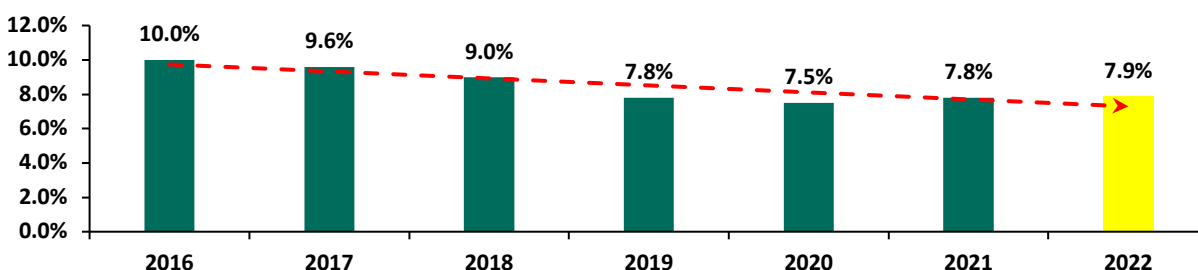


## Nairobi Metropolitan Area (NMA) Retail Sector FY'2022 Markets Review Note

**Kilimani, Karen, and, Westlands were the best performing nodes with average rental yields of 9.8%, 9.4%, and 8.7% respectively, compared to the overall market average of 7.9%**

In FY'2022, the average rental yield for the NMA retail spaces improved by 0.1% points to 7.9%, from 7.8% in FY'2021. This was mainly on the back of a 0.8% points increase in the average occupancy rates which came in at 77.6%, from 76.8% recorded in FY'2021. The average asking rents increased by 2.4% to Kshs 174 in FY'2022 from Kshs 170 recorded in FY'2021, driven by an increased presence of quality retail spaces which attract high rents such as the Global Trade Centre (GTC) in Westlands. The table below shows a six-year performance summary for the retail sector average rental yields;

**Nairobi Metropolitan Area (NMA) Retail Sector Performance-Average Rental Yields (2016-2022)**



Source: Cytonn Research

The performance of the retail sector in the Nairobi Metropolitan Area over time is as shown below:

Cytonn Report: Summary of Retail Sector Performance in Nairobi Metropolitan Area 2021 to 2022									
Item	Q1'2021	H1'2021	Q3'2021	FY'2021	Q1'2022	H1'2022	Q3'2022	FY'2022	Y/Y 2022 Δ
Average Asking Rents (Kshs/SQFT)	166	177	177	170	170	173	171	174	2.4%
Average Occupancy (%)	75.0%	78.0%	78.0%	76.8%	77.2%	75.9%	76.1%	77.6%	0.8%
Average Rental Yields	7.4%	8.1%	8.1%	7.8%	7.9%	7.8%	7.6%	7.9%	0.1%

Source: Cytonn Research

In terms of the sub-markets performance, Kilimani, Karen, and, Westlands continued to outshine other nodes thereby being the best performing nodes with average rental yields of 9.8%, 9.4%, and 8.7% respectively, higher than the overall market average of 7.9%. The impressive performance was mainly driven by presence of high quality retail spaces fetching the high rents, coupled with the availability of quality infrastructure services. On the other hand, retail spaces in Eastlands recorded the least average rental yield of 5.9% as a result of; i) the lower rents chargeable at Kshs 131 per SQFT compared to market average of Kshs 174 per SQFT, ii) poor quality infrastructure which does not sufficiently support the retail spaces, iii) heavy presence of informal retail spaces causing stiff competition to the formal investments, and, iv) relatively low demand evidenced by their low occupancy rates at 73.0%, compared to the market average of 77.6%. The table below shows the submarket performance of nodes in the Nairobi Metropolitan Area (NMA) 2022;

All values in Kshs unless stated otherwise							
Cytonn Report: Nairobi Metropolitan Area Retail Market Performance FY'2022							
Area	Rent Kshs /SQFT FY'2021	Occupancy% FY'2021	Rental Yield FY'2021	Rent Kshs /SQFT FY'2022	Occupancy% FY'2022	Rental Yield FY'2022	FY' 2022 Δ in Rental Yield (% points)

Kilimani	183	86.0%	9.8%	187	83.8%	9.8%	0.0%
Karen	202	84.0%	9.8%	216	80.2%	9.4%	(0.4%)
Westlands	213	78.8%	10.0%	211	75.7%	8.7%	(1.3%)
Kiambu/Limuru road	180	74.2%	7.7%	202	72.8%	8.6%	0.9%
Ngong Road	171	79.0%	7.7%	168	80.5%	7.7%	0.0%
Mombasa road	148	75.0%	6.8%	154	78.9%	7.4%	0.6%
Thika Road	161	74.0%	6.7%	165	78.7%	7.3%	0.6%
Satellite towns	142	69.0%	6.2%	134	74.6%	6.2%	0.0%
Eastlands	133	71.6%	5.6%	131	73.0%	5.9%	0.3%
<b>Average</b>	<b>170</b>	<b>76.8%</b>	<b>7.8%</b>	<b>174</b>	<b>77.6%</b>	<b>7.9%</b>	<b>0.1%</b>

Source: Cytonn Research

***We have a NEUTRAL outlook on the performance of retail sector with the performance expected to be driven by; i) the continuous aggressive growth and expansion by both local and international retailers, ii) increased infrastructural developments boosting accessibility, and, iii) positive demographics facilitating demand of space, goods and services. However, its optimum performance is expected to be impeded by; i) oversupply of retail space at approximately 3.0 mn SQFT in the NMA retail sector and 1.7 mn SQFT in the Kenyan retail sector excluding NMA, and, ii) fast-evolving e-commerce hampering the optimum uptake of physical retail spaces. Investment opportunity lies in Kilimani, Karen, and Westlands which offer relatively higher returns compared to the market averages.***

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