

KILIMANI AREA REPORT

August 2021



Kilimani is located approximately 4 kilometers from the Nairobi's Central business district. It is embedded between Ngong road and the Dennis Pritt Road. The neighborhood was a low-density residential area but since 2000 it has become increasingly high density, mixed residential and commercial: both retail and offices.

Presently, Kilimani has a rich mix of cultures with a population consisting of individuals from diverse social backgrounds. It is known to host expatriates, high net worth individuals, renowned business persons, politicians, and foreigners alike. The area has a blend of mansionettes, modern apartments, mixed-use developments, and office suites.

As Kilimani continues to grow and expand, investment opportunities for real estate developments in the area are on the rise with the key pull social amenities being:



Good infrastructure: The area is served by a host of well-tarmacked roads, such as the Ngong road, Argwings Kodhek road, Dennis Pritt Road, Lenana Road, Chaka Road, and Ring Road.



Hospitals: The Nairobi Hospital, The Nairobi Women's Hospital, National Spinal Injury hospital, the Coptic hospital, and Better Living Hospital.



Education Institutions: French School, Kilimani International school, Cavina School, Light International school, Riara Group of schools, St Hannahs and Kiota school.



Shopping Malls and shopping centers: The Yaya Center, Adlife plaza, The Junction mall, Hurlingham, and Adam's arcade. Yaya, Adlife and Junction are high-end malls, hosting international brands like Nike, Sketchers, Swarovski, Mac, Carrefour supermarket, Miniso, Springfield, Hugo Boss, and Little Red Africa.



Security: The Kilimani police station ensures that security is maintained at all times. Presence of embassies such as the Embassy of Ethiopia, Indonesia, Rusia, South Sudan, Embassy of the people's republic of China, Embassy of the Slovakia Republic, among others.



Entertainment joints, hotels, cinemas and bars: Kilimani is a vibrant location which is well endowed with social and entertainment spots thus making it attractive to a large mass of people.

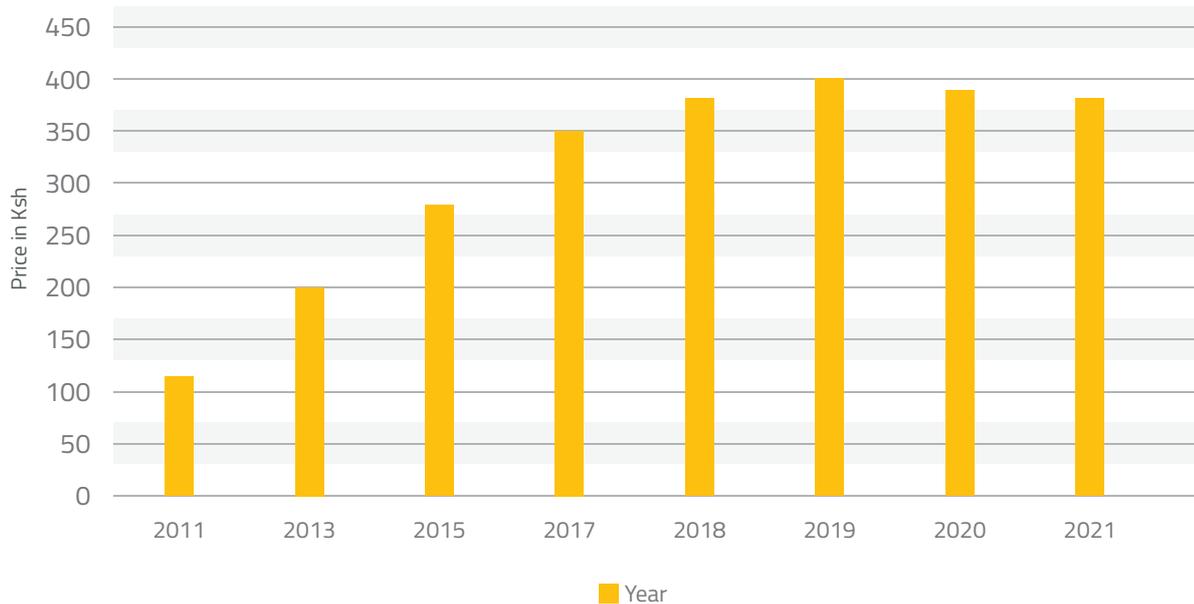


LAND IN KILIMANI

Kilimani is well endowed with great infrastructures such as sewer systems, industrial wastewater disposal systems and developed internal roads, making it attractive to both local and international developers.

