Cytonn 2026 Markets Outlook Note - Real Estate

Executive Summary:

Residential sector: Our outlook for the residential sector in 2026 is **NEUTRAL**, reflecting a balance between supply and demand dynamics. On the supply side, ongoing and pipeline developments in 2026 are expected to be driven by the government's continued rollout of the Affordable Housing Programme, targeting the delivery of 200,000 housing units annually, alongside sustained private sector participation to help bridge the housing deficit and continued infrastructure development across key urban and peri-urban areas. On the demand side, the outlook for 2026 is neutral, as high taxes, elevated construction costs and cautious lending standards are expected to constrain buyers' purchasing power and limit uptake, even as inflation and the Central Bank Rate have eased modestly and the ongoing urbanisation. In terms of investment opportunities, detached units remain attractive in Kitengela, Ngong, and South B & C, while apartments continue to offer relatively higher returns in Kahawa West, Westlands, and Dagoretti, supported by resilient rental demand and favourable occupancy levels;

Commercial Office Sector: Our overall outlook for the Nairobi Metropolitan Area commercial office sector is **POSITIVE.** We expect the sector to remain stable with a slight improvement by 0.2% in rental yields recorded in FY'2026, attributable to an expected increase in overall rental rates by 0.5% in FY'2026. The improved performance may be supported by; i) the increasing presence of multinational companies in Kenya is likely to drive up occupancy levels, ii) co-working spaces are gaining in popularity in the region iii) the gradual return to "working from office" after the Covid-19 pandemic, iv) more start-ups are expected to drive demand for commercial spaces, and v) a considerable uptake of prevailing commercial office spaces. However, the sector continues to face challenges due to a significant oversupply of office space, currently standing at 5.7 mn SQFT as at FY'2025. Despite these challenges, investment opportunity lies in areas such as Westlands, Gigiri, and Kilimani, which offer rental yields of 9.3%,8.5% and 8.2%, compared to the market average of 7.8%;

Retail Sector: We maintain a **NEUTRAL** outlook on the retail sector's performance for 2026, influenced by several factors; i) continued expansion by local and international retailers, driven by evolving consumer preferences and market trends, ii) infrastructure improvements, including ongoing road and railway projects, are set to increase accessibility to key retail zones, unlocking further investment opportunities, and iii) favorable demographic trends, such as a growing urban population, will sustain demand for retail goods and services. However, growth could face challenges from: i) oversupply issues, with around 3.6 mn SQFT of retail space available in Nairobi and an additional 1.9 mn SQFT countrywide, leading to low occupancy rates and rental yields, ii) e-commerce adoption, increasingly shifting retail demand online, pushing brick-and-mortar outlets to adapt, and iii) limited financing options for retail developments, along with high costs, are likely to hinder investment, especially for small and medium-sized enterprises (SMEs) that need to adopt technology to stay competitive;

Hospitality Sector: We maintain a **POSITIVE** outlook for the hospitality sector, supported by several key drivers: i) aggressive marketing campaigns promoting Kenya's tourism, expected to boost tourist arrivals and improve occupancy rates at hospitality venues, ii) continued international recognition of Kenya's tourism industry, enhancing its status as a leading tourist destination and drawing more global visitors, iii) strategic partnerships within the tourism sector, fostering innovation and collaboration to capitalize on new opportunities, iv) events and initiatives aimed at increasing tourism activity and improving guest experiences. However, while the sector demonstrated resilience in its overall performance in 2025, the outlook remains cautiously optimistic due to i) Kenya continues to face significant competition from neighboring markets, such as Rwanda, which employs aggressive promotional strategies, alongside Zanzibar, Tanzania, and South Africa, these regions actively position themselves as attractive alternatives, challenging Kenya's market share in the region, ii) difficulty in accessing finance as lenders demand more collateral to cushion themselves owing to elevated credit risk, and

iii) occasional release of cautionary statements by governments like Australia to their citizens advising them against travelling to Kenya due to threats like terrorism and elevated crime rates;

Land Sector: We maintain a **POSITIVE** outlook for the land sector in the Nairobi Metropolitan Area (NMA), We expect the performance to be further boosted by factors driving demand for development land such as; i) Increased infrastructure developments which has improved and opened up areas for investment, ii) Roll out of numerous affordable housing projects by both the public and private sectors, iii) Affordability of land in the satellite towns, iv) Limited supply of land especially in urban areas which has contributed to exorbitant prices, and, v) Positive demographics driving demand for land upwards, facilitated by high population growth and urbanization rates of 2.0% p.a and 3.7% p.a, respectively against the global averages 1.0% p.a and 1.7% p.a, respectively;

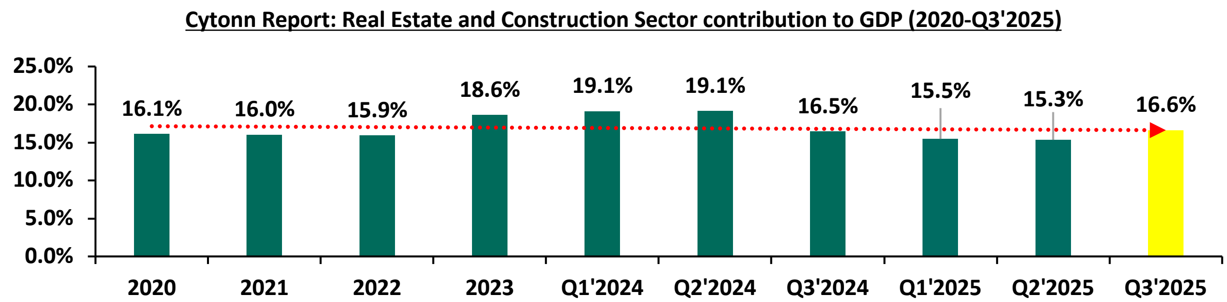
Infrastructure Sector: We maintain a **POSITIVE** outlook in the infrastructural sector. We anticipate the government will continue with its aggressive efforts to; i) construct and rehabilitate roads, bridges, railways, airports, and affordable housing units, among others, ii) increase its diplomacy and partnerships in development among neighbouring nations, and, iii) step up on the competition for attracting regional and international investors against other countries in Eastern Africa like Tanzania through railway connections and ports infrastructure. However, the sector may face challenges such as fiscal constraints, execution delays, land disputes, cost overruns, and climate risks. Although the government acknowledges the importance of Public-Private Partnerships (PPPs) in tackling financing challenges, we believe that prioritizing PPPs is fundamental in addressing funding shortfalls. By leveraging the resources and expertise of the private sector, PPPs can support sustainable infrastructure development and stimulate economic growth;

Industrial Sector: We maintain a **NEUTRAL** outlook on the industrial sector's performance. We expect slight growth in the sector as investors continue to respond to the growing demand for industrial spaces both in Nairobi and around the country. Data centres, cold rooms, growth in e-commerce, and rising demand for fast-moving consumer goods will continue to foster growth in the industrial sector. In 2026, we expect a slight increase in development activities in the industrial sector through government support in line with its Bottom Up Economic Transformation Agenda (BETA) which aims to tap into the manufacturing sector to create wealth, employment and reduce poverty levels among Kenyan citizens. However, optimal performance in this sector may be weighed down by factors like high development costs for industrial facilities, low technological adoption and inadequate infrastructure to support operation of these facilities. Going forward, we expect the sector to continue on an upward trajectory driven by: i) the rising demand for data centers in the country, ii) an increasing demand for cold rooms, especially in the Nairobi Metropolitan Area, iii) demand for quality warehouses due to the growing e-commerce business in the country, iv) support from the government, as evidenced by the establishment of Special Economic Zones (SEZ) and Export Processing Zones (EPZ), v) increased development activities by industry players such as ALP Africa Logistics & Devki steel mills, vi) Kenya's continued recognition as a regional hub, hence attracting international investors, and, vii) efforts by the government to support agricultural and horticultural products in the international market Viii) continued improvement in infrastructure through projects such as the Standard Gauge Railway (SGR), the Eastern and Northern Bypasses connecting Jomo Kenyatta International Airport (JKIA) and other regions in the Nairobi Metropolitan Area, among other key infrastructural improvements which we expect will increase the output of Special Economic Zones and Inland Container Depots (ICDs);

Real Estate Investment Trusts : We maintain **NEUTRAL** outlook for the REITs sector and we expect Kenya's Real Estate sector to remain on a growth trend, supported by: i) demand for housing sustained by positive demographics, such as urbanization and population growth rates of 3.7% p.a and 2.0% p.a, respectively, against the global average of 1.7% p.a and 1.0% p.a, respectively, as at 2024, ii) activities by the government under the Affordable Housing Program (AHP) iii) heightened activities by private players in the residential sector. However, challenges such as rising construction costs, strain on infrastructure development (including drainage systems), high capital requirements for REITs, and existing oversupply in select Real Estate sectors will continue to hinder the sector's optimal performance by limiting developments and investments;

Real Estate

In 2025, the general Real Estate sector continued to witness considerable growth in activity in terms of property transactions and development activities. Consequently, the sector's activity contribution to Gross Domestic Product (GDP) grew by 5.0 % to Kshs 298.1 bn in Q3'2025, from Kshs 283.8 bn recorded during the same period in 2024. In addition, the sector contributed 10.4% to the country's GDP, 0.4% points decrease from 10.8% recorded in Q3'2024. Cumulatively, the Real Estate and construction sectors contributed 8.6% to GDP, 0.2% points decrease from 8.8% in Q3'2024, contributable to decline in construction contribution to GDP by 0.2% points, to 5.5% in Q3'2025, from 5.7% recorded in Q3'2024. The graph below highlights the Real Estate and Construction sectors' contribution to GDP from 2020 to Q3'2025;



Source: Kenya National Bureau of Statistics (KNBS)

In terms of performance the NMA residential sector recorded a marginal increase in performance, with the average total returns to investors coming in at 6.6%, a 0.8%-point increase from 5.8% recorded in FY'2024. The performance was attributed to an increase in the residential average y/y price appreciation which came in at 0.8% in FY'2025, 0.4%-points higher than the 0.4% appreciation recorded in FY'2024, driven by increased property transactions during the year. On the other hand, the average rental yield came in at 5.9% in FY'2025, recording a 0.5%-points increase from the 5.4% rental yield recorded in FY'2024. This was driven by an increase in the average rent per SQM by 9.7% to Kshs 622, from Kshs 567 recorded in FY'2024. The table below shows the annual Real Estate rental yields for existing properties in all the sectors from FY'2020 to FY'2025;

Cytonn Report: Annual Real Estate Rental Yields Summary Table, for Existing Properties							
	FY'2020	FY'2021	FY'2022	FY'2023	FY'2024	FY'2025	Y/Y Change (% Points)
Average Rental Yield	6.1%	6.5%	6.8%	6.1%	7.5%	7.8%	0.3%

Source: Cytonn Research

We retain a NEUTRAL outlook for the overall Kenyan Real Estate sector in 2026, as market performance is expected to be supported by several structural and cyclical factors, including: i) steadily growing demand for real estate driven by Kenya's favourable demographics and rapid urbanisation, ii) the government's continued focus on the delivery of affordable housing under the Affordable Housing Programme, iii) ongoing initiation and implementation of key infrastructure projects that are opening

up new investment nodes and supporting property values, iv) improved investor confidence in the hospitality sector supported by continued recovery in tourism and rising international arrivals, v) sustained efforts by the government through the Kenya Mortgage Refinance Company (KMRC) to enhance access to affordable home financing, vi) aggressive expansion by both local and international retailers in select, well-performing nodes, and vii) Kenya's continued positioning as a regional business and investment hub, which continues to attract foreign capital inflows. However, the sector's performance in 2026 is expected to be constrained by elevated construction costs, persistent oversupply in the commercial office and retail segments, slower-than-anticipated delivery of affordable housing units, travel advisories issued by several countries affecting tourism sentiment, a challenging business environment, and subdued investor appetite for Real Estate Investment Trusts (REITs), which continues to limit capital market participation in the sector

For a detailed review of the sector's performance during 2025, see our Cytonn Annual Markets Review – 2025.

