

# REAL ESTATE INVESTMENTS AND DEVELOPMENT MARKET REPORT

## June, 2020



> **Cost of loans hit 29 year low.**

> **Allocation of affordable housing units to commence in July, 2020.**

> **NCA Slaps Contractors with a 7 year latent and patent defect liability period.**

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# FINANCIAL & MACRO-ECONOMIC REVIEW

## 1. FINANCIAL MARKET HIGHLIGHTS

### 1.1 The National Treasury Proposes a Sh2.7 Trillion Budget



On June 11, 2020, the Kenya National Treasury cabinet secretary presented a budget valued at sh2.7 trillion for the fiscal year 2020/21. The budget, which proposed allocation of Ksh. 1.8 trillion as ministerial expenditures while Ksh.549.7 billion as account for development expenditures to the respective ministries and state departments (MDAs), was summarized as total expenditure and net lending. Furthermore, the 2020/2021 FY budget featured Ksh53.7 billion as COVID-19 stimulus package, and a Ksh369.9 billion allocation to the counties. However, Treasury proposed the counties to receive only Ksh316.5 billion as equitable share from the national government with the remaining Ksh53.4 billion being earmarked for conditional grants and loans.

### 1.2 Public Debt hits Sh 6.4 trillion, as shilling decline.



Kenya's total public debt hit Sh6.4 trillion by June 2020, attributed to a rise in local borrowing and an external push by the depreciation of the Kenyan shilling. According to the CBK's most recently updated figures on domestic debt, public debt stood at Sh3.144 trillion as of June 2020, while external debt reached Sh3.284 trillion (\$30.69 billion) after depreciation of the local currency, making a total of Sh6.428 trillion.

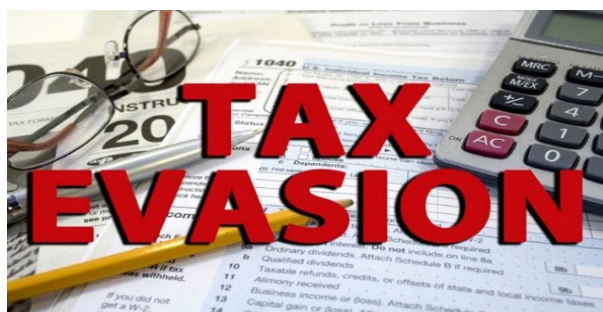
Furthermore, the government payment account- the consolidated fund services (CFS) stood in excess of Ksh.1 trillion for the first time in the country's history, as of June 2020. Additionally, the global credit rating agency Fitch revised its outlook on Kenya as a long-term debt issuer from stable to negative, on June 19, 2020, noting that the coronavirus shock would drive a sharp economic slowdown and deterioration in the budget deficit and government debt/GDP ratio in 2020, against a background of a weak track record of fiscal consolidation.

### 1.3 Commercial Banks Restructures more than sh360 billion loans by June 2020



While presenting the country's spending plan for the financial year 2020/2021 on June 19, 2020, The C.S. for Finance Ukur Yatani revealed that Since March 2020, banks restructured loans in excess of Kenya shillings 360 billion which included Kenya shilling Sh190 millions of personal loans- reflecting the cash flow burden brought by the coronavirus pandemic that affected borrower's ability to repay. Furthermore, that was part of measures adopted by the government to support Kenyans from a looming economic crisis caused by the outbreak of the coronavirus in the country.

### 1.4 KRA puts Tax cheats on notice



The Kenya Revenue Authority, on 21<sup>st</sup> June, 2020, began to enforce action on individuals and firms with outstanding tax arrears in efforts to boost its collections. The agency had given taxpayers up to 20<sup>th</sup> June, 2020 to either clear their arrears or strike deals on new payment schedules in the wake of the Covid-19 outbreak as the Covid-19 Tax break ended on 20<sup>th</sup> June 2020. Furthermore, KRA is planning to put stringent measures that include property seizures and attachment of bank accounts from Tax cheats. In addition, the agency invoked the Tax procedures act of 2015, which gives it power to seek taxes directly from third parties like banks, employers and suppliers as well freeze tax cheats property transactions and ultimately auction the

assets to recover the unpaid tax in addition to deducting penalties and tax dues from workers salary.

### 1.5 Cost of loans hits 29 year low



Following a consistent drop in the Central Bank of Kenya benchmark rate, banks have reduced the cost of credit to the lowest level in over 29 years. Current CBK data shows that lending rates have fallen for three consecutive months to an average of 11.92 percent in April, the lowest rate since CBK started disclosing the lending rate in July 1991. Consequently, lenders reduced appetite to extend credit to high risk borrowers in the wake of covid-19. Furthermore, the Kenya Bankers Association CEO Habil Olaka said that the lower cost of loans was in line with a fall in the benchmark lending rate as well as risk averseness by lenders

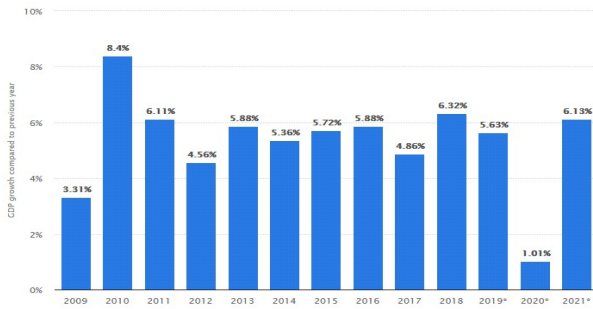
## 2. MACRO-ECONOMIC REVIEW

### 2.1 GDP

Kenya's economic growth rate is expected to drop further to 2.5% from an earlier projection of 3.0% in May 2020 due to the constrained domestic activity as a result of confinement measures to slow the spread of Covid-19 and the lockdowns abroad which depressed tourism revenues and remittance inflows. The revision of Kenya's economic growth is from the initial 6.1% in April 2020. Treasury projects Kenya's economic growth to rebound in 2021 to grow at 6.0% and reach 6.4% by 2021.

In addition, FocusEconomics in June 2020, projected GDP growth of 1.5% in 2020, which is down 0.4 percentage points from May 2020 forecast, and a projection of 5.3% in the year 2021.





## 2.2 Public Debt

According to the World Bank, Kenya's public debt stock is rising as a result of the widening fiscal deficit attributed to Kenya's public debt stock. In FY2019/20, the primary balance is expected to stay at 3.7 percent of GDP as compared to a pre-COVID-19 target of 2.1 percent, which indicates an additional debt creating a flow of 1.6 % of GDP.

Furthermore, the Gross public debt increased from Ksh.5.0 trillion (This represented a 53.8 percent of GDP in 2015/16) to about Ksh.6.4 trillion by June 2020 representing a 63.1 percent of GDP in 2019/20 of which, 51 percent was external debt, while 48.6 percent was borrowed internally. The increase in debt stock was driven by a wider primary balance deficit and interest payments, which contributed to about 3.8 percent. Moreover, the growth and the exchange rate came under pressure in Quarter One (1) of 2020 due to the impact of COVID-19, contrary to past performance.

	20-Jan-20	20-Feb-20	20-Mar-20	Jun-20
	KSH Billion	KSH Billion	KSH Billion	KSH Billion
<b>Domestic debt</b>	3,003.70	3,040.96	3,071.85	3,264
<b>External Debt</b>	3,112.90	3,117.04	3,212.63	3,110.40
<b>Total</b>	6,116.60	6,158	6,284.49	6,400

## Debt payments

By the end of December 2019, the total cumulative debt service payments to external creditors amounted to Sh105.4 billion, which comprised Sh43.9 billion principal and Sh61.5 billion in interest.

## 2.3 Interest Rate

Date	GMT	Previous
27-01-20	1:30PM	8.50%
23-03-20	1:30PM	8.25%
29-04-20	1:30PM	7.25%
27-05-20	1:30PM	7%

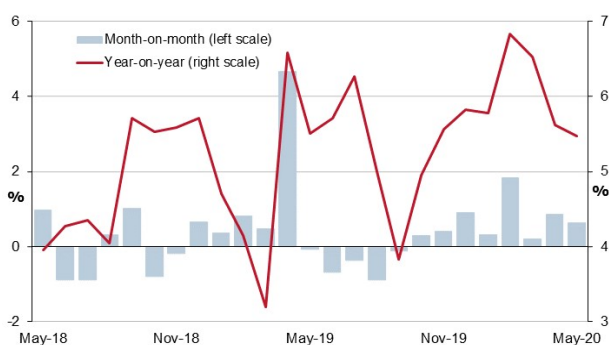
The Central Bank's Monetary Policy Committee (MPC) had the Central Bank rate unchanged at 7.00% during its meeting on May 27, 2020, a stable rate since April 29. In a statement, the Central Bank stated that the measures taken in the previous meetings in March and April 2020 (cutting rates by a total of 125 basis points and reducing the cash reserve ratio to free up extra bank lending capacity) were sufficient to cushion the economy against the economic slowdown attributed to the Covid-19 pandemic, stressing that the measures had the projected outcome on the economy.

## 2.4 Inflation Index

On June 30<sup>th</sup>, 2020 the Kenya Bureau of Statistics reported that Kenya's inflation fell to 4.59% year-on-year in June from a revised 5.33% in May 2020. Furthermore, on a monthly basis, inflation rate fell by a rate of -0.31% from 0.63% in May 2020 remaining within a target of between 2.5 to 7.5 percent in June 2020.

