

(Introduction 15 mins | Panel 45 mins)

broll

NAVIGATING THE CHALLENGES OF NAIROBI'S RETAIL MARKET

Gordon Bell | Director and Head of East Africa Operations | Broll Property Group | EAPI Summit 2017

PART OF THE CBRE AFFILIATE NETWORK

CBRE

INTRODUCTION

The logo for 'broll' is located in the top right corner. It consists of the word 'broll' in a white, lowercase, sans-serif font, centered within a solid red square.

- A Macro View of East Africa
- Overview of Global Retail Trends
- A Look at East Africa Retail (Kenya)
- Reality
- Navigating Tactics and Conclusion (Panel Discussion)

MACRO VIEW OF EAST AFRICA

broll

Growing Population
Rapid Urbanisation
Growing Economies
Stabilising Political Environment
Improving Logistics and Infrastructure
Moves to Harmonise Regulatory Environment
Improved Levels of Wealth
Limited Available Property Stock

Retail and Office Retail Property Opportunity

GLOBAL RETAIL TRENDS

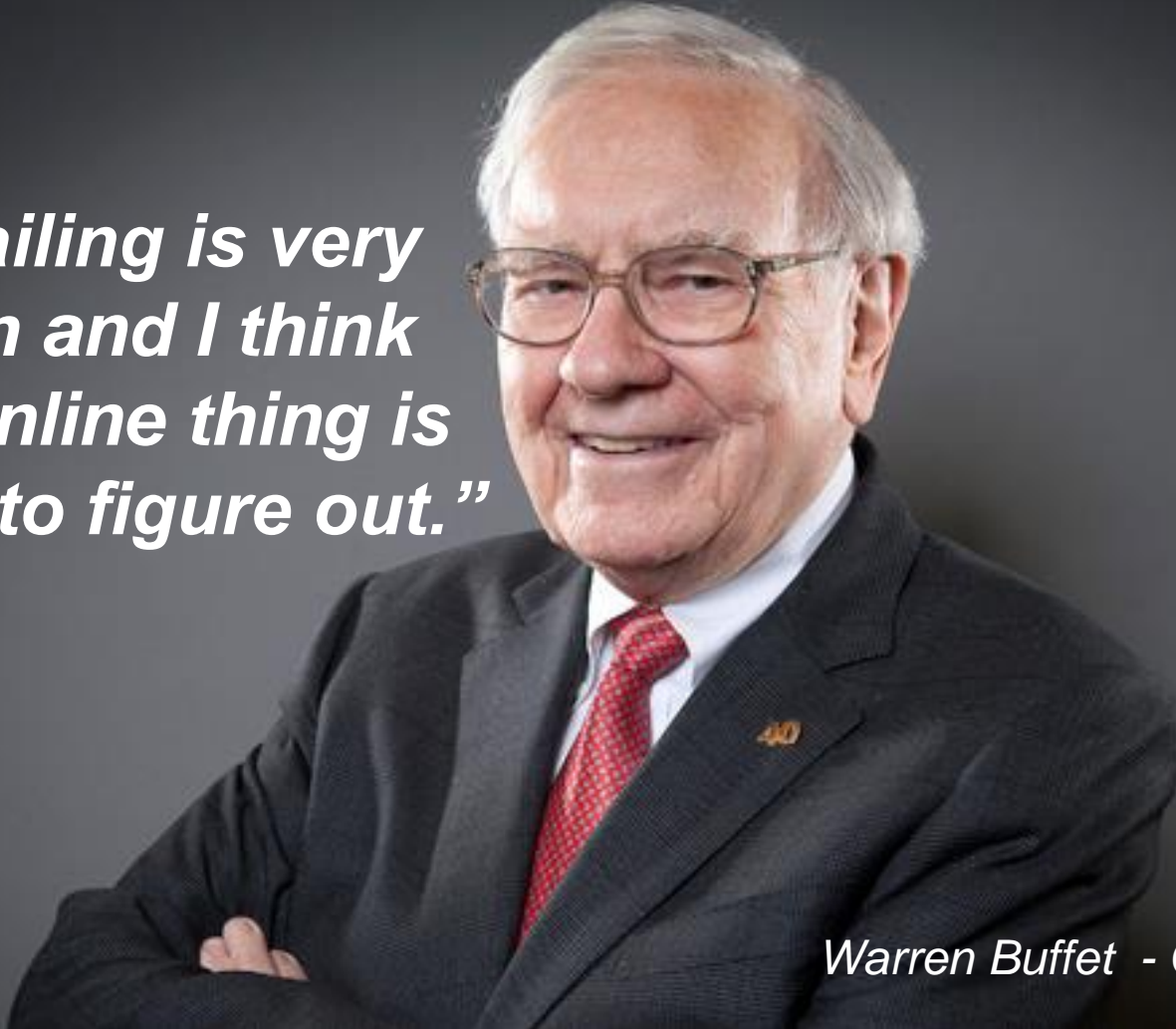
broll

- Online vs. Physical Shopfront Debate Rages on
- “Shoppertainment” Concept – The Mall Is About More Than Just Shopping!
