Executive Summary

This is a policy brief that is derived from a study to understand the dynamics and trends that inform the availability of housing demand and supply in Kenya. It finds that Kenya’s formal housing policy has a strong supply focus that shortchanges rural dwellers whose main challenge to adequate and good housing is based on demand constraints.

The proposal here is that a more efficient market for housing would create better housing conditions, the liberalization of the trade in housing materials is imperative and ought to be complemented with other fiscal policies and the inadequate investment in urban housing make rental housing in urban areas should be achieved through housing vouchers for poor residents as replacement for rental controls.

1.0 Introduction and Policy Context

Kenya draws its housing policy from a variety of formal documents in the form of statutes, written policy, international agreements and policies specific to the sector. This variety of housing policies specify the objectives of housing policies and distribute responsibilities among the arms of the state in order to attain the stated goals. Article 43 (1) b of Kenya’s constitution provides the every Kenyan has a “….right to accessible and adequate housing and to reasonable standards of sanitation.” Supporting the constitution’s call for adequate housing is the Vision 2030 which is Kenya’s long term plan for economic and social transformation of the country. Specifically, Vision 2030 aims for adequate and decent housing for all Kenyans and justified why housing policy and construction would be an important part of providing employment and meeting the country’s goals for development.

Preceding the Constitution of Kenya and the Vision 2030 is the National Housing Policy contained in Sessional Paper no. 3 of 2004. Sessional paper no. 3 established the goals that were reflected in both the Vision 2030 and the constitution by reiterating the need for decent and affordable housing for all Kenyans.

It also affirmed the existence of housing policy institutions such as the national Housing Corporation, the Ministry of lands and settlement the implementation of Kenya’s Housing Policy culminated in the formation of the Housing Development Fund to be funded through budget allocation and which is managed under the National Housing Corporation (NHC).

The National Housing Policy for Kenya identifies low incomes and poverty as the main impediment to access for decent and affordable housing for citizens. It adds that the primary purpose of the policy would be to achieve a state where all Kenyan households live in “decent and affordable housing” whether this
is privately or publicly owned. In addition to the acknowledgement of constraints to good housing for families, this document emphasizes the deficit in number of housing units required within urban areas in Kenya.

Kenya is among the 190 countries which is dedicated to attainment of the Sustainable Development Goals (SDGs) aimed at fighting poverty, inequality and impediments to growth and human development. The goal number 11 is aims to “make cities and Human Settlements Inclusive, Safe, Resilient and Sustainable”. This goal is informed by the fact that at least 50% of the world’s population in 2015 lived in urban settlements and that urbanization is growing in many developing countries. Target 1 of Goal 11 urges governments to “ensure for all adequate, safe and affordable housing and basic services and to upgrade slums.”

Reading from the variety of policy documents stated here, it is clear that Kenya’s housing policy is connected through emphasis of specific objectives for attaining housing. In summary, these policies acknowledge the inadequacy of decent housing for Kenyan households and the related challenge of accessibility. Thus the primary focus of the policies is to expand availability of housing, ensure that Kenyan households have decent dwelling units.

The chosen instruments for these goals are to facilitate greater accessibility and ownership of housing, slum upgrading in urban areas and the development of a housing Development Fund to increase supply of housing in Kenya’s urban areas. Vision 2030 also states Kenya’s housing sector could be a growth driver in absorption of labour in the quest to meet the shortage of 150,000 housing units annually. Thus housing is important both for social purposes but also as a mechanism for industrial growth and employment provision.

2. Approach

This study was conducted to examine the state of play regarding the housing conditions of Kenyan households, to identify the basic challenges based on the state of play and to propose solutions. This section of the study is therefore a situation analysis that examines the fact and to relate the findings to the policy focus. Conducting this diagnosis requires a review of the most comprehensive data that is available on the state of housing in Kenya and to determine the conditions of that structure to determine the quality and estimate costs. Bearing in mind that Kenyan citizens live in different formations, the study classified the housing into urban and rural dwellings in order to have sharper focus on the housing characteristics for each level and to draw lessons for the overall country but also for each area.

The data used in this analysis was secondary data published by the Kenya National Bureau of Statistics. In order to find the most comprehensive and comparable information, the data ranges from the Kenya National Population and Housing Census of 2009, the latest edition of the Kenya Demographic and Health Survey (2014) and various issues of both the Statistical Abstract and the Economic Survey issued by the government of Kenya. The analysis involved interpretation of the secondary data to draw conclusions and apply principles of economics to reach conclusions and make recommendations.

