Kigali Real Estate Investment Opportunity

January 2018

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Cytonn REAL ESTATE

I. Introduction to Cytonn Investments

What We Stand For

Our Mission

We deliver innovative & differentiated financial solutions that speak to our clients' needs

Our Vision

To be Africa's leading investment manager by consistently exceeding clients' expectations

Our Values

People
Passionate and self-driven people who thrive in a team context

Excellence
Delivering the best at all times

Client Focus
Putting clients' interest first at all times

Entrepreneurship
Using innovation and creativity to deliver differentiated financial solutions

Accountability
We take both corporate and personal responsibility for our actions

Integrity
Doing the right things

Strategy is straightforward – just pick a general direction and implement like hell

— Jack Welch

About Us

Cytonn Investments Management Plc is an alternative investment manager with presence in East Africa, Finland and the US. We provide investors with exposure to the high growth East Africa region. Our investors include global and local institutional investors, individual high net-worth investors and the diaspora. We also service retail investors through our Cytonn Co-operative

82 bn	Over Kshs. 82 billion worth of projects under mandate	**6**	Five offices across 2 continents	**300**	Over 300 staff members	**10**	10 investment ready projects

A unique franchise differentiated by:

Independence & Investor Focus

Focused on serving the interest of clients, which is best done on an independent platform to minimize conflicts of interest

Alternative Investments

Specialized focus on alternative assets - Real Estate, Private Equity, and Structured Solutions

Strong Alignment

Every staff member is an owner in the firm. When clients do well, the firm does well; and when the firm does well, staff do well

Committed Partners

Strong global and local partnerships in financing, land and development affiliate

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Why We Exist

Africa presents an attractive investment opportunity for investors seeking attractive and long-term returns. Despite the alternative markets in Africa having high and stable returns, only a few institutional players serve the market. Cytonn is focused on delivering higher returns in the alternative markets, while providing the best client service and always protecting our clients' interests.

WE SERVE FOUR MAIN CLIENTS SEGMENTS:

- Retail segment through Cytonn Co-operative membership
- High Net-worth Individuals through Cytonn Private Wealth
- East Africans in the Diaspora through Cytonn Diaspora
- Global and Local Institutional clients

WE INVEST OUR CLIENT FUNDS IN:

- Real Estate
- Private Equity
- Fixed Income Structured Solutions
- Equities Structured Solutions

We collect funds from our clients

We invest them in high growth opportunities

We deliver the best possible returns

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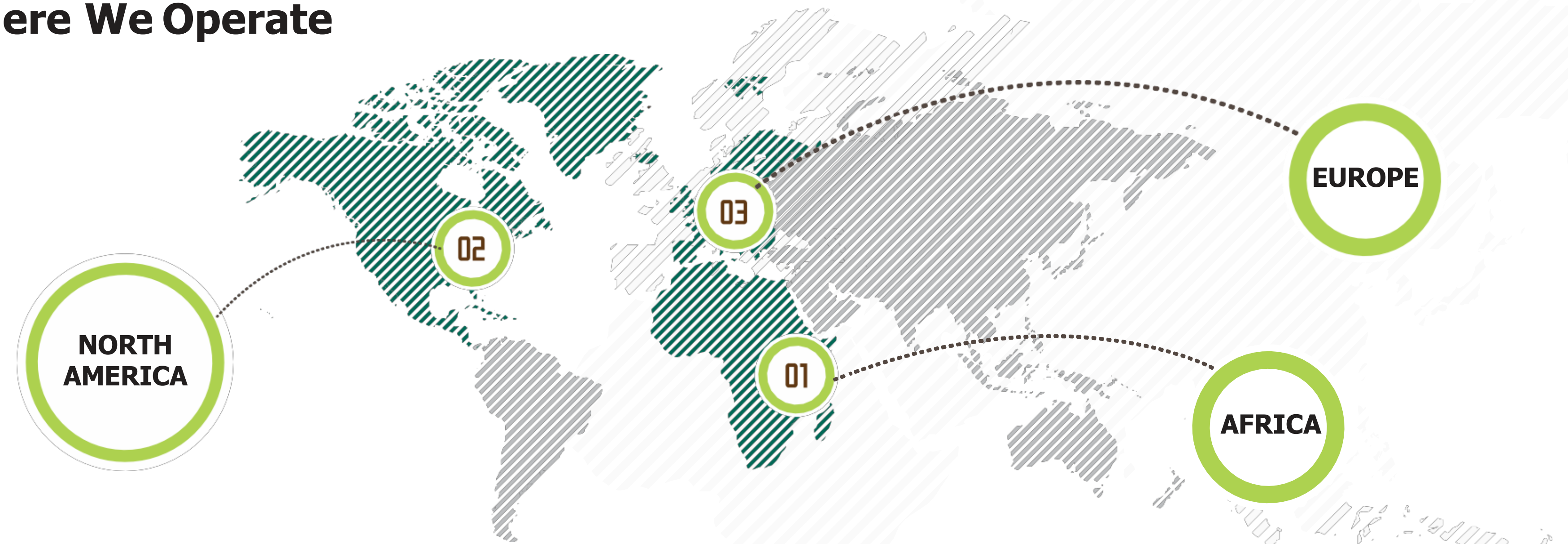
Our Business

Where We Operate



Our Business Lines

Investments

Alternative investment manager focused on private equity and real estate

Real Estate

We develop institutional grade real estate projects for investors

Diaspora

We connect East Africans in the diaspora to attractive investment opportunities in the region

Technology

We deliver world-class financial technology solutions

Co-operative

Provides access to attractive alternative investment opportunities for members

Our Solutions

To unearth the attractive opportunity that exists in alternative markets in Africa, we offer differentiated investment solutions in four main areas:

HIGH YIELD SOLUTIONS

Our expertise in the alternative markets enables us to offer investors high yielding investments. Our robust credit analysis coupled with our quick dealing capabilities, our extensive research coverage and our innovative structuring helps to ensure consistent and above market returns to investors.

REAL ESTATE INVESTMENT SOLUTIONS

Our comprehensive real estate capabilities enable us to find, evaluate, structure and deliver world-class real estate investment products to our investors in the East African region. Our capabilities include fundraising, market research and acquisition, concept design, project management and agency and facility management.

PRIVATE REGULAR INVESTMENT SOLUTIONS

Attractive returns in the alternative segments have typically been accessible to institutional and high net-worth investors. Our regular investment solutions provide access to the alternative investments to members of the Cytonn Co-operative.

PRIVATE EQUITY

We seek to unearth value by identifying potential companies and growing them through capital provision, partnering with management to drive strategy and institutionalizing their processes. Our areas of focus are Financial Services, Education, Renewable Energy and Technology Sectors.

Our Products

We serve three main types of clients namely, high net-worth individuals, institutions and retail, each with diverse needs. Below are the suitability criteria for the various products.

	INSTITUTIONAL CLIENTS	HIGH NET WORTH INDIVIDUALS (HNWI)	RETAIL CLIENTS
Cash Management Solutions	●	●	
Regular Investment Plan • Education Investment Plan • Regular Investment Solution • Co-op Premier Investment Plan • Land Investment Plan	●	●	●
Real Estate Development • Real Estate Developments • Sharpland	●	●	●

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Our People

If you could get all the people in an organization rowing the same direction, you could dominate any industry, in any market, against any competition, at any time.

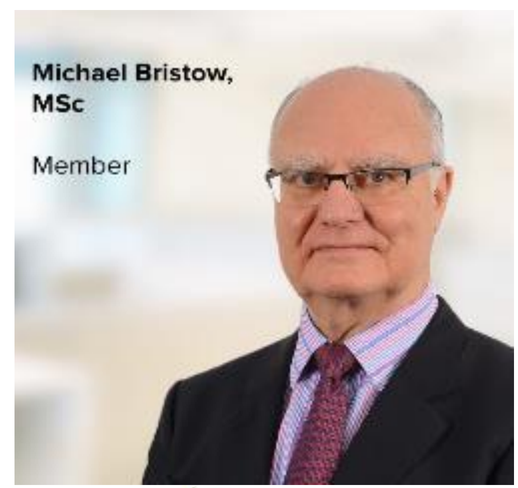
— Patrick Lencioni

We are focused on one agenda:

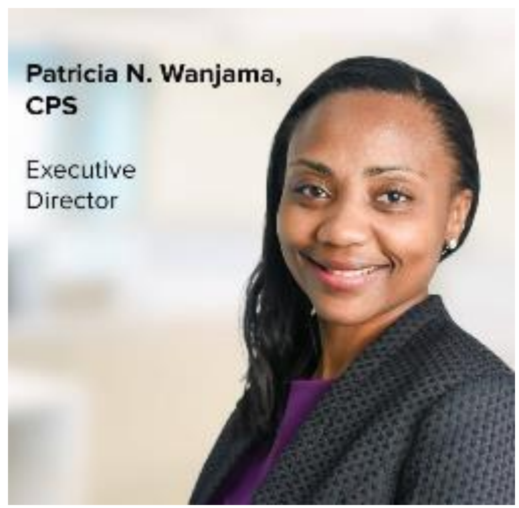
THE CLIENT

Board of Directors

To ensure that we remain focused on the clients’ interests, we have put in place proper governance structures. We have a board of directors consisting of 11 members from diverse backgrounds, each bringing in unique skill-sets to the firm.



