



Mortgage rates trending downwards faster than CBK base rate

- Mortgage rates trending downwards, even ahead of CBK rate cut
- Standard Chartered Bank now offering below base rate – at 16.9 per cent – for mortgage takeovers, with established credit history
- Non-bank mortgage rates of 14 per cent
- CFC Stanbic launches 18.5 per cent fixed rate
- Micro finance moving into home loans, mostly for plots
- Mortgaged landlords making net losses, but gap now closing

Mortgage Rate Lead Table

Rank	Change in Rank	Bank	Best Rate 31st March 2012	Best Rate 30th June 2012	Change in Rate	Construction				
						Project	Individual	Home Purchase	Land Purchase	Equity Release
1	▲ ₁	Standard Chartered	19.9%	16.9% ^{*1}	▼ _{3%}	19.9%	19.9%	19.9%	19.9%	19.9%
2	▼ ₁	I&M Bank	19%	18%	▼ _{1%}	24%	18%	18%	18%	18%
3	▲ ₁₀	CFC Stanbic	24%	18.5% ^{*2}	▼ _{5.5%}	24%	24%	24%	24%	24%
4	▲ ₇	KCB S&L	24%	19%	▼ _{5%}	19%	19%	19%	19%	19%
5	▼ ₂	Barclays	21.9%	21.9%	◀▶	N/A	N/A	21.9%	N/A	21.9%
6	▼ ₂	Bank of Africa	22%	22%	◀▶	22%	22%	22%	22%	22%
7	▼ ₁	Housing Finance	23%	23%	◀▶	23%	23%	23%	23%	23%
8	▼ ₁	Co-operative Bank	23.25%	23.75%	▲ _{0.5%}	23.75%	23.75%	23.75%	23.75%	23.75%
9	▼ ₁	Commercial Bank of Africa	24%	24%	◀▶	24%	N/A	24%	N/A	24%
10	◀▶	Equity Bank	24%	24%	◀▶	24%	24%	24%	24%	24%
11	◀▶	Family Bank	24.5%	24.5%	◀▶	24.5%	24.5%	24.5%	24.5%	24.5%

*1 Transfer Rate

*2 Fixed Rate Mortgage

MORTGAGE REPORT IN ASSOCIATION WITH



The Mortgage Company today announces the results of the second quarter mortgage report, in partnership with HassConsult, revealing a trend of falling interest rates for mortgages, despite the long running peak in the base rate of 18 per cent.

“Even before the CBK rate cut last week, mortgage rates were trending downwards, as the industry became more creative and more focused in making home ownership products accessible,” said Caroline Kariuki, MD of TMC.

Citing an array of new products, including Standard Chartered mortgage takeover offer at 16.9 per cent, non-bank mortgages at 14 per cent, and CFC Stanbic's new fixed rate offer at 18.5 per cent, Ms Kariuki said the industry was running hard to explore alternative sources of finance and to acquire new mortgage customers.

Micro finance institutions have also now made a debut into the mortgage space. Rafiki DTM launched incremental housing mortgages of between Sh300,000 and Sh3m, "which will open up the space for affordable mortgage solutions to the middle to lower end of the market."

However, while CFC Stanbic's fixed rate represented the lowest in the banked mortgage market, its floating rate, at 24 per cent, came in as one of the most expensive, alongside Equity Bank's 24 per cent - with average mortgage rates now trending at around 22 per cent.

I&M Bank held the lead for the lowest mortgage pricing at the end of June, with a floating rate offer of 18 per cent, while KCB delivered the largest shift downwards, cutting its rate from 24 per cent to 19 per cent during the last quarter.

“We hope, however, to now see some further rapid adjustment downwards following the cut in the base rate from 18 per cent to 16.5 per cent,” said Ms Kariuki.

In the meantime, many opportunities continued to exist to make net gains on mortgage-financed purchasing. However, many landlords who have “bought-to-rent” have made net losses on their investments in the last nine months.

“Buying to rent has been a net earner for almost all of the last decade. But for the last three quarters, it moved sharply negative as an investment, overall. However, as rents now rise, and with house prices also now expected to increase as finance rates fall, we expect that gap to close relatively quickly.”

"In addition, following the recent announcement by the Minister for Finance that landlords will be closely followed to ensure tax compliance, we expect rents will significantly increase to compensate, despite the fact that this is not a new tax," she said.

