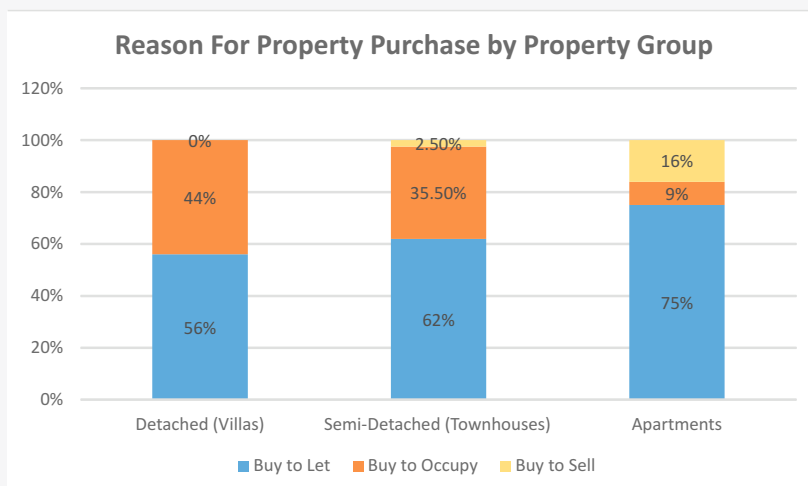


Study of home ownership reveals plummet in single-name buying

- Buy-to-let purchasing currently dominates the Kenyan property market, seeing the majority of new builds expanding the supply of properties for rent
- Over half of detached houses, semi-detached houses and three-quarters of apartments are being bought to rent out
- Speculative buying of housing accounts for less than 1 per cent of detached houses and about 2.5 per cent of semi-detached houses, but is significant in the purchasing of apartments, with 16 per cent of apartments bought to resell
- The type of buyers is changing rapidly away from individual men purchasers and towards buying by institutions and couples. In 2007/2008, men made up 64.1 per cent of property buyers. Four years later they accounted for just 41.2 per cent
- The proportion of institutional buyers has nearly doubled over the last five years, while the proportion of properties bought by couples increased nearly four-fold, to account for one fifth of all buying
- The shift reflected the continuing barrier of affordability. Despite government efforts to get reductions, the average mortgage rate has remained much the same, at 16.02 at the end of September 2014

Fig.1: Home Purchase Objectives



- 56% of purchasers acquire a detached home to let it out, 44% to occupy it while none purchase it to re-sell it for capital gain.
- 62% of purchasers acquire a semi-detached home to let it out, 35.5% to occupy it while only 2.5% purchase it to re-sell it for capital gain.
- 75% of purchasers acquire an apartment to let it out, 9% to occupy it while 16% purchase it to re-sell it for capital gain.

HassConsult, in partnership with The Property Show, today unveiled the first in a new quarterly series of home ownership reports, providing current mortgage rates and loan growth data together with new figures on buying trends.

The report revealed a surge in buying by institutions and couples, with institutions accounting for 11.9 per cent of property purchases by 2012, compared with 6.3 per cent four years earlier. There is also a marked shift towards buying by couples, instead of by men alone, with the proportion of properties bought by couples climbing to 19.5 per cent, from 4.7 per cent in 2007/2008.

These combined trends have delivered a position where men no longer buy the majority of properties in Kenya. In 2007/2008, men bought 64.1 per cent of all properties. Four years later they accounted for just 41.2 per cent of buying.

“With mortgage rates putting buying out of reach for all except those on the country's very highest salaries, one of the trends now clearly emerging is dual ownership in order to service repayments, as well as institutional buying,” said Nancy Muthoni, host of The Property Show and co-sponsor of the new quarterly Home Ownership report.

“It's a trend that further highlights the need to access cheaper housing finance if we are to achieve the targets set by government in moving any significant proportion of Kenyans into home ownership,” she said.

In assessing current mortgage rates, the report found almost no decline in rates since the end of July, despite the government's efforts to get banks to move to lower rates pegged to the new Kenya Banks' Reference Rate (KBBR), which is currently set at 9.13 per cent. Standard Chartered Bank continued to offer the country's most competitive mortgage rate, at 12.3 per cent.

