

REPORT AND VALUATION
UPON
A COMMERCIAL RE-DEVELOPMENT SITE



L.R. NO. 2/85, 86 & 87; CYTONN TOWERS

ARGWINGS KODHEK ROAD

KILIMANI AREA, NAIROBI COUNTY



Our Ref: RVI/V.O/2018/5345

Friday, January 5th, 2018

Senior Project Manager & Head of Regional Markets,
Cytonn Investments Management Limited,
3rd Floor, Liaison House, State House Avenue,
P.O Box 20695-00200,
Nairobi, Kenya.

Dear Sir,

RE: VALUATION OF L.R. 2/85, 86, & 87; CYTONN TOWERS, NAIROBI COUNTY

Pursuant to your request and in accordance with an award of contract received dated **Friday, 15th December, 2017** (cancelled and replaced by another dated **Friday, 26th January, 2017**), we inspected the above captioned properties on **Thursday, 4th January, 2018**, and we are pleased to submit the accompanying Report and Valuation.

The report, including exhibits, fully describes the approach to value and contains all pertinent data gathered in the investigation of the subject property.

The value opinion reported below is qualified by certain assumptions, limiting conditions, certifications, and definitions, which are set forth in the report.

Respectfully submitted,

FRANCIS K. WANJOHI
B.A. LAND ECONOMICS,
MBA (FINANCE), CPA (K), M.I.S.K
REGISTERED AND PRACTISING VALUER
HEAD OF VALUATION

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EXECUTIVE SUMMARY

This Executive Summary must be read in the context of and in conjunction with the full valuation report of which it forms a part of. All comments, terms and conditions contained in the full valuation report relate directly to this Executive Summary.

SUMMARY OF SALIENT FACTS

INSTRUCTING PARTY:	CYTONN INVESTMENTS MANAGEMENT LIMITED
PROPERTY ADDRESS:	L.R. NO. 2/85, 86 & 87; ARGWINGS KODHEK ROAD, KILIMANI, NAIROBI COUNTY
DATE OF INSPECTION:	THURSDAY, 4TH JANUARY 2018
DATE OF VALUATION:	FRIDAY, 5TH JANUARY 2018
REGISTERED PROPRIETOR (FOR ALL THE 3 PLOTS):	MISSIONARY AVIATION FELLOWSHIP (KENYA) REGISTERED TRUSTEES
INTEREST APPRAISED:	FREEHOLD TENURE
PURPOSE OF VALUATION:	BOOK PURPOSES
MAIN DEVELOPMENTS:	IGNORED
LAND SIZE (ALL PLOTS):	1.618 HECTARES OR 3.997 ACRES
LAND USE:	COMMERCIAL USE

BRIEF PROPERTY AND NEIGHBOURHOOD DESCRIPTION

This is a development site made up of three adjoining parcels is situated at the junction of Argwings Kodhek road and Elgeyo Marakwet road in Kilimani area of Nairobi. The plots are fairly level with red soils; and each is developed with an old residential house with servants' quarters all of which have been ignored for the purpose of this valuation. Plans are at an advanced stage to develop the site with a mixed use development that when complete will have 30 floors of 174,139 square feet office and commercial space for rental, 180 hotel rooms, 160 serviced apartments, three-bedroom duplex apartments and penthouse suites, three basement parking floors with a capacity for 1,500 vehicles. The project will boast a triplex complex in whose tallest tower will be 35 floors

External boundaries are defined by natural stones topped with electric fencing and razor wire to perimeter. Access is through a double opening heavy steel gate opening into a cabro paved driveway and parking.

The immediate neighbourhood is characterized by residential, retail and commercial land use; which has seen old residential buildings being demolished to pave way for high rise residential blocks of apartments as well as commercial blocks.

VALUATION SUMMARY

		Current Values (KES)
(i)	Market Value	1,657,000,000.00
(ii)	Mortgage Value	1,408,000,000.00
(iii)	Forced Sale Value	1,243,000,000.00

1. DEFINITION OF TERMS

1.1. VALUATION RATIONALE

The subject property consists of approximately 4.997 acres of potential redevelopment land fronting Argwings Kodhek road and Elgeyo Marakwet road in Kilimani area of Nairobi. Plans are at an advanced stage to develop the site with a mixed use complex comprising residential apartments, offices, retail space, hospitality and executive club space as well as other support services.

We have consequently adopted the Sales Comparison/Market Approach and Residual Method to arrive at the opinion of Market Value.

