

Cytonn H1'2026 Markets Review

Executive Summary:

Global Markets Review:

According to the [World Bank](#) the global economy is projected to grow at a rate of 2.5% in 2026, from the 2.9% growth recorded in 2025. This can be attributed to weaker prospects for economies dependent on energy imports and those directly affected by the US-Iran war, where a fragile ceasefire remains in place but no final settlement has been reached. The World Bank's growth projection of 2.6% is 0.5% points lower than the [IMF's 2026](#) forecast of 3.1%. Notably, advanced economies are expected to record a 1.5% growth in 2026, down from the 1.8% expansion recorded in 2025. Additionally, emerging markets and developing economies are projected to expand by 3.6% in 2026, down from the 4.4% expansion recorded in 2025;

Sub-Saharan Africa Regional Review:

According to the [World Bank](#), the Sub-Saharan economy is projected to grow at a moderate rate of 4.0% in 2026, which is 0.1% points lower than the 4.1% growth recorded in 2025. The expected marginal decline is primarily driven by private consumption decline as increasing inflation minimizes the purchasing power of household incomes. Moreover, the risk of debt distress remains high with more than half of countries facing unsustainable debt burdens. The public debt is expected to remain high due to increased debt servicing costs as a result of continued currency depreciation and high interest rates in developed economies;

Kenya Macroeconomic Review:

According to the Kenya National Bureau of Statistics (KNBS) [Economic Survey 2026](#), the Kenyan economy recorded a 4.6% growth in FY'2025, lower than the 4.7% growth recorded in FY'2024. The weakened performance was largely driven by slower growth in key sectors, with Accommodation and Food Services growing by 15.6% rate which is slower than the 25.9% in FY'2024, Real Estate expanding by 3.9% in FY'2025 from a 5.3% expansion in FY'2024, and Agriculture, forestry and fishing falling to a 3.1% growth in FY'2025 from a 4.4% expansion in FY'2024;

The year-on-year [inflation](#) in June 2026 decreased by 0.3% points to 6.4% from the 6.7% recorded in May 2026. The price increase was primarily driven by a rise in prices of items in the Food and Non-alcoholic Beverages at 8.6%; Transport 16.1%; and Housing, Water, Electricity, Gas and other fuels at 3.4%; over the one-year period;

Fixed Income:

During H1'2026, T-bills were oversubscribed, with the overall subscription rate coming in at 155.9%, up from 154.5% in H1'2025. Investors' preference for the 91-day paper persisted with the paper receiving bids worth Kshs 973.1 bn against the offered Kshs 624.0 bn, translating to an oversubscription rate of 279.2%, higher than the oversubscription rate of 224.8% recorded in H1'2025. Overall subscription rates for the 364-day papers came in at 197.9% which was higher than the 191.6% recorded in H1'2025, while that for 182-day papers came in at 64.7% which was lower than the 89.3% recorded in H1'2025. The average yields on the 364-day, 182-day and 91-day papers decreased by 1.7%, 1.1% and 0.9% points to 8.7%, 8.0% and 7.9% in H1'2026, respectively, from 10.4%, 9.1% and 8.8%, respectively, in H1'2025. Despite the government's sustained domestic borrowing, strong demand for government securities has supported the stability in yields. During the period, the acceptance rate stood at 79.4%, down from 85.4% in H1'2025, with the government accepting Kshs 771.9 bn out of the Kshs 973.1 bn worth of bids received;

During the week, T-bills were oversubscribed for the fifth consecutive week, with the overall subscription rate coming in at 146.6% higher than the subscription rate of 116.9%, recorded the previous week. Investors' preference for the shorter 91-day paper persisted, with the paper receiving bids worth 25.6 bn against the offered Kshs 4.0 bn, translating to a subscription rate of 640.4%, higher than the subscription rate of 573.3%, recorded the previous week. The subscription rate for the 364-day paper increased to 70.9% from 27.8% recorded the previous week, while that of the 182-day paper increased to 24.9% from 22.7% recorded the previous week. The government accepted a total of Kshs 24.7 bn worth of bids out of Kshs 35.2 bn bids received, translating to an acceptance rate of 70.3%. The yields on the government papers were on an upward

trajectory with the yields on the 182-day paper increasing the most by 11.8 bps to 9.0% from 8.8% previous week. The yield on the 91-day paper increased by 0.7 bps to remain relatively unchanged from the 8.8% recorded the previous week, while the yield on the 364-day paper increased by 0.2 bps to remain relatively unchanged from 9.0% recorded the previous week;

During the H1'2026, the government did not issue any new treasury or infrastructure bonds, however it re-opened eighteen bonds, and issued one bond on tap-sale seeking to raise Kshs 460.0 bn. The bonds were generally oversubscribed, receiving bids worth Kshs 781.1 bn against the offered Kshs 460.0 bn, translating to a subscription rate of 169.8%;

Equities:

During Q2'2026, the equities market was on an upward trajectory, with NSE 10, NASI, NSE 25, and NSE 20 gaining by 18.7%, 15.1%, 14.6%, and 9.4%, respectively, taking the HY performance to gains of 22.0%, 21.3%, 19.64% and 19.56% for NSE 10, NSE 25, NASI, and NSE 20 respectively. The equities market performance during the quarter was driven by gains recorded by large caps such as Co-operative, Safaricom and KCB of 23.8%, 27.0%, and 16.2% respectively. The gains were however weighed down by losses recorded by large cap stocks such as BAT, NCBA and Standard Chartered of 3.0%, 1.4% and 0.8% respectively;

During the week, the equities market was on an upward trajectory, with NSE 10, NSE 25, NSE 20 and NASI gaining by 3.2%, 2.6%, 2.2%, and 2.1%, respectively, taking the YTD performance to gains of 24.8%, 23.9%, 21.8% and 21.3% for NSE 10, NSE 25, NSE 20, and NASI respectively. The equities market performance was mainly driven by gains recorded by large-cap stocks such as Equity, BAT and KCB, of 9.1%, 3.7%, and 3.3%, respectively. The gains were however weighed down by losses recorded by large cap stocks such as NCBA and Stanbic of 3.8% and 1.0% respectively;

During Q2'2026, the banking sector index gained by 13.9% to 255.1 from 224.0 recorded the previous quarter. This is attributable to gains recorded by stocks such as Co-operative, KCB, and Equity of 27.0%, 16.2%, and 15.9%, respectively. However, the performance was weighed down by losses recorded by large cap stocks such as NCBA, Standard Chartered and DTB-K of 1.4%, 0.8% and 0.7% respectively;

Also, during the week, the banking sector index increased by 2.8% to 261.5 from 254.5 recorded the previous week. This is attributable to gains recorded by stocks such as Equity, KCB and DTB-K, of 9.1%, 3.7%, and 3.3%, respectively. However, the performance was weighed down by losses recorded by large cap stocks such as NCBA and Stanbic of 3.8% and 1.0% respectively;

During the week, Safaricom PLC [announced](#) the completion of the acquisition by Vodafone Kenya Limited of an additional 15.0% stake in the company from the Government of Kenya, following the fulfilment of all conditions precedent to the transaction. The acquisition was completed through a block trade on the Nairobi Securities Exchange (NSE) on 30th June 2026, while the concurrent internal reorganization of Vodafone Kenya was also finalized, resulting in Vodacom Group Limited becoming the sole shareholder of Vodafone Kenya;

Real Estate:

In H1'2025, the general Real Estate sector continued to witness considerable growth in activity in terms of property transactions and development activities. Consequently, the sector's activity contribution to Gross Domestic Product (GDP) [grew](#) by 5.3 % to Kshs 1,433.9 bn in FY'2025, from Kshs 1,361.4 bn recorded during the same period in 2024. In addition, the sector contributed 8.2% to the country's GDP, 0.2% points decrease from 8.4% recorded in FY'2024. Cumulatively, the Real Estate and construction sectors contributed 15.0% to GDP, 7.3% points increase from 7.7% in FY'2024, attributable to the significant increase in construction contribution to GDP by 0.4% points, to 6.8% in FY'2025, from (0.7) % recorded in FY'2024;

On the [Unquoted Securities Platform](#) Acorn D-REIT and I-REIT traded at Kshs 29.6 and Kshs 23.8 per unit, respectively, as per the last updated data on 19th June 2026. The performance represented a 48.0% and 18.8%

gain for the D-REIT and I-REIT, respectively, from the Kshs 20.0 inception price. Additionally, ILAM Fahari I-REIT traded at Kshs 13.8 per share as of 19th June 2026, representing a 31.0% loss from the Kshs 20.0 inception price;

Digital Payments:

During the week, Mastercard Incorporated [launched](#) an Africa Cybersecurity Center of Excellence in Johannesburg, South Africa. The initiative is aimed at helping financial institutions, businesses, and governments improve cyber resilience as digital transactions continue to grow across the continent, bringing increased exposure to fraud, cyberattacks, and operational vulnerabilities. The center will initially focus on South Africa and Nigeria, two of Africa's largest digital payments markets, before expanding across the continent;

During the week, Mastercard [entered](#) into a strategic partnership with VEON Ltd. to accelerate the delivery of digital financial services across emerging markets. The collaboration will leverage VEON's extensive mobile connectivity and digital platforms alongside Mastercard's payment technology to broaden access to secure digital payment solutions, with an initial focus on markets where financial inclusion and digital adoption are rapidly growing;

During the week, Visa Inc., Mastercard Incorporated, and Coinbase Global, Inc. [joined](#) a consortium supporting the launch of a global stablecoin initiative designed to accelerate the use of regulated digital currencies in mainstream payments. The initiative aims to establish common standards and interoperable infrastructure that enable consumers and businesses to use stablecoins for everyday transactions while allowing financial institutions and merchants to seamlessly connect blockchain-based payment rails with existing card and banking networks. By leveraging each participant's strengths in payments, digital asset custody, and blockchain infrastructure, the collaboration seeks to make stablecoin payments faster, more secure, and more accessible across domestic and cross-border markets.

The digital payment stocks we track (AXP, Visa, Mastercard, Circle, Block and Paypal) are currently trading at an average P/E of 26.1x, implying that investors are pricing in strong future earnings growth expectations and are willing to pay a significant premium for current earnings, which may also suggest that valuations may be stretched relative to near-term fundamentals. Bottom of Form

Company Updates

Investment Updates:

- Weekly Rates: Cytonn Money Market Fund closed the week at a yield of 11.72% p.a. To invest, dial *809# or download the Cytonn App from Google Play store [here](#) or from the Appstore [here](#);
- We continue to offer Wealth Management Training every Tuesday, from 7:00 pm to 8:00 pm. The training aims to grow financial literacy among the general public. To register for any of our Wealth Management Trainings, click [here](#); If interested in our Private Wealth Management Training for your employees or investment group, please get in touch with us through wmt@cytonn.com;
- Cytonn Asset Managers Limited (CAML) continues to offer pension products to meet the needs of both individual clients who want to save for their retirement during their working years and Institutional clients that want to contribute on behalf of their employees to help them build their retirement pot. To more about our pension schemes, kindly get in touch with us through pensions@cytonn.com;

Hospitality Updates:

- We currently have promotions for Staycations. Visit cysuites.com/offers for details or email us at sales@cysuites.com;

Global Markets Review

Global Economic Growth:

According to the [World Bank](#) the global economy is projected to grow at 2.5% in 2026, from the 2.9% growth recorded in 2025. This can be attributed to weaker prospects for economies dependent on energy imports and those directly affected by the US-Iran war, where a fragile ceasefire remains in place but no final settlement has been reached. The World Bank's growth projection of 2.6% is 0.5% points lower than the [IMF's 2026](#) forecast of 3.1%. Notably, advanced economies are expected to record a 1.5% growth in 2026, down from the 1.8% expansion recorded in 2025. Additionally, emerging markets and developing economies are projected to expand by 3.6% in 2026, down from the 4.4% expansion recorded in 2025.

The expected downturn in global economic growth in 2026 as compared to 2025 is majorly attributable to;

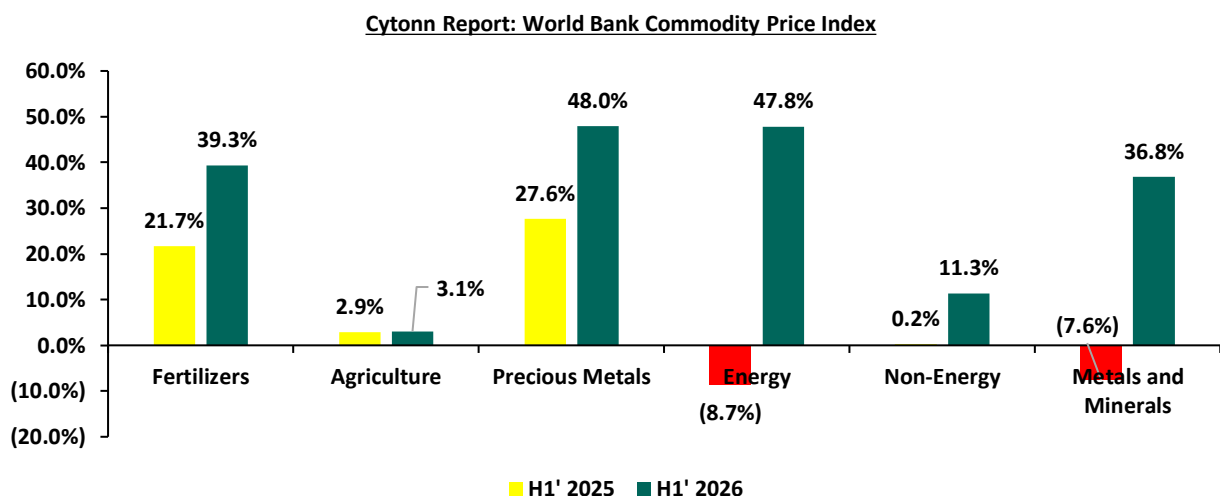
- i. Geopolitical tension between US and Iran: The Middle East conflict earlier in the year disrupted global trade, including a temporary halt to shipping through the Strait of Hormuz, which has since reopened though traffic remains below pre-war levels. This contributed to a sharp spike in global fuel prices at the height of the crisis.
- ii. High inflation and tightening Monetary policy: The global headline inflation is projected to stand at [4.0%](#) which is 0.8% higher than the 3.2% in 2025. This will in turn reduce real household income and overall consumer spending. Monetary policy responses have diverged, some central banks have begun raising rates again in response to conflict-driven energy inflation, making borrowing more expensive for businesses in those economies, while others continue a more cautious easing path.

However, global economic growth is expected to supported by;

- iii. Fading tariff pressures & policy adaptation: While 2025 was characterized by significant trade tensions and high tariffs especially in the US, this is expected to decline as businesses are expected to have adapted their supply chains learning from the events in 2025. Moreover, countries such as the US are replacing tariffs with tax incentives and legislative support such as the One Big Beautiful Bill [Act](#).

Global Commodities Market Performance:

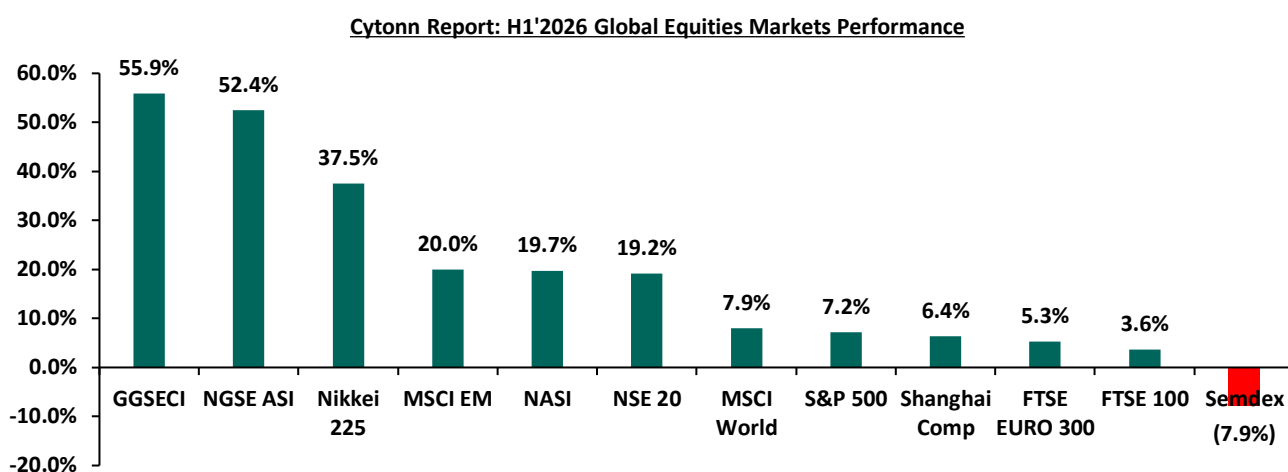
Global commodity prices registered a positive performance in H1'2026, with prices of Precious Metals, Energy, Fertilizers, Metals and Minerals, Non-Energy and Agriculture increasing by 48.0%, 47.8%, 39.3%, 36.8%, 11.3% and 3.1% respectively. This can be attributed to geopolitical tensions, especially in the Middle East, rising input costs for fertilizers and strong demand from clean energy sectors. Moreover, supply disruptions have further fueled these increases. Below is a summary performance of various commodities;



Source: World Bank

Global Equities Market Performance:

The global stock market registered a mixed performance in H1'2026, with Ghana's stock market (GSECI) being the best performing market gaining by 55.9% YTD attributable to gains in the large-cap stocks such as Access Bank, MTN Ghana and EcoBank and MTN Ghana of 96.9%, 52.9% and 34.7% respectively. The SEMDEX was the worst performer reporting 7.9% negative return largely driven by losses in large cap stocks such as IBL, SBM Holdings and MCB of 13.2%, 3.6% and 0.2 respectively. Below is a summary of the performance of key indices as at the end of H1'2026:



*Dollarized performance

Sub-Saharan Africa Region Review

According to the [World Bank](#), the Sub-Saharan economy is projected to grow at a moderate rate of 4.0% in 2026, which is 0.1% points lower than the 4.1% growth recorded in 2025. The expected marginal decline is primarily driven by private consumption decline as increasing inflation minimizes the purchasing power of household incomes. Moreover, the risk of debt distress remains high with more than half of countries facing unsustainable debt burdens. The public debt is expected to remain high due to increased debt servicing costs as a result of continued currency depreciation and high interest rates in developed economies.

Currency Performance:

In H1'2026, most of the select Sub-Saharan currencies depreciated against the US Dollar, primarily due to elevated inflationary pressures in the region, high debt servicing costs that continued to deplete foreign exchange reserves, and monetary policy tightening by advanced economies. High interest rates in developed countries resulted in significant capital outflows as investors, both institutional and individual, sought higher returns offered in these economies. However, the Zambian Kwacha emerged as the best performer among the selected currencies, appreciating by 18.7% against the USD on a year-to-date basis, closing H1'2026 at ZMW 18.0 from ZMW 22.1 at the beginning of the year. Below is a table showing the performance of select African currencies against the US Dollar:

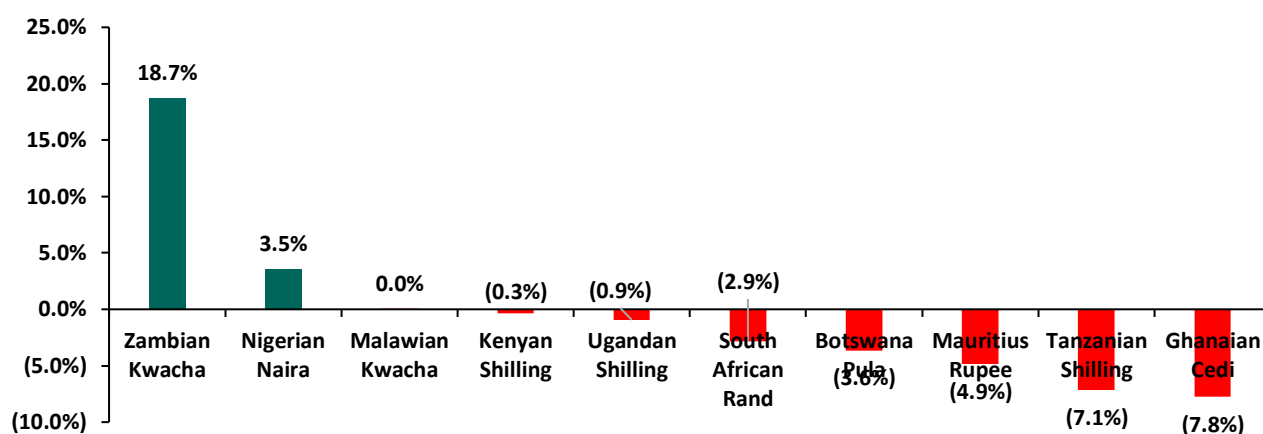
Cytonn Report: Select Sub-Saharan Africa Currency Performance vs USD					
Currency	Jun-25	Jan-26	Jun-26	Last 12 months	YTD Change (%)
Zambian kwacha	23.8	22.1	18.0	24.4%	18.7%
Nigerian Naira	1529.7	1430.3	1379.9	9.8%	3.5%

Malawian Kwacha	1734.0	1731.9	1731.3	0.2%	0.0%
Kenyan Shilling	129.2	129.1	129.5	(0.2%)	(0.3%)
Ugandan Shilling	3594.4	3625.3	3659.4	(1.8%)	(0.9%)
South African Rand	17.7	15.9	16.4	7.5%	(2.9%)
Botswana Pula	13.3	13.1	13.5	(1.7%)	(3.6%)
Mauritius Rupee	44.9	45.0	47.2	(5.1%)	(4.9%)
Tanzanian Shilling	2618.3	2450.2	2625.0	(0.3%)	(7.1%)
Ghanaian Cedi	10.3	10.5	11.3	(9.7%)	(7.8%)

Source: Yahoo Finance, Central Banks

The chart below shows the year-to-date performance of different sub-Saharan African countries in H1'2026;

Cytonn Report: Select Sub-Saharan Africa Currency Performance H1'2026 YTD Change (%)



Source: Yahoo Finance

Key take outs from the above table and chart include:

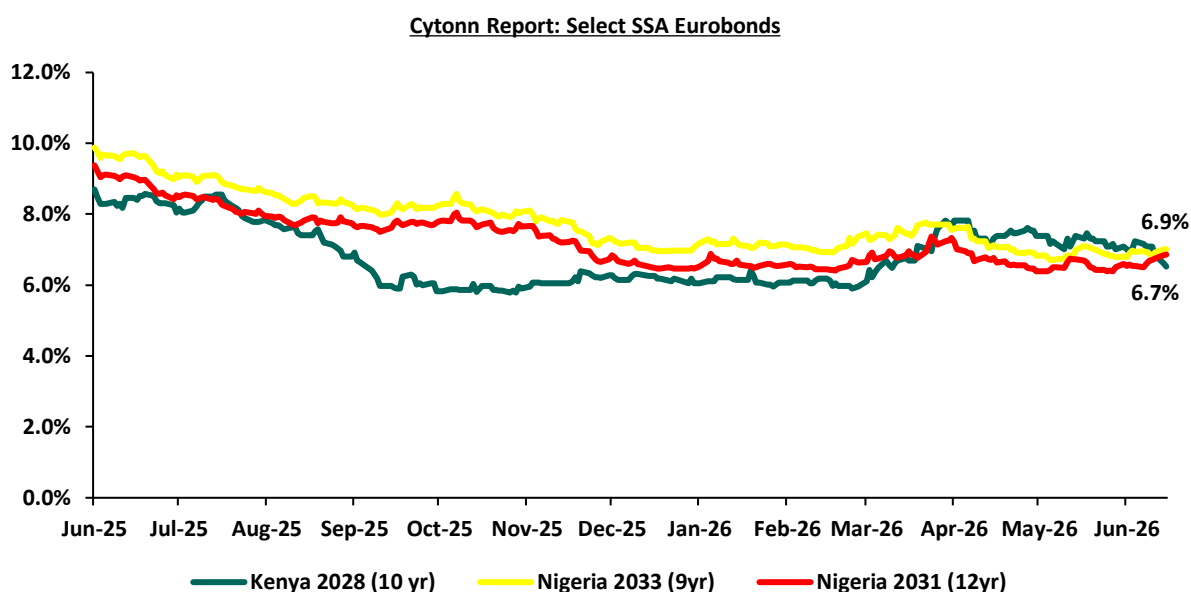
- i. The Zambian Kwacha was the largest gainer against the USD Dollar, gaining by 18.7% year to date to close at ZMW 18.0 from ZMW 22.1 beginning of the year. The Kwacha's strength has been supported by several factors, including improved monetary policies and economic recovery that attracted global investors. and,
- ii. The Ghanaian Cedi was the worst performing currency in H1'2026, depreciating by 7.8%, mainly as a result of the strength against the US dollar which is attributable to factors such as increased demand for the US Dollar required to import products such as fuel and machinery.

