

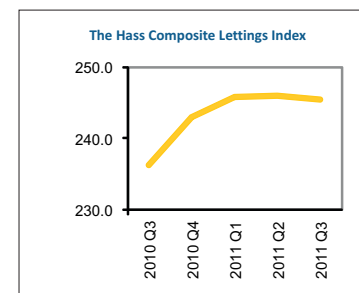
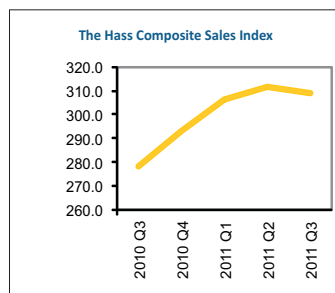
# QUARTER THREE REPORT 2011

## Top-end rents drop on squeezed consumer spending

- Asking rents fall by 0.2 per cent, as standalone house rentals dropped 0.5 per cent and town house rents fell 1.9 per cent
- Only smaller apartments saw any increase in rental prices
- Sales prices across all properties dropped by 1%
- Asking prices on houses fell at the top of the market, for standalone houses, but were stable for apartments and townhouses
- Property maintained its lead over all other investment classes as an inflation beater

### Index Highlights:

#### SALES AND LETTINGS COMPOSITE INDEX YEAR TO Q3



HEADLINES - HASS COMPOSITE SALES INDEX	% Change in Quarter	% Change in Year
All Properties	-1.0 %	+10.9 %
Stand Alone Houses	-1.8 %	+10.6%
Townhouses	+0.7%	+11.3 %
Apartments	+0.6 %	+11.7 %

\*The Hass Composite Sales Index is a measure of asking sales prices and is now based on a mix adjusted method

HEADLINES - HASS COMPOSITE LETTINGS INDEX	% Change in Quarter	% Change in Year
All Properties	-0.2 %	+3.9 %
Stand Alone Houses	-0.5 %	+5.0 %
Townhouses	-1.9 %	-3.5 %
Apartments	+1.2 %	+6.8%

\*The Hass Composite lettings Index is a measure of asking rental prices and is now based on a mix adjusted method

Rents revealed the clear impact of current economic pressures in the third quarter, even as house prices held stable, reported HassConsult when unveiling the Hass indices for July to September 2011. As inflationary and currency pressures continued to exert pressure on consumers' personal budgets, house prices stabilized, in a market where almost all the homes owned are already fully paid for, and require no monthly payments.

The tiny segment of homes that have been bought with mortgages has left the local housing stock largely protected from the forced sales that follow from mortgage defaults in an economic downturn.

The rental market, however, which is characterized by a relatively high ratio of rental spending as a proportion of income, is now revealing the clear impact of spending pressures. In the third quarter, asking rentals across all properties fell by 0.2 per cent compared with the previous quarter. This amounted to a sharp slowdown on the growth in asking rentals in the second quarter, when rents rose by only 3.9 per cent on the previous year, driven by a 5 per cent in rents for standalone houses, and a 6.8 per cent in rents for apartments.

These were offset in the second quarter by a -3.5 per cent fall in the rents on town houses.

The third quarter rental prices revealed a much more subdued rentals market. The asking rentals on town houses continued to fall, by a further 1.9 per cent in the quarter, pointing to the possibility of some oversupply in the availability of town houses for rent.

The rentals on standalone houses also fell, by 0.5 per cent.

Only apartment rentals saw further upwards pressure, up 1.2 per cent, but this rise was concentrated at the bottom end of the apartments market. The rentals on larger apartments fell over the period. But the rentals on smaller, cheaper apartments went up, as the one spot of rental rises in the middle and upper income property market.

“The shift in rental prices suggests we are seeing consumers who are moving down the accommodation ladder as their spending gets increasingly pressured - moving from larger to smaller rental properties and thus increasing demand at the bottom end of the market,” said Ms Farhana Hassanali.

