Kenya Real Estate Retail Sector Report 2024

Cytonn

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1. Overview of Real Estate in Kenya

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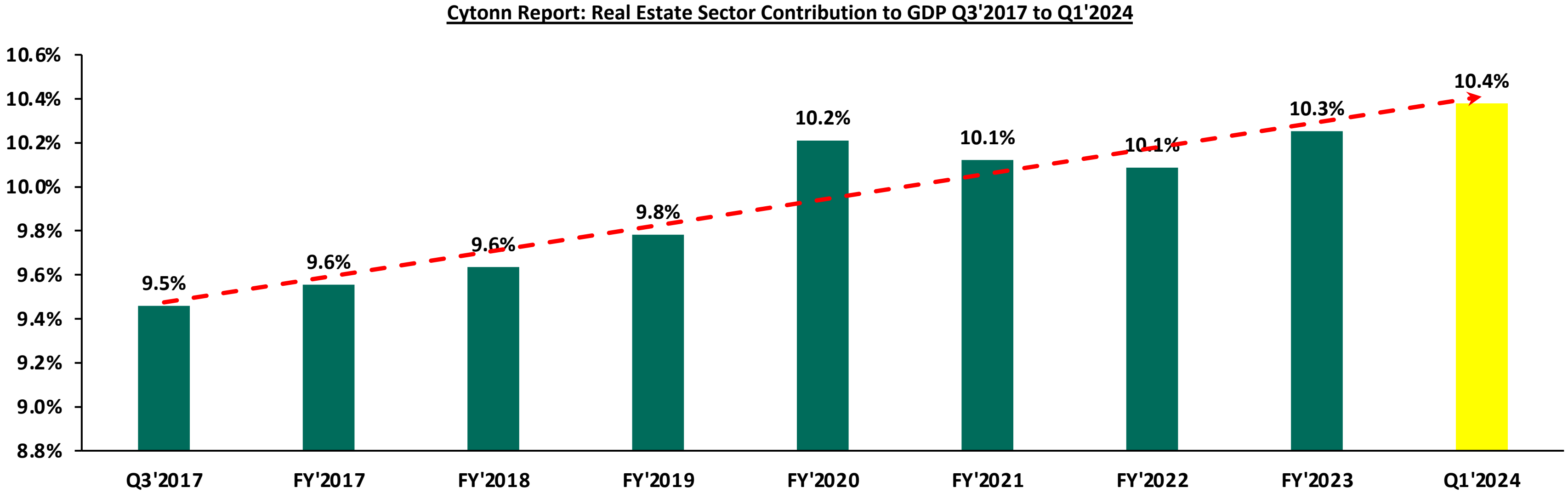
Introduction to Real Estate in Kenya

Our Outlook for the Retail Sector Remains "NEUTRAL"

Factor	Characteristics
Macro-economic Contribution	• Q1'2024, the real estate sector grew by 0.4% on average to 6.6% in Q1'2024 down from 6.2% recorded during the same period in 2023. In addition, the sector total contribution came in 10.4% to the country's GDP in Q1'2024 , a 0.3% increase from 10.1% recorded in 2023 during the same period. • During Q'1 2024, the construction sector registered a decelerated growth of 0.1%, down from the 3.0% growth recorded in the first quarter of 2023
Returns	• In H1'2023, the Real Estate sector recorded improved performance, attributed to increased Real Estate property transactions and developments • The NMA residential sector recorded a slight downturn in performance, with the average total returns coming in at 5.9%, a 0.2%-point decline from 6.1% recorded in H1'2023. • The retail sector recorded average rental yields of 7.9% in H1'2024, representing a 0.3% points y/y decline from 8.2% recorded in H1'2023. • In the land sector, the average selling prices for land in the Nairobi Metropolitan Area (NMA) in H1'2024 recorded a capital appreciation of 3.9% to Kshs 132.7 mn, from Kshs 128.6 mn recorded in H1'2023;
Recent Developments	• International retail chain China Square opened its third branch in Langata. The retailer invested Kshs 600.0 mn to lease 100,000.0 square feet of space previously occupied by Uchumi Supermarkets for a seven-year period • IBBS Mall, the largest mall in East and Central Africa was officially opened in Q1'2024, offering 130,000 SQM of modern, high-quality spaces, significantly contributing to the region's retail landscape. • Increased foreign investor appetite for Kenya's property market particularly the retail, hospitality, and, industrial sectors • The government continue to roll out is affordable housing project with the aim of delivering 250,000 units per year
Market Outlook	• Our outlook for the Kenya retail market remains ***NEUTRAL*** *supported by several factors such as; continued aggressive expansion by both local and foreign retailers seeking to secure new and existing spaces to capitalize on evolving consumer preferences and market dynamics, ongoing improvements in public infrastructure, and positive demographic trends, characterized by a growing population, are anticipated to underpin increasing demand for retail goods and services.*

Introduction to Real Estate in Kenya–GDP Contribution

Real Estate contribution to the GDP in FY’2023 increased by a 0.2% points to 10.3% from 10.1% recorded in FY’2022



- Real Estate contributed 10.3% to GDP in FY’2023, a 0.2% increase from the 10.1% recorded in FY’2022, attributable to increased property transaction volumes in the market, coupled with; i) a growing demand for housing in the country evidenced by high urbanization and population growth rates and increased activities in the market supported by the Affordable Housing Program which is being rolled out by the government across the country.
- Additionally in Q1’2024, the sector’s contribution to GDP increased to 10.4% from 10.1% in 2023, indicating increased activities as a result of increased investor confidence

2. Kenya Retail Sector summary

Executive Summary

Kenyan retail sector performance showed continuous resilience, with the average rental yield coming in at 7.6% in 2024

- 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 2024 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 showed continuous resilience, with the average rental yield coming in at 7.5% in 2023.
- The average rent per SQFT realized a seven year CAGR of (1.9%) to Kshs 133 in the period under review, from Kshs 155 that was recorded in FY'2016 as a result of increased supply of retail spaces, leading landlords to offer rent discounts to attract and retain clients while also addressing the surplus space. The situation was exacerbated during the active 2-year period of the COVID-19 pandemic and the 2017 and 2022 electioneering periods
- The average occupancy rate also declined by 1.9% points to 81.0% in 2024, from 82.9% that was recorded in 2016, mainly attributed to exit of local and foreign retailers in the market that had occupied large spaces for their businesses and addition of new malls into the market during the period consequently increasing the oversupply of the retail spaces in the sector and further weighed down the overall absorption rate
- In terms of performance per region, the Nairobi Metropolitan Area (NMA) was the best performing region with an average rental yield of 7.9% in 2024, 0.3% points higher than the 7.6% market average. This performance can be linked to higher demand for quality retail spaces and the availability of tenants willing to pay premium rent. This is evidenced by a 4.5% growth in average rental rates, which rose to Kshs 185 per SQFT in 2024 from Kshs 177 per SQFT in 2023

