

THE NAIROBI CITY COUNTY GOVERNMENT (NCCG) BUILDING PERMITTING APPROVALS REPORT

JANUARY - DECEMBER 2016



Valley-View, Nairobi

SOURCE

The 2016 KPDA Building Permitting Activity Report provides a summary of statistical information on planning permitting activity in Nairobi from January to December 2016. During this reporting period, only statistics from the Nairobi City County Government are used as references. This report uses standardized data submitted to the Nairobi City County Government. The report highlights information on applications received, development locations, types and values, department revenue from applications and permit processing performance.

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INTRODUCTORY SUMMARY ON THE REPORT

STATISTICS

A total of 2, 303 planning permit applications were approved from January to December 2016 with the second quarter having the highest number of approvals. Other key statistics from this report include:

- Value of approved permits represents over Kshs. 117.9 billion worth of development projects and permitting fees collected were over Kshs. 862.9 Million;
- During 2016 the highest value of buildings submitted for approval was Kshs. 3, 000, 000, 000 (Kshs. 3billion) by the Crossroad Ltd (Proposed Shopping Mall) and the maximum submission fee paid was Kshs. 186, 056, 000.
- On average the estimated value of building developments approved was Kshs. 76, 233, 700 and that of the submission fee was Kshs. 901,173.
- Based on localities it was noted from the statistics that most of the developments were carried out in Karen, Westlands, Industrial Area, Kilimani and the Central Business District.
- Based on the Kenyan Building Code of 1997, this report depicts permits that were issued in the following average percentages in accordance to the named classifications below:
 - ♣ 80.9% (809) - Domestic Class (commercial developments, domestic buildings and offices)
 - ♣ 10.4% (241) - Public Class (social halls, religious buildings, libraries, schools, etc.)
 - ♣ 8.7% (199) - Warehouse Class (industries, factories, and go downs)

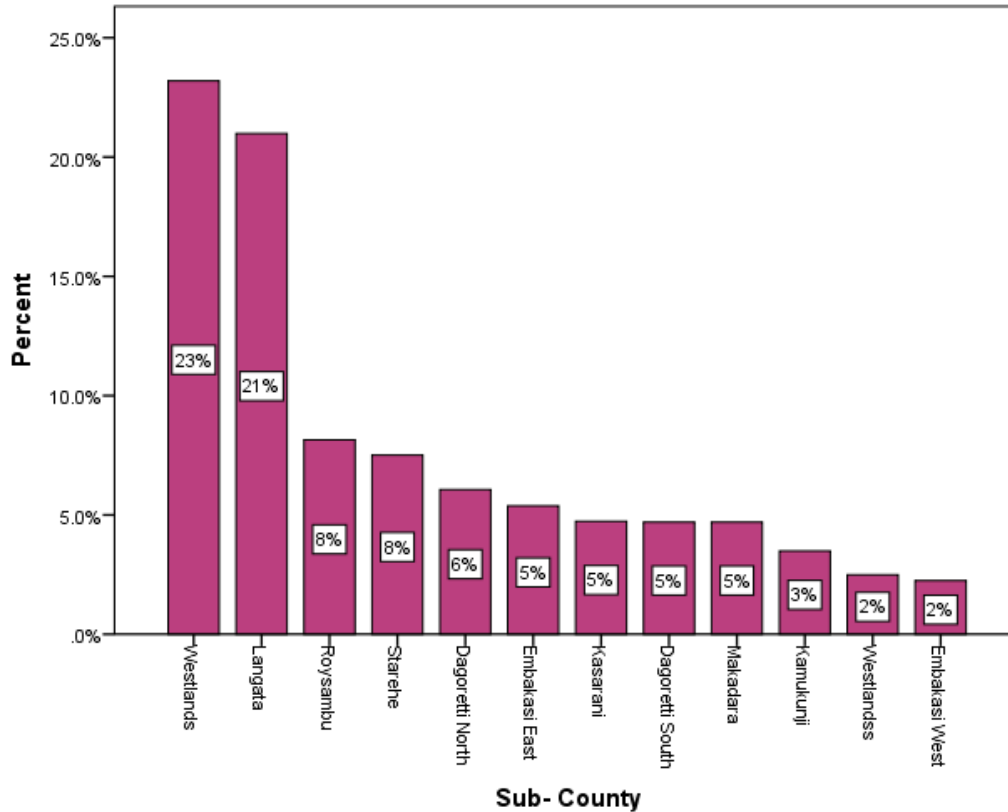
The statistics show that in the year 2016 approved proposed developments of the Domestic Classification, had the highest level of approvals issued due to the ever increasing need for housing by Kenyans and initiatives put in place by the real estate industry on ownership of homes by the middle income earners.