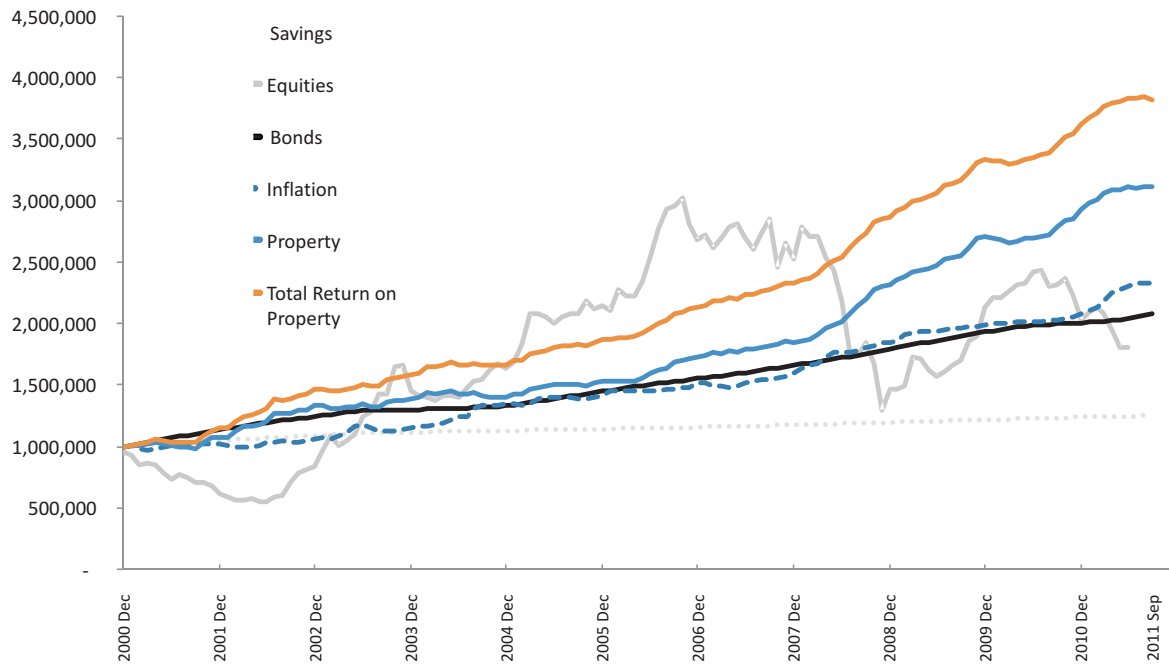
However, standalone house prices remained relatively stable in the third quarter of this year, falling by just 1.8% cancelling out the gain in the previous quarter in this segment. “We see the ongoing stability in house prices as indicative of a market with few forced sales and some extension in new funding for house buyers. We further see that any risk of any future over-supply in new builds is now being offset by the current slowdown in construction, meaning that we maintain our prediction of house price stability into the medium term,” said Ms Hassanali.

Asking prices for all property types however, fell by 1 per cent on the previous three months, after recording a 1.9 per cent increase in the previous quarter. Despite the slight dip, this still reflected a 10.9% increase over the year.

The more subdued pricing was also concentrated at the very top of the market.

HassConsult also issued comparisons of all broad investment categories – shares, bonds, property and savings – compared with inflation, which showed that since the year 2000, property has consistently outperformed all other investment categories, and earned returns consistently ahead of inflation.

