Kenya Real Estate Retail Sector Report 2022

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1. Overview of Real Estate in Kenya

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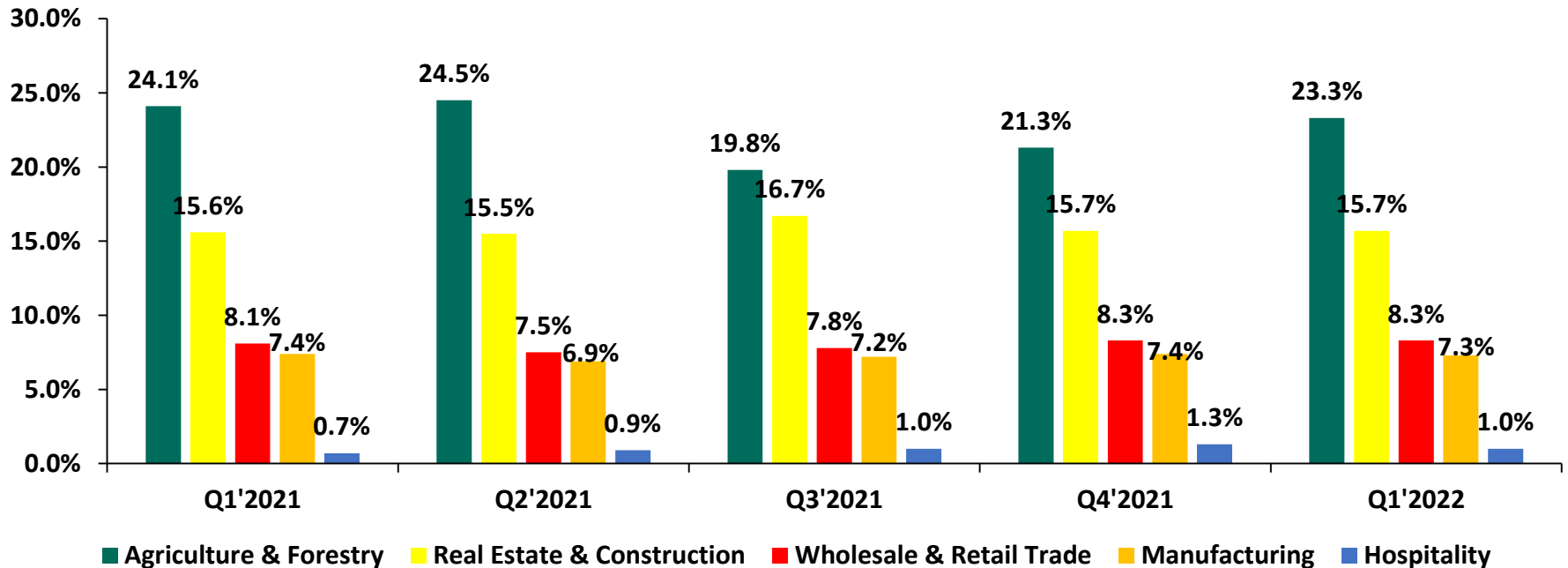
Introduction to Real Estate in Kenya

Real Estate performance is expected to be driven by increased investor appetite for the property market, positive demographics driving demand for properties, and, rapid infrastructure developments

Factor	Characteristics
Macro-economic Contribution	• Real Estate and construction sectors contributed 15.7% to GDP in Q1'2022, 0.1% points up from the 15.6% that was registered in Q1'2021, attributable to increased property transaction volumes in the market, coupled with the increased construction and expansion activities • We expect the sector to continue registering an upward trajectory performance mainly due to; i) the increased investor confidence in the property market hence driving developments, ii) government's continued focus on infrastructure and affordable housing developments, iii) aggressive expansion in the retail sector, and, iv) recovery of the hospitality sector
Returns	• In H1'2022, the Real Estate sector recorded improved performance, attributed to increased Real Estate property transactions and developments • The residential sector registered improved performance with average total returns coming in at 5.8%, a 0.3% points increase from 5.5% recorded in H1'2021. The average selling prices for land in the Nairobi Metropolitan Area (NMA) also improved evidenced by a YoY capital appreciation which came in at 3.1% in H1'2022 • The average rental yield for office spaces slightly increased by 0.02% points to 7.35% from 7.33% in FY'2021, mainly driven by an increase in the average rental rates, while the average rental yield for retail spaces remained the same at 7.8%, when compared to FY'2021 performance.
Recent Developments	• Government's continued focus on affordable housing and infrastructure projects with some of the ongoing projects being; i) Buxton housing project in Mombasa, ii) Kisumu Chemelil Road, iii) Western By Pass, and, iv) Pangani housing project, • Increased transactions, reopening, and expansion activities in the hospitality sector by firms and hotels such as JW Marriott Hotel, Pride Inn hotels, and private equity firm Actis Limited, among many others • Local and international retailers such as Optica Limited, Naivas and QuickMart supermarkets aggressively taking up space previously occupied by troubled retailers such as Tuskys and Nakumatt supermarkets, and, • Increased foreign investor appetite for Kenya's property market particularly the retail, hospitality, and, industrial sectors
Market Outlook	• Our outlook for the Kenya retail market remains *NEUTRAL* with factors such as the e-commerce strategy, limited availability of land and financial constraints expected to impede performance of the sector. However, the rapid infrastructure developments, retailers aggressively taking up retail spaces, positive demographics, and rapid foreign investments is expected to cushion the overall performance of the sector

Introduction to Real Estate in Kenya—GDP Contribution

Real Estate and construction sectors contributed 15.7% to GDP in Q1'2022, a 0.1% point up from the 15.6% that was registered in Q1'2021

Real Estate & Construction Contribution to GDP in Comparison to Other Economic Sectors

Legend: ■ Agriculture & Forestry ■ Real Estate & Construction ■ Wholesale & Retail Trade ■ Manufacturing ■ Hospitality

	Q1'2021	Q2'2021	Q3'2021	Q4'2021	Q1'2022
Agriculture & Forestry	24.1%	24.5%	19.8%	21.3%	23.3%
Real Estate & Construction	15.6%	15.5%	16.7%	15.7%	15.7%
Wholesale & Retail Trade	8.1%	7.5%	7.8%	8.3%	8.3%
Manufacturing	7.4%	6.9%	7.2%	7.4%	7.3%
Hospitality	0.7%	0.9%	1.0%	1.3%	1.0%

Source: KNBS

- Real Estate and construction sectors contributed 15.7% to GDP in Q1'2022, a 0.1% point up from the 15.6% that was registered in Q1'2021, attributable to increased property transaction volumes in the market, coupled with the increased construction and expansion activities as well

2. Kenya Retail Sector summary

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Executive Summary

The Kenyan retail sector performance on overall remained stable, with the average rental yield coming in at 6.8% in 2022

- We conducted research on 9 nodes within the Nairobi metropolitan Area (NMA), as well as other key urban cities in Kenya which include Nakuru, Kisumu, Eldoret, Mombasa, and the Mount Kenya Region

- The report highlights the 2022 Kenyan retail market performance based on rental rates, occupancies and rental yields, in addition to also identifying the investment opportunities and outlook for the sector

- Kenyan retail sector performance on overall remained stable, with the average rental yield coming in at 6.8% in 2022.

