

Kenya Market Update



H1 2025

Knight Frank's ultimate guide to real estate market performance and opportunities in Kenya.

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OVERVIEW



PHOTO: The Nairobi Expressway

► Kenya's real estate and economic landscape in the first half of 2025 reflects a market in transition, balancing resilience with evolving challenges.

The office sector demonstrated steady demand, while prime residential markets maintained stability despite shifting developer focus toward middle-income segments. After a period of rapid growth following the Covid-19-induced slump, the hospitality sector's expansion has now stabilized to pre-pandemic levels.

The retail sector faced headwinds from subdued consumer spending, prompting strategic adaptations.

Infrastructure development advanced through public-private partnerships, signalling long-term growth potential. Meanwhile, alternative asset classes emerged as bright spots, driven by institutional investments in education, healthcare, and affordable housing.



4.5% Projected Growth in GDP for 2025



Inflation remains within CBK's 2.5% - 7.5% target range



Office occupancies increase by 5%



Decelerated growth in prime residential prices



Footfall reduces in malls



Sustained confidence in hospitality sector growth

MACRO ECONOMY

Global growth is slowing down, driven by rising trade barriers and heightened policy uncertainty. Growth is projected to decline from 2.8% in 2024 to 2.3% in 2025 - its weakest rate since the 2008 global recession - with most economies expected to decelerate. Downside risks will continue to dominate the global outlook. Persistent trade policy uncertainty and renewed tensions could further suppress trade, investment, and confidence, weakening global demand.

Economic growth in Sub-Saharan Africa (SSA) is expected to rise from 3.5% in 2024 to 3.7% in 2025, averaging 4.2% in 2026/2027. However, high debt, elevated interest rates, and reduced donor support have limited fiscal space, driving consolidation efforts. Key risks include political instability, rising debt distress, and climate shocks.

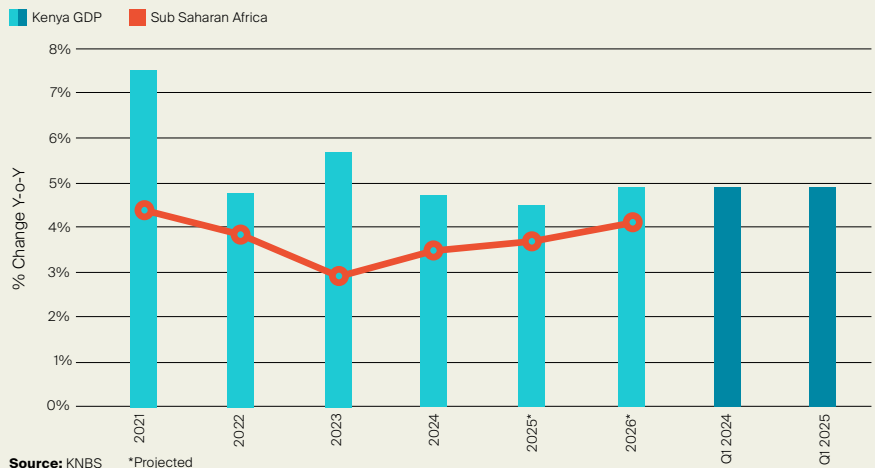
Kenya's GDP grew by 4.7% in 2024, down from 5.7% in 2023. Its outlook, predicting a growth rate of 4.5% and 4.9% in 2025 and 2026 respectively, mirrors SSA's, with similar downside risks compounded by political unrest and disruptive demonstrations, particularly in Nairobi, which threaten the country's business environment.

As a non-resource-rich country, Kenya has developed a broadly diversified economy that is not dependent on natural resource extraction. It functions as a key regional business hub, hosting numerous international NGOs and multinational corporations (MNCs), with Nairobi supporting a large and growing working population. These dynamics provide a strong foundation for a potentially vibrant real estate and construction sector. However, over the past six years, growth in these sectors has remained limited. Agriculture remains the backbone of the economy, contributing 21.65% to GDP between 2019 and 2024, while real estate and construction accounted for 8.79% and 6.72% respectively. The trend is similar to what was observed in Q1 2025 where agriculture, real estate and construction contributed 25.69%, 8.28%, and 6.14%, respectively, to the GDP.

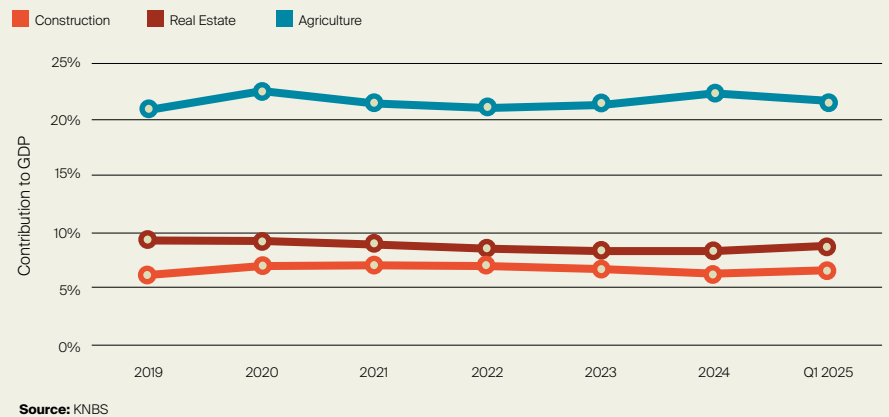
In 2024, the construction sector contracted by 0.7%, after recording a 3% growth in 2023. This decline aligns with reduced cement production and consumption, despite a slight rise in the value of approved building plans. The divergence originates from a speculative market, and a sector facing delays due to cash flow challenges amid a tough economic environment. In 2025,

however, the sector shows signs of recovery with cement production and consumption increasing by 13.9% and 20.3%, respectively, in Q1 2025, compared to a similar period in 2024.

