Investing in Nairobi

REAL ESTATE OPPORTUNITES

Economic Overview Impact of the Country's Economic Performance on Real Estate
Nairobi Overview Infrastructure Development
Retail Market
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1. Economic Overview

1.1 Introduction

Kenya is an East African Country covering an area of approximately 586,350 km2. English and Swahili are the official languages. Kenya main economic drive is rain fed agriculture, although. Kenya is in the process of establishing a firm industrial base, with the implementation of Special Economic Zones that offers tax advantages since the signing of the SEZ Act in September 2015 by the President.

1.2 Gross Domestic Product (GDP)

The Real Gross Domestic Product (GDP) is estimated to have expanded significantly since 2012 from 4.5 per cent to 4.9 per cent in 2017. The country's GDP continues to row at 6.3 per cent in Q2:2018 compared to 5.7 per cent in Q1:2018 bringing the estimated 2018 GDP to be 5.5%. This growth was attributed to improved weather conditions and a boost in business and consumer confidence after the conclusion of general elections in 2017 (KNBS, 2018). The real estate growth mimics the political environment hence a dip from 8.8 percent in 2016 to 6.1% in 2017 due to the general elections coupled with the capping of the interest rate. The sector has registered a growth of 6.6 per cent in Q2 2018 due to lower lending rates of 4 percent plus the 9 percent Central Bank Rate.

1.3 Inflation

The rate of inflation has significantly declined from 9.6 per cent in 2012 to 8 per cent in 2017. The rate further declined to 4.5 per cent in Q1 2018, followed by a further dip to 4 per cent in Q2 2018.

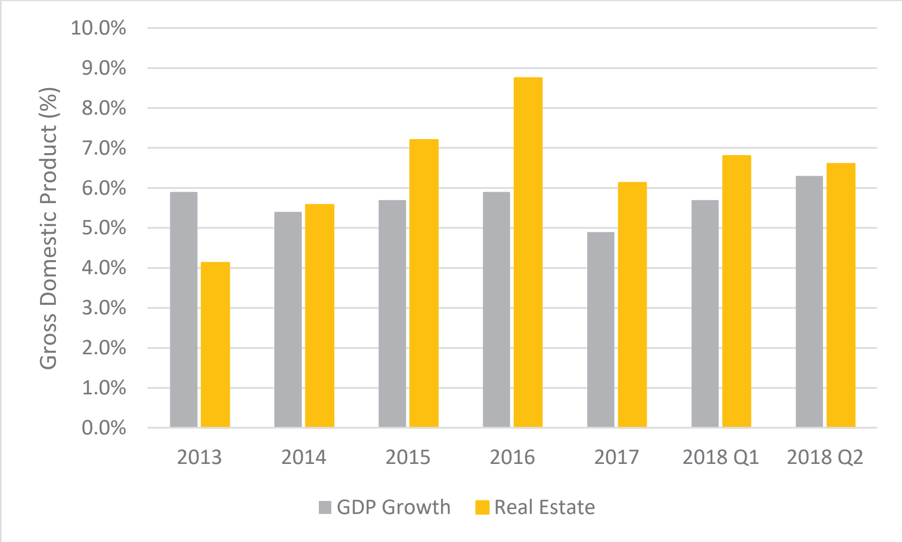
Interest rate however increased to 4.7 per cent in Q3 2018 due to the passing of the new Finance Bill in September 2018 that increased the cost of fuel by 8% VAT, additional duty on mobile phones and bank transfer costs.

1.4 Cement Consumption

Cement consumption increased from 2013 to 2016 due to increase in the number of construction works.

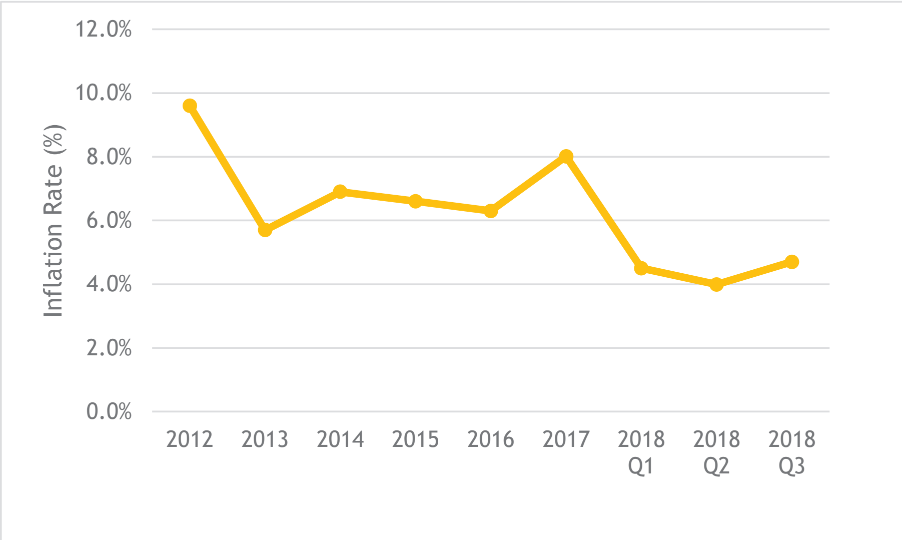
However, the consumption decreased by 8.2 per cent to 5,788.9 thousand tones in 2017, as a result of increase in cost of construction materials and also due to the prolonged electioneering period with a lot of uncertainty with effects spilling over to 2018.

Figure 1: Kenya's Gross Domestic Product Growth rates 2013 – Q2:2018



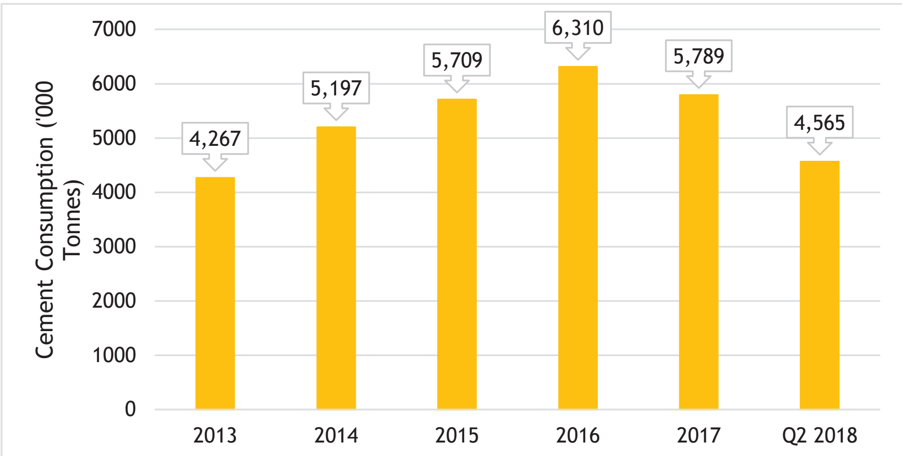
Source: Kenya National Bureau of Statistics (KNBS), Economic Survey, 2018.

Figure 2: Kenya's Inflation rates 2012-Q3 2018



Source: Kenya National Bureau of Statistics (KNBS), Central Bank of Kenya, 2018

Figure 3: Kenya's Cement consumption in '000 Tones 2013 – Q2 2018



Source: Kenya National Bureau of Statistics (KNBS), Economic Survey, 2018

1.5 Value of Building Plans Approved

Similar to cement consumption and real estate performance as discussed above, the value of building plans approved was affected by the prolonged elections season in 2017 with effects that spilled over to 2018. Consequently, a significant drop from KShs 308,361 billion in 2016 to KShs 109,567 billion in Q2:2018 which is expected to improve by the end of 2018.

1.6 Foreign Exchange

The Kenya Shilling remained fairly strong against major currencies in Q3:2018. The shilling continues to strengthen against the US Dollar, Sterling pound and the Euro from Q1:2018 to Q3: 2018.

