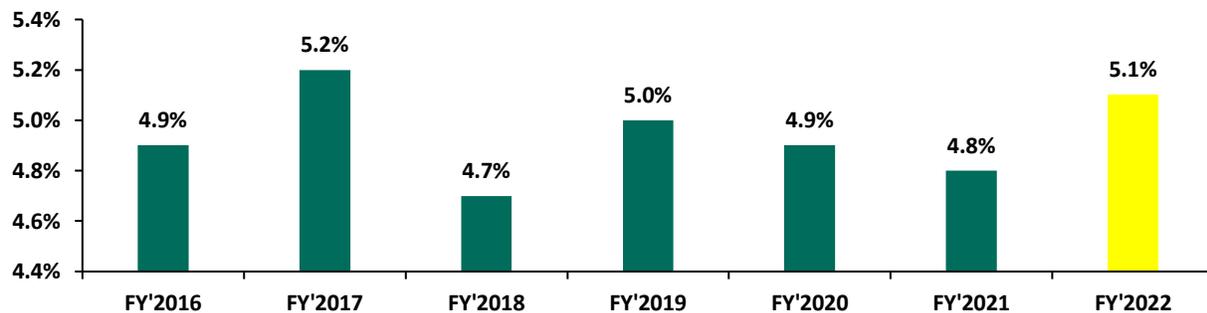


Residential Sector FY'2022 Review Note

The investment opportunity for detached units lies in Ruiru, Juja, and Ngong. For apartments, the opportunity lies in Ruaka, Waiyaki Way, and Ruiru.

In FY'2022, the Nairobi Metropolitan Area (NMA) residential sector recorded improvement in performance with the average total return to investors coming at 6.2%, a 0.1% points increase from the 6.1% recorded in FY'2021. This was attributable to average rental yield and y/y appreciation coming at 5.1% and 1.1%, respectively in FY'2022, compared to 4.8% and 1.3%, respectively, recorded in FY'2021. The improvement in performance was majorly driven by improved selling prices and rents which came in at Kshs 119,609 and Kshs 540, respectively, from Kshs 119,494 and Kshs 508, respectively, recorded in FY'2021. The graph below shows the performance summary of average residential rental yields from FY'2016 to FY'2022;

Cytonn Report: Average Rental Yield Performance (2016 - 2022)



Source: Cytonn Research

The table below shows the NMA residential sector's overall performance in FY'2022;

All values in Kshs unless stated otherwise								
Cytonn Report: Residential Sector Summary FY'2022								
Segment	Price per SQM FY'2022	Rent per SQM FY'2022	Occupancy FY'2022	Uptake FY'2022	Annual Uptake FY'2022	Rental Yield FY'2022	Price Appreciation FY'2022	Total Returns
Detached Units								
High End	193,036	728	92.3%	94.7%	12.5%	4.4%	1.4%	5.8%
Upper Middle	147,178	594	85.2%	89.8%	13.0%	4.5%	1.1%	5.6%
Lower Middle	73,696	325	87.0%	90.6%	15.3%	5.0%	1.0%	6.0%
Detached Units Average	137,970	549	88.2%	91.7%	13.6%	4.7%	1.1%	5.8%
Apartments								
Upper Mid-End	126,751	670	84.3%	89.9%	15.8%	5.4%	0.5%	5.9%
Lower Mid-End Suburbs	94,406	514	85.8%	88.0%	14.9%	5.5%	1.1%	6.6%
Lower Mid-End Satellite Towns	82,586	409	85.4%	86.3%	16.4%	5.5%	1.4%	6.9%
Apartments Average	101,248	531	85.2%	88.1%	15.7%	5.5%	1.0%	6.5%
Residential Market Average	119,609	540	86.7%	89.9%	14.7%	5.1%	1.1%	6.2%