In addition, Consumer prices rose a seasonally-adjusted 0.63% from the previous month of May 2020, which was below the 0.86% increase recorded in April 2020.

Furthermore, the inflation rate is projected to average 5.8% in 2020 and 5.3% in 2021.



**Source:** Kenya National Bureau of Statistics (KNBS).

## 3.0 MONEY AND INVESTMENT ANALYSIS

### 3.1 Currency

The Kenya's shilling exchanged at KSh 106.321 per U.S. dollar compared to KSh 106.5971 per U.S. dollar on June 12, 2020. The shilling has been under intense pressure due to the rapidly depleting foreign reserves in May 2020, mainly triggered by a fall in diaspora remittances. Furthermore, the Kenyan shilling is under intense pressure from the oil importers and multinational companies buying dollars to meet their monthly obligations. According to Reuters, the shilling is expected to trade on the back foot against the U.S dollar in July 2020.

### Kenya shilling Exchange Rates (Indicative Mean Rate)

Date	USD
12-Jun-20	106.5
15-Jun-20	106.45
16-Jun-20	106.49
17-Jun-20	106.49
18-Jun-20	106.32
June 12-18	106.45
19-Jun-20	106.29
22-Jun-20	106.33
23-Jun-20	106.42
24-Jun-20	106.37
25-Jun-20	106.4
June 19-25	106.36

Additionally, the Central Bank data indicated that the country's forex reserves remained adequate at 9,302 million (5.7 months of import cover) as of June 18, 2020. That meets the CBK statutory requirement to maintain at least four months of import cover and the region's convergence criteria of 4.5 months of import cover.

### CBK Official Usable Foreign Exchange Reserve

Date	4-Jun-20	11-Jun-20	18-Jun-20	25-Jun-20
USD Million	9261	9302	9278	9229
Import Cover (Months)	5.56	5.59	5.58	5.55

### 3.2 T-Bills

The uptake of Treasury bills gained traction as investors went back to short-term government securities over the month of June. According to the latest Central Bank of Kenya (CBK) Treasury bill data, investors bided Sh24.09 billion against the advertised Sh24 billion, representing 100.37 percent performance. Besides, the 91-day T-bill was oversubscribed as investors' preference tilted to the one-year note, bidding Sh7.67 billion and Sh11.93 billion against the targeted Sh4 billion and Sh10 billion, respectively. The CBK accepted bids worth Sh23.98 billion.

Meanwhile, the uptake of the bills is projected to rise in the next auction in the month of July as the government continues to raise the yields as its borrowing needs increase.



### Performance of Treasury Bill Auction

91-Day Treasury Bills				
Date of Auction	4-Jun-20	11-Jun-20	18-Jun-20	25-Jun-20
Amount offered (Ksh M)	40000	4000	4000	4000
Bids Received (Ksh M)	10221.8	11761.25	13374.46	16481.51
Amount Accepted (Ksh M)	4253.87	3858.8	6357.09	685.99
Maturities	769.7	2235.1	543.55	3434.55
Average interest Rate (%)	7.325	7.259	7.089	6.7
182-Day Treasury Bills				
Amount offered (Ksh M)	10000	10000	10000	10000
Bids Received (Ksh M)	21304	26495.03	13056.5	14025.3
Amount Accepted (Ksh M)	8860.38	6723.69	4238.45	1543.33
Maturities	650.75	3603.6	3964.95	293.25
Average interest Rate (%)	8.2	8.06	7.739	7.395
364- Day treasury bills				
Amount offered (Ksh M)	10000	10000	10000	10000
Bids Received (Ksh M)	18650	31465.74	18774.71	28443.82
Amount Accepted (Ksh M)	4668.38	12290.15	4124.73	11530.06
Maturities	16272.8	7689.4	6883.75	25463.5
Average interest Rate (%)	9.165	9.03	8.667	8.194

### 3.3 Inter Banking Rate

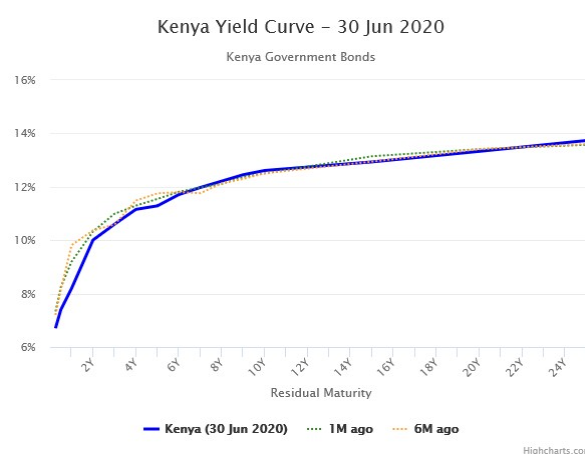
The average interbank rate increased significantly over the month of June 2020 by 4.15%, indicating an increase in banking activities. The rate increased steadily from 2.34% in the first week of June to 2.7692 as at 30<sup>th</sup> June 2020.

Date	Number of Deals	Value (KSHM)	Interbank Rate (%)
12-Jun-20	9	1700	2.34
15-Jun-20	15	10410	2.46
16-Jun-20	10	2130	2.53
17-Jun-20	8	1350	3
18-Jun-20	14	2700	3.48
June 12-18	11	3658	2.76
19-Jun-20	13	2600	4.35
22-Jun-20	23	6800	4.53
23-Jun-20	23	8350	4.23
24-Jun-20	24	11600	3.75
25-Jun-20	20	6350	3.89
June 19-25	21	7140	4.15

Source: CBK

### 3.4 Bonds

In the month of June 2020, the government offered a total of 25,600 in bonds where 21,164 bids were received, and the amount accepted was 19,275 with a performance rate of 82.67. Besides, the turnover of bonds traded in the domestic secondary market increased by 35.6 percent during the last week of June. In the international market, yields on Kenya's Eurobonds declined by an average of 4.2 basis points in the month of June.



### 3.5 Equity market

The Equity market was relatively liquid over the month of June 2020 with the weekly changes in the NASI, NSE 25, and the NSE20 index remaining relatively small, plummeting at 5.08%, 3.26%, and 1.72%, respectively. Nevertheless, the number of shares traded during the month saw a significant increase of 25.14% week in week out, indicating high investor confidence in the equity market for the month of June 2020.

Indicator	NASI	NSE 25	NSE 20	Turnover	Capitalization
12-Jun-20	142.88	3285.9	2011.77	1114.5	2183.92
15-Jun-20	143.25	3300.18	2022.95	887.83	2189.56
16-Jun-20	144.74	3327.14	2025.55	473.65	2212.44
17-Jun-20	144.9	3340.23	2004.36	414.71	2214.97
18-Jun-20	144.92	3344.27	1971.93	510.88	2215.22
June 12-18	144.92	3344.27	1971.93	3401.56	2215.22
19-Jun-20	144.58	3332.27	1969.45	936.9	2202
22-Jun-20	142.54	3298.34	1957.54	202.5	2178.8
23-Jun-20	140.47	3269.51	1949.82	397.2	2147
24-Jun-20	138.46	3241.78	1943.5	1129.9	2116.2
25-Jun-20	137.56	3235.27	1937.96	696.6	2102.38
June 19-25	137.56	3225.27	1937.96	3362.93	2102.38
<b>Changes</b>	<b>-5.08</b>	<b>-3.26</b>	<b>-1.72</b>	<b>-1.14</b>	<b>-5.09</b>

Note: Weekly Equity Market Indicators for the Month of June

Source: NSE



Note: Performance of NASI over the Month of June



# KENYA CONSTRUCTION INDUSTRY REVIEW

## 1. CONSTRUCTION INDUSTRY HIGHLIGHT

### 1.1 NCA slaps Contractors with a controversial Defect Liability Regulation 2020



The National Construction Authority (NCA) published, on May 27, a new set of regulations to protect building owners from concealed structural flaws by contractors in commercial building or fixed installations that may not be detectable during the ordinary patent defect liability period included in contracts.

According to the regulation, every contract for the construction of a commercial building shall prescribe a latent defects liability period of a minimum period of six years from completion of the patent defects liability period. In the same

regulation, NCA has also extended the patent defect liability period from six to 12-months. This gives owners at least 7-years to recall contractors for faulty works.

Nevertheless, Contractors read mischief from the proposed regulation, saying that the newly introduced regulations holding them responsible for defects in completed projects should be scrapped for lack of public participation.

Consequently, that led to the Transport and Urban Development Secretary James Macharia vouching for a consultative process, on June 02, 2020, to review the controversial law. Nevertheless, industry players were not satisfied, as the Joint Building and Construction Council (JBCC) protested the gazette Defect Liability regulation 2020 via a memorandum on June, 10, complaining that the government overlooked them during the formulation process.



### 1.2 NCA caution against hiring unlicensed contractors.



The National Construction Authority cautioned property developers in a public notice against contracting unregistered contractors whom the authority claims are responsible for the surge in the number of substandard buildings in the country. The notice further stated that the law requires that only registered professionals be allowed to offer design and related implementation services on construction projects, and engaging non-registered persons is not only in contravention of the law but is also dangerous as it will produce shoddy construction work.

