

# Kenya Housing System Profile

Author: Ben Atkinson



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# Contents

<b>Executive Summary</b>	<b>2</b>
<b>1. Housing Delivery</b>	<b>6</b>
<b>1.1 Owner Occupancy</b>	<b>10</b>
<b>1.2 Rental</b>	<b>12</b>
<b>2. Housing Finance</b>	<b>14</b>
<b>2.1 Construction Finance</b>	<b>14</b>
<b>2.2 Housing Finance for Owner-Occupiers</b>	<b>15</b>
<b>3. Climate</b>	<b>22</b>
<b>3.1 Climate Change Mitigation</b>	<b>22</b>
<b>3.2 Adaptation and Resilience</b>	<b>24</b>
<b>4. Policy and Regulatory Environment</b>	<b>26</b>
<b>4.1 Key Institutions and their Roles</b>	<b>27</b>
<b>4.2 Policies and Frameworks</b>	<b>28</b>
<b>5. Major Government Housing and Urban Development Programmes</b>	<b>30</b>
<b>5.1 Affordable Housing Programme (AHP)</b>	<b>31</b>
<b>5.2 Kenya Mortgage Refinance Company</b>	<b>33</b>
<b>5.3 Kenya Urban Support Programme (KUSP I &amp; II)</b>	<b>33</b>
<b>5.4 Kenya Informal Settlement Improvement Project (KISIP)</b>	<b>34</b>
<b>6. Barriers and Enablers</b>	<b>36</b>
<b>6.1 Barriers to Effective Housing Delivery</b>	<b>37</b>
<b>6.2 Housing Delivery Enablers</b>	<b>39</b>
<b>Appendix 1: KNBS Sales and Rental Cost Data</b>	<b>42</b>
<b>Sales</b>	<b>42</b>
<b>Rental</b>	<b>43</b>
<b>Appendix 2: Housing-Related Policies and Frameworks</b>	<b>44</b>



Parklands, Nairobi. Johnny Miller, *Unequal Scenes*

# Executive Summary

Kenya faces a major and growing housing deficit driven by rapid urbanisation, limited formal housing supply, and constrained access to finance. Most urban households rely on rental housing and incremental self-build, supported largely by SACCO and microfinance lending rather than mortgages. While national programmes such as the Affordable Housing Programme aim to scale delivery, land constraints, infrastructure gaps, and institutional capacity challenges continue to limit implementation and the integration of climate-resilient housing approaches.

## Housing Delivery

Kenya is undergoing an ongoing process of urbanisation, with 30% of the population living in urban areas in 2024 (3.9 million urban households). The country faces an estimated annual housing gap of 250,000 units and a cumulative deficit of around 2 million homes, while formal delivery averages roughly 50,000 units per year, largely targeting upper-middle and high-income segments. As a result, an estimated 40.5% of the urban population resides in slums. Housing delivery is overwhelmingly dominated by self-build and incremental construction: around 80% of owner-occupied homes are self-built, 13% are inherited, and only 2–3% are purchased through formal market transactions. Owner-occupation remains high in rural areas (85.5%) but is far lower in urban areas (22.8%), reflecting both affordability constraints and the cost of serviced land.

Rental housing plays a central role in absorbing urban growth. Nationally, 72.3% of urban households rent, rising to 88.8% in Nairobi, and between 2009 and 2019 an average of 158,000 new renter households were formed annually compared to 39,000 new owner-occupied households. Rental supply is delivered predominantly by small-scale or informal landlords and provides flexibility and proximity to employment, particularly for low-income workers and migrants. However, overcrowding, limited tenure security, and weak incentives to invest in quality or resilience constrain outcomes. Land remains a structural bottleneck: tenure complexity, slow titling processes, infrastructure deficits, and fragmented institutional responsibilities restrict the supply of serviced land, while peri-urban expansion often occurs on unserviced plots, reinforcing incremental and informal delivery as the default pathway.

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## Finance

Housing finance remains shallow and highly segmented. Mortgage penetration stands at 1.86% of GDP, with just over 30,000 mortgages outstanding at end-2024 and fewer than 1% of households holding a mortgage. Average mortgage values (KES 9.3 million), interest rates (14.9%), and maturities (11.1 years) place formal mortgage finance beyond the reach of most households. Most home purchases are financed through savings or cash, even in Nairobi where mortgages account for only 6.1% of purchases. Mortgage lending is constrained by limited long-term capital, lengthy registration processes, slow legal recovery of non-performing loans, and strict eligibility requirements.

Savings and Credit Cooperative Organisations (SACCOs) and microfinance institutions play a far larger role in practice, supporting incremental housing and land purchase. SACCOs alone provided over KES 67 billion in housing loans and KES 69.8 billion for land in 2024, largely through small, shorter-tenor loans aligned with incremental construction. The Kenya Mortgage Refinance Company (KMRC) has begun expanding access to longer-tenor, lower-cost mortgages, while Tenant Purchase Schemes offer an alternative pathway to ownership. However, formal finance continues to serve a narrow segment of higher-income, formally employed households.

## Climate

Kenya's climate is changing, with rising temperatures, more frequent heat stress, and intensified rainfall events contributing to flooding and infrastructure failure. Over 80% of the country is arid or semi-arid, and low-income households in informal and peri-urban settlements are disproportionately exposed to climate risks. Housing performance is driven primarily by cooling, ventilation, and water protection rather than heating, yet much of the housing stock performs poorly under these conditions.

The carbon footprint associated with the housing sector arises mainly from embodied carbon from materials such as cement and fired bricks. Informal and incremental construction often uses materials with lower embodied carbon but regulatory barriers, inconsistent quality control, and risk aversion limit wider adoption. While Kenya has articulated strong national climate commitments, integration of hazard mapping, resilient site planning, and climate-appropriate design into housing programmes remains uneven.

## Policy and Programmes

Kenya's national strategy is anchored in Vision 2030 and successive Medium-Term Plans. Housing has been elevated through the Big Four Agenda and is now embedded in the Bottom-Up Economic Transformation Agenda. The Affordable Housing Programme (AHP), formalised under the Affordable Housing Act (2024), targets delivery of 200,000 units annually through a combination of public land, Housing Levy financing, and Public–Private Developer Partnerships. The programme is primarily structured to support owner-occupation (in contrast to prevailing urban tenure patterns), including through mortgage-linked purchase and tenant purchase pathways. However, verified completions to date are a fraction of the annual ambition, highlighting the scale of the gap between policy intent and implementation capacity.

Complementary programmes include KMRC to deepen mortgage markets, the Kenya Urban Support Programme (KUSP)<sup>1</sup> to strengthen municipal governance and infrastructure, and the Kenya Informal Settlement Improvement Project (KISIP)<sup>2</sup> to support tenure regularisation and upgrading in informal settlements. Despite strong policy intent, implementation is constrained by legal challenges, infrastructure gaps, mortgage affordability limits, and uneven county capacity.