In 2026, we expect the key drivers of Real Estate to be as follows:

i. **Government's continued focus on Affordable Housing:** the Kenyan government has sustained its strong commitment to the Affordable Housing Program (AHP), a key pillar under the Bottom-Up Economic Transformation Agenda (BETA). According to the Architectural Association of Kenya's (AAK) Status of the Built Environment Report 2025, there are 307 ongoing projects across the country, comprising 214,057 housing units. Of these, 77.0% are Affordable Housing Programme units, 10.0% are student housing, 7.0% are institutional staff housing and 6.0% are private projects benefitting from VAT exemptions. The program continues to gain momentum following the operationalization of the Affordable Housing Act, 2024, which introduced the Affordable Housing Levy, a dedicated funding mechanism now actively supporting project financing. The government has also expanded collaborations with county governments and private developers to unlock land and fast-track approvals, further accelerating housing delivery across the country;

ii. **Infrastructural development:** Kenya sustained momentum in infrastructure development, with focus shifting to ongoing government and public-private partnership (PPP) projects aimed at improving connectivity and supporting Real Estate activity. Key highlights in the quarter included progress on Phase II of the Dongo Kundu Bypass, particularly works on the Mwache and Mteza bridges, and continued upgrades of road networks under the Kenya Urban Roads Authority (KURA) in Nairobi and other urban centres. Additionally, reports pointed to new disbursements under the Roads Annuity Program and ongoing construction under the Affordable Housing supporting infrastructure initiative, which includes feeder roads, water and sewer systems in housing project sites. These developments underline the state's prioritization of infrastructure as a catalyst for economic growth, even as challenges such as high construction costs and delayed contractor payments remain constraints to faster implementation,

iii. **Provision of affordable mortgage financing:** Kenya Mortgage Refinance Company (KMRC) has continued to play a critical role in expanding access to affordable housing finance by offering single-digit fixed-rate, long-term refinancing to Primary Mortgage Lenders (PMLs) such as banks, SACCOs, and microfinance institutions. In Q3'2025, KMRC advanced the implementation of its widened eligibility framework to include non-shareholder SACCOs and microfinance banks, aimed at enabling more institutions to offer low-cost mortgages to underserved segments, particularly low- and middle-income earners. This initiative aligns with the government's affordable housing agenda by enhancing the availability of sustainable mortgage products. KMRC also sustained its capital-raising efforts through bond issuances to support continued liquidity for mortgage lenders, reinforcing its mandate to deepen Kenya's mortgage market;

iv. **Aggressive expansion pursued by retailers:** The retail landscape has seen a surge in growth, with both domestic and international retailers like Naivas, QuickMart, China Square, Panda Mart, and Carrefour aggressively expanding their market presence. These retailers are capitalizing on the opportunities created by the exit of distressed chains like Choppies, Nakumatt, Tuskys, and Uchumi,

v. **Kenya's recognition as a regional business hub:** Kenya continues to enjoy recognition as a regional business hub. As a result, foreign entities have continued to open business operations in Kenya, boosting the demand for both commercial and residential Real Estate. Increased business activity has driven up demand for office space, apartments, and housing near business hubs, leading to the development of new projects, increased property values, and job creation in the construction sector**,**

vi. **Positive Demographics:** with relatively high urbanization and population growth rates of 3.7% p.a and 2.0% p.a, respectively, against the global average of 1.7% p.a and 1.0% p.a, respectively, as at 2024, there is a sustained demand for more housing units in the country,

vii. **Increasing Investor Confidence:** Increase in investor confidence has greatly influenced hospitality sector and this is evident through mergers, acquisitions and expansions of hotels. Furthermore, Kenya National Bureau of Statistics' Leading Economic Indicators – September 2025 report highlighted that arrivals through Jomo Kenyatta International Airport (JKIA) and Moi International Airport (MIA) registered an increase of 52.2% to 745,720 visitors in Q3'2025 from 489,831 visitors recorded in Q3'2024. Notably, the Hotel Chain Development Pipelines in Africa 2025 Report ranked Nairobi at 6th position by planned number rooms with 26 hotels and 4,344 rooms in the pipeline,

viii. **Special Built Developments:** There has been an increased popularity of purpose-built properties to host Student housing, medical centers, Diplomatic residentials, data centers which offer potential for growth to the Real Estate sector through alternative markets. Due to these assets classes, the industry remains resilient despite the rapidly changing technological and economic environments, and,

Despite the above drivers, the sector's optimal performance is expected to be hampered by the following factors in 2026:

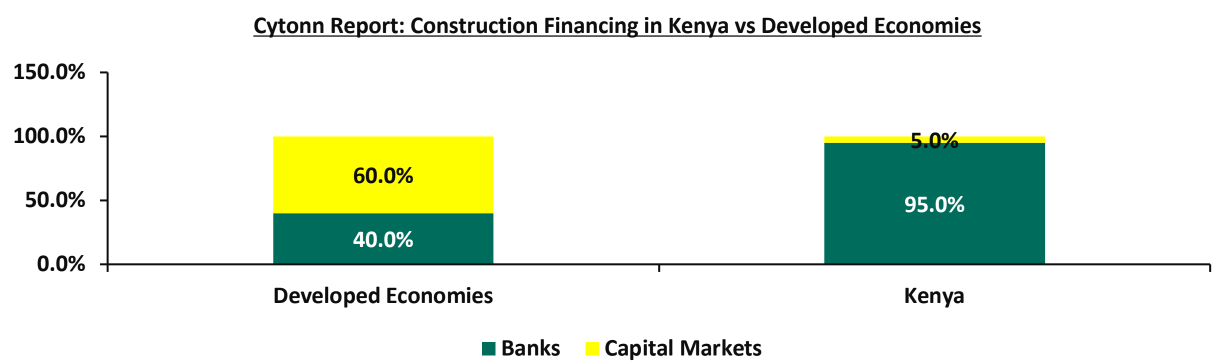
a. **Existing oversupply of physical space in select sectors**: With approximately 5.7 mn SQFT in the NMA commercial office market, approximately 3.0 mn SQFT in the Nairobi Metropolitan Area (NMA) retail market, with the rest of the Kenyan retail market having an oversupply of approximately 1.7 mn SQFT. This has led to prolonged vacancy rates in the respective Real Estate sectoral themes,

b. **Subdued REITs Market**: The REITs market in Kenya continues to be subdued owing to various challenges such as the large capital requirements of Kshs 100.0 mn for trustees compared to Kshs. 10 mn for pension fund Trustees, which limits the role to banks, prolonged approval process for REITs, only a few legal entities capable of incorporating REITs, high minimum subscription amounts or offer parcels set at Kshs 0.1 mn for D-REITs and 5.0 mn for restricted I-REITs and lack of adequate knowledge of the financial asset class by investors,

c. **Constrained financing to developers:** Financing for real estate developers remains constrained due to elevated borrowing costs and increased lending caution, with lenders demanding more collateral given the heightened credit risk in the sector. Recent data points to a worsening of overall bank asset quality: the gross non-performing loans (NPL) ratio in the banking sector worsened to 17.6% by June 2025, up from 17.4% in March 2025. Among listed banks, the weighted average NPL ratio also deteriorated, rising to 14.0% in Q1'2025 from 13.5% a in 2024. Elevated non-performing loans squeeze banks' capacity to extend credit, tighten lending standards and heighten risk perceptions, all of which exacerbate financing constraints for real estate developers.

d. **Construction Costs**: Construction costs in Kenya showed modest growth in Q3'2025, supported by relatively stable input prices and subdued inflation of 0.7% y/y. According to the KNBS Q3'2025 Construction Input Price Indices report, the Building Cost Index (BCI) rose to 121.3, up from 119.3 in Q2'2025, representing a 1.7% quarter-on-quarter increase. The increase was driven by higher prices for steel, reinforced bars, sand, ballast, and roofing materials, while some inputs such as cement and timber recorded slight declines. Overall, the data indicate a moderation in construction cost growth compared to previous periods, although developers continue to face upward pressure on select materials, highlighting ongoing cost considerations for real estate projects.

e. **Underdeveloped capital markets**: It is difficult to develop pools of capital focused on projects, particularly in the private markets, to supplement government efforts in providing housing. Banks in Kenya are the primary source of funding for real estate developers, providing nearly 95.0% of funding as opposed to 40.0% in developed countries. This means that capital markets contribute only 5.0% of Real Estate development funding, compared to 60.0% in developed countries as shown below;



Source: World Bank, Capital Markets Authority

The table below summarizes our outlook on the various Real Estate themes and the possible impact on the business environment in 2026;

Thematic Performance Review and Outlook

Cytonn Report: Thematic Performance Review and Outlook			
Theme	**2025 Performance**	**2026 Outlook**	**Effect**
Residential Sector	• The demand for housing is anticipated to remain strong in 2025, fueled by favorable population demographics. The government's increased focus on executing its affordable housing agenda is likely to stimulate further growth in the sector. Moreover, the expansion and development of infrastructure projects are expected to boost the sector, along with government initiatives to provide low-cost loans to Kenyans through the Kenya	• We expect housing demand to remain resilient in 2026, supported by Kenya's favorable population demographics and continued urbanization. The government's sustained focus on implementing the Affordable Housing Program is expected to support sector growth, while ongoing and planned infrastructure developments are likely to enhance accessibility and unlock new residential investment nodes. In addition, continued government initiatives through the Kenya Mortgage Refinance Company (KMRC) are expected to improve access to	**Neutral**

