Cytonn 2022 Markets Outlook- Real Estate Sector

Executive Summary

Residential sector: Our outlook for the residential sector is **NEUTRAL.** We expect the improved business environment to lead to increased Real Estate transactions. However, we expect investors to be conservative in the markets due to the upcoming general election. For detached units, investment opportunity lies in areas such as Ruiru, Ngong and Redhill while for apartments, investment opportunity lies in Rongai, Waiyaki Way, South C and Ruaka driven by high demand for units in the areas, and, infrastructural developments enhancing accessibility and investments;

Commercial Office Sector: Our overall outlook for the commercial office sector is **NEUTRAL** following the lifting of the COVID-19 containment measures which led to increased business activities in the commercial office front, as well as some businesses resuming full operations thus boosting the occupancy rates. However, the existing oversupply at 7.3 mn SQFT in the Nairobi Metropolitan Area, the general elections uncertainties, and some businesses still embracing the working from home initiative and the hybrid model, are expected to weigh down performance of the sector. Investment opportunity lies in Gigiri, Westlands and Karen supported by relatively high returns with yields of 8.6%, 8.1% and 7.7%, respectively, compared to the market average of 7.1%, as at FY'2021 as a result of their superior locations characterized by serene environment attracting high-end clients and premium rental rates;

Retail Sector: We have a **NEUTRAL** outlook on the sector's performance which is expected to be driven by the aggressive expansion by retailers taking up new and previously occupied retail spaces, infrastructural improvements which continues to promote accessibility, and positive demographics facilitating demand. However, the performance is expected to be impeded by; i) oversupply at 1.7 mn SQFT in the Kenyan retail sector and 3.0 mn SQFT in the NMA retail sector, ii) growing popularity of e-commerce which continues to affect occupier demand, and, iii) financial constraints hindering developments. Investment opportunity lies in Westlands, Karen and Kilimani which recorded high rental yields of 10.0%, 9.8% and 9.8%, respectively, compared to the market average of 7.8%, as at FY'2021 supported by adequate infrastructure, the presence of upper and middle income earners with capacity to acquire spaces and services, and, relatively low competition from small scale retailers making them competitive;

Hospitality Sector: Our outlook for the hospitality sector is **NEUTRAL.** The sector's recovery is expected to be supported by the rebound of the tourism industry supported by; i) mass vaccination, and, ii) marketing of Kenya as a tourist destination, and, iii) increased international arrivals which have boosted occupancies in hotels and serviced apartments. However, performance will be constrained by travel advisories raised from key tourist markets such as the United States of America will have a down turn on the tourism and hospitality sectors. The investment opportunity lies in Westlands and Kileleshwa/Lavington which recorded average rental yields of 8.3% and 6.4%, respectively against a market average of 5.5% in 2021. This attributed to the availability of high quality serviced apartments, ease of accessibility, and proximity to most international organizations driving demand;

Land Sector: We retain a **POSITIVE** outlook for the land sector attributed to; i) positive demographics, ii) growing demand for land particularly in the satellite areas, iii) improving infrastructure thereby opening up areas for investment, iv) government's efforts towards ensuring efficient and streamlined processes in land transactions, and, v) the continued focus on the affordable housing initiative driving demand for land. The investment opportunity lies in Kitisuru, Juja and Utawala for unserviced land, which recorded annualized capital appreciations of 8.2%, 7.6% and 7.5%, respectively, in FY'2021 compared to the market average of 2.5%. For site and service schemes, investment opportunity lies in Syokimau and Ruiru-Juja which recorded the highest annualized capital appreciations at 8.1% and 6.4%, respectively against the sites and serviced average of 3.8%;

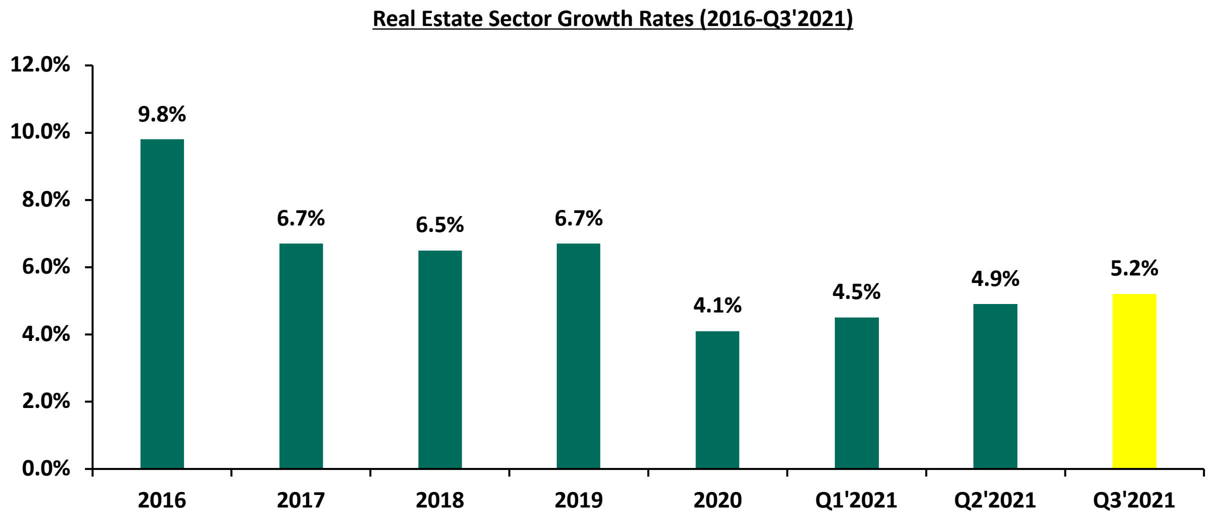
Infrastructure Sector: We have a **POSITIVE** outlook for the infrastructure sector and we expect to continue seeing the launching, execution, and completion of more infrastructural developments in 2022 mainly supported by the government's aggressiveness to initiate and implement projects. In light of this, we expect an increase in the budget allocation for the infrastructure sector to Kshs 211.4 bn in FY'2022/23, 15.8% higher than the Kshs 182.5 bn allocation in FY’2021/22 according to the 2022 Draft Budget Policy Statement. Additionally, the expected project completions in 2022 will be driven by the efforts of the current government to FastTrack the accomplishment of key projects before the next regime takes over leadership. The investment opportunity lies in areas such as Nairobi County (Karen, Westlands, Kilimani, and Upper Hill), and Kiambu County (Ruiru, Kikuyu, Kahawa Sukari, and Thika) due to the presence of adequate infrastructure such as road networks, railway networks, water, and sewer connections;

Listed Real Estate: Our outlook for the REIT market is **NEGATIVE** due to the continued poor performance of the Fahari I-REIT which is the only listed instrument. We are still of the view that for the REIT market to pick, a supportive framework needs to be put in place to increase investor appetite in the REIT market.

Real Estate

In 2021, the Kenyan Real Estate sector witnessed increased development activities with a general improvement in Real Estate transactions, attributed to the improved business environment. The reopening of the economy also facilitated numerous expansion and construction activities by investors, in addition to various businesses also resuming full operations. The Real Estate Sector in Q3’2021 grew by 5.2%, 0.3% points higher than the 4.9% growth recorded in Q2’2021, according to the Quarterly GDP Report Q3’2021 by the Kenya National Bureau of Statistics’ (KNBS).

