MONTHLY RESEARCH

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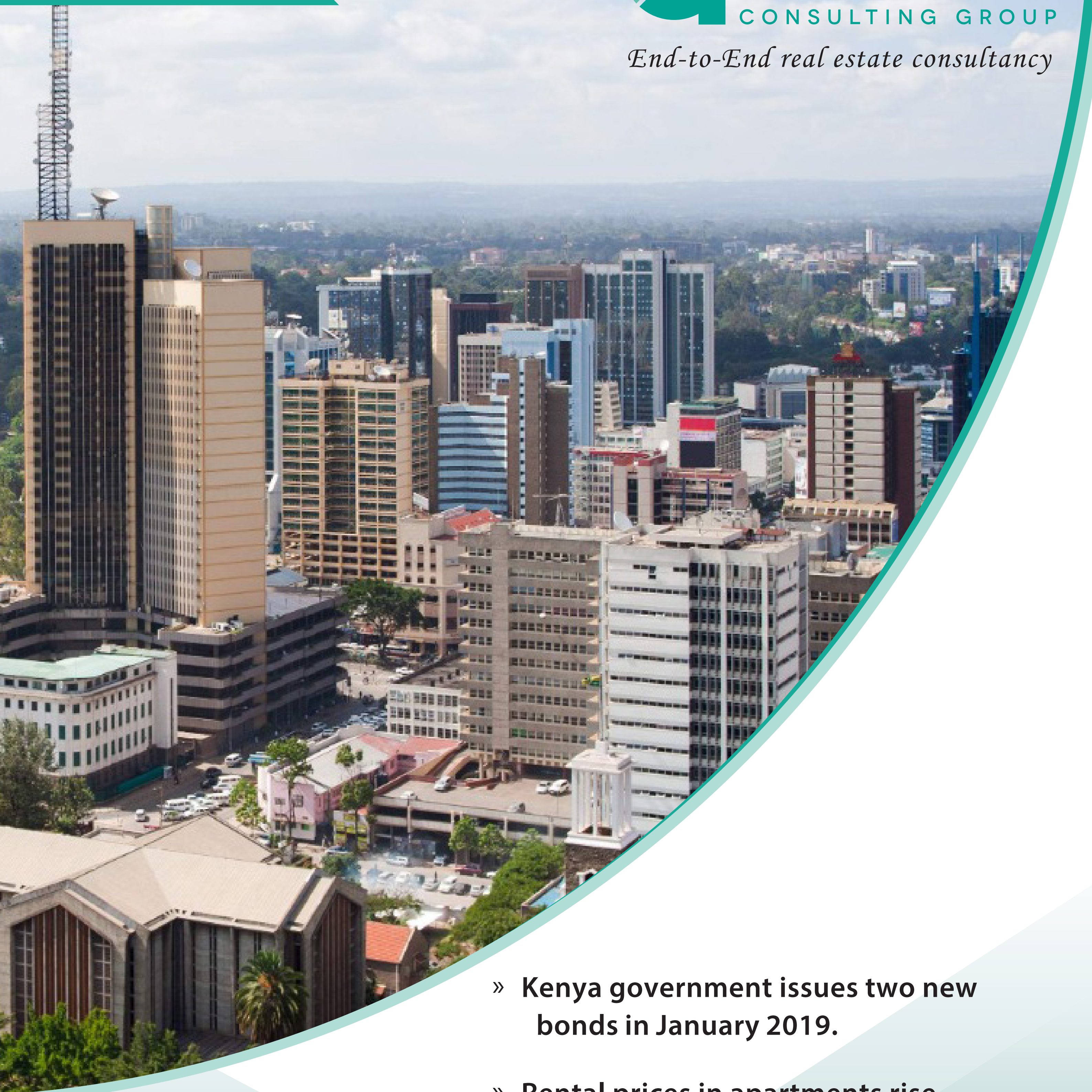

» Kenya government issues two new bonds in January 2019.

» Rental prices in apartments rise faster in nine years.

» Kenya attracts European retailers struggling in their home markets.

REAL ESTATE INVESTMENTS MARKET REPORT

JANUARY 2019

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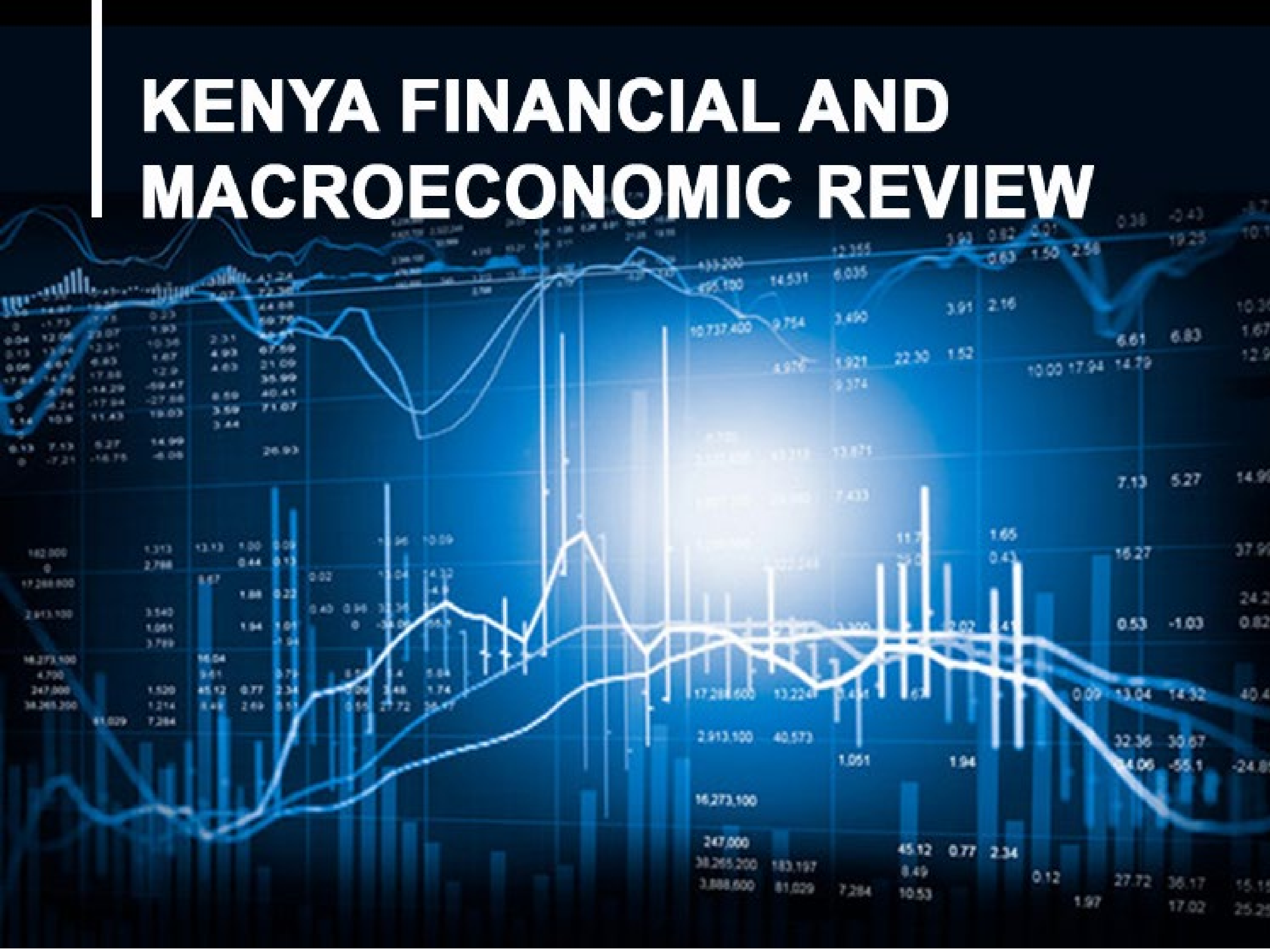
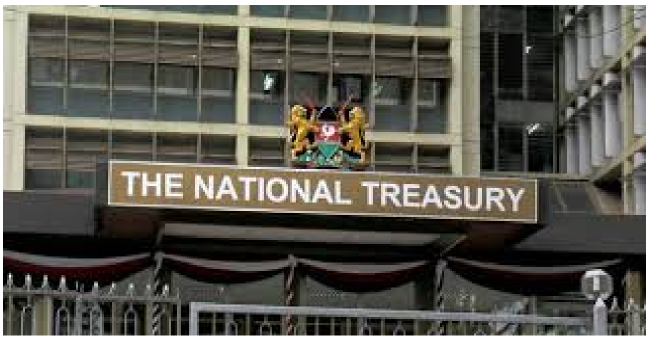
KENYA FINANCIAL AND MACROECONOMIC REVIEW



1. FINANCIAL & MACROECONOMIC HIGHLIGHTS

National Treasury rejects bid over Ksh 62 billion in oversubscription



In its recent bond issue, the Kenya Treasury received bids worth over Ksh 100 billion after floating 2 and 15 year bonds but only took up Ksh 38.49 billion as it opted for lower rates. The massive oversubscription was enabled by market liquidity. The weighted average rate of accepted bids for the two year paper stood at 10.71 percent against the market demand for 10.905 percent.

The only listed two-year paper was issued on September 25, 2017 and had a coupon of 11.62 percent and a yield of 9.47 percent. For the 15 year bond, the weighted average rate was 12.875 percent, slightly higher than the 12.746 percent achieved in the last auction of an issue of similar tenor. The weighted average for all the bids by the market stood at 12.971 percent, showing the CBK chose the cheaper bids.

