Kenya Market Update

H2 2023

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

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Real estate market performance overview

While prime real estate exhibited favorable performance, the year 2023 underscored the significance of environmental preservation. Kenya, where 87.5% of electricity stems from renewable sources, remained steadfast in advancing green financing and sustainable building practices. Despite challenges such as a weakening Kenyan shilling and elevated CBK lending rates, the real estate market remained resilient.

Climate change
Discussions gain local prominence

Residential
Prime residential prices increase

Office
Office occupancy rates increase to 76.5%

Retail
Supermarket chains continue expanding

Alternative Markets
Investment activity in alternative markets remains strong

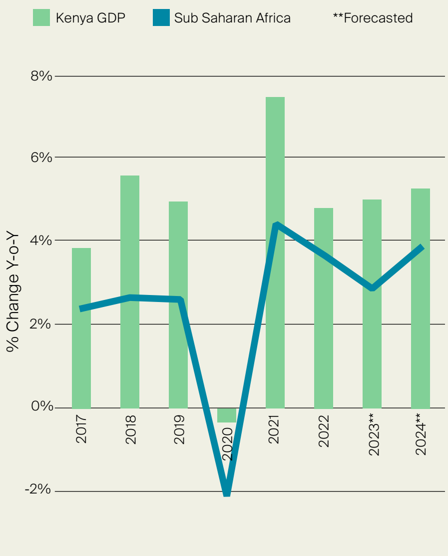
Hospitality
Positive trajectory observed in the hospitality sector's recovery, with increasing occupancy rates and new players entering the market

Industrial
Agro industrialisation drives growth in the industrial sector.

Capital Markets
The Kenyan shilling experiences a significant decline.

CBK (Central Bank of Kenya) lending rate hits a 10-year high

GDP Rates



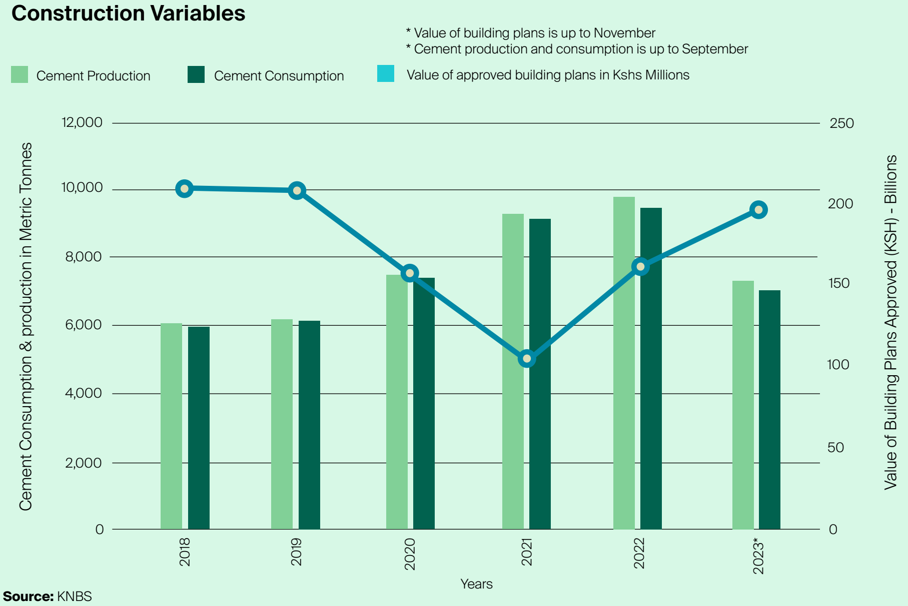
Source: KNBS & The World Bank

MACRO ECONOMY

Global economies continue to grapple with challenging economic conditions, with inflationary pressures continuing to be a major challenge.

The 2024 World Bank Global Economic Prospects projects a slowdown in global economic growth for 2023 compared to 2022. The projected global average growth rate was approximately 2.6% in 2023, down from 3.0% in the previous year. Emerging economies are expected to have seen a slight improvement in growth, rising from 3.7% in 2022 to 4.0% in 2023. However, Sub-Saharan Africa, categorised within the emerging markets segment, is forecasted to experience a deceleration in growth rate – from 3.7% in 2022 to 2.9% in 2023. This slowdown was attributed to various factors including elevated input prices, energy shortages, stringent monetary and fiscal policies, and prolonged conflicts.

