HOUSING PRICE INDEX

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Housing Market prices show a pause in price momentum in the third quarter of 2025

The Kenya Bankers Association Housing Price Index (KBA-HPI) shows that the stabilization observed earlier in 2025 reversed in the third quarter of 2025. The housing prices contracted by 7.0% during the current quarter (Figure 1), being a clear departure from the modest price firming recorded in the previous quarter. Nonetheless, this decline signals a loss of short-term price momentum rather than a structural reversal of the housing market trend.

During the third quarter of 2025, the macroeconomic environment provided some support for price stabilization, but remained insufficient to trigger a sustained firming up in housing demand. Even so, the monetary policy easing cycle that commenced in late 2024 continued into 2025, contributing to a gradual moderation in market interest rates **(Figure 2)**. However, the transmission of policy rate reductions to lending rates remained incomplete. Mortgage rates stayed relatively elevated in real terms, reflecting banks' cautious risk pricing, tight credit standards and lagged adjustment to policy signals. As a result, improvements in household borrowing capacity during the third quarter of 2025 were only marginal, limiting the depth and durability of demand recovery.

Figure 1: Overall change in house prices (%)

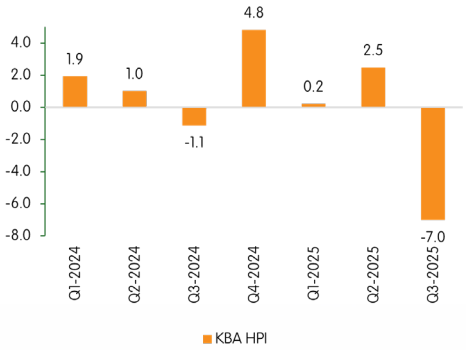
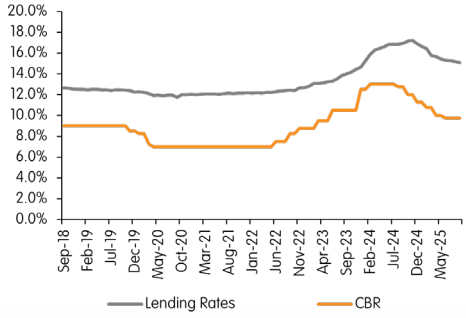


Figure 2: Trend in the Lending rates and CBR



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Highlights

Price Contraction and Market Consolidation

The housing market lost momentum in the third quarter of 2025, with prices contracting by 7.0 percent, a sharp reversal from the modest growth seen in the previous quarter. This decline signals a consolidation phase and seasonal lull rather than a structural crash, as the market adjusts to a loss of short-term momentum.

Supply-Driven Dynamics Amidst Weak Demand

Price movements continue to be influenced more by cost and supply-side factors than by demand, as high real mortgage rates have kept household borrowing capacity constrained. Despite a supportive macroeconomic environment and strong construction activity (evidenced by high cement production), end-user demand remains insufficient to sustain price growth.

Shift to High-Volume Segments and Premium Regions

There was a notable rebalancing in market activity, with apartments surging to account for 44.83 percent of total transactions, while bungalows saw their market share drop to 21.55 percent. Regionally, the high-market segment (Region 3) saw a significant increase in activity to 35.9 percent, while the low and mid-market segments contracted due to tightening household budgets.

Functional Space Over Amenities

Hedonic regression analysis reveals that functional attributes like the number of bedrooms and bathrooms are positive and significant drivers of price, highlighting a buyer preference for usable living space.

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At the same time, household real incomes continued to face pressure from the high cost of living. In turn, this constrained effective end-user demand and reinforced the prevailing pattern in which house price movements were influenced more by cost and supply-side factors than by demand-led dynamics. Consequently, the modest price firming observed in the second quarter of 2025 lacked strong demand-side backing, leaving the market vulnerable to renewed price corrections in the third quarter of 2025.

Supply-side conditions was also a critical determinant of housing market dynamics during the quarter. Construction activity stayed above its 10-year historical average, as evidenced by the strong trends in cement production **(Figure 3a)** and consumption **(Figure 3b)**. During the third quarter of 2025, cement production a monthly average of 921,671 metric tonnes (MT), which is significantly higher than the 10-year historical average of 657,833 MT. On the other hand, cement consumption followed a similar pattern, with a monthly average of 908,177 MT, compared to a 10-year average of 639,485 MT.

