



Buy-to-let gains recovering as mortgage prices fall

- Mortgage rates have dropped sharply in the last two months
- The best mainstream mortgage offer is now Barclays at 15.5 per cent
- The highest mainstream mortgage offers are now from National Bank and Chase Bank at 22 per cent
- The comprehensive cuts have seen the average mortgage rate move to 19 per cent, from 22.5 per cent in the second quarter
- Foreign currency mortgages are being made available at much lower rates still, from 9 to 10.25 per cent, but carry heavy exchange rate risk
- The third quarter brought a sharp recovery in the combined returns from rents and house price rises for buy-to-lets, to 13.12 per cent in September, up from 6.81 per cent in June 2012

Mortgage Rate League Table

Rank	Change in Rank	Bank	Best Interest Rate as at 16th October 2012	Change in Rate from 30th June 2012	Construction				
					Project	Individual	Home Purchase	Land Purchase	Equity Release
1	▲4	Barclays	15.5%	▼6.4%	15.5%	N/A	15.5%	N/A	15.5%
2	▼1	Standard Chartered	16.9%*	◀▶	17.9%	N/A	17.9%	N/A	17.9%
3	▼1	I & M Bank	18%	◀▶	18%	18%	18%	18%	18%
4	◀▶	KCB S & L	18%	▼1%	18%	18%	18%	18%	18%
5	▲3	HFCK	18%	▼5%	22.5%	18%	18%	18%	18%
6	▼3	CFC Stanbic Bank	18.5%*	◀▶	19%	19%	19%	19%	19%
7	▼1	Bank of Africa	19%	▼3%	N/A	19%	19%	19%	19%
8	▲2	CBA	19%	▼5%	19%	N/A	19%	19%	19%
9	▲2	Diamond Trust Bank	19%	▼5%	19%	19%	19%	N/A	19%
10	▼1	Co-operative Bank	19.25%	▼4.5%	19.25%	19.25%	19.25%	19.25%	19.25%
11	▲1	NIC Bank	19.5%	▼4.5%	19.5%	N/A	19.5%	19.5%	19.5%
12	▲3	Family Bank	19.5%	▼5%	19.5%	19.5%	19.5%	19.5%	19.5%
13	▲3	Consolidated Bank	20%	▼5%	20%	20%	20%	20%	20%
14	▼1	Equity Bank	21%	▼3%	21%	21%	21%	21%	21%
15	▼2	Chase Bank	22%	▼2%	22%	22%	22%	25%	22%
16	▼9	National Bank	22%	◀▶	22%	N/A	22%	22%	22%

N.B
All above rates are variable unless otherwise noted

*Fixed Rate:
CFC Stanbic offers 18.5% fixed for 2 years. Standard Chartered Bank offers 16.9% fixed for 5 years

Q3.12 MORTGAGE REPORT IN ASSOCIATION WITH



Mortgage rates declined, in some cases by as much as 6 percentile points, in the third quarter of 2012, reported The Mortgage Company in its quarterly mortgage report.

At the same time, the returns from buy-to-lets jumped sharply, significantly narrowing the gap between returns and borrowing costs.

The biggest rate cuts since June came from Barclays, which cut its mortgage rate by 6.4 percentile points, to offer the currently lowest mortgage rate in the mainstream market, at 15.5 per cent.

Other notable cuts came from HFCK, which cut its rates by 5 percentile points to 18 per cent, and Equity Bank, which cut its rate by 3 points to 21 per cent.

However, many mainstream banks were slow to follow, finally announcing cuts this week. This latest realignment has moved the average mortgage rate to 19 per cent, and sees National Bank and Chase Bank topping the league for the country's most expensive mainstream mortgages, at an annual interest rate of 22 per cent.

“Some mortgage takers are really suffering through holding mortgages with some of the country's most expensive suppliers - in some cases now paying several hundred thousand shillings in extra interest payments a year,” said Ms Carol Kariuki, the MD of The Mortgage Company (TMC).

“This, alone, brings home the need for full information flows on the different mortgage rates available in the market, so that consumers can choose genuinely competitive mortgage offers,” she said.

TMC also published its first league table on the foreign currency mortgage rates available in Kenya from I&M Bank, CFC Stanbic, CBA, Equity Bank and Bank of Africa.

“With interest rates on these mortgages running at between 9 and 10.25 per cent, these mortgages are currently far cheaper than shilling-denominated mortgages, but mortgage takers need to take great care with foreign currency mortgages, where repayments are in dollars, pounds or Euros. When the exchange rate moves against them, it can leave them carrying huge extra burdens in buying the foreign currency for their mortgage repayments,” said Ms Kariuki.

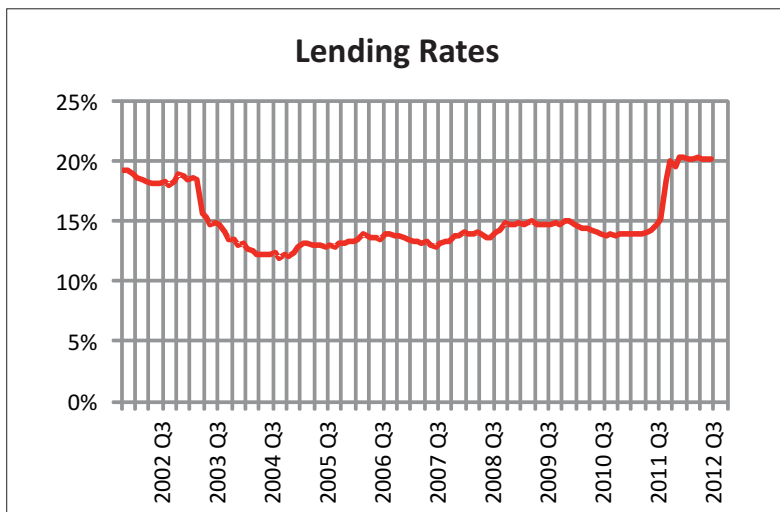
For mortgage financed landlords, who for the last decade, were earning more from rent and house price appreciation than they were paying in mortgage interest, the last year brought a marked dip into negative returns.

