



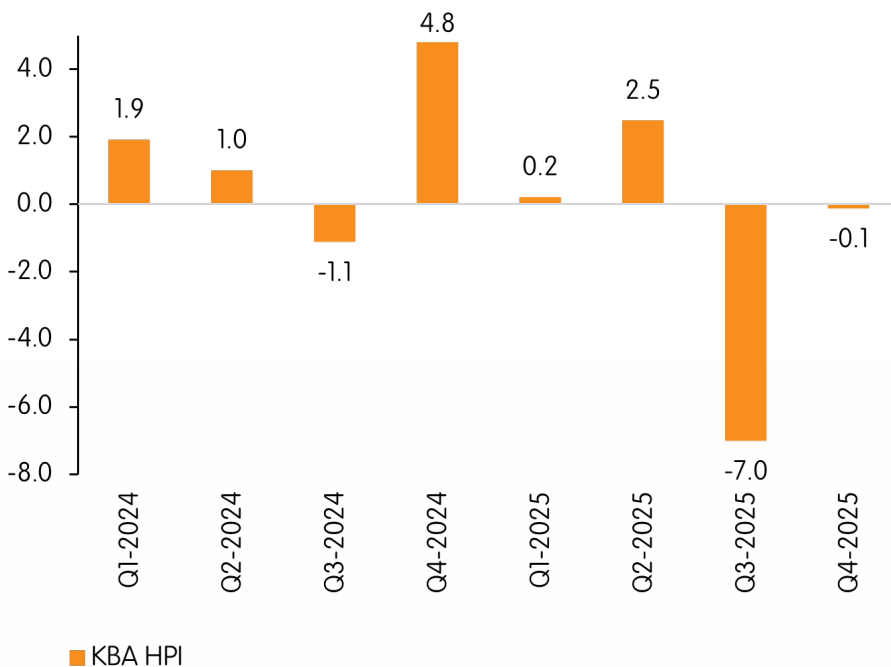
HOUSING PRICE INDEX

FEBRUARY 2026

ISSUE 38

Housing Market prices show continued Consolidation in the fourth quarter of 2025

Figure 1: Overall change in house prices (%)



The Kenya Bankers Association Housing Price Index (KBA-HPI) shows that the housing market remained in a consolidation phase in the fourth quarter of 2025, with price momentum largely flat following the sharp correction observed in the third quarter of 2025 (Figure 1). This trend is a clear pointer to the fact that the price contraction observed in the third quarter was more of a temporary correction due to short-term adjustments in market conditions. From a macroeconomic perspective, conditions in the fourth quarter of 2025 were broadly supportive of price stabilization but insufficient to generate a strong rebound in housing demand. The accommodative monetary policy stance remained a strong driver of the gradual easing in money market and deposit rates (Figure 2). The pass-through from declining interest rates is expected to continue supporting a gradual pickup in mortgage lending, on account of easing borrowing conditions.

Continued to page 2...

Highlights

Market Consolidation Phase



Housing prices stabilized in a consolidation phase during the fourth quarter, showing flat momentum following the sharp contraction observed in the previous period.

Robust Supply Amidst Muted Demand



Despite robust construction activity and a supportive monetary environment, demand remained insufficient to drive a significant market rebound during the quarter.

