Kenya Market Update

H1 2023

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The prime real estate properties in Kenya have remained resilient to market shocks despite harsh economic times that have prompted currency depreciation and a decrease in GDP growth rate. These exclusive high-end office, retail, and residential developments continue enjoying prime rents, and above market occupancy rates.

Kenya's GDP growth rate drops

Construction sector slows down its activities

Inflation remains above CBK threshold

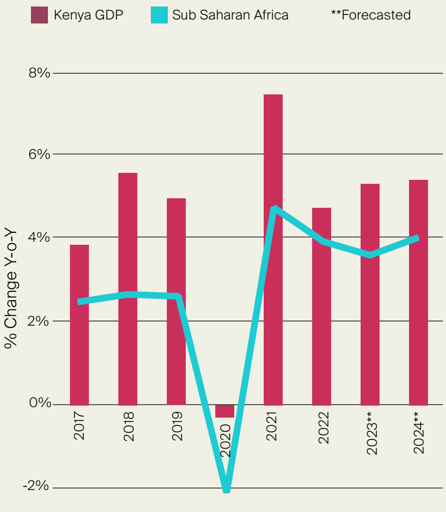
MACRO ECONOMY

The world's economy is showing signs of recovery from the pandemic times, but the Russo-Ukrainian war continues to cast a shadow over it. Covid-19 was declared to be no longer a pandemic and with China having reopened, the pressures on global supply chains are expected to continue easing and reach pre-Covid-19 levels. As downside risks dominate the world's economy, financial vulnerabilities of certain nations have been exposed, with countries such as Kenya at risk of debt default; Sub Saharan nations such as Zambia and Ghana have already defaulted their debt payments.

The world's inflation rate surged by 85.11%, from 4.7% to 8.7% in 2021 and 2022 respectively. The rise was due to global supply chain disruptions, high global energy prices, and currency depreciations in most nations. The 2023 global outlook remains subdued with the world's economy experiencing a lot of uncertainties and high tensions meaning earlier projections of high growth rate are set to be missed and only a moderate growth rate is reasonably foreseen. The slow growth rate is attributed to persisting high inflation, tighter monetary and fiscal policies, effects of Russo-Ukrainian war and prolonged effects of Covid-19 pandemic.

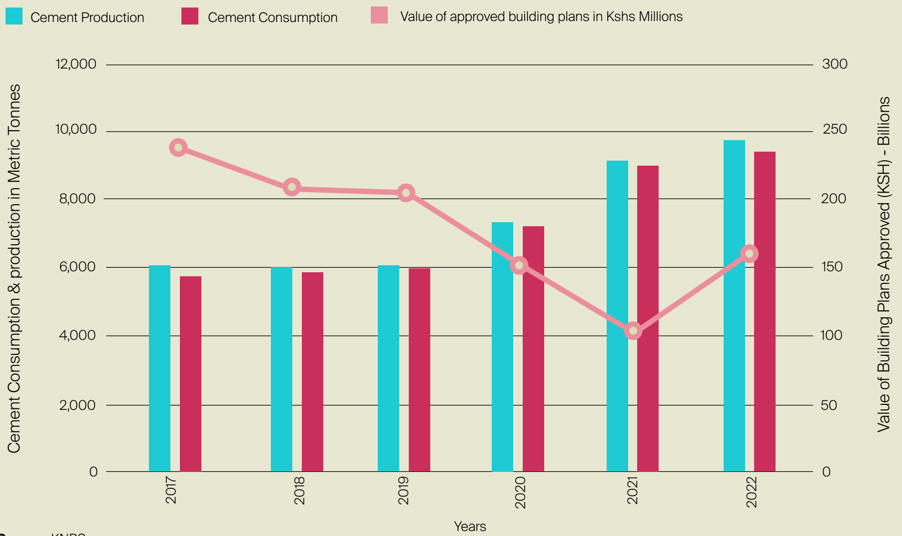
According to the Kenya National Bureau of Statistics (KNBS), Kenya's GDP growth rate recorded a 36% drop in 2022, from 7.5% in 2021 to 4.8% in 2022. Though registering a drop, the decrease was expected due to the significant rise acheived in 2021 after the 2020 recession. The growth rate in 2022 is in sync with the growth rates pre-pandemic which between 2011 and 2019 averaged 5.24%.

