



Urban Development Advisory and Finance

INTELLIGENCE. INSIGHT. INVESTMENT





The Property Boom to Come:
Are you ready?

Dr. Laila Macharia

ABOUT SCION REAL

Scion Real is a boutique property advisory and investment firm focused on urban development (real estate and infrastructure).

Clients, ranging from property development companies and financial institutions to public agencies and international investors, rely on us for rigorous and incisive ***intelligence, insight and investment.***

ABOUT ME



- Over 10 years in real estate investment and management, including real estate development and project finance in Nairobi, property management in Maryland and ownership of apartment complexes in New Jersey.
- Chair of the Kenya Private Developers Association, an alliance of progressive property developers.
- Wide experience managing international transactions, including US\$5 billion bond financing program at Clifford Chance New York.
- Attorney admitted to practice in Kenya, New York and Maryland (USA).
- Regular contributor to the *East African* and *Business Daily* on urban development issues.
- Doctorate in Law – Institutional Reform (Stanford University - USA).
- B.A in Planning (University of Oregon - USA)

POISED FOR TAKE-OFF

PROPERTY INDUSTRY GROWTH DRIVERS

- Urbanization
- Household formation
- Economic growth
- Government Planning
- Improved Governance
- Expansion of Capital Markets
- Interest in Africa (increased competition, convergence, sophistication, scale)



THE LUCKIEST PEOPLE ON EARTH



- ✓ Africa/Middle East will lead the world in real estate demand over the next 2 years?
- ✓ By 2030, almost half of all Africans, about 760 million people, will be living in cities?
- ✓ East Africa is the fastest urbanizing region in the world?
- ✓ Between 2007 and 2017, the number of people living in East African cities will double?
- ✓ Nairobi is one of the fastest growing cities in the world?

WHY REAL ESTATE?

Real estate is:

- ✓ an important wealth-builder for ordinary people
- ✓ remarkably resilient in East Africa and sustained growth even in 2008/9
- ✓ an employer for almost everyone
- ✓ a sector with a dramatic multiplier effect
- ✓ a key economic indicator
- ✓ a potential pillar for urban and economic policy



SOMETHING FOR EVERYONE

- Professionals
 - Architects
 - Planners
 - Engineers
 - Quantity Surveyors
- Contractors
- Developers
- Lawyers
- Marketers
- Suppliers
- Policy-makers
- Regulators
- **Investors!**



THE REAL BOOM IS YET TO COME



VISION 2030
a competitive and prosperous Kenya

 **Scion Real**
Building Africa
www.scionreal.com

WHAT TO EXPECT

Our regional industry should expect increased:

- Competition
- Convergence
- Sophistication
- Scale

To cope and compete, our regional industry has to address:

- Capacity
- Capital
- Chauvinism
- Corruption
- Culture
- Change Resistance



STEP I: KNOW YOUR OPTIONS

Options:

1. **Purchase** (or fix up) a home

- to live in
- to rent out
- to resell

2. **Develop** many homes/offices/shops at once

- alone
- with a few friends or family members? ('chama')
- a few more others (syndication/hedge funds)
- with very many others (real estate investment trusts)



STEP 2: DO YOUR HOMEWORK

The Real Estate Investor's Toolkit

1. Market Research
2. Due Diligence
3. Feasibility Analysis
4. Business Planning
5. Professional Advice
6. Project Management
7. Portfolio Management



STEP 2: DON'T BELIEVE THE HYPE!/1

Q. Why are Nairobi home prices increasing so quickly? Is there a bubble? What drives prices anyway?

A. Production cost, supply and demand

The following inputs go into building a home:

- ✓ Land
- ✓ Brick and mortar
- ✓ Professional services (project manager, architect, quantity surveyor, engineers)
- ✓ Legal Fees
- ✓ Marketing Fees
- ✓ Cost of Finance
- ✓ Tax



STEP 3: DON'T BELIEVE THE HYPE!/2

Demand is increased by:

- Household formation
- Growth in real incomes (increased purchasing power)
- Increased availability of credit
- Demographic factors (the 4-fold rule)

Supply is reduced by:

- Scarcity of inputs (eg. serviced land)
- Slow or inefficient developers
- Difficult or risky investment environment
- Personal tastes and preferences

STEP 4: OPEN YOUR EYES



AERIEL VIEW FACING NORTH



STEP 4: HAVE THE RIGHT ATTITUDE

- The Right Attitude: Abundance
 - If my neighbour prospers, I prosper
 - If Nairobi prospers, I prosper
 - If Kenya prospers, I prosper
- Be prepared
- See far like....
- Use the power of partnership
- Dream big but do NOT despise small beginnings
- Start today (always in, never out...)
- The key to your future is you!



