co-op Premier Investment Plan" /></td>
</tr>
<tr>
<td>● Land Investment Plan</td>
<td><img src="image" alt="Land Investment Plan" /></td>
<td><img src="image" alt="Land Investment Plan" /></td>
</tr>
<tr>
<td><strong>Real Estate Development</strong></td>
<td><img src="image" alt="Real Estate Development" /></td>
<td><img src="image" alt="Real Estate Development" /></td>
</tr>
<tr>
<td>● Real Estate Developments</td>
<td><img src="image" alt="Real Estate Developments" /></td>
<td><img src="image" alt="Real Estate Developments" /></td>
</tr>
<tr>
<td>● Sharpland</td>
<td><img src="image" alt="Sharpland" /></td>
<td><img src="image" alt="Sharpland" /></td>
</tr>
</tbody>
</table>
Our People

If you could get all the people in an organization rowing the same direction, you could dominate any industry, in any market, against any competition, at any time.

— Patrick Lencioni

We are focused on one agenda:
THE CLIENT
Board of Directors

To ensure that we remain focused on the clients’ interests, we have put in place proper governance structures. We have a board of directors consisting of 10 members from diverse backgrounds, each bringing in unique skill-sets to the firm.

Non-Executive Director
Chairman
Prof. Daniel Mugendi Njiru, PhD

Non-Executive Director
Madhav N. Bhalla, LLB

Non-Executive Director
Antti-Jussi Ahveninen, MSc

Non-Executive Director
Nasser J. Olwero, MPhil

For bios, visit [www.cytonn.com](http://www.cytonn.com)
Overview of The Firm

For bios, visit [www.cytonn.com](http://www.cytonn.com)
### Governance

If you have leadership without governance you risk tyranny, fraud and personal fiefdoms. If you have governance without leadership you risk atrophy, bureaucracy and indifference.

— Mark Goyder

<table>
<thead>
<tr>
<th><strong>INVESTMENTS &amp; STRATEGY COMMITTEE</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>The committee oversees and provides strategic investment direction, including the implementation and monitoring process.</td>
</tr>
<tr>
<td>The committee consists of five directors with three non-executive directors namely: James Maina (Chairman), Antti-Jussi Ahveninen, Madhav Bhalla, Edwin Dande and Elizabeth Nkukuu.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>AUDIT RISK &amp; COMPLIANCE COMMITTEE</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>The committee establishes and oversees risk and compliance, including the implementation and monitoring process.</td>
</tr>
<tr>
<td>The committee consists of four directors with two non-executive directors namely: Madhav Bhalla (Chairman), Nasser Olweru, Edwin Dande and Patricia Wanjama.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>GOVERNANCE, HUMAN RESOURCES &amp; COMPENSATION COMMITTEE</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>The committee establishes, oversees and implements governance structure, human resource policies and firm wide compensations.</td>
</tr>
<tr>
<td>The committee consists of four directors with three non-executive directors namely: Anti-Jussi Ahveninen (Chairman), Prof. Daniel Mugendi, Michael Bristow and Edwin Dande.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>TECHNOLOGY &amp; INNOVATION COMMITTEE</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>The committee establishes, oversees and implements technical expertise and innovative processes as a driver towards competitiveness.</td>
</tr>
<tr>
<td>The committee consists of three directors, with two non-executive directors namely: Nasser Olweru (Chairman), Michael Bristow and Patricia Wanjama.</td>
</tr>
</tbody>
</table>
II. Overview of Real Estate in Kenya
# Introduction to Real Estate in Kenya

Real estate sector expected to continue growing on the back of developments such as lower financing costs, and the entry of institutional developers to the market

| Macro-economic Contribution | • The real estate sector contributed to 8.4% of Kenya’s GDP in 2016, and grew by 8.8% in 2016 from a 7.2% growth in 2015. This is according to the KNBS Economic Survey 2017  
• A relatively stable political environment, as well as favourable macroeconomic conditions leading to sustained GDP Growth and a stable exchange rate have led to positive development in the sector |
| High Returns | • Real estate has consistently out performed other asset classes in the last 5-years, generating returns of over 25% p.a., compared to an average of 12% p.a. in the traditional asset classes  
• Residential units in Kenya in the last five years have generated an average price appreciation of 10% while land have generated an average capital appreciation of 19% p.a. |
| Recent Developments | • The real estate sector has seen entry of more institutional developers such as Saccos, private equity firms and funds such as Taaleri and Actis and foreign institutions such as AVIC of China  
• Government initiatives such as digitising of the lands ministry, issuing of title deeds, waiving of the NCA, NEMA and title searching fees as well as a 15% tax cut for large scale developers are creating a conducive investment climate for real estate investment and lowering construction costs |
| Market Outlook | • We expect continued growth in Real Estate sector on the back of improved macroeconomic conditions, sustainable high returns, and a changing operational landscape as developers strive to satisfy the high housing deficit  
• Key challenges include: high land and infrastructure development costs and in 2017 the political environment will pose a challenge with investors adopting a wait and see attitude and hence reducing transactions volume in the industry |
Introduction to Real Estate in Kenya – RE Contribution to GDP

