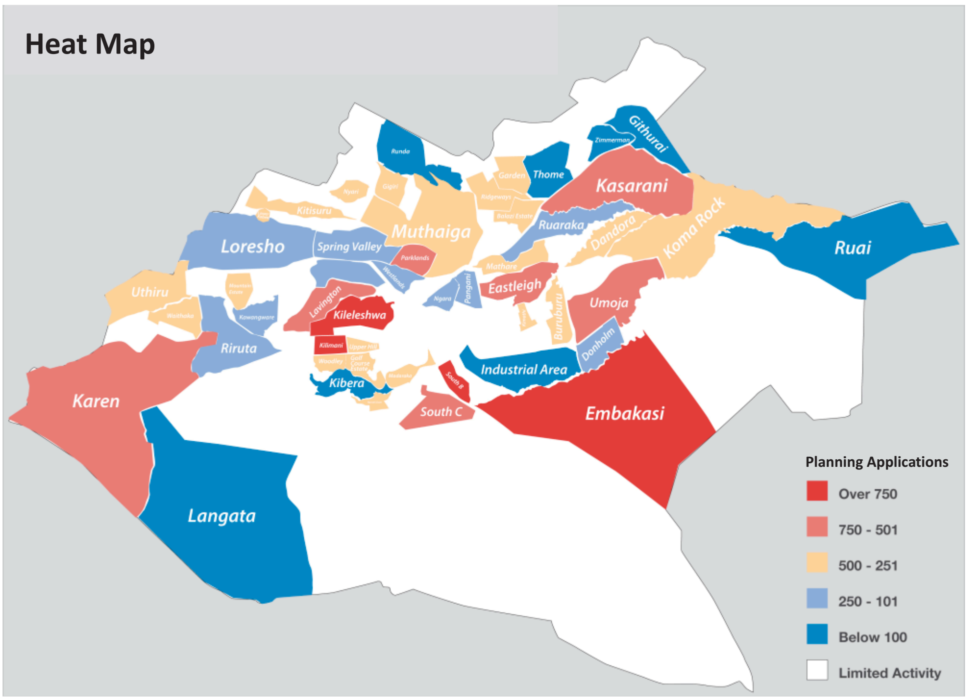
THE HASS PROPERTY
INDEX

STATE OF DEVELOPMENT REPORT
IN ASSOCIATION WITH
KPDA
KENYA PROPERTY DEVELOPERS ASSOCIATION

Property construction at only 7.5% of government targets

- Estimates in 2008 put the shortfall in middle class housing in Nairobi at 1.6 million by 2030. This saw government set a target of 200,000 housing builds a year in the city. But planned housing builds in 2013 reached just 15,000, of which more than 90 per cent are apartments.
- The population of Nairobi is expected to reach 5m by 2020, from 3.5m today.
- Yet even as the housing crisis intensifies, developers face new challenges. The construction permit fee has been increased by a multiple of between 200 and 1250, from 0.001 to 0.006 per cent of the cost of construction to 1.25 per cent. The spread between the CBK base rate and bank lending rates widened last year, as banks increased their profits from lending. As a result, intense development is now planned for just a few suburbs.
- Most development being planned in Embakasi & Kilimani, while the least is planned for Thome & Githurai.
- Sale and rental prices rose most in Upperhill, South C & South B and were most stable in Lavington.
- Land availability is uneven across the city. Runda has over 470 vacant plots suitable for development while Kilimani has just 12.
- Kenyan property is still a top performer globally the best domestic asset class while new infrastructure development offers big opportunities for property developers.

Development Activity 2013



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The Kenya Property Developers Association and HassConsult today launched Kenya's first ever annual report on the state of development in Nairobi with a warning that the city was heading for extreme shortages in urban middle class housing and failed development goals, based on current trends.

The housing shortage in Nairobi is acute, and deteriorating, the report shows. The country's aim was to be building 200,000 housing units a year in Nairobi to create a world class middle-income city by 2030. But in 2013, just 15,000 housing units were planned.

At the same time, sharp increases in land rates and the city council construction fees added increased financial disincentives to development. The construction permit fees were raised by between 200 times and 1,250 times their previous level. By the fourth quarter of last year, these newly increased charges generated Sh114m, or 23 per cent of the city council's revenue.

At the same time, the gap between lending rates and the Central Bank of Kenya's base rate further widened, impacting interest rates for the financing of both development and property buying.

“Nairobi has declared its intention to emerge as a world class city, but this depends on a sharp increase in construction, where current trends are instead slowing down the development industry's rate of growth,” said Robyn Emerson, CEO of KPDA.

The report comes as the government and industry work to deliver a master plan for the city's development, which may never be realized without a shift in gear: from exploitation of construction activity as a source of public revenue, to facilitation of a 13-fold increase in construction to reach the plan's goals. KPDA Board member says, "We are keen to work with government to come to workable solutions for development goal achievement and a better Nairobi, better Kenya for all.

