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A GUIDE TO SERVICED APARTMENT (BnB)  
BUSINESS IN KENYA 2023

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## EXECUTIVE SUMMARY

In this guide we set out to provide the requirements of investing in and operating a Serviced Apartment (BnB) Business in Kenya. We look at ten critical aspects to consider when investing in or operating serviced apartment business in Kenya by November 2023. These include; legal and licensing requirements, risks management, record keeping and management, pricing strategy, operating ecosystem, marketing and branding, expansion/scaling strategy, capital investment required and checklists.

## INTRODUCTION

A Serviced Apartment is a completely furnished apartment that offers all of the "hotel services," such as room service, laundry room, and fitness centre, both for long and short visits.

### What do they offer?

1. Serviced apartments are designed to be more appealing to a wider range of people by incorporating different preferences and tastes into their design and match the culture of specific regions. This makes them more versatile and accommodating than a typical hotel room.
2. Serviced apartments are commonly located within or in close proximity to other residential developments, making it easier for guests to integrate with the wider community.
3. With access to almost everything they need, clients feel at ease and relaxed during their stay as serviced apartments provide more utilities and amenities, offering a "home-from-home" feel compared to hotels, and,
4. Serviced apartments offer a more attractive investment option and greater flexibility to investors than hotels do. They can be converted into furnished or normal apartments if they are not performing well.



## Types and Examples of Serviced Apartments

### **On-site managed and off-site managed serviced apartments**

On-site or off-site management is available for serviced flats. A receptionist and a property manager are normally present in an on-site managed serviced apartment.

There is no personnel on-site at an off-site managed serviced apartment, and keys are normally retrieved from a lockbox.

Both methods of administration have advantages; off-site management allows greater privacy, whilst on-site management assures that personnel is there to help.

### **Single property**

This sort of serviced apartment, which is housed within the same single property, provides the ultimate solitude for temporary lodging.

Although complete houses are sometimes offered, they are still referred to as serviced apartments.

While this sort of housing is popular on crowdsourcing sites like airbnb, some platforms follow strict health and safety standards, assuring a safe and comfortable stay.

### **Residential serviced apartment**

Some serviced apartments are located in buildings that are mostly residential. Frequently, the serviced apartment will be furnished in the same manner as the other units in the building.

For people that want to relocate and long-term assignees, we propose this sort of serviced flat. Staying in this sort of apartment allows relocates to get a taste of what it's like to stay in a certain region before settling for a long-term housing option.



## **Aparthotel**

An aparthotel pushes on-site management to the next level by integrating amenities often seen in a hotel.

A bar, gym, and concierge services may be available in addition to a receptionist and a property manager.

This sort of serviced apartment is ideal for people who want the flexibility and privacy of a serviced apartment while still having access to hotel-like amenities.

All of these components work together to give the ideal guest the best experience available.

## **Justification for the business**

Serviced apartments are a great investment since they appeal to individuals looking for short-term stays of a few days as well as those looking for long-term stays ranging from about six months to over a year.

The large market demand and growing accommodation needs might provide homeowners with a never-ending, consistent stream of rental revenue.

These condos are more expensive than other residential properties because they provide greater guest services.

Generally speaking, here are some reasons why you should consider starting a serviced apartment business:

- Income can be 4- 5 times more than regular rent even with 40 – 50 % occupancy.
- No trouble with tenants.
- Once you learn to manage service apartments, you can increase the scope for multiple service apartments at different locations and get to become a big shot player in the service apartment industry.



## LEGAL AND LICENSING REQUIREMENTS

### Legal

Serviced Apartments in Kenya are authorised by the National Government and County Governments.

Under the National Government, two ministries are involved namely; The Ministry of Tourism and Wildlife and The Ministry of State for Immigration & Registration of Persons.

1. The Ministry of Tourism and Wildlife has two parastatals that are mandated to regulate the tourism sector in Serviced Apartments. The parastatals are; the Tourism Fund and Tourism Regulatory Authority.
  - The Tourism Fund is mandated to collect tourism levies. Serviced Apartments are required to register under the Tourism Fund and remit a 2% levy.
  - The Tourism Regulatory Authority gives licences to Serviced Apartments business owners or hosts.
2. The Directorate of Immigration under the Ministry of Interior and National Administration issues residence permits. Serviced Apartment owners have to ensure that foreigners have residence permits before accommodating them.

The County Governments offer business permits to serviced apartment businesses. Serviced Apartment owners are required to contact respective county government offices to confirm amounts payable for the registration and permit of their businesses.



## Licensing

It is mandatory for anyone conducting tourism services including Serviced Apartment business in Kenya to be licensed by the Tourism Regulatory Authority (TRA).

For Serviced Apartment owners to be registered by the Authority and acquire a regulatory licence they are required to make a one-time application fee of KSh.1,000, an annual licence fee for every unit owned, and the documents listed below;

- A filled application form
- The original deposit slip and licence fee (proof of payment)
- Tariff rates
- A copy of the Title Deed or Lease Agreement of the premises
- A copy of the applicant's PIN or company PIN
- Copy of identity card or passport of the owner.

Apartment Type	Annual Licence Fee
Serviced flats & apartments, villas, holiday cottages, and timeshares	KSh.26,000
Beach cottages & treehouses	KSh. 21,000
Hostels and guest houses	KSh.11,000
Homestays	KSh.1000-KSh.3000 (varies with location)



## How to apply for an Annual Licence

- Visit the Tourism Authority website <https://trims.tourismauthority.go.ke>
- Sign up/ sign in to fill out the online application form.
- Make payment of licence and application fee.
- Verification process of the application.
- The licence is sent via email.

