



Land Sector Cytonn H1'2021 Markets Review Note

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Land prices in low rise residential areas recorded highest price appreciation of 4.9 % in H1'2021 compared to a market average of 1.6%

During H1'2021, the land sector recorded an overall annualized capital appreciation of 1.6%, with asking land prices in low rise residential areas recording a 4.9 % annualized capital appreciation, attributed to the relative affordability of land valued at Kshs 88.3mn per acre compared to high rise areas selling at Kshs 132.7mn per acre. Other factors making the areas attractive to people is the fact that they are sparsely populated thereby offering exclusivity and privacy. Land in the commercial zone recorded a (3.7%) price correction to approximately Kshs 131.0 mn per acre compared to Kshs 133.0 mn per acre due to reduced demand for land in commercial zones as most developers have put on hold their activities as they await the absorption of the current office supply with the oversupply being at 7.3mn SQFT.

The table below shows the performance of the sector during the quarter:

All Values in Kshs Unless Stated Otherwise

Nairobi Metropolitan Area(NMA) Land Performance H1'2020

	Price Per Acre H1'2020	Price per acre H1'2021	Annualized Capital Appreciation
Nairobi Suburbs- Low Rise Residential Areas	84.3 mn	88.3 mn	4.9%
Serviced land	15.1 mn	15.7 mn	2.9%
Satelite Towns Unserviced Land	13.2 mn	13.5 mn	2.3%
Nairobi Suburbs- High Rise Residential Areas	133.2 mn	132.7 mn	(0.7%)
Nairobi Suburbs- Commercial Areas	419.2 mn	404.6 mn	(3.7%)
Average	133.0 mn	131.0 mn	1.6%

Source: Cytonn Research 2021

Performance per node

- a. The asking prices of land in the low-rise areas recorded an annual capital appreciation of 4.9% attributable to high demand in the areas. These areas have also remained attractive due to their exclusivity and privacy with the areas being attractive for family units as they are sparsely populated. Kitisuru was the best performing submarket in the low-rise residential segment recording an annualized capital appreciation of 6.7% attributed to growing demand for land to

develop and availability of good infrastructure allowing ease of access to the area.

All values is Kshs unless stated otherwise

Low Rise Residential Areas

Location	Price Per Acre (Kshs) H1'2020	Price per acre (Kshs) H1'2021	Annualized Capital Appreciation
Kitisuru	72.7 mn	77.9 mn	6.7%
Runda	70.2 mn	74.3 mn	5.5%
Karen	56.4 mn	59.6 mn	5.4%
Ridgeways	65.9 mn	68.8 mn	4.1%
Spring Valley	156.1 mn	161.0 mn	3.0%
Average	84.3 mn	88.3 mn	4.9%

Source: Cytonn Research 2021

- b. The asking price of unserviced land in satellite towns recorded an annualized capital appreciation of 3.3% attributed to increased demand for development land supported by; i) affordability with the average price of land going at Kshs 13.5 mn per acre compared to the market average of 131.0 mn, ii) continued focus on affordable housing, iii) positive demographics, and, iv) improving infrastructure thereby opening up areas for development. Juja was the best performing node with an annualized capital appreciation of 5.5% attributed to affordability with the asking prices coming in at an average of Kshs 10.6 mn per acre compared to an average of Kshs 13.5 mn for the satellite towns unserviced land, and availability of infrastructure with the area being served by Thika super highway.