Kenya Retail Performance Summary

The average occupancy rate increased by 1.6% points, reaching 81.0% in 2024 compared to 79.4% in 2023 attributable to rapid expansion of both local and foreign retailers

All Values in Kshs Unless Stated Otherwise

Cytonn Report: Kenya's Retail Performance Summary-2024										
Item	2016	2017	2018	2019	2020	2021	2022	2023	2024	Δ Y/Y 2022/2023
Asking rents (Kshs/SQFT)	155	141	132	118	115	118	122	130	**133**	**2.6%**
Average Occupancy (%)	82.9%	80.2%	86.0%	77.3%	76.6%	78.4%	77.3%	79.4%	**81.0%**	**1.6% points**
Average Rental Yields	**8.7%**	**8.3%**	**8.6%**	**7.0%**	**6.7%**	**6.8%**	**6.8%**	**7.5%**	**7.6%**	**0.1% points**

- Kenyan retail sector performance on overall remained stable, with the average rental yield coming in at 7.6% in 2024
- The average rent per SQFT increased by , the average rent per SQFT increased by 2.6% to Kshs 133 in 2024 from Kshs 130 in 2023, owing to; i) the high inflation levels that prevailed in the country during the last quarter of 2023 compelled landlords to revise rental charges to hedge against inflation, and ii) the addition of high-end retail spaces.
- The average occupancy rate increased by1.6% points, reaching 81.0% in 2024 compared to 79.4% in 2023. This can be linked to the expansion drives by local and international retailers such as Naivas, China Square, Carrefour and Panda Mart. Additionally, the expansion of these retailers into spaces previously occupied by struggling stores such as Uchumi Supermarkets, Nakumatt and Tuskys has significantly improved mall occupancy rates and contributed to the overall resilience of the retail market.

Kenya Retail Performance Summary Cont.

We expect the Kenyan Retail Market to remain Neutral. We expect the market to be driven by expansion activities by both local and international retailers

Value Area	Summary	Effect
Supply	• Kisumu and Uasin Gishu are the most oversupplied retail markets by 3.6 mn SQFT, 0.2 mn SQFT and 0.1 mn SQFT, respectively, with average occupancy rates of 79.4%, 79.0% and 86.0% , respectively. We expect the oversupply to increase once some of the development in the pipeline are complete such as the Kilimani Retail Mall and the Cove	• 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 7.6% in 2024 • Nairobi was the best performing region with an average rental yield and occupancy rate of 7.9% and 79.5%, respectively	• We expect to see increased market activity driven by; expansion by major retailers and new entrants, continuous investment by Private Equity Firms and a growing middle class, which is creating demand for retail commodities
Opportunity & Outlook	• The opportunity remains in mid-tier counties which are undersupplied such as Kiambu County and Mt. Kenya region, having space demand 0.7 mn SQFT and 0.6 mn SQFT respectively	• Our outlook remains ***NEUTRAL*** with factors such as diminishing purchasing power, prevailing political uprising, oversupply of the sector expected to impede growth of the sector

We expect to see increased market activity driven by expansion efforts by local retailers such as Naivas, Panda Mart, China Square, Carrefour and QuickMart , as well as developers shifting focus into less supplied regions with higher demand such as Kiambu and Mount Kenya region coupled with a growing middle class in the country

A. Factors Shaping the Retail Sector in Kenya

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Factors Influencing Retail Space Supply in 2024

Growth in the sector continue to be impeded by several factors such as the diminishing purchasing power, rising cost of construction, difficult in accessing credit and oversupply

Factor	Characteristics
Subdued Consumer Purchasing Power	• Shoppers in Kenya are experiencing a diminishing purchasing power due to a tough economic period, despite the easing of some indicators such as inflation and a consistent drop in fuel costs. Many Kenyans are struggling with increased taxation, particularly those who are formally employed, and persistent high levels of unemployment
Construction costs	• Construction costs have been steadily increasing. According to a report by Integrum, the cost of construction in 2024 has risen to between Kshs 48,750 and Kshs 122,860 per SQM, making it 17.6% more expensive to construct in 2024. This increase is due to the prevailing tight macro-economic environment,
Access to credit	• Due to rising Non-Performing Loans (NPLs), evidenced by an year-on-year (y/y) increase in gross loans advanced to the Real Estate sector by 8.6% to Kshs 507.0 bn in Q3’2023 from Kshs 467.0 bn in Q3’2022, creditors have tightened their lending measures
Infrastructure	• Despite the government's efforts to complete various infrastructure projects in the country, some areas still lack adequate infrastructure services such as water, sewer, and road networks, thus hindering optimal retail investments in those regions. However, we anticipate increased retail investments as the government continues its aggressive efforts to initiate and implement infrastructure projects, including roads. This is expected to open up various areas for retail investment opportunities.
Oversupply	• There exists an oversupply of physical space, with approximately 3.6 mn SQFT in the NMA retail market, with the rest of the Kenyan retail market having an oversupply of approximately 1.9 mn SQFT, causing slowed uptake of retail spaces in the sector, and thereby leading developers to halt their plans awaiting the absorption of the existing spaces.
Land Costs	• 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 • The average selling prices for land in the Nairobi Metropolitan Area (NMA) in H1’2024 recorded a capital appreciation of 3.9% to Kshs 132.7 mn, from Kshs 128.6 mn recorded in H1’2023 • Developers therefore opt to base their projects in the satellite towns of Nairobi where there is available and affordable land averaging Kshs 15.3 mn per acre for un-serviced land and 19.2 mn per acre for serviced land against the market average of Kshs 132.7 mn per acre