GDP Rates



Source: KNBS & The World Bank

Construction Variables



Source: KNBS

Despite registering a second successive drop in contribution to GDP, Agriculture continues to spearhead Kenya's economy, recording a 22.7% in 2020, 21.5% in 2021, and 21.2% in 2022. This is notwithstanding that in 2022, all, but agriculture, economic sectors - manufacturing, construction, energy, transport and storage, ICT, financial and insurance, and accommodation and food services – recorded positive growths. Agriculture, forestry, and fishing shrank by 1.6%.

The construction sector, according to KNBS, grew by 4.1% in 2022 compared to 6.7% growth in 2021, despite its contribution to GDP remaining constant at 7.1% in 2021 and 2022. The major growth driving force was public works, especially the construction and maintenance of roads.

The proportion of real estate activities to GDP fell for the second consecutive year; from 9.3% in 2020, 9.0% in 2021, and 8.6% in 2022 despite real estate activities registering a 44.72% growth in 2022 as compared to 2021. The trend is not withstanding the fact that the value of building plans approved by the Nairobi City County (NCC) increased by 58.0% to KES 162.5 billion in 2022 as compared to 2021.

Nevertheless, this narrative is contradicted by data that the amount of cement clinkers, iron and steel, non-ferrous metals, and structural metals imported in 2022 reduced by 38.4%, 17.8%, 14.0%, and 47.4%, respectively, compared to 2021. This shows that the real estate and construction activities were subdued in 2022 as opposed to 2021 and that much of the approved building plans remains speculative with constrocutions yet to start.

Nonetheless, cement production increased by 5.47%, from 9.2 million metric tonnes in 2021 to 9.7 million metric tonnes in 2022 while cement consumption increased by 3.94%, from 9.1 million metric tonnes in 2021 to 9.5 million metric tonnes in 2022.

According to KNBS, the annual inflation as measured by the Consumer Price Index (CPI) increased from 6.1% in 2021 to 7.7% in 2022, lower than the 8.7% world's inflation rate for 2022. The increase was mainly attributable to high cost of food and non-alcoholic beverages (13.1%); transport (8.1%); and housing, water, electricity, gas and other fuels (5.9%). On a monthly basis, the inflation rate stabilised at just above 9% in Q1, 2023. However, in Q2, 2023, the inflation rate started to drop (in April it was 7.9%, 8.0% in May, and 7.9% in June). In H2, 2023, inflation rate is expected to remain above the Central Bank of Kenya (CBK) target range of 2.5% and 7.5%.

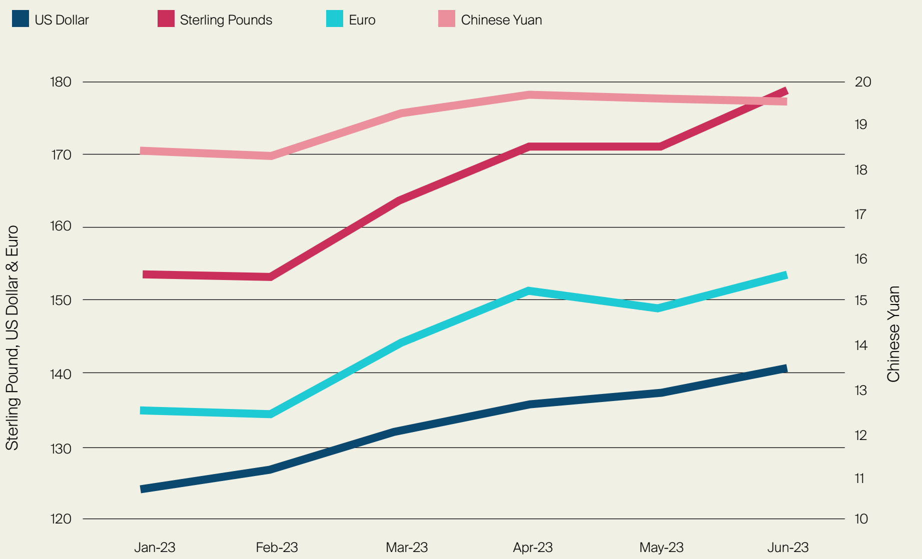
The H2, 2023 Kenya's economic outlook is optimistic despite the weak global growth outlook since Kenya's agricultural sector is expected to rebound following favourable weather that characterised H1, 2023. The service sector is also expected to continue the strong performance it has shown over the years. The International Monetary Fund projects that Kenya will have an economic growth rate of 5.3%, higher than the 3.6% for sub-Saharan Africa. The GDP growth rate for sub-Saharan Africa is expected to fall for the second consecutive year, having stood at 3.9 in 2022, partly due to a reduced funding from developed nations as the region's nations battle with public debt ceilings. According to IMF, "This shortage of funds may force countries to reduce resources for critical development sectors like health, education, and infrastructure, weakening the region's growth potential."

