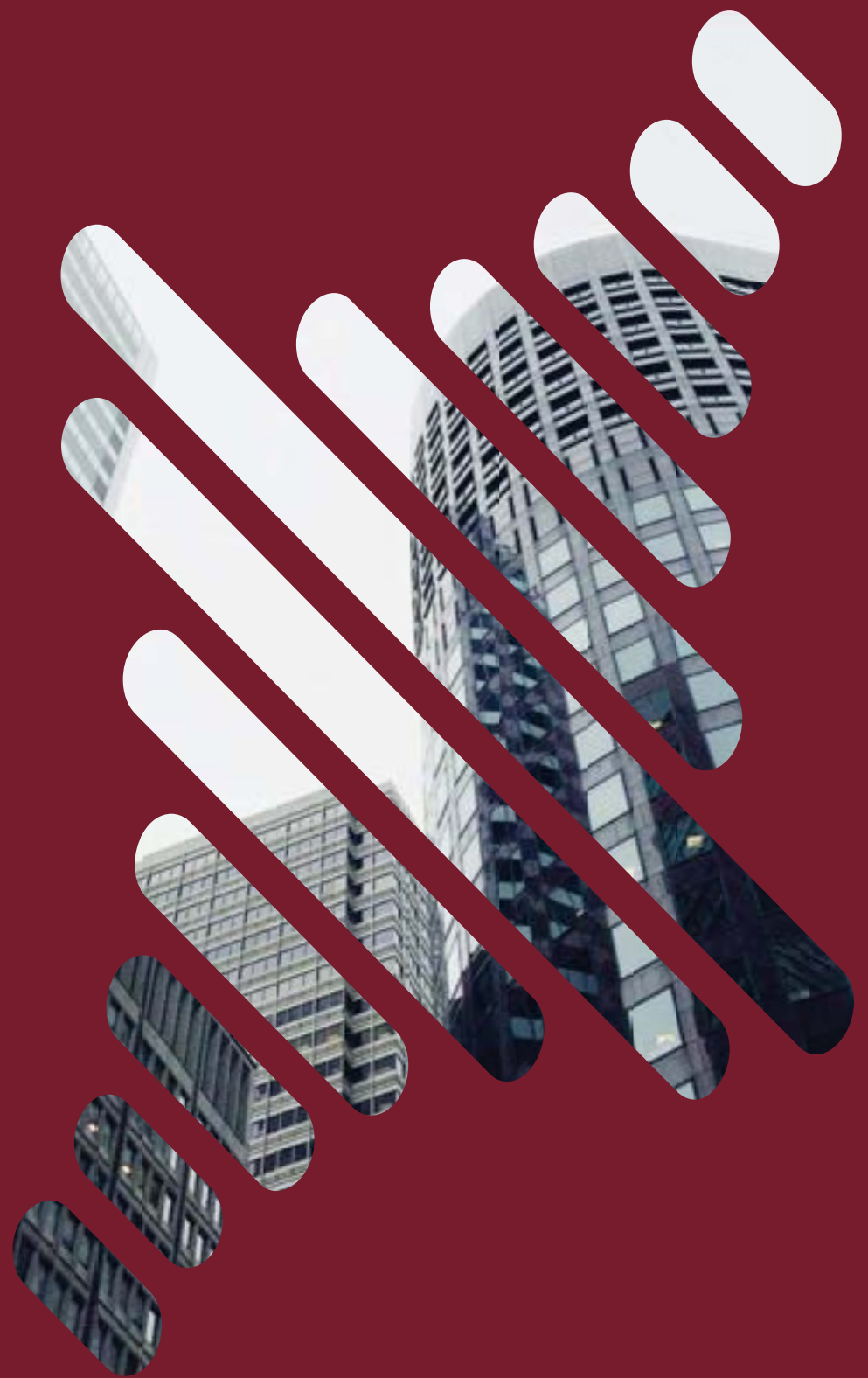


EAPI 2017

LUCRATIVE LOGISTICS?

5/04/2017

JAMES HODDELL,
EMERGE DEVELOPMENTS



EMERGE DEVELOPMENTS



Emerge is a new specialist development management business, focused solely on maximising value or yield and on providing the highest quality services to its clients. Its founders have a vast depth of experience both globally and in the Kenyan market, where they have been responsible, among other things, for planning and initiating Nairobi's premier mixed-use destinations: Two Rivers and Garden City.