However, the gap between gains on buy-to-let houses and pay-outs on mortgage interest narrowed sharply in the third quarter, with buy-to-let returns climbing to reach 13.81 per cent by September, from 6.81 per cent in June.



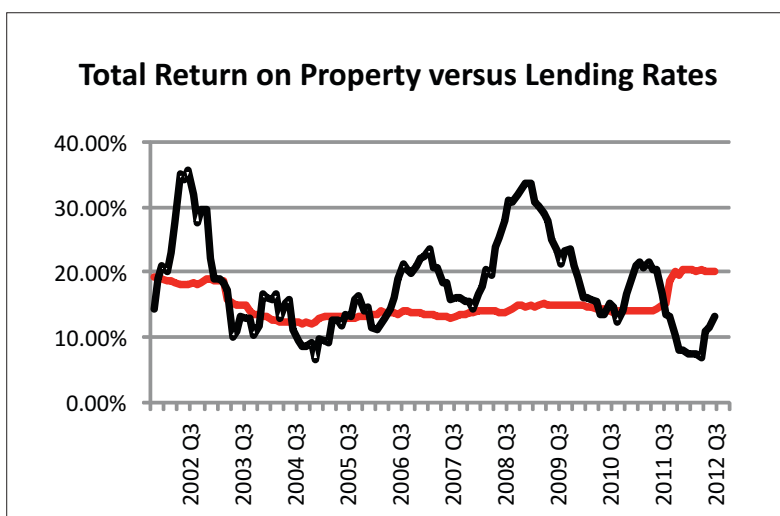
Total returns on mortgaged house purchases

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.



How recent rate cuts are leading to big savings on repayments

Scenario: A Kshs. 10m mortgage (20% deposit) over 20 years based on the best rate available at that time.

	April 2012	July 2012	October 2012
Best Interest Rate available	19%	16.9%	15.5%
Monthly repayments	KES 129,966	KES 115,748	KES 108,608
Savings since April 2012	N/A	KES 14,218	KES 21,358
Savings since July 2012	N/A	N/A	KES 7,140

SNAP SHOTS

A 3.5% rate cut from April 2012 to October 2012 led to a 16.5% reduction in monthly repayments.

A 2.1% rate cut from April 2012 to July 2012 led to a 11% reduction in monthly repayments.

A 1.4% rate cut from July 2012 to October 2012 led to a 6% reduction in monthly repayments.

Preferential Rate Mortgages

Did you know that high net worth individuals and preferential clients can sometimes get better rates?

Bank	Preferential Mortgage Rate
Standard Chartered Bank	14.9%
CBA	16%
KCB S & L	16.5%
NIC Bank	17.5%



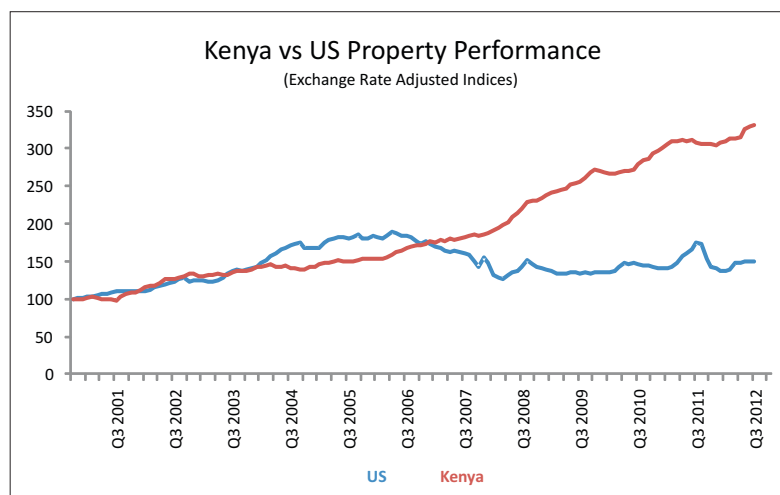
Mortgages available to the diaspora

At a glance, banks best rates for foreign currency mortgages available to those earning an income in US Dollars, GB Pounds or Euros including but not limited to the diaspora.

Bank	Dollar mortgage (\$)	Pound mortgage (£)	Euro mortgage (€)
Bank of Africa	9%	9%	9%
Equity Bank	9%	9%	N/A
I & M Bank	9%	N/A	N/A
CFC Stanbic Bank	9.25%	9.25%	9.25%
KCB S & L	10%	N/A	N/A
CBA	10.25%	10.25%	10.25%

How Kenyan property yielded better returns for the diaspora over the last ten years

Scenario: Buying a Kshs. 10m home in Kenya with a 20% deposit and a 9%* interest rate over a 10 year period yielded a return of Kshs. 18.9m while buying a home in the US with a 20% deposit and a 3%* interest rate over a 10 year period yielded a return of Kshs. 3.7m. This is because property in Kenya over the last ten years has appreciated on average 331% versus 50% for US properties. *Return is calculated by subtracting total cost of home from value of property at period end



*Best rate available as of 16/10/2012