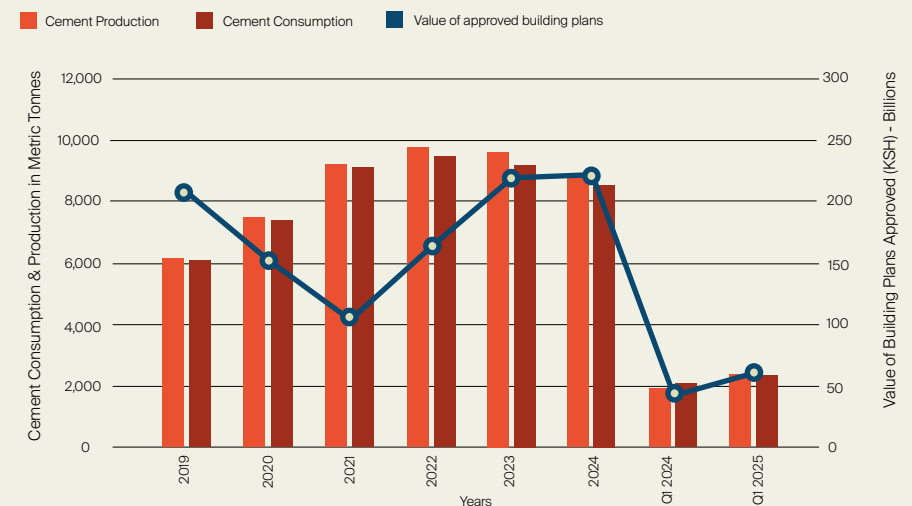
GDP Growth Rates



Sector Contribution to GDP



Construction Sector Statistics



CAPITAL MARKETS

Despite a slowdown in 2024, Kenya's economy has shown resilience. To spur growth, the Central Bank gradually lowered the central bank rate from 11.25% in January to 9.75% in June 2025, with commercial lending rates falling from 16.89% in January to 15.65% in June 2025. In H1, 2025, inflation remained within the CBK's 2.5% - 7.5% target range, indicating continued economic stability amid global challenges.

Since June 2024, the Kenyan Shilling has remained stable against the US Dollar, despite continued fluctuations against other major currencies such as the Sterling Pound and the Euro. Although the exchange rate remains above pre-pandemic levels, the recent stabilization - following a recovery from lows of USD 1 = KES 160 in January 2024 - suggests that the current USD-KES rate has become the new baseline.

Kenya has yet to fully embrace and capitalize on investment opportunities through the securities exchange. Apart from the banking and telecommunication companies, majority of the firms listed on the Nairobi Securities Exchange (NSE) continue to underperform, drawing low interest from institutional and professional investors. Some listed real estate firms, such as Home Afrika, have consistently posted losses over the years.

Real Estate Investment Trusts (REITs) are emerging as viable investment vehicles in Kenya, enabling investors to earn income from real estate without the need to buy, manage, or finance properties directly. Listed REITs on the NSE include Laptrust Imara I-REIT, ILAM Fahari I-REIT, and Acorn's ASA D-REIT and ASA I-REIT.

As of June 2025, ASA D-REIT and ASA I-REIT units were trading at KES 25.4 and KES 22.2, respectively, reflecting growth since their inception in February 2021. ASA D-REIT has gained 27.0% from its initial price of KES 20.0, while ASA I-REIT has recorded an 11.0% increase. By contrast, ILAM Fahari I-REIT was trading at KES 11.0 per share - a 45.0% decline from its November 2015 listing price of KES 20.0. Meanwhile, Laptrust Imara I-REIT shares have remained flat at KES 20.0 since listing in 2023.

Due to the historical underperformance of many listed firms outside the banking and telecommunications sectors, professional investors have increasingly shifted focus to the bond market. Treasury bonds have become the preferred investment vehicle, with issuances consistently oversubscribed over the past five years. This emphasis signals a clear message to listed companies:

investors are willing to reallocate capital, but only to alternative opportunities backed by sound fundamentals, strong governance, and competitive returns.

An example of this is the Linzi 003 Infrastructure Asset-Backed Security (ABS) - issued by Linzi FinCo 003 Trust that successfully raised KES 44.791 billion (≈\$340 million) to finance the construction of the Talanta Sports City Stadium in Nairobi, a landmark real estate project set to transform Kenya's sports and entertainment infrastructure. The issuance, structured as a 15-year amortizing bond with a 15.04% yield, was backed by guaranteed receivables from the Sports, Arts, and Social Development Fund (SASDF), including levies on betting and gaming. With credit enhancements like an escrow account, standby letter of credit (SBLC), and government-backed guarantees, the ABS attracted institutional investors, including pension funds and insurers, while listing on the Nairobi Securities Exchange (NSE) ensured liquidity.

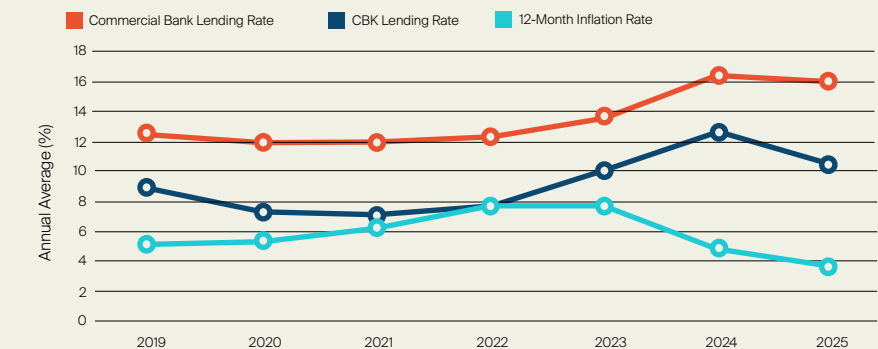
This transaction not only demonstrates the viability of real estate-linked securitization in Africa but also aligns with Kenya's Vision 2030, leveraging public-private partnerships (PPP) to deliver high-impact infrastructure. The stadium, featuring a 60,000-seat FIFA-compliant arena, is expected to boost

tourism, local businesses, and GDP, setting a precedent for future asset-backed real estate developments in the region.

