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Kenya Market Update

H2 2022

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KENYA MARKET UPDATE

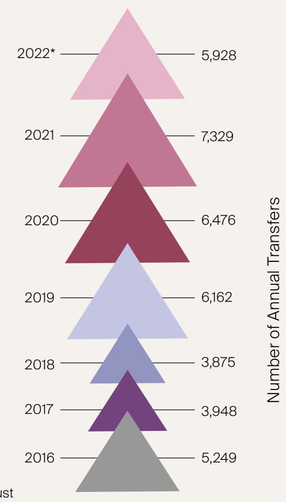
H2 2022

The Key Insights

- Kenya's economic growth rate set to decline
- Inflation stabilises above CBK ceiling
- Interest rates continue rising
- Kenyan shilling depreciating to all-time lows
- Port activities return to Mombasa
- 15% Capital Gains Tax takes effect from 1st January 2023
- Land rates in Nairobi set to increase
- Prime rents stabilise as preference for Dollar rents continues
- Supply of office space decreases
- Office occupancy rate increases to 74%
- Tourism sector on the rebound
- Prime residential prices increase marginally

COVER IMAGE: THE CUBE, Riverside Drive, (EDGE Certified)

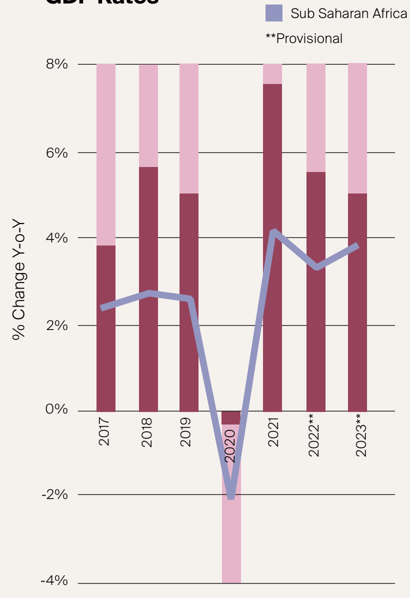
Annual Land Transfers



*Up to August

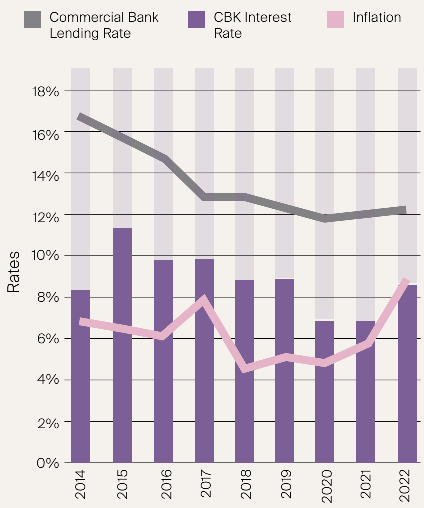
Source: Ministry of Land

GDP Rates



Source: KNBS & The World Bank

Benchmark Economic Rates

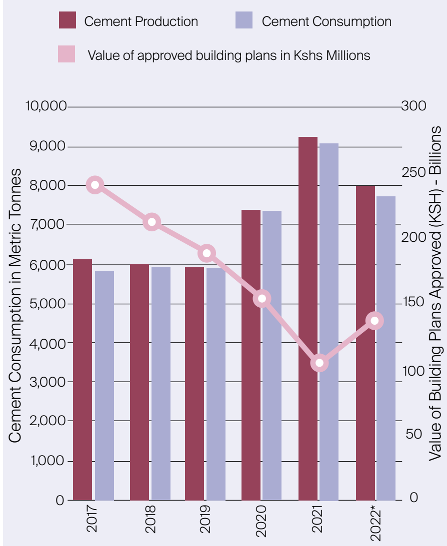


Source: Central Bank of Kenya (CBK)

MACRO ECONOMY

According to the World Bank, Kenya's GDP was expected to record a circa 5.5% growth rate in 2022 compared to 7.5% in 2021, representing a 2% decline. The slower growth was precipitated by the prolonged drought that brought food insecurity to many households, and the August elections. Consequently, agriculture, the major employer and backbone of Kenya's economy, was immensely affected by the continuing lack of adequate rains. In line with global trends, the economy has also been suffering from effects of the rising cost of living, some of which is associated with the conflict between Russia and Ukraine, that has led to increased importation costs of some basic products. The World Bank further forecasts that the economic growth of Sub-Saharan Africa (SSA) will be 3.6% in 2022, a circa 0.4% decrease from 2021. The outlook is attributed to a universal slowdown

Cement consumption and value of building plans approved



Source: KNBS

in economic growth, rising inflation, adverse weather conditions, tightening of global financial conditions, and the rising risk of debt distress.

