Research Report - Nairobi Commercial Office

1st February 2016

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I. Introduction to Cytonn Investments

Client Focus Drives the Team

Introduction to Cytonn Investments

Cytonn Investments is an independent investments management company

- Our mission is that ***"we work to deliver innovative & differentiated financial solutions that speak to our clients needs***"

- Cytonn Investments is differentiated in several respects:

  1. **Independence & Investor Focus:** Cytonn is solely focused on serving the interest of clients, which is best done on an independent investment management platform to minimize conflicts of interest

  2. **Alternative Investments:** Specialized focus on alternative assets - real estate, private equity, and structured products

  3. **Partnerships with Global Institutional Investors:** Such as Taaleritehdas of Finland

  4. **Strong Alignment:** Every staff member participates in ownership. When clients do well, the firm does well; and when the firm does well, staff do well

Cytonn
REAL ESTATE

Cytonn's Corporate Structure – Kshs 50 Bn Under Mandate

Cytonn Investments

- **Kenya**
  - **Cytonn Investments Ltd**
    - Independent investment management company, serving HNW & institutional clients
  - **Cytonn Real Estate**
    - Development affiliate providing investment grade real estate development solutions
  - **Private Equity**
    - Financial Services
    - Education
    - Technology
- **United States**
  - **Cytonn Diaspora**
    - Diaspora platform connecting investors in the diaspora with opportunities in the East African Region
  - **Cytonn Investments LLC**
    - US advisory and investment management company

Board of Directors

The board is comprised of 9 members from diverse backgrounds, each bringing in unique skill-sets

Professor Daniel Mugendi Njiru serves as the Chairman of the Board of Directors

Prof. Daniel Mugendi,
Chairman

Antti – Jussi Ahveninen,
Non-executive Director

Madhav Bhalla,
Non-executive Director

James Maina,
Non-executive Director

Nasser Olwero,
Non-executive Director

Mike Bristow,
Non-executive Director

Edwin H. Dande,
Managing Partner & CEO

Elizabeth N. Nkukuu,
Partner & CIO

Patricia N. Wanjama,
Partner & Head of Legal

The Management Team

The team brings in diverse global and local experience

Edwin H. Dande,
Managing Partner & CEO

Elizabeth N. Nkukuu,
Partner & CIO

Patricia N. Wanjama,
Partner & Head of Legal

Maurice Oduor,
Investment Manager

Johnson Denge,
Real Estate Services Manager

Robert M Mwebi,
Project Manager

Shiv Arora,
Head of Private Equity Real Estate

Boniface W. Gichimu,
Finance Manager

Gaurang Chavda
Head of Private Wealth Management

Winfred Ndung'u,
Business Administration Manager

Beverlyn Naliaka,
PR & Communication

Cytonn Investment Solutions

We offer differentiated investment solutions in four main areas

High Yield Solutions

- The Team's expertise and market knowledge enable us to offer investors higher yields than the market average
- Regular credit analysis, quick dealing capability and the large banking spread in the market allow the team to capitalize on investment opportunities

Real Estate Investment Solutions

- Our unique strategic partnerships with Cytonn Real Estate, our development affiliate, enables us to find, evaluate, structure and deliver world class real estate investment products for investors
- Our platform connects global capital seeking attractive return with institutional grade development opportunities in the East African region

Private Regular Investment Solutions

- We understand that investors have varying financial goals. Our highly customized and simple to understand investment products will enable you to achieve your investment objective
- We offer solutions to both local investors, and those in the diaspora interested in the investment opportunities back in Kenya and the region