Shift to Affordable Segments

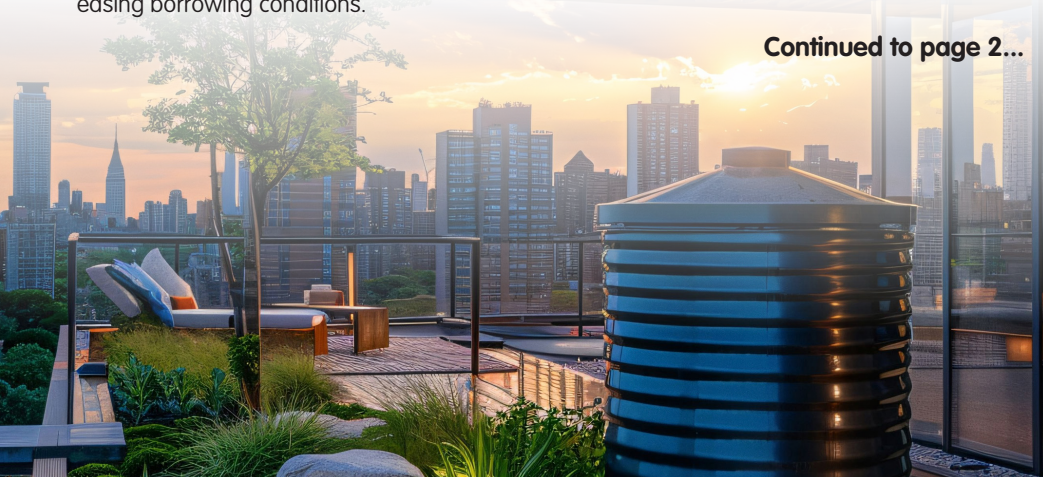


Transaction volumes shifted noticeably toward the low-market segment and affordable units like bungalows, driven by persistent household affordability constraints and changing preferences.

Functional Value Over Premium Finishes



Villas emerged as the most expensive housing type at KES 38.0 million, while buyer valuations increasingly favored core functional attributes like plinth area over premium finishes.



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Figure 2: Money Market Rates

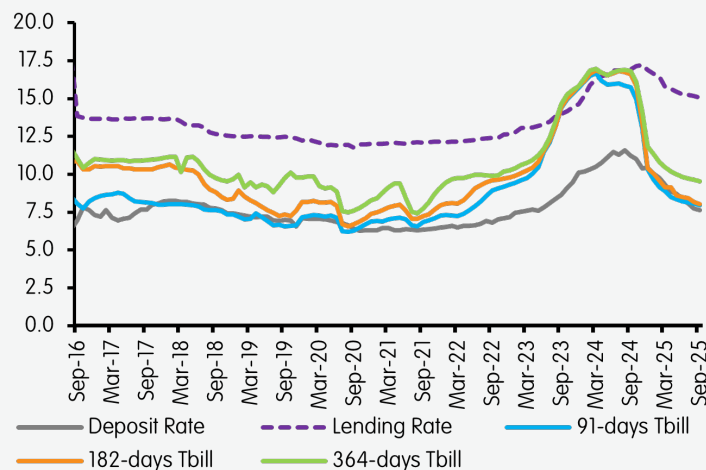
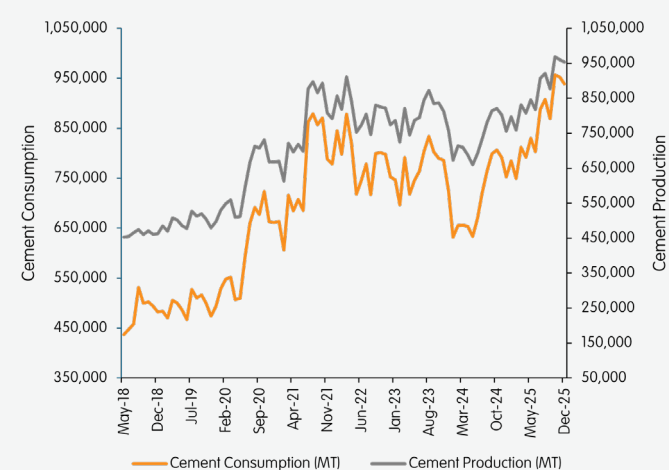