1.7 Interest Rate

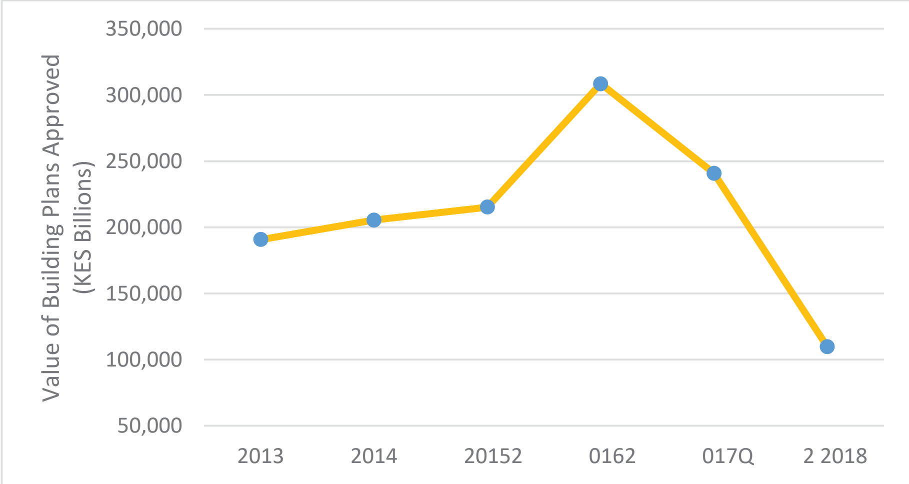
Commercial lending and overdraft rates decline slightly at the beginning of 2018. This is attributed to the decline in Central Bank Rate (CBR) from 10% in 2017 to 9.5% and 9.0% in Q1:2018 and Q2:2018 respectively. The average yield rate for the 91-day Treasury Bill decreased from 8.37% in 2017 to 7.93% in Q2:2018, taking direction from the current Central Bank of Kenya's monetary policy stance.

1.8 Impact of the Country's Economic Performance on Real Estate

Below as some of the factors that have had significant impact on real estate;

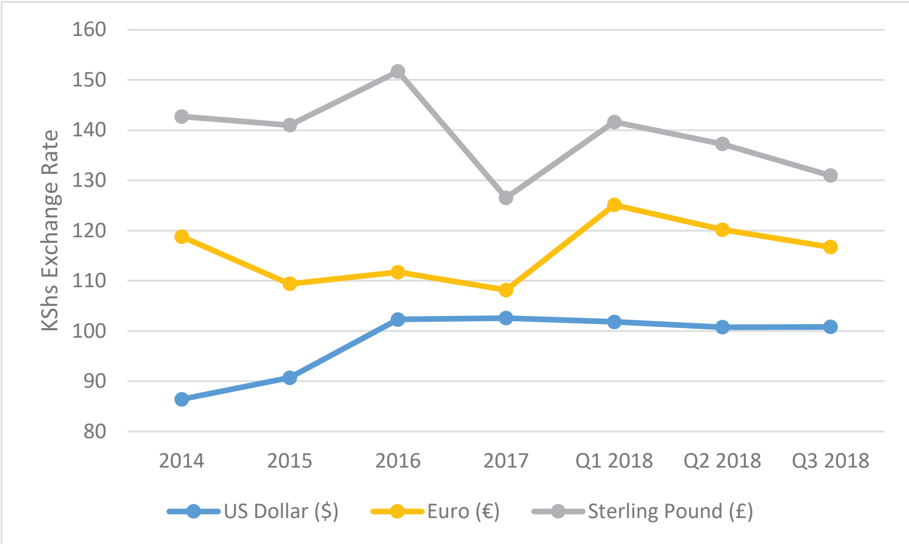
- Capping of the Interest Rate in 2016 influenced financiers to lend to low risk borrowers
- The Governments' Big 4 Agenda; food security, affordable housing, manufacturing and affordable health care has increased interest in developing these users by both local and international investors
- The new lease accounting standard IFRS 16: Leases, which is effective from January 1, 2019.
- Strict exertion of city's planning regulations by demolishing buildings that were irregularly or illegally developed.value of building plans approved was affected by the prolonged elections season in 2017 with effects that spilled over

Figure 4: Kenya's Value of Approved Building plans (Millions) 2013- Q2 2018



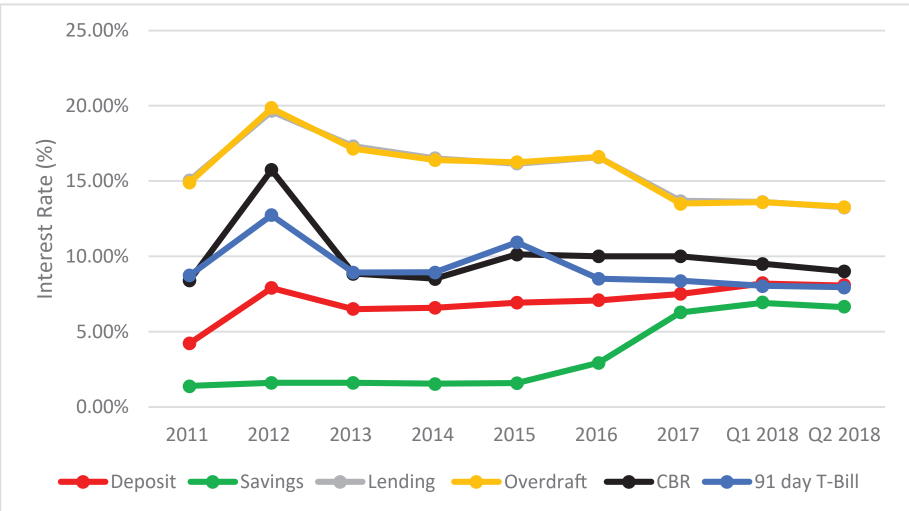
Source: Kenya National Bureau of Statistics (KNBS), Economic Survey, 2018

Figure 5: Kenya's Forex exchange rates for major currencies 2013 – Q2 2018.



Source: Central Bank of Kenya, 2018.

Figure 6: Kenya's Central Bank rate and Lending rate 2011-Q2: 2018



Source: Central Bank of Kenya, 2018

2. Nairobi Overview

2.1 Population and Demographics

The last official census that took place in 2009 placed the population at 38.6 million. As at 2018, Kenya's population is approximately 50 million with an urbanization rate of a 26%. The average annual population growth rate stands at 2.8%.

The nation's capital city has continued to witness a steady rise in the total population. This is due to the increased rural to urban migration as individuals move in search of employment opportunities. In 2018, the population stands at an estimated 4.3 million, which signifies a 37% rise in the urban population since the last official census in 2009.

Nairobi is noted to host multinational regional headquarters such as UN-Habitat, UNEP, Citi Bank, Unilever, Coca Cola and other wealth Institutions.

The country's population pyramid indicates a younger population with the 0-4 years' age bracket making up 15% of the overall population. Individuals falling below the age of 20 make up 52% of the total population, which signals a dependent heavy population, supported by 42% of the population aged between 20 and 55.

2.2 Infrastructure Development

Infrastructure forms an integral part of the big four agenda under the current regime and forms a prop for the affordable housing drive by the government. Kenya's budgetary allocation towards infrastructural development was KES. 112 billion for the 2081/2019 fiscal year.

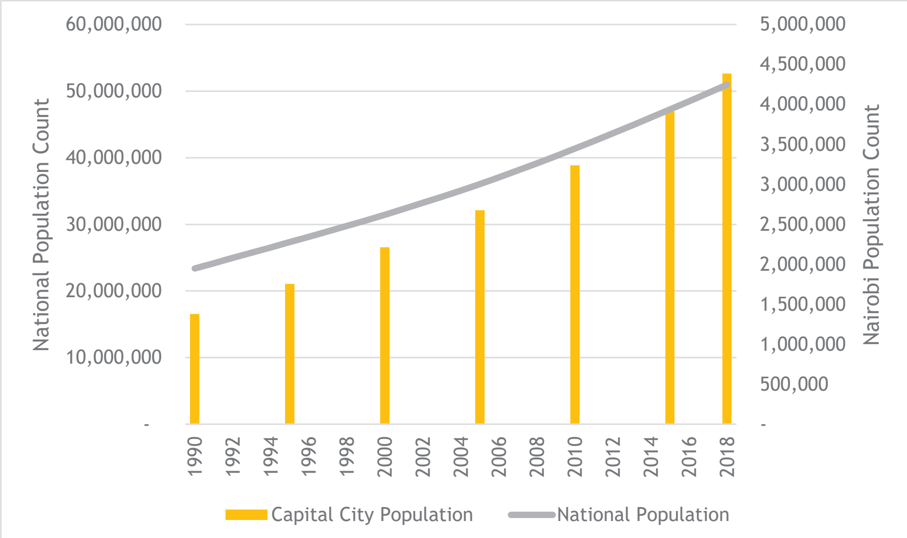
In a bid to reduced traffic congestion in Nairobi, an array of road construction and upgrading projects are currently under way with others in the planning stages. One of the major projects includes the dualing of both Ngong Road and Outering Road.

