YEAR
2021

REAL ESTATE MARKET REPORT

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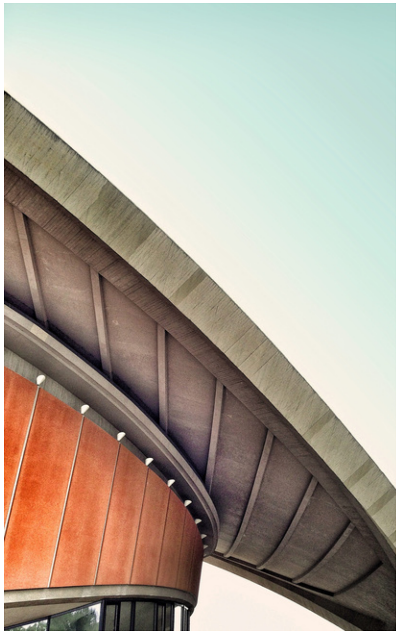
This Real Estate Market Report will include details and facts on the current information, a discussion on upcoming development projects that may influence the real estate market, and a conclusion summarizing key points.

REPORT METHODOLOGY

The research for the project involved reading through and analyzing already published reports. The method used was to collect, read, and analyze published papers, articles, journals and other written material related to the topic. Additionally, any relevant data points and findings were synthesized into the final report. The sources of information included a variety of sources such as newspaper articles, books, magazines, websites and other online resources. Furthermore, interviews with experts in the relevant fields were conducted in order to gain insights that would not be available from published materials alone. All of this information was then gathered together to form a comprehensive understanding of the topic at hand. This method allowed for an extensive understanding that would have been difficult to achieve through any other means.



INTRODUCTION

Kenya is quickly becoming an attractive destination for investors looking for luxurious yet affordable apartments. Renowned for its tropical climate and stunning scenery, Kenya offers a variety of opportunities to those willing to take a chance on the booming real estate market. From towering skyscrapers in the capital city of Nairobi to modern beachfront condos along the Indian Ocean, there is something available to meet every investor's needs.

The African nation is known for its unique architecture and modern designs that can create a luxurious atmosphere without breaking the bank. With strong rental demand, property prices have steadily increased over the past few years and many investors are finding great success when investing in this East African country. For example, high-end condominiums near Nairobi National Park offer spectacular views of the surrounding landscape that can be enjoyed from spacious balconies or rooftop patios; while beachfront apartments along Mombasa provide direct access to some of the world's most beautiful beaches without sacrificing comfort or luxury.

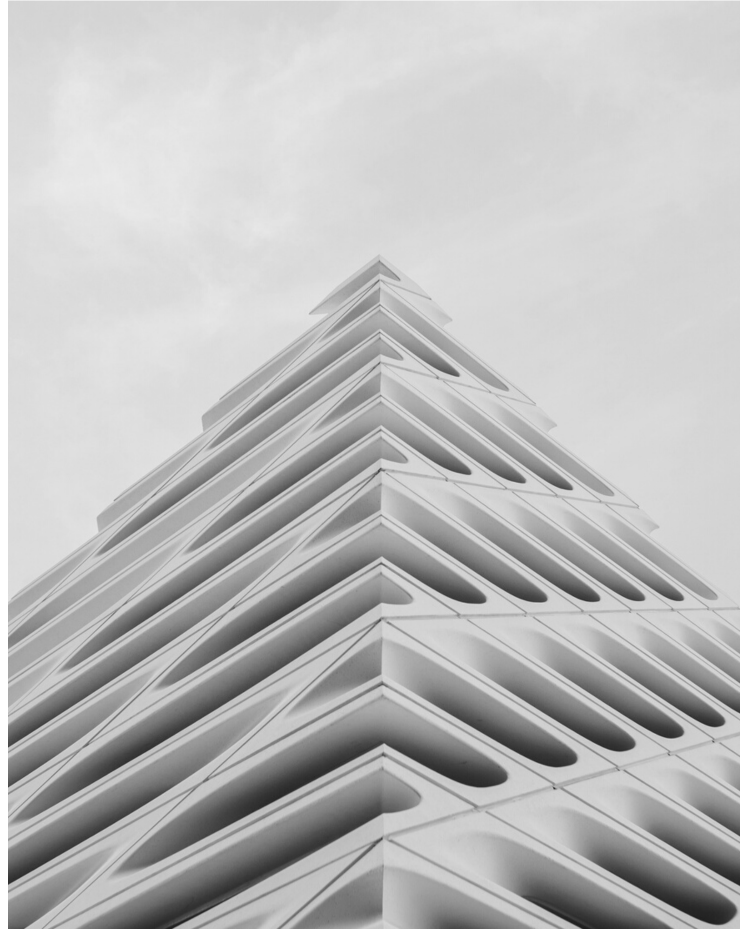
Some of Kenya's more prominent developers are also introducing increasingly innovative projects with an emphasis on sustainability and energy efficiency. Many new builds in up-and-coming areas feature solar panels, rainwater harvesting systems and other green initiatives that help reduce operating costs while maintaining high standards of quality. These features make them even more appealing to investors as they guarantee excellent returns on investment while remaining cost effective in the long run.