## Barriers and Enablers

Kenya's housing system is characterised by deep structural barriers, including affordability gaps, limited access to formal finance, land tenure complexity, slow titling, infrastructure deficits, and weak enforcement of planning and building standards. Institutional fragmentation and uneven municipal capacity further constrain coordinated delivery, while formal housing production remains skewed toward higher-income segments.

At the same time, a set of powerful enabling mechanisms allows the system to function despite structural constraints. Self-build and incremental construction provide access to housing where formal supply is unaffordable or unavailable, enabling households to align construction with irregular income flows and build progressively as resources allow. Rental housing, largely delivered by small-scale and informal landlords, absorbs the majority of urban growth, offering flexibility, proximity to employment, and relatively low entry costs for migrants and younger households. SACCOs and microfinance lending play a critical complementary role, financing land purchase, room additions, and progressive improvements through loan products better suited to informal and variable incomes than conventional mortgages. Together, these mechanisms constitute the de facto delivery architecture of Kenya's urban housing system.

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<sup>1</sup> Kenya Urban Support Programme (KUSP): <https://kusp.go.ke/>

<sup>2</sup> Kenya Informal Settlement Improvement Project (KISIP): <https://kisip.go.ke/>



Loresho, Nairobi. Johnny Miller, *Unequal Scenes*



# 1. Housing Delivery

Kenya faces a persistent structural housing deficit, with formal supply meeting only a fraction of annual demand. Urban housing is overwhelmingly rental and largely delivered through self-build and incremental construction. Land tenure complexity, infrastructure deficits, and high formal market prices constrain access to serviced land. As a result, informal and peri-urban expansion have become the dominant pathways for accommodating rapid urban growth.

Kenya is East Africa’s leading economy, transitioning to middle-income country status in 2014.<sup>3</sup> The country has been going through a rapid urbanisation process for decades, though since 2001 (when annual urban growth was at 4.9%) this has been gradually slowing, dropping to 3.7% in 2024.<sup>4</sup> However, this remains almost double population growth as a whole. In 2024, 30.05% of Kenya’s population was urban, and 3.9 million households are located in urban areas.<sup>5</sup>

Median monthly household expenditure (used as an imperfect proxy for income) in urban areas was approximately KES 24,000/USD 185 in 2022, compared to KES 16,000/USD 124 in rural areas. Median monthly expenditure is highest in the largest cities (Nairobi – KES 32,000/USD 247, Mombasa – KES 30,000/USD 232). See Table 1 for more information.<sup>6</sup>

Percentiles	Rural Kenya	Urban Kenya	Nairobi	Mombasa
25 <sup>th</sup>	10,209	15,750	20,483	19,359
50 <sup>th</sup>	16,123	23,667	31,877	29,824
75 <sup>th</sup>	24,238	36,326	47,675	44,626
99 <sup>th</sup>	70,690	118,269	239,492	120,485

**Table 1: Monthly Household Incomes (Source: Reall)**

<sup>3</sup> Kenya Poverty and Gender Assessment 2015/16, World Bank. Available at: <https://openknowledge.worldbank.org/bitstreams/53d47ef7-0257-5c08-819d-938a1328d369/download>

<sup>4</sup> Urban Population Growth (annual %) – Kenya. Available at: <https://data.worldbank.org/indicator/SP.URB.GROW?locations=KE>

<sup>5</sup> Kenya Profile, Africa Housing Finance Yearbook 2024, Centre for Affordable Housing Finance in Africa (CAHF). Available at: <https://housingfinanceafrica.org/wp-content/uploads/2025/03/KENYA.pdf>

<sup>6</sup> See Reall’s Household Income and Affordability Calculator for further information, which uses data from the 2022 Kenya Continuous Household Survey, Kenya National Bureau of Statistics. Available at: [www.reall.net/calculator](http://www.reall.net/calculator).

Kenya is believed to have an annual housing gap of 250,000 homes and a total housing deficit estimated at 2 million homes<sup>7</sup>, yet the formal housing market is only building around 50,000 homes per year with the vast majority of these targeting upper-middle and high-end market segments. This leaves a substantial gap, particularly for lower income households, which is filled through informal, unregulated and incremental home delivery.<sup>8</sup> Between the 2009 and 2019 censuses, household growth averaged approximately 200,000 new households per year, compared to official housing delivery of roughly 50,000 units annually, illustrating a persistent structural supply-demand imbalance.<sup>9</sup> This gap has been absorbed largely through informal and incremental construction, contributing to an estimated 40.5% of the urban population residing in slums.<sup>10</sup>

A central structural constraint underpinning this imbalance is land. Rapid urbanisation has intensified demand for well-located, serviced land in and around major cities, while supply remains constrained by tenure complexity, infrastructure deficits, speculation, and fragmented institutional mandates. Kenya's land tenure framework categorises land as public, community, or private, reflecting reforms introduced under the 2010 Constitution and subsequent legislation intended to strengthen tenure security and improve transparency.<sup>11</sup> However, implementation has proven uneven. Lengthy and costly titling processes, unresolved historical claims, incomplete digitisation of land records, and overlapping or contested rights continue to generate transaction delays and legal uncertainty, raising risks and costs for both households and developers.<sup>12</sup>

These constraints operate differently across market segments. In informal settlements, underlying land may be publicly owned or subject to contested claims, while structures are frequently owned by landlords who rent rooms to tenants. Tenure is therefore characterised by overlapping and informally recognised claims between landowners, structure owners and tenants, often without formal registration.<sup>13</sup> In Nairobi, the majority of residents in large informal settlements are tenants rather than structure owners, meaning that many low-income households have no ownership stake in the dwelling they occupy. This weakens incentives for investment in durable improvements, limits access to formal finance, and increases vulnerability to eviction.

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<sup>7</sup> [https://unhabitat.org/sites/default/files/2023/07/kenya\\_country\\_brief\\_final\\_en.pdf](https://unhabitat.org/sites/default/files/2023/07/kenya_country_brief_final_en.pdf)

<sup>8</sup> Research on Systemic Barriers towards Access and Usage of Housing Finance in Kenya, Habitat for Humanity International. Accessed 2 December 2025. <https://www.auhf.co.za/wp-content/uploads/2023/09/report-systemic-barriers-to-access-and-use-of-housing-finance-in-kenya-demystified.pdf>.