Over the review period, the inflation rates in Kenya, as measured by the consumer price index (CPI) continued to rise, from 7.9% in June to 9.1% in December. The rise in inflation was mainly due to an increase in prices of commodities in the following categories: food and non-alcoholic beverages (13.8%); furnishings, household equipment and routine household maintenance (9.9%); and housing, water, electricity, gas and other fuels (6.2%); and transport (13%) between December 2021 and December 2022, as per KNBS. The high inflation rate has remained above the Central Bank of Kenya (CBK) ceiling for the seventh consecutive month, with the variance increasing each month up to October from where there have been two consecutive marginal decreases. The high inflation rates are expected to persist in the first half of 2023.

The CBK, through its Monetary Policy Committee, and in response to the increasing inflationary pressures, twice raised their base lending rate from 7.5% at the end of H1 2022 to 8.25% in September and later in November to close the year at 8.75%. The effect of the continuous raise in CBK's lending rate is an increase in the cost of capital offered by commercial banks. The worsening situation is further compounded following the implementation of a "risk-based lending model" by commercial banks, after CBK approved their proposals following ensuing pressure from the International Monetary Fund. The risk-based lending model means that banks can charge interest rates as high as 21% p.a.. Therefore, the cost of capital is expected to increase.

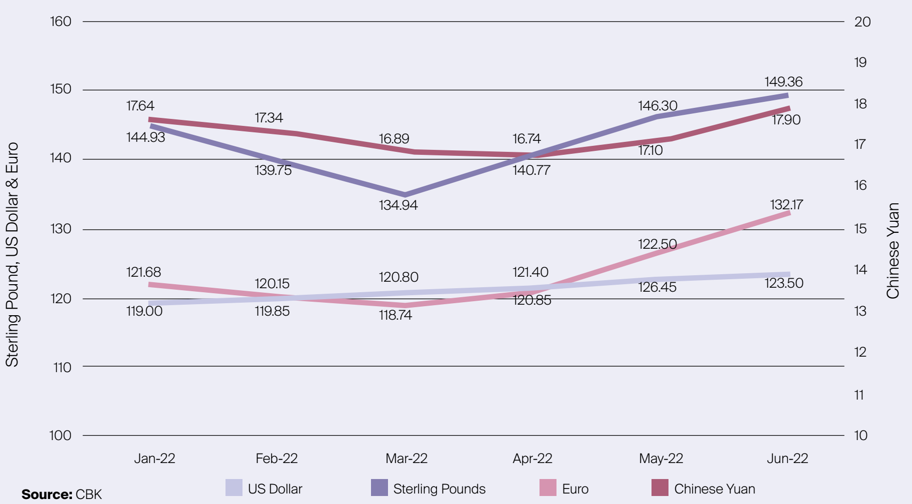
The Kenyan shilling continued to depreciate against the US dollar, falling from KES 117.79 in June to KES 123.34 in December. The decline is associated with increasing capital flight from Kenya coupled with Kenya's negative balance of trade. In Q1 2023, it is expected that the KES will continue to weaken against the US dollar.

In H1 2022, there was a 16.8% increase in diaspora remittances compared to H1 2021, from US $ 1.75 billion to US $ 2.04 billion. Despite the worldwide rise in cost of living, diaspora remittances have proved resilient. The growth in diaspora remittances has been attributed to the expanding popularity of digital money transfers facilitated by innovative money remittance providers.

The consolidation of land registration under a uniform legal registration system is complete in Nairobi County. The new registration system converted all land registration numbers 'LR/LN' into 'Block Numbers'. This new system is designed to ease the transfer process and is set to curb the corruption and fraud that was prevalent in the previous registration regime. However, main stakeholders in the land sector such as real estate developers, professionals, investors, and lawyers have faced some significant challenges stemming from the system. They include omission of some properties in the system and barring of land transfer until the seller has acquired a new land title under the current registration system. With time, it is hoped the bottlenecks will be removed. Nevertheless, the number of land transfers in the first eight months of 2022 was 5,928, a circa 26% increase compared to a similar period in 2021 – signifying increased investor activities as the economy fully recovers from the Covid-19 induced recession.

After five annual declines, the value of building plans took an upward turn as the economy continues to recover post the Covid-19 pandemic by registering a 35% increase as of October 2022 on the 2021 annual figures. Cement production and consumption also rose as infrastructure investments increased. By October 2022, cement production and consumption had surpassed 2021 annual amounts by 5% and 3% respectively. By the third quarter of 2022, the gross product of real estate improved by 5.6% compared to a similar period in 2021 with inflation being the root of this marginal increase.