African Eurobonds:

Africa's appetite for foreign-denominated debt has increased in recent times, with the latest issuers during H1'2026 being Kenya, Ivory Coast, Benin and the Democratic Republic of Congo (DRC). Kenya [raised](#) USD 2.25 bn in February 2026 through a dual-tranche Eurobond comprising a 7-year note at 7.875% and a 12-year note at 8.7%, with the offer attracting combined orders of about USD 4.6 bn, representing a subscription rate of approximately 204.4%. Ivory Coast [raised](#) USD 1.3 bn in February 2026 through a 14-year Eurobond priced at

a 7.125% yield, drawing demand of over USD 4.2 bn, a subscription rate of roughly 323.1%. Benin [raised](#) USD 850.0 mn in January 2026, which was Africa's first sovereign Eurobond of the year, split between a USD 500.0 mn sukuk at 4.92% and a USD 350.0 mn bond at 6.19%, with orders exceeding USD 7.0 bn, translating to a subscription rate of about 823.5%. The DRC also made its market debut in April 2026, [raising](#) USD 1.3 bn across a 5-year tranche at an 8.75% yield and a 10-year tranche at 9.5%, with orders exceeding USD 5.2 bn, a subscription rate of approximately 416.0%.

The Yields of the Kenya's 10-year Eurobond maturing in 2028 decreased by 1.8% points to 6.5% as at the end of March 2026 from 8.3% in June 2025. Similarly, the yields for Nigeria's 9-year and 12-year Eurobonds maturing in 2033 and 2031 respectively decreased by 2.0% points and 1.5% points to 7.0% and 6.9% respectively at the end of March 2026, down from 9.0% and 8.4% respectively in March 2025. Below is a graph showing the Eurobond secondary market performance of select Eurobonds issued by the respective countries:



Source: Bloomberg, CBK

Equities Market Performance:

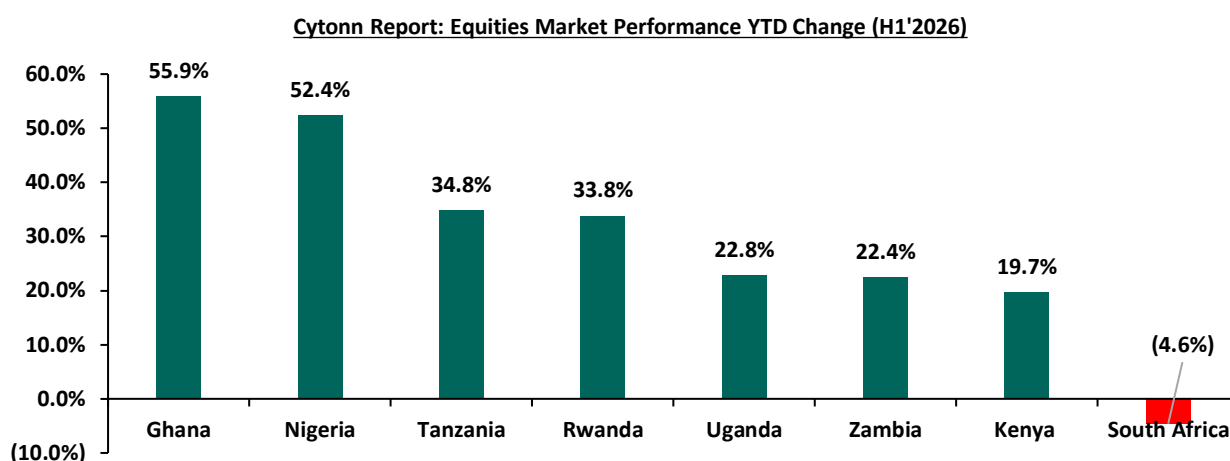
Sub-Saharan Africa (SSA) stock markets registered a mixed performance in H1'2026, with Ghana's stock market (GSECI) being the best performing market gaining by 55.9% YTD attributable to gains in the large-cap stocks such as Access Bank, MTN Ghana and EcoBank and MTN Ghana of 96.9%, 52.9% and 34.7% respectively. However, the performance was weighed down by the South Africa's stock index negative performance of 4.6% attributable to YTD performance losses in large cap stocks such as Naspers, Goldfields and Valterra Platinum Ltd of 30.5%, 20.7% and 15.7% respectively. Below is a summary of the performance of key indices:

Cytonn Report: Equities Market Performance H1'2026 (Dollarized*)						
Country	Index	Jun-25	Jan-26	Jun-26	Last 12 months	YTD Change
Ghana	GSECI	605.4	839.3	1308.8	116.2%	55.9%
Nigeria	NGEASI	77.8	109.2	166.5	114.0%	52.4%
Tanzania	DARSDEI	0.9	1.1	1.5	77.8%	34.8%
Rwanda	RSEASI	0.1	0.1	0.1	28.2%	33.8%
Uganda	USEASI	0.4	0.5	0.6	55.7%	22.8%

Zambia	LASILZ	848.8	1169.9	1432.5	68.8%	22.4%
Kenya	NASI	1.2	1.4	1.7	44.2%	19.7%
South Africa	JALSH	5424.8	7021.0	6698.9	23.5%	(4.6%)
*The index values are dollarized for ease of comparison						

Source: Cytonn Research, Kwayisi, Yahoo Finance

The chart below shows the YTD Performance of the sub-Saharan Equities Market;



Dollarized performance

Global Markets and Sub-Saharan Africa Performance Summary and Outlook

Indicator	Cytonn Report: Global and Sub-Saharan Africa Outlook Summary	
	Current View	Outlook Q3' 2026
Global Markets	Outlook for Q3'2026 <ul style="list-style-type: none"> According to the World Bank the global economy is projected to grow at 2.5% in 2026, from the 2.9% growth recorded in 2025. This can be attributed to weaker prospects for economies dependent on energy imports and those directly affected by the US-Iran war, where a fragile ceasefire remains in place but no final settlement has been reached. Additionally, emerging markets and developing economies are projected to expand by 3.6% in 2026, down from the 4.4% expansion recorded in 2025. 	
	Neutral	Neutral
Sub-Saharan Africa	<ul style="list-style-type: none"> We have NEUTRAL outlook on the global markets as the Middle east Conflict has triggered a shock that is undermining the 2026 projected economic growth as soaring energy prices and paralyzed shipping routes are acting as a global tax, effectively erasing consumer purchasing power and forcing central banks to abandon planned rate cuts. However, with improved development in the technology sector, especially AI sector, we see that the markets will maintain their projected growth. 	
	Neutral	Neutral
	<ul style="list-style-type: none"> According to the World Bank, the Sub-Saharan economy is projected to grow at a moderate rate of 4.0% in 2026, which is 0.1% points lower than the 4.1% growth recorded in 2025. The expected marginal decline is primarily driven by private consumption decline as increasing inflation minimizes the purchasing power of household incomes. 	
	<ul style="list-style-type: none"> We maintain a NEUTRAL outlook mainly on the back of high debt distress risk where more than half of countries facing unsustainable 	

	debt burdens. The public debt is expected to remain high due to increased debt servicing costs as a result of currency depreciation and high interest rates in developed economies, which is further being supported by the continued weakening of local currencies which will make servicing costlier, making the region less attractive to foreign capital.		
Take for investors	<ul style="list-style-type: none"> Going forward, Investors must monitor the energy-inflation feedback loop and Middle Eastern conflict, as high oil prices threaten to stall global interest rate cuts. Success hinges on tracking the AI-driven infrastructure boom and the stability of emerging market debt amidst shifting capital flows. In this volatile climate, the priority is balancing commodity-based hedges against sudden geopolitical shocks. 		

Kenya Macro Economic Review

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The year-on-year [inflation](#) in June 2026 decreased by 0.3% points to 6.4% from the 6.7% recorded in May 2026. The price increase was primarily driven by a rise in prices of items in the Food and Non-alcoholic Beverages at 8.6%; Transport 16.1%; and Housing, Water, Electricity, Gas and other fuels at 3.4%; over the one-year period;

Kenya Macro Economic Review

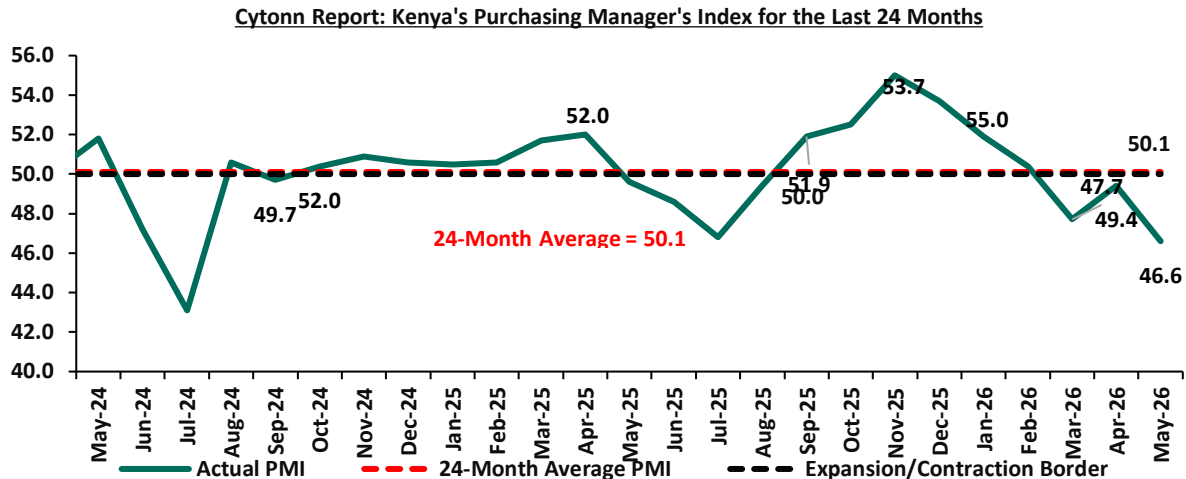
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Cytonn Report: Kenya 2026 Growth Projections			
No.	Organization	2026 Earlier GDP Projections	2026 Revised GDP Projections
1	International Monetary Fund	4.9%	4.5%
2	National Treasury	5.0%	5.3%
3	World Bank	4.9%	4.4%
4	Fitch Solutions	5.2%	5.0%
5	Cytonn Investments Management PLC	5.0%	4.8%
Average		5.0%	4.8%

Source: Cytonn Research

Key to note, Kenya's general business environment slightly deteriorated in the first half of 2026, with the average Purchasing Manager's Index coming at 49.2 for the first 5 months, compared to 50.9 recorded in a similar period in 2025. The downturn was largely attributed to lower new work intakes and weak demand, with inventory purchases slowing from previously expansive levels as firms grappled with weakening sales, cash flow concerns, and rising costs. Inflationary pressures fueled consumer resistance to spend, which combined with rising costs to drag down both new orders and output. This domestic weakness was compounded by the ongoing Middle East conflict, which pushed up fuel, transport, and shipping costs and disrupted supply routes through the region, squeezing margins further and reinforcing demand-side pressures across most sectors of

the economy. The chart below summarizes the evolution of PMI over the last 24 months to May 2026. Key to note, a PMI reading of above 50.0 indicates an improvement in the business conditions, while readings below 50.0 indicate a deterioration.



Stanbic Bank's May 2026 Purchasing Manager's Index (PMI)

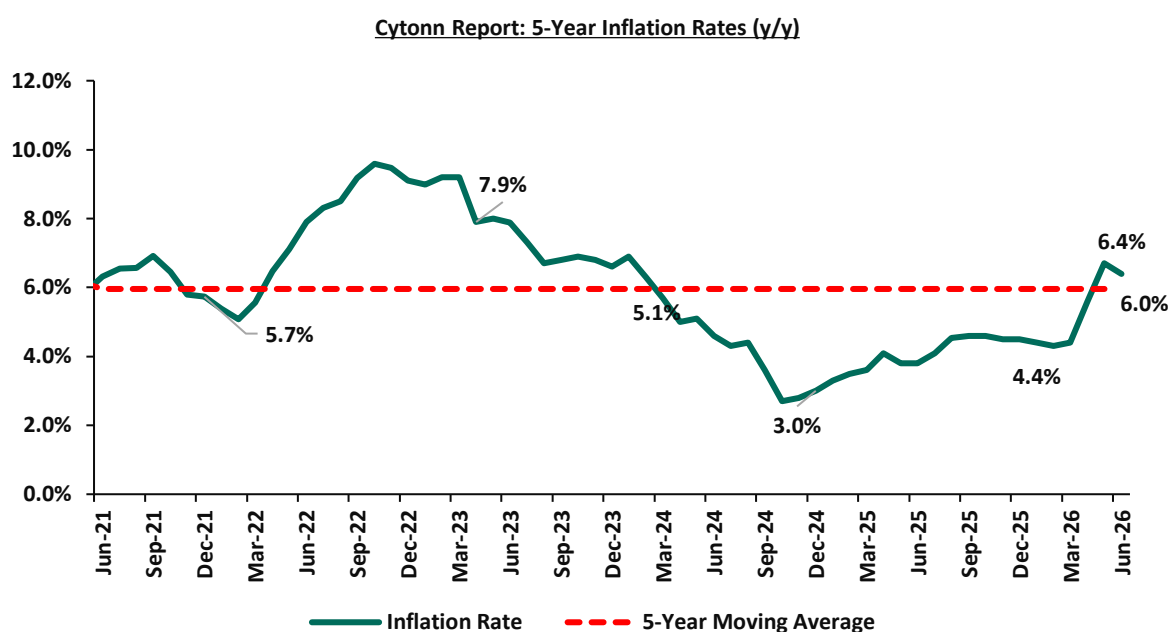
In the month of May, Stanbic Bank's monthly [Purchasing Manager's Index \(PMI\)](#) indicated that Kenya's Purchasing Managers' Index (PMI) declined by 2.8 points to 46.6 in May 2026 from 49.4 in April 2026, signaling the quickest decline in the health of the Kenyan private sector since July 2024, all the while remaining below the 50.0 neutral threshold for the third consecutive month. The reading was also lower than 50.4 recorded in February 2026 and the recent peak of 55.0 in November 2025, indicating continued deterioration in business conditions. The solid downturn was largely attributed to lower new work intakes and weak demand. Inventory purchases slowed, from being expansive, because of weakening sales, cash flow concerns, and rising costs. Furthermore, inflationary pressures that led to consumer resistance to spend, coupled with rising costs contributed to contractions in new orders and output.

Going forward, the outlook for Kenya's private sector remains under significant pressure, with May's data pointing to a deepening rather than stabilizing contraction. The PMI's drop to 46.6 was driven above all by the lingering aftermath of the Middle East war, which continues to push up fuel, transport, and shipping costs even as active hostilities ease. This is fueling the steepest input price inflation since November 2023, eroding purchasing power and dampening new orders, particularly in construction and services, where both output and new orders are contracting simultaneously. The first employment decline in 16 months adds a further headwind, risking a feedback loop into weaker consumer spending. The recent ceasefire offers a path to relief, but transmission will likely be slow: while oil prices have retreated sharply from their 2026 peak, we expect full normalization of supply routes and global inventories to take months, and a fragile truce leaves room for reversal. Still, firms remain notably optimistic about the year ahead, underpinned by plans for product diversification and digital expansion, suggesting the sector views this downturn as cyclical rather than structural. A meaningful recovery therefore hinges on the ceasefire holding and lower global fuel prices gradually feeding through to domestic costs.

Inflation:

The average inflation rate increased to 5.1% in H1'2026, compared to 3.7% in H1'2025, mainly driven by rising fuel prices. However, the increase was moderated by a stronger Kenyan Shilling and stabilized transportation

costs toward the end of the half. Notably, Super Petrol and Diesel prices rose by Kshs 31.5 and Kshs 52.4 per litre over the six months to Kshs 214.0 and Kshs 222.9 per litre in June 2026, from Kshs 182.5 and Kshs 170.5 per litre in January 2026, respectively, having peaked in the April–May cycle before easing marginally by Kshs 0.2 and Kshs 10.0 in the June price review from Kshs 214.3 and Kshs 232.9 per litre respectively in May 2026. Kerosene, meanwhile, remained broadly unchanged over the period at Kshs 152.8 per litre, with the latest prices effective from 15th June 2026 to 14th July 2026. This is reflected in the inflation data, with average inflation rising by 2.0% points to 6.4% in June 2026, from 4.4% in January 2026, mainly driven by increases in the Transport division to 16.1% from 4.8%; Food and Non-Alcoholic Beverages to 8.6% from 7.3%; and Housing, Water, Electricity, Gas and other fuels to 3.4% from 2.2%, over the same period. Below is a chart showing the inflation trend for the last five years:



Over the last 33 months, Kenya's inflation had persistently remained within the Central Bank of Kenya's (CBK) target range of 2.5%–7.5%, supported by a stronger Shilling and relatively stable fuel prices. However, this stability came under strain, as the escalating conflict involving the US, Israel and Iran disrupted global oil supply chains and drove global oil prices sharply higher, feeding through into elevated domestic fuel and transport costs. As a result, headline inflation rose for a third consecutive month to 6.7% in May 2026, its highest level in over two years, from 5.6% in April, though it remained within the CBK's target band. Having already cut the Central Bank Rate (CBR) by 25 bps to 8.75% in February 2026, the MPC has since held the rate steady for two consecutive meetings, in April and again on June 9, 2026, pausing the easing cycle to keep inflation expectations anchored and safeguard exchange rate stability amid the external shock.

Going forward, we expect inflation to ease back toward the lower end of the CBK's preferred range of 2.5%–7.5%, supported by the de-escalation of the Middle East conflict following the mid-June 2026 signing of a US-Iran memorandum of understanding, which has eased pressure on global oil prices and reduced the risk of further upside shocks to domestic fuel and transport costs. Favorable weather conditions are also expected to continue supporting stable food prices, further reinforcing the expected moderation in inflation. The risk, however, lies in the fragility of the ceasefire and its dependence on a full and sustained reopening of the Strait of Hormuz, with any re-escalation of hostilities posing renewed upside risk to fuel and transport costs. Additionally, the Monetary Policy Committee retained the CBR at 8.75%, unchanged from April 2026, in its June 2026 meeting, marking a second consecutive hold, aimed at anchoring inflation expectations while maintaining exchange rate stability. This continued cautious stance reflects a balancing act between managing residual imported inflation risks and supporting private sector credit growth. The Committee is expected to maintain

this data-dependent, cautious approach in the coming meetings, closely monitoring developments in the Middle East and their pass-through effects on fuel, transport, and food prices.

June 2026 Inflation

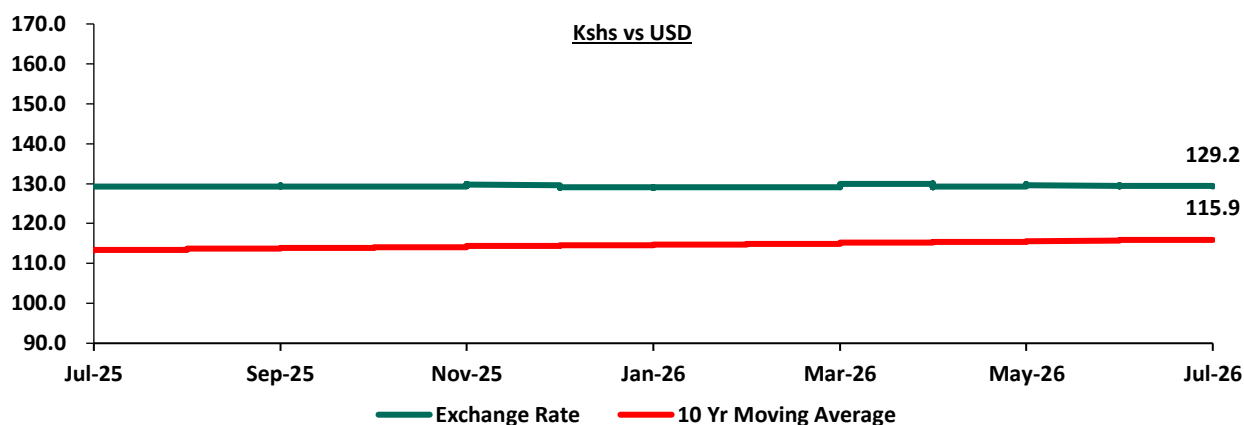
The year-on-year [inflation](#) in June 2026 decreased by 0.3% points to 6.4% from the 6.7% recorded in May 2026. The price increase was primarily driven by a rise in prices of items in the Food and Non-alcoholic Beverages at 8.6%; Transport 16.1%; and Housing, Water, Electricity, Gas and other fuels at 3.4%; over the one-year period. The month-on-month inflation rate stood at 0.2% in June 2026. The table below summarizes the performance of commodity indices both on a year-on-year and month-on-month basis:

Cytonn Report: Major Inflation Changes – June 2026			
Broad Commodity Group	Price change m/m (June-2026/ May-2026)	Price change y/y (June-2026/June-2025)	Reason
Food and Non-Alcoholic Beverages	0.3%	8.6%	The m/m increase was mainly driven by the significant rise in prices of kale (sukuma wiki) of 4.0% and spinach of 3.1%, coupled with an increase in maize grain (loose) prices of 1.2%. However, the increase was partly offset by a decline in prices of tomatoes and brown wheat flour of 2.4% and 1.2% respectively.
Transport	0.3%	16.1%	Despite the m/m increase in the overall Transport index, pump prices eased during the period, with Diesel prices declining by 6.3% to Kshs 222.9 from Kshs 232.9 per litre and Super Petrol prices easing marginally by 0.1% to Kshs 214.0 from Kshs 214 per litre for the 15th June to 14th July 2026 cycle.
Housing, Water, Electricity, Gas and Other fuels	(0.1%)	3.4%	The m/m decrease was mainly due to a decline in electricity prices, with the cost of 50 kWh and 200 kWh easing by 1.2% and 1.1% respectively during the reference period.
Overall Inflation	0.2%	6.4%	The m/m increase was mainly attributable to a 0.3% rise in Food and non-alcoholic beverages, coupled with a similar 0.3% increase in Transport.

