

REPORT AND VALUATION
UPON
A MASTER PLANNED RESIDENTIAL PROPERTY



L.R. NO. 28223/3, THE RIDGE
ALONG THE NORTHERN BY-PASS, RIDGEWAYS,
KIAMBU COUNTY

Our Ref: RVI/V.O/2018/5345

Friday, January 5th, 2018

Senior Project Manager & Head of Regional Markets,
Cytonn Investments Management Limited,
3rd Floor, Liaison House, State House Avenue,
P.O Box 20695-00200,
Nairobi, Kenya.

Dear Sir,

RE: VALUATION OF L.R. 28223/3 RIDGEWAYS, KIAMBU COUNTY

Pursuant to your request and in accordance with an award of contract received dated **Friday, 15th December, 2017**(cancelled and replaced by another dated **Friday, 26th January, 2017**), we inspected the above captioned property on **Wednesday, 3rd January, 2018**, and we are pleased to submit the accompanying Report and Valuation.

The report, including exhibits, fully describes the approach to value and contains all pertinent data gathered in the investigation of the subject property.

The value opinion reported below is qualified by certain assumptions, limiting conditions, certifications, and definitions, which are set forth in the report.

Respectfully submitted,

FRANCIS K. WANJOHI
B.A. LAND ECONOMICS,
MBA (FINANCE), CPA (K), M.I.S.K
REGISTERED AND PRACTISING VALUER
HEAD OF VALUATION

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EXECUTIVE SUMMARY

This Executive Summary must be read in the context of and in conjunction with the full valuation report of which it forms a part of. All comments, terms and conditions contained in the full valuation report relate directly to this Executive Summary.

SUMMARY OF SALIENT FACTS

INSTRUCTING PARTY:	CYTONN INVESTMENTS MANAGEMENT LIMITED
PROPERTY ADDRESS:	L.R. NO. 28223/3, THE RIDGE RIDGEWAYS, KIAMBU COUNTY
DATE OF INSPECTION:	WEDNESDAY, 3RD JANUARY 2018
DATE OF VALUATION:	FRIDAY, 5TH JANUARY 2018
REGISTERED PROPRIETOR:	CYTONN INVESTMENTS PARTNERS ELEVEN, LLP
INTEREST APPRAISED:	FREEHOLD TENURE
PURPOSE OF VALUATION:	BOOK PURPOSES
MAIN DEVELOPMENTS:	PROPOSED GATED ESTATE
LAND SIZE:	3.996 HECTARES OR 9.874 ACRES
LAND USE:	PLANNED COMMERCIAL-CUM-RESIDENTIAL USE

BRIEF PROPERTY AND NEIGHBOURHOOD DESCRIPTION

This is a development site for a master planned mixed use gated community situated along the Northern by-pass and about 800 metres from the Kiambu road junction. The site is a fairly level red soils parcel currently being excavated and compacted in readiness for construction of the proposed gated community which shall comprise about 2000 M² of commercial retail space and several high rise residential blocks comprising about 700 units of 1, 2 and 3 bedrooms as well as penthouses on the topmost floors. Other support services such as borehole, water storage, back-up power generators, ample parking, et cetera; shall be provided.

External site boundaries are currently defined by GCI sheets on timber frames. Access is through two GCI sheets gates opening onto a front yard with temporary site offices.

Notable estates or landmarks in the immediate neighbourhood include, Fourway Junction, Kigwa Ridge Estate, Ridgeways, Runda and Windsor Golf Hotel & Resort.

VALUATION SUMMARY

		Current Values (As is)(KES)
(i)	Market Value	1,200,000,000.00
(ii)	Mortgage Value	1,020,000,000.00
(iii)	Forced Sale Value	900,000,000.00

1. DEFINITION OF TERMS

1.1. VALUATION RATIONALE

The subject property consists of approximately **9.874** acres of a planned gated community site fronting the Northern by-pass and about 800 metres from the Kiambu road junction in Kiambu County.

We have consequently adopted the Sales Comparison/Market Approach and Residual Method to arrive at the opinion of Market Value.

