Kenya Market Update

H2 2024
30th Edition

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

knightfrank.com/research

Highlights

Decelerated economic growth projected at 4.7% in 2024

Interest rates stay high despite CBK base rate dropping to 11.25%

Monthly prime office rents remain at USD 1.2 per sq. ft

Prime Occupancy rates fall to 72.70% as supply increases in 2024.

Retailers expand despite economic slowdown

Despite economic headwinds, Special Economic Zones continue to spur investment in the industrial sector

Record tourist arrivals alongside a surge in new hotel room openings

COVER IMAGE: Nairobi Gate Industrial Park

Introduction

Amidst a challenging global economic environment, Kenya's economy showed resilience. Key indicators, including exchange rates, interest rates, and inflation improved, laying a foundation for stability in the real estate sector. The sector's performance remained steady but cautious as tough economic pressures slowed activity and prompted developers to continuously re-evaluate their investment strategies.

Macro Economy

In 2024, global economic growth was projected to stabilize at 3.2%, below the pre-pandemic average of the past decade. Tighter monetary and fiscal policies helped stabilize interest rates, while global headline inflation was expected to decline from 6.7% in 2023 to 5.8% in 2024.

The outlook remains subdued, with downside risks driven by financial market volatility, which may lead to capital outflows and debt distress in developing countries, and persistent geopolitical tensions that could fuel inflation and undermine monetary policy effectiveness. There is an urgent need for fiscal adjustments to ensure sustainable public debt levels.

In 2025, global economic growth is forecast to remain at 3.2%, with inflation projected to decline further to 4.3%. In Sub-Saharan Africa, growth expectations have been revised downward from 3.5% in June 2024 to 3.1%, due to ongoing disruptions in commodity production and shipping, conflicts, civil unrest, and extreme weather.

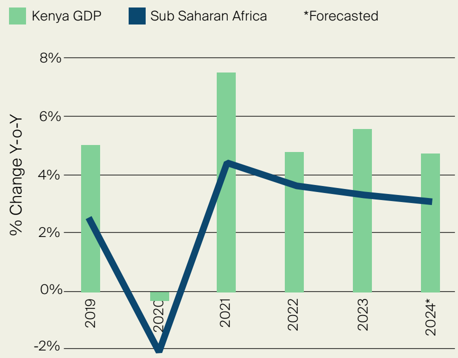
According to the December 2024 World Bank Update, Kenya's GDP growth was projected to decline from 5.6% in 2023 to 4.7% in 2024 mainly due to high risk of debt distress, and subdued private investment which was already declining even before the June 2024 protests. Since January 2024, headline inflation steadily decreased, falling within the central bank's target range of 2.5% to 7.5%, and is expected to remain stable through 2025.

Agriculture remains the backbone of Kenya's economy, contributing an average of 21.58% to GDP between 2019 and 2023. In comparison, real estate contributed 8.38%, and construction 6.79%. These modest contributions highlight untapped opportunities for growth in real estate, particularly if aligned with the needs of the population. The World Bank report warns that while the Kenyan agricultural and services sectors remain resilient, they are slowing and there are risks of further deceleration.

Actual building activity reduced as the level of cement consumption decreased from 6.9 million metric tonnes from January to September 2023 to 6 million metric tonnes over a similar period in 2024, a 13% decline. Nevertheless, developers are still optimistic as value of building plans approved increased in Nairobi County for the period January to October from circa KES 179 billion in 2023 to KES 186.4 billion in 2024, a 4.1% increase implying more development activity in the near future.

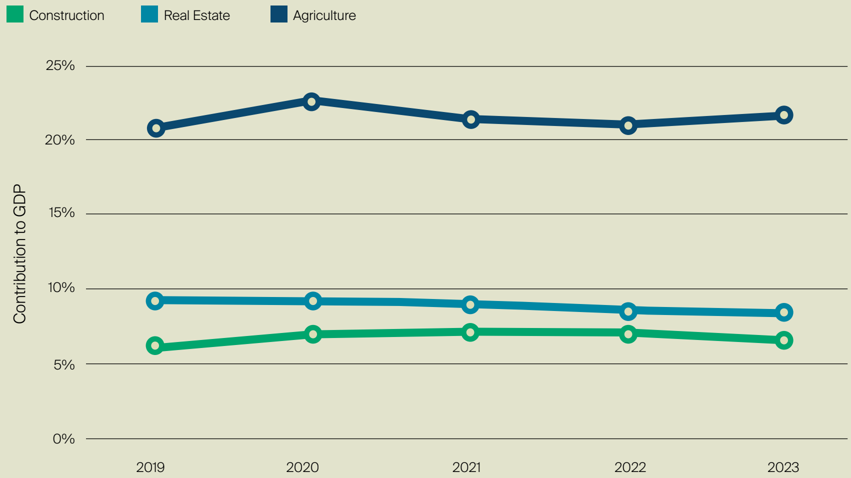
In the second half of 2024, the economy faced challenges from recurring civil unrest driven by political and economic grievances. While the situation is currently calm, it remains volatile with significant downside risks. This sombre economic and political mood is anticipated to persist into 2025. Nevertheless, Kenya remains one of Africa's premier investment destinations, known for its political and economic stability compared to other African countries - key factors in attracting foreign direct investment. Investors are therefore encouraged to continue capitalizing on the country's potential and vibrant market opportunities.