Sales Comparison/Market Approach

According to the *RICS¹ Valuation - Professional Standards 2014²*, the Sales Comparison/Market Approach of valuation provides an indication of value by comparing the subject assets with identical assets for which price information is available. We have adopted this methodology in analysing the sampled comparable valuations within the neighbourhood.

Contractors Method/Cost Approach

The *RICS Valuation - Professional Standards 2014*, defines the Cost Approach as one that provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or construction. Valuation of villas and infrastructure components is based on this methodology applying the appropriate depreciation. Valuation of villas once complete will be based on sales comparison.

Residual Method

The residual method of valuation could be expressed in the form of a simple equation where the value of a property is the residue (a sum left over) after deducting the cost of development from the value of development. It may also be considered as the amount that a developer would be prepared to pay for such a property in order to obtain the development potential.

¹ Royal Institution of Chartered Surveyors

² The RICS Valuation – Professional Standards 2014 are fully compliant with the International Valuation Standards 2013.

1.2. BASIS OF VALUATION

Market Value

According to the *RICS Valuation – Professional Standards 2014*, Market value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

1.3 POTENTIAL, HIGHEST AND BEST USE

1.3.1 Potential

This is the difference between the present use of a property and the highest and best use of the same property.

1.3.2 Highest and Best Use

This is the reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported and financially feasible and that results in the highest value.

2. PROPERTY SETTING

2.1 LOCATION

The property is situated at the junction of Argwings Kodhek road and Elgeyo Marakwet road in Kilimani area of Nairobi County. It lies to the immediate north of Cavina School and the International Bible Students Association offices.

The geographical coordinates of the plots’ approximate centres are tabled below;

PROPERTY COORDINATES		
	Latitude	Longitude
L.R No.2/85	1°17' 35.10" S	36° 46' 46.28" E
L.R No.2/86	1°17' 35.10" S	36° 46' 48.45" E
L.R No.2/87	1°17' 37.10" S	36° 46' 48.46" E

2.2 NEIGHBOURHOOD AND LOCAL DATA

The property is situated in an area characterized by hospitality, retail, office and high end residential uses.

Other land marks in the immediate vicinity include The Yaya Centre, Wu Yi Plaza, Black Rose Apartments, Sapphire Court, among others.

2.3 SERVICES AND AMENITIES

Mains water, electricity and sewer are connected to the property.

Immediate access roads are all tar surfaced.

3 PARCEL AND ASPECTS OF TITLE

3.1 TENURE AND PROPRIETORSHIP

An inspection of the copy of title and a certified copy of title from Nairobi Lands Registry revealed that the property is held as outlined in the table below.

L.R No.	Tenure	Registered Owner	Land Size (Acres)
L.R No.2/85	Freehold Interest	Missionary Aviation Fellowship (Kenya) Registered Trustees	1.000
L.R No.2/86	Freehold Interest	Missionary Aviation Fellowship (Kenya) Registered Trustees	1.500
L.R No.2/87	Freehold Interest	Missionary Aviation Fellowship (Kenya) Registered Trustees	1.497
Total Land area in Acres			3.997

3.2 PARCEL ACREAGE

According to the copy of title and map, the plot measures **1.618 hectares or 3.997 acres** approximately.

3.3 ENCUMBRANCES

No encumbrances were registered against the any of the titles.

Copies of certificates of official title search are attached as Appendix IV.

3.4 LAND RATES

Unascertained.

3.5 LAND DESCRIPTION

3.5.1 Land Ownership in Kenya

In Kenya, there are three (3) different land classifications: private land, public land, and community land.

Private land is land owned by an individual under freehold or leasehold tenure.

Public land is vested in the government for the benefit of the people of Kenya. It includes roads, all water bodies, forests, national parks, and land that have minerals, among others.

Community land is held by and managed by communities. It includes land registered under group representatives, shrines, grazing areas and ancestral lands.

3.5.2 L.R. No. 2/85; L.R. No. 2/86 & L.R. No. 2/87, Cytton Towers,

This property lies on a prime 3.997 acres parcel along Argwings Kodhek road in Kilimani area of Nairobi County.

The titles are held on Freehold Interest granted under Registration of Titles Act, (Cap 281) now repealed and replaced by The Land Registration Act No. 3 of 2012.