Factors Influencing Demand in the Retail Sector in 2024

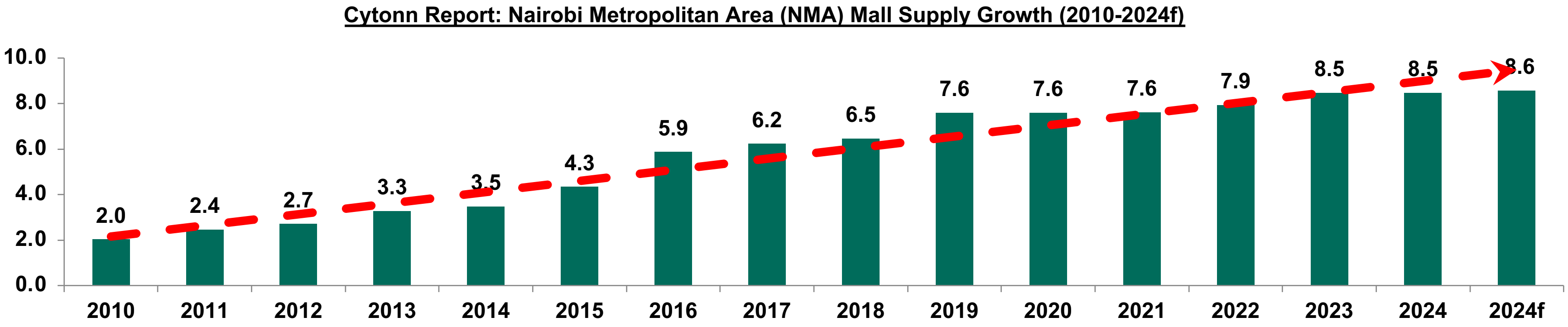
Positive demographics, improved infrastructure development activities, as well as consumer preference are some of the factors influencing the demand for retail spaces

Factor	Characteristics
Positive demographics	• The demand for goods and services has been steadily rising due to Kenya's relatively high urbanization and population growth rates of 3.7% p.a and 2.0% p.a, respectively, against the global average of 1.7% p.a and 0.9% p.a, respectively as at 2023
Continued recognition of Nairobi as a major Investment hub	• In the retail landscape, Nairobi continues to be an ideal hub for investments, a factor that has attracted major retail brands to establish and expand their presence in the city. Its strategic location, robust infrastructure, and growing consumer market make it a prime destination for both local and international retailers
Private Equity	• Investors are actively seeking profitable entities within the retail sector, driving significant growth and development in this industry. This influx of capital has enabled retailers to enhance their product offerings, improve customer service, and expand their market reach, contributing to a dynamic and rapidly evolving retail landscape
Presence of Gaps in the market	• Retailers including Naivas, QuickMart, Panda Mart, China Square, and Carrefour have been aggressively expanding to occupy new and previously vacated spaces left by struggling chains like Uchumi, The Game, Tuskys, and Nakumatt. This expansion is happening as Kenya's formal retail penetration remains relatively low, at around 35.0% as at 2021, according to the Oxford Business Group
Improved Accessibility	• Various infrastructural development projects in the country such as railway projects, road have has pushed growth in the retail segment as in the country facilitating strategic expansion
Ease of Doing Busines	• The ease of doing business in Kenya has significantly improved, leading to enhanced investor confidence. According to the World Bank, Kenya's ranking in terms of ease of doing business was 56 in 2019, a notable improvement compared to its position at 113 five years prior. The graph below shows Kenya's ranking performance between 2015 and 2019

B. Nairobi Metropolitan Area (NMA) Retail Supply

Nairobi Metropolitan Area (NMA) Retail Supply – Growth

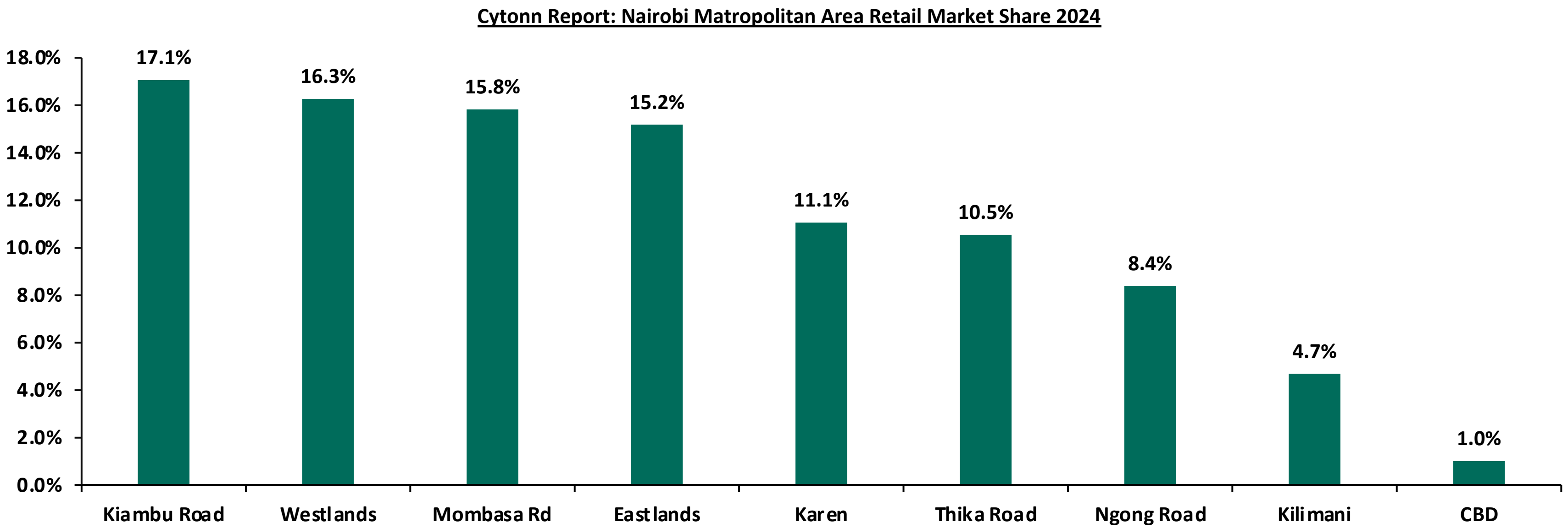
Nairobi Metropolitan Area (NMA) retail sector currently has a mall space supply of 8.5 mn SQFT



