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# Land Investments in the Nairobi Metropolitan Area 2021

Cytonn

**Date:** July 31, 2021

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# I. Overview of Real Estate in Kenya

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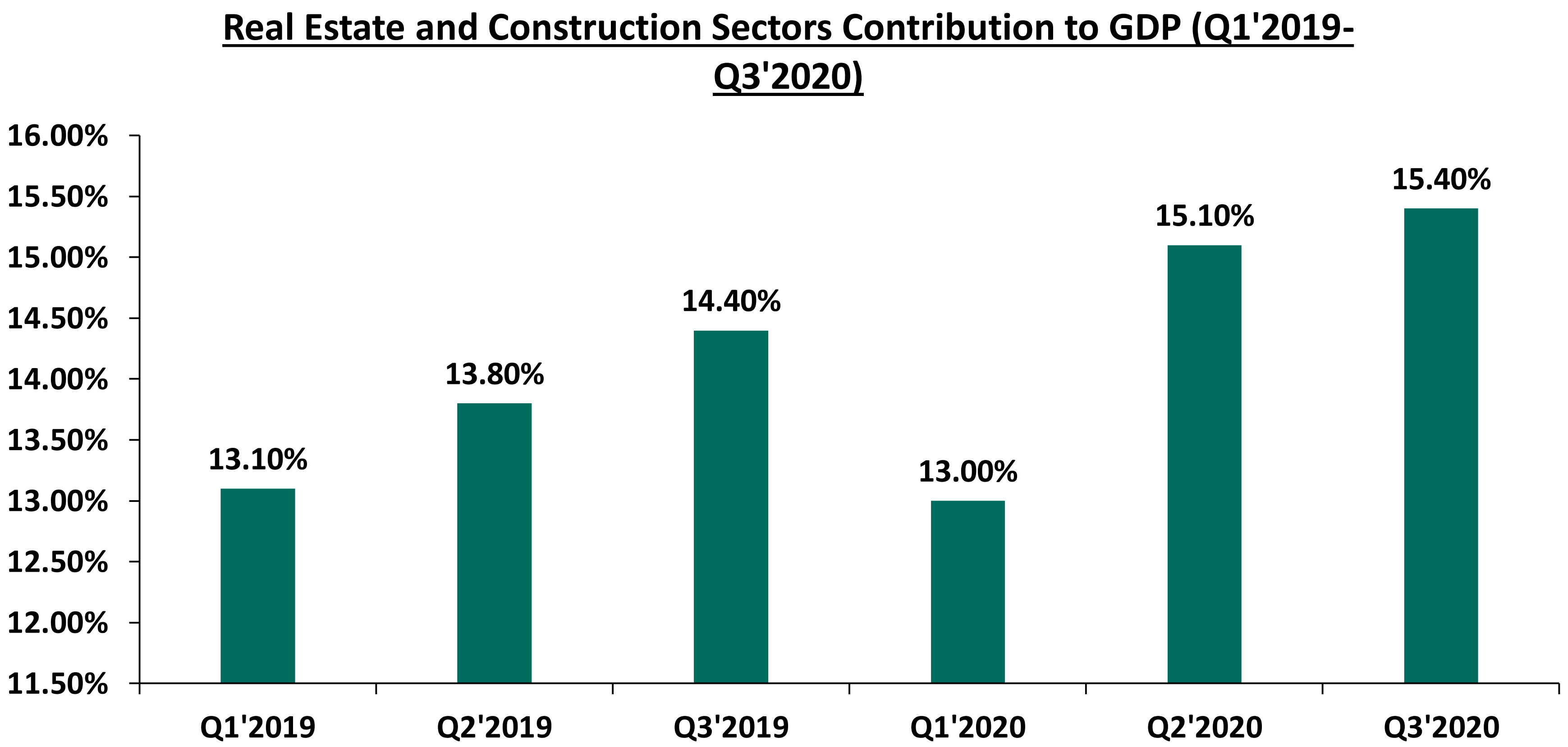
# Introduction to the Real Estate Sector-Contribution to GDP

Real Estate and construction sectors contributed 16.0% to GDP in Q3’2020, 5.7% points up from 15.1% registered in Q2’2020



# Key Factors Driving the Real Estate Sector

Improving infrastructure and attractive demographic profile are some of the factors expected to drive the real estate performance

| Factors | DESCRIPTION |
|---|---|
| **Infrastructural Development** | • The government continues to implement select infrastructural projects such as the Nairobi Express way, Nairobi-Western Bypass, and, 233Km Mau Summit Highway among others. we expect these to open up areas for developments upon their completion thus boosting the real estate sector |
| **Focus on Affordable Housing** | • The continued focus on the implementation of the affordable housing agenda by the Kenyan Government and private developers will enhance the home ownership rates including increasing demand for affordable homes |
| **Attractive Demographic Profile** | • Kenya has a relatively high population and urbanization growth rate of 4.0% and 2.2% against a global average of 1.9% and 1.1% according to the World Bank, and this is expected to continue to support demand in the real estate sector |
| **Aggressive Expansion by Local and International Retailers** | • Aggressive expansion of local and international retailers such as Naivas and Carrefour taking up space previously occupied by troubled retailers such as Tuskys and Nakumatt with the retailers having opened more than 13 stores in 2021 in different locations county wide |
| **The Launch of the National Land Information Management System (NLIMS)** | • The launch of the National Land Information Management System (NLIMS) is expected to streamline land transactions within Nairobi and progressively through out the country. This will increase the confidence of individuals purchasing land and reduce fraudulent cases when doing land purchases |
| **Kenya Mortgage Refinance Corporation (KMRC)** | • The establishment of the KMRC is expected to boost the mortgage market in Kenya through lending at relatively low interest rates of 5.0% to Primary Mortgage Lenders (PML's) enabling them to write off loans at an interest rate of 7.0% which is lower than the current average interest rate of 12.0% |

