

REPORT AND VALUATION
UPON
A RESIDENTIAL RE-DEVELOPMENT SITE



L.R. NO. 1055/29; APPLE WOOD

MIOTONI ROAD, KAREN

NAIROBI COUNTY



Our Ref: RVI/V.O/2018/5345

Friday, January 5th, 2018

Senior Project Manager & Head of Regional Markets,
Cytonn Investments Management Limited,
3rd Floor, Liaison House, State House Avenue,
P.O Box 20695-00200,
Nairobi, Kenya.

Dear Sir,

RE: VALUATION OF L.R.NO. 1055/29 MIOTONI ROAD, NAIROBI COUNTY

Pursuant to your request and in accordance with an award of contract received dated **Friday, 15th December, 2017** (cancelled and replaced by another dated **Friday, 26th January, 2017**), we made unsuccessful attempts to inspect the above captioned property on **Tuesday, 2nd January, 2018**, and we are pleased to submit the accompanying Report and Valuation based on the information we could generally gather.

The report, including exhibits, fully describes the approach to value and contains all pertinent data gathered in the investigation of the subject property.

The value opinion reported below is qualified by certain assumptions, limiting conditions, certifications, and definitions, which are set forth in the report.

Respectfully submitted,

FRANCIS K. WANJOHI
B.A. LAND ECONOMICS,
MBA (FINANCE), CPA (K), M.I.S.K
REGISTERED AND PRACTISING VALUER
HEAD OF VALUATION

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EXECUTIVE SUMMARY

This Executive Summary must be read in the context of and in conjunction with the full valuation report of which it forms a part of. All comments, terms and conditions contained in the full valuation report relate directly to this Executive Summary.

SUMMARY OF SALIENT FACTS

| | |
|-------------------------------|--|
| INSTRUCTING PARTY: | CYTONN INVESTMENTS MANAGEMENT LIMITED |
| PROPERTY ADDRESS: | L.R. NO. 1055/29; MIOTONI ROAD, KAREN, NAIROBI COUNTY |
| DATE OF INSPECTION: | TUESDAY, 2ND JANUARY 2018 |
| DATE OF VALUATION: | FRIDAY, 5TH JANUARY 2018 |
| REGISTERED PROPRIETOR: | CHRISTOPHER FRANCIS BAGOT, MICHELE OSTERTAG & KATI MAARITA AUTERE |
| INTEREST APPRAISED: | FREEOLD TENURE |
| PURPOSE OF VALUATION: | BOOK PURPOSES |
| MAIN DEVELOPMENTS: | IGNORED |
| LAND SIZE: | 4.209 HECTARES OR 10.40 ACRES |
| LAND USE: | MULTI DWELLING RESIDENTIAL (TOWN HOUSES) |

BRIEF PROPERTY AND NEIGHBOURHOOD DESCRIPTION

This is a residential redevelopment site situated along Miotoni road and about 200 metres from the junction of Ngong road and the Southern by-pass in Karen area of Nairobi. The parcel slopes gently northwards with a section northern boundary marked by the Miotoni River. The property is developed with an old residential house and several other buildings all of which have been ignored for the purpose of this valuation. Change of user from single dwelling unit to multi dwelling units (town houses) has already been granted by the Nairobi City County. Plans are at an advanced stage to develop the site with palatial town houses.

The immediate neighbourhood is characterized by residential, retail and commercial land use; which has seen old residential buildings being demolished to pave way for high rise residential blocks of apartments as well as commercial blocks.

VALUATION SUMMARY

| | | Current Values (KES) |
|--------------|-------------------|-----------------------------|
| (i) | Market Value | 686,400,000.00 |
| (ii) | Mortgage Value | 583,500,000.00 |
| (iii) | Forced Sale Value | 514,800,000.00 |

1. DEFINITION OF TERMS

1.1. VALUATION RATIONALE

The subject property consists of approximately 10.4 acres of potential residential redevelopment land fronting Miotoni road in Nairobi.

We have consequently adopted the Sales Comparison/Market Approach and Residual Method to arrive at the opinion of Market Value.

Sales Comparison/Market Approach

According to the *RICS¹ Valuation – Professional Standards 2014²*, the Sales Comparison/Market Approach of valuation provides an indication of value by comparing the subject assets with identical assets for which price information is available. We have adopted this methodology in analysing the sampled comparable valuations within the neighbourhood.