The Kenyan shilling traded at KES 140.65 as at June 2023 compared to KES 123.34 in December 2022, representing a 14% depreciation since December. With inflation and capital flight risks remaining high, the KES is expected to continue losing value against strong currencies. Additionally, diaspora remittances nominally increased to KES 478.5 billion in 2022 from KES 413.3 billion in 2021, a 15.8% rise. However, the increase was mainly due to a weakening purchasing power of the Kenyan shilling against major global currencies.

CAPITAL MARKETS

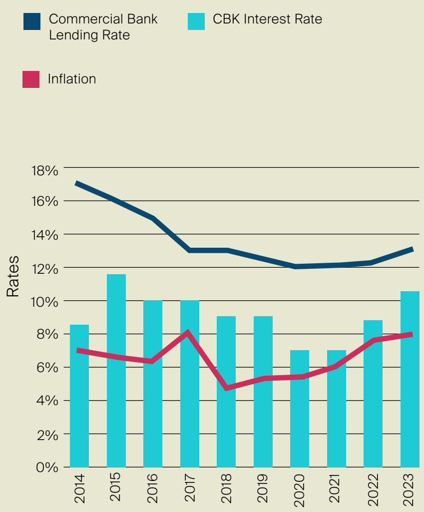
With the global economy facing turmoil, tougher monetary policies have been applied by central banks, especially the continuous raising of interest rates. The CBK reviewed its base lending rate upward from 8.75% in December 2022, to 9.5% since March 2023, and now to a seven-year high of 10.5% since June 2023. Within a period of 15 months, Kenya has had a 50% surge in CBK's base lending rate, highlighting multiple desperate attempts to counter the prevailing high inflation levels and significant capital outflows amidst a quickly depreciating Kenyan shilling against major currencies. The recent increase functions to neutralise the anticipated inflationary effects of the Finance Act 2023. Consequently, the cost of capital has been on the rise since 2021,

Foreign Currency Exchange Rates



Source: CBK

Benchmark Economic Rates



Source: Central Bank of Kenya (CBK)

making it expensive for developers to access capital – a situation that has coincided with subdued high-end real estate activities such as construction of grade A office in the pipeline.

Kenya is facing unprecedented economic challenges mainly precipitated by unsustainable and ballooning public debt amidst a global economic slowdown. To try and reduce the fiscal deficit, the national assembly of Kenya, in June, passed audacious tax laws via the Finance Act 2023; attempts to increase its tax revenues and reduce the fiscal deficit.

Under the review period, Imara Income Real Estate Investment Trust (I-REIT), backed by its promoter the Local Authorities Pension Trust (Laptrust), was registered at the Nairobi Securities Exchange (NSE) on the Restricted Sub-segment of NSE's Main Investment Market. The promoter will maintain exclusive ownership (100%) of the REIT units for three years, from the listing date – thereafter, only professional investors will be invited to purchase the REIT units at a minimum investment of KES 5 million, as provided in Kenya's legal framework. With KES 5 million being a substantial amount which limits the number of individuals capable of investing via restricted REITs, the Capital Markets Authority (CMA) is considering lowering the threshold to KES 10,000 – a proposal they argue may promote investments in REITS and hence tackle the housing shortage in Kenya by promoting investment in affordable housing. The number of REITS in Kenya now stands at four with the others being; ICEA LION's ILAM FAHARI I-REIT, Acorn Students Accommodation (ASA) I-REIT, and D-REIT.

The NSE was not spared by the effects of Kenya's weak currency that has aggravated capital flight. With foreign investors massively reducing their exposure to Kenya's emerging market via exiting top firms at NSE (Safaricom, East Africa Breweries Limited, and the nine tier-1 banks – who control more than 70% of NSE capitalisation), the capitalisation of NSE reached a low seen almost a decade ago, leading to investors losing hundreds of billions in KES. The capitulation at NSE manifests itself despite listed firms providing their investors with increased dividends in 2022 as compared to 2021; highlighting the plight of developing nations in trying to compete with developed countries that are considered less risky for investments.