Real estate and construction sectors contribution to GDP has been increasing from 10.5% in 2000 to 12.6% in 2010 to 13.8% in 2016

<table>
<thead>
<tr>
<th>Sector</th>
<th>2000</th>
<th>2010</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>31.3%</td>
<td>23.7%</td>
<td>21.8%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>17.0%</td>
<td>11.5%</td>
<td>10.3%</td>
</tr>
<tr>
<td>Wholesale &amp; Retail Trade</td>
<td>16.5%</td>
<td>7.1%</td>
<td>7.5%</td>
</tr>
<tr>
<td>Hospitality &amp; Tourism</td>
<td>16.5%</td>
<td>1.7%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Real Estate &amp; Construction</td>
<td>10.5%</td>
<td>12.6%</td>
<td>13.8%</td>
</tr>
</tbody>
</table>

Source: KNBS
III. Nairobi’s Land Price Report
Executive Summary

The land prices indicated a positive growth rate across all areas Nairobi metropolitan

- We carried out a research on 18 suburbs and 11 satellite towns in Nairobi Metropolitan area, where we gauged prices over the last 5-years as well as amenities to inform on the factors affecting land and its performance trends
- In the report we have covered factors driving and challenges in the land sector, current trends, performance over 5-years between 2011 and 2016 and land price index. The land price used for the purpose of this report are asking prices. **Note that, asking price can be up to 30% above transaction prices**
- The key drivers for land sector are mainly population growth, urbanisation, improved infrastructure, land supply, economic growth with a average GDP growth rate of more than 5.0% over the last five years and legal reforms in the land administration. The sector is also facing challenges such as corruption in the land ministry, high land costs, communal ownership of land hindering land transfer, difficult legal environment and physical challenges mainly in satellite towns
- Land has witnessed new trends over the last five years such as increased speculation, land banking, and value addition through agri-business
- On performance, land prices had a positive growth rate across all areas in the Nairobi metropolitan, growing with a 5-years CAGR of 19.4%, and a 5-years price change of 2.50x over the same period. According to the submarkets and zoning regulations classifications, commercial zones recorded the highest capital appreciation experiencing a 5 year CAGR of 24.3%, followed by satellite towns, high rise residential areas and low rise residential areas at 5 year CAGR of 20.2%, 17.7% and 14.6%, respectively
- On Prices, commercial zones recorded the highest price growth growing 2.97x over the 5-years period, followed by satellite towns, high rise residential areas and low rise residential areas which grew 2.62x, 2.30x and 1.98x, respectively
- Site and service schemes recorded a capital appreciation of 20.4% over the five years and 5-years price change of 2.67x
- The market is thus vibrant and investors can tap into the sector by;
  - Land banking mainly in satellite towns to enjoy  capital appreciation rates of on average 20.0%
  - Invest in site and service schemes with capital appreciation rates of 20.4% and contribute to growth in real estate sector by providing necessary infrastructure such as sewer, water, roads and electricity
- We however expect to stagnation in prices due to the elections that will pose a political environment challenge with investors adopting a wait and see approach
## Land Price Index – “The Best Investment Bet...”

Positive outlook for the land in Nairobi Metropolitan Area, with high returns of 19.4% CAGR

<table>
<thead>
<tr>
<th>Value Area</th>
<th>Summary</th>
<th>Effect on Land</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Land Price &amp; Zoning</strong></td>
<td>In areas zoned for commercial or high rise buildings, land transacts at higher prices than agricultural or low rise residential zones</td>
<td>Increased demand for land in Satellite Towns, since they are affordable hence people are willing to forego the opportunity cost of inadequate trunk infrastructure</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Returns</th>
<th>Nairobi metropolitan area, recorded 5-years CAGR of 19.4%. Serviced land in satellite Towns recorded the highest CAGR of 20.4%</th>
<th>This has attracted investors into Satellite Towns, where they provide necessary trunk infrastructure and sell land at a premium</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Land in Nairobi metropolitan area, increased 2.50x over the last 5-years. With site and service schemes in satellite towns recording the highest price increment growing by 2.67x over the 5-years</td>
<td>Sites and service schemes are transacting at a higher price due to value add associated with the utilities provided and speculation on future price increase</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunity &amp; Outlook</th>
<th>The market is vibrant with all areas recording positive growth rate</th>
<th>We expect to witness increased site and service schemes that will result to improved infrastructure in satellite Towns</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The opportunity is in investing in land banking and site and service schemes in satellite towns, in order to tap into the high capital appreciation</td>
<td></td>
</tr>
</tbody>
</table>

**We expect increased investments and developments in satellite towns as investors and developers tap to earn the good returns of up to 20.4% CAGR**
IV. Introduction to Land Market in Kenya
Introduction: Key Factors Driving Land Performance

Growing population, infrastructure & legal reforms in Kenya are some of the factors driving land performance.

- **Demographics**
  - Kenya’s population growth rate at 2.6% p.a, rapid urbanization at 4.4% p.a and growing middle class has created demand for development land.
  - The rising middle-class has increased purchasing power leading to increased demand for housing units and development land.

