

**INVESTMENT GRADE REAL ESTATE & INVESTMENT GRADE LAND IN NAIROBI METROPOLITAN AREA
REMAIN THE BEST INVESTMENT BET**

12th June 2017

Cytonn’s Nairobi Metropolitan Area Land Report 2017

The report focuses on the performance of land in the Nairobi Metropolitan Area between 2011 and 2016. It is based on research conducted in 18 suburbs and 11 satellite towns in the Nairobi Metropolitan Area. Investment grade real estate and investment grade land refers to the investment in real estate and land based on market research and market fundamentals, as opposed to speculative investments. Land prices had positive growth rates across all areas in the Nairobi Metropolitan Area, growing with a 5-year Compounded Annual Growth Rate (“CAGR”) of 19.4%, and a 5-year price change of 2.5x over the same period.

Below is the land price appreciation summary, as covered in the report:

- Commercial zones such as Kilimani, Upperhill and Westlands recorded the highest capital appreciation, increasing with a 5-year CAGR of 24.3%,
- Site and service schemes in Satellite towns such as in Athi River, Syokimau, Mlolongo recorded a 5-year CAGR of 20.4%
- Un-serviced land in Satellite towns such as Ongata Rongai, Ruaka and Athi River recorded a 5-year CAGR of 20.0%,
- High rise residential areas such as Ridgeways, Kileleshwa and Kilimani recorded a 5-year CAGR of 17.7%, and,
- Low rise residential areas such as Spring Valley, Kitisuru and Karen recorded a 5-year CAGR of 14.6%.

Table 1: Capital Appreciation for Nairobi Metropolitan Area

<i>All values in Kshs millions, unless stated otherwise</i>			
Summary of Capital Appreciation - Nairobi Metropolitan Area			
Location	2011 Price*	2016 Price*	5-YR CAGR
Nairobi Suburbs - Commercial Areas	156	458	24.3%
Satellite Towns - Site and Service Schemes	6	15	20.4%
Satellite Towns - Un-serviced Land	9	21	20.0%
Nairobi Suburbs - High Rise Residential Areas	54	120	17.7%
Nairobi Suburbs - Low Rise Residential Areas	56	106	14.6%
Average			19.4%
<ul style="list-style-type: none"> • <i>Average land prices in Nairobi Metropolitan Area grew by a 5-year CAGR of 19.4% between 2011 and 2016</i> • <i>Areas zoned for commercial use recorded a 5-year CAGR of 24.3%, compared to residential areas that recorded a 5-year CAGR of 16.2%, indicating increased demand for commercial developments as compared to residential developments</i> 			

**Asking prices of land are per acre. Source: Cytonn Research*

Table 2: Capital Appreciation for Commercial Areas

All values in Kshs millions, unless stated otherwise

Summary of Capital Appreciation - Commercial Areas			
Location	2011 Price*	2016 Price*	5-YR CAGR
Kilimani	114	360	25.8%
Riverside	116	362	25.6%
Westlands	150	453	24.7%
CBD	200	600	24.6%
Upper Hill	200	512	20.7%
Average			24.3%

- The land prices in commercial zones recorded a 5-year CAGR of 24.3%, attributable to the high plot ratios allowing for densification of developments, hence high demand due to attractive returns on investment after development
- Kilimani experienced the highest capital appreciation, growing at a 5-year CAGR of 25.8% between 2011 and 2016, attributable to demand by the middle class and convenience associated with its ample supply of facilities and amenities

*Asking prices of land are per acre. Source: Cytonn Research

Table 3: Capital Appreciation for High Rise Residential Areas

All values in Kshs millions, unless stated otherwise

Summary of Capital Appreciation - High Rise Residential Areas			
Location	2011 Price*	2016 Price*	5-YR CAGR
Dagoretti	28	95	28.0%
Ridgeways	24	62	21.0%
Kilimani Residential	114	280	19.6%
Githurai	21	45	16.8%
Embakasi	33	69	16.2%
Kileleshwa	149	286	13.9%
Kasarani	32	60	13.3%
Kahawa	33	60	12.7%
Average			17.7%

- The land prices in high rise residential areas recorded a 5-year CAGR of 17.7%, attributable to the premium associated with high plot ratios allowing for land use maximisation
- Dagoretti and Ridgeways recorded the highest 5-year CAGR at 28.0% and 21.0%, respectively. This is attributable to higher plot ratios resulting in higher return on investment

*Asking prices of land are per acre. Source: Cytonn Research

Table 4: Capital Appreciation for Low Rise Residential Areas

All values in Kshs millions, unless stated otherwise

Summary of Capital Appreciation - Low Rise Residential Areas			
Location	2011 Price*	2016 Price*	5-YR CAGR
Spring Valley	64	147	18.0%
Kitisuru	32	70	16.9%
Runda	33	67	15.0%
Nyari	54	109	14.9%
Karen	25	46	13.0%
Old Muthaiga	125	197	9.6%
Average			14.6%

- The land prices in areas allowed for low rise residential houses recorded a 5-year CAGR of 14.6% between 2011 and 2016
- This is lower than other areas i.e. zoned for high rise residential and commercial zones, which can be associated to limiting plot ratios on land, reducing the return on investment on land

*Asking prices of land are per acre. Source: Cytonn Research

Table 5: Capital Appreciation for Satellite Towns

All values in Kshs millions, unless stated otherwise

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

- The land prices in Nairobi satellite towns recorded a 5-year CAGR of 20.0% due to improved infrastructure opening up the areas for development
- Ongata Rongai, Limuru and Juja all recorded 5-year CAGR of above 20%, indicating relatively higher infrastructure provision than in the other Satellite towns, for which they demanded a premium

*Asking Prices of land are per acre. Source: Cytonn Research

Table 6: Capital Appreciation for Site and Service Schemes

All values in Kshs millions, unless stated otherwise

Summary of Capital Appreciation - Site and Service Schemes			
Location	*Price in 2011	*Price in 2016	5-YR CAGR
Athi River	3	13	34.0%
Syokimau-Mlolongo	3	12	30.0%
Ruiru	7	19	23.9%
Ongata Rongai	7	19	21.8%
Ngong	11	19	12.7%
Thika	5	8	10.5%
Ruai	8	13	10.2%
Average			20.4%
<ul style="list-style-type: none"> • Site and service schemes recorded a 5-year CAGR of 20.4%, attributable to the value add attributable to the amenities provided 			

*Asking Prices of land are per acre. Source: Cytonn Research

Table 7: Investment Grade Land Opportunities

Areas Expected to Benefit from Upcoming Infrastructural Development	
Infrastructural Developments	Areas to Benefit
Western Bypass	Kikuyu, Kabete, Tigoni, Wangige and Dagorreti
Outer Ring Road Upgrade	Kasarani, Donholm, Embakasi and Buruburu
Relaxed Zoning Regulations	Spring Valley, Kilimani, Parklands & Ngara
Trunk Sewer Lines	Ruiru
<ul style="list-style-type: none"> • From the analysis, the land price change in the Nairobi Metropolitan area is affected mainly by planning regulations and trunk infrastructure such as sewer lines and road network in the respective areas • Therefore, areas likely to experience a CAGR above 25% in the next 5-years are Ruiru, Kikuyu, Kabete and Dagoretti, among others, due to planned infrastructure developments as shown above 	

Source: Cytonn Research

For more information, please contact us at:

Cytonn Investments Management Limited, 3rd Floor, Liaison House, State House Avenue
P.O. Box 20695 – 00200, Nairobi, Kenya.

info@cytonn.com | | rdo@cytonn.com | +254 (0) 20 4400420 | +254709 101 000