

# STATUS OF THE BUILT ENVIRONMENT

# 2018



**AAK** | PROMOTING EXCELLENCE  
IN THE BUILT ENVIRONMENT

- i. Cement production came in at 2.8 million tonnes in H'1 2018, a 14.2% decline from 3.2 million tonnes in H'1 2017, while consumption stood at 2.7 million tonnes in H'1 2018, a 7.4% decline from 2.9 million tonnes in H'1 2017. This decrease is largely attributable to the slow-down in construction activity during H'1 2018 and the effects of reduced credit supply in the market.



**14.2%**

Cement production declined



- ii. The World Bank released its 'Doing Business Report 2019', a report that compares business regulation across economies from 190 countries. Kenya's ranking in terms of dealing with construction permits dropped four ranks to position 128 from 2017's position 124. This is due to the prolonged approval process that takes 156 days on average, compared to the Sub-Saharan average of 146 days. Despite the drop in ranking with regard to construction permits, in overall Kenya was ranked as the seventh most improved economy globally and ranked position 61 - climbing 19 points from 2017's position 80.

# REAL ESTATE

- Kilimani is the most attractive area for high-rise residential property development in comparison to other high-rise residential nodes e.g. Kasarani and Dagoretti. This is attributable to attractive returns as a result of Kilimani's proximity to key nodes such as the CBD, Upperhill and Westlands; its vast supply of social amenities such as malls; and continued infrastructural development as seen through the upgrading of Ngong' Road.
- Karen is the most attractive area for low-rise residential property development in comparison to other low-rise residential nodes e.g. Spring Valley, Runda and Kitisuru. This is attributed to its affordability.
- In terms of retail rental yields accrued, Westlands, Kilimani and Karen areas recorded the highest. This is resultant of the high rents charged based on the duo-factors of the high-quality malls offered and their prime locations.
- In terms of office rental yields accrued, Karen, Parklands and Westlands areas recorded the highest. This is resultant of the high rents charged based on the duo-factors of the high-quality office space offered (mostly Grade A and high-quality Grade B) and their prime locations.
- The most preferred office location for corporates is Westlands. This is due to its proximity to a wider range of upper middle-income to high-end neighborhoods; and the availability of a wider range of high standard social amenities e.g. schools, malls.
- Syokimau/Mlolongo and Baba Dogo areas are the most attractive areas for warehousing services.
- For Syokimau/Mlolongo, the area has close proximity to the airport and its land prices are relatively affordable. For Baba Dogo, the area has close proximity to the Thika Superhighway and the Eastern Bypass.
- In overall, the hotel and tourism property sector experienced improvement in 2018. This is evidenced by the increased entry of international brands such as Marriott, Accor Hotels and Carlson Rezidor (Radisson Blu).



## KILIMANI

Most attractive area for high-rise residential property development



## KAREN

Most attractive area for low-rise residential property development



## WESTLANDS

The most preferred office location for corporates



## SYOKIMAU/ MLOLONGO

The most attractive areas for warehousing services.

## LAND

- According to the Hass Consult Land Price Index Q3'2018 Report, Upperhill has the most expensive land at Ksh558.3 million per acre while Kiserian has the least expensive land at Ksh7.1 million per acre.
- The lack luster price growth of land is attributable to reduced demand for land from buyers such as developers as they have started adopting a wait and see attitude, waiting to see the direction of the affordable housing project, that is likely to result in inclined focus to certain areas for development.

## FINANCING

- A 400% increase in Budgetary Allocation for the Housing Sector for the financial year 2018/19 totaling KSh 6 billion, compared to KSh 1.5 billion in 2017's budget was recorded.
- The Housing Finance (HF) Group Limited is planning to sell its existing loans to the KMRC, and use the proceedings to provide new housing loans as low as KSh 2.5 million for about 200 new housing units over 2019.



**Ksh558.3M**

**PER ACRE**

The most expensive land in Kenya located in Upperhill



**400%**

An increase in Budgetary Allocation for the Housing Sector for the financial year 2018/19

# INVESTOR AND DEVELOPER SCENE

Highest returns to investors is as follows:-

- Apartments: Kilimani and Ngong Road areas
- Detached units: Ruiru and Lower Kabete areas

It is notable that investors are increasingly undertaking the Mixed Used Development (MUD) concept in order to:

- Reduce risk by diversification as MUDs generally offer a safe bet regardless of downturns in either of the various land uses
- Densify in more compact packs of land thus maximizing on returns, and;
- Encourage use of resources efficiently as mostly residential and commercial tenants would occupy the same building thus utilities such as energy and sewage can be used more efficiently.