# Key Challenges Facing the Real Estate Sector

## Oversupply in select sectors is one of the challenges facing the real estate sector in Kenya

| Factors | DESCRIPTION |
|---|---|
| **Oversupply in Select Sectors** | • The real estate sector has witnessed increased space supply over the last 5-years and this is likely to affect the demand some of these sectors include;<br>✓ The commercial office sector which has an oversupply of 7.3m SQFT, and,<br>✓ The retail sector, which has an existing oversupply of 3.1 mn SQFT within Nairobi and 2.0 in the Kenya retail market |
| **Constrained Financing for Developers** | • Constrained financing to developers is a factor that is expected to negatively impact the performance of the real estate sector as financiers such as banks aim to limit exposure amidst increasing loan deferrals and defaults in the wake of the pandemic |
| **Reduced Disposable Income** | • Reduced disposable income as a result of the tough economic times brought about by the COVID-19 pandemic is expected to affect uptake of property thus impacting on the performance of the real estate market |
| **Ineffectiveness of Public-Private Partnerships (PPPs) for Housing Development** | • This will continue to cause delays in delivery of affordable housing projects due factors such as to regulatory hindrances such as lack of a mechanism to transfer public land to a Special Purpose Vehicle (SPV) to facilitate access to private capital through the use of the land as security, lack of clarity on returns and revenue-sharing, bureaucracy and slow approval processes |
| **Shift towards online shopping** | • The shift towards online shopping is affecting the overall performance of Kenyan retail sector which is bringing about the reduced demand for physical retail spaces |

# 2. Nairobi Metropolitan Area Land Report

# A. Introduction

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# Executive Summary

## The NMA land sector on overall recorded an average annualized capital appreciation of 1.8% in 2020/2021, a 0.3% points increase compared to the 1.5% realized in 2019/2020

- To gauge the NMA land performance in 2021, we conducted research in 23 areas within the NMA and categorized them as follows;

i. **High Rise Residential Areas:** They comprise of areas such as Kileleshwa, Dagoretti, Githurai, Embakasi, and Kasarani, and are majorly characterized by the numerous high rise buildings such as the apartments found within

ii. **Low Rise Residential Areas:** These are areas which generally consist of low rise buildings such as the bungalows, maisonettes and villas. They include; Kitisuru, Runda, Ridgeways, Karen and Spring Valley

iii. **Commercial Zones:** They comprise of areas such as Kilimani, Westlands, Riverside and Upperhill, and are popular because of the numerous commercial office buildings that they have, and,

iv. **Satellite Towns:** Land in the area was categorized into serviced (site and service schemes) and unserviced land

- According to the research, the NMA land sector on overall recorded an average annual capital appreciation of 1.8% in 2020/2021, 0.3% points increase when compared to the 1.5% realized in 2019/2020, with asking prices averaging at Kshs 127.8 mn thereby realizing a 9-year CAGR of 12.2%. The improvement in performance was mainly attributed to the increased demand for land in low rise areas which recorded the highest annualized capital appreciation of 4.6% compared to a market average of 1.8%

- The investment opportunity lies in the low rise residential areas, satellite towns (unserviced land), and, satellite towns (serviced land), which registered capital appreciations of 4.6%, 3.6% and 3.5%, respectively, against the market average of 1.8%, attributable to improved demand, improved infrastructure and amenities, and their strategic locations

- We expect NMA land sector performance to be boosted by robust infrastructure activities ongoing, increased demand for developments going forward and positive demographics, despite factors such as reduced spending power owed to the tough economic conditions and the inadequate infrastructure in some areas of the country still impeding its performance

# Key Factors Driving the Performance of the Land Sector

## Positive demographics, improving infrastructure and the continued focus on the affordable housing agenda are some of the factors driving the performance of the land sector

| Factor | Description |
|---|---|
| **Improving Infrastructure** | • The government is aggressively focusing on the implementation and conclusion of the various projects such as the Lamu Port-South Sudan-Ethiopia Transport (LAPSSET) project whose first berth was completed and launched in May 2021, Nairobi Expressway which is expected to be completed by February 2022 (six months ahead of its initial December 2022 completion date), and, the Western Bypass, among many other projects, which will in turn boost property prices and open up surrounding areas for real estate development |
| **Improved budgetary allocations** | • The 0.6% and 33.6% improved budget allocation for the infrastructure, and, Housing, Urban Development and Public Works sectors in FY' 2021/22 to Kshs 182.5 bn and Kshs 21.8 bn, respectively, from the Kshs 181.4 bn and Kshs 16.2 bn allocated in FY'2020/21, respectively. The improved allocations for the sectors is also expected to significantly increase development activities in the infrastructure and housing sectors which in return will source for improved demand for land and its overall upward performance |
| **The affordable housing agenda** | • The increasing focus on the affordable housing agenda by the government and other private developers continues to create demand for land especially in the satellite towns of the NMA |
| **Positive demographics** | • Relatively high population growth rates and urbanization rates of 2.3% and 4.0%, respectively in Kenya, against a global average of 1.1% and 1.9%, respectively will create demand for housing and need for land to develop to bridge the current housing deficit. |
| **High demand for land in satelite towns** | • Reduced supply of development land at affordable prices in areas close to the Nairobi CBD resulting in demand for the same in satellite towns |

