

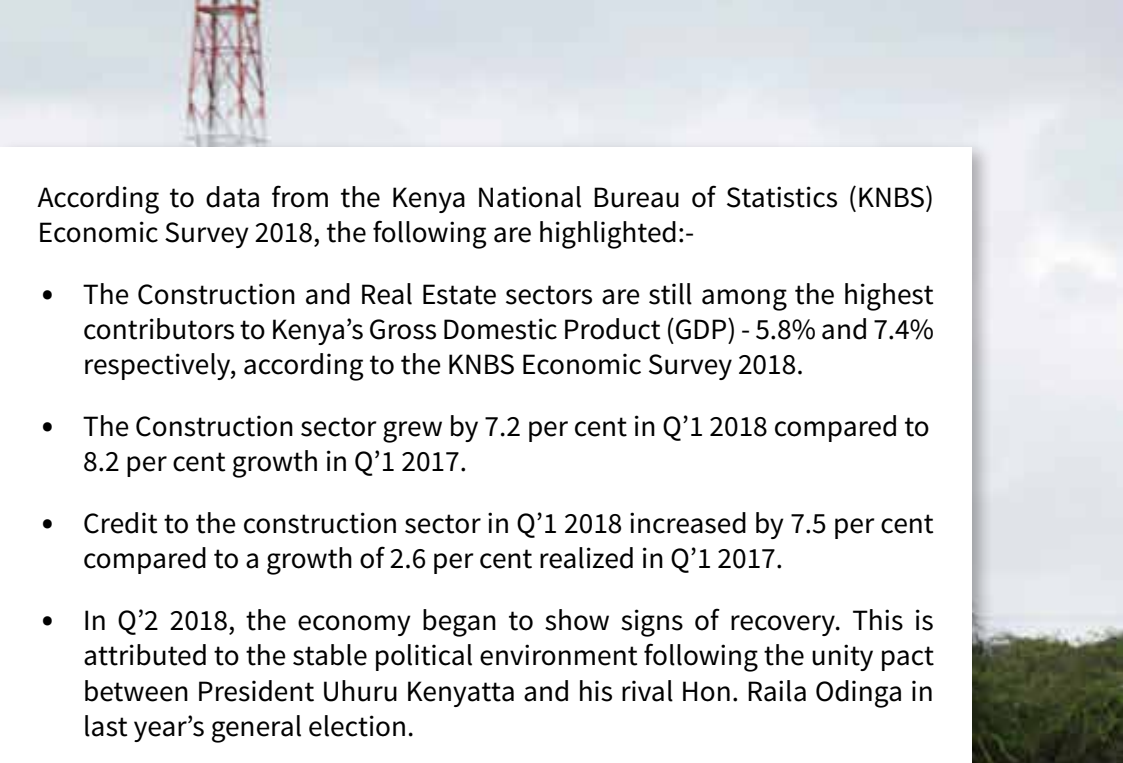


AAK | PROMOTING EXCELLENCE
IN THE BUILT ENVIRONMENT

STATUS OF THE BUILT ENVIRONMENT

JANUARY – JUNE 2018





According to data from the Kenya National Bureau of Statistics (KNBS) Economic Survey 2018, the following are highlighted:-

- The Construction and Real Estate sectors are still among the highest contributors to Kenya's Gross Domestic Product (GDP) - 5.8% and 7.4% respectively, according to the KNBS Economic Survey 2018.
- The Construction sector grew by 7.2 per cent in Q'1 2018 compared to 8.2 per cent growth in Q'1 2017.
- Credit to the construction sector in Q'1 2018 increased by 7.5 per cent compared to a growth of 2.6 per cent realized in Q'1 2017.
- In Q'2 2018, the economy began to show signs of recovery. This is attributed to the stable political environment following the unity pact between President Uhuru Kenyatta and his rival Hon. Raila Odinga in last year's general election.



5.8%

Construction contributes to Kenya's Gross Domestic Product (GDP)



7.2%

Real Estate sector contributes to Kenya's Gross Domestic Product (GDP)



7.2%

Construction sector grew in Q'1 2018

REAL ESTATE

- House prices increased by 2.08% in Q1'2018 compared to a 0.68% increase in Q4'2017. The increase in price appreciation is attributed to:-
 - conclusion of market transactions put on hold during the prolonged electioneering period as investors adopted a wait and see approach; and
 - improved macro-economic environment
- Q'1 2018 saw maisonettes lead the market at 56.17 percent of the total units offered for sale followed by bungalows at 39.11 percent with apartments coming third at 4.72 percent. This is unlike in the past where the apartments took an upper hand in the market. This is attributable to the increased demand for detached units by the increasing upper middle-income segment looking for privacy and exclusivity
- The mall-type retail landscape performance continues to decline mostly attributable to the increased supply of mall space and slow uptake of this

space. The only exception is the *Two Rivers* and *Garden City* malls which have employed strategies such as provision of high quality space and green technology buildings known to attract foreign retailers.