Africa saw a record 75% rise in foreign direct investments (FDI), from USD 55.4 billion in 2023 to circa USD 97 billion in 2024, driven by a mega infrastructure project in Egypt. Excluding that, inflows still grew 12%, supported by investment reforms and improved facilitation across the continent. Despite this, Kenya's FDI remained relatively stable at USD 1.503 billion for 2024.

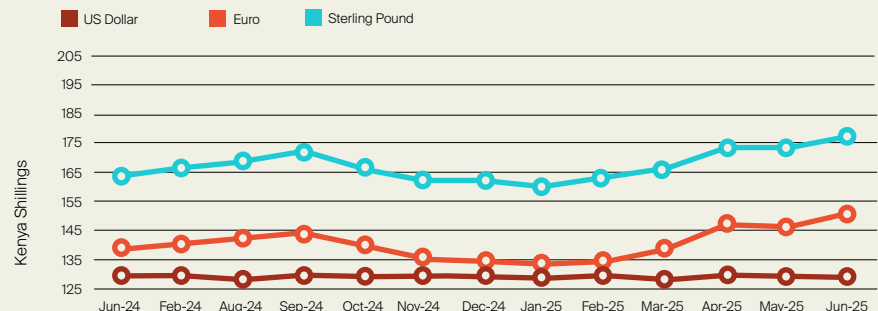
Diaspora remittances reached a historic peak in 2024, growing by 18% year-on-year to USD 4.945 billion. North America maintained its position as the dominant source market, accounting for 56% of total inflows. This positive trajectory has continued into 2025, with remittances increasing by 3.2% during the first four months to reach USD1.655 billion compared to the same period in 2024. However, potential policy changes affecting remittance flows from the United States may create headwinds that could moderate growth through the remainder of the year. The sustained remittance growth underscores the critical role of diaspora inflows in supporting Kenya's economy, while highlighting emerging risks from evolving regulatory environments in key source markets.

Annual Average Economic Rates



Source: CBK

Exchange Rate



Source: CBK

INFRASTRUCTURE & POLICY

In recent years, Kenya's high public debt constrained infrastructure spending leading to reduced road sector allocations between 2020 and 2023. However, this trend is reversing, with the 2025/26 national budget allocating KES 217.3 billion for road development - a 12.3% increase from KES 193.4 billion in 2024/25. To mitigate fiscal pressures, the government is leveraging Public-Private Partnerships (PPPs). Of the 33 PPP projects identified, 8 are active, while 25 remain in the pipeline. This strategic shift aims to enhance infrastructure delivery while easing budgetary burdens.

Major Road Infrastructure Projects include:

EU-backed kwa Jomvu-Mariakani highway (Euro 19 billion loan)

One of the most notable projects is the six-lane dual carriageway from Kwa Jomvu to Mariakani, funded by a Euro 19 billion loan from the European Union under the Global Gateway initiative. This upgrade of a section of the Mombasa-Nairobi highway - East Africa's busiest trade route - aims to ease congestion, reduce transport costs, and enhance regional trade efficiency. The project is expected to boost logistics, real estate development along the corridor, and industrial growth in the coastal region.

Dongo Kundu SEZ

The Dongo Kundu Special Economic Zone (SEZ) at the Coast saw significant progress with the signing of lease agreements, attracting investors in logistics, manufacturing, and trade. The SEZ is set to benefit from improved road and port infrastructure, including the Dongo Kundu Bypass, further enhancing Mombasa's status as a key trade gateway.

Rironi - Mau Summit Highway

The cancellation of the KES 190 billion Rironi-Mau Summit highway deal with France has opened new opportunities for investors. The National Social Security Fund (NSSF) and China Road and Bridge Corporation (CRBC) are among the top contenders for the revised tender. This project, once completed, will improve connectivity between Nairobi and Nakuru, stimulating real estate growth in satellite towns along the route.

Dualling of the Northern Bypass

The Cabinet approved the dualling of the Northern Bypass, a critical infrastructure upgrade aimed at decongesting Nairobi's traffic and improving access to industrial areas such as Ruiru and Thika. This project is

expected to spur commercial and residential developments in the northern outskirts of the city.

Urban Regeneration: Nairobi River Project (KES 50 Billion)

Launched in March 2025, the KES 50 billion, Nairobi River Regeneration Project, aimed at transforming the polluted river into a clean, green, and economically vibrant corridor. The initiative includes flood control, wastewater treatment, and the development of recreational spaces, which will enhance property values in surrounding areas and attract mixed-use developments.