In June 2026, overall inflation eased by 0.3% points to 6.4% from the 6.7% recorded in May 2026 on a y/y basis, marking the first slowdown in headline inflation since February 2026, even as price pressures remained elevated across key categories. Additionally, the inflation rate remained within the Central Bank of Kenya’s preferred range of 2.5%–7.5%, reflecting sustained macroeconomic stability. Prices for Super Petrol and Diesel decreased by Kshs 0.2 and Kshs 10.0 per litre to Kshs 214.0 and Kshs 222.9 per litre from Kshs 214.3 and Kshs 232.9 per litre respectively in May 2026. Kerosene remained unchanged at Kshs 152.8 per litre, with the revised prices effective from 15th June 2026 to 14th July 2026. Electricity costs also declined during the month, with the price of 200 kWh and 50 kWh decreasing by 1.1% and 1.2% respectively. Additionally, the Monetary Policy Committee of the Central Bank of Kenya (CBK) retained the Central Bank Rate at 8.75% for a second consecutive meeting on 9th June 2026, citing the need to keep inflation expectations anchored while supporting exchange rate stability amid lingering uncertainty from the Middle East conflict.

The Kenyan Shilling:

The Kenyan Shilling remained relatively stable during the first half of 2026, however, depreciating against the US Dollar by 36.4 bps in H1'2026, to close at Kshs 129.5, from Kshs 129.0 as at the beginning of the year. The mild depreciation reflects a combination of moderating diaspora remittance growth, partly due to disruptions in Gulf economies, a modest drawdown in forex reserves, and broad US Dollar strength amid heightened global risk aversion. Additionally, the accommodative monetary policy stance by the Central Bank of Kenya (CBK), including the reduction in the Central Bank Rate (CBR) to 8.75% in February 2026, alongside increased liquidity in the market, further contributed to the depreciation pressure, as lower yields reduced the relative attractiveness of Shilling-denominated assets. These pressures were largely offset by steady export earnings from tea, coffee, and horticulture, resilient tourism receipts, and continued prudent forex management by the CBK, helping the Shilling remain one of the most stable currencies in Africa through H1'2026. During the week, the Kenya Shilling appreciated against the US Dollar by 33.1 bps to Kshs 129.2, from Kshs 129.6 recorded the previous week.



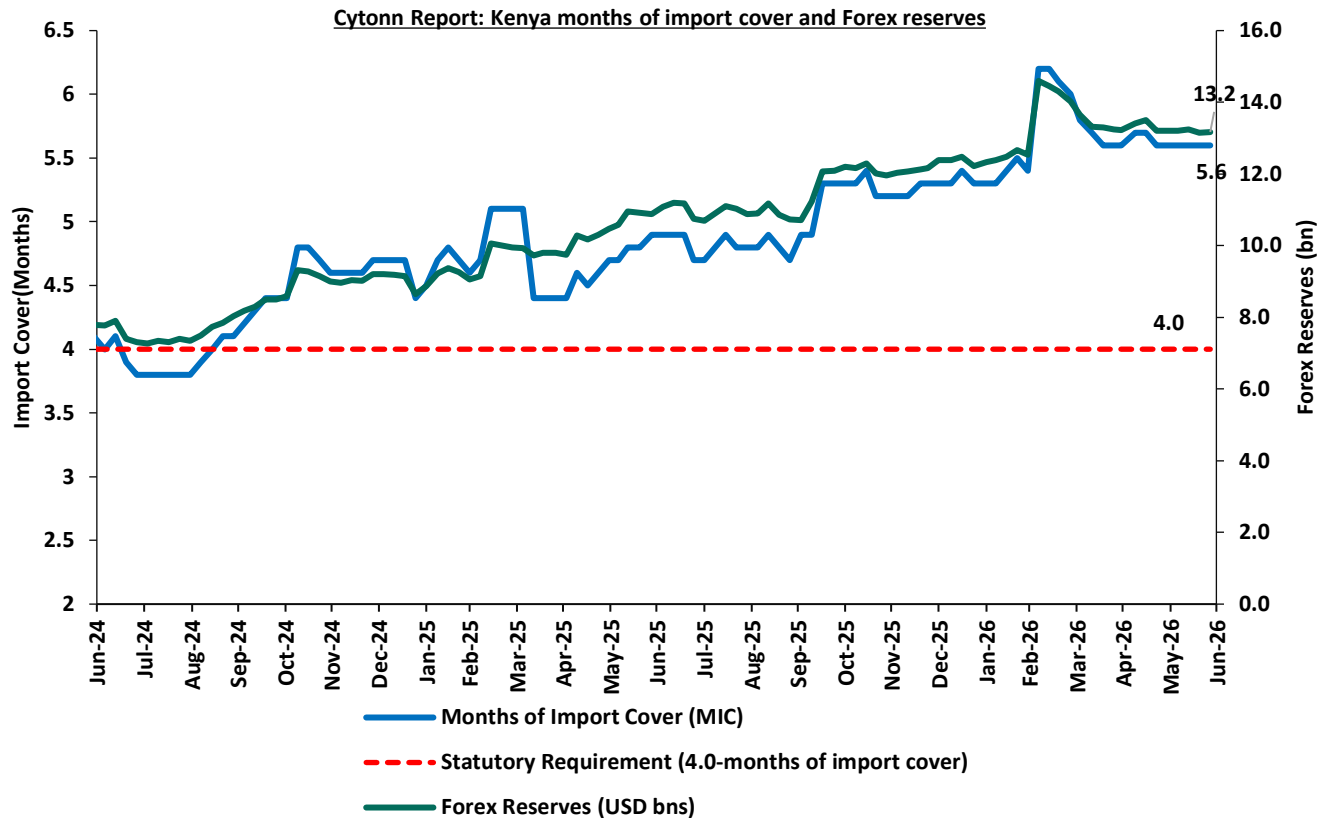
We expect the shilling to be supported by:

- i. Diaspora remittances standing at a cumulative USD 5,008.0 mn in the twelve months to May 2026, slightly lower than the USD 5,033.0 mn recorded over the same period in 2025. These have continued to cushion the shilling against further depreciation. In the May 2026 diaspora remittances figures, North America remained the largest source of remittances to Kenya accounting for 51.9% in the period,
- ii. Improved forex reserves currently at USD 14.0 bn (equivalent to 5.6-months of import cover), which is above the statutory requirement of maintaining at least 4.0-months of import cover and above the EAC region's convergence criteria of 4.5-months of import cover.

The shilling is however expected to remain under pressure in 2026 as a result of:

- i. An ever-present current account deficit which is estimated at 2.6 percent of GDP in the 12 months to April 2026 compared to 1.7 percent of GDP in a similar period in 2025 and,
- ii. The need for government debt servicing, continues to put pressure on forex reserves given that 53.0% of Kenya's external debt is US Dollar-denominated as of December 2025.

Key to note, during the first half of 2026, Kenya's forex reserves increased by 6.4% to close at USD 13.2 bn from the USD 12.4 bn recorded at the start of the year. Also in the first half of 2026, Kenya's months of import cover increased by 5.7% to close at 5.6 from the 5.3 months recorded at the start of the year. The chart below summarizes the evolution of Kenya's months of import cover over the years:



Monetary Policy:

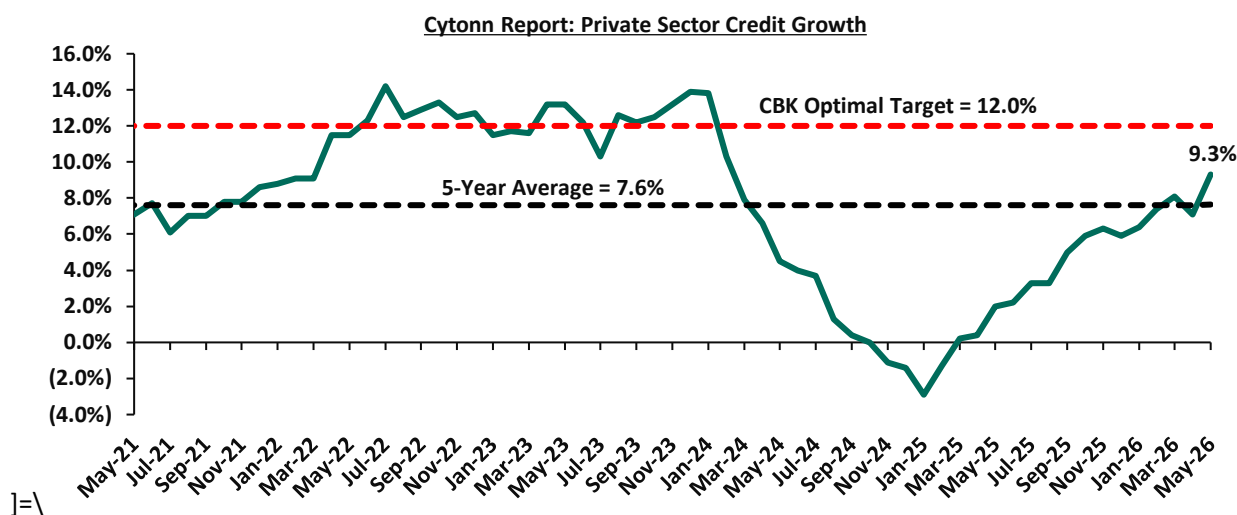
The Monetary Policy Committee (MPC) met three times in H1'2026, cutting the Central Bank Rate (CBR) once and holding it for the remaining two meetings, as sustained global uncertainty, particularly the escalation of the Middle East conflict and its impact on oil prices, prompted a more cautious stance after an extended easing cycle. The Committee noted that the ten consecutive rate cuts since August 2024 had created room to pause and assess incoming data, particularly the risk of second-round effects from higher energy prices on inflation, while safeguarding exchange rate stability. The MPC lowered the CBR by 25.0 bps to 8.75%, from 9.00% in February 2026, before holding the rate steady at its April and June meetings against a backdrop of elevated uncertainties to the global outlook for growth, rising international oil prices driven by Middle East supply disruptions, heightened trade tensions and persistent geopolitical tensions. Below are some of the key highlights from the June 2026 meeting:

- I. The overall inflation increased by 1.1% points to 6.7% in May 2026, from 5.6% in April 2026, remaining below the preferred CBK range of 2.5%-7.5%, albeit above the midpoint of the range. Core inflation increased to 3.2% in May 2026, from 2.8% in April 2026 mainly driven by higher inflation for transport items, arising from higher fuel prices. However, Processed food inflation remained relatively stable, supported by lower prices of sugar and maize products. Non-core inflation increased to 16.0% in May 2026, from 13.4% in April 2026, driven by higher energy prices, particularly fuel and gas prices and elevated prices of some vegetables, particularly tomatoes and cabbages. Overall inflation is expected to remain within the target range in the near term, assuming a de-escalation of the conflict in the Middle East. This will be supported by appropriate monetary policy actions, government interventions including subsidies and temporary reduction of VAT on fuel, expected stability in food prices attributable to favorable weather conditions and continued exchange rate stability.
- II. The growth of the Kenyan economy moderated in 2025, with real GDP growth at 4.6%, as compared to 4.7% in 2024 driven by a slowdown in growth of the agriculture and services

sectors. However, the growth was supported by a strong recovery in the industrial sector, particularly the construction sub-sector. Leading indicators of economic activity point to resilient performance in the first quarter of 2026. The growth of the economy is projected at 4.9% compared to the previous projection of 5.3% mainly reflecting the continued uncertainty, particularly a prolonged conflict in the Middle East and elevated trade policy uncertainties.

- III. The current account deficit is estimated at 2.6% of GDP in the 12 months to April 2026 as compared to the 1.7% of GDP in the same period in 2025, due to a higher trade deficit and lower secondary income transfers as a share of GDP. Goods exports increased by 4.2%, driven by horticulture, tea, coffee, food and live animals, and machinery and transport equipment. Goods imports rose by 8.5%, reflecting higher imports of food, intermediate and capital goods and mineral fuels. Services receipts increased by 4.8%, due to lower receipts from travel services, while diaspora remittances increased by 1.1%. The current account deficit is projected at 3.0% of GDP in 2026 compared to the previous projection of 2.1%, reflecting the emerging risks of the Middle East, including higher international oil prices, lower receipts from services, slower growth in remittance inflows and reduced exports. Currently, the CBK foreign exchange reserves stand at USD 13,203 mn (5.6 months of import cover) and continue to provide adequate cover and a buffer against short-term domestic and external shocks.
- IV. The banking sector remains stable and resilient, with strong liquidity and capital adequacy ratios. The ratio of gross non-performing loans (NPLs) to gross loans stood at 15.3% in May 2026 down from 15.6% in February 2026, and 17.6% in August 2025. Decreases in NPLs were noted in the personal and household, transport and communications, and mining and quarrying sectors. Banks have continued to make adequate provisions for the NPLs.
- V. The CEOs Survey and Market Perceptions Survey conducted in March 2026 revealed sustained optimism about business activity and economic growth prospects for the next 12 months. The optimism was attributed to expected favorable weather conditions which are expected to support agriculture, increased infrastructure spending, increased digital innovations, stable exchange rate, and improved private sector credit growth. Nevertheless, respondents expressed concerns about increased global uncertainties attributed to the conflict in the Middle East, high cost of doing business, and low consumer demand.
- VI. A majority of respondents to the May 2026 Agriculture Sector Survey expect higher energy prices arising from elevated international oil prices attributed to the conflict in the Middle East, to contribute to some upward pressure on inflation rate in the near term. However, respondents expect inflation to remain within the target range in the near term, supported by stable food prices attributed to favorable weather conditions, and stability in the exchange rate.
- VII. The conflict in the Middle East has disrupted global supply chains and led to a sharp increase in energy prices and transportation costs, resulting in higher inflation and moderated global growth prospects. Global growth is projected at 3.1 percent in 2026, down from 3.4 percent in 2025, due to effects of higher inflation and reduced demand arising from higher energy prices and elevated uncertainties. Additionally, elevated trade policy uncertainty and the Russia-Ukraine conflict remain key risks to growth.
- VIII. Global inflation is expected to increase in to 4.4% 2026 from 4.1% in 2025 on account of higher energy prices and transport costs attributed to supply chain disruptions from the Middle East crisis. Inflation rates in most major economies have increased and remained above their respective targets in the recent months, due to elevated energy prices and stickiness in core inflation. Central banks in the major economies have kept their policy rates unchanged as they assess the impact of the conflict in the Middle East on their inflation and growth outlooks. Food inflation has increased modestly, mainly driven by higher inflation rates for edible oils and cereals prices.
- IX. Growth in commercial banks' lending to the private sector continued to improve and stood at 9.3% in May 2026 compared to 7.1% in April 2026 and (2.9%) in January 2025. Growth in credit

to key sectors of the economy, particularly building and construction, trade, agriculture and consumer durables, remained strong, reflecting improved demand for credit in line with the declining lending interest rates. Average commercial banks' lending rates stood at 14.5% in May 2026, down from 14.7% in April 2026 and 17.2% in November 2024.



- X. The Committee noted the ongoing implementation of the FY2025/26 Supplementary Budget I by the Government, and the planned fiscal consolidation strategy to reduce debt vulnerabilities over the medium term.

The MPC noted that maintaining the Central Bank Rate (CBR) at 8.75% remained appropriate to keep inflation expectations anchored within the target range of 2.5%-7.5% and support exchange rate stability. The Committee emphasized that it would closely monitor the evolution of global oil prices and any second-round effects on inflation, as well as other developments in the global and domestic economies, and remains ready to take further action as necessary in line with its mandate.

Going forward, we expect the MPC to adopt a more cautious approach to rate adjustments in the coming meetings in a bid to anchor inflation, supporting exchange rate stability and private sector credit growth, while monitoring the effects of the Middle East conflict. The next MPC meeting is scheduled for August 2026.

Fiscal Policy:

On 11th June 2026, the National Treasury presented Kenya’s [FY’2026/2027 National Budget](#) to the National Assembly highlighting that the total budget for FY’2024/25 increased by 3.9% to Kshs 4.8 tn from the Kshs 4.6 tn in FY’2025/2026 revised estimates, while the total revenue inclusive of grants increased by 6.8% to Kshs 3.7 tn from the Kshs 3.4 tn in FY’2025/2026 revised estimates. The increase is mainly due to a 7.2% increase in ordinary revenue to Kshs 3.0 tn for FY’2026/2027, from the Kshs 2.9 tn in FY’2025/26 revised estimates. The expenditure will be funded by revenue collections and grants of Kshs 3.7 tn and borrowings amounting to Kshs 1.1 tn. Of the total borrowing, Kshs 1.1 bn is projected to be domestic while Kshs 116.2 bn is projected to be net foreign borrowing

For the FY’2026/2027, the budget is projected to increase by 3.9% to Kshs 4.8 tn, from Kshs 4.6 tn in FY’2025/2026 revised estimates. The expenditure will be funded by revenue collections and grants of Kshs 3.7 tn and borrowings amounting to Kshs 1.1 tn. The table below summarizes the key buckets and the projected changes:

Amounts in Kshs billions unless stated otherwise			
Cytonn Report: Comparison between FY'2025/2026 and FY'2026/2027 Budgets Estimates			
Item	FY'2025/26 Revised Estimates	FY'2026/27 Estimates	Change y/y
Ordinary Revenue	2,784.4	2,985.7	7.2%
Ministerial Appropriation-in-Aid	619.8	644.8	4.0%
Total grants	34.8	43.6	25.3%
Total Revenue & Grants	3,439.0	3,674.1	6.8%
National Government expenditure	2,837.0	2,081.1	(26.6%)
Consolidated Funds Services (CFS)	1,366.6	1,501.3	9.9%
Development expenditure	831.1	809.0	(2.7%)
County Transfer(Equitable share) & Contingencies	415.0	429.0	3.4%
Total expenditure	4,638.4	4,820.4	3.9%
Fiscal deficit inclusive of grants	(1,199.4)	(1,146.3)	(4.4%)
Projected Deficit as % of GDP	(6.4%)	(5.5%)	(0.3%) pts
Net foreign borrowing	225.8	116.2	(48.5%)
Net domestic borrowing	973.6	1,030.1	5.8%
Total borrowing	1,199.4	1,146.3	(4.4%)

Source: National Treasury of Kenya, www.parliament.go.ke

Key take outs from the table include;

- i) The government projects total revenue inclusive of grants for FY'2026/27 to increase by 6.8% to Kshs 3.7 tn (equivalent to 17.6% of GDP), from the Kshs 3.4 tn in FY'2025/2026 revised estimates (equivalent to 18.4% of GDP). The increase is mainly due to a 7.2% increase in ordinary revenue to Kshs 3.0 tn (equivalent to 14.3% of GDP) for FY'2026/2027, from the Kshs 2.8 tn in FY'2025/26 revised estimates (equivalent to 14.9% of GDP),
- ii) Total expenditure is set to increase by 3.9% to Kshs 4.8 tn (equivalent to 23.2% of GDP), from Kshs 4.6 tn (equivalent to 24.9% of GDP) in the FY'2025/26 revised Budget estimates,
- iii) National government expenditure is set to decrease by 26.6% to Kshs 2.1 tn (equivalent to 16.2% of GDP), in FY'2025/2026, from Kshs 2.8 tn in the FY'2025/2026 revised budget estimates. Consolidated Funds Services expenditure is set to increase by 9.9% to Kshs 1.5 tn in FY'2026/2027, from Kshs 1.3 tn in the FY'2025/2026 revised budget estimates. Also, Development expenditure is set to decrease by 2.7% to Kshs 809.0 bn, from Kshs 831.1 bn in the FY'2025/2026 revised budget estimates,
- iv) Although the fiscal deficit is projected to decline by 4.4% to Kshs 1,146.3 bn in FY'2026/2027 from Kshs 1,199.4 bn in FY'2025/2026, the government remains heavily reliant on borrowing to finance its expenditure plans. With the total deficit expected to be financed through domestic debt totaling Kshs 1,030.1 bn and foreign debts totaling Kshs 116.2 bn. Notably, Kenya's public debt burden which stood at [70.2%](#) of GDP as of March 2026, surpassing the 55.0% recommended threshold by 15.2% points, continues to exert pressure on fiscal sustainability and increase the risk of debt distress in the country, and,
- v) The budget deficit is projected to decline by 0.3% points to 5.5% of GDP, from the 6.4% of GDP in the FY'2025/2026 budget, mainly as growth in revenues outpace growth in expenditure.

Notably, The National Treasury [gazetted](#) the revenue and net expenditures for the eleventh month of FY'2025/2026, ending 29th May 2026, highlighting that the total revenue collected as at the end of May 2026 amounted to Kshs 2,324.8 bn, equivalent to 83.5% of the revised estimates of Kshs 2,784.4 bn for FY'2025/2026 and is 91.1% of the prorated estimates of Kshs 2,552.4 bn. The total expenditure amounted to Kshs 4,060.4 bn, equivalent to 91.6% of the revised estimates, and 85.9% of the prorated target expenditure estimates

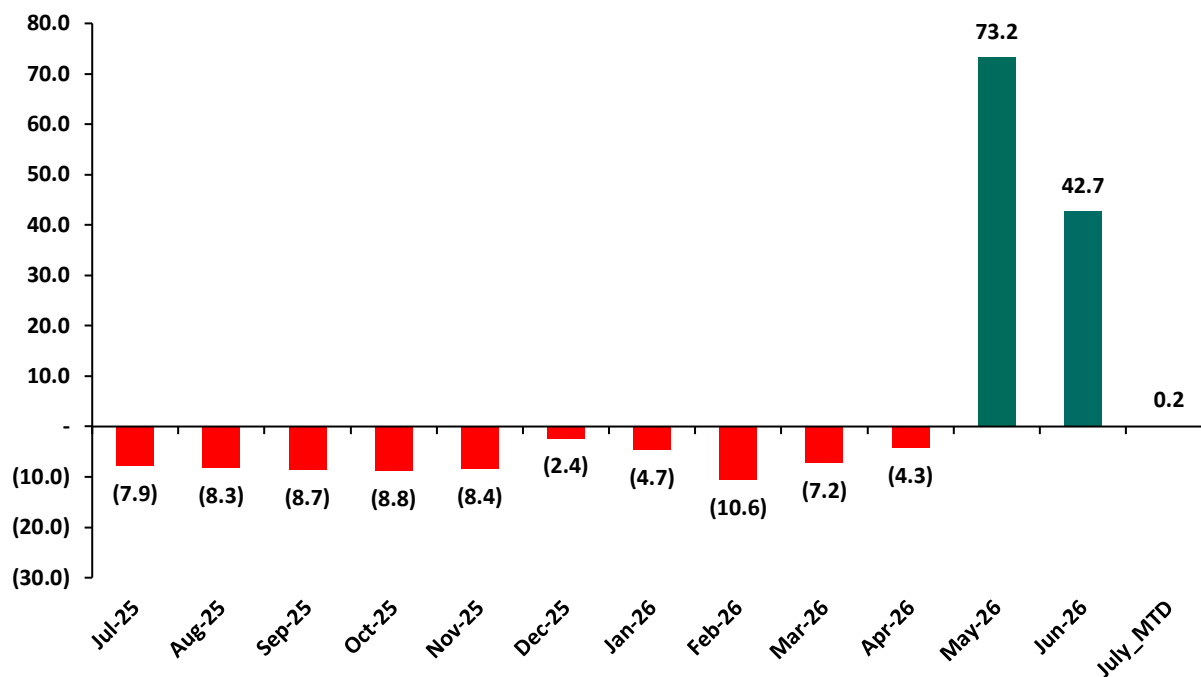
Going forward, we believe that the persistent fiscal deficit, owing to expenditure continuing to exceed revenues despite improvements in revenue collection, will require the government to maintain its

reliance on borrowing. We therefore expect the government to continue implementing expenditure rationalization measures, particularly through moderating development expenditure, in order to accommodate growing debt maturities and the increasing recurrent expenditure burden while supporting its fiscal consolidation objectives.

