



Foreign banks inject competition into the mortgage market

- Standard Chartered Bank is offering 12.9 per cent for 45 days, but conditional on uptake of a bundle of products
- This short-term promotional rate is a new phenomena
- However, CFC Stanbic took lead position with the best mortgage rate, on a cut from 17.0 per cent to 13.5 per cent
- Despite claims of holding rates high on election concerns, only half of the banks assessed cut rates in Q2
- Consolidated Bank, Diamond Trust, Chase Bank, Equity Bank, Family Bank, Housing Finance, and NIC Bank all remain at rates of 18 per cent to 19 per cent
- This represents a 10 point or more spread over the CBK rate of 8.5%
- Average rates fell to 16.6 per cent, from 17.7 per cent three months ago

Mortgage Rate League Table

Rank	Change in Rank	Bank	Best Interest Rate <small>as at 17th July 2013</small>	Change in Rate from <small>4th April 2013</small>	Construction				
					Project	Individual	Home Purchase	Land Purchase	Equity Release
1	▲ 3	Standard Chartered	12.9%*	▼ 3%	12.9%	N/A	12.9%	N/A	12.9%
2	▲ 4	CFC Stanbic Bank	13.5%	▼ 3.5%	13.5%	N/A	13.5%	13.5%	13.5%
3	▲ 5	CBA	15%	▼ 2%	N/A	15%	15%	15%	15%
4	▲ 7	National Bank	15%	▼ 3%	15%	N/A	15%	15%	15%
5	▼ 4	Barclays Bank	15.5%	◀▶	15.5%	N/A	15.5%	N/A	15.5%
6	▼ 4	Co-operative Bank	15.75%	◀▶	15.75%	15.75%	15.75%	15.75%	15.75%
7	▼ 3	KCB S&L	16%	◀▶	16%	16%	16%	16%	16%
8	▲ 2	Housing Finance	16%	▼ 2%	16%	16%	16%	16%	16%
9	▼ 4	I & M Bank	16.5%	◀▶	20.50%	16.5%	16.5%	16.5%	16.5%
10	▼ 3	Bank of Africa	17%	◀▶	17%	N/A	17%	17%	17%
11	▼ 2	Family Bank	18%	◀▶	19.5%	18%	18%	18%	18%
12	▲ 3	Equity Bank	18%	▼ 2%	18%	18%	18%	18%	18%
13	▲ 1	NIC Bank	18%	▼ 1%	18%	N/A	18%	18%	18%
14	▲ 2	Chase Bank	18%	▼ 4%	18%	18%	18%	22%	18%
15	▼ 3	Consolidated Bank	19%	◀▶	19%	19%	19%	19%	19%
16	▼ 3	Diamond Trust Bank	19%	◀▶	19%	19%	19%	N/A	19%

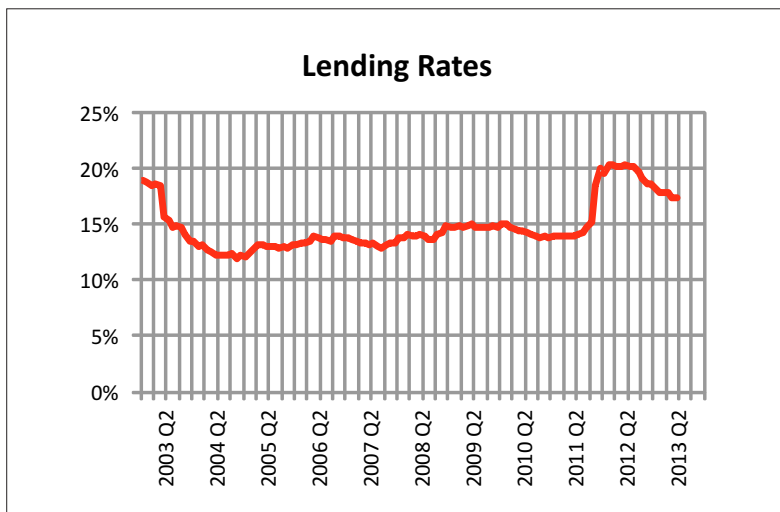
N.B
All above rates are variable unless otherwise noted

Fixed Rate*:
Barclays Bank offers the cheapest fixed rate at 15.9% . Standard Chartered Bank offers 12.9% 45 day promotion and requires clients to subscribe to a bundle of products.