Construction Variables



Source: KNBS

The outlook for 2024 is expected to have moderate growth rate, with global growth rate levels shrinking further to 2.4%, while that of developing economies will remain at 3.9%, according to the 2024 World Bank Global Economic Prospects.

The negative outlook on global economic prospects is attributed to the expected implementation of tighter monetary policies and reduced fiscal spending by many nations, aimed at addressing their escalating public debt levels. The enactment of these stricter monetary and fiscal measures contributed to the slowdown in economic activities observed in 2023 compared to 2022. Despite the challenging global economic landscape, the 2024 World Bank Global Economic Prospects forecast indicates that Kenya is poised to defy the prevailing trend, with an anticipated economic growth rate of approximately 5.0% in 2023. This forecast underscores Kenya's robust and resilient economy, which is projected to nearly double the 2023 economic growth rate of Sub-Saharan Africa (SSA). Furthermore, Kenya is expected to sustain this positive momentum with a growth rate of 5.2% in 2024. Notably, Kenya recorded a growth rate of 4.8% in 2022, reflecting its steady economic progress.

Globally, climate-related policies are set to remain at the forefront of agendas in 2024, building upon their prominence in 2023. There is a concerted global effort to address climate change through the adoption of green transition strategies. As a result, governments are expected not only to launch environmentally friendly initiatives but also to prioritise educating their citizens about the urgent need to combat climate change.

According to the 2024 World Bank Global Economic Prospects, headline inflation worldwide has seen a gradual decline from 7.8% in 2022 to approximately 5.5% in 2023, attributed to the implementation of stricter monetary and fiscal policies. Specifically in Kenya, between June and December 2023, there was an 15.86% decrease in headline inflation, dropping from 7.88% in June to 6.63% in December. Throughout the entire review period, contrary to the first half of 2023, inflation remained within the Central Bank of Kenya's (CBK) lowest and highest thresholds of 2.5% and 7.5%, respectively.

The rise in inflation has been propelled by high cost of doing business largely stemming from rising costs of fuel and electricity. Between January and December 2023, the cost of fuel increased by 19.98%, from KES 177 to KES 212.36 per litre of super petrol in Nairobi. Similarly, during the same period, domestic electricity costs increased by 25.09%, rising from KES 26.39 to KES 33.01 per unit (1 kWh). However, in 2024, inflation is anticipated to remain within the Central Bank of Kenya's (CBK) target range, as the global crude oil prices gradually stabilise.

A significant macroeconomic factor impacting the Kenyan economy is the persistent depreciation of the Kenyan shilling, which has reached historic lows against the US Dollar and other major global currencies. Since June 2023, the Kenyan shilling has experienced a depreciation of approximately 9.02% in its purchasing power. The cascading effects of this depreciation have resulted in increased prices of basic commodities, consequently leading to high inflation rates. In 2024, the downward trajectory of the shilling is anticipated to persist, albeit at a slower pace, as the Central Bank of Kenya implements more stringent monetary policies, complemented by reduced fiscal spending.

Between January and September, in 2022 and 2023, cement production and consumption remained steady. When comparing 2023 to 2022, there was a marginal increase of 0.01% in cement production, while cement consumption decreased by 1%. This stability in cement production and consumption is notable, especially considering that the value of building plans approved for Nairobi City County increased by 34.69% between January and November in 2023, compared to the same period in 2022. This suggests that many of the approved building plans may be speculative in nature, suggesting that developers are possibly awaiting a more favourable economic environment with lower costs of capital.