# Factors Impeding the NMA Land Sector Performance in 2021

Inadequate infrastructure, reduced spending power, and inadequate access to credit are some of the factors impeding performance of the sector

| Factor | Description |
|---|---|
| **Reduced consumer spending power** | Reduced spending power by prospective clients attributed to the tough economic condition brought about by the pandemic hence crippling performance of the sector, in addition to the increased unemployment rate with approximately 0.9 mn people having lost their jobs in 2020, thereby bringing the unemployment rate in Kenya to 36.1% in Q3'2020 from 33.9% in Q3'2019, according to Kenya National Bureau of Statistics (KNBS) |
| **Inadequate Infrastructure** | Inadequate infrastructure in various parts of the NMA despite government's efforts to initiate and implement projects in the infrastructure sector, thereby hindering accessibility and investment opportunities in various parts |
| **Inadequate Credit Access** | High mortgage lending interest rates currently averaging at 10.9%, and longer credit transaction timelines impeding access to loans, thereby also negatively affecting performance of the land sector due to limited purchasing and development power of prospective clients |
| **Reduced Spending Power** | Reduced spending power by prospective clients attributed to the tough economic condition brought about by the pandemic hence crippling performance of the sector, in addition to the increased unemployment rate with approximately 0.9 mn people having lost their jobs in 2020, thereby bringing the unemployment rate in Kenya to 36.1% in Q3'2020 from 33.9% in Q3'2019, according to Kenya National Bureau of Statistics (KNBS) |

# Recent Developments that will Shape the Land Sector

## Digitalization of land records through the national land information management system (NLIMS) is one of the recent developments that is likely to shape the performance of the land sector

- Despite the challenges affecting the land sector, some of the recent developments that are likely to shape it going forward include;

i. **Stamp Duty (Valuation of Immovable Property) Regulations 2020-** In a bid to shorten and ease land transaction timelines and processes in Kenya, the National Treasury Secretary, Hon Ukur Yatani published the Stamp Duty (Valuation of Immovable Property) Regulations 2020, in October 2020. In addition to simplifying land transactions, the move also boosts confidence in undertaking land transactions in the country thus improving performance of the land sector through increased demand and uptake, as well as boost prices of various regions

ii. **Digitization of Land Records**- In a bid to curb fraud cases and ease land transaction processes, President Uhuru Kenyatta launched the National Land Information Management System (NLIMS) in April 2021, marking the culmination of years of digitization of land records in Kenya. The launch of the digital land platform named 'Ardhi Sasa', which was first rolled out in Nairobi then in other counties in phases, coincided with the opening of the National Geospatial Data Centre, an online depository that will contain all the land records in Kenya, and

iii. **E-Construction Permit System**- The system which also includes the QR code system was launched by City Hall in March 2020 to improve building plan approval performances, however was compromised in June 2021 forcing its operations to be withheld, and has since been under renovation with operations expected to resume in August 2021. With its revamp, it will further enable easier and faster building plan approvals which in return will boost land development activities through various construction activities which initiate improved demand for land

# B. Land Market Performance

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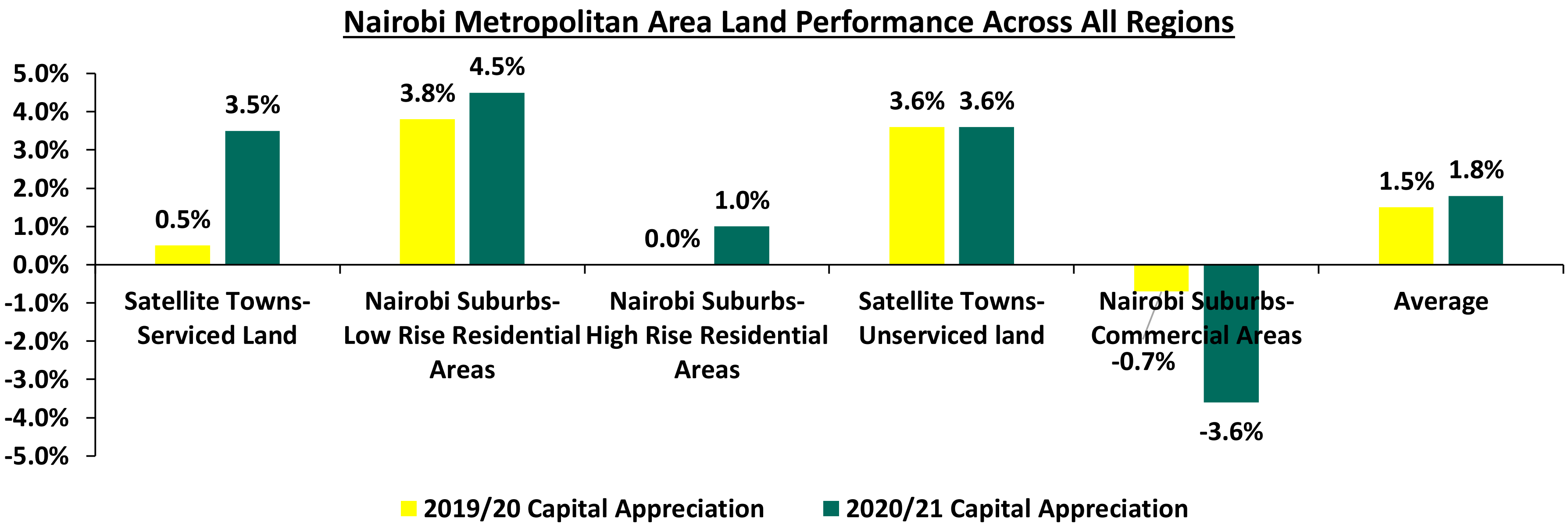
# Market Performance Summary

The NMA land sector on overall recorded an average annualized capital appreciation of 1.8% in 2020/2021,




- The NMA land sector on overall recorded an average annual capital appreciation of 1.8% in 2020/2021, 0.3% points increase when compared to the 1.5% realized in 2019/2020, with asking prices averaging at Kshs 127.8 mn thereby realizing a 9-year CAGR of 12.2%
- The improvement in performance was mainly attributed to the increased demand for land in low rise areas which recorded the highest annualized capital appreciation of 4.6% compared to a market average of 1.8%

