

TWO RIVERS DEVELOPMENT RIGHTS

Pillars of Value

1. Save Money

- 1.1. The mixed-use concept at Two Rivers offers scale which results in significant cost savings to a developer both as an upfront CAPEX investment and as OPEX during the operating phase of the development compared to developing and maintaining the infrastructure on a stand-alone basis.
- 1.2. Developers in the residential space for sale will deliver apartments that will be cheaper to run, and this will translate to a lower service charge to the buyers. Developers of operating assets such as hotels will see the savings reflected in the bottom line for a higher valuation of their properties.
- 1.3. The section below sets out the case study of a Two Rivers developer who has the option of developing a 12,500 SQM development on a stand-alone site. We will compare this to setting up the project in Westlands given the developer's target market.

<i>All Amounts in KES</i>	Two Rivers	Westlands	Ref
Land 12,500 SQM @ KES 25,000 per SQM in Two Rivers, 1.2 acres @ KES 400 mn per acre in Westlands	312,500,000	480,000,000	3.3.1
Change of user, strategic Impact assessment, traffic impact assessment	-	3,200,000	
Incremental power connection cost	-	3,000,000	
Generator - 250kVA	-	5,000,000	
Incremental Water Storage	-	4,000,000	
Fire Hydrant system	-	2,000,000	
Borehole and Equipment and related costs	-	4,000,000	
Reverse Osmosis Treatment Facility	-	10,000,000	
Perimeter wall and security systems	-	10,000,000	
Street and Outdoor Lighting	-	1,000,000	
Gate, Gatehouse and Barriers	1,000,000	5,000,000	
Incremental Parking Cost: 125 bays @ KES 1.2mn per bay	-	150,000,000	3.3.2
Cost of delay in getting building approvals on invested capital in land for 6 months	-	31,200,000	3.3.3
Total	313,500,000	708,400,000	
<i>per Acre equivalent</i>	<i>261,250,000</i>	<i>590,333,333</i>	
<i>per SQM of GBA</i>	<i>25,080</i>	<i>56,672</i>	

- 1.3.1. The first cost for a developer is the size of land purchased in a stand-alone development. To be competitive at the mid income to high end market a developer will require sufficient parking, circulation space, green spaces and parks. To provide all these amenities in a standalone development a developer would have to acquire 50% more land and

incur the cost of landscaping and maintaining the land. For smaller developments this may not be feasible and in an absolute sense the green spaces may be too small for any viable use such as parks, jogging tracks, football fields. Within the Two Rivers competitive zone of Westland's, Runda, Gigiri the value of land is too high to put to such use and there is very little if any public provision of such spaces. In Two Rivers the developer only needs to purchase the GBA he requires as the other amenities are catered for by TRDL.

1.3.2. The second major cost savings for a developer opting to put up their development in Two Rivers is in the parking investment. On a stand-alone site a developer must provide the total required parking which is many times an essential but non-revenue generating investment. This parking means that the investor has to either make a substantial investment in basement parking which is as at cost of close to Kshs 1.2 million per parking bay or on grade parking which is expensive when developing on a high value plot. In Two Rivers there is significant parking space available in a shared model which reduces the parking space requirements for a developer, and which can enable them to develop a product on a cost competitive basis while still offering a very generous parking ratio.

1.4. The table below gives a comparison of the operational costs of the standalone development compared to the one in Two Rivers.

<i>All Amounts in KES</i>	<u>Two Rivers</u>	<u>Westlands</u>	<u>Ref</u>
Urban Management and Infrastructure Levy: 12,500 SQM at KES 25 per SQM for 1 year	3,750,000	-	1.4.1
Generator - 250kVA	-	1,500,000	1.4.2
Borehole and Equipment and related costs	-	1,500,000	1.4.3
Reverse Osmosis Treatment Facility	-	2,000,000	1.4.3
Security	576,000	1,728,000	1.4.4
Total	4,326,000	6,728,000	
Running Cost for 10 years	43,260,000	67,280,000	

1.4.1. The operational costs in Two Rivers are lower by 36% compared to a development in Westlands. The operational costs in the development are met through an urban management (UM) and infrastructure levy (Infra Levy). The UM and Infra Levy are administered by the Two Rivers Property Company in which the developers get a shareholding. The UM levy covers the operating costs of urban management services provided within the public environment. These include (but are not limited) to the following: Safety and security, Ambulance services, Fire services, cleaning, power and water consumption in common areas and place marketing and promotions. This is a far more superior package of services than can be found in Westlands for a lower cost. The Infra Levy caters to the cost covers the maintaining, repairing, rebuilding, renewing,

and reinstating of infrastructure at Two Rivers. This ensures the quality of infrastructure in Two Rives is maintained.

- 1.4.2. Two Rivers gets its power from Two Rivers Power company (TRPC) is a licensed power generator and distribution company. TRPC purchases power in bulk from KPLC at 66kV national grid with an ancillary line at 11kV. The up time for these two lines is 99.9% negating the need for developers to have back up power. TRPC also has 7.5 MVA of back up power in the unlikely event that there is a power black out in addition to generating power from a 1MW solar plant within the precinct.
- 1.4.3. Two Rivers gets its water from Two Rivers Water Company (TRWC). TRWC is also a regulated utility company that sources its water from boreholes within the development. TRWC then treats the water in a reverse osmosis plant to potable water quality. TRWC has a capacity to treat 2 million litres of water per day. This ensures that the Developers do not incur costs of drilling boreholes in additional to the high operation costs.
- 1.4.4. Two Rivers has state of the art security infrastructure designed in collaboration with IBM. This starts at the access control points and includes 24 hour manned and remote surveillance of the property. A developer's investment in security is reduced and is a key selling point for the target market.