<sup>9</sup> Pipeline Deep Dive, Centre for Affordable Housing Finance in Africa (CAHF). Available at: [https://housingfinanceafrica.org/wp-content/uploads/2025/08/shout-output\\_plotting-pipeline-webinar\\_compressed-kecia-rust.pdf](https://housingfinanceafrica.org/wp-content/uploads/2025/08/shout-output_plotting-pipeline-webinar_compressed-kecia-rust.pdf)

<sup>10</sup> Housing, slums and informal settlements, Urban Indicators Database, UN-Habitat. Available at: <https://data.unhabitat.org/pages/housing-slums-and-informal-settlements>

<sup>11</sup> Land Tenure Classifications in Kenya, REDD+ Law Project. Available at: <https://land.igad.int/index.php/documents-1/countries/kenya/rural-development-3/804-land-tenure-classifications-in-kenya/file>

<sup>12</sup> Recommended National Land Policy October 2023, National Land Commission. Available at: <https://www.kelinkkenya.org/wp-content/uploads/2024/09/RECOMMENDED-NATIONAL-LAND-POLICY-2023.pdf>

<sup>13</sup> Empowering Urban Margins: Community-Driven Capital Mobilization for Land Tenure Security in

Nairobi's Baba Dogo Informal Settlement, Africa Habitat Review. Available at: <https://uonjournals.uonbi.ac.ke/ojs/index.php/ahr/article/view/3248/2439>

For formal developers, land acquisition costs in well-located urban areas can account for 20–30% or more of total project costs, and in some locations considerably more, significantly constraining the viability of housing targeted at households earning at or below the median urban income.<sup>14</sup> In peri-urban areas, where land may be cheaper, limited trunk infrastructure provision (roads, water, sewerage, electricity) shifts servicing costs onto developers or communities, raising end-user prices and extending project timelines.<sup>15</sup>

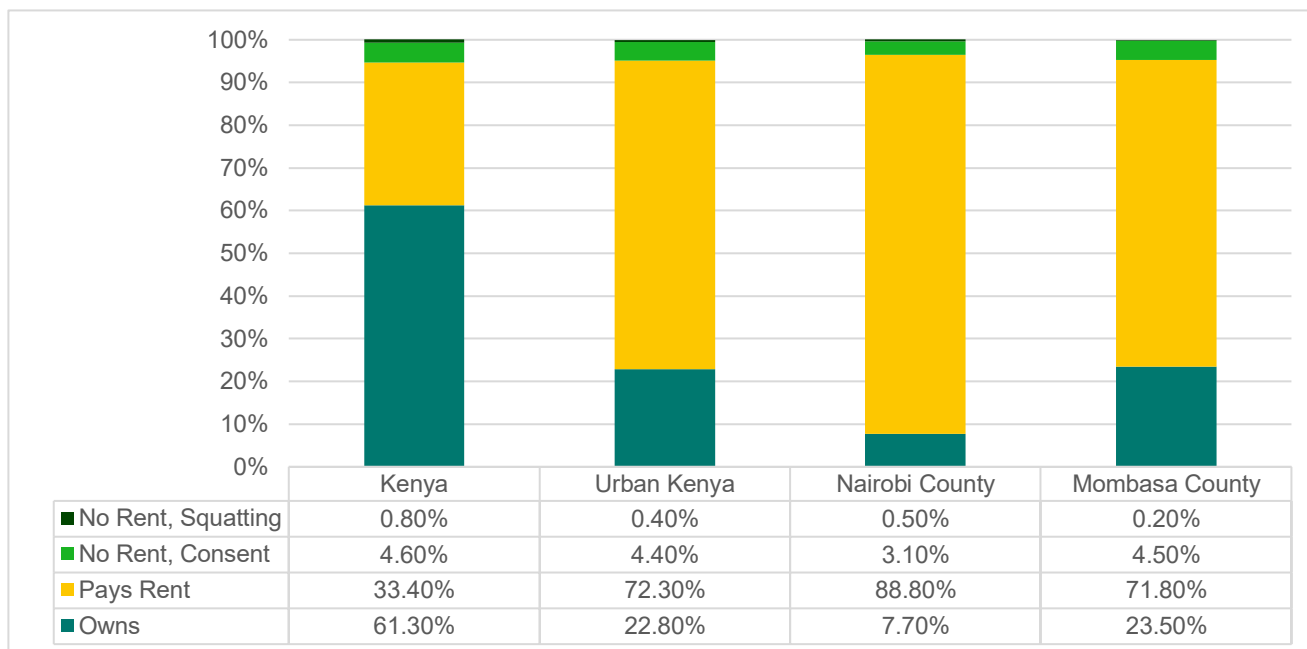
Housing typologies reflect clear differences in income, location, materials, and tenure. Higher-income households are mainly served by bungalows, maisonettes, and townhouses in urban, suburban, or planned estates. These are typically built with durable materials and are predominantly owner-occupied, with some rental in peri-urban or gated areas. Flats and apartments accommodate a wide income range in urban areas and are mostly rental, with owner-occupation concentrated in more formal developments. Lower-income urban households rely heavily on Swahili houses and informal shanty dwellings, which provide high-density rental accommodation in both established urban areas and informal settlements, often using temporary or semi-permanent materials.

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<sup>14</sup> Benchmarking Housing Construction Costs Across Africa, Centre for Affordable Housing Finance in Africa. Available at: <https://housingfinanceafrica.org/wp-content/uploads/2025/01/Benchmarking-Housing-Construction-Costs-Across-Africa-FINAL-19-May-2019.pdf>

<sup>15</sup> Urban Planning for City Leaders: A Handbook for Kenya, UN-Habitat. Available at: [https://unhabitat.org/sites/default/files/2020/08/upcl\\_kenya\\_handbook\\_-\\_updated.pdf](https://unhabitat.org/sites/default/files/2020/08/upcl_kenya_handbook_-_updated.pdf)

Tenure types are split starkly between urban and rural areas as shown in Figure 1. Outside towns and cities, 85.5% of households owned the home they lived in, while in urban areas the figure was just 22.8% (though in many cases these households did own a home elsewhere), and 72.3% of households rented. In Nairobi, just 7.7% of households own the home they live in, and 88.8% rent (Mombasa 23.5%/71.8%).<sup>16</sup> Between the 2009 and 2019 censuses there was an average of 158,000 new urban renter households per year, vs 39,000 new owner-occupied households per year, underscoring the central role of rental housing in absorbing urban growth.<sup>17</sup>