- Transaction vs. Interaction
- Mixed-use Developments
- Segmentation of Retail Centres – Regional, Community and Neighbourhood

GLOBAL RETAIL TRENDS

broil

“Retailing is very tough and I think the online thing is hard to figure out.”



Warren Buffet - CNBC Squawk Box

EAST AFRICA RETAIL

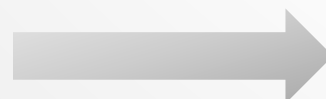
broll



2016 Market Overview

Sector Overview

	Retail
Size (approx.)	8,200,000ft ² (761,805m ²)
Demand	▲
Supply	▲
Rent/month	KSh248.56/ft ² - KSh430.20/ft ² (US\$26.06/m ² - US\$45.11/m ²)



2017 Indicators

Supply	▲
Demand	▶
Rent	▼

Source: Broll Kenya Market Report H1:2017

Retail Market Report



Spending power not fully reflected in the retail market.



Kenya's first shopping centre was built in 1980.



Retail developers continue to add more retail space to the market with approximately only 3.7 million ft² (350,000m²) expected to begin construction in 2017.

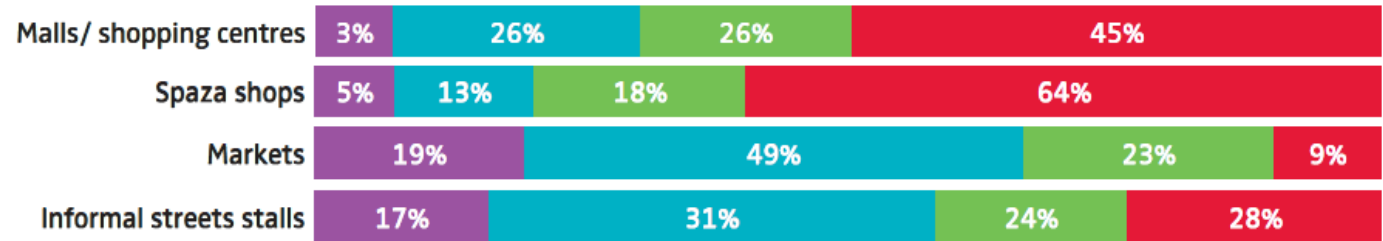


Local retailer expansion plans are unable to match the current increased supply of retail space in Nairobi and its environs.