**HIGHEST RETURNS**



**APARTMENTS**  
Kilimani and Ngong Road areas

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**DETACHED UNITS**  
Ruiru and Lower Kabete areas



## INFRASTRUCTURE

- The government, in partnership with Japanese International Co-operation Agency (JICA), is planning to construct a 2km flyover. It will link Industrial Area's Enterprise Road to the City Centre - making it the country's longest flyover.
- Kiambu, Meru, and Machakos Counties might be the first counties in Kenya to spearhead an initiative that will see these counties raise funds from the public for the financing of their infrastructural projects through the sale of infrastructure bonds.
- The Kenya National Highways Authority (KeNHA) opened Phase 1 of the KSh 39 billion Dongo Kundu bypass in Mombasa. The road links the new container terminal to the airport.
- The government of Kenya through Kenya Electricity Transmission Company (KETRACO), has begun plans to electrify US \$3 billion Standard Gauge Railway (SGR).
- The Kenya Railways planned to commence in December 2018 the construction of a 22km Standard Gauge Railway (SGR) line costing KSh. 200 million set to link the Miritini passenger terminus to the Mombasa CBD. Plans are also underway to extend the railway line past the Mombasa CBD and to the Mombasa Port with the aim of facilitating cargo transportation to Nairobi.

- Mombasa Port’s second container terminal expansion begun in May 2018 on 100 acres at Kilindini Harbour and is expected to be ready in 2021. This will allow the port to handle an extra 450,000 twenty-foot equivalent units (TEUs) and increase the port’s capacity to 2.1 million TEUs.
- Construction works on US \$2 billion High Grand Falls Dam in Kenya, Africa’s second largest dam is set to commence following a resolved procurement dispute which threatened to delay the project.
- Residents of Kitengela are set to construct their own sewer line targeting to service over 100-homes and approximately 20,000 persons. The 45-km sewer line will be funded by residents who are expected to raise a total of KSh 39.0 million towards the project.
- Kenya has activated its largest solar power plant in the semi-arid eastern county of Garissa. The Garissa solar park, capable of generating over 76,000 megawatt hours (MWh) of power annually is currently injecting 15MW into the national grid and will run at full capacity once commissioning tests are concluded. The solar plant is established on 85-hectare - the biggest of its kind in East Africa
- The government has committed KSh. 40 billion for the provision of requisite infrastructure within Konza City in Machakos County.
- Plans are underway for the establishment of nine major cities along the ongoing KSh 2.5 trillion LAPSSET Corridor. The towns will also include Lamu, Isiolo, Lodwar, and Mandera. Seven of these cities are set to be complete by 2020.




**KSh. 40B**

Construction works of High Grand Falls Dam in Kenya, Africa’s second largest dam



**US \$2B**

The government has committed for infrastructure within Konza City

# BIG 4 AGENDA: AFFORDABLE HOUSING

The national government seeks to deliver 500,000 affordable homes in five years. To this end, it has so far initiated the following to facilitate the process:-

## i. Legal and Policy Reforms

### a) Implemented:

- H.E. President Uhuru Kenyatta signed into law various bills with an aim of supplementing the budgetary needs of the affordable housing initiative. These are as follows:-
  - 15% corporate tax relief to developers who put up at least 100 affordable residential houses annually
  - Signing into law amendments to the Income Tax Act that will allow buyers get a 15% tax relief to a maximum of KSh 108,000 p.a., or KSh 9,000 p.m., under the newly introduced Affordable Housing Relief section.
  - Signing into law an amendment to the Stamp Duty Act, which will exempt first time home buyers from paying the Stamp Duty Tax which normally is 2.0% - 4.0% of the property value.
  - Signing into law the Finance Bill 2018, which includes a clause on employees' contribution to the National Housing Development Fund, as proposed in the National Budget reading for 2018/2019. As per the clause, employees shall contribute 1.5% of their gross salary to the fund, while employers top this up with a similar amount.
  - In the month of September, he signed into law the Supplementary Appropriation Bill No. 2 of 2018, with the housing department receiving KSh 21 billion (44.7% of the KSh 47.3 billion supplementary budget and a 223.1%

increment from the KSh 6.5 billion allocated in Kenya National Budget 2018/19, in support of the affordable housing initiative). This came just after the Cabinet approved the guidelines for the implementation of the initiative in terms of projects' financing, cost, design, quality and affordability

- In November 2018, the Ministry of Transport, Infrastructure, Housing and Urban Development published the Housing fund Regulations 2018 meant to govern the National Housing Development Fund introduced by the Finance Act 2018.

