

NCCG BUILDING PERMITTING APPROVALS REPORT

JANUARY - MARCH 2016



The Kenyan Parliament Building, Parliament Road in Nairobi, Kenya

SOURCE

The 2016 Quarter 1 KPDA NCCG Building Permitting Approvals Activity Report provides a summary of statistical information on planning permitting activity in Nairobi for the period January to March 2016. Only statistics received from the Nairobi City County Government, Urban Planning Department have been used as references.

This report uses building permitting approval requests submitted to the Nairobi City County Government which are then analysed and approved by a specialist committee appointed by the Urban Planning Department of the Nairobi City County Government. The report contains information on applications that have been approved by the specialist committee highlighting development locations, types, values, application revenues and process performances.

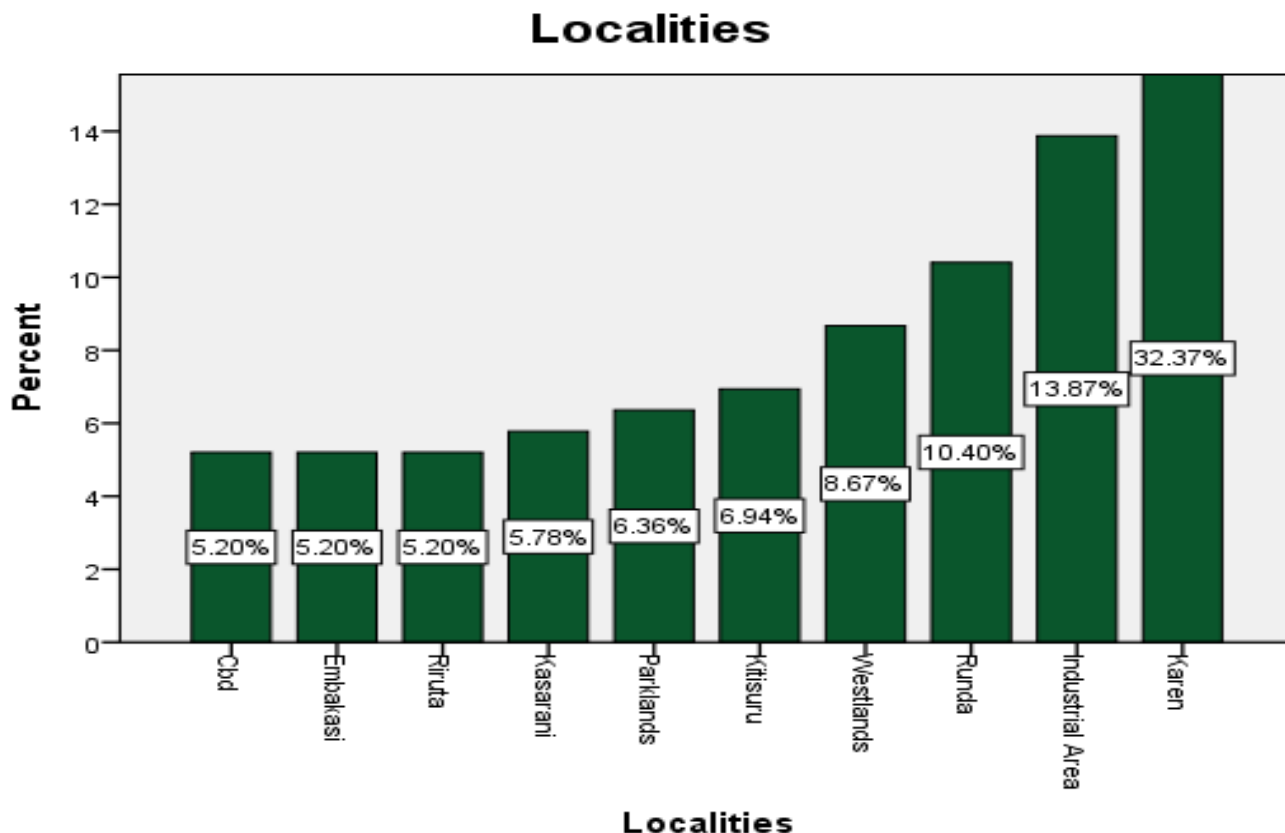
STATISTICS

A total of 424 planning permit applications were approved during this period. Other key statistics from this report include:

