

# FSD KENYA

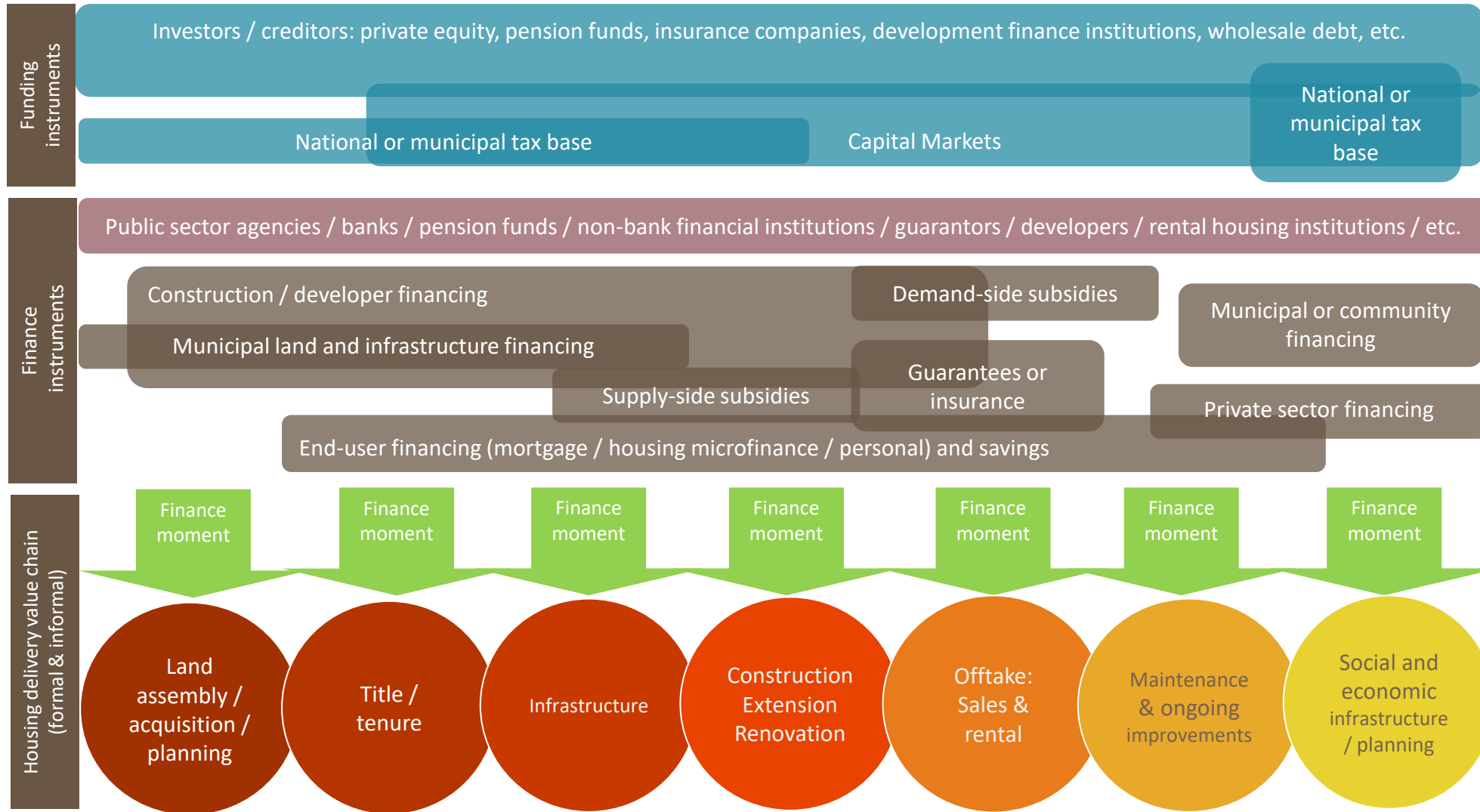
## AFFORDABLE HOUSING PROGRESS

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# “Housing Value chain is long and complex”

\* Note: different market segments will engage in different housing processes involving different value chains and different finance moments – this diagram is purely illustrative.