Before the licence is issued, TRA sends an officer to inspect the premises and confirm that the serviced apartment has met the standards and requirements of the Authority. Other licences to be acquired are indicated in the table below;

Licence/Permit	Issuing Authority
Single Business Permit	County Government
Environmental Impact Assessment Licence	National Environmental Management Authority (NEMA)
Home Insurance	Insurance provider of choice

## Penalties & Offences

- An application for the renewal of the TRA licence must be made within 3 months before the expiry date. Failure to, the host will be liable to pay a penalty of 10% of the licence fee for each avoidance month.
- Failure to apply for a licence is an offence and exposes the host to a fine of KSh.100,000 or a jail term of up to 18 months or both.
- Failure to comply with TRA's standards & requirements can lead to the suspension of your licensing and the closure of the Serviced Apartment business.





## RISK AND RISK MANAGEMENT

Running a serviced apartment business in Kenya, or any location, involves various risks that require effective management. Below is a list of risk considerations you need to make when starting or running a serviced apartment business in Kenya today;

**Legal Compliance Risks:** Ensure your business adheres to all local laws and regulations, including permits, licences, and Taxation.

**Security Risks:** Implement security measures to protect your guests and property. Install security cameras, hire security personnel, and have proper access control systems in place.

**Property Risks:** Regularly maintain and inspect your apartments to prevent accidents and damage. Consider property insurance to cover unexpected events like fire or natural disasters.

**Operational Risks:** Develop standard operating procedures for cleaning, maintenance, and guest check-ins. Train your staff to follow safety protocols.

**Health and Safety Risks:** Implement health and safety protocols, especially in light of any health crises or pandemics. Ensure proper cleaning and sanitization practices are in place.

**Reputation Management Risk:** Online reviews and guest feedback can impact your business. Maintain high service standards, respond to reviews, and address guest concerns promptly.

**Financial Risks:** Create a robust financial management system to monitor revenue, expenses, and cash flow. Have contingency plans for financial emergencies.

**Guest Screening:** Screen guests to minimise the risk of undesirable behaviour or potential damage. Implement a reservation and check-in process that includes guest identification.

**Technology Risks:** Rely on secure reservation and payment systems to protect sensitive guest information from cyber threats.



**Emergency/Incident Response Plan:** Develop an emergency response plan to handle situations like power outages, water shortages, or medical emergencies.

**Staff Training:** Properly train your staff on risk management protocols and customer service to ensure a safe and pleasant experience for guests.

**Contracts and Agreements:** Use comprehensive contracts with guests and service providers to clearly define responsibilities, terms, and conditions.

**Crisis Communication:** Have a communication plan in place to address guests and the public in case of emergencies or crises.

**Environmental Risks:** Consider sustainability initiatives to reduce your property's environmental impact and prepare for potential climate-related risks.

**Financial Contingency:** Maintain a financial reserve to cover unexpected costs or revenue fluctuations.



## INVENTORY CHECKLIST

It takes a lot of planning to run a service apartment successfully. There are several things to think about, such as adhering to local regulations and understanding what supplies to provide your guests.

This all-inclusive service apartment host checklist will assist you in setting up and offering your guests a fantastic short-term rental experience.

We've gone through the entire house to think of everything you would want to offer your guests or other short-term rental visitors.

When selecting the top service apartment products and equipment required for your serviced apartment, we consider the following factors.

- **Affordable/available in bulk** – especially for items that are disposable or refillable; you want dependable products that aren't going to break the bank.
- **High quality** – avoid buying the cheapest option possible for most items. We want items that will last for dozens (maybe even hundreds) of visits.
- **Durable and well-made** – avoid items that break easily or will fall apart after repeated use.
- **Easy to wash or clean** – we recommend machine-washable items that have smooth exteriors or are otherwise easy to clean.
- **Eco-friendly** – many guests appreciate eco-friendly products like those that are biodegradable, plastic-free, or help reduce waste.

The table below shows a list of items and indicative prices in Kenya as of November 2023.

	ONE BEDROOM SERVICE APARTMENT		TWO BEDROOM SERVICE APARTMENT		THREE BEDROOM APARTMENTS	
ITEMS	NUMBER	PRICE	NUMBER	PRICE	NUMBER	PRICE
<b>SECURITY AND CONVENIENCE</b>						
Wifi(Safaricom fiber)	5 MBS	3400	10MBS	3999	20Mbps	5699
Security Camera		4550	1	4550	1	4550
Fire Extinguishers	1	3000	1	3000	1	3000
First Aid Kits	1	850	1	850	1	850
Smoke detectors	1	1555	1	1555	1	1555
Lock box or smart lock	1	7810	1	7810	1	7810
Wi-fi Sign	1	950	1	950	1	950
House Rules Sign	1	950	1	950	1	950
<b>BATHROOM</b>						

	ONE BEDROOM SERVICE APARTMENT		TWO BEDROOM SERVICE APARTMENT		THREE BEDROOM APARTMENTS	
ITEMS	NUMBER	PRICE	NUMBER	PRICE	NUMBER	PRICE
Garbage can	1	1687	2	3374	3	5061
Bath mat	1	750	2	1500	3	2250
Plunger	1	515	2	1030	3	1545
Bathing soap(Geisha 200g)	1	109	2	218	3	327
Hand soap(velvex)	1	132	2	264	3	396
Toilet paper(Hanan tissue)	2	100	4	228	4	228
Toothbrushes(colgate)	1	65	2	130	3	195
Toothpaste(colgate)	1	250	2	500	3	750
Maxi pads(Always)	1 pack	130	2 packs	260	3 packs	390
Towels	2	1600	4	3200	6	4800
Hair dryer	1	1500	2	1500	3	4500
Bathrobes	1	1930	2	3860	3	5790

