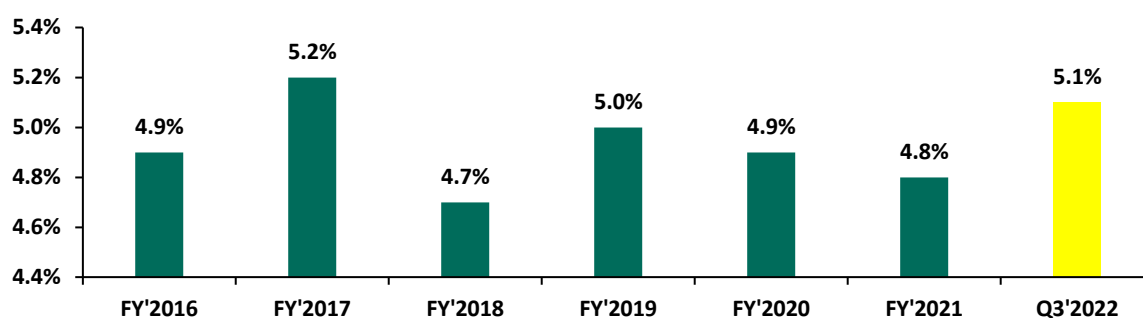


Nairobi Metropolitan Area Residential Sector Q3'2022 Review Note

The Residential Sector recorded average y/y total returns of 5.9% in Q3'2022, a 0.4% points increase from 5.5% recorded in Q3'2021. For detached units, the top markets were Ruiru, Kitisuru, Juja and Ngong. For apartments, the top markets were Waiyaki Way, Ruaka, Ruiru, and Ngong.

In Q3'2022, the residential sector recorded improved performance, with the sector's average total return increasing by 0.4% points y/y to 5.9%, from 5.5% recorded in Q3'2021 mainly driven by an increase in property transaction volumes. This translated to a 0.1% points increase in the average y/y price appreciation to 0.8%, from 0.7% recorded in Q3'2021. The average rental yield increased by 0.3% points to 5.1% in Q3'2022 from 4.8% recorded in Q3'2021, on the back of the gradual economic recovery which saw landlords collect higher rents. The graph below shows the performance summary of average residential rental yields from 2016-Q3'2022;

Cytonn Report: Average Rental Yield Performance (2016-Q3'2022)



Source: Cytonn Research 2022

The table below shows the NMA residential sector performance during Q3'2022;

Cytonn Report: Residential Market Average Performance Summary									
Segment	Rental Yield Q3'2022	Price Appreciation Q3'2022	Total Returns Q3'2022	Rental Yield Q3'2021	Price Appreciation Q3'2021	Total Returns Q3'2021	Change in Rental Yield	Change in Appreciation	Change in Total Returns
Detached:									
High End	4.3%	1.3%	5.6%	3.7%	0.2%	3.9%	0.6%	1.1%	1.7%
Upper Mid-End	4.6%	0.8%	5.4%	4.5%	0.2%	4.7%	0.1%	0.6%	0.7%
Lower Mid-End	5.1%	0.8%	5.8%	4.5%	1.5%	6.0%	0.6%	(0.7%)	(0.2%)
Detached Average	4.7%	1.0%	5.6%	4.2%	0.6%	4.8%	0.4%	0.3%	0.7%
Apartments:									
Upper Mid-End	5.4%	0.4%	5.7%	5.2%	0.9%	6.2%	0.2%	(0.5%)	(0.5%)
Lower Mid-End	5.5%	0.3%	5.9%	5.3%	0.8%	6.1%	0.2%	(0.5%)	(0.2%)
Satellite Towns	5.5%	1.3%	6.8%	5.3%	0.5%	5.8%	0.2%	0.8%	1.0%
Apartments Average	5.5%	0.7%	6.1%	5.3%	0.8%	6.0%	0.2%	(0.1%)	0.1%
Market Average Q3'2022	5.1%	0.8%	5.9%	4.8%	0.7%	5.5%	0.3%	0.1%	0.4%