- **Infrastructure**
  - Infrastructural development such as roads, power distribution especially at county level and revision of zoning regulations has led to opening up of new areas for development e.g. along the Northern Bypass, Eastern and upcoming Western Bypass leading to increased demand.

- **Land Supply**
  - There is limited development land and inadequate of trunk infrastructure in urban areas.
  - This has resulted to increased demand on agricultural lands especially in satellite towns by both investors and developers since they are available in bulk and at relatively affordable prices.

- **Devolution**
  - Devolution has lead to increased demand for real estate space in counties attracting investors thus resulting in increase in land prices especially in county headquarters.

- **Legal Reforms**
  - New legislation, digitization of land records and increased transparency in land administration leading to improved efficiency in land dealings.
Introduction: Challenges Facing Land Sector

Poor infrastructure, corruption and unconducive legal environment are the main challenges facing land in Kenya

<table>
<thead>
<tr>
<th>Physical Challenges</th>
<th>• Physical challenges such inadequate infrastructure (clean water, sewer and poor roads) and amenities limiting maximum use of land</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land Tenure</td>
<td>• Multiple land tenure system creating opacity around land dealings in the country. For instance 64% of land in Kenya is communal</td>
</tr>
<tr>
<td>Legal Environment</td>
<td>• Lack of clarity between the mandate of the National Land Commission (NLC) and the Ministry of Lands</td>
</tr>
<tr>
<td></td>
<td>• Opacity on issuance of title deeds, land registration and transfer</td>
</tr>
<tr>
<td>Corruption &amp; Historical Injustices</td>
<td>• Lack of clarity in sorting out historical injustices</td>
</tr>
<tr>
<td></td>
<td>• Opacity in the land ministry leading to loss of key documents such as title deeds</td>
</tr>
</tbody>
</table>
# Introduction: Trends In Land Sector

Land banking, agri-business and land speculations are the key current trends in the land sector

| Value addition through Agri-business |
|--------------------------------------|---------------------------------|
| • In order to attract buyers, developers are putting up agri – business concept dubbed “Kilimo Biashara” as a value add to the plots on sale and offering returns on seasonal basis to clients |
| • Some of the services provided are agriculture activities, Agri insurance, complete farm management services and guaranteed market of the produce. |

| Increased Land Speculations |
|-----------------------------|--------------------------------------------------|
| • Investors are buying land on the basis of its future potential selling price rather than on its actual value in anticipation of high returns in a short period of time mainly in satellite towns |
| • This is leading to price rise above the underlying value of the land through the creation of artificial shortages and also distorts property pricing causing uncertainty in the market |

| Land Banking |
|--------------|--------------------------------------------------|
| • This is a strategy of acquiring land in the areas scheduled for future growth in terms of infrastructure and holding it to sell for significant profit in the future |
| • This is a concept that developers and investors are exploring mainly in the satellite towns. On land banking one is entitled to capital appreciation however the land is also leased out for temporary purposes |

| Concentric Arrangement Developments |
|--------------------------------------|---------------------------------|
| • This involves concentrating all the residential units in one location and leaving the rest of the land to be shared among the residents |
| • These are developments such as Mt. Kenya Wildlife Estate, that have brought new changes on land use, aimed at ensuring environmental conservancy |
V. Land Performance in Nairobi Metropolitan Area
A. Capital Appreciation
Capital Appreciation – Overall Classification on Average Prices

The land prices in Nairobi Metropolitan Area recorded an average 5-years CAGR of 19.4% between 2011 and 2016

All values in Kshs mns unless stated otherwise

<table>
<thead>
<tr>
<th>Location</th>
<th>*2011 price</th>
<th>*2015 price</th>
<th>*2016 price</th>
<th>5 YR CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nairobi Suburbs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial Areas</td>
<td>156</td>
<td>367</td>
<td>458</td>
<td>24.3%</td>
</tr>
<tr>
<td>High rise residential Areas</td>
<td>54</td>
<td>100</td>
<td>120</td>
<td>17.7%</td>
</tr>
<tr>
<td>Low rise Residential Areas</td>
<td>56</td>
<td>91</td>
<td>106</td>
<td>14.6%</td>
</tr>
<tr>
<td><strong>Satellite Towns</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Site and service schemes</td>
<td>6</td>
<td>13</td>
<td>15</td>
<td>20.4%</td>
</tr>
<tr>
<td>Unserviced Land</td>
<td>9</td>
<td>16</td>
<td>21</td>
<td>20.0%</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td></td>
<td></td>
<td></td>
<td>19.4%</td>
</tr>
</tbody>
</table>

* Asking price per acre

- Land in Nairobi Metropolitan Area grew by an average 5-year CAGR of 19.4% between 2011 and 2016
- Areas zoned for commercial use recorded a 5-years CAGR of 24.3%, compared to residential areas that recorded an average of 5-years CAGR 16.2%, indicating increased demand for commercial development as compared to residential development
- In satellite towns, serviced land recorded the highest capital appreciation with a 5-years CAGR of 20.4%, attributable to the value add associated to the services provided such as water, electricity roads among others
Capital Appreciation – Commercial Zones

The land prices in commercial zones recorded an average 5-year CAGR of 24.3% between 2011 and 2016

