

Land Sector Cytonn Q1'2021 Markets Review Note

Satellite Towns record the highest annualized capital appreciation at 7.2% in Q1'2021 compared to a market average of 2.8%

The land sector has continued to show resilience in Q1'2021 recording an average annualized capital appreciation of 2.8%, indicating that people consider land as a good investment asset in the long run despite the pandemic. The satellite towns recorded the highest annual capital appreciation of 7.2%, this is attributed to the affordability of land, continued focus on affordable housing and improving infrastructure opening up the areas for development.

The table below shows the performance of the sector during the quarter:

All Values in Kshs Unless Stated Otherwise

Summary of the Performance Across All regions Q1'2021			
	Q1'2020	Q1'2021	Annualized Capital Appreciation
Un-serviced land-Satellite Towns	24.5 mn	25.6 mn	7.2%
Nairobi Suburbs- Low Rise Residential Areas	86.8 mn	89.9 mn	4.6%
Serviced land-Satellite Towns	14.5 mn	15.0 mn	3.8%
Nairobi Suburbs- High Rise Residential Areas	136.3 mn	134.1 mn	0.5%
Nairobi Suburbs- Commercial Areas	419.2 mn	410.2 mn	(2.0%)
Average	136.2 mn	135.0 mn	2.8%

Source: Cytonn Research 2021

Performance per node

- a. The asking land prices for the Unserviced land in satellite towns recorded an annualized capital appreciation of 7.2%, this is attributed increased demand for development land, and focus on affordable housing. Ruaka had the highest land prices per acre of Kshs 93.4 mn compared to the market average of Kshs 25.6 mn.

<i>All values is Kshs unless stated otherwise</i>			
Satellite Towns- Unserviced Land			
Location	Q1'2020	Q1'2021	Annualized Capital Appreciation
Juja	10.2 mn	11.3 mn	10.5%
Athi River	3.8 mn	4.1 mn	8.6%
Ongata Rongai	11.4 mn	12.4 mn	8.5%
Utawala	12.9 mn	13.9 mn	7.6%
Limuru	17.5 mn	18.5 mn	5.5%
Ruaka	91.0 mn	93.4 mn	2.7%
Average	24.5 mn	25.6 mn	7.2%

Source: Cytonn Research 2021

- b. The asking prices of land in the low rise areas recorded an annual capital appreciation of 4.6% attributable to high demand in the areas. These areas have also remained attractive due to their exclusivity and privacy with the areas being attractive for family units as they are sparsely populated.

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Low Rise Residential Areas			
Location	Q1'2020	Q1'2021	Annualized Capital Appreciation
Kitisuru	77.4 mn	83.7 mn	8.2%
Runda	70.2 mn	74.8 mn	6.5%
Ridgeways	65.2 mn	69.0 mn	5.8%
Karen	57.0 mn	59.0 mn	3.5%
Spring Valley	164.3 mn	162.9 mn	(0.9%)
Average	86.8 mn	89.9 mn	4.6%

Source: Cytonn Research 2021

- c. The serviced land in satellite towns recorded an average annualized capital appreciation of 4.7% with Thika being the best performing area recording an average annualized capital appreciation of 10.5%. Ruai recorded a price correction of (6.4%) attributed to reduced demand of land as investors focus on areas witnessing more real estate related activities.

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Satellite Towns- Serviced Land			
Location	Q1'2020	Q1'2021	Annualized Capital Appreciation
Thika	10.1 mn	11.2 mn	10.5%
Ruiru	21.1 mn	23.0 mn	9.0%
Ongata Rongai	16.7 mn	17.9 mn	7.3%
Syokimau-Mlolongo	12.0 mn	12.6 mn	4.8%
Athi River	12.8 mn	13.2 mn	3.1%
Ruai	14.0 mn	13.1 mn	(6.4%)
Average	14.5 mn	15.0 mn	4.7%

Source: Cytonn Research 2021

- d. The asking land prices in the high rise residential areas recorded a 0.5% annualized capital appreciation with Kasarani being the best perform node at 5.2% as the price has remained low at Kshs 68.1 mn compared an average of Kshs 134.1 mn. The attractiveness is also supported by developers showing interest in the area to accommodate the growing middle income population and availability of infrastructure with the area being served by Thika Road. Kileleshwa registered an 3.6% price correction attributed to reduced demands as investors continue to explore more affordable land options with an acre averaging at Kshs 301.1mn compared to the market average of Kshs 134.1mn per acre.

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High Rise Residential Areas			

Location	Q1'2020	Q1'2021	Annualized Capital Appreciation
Kasarani	64.7 mn	68.1 mn	5.2%
Embakasi	68.7 mn	71.0 mn	3.3%
Dagoretti	99.2 mn	96.4 mn	(2.9%)
Kileleshwa	312.4 mn	301.1 mn	(3.6%)
Average	136.3 mn	134.1 mn	0.5%

Source: Cytonn Research 2021

- e. The commercial zones recorded a 2.0% price correction in the average asking land prices. This is attributed to the decrease demand for development land mainly due to the high asking prices of Kshs 410.2 mn per acre thus limiting the ability of developers to generate favorable returns from the investments. The existing oversupply in the commercial office spaces of 6.3 mn SQFT and 2.0 mn SQFT in the Nairobi metropolitan area has also affected the supply since developers have halted their plans to allow for absorption of the existing spaces. Upperhill recorded the highest price correction of (3.4%) attributable reduced demand brought about by unaffordability as land in the area costs Kshs 488.8 mn per acre against the commercial zone average of Kshs 410.2mn per acre.

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Commercial Zones			
Location	Q1'2020	Q1'2021	Annualized Capital Appreciation
Riverside	350.9 mn	348.3 mn	(0.7%)
Westlands	421.3 mn	415.4 mn	(1.4%)
Kilimani	398.5 mn	388.4 mn	(2.5%)
Upper Hill	506.1 mn	488.8 mn	(3.4%)
Average	419.2 mn	410.2 mn	(2.0%)

Source: Cytonn Research

Despite the current decline in real estate related activities as a result of the effects of the COVID-19 pandemic, the land sector has continued to show resilience, the performance of the land sector has been cushioned by various factors including i) growing demand for land to develop especially in the satellite towns, ii) improving infrastructure, iii) positive demographics, iv) continued focus on the affordable housing initiative.

For more information, please see our [Cytonn Q1'2021 Markets Review](#).