

# **REAL ESTATE INVESTMENTS AND DEVELOPMENT MARKET REPORT**

**August, 2020**

**> Loan defaults surge by Ksh 30 Billion during the lockdown**

**> CS Keriako Tobiko seeks to reinstate NEMA construction fee**

**> Prices for land and houses decline on Covid-19 slowdown**

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# FINANCIAL & MACRO-ECONOMIC REVIEW

## 1. FINANCIAL MARKET HIGHLIGHTS

### 1.1 Loan defaults surge by Ksh 30 billion during the lockdown



In the four months to June, when Kenya imposed stringent measures to contain the spread of the coronavirus, the default on loans by workers and businesses surged to sh30 billion. Data from the Central Bank of Kenya (CBK) released on 1<sup>st</sup> August 2020 indicated that non-performing loans (NPLs) rose to Sh379.9 billion in June, up from Sh349.9 billion at the end of February 2020, which was the sharpest four-month increase in recent history. The ratio of NPLs rose from 12.7 percent in February 2020 to 13.1 percent - the highest since August 2007 when it stood at 14.41 percent.

### 1.2 Trade deficit narrows by 20 percent



Trade data from the Kenya national bureau of statistics (KNBS) released on 4<sup>th</sup> August 2020 showed that Kenya's half years trade deficit fell by 20 percent in the first half of 2020 as compared to the corresponding period in 2019, on the back of a lower import bill and higher export receipt. The data showed that the trade deficit (the difference between the import and the export) stood at sh459 billion, compared to sh575 billion in the first half of 2019. That was the lowest deficit level since the first half of 2016, when it was Sh390 billion. Furthermore, the total volume of trade in the six

months dropped to Sh1.09 trillion from Sh1.18 trillion recorded over the same period last year.

### 1.3 CMA mulls guarantee scheme to help small businesses raise funds



The Capital Markets Authority (CMA) plans to form a credit guarantee scheme to help small and medium-sized (SMEs) firms raise money without exposing investors, such as bondholders, to potential losses. Director of policy and regulation at CMA, Luke Ombara said in a virtual briefing on 12<sup>th</sup> August 2020 that the scheme would help lift the waning bond appetite, especially when SMEs seek capital from the Nairobi Securities Exchange (NSE).

### 1.4 Money in circulation surges to a new high



Data from the CBK, which was released on 15<sup>th</sup> August 2020, indicated that the amount of cash circulating outside the banking system hit a 13-month high in June 2020, defying Covid-19 economic hardships. The data showed that cash outside banks rose from Sh197.86 billion in May to Sh210.8 billion in June 2020 - the first time it had crossed the Sh200 billion mark since May 2019 when Kenya retired old Sh1,000 banknotes. The jump in circulation came in a month when Kenya

eased Covid-19 restrictions, reducing the nationwide nightly curfew by three hours to between 9 p.m. and 4 a.m. and lifting lockdowns on Nairobi and Mombasa counties.

### 1.5 KRA seeks more cash to settle tax refund claims backlog



The Kenya Revenue Authority (KRA) is seeking increased monthly allocations from the Treasury to settle a mounting backlog of tax refund claims from businesses grappling with the coronavirus pandemic-related hardships. The KRA said on 19<sup>th</sup> August 2020 that it had applied for Sh3 billion up from the current Sh1.2 billion allocations by the Treasury amid a backlog and new claims filed for Value Added Tax (VAT) refunds.

## 2.0 Macro-Economic Review

### 2.1 GDP

The National Treasury has expressed confidence that the country's GDP will not go below the current 2.5 percent even as the Covid-19 pandemic continues to ravage the various sectors of the economy. That was above the initial forecast of 1.8 percent, which the National Treasury had projected if the effect of the coronavirus on the economy persisted. However, the World Bank had projected a lower growth of 1.5 percent for August 2020, indicating a possibility of the GDP growth contracting to 1.0 percent. The global lender further noted that the economic growth projection remained highly uncertain, and the outcome would hinge on how the coronavirus pandemic played out internationally and within Kenya, along with policy actions taken to mitigate the situation. The economic growth was decelerated by containment measures that curbed household spending and investment activities in August 2020, with a

weaker shilling, further worsening the downturn. According to the Kenya Private Sector Alliance (Kepsa), at least 5,991,768 direct and indirect jobs were lost in the first half of 2020 due to the effects of the Corona Virus. Construction and real estate sector accounting for a loss of at least 450,000 jobs, which includes casual laborers.

However, the partial re-opening of the economy by President Uhuru Kenyatta on 6<sup>th</sup> July 2020 boosted economic activities and the GDP in general.



Source: National Treasury Monthly Projections

### 1.2 Public Debt

Kenya's public debt stood at around 65 percent of GDP as of August 2020. In the 2020/21 financial year, which began on 1<sup>st</sup> July 2020, the government expenditure was estimated at Sh1.888 trillion, of which Sh431.5 billion was expected to be funded through Appropriations-in-Aid, with the gap financed by a combination of ordinary revenue and borrowing. The public debt stood at 6,649,572.77, with external and internal borrowing standing at Ksh 3,153,143.94 and Ksh 3309.08 billion, respectively, as of August 2020.

Due to the high public debt standing and the high-interest burden, the global ratings agency S&P revised Kenya's outlook from stable to negative in August 2020. The negative outlook reflected the worsening fiscal position of the country amid the impact of the coronavirus pandemic on the economy and disruptions to revenue collection.

### Indicators of Total Government Debt

	Apr-20	May-20	Jun-20
Domestic Debt (Ksh Billions)	3119.42	3153.14	3177.53
External Debt (US \$Billion)	3212.63	3496.43	3515.81
<b>Total Public Debt (Ksh Billion)</b>	<b>6284.49</b>	<b>6649.57</b>	<b>6693.34</b>

### 1.3 Interest Rates

The central bank of Kenya kept its benchmark interest rate unchanged at 7% in July 2020. The CBK considered that the policy measures adopted since March 2020 to cushion the economy from the coronavirus pandemic hit were having the intended effect, which was reinforced by fiscal measures outlined in the government's budget for FY2020/2021. These measures included axing the Central Bank rate by a total of 125 basis points and lowering the cash reserve ratio to free up extra bank lending capacity.

Date	Actual Interest Rate	Previous Interest Rate
23rd March 2020	7.25%	8.25%
29th April 2020	7%	7.25%
27th May 2020	7%	7%
25th June 2020	7%	7%
29th July 2020	7%	7%

Source: Central Bank of Kenya

### 2.3 Inflation Index

In August 2020, Kenya's inflation rate stood at 4.36 ( a ten-month Low), remaining within the target band of 2.5% - 7.5% amid the continued muted global oil prices, favorable weather conditions in the country, the impact of a VAT reduction from 16% to 14% and weak demand pressures. Consumer prices fell a seasonally-adjusted 0.31% in August 2020 over the previous month, swinging from the 0.31% rise logged in July. August results largely reflected the lower prices for food and non-alcoholic beverages as well as for housing and utilities, as inflation for these products stood at 5.43% as compared to 6.62% in July 2020). Amid a recent hike in petroleum prices, prices advanced faster for

transport ( 13.07% vs 11.12%) and housing and utilities ( 2.11% vs 1.06%) . Inflation dropped to 4.36% in August, down from June's 4.6%, with the annual average inflation coming in at 5.4% in August 2020, which was equivalent to the inflation indicated in July 2020.



### 3.0 Money & Investment Analysis

#### 3.1 Currency

The Kenya shilling weakened against major international and regional currencies in August 2020 on account of unevenly matched demand and supply of dollars in the interbank market. The plummet was also attributed to the high demand for the dollar by importers following the easing of the coronavirus lockdowns on 06th July 2020 by President Uhuru Kenyatta. The Central Bank of Kenya (CBK) quoted the shilling at a record low of Ksh.108.26 against the US dollar on 27<sup>th</sup> August 2020. The depreciation trend in July and August 2020 was against the CBK's efforts to mop up the local unit to rein in further depreciation, having tapped Ksh.22.6 billion in July 2020.

Currency	
Kenya Shilling Exchange Rates	
Date	USD
7-Aug-20	108
10-Aug-20	108.08
11-Aug-20	108.12
12-Aug-20	108.33
13-Aug-20	108.39
August 7-13	108.17
14-Aug-20	108.29
17-Aug-20	108.32
18-Aug-20	108.31
19-Aug-20	108.42
20-Aug-20	108.56

#### 3.2 T-Bills

The treasury bills offered for August 2020 were undersubscribed ( 52.33% performance rate) , with the Central Bank receiving bids worth Ksh 12.560 Billion out of Ksh 24 Billion issued in the August 2020 Auction. In July 2020, the Central Bank of Kenya ( CBK) floated securities worth KSh108 billion since the fiscal year started on 1<sup>st</sup> July 2020 and received bids worth KSh 35.9 Billion from the 91 days, 182 days, and 364 days Treasury Bills, representing a subscription rate of 149.6% in July 2020. The oversubscription was as a result of an increased appetite for government securities, which remained prevalent in the market during July 2020 on account of high liquidity and increased investments from financial institutions as they hesitated from aggressive lending. However, the reduced appetite for government securities in August 2020 was also attributed to the favorable shift in the investment landscape owing to the reduced Covid-19 positivity rate. As such, investors in August 2020 were aggressively in search of assets that provided a reasonable risk-return balance.

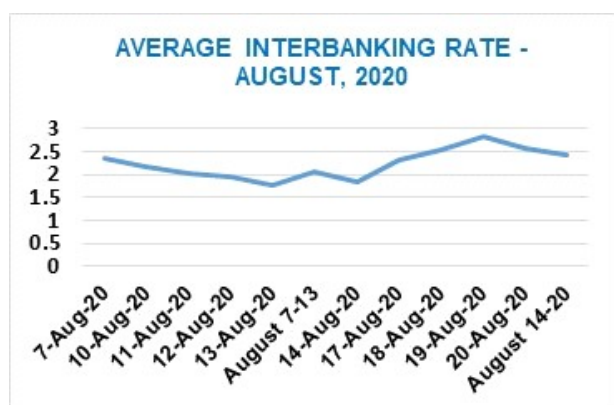
The market average interest rate for the 91 day, 182 day, and 364 day T Bills in August 2020 was 6.257%, 6.60%, and 7.508%, respectively.

Performance of Treasury Bills Auction			
91- Day Treasury Bills			
Date of Auction	6-Aug-20	13-Aug-20	20-Aug-20
Amount Offered (Ksh M)	4000	4000	4000
Bids Received (Ksh M)	8520.47	6373.54	2617.91
Amount Accepted (Ksh M)	7535.73	6373.54	2617.51
Maturities (Ksh M)	2466.15	7775.85	7992.8
Average Interest Rate (%)	6.123	6.2	6.257
182- Day Treasury Bills			
Amount Offered (Ksh M)	10000	10000	10000
Bids Received (Ksh M)	9600.71	9378.1	882.55
Amount Accepted (Ksh M)	9600.71	6968.43	882.55
Maturities (Ksh M)	17337.2	6669.45	7909.25
Average Interest Rate (%)	6.549	6.561	6.6
364-Day Treasury Bills			
Amount Offered (Ksh M)	10000	10000	10000
Bids Received (Ksh M)	14271.2	6511.13	6184.46
Amount Accepted (Ksh M)	13344.9	5306.17	6184.46
Maturities (Ksh M)	19677.6	16448.55	9717.75
Average Interest Rate (%)	7.455	7.517	7.508

### 3.3 Inter-Bank Rate

In July 2020, open market operations remained active. The average interbank rate increased significantly over August 2020 by 3.4% to 2.42%, indicating a steady increase in banking activities. The rate increased steadily from 2.34% in the first week of July to 2.42% as of 20<sup>th</sup> August 2020. The average number of interbank deals per day remained stable in August 2020, averaging at 21 compared to 13 in July 2020.