- There is an abundant shortage of 'true Grade A' office spaces amid rising demand from local and international clients.
- Despite the shortage of 'true Grade A' office space, there is an oversupply of vacant office spaces in Nairobi. Upperhill leads this pack with a market share of 18.0% and an oversupply of 700,000 SQFT.
- The rising demand for high quality international standard warehousing space is still growing. This is resultant of e-commerce firms demanding for warehouse space for storage as they follow shopper habits in favour of home deliveries as opposed to conventional shopping.

The above data has been sourced from the Kenya Bankers Association Housing Price Index May 2018, Cytonn Investments Report and the Broll Property Group





INVESTOR AND DEVELOPER SCENE

An increased number of investors and developers have announced their interest to venture into the development of low to middle – income housing segment. This is catalyzed by the national government’s priority to deliver one million affordable housing units in 5 years

POLICY

Before Parliament is a Bill seeking to amend the Stamp Duty Act to exempt first time home buyers from paying stamp duty. Stamp duty tax is paid on the market value of a property at the rate of 4.0% for urban areas and 2.0% for rural areas and is payable within 30-days of signing of the sale agreement.

- The Ministry of Lands and Physical Planning unveiled the *National Land Use Policy (NLUP)*, Sessional paper No 1 of 2017, in May.
- Developers who put up at least 100 affordable housing units will now enjoy *15% tax relief* as the government looks to boost housing for low-income earners
- The *Sectional Properties Act* is being amended to allow buyers of high rise apartments to obtain title deeds for their property.



15%

Tax relief that developers who put up at least 100 affordable housing units will enjoy

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:-

- a) State will provide land to private investors who will then take advantage of various building technologies and economies of scale to deliver “truly affordable” homes for citizens.
- b) 15.0% corporate tax relief to developers who put up at least 100 affordable residential houses annually
- c) 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
- d) Public Private Partnerships (PPPs) agreements between the government and the private sector, to facilitate development
- e) creation of the Kenyan Mortgage Refinancing Company (KMRC) - an initiative by the World Bank and the Kenyan Government aimed at enhancing mortgage affordability and facilitate long term loans at attractive rates.



500,000

The number of affordable homes the national government seeks to deliver in five years.

INFRASTRUCTURE

The Kenya National Highways Authority's (KeNHA), officially opened phase I of the Ksh39 billion of the Dongo-Kundu bypass in June. This is an 11-km stretch connecting Mombasa Port and Miritini. The opening is expected to ease traffic on the Nairobi-Mombasa Highway and connect the North Coast with the South Coast. The government is preparing to award the tender for the second phase of the project



Ksh39B

Total cost for Phase 1 of the
Dongo-Kundu bypass



NCA Construction Data

1st January 2018 - 30th June 2018

PROJECTS APPROVED BY NCA

Cost Range of Projects



Below 5 ^M	5 ^M - 50 ^M	50 ^M - 200 ^M	200 ^M - 500 ^M	500 ^M - 1 ^B	500 ^M - 1 ^B
285	1,929	265	51	20	20

Type of Projects



Building Works	Roadworks	Waterworks	Electrical Works
2,522	23	9	10

Client Type



CDF	County Governments	NGO/Social Organization	Parastals/Govt Agencies	Private
1	22	117	57	2367

Source: National Construction Authority

Development Permits for Nairobi



JAN - JUNE 2017		JAN - JUNE 2018	
Development permit applications approved	Month with highest number of approvals	Development permit applications approved	Month with highest number of approvals
1,140	June (204)	1,167	March (291)
Month with lowest number of approvals	Total value of development projects approved	Month with lowest number of approvals	Total value of development projects approved
March (153)	KSh 53.5B	February (159)	KSh 75.5B
Total value of permitting fees	Average number of days taken to issue approvals	Total value of permitting fees	Average number of days taken to issue approvals
KSh 493.9M	52 days	KSh 498.7M	37.38 days
Top 5 areas where most developments were carried out	Development classification approvals as a percentage of total approvals	Top 5 areas where most developments were carried out	Development classification approvals as a percentage of total approvals
<ul style="list-style-type: none"> i. Karen ii. Westlands iii. Industrial Area iv. Kilimani v. CBD 	<ul style="list-style-type: none"> ■ Residential class ■ Industrial class ■ Public class ■ Commercial class 	<ul style="list-style-type: none"> i. Karen ii. Westlands iii. Industrial Area iv. Kilimani v. CBD 	<ul style="list-style-type: none"> ■ Residential class ■ Industrial class ■ Public class ■ Commercial class

Source: Nairobi City County Government



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