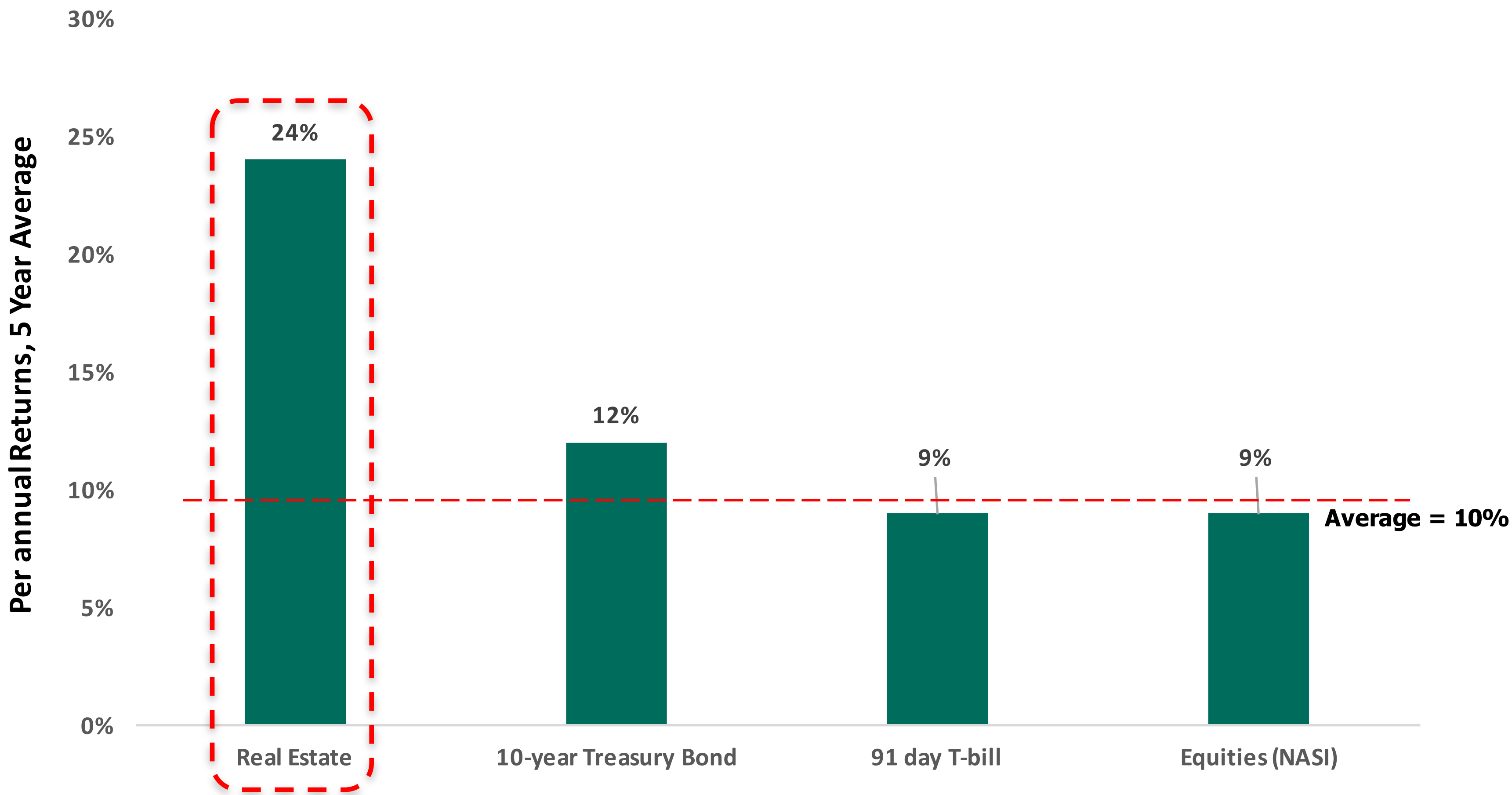
Private Equity

- Cytonn seeks to unearth value by identifying potential companies and growing them through capital provision and partnering with their management to drive strategy
- We primarily invest in the Financial Services, Education and Technology sectors

II. Opportunities in Real Estate

Cytonn focuses on the highest returning asset class

Traditional investments return 10% compared to 24% for real estate

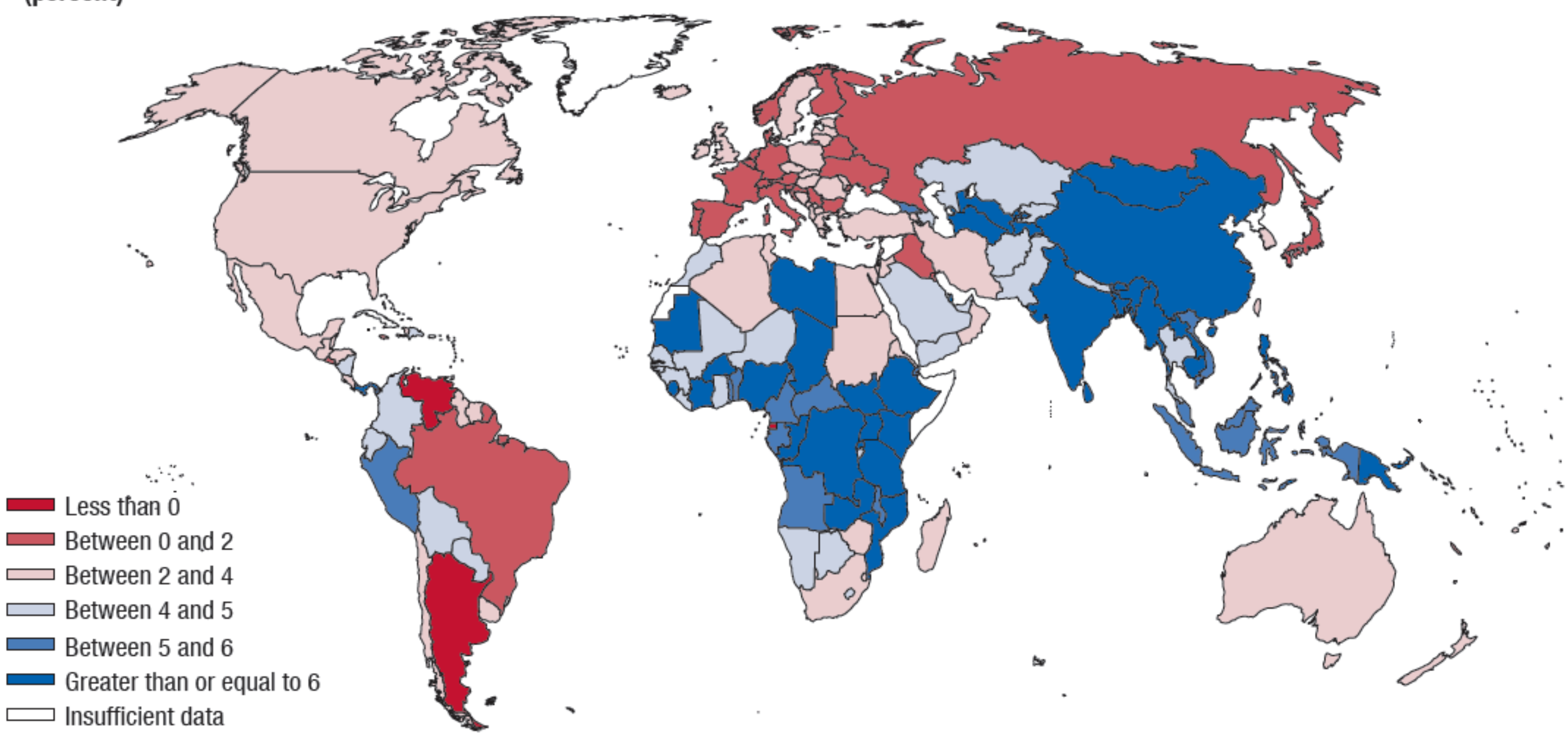


Global view of economic growth determines regions of focus

There is demand from global capital (light colors) looking for attractive returns (dark colors)

Figure 2.1. 2015 GDP Growth Forecasts and the Effects of a Plausible Downside Scenario

**1. 2015 GDP Growth Forecasts[1]
(percent)**



Key themes driving our property development

A large housing deficit, growth of the middle class and demographic trends are just a few on the factors driving our thematic investments in Real Estate

KEY THEME	REAL ESTATE SECTOR PROVIDING EXPOSURE TO KEY THEME				
	Master Planned Communities	**Commercial Office Parks**	**Commercial Mixed-Use**	**Suburban Malls**	**Three Star Hotels**
1. Large Housing Deficit	✓		✓		
2. Growth of Middle Class	✓	✓	✓	✓	✓
3. Demographic Trends	✓	✓	✓	✓	✓
4. Improved Infrastructure	✓	✓	✓	✓	✓
5. Political Decentralization	✓	✓	✓	✓	✓
6. Kenya as a Regional Hub	✓	✓	✓	✓	✓

Cytonn REAL ESTATE

Deal pipeline overview – 85% to low and mid-income housing

Kshs 49 Billion Deal Pipeline

Low to mid-income Housing
85%

- Masterplanned Development
- Comprehensive Development
- Low to mid-income Modular Housing