- The average rent per SQFT realized a five year CAGR of (2.9%) to Kshs 122 in the period under review, from Kshs 141 that was recorded in FY'2017 as a result of the growing supply of retail spaces that in turn drove landlords to provide rent discounts in a bid to attract and maintain existing clients whilst also filling up the excess space

- The average occupancy rate declined by 1.1% points to 77.3% in 2022, from 78.4% that was recorded in 2021, mainly attributed to the addition of new malls into the market such as the Meru Greenwood Mall among others, which in turn weighed down the overall absorption rate

- In terms of performance per region, the Nairobi Metropolitan Area was the best performing region with an average rental yield of 7.8% in 2022, 1.0% points higher than the market average of 6.8%, driven by the increased rental and occupancy rates which came in at Kshs 173 per SQFT and 75.9%, respectively in 2022, from Kshs 168 per SQFT and 75.8%, respectively, in 2021

- The opportunity remains in mid-tier counties which are undersupplied such as Kiambu County and Mt Kenya region, both having space demand of 0.5 mn SQFT

Kenya Retail Performance Summary

The average occupancy rate declined by 1.1% points to 77.3% in 2022, from 78.4% that was recorded in 2021, mainly attributed to the addition of new malls into the market

(All values in Kshs unless stated otherwise)

Kenya's Retail Performance Summary-2022							
Item	2016	2017	2018	2019	2020	2021	2022	Δ Y/Y 2022/2021
Asking rents (Kshs/SQFT)	155	141	132	118	115	118	122	**3.5%**
Average Occupancy (%)	82.9%	80.2%	86.0%	77.3%	76.6%	78.4%	77.3%	**(1.1%)**
Average Rental Yields	**8.7%**	**8.3%**	**8.6%**	**7.0%**	**6.7%**	**6.8%**	**6.8%**	**0.0%**

- Kenyan retail sector performance on overall remained stable, with the average rental yield coming in at 6.8% in 2022

- The average rent per SQFT increased by 3.5% to Kshs 122 in 2022 from Kshs 118 in 2021, amidst the improved economy that led to an increase in transaction volumes, coupled with the addition of high end malls that attracted higher rental rates such as the GTC Mall in Nairobi

- The average occupancy rate declined by 1.1% points to 77.3% in 2022, from 78.4% that was recorded in 2021, mainly attributed to the addition of new malls into the market such as the Meru Greenwood Mall among others, which in turn weighed down the overall absorption rate

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Kenya Retail Performance Summary Cont.

We expect to see increased market activity driven by continuous foreign investor confidence in the Kenyan retail market, coupled with the expansion efforts by local retailers such as Naivas

Value Area	Summary	Effect
Supply	• Nairobi, Kisumu, Uasin Gishu and Nakuru are the most oversupplied retail markets by 3.0 mn SQFT, 0.2 mn SQFT, 0.12 mn SQFT, and 0.09 mn SQFT, respectively, and also expected to increase further especially in Nairobi with the additional spaces such as the Ojijo Properties	• We expect developers to shift focus into less supplied regions with higher demand such as Kiambu and Mount Kenya region
Returns	• Kenyan retail sector performance recorded a stable performance with the average rental yield coming in at 6.8% in 2022 • Nairobi was the best performing region with an average rental yield and occupancy rate of 7.8% and 75.9%, respectively	• We expect to see increased market activity driven by continuous foreign investor confidence in the Kenyan retail market, coupled with the expansion efforts by local retailers such as Naivas taking up space left by troubled retailers such as Tuskys, Nakumatt and Shoprite
Opportunity & Outlook	• The opportunity remains in mid-tier counties which are undersupplied such as Kiambu County and Mt. Kenya region, both having space demand 0.5 mn SQFT	• Our outlook remains *NEUTRAL* with factors such as financial constraints expected to impede performance of the sector. However, factors such as rapid uptake of retail space by retailers is expected to cushion the sector's performance

We expect to see increased market activity driven by continuous foreign investor confidence in the Kenyan retail market, coupled with the expansion efforts by local retailers such as Naivas , as well as developers shifting focus into less supplied regions with higher demand such as Kiambu and Mount Kenya region

A. Factors Shaping the Retail Sector in Kenya

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Factors Influencing Retail Space Supply in 2022

High land prices, increasing construction costs, inadequate credit access, oversupply, and inadequate infrastructure are some of the factors influencing the supply of retail spaces in Kenya

Factor	Characteristics
Land Prices	• High land prices particularly within Nairobi suburbs and commercial zones which is also scarce, continue to be a challenge for developers looking for development land • According to our Nairobi Metropolitan Area Land Report 2022, the average prices for land in the commercial zones of Nairobi came in at kshs 403.4 mn per acre in 2022, compared to the market average of Kshs 126.8 mn per acre • Developers therefore opt to base their projects in the satellite towns of Nairobi where there is available and affordable land averaging Kshs 16.6 mn per acre against the market average of Kshs 126.8 mn per acre
Construction costs	• The increased building cost indices which stood at 112.1 as of Q1'2022, up from the 102.5 that was recorded in a similar period in 2021, continues to discourage potential development in the sector due to the overall high construction costs
Access to credit	• Access to adequate credit has remained a challenge, given the increasing loan default rates in the property sector as financial institutions such as commercial banks continue to tighten their lending terms. According to the Central Bank of Kenya, the overall non performing loans in the Real Estate sector came in at Kshs 78.5 bn in Q1'2022, an 11.3% increase from Kshs 70.5 bn that was recorded in Q1'2021
Infrastructure	• Despite government's efforts to conclude various infrastructure projects in the country, there exists some areas with inadequate infrastructure services such as water, sewer, and, road networks thus hindering the optimum retail investments in the areas. However, we expect enhanced retail investments such as roads as the government continues with its aggressive efforts to initiate and implement infrastructure projects. This is expected to open various areas for retail investment opportunities
Oversupply	• Urban cities such as Nairobi and Kisumu continue to remain oversupplied thereby causing developers to halt their plans awaiting the absorption of the existing spaces • We expect developers to shift focus into less supplied regions with higher demand such as Kiambu and Mount Kenya region both at 0.5 mn SQFT

