



Cytonn's Nairobi Metropolitan Area Land Report 2017

"Investment Grade Real Estate and Land Remain the Best Investment Bet..."

12th June 2017



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I. Introduction to Cytonn Investments

What We Stand For



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

77

Over Kshs. 77 billion under mandate

4

Four offices across 2 continents

300

Over 300 staff members

12

12 investment ready projects

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



Our Business

Where We Operate



Our Business Lines



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.

	INSTITUTIONAL CLIENTS	HIGH NET WORTH INDIVIDUALS (HNWI)	RETAIL CLIENTS
Cash Management Solutions			
Regular Investment Plan			
<ul style="list-style-type: none"> • Education Investment Plan • Regular Investment Solution • Co-op Premier Investment Plan • Land Investment Plan 			
Real Estate Development			
<ul style="list-style-type: none"> • Real Estate Developments • Sharpland 			

Our People



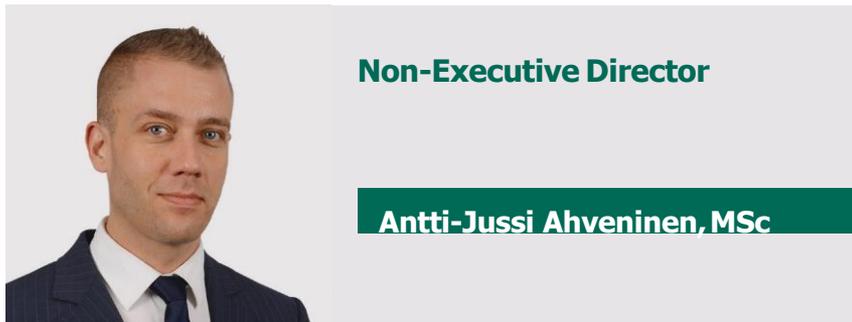
If you could get all the people in an organization rowing the same direction, you could dominate any industry, in any market, against any competition, at any time.

— Patrick Lencioni



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.



For bios, visit www.cytonn.com



Non-Executive Director

James M. Maina, MA



Non-Executive Director

Michael Bristow, MSc



Non-Executive Director

Rose Kimotho, M.B.S.



Executive Director

Managing Partner

Edwin H. Dande, CPA, MBA



Executive Director

Senior Partner

Elizabeth N. Nkukuu, CFA, MBA



Executive Director

Partner

Patricia N. Wanjama, CPS (K), MBA

For bios, visit 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**

INVESTMENTS & STRATEGY COMMITTEE

The committee oversees and provides strategic investment direction, including the implementation and monitoring process.

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.

AUDIT RISK & COMPLIANCE COMMITTEE

The committee establishes and oversees risk and compliance, including the implementation and monitoring process.

The committee consists of four directors with two non-executive directors namely: Madhav Bhalla (Chairman), Nasser Olwero, Edwin Dande and Patricia Wanjama.

GOVERNANCE, HUMAN RESOURCES & COMPENSATION COMMITTEE

The committee establishes, oversees and implements governance structure, human resource policies and firm wide compensations.

The committee consists of four directors with three non-executive directors namely: Antti-Jussi Ahveninen (Chairman), Prof. Daniel Mugendi, Michael Bristow and Edwin Dande.

TECHNOLOGY & INNOVATION COMMITTEE

The committee establishes, oversees and implements technical expertise and innovative processes as a driver towards competitiveness.

The committee consists of three directors, with two non-executive directors namely: Nasser Olwero (Chairman), Michael Bristow and Patricia Wanjama.