The notice further advised Members of the public to always verify the authenticity of any service provider by visiting the website of the respective registration board, and those found to be practicing without being properly registered to be reported to the police or the EACC. The boards include The Engineers Board of Kenya (EBK) for Engineers, The Board of Registration of Architects and Quantity Surveyors, (BORAQS) for Architects and Quantity Surveyors, and NCA for Contractors.

### 1.3 Nema approves Tatu city for the 2nd phase of the mega construction



Tatu City received the National Environmental Management Authority's (Nema) approval for the 2nd phase of the construction project covering 2,500 acres. The first phase, which also covered 2,500 acres, had more than 50 businesses in operation or developing, two schools open educating 3,000 students daily, and more than 5,000 homes delivered and under construction.

As such, the expansion of the city was attributed to the high demand for commercial and residential developments in the area.

### 1.4 Construction of Low-cost housing projects halted amid a shortage of Chinese affordable housing construction materials.



The continued shortage of cheap construction material from china has halted most of the low-cost housing projects in the country.

According to Shelter Afrique managing director Andrew Chimphondah, most of the affordable housing projects rely on affordable Chinese materials, whose supply has been disrupted by a slowdown in industrial activities.

### 1.5 Input prices rise with essential construction materials becoming scarce





The Covid-19 period has seen input prices for construction materials rise with essential construction materials becoming scarce, creating a new challenge for future developments.

According to contractors interviewed during a recent survey, bulk purchasing at ex-factory prices, as well as the use of own Lorries to transport materials, has helped reduce operational costs, thereby helping them retain unit prices during the contract period

## 2.0 MARKET TRENDS IN CONSTRUCTION AND BUILDING INDUSTRY

### 2.1 Swimming pools becoming a fundamental add-on in residential real estate in Kenya



According to recent statistics by Davis & Shirtliff, private homeowners now account for 80 percent of the total pool heat pump transactions in the country, an uptake which was formerly a reserve for the hotels. The statistics also reveal that Kenya has one of the highest concentration of swimming pools in the continent and the demand is rising as affluent homeowners and buyers in the upmarket residential areas spend upwards of Ksh 4.0 million in the construction of pools for their homes.

With different developments that have taken place in the recent of years, swimming pools will turn into a fundamental add-on in residential homes and property developers will struggle to lease or sell a property without pools or will have to sell them at low prices.

### 2.2 Nairobi's controlled development estates now prone to strained resources



A rapidly growing population will no longer allow controlled development in some of Nairobi's estates as the demand for housing grows. Recent easing of zoning regulations by the county government of Nairobi has allowed for the construction of high rise apartments and commercial buildings in the affluent neighborhoods including Zones 15, 5 and 4. The estates consist of Riverside, Spring Valley, Thompson, Kyuna, Kileleshwa, Woodley, Kilimani, Lavington, Loresho, and Dagoretti.

Various stakeholders have come out to agree that not only will the estates lose their exclusivity, but also be predisposed to problems relating to sewer, water shortage, and lack of adequate parking spaces in dwellings altered for commercial use.

Motorists are now parking on road reserves leading to traffic congestion, insecurity, and accidents. In the recent past, areas such as Karen have witnessed an increased rate of insecurity. Other outcomes expected with the ease in zoning regulations include the appreciation of land as the cost of housing comes down due to affordability.

While it may reduce the cost of living, a large number of experts are of the opinion that solutions to housing, particularly for the middle-class lies in opening up new development areas through related infrastructure such as roads, water, sewer and a large transport system. Instead, congestion is already becoming a challenge in these zones.

### 3.3 Storm Water Management lists high on challenges in Nairobi Housing Development



For every season of heavy downpour in Nairobi, residents bring up complains associated with flooding and authorities respond with plans for action which is soon forgotten after the rainy season. As is, Nairobi needs a complete rethinking of its water management system which should begin with an investment in the appropriate technology followed by a stormwater system.

In this regard, various stakeholders suggest the expansion of Nairobi River in order to make it the backbone of city's rainwater management system, after which a storm system can be constructed along major roads to collect the runoff water and direct it to the river. The suggested system can also provide channels for routing sewer lines and water which would obviate the constant digging of city sidewalks that have been extensively damaged.

Since the project of this magnitude would create an opportunity to rezone the city, the city government will have the chance to design the layout of new developments, ensuring all buildings are erected to code, serviced by proper infrastructure connections and a proper stormwater management system.

### 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.

#### 3.1 Residential Building Cost Analysis

##### a) High End Apartment

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

##### e) 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 Cost

Zone	UNITS	Cost (Kshs).
Cement	Bags	640
Sand	Tons	2,000.00
Ballast	Tons	2,050.00
Hardcore	Tons	850
Steel Y8 (12 meters)	NO	400
Steel Y10 (12 meters)	NO	620
Steel Y12 (12 meters)	NO	895
Steel Y16 (12 meters)	NO	1,600.00
Steel Y20 (12 meters)	NO	2,490.00
Steel Y25 (12 meters)	NO	3,900.00
Steel Y32 (12 meters)	NO	6,360.00
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

## 1.0 LAND-USE HIGHLIGHTS

### 1.1 Title Deeds Issuance to resume after Covid-19 restrictions



According to Kenya Lands Cabinet Secretary Farida Karoney, the issuance of title deeds will resume immediately the Ministry of Health lifts restrictions on the Covid-19 pandemic. The Cabinet Secretary has announced that her ministry is ready to proceed with the exercise once the Health minister gives the greenlight.

The ministry had planned to issue 450,000 title deeds in 2019/2020 financial year, but the Covid-19 outbreak prompted the postponement of similar events across the country. The ministry has also planned to issue another 450,000 title deeds between July and June 2021 with the targeted recipients being informal settlements, land buying companies, public institutions, settlement schemes and leases.

### 1.2 Residents and homeowners in Nairobi City Estate at risk of eviction and losing property



Residents, homeowners, and families in Nairobi's Lang'ata area risk eviction and losing their homes after the Kenya National government announced plans to seize land it says was grabbed from neighboring Ngong Forest. According to Environment Cabinet Secretary Keriako Tobiko, the government has begun repossessing all land illegally acquired by private developers in relation to the Ngong forest, which also serves as a water catchment area for the County of Nairobi. The Cabinet Secretary also said that the fencing off of the forest will begin in a couple of months.

Those staring at demolition include residents of Sun Valley Estate Phase I, Sun Valley Phase II, Sun Valley Phase III, KMA Lang'ata estate, Lang'ata Place, Lang'ata View Apartments, Royal Park, Forest View, Shalom estate, and St Mary's



Apartment. The forest measured 7,239 acres at first at first gazettement of the forest in 1932. The forest has shrunk due excisions and hiving off by some unscrupulous people in collusion with the alleged officials at the Land Registry Office, leaving only 2,443.3 acres in 1996 and 1,330.4 acres in 1999.

### 1.3 Transparency International Kenya releases a policy paper on land crisis in Kenya, and recommendation



Transparency International Kenya has released a policy paper on land crisis in Kenya, with recommendations on how to resolve various and recent crisis, which include citizens being forcibly evicted from their homes while investors encroach on forests, parks and farmlands.

The watchdog body opened the discussion on “Forced Evictions” at the Conference for Land Policy in Africa (CLPA). Among its recommendation include review compensation programmes for major infrastructure projects, especially the Standard Gauge Railway and Lamu Port-South Sudan-Ethiopia Transport (LAPSSET) Corridor project, to identify possibilities of injustice, illegality and corruption, and enforce compensation and rehabilitation of affected residents. It further recommended introduction of offices and procedures for fast-tracking the process of land registration in all cases of Large-Scale Land-Based Investment (LSLBI) and compulsory acquisition, as well as community consultations, compensation and alternative housing facilities on time, as stipulated in the constitution

## 2.0 THIS MONTH ON KENYA LAND-USE AND ZONING REVIEW – KAREN, 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.

GC and PR are therefore important point of information to understand for any Developer, Investor, or Prospective Home Owner when planning to purchase a real estate property, so as to manage related land-use risks.

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



Karen is a suburb of Nairobi Kenya, lying south-west of Nairobi central business district. The area borders the Ngong Forest and is home to the Ngong Racecourse. Karen is predominantly a residential area characterized by minimum acreage land-use requirement for all homeowners. However, relaxation of zoning regulations has seen an increase in commercial developments at designated commercial centers, although majority of land-use remains residential.

Below are zoning guidelines for the various districts zones that forms Karen, as an investment guide while purchasing land for real estate investment or residential Development.

### a) Zone 1a – Miotoni

- Minimum plot size 0.5 acre; those fronting river to be 1 acre.
- Multi-dwelling units allowed.

### b) Zone 1b – Windy Ridge & Kerarapon

- Minimum plot size 0.5 acre; those fronting river to be 1 acre.
- Multi-dwelling units allowed.

### c) Zone 2 – Mbagathi

- Minimum plot size 1 acre.

### d) Zone 3 – Bogani

- Minimum plot size 1 acre; may be allowed 0.5 acres when services are improved.

### e) Zone 4 – Karen Plain

- Minimum plot size 0.5 acre.

### f) Zone 5 – Karen Triangle.

- Designated as a special planning areas.
- Mixed use development allowed: High quality commercial, office, and public utilities.