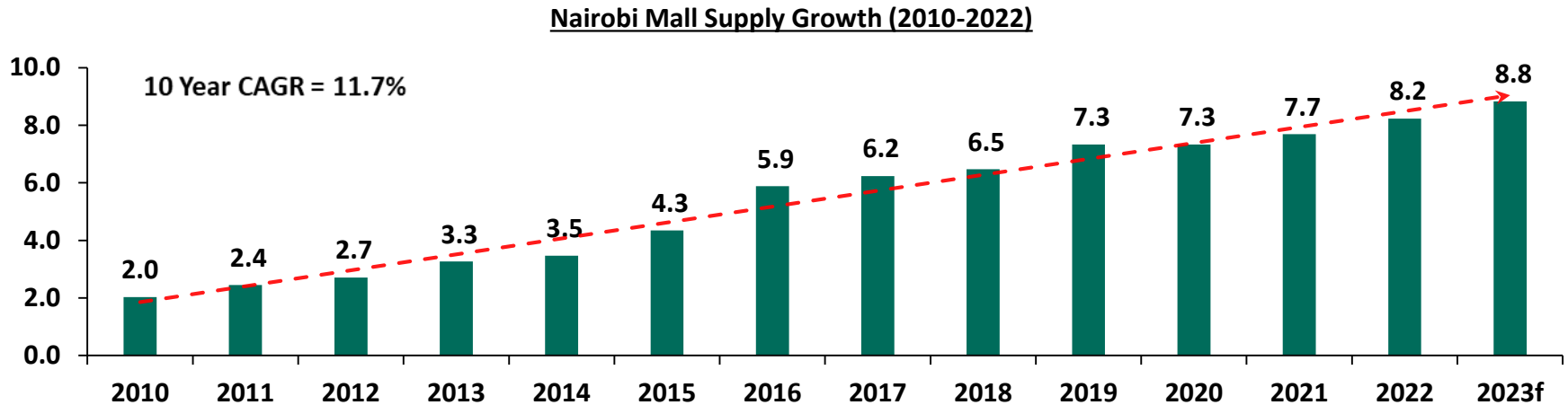# Factors Influencing Demand in the Retail Sector in 2022

Positive demographics, improved infrastructure development activities, as well as consumer preference are some of the factors influencing the demand for retail spaces in Kenya

Factor	Characteristics
Positive demographics	• Kenya's relatively high urbanization and population growth rates, have continued to drive demand for goods and services which in turn trickles down to the demand for more retail spaces. As of 2021, the urbanization and population growth rates stood at 4.0% p.a and 2.2% p.a, respectively, against the global average of 1.8% p.a and 1.0% p.a, respectively
Accessibility	• The government has continued to focus on the development of infrastructure roads such as the Nairobi Kisumu Highway and Nairobi Expressway among many others, which have enabled ease of access to retail stores, while also opening various parts of the country for investment opportunities as well as boosting retail space prices
E - Commerce	• The online shopping strategy adopted by consumers to cushion themselves against the pandemic has led to a slow but rising demand for physical retail spaces
Increased Foreign Investor Appetite	• Kenya has attracted many international organizations and retailers into the country who have continued to increase the demand for retail space in the country. In light of this; i) Eat'N'Go Limited announced plans to open 100 new stores in Kenya, amidst its expansion drive to open stores in various parts of Africa, and, ii) ChicKing, an international fast food chain, in partnership with M/s Crispy Limited, a local franchise, announced plans to open 30 new outlets in Kenya, over the next five years
Availability of prime Retail Spaces	• This is evidenced by the the aggressive expansion of both local and international retailers such as Naivas and Eat'N'Go Limited taking up new as well as spaces previously occupied by troubled retailers such as Tuskys and Nakumatt supermarkets, which in return cushions the sector against dwindling occupancy rates. This is also in addition to the rapid competition among retailers for the retail spaces in a bid to gain and maintain market popularity and footprint

B. Nairobi Metropolitan Area (NMA) Retail Supply

Nairobi Metropolitan Area (NMA) Retail Supply – Growth

Nairobi Metropolitan Area (NMA) retail sector currently has a mall space supply of 8.2 mn SQFT

Nairobi Mall Supply Growth (2010-2022)

| Year	Supply (mn SQFT)
2010	2.0
2011	2.4
2012	2.7
2013	3.3
2014	3.5
2015	4.3
2016	5.9
2017	6.2
2018	6.5
2019	7.3
2020	7.3
2021	7.7
2022	8.2
2023f	8.8

10 Year CAGR = 11.7%

- Nairobi Metropolitan Area (NMA) retail sector currently has a mall space supply of 8.2 mn, with a 10-year CAGR of 11.7%

- The growth over time has been mainly driven by increased uptake of retail space by local retailers such as Naivas supermarket, Optica Limited, and, QuickMart supermarket among many others. This is addition to Nairobi's recognition as a regional hub worldwide thus promoting entry of foreign retailers into the country such as Carrefour, Giordano, Eat'N'Go Limited, Java, ChicKing, and Simbisa brands, among many others

- We project that by the end of 2023, the retail space supply will have grown to over 8.2 mn SQFT, with the expected retail space addition of Britam Mall in Kilimani, Ojijo properties in Westlands, and, the Beacon Mall which is expected to be in Nairobi CBD area