# Market Performance Summary

## The NMA land sector on overall recorded an average annualized capital appreciation of 1.8% in 2020/2021,

| All Values in Kshs Unless Stated Otherwise | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Summary of the Land Performance Across All regions in Nairobi Metropolitan Area** | | | | | | | | | | | |
| **Location** | ***Price in 2011** | ***Price in 2015** | ***Price in 2016** | ***Price in 2017** | ***Price 2018/19** | ***Price 2019/20** | ***Price 2020/21** | **CAGR** | **2019/20 Capital Appreciation** | **2020/21 Capital Appreciation** | **Δ in capital appreciation** |
| NMA Low Rise Residential Areas | 35.6 mn | 67.8 mn | 78.4 mn | 82.4 mn | 81.0 mn | 84.2 mn | **87.9 mn** | 10.6% | 3.8% | **4.5%** | 0.6% |
| Satellite Towns-Unserviced land | 4.2 mn | 9.5 mn | 12.8 mn | 13.8 mn | 14.2 mn | 14.7 mn | **15.2 mn** | 15.4% | 3.6% | **3.6%** | 0.0% |
| Satellite Towns-Serviced land | 5.5 mn | 12.7 mn | 14.0 mn | 15.0 mn | 14.2 mn | 15.0 mn | **15.7 mn** | 13.3% | 0.5% | **3.5%** | 3.0% |
| NMA High Rise Residential Areas | 52.6 mn | 91.4 mn | 109.2 mn | 117.0 mn | 116.6 mn | 115.6 mn | **115.8 mn** | 9.7% | 0.0% | **1.0%** | 0.6% |
| Commercial Areas- NMA | 145.0 mn | 359.3 mn | 421.8 mn | 433.0 mn | 421.0 mn | 419.0 mn | **404.6 mn** | 12.3% | (0.7%) | **(3.6%)** | (3.0%) |
| **Average** | **48.6 mn** | **108.1 mn** | **127.2 mn** | **132.2 mn** | **129.4 mn** | **129.7 mn** | **127.8 mn** | **12.2%** | **1.5%** | **1.8%** | **0.3%** |

# Nairobi Suburbs: Low Rise Residential Areas

## The average asking prices and annual capital appreciation of land in the low rise areas came in at Kshs 87.9 mn and 4.5%, respectively, in 2020/2021

*All values is Kshs unless stated otherwise*

**Land Performance-Low Rise Residential Areas in Nairobi Metropolitan Area 2020/21**

| Location | *Price in 2011 | *Price in 2015 | *Price in 2016 | *Price in 2017 | *Price 2018/19 | *Price 2019/20 | *Price 2020/21 | CAGR | 2019/20 Capital Appreciation | 2020/21 Capital Appreciation | Δ in capital appreciation |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Kitisuru | 32.0 mn | 59.0 mn | 70.0 mn | 70.0 mn | 71.0 mn | 73.0 mn | **77.9 mn** | 10.4% | 3.0% | **6.3%** | 3.3% |
| Karen | 25.0 mn | 40.0 mn | 46.0 mn | 52.0 mn | 53.0 mn | 56.0 mn | **59.0 mn** | 10.0% | 5.6% | **5.1%** | (0.5%) |
| Ridgeways | 24.0 mn | 51.0 mn | 62.0 mn | 68.0 mn | 65.0 mn | 66.0 mn | **68.8 mn** | 12.4% | 1.8% | **4.0%** | 2.2% |
| Runda | 33.0 mn | 58.0 mn | 67.0 mn | 68.0 mn | 68.0 mn | 70.0 mn | **72.8 mn** | 9.2% | 3.3% | **3.8%** | 0.5% |
| Spring Valley | 64.0mn | 131.0 mn | 147.0 mn | 154.0 mn | 148.0 mn | 156.0 mn | **161.0 mn** | 10.8% | 5.4% | **3.1%** | (2.3%) |
| **Average** | **35.6 mn** | **67.8 mn** | **78.4 mn** | **82.4 mn** | **81.0 mn** | **84.2 mn** | **87.9 mn** | **10.6%** | **3.8%** | **4.5%** | **0.6%** |

- The average asking prices and annual capital appreciation of land in the low rise areas came in at Kshs 87.9 mn and 4.5%, respectively, in 2020/2021. The performance was attributable to; i) serene environments hence attracting high end income earners, ii) sufficient amenities, iii) adequate infrastructure boosting investment opportunities and price boosts and, iv) their strategic locations in sparsely populated zones hence enhancing privacy
- Kitisuru was the best performing node registering annual capital appreciation of 6.3%, a 3.3% points higher than the 3.0% recorded in 2019/2020, attributable to the increasing demand and accessibility of the area due to improving infrastructure

# Satellite Towns: Unserviced Land

## The unserviced land in satellite towns recorded an average annualized capital appreciation of 3.6% in 2020/2021 with the average asking prices coming in at Kshs 15.2 mn

