



HOUSING PRICE INDEX

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Housing Market prices firmed modestly in the second quarter of 2025

The Kenya Bankers Association Housing Price Index (KBA-HPI) shows the housing prices have continued to firm up modestly in the second quarter of 2025, reinforcing signals of gradual stabilization that emerged in the previous quarter (Figure 1). The second quarter outcome points to a slightly stronger but still measured adjustment. This trend is underpinned by a combination of supply-side constraints, selective demand pockets and developers' pricing responses to persistently elevated construction and financing costs. During the second quarter of 2025, the macroeconomic environment was broadly supportive of stabilization, but not strong enough to trigger a rapid rebound in housing demand. The easing cycle in monetary policy that began in late 2024 continued into 2025. This led to a gradual moderation in market interest rates (Figure 2). Even so, mortgage rates remained relatively high in real terms because of banks' cautious risk pricing and the lagged transmission of policy rate cuts. Consequently, household borrowing capacity improved only marginally in the second quarter of 2025. Real incomes remained under pressure from the cumulative

effects of elevated inflation in prior periods. As a result of this, the end-user demand remained subdued. This development further reinforces the observed trend that price increases are primarily cost and supply-driven rather than demand-led. Nonetheless, supply-side conditions continued to play a critical role in shaping house price dynamics during the quarter. Construction activity remained above the 10-year historical average, as evidenced by a surge in cement production and consumption trends. During the second quarter 2025, cement production recorded a

Figure 1: Overall change in house prices (%)

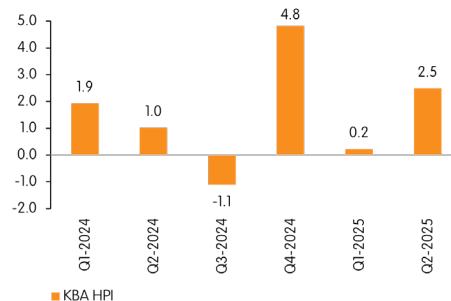
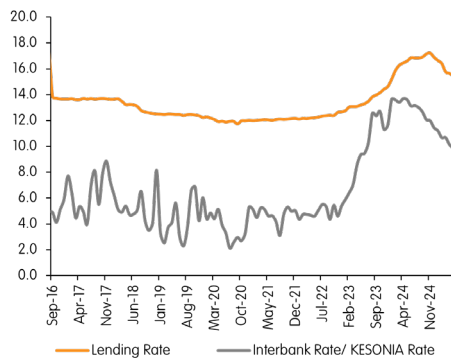


Figure 2: Trends in the Lending rates and Interbank rate/ KESONIA Rate



Highlights

Market Transition to Cautious Firming

Housing prices continued to firm up in the second quarter of 2025, with the Moving Base Index rising to 107.67 and the Fixed Base Index reaching 112.10. This sequential increase signals a transition from stabilization to a period of cautious price firming, as developers begin to test higher price points despite affordability constraints.

Supply-Side Activity vs. Subdued Demand

The market adjustment remains primarily supply-driven, with elevated construction costs and high real mortgage rates keeping end-user demand subdued. Despite the muted demand, construction activity remained robust, as evidenced by cement production levels that significantly exceeded the 10-year historical average.

Significant Shift in Buyer Preferences

Transaction patterns revealed a major shift as the market share of apartments shrank to 35.29 percent, while bungalows and mid-market properties gained traction. Notably, the mid-market segment (Region 2) increased its transaction share to 35.3 percent, nearly matching the low-market segment which moderated to 38.2 percent.