- Nairobi Metropolitan Area (NMA) retail sector currently has a mall space supply of 8.5 mn, with a 10-year CAGR of 7.0%
- The growth over time has been mainly driven by addition of malls such as the Imaara Mall along Mombasa Raod, Business Bay Square (BBS) mall in Eastlands, and Broadwalk Mall in Parklands, all within Nairobi and many more. 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, Kentucky Fried Chicken (KFC), Eat'N'Go Limited, Java, ChicKing, and Simbisa brands, creating demand for more quality retail spaces for their business operations
- We project that by the end of 2024, the retail space supply will have grown to approximately 8.6 mn SQFT, with the expected retail space addition of The Cove in Lavington, Kilimani Retail Centre among others

NMA Retail Space Supply – Current Distribution by Nodes

Kiambu Road recorded the highest market share of retail space of 17.1% in 2024



- Kiambu Road recorded the highest market share of retail space of 17.1% in 2023 mainly attributed to presence of the highest number of shopping malls in the region with bigger built up areas compared to other nodes. Notably, Kiambu Road boasts the largest mall in Eastern and Central Africa, covering an impressive area of approximately 62,000 SQFT
- Nairobi Central Business District (CBD) still maintains the lowest market share recording of 1.0% in 2024 attributed to the lack of development land in the area. We however note that developers are face-lifting or rebuilding buildings in the CBD in order to adapt market needs

3. Retail sector performance summary in 2024

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Nairobi Metropolitan Area Retail Sector Nodes

The retail nodes included in our research are within Nairobi, Kiambu, Kajiado, and Machakos Counties forming the Nairobi Metropolitan Area (NMA)

- 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 2024

Kilimani, Karen, and Kiambu and Limuru Road were the best performing retail nodes recording yields of 9.7%, 9.3%, and 9.0%, respectively

(All values in Kshs unless stated otherwise)

Cytonn Report: Nairobi Metropolitan Area Retail Market Performance H1'2024									
Area	Rent Kshs/SQFT H1'2024	Occupancy% H1'2024	Rental Yield H1'2024	Rent Kshs/SQFT H1'2023	Occupancy% H1'2023	Rental Yield H1'2023	∆ in Rental Rates	∆ in Occupancy (% points)	H1'2024 ∆ in Rental Yield (% points)
Westlands	239	79.4%	7.1%	216	77.6%	9.1%	10.6%	1.8%	(2.0%)
Karen	218	84.0%	9.3%	217	82.4%	9.7%	0.8%	1.6%	(0.4%)
Kilimani	198	81.2%	9.7%	190	84.7%	10.1%	3.8%	(3.5%)	(0.4%)
Ngong Road	175	81.5%	7.5%	170	81.0%	7.8%	2.7%	0.5%	(0.4%)
Kiambu road & Limuru Road	205	75.2%	9.0%	202	74.0%	8.7%	1.4%	1.2%	0.2%
Thika Road	187	79.3%	7.4%	165	80.7%	7.5%	13.0%	(1.3%)	(0.1%)
Eastlands	146	77.7%	6.4%	128	75.6%	6.0%	14.5%	2.1%	0.4%
Mombasa road	169	79.6%	8.2%	156	79.9%	7.5%	8.3%	(0.3%)	0.6%
Satellite towns	139	79.0%	6.8%	138	78.8%	6.8%	0.9%	0.2%	0.0%
Average	**185**	**79.5%**	**7.9%**	**177**	**79.2%**	**8.2%**	**4.7%**	**0.2%**	**(0.2%)**

- The NMA retail market recorded an average rental yield of 7.9% in 2024, 0.3% points lower than the 8.2% that was recorded in 2023. The performance was driven by 4.7% and 0.3% points increase in rental and occupancy rates respectively, which came in at Kshs 185 per SQFT and 79.2%, respectively in 2023, from Kshs 177 per SQFT and 79.2%, respectively, in 2023
- Kilimani, Karen, and Kiambu and Limuru were the best performing retail nodes recording yields of 9.7%, 9.3%, and 9.0%, respectively mainly attributed to the presence of quality retail spaces fetching prime rents and yields such as the Hub and Galleria Mall, among many others

NMA Retail Performance by Nodes 2024

Kilimani was the best performing node with an average rental yield of 9.7% in 2024, 0.4% points higher than 10.1% recorded in 2023

Kilimani

- Kilimani was the best performing node with an average rental yield of 9.7% in 2024, 0.4% points higher than 10.1% recorded in 2023 and 1.8% higher than the market average rental yields at 7.9%. This was due to the improved rental rates by 3.8% to Kshs 198 per SQFT in 2024 from Kshs 190 per SQFT in 2023.
- **Karen**
- Karen was the second best performing submarket within the NMA recording an average rental yield of 9.3% in 2024, driven by a 0.8% increase in the average asking rent which came in at Kshs 218 per SQFT from Kshs 217 per SQFT resulting from the upward revision of rental charges by landlords. Additionally, there was improved demand for high end, greener retail spaces by foreign retailers thus leading to the occupancy rates coming in at 84.0% in 2023, 1.6% points higher than the 82.4% recorded in 2023

Kiambu Road and Limuru Road

- Kiambu Road Kiambu Road which is inclusive of the Limuru Road recorded an average rental yield of 9.0% against the market average of 7.9% mainly attributed to the presence of high quality shopping malls such as the Two Rivers and Village Market among others which in turn fetch high rents. In light of this, the node recorded a 1.4% increase in average rental charges to Kshs 205 per SQFT in 2024 from Kshs 202 per SQFT in 2023. On the other hand occupancy increased by 1.2% points to 75.2% in 2024 from to 74.0% in 2023

NMA Retail Performance by Nodes 2024

Mombasa Road recorded average rental yield of 8.2% in 2024, 0.7% points higher than 7.5% recorded in 2023

Mombasa Road

- Mombasa Road, recorded average rental yield of 8.2% in 2024, 0.7% points higher than 7.5% recorded in 2023. This improvement in performance was attributed to the overall improvement in rental rates by 8.3% points to Kshs 169 in 2024 from Kshs 156 recorded in 2023

Ngong and Lang'ata Roads

- Ngong and Lang'ata Roads recorded decreases in the average rental yield by 0.4% points to 7.5% in 2024 from 7.8% recorded in 2023. However, the node posted 2.7% increase in rental rates to Kshs 175 form Kshs 170 in 2023. Additionally, the region witnessed a 0.5% points growth in occupancy rates to 81.5% in 2023 from 81.5% recorded in 2023

Westlands

- Westlands registered an increase in the overall rental yield to 7.1% in 2024 from the 9.1% that was recorded in 2023. The significance decrease in yields is attributable to a 12.0% increase in selling prices to Kshs 25,000 from Kshs 22,000 in 2023. In light to this, the rental charges increased by 7.9% to Kshs 118 from Kshs 110 per SQFTin 2022,

- Occupancy rates also decreased marginally by 1.9% points to 76.3% in 2024 from 78.2% in 2023

NMA Retail Performance by Nodes 2024

Mombasa Road and Thika ranked as the nodes with least average rental yields coming in at 6.0%

Upperhill

- Upper recorded a significance drop in performance with rental yields coming in at 6.3% in 2024, a 1.0% decrease from 7.3% recorded in 2023. The performance is attributable to a 5.6% decrease in occupancy coming in at 73.2% from 78.8% in 2023.