Board of Directors, continued …



Governance Committees

We have four main board committees to ensure all of Cytonn's functions are done in a fair and transparent manner:

Investments and Strategy Committee

The committee oversees and provides strategic investment direction, including the implementation and monitoring process. The members are:-

- James Maina (Chair)
- Antti-Jussi Ahveninen, MSc
- Madhav Bhalla, LLB
- Edwin H. Dande, MBA
- Elizabeth Nkukuu,CFA

Audit, Risk and Compliance Committee

The committee establishes and oversees risk and compliance, including the implementation and monitoring process. The members are:-

- Madhav Bhalla, LLB (Chair)
- Nasser Olwero, Mphil
- Madhav Bhandari, MBA
- Dr. Nancy Asiko Onyango, DBA
- Patricia N. Wanjama, CPS

Governance, Human Resources and Compensation Committee

The committee establishes, oversees and implements governance structure, human resource policies and firm wide compensations. The members are:-

- Antti-Jussi Ahveninen, MSc (Chair)
- Prof. Daniel Mugendi Njiru, PhD
- Michael Bristow, MSc (Chair)
- Edwin H. Dande, MBA

Technology and Innovation Committee

The committee establishes, oversees and implements technical expertise and innovative processes as a driver towards competitiveness. The members are:-

- Nasser Olwero, Mphil (Chair)
- Michael Bristow, MSc
- Patricia N. Wanjama, CPS

II. Kigali Investment Opportunity

Executive Summary

The average rental yield across all themes was 8.1% and 9.8%, 12.6% and 5.6% for residential, office, retail and hospitality sector respectively

- We carried out market research in Kigali, the capital city of Rwanda. The research focused on the real estate performance in the residential, hospitality and commercial sectors thus providing us with a general market overview of the region as we update the research done in May 2016
- In May 2016, Kigali recorded attractive rental yields of 9.3%, 10.8% and 12.3% for residential units, offices and retail space, respectively, in comparison to the January 2018, where it recorded rental yields of 8.1%, 9.8%, and 12.6% respectively
- This is a 1.2% and 1.0% decline in rental yield for residential units and office space respectively, and 0.3% increase in rental yield for retail sector
- In terms of 2018 performance, the serviced apartments recorded a 5.6% rental yield at 62.7% occupancy rates
- The residential sector recorded an average rental yield of 8.1%, where high end apartments have an average rental yield of 8.7%, while the middle income market have 7.2% rental yield, on the other hand high end stand alone units have a 8.4% rental yield, while the middle income units had an average rental yield of 8.3%
- For commercial office, Grade A & B offices recorded higher returns at 9.9% compared to Grade C at 9.7%
- In retail sector , the monthly rent per square metre in Kigali is USD. 21.0, with an average rental yield of 12.6% at 89% occupancy
- Activities in the real estate sector have been noted to increase across all the themes given the good operating environment in Rwanda. However, the unavailability of construction materials, has been a key challenge to developers resulting in high development costs. Some sectors such as retail, residential and office still have relatively high rental yields of 12.6%, 8.1% and 9.8% respectively
- The opportunity in the sector is in:
  - Serviced apartments given their growing demand and rental yield at approximately 5.6% at 67.2% occupancy rate
  - Retail- despite the increasing supply, the retail sector are recording a high rental yield of 12.6% at 89% occupancy
  - Residential-driven by the large housing deficit and government incentives. The sector has a rental yield of approximately 8.1% at an uptake of 42.5% p.a

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Kigali Real Estate Investment Opportunity

We expect increased investment in housing sector and serviced apartments driven by the high housing demand, attractive returns, political stability, a positive demographic profile and government support through incentives

Value Area	Summary	Effect
Demand	• The housing demand in Kigali for 2012-2022 is estimated at 186,163 Dwelling Units (DU) with an average demand of 16,923 affordable Dwelling Units per year • The demand for commercial office is declining leading to increased vacancy rates due to increased supply over the last five years	• The residential market is recording attractive rental yields of 8.1% • Increasing investment activities by the government and developers with the aim of meeting the increasing housing demand for affordable housing and high-mid end segment
Returns	• Real Estate sector in Kigali offers attractive rental yields of 9.0%. The average rental yield across all themes was 8.1% and 9.8%, 12.6% and 5.6% for residential, office, retail and serviced apartments sector respectively	• Attracting institutional investors, which will translate into increased supply in residential sector and other themes • This has resulted in real estate & construction growth evidenced by its contribution to the GDP growth rate at 14.8% in 2017
Opportunity & Outlook	• The opportunity in Kigali is mainly in residential- driven by the large housing deficit and government incentives. The sector has a rental yield of approximately 8.1% at an uptake of 42.5% p.a and • Serviced apartments given their growing demand and rental yield at approximately 5.6% at 67.2% occupancy rate	• We expect increased investment in housing sector to cater for the increasing demand driven by increased urban population and serviced apartments driven by the positive hospitality outlook • We expect to witness decreased development of office space due to the increased supply over the last five years

We expect increased investment in housing sector and serviced apartments driven by the high housing demand, attractive returns, political stability, a positive demographic profile and government support through incentives

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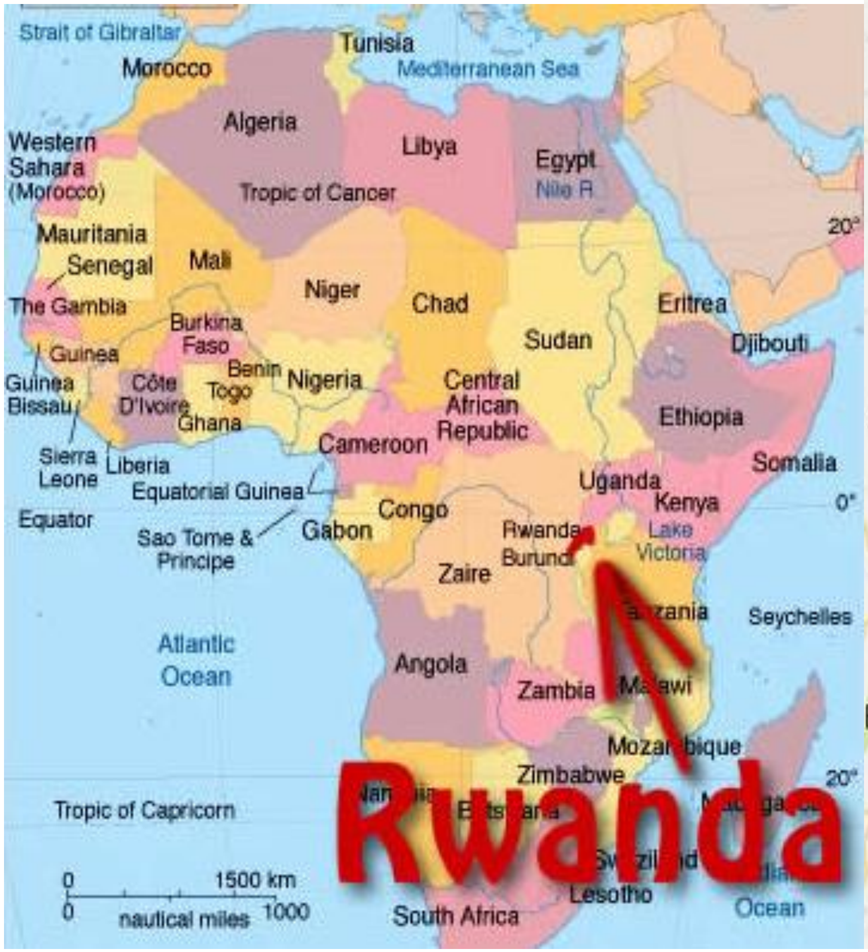
III. Introduction to Rwanda

Country Overview

Rwanda is an East African country located to the west of Uganda



Source- National Institute of Statistics of Rwanda, Country Meters

Introduction: Country Overview

Rwanda has a relatively high population growth rate of 2.4%

Country Overview	
Political System	Democratic, multi-party
Capital	Kigali
Current President	HE Paul Kagame (Since 24 March 2000)
Prime minister	Anastase Murekezi (Since 24 July 2014)
Total Population (2018)	12.4 mn
Pop. Growth rate	2.4%
Population density	495/SKM
Adult Literacy rate	70.6%
Official Languages	Kinyarwanda, English, French
Religious groups	Roman Catholic (65%), Protestant (9%), Islam (1%), Indigenous beliefs (25%)
Ethnic group	Rwandans
Country Size	24,670 sq. km
GDP (2017)	Rwf 7,125 bn
Currency	Rwandan Franc(RWF)

