

Kilimani is a prime residential area located approximately 7 Kms west of Nairobi CBD. The area prides in its rich mix of culture with a population consisting of individuals from diverse social backgrounds. Residents in Kilimani are of both local and foreign descents and the area is home to a host of international schools such as the French, Japanese and Swedish Language Schools. Its unique blend of upper-mid income maisonettes, modern apartments and office blocks is accentuated by proximity to major shopping centres like Yaya Centre, Prestige Plaza, Hurlingham and Adams arcade.

Due to its strategic location, Kilimani is an ideal residential location for the upper middle income group seeking to settle in Nairobi as well as individuals seeking short-stay accommodation close to the CBD. Its unique blend of upper-mid income maisonettes, modern apartments and office blocks is accentuated by proximity to major shopping centres like Yaya Centre, Prestige Plaza, Hurlingham and Adams arcade. As Kilimani continues to grow and expand, invest opportunities for real estate developments in the area are on the rise with the key pull factors being:

1. **Proximity to Nairobi CBD:** Kilimani is only 10 minutes away from Nairobi CBD making it a convenient residential location for individuals working in town.
2. **Good transport network:** The area is served by a host of well paved roads, such as the Argwings Kodhek road, Denis Prit road, Lenana Road, Chaka road and Ngong roads that makes travelling convenient.
3. **Growing middle class:** An influx of higher middle income earners in the area has increased the demand for residential as well as commercial developments.
4. **Security:** Security in Kilimani is quite good and residents enjoy services offered by the Kilimani Police Station which is located at the heart of Kilimani
5. **Zoning:** Kilimani Area was predominantly a low density residential area but has been re-zoned to accommodate high-rise and high density residential and commercial uses

Given Kilimani's relatively high land prices and increasing population density, a vertical mixed use development would be the most viable development in the region. A well thought out development mix would serve to maximize overall returns and given the current development trends, excellent architectural designs would be the ultimate pull factor in the region.

### 1. Market Research on Mixed Use Developments

We carried out a market research, aimed at addressing key variables in a mixed use development:

1. **Rental income:** This will enable us determine the average rental yield expected from the office and retail components as well as the residential apartments for investment analysis
2. **Sale prices:** This will enable gauging of the market trends and position our development to attract the target market
3. **Occupancy rate:** This will serve to inform us on the attractiveness of mixed use developments in the market

## Summary of research findings:

All values in Kshs unless stated otherwise

Name of Property	Initial Price SQFT	Current Price SQFT	Net Rent PM SQFT	Service Charge	GF Rent PA SQFT-RETAIL	RENT P. A SQFT-OFFICE	Yield	Annual Price Change from Date of Inception	Occupancy %
<b>Offices</b>									
Sifa Towers	11,000.0	11,000.0	110	25	280	1,320.0	12.0%	0.0%	80.0%
Adlife Plaza	13,500.0	15,500.0	130	30	330	1,560.0	10.1%	5.0%	75.0%
Green house building	9,000.0	14,000.0	105	15	190	1,260.0	9.0%	9.0%	
Morning Side Park	11,000.0	14,500.0	105	25	130	1,260.0	8.7%	5.0%	95.0%
Commodore	12,700.0	13,500.0	100	20	130	1,200.0	8.9%	1.0%	
<b>Totals</b>	<b>70,200.0</b>	<b>83,000.0</b>	<b>550</b>	<b>115</b>	<b>1,060</b>	<b>6,600.0</b>	<b>48.6%</b>	<b>21.0%</b>	<b>250.0%</b>
<b>Mean</b>	<b>10,028.6</b>	<b>11,857.0</b>	<b>110</b>	<b>23</b>	<b>212</b>	<b>1,320.0</b>	<b>9.7%</b>	<b>4.0%</b>	<b>83.3%</b>
<b>Retail/ Commercial Component</b>									
Sifa Towers	40,000.0	45,000.0		25	280	3,360.0	7.5%	6.0%	85.0%
Adlife Plaza	35,000.0	40,000.0		30	330	3,960.0	9.9%	5.0%	80.0%
Green house building	35,000.0	45,000.0		20	384	4,608.0	10.2%	5.0%	90.0%
Anchor Tenant Scenario	35,000.0	40,000.0		20	77	921.6	2.3%		100.0%
<b>Totals</b>	<b>145,000.0</b>	<b>170,000.0</b>		<b>95</b>	<b>994</b>	<b>12,849.6</b>	<b>29.9%</b>	<b>16.0%</b>	<b>355.0%</b>
<b>Mean</b>	<b>48,333.0</b>	<b>56,667.0</b>			<b>331</b>	<b>4,283.2</b>	<b>7.5%</b>	<b>5.0%</b>	<b>88.75%</b>
					<b>MUD Yield</b>		<b>8.6%</b>		