The graph below shows Real Estate sector growth rates from 2016-Q3’2021;



Source: Kenya National Bureau of Statistics

In terms of performance, residential, commercial office, retail, mixed-use developments, and, serviced apartments sectors realized average rental yields of 4.8%, 7.1%, 7.8%, 7.2%, and 5.5%, respectively. This resulted to an average rental yield for the Real Estate market at 6.5%, 0.4% points higher than the 6.1% recorded in 2020. The table below is a summary of thematic performance of average rental yields in FY’2021 compared to FY’2020;

Real Estate Thematic Performance- Average Rental Yields			
Theme	**Rental Yield FY’2020**	**Rental Yield FY’2021**	**Y/Y Change (% Points)**
Residential	4.9%	4.8%	**(0.1%)**
Commercial Office	7.0%	7.1%	**0.1%**
Retail	7.5%	7.8%	**0.3%**
Mixed-use Developments (MUDs)	7.1%	7.2%	**0.1%**
Serviced Apartments	4.0%	5.5%	**1.5%**
Grand Average	**6.1%**	**6.5%**	**0.4%**

Source: Cytonn Research

We had a **NEUTRAL** outlook for the Real Estate sector in 2021 supported by factors such as; i) government's focus on implementing affordable housing projects coupled with improved investor confidence in the country's housing market, ii) increased demand for office spaces, iii) rapid expansion by local and international retailers, iv) increased visitor arrivals into the country hence boosting the performance of hospitality sector, v) government's aggressiveness on implementing infrastructural projects, and, vi) positive demographics. However, factors such as i) financial constraints, ii) oversupply in the commercial office and retail sectors, and iii) low of investor appetite in Real Estate Investments Trusts (REITs) are expected to continue impeding performance of the sector. For a detailed review of 2021 performance, see our Real Estate Annual Markets Review 2021 Note*.*

In 2022 we expect the **key drivers** of Real Estate to be as follows:

i. **Infrastructural Development:** The Kenyan Government has been aggressively supporting and implementing various infrastructural development projects, with a major focus on the transport sector with the key beneficiaries being road construction. This is evident in the country's road network coverage currently at 161,451 Km and valued at over Kshs 3.5 tn as at 2021, signifying heavy investment towards the sector, according to the Kenya Roads Board's Annual Public Roads Programme 2021/2022. In general, infrastructure development continues to be a factor supporting the growth of the Real Estate sector through opening up areas for Real Estate investments,
ii. **Positive Demographics:** Kenya has a relatively high urbanization and population growth rates of 4.0% p.a and 2.3% p.a, respectively, against the global average of 1.8% p.a and 1.0% p.a, respectively, as at 2020 according to the World Bank, driving increased demand for Real Estate developments,
iii. **Expansion by local and International Retailers:** Aggressive expansion by local and international retailers such as Naivas, QuickMart, and, Carrefour, taking up new and previously occupied retail spaces by troubled retailers such as Tuskys and Shoprite continues to support the retail sector,
iv. **Hotel and Serviced Apartments Operations:** Lifting of flight travel bans in the second half of 2021 led to increased number of visitor arrivals into the country. This in turn led to improved performance of serviced apartments, and hotels also resuming full operations. We expect this to continue driving the performance of serviced apartments in 2022,
v. **Focus on Affordable Mortgages**: Lending financial institutions such as banks and SACCOs such as Gulf African Bank, NCBA Bank Kenya, Co-op Bank and Stima SACCO have continued to demonstrate efforts in supporting home ownership through offering affordable mortgage schemes with bespoke terms to clients in bid to increase mortgage uptake. KMRC also announced a 143.5% increase in mortgage loans to primary lenders to Kshs 7.0 bn from Kshs 2.8 bn. These initiatives demonstrate continued focus on increasing mortgage accessibility and uptake to individuals, and,
vi. **Statutory Reforms Supporting the Real Estate Sector:** Establishment of statutory laws by the government aimed at aligning Kenya with international standards in an attempt to address the shortcomings of previous Acts is expected to streamline Real Estate investments and transactions, e.g. the Public Private Partnership bill-2021.

Despite the above drivers, the sector is expected to be constrained by the following factors in 2022:

i. **Oversupply in Select Sectors** - The existing oversupply in the Nairobi Metropolitan Area (NMA) office and retail market of 7.3 mn SQFT and 3.0 mn SQFT, respectively, coupled with an oversupply of 1.7 mn SQFT in the Kenya retail market continues to be a challenge for the Real Estate sector in the respective themes,
ii. **Constrained Financing for Developers:** Financial constraints continues to be a challenge for Real Estate developers as it results in stalling of projects as banks limit lending due to the increasing non-performing loans. This is evidenced by the 1.5% increase in the gross non-performing loans advanced to the Real Estate sector to Kshs 69.2 bn in Q3'2021, from Kshs 68.2 bn recorded in Q2'2020, accounting for 14.9% of the total Real Estate loan book, according to Central Bank of Kenya's (CBK) Quarterly Economic Review Report July-September 2021.

iii. **COVID-19 Uncertainties:** COVID-19 uncertainties are a challenge for the Real Estate sector as the virus continues to mutate with the most current emerging variant being Omicron. This might lead to most tourists halting their travel plans with other countries imposing strict measures to limit the spread of the virus,

iv. **Travel Restrictions:** Travel bans and restrictions from key tourist markets continues to be a factor affecting the Real Estate sector particularly the hospitality industry due to the reduced number of tourism arrivals. Kenya currently has travel alerts from countries such as USA and UAE (Dubai),

v. **Underdeveloped capital markets:** Under-developed capital markets continue to make it hard to develop pools of capital focused on projects particularly in the private markets, to complement efforts by the government. In Kenya, the main source of funding for Real Estate developers is banks which provide close to 95.0% of funding as compared to 40.0% in developed countries. This implies that capital markets contribute a mere 5.0% of Real Estate funding, compared to 60.0% in developed countries,

vi. **Finance Bill 2021:** The signing of the Finance Bill, 2021 into law brought the re-introduction of a 20.0% excise duty on fees and other commissions earned on loans by financial institutions making credit costly for home owners and developers as lenders will transfer the burden to borrowers, and,

vii. **Shift towards e-commerce:** The shift towards online shopping and financial setbacks continues to affect the performance of the Kenyan retail market. This shift continues to reduce demand for physical retail spaces.