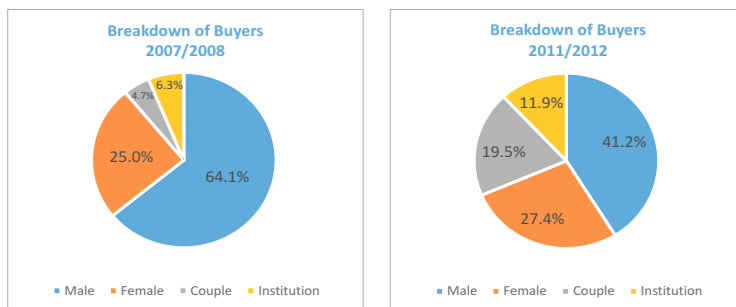
The sector's continuing high rates saw the average mortgage rate maintained at 16.02 per cent, which, combined with now renewed upwards movement in property prices, has served to further reduce the percentage of Kenyans able to afford a home of their own with a Kenyan mainstream home loan.

Since the sharp interest rate rises of 2011, the average monthly repayments to buy an apartment have stayed above Sh140,000 a month, despite the subsequent near halving in the Central Bank of Kenya's base rate.

As a result, apartment purchasing remains beyond the reach of nearly all professionals, with mortgage repayments exceeding average salaries across pharmacists, accountants, architects, marketers and most other careers. Only executives and managements come close to earning the salaries necessary to reach current Kenyan mortgage repayments.

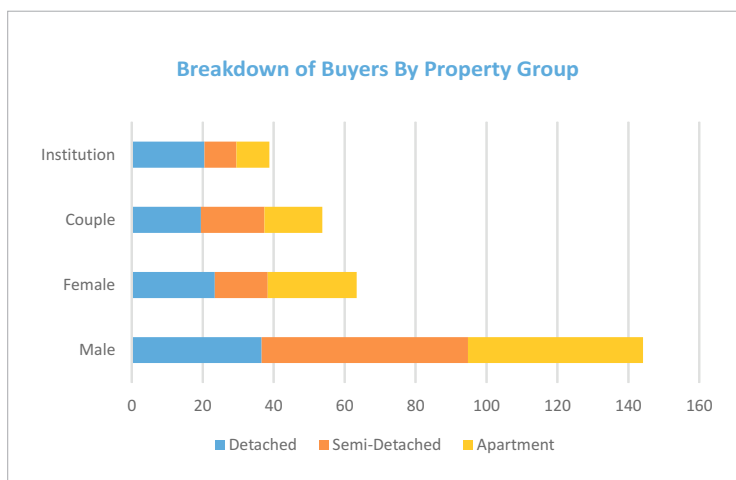
Housing Demand

Fig.2: Change in the Demand Profile Over Time



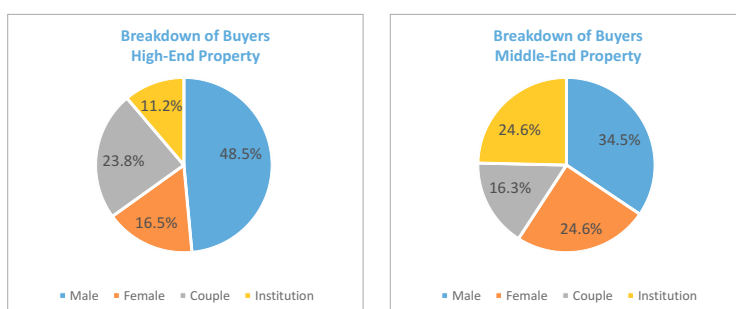
- In 2007/8, 64.1% of all residential property buyers were male but reduced to 41.2% in 2011/12.
- In 2007/8, 25% of all residential property buyers were female but increased to 27.4% in 2011/12.
- In 2007/8, 6.3% of all residential property buyers were couples but increased to 11.9% in 2011/12.
- In 2007/8, 4.7% of all residential property buyers were institutions but increased to 19.5% in 2011/12.

Fig.3: Demand Profile by Property Type



- Male Buyers form a total of 48% of all buyers with the most male purchases in semi-detached houses
- Female Buyers form a total of 21% of all buyers with the most female purchases in apartments
- Couples form a total of 18% of all buyers with the most couple purchases in detached houses
- Institutional Buyers form a total of 13% of all buyers with the most institutional purchases in detached houses

Fig.4: Demand Profile By Market Segment



- High end property attracted 48.5% male buyers against 34.5% male buyers of middle end property.
- High end property attracted 16.5% female buyers against 24.6% female buyers of middle end property.
- High end property attracted 23.8% couple buyers against 16.3% couple buyers of middle end property.
- High end property attracted 11.2% institutional buyers against 24.6% institutional buyers of middle end property.