Figure 3a: Trends in Cement Production

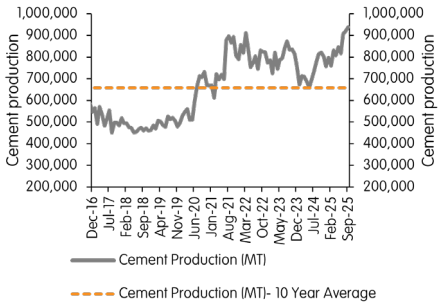
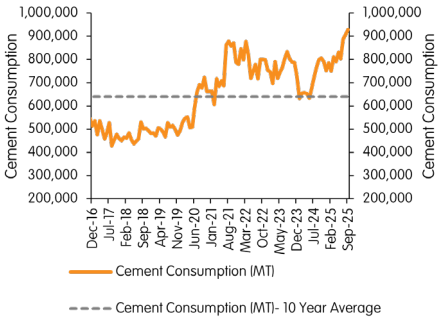


Figure 3b: Trends in Cement Production



Source: KNBS

During the third quarter of 2025, cement production a monthly average of **921,671 metric tonnes (MT)**, which is significantly higher than the 10-year historical average of 657,833 MT.

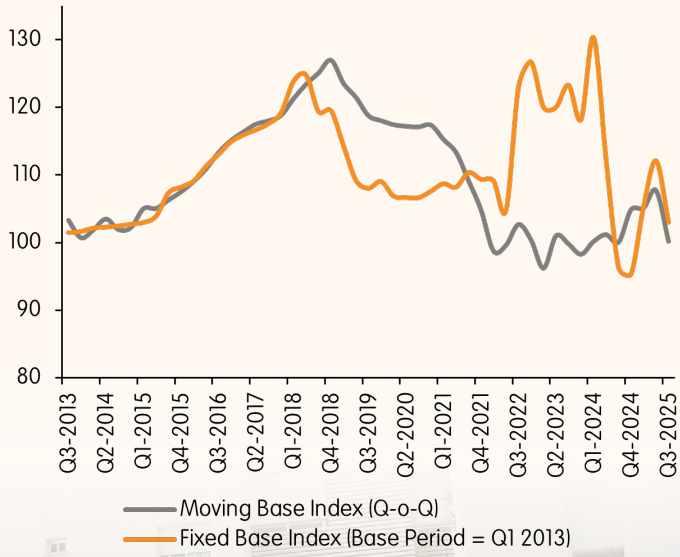
Thus, more broadly, the Kenya Bankers Association Housing Price Index (KBA-HPI) during the third quarter of 2025 points to a consolidation phase rather than a market reversal. The near-flat quarter-on-quarter movement in the moving base index (**Table 1** and **Figure 4**) signals a marked slowdown in price momentum following strong growth in Q2. Moreover, this trend is consistent with the seasonal lull typically observed in the third quarter. At the same time, the sharp decline in the fixed-base index reflects a compositional shift in market activity toward lower-priced, higher-volume segments such as apartments and satellite towns, alongside a normalization from earlier gains in premium locations. This trend reaffirms that the underlying demand remains resilient but increasingly selective, with buyers prioritizing value and affordability.

Table 1: KBA-HPI Movement (Q3-2021 to Q3-2025)

Period	Fixed Base Index (Base Period = Q1 2013)	Moving Base Index (Q-o-Q)
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
Q3-2025	103.01	100.13

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 Q3 2025

Market activity in the third quarter of 2025 reveals a notable rebalancing in housing demand across both house types and regional market segments. Apartments remained the most actively traded housing type, accounting for 44.83 percent of total transactions. This was a significant growth from 35.29 percent recorded in the previous quarter. In contrast, bungalows registered a decline in market share, dropping to 21.55 percent from 32.35 percent in the second quarter of 2025. On the other hand, maisonettes accounted for 28.45 percent of total transactions during the quarter. Meanwhile, the townhouses recording transaction shares of 4.31 percent, which is a slight decline from 6.86 percent recorded in the previous quarter **(Figure 5a)**.

From a regional perspective, the level of transaction activity was distributed evenly across the three regions. The low-market segment (Region 1) accounted for 31.6 percent of the total activity during the quarter, and this was a slight moderation from 38.3 percent in the second quarter. This decline points to easing in affordability-driven demand amid tightening household budgets. The mid-market segment (Region 2) also experienced a contraction in transaction share, declining from 35.3 percent to 32.5 percent over the same period. In contrast, the high-market segment (Region 3) share of transactions increasing markedly from 26.0 percent to 35.9 percent **(Figure 5b)**.

The average house prices in the second quarter of 2025 points to variation across housing types and regional segments. Maisonette recorded the highest average price at Kes 32.65 million, marginally above townhouses at Kes 27.20 million. Apartments averaged Kes 16.72 million, while bungalows recorded comparatively lower average prices of Kes 9.13 million **(Figure 6a)**. Across regions, high-market areas maintained a significant price premium, with average house prices of Kes 31.61 million. This compares with Kes 12.50 million in mid-market areas and Kes 10.66 million in low-market areas (**Figure 6b**).