Source: Cytonn Research

A. Detached Units

The average total return for detached units came in at 5.8%, a 0.2% points increase from the 5.6% recorded in FY'2021. The improved performance is attributable to increase in rental yield by 0.4% points to 4.7% in FY'2022

from the 4.3% recorded in FY'2021, majorly driven by increase in selling and rental prices to Kshs 137,970 and Kshs 549, respectively, from Kshs 136,031 and Kshs 505, respectively in FY'2021. The best performing segment was the lower-middle segment offering an average total return of 6.0%, attributable to relatively high rental yields of 5.0%, which is driven by returns from well-performing nodes such as Ruiru, Juja, and Ngong. Overall, Ruiru was the best performing node, offering the highest returns at 7.8% attributable to relatively high rental yield of 6.2% and price y/y appreciation of 1.6%. This is driven by increased popularity by investors due to presence of key infrastructure developments, such as the Eastern Bypass and Thika Superhighway which grants easy access from Ruiru to the Nairobi CBD. In addition, the node enjoys high demand in property due to affordability of properties, with rents averaging Kshs 345 against the overall detached units' average of Kshs 549. The table below shows the NMA residential sector detached units' performance during FY'2022;

All values in Kshs unless stated otherwise								
Cytonn Report: Residential Detached Units Summary FY'2022								
Area	Price per SQM FY'2022	Rent per SQM FY'2022	Occupancy FY'2022	Uptake FY'2022	Annual Uptake FY'2022	Rental Yield FY'2022	Price Appreciation FY'2022	Total Returns
High-End								
Rosslyn	185,067	848	90.0%	98.2%	15.0%	5.0%	1.5%	6.5%
Kitisuru	227,620	808	96.0%	94.9%	11.8%	4.8%	1.6%	6.4%
Karen	186,636	679	83.3%	91.8%	12.7%	3.8%	1.7%	5.5%
Runda	212,856	839	96.8%	97.0%	10.1%	4.6%	0.7%	5.2%
Lower Kabete	153,001	465	95.3%	91.5%	13.1%	3.9%	1.1%	5.0%
Average	193,036	728	92.3%	94.7%	12.5%	4.4%	1.4%	5.8%
Upper-Middle								
Redhill & Sigona	99,238	447	84.6%	96.1%	14.4%	4.9%	1.5%	6.4%
Ridgeways	169,159	790	76.1%	87.4%	12.8%	4.7%	1.6%	6.3%
Runda Mumwe	152,756	718	90.8%	92.6%	13.6%	5.2%	0.8%	6.0%
Loresho	167,195	705	80.7%	83.0%	14.2%	4.8%	1.1%	5.9%
South B/C	113,184	436	88.5%	86.9%	12.6%	4.3%	1.3%	5.6%
Lavington	189,131	618	87.0%	91.3%	12.7%	4.0%	0.6%	4.6%
Langata	139,581	446	88.8%	91.0%	10.7%	3.8%	0.7%	4.5%
Average	147,178	594	85.2%	89.8%	13.0%	4.5%	1.1%	5.6%
Lower-Middle								
Ruiru	68,474	345	87.3%	83.6%	18.2%	6.2%	1.6%	7.8%
Juja	66,081	290	81.4%	83.9%	18.2%	5.7%	1.2%	6.9%
Ngong	65,329	319	93.6%	96.3%	12.4%	6.2%	0.4%	6.5%
Kitengela	62,623	315	76.7%	85.4%	13.7%	4.9%	1.4%	6.3%
Syokimau/Mlolongo	75,913	321	91.3%	90.8%	18.3%	4.4%	1.5%	5.9%
Athi River	85,292	340	86.2%	95.0%	13.4%	4.3%	1.1%	5.4%
Rongai	81,535	286	98.8%	97.1%	16.7%	4.1%	1.2%	5.2%
Thika	63,549	304	83.3%	86.9%	13.7%	5.0%	0.2%	5.2%
Donholm & Komarock	94,468	404	85.0%	96.0%	13.1%	4.5%	0.3%	4.7%
Average	73,696	325	87.0%	90.6%	15.3%	5.0%	1.0%	6.0%
Detached Units Average	137,970	549	88.2%	91.7%	13.6%	4.7%	1.1%	5.8%

Source: Cytonn Research

B. Apartments

The average total return for apartments came in at 6.5%, a decline of 0.2% points from the 6.7% recorded in FY'2021. The decline came as sellers were open to negotiate apartment prices with buyers in order to close business, with individuals preferring renting apartments compared to buying, evidenced by a 0.4% decline in price appreciation to 1.0% from 1.4% in FY'2021. The best performing segment was the lower mid-end satellite towns with average total return of 6.9%, attributed to average rental yield of 5.5% and relatively high price appreciation of 1.4%. The performance of the segment is boosted by the presence of rapidly developing nodes

such as Ruaka and Ruiru. Overall, the best performing node was Ruaka with average rental yield of 7.5% attributable to a relatively high y/y price appreciation of 2.3%, while Waiyaki Way closely followed with 7.4% average total return. The proximity of Ruaka and Waiyaki Way to more well-off neighborhoods has driven up property prices, making them prime locations for the development of high-density residential apartment complexes which garner high preference among low to middle-income earners. The table below shows the NMA residential sector apartments' performance during FY'2022;

