

REPORT AND VALUATION
UPON
A PLANNED DEVELOPMENT SITE



L.R. NO. 5910, RIVERRUN ESTATES

OFF RUIRU-KAMITI ROAD, RUIRU,

KIAMBU COUNTY



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

Friday, January 5th, 2018

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

Dear Sir,

RE: VALUATION OF L.R. 5910 RIVERRUN ESTATES, RUIRU, 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 **Thursday, 4th 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

TABLE OF CONTENTS

EXECUTIVE SUMMARY	4
SUMMARY OF SALIENT FACTS	4
1. DEFINITION OF TERMS	5
1.1. VALUATION RATIONALE.....	5
1.2. BASIS OF VALUATION	5
1.3 POTENTIAL, HIGHEST AND BEST USE.....	5
2. PROPERTY SETTING.....	6
2.1 LOCATION.....	6
2.2 NEIGHBOURHOOD AND LOCAL DATA.....	6
2.3 SERVICES AND AMENITIES.....	6
3 PARCEL AND ASPECTS OF TITLE	6
3.1 TENURE AND PROPRIETORSHIP	6
3.2 PARCEL ACREAGE.....	7
3.3 ENCUMBRANCES.....	7
3.4 LAND RATES.....	7
3.5 LAND DESCRIPTION	7
4 POTENTIAL, HIGHEST AND BEST USE ANALYSIS.....	8
5. IMPROVEMENTS/DEVELOPMENTS.....	8
5.2 General State of Repair & Maintenance.....	8
5.3 Environmental & Land Contamination Concerns.....	9
6 TENANCY / OCCUPANCY.....	9
6.1 Tenancy/Occupancy	9
6.2 Subject Property Ratings.....	9
7 SWOT ANALYSIS	10
8. MARKET OVERVIEW	11
8.1 General Market Commentary.....	11
8.2 Market Analysis and Comparables	12
9. VALUATION CERTIFICATE	13
APPENDIX I: PICTORIAL ILLUSTRATION OF THE PROPERTY.....	14
DISCLAIMER.....	15
TERMS OF ENGAGEMENT	15
SCOPE AND EXTENT OF INSPECTION	15
MARKET CHANGE DISCLAIMER.....	16
APPENDIX II: GOOGLE EARTH IMAGEs OF THE PROPERTY.....	17
APPENDIX III: COPY OF THE SURVEY MAP EXTRACT	18
APPENDIX IV: COPY OF SEARCH CERTIFICATE	20

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. 5910, RIVERRUN ESTATES RUIRU, KIAMBU COUNTY
DATE OF INSPECTION:	THURSDAY, 4TH JANUARY 2018
DATE OF VALUATION:	FRIDAY, 5TH JANUARY 2018
REGISTERED PROPRIETOR:	CYTONN INVESTMENTS PARTNERS FIVE, LLP
INTEREST APPRAISED:	FREEHOLD TENURE
PURPOSE OF VALUATION:	BOOK PURPOSES
MAIN DEVELOPMENTS:	IGNORED
LAND SIZE:	40.47 HECTARES OR 100.0 ACRES
LAND USE:	PLANNED MIXED USE

BRIEF PROPERTY AND NEIGHBOURHOOD DESCRIPTION

This is a development site for a master planned mixed use gated community situated off Ruiru-Kamiti road and near Tatu City in Ruiru area of Kiambu County. The site which is a former coffee estate has a sloppy terrain complimented by a retaining dam stretching over 800 metres along the parcel's periphery and a river cutting across a section. It has rich deep red soils. The site is surrounded by active coffee farms. There are a number of old farm structures which shall be demolished to pave way for establishment of the planned gated estates that shall comprise 1200 residential units of 3 & 4 bedroom maisonettes; 2 & 3 bedroom apartment blocks, over 1000 square meters of retail space consisting of an ultra-modern hotel with a frontage to a manmade lake, a mini-mart and convenience stores to allow for convenience, a school, as well as lots of green spaces, outdoor play areas and recreational facilities including swimming pools, a water themed park, access to a dam and clubhouse facilities. Other support services such as borehole, water storage, back-up power generators, ample parking, et cetera; shall be provided.

External site boundaries are currently left open. Access is also left open

Notable estates or landmarks in the immediate neighbourhood include, Migaa Golf Estate, Tatu City, Risura Coffee estate, Muhugu Coffee estate, Kinjibbe river, et cetera.