2. Save Time

- 2.1. Two Rivers has an approved master plan with all the development sites having clearly assigned development rights and approved heights. This significantly shortens the approval process.
- 2.2. This is in addition to the very significant investment in sewer and water treatment capacity. In addition, Two Rivers has conducted a Strategic Environmental Impact Assessment for the entire site based on the master plan and new infill development are only required to carry out a localized environmental impact assessment which is a significantly shorter process.
- 2.3. Two Rivers enables an investor to focus on their development and takes away the headache of pursuing approvals in addition to significantly shortening the time required to go to market.
- 2.4. The due diligence process for bulk rights is straight forward. This is because Two Rivers undertakes an annual valuation of the development rights through an independent valuer. This ensures that the successful purchase of development rights takes 6 months
- 2.5. As a master planned development that is shovel ready for development, TRDL has completed important milestones that developers need not undertake. This results in time savings as highlighted below;

Approval	Two Rivers	Standard
Masterplan approval	Done	45 days
Change of User	Done	45 days
NCC Building approvals	30 – 45 days	45 – 75 days
Inspection and Occupation certificate	5-30 days	30 - 60 days
Topo-cadastral survey	Done	20 – 45 days
Traffic Survey	Done	20 – 45 days
Hydrological survey	Done	20 – 45 days
Power connection	7 days	3 months
Water connection	7 days	3 months

3. Reduce Risk

- 3.1. Regulatory approval is a very sensitive area and presents a high-risk area for developers as it can take a very long time or can come with conditions that make the development unviable.
- 3.2. Environmental approvals are another major source of risk coupled with concerns from neighborhood associations where developments have been stopped and even demolished.
- 3.3. Two Rivers has also invested in significant road infrastructure that is designed to support a very high traffic capacity based on comprehensive Traffic Impact Assessment Study. Traffic considerations are a key impediment to the granting of approvals for medium to high density developments.
- 3.4. To mitigate the risk to the developer Two Rivers is responsible for securing approvals and the lease is only registered once these approvals are obtained.
- 3.5. Two Rivers also takes full payment on the land once county approvals are granted hence capital risk is mitigated.

4. Brand Recognition

- 4.1. Two Rivers is a strong brand in the market and hence attractive to tenants and investors. This is reflected in the sales of units for residential projects within the development with an average sales velocity of 200 units per annum representing over 50% of the units under construction.
- 4.2. The Two Rivers mall is also the largest mall in East and Central Africa at 64,000 square metres representing 16% of the existing mall space in Kenya. It has 25 units of F&B offering with a 6 screen cinema with the first 4DX screen in East and Central Africa. The mall is 80% and commands above average market rentals.
- 4.3. Two Rivers has also won multiple international awards for being the best mixed use and retail development.
- 4.4. Two Rivers has various initiatives that cement it as a green and sustainable development some of which are highlighted below.
 - 4.4.1. Two Rivers Water Company recycles wastewater using Moving Bed Bio-Reactor technology. The recycled water is used for irrigation,

firefighting and cleaning. This saves about 33% of water demand in the development.

- 4.4.2. TRWC ensures access to safe and affordable drinking water to all with a 24 hour monitoring laboratory that ensures water is treated to WHO standards.
- 4.4.3. Up to 95% of the solid waste in Two Rivers is recycled. The organic waste is turned into fertilizer while the inorganic waste is sorted and sold to offset some of the garbage collection costs. For instance, glass manufacturers buy waste glass, pillow manufacturers buy textiles and metal sold to scrap metal dealers. This creates employment through the value chain.
- 4.4.4. Up to 10% of the power demand in Two Rivers is met by the rooftop solar plant.
- 4.4.5. Two Rivers is easily accessed via Limuru road and the northern bypass. Two Rivers erected two bus stops to facilitate public transport access to the development from these two roads. There is also a two-lane taxi rank within the development with bicycle racks distributed within the development.
- 4.4.6. The mixed-use concept also ensures that parking is efficiently utilized. For instance, retail users will use parking during the day when residential users are out of the house.

5. Value Add Services

- 5.1. Two Rivers has an experienced inhouse development team with over 200 years of combined experience. The team offers the following services; business case development, market study, architectural and engineering design, sales and marketing, fundraising and property management during the operations phase.
- 5.2. The team will work with developers during the feasibility stage to help determine the highest and best use of the development rights within Two Rivers.
- 5.3. During construction, the team will provide project management services with a focus on helping developers deliver projects on time, quality and budget.
- 5.4. For projects that require sales the team at Two Rivers has sold 1,500 worth USD 120 million in residential units over a period of 30 months in Nairobi, Mombasa and Uganda. Developers can tap on this sales force to quickly test market even as they finalise on their designs and funding arrangements.
- 5.5. The team has also taken lead in leasing the largest mall in East and Central Africa and will therefore tap on this network to bring in international tenants for developers.
- 5.6. From a fundraising perspective the Two Rivers team has considerable experience in attracting third party debt and equity capital applied towards real estate development. To date the team has mobilised USD 350 million in capital from local and international investors. Developers can tap on the team's wide network to raise capital for their projects.

5.7. During the operations phase, the team will provide leasing and property management services to ensure investors are able to maintain asset values and meet their required rates of return. The team currently oversees operations at the Two Rivers mall and Tribus security company.