The planned electrification of the Standard Gauge Railway (SGR), is expected to further reduce travel

periods. The electrification process will also lead to increased electrical transmission.

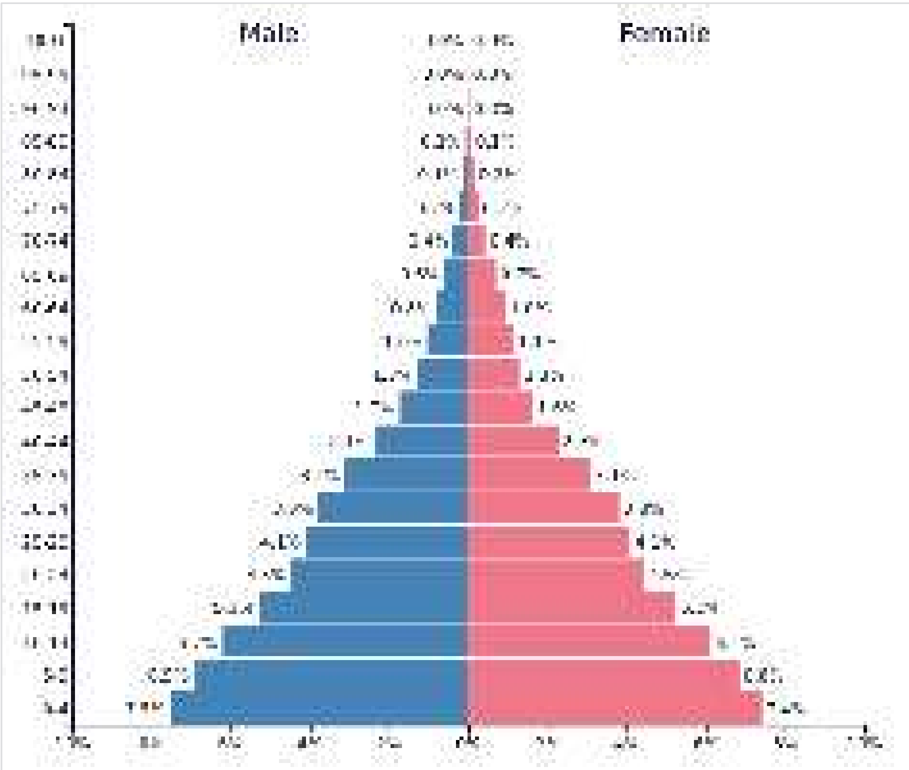
The development of the city commuter train is also under way with multiple stations planned within various residential and commercial nodes of Nairobi. The project will see the modernization of approximately 100km of track and infrastructure on four major routes radiating from the Central Business District. This shall see the construction of new stations in high-density areas such as Buru Buru, Pipeline, Umoja, Githurai and Donholm. This is set to raise the carriage capacity of the Nairobi

Figure 7: Kenya's National and Capital City Population trends (1990 – 2018)



Source: Kenya National Bureau of Statistics and World Population Program

Figure 8: Kenya's Population Pyramid, 2018



Source: Population Pyramid.net

4.2.1. Major Ongoing Road projects

Road Project	Length(Km)	Status in Percentage
Nairobi Outer Ring Improvement 1	3	91%
Waiyaki Way - Redhill Link Road	5	85%
Upgrading of Industrial Area Roads Phase I	4.2	95%
Dualling of Ngong Road (Dagoretti Corner-Karen Roundabout Section)	9.8 2	8%
Dualling of Ngong Road Phase II (Prestige-Dagoretti Corner)	3.4	13%

Source: Kenya National Highway Authority

Commuter Railway system to 15 million annual passengers up from the current 5 million. An additional rail line shall be set up from Jomo Kenyatta International Airport to the city center allowing for faster and easier access to the transport hub.

4.2.2. Major Planned Road Projects

Road Project	Length(Km)
Ngong Road -Naivasha Road - A104 (dualling) 6	
Kamiti Corner - Kasarani - Mwiki - Ruai - Kangundo Roads	20
Construction of Western bypass 1	7.7
Construction of Greater Eastern Bypass	77
Dualing of Eastern and Northern Bypass	60
Dualling of Langata Road (Karen Road - Bomas)	7
Dualling Ngong Road - Gitanga Road- James Gichuru to Waiyaki Way	10

Source: Kenya National Highway Authority and The President's Delivery Unit

Figure 9: Nairobi Infrastructure Network Map

3. Retail Market

3.1 Introduction

The retail industry in Nairobi has attain some level of sophistication driven by aspirational consumers.

This sector has witnessed the development of a regional mall, Two Rivers which offers approximately 60,000m² of lettable space. The market remained fairly stable despite the fall of two major Supermarkets; Nakumatt and Uchumi.

Most of the retail centres are offering healthy tenant mix incorporating both local and international retailer. Landlords are now considering revenue based rent compared to the traditional space based rent.

3.2 Demand

The industry has witnessed continued demand from both local and international retailers. This is evident by the expansion of Carrefour, LC Waikiki and Game Massmart into various centres. Noticeably new market entrants are Hugo Boss, Miniso, Decathlon, Shoprite, Swarovski just to mention a few.

The average occupancy is 84% across various centres as registered by second half of 2018 compared to 78% registered by the same period in 2017. This growth is attributed to increased confidence by both the retailers and the consumers.

Landlords have also been seen to offer lease terms that are more attractive to the retailers such as pop-up shops with flexible lease tenure, contribution to tenant installation, rent based on revenue share other than the space occupied and extended fit out period.

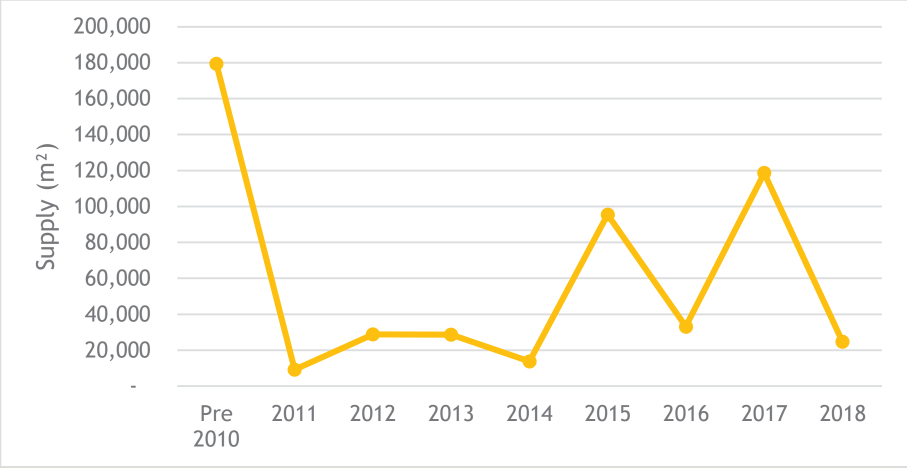
3.3 Supply

Nairobi's formal retail supply is approximately 530,000m². 2018 registered a lower supply of 24,000m² compared to 118,000m² in 2017 due to the decline of development process attributed to the general election and high cost of financing.

Thika Road occupies the largest market share at 18% followed by Runda at 19% and Westlands area at 16%.

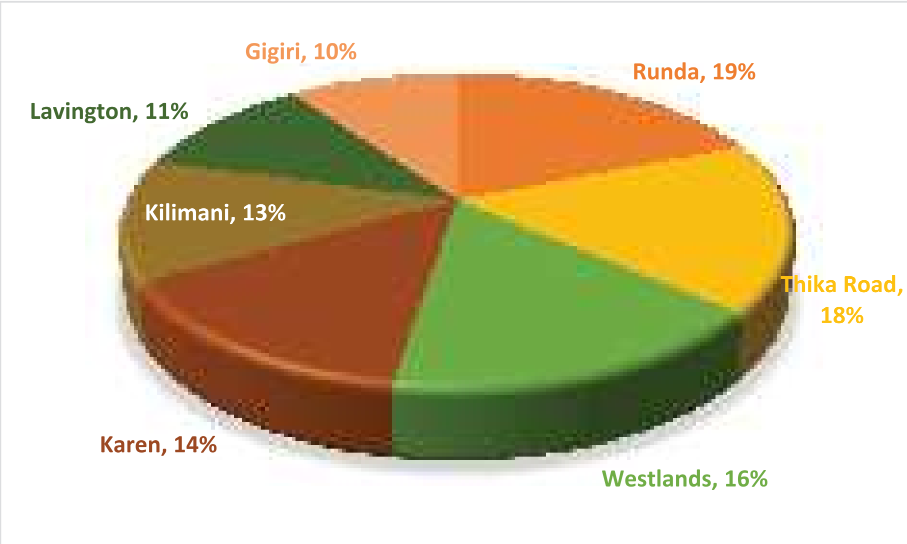
Nairobi's shopping malls have anchor tenants that are typically supermarkets. Naivas has the largest market share followed by Tuskys and Chandarana. This follows the fall of Nakumatt which led to the closing of most of their outlets. Consequently, most landlords are now considering having an anchor tenant or a sub anchor tenant that is not a supermarket for diversification.