# THIS MONTH IN KENYA REAL ESTATE MARKET



## 1. REAL ESTATE MARKET HIGHLIGHT

### 1.1 High-end hotels take measures as they start to reopen.



Top hotels like Villa Rosa Kempinski, Ole Sereni, Hemingways Watamu, Radisson Blu Arboretum, and Trademark Hotel took measures to reopen amid a disturbing cash flow to protect their income. On June 23<sup>rd</sup> 2020, Hemingways collection announced reopening of Hemingways Nairobi and Watamu after it had suspended activities of its hotels in mid-march due to the Covid-19 pandemic. Additionally, the other hotels which have not reopened fully have reopened their restaurants for take away and dine-in options as well as home and office deliveries, together with reworking their sitting arrangements taking into account social distancing. Among the

measures undertaken include training of staffs on appropriate health and safety protocols, investing in suitable cleaning equipment, and ensuring clear health procedures are in place in case of emergence of a Covid-19 case.

### 1.2 300,000 scramble for 228 affordable houses in Ngara as allocation is set to begin in July, 2020



According to the State Department of Housing through a statement by P.S. Charles Hinga on June 06, 2020 the state plans to begin allocating affordable housing units in July 2020- The program has seen 25,000 Kenyans already contributing and saved Sh253 million so far. The ministry in a notice posted in the government's mygov weekly pullout



further stressed the allocation would be done according to the Constitution, based on gender equity and diversity. That is after 300,000 Kenyans expressed interest in the 228 affordable housing program (AHP) units that were complete in Ngara, Nairobi. In addition, six leading local banks (Absa, Equity, KCB, NCBA, Housing Finance and Stanbic) committed sh335 billion for home ownership mortgages under the affordable housing program through a private public partnership.

### 1.3 Restaurants gets a boost as they struggle to stay afloat



Following a continued closure of hospitality facilities and laying down of workers in the hospitality sector, the government of Kenya through the Ministry of Health, in the gradual re-opening of the economy plan, extended operation time for restaurants by three and a half hours to 7:30 pm from the previous 5:00 pm. That was amid other measures, such as the restructuring of loans by the Tourism Finance Corporation, which extended loan payment period for loans worth sh634 million by 12-24 months to cushion hospitality facilities hard-hit by Covid-19.

### 1.4 Tatu City launches sale of two-bedroom apartment for sh4 million



Tatu City, an urban developer, launched its first low-cost residential development, Unity West, selling two-bedroom units at Sh4 million. That was the first phase of the 1,200-unit residential development that will see tenants enjoy access to a badminton court,

a mini basketball court, and a playground. Future developments will include a two-acre park, infinity pool, gym, coffee shop, and a commercial center.

### 1.5 Amendment of Income Tax Act to end Home ownership saving relief



As an incentive to boost tax collection, The National treasury, on June 11, proposed to amend the Income Tax Act to eliminate tax reliefs for workers saving in mortgage funds for home purchase, a practice that has been there for 24 years. The relief cut the pay that is subject to tax by up to sh8, 000 monthly or Sh96, 000 annually, translating to savings of up to sh2, 500. That means that employees earning sh100, 000 a month pay tax on Sh 92, 000 if they save the maximum Sh8, 000 under home ownership saving plan (Hosp). The plan was conceived as a 10 year saving scheme to cater to people who save to acquire homes or are building deposits for easy access to mortgage.

## 2.0 MARKET TRENDS IN KENYA REAL ESTATE

### 2.1 Real Estate Investment in satellite towns gains traction



According to Kenya Bankers Association (KBA), Kenyans preference to buying apartment located in Nairobi satellite towns, and other major urban centres such as Nakuru, Nyeri, Likoni, Eldoret, Kilifi, Meru and Bungoma, has been on the rise in

the recent past, mainly due to friendlier prices compared to areas closer to Nairobi city centre.

Furthermore, KBA's Housing Price Index released on May 2020 indicated that harsh economic times have seen buyers decline to pay the current housing prices in Nairobi. However, instead, they have invested in satellite towns and other urban cities, majorly attributed to increased investments in the construction of roads linking Nairobi to satellite towns.

## 2.2 Health Care Real Estate gains traction among real estate investors amid Covid-19 in Kenya.



According to the latest report by Knight Frank, there has been a growing interest in Health Care Real Estate in Kenya and across Africa. The report released on May 26 indicated that more Health care investment gained traction among real estate investors due to a growing population, middle class, and urbanization. Kenya's need for additional space to cater to an increasing need for extra hospital beds to meet the existing deficit at the global average hospital bed density has also raised the demand for hospital space. Currently, Kenya has a shortage of 691,000 beds. Furthermore, the demand for hospitality space has recently been increased as the counties struggle to meet the required 300 additional beds to cater for Covid-19 patients, for the economy to be reopened.

Besides, in the recent months, Kenya has seen major healthcare real estate projects such as the Muranga county 35- bed ICU unit, the state of the art Naivasha outpatient complex, and the sh15 billion private hospital project within the Kenyatta National Hospital, the 45 billion Kabarak Hospital project among other hospital construction projects by the county governments. According to the Knight

Frank report, Investors are considering healthcare assets as attractive investment options due to their defensible nature, triple net lease provision, and sustainable demand. Furthermore, Investing in healthcare presents an opportunity for urban developments to benefit from the synergies a healthcare component has to offer.

## 2.3 Property management systems gain traction to most property owners amid corona virus pandemic



To address challenges in managing rental properties, Kenyan property owners have recently been embracing property management technologies such as the Electronic Property Management Systems (EPMAS) and the Dynamic Gp property management software, software solutions that eases the process of property management in the country.

The Web-based solutions are geared to facilitate Covid-19 safety measures to both the property owners and the tenants as well as provide other features like property accounting, tenant and supplier management, lease tracking, bank reconciliation, maintenance schedules, and vendor management. Additionally, web-based solutions continue to provide a centralized database with property owners who are continuously reducing the use of housing agents who earn a certain percentage from their property earnings, thereby sustaining their disrupted cash flows.

### 3. THIS MONTH FEATURE ON LOCATION ANALYSIS - NGONG AREA, KAJIADO COUNTY

#### 3.1 Overview of the Area



Ngong is located in Kajiado County, in the former Rift Valley province. Ngong town is approximately 30km from Nairobi CBD. Ngong area has a rich network of roads, making it to be easily accessible through the southern bypass of Nairobi, which has reduced traffic significantly. Bordering Ngong is an affluent neighborhood such as Karen, Kikuyu, Ongata Rongai, Magadi, and Nairobi. The town has a high influx of people who work in Nairobi attributed to a serene environment, relatively low noise, and thin air. Moreover, land in Ngong is relatively affordable and the area has low traffic. Moreover, the area boasts of the multi-billion Milele Mall, the Ngong Business Arcade, supermarkets, and residential flats. Additionally, the area has seen a high influx of financial institutions with more than ten banks and Sacco's established there. Furthermore, as investors seek to benefit from the growth of the town, commercial and residential buildings such as the two-storey Tuskys supermarket as well as well-known brands like Diamond Trust Bank, creamy inn, chicken inn, and the AAR have set bases in Ngong.

#### 3.2 Investment landscape outlook

The high influx of people, cosmopolitan and peaceful nature of the town, as well as the dual carriage and the bypass, has created traction to investors and developers who have continuously been developing high-end properties such as the Business Arcade. Furthermore, the place experiences low traffic jam due to the good road network and the SGR, which has made it faster to match the surge in private developments, adding that Ngong is set to grow economically and independent from Nairobi. Also, the town enjoys regular electricity supply attributed to the

establishment of several sub-stations by Kenya Power and the Ngong Windmill Project.

#### 3.3 Real Estate demand drivers

##### Proximity

Ngong is growing as a commercial hub by itself due to the rising numbers of shopping centers, entertainment hotspots, and social amenities such as the Ngong racecourse. The area is about 30km from Nairobi and approximately 40 minutes' drive via the southern bypass

##### Amenities

Here are some of the essential amenities in Ngong neighborhood.

##### i.) Health Care

Ngong area is served by the Ngong sub-county hospital – plans are underway to fully upgrade the hospital to a fully flagged level 4 hospital, and the Karen Hospital as the main health care facilities.

##### i.) Schools

The area has a high number of public schools as well as private ones such as PCEA Enchoro Emuny School, Hill Top, Naramat Academy, Memusi Academ, Mainflow Preparatory School, Kenvic School, Greenyard Junior School, and Oloolua Secondary School. Tertiary institutions include Zeal Institute College, Toprank College, Ngong Training Center, Damwa Institute of Professional Studies, Vine College, and Maasai Teachers College.

##### ii.) Shopping Centers

Ngong has a well-established shopping center with the Milele Mall, owned by the PCEA, as the first mall in the town. The two-storey complex houses Tuskys Supermarket as well as well-known brands like Diamond Trust Bank, Bata, Chicken Inn, Creamy Inn, and AAR.

##### iii.) Leisure

Ngong has easily accessible attraction sites, which include the Giraffe Centre and the Ole Polos. Besides, the area accords visitors an opportunity to go hiking at the Ngong hills and also see Nairobi city from the hills.