Thika Road:

- Thika Road posted stable performance with rental yields remaining unchanged at 6.0% from 2023, similarly the rental charges remained unchanged at Kshs 79 per SQFT from 2023. Occupancy increased marginally by 0.3% to 80.4% from 80.1% in 2023, this movement did not affect the rental yields

Mombasa Road

- Mombasa Road tied with Thika Road as the nodes with the least performance with rental yields of 6.0% in 2024. Despite the performance this was significant improvement from 5.2% recorded in 2023. The performance was supported by an increase both occupancy and rental rates.
- The rental rates improved by a 10.1% to Kshs 79 per SQFT from Kshs 71 per SQFT in 2023, while occupancy rose by 4.3% points to 72.2% in 2024 from 67.9% in 2023. The node has malls which commanded relatively higher rents such as Signature Mall and Capital Centre. The retail area is poised to grow owing to the good connectivity and accessibility by Mombasa Road and closeness to areas with high population density

B. Retail Performance by Regions

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Performance by Regions

Nairobi was the best performing region with average rental yields coming in at 7.9% in 2024, 0.3% points higher than the market average of 7.6%

All values in Kshs unless stated otherwise									
Cytonn Report: Summary of Retail Performance in Key Urban Cities in Kenya 2023/2024									
Region	Rent 2024	Occupancy Rate 2024	Rental yield 2024	Rent 2023	Occupancy Rate 2023	Rental yield 2023	ΔY/Y in Rental Rates	ΔY/Y in Occupancy Rate	ΔY/Y in Rental Yield
Nairobi	185	79.5%	7.9%	177	79.2%	8.2%	4.3%	0.3%	(0.3%)
Nakuru	82	83.0%	7.3%	79	80.5%	7.9%	3.5%	2.5%	(0.6%)
Mombasa	135	82.0%	7.7%	127	82.6%	7.8%	5.8%	(0.4%)	(0.1%)
Kisumu	111	78.3%	7.3%	107	79.7%	7.0%	3.4%	(1.4%)	0.3%
Eldoret	138	85.8%	7.1%	132	86.2%	6.7%	4.0%	(0.6%)	0.4%
Mount Kenya	151	77.5%	7.8%	161	68.3%	7.8%	(6.5%)	9.2%	0.0%
Average	133	81.0%	7.6%	130	79.4%	7.5%	2.6%	1.6%	0.1%

- Key urban cities in Kenya recorded an increase in average rental yields by 0.1% points, rising to 7.6% in 2024 from 7.5% in 2023. This performance can be attributed to a 1.6 %-points increase in average occupancy, which rose to 81.0% in 2024 from 79.4% in 2023, and a 2.6% growth in average rental rates, which increased to Kshs 133 per SQFT in 2024 from Kshs 130 per sSQFT in 2023.
- Nairobi was the best performing region with average rental yields coming in at 7.9% in 2024, 0.3% points higher than the market average of 7.6%. This performance can be linked to higher demand for quality retail spaces and the availability of tenants willing to pay premium rent
- Eldoret recorded thelowest average rental yields at 7.1%, against the market average of 7.6% in 2024. Despite this, it was a 0.4%-points increase from the 6.7% recorded in 2023. However, this gain was offset by a 0.4% decrease in occupancy, which fell to 85.8% from 86.2% in 2023

C. Retail Performance by class
Nairobi Metropolitan Area

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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)	Number 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

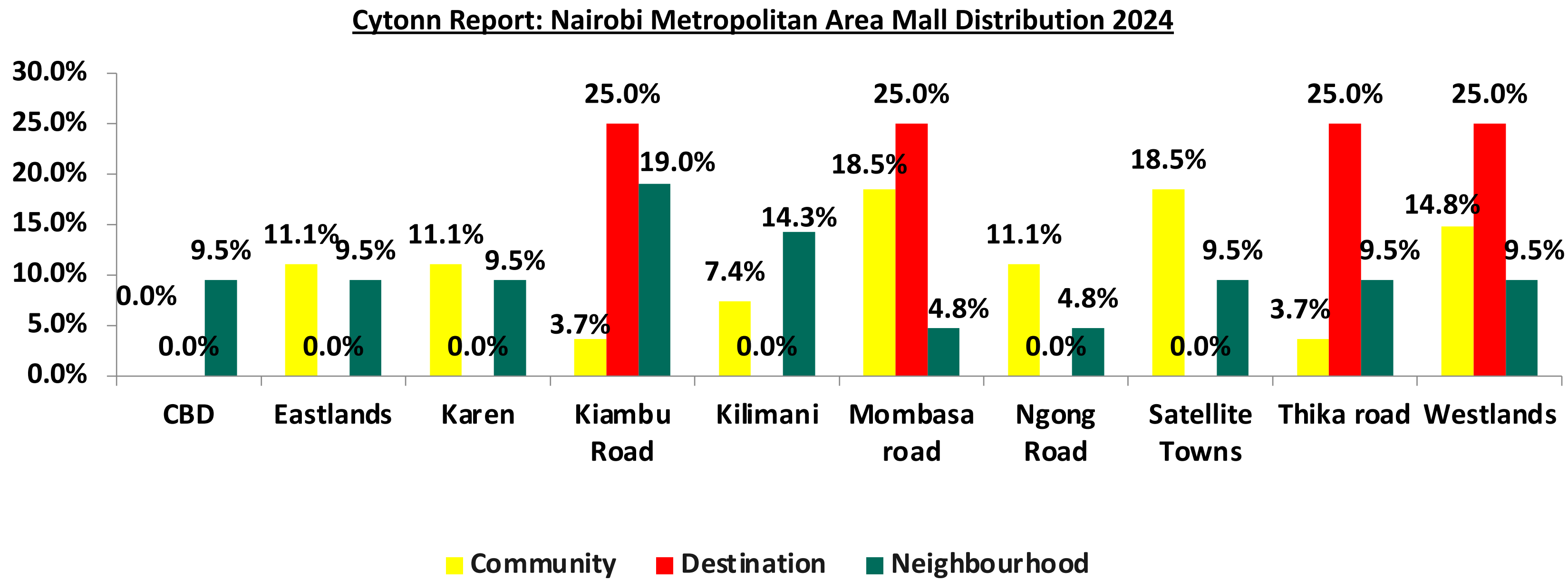
Based on our research findings, destination malls composed of the least number at 5, neighborhood malls came in at 40 and community malls at 34

