Kenya Retail Report 2021, & Cytonn Weekly #38/2021

Focus of the Week

In November 2020, we published the Kenya Retail Report 2020 themed *"E-commerce Shaping the Retail Sector,"* which highlighted that the performance of the sector declined recording an average rental yield of 6.7%, 0.3% points lower than the 7.0% recorded in 2019. The subdued performance was largely attributed to; i) reduction in rental rates in a bid to attract tenants amid a tough economic environment which saw the rental rates in the sector post a 2.1% decline to Kshs 115.1 per SQFT in 2020, from Kshs 118.0 per SQFT in 2019, and, ii) reduced occupancy rates which declined by 0.7% points Y/Y from 77.3% in 2019 to 76.6% in 2020 attributable to reduced demand for physical retail space due to growing focus on e-commerce and scaling down of retailers in the wake of reduced revenue inflows.

This week we will update our research with the Kenya Retail Report 2021 themed *"Rapid Expansion by Retailers to Cushion the Retail Sector,"* in which we will highlight the performance of the Kenyan retail sector based on research conducted on 9 nodes within the Nairobi metropolitan Area (NMA), as well as other key urban cities in Kenya which include Nakuru, Kisumu, Eldoret, Mombasa, and the Mount Kenya Region. This is in order to identify the market performance based on rental rates, occupancies and rental yields, thereby identifying the investment opportunities and outlook for the sector. Therefore, the topical shall cover;

i. Overview of the Kenya Retail Sector in 2021
ii. Kenya Retail Sector Performance Summary in 2021,
iii. Retail Space Demand Analysis,
iv. Retail Sector Investment Opportunity, and,
v. Retail Sector Outlook.

Section I: Overview of the Kenya Retail Sector in 2021

In 2021, the Kenyan retail sector registered increased market activities evidenced by the aggressive expansion by major local and international retailers as opposed to 2020 which was marked with lockdowns leading to retailers scaling down their businesses to cushion themselves against the pandemic. Some of the retailers who have been on an aggressive expansion drive during the year include; i) Naivas supermarket opening 7 new stores in Kilifi, Kisumu, Nakuru, Eldoret, and Nairobi, ii) Carrefour opening 5 new stores in Kwale, Nairobi, and Kisumu, iii) QuickMart supermarket opening 4 new stores Nairobi and Eldoret, iv) Cleanshelf supermarket opening a new store in Nakuru, and v) Chandarana Food Plus opening a new outlet in Eldoret.

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	7	0	76	4	80
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
Shoprite	International	2	4	4	0	4	0	0	0
Nakumatt	Local	65	65	65	0	65	0	0	0
Total		**257**	**313**	**334**	**18**	**178**	**176**	**10**	**183**

Source: Online Search

Additionally, Giordano, a Hong Kong clothing retailer, opened its 3rd store in Nairobi at Two Rivers Mall along Kiambu Road, taking up 1,076 SQFT space. Kentucky Fried Chicken (KFC), a United States of America (USA) fast food chain, opened a new branch in Mombasa County, in an expansion drive that saw it take up approximately 2,200 SQFT of space in Mombasa Trade Centre, marking its first outlet in the county. Optica Limited, a local eye-wear retailer, opened its 43rd Kenyan outlet in Gateway Mall along Mombasa Road as part of the retailer's expansion strategy of the geographical outreach of its products and services. Artcaffe Group, a restaurant chain based in Kenya, announced plans to open four new outlets within the Nairobi Metropolitan Area in Kileleshwa, Freedom Height Mall in Lang'ata, ACK Gardens in Upperhill, and at Hardy in Ngong, whereas Java House Africa Group, an international restaurant chain, announced plans to open 30 new Kukito outlets in various parts of Nairobi, in the next five years. These aggressive expansion move by the retailers taking up space previously occupied by troubled retailers as well as new retail spaces has therefore boosted the market's performance. In addition to the recent expansions, some of the developments in the pipeline expected to be completed by the end of year include; i) City Mall Phase II project in Mombasa, ii) Crystal Rivers Mall in Mavoko, and, iii) Imaara Mall along Mombasa Road.