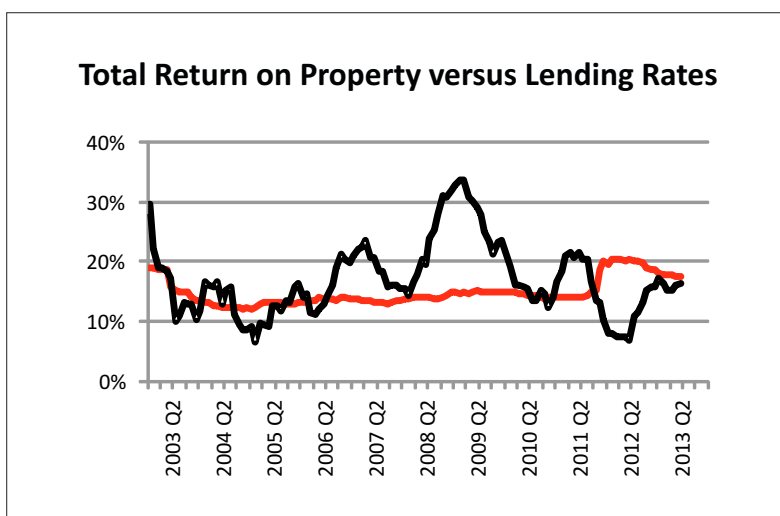
Total returns on mortgaged house purchases

A comparison of the costs of a variable mortgage, versus the gains in house price appreciation and rental income in each year.



SNAP SHOTS

Average lending rates over the last ten years.



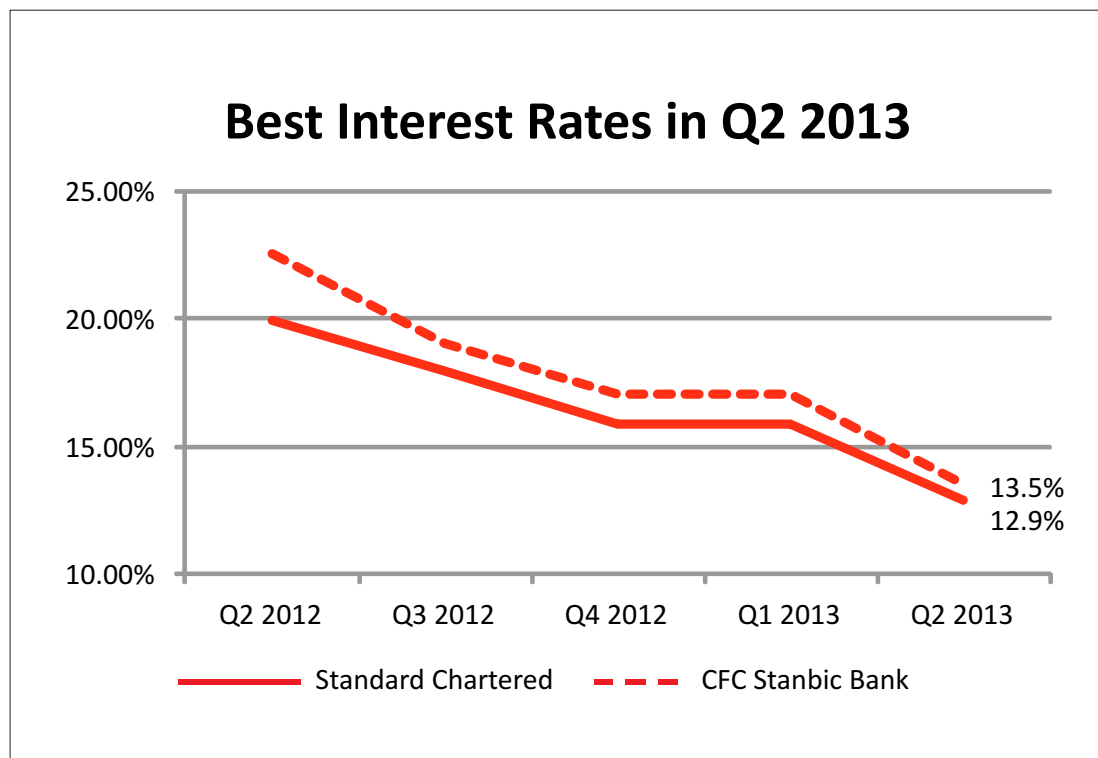
SNAP SHOTS

Total returns from a mortgage buy (house price capital appreciation + rental income per year) less the annual cost of a mortgage will illustrate whether or not the mortgage is a profit or loss per year.