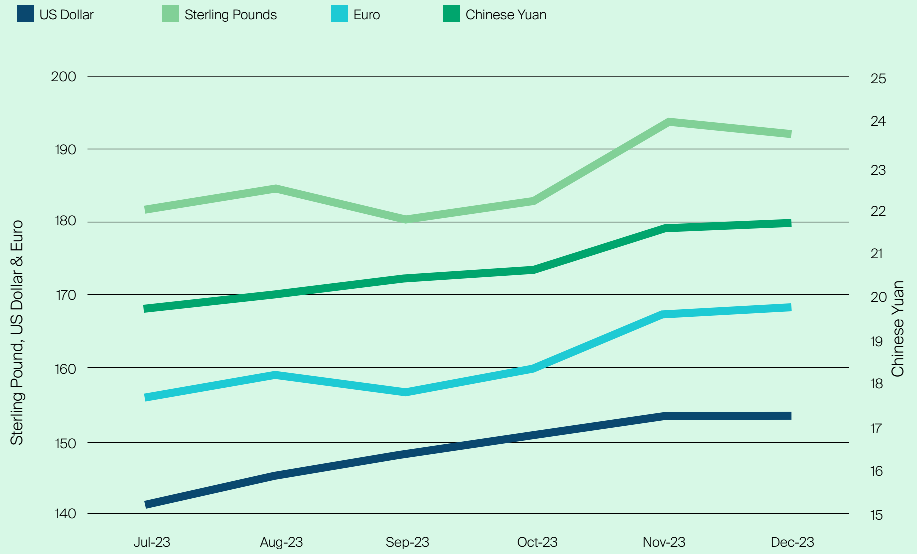
CAPITAL MARKETS

The capital markets arena provides an avenue for investors to supply money to borrowers. Suppliers aim to profit via charging a cost while borrowers target to profit through earning more than the cost of the loaned funds. The interplay between money suppliers and borrowers is greatly affected by the prevailing interest rates. The higher the interest rates, the more costly the loaned funds are, thus cutting down the appetite for borrowing. With less lending, there is reduced money supply, and this may apply downward pressure on inflation. Moreover, high interest rates tend to reduce the demand for dollars among borrowers hence serving as a policy to promote exchange rate stability of the Kenyan shilling against major world currencies.

In December, the Monetary Policy Committee (MPC) - the organ within the Central Bank of Kenya (CBK) mandated with setting monetary policy - raised the CBK base lending rate from 10.5% to 12.5%. With this latest increase, the base lending rate has reached its highest level in over a decade (2013-2023). This decision was driven by the depreciation of the Kenyan shilling, which has been losing value against major global currencies since 2021. The recent series of rate hikes is aimed to tighten the monetary policy in the hopes of stemming the decline of the shilling and achieving exchange rate stability. However, despite these efforts, the shilling has continued to weaken against the USD.

The construction sector has experienced a slowdown in both the public and private sectors. This deceleration is attributed to heightened financial costs. The impacts of

Foreign Currency Exchange Rates



Source: CBK

increased cost of capital contributed to at least 12 Nairobi Stock Exchange (NSE) listed firms issuing profit warnings to their shareholders.

Over the review period, the performance of the Kenyan stock market was way below investors expectasion, marked by a fourth consecutive quarter of decline in its capitalisation value. The diminishing value can be attributed to capital flight, as foreign investors divest their stocks due to challenging economic conditions affecting not only Kenya but also numerous developing economies.

While investments in the stock market are declining, the bond market is faring well. The continuous interest rate rises have attracted investors to the bond market, which offers secure and appealing returns. This trend is evidenced by the increased oversubscription of bonds issued by the Central Bank of Kenya (CBK). The recent hike in the baseline lending rate is expected to further boost investors interest in the bond market. In September, the Capital Markets Authority (CMA) approved the issuance of Kenya's inaugural Islamic bond, also known as sukuk bond. This sharia-compliant financial instrument aimed to raise KES 3 billion for the development of institutional housing.

Real Estate Investment Trusts (REITs) are designed to provide individual investors with opportunities to generate steady income from real estate investments without the need to directly purchase or manage properties themselves. While Kenya has explored the concept of REITs, it appears to have not gained significant traction yet. In November, ILAM (ICEA Lion Asset Management) FAHARI I-REIT was delisted from the main segment of the Nairobi Securities Exchange (NSE). The delisting occurred as part of a restructuring of the REIT, transitioning it from an unrestricted REIT to a restricted one. The decision was prompted by a lack of significant investor interest in the REIT, necessitating a shift in strategy towards targeted marketing focused on professional investors. The restructuring strategy may have been forthcoming, given that listed real estate entities, ASA D-REIT, ASA I-REIT, and Home Africa have, since going public, attracted negligible demand for their stocks - their share prices are either too low or lack any meaningful appreciation since listing, conditions that fail to incentivize investors.