Foreign Currency Exchange Rates



Source: CBK

CAPITAL MARKETS

Worldwide, Environmental Social Governance (ESG) is spreading at a fast pace. The United Nations Conference on Climate Change, 2022 (COP27) happened in November and implored real estate stakeholders to incorporate ESG in their designs. A 2019 report by the International Finance Corporation (IFC) argued that Nairobi City County harbours circa $8 billion in climate investment potential. Consequently, in September 2022, IFC partnered with Kenya Commercial Bank (KCB) to promote green financing. In their agreement, IFC is to lend $150 million to KCB's green financing activities. IFC and their affiliates also partnered with Equity Bank by committing $ 165 million to green funding. Additionally, Nairobi City County is pondering on the question of whether to float a green bond to finance its infrastructural needs.

The 20 year and 25 year treasury bonds floated by the CBK over the review period both recorded performance rates of circa 75%, highlighting the demand for treasury debt instruments as investors seek safe havens amidst worrying inflation rates, worsened by a weakening Kenyan shilling. In November, the CBK also issued the more popular infrastructure bond which is normally oversubscribed since it offers tax-free benefits. The other treasury bonds attract tax rates on interest at a rate between 10% and 15%. The infrastructure bond had a par value of KES 60 billion.

The second tranche of Kenya Mortgage Refinance Corporation (KMRC) medium term note is expected to be floated during H1 2023. This follows a 500% oversubscription of the first tranche which was seeking KES 1.4 billion. The success of such alternative investments is exerting an upward pressure on existing yields across the various real estate asset classes, despite the low levels of transactions and liquidity.

Capital flight has been an Achilles heel to emerging and frontier markets, as foreign investors sell off their investments in favour of safer investments in developed economies where interest rates are rising. This has led to Nairobi Securities Exchange (NSE) losing more than 360 million shares (worth circa KES 19 billion) by end of September 2022. By end of the review period, the value of NSE had fallen by circa 20% as compared to end of H2 2021. This means that investors are set to lose 20% of their wealth in the NSE.

Headquartered in Nairobi, Shelter Afrique, a Pan-African finance institution with membership from 44 African nations and 3 financial institutions, is exclusively focused on supporting the housing and real estate sector across Africa. Kenya, in August, strengthened her place as the financier's largest shareholder after investing KES 1.1 billion to take her shareholding to 17.44% from 14.82%.

In September 2022, the CBK released a report on the status of bad loans among commercial banks in Kenya. Bad loans accounted for 14.7% of all loans. However, real estate was among three sectors (others being manufacturing and trade) that contributed to circa half of these bad loans. This may be attributed to the tough economic conditions that developers experienced during the pandemic as well as uncertainties during the election year. However, the real estate sector has been gradually recovering and prime properties have already fully recovered.

Real estate investment trusts (REITS) are still a developing concept in Kenya. Local Authorities Pension Trust (Laptrust) Imara I-REIT is the latest (and fourth overall) REIT approved by CMA. The REIT units are expected to trade at KES 20 per unit with a minimum investment of KES 5 million. The REIT will have 346,231,413 units and at inception will hold the following properties: CPF Metro Park, CPF House, Pension Towers, Freedom Heights Mall and Service Plot, Man Apartment and Nova Eldoret.

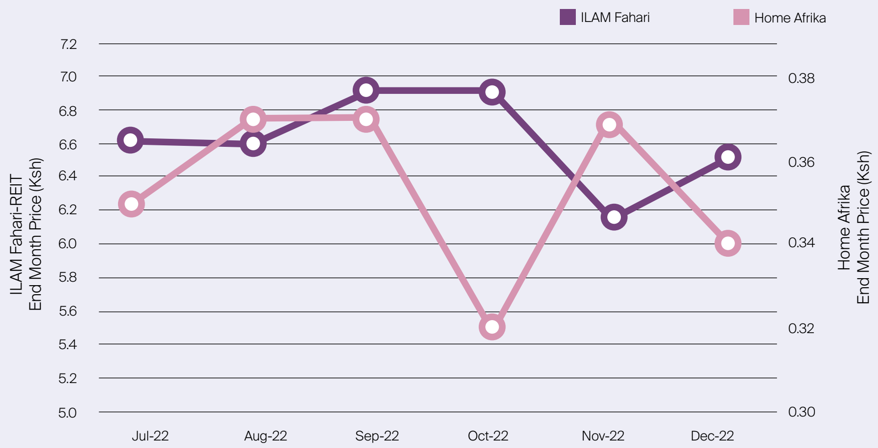
In December 2022, listed companies; ILAM FAHARI I-REIT closed trading at KES 6.26, a meagre 4% annual improvement compared to 2021; Home Africa Ltd shares traded for KES 0.34, a 15% annual loss compared to 2021. In the unquoted securities platform, AHL D-REIT and AHL I-REIT closed 2022 trading at KES 23.84 and KES 20.88 respectively – representing a growth of 19% for the former and 4% for the latter - from the unit offering of KES 20 via the CMA approved Vuka investment platform.