Source: Cytonn Research 2022

A. Detached Units Performance

The average total return for detached units improved to 5.6%, from 4.8% in Q3'2021, with the y/y capital appreciation coming in at 1.0%. The lower mid end segment was the best in performance with an average total return of 5.8% attributable to an average rental yield of 5.1% and a 0.8% y/y price appreciation compared to the high end and lower-mid end segments with average total returns at 5.6% and 5.4% respectively. Overall, the best performing node was Ruiru with an average total return of 7.7% attributable to a relatively high average rental yield of 6.0%, whereas Donholm & Komarock was the least performing node with an average total return of 4.0%, driven by a decline in its overall prices and a low rental yield of 4.2%. The table below shows the NMA detached units average performance during Q3'2022;

All values in Kshs unless stated otherwise								
Cytonn Report: Detached Units Average Performance Q3'2022								
Area	Price per SQM Q3'2022	Rent per SQM Q3'2022	Occupancy Q3'2022	Uptake Q3'2022	Annual Uptake Q3'2022	Rental Yield Q3'2022	Price Appreciation Q3'2022	Total Returns
High-End								
Kitisuru	226,735	756	94.5%	94.3%	13.4%	4.8%	1.7%	6.6%
Rosshlyn	183,317	803	88.4%	98.1%	14.5%	4.7%	1.4%	6.0%
Runda	212,306	799	94.7%	96.5%	10.0%	4.6%	0.7%	5.3%
Karen	184,593	698	86.0%	92.2%	12.8%	3.7%	1.6%	5.3%
Lower Kabete	151,914	477	95.9%	88.4%	12.6%	3.6%	1.3%	4.9%
Average	191,773	707	91.9%	93.9%	12.7%	4.3%	1.3%	5.6%
Upper Mid-End								
Ridgeways	167,607	778	82.2%	87.4%	12.8%	5.0%	1.4%	6.4%
Redhill & Sigona	99,723	464	89.2%	96.6%	14.4%	4.7%	1.6%	6.3%
Runda Mumwe	151,529	743	91.9%	92.3%	13.5%	5.3%	0.9%	6.2%
Loresho	167,689	705	80.5%	83.1%	13.2%	4.9%	1.2%	6.1%
South B/C	111,255	410	88.3%	86.2%	12.5%	4.3%	0.6%	4.9%
Langata	139,196	404	92.7%	89.4%	10.0%	3.8%	0.6%	4.4%
Lavington	188,040	627	91.6%	91.4%	12.7%	4.0%	0.5%	4.5%
Average	146,434	590	88.1%	89.5%	12.7%	4.6%	0.8%	5.4%
Lower Mid-End								
Ruiru	67,361	345	87.2%	82.2%	18.7%	6.0%	1.7%	7.7%
Ngong	59,473	353	89.1%	96.4%	12.5%	6.4%	0.3%	6.7%
Juja	71,572	305	86.3%	80.9%	16.8%	5.5%	1.1%	6.6%
Kitengela	64,472	302	85.6%	81.9%	12.6%	5.0%	1.3%	6.3%
Syokimau/Mlolongo	74,096	328	87.4%	90.5%	18.3%	4.5%	1.2%	5.8%
Athi River	85,689	353	86.6%	94.3%	13.3%	4.5%	1.0%	5.4%
Rongai	80,521	278	95.6%	95.9%	16.4%	4.0%	1.1%	5.2%
Thika	62,484	303	82.4%	86.3%	13.5%	5.3%	(0.4%)	4.9%
Donholm & Komarock	94,923	404	88.0%	96.7%	12.7%	4.2%	(0.2%)	4.0%
Average	73,399	330	87.6%	89.4%	15.0%	5.1%	0.8%	5.8%

Source: Cytonn Research 2022

B. Apartments Performance

The average total return for apartments in the NMA slightly increased by 0.1% point to 6.1%, driven by a 0.2% points increase in the average rental yield to 5.5%. The lower mid-end satellite towns segment was the best performing, with an average total return of 6.8% attributable to an average rental yield of 5.5% and an average y/y price appreciation of 1.3%. Overall, Waiyaki Way was the best performing node with an average total return of 7.6% while Ruaka and Ngong followed with average total returns at 7.4% and 7.3%, respectively. Langata was the lowest performing node with an average total return of 3.8% attributable to an average y/y price depreciation of 0.7%. The table below shows the NMA residential apartments performance during Q3'2022;