Fixed Income

During H1'2026, T-bills were oversubscribed, with the overall subscription rate coming in at 155.9%, up from 154.5% in H1'2025. Investors' preference for the 91-day paper persisted with the paper receiving bids worth Kshs 973.1 bn against the offered Kshs 624.0 bn, translating to an oversubscription rate of 279.2%, higher than the oversubscription rate of 224.8% recorded in H1'2025. Overall subscription rates for the 364-day papers came in at 197.9% which was higher than the 191.6% recorded in H1'2025, while that for 182-day papers came in at 64.7% which was lower than the 89.3% recorded in H1'2025. The average yields on the 364-day, 182-day and 91-day papers decreased by 1.7%, 1.1% and 0.9% points to 8.7%, 8.0% and 7.9% in H1'2026, respectively, from 10.4%, 9.1% and 8.8%, respectively, in H1'2025. The downward trajectory in yields was primarily driven by improved investor confidence stemming from reduced credit risk in the country, which lowered the risk premium demanded by investors, even as inflationary pressures picked up over the period to 6.4% from 3.8% recorded in H1'2025. Despite the government's sustained domestic borrowing, strong demand for government securities has supported the decline in yields. During the period, the acceptance rate stood at 79.4%, down from 85.4% in H1'2025, with the government accepting Kshs 771.9 bn out of the Kshs 973.1 bn worth of bids received. The chart below shows the yield growth rate for the 91-day paper during the year:

Cytonn Report: 91-Day T-Bill Yield growth (bps)

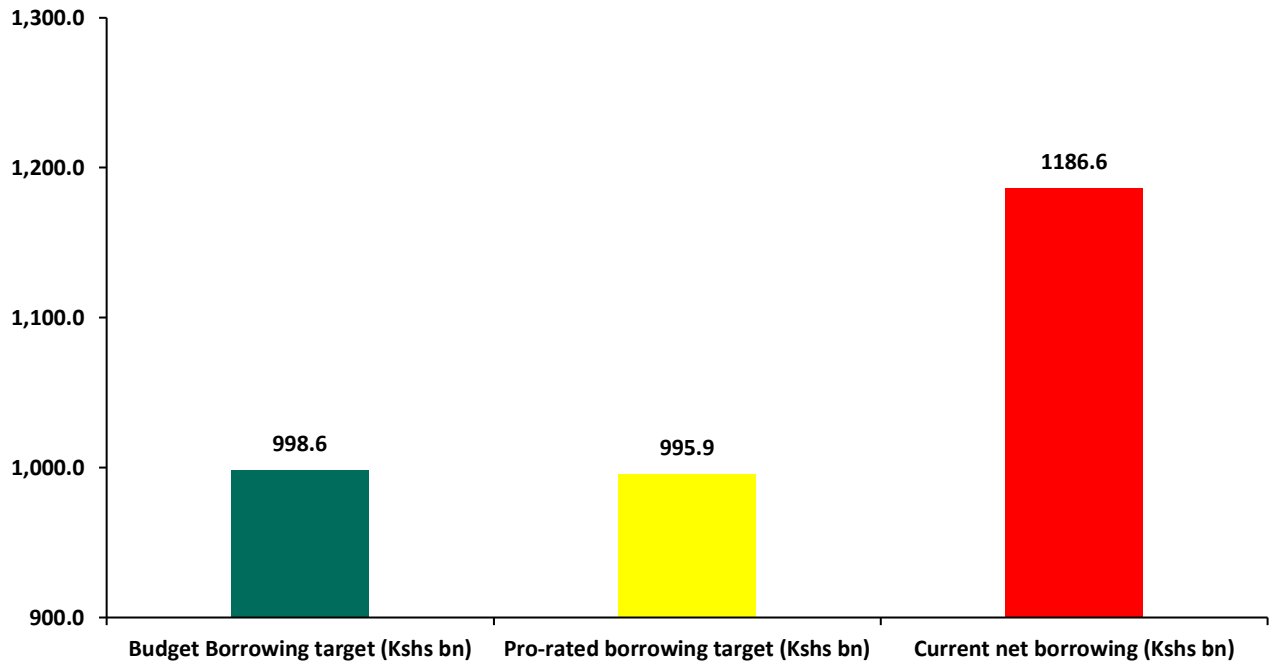


During the week, T-bills were oversubscribed for the fifth consecutive week, with the overall subscription rate coming in at 146.6% higher than the subscription rate of 116.9%, recorded the previous week. Investors' preference for the shorter 91-day paper persisted, with the paper receiving bids worth 25.6 bn against the offered Kshs 4.0 bn, translating to a subscription rate of 640.4%, higher than the the subscription rate of 573.3%, recorded the previous week. The subscription rate for the 364-day paper increased to 70.9% from 27.8% recorded the previous week, while that of the 182-day paper increased to 24.9% from 22.7% recorded the previous week. The government accepted a total of Kshs 24.7 bn worth of bids out of Kshs 35.2 bn bids received, translating to an acceptance rate of 70.3%. The yields on the government papers were on an upward trajectory with the yields on the 182-day paper increasing the most by 11.8 bps to 9.0% from 8.8% previous week. The yield on the 91-day paper increased by 0.7 bps to remain relatively unchanged from the 8.8% recorded the previous week, while the yield on the 364-day paper increased by 0.2 bps to remain relatively unchanged from 9.0% recorded the previous week;

The government closed FY'2025/26, having advertised government securities totaling Kshs 2,148.0 bn. The government accepted bids worth Kshs 2,636.6 bn, of which Kshs 1,450.4 bn and Kshs 1,186.2 bn were treasury bills and bonds, respectively. Total redemptions in FY'2025/26 amounted to Kshs 1,450.1 bn, with treasury bills accounting for Kshs 1,382.7 bn and bonds accounting for Kshs 67.4 bn. As a result, the government had a net domestic borrowing of Kshs 1,186.6 bn in FY'2025/26, with the government closing the year 18.8% ahead its net domestic borrowing target of Kshs 998.6 bn.

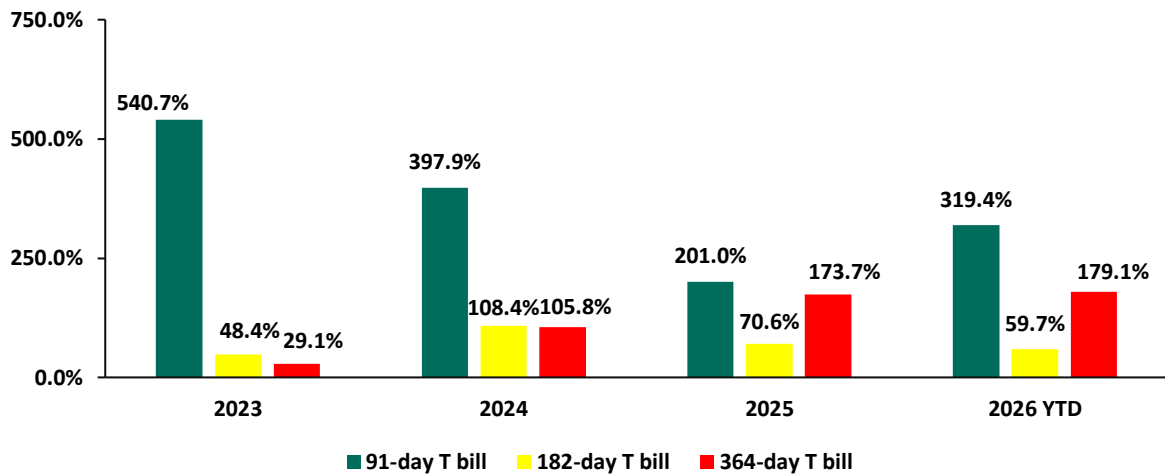
For FY'2026/27, the government is 76.6% behind its prorated borrowing target of Kshs 14.1 bn, having a net borrowing position of Kshs 3.3 bn against a budget borrowing target of Kshs 1,030.1 bn. The chart below shows the government's domestic borrowing as at the end of FY'2025/26:

Domestic Borrowing (Kshs bn)



The chart below compares the overall average T-bills subscription rates obtained in 2023, 2024, 2025 and 2026 Year to Date (YTD):

Cytonn Report: T-Bills Subscription Rates



Primary T-Bond Auctions in H1'2026

During the H1'2026, the government did not issue any new treasury or infrastructure bonds, however it reopened eighteen bonds, and issued one bond on tap-sale seeking to raise Kshs 460.0 bn. The bonds were generally oversubscribed, receiving bids worth Kshs 781.1 bn against the offered Kshs 460.0 bn, translating to a subscription rate of 169.8%. The government rejected expensive bids and only accepted Kshs 510.0 bn of the Kshs 781.1 bn worth of bids received, translating to an acceptance rate of 65.3%. Importantly, the government mostly issued longer-dated bonds, aligning with the government's objective of lengthening the maturity profile of public debt and reducing refinancing risk. Also, during H1'2026, the government conducted four bond switch auctions, involving switches from FXD1/2016/010 to FXD1/2022/015 in January, from FXD1/2021/005 to FXD3/2019/015 in March, from FXD1/2016/010 to FXD1/2018/015 in April and from FXD1/2017/010 to FXD1/2021/020 in May. FXD1/2022/015 was oversubscribed, receiving bids worth 26.5 bn against the offered 20.0 bn, translating to subscription rate of 132.5% having an average acceptance yield of 13.2%, FXD3/2019/015 was oversubscribed, receiving bids worth 22.2 bn against the offered 15.0 bn, translating to subscription rate of 148.0% having an average acceptance yield of 11.6%. FXDI/2018/015 was undersubscribed, receiving bids worth Kshs 2.6 bn against the offered 20.0 bn, translating to subscription rate of 12.8% having an average acceptance yield of 12.0% while FXD1/2021/020 was undersubscribed, receiving bids worth 7.6 bn against the offered 10.0 bn, translating to subscription rate of 76.1% having an average acceptance yield of 13.4%.

Cyttonn Report: Bond Issuances in H1' 2026									
Issue Date	Bond Auctioned	Effective Tenor to Maturity (Years)	Coupon	Amount offered (Kshs bn)	Actual Amount Raised/Accepted (Kshs bn)	Total bids received (Subscription)	Average Accepted Yield	Subscription Rate	Acceptance Rate
6/17/2026	FXD1/2018/020-Reopened	11.8	13.2%	60.0	19.6	22.7	14.0%	129.4%	86.3%
	FXD1/2021/025-Reopened	20.0	13.9%		23.0	54.9	14.9%		41.9%
6/8/2026	FXD1/2020/015-Reopened	8.7	12.8%	40.0	20.2	20.2	13.3%	86.0%	99.99%
	FXD1/2018/025-Reopened	17.1	13.4%		14.2	14.2	14.2%		100.0%
5/20/2026	FXD1/2021/0202-Reopened	15.3	13.4%	50.0	22.2	26.5	13.7%	94.3%	83.6%
	FX3/2019/015-Reopened	8.3	12.3%		14.4	20.6	13.0%		69.9%
5/11/2026	FXD1/2012/020-Reopened	7.6	12.0%	80.0	47.5	47.9	12.5%	132.5%	99.1%
	FXD1/2019/020-Reopened	13.2	12.9%		14.5	17.6	13.2%		82.7%
	FXD1/2021/025-Reopened	20.0	13.9%		32.0	40.5	13.7%		79.0%
4/20/2026	SDB1/2011/030-Reopened	14.9	12.0%	20.0	6.6	7.05	13.0%	191.7%	93.2%
	FXD1/2026/030-Reopened	30.0	12.5%		23.5	31.3	13.8%		75.1%

4/02/2026	FXDI/2020/ 015- Reopened	8.9	12.8%	40.0	36.5	41.4	12.2%	187.2%	88.1%
	FXDI/2018/ 025- Reopened	17.3	13.4%		13.7	33.5	13.0%		40.9%
3/16/2026	FXD1/2019/ 020- Reopened	13.1	12.9%	60.0	44.9	50.4	12.7%	195.7%	88.8%
	FXD1/2021/ 025- Reopened	20.1	13.9%		16.1	66.9	12.9%		24.1%
2/19/2026	FXD3/2019/ 015- Reopened	8.4	12.3%	50.0	54.8	133.8	12.2%	427.5%	41.0%
	FXDI/2018/ 025- Reopened	17.3	13.4%		45.7	79.9	13.4%		57.2%
1/12/2026	FXD1/2019/ 020- Reopened	13.2	12.9%	60.0	20.2	23.4	13.3%	119.2%	86.6%
	FXD1/2022/ 025- Reopened	21.8	14.2%		40.3	48.2	13.8%		83.7%
H1'2026 Total				460.0	510.0	781.1			
H1'2025 Total				335.0	464.1	691.7			
H1'2026 Average		15.1	13.1%				13.3%	169.8%	65.3%
H1'2025 Average		14.6	13.4%				14.1%	206.5%	67.1%

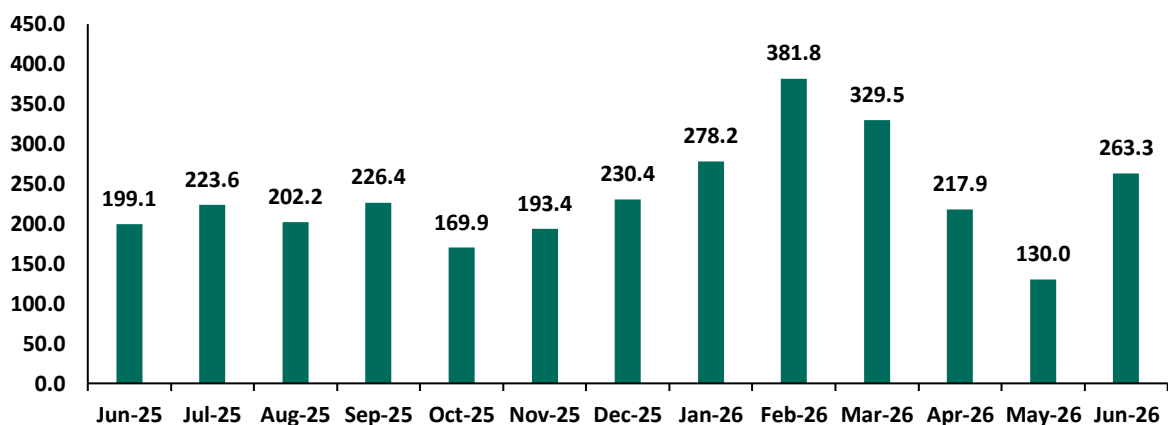
Source: Central Bank of Kenya (CBK) and [National Treasury](#)

Secondary Bond Market Activity:

I. Bond Turnover:

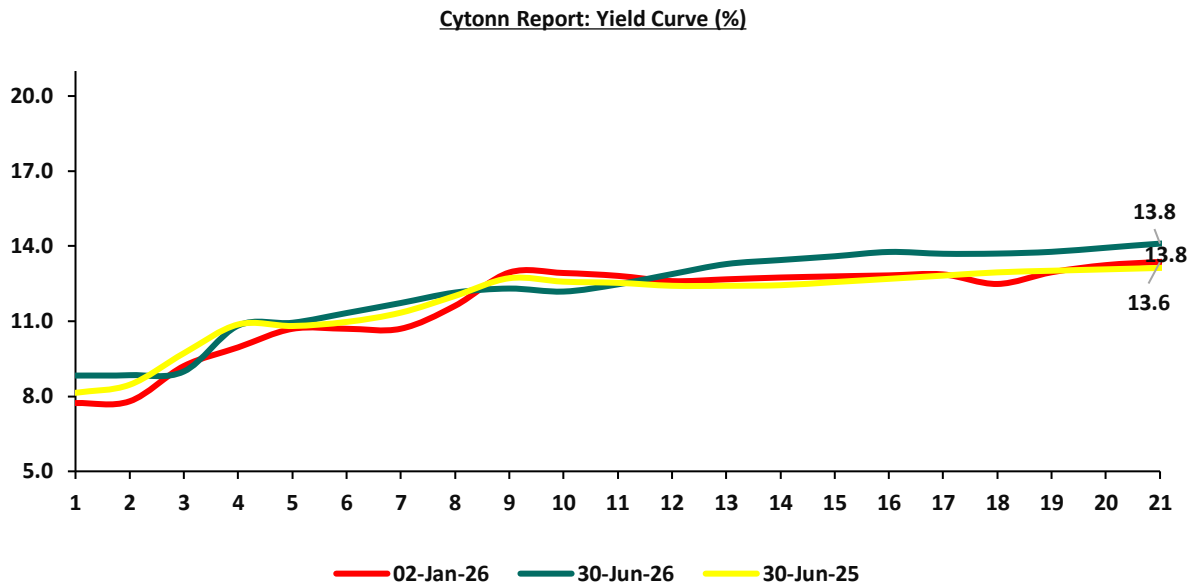
The secondary bond market recorded increased activity, with the total bond turnover increasing by 24.0% to Kshs 1,600.7 bn from Kshs 1,290.5 bn in H1'2025, pointing towards increased activities by commercial banks in the secondary bond market. On a year-on-year basis, the bond turnover increased by 32.3% to Kshs 263.3 in June 2026, from Kshs 199.1 bn worth of treasury bonds transacted over a similar period last year. The chart below shows the bond turnover over the past 12 months;

Secondary Market Bond Turnover (Kshs bn)



II. Yield Curve:

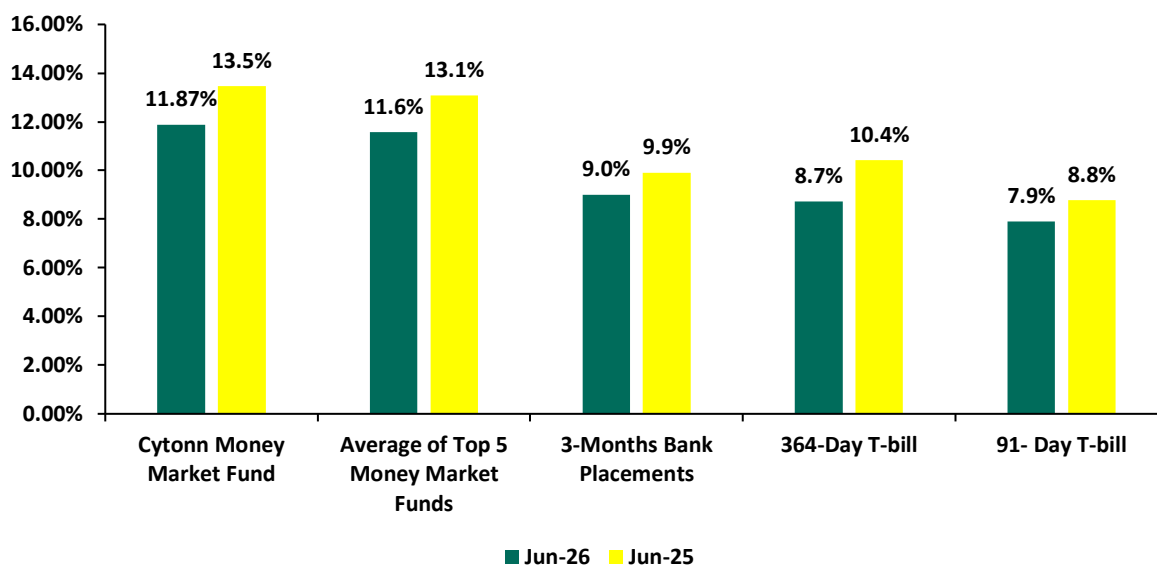
During H1'2026, yields on the government securities recorded a mixed performance compared to the same period in 2025. This was primarily driven by the Central Bank of Kenya's pause in its rate-cutting cycle and increased government domestic borrowing. Notably, the yield curve has adjusted towards a normal upward sloping curve, with long-term bonds registering highest yields. The shift in sentiment indicates increased confidence in the economic landscape. The chart below shows the yield curve movement during the period:



Money Market Performance

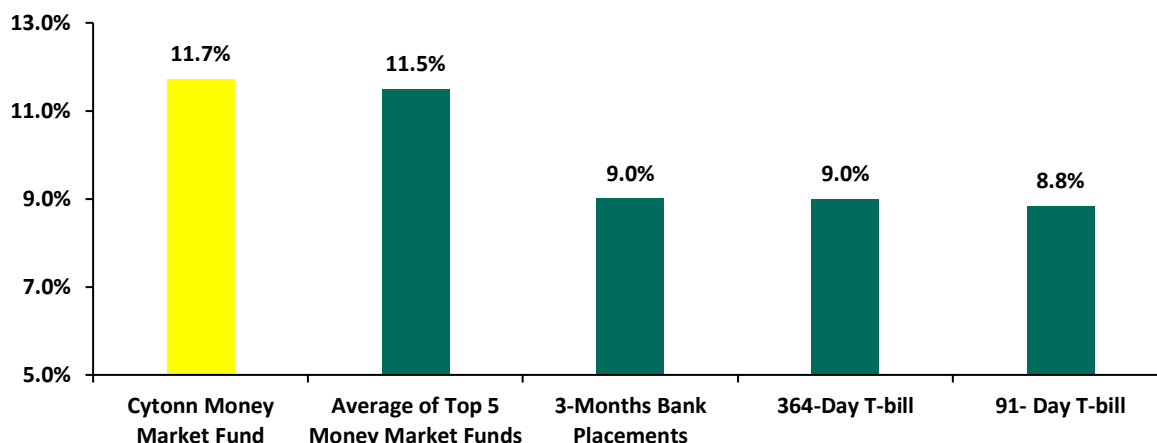
The 3-month bank placements recorded 9.0% at the end of H1'2026, 0.9% points lower than the 9.9% recorded at the end of H1'2025 (based on what we have been offered by various banks). The average yields on the 364-day and 91-day papers decreased by 1.7% and 0.9% points to 8.7% and 7.9% in H1'2026, respectively, from 10.4% and 8.8%, respectively, in H1'2025, and the average Top 5 Money Market Funds decreased by 1.5% points to 11.6%, from 13.1% at the end of H1'2025. The yield on the Cytonn Money Market (CMMF) decreased by 1.6% points to 11.9% at the end of H1'2026, from 13.5% recorded at the end of H1'2025.

Cytonn Report: Money Market Performance



In the money markets, 3-month bank placements ended the week at 9.0% (based on rates offered by various banks. The yield on the 91-day paper increased by 0.7 bps to remain relatively unchanged from the 8.8% recorded the previous week, while the yield on the 364-day paper increased by 0.2 bps to remain relatively unchanged from 9.0% recorded the previous week. The yield on the Cytonn Money Market Fund decreased by 28.0 bps to 11.7% from 12.0% recorded the previous week, while the average yields on the Top 5 Money Market Funds decreased by 7.6 bps to 11.5% from 11.6% recorded the previous week.