- Based on our research findings, destination malls composed of the least number at 5, neighborhood malls came in at 40 and community malls at 34

Cytonn Report: Mall Classification				
Neighborhood		**Community**		**Destination**
Crossroads	Imani Shopping Mall	WestSide Mall	Mwembe Mall	Meru GreenWood
Milele Mall Ngong	Buffalo Mall	Galleria	Mtwapa Mall	Garden city
Maasai Mall Rongai	Paradise Mall	The Hub	City Mall	Sarit Center
The Well	Khetia Hse	Golden Life Mall	Village Market	Two Rivers mall
Sasa Mall	Highland Mall	Waterfront	Diamond Plaza	Next Gen Mall
Adlife Plaza	Eldo Centre	Zion Mall	Kilele Mall - Kenol	
Hazina	West End	Lavington Curve	Crystal Rivers Mall	
Lavington mall	Tufffoam	Rupa Mall	Ananas	
Unicity Mall	Mega Plaza	Valley arcade	GTC Mall	
Yaya center	Nyali Plaza	United Mall	Mountain view mall	
Mountain mall	Nyali Centre	Capital center	Westgate	
Prestige plaza	Nanyuki mall	Gateway mall	South Field Mall	
Shujaa mall	Cedar Mall	highway mall	GreenSpan Donholm	
Lunga lunga mall		Mega City	Kiambu Mall Kiambu	
K- mall Buruburu		Imaara Mall	TRM	
The mall		Signature Mall	The Point Buruburu	
Sky Mall		Lake Basin Mall	Green house	
Ciata City mall		Airport Mall, Changamwe	Junction	
Ridgeways mall		Likoni Mall	Spur mall	
Rosslyn Riviera			T-Mall	
New Muthaiga Mall			Juja City Mall	

Performance of NMA Malls by class

Community malls comprised the majority of the malls within NMA, with Mombasa Road, satellite towns recording the largest market share at 18.5%,



- Community malls comprised the majority of the malls within the Nairobi Metropolitan Area (NMA), with Mombasa Road, satellite towns recording the largest market share at 18.5%, 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 neighbourhood malls at 19.0%

Performance by Class

Destination malls were the best performing recording average rental yields of 9.6% 1.4% points higher than the market average of 7.9%

All Values in Kshs unless stated otherwise			
Cytonn Report: Retail Market Performance in Nairobi by Class 2024			
Class	**Average of rent (Kshs)**	**Average of occupancy rate**	**Average of rental yields**
Destination	305	76.0%	**9.6%**
Community	184	81.6%	**8.2%**
Neighbourhood	152	77.8%	**7.2%**
Grand Total	**185**	**79.7%**	**7.9%**

- On performance by class, destination malls outperformed other classes, achieving an average rental yield of 9.6%. This impressive performance is due to their ability to charge high rental rates, averaging Kshs 305 per SQFT, which is Kshs 120 above the market average of Kshs 185 per SQFT. These malls typically demand premium rents, often in United States Dollars (USD), due to their high-quality spaces, excellent facilities, and the presence of international retailers
- Community malls ranked second, with an average rental yield of 8.2%, slightly above the market average of 7.9%. They achieved an average occupancy rate of 81.6% and rental charges of Kshs 184 per SQFT, compared to the market averages of 79.7% and Kshs 185 per SQFT, respectively.
- Neighbourhood malls recorded the lowest average rental yields at 7.2%, which is 0.7% below the market average of 7.9%. This is due to lower average rental rates of Kshs 152 per SQFT, compared to the market average of Kshs 185 per SQFT

Performance by Regions

Thika Road offers the best returns for Destination malls at 11.1% due to the high rents, and with average occupancy rates of 83.0%

All values in Kshs Unless stated Otherwise

Cytonn Report: Nairobi Metropolitan Area (NMA) Retail Performance 2024									
	Community			Destination			Neighbourhood		
Area	Average of Rents	Average of Occupancy Rates	Average of Rental Yield	Average of Rents	Average of Occupancy Rates	Average of Rental Yield	Average of Rents	Average of Occupancy Rates	Average of Rental Yield
Eastlands	136	88.7%	7.3%	250	50.0%	6.0%	109	75.0%	5.2%
Karen	251	85.0%	9.9%				169	82.5%	8.4%
Kiambu Road	235	78.0%	11.0%	275	77.0%	10.6%	180	74.0%	8.1%
Kilimani	201	78.5%	9.5%				195	83.0%	9.7%
Mombasa road	168	83.3%	8.6%	225	80.0%	10.8%	108	75.0%	4.8%
Ngong Road	178	80.3%	7.2%				164	85.0%	8.4%
Satellite Towns	145	83.3%	7.5%				131	72.5%	5.7%
Thika road	186	78.3%	8.3%	375	83.0%	11.1%	93	79.0%	4.7%
Westlands	199	76.8%	7.1%	400	90.0%				
Grand Total	**184**	**81.6%**	**8.2%**	**305**	**76.0%**	**9.6%**	**152**	**77.8%**	**7.2%**

- Thika Road offers the best returns for Destination malls at 11.1% due to the high rents, and with average occupancy rates of 83.0%
- Kiambu Road offered the highest average rental yield for community malls at 11.0% 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 middle income earners with adequate purchasing power, and,
- Kilimani offers the highest average yield for neighborhood malls at 9.7% attributed to the presence of a high middle income earning class fueling demand for quality services and purchase of goods in quality spaces

Performance by node and class-Key Urban centers

Community malls in Nairobi offer the highest rental yields of 8.2% against the market average of 6.0% due to availability of tenants willing to pay premium rents