GDP Growth Rates



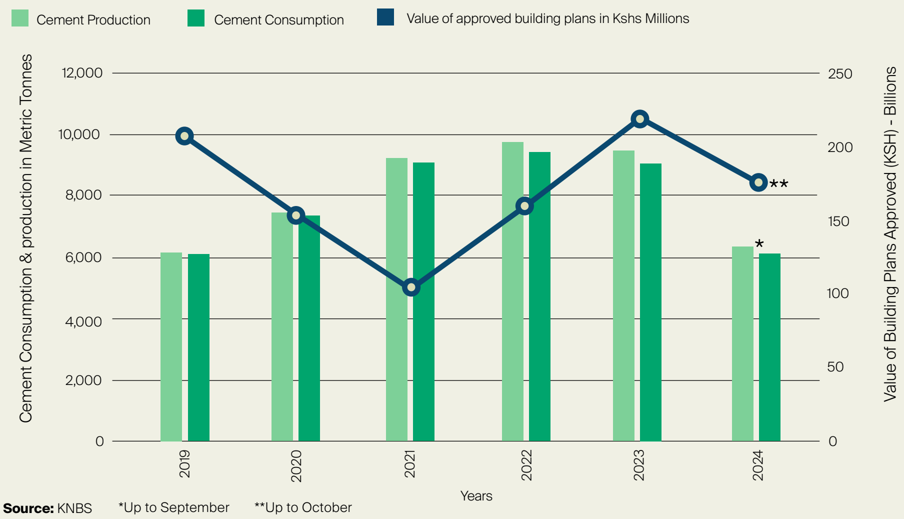
Source: KNBS

Sector Contribution to GDP



Source: KNBS

Construction Sector Statistics



Source: KNBS *Up to September **Up to October

Capital Markets

The central bank rate (CBR) decreased from 13% in June 2024 to 11.25% since December 2024. However, the CBR remains significantly higher than the 2019-2023 five-year annual average. This high CBR is expected to prevail largely due to global economic disruptions, including climate change and geopolitical tensions. The high interest rates are also aimed at preventing additional capital flight and attracting foreign direct investments into Kenya.

The high central bank rates, over the review period, led to higher, albeit not proportionate, commercial lending rates, raising the cost of capital and impacting the capital-intensive real estate sector. Developers, consequently, have adopted a cautious approach, delaying projects until economic conditions are more favourable.

Commercial banks, wary of the real estate sector's risk, have become more conservative in their lending practices. As of December 2023, real estate accounted for 17.1% of Kenya's non-performing loans, despite comprising only 0.2% of loan accounts and 12.1% of loan value.

After hitting historic lows in 2023, the Kenyan Shilling appreciated and stabilized in 2024 against major currencies, including the USD, Euro, and Sterling Pound. From an exchange rate of 1 USD = KES 163 in January, the shilling gained 20.86% to close the year at 1 USD = KES 129. Despite this recovery, rates remain above pre-pandemic levels.

Notwithstanding the persistent demand for USD and prevailing global economic risks, current exchange rate levels are expected to persist into 2025. Kenya's floating exchange rate regime, however, leaves the Kenyan shilling vulnerable to forex volatility.

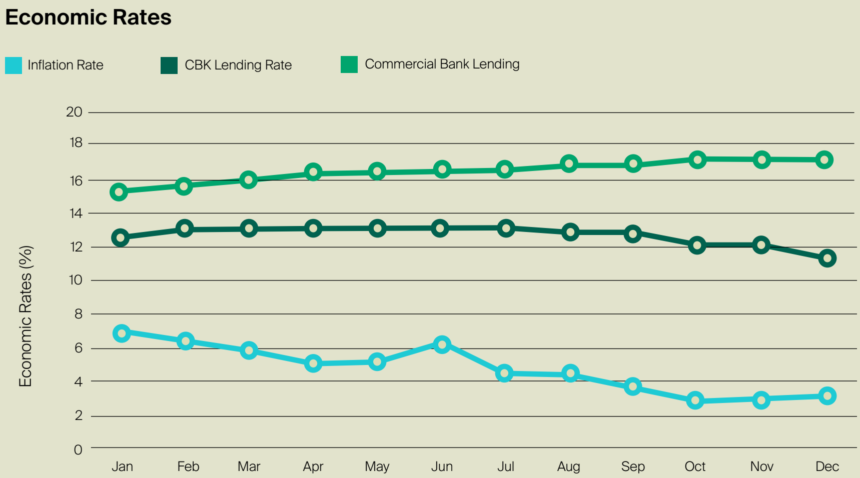
Kenya's Securities and Exchange Market faces challenges in attracting investment and fostering growth. The Nairobi Securities Exchange (NSE) is dominated by a few large financial institutions, and many listed firms, including real estate companies, struggle to attract investors interest due to historical underperformance. This limited market activity has driven investors towards the bond market, where government securities are consistently oversubscribed. A more vibrant NSE could potentially channel these excess funds into economic development and stimulate growth in many sectors including real estate.

As of October 31, 2024, Acorn D-REIT and I-REIT traded at KES 25.4 and KES 22.2 per unit, reflecting 27.0% and 11.0% gains from their KES 20.0 inception prices. Meanwhile, ILAM Fahari I-REIT traded at KES 11.0 per share, a 45.0% loss since inception in November 2015.

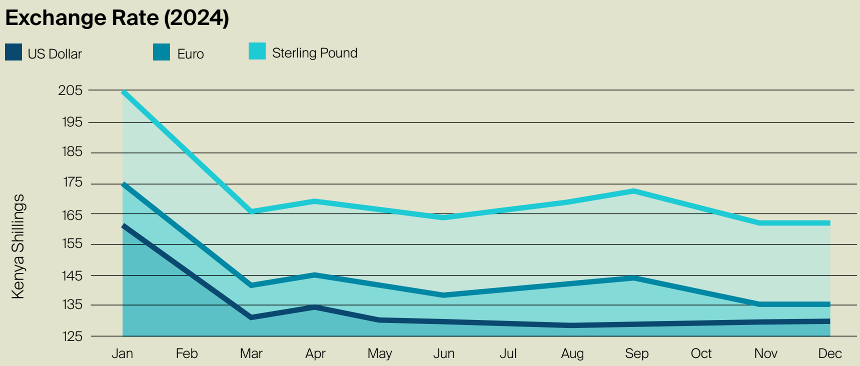
Centum Investment Company plans to launch Kenya's first dollar-denominated Income Real Estate Investment Trust (I-REIT) at Two Rivers, Nairobi, targeting international investors and hedging against currency risks.

Future Construkt Investment Managers Ltd, a subsidiary of Construkt Africa LLC, secured a REIT Manager license from the Capital Markets Authority. Additionally, Mi Vida Homes, a joint venture between Actis and Shapoorji Pallonji Real Estate, got licensed as a REIT manager. Consequently, the firm has created a D-REIT through which it is seeking approval from the CMA to raise KES 5 billion to fund its pipeline of 3,500 housing units. These milestones mark significant addition to the expanding pool of REIT Managers in the industry.