**Figure 1: Tenure Status by Location (Source: KNBS)**

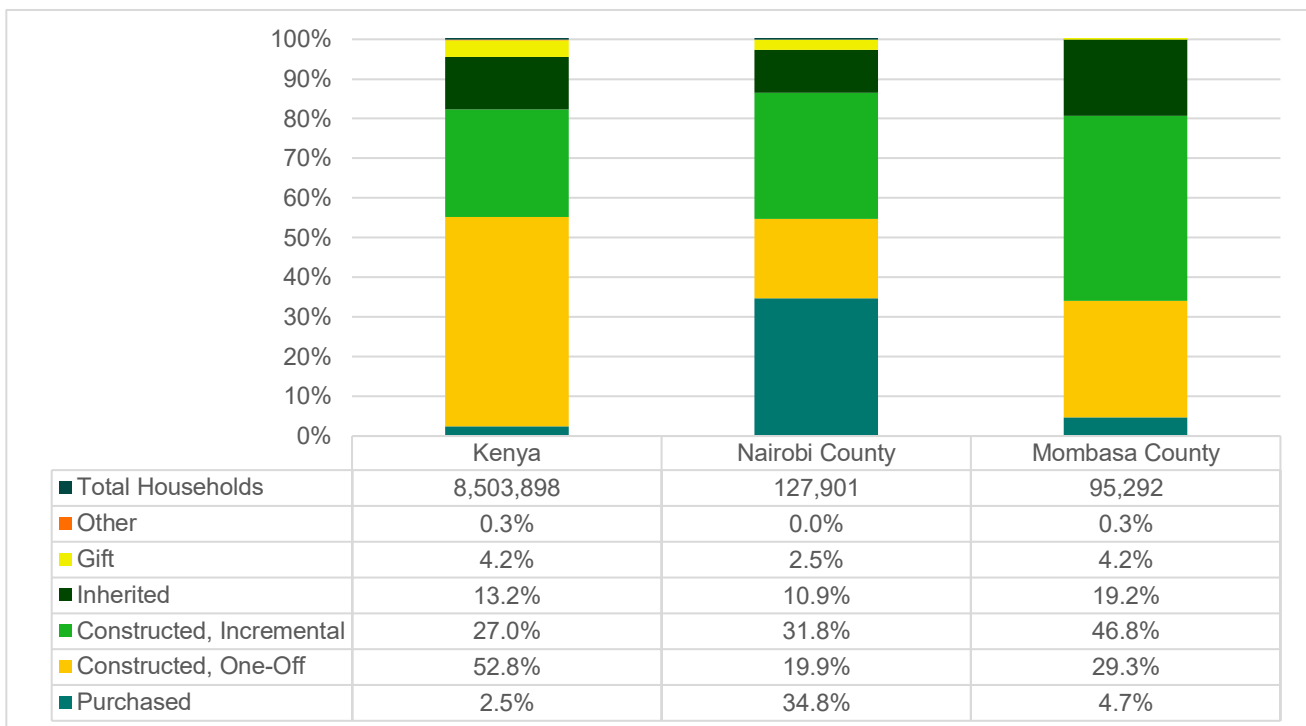
<sup>16</sup> 2023/24 Kenya Housing Survey Basic Report, Kenya National Bureau of Statistics. Available at: <https://www.knbs.or.ke/wp-content/uploads/2025/01/2023-24-Kenya-Housing-Survey-Basic-Report1.pdf>

<sup>17</sup> See 'Positioning Affordable and Backyard Rental Housing as a Key Target in Kenya's Affordable Housing Programme – Draft Findings', Centre for Affordable Housing Finance in Africa, 2022. Available at: <https://housingfinanceafrica.org/wp-content/uploads/2025/03/kmrc-kenya-rental-presentation-draft-251122.pdf>

## 1.1 Owner Occupancy

Although home ownership is the dominant tenure nationally, it plays a far smaller role in urban areas and is exceptionally limited in Nairobi, as shown in Figure 2. Patterns of housing acquisition reinforce this divide: nationally, only 2.5% of owner-occupied homes are purchased, rising to 4.7% in Mombasa. Nairobi is the clear outlier, with a sizeable formal purchase market accounting for 34.8% of owner-occupied dwellings, reflecting both higher incomes and a more developed formal housing sector.

For the majority of households, owner-occupied housing is not acquired through purchase but through self-organised construction. In rural areas this typically takes place as a single build process, often on family or customary land. In large urban centres, however, incremental construction dominates, with households building or upgrading their homes in stages as resources allow, often outside formal planning, regulatory, or financing systems.



**Figure 2: Tenure Status by Location (Source: KNBS)**

Within this context, formal housing for sale in Nairobi is strongly skewed toward higher-income buyers. In 2023, average prices in the formal market stood at KES 19.3 million (USD ~150,000) for two-bedroom bungalows and KES 19.5 million (USD ~151,000) for three-bedroom bungalows, rising sharply to KES 49.9 million (USD ~387,000) for four-bedroom units. Other common urban typologies show similarly elevated prices, with three-bedroom maisonettes averaging KES 20.9 million (USD ~162,000), apartments KES 19.4 million (USD ~150,000), and townhouses KES 23.3 million (USD ~181,000). These price points place formal ownership housing well beyond the reach of most urban households.

In Mombasa, the formal sales market is smaller and less central to housing outcomes. Although prices for formal units remain high relative to incomes, the limited share of homes acquired through purchase indicates that ownership plays a more marginal role. As in other urban areas, most households rely on rental housing or incremental self-build, with formal purchase largely confined to a narrow upper-income segment.<sup>18</sup>

***Detailed figures from KNBS are shared in Appendix 1.***

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<sup>18</sup> 2023/24 Kenya Housing Survey Basic Report, Kenya National Bureau of Statistics. Available at: <https://www.knbs.or.ke/wp-content/uploads/2025/01/2023-24-Kenya-Housing-Survey-Basic-Report1.pdf>

## 1.2 Rental

Rental is the predominant tenure type in Urban Kenya, and between the 2009 and 2019 censuses there was an average of 158,000 new urban renter households per year.<sup>19</sup> Kenya's rental sector is dominated by small-scale landlordism, with data suggesting that 89% of urban Kenyan tenants rent from private individuals, a delivery mechanism that is not explicitly recognised in policy.

In most secondary and smaller urban centres, rents are relatively low and less dispersed. One-bedroom Swahili or compound houses commonly rent for KES 2,000–4,000 (USD 15–31) per month, while self-contained units and small apartments typically fall in the KES 4,000–8,000 range (USD 31–62). High-end rents above KES 15,000–20,000 (USD 115–155) remain uncommon outside major cities, and owner-occupation plays a larger role.

Within this wider context, Nairobi and Mombasa sit at the upper end of the national rental spectrum and show the clearest segmentation by dwelling type and income. In Nairobi, rents range from very low-cost informal units, including shanties and Swahili or compound houses at roughly KES 2,500–9,000 (USD 19–70) per month, to high-end formal housing, where three-bedroom bungalows and townhouses reach KES 65,000–70,000 (USD 505–545), and larger apartments exceed KES 30,000 (USD 230+). Apartments form the backbone of the formal rental market, with one- and two-bedroom units typically renting for KES 8,500–15,000 (USD 66–116), placing them beyond the reach of many low-income households.