*All values in Kshs mns unless stated otherwise*

<table>
<thead>
<tr>
<th>Location</th>
<th><em>Price in 2011</em></th>
<th><em>Price in 2015</em></th>
<th><em>Price in 2016</em></th>
<th>5 yr. CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kilimani</td>
<td>114</td>
<td>294</td>
<td>360</td>
<td>25.8%</td>
</tr>
<tr>
<td>Riverside</td>
<td>116</td>
<td>343</td>
<td>362</td>
<td>25.6%</td>
</tr>
<tr>
<td>Westlands</td>
<td>150</td>
<td>300</td>
<td>453</td>
<td>24.7%</td>
</tr>
<tr>
<td>CBD</td>
<td>200</td>
<td>450</td>
<td>600</td>
<td>24.6%</td>
</tr>
<tr>
<td>Upper Hill</td>
<td>200</td>
<td>450</td>
<td>512</td>
<td>20.7%</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>24.3%</strong></td>
</tr>
</tbody>
</table>

*Asking price per acre*

- The land prices in commercial zones recorded an average 5-year CAGR of 24.3% attributable to the high plot ratios allowing for densification hence high demand.
- Kilimani experienced the highest capital appreciation growing with a 5-year CAGR of 25.8% between 2011 and 2016, attributable to area demand by the middle class and convenience associated to its close proximity to amenities.
- Westlands and Nairobi CBD also recorded high capital appreciation rates of 24.7% and 24.6% respectively, over the last 5-years due to demand for commercial space by multinational corporations in Westlands and scarcity of development land in Nairobi CBD.
Capital Appreciation – High Rise Residential Area

The land prices in high rise residential areas have recorded an average 5-year CAGR of 17.7% between 2011 and 2016. *All values in Kshs mns unless stated otherwise*

<table>
<thead>
<tr>
<th>Location</th>
<th>*Price in 2011</th>
<th>*Price in 2015</th>
<th>*Price in 2016</th>
<th>5 YR CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dagoretti</td>
<td>28</td>
<td>81</td>
<td>95</td>
<td>28.0%</td>
</tr>
<tr>
<td>Ridgeways</td>
<td>24</td>
<td>51</td>
<td>62</td>
<td>21.0%</td>
</tr>
<tr>
<td>Kilimani Residential</td>
<td>114</td>
<td>238</td>
<td>280</td>
<td>19.6%</td>
</tr>
<tr>
<td>Githurai</td>
<td>21</td>
<td>37</td>
<td>45</td>
<td>16.8%</td>
</tr>
<tr>
<td>Embakasi</td>
<td>33</td>
<td>61</td>
<td>69</td>
<td>16.2%</td>
</tr>
<tr>
<td>Kileleshwa</td>
<td>149</td>
<td>227</td>
<td>286</td>
<td>13.9%</td>
</tr>
<tr>
<td>Kasarani</td>
<td>32</td>
<td>51</td>
<td>60</td>
<td>13.3%</td>
</tr>
<tr>
<td>Kahawa</td>
<td>33</td>
<td>51</td>
<td>60</td>
<td>12.7%</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>17.7%</strong></td>
</tr>
</tbody>
</table>

*Asking price per acre*

- The land prices in high rise residential areas recorded an average of 5-year CAGR 17.7% attributable to the premium associated with high plot ratios allowing for land use maximisation.
- Dagoretti and Ridgeways recorded the highest 5-year CAGR at 28.0% and 21.0%. This is attributable to higher plot ratios resulting in higher returns on investments.
- Kahawa, Kasarani and Kileleshwa recorded the lowest 5-year CAGR at 12.7%, 13.3% and 13.9%. Kasarani and Kahawa had low appreciation rates due to decreased investor appetite caused by inadequacy in implementation of planning regulations.
Capital Appreciation – Low Rise Residential

The land prices in low rise residential areas have recorded an average 5-year CAGR of 14.6% between 2011 and 2016

All values in Kshs mns unless stated otherwise

<table>
<thead>
<tr>
<th>Location</th>
<th>*Price in 2011</th>
<th>*Price in 2015</th>
<th>*Price in 2016</th>
<th>5 YR CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spring Valley</td>
<td>64</td>
<td>131</td>
<td>147</td>
<td>18.0%</td>
</tr>
<tr>
<td>Kitisuru</td>
<td>32</td>
<td>59</td>
<td>70</td>
<td>16.9%</td>
</tr>
<tr>
<td>Runda</td>
<td>33</td>
<td>58</td>
<td>67</td>
<td>15.0%</td>
</tr>
<tr>
<td>Nyari</td>
<td>54</td>
<td>93</td>
<td>109</td>
<td>14.9%</td>
</tr>
<tr>
<td>Karen</td>
<td>25</td>
<td>40</td>
<td>46</td>
<td>13.0%</td>
</tr>
<tr>
<td>Old Muthaiga</td>
<td>125</td>
<td>164</td>
<td>197</td>
<td>9.6%</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>14.6%</strong></td>
<td><strong>14.6%</strong></td>
<td><strong>14.6%</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Asking price per acre*