Standard Investment bank starts a gold trading unit

Kenyan investors can now buy precious metals such as gold, silver and copper on the international markets through SIB after the Capital markets Authority (CMA) granted the firm license to trade in currencies and commodities. The firm, which was granted the license in mid-December is the first money manager license and allows offshore investment in forex and commodities on behalf of clients.

EABL saves Ksh 1 billion of capital expenditure in Kisumu's factory

Listed beer maker, EABL says it will now spend Ksh 14 billion on its Kisumu plant instead of the budgeted Ksh 15 billion helped by use of more local construction materials and delivery of project ahead of time. According to the group's management team, savings were facilitated by good procurement expertise and speed of execution. Also, procuring most of the materials locally helped cut the costs such as shipping as the brewer moved to control its capital expenditure. The EABL finance office reported that the company spent Ksh 10.2 billion on the plant in 2018 and will use a further Ksh 3.8 billion in the second half of the current financial year.

NSE Kenya outperforms peers in dollar returns

Despite a bear run last year, reports indicate that the NSE outperformed most African markets in dollar returns helped by the Kenya shillings gain on the dollar vs. the depreciation seen on most regional currencies. During the year, African markets recorded negative returns on the back of general foreign investor sell-offs as capital flowed back to the safe-haven western markets especially in the US. The NSE FTSE 15 Index – which tracks the bourse's 15 largest firms by market capitalization and is mainly used by foreign investors- had a dollarized return of 113.5 percent last year, outperforming the bourse of Nigeria (-20.6%) South Africa (25.5%) Uganda (-17.2 %) and Egypt (-14.2%).

African Guarantee Fund secures EUR 25 Million to finance small firms

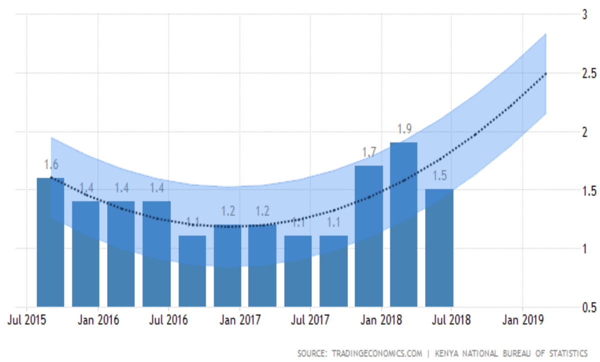
The African Guarantee Fund for small and medium sized enterprises (AGF) has received a capital injection of EUR 25 million, about Ksh 2.9 billion from the government owned KfW development Bank. The Nairobi based pan African fund reports that it will focus on ramping up its financial activities among local lenders with a focus on SMEs following the fresh capital boost. SMEs in Kenya have been hard hit following the

September 2016 ceilings on loan charges at 4 percent points above the Central Bank Rate, now at 9 percent. Private sector grew by 4.4% in the 12 months to October compared to September's 3.9%

2. MACRO-ECONOMICS HIGHLIGHTS

Gross Domestic Product

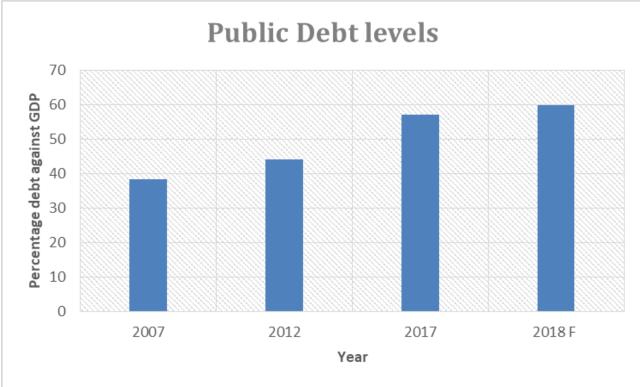
The Kenyan economy expanded 6 percent in Q4 2018 higher than 4.7 percent in Q4 2017 supported by recovery in agriculture, which recorded a growth of 5.2 percent due to improved weather conditions. Improved business and consumer confidence was attributed by increased output in the manufacturing and wholesale & retail sectors which grew by 3.2 percent and 6.8 percent respectively. GDP growth is expected to come in between 5.7 and 6.0 percent in 2019, driven by recovery of growth in the agriculture sector, continued growth in tourism, real estate and construction sectors and growth in the manufacturing sector.



SOURCE: KENYA NATIONAL BUREAU OF STATISTICS

Public Debt

Kenya's public debt stood at 60 percent by the end of last quarter, up from 57.1 percent in 2017 which rose from 44 percent in 2012 and 38.4 in 2007, ten years ago. On average, the state is expected to spend approximately 40.3 percent of its revenue in tax collection to finance debt payments. Despite IMF's globally recommended debt levels of 50%, Moody's Credit Rating Agency describes Kenya's outlook as stable. However, the agency downgraded Kenya to B2 from B1 status in late 2017. The IMF on the other hand has cautioned that Kenya's credit risk is now moderate from the previously known low. The pain of Kenya's high public debt is set to be felt throughout 2019, with a number of loans coming to maturity.



SOURCE: TRADE ECONOMICS

Other reports predict a debt crisis that could lead to liquidity pressure as the government debt instruments mature. Such is the 5year Eurobond due in January 2019.

Interest Rates

The Monetary Policy Committee (MPC) is set to meet on Monday 28 January 2019 to review the prevailing macro-economic conditions and make a decision on the direction of the Central Bank Rate (CBR). In their previous meeting held on 27th November 2018, MPC maintained the CBR at 9 percent, citing that the economy was operating close to its potential and inflation expectations remained anchored within the target range and thus concluded that the prevailing monetary policy stance remained appropriate.

Interbank Rate in Kenya reduced to 6.7 percent. This indicates an increase in market liquidity and increased government payments. Interbank Rate in Kenya averaged 11.19 percent from 1991 until 2018, reaching an all-time high of 68.30 percent in May of 1993 and a record low of 0.40 percent in August of 2003.

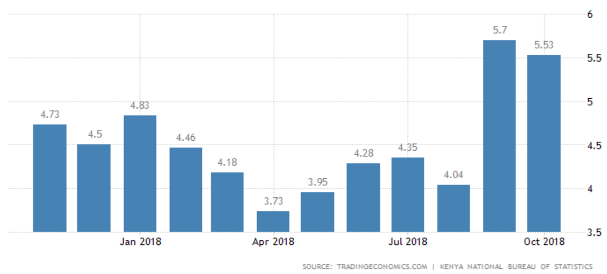
Key Rates	%
Central Bank Rate	9.0
Inflation Rate	5.58
Interbank Rate	6.7

Source: Central Bank of Kenya

Inflation Index

Inflation rate from the month of December 2018 rose to 5.7 percent from 5.6 percent recorded in November bringing the 2018 average to 4.7 percent compared to the 2017 average of 8 percent.

Inflation is expected to remain within the government's target range of 2.5 – 7.5 percent anchored by lower food prices, reflecting favorable weather conditions, the decline in international oil prices and the downward revision in electricity tariffs.



SOURCE: TRADE ECONOMICS

3. MONEY AND INVESTMENTS ANALYSIS

Currency

During the month, the Kenyan shilling strengthened against the US Dollar and the Euro by an approximated margin of 1 percent at the end of the month compared to the same period in December 2018. The Shilling, however, depreciated against the Sterling Pound 2.32% closing at Ksh.131.86 up from Ksh.128.87.

In comparison, the Kenyan Shilling saw mixed performance against major East African currencies with the Shilling remaining relatively stable against the Ugandan Shilling and depreciating against the Tanzanian Shilling by 1.5%.

In 2019, the shilling is likely to come under pressure due to an increased oil imports bill; but remain supported by; declined food imports and improved agricultural exports as production improves due to better weather conditions, the CBK's foreign exchange reserves of USD 8 billion, equivalent to 5.2 months of import cover. We project that currency will range between Ksh 101.0 and Ksh 104.0 against the USD in 2019, with continued support from the CBK in the short term through its sufficient reserve.

Currency	Dec	Jan	Change
US Dollar	101.7461	100.7928	-0.94%
Sterling pound	128.8706	131.8644	2.32%
Euro	116.3122	115.1739	-0.98%
KES/UGX	36.3554	36.262	-0.26%
KES/TSHS	22.5119	22.8544	1.52%

T-Bills

During the month of January, T-bills auctions recorded an oversubscription with the average subscription rate coming to 221.5 percent up from 59 percent recorded in December. The yields on the 91 day, 182-day, and 364-days were 7.1 percent, 8.9 percent, and 10 percent respectively. Improved performance can be attributed to the favorable liquidity conditioning the interbank rate despite slight tightening towards the end of the month due to the start of new cash reserve requirements and tax payments.

Bonds

For the month of January, the government issued two new bonds, issue no FXD 1/2019/2 and issue no FXD 1/2019/15, with 2 years and 15 years to maturity, and market determined coupon rates. The government accepted Ksh 38 billion bids on the two bonds for budgetary support, whose issue received overwhelming bids of up to Ksh 100 billion. The long term bond already issued in the FY 2018/2019 in a bid to lengthen the average time to maturity for the Kenyan government debt's portfolio and mitigate the potential rollover risks have continued to record a lackluster performance due to the saturation of long end offers. The bonds are currently trading at 10.7 and 12.6 percent respectively.