SERVICE OFFERING



- Emerge Developments spun out of market-leading project and development management business, MML, as a bespoke real estate development management and advisory business.
- Emerge Developments is now a fully-independent development services provider, owned solely by management, which provides best-in-market research, advice, capital-raising and development management services for real estate owners, investor and end-users.
- Emerge offers support to clients in investment strategy, project identification, highest and best use analysis, feasibility studies and overseeing the development process from start to exit in the form of development management services



DEVELOPMENT PROCESS



CURRENT PROJECTS



ongoing

SAFARI CENTRES

- Development of convenience centres on major highways in Kenya.
- Mixed use development with Petrol filling station, supermarket, food courts and line shops.
- First phase will consist of three sites; Naivasha, Makutano, Athi River.



ongoing

Archdiocese of Nairobi, Parking Silo

- Parking Silo at the Holy Family Basilica
- Facility to comprise of 546 cars in 4 basement levels and 92 surface parking bays.
- Parking to improve parking ratios for existing office block on site and generate income.

CURRENT PROJECTS



ongoing

Suna Estate, Adams Arcade

- 588 High-rise residential apartments and 3,300 commercial stalls.
- Services will include; playgrounds, schools and community hall.



ongoing

Kasarani Village, Kasarani

- Mixed use development with a mini retail centre of 6,000 sqm GLA and 1,400 apartments
- Prices between KES 5.0-11.5M (1,2&3 bed apartments)

CURRENT PROJECTS



ongoing

The Gorge Limited, Tigonl

- Mixed-use development consisting of retail and high end villas.



ongoing

Bellevue Mall, South C

- Shopping Mall of a total GLA of c. 20,000m²
- Consists of retail, catering and leisure rentable spaces.

CLIENTS - Past & Present



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OUR TEAM



James Hoddell

RICS
Formerly CEO of MML
28 years of experience
managing developments in
Europe and East Africa



Graeme Reid

Formerly MD of Athena
Properties and Director of
Carlisle.
History in retail and urban
development.



Freda Rutere

Formerly with Planning and
KFC.
An engineer with over 10 years
of experience.
Consultant to Emerge.