Some of the factors driving the growth in the sector include;

i. **Improved Infrastructure Developments**- Government's continued focus on implementing and completing major infrastructural projects has enabled easier access to retail stores as well as boost investor confidence in the investment opportunities and property prices,
ii. **Positive Demographics-** Kenya's relatively high urbanization and population growth rates of

4.0% p.a and 2.3% p.a, respectively against the global average of 0.9% p.a and 1.1% p.a, respectively, has also initiated the sector's growth and performance through increased demand for retail products, services and spaces,

iii. **Aggressive Expansion of Local and International Retailers-** Retailers such as Carrefour, Naivas and QuickMart have been aggressively taking up prime retail space initially occupied by troubled retailers such as Tuskys, Uchumi and Nakumatt, thereby in return cushioning the overall performance of the sector of focus,
iv. **Improvement in Ease of Doing Business-** Investor confidence has also been improving with Kenya currently ranking position #56 as at 2019 according to World Bank, which in return drives more expansion activities and developments in the country thereby initiating growth of the sector,
v. **Recognition of Kenya as a Regional Hub-** Kenya has attracted many international organizations and retailers into the country such as Kentucky Fried Chicken (KFC) and Giordano, thus the continued demand for retail space in the country, and,
vi. **Affordability of Retail Spaces-** Certain urban cities in the country such as Kisumu and Nakuru have attracted retail investments as a result of their affordable rents, having recorded rental rates of Kshs 101 and Kshs 59 per SQFT, respectively against the market average of Kshs 118 per SQFT in 2021.

Despite the above supporting factors, there exists challenges that affected growth and overall performance of the sector which include;

i. **Online Shopping and E-Commerce Strategy-** This is still being adopted in various parts of the country thus causing declined demand for physical retail space and an overall hindrance of its growth and performance,
ii. **Constrained Spending Power-** This is as a result of the tough economic conditions brought by the pandemic which caused financial constraints, leading to minimal development activities by developers in addition to some retailers exiting their spaces and as customers purchasing powers reduced from the effects of COVID-19,
iii. **Limited Access to credit loans-** This is due to inadequacy and limited income which isn't able to finance the available loans. According to Kenya National Bureau of Statistics, financial activities from the real estate sub sector grew by 4.2% in 2020 compared to 6.2% growth in 2019, with the decline being attributed to the tough economic environment amidst the awakening of the pandemic in 2020, and,
iv. **Oversupply-** Major urban cities such as Nairobi, Kisumu, Uasin Gishu and Nakuru continue to be witness overs supply with retails space with the oversupply approximated at 3.0 mn, 0.3 mn, 0.1 mn and 0.1 mn SQFT in the various cities respectively. The overall oversupply stands at 1.7 mn SQFT in the Kenya retail market thereby causing developers to halt their construction plans as they wait for the absorption of the existing ones.

Section II: Kenya Retail Sector Performance Summary in 2021

Our analysis of the retail market performance in 2021 covers the general market performance within the key nodes in the Nairobi Metropolitan Area (NMA) by node and class and finally performance of key urban cities in the country. In 2021, the Kenyan retail sector performance recorded a 0.1% increase in the average rental yields to 6.8%, from 6.7% in 2020. Average occupancy rates and rental rates also realized an increase of 1.8% points and 2.2%, respectively, to 78.4% and Kshs 118 per SQFT in 2021 from 76.6% and Kshs 115 per SQFT in 2020, respectively, as a result of an improved business environment. In the NMA, the retail market recorded average rental yields of 7.5% similar to 2020, with occupancy rates coming in at 75.8%, a 0.6% points increase from the 75.2% realized in 2020 due to the increased demand for spaces. Rental rates however continued to remain subdued at Kshs 168 per SQFT in 2021, 0.2% lower than Kshs 169 per SQFT recorded in 2020 as landlords continue to give incentives such as lowering rents to attract and retain tenants.

a. **Retail Sector Performance in Kenya Over Time**

In 2021, the Kenyan retail sector performance recorded 0.1% points increase in the average rental yields to 6.8%, from 6.7% in 2020. Average occupancy rates and rental rates realized an increase of 1.8% points and 2.2%, respectively, to 78.4% and Kshs 118 per SQFT in 2021 from 76.6% and Kshs 115 per SQFT in 2020, respectively, mainly attributed to an improved business environment as well as local and international retailers such as Giordano, Carrefour, Optica Limited and Naivas aggressively taking up new retail spaces as well as spaces previously occupied by troubled retailers such as Tuskys thus cushioning the overall performance of the retail market.