Therefore, requires

- Appropriate regulatory support and finance at each step
- Shift in focus away from delivering units, to supporting the transformation of the ecosystem.

Source: CAHF's Housing Finance Value Chain



# 4 distinct sub-markets and value chains – see Synthesis Decks available

## Engaging with the four key Kenyan sub-markets:

**Incremental**  
Rural  
Peri-urban



**Informal Settlements**  
Urban



**Small landlord**  
Urban



**Formal**  
Urban



## Key Features:

**Incremental:**  
**Estimated size: 9 million households**  
**Typical HH Income range:** < KES 50,000/month  
**Typical tenure:** Ownership

**Informal Settlements:**  
**Estimated size: 1.6 million households**  
**Typical HH Income range:** <KES 30,000/month  
**Typical tenure:** rental, absentee landlordism

**Small landlord:**  
**Estimated size: 1.1 million HH**  
**Typical Income range:** KES 30,000 - 75,000  
**Typical tenure:** Rental

**Formal:**  
**Estimated size: 360 000 households**  
**Typical Income range:** >KES 75,000  
**Typical tenure:** Owner (30%), Rental (70% - and enters rental pool inefficiently)

## Key failures which limit access to finance and undermine sub-market performance:

**Incremental:**

- Poor quality, long time to deliver
- Poor, disjointed, supply value chains
- Poor land title rights for securitization

**Informal settlements:**

- Extremely poor quality
- Contested land rights
- Government / DFI initiatives to date often lead to displacement or take very long to deliver

**Small landlord:**

- Lack of scale, limited amenities
- Variable compliance
- Pressures on municipality infrastructure

**Formal:**

- Long time to deliver and high costs
- Difficulty exit due to land registry challenges
- Mortgage / Rent x 2
- Limited long term in design and management

# What is scale in the Kenyan context?

	Public / Private	Total Projects	Completed units	Ongoing units	Accessed capital markets
<b>LARGE DEV WITH INTERNATIONAL BACKING</b>					
Actis	Private	2	159	624	YES
Acorn	Private		1,500	5,000	YES
AMS Properties	Private	10	655	10,162	NO
Britam	Private		-	-	YES
Centum	Private	5	100	802	YES
CITICC	Private		-	-	NO
Cytonn	Private	7	100	2,805	YES
Erdemann	Private	11	3,998	3,913	NO
Fusion Capital	Private	4	363	53	NO
Housing Finance historical	Public		15,000		YES
Housing Finance recent	Private	10	2,000	960	YES
Kaydee	Private	1	-	1,400	NO
NHC historical	Public		16,500		NO
NHC recent	Public	8	159	319	NO
Trident	Private	6	109	430	NO
Unity	Private	1	400	1,200	NO
<b>LOCAL DEVELOPERS: TOTAL PROJECT SIZE 100 UNITS PLUS</b>					
Chigwell	Private	3	393	250	NO
Everest Park	Private	2	440	-	NO
Green Park	Private	3	593	-	NO
Greenspan	Private	1	700	260	NO
Heri Homes	Private	10	517	709	NO
Karibu Homes	Private	2	575	1,200	NO
Lifestyle Homes	Private	4	520	-	NO
MOAD	Private	1	-	300	NO
Suraya	Private	18	1,810	579	NO
Riruta Gardens	Private	1		1,500	NO
TSAVO	Private	5	160	870	NO
Zamara	Private	1	259	-	NO