<i>All values in Kshs unless stated otherwise</i>								
Cytonn Report: Residential Apartments Summary FY'2022								
Area	Price per SQM FY'2022	Rent per SQM FY'2022	Occupancy FY'2022	Uptake FY'2022	Annual Uptake FY'2022	Rental Yield FY'2022	Price Appreciation FY'2022	Total Returns
Upper Mid-End								
Westlands	149,518	826	83.1%	87.3%	24.5%	5.9%	0.5%	6.4%
Kilimani	106,700	646	84.4%	88.9%	21.1%	5.8%	0.2%	6.0%
Kileleshwa	126,855	654	85.0%	88.2%	14.8%	5.5%	0.3%	5.8%
Loresho	123,248	541	88.0%	97.2%	10.4%	4.7%	1.1%	5.8%
Upperhill	134,588	745	81.5%	87.8%	10.6%	5.0%	0.7%	5.7%
Parklands	119,595	609	83.8%	89.9%	13.6%	5.2%	0.4%	5.6%
Average	126,751	670	84.3%	89.9%	15.8%	5.4%	0.5%	5.9%
Lower Mid-End Suburbs								
Waiyaki Way	87,429	539	83.8%	87.3%	21.2%	6.3%	1.1%	7.4%
South C	113,660	823	83.8%	84.8%	17.0%	6.2%	0.9%	7.1%
Imara Daima	85,008	395	86.1%	86.5%	11.7%	5.3%	1.5%	6.8%
Dagoretti	84,893	538	88.6%	81.4%	14.9%	5.8%	0.8%	6.6%
Donholm & Komarock	75,864	385	92.1%	91.8%	12.9%	5.7%	0.6%	6.3%
Kahawa West	83,616	371	89.0%	86.5%	9.8%	5.0%	1.2%	6.2%
Race Course/Lenana	98,276	654	81.4%	91.5%	19.1%	5.5%	0.4%	5.9%
Langata	115,681	482	82.0%	88.8%	12.4%	4.4%	1.5%	5.9%
South B	105,230	441	85.9%	93.2%	15.4%	4.4%	1.3%	5.7%
Average	94,406	514	85.8%	88.0%	14.9%	5.5%	1.1%	6.6%
Lower Mid-End Satellite Towns								
Ruaka	109,462	567	78.6%	83.8%	22.3%	5.2%	2.3%	7.5%
Ruiru	89,592	492	87.0%	83.6%	17.1%	5.8%	1.6%	7.4%
Ngong	66,940	368	83.1%	84.4%	14.0%	5.5%	1.7%	7.2%
Kikuyu	82,332	415	82.8%	86.8%	17.6%	5.0%	2.0%	7.0%
Athi River	59,754	354	86.8%	92.8%	16.0%	5.6%	1.3%	6.9%
Syokimau	77,437	368	85.5%	90.2%	12.0%	5.3%	1.4%	6.7%
Thindigua	102,267	505	90.0%	80.8%	21.1%	5.4%	1.1%	6.5%
Rongai	93,884	313	89.2%	77.0%	16.8%	6.0%	0.3%	6.3%
Kitengela	61,608	295	85.9%	97.5%	10.3%	5.3%	0.7%	6.0%
Average	82,586	409	85.4%	86.3%	16.4%	5.5%	1.4%	6.9%
Apartments Average	101,248	531	85.2%	88.1%	15.7%	5.5%	1.0%	6.5%

Source: Cytonn Research

Our Outlook for the residential sector is NEUTRAL supported by the continued development of infrastructure serving to open up areas for development and easy access for residency. This is as demand for housing is expected to continue growing on the back of Kenya's attractive demographic profile. Additionally, the ongoing focus by the government and private sector to provide housing will serve to improve the sector's performance and in turn curb the existing housing deficit in the country. However, we expect the prevailing inflationary pressure coupled with a weakened shilling, high construction costs, and the low penetration of mortgages in the country to continue impeding the performance of the sector.

For more information, please see our [Cytonn Annual Markets Review - 2022](#).