- Value of approved permits represents over Kshs. 14.2 billion worth of development projects and permitting fees collected were over Kshs. 151.4 Million;
- The highest value of buildings submitted for approval was **Kshs. 2, 000, 000, 000 (Kshs. 2billion)** by the **Kenya Goodland Investment Ltd** and the **maximum submission fee paid was Kshs. 9, 129, 684.**
- On average the estimated value of building development approved was Kshs. 33, 864, 692 and that of the submission fee was Kshs. 359, 588.
- The location of buildings with the highest percentage of permits/approvals were from the below locations:
 - ♣ 13.2% in Karen
 - ♣ 5.7% in Industrial Area
 - ♣ 2.8% in Kitisuru
- Based on the Kenyan Building Code of 1997, this report depicts permits that were issued in the following percentages in accordance to the named classifications below:
 - ♣ 81.4% (346) - Domestic Class (domestic buildings, commercial developments and offices)
 - ♣ 8.0% (34) - Public Class (religious buildings, social halls, libraries, schools, etc.)
 - ♣ 9.9% (42) - Warehouse Class (factories, industries and go downs)

It can be noted that the Domestic Classification has the highest level of approvals issued due to the ever increasing need for housing by Kenyans as well as the growing need for company offices.

PERMIT APPLICATION ACTIVITY BY LOCALITY



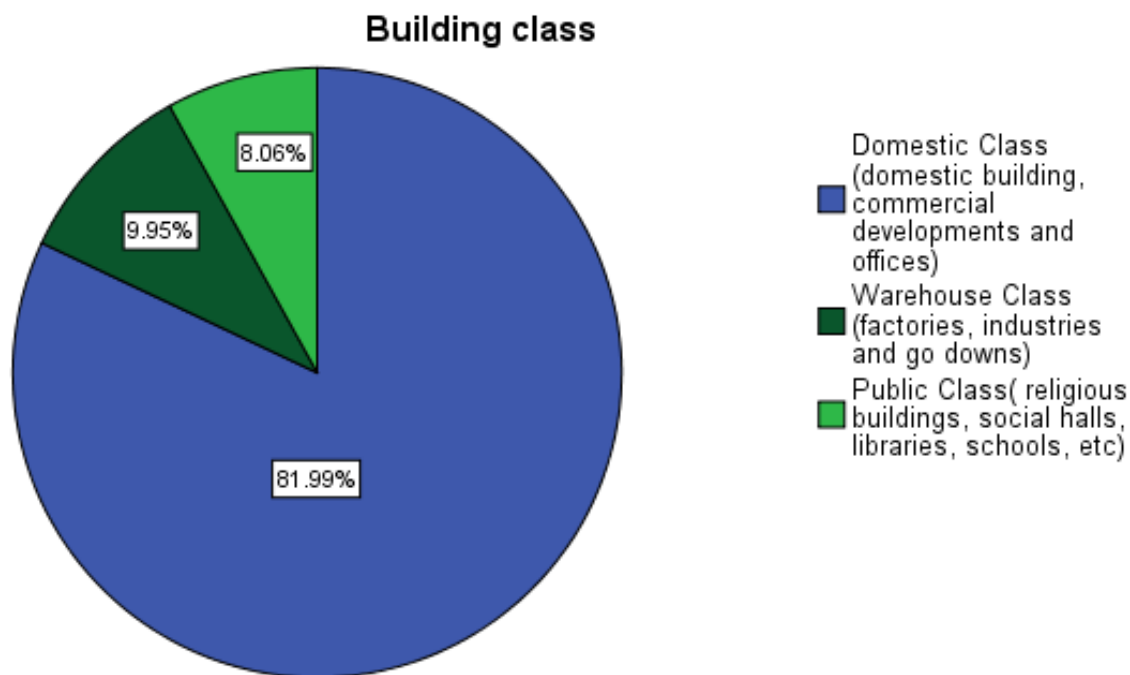
The highest permits were approved in Karen, Industrial Area, Runda and Westlands.

- Karen has the highest percentage of permits locality wise. This would be as a result of the ongoing construction of the Southern By-Pass connecting the Nairobi - Naivasha Highway to Mombasa Road. The bypass has also enabled easy and fast commuting to the Jomo Kenyatta International Airport and Wilson Airport. The neighbourhood has an organized road network, with properly connected entry and exit routes that lead to and from Nairobi's central business district. This provides for closer proximity to Nairobi's central business district which most Kenyans find convenient. The high number of permits approved in the 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.
- The central business district, Embakasi and Riruta areas have the least percentage of permits approved amongst the top 10 areas of development approved as shown in the graph above. This could be as a result of the central business district having limited access to areas for expansion. The Embakasi area is challenged by a lack of an easy and affordable transport route for Kenyans who mostly work in the central business district and is therefore prone to heavy traffic congestion. This has led to few investors being attracted to this area.

NB: Localities that do not appear in the graph had less than 2% presentation.

