

## House Prices Slowdown Persists As Credit Constraints Prevail

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- House prices declined by 1.72 percent in the Second Quarter of 2019
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**Nairobi, 8th August 2019** – House prices remained depressed during the second quarter of 2019, reflecting early signs of an emerging trend where negative prices have been recorded in two consecutive quarters. Previously, negative trend has been followed by a correction in the subsequent quarter.

According to the Kenya Bankers Association House Price Index (KBA-HPI), house price movements saw a quarter-on-quarter reduction of 1.72 percent, compared to the pace of 2.78 percent reported in the first quarter of 2019. The Index associates the slowdown with persistent credit constraints, which have continued to affect both the supply and demand side of the house market.

The KBA-HPI notes that weak household income has been a key factor keeping the demand for homes low, with the slight up-tick in private sector credit growth experienced during the first half of the year offering little respite. The situation has been exacerbated by limited availability of funding to the housing market due to increased Non-Performing Loans generally and especially the construction sector, adversely influencing the risk appetite of lenders.

“The supply-side weakness can be inferred from a reduction in the number of building approvals. While there was a rise in sales during the quarter, the KBA-HPI indicates that the development was result of supply ‘spilling-over’ from the previous quarter and not introduction of new buildings,” said KBA Centre for Research on Financial Markets and Policy Director Mr. Jared Osoro.

On the total units offered, apartments sustained dominance at 81 percent, highlighting the influence of the middle-income segment of the population on the market. They were followed by maissonettes (13 percent) and Bungallows (6 percent), suggesting that land pressures have pushed developers to build apartments to maximise space utilization.

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**Note to Editors:**

To better guide policy makers and investors on the trends in the housing sector, the banking industry's umbrella body, the KBA, launched the KBA-HPI in February 2015. The Index has quickly been recognised as a credible analytical tool that is useful for tracking housing sector dynamics and price movements. The KBA-HPI follows the Laspeyres Index method where the index is computed by getting the ratio the estimated current quarter price from the hedonic method multiplied the weights of the preceding quarter to the price of the preceding quarter multiplied by the respective weights of that quarter. The weights of the quantitative variables are obtained by getting their respective mean values. For the dummy variables however, their weights are computed as the proportions of the number of houses possessing a certain attribute to the total number of houses.

The KBA-HPI regions are based on clustered price ranges across several counties as follows:

**Region 1:** Athi River, Mlolongo, Mavoko, Nakuru, Ngong, Ruaka, Syokimau, Embakasi, Kahawa Wendani, Thika, Mtwapa, Utange, Kitengela, Kiambeni, Nyeri, Likoni, Eldoret, Ruiru, Kilifi, Thika road (Kasarani, Roysambu, Ruaraka), Meru, Bungoma.

**Region 2:** Thindigua (Kiambu Road), Kiambu, South B, South C, Kabete, Komarock, Imara Daima, Membreley, Buruburu, Rongai, Waiyaki Way (Uthiru, Regen, Kinoo, Kikuyu), Mbagathi road, Ngong Road, Langata.

**Region 3:** Kileleshwa, Kilimani, Lavington, Westlands, Spring Valley, Riverside, Milimani (Kisumu), Milimani (Nakuru), Runda, Karen, Garden Estate, Parklands, Ridgeways, Muthaiga, Loresho, Kitisuru, Adams Arcade, Nyali, Mountain View, Nyari.