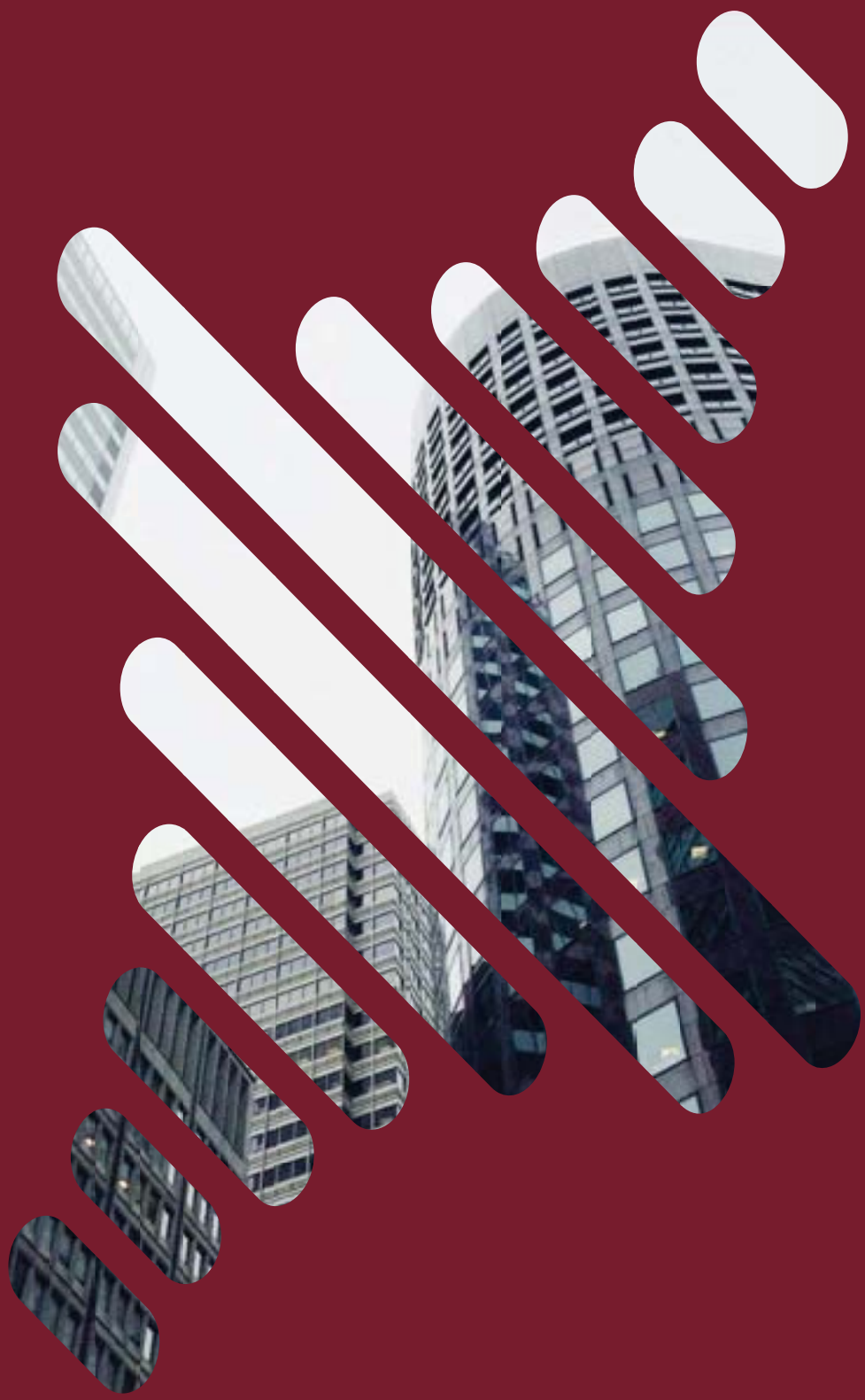
Kelvin Muoria

Formerly with ICEA, Scion &
MML.
Development analyst with MSc
in Property Management.

NAIROBI INDUSTRIAL MARKET OVERVIEW



Market Trends



NAIROBI MARKET OVERVIEW



- Large and expanding industrial base and fast-growing consumer spending.
- Steady supply of speculative space, averaging 80,000sqm (c.\$30-40m) per annum.
- Vacancy rates at c.10% and rents static in most nodes as market absorbs current supply.
- Market heavily influenced by land price and infrastructure development.
- Uncertain impact of SGR.
- Rents from KES 19.00psf to KES 45.00psf (\$2.00-\$5.00psm/m).
- Limited investment market in Industrial stock.
- No international-standard stock at this stage.