Impact of Premium vs. Shared Amenities

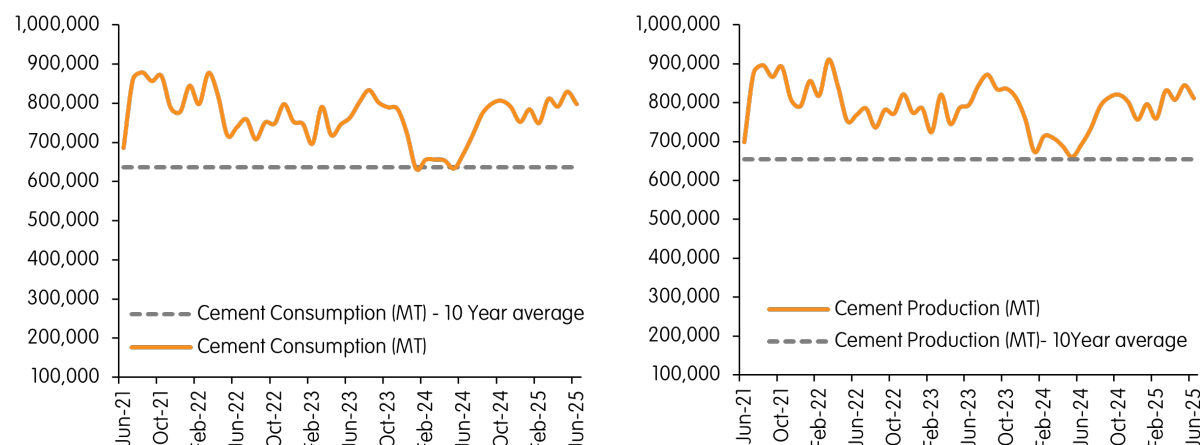
Property valuations were heavily influenced by the size of the plinth area and premium amenities like backup generators and domestic staff quarters that offer privacy and convenience. Conversely, shared facilities such as gyms and balconies showed little to no positive impact on prices, reflecting buyer concerns over market saturation and rising service charges.

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Figure 3: Cement production and Consumption



Source: KNBS

monthly average production of 821,422 metric tons (MT), compared to a 10-year historical average of 654,184 metric tons (MT), while consumption was also higher, to stand at 806,324 metric tons (MT), compared to a 10-year historical average of 634,751 metric tons (MT)

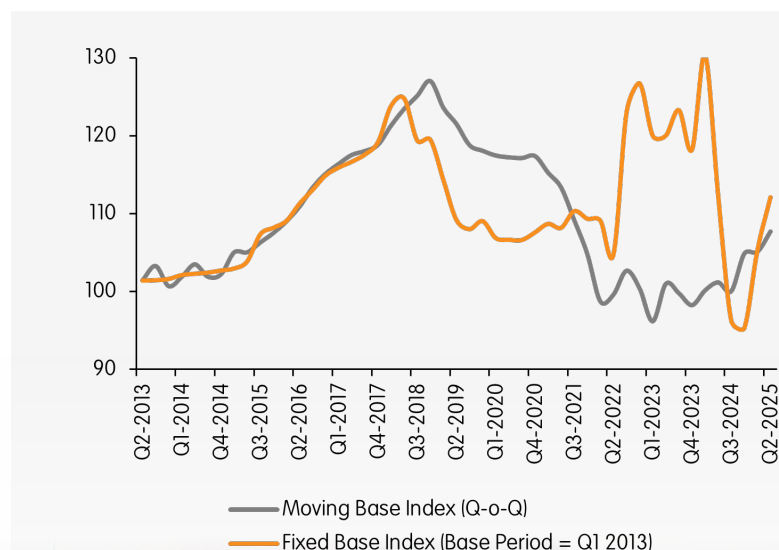
The Kenya Bankers Association Housing Price Index (KBA-HPI) rose further in the second quarter of 2025, with the Moving Base Index increasing to 107.67 from 105.06 in the previous quarter, while the Fixed Base Index (Q1 2013 = 100) improved to 112.10 from 105.29 (Table 1 and Figure 4). This sequential increase indicates that house prices are transitioning into a period of cautious price firming. Moreover, the stronger increase in the Moving Base Index in the current quarter relative to the previous quarter suggests that developers became slightly more willing to test higher price points. Nonetheless, affordability constraints limited the extent of price pass-through, resulting in incremental rather than sharp price increases.