INFRASTRUCTURE & POLICY

Kenya boasts one of the best infrastructure networks in Africa. As a developing nation, investments in infrastructure continue to take a large share of government spending, albeit the increasing public debt is putting pressure on government spending and economies in general leading to lower budgets for infrastructure developments. This has led the government to prioritise the utilisation of public-private partnerships (PPPs) to finance infrastructure projects, particularly in road construction - a notable instance being the Nairobi Expressway which illustrated that the government is willing to utilise tolls for large infrastructure projects. Going forward, there is an anticipation of a reduction in budget allocation for infrastructure as the government implements a more rigorous fiscal policy aimed at stabilising the economy. Consequently, many proposed infrastructure projects have been put on hold.

37.5Bn

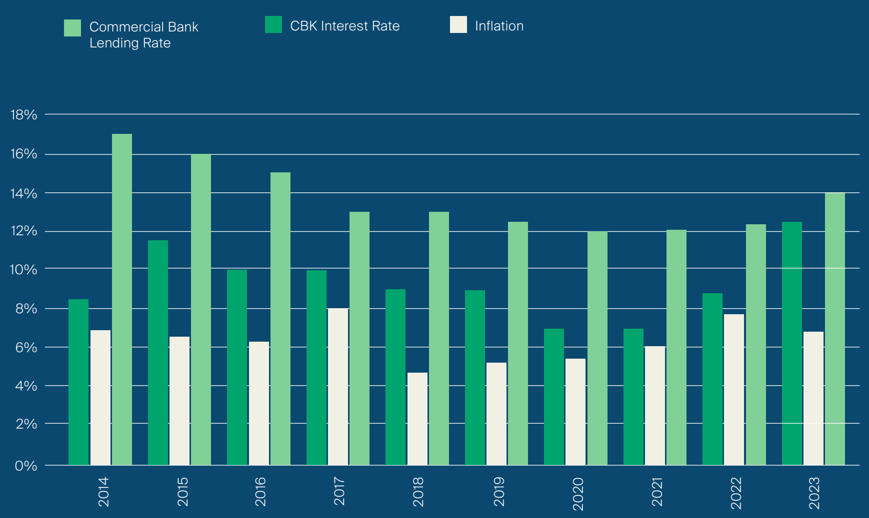
Government of Kenya pledges expedited construction of Bomet-Narok grid line

In a significant stride forward, the Nairobi-Mombasa Expressway project has received the green light for construction under a public-private partnership (PPP) model, bringing optimism and momentum to this long-awaited venture. According to the National Treasury, the 473-km highway has successfully navigated the initial stages of preparation, gaining approval from the PPP committee. The upcoming construction phase, with an estimated cost of $3.6 billion (Sh554 billion), heralds a promising development for enhanced connectivity and infrastructure in the region.

Kenya is considered a leader in the East African region. To enhance Kenya's collaboration with her neighbours, several infrastructure projects were mooted during the review period. The African Development Bank (AfDB) approved circa KES 215 million for a feasibility study into the proposed Kisumu-Kisian-Busitema-Busia Expressway which will connect Kenya and Uganda. The road will expand the existing Northern Corridor which is the main goods transport network in East Africa.

Since the 2015 Paris Climate Accords, efforts to promote climate change mitigation have been gaining momentum. Eight years later, in 2023, climate change became one of the most discussed topics as the world grappled with the impacts of climate change. Nevertheless, a breakthrough from the latest COP 28 (Dubai) was the adoption of the first Global Stocktake. According to the United Nations (UN), the Global Stocktake serves as an evaluation tool to comprehensively analyse global progress on climate action and support. It aims to identify

Inflation, lending, & interest rates



Source: Central Bank of Kenya (CBK)

existing gaps and facilitate collaborative efforts to determine viable solution pathways.

On the sideline of COP 28, InfraCo Africa, an investment vehicle for Private Infrastructure Development Group (PIDG), and her partners formed Dhamana Guarantee Company Limited (Dhamana). Dhamana was created to unlock local capital for sustainable infrastructure and projects that will advance climate change mitigation and adaptation efforts across East Africa. Dhamana will first focus on Kenya.

Kenya generates 87.5% of its electricity from renewable sources. However, the country has faced challenges with intermittent power outages, prompting the government to pledge expedited construction of the KES 37.5 billion Bomet-Narok grid line, funded by the AfDB. Additionally, plans are underway for the development of the proposed KES 8.5 billion, 42.5 MW, KenGen solar power project at Seven Forks Dams.