VALUATION SUMMARY

		Current Values (KES)
(i)	Market Value	1,610,000,000.00
(ii)	Mortgage Value	1,370,000,000.00
(iii)	Forced Sale Value	1,207,500,000.00

1. DEFINITION OF TERMS

1.1. VALUATION RATIONALE

The subject property consists of approximately 100.0 acres of a planned gated community site off Ruiru-Kamiti road in Ruiru, Kiambu County. It lies about 700 metres west of the proposed Tatu City. Despite having a comprehensive master plan to develop the site, no ground breaking or construction works has taken place.

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.

1.3 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 Royal Institution of Chartered Surveyors

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

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 is situated off Ruiru-Kamiti road in Ruiru, Kiambu County. It lies about 700 metres west of the proposed Tatu City.

The geographical coordinates of the site's approximate centre are **1°8'7.29"S** and **36°52'43.49"E**.

2.2 NEIGHBOURHOOD AND LOCAL DATA

The RiverRun Estates and the immediate neighbourhood is zoned for agricultural use as evidenced by the surrounding coffee estates. However, some of the farms are paving way for construction of master planned gated estates such Migaa Golf Estate, RiverRun Estates and Tatu City. The coffee farms are well planned each with ample access and water supply through artificial dams and water pans. These services together with the rather uneven terrain in the area, is providing a platform on which to design tasteful inland waterfront estates with a coastal feel. This concept has been adopted by the upcoming estates such as Tatu City and RiverRun Estates.

Notable estates or landmarks in the immediate neighbourhood include Migaa Golf Estate, Tatu City, Risura Coffee estate, Muhugu Coffee estate, Kinjibbe River, et cetera.

2.3 SERVICES AND AMENITIES

Mains water, electricity are connected to the property. Sewer in the area is to septic tanks or cesspools.

Immediate access roads are all weather joining to tarmac about 2.5 kilometres away.

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 Five, LLP**.

3.2 PARCEL ACREAGE

According to the copy of title and map, the parcel measures **100.0 acres** approximately.

3.3 ENCUMBRANCES

Registered against the title are two instruments as follows:

- i. Wayleave agreement dated 7th September, 1956 with East Africa Power and Lighting Company Limited granting easement to lay and maintain an electric line across the subject land.
- ii. Caveat dated 10th May, 1977 by The East Africa Power and Lighting Co. Limited claiming grant of easement.

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.No. 5910 (Orig. No. 92/1), RiverRun Estates,

This property lies on a **100.0** acre parcel off Ruiru-Kamiti road in Ruiru, 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 off Ruiru-Kamiti road in Ruiru, Kiambu County. The area is predominantly agricultural, although it is slowly paving way for development of master planned gated mixed use estates. The site as currently used is yet to realize any of its potential. However, the proposed project: RiverRun Estates, 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 off Ruru-Kamiti road and near Tatu City in Ruiru area of Kiambu County. The site which is a former coffee estate has deep red soils, a sloppy terrain with a retaining dam and a river cutting across a section and a number of old farm structures; shall be cleared to pave way for establishment of the planned gated estates with a total of 1,200 residential units. The proposed RiverRun Estates shall comprise 3 & 4 bedroom maisonettes; 2 & 3 bedroom apartment blocks, over 1000 square meters of retail space consisting of an ultra-modern hotel with a frontage to a manmade lake, a mini-mart and convenience stores to allow for convenience, a school, as well as lots of green spaces, outdoor play areas and recreational facilities including swimming pools, a water themed park, access to a dam with a water frontage of 800 metres and clubhouse facilities. Other support services such as borehole, water storage, back-up power generators, ample parking, et cetera; shall be provided.

Nevertheless, no ground breaking or construction works has commenced.

5.2 General State of Repair & Maintenance

We were not instructed to carry out structural surveys of the buildings and since substantive works are yet to commence, we have provided information regarding the site as currently is.

Our findings can be summarized in the table below as: -

	YES	NO
Is the subject property located in an area where adverse soil conditions exist?		NO
Are any structural cracks visible?		N/A
Would you recommend a Structural Engineer to inspect the property?		N/A

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, residential & recreational.
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.	Yes, there is a stream and artificial dam which have been incorporated in the plan.
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 save for some old structures occupied by the property's caretaker.