4 POTENTIAL, HIGHEST AND BEST USE ANALYSIS

The property is located in a popular and busy commercial district that is just off busy roads and within close proximity to Nairobi Central Business District.

Given the nature of the neighbourhood and developments thereon, it's our opinion that the property has not achieved its highest and best use.

5. IMPROVEMENTS/DEVELOPMENTS

5.1 General Description

Each of the plots is developed with an old residential house with servant's quarters all of which have been ignored for the purpose of this valuation. Plans are at an advanced stage to develop the site with a mixed use development that when complete will have 30 floors of 174,139 square feet office and commercial space for rental, 180 hotel rooms, 160 serviced apartments, three-bedroom duplex apartments and penthouse suites, three basement parking floors with a capacity for 1,500 vehicles. The project will boast a triplex complex in whose tallest tower will be 35 floors

5.2 General State of Repair & Maintenance

We were not instructed to carry out structural surveys of the properties but we have reflected any apparent wants of repair in our opinion of the value as appropriate. In addition to this no specialist tests have been carried out on any of the building's service systems and for the purposes of our valuations we assumed that all are in good working order and in compliance with any relevant statute by-law or regulation.

Our findings can be summarized in the table below as: -

	YES	NO
Is the subject property located in an area where adverse soil conditions exist?		NO
Are any structural cracks visible?		N/A
Would you recommend a Structural Engineer to inspect the property?		N/A

5.3 Environmental & Land Contamination Concerns

Although this is not an Environmental Impact Assessment, we can confirm that there was no evidence of pollution or land contamination on the subject property or on the adjoining site. Our physical inspection of the property and its neighbourhood can be summarized in the table below:-

	Property Observations	Motivation
1	Briefly describe the surrounding environment of the property (e.g. industrial, residential, rural or commercial)	Mix of commercial and residential
2	Is the property located close to a water source or a sensitive ecological area (e.g. river, protected area, nature reserve)? If yes, please elaborate.	No
3	Do the operations/activities on the property involve the handling, storage, transportation or disposal of hazardous material (e.g. fuel, chemicals and fertilizer)? If yes, please elaborate.	No
4	In your opinion, are potential environmental and/or social risks satisfactorily managed on the property/site? (E.g. Yes, an Environmental Management System is in place)?	Yes

6 TENANCY / OCCUPANCY

6.1 Tenancy/Occupancy

At the time of inspection, the property was occupied by the registered owner.

6.2 Subject Property Ratings

On a scale of 1-9 the subject property would perform in the current and future markets as tabulated below. These rating assessments have taken into consideration the factors outlined in this report as at the date of valuation.

CURRENT DEMAND				
SCALE	RATING	LETTABILITY	SALEABILITY	BUILDING CONDITION
9	Excellent			
8	Very Good			
7	Good			
6	Above average			
5	Average			
4	Below average			
3	Poor			
2	Very poor			
1	Unlettable			
ANTICIPATED FUTURE DEMAND				
SCALE	RATING	LETTABILITY	SALEABILITY	BUILDING CONDITION
9	Excellent			
8	Very Good			
7	Good			
6	Above average			
5	Average			
4	Below average			
3	Poor			
2	Very poor			
1	Unlettable			

OVERALL RATING			
RATING	LETTABILITY	SALEABILITY	BUILDING CONDITION
Average	7.5	8	7.5

7 SWOT ANALYSIS

We provide a SWOT analysis of the subject property as below:

Strengths:

- Prime location of the property;
- Frontage to major roads;

Weaknesses:

- Close proximity to public schools and churches;

Opportunities:

- Can obtain change of user to commercial use;
- Located in a busy and popular commercial district;

Threats:

- Volatility of the national and global economy is negatively impacting on the local property market;
- Negative political environment.

8. MARKET OVERVIEW

8.1 General Market Commentary

Local

This is a prime plot with redevelopment potential situated in Kilimani, a popular commercial district of Nairobi. Each of the plots is developed with an old residential house with servant's quarters all of which have been ignored for the purpose of this valuation. Plans are at an advanced stage to develop the site with a mixed use development that when complete will have 30 floors of 174,139 square feet office and commercial space for rental, 180 hotel rooms, 160 serviced apartments, three-bedroom duplex apartments and penthouse suites, three basement parking floors with a capacity for 1,500 vehicles. The project will boast a triplex complex in whose tallest tower will be 35 floors

The property is however currently designated for residential use; nevertheless, owing to its location, we do not foresee change or extension of user to accommodate the proposed commercial use; being unduly denied.