#### iv.) Financial Institutions

Financial institutions have not been left behind, with the town being served by more than ten banks and small Saccos. Barclays Bank, which opened a branch in Ngong in the 1980s, has since been joined by Equity, Co-op Bank, Diamond Trust Bank, Faulu, Kenya Women Trust Fund, and other smaller bank agents.

#### Security

Security in Ngong has greatly improved, with both the Administration Police and the armed forces having bases in the town. Consequently, the increased vigilance has boosted investors' confidence, which has translated into more businesses being set up.

#### Infrastructure

Ngong has a well-developed infrastructure with the dualling of Ngong road and 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.

#### Serenity

Ngong area is generally relaxed and quiet

### 3.4 Area Real Estate Supply Analysis

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

#### The Grand Eben by Rochman Properties Ltd in Ngong Road

The Grand Eben is located along Ngong Road, 2 km from the lavish Ngong Racecourse & Golf club and within a walking distance from The Junction Mall. Towering 20 meters high (7 floors), the Grand Eben consists of exquisite 28 three-bedroom apartments and 14 two-bedroom apartments measuring 1216 sq. ft. and 958 sq. ft. respectively. Amenities include:

- Fitted Kitchen
- Borehole water
- Standby generator for common areas

- Dual lifts
- Large bay windows for natural lighting
- Basement and ground floor parking.
- Dining area
- Laundry area
- Solar water heating system
- Electric fence
- 24hrs security guards

#### Kings serenity project



Kings serenity project is coming in Ongata Rongai town. The serenity Project has 720 units of 2 bedroom apartment's cash price – Ksh3.2m – full payment upon signing the letter of offer installment price – Ksh3.5m – 10% deposit & balance in 18 months equal installments mortgage

	Minimum	Average	Maximum
2 Bedroom Apartment	3,000,000	3,500,000	8,500,000
3 Bedroom Apartment	5,500,000	6,500,000	15,000,000

#### i.) House Selling price

	Minimum	Average	Maximum
2 Bedroom Apartment	15,000	20,000	30,000
3 Bedroom Apartment	23,000	35,000	65,000

#### ii) Rental Prices and Values

### iii.) Land Prices

	Minimum	Average	Maximum
Land Price per acre	10,400,000	18,000,000	28,000,000

#### 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	22,250,000
ZONE 5	Woodley	14,500,000
ZONE 8	Imara Daima	10,267,000
ZONE 10	Nairobi West	12,000,000
ZONE 12	Karen	15,000,000
Others	Gigiri	19,000,000

##### b) Selling price for 2 bedroom apartment in popular Zones

ZONE	Area	Asking Price
ZONE E1	Upperhill	16,500,000
ZONE 4	Riverside Drive	15,500,000
ZONE 5	Woodley	10,000,000
ZONE 8	Imara Daima	7,450,000
ZONE 10	Nairobi West	8,200,000
ZONE 12	Karen	12,000,000

##### c) Selling prices for 3 - 5 Br Town Houses/ Mansionettes in Popular regions

ZONE	Area	Asking Price
ZONE 4	Spring Valley	100,000,000
ZONE 4	Riverside Drive	95,000,000
ZONE 5	Kyuna	87,000,000
ZONE 5	Loresho	75,000,000
ZONE 13	Gigiri	120,000,000
ZONE 13	Kitisuru	95,500,000
Others	Mombasa Road	25,000,000
Others	Nyari	130,000,000

##### 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	142,000
ZONE 5	Woodley	85,000
ZONE 8	Imara Daima	50,000
ZONE 12	Karen	85,000
Others	Gigiri	150,000
Others	Mombasa Road	43,500

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

ZONE	Area	Asking Price
ZONE E1	Upperhill	75,000
ZONE 4	Riverside Drive	85,000
ZONE 5	Woodley	60,000
ZONE 8	Imara Daima	35,000
ZONE 12	Karen	55,000
Others	Gigiri	100,000

**c) Rental prices for 3 - 5 Br Town Houses/ Mansionettes in Popular regions**

ZONE	Area	Asking Price
ZONE 4	Spring Valley	400,000
ZONE 5	Kyuna	250,000
ZONE 5	Loresho	200,500
ZONE 13	Kitisuru	400,000
Others	Nyari	380,000
Others	Mombasa Road	60,000

**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
ZONE 1E	Upperhill	14,000
ZONE 3	Westlands	13,800
ZONE 3	Parklands	12,500
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
ZONE 1E	Upperhill	11,800
ZONE 3	Westlands	11,700
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
ZONE 1E	Upperhill	130
ZONE 3	Westlands	130
ZONE 3	Parklands	110
ZONE 4	Kilimani	120
ZONE 12	Karen	120

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

ZONE	Area	Asking Price per
ZONE 1E	Upperhill	90
ZONE 3	Westlands	100
ZONE 3	Parklands	70
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
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
ZONE 9	Industrial Area	43
ZONE 16	Baba Dogo	34
Others	Mombasa Road	35



# THE COUNTIES SEGMENT



## 1. COUNTIES HIGHLIGHT

### 1.1 Kajiado County



The government, through the Ministry of forestry, said on 26<sup>th</sup> June 2020 that efforts to recover and reclaim grabbed land that was hived off Ngong forest would begin immediately as fencing of the forest is set to begin in a couple of months. The move will see more than 800 homes built in the illegal land being brought down. Furthermore, the owners of the multimillion-shilling illegal developments, some of the multi-storey residential apartments, lavish homes, and business premises in parts of Lang' ata and Racecourse, will not be compensated.

Some of the flagged estates include Royal Park, Sun valley I and II, Lang' ata Gardens, Langa'ta View Gardens, Forest Edge, Kenya Medical Association Estate, and St Mary's Hospital, as well as others in Racecourse where land was annexed for foreign commercial developments.

### 1.2 Nakuru County



Following a red alert issued by geologists for tall buildings in Nakuru, the county government declared a moratorium on building approvals for structures within the CBD and its suburbs. Furthermore, seismologists and geologists from Kengen and Geothermal Development Company confirmed that the area was experiencing subtle volcanic faulting and, as such, called on the county administration to put in place systems to monitor seismic activities.

### 1.3 Kericho County



The National Construction Authority (NCA) and Kericho County are on the spot over the collapse of a three-storey residential building that is located several metres behind Sidian Bank, opposite the Kericho police headquarters on the Kericho-Nakuru highway. Ainamoi MP Sylvanus Maritim, who visited the site on the date of the collapse (10th June 2020), said NCA officials and county's department of Lands, Physical Planning and Survey department, should be held accountable for the tragedy. Mr. Maritim asked Governor Paul Chepkwony's administration to probe how the building was cleared for occupation, yet tenants had raised concerns over its structural soundness.

### 1.4 Kilifi County



Governor Amason Kingi officially opened the new Gongini market located in Gongini Township of Magarini Sub County, Kilifi County, which was built at the cost of more than Sh32.8 million on 26<sup>th</sup> June 2020.

The facility, whose construction began in the 2017/2018 financial year, has a capacity of 146 stalls, which include 114 grocery shops, 15 fish shops, eight eateries, and nine general shops.

During the function, the governor also said that his administration would build a fully equipped Early Childhood Development Education (ECDE) centre at the Mapimo Primary School in the 2021/2022 financial year. Furthermore, the governor said that he was determined to give schools in Kilifi County a facelift, saying despite it being the second-largest in the county, most of its buildings were in deplorable conditions.

### 1.5 Murang'a County



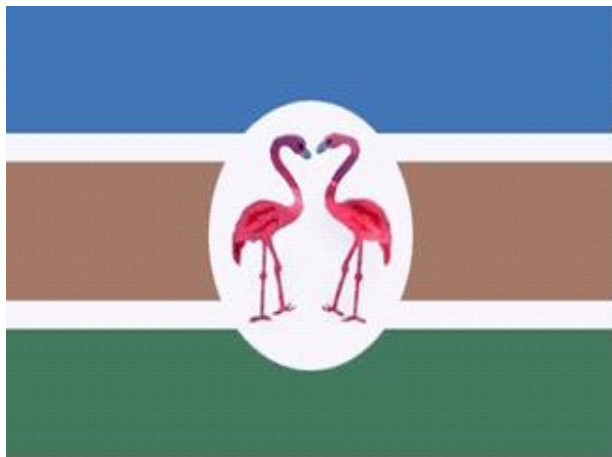
Murang'a county government is currently putting up a 3-storey orthopedic facility to relieve patients with bone related complications. The facility, which is situated at the Kirwara area in Gatanga sub-county, is expected to be launched by the end of July 2020.

Governor Mwangi wa Iria, speaking when he inspected the ongoing works on June 26<sup>th</sup> 2020, said that they have already tendered for equipment that will be installed once the building is complete. He further said that his administration has opted to build the Kirwara hospital a special one to deal with the challenges people go through seeking treatment for orthopedic problems in Murang'a county

A month ago, the county administration also launched a 35- bed capacity Intensive Care Unit (ICU) at Murang' a Level – 5 hospital, a facility that currently is serving patients from across the Mount Kenya region. Other specialized hospitals the county government is working on include a cancer center which is set to be completed by December this year

## 2. THIS MONTH FEATURE: NAKURU COUNTY.

### 2.1 Overview of the County



Nakuru County covers an area of 7, 495.1 Km<sup>2</sup>, which includes 5,039.40 Km<sup>2</sup> of arable land, 852.1 Km<sup>2</sup> of non-arable land, 202 Km<sup>2</sup> of water mass (that covers lakes Naivasha, Elementaita and Nakuru) as well as 679.6Km<sup>2</sup> of the gazetted forest. Moreover, the county is subdivided into eleven sub-counties and fifty 55 wards and populated with a multicultural and profoundly diverse residents

Nakuru Town, which serves as the headquarters of the county, is the fourth-largest urban center in Kenya after Nairobi, Mombasa, and Kisumu, and besides, it is the fastest-growing town in East and Central Africa, according to a recent study by UN-Habitat.