The performance of the sector across the key cities is as summarized below:

All Values in Kshs Unless Stated Otherwise

Kenya's Retail Performance Summary-2021

Item	2016	2017	2018	2019	2020	2021	Δ Y/Y 2021/2020
Asking rents (Kshs/SQFT)	155	141	132	118	115	118	**2.2%**
Average Occupancy (%)	82.9%	80.2%	86.0%	77.3%	76.6%	78.4%	**1.8%**
Average Rental Yields	**8.7%**	**8.3%**	**8.6%**	**7.0%**	**6.7%**	**6.8%**	**0.1%**

Source: Cytonn Research 2021

b. **Nairobi Metropolitan Area (NMA) Retail Market Performance**

The NMA retail market recorded average rental yields of 7.5% similar to 2020, with average occupancy rates coming in at 75.8%, a 0.6% increase from the 75.2% realized in 2020, attributed to an increased demand for retail spaces evidenced by retailers such as Naivas aggressively taking up new spaces as well as spaces previously occupied by troubled retailers and improvement in infrastructure opening up areas for retail investments. Rental rates remained subdued at Kshs 168 per SQFT in 2021 when compared to the Kshs 169 per SQFT recorded in 2020 as a result of landlords offering lower rental rates to attract new tenants as well as retain existing ones, and the growing e-commerce thereby causing reduced demand for physical retail spaces.

- **Performance by Nodes**

Westlands and Karen were the best performing nodes with average rental yields of 9.7% and 9.4%, respectively which were 2.2% and 1.9% points higher than the market average of 7.5%. This can mainly be attributed to higher average rental and occupancy rates that they fetch at Ksh 209 per SQFT and 80.4%, respectively, against the market average of Kshs 168 per SQFT and 75.8%, respectively, adequate amenities and infrastructure, and the undersupply of retail stores in Karen thus driving higher demand for the available ones.

Eastlands ranked last, recording declines in the average rental yields by 0.2% points from 6.1% in 2020 to 5.9% in 2021 due to the lower rental rates which declined by 1.5% from Kshs 137 per SQFT to Kshs 135 per SQFT. The occupancy rates came in at 72.5%, 1.3% points lower than the market average of 75.8% as a result of the relatively high competition from the existing informal retail centers and stores.

The table below shows the submarket performance of nodes in the Nairobi Metropolitan Area (NMA):

All Values in Kshs Unless Stated Otherwise

Nairobi Metropolitan area (NMA) 2021 Retail Performance

Area	Rent (Kshs)/SQFT 2021	Occupancy % 2021	Rental Yield 2021	Rent Kshs/SQFT 2020	Occupancy 2020	Rental Yield 2020	2021 ∆ in Rental Rates	2021 ∆ in Occupancy (% points)	2021 ∆ in Rental Yield (% points)
Westlands	209	80.4%	**9.7%**	209	81.5%	**9.9%**	(0.1%)	(1.1%)	**(0.1%)**
Karen	214	80.8%	**9.4%**	216.5	81.0%	**9.8%**	(1.4%)	(0.2%)	**(0.4%)**
Kilimani	172	83.6%	**9.0%**	171	82.5%	**8.5%**	0.6%	1.1%	**0.5%**
Ngong Road	175	78.0%	**7.8%**	178	80.3%	**8.2%**	(1.8%)	(2.3%)	**(0.4%)**
Kiambu road	178	70.4%	**7.2%**	176	67.5%	**6.9%**	0.7%	2.9%	**0.2%**
Thika Road	158	74.2%	**6.7%**	158	70.5%	**6.3%**	0.3%	3.7%	**0.4%**
Satellite towns	138	72.2%	**6.1%**	133	73.0%	**5.8%**	3.6%	(0.8%)	**0.3%**
Mombasa road	136	70.5%	**6.0%**	140	70.0%	**5.9%**	(2.6%)	0.5%	**0.1%**
Eastlands	135	72.5%	**5.9%**	137	70.2%	**6.1%**	(1.5%)	2.3%	**(0.2%)**
Average	**168**	**75.8%**	7.5%	**169**	**75.2%**	7.5%	**(0.2%)**	**0.7%**	**0.0%**

Source: Cytonn Research 2021

- **Performance by Class**

To analyze the performance of malls by class we classified malls into three bands as below:

i. **Regional Centers / Destination Malls**: These malls are characterized by their higher lettable areas ranging between 400,000 - 800,000 SQFT, they usually have more than one anchor tenants. Some examples include; Sarit Centre, Two Rivers Mall, Garden City Mall and Next Gen Mall,
ii. **Community Centers**: They are the second largest malls after the destination malls with a lettable area ranging between 125,001 - 400,000 SQFT, and can also host more than one anchor tenants. They include malls such as Thika Road Mall, Valley Arcade, Gateway Mall, and the Village Market, among others, and,
iii. **Neighborhood Centers**: These malls are characterized by their lettable areas ranging between 20,000 SQFT hence can only host a single anchor tenant. They include The Well in Karen, Ciata City Mall along Kiambu Road, and Unicity Mall along Thika Road, among others.