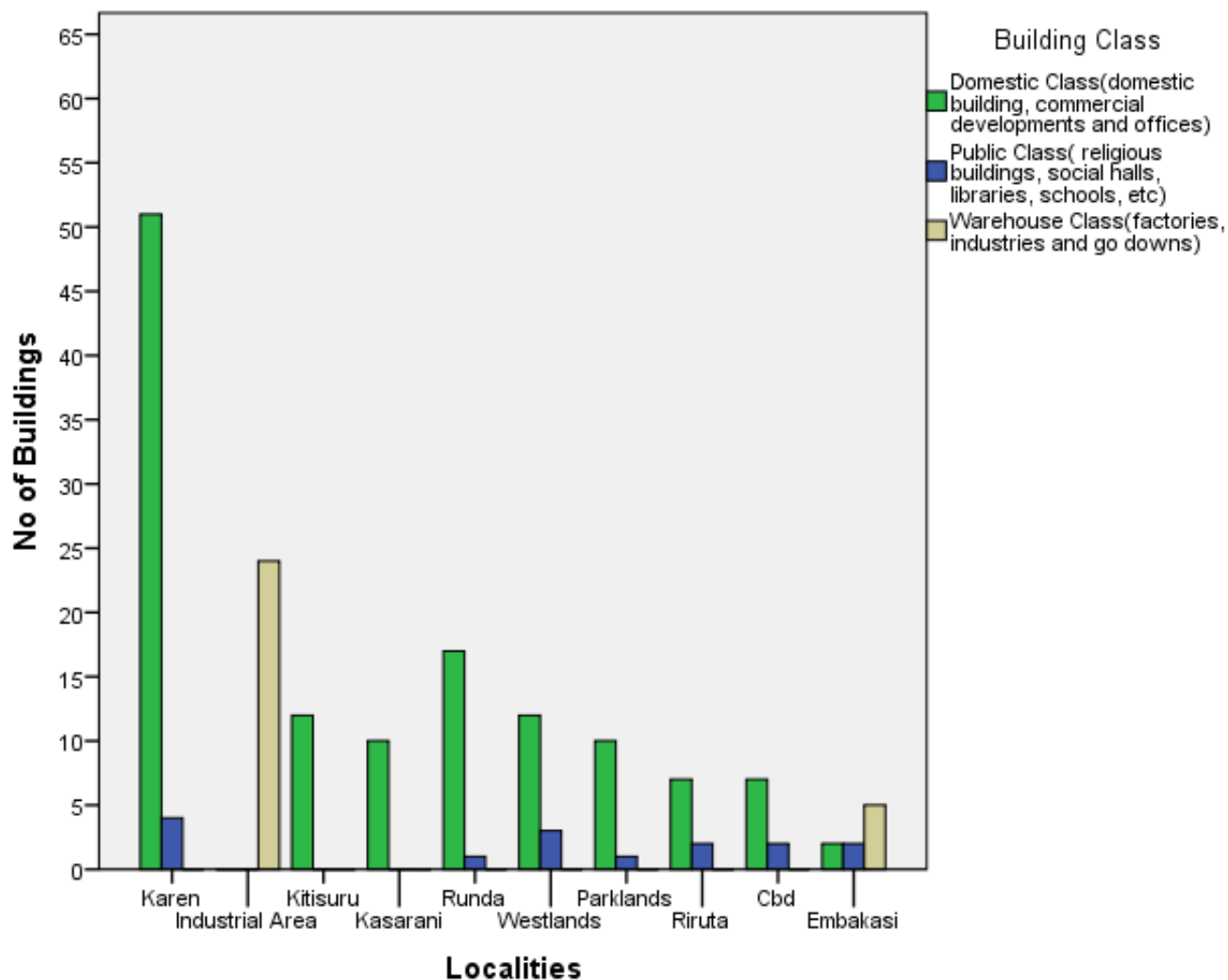
DWELLING RELATED ACTIVITY ACROSS NAIROBI