The table below summarizes our outlook on the various Real Estate themes and the possible impact on the business environment in 2021;

Thematic Performance Review and Outlook

Thematic Performance Review and Outlook			
Theme	**2021 Performance**	**2022 Outlook**	**Effect**
Residential Sector	• The residential sector recorded an improvement in performance in 2021 with average total returns coming in at 6.1% up from 4.7% recorded in 2020 • Rental yields recorded a 0.1% points y/y marginal drop to 4.8% as a result of stagnating rental rates amid a tough economic environment while average annual uptake declined by 2.0% to 17.3% in 2021 from 19.3% in 2020 as purchasing power remained constrained	• We expect total returns to investors to improve marginally in 2022 following improved business transactions and improved infrastructure boosting both supply and demand of residential units • Continued launch of affordable housing projects, availability of affordable mortgage facilities and reduced market uncertainty is expected to cushion the performance of the residential sector. However, investors are expected to exercise a conservative approach in the market amid the upcoming general election • For detached units, investment opportunity lies in areas such as Ruiru, Ngong and Redhill while for apartments, investment opportunity lies in Rongai, Waiyaki Way, South C and Ruaka due to their remarkable returns driven by high demand for units in the areas, and, infrastructural developments enhancing accessibility and investments	**Neutral**
Commercial Office Sector	• The commercial office sector realized a slight improvement in its overall performance in FY'2021, with the average rental yields coming in at 7.1%, 0.1 % points higher than the 7.0% recorded in 2020. Key to note is that in as much as this is an increase, it's still lower than the yields recorded in the pre-pandemic era • The improvement in performance was mainly driven by an improved business environment following the lifting of the COVID-19 containment measures, coupled with some businesses resuming full operations hence boosting occupancy rates as well	• We expect the yields to realize a 0.1% points decline attributed to the existing oversupply hence landlords providing concessions to attract new tenants, coupled with the uncertainties that will be caused by the effects of the elections which may result to businesses exercising precaution in their expansion activities • However, we expect the overall performance to be cushioned with the improving business environment following the lifting of the COVID-19 containment measures, and businesses reopening, • Investment opportunity lies in Gigiri, Westlands and Karen supported by relatively high returns with yields of 8.6%, 8.1% and 7.7%, respectively, compared to the market average of 7.1%, as a result of their superior locations characterized by	**Neutral**

		serene environment attracting high-end clients and premium rental rates	
Retail Sector	• The sector recorded a 0.3% points increase in average rental yields to 7.8%, from 7.5% in 2020. Average rents and occupancies also increased by 0.6% and 1.6% points to Kshs 170 per SQFT and 76.8%, respectively, • The improved performance was due to; i) an improved business environment following the lifting of the COVID-19 containment measures, ii) aggressive expansion by local and international retailers, iii) increased infrastructure developments promoting accessibility to retail centres, and, iv) positive demographics facilitating demand for spaces, goods and services	• We expect a slight drop in the rental yields by 0.2% as a result of oversupply crippling demand, coupled with the election uncertainties expected to strain the market performance • However, the aggressive expansion by retailers taking up new and previously occupied spaces such as Naivas, infrastructure developments opening areas for investments, and positive demographics are expected to cushion the performance of the sector • Investment opportunity lies in areas such as Westlands, Karen and Kilimani which continue to record impressive returns. This is in addition to the undersupplied regions of the country such as Mount Kenya, Kiambu and Mombasa	**Neutral**
Hospitality Sector	• In 2021, Serviced apartments within the NMA recorded an average rental yield of 5.5%, 1.5% points higher than the 4.0% recorded in 2020 attributed to improvement in monthly charges per SQM to Kshs 2,549 from Kshs 2,533 in 2020, and an increase in occupancies to 61.5%, from 48.0% in 2020 • The improved performance is attributable to increasing number of hotels in operation, hotel bookings and bed occupancies during the year, in addition to aggressive local and international marketing of tourism through price discounts	• We expect the sector to be on an upward trajectory in terms of overall number hotels in operations, hotel bookings, and hotel occupancy following the ambitious international marketing of Kenya to key tourism markets, positive accolades, the return of international flights and the mass vaccination currently underway in the country • However, the emergence of new COVID-19 variants, continues to pose a risk on this recovery as stricter measures may be imposed in order to curb its spread • The investment opportunity lies in Westlands and Kileleshwa/Lavington which recorded average rental yields of 8.3% and 6.4%, respectively against a market average of 5.5%. This attributed to the availability of high quality serviced apartments, ease of accessibility, and proximity to most international organizations driving demand	**Neutral**
Land Sector	• The Nairobi Metropolitan Area (NMA) land sector recorded an average annualized capital appreciation of 2.8% in FY'2021, representing an 8.3% 10-year Compounded Annual Growth Rate (CAGR) • The overall asking prices for land in the satellite towns of the NMA recorded the highest average capital appreciation at 4.8%, which is 2.0% points higher than the market average of 2.8% • This was mainly attributed to an increased demand resulting from their affordability, and increased infrastructure developments enhancing accessibility to areas	• We expect an annual capital appreciation of 2.6% in 2022 driven by; (i) the growing demand for development land especially in satellite towns as a result of affordability, (ii) positive demographics fuelling demand for land, (iii) various ongoing infrastructure developments opening up areas for investments, and (iv) government's efforts towards facilitating efficient land transactions through the National Land Information Management System (NLIMS) • The investment opportunity in 2022 lies in Kitisuru, Juja and Utawala for unserviced land, which recorded annualized capital appreciations of 8.2%, 7.6% and 7.5%, respectively, in 2021. For site and service schemes, Syokimau and Ruiru-Juja had the highest annualized capital appreciations at 8.1% and 6.4%, respectively	**Positive**
Infrastructure Sector	• The government continued implementing select projects thus opening up areas for development and boosting property value • For financial year 2021/2022, the sector was allocated Kshs 182.5 bn, 0.61% higher than the 181.4 bn allocated in the 2020/2021 budget • Some of the key projects implemented in 2021 included; the Nairobi Express Way and the Two Carriage Ways expected to link Nairobi CBD to Ngong Road	• The government continues to support the infrastructure sector through aggressively initiating and implementing the projects • In the Nairobi Metropolitan Area, a total of 97.7 Km roads worth Kshs 4.3 bn were completed in 2021 and there are 936.6 KM of ongoing road construction • In 2022, we expect an increase in the budget allocation for the infrastructure sector to Kshs 211.4 bn in FY'2022/23, a 15.8% increase from Kshs 182.5 bn allocation in FY' 2021/22 according to the 2022 Draft Budget Policy Statement. • Notable projects underway include: 27.1 Km Nairobi Expressway project which is expected to be completed in March 2022, ii) 70 Km Ngong-Suswa road project, and, iii) 92 Km Gatundu Muthaiga project, among others • We expect to see most infrastructural projects completed in 2022 as the government continues to FastTrack the completion of key projects before the next regime takes over leadership	**Positive**

		• The investment opportunity lies in areas such as Nairobi County (Karen, Westlands, Kilimani, and Upper Hill), and Kiambu County (Ruiru, Kikuyu, Kahawa Sukari, and Thika) due to the presence of adequate infrastructure such as road networks, railway networks, water, and sewer connections	
Listed Real Estate	• The Fahari I-REIT continued to perform poorly closing the year 2020 at Kshs 6.3 per share, representing a 68.5% decline on an Inception-to-Date (ITD) basis from its initial price of Kshs 20.0. the instrument traded at an average of Kshs 6.5 per share in 2021 compared to Kshs 6.7 per share in 2020 • The REIT market continued to perform poorly attributable to; i) oversupply in some Real Estate sectors such as commercial office and retail sectors, ii) general lack of knowledge and interest in the REITs, iii) high minimum investment amounts set at Kshs 5.0 mn • In the Unquoted Securities Platform, the Acorn D-REIT closed the year trading at Kshs 20.1 while the I-REIT closed at Kshs 20.6 per unit as at November. This performance represented a 0.5% and 3.0% gain for the DREIT and I-REIT, respectively, from the Kshs 20.0 Inception price. The volumes traded for the D-REIT and I-REIT came in at 5.4 mn and 12.3 mn shares, respectively, with a turnover of Kshs 108.9 mn and Kshs 254.1 mn, respectively since Inception-to-Date	• We expect listed Real Estate to continue performing poorly in 2022 with the Fahari I-REIT having opened the year at a relatively low trading price of Kshs 6.4 per share, a 68.0% decline on an Inception-to-Date basis, coupled with the oversupply in select themes such as commercial office and retail sector expected to affect performance of the instrument due to low rental yields • We expect the D-REIT market to be constrained by; (i) the high minimum investment amounts set at Kshs 5.0 mn, high minimum capital requirement for a trustee at Kshs 100.0 mn, and, lengthy approval processes • Investment opportunity lies in select Real Estate markets such as the Mixed Used Developments, and Student Housing market, due to their impressive returns at 7.2%(as at 2021) and 7.3%(as at 2020), respectively, coupled with their high demand and convenience	**Negative**