Contractors Method/Cost Approach

The *RICS Valuation – Professional Standards 2014*, defines the Cost Approach as one that provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or construction. Valuation of villas and infrastructure components is based on this methodology applying the appropriate depreciation. Valuation of villas once complete will be based on sales comparison.

Residual Method

The residual method of valuation could be expressed in the form of a simple equation where the value of a property is the residue (a sum left over) after deducting the cost of development from the value of development. It may also be considered as the amount that a developer would be prepared to pay for such a property in order to obtain the development potential.

¹ Royal Institution of Chartered Surveyors

² The RICS Valuation – Professional Standards 2014 are fully compliant with the International Valuation Standards 2013.

1.2. BASIS OF VALUATION

Market Value

According to the *RICS Valuation – Professional Standards 2014*, Market value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

1.3 POTENTIAL, HIGHEST AND BEST USE

1.3.1 Potential

This is the difference between the present use of a property and the highest and best use of the same property.

1.3.2 Highest and Best Use

This is the reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported and financially feasible and that results in the highest value.

2. PROPERTY SETTING

2.1 LOCATION

The property is situated along Miotoni road, about 200 metres from the junction of Ngong road and the Southern by-pass in Karen area of Nairobi. It touches the Miotoni River to the north.

The geographical coordinates of the site's approximate centre are **1°18'37.10"S** and **36°43'17.22"E**.

2.2 NEIGHBOURHOOD AND LOCAL DATA

The property is situated in Karen; an affluent leafy suburb of Nairobi in Kenya, lying south west of the Nairobi Central Business District. The subject is conveniently situated nearing a variety of popular shopping malls, restaurants, schools, recreational and medical facilities.

Other land marks in the immediate vicinity include the Southern by-pass, Ngong Race Course, the Miotoni River, and the Hub Mall among others.

2.3 SERVICES AND AMENITIES

Mains water, electricity and sewer services are connected to the property. Immediate access roads are all tar surfaced.

3 PARCEL AND ASPECTS OF TITLE

3.1 TENURE AND PROPRIETORSHIP

An inspection of the copy of title and a certified copy of title from Nairobi Lands Registry revealed that the property is held as freehold interest registered in the names of **Christopher Francis Bagot, Michele Ostertag & Kati Maarita Autere**.

3.2 PARCEL ACREAGE

According to the copy of title and map, the plot measures **4.209 hectares** or **10.40 acres** approximately.

3.3 ENCUMBRANCES

No encumbrances were registered against the title.

A copy of the certificate of official title search is attached as Appendix IV.

3.4 LAND RATES

Unascertained.

3.5 LAND DESCRIPTION

3.5.1 Land Ownership in Kenya

In Kenya, there are three (3) different land classifications: private land, public land, and community land.

Private land is land owned by an individual under freehold or leasehold tenure.

Public land is vested in the government for the benefit of the people of Kenya. It includes roads, all water bodies, forests, national parks, and land that have minerals, among others.

Community land is held by and managed by communities. It includes land registered under group representatives, shrines, grazing areas and ancestral lands.

3.5.2 L.R. No. 1055/29, Apple Wood,

This property lies on a prime **10.4 acres** parcel along Miotoni road, Nairobi County.

The title is held on Leasehold Interest granted under Registration of Titles Act, (Cap 281) now repealed and replaced by The Land Registration Act No. 3 of 2012.

4 POTENTIAL, HIGHEST AND BEST USE ANALYSIS

The property is located in a popular residential estate in Nairobi County. It has old buildings housing a single family with lots of open grounds dotted with mature trees.

Given the nature of the neighbourhood and developments thereon, it's our opinion that the property has not achieved its highest and best use.

5. IMPROVEMENTS/DEVELOPMENTS

5.1 General Description

The property is developed with an old residential house and several outer buildings all of which have been ignored for the purpose of this valuation. Change of user from single dwelling unit to multi dwelling units (town houses) has already been granted by the Nairobi City County; plans are at an advanced stage to develop the site with several palatial town houses.

5.2 General State of Repair & Maintenance

We were not instructed to carry out structural surveys of the properties but we have reflected any apparent wants of repair in our opinion of the value as appropriate. In addition to this no specialist tests have been carried out on any of the building's service systems and for the purposes of our valuations we assumed that all are in good working order and in compliance with any relevant statute by-law or regulation.