All values in Kshs unless stated otherwise								
Cytonn Report: Apartments Average Performance Q3'2022								
Area	Price per SQM Q3'2022	Rent per SQM Q3'2022	Occupancy Q3'2022	Uptake Q3'2022	Annual Uptake Q3'2022	Rental Yield Q3'2022	Price Appreciation Q3'2022	Total Returns
Upper Mid-End								
Kilimani	105,625	672	84.2%	88.7%	22.1%	5.8%	0.1%	6.0%
Loresho	123,061	558	87.8%	97.2%	10.4%	4.8%	1.0%	5.8%
Westlands	149,039	802	83.2%	87.2%	22.4%	5.7%	0.1%	5.8%
Kileleshwa	125,554	682	84.6%	89.0%	15.2%	5.5%	0.2%	5.8%
Upperhill	132,624	762	81.2%	87.7%	11.1%	5.0%	0.6%	5.7%
Parklands	118,891	628	84.2%	91.0%	13.8%	5.3%	0.1%	5.4%
Average	125,799	684	84.2%	90.1%	15.8%	5.4%	0.4%	5.7%

Lower Mid-End Suburbs								
Waiyaki Way	86,251	536	83.9%	87.7%	21.1%	6.3%	1.4%	7.6%
South C	113,464	804	84.7%	84.9%	17.0%	6.3%	0.4%	6.6%
Dagoretti	83,652	536	88.5%	81.5%	14.4%	6.1%	0.2%	6.3%
Imara Daima	79,908	397	86.8%	86.0%	11.5%	5.3%	0.8%	6.1%
Donholm & Komarock	72,884	379	94.0%	94.3%	12.6%	5.9%	0.0%	6.0%
Race Course/Lenana	97,519	633	81.3%	90.9%	19.3%	5.8%	0.1%	5.9%
Kahawa West	77,147	352	88.8%	86.1%	10.1%	5.1%	0.7%	5.8%
South B	105,107	443	85.3%	94.0%	15.0%	4.4%	0.3%	4.6%
Langata	115,010	502	81.8%	88.0%	13.1%	4.5%	(0.7%)	3.8%
Average	92,327	509	86.1%	88.2%	14.9%	5.5%	0.3%	5.9%
Lower Mid-End Satellite Towns								
Ruaka	108,117	546	80.7%	82.8%	21.5%	5.1%	2.3%	7.4%
Ngong	64,382	360	82.3%	83.0%	11.7%	5.6%	1.7%	7.3%
Ruiru	89,418	480	87.4%	86.3%	17.8%	5.6%	1.5%	7.2%
Kikuyu	81,624	474	76.6%	85.8%	15.7%	5.2%	1.9%	7.2%
Athi River	58,199	329	85.2%	92.8%	15.2%	5.6%	1.4%	7.0%
Syokimau	71,302	343	86.6%	89.8%	12.5%	5.2%	1.7%	6.9%
Thindigua	101,089	498	89.9%	80.8%	17.7%	5.4%	1.2%	6.6%
Rongai	91,597	316	89.2%	76.4%	12.6%	6.1%	(0.2%)	5.9%
Kitengela	59,434	277	85.9%	97.5%	10.3%	5.0%	0.4%	5.3%
Average	80,573	403	84.9%	86.1%	15.0%	5.5%	1.3%	6.8%

Source: Cytonn Research 2022

Our outlook for the residential sector is NEUTRAL as we expect the sector's performance to be driven by more development activities, availability of mortgages, and, attractive returns in select areas. However, setbacks such as the increasing construction costs, limited credit and constrained mortgage uptake, are expected to weigh the optimum performance of the sector. For apartments, the best opportunity in investment is in areas such as Waiyaki Way, Ruaka, Ruiru, and Ngong driven by higher returns, price appreciation as well as improved infrastructure and amenities; for detached units, the best investment opportunity is in areas such as Ruiru, Kitisuru, Juja and Ngong, driven by higher uptake and total returns to investors.

For more information, please see our [Cytonn Q3'2022 Markets Review](#).