	ONE BEDROOM SERVICE APARTMENT		TWO BEDROOM SERVICE APARTMENT		THREE BEDROOM APARTMENTS	
ITEMS	NUMBER	PRICE	NUMBER	PRICE	NUMBER	PRICE
Mirror	1	1000	2	2000	3	3000
<b>BEDROOM</b>						
<b>Furniture</b>						
Bedframe(6 by 6)	1	25000	2	50000	3	75000
Nightstand	1	2850	2	5700	3	8550
Bedside lamp	1	1300	2	2600	3	3900
<b>Bedding</b>						
Mattress	1	15000	2	30000	3	45000
Mattress cover	1	1500	2	3000	3	4500
Pillows	2	700	4	1400	6	2100
Sheets set	1 set	2184	2 sets	4368	3 sets	6552

	ONE BEDROOM SERVICE APARTMENT		TWO BEDROOM SERVICE APARTMENT		THREE BEDROOM APARTMENTS	
ITEMS	NUMBER	PRICE	NUMBER	PRICE	NUMBER	PRICE
Duvet and Duvet cover	1	2000	2	4000	3	6000
<b>Closet</b>						
Clothes Hangers	24 pcs	836	48 pcs	1672	72pcs	2508
Full length mirror	1	5200	2	10400	3	15600
<b>LIVING AREA</b>						
<b>Furniture &amp; Décor</b>						
Couch	3 seater	30000	5 seater	65000	7 seater	85000
Coffee table	1	4000	1	4000	1	4000
House plants(Snake plant)	1	900	1	900	1	900
Area rug	5 * 8	2500	5 *8	2500	7 *10	6250
TV stand	1	1050	1	1050	1	1050

	ONE BEDROOM SERVICE APARTMENT		TWO BEDROOM SERVICE APARTMENT		THREE BEDROOM APARTMENTS	
ITEMS	NUMBER	PRICE	NUMBER	PRICE	NUMBER	PRICE
<b>Entertainment</b>						
Smart Tv(Hisense 43")	1	34500	1	34500	1	34500
<b>KITCHEN</b>						
<b>Appliances</b>						
Fridge(Mini fridge)	1	15000	1	15000	1	15000
Microwave	1	5989	1	5989	1	5989
Toaster	1	1560	1	1560	1	1560
Gas cooker	1	16000	1	16000	1	16000
<b>Tableware</b>						
Plates	4	800	8	1600	12	2400
Bowls	set of 4	3875	set of 4	3875	set of 4	3875



	ONE BEDROOM SERVICE APARTMENT		TWO BEDROOM SERVICE APARTMENT		THREE BEDROOM APARTMENTS	
ITEMS	NUMBER	PRICE	NUMBER	PRICE	NUMBER	PRICE
Drinking cups	4	600	8	1200	12	1800
Forks	4	200	8	400	12	600
Knives	2	500	2	500	2	500
Spoons	4	200	8	400	12	600
Coffee mugs	4	1200	8	2400	12	3600
Wine glasses	4	1800	8	3600	12	5400
<b>Cookware</b>						
Sharp Kitchen knife	1	500	1	500	1	500
Pots & pans	1 set of 10pcs	6000		6000		6000
Chopping board	1	600	1	600	1	600
Mixing bowls	2	530	2	530	2	530

	ONE BEDROOM SERVICE APARTMENT		TWO BEDROOM SERVICE APARTMENT		THREE BEDROOM APARTMENTS	
ITEMS	NUMBER	PRICE	NUMBER	PRICE	NUMBER	PRICE
<b>Leftovers &amp; Cleanup</b>						
Napkins(velvex)	1 pack	119	1 pack	119	1 pack	119
Food storage containers	1 set of 5	1440		1440		1440
Aluminium foil	1	115	1	115	1	115
Trash bags	50 pcs	670		670		670
Dish soap	1	305	1	305	1	305
Sponges	1	200	1	200	1	200
Broom and dustpan	1	800	1	800	1	800
<b>CLEANING SUPPLIES</b>						
Washing machines	1	50000	1	50000	1	50000
Scouring powder	1	385	1	385	1	385

	ONE BEDROOM SERVICE APARTMENT		TWO BEDROOM SERVICE APARTMENT		THREE BEDROOM APARTMENTS	
ITEMS	NUMBER	PRICE	NUMBER	PRICE	NUMBER	PRICE
Paper towels	1 pack	119	1 pack	119	1 pack	119
Gloves	1	450	1	450	1	450
Mopper	1	1500	1	1500	1	1500
Vacuum cleaner	1	6500	1	6500	1	6500
Air freshener	1	230	1	230	1	230
<b>OUTDOOR</b>						
<b>Furniture &amp; Décor</b>						
Welcome mat	1	500	1	500	1	500
Chairs & Chairs		15500		15500		15500
String lights		1840		1840		1840

	ONE BEDROOM SERVICE APARTMENT		TWO BEDROOM SERVICE APARTMENT		THREE BEDROOM APARTMENTS	
ITEMS	NUMBER	PRICE	NUMBER	PRICE	NUMBER	PRICE
<b>Pool</b>						
Pool toys		3000		3000		3000
Pool towels	2	1600	4	3200	6	4800
<b>TOTAL</b>		<b>287,980</b>		<b>409,845</b>		<b>509,433</b>



## RECORD KEEPING AND MANAGEMENT

### Financial Records and Management

Financial management is crucial for the success and sustainability of your serviced apartment business. Proper financial management involves effectively managing income, expenses, and investments to ensure profitability and financial stability. Here are some key considerations for financial management in serviced apartments:

- a) **Budgeting:** Create a comprehensive budget that outlines our projected income and expenses for the upcoming year. This budget should include all aspects of the business, such as operational costs, marketing expenses, maintenance, and staff salaries.
- b) **Income Tracking:** Implement a system to accurately track our income from bookings, including both direct bookings and those from online travel agencies (OTAs). Keep records of all transactions and revenue sources.
- c) **Expense Management:** Monitor and control our expenses carefully. Regularly review our costs and identify areas where you can cut unnecessary spending or optimise operational efficiency.
- d) **Accounting Software:** Use accounting software to record financial transactions, manage invoices, and generate financial reports. This will help us keep accurate and organised financial records. Examples of accounting software to use include, billing and invoicing, ERP Accounting and payroll.
- e) **Tax Compliance:** Ensure compliance with all tax regulations and deadlines. Keep track of tax obligations, including income tax, occupancy tax, and any other applicable taxes.
- f) **Cash Flow Management:** Monitor our cash flow regularly to ensure we have enough liquidity to cover operational expenses and investments. Aim to maintain a healthy cash flow to avoid financial difficulties.
- g) **Forecasting and Planning:** Use historical financial data and market trends to forecast future revenue and expenses. This will help us make informed decisions and plan for the future.