Equities

During the month of January, the equities market recorded an upward trend with NASI, NSE 20, and NSE 25 gaining by 1.9% 2.1% and 2.7% respectively, taking their YTD performance to 3.4 percent, 0.6 percent and 4 percent for each respectively. The performance is an improvement from December's mixed performance where NASI and NSE 25 gaining by an average of 1.37 and 074 percent respectively while the NSE 20 declined by 0.87 percent.

KENYA CONSTRUCTION REVIEW

1. CONSTRUCTION INDUSTRY HIGHLIGHTS

Kenya to Construct 40MW Solar Plant in Eldoret

The government of Kenya is set to construct 40MW solar power plant in Eldoret,that will account for 2% of the country's total electricity power capacity. The Project shall be implemented by the French Company, Voltalia, who are also mandated to undertake the operation and maintenance of the plant.

Set for completion in March, 2020, the solar project will sit on a 100 hectares of land and will have over 161,000 monocrystalline panels set into solar single-axis trackers. Upon completion, the plant is expected to inject approximately 123.6GWh of clean electricity every year into the electric network, enough to meet the annual energy consumption needs of over 824,000 Kenyans.

Kenya has a target to universal access to electricity by 2020 to increase from 70%. Additionally, the proposed project will add to many electricity projects by the Government that have been started or are in the pipeline as the country races to raise output to 5,000MW and cut the cost of electricity to consumers by 50%.

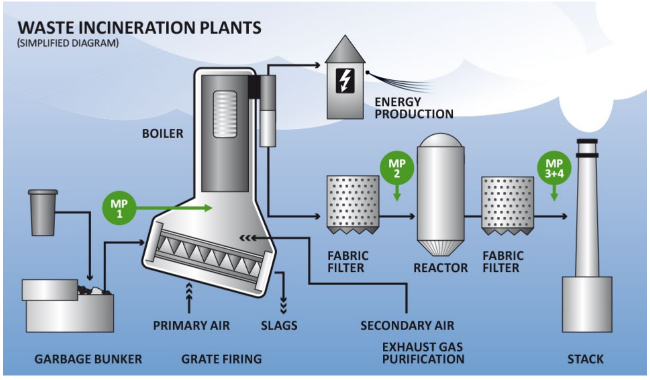
Kenya set to construct high rise Apartment Units in Ngara Area of Nairobi.

Dubbed “River Estate”, Kenya is set to unveil plans to construct 2,720 high-rise apartment units in a development that will gift the Kenyan capital its tallest residential tower homes in Ngara areas of Nairobi. The project is proposed to fall in line with the government’s affordable housing agenda that is enshrined in Kenya Government 5 year development plan popularly known as the Big 4.

The high-rise apartment’s project will comprise eight apartment blocks, each 34 floors high, with 340 homes per block. The development is expected to house 2720 families, creating local demand for other amenities. The Investment project will consist of 3 types of houses including 3-bedroom apartments, 2-bedroom apartments and 1-bedroom apartments.

The project is expected to contribute to significant positive impacts in the area during its construction and operation phases, through creation of employment opportunities, optimal use of land, and incorporation of collective waste management practices. The project is scheduled for completion in 2021.

Kenya to construct Kshs. 20 Billion incineration plant in Nairobi.



Kenya has set plans for constructing Kenya Shilling 20 Billion incineration plant that will produce electricity energy out of waste from the famous Dandora landfill in Nairobi. The work on the power plant using waste from the Dandora landfill is scheduled to begin in June 2019 with more than 60 investors having expressed interest to undertake the project.

The selected contractor after the bidding process shall be responsible for building the power plant with a 40MW power capacity, as well as offer the best technology and expertise for the works.

Dandora is a famous landfill located 8 km from Nairobi Central Business District. There had been previous plans to set up such a plant, but these plans have not pulled through due to lack of land title on the land where the waste was expected to be dumped for absorption by the incineration plant.

2. CURRENT TRENDS IN BUILDING AND TECHNOLOGY

Ready to Assemble Furniture – An alternative technology to interior finishes for residential house.

Over the past few years, ready-to-assemble (RTA) furniture has evolved in technology quality and features making it gain popularity in the furniture market for its low cost and high functionality compared to ready to use (RTU) furniture.

Global reports allude to the rising trend of work from home as one of the leading demand drivers for home furniture in the form of space saving modular units and prefabricated buildings. While Kenya is slowly adopting to prefab building, there is little to report on the adoption of RTA furniture market whose engagement in the Kenya Furniture industry is below 1 percent.

In Kenya, online retail platforms are rising by the day coupled with a growing local engagement as international furniture manufacturers seek to expand their market share into the country. Similarly, there is a growing local entrepreneurship industry, albeit by the roadside in busy streets.

One of the drivers for the rising demand in RTA furniture is their convenience in transportation, artistic and trendy feel, and ease of installation, all which make a worthy option for small and rented houses as these products are easy to dismantle. When there is a need to move house, customers can pack them into compressed flat packages, and use the instruction manual and simple tools enclosed with the furniture as provided by the vendor.

Fabric Building Option – An affordable means of achieving building structures in the Hospitality Industry.

An ever-growing pallet of materials, tremendously improved structural lighting, and graphic technologies have enabled an increase in use of fabric materials in modern architecture. With so many potential uses, the versatility and functionality of fabric structures, make them the most cost-effective, attractive building solutions for a wide range of industries, especially hospitality.

In comparison to steel buildings, the average cost of putting up a fabric structure is 30 percent less than conventional building designs with further cost savings that continue throughout the lifetime of a structure, usually 10 years. Also, with layers that characteristically repel dirt and contaminates, fabric structures require virtually no exterior maintenance or cleaning. Notably, the smooth rooftop outline, breezy, open interiors, and premium development materials make texture structures impenetrable to infestation or structural degradation caused by birds, rodents, and insects.

A number of hospitality service providers have adopted the use of fabric structures in their operations to cater for and provide additional wedding and banquet facilities, conference centers, dining facilities, and creation of aquatic centers. This is in preference to traditional structures which are permanent. With these structures, they aim to create value to clients in the form of experience.

Environmentally friendly, pre-designed tensioned fabric structures can be raised on about any terrain with little to no site arrangement prerequisites. With these structures, building does not need unearthing or leveling, and the requirement for concrete footings and foundation is eliminated. This favorable position spares a huge amount in pre-development costs and weeks of general development time. For hoteliers and proprietors who wish to explore raised grounds in forested terrains, fabric used can be designed to shapes and sizes that fit into these spaces without modification.

3. BUILDING COSTS ANALYSIS

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.

Users of this information are encouraged to exercise care in comparing the Building Costs of the various building types without considering other factors like: specific building location, finishes specifications, floor to ceiling height, and 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.

4. RESIDENTIAL BUILDING COST ANALYSIS

a) High End Apartments

Zone	Cost per Square Meter (SM)
Nairobi Region	51,500.00
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	36,000.00
Mombasa Region	38,000,00
Kisumu Region	37,000,00

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

Commercial Building Cost Analysis

a) High Rise Office Building

Zone	Cost per Square Meter (SM)
Nairobi Region	51,000.00
Mombasa Region	57,000,00
Kisumu Region	57,000,00

b) Low Rise Office Building

Zone	Cost per Square Meter (SM)
Nairobi Region	41,000.00
Mombasa Region	47,000,00
Kisumu Region	47,000,00

Retail Outlet Cost Analysis

a) Shopping Mall Building

Zone	Cost per Square Meter (SM)
Nairobi Region	49,000.00
Mombasa Region	55,000,00
Kisumu Region	55,000,00

b) Small Scale shopping Complex

Zone	Cost per Square Meter (SM)
Nairobi Region	41,000.00
Mombasa Region	42,000,00
Kisumu Region	42,000,00

Hotel Cost Analysis

a) 5 Star Hotel development

Zone	Cost per Square Meter (SM)
Nairobi Region	86,000.00
Mombasa Region	87,000,00
Kisumu Region	87,500,00

b) 3 Star Hotel development

Zone	Cost per Square Meter (SM)
Nairobi Region	80,000.00
Mombasa Region	83,000,00
Kisumu Region	83,000,00

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

Industrial Complex Cost Analysis

a) Warehouse & Godowns

Zone	Cost per Square Meter (SM)
Nairobi Region	30,000.00
Mombasa Region	31,000,00
Kisumu Region	31,000,00

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

Building Materials & Labour Cost Analysis

a) Average Materials Costs

Zone	UNITS	Cost (Kshs).
Cement	Bags	650.00
Sand	Tons	2,000,00
Ballast	Tons	2,000,00
Hardcore	Tons	900.00
Steel Y8 (12 meters)	NO	450.00
Steel Y10 (12 meters)	NO	700.00
Steel Y12 (12 meters)	NO	900.00
Steel Y16 (12 meters)	NO	1,450.00
Steel Y20 (12 meters)	NO	2,300.00
Steel Y25 (12 meters)	NO	3,250.00
Steel Y32 (12 meters)	NO	5,300.00
BRC Mesh A142	Roll	26,000.00
Machine cut stone (390 X 190 X 190mm)	NO	53.00
Cypress Timber – 100 x 50mm	FEET	46.00
Cypress Timber – 100 x 50mm	FEET	26.00

b) Average Labour Costs (Site Labour)

Zone	UNITS	Cost (Kshs.)
Unskilled Labour	Day Rate	450.00
Skilled Labour (Excavation)	Day Rate	1,000,00
Skilled Labour (Concrete)	Day Rate	1,200,00
Skilled Labour (Masonry)	Day Rate	1,000.00
Skilled Labour (Finishes)	Day Rate	1,100.00

KENYA LAND USE REVIEW

1. KENYA LAND USE HIGHLIGHTS

EACC to handover grabbed 2 billion land to University of Nairobi.