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

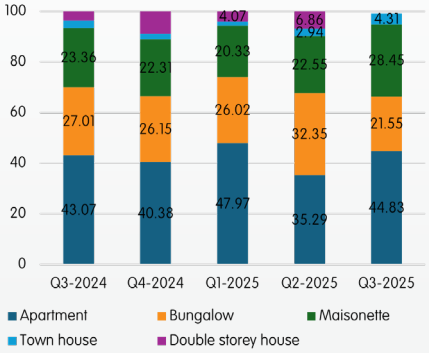


Figure 6a: House Prices By Region and Type of House

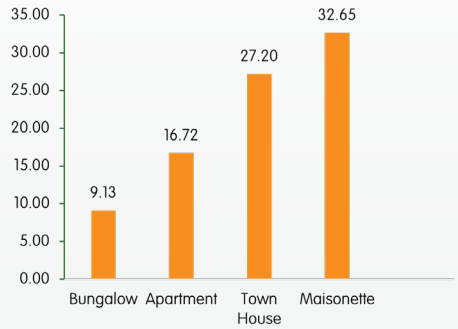


Figure 5b: Quarterly distribution of house transactions by region (%)

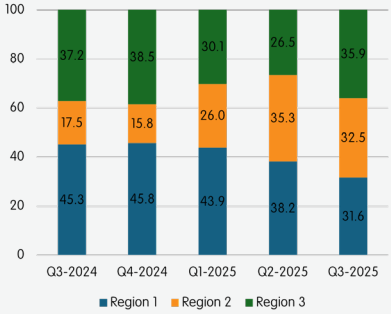
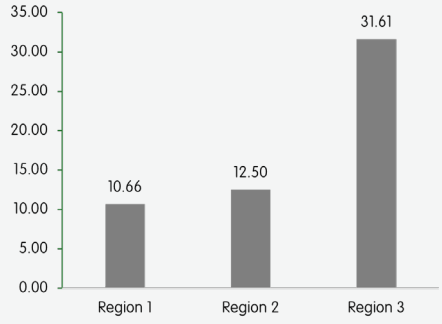


Figure 6b: Average house prices across the region



Source: KBA computation from housing prices survey

Technical Note

The index follows a Laspeyers 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:

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

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

$\hat{P}_0$ 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.

In terms of the plinth area, Maisonettes recorded the largest average plinth area at 4,502.3 square feet, followed by townhouses at 4,251.7 square feet. Bungalow averaged 3,604.8 square feet, while apartments recorded the smallest average size of 2,466.9 square feet **(Figure 7a)**. Regionally, high-market segment (Region 3) had an average plinth area of 3,324.7 square feet, while mid-market areas (Region 2) had an average plinth area of 3,434.3 square feet. The low-market areas (Region 1) recorded an average plinth area of 3,570.9 square feet **(Figure 7b)**.

Figure 7a: Average plinth area by house type

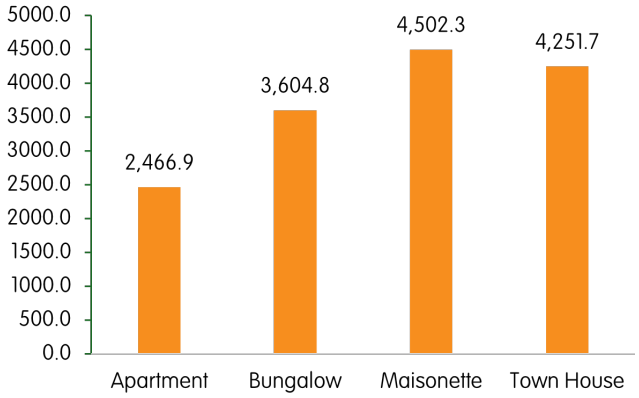
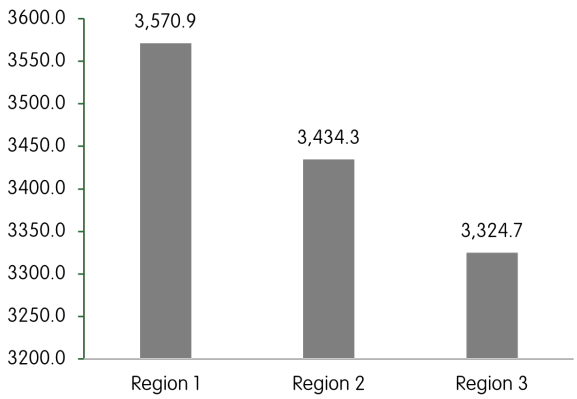


Figure 7b: Average plinth area across the region



The drivers of house prices based on Hedonic Regression

Table 2 presents the estimated hedonic regression model[1] **(See Technical Note for details).** On account of the drivers of housing prices, it is evident that while basic structural attributes and location dominate price formation, select quality features increasingly shape differentiation at the margin. More specifically the results show that:

First, the internal space (Size effects) matters more through functional allocation than sheer floor area.