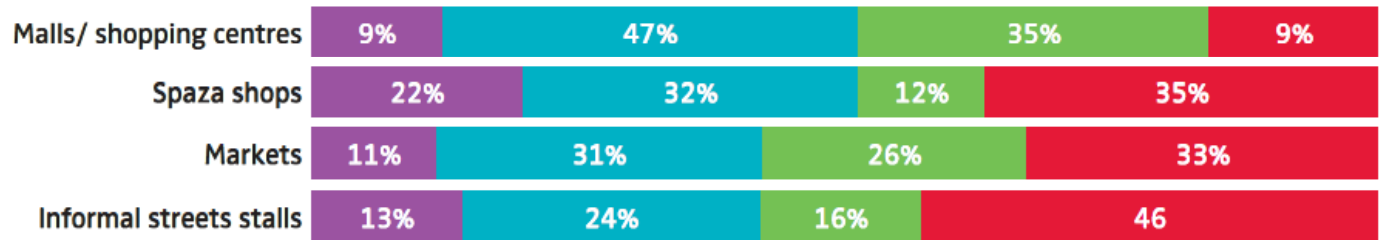
EAST AFRICA RETAIL

broll

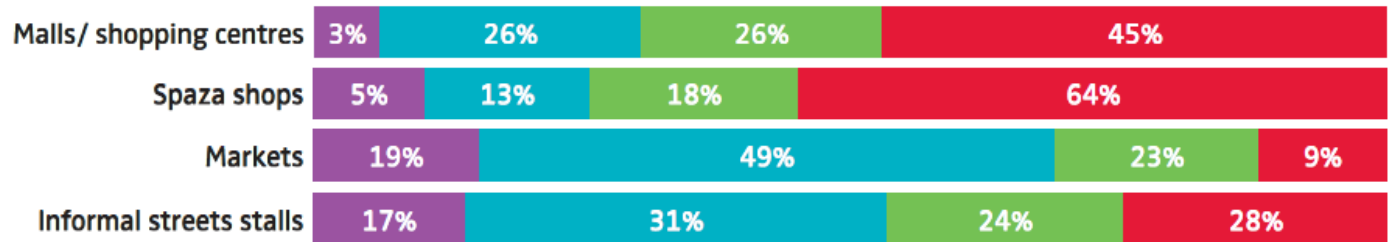
FREQUENCY OF SHOPPING IN KENYA



FREQUENCY OF SHOPPING IN SOUTH AFRICA



FREQUENCY OF SHOPPING IN NIGERIA



■ Daily
 ■ 1-5 times a week
 ■ 1-3 times a month
 ■ Less often/Never

Source: Broll Shopper Segmentation 2016 – Vol 2. Kenya

PART OF THE CBRE AFFILIATE NETWORK

CBRE

EAST AFRICA RETAIL

broll

FREQUENCY OF SHOPPING

Frequent visits and significant spend goes to informal retail still, while close to “0” in Europe

At least once a week I visit	Kenya	Nigeria	South Africa
Malls / SCs	29%	41%	29%
Markets	67%	74%	67%
Informal street stalls	68%	67%	48%
Spaza shop	18%	27%	19%

Source: Broll Shopper Segmentation 2016 – Vol 2. Kenya

PART OF THE CBRE AFFILIATE NETWORK

CBRE

EAST AFRICA REALITY

broll

COST HURDLE

A new build Mall costs



\$3,500/m²

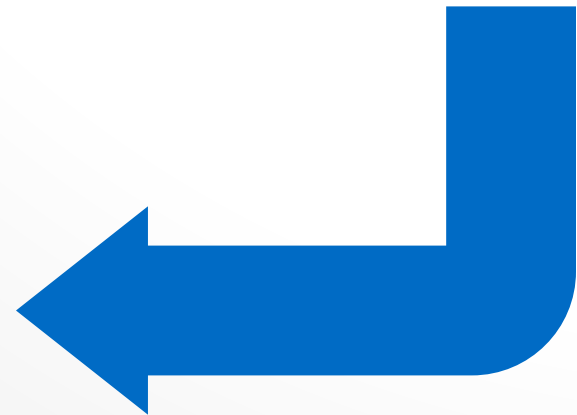
(Land and Building)



@9%

this requires an approximate

through rate of **\$26/m²**



EAST AFRICA REALITY

broll



GDP = \$294.3BN* (2016)



GDP = \$68.4BN* (2016 ESTIMATE)

FLAGSHIP NATIONAL ANCHOR BRANDS



Source: Oxford Economics | *Nominal GDP

LINE SHOPS AND LOCAL BRANDS

- Franchise market still developing
 - Sourcing off-takers
 - Sourcing finance
- Evidence of local brands overcommitting
 - Cannot simply open everywhere
 - Limited evidence of application of business viability analysis
- Cost structure and sales are generally in local currency
 - US\$ Rentals (although EA currencies appear relatively stable)