NMA Retail Space Supply – Current Distribution by Nodes

Westlands recorded the highest market share of retail space of 20.0%

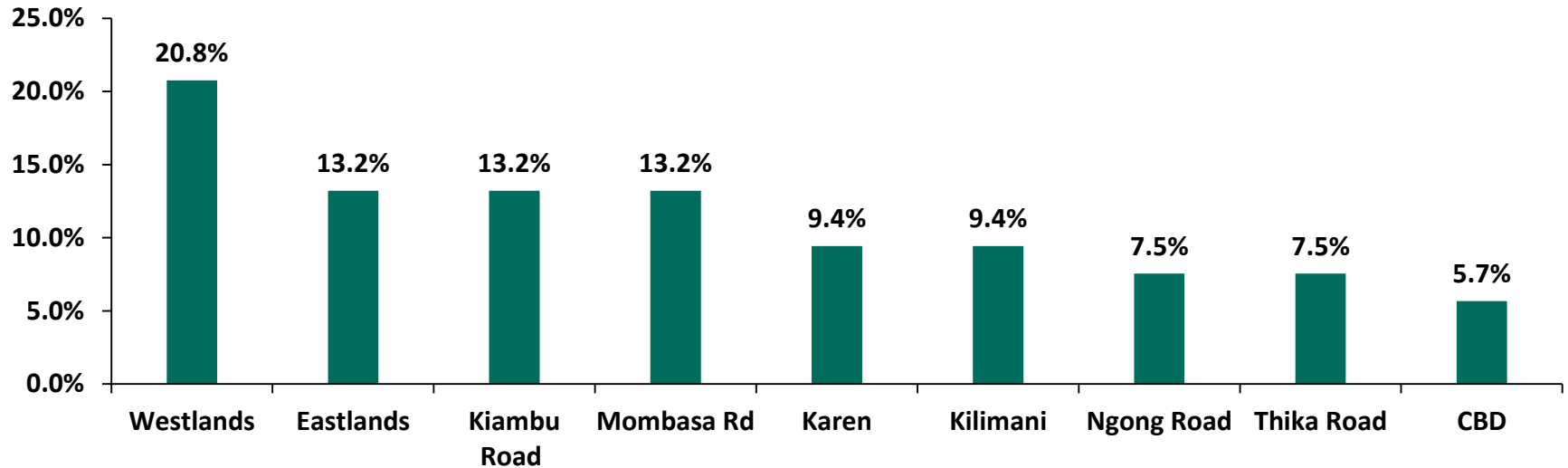**Nairobi Metropolitan Area Retail Market Share 2022**
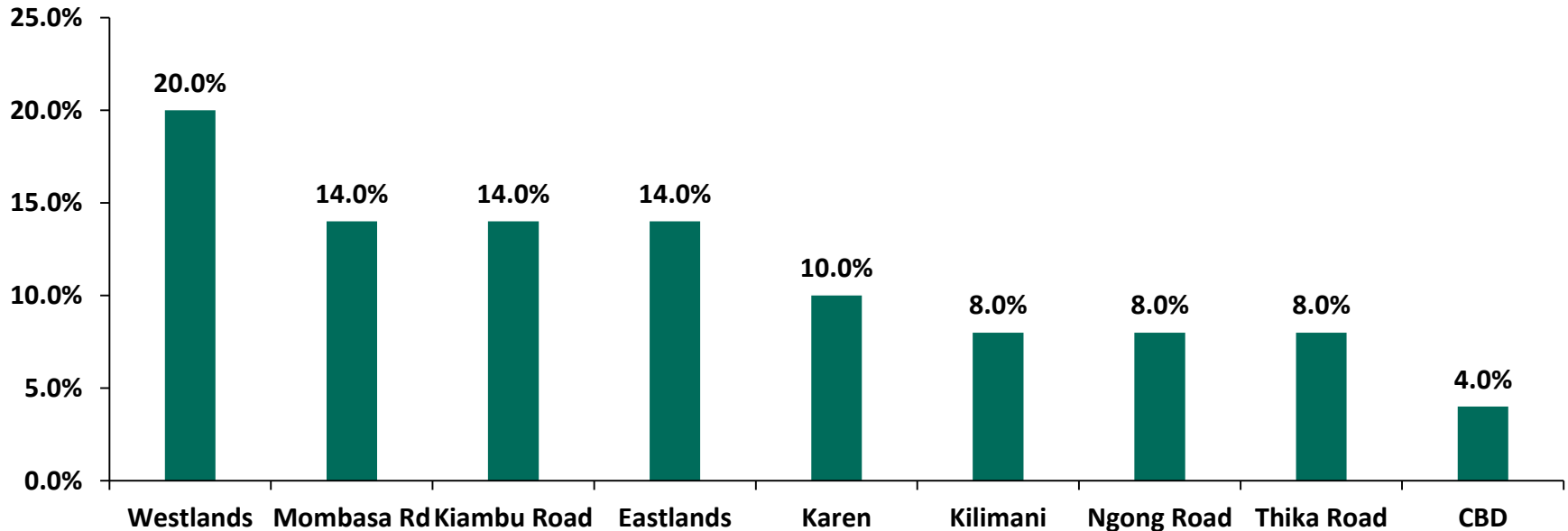
- Westlands recorded the highest market share of retail space of 20.0% in 2022 mainly attributed to the addition of shopping malls such as the GTC shopping mall and Westlands Square
- Nairobi Central Business District (CBD) still maintains the lowest market share recording of 4.0% in 2022 attributed to the lack of development land in the area

NMA Expected Distribution of Retail Space Supply in 2023

We expect Westlands to have the highest retail space supply in the Nairobi Metropolitan Area (NMA) with a market share of 20.8%, upon the completion of Ojijo Properties

Nairobi Future Supply of Malls

- We expect Westlands to have the highest retail space supply in the Nairobi Metropolitan Area (NMA) with a market share of 20.8%, upon the completion of Ojijo Properties

- CBD is expected to record an increase in malls to 5.7% from the current 4.0% market share attributed to the expected development of Beacon Mall that will bring approximately 300,000 SQFT

- Completion of Britam Mall which will add approximately 140,000 SQFT of mall space is expected to increase the market share of Kilimani area to 9.4% from 8.0%

3. Retail sector performance summary in 2022

Nairobi Metropolitan Area Retail Sector Nodes

The retail nodes included in our research are Kilimani, Ngong Road, Kiambu Road, Westlands and Karen among others
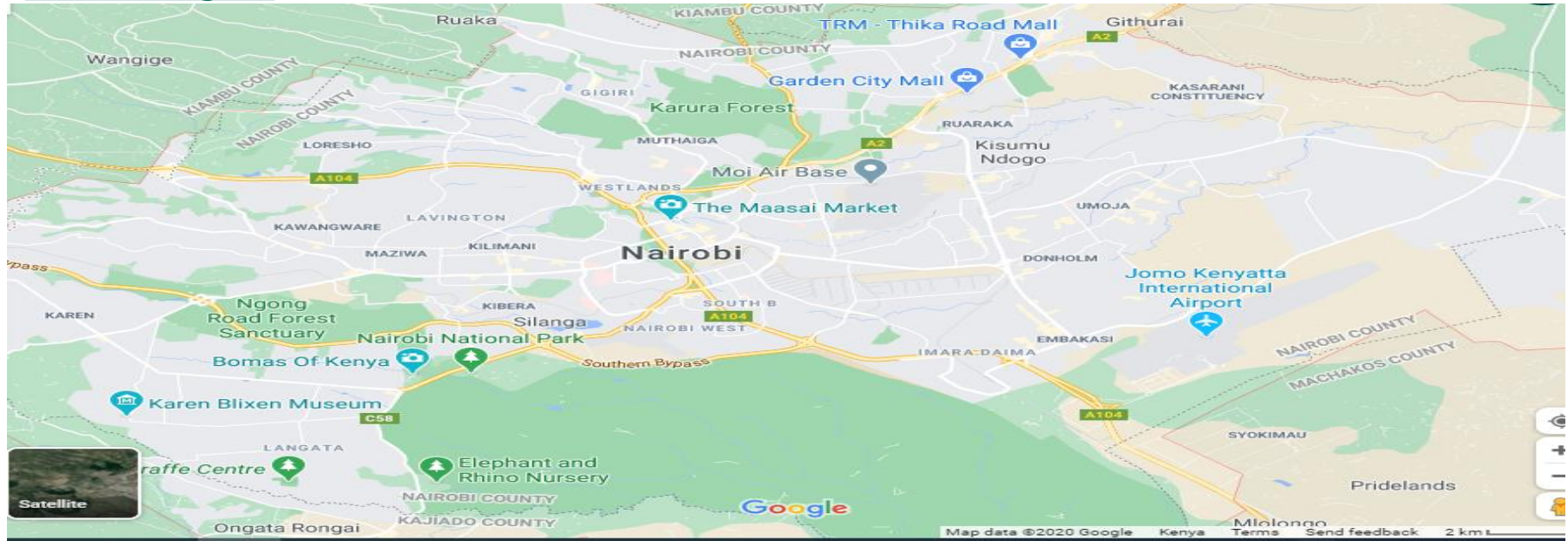
- Our research sample includes the following;

i.   Kiambu Road includes Limuru Road

ii. Kilimani includes Kilimani, Kileleshwa & Lavington and their environs,

iii. Ngong & Lang'ata Road covers area between Community, Lang'ata Road up to Dagoretti Corner

iv. Westlands includes Parklands and Mountain View

v.   Thika Road and Mombasa road

A. Performance by Nodes Nairobi Metropolitan Area

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Nairobi Metropolitan Area Retail Sector Nodes

Kilimani, Westlands and Karen were the best performing retail nodes recording yields of 9.7%, 9.0%, and 8.0%, respectively