Other significant towns in Nakuru County are Naivasha, Molo, Gilgil, Njoro, Maai Mahiu, Subukia, Dundori, Salgaa, Mau Narok, Bahati, Rongai, and Olenguruone.

#### Amenities

The following are the amenities in Nakuru County:

##### i.) Schools

There are 1465 Early Childhood Development Education (ECDE) Centers in Nakuru; 771 of these are public, while the rest 694 are private with an enrolment of 70, 714, and 40, 598, respectively. Besides, Nakuru County has 1077 primary schools with 681 public and 396 private schools and about 395 high schools, of which 294 are private. Additionally, there are two leading universities, Egerton in Njoro and Kabarak universities, and a series of colleges. Furthermore, the expansion of

the universities and colleges in the county provides real estate investment opportunities in student housing.

##### ii.) Attraction sites

The major attractions in the County are Lake Nakuru National Park, Lake Naivasha, Hell's Gate National Park, and Menengai Crater.

##### iii.) Health care Facilities

The County has a total of 656 Health facilities, of which 26 are leading hospitals, 630 are primary care facilities, and 249 are community health centers, all of which are well developed. Currently, the county is seeing an expansion of its health facilities with the construction of the Naivasha outpatient complex being the most significant health care project.

**Economic activities:** The main economic activity in the county is farming given the fact that 70% of the total Nakuru County's land is highly agriculturally productive; nonetheless, the county's ecological system is robust, and Nakuru residents depend on it for other economic activities such as tourism which led to the hospitality sector to remained vibrant pre-Covid-19.

**Geothermal power:** Nakuru County is endowed with a considerable capacity geothermal power production. As a result, various investors have continued to show interest in putting up industries in the county because of affordable power.

### 2.2 Investment market outlook.

The stature of Nakuru County as a robust investment hub is set for a higher notch with the plans of creating a dry port in Naivasha as a result of the construction of SGR phase two, which covers Nairobi and Kisumu.

Additionally, the high geothermal production in Nakuru County is anticipated to open investment opportunities for investors in real estate and other industries. According to Nakuru county governor Lee Kinyanjui, various real estate investors have shown interest in putting up industries in the county because of affordable power. Moreover, according to the governor, Olkaria and Menengai are bracing for more activities, to serve the desire of more energy that is affordable which will be required for industries in the region.



## 2.3 Overview of the Real estate market in the county.

Nakuru County is one of the fastest growing towns in East and Central Africa, with the building and construction industry expanding proportionately. Besides, the proposed new economic zone will spur the logistics sector and call for more construction as skilled workers continue to descend into the county. Additionally, the county has a high number of high-end developments, especially in Naivasha, attributed to positive economic growth, devolution, population growth, and infrastructural developments. Moreover, the rising per capita income of households in Nakuru has increased demand for real estate in the county.

## 2.4 Demand drivers

### i.) Infrastructure

Nakuru County boasts of a good road network connection. The county has a total of 9,654.10 Km of roads classified into class A (International Trunk), B (National Trunk), C (Primary), D (Secondary), E (Minor), SPR (Special Purpose), and U (Unclassified). Moreover, the road network has upgraded the dilapidated infrastructure in the Industrial Area, Section 58, Milimani Estate, and Ngala Flats. Furthermore, At least 15 roads in the town have been refurbished ahead of the town's elevation to city status. The expansion of the road network has also seen the CBD grow. More traders and investors have put up high-rise buildings along the roads

### ii.) Urbanization.

Nakuru is the third-largest urban area in Kenya, with about 54.2% of the people living in the rural area and 45.8% living in urban areas. According to the 2019 census, the Population in Urban Areas stands at 381,862 while the Population in City Area stands at 259,903. The Other significant towns in Nakuru are Naivasha, Molo, Gilgil, Njoro, Maai Mahiu, Subukia, Dundori, Salgaa, Mau Narok, Bahati, Rongai, and Olenguruone.

### iii.) Social Amenities

The county has well developed social halls and facilities for holding conferences and meetings. The county also boasts of its Sh160 million ultra-modern

new fire station, which is at 40 percent completion stage and the expansion of county hospital.

Major attractions in the County include Lake Nakuru National Park, Lake Naivasha, Hell's Gate National Park, and Menengai Crater. There are numerous opportunities for investment in meetings facilities, incentive travels, conferences, and exhibitions (MICE) in Nakuru County, more so in Naivasha.

### iv.) Economic drivers

The fact that 70% of the total Nakuru County land is highly agriculturally productive, the county's ecological system is as well robust, and Nakuru residents depend on it for other economic activities such as tourism, energy, and many other beneficial economic activities. As a result, the influx of tourists in the county has been on the rise driving demand in the hospitality sector.

### v.) Security

The land issue is still a major challenge in security issues in the county, and as a result, the county has often called on the NCIC the national construction and integration commission to partner with the county government in peace and reconciliation process, especially in areas of Naivasha and Mai-Mahiu. As a result, this will facilitate investment opportunities around those areas thereby facilitating real estate investment.

### vi.) County government policies

County policies like spatial planning have prioritized the conclusion of the Nakuru County Spatial Plan 2014 – 2024. The County Government Act of 2012, article 104 – 107, is categorical that any development plans being made within the county must be aligned to the spatial plan.

Integrated Urban Structure Development Plan through the Kenya Municipal Project is developing areas such as Barnabas and other centers in the county satellite centers to ease the pressure of facilities in the Nakuru CBD.

The county policy on housing, which is inclined with the national government, has also facilitated the rehabilitation of county estate houses, most of which are dilapidated.

## vii.) Ease of doing business

Nakuru County has put measures such as policies, legislative and regulatory level reforms, and market-level interventions, including infrastructure and services, access to finance, and labor force to facilitate ease of doing business.

A report released by Kenya Manufacturers Association (KMA), has ranked Nakuru County as one of the best destinations in terms of ease of doing business for Micro Small Enterprises (MSEs). The county is ranked third at a score of 35.14 percent in enhancing the business environment for MSEs after Nairobi at (65.33%) and Nyandarua at (40.48%), respectively.

## 2.5 Real estate price outlook.

### i.) Land prices.

Nakuru county underlying growth in agriculture and Real Estate has seen its land prices rise by an average of 12.7 percent a year from 2012 to 2017. An acre cost Sh4.5m (\$45,000) by year-end of 2017, up from Sh2.5m (\$25,000) per acre at the end of 2012.

### ii.) House selling prices for high-end apartments in Nakuru town.

	Minimum	Average	Maximum
2 Bedroom Apartment	4,000,000	5,000,000	8,500,000
3 Bedroom Apartment	4,500,000	5,500,000	14,000,000

### iii.) Rental prices

	Minimum	Average	Maximum
2 Bedroom Apartment	9,000	20,000	32,000
3 Bedroom Apartment	15,000	35,000	60,000

# THIS MONTH IN GLOBAL REAL ESTATE MARKET

## 1. GLOBAL REAL ESTATE OVERVIEW



The Covid-19 pandemic has transformed the way of doing business in the world today and into the foreseeable future. An analysis by the JLL shows that since March of 2020, the majority of office-occupying industries have been working from home while companies are increasingly restructuring to use small office space as employees ask to work remotely. Besides, a rising number of office- and apartment-building owners are falling behind on their mortgages, a sign that the economic shutdown is harming stable property types and raising the prospect of widespread industry damage. Furthermore, many people around the globe are

unwilling or unable to pay their rent due to the economic and business collapse worldwide.

The commercial real estate sector around the world suffered a hitch as Owners of hotels and retail properties such as malls were asked to close down their business by the government to reduce congestion and to enhance social distancing. Nevertheless, shopping complex and malls were already under stiff competition from e-commerce before malls started to shut down under government orders, amid Covid-19. However, a survey by JLL shows that People are still making transaction decisions on commercial real estate amidst the global health crisis.



## 2. North America and the United States.



According to the Urban Land Institute's latest Real Estate Economic Forecast report in the USA, COVID-19 crisis has sent shockwaves throughout the U.S real estate market. Furthermore, the report states that Real Estate industry players expect that the real estate market conditions and values will be much less severe than the 2008 financial crisis (with the notable exceptions of retail and hotels).

Besides, the survey shows that leading U.S. real estate economists expect that the real estate market fundamentals and values will fare much better compared to the 2008 financial crisis. Nevertheless, the hotel and retail sectors are expected to suffer a worse outcome, while most property type returns and market fundamentals perform much better than they did during the Great Financial Crisis.