## Investment Performance

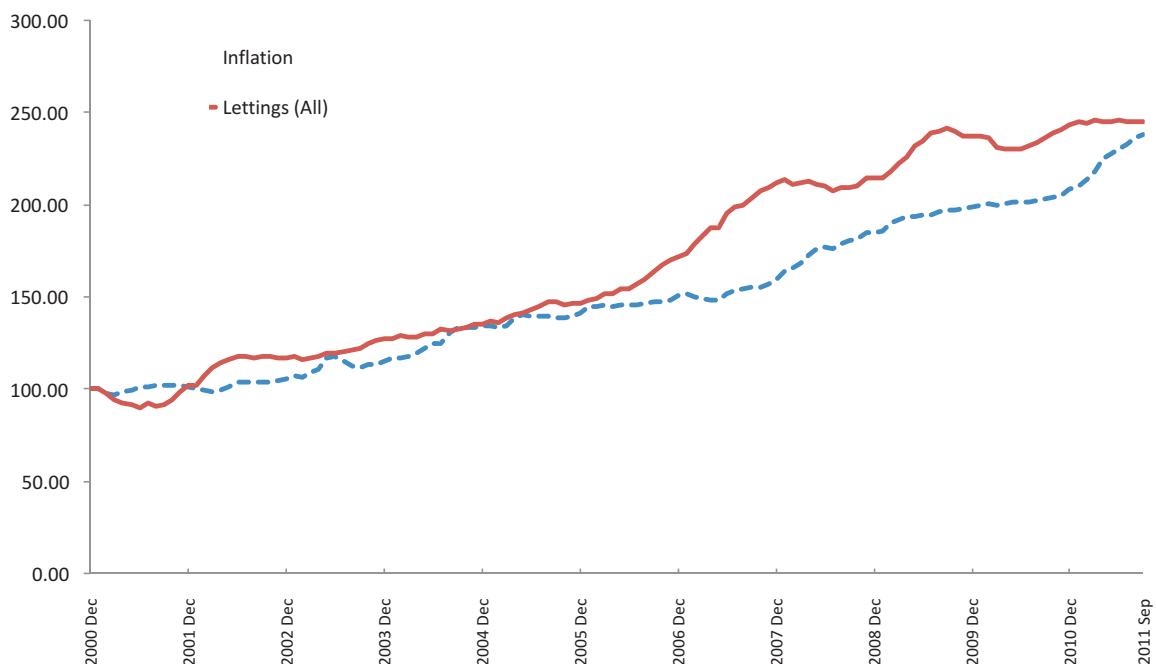


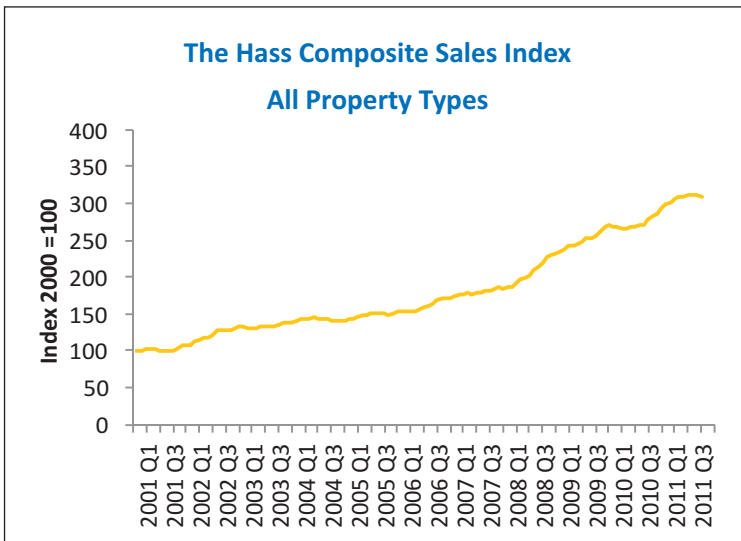
Source: Basis: 1,000,000 KHSs, net income reinvested, data from 31/12/2000 to 30/09/2011. Equities are represented by NSE (20) Share Index. Bonds are represented by Central Bank Interest rates (InterBank).

Inflation is measured by the KNBS Consumer Prices (CPI). Property is represented by the Hass Property Index. Savings are represented by commercial bank's weighted average interest rates. Property Total Returns through income in the form of rent and secondly capital appreciation resulting from rising house prices.

The Value of an investment can go up and down as a result of market movements. You may get back less than you invested. Past performance is not a reliable indicator of future performance. The purpose of the chart is to show volatility. Please note, you cannot invest directly in an index.