Table 1: KBA-HPI Movement (Q2-2021 to Q2-2025)

Period	Fixed Base Index (Base Period = Q1 2013)	Moving Base Index (Q-o-Q)
Q2-2021	108.19	113.32
Q3-2021	110.33	109.13
Q4-2021	109.35	104.77
Q1-2022	109.10	98.69
Q2-2022	104.78	99.58
Q3-2022	123.04	102.64
Q4-2022	126.72	100.35
Q1-2023	120.00	96.15
Q2-2023	120.01	92.25
Q3-2023	123.28	99.75
Q4-2023	118.21	98.22
Q1-2024	130.33	100.11
Q2-2024	116.01	102.41
Q3-2024	96.29	100.01
Q4-2024	95.30	104.83
Q1-2025	105.29	105.06
Q2-2025	112.10	107.67

Source: KBA computation from housing prices survey

Figure 4: KBA-HPI Movement (Q1-2013 to Q1-2025)



Market Structure: Transactions across House Types and Regions in Q2 2025

A significant shift in buyer preferences as reflected in the market activity was evident during the second quarter of 2025. While apartments remained the most transacted units at 35.29 percent, its share had shrank considerably from 47.97 percent in the previous quarter. Bungalows registered a slight increase to 32.35 percent, up from 26.02 percent recorded in the first quarter of 2025. Maisonettes also declined in their market share to 20.55 percent, compared 20.33 percent recorded in the first quarter of 2025. This upward trend in market activity was also noted among the townhouses and double-storey houses, that stood at 2.94 percent and 6.86 percent respectively (Figure 5a).

The housing activities at the regional level (Figure 5b), shows that the low-market segment (Region 1) continued to dominate activity. However, it moderated slightly from a share of 43.9 percent of total transactions recorded during the first quarter of 2025 to 38.2 percent in the second quarter of 2025. On the other hand, the high-end segment (Region 3), posted a slight decline in its share of transactions from 30.1 percent in the first quarter of 2025 to 26.5 percent in the second quarter of 2025. By contrast, the mid-market segment (Region 2) saw an increase in its share, from 26.0 percent in the first quarter of 2025 to 35.3 percent in the second quarter of 2025.

Figure 5a: Quarterly distribution of house transactions by house type (%)

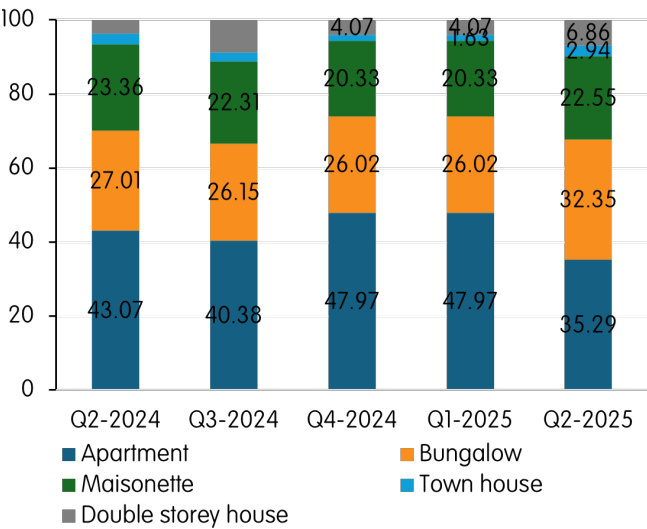
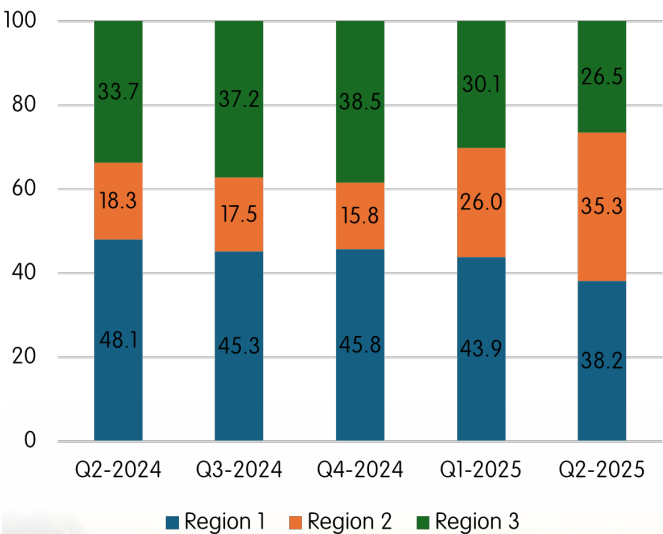