INFRASTRUCTURE & POLICY

After the completion, in June 2022, of the second phase of the expansion of Mombasa Port, port activities were reverted to the Port of Mombasa in September 2022 from Naivasha via a Kenya Gazette notice. The move is expected to be an economic stimulus to the Coastal City of Mombasa as well as reduce importation costs. Despite this major hurdle for Naivasha, the government revived plans to extend the standard gauge railway (SGR) to Malaba via Kisumu in a bid to help the facility realise its full potential. From the initial plan, this was to be Phase 2B of the Kenya SGR project. The railway was to pass through Narok-Bomet-Kisumu, then from Kisumu through Yala to Bumula and Malaba.

The Northern Corridor is the busiest and most important trade and transport network in Eastern Africa. As such it needs to be constantly monitored and upgraded. The Rironi-Mau Summit Road is part of this Northern Corridor and is planned for redevelopment into a four-lane road via a public private partnership (PPP) between the Government of Kenya(GoK) and a consortium of French multinationals. The 175 km road, together with the 57.8 km Rironi-Naivasha Road which will be repaired and maintained for 30 years, got a boost with the AfDB committing $150 million into the project and the World Bank Group expressing interest to offer a partial guarantee of the construction costs through the International Development Association (IDA)

Real Estate-Related Listings



Source: NSE

while IFC will act as an investor. The project is budgeted to cost circa $1.4 billion which will be recouped through tolls (making this the second toll road after Expressway) collected for at least 30 years.

Kenol-Marua Road is a section of Africa's Great North Road, and its expansion is expected to improve bilateral trade between Kenya and landlocked Ethiopia. The project, which had an initial budget of KES 17 billion financed through a PPP between the African Development Bank (AfDB) and Kenyan government is circa 70% complete.

Eastern Bypass, a road artery designed to ease traffic in Nairobi's CBD, connects Mombasa Highway with Thika Superhighway. The 27.8 km road has been undergoing expansion activities estimated at KES 12.5 billion and funded by a PPP between the Kenyan government and China Communication Construction Company (CCCC). The project is estimated to be completed in Q1 2023.

Over the review period Ngong Road- Lang'ata link Road was completed. The 5 km long link road had a budget of circa KES 2.5 billion and connects Ngong Road and Lang'ata Road, opening up Kilimani and Karen suburbs of Nairobi City.

Improvements to Terminal 1B of Jomo Kenyatta International Airport were completed during the review period. Terminals 1B and 1C were scheduled for redevelopment in 2021 at a cost of KES 963 million. The new terminal is set to better serve customers and improve their experiences. Terminal 1C is yet to open.

Special economic zones (SEZ) have been on the rise in Kenya as the Kenyan government aims to attract investors into favourable business environments. Construction of the Naivasha SEZ broke ground in August. The SEZ is 162 hectares and is owned by Turkish Industry Holdings hence dubbed 'Turkish Industrial Zone'. The construction of the $750 million project is likely to slow down after the relocation of port activities from Naivasha to Mombasa hence significantly reducing the proposed SEZ's economic viability. The Dongo Kundu SEZ is expected to be operational in early 2025. The project is a PPP between the Kenyan government and Japan International Cooperation Agency (Jica). Dongo Kundu SEZ will among others comprise of an export-processing zone, industrial parks, free trade zones, exhibition spaces and conference rooms.

During the November COP27 held in Egypt, the GoK entered a strategic partnership with their British counterparts. Kenya expects the UK government to fast-track six projects aimed at promoting clean energy and climate protection. The partnership is worth KES 500 billion and will be implemented in the next five years – a move that will see the six undertakings become flagship projects of the current political regime. The proposed projects are; KES 7.5 billion Malindi Solar Expansion with a capacity of 45MW, KES 12.5 billion Menengai Geothermal with a capacity of 35MW, KES 425 billion Grand High Falls Dam with a capacity of 1000MW, KES 31 billion climate-smart crop and agro-industrial processing system dubbed 'United Green project', KES 2 billion guarantee to support climate financing via pension funds and insurance companies, and KES 11.5 billion Nairobi Railway City – a project which broke ground during the review period. It is expected to be developed over a 20-year period with the first phase, estimated to cost KES 27.9 billion, to be completed by 2030.