General Atlantic, an American Private Equity firm, completed the acquisition of Actis, a private equity firm which has significant real estate investments in Kenya. Actis is now an independent subsidiary of General Atlantic. On the other hand, Grit Real Estate Income Group Limited, a Pan-African real estate company, completed a USD 100 million recapitalization (restructuring a company's debt and equity mixture, often to stabilize a company's capital structure) of its subsidiary - Gateway Real Estate Africa (GREA) -, with USD 48.5 million contributed by a major South African Pension Manager. The goal was to reduce GREA's more expensive debt and hence ensure sustainability of the company.



Source: CBK



Source: CBK

Infrastructure & Policy

In infrastructure, budget constraints, driven by unsustainable public debt, have prompted the government to favour Public-Private Partnerships (PPPs), resulting in reduced fiscal spending. Recent examples are the infamous and now cancelled Adani Group deals for power generation and upgrading of the Jomo Kenyatta International Airport (JKIA). The Adani Group was set to invest USD1.85 bn in Kenya's main airport in exchange for a contract to run it for 30 years, as well as a USD 736 m deal with the energy ministry to construct power lines.

Kenya, with the support of the Multilateral Investment Guarantee Agency (MIGA) - a member of the World Bank Group -, is exploring the feasibility of issuing a USD 3.86 bn diaspora infrastructure bond.

The long-awaited KES 40 billion Dongo Kundu bypass opened in August, nearly five years after its ground-breaking. The dualling of the 2.7 km United Nations Avenue (Limuru Road Junction to Northern Bypass) was also completed. The Mombasa SGR-MGR link project is over 90% complete, while the construction of the Ngong Road/Naivasha Road Flyover at Junction Mall, Nairobi, began in September 2024.

Eldoret, now upgraded to city status, joins Kenya's other four cities—Nairobi, Mombasa, Kisumu, and Nakuru. However, for the upgrade to translate into improved economic prospects and for the new city to compete as a top investment hub, substantial investments in the city's infrastructure will be crucial.

Rates are one of the main avenues for revenue collection at the county level. However, reviewing them has often been contentious, leading to significant revenue losses for County Governments. To address this, the National Rating Bill 2022 was assented to in December 2024, establishing a uniform framework for counties to levy rates on land and buildings within their jurisdiction.

In a landmark ruling on December 6, 2024, in Petition No. E001 of 2024, Kwanza Estates Limited vs. JKUAT, the court effectively nullified redundant provisions in the Landlord and Tenant (Shops, Hotels, and Catering Establishments) Act - Cap 301. The court held that when a lease lacks a termination clause, a tenant's unilateral termination constitutes a breach of contract. However, landlords cannot force tenants to remain, or demand rent for the unexpired term. Instead, the remedy lies in court-assessed damages. Citing the Land Act, the court deemed a three-month notice sufficient, emphasizing that it is unfair to compel tenants to occupy premises they have vacated or demand full rent for the remaining lease term. This ruling is expected to redefine commercial landlord and tenant relationships as it essentially provides a departure from the mandatory 5-year lease term that are traditionally used to avoid controlled tenancies.

Major infrastructure projects

PROJECT	LENGTH KM	ESTIMATED PROJECT COST (KES MILLIONS)	EXPECTED COMPLETION /STATUS
Dualling Nairobi Nakuru Highway (PPP)	175	180,000	To start 2025
Decongestion of Westlands Roundabout	N/A	1,190	2026
SGR phase 2B &2C	475	648,000	To start 2025
Dualling of Lot 1: Kenol - Sagana	48	40,000	93%
Dualling of Lot 2: Sagana - Marua	36		80%
Dualling of Athi-River Machakos Turnoff	21	5,300	90%
Lot 1; Mombasa – Kwa Jomvu Section	12	15,000	91%
Lot 1: Mombasa – Mtwapa (A7) Road Section	13.5		4%
Dualling and Upgrading of Lot 2: Mtwapa – Kwa Kadzengo - Kilifi (A7) Road Section	40.4	7,500	39%
Ngong Road/ Naivasha Road Flyover	N/A	3,580	To be complete 2027

Source: KENHA/KURA

Office

The debate surrounding remote work gained significant momentum during the review period, with some global employers mandating employees to return to office. While studies have shown that employee productivity is largely unaffected by work location, many companies opted for an in-office work arrangement. This was driven by factors such as justifying office space costs, direct supervision, and fostering in-person collaboration.

In post-pandemic Kenya, the preference for in-office work remains strong. While global discussions on work-life balance and remote work evolve, the Kenyan market is expected to maintain its focus on in-office arrangements for the foreseeable future. However, reflecting a slow shift in workplace dynamics, Workable, a flexible office space provider, took an additional 12,000 sq. ft. at Sanlam Towers in Westlands during the review period.

Kenya's office market has historically experienced oversupply. This reality seems to be catching up with the sector with Knight Frank Kenya noting a decline in future office space supply. During the review period, notable completions included Purple Tower along Mombasa Road, Highway Heights in Kilimani, Matrix One, the Mandrake, and Museum Hill Towers in Westlands - collectively adding at least 522,284 sq. ft. of prime office space. The table below highlights upcoming developments, reflecting a more measured approach to office space expansion.

A challenging economic environment slightly reduced the take up of prime offices. Additionally, released new stock caused a downward pressure on occupancy levels with average occupancy rates falling from 77.2% in H1 2024 to 72.70% in H2 2024 . Occupancy rates in Kenya have historically varied around a long-term average of 75% (+/- 3%). This stability is consistent with monthly prime office rents which remain at USD 1.2 per sq. ft exclusive of taxes.

Currency volatility is significantly impacting the Kenyan real estate market, particularly for developers with USD-denominated loans. While landlords seek to hedge against foreign exchange losses by preferring USD-denominated leases, tenant resistance, often due to most of their operations being in Kenya shillings, limits the success of this strategy. Since Kenya is a tenant's market, many landlords are compelled to continue accepting Kenyan Shilling-denominated leases to maintain occupancy rates.