Commercial real estate price growth, as measured by the Real Capital Analytics Commercial Property Price Index (CPPI), is projected to fall by seven percent in 2020, less than the 13.6 and 20.8 percent drop during 2008 and 2009 financial crisis, respectively. Rent growth expectations for the next three years is further expected to be led by the industrial sector, averaging 2.2 percent from 2020-2022. Additionally, apartment growth is projected to fall by two percent in 2020 but will have an average of 1 percent growth in the three-year short term. However, hotel, retail, and office area are expected to have negative growth over the next three-year period, with hotels at -5.3 percent revenue available per room, retail at -3.1 percent, and office at -1 percent.

## 3. Europe



European real estate market has been on tumbles as a result of the widespread panic, quarantine, falling oil prices, and the weakening oil-dependent currencies like the Russian ruble. As a result, companies are cutting costs and downsizing as cafes, restaurants, and shopping malls were forced to close down. Furthermore, the majority of Hotels and Leisure operators are asking landlords to lower rental rates.

Nevertheless, amid the economic slowdown in real estate due to the Covid-19 crisis, High Net worth Individuals (HNWIs) in Europe have actively shown interest in investing in off-shore real estate market.

In June alone, five separate major capital owners from Asia invited Danos an Alliance of BNP Paribas Real Estate, a global real estate company located in Cyprus with branches in Greece and Serbia, to buy property in Europe.

According to Financial Mirror, a property consultant based in Cyprus, most investors buying properties in Europe, are adopting a rational approach: they want to find attractive investment opportunities over the next four to six months. Furthermore, Investors in Europe have been waiting for a recession to hit the overheated market so they can buy discounted properties

As a result, real estate investors in Europe want to buy assets at affordable prices during this crisis, and those with significant amounts of capital in other markets (Asia and U.S) are also taking a keen interest in the pricing of real estate properties in Europe. Furthermore, property discounts are expected to be around 20%, and as well, sales are not expected at rock-bottom prices because of the following:

- Too much cheap leverage has been accumulated in Europe over the past five to ten years
- Governments will endeavor to protect businesses and people across the European continent.

Furthermore, according to a recent survey by FinianalMirror, the rate of inquiries from the international market is expected to stabilize with Chinese and Asian investors remaining just as interested in European property as they were before the crisis. This is because investors from these regions will not be affected by the fall in oil prices and currency fluctuations as severely as European investors, especially those from Russian.

#### 4. Asia and Pacific



Over June 2020, Colliers International (a Canada-based global commercial real estate services organization) observed increased vacancy, slowing demand and depressed rents for real estate office properties across the Asia Pacific (APAC) region. Furthermore, a report released by the firm in June 2020 projected that only Taipei, Tokyo, and Auckland could expect rents to stay firm since office markets in all the three cities are supported by low vacancy rates and (in Tokyo's case) high pre-commitment rates for new buildings.

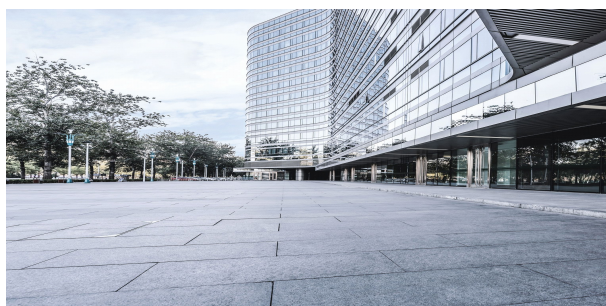
Meanwhile, the outlook for most cities across the Asia Pacific looks tough with the average office rent expected to fall by 14% in quarter 3 of 2020 in Hong Kong Special Administrative Region, due to the COVID-19 recession coupled with the lingering effects of the 2019 protests and the side-effects of the US-China trade war. Furthermore, the Chinese Tier 1 cities (Shanghai and Shenzhen) face a significant threat to near-term rent growth despite offices being reopened, and staff returned to work

due to an overhang of new supply, which could push the citywide vacancy rate to about 25% and 29% respectively. Moreover, the June 2020 report by Colliers International predicted a 6.1% drop in average rent over 2020 in these cities. Besides, with a high supply set to persist in 2021, modest pressure on rents is expected next year before recovery from 2022.

Additionally, near-term rent growth expectations have declined sharply for Sydney and Melbourne as a result of Australia's Q2 lockdown and the ensuing recession.

Among the emerging markets, rents in India's cities look vulnerable to the impact of the country's Q2 lockdown. As well, a 17% decline over 2020 in rent is expected in Manila due to the lockdown in Luzon in Q2, and a sharp drop in demand from predominantly Chinese Philippine Offshore Gaming Operators (POGOs).

#### 5. Northern and Sub-Saharan Africa



Despite a slowed economy in sub-Saharan Africa due to covid-19, the logistics sector has so far been shielded mainly from non-payment of rent caused by the lockdown. Moreover, real estate market players project an increased demand in the future for space for fast-moving consumer goods such as food and beverages. Nevertheless, the office market is going through a transformation, with an increasing demand for serviced offices, open plan working environments, and hot-desking experienced. That has resulted in reduced office space per person as well as office closure as work from home situation becomes a norm.

Meanwhile, GlobalData, a Data and Analytics company, revised its construction output growth forecast for Sub-Saharan Africa (SSA) in 2020 to 3.6%, down from the previous projection of 6% in the last quota of 2019. The report further states that



# EXPERT SEGMENT & MARKET INSIGHTS

## 1.0 EXPERT SEGMENT

**Managing the Cost of Finance in a Project – How to reduce the Cost of Finance in a Real Estate Project.**



Article by:

**Chege Njoroge**

- Real Estate Finance & Investment Consultant
- Project Manager
- Quantity Surveyor

In modern real estate investment; a need to source external funding is inevitable because of the huge capital requirement coupled with relatively big scope in modern projects, as well as the need to leverage through borrowing or seeking an equity partner into the Project. The challenge comes in finding ways to reduce the cost of finance in the project; which can also be interpreted as to how to reduce the interest rate for debt or equity funding.



There are a number of ways to reduce the cost of finance in a project, as outlined below:



**a) Increasing the Equity Contribution Share in the Capital Structure:** - One of the ways of reducing the cost of finance is to increase your Equity Contribution share into the project, or into the Capital Structure. This way, you borrow less thereby reducing the overall cost of capital into the Project. This can be done by liquidating other assets whose overall returns or capital gain is much lower than the cost of borrowing.

**b) Paying the Investor early, for Equity Finance:** - The other ways of reducing the cost of Finance into a Project is to pay the Investor early into the project, through the first proceed that comes from sales of the Real Estate Investment Product. This is done through a systematic

Tier formula, whereby a considerable amount is paid to the Investor or Lender in tier one and two, through negotiated interests that is much lower than if the proceeds were paid at the end of the project.

**c) Seeking Equity Partners in Potential Buyers:** - Another way or reducing the cost of finance is to seek equity partners in potential buyers. These are Buyers that you can negotiate with so that they can pay a bigger percentage of the price of the sale units in off plan or initial stages, but at a much discounted price, such that the partners benefit through lower price premium discounts on the product while the developer benefit in equity capital for development.

**d) Selling Off-Plan to reduce on Capital Deficit:** - Selling off-plan still remains a viable way of reducing the cost of finance. The idea is to break ground at the site when you have raised a considerable amount through off-plan sales of Units.

**e) Avoiding High Risk Finance Instruments, like Mezzanine Financing:** - Another way of reducing the cost of finance is to seek cheaper equity and debt finance instruments, and avoiding expensive debt instruments like Mezzanine Finance. One way of doing this is to negotiate the entire debt fund through one Senior Debt Capital.

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



## 2.1 What Form of Contracts can I use in a construction Development Project in Kenya?

Development Construction Projects requires the Developer to enter into a Contract Agreement with a Contractor, for the sole aim of safeguarding interests through a smooth contract administration process.

There are various forms of contracts that a Developer can choose to use to enter into a Contract with a Contractor, depending on a number of factors ranging from the scope of work, jurisdiction, as well as parties in the Contract, as outlined below:

### a) Standard Contracts:

Standard Contracts are prepared by organizations for use in certain envisaged situations. Many projects in a particular geographical area are very similar in nature. In such, the conditions of contract for such typical projects are normally expected be the same. Rather than repeating the tedious task of preparing Conditions of Contract for each and every project, standard form of contracts usually come into play for expeditious execution of the contract.

Standard Form of Contracts have been developed by many organization over the years. The most standard form of Contracts used in Kenya are as follows:

- Agreement and Condition of Contract for Building Works published by the Joint Building Council (JBC).
- Public Procurement Oversight Authority Standard Bid Documents for Procurement of Works (Building And Civil Engineering Works) prepared by Public Procurement Directorate.
- The Ministry of Works Contract Agreement.
- Various FIDIC Forms of Contract

### b) Special Conditions of Contract:

These are contracts specially drafted and tailored to meet specific parties' requirements.

The "Standard" also called "General" Conditions of Contract discussed above avoid unnecessary drafting work and because of their frequent use are normally familiar to the parties to the contract. They are drafted to cover matters of a general nature. They do not however cover nor negate responsibility

to cover particular conditions relating to a specific project.