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	SALEABILITY	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	SALEABILITY	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	5.5	7.5	N/A

7 SWOT ANALYSIS

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

Strengths:

- Prime location of the property;
- Availability of artificial dam and river;

Weaknesses:

- Location within busy coffee farmlands
- Immediate access roads still unmade;

Opportunities:

- Ongoing servicing and construction of Tatu City which pulling potential clientele to the location;

Threats:

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

8. MARKET OVERVIEW

8.1 General Market Commentary

Local

This is a prime 100 acre parcel of land situated in Ruiru near Tatu City, Kiambu County. The proposed estate is in close proximity to popular projects such as the Tatu City whose construction and servicing is ongoing. These factors coupled with the tasteful planned development that will upon completion offer convenience, comfort and security; make RiverRun a popular destination for home buyers in Kiambu and its environs; as well as those looking for a place to invest in terms of rental units.

The development will be implemented in three phases with phase one comprising of 263 units of town houses and villas with a starting price of Kshs. 13 million. Considering the competitive prices being offered by the developer as well as a guarantee to complete the project on time as planned, there is a reason to believe that a good number of units shall be purchased off plan. Some 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 as well as quiet premium residential properties provided with basic amenities such retail centres, health clubs among others.

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.

8.2 Market Analysis and Comparables

In considering the value of the property, we have analysed information relating to sales and/or values for properties in Ruiru area near Ruiru-Kamiti road in Kiambu County; and within the vicinity of the subject property; as follows:

Sales Comparables

RUIRU LANDS COMPARABLES					
	L.R.NUMBER/LOCATION	DESCRIPTION	AREA (ACRES)	PRICE (KSHS)	DATE
1	Next to Tatu City and 3 km from Tarmac	Vacant agricultural land	100.0	14,000,000.00 per acre plot	Jun-17
2	Palm Ridge Estate; situated 1km kilometre north of the subject property	Gated estate of 200 serviced 1/2 acre residential plots;	100.0	8,000,000.00 per 1/2 acre plot	Dec-17

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 **day 5th January, 2018** as follows:

- i. Market Value: **Kshs. 1,610,000,000.00 (Kenya Shillings One Billion, Six Hundred Ten Million Only).**
- ii. Mortgage Value: **Kshs. 1,466,000,000.00 (Kenya Shillings One Billion, Four Hundred Sixty Six Million Only).**
- iii. Forced Sale Value: **Kshs. 1,207,500,000.00 (Kenya Shillings One Billion, Two Hundred Seven Million, Five Hundred Thousand 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 dam and old structures on site-



-View of the access & neighbourhood-

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 there is no progress on the proposed project, the existing structures have been inspected, the project together with the existing structures have largely been ignored in this report since the values sort were for the site with the proposed project in mind.