- h) **Contingency Planning:** Prepare contingency plans for unexpected financial challenges or emergencies. Having reserves or a financial safety net can help you weather uncertain times.
- i) **Investment Decisions:** Make strategic investment decisions to improve the quality of our serviced apartments and attract more guests. Consider investing in upgrades, renovations, or marketing initiatives that will yield positive returns.
- j) **Debt Management:** If we have loans or debts, manage them responsibly and ensure timely repayments. Avoid accumulating unnecessary debt that could strain our finances.
- k) **Vendor Negotiation:** Negotiate with vendors and suppliers to get the best deals and discounts on services, products, and supplies.
- l) **Financial Analysis:** Regularly analyse our financial performance through key financial ratios and metrics. This analysis can help us identify strengths and weaknesses in our business and make data-driven decisions.
- m) **Internal Controls:** Implement internal controls to prevent fraud and ensure financial integrity. Assign specific responsibilities to employees and maintain separation of duties when handling finances.
- n) **Financial Reporting:** Generate regular financial reports, such as income statements, balance sheets, and cash flow statements. Use these reports to evaluate our business's financial health and performance.
- o) **Professional Advice:** Seek advice from financial experts or consultants if needed, especially for complex financial matters or strategic planning. StratEdge Consulting Kenya is your most reliable partner on this.

Effective financial management is fundamental to the long-term success and growth of our serviced apartment business. By maintaining a clear understanding of your financial position and making informed decisions, you can achieve financial stability, maximise profitability, and invest in improving your services to meet guests' expectations.

In order to maintain clear financial and related records, you may need to install and operate a cloud based Enterprise Resource Planning system such as Dolibarr ERP which can also help you manage your clients seamlessly. More information on ERP can be found in StratEdge Consulting's Top 10 ERP/Accounting Softwares in Kenya that is published each year in the StratEdge Consulting Business Resource Centre.



## Feedback and Reviews

Feedback and reviews are invaluable sources of information for our serviced apartment business. They provide insights into guest satisfaction, highlight areas for improvement, and can significantly influence potential guests' decision-making. Here are some key considerations for managing feedback and reviews effectively:

- a) **Encourage Guest Feedback:** Actively encourage guests to provide feedback during or after their stay. This can be done through personalised emails, in-room guest books, or through an online feedback form.
- b) **Prompt Response:** Respond promptly to guest feedback, both positive and negative. Show appreciation for positive reviews and address any concerns or issues raised in negative reviews professionally and constructively.
- c) **Be Attentive and Empathetic:** Show genuine attentiveness and empathy when responding to guest feedback. Acknowledge their comments and express understanding of their experiences.
- d) **Use Feedback to Improve:** Use guest feedback as an opportunity for continuous improvement. Identify recurring themes in feedback and take necessary actions to address them.
- e) **Analyse Trends:** Analyse feedback and reviews to identify trends and patterns. This can help you identify both strengths and weaknesses in your services.
- f) **Implement Changes:** When appropriate, implement changes based on guest feedback. Communicate with guests about improvements you have made as a result of their feedback.
- g) **Monitor Online Reviews:** Regularly monitor online reviews on platforms like TripAdvisor, Google, and OTAs. Respond to reviews on these platforms, demonstrating your commitment to guest satisfaction.
- h) **Positive Testimonials:** Highlight positive guest testimonials and reviews on our website and marketing materials. Positive reviews can act as powerful endorsements for your serviced apartments.
- i) **Address Negative Feedback Offline:** For more complex issues or complaints, offer to address the matter offline. Provide a contact email or



phone number where guests can reach us directly to resolve any concerns privately.

- j) **Engage on Social Media:** Engage with guests on social media platforms, responding to comments and messages promptly. Use social media as a way to build a positive online presence.
- k) **Request Reviews on OTAs:** Request reviews from satisfied guests on online booking platforms. Positive reviews can boost your property's reputation and visibility on these platforms.
- l) **Feedback Surveys:** Send post-stay feedback surveys to guests to gather comprehensive feedback on their entire experience, from booking to check-out.
- m) **Share Guest Success Stories:** Share guest success stories and positive experiences through your marketing channels. These stories can resonate with potential guests and showcase your commitment to guest satisfaction.

By actively seeking and managing feedback and reviews, you demonstrate your dedication to providing exceptional guest experiences. Positive reviews build trust and credibility, while addressing negative feedback shows that you are committed to resolving issues and continuously improving your services. A strong reputation for guest satisfaction can lead to increased bookings, higher guest retention, and overall business success.





## PRICING STRATEGY

Pricing strategy means the approach taken to an investor or person who wishes to run a serviced apartment to influence the amount to be paid by the people renting out his or her apartment.

Serviced apartment pricing strategy is based on the idea of dynamic pricing, which means that prices are constantly changing in response to supply and demand.

This allows them to maximise their profits while still providing competitive rates for guests.