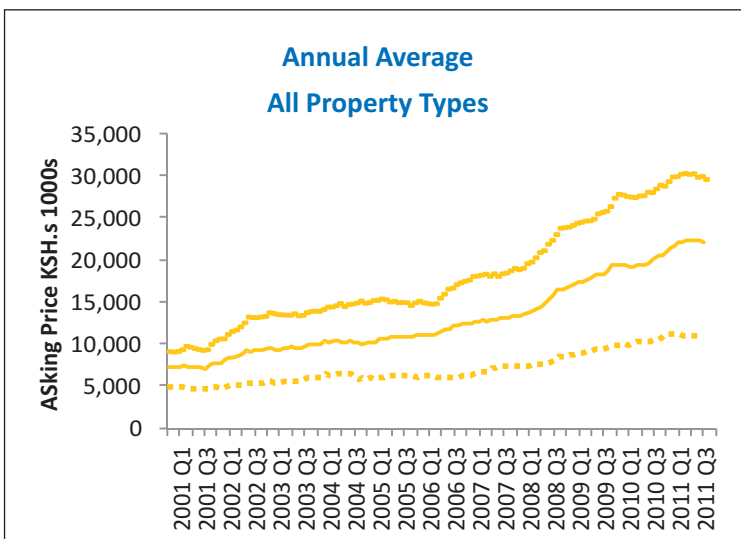
## Inflation against Letting Performance





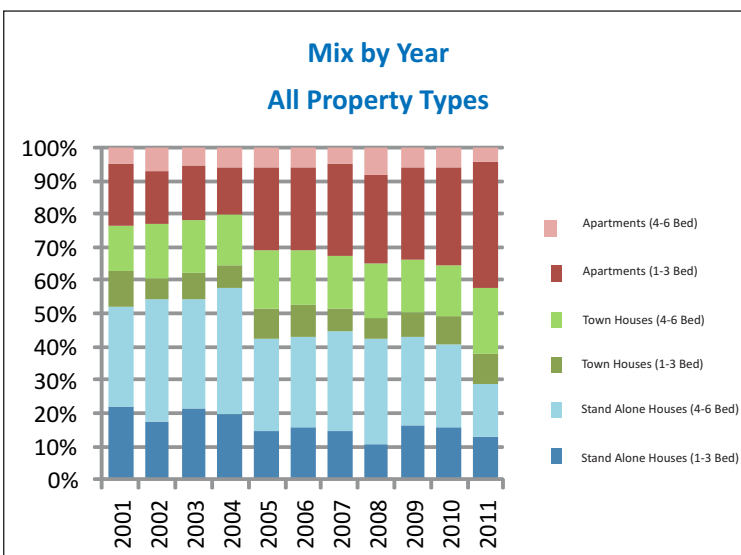
#### SNAP SHOTS:

- The Hass Composite Sales Index is representative of all property for sale in Kenya
- Property values have increased by 3.08 times since 2000
- The index shows a property price fall of 1.0% in the last quarter and an 10.9% rise in the last year.



#### SNAP SHOTS:

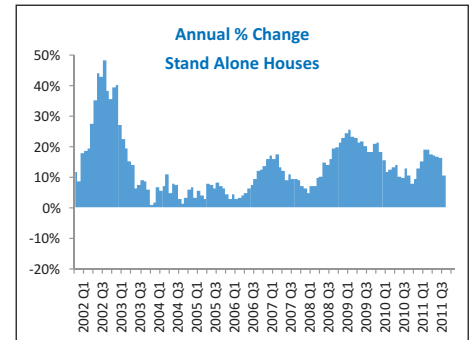
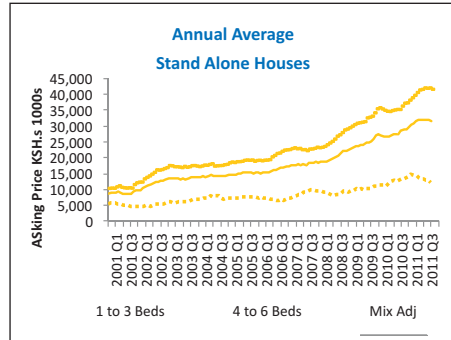
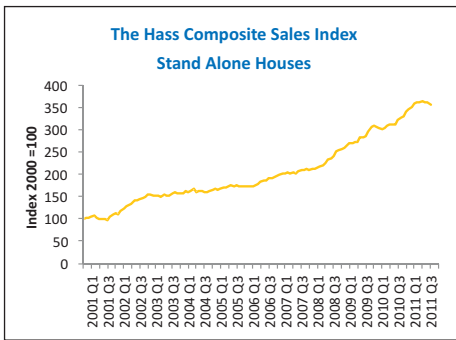
- The annual average is representative of the average price of all properties offered for sale in Kenya.
- The average value for a property has gone from 7.1 million in December 2000 to 22.13 million in September 2011.
- The average value for a 4-6 bedroom property is currently 29.65 million.
- The average value for a 1-3 bedroom property is currently 10.82 million.