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A comparative analysis is provided for the performance of all 4 quarters of the year.

PERMIT APPLICATION ACTIVITY BY SUB-COUNTY



There are more development activities on the Western side of Nairobi compared to the Eastern side probably because of the extra space available and the demand for housing. The highest permits were approved in the areas of Karen, Westlands, Industrial Area, Parklands and Eastleigh.

- Karen has the highest percentage of permits locality-wise. This would be as a result of the ongoing construction of the Southern Bypass connecting the Nairobi - Naivasha Highway to Mombasa Road. The bypass has also enabled easy and fast commuting to the Jomo Kenyatta

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International Airport and the Wilson Airport. The neighbourhood has an organized road network, with properly connected entry and exit routes that lead to and from Nairobi's CBD. This would be one of the factors the developers might have considered due to proximity and thus convenience. The high number of permits in the Karen area are also very likely due to the fact that rent or property owning in Karen attracts high revenue. This is a likely factor that developers considered in achieving better return on capital;

- Lavington has the least number of permits amongst the top 10 areas of development regardless of being very close to the CBD. Embakasi and Kilimani areas attract fewer developments due to traffic and building congestion. Lavington may be a discouraging location for developers to set up office buildings as more and more businesses are opting to be headquartered in the Westlands area which has more space to accommodate offices.

NB: Localities that do not appear in the graph had less than 1% permit approval activity.

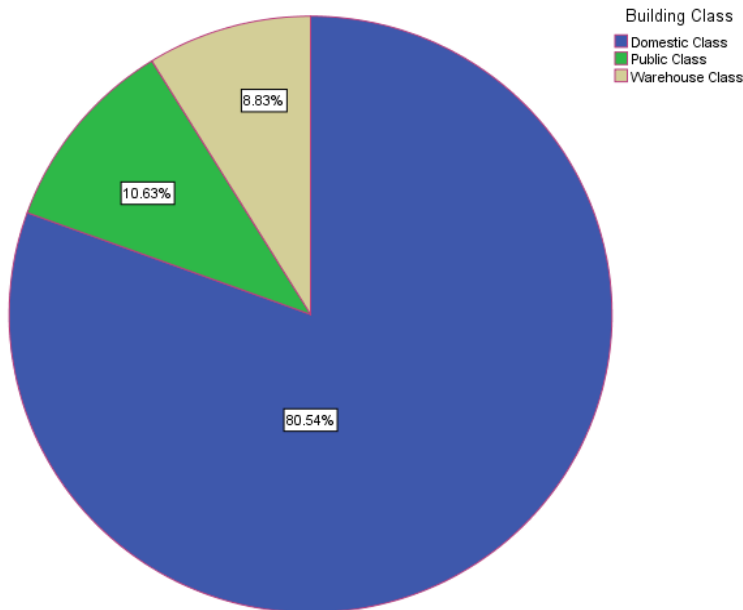
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DWELLING RELATED ACTIVITY ACROSS NAIROBI

Buildings approved included domestic buildings, commercial developments, offices, religious buildings, social halls, libraries, schools, factories, industries and go downs. The following graph identifies permit applications that relate to various building classes.