Sales Comparison/Market Approach

According to the *RICS¹ Valuation – Professional Standards 2014²*, the Sales Comparison/Market Approach of valuation provides an indication of value by comparing the subject assets with identical assets for which price information is available. We have adopted this methodology in analysing the sampled comparable valuations within the neighbourhood.

Residual Method

The residual method of valuation could be expressed in the form of a simple equation where the value of a property is the residue (a sum left over) after deducting the cost of development from the value of development. It may also be considered as the amount that a developer would be prepared to pay for such a property in order to obtain the development potential.

1.2. BASIS OF VALUATION

Market Value

According to the *RICS Valuation – Professional Standards 2014*, Market value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

¹ Royal Institution of Chartered Surveyors

² The RICS Valuation – Professional Standards 2014 are fully compliant with the International Valuation Standards 2013.

1.3 POTENTIAL, HIGHEST AND BEST USE

1.3.1 Potential

This is the difference between the present use of a property and the highest and best use of the same property.

1.3.2 Highest and Best Use

This is the reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported and financially feasible and that results in the highest value.

2. PROPERTY SETTING

2.1 LOCATION

The property fronts the Northern by-pass and is about 800 metres from the Kiambu road junction in Kiambu County.

The geographical coordinates of the site's approximate centre are **1°12'53.51"S** and **36°50'35.88"E**.

2.2 NEIGHBOURHOOD AND LOCAL DATA

The Ridge and the immediate neighbourhood is zoned as a low to medium density residential area. However, sections along Kiambu road and the Northern by-pass are increasingly being commercialized. This neighbourhood is a well-planned with well-organised systems of service provision. Developments are characterised mainly by large villas, modern townhouses and high rise blocks of apartments; set on controlled land sizes or gated communities.

Notable gated planned estates/communities or landmarks in the immediate neighbourhood include, Fourway Junction, Kigwa Ridge Estate, Ridgeways, Runda, Windsor Golf Hotel & Resort, among others.

2.3 SERVICES AND AMENITIES

Mains water, electricity and sewer are connected to the property.

Immediate access roads are all tarmacked.

3 PARCEL AND ASPECTS OF TITLE

3.1 TENURE AND PROPRIETORSHIP

An inspection of the copy of title and a copy of postal search from the Nairobi Lands Registry revealed that the property is held as freehold interest registered in the name of **Cytonn Investments Partners Eleven, LLP**.

3.2 PARCEL ACREAGE

According to the copy of title and map, the parcel measures **3.996 hectares** or **9.874 acres** approximately.

3.3 ENCUMBRANCES

No encumbrances were registered against the title.

A copy of the certificate of postal search is attached as Appendix IV.

3.4 LAND RATES

Unascertained.

3.5 LAND DESCRIPTION

3.5.1 Land Ownership in Kenya

In Kenya, there are three (3) different land classifications: private land, public land, and community land.

Private land is land owned by an individual under freehold or leasehold tenure.

Public land is vested in the government for the benefit of the people of Kenya. It includes roads, all water bodies, forests, national parks, and land that have minerals, among others.

Community land is held by and managed by communities. It includes land registered under group representatives, shrines, grazing areas and ancestral lands.

3.5.2 L.R.28223/3), The Ridge,

This property lies on a prime **9.874** acre parcel along the Northern by-pass in Ridgeways, Kiambu County.

The title is held on freehold Interest granted under Government Lands Act, (Cap 280) now repealed and replaced by The Land Registration Act No. 3 of 2012.

4 POTENTIAL, HIGHEST AND BEST USE ANALYSIS

The property is located along the Northern by-pass and a few metres from Kiambu road. The site as currently used is yet to realize any of its potential. However, the proposed project: The Ridge, which is apparently based on a well planned master plan ensuring creation of a secure and well serviced gated community; shall indeed, upon full completion, result into the highest and best use of the land.

5. IMPROVEMENTS/DEVELOPMENTS

5.1 General Description

This is a development site for a master planned mixed use gated community situated along the Northern by-pass and about 800 metres from the Kiambu road junction. The site is currently being excavated and compacted in readiness for construction of the proposed gated community which shall comprise about 2000 M² of commercial retail space and several high rise residential blocks comprising about 700 units of 1, 2 and 3 bedrooms as well as penthouses to the topmost floors. Other support services such as borehole, water storage, back-up power generators, ample parking, et cetera; shall be provided.