- Rwanda gained independence on 1st July 1962 from Belgium and is officially known as the Republic of Rwanda
- Most of Rwanda territory is hilly and mountainous and has no direct access to the sea. It borders with the Democratic Republic of Congo, Uganda, Tanzania and Burundi
- The population in Rwanda is young, an estimated 42.7% are under the age of 15, and 97.5% are under 65

Source- National Institute of Statistics of Rwanda, Country Meters

Introduction to Rwanda: Macro-Economic Environment

Rwanda recorded a 6.2% GDP in 2017, an improvement from 5.9% growth recorded in 2016

Factor	Details
Gross Domestic Product	• In 2017, real GDP growth for Rwanda was estimated at 6.2 % compared to 5.9% in 2016. Though Rwanda real GDP growth fluctuated substantially in recent years, it tended to decrease through 1998 – 2017 due to contraction in trade and transport. The composition was as follows; Agriculture: 30.9%, Industry: 17.6% and Services: 51.5%
Demographics	• According to the National Institute of Statistics of Rwanda, "The Rwandan population is projected to increase from 10.5 million in 2012 to 11.8mn in 2017, recording 2.39% increase, compared to Kenya, Tanzania and Ethiopia ata 2.6%, 3.1% and 2.5% respectively • In terms of population density, Rwanda has a population density of 495 people per sq. km, making it the most densely populated and fastest growing country in Africa with a growth rate of 10.7% • The urban population in Rwanda is 30.7% of total population as at 2017, with the actual average urbanization growth rate being 4.89% according to World Data Atlas
Private Lending	• The National Bank of Rwanda cut the repo rate to 5.5% from 6.0% in their Q4'2016 meeting to support private sector credit growth • The lending interest rate in Rwanda has been fluctuating over time and currently stands at 17.2%, compared to 17.03% in 2016 • In November 2017, credit to the private sector expanded by 12.3% compared to 8.8% in the same period in 2016. Following The slashing of the Key Repo Rate to 5.5% down from 6% by the National Bank of Rwanda (BNR), the new rate aims to boost lending to the private sector to about 14% in 2018

Source- National Institute of Statistics of Rwanda, World Data Atlas

Introduction to Rwanda: Macro-Economic Environment

Rwanda's inflation rate average at 4.3% over 5-year for the period between 2012 and 2017

Factor	Details
Government Policies	• The government's 2016/17 fiscal policy remained focused on public expenditure efficiency to support growth and reduce poverty, in line with its fiscal consolidation strategy. The fiscal deficit in 2016/17 was 1% point lower than projected • Tax- Rwanda's corporate tax stands at 30.0% and so does the Personal Income Tax as at 2016
Financial Services	• Rwanda's financial sector comprises 16 banks, 491 micro finance institutions and Savings and Credit Cooperatives (SACCOs) and 54 non-bank financial institutions. • The sector is dominated by the banks which account for 66.9% of the total assets of the entire industry, followed by the pension sector with 19.0% and the insurance sector with 10.9%. The core measures of financial stability in banks slightly weakened in 2016 due to the relative slowdown in the economy, but the quality of risk management remains satisfactory • The lending interest rate in Rwanda has been fluctuating over time and currently stands at 17.2%, compared to 17.03% in 2016
Inflation	• Rwanda's inflation rate average at 4.3% over 5-year for the period between 2012 and 2017 • In 2016, the average inflation rate in Rwanda amounted to about 5.7% compared to the previous year, 2.51%. This was attributed to a combination of poor harvests and some limited pass-through effects from foreign exchange rate depreciation. This was the highest level in 20 years and beyond the target ceiling of 5.0% set by the National Bank of Rwanda (NBR). In 2017, inflation rate for rose further to 7.1 %, and this was attributed to the unfavorable weather conditions and hence high commodity prices
Unemployment	• Unemployment Rate in Rwanda increased to 16.70% in 2017 from 13.20% in 2016. • The Unemployment Rate averaged 7.10% from 2001 until 2017, reaching an all- time high of 16.70% in 2017 and the National Institute of Statistics of Rwanda Forecasts a 19.9% in 2018

Source: National institute of statistics (NISR), Africa Development Bank report

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IV. Overview of Real Estate in Rwanda

Overview of Real Estate in Rwanda

Real estate services and construction contributed 14.8% to the GDP in 2017

Macro-economic Contribution

- The real estate sector lies in the services category in the composition of the GDP, which contributed 51.1% in 2017. Real estate and construction contributed 14.8% to the GDP in 2017
- The real estate sector contributes 7.6% to the GDP in Rwanda while other services such as professional, administrative, education, human health and social work services wholesomely contribute 28.6%

Returns

- Kigali offers attractive rental yields, with the sector recording an average of 9.0%
- The average rental yield across all themes was 8.1% and 9.8%, 12.6% and 5.6% for residential, office, retail and serviced apartments sector respectively
- The residential sector offers relatively high total returns of 12.6% with apartments at 12.8% and stand alone units 12.5% respectively

Key Players

- Initially, the delivery of housing developments, estates, in the excess of 50 homes was primarily being done by government or government related agencies such as RSSB.
- Currently, Rwanda has several private developers such as Roko Rwanda, Misteph and Co. Ltd and Prime Investments International limited
- The Government is also playing a key role through provision of trunk infrastructure for all the developments

Market Outlook

- We retain a positive outlook in the real estate sector, with residential, retail and serviced apartments sector having a positive outlook, with only commercial offices recording a neutral outlook due to increased supply in the market, leading to decline in performance

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Overview of Real Estate in Rwanda – RE Contribution to GDP

Real Estate and construction sectors contribution to GDP noted a decrease in 2017, attributed to Kenya's tough economic environment that impacted directly on the sector





	2015	2016	2017
Agriculture	27.7%	27.2%	27.8%
Mining & Quarrying	2.4%	2.4%	2.6%
Wholesale & Retail Trade	7.7%	7.8%	7.3%
Hotels & Restaurants	1.8%	1.8%	1.9%
Real Estate & Construction	16.5%	15.9%	14.8%

Source: National Institute of Statistics Rwanda, Statistical report 2017

V. Overview of Kigali City– Subject Area

Subject Area: Kigali City Map

The zoning and building regulations are guided by the Kigali Masterplan 2013

- The zoning and building regulations are guided by the Kigali Masterplan 2013
- Kigali has 3 districts; Gasabo, Nyarugenge and Kicukiro
- Most of the commercial buildings are located in Nyarugenge (CBD) and Remera
- The council is however looking into devolving the central business to have three commercial hubs in Nyarugenge, Gasabo and Kicukiro district respectively
- Key Residential areas in Kigali city are Nyarutarama, Gacuriro, Kagugu, Kibagabaga, gisozi, Kanombe among others

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Subject Area: Kigali Market Overview

The zoning and building regulations are guided by the Kigali Masterplan 2013

- Kigali is the largest city, with a population of around 1.3 million. Other notable towns are Muhanga (Gitarama), Huye (Butare), and Gisenyi, all with populations below 100,000
- The city is split into three administrative districts: Gasabo, Kicukiro, and Nyarugenge
- Kigali city zoning regulations are regulated by Kigali Master Plan 2013
- The republic of Rwanda use Rwandan Franc currency. The current exchange rate used for this report is 1 US dollar = 860 Rwandan franc while 1 US dollar = 103 Kenyan shilling and 1 Kenyan shilling = 8 Rwandan Franc

Amenities

- Kigali is relatively less congested owing to decentralization of the CBD by having two more major commercial zones with one being an exclusively commercial centre and the other being a transport HUB
- The government is pro-development especially in the provision of infrastructure
- Kigali city comprises of Bitumen roads, paved and all weather roads
- Kigali city is served by one international airport in Kanombe with plans to construct another one in Bugesera
- Kigali city is served by electricity power imported from Uganda and also generate its own using diesel generators
- The developer requests for water and electricity from Energy, Water and Sanitation Authority (EWSA) and pays for it upon presentation of the quote
- There is inadequate sewerage system in Kigali city and residents rely on septic tanks

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Overview: Factors Driving Real Estate in Kigali

Government incentives, Housing deficit, demographics and positive economic growth, are the key real estate drivers in Kigali

Government Incentives

- The government investment in infrastructure expansion and modernization of urban and rural infrastructure, which involves the provision of roads and utilities such as water and electricity in development sites
- The reduction of the repo rate from 6.0% to 5.5% encourages investment in real estate due to the easy access to funds for development
- Political stability with well-functioning institutions, rule of law and zero tolerance to corruption