In Mombasa, rents are generally lower but follow a similar structure. Swahili and compound houses remain the most affordable options at around KES 4,500–7,000 (USD 35–54), while apartments range from KES 6,000 (USD 47) for bedsitters to KES 20,000 (USD 155) for three-bedroom units. Larger bungalows and townhouses can reach KES 30,000 (USD 230), particularly in established urban and coastal neighbourhoods.<sup>20</sup>

***Figures for Nairobi and Mombasa are shared in Appendix 1.***

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<sup>19</sup> See 'Positioning Affordable and Backyard Rental Housing as a Key Target in Kenya's Affordable Housing Programme – Draft Findings', Centre for Affordable Housing Finance in Africa, 2022. Available at: [https://housingfinanceafrica.org/wp-content/uploads/2025/03/kmrc\\_kenya-rental\\_presentation\\_draft-251122.pdf](https://housingfinanceafrica.org/wp-content/uploads/2025/03/kmrc_kenya-rental_presentation_draft-251122.pdf)

<sup>20</sup> 2023/24 Kenya Housing Survey Basic Report, Kenya National Bureau of Statistics. Available at: <https://www.knbs.or.ke/wp-content/uploads/2025/01/2023-24-Kenya-Housing-Survey-Basic-Report1.pdf>



Kibera neighbourhood, Nairobi. Diy13/iStock

## 2. Housing Finance

Housing finance in Kenya remains shallow, segmented, and inaccessible to most households. Mortgage penetration is extremely low, with high interest rates and short tenors limiting affordability. Most home acquisition relies on savings, SACCOs, and microfinance institutions that support incremental construction. While reforms such as KMRC and tenant purchase schemes aim to expand access, formal mortgage finance continues to serve a narrow, higher-income segment.

### 2.1 Construction Finance

Construction finance across Kenya remains highly segmented and narrowly accessible, despite the presence of products for different stages of housing delivery. Finance for formal construction for sale or rental is concentrated among commercial banks, with more limited participation from Microfinance Institutions (MFIs) and Savings and Credit Cooperatives (SACCOs). Access is typically restricted to well-capitalised developers or households with formal incomes, titled land, and strong collateral, excluding the majority of small-scale builders and informal or semi-formal actors who dominate housing delivery in many contexts.

Loan products are often poorly aligned with the realities of housing construction, characterised by high interest rates, short tenors, and rigid repayment schedules that are ill-suited to incremental building processes or fluctuating incomes. For lenders, perceived risks related to land tenure insecurity, construction quality, and market absorption further constrain lending, particularly for lower-income or rental-focused developments. As a result, most individual housing construction continues to rely on personal savings, remittances, or informal borrowing, reinforcing slow, incremental delivery and limiting the scale, quality, and resilience of new housing supply.

Within developer-led housing construction, almost two-thirds of homes are sold prior to completion, and challenging access to construction finance means that buyer deposits form a substantial proportion of construction financing, placing significant additional risk on home buyers.<sup>21</sup>

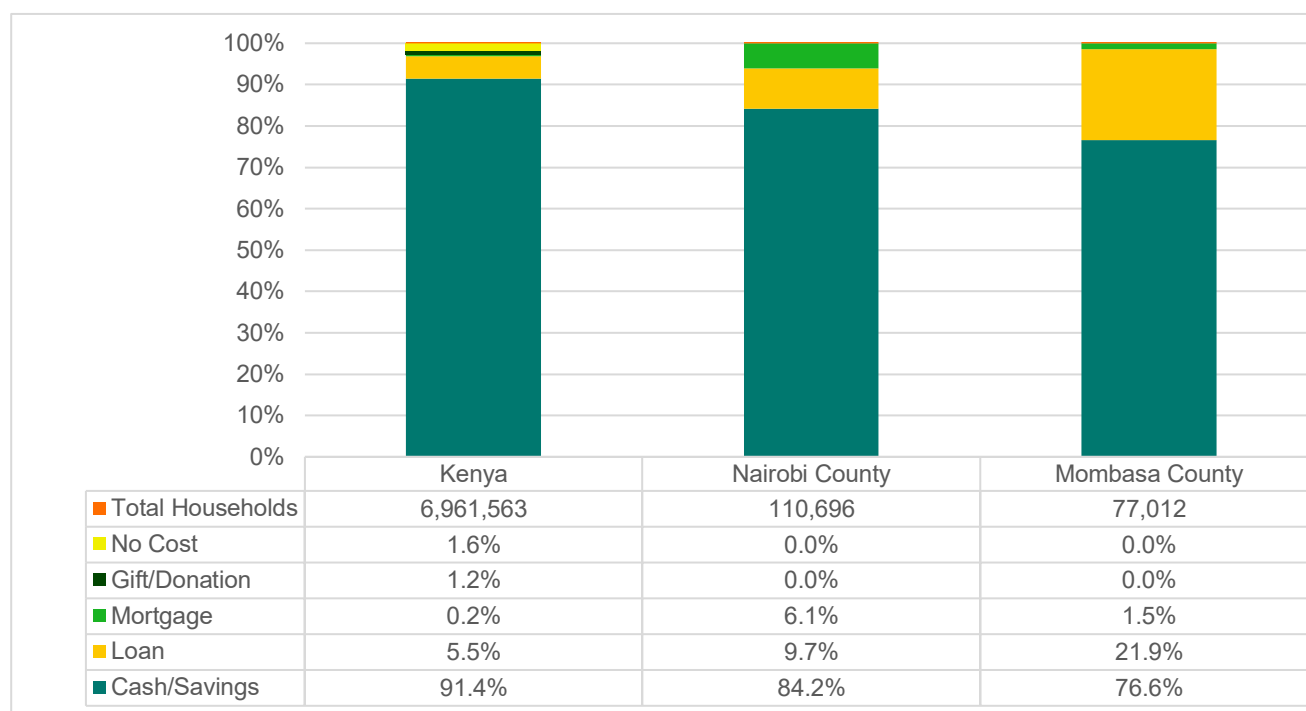
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<sup>21</sup> 2023/24 Kenya Housing Survey Basic Report, Kenya National Bureau of Statistics. Available at: <https://www.knbs.or.ke/wp-content/uploads/2025/01/2023-24-Kenya-Housing-Survey-Basic-Report1.pdf>

## 2.2 Housing Finance for Owner-Occupiers

Kenya’s housing finance system for owner-occupiers is characterised by very low mortgage penetration, high borrowing costs, and a large mismatch between formal finance products and household incomes. While policy momentum has increased in recent years, especially through the Affordable Housing Programme and Kenya Mortgage Refinance Company (See Section 5 for further information), access remains limited to a small segment of higher-income earners.