Figure 5b: Quarterly distribution of house transactions by region (%)



The average house prices in the second quarter of 2025 continued to reflect significant variation by house type and market segment. For instance, during the second quarter of 2025, double-storey house recorded the highest average price at Kes 59.04 million, followed by Town house at Kes 59.00 million. Maisonettes averaged Kes 18.90 million, while bungalows and apartments recorded average prices of Kes 13.24 million and Kes 12.58 million, respectively (Figure 6a). Across market segments, high-market areas continued to command substantial price premiums, with average prices well above those observed in the mid and low-market segments. High-market units averaged Kes 33.57 million, mid-market units averaged Kes 15.25 million and low-market units averaged Kes 11.79 million (Figure 6b). These disparities are consistent with differences in location quality, infrastructure access, neighbourhood amenities and perceived investment value.

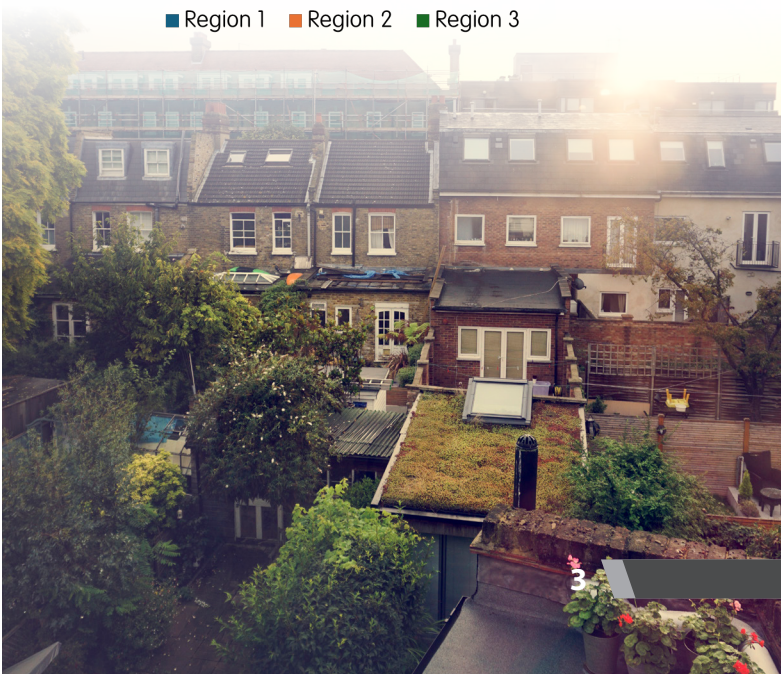


Figure 6a: House Prices By Region and Type of House

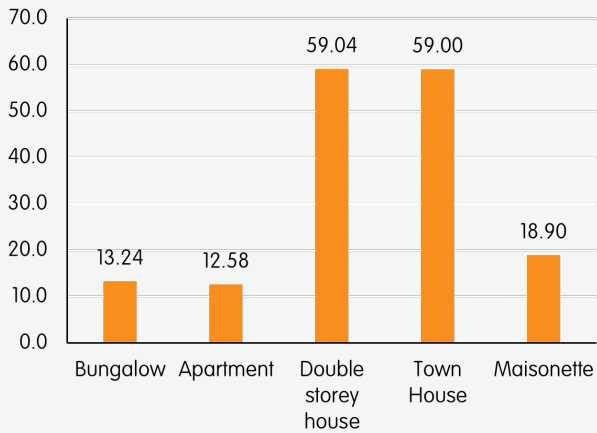
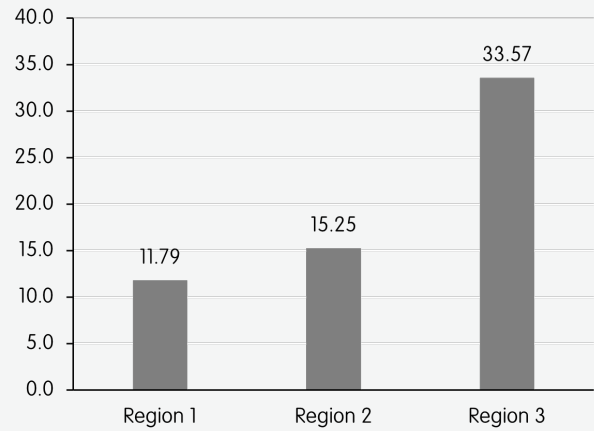