***All values is Kshs unless stated otherwise***

| Land Performance-Satellite Towns in Nairobi Metropolitan Area- Unserviced Land | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Location** | ***Price in 2011** | ***Price in 2015** | ***Price in 2016** | ***Price in 2017** | ***Price 2018/19** | ***Price 2019/20** | ***Price 2020/21** | **CAGR** | **2019/20 Capital Appreciation** | **2020/21 Capital Appreciation** | **Δ in capital appreciation** |
| Ruiru | 7.0 mn | 15.0 mn | 19.0 mn | 20.0 mn | 21.0 mn | 22.0 mn | **23.6 mn** | 14.5% | 6.2% | **6.9%** | 0.7% |
| Juja | 3.0 mn | 7.0 mn | 9.0 mn | 10.0 mn | 10.0 mn | 10.0 mn | **10.6 mn** | 15.1% | 3.4% | **5.5%** | 2.1% |
| Athi River | 2.0 mn | 3.0 mn | 4.0 mn | 4.0 mn | 4.0 mn | 4.0 mn | **4.2 mn** | 8.6% | 3.4% | **5.1%** | 1.7% |
| Utawala | 6.0 mn | 9.0 mn | 10.0 mn | 11.0 mn | 12.0 mn | 12.0 mn | **12.4 mn** | 8.4% | 4.1% | **3.2%** | (0.9%) |
| Limuru | 5.0 mn | 13.0 mn | 17.0 mn | 20.0 mn | 20.0 mn | 21.0 mn | **21.2 mn** | 17.4% | 2.9% | **1.0%** | (1.9%) |
| Ongata Rongai | 2.0 mn | 10.0 mn | 18.0 mn | 18.0 mn | 18.0 mn | 19.0 mn | **19.0 mn** | 28.4% | 1.6% | **0.0%** | (1.6%) |
| **Average** | **4.2 mn** | **9.5 mn** | **12.8 mn** | **13.8 mn** | **14.2 mn** | **14.7 mn** | **15.2 mn** | **15.4%** | **3.6%** | **3.6%** | **0.0%** |

- The unserviced land in satellite towns recorded an average annualized capital appreciation of 3.6% in 2020/2021 with the average asking prices coming in at Kshs 15.2 mn, thereby realizing a 9-year CAGR of 15.4%. The performance was mainly driven by factors such as affordability, urban sprawl, and improving infrastructure servicing the areas
- Ruiru was the best performing node registering highest annualized capital appreciation and average selling prices of 6.9% and Kshs 23.6 mn, respectively, mainly attributable to the availability of infrastructure supporting easier access to the area such as the Thika Super Highway, and, increased demand for land to develop student housing facilities as the area serves various educational centers among other factors

# Satellite Towns: Serviced Land

## Serviced land performance in NMA's satellite towns registered a 9-year CAGR of 13.3%, with asking prices coming in at Kshs 15.7 mn in 2020/2021

| ***All values is Kshs unless stated otherwise*** | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Land Performance-Satellite Towns in Nairobi Metropolitan Area- Serviced Land** | | | | | | | | | | | |
| **Location** | ***Price in 2011** | ***Price in 2015** | ***Price in 2016** | ***Price in 2017** | ***Price 2018/19** | ***Price 2019/20** | ***Price 2020/21** | **CAGR** | **2019/20 Capital Appreciation** | **2020/21 Capital Appreciation** | **Δ in capital appreciation** |
| Ongata Rongai | 7.0 mn | 16.0 mn | 19.0 mn | 19.0 mn | 19.0 mn | 18.0 mn | **19.8 mn** | 12.2% | (3.8%) | **8.9%** | 12.7% |
| Athi River | 2.0 mn | 11.0 mn | 13.0 mn | 13.0 mn | 12.0 mn | 12.0 mn | **13.1 mn** | 23.2% | 3.5% | **8.7%** | 5.2% |
| Ruiru | 8.0 mn | 18.0 mn | 19.0 mn | 21.0 mn | 23.0 mn | 24.0 mn | **25.3 mn** | 13.6% | 5.8% | **5.2%** | (0.6%) |
| Thika | 5.0 mn | 7.0 mn | 8.0 mn | 10.0 mn | 10.0 mn | 10.0 mn | **10.4 mn** | 8.5% | 0.5% | **3.5%** | 3.0% |
| Syokimau/Mlolongo | 3.0 mn | 12.0 mn | 12.0 mn | 12.0 mn | 12.0 mn | 12.0 mn | **11.8 mn** | 16.4% | (3.8%) | **(1.4%)** | 2.4% |
| Ruai | 8.0 mn | 12.0 mn | 13.0 mn | 15.0 mn | 14.0 mn | 14.0 mn | **13.5 mn** | 6.0% | 1.0% | **(3.6%)** | (4.6%) |
| **Average** | **5.5mn** | **12.7 mn** | **14.0 mn** | **15.0 mn** | **15.0 mn** | **15.0 mn** | **15.7 mn** | **13.3%** | **0.5%** | **3.5%** | **3.0%** |

- Serviced land performance in NMA's satellite towns registered a 9-year CAGR of 13.3%, with asking prices coming in at Kshs 15.7 mn in 2020/2021, 4.7% points up from the Kshs 15.0 mn recorded in 2019/2020. Performance in the sector was mainly driven by the relatively affordable selling prices, improving infrastructure and positive demographics
- Ongata Rongai registered the highest annual capital appreciation of 8.9% when compared to the market average of 3.5% signifying robust demand for land in the area by a growing middle income class, positive demographics and, availability of infrastructure with the area being served by the Magadi Road which is opening the area for real estate development

# Nairobi Suburbs: High Rise Residential Areas

## Land in the high rise residential areas of Nairobi recorded an annualized capital appreciation of 1.0% in 2020/2021 from 0.0% annualized price appreciation in 2019/2020