Figure 10: Nairobi's Retail Space Supply over Time



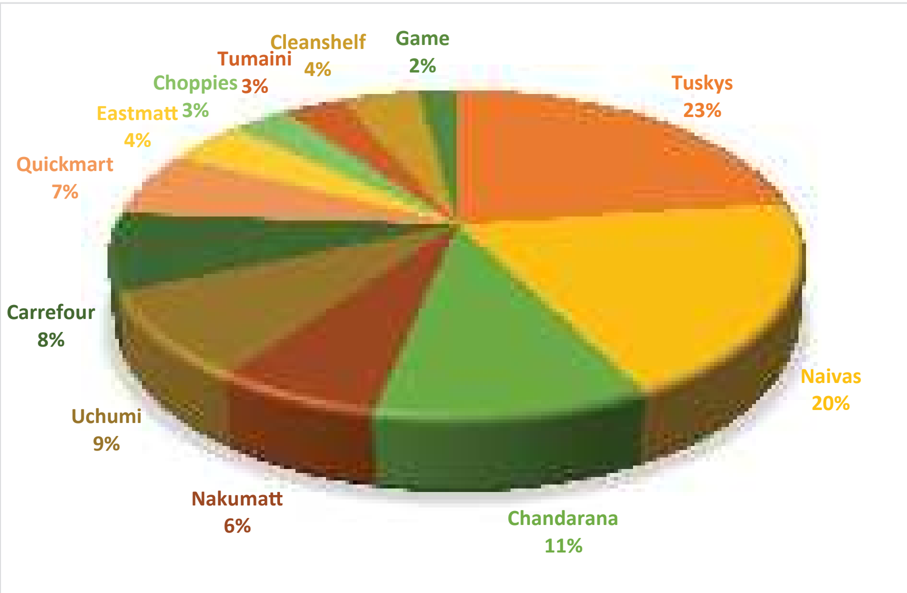
Source: Field Survey

Figure 11: Nairobi's Retail Space Supply Share



Source: Field Survey

Figure 12: Nairobi's Supermarket Market Share



Source: Field Survey

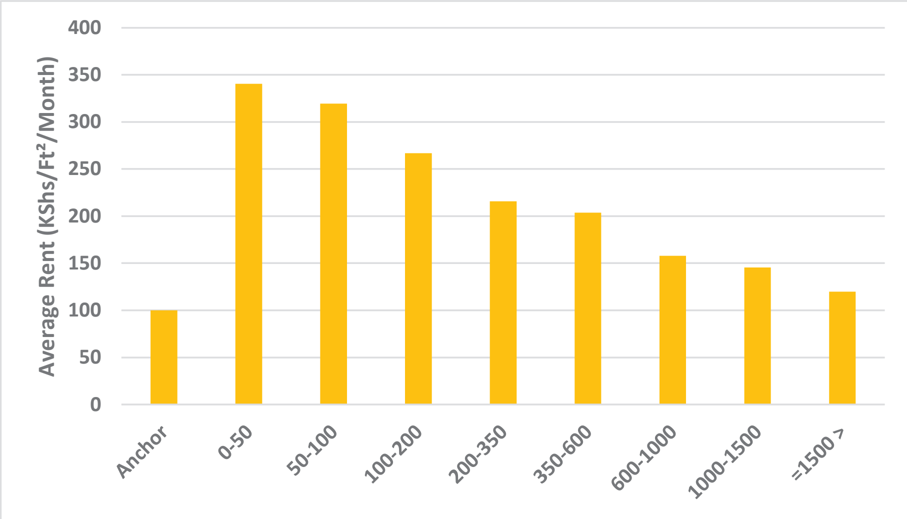
3.4 Rates

The rental market has been more vibrant than the sales market over the years. This is attributed to the lower capital required to lease compared to capital required to purchase. Anchor tenants achieve the lowest rental rate as they are seen as footfall drivers. Line shops with larger boxes of more than 1000m² achieve the second lowest rental rate whilst the smaller units of 50m² achieve the highest rental rates.

Office lease structures are usually

- a minimum of 5 years 1 month tenor
- annual rent escalation of between 7.5%.
- security deposit of three month's rent.
- Rent paid quarterly in advance

Figure 13: Average Retail Rents



Source: Field Survey

3.5 Future Outlook

The future outlook of footfall and spend per basket is expect to grow due to increased disposable income from the expanding middle class. Online retailing is expected to grow in popularity as retailers are now considering various ways of covering a larger consumer base.
Offering of a variety of goods from both local and international retailers has aided the tapping into aspirational consumers Continued infrastructural development will open up more areas hence improving accessibility to the retail centres by both public and private means

4. Office Market

4.1 Introduction

The office industry registered a slight over supply in certain nodes like Upper Hill driven by maximization of densities as a result of appreciated land cost. However, other areas like Westlands, Riverside and Kilimani are performing better in terms of take-up.

4.2 Demand

The average occupancy levels continue to appreciate over time within the various nodes. Westlands area offers the highest occupancy levels of 83% mainly because the target market is driven by international and multinational companies due to proliferation of grade A office space, centrally located and improved accessibility. This is followed by Kilimani area at 79% and Upper Hill at 71%.

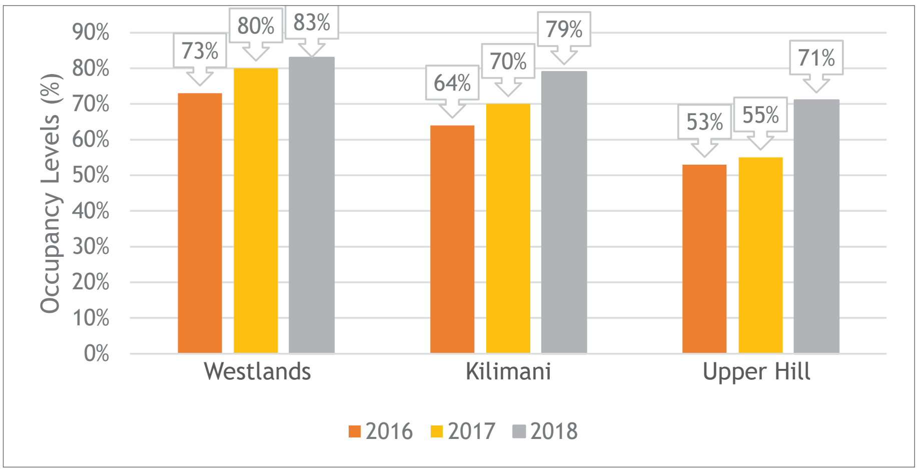
4.3 Supply

The current office space supply in Nairobi is estimated at 1.8 million m², with approximately 200,000m² delivered in 2018 registering a growth of 25% from 174,000m² in 2017. This growth is attributed to improved economic conditions after the prolonged general election season in 2017.
Westlands Area takes the largest market share of quality office space supply at 30% followed by Upper Hill and Kilimani at 28% and 16% respectively.

The main office nodes are as follows

Node	Area	Comments
Central Business District (CBD)	CBD	Mainly has grade C office space and it is considered congested
Extended Business District	Westlands, Upper Hill, Kilimani, Riverside	Offers a mix of grade A and grade B office space. Located in commercial areas and permitted to achieve high densities.
Secondary Business Districts	Gigiri, State House Crescent Karen Lavington	Offers mainly grade A office space. Located in low density residential areas hence development of office parks

Figure 14: Office Occupancy Rates



Source: Field Survey

This is attributed to the review of planning regulations permitting higher densities and commercial user in areas that were initially designated for residential user. This supply is projected to continue growing in Westlands with the expected delivery of approximately 45000m² by ATC Building by mid-2022.

4.4 Rates

The industry has witnessed a fairly unchanged rental rates in 2018 compared to 2017. Most developments offer differentiated rents for the ground floor (quasi retail) spaces to Upper floor (offices) spaces. The CBD offers the highest quasi retail rent, despite offering the lowest office rents, because of its popularity to Small and Medium Enterprises (SMEs).