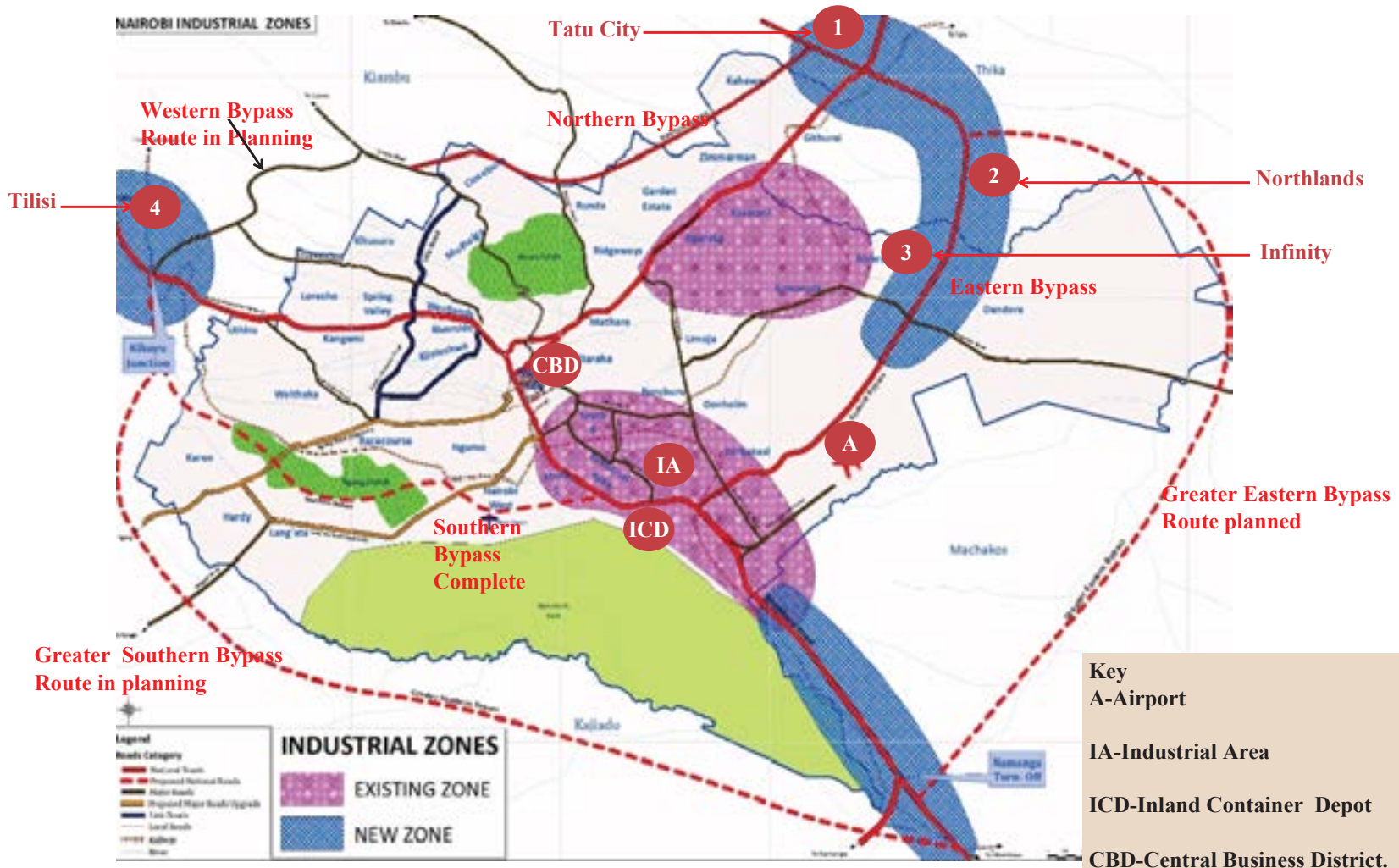
MARKET OVERVIEW



Demand Side Drivers	Supply Side Drivers
<ul style="list-style-type: none"> ▪ A consistently expanding economy, 	<ul style="list-style-type: none"> + Stable/reducing interest rates,
<ul style="list-style-type: none"> ▪ Nairobi's population expanding by 200,000 per year, 	<ul style="list-style-type: none"> + Opening up of new industrial zones in the greater Nairobi area
<ul style="list-style-type: none"> ▪ Multinationals turning Nairobi into a regional hub 	<ul style="list-style-type: none"> + A competitive and dynamic development industry,
<ul style="list-style-type: none"> ▪ Growing middle class & changing demographics 	<ul style="list-style-type: none"> + A supportive regulatory and planning environment,
<ul style="list-style-type: none"> ▪ Retail revolution in Kenya 	<ul style="list-style-type: none"> + Increased investment in infrastructure (roads, airports and rehabilitation of railway stock)
<ul style="list-style-type: none"> ▪ Increasing manufacturing output in Kenya and trade volumes 	<ul style="list-style-type: none"> - Land prices rising in excess of rent/value increases,
<ul style="list-style-type: none"> ▪ Oil and gas discoveries in E.A 	<ul style="list-style-type: none"> - Lands and title issues cause uncertainty and delay,
<ul style="list-style-type: none"> ▪ Increasing global demand for raw materials and agricultural products from the region. 	<ul style="list-style-type: none"> -Complex borders, customs and various taxes in the region
<ul style="list-style-type: none"> ▪ Kenya's strategic location as a gateway linking the E.A hinterland to the world 	<ul style="list-style-type: none"> -Traffic congestion in major cities like Nairobi, Dar-es-Salaam and Kampala

NAIROBI INDUSTRIAL ZONES

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Key
A-Airport
IA-Industrial Area
ICD-Inland Container Depot
CBD-Central Business District.

NAIROBI INDUSTRIAL ZONES



EXISTING ZONES

Area	Comments
Main Industrial Area	Overdeveloped. Congested. Very high land cost. No new development.
Embakasi/Airport Area	Shortage of land. High prices. Strong demand.
Ruaraka/Baba Dogo	Some patches of undeveloped land. High land cost. Strong demand.