***All values is Kshs unless stated otherwise***

**Land Performance-High Rise Residential Areas in Nairobi Metropolitan Area 2020/21**

| Location | *Price in 2011 | *Price in 2015 | *Price in 2016 | *Price in 2017 | *Price 2018/19 | *Price 2019/20 | *Price 2020/21 | CAGR | 2019/20 Capital Appreciation | 2020/21 Capital Appreciation | Δ in capital appreciation |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Embakasi | 33.0 mn | 61.0 mn | 60.0 mn | 70.0 mn | 61.0 mn | 63.0 mn | **67.2 mn** | 8.2% | (4.4%) | **6.3%** | 10.7% |
| Kasarani | 32.0 mn | 51.0 mn | 60.0 mn | 64.0 mn | 66.0 mn | 65.0 mn | **67.7 mn** | 8.7% | 5.7% | **3.9%** | (1.8%) |
| Kileleshwa | 149.0 mn | 227.0 mn | 286.0 mn | 306.0 mn | 311.0 mn | 303.0 mn | **300.9 mn** | 8.1% | (2.6%) | **(0.7%)** | 1.9% |
| Githurai | 21.0 mn | 37.0 mn | 45.0 mn | 46.0 mn | 45.0 mn | 44.0 mn | **43.5 mn** | 8.4% | (1.4%) | **(1.2%)** | 0.2% |
| Dagoretti | 28.0 mn | 81.0 mn | 95.0 mn | 99.0 mn | 100.0 mn | 103.0 mn | **99.7 mn** | 15.2% | 2.5% | **(3.3%)** | (5.8%) |
| **Average** | **52.6 mn** | **91.4 mn** | **109.2 mn** | **117.0 mn** | **116.6 mn** | **115.6 mn** | **115.8 mn** | **9.7%** | **0.0%** | **1.0%** | **1.0%** |

- Land in the high rise residential areas of Nairobi recorded an annualized capital appreciation of 1.0% in 2020/2021 from 0.0% annualized price appreciation in 2019/2020, with asking prices registering a slight improvement to Kshs 115.8 mn from Kshs 115.6 mn registered in 2019/2020, attributable to the slight increase in the demand for land in the areas
- Embakasi was the best performing node registering annual capital appreciation of 6.3% against the market average of 1.0% attributable to positive demographics, a fast growing middle income class with disposable income, and an improving infrastructure with the area being serviced by roads such as the Outering road and Manyanja road among many others

# Nairobi Suburbs: Commercial Zones

## The commercial zones recorded a 3.6% price correction in the average asking prices of land from Kshs 419.0 mn in 2019/2020 to 404.6 mn in 2020/2021

***All values is Kshs unless stated otherwise***

| Land Performance-Commercial Zones in Nairobi Metropolitan Areas 2020/21 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Location** | ***Price in 2011** | ***Price in 2015** | ***Price in 2016** | ***Price in 2017** | ***Price 2018/19** | ***Price 2019/20** | ***Price 2020/21** | **CAGR** | **2019/20 Capital Appreciation** | **2020/21 Capital Appreciation** | **Δ in capital appreciation** |
| Westlands | 150.0 mn | 350.0 mn | 453.0 mn | 474.0 mn | 430.0 mn | 421.0 mn | **413.6 mn** | 11.9% | (1.9%) | **(1.8%)** | 0.1% |
| Upper Hill | 200.0 mn | 450.0 mn | 512.0 mn | 510.0 mn | 488.0 mn | 506.0 mn | **487.3 mn** | 10.4% | 3.8% | **(3.8%)** | (7.6%) |
| Kilimani | 114.0 mn | 294.0 mn | 360.0 mn | 387.0 mn | 403.0 mn | 398.0 mn | **381.7 mn** | 14.4% | (1.2%) | **(4.3%)** | (3.1%) |
| Riverside | 116.0 mn | 343.0 mn | 362.0 mn | 361.0 mn | 363.0 mn | 351.0 mn | **335.7 mn** | 12.5% | (3.3%) | **(4.6%)** | (1.3%) |
| **Average** | **145.0 mn** | **359.3 mn** | **421.8 mn** | **433.0 mn** | **421.0 mn** | **419.0 mn** | **404.6 mn** | **12.3%** | **(0.7%)** | **(3.6%)** | **(3.0%)** |

- The commercial zones recorded a 3.6% price correction in the average asking prices of land from Kshs 419.0 mn in 2019/2020 to 404.6 mn in 2020/2021, majorly attributed to the reduced development activities coupled with the existing oversupply of 7.3 mn SQFT and 3.1 mn SQFT of space in NMA's commercial office and retail sectors, respectively, thereby crippling investment opportunity in the areas, which in return has resulted to a decline in the demand for land. Additionally, due to the existing oversupply, developers have halted their plans to allow absorption of the current space
- Despite this, Westlands registered a 0.1% improvement in its Y/Y capital appreciation to (1.8%) in 2020/21 from (1.9%) registered in 2019/2020, attributable to the robust growth of its infrastructure sector such as the development of the Nairobi Expressway opening up the area for investment opportunities, adequate amenities such as malls, and, its close proximity to Nairobi's Central Business District (CBD)