5.2 Construction Progress & Level of Completion

Apart from the initial excavations, levelling and compression, no major construction works have commenced on the site.

5.3 Environmental & Land Contamination Concerns

Although this is not an Environmental Impact Assessment, we can confirm that there was no evidence of pollution or land contamination on the subject property or on the adjoining site. Our physical inspection of the property and its neighbourhood can be summarized in the table below:-

	Property Observations	Motivation
1	Briefly describe the surrounding environment of the property (e.g. industrial, residential, rural or commercial)	Mix of commercial and residential
2	Is the property located close to a water source or a sensitive ecological area (e.g. river, protected area, nature reserve)? If yes, please elaborate.	No
3	Do the operations/activities on the property involve the handling, storage, transportation or disposal of hazardous material (e.g. fuel, chemicals and fertilizer)? If yes, please elaborate.	No
4	In your opinion, are potential environmental and/or social risks satisfactorily managed on the property/site? (E.g. Yes, an Environmental Management System is in place)?	Yes

6 TENANCY / OCCUPANCY

6.1 Tenancy/Occupancy

At the time of inspection, the property was vacant safe for ongoing excavation and compacting works.

6.2 Subject Property Ratings

On a scale of 1-9 the subject property would perform in the current and future markets as tabulated below. These rating assessments have taken into consideration the factors outlined in this report as at the date of valuation.

CURRENT DEMAND				
SCALE	RATING	LETTABILITY	SALEBILITY	BUILDING CONDITION
9	Excellent			N/A
8	Very Good			
7	Good			
6	Above average			
5	Average			
4	Below average			
3	Poor			
2	Very poor			
1	Unlettable			
ANTICIPATED FUTURE DEMAND				
SCALE	RATING	LETTABILITY	SALEBILITY	BUILDING CONDITION
9	Excellent			N/A
8	Very Good			
7	Good			
6	Above average			
5	Average			
4	Below average			
3	Poor			
2	Very poor			
1	Unlettable			

OVERALL RATING			
RATING	LETTABILITY	SALEABILITY	BUILDING CONDITION
Average	7	8	N/A

7 SWOT ANALYSIS

We provide a SWOT analysis of the subject property as below:

Strengths:

- Prime location of the property;
- Frontage to a major highway;

Weaknesses:

- Location too close to busy and noisy highways;

Opportunities:

- Close proximity to schools, shopping and recreational facilities;
- Located in a busy and popular controlled neighbourhood;

Threats:

- Volatility of the national and global economy is negatively impacting on the local property market;
- Negative political environment.

8. MARKET OVERVIEW

8.1 General Market Commentary

Local

This is a prime near ten acre parcel of land situated next to the popular Fourway Junction estate as well as the Windsor Golf Resort. The estate also fronts the Northern by-pas and is a few metres from Kiambu road. These factors coupled with the tasteful planned development that will upon completion offer convenience, comfort and security; make The Ridge a popular destination for home buyers in Nairobi and Kiambu as well as those looking for a place to invest in terms of rental units.

Considering the competitive prices being offered by the developer as well as a guarantee to complete the project on time as planned, has seen a good number of units purchased off plan. Other prospective buyers have also given commitments to purchase units upon completion.

The project has highlighted the fact that the Kenyan real estate market is still vibrant and can offer good returns for developers who are going the extra mile to offer the public affordable housing where and when needed.

Global/Regional

The global and regional economic environment will continue to influence Kenya's economic developments by influencing commodity prices, the volume and direction of international capital flows, and trade. As such, risks to the global economic outlook have the potential to affect consumer and investor confidence and curtail growth in the Kenyan economy. The major forces driving the global economic outlook are soft commodity prices and the turbulence in the global financial system triggered by increasingly divergent monetary policies across AEs (Advanced Economies) and these have direct implications for the Kenyan economy.

More specific issues of note include the growth of the private sector that has seen more international companies setting up their headquarters in Nairobi. This is owed to the strategic positioning of the city as a regional hub. This has created increased demand for high quality Grade A office space that meets international standards.