Prime Residential and Mixed-use
15%

- High Density Integrated Mixed-use
- Gated Communities

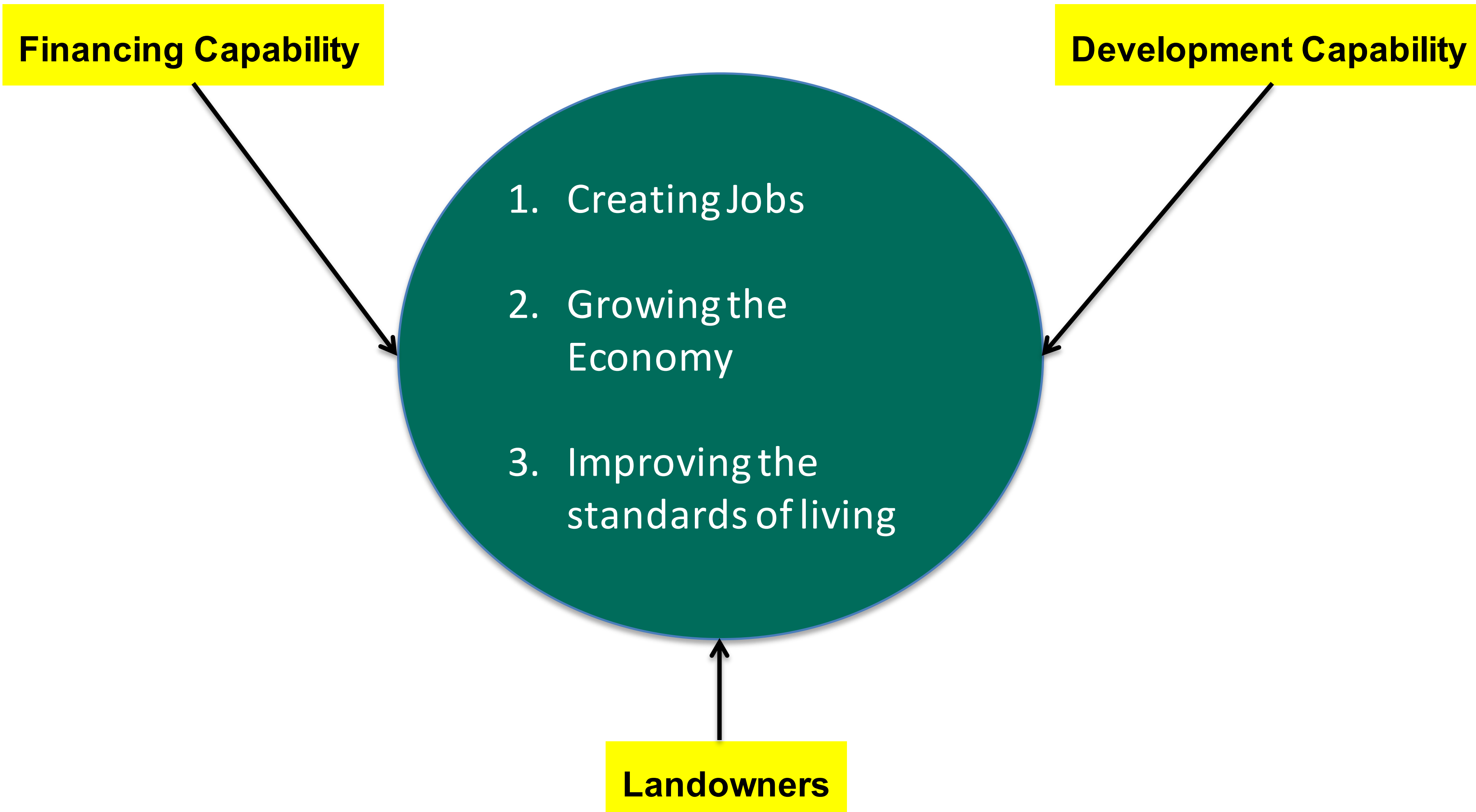
Kshs 49Bn Deal Pipeline Details

- **Set 1:** Real estate projects where the design, concept, agreements and funding are all secured, and have ground broken or in the process of ground breaking
- **Set 2:** Real estate projects where the Cytonn Real Estate team is in advanced stages of negotiations with the landowners, and where consultants have been appointed to begin market research and concept design

All values in Kshs Millions unless stated otherwise

Projects	*Concept*	Project Size
SET 1		
Amara Ridge	Gated community	625.0
Situ Village	Gated master planned community	3,050.0
The Alma	Middle-class residential development	1,600.0
Sub - Total		**5,275.0**
SET 2		
Project Mombasa	High density mixed-use development	3,750.0
Project Juja	Middle-class gated community	3,832.0
Project Mount Kenya	Masterplanned development	1,200.0
Project Mavoko	Low to mid income masterplanned city	12,500.0
Project Lukenya	Low to mid income masterplanned city	22,500.0
Sub - Total		**43,782.0**
TOTAL		**49,057.0**

Cytonn's strategy brings three key pillars together



III. Overview of Real Estate

Introduction to Real Estate in Kenya

A strong macroeconomic environment continues to support real estate growth in Kenya

Macro-economic Contribution

- The real estate sector contributes 9% of Kenya's GDP
- In Q3/2015, the construction and real estate industry had the greatest growth at 14.1%, compared to 10.1% in financial services and 7.1% growth in agriculture

High Returns

- Real estate has consistently out performed other asset classes in the last 5 years, generating returns of between 25% and 30%
- Residential units in Kenya generate an average rental yield of 5%, while commercial space generates an average yield of over 9%
- Total Return, including rental yield and appreciation, is in the region of 28%

Recent Developments

- The real estate sector which was previously dominated by individual developers has seen entry of more institutional developers such as Saccos, private equity firms and foreign institutions
- Development of REITS in the capital markets, as a way to raise funding and exit real estate developments, is likely to attract more institutional investors

Market Outlook

- We expect continued growth on the back of improved macroeconomic conditions, sustainable high returns, and a changing operational landscape as developers strive to satisfy the high housing deficit, the appetite for grade A offices and growing lifestyle changes
- The industry however continues face challenges such as unfavourable interest rate environment

Factors Driving Kenya's Real Estate Sector

A rapidly growing middle class, combined with urbanization continues to support growth

Demographics

- Rapid population growth of 2.4% p.a is creating increased demand for housing, as families grow and consumer needs change to reflect independent living
- High urbanization rate of 4.4% p.a. in the Nairobi area and the metropolis
- The 'new middle class' have created a huge opportunity for integrated housing developments such as mixed used developments and master planned communities

Infrastructure

- Improved infrastructural developments have opened up new development areas in areas such as Athi River, Mlolongo and Ruaka
- These include improved roads, expanding airports, the Standard Gauge Railway, electrification, ICT and telecommunication systems

