

## Kenya Retail Report 2024, & Cytonn Weekly #29/2024

### Executive Summary:

**Fixed Income:** During the week, T-bills were undersubscribed for the first time in three weeks, with the overall undersubscription rate coming in at 87.4%, a reversal from the oversubscription rate of 137.3% recorded the previous week. Investors' preference for the shorter 91-day paper persisted, with the paper receiving bids worth Kshs 10.9 bn against the offered Kshs 4.0 bn, translating to an oversubscription rate of 272.1%, albeit lower than the oversubscription rate of 364.7% recorded the previous week. The subscription rates for the 182-day and 364-day papers decreased to 72.6% and 28.4% respectively from the 100.6% and 83.0% respectively, recorded the previous week. The government accepted a total of Kshs 18.7 bn worth of bids out of Kshs 21.0 bn bids received, translating to an acceptance rate of 89.3%. The yields on the government papers were on an upward trajectory, with the yields on the 364-day, 182-day, and 91-day papers increasing by 1.8 bps, 3.0 bps, and 2.6 bps to 16.90%, 16.85%, and 16.02% respectively from 16.88%, 16.82% and 16.00% respectively recorded the previous week;

Also, during the week, the Central Bank of Kenya released the auction results for the re-opened bond FXD1/2024/010 with a tenor to maturity of 9.7 years, and a fixed coupon rate of 16.0% and FXD1/2008/020 with a tenor to maturity of 3.9 years, and a fixed coupon rate of 13.8%. The bonds were undersubscribed with the overall undersubscription rate coming in at 48.9%, receiving bids worth Kshs 14.7 bn against the offered Kshs 30.0 bn. The government accepted bids worth Kshs 9.8 bn, translating to an acceptance rate of 66.5%. The weighted average yield of accepted bids for the FXD1/2024/010 and the FXD1/2008/020 came in at 16.6% and 18.3% respectively, which was slightly above our expectation of within a bidding range of 15.25% - 16.55% for the FXD1/2024/010 and 17.55% - 17.75% for the FXD1/2008/020. Notably, the FXD1/2024/010 registered an increase from the 16.4% registered when it was last re-opened in May 2024. With the Inflation rate at 4.6% as of June 2024, the real return of the FXD1/2024/010 and the FXD1/2008/020 is 12.0% and 13.9% respectively;

During the week, the Central Bank of Kenya (CBK) [released](#) the annual bank supervision report for FY'2023, highlighting that the banking sector registered a decrease in profitability during the year, with profit before tax decreasing by 8.8% to Kshs 219.2 bn in 2023 from the Kshs 240.4 bn recorded in 2022. The sector's capital and reserves increased by 6.8% to Kshs 980.2 bn in 2023, from Kshs 917.6 bn in 2022. The report also reviewed the various developments in the banking sector, including regulatory changes in the banking sector, macroeconomic conditions, and sector performance;

During the week, the National Treasury [gazetted](#) the revenue and net expenditures for the twelfth and final month of FY'2023/2024, ending 30<sup>th</sup> June 2024, highlighting that the total revenue collected as at the end of June 2024 amounted to Kshs 2,293.0 bn, equivalent to 93.2% of the revised estimates of Kshs 2,461.0 bn for FY'2023/2024;

**Equities:** During the week, the equities market recorded a mixed performance, with NSE 20 gaining by 0.3% while NASI declined the most by 1.3%. NSE 25 and NSE 10 both declined by 0.8% respectively, taking the YTD performance to gains of 23.7%, 20.9%, 18.1%, and 12.8% for NSE 10, NSE 25, NASI, and NSE 20 respectively. The equities market performance was driven by losses recorded by large-cap stocks such as Safaricom, Equity, and Standard Chartered Bank of Kenya of 3.8%, 1.6%, and 0.9% respectively. The performance was however supported by gains recorded by large-cap stocks such as EABL, BAT, and Stanbic Bank of 3.3%, 1.5%, and 0.9% respectively;

**Real Estate:** During the week, the Central Bank of Kenya (CBK) released [The Bank Supervision Annual Report 2023](#) which indicated that; in 2023, the number of mortgage accounts increased by 2,229, representing an 8.0 % increase to 30,015 from the 27,786 recorded in 2022. Additionally, the value of outstanding Non-Performing Mortgage Loans increased by [7.9%](#) to Kshs 40.8 bn in 2023 from Kshs 37.8 bn in 2022;

On the [Unquoted Securities Platform](#), Acorn D-REIT and I-REIT traded at Kshs 24.5 and Kshs 22.0 per unit, respectively, as per the last updated data on 19th July, 2024. The performance represented a 22.5% and 10.0% gain for the D-REIT and I-REIT, respectively, from the Kshs 20.0 inception price. Additionally, ILAM Fahari I-REIT traded at Kshs 11.0 0 per share as of 12th July, 2024, representing a 45.0% loss from the Kshs 20.0 inception price. The volume traded to date came in at 138,600 for the I-REIT, with a turnover of Kshs 1.5 mn since inception in November 2015;

**Focus of the Week:** This week, we update our Kenya Retail Report 2023 with the Kenya Retail Report 2024 themed *“Resilient and Evolving Retail Landscape”*, in which we discuss the progress and performance of the Kenyan retail sector. This will be based on research that was conducted on nine nodes within the Nairobi Metropolitan Area (NMA), in addition to other key urban cities in Kenya including Kisumu, Nakuru, Mombasa, Eldoret, and the Mount Kenya Region. Based on this, we shall identify the market performance in terms of rents, occupancy rates, and rental yields, while updating on the key factors in the market driving their performance. According to the report, the Kenyan retail sector displayed a stable overall performance, with the average rental yield coming in at 7.6% in 2024, 0.1% points increase from 7.5% recorded in 2023. The average occupancy rate increased by 1.6% points, reaching 81.0% in 2024 from 79.4% in 2023, mainly driven by the rapid expansion of both local and international retailers;

#### **Investment Updates:**

- Weekly Rates:
  - Cytonn Money Market Fund closed the week at a yield of 18.30% 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 Monday, from 10:00 am to 12:00 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](mailto:wmt@cytonn.com);
- Cytonn Insurance Agency acts as an intermediary for those looking to secure their assets and loved ones’ future through insurance namely; Motor, Medical, Life, Property, WIBA, Credit and Fire and Burglary insurance covers. For assistance, get in touch with us through [insuranceagency@cytonn.com](mailto:insuranceagency@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](mailto:pensions@cytonn.com);

#### **Real Estate Updates:**

- For more information on Cytonn’s real estate developments, email us at [sales@cytonn.com](mailto:sales@cytonn.com);
- Phase 3 of The Alma is now ready for occupation and the show house is open daily. To join the waiting list to rent, please email [properties@cytonn.com](mailto:properties@cytonn.com);
- For Third Party Real Estate Consultancy Services, email us at [rdo@cytonn.com](mailto:rdo@cytonn.com);
- For recent news about the group, see our news section [here](#);

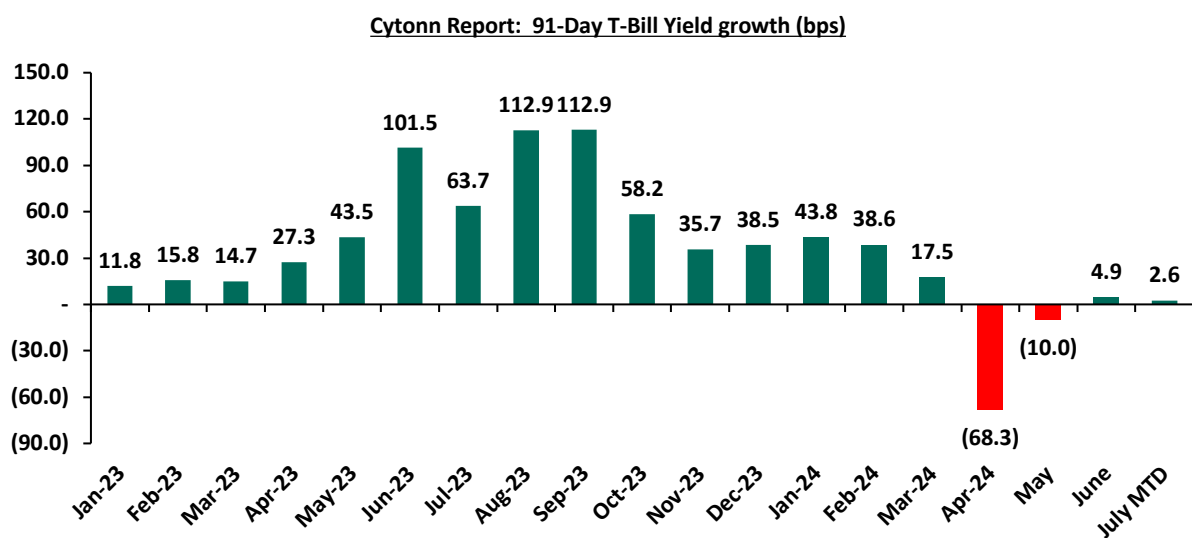
#### **Hospitality Updates:**

- We currently have promotions for Staycations. Visit [cysuites.com/offers](https://cysuites.com/offers) for details or email us at [sales@cysuites.com](mailto:sales@cysuites.com);

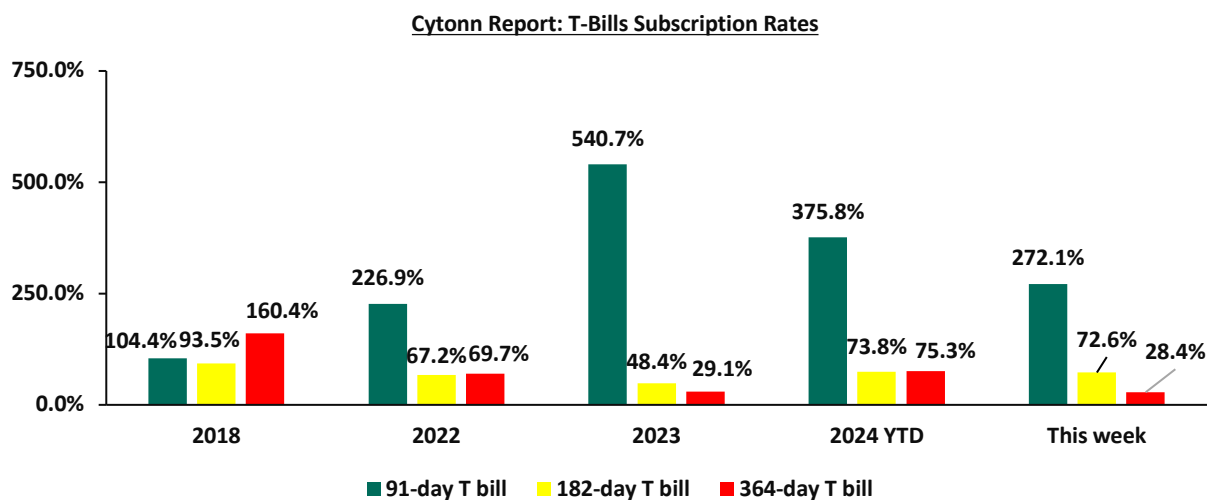
#### **Fixed Income**

#### **Money Markets, T-Bills Primary Auction:**

During the week, T-bills were undersubscribed for the first time in three weeks, with the overall undersubscription rate coming in at 87.4%, a reversal from the oversubscription rate of 137.3% recorded the previous week. Investors' preference for the shorter 91-day paper persisted, with the paper receiving bids worth Kshs 10.9 bn against the offered Kshs 4.0 bn, translating to an oversubscription rate of 272.1%, albeit lower than the oversubscription rate of 364.7% recorded the previous week. The subscription rates for the 182-day and 364-day papers decreased to 72.6% and 28.4% respectively from the 100.6% and 83.0% respectively, recorded the previous week. The government accepted a total of Kshs 18.7 bn worth of bids out of Kshs 21.0 bn bids received, translating to an acceptance rate of 89.3%. The yields on the government papers were on an upward trajectory, with the yields on the 364-day, 182-day, and 91-day papers increasing by 1.8 bps, 3.0 bps, and 2.6 bps to 16.90%, 16.85%, and 16.02% respectively from 16.88%, 16.82% and 16.00% respectively recorded the previous week. The chart below shows the yield growth rate for the 91-day paper over the period:

