

NW Realite - Property Valuation Analysis Report

Executive Report: Property Valuation Portfolio Analysis

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EXECUTIVE SUMMARY

This report provides a comprehensive analysis of NW Realite's property valuation portfolio, reflecting significant growth in portfolio value despite a reduction in the number of properties valued month-over-month. The total market value stands at KShs 12.6 billion across 117 properties, demonstrating the company's capability in managing high-value assets. A notable finding is the high concentration of both clients and geographic locations, with Bank clients and Nairobi County being dominant contributors to the portfolio's value.

While the portfolio exhibits robust value growth, key areas for strategic consideration include managing the significant portion of properties with encumbrances and exploring opportunities for diversification in client segments and geographic reach. Land use analysis highlights Commercial and Mixed Use properties as primary value drivers, indicating successful engagement in these lucrative sectors. The insights herein aim to support stakeholders in making informed decisions to optimize operations, mitigate risks, and capitalize on market opportunities.

1. Portfolio Overview

The current valuation portfolio comprises 117 properties, holding a substantial total market value of KShs 12,627,400,000. The average property value is KShs 107,926,496, however, the median property value of KShs 50,000,000 indicates a skewed distribution, suggesting the presence of several exceptionally high-value properties within the portfolio. This is further corroborated by a high Coefficient of Variation at 156.8%, reflecting significant diversity and spread in property values. The portfolio covers a total land area of 691.29 acres.

The substantial difference between the average and median values signifies that a few large-scale or high-value assets are considerably influencing the overall portfolio metrics. This structure presents both opportunities, in terms of high individual asset values, and potential risks associated with the concentration of value in a smaller number of properties. Understanding these dynamics is crucial for strategic planning and risk management.

2. Key Performance Indicators

The following are critical performance indicators for the valuation portfolio:

- Total Portfolio Value: KShs 12,627,400,000
- Month-over-Month Value Growth: 129.0%

- Month-over-Month Properties Growth: -50.0%
- Average Property Value: KShs 107,926,496
- Average Days to Valuation: 20.2 days
- Percentage of Portfolio Value Encumbered: 21.7%
- Top 5 Client Concentration: 72.5% of total portfolio value
- Most Active County (Geographic Concentration): Nairobi

3. Growth & Trends Analysis

The portfolio demonstrates a compelling growth trajectory in value, with a remarkable 129.0% Month-over-Month (MoM) growth in total market value. This substantial increase occurred despite a 50.0% MoM decrease in the number of properties valued. This trend indicates a successful strategic shift towards, or acquisition of, high-value mandates, where fewer properties are contributing significantly more to the overall portfolio worth.

Year-to-Date (YTD) figures align with the current portfolio, showing 117 properties valued for a total of KShs 12,627,400,000. The average time taken for a valuation, from instruction to completion, is 20.2 days, which provides a benchmark for operational efficiency. Maintaining or improving this turnaround time will be vital as the volume and complexity of high-value valuations potentially increase.

4. Client & Geographic Insights

Client segmentation reveals a high concentration, with Bank clients representing the largest share, contributing KShs 8,047,500,000 across 80 properties. Corporate clients follow with KShs 2,612,000,000 from 13 properties, and Individual clients with KShs 1,938,400,000 from 21 properties. Sacco clients contribute KShs 29,500,000 from 3 properties. The portfolio serves 28 unique clients, but a significant concentration exists, with the top 5 clients accounting for 72.5% of the total portfolio value. This indicates a strong reliance on a limited number of major clients.

Geographically, the portfolio extends across 23 counties, yet shows high concentration, with the top 5 counties accounting for 81.4% of the total value. Nairobi County is identified as the most active county, reflecting its position as a primary economic hub. This geographic focus presents opportunities for deeper market penetration in key regions but also highlights a potential need for diversification into other high-potential counties to mitigate regional market risks.

DETAILED ANALYSIS & RECOMMENDATIONS

5. Risk Assessment

A critical aspect of the portfolio analysis is the assessment of risk related to encumbrances. Currently, 30.8% of the properties within the portfolio are identified as having encumbrances. This translates to a substantial Value at Risk (VaR) of KShs 2,745,300,000, which represents 21.7% of the total portfolio value. This level of encumbrance indicates a significant portion of the assets may have legal or financial claims against them, potentially affecting their liquidity, marketability, or realization value in certain scenarios.