THE AFFLICTION

com·pla·cen·cy

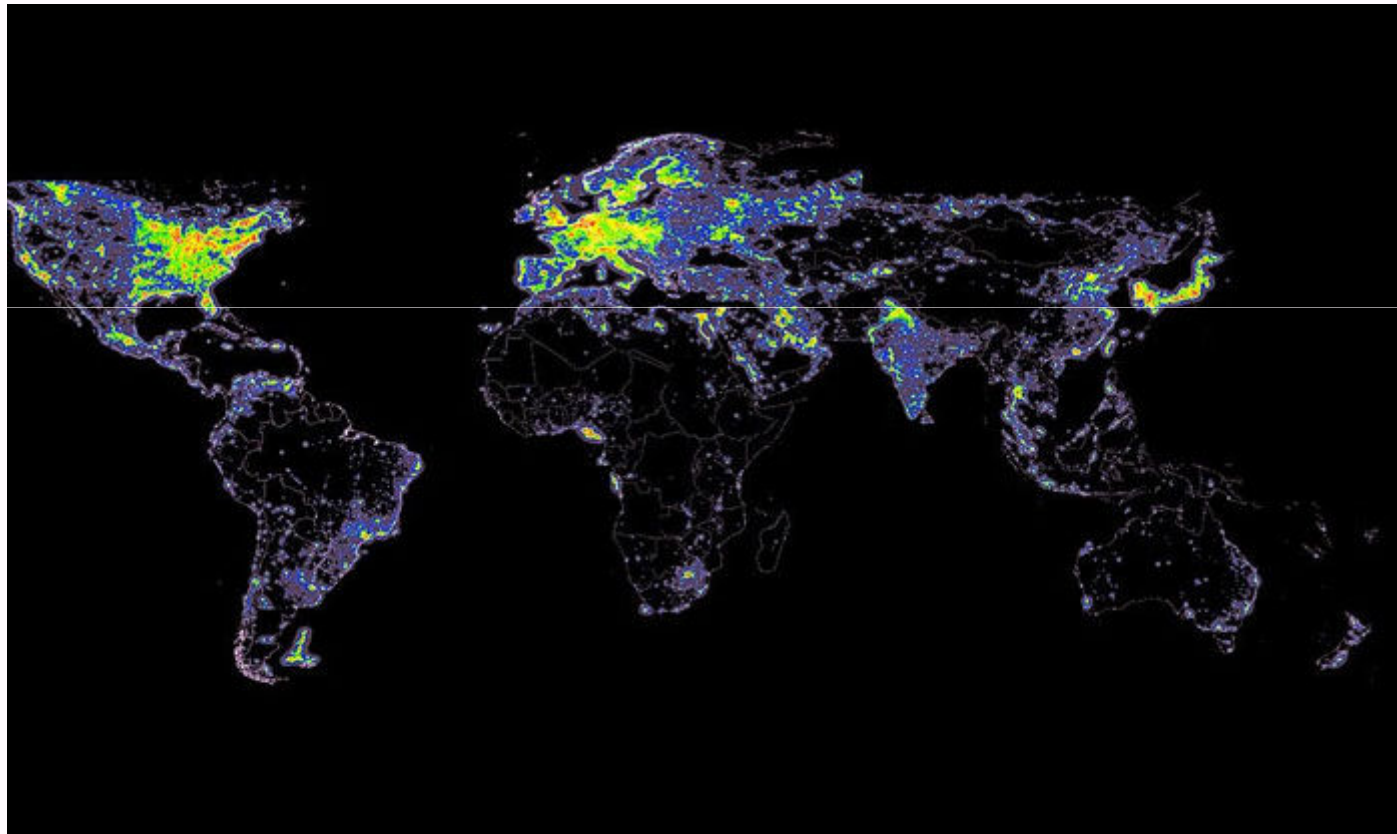
n. sing.

1. a feeling of quiet pleasure or security, often while unaware of some potential danger, defect, or the like;
2. self-satisfaction or smug satisfaction with an existing situation, condition, etc.



THE ANTIDOTE

A sense of backwardness



2-Day Course: November 11-12, 2010

The Future of Real Estate

- Why real estate?
- Why now?
- Getting started

Investing

- The Development Process
- Market analysis
- Financial analysis

Growing

- Financing your project
- Navigating the law
- Growing your company

CONTACT US

Laiboni Center, 4th Floor
Lenana Road (cross street: Rose Avenue)

P.O. Box 10075, Nairobi 00100

Tel: (20)4938300

Email: info@scionreal.com

Website: www.scionreal.com