Figure 6b: Average house prices across the region



Source: KBA computation from housing prices survey

Plinth area patterns in the second quarter of 2025 signal underlying demand for space, particularly among buyers able to transact despite tighter financial conditions. Double-storey houses had the largest average plinth area at 5,648.9 sq. ft., followed by Townhouses at 4,456.8 sq. ft., maisonettes at 2,870.4 sq. ft., bungalows at 1,944.2 sq. ft., and apartments at 1,631.4 sq. ft. (**Figure 7a**). Across regional segments, Region 3 had the largest average plinth area at 3,045.4 sq. ft., ahead of region 1 at 2,526.0 sq. ft. and Region 2 at 1,696.6 sq. ft. (**Figure 7b**).

Figure 7a: Average plinth area by house type

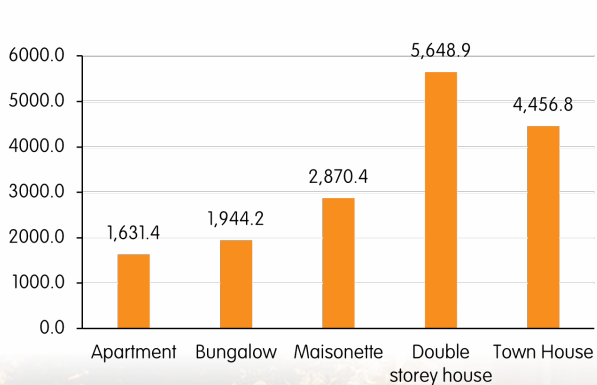
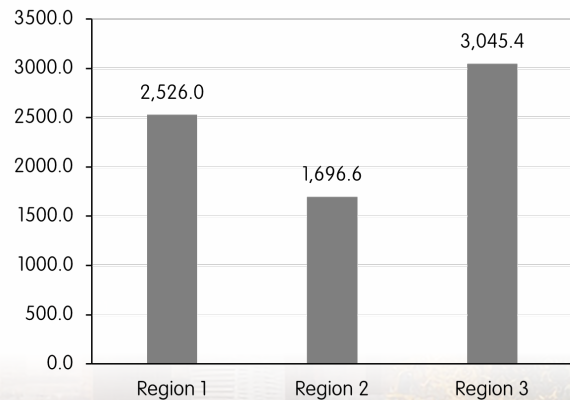


Figure 7b: Average plinth area across the region



The drivers of house prices based on Hedonic Regression

The house prices drivers in quarter 2 of 2025 remained largely unchanged compared the previous quarters. Nonetheless, the results (**Table 2**) reveal three distinct patterns. First, the plinth area remains a significant driver of house prices. This is consistent with the earlier observation that there is persistent buyer preference for larger living spaces.

Second, regional effects are equally significant. More specifically, the results show that the high-market segment command a significant price premium, while the low market segment exhibited a significant discount relative to the mid-market base category. Third, the additional house features and amenities depict mixed effect on residential housing prices. Some of these amenities exert a positive influence on residential property prices. In particular, standby generators/power backup, master ensuite bedrooms, domestic staff quarters, and swimming pools were associated with higher prices. This is because of the increased homeowner's preference for privacy and convenience in urban housing markets. Moreover, the presence of a commercial centre also showed a strong positive association with prices, underscoring the growing preference for mixed-use developments that reduce commuting costs and enhance accessibility. While security and controlled access had a positive coefficient, its relatively small magnitude suggests that it is increasingly viewed as a standard requirement rather than a premium differentiating feature.