Interbanking Rate, August 2020			
Date	Deals	Value(Ksh M)	Rate
7-Aug-20	24	21060	2.34
10-Aug-20	24	14325	2.17
11-Aug-20	20	15750	2.02
12-Aug-20	25	16215	1.96
13-Aug-20	6	5250	1.76
<b>August 7-13</b>	<b>20</b>	<b>14520</b>	<b>2.05</b>
14-Aug-20	20	9825	1.83
17-Aug-20	22	13760	2.32
18-Aug-20	21	14150	2.54
19-Aug-20	23	11655	2.82
20-Aug-20	21	13500	2.58
<b>August 14-20</b>	<b>21</b>	<b>12578</b>	<b>2.42</b>



### 3.4 BONDS

Investors bid a record Ksh 101,471.04 billion in August 2020 Treasury bond sale against the advertised Ksh70 Billion, indicating a market flush with liquidity amid reduced investment options. The high appetite for bonds was driven by negative and low returns in other asset classes such as equities and real estate properties.

However, bond uptake in August 2020 was reduced as compared to July 2020 ( Advertised Ksh 60000 against the bid of 149000) , majorly attributed to improving business conditions in the country. The Central Bank of Kenya catered for different classes of investors by offering the bond in three tenors of five, ten, and fifteen years, which are normally flouted in single or dual tenors.

The higher-than-targeted amount taken up was 16.4 percent of the government's net domestic borrowing target of Sh494 billion for the 2020/21 fiscal year, pushing it ahead of the ceiling in the early days of the borrowing calendar. The CBK took up Sh80.9 billion out of the bond funds offered, leaving Sh100 billion on the table.

However, in the international market, yields on Kenya's Eurobonds declined by an average of 44.8 basis points in August 2020.

TREASURY BONDS, PERFORMANCE OF TREASURY BONDS AUCTION		
TENOR	FXD2/2018/ IFB1/2020/11	
Amount Offered (Ksh M)	40,000	70,000
Bids Received (Ksh M)	41,006.20	101,471.04
Amount Accepted (Ksh M)	41,006.20	78,639.89
Maturities (Ksh M)	0	
Average interest Rate (%)	12.93	11.3

### 3.5 Equity Markets

The Equity market was relatively liquid over August 2020, with the weekly changes in the NASI, NSE 25, and the NSE20 index remaining relatively small, with the NASI and NSE 25 share index increasing by 0.35% and 2.82%, respectively. Nevertheless, the number of shares traded during the month saw a significant decrease of 46.28% week in week out, indicating increased investors- confidence in the equity market for August 2020.

Equity Market			
Weekly Market Indicator, August 2020			
Date	NASI	NSE 20	NSE 25
7-Aug-20	130.58	1758.08	3092.01
10-Aug-20	130.21	1761.43	3102.5
11-Aug-20	129.24	1733.14	3097.15
12-Aug-20	130.76	1751.39	3109.51
13-Aug-20	129.7	1738.58	3107.19
<b>August 7-13</b>	<b>129.7</b>	<b>1738.58</b>	<b>3107.19</b>
14-Aug-20	129.46	1743.58	3107.31
17-Aug-20	131.4	1738.43	3105.8
18-Aug-20	130.51	1729.46	3076.64
19-Aug-20	130.85	1732.34	3064.48
20-Aug-20	131.56	1734.72	3072.52
<b>August 14-20</b>	<b>131.56</b>	<b>1734.72</b>	<b>3072.52</b>
<b>Changes</b>	<b>0.35</b>	<b>-0.22</b>	<b>-1.12</b>

#### 4.0 Commentary analysis



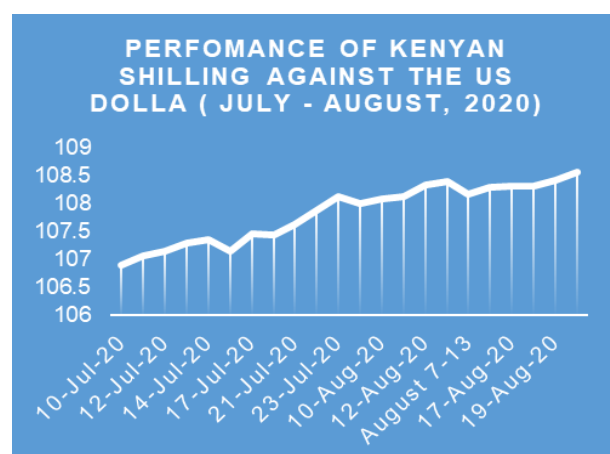
Commentary by:  
Faith Karanja  
Financial Analyst

The Kenya economic conditions improved in August 2020, evidenced by:

i) Increased investors activities in the equity market where the number of shares traded during the month saw a significant increase of 46.28% week in week out

ii) Reduced inflation - The annual inflation rate stood at 4.36%, which was a ten-month low. The rate of inflation dropped with the re-opening of the economy on 1<sup>st</sup> July 2020, indicating improved economic conditions in the country. Prior to the re-opening of the economy by President Uhuru Kenyatta on 1<sup>st</sup> July 2020, the inflation rate stood at 5.47, indicating the poor performance of the economy.

However, as the business conditions continue to improve in the country, the Kenyan shilling continues to depreciate. That is majorly attributed to the increased demand of the dollar by local traders and corporations looking forward to paying dividends, leading to a misalignment of the demand and supply of foreign exchange and, as such, indicating increased trading activities. As the Covid-19 positivity rate reduces and trading activities increase, the local currency might continue to depreciate further through September 2020. As such, if proper measures ( such as increasing the dollar reserve) are not implemented by the CBK, the inflation rate in the country might rise in the fourth quarter of 2020, as the cost of international trade will be high.



Moreover, the economy will still be derailed by Covid-19 and associated containment measures, weighing heavily on domestic and foreign demand. Social distancing measures are seen dragging on output capacity and activity, while foreign measures weigh on tourism and trade.



# KENYA CONSTRUCTION INDUSTRY REVIEW

## 1. CONSTRUCTION INDUSTRY HIGHLIGHTS

### 1.1 South Africa construction material retailer open doors in Kenya



South African construction material retailer, Builders, is set to open doors in Kenya in August 2020. The store, which is located in Karen, will be the first in the East African region and will seek to tap into the market with its wide range of high-quality do-it-yourself (DIY), home improvement and building materials products. The Karen store will also have a garden centre, which will act as a building demo. In a statement announcing the new store, the firm said that it had invested sh500 million in the Karen store.

### 1.2 CS Keriako Tobiko seeks to reinstate Nema construction fee



The Cabinet Secretary for Environment, Keriako Tobiko, wants the Treasury to reverse the 2016 directive that banned the collection of impact assessment (EIA) levy paid to the National Environment Management Authority (NEMA). Upon approval of the petition by the Treasury, property developers will resume paying construction levies to the environment State agency. While petitioning through the parliament on 14<sup>th</sup> August 2020, Keriako Tobiko said that the scrapping of the EIA construction fees paid to the Nema has had an unintended negative impact on the agency's activities due to lack of resources.

### 1.3 Steel prices spike



Steel prices surged by 25 percent in August 2020 as supply disruptions hit raw materials on account of Covid-19. The most widely used steel bars, denoted by their strengths TMT8 and TMT10, were selling in the range of Sh470 and Sh660, respectively, around Nairobi, an increase from Sh350 and Sh530, respectively in July 2020. According to Guru Raval, the chairman of the Devki group of companies, the pricing distortion in Kenya has been occasioned by a shortage of raw materials due to the limited international availability attributed to Covid-19.

### 1.4 Kenya reports sluggish construction industry as Covid-19 infections surge



A report by the Architectural Association of Kenya, which was released on 11<sup>th</sup> August 2020 and dubbed, 'The Status of the Built Environment Report' for January to June 2020, indicated that most construction projects were delayed and, in some cases halted altogether. Consultants were also increasingly finding it difficult to obtain construction supplies and materials, with 31.28% of the respondents in the survey reporting that the period had seen an escalation in the difficulty of obtaining development approvals.

### 1.5 National Cooperative Housing Union halts construction of houses as member contributions fall



The National Cooperative Housing Union (Nachu) suspended the construction of houses in its housing project for its members, citing reduced contributions and repayments, hinting at imminent loan defaults due to the Covid-19 pandemic. On 12<sup>th</sup> August 2020, the Nachu chairman Francis Kamande said that many beneficiaries of its 400 housing units had reported suffering reduced incomes, where some lost jobs and requested partial release of their savings to meet daily expenses.

## 2.0 MARKET TRENDS IN BUILDING AND BUILDING INDUSTRY

### 2.1 Growing traction for Construction Procurement through Labour Contract in Kenya.



There are many procurement methods in Kenya construction and development process; notable being the Traditional General Contracting, Management Contracting, Design and Build Contracting, and lately being Labour Only Contracting method. The procurement of construction works through labour contract system is gaining traction among investors in the construction industry, who make approximately 20% savings by procuring materials themselves. Labour contracts are an essential aspect of the

construction industry workforce, with developers' portioning only this part of the workload and budget to contractors to provide the needed labour services. Developers usually procure the materials themselves, leaving the contractor to provide only the labour and associated management. In this contracting procurement method, the overheads of the contractor is reduced, and hence the cost of construction of a project is reduced. However, the labour contract calls for the time commitment, energy, and diplomacy on the client's side for the objective of the project to be fully achieved. The method is also time consuming and prone to a lot of risks compared to the general traditional procurement method, thereby requiring special risks management structures to be put in place while entering a labour contract with a Contractor.

## **2.2 Construction companies embrace new technology that embrace Covid-19 safety measures in Construction sites.**



Amid Covid-19, construction companies are re-inventing to cope with the strict guidelines of the coronavirus pandemic to meet project timelines as well as sustain operations activities at construction sites. As such, developers and construction companies are embracing modern building technologies, which allows them to ditch noisy concrete mixers and congestion of many laborers carrying cement bags, buckets, and spades. The technology of mixing concrete out of site in a batching plant prepared by experts, is gaining traction among builders.

Furthermore, the technology allows the right amount of concrete to be delivered to the construction site in a truck. Moreover, according to builders, using a ready-mix concrete eliminates unnecessary wastage and improper mixing, adding quality as well as reducing over congestion

of employees on the site, thereby facilitating social distancing. Additionally, construction firms continue to embrace the use of EPS building technology (the use of expanded polystyrene panels) and the precast concrete panels, which are energy-efficient and affordable, to save on the cost and duration of construction. The synthetic material used in EPS panels is light, requiring only a few construction workers to carry them around and hence maintaining social distancing and thus enabling workers to observe the coronavirus safety measures.

## **2.3 Student accommodation housing sector set to continue in an upward trajectory.**



In recent years, student accommodations has been posting an upward trend delivering a high and consistent rental income to investors as compared to other property assets, which are subject to fluctuations. Furthermore, the considerable student enrolment in colleges and universities has led to a surge in demand for student's accommodation.