Cytonn Report: Money Market Performance



The table below shows the Money Market Fund Yields for Kenyan Fund Managers as published on 3rd July 2026:

Cytonn Report: Money Market Fund Yield for Fund Managers as published on 3 rd July 2026		
Rank	Fund Manager	Effective Annual Rate
1	Nabo Africa Money Market Fund	13.8%
2	Cytonn Money Market Fund (Dial *809# or download Cytonn App)	11.7%
3	Etica Money Market Fund	10.7%
4	Lofty-Corban Money Market Fund	10.6%
5	Enwealth Money Market Fund	10.6%

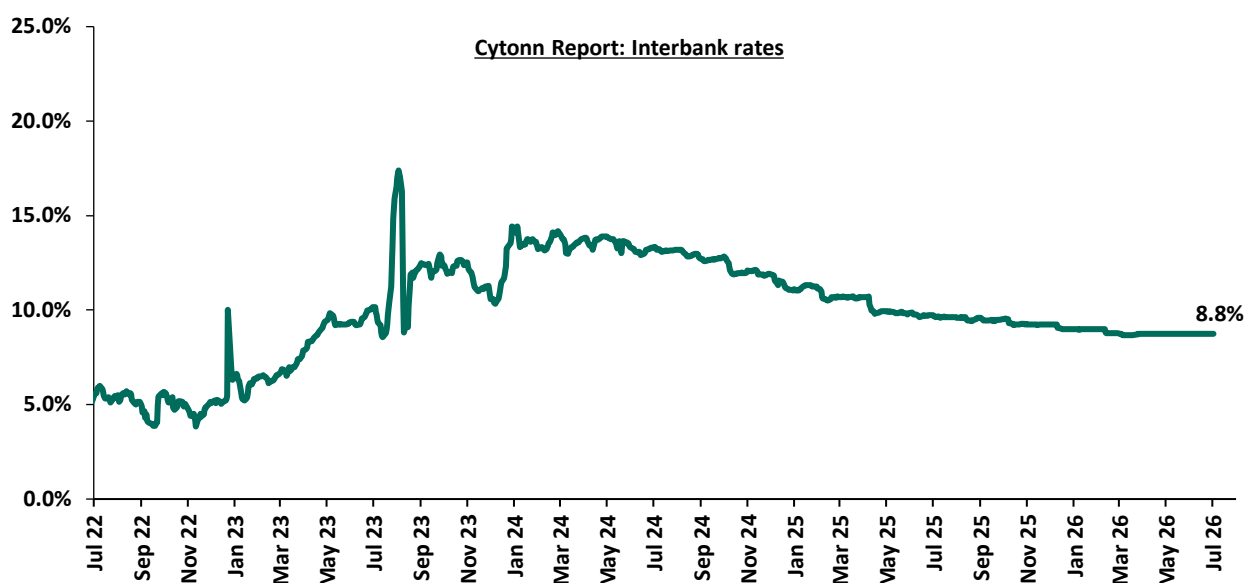
6	Ndovu Money Market Fund	10.5%
7	Madison Money Market Fund	10.4%
8	Kuza Money Market fund	10.4%
9	Arvocat Money Market Fund	10.3%
10	Faulu Money Market Fund	10.3%
11	Jubilee Money Market Fund	10.2%
12	Gulfcap Money Market Fund	10.1%
13	Old Mutual Money Market Fund	10.1%
14	Orient Kasha Money Market Fund	10.0%
15	British-American Money Market Fund	9.8%
16	GenAfrica Money Market Fund	9.6%
17	KCB Money Market Fund	9.5%
18	Apollo Money Market Fund	9.2%
20	Genghis Money Market Fund	9.0%
21	Dry Associates Money Market Fund	8.9%
22	SanlamAllianz Money Market Fund	8.7%
23	CIC Money Market Fund	8.4%
24	CPF Money Market Fund	8.1%
25	Mali Money Market Fund	8.0%
26	Co-op Money Market Fund	7.9%
27	ICEA Lion Money Market Fund	7.9%
28	Mayfair Money Market Fund	7.7%
29	Absa Shilling Money Market Fund	7.1%
30	AA Kenya Shillings Fund	6.2%
31	Ziidi Money Market Fund	6.1%
32	Equity Money Market Fund	5.2%
33	Stanbic Money Market Fund	5.1%

Source: Business Daily

Liquidity:

In H1'2026, liquidity in the money markets eased, as evidenced by the decrease in the interbank rate by 1.6% points to 8.8%, from 10.4% in H1'2025, partly attributable to government payments that offset tax remittances. Additionally, the average volumes traded in the interbank market decreased by 28.2% to Kshs 11.2 bn, from Kshs 15.6 bn recorded in H1'2025.

During the week, liquidity in the money markets marginally tightened, with the average interbank rate increasing by 0.2 bps to 8.8% from 8.7% recorded the previous week, partly attributable to tax remittances that offset government payments. The average interbank volumes traded decreased by 45.7% to Kshs 8.8 bn from Kshs 16.1 bn recorded the previous week. The chart below shows the interbank rates in the market over the years.



Kenya Eurobonds:

During H1'2026, the yields on Eurobonds recorded a mixed performance with the yield on the 10-Year Eurobond issued in 2018 increasing the most by 62.0 bps to 6.7% from 6.1% recorded at the beginning of the year, while the yield 30-year Eurobond issued in 2018 decreased the most by 18.4 bps to 8.7% from 8.8% recorded at the beginning of the year. During the week, the yields on Eurobonds were on an upward trajectory, with the yield on the 12-Year Eurobond issued in 2019 increasing the most by 30.0 bps to 7.6% from 7.3% recorded the previous week. The table below shows the summary of the performance of the Kenyan Eurobonds as of 3rd July 2026;

Cytonn Report: Kenya Eurobonds Performance					
	2018		2019	2021	2024
Tenor	10-year issue	30-year issue	12-year issue	13-year issue	7-year issue
Amount Issued (USD)	1.0 bn	1.0 bn	1.0 bn	1.5 bn	1.5 bn
Years to Maturity	2.5	22.5	8.8	5.5	10.5
Yields at Issue	7.3%	8.3%	6.2%	10.4%	9.9%
2-Jan-26	6.1%	8.8%	7.2%	7.8%	7.1%
25-Jun-26	6.6%	8.7%	7.3%	7.8%	6.9%
26-Jun-26	6.7%	8.7%	7.3%	7.8%	6.9%
29-Jun-26	6.6%	8.7%	7.3%	7.8%	7.0%
30-Jun-26	6.7%	8.7%	7.4%	7.9%	7.0%
1-Jul-26	6.8%	8.7%	7.5%	8.0%	7.1%
2-Jul-26	6.8%	8.8%	7.6%	8.0%	7.1%
Weekly Change	0.2%	0.1%	0.3%	0.2%	0.3%
MTD Change	0.0%	(0.0%)	(0.1%)	(0.1%)	(0.1%)
YTD Change	0.7%	(0.1%)	0.4%	0.2%	0.0%

Source: Central Bank of Kenya (CBK)

Q2'2026 Notable Highlights:

1. During the quarter, I&M Bank Limited [opened](#) the inaugural issuance under its Kshs 20.0 bn Domestic Medium Term Note (MTN) Programme, marking a strategic move to broaden its funding base and strengthen its capital structure. The bank unveiled the first tranche of the programme, comprising a

Kshs 10.0 bn offer, expandable by a Kshs 3.0 bn green shoe, signaling flexibility to accommodate investor demand. For more information please check our [Cytonn Monthly-April 2026](#);

2. The Monetary Policy Committee [met](#) on April 8th, 2026, to review the outcome of its previous policy decisions and decided to maintain the CBR rate at 8.75% unchanged from February 2026. This was in line with [our projection](#) of MPC to maintain the CBR at 8.75%. For more information, please see our [Cytonn Weekly #14/2026](#)
3. During the quarter, the National Treasury presented its [Budget Estimates](#) for the next fiscal year, FY'2026/27. Notably, the budget estimates recorded a 1.5% increase to Kshs 4.8 tn from the previous estimates of Kshs 4.7 tn in the Budget Policy Statement for FY'2026/27 and a 3.2% increase from the Kshs 4.6 tn in FY'2025/26 as per the Supplementary Budget I. For more information, please see our FY 2026/27 [budget estimates note](#).
4. On 30th April 2026, the Cabinet Secretary for the National Treasury and Economic Planning presented the [Finance Bill 2026](#) to the National Assembly for approval. For more information, please see our [Finance Bill 2026 note](#).
5. During the quarter, I&M Bank [released](#) the results of the first tranche of its Kshs 20.0 bn Medium Term Note Programme, with tenors to maturity of 5.5 years, with maturity date of November 2031. The first tranche comprises Kshs 10.0 bn with a green shoe option of an additional Kshs 3.0 bn. For more information, please see our [Cytonn Weekly #20/2026](#)
6. The Monetary Policy Committee [met](#) on 9th June, 2026, to review the outcome of its previous policy decisions and decided to [maintain](#) the CBR rate at 8.75%, to remain unchanged from April 2026 which was in line with [our projection](#) of MPC to maintain the CBR at 8.75%. Notably, inflation rates remain anchored and remained within the CBK preferred range of 2.5%-7.5% for the thirty-third consecutive month, with an increase of 1.1% points to 6.7% in May 2026, from 5.6% in April 2026

Rates in the fixed income market have been on an upward trend, reversing the sharp declines seen through the CBK's easing cycle. The shift has been driven by the CBK's decision to pause its rate-cutting cycle, alongside a resurgence in inflation. The government closed the year 18.8% ahead of the total FY'2025/26 net domestic borrowing target of Kshs 998.6 bn, having a net borrowing position of Kshs 1,186.6 bn (inclusive of T-bills) as at the end of FY'2025/26. For FY'2026/27, the government is 76.6% behind its prorated borrowing target of Kshs 14.1 bn, having a net borrowing position of Kshs 3.3 bn against a budget borrowing target of Kshs 1,030.1 bn. We expect investors to maintain a preference for short to medium-term papers as they monitor the pace of government issuance and the path of inflation before committing further out on the curve, with the yield curve likely to remain under upward pressure rather than stabilize, at least until the inflation trajectory becomes clearer.

Equities

Market Performance:

During Q2'2026, the equities market was on an upward trajectory, with NSE 10, NASI, NSE 25, and NSE 20 gaining by 18.7%, 15.1%, 14.6%, and 9.4%, respectively, taking the HY performance to gains of 22.0%, 21.3%, 19.64% and 19.56% for NSE 10, NSE 25, NASI, and NSE 20 respectively. The equities market performance during the quarter was driven by gains recorded by large caps such as Co-operative, Safaricom and KCB of 23.8%, 27.0%, and 16.2% respectively. The gains were however weighed down by losses recorded by large cap stocks such as BAT, NCBA and Standard Chartered of 3.0%, 1.4% and 0.8% respectively.

During Q2'2026, the banking sector index gained by 13.9% to 255.1 from 224.0 recorded the previous quarter. This is attributable to gains recorded by stocks such as Co-operative, KCB, and Equity of 27.0%, 16.2%, and 15.9%, respectively. However, the performance was weighed down by losses recorded by large cap stocks such as NCBA, Standard Chartered and DTB-K of 1.4%, 0.8% and 0.7% respectively.

During Q2'2026 equities turnover increased by 117.2% to USD 2,044.3 mn, from USD 440.1 mn in Q1'2026. Foreign investors remained net sellers in Q2'2026 with a net selling position of USD 9.3 mn, from a net selling position of USD 68.0 mn recorded in Q1'2026.

During the week, the equities market was on an upward trajectory, with NSE 10, NSE 25, NSE 20 and NASI gaining by 3.2%, 2.6%, 2.2%, and 2.1%, respectively, taking the YTD performance to gains of 24.8%, 23.9%, 21.8% and 21.3% for NSE 10, NSE 25, NSE 20, and NASI respectively. The equities market performance was mainly driven by gains recorded by large-cap stocks such as Equity, BAT and KCB, of 9.1%, 3.7%, and 3.3%, respectively. The gains were however weighed down by losses recorded by large cap stocks such as NCBA and Stanbic of 3.8% and 1.0% respectively.

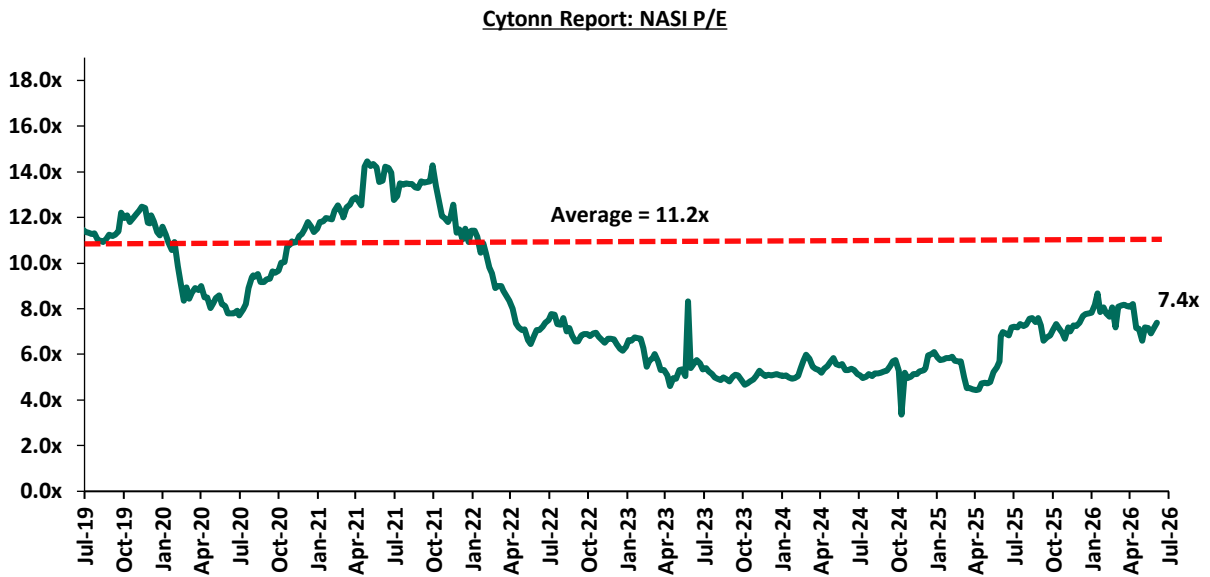
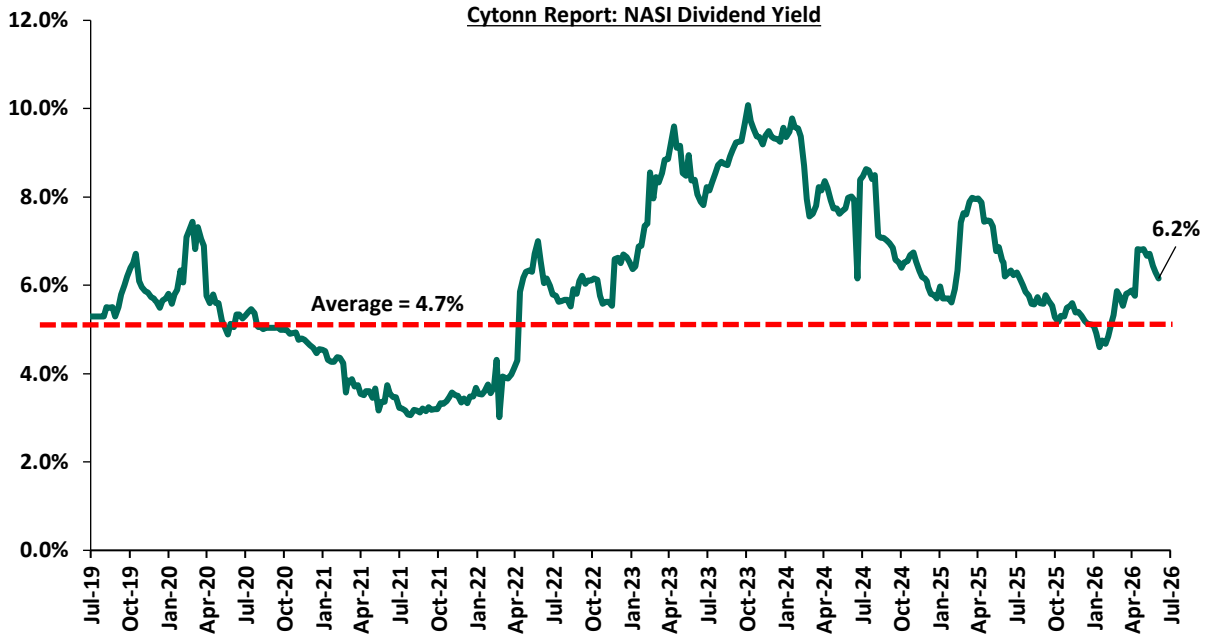
Also, during the week, the banking sector index increased by 2.8% to 261.5 from 254.5 recorded the previous week. This is attributable to gains recorded by stocks such as Equity, KCB and DTB-K, of 9.1%, 3.7%, and 3.3%, respectively. However, the performance was weighed down by losses recorded by large cap stocks such as NCBA and Stanbic of 3.8% and 1.0% respectively.

During Q2'2026 equities turnover increased by 1635.9% to USD 2,044.3 mn, from USD 117.8 mn in Q2'2025. Foreign investors remained net sellers in Q2'2026 with a net selling position of USD 9.3 mn, from a net selling position of USD 7.6 mn recorded in Q2'2025.

During the week, equities turnover increased by 2826.6% to USD 1662.2 mn from USD 56.8 mn recorded the previous week, taking the YTD total turnover to USD 2502.8 mn. The sharp increase was primarily driven by a large block transaction in Safaricom executed on 30th June 2026, when equities turnover reached USD 1,607.3 mn, accounting for the overwhelming share of the week's activity. Foreign investors became net sellers for the second time in four weeks with a net selling position of USD 0.2 mn, from a buying position of USD 3.5 mn recorded the previous week, taking the YTD foreign net selling position to USD 76.4 mn, compared to a net selling position of USD 92.9 mn recorded in 2025.

The market is currently trading at a price to earnings ratio (P/E) of 7.4x, 34.2% points below the historical average of 11.2x, and a dividend yield of 4.7%, 1.4% points above the historical average of 4.7%. Key to note, NASI's PEG ratio currently stands at 0.9x, an indication that the market is slightly undervalued relative to its future growth. A PEG ratio greater than 1.0x indicates the market may be overvalued while a PEG ratio less than 1.0x indicates that the market is undervalued.

The charts below indicate the historical P/E and dividend yields of the market;



Universe of Coverage:

Company	Price as at 26/06/2026	Price as at 03/07/2026	w/w change	YTD Change	Year Open 2026	Target Price*	Dividend Yield	Upside/Downside*	P/TBv Multiple	Recommendation
NCBA	91.8	88.3	(3.8%)	3.8%	85.0	108.9	8.0%	31.5%	1.2x	Buy
Family Bank	24.5	23.6	(3.7%)	31.1%	18.0	27.6	5.1%	22.0%	1.2x	Buy

ABSA Bank	32.5	32.8	0.9%	32.0%	24.9	36.8	6.3%	18.6%	1.8x	Accumulate
Diamond Trust Bank	141.0	145.0	2.8%	26.4%	114.8	161.4	6.2%	17.6%	0.4x	Accumulate
KCB Group	76.0	78.5	3.3%	19.4%	65.8	83.9	8.9%	15.9%	0.8x	Accumulate
Co-op Bank	34.5	34.8	0.9%	45.6%	23.9	36.9	7.2%	13.3%	1.3x	Accumulate
Stanbic Holdings	291.0	288.0	(1.0%)	45.6%	197.8	300.3	7.8%	12.0%	1.6x	Accumulate
Standard Chartered Bank	334.8	339.0	1.3%	13.1%	299.8	345.8	9.1%	11.2%	2.1x	Accumulate
CIC Group	4.5	4.6	2.7%	1.1%	4.5	5.0	2.8%	10.9%	1.2x	Accumulate
Jubilee Holdings	359.5	382.3	6.3%	18.5%	322.5	407.5	3.9%	10.5%	0.5x	Accumulate
Equity Group	79.8	87.0	9.1%	29.9%	67.0	87.5	6.6%	7.2%	1.1x	Hold
I&M Group	65.8	69.0	4.9%	61.2%	42.8	67.9	5.4%	3.8%	1.1x	Lighten
Britam	12.8	13.2	3.1%	45.1%	9.1	13.5	0.0%	2.7%	1.0x	Lighten

*Target Price as per Cyttonn Analyst estimates

**Upside/ (Downside) is adjusted for Dividend Yield

***Dividend Yield is calculated using FY'2024 Dividends

Weekly Highlights

I. Completion of Acquisition of 15.0% of issued Shares in Safaricom PLC by Vodafone Kenya Limited

During the week, Safaricom PLC [announced](#) the completion of the acquisition by Vodafone Kenya Limited of an additional 15.0% stake in the company from the Government of Kenya, following the fulfilment of all conditions precedent to the transaction. The acquisition was completed through a block trade on the Nairobi Securities Exchange (NSE) on 30th June 2026, while the concurrent internal reorganization of Vodafone Kenya was also finalized, resulting in Vodacom Group Limited becoming the sole shareholder of Vodafone Kenya. Below shows the current shareholding (before) and the resulting shareholding structure (after):

Safaricom shareholding			
Before		After (Resulting Shareholder Structure)	
Name of Shareholder	% Shareholding	Name of Shareholder	% Shareholding
Vodacom Kenya Limited	40.0%	Vodacom Kenya Limited	55.0%
Government of Republic of Kenya	35.0%	Government of Republic of Kenya	20.0%
General Public Investors	25.0%	General Public Investors	25.0%
Total	100.0%	Total	100.0%

The transaction is a shareholder-level restructuring that does not affect Safaricom's operations, management, governance or business strategy. Its completion provides greater certainty over the company's ownership structure, reinforces investor confidence, and underscores the attractiveness of Kenya's capital markets to strategic foreign investors while preserving Safaricom's public listing.

Kenyan Q3'2026 Equities Outlook

Below, we summarize the metrics used in coming up with our Q3'2026 Equities Outlook;

Cyttonn Report: Equities Outlook Summary
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Equities Market Indicators	Outlook for Q3'2026	Current View	Q3'2026 Outlook
Macro-Economic Environment	<p>Kenya's GDP is projected to grow in the range of 4.8%-5.0% in 2026, supported by ongoing recovery in business activity, a projected rebound in agriculture, and steady performance in the services sector, particularly information technology, accommodation, and food services. However, prolonged Middle East conflicts could lead to minor adjustments to forecasts.</p> <p>Inflation averaged to 5.1% in Q2'2026 compared to 3.7% in Q2'2025 and 4.4% in Q1'2026, well within the CBK's target range of 2.5%-7.5%. While inflation moderated in the final month of the quarter, higher oil prices and import costs arising from the aftermath of the Middle East tensions may continue to place mild upward pressure on inflation in the near term.</p> <p>The Kenyan Shilling remained relatively stable, closing around Kshs 129.6 against the US Dollar in Q2'2026, though experiencing mild depreciation pressures. Depreciation was driven by global uncertainties from geopolitical tensions, particularly the conflict involving Iran, which strengthened the US Dollar, as well as increased liquidity and accommodative monetary policy domestically. The Shilling is expected to remain relatively stable but extremely sensitive to external shocks in Q3'2026.</p> <p>Investors should therefore monitor policy movements both domestically and globally, track oil price trends and currency reserve movements.</p>	Neutral	Neutral
Corporate Earnings Growth	<p>We expect a sustained improvement in the listed sector's earnings growth in Q3'2026, particularly in the banking, insurance and telecommunication sectors supported by digital adoption, strong domestic demand and improvement in overall lending. Manufacturing and transport sectors face margin compression due to higher input costs from rising fuel prices pressures. Export-oriented firms may benefit if global commodity prices remain elevated.</p>	Positive	Positive
Valuations	<p>The market closed Q2'2026 at a price-to-earnings (P/E) ratio of 7.2x, 36.1% points below the 15-year historical average of 11.2x, with a dividend yield of 6.3%, 1.6% point above the historical average of 4.7%. These comparatively cheap valuations and higher yields continue to present selective value opportunities, supporting the potential for domestic and foreign capital inflows in the near term. However, persistent geopolitical tensions pose downside risks, including increased volatility, potential capital outflows, and slower investor confidence, which may dampen market valuations if the situation continues.</p>	Positive	Neutral

Investor Sentiment and Security	<ul style="list-style-type: none"> We anticipate foreign and domestic investor sentiment to be cautiously optimistic in Q3'2026 supported by easing geopolitical tensions following recent ceasefire agreement. However, the ongoing rise in interest rates and currency volatility could trigger more foreign outflows and deter inflows, therefore tightening liquidity. However, selective opportunities remain, as the NASI, while fairly valued, is currently trading below its historical average, which could attract opportunistic capital once conditions stabilize. 	Neutral	Neutral
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Out of the four metrics that we track, one has a “positive” and three have “neutral” outlook and therefore our outlook for Q3’2026 remains broadly neutral.