All Values are in Kenya Shillings unless stated otherwise

Cytonn Report: Kenya Retail Performance in Classes									
	Community Mall			Destination Mall			Neighborhood Mall		
Region	Average of Rental Charges 2024	Average of Rental Occupancy 2024	Average of Rental Yield 2024	Average of Rental Charges 2024	Average of Rental Occupancy 2024	Average of Rental Yield 2024	Average of Rental Charges 2024	Average of Rental Occupancy 2024	Average of Rental Yield 2024
Kajiado	160	65.0%	6.2%				130	65.0%	5.1%
Kiambu	126	75.0%	6.2%						
Kisumu	110	72.3%	7.5%						
Machakos	180	60.0%	6.5%						
Mombasa	126	79.9%	7.2%						
Mt kenya	140	90.0%	0.0%						
Nakuru	94	80.0%							
Uasin Gishu	123	92.5%							
Nairobi	184	81.6%	8.2%	305	76.0%	9.6%	152	77.8%	7.2%
Average	138	77.4%	6.0%	305	76.0%	9.6%	141	71.4%	6.2%

- Destination malls recorded the highest average rental yield of 9.6% driven by the prime rental rates they attract at Kshs 305 per SQFT
- Community malls in Nairobi offer the highest rental yields of 8.2% against the market average of 6.0% due to availability of tenants willing to pay premium rents
- Neighborhood malls in Nairobi have the highest yields at 7.2%, and average occupancy rates of 77.8% and average rental charges of Kshs 152, as consumers move towards convenience shopping at residential neighborhood malls

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

Nairobi, Kisumu, Kisumu and Uasin Gishu are the most oversupplied retail markets by 3.6 mn SQFT, 0.2 mn SQFT, 0.1 mn SQFT, respectively,

Cytonn Report: Demand Analysis 2024										
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 SQFT (Required Space Kilimani)**	**Net Uptake SQFT (Space Required) for each market**	**Current supply (SQFT)**	**GAP at current market performance (SQFT)**
Kiambu	2.1	60.0%	1.3	0.7	1.9	78.8%	2.1	1.6	0.9	0.7
Mt Kenya	2.8	38.0%	1.1	0.6	1.5	72.9%	1.7	1.2	0.4	0.6
Mombasa	1.3	100.0%	1.3	0.8	1.9	82.3%	2.1	1.8	1.4	0.3
Kajiado	1.1	41.0%	0.5	0.3	0.7	75.5%	0.7	0.5	0.3	0.2
Machakos	1.3	52.0%	0.7	0.4	1.0	77.9%	1.1	0.9	0.3	0.2
Nakuru	2.2	45.0%	1.0	0.6	1.4	81.8%	1.6	1.3	0.6	0.2
Uasin Gishu	1.3	44.0%	0.6	0.3	0.8	86.0%	0.9	0.8	0.4	(0.1)
Kisumu	1.2	50.0%	0.6	0.3	0.9	79.0%	1.0	0.8	1.0	(0.2)
Nairobi	4.6	100.0%	4.6	2.7	6.7	79.4%	7.4	5.9	8.5	(3.6)
Total	**18.0**		**11.6**	**6.7**	**16.8**	**79.3%**	**18.6**	**14.8**	**13.7**	**(1.7)**
Based on the analysis, Kenya's retail sector and the NMA realized a 9.5% decline and 8.3% increase in the market gap respectively to 1.9 mn and 3.6 mn per SQFT respectively when compared to the 2.1 mn and 3.3 mn SQFT recorded in 2022 respectively. This is attributed to an increase in demand for existing retail spaces and a reduced growth in the number of malls in the pipeline in other towns, alongside the completion of several malls and those still in the pipeline in the Nairobi Metropolitan Area (NMA)										

- Kenya, retail sector and the NMA realized a 9.5% decline and 8.3% increase in the market gap respectively to 1.9 mn and 3.6 mn per SQFT respectively when compared to the 2.1 mn and 3.3 mn SQFT recorded in 2022 respectively. This is attributed to an increase in demand for existing retail spaces and a reduced growth in the number of malls in the pipeline in other towns, alongside the completion of several malls and those still in the pipeline in the Nairobi Metropolitan Area (NMA)
- Nairobi, , Kisumu, and Uasin Gishu are the most oversupplied retail markets by 3.6 mn SQFT, 0.2 mn SQFT, and 0.1 mn SQFT, respectively, with average occupancy rates of 79.4%, 79.0%, and 86.0%, 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, Mount Kenya and Nairobi offer the best investment opportunities to retail mall developers

- **Based on our analysis, Mombasa, Mount Kenya, Nairobi, Kiambu, Kisumu, and, Nakuru, offer the best investment opportunities to retail mall developers having achieved a higher weighted score of 7.4, 6.8, 6.6, 5.8, 4.5, and, 4.2, respectively**
- The table below shows the retail space investment opportunity in Kenya;

Cytonn Report: Retail Space Opportunity 2024										
	2023					2024				
	Retail Yield Score	Retail Space Score	Household expenditure (per adult) score			Retail Yield Score	Retail Space Score	Household expenditure (per adult) score		
Region/Weight	30%	30%	40%	Weighted score	2023 Rank	30%	30%	40%	Weighted score	2024 Rank
Mombasa	7	7	8	7.4	1	7	7	8	7.4	1
Nairobi	9	1	9	6.6	2	9	1	9	6.6	3
Mt Kenya	6	8	5	6.2	3	8	8	5	6.8	2
Kiambu	1	9	7	5.8	4	1	9	7	5.8	4
Nakuru	8	4	4	5.2	5	5	4	4	4.3	6
Kisumu	4	2	6	4.2	6	5	2	6	4.5	5
Machakos	5	5	3	4.2	6	4	6	3	4.2	7
Kajiado	2	6	2	3.2	8	1	5	2	2.6	8
Uasin Gishu	3	3	1	2.2	9	3	3	1	2.2	9

5. Outlook

Retail Sector Outlook

Nairobi, Kisumu, and Uasin Gishu are the most oversupplied retail markets by 3.6 mn SQFT, 0.2 mn SQFT, and 0.1 mn SQFT, respectively

