

Nairobi Metropolitan Area (NMA) Land Markets Annual Review Note 2021

Unserviced Land Prices in the satellite towns of the NMA recorded the highest annualized capital appreciation of 5.8% compared to a market average of 2.8%

The Nairobi Metropolitan Area (NMA) land sector recorded an average annualized capital appreciation of 2.8% in FY'2021, representing an 8.3% 10-year Compounded Annual Growth Rate (CAGR). Unserviced land in the satellite towns of the NMA recorded the highest capital appreciation at 5.8%, which is 3.0% points higher than the market average of 2.8%. This was mainly attributed to increased demand due to their affordability, with the average asking price coming in at Kshs 13.5 mn, lower than the market average of Kshs 134.8 mn in 2021, and increased infrastructure developments enhancing accessibility to the areas. On the other hand, average asking prices for land in the commercial zones of the NMA realized a 0.3% Year on Year (YoY) price correction. This was attributable to limited demand as developers withheld their construction plans awaiting the absorption of existing spaces particularly in the oversupplied commercial office and retail sectors.

The table below shows the summary of the NMA land performance;

<i>All Prices in Kshs (mn) Unless Stated Otherwise</i>								
Nairobi Metropolitan Area Land Performance Trend								
Location	Price in 2011	Price in 2017	Price in 2018	Price in 2019	Price in 2020	Price in 2021	10 Year CAGR	Annual Capital Appreciation 2020/'21
Unserviced land- Satellite Towns	9.0	20.4	22.7	24.9	12.7	13.5	4.1%	5.8%
Serviced land- Satellite Towns	6.0	14.4	14.3	14.3	14.8	15.4	9.9%	3.8%
Nairobi Suburbs - Low Rise Residential Areas	56.0	82.4	89.4	91.6	93.8	96.6	5.6%	3.2%
Nairobi Suburbs - High Rise residential Areas	46.0	134.6	135.0	137.5	135.7	137.0	11.5%	1.6%
Nairobi Suburbs - Commercial Areas	156.0	429.8	447.3	428.5	413.0	411.2	10.2%	(0.3%)
Average	54.6	144.5	155.4	139.4	134.0	134.8	8.3%	2.8%

Source: Cytonn Research, 2021

Performance per Node

- a. The average asking prices for **unserviced land** in the satellite towns of the NMA recorded an annualized capital appreciation at 5.8%, which is 3.0% points higher than the market average of 2.8%. This was mainly attributed to increased demand due to their affordability, and increased infrastructure developments enhancing accessibility to areas. Juja recorded the highest appreciation at 7.6% due to; i) affordability of land prices at Kshs 12.4 mn per acre against the market average of Kshs 13.5 mn per acre, ii) the availability of infrastructure with the area being served by roads such as Thika Superhighway, iii) increased demand as a result of a 35.1% increase in population in Ruiru constituency where Juja lies, to 371,111 in 2019, from 241,007 in 2009, and, iv) the rising student population in the area from institutions such as Jomo Kenyatta University of Agriculture and Technology (JKUAT), thus facilitating increased demand for land for development of student housing units.

<i>All Prices in Kshs (mn) Unless Stated Otherwise</i>						
Satellite Towns - Unserviced Land						
Location	Price in 2017	Price in 2018	Price in 2019	Price in 2020	Price in 2021	Annualized Capital Appreciation
Juja	9.6	10.1	10.8	11.5	12.4	7.6%
Utawala	11.0	12.9	15.1	15.1	16.2	7.5%

Ongata Rongai	9.9	11.4	12.1	13.3	14.0	5.0%
Athi River	4.1	3.7	4.2	4.5	4.7	4.9%
Limuru	16.7	17.1	17.4	19.3	20.0	3.9%
Average	21.4	24.1	24.9	12.7	13.5	5.8%

Source: Cyttonn Research, 2021

- b. **Serviced land** in the satellite towns of the NMA realized a 3.8% annualized capital appreciation, which is 1.4% points higher than the overall market average of 2.8%. The good performance was driven by increased demand that was fuelled by; i) the presence of infrastructure amenities supporting the performance of the areas, ii) affordability of the land prices at Kshs 15.4 mn compared to a market average of Kshs 134.8 mn, and iii) availability of ongoing infrastructure road and railway networks which continue to open up areas for investments. Syokimau was the best performing location with an annualized capital appreciation of 8.1% mainly attributed to the ongoing construction of the Nairobi Expressway boosting the land prices and promoting accessibility of the area. Thika however recorded a slight price correction of 0.1% a result of a declined demand for development land in the area.