### b) Proposed:

- 15.0% tax waiver on Housing Co-operatives.
- NACHU, mainly representing persons from the low-income class, rural cooperatives, persons with informal employment, plans to embark on the establishment of a regulated mortgage Sacco in a model that is set to see the board access mortgage funding from the KMRC.
- The UN - Habitat advised the national government to formulate policies that ensure the 23,000 Savings and Credit Co-operative Organizations (SACCO's), who have close to KSh 1 trillion in savings, have access to serviced land, professional expertise, and reduced tax on building materials that would facilitate provision of mass affordable housing to low income earners.



**ii. Land initiative**

- Government plans to allocate serviced land to developers out of which 70% will be for affordable housing, while the remaining 30% will be high-end units, thus allowing the developers to recoup their costs. This initiative will be rolled out for the first lot comprising of 36,840 housing units in Starehe, Muguga Green, Shauri Moyo, Makongeni all in Nairobi County, and Mavoko, in Machakos County.
- Land swaps entailing the exchange of public and private land between the government and developers, enabling the developers to access development class land that would otherwise have been tied down.

**iii. Public participation initiative**

The government contracted consultancy firm, KPMG, to prepare a public participation masterplan for the planned affordable houses to be put up in all counties. The masterplan would inform the housing models to be designed as well as prices to be set for individual units in each county depending on off-takers purchasing power.

**iv. Unit-Allocation initiative**

The government plans to use blockchain technology to allocate the low cost housing units that will be developed under the National Housing Development Fund (NHDF), in a bid to enhance transparency and efficiency in their allocation. Blockchain technology involves the use of a shared digitalized ledger that allows one to keep track of transactions, which on entry cannot be modified. It is an open-source ledger where each and every transaction will be made public thus reducing the chances of fraud.

**v. Developer opportunity**

In September 2018, the National Government invited bids from

both international and local developers to build 1,500 affordable residential units at Nairobi’s Park Road estate situated in Ngara for low-income earners, expected to be delivered within 36 months. The government plans to achieve this through Public-Private Partnerships (PPP’s) where the government’s role is to provide the land while the developer is tasked with the role of designing, funding and constructing the units.



**KSh. 40B**

Construction works of High Grand Falls Dam in Kenya, Africa’s second largest dam



**US \$2B**

The government has committed for infrastructure within Konza City

## BIG 4 AGENDA: AFFORDABLE HOUSING (cont)

### A. THE COUNTY GOVERNMENTS

County Governments have participated in the following ways:

- Kilifi County Government signed an agreement with the National Government, cementing a partnership that will see the construction of at least 2,000 housing units within 2019. The projects will be undertaken in Kilifi and Malindi, where the land for development has already been identified. In addition, the project will be funded by the government through the Kenya Urban Support Programme (KUSP).
- County Governments are also launching initiatives towards the achievement of affordable housing e.g. the County Government of Kiambu has initiated the process of developing 12,500 housing units on 50 acres of public land; the County Government of Nairobi has also started the process of redeveloping the old housing estates in Makongeni, Starehe, and Shauri Moyo among other neighbourhoods.
- The government, through a concept paper, intends to work with county governments to fasten the provision of affordable housing. The county governments will aid in creating the much-needed land banks as per the government target of a total of 6,800 acres across various counties i.e. 3,000 acres in Nairobi, 1,200 in Mombasa, 1,000 in Kisumu, 800 in Eldoret and 800 in Nakuru. To this end, the County Government of Homa Bay signed a MoU with the National Government, for the development of 2,000 affordable homes where the County will provide 18 acres for the cause.

# 2,000

Kilifi County Government signed an agreement with the National Government, cementing a partnership that will see the construction of housing units within 2019.