	Mortgage Refinance Company (KMRC), which aims to improve homeownership opportunities. • Conversely, we expect the sector to be weighed down by the prevailing tough economic environment such as the low penetration of mortgages, soaring cost of building materials and land prices affecting construction cost in the long run • For detached units, investment opportunity lies in areas such as Kitengela, Ngong, and, South B&C, while for apartments, investment opportunity lies in Kahawa West, westlands and Dagorreti, due to their remarkable returns driven by relatively high returns to investors	relatively affordable home financing, supporting homeownership over the medium term. • However, sector performance in 2026 is expected to face headwinds from a challenging macroeconomic environment, characterized by low mortgage penetration, elevated interest rates, rising construction costs driven by high prices of building materials, and escalating land prices, which are expected to exert upward pressure on development costs and limit supply in the long term. • In terms of investment opportunities in 2026, detached housing remains attractive in Kitengela, Ngong, and South B & C, supported by affordability and improving infrastructure, while apartments continue to offer relatively higher returns in Kahawa West, Westlands, and Dagoretti, driven by strong rental demand and favourable returns to investors.	
Commercial Office Sector	• In FY'2025, the average rental yields showed resilience with 0.02%-points increase, coming at 7.82% in FY'2025 from 7.80% in FY'2024. This is attributable to an increase in occupancy by 1.6% during the period under review. • The improvement in performance was mainly driven by; high number of Grade A offices which are highly preferred especially by multinational companies, high demand for quality offices by embassies, international organizations and multinational companies in prime areas that are have ease of access to the capital	• We expect the sector to remain stable with a slight improvement by 0.2% in rental yields recorded in FY'2026, attributable to an expected increase in overall rental rates by 0.5% in FY'2026. The improved performance may be supported by; i) the increasing presence of multinational companies in Kenya is likely to drive up occupancy levels, ii) co-working spaces are gaining in popularity in the region iii) the gradual return to "working from office" after the Covid-19 pandemic, iv) more start-ups are expected to drive demand for commercial spaces, and v) a considerable uptake of prevailing commercial office spaces. However, the sector continues to face challenges due to a significant oversupply of office space, currently standing at 5.7 mn SQFT as at FY'2025. • Investment opportunity lies in areas such as Westlands, Gigiri, and Kilimani, which offer rental yields of 9.3%,8.5% and 8.2%, compared to the market average of 7.8%;	**Positive**
Retail Sector	• The sector occupancy rates increased by 3.3% points to 85.5% in FY'2025, from 82.2% recorded in FY'2024. The average rental rates per SQFT surged by 0.8% to Kshs 183.5 in FY'2025 from the Kshs 182.5 recorded in FY'2024. The average rental yield for the NMA retail sector improved by 0.4% points to 8.8% in FY'2025, from 8.4% in FY'2024, as a result of improved asking rents and occupancy rates. • The improved performance was due to; i) aggressive growth strategies implemented by both domestic and international retailers such as Naivas, QuickMart, China square and Carrefour, and, ii) continuous demand for consumer goods and services supported by positive demographics, encouraging further expansions from current retailers,	• We expect a slight increase in rental yields by 0.3% points due to rising rental costs for retail spaces and the aggressive expansion of retailers into new and previously occupied areas. Additionally, infrastructure developments that open up new investment opportunities, along with favorable demographics, are expected to bolster sector performance. However, challenges such as oversupply, the growing adoption of e-commerce, a challenging economic environment for businesses, and the presence of informal retail spaces are likely to undermine the sector's performance, ultimately impacting rental yields. • Investment opportunity lies in areas such as Westlands, Karen, and Kilimani which continue to record impressive returns. This is in addition to the undersupplied regions of the country such as Mount Kenya, western and the Coast	**Neutral**
Hospitality Sector	• In 2025, serviced apartments' year-on-year (y/y) performance improved, with the occupancy rates coming in at 74.7% in 2025, a 2.5%-points increase from the 72.2% recorded in 2024. The average monthly charges for 2025 increased by 6.7% to Kshs 3,366 per SQM from 3,155 recorded in 2024. Consequently, the average rental yield increased to 7.4% in 2025, 0.1% points increase from the 7.3% recorded in 2024. • The sector's overall performance improved attributable to increasing number of visitor arrivals in the country by	• We expect the sector to continue registering improved performance moving forward in terms of overall hotels in operation, hotel bookings, and hotel occupancies supported by; i) aggressive marketing campaigns promoting Kenya's tourism, expected to boost tourist arrivals and improve occupancy rates at hospitality venues, ii) continued international recognition of Kenya's tourism industry, enhancing its status as a leading tourist destination and drawing more global visitors, iii) strategic partnerships within the tourism sector, fostering innovation and collaboration to capitalize on new opportunities, iv) events and	**Positive**

	52.2% to 745,720 visitors in Q3'2025 from 489,831 visitors recorded in Q3'2024, which increased the number of hotels in operation, hotel bookings and bed occupancies during the year, in addition to aggressive local and international marketing of Kenya's tourism industry	initiatives aimed at increasing tourism activity and improving guest experiences. • However, while the sector demonstrated resilience in its overall performance in 2025, the outlook remains cautiously optimistic due to i) Kenya continues to face significant competition from neighboring markets, such as Rwanda, which employs aggressive promotional strategies, alongside Zanzibar, Tanzania, and South Africa, these regions actively position themselves as attractive alternatives, challenging Kenya's market share in the region, ii) difficulty in accessing finance as lenders demand more collateral to cushion themselves owing to elevated credit risk, and iii) occasional release of cautionary statements by governments like Australia to their citizens advising them against travelling to Kenya due to threats like terrorism and elevated crime rates; • Prime investment prospects lie in Westlands, Limuru Road, and Kilimani, where average rental yields stood at 11.4%, 9.2%, and 8.6%, respectively, surpassing the market average of 7.4% in 2024. This was due to their proximity to the CBD, the existence of top-tier serviced apartments commanding premium rates, convenient accessibility, and their closeness to international organizations, fostering a robust demand for serviced apartments in these areas	
Land Sector	• The land sector in Nairobi Metropolitan Area (NMA) recorded a price appreciation of 3.4% to Kshs 136.7 mn from 132.9 mn. • Unserviced land in the satellite towns of Nairobi recorded an average YoY capital price appreciation of 3.3%, with average asking prices coming in at Kshs 17.6 mn in FY'2024/25, from the Kshs 17.0 mn recorded in FY'2023/24. Additionally, the performance grew by a 14-year average CAGR of 12.4%, to average asking prices of Kshs 17.6 mn in FY'2024/25 from the Kshs 3.6 mn recorded in 2011 • The performance was supported by; i) Ongoing and planned infrastructure improvements, such as the Western, South and Eastern bypass, commuter railways and other utilities have made satellite towns more accessible and appealing for investment, and, ii) Investors looking for capital gains have been buying land in these towns, anticipating future appreciation as the areas develop and urbanize.	• We maintain a POSITIVE outlook for the land sector in the Nairobi Metropolitan Area (NMA), considering it a dependable investment opportunity that has shown improving performance year on year. Going forward, we expect the sector's performance to be driven by several factors: i) Increased infrastructure developments which has improved and opened up areas for investment, ii) Roll out of numerous affordable housing projects by both the public and private sectors, iii) Affordability of land in the satellite towns, iv) Limited supply of land especially in urban areas which has contributed to exorbitant prices, and, v) Positive demographics driving demand for land upwards, facilitated by high population growth and urbanization rates of 2.0% p.a and 3.7% p.a, respectively against the global averages 1.0% p.a and 1.7% p.a, respectively. • The investment opportunity lies in Juja, Limuru and Utawala for unserviced land, which recorded annualized capital appreciations of 5.0%, 3.2% and 4.6% respectively compared to market average of 3.3%. For serviced land, Syokimau Ruiru&Juja and Athiriver recorded the highest annualized capital appreciations of 4.3% 4.0% and 3.6%, respectively against the serviced average of 3.0%;	**Positive**
Infrastructure Sector	• The government continued to make considerable efforts in advancing infrastructural developments across the country amid focus on achieving the Vision 2030 and Big Four Agenda. • In the FY'2025/26, the total budget allocation for infrastructure, energy and ICT stood at a substantial Kshs 535.6bn, recording a 12.2% increase from the Kshs 477.2bn recorded for the preceding FY'2024/25. • Some of the key projects implemented in 2025; Miritini Meter Gauge Railway (MGR) Station and Makupa Causeway bridge among other several notable projects..	• In 2026, We anticipate the government will continue with its aggressive efforts to; i) construct and rehabilitate roads, bridges, railways, airports, and affordable housing units, among others, ii) increase its diplomacy and partnerships in development among neighbouring nations, and, iii) step up on the competition for attracting regional and international investors against other countries in Eastern Africa like Tanzania through railway connections and ports infrastructure. • However, the sector may face challenges such as fiscal constraints, execution delays, land disputes, cost overruns, and climate risks. Although the government acknowledges the importance of Public-Private Partnerships (PPPs) in tackling	**Positive**

		financing challenges, we believe that prioritizing PPPs is fundamental in addressing funding shortfalls. By leveraging the resources and expertise of the private sector, PPPs can support sustainable infrastructure development and stimulate economic growth.	
Industrial Sector	• In 2025, the Nairobi Metropolitan Area has been on the front line and a major contributor to the Industrial Real Estate Sector accounting for approximately 90.0% of the country's industrial space. It is known for its high concentration of industrial projects in areas like Nairobi, Kiambu, Machakos and Kajiado; with Nairobi County holding the largest share at 66.0%, largely due to its status as the capital city. Kiambu follows, housing key industrial investments such as Tatu City, Nairobi Gate Industrial Park (NGIP), Tilisi, and Northlands City. These areas have attracted major industrial projects like Africa Logistics Property (ALP) West in Tilisi and ALP North in Tatu City, bolstering Kiambu's market share. The growth in the area has been driven by several factors such as the surge in e-commerce, demand for high-quality facilities, favorable demographics, enhanced infrastructure, government-led initiatives aligned with Vision 2030 and Nairobi's role as East Africa's business hub which has attracted foreign investments.	• In 2026, we expect a slight increase in development activities in the industrial sector through government support in line with its Bottom Up Economic Transformation Agenda (BETA) which aims to tap into the manufacturing sector to create wealth, employment and reduce poverty levels among Kenyan citizens. However, optimal performance in this sector may be weighed down by factors like high development costs for industrial facilities, low technological adoption and inadequate infrastructure to support operation of these facilities. • In 2026, we expect the sector to continue on an upward trajectory driven by: i) the rising demand for data centers in the country, ii) an increasing demand for cold rooms, especially in the Nairobi Metropolitan Area, iii) demand for quality warehouses due to the growing e-commerce business in the country, iv) support from the government, as evidenced by the establishment of Special Economic Zones (SEZ) and Export Processing Zones (EPZ), v) increased development activities by industry players such as ALP Africa Logistics, vi) Kenya's continued recognition as a regional hub, hence attracting international investors, and, vii) efforts by the government to support agricultural and horticultural products in the international market. viii) continued improvement in infrastructure through projects such as the Standard Gauge Railway (SGR), the Eastern and Northern Bypasses connecting Jomo Kenyatta International Airport (JKIA) and other regions in the Nairobi Metropolitan Area, among other key infrastructural improvements which we expect will increase the output of Special Economic Zones and Inland Container Depots (ICDs).	**Neutral**
Listed Real Estate	• The underperformance of the Kenyan REIT sector is attributable to various factors such as; i) Insufficient understanding of the investment instrument among investors leading to a slower uptake of REIT products, ii) Lengthy approval processes for REIT creation, iii) High minimum capital requirements of Kshs 100.0 mn for REIT trustees compared to Kshs 10.0 mn for pension funds Trustees, essentially limiting the licensed REIT Trustee to banks only, iv) The rigidity of choice between either a D-REIT or and I-REIT forces managers to form two REITs, rather than having one Hybrid REIT that can allocate between development and income earning properties, v) Limiting the type of legal entity that can form a REIT to only a trust company, as opposed to allowing other entities such as partnerships, and companies, vi) We need to give time before REITS are required to list – they would be allowed to stay private for a few years before the requirement to list given that not all companies maybe comfortable with listing on day one, and, vii) Minimum subscription amounts or offer parcels set at Kshs 0.1 mn for D-REITs and Kshs 5.0 mn for restricted I-REITs. The significant capital requirements still make REITs relatively inaccessible to smaller retail investors compared to other investment vehicles like unit	• In 2026 we expect REITS to gain popularity as developers such as Africa Logistics Properties being licenced to offer an Industrial I-REIT by the Capital Market Authority. Centum Real Estate are looking forward to launch a dollar based Income REIT in 2026 and we expect that the dollar based I-REIT will: i) increase foreign investments by boosting investors' confidence against local currency uncertainties, ,ii) dollar-denominated REITs provide an alternative for investors seeking more liquid and globally recognized investment options, iii) the dollar based move is likely to set a precedent for other players in the market, encouraging the development of more innovative and investor-centric financial products, and, iv) the fund could force policy regulatory framework improvement to ensure transparency and investments protection. • In addition, we expect the sector will continue to lag behind in comparison to other African countries such as South Africa, attributable to several challenges facing the sector such as; i) lack of sufficient investor awareness regarding the potential of REITs as an investment tool, ii) lengthy approval procedures for establishing REITs have hindered their formation and deployment in the market, iii) high minimum capital requirement of Kshs Kshs 100.0 mn for REIT trustees compared to Kshs 10.0 mn for pension funds Trustees, essentially limiting	**Neutral**

	trusts or government bonds, all of which continue to limit the performance of Kenyan REITs. On the [Unquoted Securities Platform](), Acorn D-REIT and I-REIT traded at Kshs 27.4 and Kshs 23.2 per unit, respectively, as per the last updated data on 5th December 2025. The performance represented a 33.4% and 14.5% gain for the D-REIT and I-REIT, respectively, from the Kshs 20.0 inception price. The volumes traded for the D-REIT and I-REIT came in at Kshs 12.8 mn and Kshs 40.6 mn shares, respectively, with a turnover of Kshs 323.5 mn and Kshs 791.5 mn, respectively, since inception in February 2021. Additionally, ILAM Fahari I-REIT traded at Kshs 11.0 per share as of 5th December 2025, representing a45.0% loss from the Kshs 20.0 inception price. The volume traded to date came in at 1.2 mn shares for the I-REIT, with a turnover of Kshs 1.5 mn since inception in November 2015	the licensed REIT Trustee to banks only,, and, iv) steep minimum subscription amounts or offer parcels set at Kshs 0.1 mn for D-REITs and Kshs 5.0 mn for restricted I-REITs. • However, we also expect the trend of strategic acquisitions to persist, with REITs actively seeking opportunities to broaden and diversify their portfolios, cater to evolving market demands and also set standards in promoting environmental sustainability such as execution of green bonds by Acorn holding.	