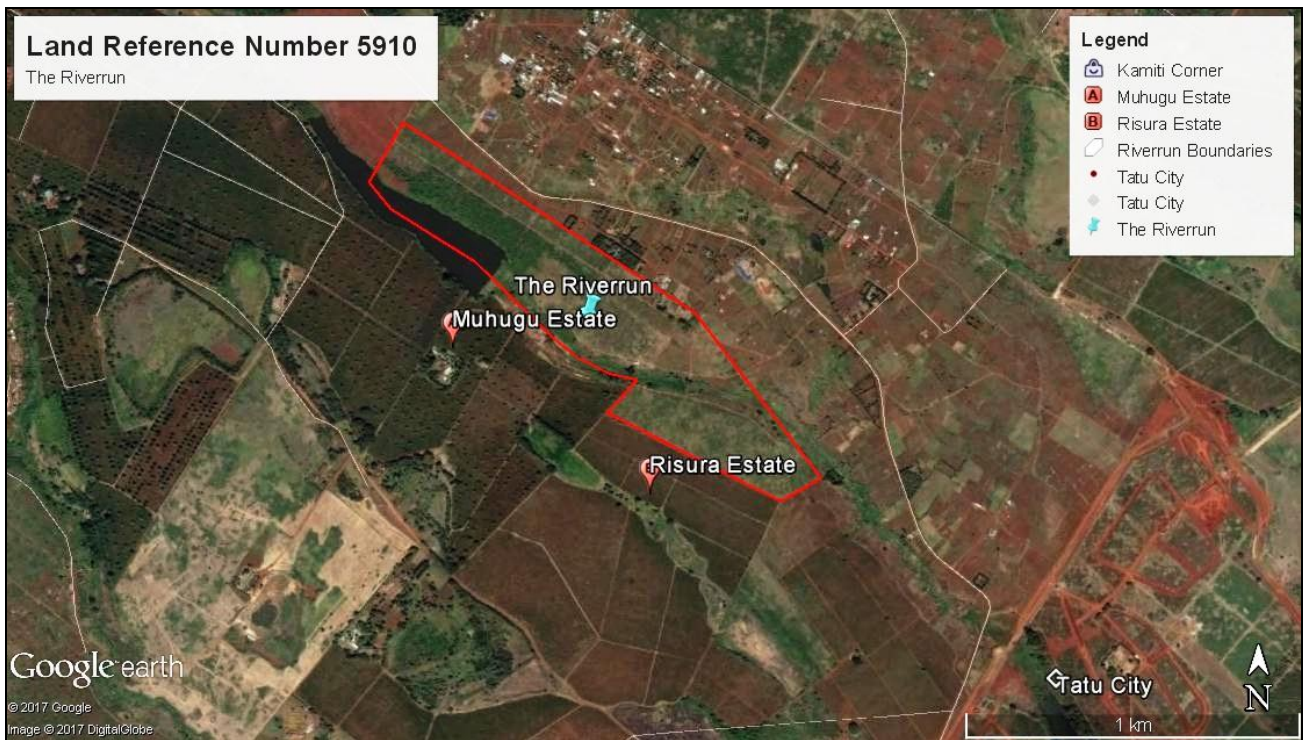
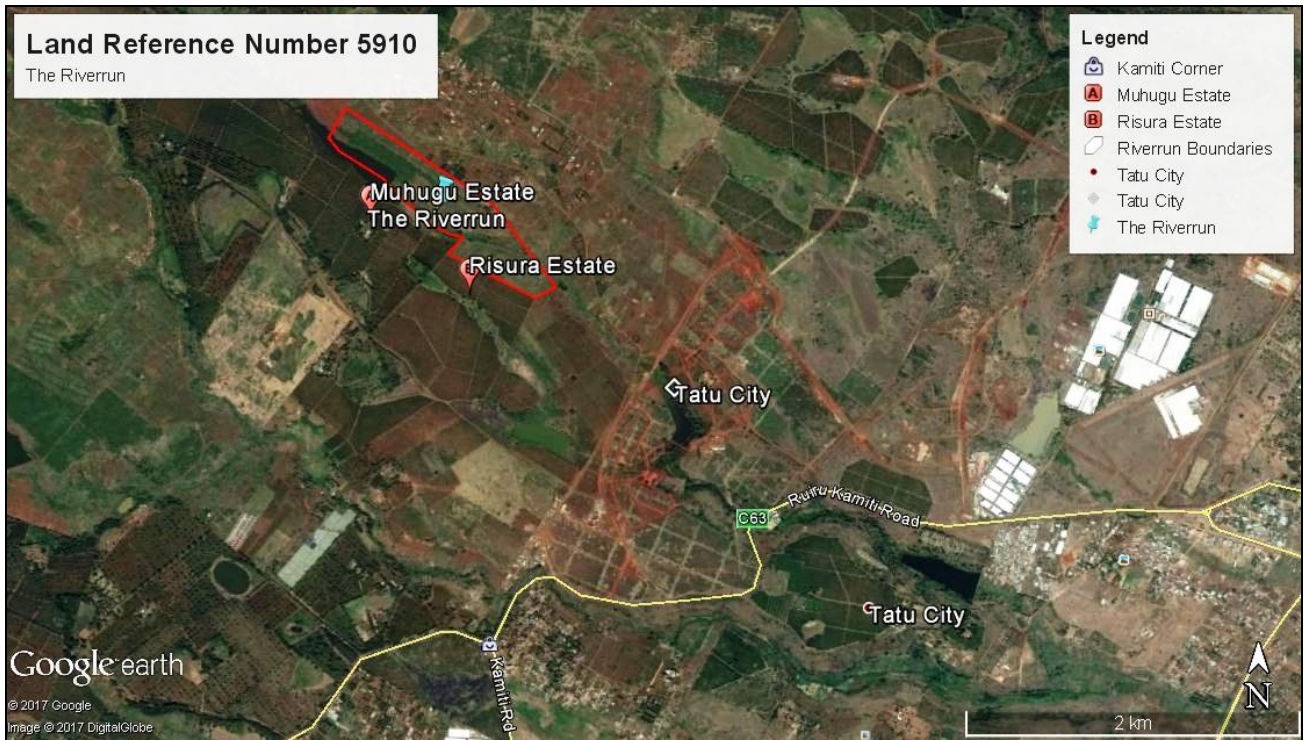
We have inspected the property as far as is reasonably necessary for valuation purposes. This has comprised a visual inspection of the exterior and interior of the property, such as could be undertaken from standing at ground level within the boundaries of the site and adjacent public/communal areas 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.