The sales market continued to remain subdued as high asking prices posed a persistent challenge. During the period under review, the Central Bank Pension scheme sought to sell two buildings —Timau Plaza and Twiga Hill Park in Nairobi for a price of KES 1.08 billion. Fusion Capital Limited announced that it had successfully sold its acclaimed Kigali Heights development in Rwanda to Yussa Company Limited, a leading local freight and real estate firm, for USD 31.8 million. This Grade A commercial and retail property, situated near the Kigali Convention Centre, was a flagship project by Fusion Capital, with construction completed in December 2016.

Overall, Global Knight Frank corporate real estate (CRE) Leader sentiment rose by 1.98 points to reach the highest level seen since Q4 2023. The indicator with the strongest quarterly increase was in relation to increasing the proportion of sustainable buildings within portfolios. The quarter's survey also had a special focus on AI adoption. Within the next 12 months, respondents expect to see increased levels of AI adoption at both an enterprise level and within the CRE function.

The global emphasis on sustainability is driving developers and occupiers to align with ESG standards. While developers have been hesitant to upgrade existing properties, occupiers are proactively incorporating sustainability measures during office fitouts. Recent examples of EDGE accredited offices include the GEAPP Office Fit-Out, Diamond Trust Bank Headquarters and Kisumu branch, Workable Offices in Westlands, and the Children's Investment Fund Foundation offices in Parklands.

72.7%

Current Grade AB Office Occupancy Rate

Pipeline of Select Prime Office Properties 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
The Pod	Lavington	128,000	2028
Bishop's Road	Upperhill	100,000	2028
Twin Towers	Upperhill	200,000	2027

Source: Knight Frank Kenya

Retail

Kenya is predominantly an informal retail market, with small shops (dukas/kiosks) dominating due to most of the population being low-income earners. Despite the growing middle-income population, penetration of large formal retail spaces, such as traditional large malls, has not significantly increased over the years. Developers are now focusing on mini malls, driven by reduced disposable incomes and the historical oversupply in the larger mall market.

Supermarkets, traditionally key footfall drivers for malls, are also adapting by diversifying their presence in malls and instead opening smaller outlets in residential areas, petrol stations, highways, and near major traffic hubs. This strategy offers consumers greater convenience and reduces reliance on malls. Despite this shift, prominent malls in affluent neighbourhoods, many over 15 years old, continue to thrive due to their strong brands, goodwill, and prime locations.

In 2024, more than 250,000.00 sq. ft. of new retail space was released into the market via notable completions that included Mwanzi Market, and GTC Mall in Westlands, Nord Mall in Ruiru, Runda Mall in Runda, and The Cove in Lavington. Upcoming projects include:

Prominent malls continue to achieve high occupancy rates of over 90% and command prime monthly rents exceeding KES 600 per sq. ft. However, these high rents deter small-scale retailers targeting low-income populations, limiting the growth of shopping malls.

Major supermarkets in Kenya pursued expansion strategies in 2024. Naivas opened new branches in Kilimani, Nyali, Mavoko, and Tilisi, increasing its nationwide presence to 109 stores. Carrefour added locations at Runda Mall off Kiambu Road, Nord Mall in Ruiru and Spring Valley Shopping Centre in Westlands, though it closed its store at Mega Plaza Mall in Kisumu, leaving it with 26 stores across the country. Chandarana grew its network to 28 outlets, including a new store at Greenwood Village Mall in Nyali. Meanwhile, China Square continued its expansion, launching its 4th and 5th branches at Nyali Bazaar Mall in Mombasa and Mega City Mall in Kisumu.

French-based Decathlon, the world's largest sporting retailer, launched a 64,500 sq. ft. store at Westgate. This makes it its 3rd store in Kenya signifying consumers increased focus on active living.

Meanwhile, renovations across several shopping malls were completed to drive footfall to the various centres. Key examples include the Hub Karen Mall, that unveiled the Hub Park, a circa 34,400 sq.ft. indoor play arena and among the largest indoor play area in East Africa, and Prestige Plaza which introduced Prestige Play Park, dubbed "Playza". These enhancements included creating vibrant indoor recreational areas designed to attract families and shoppers seeking leisure activities. By offering such amenities, landlords not only enhance the appeal of their properties but also improve occupancy rates by drawing in businesses and patrons looking for a dynamic and engaging environment.

Pipeline of select Prime Retail Properties in Nairobi

COMMERCIAL RETAIL DEVELOPMENT	LOCATION	APPROX. SIZE (SQ.FT)	ESTIMATED COMPLETION DATE
Promenade	Rhapta Road	75,000	2025
Community Mall	Magadi Road	100,000	2025
Lavington Square	Gitanga Road	70,000	2025
The Beacon	Upperhill	60,000	2026
Elgon Road	Upperhill	70,000	2026
The Junction Expansion	Ngong Road	100,000	2027
Galleria Mall Expansion	Karen	100,000	2027

Source: Knight Frank Kenya

Residential

Prime residential sales index increased by 8.27% for the 12 months to December 2024 compared to 2.45% in a similar period in 2023. Similarly, Prime residential rental indices increased by 6.56 % for the 12 months to December 2024 compared to 5.85% in a similar period in 2023. There has been increased demand for reasonably priced prime properties from high-net-worth individuals and the expatriate market. This is partly owing to their scarcity, as developers shift focus to developments that target the low- and middle-income residential consumers. To partly address this market demand, Knight Frank Africa launched its premier continental collection that consists of prime residential properties across the continent.

The growing middle class in Kenya's capital has driven increased demand for quality housing, as evidenced by county government data showing that residential buildings accounted for 83.35% of the value of building plans approved in the first three quarters of 2024. This rising demand has prompted changes in zoning regulations, transforming areas like Kilimani from single-storey zones into skylines of residential towers. However, affluent neighbourhoods such as Karen, Muthaiga, and Kitisuru have retained their low-density, single-storey character, reflecting their status as homes to the wealthy.

A notable trend in the residential market is the "build-to-sell" concept, which caters to middle-income earners aspiring to own homes. Developers are offering opportunities to purchase apartments in Nairobi suburbs such as Westlands, Runda, Lower Kabete, and Kiambu Road. This model often results in partitioned properties where owners pay only service charges. However, managing these properties effectively remains a challenge due to the involvement of multiple owners, often numbering in the tens or hundreds.