# C. Investment Opportunity

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# Investment Opportunity

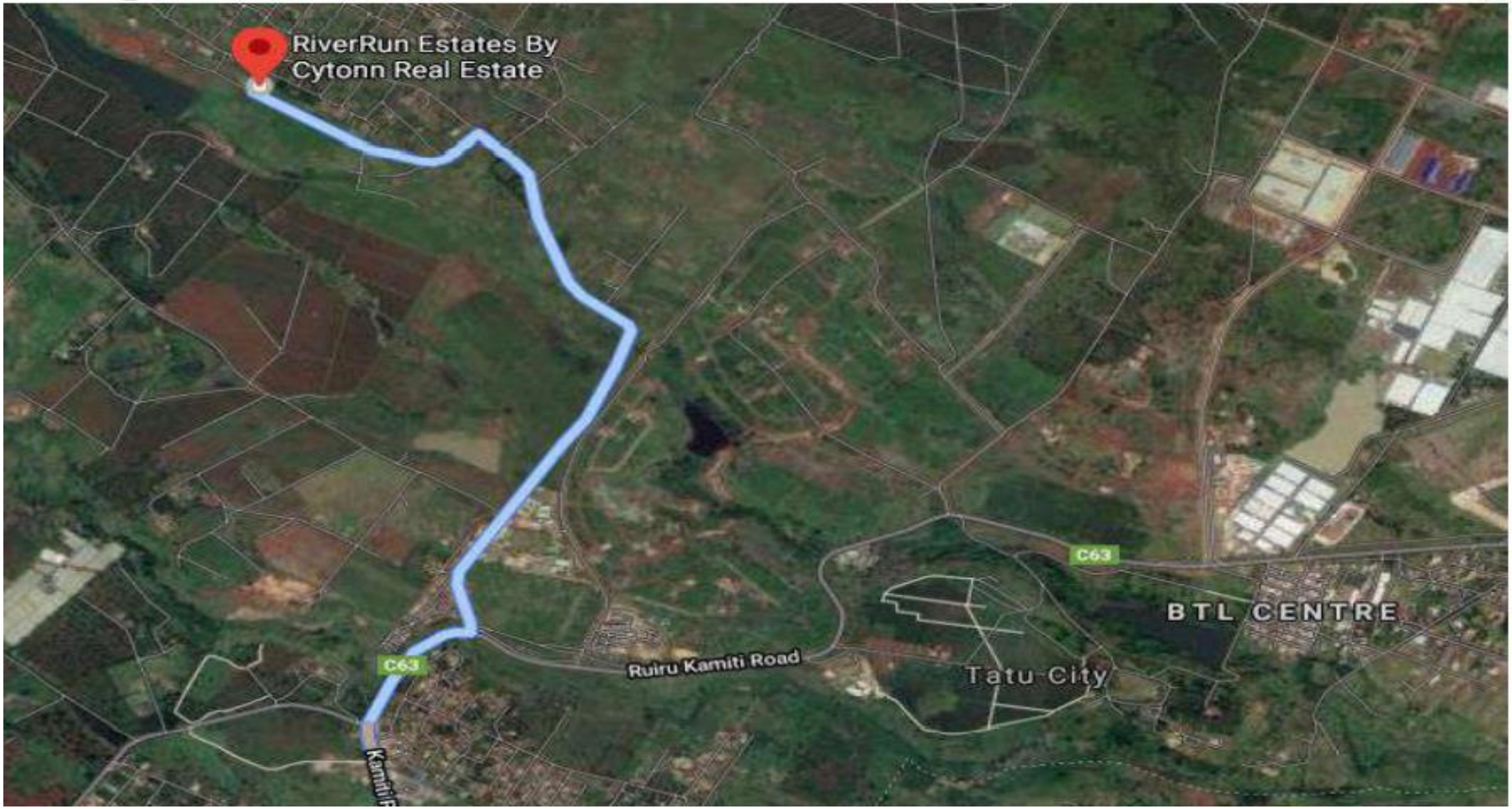
## Opportunity lies in Kitisuru, Ruiru, (Rongai and Athi River-Serviced land), and Embakasi, which recorded appreciations of 6.3%, 6.9%, 8.9%, 8.7%, and 6.3%, respectively

- **Low rise residential areas-** The investment opportunity lies in Kitisuru which recorded the highest annual capital appreciation of 6.3% against the market average attributed to the relatively high demand as well as relatively affordable prices having recorded an average market selling price of Kshs 77.9 mn against the market average of Kshs 87.9 mn
- **Satellite towns (unserviced land)**- The investment opportunity lies in Ruiru submarket which registered the highest Y/Y capital appreciation and average selling prices of 6.9% and Kshs 23.6 mn mainly attributable to the adequate infrastructure supporting easier access with the area being served with roads such as Thika superhighway, and, increased demand for land to develop student housing facilities as the area serves various educational centers among other factors
- **Satellite towns (serviced land)**- Ongata Rongai and Athi River present the best investment opportunity having recorded capital appreciations of 8.9% and 8.7%, respectively, in 2020/2021 against the 1.7% market average, attributable to robust demand by the growing middle class coupled with the adequacy and ease of access to amenities
- **High rise residential areas**- Embakasi presents a greater investment opportunity in this sector having recorded the highest Y/Y capital appreciation of 6.3% attributed to a growing middle income with disposable income, positive demographics and improving infrastructure, and,
- **Commercial zones**- Westlands presents the best investment opportunity in this sector having registered a 0.1% improvement in its Y/Y capital appreciation to (1.8%) in 2020/2021 from (1.9%) registered in 2019/2020, attributable to the robust growth of its infrastructure sector such as the development of the Nairobi Expressway opening up areas for investment opportunities, adequate amenities, and, its close proximity to Nairobi's Central Business District (CBD)

# Cytonn Land Investment Areas

# Cytonn Land Investment Areas - Riverrun

The Riverrun Project is located off Ruiru- Kamiti road



# Cytonn Land Investment Areas - Riverrun

## The Riverrun Project is located off Ruiru- Kamiti road

- The Riverrun Project located off Ruiru- Kamiti road, is conveniently situated 35 minutes from the Nairobi CBD and 45 minutes to the Jomo Kenyatta International Airport .The project is accessible through main roads such as the Ruiru-Kamiti Road, the Eastern by-pass which links to Thika Superhighway
- The area is currently undergoing infrastructural improvement where the construction of the access road is ongoing and we expect this to enhance accessibility into the area thus attract public transport services, and plans are in place for the construction of the Ruiru Sewerage Network, which is expected to support the development activities in the area
- Key to note, Ruiru was named as one of the towns in Kiambu County-in addition to Kikuyu, Juja, Thika, and Limuru-to spearhead the county's affordable housing rent-to-own scheme where 19,500 units are set to be put up by 2022
- Cytonn Real Estate, through this development, gives an opportunity to own a piece of land as serviced plot and develop your own dream house
- Project is spreaded over 100 acres but at present, 93 plots in Phase 1 spread over 20 acres are up for sale with varying sizes of quarter and eighth.