Consequently, over the review period, real estate affiliated companies, continued to underperform at the NSE; on average, ILAM FAHARI I-REIT, Home Africa Limited, ASA D-REIT and ASA I-REIT share price were KES 6.20, KES 0.32, KES 23.87. and KES 21.13 respectively, highlighting that the share prices have marginally dropped since H2, 2022where the prices were KES 6.26, KES 0.34, KES 23.84, and KES 20.88 respectively.

INFRASTRUCTURE & POLICY

The Finance Act 2023 mandates estate agents to transmit rent income tax (reviewed downwards from 10% to 7.5% % of monthly gross rent) within five working days after from the date of rent collection and subsequent tax deduction and not by the 20th of the month following collection as has been the norm. This will increase the agency costs on landlord-agent relationship, but the government views it as a way to help in financing its recurrent expenditures. Additionally, to collect more revenue and supposedly achieve the dream of a healthy living space for all citizens, the Finance Act 2023 imposes a 1.5% housing levy on employees' salary, and employers are obliged to match their employees' contributions.

Over the review period, the Kenyan government announced plans to dual the 25-kilometre long Kiambu Road after getting into a $286.1 (KES 39.2 billion) financing agreement with China. Moreover, the GoK has occasionally highlighted that they plan to expand the standard gauge railway (SGR) to Malaba, Isiolo, Moyale, Nakadok, Kisumu, and Lamu. However, no budgetary allocations have been made for SGR extensions and with the increased public debt public debt, it is likely that capital intensive projects like SGR construction will be put on hold.

A Kenya Vision 2030 flagship project, the construction of KES 39 billion Dongo Kundu special economic zone, via a public private partnership with Japan International Cooperation Agency (JICA) is set to roll into motion in H2, 2023 after land expropriation and contract details are complete. Elsewhere, the goal to realise Dandora Waste to Energy Power Station, a 45MW capacity plant in Ruai seems to remain underway for the Nairobi City County Government after selected firms were requested to submit their proposals after expressing interest under a design, build, finance, operate, and transfer (DBTOT) model, similar to the Expressway. The plant is expected to convert at least 80% of the 3,000 tonnes of daily waste generated by Nairobians.

7.5%

The new rental income tax

Major Ongoing Infrastructure Projects

PROJECT	LENGTH (KM)	BUDGET (KES BILLION)	COMPLETION RATE (%)
James Gichuru-Rironi Road	26	20.41	70
Nairobi Western Bypass	19.3	17.58	99
Mombasa-Kwa Jomvu Road	13.3	8.54	94.9
Kenol-Sagana-Marua	84	14.62	51.4
Nairobi Eastern Bypass	26.8	12.5	72
Makupa Causeway Bridge	2.4	4.51	87

Source: Knight Frank Kenya

The new Kenyan administration appears to have had a policy shift that focuses less on major investments in road infrastructure, leading to indefinite suspension of plans to construct a Nairobi-Mombasa Expressway and Rironi-Mau Summit Highway. The two projects were estimated to cost circa KES 320 billion and KES 160 billion, respectively.

OFFICE

Similar to the previous periods, H1, 2023 prime office rents remained static at $1.2 per square foot per month. The preference from Landlords for dollar denominated rentals has proven beneficial for tenants whose earnings are in dollars, while posing a drawback for those whose income is in KES. This preference is due to the continuous devaluation of the KES against the US Dollar, leading to forex losses. This need is also to align revenue and cost currencies as most commercial debt is dollar denominated.

The stability of the prime rents is a result of protracted historic oversupply as the office market largely remains a tenant market. However, the mismatch between demand and supply has made investors holding out on above market rents to ultimately give in and accept at least what the market is willing to pay for. In the short run, the $1.2 is expected to stagnate because of the challenging economic conditions and the subdued supply in 2023.

Major Office Developments in the Pipeline

COMMERCIAL DEVELOPMENT	LOCATION	APPROX. SIZE (SQ.FT)	ESTIMATED COMPLETION DATE
CCI HQ	Tatu City	233,168	2023
Purple Tower	Mombasa Road	197,800	2024
The Atrium	Westlands	100,000	2024
Olympic Plaza	Upperhill	90,000	2023
Bishop's Road	Upperhill	100,000	2025