TMC also presented data calculating the housing currently accessible after five year's saving for a deposit, to earners at different salary levels. The calculations revealed that saving Sh17,200 a month for five years would open the door to buying a Sh6m first home.

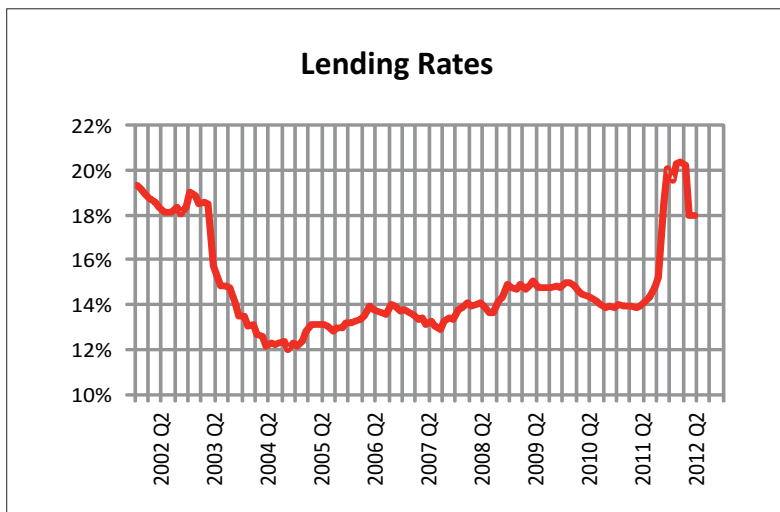
"This could also be aided if Government could assist through tax breaks for savings towards home ownership in excess of the current Sh4,000 per month allowance. Likewise, RBA could allow contributors to use their retirement benefits for down payments for their first home to reduce the time it takes to gain access to home ownership," said Ms Kariuki.

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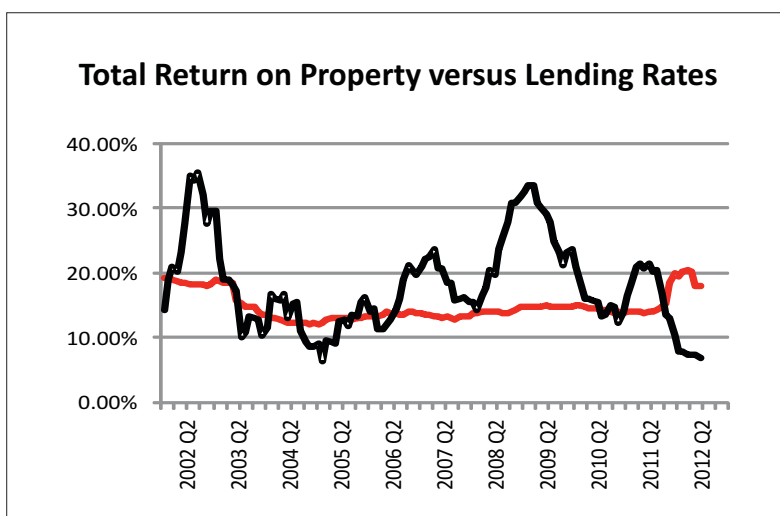
Total returns on mortgaged house purchases

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.

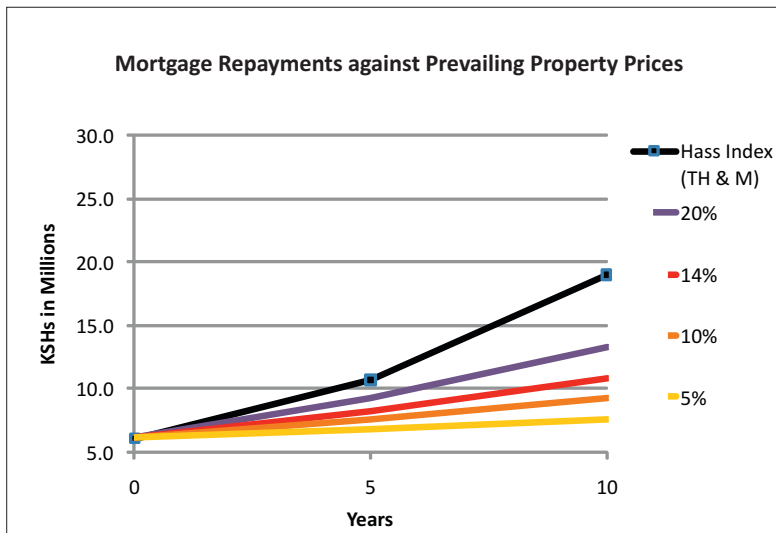
When the black line rises above the red line, you are making a profit even with the cost of the mortgage.