With 4 themes recording a positive outlook and 4 remaining neutral, the general outlook for the sector remains NEUTRAL. The sector's performance is expected to be supported by: i) continued infrastructural development, ii) sustained government and private sector focus on affordable housing delivery, iii) increased emphasis on mortgage financing through the Kenya Mortgage Refinance Company (KMRC), iv) improving investor confidence supported by the ongoing recovery of the hospitality sector, v) aggressive expansion by both local and international retailers seeking to maintain and grow market presence, and vi) Kenya's favourable demographic profile, which continues to drive housing demand. However, the sector's performance is expected to be constrained by rising construction costs driven by inflation, limited access to financing for developers amid underdeveloped capital markets, oversupply in select real estate segments, and persistently low investor appetite for Real Estate Investment Trusts (REITs), which continue to weigh on overall sector performance.

I. Residential Sector

During FY'2025, the NMA residential sector recorded a marginal increase in performance, with the average total returns to investors coming in at 6.6%, a 0.8%-point increase from 5.8% recorded in FY'2024. The performance was attributed to an increase in the residential average y/y price appreciation which came in at 0.8% in FY'2025, 0.4%-points higher than the 0.4% appreciation recorded in FY'2024, driven by increased property transactions during the year. On the other hand, the average rental yield came in at 5.9% in FY'2025, recording a 0.5%-points increase from the 5.4% rental yield recorded in FY'2024. This was driven by an increase in the average rent per SQM by 9.7% to Kshs 622, from Kshs 567 recorded in FY'2024.

Going forward, we expect the sector will register continued growth driven by the Affordable Housing Programme (AHP) as the government intensifies efforts to implement the initiative across most counties. The sector will also be supported by the completion and expansion of key infrastructure projects, opening up previously inaccessible satellite areas and boosting property values. Improved connectivity of utilities such as water and electricity in these areas is also likely to increase property prices. On the other hand, high financing costs may limit uptake and occupancy in some nodes, affecting rental yields and property prices.

Demand Side

Of the five factors we track, one is positive, and four are neutral, thus our outlook for residential demand this year is NEUTRAL. The table below summarizes the various factors that will affect the **demand side** of residential real estate;

Cytonn Report: Residential Demand Outlook		
Metric	**2026 Outlook**	**Effect**
Demographics	• According to the World Bank, Kenya has relatively high urbanization and population growth rates averaging 3.7% and 2.0% respectively, compared to global averages of 1.7% and 1.0% as of 2024. This will continue to provide sustained demand for more housing units in the country	**Positive**
Infrastructure	• The government plans to advance key infrastructural projects, including the Rironi-Mau Summit Road under a PPP model and other major road networks to improve connectivity and support development. Additionally, ongoing initiatives across road and transport networks, including rail projects, are expected to enhance regional connectivity and support economic growth	**Neutral**
Investor Returns	• Residential sector recorded a marginal increase in performance, with the average total returns to investors coming in at 6.6%, a 0.8%-point increase from 5.8% recorded in FY'2024. The performance was attributed to an increase in the residential average y/y price appreciation which came in at 0.8% in FY'2025, 0.4%-points higher than the 0.4% appreciation recorded in FY'2024, driven by increased property transactions during the year • We expect more investments in the lower mid-end Suburbs towns with average total returns of 5.5% performing better than detached units average of 5.2%. Apartments in Kahawa west, Dagorreti and Westlands recorded the highest returns at 12.0%, 11.5%, and 10.6% respectively, higher than the market average of 6.4%	**Neutral**
Purchasing Power	• Despite a challenging macro-economic environment characterized by high taxes that continue to constrain buyers' purchasing power, the easing of inflation and the Central Bank Rate has provided some relief by improving affordability and lowering borrowing costs. However, the impact remains moderate, as elevated living costs and cautious lending conditions continue to weigh on residential uptake, limiting a strong rebound in sector performance	**Neutral**
Access to Credit	• The government has continued to promote access to affordable credit through the Kenya Mortgage Refinance Company (KMRC) which has been crucial in providing Kenyans with low-cost loans increasing home ownership • However, lenders continue to ask for more collateral against loans advanced to the real estate sector due to elevated Non-Performing Loans. In Q2'2025, Non-Performing Loans advanced to the real estate sector stood at Kshs 131.6 bn, compared to Kshs 114.3 bn in Q2'2024, representing a 15.1% increase, and developers continue to face challenges in servicing their loan obligations	**Neutral**

Supply Side

Of the five factors that we expect to shape residential supply, one is negative, three are neutral, and one is positive, and thus our outlook is NEUTRAL. The table below summarizes the various factors that will influence the **supply side** of residential Real Estate in 2026.

Cytonn Report: Residential Supply Outlook		
Metric	**2026 Outlook**	**Effect**
Developer Returns	• In 2025, the residential sector recorded a marginal improvement in performance, with the average total returns to investors coming in at 6.6%, a 0.8%-point increase from 5.8% recorded in FY'2024. The performance was attributed to an increase in the residential average y/y price appreciation which came in at 0.8% in FY'2025, 0.4%-points higher than the 0.4% appreciation recorded in FY'2024, driven by increased property transactions during the year. On the other hand, the average rental yield came in at 5.9% in FY'2025, recording a 0.5%-points increase from the 5.4% rental yield recorded in FY'2024. This was driven by an increase in the average rent per SQM by 9.7% to Kshs 622, from Kshs 567 recorded in FY'2024. • Going forward, we expect developers will eye the lower-middle segment and upper mid-end segment, supported by improved sector performance and government interventions under the Affordable Housing Programme (AHP), which are expected to sustain demand and support price appreciation and rental growth across key residential nodes.	**Neutral**

	• Conversely, developers' activities are expected to be constrained by high financing costs, which may affect project uptake and occupancy levels, ultimately impacting rental yields and property price growth in some market segments.	
Access to Financing	• Accessing funding remains a hurdle for developers in Kenya due to the underdeveloped capital markets. As a result, the majority of developers continue to rely heavily on traditional funding sources such as banks, which account for approximately 95.0% of real estate financing, compared to about 60.0% in developed markets. Heightened loan defaults in the real estate sector have led banks to demand higher levels of securitization, further limiting developers' access to financing. • In 2026, we expect developers to increasingly seek alternative financing options to fund their projects, including equity financing, Public-Private Partnerships (PPPs), and off-plan sales, as conventional lending rates remain elevated and access to bank credit stays constrained	**Neutral**
Development Costs	• In 2026, developers are expected to continue facing pressure from elevated construction costs, with key materials showing mixed changes in 2025. According to KNBS Q3'2025 data, steel and reinforced bars rose by 5.2%, sand increased by 3.6%, ballast/gravel rose by 1.4%, and roofing materials increased by 2.5% year-on-year, while cement and timber prices eased modestly. These input cost pressures, driven by material price movements and taxation, are expected to persist and continue to hinder real estate investment and project viability.	**Negative**
Infrastructure	• Kenya's infrastructure development outlook for 2026 remains steady, with the government continuing to implement key projects aimed at supporting economic growth. A notable recent launch is the Rironi-Mau Summit Road, being transformed into a modern tolled expressway. This 175 km dualling project, officially commenced on November 28, 2025, under a Public-Private Partnership (PPP) model, involves a consortium led by China Road and Bridge Corporation (CRBC) and the National Social Security Fund (NSSF). Adequate funding will be important to ensure these projects are completed as planned. • Infrastructural development is expected to influence the residential sector by supporting property values and encouraging developers to commit resources to new projects. Key projects in progress include the Rironi-Mau Summit Road under a PPP model, ongoing Affordable Housing Programme initiatives, and investments in other major road and transport networks to improve connectivity and support economic growth	**Neutral**
Government Incentives	• The government has made efforts to developers in a bid to reduce house deficit in the country, Some of the incentives initiated by the government includes; i) reduction of corporate tax for developers who build a minimum of 100 low cost units from 30.0% to 15.0% under affordable housing program, ii)) exemption of VAT on importation and local purchase of goods for the construction of houses under the affordable housing scheme, iii) forging for reforms in property registration in order to fast track approvals for developers in the affordable housing program, iv) increased efforts by the government to provide land to county governments for construction of affordable housing units, v) reduced tariffs on imported inputs for the construction of housing under the affordable housing scheme, (vi) VAT exemptions for construction inputs for affordable housing program, and, (vii) exemption from 4.0% (urban areas) and 2.0% (rural areas) stamp duty for first time buyers of houses under the affordable housing scheme • These incentives will go a long way in promoting home ownership as well solving housing deficits in the country	**Positive**

Our outlook remains NEUTRAL for the residential sector. On the supply side, our outlook is neutral as we expect the government to intensify its affordable housing activities country wide as it aims to deliver 200,000 units annually. We also expect the private sector to play a crucial rule in supplementing government efforts to bridge the housing deficit. In addition, infrastructural development will play a pivotal role in supporting the development of residential projects. On the demand side, our outlook remains neutral, owing to the tough macro-economic conditions currently being experienced in the country which has weakened buyers' purchasing power. For detached units, investment opportunity lies in areas such as Kitengela, Ngong, and, South B&C, while for apartments, investment opportunity lies in Kahawa West, westlands and Dagorreti, due to their remarkable returns driven by relatively high returns to investors

II. Commercial Office Sector

In FY'2025, the Nairobi Metropolitan Area (NMA) commercial office sector, average rental yields showed resilience with 0.02%-points increase, coming at 7.82% in FY'2025 from 7.80% in FY'2024 due to an increase in occupancy by 1.6% during the period under review. In 2026, we expect the overall rental yields for the commercial office sector to improve by 0.2% points to 8.0% in FY'2026 from 7.8% recorded in FY'2025. The average rent, selling prices and occupancies are projected to be Kshs 109 per SQFT, Kshs 12,782 per SQFT and 83.2%, respectively in FY'2026, from Kshs 106 per SQFT, Kshs 12,699 per SQFT and 82.3% average rent, selling prices and occupancy levels recorded in 2025 respectively. The table below summarizes the commercial office performance from 2018 to 2025 and our forecast for 2026;

Cytonn Report: Summary of Commercial Office Returns in Nairobi Metropolitan Area (NMA) Over Time