Housing Deficit

- The housing demand in Kigali for 2012-2022 is estimated at 186,163 Dwelling Units (DU) with an average demand of 16,923 affordable Dwelling Units per year, hence increasing investment activities by the government and developers with the aim of meeting the demand

Economic Growth

- Rwanda's real GDP growth recorded an increase to 6.2% in 2017 compared to 5.9% in 2016
- Rwanda was r 41st and second-best country in Africa to do business after Mauritius which ranked 25th and best in Africa according to World Bank Doing Business 2018 report

Demographics

- Rwanda has a population of 12.4Mn people in 2018 growing at 2.4% compared to the global average of 1.2%.
- Urban population is 30.7% of the total population and growing at an urbanization rate of 4.89% p.a. hence creating increased demand real estate developments

Master Plan

- Strict Implementation of zoning regulations guided by the Kigali master plan introduced in 2013, outlining the conditions and plans for development in Kigali. This is a visionary project which will see planned development in the area and control urban sprawl in future

Source: RDB, World Economic Forum (2013)

Overview: Key Challenges Facing The RE Sector in Kigali

High construction cost, inadequate funds and low purchasing power are main challenges facing real estate in Rwanda

High construction cost

- The construction cost in Rwanda is high, accounting for approximately 20% higher than Kenya
- Rwanda imports most of the construction materials hence increasing the construction costs
- However the country is trying to bridge the gap, with Cimerwa, Rwanda's sole cement producer, while S&H Industries Rwanda produces stone-coated tiles (Hippo brand).

High cost of financing/ inadequate funds

- Inadequate funding for real estate developments has resulted in excessive debt financing, with a debt interest rate ranging from 17% - 19% per annum on the Rwandan Franc
- Development bank of Rwanda is the only and main lender providing development loans
- The market also does not embrace presales but rather prefer to buy after completion of the project or sometimes during the construction.

Low purchasing power

- The high mortgage rates makes it hard for Rwandan's to borrow money to own a home given the low levels of income, with approximately 66% of the population, earning less than USD. 243 p.m. Currently mortgage debt stands at 3.6% to GDP in comparison to Sub-Saharan Africa at 5.0%
- Low purchasing power also affecting the retail sector

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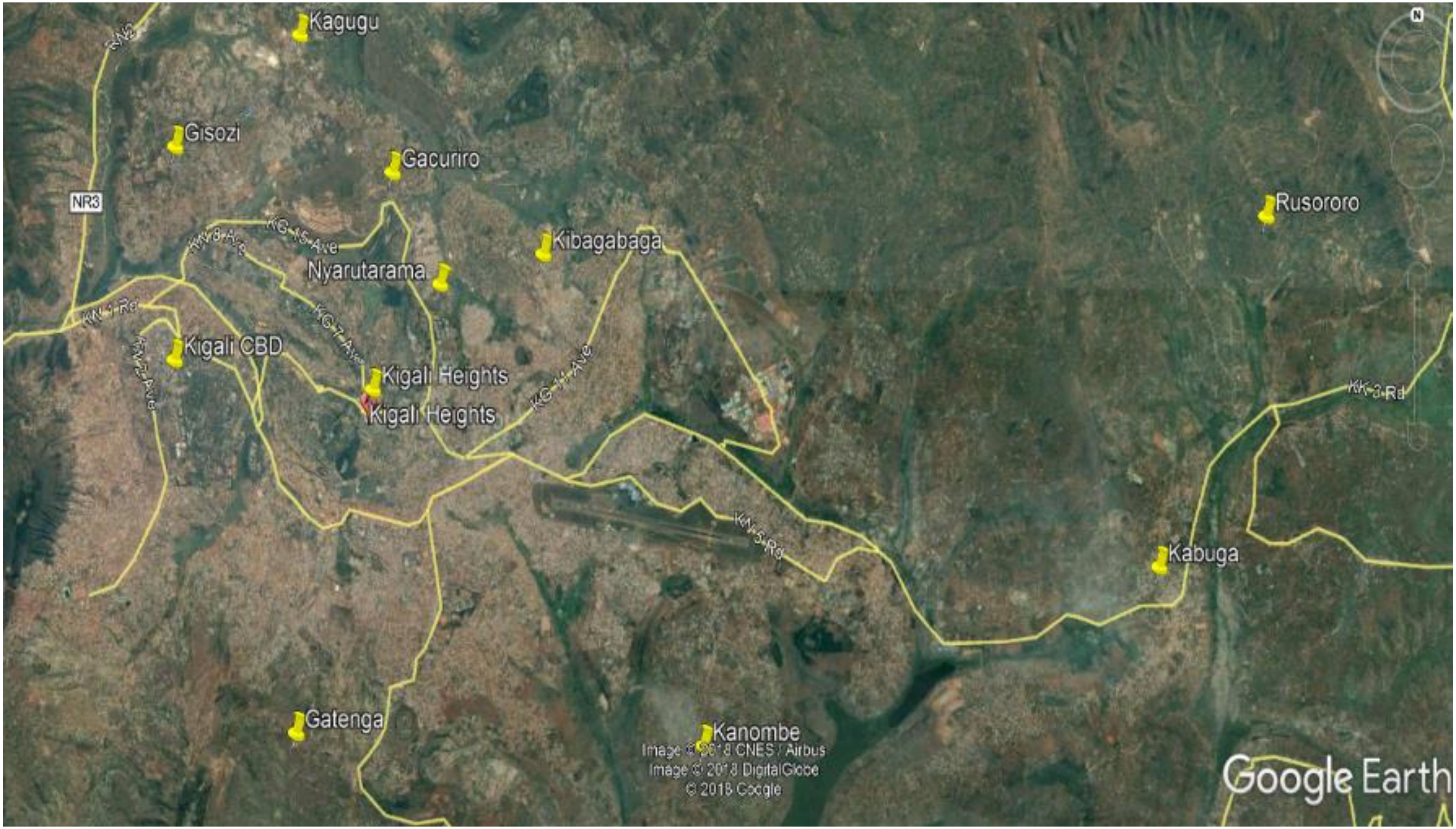
VI. Real Estate Market Thematic Performance

A. Residential Sector

Key Residential Areas

The map shows the key residential areas in Kigali



Overview of the Residential sector

Kigali needs over 16,923 dwelling units p.a for its residents in line with population growth

- The demand for housing in Kigali alone is approximately 16,923 units p.a but the supply is only 800-1000 units p.a and only a quarter of these units are apartments the rest being detached units
- The greatest type of the housing need is affordable housing for 54.11% of the population as tabulated below
- 80 % of the market prefers to acquire housing through mortgages whose current debt borrowing rate average at 18% per annum

The Target Market For Housing in Rwanda

Target Group	Monthly Income (RWF)	Monthly Income (USD)	% of Population	Developer
High End	Over 900,000	Over 1,139	3.77	Private Sector
Mid- End	Between 200,000 and 900,000	Between 253 and 1,139	29.50	Public & Private Sector
Affordable Housing	Between 33,500 and 200,000	Between 42 and 253	54.11	Public & Private Sector
Social Housing (Subsidy)	Below 33,500	Below 42	12.62	Public Sector

Source: RHA/Affordable Housing development for Government Employees

The Kigali Market Investor Brochure

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Factors Driving Residential Sector

Positive economic growth, demographics, housing shortage and government incentives are driving the demand for houses

Positive economic growth

- In 2017, Rwanda recorded a real GDP growth of 6.2% compared to 5.9% in 2016 attributed to increased economic activity
- Foreign Domestic Investment (FDI) records 4.1% of the total GDP
- Growing middle income class with an employment rate at 70.6%, hence increased purchasing power

Demographics

- Rwanda has a population of 12.4Mn as at 2018 & people growing at 2.4% compared to the global average of 1.2%. This translates to a density of 495 people per Sqkm (Kenya has 87 people per Sqkm)
- Urban population is 30.7% of the total population and growing at an urbanization rate of 4.89% p.a. hence creating increased demand for housing, as families grow and consumer needs change to reflect independent living
- Kigali population alone is projected to have approximately 1.8Mn as at 2018 with the population bulge at age (25-54) years

Housing Shortage

- The housing demand in Kigali for 2012-2022 is be estimated to 186,163 Dwelling Units (DU) with an average demand of 16,923 affordable Dwelling Units per year
- The demand is concentrated on affordable housing, with demand segmented as follows; social housing stands at 12.6%, affordable housing 54.1%, mid-range housing 32.8% and premium housing at 0.5%.
- Annual volume of supply in the formal market in Kigali ranges from 800 to 1,000 DU per year, and is concentrated in the upper income segments hence does not meet the market demand

Government Incentives

- Government provision of trunk infrastructure such as roads, utilities such as water and electricity in development sites, intervention for lower credit cost of up to 10% and provision of land on case to case for affordable housing
- Politically stable with well-functioning institutions, rule of law and zero tolerance for corruption.