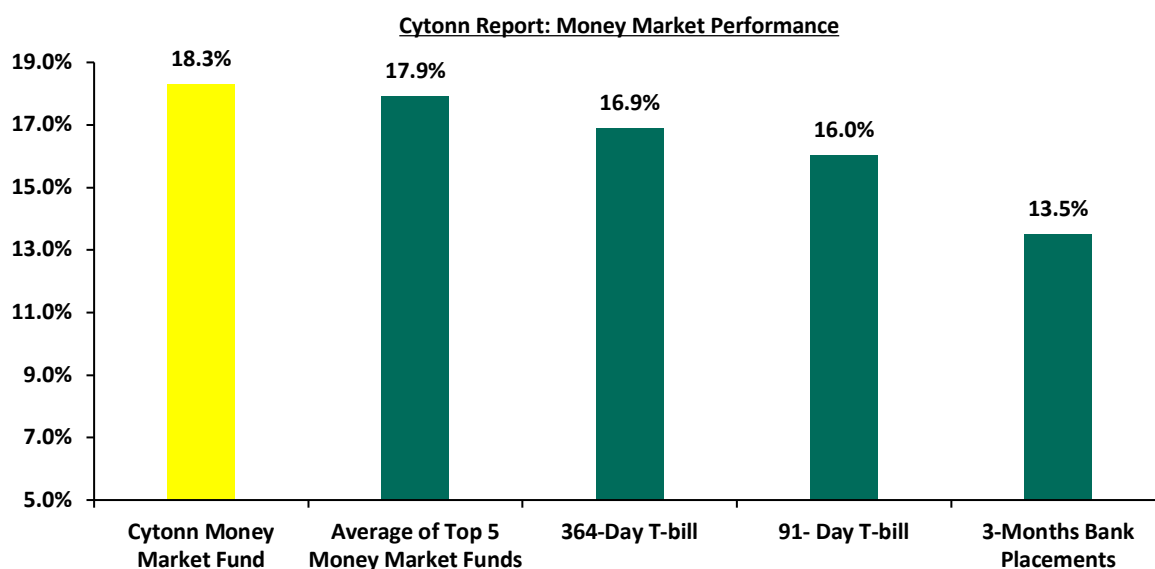


The chart below compares the overall average T-bill subscription rates obtained in 2018, 2022, 2023, and 2024 Year-to-date (YTD):



**Money Market Performance:**

In the money markets, 3-month bank placements ended the week at 13.5% (based on what we have been offered by various banks), and the yields on the government papers were on an upward trajectory, with the yields on the 364-day and 91-day papers increasing by 1.8 bps and 2.6 bps to remain relatively unchanged at the 16.9% and 16.0% respectively recorded the previous week. The yields on the Cytonn Money Market Fund decreased marginally by 3.0 bps to close the week at 18.3% remaining relatively unchanged from last week, while the average yields on the Top 5 Money Market Funds increased by 2.4 bps to remain relatively unchanged at 17.9% recorded the previous week.



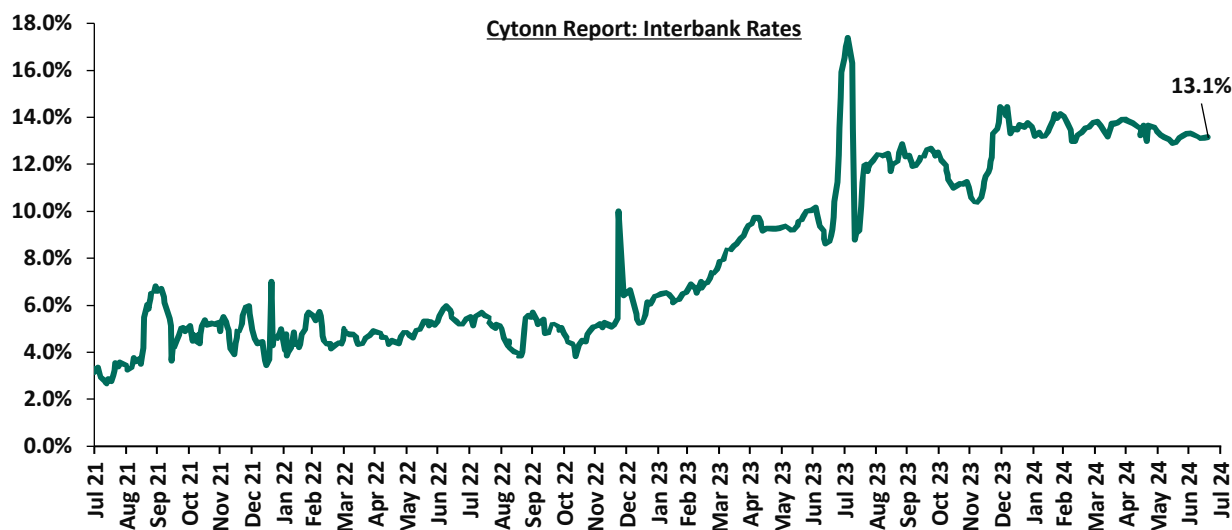
The table below shows the Money Market Fund Yields for Kenyan Fund Managers as published on 19<sup>th</sup> July 2024:

Cytonn Report: Money Market Fund Yield for Fund Managers as published on 19 <sup>th</sup> July 2024		
Rank	Fund Manager	Effective Annual Rate
1	Etica Money Market Fund	18.3%
2	Cytonn Money Market Fund (Dial *809# or download the Cytonn app)	18.3%
3	Lofty-Corban Money Market Fund	18.3%
4	Kuza Money Market fund	17.5%
5	Arvocap Money Market Fund	17.1%
6	GenAfrica Money Market Fund	16.6%
7	GenCap Hela Imara Money Market Fund	16.4%
8	Nabo Africa Money Market Fund	16.2%
9	Enwealth Money Market Fund	15.9%
10	Jubilee Money Market Fund	15.7%
11	KCB Money Market Fund	15.7%
12	Mayfair Money Market Fund	15.6%
13	Apollo Money Market Fund	15.6%
14	Co-op Money Market Fund	15.5%
15	Madison Money Market Fund	15.4%
16	Sanlam Money Market Fund	15.3%
17	Mali Money Market Fund	15.2%
18	AA Kenya Shillings Fund	15.1%
19	Absa Shilling Money Market Fund	15.0%
20	Orient Kasha Money Market Fund	14.7%
21	Dry Associates Money Market Fund	14.0%
22	Equity Money Market Fund	13.8%
23	Old Mutual Money Market Fund	13.6%
24	British-American Money Market Fund	13.5%
25	CIC Money Market Fund	13.5%
26	ICEA Lion Money Market Fund	12.4%

Source: Business Daily

### Liquidity:

During the week, liquidity in the money markets marginally eased, with the average interbank rate decreasing by 0.4 bps, to 13.1% from the 13.2% recorded the previous week, partly attributable to government payments that offset tax remittances. The average interbank volumes traded decreased by 29.9% to Kshs 26.9 bn from Kshs 38.4 bn recorded the previous week. The chart below shows the interbank rates in the market over the years:



### Kenya Eurobonds:

During the week, the yields on Eurobonds recorded mixed performances, with the yields on the 10-year Eurobond issued in 2018 increasing the most by 48.3 bps to 10.2% from 9.7% recorded the previous week, while the 30-year Eurobond issued in 2016 decreased by 14.1 bps to 10.5% from the 10.6% recorded the previous week. The table below shows the summary of the performance of the Kenyan Eurobonds as of 19<sup>th</sup> July 2024;

Cyttonn Report: Kenya Eurobonds Performance						
	2018		2019		2021	2024
Tenor	10-year issue	30-year issue	7-year issue	12-year issue	13-year issue	7-year issue
Amount Issued (USD)	1.0 bn	1.0 bn	0.9 bn	1.2 bn	1.0 bn	1.5 bn
Years to Maturity	3.7	23.7	2.9	7.9	10.0	6.7
Yields at Issue	7.3%	8.3%	7.0%	7.9%	6.2%	10.4%
1-Jan-24	9.8%	10.2%	10.1%	9.9%	9.5%	
1-Jul-24	10.6%	11.1%	10.3%	11.0%	11.0%	11.1%
11-Jul-24	9.7%	10.6%	8.5%	10.1%	10.2%	10.3%
12-Jul-24	9.8%	10.3%	8.6%	10.2%	10.3%	10.4%
15-Jul-24	9.8%	10.3%	8.6%	10.2%	10.3%	10.4%
16-Jul-24	9.9%	10.3%	8.7%	10.3%	10.3%	10.4%
17-Jul-24	10.1%	10.4%	8.8%	10.3%	10.4%	10.5%
18-Jul-24	10.2%	10.5%	8.9%	10.4%	10.5%	10.6%
Weekly Change	0.5%	(0.1%)	0.4%	0.3%	0.3%	0.3%
MTD Change	(0.4%)	(0.6%)	(1.4%)	(0.6%)	(0.5%)	(0.5%)
YTD Change	0.4%	0.3%	(1.2%)	0.5%	1.0%	-

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

### Kenya Shilling:

During the week, the Kenya Shilling depreciated against the US Dollar by 0.9%, to close at Kshs 130.5, from Kshs 129.3 recorded the previous week. On a year-to-date basis, the shilling has appreciated by 16.9% against the dollar, a contrast to the 26.8% depreciation recorded in 2023.