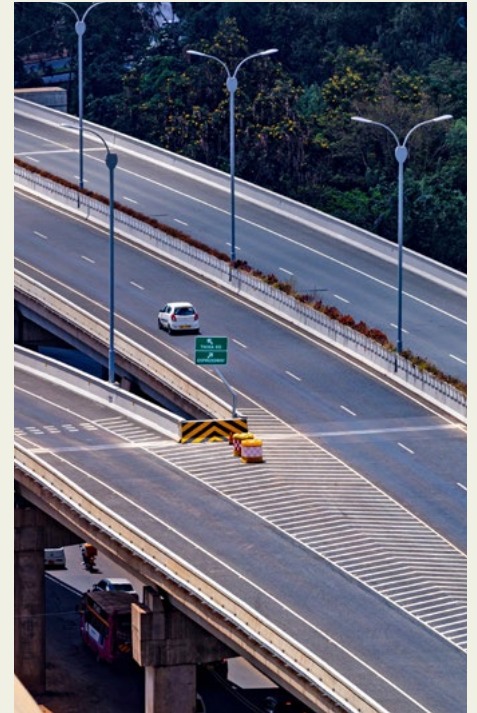
Airport Expansion

After the fall of the Adani deal for upgrading Jomo Kenyatta International Airport (JKIA), a regional international hub in Africa, the Government of Kenya, through the Kenya Airports Authority (KAA) is pursuing an ambitious investment plan to expand airports across the country including JKIA and Wilson airports. This will boost tourism, trade, and real estate demand in nearby areas.

Kenya's infrastructure investments in the first half of 2025 are laying the foundation for long-term economic growth. With major road projects, urban regeneration, and airport expansions underway, the real estate sector is poised for significant transformation,

offering lucrative opportunities for investors and developers. As the construction of these projects progress, Kenya's position as East Africa's leading investment destination will be further solidified.

PHOTO: A Section of The Expressway



Major infrastructure projects

PROJECT	LENGTH KM	ESTIMATED PROJECT COST (KES MILLIONS)	EXPECTED COMPLETION /STATUS
James Gichuru - Rironi	26	20.41	79%
Valley Road/Ngong Road/Nyerere Road Interchange and Upperhill Overpasses	6	2.99	39%
Dualling of Ngong Road (Dagoretti Corner - Karen Roundabout Section)	11	2.38	98%
Kwa Jomvu - Mariakani	30	10.23	1.8%
Mombasa - Mtwapa	13.5	7.59	12.8%
Kenol - Sagana	48	8.50	93.8%
Sagana - Marua	36	6.12	85.1%
Dualling of the Nairobi Northern Bypass	20.2	TBC	0% (Proposed)

Source: KENHA/KURA

OFFICE

The office market showed resilience during the first half of 2025, with prime office occupancy rates improving from circa 72.7% at the start of the year to 77.7% by June. This positive absorption was primarily driven by strong uptake in recently completed developments. The baseline monthly rent for prime office space remained stable at USD 1.20 per square foot, exclusive of taxes and service charges.

Grade A Performance

Premium office developments continued to demonstrate strong performance, with The Cube (completed in 2022) maintaining full occupancy. More recently completed Grade A developments such as Eneo at Tatu City, The Mandrake, Matrix One, and Purple Tower sustained steady leasing interest from occupiers, demonstrating that tenants are willing and able to reasonably pay for quality stock.

Demand Drivers

The market continues to see robust activity from coworking operators and business process outsourcing (BPO) firms, attracted by operational efficiencies and trade advantages. Significant expansions included KOFISI Kaskazi's 90,000 sq ft. workspace in Westlands, Workstyle's occupation at The Mandrake, and International Workplace Group's continued expansion through its HQ and Regus brands. A notable market development was Teleperformance's new centre at Two Rivers International Finance and Innovation Centre, expected to create 4,000-5,000 jobs and reinforce Kenya's position as a leading BPO destination.

Market Challenges

While quality space performs well, the market shows divergence with some prime properties facing occupancy challenges due to premium pricing in a tenant-favourable market. Grade B buildings continue to struggle with additional pressure from new supply and challenging economic conditions. The unexpected suspension of USAID funding created some localized vacancies in properties heavily reliant on NGO tenants, though this remains a property-specific rather than market-wide issue.

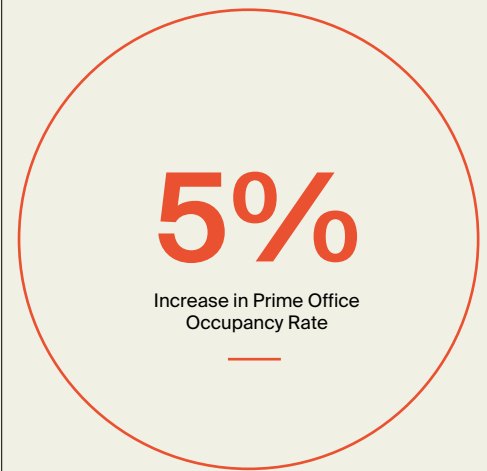
Development Pipeline

The first half of 2025 saw no significant prime office completions as developers respond to historical oversupply and current economic conditions by scaling back new developments. This follows the delivery of several prime projects in late 2024 including Purple Tower, Matrix One and The Mandrake.

The 4th Edition of (Y)OUR SPACE a Knight Frank global publication was released during the review period and reflects the views of nearly 300 corporate real estate leaders directly managing around 650 million sq ft of space. Some of the Key findings that are applicable to the local market include.

- Growing pressure on secondary stock as buildings that lack adaptability or ESG performance fall out of favour, with increasing demand being concentrated on buildings providing higher quality space
- Occupiers need to "bridge the strategic gap": almost 40% of Corporate Real Estate leaders are engaged too late - after key decisions are made, yet are still expected to deliver on strategies they didn't help shape. This often leads to costly misalignment, inefficiencies and missed opportunities.
 - 65% are concerned about macroeconomic disruption, driving a need for agility and scenario planning.
- Economic uncertainty has driven 45% of respondents to adopt a more conservative approach focused on cost containment CRE is being asked to move fast, flexibly- and have greater upstream influence.