Source: RDB, World Economic Forum (2013), Planet consortium Housing Market Demand, Housing Finance, and Housing Preferences for the City of Kigali report

Key Challenges in Residential Sector

Difficulty in access to funding, high construction costs and low purchasing power, negatively affects the supply of houses

High cost of financing

- Lack of proper funding for real estate developments has resulted in excessive debt financing, with a debt interest rate ranging from 17% - 19% per annum on the Rwandese Franc
- Development bank of Rwanda is the only and mainly lender providing development loans
- The market also does not embrace presales but rather prefer to buy after completion of the project or sometimes during the construction.

High Construction Cost

- The construction cost in Rwanda is high, accounting for approximately 20% higher than Kenya
- Rwanda imports most of the construction materials hence increasing the construction costs
- However the country is trying to bring the gap, with **Cimerwa**, Rwanda's sole cement producer, while S&H Industries Rwanda produces stone-coated tiles (Hippo brand).

Low purchasing Power

- 80 % of the market prefers to acquire housing through mortgages whose current rate is an average of 18% per annum
- The high mortgage rates makes it hard for Rwandan's to borrow money to own a home given the low levels of income, with approximately 66% of the population, earning less than USD. 243 p.m.

Performance Summary –Apartments

The high end segment outperforms the middle end with a total return of 15.1% and 11.2% respectively

High End Market Performance

Typology	Unit Plinth Area (SM)	Price 2018 USD	Price in Kshs	Price per SM (USD)	Rent in USD	Rent in Kshs	Rent per SM (USD)	Annual Uptake	Rental Yield	Price Appreciation	Total Returns
2 -bed	109	113,350	12.2Mn	1,034	820	84,460	7.5	48.4%	8.8%	4.9%	13.7%
3-bed	139	145,800	15.7Mn	1,031	1,000	103,000	7.2	49.2%	8.6%	8.0%	16.6%
Average				1,033			7.4	48.8%	8.7%	6.5%	15.1%

Middle income Market Performance

Typology	Unit Plinth Area (SM)	Price 2018 USD	Price in Kshs	Price per SM (USD)	Rent in USD	Rent in Kshs	Rent per SM (USD)	Annual Uptake	Rental Yield	Price Appreciation	Total Returns
2 -bed	114	97,195	10.4Mn	836	539	55,492	4.7	43.0%	6.8%	3.3%	10.1%
3-bed	146	103,198	11.1Mn	753	625	64,375	4.6	51.4%	7.5%	4.7%	12.2%
Average				795			4.7	47.2%	7.2%	4.0%	11.2%

- The high end segment outperforms the middle end with a total return of 15.1% and 11.2% respectively
- This is attributed to the rent premium in the high end areas due to better amenities and proximity to CBD and high end neighbourhood

Source- Cytonn Research

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Performance Summary –Stand Alone Units

The middle income end segment outperforms the high end with a total return of 12.5% in comparison to 11.5%

High End Market

Typology	Unit Plinth Area (SM)	Price 2018 USD	Price in Kshs	Price per SM (USD)	Rent in USD	Rent in Kshs	Rent per SM (USD)	Annual Uptake	Rental Yield	Price Appreciation	Total Returns
3 -bed	248	166,465	17.9Mn	671	1,167	121,067	5.1	35.1%	9.1%	5.0%	14.1%
4-bed	308	257,081	26.8Mn	811	1,775	190,813	5.2	17.8%	7.7%	1.0%	8.8%
Average				741			5.1	26.5%	8.4%	3.0%	11.5%

Middle-lower income Market

Typology	Unit Plinth Area (SM)	Price 2018 USD	Price in Kshs	Price per SM (USD)	Rent in USD	Rent in Kshs	Rent per SM (USD)	Annual Uptake	Rental Yield	Capital Appreciation	Total Returns
3 -bed	193	65,407	7.0Mn	351	483	51,286	2.6	45.5%	8.9%	4.7%	13.6%
4-bed	211	80,901	8.7Mn	382	519	55,844	2.5	42.6%	7.8%	3.6%	11.4%
Average				367			2.5	44.0%	8.3%	4.2%	12.5%

- The middle income end segment outperforms the high end with a total return of 12.5% in comparison to 11.5%. However both segments generate a rental yield above 8.0% p.a
- This performance is attributable to the fact that houses in the middle income segment are more affordable and Rwandans prefer to live in less populated areas hence shifting to the outskirts

Source- Cytonn Research

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Market Performance: Summary

The residential market has an average total return of 12.6% in 2018

Segment	Unit Type	Average Price per SM(USD)	Average Rent per SM(USD)	Annual Uptake	Rental Yield	Price Appreciation	Average Returns
High- End	Apartments	1,033	7.4	48.8%	8.7%	6.5%	15.1%
Middle income- End	Apartments	795	4.7	47.2%	7.2%	4.0%	11.2%
High- End	Detached Units	741	5.1	26.5%	8.4%	3.0%	11.5%
Middle income- End	Detached Units	367	2.5	44.0%	8.3%	4.2%	12.5%
Average				**41.6%**	**8.1%**	**4.4%**	**12.6%**

Source- Cytonn Research

- The residential market has an average return of 12.6% in 2018
- On Apartments, **High End** apartments records the highest total return at 15.1%, rental yield of 8.7% at 48.8% annual uptake and exit price of USD. 1,033 per SQM
- Standalone units in the **Middle income - end** segment have the highest returns at 12.5% and annual uptake at 44.0% due to their affordability

Market Performance: Summary

The residential market has an average return of 12.6% in 2018

Market Average – Apartments Trend Analysis						
Type Of Housing	Annual Uptake	Yield 2016	Price appreciation	Yield 2018	% change in Yield	Annual % change in Yield
2 bedroom	45.7%	7.50%	4.1%	7.8%	0.3%	0.2%
3 bedroom	49.2%	11.90%	6.4%	8.0%	-3.9%	-2.2%
Average	47.4%	9.7%	5.2%	7.9%	-1.8%	-1.0%

Market Average – Stand Alone units Trend Analysis						
Type Of Housing	Annual Uptake	Yield 2016	Price appreciation	Yield 2018	% change in Yield	Annual % change in Yield
3 bedroom	40.3%	11.9%	4.9%	9.0%	-2.9%	-1.7%
4 bedroom	30.2%	5.6%	2.3%	7.8%	2.2%	1.3%
Average	35.3%	8.8%	3.6%	8.4%	-0.4%	-0.2%

Source- Cytonn Research

- The apartments recorded an average rental yield of 7.9%, a 1.8% points decline from 2016 and a 1.0% annual rental yield decline
- The stand alone units recorded an average rental yield of 8.4%, a 0.4% points decline from 2016 and a 0.2% annual rental yield decline
- The decline was mainly for three bedroom houses as the rental charges stabilised due to increase in housing supply, which targets the urban families
- The standalone houses investment opportunity is concentrated on the 3 bedroom units mostly on the middle- lower income segment while the apartments investment opportunity is concentrated on the 3 bedroom units cutting across both High end and middle income segments.
- The target market being the expatriates and urban families in Kigali with an average household of 4 people

Rwanda- Residential Sector Outlook

The residential sector has a rental yield of approximately 8.2% at an annual uptake of 42.5% p.a

Thematic Performance Summary			
Theme	**2016 Performance**	**2018 Performance**	**Effect**
Residential	. The residential sector recorded a rental yield of 9.25%. Apartments out performed standalone units at yield of 9.7% while standalone houses recorded 8.8%. The concept of apartments is relatively new in Kigali given that the locals prefer to live in palatial homes, however it's picking up as a yielding asset with investors targeting the young working population	. The residential sector has a rental yield of approximately 8.1% at an uptake of 41.3% p.a, recording a decline in rental yield of 1.25%. This is mainly due to stability in rental charges due to increase in housing units supply. . Standalone recorded an average of 8.4% rental yields at a 35% annual uptake . Apartments recorded an average of 7.9% rental yields at a 47% annual uptake .The sector has witnessed increase in apartments in Kigali city suburbs. .The developers are targeting investors purchasing these apartments as a yielding asset targeting the renters market. .The target investors are expatriates and Rwandese diaspora .The housing units deficit is highly concentrated on low income earners at a cost of approximately **24.7Mn RWF or Kshs. 3.1Mn**	**Positive**

B. Commercial Sector

Commercial Developments in Kigali

Most buildings are concentrated in the Nyarugenge CBD

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Factors Driving commercial Office Sector

Government Incentives, Growth of SME's and entry of international players are driving the commercial office sector

Government Initiatives

- Implementation of the zoning regulations outlined in the Kigali master plan. For example the Kigali City Council is currently leading an urban regeneration drive in the CBD whereby old and low density structures are being demolished to make way for modern, high density commercial developments
- The council has requested tenants currently renting residential properties for office use are to relocate to newly constructed offices. This will therefore generate demand for some of the space currently on the market and in the pipeline

