

### **Research Note – Ruiru Investment Opportunity**

In our recent [Joint Ventures Topical](#), we covered joint ventures, and how the right joint venture partnership and structure can be of immense benefit to both a real estate developer and a land owner. Cytonn has been keen on joint ventures, having projects such as [The Amara Ridge](#) in Karen, [The Alma](#) in Ruaka and one of our most recent projects, [RiverRun Estates](#), an outstanding master-planned development covering 100-acres in Ruiru, Kiambu County. The project which was launched in June 2017, will comprise of 1,200 residential units, to be complimented by social amenities that include a commercial center, a school, a water theme park, a riverfront boulevard and an ultra-modern hotel fronted by a beautiful dam.

In this note, we focus on Ruiru and why it is a great investment opportunity by analyzing our research data to show the performance in terms of uptake, rental yield, capital appreciation and return to investors in the real estate sector.

#### **Ruiru Overview**

Located 21 km from Nairobi City via the Thika Superhighway, Ruiru is one of the more developed satellite towns in Kiambu County. Currently, Ruiru has a population of approximately 293,000 people with 45.7% of them being economically active, majority being businessmen, civil servants and bankers.

#### **Amenities**

Ruiru is well endowed with both infrastructure and amenities including;

- **Roads:** It is accessible through the Thika Superhighway, Northern and Eastern Bypasses
- **Water:** This is supplied by RUJUWASCO (Ruiru Juja Water and Sewerage Company) while other residents rely on boreholes
- **Hospitals:** These include Nazareth, Kalimoni and Ruiru Private Hospital
- **Education institutions:** Include Kenyatta University, Zetech, Nairobi Institute of Business Studies(NIBS), Peponi, and is in close proximity to JKUAT University, among others

#### **Factors Driving Real Estate in Ruiru**

Ruiru has in the recent years changed face as land owners change and sell their large tracts of coffee plantations into land for real estate. This is in tandem with the growing real estate market in Kenya, whose contribution to the country's GDP has continuously grown in the past two decades, to 13.8% in 2016 from 10.5% in 2000. Contributions from agriculture to the GDP, on the other hand have continuously dipped to 23.1% in 2016 from 31.3% in 2000.

Land prices in Ruiru grew at a 5-year-CAGR of 23.9% in 2016, as per the [Cytonn Land Report 2017](#). Though fairly nascent, real estate in the area offers high returns to investors with an average capital appreciation of 29.2%. The factors promoting the growth of real estate in the area include;

- ❖ **Infrastructural Development:** Ruiru town is just 21 km away from the CBD, with a good transport network. It is conveniently accessible through both the Thika Superhighway and also from Kiambu Road, Kamiti Road and Northern and Eastern Bypasses. Additionally, the town has been earmarked for the Nairobi Mass Rapid Transit System
- ❖ **Commercial Industry:** Predominantly a coffee area, Ruiru town also doubles up as an industrial hub evidenced by the various industrial parks in the peripheries of the town such as Spinners & Spinners Ltd, Brookside Dairy Ltd, Devki Steel Mills, as well Tatu Industrial park. The industrial sector ultimately creates demand for housing for the industrial workers

- ❖ **Ample Amenities:** Ruiru has sufficient social amenities such as The Spur Mall and Kenyatta University's Unicity Mall. In addition to this, the area has numerous education institutions across all levels. Ruiru also has sufficient water supply to support its growing populations with provision from Ruir-Juja Water and Sewerage Company and as well as natural sources
- ❖ **Positive demographics:** Majority of Ruiru's population is a working population. Additionally, the area hosts majority of the young population from the local institutions of higher learning such as Kenyatta University, NIBS, and Zetech, among others, who create demand for residential units. Moreover, Ruiru is strategically placed in close proximity to the CBD and therefore acts as the bedroom suburb for job seekers

### Market Performance

In evaluating Ruiru's Market performance, we looked at the following key metrics:

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 helping to gauge on whether it is profitable to invest in a given area.

*(all values in Kshs unless stated otherwise)*

PERFORMANCE SUMMARY FOR DETACHED HOUSING UNITS IN RUIRU									
<b>3 Bedroom</b>									
Name of project	Plinth Area	Current price	Price Per SQM	Rent 2017	Annualized Uptake	Occupancy Rates	Capital Appreciation	Rental Yield	Total returns
Lulu Gardens	145	16.0 mn	110,345	60,000	25.0%	90.0%	23.9%	4.5%	28.4%
Sahara Ridge	135	11.0 mn	81,481	55,000	25.0%	92.0%	23.9%	6.0%	29.9%
<b>Average</b>	<b>140</b>	<b>13.5 mn</b>	<b>95,913</b>	<b>57,500</b>	<b>25.0%</b>	<b>91.0%</b>	<b>23.9%</b>	<b>5.3%</b>	<b>29.2%</b>
<b>4 Bedroom</b>									
Name of project	Plinth Area	Current price	Price Per SQM	Rent 2017	Annualized Uptake	Occupancy Rates	Capital Appreciation	Rental Yield	Total Returns
Goodwill Estate	160	16.0 mn	100,000	60,000	28.3%	45.0%	23.9%	4.5%	28.4%
Ruiru Dam Breeze	241	20.0 mn	82,988	70,000	29.7%	70.0%	23.9%	4.2%	28.1%
Mulberry Park	135	9.5 mn	70,370	60,000	21.0%	90.0%	23.9%	7.6%	31.5%
<b>Average</b>	<b>179</b>	<b>15.2 mn</b>	<b>84,453</b>	<b>61,667</b>	<b>26.3%</b>	<b>68.3%</b>	<b>23.9%</b>	<b>5.4%</b>	<b>29.3%</b>
<b>Grand Average</b>	<b>159</b>	<b>14.3 mn</b>	<b>90,183</b>	<b>57,083</b>	<b>25.7%</b>	<b>79.7%</b>	<b>23.9%</b>	<b>5.3%</b>	<b>29.2%</b>
<ul style="list-style-type: none"> <li>• 4 bedroom units perform better with a higher rental yield at 5.4% and total returns to investors of 29.3% attributable to the fact they are more popular with those seeking to own homes due to the extra accommodation</li> </ul>									