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



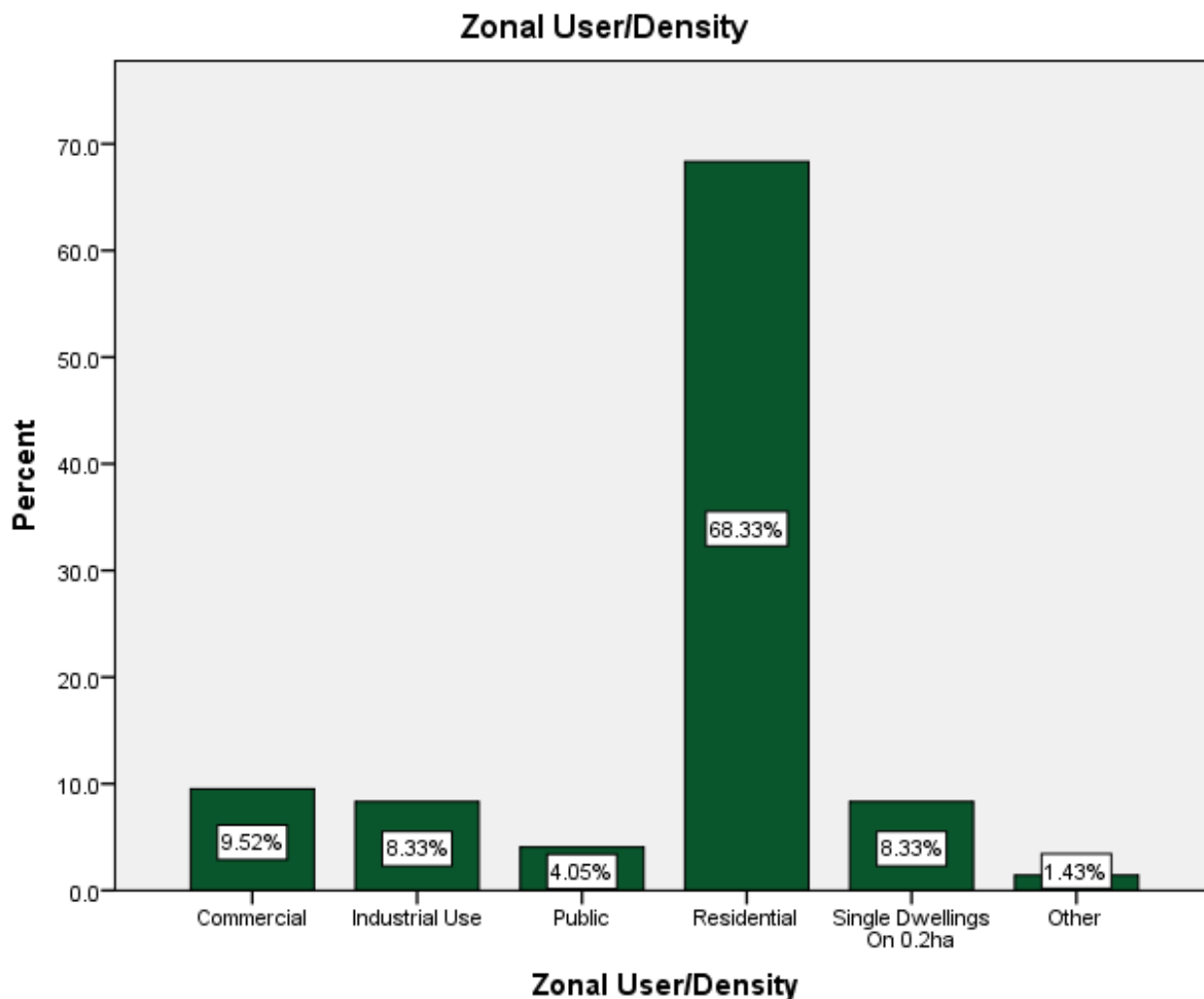
- It can be noted that 81.9% of the approvals for building permits were issued to the Domestic Class of buildings. This class contains domestic buildings, commercial developments and offices. This can be majorly attributed to the numerous number of emerging businesses who include foreign investors and SMEs, thus increasing the demand for office space.
- Another major contributing factor is rapid urban population growth. According to the Kenya National Bureau of Statistics 2012 - 2013 Kenya National Housing Survey Basic Report, urban population is projected to grow by 50% by 2030. This has therefore caused an exponential demand for residential houses therefore making residential developments more attractive for investors to get into.