All values in Kshs unless stated otherwise

Area	Rent Kshs /SQFT 2021	Occupancy% 2021	Rental Yield 2021	Rent Kshs /SQFT 2022	Occupancy% 2022	Rental Yield 2022	FY' 2022 Δ in Rental Rates	FY' 2022 Δ in Occupancy (% points)	FY' 2022 Δ in Rental Yield (% points)
Kilimani	172	83.6%	9.0%	182	85.0%	9.7%	5.8%	1.4%	0.7%
Westlands	209	80.4%	9.7%	215	72.9%	9.0%	2.9%	(7.5%)	(0.7%)
Karen	214	80.8%	9.4%	205	78.6%	8.9%	(4.2%)	(2.2%)	(0.5%)
Kiambu road	178	70.4%	7.2%	187	73.3%	8.1%	5.1%	2.9%	0.9%
Ngong Road	175	78.0%	7.8%	169	78.0%	7.5%	(3.3%)	0.0%	(0.3%)
Mombasa Road	136	70.5%	6.0%	150	78.5%	7.3%	10.3%	8.0%	1.3%
Thika Road	158	74.2%	6.7%	165	74.8%	7.3%	4.4%	0.5%	0.6%
Satellite towns	138	72.2%	6.1%	138	70.7%	6.0%	0.0%	(1.5%)	(0.1%)
Eastlands	135	72.5%	5.9%	133	74.2%	5.9%	(1.9%)	1.7%	0.0%
Average	**168**	**75.8%**	**7.5%**	**173**	**75.9%**	**7.8%**	**2.9%**	**0.1%**	**0.3%**

Table title: Nairobi Metropolitan area (NMA) 2022 Retail Performance

- The NMA retail market recorded an average rental yield of 7.8% in 2022, 0.3% points higher than the 7.5% that was recorded in 2021. The performance was driven by the increased rental and occupancy rates which came in at Kshs 173 per SQFT and 75.9%, respectively in 2022, from Kshs 168 per SQFT and 75.8%, respectively, in 2021

- Kilimani, Westlands and Karen were the best performing retail nodes recording yields of 9.7%, 9.0%, and 8.0%, respectively mainly attributed to the presence of quality retail spaces fetching prime rents and yields such as the Hub, Galleria Mall, Westgate Mall, and, Yaya Centre among many others

Performance by Nodes

Kilimani was the best performing node with an average rental yield of 9.7%, compared to the 7.8% market average

Kilimani

- Kilimani was the best performing node with an average rental yield of 9.7% in 2022 from 9.0% recorded in 2021 due to the improved rental rates by 5.8% points to Kshs 182 per SQFT in 2022 from Kshs 172 per SQFT in 2021. Additionally, there was improved demand for spaces from retailers such as Optica Limited which opened its 62nd outlet along Argwings Kodhek Road in May 2022, among others, thus leading to the occupancy rates coming in at 85.0% in 2022, 1.4% points higher than the 83.6% recorded in 2021

Westlands

- Westlands was the second best performing submarket within the Nairobi Metropolitan area recording an average rental yield of 9.0% in 2022, driven by an increase in the average asking rent which came in at Kshs 215 per SQFT from Kshs 209 per SQFT resulting from the additional high end malls such as GTC. Consequently with the addition of new malls, the average occupancy rate in the area declined by 7.5% points to 72.9% in 2022, from 80.4% that was realized in 2021

Karen

- Karen recorded an average rental yield of 8.9% against the market average of 7.8% mainly attributed to the presence of high quality shopping malls such as the Hub and Galleria Malls among others which in turn fetch high rents. In light of this, Karen recorded an average rent per SQFT of Kshs 205 compared to the market average of Kshs 172 in 2022. Notably, this was a 2.4% decline from the Kshs 214 that was recorded in 2021 as a result of some landlords providing rent discounts in order to attract clients

Performance by Nodes

Mombasa Road realized an increase in the overall rental yield to 7.3% in 2022 following the completion of the Nairobi Expressway which enhanced the appearance, accessibility, and overall performance of the area

Kiambu Road

- Kiambu Road which is inclusive of the Limuru Road, recorded average rental yield of 8.1% in 2022, 0.3% points higher than the market average of 7.8% attributed to the overall improved rental and occupancy rates by 5.1% and 2.9% points to Kshs 187 per SQFT and 73.3%, respectively, in 2022 from Kshs 178 per SQFT and 70.4%, respectively, in 2021

Ngong and Lang'ata Roads

- Ngong and Lang'ata Roads recorded declines in the average rental yield by 0.3% points to 7.5% in 2022 from 7.8% in 2021, following a slight decline in the average asking rents which came in at Kshs 169 per SQFT, 3.3% from Kshs 175 per SQFT that was recorded in 2021

Mombasa Road

- Mombasa Road realized an increase in the overall rental yield to 7.3% in 2022 from the 6.0% that was recorded in 2021, following the completion of the Nairobi Expressway which enhanced the appearance and accessibility of the area, while also driving its rental and occupancy rates in an upward trajectory

- Some of the retailers that have opened new outlets along Mombasa Road in the period under review include Optica Limited which opened a new store at Imaara Mall in January 2022, and, Naivas supermarket which opened its 82nd outlet at Katani along Mombasa Road, thereby taking up 34,299 SQFT worth of space in March 2022, among many others

Performance by Nodes

Eastlands ranked last recording an average rental yield of 5.9% in 2022, similar to the year 2021

Thika Road

- Thika Road recorded an increase in the average rental yield by 0.6% points to 7.3% in 2022, from 6.7% in 2021 attributed to the overall improved rental and occupancy rates by 4.4% and 0.5% points to Kshs 165 per SQFT and 74.8%, respectively, in 2022 from Kshs 158 per SQFT and 74.2%, respectively, in 2021

Satellite towns:

- Satellite towns recorded an average rental yield 6.0% in 2022, 1.8% points lower than the 7.8% market average. This was mainly attributed to the low rental rates at Kshs 138 per SQFT, compared to the market average of Kshs 173 per SQFT

Eastlands

- Eastlands ranked last recording an average rental yield of 5.9%, similar to the year 2021. The rental rates slightly declined by 1.9% to Kshs 133 Per SQFT from Kshs 135 per SQFT as a result of the high competition from informal retail centers. However, the occupancies increased by 1.7% points to 74.2% in 2022 from 72.5% in 2021 following the improved uptake of retail spaces in the area such as Naivas supermarket which opened a new outlet at Greenspan Mall, in February 2022, after Tuskys being evicted from the development

B. Performance by Regions

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Performance by Regions

Nairobi was the best performing region with an average rental yield of 7.8% in 2022, 1.0% points higher than the market average of 6.8%