	Public / Private	Total Projects	Completed units	Ongoing units	Accessed capital markets
<b>LOCAL DEVELOPERS: TOTAL PROJECT SIZE 50 - 100 UNITS</b>					
BANDA	Private	18	77	1,895	NO
Mahiga	Private	12	69	491	NO
Natureville	Private	3	63	500	NO
<b>SACCOS AND HOUSING COOPERATIVES</b>					
NACHU	Private	20	1,456	1,457	NO
Mwalimu National Sacco	Private	1	800	0	NO
Stima Investment Coop	Private	2	416	1,434	NO
Safaricom Inv Coop	Private	6	554	331	NO
Urithi Cooperative	Private	10	622	989	NO
KUSCCO	Private				NO
Amref SACCO	Private				NO
Mhasibu Sacco	Private				NO
Kencom Sacco	Private				NO
Kamuthi Housing Cooperative	Private				NO
Airport Housing Cooperative	Private				NO

## While Kenya is highly promising

- Priority national program
- Deep demand
- Availability of land, building materials, developer experience
- Strong regulatory environment
- Deep capital markets
- Technological and innovation hub

## However very limited scale

- Hardly any developer has delivered >1,000 units in total (sale, rental, TPS)
- Supply pricing vs demand affordability mismatch
- Big pipeline with limited track record

# There is a lot to do: Kenya needs \$45 - \$90 billion over next 20 years

## A (very) rough calculation:

Existing deficit	2 000 000 housing units
Annual requirement over 20 years	+ 7 000 000 housing units (350 000 units pa)
Total housing need over 20 years	= <b>9 000 000 housing units</b>

Assume average house cost:	\$ 5 000	or	\$ 10 000
Total investment required	<b>USD 45 000 000 000</b>		<b>USD 90 000 000 000</b>

**This scale of investment is more than the capacity of any group of players.**

**Therefore, what housing needs from the finance sector is:**

1. Patient blended finance products
2. Deep regulatory support
3. Mechanisms for local currency capital
4. Market development and investment support

# The FSD Network Strategy: underlying principles

Work across the spectrum of housing sub-markets to leverage capacity in support of market transformation for B40.

Investment in rental shifts market delivery standards, promotes affordable options for the >80% of urban Kenyans who rent

Data sharing and market collaboration a condition of its investments  
“Open Access”

## FSDAi Investment in Formal Housing Offtaker

- **Invest** in formal supply - **shift focus from ‘build to sell’ to ‘build for resilience’** incorporating green technologies and ‘life cycle cost evaluation’
- **Promote scale** to drive **affordability**
- **Accurate Demand insights** on affordability, preferences, to tailor better targeted financial products
- By addressing value chain blockages, the **Network will identify systemic issues for wider reform** to enable scale
- **Support investee to exit to capital markets**, bringing in local capital into affordable housing sector

# FSD KENYA PROGRAM FRAMEWORK AND PROGRESS

## 3 components

- Building an enabling ecosystem and promoting coordinated and evidence-based investment making
- Create Demand Side and Supply Side Financial products for both rental and owner occupation options
- Demonstrating and Promoting Greener and more affordable housing and infrastructure technologies

# Component 1: Building an enabling ecosystem and promoting coordinated and evidence-based investment making

- Affordable Housing Working Group
  - Data driven advocacy
  - Landlord and Tenant Bill, Electronic Regulations
  - Affordable Housing Investment Alliance: Bring providers and users of capital together
- Digitization of Land Information Management Systems (LIMS)
  - Land as Collateral
  - Reduce transaction cost /time
  - Effective revenue streams
- Aerial Mapping
  - Provide base information for the LIMS, assists effective land management
  - Further map analysis provides information for revenue identification



# Component 2: Create Demand Side and Supply Side Financial products for both rental and owner occupation options

- Partial Credit Guarantee
- Transfer of pension assets survey
- Bundled microinsurance fire + other perils product
- Pilot rent relief fund, demand segmentation of tenants and landlords
- Portfolio segmentation for FSPs

# Component 3: Demonstrating and Promoting Greener and more affordable housing and infrastructure technologies

## Kenya Green Building Society

- Green planning guidelines
- Green Materials and Services Directory
  - [link to form](#)
- ABT technologies evaluation

Fusion: EDGE certified urban infill apartment learnings

Kwangu Kwako: Scale uptake of cheapest proven ABT at KES 170k excluding land, including VAT

# Questions

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