3. Results and Policy Implications

Housing demand and supply in Kenya is driven by both the construction costs of the physical structure on the one hand and the cost of the land upon which the dwelling is based. For that reason, it is found that the quality of housing in Kenya correlates highly with the income level of the household owners. This means that income growth is an important factor in meeting the objectives contained in the consolidated policies for housing in Kenya.

What this means is that a faster growth in real incomes will act as a major impetus to better and more decent housing for Kenyans. In essence, good housing faces the hard constraint of low incomes and this means that good growth policies is a housing policy too because it ensures increased affordability through effective demand.
The key effect from the differences in earning between urban and rural households is observed in the quality of material used in constructing the essential various features that constitute a housing structure. Chart 1 on page 3 summarizes the status of Kenya’s housing by the material used to construct the roof, walls and the floor. Notably, 81.6% of Kenyan households in 2009 had dwellings with roofing made from durable materials such as corrugated iron sheets and roofing tiles. Virtually all residents of Nairobi and urban reside in houses with durable roofing material and this is another reflection of the quality of the housing structure.

Chart 1: Percentage Share of Housing Constructed with Durable and Non-Durable Material

![Chart showing percentage share of housing constructed with durable and non-durable material](chart)


The most salient point from the chart is that in every structural feature, the urban households generally have more durable roofs, walls and floors. However, only 33.4% and 43.3% of walling and floors respectively are made from durable materials. The direct inference from this is that there is less use of durable materials for walls and floors given the quantity and cost of materials required to construct them. Again, this is an effect of the cost of construction materials such as bricks, steel and cement that are required to construct floors and solid walls. This is demonstrated by the fact that in addition to income growth that would make housing more affordable, housing policy should focus as well on reducing the domestic cost of cement, steel and other construction material.

Based on the average income of Ksh. 13, 140 per month, the calculation reveals that it would take 1.5 days of income for a worker to purchase one 50kg bag of cement at 2016 prices. This demonstrates that in addition to low incomes, the costs of durable materials for house construction are high. The reason for this expensive cement and steel products is on account of industrial policy and the protection of cement firms that are partly owned by government. Kenya has a modestly sized steel industry that is also protected from cheaper alternatives primarily from China. Thus the solution to achieving more competitive construction material lies in robust competition for through liberalization of trade in steel. Effective policy needs to bend the cost of curve for housing construction in Kenya.

The third finding is that the Kenyan housing market shows a dual character with the different challenges in urban and rural areas. As illustrated by chart 2 on the next page, 35.1% of all houses in Kenya were single room dwellings.

At the same time, the chart shows that 59% of all urban dwellers reside in a single room structure while the corresponding share for rural dwellers is 27.2%. The share of houses reduces correspondingly with 12.8%
of Kenyan houses containing at least 4 separate rooms. Thus while urban dwellings have more durable structural features in walls, floors and roofs, rural dwellings have more rooms within their households. What this reveals is that the average household in an urban area is made of more expensive and durable material but is probably smaller in space and has smaller number of rooms and space per resident.

Chart 2: Percentage Share of Houses with Number of Rooms in Dwelling

![Chart 2: Percentage Share of Houses with Number of Rooms in Dwelling](chart2.png)


The implication of this is that the urban problem is a supply problem that requires addition of housing units for rental and purchase. On the other hand, the primary policy challenge in rural Kenya is the quality of the building materials. Therefore, the policy imperative for rural areas is a demand focus in order to enable the purchase better construction material for walls and floors. Overcoming the supply constraints in urban requires efficient and competitive markets in the cost of land, adequate investment in public infrastructure and the reduction regulatory burden of licenses. Given the scarcity of capital and low savings, priority should be to provide incentives for investment in rental properties in storied buildings that use scarce land most efficiently.

4. Conclusion

This study finds that the diagnosis of Kenya’s housing challenges are properly laid out. However, the policy prescriptions are focused on supply while the housing market in Kenya has a dual character where urban areas experience a shortage of rental places and thus need supply enhancements. Rural Kenya shows the advantage of greater space and cheaper land but with poorer quality of housing due to inadequate income to pay for durable walls and flooring materials. The policy solution call for better growth policies that enhance incomes and affordability, trade liberalization to bend the cost curve for construction materials in addition to making land markets in urban areas work efficiently. Finally, urban housing markets would be more efficient with replacement of rent controls and provision of housing vouchers to poorer households.
End Notes....

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