Our findings can be summarized in the table below as: -

| | YES | NO |
|---|-----|-----|
| Is the subject property located in an area where adverse soil conditions exist? | | NO |
| Are any structural cracks visible? | | N/A |
| Would you recommend a Structural Engineer to inspect the property? | | N/A |

5.3 Environmental & Land Contamination Concerns

Although this is not an Environmental Impact Assessment, we can confirm that there was no evidence of pollution or land contamination on the subject property or on the adjoining site. Our physical inspection of the property and its neighbourhood can be summarized in the table below:-

| | Property Observations | Motivation |
|---|---|--|
| 1 | Briefly describe the surrounding environment of the property (e.g. industrial, residential, rural or commercial) | Mix of commercial and residential |
| 2 | Is the property located close to a water source or a sensitive ecological area (e.g. river, protected area, nature reserve)? If yes, please elaborate. | Yes. It orders the Miotoni River to the north. |
| 3 | Do the operations/activities on the property involve the handling, storage, transportation or disposal of hazardous material (e.g. fuel, chemicals and fertilizer)? If yes, please elaborate. | No |
| 4 | In your opinion, are potential environmental and/or social risks satisfactorily managed on the property/site? (E.g. Yes, an Environmental Management System is in place)? | Yes |

6 TENANCY / OCCUPANCY

6.1 Tenancy/Occupancy

We could not ascertain occupancy of the property since we not granted entry.

6.2 Subject Property Ratings

On a scale of 1-9 the subject property would perform in the current and future markets as tabulated below. These rating assessments have taken into consideration the factors outlined in this report as at the date of valuation.

| CURRENT DEMAND | | | | |
|---------------------------|---------------|-------------|------------|--------------------|
| SCALE | RATING | LETTABILITY | SALEBILITY | BUILDING CONDITION |
| 9 | Excellent | | | |
| 8 | Very Good | | | |
| 7 | Good | | | |
| 6 | Above average | | | |
| 5 | Average | | | |
| 4 | Below average | | | |
| 3 | Poor | | | |
| 2 | Very poor | | | |
| 1 | Unlettable | | | |
| ANTICIPATED FUTURE DEMAND | | | | |
| SCALE | RATING | LETTABILITY | SALEBILITY | BUILDING CONDITION |
| 9 | Excellent | | | |
| 8 | Very Good | | | |
| 7 | Good | | | |
| 6 | Above average | | | |
| 5 | Average | | | |

| | | | | |
|---|---------------|--|--|--|
| 4 | Below average | | | |
| 3 | Poor | | | |
| 2 | Very poor | | | |
| 1 | Unlettable | | | |

| OVERALL RATING | | | |
|----------------|-------------|-------------|--------------------|
| RATING | LETTABILITY | SALEABILITY | BUILDING CONDITION |
| Average | 7 | 8 | 7.5 |

7 SWOT ANALYSIS

We provide a SWOT analysis of the subject property as below:

Strengths:

- Prime location of the property;
- Frontage to a major road;

Weaknesses:

- Neighbouring a river;

Opportunities:

- Can obtain change of user to multi-dwelling residential use;
- Located in a leafy, quiet & controlled residential district;

Threats:

- Volatility of the national and global economy is negatively impacting on the local property market;
- Negative political environment.

8. MARKET OVERVIEW

8.1 General Market Commentary

Local

This is a residential redevelopment site situated along Miotoni road and about 200 metres from the junction of Ngong road and the Southern by-pass in Karen area of Nairobi. The parcel slopes gently northwards with a section northern boundary marked by the Miotoni River. The property is developed with an old residential house and several outer buildings all of which have been ignored for the purpose of this valuation. Change of user from single dwelling unit to multi dwelling units (town houses) has already been granted by the Nairobi City County. Plans are at an advanced stage to develop the site with several palatial town houses.

The area is characterised by development of owner occupied or rented Villas, Bungalows or maisonettes on a minimum of half acre parcels. The demand for properties within the area is good and is projected to remain competitive in the foreseeable future. This is demonstrated by the high rate of newly developed residential gated estates in the area.

Global/Regional

The global and regional economic environment will continue to influence Kenya's economic developments by influencing commodity prices, the volume and direction of international capital flows, and trade. As such, risks to the global economic outlook have the potential to affect consumer and investor confidence and curtail growth in the Kenyan economy. The major forces driving the global economic outlook are soft commodity prices and the turbulence in the global financial system triggered by increasingly divergent monetary policies across AEs (Advanced Economies) and these have direct implications for the Kenyan economy.

More specific issues of note include the growth of the private sector that has seen more international companies setting up their headquarters in Nairobi. This is owed to the strategic positioning of the city as a regional hub. This has created increased demand for premium high end residential housing that can compete even in the global market.

