Nairobi Metropolitan Area (NMA) Land Sector Q1'2022 Note

Prices of Unserviced Land in the NMA satellite towns recorded the highest annualized capital appreciation of 4.1% compared to a market average of 2.4%

The average selling prices for land in the Nairobi Metropolitan Area (NMA) appreciated by 2.4% to Kshs 133.4 mn per acre in Q1'20222, from the Kshs 132.3 mn per acre that was recorded in Q1'2021. This was mainly attributed to; i) positive demographics driving demand for land, ii) improved development of infrastructure such as roads, railways, water and sewer lines, iii) proximity to amenities such as shopping malls, and, iv) increased construction activities particularly in the residential sector thus fueling demand for land. In terms of performance per node, unserviced land in the satellite towns of Nairobi recorded the highest YoY capital appreciation of 4.1% mainly due to increased demand resulting from their affordability and improved accessibility to these areas supporting demand for Real Estate investments. In support of this, the average asking prices for unserviced land came in at Kshs 12.5 mn in Q1'2022, 90.6% lower than the market average of Kshs 133.4 mn.

The table below shows the overall performance of the sector during the quarter:
All Values in Kshs (mn) Unless Stated Otherwise

Summary of the Performance Across All regions Q1'2022			
Location	Q1'2021	Q1'2022	Annualized Capital Appreciation
Un-serviced land-satellite Towns	12.0	12.5	4.1%
Nairobi Suburbs- Low Rise Residential Areas	89.9	93.6	3.9%
Serviced land-Satellite Towns	15.2	15.7	3.4%
Nairobi Suburbs- High Rise Residential Areas	134.2	135.1	0.7%
Nairobi Suburbs- Commercial Areas	410.2	410.1	0.0%
Average	**132.3**	**133.4**	**2.4%**

Source: Cytonn Research 2022

Performance per node

a. **Satellite Towns Unserviced Land** - In Q1'2022, unserviced land in the satellite towns of Nairobi recorded an average annualized capital appreciation of 4.1%, with prices coming in at Kshs 12.4 mn, from the Kshs 12.0 mn recorded a similar period in 2021. The improvement in performance was mainly driven by; i) affordability of land prices, ii) scarcity of land within Nairobi which in turn drive demand for land in the satellite towns, and, iii) concentration of affordable housing projects in the satellite towns thus driving demand for land. Juja was the best performing node with a YoY capital appreciation of 6.4%, attributed to; i) adequate infrastructural developments such Thika Superhighway, ii) proximity to amenities such as Juja City Mall, and, Jomo Kenyatta University, among others, and, iii) positive demographics fueling demand.

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Satellite Towns Unserviced Land			
Location	Price Q1'2021	Price Q1'2022	Capital Appreciation
Juja	11.3	12.0	6.4%
Athi River	4.1	4.3	5.3%
Rongai	12.4	13.0	4.8%
Limuru	18.5	19.1	3.3%
Utawala	13.9	14.0	0.8%
Average	**12.0**	**12.4**	**4.1%**

Source: Cytonn Research 2022

b. **Low Rise Residential Areas** - Land in the low rise residential areas of NMA recorded a YoY capital appreciation of 3.9% in Q1'2022, 1.5% points higher than the market average of 2.4%. These areas continue to remain attractive to investors due to; i) their serene environments, ii) privacy enhanced by the sparse population, iii) relatively affordable prices at Kshs 93.6 mn per acre compared to the high

areas averaging at Kshs 135.1 mn per acre. Kitisuru was the best performing node with an average price appreciation of 7.3%, 3.4% points higher than the market average of 2.4% due to; i) ample infrastructure servicing the area such as Kitisuru Road and Waiyaki Way among others, ii) proximity to adequate amenities such as the International School of Kenya and the Two Rivers Mall among others, and, iii) strategic location as it's connected to high end areas like Westlands, Nyari, and Runda hence attracting investments.