Kenya is continuing to build momentum as one of Africa's premier locations for luxury living and investors should look no further than this diverse nation if their goal is to find stylish yet affordable accommodation. With stunning landscapes and pristine beaches alongside bustling cities like Nairobi, it's no wonder why so many investors are choosing to invest in this dynamic East African country!

RESIDENTIAL MARKET PERFORMANCE SUMMARY

Segment	Average of Rental Yield FY'2020/21	Average of Price Appreciation FY'2020/21	Total Returns FY'2020/21
High End	3.6%	1%	4.6%
Upper average	4.5%	0.6%	5%
Detached average	4.1%	0.8%	4.8%
Average	5.2%	0%	5.2%
Lower average	5.0%	0.2%	5.3%
Satellite towns	5.4%	0%	5.5%
Apartments average	5.2%	0.1%	5.3%
Residential market average	4.6%	0.4%	5.0%

Source: Cytonn



Residential average y/y price appreciation came in at 0.9%, 0.5% points higher compared to a price appreciation of 0.4% recorded in FY'2020/21

The average rental yield recorded a 0.3% points increase to 4.9% from 4.6% in FY'2020/21 due to increased rental rates supported by improved property prices



APARTMENT PERFORMANCE: LOWER MID-END SUBURBS FY 2021

AREA	Average of Price per SQM	Average of Rent per SQM	Average of Occupancy	Average of Uptake	Average of Annual Uptake	Average of Rental Yield	Average of Price Appreciation	Total Returns
Westlands	127,816	657	87.4%	86.6%	24.4%	5.1%	1.5%	6.6%
Kileleshwa	127,623	728	89.1%	80.7%	17.6%	6.2%	1.3%	7.5%
Kilimani	98,280	534	87.1%	93.5%	22.9%	6.1%	(0.6%)	5.5%
Parklands	111,152	559	88%	87.3%	16.1%	4.8%	(0.7%)	4.1%
South c	119,410	699	79.5%	67%	19.6%	6.1%	2.4%	8.5%
South B	101,565	451	82.4%	95.2%	17.8%	4.1%	1.9%	6.0%

Source: Cytonn

- FY 2021 saw significant improvements in apartment performance at 6.7% total returns, a 1.5% point increase y/y.
- This was due to 5.3% rental yields and a 1.4% y/y price appreciation.
- On a q/q basis, returns increased by 0.6%.
- Rongai was the best performing node with 8.7% total return, 2% higher than the overall residential apartment average.
- Waiyaki Way and South C followed closely with 8.6% and 8.5%, respectively, compared to the suburb market average of 7.1%.
- The upper mid-end segment of Westlands recorded 6.6%, higher than the market average of 5.7%.

COMMERCIAL PROJECTS

INTRODUCTION

According to the latest available data, the performance of the commercial office construction industry in Kenya in 2021 was mixed due to the COVID-19 pandemic and other factors.

On the one hand, the construction of new commercial office buildings in Nairobi, Kenya's capital city, continued in 2021 despite the pandemic. Several large-scale office developments, such as The Pinnacle Tower, UAP Old Mutual Tower, and The Montave, were under construction or completed in 2021.

However, the COVID-19 pandemic and related restrictions impacted the demand for office space, with many companies either downsizing or shifting to remote work arrangements. This resulted in lower occupancy rates and rental yields for some commercial office buildings in Nairobi and other parts of the country.

In addition, the rising cost of construction materials, such as cement and steel, and the shortage of skilled labor have also contributed to delays and cost overruns in some commercial office construction projects in Kenya.
Overall, while the commercial office construction industry in Kenya faced some challenges in 2021, there were still opportunities for growth and development in the market.

SELECT OFFICE MARKET PIPELINE- NAIROBI

COMMERCIAL DEVELOPMENT	LOCATION	APROX. SIZE (SQFT)	ESTIMATED COMPLETION DATE
Karen Green	Langata	69,000	2021
Riverside Square	Riverside	94,722	2021
The Cube	Riverside	77,876	2022
One Principal Place	Westlands	126,109	2022
Global Trade Centre	Westlands	6778,000	2022

Source: Knight frank kenya

COMMERCIAL OFFICE PERFORMANCE

COMMERCIAL OFFICE PERFORMANCE				
	YEAR 2021/2022			
OFFICE GRADE	PRICE KSH/SQFT	RENT KSH/SQFT	OCCUPANCY (%)	RENTAL YIELD (%)
A	12674	99	79.4	7.5
B	12,340	97	78.2	7.5
C	10,839	82	74.3	6.6

Source: Cytonn

- Grade A office space continues to be the preferred choice of tenants due to their technical services and amenities. In 2021, Grade A offices saw an overall increase in occupancy rates by 3.1% points, reaching 79.4% compared to 76.3% in 2020. This rise in demand is attributed to the higher quality of service that Grade A offices offer.
- On the other hand, Grade C office spaces experienced the greatest decrease in rental rates, with a drop of 3.3%. This translated into a 0.2% point decline in rental yields as well, making it one of the least favorable options for tenants seeking new office spaces in 2021. The lower rental rates likely reflect a lack of technical services and amenities offered by Grade C office spaces when compared to Grade A or B offices.



REFFERENCES

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