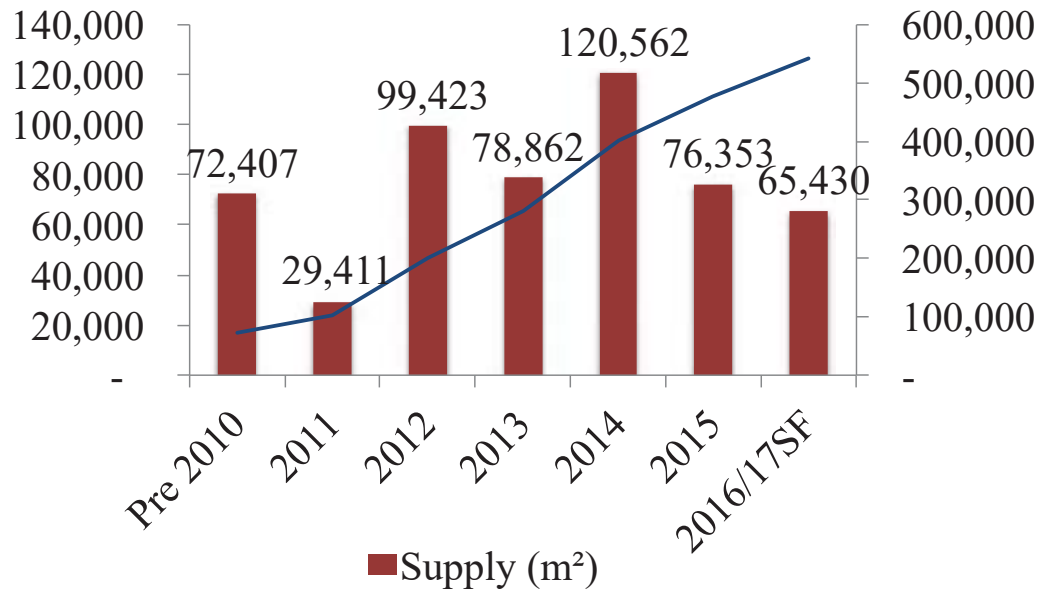
NEW ZONES

Area	Comments
Syokimau/Mlolongo	Residential developments more popular than Industrial
Athi River	Mix of heavy and light industries. Current oversupply. Weighbridge.
Ruiru/Juja	Growth area. Tatu City.
Eastern Bypass	Growth area. Northlands & Infinity. Road upgrade planned.
Southern Bypass-Nakuru Highway	Limited land availability. Tilisi. No spec development yet.