All values in Kshs unless stated otherwise

Summary of Retail Performance in Key Urban Cities in Kenya 2022								
Region	Rent 2021	Occupancy Rate 2021	Rental yield 2021	Rent 2022	Occupancy Rate 2022	Rental yield 2022	Change in Occupancy Y/Y	Change in Yield Y/Y
Nairobi	168	75.8%	7.5%	173	75.9%	7.8%	0.1%	0.3%
Nakuru	59	80.0%	6.1%	73	81.3%	7.4%	1.3%	1.3%
Mombasa	119	77.6%	6.8%	110	84.0%	7.0%	6.4%	0.2%
Kisumu	101	74.6%	6.4%	108	79.7%	7.0%	5.1%	0.6%
Eldoret	131	80.8%	6.3%	132	86.1%	6.6%	5.3%	0.3%
Mount Kenya	128	81.7%	7.9%	138	56.7%	5.3%	(25.0%)	(2.6%)
Average	118	78.4%	6.8%	122	77.3%	6.8%	(1.1%)	0.0%

- Kenyan retail sector performance on overall remained stable, with the average rental yield coming in at 6.8% in 2022. The average rent per SQFT increased by 3.5% to Kshs 122 in 2022 from Kshs 118 in 2021, amidst the improved economy that led to an increase in transaction volumes, coupled with the addition of high end malls that attracted higher rental rates such as the GTC Mall in Nairobi. On the other hand, the average occupancy rate declined by 1.1% points to 77.3% in 2022, from 78.4% that was recorded in 2021, mainly attributed to the addition of new malls into the market such as the Meru Greenwood Mall among others, which in turn weighed down the overall absorption rate

- Nairobi was the best performing region with an average rental yield of 7.8% in 2022, 1.0% points higher than the market average of 6.8%, driven by the increased rental and occupancy rates which came in at Kshs 173 per SQFT and 75.9%, respectively in 2022, from Kshs 168 per SQFT and 75.8%, respectively, in 2021

C. Performance by class Nairobi Metropolitan Area

Retail Mall Classification

Shopping malls are classified according to their sizes, brands, occupancies, tenants, achievements and awards, facilities, building materials and trade area

- A mall is defined as a large retail complex containing a variety of stores and often restaurants and other business establishments housed in a series of connected or adjacent buildings or in a single large building

- A typical mall has a minimum retail gross Lettable area of 20,000 SQFT

- The shopping malls are classified according to their sizes, brands, occupancies, tenants, achievements and awards, facilities, building materials and trade area

- In our classification, the main area of focus are the anchor tenants and sizes, hence, we classified the malls into three main categories according to the criteria below:

Type	Size (SQFT)	No of anchor tenants
Regional Malls / Destination	400,000-800,000	2+
Community Malls	125,001-400,000	0-2
Neighborhood Malls	20,000-125,000	0-1

Retail Mall Classification

Based on our research findings, destination malls were the least coming in at 5, followed by community malls at 38 while the most fell under neighborhood malls at 47

- Based on our research findings, destination malls composed of the least number at 5, neighborhood malls came in at 47 and community malls at 38

Mall Classification				
Neighborhood		Community		Destination
Hazina Trade Centre	Cedar Mall	Greenspan	Greenhouse Mall	Two Rivers Mall
Mountain View Mall	Crossroads Mall	Capital Centre	United Mall	Nextgen Mall
K-Mall	Naivas Mall	Spur Mall	Yaya Centre	Garden City
Red Heron	Prestige Plaza	Shujaa Mall	TRM	Sarit Centre
Ridgeways Mall	Mega Plaza	Gateway Mall	Mega City	Meru Greenwood
Milele Mall	Mountain Mall	Juja City Mall	Galleria	
Ciata	West End	The Point	The Mall	
Maasai Mall	Unicity	Highway Mall	Lake Basin Mall	
Rosslyn Riviera	Tuff Foam	Crystal Rivers	The Hub	
Nanyuki Mall	Khetia Hse Ananas	Comesa Mall	Westgate	
Lavington Mall	Sky Mall	Tmall	Zion Mall	
Highland Mall	Eldo Center	Nakumatt Meru	City Mall	
	The Well	Village Market	Southfield mall	
		Junction Mall	Signature Mall	
		Mtwapa	Waterfront Mall	
		Valley Arcade	Westlands Square	
		GTC Mall	Imaara Mall	
		Crystal Rivers	Rhapta Square	
		Business Bay Mall	Airport Mall	

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Performance by class, Nairobi Metropolitan area

Community malls comprised the majority of the malls within the Nairobi Metropolitan Area (NMA), with Mombasa Road, Thika Road and Westlands recording the largest market share at 14.8%

Nairobi Metropolitan Area Mall Distribution 2022
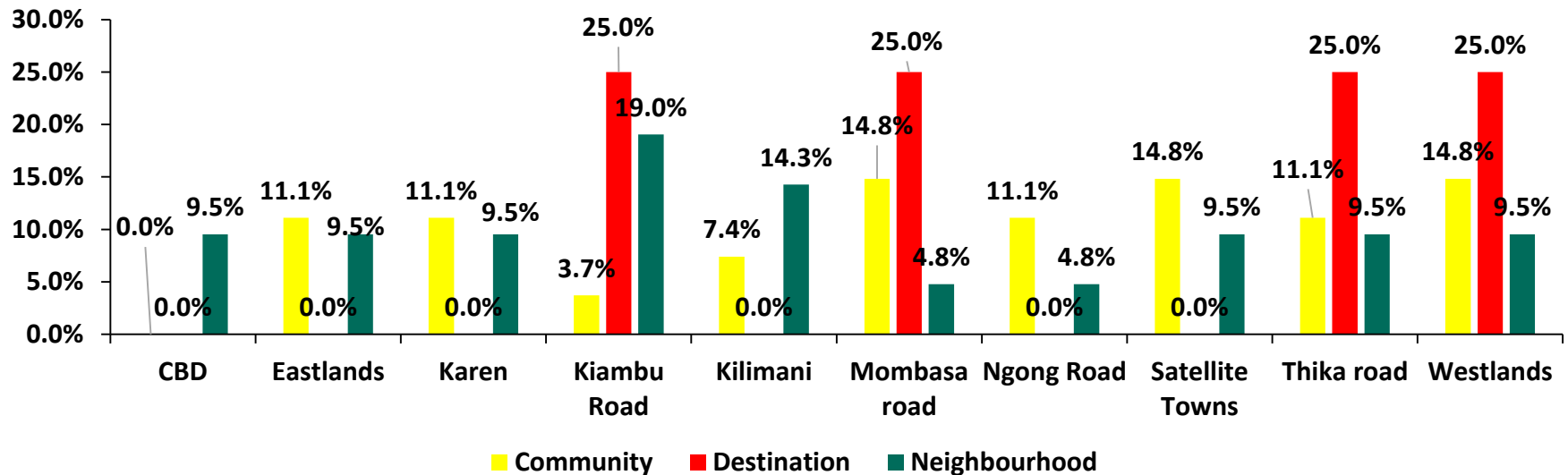
- Community malls comprised the majority of the malls within the Nairobi Metropolitan Area (NMA), with Mombasa Road, Thika Road and Westlands recording the largest market share at 14.8%, whereas Kiambu Road recorded the lowest market share of 3.7%

- Destination malls were the least in number with Kiambu Road, Mombasa Road, Thika Road and Westlands sharing an equal market share of 25.0%

- Kiambu Road composed of the highest market share of destination malls at 19.0%

Performance by Regions

Destination malls were the best performing mall typologies with an average rental yield of 10.2%