The land prices in Kilimani per acre have changed from 114M in 2011 to 385M in 2021. The significant change has been brought about by the development of infrastructure and social amenities in the area. Also, an influx of upper-middle-income earners in Kilimani has increased the demand for both residential and commercial developments leading to the high demand for land.

Land pricing in Kilimani has experienced unprecedented fluctuations and declines due to the ongoing global pandemic. There was a 2.5% decrease in price in 2020. Investors have been displaying caution and delaying purchasing decisions in the absence of market stability. Some landowners are experiencing liquidity problems and as a result, they have put their land on the market. On the other hand, this has created an opportunity and better bargaining power for investors whose cash flow has not been affected and who have a higher risk appetite. This has led to increased supply with reduced demand due to the slow economy.



VAAL Field Study: Average land pricing (Millions) in Kilimani from 2011 to 2021, Kilimani August 2021

OFFICE SPACE

Office space refers to rooms in a building that provide a suitable environment for office operations. “In 2019, the Kilimani area had an oversupply of 6 million square feet of office space, against an 8% demand. Due to the completion of new projects in 2020, the supply rose by 12% resulting in an oversupply of 7.2 million square feet of office space in the area.” Says Mr. Prit Shah, the Sales Manager of VAAL Real Estate. The demand for office space has significantly reduced due to the ongoing global pandemic. Companies and businesses have resulted in working from home. As the covid19 measures ease, people are compelled to work from home to cut down on office overheads.

According to the VAAL Real Estate field study, the Kilimani area supplies 15% of the total office area in Nairobi. Some of the factors driving the office space supply in the Kilimani area

- **Re-invention of office space** – Serviced offices are becoming popular due to their flexibility. Clients can do both long and short tenures depending on their needs. Serviced offices offer seating space, presentation equipment, and boardrooms, high-speed internet, meeting rooms, tea and coffee, kitchen space, and lounge area. Some of the serviced co-spaces in Kilimani include The Nairobi Garage, Silver Pool Office Suites, and Axlr8.
- **Establishment of Multinational companies** – Nairobi is the regional hub of East Africa and foreign companies and investors who require office space have increased the demand in Kilimani. Some of the international companies based in Kilimani include Bank of China, China radio international, International Rescue Committee and Sobetra International.

Property	Price per sqft in Kshs	Gross rent per Sqft per month	Rental Yield (all factors held constant) %
Pioneer Point	11,500	120	13
CMC Africa	12,000	120	12
Morning Side Park	14,500	120	10
Sifa Towers	13,000	130	12
Galana Plaza	14,000	150	13
Commodore office space	12,500	120	12
Applewood	10,500	125	14
Average	12,571	126	12

VAAL Field Study: Some of the Office spaces in Kilimani, sales price per sqft against gross rent per Sqft, Kilimani August 2021

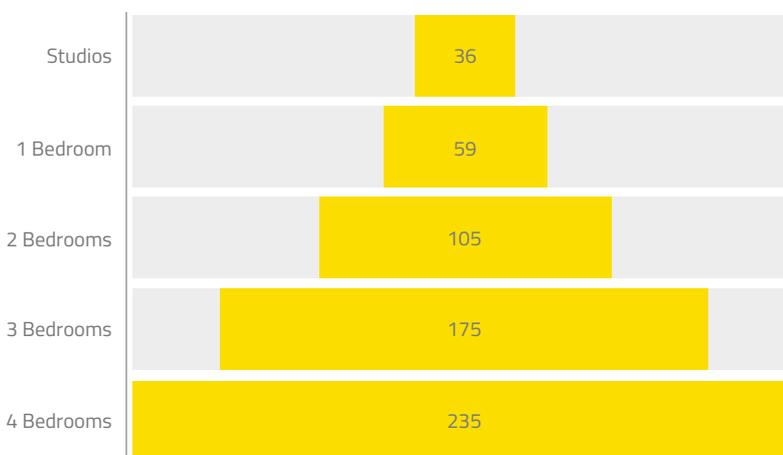
With an average rent of Ksh 126 per Sqft, commercial offices in Kilimani record an average rental yield of 12% with all occupancy factors held constant. The Ksh.126 is the gross rent which is inclusive of the service charge. The morning side park has a lower rental yield compared to the Applewood due a higher sales price per Sqft and lower occupancy rate.