Q2’2026 Notable Highlights:

During Q2’2026;

- i. Jubilee Holdings Limited [released](#) their FY’2025 results. Jubilee’s Profit After Tax (PAT) increased by 17.6% to Kshs 5.6 bn, from Kshs 4.7 bn recorded in FY’2024. The performance was mainly driven by a 16.5% increase in Insurance Services Revenues to Kshs 29.9 bn, from Kshs 25.7 bn in FY’2024. For more information, please see our [Cytonn Weekly #14/2026](#)
- ii. Safaricom Plc released its [FY’2026](#) financial results for the period ending 31st March 2026, highlighting that the profit after tax (PAT) for the Group increased by 61.0% to Kshs 73.7 bn, from 45.8 bn recorded in FY’2025. For more information, please see our [Cytonn Weekly #18/2026](#);
- iii. The listed banks released their Q1’2026 financial results, recording a 9.4% growth in core Earnings per Share (EPS) in Q1’2026, compared to the weighted average decline of 0.7% in Q1’2025. For more information, please see our [Earnings Note](#) reports;
- iv. During Q2’2026, two NSE-listed companies issued profit warnings. Nairobi Business Ventures announced in April 2026 that its earnings for FY’2026 would decline by more than 25.0%, citing a difficult operating environment, while Olympia Capital Holdings followed in June 2026, warning of a similar decline due to weaker revenues, rising operating costs, and higher finance charges;
- v. Zenith Bank [completed](#) the acquisition of 100% of Paramount Bank in a full takeover transaction aimed at expanding its footprint in East Africa’s mid-tier banking segment. For more information, please see our [Cytonn Weekly #14/2026](#)
- vi. Centum Investment Company PLC [announced](#) the results of its share buyback programme of up to 10.0% of its issued and paid-up share capital, conducted through the Nairobi Securities Exchange (NSE) in accordance with the Companies Act, 2015. For more information, please see our [Cytonn Weekly #14/2026](#);
- vii. During the month, the Board of Co-operative Bank of Kenya Limited issued a cautionary announcement on 22nd April 2026 regarding a proposed corporate reorganization that will see the Group transition into a Non-Operating Holding Company (NOHC) structure, subject to shareholder and regulatory approvals. For more information, please see our [Cytonn Weekly #16/2026](#);
- viii. Safaricom Plc released its [FY’2026](#) financial results for the period ending 31st March 2026, highlighting that the profit after tax (PAT) for the Group increased by 61.0% to Kshs 73.7 bn, from 45.8 bn recorded in FY’2025. For more information, please see our [Cytonn Weekly #18/2026](#);

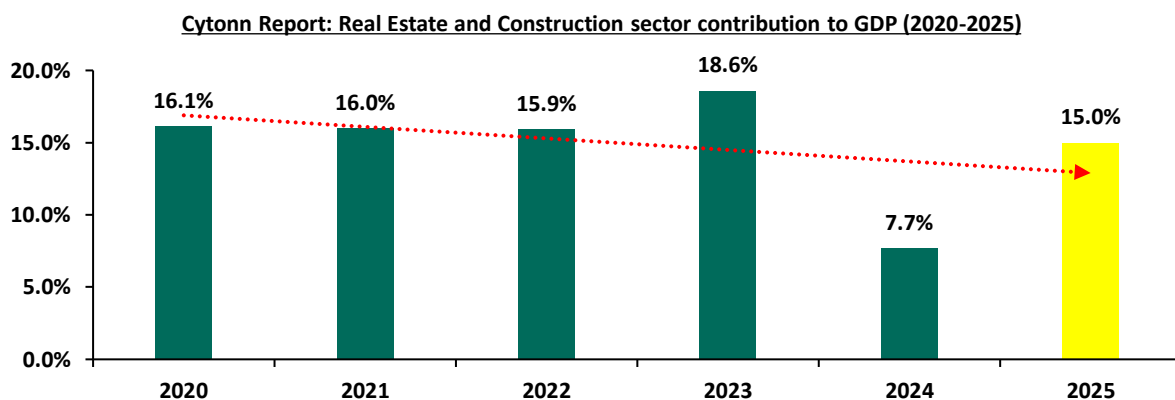
- ix. Family Bank listed its 1,662,654,760 ordinary shares on the Main Investment Market Segment (MIMS) of the Nairobi Securities Exchange (NSE) through a Listing by Introduction on 23rd June 2026 at an introductory price of Kshs 18.00 per share. For more information, please see our [Cytonn Weekly #24/2026](#);
- x. Absa Group Limited had announced its intention to acquire up to 896.0 mn additional ordinary shares in Absa Bank Kenya PLC through a tender offer to existing shareholders at a price of Kshs 34.5 per share. For more information, please see our [Cytonn Weekly #24/2026](#);

We maintain a “cautiously optimistic” short-term outlook supported primarily by attractive valuations, despite rising yields on short-term government papers, which increase competition for capital by drawing investors towards risk-free government securities, as well as heightened geopolitical risks such as Iran war that may weigh on investor sentiment, and, “neutral” in the long term as persistent foreign investor outflows continue to constrain market liquidity and limit broad-based market re-rating. With the market currently trading at a discount to its future growth (PEG Ratio at 0.9x), where performance will be driven by company-specific fundamentals rather than general market direction, we believe that investors should reposition towards value stocks exhibiting strong earnings growth, attractive dividend yields, solid balance sheets, sustainable competitive advantages and trading at compelling discounts to their intrinsic value. While foreign investor sell-offs are expected to continue exerting pressure in the near term, we believe this will create selective entry opportunities for long-term investors.

Real Estate

In H1’2025, the general Real Estate sector continued to witness considerable growth in activity in terms of property transactions and development activities. Consequently, the sector’s activity contribution to Gross Domestic Product (GDP) grew by 5.3 % to Kshs 1,433.9 bn in FY’2025, from Kshs 1,361.4 bn recorded during the same period in 2024. In addition, the sector contributed 8.2% to the country’s GDP, 0.2% points decrease from 8.4% recorded in FY’2024. Cumulatively, the Real Estate and construction sectors contributed 15.0% to GDP, 7.3% points increase from 7.7% in FY’2024, attributable to the significant increase in construction contribution to GDP by 0.4% points, to 6.8% in FY’2025, from (0.7) % recorded in FY’2024;

The graph below highlights the Real Estate and Construction sectors’ contribution to GDP from 2020 to FY’2025;



Source: Kenya bureau of statistics (KNBS)

In H1’2026, Real Estate was promoted by key initiatives as follows:

- i. **Government's continued Focus on Affordable Housing:** the Kenyan government has maintained its commitment towards the delivery of affordable housing under the Affordable Housing Programme (AHP), which remains a key pillar of the Bottom-Up Economic Transformation Agenda (BETA). As of 2025, the [AHP](#) pipeline comprises over 214,000 housing units under development across more than 300 projects, with a significant proportion being driven by public-private partnerships. Additionally, the operationalization of the [Affordable Housing Act, 2024](#), supported by the housing levy, has enhanced resource mobilization, thereby improving project execution and supporting supply in the low- and middle-income housing segments,
- ii. **Infrastructural development:** Continuous improvements in infrastructure, such as new roads, bridges, and utilities, have opened up previously inaccessible areas for real estate development. This has led to increased property value and demand in urban and peri-urban areas. The government has continually prioritized infrastructural development in efforts aimed at positioning the country as a regional hub through the implementation of several key projects including, Makupa Bridge, Nairobi Expressway, Nairobi Western and Eastern Bypasses among others. Notable projects delivered in 2024 include phase two of the Dongo Kundu bypass project,
- iii. **Provision of affordable mortgage financing:** Kenya Mortgage Refinance Company ([KMRC](#)) has continued to drive the availability and affordability of home loans to Kenyans by providing single-digit fixed rate, and long-term finance to Primary Mortgage Lenders (PMLs) such as banks and SACCOs. Recently, KMRC, broadened its refinancing services to include non-shareholders, such as SACCOs and microfinance institutions. This is a strategic move to improve access to affordable mortgages, particularly for low and middle-income earners, a key target of Kenya's affordable housing agenda,
- iv. **Aggressive expansion pursued by retailers:** the Kenyan retail sector is undergoing a massive transformation, characterized by the rapid growth of both local and global giants. Following the collapse of formerly dominant chains like Tuskys, Nakumatt, Uchumi, and Choppies, a market vacuum emerged. This gap is being aggressively filled by expanding retailers such as Naivas, QuickMart, Carrefour and China square. This momentum is further bolstered by the entry of premium international brands like Adidas, Puma, Aldo, Michael Kors and Nike, signalling a new era of development for the industry,
- v. **Kenya's recognition as a regional business hub:** Kenya continues to enjoy recognition as a regional business hub. As a result, foreign entities have continued to open business operations in Kenya, boosting the demand for both commercial and residential Real Estate. Increased business activity has driven up demand for office space, apartments, and housing near business hubs, leading to the development of new projects, increased property values, and job creation in the construction sector,
- vi. **Positive Demographics:** with relatively high urbanization and population growth rates of [2.9%](#) p.a and [1.9%](#) p.a, respectively, against the global average of [1.4%](#) p.a and [1.0%](#) p.a, respectively, as at 2025, there is a sustained demand for more housing units in the country,
- vii. **Increasing Investor Confidence:** Increase in investor confidence has greatly influenced hospitality sector and this is evident through mergers, acquisitions and expansions of hotels. Furthermore, the number of international arrivals into the country by the end of 2025 registered a 12.5% year-to-year (y/y) [increase](#) to 2.7 mn persons in 2025 from 2.4 mn arrivals recorded in 2024. Notably, the [Hotel Chain Development Pipelines in Africa 2026 Report](#) ranked Nairobi at 4th position by planned number of hotels and rooms with 35 hotels and 6,190 rooms in the pipeline, and,
- viii. **Special Built Developments:** There has been an increased popularity of purpose-built properties to host Student housing, medical centers, Diplomatic residentials, data centers which offer potential for growth to the Real Estate sector through alternative markets. Due to these assets classes, the industry remains resilient despite the rapidly changing technological and economic environments, and,

Despite the above drivers, the sector's optimal performance is expected to be hampered by the following factors in 2026:

- i. **Existing oversupply of physical space in select sectors:** With approximately 5.8 mn SQFT in the NMA commercial office market, approximately 3.0 mn SQFT in the Nairobi Metropolitan Area (NMA) retail market, with the rest of the Kenyan retail market having an oversupply of approximately 1.7 mn SQFT. This has led to prolonged vacancy rates in the respective Real Estate sectoral themes,
- ii. **Subdued REITs Market:** The REITs market in Kenya continues to be subdued owing to various challenges such as the large capital requirements of Kshs 100.0 mn for trustees compared to Kshs. 10 mn for pension fund Trustees, which limits the role to banks, prolonged approval process for REITs, only a few legal entities capable of incorporating REITs, high minimum subscription amounts or offer parcels set at Kshs 0.1 mn for D-REITs and 5.0 mn for restricted I-REITs and lack of adequate knowledge of the financial asset class by investors,
- iii. **Constrained financing to developers:** Constrained financing to developers as cost of borrowing remains elevated and lenders continue to demand more collateral from developers as a result of the high credit risk in the real estate sector with gross NPL ratio in at 16.9% Q3'2025, higher than the 16.5% in Q3'2024, and,
- iv. **Underdeveloped capital markets:** It is difficult to develop pools of capital focused on projects, particularly in the private markets, to supplement government efforts in providing housing. Banks in Kenya are the primary source of funding for real estate developers, providing nearly 95.0% of funding as opposed to 40.0% in developed countries. This means that capital markets contribute only 5.0% of Real Estate development funding, compared to 60.0% in developed countries as shown below;

Cytonn Report: Construction Financing in Kenya vs Developed Economies



Source: World Bank, Capital Markets Authority

Sectoral Market Performance

I. Industry Report

During the quarter, the following industry reports were released and the key take-outs were as follows;

Cytonn Report: Notable Industry Reports During the Month of May 2025			
#	Theme	Report	Key Take-outs
1.	Leading Economic Indicators	Leading Economic Indicators (LEI) April 2026 Report by the Kenya National	<ul style="list-style-type: none"> The consumption of cement decreased by 7.4% to 869,943 metric tonnes in April 2026, from 939,681 metric tonnes in March 2026. For more information, please see our Cytonn Weekly #25/2026

		Bureau of Statistics	
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Key Highlights include:

- i. The Kenya National Bureau of Statistics (KNBS) released the [Economic Survey 2026 Report](#) that outlined the performance of various sectors to the GDP and below are the key take-outs related to the Real Estate sector. For more information please see our [Q1'2026 market review report](#),

For more notable developments during H1'2025 please visit our [Q1'2026 market review report](#), [Cytonn Monthly April 2026](#), and [Cytonn Monthly May 2026](#),

II. Residential Sector

During H1'2026, the NMA residential sector recorded a slight increase in performance, with the average total returns to investors coming in at 6.88%, a 0.03%-point increase from 6.85% recorded in H1'2025. The performance was attributed to a decrease in the residential average y/y price appreciation which came in at 1.4% in H1'2026, 0.2%-points higher than the 1.2% appreciation recorded in H1'2025, driven by increased property transactions during the year. On the other hand, the average rental yield came in at 5.7% in H1'2026, recording a 0.1%-points increase from the 5.6% rental yield recorded in H1'2025. This was driven by an increase in the average price appreciation by 0.2% points to 1.4%, from 1.2% recorded in H1'2025. The table below shows the NMA residential sector's performance during H1'2025 and H1'2026,

<i>(All values in Kshs unless stated otherwise)</i>									
Cytonn Report: Nairobi Metropolitan Area (NMA) Residential Sector Summary - H1'2026/H1'2025									
Segment	Average of Price per SQM H1'2025	Average of Rent per SQM H1'2026	Average of Rental Yield H1'2026	Average of Price Appreciation H1'2026	Average of Total Returns H1'2026	Average of Rental Yield H1'2025	Average of Price Appreciation H1'2025	Average of Total Returns H1'2025	y/y change in Rental Yield (% Points)
Detached Units									
High End	275,527	849	5.2%	1.2%	6.4%	4.7%	1.5%	6.3%	0.5%
Upper Middle	199,478	741	5.1%	1.0%	6.0%	5.0%	0.2%	5.2%	0.1%
Lower Middle	86,404	358	4.4%	1.1%	5.5%	4.8%	0.3%	5.1%	(0.4%)
Detached Units Average	187,137	649	4.9%	1.1%	6.0%	4.8%	0.7%	5.5%	0.1%
Apartments									
Lower Mid-End Satellite Towns	87,269	505	5.8%	1.8%	7.7%	5.6%	2.1%	8.7%	0.2%
Upper Mid-End	135,514	836	7.0%	1.6%	8.6%	6.8%	1.3%	8.0%	0.2%
Lower Mid-End Suburbs	107,282	511	5.3%	1.7%	7.0%	5.8%	1.9%	7.8%	(0.5%)
Apartments Average	110,022	617	6.1%	1.7%	7.8%	6.1%	1.8%	8.2%	(0.02%)

Residential Market Average	148,579	633	5.7%	1.4%	6.9%	5.6%	1.2%	6.9%	0.1%
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Source: Cytonn Research

A. Detached Units Performance

The table below shows the NMA residential sector detached units' performance during H1'2026;

<i>All values are in Kshs unless stated otherwise</i>								
Cytonn Report: Residential Detached Units Summary H1'2026								
Area	Average of Price per SQM H1'2026	Average of Rent per SQM H1'2026	Average of Occupancy H1'2026	Average of Uptake H1'2026	Average of Annual Uptake H1'2026	Average of Rental Yield H1'2026	Average of Price appreciation H1'2026	Total Returns
High End								
Runda	205,193	874	90.8%	90.4%	7.6%	5.8%	0.8%	6.7%
Karen	196,333	994	93.2%	94.2%	10.3%	5.6%	1.2%	6.8%
Kitisuru	241,432	845	95.5%	89.0%	8.8%	5.2%	1.2%	6.4%
Rosslyn	573,364	903	90.2%	87.3%	8.7%	4.8%	1.6%	6.5%
Lower Kabete	161,315	628	91.3%	89.5%	8.9%	4.7%	1.1%	5.7%
Average	275,527	849	92.2%	90.1%	8.9%	5.2%	1.2%	6.4%
Upper Middle								
South B/C	85,111	597	91.5%	89.3%	9.9%	6.6%	0.1%	6.7%
Loresho	155,844	700	90.6%	90.6%	9.4%	5.9%	0.8%	6.7%
Langata	121,793	469	89.0%	85.6%	7.3%	5.3%	0.9%	6.1%
Runda Mumwe	173,702	788	93.7%	88.7%	7.6%	5.0%	1.0%	6.0%
Lavington	190,847	624	92.5%	95.5%	9.1%	4.8%	1.6%	6.5%
Redhill & Sigona	249,381	967	88.9%	77.7%	8.3%	4.3%	1.3%	5.6%
Ridgeways	419,670	1040	89.3%	76.0%	7.5%	3.5%	1.1%	4.6%
Average	199,478	741	90.8%	86.2%	8.4%	5.1%	1.0%	6.0%
Lower Middle								
Syokimau/Mlolongo	56,964	308	92.7%	90.7%	9.8%	5.2%	1.0%	6.1%
Juja	106,769	366	91.1%	92.8%	12.9%	4.9%	1.8%	6.7%
Kitengela	70,260	309	89.5%	87.1%	9.1%	4.8%	1.2%	6.0%
Thika	51,990	268	90.7%	87.8%	10.2%	4.5%	0.9%	5.5%
Athi River	92,504	371	90.1%	87.8%	8.6%	4.5%	1.9%	6.4%
Donholm & Komarock	96,874	400	83.9%	91.0%	9.1%	4.3%	0.6%	4.9%
Rongai	138,347	462	89.0%	86.5%	9.1%	3.7%	0.7%	4.4%
Ngong	77,527	379	92.8%	85.1%	8.5%	3.6%	0.8%	4.4%
Average	86,404	358	90.0%	88.6%	9.7%	4.4%	1.1%	5.5%
Grand Average	187,137	649	91.0%	88.3%	9.0%	4.9%	1.1%	6.0%

Source: Cytonn Research

The key take-outs from the table include;

- i. **Average Total Returns** – The average total returns to detached units' investors came in at 6.0%, 0.1% points higher than the 5.9% recorded in H1'2025. The performance was driven by a 0.1%-points increase in average rental yield to 4.9% in H1'2026, from 4.8% recorded in H1'2025.

- ii. **Segment Performance** – The best-performing segment was the High End segment offering an average total return of 6.4%, attributable to a relatively high average price appreciation of 1.2%, 0.5%-points higher than the detached market average appreciation of 0.7%. The impressive performance of the segment was driven by returns from well-performing nodes such Karen, Runda and Rosslyn which have continued to offer relatively high returns to investors, and,
- iii. **Nodal Performance** – Overall, Karen was the best-performing node, offering the highest returns at 6.8%, 0.9% points higher than the detached market average of 5.9%, driven by a relatively high rental yield of 5.6%. The node has seen increased detached unit property investments owing to an inflow of residents brought about by the enhanced accessibility to the Nairobi CBD through various roads such as the Southern bypass, and Lang’ata Road . Also, the area enjoys proximity to various amenities such as shopping malls, hospitals and leading educational institutions. Runda, South B/C and Loresho followed with an average total return of 6.7% each.

B. Apartments Performance

The table below shows the NMA residential sector apartments’ performance during H1’2025;

<i>All values are in Kshs unless stated otherwise</i>								
Area	Average of Price per SQM H1'2025	Average of Rent per SQM H1'2025	Average of Occupancy H1'2025	Average of Uptake H1'2025	Average of Annual Uptake H1'2025	Average of Rental Yield H1'2025	Average of Price Appreciation	Total Yield
Upper Mid-End								
Westlands	171,254	952	91.7%	93.0%	11.7%	7.4%	1.9%	9.3%
Upperhill	132,770	810	90.3%	88.2%	6.0%	6.9%	1.7%	8.6%
Kilimani	109,232	717	89.3%	86.3%	10.0%	6.8%	1.7%	8.5%
Parklands	127,053	903	93.0%	87.5%	8.2%	6.9%	1.5%	8.4%
Kileleshwa	137,260	798	96.3%	93.6%	9.2%	6.8%	1.4%	8.2%
Average	135,514	836	92.1%	89.7%	9.0%	7.0%	1.6%	8.6%
Lower Mid-End Suburbs								
Waiyaki Way	135,362	463	93.2%	94.0%	9.9%	6.4%	2.8%	9.2%
Langata	119,861	486	89.3%	88.1%	8.3%	5.5%	2.5%	8.0%
South C	120,317	475	84.8%	96.0%	10.0%	6.1%	1.7%	7.8%
South B	111,404	516	94.3%	98.4%	10.8%	6.3%	1.0%	7.3%
Dagoretti	91,445	636	93.5%	81.0%	9.7%	4.7%	2.0%	6.7%
Kahawa West	89,070	493	96.5%	91.9%	7.4%	5.5%	0.9%	6.5%
Imara Daima	88,184	368	96.6%	92.0%	8.1%	5.0%	0.4%	5.4%
Race Course/Lenana	102,615	650	95.2%	94.5%	11.3%	3.2%	2.0%	5.3%
Average	107,282	511	92.9%	92.0%	9.4%	5.3%	1.7%	7.0%
Lower Mid-End Satellite Towns								
Thindigua	108,449	580	90.0%	87.2%	9.6%	6.9%	2.4%	9.3%
Athi River	63,208	527	93.4%	84.2%	7.8%	6.5%	2.5%	8.9%
Ruaka	117,094	591	91.3%	90.0%	10.1%	6.4%	1.6%	7.9%
Ruiru	94,221	525	89.7%	88.2%	9.9%	6.0%	1.1%	7.1%
Kikuyu	87,218	479	96.8%	96.9%	12.9%	5.4%	2.4%	7.7%
Syokimau	75,093	422	90.8%	87.1%	8.6%	5.2%	1.0%	6.3%
Ngong	87,511	541	94.2%	88.9%	10.4%	5.2%	1.2%	6.4%
Rongai	65,357	374	93.8%	88.0%	9.8%	5.2%	2.6%	7.8%
Average	87,269	505	92.5%	88.8%	9.9%	5.8%	1.8%	7.7%

Grand average	110,022	617	92.5%	90.2%	9.4%	6.1%	1.7%	7.8%
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Source: Cytonn Research

The key take-outs from the table include;

- i. **Average Total Returns** – The average total returns to apartments’ investors came in at 7.8%, recording a 0.4%-points decrease from the 8.2% recorded during H1’2025. The performance was driven by a 0.02%-points marginal decrease in the rental yield to 6.05% in H1’2026, from 6.07% recorded in H1’2025. This was driven by slight increase in apartment property transactions during the period,
- ii. **Segment Performance** – The best-performing segment was the upper mid-end towns with average total returns of 8.6%, attributed to a relatively high average y/y price appreciation of 1.6% and rental yield of 7.0%. The impressive performance of the segment was driven by returns from well-performing nodes such as Westlands, Upperhill and Kilimani that have continued to offer competitive returns to investors in comparison to other segments, and
- iii. **Nodal Performance** – Overall, the best-performing node was Westlands, offering investors average total returns of 9.3%, 1.1%-points higher than the apartment market average total return of 8.2%. Westlands is attracting apartment investments owing to infrastructural development with the roads such as Nairobi expressway, favouring residents in the area, and being considered as one of Nairobi’s premier commercial hubs.