With 2 themes having a positive outlook, 4 neutral and 1 being negative, the general outlook for the sector therefore remains NEUTRAL. The sector's performance will be supported by; i) government's focus to implement affordable housing projects coupled with improved investor confidence in the country's housing market, ii) increased demand for office spaces, iii) aggressive expansion by local and international retailers taking up new and previously occupied spaces, iv) increased visitor arrivals into the country hence boosting the performance of hospitality sector, v) government's aggressiveness towards infrastructure roads development thus boosting investments through accessibility, and, vi) positive demographics. However, factors such as financial constraints, oversupply in the commercial office and retail sectors, and low of investor appetite in Real Estate Investments Trusts (REITs) are expected to continue impeding performance of the sector.

I. Residential Sector

Following an improved operating environment in 2021, we expect the sector to continue improving owing to increased transactions, which led to a 1.4% points increase in returns to 6.1% in 2021, from 4.7% in 2020. In 2022, we expect the continued focus on affordable housing and increased infrastructural developments to open up areas for investment and boost property prices. However, low purchasing power is expected to lead to slow uptake and reduced occupancy rates in select markets which will lead to insignificant change in house prices and rental yields. Location and accessibility, availability of key amenities such as shopping facilities and schools, as well as availability of affordable land for development are among factors expected to continue boosting performance of some markets.

The table below summarizes the various factors that will affect the **demand side** of residential real estate;

Demand Side

Of the five factors we track, two are positive, one is negative, and two are neutral, thus our outlook for residential demand this year is neutral.

Residential Demand		
Metric	**2021 Outlook**	**Effect**

Demographics	• The relatively high urbanization and population growth rates averaging 4.0% and 2.3% compared to the global averages of 1.8% and 1.0%, respectively, according to the World Bank will continue to provide sustained demand for more dwelling units mainly within the lower mid-end segment which is undersupplied	**Positive**
Infrastructure	• In 2022, we expect to see completion of numerous ongoing infrastructural activities thus opening up areas, with the government having set aside Kshs 211.4 bn in FY'2022/23 for infrastructural development, a 15.8% increase from Kshs 182.5 bn allocation in FY'2021/22 according to the Draft 2022 Budget Policy Statement • With the ongoing construction of the Nairobi Expressway, Northern and Western Bypass, we expect increased uptake in some of the surrounding areas such as Waiyaki Way, Syokimau, Kikuyu, Ruaka, Thindigua, and, Ruiru	**Positive**
Investor Returns	• In 2021, the residential sector recorded an improvement in investor returns to 6.1%, from 4.7% in 2020 owing to improved business environment and reduced market uncertainty • We expect investors to focus on satellite towns which offer relatively affordable land and relatively high returns for houses, which came in at 5.8% in 2021, 0.2% points higher than the detached market average of 5.6%. Apartments in satellite town recorded an average return of 7.3%, 0.6% points higher than the apartment's market average of 6.7% • However, with the upcoming general elections, we expect investors to exercise a more conservative approach in the market which may cause sluggish performance of returns and rental yields of various developments in the residential sector However, with the upcoming general elections we expect investors to exercise a more conservative approach in the market which may cause sluggish performance of returns and rental yields	**Neutral**
Purchasing Power	• The reduced purchasing power among buyers amid the tough economic environment brought about by the COVID-19 pandemic saw the average monthly inflation increase to 6.1% in 2021, from 5.2% in 2020. We expect to see low spending by buyers thus leading to slow uptakes of residential units consequently affecting the residential performance. However, we expect the growing middle class to pivot demand for residential units	**Negative**
Access to Credit	• The provision of affordable mortgage loans through Kenya Mortgage Refinance Company (KMRC), is expected to drive growth of the local mortgage market and increase home ownership • The approval of bond programs by the capital markets, such as the Kshs 3.9 bn medium term note for Urban Housing Renewal and the Kshs 10.5 bn KMRC medium term bond programme will unlock growth opportunities for funding from the capital markets • However, the challenge lies in sustenance of the KMRC funding model in order to maintain lending at 5.0% to Primary mortgage lenders for onward lending at single digit rates • Additionally the number of gross non-performing loans in the Real Estate sector increased by 14.8% to Kshs 70.5 bn in Q1'2021, from Kshs 61.4 bn recorded in Q4'2020, accounting for 15.9% of the total Real Estate loan book and this is expected to lead to high underwriting standards if the trend continues	**Neutral**

Supply Side

The table below summarizes the various factors that will influence the **supply side** of residential Real Estate in 2022. Of the five factors that we expect to shape residential supply, one is negative, two are neutral, and two are positive, and thus, our outlook is neutral.

Residential Supply Outlook		
Metric	**2020 Outlook**	**Effect**
Developer Returns	• In 2021, the residential sector recorded an improvement in performance, with the average total return to investors at 6.1%, an increase from the 4.7% recorded 2020. Rental yields averaged at 4.8%, a 0.1% decline from 4.9% recorded in 2020 indicating the inability to raise rents as the economy remains soft and spending power remains weak • We also note that some submarkets recorded relatively high returns of up to 8.8%. Developers are likely to invest in markets offering relatively high returns. However, they may exercise a conservative approach in 2022 due to the upcoming general elections	**Neutral**
Access to Financing	• Affordable housing developers heavily rely on National Housing Development Fund (NHDF) for construction funding which has over the years faced challenges such as; lack of broad-based public support for the initiative, increased wage bill for employers hence making it hard for people to contribute. Nevertheless, the abolishment of the housing levy will affect the raising of targeted funds for on lending to developers	**Negative**

	• Additionally, with 99.0% of businesses in Kenya depending on traditional sources of finance such as bank funding as opposed to structured finance, we still expect developers to continue experiencing financial constraints in the wake of reduced foreign investments and limited sources of finance due to overreliance on bank funding	
Development Costs	• We expect the growing asking land prices in some residential markets to continue resulting in relatively high development costs. Land appreciation in the Nairobi Metropolitan Area registered a 2.8% price appreciation in 2021, representing an 8.3% 10-year Compounded Annual Growth Rate (CAGR) • The government introduced a raft of measures intended to ease the cost of development for affordable housing for developers. However, the development costs for conventional Real Estate properties are likely to remain high owing to the increasing land prices and inadequate infrastructure	**Neutral**
Infrastructure	• In 2022, we expect to see completion of numerous ongoing infrastructural activities thus opening up areas, with the government having set aside Kshs 211.4 bn in FY'2022/23 for infrastructural development, a 15.8% increase from Kshs 182.5 bn allocation in FY' 2021/22 according to the Draft 2022 Budget Policy Statement • Construction of the Nairobi Expressway, Northern bypass, the Western bypass and other projects is expected to open up the surrounding areas for more development	**Positive**
Government Incentives	• With the growing focus towards addressing the housing deficit of 2.0 mn units, we expect to see more government incentives geared towards creating an enabling environment for home-buyers and developers such as those introduced including exemption of VAT for affordable housing construction materials, exemption of companies implementing projects under the affordable housing scheme from the application of thin capitalization rules and signing of the Public-Private Partnership Bill 2021 into law to streamline processes in PPP deals	**Positive**

Our outlook for the residential sector remains NEUTRAL. On the supply side, our outlook is neutral with a bias of a negative, as we expect a conservative approach in the market owing to the upcoming August 2022 general election. Focus on affordable housing and improvement of infrastructure is expected to support supply of residential units especially in the lower mid-end segment which is undersupplied. On the demand side, our outlook is neutral, due to the expected tough economic environment. Investment opportunities lie in areas that continue to exhibit growing demand from homebuyers such as low mid end markets offering investors above-average returns and relatively high uptake.