In contrast, several shared amenities were either statistically insignificant or negatively associated with property prices. Features such as balconies, children's play areas, lifts, gymnasiums, parking and boreholes/water tanks did not enhance valuations and, in some cases, were associated with price discounts. This pattern is attributed to the rising service charges, maintenance costs, security and privacy concerns in high-density developments. Moreover, market saturation of these once-premium features has reduced their ability to provide meaningful differentiation, leading buyers to place greater value on amenities that directly enhance resilience, convenience and private living space.

The computation of the KBA-HPI is underpinned by estimating the weights and the shadow prices. The weighting scheme applied to the shadow prices varies from one quarter to another and relates to the units transacted during the quarter (**See Technical Note for details**).

The weights applied in the case of quantitative attributes (i.e., plinth area, number of bedrooms, number of bathrooms, and number of floors) are their respective averages, and proportions are applied as weights in the case of the qualitative attributes (i.e., type of house, and the region). The qualitative and quantitative parameters, that drive the house price change and feed into the construction of the KBA-HPI, are based on an estimation of a hedonic regression. The regression generates the shadow prices or marginal contributions, taking cognizance of the heterogeneous nature of housing goods best characterized by their attributes.

The hedonic regressions recognize that a dwelling is composed of a bundle of characteristics for which no market for them exists, as they cannot be sold separately, so the prices of the characteristics are not independently observed. The demand and supply for the properties implicitly determine the characteristics' marginal contributions to the prices of the properties.

Technical Note

The index follows a Laspeyres index method. In this method, the index is computed by getting the ratio of the estimated current quarter price from the hedonic method (multiplied by 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. Thus the index is computed by the formula:

$$Index = \sum_{i=1}^n w_i \frac{\frac{\hat{P}_1}{\hat{P}_0}}{\frac{\sum_{i=1}^n w_0 \frac{\hat{P}_1}{\hat{P}_0}}{\sum_{i=1}^n w_0 \frac{\hat{P}_0}{\hat{P}_0}}} = \frac{\sum_{i=1}^n w_i \frac{\hat{P}_1}{\hat{P}_0}}{\sum_{i=1}^n w_0 \frac{\hat{P}_1}{\hat{P}_0}}$$

Where; $\frac{\hat{P}_1}{\hat{P}_0}$ is the shadow price from the estimated hedonic function for the current quarter;

$\frac{\hat{P}_0}{\hat{P}_0}$ is the shadow prices from the estimated hedonic function for the preceding quarter;

And w_0 are the weights of the respective variables for the preceding quarter.



Table 2: Housing Price Index Drivers for Quarter 2 of 2025

Source	SS	df	MS
Model	43.06	22.0	1.96
Residual	13.46	79.0	0.17
Total	56.52	101.00	0.56

Number of obs = 102.00
 F(22, 79) = 11.49
 Prob > F = 0.00
 R-squared = 0.762
 Adj R-squared = 0.696
 Root MSE = 0.413

Market Value	Coefficient	Std. err.	t	P>t	[95% conf. interval]
Constant	12.172	0.763	15.960	0.000	10.654 13.690
Plinth Area	0.540	0.116	4.650	0.000	0.309 0.771
No. of Bedrooms	-0.121	0.190	-0.640	0.526	-0.500 0.258
No. of Bathrooms	0.177	0.128	1.390	0.169	-0.077 0.431
No. of Floors	0.150	0.259	0.580	0.564	-0.365 0.665
House Type Dummy					
Townhouse	0.175	0.314	0.560	0.578	-0.450 0.801
Apartment	-0.234	0.172	-1.360	0.177	-0.576 0.108
Bungalow	-0.135	0.214	-0.630	0.528	-0.560 0.290
Double Storey House	0.361	0.200	1.810	0.075	-0.037 0.759
Regional Dummy					
Region 1	-0.267	0.118	-2.250	0.027	-0.503 -0.031
Region 3	0.385	0.144	2.680	0.009	0.099 0.671
House Features / Amenities					
Master Ensuite	0.368	0.219	1.680	0.098	-0.069 0.805
Domestic Staff Quarters	0.327	0.116	2.810	0.006	0.095 0.558
Parking	-0.042	0.127	-0.330	0.739	-0.295 0.210
Swimming Pool	0.318	0.211	1.500	0.137	-0.103 0.739
Balcony	-0.623	0.484	-1.290	0.202	-1.585 0.340
Bore hole / Water tank	-0.039	0.140	-0.280	0.783	-0.317 0.240
Gymnasium	-0.072	0.227	-0.320	0.752	-0.525 0.381
Stand by Generator / Power-Backup	0.386	0.258	1.500	0.138	-0.127 0.899
Children play area	-0.164	0.176	-0.930	0.354	-0.515 0.187
Lift	-0.127	0.258	-0.490	0.625	-0.640 0.387
Commercial centre	0.452	0.236	1.920	0.058	-0.017 0.921
Security and/ Controlled access	0.088	0.112	0.780	0.437	-0.135 0.310