Over the past few years, the demand-supply gap between student accommodation and student enrolment has been widening year in year out, with the deficit projected to expand further in 2020 as the government increases enrolment to universities, colleges, and TVETs. Moreover, according to a recent economic survey released on April, 26<sup>th</sup> 2020 by the Kenya national bureau of statistics, student accommodation stood at 796,000 units in 2017/18 academic year, with the number growing by 15.5% to 919, 400 units in 2018/19 academic year. According to the 2019 census data, the number is expected to grow over the years as the university/college age demographic continues to grow.

### 3.0 REVIEW OF CONSTRUCTION COSTS IN KENYA

The Building Costs shown below are approximate cost indicators for construction of the main building types in Kenya built environment, namely: Residential Building, Commercial Building, Retail Outlets, Hotels, and Industrial Complex, as well as Materials purchase costs, and average labour rates at Construction sites.

The cost per square meter for Hotel include cost of furnishing, fittings, and equipment.

Users of this information are encouraged to exercise care in comparing the Building Costs of the various building types by considering other factors like: specific building location, finishes specifications, floor to ceiling height, level of finishes, and type of fitting and services works such as lifts, mechanical installation, and electrical installation.

Buildafrique Consulting Group shall therefore not be responsible for any errors in the costs published herein or for any damage or loss whatsoever resulting therefrom or for any thereon in the costs indicator.

#### a) High End Apartments

Zone	Cost per Square Meter (SM)
Nairobi Region	52,000.00
Mombasa Region	54,000,00
Kisumu Region	53,000,00

#### b) Middle Level Apartments

Zone	Cost per Square Meter (SM)
Nairobi Region	42,000.00
Mombasa Region	44,000,00
Kisumu Region	43,000,00

#### c) Low Rise Apartments

Zone	Cost per Square Meter (SM)
Nairobi Region	35,000.00
Mombasa Region	37,000,00
Kisumu Region	36,000,00

#### d) High End Maisonette

Zone	Cost per Square Meter (SM)
Nairobi Region	60,000.00
Mombasa Region	59,000,00
Kisumu Region	58,000,00

#### d) Low Cost Housing

Zone	Cost per Square Meter (SM)
Nairobi Region	31,000.00
Mombasa Region	33,000,00
Kisumu Region	32,000,00

### 3.2 Commercial Building Cost Analysis

#### a) High Rise Office Building

Zone	Cost per Square Meter (SM)
Nairobi Region	51,000.00
Mombasa Region	56,000,00
Kisumu Region	55,000,00

#### b) Low Rise Office Building

Zone	Cost per Square Meter (SM)
Nairobi Region	41,000.00
Mombasa Region	46,000,00
Kisumu Region	46,000,00

### 3.3 Retail Outlet Cost Analysis

#### a) Shopping Mall Building

Zone	Cost per Square Meter (SM)
Nairobi Region	49,000.00
Mombasa Region	54,000,00
Kisumu Region	54,000,00

#### b) Small Scale shopping Complex

Zone	Cost per Square Meter (SM)
Nairobi Region	38,000.00
Mombasa Region	39,000,00
Kisumu Region	39,000,00

### 3.4 Hotel Cost Analysis

#### a) 5 Star Hotel development

Zone	Cost per Square Meter (SM)
Nairobi Region	85,000.00
Mombasa Region	86,000,00
Kisumu Region	86,000,00

#### b) 3 Star Hotel development

Zone	Cost per Square Meter (SM)
Nairobi Region	79,000.00
Mombasa Region	80,000,00
Kisumu Region	80,000,00

### c) 2 Star Hotel development

Zone	Cost per Square Meter (SM)
Nairobi Region	69,000.00
Mombasa Region	70,000,00
Kisumu Region	70,000,00

### 3.5 Industrial Complex Cost Analysis

#### a) Warehouse & Godowns

Zone	Cost per Square Meter (SM)
Nairobi Region	27,000.00
Mombasa Region	28,000,00
Kisumu Region	29,000,00

#### b) Administration Office Space

Zone	Cost per Square Meter (SM)
Nairobi Region	40,000.00
Mombasa Region	41,000,00
Kisumu Region	41,000,00

### 4.0 REVIEW OF BUILDING MATERIALS COSTS IN KENYA

#### a) Average Materials Costs

Zone	UNITS	Cost (Kshs).
Cement	Bags	630
Sand	Tons	2,000,00
Ballast	Tons	2,050,00
Hardcore	Tons	850
Steel Y8 (12 meters)	NO	420
Steel Y10 (12 meters)	NO	640
Steel Y12 (12 meters)	NO	900
Steel Y16 (12 meters)	NO	1,650.00
Steel Y20 (12 meters)	NO	2,550.00
Steel Y25 (12 meters)	NO	3,950.00
Steel Y32 (12 meters)	NO	6,400.00
BRC Mesh A142	Roll	27,000.00
Machine cut stone (390 X 190 X 190mm)	NO	50
Cypress Timber – 100 x 50mm	FEET	46
Cypress Timber – 50 x 50mm	FEET	26

### 5.0 REVIEW OF LABOUR COSTS IN KENYA CONSTRUCTION INDUSTRY

#### a) Average Labour Costs (Site Labour)

Zone	UNITS	Cost (Kshs.)
Unskilled Labour	Day Rate	450
Skilled Labour (Excavation)	Day Rate	1,000,00
Skilled Labour (Concrete)	Day Rate	1,200,00
Skilled Labour (Masonry)	Day Rate	1,200.00
Skilled Labour (Finishes)	Day Rate	1,200.00

# KENYA LAND-USE REVIEW

## 1. LAND-USE HIGHLIGHTS

### 1.1 National Lands Commissions (NLC) agrees on E-Transaction



The Kenya Ministry of Lands and the National Land Commission (NLC) have settled on an agreed to roll out electronic transactions in Nairobi despite a number of contentious issues between them that remains unresolved.

The Land Registration (Electronic Transactions) Regulations (2020), the Land (Amendment) Regulations (2020), the Survey (Electronic Cadastre Transactions) Regulations(2020), and the Survey (Amendment) Regulations (2020) were published on July 9, 2020 and took effect on July 14, 2020, marking the start of online land transactions within Nairobi, for now.

The gazette regulations relate to registration, providing for an electronic register and online transactions in the registration process and surveys and cadastral maps (providing for an electronic cadastre).

This development means that all ordinary citizens or their advocates will be able to effect all transactions, including searches and lodging of transfers and charges, online.

### 1.2 Lobby Group queries “Illegal” Survey of Del Monte land



A lobby group by the name “Kandara Residents Association” has claimed a scheme to shortchange residents of Kiambu and Murang’a in the protracted land ownership dispute involving Del Monte Kenya.

The group has written to National Assembly Speaker Justin Muturi and Attorney General Paul Kihara protesting what they termed as “illegal resurveying” of the land. The group claims that Del Monte company has been awarded 8,245 acres in Murang’a without the involvement of all the parties in the dispute.

The group further accuse the Lands Principal Secretary Nicholas Muraguri and Murang’a County government of going against the President’s directive for a win-win resolution. The president had mid-July, 2020 ordered the ministry to listen to all parties and come up with a resolution by end of the month.

### 1.3 Illegal Maasai Mara Hotel Resort to be shut down



The Ministry of Tourism and Wildlife has unveiled a recovery action plan for lions and spotted hyenas in renewed efforts to attain viable populations and a healthy ecosystem, during the launch at the Maasai Mara National Reserve on Saturday 8<sup>th</sup> August, 2020.

In connection to this development, Cabinet Secretary Najib Balala has warned illegal tourist resorts in the Maasai Mara National Reserve that they will be shut.

The Cabinet Secretary echoed Narok Governor Samuel Tunai’s sentiments on illegal facilities in the reserve, saying the government is ready to remove illegal lodges. The county chief informed the CS that an audit of tented camps and lodges operating illegally had been conducted and that the report will be sent to the ministry for review, awaiting directive on the way forward.

The plan may see the government shut down some tourist facilities and issue permits to lodge developers in a more controlled manner.

## 2.0 THIS MONTH ON KENYA LAND-USE AND ZONING REVIEW – KISISURU, NAIROBI

### 2.1 Overview

Land-use Zones established by County Planning Departments restricts the use of land property and buildings in each categorized zone. The Land-Use Zones also controls volumes and heights of buildings by Ground Coverage (GC) ratio and Plot Ratio (PR) of the land property, and this also influence the property price.

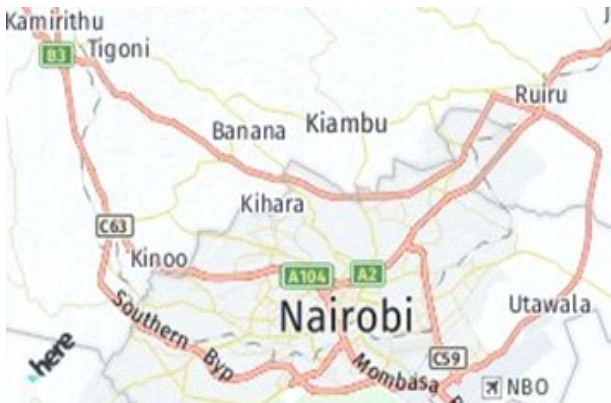
Ground Coverage (GC) refers to the ratio of the Building Area or Floor Space of the building divided by the land (site) area. On the other hand, Plot Ratio (PR) refers to the ratio of Total floor area of the building divided by Land (site) area. Depending on the Land-Use Zone category, a building has to be constructed within the specified maximum Ground Ratio (GC) and Plot Ratio (PR) in the zone.

Under specific cases, Ground Coverage (GC) and Plot Ratio (PR) may be relaxed or additional restrictions may apply under what is referred as “Special Extension & Conditions” by the County Planning department. This either provides permission for additional limit to Plot Ratio (PR) or relaxation of Ground Coverage (GC) ratio by the Planning Department once the Developer of the plot has met certain special development planning conditions.

This segment gives a general indicative and current status of Ground Coverage (GC) and Plot Ratios (PR) for various Land-Use Zones as provided and reviewed by various County Planning Departments in Kenya.

Care should be exercise in comparing the Ground Coverage (GC) and Plot Ratios (PR) for the various building type, by considering other factors like: permission of special extension, and meeting of special conditions for proposed development. Buildafrique Consulting Group shall therefore not be responsible for any errors in the indicative Ratios published herein or for any damage or loss whatsoever resulting therefrom or for any thereon in the Ground Coverage and Plot Ratios.

## 2.2 Karen Land-Use & Zoning Review



Kituru is a suburb area of Nairobi Kenya, lying northwest of the central business district of Nairobi.

The area is an affluent residential suburb of Nairobi, with several residential neighbourhoods that include schools and places of worship.

Below are zoning guidelines for the area, as an investment guide while purchasing land for real estate investment or residential Development.

### a) Minimum Plot

- Minimum plot size 0.5 acre.

### b) Type of Development allowed

- Low-Density Residential (One Family Dwelling House)

### c) Policy Issues

- The Nairobi County Planning department has lately relaxed the planning policy guidelines to allow pockets of intensity development in areas such as Village Market, and American Diplomatic Housing.