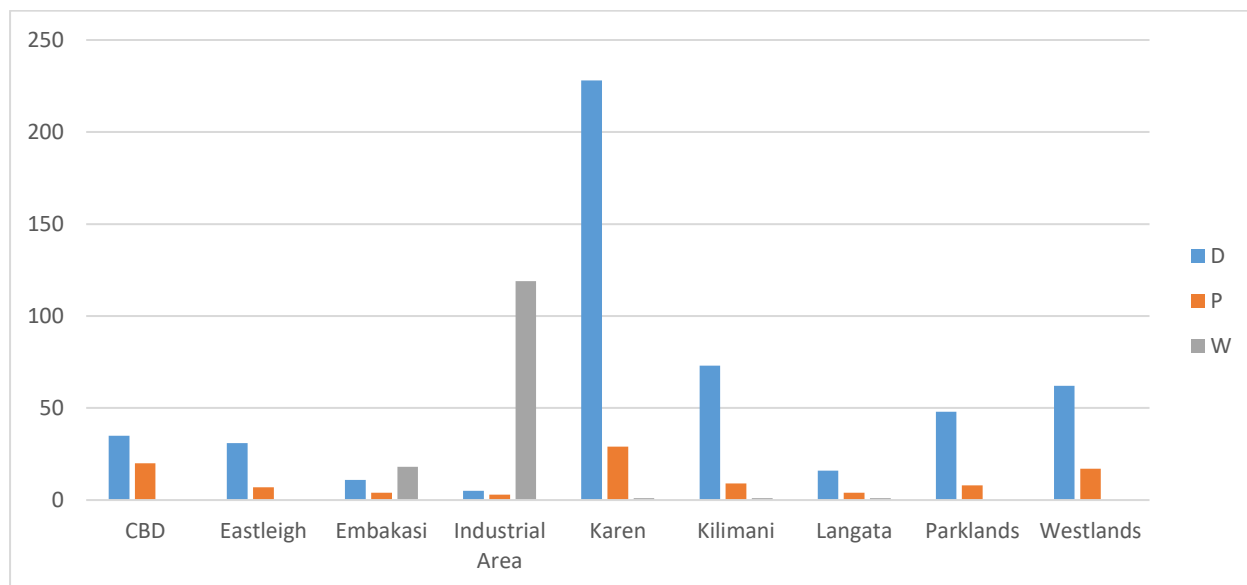
- It can be noted that 80.54% of the planning submitted under the building class category were domestic class which includes domestic buildings, commercial developments and offices. This indicates a major shift for developers to provide residential infrastructures as well as the growing desire for Kenyans to own a home. There is also the case of emerging businesses, including but not limited to foreign investors and SMEs which have increased the demand for offices;
- Over the past three years there has been a rapid urban population growth and therefore this could result to development of dwelling facilities which is in accordance to the Kenya National Bureau of Statistics 2015 - 2016, Kenya National Housing Survey Basic Report whereby urban

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population is projected to grow by 50% by 2030. The increased development of domestic facilities has a direct influence on public infrastructures which may have resulted to Public class having the second highest percent in developments within Nairobi.

BUILDING CLASS BY LOCALITY



- The highest development permits in the year 2016 were approved in Karen, Westlands, Kilimani, C.B.D and Industrial Area with domestic infrastructures dominating in these areas except from the Industrial area where most of them were factories and warehouses.
- These neighborhoods have an organized road network, with properly connected entry and exit routes that lead to and from Nairobi's central business district hence most of the developers shifted to this locations. Also the value of land in these areas is relatively high and this proves the nature of land having an inelastic demand where the higher the value may result to a higher demand.
- The areas have closer proximity to Nairobi's central business district hence most convenient to

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most Kenyans specifically for the middle income earners. The high number of permits approved in residential zones like in Karen area is also likely due to the high capital returns in rental and ownership income to be received by developers as the area is considered high-end.