Ongoing development is now reaching buffers in other areas too, the report found, with building densities rising – with more units per plot – and the availability of new land in the most heavily developing areas of the city now declining drastically. In Kilimani, which was one of the most heavily developing suburbs in 2013, the report found just 12 vacant plots remaining, compared with 470 in the much more static area of Runda.

The areas currently enjoying the greatest levels of development are Kilimani, Kileleshwa, South B and Embakasi, but land availability is now set to see attention shift to other areas with more space to develop.

The report, delivering the first such data gathered and compiled on property development in Nairobi, has been produced by KPDA as part of a strategy to increase the investor rating on Kenyan real estate.

The Jones Lang LeSalle Global Real Estate Transparency Index, used by investors globally to assess the safety and appeal of regional real estate investments currently rates Kenya at 67 of 97 countries for the quality of information on its real estate industry.

“The production of an annual report in this kind of detail and depth is a key plank in the criteria for getting Kenyan property re-graded as a transparent investment asset,” said Ms Emerson.

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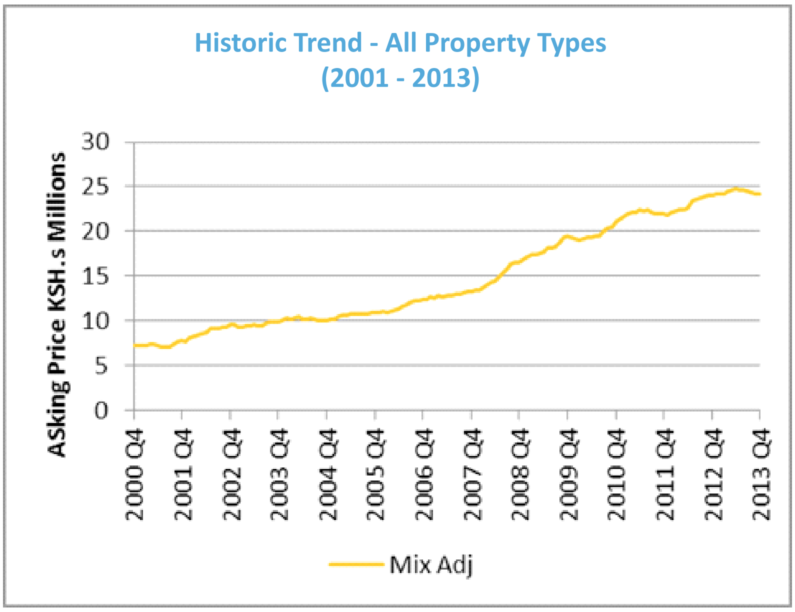
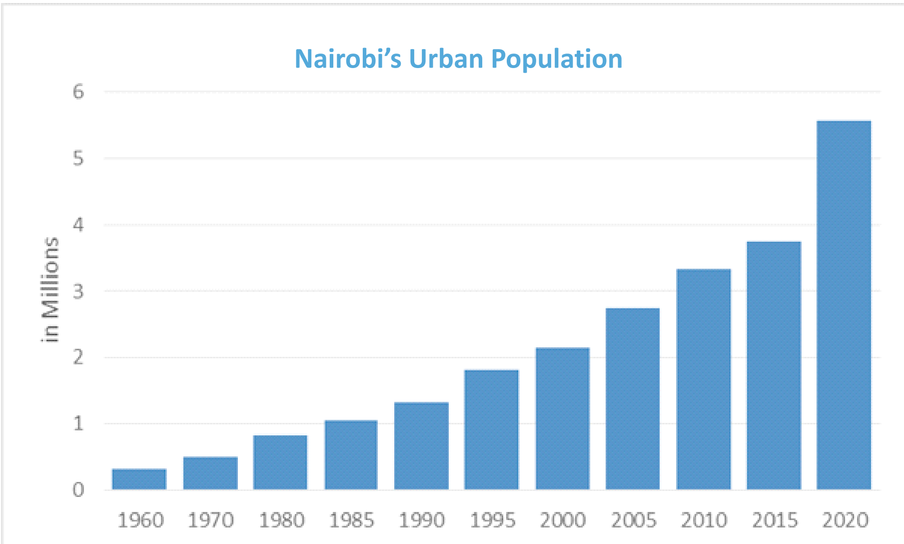


SNAP SHOT

Kenyan property prices have risen almost three-fold in the last decade. The market is underleveraged, with a near insignificant proportion of mortgage financed purchasing, and ongoing demand growth and rising shortages – making for a resilient price trend through all shocks.



SNAP SHOT

More than a quarter of employed Kenyans work in Nairobi, which generates over 60 per cent of the country's GDP. The city's population is growing at an average 7 per cent per annum and rising. Housing is growing far more slowly however.