### Factors that affect the pricing strategy

1. Location
2. Seasonality
3. Amenities offered
4. Market price
5. Length of Stay
6. Dynamic Pricing
7. Competitive Price
8. Cost Analysis

### Location

The location of a serviced apartment has a huge effect on the pricing of it. If the location is in a town or city. It is likely that the price of that serviced apartment will be very high compared to the one that is in a remote area.

An example is in Nairobi a serviced apartment in Kilimani is Kshs 8,482 per night since of the place it is situated and a serviced apartment in Turkana may be as low as Kshs 2,000 per night since it is a remote area or region.

When pricing an apartment, the location determines the price for it. If the location is in a major city/town or is near a major shopping centre the price is likely to be high compared to one that is in a remote area where such services are not available.



## **Seasonality**

Here you take into account the seasonal demand patterns in Kenya. You should identify peak seasons when demand is high, such as holidays or major events, and adjust your prices accordingly. During low-demand periods, consider offering promotional rates or discounts to attract customers and maintain occupancy levels.

An example is during the Christmas holiday prices of a serviced apartment are usually very high since the demand is high at that season especially in Mombasa since most Kenyans are known to go there for holiday.

For example, as of 1/11/2023 the prices of an apartment from booking.com is around Kshs 6,775 Ary Homestay Nyali, Kshs 4,607 Bamburi Mtambo Secret Apartment, Kshs 2,303 Davkin Apartments and as low as Kshs 1,626 in Waridi homes. As soon as the Christmas season comes the prices are likely to go high and even double the amount since the demand is high and supply low at that time.

The methodology used here is the booking dates, if you book a serviced apartment now or before the holiday's prices are low and if you book during a holiday or near a holiday season the prices will be high when booking.

## **Amenities Offered**

Another factor is the services offered in that serviced apartment. This could include housekeeping, laundry services, airport transfers, or access to facilities like a gym or swimming pool. These value-added services should be highlighted in the pricing strategy to justify higher rates.

Apartments that have all these extra services means that the pricing has to be high compared to other serviced apartments that only offer sleeping accommodation and nothing extra.

## **Market Price**

A guide here will be to conduct thorough market research to understand the demand for serviced apartments in Kenya in 2023. Factors such as occupancy rates, competitor pricing, and customer preferences should be analysed. This



information will provide insights into the pricing landscape and help you position your serviced apartment business competitively.

If the market price is set you should ensure that the price you choose for your serviced apartment should be above it or exactly it in order to make profits you targeted.

An example is in Nairobi the fees for serviced apartments go for Kshs 5,600 a night as of 28/03/2022. So, for you to run a successful serviced apartment business in Nairobi, it has to be that amount or above it, in order to meet your profits.

### **Length of Stay**

You should consider implementing different pricing tiers based on the length of stay. Offer discounted rates for longer stays to encourage guests to book for extended periods. Conversely, charge higher rates for shorter stays to maximise revenue from shorter-term guests. This will ensure you meet your profits accordingly.

For example, if the price of a serviced apartment in Kilimani Kshs 8,842 per night according to booking.com. If a client was to stay for 20 nights, they would pay Kshs 176,840. Since they are staying for a long period the owner can decide to give them a 10% discount so that they pay Kshs 17,684 less meaning they will pay Kshs 159,156. The client here will be happy and will tell his/her friends or family of the serviced apartment and encourage them to go there creating more revenue opportunities.

### **1. Dynamic Pricing**

Here you should utilise technology and data analytics to implement dynamic pricing. Monitor demand, competitor pricing, and other market factors in real-time to adjust your prices accordingly. This strategy allows you to optimise revenue by capturing the maximum value from each booking.

### **2. Competitive Pricing**

Here you should analyse the pricing strategies of your competitors in the Kenyan serviced apartment market. Factors such as location, amenities, and quality of



service should be considered. While it is essential to remain competitive, ensure that your pricing reflects the unique value proposition of your serviced apartment business.

### 3. Cost Analysis:

All the costs associated with running your serviced apartment business, including operational expenses, maintenance, utilities, staff salaries, and any additional services provided should be calculated. Understanding your costs will help you determine the minimum price required to cover expenses and generate a good profit or return.

An example here can be a serviced apartment of one or two bedroom in Kileleshwa starts from Kshs 5,900,000 when purchasing it. Running it may cost operational expenses of Kshs 50,000 monthly, other utilities such as water, electricity bills Kshs 30,000 and if you have a staff like an agent let's say Kshs 20,000 monthly. So Kshs 100,000 monthly in maintaining it.

Item	Cost
Operational expenses e.g. repairs, renovation, taxes	Kshs 50,000
Utilities e.g. water, electricity, Wi-Fi	Kshs 30,000
Staff salary e.g. agent	Kshs 20,000
<b>Total</b>	<b>Kshs 100,000</b>

If you were to lease the apartment you could charge at least Kshs 9,000 a day. So, if you say that the serviced apartment is usually occupied 30 days in a month you will get a return of Kshs 270,000 and pay off Kshs 100,000 and remain with Kshs 170,000. But since there is no guarantee that you would get a client each of those days, we use an occupancy rate of 65.8% as of 2022. This means that they will occupy 20 days in a month.



Item	Cost
Daily Charge Kshs 9,000@ 20 days	Kshs 180,000
Running Expenses	Kshs 100,000
<b>Return on Investment</b>	<b>Kshs 80,000</b>

### Premium Package 2 Bedroom Pricing

In the section of capital investment in this guide, in Nairobi a 1,2 and 3-bedroom serviced apartment may cost differently depending whether it is a standard low, standard high or premium package.

An example here can be a serviced apartment of a two bedroom in Nairobi starts at Kshs 4,300,000 when purchasing it. Running it may cost operational expenses of Kshs 30,000 monthly, other utilities such as water, electricity bills Kshs 20,000 and if you have a staff like an agent let's say Kshs 10,000 monthly. So Kshs 60,000 monthly in maintaining it.