Confirmations

We have also perused the Ndung'u Land Report and the property does not appear to have been illegally allocated or acquired.

The property is also not mentioned in the National Land Commission Review of Grants and Disposition of Public Land Report of July 2017.

9. VALUATION CERTIFICATE

We have analyzed the information obtained from the physical inspection of the property, information pertaining the asking prices for similar parcels of land in the area, the proposed and approved project, current costs of construction, as well as taken into account the economic conditions on the date of valuation to arrive at the opinion of value of the property as of **Friday 5th January, 2018** as follows:

	Value	Current Values (as is) (KES)
(i)	Market Value	1,200,000,000.00
		Read: Kenya Shillings One Billion, Two Hundred Million Only
(ii)	Mortgage Value	1,020,000,000.00
		Read: Kenya Shillings One Billion, Twenty Million Only
(iii)	Forced Sale Value	900,000,000.00
		Read: Kenya Shillings Nine Hundred Million Only

FOR AND ON BEHALF OF
REGENT VALUERS INTERNATIONAL (K) LIMITED

VINCENT OGENDO NYABWARI
B.A.LAND ECONOMICS (HONS), M.I.S.K (VS)
VALUER

FRANCIS K. WANJOHI
B.A.LAND ECONOMICS,
MBA (FINANCE), CPA (K), M.I.S.K, RV, REA
REGISTERED AND PRACTISING VALUER
HEAD OF VALUATION

APPENDIX I: PICTORIAL ILLUSTRATION OF THE PROPERTY



-Views of the subject property -



-View of the access road & neighborhood-



-View of the neighbouring Fourway Junction Estate-

DISCLAIMER

We certify that the valuer has inspected the subject property on the date above and has assessed the market value on the date above. This valuation is made subject to the details, remarks and qualifications made in this final report and it is intended for the sole use of the party to whom it is addressed and for no other purpose. No responsibility is accepted to any third parties in relation to this valuation and report. The valuer has neither a pecuniary interest in, nor with either party associated with the transaction that would conflict with the independent valuation of the property.

Where it is stated in the Report that information has been supplied to the Company by another party, this information is believed to be reliable but the Company accepts no responsibility if this should prove not to be so. Where information is given without being attributed directly to another party, this information has been obtained by our search of records and examination of documents or by enquiry from government or other appropriate departments.

Where Market Value is assessed, it reflects the full contract value and no account is taken of any liability for taxation on sale or of the costs involved in effecting a sale.

The Valuation is not valid, unless it is duly signed by the Principal Valuer of this company and bears the Official Company Seal.

TERMS OF ENGAGEMENT

Neither the whole nor any part of this report or valuation, nor any reference thereto, may be included in any published document, circular or statement, nor published in any way, nor disclosed to any third party without the prior written consent of the firm.

Neither all nor part of the contents of the report shall be reproduced for dissemination to the public through advertising media, public relations media, news media, sales media, social media or any other public means of communication without the prior consent and written approval of the appraisers.

This appraisal is based on the condition of the local and national economy, purchasing power of money and financing rates prevailing on the effective date of valuation.

SCOPE AND EXTENT OF INSPECTION

Our valuation report includes; the site together with its all supporting systems such as electrical and mechanical systems. Whereas the progress on the proposed project has been inspected, the project has largely been ignored in this report since substantive construction works are yet to begin.