#### SNAP SHOTS:

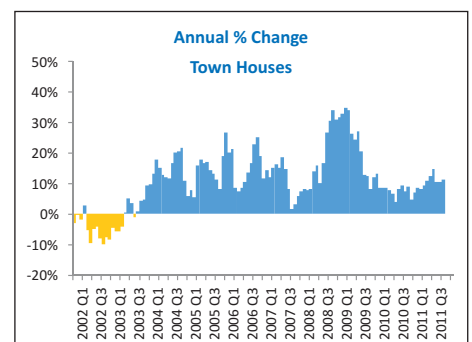
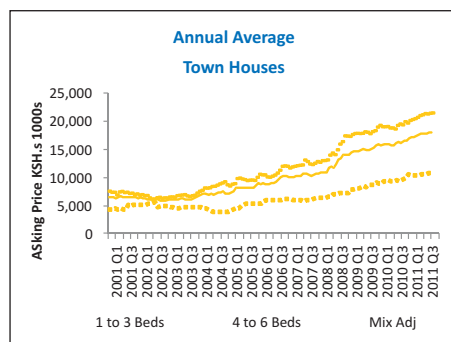
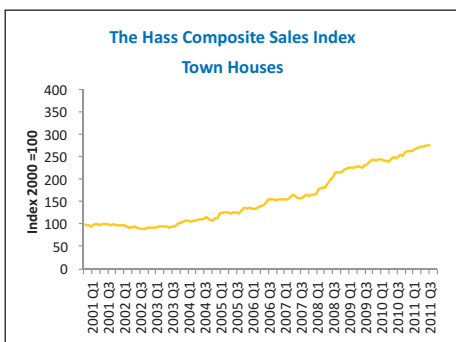
- The Mix by Year is a measure of the percentage that each type of property represents in the market.
- In 2001, apartments took up 23.5% of the market, Town Houses took up 24.5% of the market and Stand alone houses took up 52% of the market.
- In 2011\* however, apartments took up 42.5% of the market, Town Houses took up 28.5% of the market and Stand alone houses took up 29% of the market.

\*Provisional results based on 9 months Data



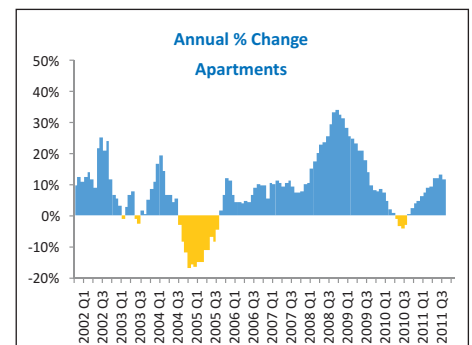
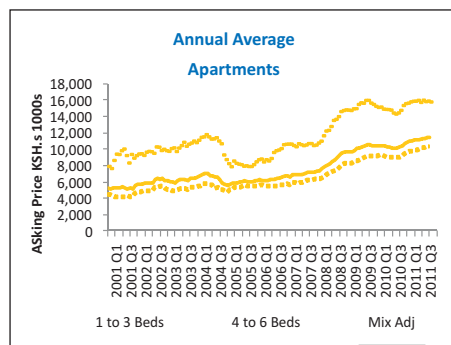
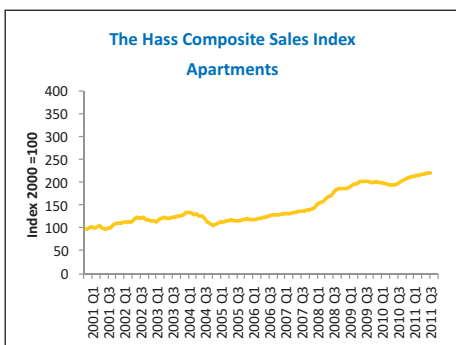
**SNAP SHOTS:**

- Stand Alone houses include houses, bungalows, cottages and villas either on their own plot or in a gated community.
- Property values for stand alone houses have increased by 3.57 times since 2001, a -1.8% rise in the last quarter and a 10.6% rise in the last year. The average price for a stand alone house is currently 31.4 million up from 8.8 million in December 2000.



