



Housing
Finance

Housing Finance in Kenya

*Africa Union for Housing Finance (AUHF)
AGM and Annual Conference 2011
Johannesburg, South Africa
September 6, 2011*



AGENDA

- *About Housing Finance*
- *Kenyan Housing Market*
- *Kenyan Mortgage Industry*
- *Mortgage Loan Characteristics*
- *Challenges to Bridging the Housing Gap*
- *CBK World Bank Survey*
- *HF's Solutions*
- *Way Forward*

MISSION

To be the leading provider of integrated solutions for the acquisition, development and improvement of property in Kenya.

VISION

We will be the leading integrated solutions enabler for the property industry. We will offer innovative products and services, delivered under one roof by exceptionally committed people to enhance shareholder value.

HF: A Financial Snap Shot



Assets as at June 2011	Kshs 30.84 billion
Deposit Base at June 2011	Kshs 17.43 billion
Loan Portfolio at June 2011	Kshs 21.53 billion
Total No. of Mortgage Loans 2011	4,658
Employees	250
Customer Base	45,000
Share Capital	Kshs 4.389 billion
PBT (Half Year 2011)	Kshs 345.17 million

About Housing Finance



- Housing Finance Company of Kenya Limited was incorporated on 18 November 1965 under the Companies Act as a private company
- At the time of incorporation, funds injection driven by the 2 main shareholders, the Government of Kenya (GoK) and Commonwealth Development Corporation of the United Kingdom (CDC)
- In 1992, HF got listed at the Nairobi Stock Exchange (NSE) with CDC and GoK retaining a shareholding of 30.4% each and Kenyan investors taking up the balance of 39.2%
- In 2007, with the exit of CDC, HF welcomed Equity Bank and British American Investments Company (Kenya) Limited as anchor shareholders
- In the current shareholding structure, GoK only controls 3.6% shareholding with the rest being in private hands.



Kenyan Housing Market



- In common with much of Africa, Kenya has a large housing gap which is growing every year and is increasingly prevalent in urban areas
- The current annual housing deficit is estimated at 156,000 units per annum based on the population growth and urban migration taking place
- There is limited data on current levels of construction but according to Ministry of Housing, it is 50,000 units a year
- Need for urgent solutions to tackle the housing deficit and HF is taking a market and policy lead in Kenya
- 2.19 million houses are needed over the next 10 years
- Urban Population in 2010: 1 in 4 Kenyans
- Urban Population in 2050: 1 in 2 Kenyans



Kenyan Mortgage Industry



- The market has gone through 'germination' stage and is preparing to enter its next development phase
- The mortgage market is the third most developed in Sub-Saharan Africa with mortgage assets equivalent to 2.5 per cent of Kenya's GDP
- Only Namibia and South Africa rank higher, with Botswana just slightly smaller.
- The Central Bank of Kenya/World Bank Survey 2010 estimates that 11% of Kenya's urban population can afford a mortgage
- Assuming a housing unit with an average value of Ksh 3.2 million (\$39,600) this could mean a potential pool of 249,260 loans
- With affordability and housing supply, a potential mortgage market size of Ksh 800 billion or \$9.9 billion exists in Kenya

Mortgage Loan Assets



Kenya's mortgage market has grown from Kshs 19 B in 2006 to Kshs 61 B in May 2010.

Source:
World Bank
& CBK 2010

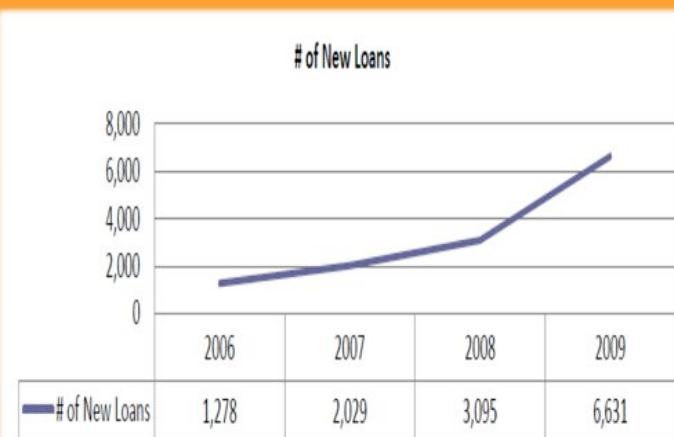


No. of Mortgage Loan Accounts-Small But Growing



Growth of new mortgage loans validates the growth of mortgage market.