Confirmations

We have also perused the Ndung'u Land Report and the property does not appear to have been illegally allocated or acquired.

The property is also not mentioned in the National Land Commission Review of Grants and Disposition of Public Land Report of July 2017.

Finally, we want to expressly state that we were not granted access to the premises and as such have relied on informally gathered generally through aerial observation of the property, study of maps, title document and similar properties in the neighbourhood to compile this report and valuation.

9. VALUATION CERTIFICATE

We have analyzed the information obtained from the physical inspection of the property, information pertaining the asking prices for similar parcels of land in the area, the proposed and approved project, current costs of construction, as well as taken into account the economic conditions on the date of valuation to arrive at the opinion of value of the property as of **Friday 5th January, 2018** as follows:

- i. Market Value: **Kshs. 686,400,000.00 (Kenya Shillings Six Hundred Eighty Six Million, Four Hundred Thousand Only).**
- ii. Mortgage Value: **Kshs. 583,500,000.00 (Kenya Shillings Five Hundred Eighty Three Million, Five Hundred Thousand Only).**
- iii. Forced Sale Value: **Kshs. 514,800,000.00 (Kenya Shillings Five Hundred Fourteen Million, Eight Hundred Thousand Only).**

**FOR AND ON BEHALF OF
REGENT VALUERS INTERNATIONAL (K) LIMITED**

**VINCENT OGENDO NYABWARI
B.A.LAND ECONOMICS (HONS), M.I.S.K (VS)
VALUER**

**FRANCIS K. WANJOHI
B.A.LAND ECONOMICS,
MBA (FINANCE), CPA (K), M.I.S.K, RV, REA
REGISTERED AND PRACTISING VALUER
HEAD OF VALUATION**

DISCLAIMER

We certify that the valuer was not granted access to the premises and as such has relied on informally gathered generally through aerial observation of the property, study of maps, title document and similar properties in the neighbourhood to compile this report and valuation. This valuation is therefore made subject to the details, remarks and qualifications made in this final report and it is intended for the sole use of the party to whom it is addressed and for no other purpose. No responsibility is accepted to any third parties in relation to this valuation and report. The valuer has neither a pecuniary interest in, nor with either party associated with the transaction that would conflict with the independent valuation of the property.

Where it is stated in the Report that information has been supplied to the Company by another party, this information is believed to be reliable but the Company accepts no responsibility if this should prove not to be so. Where information is given without being attributed directly to another party, this information has been obtained by our search of records and examination of documents or by enquiry from government or other appropriate departments.

Where Market Value is assessed, it reflects the full contract value and no account is taken of any liability for taxation on sale or of the costs involved in effecting a sale.

The Valuation is not valid, unless it is duly signed by the Principal Valuer of this company and bears the Official Company Seal.

TERMS OF ENGAGEMENT

Neither the whole nor any part of this report or valuation, nor any reference thereto, may be included in any published document, circular or statement, nor published in any way, nor disclosed to any third party without the prior written consent of the firm.

Neither all nor part of the contents of the report shall be reproduced for dissemination to the public through advertising media, public relations media, news media, sales media, social media or any other public means of communication without the prior consent and written approval of the appraisers.

This appraisal is based on the condition of the local and national economy, purchasing power of money and financing rates prevailing on the effective date of valuation.

SCOPE AND EXTENT OF INSPECTION

Our valuation report includes; the site together with its all supporting systems such as electrical and mechanical systems. Whereas the buildings have largely been ignored in this report due consideration has been given to the proposed project.

We were not granted access to the premises for inspection purposes and as such have relied on informally gathered generally through aerial observations of the property, study of maps, title document and similar properties in the neighbourhood to compile this report and valuation.

We have not carried out a building survey of the buildings nor have we inspected woodwork, steelwork or other parts of the property which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the property are free from defect. Our report does not purport to express an opinion about or to advise upon the condition of uninspected parts. Neither have we carried out any tests of any kind on the electrical, plumbing or other services installed.