The quest for affordable housing was dealt a blow when Kenyan courts ruled pension backed mortgages as unconstitutional due to lack of public participation. Pension backed mortgages were viewed as a concept that would increase house ownership within the working class. However, only a mere 0.1% of pensionable workforce were attracted to this product.

The World Bank, promised to invest circa KES 306 billion in Kenya in the next five years, via its various organisations such as IFC and IDA. Of this amount, it is expected that much will go into infrastructure -projects such as roads, dams, and affordable housing.

A flagship project under Kenya's Vision 2030, Konza Technopolis is yet to achieve the expected demand it was forecasted to attract. Plans by the Kenyan government to introduce new incentives to attract investors into the planned smart city which is located 64 km south of Nairobi should be implemented fast as FDI reduces. The construction of the Konza Conference Centre is ongoing. On completion, it is expected to accommodate a 5000-seater auditorium, conference halls and serve as a one-stop customer service point handling all investor inquiries.

74%

Office occupancy increase from 72.8% in H1, 2022

On 1/1/2023, capital gains tax effectively surged from 5% to 15%. This is in accordance with the Finance Act 2022. The tripling of the rate is an attempt by the government to tap into the appreciation of property values especially in the Nairobi Metropolitan area.

From 1st January 2023, land rates are expected to increase as Nairobi City County Government adopts a new taxation regime. The new rate will be 11.5% of the current value of unimproved land. The reference valuation roll will be that of 2019. This is a shift from the 25% charged based on the archaic 1980 valuation roll.

OFFICE

Over the review period, average monthly prime rents stabilised at $1.20 per sq. ft., similar to H1, 2022. This is mainly attributed to the completion of A grade office developments and the continued uptake of quality stock. There has been increased preference from investors to have rent in dollar payments due to the ongoing depreciation of the Kenyan Shilling. Occupancy rates in grade A offices averages circa 74%, a marginal rise compared to 72.8% in H1, 2022.

In Nairobi, Westlands remains the most sought-after office location. This is because it has the largest share of grade A commercial office space compared to other competing nodes such as Upperhill, Kilimani and Mombasa Road.

In 2022, grade A offices experienced increased demand from ICT-oriented enterprises as well as non-governmental organisations (NGOs) and multinational corporations (MNCs). This is in tandem with Kenya Vision 2030 that aims to leverage on technological developments.

Compared to other office sizes, tenants have registered preference for office space with net lettable areas of between 3001 sq. ft. and 4000 sq. ft. Developers ought to put this into consideration when designing their lettable areas.

Coworking is gradually gaining foothold in Africa. Kenya is gradually embracing this concept of shared workspaces. Nairobi Garage, a coworking space provider opened a 12,000 sq. ft. outlet in the CBD – their fifth outlet. Nairobi Garage offers circa 100,000 sq. ft. of office space. Kofisi, another supplier of coworking office space, expanded its activities by opening a new branch at Riverside Drive, dubbed 'Kofisi Square' and with a circa 50, 000 sq. ft. size. With ICT penetration increasing, coworking seems to have great untapped potential as we estimate that the coworking sector is less than 3% of the total available office stock. The concept is still in its nascent stage, but Kenyans seem to be accepting it favourably.

Over the review period, major grade A spaces that entered the market were the 100,000 sq. ft 'The Rock' in Westlands, 136,167 sq. ft. 'The Piano' in Westlands, and 77,876 sq. ft. 'The Cube' in Riverside. The total amount of office space released in the market has decreased in 2022 and we expect a further decline in 2023.Major office developments in the pipeline are as per the table above.

Select Office Market Pipeline-Nairobi

COMMERCIAL DEVELOPMENT	LOCATION	APPROX. SIZE (SQ.FT)	ESTIMATED COMPLETION DATE
CCI HQ	Tatu City	233,168	2023
Curzon	Lavington	60,000	2023
Purple Tower	Mombasa Road	197,800	2024
The Atrium	Westlands	100,000	2024
Bishop's Road	Upperhill	100,000	2024

Source: Knight Frank Kenya

RETAIL

Over the review period, prime retail properties attracted a rent of $5.00 per sq. ft. per month. Prime retail destinations in Kenya are characterised by malls and whose occupancy rates in H2, 2022 were over 90% for most established malls. As much as the location of retail properties is very critical, tenant placement strategies, of which investors often overlook leading to poor performance of such retail outlets, are indispensable – hence the need for mall owners to hire professional managers as early as during the design stages.