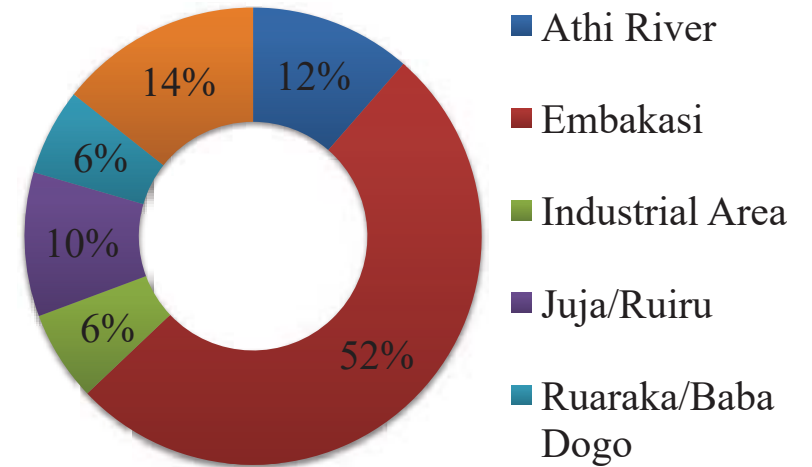
SUPPLY METRICS



YEARLY TREND



DISTRIBUTION

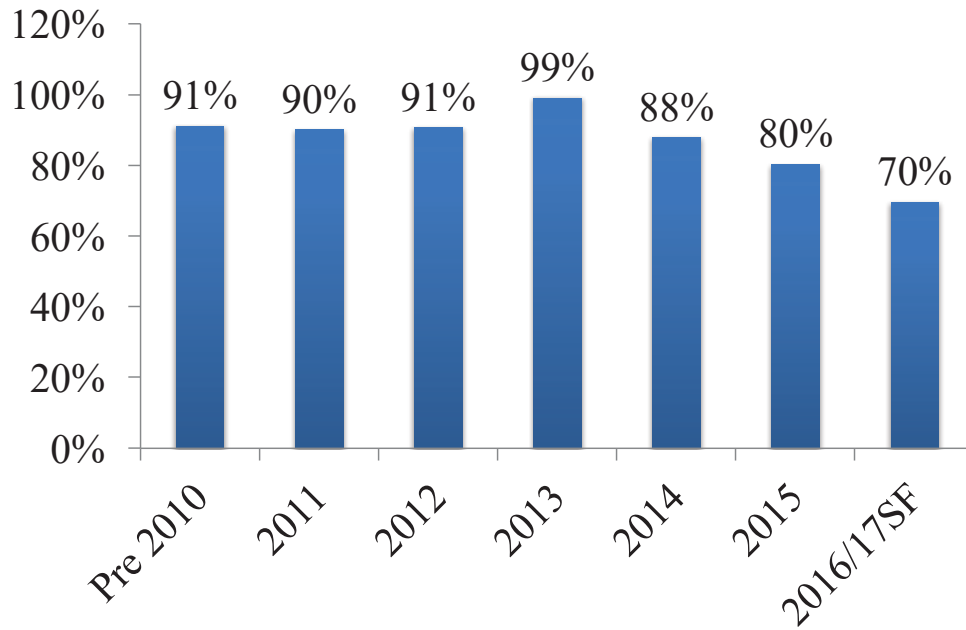


Sources: Emerge Developments

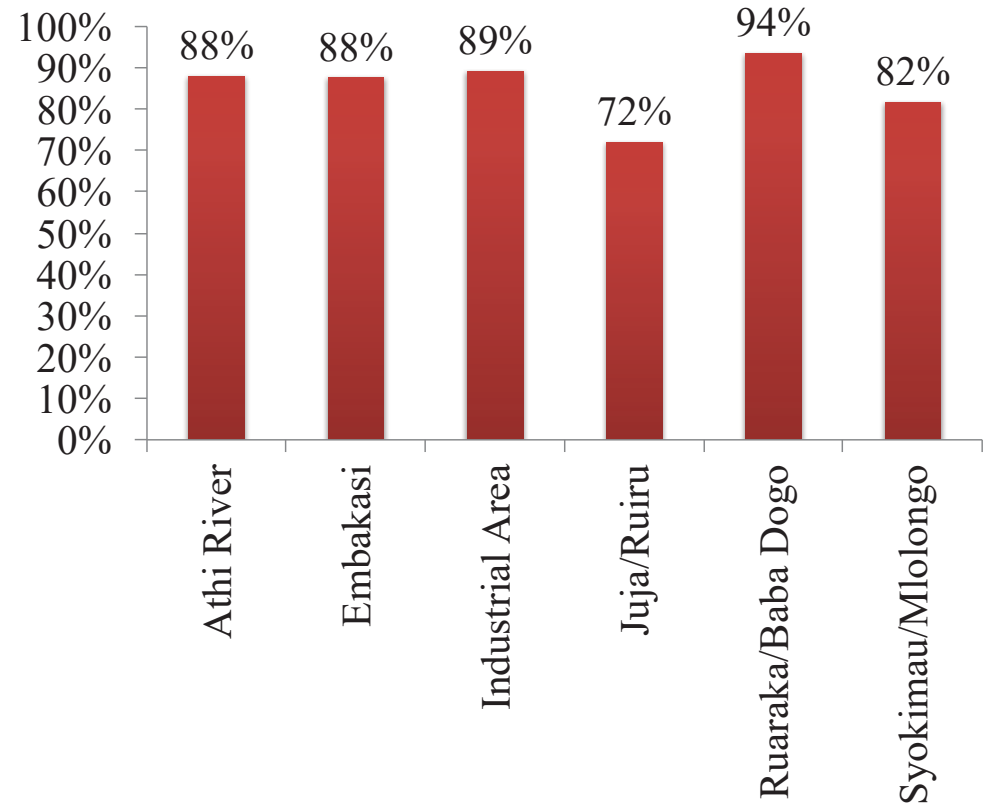
TAKE UP METRICS



YEARLY TREND



OCCUPANCY BY NODE

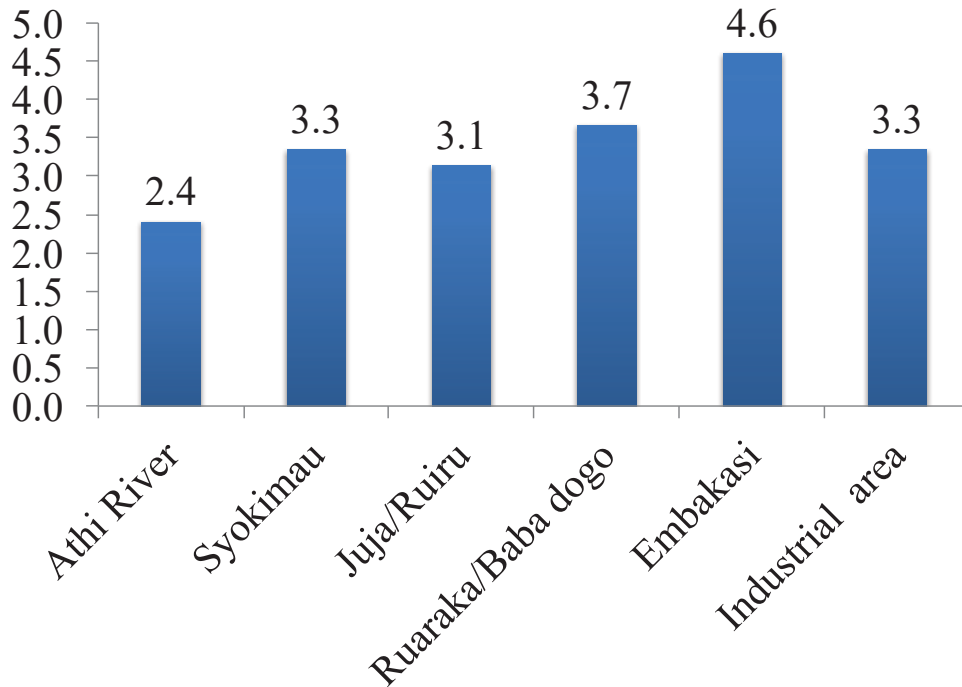


Sources: Emerge Developments

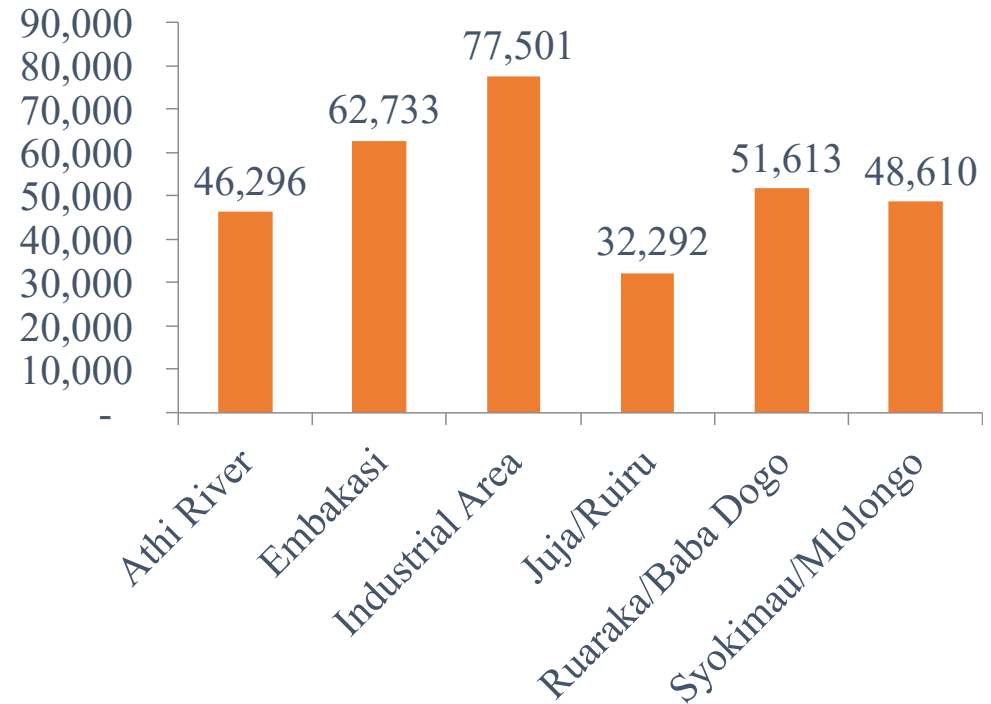
RENTS & SALE PRICES



AVERAGE RENTS USD/SQM/MONTH



AVERAGE SALE PRICE KES/SQM



Sources: Emerge Developments

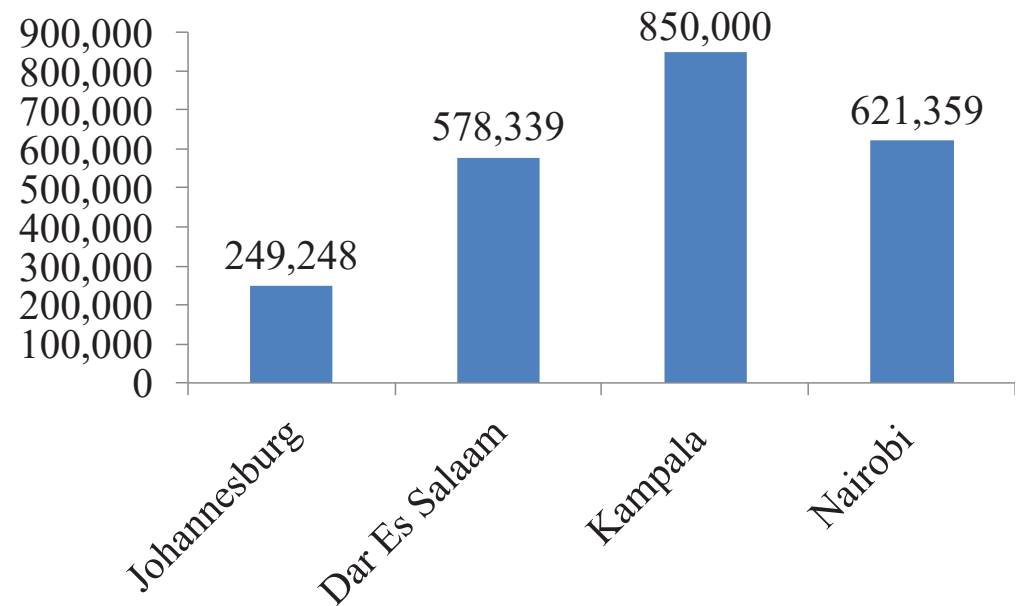
KENYAN MARKET IN COMPARISON TO OTHER COUNTRIES



AVERAGE RENTS USD/SQM/MONTH



LAND PRICES/ACRE (USD)



Sources: JLL Johannesburg Industrial Market Report 2016 & Listings
Knight Frank Africa Report 2015
Knight Frank Uganda Market Update 2015 & 2016
Emerge Developments

INVESTMENT MARKET



Imperial Logistics Distribution Centre



Overview

- One deal done to date on modern facility-Imperial Logistics
- Limited investment market for godowns as usually constructed by High Net Worth Individuals for long term hold.
- Numerous investors looking at the sector.
- Developers will need to break the impasse by delivering well-built and well-leased stock.

INVESTMENT MARKET



Imperial Logistics Distribution Centre



Deal Summary

Description	Comments