II. Commercial Office Sector

In FY'2021, the commercial office sector recorded slight improvements with the general rental yields coming in at 7.1% from 7.0% recorded in FY'2022. As such, we expect the sector to continue recording increased market activities following the lifting of the COVID-19 containment measures, as well as some businesses resuming full operations thus boosting the occupancy rates. However, the performance is expected to be weighed down by uncertainties surrounding the upcoming August 2022 general elections, the existing oversupply at 7.3 mn SQFT in the Nairobi Metropolitan Area, and some businesses still embracing the working from home initiative and the hybrid business model. As such we expect the overall rental yields for the office sector in FY'2022 to decline by 0.1% points to 7.0% from 7.1% recorded in FY'2021. The average rent, prices and occupancies are projected to be Kshs 92 per SQFT, Kshs 12,279 per SQFT and 76.7%, respectively, in FY'2022, from Kshs 93 per SQFT, Kshs 12,279 per SQFT and 77.9% in average rent, average prices and occupancy levels recorded in 2021, respectively.

The table below summarizes the commercial office performance from 2016 to 2021 and our forecast for 2022;

Summary of Commercial Office Returns in Nairobi Metropolitan Area (NMA) Over Time										
Year	FY'16	FY'17	FY'18	FY'19	FY'20	FY'21	Forecasted Annualized Change	2022F	Reason for Forecast	Outlook

Occupancy (%)	88.0%	82.6%	83.3%	80.2%	77.7%	77.9%	**(1.5%) points**	**76.7%**	We expect the occupancy rates decline by 1.5% points mainly attributed to the existing oversupply at 7.3 mn SQFT, some businesses still embracing the working from home initiative and the hybrid business model, and the market uncertainties due to the general elections	**Negative**
Asking Rents (Kshs/Sqft)	103	101	101	96	93	93	**(0.6%)**	**92**	We forecast a 0.6% decline for asking rents in FY'2022 with an expected slight reduced demand which may cause strain of office rents. Additionally, the rents have not resumed to their pre-COVID rates as some landlords still offer discounts to retain and attract clients. However factors such as the improving business environment and some firms gradually resuming full operations are expected to cushion the rates	**Neutral**
Average Prices (Kshs/Sqft)	13,003	12,649	12,573	12,638	12,280	12,279	**(1.1%)**	**12,139**	Asking prices are expected to realize a 1.1% decline as a result of concessions and discounts still being provided by some landlords to attract and retain clients	**Negative**
Average Rental Yields (%)	8.4%	7.9%	8.1%	7.5%	7.0%	7.1%	**(0.1%) Points**	**7.0%**	We expect the yields to realize a slight correction of 0.1% points attributed to the expected declines in the overall occupancies, rental rates and prices.	**Neutral**

Source: Cytonn Research

From the above, our overall outlook for the commercial office sector is NEUTRAL following the lifting of the COVID-19 containment measures which lead to increased business activities in the commercial office front, as well as some businesses resuming full operations thus boosting the occupancy rates. However, the existing oversupply at 7.3 mn SQFT in the Nairobi Metropolitan Area, the general elections uncertainties, and some businesses still embracing the working from home initiative and the hybrid model, are expected to weigh down performance of the sector.

III. Retail Sector

We expect the retail sector to continue recording growth and expansion activities in 2022, attributed to:

i. Aggressive expansion by local and international retailers such as Naivas, Carrefour, Artcaffe, and QuickMart, taking up new and previously occupied spaces by troubled retailers such as Uchumi, Tuskys, and Nakumatt retail chains,
ii. Vast infrastructure road and railway developments opening areas for investments, as well as improving accessibility to existing retail stores,
iii. Kenya's relatively high urbanization and population growth rates of 4.0% p.a and 2.3% p.a, respectively, against the global average of 1.8% p.a and 1.0% p.a, respectively, thus driving demand for services and spaces,
iv. Competition among major retailers for market dominance, which will in turn drive the demand and development for retail spaces,
v. Post-COVID economic improvement and expansion, as a result of lowered restrictions and curfews, and,
vi. Availability of prime retail space left by troubled retailers such as Tuskys and Nakumatt.

Despite the above supporting factors, we expect the performance of the sector to be weighed down mainly by factors such as;

i) E-commerce which has proven to be cost effective and as a result is still being embraced by some retailers, thus crippling occupancy rates,
ii) Inadequate infrastructure limiting expansion and development in some parts of the country,

iii) Market uncertainties resulting from the effects of the incoming general elections, which might lead to businesses downsizing their operations, or exercising caution in their expansion activities,
iv) Overall decline in performance, and,
v) Existing oversupply at 3.0 mn SQFT in the Nairobi Metropolitan Area.

The table below summarizes the retail performance from 2016 to 2021 and our forecast for 2022;

Nairobi Metropolitan Area (NMA) Retail Sector Performance 2016-2022F										
Item	FY'16	FY'17	FY' 18	FY'19	FY'20	FY'21	Forecasted Annualized Change	2022F	Reason for Forecast	Outlook
Asking Rents (Kshs/SQFT)	187	185	178	176	169	170	**(0.2%)**	**169**	We expect asking rents to slightly decline by 0.2% mainly attributed to the uncertainties that will be brought about by the general election, and in turn cause a slight decline of the rental rates amidst the strained market due to reduced demand	**Negative**
Supply in Nairobi (mn SQFT)	5.9	6.2	6.5	7.3	7.3	7.3	**8.2%**	**7.9**	We expect retail space supply to increase to 7.9 mn per SQFT in 2022 as result of incoming developments such as the Imaara Mall and Crystal Rivers Mall, among others	**Positive**
Occupancy (%)	89.3%	80.3%	79.8%	75.9%	75.2%	76.8%	**(3.7%) Points**	**74.0%**	We expect occupancy rates to decline by 3.7% points mainly due to the existing oversupply at 3.0 mn SQFT, coupled with the election uncertainties which might cause businesses to downsize their operations or exercise a conservative approach in their expansion activities which in turn affects the occupier demand	**Negative**
Average Rental Yields	10.0%	9.6%	9.0%	7.8%	7.5%	7.8%	**(0.2%) Points**	**7.6%**	We expect a slight drop in rental yields by 0.2% as a result of oversupply, and expected declines in the general occupancy rates. However the aggressive expansion by retailers taking up new and previously occupied spaces, infrastructure developments opening areas for investments, and positive demographics are expected to cushion the performance sector	**Neutral**

Source: Cytonn Research

Overall, we have a NEUTRAL outlook on the retail sector's performance which is expected to be driven by the aggressive expansion by retailers taking up new and previously occupied spaces, infrastructure road and railway projects boosting accessibility, and positive demographics facilitating demand. However, the performance is expected to be impeded by; i) oversupply at 1.7 mn SQFT in the Kenyan retail sector and 3.0 mn SQFT in the NMA retail sector, ii) growing popularity of e-commerce which continues to affect occupier demand, and, iii) financial constraints hindering developments.