Supermarket chains in Kenya have had contrasting fortunes with Naivas, Quickmart, Chandarana, and Carrefour continuing to expand while Uchumi, Tuskys, Nakumatt, Shoprite, Game Stores, and Choppies shutting down either through bankruptcy or exiting the market. This may perhaps be attributed to the low penetration of modern retail in Kenya. A report by Boston Consulting Group (BCG) noted that 77% of retail sales are made in traditional retailers (commonly known as duka). This depicts the existence of a large consumer base for supermarket chains to

Retail Developments in the Pipeline

COMMERCIAL DEVELOPMENT	LOCATION	APPROX. SIZE (SQ.FT)	ESTIMATED COMPLETION DATE
Global Trade Centre Mall	Westlands Nairobi	124,000	2023
Crystal Rivers Mall	Mavoko, Machakos County	215,000	2023
Business Bay Square	Eastleigh Nairobi	333,700	2023
The Cove	Gitanga Road Nairobi	50,000	2023
Lana Plaza	Oloitoktok Road Nairobi	50,000	2023
Park Place Avenue	Parklands Nairobi	23,600	2023

Source: Knight Frank Kenya

target as the number of middle-income earners continues to increase.

Over the review period, Carrefour opened 3 branches - Kilimani, Valley Arcade, and Nairobi CBD - to increase its total branches to 19. Over the review period, Naivas opened 7 stores – Elgon View mall in Eldoret, Naivas Nairobi West, Naivas Express Uthiru, Greenwood mall in Meru, and Naivas Foodmarket Ojijo at Broadwalk mall, Westlands – to take its total stores to 91 and strengthening its position as Kenya's retail leader. Chandarana Foodplus, a family-owned retail chain, opened their latest of 26 stores at Azalea Square along General Mathenge in Westlands.

In H2 2022, the major malls to have opened in time for the festive season were Broadwalk, a mixed-use development along Ojijo Road in Westlands, and Greenwood Mall in Meru, with both malls being anchored by Naivas. The other completion was Kilele mall in Murang'a County that is anchored by a local upcoming supermarket chain Magunas Supermarkets. The general performance and supply of malls in Kenya has been on the decline with the focus shifting to convenience centres that are closer to residential neighbourhoods. Major upcoming malls include Business Bay Square in Eastleigh with Carrefour planned to anchor it and Promenade Mall in Nyali, Mombasa.

RESIDENTIAL

The price of prime residential properties recorded a 3.77% annual increase in Q4, 2022, following a 2.87% annual increase in Q3, 2022. The prime residential market has been on the upward trajectory since Q1, 2021 – a trend credited to lack of high-quality stock of homes for high net worth individuals leading to this market almost becoming a sellers' market. The growth of multinationals into Kenya as well as a calm electoral period has also contributed to the positive trend of prime residential prices.

Awarded the 'Best high-end residential development in September at the 6th edition of API Summit, Rosslyn Grove is a 90-townhouse development that is leased for 8 years to the United States Embassy in Kenya. The diplomatic community was completed and handed over in August 2022.

During the period, Mi Vida Homes, a middle-income 221-unit residential development being undertaken by Actis in partnership with Shapoorji Pallonji Real Estate, entered the market. Mi Vida Homes is located at Garden City along Thika – Nairobi Superhighway. IFC affiliated EDGE certification was awarded to Mi Vida Homes after the development incorporated green building design in its construction. The developer also announced plans to develop 800 affordable housing units in Riruta, Nairobi. Accommodation will comprise of studio, one, two and three-bedroom units with a price tag of between KES 2 million and KES 6 million and projected yields of circa 8%.

HOTEL & TOURISM

According to CBK, the hospitality sector was expected to hit a circa 5% growth in 2022. The Tourism Research Institute reported that the number of tourist arrivals, as of November 2022, had surged by 74.5% compared to a similar period in 2021 - highlighting continued recovery in this sector that was amongst the hardest hit sectors during the Covid period. This improved performance is nevertheless below 2019 levels, the best hospitality year Kenya has ever experienced. The Kenya Tourism Board stated that the hospitality sector is circa 70% recovered from Covid-19 pandemic and it expects full recovery by 2024. The performance of the tourism industry is a result of the opening up of international travels as air travel restrictions ease amongst nations.

In Kenya, the second half, especially the fourth quarter of a year traditionally experiences a surge in demand for hospitality services as schools break, and employees go for holidays over the festive season. Through the Market Perception Report by CBK for the month of November, there were increased forward bookings for the months of November and December as well as 2023's January and February. This is attributed to economic recovery from the Covid 19 pandemic and resumption of international travel. The chart below shows that 2022 has been a favourable year for the hospitality sector as the economy fully recovers from the Covid-19 period.