Notable Highlights in the quarter include;

- i. Hass Consult, a Kenyan consulting and Real Estate development firm, released its Property Index Q1’2026 Report , focusing on the residential Real Estate sector's performance in the Nairobi Metropolitan Area (NMA). For more information, please visit our [Cytonn Monthly April 2026](#)
- ii. The government reduced its investment of housing levy collections in Treasury bills, signalling improved absorption of funds in the rollout of affordable housing projects valued at approximately Kshs 500.0 bn. For more information, please visit our [Cytonn Monthly April 2026](#)
- iii. Mi Vida Homes announced its entry into Kenya’s luxury Real Estate segment through a Kshs 5.6 bn residential development in Tatu City, signaling a strategic shift from its traditional focus on mid-market and affordable housing. For more information, please visit our [Cytonn Weekly #16/2026](#)
- iv. The Board of Directors of the Kenya Mortgage Refinance Company Plc successfully concluded the second tranche of its Kshs 10.5 bn Medium Term Note (MTN) Programme, with tenors to maturity of 8 years and a weighted average life of 5.1 years. For more information, please see our [Cytonn Weekly #19/2026](#)
- v. Centum Real Estate partnered with KCB Bank Kenya to offer discounted fixed-rate mortgages aimed at increasing sales of its housing units. For more information please see our [Cytonn Weekly #18/2026](#)
- vi. The Kenya Mortgage Refinance Company (KMRC) listed its Kshs 3.0 bn sustainability-linked green bond on the fixed income segment of the Nairobi Securities Exchange (NSE), following an issuance that attracted subscriptions worth Kshs 9.4 bn, translating to a 312.8% oversubscription rate. For more information, please visit our [Cytonn monthly May 2026](#)
- vii. Kenya Mortgage Refinance Company (KMRC) announced plans to issue the third tranche of its Medium-Term Note (MTN) programme in 2028, following the successful listing of its oversubscribed Sh3.0 bn sustainability-linked green bond on the Nairobi Securities Exchange (NSE). For more information, please visit our [Cytonn monthly May 2026](#)
- viii. Shelter Afrique Development Bank (ShafDB) unveiled a new brand identity reflecting its transition from a housing financier into a multilateral development bank with a mandate to support housing and broader urban infrastructure development across Africa. For more information please see our [Cytonn Weekly #23/2026](#)

For more notable developments during H1'2025 please visit our [Q1'2025 market review report](#), [Cytonn Monthly April 2025](#), and [Cytonn Monthly May 2025](#)

We have a NEUTRAL outlook for the NMA residential sector, we expect continued vibrant performance in the residential sector within the country sustained by; i) ongoing residential developments under the Affordable Housing Agenda, aiming to reduce the housing deficit in the country currently estimated at 80.0%, ii) increased investment from local and international investors in the housing sector, iii) favorable demographics in the country, shown by high population and urbanization rates of 2.9% p.a and 1.9% p.a, respectively, leading to higher demand for housing units. However, challenges such as rising construction costs, strain on infrastructure development, and limited access to financing will continue to restrict the optimal performance of the residential sector.

III. Commercial Office Sector

The table below highlights the performance of the Nairobi Metropolitan Area (NMA) Commercial Office sector over time;

<i>(All Values in Kshs Unless Stated Otherwise)</i>									
Cytonn Report: Nairobi Metropolitan Area (NMA) Commercial Office Returns Over Time									
Year	Q3'2024	FY'2024	Q1'2025	H1'2025	Q3'2025	FY'2025	Q1'2026	H1'2026	Δ H1'2025/H1'2026
Occupancy %	79.6%	80.7%	80.3%	80.9%	82.4%	83.1%	84.7%	83.4%	2.7%
Asking Rents (Kshs/SQFT)	104	104.8	105	105	105	105.3	111	108.2	3.3%
Average Prices (Kshs/SQFT)	12,677	12,614	12,614	12,673	12,681	12,699	12,718	12,896	2.2%
Average Rental Yields (%)	7.7%	7.8%	7.6%	7.7%	7.8%	7.8%	8.9%	8.1%	0.3%

Source: Cytonn Research

- i. **Average Asking Rents** – In H1'2026, average asking rents per SQFT in the Nairobi Metropolitan Area (NMA) increased by 3.3% to Kshs 108.2 per SQFT from Kshs 105 per SQFT in H1'2025. This performance can be attributable to addition of new Grade A offices to the pipeline; including The Atrium and The Mandrake, thereby driving up the asking rents for commercial office spaces.
- ii. **Average Occupancy Rate** – In H1'2026, commercial office occupancy showed an improvement in performance by 2.2%-points to 83.4% from 80.9% achieved in H1'2025.
- iii. **Average Rental Yield** – The average rental yields showed resilience with 0.3%-points increase in average rental yields in H1'2026 to 8.1%, from 7.7% recorded in H1'2025 attributable to increased occupancy and rental rates.

For submarket performance, Westlands and Gigiri emerged as the top performers, achieving an average rental yield of 9.4% and 8.9% respectively in H1'2026, surpassing the market average of 8.1%. This performance can be attributed to several factors: i) These locations feature a high concentration of top-tier office buildings that command premium rental rates and yields, ii) Landlords in these areas often prefer to collect rent in dollars, enhancing the investment appeal, iii) Well-developed infrastructure and abundant amenities add significant value to investments in these locations, iv) The presence of multinational corporations, and international organizations increases the demand for high-quality office spaces.

In contrast, Mombasa Rd was the least performing node with an average rental yield of 6.4% in H1'2026, 1.6% points lower than the market average of 8.1%. This lower performance can be attributed to: i) The high prevalence of lower-quality office buildings in this area leads to lower average rental rates, typically around Kshs 85 per SQFT as compared to an average of Kshs 108 per SQF , ii) Mombasa Road is predominantly recognized as an industrial zone, reducing its attractiveness to office-based businesses seeking commercial spaces, iii) Intense competition from other sub-markets further compounds the challenges Mombasa Road faces in attracting tenants and achieving higher rental yields. The table below displays the performance of sub-markets in the Nairobi Metropolitan Area (NMA).

All values in Kshs unless stated otherwise											
Cytonn Report: Nairobi Metropolitan Area Commercial Office Market Performance Q1'2026											
Area	Price/SQ FT H1'2026	Rent/SQ FT H1'2026	Occupancy H1'2026	Rental Yields H1'2026	Price Kshs/ SQFT H1'2025	Rent Kshs/ SQFT H1'2025	Occupancy H1'2025	Rental Yield H1'2025	Δ in Rent	Δ in occupancy	Δ in Rental Yields (% points)
Westlands	12,874	121	83.5%	9.4%	12,510	120	81.7%	9.4%	1.5%	1.8%	0.1%
Gigiri	14,850	131	84.4%	8.9%	14,850	131	82.4%	8.7%	0.0%	2.0%	0.2%
Karen	14,277	117	84.3%	8.3%	14,077	115	80.9%	8.0%	1.3%	3.4%	0.3%
Kilimani	12,945	104	83.1%	8.0%	12,873	101	83.0%	7.9%	3.2%	0.1%	0.2%
Nairobi CBD	12,794	97	87.9%	8.0%	12,294	92	86.9%	7.8%	5.4%	0.9%	0.2%
Parklands	12,155	96	87.6%	8.0%	11,922	94	83.1%	7.9%	2.7%	4.5%	0.1%
Upperhill	12,738	108	79.5%	7.9%	12,857	104	73.4%	6.9%	3.7%	6.1%	1.0%
Thika Road	13,193	100	82.7%	7.5%	13,057	91	80.1%	6.7%	9.9%	2.6%	0.8%
Mombasa Road	12,075	85	74.7%	6.4%	11,575	82	72.7%	6.4%	3.7%	2.0%	0.1%
Average	12,896	108	83.4%	8.1%	12,673	105	80.9%	7.7%	3.5%	2.5%	0.3%

Source: Cytonn Research

We maintain a NEUTRAL outlook on the Nairobi Metropolitan Area (NMA) commercial office sector, impacted by several key dynamics: i) the increasing presence of multinational companies in Kenya is likely to drive up occupancy levels, ii) the increasing trend of co-working spaces, iii) more start-ups are expected to drive demand for commercial spaces, and iv) a considerable take-up of prevailing commercial office spaces after developers adopted a 'wait-and-see' approach to avoid vacancies in newly built spaces, However, the sector continues to face challenges due to a significant oversupply of office space, currently standing at 3.4 mn SQFT. Despite these challenges, there are attractive investment opportunities in areas such as Westlands, Kilimani, and Parklands, which offer returns that exceed the market average.

IV. Retail Sector

The table below shows the performance of the retail sector performance in Nairobi Metropolitan Area from H1'2025 to H1'2026;

All values are in Kshs unless stated otherwise						
Cytonn Report: Summary of Retail Sector Performance in Nairobi Metropolitan Area H1'2025 - H1'2026						
Item	H1'2025	Q3'2025	FY'2025	Q1'2026	H1'2026	Y/Y 2026 Δ
Average Asking Rents (Kshs/SQFT)	185.5	186.7	185.8	188.0	189.0	1.7%
Average Occupancy (%)	83.3%	84.8%	82.0%	87.2%	88.1%	4.9%
Average Rental Yields	8.5%	8.8%	8.6%	8.9%	8.9%	0.4%

Source: Cytonn Research

The key take-outs from the table include;

- i. **Average Occupancy Rate** - In H1'2026, the retail sector witnessed a notable uptick in average occupancy rates, increasing by 4.9%-points to reach 88.1%, compared to the 83.3% recorded in the same period of 2025. This surge can be attributed to several key factors: i) vigorous expansion endeavors undertaken by both domestic and international retailers such as Naivas, QuickMart, Carrefour, and Magunas, ii) sustained demand for consumer goods and services, buoyed by favorable demographic trends, iii) adaptation to evolving market dynamics, exemplified by initiatives like Jaza Stores and Carrefour allowing purchases to be made online via platforms like Whatsapp, aligning with shifting consumer preferences, and, iv) ongoing improvements in infrastructure not only bolstering existing retail spaces but also unlocking new regions for retail growth opportunities, thus broadening the scope of the sector's expansion,
- ii. **Asking Rents** - In H1'2026, there was a slight increase in average rental rates per SQFT, climbing by 1.7% to 189.0 Kshs, up from Kshs 185.5 in H1'2025. This increase was driven by several key factors: i) the continued demand for premium retail spaces in strategic areas within the Nairobi Metropolitan Area (NMA), such as Karen, Kilimani, Westlands, and along Kiambu and Limuru roads. These locations, known for their quality offerings, attracted both local and foreign businesses seeking proximity to multinational organizations and embassies, serving an international clientele, ii) a limited supply of new retail space in prime locations, tightening availability and boosting demand for existing space, iii) continued recovery in consumer footfall and retail activity following economic stabilization efforts, and iv) the entry of renowned global brands like Adidas, Puma, Michael Kors, and Aldo into the Kenyan market, competing for prime retail spaces and further driving up rental rates, and,
- iii. **Average Rental Yield**- The average rental yield for the NMA retail sector improved by 0.4%-points to 8.9% in H1'2026, from 8.5% in H1'2025, as a result of improved asking rents and occupancy rates.

In terms of sub-market performance, Kilimani, Karen, and Kiambu & Limuru Road demonstrated impressive average rental yields of 9.8%, 9.7%, and 9.4% respectively, outpacing the overall market average of 8.9%. This strong performance was largely driven by the increased demand for retail offerings in the above locations, as well as the presence of top-tier retail spaces commanding higher rents, coupled with the provision of quality infrastructure services enhancing the attractiveness for both tenants and customers. Conversely, retail spaces in settelite towns reported the lowest average rental yield at 7.5%, influenced by several factors: i) rental rates significantly below the market average of Kshs 189 per SQFT, standing at Kshs 142 per SQFT resulting from the presence of lower quality spaces in the region, ii) inadequate infrastructure across most towns within the regions, hindering accessibility and sustainability for retail spaces, and, iii) the prevalence of informal retail spaces and service stations, offering competitive rates and diverse amenities, intensifying market competition and impacting demand.

The following table illustrates the submarket performance of nodes within the Nairobi Metropolitan Area (NMA) in H1'2026;

(All values in Kshs unless stated otherwise)

Nairobi Metropolitan Area Retail Market Performance H1'2026										
Area	Prices Kshs /SQFT H1'2026	Rent Kshs /SQFT H1'2026	Occupancy% H1'2026	Rental Yield H1'2026	Rent Kshs /SQFT H1'2025	Occupancy% H1'2025	Rental Yield H1'2025	Δ in Rental Rates	Δ in Occupancy (% points)	Δ in Rental Yield (% points)
Kilimani	23,600	209	92.0%	9.8%	198	84.2%	10.0%	5.8%	7.8%	(0.2%)
Karen	24,800	217	93.4%	9.7%	218	92.3%	9.6%	(0.6%)	1.1%	0.1%
Kiambu road & Limuru Road	20,167	185	85.7%	9.4%	187	77.0%	8.7%	(0.9%)	8.7%	0.6%
Ngong Road	24,263	211	89.3%	9.3%	191	86.9%	8.3%	10.3%	2.4%	1.0%
Westlands	25,000	224	83.7%	9.0%	239	79.4%	7.6%	(6.2%)	4.3%	1.4%
Eastlands	20,500	171	87.2%	8.8%	161	78.9%	7.4%	6.5%	8.3%	1.4%
Thika Road	22,291	181	89.2%	8.5%	168	80.3%	7.9%	7.7%	8.8%	0.6%
Mombasa road	20,000	166	86.6%	8.4%	178	85.5%	9.1%	(7.0%)	1.2%	(0.7%)
Satellite towns	20,200	142	88.8%	7.5%	142	87.6%	7.6%	0.0%	1.2%	0.1%
Average	22,313	189	88.1%	8.9%	185	83.3%	8.5%	1.7%	4.9%	0.4%

Source: Cytonn Research

For more notable developments during H1'2026 please visit our [Q1'2026 market review report](#), [Cytonn Monthly April 2026](#), and [Cytonn Monthly May 2026](#)

We maintain a NEUTRAL outlook on the retail sector's performance, which is anticipated to be influenced by several key drivers: i) continued aggressive expansion efforts by both local and foreign retailers, as they seek to secure new and existing spaces to capitalize on evolving consumer preferences and market dynamics, ii) ongoing advancements in public infrastructure, including road and railway projects, are expected to enhance accessibility to new areas for retail investments, stimulating further growth opportunities, and, iii) positive demographic trends, characterized by a growing population, are anticipated to underpin increasing demand for retail goods and services. However, the sector's growth momentum may face headwinds from certain negative factors, including: i) escalating adoption of e-commerce by retailers, which continues to erode traditional occupier demand for physical retail spaces, necessitating innovative strategies to adapt to changing consumer shopping habits, and, ii) limited access to and expensive financing from financial institutions for retail developments, coupled with the imperative for small and medium-sized enterprises (SMEs) to invest in technological advancements to enhance operational efficiency and competitiveness in the market.

V. Hospitality Sector

Key highlights during Q2'2026 include:

- i. President William Ruto [announced](#) plans to expand the ongoing Kshs 30.0 bn Bomas International Convention Complex project to include two hotels, a shopping mall and an arena, reaffirming the Government's commitment to delivering large-scale, infrastructure-led development projects across the country. Construction of the complex, which is being undertaken by the Kenya Defence Forces, began in March 2025 and is set on more than 100,000 SQM of land. For more information please see our [Cytonn Weekly #25/2026](#), and,
- ii. Nairobi hosted a wildlife photography [exhibition](#) that underscored the importance of biodiversity conservation, featuring imagery from the documentary "Yellow Sea Wetlands to African Savannas" and marking the second anniversary of the China-Africa Savannas Biodiversity Conservation Forum. The event brought together conservation experts, government officials, diplomats, scholars, industry leaders, and cultural enthusiasts to advance environmental awareness and sustainable development. For more information please see our [Cytonn Weekly #22/2026](#).

For more notable highlights during the quarter please see our [Cytonn Monthly - April 2026](#) report.

We maintain a POSITIVE outlook for the hospitality sector, supported by several key drivers: i) aggressive marketing campaigns promoting Kenya’s tourism, expected to boost tourist arrivals and improve occupancy rates at hospitality venues, ii) international recognition of Kenya’s tourism industry, enhancing its status as a leading tourist destination and drawing more global visitors, iii) strategic partnerships within the tourism sector, fostering innovation and collaboration to capitalize on new opportunities, iv) events and initiatives aimed at increasing tourism activity and improving guest experiences. However, while the sector demonstrated resilience in its overall performance in 2025, the outlook remains cautiously optimistic. Kenya continues to face significant competition from neighboring markets, such as Rwanda, which employs aggressive promotional strategies, alongside Zanzibar, Tanzania, and South Africa. These regions actively position themselves as attractive alternatives, challenging Kenya’s market share in the region. Additionally, Kenya’s hospitality sector remains vulnerable to the impacts of negative travel advisories issued during times of crisis, resulting in reduced international visitor numbers.

VI. Land Sector

During the period under review, the land sector in Nairobi Metropolitan Area (NMA) recorded a price appreciation of 1.3 % to Kshs 134.4 mn from 132.1 mn. This performance was supported by;

- i. The growing demand for land in the Nairobi Metropolitan Area (NMA) is driven by a rising population, as individuals from various regions of the country migrate annually in search of employment, education, and other opportunities,
- ii. The fixed supply of land has intensified demand, particularly for residential and commercial purposes, leading to an increase in land prices,
- iii. There is an expanding middle class in the NMA with disposable income, willing to invest in land as a savings and investment option,
- iv. The government's ongoing infrastructural development projects, such as roads, sewers, railways, and water connections, are opening up more satellite towns, subsequently driving land prices upward,
- v. The widely held belief among the middle class that land represents a secure form of wealth has prompted many families to save specifically for land acquisition, and,
- vi. The government’s Affordable Housing Program, under the Bottom-Up Economic Transformation Agenda (BETA), has initiated construction projects across various parts of Nairobi and the country, further increasing land values due to heightened construction activity.

Overall Performance:

Nairobi suburbs-Commercial areas registered the highest capital appreciation during the period under review, with an annual capital appreciation of 2.5%, where the average selling price rose to Kshs 406.4 mn from Kshs 396.4 mn recorded in H1’2025. The strong performance can be attributed to a combination of improving infrastructure, rising commercial activity, and investor preference for lower-density growth nodes outside the CBD. On the other hand, land in Nairobi Suburbs under high rise residential areas recorded the least movement with an annual capital appreciation of 0.3%, below the market average of 1.3%. This muted performance can largely be attributed to oversupply and weaker investor appetite in Nairobi’s high-rise residential segment, particularly in areas that have experienced rapid apartment development over the past few years. The table below shows the overall performance of the sector across all land sub-sectors during H1’2026;

	H1’2025	H1’2026	Annualized Capital Appreciation
Nairobi Suburbs- Commercial Areas	396.4 mn	406.4 mn	2.5%
Serviced land-Satellite Towns	20.1 mn	20.6 mn	2.3%
Un-serviced land-satellite Towns	18.1 mn	18.3 mn	0.9%

Nairobi Suburbs (Low Rise & High Residential Areas)	140.7 mn	141.3 mn	0.4%
Nairobi Suburbs- High Rise Residential Areas	85.3 mn	85.6 mn	0.3%
Average	132.1 mn	134.4 mn	1.3%

Source: Cytonn Research

Sub-markets Performance – For the unserviced satellite towns, Juja, Limuru, and Utawala emerged as the best-performing nodes with annualized capital appreciation of 0.4%, 1.8% and 2.3%, respectively. This performance can be attributed to: i) good transport network connecting these areas to Nairobi ii) a rising middle class looking to settle in these areas, iv) good proximity to retail centers such as malls, and v) relatively affordable prices compared to the market average. Additionally, land in unserviced towns presents a good opportunity for speculative investors, who invest in anticipation of price appreciation. On the other hand, high rise residential areas in Nairobi’s Suburbs registered the least average price movement, with Kilimani recording a appreciation of 0.3%. Notably, some areas in this segment, such as Kilimani, are witnessing an influx of high-rise apartments, which has made them less attractive. The table below shows NMA’s land performance by submarkets in H1’2026;

Price in Kshs per Acre			
Cytonn Report: Nairobi Metropolitan Area Land Performance by Submarkets – H1’2026			
Location	Price H1’2025	Price H1’2026	Capital Appreciation
Satellite Towns - Unserviced Land			
Juja	15.9 mn	16.0 mn	0.4%
Limuru	24.8 mn	25.3 mn	1.8%
Utawala	17.5 mn	17.9 mn	2.3%
Rongai	17.1 mn	17.1 mn	(0.2%)
Athi River	15.3 mn	15.2 mn	(0.5%)
Average	18.1 mn	18.3 mn	0.7%
Satellite Towns - Serviced Land			
Rongai	18.3 mn	18.7 mn	1.9%
Athi River	20.0 mn	20.4 mn	1.9%
Ruai	12.8 mn	13.0 mn	1.2%
Ruiru & Juja	20.8 mn	22.0 mn	5.8%
Syokimau	28.7 mn	28.9 mn	0.7%
Average	20.1 mn	20.6 mn	2.3%
Nairobi Middle End Suburbs – High Rise Residential Areas			
Kasarani	86.7 mn	87.1 mn	0.4%
Embakasi	83.1 mn	83.9 mn	1.0%
Dagoretti	86.2 mn	85.9 mn	(0.3%)
Average	85.3 mn	85.6 mn	0.4%
Nairobi High End Suburbs (Low- and High-Rise Areas)			
Kileleshwa	308.7 mn	309.0 mn	0.1%
Ridgeways	90.1 mn	90.9 mn	0.8%
Runda	109.3 mn	109.4 mn	0.1%
Kitisuru	96.4 mn	96.6 mn	0.2%
Spring Valley	175.7 mn	176.9 mn	0.7%
Karen	63.9 mn	64.8 mn	1.4%

Average	140.7 mn	141.3 mn	0.6%
Nairobi Suburbs - Commercial Zones			
Westlands	419.7 mn	430.7 mn	2.6%
Riverside	327.4 mn	339.7 mn	3.8%
Upperhill	461.3 mn	465.0 mn	0.8%
Kilimani	377.3 mn	390.0 mn	3.4%
Average	396.4 mn	406.4 mn	2.6%

Source: Cytonn Research

We maintain a POSITIVE outlook for the land sector in the Nairobi Metropolitan Area (NMA), considering it a dependable investment opportunity that has shown improving performance year on year. Going forward, we expect the sector's performance to be driven by several factors: i) government efforts to streamline land transactions through innovative solutions such as [Ardhi Sasa](#), ii) continued activities by players on both the demand and supply sides, iii) growing demand for land driven by positive demographics, iv) the launch of infrastructure development projects opening up satellite towns for investment opportunities, and v) the continued rollout of the Affordable Housing Program (AHP) by the government, driving further demand for land

VII. Infrastructure Sector

Key highlights during Q2'2026;

- i. The Government [signed](#) a Kshs 154.2 bn contract with China Road and Bridge Corporation (CRBC) for the expansion and modernization of Jomo Kenyatta International Airport (JKIA). Transport Cabinet Secretary Davis Chirchir confirmed the award of the contract following a procurement process that spanned approximately three months, during which more than 40 companies participated in a pre-bid conference held in April 2026. Please see our [Cytonn Weekly #25/2026](#),
- ii. The [Government](#) announced a Kshs 500.0 mn allocation for the reconstruction of the deteriorated Imaroro–Isara Road in Kajiado County, a key transport corridor connecting Kajiado West, Kajiado Central and Kajiado East constituencies. The announcement was made by President William Ruto during a church fundraiser in Kiserian, with the project set to be financed under the newly established National Infrastructure Fund (NIF). Please see our [Cytonn Weekly #24/2026](#),
- iii. The Government [announced](#) plans to finance the expansion and modernization of Jomo Kenyatta International Airport (JKIA) through a blended funding structure combining debt financing, airport-generated revenues, and support from the National Infrastructure Fund (NIF). The Ministry of Roads and Transport indicated that the project will cost up to Ksh 154.2 bn, with approximately 70.0% of the funding, equivalent to about Kshs 107.0 bn, expected to be raised through debt financing. Please see our [Cytonn Weekly #24/2026](#),
- iv. The National Government, through Treasury Cabinet Secretary John Mbadi, [launched](#) the construction of the Kanyawanga-Kwoyo-Dede-Rapogi-Awendo Road and the Othoo-Got-Kachola Road in Migori County during the week, reaffirming its commitment to expanding infrastructure development across the Nyanza region. The projects are expected to improve connectivity between key population centers, facilitate movement of goods and people, and enhance access to essential services. Please see our [Cytonn Weekly #23/2026](#),
- v. The FY'2026/27 [Budget](#) signaled a notable shift in the government's approach to infrastructure development, with greater emphasis being placed on mobilising private sector capital to fund large scale projects. Faced with rising fiscal pressures and limited room for additional borrowing, the government is increasingly turning to alternative financing mechanisms, including Public Private

Partnerships (PPPs), infrastructure funds, and securitisation structures, to support the delivery of critical infrastructure while maintaining fiscal sustainability. Please see our [Cytonn Weekly #23/2026](#),

For more notable highlights during the quarter please see our [Cytonn Monthly - May 2026](#) and [Cytonn Monthly - April 2026](#) reports.