Notes:

- All the Quantitative variables (Plinth Area, No. of Bedrooms, No. of Bathrooms, No. of Floors) enter the hedonic regression function in their natural logarithm. The house price is also expressed in its natural logarithmic form

Housing Price Index
 Quarter 2 2025



107.67

Table 3: Housing Price Index Drivers for Quarter 1 of 2025

Source	SS	df	MS
Model	48.12	22.0	2.19
Residual	22.95	98.0	0.23
Total	71.07	120.00	0.59

Number of obs = 121.00
 F(22, 98) = 9.34
 Prob > F = 0.00
 R-squared = 0.677
 Adj R-squared = 0.605
 Root MSE = 0.484

Market Value	Coefficient	Std. err.	t	P>t	[95% conf. interval]
Constant	12.526	0.792	15.810	0.000	10.953 14.098
Plinth Area	0.349	0.106	3.280	0.001	0.138 0.560
No. of Bedrooms	0.802	0.217	3.700	0.000	0.372 1.233
No. of Bathrooms	0.106	0.190	0.560	0.577	-0.271 0.483
No. of Floors	0.012	0.512	0.020	0.981	-1.003 1.028
House Type Dummy					
Townhouse	-0.469	0.385	-1.220	0.226	-1.232 0.294
Apartment	-0.124	0.383	-0.320	0.746	-0.884 0.635
Bungalow	-0.212	0.391	-0.540	0.588	-0.988 0.563
Double Storey House	0.019	0.260	0.070	0.941	-0.497 0.535
Regional Dummy					
Region 1	-0.029	0.149	-0.190	0.848	-0.323 0.266
Region 3	0.704	0.159	4.420	0.000	0.388 1.020
House Features / Amenities					
Master Ensuite	-0.071	0.120	-0.590	0.556	-0.309 0.167
All Ensuite	-0.161	0.187	-0.860	0.392	-0.532 0.210
Domestic Staff Quarters	0.396	0.144	2.750	0.007	0.110 0.681
Parking	0.069	0.121	0.570	0.567	-0.170 0.309
Swimming Pool	0.497	0.195	2.550	0.012	0.110 0.884
Balcony	-0.266	0.180	-1.480	0.143	-0.623 0.092
Bore hole / Water tank	0.075	0.204	0.370	0.713	-0.330 0.480
Gymnasium	-0.013	0.220	-0.060	0.953	-0.449 0.423
Stand by generator power backup	-0.089	0.209	-0.430	0.670	-0.504 0.325
Children play area	-0.081	0.216	-0.370	0.709	-0.508 0.347
Commercial centre	-0.110	0.294	-0.380	0.708	-0.694 0.473
Security and/ Controlled access	0.001	0.170	0.000	0.997	-0.337 0.338

Notes:

- All the Quantitative variables (Plinth Area, No. of Bedrooms, No. of Bathrooms, No. of Floors) enter the hedonic regression function in their natural logarithm. The house price is also expressed in its natural logarithmic form.