On performance by class, destination malls were the best performing recording average rental yields of 10.3%, attributable to high rental charges averaging at Kshs 257 per SQFT, 34.2% points higher than the market average of Kshs 169, as the malls charge premium rents for the high-quality retail space, facilities provided, and have higher footfall due to the presence of international retailers who have preference for destination malls. Moreover, the destination malls recorded the highest average occupancy rates of 81.7% against the market average of 75.9% in the NMA. Community malls recorded an average rental yield of 7.8%, 0.2% higher than the market average of 7.6%, with the average occupancy and rental rates coming in at 77.2% and Kshs 169 per SQFT, respectively against a market average of 75.9% and 7.6%, respectively as a result of an improved demand. Neighborhood malls recorded the lowest rental yields averaging 6.7% against the market average of 7.6%, attributed to lower rental rates averaging Kshs 151 per SQFT, 11.9% lower than the market average of Kshs 169 per SQFT. Average occupancy rates for neighborhood malls came in at 72.8% against the market average of 75.9% as a result of a slow but rising demand for physical retail spaces. The summary of performance by class is as shown below:

All Values in Kshs Unless Stated Otherwise

Retail Market Performance in Nairobi by Class 2021

Class	Average of rent (Kshs)	Average of occupancy	Average of rental yields
Destination	257	81.7%	**10.3%**
Community	169	77.2%	**7.8%**
Neighborhood	151	72.8%	**6.7%**
Grand Average	**169**	**75.9%**	**7.6%**

Source: Cytonn research

c. **Retail Market Performance in Key Urban Cities in Kenya**

Key urban cities in Kenya recorded increased average rental yields by 0.1% points to 6.8% in 2021 from 6.7% recorded in 2020, with the average occupancy and rental rates realizing improvements as well by 1.8% points and 2.2% points to 78.4% and Kshs 118 per SQFT, respectively in 2021 from 76.6% and Kshs 115 per SQFT in 2020, respectively.

Mount Kenya was the best performing region with the average rental yields and occupancy rates coming in at 7.9% and 81.7%, respectively, 1.1% and 3.3% points higher than market average of 6.8% and 78.4%. This can be attributed to improved average rental rates which came in at Kshs 128 per SQFT from Kshs 125 per SQFT in 2020, and increased demand for retail spaces as a result of the region being undersupplied by 0.7 mn per SQFT.

Nakuru ranked last with the average rental yields coming in at 6.1%, 0.7% lower than the market average of 6.8% in 2021. However, this is a 0.2% increase compared to the 5.9% realized in 2020, due to the increased rental rates to Kshs 59 per SQFT from Kshs 58 per SQFT in 2020.

The performance of the key urban centers in Kenya is as summarized below:

All Values in Kshs Unless Stated Otherwise

Summary of Retail Performance in Key Urban Cities in Kenya 2021

Region	Rent (Kshs) 2021	Occupancy Rate 2021	Rental yield 2021	Rent (Kshs) 2020	Occupancy Rate 2020	Rental yield 2020	Change in Occupancy Y/Y	Change in Yield Y/Y
Mount Kenya	128	81.7%	**7.9%**	125	78.0%	**7.7%**	3.7%	**0.1%**
Nairobi	168	75.8%	**7.5%**	169	74.5%	**7.5%**	1.3%	**0.0%**
Mombasa	119	77.6%	**6.8%**	114	76.3%	**6.6%**	1.4%	**0.2%**
Kisumu	101	74.6%	**6.4%**	97	74.0%	**6.3%**	0.6%	**0.1%**
Eldoret	131	80.8%	**6.3%**	130	80.2%	**5.9%**	0.6%	**0.4%**
Nakuru	59	80.0%	**6.1%**	58	76.6%	**5.9%**	3.4%	**0.2%**
Average	**118**	**78.4%**	**6.8%**	**115**	**76.6%**	**6.7%**	**1.8%**	**0.1%**