All values in Kshs unless stated otherwise

Retail Market Performance in Nairobi by Class 2022			
Class	Average Rent	Average Occupancy	Average Rental Yield
Destination	283	82.6%	**10.2%**
Community	174	79.3%	**8.1%**
Neighborhood	148	69.9%	**6.4%**
Grand Total	**173**	**75.9%**	**7.8%**

- On performance by class, destination malls were the best performing recording average rental yields of 10.2%, attributable to the premium rents that the quality malls fetch averaging at Kshs 283 per SQFT, compared to the market average of Kshs 173 per SQFT. Moreover, they recorded the highest occupancy rates of 82.6% against the average 75.9% in the NMA due to their limited supply and increased demand

- Community malls recorded an average rental yield of 8.1%, 0.3% points higher than the market average of 7.8%, with occupancy and rental rates coming in at 79.3% and Kshs 174 per SQFT, respectively against a market average of Kshs 173 per SQFT and 75.9%, respectively as a result of an improved demand

- Neighborhood malls recorded the lowest average rental yield averaging at 6.4% against the market average of 7.8%. This was mainly attributed to the lower rental rates averaging Kshs 148 per SQFT compared to the market average of Kshs 173 per SQFT, coupled with the low average occupancy rate which came in at 69.9% against the market average of 75.9% in 2022

Performance by Regions

Westlands offers the best returns for Destination malls at 15.3%, and with average occupancy rates of 85.0%

All values in Kshs Unless stated Otherwise

	Nairobi Metropolitan area (NMA) 2022 Retail Performance								
	Community			Neighborhood			Destination		
Row Labels	Average of Rent	Average of occupancy	Average of rental yield	Average of Rent	Average of occupancy	Average of rental yield	Average of Rent	Average of occupancy	Average of rental yield
Kilimani	178	85.0%	9.6%	185	85.0%	9.8%			
Westlands	231	70.0%	8.9%	140	72.5%	6.1%	300	85.0%	10.2%
Karen	242	86.0%	11.1%	150	67.5%	5.6%			
Kiambu Road	200	80.0%	9.6%	162	67.5%	6.6%	275	90.0%	9.9%
Mombasa road	138	85.3%	7.5%	100	70.0%	4.2%	235	70.0%	9.9%
Ngong Road	159	80.7%	7.2%	200	70.0%	8.4%			
Thika road	147	78.3%	7.3%	115	64.0%	5.4%	320	85.5%	10.9%
Eastlands	131	83.7%	6.7%	135	60.0%	4.9%			
Satellite Towns	151	72.3%	6.8%	113	67.5%	4.5%			
Grand Total	174	79.3%	8.1%	148	69.9%	6.4%	283	82.6%	10.2%

- Thika Road offers the best returns for Destination malls at 10.9% due to the high rents, and with average occupancy rates of 85.5%

- Karen offers the highest average rental yield for community malls at 11.1% driven by the high demand for the retail spaces in the area as a result of adequate infrastructure amenities boosting investments in the area, coupled with the presence of high and middle income earners with adequate purchasing power, and,

- Kilimani offers the highest average yield for neighborhood malls at 9.8% attributed to the presence of a high middle income earning class fueling demand for the services

Performance by node and class-Key Urban centers

Neighborhood malls in Mount Kenya regions have the highest yields at 8.0%, and average occupancy rates of 85.0%

All values in Kshs Unless stated Otherwise

	Kenya Retail Performance 2022								
	Neighborhood			Community			Destination		
Region	Average of Rent	Average of occupancy	Average of rental yield	Average of Rent	Average of occupancy	Average of rental yield	Average of Rent	Average of occupancy	Average of rental yield
Nairobi	148	69.9%	6.4%	174	79.3%	8.1%	283	82.6%	10.2%
Mt Kenya	125	85.0%	8.0%				165		
Nakuru	60	85.0%	7.1%	85	77.5%	7.6%			
Mombasa	100	80.0%	6.0%	113	85.0%	7.2%			
Kisumu	113	84.3%	7.2%	102	75.0%	6.8%			
Eldoret	140	83.8%	6.8%	123	89.3%	6.5%			
Grand Total	**135**	**75.4%**	**6.6%**	**153**	**80.2%**	**7.7%**	**259**	**82.6%**	**10.2%**

- Destination malls recorded the highest average rental yield of 10.2% driven by the prime rental rates they attract at Kshs 259 per SQFT

- Community malls in Nairobi offer the highest rental yields of 8.1% against the market average of 7.8% as a result of an improved demand

- Neighborhood malls in Mount Kenya regions have the highest yields at 8.0%, and average occupancy rates of 85.0%, as consumers move towards convenience shopping at residential neighborhood malls

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4. Retail Market Opportunity

Retail Space opportunity-Methodology

In order to identify the retail market gap for investment opportunity, we worked out the retail space demand for various urban regions in Kenya,

- In order to identify the retail market gap for investment opportunity, we worked out the retail space demand for various urban regions in Kenya, to enable developers be aware of the undersupplied areas and the oversupplied areas. The analysis was based on the retail spaces available as well as the ones in pipeline against the existing demand by the population available per region. By this, we identified the net space uptake per person in SQM, the shopping population, and current retail market occupancy rates. In addition to this, we used the average uptake in Kilimani as a guideline to calculate the net space uptake for the various regions:

i.   **Total Demand/ Gross Uptake-** This measures the total retail space required by a population in a particular region hence calculated by multiplying the net space uptake per person by the total shopping population,

ii.   **Net Demand/ Uptake-** This is a measure of the gross uptake which is not inclusive of the occupancy rates of malls in particular regions, and is calculated by multiplying the gross uptake by respective market occupancy rates, and,

iii. **Supply-** This is the summation of the existing malls as well as the ones in pipeline. To get the over/undersupply (gap) in the market, the supply is subtracted from the demand/net uptake

- Also, the key assumptions used in the analysis include:

i.   Number of persons per household at 3.6 based on the average household size in urban areas as per Kenya Population and Housing Census 2019, and,

ii.   Percentage of shopping population (14 years and above)

(If the figure is positive, then the market has an undersupply i.e, demand is more than supply and if it is a negative figure then the market has an oversupply, i.e. supply is more than demand)

Performance by Regions

Based on our demand analysis, Nairobi, Kisumu, Uasin Gishu and Nakuru are the most oversupplied retail markets by 3.0 mn SQFT, 0.2 mn SQFT, 0.12 mn SQFT, and 0.09 mn SQFT, respectively