# THIS MONTH IN KENYA REAL ESTATE MARKET



## 1. REAL ESTATE MARKET HIGHLIGHTS

### 1.1 Prices for Land and houses decline on Covid-19 slowdown



House and land prices dropped in Nairobi and the surrounding counties of Kiambu, Kajado, and Machakos in the three months to June 2020 due to low demand in the wake of the coronavirus pandemic. According to the HassConsult quarterly property house index, which was released on 12<sup>th</sup> August 2020, house prices dropped 0.2 percent in quarter two, compared to a growth of 3.6 percent in a similar period last year. The firm linked the price fall to an oversupply of homes amid reduced demand related to the Covid-19 economic fallout, which has led to job losses, pay cuts, closure of some firms, and cuts on bank loans and mortgages.

### 1.2 Demand for apartments surge as buyers cut costs



According to a review by the Kenya Bankers association on bank-processed house purchases, demand for apartments doubled in the second quarter of 2020 as buyers moved away from the costlier standalone units. The Kenya Bankers Association's (KBA) Housing Price Index released on 11<sup>th</sup> August 2020 revealed that most buyers chose the lower-priced apartments, which saw concluded sales rise to 75.6 per cent, compared to the 33 per cent reported in quarter one of 2020.

### 1.3 Property developer's income affected by the falling rent and low occupancy.



A recent report by Knight Frank showed that real estate investors recorded a double-digit loss in income as covid-19 pandemic reduces rent prices and occupancy rate. According to the report, hospitality, retail, and health centres were the most affected assets, posting 50.5 percent, 41.4 percent, and 26.7 percent drop, respectively. While in a virtual property summit on 30<sup>th</sup> July 2020, the Knight Frank managing director Ben Woodhams said that the decline was attributed to economic slowdown heightened by the pandemic that resulted in most businesses putting on hold space requirements as they focused on operational rather than capital expenditure.

### 1.4 State to offer mortgage at 7pc in September, 2020



Kenyans earning Sh150, 000 and below per month are expected to start getting house loans from local banks and saccos at an annual subsidized interest of seven percent as of September 2020. The lower home loan rates are the product of the newly established Kenya Mortgage Refinance Company (KMRC), a Treasury-backed lender, which offers banks and saccos cash for onward lending to households. According to the Chief executive of KMRC, Johnstone Oltetia, the refinancing firm expects to start lending before the end of the third quarter, which closes on 30<sup>th</sup> September 2020

### 1.5 Covid-19 hit hotels to get Sh3bn bailout in September, 2020



The Tourism Finance Corporation (TFC) plans to disburse Sh 3 billion stimulus package to the hotels hit hard by Covi-19 to boost the tourism and hospitality industry. According to TFC Director Jonah Orumoi, the package will be disbursed from September 2020 to hotels and lodges experiencing cash flow issues. Speaking at Amboseli National Park, Mr. Orumoi said that the recipients would be charged a flat rate of five percent interest repayable in a period of between five to 10 years.

## 2.0 MARKET TRENDS IN KENYA REAL ESTATE

### 2.1 Middle-class downgrade from pricey apartments



As Covid-19 pandemic ravages the economy depleting most people's income, a huge shift of a majority of people who were paying high rents in plush apartments are seen moving to smaller, cheaper or unfinished homes in the outskirts. Moreover, there has been a shift in the market, and Kenyans are no longer relocating to deluxe apartments as before. According to Nellions Moving and Relocations Company, the recent surge in home relocation in the wake of the coronavirus pandemic has either been a downgrade to cheaper neighborhoods or homes built out of the city for retirement.

According to Kenya banker's association quarterly Housing price index 2020, Pricey houses and apartments are losing tenants who were resorting to smaller houses and own-homes to save on their monthly incomes. Furthermore, there was a modest 33 percent rise in demand for bungalows even as demand for apartments and maisonettes contracted by 95.9 percent and 57.1 percent, respectively. Taken together, these shifts in trends reflect buyer's adjustment as affordability remains a crucial concern in the housing market.

## 2.2 Detached houses continue to generate interest in the upper-mid market



According to a survey by the Architectural Association of Kenya (AAK), which was conducted in the first half of 2020, single-family detached homes generated a huge interest in the upper-mid market, stabilizing the growth in the residential property sector in the stated period. According to the report, the huge interest was an indication of the preferences generated by more people working from home due to disruptions caused by the Covid-19 pandemic. The report further stated that the trend is likely to be experienced even post covid-19, as more people are expected to continue working from home.

The upper mid-end market for detached units recorded a positive change of 1.3 percent as asking prices continued to increase in markets such as Lavington and Ridgeways, due to their appeal to the growing middle class. The total returns came in at an average of five percent, which was an increase from the 4.1 percent recorded at the end of the financial year 2019. Furthermore, according to the AAK report, rental yields grew at an average margin of 0.7 percent.

## 2.3 Sales-based rent creates traction among mall owners.



Mall owners continue to embrace the idea of rent payments based on a business turnover as opposed to space occupied, as they seek ways to ride out the economic downturn occasioned by the coronavirus pandemic. The retail space has emerged as one of the biggest casualties of the Covid-19 pandemic, as more tenants default rent payments.

According to Sakina Hassanali, the head of development consulting and research at HassConsult, mall landlords are keen on taking a percentage of turnover rent in the short term as more tenants continue to struggle in paying rent. Furthermore, it's expected that mall landlords will continue to offer rent concessions with an anticipated shift from rent charges based on space occupied to either turnover rent or a combination of turnover rent and base rent to retain tenants.

## 3.0 THIS MONTH FEATURE ON LOCATION ANALYSIS – KIKUYU, KIAMBU COUNTY

### 3.1 Overview of the area



Kikuyu is a semi-urban town in Kiambu county, located about 20 km from Nairobi CBD, and forms part of the Nairobi Metropolitan area. Kikuyu town is generally a low to medium density area, with most residents falling within the middle-income class. The town, which hosts a Sub-County Administration, has an estimated population of

about 323,881 people according to the 2019 census statistics. Kikuyu is also the only town along the recently completed Southern Bypass that Connects Mombasa road to Nairobi- Naivasha Highway at Gitaru via Kikuyu.

The town has a high influx of people who work in Nairobi attributed to a serene environment, relatively low noise, thin air, and low traffic.

### 3.2 Investment Landscape Outlook

The high influx of people, land affordability, the cosmopolitan and peaceful nature of Kikuyu town, as well as the dual carriage and the southern bypass, has created traction to investors and developers who have continuously been developing residential, retail and a few commercial developments in the area. The continuous development is also attributed to the conducive environment for habitation, which the area provides and the elaborate infrastructure and proximity to Nairobi, where most individuals in the area work.

With the recent construction and completion of the Southern Bypass that Connects Mombasa road to Nairobi- Naivasha Highway at Gitaru via Kikuyu, the town is poised for greater growth and property uptake by the fact that it's the only town that is on the bypass. The area also continues to attract more residential developments due to the urban and semi-urban lifestyle, which makes it possible for people to access food easily from surrounding farmers as well as access other social amenities with ease.

### 3.3 Overview of Real Estate Market in the Area

Kikuyu area has registered rapid real estate growth in the recent past due to the rise in demand for housing, which the construction sector is rapidly trying to match. More and more housing units are being put up, especially on plots with close proximity to the road. The occupancy rate for residential real estate is higher as compared to other property classes, with the yield for a one-bedroom being 7% due to their higher occupancy rate. The higher occupancy rate is also attributed to the fact that the area is attractive to the lower middle class, which makes up the largest percentage of Kikuyu's population. Furthermore, apartments with extra facilities, more parking spaces, and easy access from the main road are very attractive and thus have higher sales and occupancy levels.

Retail developments in Kikuyu town (consisting mainly of small scale supermarkets, retail shops, and stores, with major retail developments being owner owned) have an occupancy rate of approximately 92%. On the other side, Kikuyu's commercial office developments are less lucrative, with a low occupancy rate of 42% due to the low demand for commercial office space as it is majorly a residential area.

### 3.4 Real Estate Demand Drivers

#### i.) Proximity to Business Hubs

Kikuyu is growing as a commercial and residential hub by itself due to the rising numbers of shopping centers, entertainment hotspots, and social amenities such as the Sigona golf. The town is about 20 km from Nairobi CBD, 20 minutes' drive via several routes, including a dual carriage road.

#### ii.) Availability of Economic and Social Amenities

##### a.) Academic Institutions

Kikuyu hosts many academic institutions, including a major eye unit training hospital, a Christian university, and many primary and secondary schools. The area hosts the Nairobi University-Kikuyu Campus, Presbyterian University of Eastern Africa (PUEA), Thogoto teachers training college, Kikuyu Commercial College, Vantage teachers college, and Kismart College among others, which have continuously increased occupancy for residential developments, especially the student housing sector.

##### b.) Leisure.

Kikuyu area has vast historical and recreational facilities, including; the underground caves, which are situated below the town under the railway facing Magana farm, the Ondiri Swamp, and the PCEA Church of the torch, the first building at Thogoto. The facilities act as tourist attraction sites, which boosts the hospitality industry in the area.

Recreational facilities include the Sigona golf club, Wida highway hotel, Kari holiday retreat center, Kilimo Grand resort, Ondiri swamp (Located a kilometer away from Kikuyu town).

##### c.) Health care

Kikuyu area is served by the PCEA Kikuyu Mission Hospital, Aga Khan University Hospital, and the Kikuyu Hospital as the main health care facilities.

#### d.) Shopping Center

Kikuyu boasts of its recently completed Kikuyu town Market, which was funded by the World Bank. The town also has many small scale supermarkets, retail shops, and stores that serve the shopping needs of its residents.

#### e.) Financial Institutions

Kikuyu has well developed financial institutions, including Sacco's, Banks, and Micro Finance Institutions. Main Banks in the town include; Barclays Bank, Equity, Co-op Bank, KCB, Family Bank, Kenya Women Trust Fund, and other smaller bank agents.

#### iii.) Security

Security in Kikuyu has greatly improved, with both the Administration and the Kenya Police having bases in the town. Furthermore, there are plans to modernize and upgrade the Kikuyu Police Station and District Security Command offices to address security issues efficiently. That has boosted investors' confidence, which has translated into more businesses being set up in the area.

#### iv.) Infrastructure

Kikuyu has a well-developed infrastructure with the southern bypass as the huge infrastructural projects the area has seen lately. Besides, the area experiences light to medium traffic due to the high influx of people working in Nairobi.

#### v.) Serenity

Kikuyu area is generally relaxed and quiet

### 3.5 Real Estate Supply Analysis

The following are some of the major recent and current projects in Kikuyu Area, that would create a competitive edge to an investor wishing to invest in the area:

#### Current Supply: Residential Housing Development

##### i.) Kikuyu Road Apartments



**Location:** The project is located off Kikuyu Road with a pristine gated community at close proximity to business, prime schools, and shopping malls such as the junction mall just 5 mins drive away.

#### Indoor Amenities

- Built-in Wardrobes
- Bedroom
- Bathroom- Ensuite
- Open Kitchen

#### Outdoor Amenities

- Lift Installation
- Borehole
- Back-up Generators
- CCTV
- Perimeter wall
- Electricity Fence
- Cabro paved Roads
- Parking Provision

##### ii.) Kikuyu Heights Phase B



**Description;** Kikuyu heights Phase B is a seven storey Apartment with a development of 49 units, comprising of 28 (3 Bedroom Units) with a plinth area of 95.5 m sq or two bedroom Units sitting on a surface area of 73.04 m sq

**Location:** The project is located off Kikuyu Road with a pristine gated community at close proximity to business, prime schools, and shopping malls such as the Junction Mall Just 5 mins drive away.

