

## Land Sector Cytonn Q3'2021 Markets Review Note

### Land Prices in the satellite towns of the Nairobi Metropolitan Area (NMA) recorded the highest annualized capital appreciation of 4.5% against compared to a market average of 1.7%

The Nairobi Metropolitan Area (NMA) land sector recorded an average annualized capital appreciation of 1.7% in Q3'2021, with land prices in the satellite towns realizing the highest capital appreciation at 4.5% as a result of the availability and affordability of land in the areas at Kshs 13.3 mn per acre against the market average of Kshs 134.6 mn per acre thereby leading to increased demand. Land in the commercial suburbs of the NMA recorded the highest price correction of 2.1%, attributed to minimal demand for land in the areas as developers withhold their construction plans awaiting the absorption of existing spaces such as the oversupplied office market by 7.3 mn SQFT, coupled with their high prices at Kshs 406.5 mn per acre against a market average of Kshs 134.6 mn per acre.

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

<i>All Values in Kshs Unless Stated Otherwise</i>			
Nairobi Metropolitan Area (NMA) Land Performance Q3'2021			
	Price Per Acre Q3'2020	Price per acre Q3'2021	Annualized Capital Appreciation
Satellite Towns-Unserviced Land	12.7 mn	13.3 mn	4.5%
Nairobi Suburbs- Low Rise Residential Areas	94.1 mn	96.8 mn	3.3%
Satellite Towns-Serviced land	15.2 mn	15.5 mn	2.0%
Nairobi Suburbs- High Rise Residential Areas	140.9 mn	141.0 mn	0.6%
Nairobi Suburbs- Commercial Areas	415.2 mn	406.5 mn	(2.1%)
<b>Average</b>	<b>135.6 mn</b>	<b>134.6 mn</b>	<b>1.7%</b>

Source: Cytonn Research 2021

### Performance per node

- a. The asking prices for land in the satellite towns recorded an annual price appreciation of 4.5% in Q3'2021 mainly attributed to the availability of land, improving infrastructure developments opening areas for investments, and affordability of land in the areas at Kshs 13.3 mn per acre against the market average of Kshs 134.6 mn per acre thereby leading to increased demand as well. Juja was the best performing submarket with an annual price appreciation of 10.1% attributed to; i) affordability of land prices at Kshs 12.0 mn per acre against the market average of Kshs 13.3 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 an increased population in Ruiru constituency where Juja lies, by 35.1% 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. According to Kenya National Bureau of Statistics, the number of available student housing in Kenya was at 300,000 in 2020 against a university enrolment of 509,473, hence the investment opportunity in the market gap.

<i>All Values in Kshs Unless Stated Otherwise</i>			
Satellite Towns-Unserviced Land			
Location	Price Per Acre Q3'2020	Price Per Acre Q3'2021	Annualized Capital Appreciation
Juja	10.9 mn	12.0 mn	10.1%
Rongai	12.8 mn	13.5 mn	5.1%
Limuru	19.2 mn	20.0 mn	4.2%

Athi River	4.8 mn	4.9 mn	2.1%
Utawala	15.8 mn	16.0 mn	1.0%
<b>Average</b>	<b>12.7 mn</b>	<b>13.3 mn</b>	<b>4.5%</b>

Source: Cytonn Research 2021

- b. Land prices in the low rise residential areas of the NMA recorded an annual capital appreciation of 3.3% in Q3'2021 attributed to adequate amenities and infrastructure, high demand, and attractiveness due to their serenity and privacy as they are sparsely populated. Kitisuru was the best performing submarket with annual capital appreciation coming in at 5.7% as a result of a relatively high demand for land, whereas Spring Valley recorded the lowest capital appreciation at 1.2% due to unaffordability and reduced demand resulting from relatively high prices at Kshs 169.5 mn per acre when compared to a market average of Kshs 96.8 mn per acre.