Year	FY'18	FY'19	FY'20	FY'21	FY'22	FY'23	FY'24	FY'25	Forecasted Annualized Change	2026F	Reason for Focus	Outlook
Occupancy (%)	83.3%	80.2%	77.7%	77.6%	79.4%	80.3%	80.7%	82.3%	0.9%	83.2%	We expect 0.9% points increase in occupancy rates which may be attributable to reduced speculative development, which allows better absorption of current inventory, with fewer large-scale completions pressuring vacancy rates downward. We expect occupancy levels to also be supported by an anticipated entry of new renters such as entry of multinationals and start-ups into the country	**Positive**
Asking Rents (Kshs/Sqft)	101	96	93	94	96	103	105	106	0.5%	107	In FY'2026, we expect a 0.5% increase in asking rents which may be attributed to an increasing number of multinational corporations, tech firms, BPO operators, startups, and international organizations prioritizing flexible, ESG-compliant, amenity-rich, and well-connected spaces. This "flight to quality" enables landlords in prime nodes such as Westlands, Gigiri, Karen, and select satellite areas to sustain or slightly raise asking rents amid stronger competition for limited high-standard inventory.	**Positive**

Average Prices (Kshs/Sqft)	12,573	12,638	12,280	12,106	12,223	12,673	12,614	12,699	0.7%	12,782	Asking prices are expected to realize a 0.7% increase in FY'2026 due to an increase in demand for co-working spaces by multinationals and startups in the country.	**Positive**
Average Rental Yields (%)	8.1%	7.5%	7.0%	7.3%	7.6%	7.7%	7.8%	7.8%	0.2%	8.0%	We expect the yields to realize a slight improvement of 0.2% points attributed to the expected improvements in the overall rental rates.	**Positive**

Source: Cytonn Research

From the above, our overall outlook for the Nairobi Metropolitan Area commercial office sector is POSITIVE. We expect the sector to remain stable with a slight improvement attributable to i) the increasing presence of multinational companies in Kenya is likely to drive up occupancy levels, ii) co-working spaces are gaining in popularity in the region iii) the gradual return to "working from office" after the Covid-19 pandemic, iv) more start-ups are expected to drive demand for commercial spaces, and v) a considerable take-up of prevailing commercial office spaces after developers adopted a 'wait-and-see' approach to avoid vacancies in newly built spaces, However, the sector continues to face challenges due to a significant oversupply of office space, currently standing at 5.7 mn SQFT. Despite these challenges, there are attractive investment opportunities in areas such as Westlands, Gigiri, and Karen, which offer returns that exceed the market average.

III. Retail Sector

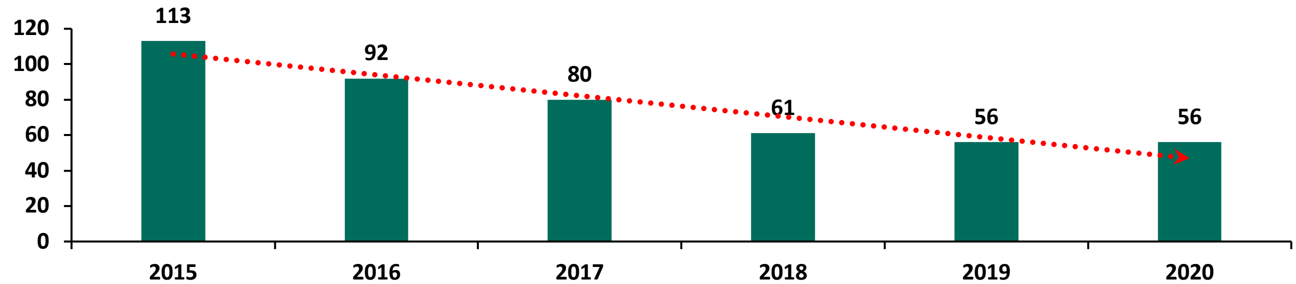
The retail Real Estate sector in the Nairobi Metropolitan Area (NMA) exhibited positive performance improvements in FY'2025, witnessing an increase in average rental yields to 8.8%, marking a 0.4%-point increase compared to the 8.4 recorded in FY'2024. This improvement can be attributed to a notable 3.3%-point increase in average occupancy rates, to 85.5%, up from the 82.2% recorded in FY'2024. Additionally, average asking rents, rose by 0.8% to Kshs 183.5 in FY'2024 from Kshs 182.5 in FY'2024. This growth was primarily fueled by the expanded presence of high-quality retail spaces, including notable contributors such as the Global Trade Centre (GTC) in Westlands, BBS Mall in Eastleigh and Mwanzi market.

We expect the retail sector to continue recording growth and expansion activities in 2026, attributed to:

i. The retail sector is witnessing robust expansion efforts from both local and international players like China Square, Naivas, Carrefour, Chicken Inn, Artcaffe, Kentucky Fried Chicken, Java, QuickMart, and others. Retailers including Naivas, QuickMart, Panda Mart, China Square, and Carrefour have been aggressively expanding to occupy new and previously vacated spaces left by struggling chains like Uchumi, The Game, Tuskys, and Nakumatt. This expansion is happening as Kenya's formal retail penetration remains relatively low, at around 35.0% as at 2021, according to the Oxford Business Group
ii. Extensive road and railway infrastructure developments are creating opportunities for investments, enhancing access to current retail outlets, and fostering the growth and expansion of small and medium startup retailers. This contributes to improved convenience in the upgraded regions,
iii. The demand for goods and services has been steadily rising due to Kenya's relatively high urbanization and population growth rates of 3.7% p.a and 2.0% p.a, respectively, against the global average of 1.7% p.a and 1.0% p.a, respectively as at 2024, and,
iv. The ease of doing business in Kenya has significantly improved, leading to enhanced investor confidence. According to the World Bank, Kenya's ranking in terms of ease of doing business was 56

in 2020 with a 2.2% improvement in score to 73.2 in 2020 from 71.0 in 2019, a notable improvement compared to its position at 113 six years prior. The graph below shows Kenya's ranking performance between 2015 and 2020;

Cytonn Report: Kenya Ease of Doing Business Ranking (2015-2020)



Source: World Bank

Despite the above supporting factors, we expect the performance of the sector to be weighed down by factors such as;

i. Challenges faced by retailers in obtaining financing linked to financial institutions tightening their lending practices, hindering the development and expansion plans of retailers. Additionally, the consistent underperformance of the capital market diminishes retailers' reliance on it for financing operations,
ii. The oversupply of physical space in the Nairobi Metropolitan Area (NMA) retail market, totaling around 3.6 mn SQFT. In the broader Kenyan retail market, there is an additional oversupply of approximately 1.9 mn SQFT. This surplus has caused slowed uptake of retail spaces in the sector, and thereby leading developers to halt their plans awaiting the absorption of the existing spaces.
iii. The consistently increasing costs associated with construction, reaching an average of Kshs 78,245 per SQM in 2025. The escalation in costs is predominantly attributed to inflationary pressures, posing a restrain to the sector's optimal development activities, and,
iv. Shoppers in Kenya are experiencing a diminishing purchasing power due to a tough economic period, despite the easing of some indicators such as inflation and a consistent drop in fuel costs. Many Kenyans are struggling with increased taxation, particularly those who are formally employed, and persistently high levels of unemployment,

As such, we expect the overall rental yields for the retail sector in FY'2024 to improve by 0.3% points to 8.6% from 8.3% recorded in FY'2023. The average rent, supply, and occupancies are projected to be Kshs 185 per SQFT, 8.6 mn SQFT and 80.2%, respectively in FY'2024, from Kshs 182 per SQFT, 8.3 mn SQFT and 79.3% in average rent, supply, and occupancy levels recorded in FY'2023 respectively.

The table below summarizes the retail performance from 2018 to 2025 and our forecast for 2026;

Cytonn Report: Nairobi Metropolitan Area (NMA) Retail Sector Performance 2018-2026F												
Item	**FY' 18**	**FY'19**	**FY'20**	**FY'21**	**FY'22**	**FY'23**	**FY'24**	**FY'25**	FY'26F	Fore-casted Annua-lized Change	**2026F**	**Reason for Forecast**	**Outlook**
Asking Rents (Kshs/SQFT)	178	176	169	170	174	182	182.5	183.8	187	**1.7%**	**187**	We expect asking rents to increase by 1.7% mainly driven by enhanced business	**Positive**

											confidence among investors, influencing demand for available retail spaces and consequently leading to higher rental rates. This is expected to coincide with the ongoing economic recovery from the shilling depreciation against the dollar and easing of inflationary pressures. In addition, there are various upcoming retail developments in the pipeline such as the beacon in Upperhill, Elgon Road Mall, promenade mall and expansion of existing malls such as Galleria and The Junction malls	
Supply in Nairobi (mn SQFT)	6.5	7.3	7.3	7.7	8.2	8.3	8.5	8.6	8.9	**3.4%**	**8.9**	We expect retail space supply to increase to 8.9 mn SQFT in 2025 with the addition of an estimated 240,000 SQM through malls such as the beacon in Upperhill, Elgon Road Mall and promenade mall. The expansion of existing malls such as Galleria and The Junction malls indicates the strong demand for the retail spaces in the high-end places such as Karen and Kilimani	**Positive**
Occupancy (%)	79.8%	75.9%	75.2%	76.8%	77.6%	79.3%	82.2%	85.5%	87.3%	**2.1%**	**87.3%**	The current oversupply of 3.6 mn SQFT, coupled with escalating rental charges on retail properties, a challenging economic environment marked by tax hikes on goods and businesses, may lead businesses to consider reducing their operational spaces or taking a more cautious approach to expansion. This is likely to put pressure on the occupancy rates of physical spaces in the formal retail sector. Nevertheless, there is a positive outlook, driven by the expectation of ongoing expansion and the entry of new local and international retailers. This optimism is fueled by the expansion of operations and the discovery of opportunities in underexplored areas, which is	**Neutral**

												positively impacting occupier demand.	
Average Rental Yields	9.0%	7.8%	7.5%	7.80%	7.90%	8.30%	8.40%	8.80%	8.8%	**0.3%**	**8.8%**	We expect a slight increase in rental yields by 0.3% points due to rising rental costs for retail spaces and the aggressive expansion of retailers into new and previously occupied areas. Additionally, infrastructure developments that open up new investment opportunities, along with favorable demographics, are expected to bolster sector performance. However, challenges such as oversupply, the growing adoption of e-commerce, a challenging economic environment for businesses, and the presence of informal retail spaces are likely to undermine the sector's performance, ultimately impacting rental yields.	**Neutral**

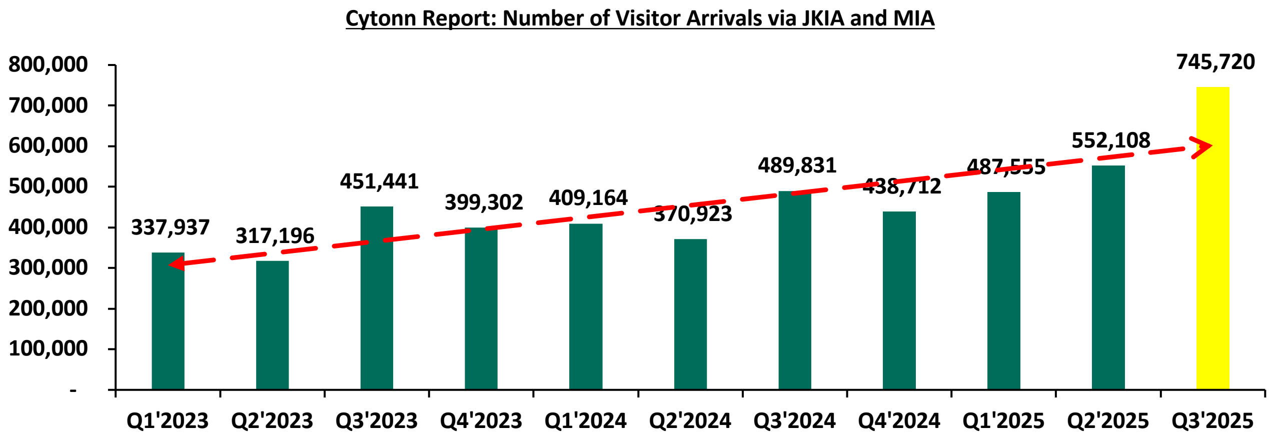
source: Cytonn Research

We maintain a NEUTRAL outlook on the retail sector's performance for 2026, influenced by several factors; i) continued expansion by local and international retailers, driven by evolving consumer preferences and market trends, ii) infrastructure improvements, including ongoing road and railway projects, are set to increase accessibility to key retail zones, unlocking further investment opportunities, and iii) favorable demographic trends, such as a growing urban population, will sustain demand for retail goods and services. However, growth could face challenges from: i) oversupply issues, with around 3.6 mn SQFT of retail space available in Nairobi and an additional 1.9 mn SQFT countrywide, leading to low occupancy rates and rental yields, ii) e-commerce adoption, increasingly shifting retail demand online, pushing brick-and-mortar outlets to adapt, and iii) limited financing options for retail developments, along with high costs, are likely to hinder investment, especially for small and medium-sized enterprises (SMEs) that need to adopt technology to stay competitive.