### Indoor Amenities;

- Pets allowed
- Built-in Wardrobes
- Bedroom
- Bathroom- Ensuite
- Open Kitchen

### Outdoor amenities

- Lift Installation
- Borehole
- Back-up Generators
- CCTV
- 24 HR Security
- Perimeter wall
- Cabro paved Roads
- Parking Provision

Kikuyu Heights Phase B comprises of;

Selling OFF-PLAN

3 Bedroom Apartment at 5.5 Million

2 Bedroom Apartment at 4.5 Million

### 3.6 Area Real Estate Price Outlook

#### a) Land prices

	Minimum	Average	Maximum
Land Price per acre	19,500,000	26,000,000	55,000,000

#### b) House selling prices

	Minimum	Average	Maximum
2 Bedroom Apartment	4,500,000	5,500,000	12,500,000
3 Bedroom Apartment	4,800,000	7,500,000	16,500,000

#### c) Rent

	Minimum	Average	Maximum
2 Bedroom Apartment	15,000	25,000	55,000
3 Bedroom Apartment	25,000	40,000	65,000

## 4.0 REAL ESTATE PRICE ANALYSIS

The market prices shown below are average price indicators for the main product categories in the real estate property market, namely: Residential Housing, Commercial Office Space, and Industrial Space.

Care should be exercised in comparing the prices of various properties by considering other factors like: specific property location, amenities, property plinth area, and specification of finishes and fittings. Buildafrique Consulting Group shall therefore not be responsible for any errors in the prices published herein or for any damage or loss whatsoever resulting therefrom or for any thereon in the average market price.

### 4.1 Residential Housing Market Analysis

#### AVERAGE SELLING PRICES – (HOUSING)

##### a) Selling price for 3 bedroom apartment in popular zones

ZONE	Area	Asking Price
ZONE E1	Upperhill	24,400,000
ZONE 4	Riverside Drive	22,000,000
ZONE 5	Woodley	14,500,000
ZONE 8	Imara Daima	9,000,000
ZONE 10	Nairobi West	12,000,000
ZONE 12	Karen	15,000,000
Others	Gigiri	19,000,000

##### b) Rental Price for 2 bedroom Apartment in popular zones

ZONE	Area	Asking Price
ZONE E1	Upperhill	15,500,000
ZONE 4	Riverside Drive	12,500,000
ZONE 5	Woodley	10,000,000
ZONE 8	Imara Daima	6,800,000
ZONE 10	Nairobi West	8,200,000
ZONE 12	Karen	12,000,000

**c) Selling prices for 5 Br Town Houses/  
Mansionettes in Popular regions**

ZONE	Area	Asking Price
ZONE 4	Spring Valley	100,000,000
ZONE 4	Riverside Drive	90,000,000
ZONE 5	Kyuna	80,000,000
ZONE 5	Loresho	75,000,000
ZONE 13	Gigiri	120,000,000
ZONE 13	Kitisuru	80,000,000
Others	Mombasa Road	19,000,000
Others	Nyari	120,000,000

**AVERAGE RENTAL PRICES – (HOUSING)**

**a) Rental Price for 3 bedroom apartment in popular Zones**

ZONE	Area	Asking Price
ZONE E1	Upperhill	130,000
ZONE 4	Riverside Drive	130,000
ZONE 5	Woodley	75,000
ZONE 8	Imara Daima	50,000
ZONE 12	Karen	80,000
Others	Gigiri	150,000
Others	Mombasa Road	42,000

**b) Rental price for 2 bedroom apartment in popular Zones**

ZONE	Area	Asking Price
ZONE E1	Upperhill	65,000
ZONE 4	Riverside Drive	75,000
ZONE 5	Woodley	60,000
ZONE 8	Imara Daima	35,000
ZONE 12	Karen	55,000
Others	Gigiri	95,000

**c) Rental prices for 5 Br Town Houses/  
Mansionettes in Popular regions**

ZONE	Area	Asking Price
ZONE 4	Spring Valley	380,000
ZONE 5	Kyuna	230,000
ZONE 5	Loresho	250,000
ZONE 13	Kitisuru	300,000
Others	Nyari	350,000
Others	Mombasa Road	70,000

**4.2 Commercial Space Market Price Analysis**

**AVERAGE SELLING PRICES – (OFFICES)**

**a) Selling Price for Grade A office in Popular Zones**

ZONE	Area	Asking Price per Sq.
ZONE 1E	Upperhill	13,000
ZONE 3	Westlands	11,500
ZONE 3	Parklands	11,000
ZONE 4	Kilimani	12,700
ZONE 12	Karen	14,000

**b) Selling Price for Grade B office space in Popular Zones**

ZONE	Area	Asking Price per Sq.
ZONE 1E	Upperhill	11,794
ZONE 3	Westlands	10,500
ZONE 3	Parklands	10,000
ZONE 4	Kilimani	10,200
ZONE 12	Karen	11,500

**AVERAGE RENTAL PRICES – (OFFICES)**

**a) Rental Price for Grade A office in Popular Zones**

ZONE	Area	Asking Price per Sq.
ZONE 1E	Upperhill	120
ZONE 3	Westlands	130
ZONE 3	Parklands	100
ZONE 4	Kilimani	120
ZONE 12	Karen	100

**b) Rental Price for Grade B office space in Popular Zones**

ZONE	Area	Asking Price per Sq.
ZONE 1E	Upperhill	85
ZONE 3	Westlands	100
ZONE 3	Parklands	75
ZONE 4	Kilimani	80
ZONE 12	Karen	80

### 4.3 Industrial Space Market Price Analysis/ index Analysis

#### a) Selling Price for Industrial Space (Godowns) in Popular Zones

ZONE	Area	Asking Price per Sq.
ZONE 6	Baba Dogo	5,450
Others	Mombasa Road	4,800

#### b) Rental Price for Industrial Space (Godowns) in Popular Zones

ZONE	Area	Asking Price per Sq.
ZONE 9	Industrial Area	43
ZONE 16	Baba Dogo	34
Others	Mombasa Road	35

### 5.0 COMMENTARY ANALYSIS



**Commentary by:**  
**John Karani**  
**Research and Financial Analyst**

Kenya's real estate market was on a low trajectory during August 2020, as more tenants in both residential and commercial space continue to ask for rent relief and more business close, hence breaking lease agreements, leading to low occupancy levels. The real estate market in Kenya is also affected by the falling demand caused by limited income and constrained credit access from financial institutions, coupled with the continued

oversupply of both residential and commercial developments.

However, the residential sector in Kenya did averagely better than the commercial sector of the real estate industry as more stay-at-home initiative became a norm, and more people wanted to own homes. Nevertheless, the high-end apartments did not have as much traction to tenants as most of them moved to smaller, cheaper, or unfinished homes in the outskirts of Nairobi, such as Kikuyu. According to Kenya banker's association, pricey houses and apartments are losing tenants who are resorting to smaller houses and own-homes to save on their monthly incomes. On the other hand, single-family detached homes generated a huge interest in the upper-mid market, stabilizing the growth in the residential property sector, as more people wanted more space.

Retailers, on the other hand, had a hard time paying rent in malls, forcing landlords to kick them out or use crude methods to recover their money. Garden city mall, for instance, gave notice to its tenants on 5<sup>th</sup> August 2020, asking them to honor their rental obligations, failure to which their assets were to be auctioned. The increased lease breaks in malls facilitated Mall owners to embrace the idea of rent payments based on a business turnover as opposed to space occupied, as they sought ways to ride out the economic downturn occasioned by the coronavirus pandemic. In the short-term, this is expected to sustain the cashflow for both the mall owners and their tenants and hence improve the occupancy rate and the rental income.



# THE COUNTIES SEGMENT



## 1. COUNTIES HIGHLIGHT

### 1.1 Kiambu County



Unity Homes has handed over keys to buyers of the first block of apartments at Unity West, one year after breaking ground on the Sh4.5 billion project at Tatu City in Kiambu County. The British-Kenyan venture's first 48 units are spread across four blocks, with 12 apartments each. Another 48 units will be handed over to owners in October 2020, and the entire 384-unit first phase of the project will be completed by the end of 2022. The units are part of a plan by Tatu City to partner with leading Kenyan homebuilders to construct more than 30,000 homes at the 5,000-acre new city.

### 1.2 Kisumu County



On 20<sup>th</sup> August 2020, auctioneers shut down Tuskys Supermarket store in Kisumu's United Mall over Sh26 million rent arrears, highlighting the depth of the retailer's financial woes. Victoria Blues Services Auctioneers (VBSA) stopped Tuskys from opening its doors on 20<sup>th</sup> August 2020, with the auction set to happen on 28<sup>th</sup> August 2020. The auctioneer issued a notice on Tuskys for effect on August 28, including electronics, shelves, toiletries and food items.

### 1.3 Nakuru County



The County Government of Nakuru is advocating for the adoption of alternative building technology that uses cheaper materials compared to conventional stones, in order to boost the supply of affordable housing in the county. According to the County governor Lee Kinyanjui, the county has set up Alternative Building Materials Technology Centers (ABMTC) at Mirera, Kagoto and Molo polytechnics to train and equip the youths with skills in the manufacture and use of cheaper building materials. He further stated that each of the training centers is equipped with machines designed to help in the manufacture of alternative building materials. According to the governor, the use of alternative building materials other than stones could cut the overall cost of construction, reduce the total time taken to put up a building, and hence increase homeownership in the county.



At the same time, the county government of Nakuru is building its biggest mortuary in Naivasha as part of plans to equip the cosmopolitan town with more facilities. According to the County Health Chief Officer Samuel King'ori, the modern morgue at Naivasha Sub-County Hospital, which is 90 per cent complete, will cost Sh35 million. It will be the biggest in Nakuru and will have a capacity of about 118 bodies. According to Mr. King'ori, the construction is almost complete and

the county is awaiting shipment of equipment from abroad. He further stated that the facility is a necessity because Nakuru has many private mortuaries but there are no private mortuaries in Naivasha and Gilgil sub-counties which has put pressure on public morgues in the two areas.

### 1.4 Machakos County



The tender for the construction of the Konza meeting centre was approved by the procurement regulator on 5<sup>th</sup> August 2020, paving the way for the project to start. The authority awarded Kenyan developer, Parklane Construction Limited the contract on 26<sup>th</sup> June 2020 after bidding Sh1.43 billion for the job. The tender, which saw a total of 18 bidders participate, was however, contested by another developer, Millicon Limited, which claimed it was locked out unfairly by the authority and sought redress from the regulator. The Public Procurement Administrative Review Board (PPARB), however, ruled on 30<sup>th</sup> July 2020 that the Konza City Development Authority did not breach any procurement laws when awarding the contract to Parklane.

### 1.4 Murang'a County



Murang'a residents have been urged to construct their homes using interlocking blocks, which are cheaper and can boost the housing sector in rural areas. According to the county housing director Wilson Irungu, the blocks are made from a mixture of soil and minimal cement to make them long-

lasting. Mr Irungu further said that the technology eases the process of constructing a house as it is fast and the materials required are readily available. Murang'a residents will only be required to liaise with the housing department to be facilitated with the machines for making the blocks.