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

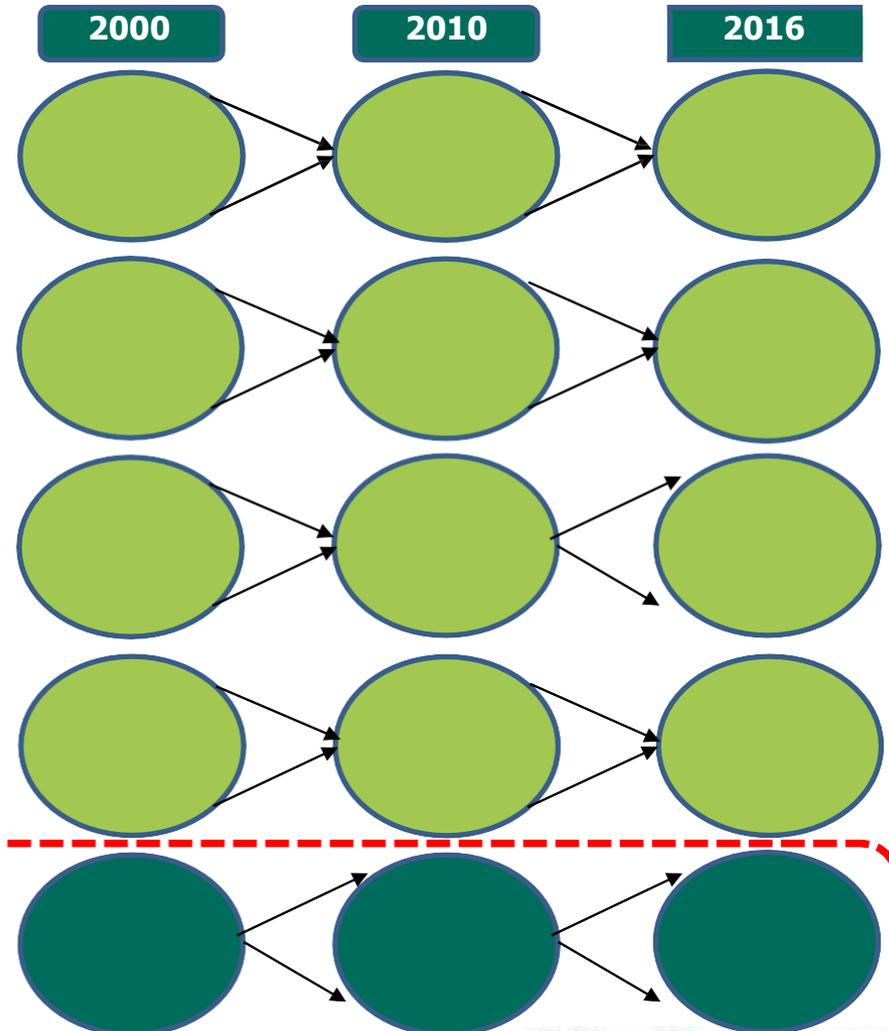
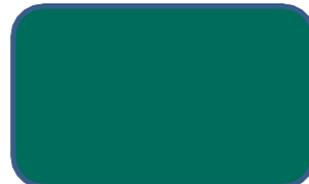
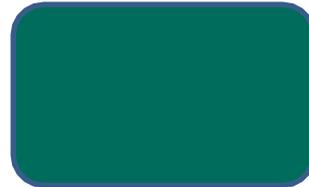
- The real estate sector has seen entry of more institutional developers such as Saccos, private equity firms and funds such as Taaleri and Actis and foreign institutions such as AVIC of China
 - Government initiatives such as digitising of the lands ministry, issuing of title deeds, waiving of the NCA, 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



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

"Investment Grade Real Estate and Land Remain the Best Investment Bet..."

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

Value Area	Summary	Effect on Land
Land Price & Zoning	<ul style="list-style-type: none"> In areas zoned for commercial or high rise buildings, land transacts at higher prices than agricultural or low rise residential zones 	<ul style="list-style-type: none"> Increased demand for land in Satellite Towns, since they are affordable hence people are willing to forego the opportunity cost of inadequate trunk infrastructure
Returns	<ul style="list-style-type: none"> Nairobi metropolitan area, recorded 5-years CAGR of 19.4%. Serviced land in satellite Towns recorded the highest CAGR of 20.4% 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 	<ul style="list-style-type: none"> This has attracted investors into Satellite Towns, where they provide necessary trunk infrastructure and sell land at a premium 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
Opportunity & Outlook	<ul style="list-style-type: none"> The market is vibrant with all areas recording positive growth rate 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 	<ul style="list-style-type: none"> We expect to witness increased site and service schemes that will result to improved infrastructure in satellite Towns

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 uncondusive legal environment are the main challenges facing land in Kenya

Physical Challenges

- Physical challenges such inadequate infrastructure (clean water, sewer and poor roads) and amenities limiting maximum use of land
-

Land Tenure

- Multiple land tenure system creating opacity around land dealings in the country. For instance 64% of land in Kenya is communal
-

Legal Environment

- Lack of clarity between the mandate of the National Land Commission (NLC) and the Ministry of Lands
 - Opacity on issuance of title deeds, land registration and transfer
-

Corruption & Historical Injustices

- Lack of clarity in sorting out historical injustices
 - Opacity in the land ministry leading to loss of key documents such as title deeds
-

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

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

* **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

Commercial Zones				
Location	*Price in 2011	*Price in 2015	*Price in 2016	5 yr. CAGR
Kilimani	114	294	360	25.8%
Riverside	116	343	362	25.6%
Westlands	150	300	453	24.7%
CBD	200	450	600	24.6%
Upper Hill	200	450	512	20.7%
Average				24.3%

**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

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

**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

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

**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

Satellite Towns				
Location	*Price in 2011	*Price in 2015	*Price in 2016	5 YR CAGR
Ongata Rongai	2	10	10	33.2%
Limuru	4	11	13	25.0%
Juja	3	7	9	22.4%
Ngong	7	12	14	16.0%
Ruaka	40	58	83	15.7%
Athi River	2	3	4	13.9%
Utawala	6	9	11	13.7%
Average				20.0%