The Kenya Ethics and Anti-Corruption Commission (EACC) is set to hand over a Kenya shillings 2 billion piece of land in Kilimani area of Nairobi to the University of Nairobi (UoN) after it was re-possessed from a private company. According to EACC, the university is now at liberty to use the property which had been the subject of a court dispute for years.

The defendant, Aberdares Engineering Contractors Limited, has expressed interest to resolve the matter through Alternative Dispute Resolution (ADR) mechanism, according to report by EACC.The report further states that the transfer of the land to the institution was registered on July 1, 1964 in the name of the University College Nairobi Council. The university later sought the intervention of the commission, saying the parcel situated on Galana Road Nairobi had been grabbed and allocated to a private company.

The Commission took into account of the fact that cases in courts tend to drag for an inordinate long period and being cognizant of the spirit of the Constitution encouraging through Alternative Dispute Resolution (ADR) mechanism to resolve the case.

National Lands Commission arrives at Weston Hotel ruling.

The National Land Commission has reached a decision that owners of Weston Hotel located along Lang'ata Road in Nairobi can keep the hotel but pay the government for it. The commission ordered a revaluation of the prime piece of land to determine the current market price to facilitate Weston Hotel to buy the land as a reimbursement to the KCAA.

In May of 2018, Weston Hotel was valued at Sh300 million, according to a valuation report by one of local valuation companies. According to National Lands Commission, the KCAA will then find an alternative land of the same value to build its headquarters. The National Lands Commission (NLC) also ruled that that the Kenya Civil Aviation Authority having been restituted to its initial position only then can the commission regularize the title to Weston hotel.

But KCA protested the regularization of the acquisition of the land by Weston, insisting facts regarding the authority's ownership of the land were crystal clear and uncontested. During the hearing, the position that the parcel of land measuring about 0.7733 hectares (about two acres) was the property of the KCAA was strongly argued out. According to KCAA's legal services manager who doubles up as the acting corporation secretary, the parcel belonged to the East Africa Community which collapsed in 1977.

Compensation standoff for Shs. 24 Billion Kariminu dam project in Gatundu North resolve.

Construction of the Sh24 billion Kariminu II dam in Gatundu North Constituency in Kiambu County will start immediately after a 12-year land compensation standoff between affected residents and the government was resolved. The project has been at the centre of a controversy after earlier agreed compensation awards were degazetted in what the National Lands Commission (NLC) attributed to discrepancies and computation errors.

Land owners moved to court demanding the halting of the project until their grievances were addressed, which were mainly to push for more favorable land valuation terms. A total of Sh1.286 billion will be spent to pay 246 households which will be affected by Phase One of the project which will cover 171 acres.

The project is expected to supply water to Ruiru, Juja and Nairobi. Local leaders have also called on locals to avoid misappropriating compensation money and instead acquire new land.

2. KENYA LAND-USE ZONING REVIEW

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

In the context of Land-Use and Zoning, Ground Coverage (GC) refers to the ratio of the Building area divided by the land (site) area. Building area in this case means the floor space of a building when looking down at it from the sky. Depending on the Land-Use Zone category, a building has to be constructed within the specified maximum Ground Ratio (GC) in the zone.

On the other hand, Plot Ratio (PR) refers to the ratio of Total floor area of the building divided by Land (site) area. Total floor area means the total of all the floor space in a building.

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.

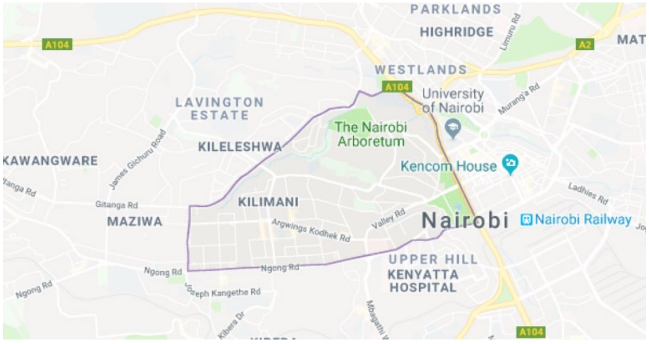
GC and PR are therefore important point of information to understand for any Developer, Investor, or Prospective Home Owner when planning to purchase a real estate property, so as to manage related land-use risks.

This segment therefore gives a general indicative and current status of Ground Coverage (GC) and Plot Ratios (PR) of various Land-Use Zones as provided and reviewed by the Planning Departments of various counties in Kenya, for the maximum allowed use of land property in building design and development, for the main building types in Kenya built environment, namely: Residential Building, Commercial Building, and Industrial Complex.

Care should be exercise in comparing the Ground Coverage (GC) and Plot Ratios (PR) for the various building type without 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.

3. THIS MONTH ON LAND-USE ZONE REVIEW

Nairobi County – Zone 4 (Kileleshwa Area)



Kileleshwa is situated in Nairobi, Kenya, its geographical coordinates are 1° 17' 0" South, 36° 47' 0" East and its original name (with diacritics) is Kileleshwa. The area is under Zone 4 of Nairobi County Development Ordinance and Planning Zones. The area was originally demarcated as residential single-dwelling zone by the City of Nairobi.

However during the early 2000s, the City of Nairobi revised the land-use provision of this area to allow for residential multi-dwelling by increasing the land-use Ground Coverage (GC) and Plot Ratio (RR). This saw the emergency of Kileleshwa area as more multi-dwelling residential area.

Today, the County Government of Nairobi has granted Special Extension and Planning Conditions for use of land in Kileleshwa, allowing extended Plot Ratios (PR) for recent multi-dwelling residential developments, notably being high rise apartment blocks. Of particular special conditions that have been met by Developers to be allowed extended Plot Ratio (PR), include:

a) Provision of parking spaces for tenants and visitors.
b) Modern access technology for high rise residential building, through provision of multiple Lifts.
c) Additional water supply in building developments, through drilling of boreholes.
d) Provision of modern waste management technology.

THIS MONTH IN KENYA REAL ESTATE MARKET

1. REAL ESTATE MARKET HIGHLIGHTS

CDC Group to reinvest in Kenya despite ARM loses.

British investment fund CDC Group has announced its plans to enter the Kenyan market in various ventures including infrastructure, construction, and real estate among others. The company recently announced that it would be investing up to USD 4.5 billion across Africa including Nigeria over the next four years to boost ties with the continent and was keen to back local firms with additional capital. This involves 74 companies which will receive USD 268 million. In Kenya, the firm's investments are held through private equity funds though it also injects capital directly. The CDC group emerged one of the biggest loser from the collapse of cement maker ARM with its Ksh 14 billion investment with the struggling company at stake.

Chinese Property tycoon to build Nairobi's tallest homes

Chinese billionaire Zeyun Yang has unveiled plans to build 2720 high-rise apartment units in Nairobi's Ngara Estate. The project, located on Jodongo road, will comprise eight apartment blocks - each 34 floors high, with 340 home per block. The project will be first of its magnitude in East and Central Africa. *The River Estate,* set to be opened in early 2022, will knock down Le'mac Towers as the tallest residential tower in the region.

Bullish cement firms seek share of Kenya's cement business

Global cement giants have set their sights on Kenya as they seek acquisitions of the troubled local manufacturers in a move that is expected to jiggle East Africa's cement market.

Nigeria based cement maker Dangote and Omani Corporation Raysut Cement are this month expected to finalize their bids for struggling ARM Cement as part of their strategy to expand to Kenya. Dangote plans to list the firm at the London Stock Exchange and is consolidating its cement business in preparation. If successful, the buyout will see Dangote abandon its initial plan to build factories in Rwanda, Tanzania, Burundi, and Jinja in Uganda.

2. CURRENT TRENDS IN REAL ESTATE INVESTMENT MARKET

Rental prices in apartments rise fastest in nine years

Apartment rental prices last year rose at the fastest pace in nine years, boosted by double-digit increase in Nairobi's Westlands, Langata, Parklands and Ruaka yields as the gap between demand and supply closed. Realtors Hass Consult's 2018 property index indicated a sharp recovery in rental asking price for apartments in Nairobi in the last quarter of last 2018 boosting the annual growth to 15.9 percent. This outpaced the annual rental growth for semi-detached and detached houses, which stood at 12.6 percent and 3.7 percent respectively.

According to the group, the somewhat slower pace of apartment building in the last two years has finally seen demand catching up with the available space, lifting occupancy and driving apartment rents upwards sharply by November and December 2018. Overall, apartment rental prices rose by 15.9 percent, which was the most marked rise since mid-2009. Detached house rental prices, however, continued to be affected by subdued global demand and the contraction in global grant-based activities.

Occupancy at Tatu City on the rise with diverse investments at play

South Africa's private education firm AdvTech will be opening a school in Kiambu's Tatu City under its Crawford Schools brand marking its continued expansion into the East African market. The school will teach the Cambridge curriculum and targets learners from Kindergarten to A-levels. In 2018, AdvTech was among the consortium schools that purchased Makini Schools business where it owns 71 percent stake. Late 2018, African logistics Properties (ALP) launched a 49000sqm grade A warehouse facility at the development in the wake of warehouses shortage in Kenya. The company reports that 75 percent of the facility was pre-leased before completion as business owners were keen to tie down the facility for long term use.

Doubts over Kenya's Konza City grows due to work stall as Kigali Innovation city nears completion.