Large organizations such as Government Ministries adopt Particular Conditions of Contract, which qualify, modify or replace certain aspects of the Standard clauses to suit the requirements of the specific projects undertaken by them. To avoid confusion and to ensure consistency, the altered clause in the Particular Conditions of Contract is cross-referenced to the original clause in the Standard Conditions of Contract. Simple modifications are made by inserting brief descriptions, definitions and figures.

### c) Simple Contracts (Short-Form of Contract).

A Simple or Short Form of contract is an agreement, express or implied, which give rise to legal obligations. Generally, such a contract need not have any special form. It may be in writing, or agreed orally or implied from the conduct of the parties. As long as the good or service provided is legal, any oral agreement between two parties can constitute a binding legal contract. However, in most times, written contracts are preferred for either of the parties, or by statutory law within various jurisdictions and for certain types of agreement.

It is advisable to Consult a Quantity Surveyor in all matters related to development and construction contracts, so that he/she can advise on the right form of contract for specific development or construction works.

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

### 3.1 Finance Bill 2020



The parliament of Kenya on June 23,2020, passed a raft of new taxation measures as indicated in the Finance Bill 2020, which is set to kick in on July 01. The new tax measures are expected to raise funds for the 2020/21 budget, which amounted to KSh 2.8 trillion. Among the proposals in the Finance Bill that the parliament approved include zero-rating of value-added tax on wheat and maize flours, expansion of the rental income tax, additional tax on beer, digital tax, and introduction of toll stations on key highways. Upon assent by the president, the real estate and other markets will have to adjust their operations and cash flows to be in line with the new tax regulation.

Furthermore, the introduction of gross turn over tax of one percent for all persons regardless of their fortunes, profits, or losses will reduce the amount of money in the supply affecting the amount of money that will be spent on housing.

### 3.2 Re-opening of the economy



The meeting of the national and county governments that was convened on June 10 2020, by President Uhuru Kenyatta at State House, Nairobi, agreed on a raft of Covid-19 response measures to be put in place ahead of the gradual re-opening of the country's economy. Among the steps were the attainment of a national 30,500 isolation bed capacity within one month. Consequently, the economy will be re-opened, thereby paving the way for the recovery of the Building and construction sector, Real Estate sector, among other sectors of the economy. As such, more money will be freed to the economy for housing as a result of more economic activities being undertaken and companies being re-opened.



# CAREERS AND BUSINESS SEGMENT



## 1. EVENTS & EXPO. CALENDER

**1.1 EAST AFRICA PROPERTY INVESTMENT SUMMIT: A two days of live sessions, collaboration and networking**



This year East Africa Property Investment Summit will be held online, through virtual live sessions, and networking, as from 29<sup>th</sup> July, 2020 at 09:00 (EAT) to 30<sup>th</sup> July, 2020, 18:00 (EAT), in Nairobi Kenya. Events details and organizers are in/through the link below:

<https://eapsummit.com/>

**1.2 TRADE SHOW: Africa Digital Trade week- Reconnect & Build a Virtual B2B Platform**



A whole week virtual B2B platform and digital tradeshow, as from July 29, 2020, 09:00 until July 05, 2020, in Nairobi Kenya. Events details are in below link:

<https://www.globaltradeweek.com/africatradeweek>

**1.3 WEBINAR: Digital Housing Annual Forum**





Webinar: Digital Housing Annual Forum will provide an opportunity to explore strategies for delivering and advancing digitalization and digital inclusion across the Housing Sector, on 23<sup>rd</sup> July, 2020 at 1400 – 1500 hrs (EAT): Event and organizers details are in/through the link below:

<https://www.insidegovernment.co.uk/digital-housing/>

## 2. CAREERS HOTSPOTS



### 2.1 Construction Practices Specialist

- **Minimum Qualification:** Bachelor
- **Experience Level:** Senior level
- **Experience Length:** 5 years
- **Details:** <https://www.myjobmag.co.ke/job/construction-practices-specialist-habitat-for-humanity-international-1>

### 2.2 QA/QC Assistant Engineer

- **Job description:** The QA/QC Assistant shall support the QA/QC Lead to help in the Quality Assessment of the construction site. The candidate shall work towards ensuring the end-to-end optimal quality compliance of the raw materials and structures at the construction site.
- **Location:** Nairobi,
- **Deadline:** 23<sup>rd</sup> July, 2020
- **Details:** [https://www.shortlist.net/webportal/#/job-details/2687?utm\\_source=MyJobMag](https://www.shortlist.net/webportal/#/job-details/2687?utm_source=MyJobMag)

## 2.1 Project Managers

**Minimum Qualification:** Bachelor

**Experience Length:** 3-4 years

**Details:** <https://www.myjobmag.co.ke/jobs/project-managers-at-standard-bank-group>

## 3. BUSINESS HOTSPOTS



### 3.1 Business opportunity: Provision of Valuation Services

- **Sector:** Real Estate
- **Notice Type:** Prequalification
- **Deadline:** July 16 2020
- **Website:** <https://www.globaltenders.com/kenya-real-estate-tenders.php>

### 3.2 Business opportunity: Provision of Land Valuation Services

- **Sector:** Real Estate
- **Notice Type:** Prequalification
- **Deadline:** July 09, 2020
- **Website:** <https://www.globaltenders.com/kenya-real-estate-tenders.php>

# BUILDAFRIQUE CONSULTING GROUP UPDATES & INSIGHT

## 1.0 ORGANIZATION UPDATES

**Buildafrique™ Consulting Group launches Weekly, Monthly, and Quarterly REAL ESTATE INVESTMENT AND DEVELOPMENT MARKET REPORTS.**



Buildafrique Consulting Group has launched Weekly, Monthly, and Quarterly REAL ESTATE INVESTMENT & DEVELOPMENT MARKET REPORTS, on market insights into the state of Kenya Real Estate market, current trends and opportunities, and advisory tips into Kenya Real Estate Investment and Development market.

The reports are geared towards empowering Kenya Real Estate Investors, Developers, and prospective Homeowners with information that allow them to manage modern investment risks, take advantage of new opportunities in the market, and adapt to emerging trends in real estate and development, so as to realize value for their investment in a fast evolving market.

The reports shall be published weekly, Monthly, and Quarterly in the organization website and also sent to subscribers through email. Quarterly reports are expected be released at the end of every quarter, with information on all the market indices and index analysis of Real Estate Prices, Construction Prices, and Macro-economic index analysis.

Please subscribe in the link below. to receive the reports in your email, if you have not already done so:

<https://buildafrique.com/monthly-subscription-landing/>

## 2.0 THIS MONTH ON PRODUCT REVIEW

### Project Finance, Capital Raising, and Joint Venture Structuring.



#### Customer Challenges:

It is rare in the private sector to provide all the funding for the project, especially, when for huge projects. Other financial and investment challenges that can prevent your project from taking off and attaining its full potential, include:

- Making viable investment decision backed by Market Feasibility studies and Market Research.
- Coming up with a fully inclusive Real Estate Business Plans for your project objectives, and for presentation to potential Investors.
- Roping in Finance, Capital funding, and Strategic Partners into your project.
- Structuring viable financial models and finance options to leverage on the cost of finance.
- Structuring Joint Venture Model that brings the project sponsor and Investor into an agreement.

#### Our Solutions:

We go through a structured capital raising and project finance step process, once engaged by the Project Sponsor or Client, which includes a Consulting and Advisory phase, followed by an Investor Relations phase, and ending with a Transaction and Completion phase of this consultancy, which include:

- Financial Advisory, Planning, and Analysis to ensure viable investment decision by the Client.
- Conducting Feasibility studies to determine viability of the project, and to allow preparation of Investor Business Case.

- Investments Appraisal, Modelling, and Capital Structuring to ensure viable finance options.
- Identification of Strategic Financiers, Partners, and Investors for the investment.
- Project Finance Sourcing and Capital Connection for Real Estate Businesses seeking finance.
- Capital raising and Real Estate Fundraising solutions, from the following financing options:
  1. **Private Equity Finance.**
  2. **Contractor Debt Finance.**
  3. **Structured Institution Debt Finance.**
  4. **Bank Debt Finance.**
  5. **Presale Finance.**
  6. **Islamic Finance.**
- Advisory on cost of finance and interest rates on capital.
- Joint Venture Structuring and Modelling for Equity funded projects.
- Financial Management and advisory during project implementation.



### 3.THIS MONTH ON FEATURED PROJECT

#### Proposed mixed-use development along Thika Road, Nairobi

The project described below, in Thika Road Nairobi, is one of our 2020 flagship project, 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 ongoing.



#### a) Project Details

<b>Project Cost</b>	Kshs. 600 Million
<b>Project Location</b>	Thika Road Nairobi.
<b>Project Features</b>	Mixed Use Development comprising Two Bedroom House, Retails Shopping Mall, Office Space, and Hotel.

#### b) Project Challenges

<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 completion.

#### 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> <li>- Project Finance</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>Marketing and Property Management.</b>	<ul style="list-style-type: none"> <li>- Marketing of the Project Lettable Units</li> <li>- Project Management.</li> </ul>

#### d) Results

<b>Property Description</b>	<ul style="list-style-type: none"> <li>- 60 Two (2) Bedroom Houses.</li> <li>- Retail Shops outlets.</li> <li>- Office Rental Spaces.</li> <li>- 40 Hotel Rooms</li> </ul>
<b>Rent Property</b>	the <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.



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



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



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



- 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

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