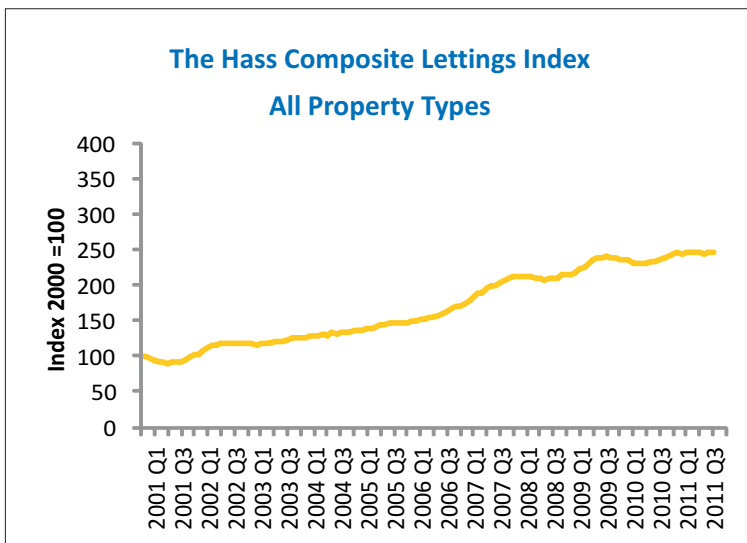
**SNAP SHOTS:**

- Town houses include townhouses and maisonettes that are semi-detached or terraced.
- Property values for town houses have increased by 2.75 times since 2001, a 0.7% rise in the last quarter and an 11.3% rise in the last year. The average price for a town house is currently 17.99 million up from 6.5 million in December 2000.



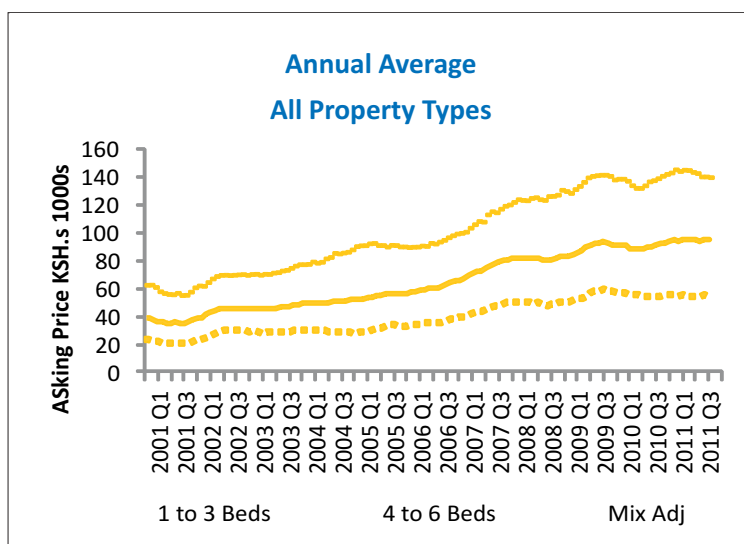
**SNAP SHOTS:**

- Apartments include apartments, duplexes and triplexes.
- Property values for apartments have increased by 2.19 times since 2001, a 0.6% rise in the last quarter and an 11.7% fall in the last year. The average price for an apartment is currently 11.42 million up from 5.2 million in December 2000.