Since its launch six years ago, work on Konza City remains undone with a single unfinished eight-story building in an arid field the only sign of progress in the project that seeks to make Kenya a regional technological hub. According to critics, the project was ill-conceived from the start. Despite a host of local and international tech giants initially expressing an interest into the proposed city, the business world have shifted its focus to Rwanda as it seeks to build its technology hub. The hub, dubbed *Kigali Innovation City,* which launched in 2015 has already made remarkable with completion slated for 2020. The city is designed to host 50000 people in universities and technology firms on a 70 Ha area just outside Kigali.

3. REAL ESTATE MARKET ANALYSIS – AREA FEATURE

This month feature – Ridgeways Area, Nairobi

3.1 Overview

Ridgeways is located 7km north of Nairobi City Center. The Kiambu road, which links Muthaiga and Kiambu areas, is the main access road to Ridgeways.

According to Nairobi's Zoning Guide, it is designated as a residential area with a low population density. To its east is Garden Estate, south is Muthaiga, west is Runda, and north is Thindigua.

Geography:
Ridgeways is mostly surrounded by Karura forest. Before it was inhabited by the Kenyan elite, it used to be part of the colonial white highlands. The area still has a rural feel, with several water masses including the Kigwa dam, exotic birds, hares, and other wildlife that still live in the forested ecosystem.

Economic Indicators:
While Ridgeways is not an economic center on its own, it houses social amenities that support the population in the area, including Garden Estate and Thindigua. It is best known as the home to Windsor Golf Club and Ridgeways Mall beside from housing other entertainment spots.

3.2 Investment Landscape Outlook

Ridgeways is largely characterized by single sets of homes sitting on prime expansive land. It is a controlled development area. Recent reports indicate that the upper mid end area recorded rental yields of 5.5 percent on detached units – the major type of residential property - and negative 0.3

percent price appreciation in Q3, 2018. The total return was 5.2 percent which does not compare favorably to the market average return of 7.5 percent per annum on detached units. The reason attributed to the performance is the encroachment of apartments leading to a decline in value for low rise houses which are losing appeal to high end buyers in the area.

Luxury apartments as well as gated communities continue to be developed in the estate to provide a larger variety of home choices for the high end market. We expect the investment landscape to favor apartments as the population demographics widen to include individuals who prefer luxury spaces on smaller living spaces instead of houses on expansive grounds.

3.3 Overview of Real Estate Market in the area

Attractiveness

A major attraction to the area is its proximity to commercial hubs, rich soil, forested landscape, and cool climate.

With its qualities, real estate developers have turned the once rich coffee area into a well-developed estate featuring high end property. The construction of homes on expansive parcels of land on the low ridge is an example.

Real Estate demand drivers

Proximity to Business Hubs: Ridgeways is hardly a commercial hub. However, it is in close proximity to a number of shopping centers in the neighboring Kiambu County as well as Nairobi. It boosts a number of leisure and entertainment spots such as Windsor, and Ridgeways Inn Yard among others.

Key Amenities within a 10km radius:

a) **Healthcare:** The main hospital in Ridgeways is Aga Khan Hospital. Its healthcare is boosted by neighboring estates healthcare facilities including Garden Estate's AAR Heathcare, the Bridge Center, and Rennaissance Centre as well as Muthaiga's Gertrude's Children Hospital

b) **Education:** The area has a higher number of private schools in comparison to public schools. These include daycare and kindergarten schools, Ridgeways Girls School, Braeburn International School in Garden Estate, Shadel Montessori Centre, Rosslyn Academy, St.Mary's Girls school in Runda, and Kijani Ridge School at Two Rivers. The estate is also 7.5 km from United States International University (USIU) off Thika Road.

c) **Shopping Centers:** The closest shopping centers are Ridgeways mall and Milestone Business Centre - Muthaiga. Other malls such as Two Rivers and Rosslyn Riviera, are accessible through Kiambu Road.

d) **Leisure**: Ridgeways is known for its serene environment and greenery. For this reason, there are a number of recreational facilities in the area. These include Ridgeways Pine Creek Gardens, Ridgeways Inn Yard, Ridgeways Mall, Ridgeways Park Hotel, Oak Place Conference & Training Centre, Jikoni's, Columbiana Lounge, and Scotchies Lounge. There is also Windsor Golf Hotel & Country Club.

Infrastructure: The estate is served by a number of newly constructed roads. It is infrastructure that led to the estate's growth. It is served by Thika Road, the Northern Bypass and Kiambu Road. The road network connects it to Nairobi and Kiambu counties and also experiences light traffic congestion.

Security: Most residential homes are fenced and gated with the provision of security personnel. There are also barriers on major road entrances in which vehicles coming in undergo security checks. Ridgeways is also served by a number of police stations in the surrounding areas. These include Muthaiga Police Station, Kiambu Police station, Runda Police station, and the Kenya Police Ruaraka Police station. The estate is 3.2 km from the Nairobi CID headquarters on Kiambu Road.

3.4 Real estate supply analysis

Residential Housing Development

The major upcoming development is the Ksh 14 billion, *The Ridge* mixed use development by Cytton Investments. The 10-acre development will be constructed by Chinese, China Railway Jianchang Engineering Company. It will consist of one to three bedroom apartments, penthouses with DSQ, retail/commercial center and serviced apartments.

3.5 Area Real Estate Price Outlook

Apartments

Rent

Apartments	Average Asking Price
2 Bedroom	76,000
3 Bedroom	83,750

Sale

Apartments	Average Asking Price
2 Bedroom	12,850,000
3 Bedroom	18,260,000

Mansionette

Rent

Villa / Townhouse	Average Asking Price
4 Bedroom	260,9000
5 Bedroom	387,500

Sale

Villa/ Townhouse	Average Asking Price
4 Bedroom	61,500,000
5 Bedroom	91,200,000

Land

Land	Area	Average Asking Price
1 Acre	Ridgeways	73,181,000

3.6 Area Consumer analysis

a. **Population demographics:** The area is home to diplomats, government officials, parastatal heads, business men & women, and corporate directors.

b. **Prominent Families & Business people:** This is depicted by statistics and the presence of top of the class amenities such as Windsor Golf Club and modern mid to high end level mansionettes.

c. **Upper class income earners:** Population in the area is mainly high income earners in employment with major organizations. These include corporate executives as well as diplomats.

Consumer Preference

There is a declining demand for low rise homes and a rising demand for high end apartments. As earlier discussed, the housing preference is shifting towards luxury apartments. This is because of the changing population dynamics which now include expats, diplomats, among other high profile individuals who prefer downgraded habitats for more fulfilling single occupancies.

4 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 without 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 Price Analysis

Average selling price

a) **Selling Price for 3 Br. Apartment in Popular Zones.**

Zone	Area	Asking Price
Zone 1E	Upper Hill	24,400,000
Zone 4	Riverside	22,500,000
Zone 5	Woodley	14,500,000
Zone 8	Imara Daima	10,267,000
Zone 10	Nairobi West	13,725,000
Zone 12	Karen	15,000,000
Others	Gigiri	19,000,000

b) **Selling Price for 2 Br. Apartment in Popular Zones.**

Zone	Area	Asking Price
Zone 1E	Upper Hill	16,500,000
Zone 4	Riverside	17, 166,600
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 Price for 3-5 Br Town House/Maisonette in Popular Zones.**

Zone	Area	Asking Price
Zone 4	Spring Valley	76, 400, 000
Zone 4	Riverside Drive	74, 680, 000
Zone 5	Kyuna	87, 000, 000
Zone 5	Loresho	75,000,000
Zone 13	Gigiri	120, 000, 000
Zone 13	Kitisuru	95, 400, 000
Other	Mombasa Rd.	20, 000, 000
Other	Nyari	130, 000, 000

Average rental price

a) **Rental Price for 3 Br. Apartment in Popular Zones.**

Zone	Area	Rental Price
Zone 1E	Upper Hill	130,000
Zone 4	Riverside	142,000
Zone 5	Woodley	85, 000
Zone 8	Imara Daima	50, 000
Zone 12	Karen	85, 000
Others	Gigiri	150,000
Others	Mombasa Rd	43, 300

b) **Rental Price for 2 Br. Apartment in Popular Zones.**

Zone	Area	Asking Price
Zone 1E	Upper Hill	80, 000
Zone 4	Riverside	86, 000
Zone 5	Woodley	65, 000
Zone 8	Imara Daima	35, 000
Zone 12	Karen	50, 000
Others	Gigiri	100,000

c) **Rental Price for 3-5 Br Town House/Maisonette in Popular Zones.**

Zone	Area	Asking Price
Zone 4	Spring Valley	310, 000
Zone 5	Kyuna	220, 000
Zone 5	Loresho	200,500
Zone 13	Kitisuru	400, 000
Other	Nyari	370, 000
Other	Mombasa Rd	80, 000

4.2 Commercial Space Market Price Analysis

Average selling prices

a) **Selling Price for Office Space in Popular Zones.**

Zone	Area	Asking Price Per Sqft
Zone 1E	Upper Hill	13, 167
Zone 1A	NCBD	11, 800
Zone 3	Parklands	12, 700
Zone 12	Karen	13, 250
Other	Mombasa Road	11, 925

Average rental prices

a) **Rental Price for Office Space in Popular Zones**

Zones	Areas	Asking Price Per Sqft
Zone 3	Parklands	103
Zone 12	Karen	109
Others	Mombasa Road	84