- The number of bedrooms and bathrooms both exhibit positive and significant coefficients, highlighting buyers' preference for usable and flexible living space.

Second, property type effects reveal notable differentiation across different house types.

- While apartments and townhouses do not show statistically significant price premia relative to the Maisonette (base category), bungalows record a significant negative coefficient. This is on account of a gradual market tilt toward more compact and vertically efficient housing typologies.

Third, location effects are pronounced and asymmetric.

- Properties in high market segment (Region 3) command a large and statistically significant premium. This observation emphasises the importance of neighborhood desirability, accessibility and associated socioeconomic attributes. In contrast, Region 1 does not differ significantly from the reference area category (Region 2), indicating spatial heterogeneity where only select locations consistently attract price premiums.

Fourth, the quality and amenity effects present a mixed picture.

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.

[1]*The results show a strong overall fit. The R-squared is 0.734 and an adjusted R-squared of 0.633, hence, the model explains a substantial proportion of the variation market values.*
The F-statistic (7.24) is statistically significant at the 1 percent level, confirming that the explanatory variables are jointly meaningful.
The Root MSE of 0.452 suggests some dispersion around predicted values, which is a typical behaviour of a heterogeneous housing markets.

Table 2: Housing Price Index Drivers for Quarter 3 of 2025

Source	SS	df	MS
Model	47.30	32.0	1.48
Residual	17.15	84.0	0.20
Total	**64.45**	**116.00**	**0.56**

Number of obs = 117.00
F(32, 84) = 7.24
Prob > F = 0.00
R-squared = 0.734
Adj R-squared = 0.633
Root MSE = 0.452

Market Value	Coefficient	Std. err.	t	P>t	[95% conf.	interval]
Constant	14.940	0.388	38.520	0.000	14.169	15.711
Plinth Area	0.020	0.025	0.820	0.413	-0.029	0.069
No. of Bedrooms	0.673	0.258	2.610	0.011	0.161	1.185
No. of Bathrooms	0.432	0.175	2.460	0.016	0.083	0.780
No. of Floors	-0.096	0.248	-0.390	0.700	-0.590	0.398
House Type Dummy						
Townhouse	-0.072	0.265	-0.270	0.787	-0.598	0.455
Apartment	-0.061	0.174	-0.350	0.725	-0.407	0.284
Bungalow	-0.416	0.166	-2.500	0.014	-0.747	-0.086
Regional Dummy						
Region 1	-0.128	0.136	-0.950	0.347	-0.398	0.141
Region 3	0.533	0.146	3.660	0.000	0.243	0.823
House Features / Amenities						
Master ensuite	-0.107	0.143	-0.750	0.456	-0.390	0.177
All ensuite	-0.066	0.160	-0.410	0.682	-0.384	0.252
Domestic Servant Quarter (DSQ)	0.154	0.136	1.130	0.260	-0.116	0.425
Parking	0.088	0.141	0.620	0.536	-0.193	0.368
Swimming pool	0.304	0.224	1.350	0.179	-0.142	0.750
Balcony	-0.131	0.194	-0.680	0.501	-0.518	0.255
Borehole	0.212	0.211	1.010	0.317	-0.207	0.632
Gym	-0.238	0.228	-1.040	0.300	-0.690	0.215
Stand by generator	0.017	0.250	0.070	0.946	-0.480	0.514
Children play area	-0.020	0.246	-0.080	0.934	-0.510	0.469
Club house	0.290	0.322	0.900	0.370	-0.351	0.931
Lifts	-0.095	0.219	-0.430	0.667	-0.531	0.341
Gated community	0.878	0.365	2.400	0.018	0.151	1.605
Reception / lobby	-0.325	0.377	-0.860	0.391	-1.074	0.424
Flat roof	-0.002	0.486	0.000	0.996	-0.970	0.965
Penthouse	0.618	0.654	0.940	0.348	-0.683	1.918
Solar panels	-1.051	0.549	-1.920	0.059	-2.142	0.040
Driveway	0.670	0.354	1.890	0.062	-0.034	1.374
Gazebo	0.249	0.274	0.910	0.366	-0.296	0.793
Stand alone house	0.549	0.562	0.980	0.331	-0.568	1.667

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

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

THE DEFINITION OF THE SUB-REGIONS

REGION 1

Athi River, Mlolongo, Mavoko, Nakuru, Ngong, Ruaka, Syokimau, Embakasi, Kahawa Wendani, Thika, Mtwapa, Utange, Kitengela, Kiembeni, 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, Membley, 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.

Kenya Bankers Association
13th Floor, International House, Mama Ngina Street
P.O. Box 73100– 00200 NAIROBI
Telephone: 254 20 2221704/2217757/2224014/5
Cell: 0733 812770/0711 562910
Fax: 254 20 2221792
Email: research@kba.co.ke
Website: www.kba.co.ke

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