- The land prices in areas allowed for low rise residential houses recorded an average 5-year CAGR of 14.6% between 2011 and 2016
- This is lower than other areas i.e. zoned for high rise residential and commercial zones, which can be associated to limiting plot ratios on land reducing the returns on investment on land
- However Spring Valley and Kitisuru recorded 5-years CAGR of 18.0% and 16.9%, respectively since indicating high demand by high end clientele seeking exclusivity and willing to pay a premium on the same
Capital Appreciation – Satellite Towns

The land prices in Nairobi’s satellite towns have recorded an average 5-years CAGR of 20.0% between 2011 and 2016

*All values in Kshs mns unless stated otherwise*

<table>
<thead>
<tr>
<th>Location</th>
<th>*Price in 2011</th>
<th>*Price in 2015</th>
<th>*Price in 2016</th>
<th>5 YR CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ongata Rongai</td>
<td>2</td>
<td>10</td>
<td>10</td>
<td>33.2%</td>
</tr>
<tr>
<td>Limuru</td>
<td>4</td>
<td>11</td>
<td>13</td>
<td>25.0%</td>
</tr>
<tr>
<td>Juja</td>
<td>3</td>
<td>7</td>
<td>9</td>
<td>22.4%</td>
</tr>
<tr>
<td>Ngong</td>
<td>7</td>
<td>12</td>
<td>14</td>
<td>16.0%</td>
</tr>
<tr>
<td>Ruaka</td>
<td>40</td>
<td>58</td>
<td>83</td>
<td>15.7%</td>
</tr>
<tr>
<td>Athi River</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>13.9%</td>
</tr>
<tr>
<td>Utawala</td>
<td>6</td>
<td>9</td>
<td>11</td>
<td>13.7%</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>20.0%</strong></td>
</tr>
</tbody>
</table>

*Asking price per acre*

- The land prices in Nairobi satellite towns recorded an average 5-years CAGR of 20.0% due to improved infrastructure opening up the areas for development
- Ongata Rongai, Limuru and Juja recorded a 5-years CAGR of above 20% indicating relatively higher infrastructure provision than in the other Satellite Towns
- Ruaka recorded a 5-years CAGR of 15.7% between 2011 and 2016. However as from 2015 it has recorded a sharp rise in price due to current developments and the Northern bypass that has opened the area to other regions
Site and Service Schemes - Capital Appreciation

The site and service scheme prices have recorded an average 5-years CAGR of 20.4% between 2011 and 2016

*All values in Kshs mns unless stated otherwise*

<table>
<thead>
<tr>
<th>Site and service Schemes</th>
<th><em>Price in 2011</em></th>
<th><em>Price in 2015</em></th>
<th><em>Price in 2016</em></th>
<th>5 YR CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Athi River</td>
<td>3</td>
<td>11</td>
<td>13</td>
<td>34.0%</td>
</tr>
<tr>
<td>Syokimau-Mlolongo</td>
<td>3</td>
<td>12</td>
<td>12</td>
<td>30.0%</td>
</tr>
<tr>
<td>Ruiru</td>
<td>7</td>
<td>15</td>
<td>19</td>
<td>23.9%</td>
</tr>
<tr>
<td>Ongata Rongai</td>
<td>7</td>
<td>16</td>
<td>19</td>
<td>21.8%</td>
</tr>
<tr>
<td>Ngong</td>
<td>11</td>
<td>18</td>
<td>19</td>
<td>12.7%</td>
</tr>
<tr>
<td>Thika</td>
<td>5</td>
<td>7</td>
<td>8</td>
<td>10.5%</td>
</tr>
<tr>
<td>Ruai</td>
<td>8</td>
<td>12</td>
<td>13</td>
<td>10.2%</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>20.4%</strong></td>
</tr>
</tbody>
</table>

*Asking price per acre*

- The site and service schemes recorded an average of 20.4%, 5-year CAGR attributable to the value add and the convenience attributed to the amenities provided

- Athi River and Syokimau – Mlolongo area recorded accelerated increase in price between 2011 and 2015 driven by the speculative environment, however in 2016 the market stabilized due to maturity and opening up of new markets especially in Kiambu
Summary and Conclusion for Capital Appreciation

Ongata Rongai recorded the highest capital appreciation due to the speculative environment experienced in the area between 2011 and 2016

Unserviced Land Capital appreciation

<table>
<thead>
<tr>
<th>5 year CAGR</th>
<th>Areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;30%</td>
<td>Ongata Rongai</td>
</tr>
<tr>
<td>26 - 30%</td>
<td>Dagoretti and Kilimani</td>
</tr>
<tr>
<td>20 - 25%</td>
<td>Nairobi CBD, Westlands, Ridgeways, Limuru and Juja, Riverside</td>
</tr>
<tr>
<td>16 - 20%</td>
<td>Upper Hill, Embakasi, Githurai, Spring Valley, Kitisuru and Ngong, Kilimani residential</td>
</tr>
<tr>
<td>11 - 15%</td>
<td>Kasarani, Kileleshwa, Kahawa, Karen, Nyari, Runda, Ruaka, Utawala and Athi River</td>
</tr>
<tr>
<td>6 - 10%</td>
<td>Old Muthaiga</td>
</tr>
</tbody>
</table>