Like other real estate sub-sectors, the residential market has been affected by Kenya's tough economic climate. Rising interest rates have increased construction costs, pushing up property prices and discouraging buyers already burdened by economic pressures. To counter this, developers are promoting off-plan investments as a cost-effective option. However, this approach has received mixed reactions, as cases of unscrupulous developers have led to significant financial losses for some buyers, further dampening market activity.

8.27%

Increase in the prime residential sales index for the 12 months to December 2024, compared to a 2.45% rise in the same period in 2023

Muthaiga Crescent
FOR SALE: Ksh. 270 Million

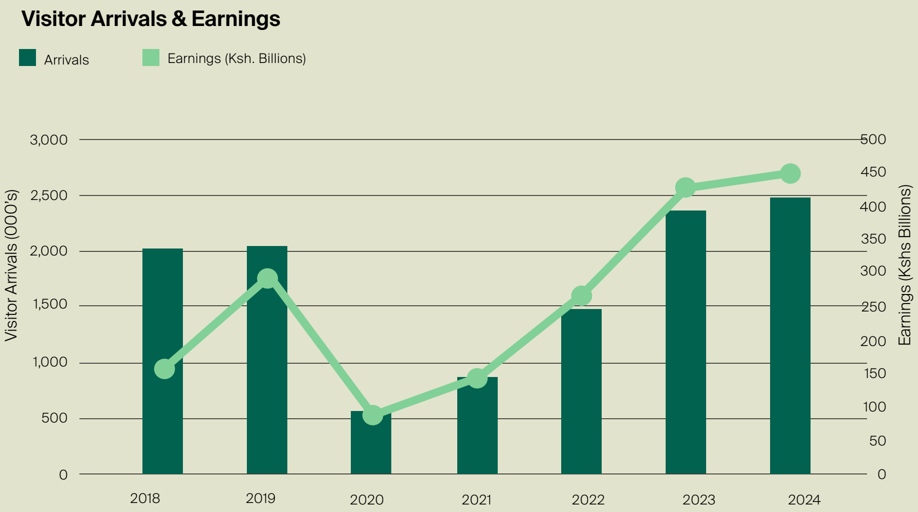
Hospitality

It was estimated that at least 2.5 million tourists will visit in 2024, marking a record high and a significant increase from the 2.09 million visitors recorded in 2023. Year 2023 had witnessed a 35.4% rise in arrivals from 2022, signalling that tourist numbers are on track to grow by 1 million visitors over a two-year span. The government has set an ambitious target of attracting 5 million visitors by 2027, a goal partly facilitated by the launching of new routes such as the direct route between Nairobi and Kuala Lumpur by AirAsia.

The surge in tourist arrivals is complemented by a high supply of new hotel completions in the capital. The supply of new hotel rooms increased from 550 in 2023 to approximately 1,350 in 2024, primarily in the luxury and upscale markets. However, supply is expected to remain subdued for the next two years.

Notable hotel completions during the review period include the Novotel Westlands (347 rooms), Hyatt House and Hyatt Place (233 rooms combined), and Okash Hotel Nairobi (56 rooms). Outside the capital, the iconic Treetops Hotel reopened after renovations and a prolonged closure due to the COVID-19 pandemic. Located in Aberdare Forest, approximately 17 kilometres from Nyeri town, the Treetops Hotel is expected to attract significant visitor interest.

The major hotel development in the pipeline is the Courtyard Hotel near Jomo Kenyatta International Airport (JKIA) in Nairobi. With an estimated investment of KES 1.2 billion, this Marriot International brand hotel offers 180-rooms. It aims to cater to the growing demand for premium accommodations in Kenya, especially among travellers seeking convenient access to major transport hubs. Once completed, the Courtyard Hotel will become the second Marriott-operated facility near JKIA, following the Four Points by Sheraton. Scheduled for completion in 30 months, the hotel will feature 174 standard suite rooms and six junior suites, competing with developments such as the upcoming Radisson JKIA and the existing Crowne Plaza.



Source: KNBS

Industrial

Industrialization is essential for sustainable economic growth, yet Kenya remains non-industrialized and far from achieving its industrialization goal as envisioned in Vision 2030. This challenge is exacerbated by high production costs, particularly electricity, which remains among the most expensive in the region. Despite abundant land in export processing and special economic zones, high costs continue to deter investors.

Mobius Motors Kenya, the country's only homegrown car manufacturer, announced plans to shut down through liquidation, reflecting the challenging business environment. However, the firm later revealed it had found a new buyer, raising hopes for continued operations. It remains unclear whether the company will proceed with liquidation or if the deal will secure its future. Moreover, CFAO Motors acquired 98% ownership in the financially distressed and Thika-based car-assembly firm, Kenya Vehicle Manufacturers Limited. Despite these challenges, Kenya continues to attract multinational corporations, with Volkswagen planning to partner with a local carmaker to resume production of select models.

Nairobi Gate Industrial Park SEZ has begun its USD 7 million fifth phase, adding 130,000 sq. ft of modular warehouses to boost Kenya's light manufacturing sectors. With 17 businesses, including eight SEZ enterprises benefiting from tax and customs incentives, the park has attracted significant foreign investment. Since November 2023, Nairobi Gate has developed 23% of its 103-acre site, created 434 permanent jobs, and built over 550,000 square feet of logistics facilities. The expansion promises more jobs, skills training, and economic growth.

Meanwhile, Hewatele, a medical oxygen producer, secured USD 20 million in financing and broke ground at Tatu City in August, aiming to address the recurring shortage of medical-grade oxygen in Kenya. Also, at Tatu City,Kim-Fay, a leading manufacturer and distributor of hygiene, tissue, and home care products in East Africa, has secured KES 2.5 billion funding from the Norwegian Investment Fund for Developing Countries (Norfund) and I&M Bank for its new paper plant.

