PRESS RELEASE

MORTGAGE FINANCE IN KENYA, SURVEY REPORT 2010

Nairobi, Kenya (12 November 2010) – The Central Bank of Kenya (CBK) has today released a report on a survey on Mortgage Finance in Kenya. The report which can be downloaded from www.centralbank.go.ke was undertaken jointly by CBK and the World Bank as a baseline study of the current state of Kenya's loan market for residential housing with a view to assessing the size and obstacles to the development of the mortgage finance market. The survey report is a precursor to a more detailed report being prepared in conjunction with the World Bank on the primary mortgage finance market, housing supply and demand constraints and the potential for a secondary mortgage finance market.

Releasing the report, the Governor of the Central Bank of Kenya, Professor Njuguna Ndung'u noted that Kenya's mortgage finance market has more than tripled in the last five years, from Ksh 19 billion in 2006 to Ksh 61 billion in May 2010, while the number of mortgages in the banking sector grew from 7,834 to 13,803 over the same period demonstrating great potential in this sector. However, in terms of mortgage debt to GDP ratios, Kenya's ratio is low by international standards at 2.5 percent compared with India at 6 percent, Colombia 7 percent and South Africa at 33 percent, but ahead of EAC countries.

With regard to the mortgage portfolio quality, the survey indicates that non-performing loans have been declining over time which may be attributed to prudent mortgage evaluation by commercial banks. The weighted mortgage interest rate reported by institutions in the survey stood at 14 percent which compares favorably to the banking sector average lending rate of 14.6 percent.

The survey identified access to long term funds, low levels of income, credit risk (absence of historical information), high interest rates and difficulties with property registration as the major constraints to the mortgage market in Kenya. On the constraints to the mortgage market, the Governor noted that institutions have started issuing corporate/housing bonds as one way of mobilizing long term resources to correspond with the long-term nature of mortgages. In addition the roll-out of the credit information sharing mechanism in July 2010 will enable banks to enhance their credit risk management processes.

The Central Bank remains committed to working with the Government and market players to create an enabling environment for the banking sector to play its' mandate of financing the country's development aspirations. This will in particular support Government initiatives of providing decent and affordable shelter to Kenyans in line with Vision 2030.

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