## 2.0 This Month Feature on County Analysis: Machakos County

### 2.1 Overview of the County



Machakos County has a total population of 1,421,932 people, 264,500 households, and covers an area of 6,208 square kilometers. The county borders Nairobi and Kiambu counties to the west, Embu county to the north, Kitui County to the east, Makueni County to the south, Kajiado County to the southwest, and Murang'a and Kirinyaga County to the northwest.

Machakos County has eight constituencies, including Machakos Town, Mavoko, Masinga, Yatta, Kangundo, Kathiani, Matungulu, and Mwala. Machakos Town is the administrative capital of the county. Machakos County borders Nairobi and Kiambu counties to the West, Embu to the North, Kitui to the East, Makueni to the South, Kajiado to the South West, and Murang'a and Kirinyaga to the North West.

The local climate in Machakos County is semi-arid, with a hilly terrain covering most parts of the county. The beautiful hilly scenery is perfect for tourist-related activities such as camping, hiking safaris, ecotourism, and cultural tourism, dance, and music festivals, among many more that boosts the hospitality sector in the area.

Machakos County is banking on projects such as the Konza Technology City, a new Machakos City, and its proximity to Nairobi County to boost output in the economy.

### 2.2 Investment Market Outlook

The ongoing expansion of Mombasa Road from Chumvi junction to Nairobi-Namanga junction at Athi River offers key investment opportunities. Furthermore, the Mombasa Road- Mlolongo- Athi River node continues to create traction to logistics and storage firms due to the ease of branching out of the city towards the Mombasa port. Also, real estate investors continue to be attracted by the availability of affordable land in the county, coupled with the county closeness to Nairobi County.

The Konza city project, coupled with the county government of Machakos ambitious master plan to build Machakos City, also continues to create traction to real estate investors both locally and internationally.

The completion of the inland container depot in Syokimau has also made the area an attractive location for real estate firms, especially the ones focusing on providing warehousing services.

The shortage of low-cost housing units in the county also brings about investment opportunities in the construction of prefabricated low-cost housing, residential, commercial, and industrial building opportunities in the real estate and construction industry.

### 2.3 Overview of real estate market in the county

Machakos County is a critical player in the retail and residential housing market, providing affordable and quality housing compared to the neighbouring Nairobi County. Furthermore, the increase in the population and congestion in Nairobi County has increased demand for affordable housing units in Machakos County. Already, Machakos County was earmarked for the construction of 8,888 affordable houses by the national government.

The county was also selected as the home to the upcoming Konza Technology City due to its proximity to Nairobi, good infrastructure, and availability of massive chunks of land.

### 2.4 Demand Drivers

#### i.) Infrastructure

Machakos County has a well-developed road network that ensures accessibility to vital facilities in the county. The road network includes the 33 kilometre Makutano-Kithimani road, the 24 kilometre Kathiani- Kakuyuni, the 18 kilometre

Masinga- Kivandini, the 15 kilometre Seveni-Kiinyweni road, and 6Km Kithini-Vota.

Additionally, the county boost of its 10,000 seated Kenyatta stadium and an upcoming city in Machakos town.

#### ii.) Urbanization

Machakos is the seventh-largest urban area in Kenya.

#### iii.) Social amenities

The following are the social amenities in Machakos County.

##### a.) Hospitals

Machakos currently has health centres within every sub-county and a County General Hospital (Machakos Level 5 Hospital) with a bed capacity of 375. The hospital offers a wide range of services and has recently launched a fully furnished Cancer Centre. Given the real estate boom currently being experienced in the county, there has been an increase in the urban population and a rise in the demand for quality healthcare. That has attracted investment in the healthcare sector, with major players setting up facilities within the county such as Agha Khan Hospital, Bristol Park, and Meridian Medical Centre.

##### b.) Schools

The universities and colleges within Machakos County includes: Machakos University, Scott Christian University, South Eastern Kenya University (SEKU), St. Paul's University, African Training Center for Research and Technology, Century Park College, Machakos Institute of Technology, Kenya Medical Training College (KMTC) Machakos campus and Machakos Technical Training Institute for the Blind, which has all pushed demand for student hostels within the county.

##### c.) Shopping centers

Machakos County is served by many shopping centers which contain malls including the Digital Mall in Mlolongo, Gateway Mall in Syokimau, Kiambaa Mall in Machakos town, the Masaa Mall and the Signature Mall in Sabaki

The county also plays host to the open-air market concept where large amounts of produce are traded.

##### c.) Recreational facilities

Machakos County prides in the people's park, which has one of Africa's amphitheater. Other recreational facilities in the county include the Donyo Sabuk National Park and the Ituluni Hill. The beautiful hilly scenery is perfect for tourist-related activities such as camping, hiking safaris, ecotourism, and cultural tourism, dance, and music festivals, among many more. The recreational facilities attract both the local and international tourists who boost the hospitality industry in the county.

#### iv.) Economic drivers

Major economic drivers in the county includes minerals, and tourist attraction sites. The main economic activities include livestock farming, sand harvesting, mining and trade.

#### v.) Security

In a bid to enhance security and boost investors' confidence, the Machakos county government installed CCTV cameras in Machakos town. Also, The County has many equipped police patrol bases, which further increase security in the area.

#### vi.) County government policies

The county government of Machakos provides land at attractive lease terms to develop housing to cater for Nairobi and Konza techno city. Additionally, to streamline building plan approvals, the county government of Machakos approves development plans submitted to the county within 21 days.

#### vii.) Ease of doing business

The county has operational investor's one-stop-shop, and well laid out channels to have investor queries and concerns addressed in a timely and efficient manner to ease up the process of doing business in the county.

## 2.5 Real Estate Price Outlook

#### i.) Land Prices

The average price for an acre of land in Machakos County is Ksh 800,000.

## ii.) House Selling Prices in Machakos County

	Minimum	Average	Maximum
3 Bedroom House	3,500,000	8,500,000	14,000,000
4 Bedroom House	7,100,000	12,000,000	37,670,000

## iii.) Rental Prices for Houses in Machakos County

	Minimum	Average	Maximum
3 Bedroom House	25,000	30,000	65,000
4 Bedroom House	40,000	45,000	70,000

## 3.0 Commentary Analysis



**Commentary by:**  
**John Karani**  
**Research and Financial Analyst**

Affordable housing initiatives in counties has become a very crucial county government agenda among Kenya counties in a bid to solve the housing challenge and increase the number of people owning houses in the country. Counties are using new construction technologies to make cheap construction materials that will aid in the construction of affordable houses, at the same time training youths on using this technology. A good example is Nakuru and Muranga counties, which continue to advocate for the development of affordable housing projects using cheap

construction technology. In particular, the County Government of Nakuru is advocating for the adoption of alternative building technology that uses cheaper materials compared to conventional stones, in order to boost the supply of affordable housing in the county. Murang'a county government, on the other hand, is urging its residents to construct their homes using interlocking blocks, which are cheaper and can boost the housing sector in rural areas.

Amid covid-19, most Kenyans who used to live in the city, like Nairobi, continue to appreciate the need to own a home in their respective counties. As such, as more people continue to flee the city, the demand for affordable houses in rural places continue to increase. At the same time, the demand for residential houses in counties which border Nairobi, continue to surge, as the working middle class move to this places in search of affordable houses that are in good condition and well furnished. Machakos County, for instance, is a critical player in the retail and residential housing market for the middle class working in Nairobi, as it provides affordable and quality housing compared to Nairobi County.

Kenya counties, especially those bordering Nairobi County, are emerging as real estate investment hotspot due to the availability and affordability of land, good infrastructural development, and the high footfall. That is explained by the developments such as the Konza smart city in Machakos, and Tatu and Northland City in Kiambu County, among many other commercial and residential real estate developments in major towns across the country.

# THIS MONTH IN GLOBAL REAL ESTATE MARKET

## 1. GLOBAL REAL ESTATE OVERVIEW



The world is now in the midst of a short recession, which is flowing through to all sectors of the real estate industry globally. Decision-making processes are taking longer as uncertainty and disruption remain widespread. Many real estate investors across the globe continue to defer the decisions regarding new real estate acquisitions; however, some high net worth institutions are going ahead with the decision regarding new real estate, keeping a long term horizon in perspective. Furthermore, credit arrangement continues to be a challenge to investors, with construction lending facing more challenges in the global real estate

market. Lenders and underwriters are being more conservative and highly selective towards real estate borrowers across the world due to social distancing norms and uncertainties across construction timelines.

According to JLL, as of August 2020, global office leasing activity was 59% lower than a year ago while vacancy rates have started to creep up across the globe. The retail and hospitality sectors continue to be the most directly hit, reflecting reduced consumer spending and a pullback in both personal and business travel. Logistics market demand has also slowed but remains relatively healthy as compared to other sectors in the real estate industry.

## 2.0 North America and the United States



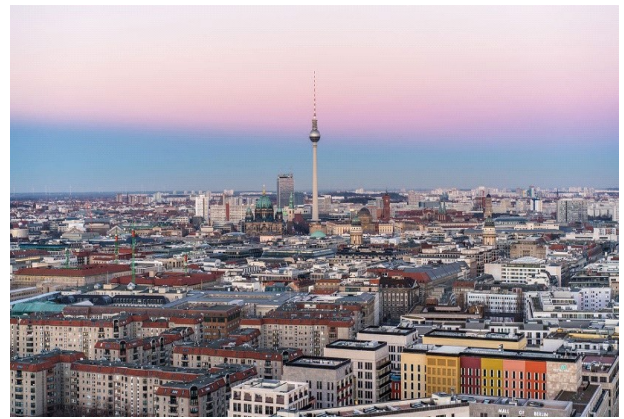
The demand for new single-family homes continues to be strong, as low interest rates and a focus on the importance of housing has stoked buyer traffic to all-time highs across the US and the North America. Furthermore, according to the latest National Association of Home Builders/Wells Fargo Housing Market Index (HMI) which was released in the week ending 21<sup>st</sup> August 2020, U.S. home builder confidence in the market for newly-built single-family homes increased six points to 78 percent in August 2020.

According to global commercial real estate consultant CBRE, commercial investor sentiment and transaction activity in August 2020 recovered from the depths of the COVID-19 crisis across the U.S. and the North America in general. CBRE further reported that at the end of July 2020, the number of signed confidentiality agreements in the region was down by only 17% year-over-year - a marked improvement from the 74% drop-off in April and May 2020.

In the US alone, signed confidentiality agreements as of August 2020 for industrial and multifamily property offerings reached 46% and 42%, respectively.

Lockdown measures due to Covid-19 continued to spur higher e-commerce growth, particularly online grocery shopping across North America and the US with expansion of supply chains and retailers' Omni channel presence propelling demand for logistics facilities and warehouses.

## 3.0 Europe



According to Real Capital Analytics' European Capital Trends, the volume of European commercial real estate investment transactions plunged to the lowest level since 2014 as of August 2020 standing at €50.1 billion, a 32% fall as compared to the same period in 2019. However, the completion of a handful of large deals as of August 2020, notably in Germany, still underpinned activity relative to other global regions.

In Germany, Austria, Denmark, Sweden and the Netherlands socio-economic life began to stabilize in August 2020, with restaurant bookings and retail footfall becoming less than 20% below normal, while some other countries notably the U.K. continue to suffer from a sluggish recovery in the real estate sector.

Southern Europe, on the other hand, was negatively impacted by the dearth of tourists, but on the positive side retail footfall in southern Europe continued to stabilize in August 2020.