The proposed tower, which is set to be among the tallest buildings in the area, will also feature Kenya's highest suspended restaurant, Nairobi's largest ball room, and a double horizon fitness club. The objective of the project is to meet the luxury housing demand, premier business office space, and hotel and conferencing facilities while at the same time offering good returns to the developer.

Global/Regional

The global and regional economic environment will continue to influence Kenya's economic developments by influencing commodity prices, the volume and direction of international capital flows, and trade. As such, risks to the global economic outlook have the potential to affect consumer and investor confidence and curtail growth in the Kenyan economy. The major forces driving the global economic outlook are soft commodity prices and the turbulence in the global financial system triggered by increasingly divergent monetary policies across AEs (Advanced Economies) and these have direct implications for the Kenyan economy.

More specific issues of note include the growth of the private sector that has seen more international companies setting up their headquarters in Nairobi. This is owed to the strategic positioning of the city as a regional hub. This has created increased demand for high quality Grade A office space that meets international standards as well as luxury housing.

Confirmations

We have also perused the Ndung'u Land Report and the property does not appear to have been illegally allocated or acquired.

The property is also not mentioned in the National Land Commission Review of Grants and Disposition of Public Land Report of July 2017.

9. VALUATION CERTIFICATE

We have analyzed the information obtained from the physical inspection of the property, information pertaining the asking prices for similar parcels of land in the area, the proposed and approved project, current costs of construction, as well as taken into account the economic conditions on the date of valuation to arrive at the opinion of value of the property as of **Friday 5th January, 2018** as follows:

- i. Market Value: **Kshs. 1,657,000,000.00 (Kenya Shillings One Billion, Six Hundred Fifty Seven Million Only).**
- ii. Mortgage Value: **Kshs. 1,408,000,000.00 (Kenya Shillings One Billion, Four Hundred Eight Million Only).**
- iii. Forced Sale Value: **Kshs. 1,243,000,000.00 (Kenya Shillings One Billion, Two Hundred Forty Three Million Only).**
- iv. **Broken down as;**

L.R NUMBER	MARKET VALUE IN(KES):
L.R No.2/85	414,550,000.00 (Kenya Shillings Four Hundred Fourteen Million, Five Hundred Fifty Thousand Only)
L.R No.2/86	621,850,000.00 (Kenya Shillings Six Hundred Twenty One Million, Eight Hundred Fifty Thousand Only).
L.R No.2/87	620,600,000.00 (Kenya Shillings Six Hundred Twenty Million, Six Hundred Thousand Only).

FOR AND ON BEHALF OF
REGENT VALUERS INTERNATIONAL (K) LIMITED

VINCENT OGENDO NYABWARI
B.A.LAND ECONOMICS (HONS), M.I.S.K (VS)
VALUER

FRANCIS K. WANJOHI
B.A.LAND ECONOMICS,
MBA (FINANCE), CPA (K), M.I.S.K, RV, REA
REGISTERED AND PRACTISING VALUER
HEAD OF VALUATION

APPENDIX I: PICTORIAL ILLUSTRATION OF THE PROPERTY



-Views of the subject property -



-View of the existing houses-



-Rendering of the proposed towers-

DISCLAIMER

We certify that the valuer has inspected the subject property on the date above and has assessed the market value on the date above. This valuation is made subject to the details, remarks and qualifications made in this final report and it is intended for the sole use of the party to whom it is addressed and for no other purpose. No responsibility is accepted to any third parties in relation to this valuation and report. The valuer has neither a pecuniary interest in, nor with either party associated with the transaction that would conflict with the independent valuation of the property.

Where it is stated in the Report that information has been supplied to the Company by another party, this information is believed to be reliable but the Company accepts no responsibility if this should prove not to be so. Where information is given without being attributed directly to another party, this information has been obtained by our search of records and examination of documents or by enquiry from government or other appropriate departments.

Where Market Value is assessed, it reflects the full contract value and no account is taken of any liability for taxation on sale or of the costs involved in effecting a sale.

The Valuation is not valid, unless it is duly signed by the Principal Valuer of this company and bears the Official Company Seal.

TERMS OF ENGAGEMENT

Neither the whole nor any part of this report or valuation, nor any reference thereto, may be included in any published document, circular or statement, nor published in any way, nor disclosed to any third party without the prior written consent of the firm.