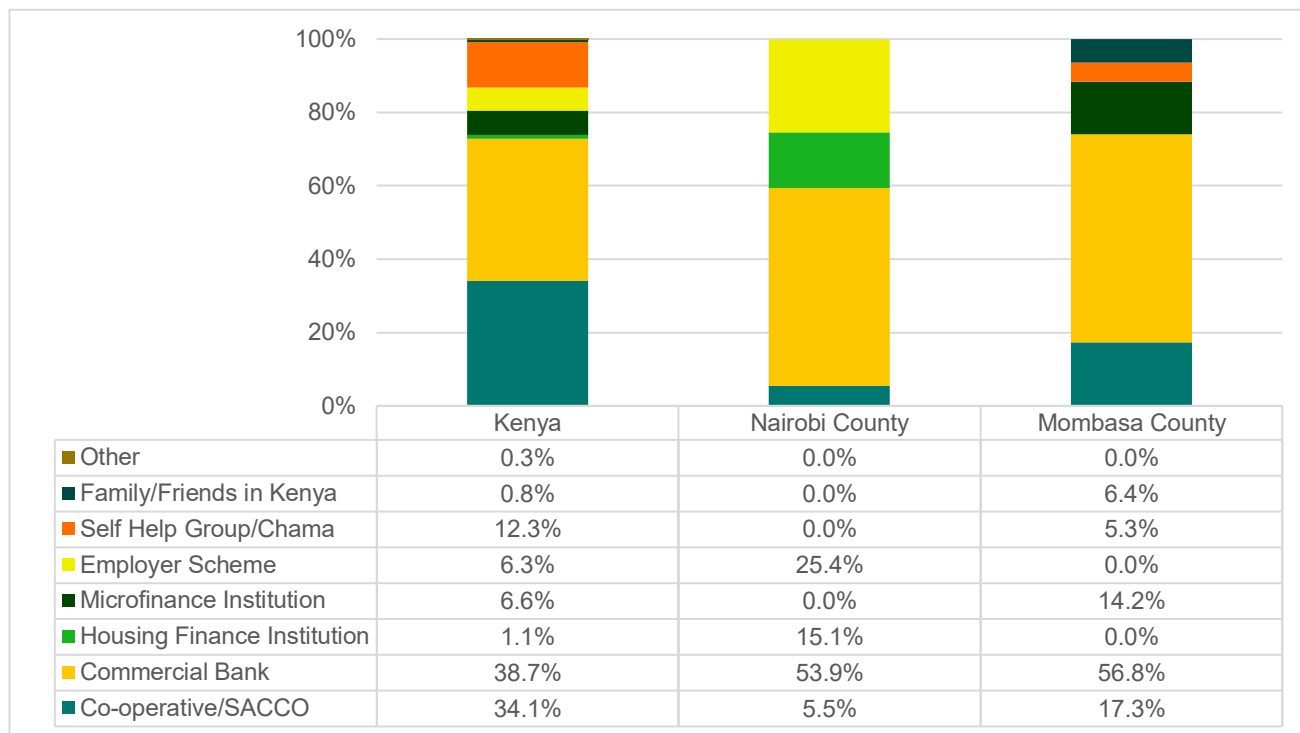
For those paying to acquire a home, across all counties the vast majority do so through cash or savings, not utilising credit. As shown in Figure 3, even in Nairobi this is the case for 84.2% of households, which is also the only county where mortgages play anything more than a negligible role in home finance (6.1% of home purchases are funded by a mortgage in Nairobi, compared to 1.5% in Mombasa). However, non-mortgage loans do play more of a role, particularly in Mombasa where they make up 21.9% of financing.<sup>22</sup>



**Figure 2: Methods of Financing Home Purchase by Location (Source: KNBS)**

<sup>22</sup> 2023/24 Kenya Housing Survey Basic Report, Kenya National Bureau of Statistics. Available at: <https://www.knbs.or.ke/wp-content/uploads/2025/01/2023-24-Kenya-Housing-Survey-Basic-Report1.pdf>

As shown in Figure 4, the most common sources of housing finance were commercial banks, SACCOs, MFIs, and (in Nairobi) employer schemes. Interestingly however, SACCOs and MFIs appeared to play a minimal role in Nairobi County itself, whereas in Mombasa they made up almost a third of the total. While SACCOs and MFIs have limited involvement in the formal mortgage market, the volume of housing finance they deliver make them indispensable in Kenya’s housing system. Millions of Kenyans rely on these institutions for land and incremental construction finance, and they support far more owner-occupied housing activity than banks.<sup>23</sup>



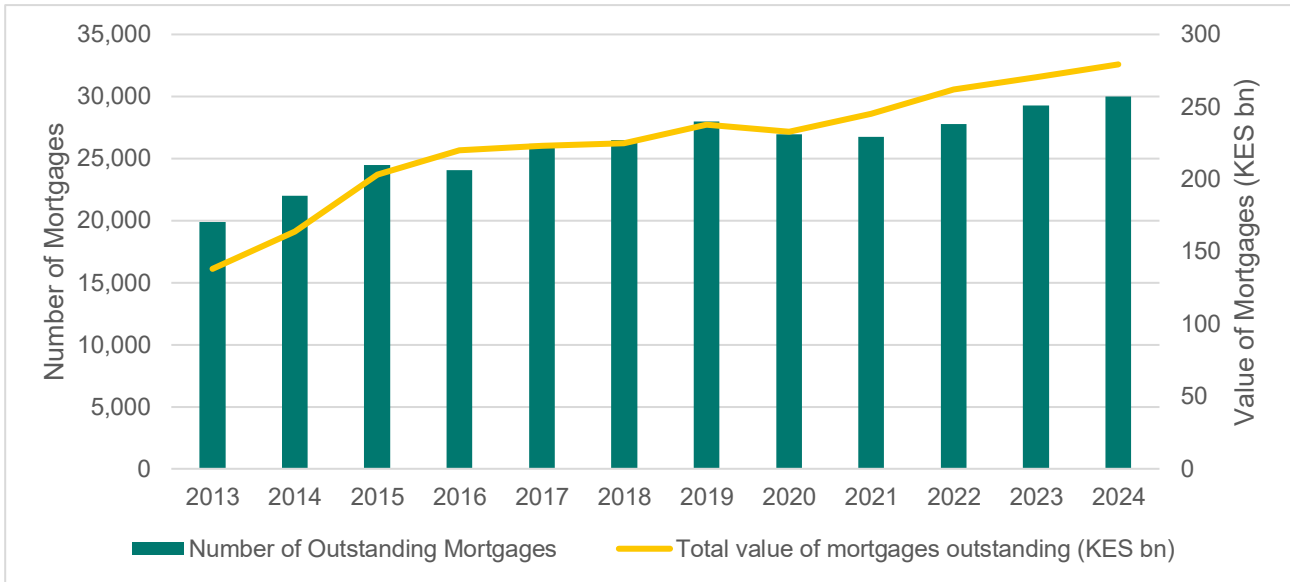
**Figure 3: Source for Financing Home Purchase by Location (Source: KNBS)**

<sup>23</sup> 2023/24 Kenya Housing Survey Basic Report, Kenya National Bureau of Statistics. Available at: <https://www.knbs.or.ke/wp-content/uploads/2025/01/2023-24-Kenya-Housing-Survey-Basic-Report1.pdf>



## Mortgages

With just 30,016 current mortgages at end 2024, Kenya's mortgage market is particularly small, representing only 1.86% of GDP.<sup>24</sup> As demonstrated in Figure 5 though, it is consistently growing (outside of COVID years), with an average of 4% annual growth in current mortgages between 2013 and 2024, and an average of 7% annual growth in total value outstanding. Average mortgage value outstanding was KES 9.3m (USD 72,000) at end 2024, having barely changed since 2021.<sup>25</sup>



**Figure 4: Size of Mortgage Market in Recent Years**

<sup>24</sup> This compares to 11.2% in India (2023-24), 20.3% in Fiji (2021) and 115% in the UK (2023).