Demand Analysis 2022										
Region	2019	Urban Population	Urban population 2019	Shopping People	Net Space Uptake per pax in SQM (Based on Uptake per pax in Kilimani)	Occupancy (2 year Average)	Gross Space Uptake per Pax (Required Space Kilimani)	Net Uptake (Space Required) for each market	Current supply	GAP at current market performance
Kiambu	2.1	60%	1.3	0.7	1.9	69.2%	2.1	1.4	0.9	0.5
Mt Kenya	2.8	38%	1.1	0.6	1.5	69.2%	1.7	1.2	0.6	0.5
Mombasa	1.3	100%	1.3	0.8	1.9	75.8%	2.1	1.7	1.6	0.2
Kajiado	1.1	41%	0.5	0.3	0.7	71.4%	0.7	0.5	0.4	0.1
Machakos	1.3	52%	0.7	0.4	1.0	75.8%	1.1	0.9	0.7	0.1
Nakuru	2.2	45%	1.0	0.6	1.4	80.8%	1.6	1.3	1.4	(0.1)
Uasin Gishu	1.3	44%	0.6	0.3	0.8	83.5%	0.9	0.8	1.0	(0.1)
Kisumu	1.2	50%	0.6	0.3	0.9	77.1%	1.0	0.7	1.0	(0.2)
Nairobi	4.6	100%	4.6	2.7	6.7	75.8%	7.4	5.6	8.6	(3.0)
Total	18.0		11.6	6.7	16.8		18.6	14.1	16.1	(2.0)

- Based on our demand analysis, Nairobi, Kisumu, Uasin Gishu and Nakuru are the most oversupplied retail markets by 3.0 mn SQFT, 0.2 mn SQFT, 0.12 mn SQFT, and 0.09 mn SQFT, respectively, with occupancies of 75.8%, 77.1%, 83.5% and 80.8%, respectively

Retail Space Opportunity Kenya

We analyzed the various urban regions in Kenya in order to determine the investment opportunity based in rental yields, the retail spaces required, and the household purchasing power

We analyzed the various urban regions in Kenya in order to determine the investment opportunity within the real estate retail market of the country. This was based on three metrics which include the rental yields, the retail spaces required, and the household purchasing power, with allocations of 30.0%, 30.0% and 40.0% weights, respectively:

i. **Rental Yield-** This is a measure of the value the profit that an investor generates from an investment as a percentage of its value hence the higher the better. The weighted score for rental yields was 30.0%, and the area with the highest yield was ranked with the highest score of 9 whereas the area with lower yields was given the lowest score of 1,

ii. **Household Expenditure-** This measures the consumption expenditure of the target population hence the higher the better as well. The weighted score for this was at 40.0% and the area with the highest expenditure was given the highest score at 9, and the lowest given the lowest score at 1, and,

iii. **Retail Space Demand-** This measures the amount of retail space required by a particular region hence the higher the better as it increases occupancy rates of the available developments. 30.0% was the allocated weight for this and the area with the highest demand was given the highest score at 9 as well whilst the area with the lowest demand was allocated the lowest score at 1

Retail Market Opportunity

Mombasa, Nairobi, Kiambu, Nakuru, Kisumu and Mount Kenya offer the best investment opportunities to retail mall developers

- Based on our analysis, Mombasa, Nairobi, Kiambu, and, Nakuru offer the best investment opportunities to retail mall developers having achieved a higher weighted score of 6.8, 6.6, 5.5, 5.2, 5.1, and, 5.0, respectively

Retail Space Opportunity 2022				
Region/Weight	Retail Yield Score	Retail Space Score	Household expenditure (per adult) score	
	30%	30%	40%	Weighted score	Rank
Mombasa	5	7	8	6.8	1
Nairobi	9	1	9	6.6	2
Kiambu	1	8	7	5.5	3
Nakuru	8	4	4	5.2	4
Kisumu	7	2	6	5.1	5
Mt kenya	1	9	5	5.0	6
Machakos	5	5	3	4.2	7
Kajiado	3	6	2	3.5	8
Uasin Gishu	4	3	1	2.5	9

5. Outlook

Retail Sector Outlook

Nairobi and Kisumu remain the most oversupplied retail markets by 3.0 mn SQFT, and 0.2 mn SQFT, respectively, whereas Kiambu and Mt Kenya regions are both under supplied by 0.5 mn SQFT

Kenya Retail Sector Outlook 2022				
	Sentiment 2021	**Sentiment 2022**	**2021 Outlook**	**2022 Outlook**
Retail Space Supply	Nairobi, Kisumu, Uasin Gishu and Nakuru were the most oversupplied areas by 3.0 mn, 0.3 mn, 0.1 mn and 0.1 mn SQFT of space, respectively while areas such as Kiambu and Mt Kenya regions were under supplied by 0.8 mn and 0.7 mn SQFT, respectively	Nairobi, Kisumu, Uasin Gishu and Nakuru remain the most oversupplied retail markets by 3.0 mn SQFT, 0.2 mn SQFT, 0.12 mn SQFT, and 0.09 mn SQFT, respectively, whereas areas such as Kiambu and Mt Kenya regions are both under supplied by 0.5 mn SQFT. We expect the supply to further increase particularly in Nairobi with the addition of malls such as Ojijo Properties	Neutral	Positive
Retail Space Demand	Performance of cities such as Nairobi, Kisumu, Uasin Gishu and Nakuru continued to be affected by the slow absorption rates of the retail spaces due to the existing demand that doesn't match the higher supply, which was also expected to increase with the additional spaces such as the Imaara mall along Mombasa road, Britam Mall in Kilimani, and the Beacon Mall in Nairobi CBD	We expect the aggressive expansion by local and international retailers to cushion the overall demand and uptake for spaces in the sector. However, factors such as e-commerce which is still being adopted by some retailers, is expected to weigh down the optimum uptake of physical retail space in the market	Neutral	Neutral

Retail Sector Outlook

Our outlook for the Kenya retail market remains **NEUTRAL** and we expect to witness increased expansion activities and development activity in Nakuru, Kiambu and Mombasa regions

| Retail Market Performance | Kenyan retail sector performance recorded a 0.2% increase in the rental yields to 6.8% in 2021, from 6.7% in 2020. Average occupancy rates and rental rates also realized an increase of 1.8% points and 2.2% points, respectively, to 78.4% and Kshs 117.8 per SQFT in 2021

Mount Kenya and Nairobi were the best performing regions with the average rental yield coming in at 7.9% and 7.5%, respectively, against the market average of 6.8%

We expected to see increased market activity with the expansion efforts by local retailers such as Naivas taking up space left by troubled retailers such as Tuskys | Kenyan retail sector performance on overall remained stable, with the average rental yield coming in at 6.8% in 2022. The average rent per SQFT increased by 3.5% to Kshs 122, whereas the average occupancy rate declined by 1.1% points to 77.3%

Nairobi Metropolitan Area was the best performing region with an average rental yield of 7.8% in 2022, driven by the increased rental and occupancy rates which came in at Kshs 173 per SQFT and 75.9%, respectively in 2022

We expect to see improved performance driven by increasing foreign investor confidence in the Kenyan retail market, coupled with the aggressive expansion by local and international retailers such as Naivas, Simbisa Brands, Eat'N'Go, and, QuickMart among many others | Neutral | Neutral |
| **Market Outlook** | *Our outlook for the Kenya retail market remains NEUTRAL with factors such as the e-commerce strategy and high construction costs expected to impede the optimum performance of the sector. However, the increasing foreign investor confidence in the Kenyan retail market, rapid infrastructure developments, retailers aggressively taking up retail spaces, and, positive demographics are expected to cushion the sector's performance* | | |

Thank You!

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