## APARTMENTS - Serviced

Studio – Currency in Kshs

No.	Name of Property	Situation	Size SQM	Rent PM	Rent PSQM
1.	The Hamptons	Argwings Khodek	40	110,000	2,750
2.	Nelson court	Westlands	47	181,980	3,872
3.	Norfolk Apartments	Nairobi CBD	40	120,000	3,000
4.	Meltonia Apts	Kindaruma Rd	45	158,850	3,530
5.	Ler Apts	Chania Avenue	45	158,850	3,530
6.	Samra Court	Agwings Kodhek	38	95,310	2,508
7.	Heri heights	Arboretum Drive	56	192,150	3,431
<b>Average</b>			<b>46</b>	<b>151,290</b>	<b>3,232</b>
<b>Price PSQM Serviced Apartments</b>					<b>180,369</b>
<b>Yield</b>					<b>9.0%</b>

**One Bedroom – Currency in Kshs**

No.	Name of Property	Situation	Size SQM	Rent PM	Rent PSQM
1.	Meltonia Apartments	Kindaruma Rd	70	185,310	2,647
2.	Nelson court	Nairobi CBD	80	202,230	2,528
3.	Fenesi Gardens	Westlands	60	162,000	2,700
4.	Norfolk Apartments	CBD	60	150,000	2,500
5.	The Hamptons	Agwings Kodhek	65	132,000	2,031
6.	Urban Breeze	Valley Archade	55	99,000	1,800
7.	Yaya Apartments	Agwings Kodhek	100	351,000	3,510
<b>Average</b>			<b>70</b>	<b>183,077</b>	<b>2,531</b>
<b>Price PSQM Serviced Apartments</b>					<b>180,369</b>
<b>Yield</b>					<b>6.5%</b>

**Two Bedroom – Currency in Kshs**

No.	Name of Property	Situation	Size SQM	Rent PM	Rent PSQM
1.	Norfolk Apartments	Dennis Pritt	90	150,000	1,667
2.	Fenesi Apartments	Chania Rd	85	130,000	1,529
3.	Crescent Apartments	Kileleshwa	140	196,000	1,400
4.	Nelson court	Westlands	97	222,480	2,294
5.	The Hamptons	Agwings Kodhek	120	170,000	1,417
6.	Morani Apartments	Wood Avenue	110	212,500	1,932
7.	Yaya Apartments	Agwings Kodhek	110	369,000	3,355
<b>Average</b>			<b>107</b>	<b>207,140</b>	<b>1,942</b>
<b>Price PSQM Serviced Apartments</b>					<b>180,369</b>
<b>Yield</b>					<b>5.4%</b>

**Three Bedroom – Currency in Kshs**

No.	Name	Location	Size in SQM	Rent PM	Rent PSQM
1.	Heri Heights	Dennis Pritt	185	414,000	2,238
2.	Yaya Apartments	Agwings Kodhek	130	414,000	3,185
3.	Morani Apartments	Wood Avenue	160	275,000	1,719
4.	Skyrock Apartments	Agwings Kodhek	210	250,000	1,190
5.	Wu Yi Apartments	Galana Road	180	180,000	1,000
6.	River Gardens	Laikipia road	110	303,390	2,758
<b>Average</b>			<b>163</b>	<b>306,065</b>	<b>2,015</b>
<b>Price PSQM Serviced Apartments</b>					<b>180,369</b>
<b>Yield</b>					<b>8.00%</b>
<b>Average Yield</b>					<b>7.20%</b>

## APPARTMENTS – Un-Serviced

### *One Bed - Currency in Kshs*

Project Name	Situation	Size per Unit SQM	Rental per Month/ Sale Price	Price per SQM
Kilimani Apts	Elgeyo Marakwet Rd	60	8,500,000	141,667
Soho Apts	Kirichwa	69	13,000,000	188,406
<b>Mean</b>		<b>65</b>	<b>10,750,000</b>	<b>165,036</b>
<b>Rent PSQM</b>				<b>930</b>
<b>Yield</b>				<b>6.8%</b>