We maintain a POSITIVE outlook for the infrastructure sector. We anticipate continued government efforts to advance infrastructure development across Kenya, particularly in the roads and transport sector, in line with the Bottom-Up Economic Transformation Agenda (BETA) and broader economic stimulus objectives. These enhancements are expected to facilitate the more efficient movement of people, goods, and services, thereby reducing logistics costs, stimulating economic activity, and increasing demand for real estate in previously underserved remote areas and satellite towns. Our optimistic stance is supported by several key developments: i) The launch of the National Infrastructure Fund and Sovereign Wealth Fund, designed to channel resources into priority projects with minimal additional public debt, primarily through privatization proceeds; such as the IPO of Kenya Pipeline Company; ii) The 2026 launch of the Naivasha–Narok–Kisumu–Malaba extension of the Standard Gauge Railway (SGR), establishing a modern logistics corridor across East and Central Africa; iii) Accelerated progress on PPPs for the Rironi–Mau Summit highway; iv) Anticipated construction of a new world-class terminal at Jomo Kenyatta International Airport (JKIA) to solidify Kenya’s position as East Africa’s premier aviation hub; v) Ongoing modernization of Mombasa and Lamu ports under the LAPSET corridor initiative; and, vi) Expected completion of the Talanta Sports Complex and Bomas International Convention Centre, enhancing sports and MICE tourism infrastructure. Nevertheless, the sector continues to face longstanding challenges that could temper progress if not effectively managed. These include persistent delays in project execution, land acquisition disputes, cost overruns, a weak culture of infrastructure maintenance, and lingering reliance on debt-financed models. Addressing these headwinds will be critical to fully realizing the sector’s transformative potential.

VIII. Real Estate Investments Trusts (REITs)

On the [Unquoted Securities Platform](#) Acorn D-REIT and I-REIT traded at Kshs 29.6 and Kshs 23.8 per unit, respectively, as per the last updated data on 19th June 2026. The performance represented a 48.0% and 18.8% gain for the D-REIT and I-REIT, respectively, from the Kshs 20.0 inception price. The volumes traded for the D-REIT and I-REIT came in at 13.5 mn and 43.9 mn shares, respectively. Additionally, ILAM Fahari I-REIT traded at Kshs 13.8 per share as of 19th June 2026, representing a 31.0% loss from the Kshs 20.0 inception price. The volume traded to date came in at 1.2 mn shares for the I-REIT, REITs offer various benefits, such as tax exemptions, diversified portfolios, and stable long-term profits. However, the ongoing decline in the performance of Kenyan REITs and the restructuring of their business portfolios are hindering significant previous investments. Additional general challenges include:

- i. Insufficient understanding of the investment instrument among investors leading to a slower uptake of REIT products,
- ii. Lengthy approval processes for REIT creation,
- iii. High minimum capital requirements of Kshs 100.0 mn for REIT trustees compared to Kshs 10.0 mn for pension funds Trustees, essentially limiting the licensed REIT Trustee to banks only
- iv. The rigidity of choice between either a D-REIT or and I-REIT forces managers to form two REITs, rather than having one Hybrid REIT that can allocate between development and income earning properties
- v. Limiting the type of legal entity that can form a REIT to only a trust company, as opposed to allowing other entities such as partnerships, and companies,

- vi. We need to give time before REITS are required to list – they would be allowed to stay private for a few years before the requirement to list given that not all companies maybe comfortable with listing on day one, and,
- vii. Minimum subscription amounts or offer parcels set at Kshs 0.1 mn for D-REITs and Kshs 5.0 mn for restricted I-REITs. The significant capital requirements still make REITs relatively inaccessible to smaller retail investors compared to other investment vehicles like unit trusts or government bonds, all of which continue to limit the performance of Kenyan REITs.

We expect Kenya’s Real Estate sector to remain on a growth trend, supported by: i) demand for housing sustained by positive demographics, such as urbanization and population growth rates of 2.9% p.a and 1.9% p.a, respectively, against the global average of 1.7% p.a and 0.9% p.a, respectively, as at 2025,, ii) activities by the government under the Affordable Housing Program (AHP) iii) heightened activities by private players in the residential sector iv) increased investment by local and international investors in the hospitality and industrial sector,v) improved infrastructure throughout the country. However, challenges such as rising construction costs, strain on infrastructure development (including drainage systems), high capital requirements for REITs, and existing oversupply in select Real Estate sectors will continue to hinder the sector’s optimal performance by limiting developments and investments.

Real Estate Performance Summary and Outlook

Below is a summary of the sectorial performance in H1’2026 and investment opportunities:

Theme	Cytonn Report: Thematic Performance and Outlook H1’ 2025	Outlook
Residential	<ul style="list-style-type: none"> • The NMA residential sector recorded a slight increase in performance, with the average total returns to investors coming in at 6.9%, a 0.1%-point increase from 6.8% recorded in H1’2025. The performance was attributed to a decrease in the residential average y/y price appreciation which came in at 3.7% in H1’2025, 2.5%-points higher than the 1.2% appreciation recorded in H1’2025, driven by increased property transactions during the year. On the other hand, the average rental yield came in at 5.7% in H1’2026, recording a 0.1%-points increase from the 5.6% rental yield recorded in H1’2025. • The average total returns to detached units’ investors came in at 6.0%, 0.1% points higher than the 5.9% recorded in H1’2025. • The average total returns to apartments’ investors came in at 7.8%, recording a 0.4%-points decrease from the 8.2% recorded during H1’2025. 	Neutral
	<ul style="list-style-type: none"> • Our outlook for the NMA residential sector remains NEUTRAL, as we foresee increased activity from in the industry supported by: i) ongoing residential developments under the Affordable Housing Agenda, aiming to reduce the housing deficit in the country currently estimated at 80.0%, ii) increased investment from local and international investors in the housing sector, iii) favorable demographics in the country, shown by high population and urbanization rates of 2.9% p.a and 1.9% p.a, respectively, leading to higher demand for housing units. However, challenges such as rising construction costs, strain on infrastructure development, and limited access to financing will continue to restrict the optimal performance of the residential sector. 	
Commercial Office	<ul style="list-style-type: none"> • The average rental yield showed resilience with 0.3%-points increase in average rental yields in H1’2026 to 8.1%, from 7.7% recorded in H1’2025 attributable to increased occupancy and rental rates. • In H1’2025 commercial office occupancy showed an improvement in performance by 2.2%-points to 83.4% from 80.9% achieved in H1’2025 • In H1’2025, average asking rents per SQFT in the Nairobi Metropolitan Area (NMA) increased by 3.3% to Kshs 108.2 per SQFT from Kshs 105 per SQFT in H1’2025. 	Neutral
	<ul style="list-style-type: none"> • Our outlook for the NMA commercial office sector remains NEUTRAL, driven by factors such as i) the increasing presence of multinational companies in Kenya is likely to drive up occupancy levels, ii) the increasing trend of co-working spaces, iii) more start-ups are expected to drive demand for commercial spaces, and iv) a considerable take-up of prevailing commercial office spaces after developers adopted a 'wait-and-see' approach to avoid vacancies in newly built spaces, However, the sector continues to face challenges due to a significant oversupply of office space, currently standing at 3.4 mn SQFT. Despite these challenges, there are attractive investment opportunities in areas such as Westlands, Kilimani, and Parklands, which offer returns that exceed the market average. 	

Retail	<ul style="list-style-type: none"> The average rental yield for the the NMA retail sector improved by 0.4%-points to 8.9% in H1'2026, from 8.5% in H1'2025, as a result of improved asking rents and occupancy rates. We maintain a NEUTRAL outlook on the retail sector's performance, which is anticipated to be influenced by several key drivers: i) continued aggressive expansion efforts by both local and foreign retailers, as they seek to secure new and existing spaces to capitalize on evolving consumer preferences and market dynamics, ii) ongoing advancements in public infrastructure, including road and railway projects, are expected to enhance accessibility to new areas for retail investments, stimulating further growth opportunities, and, iii) positive demographic trends, characterized by a growing population, are anticipated to underpin increasing demand for retail goods and services. However, the sector's growth momentum may face headwinds from certain negative factors, including: i) escalating adoption of e-commerce by retailers, which continues to erode traditional occupier demand for physical retail spaces, necessitating innovative strategies to adapt to changing consumer shopping habits, and, ii) limited access to and expensive financing from financial institutions for retail developments, coupled with the imperative for small and medium-sized enterprises (SMEs) to invest in technological advancements to enhance operational efficiency and competitiveness in the market.. 	Neutral
Hospitality	<ul style="list-style-type: none"> President William Ruto announced plans to expand the ongoing Kshs 30.0 bn Bomas International Convention Complex project to include two hotels, a shopping mall and an arena, reaffirming the Government's commitment to delivering large-scale, infrastructure-led development projects across the country. Construction of the complex, which is being undertaken by the Kenya Defence Forces, began in March 2025 and is set on more than 100,000 SQM of land. For more information please see our Cytonn Weekly #25/2026, and, Nairobi hosted a wildlife photography exhibition that underscored the importance of biodiversity conservation, featuring imagery from the documentary "Yellow Sea Wetlands to African Savannas" and marking the second anniversary of the China-Africa Savannahs Biodiversity Conservation Forum. The event brought together conservation experts, government officials, diplomats, scholars, industry leaders, and cultural enthusiasts to advance environmental awareness and sustainable development. For more information please see our Cytonn Weekly #22/2026. We maintain a POSITIVE outlook for the hospitality sector, supported by several key drivers: i) aggressive marketing campaigns promoting Kenya's tourism, expected to boost tourist arrivals and improve occupancy rates at hospitality venues, ii) international recognition of Kenya's tourism industry, enhancing its status as a leading tourist destination and drawing more global visitors, iii) strategic partnerships within the tourism sector, fostering innovation and collaboration to capitalize on new opportunities, iv) events and initiatives aimed at increasing tourism activity and improving guest experiences. However, while the sector demonstrated resilience in its overall performance in 2025, the outlook remains cautiously optimistic. Kenya continues to face significant competition from neighboring markets, such as Rwanda, which employs aggressive promotional strategies, alongside Zanzibar, Tanzania, and South Africa. These regions actively position themselves as attractive alternatives, challenging Kenya's market share in the region. Additionally, Kenya's hospitality sector remains vulnerable to the impacts of negative travel advisories issued during times of crisis, resulting in reduced international visitor numbers. 	Positive
Infrastructure	<ul style="list-style-type: none"> The Government signed a Kshs 154.2 bn contract with China Road and Bridge Corporation (CRBC) for the expansion and modernization of Jomo Kenyatta International Airport (JKIA). Transport Cabinet Secretary Davis Chirchir confirmed the award of the contract following a procurement process that spanned approximately three months, during which more than 40 companies participated in a pre-bid conference held in April 2026. Please see our Cytonn Weekly #25/2026, The Government announced a Kshs 500.0 mn allocation for the reconstruction of the deteriorated Imaroro–Isara Road in Kajiado County, a key transport corridor connecting Kajiado West, Kajiado Central and Kajiado East constituencies. The announcement was made by President William Ruto during a church fundraiser in Kiserian, with the project set to be financed under the newly established National Infrastructure Fund (NIF). Please see our Cytonn Weekly #24/2026, The Government announced plans to finance the expansion and modernization of Jomo Kenyatta International Airport (JKIA) through a blended funding structure combining debt financing, airport-generated revenues, and support from the National Infrastructure Fund (NIF). The Ministry of Roads and Transport indicated that the project will cost up to Ksh 154.2 bn, with approximately 70.0% of the funding, equivalent to about Kshs 107.0 bn, expected to be raised through debt financing. Please see our Cytonn Weekly #24/2026, The National Government, through Treasury Cabinet Secretary John Mbadi, launched the construction of the Kanyawanga-Kwoyo-Dede-Rapogi-Awendo Road and the Othoo-Got-Kachola Road in Migori 	Positive

	<p>County during the week, reaffirming its commitment to expanding infrastructure development across the Nyanza region. The projects are expected to improve connectivity between key population centers, facilitate movement of goods and people, and enhance access to essential services. Please see our Cytonn Weekly #23/2026,</p> <ul style="list-style-type: none"> • The FY'2026/27 Budget signaled a notable shift in the government's approach to infrastructure development, with greater emphasis being placed on mobilising private sector capital to fund large scale projects. Faced with rising fiscal pressures and limited room for additional borrowing, the government is increasingly turning to alternative financing mechanisms, including Public Private Partnerships (PPPs), infrastructure funds, and securitisation structures, to support the delivery of critical infrastructure while maintaining fiscal sustainability. Please see our Cytonn Weekly #23/2026 • We maintain a POSITIVE outlook for the infrastructure sector. We anticipate continued government efforts to advance infrastructure development across Kenya, particularly in the roads and transport sector, in line with the Bottom-Up Economic Transformation Agenda (BETA) and broader economic stimulus objectives. These enhancements are expected to facilitate the more efficient movement of people, goods, and services, thereby reducing logistics costs, stimulating economic activity, and increasing demand for real estate in previously underserved remote areas and satellite towns. Our optimistic stance is supported by several key developments: i) The launch of the National Infrastructure Fund and Sovereign Wealth Fund, designed to channel resources into priority projects with minimal additional public debt, primarily through privatization proceeds; such as the IPO of Kenya Pipeline Company; ii) The 2026 launch of the Naivasha–Narok–Kisumu–Malaba extension of the Standard Gauge Railway (SGR), establishing a modern logistics corridor across East and Central Africa; iii) Accelerated progress on PPPs for the Rironi–Mau Summit highway; iv) Anticipated construction of a new world-class terminal at Jomo Kenyatta International Airport (JKIA) to solidify Kenya's position as East Africa's premier aviation hub; v) Ongoing modernization of Mombasa and Lamu ports under the LAPSET corridor initiative; and, vi) Expected completion of the Talanta Sports Complex and Bomas International Convention Centre, enhancing sports and MICE tourism infrastructure. Nevertheless, the sector continues to face longstanding challenges that could temper progress if not effectively managed. These include persistent delays in project execution, land acquisition disputes, cost overruns, a weak culture of infrastructure maintenance, and lingering reliance on debt-financed models. Addressing these headwinds will be critical to fully realizing the sector's transformative potential. 	
Land	<ul style="list-style-type: none"> • The land sector in Nairobi Metropolitan Area (NMA) recorded a price appreciation of 1.3 % to Kshs 134.4 mn from 132.1 mn.. • We maintain a POSITIVE outlook for the land sector in the Nairobi Metropolitan Area (NMA), considering it a dependable investment opportunity that has shown improving performance year on year. Going forward, we expect the sector's performance to be driven by several factors: i) government efforts to streamline land transactions through innovative solutions such as Ardhi Sasa, ii) continued activities by players on both the demand and supply sides, iii) growing demand for land driven by positive demographics, iv) the launch of infrastructure development projects opening up satellite towns for investment opportunities, and v) the continued rollout of the Affordable Housing Program (AHP) by the government, driving further demand for land. 	Positive

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Digital Payments Weekly Highlights

I. Mastercard launches Africa Cybersecurity Center of Excellence

During the week, Mastercard Incorporated [launched](#) an Africa Cybersecurity Center of Excellence in Johannesburg, South Africa. The initiative is aimed at helping financial institutions, businesses, and governments improve cyber resilience as digital transactions continue to grow across the continent, bringing increased exposure to fraud, cyberattacks, and operational vulnerabilities. The center will initially focus on South Africa and Nigeria, two of Africa's largest digital payments markets, before expanding across the continent. As fraud risks continue to rise alongside increased digital transaction volumes, investments in

cybersecurity by major payment providers such as Mastercard are likely to encourage greater consumer confidence, support regulatory efforts to safeguard financial systems, and push other fintech and payment firms to enhance their own security frameworks, ultimately contributing to a more resilient and sustainable digital payments ecosystem.

II. Mastercard and VEON Partner to Expand Digital Financial Services in Emerging Markets

During the week, Mastercard [entered](#) into a strategic partnership with VEON Ltd. to accelerate the delivery of digital financial services across emerging markets. The collaboration will leverage VEON’s extensive mobile connectivity and digital platforms alongside Mastercard’s payment technology to broaden access to secure digital payment solutions, with an initial focus on markets where financial inclusion and digital adoption are rapidly growing.

The partnership is expected to support the continued expansion of the digital payments sector by increasing access to formal financial services for underserved consumers and businesses. By combining telecommunications infrastructure with digital payment capabilities, the initiative is likely to drive higher adoption of digital wallets and electronic payments, reduce reliance on cash, and foster greater innovation across the digital financial ecosystem. It also highlights the growing convergence between telecom operators and payment networks as they seek to expand digital commerce and financial inclusion in emerging markets.

III. Visa, Mastercard, and Coinbase Back Global Stablecoin Initiative to Expand Digital Payment

During the week, Visa Inc., Mastercard Incorporated, and Coinbase Global, Inc. [joined](#) a consortium supporting the launch of a global stablecoin initiative designed to accelerate the use of regulated digital currencies in mainstream payments. The initiative aims to establish common standards and interoperable infrastructure that enable consumers and businesses to use stablecoins for everyday transactions while allowing financial institutions and merchants to seamlessly connect blockchain-based payment rails with existing card and banking networks. By leveraging each participant's strengths in payments, digital asset custody, and blockchain infrastructure, the collaboration seeks to make stablecoin payments faster, more secure, and more accessible across domestic and cross-border markets.

IV. Digital Payments Stock Performance

The table below presents a snapshot of NYSE-listed digital payments stocks, covering Visa, Mastercard, American Express (AXP), Circle, Block and Paypal.

Cytonn Report: Digital Payments NYSE stock performance								
Company	Year Open 2026	Price 6/26/2026	Price 6/30/2026	Price 7/3/2026	HY'2026 change	w/w change	YTD change	P/E
American Express	372.7	340.4	338.3	352.0	10.2%	(3.3%)	(5.6%)	28.5x
Visa	346.5	336.2	343.1	362.1	1.0%	(7.2%)	4.5%	18.3x
Mastercard	563.1	499.0	513.6	539.4	9.6%	(7.5%)	(4.2%)	33.5x
Circle	83.5	73.6	62.6	64.6	33.3%	13.9%	(22.6%)	35.5x
Block	65.2	77.8	76.0	78.8	(14.3%)	(1.3%)	21.0%	32.7x
Paypal Holdings	58.1	44.3	43.2	45.5	34.6%	(2.6%)	(21.8%)	8.2x
Average								26.1x

Source: Visa, AXP, Circle, Mastercard, Block and Paypal financials. NYSE

The stocks are currently trading at an average P/E multiple of 26.1x, indicating that investors are pricing in strong future earnings growth and are prepared to pay a substantial premium for current earnings. This also suggests that valuations may be stretched relative to near-term fundamentals.

Other notable digital payments sector highlights during H1'2026 Include:

- i. On 17th March 2026 The National Treasury officially [released](#) the Draft Virtual Asset Service Providers (VASP) Regulations, 2026. For more information see our [note on the Draft Virtual Asset Service Providers Regulations, 2026 & Impact on Stablecoin Market Introduction](#)
- ii. The U.S. Securities and Exchange Commission (SEC) [delayed](#) a proposal that would have allowed crypto platforms to more broadly offer tokenized versions of publicly traded stocks. For more information see [Cytonn Weekly #20.2026](#)
- iii. A major development in Europe's digital asset landscape came from the rapid expansion of a euro-denominated stablecoin initiative led by the Qivalis consortium. For more information see [Cytonn Weekly #20.2026](#)
- iv. The U.S. Senate Banking Committee released the full text of the [Digital Markets Clarity Act](#). For more information see our [Cytonn Weekly #19/2026](#)
- v. Mastercard and Yellow Card [announced](#) a partnership to advance stablecoin-based payment innovation across Eastern Europe, the Middle East, and Africa (EEMEA), targeting use cases such as cross-border remittances, B2B payments, treasury operations, and digital value transfers. For more information see our [Cytonn Weekly #19/2026](#)

We expect H2'2026 to be characterized by continued convergence between traditional payment networks and blockchain-based financial infrastructure, as stablecoin adoption, regulatory clarity, and strategic partnerships accelerate globally. However, we expect sector performance in H2'2026 to remain closely tied to the pace of regulatory developments surrounding stablecoins, central bank digital currencies (CBDCs), and digital asset markets. While the long-term fundamentals for digital payments remain robust, supported by continued digitalization of commerce and financial services, elevated sector valuations, with the companies under coverage trading at an average P/E of 26.1x, suggest that upside may be moderated by execution risks and high investor expectations. Consequently, we expect investors to remain focused on companies that can successfully monetize emerging payment technologies while maintaining earnings growth and navigating an evolving regulatory landscape.

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