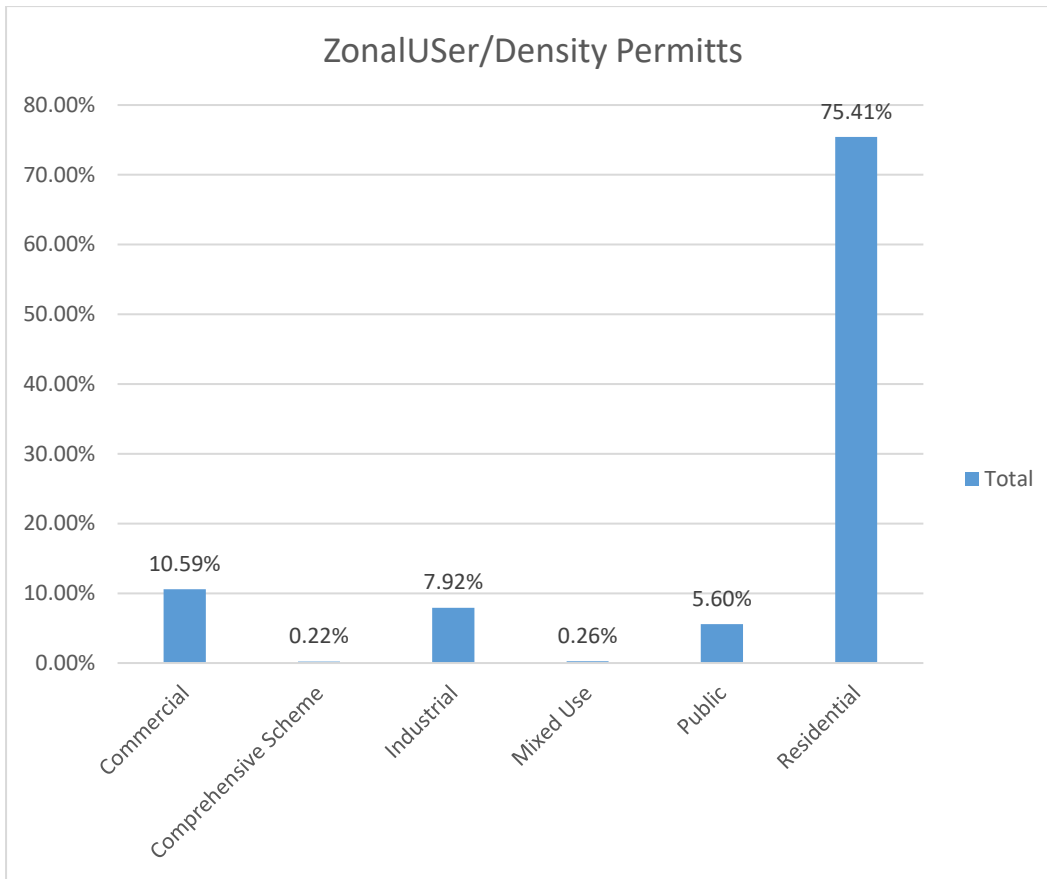
- Due to increased population growth in Nairobi and the growth of entrepreneurship, there has been a huge demand for offices within the city and therefore Westlands has been a favourable location for this facilities over the year.

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NUMBER OF APPROVALS BY ZONAL USER DENSITY



- The Residential Class accounted for 75.41% of the approvals due to an increase in the middle aged working population who consider owning a home more crucial than renting one and also high demand by Kenyans to own homes. Most of developers have invested more on Residential developments which are more profitable due to the growing demand. There has been an improvement in security within the nation which has resulted in an influx in foreign residents in

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Kenya thus increasing the demand for residential houses (in particular well-furnished residential infrastructures) mostly in the high end areas.

