



### **Research Note: Focus on Ruaka, Nairobi**

In February 2016, we conducted research on Ruaka, one of the satellite towns offering attractive real estate returns in Nairobi. According to the last research [Ruaka Investment Opportunity 2016](#), Ruaka developments delivered average returns of 21.1% with an average rental yield of 5.1% and price appreciation of 16.1%. Cytonn currently has 2 projects in Ruaka; *The Alma*, a lifestyle mixed-use development, which comprises of 453 residential apartments started in April 2016, and *Taraji Heights*, a residential mixed-use development, which comprises of 249 apartments started in March 2017. For its earliest buyers, Cytonn's project Alma has to date delivered average returns of 18.0% per annum. Being a key area of focus, we conducted a supplementary research in June 2017 to reaffirm market performance focusing mainly on 1-bed, 2-bed and 3-bed apartments built within the last 6-years in Ruaka.

#### **Overview of Ruaka**

Ruaka town is located approximately 10km on the North side of Nairobi CBD accessible via Limuru Road and the Northern Bypass that links to Kiambu Road and the Eastern Bypass. Ruaka started out as a rural shopping centre with the hinterland being utilized for agricultural purposes. However, the ongoing relaxation of zoning regulations that is in line with strategic planning has allowed more comprehensive and high-density development of both residential and commercial properties.

Property prices in Ruaka have significantly risen in the last few years driven by high demand. While an acre of prime land in Ruaka 2-years ago cost Kshs 70.0 mn, the same parcel would in 2017 cost Kshs 100.0 mn, a 19.5% annual price increase. The following are the main factors boosting real estate in Ruaka;

1. **Good Transport Network:** The Limuru Road, the Northern Bypass and the proposed Western Bypass will enable easy access to Nairobi CBD and other transport nodes such as Waiyaki Way, Kiambu Road, the Eastern Bypass, Thika Road and Mombasa Road,
2. **Hotels, Malls and Recreational Facilities:** Ruaka boasts of hosting one of the largest mixed-use development in East and Central Africa, Two Rivers' Mall, opened in February 2017. Other neighbouring recreational facilities include the Rosslyn Riviera, Village Market, Tribe Hotel, Sahara West, Village Falls Park and Herisquare Lounge, ensuring leisure facilities are in the nearby vicinity,
3. **Security:** Ruaka has seen improvement in security due to County measures to improve the same,
4. **International Organisations:** The presence of the United Nations Environmental Program in Gigiri (8 minutes away from Ruaka) has attracted foreigners who not only boost the appeal of the town, but also create a market for residential and commercial real estate,
5. **Zoning:** Due to relaxation of zoning restrictions, the town has seen an increase in high density developments that have resulted to an increase in the value of real estate.

#### **Ruaka Market Performance**

In June 2017, our market research focused on;

1. **Plinth Area:** Research on the size of the units found in the market allows us to gauge the current offering, and put into consideration the home buyer's preferences for sizes of house
2. **Prices:** Research on prices will be used in comparison of the products in the market over a given time period and allow us to demonstrate capital appreciation
3. **Rental Rates:** Research on rental income allows us to inform potential investors on the current rental rates in other developments and also inform the investors on the rental yield they can gain from buying apartments in Ruaka
4. **Annual Uptake:** This allows the investor to appreciate the rate at which available homes are sold over a specific period of time. This helps him or her gauge on whether it is profitable to invest in a given area.

The research findings were as follows;

(all values in Kshs unless stated)

1 Bedroom units Ruaka Performance Summary										
Property	Plinth Area (SM)	Price 2015	Price 2016	Price 2017	Price per SM (2017)	Rent 2017	Sold 2017	Annual Sales (%)	Rental Yield	Y/Y Price Change
Bounty's Apts	60	5.5m		7.0m	116,667		100%	22%		12.8%
Makao Roselyn	59		5.5m	6.3m	105,932	30,000	100%		5.0%	13.6%
Junica Apts	43		3.7m			25,000				
Ruaka Ridge	63		6.3m	6.3m	100,000	30,000	100%	29%	6.0%	0.8%
Alma project	51	5.5m	5.8m	5.8m	113,725	20,600	50%	29%	4.0%	2.7%
<b>Average</b>	<b>55</b>	<b>5.5m</b>	<b>5.3m</b>	<b>6.3m</b>	<b>109,081</b>	<b>26,400</b>	<b>88%</b>	<b>27%</b>	<b>5.0%</b>	<b>7.5%</b>
<b>Total Return</b>										<b>12.5%</b>
<p>With an average price of Kshs 6.3mn and average rent of Kshs 26,400, 1 bedroom apartments generate an average rental yield of 5.0%. The average price of 1-bed units in 2016 was Kshs 5.3 mn while the average price in 2017 is Kshs 6.3mn, resulting in a 7.5% price appreciation. At the time of the research, most 1-bedroom units were sold out hence the quoted prices are buyer re-sales.</p>										

Source: Cytonn Research June 2017

(all values in Kshs unless stated)