4.3 Industrial Space Market Price Analysis

Average selling prices

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

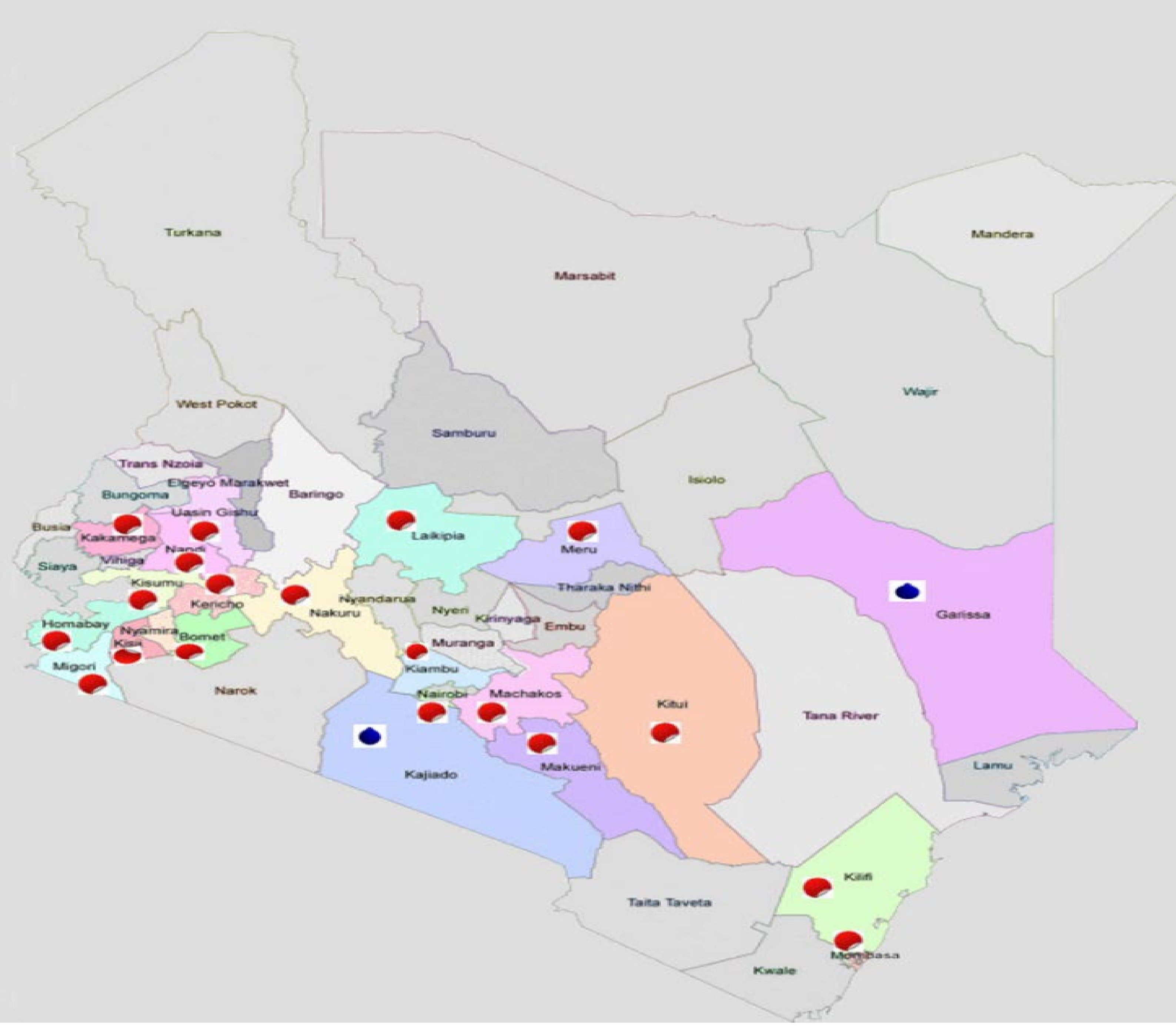
Zones	Area	Asking Price Per Sqft
Others	Mombasa Road	3,822

Average rental prices

a) **Rental Price for Industrial Space(Go downs) in Popular Zones**

Zones	Area	Asking Price Per Sqft
Zone 9	Industrial Area	43.08
Zone 16	Baba Dogo	44.66
Others	Mombasa Road	28.00

THE COUNTIES SEGMENT



1. COUNTIES SEGMENT

Laikipia

Kenyan firm, Goldenscape Group, is set to embark on a 100 acre real estate project giving investors an opportunity to own land and put up green houses in Laikipia County. The move comes after the firm successfully rolled out the *Lease a Greenhouse* project where more than 500 investors took up the opportunity that earned them Ksh 30 million in returns beginning 2015. The first phase will cost Ksh 25 million. It is the first firm to introduce the *Lease a Greenhouse* concept in Kenya where potential investors lease a greenhouse from the firm and set up in the firm's land. The firm manages projects and give dividend every 6 months for a period of 3 years. The new offering now includes land ownership with investors spending about Ksh 500000. The Agribusiness firm sells organic foods and vegetables in Nairobi's affluent estates.

Kilifi

Kilifi County plans to redevelop existing dilapidated national government estates in urban areas to cater for state's affordable housing agenda since the county has no free land for the purpose. According to the county, the housing committee has been identifying old government housing estates that are either semi-used or no longer in use for redevelopment.

At least three acres of land have been recommended to be the minimum space for the housing units to be undertaken by the Kenyan real estate private sector. Some of the land already allocated include parts of Malindi and Mariakani.

Narok

The Narok real estate market has attracted a Ksh 1.3 billion golf resort aimed at high spending business tourists visiting the Masai Mara Game Reserve. Dubbed Olerai Golf Resort and backed by the large scale Narok farmer Tarquin Wood, the project will be set on 1300 acres of land next to the game reserve. The resort will compose of an 18-hole golf course, a lodge, 80 cottages (30 of which will be sold), and an airstrip. The project's target clientele will be tourists seeking active holiday rather than the usual game safaris.

Kisii

In the recent past, Kisii County has been on the limelight due to its growing real estate sector. According to a local survey, diaspora remittances have played a major role in the transformation with expansive investments in hospitality and education.

However, the growing county economy and an expanding population are putting pressure on land, making the rich class take advantage of the poor to either steal private land or grab public land. According to the county government, the high demand for land to carry out investments in real estates and settlements has triggered serious competition for land. The issue has been described as an emotive affair in the region, whereby some individuals are using all means to acquire land because of its appreciating value.

Late 2016, the National Land Commission identified Kisii Fire Station, vocational and rehabilitation Centre in Nyanchwa, land meant for governor's residence, Daraja Mbili Secondary school, Agricultural Finance Corporation and Oresi Level-4 Hospital as among the public land grabbed by individuals. Even though the commission gave those who illegally acquired, grabbed and built on public land two weeks to willingly vacate, businesses is as usual.

The demand for land has led to the emergence of cartels who steal or grab and sell land to unsuspecting buyers, thus fueling ceaseless court disputes, conflicts, and murders.

2. THIS MONTH FEATURE – MOMBASA COUNTY:

2.1 Overview

Mombasa is the largest city after Nairobi and the smallest county in the country at 229.9 square kilometers. It is bordered by Kilifi County, Kwale County and the Indian Ocean, and consists of six constituencies; Mvita, Changamwe, Nyali, Jomvu, Likoni, and Kisauni. It is one of the leading tourist destinations in East Africa due to its location adjacent to the Indian Ocean. The county is poised to be one of the regional leaders in terms of maritime trade within the continent as Mombasa port is the largest seaport in East and Central Africa. It has a poverty index of 34.8 percent. The county gets most of its revenues from the port and tourism. GDP reports shows that the county has a GDP per capita of US$ 935, which compares unfavorably among other counties in the country. According to the Kenya National Bureau of Statistics, 46 percent of the county population works for pay.

2.2 Investment Market Outlook

The highest returns to investors is in the upper mid-end apartment segment in upcoming areas. According to Q3, 2018 reports of the price index, this segment offers returns of up to 7.2 percent with rental yields and price appreciation of 5.1 and 2.1 percent. We, however, caution investors to conduct due diligence to avoid entry into an oversaturated area.

On retail space, expansion is expected due to the favorable occupancy rates of 96.3 percent at an average rental yield of 8.3 percent. While there is a sizeable amount of retail space in the county, concentration in one area is a common phenomenon. There is an investment opportunity in selected residential areas with no mall space.

We also project a positive investment outlook on land prices in the county. This is due to the ongoing infrastructure developments in the region. Land prices have grown by 5.4 percent in 2018 from three years ago to Ksh 109.6 million per acre.

2.3 Overview of Real Estate Market in the County

Attractiveness

Mombasa's attractiveness is mainly attributed to the growing infrastructural development in the county, its strategic location, sandy beaches, and its rich deep anchor ports that have grown its maritime trade.

Growth Trends & Indicators:

Growth trends are in the favor of mid high-end mansionettes and apartments whose demand has been driven by international and local tourism in the county. Retail spaces are also growing as the county residential areas develop.

Demand Drivers:

Infrastructure: Mombasa has seen several infrastructural projects in the last few years, which has improved the ease of doing business and thus attracted investment. For example, the start of operation of the Standard Gauge Railway in June last year resulted in an increase in local tourism thus, pushing up demand for accommodation services. Plans are also underway to upgrade the Moi International Airport's capacity and efficiency at a cost of Kshs 7.0 billion, alongside the Likoni Channel through construction of the Kshs 82.0 bn Mombasa Gate Bridge Project. Such developments, while also supported by the ongoing Mombasa West Integrated Urban Roads Network Project, which consists of projects such as the Port Reitz Road and the Dongo Kundu Bypass, are bound to open up new areas for investment in Mombasa County, thereby pushing property prices up.

Urbanization: Mombasa is considered to be 100 percent urban with little to no rural areas.