Housing Price Index
 Quarter 1 2025



105.06

Table 4: Housing Price Index Drivers for Quarter 4 of 2024

Source	SS	df	MS
Model	82.09	20.0	4.10
Residual	49.91	237.0	0.21
Total	131.99	257.00	0.51

Number of obs = 258.00
 F(20, 237) = 19.49
 Prob > F = 0.00
 R-squared = 0.622
 Adj R-squared = 0.590
 Root MSE = 0.459

Market Value	Coefficient	Std. err.	t	P>t	[95% conf. interval]
Constant	15.221	0.168	90.590	0.000	14.890 15.552
Plinth Area	0.003	0.001	2.950	0.003	0.001 0.004
No. of Bedrooms	0.398	0.121	3.280	0.001	0.159 0.637
No. of Bathrooms	0.091	0.035	2.590	0.010	0.022 0.161
No. of Floors	0.019	0.069	0.280	0.780	-0.116 0.154
House Type Dummy					
Townhouse	0.281	0.193	1.460	0.146	-0.099 0.660
Apartment	-0.061	0.102	-0.600	0.552	-0.262 0.140
Bungalow	-0.299	0.099	-3.010	0.003	-0.494 -0.103
Double Storey House	0.038	0.121	0.320	0.752	-0.200 0.277
Regional Dummy					
Region 1	-0.251	0.087	-2.880	0.004	-0.423 -0.080
Region 3	0.240	0.093	2.590	0.010	0.057 0.423
House Features / Amenities					
Master Ensuite	0.014	0.082	0.170	0.863	-0.147 0.175
All ensuite	0.108	0.106	1.020	0.308	-0.100 0.316
Domestic Staff Quarters	0.311	0.083	3.740	0.000	0.147 0.474
Parking	0.370	0.117	3.160	0.002	0.139 0.601
Swimming pool	0.328	0.164	2.000	0.046	0.005 0.651
balcony	-0.163	0.121	-1.340	0.180	-0.401 0.076
Borehole / Water tank	0.094	0.180	0.520	0.601	-0.260 0.449
Gymnasium	-0.202	0.179	-1.130	0.260	-0.554 0.151
Stand by generator/ Power back-up	-0.092	0.167	-0.550	0.583	-0.422 0.238
Children Play Area	-0.289	0.188	-1.540	0.126	-0.660 0.082

Notes:

- All the Quantitative variables (Plinth Area, No. of Bedrooms, No. of Bathrooms, No. of Floors) enter the hedonic regression function in their natural logarithm. The house price is also expressed in its natural logarithmic form.

Housing Price Index
 Quarter 4 2024



104.83

Table 5: Housing Price Index Drivers for Quarter 3 of 2024

Source	SS	df	MS
Model	37.49	10.0	3.75
Residual	37.20	126.0	0.30
Total	74.70	136.00	0.55

Number of obs = 137.00
F (10, 126) = 12.70
Prob > F = 0.00
R-squared = 0.502
Adj R-squared = 0.462
Root MSE = 0.543

Market Value	Coefficient	Std. err.	t	P>t	[95% conf. interval]
Constant	13.646	0.56	24.33	0.000	12.536 14.756
Plinth Area	0.265	0.083	3.2	0.002	0.101 0.429
No. of Bedrooms	0.427	0.231	1.85	0.067	-0.03 0.886
No. of Bathrooms	0.272	0.15	1.81	0.073	-0.025 0.57
No. of Floors	0.11	0.069	1.59	0.114	-0.027 0.249
House Type Dummy					
Townhouse	0.455	0.292	1.56	0.122	-0.122 1.034
Apartment	-0.003	0.15	0.02	0.998	-0.298 0.297
Bungalow	-0.2	0.155	-1.32	0.188	-0.512 0.101
Double Storey House	-0.277	0.286	-0.97	0.335	-0.844 0.288
Regional Dummy					
Region 1	-0.154	0.133	-1.16	0.249	-0.419 0.109
Region 3	0.188	0.138	1.31	0.193	-0.091 0.455

Notes:

- All the Quantitative variables (Plinth Area, No. of Bedrooms, No. of Bathrooms, No. of Floors) enter the hedonic regression function in their natural logarithm. The house price is also expressed in its natural logarithmic form.



Housing Price Index
Quarter 3 2024



100.01

THE DEFINITION OF THE SUB-REGIONS

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, Mombasa, 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.



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