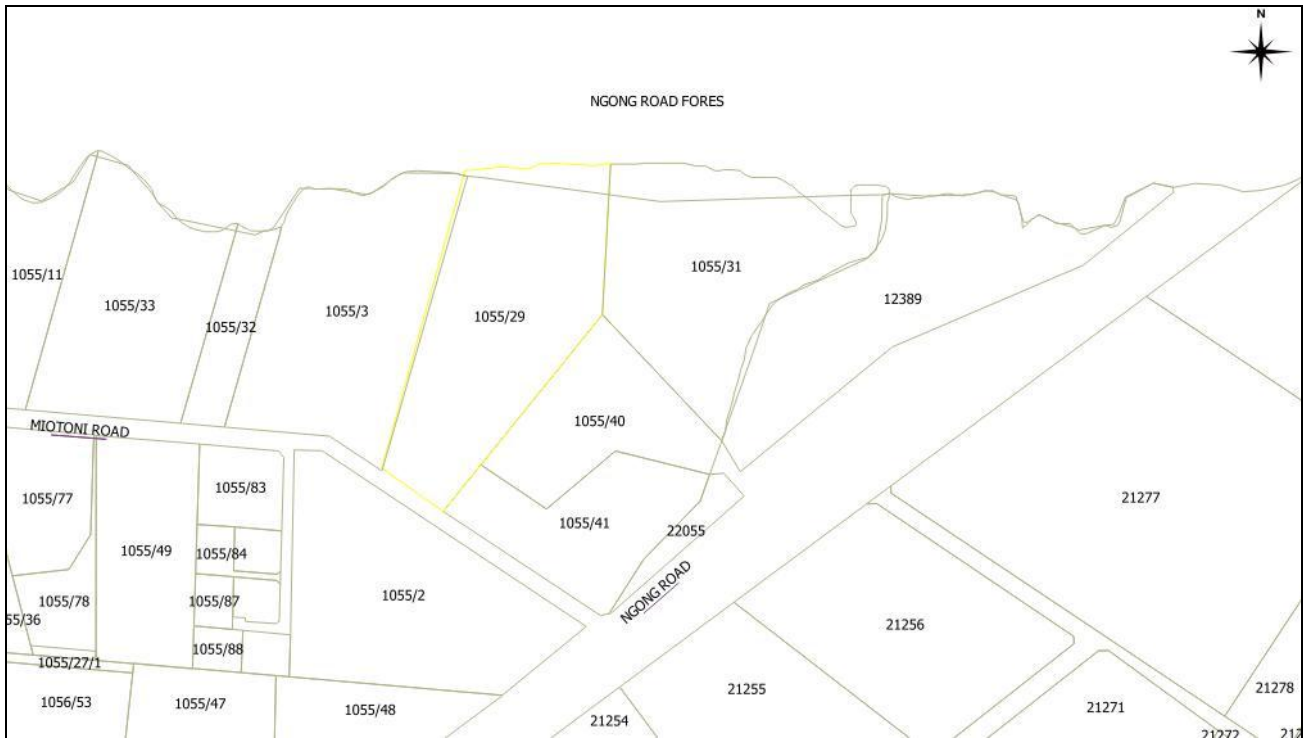
MARKET CHANGE DISCLAIMER

This valuation is current as of the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to this particular property). We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon a year from the date of the valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.

APPENDIX II: GOOGLE EARTH IMAGES OF THE PROPERTY



APPENDIX III: COPY OF THE SURVEY MAP EXTRACT



APPENDIX IV: COPY OF SEARCH CERTIFICATE

REPUBLIC OF KENYA
THE LAND REGISTRATION ACT NO. 3 OF 2012
THE LAND ACT NO. 6 OF 2012
THE GOVERNMENT LANDS ACT CAP 280(REPEALED)
CERTIFICATE OF POSTAL SEARCH

DATE: 07/02/2017

SECTION:

AREA: 10.4 Acres

AREA:

FILE NUMBER: 1055/29

FILE NUMBER:

REGISTER: N.70 Folio 421 File 8751

REGISTER:

TENURE: Freehold

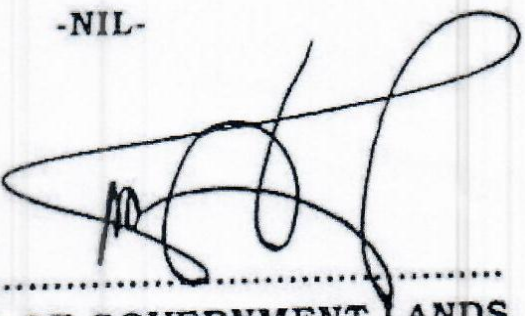
TENURE:

CURRENT REGISTERED PROPRIETOR: CHRISTOPHER FRANCIS
OCT, MICHELE OSTERTAG and KATI MAARITA AUTERE

ENCUMBRANCES

GOVERNMENT LANDS

-NIL-

Signed 

REGISTRAR OF GOVERNMENT LANDS

B. F. Atieno *208