In policy updates for the review period, landlords will benefit from a reduction in the residential income tax rate from 10% to 7.5%, effective from 1st January 2024. Furthermore, the turnaround time for processing rent collection will decrease from 20 days to five days, aligning with the government's efforts to enhance liquidity.

The State Department for Lands and Physical Planning has continued to undertake the land conversion exercise. Land conversion is meant to streamline the land registration regime in Nairobi City County and hence promote transparent, effective, and efficient service delivery. As of March 2023, 103,679 parcels of land have been converted and gazetted. Since 20th April 2023. and pursuant to their conversion, these parcels can only be transferred after their owners have undertaken the necessary steps to ensure their documentation is in line with the new registration regime.

To check if your land parcel in Nairobi has been converted, visit the ardhisasa platform and download the spreadsheet listing the converted parcels.

76.5%

H2, 2023 Office Occupancy Rate

OFFICE

Kenya boasts a significant inventory of grade A office buildings. Since 2010, the development of these premium properties has steadily increased in response to the growing demand from international investors, governments, diplomatic missions, and multinational corporations attracted by Kenya's appeal as a top investment destination in Africa. However, in recent times, demand has waned mainly due to the challenging economic conditions that were precipitated by the Covid-19 pandemic.

One of the primary impacts of the Covid-19 pandemic on the office sector was the transformation to flexible workspaces. As organisations transitioned back to the workplace post-pandemic, there was a shift towards adopting flexible workspaces and remote working arrangements. Consequently, companies have gradually embraced these changes, leading to an expansion in the presence of flexible workspaces operators. Throughout the review period, Westlands - known for its dominance in A grade office space in Kenya -, solidified its reputation as the premier office hub by welcoming new flexible workspaces branches such as Regus, Spaces, and Ikigai. Spaces, a sister brand to Regus and owned by the global hospitality giant IWG (International Workplace Group), opened its doors on the 14th floor of the iconic GTC (Global Trade Centre) towers.

For insights into global occupier trends, refer to our Global Corporate Real Estate Sentiment Index Q3 2023.

Due to the existing tough economic conditions, monthly prime office rent stagnated at USD 1.2 per sq. ft. This upper threshold rent is expected to prevail in 2024.

Constructing prime office properties entails significant costs, often necessitating developers to secure loans, many of which are denominated in USD as financiers hedge against depreciation in the Kenya shilling. However, due to the persistent loss of purchasing power of the Kenyan shilling against the USD, landlords face losses when collecting rent in KES while servicing dollar-denominated loans. In response to this exchange rate challenge, landlords have increasingly favoured collecting rent in dollars, a trend expected to continue in the long term.

Despite the prevailing challenging economic conditions, office occupancy rates experienced a notable 5% increase from 71.5% in the first half of 2023 to 76.5% in the second half of the year. This increase was largely attributed to

TABLE 1

Major Office Developments in the Pipeline

COMMERCIAL DEVELOPMENT	LOCATION	APPROX. SIZE (SQ.FT)	ESTIMATED COMPLETION DATE
CCI HQ	Tatu City	233,168	2024
Purple Tower	Mombasa Road	197,800	2024
The Atrium	Westlands	100,000	2024
Sagittarius	Upperhill	80,000	2025
Bishop's Road	Upperhill	100,000	2025

Source: Knight Frank Kenya

limited new supply of grade A office space in the market and increased uptake of existing A-grade properties. Nevertheless, negotiation periods with clients are prolonged due to the tough business environment, compounded by the fact that the market remains predominantly a tenant's market. Lower-grade stock continued to face occupancy challenges.

Nairobi has historically grappled with an oversupply of office space. This, combined with the rising cost of capital, has led developers to adopt a "wait-and-see" stance towards new investments. Consequently, the review period saw minimal office completions, with notable exceptions including Kanha building in Westlands and the government owned Talanta Plaza in Upperhill. The actual development pipeline remains limited, with majority of projects being speculative in nature. Table 1 presents some of the key office developments currently in the pipeline.

The office sales market remained subdued over the review period. However, Old Mutual's landmark property, the iconic Old Mutual Tower in Upperhill, is up for sale. The firm values the property at KES 5.5 billion.