Neither all nor part of the contents of the report shall be reproduced for dissemination to the public through advertising media, public relations media, news media, sales media, social media or any other public means of communication without the prior consent and written approval of the appraisers.

This appraisal is based on the condition of the local and national economy, purchasing power of money and financing rates prevailing on the effective date of valuation.

SCOPE AND EXTENT OF INSPECTION

Our valuation report includes; the site together with its all supporting systems such as electrical and mechanical systems. Whereas the buildings have been inspected, they have largely been ignored in this report. The valuation considered the property as a redevelopment site and took into consideration the proposed project.

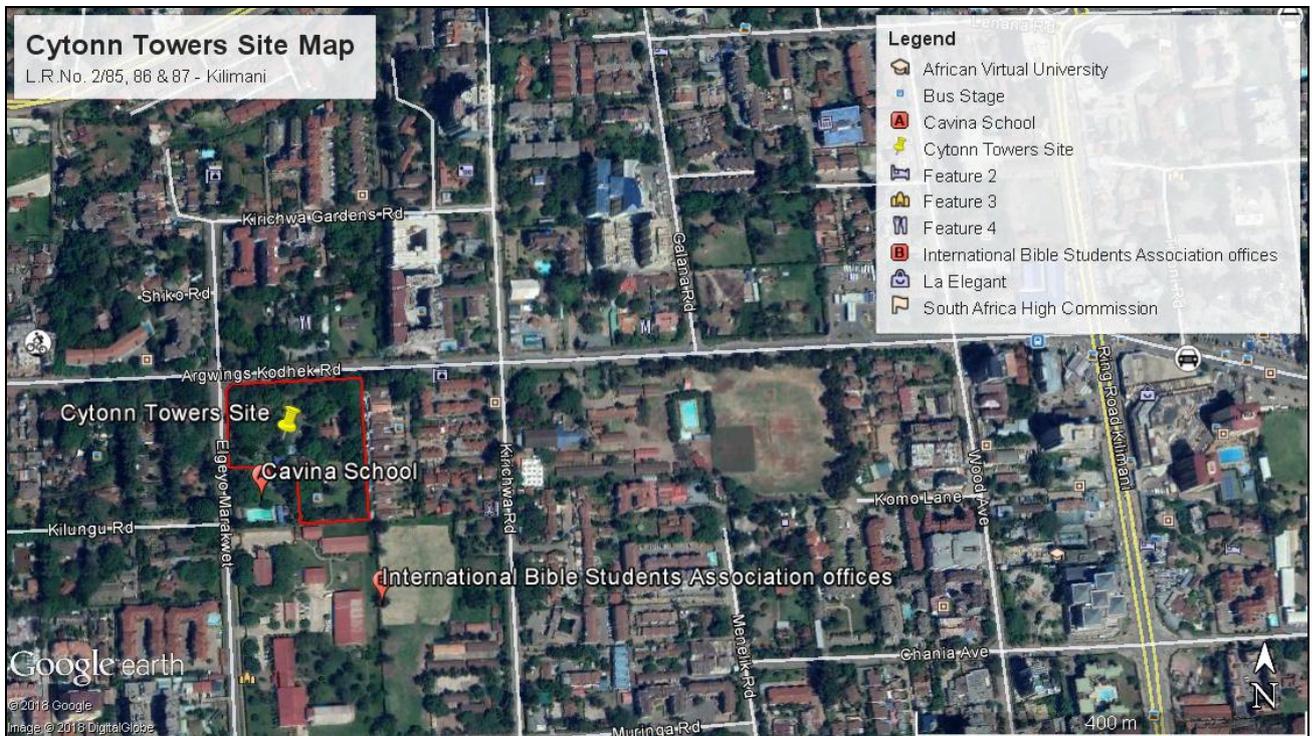
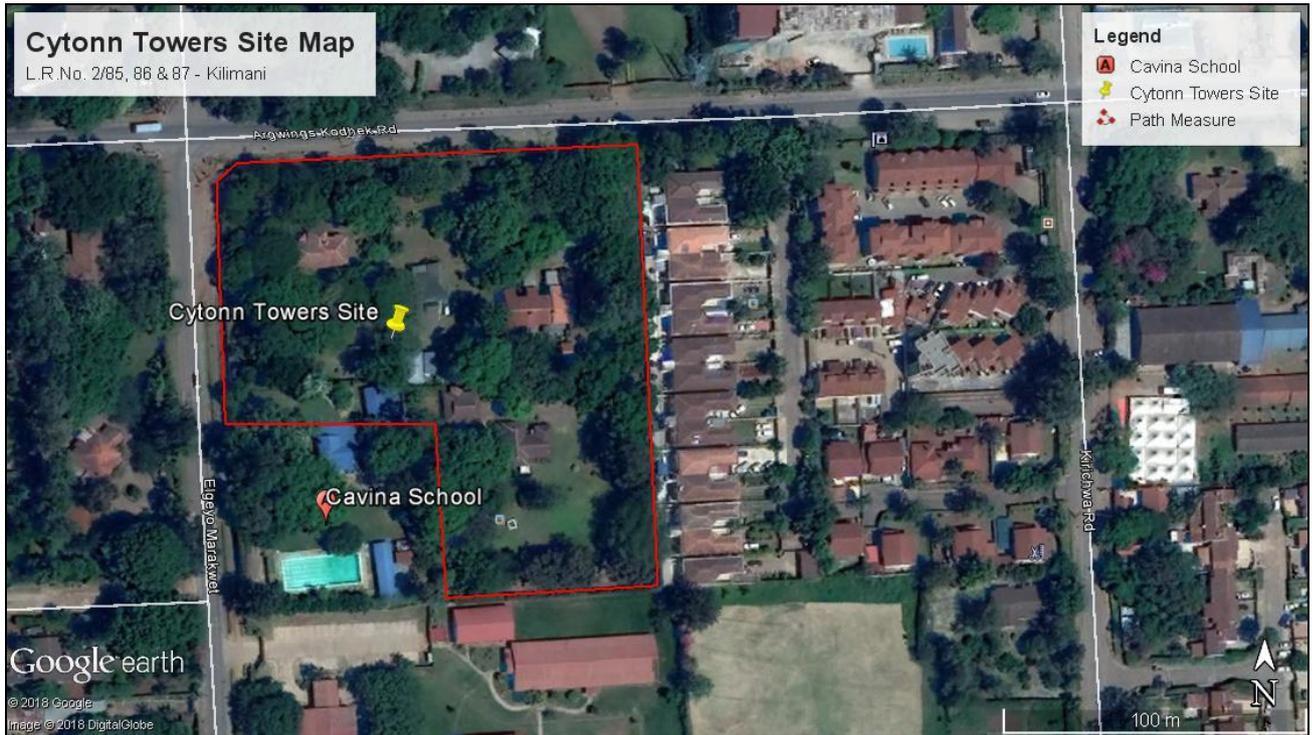
We have inspected the property as far as is reasonably necessary for valuation purposes. This has comprised a visual inspection of the exterior and interior of the property, such as could be undertaken from standing at ground level within the boundaries of the site and adjacent public/communal areas and as was readily accessible with safety and without undue difficulty including standing at the various floor levels.