The office sales market has been less vibrant than the rental market as witnessed by the few number of transactions. The prices are not very sensitive to location. The average office price ranges from KShs 13000/Ft² to KShs 15,000/Ft² with parking price ranging between KShs 1m/bay to KShs 2m/bay.

Office lease structures are usually

- a minimum of 5 years 1 month tenor
- annual rent escalation of between 7.5%.
- security deposit of three month's rent.

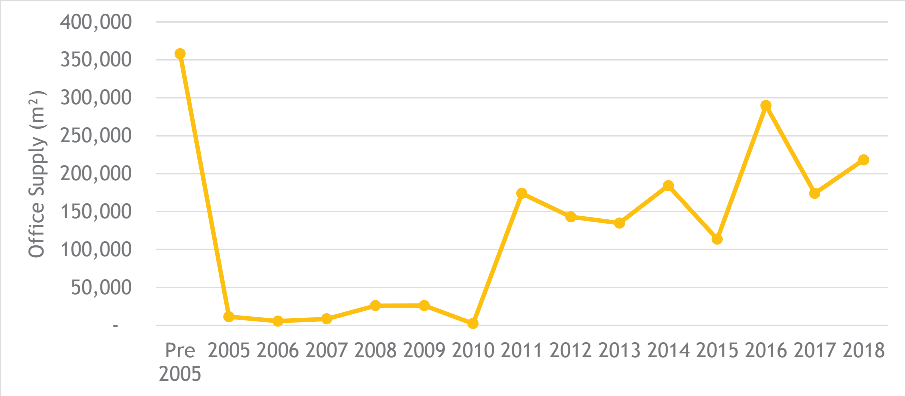
4.5 Future Outlook

Demand continues to grow for buildings offering high specification buildings with flexible floor plans and disability provisions

Demand for smaller office suites of less than 2,500Ft² by both local and international tenants is expected to grow as most tenants prefer would prefer to test the market before fully committing to a long-term lease for a larger space.

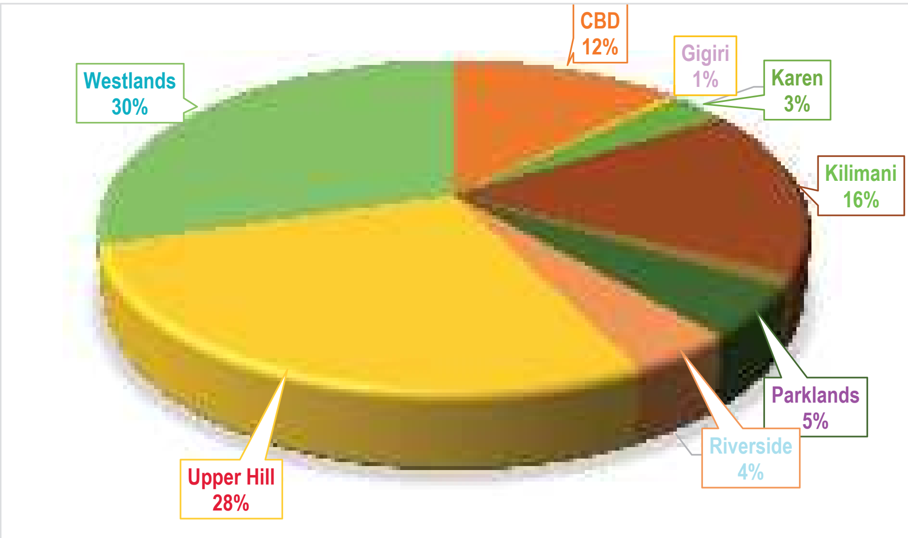
Popularity of serviced and co-working office space is expected to increase in the future. This is because typical commercial leases of more than 5 years 1 month is considered a long-term commitment tenure and requires a hefty initial outlay compared to 1 year commitments.

Figure 15: Office Space Supply Over Time



Source: Field Survey

Figure 16: Office Space Market Share by Node



Source: Field Survey

Table 1: Office Rental Rates by Node

Node	Ground Floor Rent (KShs/Ft²/Month)	Upper Floor Rent (KShs/Ft²/Month)	Service Charge (KShs/Ft²/Month)	Parking Fee (KShs/Bay/Month)
CBD 2	90 6	7	24 8	,026
Gigiri 1	85	152 2	0	10,000
Kilimani 1	53	105 2	2	7,794
Lavington	200	130 2	7	9,250
Riverside	150	127 2	0	9,923
Upper Hill 1	47 9	8	24 7	,966
Westlands	174	112 2	4	10,230

Source: Field Survey

Table 1: Office Rental Rates by Node

Name	Location	Street	Size (m²)	Parking Price (KShs/Bay)	Sale Price (KShs/Ft²)
Sifa Towers	Kilimani	Ring Road Kilimani	6,503	2,000,000	13,000
Kose Heights	Kilimani	Argwings Kodhek Road	7,897	1,200,000	13,000
FCB Mihrab Plaza	Kilimani	Junction of Lenana Road and Ring Road Kilimani	27,685	1,150,000	15,500
Applewood Heights	Kilimani	Off Ngong Road	16,555	1,200,000	11,500
TRV Centre	Parklands	3rd Parklands Avenue	4,962	1,000,000	10,500
Golf View Office Suites	Thika Road	Off Thika Road	5,902	1,200,000	14,000
Fortis Suites	Upper Hill	Hospital Road	8,361	2,000,000	
Nachu Plaza	Upper Hill	Kiambere Road	11,903	1,000,000	14,500
Spring Valley Business Park	Westlands	Lower Kabete Rd	8,826	1,100,000	13,500

Source: Field Survey

5. Residential Market

5.1 Introduction

Kenya's residential market growth has been mimicking the political environment. The industry registered an accelerating growth over the last decade with a decelerating growth in 2017 due to the national elections.

Some of the factors that led to the growth of this industry are;

i. Improved infrastructure
ii. Improved planning regulations allowing for maximization of densities
iii. Increased number of flights hence increased frequency of international visitors
iv. Increased diaspora remittance
v. Expansion of the expatriate community and diplomats base e.g multinationals and UN Agencies.
vi. Growing middle class hence increased disposable income

Residential market faces a few challenges as listed below;

i. High cost of finance
ii. Political uncertainties
iii. High land costs

Nairobi's residential macro market are as described in the table below;