RETAIL

Boasting a population of circa 5 million, Nairobi is home to many local and international retailers. However, Kenya's formal retail penetration is less than 30% of the market. Nevertheless, Nairobi's suburbs are home to several prime retail centres which demand a monthly prime rent ranging from KES 250 per sq.ft in the upper most floors to KES 800 per sq. ft on the ground floor. Like the office market, landlords are also preferring dollar rents with limited success as all the retailers earn KES.

Traditionally, retailers primarily focused their outlets within well-established malls, predominantly situated in affluent neighbourhoods, distanced from the majority of urban residents. Nevertheless, evolving consumer spending behaviours, marked by a preference for convenience, have compelled retailers to establish their presence in residential areas. This shift, coupled with reduced disposable incomes and the surge in e-commerce, is prompting retailers to recalibrate their customer outreach strategies. Consequently, there has been a discernible decrease in both market expansions and new entrants compared to previous years, as developers align their efforts with a more conservative approach, characterized by fewer speculative developments.

Over the review period, the following supermarket chains expanded: Quickmart opened their 59th outlet along Outering Road. Carrefour opened two new stores to take their total tally to 22 – one at Nairobi's CBD (Central Business District) and the other in coast region at Promenade Mall. Kenya's largest supermarket chain, Naivas, have now exceeded 100 outlets by opening 6 stores – at Malindi, Kisii, Waiyaki Way Shell petrol station, Sabasaba in Mombasa, King'ara Road in Lavington, and Cathedral Mall in Kakamega - during the review period to take their total outlets to 101.

Regrettably, the closure of South Africa's Builders Warehouse at Waterfront Karen has been attributed to the challenging economic conditions and the limited adoption of the Do-It-Yourself (DIY) culture in Kenya. The departure of Builders Warehouse marked the introduction of the more budget-friendly China Square – a retail chain offering diverse consumer goods such as electronics, furniture, DIY hardware, kitchenware, and stationery. Notably, this marks the establishment of China Square's second outlet in Kenya.

In December, the 124,000 sq. ft. GTC Mall opened. The mall is anchored by Carrefour who are scheduled to start operations in quarter one of 2024 after the mall's grand opening. Moreover, the 23, 600 sq. ft. Park Avenue Place in Parklands opened. Lana Plaza in Kileleshwa, My Town in Karen, and Promenade Mall in Nyali, Mombasa were also completed. The pipeline has the following select developments under construction.

TABLE 2

Major Retail Developments in the Pipeline

RETAIL DEVELOPMENT	LOCATION	APPROX. SIZE (SQ.FT)	ESTIMATED COMPLETION DATE
The Cove	Gitanga Road-Nairobi	124,000	2024
Magadi Rd. Business Community	Magadi Road, Karen	154,000	2024
Promenade	Rhapta Road-Nairobi	75,000	2024

Source: Knight Frank Kenya

RESIDENTIAL

The prime residential market in Kenya is driven by expatriates and high net worth individuals. Depending on the location, apartment features and exclusivity of the neighbourhood, prime monthly rents for a three-bedroom apartments range between KES 140,000 and 220,000. Four- and five-bedroom houses tend to be in the range of KES 300,000 and 500,000.

The prime residential sales market registered a 0.3% appreciation over the review period, and a 2.45% improvement over the last 12 months. Though positive, the rate of appreciation has declined from an annual appreciation rate of 4.14% registered in 2022. The marginal appreciation in value is largely attributed to depreciation of the Kenyan shilling, and a calm business environment as the country got over the election period, and post-election jitters that occurred in H1 2023.

The prime residential rental market continued its upward trend and registered an annual appreciation of 5.85% to the year ended 2023. This was mainly attributed to the appreciation of the dollar against the Kenya Shilling that implied a net increase in disposable income for expatriates implying increased demand. Additionally, there is a severe lack of prime residential stock, a situation that has allowed landlords to demand higher rents.

Kenya, like the rest of the world, is under challenging economic conditions, resulting in a slowdown in the residential sales market. Completing sale agreements is taking longer, a situation that is exacerbated by extended turnaround times in the Ministry of Lands, Housing, and Urban Development. Land stakeholders continue being frustrated with the title conversion process. Additionally, the depreciation of the Kenyan shilling is impacting sellers' property valuations, with buyers feeling that quoted prices are beyond market value. This has led to further delays in finalising sales.

