

The Draft CMA Investments Regulations 2021, & Cytonn Weekly #37/2021

Real Estate

I. Retail Sector

During the week, French retailer Carrefour, announced plans to take up six new stores spaces in Uganda currently occupied by South African retailer Shoprite supermarket, in Uganda's Acacia Mall, Village Mall, Victoria Mall, Lugogo Mall, Clock Tower, and Arena Mall, by the end of the year after Shoprite's planned exit. Carrefour which entered the African market in 2013 when it opened its first branch in Egypt, has been on an aggressive expansion spree and has since opened thirty five branches in Egypt, sixteen in Kenya, two in Uganda, and others in Tunisia, Morocco and Cameroon. Its expansion drive has mainly been supported by; i) e-commerce presence in the market increasing their popularity and demand for goods, ii) mergers & acquisition strategies which have helped to streamline its operations, iii) strong brand reputation through its quality products and services, and, iv) improving infrastructure opening up areas for investment opportunities and access by target customers. The expansion into Uganda can be supported by Uganda's high population growth rate at 3.0% against the world's 1.1% facilitating need for more goods and retail spaces, coupled with Shoprite's announcement to exit the East African Market in 2020 as a result of financial constraints and losses generated, thus leaving prime retail spaces for uptake by the retailer. In our view, Carrefour's continued expansion spree is expected to help cushion the overall performance of the African retail market by taking up spaces previously occupied by troubled retailers. This is inclusive of Kenya as it was first East African country that the French retailer based its operations in May 2016, and currently has sixteen branches having recently opened two branches in Kisumu County.

The table below shows the summary of the number of stores of the Key local and international retailer supermarket chains in Kenya;

Main Local and International Retail Supermarket Chains

Name of Retailer	Category	Highest number of branches that have ever existed as at FY'2018	Highest number of branches that have ever existed as at FY'2019	Highest number of branches that have ever existed as at FY'2020	Number of branches opened in 2021	Closed branches	Current number of Branches	Number of branches expected to be opened	Projected number of branches FY'2021
Naivas	Local	46	61	69	6	0	75	4	79
QuickMart	Local	10	29	37	4	0	41	4	45
Chandarana Foodplus	Local	14	19	20	1	0	21	2	23
Carrefour	International	6	7	9	5	0	16	0	16
Cleanshelf	Local	9	10	11	1	0	12	0	12
Tuskys	Local	53	64	64	0	61	3	0	3
Game Stores	International	2	2	3	0	0	3	0	0
Uchumi	Local	37	37	37	0	35	2	0	2
Choppies	International	13	15	15	0	13	2	0	2

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Shoprite	International	2	4	4	0	4	0	0	0
Nakumatt	Local	65	65	65	0	65	0	0	0
Total		257	313	334	17	178	173	12	182

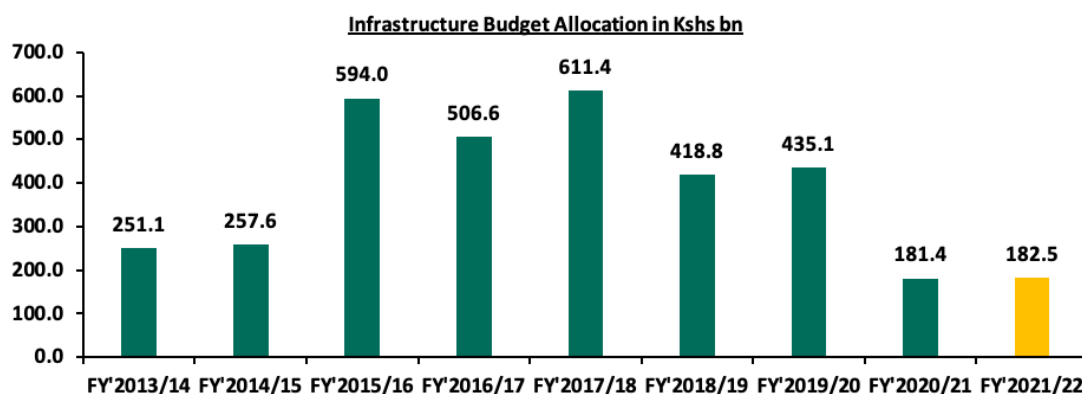
Source: Online Research

II. Infrastructure

During the week, Kenya's East African Community Principal Secretary, Dr. Kevit Desai, announced that the upgrading of the old 460 Km Naivasha-Malaba meter gauge railway linking Kenya to Uganda will be completed in October 2021. The rehabilitation was to cost Kshs 3.5 bn and the work began in January 2021 after failing to start in July 2020, and was expected to take one year. Upon its completion in October 2021, the railway line will link the Standard Gauge Railway at Naivasha thus enabling seamless transport of goods from Mombasa to Malaba border, and into Kampala through the Uganda century old meter gauge railway which is currently being renovated as well. Moreover, the completion of the railway will also; i) spur trade activities in the neighboring areas through eased transportation of goods, ii) gear real estate investment activities in the surrounding regions by enhancing efficient supply chains, and, iii) benefit investors by boosting prices of surrounding land and properties.

The infrastructure sector continues to register tremendous development activities supported by government effort in initiating and implementing projects that aim to make Kenya an intra-regional hub for trade in East Africa such as; i) Lamu Port-South Sudan-Ethiopia Transport (LAPSSET) corridor whose first berth was completed and launched in May 2021, ii) Garsen- Minjilla- Mokowe road upgrade linking Lamu and Tana River Counties which was completed in May 2021, and, iii) Nairobi Express Way project expected to be completed in February 2022. We therefore expect the sector to continue recording remarkable progress due to the additional 0.6% budgetary allocation to Kshs 182.5 bn for the FY'2021/22 from Kshs 181.4 bn allocation for FY'2020/21, aimed at developing quality and adequate roads, coupled with the government's partnership strategies such as Public Private Partnerships (PPPs) to facilitate the construction and completion of various projects in a timely and cost effective way.

The graph below shows the budget allocation to the infrastructure sector over the last nine financial years:



Source: National Treasury

Kenya's real estate sector performance is expected to improve mainly driven by

infrastructural developments which is a major facilitator of real estate activities by opening up areas for investment opportunities as well as boosting tourism activities and property prices.

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