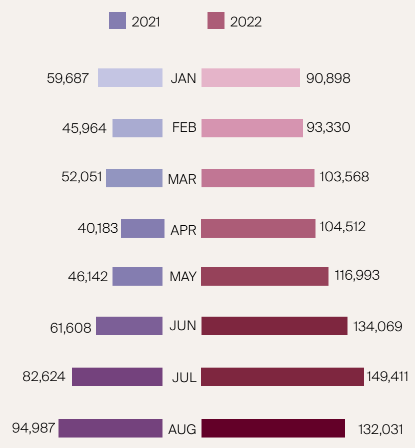
In December Hilton exited the Nairobi CBD after 53 years of serving the city customers from its landmark building. The hotelier, however, opened their newest outlet 'dubbed Kwetu Nairobi' under the Hilton Curio Collection, located at the junction of Peponi Road and Kitisuru Road, near Westlands. The new hotel has a 100-bed capacity. Intercontinental Hotels Group (IHG) expanded their operations by opening a new outlet under their Holiday Inn brand at Two Rivers mall.

The Momentum Africa Real Estate Fund (MAREF) and Eris Property Group Limited are at the inceptive stage of developing a 162-bed capacity serviced apartment complex in Runda Riviera. The development will be managed by Singaporean real estate giants, Ascott, and will be named 'Somerset Rosslyn'. Having 211 rooms, Glee Hotel is a 5-star facility expected to enter the market in H1 2023. This property is located along Northern Bypass, near the junction between Northern Bypass and Kiambu Road.

Global luxurious hotel leader, JW Marriot, is expected to launch its iconic destination in Westlands, on the imposing Global Trade Centre Tower (GTC), in Q4 2023. GTC is by far the tallest skyscraper in East Africa and JW Marriot will complete the work, live, shop and recreate design concept of modern urban communities. Upon opening, the 5-star hotel will boast 317 guestrooms and 51 serviced apartments.

Six Eighty, a three-star 340 room hotel, at the heart of Nairobi's CBD, was disposed off to Maanzoni Lodges, a hospitality company that runs the Maanzoni brand. The consideration for the 3-star rated hotel was reported as circa KES 1 billion.

International Visitor Arrivals



Source: Tourism Research Institute

INDUSTRIAL

Over the review period, prime monthly industrial rents stabilised at circa KES 70 per sq. ft. - a 5% increase compared to a similar period in 2021. The slight improvement was mainly attributed to easing of mobility restrictions which propelled recovery in the industrial sector.

ALP, a modern warehouse supplier, completed Phase 4 (ALP Kyoga) of their West Logistics Park - located in Tilisi, along Nairobi – Nakuru Highway and covers 49 acres on which 8 phases are planned. Phase 1 is complete and has an occupancy rate of 86%. Construction of phases 2 and 3 is ongoing. ALP warehouses are grade A and accommodate green building credentials in their design – they are EDGE certified.

Solar power is gaining popularity as the call for clean energy and the need to cut costs become

ALP completes phase 4 of ALP west

critical. Corporation for Africa and Overseas (CFAO), formerly Toyota Kenya acquired a 35% stake in one of East Africa's major providers of solar installation services, Ofgen, after the firm had earlier installed solar panels in some of CFAO offices in East Africa. The push for renewable energy has also received a boost from the government of Kenya. Solar One Limited is a proposed electricity generating company that is set to be complete by end of 2023. The solar powered company will serve the Nyanza region and will be located at Kibos, Kisumu. It is estimated that the project will cost KES 6.4 billion and shall be undertaken by a US engineering firm. The project will be located on 249 acres and on completion it is planned to have an output of 40MW.

For a consideration of circa KES 725 billion, MSC (Mediterranean Shipping Company), a world powerhouse in transportation and logistics, fully acquired Bollore Africa Logistics, a leader in the transportation and logistics sector in Africa, from the French group –Bollore.