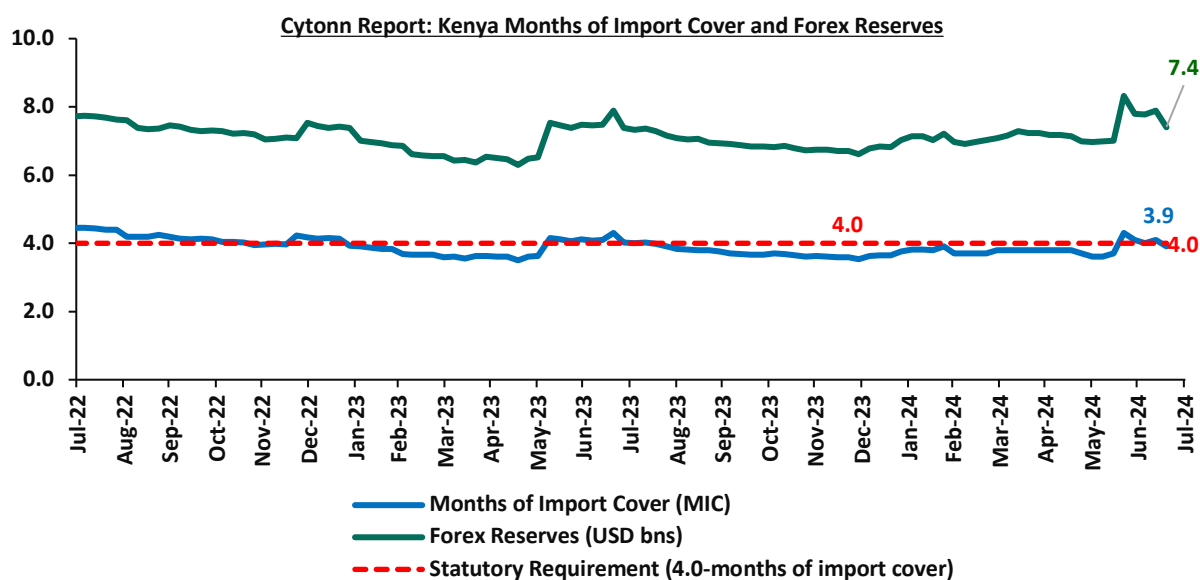
We expect the shilling to be supported by:

- i. Diaspora remittances standing at a cumulative USD 4,535.0 mn in the 12 months to June 2024, 12.9% higher than the USD 4,017.0 mn recorded over the same period in 2023, which has continued to cushion the shilling against further depreciation. In the June 2024 diaspora remittances figures, the US remained the largest source of remittances to Kenya accounting for 54.0% in the period,
- ii. The tourism inflow receipts which came in at USD 352.5 bn in 2023, a 31.5% increase from USD 268.1 bn inflow receipts recorded in 2022, and owing to tourist arrivals that improved by 27.2% to 2.1 mn in the 12 months to March 2024, from 1.6 mn recorded during a similar period in 2023, and,
- iii. Forex reserves currently at USD 7.4 bn (equivalent to 3.9-months of import cover), which is below the statutory requirement of maintaining at least 4.0-months of import cover, and also lower than EAC region’s convergence criteria of 4.5-months of import cover.

The shilling is however expected to remain under pressure in 2024 as a result of:

- i. An ever-present current account deficit which came at 3.2% of GDP in Q1’2024 from 3.0% recorded in Q1’2023, and,
- ii. The need for government debt servicing, continues to put pressure on forex reserves given that 67.3% of Kenya’s external debt is US Dollar-denominated as of December 2023.

Key to note, Kenya’s forex reserves decreased by 6.2% during the week to USD 7.4 bn, from the USD 7.9 bn recorded the previous week, equivalent to 3.9 months of import cover, a decrease from the 4.0 months recorded the previous week, and below the statutory requirement of maintaining at least 4.0-months of import cover. The chart below summarizes the evolution of Kenya’s months of import cover over the years:



## Weekly Highlights

### I. Central Bank of Kenya Annual Bank Supervision Report

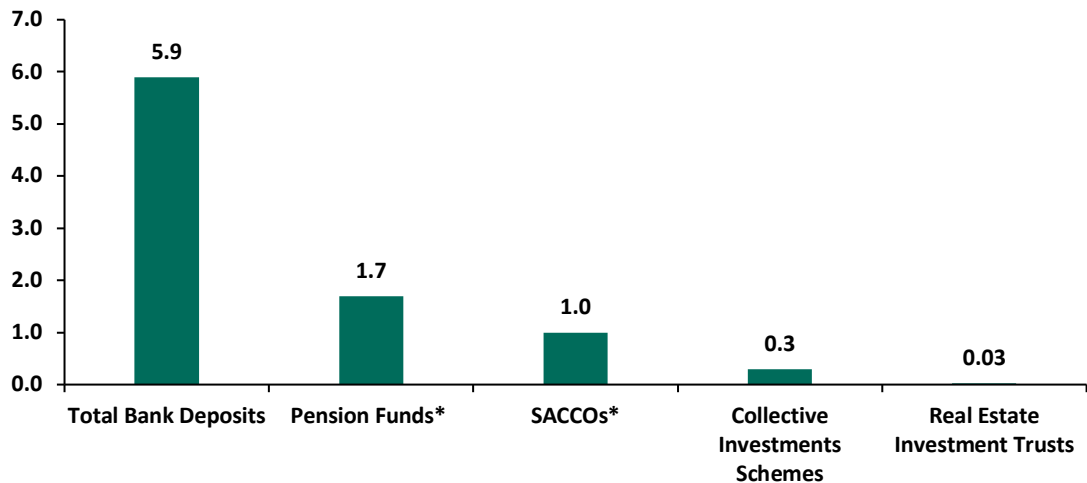
During the week, the Central Bank of Kenya (CBK) [released](#) the annual bank supervision report for FY’2023, highlighting that the banking sector registered a decrease in profitability during the year, with profit before tax (PAT) decreasing by 8.8% to Kshs 219.2 bn in 2023 from the Kshs 240.4 bn recorded in 2022. The sector’s capital and reserves increased by 6.8% to Kshs 980.2 bn in 2023, from Kshs 917.6 bn in 2022. The report

also reviewed the various developments in the banking sector, including regulatory changes in the banking sector, macroeconomic conditions, and sector performance.

Here are some key take-outs from the report:

- i. As of December 2023, the Kenyan banking sector comprised 38 commercial banks, 1 Mortgage Refinance Company, 10 Representative Offices of foreign banks, 14 Microfinance Banks (MFBs), 3 Credit Reference Bureaus (CRBs), 23 Money Remittance Providers (MRPs), 8 non-operating bank holding companies, 32 Digital Credit Providers (DCPs) and 74 foreign exchange (forex) bureaus. The number of bank branches increased by 2.4% to 1,511 branches in 2023 from 1,475 branches in 2022,
- ii. The banking sector's capital and reserves increased by 6.8% to Kshs 980.2 bn in 2023, from Kshs 917.6 bn in 2022, attributable to additional capital injections by commercial banks as well as retained earnings from the profits realized during the year. The sector registered a decrease in profitability with Profit Before Tax (PAT) decreasing by 8.8% to Kshs 219.2 bn in 2023 from the Kshs 240.4 bn recorded in 2022,
- iii. The total net assets in the banking sector recorded a 16.7% growth to Kshs 7.7 tn in 2023, compared to Kshs 6.6 tn in 2022. There were 20 operating local private commercial banks and 2 operating local public commercial banks, which accounted for 69.2% and 0.4% of total net assets respectively. A total of 17 operating commercial banks were foreign owned and accounted for 30.3% of the sector's assets. There were 9 large banks with a combined market share of 76.6%, 8 medium banks with a combined market share of 15.0% and 22 small banks with a combined market share of 8.4%, this classification was done based on an index that combined net assets, total deposits, capital and reserves, number of deposit accounts and number of loan accounts,
- iv. The number of Automated Teller Machines (ATMs) decreased by 0.8% to 2,282 in December 2023, from 2,301 in December 2022. This decline was attributable to increased adoption of agency, mobile, and digital banking in the banking industry,
- v. The microfinance sector registered an 8.8% decline in total assets to Kshs 64.2 bn in 2023 from the Kshs 70.4 bn reported in 2022. Net advances decreased by 4.7% to Kshs 37.5 bn in 2023 from Kshs 39.3 bn in 2022. The decline in loans was attributed to continued competition from commercial banks and other credit providers. Total deposits decreased by 5.7% to Kshs 43.9 bn in 2023 from Kshs 46.5 bn in 2022. The decline in deposits was attributed to the transfer of funds to alternative attractive investments due to the overall increase in interest rates. Customer deposits and borrowings were the main sources of funding, accounting for 68.0% and 14.0% of the microfinance banks' total funding sources. The chart below shows the current deposits for various saving channels and capital markets products, indicating that banks still tower these other channels;

**Cytonn Report: Total Sector Size as of December 2023 (Kshs tn)**



- vi. The total count of active mobile subscriptions rose by 1.7% to 66.8 mn in 2023 from 65.7 mn in 2022. This growth represents an increase of 1.1 mn new mobile subscribers. The number of active mobile money agents marginally increased by 2.7% to 327,162 from 318,607 in 2022. Consequently, this resulted in a 13.8% increase in the value of transactions to a record Kshs 788.4 bn in 2023 from Kshs 708.1 bn in 2022,
- vii. The subsidiaries of Kenyan banks recorded a 43.2% increase in total assets to Kshs 2,315.0 bn in 2023 from Kshs 1,617.0 bn in 2022. A significant contributor to the asset base was Equity Group Plc’s subsidiary in DRC, Banque Commerciale Du Congo-BCDC with total assets of Kshs 622.0 bn, and KCB Groups Plc’s subsidiary in DRC, Trust Merchant Bank with a total asset base of Kshs 288.0 bn. The combined gross loans for the subsidiaries in the host countries increased by 52.2% to Kshs 1,105.0 bn in 2023 from Kshs 725.8 bn in 2022. The Kenyan banks subsidiaries operating in DRC recorded the highest level of gross loans at Kshs 402.0 bn accounting for 36.4% of gross loans in all the subsidiaries outside Kenya,
- viii. The regional subsidiaries profit before tax recorded a 103.4% increase to Kshs 66.1 bn in 2023 from Kshs 32.5 bn in 2022. DRC contributed to the highest earning capacity recording Kshs 30.0 bn in profit, translating to 45.5% of the total profits. Subsidiaries operating in Rwanda and Uganda contributed 20.9% and 13.5% of the total profits respectively while subsidiaries in Tanzania contributed 8.5% of the total profits, and,
- ix. On regulatory changes, the Central bank announced plans to strengthen banking sector liquidity by issuance of an Internal Liquidity Assessment Process (ILAAP) Guidance Note. In the plan, the regulator intends to review the capital adequacy requirements from the current Kshs 1.0 bn to Kshs 10 bn over the next three years. Additionally, to strengthen its Anti-Money Laundering and Combating the Financing of Terrorism and Proliferation Financing (AML/CFT/PF) framework, the CBK in 2023 brought amendments to the AML/CFT/PF legal framework, enhancing the risk-based AML/CFT/PF supervisory framework and building capacity including of regulated institutions. The regulator also announced its intention to develop a green finance taxonomy as part of its second-generation reforms on climate-related risk management which will support the identification of eligible green finance initiatives.