<sup>25</sup> All data from Central Bank of Kenya, Bank Supervision Annual Reports. Links to data: [2013 and 2014](#), [2015](#), [2016](#), [2017](#), [2018](#), [2019](#), [2020](#), [2021](#), [2022](#), [2023](#), [2024](#)

In 2024, the average interest rate charged on mortgages was 14.9% (ranging from 8.2% to 20.4%), and 85.9% were on variable interest rates. The average mortgage maturity in 2024 stood at 11.1 years, where it had again been relatively consistently since 2014. This compared with a minimum of 5.3 years and a maximum of 18 years.<sup>26</sup> Bringing these figures together, a KES 9.3m loan at 14.9% interest over 11.1 years would require a monthly payment of approximately KES 143,000 (USD 1,100), affordable only to the wealthiest percentiles.

Mortgage uptake in Kenya is substantially constrained by a number of structural barriers. Most households cannot meet eligibility requirements due to low or irregular incomes, high interest rates and relatively short repayment periods that push monthly instalments beyond affordability. At the same time, the supply of formal, titled, and lender-compliant housing remains limited, narrowing the pool of units that can be financed. These constraints are reinforced by slow and complex land administration and titling processes that restrict access to bankable collateral, alongside limited availability of long-term, low-cost funding for lenders, which reduces their ability to offer longer tenors and lower rates at scale.

## SACCOs and Microfinance

Most owner-occupied housing in Kenya is built incrementally, and Savings and Credit Cooperatives (SACCOs) and Microfinance Institution (MFI) products are well aligned with this reality. SACCOs play a critical role in Kenya's housing finance system, particularly for low- and middle-income households excluded from formal mortgages (70% of individuals borrowing from SACCOs for land or housing earned KES 100,000 or less<sup>27</sup>). While they provide few long-term mortgages, they are the main source of flexible, non-mortgage housing finance aligned with incremental construction and informal incomes. The World Bank estimates that around 90% of housing finance in Kenya is delivered through SACCO non-mortgage loans, with a much larger share of SACCO lending directed to land and housing than in commercial banks.<sup>28</sup>

SACCOs provided KES 67.3bn in housing loans in 2024 (up from KES 61.5bn in 2023), and a further KES 69.8bn for land (KES 64.6 in 2023).<sup>29</sup> The table below shows the breakdown of these loans that were successfully broken down by sub-sector (KES 38.7bn in loans). The majority of loans are modest in size, ranging from KES 100,000 to KES 1.5m, interest rates of 10-16% and repayment periods of 2-8 years. Even mortgages for single home purchase are substantially smaller than the average mortgage size from commercial banks at KES 6.2m vs KES 9.3m.<sup>30</sup>

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<sup>26</sup> 2024 Bank Supervision Annual Report, Central Bank of Kenya. Available at: [https://www.centralbank.go.ke/uploads/banking\\_sector\\_annual\\_reports/167301042\\_2024%20Annual%20Report.pdf](https://www.centralbank.go.ke/uploads/banking_sector_annual_reports/167301042_2024%20Annual%20Report.pdf)

<sup>27</sup> Leveraging SACCO Data and Research to Strengthen the Financing of the Affordable Housing Value Chain by the SACCO Sector, SACCO Societies Regulatory Authority (SASRA). Available at: <https://www.sasra.go.ke/download/saccos-role-in-financing-land-and-housing-in-kenya/>

<sup>28</sup> In 2024, 25.3% of SACCO lending was for Land and Housing, which did not include mortgage finance. Within commercial banks, real estate, and building and construction (both of which are used extensively outside of housing) accounted for just 15.8% of total lending. See Leveraging SACCO Data and Research to Strengthen the Financing of the Affordable Housing Value Chain by the SACCO Sector, SACCO Societies Regulatory Authority (SASRA). Available at: <https://www.sasra.go.ke/download/saccos-role-in-financing-land-and-housing-in-kenya/>

<sup>29</sup> The SACCO Supervision Annual Report, 2024, SACCO Societies Regulatory Authority (SASRA). Available at: <https://www.sasra.go.ke/download/the-sacco-supervision-annual-report-2024/>

<sup>30</sup> Leveraging SACCO Data and Research to Strengthen the Financing of the Affordable Housing Value Chain by the SACCO Sector, SACCO Societies Regulatory Authority (SASRA). Available at: <https://www.sasra.go.ke/download/saccos-role-in-financing-land-and-housing-in-kenya/>

Loan Type	Loan Purpose	No. of Loans	Avg. Principal	
			KES	USD
Mortgages	Single home purchase	440	6,232,406	48,332
	Single home construction	3,020	812,658	6,302
	Multiple home construction	26	11,832,018	91,757
	Commercial unit construction	26	7,749,038	60,093
Non-Mortgage Loans	Plot Purchase	13,343	1,300,416	10,085
	Single home purchase	12	2,921,458	22,656
	Purchase of one or more homes	76	1,663,764	12,902
	Single home construction	3,590	1,026,736	7,962
	Multiple home construction	3,097	1,307,482	10,139
	Commercial unit construction	1,808	1,631,465	12,652
	Land purchase services	505	4,834,768	37,493
	Building renovation	3,069	773,477	5,998

**Table 2: SACCO Loan Portfolio Analysis by Purpose/Sub-Sector (Source: SASRA)**

The Kenya Mortgage Refinance Company (KMRC) has enabled some SACCOs to offer true long-term mortgages for the first time by providing long-term, low-cost refinancing. Around 60% of SACCOs in a recent study had accessed KMRC funding, allowing them to offer mortgages at 8–10% interest over 9–10 years, compared to 12–18% for those without refinancing. While uptake remains limited, this represents an important step toward expanding affordable mortgage finance, particularly for salaried and middle-income households underserved by banks.<sup>31</sup>

Microfinance Institutions play a similarly important role in supporting incremental housing development. Their loan products are typically small to medium in size, with short to moderate tenors (often 1–7 years), and are designed to meet specific household needs such as structural improvements, expansion of living space, upgrading water and sanitation facilities, or purchasing building materials. MFIs cater extensively to informal sector workers and self-employed individuals, using group guarantees or alternative forms of collateral in place of full title.<sup>32</sup> There is no reputable data available on the size of the housing portfolio within MFIs, but the total assets controlled by MFIs has been steadily shrinking in recent years, reducing from KES 76.4bn in 2019 to KES 57.9bn in 2024.<sup>33</sup>

## Tenant Purchase Schemes

A Tenant Purchase Scheme (TPS) is a lease-to-own financing model where the buyer makes a downpayment and subsequent scheduled payments over a set time period and interest rate until the sale price is fully paid. The scheduled payments are typically made on a monthly basis to mirror rental payments, and the title of the property remains with the seller until the sale price is fully paid. Typical TPS products in Kenya have a downpayment of 10-15% with repayment periods of 10-15 years at fixed interest rates of 13-15% on reducing balance.