The Kenyan office market continues to demonstrate resilience, with quality, well-priced space maintaining strong performance. However, economic uncertainty and evolving occupier preferences require landlords to remain flexible in their strategies. Properties that demonstrate strong ESG credentials and adaptability to changing workplace needs are best positioned for success in the current environment.



Source: Knight Frank Kenya

Pipeline of Select Prime Office Developments in Nairobi

COMMERCIAL DEVELOPMENT / OFFICE	LOCATION	APPROX. SIZE (SQ.FT)	ESTIMATED COMPLETION DATE
The Angelo	Lavington	42,000	2025
761 Lenana Rd	Kilimani	127,500	2025
Mwanzi Square	Westlands	250,000	2027
Twin Towers	Upperhill	200,000	2027
Bishop's Road	Upperhill	100,000	2028
The Pod	Lavington	128,000	2028

Source: Knight Frank Kenya

RETAIL

Despite signs of global and local economic recovery, real incomes for most consumers continue to decline, leading to reduced disposable income. As a result, retailers are feeling the pinch from a slowdown in consumer spending. This trend is further exacerbated by rising product prices, as manufacturers pass increased production costs - driven by higher tariffs, taxes, levies, and global geopolitical tensions onto consumers. Consequently, mall footfall has declined, as many consumers opt to limit their visits.

Although the decline in mall footfall has not been dramatic, it is measurable, especially given that most malls use footfall tracking systems. For tenants, this translates into reduced revenues. While the reduction is not yet severe enough to trigger rent adjustments - prevailing prime rents currently average around KES 600 per square foot per month (exclusive of VAT), with some properties achieving higher rates depending on factors such as location, property appeal, available services, and building specifications - it underscores the retail sector's sensitivity to even minor fluctuations in consumer income.

In response, major retailers - particularly supermarkets - are shifting their strategy by expanding into residential neighbourhoods. By bringing services closer to consumers, they aim to sustain engagement and spending, even in the face of economic pressure. This shift has particularly affected foot traffic in malls, including well-established ones.

Despite reduced footfalls, leading malls such as Sarit Centre, The Junction Mall, and Village Market continue to enjoy occupancy rates above 85%, benefiting from their strategic locations, brand equity, and loyal customer bases. In contrast, newer malls are focusing on convenience as their unique selling proposition. Meanwhile, in the push for convenience, the growing trend among supermarkets to open outlets in standalone residential buildings is likely also contributing to the gradual decline in mall traffic.

Key retail expansions in H1 2025 included Carrefour, which opened new branches at Promenade Mall in Westlands and Sea Angel Mall in Mombasa, bringing its total number of outlets in Kenya to 29. Naivas also expanded its footprint, launching its 110th store at Eneo in Tatu City. China Square, a household and personal goods retailer,

opened two new stores at Two Rivers and Greenspan Mall in Embakasi, increasing its total outlets to seven - meanwhile, its competitor, Panda Mart, opened its second outlet in Kenya at Galleria Mall.

While large malls primarily target middle- and high-income areas, Kenya's low- and lower-middle-income populations are mainly served by small retail outlets (dukas) and local retail chains. Recognizing a gap in serving this market segment, a local budget retail chain, Jaza, was established in 2023 to address this need. Since then, the brand has grown rapidly, expanding even into middle- and upper-income areas. Jaza now operates 24 outlets, including 11 stores in Nairobi County.

To counter the impact of declining footfall, top-tier malls are exploring new ways to generate traffic and revenue. Prominent malls with strong locations are increasingly positioning themselves as venues for expos and international showcases.

In terms of supply, H1 2025 saw the completion of two major retail developments: Promenade Mall in

Westlands (75,000 sq. ft.); and Magadi Road Community Mall (100,000 sq. ft.), currently undergoing final touches and expected to open in H2 2025.

Pipeline of Select Prime Retail Developments in Nairobi

DEVELOPMENT	LOCATION	SIZE (SQ.FT)*	COMPLETION DATE*
The Beacon	Upperhill	60,000	2025
Lavington Square	Gitanga Road-Nairobi	70,000	2026
Elgon Road	Upperhill	70,000	2026
Galleria Mall Expansion	Karen	100,000	2026
The Junction Expansion	Ngong Road	100,000	2027

*ESTIMATE

Source: Knight Frank Kenya

PHOTO: The Junction Mall, Ngong Road



RESIDENTIAL

The Kenyan prime residential market demonstrated stable growth during the first half of 2025, with the sales price index increasing by 5.63% year-on-year to June 2025, slightly moderating from the 6.58% growth recorded in the comparable 2024 period. Rental markets showed remarkable consistency, with prime residential rents growing by 7.96% year-on-year to June 2025, nearly matching the 7.98% increase seen in 2024. This sustained performance underscores continued demand from high-net-worth individuals and expatriates, particularly for well-priced properties in prime locations.

Market Dynamics and Demand Drivers

The prime residential market continues to benefit from constrained supply, as developers increasingly focus on the high density, low- and middle-income segments. This scarcity effect has supported price resilience for the prime residential real estate, despite broader economic challenges. The recent removal of preferential tax provisions for expatriate workers through the Finance Act 2025 is expected to introduce some affordability pressures, reducing net incomes for this important tenant demographic. However, the market has shown notable absorption capacity, with any vacated properties being quickly reoccupied.

Development and Financing Trends

Approved building plans for the first four months of 2025 showed significant growth, with total approved values increasing by over KESs 10 billion year-on-year to reach KESs 70 billion. Residential developments accounted for 77% (KESs 54.2 billion) of this total.

The lending environment showed gradual improvement, with commercial bank credit to the private sector growing 2.0% in May 2025, up from 0.4% in April and a contraction of 2.9% in January. This recovery aligns with declining lending rates, which averaged 15.28% in June 2025 compared to 16.89% in December 2024.