Housing Affordability

Fig.5: The Affordability Test

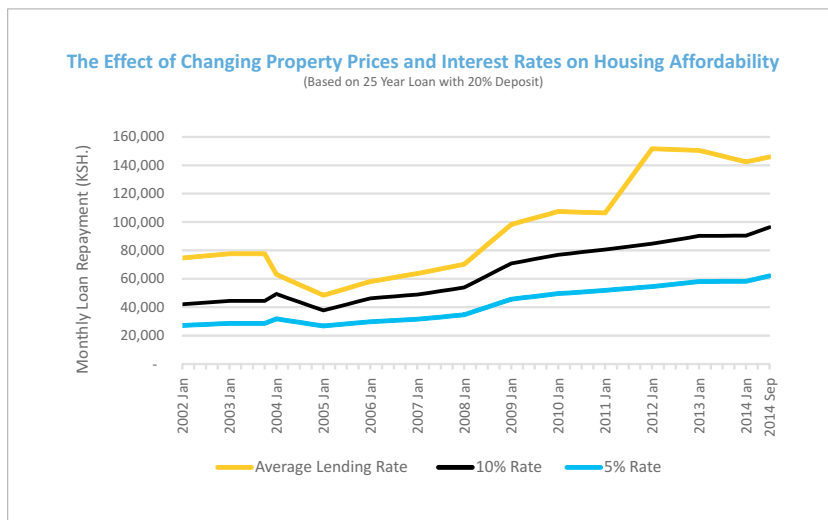


Fig.6: Affordability By Job Category

Job Category	Average Monthly Salary	% of Salary Needed to Buy an Apartment at 16% Mortgage	% of Salary Needed to Buy an Apartment at 5% Mortgage
		Monthly Repayment: KES 145,818 Term 25 Years 20% Deposit	Monthly Repayment: KES 62,018 Term 25 Years 20% Deposit
Courier/Delivery/Transport/Drivers	20,000	729%	310%
Administration/Reception/Secretarial	53,959	270%	115%
Publishing and Printing	71,667	203%	87%
Architecture	87,142	167%	71%
Legal	100,360	145%	62%
Pharmaceutical and BioTechnology	105,000	139%	59%
Accounting and Finance	121,544	120%	51%
Advertising/Graphic Design	123,909	118%	50%
Engineering	136,652	107%	45%
Marketing	162,267	90%	38%
Executive Management	349,504	42%	18%

Fig.7: Mortgage Rate League Table

Rank	Bank	Interest Rate as at 10th Nov 2014	Scheme Rate/Promo as at 10th Nov 2014	Percentage above KBRR KBRR at 9.13%	Annual % Change in No. of Mortgages Dec 2012 - Dec 2013	Annual % Change in Value of Mortgages Dec 2012 - Dec 2013
1	Standard Chartered	12.3%	13%	3.17%	+21.8%	+25.3%
2	Barclays Bank	14.9%	-	5.77%	+4.2%	+6.9%
3	CBA	15%	13%	5.87%	+14.3%	+21.6%
4	National Bank of Kenya	15.45%	-	6.32%	-3.2%	+24.9%
5	CFC Stanbic Bank	15.5%	-	6.37%	+7.5%	+22.5%
6	I & M Bank	15.5%	-	6.37%	+9.2%	+18.8%
7	Bank of Baroda	15.63%	-	6.37%	-57.5%	-9.2%
8	Co-operative Bank of Kenya	15.75%	-	6.5%	+10.3%	-11%
9	KCB S&L	16%	12.9%*	6.62%	+4.95%	+8.2%
10	Housing Finance	16%	-	6.87%	+3.19%	+16.5%
11	Gulf African Bank	16%	14%	6.87%	+22.8%	+11.9%
12	NIC Bank	16%	14%	6.87%	+33.8%	+126%
13	Bank of Africa	17%	-	7.87%	-30%	+43.2%
14	Consolidated Bank	18%	-	8.87%	-7.6%	-4.2%
15	Equity Bank	18%	16%	8.87%	+55%	+43.2%
16	African Banking Corporation	18%	-	8.87%	+33%	+37.8%
17	Diamond Trust Bank	18%	-	8.87%	-6%	+4.5%
18	Eco-Bank	18.5%	-	9.37%	-15.8%	+22.6%
19	Chase Bank	21%	-	12.87%	-4.3%	+27.2%
20	Development Bank	22%	-	11.87%	-8.6%	+3.6%

*KCB Promotional Rate for those with a net income KES. 150,000