**ARE WE EXCLUDING THE LOCAL EMERGING
ENTREPRENEUR FROM THE MARKET?**

OCCUPANCY STATS

Broll Kenya Retail Market Report H1: 2017

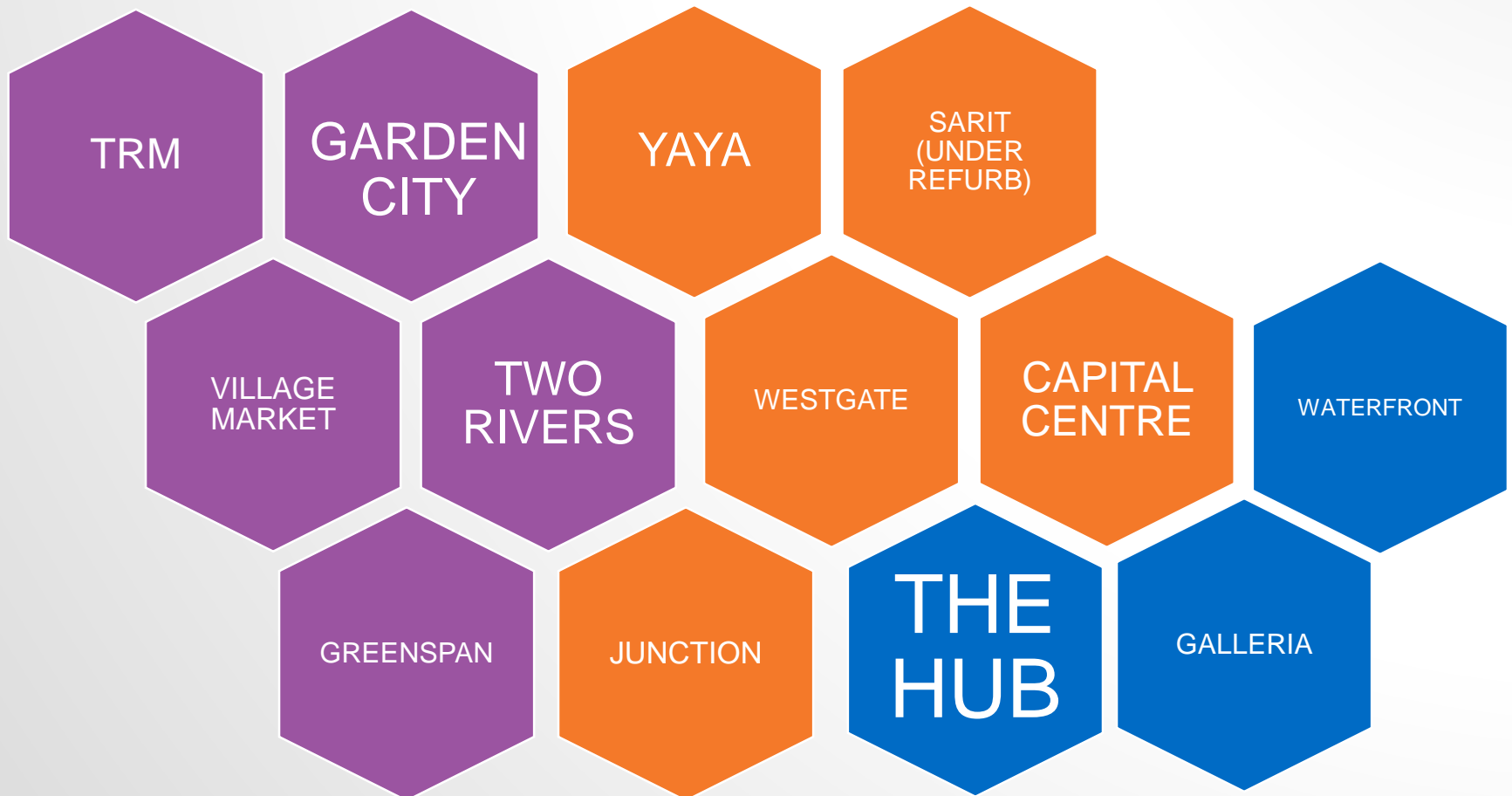
- Established Centres > 90%
- New Centres Average 75%
 - Depends on prudence of letting strategy
 - Depends upon long term strategy – function of funding

**ARE SOME NEW CENTRES DOING TOO MUCH
TO SIMPLY FILL THEIR CENTRES?**

EAST AFRICA REALITY

broll

PROXIMITY



NAVIGATING TACTICS

broil



PART OF THE CBRE AFFILIATE NETWORK

CBRE



broll

THANK YOU

Gordon Bell
Director and Head of East Africa Operations
Broll Property Group
gbell@broll.com

PART OF THE CBRE AFFILIATE NETWORK

CBRE