**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

Site and service Schemes				
Location	*Price in 2011	*Price in 2015	*Price in 2016	5 YR CAGR
Athi River	3	11	13	34.0%
Syokimau-Mlolongo	3	12	12	30.0%
Ruiru	7	15	19	23.9%
Ongata Rongai	7	16	19	21.8%
Ngong	11	18	19	12.7%
Thika	5	7	8	10.5%
Ruai	8	12	13	10.2%
Average				20.4%

**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	
5 year CAGR	Areas
>30%	Ongata Rongai
26 -30%	Dagoretti and Kilimani
20 - 25%	Nairobi CBD, Westlands, Ridgeways, Limuru and Juja, Riverside
16 -20%	Upper Hill, Embakasi, Githurai, Spring Valley, Kitisuru and Ngong, Kilimani residential
11 - 15%	Kasarani, Kileleshwa, Kahawa, Karen, Nyari, Runda, Ruaka, Utawala and Athi River
6 - 10%	Old Muthaiga
Site and service schemes Capital appreciation	
5 Year CAGR	Location
> 30%	Athi River
26 - 30%	Syokimau - Mlolongo
21 - 25%	Ruiru and Ongata Rongai
16 - 20%	N/A
11 - 15%	Ngong
6% - 10%	Thika and Ruai

- 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

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

*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

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

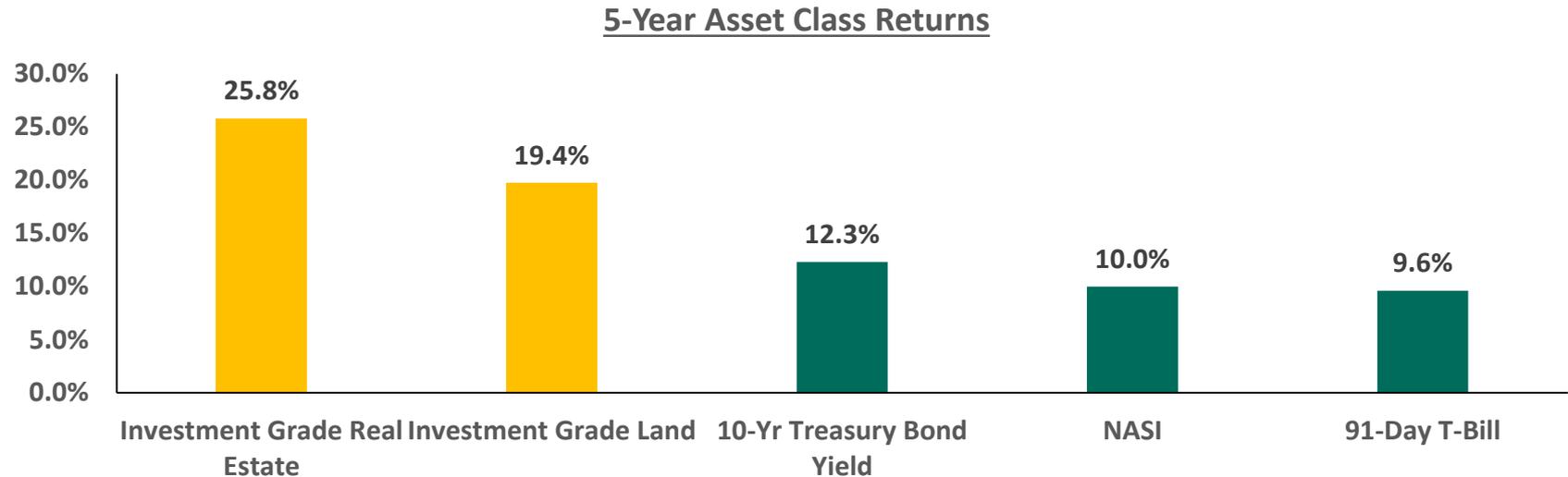
***Asking price per acre**

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

VI. Land Performance Versus Other Investment Assets

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



- Land in Nairobi Metropolitan area recorded the highest return at 19.4% in comparison to other investment asset class 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;

Infrastructural Developments	Areas Affected
Western Bypass	Kikuyu, Kabete, Tigoni, Wangige and Dagorreti
Outer Ring road Upgrade	Kasarani, Donholm, Embakasi and Buruburu
Relaxed Zoning Regulations	Spring Valley, Kilimani, Parklands & Ngara
Trunk Sewer Lines	Ruiru

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

Measure	Sentiment
Factors affecting Land Price	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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

Activity	2017 Projections	Effect on Land Pricing
Increased expenditure in the Economy due to Electioneering	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Low credit advancement and uptake • Reduced market activity 	Price stagnation due to a wait-and-see approach
Performance of other Asset Classes	<ul style="list-style-type: none"> • 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

Q&A