Source:
World Bank
& CBK 2010



Challenges to Bridging the Housing Gap



Demand for Housing

Lack of long term funds
Credit Risk
Informality/low incomes - lack of constant stream of income
High interest rates
Foreclosure system
Lack of affordable housing
Financial Literacy

Lack of Effective Demand

Supply of Housing

Availability of Developer finance (debt and equity)
Planning and building regulations
Cost of infrastructure
Access to Land
Titling/Registration system
Land Costs
Lack of Acceptable Alternative Building Technologies

Lack of Affordable Supply

9

Results from CBK/World Bank Survey



Mortgage Market Obstacles According to Kenyan Banks/FIs

Frequency of

	Response
Access to Long Term Funds	21
Low level of incomes/informality	15
Credit Risk (lack of credit histories, documented income, etc.)	11
High interest Rates	10
Difficulties with property registration/titling	7
Cost and time of foreclosing on a property	6
Burden of regulation (provisioning,, liquidity rules, etc.)	4
Lack of housing supply - new construction	4
Lack of capacity/skills in banking sector to develop products	3
Lack of consumer education/financial literacy	2
AIDS/HIV as an inhibitor of long term lending	1

Source: Central Bank of Kenya, Mortgage Survey, November 2010



HF's Solutions to the Challenges



HF's Solutions



- One Stop Property Solutions
- Affordability Through Innovation in Liability Products
- Affordability Through Innovation in Asset Products
- Innovation in Building Solutions
- Tackling Long-Term Funding Needs

Comprehensive Property Solutions



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Turning dreams into homes.

Middle Income-Elan Park, Mombasa Road



Elan Park – Mombasa Road

- Middle income Maisonettes
- 3 bedroom + Dsq
- Price of 8 million

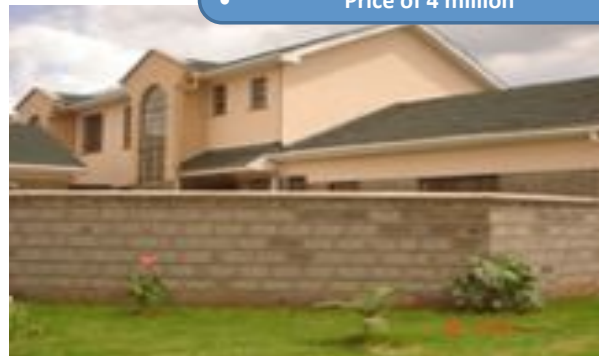
Middle Income Housing-Flame Tree and Greenspan



- Flame Tree – Thika
- Middle Income flats
 - 3 bedrooms
 - Price of 4 million



- Greenspan – Eastlands
- Middle income Maisonettes
 - 3 bedroom + dsq
 - Price of 8.5 million



Upper Market-Karen & Lavington



- Titian ,
Lavington
Upper income
Town house
4 bedrooms +
Dsq
Price range 40
million



- Assemble – IT,
Karen
Upper income
Town house
4 bedrooms +
Dsq
Price range Kshs
40 million



Innovation in Building Solutions



Our team ensures we deliver a finished home

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The client takes up a lot of your free time, you can hardly find time to build a home. But, with Makao, a convenient building solution, the process has been made easy. Besides providing your construction team, a team of architects, lawyers, contractors and material suppliers have come together with Housing Finance to make your step to a new home easier and affordable. You can focus on your client, as we help put the pieces together.