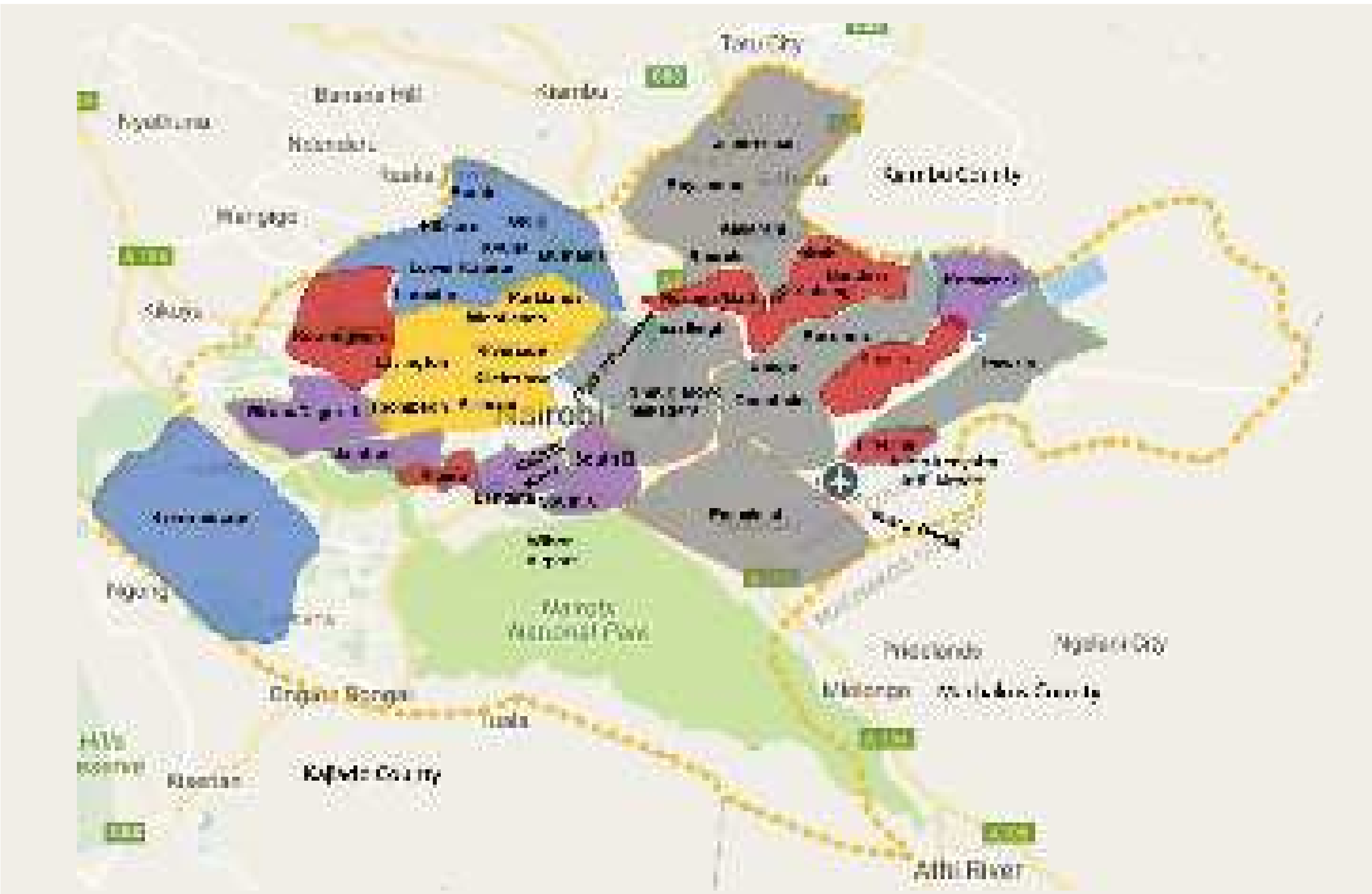
Figure 14: Office Occupancy Rates

Budget Segments	Micro Markets	Comments
Luxury Housing	Runda, Gigiri, Karen, Rosslyn, Kitisuru, Loresho, Kyuna,	Mainly low density on a minimum plot size of 0.5 acres
Premium Housing	Westlands, Kilimani, Kileleshwa, Lavington, Thompson, Riverside	Medium density hence characterized by both apartments and maisonettes
Mid-end Housing	South B, South C, Riruta, Jamhuri, Komarock	Mainly characterized by maisonettes and a few apartments
Lower Middle Housing	Umoja, Donholm, Kasarani, Kahawa Sukari, Kahawa West, Githurai, Zimmerman	High supply of affordable housing
Low End Housing	Kayole, Kariobangi, Kibera, Pipeline	Mainly slums and unplanned developments

iv. Limited land availability

According to the World Bank Group, the housing unavailability and unaffordability is attributed to the slowdown in economic activity to weak credit growth, and rising global oil prices. The annual housing supply is estimated at 50,000 units, which is lower than the projected 200,000 units annually.

This has caused a supply demand mismatch of circa 2 million units hence the proliferation of slums in urban areas to accommodate the extra demand. Below is an illustration of the various residential nodes and densities. than the projected 200,000 units annually.



5.2 Demand

Westlands has the highest occupancy rate of 92% attributed to its close proximity to major socio economic amenities and other business nodes. Parklands registered the second highest average occupancy of 89% mainly driven by the Asian community. Kileleshwa is noted to have the highest average vacancy rate which is attributed to the high supply of high end apartments.

5.3 Supply

The value of building plans approved in Nairobi by private developers has been on the rise over the past decade. Most of the residential units developed are middle to high income with very limited contribution on affordable housing due to perceived higher returns.

5.4 Rates

2018 has experienced a sales growth depreciation due to the economic environment that encouraged an aversive investment attitude by investors. Consequently, developers have either maintained their price levels or have adjusted them to accommodate for discounts.

Riverside is considered a more affluent locale hence receiving the highest price of circa KES 209,000/m². This is followed by Lavington and Westlands areas both achieving prices of approximately KES 160,000-170,000/m².

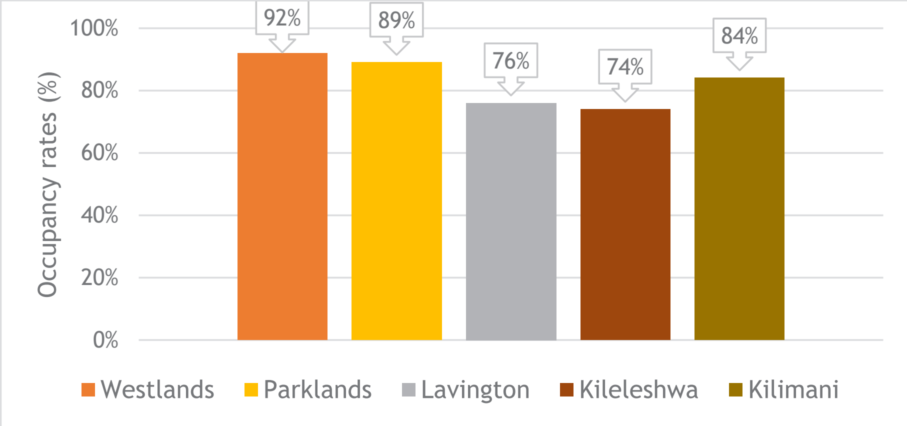
Similar to the sales market, Riverside area receives the highest monthly rent per square metre of approximately KES 704 followed by Westlands area.

The residential rentals are usually stated inclusive of service charge. The service charge varies with the level of supportive facilities and amenities offered by a development.

Residential lease structures are usually

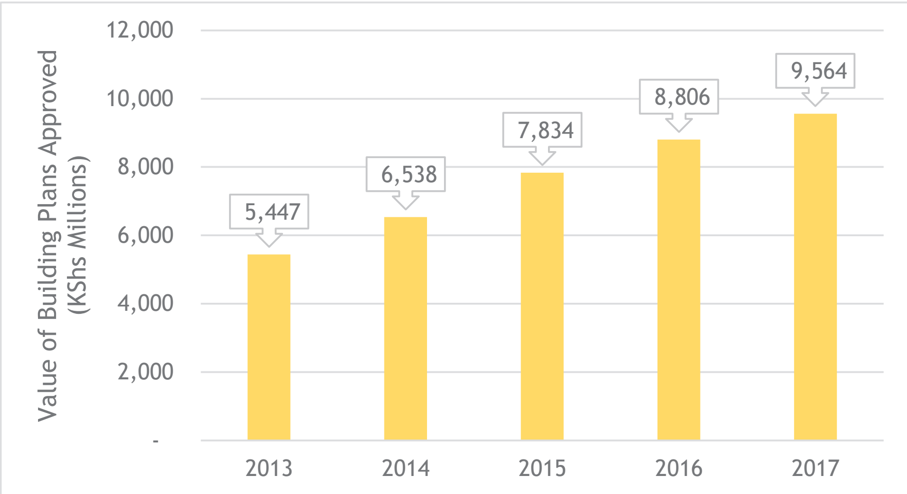
- a minimum of 1-year tenor
- annual rent escalation of between 5% and 7.5%.
- security deposit of a minimum of one month's rent.

Figure 14: Office Occupancy Rates



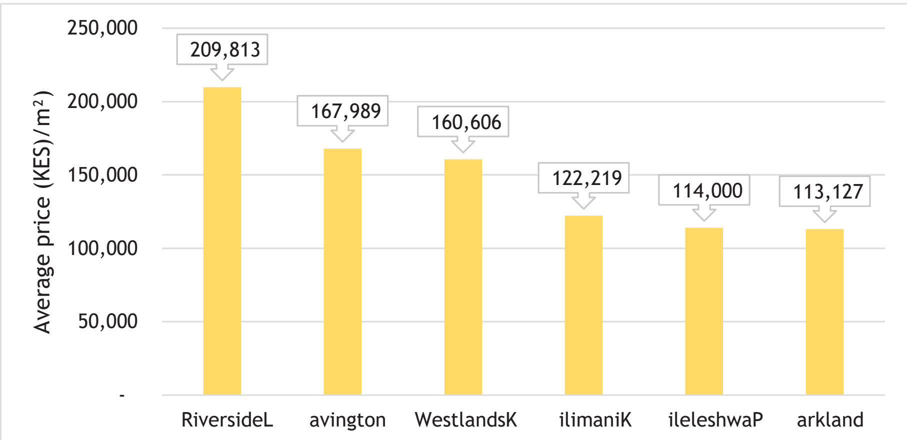
Source: Field Survey

Figure 18: Value of Private Residential Building Plans Approves (KShs Millions)