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Low Rise Residential Areas			
Location	Price Q1'2021	Price Q1'2022	Capital Appreciation
Kitisuru	83.7	90.3	7.3%
Ridgeways	69.0	74.1	6.9%
Runda	74.8	77.8	3.8%
Karen	59.0	60.8	3.0%
Spring Valley	162.9	164.8	1.1%
Average	89.9	93.6	3.9%

Source: Cytonn Research 2022

c. **Satellite Towns Service Land** - Serviced land in the satellite towns of Nairobi recorded an average annualized capital appreciation of 3.4% with Syokimau being the best performing area recording an average annualized capital appreciation of 15.4%. This was mainly driven by; i) strategic location along the ongoing Nairobi Expressway project promoting investments, ii) presence of the commuter train station making it easier for people to navigate various areas whilst avoiding traffic along the busy Mombasa Road, iii) relatively affordable rates at Kshs 14.5 mn per acre against the market average of Kshs 15.7 mn per acre, and iv) presence a growing middle income class driving demand for land investments. On the other hand, Ruai recorded a price correction of 6.5% attributed to reduced demand of land as investors focus on areas witnessing more Real Estate related activities, whereas it is also quite far from Nairobi CBD by approximately 30 Km.

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Satellite Towns Serviced Land			
Location	Price Q1'2021	Price Q1'2022	Capital Appreciation
Syokimau-Mlolongo	12.6	14.5	15.4%
Athi River	13.2	14.0	5.8%
Ruiru-Juja	23.0	23.6	2.8%
Rongai	17.9	18.3	2.4%
Thika	11.2	11.2	0.6%
Ruai	13.1	12.2	(6.5%)
Average	15.2	15.7	3.4%

Source: Cytonn Research 2022

d. **High Rise Residential Areas** - The asking land prices in the high rise residential areas recorded a 0.7% annualized capital appreciation in Q1'2022, with areas within Embakasi such as Fedha and Imaara Daima being the best performing nodes with an average price appreciation of 5.2%. This was driven by; i) the affordability of land in the area, having recorded average selling prices at Kshs 74.9 mn compared to the market average of Kshs 135.1 mn, ii) close proximity of the area to major infrastructure developments such as the Nairobi Expressway, thus fueling demand, and, iii) presence of ample amenities such as the newly launched Imaara Mall. Conversely, Kileleshwa registered a 1.9% price correction attributed to reduced demands as investors continue to explore more affordable land options with an acre averaging at Kshs 295.4 mn, 54.3% higher than the market average of Kshs 135.1 mn per acre.

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High Rise Residential Areas			
Location	Price Q1'2021	Price Q1'2022	Capital Appreciation

Location	Price Q1'2021	Price Q1'2022	Capital Appreciation
Embakasi	71.0	74.9	5.2%
Kasarani	68.1	70.6	3.5%
Dagoretti	96.4	99.7	3.3%
Kileleshwa	301.1	295.4	(1.9%)
Average	**134.2**	**135.1**	**0.7%**

Source: Cytonn Research 2022

e. **Nairobi Metropolitan Area Commercial Zones -** Land in the commercial zones realized a slight price correction of 0.02% in their asking prices which came in at Kshs 410.1 mn in Q1'2022, from the Kshs 410.2 mn that was recorded in Q1'2021. Westlands was the best performing node with a capital appreciation of 0.6% due to an increased demand driven by its close proximity to the Nairobi CBD, and, infrastructure developments such as the Nairobi Expressway promoting accessibility. On the other hand, Upper hill realized a price correction of 1.2% due to declined demand resulting from land in the area being expensive, with an acre averaging at Kshs 483.1 mn, 17.8% higher than the market average of Kshs 410.1 mn per acre.

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Nairobi Metropolitan Area Commercial Zones			
Location	Price Q1'2021	Price Q1'2022	Capital Appreciation
Westlands	415.4	417.8	0.6%
Riverside	348.3	350.0	0.5%
Kilimani	388.4	389.7	0.3%
Upperhill	488.8	483.1	(1.2%)
Average	**410.2**	**410.1**	**0.0%**

Source: Cytonn Research

The land sector in Nairobi Metropolitan Area has proven to be a reliable investment avenue and has shown resilience throughout the years despite economic downturns. This is evidenced by a 2.4% YoY capital appreciation recorded this quarter. We therefore retain a POSITIVE outlook for the sector whilst expecting a similar trend to continue being witnessed throughout the year driven by; i) government's focus on establishing infrastructure developments thus promoting demand for land, ii) increased focus on the Affordable Housing projects fuelling the need for more land, iii) positive demographics, and, iv) government's efforts towards ensuring efficient land transactions, with the digitization of the land records in the Nairobi County expected to be completed in June 2022.

For more information, please see our Cytonn Q1'2022 Markets Review.