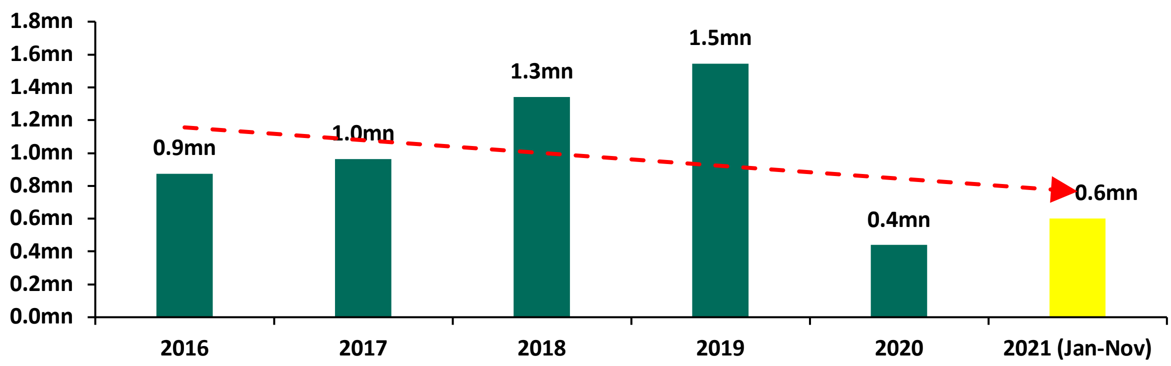
IV. Hospitality Sector

In 2021, the hospitality sector rebounded as evidenced by the increasing number of hotels in operation, hotel bookings and bed occupancies during the year which came in at 52.0% as of November 2021 according to the Central Bank of Kenya. Overall serviced apartments' occupancy rates increased by 13.5% points to 61.5%, from 48.0% recorded in 2020. The monthly charges per SQM increased by 0.7% to Kshs 2,549 in 2021, from Kshs 2,533 recorded in 2020. The average rental yield increased by 1.5% points to 5.5% in 2021, from 4.0% recorded in 2020. Overall serviced apartments' year on year performance improved, with the occupancy rates increasing by 13.5% points to 61.5%, from 48.0% recorded in 2020. The monthly charges per SQM increased by 0.7% to Kshs 2,549 in 2021, from Kshs 2,533 recorded in 2020. The average rental yield increased by 1.5% points to 5.5% in 2021, from 4.0% recorded in 2020.

Despite this, we expect the sector's performance in 2022 to be cushioned by:

i. **Relaxation of the COVID-19 Containment Measures which will Improve Tourist Arrivals:** The relaxation of travel advisories from countries such as the UK, who have since removed Kenya from the Red-List to Green, and the easing of social distancing measures, are factors expected to lead to the reopening of Kenya's key tourism markets. The number of international arrivals into the country through the main airports in Kenya; Jomo Kenyatta International Airport and Moi International Airport increased to 602,434 persons between January and November 2021, from 439,447 persons recorded in 2020, signaling the gradual recovery of the tourism industry thus enhancing the demand hospitality services and facilities.

Number of International Arrivals through JKIA and MIA (2016-2021)



Source: Kenya National Bureau of Statistics

ii. **Hospitality Sector Support Events:** The Ministry of Tourism has organized events such as the World Rally Championship (WRC) expected to be hosted in Kenya annually until 2026, and the World Under 21 Athletics Championships which were held at Moi International Sports centre in August 2021. These events continue to boost visitor arrivals, hotel bookings and the general performance of the hospitality industry,

iii. **Mass COVID-19 Vaccination:** Vaccination against COVID-19 has boosted travel confidence into the country for both holiday and business reasons. This is evidenced by the aforementioned increase in the number of operating hotels which have improved over the last few months, coming in at 96.0% in September 2021, from 81.0% recorded in April 2021,

iv. **Positive Hospitality Sector Accolades:** In October 2021, World Travel Awards (WTA), a global institution that acknowledges, rewards and celebrates excellence across all sectors of the tourism industry yearly, announced the 28th World Travel Awards winners. On the African level, Nairobi was voted as Africa's leading business travel destination supported by availability of conferencing facilities such as KICC, top rated accommodation facilities, infrastructure, and a stable political and Macro-Economic environment. This, among other key notable awards indicates continued confidence in Kenya's hospitality industry despite the impact of the COVID-19 pandemic, and,

v. **Aggressive Local and International Marketing of Kenya's Hospitality Industry:** On the local level, the hospitality sector players have employed measures such as price discounts in order to attract more local clientele as future travel uncertainties continue to cloud the international clientele. This has had a huge effect on numbers since local guests continued to account for majority of clientele population at 79.5% for accommodation and 78.9% for restaurant services between August and September 2021, which was an increase from 62.0% and 68.7%, respectively, recorded in the pre-COVID period. This is according to the Monetary Policy Committee Hotels Survey-September 2021. The Ministry of Tourism has also embarked on an ambitious plan to market Kenya as a desirable tourist destination in the international markets through the Magical Kenya Platform, with activities currently underway in the Ukraine and other countries.

We retain a NEUTRAL outlook for the hospitality sector and we expect the sector to be on an upward trajectory in terms of overall hotels in operations, hotel bookings, and hotel occupancy following the ambitious international marketing, positive accolades, the return of international flights and the mass vaccination currently underway in the country. However, performance will be constrained by travel advisories raised from key tourist markets, and, emergence of new COVID-19 variants which will have a down turn on the tourism and hospitality sectors.

V. Land

The Nairobi Metropolitan Area (NMA) land sector recorded an average annualized capital appreciation of 2.8% in FY'2021, representing an 8.3% 10-year Compounded Annual Growth Rate (CAGR). Land in the satellite towns of the NMA recorded the highest average capital appreciation at 4.8%, which is 3.3% points higher than the average appreciation in the suburb areas of the NMA, which came in at 1.5%. This was mainly attributed to an increased demand resulting from their affordability, with the average asking price coming in at Kshs 14.5 mn, compared to the market average of Kshs 134.8 mn in 2021, and increased infrastructure developments enhancing accessibility to the areas.

In 2022, we expect the performance of the sector to remain positive, with an expected annual capital appreciation of 2.6% attributed to:

i. The implementation and conclusion of vast infrastructure projects promoting accessibility and opening up areas for Real Estate investments. Some of the ongoing infrastructure projects include; i) Nairobi Expressway project expected to be completed in March 2022, ii) Western Bypass, and, iii) dualing of the Eastern Bypass, among many other projects,
ii. Efforts by the government to improve land transactions facilitated by the launching of the National Land Information Management System (NLIMS), an online platform that was officially launched in 2021 to ensure efficient and streamlined land transaction processes,
iii. Investor demand for development land especially in satellite towns where infrastructure has been improving, in addition to land in these areas being relatively affordable having recorded average selling prices per acre at Kshs 14.5 mn, compared to the market average of Kshs 134.8 mn in FY'2021, and,
iv. Kenya's relatively high urbanization and population growth rates of 4.0% p.a and 2.3% p.a, respectively, against the global average of 1.8% p.a and 1.0% p.a, respectively, thus driving increased demand for development land.