BUILDING CLASS BY LOCALITY



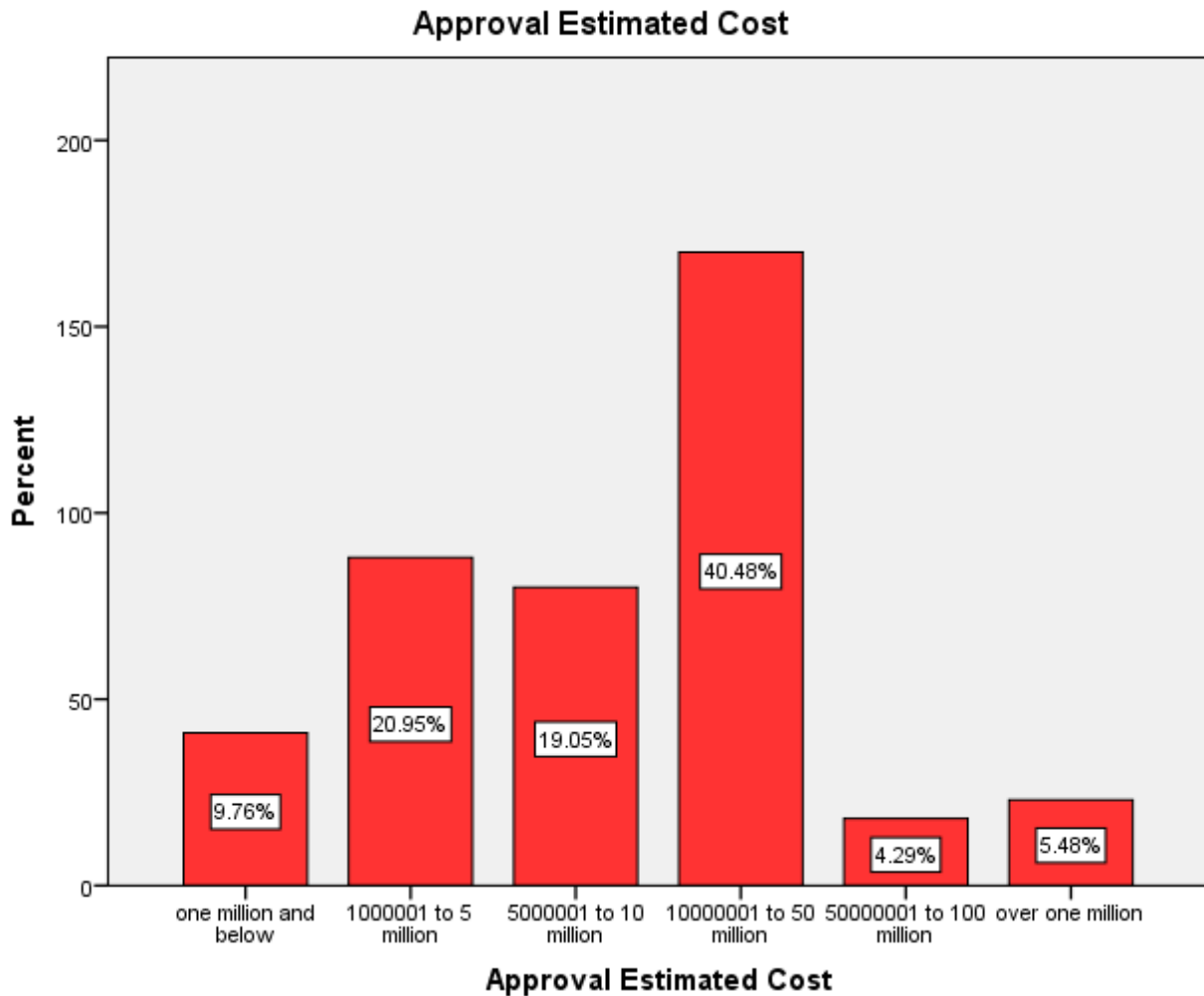
- The graph indicates Karen being the area with the highest number of Domestic Class approvals. Karen is dominated by residential homes.
- Industrial area topped in approvals related to the Warehouse Class mainly because the area has a high number of industries as well as warehouses set up.
- The Public Class of approvals are highest in the Westlands area as currently there is still land available for developments.