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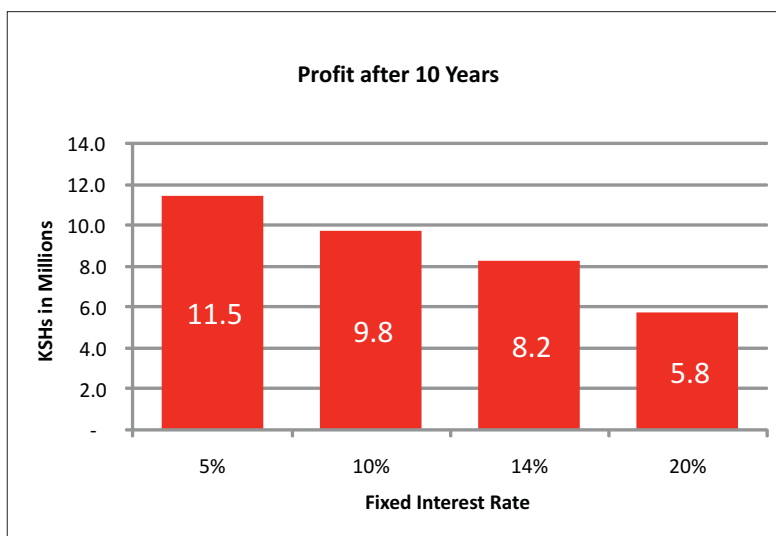
How mortgage buyers have made money over the last 10 years

Scenario: A mortgage buyer taking a townhouse worth Kshs. 6m in June 2002 over a 10 year repayment period ending June 2012.



SNAP SHOTS

- At 5%, the buyer would have paid a total of Kshs. 7.5m after 10 years while the property would be worth Kshs. 19m at that time.
- At 10%, the buyer would have paid a total of Kshs. 9.2m after 10 years while the property would be worth Kshs. 19m at that time.
- At 14%, the buyer would have paid a total of Kshs. 10.8m after 10 years while the property would be worth Kshs. 19m at that time.
- At 20%, the buyer would have paid a total of Kshs. 13.2m after 10 years while the property would be worth Kshs. 19m at that time.



SNAP SHOTS

- At 5%, the buyer selling the property after 10 years would make a profit of Kshs.11.5m.
- At 10%, the buyer selling the property after 10 years would make a profit of Kshs. 9.8m.
- At 14%, the buyer selling the property after 10 years would make a profit of Kshs. 8.2m.
- At 20%, the buyer selling the property after 10 years would make a profit of Kshs. 5.8m.



Saving For A Mortgage

An analysis of Savings versus Salaries for building deposits to mortgage own property

Personal Savings Required To Build Your Deposit

Property Type	Plot	First Home	Apartment	Townhouse	Stand alone house
Average Price (Kshs)	1,000,000	6,000,000	11,700,000	19,100,000	32,600,000
Savings (Kshs) required per month over 5 Years to raise 20% deposit	2,778	17,200	33,380	54,480	92,700

What Your Salary Can Get You

Salary	Percentage (%) Salary Saved	Savings After 5 Years Including Interest (6%)	Enough For A 20% Deposit On A Property Worth:	Which Is The Average Price Of:
25,000	15	262,946	1,314,729	Bedsitter on Mombasa Road or small plot outskirts Nairobi
50,000	15	525,892	2,629,458	Small Apartment in Ongata Rongai or Mombasa Road
75,000	15	788,837	3,944,187	Apartment in Koma Rock or Standalone in Umoja
100,000	15	1,051,783	5,258,916	Standalone house in Embakasi or Apartment in Nyayo Estate
200000	15	2,103,566	10,517,832	Apartment in Kitengela or Townhouse in Ruiru
300000	15	3,155,350	15,776,748	Apartment in Lavington, Kileleshwa or Kilimani
400000	15	4,207,133	21,035,664	Townhouse in Upperhill or Mbagathi Way
500000	15	5,258,916	26,294,580	Townhouse in Parklands, Riverside or Muthaiga North
750000	15	7,888,374	39,441,870	Standalone house in Langata, Milimani or Watamu
1000000	15	10,517,832	52,589,160	Standalone house in Karen, Nyalii or Muthaiga