### *Two Bed – Currency in Kshs*

Project Name	Situation	Size per Unit SQM	Sale Price	Price per SQM
Purple Haze	Dennis Pritt	90	17,500,000	194,444
Kilimani Apts	Elgeyo Marakwet Rd	82	10,000,000	121,951
Kilimani Apts	Elgeyo Marakwet Rd	98	12,000,000	122,449
Cullinan		128	15,800,000	123,438
<b>Mean</b>		<b>99.50</b>	<b>13,825,000</b>	<b>140,571</b>
<b>Rent PSQM</b>				<b>704</b>
<b>Yield</b>				<b>6.0%</b>

### *Three Bed – Currency in Kshs*

Project Name	Situation	Size per Unit SQM	Rental per Month/ Sale Price	Price per SQM
Sherwood Apts	Riara Road	120	17,000,000	141,667
Purple Haze	Dennis Pritt	130	21,000,000	161,538
Kilimani Apts	Elgeyo Marakwet Rd	113	15,000,000	132,743
<b>Mean</b>		<b>121</b>	<b>17,666,667</b>	<b>145,316</b>
<b>Rent PSQM</b>				<b>702</b>
<b>Yield</b>				<b>5.8%</b>
<b>Average Yield Un-Serviced apartments</b>				<b>6.2%</b>
<b>Average Sales price</b>				<b>150,308</b>

## HOTELS

### Financials – Currency in Kshs

Name	Location	Floors	Approx. total built up area sq. m.	Est. Construction Cost (KES Mn)	Calc. property value (KES Mn)	Average Occupancy	Yield
Best western	Argwings Kodhek Rd	6	38,465.7	1,800	1,800.0	77%	8.8%
Eastland hotel	Ring Rd	6	71,005.0	3,400	3,000.0	60%	7.9%
Grace house	Ring Rd	4	8,333.6	400	367.9	50%	8.3%
Resort							
Ngong Hills Hotel	Ngong Road	5	47,727.2	1,200	972.3	54%	7.6%
Methodist Guest House	Gitanga Rd	3	34,669.1	624	405.8	59%	5.9%
Olive Gardens	Argwings Kodhek Rd	3	11,603.7	557	486.5	54%	7.9%
<b>Mean</b>						<b>59%</b>	<b>7.7%</b>

## FINDINGS

**Rental Income:** The average rent for the office component is Kshs 110 per sq. ft. while the rent in the retail component averages at Kshs 331 per sq. ft. Despite the higher rate charged in the retail segment, the anchor tenant pays a relatively lower rate at Kshs 77 per sq. ft. As a result, the resultant yield from a mixed use development averages at 8.65%.

**Sale prices:** The average sale price of the office component in an MUD averages at Kshs 13,561 per sq. ft. at an annual price change of 4.3%. The average sale price for the retail component is relatively higher at Kshs 42,500 per sq. ft. The average sale price for the serviced apartments is Kshs 180,369 per sq. m. while the sale price for the serviced apartments averaged at Ksh 150,308. It is however key to note that most serviced apartments are not for sale and their return is based on their rental yield, which averages at 7.2%.

**Occupancy rate:** The occupancy rate for the office component in an MUD averaged at 83.3% while that of the retail component averaged at 88.75% bringing the overall occupancy rate to a mean of 86%.

## Recommendations

Given Kilimani's relatively high land prices and increasing population density, a vertical mixed use development would be the most viable development in the region. However, before execution, certain points of consideration must be addressed:

1. **Development mix:** Given the varying yields and occupancy rates of the various components in the MUD, a well thought out development mix is mandatory. We recommend a mix consisting of 30% retail, 50% residential apartments and 20% offices.
2. **Architectural designs:** Creative architectural designs serve to attract traffic towards any MUD development. They also go a long way in marketing the product and boost the occupancy rates of all the components in the MUD.
3. **Road Frontage:** A high traffic frontage in the development would lead to eased access to the MUD, and would turn a good development into an iconic destination. Parking requirements will however be high for such a development and provision of such should adequately be addressed in the architectural design.