Kenya Facts

- **National population**: 36.9 million (2007 estimates)
- **Annual pop. growth rate**: 3.3% p.a.
- **National urban pop.**: 6 Million
- **Annual urban pop. growth rate**: 6% p.a.
- Projected 4.3 million housing units will be required by 2030.
- 1.9 million units will be produced for low-income urban households.
- Annual urban housing production to increase from the current 35,000-87,000 by 2010, and 340,000 in 2030.
HOUSING FINANCE-KENYA

- Founded in 1964 as JV bwt Kenya Government & CDC.
- CDC Shares acquired by Equity Bank & Britac (2007) as anchor shareholders.
- Established leading supplier of housing & mortgage financing to mainly middle income salaried Kenyans.
- Financing & development of housing estates.
- In 1992, listed on Nairobi Stock Exchange
- Current operations; ten branches; 4 in Nairobi and 6 spread in main towns.

Increasing in-formalization of the economy

![Graph showing informal and formal numbers, millions over years 1990 to 2004.](image-url)
Public sector re-emerging as key player in housing development:

- NHC
- Central Government (slum upgrading, Civil Service Housing Fund)

Increased Activity in the housing sector

Microfinance surges…

but remains relatively small…

Source: Honohan, 2004: fig 4

Combining the pieces
Defining the mortgage access frontier

Borrower characteristics:
Income, proof, credit record

Property characteristics:
Legal, standards; value

Lender characteristics:
Costs-operational & funding competition

DVELOPMENT PROCESS

Supply

Demand

Land and Infrastructure Finance
Development Finance
End-User Finance Facilitation
Loan Management

Id Land
Secure Title/Zoning
Services & Infrastructure
Planning and Design
Build and Manage Project
Pre-sales and Marketing
End-User Identification
Loan Management

Outsource
Outsource
Outsource
Outsource
Outsource
Outsource
Outsource

Banks

Land Developers
Property Developers
Estate Agents/Originators

Housing Finance
Strategy: HF’s game plan

**TRANSFORMATION WAR**

- **The volume battle**
  - **Vision for victory:** To attain 2/3 mortgage market share by 2011
  - **Target:** Kshs 10 B sales pa (stretch target of Kshs 13 B pa) 85% disbursements

- **The product battle**
  - **Vision for victory:** To have the right product for each market segment
  - **Target:** To attain 2/3 market share by 2011

- **The supply battle**
  - **Vision for victory:** Supply HF’s volume battle
  - **Target:** Supply 70% of HF’s volumes through own housing stock

- **The funding battle**
  - **Vision for victory:** Appropriate mix, pricing and tenor of funds
  - **Target:** Asset matching improvement, competitive margin

**Vision for victory:** To have the right product for each market segment
**Target:** To attain 2/3 market share by 2011

**Vision for victory:** To supply 70% of HF’s volumes through own housing stock

**Vision for victory:** To have the right product for each market segment
**Target:** To attain 2/3 market share by 2011

**Vision for victory:** Appropriate mix, pricing and tenor of funds
**Target:** Asset matching improvement, competitive margin

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**Initiatives that support the 4 MWB’s**

<table>
<thead>
<tr>
<th>The Volume Battle</th>
<th>The Product Battle</th>
<th>The Supply Battle</th>
<th>The Funding Battle</th>
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<tbody>
<tr>
<td>1. Understand HF’s current and potential customer profile</td>
<td>1. Develop HF’s product centre of excellence</td>
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<tr>
<td></td>
<td>■ Explore potential technical assistance relationships with centers of excellence in our chosen business lines</td>
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<td></td>
<td>■ Develop a transformation plan for HF</td>
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<td>2. Develop a sales strategy for entire product range (new and existing)</td>
<td>2. Develop a customer segmentation system</td>
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<td>3. Efficiencies – build confidence</td>
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<tr>
<td>■ Disbursement efficiency</td>
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<td>■ Credit approval efficiency</td>
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<tr>
<td>■ Operational efficiencies</td>
<td>2. Revival plan for KBS</td>
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<td>4. Lobbying</td>
<td>3. Develop internal capacity</td>
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<td>3. Alliances – grow supply from external sources (e.g. NHIC, NSSF, Private Developers)</td>
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<td>5. Enhance HF’s image</td>
<td>4. Put systems in place to manage product cycles</td>
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<td></td>
<td>■ Develop an information and evaluation system to measure the effectiveness of:</td>
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<td></td>
<td>■ Sales team</td>
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<tr>
<td></td>
<td>■ Product development team</td>
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<td></td>
<td>■ Customer service team</td>
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<td>3. Additional sources of funding strategy (e.g. Bond, Debt, REITS, Securitization, Strategic Partner – Based on 5 year projections)</td>
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<td>2. Additional capital via Rights Issue</td>
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<td>1. Develop a retail growth strategy</td>
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