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Turning Dreams into Homes



Tackling Long-term Funding Needs



BUSINESS DAILY

Housing Finance to launch Sh10bn Corporate Bond



A construction site in Nairobi. Through the bond, Housing Finance will have a war chest of long-term capital to allow it expand its mortgage business. Photo/FREDRICK ONYANGO

Housing Finance (HF) will launch a Sh10 billion corporate bond in September as it positions itself to finance long term housing development projects.

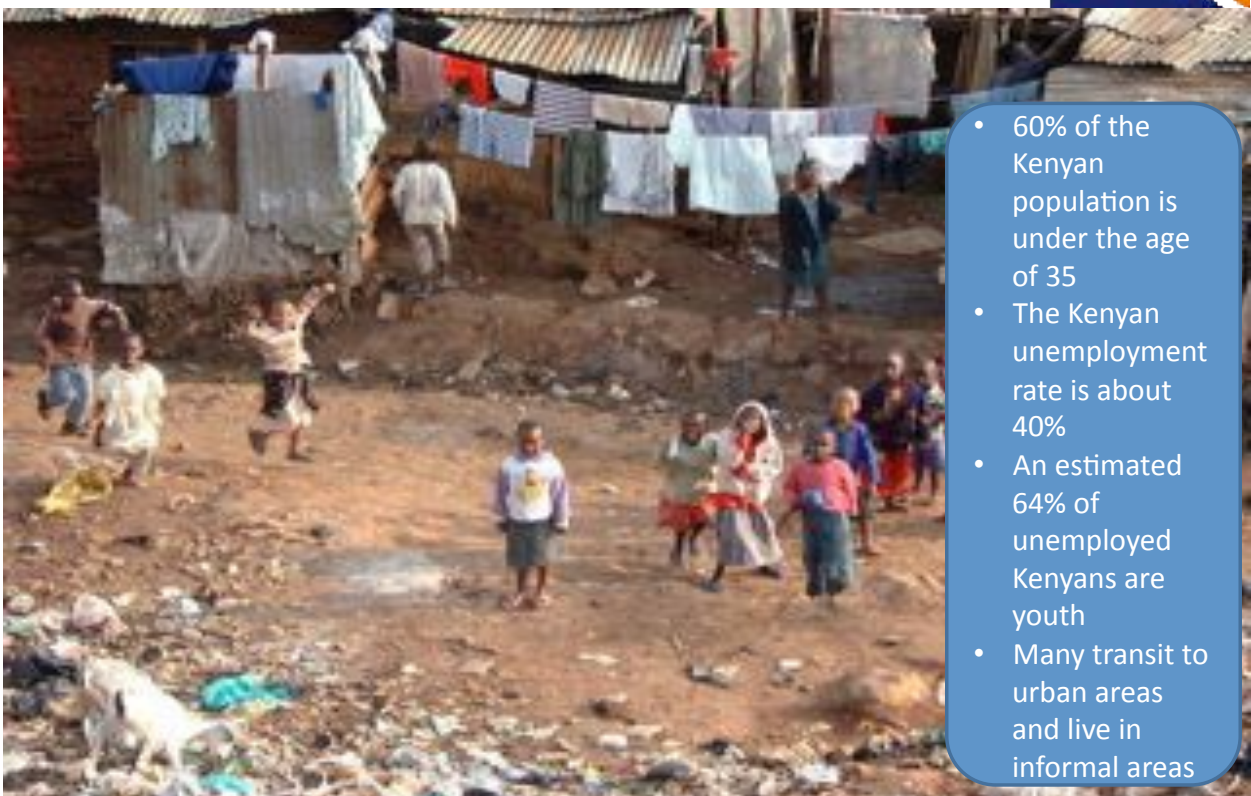
How Do We Proceed? The Bottom of the Pyramid



1 in 3 Kenyans in Urban Areas live in Informal Settlements like Kibera, Nairobi,

- Approx. 170,700 Dwellers
- Density of 2,000 people per Hectare
- Possible Solutions:
Planning, Tenure, Self Build and Incremental Building
Pre-Fabricated Housing, Microfinance