Capital Markets

- REITS development is set to make it easy to access capital to develop, as well as facilitate exit of developments to the public markets, which in turn increases the transparency of the sector
- Pension schemes and insurance companies now allocate more than 16% of their portfolio to real estate, a trend set to increase with more trustee and investor education in the sector

Improved Governance

- Kenya has enjoyed improved political stability creating a suitable environment for local and foreign direct investment
- Owing to the high returns in the real estate sector, such investments have been mainly focused on real estate developments

IV. Cytonn's Commercial Office Report

Executive Summary - Commercial Office Outlook is Positive

Office Sector yields 9.3% with occupancy at 89% & capital appreciation of between 15-20%. Best performing Grade A office nodes are Upperhill & Gigiri. Best Grade B office nodes are CBD and Kilimani

- Commercial office sector has grown rapidly in the last five years in both size and returns with newly completed office space increasing from 1.6 million square feet in 2011 to 5.4 million square feet in 2015, a 27.5% annualized growth
- Occupancy levels remain high across all office nodes and classes averaging at between 89- 90%. Grade B offices had the highest average occupancy of 90%, with the CBD having the highest average occupancy percentage of over 95%
- In terms of rents, grade A offices have the highest rents averaging at Kshs 118 per square foot. Gigiri has the highest grade A rent at an average of Kshs 140 per square foot, with the lowest being in Mombasa road at Kshs 81 per square foot. Gigiri and Mombasa road rental yields are 12% and 8.3%, respectively
- Prices have also been on a rising streak across most markets though in some markets such as Mombasa road, prices dipped between 2013 and 2015. Grade A offices also have the highest prices with a square foot of grade A office space selling for Kshs 13,847, while a square foot of grade C office space sells for an average price Kshs 12,167
- In terms of yields grade A offices have the highest rental yields averaging at 10.4%, with grade B and C offices having yields of 9.4% and 8.4%, respectively
- The best performing office nodes are:
    - For grade A offices; Upperhill and Gigiri with yields of 11% and 12 %, respectively
    - For grade B offices; CBD and Kilimani with yields of 10.2% and 9.6 %, respectively
- We project that 2.5 million square feet of offices will be an undersupply by 2017, assuming occupancy of current stock remains constant, as demand for office space by both local businesses and multinationals continue growing
- Generally, the market outlook for commercial office space remains positive

Cytonn REAL ESTATE

A. Introduction to Nairobi data

Commercial Real Estate in Nairobi

The demand for office space continues to increase driven by Kenya's trade hub status in the region

- Investments in the commercial real estate sector have seen significant increases, with the total new completions projected to increase to 6.1 mn square feet in 2017, from 2.4 mn square feet of office space in 2013
- The net absorption of office space in Nairobi has increased from 3.8 mn square feet in 2012 to 6.3 mn square feet in 2015

Below are the factors that are supporting demand:

i. **Kenya as a Regional Hub:** Nairobi has been marked as the business hub for East Africa with many global corporations setting up office to cover the region e.g. General Electric and Google

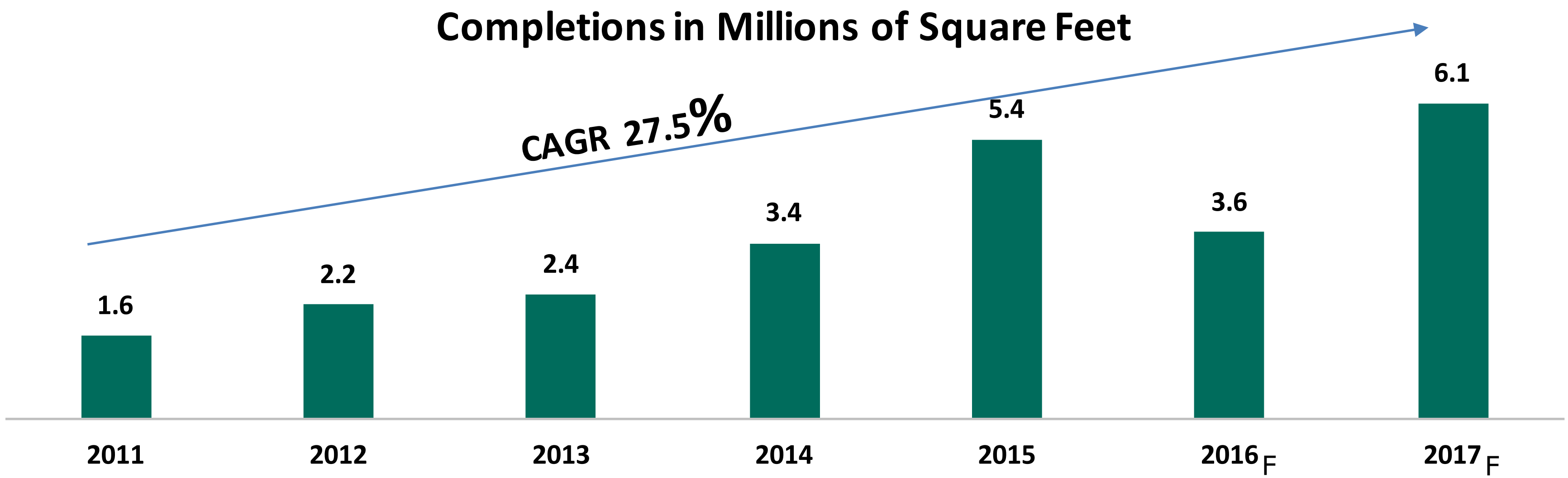
ii. **Growth of Professional Services:** Banks, Insurance, Saccos as well as law firms are increasingly expanding in a bid to bring the services closer to their target market. This has also resulted in employment growth. Our research has shown that employment growth has a positive correlation of 0.6 with net absorption of office space

iii. **Growth of the Small and Medium Size Enterprises:** There has been an increase in SME's seeking offices

iv. **Devolution:** There has been need to create office space outside Nairobi as County governments establish offices in their various regions

Commercial Real Estate in Nairobi, continued…

Net completion of office buildings in Nairobi is increasing at a CAGR of 27%



Data Source: NCC & KNBS

- The supply of office space in Nairobi has been increasing over the last five years at a CAGR of 27.5%, from 1.6 million square feet in 2011 to 5.4 million square feet in 2015. The increase has been driven by the high demand for office space by growing businesses, SMEs and multinational firms
- We project a further increase of 3.6 million square feet in 2016 and 6.1 million in 2017 driven by demand for offices especially for grade A offices in markets such as Westlands, Parklands and Gigiri as per the approvals given to date