(all values in Kshs unless stated otherwise)

PERFORMANCE SUMMARY FOR APARTMENTS IN RUIRU									
2 Bedroom									
Name of project	Plinth Area	Current price	Price Per SQM	Rent 2017	Annualized Uptake	Occupancy Rates	Capital Appreciation	Rental Yield	Total Returns
Monarch	84	7.2 mn	86,083	40,000	30.0%	75.0%	23.9%	6.7%	30.6%
Dahlia Garden	80	7.5 mn	93,750	40,000	25.0%		23.9%	6.4%	30.3%
Key West	86	5.5 mn	63,953	20,000	33.3%	83.0%	23.9%	3.6%	27.5%
Richland Pointe	97	7.8 mn	80,412	35,000	25.0%		23.9%	5.4%	29.3%
<b>Average</b>	<b>87</b>	<b>7.0 mn</b>	<b>81,050</b>	<b>33,750</b>	<b>28.3%</b>	<b>79.0%</b>	<b>23.9%</b>	<b>5.1%</b>	<b>29.0%</b>
3 Bedroom									
Name of project	Plinth Area	Current price	Price Per SQM	Rent 2017	Annualized Uptake	Occupancy Rates	Capital Appreciation	Rental Yield	Total Returns
Monarch	109	8.3 mn	75,688	45,000	30.0%	75.0%	23.9%	6.5%	28.8%
Dahlia Gardens	105	8.5 mn	80,952	45,000	35.0%		23.9%	6.4%	30.3%
Key West	113	7.0 mn	61,947	25,000	33.3%	90.0%	23.9%	3.9%	27.8%
Richland Pointe	125	8.8 mn	70,400	45,000	27.0%		23.9%	6.1%	27.8%
<b>Average</b>	<b>113</b>	<b>8.1 mn</b>	<b>72,247</b>	<b>40,000</b>	<b>31.3%</b>	<b>82.5%</b>	<b>23.9%</b>	<b>5.3%</b>	<b>29.2%</b>
<b>Grand Average</b>	<b>100</b>	<b>7.6 mn</b>	<b>76,648</b>	<b>36,875</b>	<b>29.8%</b>	<b>80.8%</b>	<b>23.9%</b>	<b>5.2%</b>	<b>29.1%</b>
<ul style="list-style-type: none"> <li>3 bedroom apartments had a higher average rental yield of 5.3% due to higher rental rates they attract. This was marginally higher than the 2 bedroom units with 0.2% points. However, the average returns to investors was 29.1%, indicating demand for apartments as the area serves a majority of the young population and young families</li> </ul>									

Source: Cytonn Research

### Research Summary

(all values in Kshs unless stated otherwise)

RUIRU MARKET PERFORMANCE SUMMARY									
Typology	Plinth Area	Current price	Price Per SQM	Rent 2017	Annualized Uptake	Cap. Appreciation	Rental Yield	Total returns	
Detached Units	159	14.3 mn	90,183	60,417	25.7%	23.9%	5.3%	29.2%	
Apartments	100	7.6 mn	76,648	36,875	29.8%	23.9%	5.2%	29.1%	
<b>Average</b>	<b>130</b>	<b>11.0 mn</b>	<b>83,416</b>	<b>48,646</b>	<b>27.7%</b>	<b>23.9%</b>	<b>5.3%</b>	<b>29.2%</b>	
<ul style="list-style-type: none"> <li>The average returns to investors in Ruiru is 29.2%. This is expected to grow further with the growth of industries and other commercial activities that are creating employment activities which will boost demand for accommodation</li> <li>Compared to the market average of 5.6%, Ruiru had lower rental yields at 5.3%. This is expected to improve with the growth of industries and other commercial activities that are creating employment activities which will boost demand for accommodation</li> </ul>									



### **Recommendation**

As per the [Cytonn Residential Report](#), Ruiru was ranked as one of the top 15 areas to invest in, attributable to its infrastructural development, proximity to CBD, availability of land and good returns to investors. Infrastructure, and thus accessibility, in the area is expected to be revamped further as Ruiru has been earmarked for the planned Mass Rapid Transit System which is expected to be a pull factor for residents as well as investors. Additionally, as individuals and firms seek to get away from the congestion that is prevalent in suburbs in Nairobi, Ruiru has proved to be the ideal satellite location for settlement as evidenced by such projects as RiverRun Estates by Cytonn Investments, Tatu City by Rendeavor among other upcoming developments.

Investment grade real estate in Ruiru is fairly young and thus a great investment opportunity given the high capital gains. For further details on Cytonn's other joint venture projects, see [The Amara Ridge](#) and [The Alma](#) as well as Cytonn's other master planned development, [Newtown](#).