Growth Of SME's

- The Small and Micro business are estimated to constitute 98% of the total businesses and account 41% of all private sector employments according to SMEs PRODUCT CLUSTERS IN RWANDA report
- There is an increase in the number of SME'S due to ease in doing business in Rwanda ranking 41 globally and 2nd from Mauritius in Africa according to 2018 World Bank Doing Business Report
- All these new companies require office space and hence drive the demand for office space

International Players

- Rwanda has seen increase from International institutions entry into the country with Foreign direct investment (FDI) increasing from 3.9% of GDP in 2014 to US$ 379.8 mn in 2015 accounting for 4.2% of the GDP
- The foreign investors are therefore creating a demand for offices around key commercial nodes such as Nyarugenge CBD and Kimihurura hosting companies like Delloite, KPMG, KCB- Rwanda among others

Factors Affecting commercial Retail Sector

Government Incentives, Growth of SME's and entry of international players are driving the commercial office sector

Positive Economic growth

- In 2017, Rwanda recorded a real GDP growth of 6.2% compared to 5.9% in 2016 attributed to increased economic activity hence increased disposable income
- Growing middle income class with un-employment rate at 16.7%, hence increased purchasing power

Government Initiatives

- Government policy that has banned open air market in Kigali city, with all retailers encouraged to shift to the malls hence increasing occupancy rates in malls

Foreign Investment

- Rwanda was ranked the seventh most attractive African market for retail development by AT Kearney
- The sector has recorded entry of international brands such as Nakumatt, Mr. Price, Java House, and currently Carrefour looking into entering the market, hence creating demand for retail space in Kigali

Infrastructure Development

- The infrastructure upgrades have created an opportunity for Rwandan retailers to be part of the formal market and potential for retailers abroad to enter the Rwandan market due to ease on accessibly and the conducive environment
- The infrastructure are also cutting on development cost for the developers

Key Challenges Facing Commercial Sector

Difficulty in access to funding, increasing office space supply and high construction costs negatively affects the supply of office space

Increasing Supply

- Over the last five years, the Kigali market has witnessed accelerated increase in commercial office space, changing the Kigali skyline, with developments such as M-peace plaza, Kigali city tower and Kigali heights among others
- In additional 70,000 SQM are in the pipeline for the next two years according to Knight Frank Africa report 2017
- This has resulted to decline in rental prices and occupancy rates, hence affecting the developers revenue streams to an extent of struggling to pay bank loans

Inadequate funding

- Lack of proper funding for real estate developments has resulted in excessive debt financing, resulting in increased financing costs owing to the extended project time frames
- High debt interest rate ranging from 17% - 19% per annum on the Rwandese Franc

High Construction Cost

- The construction cost in Rwanda is high, accounting for approximately 20% higher than Kenya
- Rwanda imports most of the construction materials hence increasing the construction costs

Summary Analysis-Commercial Sector in Kigali

The office sector in Kigali is at Peak/maturity stage attributed to increased supply in office space over the last 2 years

Office Grade	Market Share	Rent Per Sqm USD	Rent Per SqM Kshs	Rental Yield	Occupancy	Change in Rent ($)	% change in Rent	change in occupancy	% change in yield	Annual % change in yield
Grade A & B	72.7%	19.1	1964.4	9.9%	76.1%	-0.7	-3.3%	-3.4%	-1.3%	-0.7%
Grade C	27.3%	14.3	1598.3	9.7%	96.3%	-0.2	-0.9%	-3.7%	-0.5%	-0.3%
Average		**17.7**	**1818.0**	**9.8%**	**82.2%**	**-0.5**	**-2.4%**	**-3.5%**	**-1.0%**	-0.5%
Retail Space		21	2,168	12.60%	89%	2.2	11.60%	-6.30%	0.30%	0.2%

Source- Cytonn Research

- For offices segment, Grade A & B account for the largest market share. These are mainly the newly built development with less than five years after development
- Grade A & B offices record higher returns at 9.9% in comparison to Grade C at 9.7%
- The office sector recorded a 2.4% decline in rental charges and 3.5% decline in occupancy rates, translating to a 1.0% decline in rental yield between 2016 to 2018 and a 0.5% an annual rental yield decline due to increase in office space supply
- The office space supply is however outstripping the demand and therefore remains **neutral** on investment in this sector
- The retail rental charges per square metre in Kigali is USD.21.0, with an occupancy rate of 89%. This is an 11.6% increase in rental charges from USD.19 in 2016, while the occupancy rates decreased slightly by 6.3% translating to 0.2% annual rental yield increase
- The retail space yield rate in the market is 12.6% at a exit cost of average USD. 1760 (Ksh.181,280) per Sqm

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Rwanda- Commercial Sector Outlook

We retain a neutral outlook on the sector. The investment Opportunity however lies on retail sector

Thematic Performance Summary			
Theme	**2016 Performance**	**2018 Performance**	**Effect**
Office	. On average, the monthly rent per square metre in Kigali is USD. 18.5, with an occupancy rate of 87% hence a rental yield of 11.0% The market is characterized by the high occupancy rates of the existing buildings and some residential units have been converted into office space The major tenants for the office spaces is the government and multinationals since the asking rents are usually too high for the Small and Medium Enterprises (SMEs) to afford	. On average, the monthly rent per square metre in Kigali is USD. 17.7, with an occupancy rate of 82% hence a rental yield of 9.8% Grade A&B offices recorded a rental yield of 9.9%, while Grade C has a 9.7% rental yield The sector has recorded a 3% decline in occupancy rates due to increase in supply of office space over the last 2 year. This has therefore translated to 2% decrease in rental charges and -1% in rental yields Supply of office space in Kigali is outstripping demand, however the market lacks Grade A offices	Neutral
Retail	On average, the monthly rent per square metre in Kigali is USD. 19.05, with an occupancy rate of 97% hence a rental yield of 12.5% There are no major malls in Kigali but instead, most retail space is found within Mixed Use Developments in office buildings and residential blocks	On average, the monthly rent per square metre in Kigali is USD. 21.0, with an occupancy rate of 89% hence a rental yield of 12.6% The sector has recorded a 12% increase in rental charges and 6.3% decline in occupancy rates due to increase in supply of retail space such as Kigali Heights, hence retailers shifting to new developments. This has therefore translated to 0.3% increase in rental yields The performance is backed by increase in retail space supply as the market adopt formal retail shops, with ban of open air market	Positive

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C. Hospitality Research

Hospitality Sectors: Overview

Rwanda has approximately 200 hotels and 4500 hotel rooms according to Rwanda Development Board

- The hospitality industry in Rwanda recorded a 8.8% growth in 8 years according to the Africa Hotel Report 2017
- In 2015, Rwanda welcomed 1.3 million visitors, up from 1.2 million in 2014 and 1.1 million in 2013
- In 2015, MICE tourism (meetings, incentives, conferences and exhibitions) earned Rwanda $37.7 million — up from $29 million the previous year. After the Rwanda Convention Bureau was established, visitors for conferences nearly doubled from 17,950 to 35,100 and revenue from MICE events increased from US$29.6 million in 2014 to US$47 million in 2016.
- There are approximately 200 hotels and 4500 hotel rooms in Rwanda according to Rwanda Development Board
- International brands in Rwanda include; Mariott, Serena and Radisson Blu which operates Radisson Blu and Park Inn
- Although Rwanda's hotel accommodation has expanded, the quality is still relatively low as only 11 hotels out of almost 200 throughout the country are considered to be within the upper-class category in terms of star rating. Examples of the hotels are;

Hotel	Opening	Rating	No of rooms
Lemigo	2010	4	176
Mariott	2016	5	254
Ubumwe Grande	2016	5	153
Golden Tulip	2015	4	188
Hotel Des Collines	1973	4	112
Serena	2016	5	148

Serviced Apartments are a young and nascent concept in Kigali, with most apartments having come into the market from 2015 onwards

- There has been a growing demand for the same with occupancies at 69.7%
- In Kigali, 1 bed and 2bed are the most popular typology with average occupancies of 72.5% and 80.0% respectively
- Most serviced apartments are let and usually within long term contracts
- The high demand for serviced apartments is attributed to the high numbers of expatriates in Rwanda, given the countries good security and political stability

**Source: Rwanda Tourism Report 2016*

Hospitality Sectors: Factors Driving the Sector

International tourism, aggressive marketing and political stability are some of the main drivers of hospitality