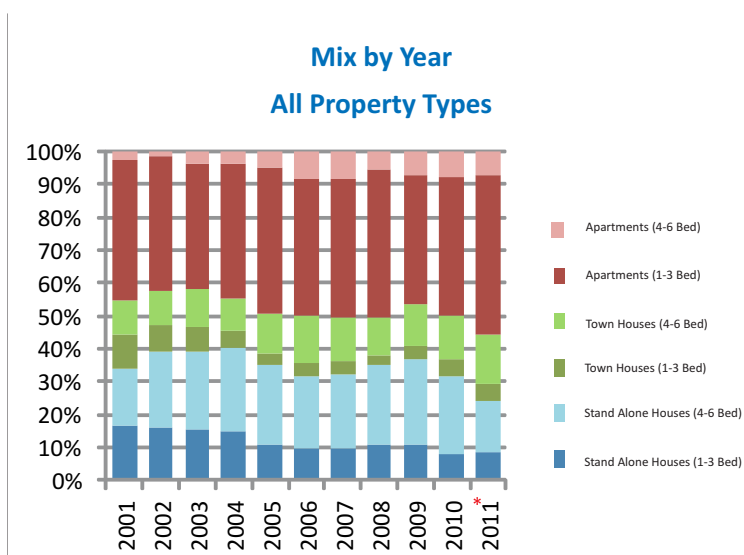
#### SNAP SHOTS:

- The Hass Composite Letting Index is representative of all property for rental in Kenya
- Rents have increased by 2.45 times since 2001
- The index shows rents have risen by -0.2% in the last quarter but have risen by 3.9% in the last year.



#### SNAP SHOTS:

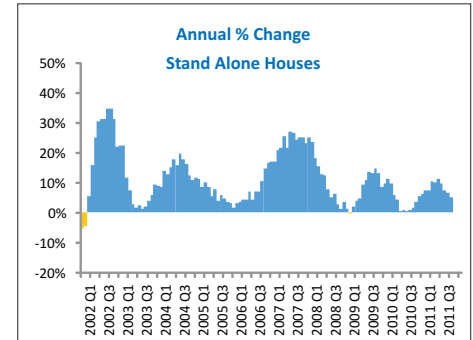
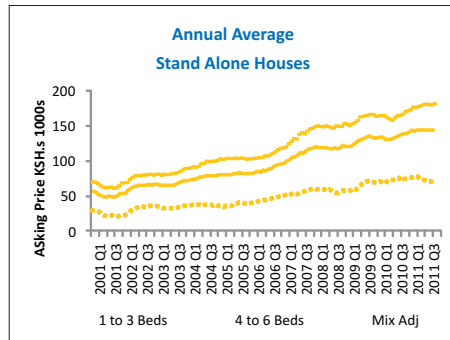
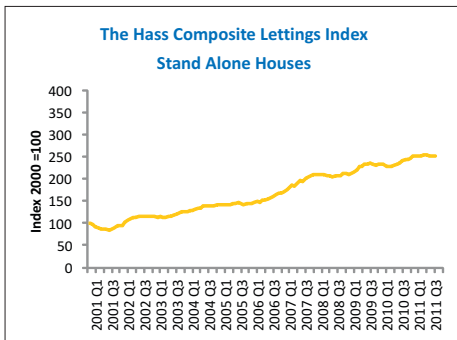
- The annual average is representative of the average rent of all properties offered to let in Kenya.
- The average rental for a property has gone from Kshs. 38,516 in December 2000 to Kshs. 94,549 in September 2011.
- The average rent for a 4-6 bedroom property is currently Kshs. 140,000.
- The average rent for a 1-3 bedroom property is currently Kshs. 55,000.