Demographics: The County has a relatively high population growth. The county government of Mombasa in 2017, estimated that the population is approximately 1.3 million people, at a CAGR of 3.9 percent from 0.9 million recorded in 2009. This represents 5532 persons per square kilometer.

Key Amenities:

a. **Education:** Mombasa is home to a number of schools from primary education centers to tertiary institutions. It has a mix of private and public institutions. These include Oshwal Academy, Braeburn Mombasa, The Aga Khan Academy, Shree Swaminarayan Academy, and The Light Academy International School among others. It is also home to Pwani University, and other satellite campuses by major universities in Kenya.

b. **Healthcare:** Mombasa is a major healthcare district in the region with over 25 hospitals including referral facilities. It is home to Aga Khan Hospital, Getrudes Childrens Hospital, Mombasa Hospital, and the Coast Provincial Hospital among others.

c. **Shopping Centers:** Being a tourist town, Mombasa has a number of shopping outlets and entertainment locations. These include City Mall, Nyali Center, and Nyali Plaza in Nyali, Likoni Shopping Complex, Mtwapa Mall, and smaller shopping areas within the CBD, The outlets are generally located where there is a high income consumption.

d. **Financial Services:** Mombasa is a major commercial hub in the country. As such, major local and international banks have branches in the region. These include: ABC Bank, Barclays, Cooperative Bank, NIC, Sidian Bank, Gulf African Bank, Equity Bank, Prime Bank, and Diamond Trust Bank

2.4 Ease of doing business

The European Union have recognized the significant improvement in business environment necessitated by the county government of Mombasa.

The county government has several Initiatives including business e-portal for national and foreign investors which has provided an excellent opportunity to share information.

The county government has also eased the process of acquiring business and construction permits with online portals making it easy for investors to do business. In Kenya, it is ranked fourth after Uasin Gishu, Machakos, and Kiambu Counties for ease of doing business at a DTF score of 82.9 percent.

2.5 Current Challenges

Outdated County Spatial planning: Mombasa lacks an updated and proper spatial plan to meet the needs of the fast growing population with the last planning policy having been drawn in 1971. Since its expiry in 2000, the county has witnessed high levels of unplanned development. Transport challenges, drainage issues, poor waste management practices, all of which have contributed to the establishment of informal settlements close to the city center. This challenges the attractiveness of the city to commercial real estate developers.

Inadequate supply of affordable land for development: At a population density of 5532 people per square kilometer and growing, the county lacks sufficient land to cater for the huge demand. This has resulted in proliferation of squatter settlements in areas such as Bamburi, Kisauni, Likoni, and Jomvu. The situation is worsened by the small land area of 229.9 square kilometer and high cost of land at Ksh 115 million per acre for development land.

Insufficient Infrastructure: Despite new infrastructure, Mombasa County still struggles with adequate infrastructure which inhibits the growth of the business environment. The narrow Nyali bridge and roads have rendered the city center and its environs unattractive for commercial real estate as a result of perennial traffic jams, whereas the insufficient capacity at Likoni ferry affects Mombasa South's tourism industry due to the long delays caused at the crossing channel.

Security: Mombasa has been prone to terrorist related threat, stemming from the 2015 attacks that led to the number of international arrivals decline by a 6 year CAGR of 10 percent. The effect has had negative effects on various aspects of the real estate sector. Due to threats, some multinational businesses are unwilling to set up shop in the region thus undermining the growth of commercial real estate.

2.6 Real Estate Pricing

Land Prices

Land	Average Price (Million)
1 Acre	115.6

House rental values

Mid high end units – Nyali, Kizigo, Shanzu

Unit	Average Rental Price
2 bedroom	62,468
3 bedroom	105,846
4 bedroom	142767

High end units – Nyali, Kizigo

Unit	Average rental price
3 bedroom	222,525
4 bedroom	227,230

House selling prices

Mid high end units - Nyali, Kizigo, Shanzu

Unit	Average Price (Ksh. Millions)
2 bedroom	14.3
3 bedroom	18.8
4 bedroom	24.3

High end units – Nyali, Kizigo

Unit	Average price (Ksh. Millions)
3 bedroom	54.7
4 bedroom	57.85

THIS MONTH IN GLOBAL REAL ESTATE MARKET

GLOBAL REAL ESTATE MARKET

Global real estate investment have been strong in the past one year. In 2018, despite uncertainty surrounding the global economy, investment in the global property market reached a record high of USD 1.8 trillion, according to Cushman & Wakefield.

Looking ahead, there are headwinds facing the real estate space. The after effects of the recent tax reform in the US, the increased use of technology, the emergence of new business models and increased competition for assets will continue to challenge investors. Yet, despite these changes, the real estate market remains resilient, thanks, in part, to the continued availability of attractive assets. Even in the UK, mired in uncertainty over Brexit, is still a key location, particularly for Asian investors. Asia has been both, a key source of capital and itself an increasingly attractive investment destination, accounting for 52 percent of all activity in 2018. Furthermore, Asian buyers were responsible for 45 percent of all cross boarder investment in 2018 according to Cushman & Wakefield. The continuing buildup of liquidity in Asia Pacific region is expected to keep driving foreign investment to real estate assets.

The growth of real estate technology is also shaping new trends. In 2018, venture capital firms invested nearly USD 13 billion in real estate technology, according to Re: tech. Going forward, the digitization of real estate investment will create tremendous opportunities for efficiency, growth and transformation. Although complete disruption to the market would still seem to be a few years away, how block chain interacts with Big Data could have a significant impact on the cost of processes. Technology is expected to play an increasingly important role in the real estate investment space both in terms of how it shapes the demand around sectors. The digitization of industries, particularly in areas such as logistics and retail will continue to impact the real estate space in coming years.

North America

The Americas' outlook remains grim with the US leading the pack. Throughout 2018, the average home price in the US returned to pre-2006 levels for the first time, though the picture is still very mixed. Some areas badly affected by the downturn are still struggling, while others are recording sales at record prices. In super prime markets, luxury apartments have been languishing in the market for months at a time or else had their price slashed. This seems unlikely to change in 2019 as a flood of super prime towers are due to hit the market in the next three years. The US is expected to experience a continuing slowdown in 2019 from the rapid price appreciation in the last eight years, across urban markets, with prime real estate in the mega markets of New York, Washington DC and Los Angeles likely to take major hits.

Canada's markets are also likely to see declines with the pullback of foreign investment, mostly from China.

This year, Canada's real estate trends are about navigating uncertainty. As fast paced technological and social change transforms how people live and work, the real estate sector faces rising pressure to respond to new ideas by accelerating digital transformation, being more innovative with deal strategy and rethinking how it addresses affordability.

Asia Pacific

In this Asia Pacific, ongoing competition among investors to place capital is continuing to shape how sourcing of assets is approached. Reports predict that value-add plays will gain traction, with owners looking to upgrade assets by providing more flexibility, better use experiences, and improvements that leverage design and technology functions. As a result, investors will be more site specific, working from the ground up rather than from the top down. Manila is expected to continue finding it hard to attract international investment despite a healthy domestic market that has seen offices rents and capital values continue to rise and vacancies fall particularly based on activity from online gaming and BPO industries. Muted interest by foreign funds is due to a combination of factors ranging from internal political concerns, regulatory barriers to entry and, mostly recently, by the potential economic consequences of capital outflows caused by rising interest rates, domestically and in the US. There is also the availability of cheap domestic capital in the market that price out foreign players looking for risk-adjusted returns.

Trends expected to shape the region in 2019 include logistics facilities which is the go-to investment. The market reportedly, is uniformly bullish, with investment allocations rising significantly as the year begins. Capital flows also remain strong with the ongoing buildup of liquidity across the Asia Pacific region still leading huge sums of money across borders, to be invested in foreign real estate assets. Strong outflows in the region seem certain to continue, especially with the new reserves from Japan likely to enter the market in 2019.

Europe

Europe's real estate leaders remain optimistic about their business prospects in 2019, albeit a little less confident than they were a year ago, as an air of late-cycle caution settles on the industry. The geopolitical backdrop remains a concern, with Brexit uppermost in the minds of many, though according to reports, global investors are less bothered by Brexit than their European counterparts. The outlook for this year shows an industry in search of secure, stable incomes as they question traditional investment structures and look at real estate in a much broader context.

As has been the case over several years, the primary concern for the industry is the availability of suitable assets. This serves to underline the enduring appeal of European real estate on the global stage with the search for yield and income now edging the industry out of its core comfort zone, and with some moving into alternative markets like student accommodation which requires more operational expertise. Others are going down the value-added, build-to-core or development route. In terms of sectors identified as having the best prospects for investment and development, six of the top ten representing some form of residential products. According to PwC Europe outlook, achieving target returns will require a widening of the definition of traditional real estate to include real assets and related service businesses. Investing in infrastructure need not mean traditional assets such as railways and utilities. Rather, whole new investable asset classes are opening up to service the digital economy, including 5G infrastructure, data centers and charging points for electric, and the increasing autonomous vehicles, all of which provide a social return to consumers through better connectivity or the environment in terms of lowering carbon emissions.

On political instability, Brexit remains the sole reason why European instability is second only to international political instability as the key socio-political issue for the industry in 2019. While international investors remain unbothered, they expect a divergence in economic growth between the UK and the European Union in 2019. Real estate investments are expected to decrease substantially - 22 percent- in the UK, with only a 2 percent decrease margin in the rest of Europe. For the majority of investors, the Eurozone is seen as a safer and more fruitful investment destination than the UK in 2019.