Item	Cost
Operational expenses e.g. repairs, renovation, taxes	Kshs 30,000
Utilities e.g. water, electricity, Wi-Fi	Kshs 20,000
Staff salary e.g. agent	Kshs 10,000
<b>Total</b>	<b>Kshs 60,000</b>

If we take a 2-bedroom premium package as a case study from the capital investment section in the guide, it is Kshs 4,300,000. If we were to lease this apartment, we would charge around Kshs 6,500 per night. So, if you say that the serviced apartment is usually occupied 30 days in a month you will get a return of Kshs 195,000 and pay off Kshs 60,000 and remain with Kshs 135,000. But since there is no guarantee that you would get a client each of those days, we use an



occupancy rate of 65.8% as of 2022. This means that they will occupy 20 days in a month.

Item	Cost
Daily Charge Kshs 6,500@ 20 days	KSh. 130,000
Running Expenses	KSh. 60,000
<b>Return on Investment</b>	<b>KSh. 70,000</b>

### Formula when charging a Serviced Apartment

The formula that will help you determine the minimum nightly rate to charge for your serviced apartment property is to calculate your monthly costs (such as mortgage payments), and add utilities (such as gas, water, cable, Wi-Fi, cleaning fees, etc.), and divide that by 20 days of the month, this is your average daily cost.

*(Monthly Costs + Utilities) ÷ No. of Days Occupied = Average Daily Cost*

An example is if the monthly cost is Kshs 100,000 and the utilities is Kshs 30,000 and divided by 20 days you should get the minimum cost of charging your serviced apartment.

$$(100,000 + 30,000) \div 20 = \text{Kshs } 6,500$$

A premium package 2-bedroom apartment can have a monthly cost of Kshs 60,000 and the utilities is Kshs 20,000 and divided by 20 days you should get the minimum cost if charging the premium 2-bedroom apartment per day.

$$(60000 + 20000) \div 20 = \text{Kshs } 4000$$



## OPERATING ECOSYSTEM

Generally, it's an interconnected system. It's a network of organisations involved in the delivery of a service through both competition and cooperation. This is sometimes referred to as co-opetition.

Serviced apartments do not orchestrate much of the activity in its ecosystem. Instead they rely on their ability to create and communicate opportunities that people want to swarm around.

This ecosystem involves all the organisations that can help you in:

- Raising awareness about consumer needs and desires
- Reaching new clients
- Making new products and services
- Doing business cheaper and easier
- Complying with regulators
- Giving guidance to your audience
- Hiring the right talent

### Key Sectors and Participants of the Ecosystem

**Hosts:** The living space is provided by the hosts, who are primarily side hustle vacation rental operators. They work hard to increase their personal service, listings, and overall booking rate.

**Guests:** The serviced apartment economy is built on this. The visitors are part of a two-way marketplace, and the platform is always attempting to connect the finest guests with the best hosts, and vice versa.

**Property Managers:** Serviced apartment's property managers provide an all-in-one service where they handle the duties required in running the property. This usually includes meeting guests, scheduling cleaners, providing pricing strategies and more. They bridge the gap between hosts and guests by ensuring that properties are well-maintained, guests are well-served, and hosts can efficiently and effectively manage their rental properties. Their expertise and



services contribute to the success of Serviced apartments listings and the overall guest experience. They assist in creating compelling property descriptions, pricing strategies, and quality photos, which can result in higher occupancy rates and revenue. Examples of property management companies in Kenya include, Cohost Kenya, Villa Care, Gimco Limited, Commercial Property Kenya

**Financial Sector:** This includes banking services providers that help with the payment process, offer payment methods like credit cards, debit cards and online payment platforms, ensure the secure transfer of funds from guests to hosts. It also includes financing companies that are coming into play by providing financing for Serviced apartment's hosts the ability to expand their operations. Financing companies will prepay hosts for future revenue, provide insurance, and even provide mortgages. This is a space to watch as financial instruments become innovative,

**Hospitality Sector:** These include cleaning companies that take care of cleaning and restocking essentials such as toiletries, towels, and cleaning supplies, maintaining a seamless experience for guests and ensuring the property is guest-ready. It also includes experience providers such as travel agencies that offer a range of guided tours and experiences. They cover various aspects like, cultural, historical, culinary, adventure and sightseeing experiences. This also includes conference organisers that have a significant influence on the demand for short term accommodations in specific locations. They plan and host events that attract attendees from various regions.

**Technology providers:** Collaborations with tech companies, such as smart lock providers and property management software, enhance the efficiency and convenience of hosting on Serviced apartments. The technology providers play the following role in the ecosystem.

- **Property Management software;** that assists with calendar management, booking synchronisation, guest communication and pricing optimization.
- **Keyless entry and smart locks;** that simplify the check-in and check-out process and improve security.
- **Property listing management;** it simplifies the process of listing and updating property details, availability calendars and images making it easier for hosts to market their properties.





- **Communication platforms;** facilitate timely and accurate guest interactions, helping hosts address inquiries, check-in details, and guest requests.
- Internet connection for the guests.

### **Social Services:**

- a) **Parks, public transportation, restaurants, and cultural attractions:** These can greatly enhance the experience for guests. These amenities can make a location more appealing and provide guests with convenient options for entertainment, dining, and recreation. Guests are more likely to choose properties located in areas with easy access to social amenities, leading to increased bookings and higher occupancy rates for hosts. eg universities, hospitals, stadiums.
- b) **Medical facilities like hospitals, clinics:** Proximity to public transportation and medical facilities, for example, ensures that guests have easy access to essential services. This can be crucial in emergencies or for guests with specific needs.
- c) **Stadiums:** They attract large crowds of spectators, participants, and fans during events like concerts, sport games and even festivals. These events create a surge in demand for accommodations in the vicinity of the stadium. The hosts can take advantage of this increased demand by offering nearby properties to attendees and visitors.
- d) **Universities and schools:** Serviced apartments can cater to students attending or visiting the university, conference attendees, visiting professors, and parents visiting their children.

