



# Kenya - Nairobi

## Overseas investment driving expansion

### Economic outlook

Kenya's diverse economy continued to perform well, driven on by cheaper fuel prices, good agricultural performance, supportive monetary policy, and ongoing infrastructure investments.

### Construction market and trends

Infrastructure grew by 13.6 percent in 2015, largely due to implementation of mega-infrastructure and energy flagship projects.

Key projects are the Northern Corridor Transport Improvement Project (NCTIP) and the Lamu Port and Lamu Southern Sudan-Ethiopian Transport Corridor (LAPSSET), which have been helping to grow inbound investments in surrounding construction developments. The latter project will expand port access, boost rail construction, and include a pipeline for recently discovered oil in the country.

Funding from the World Bank and UN has been made available for the construction of 150,000 apartments in place of slums. Chinese investment is underway in numerous projects across the country.

### Future outlook

The real estate and construction sectors continue to be key drivers of economic growth in Kenya, as they have been for the last five years, and the Kenyan construction industry contributes 7 percent of GDP.

With elections scheduled for 2017, however, there is a possibility that investors could defer investment decisions until after the elections. Election-related expenditure could also result in a cutback in infrastructure spending.

### International building costs per m<sup>2</sup> of internal area, in 2016

	KES	USD (exchange rate: 104)
<b>Airports (building only)</b>		
Domestic terminal, full service	267,000	2,567
Low-cost carrier terminal, basic service	190,714	1,834
<b>Car parks</b>		
Multi-storey above ground	37,500	361
Multi-storey below ground	41,000	394
<b>Commercial</b>		
Offices – Business Park	60,000	577
CBD offices – up to 20 floors medium (A-Grade)	65,000	625
CBD offices – high-rise prestige	82,000	789
<b>Education</b>		
Primary and secondary	45,000	433
University	50,000	481
<b>Hospitals</b>		
Day centre (including basic surgeries)	85,000	817
Regional hospital	100,000	962
General hospital (e.g. city teaching hospital)	120,500	1,159
<b>Hotels</b>		
3 Star travellers	97,000	933
5 Star luxury	128,500	1,236
Resort style	130,000	1,250
<b>Industrial</b>		
Warehouse/factory units – basic	35,000	337
Large warehouse distribution centre	49,000	471
High-tech factory/laboratory	100,000	962
<b>Residential</b>		
Individual detached or terrace style house – medium standard	52,000	500
Individual detached house – prestige	75,000	721
Townhouses – medium standard	55,000	529
Apartments low-rise – medium standard	55,000	529
Apartments high-rise	65,000	625
Aged care/affordable units	45,000	433

Kenya – international building costs	KES	USD (exchange rate: 104)
<b>Retail</b>		
Large shopping centre including mall	65,000	625
Neighbourhood including supermarket	55,000	529
Prestige car showroom	67,200	646
<b>Composite trade rates</b>		
Excavate basement (m <sup>3</sup> ) (1,800m <sup>3</sup> job)	400	4
Excavate footings (m)	320	3
Concrete in slab (m <sup>3</sup> ) (1,500m <sup>3</sup> job)	14,000	135
Reinforcement in beams (tonne)	120,000	1,154
Formwork to soffit of slab (m <sup>2</sup> )	600	6
Blockwork in wall (m <sup>2</sup> ) (10,000 block job)	2,000	19
Structural steel beams (tonne)	204,000	1,962
Pre-cast concrete wall (m <sup>2</sup> )	6,550	63
Curtain wall glazing including support system (m <sup>2</sup> ) (1,000m <sup>2</sup> job)	19,800	190
Plasterboard 13mm thick to stud wall (m <sup>2</sup> ) (3,000m <sup>2</sup> job)	3,250	31
Single solid core door including frame and hardware (no) (50 door job)	39,500	380
Painting to walls primer + 2 coats (m <sup>2</sup> )	400	4
Ceramic tiling (m <sup>2</sup> ) (1,000m <sup>2</sup> job)	2,000	19
Vinyl flooring to wet areas (m <sup>2</sup> ) (500m <sup>2</sup> job)	2,000	19
Carpet medium tufted (m <sup>2</sup> ) (4,500m <sup>2</sup> job)	5,000	48
Lighting installation (m <sup>2</sup> ) (5,000m <sup>2</sup> + job)	990	10
Copper pipe 15mm to wall (m) (1,000m+ job)	2,600	25
Fire sprinklers (per m <sup>2</sup> ) (5,000m <sup>2</sup> job)	3,200	31
Air conditioning including main plant (m <sup>2</sup> ) (5,000m <sup>2</sup> + job)	10,300	99
<b>Labour costs</b>		
Group 1 Tradesman e.g. plumber, electrician	600	6
Group 2 Tradesman e.g. carpenter, bricklayer	600	6
Group 3 Tradesman e.g. carpet layer, tiler, plasterer	600	6
General labourer	400	4
Site foreman	1,500	14
<b>Material costs</b>		
Concrete 30 MPa (m <sup>3</sup> ) (1,500m <sup>3</sup> job)	11,000	106
Reinforcement bar 16mm (tonne) (120 tonne job)	98,000	942
Concrete block (400x200) per 1,000 (>10,000 block job)	60,000	577
Standard brick per 1,000	52,000	500
Structural steel beams (tonne) (100 tonne+ job)	170,000	1,635
Glass pane 10mm tempered (m <sup>2</sup> )	9,000	87
Softwood timber for framing 100mm x 50mm (m)	420	4
13mm plasterboard (m <sup>2</sup> )	1,500	14
Emulsion paint (litre)	685	7
Copper pipe 15mm (m) (1,000m+ job)	1,430	14
Copper cable (m) (3C + E, 2.5mm PVC) (100,000m+ job)	360	4
<b>Plant</b>		
Hire 50t mobile crane + operator (day)	60,000	577

<b>Market:</b>	<b>Warm</b>
<b>Tendering:</b>	Staying the same
<b>Cost escalation 2016–17:</b>	1.0%
<b>Cost escalation 2017–18:</b>	1.0%
<b>Contractor's margin:</b>	8.5%
<b>Preliminaries:</b>	5.0%
<b>Location factor (USD):</b>	63
<b>PPP coefficient:</b>	76.78