Cytonn Report: Kenya Retail Sector Outlook 2024				
	Sentiment 2023	Sentiment 2024	2022 Outlook	2023 Outlook
Retail Space Supply	Nairobi, Kisumu, Uasin Gishu, and Nakuru still remain the most oversupplied retail markets by 3.3 mn SQFT, 0.2 mn SQFT and 0.1 mn SQFT, respectively, whereas areas such as Kiambu, Mt Kenya, Mombasa, and Kajiado regions are undersupplied by 0.6 mn, 0.5 mn, 0.2 mn, 0.2 mn, and 0.1 mn SQFT respectively. Going forward, we expect to see investors and developers shifting their focus to these regions Notably, major retail developments delivered into the market in 2023 include, Business Bay Square (BBS) mall in Eastleigh, delivering approximately 31,000 SQM in gross area. We expect the supply to further increase particularly within the NMA, with the addition of an estimated 42,977 SQM through malls such as Global Trade Center (GTC), Crystal Rivers in Machakos, The Cove in Lavington, Lana Plaza in Kileleshwa, Park Place Avenue in Parklands and Beacon mall in Upperhill. Other notable developments expected to be delivered into the market outside of the NMA include Promenade mall in Nyali and Nyali Bazaar in Mombasa	In the retail segment, Nairobi, Kisumu, and Uasin Gishu are the most oversupplied retail markets by 3.6 mn SQFT, 0.2 mn SQFT, and 0.1 mn SQFT, respectively, with average occupancy rates of 79.4%, 79.0%, and 86.0%, respectively. On the other hand, Kiambu, Mt.Kenya, and Mombasa remain undersupplied by 0.7 mn, 0.3 mn, and, 0.2mn SQFT respectively. With the prevailing undersupply, we expect developers and investors to tap into these areas and leverage the existing opportunity. During the year, we expect the Kilimani Retail Centre to be delivered to the market, providing approximately 50,000 SQFT of gross area. The project targets the middle class in the area as it neighbors a relatively populated residential zone. Other notable developments expected in NMA include the Kenya Mall "The Beacon" in Upper Hill, and the Cove, which will deliver 1,137 SQM of gross space and will be located in Lavington.	Neutral	Neutral

Retail Sector Outlook

Nairobi, Kisumu, and Uasin Gishu are the most oversupplied retail markets by 3.6 mn SQFT, 0.2 mn SQFT, and 0.1 mn SQFT, respectively

Cytonn Report: Kenya Retail Sector Outlook 2024				
	Sentiment 2023	Sentiment 2024	2023 Outlook	2024 Outlook
Retail Space Supply	However notwithstanding, we anticipate a decline in the supply of malls in Kenya going forward as emphasis shifts towards convenience centers which are rapidly growing in popularity, owing to the convenience they offer. This is because they are situated closer to residential neighborhoods	Due to declining disposable incomes and a shift towards e-commerce, retailers are now more cautious about pursuing expansion plans. Consequently, there has been a noticeable decline in physical expansion efforts and the number of new entrants. Another observable trend in supply is that developers are either renovating or completely rebuilding existing buildings to increase space and meet current market needs. This is particularly evident in Nairobi's CBD With the aforementioned market shift, we anticipate a slower supply of retail spaces, particularly in malls in Kenya. Additionally, we expect a further move towards convenience centers "Mini Marts," which have been increasingly emerging in many residential areas	Positive	Neutral

Retail Sector Outlook

We expect retail demand to be driven by an expanding middle class in the country, which is increasing the demand for retail goods and services

	Sentiment 2023	Sentiment 2024	2023 Outlook	2024 Outlook
Retail Space Demand	We expect the demand for retail space to be fueled by the continued aggressive expansion drive by both local and international retailers such as Naivas, Quickmart, Chandarana, and Carrefour. This will assist cushion the overall demand and bolster the uptake of spaces in the sector. However, factors such as e-commerce stifling the demand for physical retail space, and the existing oversupply of retail space in the NMA and Kenyan retail sectors (excluding NMA) at approximately 3.3 mn and 2.1 mn SQFT respectively, are expected to weigh down the optimum uptake of physical retail space in the market	We expect retail demand to be driven by an expanding middle class in the country, which is increasing the demand for retail goods and services due to their higher propensity to spend on various commodities. Investors and developers are anticipated to align their strategies to tap into this market. However, factors such as the growth of e-commerce reducing the demand for physical retail space and the current oversupply of retail space of approximately 3.6 mn SQFT in the NMA and 1.9 mn SQFT in the broader Kenyan retail sector are expected to dampen the optimal 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 see increased market activity particularly in retail nodes within NMA

Retail Market Performance	Kenyan retail sector performance on overall improved, with the average rental yield coming in at 7.5% in 2023, 0.7%-points increase from 6.8% recorded in 2022. Similarly, the average rent per SQFT increased by 7.1% to Kshs 130 from Kshs 122 recorded in 2022, whereas the average occupancy rate also increased by 2.1% points to 79.4% from 77.3% in 2022. Nairobi Metropolitan Area was the best-performing region with an average rental yield of 8.2% in 2022, respectively	The sector posted an improvement, with the average rental yield coming in at 7.6% in 2024, a 0.1%-points increase from 7.5% recorded in 2023. The rent per SQFT also posted a 2.3% increase coming in at Kshs 133 from Kshs 130 recorded in 2023. Additionally, the average occupancy rate also increased by 1.6% points to 81.0% from 79.4% 2023. Nairobi Metropolitan Area was the best-performing region with an average rental yield of 7.9%, however, this was 0.3% points decline from 8.2% recorded in 2023 We expect the Kenyan retail segment to be supported by; i) expansion plans by food and beverage brands such as Java, KFC, and others as they seek to increase their market share, ii) Local and international retailers like Naivas, China Square, and Carrefour aiming to penetrate the Kenyan market and address changing consumer needs ,and, iii) improving investor confidence due to favorable economic indicators, such as lower inflation and the strengthening of the Kenyan Shilling against major currencies like the US dollar	Neutral	Neutral

Our outlook for the Kenya retail market remains NEUTRAL supported by by factors such as i) increased recognition of Nairobi as a shopping hub, ii) increased infrastructural development in the country opening up satellite towns for more investment opportunities, iii) a growing middle-class; creating demand for retail commodities, and iv) growth and expansion efforts by both local and international retailers. However; i) the continuous oversupply of retail space in the NMA and Kenyan retail sectors (excluding NMA) at approximately 3.6 mn and 1.9 mn SQFT respectively, ii) the rapid growth of e-commerce in the retail landscape, further projected to grow at a 6.7% CAGR (2023-2027), iii) reduction in disposable income among the Kenyan population, and iv) the current political uprising in the country might discourage investors; these factors are expected to impede the performance of the sector by limiting demand and uptake of spaces

Thank You!

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