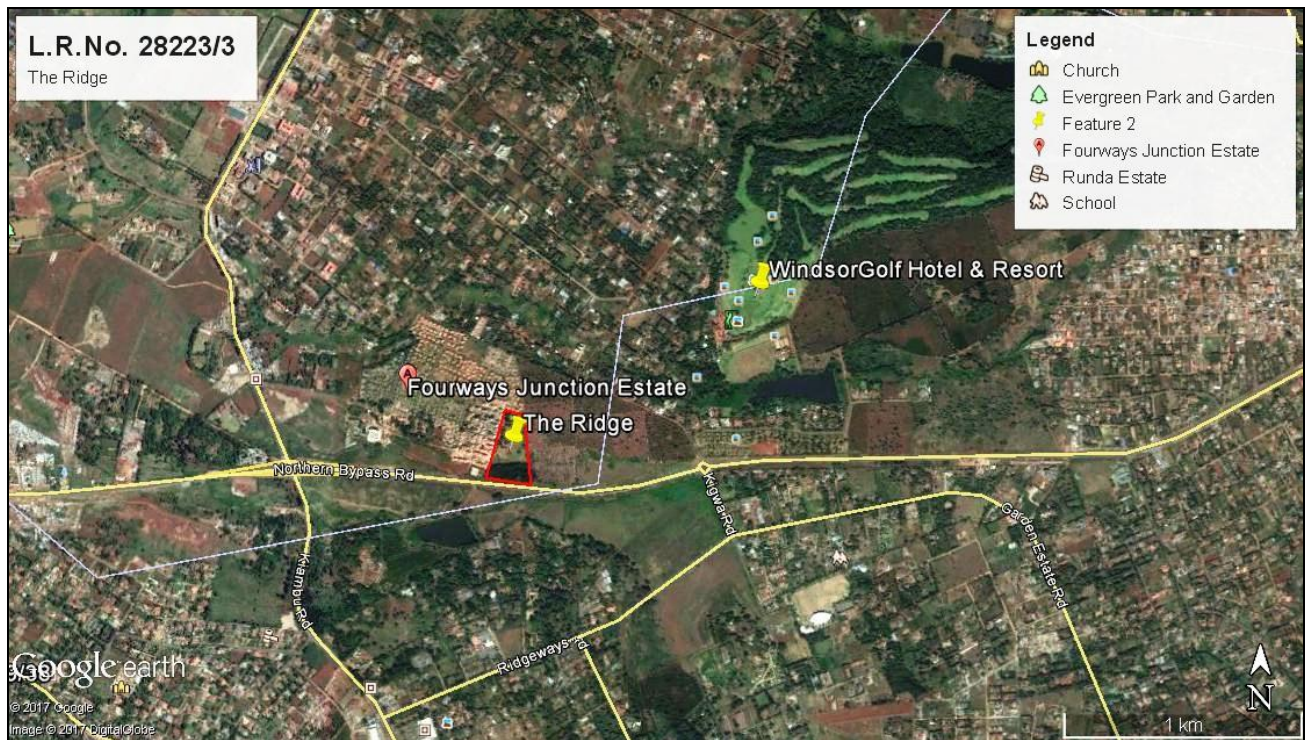
We have inspected the property as far as is reasonably necessary for valuation purposes. This has comprised a visual inspection of the exterior and interior of the property, such as could be undertaken from standing at ground level within the boundaries of the site and adjacent public/communal areas and as was readily accessible with safety and without undue difficulty including standing at the various floor levels.

We have not carried out a building survey of the buildings nor have we inspected woodwork, steelwork or other parts of the property which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the property are free from defect. Our report does not purport to express an opinion about or to advise upon the condition of uninspected parts. Neither have we carried out any tests of any kind on the electrical, plumbing or other services installed.

MARKET CHANGE DISCLAIMER

This valuation is current as of the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to this particular property). We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon a year from the date of the valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.

APPENDIX II: GOOGLE EARTH IMAGES OF THE PROPERTY



APPENDIX IV: COPY OF SEARCH CERTIFICATE

REPUBLIC OF KENYA
THE LAND REGISTRATION ACT NO. 3 OF 2012
THE LAND ACT NO. 6 OF 2012
THE GOVERNMENT LANDS ACT CAP 280(REPEALED)
CERTIFICATE OF POSTAL SEARCH

3/1/2018

AS ON:

3.996 Ha.

AREA.....

28223/3

LR.NUMBER:.....

N 86 Folio 32 file 25680

REGISTER:.....

Freehold

TENURE.....

CURRENT REGISTERED PROPRIETOR: **CYTONN INVESTMENT PARTNERS ELEVEN LLP**

ENCUMBRANCES

-NIL



Signed.....

S. C. Njoroge
S. C. Njoroge 294

REGISTRAR OF GOVERNMENT LANDS