



Access to Land,  
Justice and Services

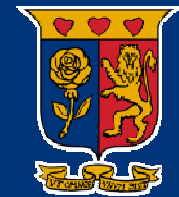


One City,  
One People Project



# Financing Perspectives

Strathmore University  
School of Finance and Applied Economics  
5 February 2015



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# The Affordability gap?

Planning house type	Insitu reblocking (cheapest)	Insitu incremental (average)	Comprehensive market driven (expensive)
Estimated property value	216,000	504,000	990,000
Estimated household income	4,839	9,171	14,516
Ideal monthly mortgage	1,613	3,057	4,839
<b>How much mortgage would a household qualify for @ 6% interest?</b>			
10 year mortgage	145,288	275,355	435,835
15 year mortgage	191,146	362,265	573,399
20 year mortgage	225,144	426,698	675,385

# What is hidden in the numbers?

- Current best mortgage term in Kenya *15 years*
- Current best mortgage rate in Kenya appr. *12.9%*

# What does this mean for a Mukuru resident?

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“Hypothetical” Best case scenario:  
20 year mortgage @6%

Only 4 of the 6 plans that accommodate up to 50% of residents affordable.

*The rest gentrified?*

“Negotiated” scenario: 15 year mortgage @ 6%

Only 4 of the 6 plans that accommodate up to 50% of residents affordable.

*The rest gentrified?*

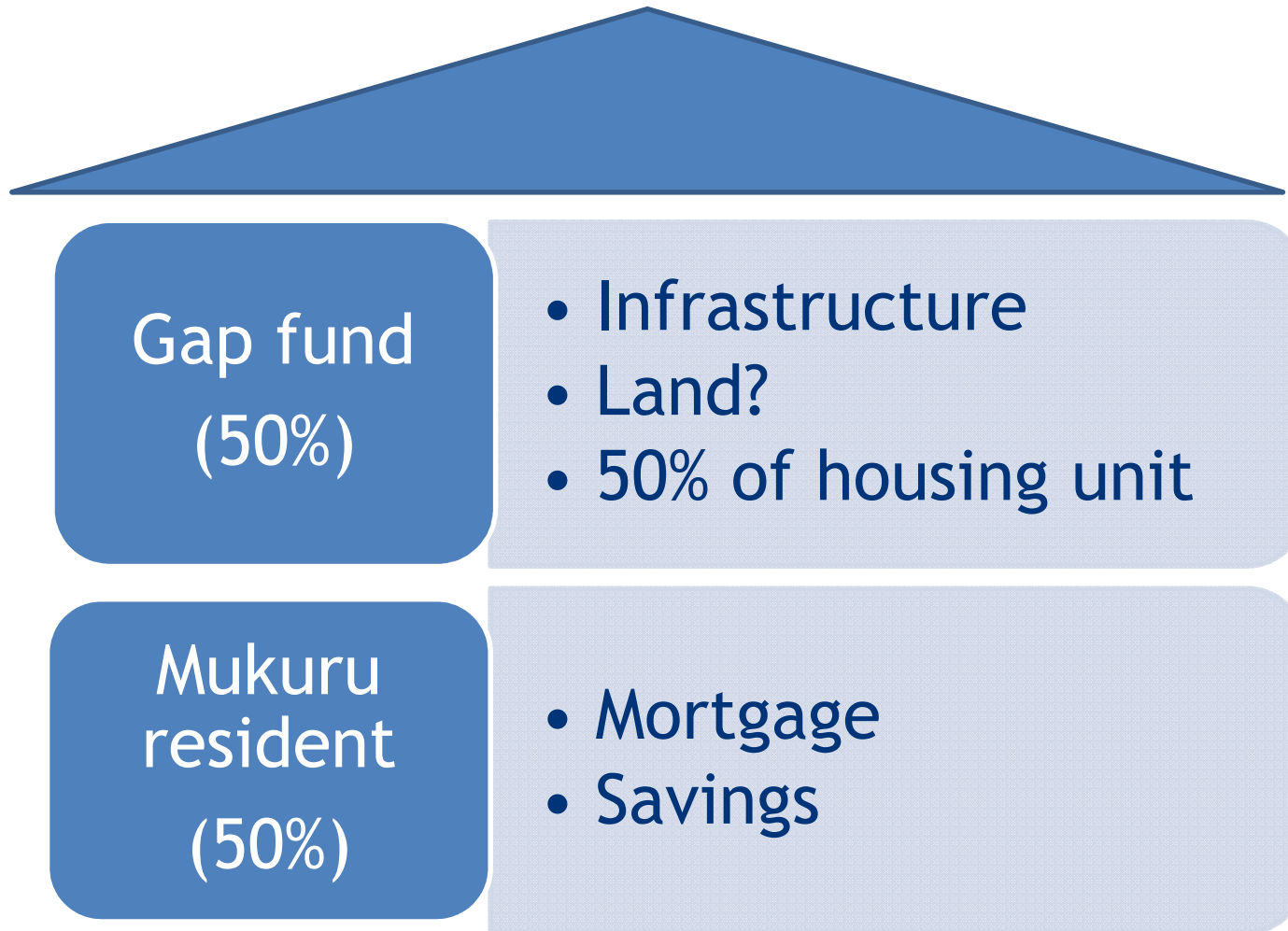
Open market scenario:  
15 year mortgage @12.9%

Only 2 of the 6 plans that accommodate up to 20% of residents affordable.

*The rest gentrified?*

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# Bridging the financing gap



# Finance team suggestions

1. Lobby for favourable government policies and interventions
2. Leverage on the high property value
3. Innovative financing for some essential services
4. Mop up savings

# Government

- ✓ Clear up land issue (cost of purchasing land)
- ✓ Make 6% interest rate a reality
- ✓ Participate in the 50% gap through infrastructure financing

# Special Purpose Registered housing company

- ✓ Embed community influence
- ✓ Leverage on high property value
- ✓ Buy out investor / government equity



# Formal service institutions

- ✓ Issue revenue bonds for targeted service in Mukuru e.g. water/ garbage
- ✓ Offer level of guaranteed return (80%)
- ✓ Enter into work plan with the Small Scale Service Providers

# Mukuru Community

- ✓ Mop up savings

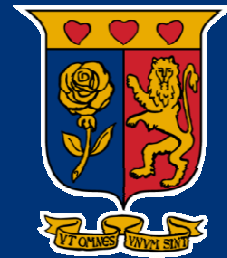
*A household saving 50 bob a day for 3 years will have Kshs. 54,000. This works out to 5% - 25% of unit cost depending on unit!*

- ✓ Formally register units

- ✓ Participate in building credit history

# Other considerations

- ✓ Discontent with joint liability in chamas
- ✓ Power and influence of the structure owners and small scale service providers
- ✓ Wider housing problem in Kenya



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## UNIVERSITY

Ole Sangale Road, Madaraka Estate. PO Box 59857-00200, Nairobi, Kenya  
Tel +254 (0)20 606155, 606268, 606380 Fax +254 (0)20 607498  
Mobile +254 (0)722 25 428, (0)733 618 135 Email [info@strathmore.edu](mailto:info@strathmore.edu)  
[www.strathmore.edu](http://www.strathmore.edu)