Source: Field Survey

Figure 19: Average Price per Square Meter by Node - Apartments



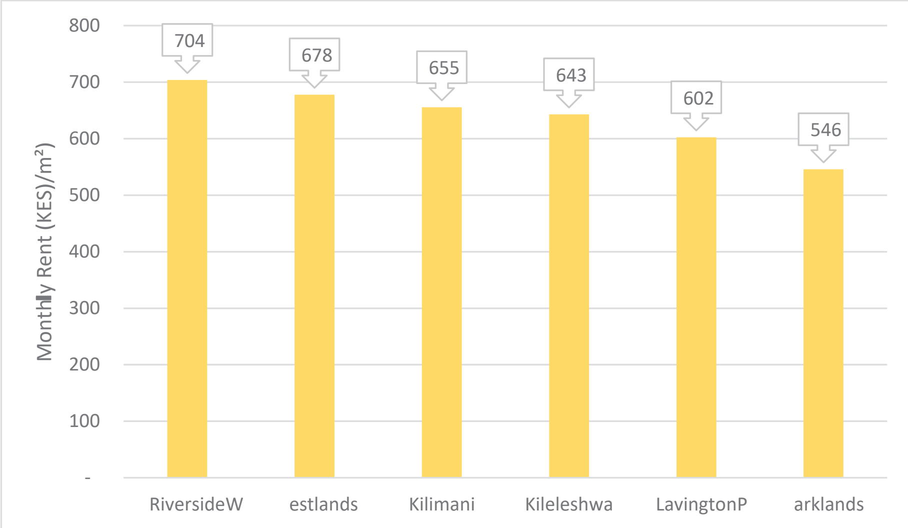
Source: Field Survey

5.5 Future Outlook

Below are some of the emerging trends influencing the residential market performance; developments:

- Off-plan sales enabling purchasers to buy at discounted prices and cash in on the capital gains upon completion of the development.
- Proliferation of "play, work and stay' concept in Nairobi through the development of mixed used projects like the Pinnacle and LeMac. These concepts are still foreign to the target market hence a growing interest.
- Studio apartments are becoming more attractive to young first time buyers due to the lower price tags and investment buyers whose interest is long term return.
- Penthouses are considered prime due to the views offered hence they are usually spacious and pricey.
- Young adults wishing to stay in prime addresses consider shared living with other occupants for. This is particularly popular in areas where there is limited supply of quality studio apartments.
- Duplex and triplex apartments are gaining popularity especially to multiple family units.

Figure 20: Avereage Monthly Rent per Square Metre by Node - Apartments



Source: Field Survey

6. Serviced Apartments

6.1 Introduction

The hospitality scene in Nairobi has noted robust growth over the past 6 years with an increase in tourist arrivals as well as increased investment in hospitality-oriented properties. There has also been a growth in extended stay option use and development owing to the solidification of Nairobi as a strong business hub in East Africa.

In the recent years, Nairobi has witnessed serviced apartment maturity as an asset class with the presence of branded serviced apartments beginning to have an impact on the market. Global brands such as Best Western, Radisson and MÖvenpick have emerged as pioneers of the conversion of the serviced apartment scene to a more brand experience oriented offering.

Figure 21: Nairobi Serviced Apartment Summary

Measure	Unit
Supply	Approx. 4,500
Yields	6% - 8%
Average Occupancy Rate (2017/18)	74%

Source: Field Survey

The increased development of mixed-use complexes has resulted in further growth of serviced apartment market share in Nairobi's hospitality scene. Increasingly investors and developers alike are incorporating serviced apartment uses to their developments. Some of the pipeline MUD projects that shall incorporate a serviced apartment offering in Nairobi include; Global Trade Center (GTC) by AVIC, The Pinnacle of Africa and Montave.

Figure 22: Nairobi Serviced Apartment Average Monthly Rate (2017/18)

Typology	Average Size (m2)	Average Monthly Rate (Kshs)	Monthly Rate (kshs/M2)
Studio 3	8	108,000	2,842
1 - Bedroom	71.1	44,600	2,038
2 - Bedroom	111.1	88,000	1,694
3 - Bedroom	149.2	37,200	1,827

Source: Field Survey

6.2 Demand

A review of serviced apartment guest share reveals that currently the largest number of serviced apartment users are largely business based. They are mostly attached to a corporate entity or are independent residents but are still attached on work commitments.

There is an increase in serviced apartment popularity with private residents embracing extended stay options. The main reason for the trend is the clienteles' desire to enjoy hotel styled amenities and services

Notably, the serviced apartment user base in Kenya's capital is yet to be fully exploited with potential users unaware of available extended stay options and the benefits of the same. Traditional accommodation options such as hotels and furnished apartments have remained dominant in this space.

However, serviced apartments in Nairobi continue to outperform short stay hotels from a year on year review of respective occupancy rates. A three-year average occupancy of 72% for serviced apartments stands against a 52% average for the traditional hotels.

There was a noted dip in 2017 occupancy averages, this owing to political uncertainty and a reserved corporate outlook on the country.

6.3 Supply

Nairobi currently accommodates approximately 4,500 serviced apartment units. A review of the major extended stay nodes in Nairobi reveals that Westlands has the lion's share of the supply with at approximately 37% of the total key count. The trend is attributed to the node's status as a popular business hub and offers greater synergies for occupiers.

Kilimani comes in second with a supply of 28%. Nodes such as the CBD and Upperhill lag behind in the space supply count with approximately 9% and 6% respectively despite having access to a corporate clientele base from the office users in the vicinity. The CBD is impacted significantly by congestion and infrastructure stagnation that render development and occupation alike a challenge.

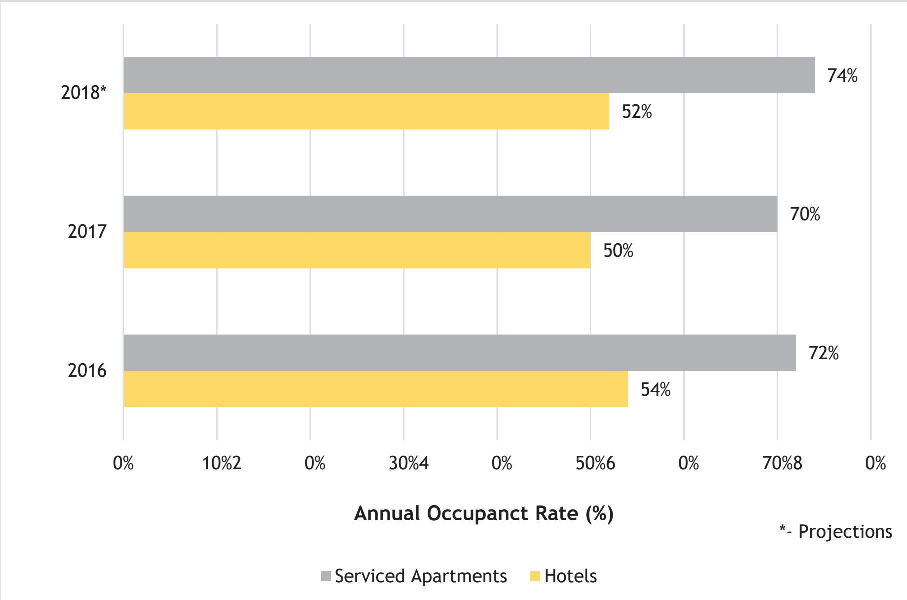
Over the past 5 years, there has been a 49% increase in serviced apartment supply from approx. 2,320 units in 2013 to approx. 4,582 units in 2018. The growth signals developers' response to relatively robust demand figures in the asset class.

From a unit delivery perspective, the most popular extended stay unit is the 2-bedroom unit with a 42% space share in the market. The least popular option is the 3-bedroom option that holds a 10% space share count.