IV. Hospitality Sector

In 2025, Kenya's hospitality sector continues to display remarkable resilience in the aftermath of the COVID-19 pandemic. Its performance is largely supported by Nairobi's emergence as a regional business hub, attracting multinational companies to set up offices and hosting major international conferences. Additionally, Kenya's status as a leading tourist destination has further driven recovery and growth, with increased business travel and tourism playing a significant role in strengthening the sector's contribution to the economy.

The hospitality sector achieved notable advancements, as indicated by the Kenya National Bureau of Statistics' Leading Economic Indicators – September 2025 report which highlighted that arrivals through Jomo Kenyatta International Airport (JKIA) and Moi International Airport (MIA) registered an increase of 52.2% to 745,720 visitors in Q3'2025 from 489,831 visitors recorded in Q3'2024. The increasing arrivals signify an expansion in hotel operations, increased bed occupancies and elevation in hotel and serviced apartment bookings. Additionally, during the year, we released the Nairobi Metropolitan Area Serviced Apartments Report 2025 which highlighted that the overall performance of serviced apartments improved on y/y, with the occupancy rates coming in at 74.7% in 2025, a 2.5%-points increase from the 72.2% recorded in 2024. The average monthly charges for 2025 increased by 6.7% to Kshs 3,366 per SQM from 3,155 recorded in 2024. Consequently, the average rental yield increased to 7.4% in 2025, 0.1% points increase from the 7.3% recorded in 2024. The graph below shows the number of international arrivals in Kenya between Q1'2023 and Q3' 2025;



Source: Kenya National Bureau of Statistics (KNBS)

Going forward to 2026, several factors are expected to influence the sector's trajectory including;

i. **Active Promotion of Kenya as a Prime Tourist destination:** The government and Kenya Tourism Board will intensify global marketing under the "Magical Kenya" brand, focusing on digital campaigns, experiential storytelling, and targeted outreach to emerging markets. Initiatives like the Magical Kenya Travel Expo and collaborations with influencers, airlines, and travel agencies aim to reduce seasonality, highlight year-round appeal, and drive international arrivals in the country,

ii. **Global Recognition of Kenya's Excellence in Hospitality Sector**: Kenya continues to earn accolades for high-quality service, sustainability efforts, and luxury offerings, reinforced by ongoing hotel re-classification to elevate standards and build trust. In 2025, accolades such as the Kenya Tourism Board (KTB) winning Best Tourism Board in Africa at the Balearica Awards, multiple World Travel Awards victories for properties like JW Marriott Nairobi and Radisson Blu, and Condé Nast Traveller naming Kenya the World's Friendliest Country topping the global ranking with a score of 98.5% based on reader votes. This recognition, combined with awards, positive reviews, and features in international media, positions Kenya as a premier African destination, attracting discerning high-value travelers and boosting repeat visits and spending in the hospitality sector,

iii. **Diverse tourist attractions:** Kenya's broad portfolio, beyond traditional safaris and beaches, includes wellness retreats, adventure tourism, cultural heritage, agri-tourism, urban experiences, and eco-friendly options like wildlife resort cities and tiered national park classifications. This diversification appeals to younger, experience-driven demographics seeking immersive, sustainable, and personalized trips, extending average stays and supporting demand across seasons and regions,

iv. **Hosting Global Sports Events:** Kenya will leverage sports tourism through major events, including the 2026 Africa Cup of Nations (AFCON) to be hosted in Kenya from 25th to 31st March 2026, the HSBC SVNS Division Two World Rugby Sevens in Nairobi from 14th to 15th February 2026, and the World Rally Championship (WRC) Safari Rally Kenya from March 12th to 15th 2026. These draw regional and international visitors, fans, teams, and media, significantly boosting short-term hotel occupancy, MICE activity, and exposure, and,

v. **Expansion of Key Hospitality Players:** Major international and local operators are accelerating growth, with notable examples including Choice Hotels International's landmark entry into Africa via three franchised properties in Kenya (Ascend Collection in Maasai Mara, Clarion and Quality Inn in Nairobi) expected to open in early 2026, plus a master development agreement targeting at least 15 more across sub-Saharan Africa by 2030. This influx of branded, mid-to-upscale hotels, alongside expansions by established players in luxury, safari lodges, and urban segments, increases quality supply while meeting rising demand from corporate, leisure, and expatriate travelers. Notably, the Hotel Chain Development Pipelines in Africa 2025 Report ranked Nairobi at 6th position by planned number rooms with 26 hotels and 4,344 rooms in the pipeline. These hotel expansion initiatives are expected to support the sector's improved performance and its growth prospects.

We maintain a positive outlook for the hospitality sector, supported by several key drivers: i) aggressive marketing campaigns promoting Kenya's tourism, expected to boost tourist arrivals and improve occupancy rates at hospitality venues, ii) continued international recognition of Kenya's tourism industry, enhancing its status as a leading tourist destination and drawing more global visitors, iii) strategic partnerships within the tourism sector, fostering innovation and collaboration to capitalize on new opportunities, iv) events and initiatives aimed at increasing tourism activity and improving guest experiences. However, while the sector demonstrated resilience in its overall performance in 2025, the outlook remains cautiously optimistic due to i) Kenya continues to face significant competition from neighboring markets, such as Rwanda, which employs aggressive promotional strategies, alongside Zanzibar, Tanzania, and South Africa, these regions actively position themselves as attractive alternatives, challenging Kenya's market share in the region, ii) difficulty in accessing finance as lenders demand more collateral to cushion themselves owing to elevated credit risk, and iii) occasional release of cautionary statements by governments like Australia to their citizens advising them against travelling to Kenya due to threats like terrorism and elevated crime rates.

V. Land Sector

The Nairobi Metropolitan Area (NMA) the land sector in Nairobi Metropolitan Area (NMA) recorded a price appreciation of 3.4% to Kshs 136.7 mn from 132.9 mn recorded in FY'2024. This performance was supported by; i) growing demand for land in the Nairobi Metropolitan Area (NMA) is driven by a rising population, as individuals from various regions of the country migrate annually in search of employment, education, and other opportunities, ii) the fixed supply of land has intensified demand, particularly for residential and commercial purposes, leading to an increase in land prices, iii) an expanding middle class in the NMA with disposable income, willing to invest in land as a savings and investment option, iv) government's ongoing focus on infrastructural development projects, such as roads, sewers, railways, and water connections, opening up more satellite towns, subsequently driving land prices upward, v) the widely held belief among the middle class that land represents a secure form of wealth has prompted many families to save specifically for land acquisition, and, vi) increased construction activities particularly in the residential sector fuelled by the government's affordable housing agenda boosting demand for land upwards,

In 2026, we expect the performance of the sector to remain positive, with an expected annual capital appreciation of 2.9% to Kshs 131.2mn from Kshs 130.9mn fueled by anticipated high prices in satellite towns for both serviced and un-serviced land. We expect the positive performance will be supported by;

i. **Government's Continued Investment in Infrastructural Developments**: The Kenyan government has persistently continued to launch and implement various infrastructure projects to boost economic performance and position the country as a preferred regional hub. This has in turn supported the growth of the Real Estate Sector through opening up areas e.g. satellite towns for Real Estate investment. Some of the key notable projects include dualing of Rironi-Nakuru-Mau summit road, Kasovo-Kampi Samaki Road, Kiambu road dualing among other expansions. These projects enhance connectivity, driving demand for land, particularly in satellite towns e.g. Athi River and making these areas attractive to investors which contributes to rising property prices,

ii. **Government Efforts to Streamline Land Transactions:** The government continues to display efforts to improve land transactions, evidenced by the launch and implementation of the National Land Information Management System (NLIMS), an online platform that was officially launched in 2021 to ensure efficient and streamlined land transaction processes. However, we note that the system has yet to be extended to other counties, and is presently operational exclusively within Nairobi County,
iii. **Positive Demographics:** Kenya continues to record positive demographics shown by high urbanization and population growth rates of [3.7%](#) p.a and [2.0%](#) p.a, respectively, against the global average of [1.8%](#) p.a and [1.0%](#) p.a, respectively, as at 2024. Given this, the demand for residential and commercial spaces continues to soar, which in turn boosts demand for development land,
iv. **Investor demand for development land in satellite towns**: High land prices, coupled with limited supply of land within the city centre continue to discourage investors. This has consequently prompted investors to shift their investments to satellite towns owing to their affordability. Land in these areas is relatively affordable recording average selling prices per acre at Kshs 17.6 mn for un-serviced land and 20.2 mn for serviced compared to the market average of Kshs 136.7 in FY'2025,
v. **Government Affordable Housing Initiatives:** The Kenyan government in line with its affordable housing agenda has continued to support and launch several projects in an attempt to reduce the housing deficit in the country and subsequently offer job opportunities to the youth. This has increased demand for development land in areas earmarked for development. Some noteworthy projects include; Moke Gardens Athi River, Kikuyu, Kings Boma Estate Ruiru, Pangani affordable housing project, and Kings Orchid Thika, and,
vi. **Limited Supply of Land Particularly in Urban Centers**: As Nairobi continues to face high rates of urbanization, the demand for housing and commercial spaces increases, and the fixed supply of land becomes increasingly scarce. This scarcity, coupled with factors like population growth and infrastructure improvements leads to an appreciation in land prices.