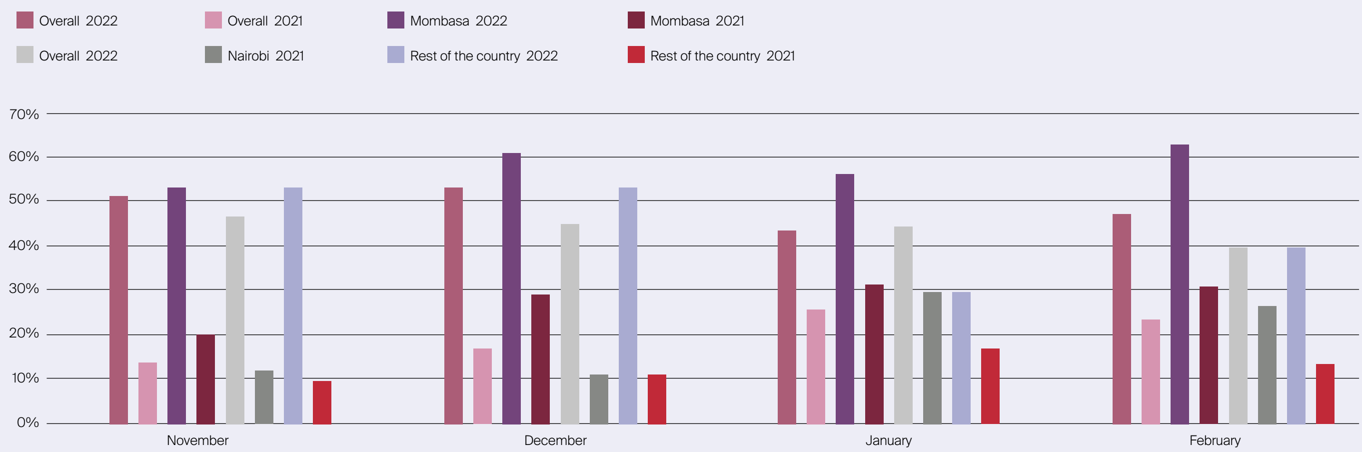
There is a rising demand for quality industrial facilities (Grade A) since an overwhelming number of the existing stock is outdated and does not meet the threshold standards for modern warehouses. This existing market niche is currently being exploited by Africa Logistics Properties (ALP), the developers of ALP North and ALP West.

ALTERNATIVES MARKET

Data centres are gradually becoming popular to investors as the demand for internet and e-business continues to shift upwards. Data centres provide a cheaper and more efficient IT capability than inbuilt servers. They offer cloud services and allow organisations to focus on their core functions. IX Africa, a colocation data centre provider, announced an agreement with Helios Investment Partners, one of Africa's leading private equities, where the latter will invest $50 million to help the former continue the development of its Nairobi campus. Icolo, another supplier of data centres, completed their newest facility dubbed 'MBA2'. MBA2 is in Nyali and is the second iColo data centre in Mombasa, MBA2 has a capacity of 1.7MW and 13, 000 sq. ft. floor space.

Investors are always searching for the most profitable asset to invest in within their risk acceptance. Of real estate assets in Kenya, purpose-built student accommodation (PBSA) has proven to be marginally above traditional real estate classes – a trend that is widely observable worldwide. In Kenya, PBSA generally registers a return of circa 8% while prime residential attract returns of circa 4%. As investment in this sector increases, the returns may minimally fall. It is expected that in the foreseeable future PBSA will remain more profitable as universities (public and private) struggle to accommodate the ever-increasing number of students. This may provide the developers of PBSA with increased demand in a market that is dominated by Acorn Holdings Limited (AHL) – the promoters behind Qwetu brand of hostels. In the pipeline, Acorn

Forward Bookings 2022 vs 2021



Source: CBK

has 4 developments expected to enter the market by end of 2023 – Qwetu Chiromo, and Qwetu Catholic University, Chiromo Qejani, and Catholic University Qejani. Moreover, postulated to open by end of Q1, 2024 are a further 4 Acorn branded PBSA; Hurlingham Qejani, Kenyatta University's (KU) Qwetu and Qejani – to be in Northlands City which is adjacent KU main campus, and Jomo Kenyatta University of Agriculture and Technology (JKUAT) Qejani – located along Gachororo road in Juja and near JKUAT main campus. Over the review period, Qwetu Parklands broke even and gave the investors their required return becaming the latest Qwetu property to be purchased by AHL I-REIT from the sister AHL D-REIT.

Housing has been a persistent challenge in African urban centres, and yet good housing remains an inherent right and a necessity to every human being. This has led to attempts by the GoK to spearhead the concept of affordable housing. In government's financial year 2022/2023, circa KES 27.7 billion was earmarked to promote affordable housing projects such as Bachelor's Jevanjee and Clay City. The National Housing Corporation entered a PPP with IFC where the former is seeking KES 7 billion to help finance Stoni Athi Housing Project. Kiambu County formidably aspires to construct over 50, 000 affordable housing units on the 697 acres that were surrendered to the government by Del Monte Kenya Limited, a boost to the delivery of affordable housing.

Affordable Housing Pipeline

PROJECT NAME	LOCATION	NUMBER OF UNITS
Kibera Soweto B	Kibera	3,000
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: Ministry of Transport and Housing

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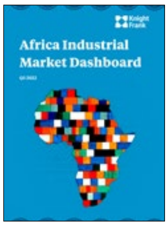

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