When the black line rises above the red line, you are making a profit even with the cost of the mortgage.



International Banks in Kenya spark lending rate competition in effort to gain market share



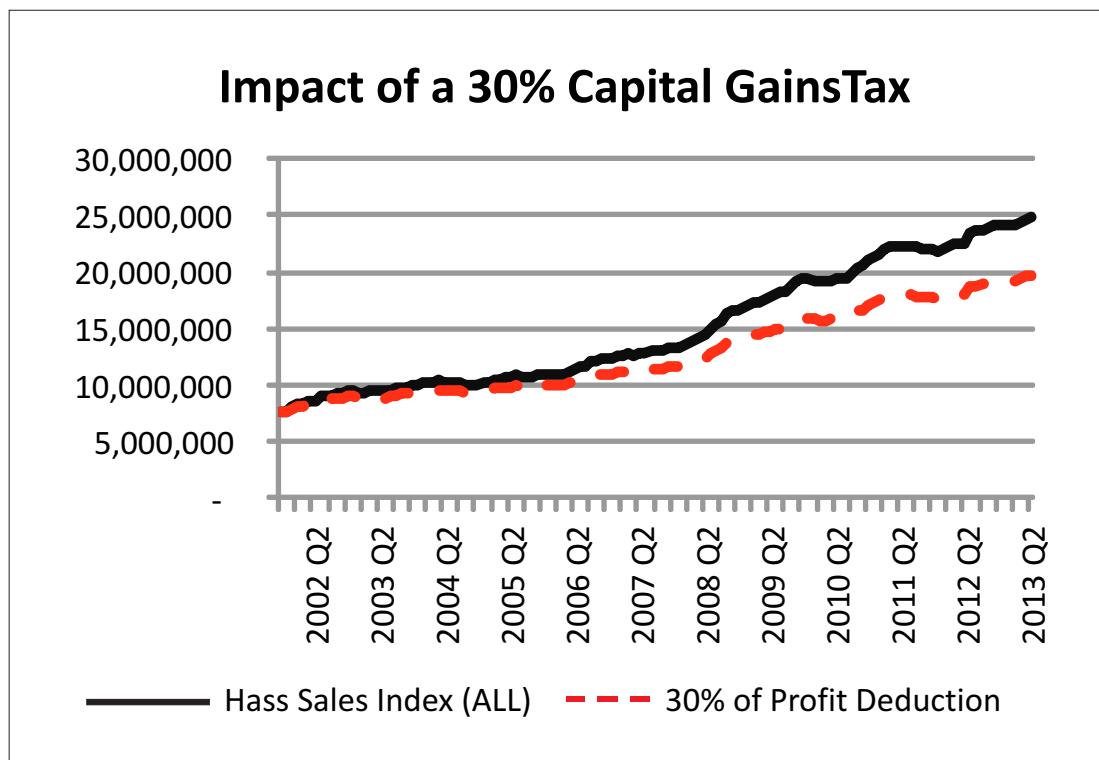
Foreign Banks are getting creative in their drive to capture market share by offering lucrative special rates and bundle packages.

Standard Chartered Bank are leading the way with their 45 day offer at 12.9% p.a. floating rate. However this rate although the lowest currently in the market comes tied with certain other products e.g. credit card and an overdraft with a view to building a more holistic offering.

On pure mortgages, CFC Stanbic in response to Standard Chartered Bank is now offering 13.5% to compete with the regular Standard Chartered Bank rate of 13.9% if one opts to take the mortgage product alone.



How the recently proposed capital gains tax will affect property returns



The threat of introducing Capital Gains tax may create a major challenge to market recovery and stifle the much needed growth of the mortgage market.

With the threat of reduced returns and an aggressive rental tax regime, the rental market will become very unattractive as lower returns on rental properties were offset by the better capital gains on the property purchased increasing the net return.

With the looming introduction of the Capital Gains tax, the Government will need to ensure it does not kill the golden goose by overtaxing the industry.