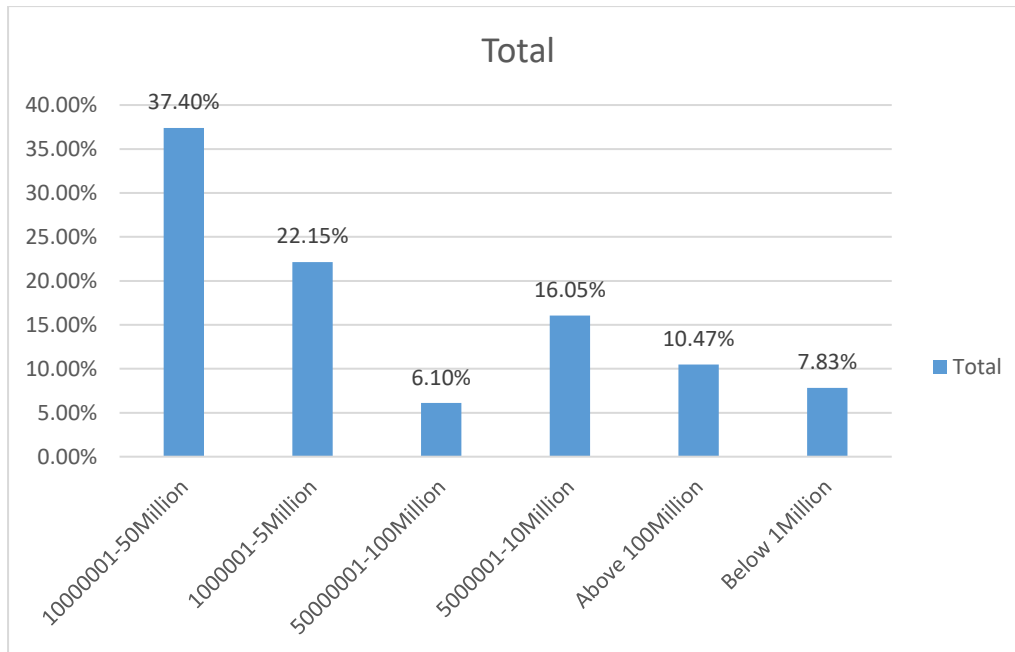
- Commercial Class buildings accounted for 10.59% of the approvals.

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THE VALUE TREND OF DEVELOPMENT PERMITTED BY THE NAIROBI CITY COUNTY GOVERNMENT



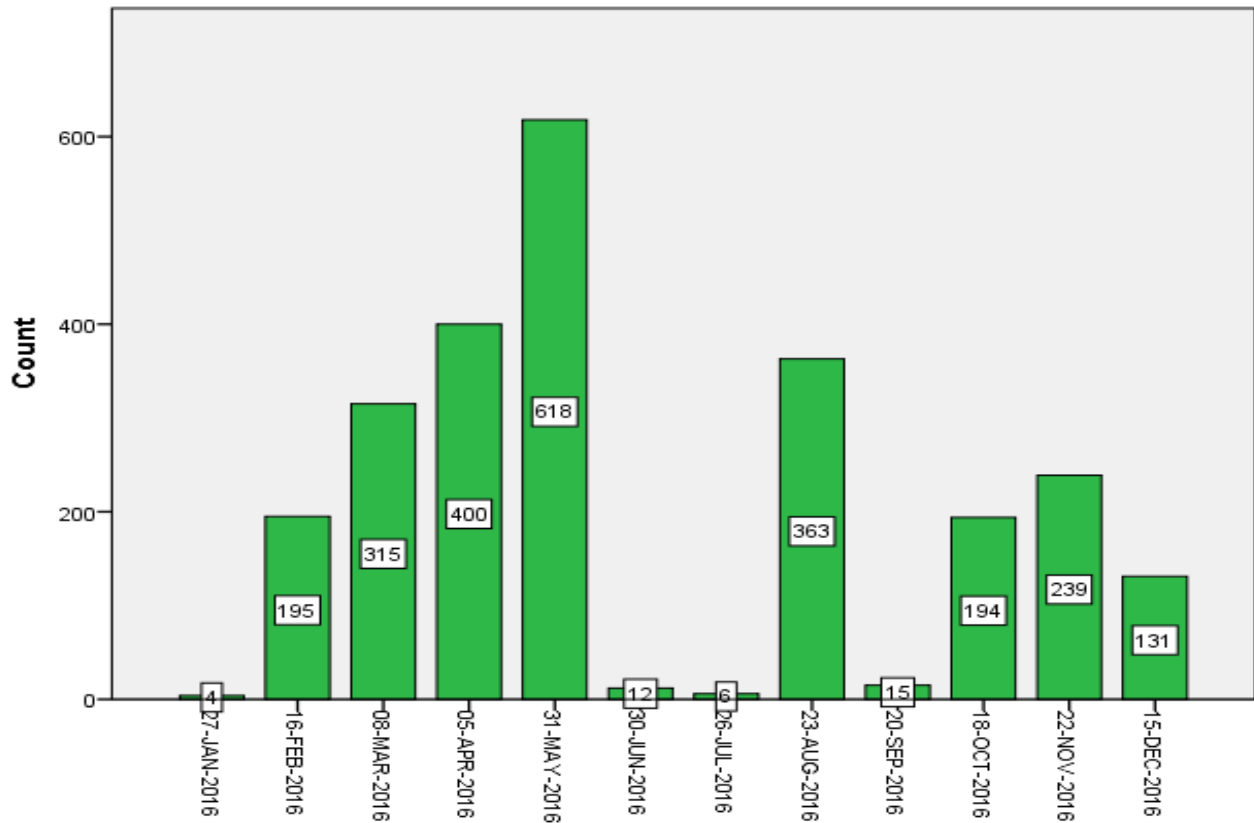
- 37% of the buildings presented for approval were valued between ten million and fifty million. Over seventy percent of these buildings are domestic facilities rather than public, warehouses or commercial developments. This can be attributed to the high demand of residential buildings.