**Insurance Providers:** In order to safeguard hosts and their properties, insurance firms provide specific coverage for short-term rentals e.g. property protection and liability coverage insurance for both the guest and host. Host Guarantee offered by Serviced apartments offers even more assurance. Insurance providers contribute to the trust and safety of the Serviced apartment's



platform. When guests know that they are covered by insurance, they may be more likely to book a property. Likewise, hosts may feel more secure knowing they have insurance to back them up in case of unforeseen events, which can lead to increased participation in the platform. Example the Madison Group Kenya.

**Non Governmental Organisations:** NGOs play a vital role in the Serviced apartment's ecosystem by contributing to social responsibility, sustainability, inclusivity, education, and crisis response. Their involvement helps create a more responsible, ethical, and community-oriented environment for hosts and guests, benefiting not only the platform but also the broader society. Serviced apartments can benefit from these partnerships by enhancing its reputation and demonstrating a commitment to social and environmental issues.



## MARKETING AND BRANDING

In Kenya's serviced apartment industry, success is centred on experienced marketing and compelling branding. We will look at five potent marketing strategies and five strategic branding approaches employed by successful serviced apartment providers in Kenyan cities. These strategies will empower entrepreneurs to not only attract guests but also establish a strong brand identity, ensuring a competitive edge in this growing sector.

### MARKETING STRATEGY

A marketing strategy is a comprehensive plan that outlines how a business will promote its services, attract customers, and achieve its revenue and occupancy goals. This involves a series of coordinated actions and tactics to reach and engage with the target audience effectively. A well-structured marketing strategy is important for driving brand awareness, attracting potential guests, and increasing bookings.

The following are some of the actions that an entrepreneur could use as part of their marketing strategy when looking to start a serviced apartment business:

#### **Online Presence, SEO Optimization and Listing**

Entrepreneurs should develop a user-friendly website showcasing your serviced apartments in different locations in Kenya and optimise it for search engines to ensure it ranks well in search results. They could also list their apartments on platforms like booking.com and Airbnb.

Example: “*Savannah Sands Apartments*” in Nairobi have invested in a user-friendly website that is well-optimised for search engines therefore they have a professional website with high search engine visibility. Their website ranks high in search results when potential guests search for serviced apartments in Nairobi. They also make use of professional photography to showcase their apartments and their website includes detailed descriptions of their amenities, services, and local attractions.



## **Leverage Online Travel Agencies (OTAs)**

Entrepreneurs should partner with popular Online Travel Agencies like Booking.com, Airbnb, and Jumia Travel to reach a broader audience. They should also use attractive photos and detailed descriptions to entice potential guests.

Example: "*Waridi Homes*" in Mombasa enjoys high visibility on multiple OTAs. This helps expand their reach. Their listings on these platforms are well-optimised, featuring eye-catching photos and compelling descriptions of their beachfront properties. This strategy allows them to tap into the vast customer base of these online booking platforms.

## **Social Media Engagement**

Maintaining active social media profiles on platforms like Facebook, Instagram, and LinkedIn should also be a prioritised marketing strategy for entrepreneurs. This can be done by sharing high-quality images, responding to inquiries promptly, and running targeted advertising campaigns.

Example: "*Safe House Apartments-Kisumu*" in Kisumu regularly posts captivating photos on Facebook. This aids in maintaining an active presence on social media platforms. They regularly post photos showcasing the picturesque views of Lake Victoria from their apartments. This strategy aims to engage potential guests visually and create an emotional connection with the destination.

## **Local Partnerships**

Collaborating with local businesses, such as travel agencies, tour operators, and event organisers to cross-promote each other's services should also be a strategy entrepreneurs should take into consideration.

For instance, including flyers as part of the marketing strategy is an effective way to provide potential guests with tangible information about the serviced apartments. Ensure that the design and content of the flyers align with your branding and messaging for a consistent and compelling promotional



approach. These can be handed out to local partners to help in the cross-promoting.

Example: "*Poterstouch Furnished Apartments*" in Nakuru partners with a local adventure tour company for joint promotions. They collaborate with local businesses, particularly adventure tour companies. By doing so, they can offer guests bundled packages that include accommodation and local excursions. This cross-promotion strategy helps them tap into the adventure tourism market and attract guests looking for both accommodations and experiences.

### **Guest Reviews and Testimonials**

One should be able to encourage satisfied guests to leave positive reviews on platforms like TripAdvisor and Google Reviews and then showcase these reviews on their website and marketing materials.

Example: "Gem Suites Riverside Serviced Apartments" in Nairobi displays a collection of glowing guest reviews on their site. They encourage satisfied guests to leave positive reviews on platforms like TripAdvisor and Google Reviews. They actively collect and showcase these reviews on their website and marketing materials to build trust with potential guests. Positive feedback acts as powerful social proof.

## **BRANDING STRATEGY**

A branding strategy is a well-thought-out plan that defines how a business wants to be perceived by its target audience and how it aims to differentiate itself from competitors in the market. It involves creating a distinct and consistent brand identity that encompasses the business's values, mission, unique selling points, and the emotional connection it seeks to establish. In serviced apartments, it is crucial for establishing a memorable and appealing presence in the minds of potential guests and maintaining a competitive edge in the industry.



The following are some of the activities that you have to consider when developing a branding strategy as an entrepreneur that wants to set apart their serviced apartment business from the existing ones:

### **Unique Themes and Ambiance**

Entrepreneurs venturing into the serviced apartments business should consider creating a distinct identity for each serviced apartment location by infusing it with a unique theme or ambiance that resonates with its surroundings.