Commercial Real Estate in Kenya, continued…

The returns in the sector remain high, with an average rental yield at 9.3%

Year	2011	2013	2015	Δ (2013)	Δ (2015)
Occupancy (%)	91	90	**89**	(1%)	(1%)
Completions (Sqft)	1.7 mn	2.4 mn	**5.4 mn**	50%	125%
Asking Rents (Kshs/Sqft)	78	95	**97**	22%	2%
Average Prices (Kshs/Sqft)	10,557	12,433	**12,776**	18%	3%
Average Rental Yields (%)	**9.8%**	**10.0%**	**9.3%**	**2%**	**(7%)**

Source: KNBS, NCC, Cytonn Research

- Despite increased supply of office space, occupancy rates have remained relatively high at 89% due to increasing demand
- The average prices have continued to grow and increased by 18% from 2011 to 2013, but we have seen a more moderate increase of 3% between 2013 and 2015. The yields despite declining marginally have remained attractive at an average 9.3% as at the end of 2015
- The rate of sales uptake of new buildings is however lower at an average of 75% compared to rental occupancy averaging 89% for the whole market; indicating that the market is skewed towards renting as opposed to buying

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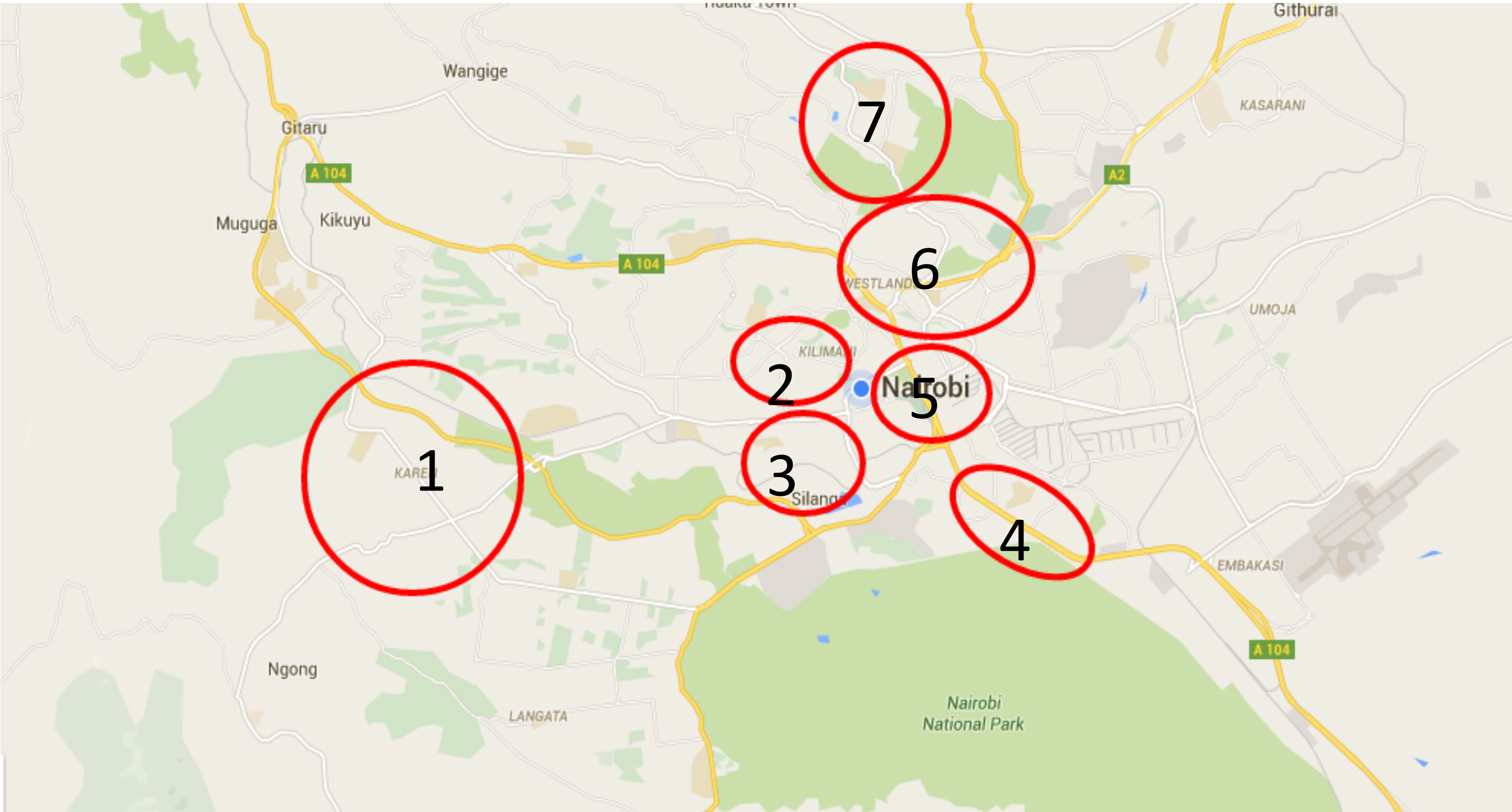
B. Regional Review

Nairobi Office Market

Demand out of the CBD leads to rising developments in other areas such as Karen & Westlands



Key: 1. Karen 2. Kilimani 3. Upper Hill 4. Mombasa Road 5. CBD 6. Westlands 7. Gigiri

Nairobi Office Market

Mombasa Road is the worst Performing sub-market with a yield of 8.3%

Node	Rents(Kshs/Sqft)	Prices(Kshs/Sqft)	Yields(%)	Occupancy(%)
Gigiri	140	14,000	12.0	77
Karen	119	14,167	10.1	91
Parklands	104	12,500	10.0	81
Kilimani	105	13,167	9.5	86
Westlands	106	13,667	9.3	82
CBD	87	11,222	9.3	99
UpperHill	106	14,120	9.0	95
Mombasa & Thika Road	75	11,233	8.3	72
Average	***105***	***13,010***	***9.7***	***85***

Source: Cytonn Research

- Commercial offices have relatively high yields of 9.7% as compared to other real estate themes such as residential and hotels, where yields average between 5% - 7%
- Mombasa Road is the worst performing submarket having the lowest yields and occupancy rates; this is attributable to traffic congestions and its zoning for industrial use hence unattractive to both office tenants and developers