The concentration of value within encumbered properties necessitates robust risk management strategies. It is essential to understand the nature of these encumbrances, their potential impact on valuation accuracy,

and the long-term implications for stakeholders. Ongoing monitoring and proactive management of these properties are crucial to safeguard the portfolio's integrity and mitigate potential financial exposures.

6. Land Use & Value Analysis

The portfolio's value is primarily driven by Commercial and Mixed Use properties. Commercial properties account for 38 properties with a total value of KShs 5,129,000,000 (40.62% of total value), followed by Mixed Use properties with 18 properties valued at KShs 3,819,000,000 (30.24%). Residential properties, while having the highest count (42 properties), contribute a comparatively lower total value of KShs 1,611,400,000 (12.76%), with a significantly lower average value per property. Agricultural properties contribute KShs 1,771,500,000 from 13 properties (14.03%), while Industrial and Vacant land make up smaller portions.

The overall average value per acre across the portfolio is KShs 378,125,492, however, the median value per acre is KShs 128,000,000. This substantial difference between the average and median underscores the impact of a few high-value, possibly smaller-acreage properties (e.g., prime urban plots) skewing the average upwards, while a larger number of lower-value properties (e.g., rural agricultural land) bring down the median. The performance is supported by 2 valuers, with Simon Oruka Orwa and Danish Onyango Orech identified as the most active. On average, 10.6 inspections are conducted monthly.

7. Strategic Recommendations

Based on the analysis, the following strategic recommendations are provided:

- 1. Client Diversification Strategy:** Develop a targeted outreach program to reduce reliance on the top 5 clients. Explore opportunities in the Corporate and Individual segments, and identify strategies to grow the Sacco client base, which currently represents a small fraction of the portfolio value.
- 2. Geographic Expansion Initiative:** Conduct a market study to identify high-potential counties beyond the current top 5, particularly Nairobi. Formulate a strategy to expand valuation services into these new markets to diversify geographic risk and unlock new revenue streams.
- 3. Enhanced Risk Monitoring for Encumbrances:** Implement a more granular tracking system for properties with encumbrances. This includes understanding the specific nature of each encumbrance and developing a proactive framework for managing potential impacts on valuation accuracy and client relations.
- 4. Operational Efficiency Review:** Evaluate the current valuation process, especially given the average of 20.2 days per valuation and 10.6 monthly inspections with two valuers. Explore technology solutions or process optimizations to maintain turnaround times,

particularly as high-value mandates increase.

5. Capitalize on High-Value Land Use: Continue to focus marketing and business development efforts on Commercial and Mixed Use properties, as these sectors are significant drivers of portfolio value. Leverage expertise in these areas to secure more high-value mandates.

6. Valuer Capacity Assessment: Given the substantial growth in portfolio value and the complexity indicated by the high average property value, assess the current valuer capacity (2 valuers) against future growth projections and the target average days to valuation. Consider training or recruitment to support demand.

7. Data-Driven Market Positioning: Utilize the detailed land use and value per acre data to refine market positioning and identify specific niches. For instance, understanding why certain "Vacant" or "Industrial" properties have high average values could inform future business development.

8. Key Takeaways

1. The portfolio demonstrates strong financial health with a total value exceeding KShs 12.6 billion, driven by a strategic shift towards high-value property valuations, indicated by substantial MoM value growth despite fewer properties.

2. A high concentration in both client segments (predominantly Bank clients) and geographic locations (Nairobi County being most active) presents both a core strength and a potential vulnerability that warrants strategic diversification efforts.

3. The presence of encumbrances on nearly one-third of properties, accounting for over 21% of the total portfolio value, is a significant risk factor requiring vigilant monitoring and robust mitigation strategies.

4. Commercial and Mixed Use properties are the primary contributors to the portfolio's market value, underscoring the importance of specialized expertise and continued focus on these lucrative sectors.

5. There is a clear opportunity for NW Realite to enhance its strategic positioning through targeted client and geographic expansion, alongside optimizing operational efficiency and reinforcing risk management practices, to ensure sustainable growth and profitability.

Executive Summary - Key Metrics

Metric	Value
Total Properties	117
Total Portfolio Value	KShs 12,627,400,000
Average Property Value	KShs 107,926,496
Total Land Area	691.29 acres
Properties with Encumbrances	30.8%
MoM Growth (Properties)	-50.0%
Avg Days to Valuation	20.2 days