RESIDENTIAL APARTMENTS

Residential housing in Kilimani is dominated by high-rise apartments ranging from 7 to 20 floors. Developers are going for high-rise developments because they are the most efficient way of land utilization. They offer better ventilation, sunlight, and views

This market research on residential apartments done in Kilimani in July 2021, focuses on

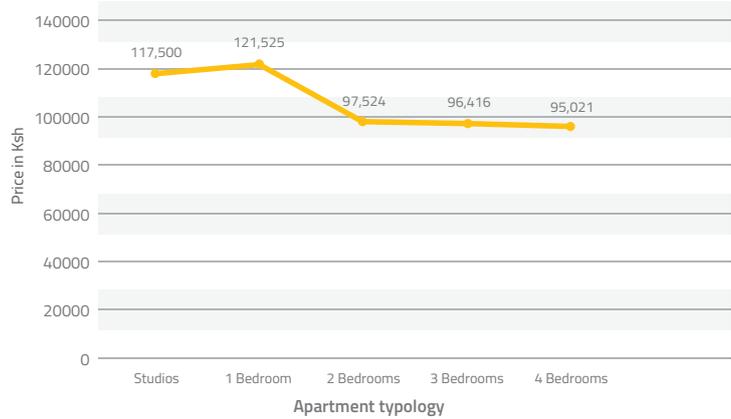
- 1. Projected rental returns** - This is an estimate of the return on investment for the potential investor in terms of rental income earned annually.
- 2. Plinth area in square meters** – What is currently offered in the market in size and the preferences for the home buyers in regards to space.
- 3. Price in Kenya Shillings**- Used to compare typology size against the price.



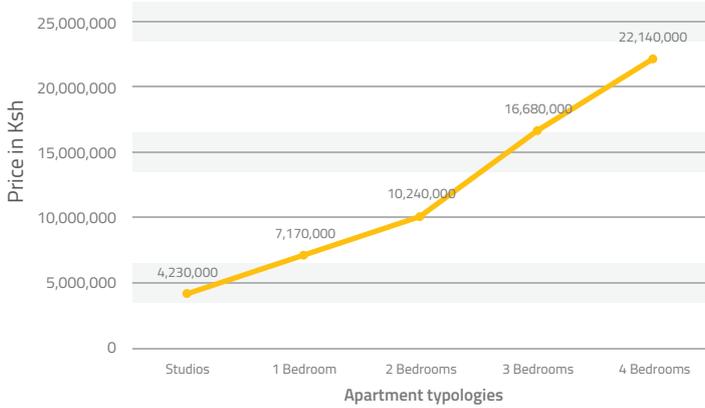
VAAL Field Study: Average sales price in Kshs per sqm, against type, Kilimani July 2021

With an average price of 7.1 M and an average monthly rent of 80,000 for the unfurnished units, apartments in Kilimani generate an average total return of 13% for the 1 bedroom but 20% if the unit is furnished.