Source: Cytonn Research

Section III: Retail Space Demand Analysis

In order to identify the retail market gap for investment opportunity, we worked on the retail space demand for various urban regions in Kenya. This is to enable developers to be aware of the undersupplied areas and the oversupplied areas. The analysis was based on the retail spaces available as well as the ones in pipeline against the existing demand by the population available per region. By this, we identified the net space uptake per person in SQM, the shopping population, and current retail market occupancy rates. In addition to this, we used the average uptake in Kilimani as a guide to calculating the net space uptake for the various regions:

- **Total Demand/ Gross Uptake -** This measures the total retail space required by a population in a particular region hence calculated by multiplying the net space uptake per person by the total shopping population,
- **Net Demand/ Uptake -** This is a measure of the gross uptake which is not inclusive of the occupancy rates of malls in particular regions, and is calculated by multiplying the gross uptake by respective market occupancy rates, and,
- **Supply -** This is the summation of the existing malls as well as the ones in pipeline. To get the over/undersupply (gap) in the market, the supply is subtracted from the demand/net uptake.

Also, the key assumptions used in the analysis include:

i. Number of persons per household was at 3.6 based on the average household size in urban areas as per Kenya Population and Housing Census 2019, and,
ii. Percentage of shopping population (14 years and above).

(If the figure is positive, then the market has an undersupply i.e, demand is more than supply and if it is a negative figure then the market has an oversupply, i.e. supply is more than demand).

The retail space demand across key regions in Kenya is as shown below;

Demand Analysis 2021

Region	2019	Urban Population	Urban population 2019	Shopping People	Net Space Uptake per pax in SQM (Based on Uptake per pax in Kilimani)	Occupancy (2 year Average)	Gross Space Uptake per Pax (Required Space Kilimani)	Net Uptake (Space Required) for each market	Current supply	GAP at current market performance
Kiambu	2.1	60%	1.3	0.7	1.9	81.7%	2.1	1.7	0.9	0.8
Mt Kenya	2.8	38%	1.1	0.6	1.5	81.7%	1.7	1.4	0.4	0.7
Kajiado	1.1	41%	0.5	0.3	0.7	75.8%	0.7	0.6	0.36	0.2
Machakos	1.3	52%	0.7	0.4	1.0	75.8%	1.1	0.9	0.3	0.1
Mombasa	1.3	100%	1.3	0.8	1.9	77.6%	2.1	1.7	1.4	0.1
Nakuru	2.2	45%	1.0	0.6	1.4	80.0%	1.6	1.3	0.6	(0.1)
Uasin Gishu	1.3	44%	0.6	0.3	0.8	80.8%	0.9	0.7	0.4	(0.1)
Kisumu	1.2	50%	0.6	0.3	0.9	74.6%	1.0	0.7	1.0	(0.3)
Nairobi	4.6	100%	4.6	2.7	6.7	75.8%	7.4	5.6	7.3	(3.0)
Total	**18.0**		**11.6**	**6.7**	**16.8**		**18.6**	**14.5**	**12.6**	**(1.7)**

The Kenya retail sector and the NMA realized a 15.0% and 3.2% decline in the market gap to 1.7mn and 3.0 mn per SQFT when compared to the 2.0 mn and 3.1 mn SQFT recorded in 2020, attributed to an increase in demand for retail spaces

Source: Cytonn Research

Based on our demand analysis, Nairobi, Kisumu, Uasin Gishu and Nakuru are the most oversupplied retail markets by 3.0 mn SQFT, 0.3 mn SQFT, 0.1 mn SQFT, and 0.1 mn SQFT, respectively, with occupancies of 75.8%, 74.6%, 80.8% and 80.0%, respectively.

Section IV: Retail Space Investment Opportunity

We analyzed the various urban cities in Kenya in order to determine the investment opportunity within the real estate retail market in the country. This was based on three metrics which include the rental yields, the retail spaces required, and the household purchasing power, with allocations of 30.0%, 30.0% and 40.0% weights, respectively:

- **Rental Yield-** This is a measure of the value the profit that an investor generates from an investment as a percentage of its value hence the higher the better. The weighted score for rental yields was 30.0%, and the area with the highest yield was ranked with the highest score of 9 whereas the area with lower yields was given the lowest score of 1,
- **Household Expenditure -** This measures the consumption expenditure of the target population hence the higher the better as well. The weighted score for this was at 40.0% and the area with the highest expenditure was given the highest score at 9, and the lowest given the lowest score at 1, and,
- **Retail Space Demand-** This measures the amount of retail space required by a particular region hence the higher the better as it increases occupancy rates of the available developments. 30.0% was the allocated weight for this and the area with the highest demand was given the highest score at 9 as well whilst the area with the lowest demand was allocated the lowest score at 1.