All Prices in Kshs (mn) Unless Stated Otherwise						
Satellite Towns - Serviced Land						
Location	FY'2017	FY'2018	FY'2019	FY'2020	FY'2021	Annualized Capital Appreciation
Syokimau-Mlolongo	12.1	12.1	13.9	15.1	16.3	8.1%
Ruiru - Juja	19.7	20.6	20.9	22.2	23.3	6.4%
Ongata Rongai	19.1	16.7	16.4	15.0	15.7	4.7%
Athi River	12.9	12.9	13.1	14.6	15.0	3.0%
Ruai	13.1	13.6	12.3	11.2	11.5	2.8%
Thika	9.2	10.0	9.5	10.8	10.8	(0.1%)
Average	14.4	14.3	14.3	14.8	15.4	3.8%

Source: Cyttonn Research 2021

- c. Asking land prices in **low rise residential areas** recorded an annualized capital appreciation of 3.2% attributed to relatively high demand that was fuelled by; i) adequate infrastructure and amenities servicing the areas such as the Karen road and Runda Water Services Provider, among many others, ii) presence of affluent population with capability to purchase the assets, and iii) sparsely populated neighbourhoods with serene appearance thus attractive to investors. Kitisuru realized the highest price appreciation of 8.2% compared to market average of 3.2% mainly due to a relatively high demand for land for development in the area driven by; i) adequate infrastructure serving the area such as Kitisuru road, ii) its exclusive neighbourhood attracting investments, and, iii) relatively affordable prices at Kshs 89.1 per acre compared to the overall market's price of 96.6 mn.

All Prices in Kshs (mn) Unless Stated Otherwise						
Nairobi Suburbs- Low Rise Residential Areas						
Location	FY'2017	FY'2018	FY'2019	FY'2020	FY'2021	Annualized Capital Appreciation
Kitisuru	70.0	77.3	78.3	81.8	89.1	8.2%
Runda	67.8	77.1	75.7	78.7	81.4	3.3%
Karen	51.6	56.9	58.7	58.9	60.1	3.2%
Spring Valley	154.4	164.0	168.8	166.3	168.5	1.3%
Ridgeways	68.0	71.6	76.7	83.3	83.3	0.0%
Average	82.4	89.4	91.6	93.8	96.6	3.2%

Source: Cyttonn Research 2021

- d. **High rise residential areas** recorded a 1.6% annualized capital appreciation, with Embakasi being ranked highest at 3.8%. This was mainly attributable to affordability of land prices driving demand, having recorded average selling prices at Kshs 74.5 mn compared to market average of Kshs 136.9

mn, coupled with the availability of infrastructure presence such as the Airport Road and part of the Outer Ring Road.

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Nairobi Suburbs- High Rise Residential Areas						
Location	FY'2017	FY'2018	FY'2019	FY'2020	FY'2021	Annualized Capital Appreciation
Embakasi	70.4	68.8	69.0	71.6	74.5	3.8%
Kasarani	63.6	64.7	73.8	79.7	81.9	2.7%
Kileleshwa	305.5	306.5	304.8	291.9	292.6	0.2%
Dagoretti	98.8	100.0	102.4	99.4	99.1	(0.3%)
Average	134.6	135.0	137.5	135.7	136.9	1.6%

Source: Cyttonn Research, 2021

- e. Asking land prices in **commercial zones** recorded an overall price correction of 0.3%. This was as a result of; i) minimal demand for land in the areas as developers withheld their construction plans awaiting the absorption of existing spaces such as the oversupplied office market by 7.3 mn SQFT, and, ii) high prices at Kshs 411.2 mn per acre against a market average of Kshs 134.8 mn per acre limiting investment opportunities. Westlands however recorded a 2.1% price appreciation mainly attributed to the presence of ongoing Nairobi Expressway project fuelling demand for development land, coupled with its close proximity to Nairobi Central Business District (CBD).

All Prices in Kshs (mn) Unless Stated Otherwise						
Nairobi Suburbs- Commercial Zones						
Location	FY'2017	FY'2018	FY'2019	FY'2020	FY'2021	Annualized Capital Appreciation
Westlands	473.7	499.1	474.3	443.9	451.2	1.7%
Riverside	360.6	395.8	340.5	312.8	314.5	0.6%
Kilimani	350.0	387.3	392.2	393.5	391.3	(0.6%)
Upper Hill	535.0	507.0	507.2	501.6	487.9	(2.7%)
Average	429.8	447.3	428.5	413.0	411.2	(0.3%)

Source: Cyttonn Research, 2021

We have a POSITIVE outlook for the land sector supported by factors such as; i) positive demographics, ii) growing demand for land particularly in the satellite areas, iii) improving infrastructure thereby opening up areas for investment, iv) government's efforts towards ensuring efficient and streamlined processes in land transactions, and, v) the continued focus on the affordable housing initiative driving demand for land.

For more information, please see our [Cyttonn Annual Markets Review – 2021](#).