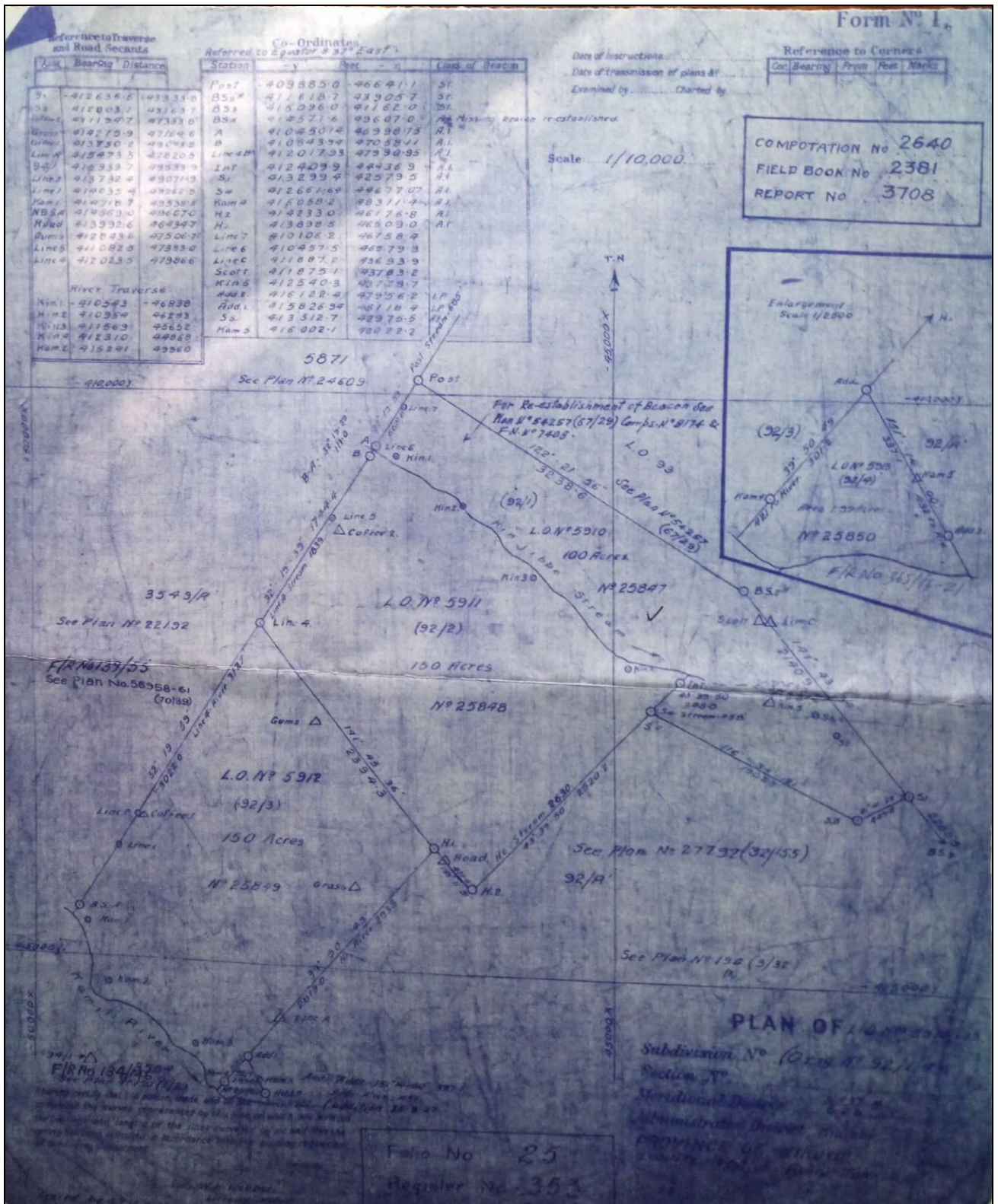
MARKET CHANGE DISCLAIMER

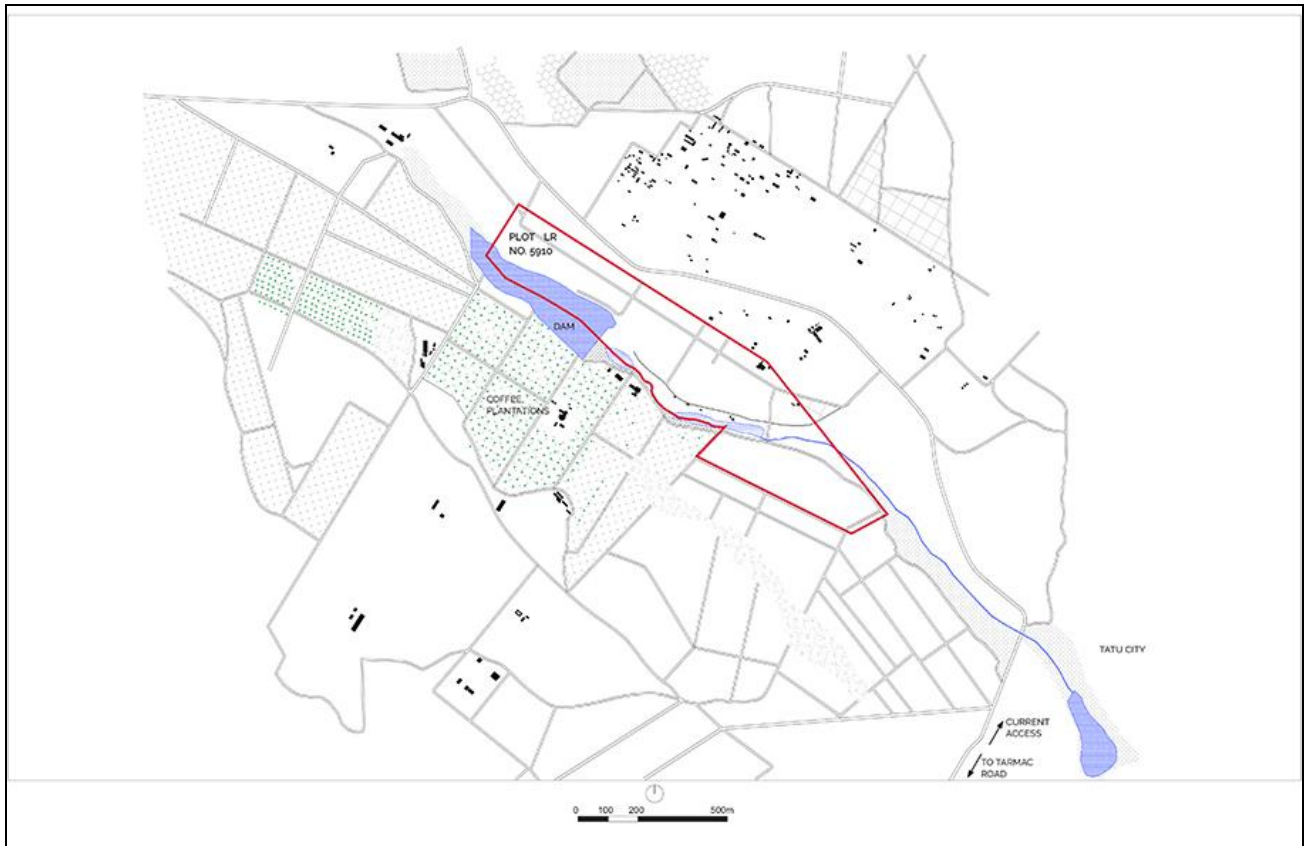
This valuation is current as of the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to this particular property). We do not accept liability for losses arising 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 III: COPY OF THE SURVEY MAP EXTRACT





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:

100 Acres.

AREA

5910 (orig. no. 92/1)

L.R. NUMBER:

REGISTER: **N 122 Folio 78 File 7057**

.....

Freehold


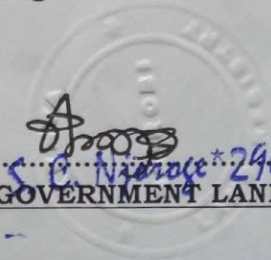
TENURE:

CURRENT REGISTERD PRPRIETOR: **CYTONN INVESTMENT PARTNERS FIVE LLP**

ENCUMBRANCES

-Wayleave Agreement dated 7th September, 1956 with the East African Power and Lighting Company Limited granting easement to lay and maintain an electric line across the above land

-Caveat dated 10th May, 1977 By The East African Power and Lighting co. Limited claiming a grant of easement

Signed.....


REGISTRAR OF GOVERNMENT LANDS