Based on our analysis, Mombasa and Kiambu offer the best investment opportunities to retail space developers having achieved a higher weighted score of 7.4 and 7.3, respectively. Uasin Gishu ranked the lowest implying that as of this time it is not the best investment area and this is attributed to lower yields, relatively low retail space demand and lower household expenditure. The table below shows the retail space investment opportunity in Kenya:

Retail Space Opportunity 2021

Region/Weight	Retail Yield Score	Retail Space Score	Household expenditure (per adult) score		
	30%	30%	40%	Weighted score	Rank
Mombasa	9	5	8	7.4	1
Kiambu	7	8	7	7.3	2
Mt Kenya	7	9	5	6.8	3
Nairobi	4	1	9	5.1	4
Machakos	4	6	3	4.2	5
Kajiado	4	7	2	4.1	6
Kisumu	3	2	6	3.9	7
Nakuru	1	3	4	2.8	8
Uasin Gishu	1	4	1	1.9	9

Source: Cytonn Research

Section V: Retail Sector Outlook

The table below summarizes metrics that have a possible impact on the retail sector, that is the retail space supply, performance, retail space demand, and concluding with the market opportunity/outlook in the sector;

Kenya Retail Sector Outlook 2021

	Sentiment 2020	Sentiment 2021	2020 Outlook	2021 Outlook
Retail Space Supply	Main urban cities such as Nairobi and Kisumu have an existing oversupply of space while regions such as Kiambu County and Mt Kenya region are undersupplied and therefore, we expect to see developers shifting their focus to these regions. This will be supported by demand from international retailers and expansion by local retail chains	Nairobi, Kisumu, Uasin Gishu and Nakuru are the most oversupplied areas by 3.0 mn, 0.3 mn, 0.1 mn and 0.1 mn SQFT of space, respectively while areas such as Kiambu and Mt Kenya regions are under supplied by 0.8 mn and 0.7 mn SQFT, respectively	**Neutral**	**Neutral**
Retail Space Demand	Nairobi, Kisumu and Nakuru are the most oversupplied areas by 3.1 mn, 0.3 mn and 0.2 mn SQFT of space, respectively while areas such as Mt Kenya are under supplied by 0.7 mn SQFT	Performance of cities such as Nairobi, Kisumu, Uasin Gishu and Nakuru continues to be affected by the slow absorption rates of the retail spaces due to the existing demand that doesn't match the higher supply, that is also expected to increase with the additional spaces such as the Imaara mall along Mombasa road, Britam Mall in Kilimani, and the Beacon Mall in Nairobi CBD	**Neutral**	**Neutral**
Retail Market Performance	The retail sector performance recorded a decline of 0.3% and 0.7% points in average rental yields and occupancy rates, respectively, coming in at 6.7% and 76.6%, respectively Nairobi and Mt. Kenya were the best performing regions with average rental yields of 7.7% and 7.5%, respectively, attributable to relatively high demand for quality retail space demand for space in malls. We expect the sector's performance to be cushioned by entry of local and international retailers taking up prime retail space left by their troubled counterparts	Kenyan retail sector performance recorded a 0.1% increase in the average rental yields to 6.8% in 2021, from 6.7% in 2020. Average occupancy rates and rental rates also realized an increase of 1.8% points and 2.2% points, respectively, to 78.4% and Kshs 117.8 per SQFT in 2021 Mount Kenya and Nairobi were the best performing regions with the average rental yields coming in at 7.9% and 7.5%, respectively against the market average of 6.8% We expect to see increased market activity with the expansion efforts by local and international retailers such as Naivas and Carrefour taking up space left by troubled retailers such as Tuskys. The existing oversupply is however expected to weigh down the performance of the Kenyan retail market	**Neutral**	**Neutral**

Our outlook for the Kenya retail market remains NEUTRAL with factors such as the e-commerce strategy, limited availability of land and financial constraints expected to impede performance of the sector. However, the rapid infrastructure developments, retailers aggressively taking up retail spaces, positive demographics and the reopening of the economy is expected to cushion the sector's performance

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