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Nairobi Office Market

Upperhill, Kilimani and Karen have an average yield of over 9%

Upperhill

- Upper hill recorded mixed results with prices and rents rising by 26% from Kshs 84 per square foot in 2011 to Kshs 106 per square foot in 2015, the prices also rose from Kshs 11,000 to 14,120 per square foot
- The yield rose from 9% to 10% from 2011 - 2013, however from 2013 - 2015, the yields dropped marginally to 9% as a result of increased supply

Kilimani

- The average prices for offices in Kilimani are Kshs 13,000 per square foot up from Kshs 9,000 and 11,000 in 2011 and 2013 respectively. The rental prices have rose marginally from Kshs 95 to 105 to 110 per square foot over the same time period
- The yields have remained largely unchanged averaging at 9% over the five-year period

Karen

- In Karen, offices have become increasingly popular over the last two years with an average price of Kshs 14,167 average yield of 10.09% in 2015-16 across the different grades of offices due to high rents charged against relatively low land prices

Mombasa Road

- Mombasa road is the only market whose rents per square foot as of 2016 remain less than Kshs 100 with an average rental yield of 8.3% and price of Kshs 11,233

Nairobi Office Market

Gigiri Sub-market the best performing with an average yield of 12%

Gigiri

- Gigiri is the best performing market with a yield of 12%. The average rent per square foot is Kshs 140 a 21% increase from the levels it averaged in 2013. The prices have also increased from Kshs 12,000 to 14,000 per square foot over the same time period

Parklands

- Parklands is a relatively new office node with an average rental yield of 10%. However returns vary greatly across different office classes with A yielding 11.7%, versus 9.1% yields for grades B and C, prices in this market averages Kshs 13,000 per square foot for grade A, Kshs 12,500 and Kshs 12,000 for grades B and C, respectively

CBD

- The occupancy rates in CBD is over 95% due to its central location and hence the preferred business location the rents and price are however relatively low averaging at Ksh 87 and Kshs 11,222 per square foot respectively with an average rental yields of 9.3%

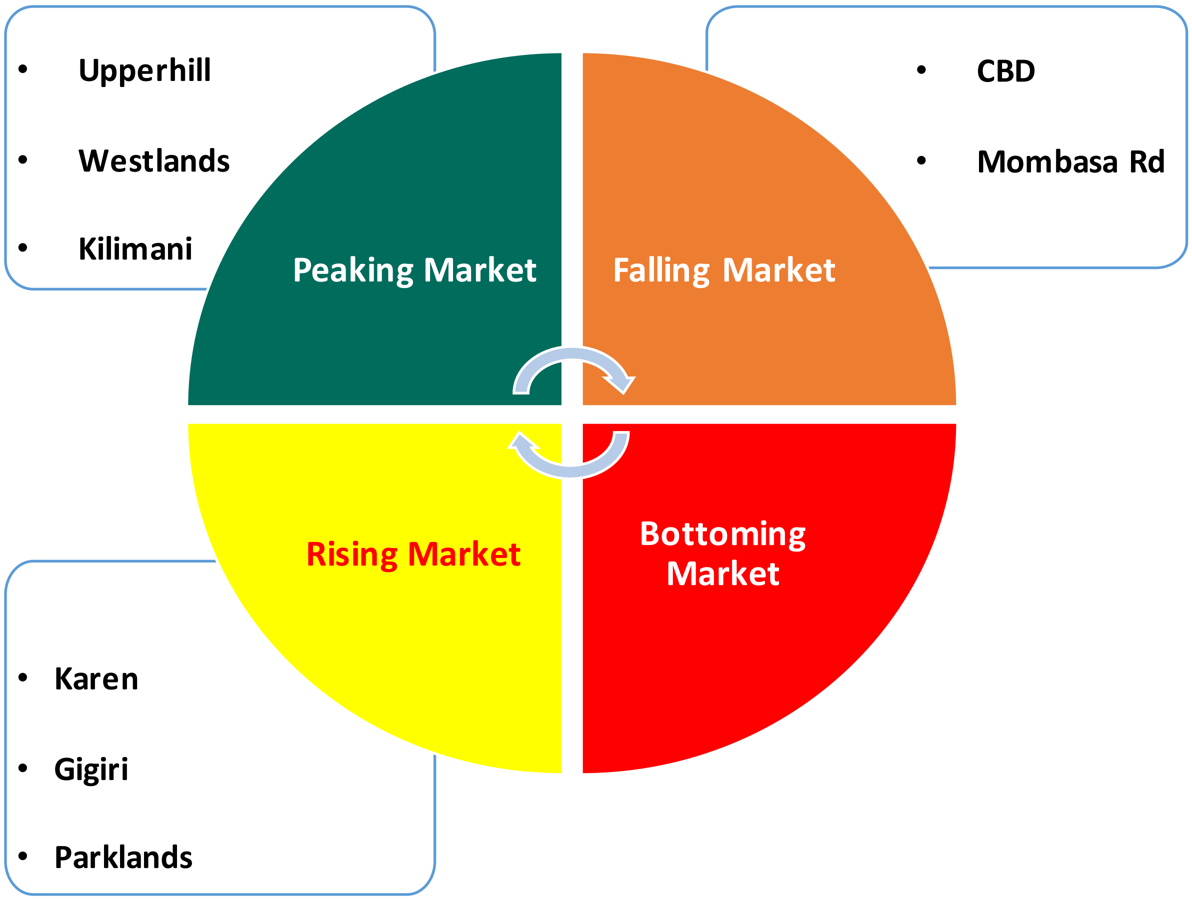
Westlands

- Westlands has had the highest number of completions in the last five years. With average prices of Kshs 13,667. The average asking rents is Kshs 106 with the average yields being 9.3%

Nairobi Office Market

The Nairobi office market still offers an attractive avenue for investment

Developers Market **Tenants Market**



Rising Market:
- Strong demand
- High pricing
- Limited Supply

Peak Market
- Strong demand spurs new supply
- Strong pricing above replacement costs
- Supply underway

Bottoming Market
- Stagnant demand
- High Vacancies
- Very low pricing

Falling Market
- Low demand
- Vacancies and supply
- Low Pricing

Source: Cytonn Research

B. Classification Analysis

Classification of Offices in Nairobi

Kenya has various types of offices according to the Global classification

GRADE A

•Ideally Grade A buildings should occupy more than 200,000 square feet. Very few buildings in Nairobi meet this threshold. Therefore for our research, we have used office buildings with a total area ranging from 120,000-300,000 square feet that are pace setters in establishing rents and that generally have ample natural good lighting, good views, prestigious finishing and on-site undercover parking