NUMBER OF APPROVALS BY ZONAL USER DENSITY



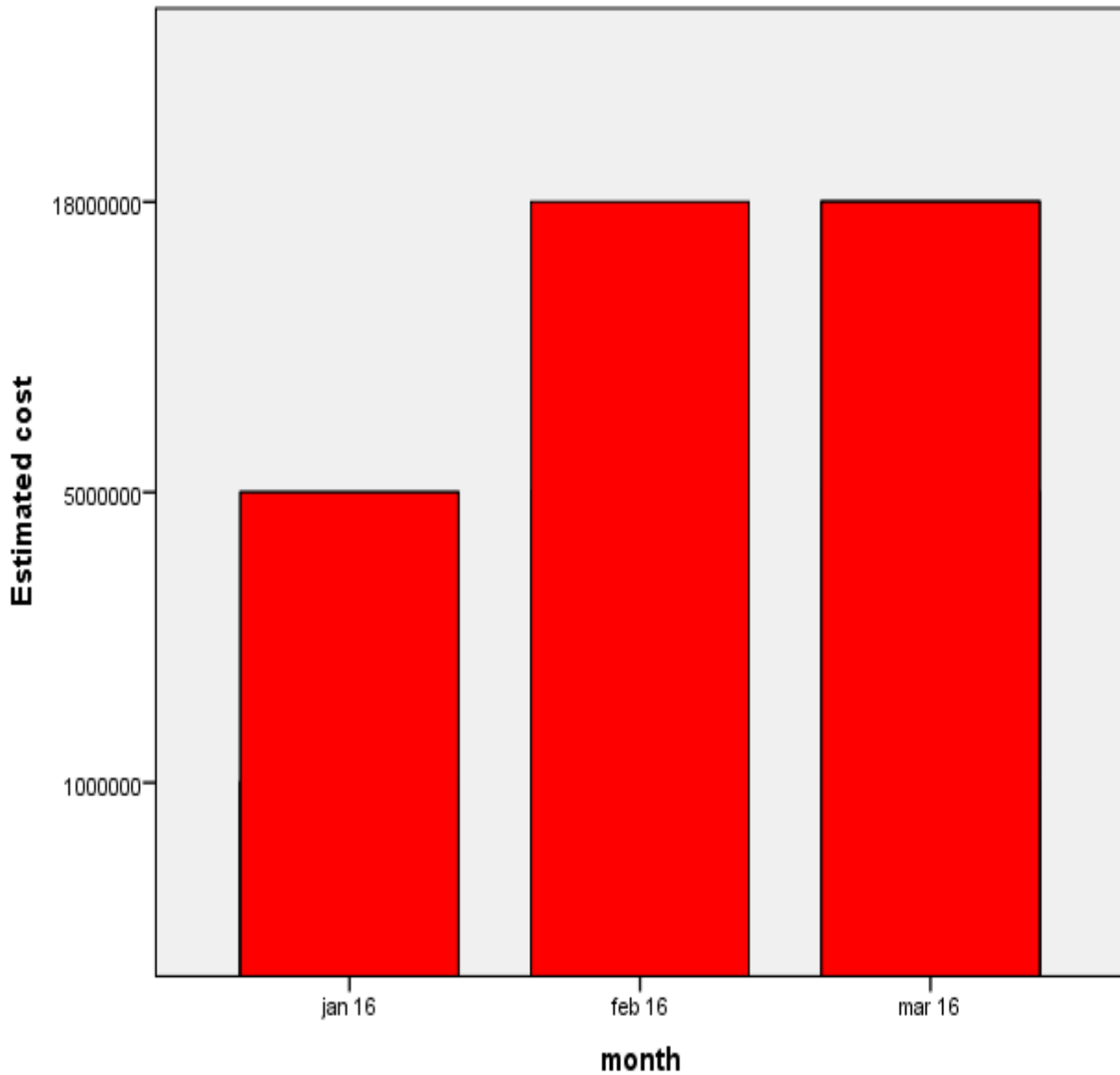
- The Residential Class accounted for 68.3% of the approvals due to high demand by Kenyans to own homes and an increase in the middle aged working population who consider owning a home more crucial than renting one. Residential developments are more profitable and developers invest more in residential houses. An Influx in foreign residents in Kenya has also increased the demand for residential houses (especially furnished apartments) mostly in the high end areas.
- Commercial Class buildings accounted for 9.5% of the approvals. According to Lamudi Kenya 2015 Real Estate Market Report (www.lamudi.co.ke), the rise in the number of commercial banks and supermarkets opening up branches in Nairobi has contributed to the demand for commercial developments.