Source: Knight Frank Kenya

On a global level, though moderately, as Y(OUR) SPACE 2023, notes, ESG and hybrid working are among the major trends influencing the real estate industry. Developers are finding that occupiers are preferring green buildings. Green buildings have a marketing competitive advantage since it is easier to promote a green building as opposed to a traditional one. Additionally, green buildings promote sustainability. Over the review period, two commercial office buildings in Nairobi – the Africa region headquarters for the International Committee of the Red Cross (ICRC), and Vienna Court - attained a Leadership in Energy and Environmental Design (LEED), gold, certification. Due to internet penetration, need for cost reduction measures, and principles of work-life balance, hybrid working is catching pace. Wojo's recent opening in Upperhill reaffirms the continued popularity of coworking within the office sector. Wojo is an international brand operating flexible workspaces and is owned by the French multinational hospitality behemoth, Accor. In the near future, Y(OUR) SPACE 2023 predicts that large firms with over 50,000 employees are expected to reduce the amount of leased office space by between 10% and 20% in order to cut costs and maximise the benefits of flexible workspaces.

71.5%

H1, 2023 Office Occupancy Rate

Occupancy levels in Nairobi fell by 3.9% in H1, 2023 to 71.5%. The fall is attributed to the introduction of more than 600,000 sq. ft. of grade A office space in 2022, combined with non-renewals of some leases. Some of the major completions include Principal Place, Karen Green, PTA Complex, The Rock, The Piano, and The Cube. It has been observed that some companies are shelving their plans to take additional spaces in favour of remote working and co-working, a way to cut their recurrent expenses. The fall in occupancies is in tandem with an 18.72% drop in absorption rates in H1, 2023, from H2, 2022.

The pipeline supply for 2023 remains subdued compared to previous years as very few office developments are expected to be completed – over the review period. This may largely be due to the historic oversupply the office sector is experiencing, making investors wary of heavily putting their money into this real estate class. Additionally, the increasing cost of capital amidst struggle by developers to service their loans has made financial institutions very conservative in supporting large real estate developments hence the subdued real estate activities. Nevertheless, the table above shows some of the major office developments that are in the pipeline.

RETAIL

The formal retail sector had seen an unprecedented increased supply of shopping centres in the recent past leading to an oversupply of the same in certain neighbourhoods. Today, non-established retail big box malls are a less attractive asset class to investors as they once were. This is due to various factors that led to the poor performance of new entrants. This included unfavourable economic conditions precipitated by the COVID 19 pandemic that led to reduced purchasing power of consumers coupled by the renovation trend of established malls thereby increasing their competitive advantage. Additionally, the trend by retailers, to take their stores closer to their consumers by opening branches near their residential areas rather in big box malls, has further created a fall in investors appetite. Nevertheless, under the review period, Business Bay Square, an upscale mall in Eastleigh completed the construction of its first phase and opened its doors to the public.

In addition, Crystal Rivers Mall, a 215, 000 sq. ft. development in Athi River, Machakos, opened in January, an event that saw

Major Retail Developments in the Pipeline

COMMERCIAL DEVELOPMENT	LOCATION	APPROX. SIZE (SQ.FT)	ESTIMATED COMPLETION DATE
Global Trade Centre Mall	Westlands-Nairobi	124,000	2023
The Cove	Gitanga Road-Nairobi	50,000	2023
Lana Plaza	Oloitoktok Road-Nairobi	50,000	2023
Park Avenue Place	Parklands-Nairobi	23,600	2023
Promenade	Rhapta Road-Nairobi	75,000	2024

Source: Knight Frank Kenya

Chandarana Food Plus anchor the mall with their 27th branch. Quickmart opened their 57 and 58 outlets at Thome Area along Northern Bypass and at Basic Mall in Kileleshwa – following the trend by major retailers to provide consumers with convenience by having shopping outlets closer to where they live. Naivas expanded their footprint by opening their 93rd, 94th, and 95th branches at Brick Mall along Kiambu Road,along Haile Selassie Avenue in Nairobi CBD, and at One Stop Arcade Karen. Carrefour, on the other hand, added their 20th outlet at the much-anticipated Business Bay Square in Eastleigh.

On the downside, Tuskys entered liquidation after accumulating debts estimated at KES 20 billion, against an asset base valued at circa KES 6 billion only. The liquidation order came just a few weeks after Tuskys closed its Kenyatta Avenue branch. The closure left the one-time East Africa's giant retailer with only two outlets, one at Tom Mboya Street in Nairobi CBD, and the other, which serves as the retailer's headquarters, at Athi River. Builders Warehouse, a subsidiary of South African retail-giant Massmart announced that it is closing its business at the Waterfront in less than three years of operation. Citing persistent losses, unfavourable importation rules and disruptions in global supply chains. It occupied circa 10,000 sqm of space at the Waterfront. However, amidst these challenges, some retailers have found innovative ways to navigate the turbulent market. These include adopting e-commerce strategies, exploring alternative revenue streams such as online marketplaces, and diversifying their product offerings to cater to changing consumer demands.