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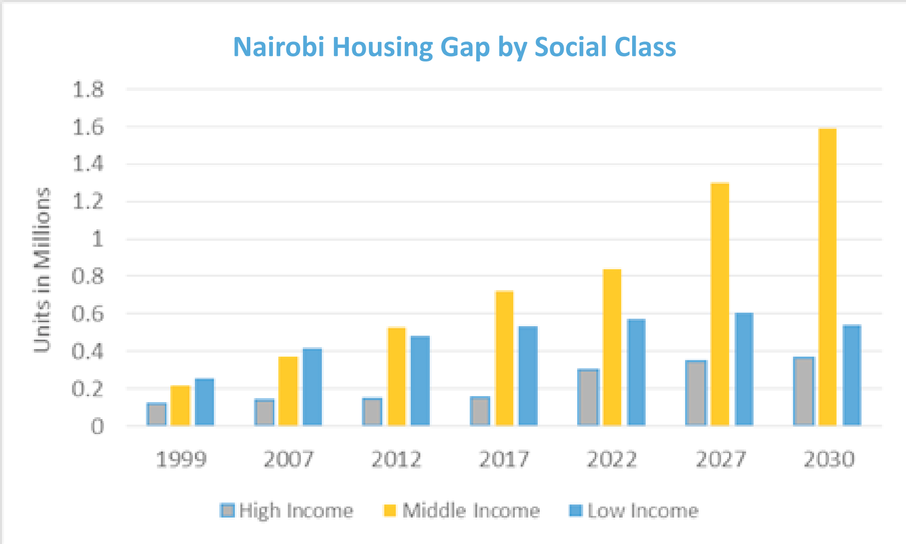
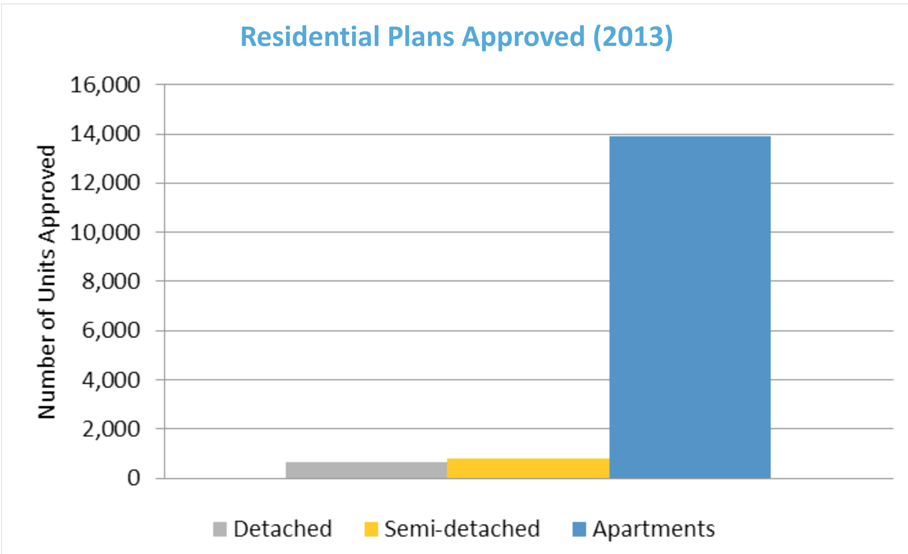


SNAP SHOT

In 2008, the Ministry of Nairobi Metropolitan Development estimated that the middle class housing gap in the city would reach a shortfall of 1.6 million by 2030. This triggered the setting of targets for 200,000 housing builds a year.



SNAP SHOT

A total of 2438 planning approvals by Nairobi City Council in 2013 were for 628 detached houses, 795 semi-detached houses, and 13,914 apartments, giving a total for Nairobi of 15,337 planned new homes. The most development is planned in Embakasi and Kilimani both having more the 1,200 units approved.

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Nairobi Suburb Performance in 2013

Best Performing Suburbs in Sales Over 2013		Worst Performing Suburbs in Sales Over 2013	
Suburb	**% Price Increase**	**Suburb**	**% Price Increase**
South C	14.5%	Muthaiga	-4.5%
South B	12.6%	Lavington	-2.9%
Upperhill	9.4%	Statehouse	-1.5%
Embakasi	9.1%	Brookside	-1.5%
Riverside	7.9%	Valley Arcade	-1.4%

Best Performing Suburbs in Rentals Over 2013		Worst Performing Suburbs in Rentals Over 2013	
Suburb	**% Price Increase**	**Suburb**	**% Price Increase**
Upperhill	22.8%	Lavington	1.7%
South C	20%	Nyayo Estate	2.6%
South B	19.3%	Nyari	3.6%
Kileleshwa	14.5%	Embakasi	4.0%
Kilimani	12.5%	Brookside	4.2%