Site and service schemes Capital appreciation

<table>
<thead>
<tr>
<th>5 Year CAGR</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; 30%</td>
<td>Athi River</td>
</tr>
<tr>
<td>26 - 30%</td>
<td>Syokimau - Mlolongo</td>
</tr>
<tr>
<td>21 - 25%</td>
<td>Ruiru and Ongata Rongai</td>
</tr>
<tr>
<td>16 - 20%</td>
<td>N/A</td>
</tr>
<tr>
<td>11 - 15%</td>
<td>Ngong</td>
</tr>
<tr>
<td>6% - 10%</td>
<td>Thika and Ruai</td>
</tr>
</tbody>
</table>

- Areas such as Ruiru, Ruai, Kikuyu, Kabete and Dagoretti are likely to experience accelerated price change in the next 5-years due to planned infrastructure developments with roads under construction such as Western Bypass or sewer connections in the areas.
B. Land Price Ranking
Land Price Ranking

For the purpose of this report we use simple capital appreciation to compute the land price changes

- **Capital appreciation changes** is a tool used to measure the changes in the price of land over a given period of time
- Used to inform on the land sector performance and define a trend of the same to enable one predict the future
- For the purpose of this report we use simple price changes to compute the land price increases
- Method is calculated by dividing the average current price with the average base period price and multiplying by 100 percent

**Interpretation**

- If the Result is more than 100: This indicates a positive price change from the base year
- If the Result is equal to 100: This indicates price stagnation as from the base year
- If the Result is less than 100: This indicates a negative price change from the base year

- We went further to determine the key factors affecting land by use of hedonic regression method. This method is based on the principal that the property price depends on land characteristics
- The characteristics used are location, amenities i.e. availability of sewer lines and the zoning regulations
- The location is used as the hedonic variable, while amenities and zoning regulations are dummy variables
Factors determining Land Price

The land price movements in Nairobi Area are mainly affected by distance from the Nairobi CBD

• Hedonic regression method formula is; \( P_t = c_0 + \sum B_j y_i + \sum c_j X_i + e \)

• where: \( P_t \) is the sale price of the property, \( X_i \) are the hedonic variable, \( Y_i \) are dummy variables, \( c_j \) & \( B_j \) are the numerical coefficients to be estimated and \( e \) is uncorrelated error variables normally distributed with mean 0 and a constant variance

• The \( c_j \) and \( B_j \) indicates the impact that hedonic and dummy variables have on price

• The land price change in the Nairobi Metropolitan area is affected by proximity to Nairobi central business district (CBD) having a negative correlation that is, the further the area is from the Nairobi CBD, the lower the price of land

• The distance affects price negatively, that is the further the area is from the Nairobi CBD, the lower land price

• Zoning regulations and Sewer connection in the area does not affect land prices in Nairobi as shown in table 1, with a \( P > 0.05 \) in 2015. However as from 2015, areas whose zoning regulations have been relaxed to accommodate for high rise residential units also impact the Land price

• For satellite towns, zoning regulations and Sewer connection in the area does not affect land prices as shown in table 3 with a \( P > 0.05 \)

• Therefore the prices in satellite towns are mainly affected by speculation, and land supply
## Land Price Ranking – Suburb Areas

Of the suburb areas, commercial zones experienced highest price growth

*All values in Kshs unless stated otherwise*

<table>
<thead>
<tr>
<th>Location</th>
<th>*Price in 2011</th>
<th>*Price in 2016</th>
<th>2011/Base year</th>
<th>% change from 2011</th>
<th>Change over 5 years (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Commercial Zones</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kilimani</td>
<td>114m</td>
<td>360m</td>
<td>100</td>
<td>315</td>
<td>3.15</td>
</tr>
<tr>
<td>Riverside</td>
<td>116m</td>
<td>362m</td>
<td>100</td>
<td>312</td>
<td>3.12</td>
</tr>
<tr>
<td>Westlands</td>
<td>150m</td>
<td>453m</td>
<td>100</td>
<td>302</td>
<td>3.02</td>
</tr>
<tr>
<td>CBD</td>
<td>200m</td>
<td>600m</td>
<td>100</td>
<td>300</td>
<td>3.00</td>
</tr>
<tr>
<td>Upper Hill</td>
<td>200m</td>
<td>512m</td>
<td>100</td>
<td>256</td>
<td>2.56</td>
</tr>
<tr>
<td><strong>High Rise Residential Area</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dagoretti</td>
<td>28m</td>
<td>95m</td>
<td>100</td>
<td>343</td>
<td>3.43</td>
</tr>
<tr>
<td>Ridgeways</td>
<td>24m</td>
<td>62m</td>
<td>100</td>
<td>259</td>
<td>2.59</td>
</tr>
<tr>
<td>Kilimani Residential</td>
<td>114m</td>
<td>280m</td>
<td>100</td>
<td>245</td>
<td>2.45</td>
</tr>
<tr>
<td>Githurai</td>
<td>21m</td>
<td>45m</td>
<td>100</td>
<td>217</td>
<td>2.17</td>
</tr>
<tr>
<td>Embakasi</td>
<td>33m</td>
<td>69m</td>
<td>100</td>
<td>211</td>
<td>2.11</td>
</tr>
<tr>
<td>Kileleshwa</td>
<td>149m</td>
<td>286m</td>
<td>100</td>
<td>192</td>
<td>1.92</td>
</tr>
<tr>
<td>Kasarani</td>
<td>32m</td>
<td>60m</td>
<td>100</td>
<td>187</td>
<td>1.87</td>
</tr>
<tr>
<td>Kahawa</td>
<td>33m</td>
<td>60m</td>
<td>100</td>
<td>182</td>
<td>1.82</td>
</tr>
<tr>
<td><strong>Low Rise Residential Area</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spring Valley</td>
<td>64m</td>
<td>147m</td>
<td>100</td>
<td>229</td>
<td>2.29</td>
</tr>
<tr>
<td>Kitisuru</td>
<td>32m</td>
<td>70m</td>
<td>100</td>
<td>218</td>
<td>2.18</td>
</tr>
<tr>
<td>Runda</td>
<td>33m</td>
<td>67m</td>
<td>100</td>
<td>201</td>
<td>2.01</td>
</tr>
<tr>
<td>Nyari</td>
<td>54m</td>
<td>109m</td>
<td>100</td>
<td>200</td>
<td>2.00</td>
</tr>
<tr>
<td>Karen</td>
<td>25m</td>
<td>46m</td>
<td>100</td>
<td>184</td>
<td>1.84</td>
</tr>
<tr>
<td>Old Muthaiga</td>
<td>125m</td>
<td>197m</td>
<td>100</td>
<td>158</td>
<td>1.58</td>
</tr>
</tbody>
</table>