Investor	Mara Delta Property Holdings
Location	Mlolongo
Initial Yield	8.4%
Purchase Price	USD 16,880,000
GLA (m2)	13,560
Gross Rental/sqm/pm	USD 8.85

CURRENT STOCK



- 75%-80% site coverage
- +/- 8m to eaves
- No dock loading
- Limited spans with bay sizes not exceeding 1,000sqm
- Congested parking and loading areas
- Costs between KES 25,000 and 40,000 per m² to build (\$250-400 per m²)
- Tenant distrust of Landlord
- Rents at KES 25-50/sqft/m (\$2.69-5.38/ sqm/m) subject to location

REQUIRED STOCK



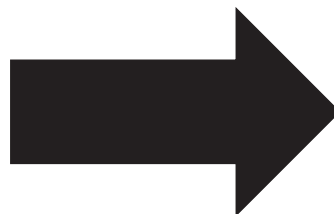
- 50%-60% site coverage
- 10m+ to eaves
- Dock loading
- Larger spans to facilitate racking. Units of 5,000sqm+
- Ample parking and loading areas
- Costs between KES 40,000 TO KES 80,000 per m2 to build (\$400-800 per m2)
- Strong Landlord/Tenant relationship
- Rents??

HOW DO WE MOVE TO PROVIDING REQUIRED STOCK



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Current Stock



Required Stock



- Developers acquiring and servicing accessible parcels of land
- Design work to reduce build cost and increase efficiency
- Market testing with delivery/speculative stock
- Focus on generating buildings at affordable rents
- Local occupiers to become convinced of efficiencies of investing in new space
- Multinational occupiers to streamline decision-making
- Investor market to demonstrate off-take to developer

QUESTIONS



1. Are operators prepared to pay the extra rent required for the right product or would they opt to stay in their old facilities for longer?
2. Can the development industry use technologies to bring down the cost of building modern warehousing, which is currently at least 50% more expensive than a country like South Africa?
3. What key factors do operators look at when considering a new location? What is more important to operators: Road access, railway, proximity to suppliers or proximity to customers, land price?
4. With rampant property price inflation over recent years many operators have preferred to buy rather than rent new facilities. This is not the case in developed countries where the vast majority of occupiers rent. Do operators see this situation changing over the coming years? If so: Is the investment market ready to acquire leased stock and, if so, at what yield?
5. Africa Logistics Properties & Actis are both developing new logistics parks in the Nairobi area and have plans to expand across East Africa: Could their representatives give us a 1 minute elevator pitch as to why we should come to your park rather than the competitor.