| Type | No. of plots | Price (Kshs) |
|---|---|---|
| Eighth | 64 | 5,750,000 |
| Quarter Standard | 13 | 10,400,000 |
| Quarter Premium | 15 | 13,500,000 |
| Total | 94 | |

# Cytonn Land Investment Areas – Kilimani

## The 4-acre parcel fronts Argwings Kodhek Road

# Cytonn Land Investment Areas – Kilimani

## The 4-acre parcel fronts Argwings Kodhek Road

- The 4-acre piece of land in Kilimani is located along Argwings Kodhek Road
- Kilimani is located approximately 6 km west of the City Center – a 10 minute drive through Milimani Road and approximately 20-25 minute drive during the rush hour. The area is also bound by Valley Road to the East, Dennis Pritt Road to the North, Ngong Road to the South and Korosho Road to the West providing access to other areas within Nairobi.
- The affluent neighborhood comprises of mixed-use developments and a rich cultural mix of a population of both local and foreign decent. The neighborhood also offers a unique blend of upper-mid income maisonettes, contemporary apartments and office blocks providing residence to NGO's and various embassies
- Some of Kilimani's strengths that have driven high real estate returns over the years include:
  - **i. Good infrastructure:** The area is easily accessed using main roads such as Argwings Kodhek Road, Ngong Road, Ring Road Kilimani, Dennis Pritt Road and Lenana Road, and is served by water supply and sewerage connectivity from Nairobi Water and Sewerage Company (NAWASCO)
  - **ii. Relaxation of zoning Regulations:** The relaxation of zoning regulations allowing development of high density buildings has enabled construction of apartments and commercial buildings to cater to the growing middle class
  - **iii. Proximity to Huge Expatriate Community:** French, Ethiopian, American and Nigerian communities leading to the development of several international organizations in the area. A number of embassies such as the Australian, Chinese, Israel, South African and Netherlands embassies are also located within the vicinity
- Cytonn Real Estate, through this development, gives an opportunity to own a piece of land in the prime Kilimani area. For more information about the Kilimani land please contact rei@Cytonn.com

# D. Conclusion and Outlook for the Sector

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# Conclusion and Outlook

## Our outlook for the infrastructure and legal reforms indicators are positive attributed to government's efforts to initiate policies and projects towards the development of the sector

| Indicator | 2020 Projections | 2021 Projections | 2020 Outlook | 2021 Outlook |
|---|---|---|---|---|
| Infrastructure Development | • Continued commitment by the government to its infrastructure developmental agenda, opening up areas for development thus boosting land value, despite the pandemic. | • We expect the infrastructure sector to register more development activities with the robust focus by the government to initiate, implement and conclude projects despite the pandemic, coupled with the 0.6% budget allocation increase for the FY'2021/22 to Kshs 182.5 bn from Kshs 181.4 bn allocated for the sector in the FY'2020/21, thus continue opening up areas for investment opportunities and boost property prices. | Neutral | Positive |
| Legal Reforms | • We expected reforms such as the amendment of the Business Laws Act to allow for online assessment, payment, and franking of stamp duty; allowance for the use of electronic signatures in the execution of land documents such as title deeds, lease agreements, land rates clearance and transfer, and the general digitalization of the lands ministry will enhance the ease of doing business within the land sector. | • We expect legal reforms such as the Stamp Duty (Valuation for Immovable Property) Regulations 2020 published by National Treasury Secretary, Ukur Yatani in October 2020 to continue improving the efficiency of land transaction processes in the country such as acquisition processes, and approval processes. | Positive | Positive |
| Credit Supply | • We expected constrained credit supply to cripple real estate development activities, as financiers such as banks aimed to limit exposure amidst increasing loan deferrals and defaults, in the wake of an economic slowdown attributed to the ongoing COVID-19 pandemic. | • We still maintain our view on credit access constraints to still impede the performance of the sector due to the higher lending interest rates coupled by the longer transaction timelines involved. | Negative | Negative |

# Conclusion and Outlook Continued

## Our overall outlook for the NMA land sector is positive, with performance expected to be further boosted majorly by positive demographics, and, improved infrastructure developments

| Indicator | 2020 Projections | 2021 Projections | Outlook |
|---|---|---|---|
| Real Estate Activities | • We expected the real estate sector to record a slowdown in development activities attributed to the current global and local economy slowdown and the existing oversupply of space in select sectors namely commercial office, retail and high-end residential markets.<br>• However, we expected the sector to improve significantly towards the end of 2020 once economic activity regains momentum. | • We expect the sector to register improved activities attributed to factors such as improving infrastructure developments opening up areas for investments, and the affordable housing initiative purposing for improved land transactions.<br>• However activities in the sector are still expected to be slowed by the reduced spending and limited credit supply. | Neutral |
| Performance | • We expected the performance of the land sector to be cushioned by; (i) the growing demand for development land, especially in the satellite towns as developers strive to drive the government's Big Four government agenda on the provision of affordable housing, (ii) improving infrastructure such as the ongoing construction of the Western bypass, and, (iii) increased demand for development land by the growing middle income population. | • With the economy slowly recovering evidenced by the improved performance of the sector, we expect factors such as improving infrastructure opening up areas for investment opportunities coupled by the various land reform measures geared towards the development of the sector to further boosts its performance. | Positive |

**We have three positive outlooks for infrastructure development, legal reforms and land sector performance, one neutral outlook for real estate activities and one negative outlook for credit supply bringing the total outlook of the sector to POSITIVE. We therefore expect its performance to be further boosted by robust infrastructure activities ongoing, increased demand for developments going forward and positive demographics, despite factors such as reduced spending power owed to the tough economic conditions and the inadequate infrastructure in some areas of the country still impeding its performance.**

**Disclaimer**

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