To mitigate against the declining Kenyan shilling, sellers are increasingly listing their properties in major global currencies, mainly USD, Euro, or the British Sterling Pound. Moreover, sellers accepting payments in major world currencies have been able to secure buyer-friendly deals, as sellers prefer such currencies to offset potential losses caused by the Kenyan shilling's diminishing purchasing power against these currencies.

Due to the exclusivity of the prime residential market, and its tendency to often withstand market shocks better than most real estate classes, it is expected that this sector shall continue to remain vibrant and perform well.

HOSPITALITY

The hospitality sector continues to recover from the market shocks induced by Covid-19. Excluding Kenyans, visitor arrivals via JKIA and MIA recorded a 28.70% rise between January and October in 2023, compared to 2022. Despite the recovery, the number of visitors remain short of 2019 levels (best recorded hospitality year in Kenya). It appears, the sector is gradually emerging from the constraints imposed by the Covid-19 pandemic. In the foreseeable future, there is optimism that the sector will stabilise and regain profitability, thereby reigniting strong investor interest.

Occupancy rates for high-end hotels reached 57% in Q3 2023, marking a significant 32% increase compared to the same period in 2022. Coastal hotels also experienced high occupancy rates as both local and

57%

Q3 2023 Occupancy rates for high-end hotels international travellers flowed to Kenya's coast to enjoy the festive period. Moreover, company retreats, meetings and incentive travel contributed to increased occupancies as top management chose coastal hotels for their year-end financial reviews.

Hotel management remains a key challenge for hotel investors locally, consequently hotel owners continue to look for established operators to leverage on their brand and operational efficiencies. During the period, Hong Kong-based Swiss-Belhotel International has taken over the management of the Nairobi Safari Club and Emory Hotel in Kileleshwa. Nairobi Safari Club comprises 146 rooms which vary from studio, panorama rooms to executive and presidential suites as well as conferencing facilities. Swiss-Belhotel International provides professional expertise and management services for hotels, resorts and serviced residential properties with its portfolio covering more than 125 hotels and properties in 20 countries, among them China, Indonesia, and Malaysia

The hospitality market is witnessing growth with notable developments during the review period. A new 231-room Argyle Grand Hotel was opened near JKIA, while the MGM Muthu Hotels chain launched their latest property - MGM's fifth hotel in Kenya - in Nanyuki, known as Muthu Warwick Mount Kenya. Additionally, the Communications Authority of Kenya requested for Proposals for consultancy services to undertake a feasibility study on developing an ICT hub, convention centre, hotel, offices, commercial centre, and parking silo at their headquarters in Nairobi.

The hotels' bed occupancy rate is also faring well, albeit still short of 2019 levels. However, the bed occupancy has not corresponded with net profits due to increased operational costs in the current tough business environment.

The hospitality sector is expected to continue its recovery in 2024. Its growth rate, however, is likely to be hampered by visa challenges as Kenya is ranked 29th out of 54 African countries in Visa Openness as indicated by the Africa Visa Openness Report 2023. This is compounded by the global economic challenges and competition from neighbouring regions such as Rwanda and Zanzibar. However, there may be hope offered by the new Electronic Travel Authorisation (eTA) system and potential visa free travel it offers.

INDUSTRIAL

Africa has historically lagged in the industrial sector compared to other continents. Despite Africa being home to an avalanche of raw materials, with the continent being home to numerous and valuable natural resources, Africa is yet to transition to largescale industrialisation. The continent, ergo, relies heavily on importation of merchandise, even food supplies. This scenario has created a niche for the African industrial sector.

The industrial sector in Africa has consistently posted the highest returns on investment compared to the other real estate sectors. Heavy importation has led the continent to suffer foreign exchange losses and depreciation of their currencies against the USD. To counter this and ensure long term stability, African governments are encouraging investments in the industrial sector via various initiatives such as establishments of special economic zones (SEZ), and export processing zones (EPZ). During the period under review Nairobi Gate Industrial Park became the first SEZ in East Africa that has a fully integrated customs control area. The class-leading industrial park is ideally situated on the Eastern Bypass, providing easy access to key arterial roads and 'Up-Country' Kenya via Thika Road and the Southern Bypass. • Phase 1 set on 100 acres, designed for ultra-modern logistics, warehousing and distribution centres, bringing a unique 'build to suit' concept to Nairobi, providing grade A flexible space, good access, efficient circulation, generous loading facilities and volumetric capacity. In a parallel development, Sameer Africa initiated the construction of a new industrial warehouse valued at Sh260 million within its Nairobi complex. This move aligns with the company's strategic expansion in the real estate sector, recognized as its most lucrative division. Sameer Africa currently offers over 750,000 square feet of leasable warehouse space.