Figure 3: Trends in Cement Production and Consumption



Source: KNBS

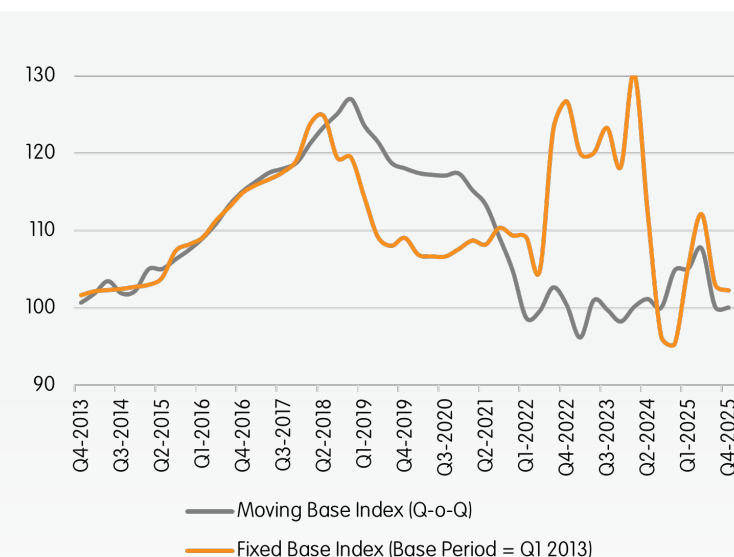
On the other hand, the supply-side dynamics continued to exert influence on price outcomes during the quarter. Construction activity remained robust, with cement production and consumption staying well above their long-term historical averages (**Figure 3**).

Overall, the KBA-HPI for Q4 2025 depicts stabilization in housing prices after earlier volatility. The near-flat movement in the moving base index confirms the loss of short-term momentum, while the mild decline in the fixed base index reflects continued normalization from earlier gains, especially in premium locations (**Table 1 and Figure 4**). Source: KBA computation from housing prices survey

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

Period	Fixed Base Index (Base Period = Q1 2013)	Moving Base Index (Q-o-Q)
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
Q4-2025	102.24	100.02

Figure 4: KBA-HPI Movement (Q4-2013 to Q4-2025)



Source: KBA computation from housing prices survey

Market Structure: Transactions across House Types and Regions in Q4 2025

Market activity in the fourth quarter of 2025 continued to reflect a rebalancing toward apartments, which accounted for 35.8% of total transactions, albeit being a decline from 44.8% of total transactions recorded in the previous quarter (**Figure 5a**). Bungalows' market share increased to 25.0%, up from 21.6% in the third quarter of 2025. Additionally, Maisonettes maintained a sizeable share at 34.2%, while townhouses remained marginal, reflecting both price sensitivity and changing household preferences.

Regionally, transaction activity in the fourth quarter of 2025 shifted noticeably toward the low market segment (**Region 1**), which accounted for 38.3% of total transactions, up from 31.6% in the third quarter of 2025 (**Figure 5b**). In contrast, the mid market (**Region 2**) and high market (**Region 3**) segments recorded marginal declines in transaction shares, albeit marginal, pointing to affordability constraints among the households.

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

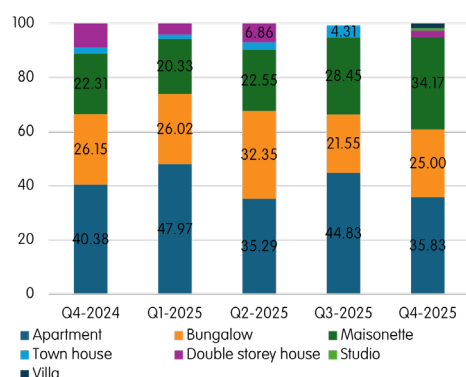
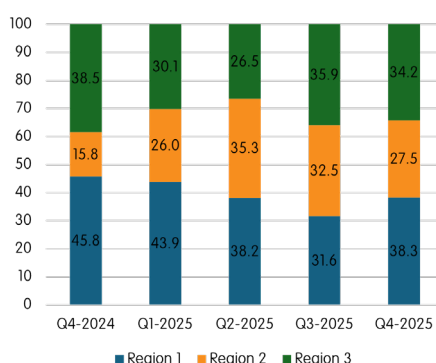


Figure 5b: Quarterly distribution of house transactions by region (%)



Source: KBA computation from housing prices survey

In terms of prices, the average house prices in Q4 2025 continued to exhibit wide dispersion across housing types and regions. Villas emerged as the most expensive housing type, averaging KES 38.0 million, followed by Maisonettes at KES 28.1 million, as apartments stood at KES 15.9 million. Double storey house averaged KES 14.3 million, while bungalows remained the most affordable at KES 8.9 million (**Figure 6a**). Regionally, high-market areas sustained a substantial price premium, with average prices of KES 32.3 million, compared to KES 12.9 million in mid market areas and KES 10.4 million in low market areas (**Figure 6b**).