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PERMIT PROCESSING PERFORMANCE



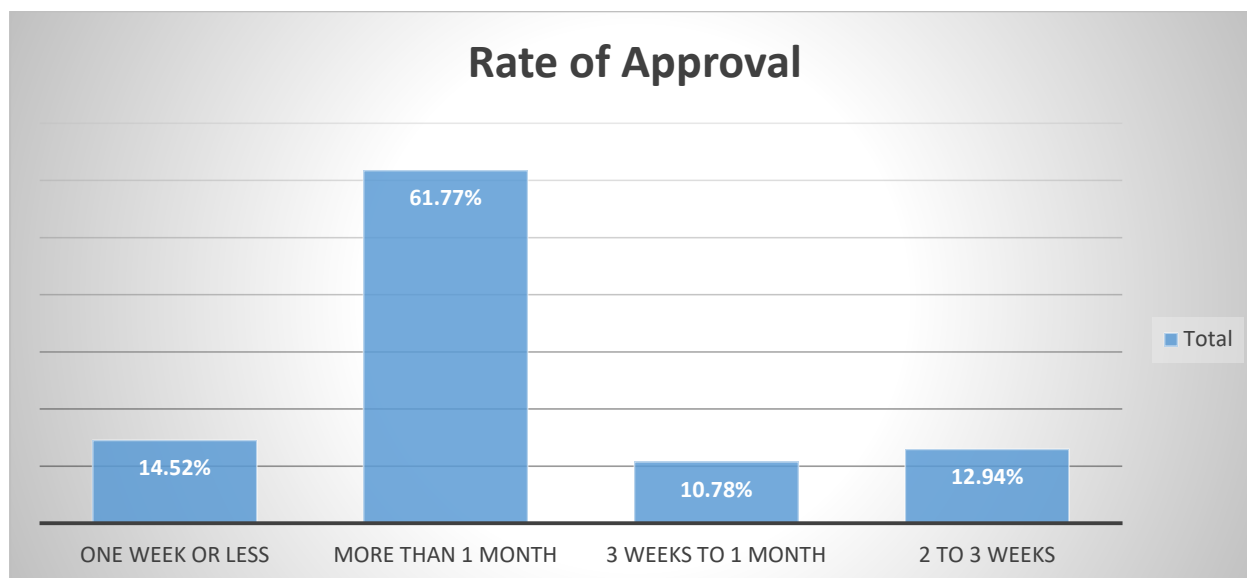
- The Month of May had the highest number of approvals, with 618 approvals.
- March recorded the highest number of approvals in the first quarter. This was due to a high demand for residential property. The planning system plays an important role in improving the lives of the modern society. It is meant to protect social amenities and the environment for the public's interest. How we live our lives is shaped by where we live and therefore our planning regulations have to cover many different situations that influence the shape of lives of every city resident and help protect the urban environment.