Kenya's Vision 2030 envisions to transform Kenya from an agricultural nation to an industrialised middle-income country. To this end, the government of Kenya (GoK) adopted a plan to promote agro manufacturing via County Aggregation and Industrial Parks (CAIPs). The CAIPs will be opened in all the 47 counties in 3 phases; 1st phase will include 14 counties, 2nd phase shall be in the next 26 counties, and the remaining 7 counties will be in phase 3. The CAIPs will be allocated KES 500 million equally shared between the county government and national government.

The low penetration of high-end industrialisation in Africa is a challenge to potential investors for they must import most of the machinery parts and add to the few locally available parts. This has made assembly plants common, especially in the vehicle category. In July, CFAO, proprietors of Toyota Kenya, launched a Toyota Fortuner assembly plant at Mombasa. Moreover, Toyota's parent company, Toyota Tsusho Corporation, invested in Kenya Vehicle Manufactures, a Thika-based vehicle assembly plant, thus improving its business potential.

As the transition to sustainability continues to hold centre stage, green manufacturing has been on the rise with local assembly warehouses for e-bikes and e-motorcycles emerging.

Base Titanium is a mining subsidiary company that has extracted titanium from Kwale, Kenya for the last ten years. Their extraction activities stand among few major profitable mineral mining exercises in Kenya. Nevertheless, the firm announced their exit from Kenya from December 2024 due to lack of new mining grounds as the current ores are getting depleted. The firm has been unsuccessful in trying to discover newer titanium ores. De La Rue, an international money-printing firm, is also exiting Kenya after demand for its currency printing business has continuously been on the downward trail.

Related to the industrial market is the data centre market, that is at its nascent stages in Kenya, a situation that is gradually changing. Over the review period, IXAfrica announced a major deal with Tilisi to establish a data centre campus, IXAfrica Data Centre Limited is a leading developer and operator of hyperscale-ready data centres in East Africa, and Tilisi Developments plc ("Tilisi"), a premier real estate developer. The deal included a term sheet to purchase 11 acres of prime land for the construction of its second data centre.

ALTERNATIVES MARKET

In the last five years, there was a high appetite for investments in alternative sectors in Kenya, with private equity firms ruling this market. From investments in the health sector, and data centres, to world class cold storage systems and purpose-built housing, foreign direct investment was on its upside as investors raced to be the first to fill the market gap.

Columbia Africa and NBP holdings intends to develop 152-bed and 150-bed hospitals respectively in Nairobi, with the total proposed investment being circa KES 7 billion. Public healthcare provision is expected to see changes in 2024 after Kenya introduced a new legal and institutional healthcare framework via the Primary Health Care Act, 2023, the Digital Health Act, 2023, the Facility Improvement Financing Act, 2023, and the Social Health Insurance Act, 2023.The Acts will be implemented from 2024 onwards.

Affordable housing remains a key pillar for the current government's economic agenda. Table 3 outlines several affordable housing projects that are in the pipeline, with some of them experiencing delays of more than five years owing to construction halting amid financial constraints. Private entities are actively engaged in efforts to provide quality affordable housing to Kenyans. In December, the International Finance Corporation (IFC) signed agreements with international multinational affordable housing providers to support such initiatives. One such agreement was with International Housing Solutions (IHS) to construct "approximately 5,000 newly developed, resource-efficient, green affordable housing properties in Kenya" at an estimated cost of USD 20.9 million. Additionally, the IFC agreed to provide a USD 20 million loan to Centum Real Estate Limited to facilitate the development of 1,940 affordable housing units at Two Rivers.

Acorn Holdings Limited (AHL), the proprietors of purpose-built student accommodation (PBSA) under brand names Qwetu and Qejani continued their expansion plans via the ongoing construction of Qwetu Chiromo, and Chiromo Qejani. This comes after the company opened its newest premises at Karen, near Catholic University of East Africa. On their pipeline are Hurlingham Qejani, Kenyatta University's Qwetu and Qejani, and JKUAT Qejani.

Affordable Housing Pipeline

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

Source: Boma Yangu

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