# 12,500

County Government of Kiambu has initiated the process of developing housing units on 50 acres of public land

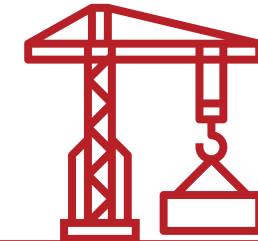
**Budgetary proposal by Nairobi County:**  
Fee for approval of building plans capped at 0.5% of the construction cost - a reduction from 3% on value of property, including land.



# NCA Construction Data 1<sup>st</sup> July 2018 – 27<sup>th</sup> November 2018

## PROJECTS APPROVED BY NCA

### Cost Range of Projects



	No. of projects (1st January 2018 – 30th June 2018)						No. of projects (1st July 2018 – 27th November 2018)					
	Below 5 <sup>M</sup>	5 <sup>M</sup> - 50 <sup>M</sup>	50 <sup>M</sup> - 200 <sup>M</sup>	200 <sup>M</sup> - 500 <sup>M</sup>	500 <sup>M</sup> - 1 <sup>B</sup>	Over 1 <sup>B</sup>	Below 5 <sup>M</sup>	5 <sup>M</sup> - 50 <sup>M</sup>	50 <sup>M</sup> - 200 <sup>M</sup>	200 <sup>M</sup> - 500 <sup>M</sup>	500 <sup>M</sup> - 1 <sup>B</sup>	Over 1 <sup>B</sup>
	285	1,929	265	51	20	20	301	1,666	209	43	14	19
<b>Total</b>	<b>2,570</b>						<b>2,252</b>					

### Type of Projects



	No. of projects (1st January 2018 – 30th June 2018)					No. of projects (1st July 2018 – 27th November 2018)				
	Building works	Road works	Water works	Mechanical works	Electrical works	Building works	Road works	Water works	Mechanical works	Electrical works
	2,252	23	9	-	10	2,238	2	7	2	3
<b>Total</b>	<b>2,294</b>					<b>2,252</b>				

### Client Type



	No. of projects (1st January 2018 – 30th June 2018)					No. of projects (1st July 2018 – 27th November 2018)				
	CDF	County Governments	NGO/Social Organization	Parastals/Govt Agencies	Private	CDF	County Governments	NGO/Social Organization	Parastals/Govt Agencies	Private
	1	22	117	57	2,367	1	12	131	27	2,081
<b>Total</b>	<b>2,564</b>					<b>2,252</b>				

Source: National Construction Authority

# Development Permits for Nairobi

**SEPTEMBER - NOVEMBER 2018**

**Development permit applications approved**

756

**Month with highest number of approvals**

November (383)  
*2 technical meetings were held on this month*

**Month with lowest number of approvals**

September (163)

**Total value of development projects approved**

KSh 44.09B

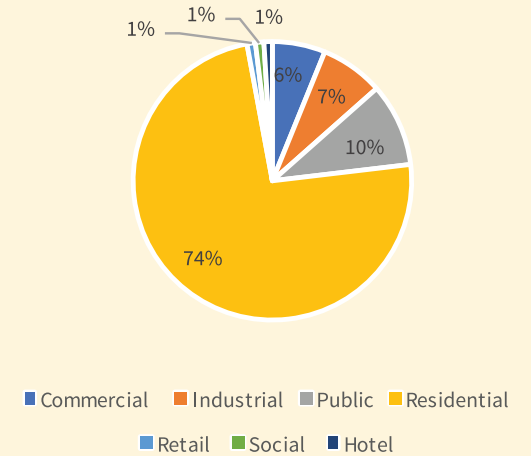
**Average number of days taken to issue approvals**

44.64 days

**Top 5 areas where most developments were carried out**

1. Karen
2. Westlands
3. Kilimani
4. Eastleigh
5. Kasarani

**Development classification approvals as a percentage of total approvals**



Source: Nairobi City County Government

**HEAD OFFICE**

Architectural Association of Kenya,  
Blue Violets Plaza, Kamburu Drive, off Ngong Road.  
P.O. Box 44258 Nairobi, 00100  
Telephone: +254-020-2420806, 2420582  
Mobile: +254 721 691 337  
Email: aak@aak.or.ke • Website: www.aak.or.ke



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