Future Outlook and Key Opportunities

The upcoming establishment of three additional UN headquarters in Nairobi by late 2026 presents a significant demand catalyst, with expectations of significant number of new expatriates requiring premium housing. This anticipated influx may create upward price pressure in the medium term. Prime neighbourhoods including Muthaiga, Karen, Kitisuru, Loresho, Spring Valley, and Lavington continue to command premium valuations due to their exclusivity, security, controlled development, and superior accessibility via the Expressway.

Market Constraints and Segment Shifts

Stringent zoning regulations in prime areas limit development to single-family homes, constraining supply growth. The addressable market remains small, with only 3.53% of Nairobi households classified as upper income. This limited demand pool, combined with high construction costs, has resulted in minimal new prime residential developments over the past decade. Consequently, developers are increasingly targeting the more substantial middle-class segment (25.58% of Nairobi households), particularly through apartment developments in well-served urban locations.

PHOTO: Luckinn Ivy, Mogotio Road, Westlands



PHOTO: Blossoms Ivy, Gatundu Road, Kileleshwa



HOSPITALITY

Kenya's hospitality sector recorded a 4.1% growth in the first quarter of 2025, a notable deceleration from the 38.1% surge seen in the same period last year. This slowdown reflects a normalization phase amidst global economic pressures impacting travel spending.

Despite this moderation, international tourist arrivals rose by 3.5% in the first four months of 2025, reaching 751,692 visitors, signalling sustained demand for Kenya's diverse tourism offerings. The country's recognition as Africa's fourth-best tourism destination and the top recipient of tourism FDI in 2024, as declared by UN Tourism, reinforces its appeal as a premier travel and investment hub.

Key Market Developments

The luxury safari segment continues to expand with Marriott International cementing its commitment to Kenya's high-end hospitality market through two new luxury tented camps: The Ritz-Carlton, Masai Mara Safari Camp and JW Marriott Mount Kenya Rhino Reserve Safari Camp. Developed in partnership with Lazizi Group, these properties aim to redefine luxury safari tourism, catering to affluent travellers seeking exclusive, eco-conscious experiences.

Serena Hotels, a dominant regional brand, is undertaking extensive renovations across its East African properties, including Kenya. The upgrades focus on modernizing guest rooms, enhancing dining offerings, and integrating sustainable technologies to align with evolving traveller expectations.

In Nairobi, Radisson Blu Hotel & Residence Nairobi Arboretum is set to expand with an 80-room addition, new restaurants, and expanded conference facilities. This Sh1.43 billion investment underscores confidence in Nairobi's growing business and MICE (Meetings, Incentives, Conferences, Exhibitions) tourism sector.

The serviced apartment segment is also gaining traction, with Somerset Rosslyn Nairobi slated to open in late 2025. The development will introduce 150 serviced apartments, targeting corporate clients, expatriates, and long-stay travellers, highlighting the rising demand for flexible, high-quality accommodation in Kenya's capital.

A significant development in the pipeline is Bomas of Kenya's mega mixed-use hospitality project, which includes two 5-star hotels, one 4-star hotel, and a 70,000 sqm shopping mall. This 500-room project, part of a broader modernization strategy, aims to transform the cultural centre into a premier hospitality and retail destination.

Pan-African Hospitality Players Strengthen Presence

The Kenyan market continues to attract pan-African hospitality players. Hilton has announced plans to open over 100 hotels across Africa, with recent launches in South Africa and Ethiopia. While Kenya already hosts multiple Hilton properties, the group's aggressive expansion signals strong investor confidence in Africa's hospitality potential.

In another significant development, African Hotel Development, owner of the ONOMO brand, has appointed Aleph Hospitality to manage 26 hotels in 14 African countries, including Kenya. This deal strengthens Aleph's presence in key markets and supports cluster operations in Nairobi and beyond.

Market Outlook: Sustained Growth Amidst Challenges

Kenya's hospitality real estate market remains attractive due to several growth drivers. The ongoing tourism recovery across leisure, business, and safari segments continues to fuel demand. Increased FDI in hospitality real estate and the expansion of international hotel brands are creating new opportunities. Government initiatives to boost air connectivity and ease visa restrictions are further supporting sector growth.

However, challenges persist. Global economic uncertainties are affecting travel budgets, while competition from other African destinations like Rwanda and South Africa is intensifying. Infrastructure gaps in emerging tourism hotspots also need to be addressed to sustain growth.

Looking ahead, several trends are shaping the market's future. The rise of blended travel (work-leisure stays) is driving demand for serviced apartments. Luxury eco-tourism and sustainable hospitality developments are gaining prominence. Additionally, increased domestic tourism promotions are expected to cushion the sector against external shocks.

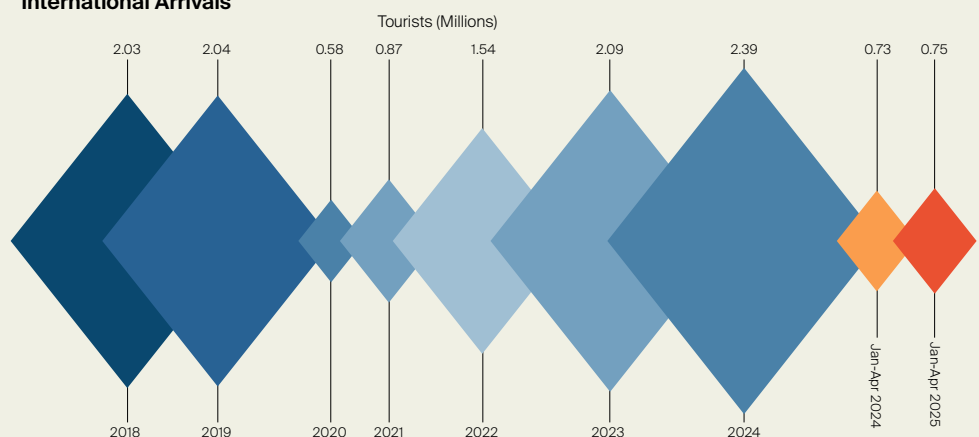
Conclusion: A Resilient Market with Strong Fundamentals

Kenya's hospitality real estate market in the first half of 2025 demonstrated measured growth, with major investments across luxury, business, and mixed-use developments. While the sector's expansion has slowed down compared to 2024's post-pandemic surge, the pipeline of high-profile projects and sustained tourist inflows suggest long-term resilience.

