

## REGULATIONS



Pangani housing scheme under construction early this year. Analysts say putting sector requirements under one Act will cut bureaucracies. [Samson Wire. Standard.]

# Real estate players push for single affordable housing Act

They argue it will reduce the cost of housing and free up capital for developers to put up more units

By Graham Kajilwa  
gkajilwa@standardmedia.co.ke

**A**n affordable housing law has been fronted by real estate sector players as the key to unlocking the industry's potential and fulfilling one of President Uhuru Kenyatta's big four agenda.

This, they argue, will significantly reduce the cost of housing and also free up capital for developers to put up even more units.

While the government has put in place policies that offer incentives to developers, financiers, and buyers - it is claimed that these benefits have not fully trickled down to the expected beneficiaries.

And if one seeks to benefit from these incentives which include tax relief for mortgage borrowers and reduced corporate tax income for developers, they have to camp in several government offices.

As such, an Affordable Housing Act that combines all these benefits and others, they note, will be key in ensuring there are no bottlenecks for financial institutions, developers, borrowers and

26,000

**NUMBER** of mortgages offered in the country annually, according to KMRC Head of Credit Geoffrey Mwaura.

69

**COMPONENTS**

**NUMBER** of components which go into building a unit according to executive director of HFDI at HF Group.



The discussion, which also featured the Kenya Mortgage Refinance Company (KMRC) saw John Mwaura, chief executive officer Finsco Africa, a real estate development and consulting firm note the lack of implementation of these incentives has led to costly housing.

"Sometimes, it is not about the amounts (offered as incentives) but the small procedures that come with them," he explained.

## Mortgage brokerage

The Act should as well incorporate the harmonised Land Act. KMRC Head of Credit Geoffrey Mwaura said the industry, by extension, needs a vibrant mortgage brokerage. He noted that taking a mortgage should be a straightforward process such as buying a car or insurance.

"Today, if you take insurance, you just go to be a broker. You do not even have to

know who the underwriter is. And it is working perfectly," he said. "Why can't we have the same in the mortgage industry where brokers aggregate information and get you the best deal, best properties in the market?"

Mwaura said this practice exists in the developed world, so when you take a mortgage, you do not need to know which financial institution it comes from but you work with the broker. "I think this is one thing we need to see in the market," he said.

Additionally, it was suggested in the discussion that banks should pre-vet individuals and then expose them to developers since they have tonnes of data on how individuals spend and what they spend.

For example, since banks would reach out to individuals and inform them they are eligible for a salary advance or unsecured loan or a particular amount, so

they should when it comes to accessing housing or mortgages.

This data should as well be shared with developers which will guide on what houses to put up or what is already on the market.

More so, when it comes to mortgages, Mwaura said, the process should be standard. "Are we able to standardise the mortgage process? If I start the process today, it should be within 10 to 40 days, for example, I am able to get my mortgage," he said.

Some of the components to be included in the Act can stretch to components that go into the housing unit. Mr Kamau notes that in affordable housing, there are 69 components which go into building a unit.

In the past, he said, houses have always been built leaving spaces for doors and windows. "Nobody knows a standard window or door. It is the size which remains that the fundi comes, takes measures and fixes the doors and windows," he said.

Once the size of a window or door for affordable housing is standardised, then the cost of the unit will also go down.

"Windows can be standardised at for example 1.8 metres by 1.2m metres and if a developer can buy one or have two windows combined which lowers the cost," said Kamau.

Kamau suggested that there should also be incentives on saving platforms for owning a home. For example, if someone has been saving for five or six years, and have a track record, one should be financed to get a house. "Today you walk into a financing institution, you have a lot of income but all of it is in your M-Pesa," he noted.

Mr Mwaura said for this to work, financial statements from mobile money platforms like M-Pesa should be widely acknowledged by financial institutions as part of the eligibility process of accessing credit.

This will rope in the informal sector.

The process as well of getting a mortgage as well should be largely digitised, he said.

## Informal sector

Mr Mwaura said while the country offers just about 26,000 mortgages annually, more individuals from the informal sector are putting up homes through personal loans and Saccos.

"All those are mortgages but not in the mainstream sector. Hopefully, at some point, we will aggregate and we will get all the data," he said.

He said the sector needs to look at how else individuals in the informal sector can get mortgages. "If someone has been paying rent or water bills for two years, it shows they have cash flow. They can maintain discipline. I think in this sector, we can develop and see how we can use alternative information to develop credit scores," he said.

He added that the Boma Yangu Portal - an online portal that allows Kenyans to purchase affordable houses - has a lot of data from over 400,000 Kenyans which can be vital in exposing individuals to possible ownership of homes.

He said this information can be used to help developers create effective demand for units. "This is already work in progress," he said.