FACTORS INFLUENCING HOUSING SUPPLY IN KENYA

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ABSTRACT

Housing supply in Kenya is falling far short of meeting the annual demand for housing units in the country. The main objective of the study was to investigate and estimate a model for the factors influencing housing supply in Kenya. The specific objective of the study was to establish the causes of low-income housing supply shortage in Kenya.

The study analyzed secondary data on housing construction by the private sector in main towns in Kenya from the year 2000 to 2009. This included number of new housing units constructed in a year, the total costs incurred per year and the income or returns (revenue) from housing. Data was analyzed using regression analysis.

The study revealed that income (returns), total costs involved and capital are factors that affect the supply of housing units, with total costs and capital (interest rates) being the most significant determinants. Total costs and capital are thus contributing factors to the shortage in housing supply. This is because high costs and high interest rates mean that few people can engage in housing construction, and those who do choose to supply to high-income earners so as to maximize returns. The low-income earners therefore are negatively affected because very few housing units are supplied to their market.

The study recommended a number of policies that the government can implement so as to increase the supply of housing, specifically to low-income earners. These include establishing a revolving fund for housing development, and encouraging development and research innovations in the area of construction costs among others.