RESIDENTIAL

In H1 2023, the price of prime residential units in Nairobi registered a 2.1% half-year rise and a 4.7% annual surge. On the other hand, prime residential rents had a 5.33% six-month change and 6.19% annual variation. The increase in prime rental prices is mainly attributable to depreciation of the Kenyan shilling and a slight rise in demand.

Residential sale transactions continue to be prolonged in Nairobi because of the red tape associated with digitisation of the lands' registry. Consequently, the residential sale market has slowed down.

Pan Pacific Hotels Group, a multinational hospitality company headquartered in Singapore and operating luxury hotels, resorts, and serviced apartments, will manage one of the four residential towers, comprising of 175 furnished suites, at Global Trade Centre (GTC), Westlands. This is Pan Pacific Hotels Group's first serviced suites in Africa.

Environment, social, and governance (ESG) agenda is gradually gaining a foothold in Kenya and not only in the commercial offices sector but also in residential properties. Over the review period, the 15-storeyed Capital M high-end residential tower along Muthithi Road in Westlands attained a LEED, silver, certification while Tatu City's Unity Homes received Excellence in Design for Greater Efficiencies (EDGE) certification, following in the footsteps of Zima homes which was certified EDGE in H2, 2022.

In 2022, the number of mortgages increased by 1,063 to 26,723, a 4% increase on 2021 figures. The value of the mortgage loans outstanding increased by 6.8%, from KES 245 billion in 2021 to KES 261.8 billion in 2022. However, the value of non-performing mortgage loans surged by 44.17%, from KES 28.3 billion in 2021 to KES 37.8 billion in 2022, highlighting the plight mortgagors are in amidst hard economic times that shortly follows the covid-19 pandemic. Consequently, the average size of mortgage loans marginally reduced from KES 9.2 million in 2021 to KES 9.0 million in 2022, while the average interest rate on mortgages increased from 11.3% in 2021 to 12,3% in 2022.

HOSPITALITY

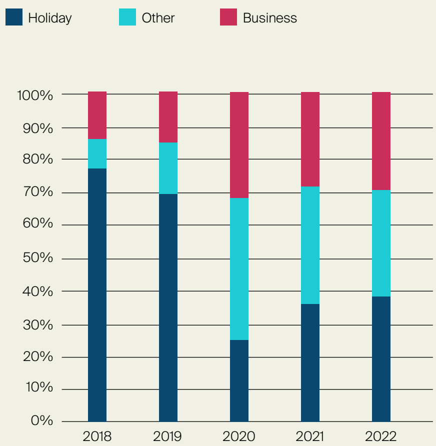
The tourism sector has continued to recover post the Covid-19 pandemic with 2022 registering 1.54 million international visitor arrivals; a 76.86% improvement compared to 2021 – 2021 recorded a 50.33% increase from 2020, which itself had plunged 71.5% compared to 2019 because of the Covid-19 pandemic. The international visitor arrivals are still 24.29% short of the pre-pandemic peak recorded in 2019. Growth in international visitor arrivals was mainly ascribed to easing of international travel restrictions that had been in place to curb Covid-19 spread.

Post-pandemic, the number of international visitors coming for holiday has reduced by circa 40% compared to pre-pandemic year, 2019. This may suggest a fading appeal for Kenya as a top holiday destination in Africa, with nations such as Morocco, Egypt, and South Africa outranking Kenya by large margins. Small island countries such as Seychelles and Mauritius are also taking the competition to Kenya's doors. However, the rise in the 'business' and 'other' category helped mute the impact of the massive drop in visitors coming for holiday purposes. Those visiting for business purposes significantly improved by circa 103%, and those visiting for 'other' (medical, religious mission/volunteer, sports, health, study, visiting friends and relatives) purposes surged by circa 113% between 2019 and 2022.

Kenya's allure to the international community may be shifting from 'holiday' to 'business' purposes – although 'holiday' visitors still account for almost a third of Kenya's international visitor arrivals. Indeed, the number of international conferences increased by an impressive 206%, from 292 in 2021 to 896 in 2022. Local conferences also increased, from 8,117 in 2021 to 9,662 in 2022 – a 19% rise.