The 2 bedrooms have an average of ksh.10.2M, ksh.102,000 for the unfurnished units and ksh.160,000 for the furnished units with an average rental yield of 12% for the unfurnished



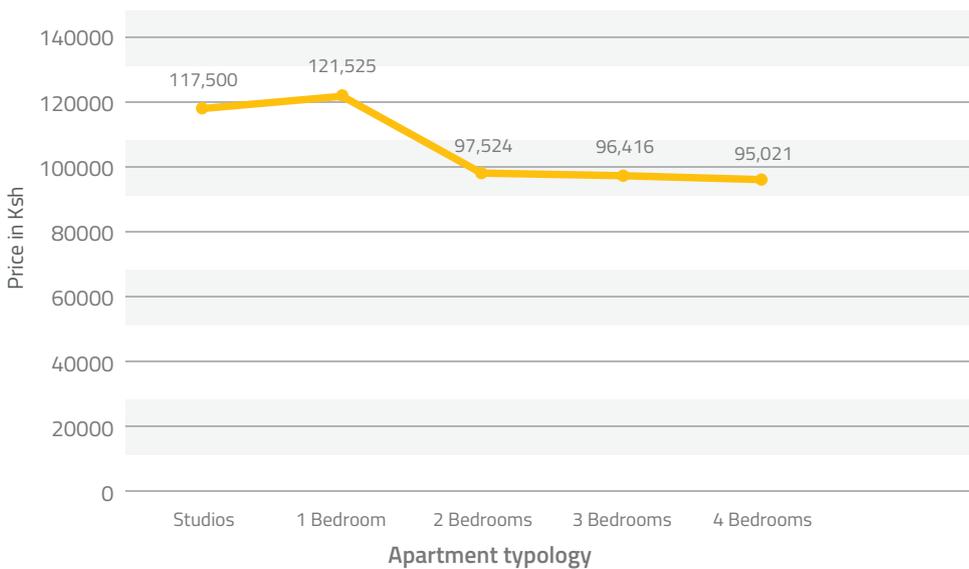
VAAL Field Study: Average apartment size in sqm per typology, Kilimani August 2021



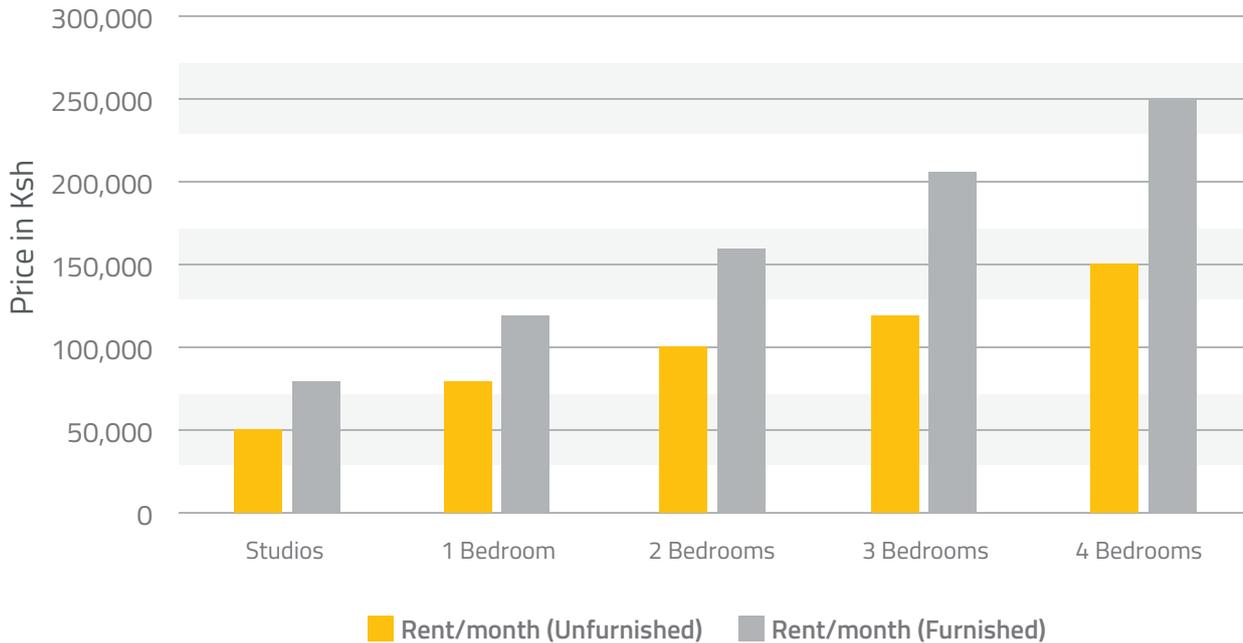
VAAL Field Study: Average sales price in Ksh per typology, Kilimani August 2021

and 18% for the furnished units. The 3 bedrooms have an average price of ksh.17M while the 4 bedrooms ksh.22M. The average rent for the unfurnished units for the 3 bedrooms is ksh.140,000 while the 4 bedrooms go for ksh.180,000.