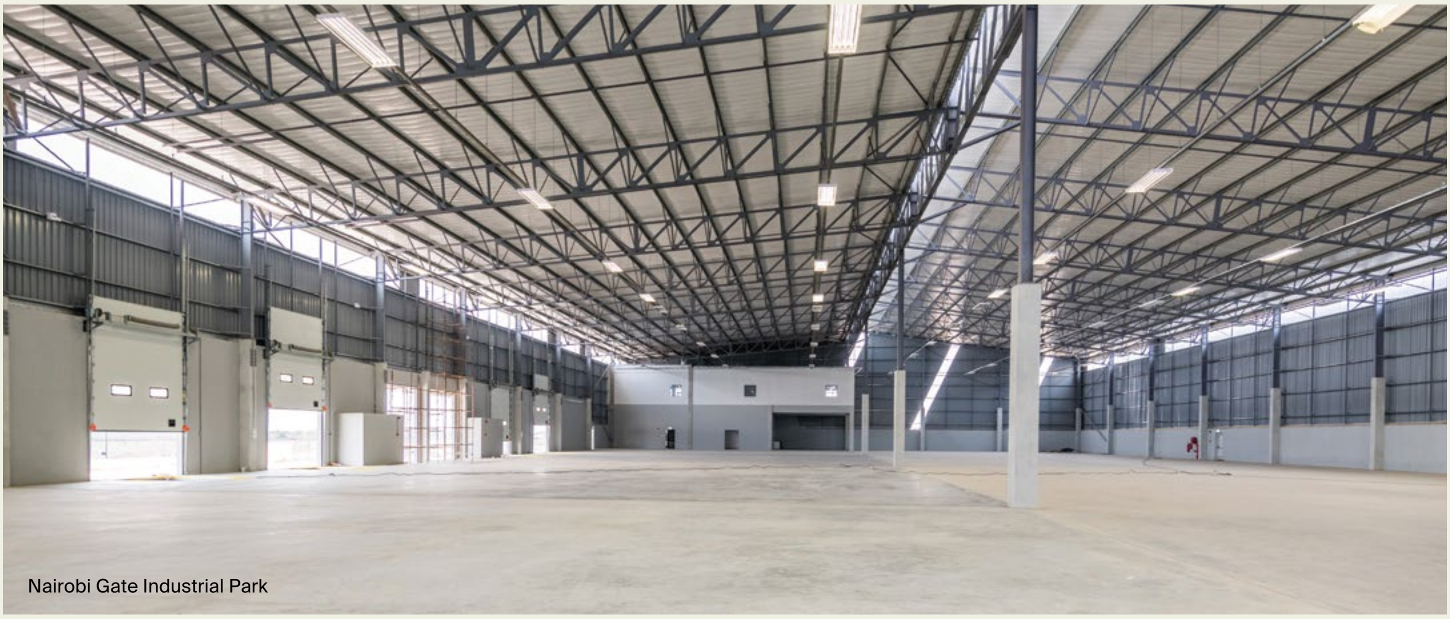
At Tilisi, a master planned mixed used development, interest continues to grow with Vecare, a leading manufacturer of domestic animal health and nutrition solutions in East Africa, breaking ground, and Skanem, a leading supplier of labelling solutions, inaugurating their circa 80,000 sq. ft facility. Crystal Frozen and Chilled Foods Limited are also planning on building a logistics facility at their recently opened SEZ in Naivasha. With SEZs struggling to attract investors and licensed developers failing to develop land sooner, the government has issued a warning to investors holding onto licenses in the SEZs, cautioning that licenses will be revoked if operations do not commence within one year of issuance.

As part of efforts to create jobs, the Kenya Leather Park in Kenanie, Machakos County, is now 90% complete. Meanwhile, the Devki Group of Companies has proposed a KES 11 billion steel plant in Taita Taveta. In a bid to mitigate high electricity costs, Mombasa Cement plans to construct a 20MW power plant in Vipingo, further advancing industrial growth at the Coast.

During the period, Centum Investment Company received a license to establish and operate Vipingo Special Economic Zone (SEZ) in Kilifi County, marking the first private SEZ and the third overall at the Coast. Spanning 6,000 acres, this project is a joint effort between Centum PLC and Arise Integrated Industrial Platforms, aiming to boost economic growth, exports, and employment in the region.

12
months

Government warning to investors holding onto licenses in the SEZs.



Nairobi Gate Industrial Park

Alternatives Market

Kenya generates over 85% of its electricity from renewable sources, aligning with global sustainability goals. Rising demand for electricity—driven by expanding access, household needs, and businesses—led to occasional blackouts in 2024. To address this, a 105 MW geothermal power project in Menengai is underway. The USD 198.4 million project, funded primarily by the African Development Bank, is being executed in three phases. Phase 1, developed by Sosian Energy, is operational, while Phase 2, led by Globeleq, is under construction. Additionally, KenGen, Kenya's leading electricity provider, is advancing plans to construct the Olkaria VII Geothermal Power Plant, an 80.3 MW station, at an estimated cost of KES 32.2 billion.