Going forward, we expect the banking sector to remain resilient, majorly on the back of recovering local, regional, and global economies, following tough periods in the past years. We expect the sector to be supported by regulatory changes and support around sustainable reforms in the banking sector, the new liquidity assessment process, and strengthened anti-money laundering regulations. Additionally, given the



announcement by the Central Bank to raise the minimum capital requirement for banks from the current Kshs 1.0 bn to Kshs 10.0 bn over the next three years, we expect several mergers and capital injections into the sector, with only 14 out of the 39 banks as of December 2023 having the required Kshs 10.0 bn.

## II. Exchequer Release June 2024

The National Treasury [gazetted](#) the revenue and net expenditures for the twelfth and final month of FY'2023/2024, ending 30<sup>th</sup> June 2024. Below is a summary of the performance:

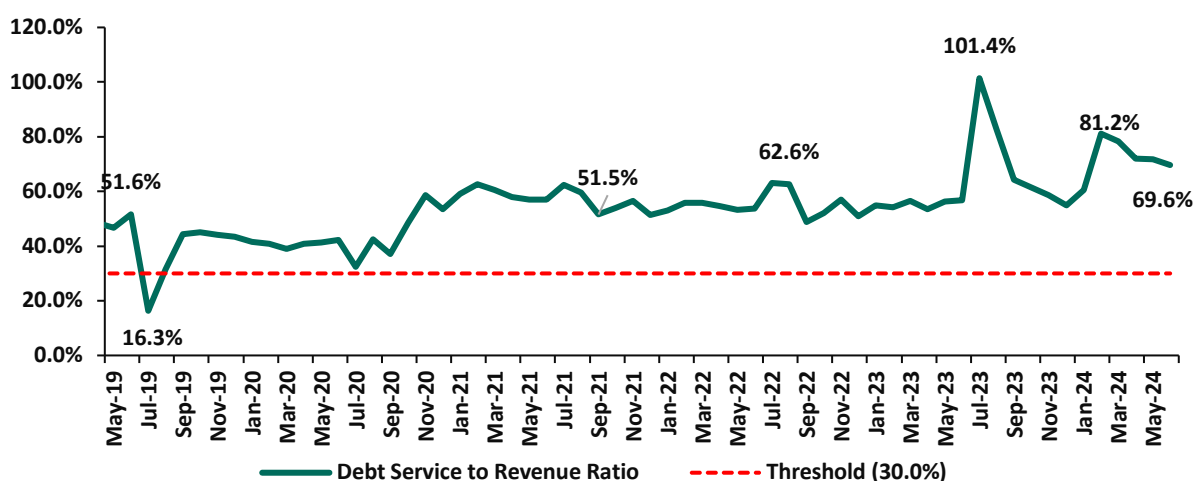
FY'2023/2024 Budget Outturn - As at 30th June 2024							
Amounts in Kshs billions unless stated otherwise							
Item	12-months Original Estimates	Revised Estimates I	Revised Estimates II	Actual Receipts/Release	Percentage Achieved of the Revised Estimates	Prorated	% achieved of the Prorated
Opening Balance				2.6			
Tax Revenue	2,495.8	2,495.83	2,251.9	2,161.1	96.0%	2,251.9	96.0%
Non-Tax Revenue	75.3	80.9	209.1	129.3	61.8%	209.1	61.8%
<b>Total Revenue</b>	<b>2,571.2</b>	<b>2,576.8</b>	<b>2,461.0</b>	<b>2,293.0</b>	<b>93.2%</b>	<b>2,461.0</b>	<b>93.2%</b>
External Loans & Grants	870.2	849.8	747.6	705.7	94.4%	747.6	94.4%
Domestic Borrowings	688.2	851.9	1,052.1	795.0	75.6%	1,052.1	75.6%
Other Domestic Financing	3.2	3.2	3.3	3.5	108.5%	3.3	108.5%
<b>Total Financing</b>	<b>1,561.6</b>	<b>1,704.9</b>	<b>1,802.9</b>	<b>1,504.3</b>	<b>83.4%</b>	<b>1,802.9</b>	<b>83.4%</b>
Recurrent Exchequer issues	1,302.8	1,360.1	1,435.0	1,360.1	94.8%	1,435.0	94.8%
CFS Exchequer Issues	1,963.7	2,078.8	1,991.5	1,766.4	88.7%	1,991.5	88.7%
Development Expenditure & Net Lending	480.8	457.2	452.1	315.1	69.7%	452.1	69.7%
County Governments + Contingencies	385.4	385.4	385.4	354.6	92.0%	385.4	92.0%
<b>Total Expenditure</b>	<b>4,132.7</b>	<b>4,281.6</b>	<b>4,263.9</b>	<b>3,796.1</b>	<b>89.0%</b>	<b>4,263.9</b>	<b>89.0%</b>
<b>Fiscal Deficit excluding Grants</b>	<b>1,561.6</b>	<b>1,704.9</b>	<b>1,802.9</b>	<b>1,503.1</b>	<b>83.4%</b>	<b>1,802.9</b>	<b>83.4%</b>
<b>Total Borrowing</b>	<b>1,558.4</b>	<b>1,701.7</b>	<b>1,799.7</b>	<b>1,500.7</b>	<b>83.4%</b>	<b>1,799.7</b>	<b>83.4%</b>

Amounts in Kshs bns unless stated otherwise

The Key take-outs from the release include;

- Total revenue collected as at the end of June 2024 amounted to Kshs 2,293.0 bn, equivalent to 93.2% of the revised estimates of Kshs 2,461.0 bn for FY'2023/2024,
- Total financing amounted to Kshs 1,504.3 bn, equivalent to 83.4% of the revised estimates of Kshs 1,802.9 bn. Additionally, domestic borrowing amounted to Kshs 795.0 bn, equivalent to 75.6% of the revised estimates of Kshs 1,052.1 bn,
- The total expenditure amounted to Kshs 3,796.1 bn, equivalent to 89.0% of the revised estimates of Kshs 4,263.9 bn. Additionally, the net disbursements to recurrent expenditures came in at Kshs 1,360.1 bn, equivalent to 94.8% of the revised estimates of Kshs 1,435.0,
- Consolidated Fund Services (CFS) Exchequer issues came in at Kshs 1,766.4 bn, equivalent to 88.7% of the revised estimates of Kshs 1,991.5 bn. The cumulative public debt servicing cost amounted to Kshs 1,596.6 bn which is 89.6% of the revised estimates of Kshs 1,866.0 bn. Additionally, the Kshs 1,596.6 bn debt servicing cost is equivalent to 69.6% of the actual revenues collected as at the end of June 2024. The chart below shows the debt serving to revenue ratio;

### Cytonn Report: Debt Service to Revenue Ratio



- e. Total Borrowings as at the end of June 2024 amounted to Kshs 1,500.7 bn, equivalent to 83.4% of the revised estimates of Kshs 1,799.7 bn for FY'2023/2024. The cumulative domestic borrowing of Kshs 1,052.1 bn comprises of Net Domestic Borrowing Kshs 662.4 bn and Internal Debt Redemptions (Rollovers) Kshs 389.7 bn.

The government has been unable to meet its prorated revenue targets for the twelve months of the FY'2023/2024, attaining 93.2% of the revenue targets in June 2024, mainly on the back of the tough economic situation exacerbated by the inflationary pressures which decreased by 0.5% points in May to 4.6% from the 5.1% recorded in May, cost of living remains elevated in the country, which continues to impede revenue collection given the deterioration in business environment with the PMI coming in at 47.2, below the 50.0 neutral, down from 51.8 in May 2024,. In light of this, the government is yet to fully benefit from the strategies put in place to improve revenue collection such as expanding the revenue base and sealing tax leakages, and suspension of tax relief payments. The coming months' revenue collection performance will largely depend on how quickly the country's business climate stabilizes. This stabilization is expected to be aided by the ongoing appreciation of the Shilling, which gained by 0.7% against the dollar in the month of June, and a further ease in inflationary pressures in the country.

**Rates in the Fixed Income market have been on an upward trend given the continued high demand for cash by the government and the occasional liquidity tightness in the money market. The government is 88.2% ahead of its prorated net domestic borrowing target of Kshs 15.2 bn, having a net borrowing position of Kshs 28.6 bn. However, we expect a downward readjustment of the yield curve in the short and medium term, with the government looking to increase its external borrowing to maintain the fiscal surplus, hence alleviating pressure in the domestic market. As such, we expect the yield curve to normalize in the medium to long-term and hence investors are expected to shift towards the long-term papers to lock in the high returns.**

### Equities

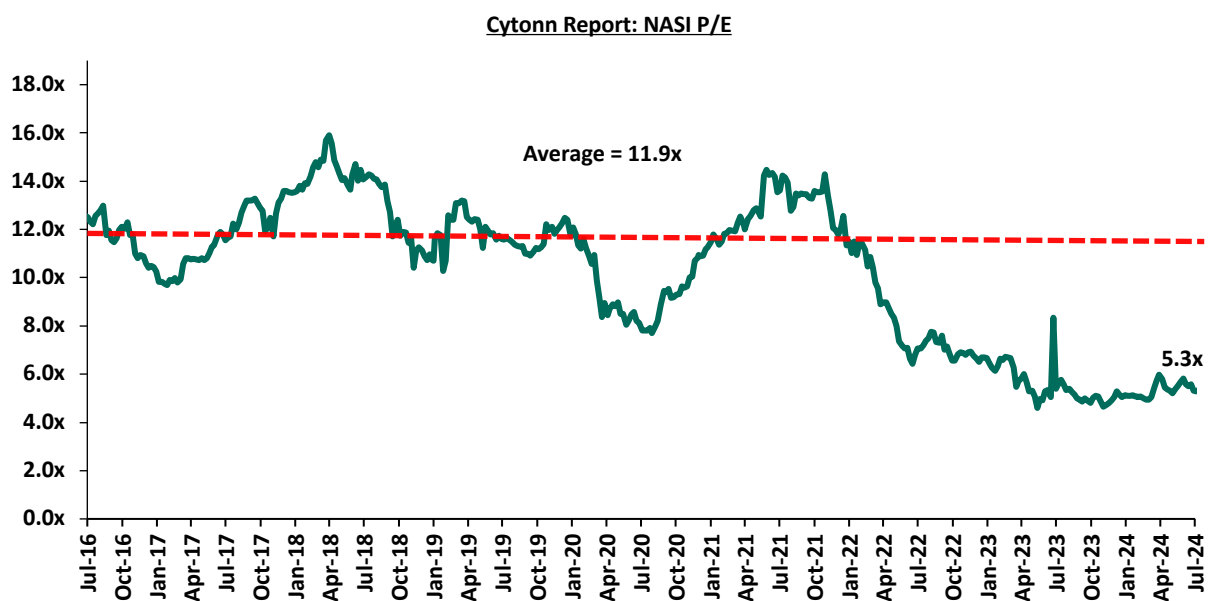
#### Market Performance:

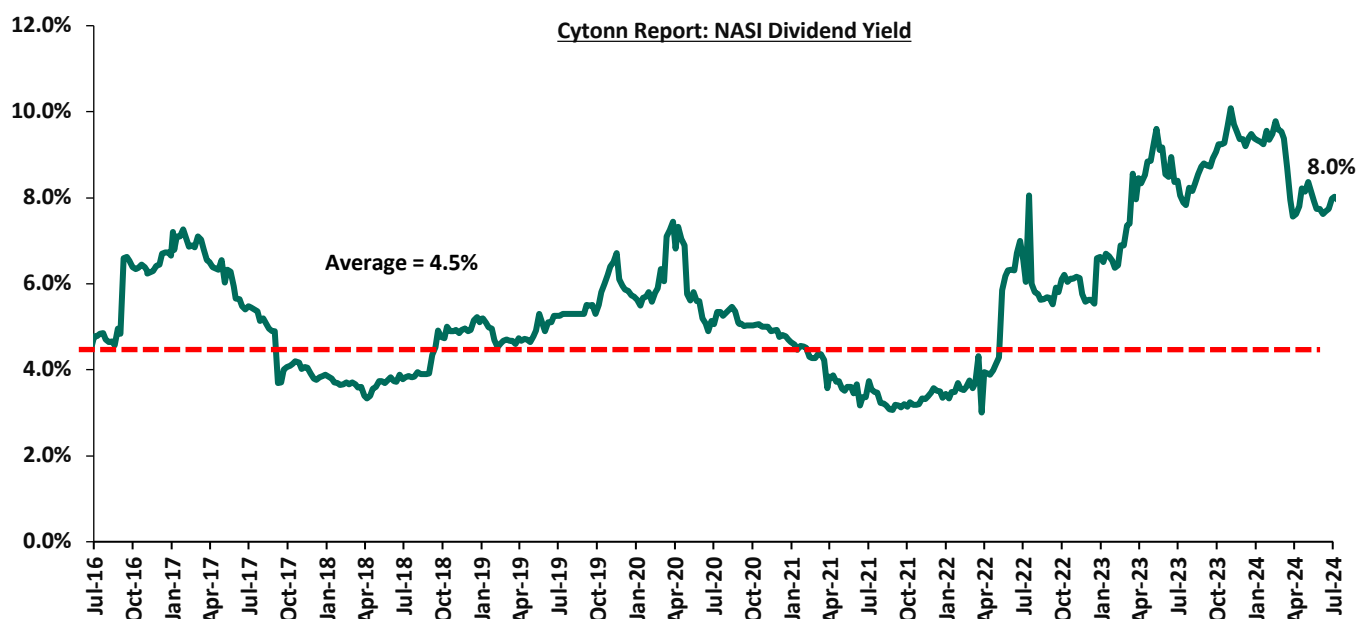
During the week, the equities market recorded a mixed performance, with NSE 20 gaining by 0.3% while NASI declined the most by 1.3%. NSE 25 and NSE 10 both declined by 0.8% respectively, taking the YTD performance to gains of 23.7%, 20.9%, 18.1%, and 12.8% for NSE 10, NSE 25, NASI, and NSE 20 respectively. The equities market performance was driven by losses recorded by large-cap stocks such as Safaricom, Equity, and Standard Chartered Bank of Kenya of 3.8%, 1.6%, and 0.9% respectively. The performance was

however supported by gains recorded by large-cap stocks such as EABL, BAT, and Stanbic Bank of 3.3%, 1.5%, and 0.9% respectively;

During the week, equities turnover increased by 10.5% to USD 9.7 mn from USD 8.7 mn recorded the previous week, taking the YTD total turnover to USD 374.2 mn. Foreign investors remained net sellers with a net selling position of USD 0.9 mn, from a net selling position of USD 0.2 mn recorded the previous week, taking the YTD foreign net buying position to USD 6.1 mn.

The market is currently trading at a price-to-earnings ratio (P/E) of 5.3x, 55.3% below the historical average of 11.9x. The dividend yield stands at 8.0%, 3.5 points above the historical average of 4.5%. Key to note, NASI's PEG ratio currently stands at 0.7x, an indication that the market is undervalued relative to its future growth. A PEG ratio greater than 1.0x indicates the market is 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:**

Cytonn Report: Equities Universe of Coverage										
Company	Price as at 12/07/2024	Price as at 19/07/2024	w/w change	YTD Change	Year Open 2024	Target Price*	Dividend Yield	Upside/Downside*	P/TBv Multiple	Recommendation
Jubilee Holdings	176.3	169.8	(3.7%)	(8.2%)	185.0	260.7	8.4%	62.0%	0.3x	Buy
Diamond Trust Bank***	46.5	46.5	0.0%	3.8%	44.8	65.2	10.8%	51.1%	0.2x	Buy
Equity Group***	43.3	42.6	(1.6%)	26.6%	34.2	60.2	9.4%	50.7%	0.9x	Buy
NCBA***	41.2	40.9	(0.8%)	6.0%	38.9	55.2	11.6%	46.8%	0.8x	Buy
Co-op Bank***	13.0	13.0	0.0%	14.1%	11.4	17.2	11.6%	44.4%	0.6x	Buy
Stanbic Holdings	115.0	116.0	0.9%	8.5%	106.0	145.3	13.2%	38.5%	0.8x	Buy
KCB Group***	34.2	34.0	(0.4%)	55.6%	22.0	46.7	0.0%	37.2%	0.5x	Buy
Britam	5.7	5.5	(2.8%)	10.5%	5.1	7.5	0.0%	35.9%	0.8x	Buy
ABSA Bank***	13.9	14.0	0.7%	20.3%	11.6	17.3	11.1%	34.6%	1.1x	Buy
CIC Group	2.2	2.2	(1.8%)	(2.6%)	2.3	2.8	5.9%	33.8%	0.7x	Buy
I&M Group***	21.7	21.5	(0.9%)	24.4%	17.5	25.5	11.9%	30.5%	0.4x	Buy

Target Price as per Cytonn Analyst estimates  
 \*\*Upside/ (Downside) is adjusted for Dividend Yield  
 \*\*\*For Disclosure, these are stocks in which Cytonn and/or its affiliates are invested in

*We are "Neutral" on the Equities markets in the short term due to the current tough operating environment and huge foreign investor outflows, and, "Bullish" in the long term due to current cheap valuations and expected global and local economic recovery. With the market currently being undervalued for its future growth (PEG Ratio at 0.7x), we believe that investors should reposition towards value stocks with strong earnings growth and that are trading at discounts to their intrinsic value. We expect the current high foreign investors' sell-offs to continue weighing down the equities outlook in the short term.*

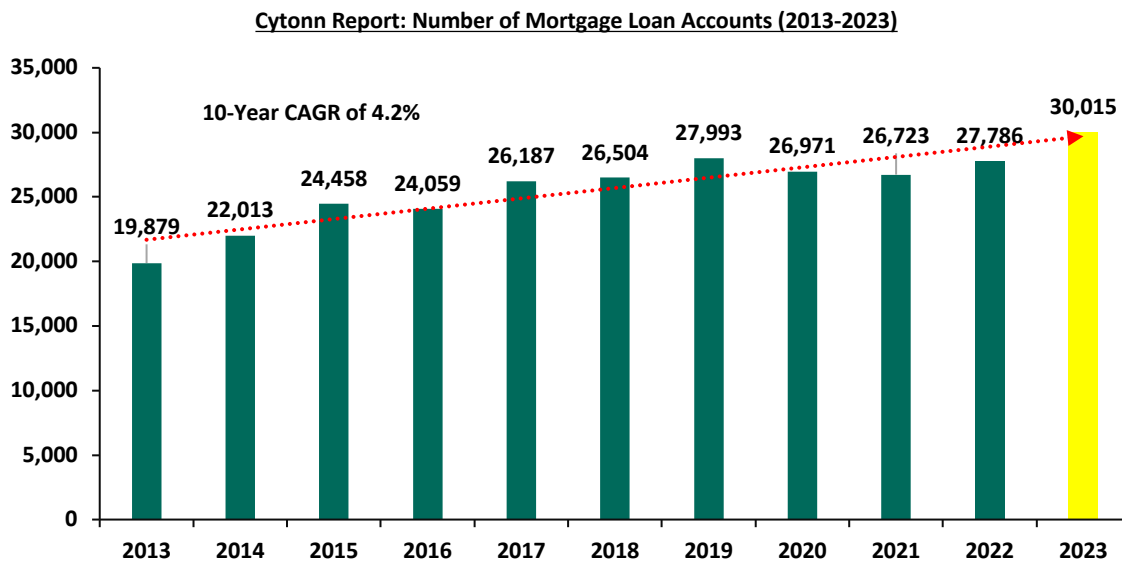
**Real Estate**

## I. Industry Report

During the week, the Central Bank of Kenya (CBK) released [The Bank Supervision Annual Report 2023](#). Below are the key take-outs related to the Kenyan Residential Mortgage Market;

### i. Mortgage Accounts

In 2023, the number of mortgage accounts increased by 2,229, representing an 8.0% increase to 30,015 from the 27,786 recorded in 2022. The average number of loan accounts has recorded a 10-year Compounded Annual Growth Rate (CAGR) of 4.2%, indicating growing demand for homeownership among Kenyans, driven by the expanding middle class and the continuous increase in population and urbanization rates. The chart below shows the average mortgage loan accounts from 2013 to 2023;