We have not carried out a building survey of the buildings nor have we inspected woodwork, steelwork or other parts of the property which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the property are free from defect. Our report does not purport to express an opinion about or to advise upon the condition of uninspected parts. Neither have we carried out any tests of any kind on the electrical, plumbing or other services installed.

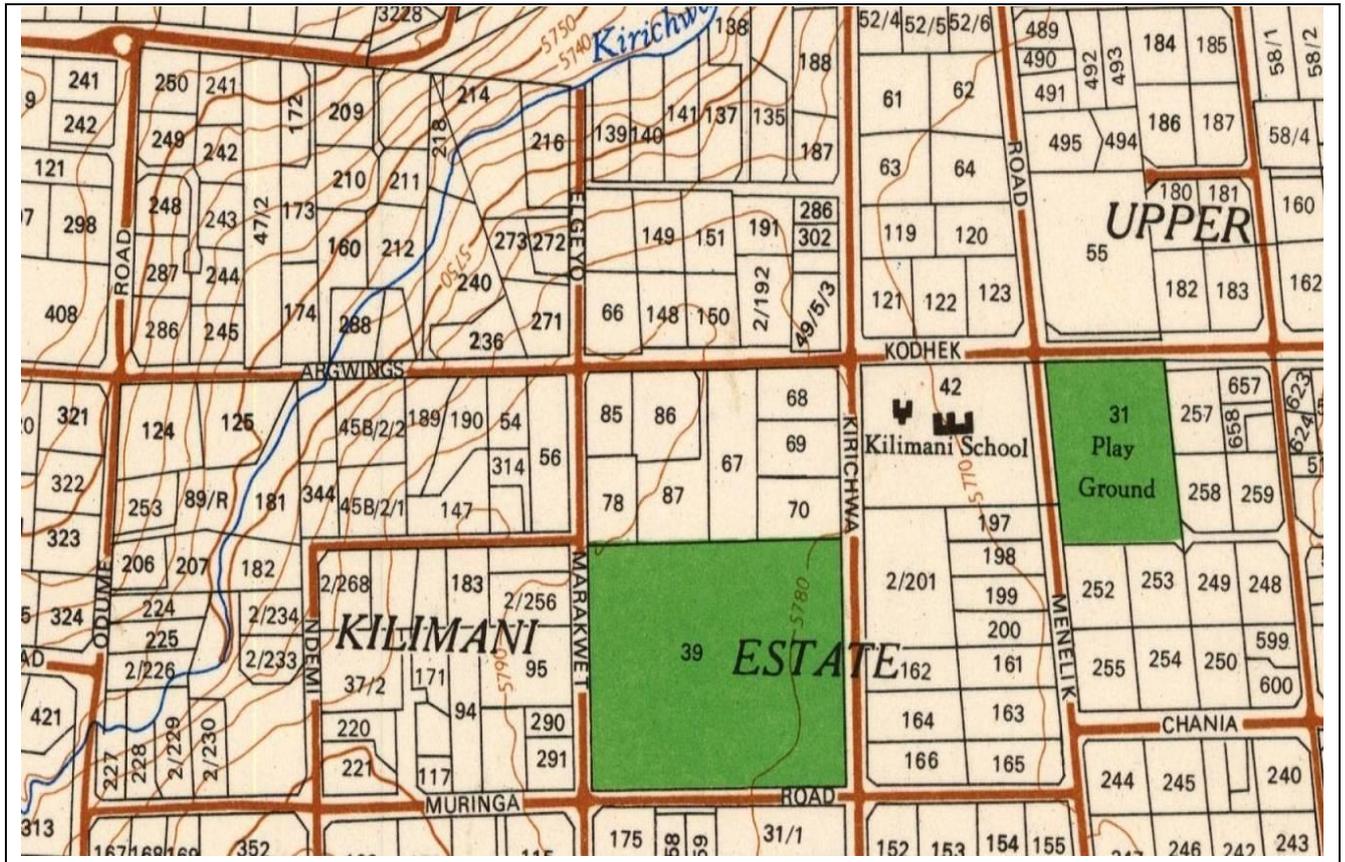
MARKET CHANGE DISCLAIMER

This valuation is current as of the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to this particular property). We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon a year from the date of the valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.

APPENDIX II: GOOGLE EARTH IMAGES OF THE PROPERTY



APPENDIX III: COPY OF THE SURVEY MAP EXTRACT



APPENDIX IV: COPY OF SEARCH CERTIFICATE

REPUBLIC OF KENYA
THE LAND REGISTRATION ACT NO. 3 OF 2012
THE LAND ACT NO. 6 OF 2012
THE GOVERNMENT LANDS ACT CAP 280(REPEALED)

3/1/2018

AS ON:

1 Acre.

AREA

2/85 (orig. no.2/44/2)

L.R. NUMBER:

N 33 Folio 332 File 10553

REGISTER:.....

Fee Simple

TENURE:

CURRENT REGISTERD PROPRIETOR: **MISSIONARY AVIATION FELLOWSHIP (KENYA) REGISTERED TRUSTEES**

ENCUMBRANCES

-NIL



Signed.....
S. C. Njoroge

REGISTRAR OF GOVERNMENT LANDS



REPUBLIC OF KENYA
THE LAND ACT NO. 6 OF 2012
THE GOVERNMENT LANDS ACT CAP 280(REPEALED)
CERTIFICATE OF POSTAL SEARCH

3/1/2018
AS ON:
 1.497 Acres.
AREA
 2/87 (orig.no.2/44/4)
L.R NUMBER.....
 N 33 Folio 278 File 10522
REGISTER:
 Fee Simple
TENURE.....

CURRENT REGISTERED PROPRIETOR: **MISSIONARY AVIATION
FELLOWSHIP (KENYA) REGISTERED TRUSTEES.**

ENCUMBRANCES

-NIL



Signed..... *[Handwritten Signature]*

*S. C. Njarage*294*

REGISTRAR OF GOVERNMENT LANDS