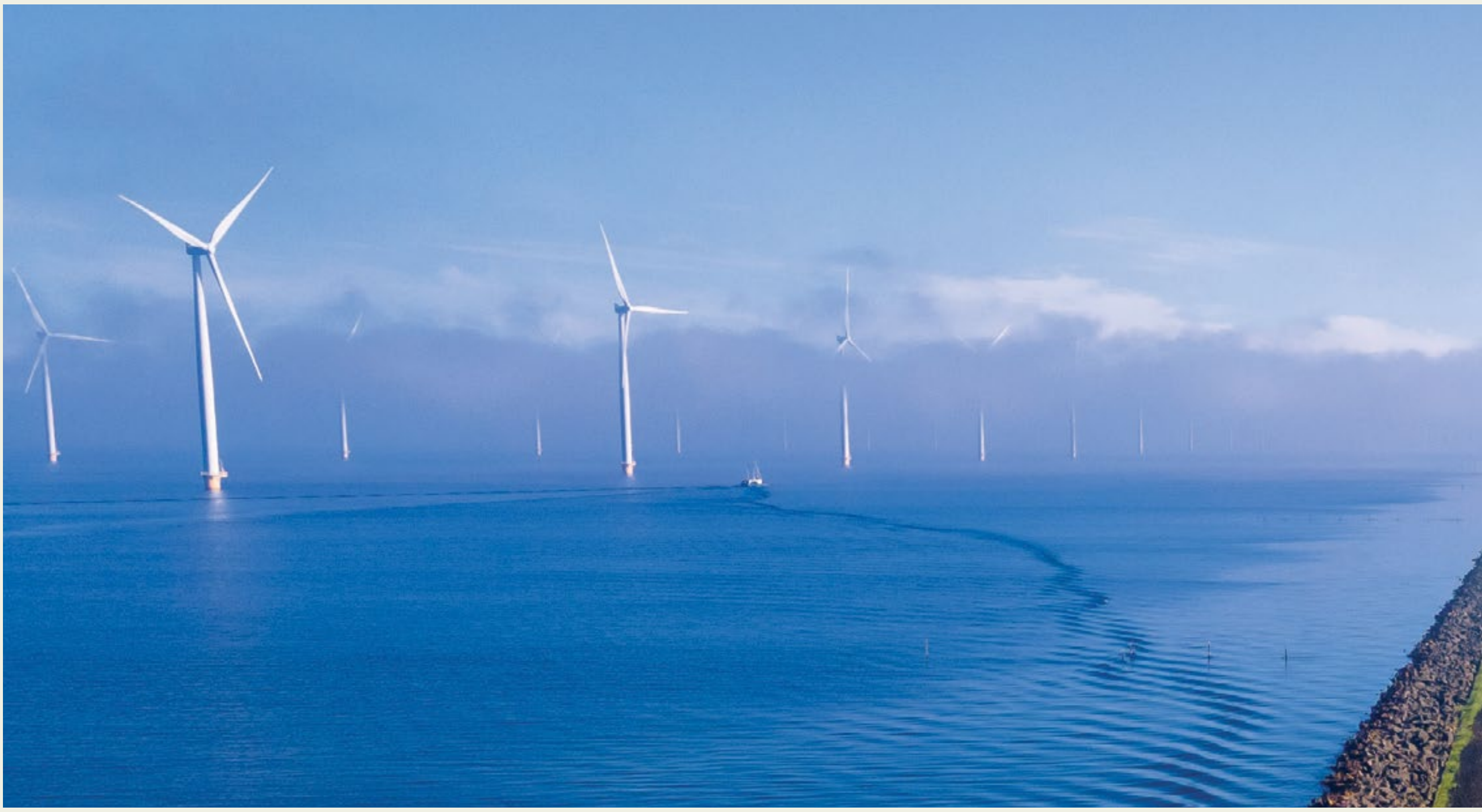
Plans are also underway to construct the first nuclear power plant by 2027, with an estimated cost of KES 500 billion and a projected capacity of 1,000 MW. Supported by the Nuclear Power and Energy Agency (NuPEA), the Treasury, and the Ministry of Energy, the project is currently undergoing environmental assessments and public consultations.

The increasing interconnectivity of the world and the rising reliance on the internet for business and personal use have driven a surge in demand for data centres. In Kenya, this trend is further boosted by legislation requiring local hosting of Kenyan data. Over the past decade, major players like Digital Realty, IX Africa, and Africa Data Centres have made significant investments in the sector. The supply side has some significant projects. Digital Realty are progressing with the construction of the second phase of its 14 MW Nairobi Karen Campus (NBO2 data centre) along Langata Road. There are plans for a 1 GW green-energy-powered Olkaria EcoCloud Data Centre in Naivasha after a partnership between Kenya's EcoCloud and Emirati firm G42. Cloudoon, an American tech company, proposed a 10 MW Masinga Green Data Centre near the 7-Forks hydropower stations, while Airtel Africa announced plans for a 7 MW data centre in Nairobi.

As internet demand grows, high costs and limited WiFi access outside major towns hinder connectivity. Mawingu, an ISP focused on rural areas, operates in 22 out of the 47 counties in Kenya. Its expansion, bolstered by acquiring Tanzania's ISP Habari and USD 15 million in funding from Africa Go Green Fund, InfraCo Africa, and FMO, aims to bridge this gap.

Since 2013, the Kenyan government has championed affordable housing, solidifying its commitment in 2024 through a housing levy aimed at ensuring payment certainty for developers meeting quality standards. This initiative seeks to empower low-income earners to transition from slums to dignified housing. During the review period, the government announced the launch of the sale of 4,888 housing units that were nearing completion, across 21 social housing projects. The units, comprise of studios, one-bedroom, two bedroom, and three-bedroom homes, offering 1,041 social housing units, 2,133 affordable housing units, and 1,714 affordable middle-class housing units in 24 counties.

Additionally, to facilitate home ownership, it was announced that Workers building homes in rural areas could now access affordable