## 4.0 Asia and Pacific



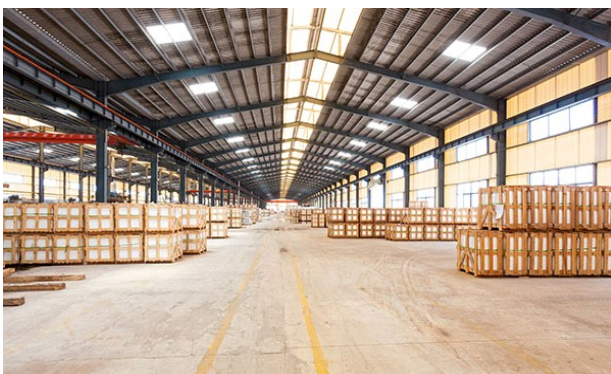
According to the global property consultant JLL, the full impact of the Covid-19 pandemic was felt deeper in Asia Pacific real estate markets in the second quarter of 2020 than the previous quarter, and contributed to investment volumes and rental prices declining across most major commercial asset classes as of August 2020.

According to JLL, investment volumes in Asia Pacific declined by 32% year-on-year, with activities in quarter 2 of 2020 down by 39% year-on-year accelerating from a 26% drop in the first quarter of 2020.

The decline in investment volumes continued as more economies introduced lockdowns and travel restrictions, further impacting investors' short-term capital deployment plans as of August 2020. Singapore (-68%) and Hong Kong (-65%) registered the largest year-on-year investment declines in as of August 2020, while drops in Australia (-58%), South Korea (-45%) and China (-15%) were offset by a resumption of activity in the latter parts of the second quarter of 2020. Investment activity in Japan (-20%) remained resilient due to transactions in the multi-family sector and strong domestic liquidity.

Across Asia Pacific, office leasing was generally subdued as at August 2020, with only select markets posting monthly price increases. Office rentals in Hong Kong's Central district observed the most substantial decline (-9.3%) with the backdrop of rising vacancies and weaker leasing demand. Beijing (-4.1%), Melbourne (-3.9%), Sydney (-3.5%) and Singapore (-3.3%) also reported sizable declines in the office rental prices.

## 5.0 North and Sub-Saharan Africa



The experience of working from home made people in North and Sub-Saharan Africa be aware of the limitations of their existing homes. As a result, increased interior and exterior space became an important driver of demand for many homebuyers across North and Sub Saharan Africa.

Covid-19 pandemic has also placed downward pressure on rental levels and capital values across all real estate market segments in North and Sub Saharan Africa, as markets remain in a downturn phase. Despite that, the demand for warehouse and distribution space remained resilient in August 2020, boosted by retail-driven e-commerce and supply chain diversification. Defensive sectors, such as healthcare and logistics assets, continued to garner interest among real estate investors, with active investors considering income stability, operation criticality, and occupational density to be critical factors in mitigating asset-level risk. While the value of transactions in August 2020 slowed considerably when compared to 2019, investment sentiment in the industrial space showed the most resilience as the demand for retail-driven warehousing and distribution space expanded.

## 6.0 Commentary analysis



Commentary by:  
**Faith Karanja**  
Financial Analyst

Globally, housing has been a bright spot during the pandemic as more people want to own homes pushed by the call to stay at home. In August



2020, detached houses across the globe generated more traction among potential homeowners, with the trend likely to continue even post Covid-19 pandemic. The high interest for detached houses around the world was attributed to the increased desire among homeowners to have more space. In the US, in particular, the demand for detached homes grew stronger in August 2020, as low-interest rates and a focus on the importance of housing stoked buyer traffic to all-time highs across the America region.

Commercial real estate, on the other hand, was notably on the decline, as evidenced by the low investment volumes and rental prices decline across most major commercial asset classes. Likewise, office leasing was generally subdued in all regions of the globe.

On the positive side, the socio-economic life began to stabilize in August 2020 in most parts of the globe, boosting the hospitality sector, as evidenced by increased restaurant bookings and retail footfall.

# EXPERT SEGMENT & MARKET INSIGHTS

## 1. EXPERT SEGMENT

### Real Estate Joint Ventures in Kenya, and Steps to know in Deal Structuring



Article by:  
**Chege Njoroge**  
Real Estate Finance Consultant

Real Estate Joint venture is a business agreement between two or more real estate parties who decide to pool their resources together to undertake a specific real estate project thereby diversifying, pre-empting competition, improving

agility, sharing risks, scaling up efficiency, accessing skills and capabilities, as well as new markets.

Furthermore, a Joint venture can be either contractual - where the parties agree to work together and as such form a separate legal entity to act as the special purpose vehicle, or a corporate joint venture - where the parties come together to form a corporate entity, which could be a limited company with the parties each owning shares in the company.



The following are steps that every Real Estate Investors should consider, if he or she intends to structure a joint venture investment deal with a Potential Investors, or inviting an Investor to invest a stake into the project.

- a.) Feasibility study:** - The project sponsor is the person or group that owns the project, and who takes the overall accountability for the project, most of the time being the land owner or Real Estate Investment Management Company. As such, the project sponsor should establish the viability of the project by conducting a feasibility study, which should also showcase the rate of return of the intended project, as well as cost-benefit analysis.
- b.) Preparation of Business Plan, and Investment Capital Structure Model:** - The project sponsor has the upper responsibility for preparing the Real Estate Investment Business Plan for the project, from the outcome of the Feasibility Study. Real Estate Business Plan should showcase the proposed design concepts for the venture, associated costs for the project, implementation and operational methodology, capital structure, marketing strategies, as well as risks mitigation strategies.
- c.) Preparation of Capital and Preferred Returns Payment Model, and Profits Residual Payment Model:** - Additionally, the Business Plan should showcase how proceeds from the project shall be paid out to both the sponsor and the investor as return of capital invested into the project, as well as payment of preferred returns and residual cash flow to both the Sponsor and the Investor.
- d.) Finding an Investor Partner and setting objectives:** - It is crucial for the Project Sponsor to research the partnering entity or investor to make sure that they are compatible in terms of performance, level of commitments, reputation, financial status, and creditworthiness. Additionally, the project sponsor should analyse each investor partner's comfort and adaptability to the project technology as well as the skills required. Besides, the parties should be clear about the purpose of the formation of the joint venture, the individual party's aims, and visions so that all undertakings in respect to the Joint venture are in line with the stated objectives.
- e.) Technical Due Diligence:** - Investors looking forward to investing into a Joint Venture should visit the site where the project is set to be developed, and as such, establish the viability of the project by looking at the macroeconomic, location, and market factors such as the infrastructure, area zoning, security, support facilities, and other complimentary social amenities in the area. The due diligence also entails review of the Sponsor's Business Plan, in relation to market dynamics of supply and demand, as well as review of all legal standings regarding the ownership of the property, and all previous transaction on the property.
- f.) Drafting a Joint Venture Agreement, and Investment Memorandum:** - A Joint venture may bring up conflicts between partners in the course of the undertaking, if legal aspects of the same are not handled well. As such, the Sponsor should incorporate the professional help of a lawyer and Financial/Investments Real Estate Consultant to help in coming up with and documenting the Joint Venture Agreements which should outline the terms and conditions of the investment development projects, and a memorandum of understanding covering issues like communication protocol, confidentiality and conflict resolution. This document is sometimes referred to as Investment Memorandum, of which the sponsor can either decide to prepare before inviting the Investor Partner comes into the project, or after the Investor Partner has come into the negotiating table.
- g.) Formation of the Joint Venture:** - Upon documentation and signing of the Joint Venture Agreement or Investment Memorandum, a special purpose vehicle company is formed to accomplish the joint venture's objective. The investor could either choose to form a separate legal entity or structure a contractual venture which can operate under a joint venture agreement without having to create a separate business entity.
- h.) Approval and Project undertaking:** - Upon approval of the project by the relevant government bodies, the joint venture company should then commence the project by incorporating professionals like Project Managers, Architect, Quantity Surveyors, e.t.c., if the professional had not been appointed already during conceptualization of the

project and preparation of design documentation.

In conclusion, when the project sponsor or Investor gets an Investment Partner with the correct skill sets, capital resources, and market knowledge, joint ventures are beneficial to making a business idea to come into reality. Nevertheless, joint ventures open investors to risks and liabilities, and therefore, the Project Sponsor and Investor Partner needs to understand the possible risks and formulate them in the joint venture agreement through the help of Real Estate Finance and Investment Consultants, and Legal Professionals.

## 2.0 Q&A SEGMENT – (YOUR QUESTIONS & ANSWERS)



### How can I save on construction costs while developing my home, or a real estate investment project?

With construction costs rising at an alarming rate due to effects of inflation, rising oil prices, and cost of doing business, investor and developer have become keen into looking at various ways that can bring saving of construction costs in project development and real estate investments.

The following are various ways and methodology that investors and developers can consider in reducing or making a saving in overall construction cost of a development project:



- a.) **Market Survey and Materials Cost Engineering:** - This is a process carried out after the design and project costing has been completed by the Architect and Quantity Surveyor. The process involves survey of market prices of various materials and finishes, and re-engineering the project specification to fit the Client budget. The exercise also helps with discovering new products in the market that falls within the set budget.
- b.) **Use of Local Materials:** - Transport costs have been seen to add up to between 30% and 50% of the construction materials costs on some materials like sand and ballast. Using local materials contributes to substantial saving in cost of transport, as well as building labour costs through the savings realized by use of local workmanship for local building materials.
- c.) **Bulk Purchase of Materials:** - Bulk purchase is an exercise that first involves resource scheduling of construction materials for the entire projects, so as to allow one-off or bulk purchase for particular materials from a single supplier or purchase of materials at whole sale price. The savings are realized through economies of scale for bulk purchase, as well as negotiated discounts. Bulk purchase can also involve importation of bulk quantities of materials finishes from off-shore manufacturers at a much-discounted price.
- d.) **Use of pre-fabricated or ready-to-fix Materials:** - The use of pre-fabricated or ready-to-fix Materials provides savings in labour costs, together with shortening the construction period which is also associated with more savings. Labour forms almost 22% of the costs of construction on normal construction processes; therefore using ready-to-fix or prefabricated materials may contributes to substantial savings through use of less labourers and shortening the period of construction.
- e.) **Choice of Procurement Method:** - With many procurement methods in the market, the choice of the same would either result in savings in the project or additional costs associated with the mode of procurement. Labour Contracts have been seen to

contribute to savings of upto 20%, although the developer or investor is required to invest a substantial amount of his or her time into the management of the project. Design and Build procurement method has also been seen to contribute to savings in design costs, in which design costs are either omitted or factored in the entire design and build total costs but at a discount.

### 3.0 FACTORS THAT WILL SHAPE THE REAL ESTATE MARKET AND OTHER MARKETS IN THE NEXT ONE MONTH.

#### 3.1 Reduced bank lending rate



Banks have cut the cost of credit to an all-time low in the wake of the Covid-19 pandemic to an average of 11.89 percent following a consistent drop in the banking regulator's benchmark lending rate.

Lower interest rates is expected to make it cheaper to borrow, as well as encourage consumers to spend rather than hold onto money, which consequently should encourage consumers and firms to take out loans to finance greater spending and investment, such as real estate, leading to economic growth.