Apartments in easily accessible areas and modern amenities such as the Wilma towers by VAAL in kilimani have higher rental yields compared to the old units.



VAAL Field Study: Average sales price per sqm, against type, Kilimani August 2021



VAAL Field Study: Average rent per typology in Ksh, Kilimani August 2021

SERVICED APARTMENTS

Kilimani has witnessed an increased supply of serviced apartments, accounting for approximately 26% of the total Nairobi market share (VAAL, field study). Serviced apartments are becoming more attractive in the hospitality industry in Kenya to apartments owners because

- Cost-effective – After furnishing a unit, all you need is listing your unit on Airbnb or advertising with real estate agents to get you clients and you can start earning for short term or long-term stays.
- Easily convertible to either furnished or unfurnished apartments when the demand for the unit dips.

VAAL field study: Average serviced apartments rates in Ksh in Kilimani per typology, Kilimani July 2021

According to the field study by VAAL, serviced apartments like the Yaya center apartments, which are easily accessible to the roads and near social amenities like malls reported the highest rental yields. Their occupancy rate was also higher by 10% compared to the older units away from malls and the main roads.

Development Name	Location	Typology	Daily Rates in Kshs	Weekly Rate in Kshs	Monthly Rate in Kshs	Unit Size (m2)
Fedha Residence	Tigoni Road	2 bedrooms	9,200	54,000	196,000	97
		3 Bedrooms	11,000	66,000	218,000	134
Suite Life serviced apartments	Dennis Pritt Road	2 Bedrooms	10,000	70,000	200,000	120
Gem Suites	Rose Avenue	3 Bedrooms	-	-	250,000	200
Skyline Apartments	Marcus Garvey Road	3 Bedrooms	12,000	96,000	180,000	-
Gem Suites	State House Road	1 Bedroom	8,000	50,000	140,000	125
		2 Bedrooms	10,000	70,000	180,000	170
Soho Apartments	Kirichwa Raod	1 Bedrooms	8,000	56,000	150,000	80
Batian Apartments	Batians Lane	1 bedroom	8,500	51,000	100,000	50
		Deluxe 1 bedroom	10,000	60,000	130,000	80
		2 bedrooms	15,000	90,000	160,000	100
Yaya Center Apartments	Argwings Kodhek	1 Bedroom	-	-	261,600	150
		2 Bedrooms	-	-	283,400	100
		3 Bedrooms	-	-	327,000	125
		4 Bedrooms	-	-	348,800	150

CONCLUSION

The residential market landscape is expected to remain dynamic with offerings of better quality, flexible payment plans and modern amenities. Kilimani offers attractive returns with an average rental yield of 10% for unfurnished apartments and 18% for furnished apartments. A future outlook shows that developers will continue to build in Kilimani to cater to the deficit of the studios and the 1 bedroom.

The demand for office space is expected to stabilize in the next one year or so which will translate to higher occupancy rates. The rental market is expected to do better than the sales market with negligible changes in the pricing.

Given Kilimani's high land prices, developers will still prefer the high-rise apartments by utilizing the vertical spaces. The land prices in Kilimani are bound

to go higher due to the demand for residential apartments for rent and sale. According to the Ministry of Land and Housing, Kenya continues to face a shortage in housing and as more people join the upper-middle class, Kilimani will remain a housing area option for them.

Serviced apartments outperform other themes due to their differentiated offerings of the hotel living concept. We anticipate the delivery of premium, branded serviced apartments in Kilimani with the entry of larger brands as well as the diversification of existing local hotel operators.