•Grade A buildings provide state of the art technical services such as high quality elevators, fittings and automation systems. They provide ample parking at a minimum ratio of 3:1000

GRADE B

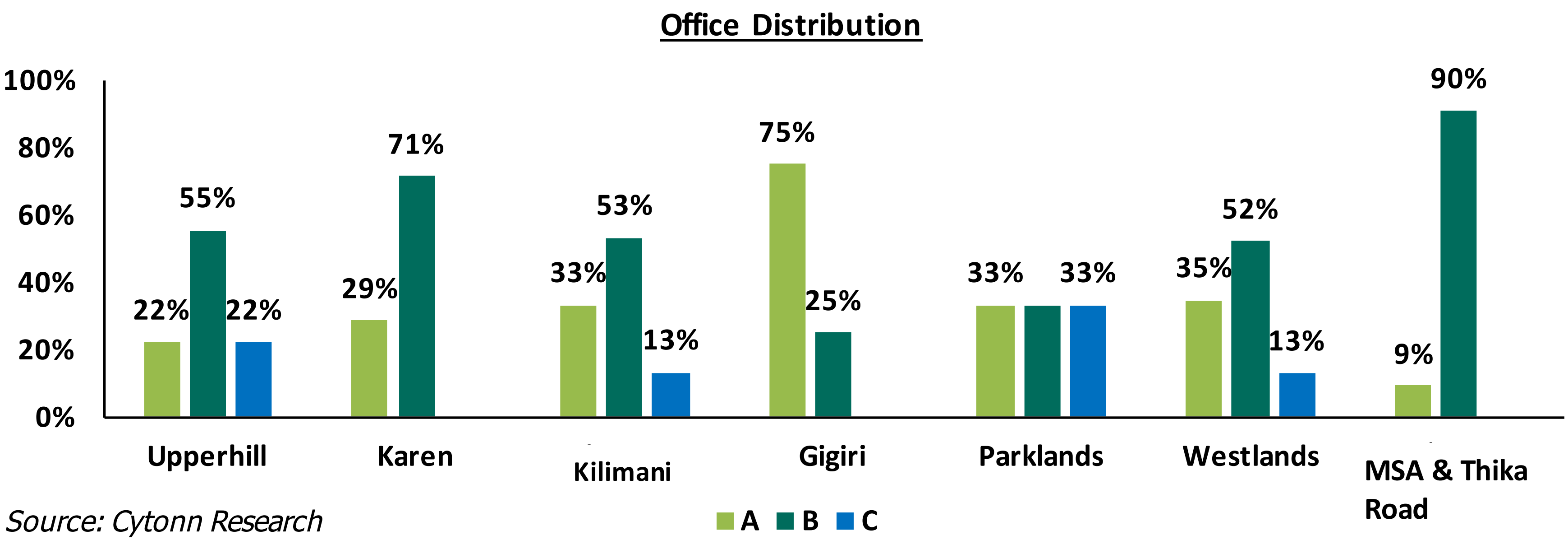
•For our research, we have used buildings with a total area ranging from 70,000 to 120,000 square feet. They have good (but lower than grade A) technical services and ample parking space

GRADE C

•These are buildings of any size, usually older and in need of renovation, they lack lobbies and may not have on site parking space. They charge below average rental rates

Distribution of Various Classes of Offices

Class B offices are the most common, accounting for 60% of commercial offices in Nairobi



Source: Cytonn Research

- From our sample size, grade A offices account for 30% of commercial offices in Nairobi, Grade B 60% while grade C account for 10%
- Most of the grade A buildings do not meet international standards as they do not meet all the requisite classifications such as ample parking space, structure, building intelligence and size
- Purely grade A offices are only found in Gigiri area. Mombasa road has the lowest percentage of grade A office at 11%
- The highest concentration of grade A offices is in Gigiri at 75%

Performance of the Various Offices by Class

Grade A Offices have the highest Average Rental Rates of Kshs 118 per square foot

Class	Rent (Ksh/Sqft)	Price(Ksh/Sqft)	Yield(%)	Occupancy(%)
Grade A	118	13,847	10.2	85.6
Grade B	98	12,460	9.4	90.3
Grade C	85	12,167	8.4	89.5
Average	**100**	**12,825**	**9.3**	**88.5**

Source: Cytonn Research

- Grade A Offices have the highest yields, rents and prices as they are offered at a premium
- Grade B offices are the most popular in the market at an average occupancy rate of 90.3% compared to 89.5% and 85.6% for grade C and A, respectively. This is as they are more affordable than grade A offices being 20% cheaper and have better facilities than grade C
- Grade C offices continue to have high occupancy as they serve the low end businesses that cannot afford to pay the higher charges levied in grade A and B offices

Class Analysis

CBD and Kilimani have the highest Class B Yields at 10.2% and 9.6%, respectively

	GRADE A		GRADE B		GRADE C	
Area	**Yield**	**Occupancy**	**Yield**	**Occupancy**	**Yield**	**Occupancy**
CBD	9.2%	98.0%	**10.2%**	**99.5%**	**8.7%**	**98.0%**
Kilimani	9.8%	85.0%	9.6%	99.3%	9.2%	74.0%
Upperhill	**11.0%**	**98.0%**	8.4%	95.0%	7.7%	81.7%
Parklands	11.7%	75.0%	9.1%	85.0%	9.1%	83.3%
Westlands	10.3%	86.0%	9.8%	91.1%	7.7%	93.6%
Karen	10.0%	95.0%	10.2%	87.5%	-	-
Mombasa rd and Thika rd	7.7%	70.0%	8.5%	74.3%	-	-
Gigiri	12.0%	76.0%	-	-	-	-

Source: Cytonn Research

- Among the Grade A offices, those in Upperhill and Karen have the highest yields ranging from 10% - 11%, and an average occupancy of above 95%
- CBD and Kilimani nodes have the greatest Grade B yields of 10.2% and 9.6%, respectively, and very high occupancy of 99% on average
- Out of the Grade C offices, those in CBD and Parklands are the most lucrative with a yield ranging from 8%-9% and occupancy above 80%

V. Parking Data

Parking Analysis

Average rent per bay per month in Nairobi is Kshs 8,621

Area	Highest Fee	Lowest Fee	Average Fee Per Bay
Upperhill	12,000	6,000	8,952
Karen	9,500	6,500	8,000
Kilimani	11,500	7,000	9,000
Parklands & Gigiri	20,000	2,500	7,563
Westlands	12,000	8,000	9,590
Average Fee per Parking Bay			**8,621**
Highest Sale Price			**2,000,000**
Lowest Sale Price			**1,000,000**