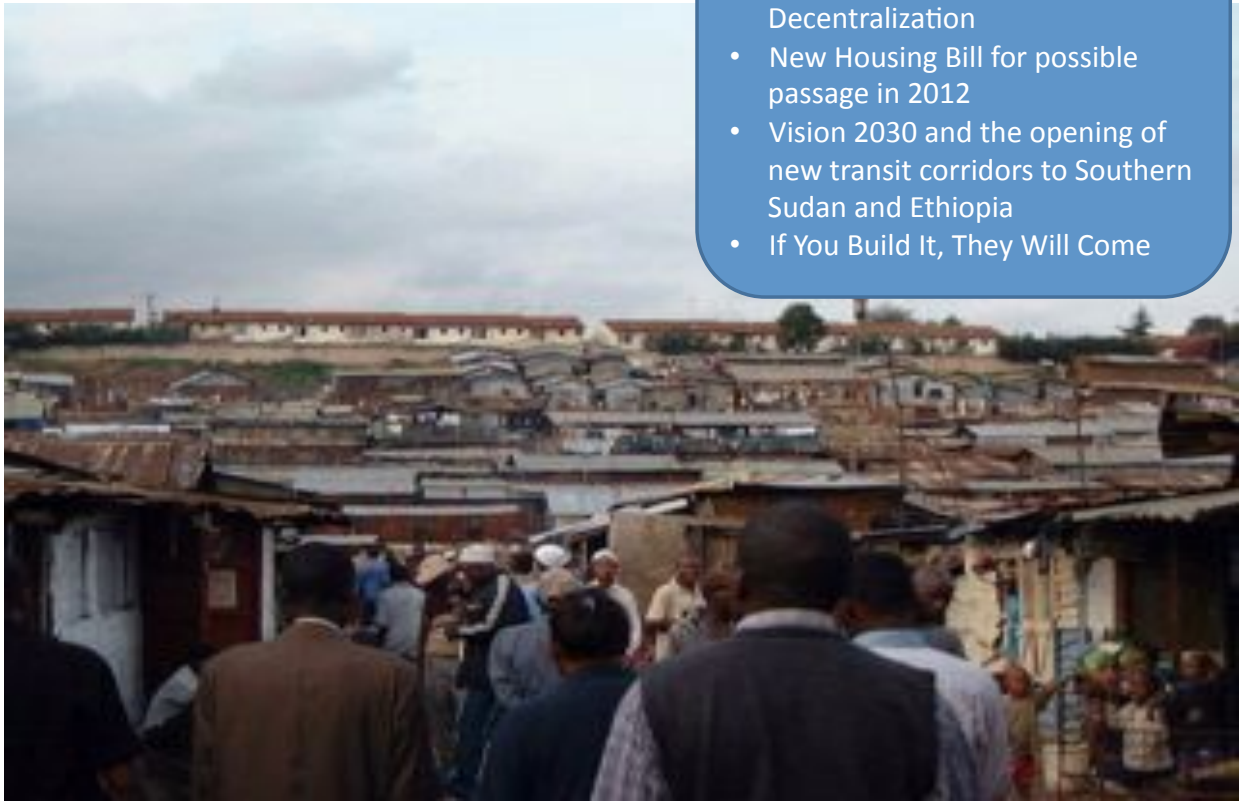
How Do We Proceed? The Youth



- 60% of the Kenyan population is under the age of 35
- The Kenyan unemployment rate is about 40%
- An estimated 64% of unemployed Kenyans are youth
- Many transit to urban areas and live in informal areas

Hope On Is the Horizon

- New 2010 Constitution Offering Separation of Powers, Devolved Government and Fiscal Decentralization
- New Housing Bill for possible passage in 2012
- Vision 2030 and the opening of new transit corridors to Southern Sudan and Ethiopia
- If You Build It, They Will Come



Thank You