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



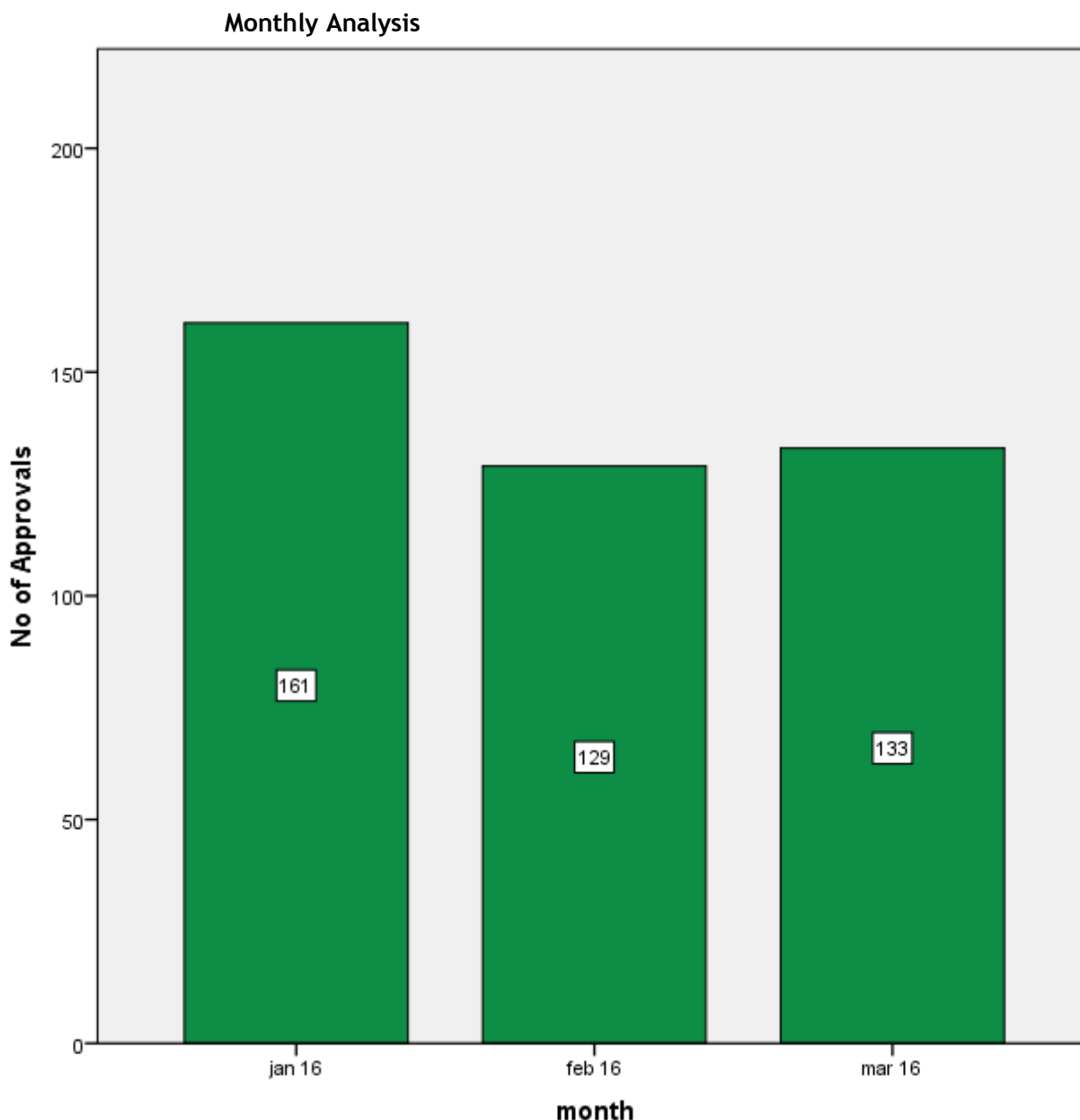
- 40.5% of the buildings presented for approvals were valued between Kshs, 10 million and Kshs. 50 million. Most of these buildings are residential rather than single dwelling or commercial developments.

ESTIMATED COST OF APPROVALS ISSUED BY THE NAIROBI CITY COUNTY GOVERNMENT



- The months of February and March had the highest number of permit approvals approximated at a total cost of Kshs. 18, 000, 000.