Example: "*Nyali Ocean View Serviced Apartments*" in Mombasa adopts a coastal theme, decorating the apartments with marine elements, sea-inspired colours, and seashell motifs. This theme evokes a relaxing beachfront atmosphere that attracts guests seeking a coastal getaway.

### **Personalised Guest Experience**

This can be done by focusing on delivering a highly personalised guest experience, going the extra mile to ensure guests feel welcomed and valued.

Example: "*Sandalwood Suites*" in Nakuru has a tour desk for guests hence giving guests tailored local experiences, and provides prompt solutions to any issues. They create a warm and personalised atmosphere that sets them apart in the market.

### **Quality Assurance and Standards**

Maintaining consistent high standards for cleanliness, maintenance, and service quality, and communicate this commitment clearly in your branding. This could help set apart the business in the serviced apartments industry.

Example: "*Longonot Place Serviced Apartments*" in Nairobi places a strong emphasis on cleanliness, regularly conducts maintenance checks, and proudly showcases their commitment to providing a comfortable, well-maintained environment in their branding materials. This reassures guests about the quality of their stay.



## **Green and Sustainable Initiatives**

Emphasising on eco-friendly and sustainable practices in your serviced apartment operations therefore appealing to environmentally conscious travellers.

Example: "*Palacina Residence & Suites*" in Nairobi is committed to sustainable practices, including the use of solar panels to generate energy and a rainwater harvesting system. They have also implemented waste reduction and recycling programs. Their branding highlights their dedication to sustainable practices and appeals to eco-conscious guests who want to minimise their environmental and carbon footprint during their stay.

## **Community Involvement.**

Getting involved in local community initiatives and events to demonstrate commitment to the region and build a positive brand image.

Example: An entrepreneur could choose to actively sponsor and participate in local charity events, such as fundraisers and community clean-up drives. They should then prominently feature their community involvement in their branding, portraying themselves as a socially responsible and community-engaged serviced apartment provider.

Mastering marketing and branding in the dynamic landscape of Kenya's serviced apartment business is the key to standing out. By embracing these strategies, entrepreneurs can navigate the serviced apartment industry challenges and seize opportunities.



## EXPANSION STRATEGY

Expanding a serviced apartment business in Kenya in 2023 requires careful planning and execution. Remember that the success of your expansion will depend on a combination of factors and adapting to the dynamic hospitality industry in Kenya. It's essential to be agile and open to adjustments based on market trends and customer preferences. Here are some factors to consider when planning to expand;

- **Market Research:** Conduct thorough market research to identify potential locations for expansion, target demographics, and local demand for serviced apartments.
- **Location Selection:** Choose locations that are in high-demand areas, such as major cities, tourist destinations, or business districts.
- **Legal Requirements:** Familiarise yourself with local regulations and legal requirements related to the hospitality industry and property management. (- see *the legal and licensing section of this guide*)
- **Property Acquisition:** Acquire or lease suitable properties for your serviced apartments. Consider the size, amenities, and proximity to key attractions.
- **Branding & Marketing:** Develop a strong brand identity and marketing strategy to attract guests. Use online platforms and social media to reach a wider audience.
- **Guest Experience:** Focus on providing exceptional customer service, cleanliness, and well-maintained facilities to ensure positive guest experiences.
- **Pricing Strategy:** Set competitive and flexible pricing to attract both short-term and long-term guests. Consider offering discounts for extended stays.
- **Staffing:** Hire and train staff to manage and maintain the properties, including cleaning, guest check-in, and concierge services.
- **Technology integration:** Utilise property management software and online booking systems to streamline operations and improve the booking process.
- **Sustainability:** Embrace sustainable practices to attract environmentally conscious travellers and reduce operational costs.





- **Partnerships:** Collaborate with local businesses, travel agencies, and corporate clients to establish partnerships that can drive bookings.
- **Customer Feedback:** Actively seek and act on customer feedback to improve the quality of your services and adapt to changing guest preferences.
- **Financing:** Secure adequate funding for the expansion, which may include loans, investors, or reinvested profits.
- **Quality Control:** Maintain rigorous quality control standards to ensure consistency across all properties.
- **Competitive Analysis:** Continuously monitor the competition and adapt your strategies to stay ahead in the market.
- **Risk Management:** Develop contingency plans for potential challenges, such as economic fluctuations, natural disasters, or health crises.
- **Scalability:** Plan for long-term scalability by having a clear growth strategy and considering future expansion options.
- **Legal and Tax Compliance:** Stay up-to-date with changes in local laws and tax regulations that may affect your business.

## CAPITAL INVESTMENT

The table below indicates the minimum capital investment required to start a serviced apartment business in the three major cities of Kenya.

CITIES IN KENYA	STANDARD LOW COST PRICING				STANDARD HIGH RISE COST PRICING				PREMIUM PACKAGE			
	STUDIO 35m <sup>2</sup>	1 B 50m <sup>2</sup>	2B 75m <sup>2</sup>	3B 95 m <sup>2</sup>	STUDIO 35m <sup>2</sup>	1 B 50m <sup>2</sup>	2B 75m <sup>2</sup>	3B 95 m <sup>2</sup>	STUDIO 35m <sup>2</sup>	1 B 50m <sup>2</sup>	2B 75m <sup>2</sup>	3B 95 m <sup>2</sup>
NAIROBI	1.3M	1.9M	2.9 M	3.6M	1.6M	2.3M	3.4M	4.3 M	2.0M	2.9M	4.3M	5.4M
MOMBASA	1.3M	1.8M	2.7M	3.4M	1.5M	2.2M	3.3M	4.2 M	1.9M	2.8M	4.1M	5.2M
KISUMU	1.4M	2.1M	3.2M	4.0 M	1.7M	2.4M	3.6M	4.6M	1.9M	2.7M	4.0M	5.2M



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