As international chains like Marriott, Radisson, and Hilton deepen their presence, and local players such as Serena Hotels and Bomas of Kenya modernize their offerings, Kenya is well-positioned to remain a leading hospitality and tourism investment hub in Africa.

The second half of 2025 will be critical in assessing the impact of new openings, global travel trends, and economic conditions on the sector's performance. Stakeholders will be watching closely as Kenya's hospitality market continues to evolve and adapt to changing dynamics.

International Arrivals



Source: Tourism Research Institute

INDUSTRIAL

The first half of 2025 witnessed dynamic activity in Kenya's industrial real estate sector, characterized by significant developments in manufacturing, logistics infrastructure, Export Processing Zones (EPZs) and Special Economic Zones (SEZs). The manufacturing sector recorded moderate growth of 2.1% in Q1 2025, up from 1.9% in the same period in 2024, while transport and storage expanded by 3.8%, slightly below the previous year's 4.1%, reflecting evolving supply chain dynamics.

The industrial landscape saw notable progress as sustainability remains a key factor in warehouse sector. New developments such Cold Solutions Kenya's flagship Tatu City facility, has been awarded the prestigious Gold standard LEED (Leadership in Energy and Environmental Design) certification for Building Design and Construction of Warehouses and Distribution Centres. This marks the first such certification achieved on the African continent, completed in July 2023 and officially launched in October 2023, the state-of-the-art facility in Nairobi boasts a capacity of 15,000 pallets, spanning 17,700 square meters, making it the largest and most

advanced temperature-controlled facility in the region. It serves as a crucial aggregation hub for the distribution of protein, fresh produce, and pharmaceuticals. Similarly, Modular Real Estate EPZ Ltd, a subsidiary of Container Technology Ltd (Contech), has recently completed a landmark 6,000 sqm manufacturing shed at the Export Processing Zone (EPZ) in Athi River. The project showcases Contech's innovative building system — URBIS (Up-cycled Rapid Build Industrial Spaces) — which applies prefabricated construction techniques to significantly reduce build times while embedding sustainability at the heart of the process.

The completed facility, URBIS 2, is the first EDGE Advanced Certified industrial building in Kenya, meeting stringent international standards for energy, water, and materials efficiency. By integrating up-cycled materials and precision-engineered components, the URBIS system delivers both environmental benefits and cost savings for industrial clients, setting a new benchmark for green manufacturing facilities in the region. It is currently available to lease at USD 4.2 Per Sqm per calendar month.

However, the exit of CMC Motors from operations in Kenya, Tanzania, and Uganda underscored the challenges facing traditional industrial players amid shifting market conditions.

Warehousing and EPZ Developments

Export Processing Zones (EPZs) continued to drive industrial growth, with River Crest Properties completing 86,000 sq ft of warehousing space in Athi River. Meanwhile, GS Textiles and Shangcheng Kenya Apparel expanded their footprints with 72,118 sq ft and 1,076,391 sq ft facilities, respectively, supported by initiatives like the IFC's partnership with Royal Apparel EPZ to boost textile manufacturing.

Strategic Expansions in SEZs and Logistics Parks

Tatu City marked a major milestone with the opening of The Link, a USD 20 million, 107,639 sq ft facility in Phase 2, expected to create 5,000 jobs for industries ranging from electronics to beverage production.

Tilisi Logistics Park advanced with ALP West Kivu breaking ground on a 129,167 sq ft Grade B logistics and warehousing facility, while Mapei renewed its lease at ALP North in Tatu City, highlighting sustained demand for quality industrial space.

Emirates Logistics announced plans to establish a state-of-the-art facility at Tatu City SEZ, enhancing Kenya's logistics capabilities for regional trade.

Kenya's industrial real estate sector remains on a growth trajectory, fuelled by SEZ investments, logistics upgrades, and manufacturing resilience. While challenges like CMC's exit persist, new developments in Olkaria SEZ and Grade B warehouses signal continued expansion. With strategic projects underway, Kenya is reinforcing its position as East Africa's premier industrial and logistics hub.

PHOTO: Urbis 2 - Athi River



PHOTO: Shangcheng Apparel EPZ Ltd - Athi River



ALTERNATIVES MARKET

The first half of 2025 has seen Kenya's alternative real estate sector experience dynamic growth, with significant developments in education infrastructure, healthcare facilities, affordable housing, and purpose-built student accommodation. While traditional commercial and residential markets face challenges, these alternative segments are thriving, driven by public-private partnerships (PPPs), institutional investments, and government-backed initiatives.

Education Sector: Universities Lead Infrastructure Expansion

Kenya's higher education sector is undergoing a transformation, with universities investing heavily in modern infrastructure. KCA University officially broke ground on its KES 7 billion masterplan, aligned with its 2024-2028 strategic plan. The first phase, worth KES 1.7 billion, will feature a multi-level academic facility designed to meet the evolving demands of modern education.