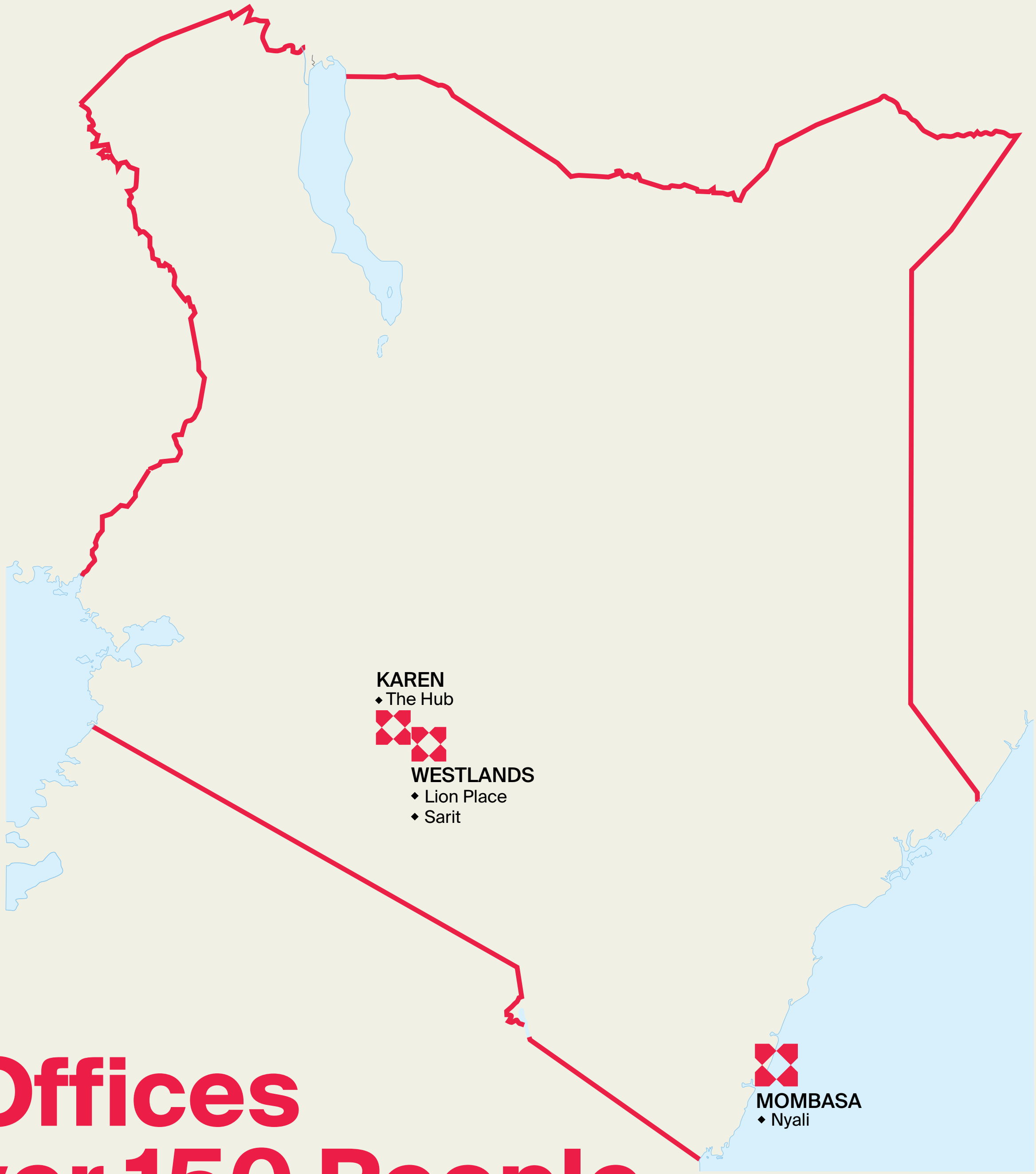

Affordable Housing, Counties

mortgages through a KES 10 billion Housing Levy-funded program. Single-family applicants could borrow up to KES 5 million reducing balance, while multi-family dwellings qualify for up to KES 10 million, repayable over 10 years at single-digit interest rates. Managed by the National Housing Development Fund, this initiative addresses rural housing challenges, where only 1.5% of households have quality homes compared to 14.1% in urban areas.

Private developers are increasingly tapping into the affordable housing market, capitalizing on frustrations with government-funded housing programs. With the expanding middle-income population, developers are eager to meet the growing demand for affordable homes. Recent players in this space include Mi Vida Homes, which plans to develop the Keza Laika project on 3.7 acres in Ruaka; Beulah City, in partnership with KCB and AMS Properties, which aims to construct 1,074 apartments off Naivasha Road in Nairobi; and Megna Homes in Mombasa, targeting the addition of 400 units to the affordable housing sector. Superior Homes, the developers behind the successful Green Park Estate in Athi River, have plans to transform 60 acres of land in Ruiru, Kiambu County, into a residential real estate project branded 'Kanzi Springs.

“

Kenya is set to build its first nuclear power plant by 2027, costing KES 500 billion, with a projected capacity of 1,000 MW.



4 Offices
Over 150 People

To work responsibly in partnership, to enhance people's lives and environments

Our Expertise Service Lines

Leveraging on Knight Frank's four unique aspects – Independent, International, Commercial and Residential – which set the brand apart, the company offers a variety of real estate consultancy services.

1. Agency (Commercial, Residential and Retail)
2. Occupier Services
3. Property Management
4. Facilities Management
5. Valuation & Advisory
6. Research & Consultancy

Key Contacts

MANAGEMENT

Mark Dunford
Chief Executive Officer
+254 792 650 685
mark.dunford@ke.knightfrank.com

Maina Mwangi
Executive Director & Head – Property Management
+254 733 805 205
maina.mwangi@ke.knightfrank.com

VALUATION & ADVISORY

Stephen Makau
Head - Valuations & Advisory
+254 723 389 092
stephen.makau@ke.knightfrank.com

RESIDENTIAL AGENCY

Tarquin Gross
Head of Residential Agency
+254 716 875 920
tarquin.gross@ke.knightfrank.com

RESEARCH

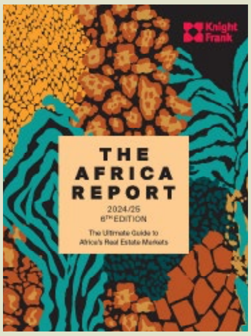
Charles Macharia
Senior Research Analyst
+254 721 386 019
charles.macharia@ke.knightfrank.com

Ndiritu Muriithi
Research Analyst
+254 741 805 238
ndiritu.muriithi@ke.knightfrank.com

Boniface Abudho
Africa Research Analyst
+254 717 264 504
boniface.abudho@ke.knightfrank.com

Recent Publications

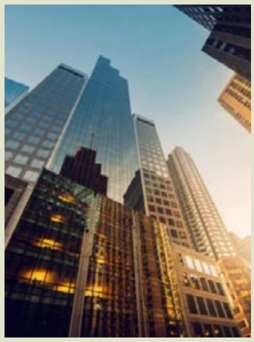
6th The Africa Report



Wealth Report Kenya Edition

Kenya Market Update H1 2024

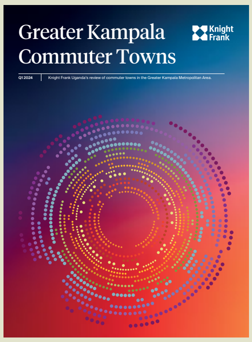
Knight Frank Global CRE Q3 2024



Africa Industrial Market Dashboard - H1 2024

Africa Office Market Dashboard - H1 2024

Greater Kampala Commuter Towns Report - 2024



East Africa Retail Market Infographics - Q3 2024

Knight Frank Research Reports are available at
knightfrank.com/research

Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for independent expert advice customised to their specific needs