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- In the last quarter of 2015, Kenya experienced high interest rates leading to a decrease in the number of developments hence the low development rate in January 2016.
- Thereafter, in the first quarter of 2016, inflation came down by 6.5% stabilizing the Kenyan shilling and therefore increasing investors' appetite for the property market.

AVERAGE APPROVAL RATE BY THE NAIROBI CITY COUNTY GOVERNMENT TO CARRY OUT BUILDING PERMITTING



- Most of the permits took more than one month to be approved. This accounted for 61.77% of the total percentage. This delay in the approval process is a cause for concern and the Nairobi City County Government needs to offer sufficient explanation as to the reasons behind this delay.
- Permits that took less than one month to be approved accounted for 38.24 % of the total approvals. There was a great improvement on approval time as compared to 2015. Some of the factors leading to this improvement on approval time could be as a result of the following

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factors:

- ♣ Most of the developers could meet the minimum approval requirement
- ♣ Transparency in the urban and housing department.
- ♣ Adequate support from professionals throughout the entire plan preparation process. There were very few disapproved plans therefore this indicates that most of the plans met the conditions for approval.
- ♣ Reduce land ownership conflicts over the period.

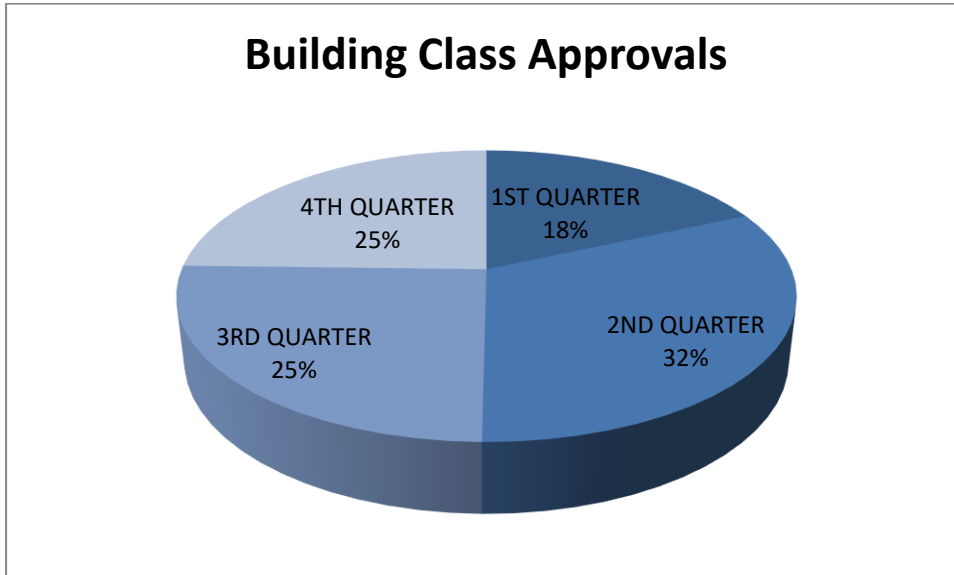
COMPARATIVE ANALYSIS BETWEEN THE FOUR QUARTERS OF 2016

		2016 QUARTERS			
		1 ST QUARTER	2 ND QUARTER	3 RD QUARTER	4 TH QUARTER
Submission Fee		Kshs. 359, 588	Kshs. 439, 962	Kshs. 352, 820	Kshs. 901, 172
Estimated Value		Kshs. 33, 864 692	Kshs. 47, 921, 689	Kshs. 44, 503 571	Kshs. 76, 233 700
Building Class Approvals	Domestic	346	591	462	462
	Public	34	71	71	65
	Warehouse	42	71	47	39

- The highest average value of estimated cost was incurred during the October to December quarter of the year with the least average value being January to March Quarter.

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- Domestic buildings continue to have the highest number of approvals with the highest number of developments being approved in the 2nd quarter of the year. Residential buildings had the highest number of approvals which has been the trend for the over the whole year.

FOR MORE INFORMATION, KINDLY CONTACT THE KPDA SECRETARIAT

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