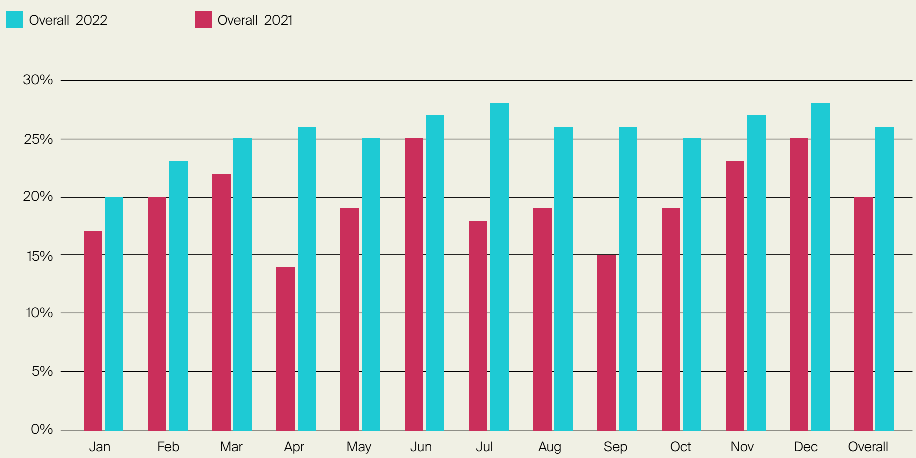
Kenya shifting from a holiday destination to a top business destination

Purpose of Tourist Visits



Source: KNBS

Monthly Hotel Bed Occupancy Rates



Source: Economic Survey, 2023

2022 registered an improvement in the overall rate of bed occupancy, rising to 26%, from 20% in 2021. This signals recovery signs in the hospitality sector that has been on the upswing since 2021, after the covid-19 pandemic. The tourism sector is expected to continue its upward trajectory in H2, 2023. Chart 6 represents the monthly occupancy levels for year 2021 and 2022.

In the pipeline, Nairobi expects to be graced by global hospitality chains that include, JW Marriot at GTC Tower in Westlands, and Hyatt, which plans to open three of its brands – Hyatt House, Hyatt Place, and Hyatt Regency. Glee Hotel, a proposed 5-star hotel in Kiambu county along northern Bypass is under construction. This supply is expected to increase the number of rooms available in and around the capital by over 1,200 rooms in the next 12 months. French multinational hospitality giant, Accor, took over the management of Crowne Plaza Nairobi Upper Hill and franchised it to their brand, Mercure Nairobi Upper Hill. The establishment is currently undergoing comprehensive refurbishment. Countrywide, overall occupancy levels remained subdued at 28% as at the end of 2022

INDUSTRIAL

According to official government data, Kenya's manufacturing sector experienced limited growth in 2022 due to high production costs and increased competition from inexpensive imports. The Economic Survey 2023 by the Kenya National Bureau of Statistics (KNBS) indicates that the sector's growth rate decreased to 2.7 percent in 2022 compared to 7.3 percent in 2021. This situation presents a challenging outlook for the sector, which aims to contribute up to 20 percent to the economy and generate at least one million jobs annually by 2030, as set by industry players and the government. The reduced growth registered last year can be partly attributed to the electioneering year and the low agricultural production, particularly in food crops, which serve as essential inputs for agro-processing. Persistently high inflation, elevated production costs, competition from imported goods, and the depreciation of the Kenyan shilling against major trading currencies remained significant challenges for the sector.

Similar to H2 2022, prime industrial rents remained at KES 70 per square feet per month in H1 2023.

James Finlay, one of the world's tea producers, sold their Kenyan tea estates to Browns Investments Plc., a Sri Lankan conglomerate that has interests in the tea industry.

Toyota Tsusho Corporation, a member of the Toyota Group and the owner of automobile trading arms, DT Dobie and CFAO Motors, restructured its Kenyan business by merging the two subsidiaries that will now trade as CFAO Motors. Additionally, Toyota Tsusho Corporation, in February, was contracted by Globeleq, a private power company 70% owned by British International Investment, to construct a 35MW geothermal power plant in Menengai, Nakuru county. The project is scheduled for completion in 2025 and will add to Kenya's renewable energy.

Safic-Alcan, a French multinational speciality chemical distributor opened their East African branch in April at Nairobi. The Kenyan Branch is Safic-Alcan's third outlet in Africa after offices in Egypt and South Africa.