The low interest rate will reduce the monthly cost of mortgage repayments, leaving householders with more disposable income and hence increasing consumer spending.

On the negative side, the currency will tend to depreciate, making imports of raw materials such as construction materials more expensive. The Low rates could also lead to the inflation rate, which currently stands at 4.4%, to increase,

thereby increasing the cost of construction materials and, consequently, real estate properties.

#### 3.2 Continued depreciation of the Kenya shilling



The shilling hit a low of 108.15 on 27<sup>th</sup> August 2020 against the US dollar as its value continued to depreciate week on week within August 2020. The depreciation was attributed to the increased (dollar) demand from merchant importers and firms in the energy sector.

A weak shilling could deny consumers' cheaper electricity as the forex levy (which comprises expenses incurred in foreign currency by power generators such as KenGen, independent power producers, as well as Kenya Power) will be passed to consumers, who are majorly the tenants and households. Combined with the poor economic situation in the country due to covid-19, this might lead to rental lease breaks for both residential and commercial properties. Furthermore, the continued depreciation will raise the prospects of higher consumer bills for Kenya's import-dependent sectors, such as the construction sector, which relies on imported raw materials like steel, building material finishes as well as fitting.

# CAREERS AND BUSINESS SEGMENT



## 1. EVENTS AND EXPO. CALENDAR

1.1 WEBINAR: New Challenges in Architecture

1.2 SUMMIT: Building Content Summit



The webinar will focus on how architectures can turn to new materials and new ways of using traditional materials. Intelligent, lighter, less impacting and at the same time visually attractive construction are some of the challenges in the near future.

**Date:** 23rd September 2020

**Time:** 09:00 – 06:00 PM

**Venue:** Online

**Event Organizer:** <https://www.web.fibrenamics.com/pt/formacao/webinars-2020/>

The Building Content Summit (BCS) is an event dedicated to bringing together thought leaders from within the design, manufacturing and software sectors to discuss best practices for development and how to leverage building information modelling content within projects. The goal of the summit is to help all parties in the construction industry better understand the unique challenges and interests faced during design and construction and help facilitate finding the common ground to create a better built environment.

**Date:** 23<sup>th</sup> September 2020

**Time:** 10:30 AM

**Venue:** Online

**Event Organizer:** <https://www.dbei.org/event/bcs-online/>

### 1.3 Conference: Creating a Sophisticated BUILDING INFRASTRUCTURE STRATEGY - The Foundation for NextGen Buildings



The webinar will review best practices for developing an intelligent building infrastructure engineered to last the lifetime of the building as opposed to the lifetime of the technology connected to it. In addition to the physical infrastructure of the building, and information infrastructure that can access and interpret data from the different systems it is necessary to optimize building operations and enhance occupant experiences.

**Date:** 10<sup>th</sup> September 2020

**Time:** 10:30 AM

**Venue:** Online

**Event Organizer:** <https://www.realcomm.com/webinars/718/creating-a-sophisticated-building-infrastructure-strategy>

### 1.4 WEBINAR: Hotels and Leisure – Future Development Plans



The leisure and hospitality industries have been some of the hardest hit by the effects of the Covid-19 pandemic.

As such, the webinar will focus on the recovery of the leisure and hospitality industries by exploring

future multi million dollar projects that will help kick start the hospitality sector's fightback.

**Time:** 09:00 AM to 06:00 PM

**Venue:** Online

**Event Organizer:** <https://www.built-environment-networking.com/event/webinar-hotels-leisure/>

## 2.0 Careers and Business Hotspots

### Business Hotspots



### 2.1 Leasing of Office Space for Government Institutions in Nairobi

**Tender Number:** MTIHUD/HUD/3/2019-2020

**Tenderer:** State Department of Housing and Urban Development

**Location:** Westlands, The Central Business District (CBD), Community/Upper Hill, Hurlingham, Kilimani and Milimani Areas

**Closing Date:** The Expression of Interest will not close.

**Description:** <https://www.housingandurban.go.ke/wp-content/uploads/2020/05/Leasing-office-space.pdf>

### Careers



## 2.2 Chief Manager – Construction & Property

**Department:** Corporate Support Services  
Department

**Division:** Facilities & Logistics Services

**Work station:** Times Tower – Nairobi

**Supervisor:** Deputy Commissioner – Facilities & Logistics Services

**Supervisee:** Operations and Records Manager, Clerks of Work, Consultants and Contractors for contracted works.

**Job summary:** Primary responsibilities include conception and inception of all major construction works for the authority, fulfilling the overall technical aspects involved in the development or redevelopment of commercially viable projects for the authority in its various currently owned properties.

**Job description:** <https://www.kra.go.ke/en/careers/926-chief-manager-%E2%80%93-construction-property>

## 2.3 Director – Building Safety and Quality Assurance

**Advert date:** 25 -08 – 2020

**Ministry:** Ministry of Transport and Infrastructural Development

**Department:** State Department of Housing and Urban Development

**Job Grade:** CSC5

**Experience Length:** 15 Years

**Job details:** <http://www.psckjobs.go.ke/JobDetails.aspx>

## 2.4 Construction Supervisor

**Job Summary:** The construction Supervisor will be responsible for the construction activities for the allocated school sites

**Experience Level:** Mid level

**Experience Length:** 5 years

**Job Description:** <https://www.bridgernationalacademies.com/who-we-are/careers/>



# BUILDAFRIQUE CONSULTING GROUP UPDATES & INSIGHT

## 1. ORGANIZATION UPDATES

**Buildafrique™ Consulting Group introduces Legal and Real Estate Conveyance Services in its Product Base.**



Buildafrique Consulting Group has introduced legal and real estate conveyancing services in its product base.

The move has been precipitated by the need to manage legal risks in Real Estate Investment Projects, in which legal expertise play a central role in due diligence for development and real estate investment transactions.

The Legal and Real Estate conveyancing services shall be provided through an independent subsidiary run by lawyers and advocates with wide experience in property and real estate law.

## 2.0 THIS MONTH ON PRODUCT REVIEW

**Quantity Surveying and Construction Cost Consultancy.**



### **Customer Challenges:**

The success of any project is evaluated on set Quality, Timelines, Cost Budget, and Financial benchmarks. Your challenge in Real Estate Investment comes in the delivery of the project within these benchmarks, and “COST” in particular can present you with the following challenges:

- Choosing a viable cost-effective development option, and designing within cost budget.
- Choosing material specifications that fit your budget.
- Procuring the right Contractors for the work & entering into the right contractual engagement.
- Administering and controlling costs during project implementation.
- Accounting for work done during payment to Contractors, and closure of Final Accounts.

**Our Solutions:**

Our solutions in Quantity Surveying in modern construction sector are diverse but the core professional expertise and solutions we can offer to Clients include the following:

- Preliminary Cost Advice and Budget Estimation for early stage of the Project for decision making.
- Cost Benefit Analysis & Comparative costing during early stages of a project for economic designs.
- Advise on Project Procurement options, Tendering processes, and Preparation of tender documents.
- Advise on contractual engagement between the Client and the Contractors in a project.
- Advise on necessary insurance policies and guarantees for a Construction Project.
- Project Cost Planning, Construction Cost Engineering, Cash-flows, and budget costing.
- Advise on economical Contract Administration approaches during project implementation.
- Interim Valuation of work done for payment to Contractors & Final Accounting at Completion.
- Project Cost control and regular Cost checks throughout the construction period.

- Periodic project Financial Appraisal to keep the Client informed on financial position of the project.

**3.0 THIS MONTH ON FEATURED PROJECT**

**Proposed Residential Development in Thindugua, Kiambu County (102 Housing Units).**



The project which started in beginning of 2019 comprise of 102 Two Bedroom Apartment Units for Sale and for Rent, in which we are offering our END-TO-END DEVELOPMENT CONSULTANCY, REAL ESTATE, and PROJECT FINANCE solutions as detailed below under “solutions provide”.

The Project is currently 95% complete.

**a) Project Details**

<b>Project Cost</b>	Kshs. 430 Million
<b>Project Location</b>	Thindugua, Kiambu County
<b>Project Features</b>	Two Bedroom Residential Development, comprising Club House, underground Parking, and Lifts.

**b) Project Challenge**

<b>Investment Appraisal and Structuring of the Project</b>	Appraisal of the investment market product, cost, and financial requirements.
<b>Development Cost Management</b>	Cost control and managing of the Project Costs from commencement to

**c) Solutions Provided**

<b>Feasibility Study and Investment Appraisal</b>	<ul style="list-style-type: none"> <li>- Feasibility Study</li> <li>- Project Investment appraisal</li> <li>- Project Capital Structuring</li> </ul>
<b>Project Management</b>	<ul style="list-style-type: none"> <li>- Overall Project Management of the Project.</li> </ul>
<b>Development Cost Management</b>	<ul style="list-style-type: none"> <li>- Quantity Surveying</li> <li>- Project Cost Appraisal</li> <li>- Preparation of Bills of Quantities</li> <li>- Tender action.</li> <li>- Cost Administration and management</li> </ul>
<b>Environmental Impact Assessment</b>	<ul style="list-style-type: none"> <li>- Environmental Impact Assessment, and NEMA Approval.</li> </ul>
<b>Marketing and Property Management.</b>	<ul style="list-style-type: none"> <li>- Marketing of the Project Lettable and Sales Units</li> <li>- Project Management.</li> </ul>

**d) Results**

<b>Property Description</b>	<ul style="list-style-type: none"> <li>- 102 Two (2) Bedroom Houses.</li> <li>- Club House.</li> <li>- Office Rental Spaces.</li> </ul>
<b>Rent the Property</b>	<b>LETTING ONGOING</b>

# FEEDBACK!

Do you have suggestions on how we can improve this report?

Please send your feedback at [newsletter@buildafrique.com](mailto:newsletter@buildafrique.com), or contact us through the address below.

Also remember to share this report with you friends and colleagues



# ABOUT US

## Buildafrique™ Consulting Group

Buildafrique™ Consulting Group is a multi-disciplinary consulting group of four (4) specialized companies, that offer offer “End-to-End” Development Consultancy, Real Estate, and Project Finance solutions in Kenya and East Africa Region.

Our purpose is to empower the socio-economic lives of our people, by providing them with Real Estate possibilities and Development solutions that maximize value and expand opportunities.

## What we do

We offer Inclusive, “End-to-End” Development Solutions and Real Estate solutions to modern challenges and emerging trends facing development projects and real estate investments, so as to maximize value, expand opportunities, and manage risks for Investors and Prospective Homeowners.



BUILDAFRIQUE  
FINANCE & MANAGEMENT

- Project Finance, Capital Raising, & Joint Venture Structuring.
- Project Management
- Feasibility Study & Market Strategy Planning
- Development Design Appraisal



BUILDAFRIQUE  
QUANTITY SURVEYORS

- Quantity Surveying
- Development Cost Management
- Construction Costs Consultancy
- Construction Contract Administration



BUILDAFRIQUE  
LAND & ENVIRONMENT

- Physical Planning & Planning Permissions
- Environmental Management & Impact Assessment
- Land Surveying
- Occupational Health & Safety Management



BUILDAFRIQUE  
ESTATES & PROPERTY

- Real Estate Development & Structured Investments Solutions
- Real Estate Valuation
- Real Estate Transaction Advisory, and Agency.
- Property Management & Facility Management



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End-to-End Development Consultancy | Real Estate | Project Finance

### Contact Us:

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