Figure 23: Nairobi Serviced Apartment Demand Share

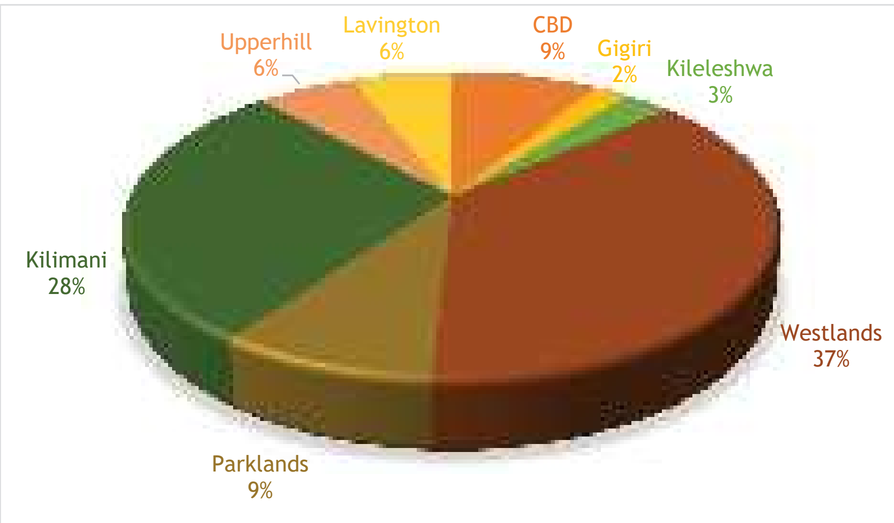
Source: Field Survey

Figure 24: Hotel VS. Serviced Apartments Historic Occupancy Rates (2016 – 2018)



Source: Field Survey

Figure 25: Nairobi Serviced Apartment Space Share by Node



Source: Field Survey

6.4 Rates

Gigiri is notably the most expensive node with a monthly average of KES. 248,000. This is largely attributed to the limited supply of serviced apartment developments in area and the existence of significant barriers to entry in the market such as high costs of land.

Westlands comes in second with an average monthly rate of KES. 223,000. The node is noted to be highly competitive but with a concurrent high demand for serviced apartment units.

Nodes such as the CBD have seen a fall in the rates due to increased competition from other nodes.

Increased congestion and stagnated infrastructure developments have also led to reduced preference of CBD centered properties.

6.5 Future Outlook

A future outlook on the region shows a growing preference for extended stay options following the growth of corporate use of the extended facilities and increased demand for a more corporate centered offering.

We anticipate the delivery of premium, branded serviced apartments in the region with the entry of larger brands as well as the diversification of existing local hotel operators into the extended stay scene.

Sectional ownership of serviced residences is also expected to grow in the coming years. Proposed serviced residences shall operate under a fully owned and occupied or pooled operation model with the latter expected to become more popular with investors. Branding is also poised to be a driving factor within this segment as brand affiliation is expected to gain market control over the next few years.

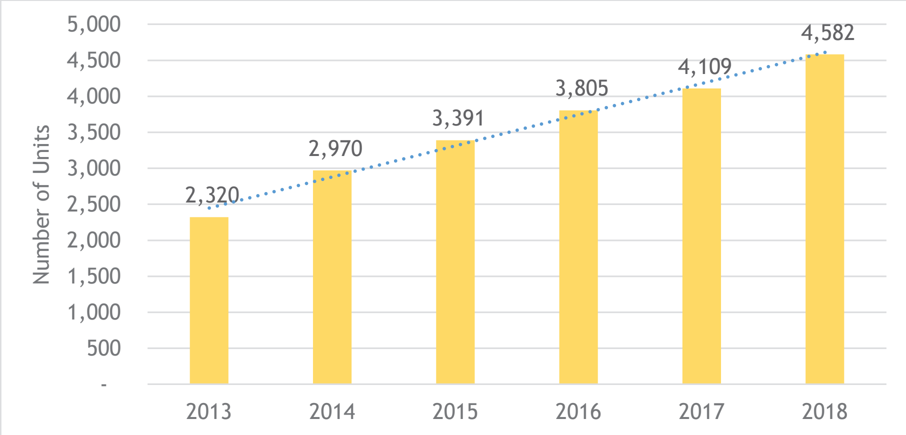
There is a growing need for economy grade serviced apartments offerings that offer a no frills extended

stay offering for on the go residents. The current supply and development pipeline of serviced apartment is focused on mid to upper scale accommodation options. The shift will be aimed at capturing the growing business travels from a regional and international perspective with clients requiring the basics at an affordable cost.

There is room for growth in this class as potential serviced apartment users, in both the private and public sectors continue to rely on traditional accommodation options for extended stay uses.

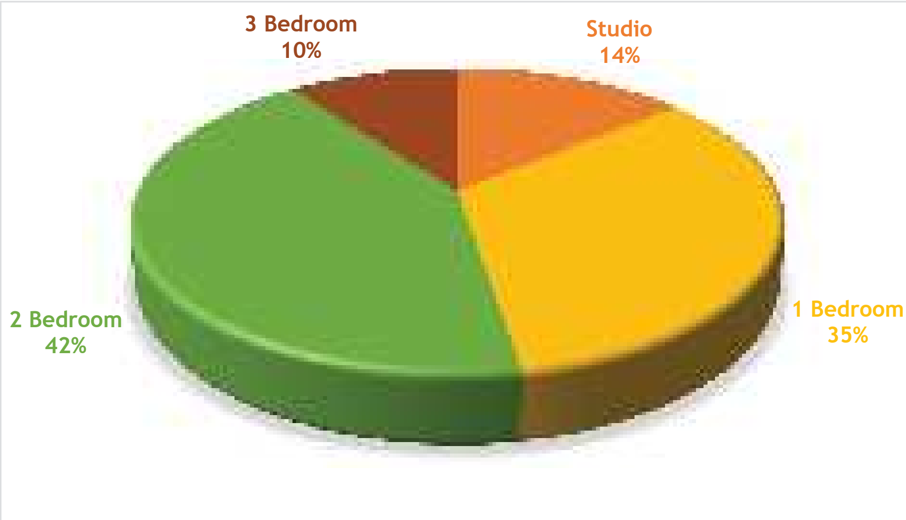
An emerging trend within the local scene has been dual branding that has seen multiple developers pair extended stay units with a mix of select and full service hotels. Despite the growth in popularity of the trend, the

Figure 26: 5 – Year Serviced Apartment Supply Count



Source: Field Survey

Figure 27: Serviced Apartment Unit Supply Distribution



Source: Field Survey

Table 4: New Market Entrants

Project	Location	No. of Units
MÖvenpick Residences	Off Mukungu Close, Westlands	54
Kingfishers Nest	Off Mwanzi Road, Westlands	90
Myra Residences	Kindaruma Road, Kileleshwa	72

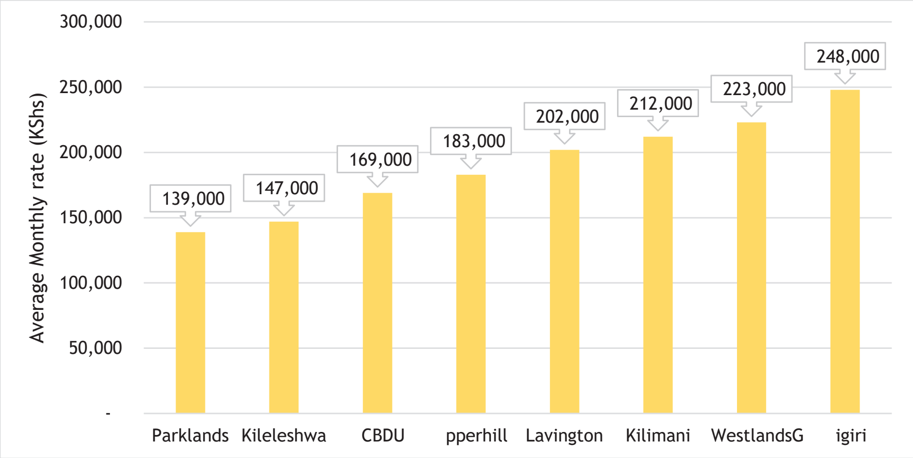
Source: Field Survey

Table 5: Pipeline Projects

Project	Location	No. of Units
Hyatt House	Off Lower Kabete Road, Westlands	60
Radisson Blu Residence	Off Mwanzi Road, Westlands	23
Nine Oak	Kindaruma Road, Kileleshwa	60
Infinity	Vihiga Road, Kileshwa	70
The Soho Serviced Apartments	Kirichwa Road, Kilimani	
Tamarind Tree Suites	Off Red Hill Road, Rosslyn	90
JW Marriott	Off Chiromo Lane, Westlands	51
Global Trade Centre Serviced Apartments	Off Chiromo Lane, Westlands	TBC
Britam Residences	Nyangumi Road, Kilimani	163

region is yet to see a fully branded two-pack development. However, the situation is poised to change with the opening of Hyatt Place and Hyatt House in Westlands in 2020.

Figure 28: Monthly Serviced Apartment Rates across Nairobi



Source: Field Survey

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Nairobi Overview Infrastructure Development

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Serviced Apartments