Going forward we anticipate that land in the NMA will continue on an upward trajectory to come in at Kshs 138.3mn in FY'2026 a 3.2% increase, from Kshs 136.7 mn recorded in FY'2025. This may be attributable to increasing demand for land in satellite towns, positive demographics, and government focus on infrastructural development opening up satellite towns for investment. The summary of the previous performance of the theme and 2026 outlook is as outlined below;

All Prices in Kshs (mn) Unless Stated Otherwise									
Nairobi Metropolitan Area Land Performance Trend									
Location	**Price in 2019**	**Price in 2020**	**Price in 2021**	**Price in 2022**	**Price in 2023**	**Price in 2024**	**Price in 2025**	**2026F**	**Annual Capital Appreciation 2026 F**
Unserviced land- Satellite Towns	24.9	12.7	13.5	15.1	15.4	17.0	17.6	18.8	**6.8%**
Serviced land- Satellite Towns	14.3	14.8	16.4	17.8	18.7	19.6	20.2	21.5	**6.5%**
Nairobi High End Suburbs- Low- and High-Rise Residential Areas	127.2	126.8	130.3	137.4	135.7	136.3	138.9	141.5	**1.9%**
Nairobi Suburbs - Commercial Areas	428.5	413	410.8	403.4	392.6	411.5	424.4	426.9	**0.6%**
Nairobi Middle End Suburbs- High Rise Residential Areas	81.7	83.6	83	80.9	82.3	80.4	82.6	82.8	**0.2%**
Average	**135.3**	**130.2**	**130.8**	**131**	**128.9**	**133.0**	**136.7**	**138.3**	**3.2%**

Source: Cytonn Research

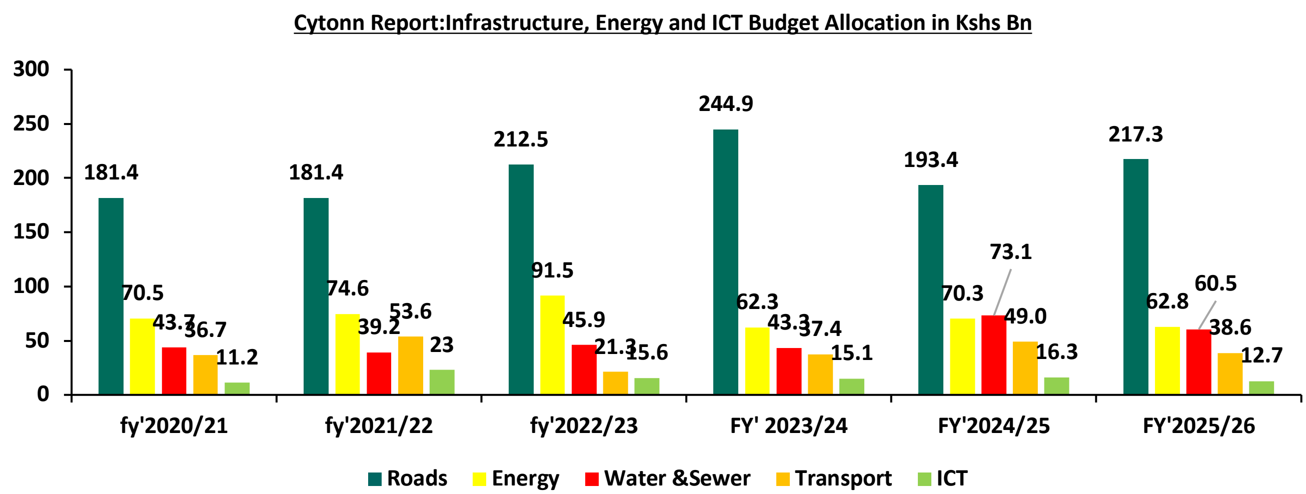
The investment opportunity lies in Limuru, Utawala and Juja emerged as the best-performing nodes with annualized capital appreciation of 5.0%, 4.6% and 3.2%, respectively compared to market average of 3.3%. For serviced land, syokimau, Ruiru & Juja and Athi-river recorded the highest annualized capital appreciations of 4.3%,4.0% and 3.6% against an average of 3.0%.

We maintain a POSITIVE outlook for the land sector in the Nairobi Metropolitan Area (NMA), We expect the performance to be further boosted by factors driving demand for development land such as; i) Increased infrastructure developments which has improved and opened up areas for investment, ii) Roll out of numerous affordable housing projects by both the public and private sectors, iii) Affordability of land in the satellite towns, iv) Limited supply of land especially in urban areas which has contributed to exorbitant prices, and, v) Positive demographics driving demand for land upwards, facilitated by high population growth and urbanization rates of 2.0% p.a and 3.7% p.a, respectively against the global averages 1.0% p.a and 1.7% p.a, respectively.

VI. Infrastructure Sector

The Kenyan governments continues to demonstrate commitment to improve infrastructure around the country by launching and progressing several key projects across the nation, with a special focus on road networks. A notable recent launch is the Rironi-Mau Summit Road, which is being transformed into a modern, tolled expressway. This 175 km dualling project, officially commenced on November 28, 2025, under a Public-Private Partnership (PPP) model, involves a consortium led by China Road and Bridge Corporation (CRBC) and the National Social Security Fund (NSSF). These initiatives enhance connectivity, support trading activities, attract investments across sectors, and promote economic growth, aligning with Kenya Vision 2030.

In the FY'2025/26, the total budget allocation for infrastructure, energy and ICT stood at a substantial Kshs 535.6bn, recording a 12.2% increase from the Kshs 477.2bn recorded for the preceding FY'2024/25. This highlights the recognition of the capital-intensive nature of infrastructure projects and their direct impact on job creation and regional economic growth. This increase aligns with the government's efforts to enhance critical infrastructure in the road, rail, energy, and water sectors, with the aim of improving transportation, lowering business costs, increasing access to amenities, facilitating cross-border trade, regional integration, and boosting Kenya's competitiveness on the global stage. The chart below illustrates the growth in budgetary allocations for infrastructure, energy and ICT over the last five fiscal years:

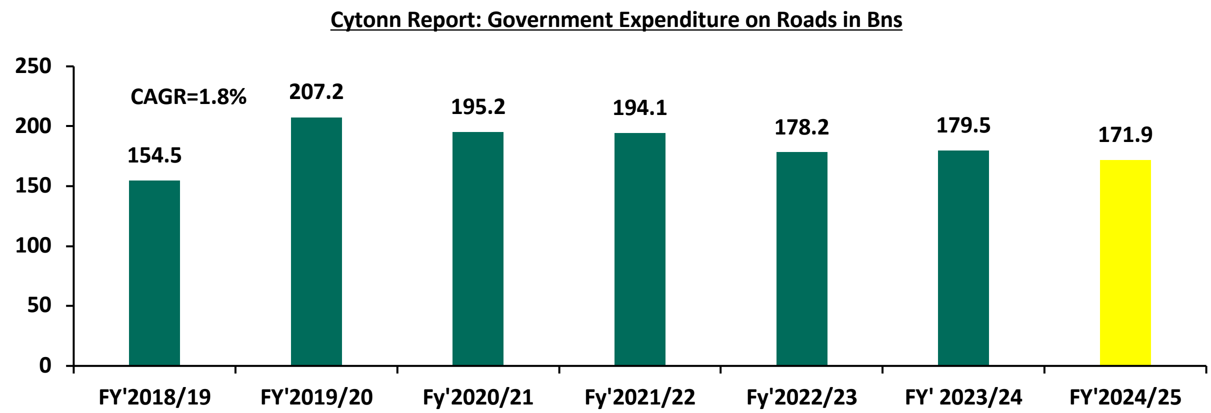


Source: National Treasury of Kenya

On road network, the Kenya National Highways Authority (KeNHA) 2023-2027 Strategic Plan highlights that the Authority targets to construct 2,349 km of roads, comprising 1,183 km new road construction, capacity enhancement of 674 km and rehabilitation of 492 km. Additionally, the authority aims to cumulatively maintain

75,891 km of the national trunk road network and design 5,575 km of the road network during this period. The implementation of the Strategic Plan requires Kshs 708.7 Bn of which Ksh 99.3 Bn will be funded through PPPs, Kshs. 1.7 Bn through climate funding, and Kshs 8.2 Bn through own source revenue.

In FY'2026/27, road construction medium-term targets include dualling 2,500 km of priority highways and tarmacking 28,000 km, with routine maintenance covering 78,320 km and performance-based maintenance for 10,153 km. Recent progress includes 1,798 km of new roads constructed and 306 km rehabilitated. The graph below shows the Kenyan government's expenditure on roads during the last six years according to the KNBS Economic Survey 2025.



Source: Kenya National Bureau Statistics (KNBS)

In rail infrastructure, the Standard Gauge Railway (SGR) extension from Naivasha through Narok and Kisumu to Malaba is set to launch in January 2026, creating a modern logistics corridor linking Mombasa Port to Uganda and beyond. This aligns with regional integration goals under the African Continental Free Trade Area (AfCFTA). Recent related completions include the Miritini Meter Gauge Railway (MGR) Station and Makupa Causeway bridge, both of which have enhanced local connectivity and operational efficiency. Airports and ports remain key priorities in the government's infrastructure agenda. Construction of a new world-class terminal at Jomo Kenyatta International Airport (JKIA) will commence in 2026 to establish Kenya as East Africa's aviation hub, addressing capacity constraints.

In the energy sector, plans for FY 2026/27 focus on expanding capacity by adding 275.5 MW, drilling additional geothermal wells, and connecting 900,000 new customers through a combination of grid expansion and off-grid solutions such as mini-grids and solar home systems. Complementing these efforts, ICT and digital infrastructure initiatives continue to advance the vision of a "digital superhighway," with targets including the installation of 37,645 km of backbone fiber optic cable, the connection of 18,680 public institutions, and the deployment of 27,516 Wi-Fi hotspots nationwide. Under the Bottom-Up Economic Transformation Agenda (BETA), the housing program is progressing steadily, with plans to construct over 505,000 affordable units and 506 markets across the country. Recent milestones include the completion of 2,185 affordable housing units, demonstrating tangible progress in addressing the national housing deficit. Consequently, the government has been exploring diverse funding sources to meet its infrastructure budget, including;

i) **Privatization proceeds from state-owned enterprises:** Ring-fenced exclusively for infrastructure through the National Infrastructure Fund and Sovereign Wealth Fund (approved by Cabinet in December 2025), with all proceeds directed toward priority projects in roads, energy, water, airports, rail, and digital infrastructure. Key transactions include the partial divestiture of a 15.0%

stake in Safaricom to provide seed capital, and the planned IPO of a 65% stake in Kenya Pipeline Company (KPC) by March 2026, targeting Kshs 100 bn. Additional potential sales involve stakes in entities like KenGen, Kenya Power, and East Africa Portland Cement Company (EAPCC), aiming to mobilize up to KSh 5 trillion overall,

ii) **Public-Private Partnerships:** Scaled up for commercially viable projects to crowd in private capital and ease pressure on public finances. Examples include the Rironi-Mau Summit Expressway (with significant private involvement from CRBC and NSSF), the Nairobi-Mombasa Usahihi Expressway, and other highway dualling initiatives. PPPs have already mobilized KSh 17.7 bn in private capital for infrastructure in FY 2024/25 in the Galana-Kulalu Food Security Project and the Orpower 22 Menengai Geothermal Power Plant Project. The government aims to expand this through de-risking mechanisms, blended finance, and streamlined frameworks,

iii) **Issuing of Infrastructure bonds**: Issuing of infrastructure bonds has emerged as an important financial strategy for the government in a bid to raise additional resources for infrastructure projects beyond the limits of annual budgets. These bonds, issued by the Central Bank of Kenya (CBK) as fiscal agent, complement fixed-rate bonds under the benchmark program to strengthen domestic financing and attract retail and institutional investors. Recent examples include the re-opened 15-year (IFB1/2018/015) and 19-year (IFB1/2022/019) infrastructure bonds in August 2025, targeting Kshs 90 bn with coupon rates of 12.5% and 13.0%, respectively, receiving bids worth Kshs 323.4 bn translating to an oversubscription rate of 359.4% and the re-opened 20-year (FXD1/2019/020) and 25-year (FXD1/2022/025) bonds in January 2026. Infrastructure bonds have been used innovatively, such as in February 2025 to raise KSh 70 bn for Kenya's first domestic bond buyback, helping manage debt maturity profiles and reduce refinancing pressures, and,

iv) **Credits and Grants from development partners**: The government of Kenya continues to rely on credits and grants from international development partners as a crucial funding source for its infrastructure initiatives. These collaborations provide not only financial support but also technical expertise and knowledge sharing. Key contributors include the World Bank, which, through programs like the Kenya Urban Support Program (KUSP), has played a significant role in advancing urban infrastructure development. Other notable financiers include the African Development Bank (AfDB), the European Union (EU) with special focus on energy, roads and water, and bilateral partners such as China, Japan, and the United States. The government's ability to negotiate favorable financing terms with these partners facilitates the implementation of projects that might otherwise be cost-prohibitive.