Factors	Details
• **Political stability**	• The hospitality sector also benefits from Rwanda's political stability thus boosting investor confidence and also the growth of the expatriate community
• **MICE and International tourism**	• The number of arrivals in Rwanda was reported at 987,000 in 2015, according to the World Bank collection of development indicators, and the number has been reported to be increasing over time, • After the Rwanda Convention Bureau was established, visitors for conferences nearly doubled from 17,950 to 35,100 and revenue from MICE events increased from USD 29.6 million in 2014 to USD 47 million in 2016 • The rapid growth of RwandAir and in addition to other airlines serving Kigali such as KLM, SN Brussels, Qatar airways, Turkish airline, and the new Bugesera International Airport development are also set to boost tourism potential
• **Aggressive tourism marketing strategy by the government**	• The Rwandese government embarked on a plan to encourage tourism in the country through aggressive marketing. This has resulted in increased tourist arrivals and is expected to continue
• **Free entry visas to all African citizens arriving at its borders**	• Government incentives such as; free entry visas to all African citizens arriving at its borders, introduced in January 2013 has also encouraged tourists into the country
• **Availability of public utilities**	• The Government's concentration on providing infrastructure and public utilities-roads, water and electricity has also encouraged developers to venture into the hospitality sector

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**Source: African Hotel Report 2017*

Hospitality Sectors: Challenges Facing the Sector

The main challenges facing hospitality include insecurity towards the DRC boarder and slow adoption of hotel brands and the growing number of serviced apartments

Challenges	
• **Insecurity towards the DRC border**	• perception that Rwanda is not a safe tourism destination, especially towards the Democratic Republic of Congo border, has resulted in low tourists activities in the area
• **Competition**	• Serviced apartments is a young but fast growing concept in Kigali. With the growing expatriate community, serviced apartments are more preferred for long stays and their popularity has paused a threat to hotels in the city hence competition
• **Slow adoption of hotel brands**	• The slow adoption of brands is attributed to the additional investments required to upgrade a property to fit a global brand which has been a challenge to investors • According to the African Hotel Report 2017, reluctance by local hotel developers to work with international brands has left Rwanda and Africa in general with a huge deficit of branded hotel rooms, limiting the ability to tap into the global hospitality trade

**Source: African Hotel Report 2017*

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Hospitality Sectors: Trends in the Sector

The main trends in the sector include; entry of international brands, growing MCE, serviced apartments and adoption of hotel brands

Trends	
• **Entry of international brands**	• International brands that have joined Rwanda's hospitality sector include Golden Tulip Hotels, Serena Group of Hotels, Marriot Hotels, Radisson Blu and The Acacia Property Developers Ltd • Hilton is also set to move in through acquiring Ubumwe Grande Hotel in April 2018
• **Growing MICE(Meetings, Incentives, Conferences and Events)**	• After the Rwanda Convention Bureau was established, visitors for conferences nearly doubled from 17,950 to 35,100 and revenue from MICE events increased from USD 29.6 million in 2014 to USD 47 million in 2016 • The numbers of delegates have also been increasing with the hosting of events such as African National Championship (CHAN) and the World Economic Forum on Africa (WEF) and the AU summit in 2016, and the Africa Summit in 2017
• **Serviced apartments**	• Kigali has witnessed the rise and growth of serviced apartments with most them coming into the market in the last 5years • This has been supported by the growing expatriate community

Source: W Hospitality Group, African Hotel Report 2017

Serviced Apartments: Summary

The serviced apartments in Kigali have an average rental yield of 5.6%

Typology	Size	Average Daily Rate (USD)	Average Daily Rate(Ksh)	Average Monthly Rate(USD)	Average monthly rate(Ksh)	Average Daily Rate Per SQM(USD)	Average Monthly Rate per sqm(USD)	Average Occupancy	Average Rental yield
Studio	38	120	12,360	1,200	123,600	3.2	21.0	54.3%	6.9%
1 Bedroom	65	181	18,597	1,594	145,917	2.8	15.6	72.5%	5.1%
2 Bedroom	101	223	23,003	2,558	263,508	2.2	18.0	77.3%	5.9%
3 Bedroom	245	717	73,817	6,000	618,000	2.9	17.7	51.7%	5.8%
Average	**137**	**374**	**38,472**	**3,384**	**342,475**	**2.6**	**17.1**	**67.2%**	**5.6%**

- **Studios have been excluded from the analysis since there were only two comparables, of which one was set aside for short term guests only*
- The average rental yield for serviced apartments in Kigali is 5.6% at 67.2% occupancy. We attribute the relatively low rental yield to the high development cost
- The 2bedroom units are the most popular recording 77.3% occupancy, while the 3bedroom are the most unpopular with 51.7% occupancy
- The 2bedroom apartments recorded the highest rental yield at 5.9%, followed by3 bedroom at 5.8%, while 1bedroom have the lowest at 5.1%
- However unlike Kigali, in Nairobi studio units are common and have high occupancy of 76.7% compared to Kigali with very low supply of the same and low occupancy at 54.3%

Source: Cytonn Research 2018

Rwanda Real Estate Market Outlook

The serviced apartments in Kigali have a positive outlook given the high demand and relatively high rental yield of 5.6%

Theme	Performance	Outlook
Hospitality	• A stable political environment, growth of MICE , good security and aggressive marketing efforts is driving the hospitality sector and the same is expected to continue. • Currently, serviced apartments have a high average occupancy of 67.2% and a rental yield of 5.6% • The 2bedroom units are the most popular recording 77.3% occupancy, while the 3bedroom are the most unpopular with 51.7% occupancy • The 2bedroom are also the best performing in terms of rental yield recording the highest at 5.9% at 77.3% occupancy, while 1bedroom have the lowest at 5.1% at 72.5% occupancy	**Positive**

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D. Land - Analysis

Analysis – Land

The average land cost in Kigali is USD. 107 per SQM. CBD is the most expensive followed by Nyarutarama and Remera

Unserviced Plots - Asking Prices				
Area	**price(USD)/SQM**	**Price per Acre (USD)**	**Price Per Acre (RWF)**	**Price Per Acre (Kshs)**
Nyarutarama	180	719,287	618.6Mn	77.3Mn
Kibagabaga	81	323,188	277.9Mn	34.7Mn
Kagugu	43	172,152	148.1Mn	18.5Mn
Gisozi	49	197,200	169.6Mn	21.2Mn
Remera	106	425,597	366.0Mn	45.8Mn
Kicukiro	56	290,378	249.7Mn	31.2Mn
Gacuriro	66	265,389	228.2Mn	28.5Mn
Kabuga	30	120,000	103.2Mn	12.9Mn
CBD	250	1,000,000	860.0Mn	107.5Mn
Rusororo	33	131,783	113.3Mn	14.2Mn
Average	89	364,497	313.5Mn	39.2Mn

- The average land cost in Kigali is USD. 89 per SQM. CBD is the most expensive followed by Nyarutarama and Remera.

VII. Conclusion & Recommendations

Summary

The real estate sector in Kigali has an average rental yield of 9.0% p.a

Theme	Occupancy Rates (2018)	Annual Uptake (2018)	Price Appreciation (2018)	Rental Yield (2018)	Rental Yield (2016)	% change in Rental Yield	Annual % change in Rental Yield
Residential		41.3%	4.4%	8.1%	9.3%	-1.2%	-0.7%
Office	82.5%			9.8%	10.80%	-1.0%	-0.5%
Retail	89.4%			12.6%	12.3%	0.3%	0.2%
Serviced Apartments	67.2%			5.6%			
Average	**79.7%**	**41.3%**	**4.4%**	**9.0%**	10.8%	-0.6%	-0.3%

Source- Cytonn Research

- The Real estate sector performance softened in 2018, recording 0.3% annual decline in rental yield
- This was mainly due to the increased supply in office space supply outstripping the demand and the stabilisation of the rental charges in housing sector due to increasing supply.
- The real estate sector in Kigali has an average rental yield of 9.1% p.a
- The retail sector recorded the highest rental yield of 12.6% at an occupancy rate of 89.4%.
- Office space has high yields of 9.8% but likely to decline as vacancy rates increase with increasing supply
- The residential sector records an average rental yield of 8.1% with an annual uptake at 41.3% as the prices in market stabilize with increase in supply.
- The Residential sector however remains a good investment avenue with increasing housing demand
- key to note is that the Kigali market is predominantly rental