North & Sub – Sahara Africa

According to researchers, sub- Saharan Africa has become the hub of retail property, accounting for project developments worth approximately Ksh 214.2 billion under construction and others set to break ground before the year 2019 ends. More than 40 shopping centers across the Sub-Saharan African countries are either under construction or set to break ground before year's end. Rapid urbanization in response to population growth and sustained economic expansion is boosting demand for quality retail property stock in Arica.

As commercial property becomes saturated in various parts of the region, retailers are looking to expand in diversified countries. Sub-Saharan Africa and Kenya in particular is also attracting European retailers struggling in their home markets. Growth in the region is forecasted at 5.6 percent in the year 2019, faster than 3.3 percent globally according to the IMF.

CAREER & BUSINESS SEGMENT

1. EVENTS/EXPOS CALENDAR

TEMS (Telecom, Electronic, Mobile & Systems) ICT Expo (24, 25, 26 April, 2019)

Kenya will be hosting the TEMS Africa ICT Expo on 24th to 26th April 2019 at the Kenyatta International Conference Centre (KICC) Nairobi. Global ICT players will be showcasing emerging technologies in IT including 5G, AI/IoT, Virtual Reality, Robotics, Mobile Payments, FinTech, Cloud Technology, among other developments in the IT sector. Over 20 ICT association & ICT regulatory bodies from across African continent and 7000 attendees, drawn from the government and private sector from the African continent are expected at the event. The Expo will have 30 speakers and 200 exhibitors.

East Africa Electricity (15th-17th, February 2019)

East Africa Electricity is a 3 day event being held from 15 - 17 February, 2019 at the Sarit Centre in Nairobi, Kenya from 10am to 6pm.

This event will showcase a wide range of product from the sectors like Cables & Wires, Electrical Products, Generators & UPS Systems, HVAC, Lighting, Power Transmission, Equipment, Solar, and Switchgear & Control gear. The expo estimates an attendance of between 20000 and 50000 visitors and will have about 500 exhibitors.

The Kenya Homes Expo (11-14th April, 2019)

The Kenya Homes Expo is the region's biggest homes show. The first phase of the 28th edition will be held from 11th – 14th April this year at the KICC, from 9am to 5pm.

Top among the highlights include an exclusive motoring section called "The Auto Pavilion" The expo draws 40000 attendees and 200 exhibitors.

Interior Décor Trade Show (14-17th March, 2019)

The Interior Decor expo will be held in Kenya from 14th to 17th March 2019 at the Visa Oshwal Community Centre in Nairobi from 9am to 6pm. The Expo will feature more than 100 exhibitors and attract 7500 visitors. The expo's agenda is to feature new design trends for 2019 and product launches.

2. CAREER & BUSINESS HOTSPOT

1. Country Director, Innovation for Poverty Action

The Country Director will work with IPA senior Global, Regional, and Program leadership, as well as key stakeholders to set the strategic direction and oversee multiple simultaneous impact projects. The position requires close interaction with academic researchers, donors, local government agencies, and other NGOs. Details of the vacancy are available on the company's careers webpage below: https://www.poverty-action.org/job/country-director-kenya

2. **Country Lead – Kenya, Haussmann Group**

The country lead will participate in company general efforts in generating sales leads and actively building key strategic partnerships with local partners. Responsibilities vary as per the phase of each project. Details of the vacancy are available on the company's careers webpage below: https://haussmann-group-africa.breezy.hr/p/19292fc45f18-country-lead-kenya

BUILDAFRIQUE CONSULTING GROUP UPDATES & INSIGHT

1. ORGANIZATION UPDATE

Buildafrique™ Consulting Group launch Kenya First Mobile Affiliate and Referral Program (App) for Real Estate Products.

Buildafrique Consulting Group has launched Kenya first Affiliate and Referral Program Mobile Application (App) for Real Estate Products.

Affiliate Marketing is a program where the Company (Business) pays commissions to the Affiliates (Partners) on sales generated by Customers they have referred to the Company.

The online program, available in the organization website, seeks to provide flexible and wide reach of the organization real estate products to Investors, and Prospective Home owners through Affiliate Marketing by Affiliate Partners through the Mobile Application.

The is also expected to provide socio economic empowerment to the Affiliate Partner through Financial Incentives as well as Home Ownership Incentives through the Program Loyalty Program.

2. EXPERT SEGMENT

Developing a Real Estate Business Plan – A "must have" risk management tool for Kenya Real Estate Investors.

Article by: Njeri Ndung'u
Real Estate Business Development

Analyst

Investing in real estate, can often be a complex and complicated affair for both new and seasoned investors in the Kenyan Real Estate Market. This is due to the high capital intensity associated with the sector and the construction process which often consumes a lot of time in the initial stages of the investment and development process. Therefore, proper and adequate planning, remains fundamental to maximizing returns and managing risk throughout the implementation stage of any real estate project.

A real estate business plan, essentially, should detail the investor's goals while outlining the strategies and plan of action they intend to use to achieve them. One of the benefits of a real estate business plan, is that it enables investors to measure and monitor the success of real estate ventures, while acting as a guide for the successful implementation of real estate projects in the pipeline. In addition, a real estate business plan through a real estate financial consultant, can often function as a business pitch for your real estate investment project, allowing you to secure funding from both private and institutional investors.

Nevertheless, there are a number of components that remain essential to developing a successful real estate business plan. However, this feature will cover the four most basic components.

Market Research & Analysis

This section usually involves a market feasibility study that allows investors to establish the market viability of a real estate project. Critical information provided in this segment, include characteristics of the target market, such as demographics, demand and supply, occupancy rates, as well as the pricing and average returns of the surrounding properties. In addition, a SWOT analysis may be included, enabling investors to identify the strengths, weaknesses, opportunities and threats to their investment project in the market as a whole.

Investment & Financial Plan

An investment appraisal refers to the 'evaluation of a project's attractiveness to determine whether it is worth funding'. It includes information such as projected cash flows, monthly expenses, profitability index, target holding periods as well as an investment risk analysis, enabling investors to calculate overall returns from the project. In brief, investment appraisals provide an evaluation of the financial viability and sustainability of the project over time.

On the other hand, a financial plan which often negates an investment appraisal, outlines how investors intend to finance the project, which consists of the amount of funding needed as well as their potential sources. Possible sources of funding might include a commercial loan, private equity or pooling of resources through a joint venture. In addition, a finance plan may incorporate the optimal capital structure of the project – debt to equity ratio – providing a basis on which to manage the cost of finance.

Project Design & Management Appraisal

This section of the feasibility study typically consists of information about the product itself such as the type and size of the proposed project and the amenities to be included. It may include building designs, statutory approval requirements, construction budgets as well as the profiles of the management team to be involved in the Project. The section, primarily, defines the physical design of the product and its production process, and is more concerned with technical feasibility.

Marketing & Exit Strategy

An exit strategy usually details how an investor intends to 'cash out on their investment'. Generally, it describes how the project will generate returns on investment once completed with a number of exit strategies in the real estate sector. They include renovating undervalued properties to sell at a profit, holding property long term in anticipation of price appreciation and renting out investment properties to tenants in exchange for a regular income stream. This goes hand in hand with a marketing strategy such as the use of a real estate agents and lease agreements.

While a real estate business plan guides you along your investment journey, room for flexibility remains vital to adapting to different market locations and changing market dynamics.

3. FEATURED PROJECT

Proposed mixed-use development along Thika Road, Nairobi

a) Project Details

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

b) Project Challenges

Investment Appraisal	Appraisal of the investment market product, cost, and financial requirements.
Development Cost Management	Cost control and managing of the Project Costs from commencement to completion.

c) Solutions Provided

Feasibility Study and Investment Appraisal	- Feasibility Study - Project Investment appraisal - Project Capital Structuring - Project Finance
Development Cost Management	- Quantity Surveying - Project Cost Appraisal - Preparation of Bills of Quantities - Tender action. - Cost Administration and management
Marketing and Property Management.	- Marketing of the Project Lettable Units - Project Management.

d) Results

Property Description	- 60 Two (2) Bedroom Houses. - Retail Shops outlets. - Office Rental Spaces.
Rent the Property	**LETTING ONGOING**

FEEDBACK!

Do you have an idea of how we can improve this report? Is there any particular information you'd like us to feature more in-depth? We would like to hear your views.

Please send your feedback at newsletter@buildafrique.com, or contact us through the address below.

Also remember to share this report with you friends and colleagues

BUILDAFRIQUE
CONSULTING GROUP

End-to-End real estate consultancy

ABOUT US

Buildafrique ™ Consulting Group

Buildafrique™ Consulting Group is a multi-disciplinary consulting group of four (4) specialized companies established in the year 2008, to offer "End-to-End" Real Estate and Development Solutions to Investors, Developers, and Prospective Home Owners in Kenya

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" Real Estate Investments and Development Solutions to modern challenges and emerging trends facing real estate investments and development projects, so as to maximize value and expand opportunities for Real Estate Investors, Developers, and Prospective Homeowners.

BUILDAFRIQUE
FINANCE & MANAGEMENT

- Project Finance & Capital Structuring
- Project Management
- Feasibility Study & Market Strategy Planning
- Investment 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
- Occupation Health & Safety Management

BUILDAFRIQUE
ESTATES & PROPERTY

- Real Estate Investments & Structured Solutions
- Real Estate & Project Valuation
- Property Management
- Facility Management

BUILDAFRIQUE
CONSULTING GROUP

End-to-End real estate consultancy

For more information about us:

Log on to our website: www.buildafrique.com
Email us: info@buildafrique.com
Call us: +254 20 8058493 / 0722 474285