The Judiciary, in May, allowed KCB Bank and Absa Bank to place Savannah Cement under receivership. The operations of the cement manufacturing company have been marred by leadership wrangles over the past two years and the recent development adds to its already significant woes. The financially distressed firm owes KES 7 billion to KCB and KES 3 billion to Absa.

At Tatu City, a group of investors broke ground for the construction of The Link, a high quality MSME-dedicated warehouse. The modern warehouse is expected to charge a monthly rent of KES 56 per square foot with the minimum allowable space set at 9,127.80 sq. ft.

As energy prices continue to soar, Tanzanian liquefied petroleum gas (LPG) manufacturer and distributor, Taifa Gas, commissioned construction of their proposed 30,000 metric tonne storage facility estimated to cost KES 18.2 billion and will be located within Dongo Kundu SEZ.

KenGen Green Energy Park is a proposed industrial park at Olkaria in Naivasha. The project will sit on 845 acres of land owned by KenGen and which covers the Olkaria geothermal field. KenGen is inviting investors to lease land in the park before commissioning constructions, in four phases and if responses are feasible, in 2025 and forecasting completion in 2045.

British multinational and consumer goods giant, Unilever, improved their operations in East Africa by investing an estimated KES 500 million to the construction of a modern warehouse . Located in Industrial Area, the circa 247,570 sq. ft. facility was opened in June.

The government's focus on Export Processing Zones (EPZs) and Special Economic Zones (SEZs) continues as part of its strategy to drive industrial growth in the country. This approach will be facilitated through the establishment of County Aggregation Industrial Parks across all 47 counties. In the review period, Two Rivers International Finance and Innovation Centre (TRIFIC) was established by Centum Investment Company in response to a Kenya Gazette notice that proclaimed the Two Rivers land as a private, service focused SEZ.

Worldwide, businesses - especially those handling perishable and or delicate merchandise such as medicine, agricultural products, and retail commodities - continue their demand for more efficient storage facilities to reduce their operational costs. Kenya warehousing sector is short of quality grade A temperature-controlled storage facilities. To feel this gap, Cold Solutions, a private equity backed cold storage provider, has completed a 161,459 sq. ft. facility at Tatu City. The LEED Gold certified investment was estimated to have cost US $70 million.

ALTERNATIVES MARKET

Provision of decent housing is a constitutional right as enshrined in the 2010 constitution. To realise this constitutional proposition, the Kenyan Government continues to pursue its affordable housing agenda - the government allocated KES 3.2 billion, in the 2023/2024 Budget, to this endeavour. The government, over the review period, launched several affordable housing projects – Shauri Moyo, Homa Bay Affordable Housing, Ruiru Affordable Housing and Starehe Point 1. Table 4 highlights some of the ongoing affordable housing projects.

Acorn Holdings Limited, the proprietors of 'Qwetu' line of student residences, completed their first second-tier chain of PBSA, the 'Qejani' brand at Qejani Karen. The Qejani brand is a more affordable alternative to the exclusive Qwetu and is set to increase the already rising popularity of purpose-built student residences, with monthly charges being as low as KES 10,500. In the pipeline are three Qejani and five Qwetu projects.

Over the review period, the health and data centre markets were quiet except for speculative announcement from Mauritius incorporated real estate firm, Grit Real Estate Income Group - the firm signalled non-concrete plans to invest in a hospital and data centre in Kenya – and commitment to build a state of the art health care equipment production plant at Tatu City by FullCare Medical Limited, an Asian manufacturer of medical equipment whose investment will be total circa KES 14 billion and is forecasted to be completed by end of 2024.

Affordable Housing Pipeline

PROJECT NAME	LOCATION	NUMBER OF UNITS
Shauri Moyo	Shauri Moyo	3,848
Starehe Point 1	Starehe	6,704
Kibera Soweto B	Kibera	4,054
Ruiru Affordable Housing Project	Ruiru	1,050
Homa Bay Affordable Housing	Homa Bay	2,000
Mowlem	Embakasi West	4,900
Makesembo Estate	Kisumu	2,000
Mukuru Housing	Nairobi	13,000
Clay City	Nairobi	5,280
Buxton Point	Mombasa	2,150
Bachelors Jeevanjee	Nairobi	1,800
Pangani Housing	Nairobi	1,562
Bondeni Housing	Nakuru	605
Stoni Athi	Athi River	10,500

Source: Boma Yangu

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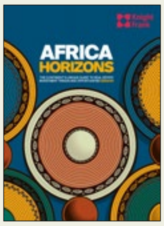

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