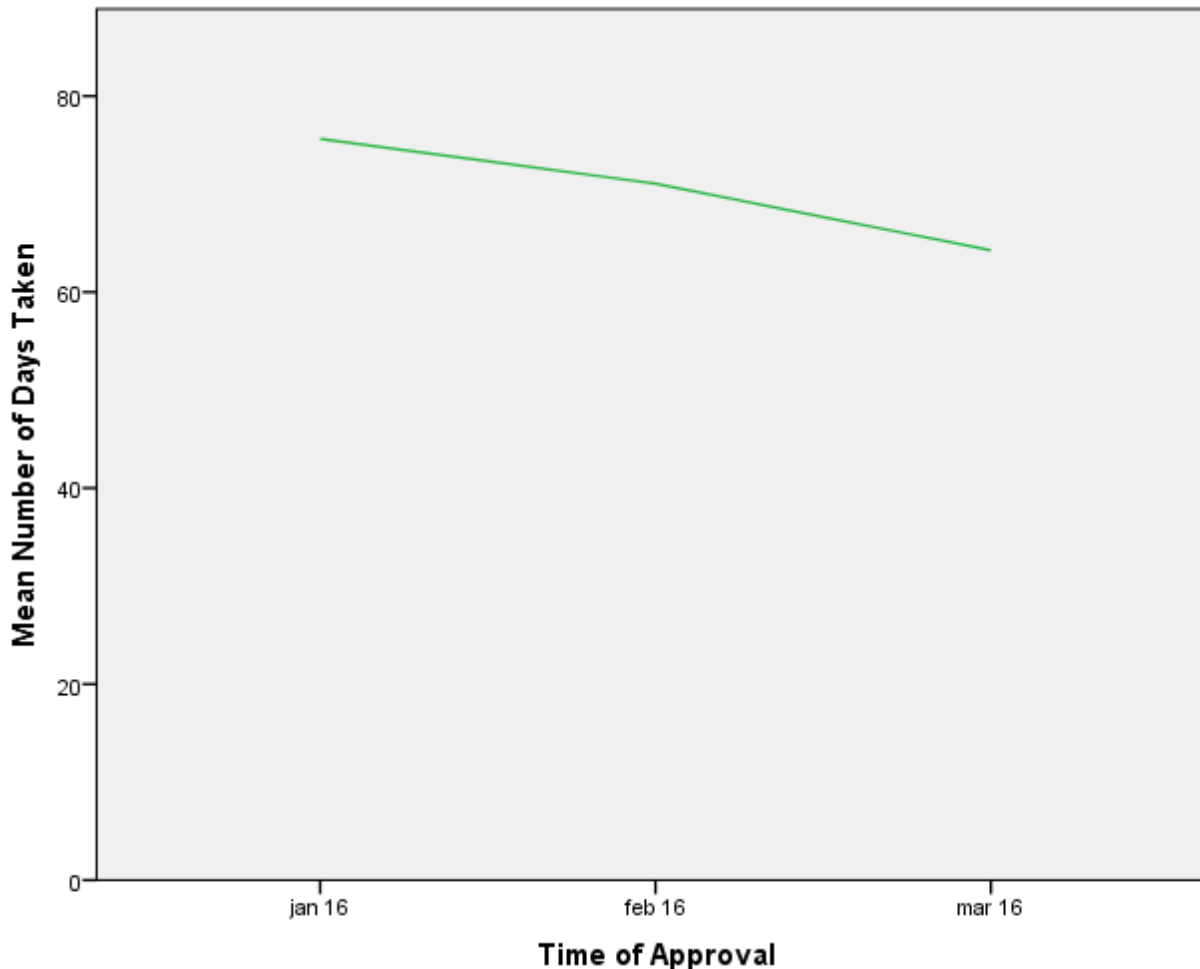
PERMIT PROCESSING PERFORMANCE



January recorded the highest number of approvals in the first quarter. This was due to the high demand for residential property. According to the Hass Consult House Price Index 2016 Quarter 1 Report (www.hassconsult.co.ke), asking prices for housing increased by 4.2% in the first quarters of 2016.

In the last quarter of 2015, Kenya experienced high interest rates leading to a decrease in the number of developments. 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. (Cytton Investment Ltd, 2016)

GRAPH DEPICTING APPROXIMATE APPROVAL TIME TAKEN BY THE NAIROBI CITY COUNTY GOVERNMENT TO CARRY OUT BUILDING PERMITTING



- On average the number of days taken gradually decreases between the months of January to March 2016. If this is put into practice for the rest of the quarters, the construction industry will continue to be a key player to Kenya’s economic growth by encouraging investor activity.
- Most of the permits took more than one month to be approved. This accounted for 65.3% of the total approvals. This approval time frame should be improved. Some of the factors leading to this lengthy approval time could surround the following factors:
 - ♣ Failure by developers to meet minimum approval requirement
 - ♣ Corruption
 - ♣ Inadequate support from professionals throughout the entire process of seeking for approval and or
 - ♣ Inefficient processes at the Ministry of Lands

COMPARATIVE ANALYSIS BETWEEN THE MONTHS OF JANUARY TO MARCH 2016

		MONTH		
		JANUARY	FEBRUARY	MARCH
Submission Fee		Kshs. 62, 689, 376	Kshs. 50, 510, 327	Kshs. 38, 224, 709
Estimated Value		Kshs.5, 180, 693, 000	Kshs. 5, 847, 974, 500	Kshs. 3, 194, 503, 000
Building Class Approvals	Domestic	127	111	108
	Public	15	8	11
	Warehouse	19	10	13

Domestic buildings continue to have the highest number of approvals which has been the trend since April 2014. This is as a result of the earlier stated factors.

FOR MORE INFORMATION, KINDLY CONTACT THE KPDA SECRETARIAT

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REFERENCES

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Lamudi Kenya 2015 Real Estate Market Report

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Hass Consult House Price Index 2016 Quarter 1 Report

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Website: www.hassconsult.co.ke

Kenya National Bureau of Statistics 2012 - 2013 Kenya National Housing Survey Basic Report

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