

Nairobi Metropolitan Area Mixed-Use Developments Annual Markets Review Note 2021

Mixed-Use Developments recorded an average rental yield of 7.2% in 2021, 0.7% points higher than the respective single-use themes which recorded average rental yield of 6.5% in the same period

In 2021, we released the [Nairobi Metropolitan Area \(NMA\) Mixed-Use Developments Report 2021](#). According to the report Mixed-Use Developments recorded an average rental yield of 7.2% in 2021, 0.7% points higher than the respective single-use themes which recorded an average rental yield of 6.5% in the similar period. The relatively better performance was mainly attributed to; i) an improved business environment, ii) strategic and prime locations of the developments with the capability to attract prospective clients, and, iii) preference by target clients due to their convenience hence improved demand and returns to investors. The retail and commercial office theme in the MUDs recorded a 1.3% and 0.2% points increase in the average rental yield to 8.4% and 7.1%, respectively in 2021, from 7.1% and 6.9% in 2020. This was mainly due to an improved business environment leading to increased demand and uptake of spaces.

For the residential theme in the MUDs, the average rental yield declined by 0.3% points to 6.0% in 2021, from 6.3% in 2020, attributed to other landlords still offering discounts in a bid to attract more tenants as well as retaining the existing ones. Additionally, the retail, commercial office and residential themes in the MUDs performed better in 2021 when compared to single-use retail, commercial office and residential themes which realized rental yields of 7.8%, 6.6% and 5.2%, respectively, in 2021. This was attributed to their incorporated live, work and play lifestyle thus more preferred, coupled with the adequate amenities available leading to their increased demand.

The table below shows the performance of Mixed-Use Developments by node in 2021;

(All Values in Kshs Unless Stated Otherwise)

Nairobi's Mixed-Use Developments Market Performance by Nodes 2021

Location	Retail Performance				Commercial Office Performance				Residential Performance				Average MUD yield
	Price/S QFT	Rent/S QFT	Occup. (%)	Rental Yield (%)	Price/SQFT	Rent/S QFT	Occup. (%)	Rental Yield (%)	Price/SQM	Rent/SQM	Annual Uptake %	Rental Yield %	
Karen	23,333	196	86.7%	8.8%	13,233	117	85.0%	9.0%					8.7%
Westlands	15,833	173	70.8%	9.5%	12,892	110	71.7%	7.3%	211,525	1,226	15.6%	7.0%	7.8%
Kilimani	18,500	162	79.0%	8.3%	13,713	106	79.0%	6.7%					7.4%
Mombasa Rd	20,000	185	70.0%	8.4%	13,000	100	60.0%	5.5%	156,079	853	13.3%	6.6%	7.4%
Thika Rd	23,750	215	82.5%	9.2%	13,250	105	72.5%	6.9%	128,545	612	17.9%	6.1%	7.0%
Upper Hill	15,485	130	62.5%	6.4%	12,000	102	70.0%	7.0%					6.8%
Eastlands	20,000	124	75.0%	5.5%	12,000	80	62.5%	5.0%	72,072	360	10.0%	4.2%	5.1%
Average	18,759	170	75.9%	8.4%	12,924	106	73.6%	7.1%	142,055	763	15.0%	6.0%	7.2%

**The average MUDs performance is based on areas where sampled projects exist*

Source: Cytonn Research 2021

Our outlook on Mixed-Use Developments (MUDs) is NEUTRAL supported by the impressive returns recorded at 7.2% in 2021, from 6.9% in 2020. However, their performance is expected to be weighed down by existing oversupply at 7.3 mn SQFT in the NMA commercial office market, and oversupply in the retail market at 3.0 mn SQFT in the NMA and 1.7 mn SQFT in the Kenya retail market. Investment opportunity lies in areas with relatively high returns such as Karen and Westlands which recorded an average MUD rental yield of 8.7%, and, 7.8% respectively, against the market average of 7.2%.