<b>All Values in Kshs Unless Stated Otherwise</b>			
<b>Low Rise Residential Areas</b>			
<b>Location</b>	<b>Price Per Acre Q3'2020</b>	<b>Price Per Acre Q3'2021</b>	<b>Annualized Capital Appreciation</b>
Kitisuru	82.2 mn	86.9 mn	5.7%
Karen	61.0 mn	63.3 mn	3.7%
Runda	78.7 mn	81.2 mn	3.2%
Ridgeways	81.0 mn	83.0 mn	2.5%
Spring Valley	167.5 mn	169.5 mn	1.2%
<b>Average</b>	<b>94.1 mn</b>	<b>96.8 mn</b>	<b>3.3%</b>

Source: Cytonn Research 2021

- c. Serviced land in the satellite towns of Nairobi realized an annual capital appreciation of 2.0% in Q3'2021 with Thika being the best performing submarket with price appreciations of 4.6% against the market's average of 2.0%, mainly attributed to; i) an increased demand, ii) ease of access to amenities, iii) adequate infrastructure with the area being served by Thika road, iv) its recognition as an institutional hub with some of the institutions being the Mount Kenya University and Kenya Medical Training College, thereby being attractive to masses and investors, and v) affordability of land in the area which recorded average prices of Kshs 11.0 mn per acre against the market's Kshs 15.5 mn per acre. Ruai recorded the highest price correction of (1.0%) as result of minimal demand for land in the area.

<b>All Values in Kshs Unless Stated Otherwise</b>			
<b>Satellite Towns-Serviced Land</b>			
<b>Location</b>	<b>Price Per Acre Q3'2020</b>	<b>Price Per Acre Q3'2021</b>	<b>Annualized Capital Appreciation</b>
Thika	10.5 mn	11.0 mn	4.6%
Ruiru-Juja	22.9 mn	23.8 mn	3.9%
Syokimau	14.7 mn	15.2 mn	3.1%
Athi River	13.8 mn	14.1 mn	2.1%
Rongai	17.1 mn	17.0 mn	(0.4%)
Ruai	12.3 mn	12.2 mn	(1.0%)
<b>Average</b>	<b>15.2 mn</b>	<b>15.5 mn</b>	<b>2.0%</b>

Source: Cytonn Research

- d. The asking land prices in the high-rise residential areas recorded a 0.6% annualized capital appreciation in Q3'2021 with Embakasi being the best performing submarket with an appreciation of 3.4% mainly attributable to affordability of land prices averaging at Kshs 70.3 mn per acre compared to the node's average at Kshs 141.0 mn leading to increased demand particularly by the middle income class, and

availability of infrastructure with the area being served by the Airport Road and part of the Outer Ring Road.

<i>All Values in Kshs Unless Stated Otherwise</i>			
High Rise Residential Areas			
Location	Price Per Acre Q3'2020	Price Per Acre Q3'2021	Annualized Capital Appreciation
Embakasi	68.0 mn	70.3 mn	3.4%
Kasarani	73.5 mn	73.8 mn	0.4%
Kileleshwa	319.7 mn	318.5 mn	(0.4%)
Dagoretti	102.4 mn	101.5 mn	(0.9%)
<b>Average</b>	<b>140.9 mn</b>	<b>141.0 mn</b>	<b>0.6%</b>

Source: Cytonn Report 2021

- e. Land in the commercial suburbs of the NMA recorded the highest price correction of 2.1%, attributed to minimal demand for land in the areas as developers withhold their construction plans awaiting the absorption of existing spaces such as the oversupplied office market by 7.3 mn SQFT, coupled with their high prices at Kshs 406.5 mn per acre against a market average of Kshs 134.6 mn per acre limiting investment opportunities.

<i>All Values in Kshs Unless Stated Otherwise</i>			
Nairobi Suburbs- Commercial Zones			
Location	Price Per Acre Q3'2020	Price Per Acre Q3'2021	Annualized Capital Appreciation
Westlands	451.4 mn	447.1 mn	<b>(0.9%)</b>
Riverside	337.6 mn	329.2 mn	<b>(2.5%)</b>
Kilimani	388.7 mn	379.1 mn	<b>(2.5%)</b>
Upperhill	483.2 mn	470.8 mn	<b>(2.6%)</b>
<b>Average</b>	<b>415.2 mn</b>	<b>406.5 mn</b>	<b>(2.1%)</b>

Source: Cytonn Research

***We hold a POSITIVE outlook for the NMA land sector which continues to show resilience despite the ongoing pandemic which has affected some of the real estate sectors 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, and, iv) the continued focus on the affordable housing initiative.***

For more information, please see our [Cytonn Q3'2021 Markets Review](#).