#### SNAP SHOTS:

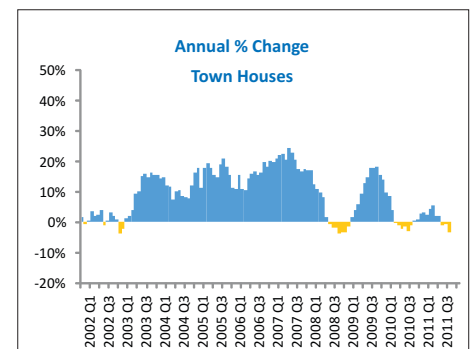
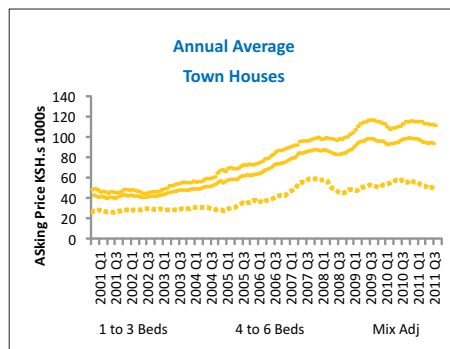
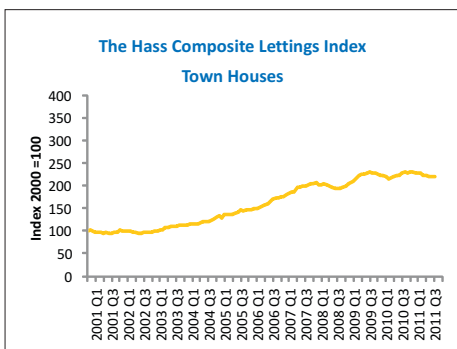
- The Mix by Year is a measure of the percentage that each type of property represents in the market.
- In 2001, apartments took up 45.3% of the market, Town Houses took up 20.5% of the market and Stand alone houses took up 34.1% of the market.
- In 2010, apartments took up 56.0% of the market, Town Houses took up 19.7% of the market and Stand alone houses took up 24.3% of the market.

\*Provisional results based on 9 months Data



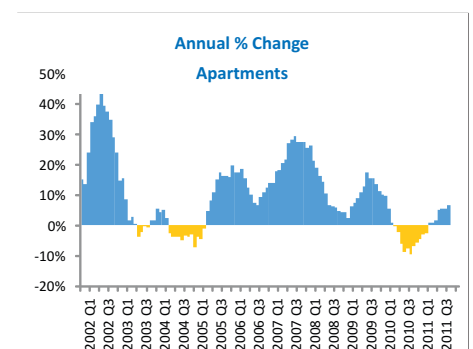
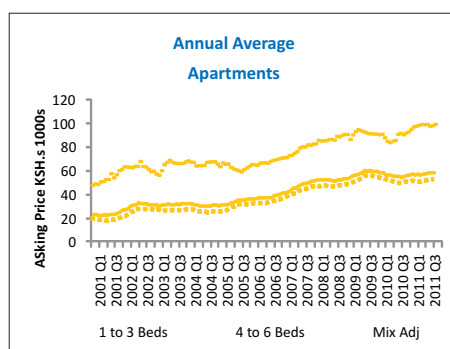
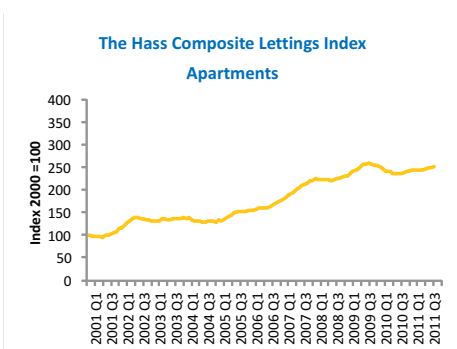
**SNAP SHOTS:**

- Stand Alone houses include houses, bungalows, cottages and villas either on their own plot or in a gated community.
- Rental values for stand alone houses have increased by 2.5 times since 2001, a -0.5% rise in the last quarter and an 5.0% rise in the last year. The average rental for a stand alone house is currently Kshs. 143,732 up from Kshs. 56,959 in December 2000.



**SNAP SHOTS:**

- Town houses include townhouses and maisonettes that are semi-detached or terraced.
- Rental values for town houses have increased by 2.19 times since 2001, a -1.9% fall in the last quarter and an -3.5% rise in the last year. The average rental for a town house is currently Kshs. 93,552 up from Kshs. 42,688 in December 2000.



**SNAP SHOTS:**

- Apartments include apartments, duplexes and triplexes.
- Rental values for apartments have increased by 2.5 times since 2001, +1.2% rise in the last quarter and a +6.8% rise in the last year. The average rent for an apartment is currently Kshs. 58,258 up from Kshs. 21,638 in December 2000.