Despite the aforementioned factors, there are challenges expected to impede the performance of the sector such as relatively high land costs in certain areas such as the commercial zones of the NMA, which recorded average prices at Kshs 411.1 mn per acre compared to the market average of Kshs 134.8 mn per acre, and lengthy land transaction processes discouraging investments.

The summary of the previous performance of the theme and 2022 outlook is as outlined below;

All Prices in Kshs (mn) Unless Stated Otherwise							
Nairobi Metropolitan Area Land Performance Trend							
Location	**Price in 2017**	**Price in 2018**	**Price in 2019**	**Price in 2020**	**Price in 2021**	**Forecasted 2022 Prices**	**Annual Capital Appreciation 2022 f**
Unserviced land- Satellite Towns	20.4	22.7	24.9	12.7	13.5	14.4	**5.9%**
Serviced land- Satellite Towns	14.4	14.3	14.3	14.8	15.4	16.0	**3.9%**
Nairobi Suburbs - Low Rise Residential Areas	82.4	89.4	91.6	93.8	96.6	99.5	**2.9%**
Nairobi Suburbs - High Rise residential Areas	134.6	135	137.5	135.7	137	138.3	**0.9%**
Nairobi Suburbs - Commercial Areas	429.8	447.3	428.5	413	411.2	409.4	**(0.4%)**

Average	144.5	155.4	139.4	134.0	134.8	135.5	2.6%

Source: Cytonn Research

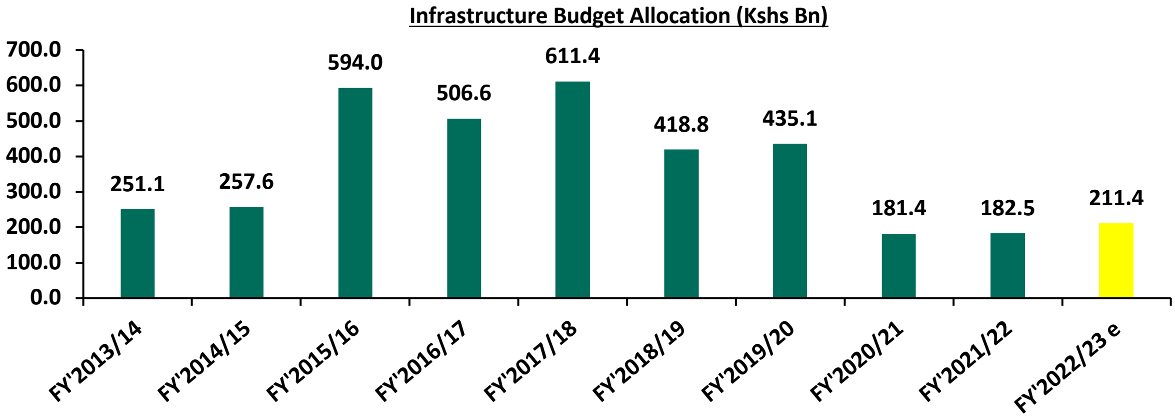
The investment opportunity lies in Kitisuru, Juja and Utawala for unserviced land, which recorded annualized capital appreciations of 8.2%, 7.6% and 7.5%, respectively. For site and service schemes, Syokimau and Ruiru-Juja with the highest annualized capital appreciations at 8.1% and 6.4%, respectively.

We retain a POSITIVE outlook for the land sector 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, iv) government's efforts towards ensuring efficient and streamlined processes in land transactions, and, v) the continued focus on the affordable housing initiative driving demand for land.

VI. Infrastructure Sector

In the FY'2021/22 Budget Statement, infrastructure sector received a total of Kshs 182.5 bn to support construction of roads and bridges as well as the rehabilitation and maintenance of roads, which is a 0.6% increase from the Kshs 181.4 bn allocation in FY'2020/21.

In 2022, we expect an increase in the budget allocation for the infrastructure sector to Kshs 211.4 bn in FY'2022/23, 15.8% higher than the Kshs 182.5 bn allocation in FY'2021/22 according to the 2022 Draft Budget Policy Statement.



Source: National Treasury

The government continues to launch various infrastructural projects throughout the years. Most of these projects are capital intensive and cannot be only funded through the national budget. As such, the government has made major strides to ensure that these projects continue to be executed up to completion. This has been done through:

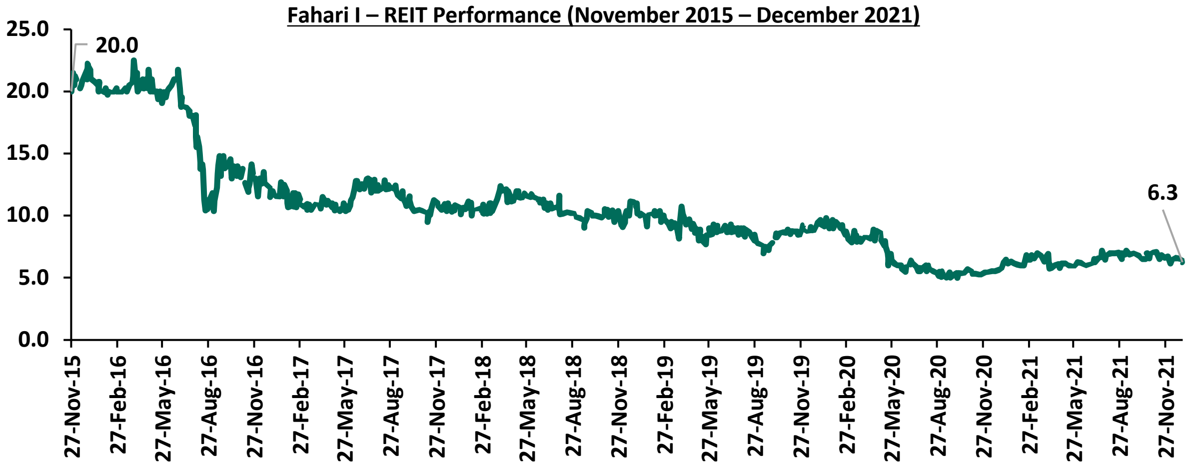
- **Issuing of Infrastructure bonds:** The government through the national treasury floated an infrastructure bond in August 2021 named the IFB1/2021/21 valued at Kshs 75.0 bn aiming to complete select projects in the pipeline. The bond recorded an oversubscription of 201.7%, with bids worth Kshs 106.8 bn accepted by the Central bank of Kenya. The oversubscription of the bond implies that there is high investor appetite driven by the bonds tax free nature and the high market liquidity, and,

- **Project Partnership Strategies**: The government has initiated various Public Private Partnerships (PPPs) and Joint Ventures (JVs) which have proven to be an effective way of delivering projects since they pull in partners who have the same agenda of completing the capital intensive infrastructure projects. For example, the Nairobi Expressway project is a Partnership between the National Government through Kenya National Highways Authority (KeNHA) and the China Road and Bridge Construction Corporation (CRBC). Additionally, tarmacking of the Mbaraki-Nyerere Road, and Kipevu Road in Mombasa County which commenced in November 2021 has its financing done through a joint venture strategy including the Mombasa County Government, Kenya Ports Authority, Danish and United Kingdom (UK).