Source: Cytonn Research

- Grade A offices offer parking at a rate of 3:1000 , while grade B and C offices offer 1-2 parking bays for every 1,000 square feet of office space
- Tenants are charged parking fees ranging from 7,000 to 10,000 per month . However, in some office nodes such as Westlands and Parklands, some buildings have been found to charge parking rent as high as 20,000 per bay per month
- Parking bay sale prices in Nairobi range from 1 million per bay to 2.5 million per bay, with open parking bays charging lower while covered bays charge a premium

VI. Market Analysis and Outlook

Office Space Opportunity

By 2017 there will be an undersupply of 2.5 mn square feet of office space

	2011	2012	2013	2014	2015	2016	2017
Office Stock (Mn Sqft)	7.0	9.1	11.3	14.4	19.6	22.8	28.4
Completions (Mn Sqft)	1.7	2.2	2.4	3.4	5.4	3.6	6.1
Vacancy Rate	**9.0%**	**9.0%**	**10.0%**	**10.0%**	**11.0%**	**12.0%**	**12.0%**
Vacant Stock	0.6	(1.2)	(1.0)	(1.5)	(2.7)	(0.5)	(1.9)
Occupied Stock (Mn Sqft)	6.4	10.2	12.3	16.0	22.2	23.3	30.4
Net Absorption (Mn Sqft)	**-**	**3.9**	**2.1**	**3.6**	**6.3**	**1.1**	**7.1**
Structural Vacancy	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Average Rental Rates	78.0	86.6	95.0	96.5	97.0	100.9	104.9
Rental Change		11.0%	11.0%	2.0%	1.0%	5.0%	5.0%
Real Rent Index	1.0	1.1	1.2	1.2	1.2	1.3	1.3
Rental Growth YOY		11.0%	10.0%	2.0%	1.0%	4.0%	4.0%
Inflation Rate	14.0%	10.0%	6.0%	7.0%	7.0%	7.0%	7.0%
Nominal Rent Index	0.9	1.0	1.1	1.2	1.2	1.2	1.3
Depreciation Rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Available Supply		2.7	1.0	2.0	3.5	0.5	5.0
GAP(Mn Sqft)		**1.3**	**1.3**	**1.8**	**3.1**	**1**	**2.5**

Gap= Net absorption + space required to replace depreciated stock - Available supply

Source: KNBS, NCC, Cytonn Research

Office Space Opportunity

We expect cumulative office stock in Nairobi to reach 28 Million square feet in 2017

- We project that the stock of office buildings will increase at a CAGR of 22%. As at 2012 the total office stock stood at 9.1 million square feet

- Currently, the stock is at about 19.6 million square feet and we expect that it will reach 28 million square feet by 2017. This is due to increased demand for office space by government and private sector who are willing to pay a higher premiums hence attractive returns to the office sector attracting investors

- Over the last five years, the vacancy rates have been averaging at between 9 and 11%

- For 2016 and 2017, we expect 6.1 million square feet of stock to be supplied verses a net absorption of 7.1 million indicating that there will be an undersupply of 1 million square feet of office space in 2017, assuming occupancy of current stock remains constant

Q&A

Cytonn REAL ESTATE

VII. Appendices

Glossary of terms

Definitions of terms used in the office report

- **Vacancy rate-** This is a measure of percentage of vacant units out of all units available
- **Occupancy rate-**This is a measure of all occupied units as a percentage of all units available
- **Rental yield-** This is obtained by calculating annual rental income as a percentage of the purchase price of a unit(s)
- **Net absorption-**This is the difference between the currently occupied stock and the occupied stock from a previous period
- **Completions-** This is the total space of office buildings completed during a given time period, usually given in square meters or square feet
- **GAP-** This is the difference between office demand and supply. Demand is obtained from calculating the new office requirements , i.e net absorption plus the space required to replace depreciating office space ; while supply is calculated as the summation of the excess vacant stock and the office completions during a given time period
- **CAGR –** This is the mean annual growth rate of returns over a specified period of time

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Appendix

Office Classification

	Grade A	Grade B	Grade C
Elevators	• Waiting interval not exceeding 25 seconds, handling capacity in excess of 15% and a high quality ride with low noise. At least one dedicated goods lift.	• Waiting interval not exceeding 30 seconds, handling capacity around 14-15% and a good quality ride.	• Waiting interval not exceeding 35 seconds, handling capacity around 13-14%.
Power	• Minimum of 25 watts per sq. m load capacity. Dedicated data risers should be available.	• Minimum of 15 watts per Sqm load capacity	• Load capacity 10 watts per Sqm
Lighting	• High quality ultra low brightness fittings	• Lower quality ultra low brightness fittings	• Recessed prismatic fittings
Building Intelligence	• High quality building automation system, 24 hours access (card key),manned control room, perimeter security and closed circuit CCTV	• Direct digital controls, 24 hour access and off-site alarm monitoring	• Electronic Controls

Appendix

Upper Hill

Historical(s)	2011	2013	2016
Rental Rates A	100	140	132.5
Rental Rates B	69	96	105
Rental Rates C	83	85	88
Sale Prices A	11,000	11,000	14,874
Sale Prices B	11000	13750	14250
Sale Prices C	11000	11890	13833
Rental Yields A	10.3%	12.0%	11.0%
Rental Yields B	8%	8%	8%
Rental Yields C	9%	8%	8%

Mombasa Road and Thika Road

Historical(s)	2011	2013	2016
Rental Rates A	62	117	81
Rental Rates B	64	54	70
Sale Prices A	12,000	10,500	12,667
Sale Prices B	7,000	8,667	9,800
Rental Yields A	11%	7%	7%
Rental Yields B	9%	9%	9%

Appendix

Nairobi

Historical(s)	2011	2013	2016
Rental Rates A	80	104	115
Rental Rates B	81	104	94
Rental Rates C	72	78	82
Sale Prices A	11,258	12,167	13,875
Sale Prices B	10,270	12,700	12,243
Sale Prices C	10,143	11500	12,208
Rental Yields A	11%	10%	10%
Rental Yields B	10%	10%	10%
Rental Yields C	9%	8%	9%

CBD

Historical(s)	2011	2016
Rental Rates A	62	100
Rental Rates B	76	91
Rental Rates C	68	75
Sale Prices A	9,000	12,500
Sale Prices B	8,250	10,667
Sale Prices C	7,500	10,500
Rental Yields A	8%	10%
Rental Yields B	11%	10%
Rental Yields C	11%	9%

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