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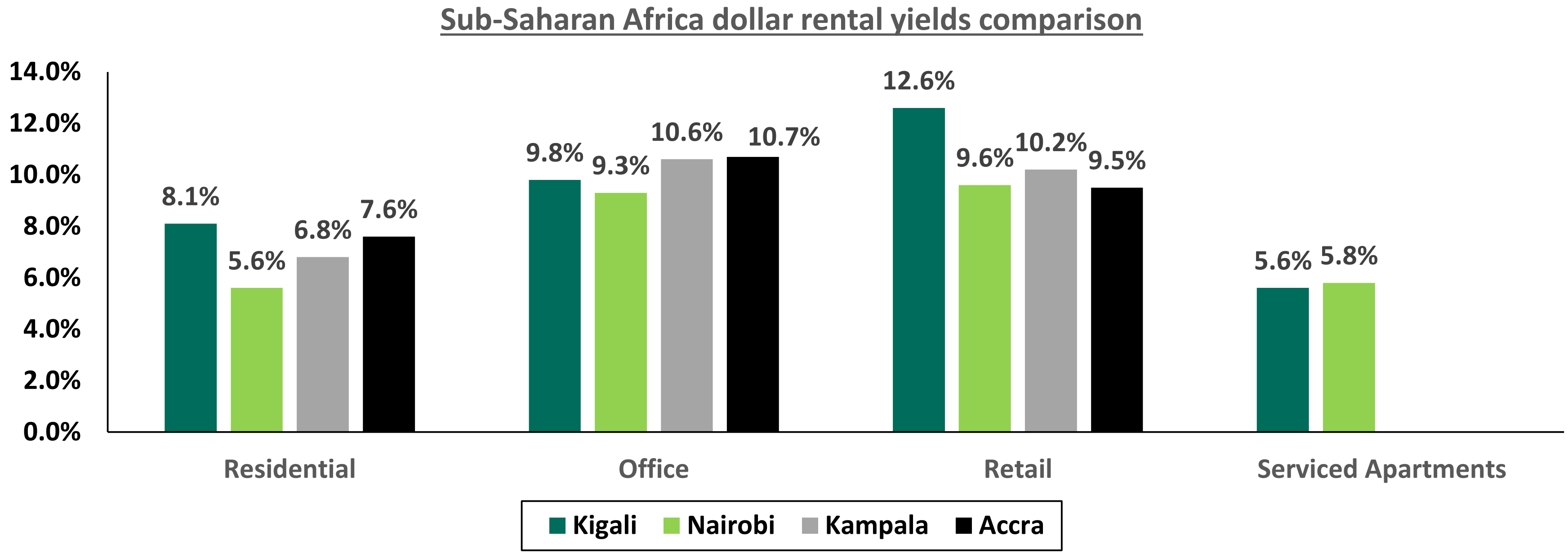
Summary

Kigali outperforms other countries in Residential sector with a rental yield rate of 8.1%



Source- Cytonn Research

- In comparison with other cities in Sub-Saharan Africa, Kigali has higher dollarized rental yields than other key cities in residential and retail sector at an average rental yield of 8.1% and 12.6% respectively
- Kigali outperforms Nairobi market in Residential, retail and office with rental yields of 8.1%,12.6% and 9.8% respectively, compared to Nairobi with 5.6%, 9.3% and 9.6% respectively
- The Kigali market is however nascent and small as the City has a population of 1.3mn against Accra's 2.4mn, Nairobi's 4.1mn and Kampala's 1.5mn people according to the country's respective statistical bureaus

Viable Investment Areas Ranking Criteria

The key factors considered are Annual uptake, Yield and Price of Land

Market Opportunity			
Annual Uptake	**0-25%**	**26 - 50%**	**>50%**
Points	1	2	3
Yields	**1-5%**	**6 - 10%**	**>10%**
Points	1	2	3
Price of Land	**>USD100/SM**	**>USD.50/SM - 100SM**	**<USD.50/SM**
Points	1	2	3

- The key factors considered on ranking the viable investment locations are Annual uptake, Yield and Land price

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Performance Summary and Recommendation – Investment Areas

For , Residential apartments, the top 3 viable locations are Kagugu, Kibagabaga and Gacuriro

Apartments

	Annual Uptake	Yields	Land Price	Weight	rank
	40%	***40%***	***20%***		
2 bedroom apartments					
Kagugu	3.00	2.00	3.00	2.60	1.00
Kibagabaga	3.00	2.00	2.00	2.40	2.00
Gacuriro	2.00	3.00	2.00	2.40	2.00
Nyarutarama	3.00	2.00	1.00	2.20	4.00
Gisozi	1.00	2.00	3.00	1.80	5.00
Gatenga	2.00	1.00	3.00	1.80	5.00
3 bedroom apartments					
Kagugu	3.00	2.00	3.00	2.60	1.00
Kibagabaga	3.00	2.00	2.00	2.40	2.00
Gacuriro	2.00	3.00	2.00	2.40	2.00
Nyarutarama	3.00	2.00	1.00	2.20	4.00
Kanombe	1.00	3.00	3.00	2.20	4.00
Gisozi	1.00	2.00	3.00	1.80	6.00

- For , Residential apartments, the top 3 viable locations are Kagugu, Kibagabaga and Gacuriro

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Performance Summary and Recommendation – Investment Areas

For,3-bedroom Standalone houses, the top 3 viable locations are Nyarutarama,Kibagabaga and Rusororo

Standalone Houses

	Annual Uptake	Yields	Land Price	Weight	rank
	40%	***40%***	***20%***		
3 bedroom Standalone Houses					
Nyarutarama	3.00	3.00	1.00	2.60	1.00
Rusororo	3.00	2.00	3.00	2.60	2.00
Kibagabaga	2.00	3.00	2.00	2.40	2.00
Kabuga	2.00	2.00	3.00	2.20	4.00
Kanombe	2.00	2.00	3.00	2.20	5.00
Gacuriro	2.00	2.00	2.00	2.00	6.00
4 bedroom Standalone Houses					
Kibagabaga	2.00	3.00	2.00	2.40	1.00
Kabuga	2.00	2.00	3.00	2.20	2.00
Rusororo	2.00	2.00	3.00	2.20	2.00
Nyarutarama	2.00	1.00	1.00	1.40	4.00

- For , 3-bedroom Standalone houses, the top 3 viable locations are Nyarutarama,Rusororo and Kibagabaga
- For , 4-bedroom Standalone houses, the top 3 viable locations are Kibagabaga, Kabuga and Rusororo

Serviced Apartments Market Opportunity

The higher the points, the better the area is for investment

Serviced Apartments Market Opportunity			
Rental yield(%)	**>6.0%**	**6.0%>8.0%**	**8.0%>10,0%**
Points	1	2	3
Uptake(%)	**>50%**	**51%>80%**	**81%>100%**
Points	1	2	3
Land price(USD per SQM)	**>100**	**100>200**	**201>250**
Points	3	2	1

- Serviced apartments' rental yield, uptake and the areas land price per square meter were used to rank the areas
- Areas have been allotted points from 1 to 3, with 3 being the highest points
- The higher the points, the better an area is for investment

Serviced Apartments Market Opportunity

Kimihurura was ranked as the best area for investment in serviced apartments

	Rental Yield	Uptake	Land Price	Weight	Ranking
	40%	*40%*	*20%*		
Kimihurura	3	3	2	**2.8**	**1**
Kacyiru	2	2	2	**2.0**	**2**
Nyarutarama	1	3	2	**2.0**	**2**
CBD	2	2	1	**1.8**	**4**
Kagugu	1	1	3	**1.4**	**5**

- Kimihurura was ranked highest since the area had the highest rental yield and uptake, and the land prices per square meter were relatively low
- The CBD was ranked last, mainly due to its high land prices

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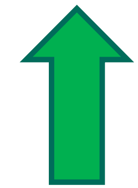
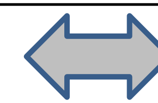
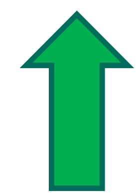
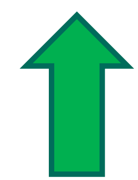
Summary and Recommendation

The real estate sector in Kigali has a positive outlook, with 3 indicators pointing positive

Theme	Performance (2018)	Recommendation/Outlook	Area of Focus	Outlook
Residential	The residential sector has an average rental yield of 8.1% at an uptake of 42.6% p.a, recording an annual decline in rental yield of 0.7%. This is mainly due to stability in rental charges due to increase in housing units supply	For apartments focus on 3-bed units in High end areas with a total return of 16% For standalone units, focus on 3-bed units in the mid-end segments with total returns of 14% and 46% annual uptake	3 – bed apartments in areas such as Kagugu, Gacuriro and Kibagabaga 3-bed units in areas such as Nyarutarama and Rusororo	
Commercial Office	On average, the monthly rent per square metre in Kigali is USD. 17.7, with an occupancy rate of 82% hence a rental yield of 9.9%	The office market is on a declining trend and vacancy rates are likely to increase due to increasing supply, outstripping demand	Areas in the outskirts of CBD such as Kimihurura	
Retail Sector	On average, the monthly rent per square metre in Kigali is USD. 21.0, with an occupancy rate of 89.0% hence a rental yield of 12.6%	The outlook is positive with the retail sector recording 0.2% annual increase in rental yields and the government ban of open air market	• Urban areas outside Kigali CBD such as Remera and Nyarutarama	
Serviced Apartments	A serviced apartments have a high average occupancy of 67.2% and a rental yield of 5.6%	The serviced offices sector is positive, hence recommending to focus on the sector with bias to 2 bedroom units	• High end areas such as Nyarutarama and Kacyiru	

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Thank You!

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