Meanwhile, the University of Nairobi is advancing a 4,000-bed Purpose-Built Student Accommodation (PBSA) project under a Design, Build, Finance, Operate, and Transfer (DBFOT) PPP model. The feasibility study, completed in October 2024, received approval in February 2025, with procurement now underway.

CRISIL Ltd leads the advisory consortium, signalling strong investor confidence in Kenya's student housing market.

Healthcare Real Estate: Expansion in Retail-Integrated Facilities

The healthcare sector continues to expand, with Columbia Africa Group opening a KES 200 million medical facility at Nord Mall in Ruiru, enhancing healthcare access in Nairobi's satellite towns. Additionally, Aga Khan University Hospital launched a new outpatient centre at Promenade Mall in Westlands, reinforcing the trend of integrating healthcare services into retail hubs for convenience and accessibility.

Affordable Housing: Progress Amid Delays

Kenya's affordable housing agenda has seen mixed progress in H1 2025. The Railway City Phase 1A project, launched by the President,

is set to deliver 2,258 units, including 931 affordable, 586 social housing, and 744 market-rate units, catering to diverse income groups.

In Kisumu, the Makasembo Estate (Phase I), comprising 910 units, was commissioned as part of a larger 1,870-unit plan by LAPFund and Kisumu County. Priced between KES 1.5M and KES 3.5M, the project underscores the growing role of county governments and pension funds in housing delivery. Mukuru kwa Njenga's housing scheme also marked progress, with 5,616 bedsitters commissioned in Lot 1 (Phase 1). Lot 2 (3,024 one-bedroom units) and Lot 3 (4,608 two-bedroom units) are under construction, signalling strong momentum in informal settlement upgrades. However, challenges persist, including delays in releasing 4,888 affordable units and sluggish progress on county-aggregated industrial parks, highlighting bureaucratic and financing hurdles.

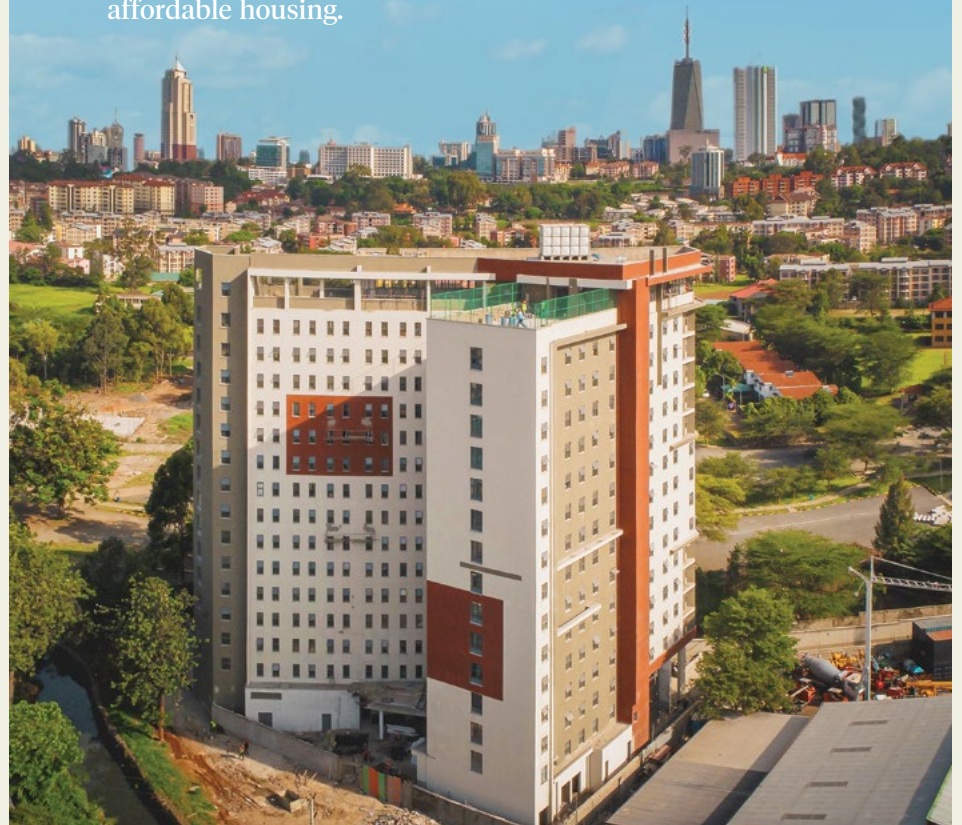
The alternative real estate market is poised for further growth, driven by:

- Increased university and student housing investments
- Expansion of retail-integrated healthcare facilities
- Government and pension fund-backed affordable housing projects
- Rise of PPPs in infrastructure and student accommodations

While financing and bureaucratic delays remain as challenges, Kenya's alternative real estate market is proving resilient, offering diversified opportunities for investors in education, healthcare, affordable housing, and digital infrastructure.

PHOTO: Acorn Holdings, Student Accommodation

“ Kenya's alternative real estate sector is gaining momentum, with institutional investments, PPPs, and county-led initiatives driving growth across education, healthcare, and affordable housing.



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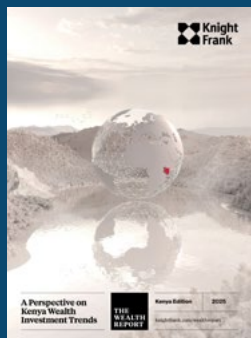
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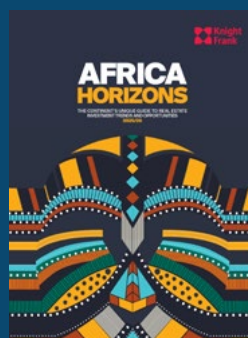
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