Figure 6a: House Prices By Type of House

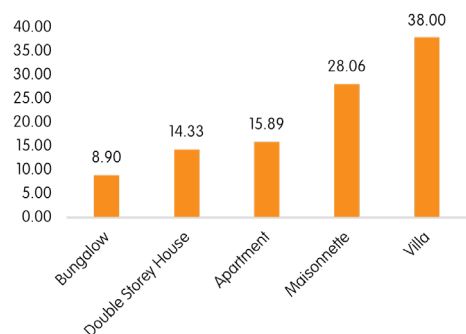
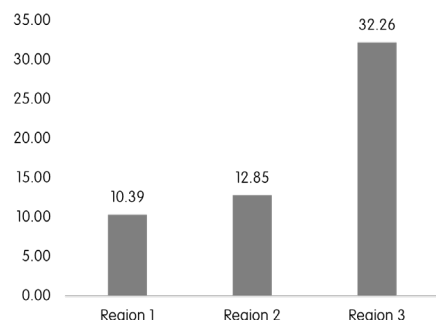


Figure 6b: Average house prices across the region



Source: KBA computation from housing prices survey

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:

$$Index = \sum_{i=1}^n w_i \frac{P_i}{P_0} = \frac{\sum_{i=1}^n w_i P_i}{\sum_{i=1}^n w_i P_0}$$

Where; $\frac{P_i}{P_0}$ is the shadow price from the estimated hedonic function for the current quarter;

$\frac{P_0}{P_0}$ 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 housing size, Villa recorded the largest average plinth area, followed by apartment, maisonette, double storey house and Bungalow, respectively (**Figure 7a**). Regionally, average plinth areas varied considerably, as Region 1, Region 2 and Region 3 stood at 2,060.4 square feet, 4,960.9 square feet and 3,533.0 square feet respectively (**Figure 7b**).

Figure 7a: Average plinth area by house type

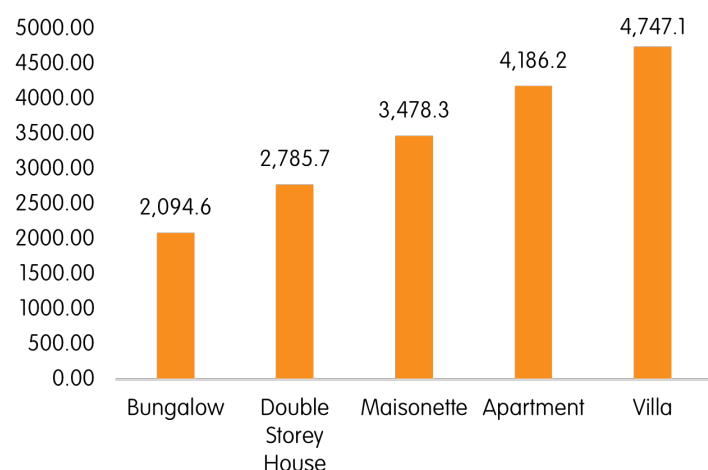
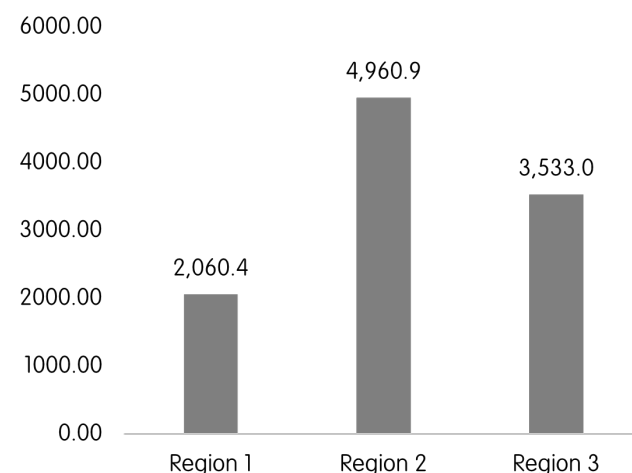