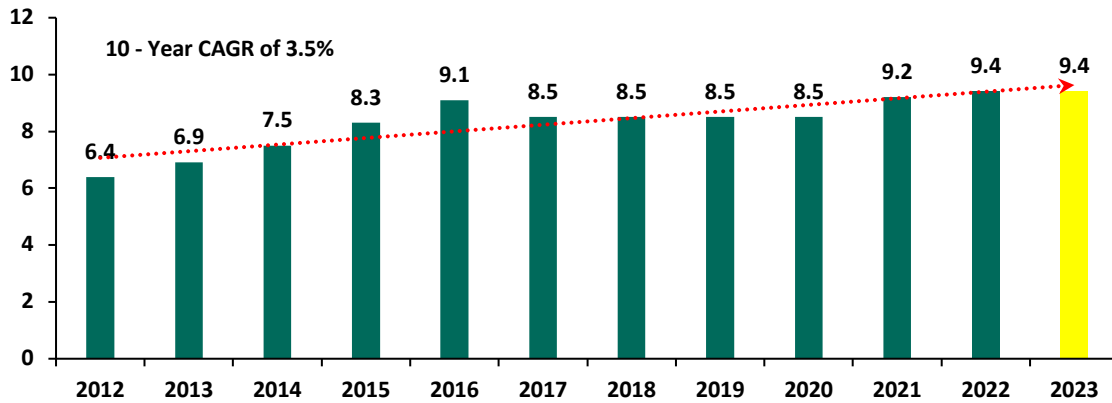


Source: Central Bank of Kenya

### ii. Loan Size

In FY'2023, the average mortgage loan size remained stable at Kshs 9.4 mn. Notably, the loan mortgage size in Kenya has been increasing steadily over the past 10 years. The average mortgage size grew from Kshs 6.9 mn in 2013 to Kshs 9.4 mn in 2023. This represents a compound annual growth rate (CAGR) of 3.5% over the ten-year period. This upward trend indicates a growing need for more financing options in Kenya. Several factors contribute to this rise, including increased property prices, higher demand for homeownership, and changes in the economic landscape that make larger loans necessary as shown in the graph below;

**Cytonn Report: Average Mortgage Loan Size in Kshs in mns (2012-2023)**

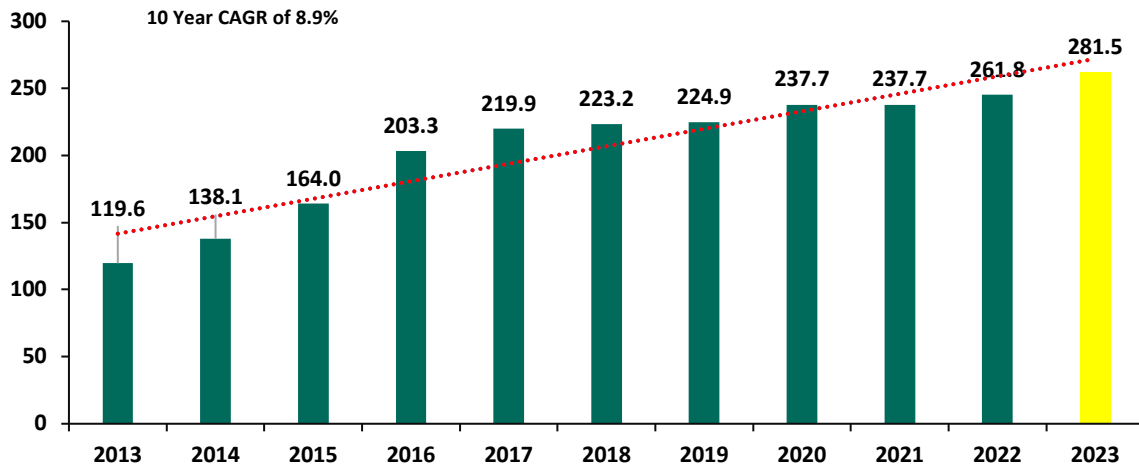


Source: Central Bank of Kenya

**iii. Mortgage Loans Outstanding**

The value of mortgage loans outstanding increased by Kshs 19.7 bn, representing a 7.5% increase to Kshs 281.5 bn in 2023 from Kshs 261.8 bn in 2022. The upward trajectory of the loans which also represented a positive 10-year CAGR of 8.9% was attributed to the growing number of mortgage accounts as more people try to access mortgages to finance their housing needs, this follows the economic recovery from a downturn in 2020, during which the mortgage sector was adversely impacted by the COVID-19 pandemic. The chart below illustrates the trend of the value of mortgage loans outstanding from 2013 to 2023;

**Cytonn Report: Value Mortgage Loans Outstanding in Kshs billions (2013-2023)**

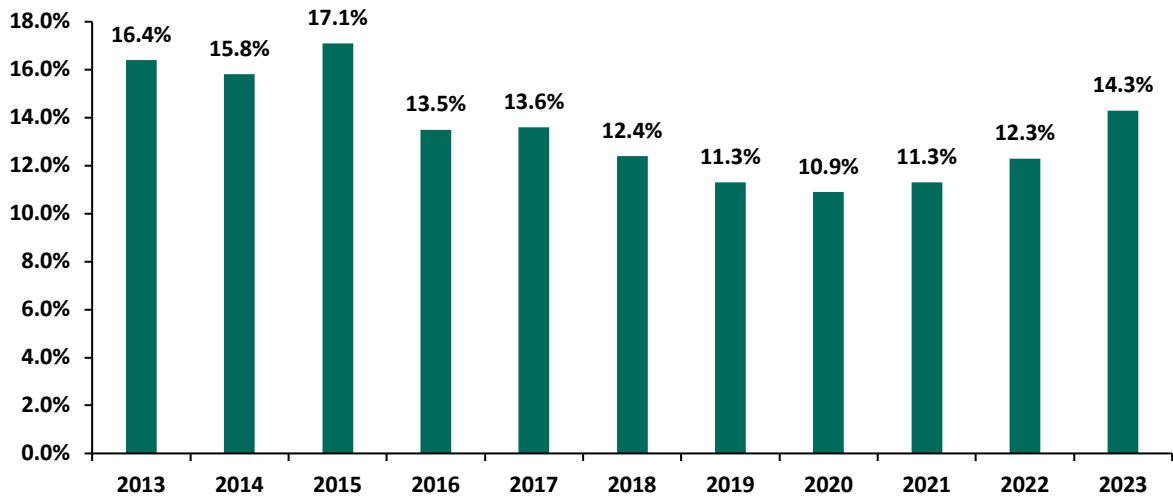


Source: Central Bank of Kenya

**iv. Interest Rates on Loans**

In 2023, the mortgage market recorded an average interest rate of 14.3%, representing a 2.0%-points increase from 12.3% recorded in 2022. CBK noted that rates ranged between 8.7% to 18.6% compared to a range of 8.2% and 17.0% recorded in 2022. The increase in the interest rates was attributed to the constant increase in interest rates in the economy during the period under review. However, for the past decade, the interest rates charged on mortgage loans has been on a downward trajectory mainly attributed to the [introduction of the interest rate cap](#) imposed by the Central Bank of Kenya (CBK) in September 2016 and later removed in [November 2019](#). This resulted in a significant drop in interest rates offered by banks during the period as shown in the chart below;

**Cytonn Report: Average Interest Rate Charged on Mortgage Loans in Kenya (2013-2023)**

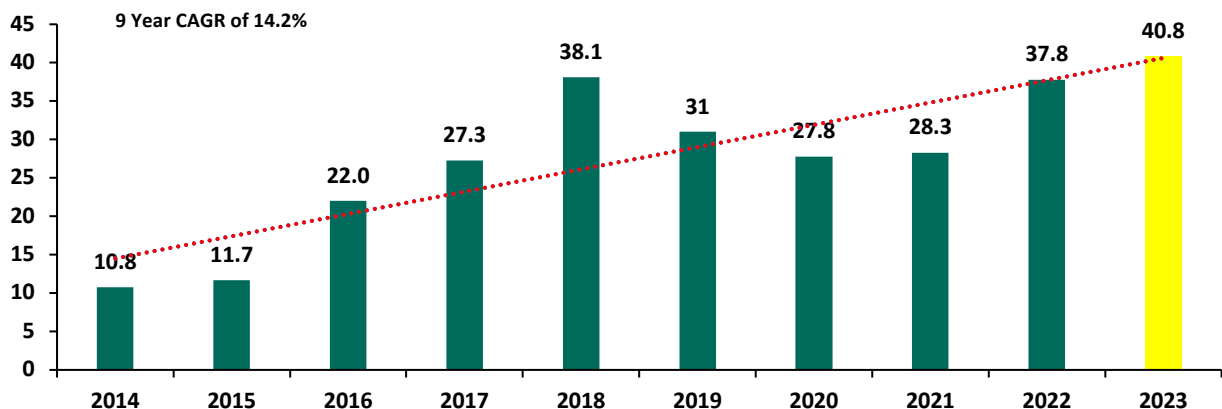


Source: Central Bank of Kenya

**v. Non-Performing Loans**

In 2023, the value of outstanding Non-Performing Mortgage Loans increased by [7.9%](#) to Kshs 40.8 bn in 2023 from Kshs 37.8 bn in 2022. This is attributed to the tough macroeconomic environment prevailing in the country during the period under review, evidenced by heightened inflationary pressure and the weakening of the Kenya Shilling. This situation was further exacerbated by the ripple effects of the COVID-19 pandemic, which triggered extensive economic turmoil throughout 2020, resulting in widespread job cuts and decreased income for many people. The value of Non-Performing Loans has increased by a 9-year Compounded Annual Growth Rate (CAGR) of 14.2% to Kshs 40.8 mn in 2023, from Kshs in 2014. The chart below shows the trend in the non-performing mortgage loans from 2013 to 2023;

**Cytonn Report: Value of Non-performing loans in Kshs bns (2014-2023)**



Source: Central Bank of Kenya

Despite various efforts by many stakeholders in the industry, the mortgage market in the country remains misaligned with the government’s ambitious agenda of delivering over 200,000 mortgages to address the

housing shortage. From the report major challenges facing the Kenyan mortgage market are; i) low level of income, ii) high cost of property purchase, and, iii) limited access to affordable long-term finance.

We expect the Kenyan residential mortgage market to progress, driven by initiatives such as the Kenya Mortgage Refinance Company (KMRC) and government measures including the finalization of the digitalization of land registry processes to support mortgage documentation, the streamlining and simplification of legal and regulatory processes governing the mortgage sector for transparency, efficiency, and certainty, and the development of innovative mortgage options by market players.

## II. Real Estate Investment Trusts (REITs)

On the [Unquoted Securities Platform](#), Acorn D-REIT and I-REIT traded at Kshs 24.5 and Kshs 22.0 per unit, respectively, as per the last updated data on 19th July, 2024. The performance represented a 22.5% and 10.0% 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 12.3 mn and 30.7 mn shares, respectively, with a turnover of Kshs 257.5 mn and Kshs 633.8 mn, respectively, since inception in February 2021. Additionally, ILAM Fahari I-REIT traded at Kshs 11.0 per share as of 19th July, 2024, representing a 45.0% loss from the Kshs 20.0 inception price. The volume traded to date came in at 138,600 for the I-REIT, with a turnover of Kshs 1.5 mn since inception in November 2015.

REITs offer several 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 hampering significant past investments. Other general challenges include: i) a lack of understanding of the investment instrument among investors, ii) lengthy approval processes for REIT creation, iii) high minimum capital requirements of Kshs 100.0 mn for trustees, and, (iv) minimum investment amounts set at Kshs 5.0 mn for Investment REITs. All of these factors continue to limit the performance of the Kenyan REITs market.