*Asking price per acre*
Land Price Ranking – Satellite Towns

The site and service schemes recorded the highest growth compared to other land in satellite towns

*All values in Kshs unless stated otherwise*

<table>
<thead>
<tr>
<th>Location</th>
<th>*Price in 2011</th>
<th>*Price in 2016</th>
<th>2011/Base year</th>
<th>% change from 2011</th>
<th>Change over 5 years (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Satellite Towns</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ongata Rongai</td>
<td>2m</td>
<td>10m</td>
<td>100</td>
<td>420</td>
<td>4.20</td>
</tr>
<tr>
<td>Limuru</td>
<td>4m</td>
<td>13m</td>
<td>100</td>
<td>305</td>
<td>3.05</td>
</tr>
<tr>
<td>Juja</td>
<td>3m</td>
<td>9m</td>
<td>100</td>
<td>275</td>
<td>2.75</td>
</tr>
<tr>
<td>Ngong</td>
<td>7m</td>
<td>14m</td>
<td>100</td>
<td>210</td>
<td>2.10</td>
</tr>
<tr>
<td>Ruaka</td>
<td>40m</td>
<td>83m</td>
<td>100</td>
<td>208</td>
<td>2.08</td>
</tr>
<tr>
<td>Athi River</td>
<td>3m</td>
<td>4m</td>
<td>100</td>
<td>192</td>
<td>1.92</td>
</tr>
<tr>
<td>Utawala</td>
<td>6m</td>
<td>11m</td>
<td>100</td>
<td>190</td>
<td>1.90</td>
</tr>
<tr>
<td><strong>Site and service schemes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Athi River</td>
<td>3m</td>
<td>13m</td>
<td>100</td>
<td>432</td>
<td>4.32</td>
</tr>
<tr>
<td>Syokimau-Mlolongo</td>
<td>3m</td>
<td>12m</td>
<td>100</td>
<td>371</td>
<td>3.71</td>
</tr>
<tr>
<td>Ruiru</td>
<td>7m</td>
<td>19m</td>
<td>100</td>
<td>293</td>
<td>2.93</td>
</tr>
<tr>
<td>Ongata Rongai</td>
<td>7m</td>
<td>19m</td>
<td>100</td>
<td>269</td>
<td>2.69</td>
</tr>
<tr>
<td>Ngong</td>
<td>11m</td>
<td>19m</td>
<td>100</td>
<td>182</td>
<td>1.82</td>
</tr>
<tr>
<td>Thika</td>
<td>5m</td>
<td>8m</td>
<td>100</td>
<td>165</td>
<td>1.65</td>
</tr>
<tr>
<td>Ruai</td>
<td>8m</td>
<td>13m</td>
<td>100</td>
<td>162</td>
<td>1.62</td>
</tr>
</tbody>
</table>

*Asking price per acre*

- The site and service schemes recorded the highest growth attributable to the value add and convenience attributed to the amenities provided

![Cyttonn Real Estate Logo](https://example.com/cyttonn_logo.png)
VI. Land Performance Versus Other Investment Assets
Land in Nairobi Metropolitan Area recorded the highest return at 19.4% in comparison to other investment asset classes as shown on the graph above.