Satellite Towns- Unserviced Land

Location	Price Per Acre (Kshs) H1'2020	Price per acre (Kshs) H1'2021	Annualized Capital Appreciation
Juja	10.0 mn	10.6 mn	5.5%
Athi River	4.3 mn	4.5 mn	4.4%
Utawala	12.0 mn	12.4 mn	3.2%
Ongata Rongai	18.6 mn	19.0 mn	2.1%
Limuru	21.0 mn	21.2 mn	1.0%
Average	13.2 mn	13.5 mn	3.3%

Source: Cytonn Research

- c. The serviced land in satellite towns recorded an average annualized capital appreciation of 2.9% with Ongata Rongai recording an annualized capital appreciation of 8.1% compared to the satellite towns average of 2.9% attributed to i) increased demand for land especially from the middle-income population, ii) positive demographics and iii) availability of infrastructure with the area being served by the Magadi Road which is opening the area for real estate development. Ruai on the other hand recorded a price correction of (3.6%) attributed to reduced demand of land as investors focus on areas witnessing more real estate related activities.

All values is Kshs unless stated otherwise

Satellite Towns- Serviced Land

Location	Price Per Acre (Kshs) H1'2020	Price per acre (Kshs) H1'2021	Annualized Capital Appreciation
Ongata Rongai	18.4 mn	20.0 mn	8.1%
Athi River	12.4 mn	13.1 mn	5.6%
Ruiru	24.0 mn	25.3 mn	5.2%
Thika	10.0 mn	10.4 mn	3.5%
Syokimau-Mlolongo	12.0 mn	11.8 mn	(1.4%)
Ruai	14.0 mn	13.5 mn	(3.6%)
Average	15.1 mn	15.7 mn	2.9%

Source: Cytonn Research

- d. The asking land prices in the high-rise residential areas recorded a 0.7% annualized capital appreciation in H1'2021 with Embakasi being the best perform node at 6.5% mainly attributable to affordability of land prices averaging at Kshs 67.2mn mn compared to the node's average of Kshs 132.7 mn. The attractiveness is also supported by developers showing interest in the area to accommodate the growing middle-income population and availability of infrastructure with the area being served by the Airport Road and part of the Outer Ring Road.

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High Rise Residential Areas

Location	Price Per Acre (Kshs) H1'2020	Price per acre (Kshs) H1'2021	Annualized Capital Appreciation
Embakasi	62.8 mn	67.2 mn	6.5%
Kasarani	64.8 mn	67.7 mn	4.2%
Kileleshwa	303.1 mn	300.9 mn	(0.7%)
Dagoretti	102.1 mn	95.2 mn	(7.3%)
Average	133.2 mn	132.7 mn	0.7%

Source: Cytonn Report 2021

- e. The commercial zones recorded a 3.7% price correction in the average asking land prices. This is attributed to reduced demand for development space mainly due to the high asking prices of Kshs 404.6 mn per acre thus limiting the ability of developers to generate favorable returns from the investments and decreased activities in the commercial office front. The existing oversupply in the commercial office spaces of 7.3 mn SQFT in the Nairobi metropolitan area has also affected the supply since developers have halted their development plans to allow for absorption of the existing spaces.

All values is Kshs unless stated otherwise

Commercial Zones

Location	Price Per Acre (Kshs) H1'2020	Price per acre (Kshs) H1'2021	Annualized Capital Appreciation
Westlands	421.3 mn	413.6 mn	(1.9%)

Commercial Zones

Location	Price Per Acre (Kshs) H1'2020	Price per acre (Kshs) H1'2021	Annualized Capital Appreciation
Upper Hill	506.1 mn	487.3 mn	(3.9%)
Kilimani	398.5 mn	381.7 mn	(4.4%)
Riverside	350.9 mn	335.7 mn	(4.5%)
Average	419.2 mn	404.6 mn	(3.7%)

Source: Cytonn Research

The land sector has continued to show resilience recording despite the ongoing pandemic which has affected some of the real estate sectors. We therefore hold a POSITIVE outlook for the land sector and we expect the performance of the land sector to continue being supported by factors such as; i) positive demographics, ii) growing demand for land particularly in the satellite areas, iii) improving infrastructure thereby opening up areas for investment, and, iv) the continued focus on the affordable housing initiative.

For more information, please see our **Cytonn H1'2021 Markets Review**.

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