2 Bedroom Units Ruaka Performance Summary										
Property	Plinth Area (SM)	Price 2016	Price 2017	Price per SM 2017	Rent 2017	Sold 2017	Annual Sales (%)	Rental Yield	Y/Y Price Change	
Runda View	86	9.8m	9.5m	110,465	40,000	96.0%	13.7%	5.1%	(3.1)%	
Temus	90	8.5m	8.4m	93,645	45,000	100.0%		6.4%	(1.2)%	
Ruaka ridge	92	7.0m	7.3m	79,348	40,000	90.7%	30.2%	6.6%	4.3%	
Taraji Heights	85		7.9m	92,941	35,000	9.2%	11.0%	5.3%		
Pearl Court	108	9.0m	9.5m	87,963	46,000	100.0%	33.3%	5.8%	5.6%	
Bounty's Apts	80		8.5m	106,250		87.5%	19.4%		6.5%	
Alma Project	84	7.9m	8.5m	101,190	35,000	58.8%	33.6%	4.9%	7.6%	
Makao Roselyn	89	8.5m	10.0m	112,486	40,000	100.0%	33.3%	4.8%	17.6%	
Mulberry	90	9.0m	9.0m	100,000	30,000	100.0%	20.0%	4.0%		
Glenwood Apts	88	7.2m	8.5m	96,591	28,000	91.7%	30.6%	4.0%	18.1%	
Camden Apts	95		7.5m	78,947		60.0%	20.0%			
<b>Average</b>	<b>90</b>	<b>8.4m</b>	<b>8.6m</b>	<b>96,348</b>	<b>37,667</b>	<b>81.3%</b>	<b>24.5%</b>	<b>5.2%</b>	<b>6.9%</b>	
<b>Total Return</b>										<b>12.1%</b>
<p>2 bedroom units have an average rental yield and price appreciation of 5.2% and 6.9%, respectively resulting in a total return of 12.1%. Prices have appreciated from an average of Kshs 8.4 Mn in 2016 to an average of Kshs 8.6 Mn in 2017.</p>										

Source: Cytonn Research June 2017

(all values in Kshs unless stated)

3 Bedroom Units Ruaka Performance Summary									
Property	Plinth Area (SM)	Price 2016	Price 2017	Price per SM (2017)	Rent 2017	Sold 2017	Annual Sales (%)	Rental Yield	Y/Y Price Change
Runda View	104	10.8m	10.5m	100,962	50,000	94.0%	13.4%	5.7%	(2.3)%
Makao roselyn	122	11.5m	11.5m	94,262	54,900	100.0%	33.3%	5.7%	
Temus	107	10.5m	10.5m	98,131	55,000	100.0%		6.3%	10.5%
Taraji Heights	119		11.5m	96,639	45,000	11.3%	13.6%	4.7%	
Mulberry court	110	12.0m	12.5m	113,636	50,000	100.0%	25.0%	4.8%	4.2%
Haven Park	115	10.0m	10.5m	91,304	55,000	100.0%	20.0%	6.3%	5.0%
Makao roselyn	162	13.0m	13.0m	80,247	65,000	100.0%	33.3%	6.0%	0.4%
Canary Springs	108		9.5m	87,963	55,000	100.0%		6.9%	11.8%
Alma Project	117	9.8m	12.4m	105,983	53,000	43.2%	24.7%	5.1%	26.5%
Pearl Court	131	10.4m	12.0m	91,603	60,000	94.0%	31.3%	6.0%	15.4%
Camden Apts	125		9.0m	72,000		50.0%	16.7%		
Taraji Heights	132		12.8m	96,970	50,000	19.2%	23.1%	4.7%	
Penus Apts	130		12.0m	92,308	55,000	100.0%	25.0%	5.5%	
<b>Average</b>	<b>122</b>	<b>11.0m</b>	<b>11.4m</b>	<b>94,001</b>	<b>53,992</b>	<b>77.8%</b>	<b>23.6%</b>	<b>5.6%</b>	<b>8.9%</b>
<b>Total Return</b>									<b>14.6%</b>

3 bedroom units have an average rental yield and price appreciation of 5.6% and 8.9%, respectively resulting in a total return of 14.6%. Prices have appreciated from an average of Kshs 11.0 Mn in 2016 to an average of Kshs 11.4 Mn in 2017

Source: Cytonn Research June 2017

### Research Summary

(all values in Kshs unless stated)

Performance Summary Ruaka 2017									
Unit	Plinth Area (SM)	Monthly Rent	Average Price 2016	Average Price 2017	Price per SQM 2017	Rental Yield	Price Change Y/Y	Total Return 2017	Total Return 2016
1 Bed	55	26,400	5.3m	6.3m	109,081	5.0%	7.5%	12.5%	19.3%
2 Bed	90	37,667	8.4m	8.6m	96,348	5.2%	6.9%	12.1%	21.1%
3 Bed	122	53,992	11.0m	11.4m	94,001	5.6%	8.9%	14.6%	23.1%
<b>Average</b>					<b>99,810</b>	<b>5.3%</b>	<b>7.8%</b>	<b>13.1%</b>	<b>21.2%</b>

The price of 1 bed units increased from Kshs 5.3 mn in 2016 to Kshs 6.3mn in 2017 while that of 2 bed units increased from kshs 8.4 mn in 2016 to Kshs 8.6 mn in 2017. The average price of the 3 bed units increased from Kshs 11.0 mn in 2016 to Kshs 11.4mn in 2017. From the research 2 and 3-bed units remain to be the pre-dominant units in the market driven by demand from families. Overall 3-bed units have the highest returns at 14.6% on average. The average total return of 13.1% is lower than 2016 average of 21.1% mainly due to subdued real estate sales in 2017 as investors have been anxious over the elections period



### **Conclusion**

Compared to 2016, the Ruaka market has softened mainly due to a slow-down in uptake attributable to the extended electioneering period that has resulted in cautious investors postponing purchase decisions as they await its conclusion. We anticipate recovery of the market in 2018 as Ruaka remains an attractive investment location and as such we have seen land prices increase by 19.5% annually, giving the area potential of returns of above 20.0%. With the opening of the Two Rivers Mall earlier this year and the proposed construction of the Western Bypass, we expect the capital appreciation trend to continue. This is therefore the time for a discerning investor to buy, while prices are still low. For details on our projects at Ruaka, see the links [Taraji Heights](#) and [The Alma](#).