- This makes land an attractive investment opportunity, since it guarantees higher returns and hedges one from inflation and interest rate risks.
VII. Conclusion and Outlook
Areas Projected for High Capital Appreciation in the Next 5-Years

The factors affecting land price in Nairobi Metropolitan Area are mainly planning regulations and trunk infrastructure

- From the analysis, the land price change in the Nairobi Metropolitan area is affected mainly by planning regulations and trunk infrastructure such as sewer lines and road network in the respective areas

- Athi River, Ongata Rongai, Syokimau-Mlolongo, Limuru and Dagoretti recorded the highest growth rates of 5-years CAGR above 25%. These areas were mainly characterised by higher infrastructure provision than in the other Satellite Towns and relaxed zoning regulations

- Therefore areas likely to experience a CAGR above 25% in the next 5-years are Ruiru, Kikuyu, Kabete and Dagoretti among others due to planned infrastructure developments as shown below;

<table>
<thead>
<tr>
<th>Infrastructural Developments</th>
<th>Areas Affected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Bypass</td>
<td>Kikuyu, Kabete, Tigoni, Wangige and Dagorreti</td>
</tr>
<tr>
<td>Outer Ring road Upgrade</td>
<td>Kasarani, Donholm, Embakasi and Buruburu</td>
</tr>
<tr>
<td>Relaxed Zoning Regulations</td>
<td>Spring Valley, Kilimani, Parklands &amp; Ngara</td>
</tr>
<tr>
<td>Trunk Sewer Lines</td>
<td>Ruiru</td>
</tr>
</tbody>
</table>

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## Land Report Conclusion

We expect to witness increased land price in satellite towns as people and developers shift to tap into relatively cheaper land for development.

<table>
<thead>
<tr>
<th>Measure</th>
<th>Sentiment</th>
</tr>
</thead>
</table>
| **Factors affecting Land Price** | • The key drivers for land sector are mainly population growth, urbanisation, improved infrastructure, land supply, economic growth with a average GDP growth rate of more than 5.0% over the last five years and legal reforms in the land administration  
• The key challenges such as corruption in the land ministry, high land costs, communal ownership of land hindering land transfer, difficult legal environment and physical challenges mainly in satellite towns |
| **Land Sector Performance** | • Land in Nairobi Metropolitan Area grew with an average 5-years CAGR of 19.4% between 2011 and 2016  
• Serviced land in satellite towns recorded the highest capital appreciation with a 5-years CAGR of 20.4%, attributable to the value add associated to the services provided such as water, electricity roads among others |
| **Land Price**              | • Land in Nairobi Metropolitan recorded an overall 5-years price change of 2.50x due to increased developments in real estate and improved trunk infrastructure  
• Site and Service schemes in satellite towns attracted the highest 5-years land price change at 2.67x |
| **Outlook**                 | • We expect increased investments and developments in satellite towns as investors and developers tap to earn the good returns of up to 20.4% CAGR |
| **Opportunity**             | • Investors should tap into the sector through, Land banking mainly in satellite towns to enjoy the capital appreciation at 20.0% and invest in site and service with capital appreciation 20.4%  
• Areas likely to experience a CAGR above 25% in the next 5-years are Ruiru, Kikuyu, Kabete and Dagoretti among others due to planned infrastructure developments |
**Land Report Outlook**

We expect land price increase to be largely stable, however prices may stagnate in some pockets of the market, especially those which experienced violence in previous electioneering periods.

- We expect land price increase to be largely stable, with sustainable increments, driven by the below activities. Prices may stagnate in some pockets of the market, especially those which experienced violence in previous electioneering periods.

<table>
<thead>
<tr>
<th>Activity</th>
<th>2017 Projections</th>
<th>Effect on Land Pricing</th>
</tr>
</thead>
</table>
| Increased expenditure in the Economy due to Electioneering | • Increased money supply in the Economy  
• Increased spending on social projects, in the run up to the Kenyan Elections | Neutral effect on land pricing as funds are driven away from land purchase to campaign activity                                                      |
| Infrastructure Development                         | • Increased allocation of funds for development and rehabilitation of access ways  
• Launching of large-scale projects e.g. the Standard Gauge Railway (SGR) | Increase in land prices in the development corridors, driven by demand due to increased accessibility                                              |
| Implementation of favourable policies for Development | • Enforcement of regulations by incumbent Government  
• Issuing of favorable regulations or relaxation of guidelines by Counties  
• Issuance of Title-Deeds and streamlining at the Lands Registry issuance of title-deeds | Increase in land prices as developers look for attractive land parcels, and guidelines allow more profitable developments, hence increased demand for land |
| Uncertainty due to Elections                        | • Low credit advancement and uptake  
• Reduced market activity                                                          | Price stagnation due to a wait-and-see approach                                                                                                |
| Performance of other Asset Classes                  | • Relatively poor performance of public markets, compared to real estate  
• Real estate providing an inflation hedge, with land being the capital asset necessary for development | Increase in land prices due to demand for attractive returns in the market                                                                      |
Land Report Outlook

There is likely to be a slowdown in transaction volumes being witnessed in the 3rd quarter of 2017

- From the above 5-factors, 3 point towards an increase in land pricing, one towards having a neutral effect, and one towards price stagnation. As such, in our opinion, the year 2017 will see the land real estate market remain largely stable and witness sustainable price increments.

- There is likely to be a slowdown in transaction volumes being witnessed in the 3rd quarter of 2017, just at the run up to the election date, but with relatively stable pricing.