We expect to continue seeing the launching, execution, and completion of more infrastructural developments in 2022 mainly supported by the government's aggressiveness to initiate and implement projects. Moreover, the expected completions in 2022 will be driven by the efforts of the current government to FastTrack the accomplishment of key projects before the next regime takes over leadership

VII. Listed Real Estate

In 2021, the Fahari I-REIT closed the year trading at Kshs 6.3 per share representing a 7.9% Year-on-Year (YoY) increase from the Kshs 5.8 per share. The REIT opened the year trading at Kshs 6.4 per share, representing a 68.0% drop from its initial price of Kshs 20.0 as at November 2015.



Source: S&P Global Capital IQ

We expect listed Real Estate to continue trading in low volumes in 2022 with the Fahari I-REIT having opened the year with a low trading price of Kshs 6.4. However, we are of the view that the efforts being put by institutions such as Acorn to boost the REIT market with their Acorn I-REIT and D-REITs having being listed in the NSE Unquoted Securities Platform (USP) will continue to unlock growth opportunities in the Kenya Capital Markets.

We retain a NEGATIVE outlook for the REIT market due to; i) inadequate investor knowledge of the instrument, ii) lengthy approval process, iii) high Minimum Capital Requirements for a Trustee of Kshs 100.0 mn, iv) oversupply in some Real Estate sectors with Commercial Office Sector at 7.3 mn SQFT and Retail Sector at 3.0 mn SQFT in the NMA, and, v) high Minimum Investment Amounts Set at Kshs 5.0 mn.

THE KEY AREAS OF OPPORTUNITIES BY THEME IN REAL ESTATE SECTOR

Based on returns, factors such as supply, demand, infrastructure, land prices and availability of social amenities the following are the ideal areas for investment;

The Key Areas of Opportunities by Theme in Real Estate Sector			
Sector	**Themes**	**Locations**	**FY'2021 Performance**
Residential	**High End (Detached)**	**Rosslyn, Lower Kabete**	Relatively high annual returns averaging 6.7% and 5.4%, respectively, compared to the market's average of 4.9%, while the average rental yields stood at 4.7% and 2.9%, respectively, compared to the market average of 3.9% and price appreciations averaging 2.0% and 2.5%, respectively
	Upper Mid- End (Detached)	**Redhills, Runda Mumwe, South B/C**	Relatively high annual returns averaging 7.0% for Redhill and 6.8% each for Runda Mumwe and South B/C, respectively, compared to the market's average of 6.0%, with price appreciations of 2.1%, 2.5%, and 3.2%, respectively, compared to the markets price of 1.8%
	Lower Mid-End (Detached)	**Ruiru, Ngong**	Relatively high annual returns averaging 8.2% and 8.0%, respectively, with price appreciations of 2.9% and 2.7%, respectively, compared to the market's average of 1.1% while rental yields came in at 5.3% and 6.3%, respectively
	Upper Mid-End (Apartments)	**Kileleshwa, Upperhill**	Relatively high annual returns averaging 7.5%, i.e. both Upperhill and Kileleshwa, in comparison to the market's average of 5.7% with relatively high rental yields averaging 6.2% and 5.7%, respectively, while price appreciation came in at 1.3% and 1.8%, respectively
	Lower Mid-End (Suburb Apartments)	**Waiyaki Way, South C**	Relatively high annual returns averaging 8.6% and 8.5%, respectively, compared to the market's average of 7.1% with relatively high rental yields averaging 6.3% and 6.1%, respectively, while price appreciation came in at 2.3% and 2.4%, respectively
Commercial Office Sector	**Grade A Offices**	**Gigiri and Karen**	They offered high returns with average rental yields at 8.4% and 7.6%, respectively, as a result of their superior locations characterized by serene environment attracting high-end clients and premium rental rates
Retail Sector	**Suburban Malls**	**Westlands, Karen, Kilimani**	Relatively higher returns of 10.0%, 9.8% and 9.8%, respectively, compared to the market average of 7.8%, attributed to favorable infrastructure ,the presence of upper and middle income earners with capacity to acquire spaces and services, and, relatively low competition from small scale retailers making them competitive
Hospitality Sector	**Serviced Apartments**	**Westlands, Kileleshwa & Lavington**	Relatively high rental yields of 8.3% and 6.4% against a market average of 5.5% and high occupancy rates at 68.6% and 57.1%, respectively, compared to the market average of 61.5%
Land Sector	**Satellite Towns**	**Syokimau, Juja, Utawala**	Increased demand for development evidenced by their high capital appreciations of 8.1%, 7.6% and 7.5%, respectively, compared to the market average of 2.8%, and, increased infrastructure developments enhancing accessibility to areas
	Suburbs	**Kitisuru**	Relatively high demand for land for development having recorded capital appreciations of 8.2% driven by; i) adequate infrastructure serving the areas such as the Kitisuru road, coupled with their exclusive neighborhoods attracting investments

Source: Cytonn Research

Key Highlights during the Week:

i. Mr Charles Hinga, the Principle Secretary for the State Department of Housing and Urban Development, signed a Memorandum of Understanding (MoU) with Seascan Development Limited, a Real Estate developer, to construct 4900 affordable housing units in the project dubbed Mowlem Estate in Nairobi's Dandora area, at a cost of Kshs 18.0 bn. The project will be the first-ever Transit-Oriented Development (TOD) Housing Programme in Kenya (a type of urban development that maximizes the amount of residential, business and leisure space within walking distance of public transport), whose ground-breaking is set for April 2022. The project will comprise of three phases of 1200, 2000, and, 1700 units, respectively. The table below is a summary of the expected unit types and prices;

Mowlem Estate Project		
Typology	**No. of Units**	**Prices**
Studios	880	1.8 mn
1 bed	660	3.0 mn
2 bed	1680	3.7mn
3 bed	1680	5.4 mn

The continued focus on affordable housing initiative is expected to support increased home ownership in the county especially in the low and middle class segments whose demand for housing is high yet remains undersupplied,

ii. The United Arab Emirate (UAE) retained Kenya in its **'Red List'** of countries barred from visiting UAE, with other countries such as Ghana, Angola, Uganda, Guinea and Cote d'Ivoire allowed admission to the middle-eastern state in its latest review. UAE had issued a ban on all inbound and transit passengers from Kenya in December 2021, citing fake COVID-19 certificates from Kenyan travellers, a move that saw the Kenyan government retaliate by suspending all inbound and transit passenger flights from the UAE for seven days effective 10th January 2022 and has further extended the ban to 24th January 2022. The continued travel bans and advisories are expected to weigh down the performance of the tourism and hospitality sectors in general as its tourists will cancel or postpone their travel plans to cushion themselves against the emerging Covid-19 variants, and,

iii. The government of Kenya through the Kenya Rural Roads Authority (KERRA) announced that it has begun upgrading to Bitumen Standards the Mago-Mululu - Wangulu (E240) & Lusui - Vokoli (E293) Roads. The two projects are approximately 20 Kms and are estimated to cost Kshs 1.1 bn. Upon completion, the road projects are expected to i) spur the growth of Real Estate through opening up the surrounding areas for development and promoting accessibility, ii)promote the property values, and, iii) reduce the development costs since infrastructural costs in Kenya account for approximately 14.0% of construction costs, according to the Centre for Affordable Housing Finance in Africa through relieving the cost burden that would otherwise be incurred by the developer.