***We expect Kenya's real estate sector to grow, supported by: i) increased investment by foreigners in the hospitality and retail sectors, ii) positive demographics evident by above-average rates in urbanization and population growth, iii) activities by the government under the Affordable Housing Agenda (AHP), iv) increased number of international arrivals, vi) a growing middle class in the country, and, vii) the initiation and completion of major infrastructure projects opening up satellite areas for investment opportunities. However, challenges such as rising construction costs, strain on infrastructure development (including drainage systems), prevailing political uprising deterring potential investors, 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.***

### **Focus of the Week: Kenya Retail Report 2024**

In July 2023, we published the Kenya Retail Report 2023, themed “Retail Expansion with Focus into Untapped Markets,” where we highlighted the progress and performance of the retail sector. The sector remained stable, with the average rental yield coming in at 7.5%, 0.7% points increase from 6.8% recorded in 2022. Additionally, the average rent per SQFT increased by 7.1% to Kshs 130 in 2023 from Kshs 122 in 2022. The average occupancy rate increased by 2.1% points, reaching 79.4% in 2023 compared to 77.3% in 2022. This increase was mainly driven by the rapid expansion of both local and foreign retailers, such as Simbisa brands, Carrefour, Naivas, and Quickmatt.

This week, we update our [Kenya Retail Report 2023](#) with the Kenya Retail Report 2024 themed “Resilient and Evolving Retail Landscape ” in which we discuss the progress and performance of the Kenyan retail sector. This will be based on research conducted across nine nodes in the Nairobi Metropolitan Area (NMA), as well as in key urban centres in Kenya such as Kisumu, Nakuru, Mombasa, Eldoret, and the Mount Kenya Region. Based on this, we shall identify the market performance in terms of rents, occupancy rates, and rental yields, while updating on the key factors in the markets driving their performance. Therefore, we shall cover the topical as follows;



- i. Overview of the Kenya Retail Sector in 2024,
- ii. Kenya Retail Sector Performance Summary in 2024,
- iii. Retail Space Demand Analysis,
- iv. Retail Space Investment Opportunity, and,
- v. Retail Sector Outlook.

### Section I: Overview of the Kenya Retail Sector in 2024

In 2024, Kenya's retail sector experienced significant developments as major retailers implemented their expansion strategies. Among these, Naivas opened five branches, focusing on Nairobi with stores along the busy Thika Super Highway and Langata Road, targeting vehicular traffic on those routes. Quick Mart opened its 60th store in Narok town, aiming to cement its footprint in the county, while Carrefour launched its 23rd store in GTC Mall Westlands. New entrants also pursued their expansion strategies. For instance, international retailer China Square opened a new outlet in Langata, occupying the space previously held by local retailer Uchumi Supermarkets. Jaza Store opened two new branches in the Chokaa and Gachie areas. Additionally, global retailer Panda Mart opened its first outlet in the country, located in Garden City Mall, with plans to expand to other areas with heavy vehicular traffic.

The table below shows a summary of the number of stores of the key local and international retailer supermarket chains in Kenya;

Cytonn Report: Main Local and International Retail Supermarket Chains											
#	Name of retailer	Category	Branches as at FY'2018	Branches as at FY'2019	Branches as at FY'2020	Branches as at FY'2021	Branches as at FY'2022	Branches as at FY'2023	Branches opened in FY'2024	Closed Branches	Current Branches
1	Naivas	Hybrid*	46	61	69	79	91	100	5	0	105
2	Quick Mart	Hybrid**	10	29	37	48	55	59	1	0	60
3	Chandarana	Local	14	19	20	23	26	26	0	0	26
4	Carrefour	International	6	7	9	16	19	22	1	0	23
5	Cleanshelf	Local	9	10	11	12	12	13	0	0	13
6	Jaza Stores	Local	0	0	0	0	0	4	2	0	6
7	Tuskys	Local	53	64	64	6	6	5	0	59	5
8	China Square	International	0	0	0	0	0	2	1	0	3
9	Uchumi	Local	37	37	37	2	2	2	0	35	2
10	Panda Mart	International	0	0	0	0	0	0	1	0	1
11	Game Stores	International	2	2	3	3	0	0	0	3	0
12	Choppies	International	13	15	15	0	0	0	0	15	0
13	Shoprite	International	2	4	4	0	0	0	0	4	0
14	Nakumatt	Local	65	65	65	0	0	0	0	65	0
<b>Total</b>			<b>257</b>	<b>313</b>	<b>334</b>	<b>189</b>	<b>211</b>	<b>233</b>	<b>10</b>	<b>181</b>	<b>244</b>
*51% owned by IBL Group (Mauritius), Proparco (France), and DEG (Germany), while 49% owned by Gakiwawa Family (Kenya)											
**More than 50% owned by Adenia Partners (Mauritius), while Less than 50% owned by Kinuthia Family (Kenya)											

Source: Cytonn Research

Other franchises that have embarked on expansion in Kenya include;

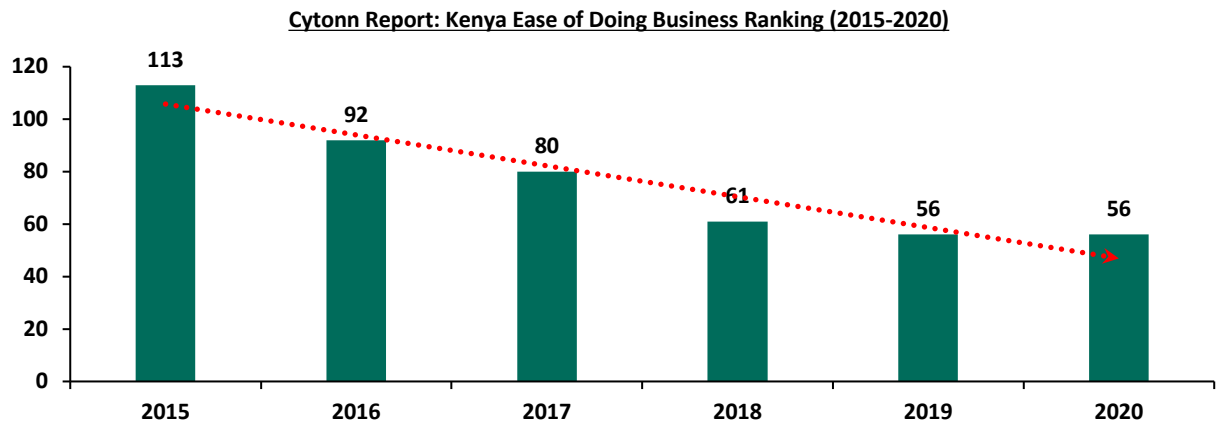
- i) Bata, retailer and shoe manufacturer, opened a branch in the iconic Hilton in April 2024, and announced plans to open 10 new stores before the end of the year. Additionally, Bata announced

that it is set to refurbish 85 of its stores in a bid to consolidate its market share in the country. Bata is set to open its stores in major urban and peri-urban areas,

- ii) Java House, an international restaurant chain, who also owns 360 Degrees Artisan Pizza, Kukito, and Planet Yogurt food chains, opened a new outlet located at Voi, Taita Tavet County as it seeks to expand outside Nairobi. The new Java Express restaurant is set to cater to both tourists visiting the county and the residents of the bustling transit town of Voi, and,
- iii) Mugg and Bean, a restaurant under South African-based Famous Brands opened a new outlet at Total Two Rivers. This comes as the Kenyan retail market is experiencing growth driven by the food and beverage sector as local and international retailers roll out their expansion agendas.

In addition, there are various upcoming retail developments in the pipeline such as the Cove and Kilimani Retail Mall. Growth in the sector is supported by the following factors;

- i) **Expansion Strategy by Food and Beverage Brands** - Local and international brands are actively expanding their operations to strengthen their presence in the country, which in turn is driving the demand for retail spaces. This expansion is seen in the opening of new stores and outlets across various regions, contributing significantly to the growth of the retail sector and the development of the retail segment,
- ii) **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,
- iii) **Urbanization which has opened up other areas for retail investment** -The prevailing urbanization in the country has opened up new areas for retail investment, including Eldoret, Nanyuki, Kiambu, Thika, and Kajiado, in addition to the traditional hubs of Nairobi, Mombasa, and Kisumu. Investors are now exploring these emerging areas for investment,
- iv) **A growing middle class** – The country has witnessed a growing middle class with a strong desire for quality products. This demographic shift is driving increased consumption, thereby fueling the growth of the retail market. Investors are keen to capitalize on this trend by aligning their strategies to meet the needs and preferences of this burgeoning middle class,
- v) **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,
- vi) **Positive National 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,
- vii) **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,
- viii) **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](#), and,
- ix) **Better Ease in Doing Business** - 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 2020 with a 2.2% improvement in score to 73.2 in 2020 from 71.0 in 2019, a notable improvement compared to its position at 113 six years prior. The graph below shows Kenya’s ranking performance between 2015 and 2020;



Source: World Bank

Despite the above factors driving the growth of the retail market, various challenges continue to impede the overall performance of the sector which include;

- i) **Rising 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,
- ii) **Diminishing 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 persistently high levels of unemployment,
- iii) **Constrained Access to Development Financing** – Due to rising [Non-Performing Loans \(NPLs\)](#), evidenced by a 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, and,
- iv) **Oversupply of Space** - 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.

## Section II: Kenya Retail Sector Performance Summary in 2024

Our research context delves into the performance of the retail market in the Nairobi Metropolitan Area (NMA) and key urban cities in Kenya. The Kenyan retail sector displayed a stable overall performance, with the average rental yield coming in at 7.6% in 2024, 0.1% points increase from 7.5% recorded in 2023. Notably, 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. Additionally, the average occupancy rate increased by 1.6% 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, among others. Additionally, the expansion of these retailers into spaces previously occupied by struggling stores such as Uchumi Supermarkets, Nakumatt, and Tusky's has significantly improved mall occupancy rates and contributed to the overall resilience of the retail market.

### a. Retail Sector Performance in Kenya Over Time

In the last three years, the Kenyan retail sector has been on an upward trajectory with stable returns and showing a recovery post COVID-19 era, with the rental rate increasing steadily to Kshs 130 in 2024 from Kshs 115 in 2020.

The Kenyan retail sector has remained stable over time, showing resilience in performance regarding rental yields, with the average rent per SQFT showing promising signs of rebounding to pre-COVID-19 levels of above Kshs 130 per SQFT. However, it is important to note that the sector has experienced a negative Compounded Annual Growth Rate (CAGR) of 1.9% over the past eight years, dropping to Kshs 133 per SQFT in 2023 from Kshs 155 in 2016. This decline can be attributed to the rising supply of retail spaces, which has led landlords to offer rent discounts to attract and retain tenants while managing the excess space. The situation was further worsened during the active two-year period of the COVID-19 pandemic, as well as the 2017 and 2022 election periods. The average occupancy rate also declined by 1.9% points to 81.0% in 2024, from 82.9% that was recorded in 2016. This decline is mainly due to the departure of both local and international retailers, including Nakumatt, Tuskys, Uchumi, The Game, Shoprite, Choppies, and others, who previously occupied large spaces. Furthermore, the addition of new malls and convenience centers during this period has worsened the oversupply of retail spaces in the sector, further affecting the overall absorption rate.