Figure 7b: Average plinth area across the region



The drivers of house prices based on Hedonic Regression

The hedonic regression results for the house prices in the fourth quarter of 2025 (Table 2) affirms that structural attributes and location remain the dominant drivers of housing prices, while amenity effects are increasingly nuanced. Bedrooms and plinth area continued to exert positive and statistically significant effects on prices, underscoring buyers' preference for functional living space. Location effects remained pronounced, with properties in high-market areas (Region 3) commanding a significant price premium, while Region 1 did not differ significantly from the mid-market baseline.

Notably, the negative and statistically significant coefficient on master ensuite in the quarter suggests a shifting valuation of certain quality features, possibly reflecting changing buyer priorities toward affordability and core functionality rather than premium finishes. Overall, the regression results shows that the home buyers are increasingly becoming selective, placing greater emphasis on location and essential attributes amid a constrained demand environment.

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.

Table 2: Housing Price Index Drivers for Quarter 4 of 2025

Source	SS	df	MS
Model	44.81	27.0	1.65
Residual	21.05	92.0	0.23
Total	65.86	119.00	0.55

Number of obs = 120.00
 F(27, 92) = 7.25
 Prob > F = 0.00
 R-squared = 0.680
 Adj R-squared = 0.587
 Root MSE = 0.478

Market Value	Coefficient	Std. err.	t	P>t	[95% conf. interval]
Constant	14.359	0.498	28.850	0.000	13.370 15.347
Plinth Area	0.125	0.057	2.210	0.030	0.013 0.238
No. of Bedrooms	0.910	0.237	3.840	0.000	0.440 1.380
No. of Bathrooms	0.153	0.165	0.930	0.355	-0.174 0.480
No. of Floors	0.085	0.257	0.330	0.743	-0.425 0.594
House Type Dummy					
Apartment	-0.021	0.188	-0.110	0.910	-0.395 0.352
Bungalow	-0.401	0.265	-1.510	0.133	-0.927 0.125
Villa	0.586	0.556	1.050	0.294	-0.518 1.691
Double Storey House	-0.199	0.315	-0.630	0.529	-0.825 0.427
Studio	70.891	18.316	3.870	0.000	34.513 107.269
Regional Dummy					
Region 1	-0.225	0.131	-1.710	0.091	-0.486 0.036
Region 3	0.377	0.131	2.880	0.005	0.117 0.638
House Features / Amenities					
Master ensuite	-0.277	0.133	-2.070	0.041	-0.541 -0.012
All ensuite	-0.183	0.159	-1.150	0.254	-0.499 0.134
Domestic Staff Quarters	0.060	0.134	0.440	0.658	-0.207 0.326
Swimming pool	0.913	0.770	1.190	0.239	-0.616 2.442
Parking	-0.388	0.308	-1.260	0.211	-1.000 0.224
Balcony	0.132	0.321	0.410	0.682	-0.506 0.770
Borehole/ Underground water tank	-0.012	0.346	-0.040	0.972	-0.700 0.675
gymnasium	-0.501	0.588	-0.850	0.396	-1.668 0.666
Childrens Play Area	0.993	0.883	1.120	0.264	-0.760 2.747
Standby generator / Power backup	-1.081	0.946	-1.140	0.257	-2.960 0.799
Flat roof	-0.520	0.538	-0.970	0.337	-1.589 0.549
Solar panels	-0.725	0.945	-0.770	0.445	-2.602 1.153
Separate dining room	-0.305	0.447	-0.680	0.498	-1.193 0.584
Attic level	0.496	0.655	0.760	0.451	-0.805 1.797
Gazebo	-0.500	0.986	-0.510	0.613	-2.458 1.458
Stand alone house / Own Compound	0.114	0.235	0.490	0.627	-0.352 0.580

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 2025



100.02

Table 3: 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 4: 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 5: 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

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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