We anticipate the government's continued efforts to improve infrastructure in the country more so in roads, housing, and transport sector in line with its Bottom-up Economic Transformation Agenda (BETA) and economic stimulation goal. Consequently, we maintain a POSITIVE outlook, going forward to 2026 to be promoted by government's efforts to: i) construct and rehabilitate roads, bridges, railways, airports, and affordable housing units, among others, ii) increase its diplomacy and partnerships in development among neighbouring nations, and, iii) step up on the competition for attracting regional and international investors against other countries in Eastern Africa like Tanzania through railway connections and ports infrastructure However, the sector may face challenges such as fiscal constraints, execution delays, land disputes, cost overruns, and climate risks. Although the government acknowledges the importance of Public-Private Partnerships (PPPs) in tackling financing challenges, we believe that prioritizing PPPs is fundamental in addressing funding shortfalls. By leveraging the resources and expertise of the private sector, PPPs can support sustainable infrastructure development and stimulate economic growth.

VII. Industrial Sector

Kenya's industrial sector continued to demonstrate slight improvement in performance through government support, including the establishment of Special Economic Zones (SEZs) and Export Processing Zones (EPZs) to attract investments in 2024. In terms of performance, the Nairobi Metropolitan Area has been on the front line and a major contributor to the Industrial Real Estate Sector accounting for approximately 90.0% of the country's industrial space known for its high concentration of industrial projects in areas like Nairobi, Kiambu, Machakos and Kajiado; with Nairobi County holding the largest share at 66.0%, largely due to its status as the capital city. Kiambu follows, housing key industrial investments such as Tatu City, Nairobi Gate Industrial Park (NGIP), Tilisi, and Northlands City. Some notable activities that took place during FY' 2024 include Devki Group was officially handed a 500-acre parcel of land in Voi to construct a Kshs 11.0 bn steel plant. Additionally, President William Ruto launched the 2,000-acre Vipingo Free Trade Zone (VFTZ) in Kilifi County, a transformative project expected to create over 50,000 jobs over the next decade and is to be developed in partnership with Arise Integrated Industrial Platforms, the VFTZ will accommodate over 200 industries spanning across agriculture processing, logistics manufacturing and pharmaceuticals, among other sectors. Finally, Centum Investment Company Plc was granted a permit to operate a Special Economic Zone (SEZ) in Vipingo, Kilifi County covering 637.3 Ha of land and positions Kilifi as a leading hub for SEZs, with 10 out of the 39 approved nationwide located in the coastal region.

Data centers and cold rooms have also been the key drivers in the industrial sector in Kenya, especially around Nairobi. This is attributable to increase in business activities are around Nairobi creating a demand for these facilities. Data centers serve as hubs that link on-site infrastructure to cloud based infrastructure, enabling visualization of networks, applications, and workloads across private and public clouds. In addition, investors in Kenya have adapted to growing demand for quality warehouses in Africa.

In 2026*, *We maintain a NEUTRAL outlook for the industrial sector. Going forward, we expect the sector to continue on an upward trajectory driven by: i) the rising demand for data centers in the country, ii) an increasing demand for cold rooms, especially in the Nairobi Metropolitan Area, iii) demand for quality warehouses due to the growing e-commerce business in the country, iv) support from the government, as evidenced by the establishment of Special Economic Zones (SEZ) and Export Processing Zones (EPZ), v) increased development activities by industry players such as ALP Africa Logistics, vi) Kenya's continued recognition as a regional hub, hence attracting international investors, and, vii) efforts by the government to support agricultural and horticultural products in the international market. viii) continued improvement in infrastructure through projects such as the Standard Gauge Railway (SGR), the Eastern and Northern Bypasses connecting Jomo Kenyatta International Airport (JKIA) and other regions in the Nairobi Metropolitan Area, among other key infrastructural improvements which we expect will increase the output of Special Economic Zones and Inland Container Depots (ICDs).

VIII. Real Estate Investments Trusts

a. REITS performamnce

On the Unquoted Securities Platform, Acorn D-REIT and I-REIT traded at Kshs 27.4 and Kshs 23.2 per unit, respectively, as per the last updated data on 5th December 2025. The performance represented a 33.4% and 14.5% gain for the D-REIT and I-REIT, respectively, from the Kshs 20.0 inception price. The volumes traded for the D-REIT and I-REIT came in at Kshs 12.8 mn and Kshs 40.6 mn shares, respectively, with a turnover of Kshs 323.5 mn and Kshs 791.5 mn, respectively, since inception in February 2021. Additionally, ILAM Fahari I-REIT traded at Kshs 11.0 per share as of 5th December 2025, representing a45.0% loss from the Kshs 20.0 inception price. The volume traded to date came in at 1.2 mn shares for the I-REIT, with a turnover of Kshs 1.5 mn since inception in November 2015.

In 2026 we expect REITS to gain popularity as developers such as Africa Logistics Properties being licenced to offer an Industrial I-REIT by the Capital Market Authority. Centum Real Estate are looking forward to launch a dollar based Income REIT in 2026 and we expect that the dollar based I-REIT will: i) increase foreign investments by boosting investors' confidence against local currency uncertainties, ,ii) dollar-denominated REITs provide an alternative for investors seeking more liquid and globally recognized investment options, iii) the dollar based move is likely to set a precedent for other players in the market, encouraging the development of more innovative and investor-centric financial products, and, iv) the fund could force policy regulatory framework improvement to ensure transparency and investments protection. In addition, we expect the sector will continue to lag behind in comparison to other African countries such as South Africa, attributable to several challenges facing the sector such as;

i. Low uptake of REIT products,

ii. Lengthy approval processes for REIT creation,

iii. High minimum capital requirements of Kshs 100.0 mn for REIT trustees compared to Kshs 10.0 mn for pension funds Trustees, essentially limiting the licensed REIT Trustee to banks only

iv. The rigidity of choice between either a D-REIT or and I-REIT forces managers to form two REITs, rather than having one Hybrid REIT that can allocate between development and income earning properties

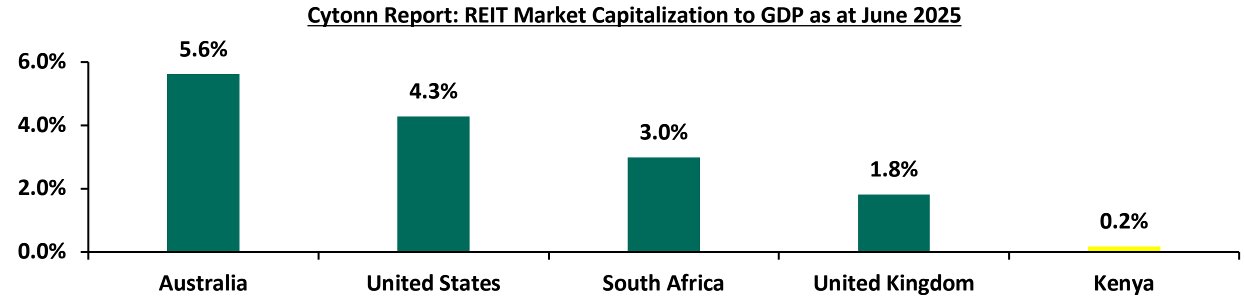
v. Limiting the type of legal entity that can form a REIT to only a trust company, as opposed to allowing other entities such as partnerships, and companies,

vi. We need to give time before REITS are required to list – they would be allowed to stay private for a few years before the requirement to list given that not all companies may be comfortable with listing on day one, and,

vii. Minimum subscription amounts or offer parcels set at Kshs 0.1 mn for D-REITs and Kshs 5.0 mn for restricted I-REITs. The significant capital requirements still make REITs relatively inaccessible to smaller retail investors compared to other investment vehicles like unit trusts or government bonds, all of which continue to limit the performance of Kenyan REITs.

However, we also expect the trend of strategic acquisitions to persist, with REITs actively seeking opportunities to broaden and diversify their portfolios, cater to evolving market demands and also set standards in promoting environmental sustainability such as execution of green bonds by Acorn holding. While there are supportive factors for the growth of REITs in Kenya, such as urbanization and government infrastructure projects, challenges like high interest rates and regulatory constraints may tamper performance. Stakeholders in the REIT sector are advised to monitor these dynamics closely and engage in strategic planning to navigate the evolving market landscape effectively.

The underdeveloped capital markets in Kenya has continually failed to provide alternative means of financing Real Estate developments. Due to this, most property developers rely on conventional sources of funding such as banks, compared to other developed countries. As a result, Kenya's REIT Market Capitalization to GDP has remained significantly low at 0.2%, compared to other countries such as South Africa with 3.0%, as shown below;



Source: Cytonn Research

Moving forward, we also expect the trend of strategic acquisitions to persist, with REITs actively seeking opportunities to broaden and diversify their portfolios, cater to evolving market demands and also set standards in promoting environmental sustainability such as execution of green bonds by Acorn holding. For more information on the REITs sector in Kenya, please see our ***Kenya's REITs H1'2025*** report.

We maintain Neutral outlook for the REITs sector and we expect Kenya's Real Estate sector to remain on a growth trend, supported by: i) demand for housing sustained by positive demographics, such as urbanization and population growth rates of 3.7% p.a and 2.0% p.a, respectively, against the global average of 1.8% p.a and 1.0% p.a, respectively, as at 2024, ii) activities by the government under the Affordable Housing Program (AHP) iii) heightened activities by private players in the residential sector. However, challenges such as rising construction costs, strain on infrastructure development (including drainage systems), high capital requirements for REITs, and existing oversupply in select Real Estate sectors will continue to hinder the sector's optimal performance by limiting developments and investments.

THE KEY AREAS OF OPPORTUNITIES BY THEME IN REAL ESTATE SECTOR

Based on returns, factors such as supply, demand, infrastructure, land prices and availability of social amenities the following are the ideal areas for investment;

Cytonn Report: The Key Areas of Opportunities by Theme in Real Estate Sector			
Sector	**Themes**	**Locations**	**FY'2025 Performance**
Residential Sector	**Detached & Apartment Units**	**Kitengela, Thika, Rongai, Kikuyu, Kilimani, Westlands, Runda**	Average total returns ranged from 4.1% to 14.5%, driven by rental yields of 4.1% to 8.7% and price appreciation of (1.5%) to 8.2%. Best-performing nodes were Kikuyu 14.5%, Kitengela 10.8%, and Thika 10.6%, supported by high occupancy, strong uptake, and infrastructural development including road connectivity
Commercial Office Sector	**Grade A Offices**	**Westlands, Gigiri and Karen**	They offered rental yields of 9.3%, 8.5% and 8.2%, compared to the market average of 7.8% as a result of their superior locations characterized by Grade A spaces that attract high-end clients and offer premium rental rates
Hospitality Sector	**Serviced Apartments**	**Westlands, Limuru Road, and Kilimani**	The areas recorded average rental yields of 11.4%, 9.2%, and 8.6%, respectively, surpassing the market average of 7.4% in 2024. This was due to their proximity to the CBD, the existence of top-tier serviced apartments commanding premium rates, convenient accessibility, and their closeness to international
Retail Sector	**Suburban Malls**	**Karen, Kilimani and, Westlands**	Kilimani, Karen and Westlands have retained their status as the leading nodes, boasting impressive average rental yields of 9.8%,9.6 and 9.5%

			respectively, surpassing the overall market average of 8.8%. This performance was primarily propelled by the presence of top-tier retail spaces commanding higher rents, complemented by the provision of quality infrastructure services in these areas. Additional opportunity also lies in the undersupplied regions of the country such as Mount Kenya, Western and the Coast
Land Sector	**Unserviced Land**	**Limuru, Juja, Utawala,**	The areas recorded annualized capital appreciations of 5.0%, 4.6% and 3.2% respectively compared to market average of 3.3%.
	Serviced Land	**Syokimau, Ruiru & Juja and Athi-river**	The areas recorded the highest annualized capital appreciations of 4.3%, 4.0% and 3.6% against an average of 3.0%.

Source: Cytonn Research

***Disclaimer:** The views expressed in this publication are those of the writers where particulars are not warranted.*