The performance of the sector across the key cities is as summarized below;

<b>All Values in Kshs Unless Stated Otherwise</b>										
<b>Cytonn Report: Kenya's Retail Performance Summary-2024</b>										
<b>Item</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>Δ Y/Y 2022/2023</b>
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%
<b>Average Rental Yields</b>	<b>8.7%</b>	<b>8.3%</b>	<b>8.6%</b>	<b>7.0%</b>	<b>6.7%</b>	<b>6.8%</b>	<b>6.8%</b>	<b>7.5%</b>	<b>7.6%</b>	<b>0.1%</b>

Source: Cytonn Research

#### **a. Nairobi Metropolitan Area (NMA) Retail Market Performance**

The NMA retail market recorded an average rental yield of 7.9% in 2024, 0.2% points higher than the 8.2% that was recorded in 2023. The performance was driven by; i) a 4.7% increase in average rental charges to Kshs 185 per SQFT in 2024 from Kshs 177 per SQFT in 2023, and, ii) 0.2% points improvement in average occupancy rates which came in at 79.5% in 2023, from 79.2% in 2023.

- Performance by Nodes**

Kilimani, Karen, and Kiambu Road & Limuru Road displayed impressive average rental yields of 9.7%, 9.3%, and 9.0%, respectively, surpassing the overall market average of 7.9%. This robust performance was primarily driven by the increased demand for retail offerings in these locations, the presence of premium retail spaces commanding higher rents, and the provision of quality infrastructure services that enhance attractiveness for both tenants and customers. Conversely, retail spaces in Eastlands reported the lowest average rental yield at 6.4%, influenced by several factors: i) rental rates in Eastlands were significantly below the market average of Kshs 185 per SQFT, standing at Kshs 146 per SQFT due to the prevalence of lower-quality spaces in the region, ii) inadequate infrastructure across most towns within the region, hindering accessibility and sustainability for retail spaces, and, iii) the prevalence of informal retail spaces and service stations, offering competitive rates and diverse amenities, intensified market competition and impacted demand. Despite the lower yields, Eastlands experienced a significant 14.5% increase in rental rates, rising from Kshs 128 in H1'2023, far exceeding the market average growth rate of 4.7%. This surge was driven by the addition of prime high-quality spaces commanding premium rents, such as the Business

Bay Square (BBS) Mall. BBS Mall, the largest mall in East and Central Africa, offers 130,000 SQM of modern, high-quality spaces, significantly contributing to the region's retail landscape.

Furthermore, a significant shift in occupancy rates has been observed in Eastlands, with a 2.1% increase compared to the market average of 0.2%. This notable rise is primarily driven by changing consumer preferences and a growing population in these areas, encouraging retailers to expand their presence beyond the city center and explore opportunities in Eastlands. This strategic expansion aims to offer convenience to local residents in the most accessible manner possible. The surge in occupancy rates is supported by rental rates in Eastlands, which are below market averages at Kshs 146, compared to the market average of Kshs 185. This intentional pricing adjustment is a strategic move to attract a broader clientele by offering more affordable options. This strategy is particularly effective given the increased demand for consumer goods, diverse services, and entertainment facilities in these rapidly developing locales.

The table below shows the submarket performance of nodes in the Nairobi Metropolitan Area (NMA):

<i>(All values in Kshs unless stated otherwise)</i>									
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	Δ in Rental Rates	Δ in Occupancy (% points)	H1'2024 Δ 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%
<b>Average</b>	<b>185</b>	<b>79.5%</b>	<b>7.9%</b>	<b>177</b>	<b>79.2%</b>	<b>8.2%</b>	<b>4.7%</b>	<b>0.2%</b>	<b>(0.2%)</b>

Source: Cytonn Research

- **Performance by Class**

The research aims to evaluate the performance of malls within each class and understand the factors contributing to their rental yields and occupancy rates. The analysis focuses on how rental charges, occupancy rates, and rental rates vary within each class compared to the overall market averages. In this research analysis, malls have been categorized into three distinct classes based on their lettable areas. The classifications are as follows:

- i) **Regional Centers / Destination Malls:** These malls have larger lettable areas, ranging from 400,000 to 800,000 square feet (SQFT), and typically house multiple anchor tenants. Notable examples include Sarit Centre, Two Rivers Mall, Garden City Mall, Business Bay Square, and Next Gen Mall,
- ii) **Community Centers:** This category comprises the second largest malls, with lettable areas ranging from 125,001 to 400,000 SQFT, and they too can accommodate more than one anchor tenant. Examples include Thika Road Mall, Valley Arcade, Gateway Mall, the Village Market, and,
- iii) **Neighborhood Centers:** The smallest of the three classes, these malls have lettable areas of around 20,000 SQFT, allowing them to host only one anchor tenant. Examples include The Well, Ciata City Mall, and Unicity Mall, among others.

In terms of 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. Additionally, they attract higher shopper footfall. Their limited supply and high demand from major local and multinational brands further enhance their performance.

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. This performance is driven by a consistent demand for more affordable retail spaces compared to destination malls in similar regions. The demand is driven by an array of emerging tenants, including fashion designers, food and beverage outlets, beauty product brands, commercial banks aiming to increase convenience, fitness centres, electronic brands, hospitals, and opticians. This diversified tenant mix has boosted the growth and appeal of community malls, making them attractive to both tenants and customers

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. Their average occupancy rate was 77.8%, below the market average of 79.7%, reflecting a decline in demand for physical retail spaces in these malls

The summary of performance by class is as shown below:

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

Source: Cytonn Research

#### **b. Retail Market Performance in Key Urban Cities in Kenya**

The performance of the key urban centers in Kenya is as summarized below:

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 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. 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.

Eldoret recorded the lowest 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.

On the other hand, Eldoret also posted the most improvement, with a significant 4.5% increase in rental charges, rising to Kshs 138 per SQFT from Kshs 132 per SQFT in 2023.



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%
<b>Average</b>	<b>133</b>	<b>81.0%</b>	<b>7.6%</b>	<b>130</b>	<b>79.4%</b>	<b>7.5%</b>	<b>2.6%</b>	<b>1.6%</b>	<b>0.1%</b>

Source: Cytonn Research

### Section III: Retail Space Demand Analysis

To explore investment opportunities in the retail market and bridge existing gaps, our research focused on assessing the demand for retail space in different urban regions across Kenya. The main objective is to inform developers about both undersupplied and oversupplied areas. To achieve this, we conducted a comprehensive analysis, considering the current retail spaces available and those in the development pipeline. This data was then compared to the existing demand, taking into account the population of each region.

By employing this approach, we were able to calculate crucial metrics such as the net space uptake per person in square meters, the size of the shopping population, and the current retail market occupancy rates. These metrics played a key role in identifying regions with potential investment opportunities in the retail sector. To further enhance our analysis, we used Kilimani's average uptake as a benchmark to estimate the net space uptake for the various regions under consideration. This enabled us to make informed comparisons and draw valuable insights into the retail market dynamics in different parts of Kenya:

- **Total Demand/Gross Uptake:** This metric quantifies the overall retail space required by the population in the region. It is calculated by multiplying the net space uptake per person by the total shopping population,
- **Net Demand/Uptake:** This metric measures the gross uptake of retail space, excluding the occupancy rates of malls in the region. It is derived by multiplying the gross uptake by the respective market occupancy rates, and,
- **Supply:** The supply metric accounts for the total existing malls and those in the pipeline in the region. To assess the market's condition and identify potential gaps, we calculate the over/undersupply by subtracting the supply from the demand or net uptake.

Furthermore, our analysis is based on certain key assumptions:

- Number of persons per household: We assume an average household size of 3.6 in urban areas, as per data from the Kenya Population and Housing Census 2019, and,
- Percentage of shopping population: We consider the shopping population to include individuals aged 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).

The retail space demand across key regions in Kenya is as shown below;

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)
<b>Total</b>	<b>18.0</b>		<b>11.6</b>	<b>6.7</b>	<b>16.8</b>	<b>79.3%</b>	<b>18.6</b>	<b>14.8</b>	<b>13.7</b>	<b>(1.7)</b>

*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)*

Source: Cytonn Research

Based on our demand analysis, 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.

#### Section IV: Retail Space Investment Opportunity

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:

- **Rental Yield** - This is a measure of the value of 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,
- **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,
- **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.

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;



Region/Weight	2023					2024				
	Retail Yield Score	Retail Space Score	Household expenditure (per adult) score	Weighted score	2023 Rank	Retail Yield Score	Retail Space Score	Household expenditure (per adult) score	Weighted score	2024 Rank
	30%	30%	40%			30%	30%	40%		
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

Source: Cytonn Research

### Section V: Retail Sector Outlook

The table presents a summary of metrics that have a possible impact on the retail sector, covering aspects such as retail space supply, retail market performance, retail space demand, and concludes with the market opportunity/outlook for the sector;

#### Cytonn Report: Kenya Retail Sector Outlook 2024

	Sentiment 2023	Sentiment 2024	2023 Outlook	2024 Outlook
<b>Retail Space Supply</b>	<p>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</p> <p>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</p> <p>However notwithstanding, we anticipate a decline in the supply of malls in Kenya going forward as emphasis</p>	<p>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.</p> <p>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.</p> <p>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</p>	Neutral	Neutral

	<p>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</p>	<p>existing buildings to increase space and meet current market needs. This is particularly evident in Nairobi's CBD</p> <p>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</p>		
<p><b>Retail Space Demand</b></p>	<p>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</p>	<p>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</p>	<p>Neutral</p>	<p>Neutral</p>
<p><b>Retail Market Performance</b></p>	<p>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 in 2022</p> <p>We expect to see increased market activity supported by; i) ongoing expansion drive by local and international retailers such as Naivas, Quickmart, Carrefour in sustained efforts to establish market dominance, and capitalize on the low formal retail penetration in Kenya, ii) growth and continued entry of multinational retailers in the country such as Simbisa brands, ChickKing, Java House, Chicken Cottage among others, and, iii) increasing foreign investors' confidence in the Kenyan retail market</p>	<p>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</p> <p>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 ,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, iv) a growing middle class creating increased demand for retail commodities, and v)and a rise in private equity investment as investors look for opportunities in the sector</p>	<p>Neutral</p>	<p>Neutral</p>

*Our outlook for the Kenya retail market remains NEUTRAL supported 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*

**For the full Kenya Retail Report 2024, [click here](#)**

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