TPS are not new to Kenya's housing market. Historically, they have been offered by government agencies such as the National Housing Corporation (NHC), the National Social Security Fund (NSSF), and the Housing Finance Group. Between 1965 and 2012, NHC successfully delivered 9,074 units through 73 TPS-based projects across Kenya. In the 2017-2018 fiscal year, TPS made up 2% of the KES 206bn NSSF investment portfolio.

Tenant Purchase Schemes offer several advantages to end buyers as a means to homeownership, including easier eligibility criteria, lower upfront fees, faster sales process, structured and fixed monthly payments, and affordable housing tax relief. However, they provide a significantly increased risk to the developer, particularly surrounding credit and interest rates. However, in a housing finance system where traditional instruments are suboptimal, TPS offers a viable alternative.<sup>34</sup>

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<sup>31</sup> Leveraging SACCO Data and Research to Strengthen the Financing of the Affordable Housing Value Chain by the SACCO Sector, SACCO Societies Regulatory Authority (SASRA). Available at: <https://www.sasra.go.ke/download/saccos-role-in-financing-land-and-housing-in-kenya/>

<sup>32</sup> Research on Systemic Barriers Towards Access and Usage of Housing Finance in Kenya, Terwilliger Centre for Innovation in Shelter, Habitat for Humanity. Available at: [https://www.habitat.org/sites/default/files/documents/REPORT-SYSTEMIC%20BARRIERS%20TO%20ACCESS%20AND%20USE%20OF%20HOUSING%20FINANCE%20IN%20KENYA%20DEMYSTIFIED\\_1.pdf](https://www.habitat.org/sites/default/files/documents/REPORT-SYSTEMIC%20BARRIERS%20TO%20ACCESS%20AND%20USE%20OF%20HOUSING%20FINANCE%20IN%20KENYA%20DEMYSTIFIED_1.pdf)

<sup>33</sup> Intelpoint. Available at: <https://intelpoint.co/insights/kenyas-microfinance-banks-total-assets-over-the-years-have-ranged-from-ksh-57-0b-to-ksh-76-4b-2014-2024-standing-at-ksh-57-9b-in-2024/>

<sup>34</sup> Overview of Tenant Purchase Schemes in Kenya, Centre for Affordable Housing Finance in Africa (CAHF). Available at: <https://housingfinanceafrica.org/discussion/overview-of-tenant-purchase-schemes-in-kenya/>



**Nakuru, the fourth largest city in Kenya. Sarah Latreche/iStock**

## 3. Climate

Kenya's housing system operates in a context of rising climate risk, including flooding, heat stress, and water scarcity. Informal settlements are disproportionately exposed. Housing performance depends more on cooling, ventilation, and water resilience than heating efficiency. Embodied carbon from cement-intensive construction drives emissions, while lower-carbon local materials remain under-supported. Climate commitments are strong, but integration into housing delivery remains inconsistent.

As a rapidly urbanising country experiencing rising temperatures, changing rainfall patterns, drought and periodic flooding, Kenya's housing system faces a dual challenge: reducing emissions associated with construction materials and energy use, while strengthening the resilience of settlements exposed to climate-related risks. Climate considerations therefore intersect closely with wider structural barriers shaping housing delivery in Kenya, including limited access to housing finance, complex land administration systems and the predominance of incremental self-build construction. As the housing sector expands to meet growing demand, decisions about how housing is built and upgraded will have long-term implications for both climate resilience and environmental sustainability.

### 3.1 Climate Change Mitigation

Kenya's housing construction relies heavily on materials such as cement, fired bricks and steel, which carry significant embodied carbon and contribute to emissions associated with urban development. As construction activity increases under national housing initiatives, improving the environmental performance of housing construction has become an increasingly important component of Kenya's broader sustainable development agenda.

Energy use within residential buildings is also increasing as urbanisation expands and households adopt more energy-intensive appliances and cooling systems. Improving building design, natural ventilation and passive thermal performance therefore represents an important component of climate mitigation within Kenya's housing sector.

Sustainability standards and green construction practices remain unevenly integrated across the housing system. Larger formal developments and some government-supported projects increasingly incorporate energy efficiency measures and climate-responsive design principles. However, most incremental and informal housing construction occurs outside formal certification frameworks or regulatory oversight.

Kenya's green building policy landscape is nevertheless evolving. National housing policy frameworks increasingly recognise the importance of building materials, construction technologies and regulatory standards in improving both housing affordability and environmental performance. The Kenya Housing Policy (2016) includes provisions encouraging the adoption of performance-oriented national building regulations, promoting improved building design, materials and construction methods that support sustainable and climate-responsive housing delivery.

Professional and industry institutions are also contributing to the development of green building standards and market awareness. The Kenya Green Building Society (KGBS) promotes sustainable construction practices and supports the adoption of international certification frameworks such as EDGE and Green Star within the Kenyan building sector, helping to expand the use of environmental performance standards across Kenya's commercial and residential developments.<sup>35</sup>

Policy frameworks at the city level also include provisions supporting environmental performance in housing. For example, Nairobi's housing policy promotes measures such as rainwater harvesting, water recycling and solar water heating systems in residential developments, reflecting growing recognition of resource efficiency within urban housing policy.

Recent Affordable Housing Green Building Guidelines, developed in partnership between the State Department for Housing and Urban Development and Agence Française de Développement, build on these policy frameworks by proposing practical mechanisms to incorporate sustainability principles into housing development processes. These include integrating green building criteria into project design requirements, embedding sustainability benchmarks within procurement and financing processes, and encouraging county governments to incorporate environmental performance standards within planning regulations and development control mechanisms. They also emphasise passive climatic design approaches such as building orientation, solar control, natural ventilation and daylight optimisation as key strategies for reducing energy demand while improving indoor comfort.<sup>36</sup>

Emerging affordable housing projects also demonstrate how climate-responsive design can be integrated into urban housing development in practice. The Zima Homes project in Nairobi applies a courtyard apartment typology that improves natural lighting, ventilation and thermal comfort, while also incorporating solar hot water systems, energy modelling and green open space to improve environmental performance while maintaining affordability (See CSCC Case Study).

However, because a large share of housing construction occurs through incremental self-build and informal construction processes, climate-responsive approaches must align with the everyday practices of households, builders and local construction actors. Technical guidance, skills development and improved access to climate-responsive materials can play an important role in enabling households to integrate energy efficiency and lower-carbon construction methods within incremental housing investment.

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<sup>35</sup> Kenya Green Building Society. Available at: <https://www.kgbs.co.ke/>

<sup>36</sup> Kenya Affordable Housing Green Building Guidelines. Available at: <https://www.fsdkenya.org/wp-content/uploads/2025/06/Kenya-Affordable-Housing-Green-Building-Guidelines.pdf>

## 3.2 Adaptation and Resilience

Kenya's national climate policy framework increasingly recognises the links between housing, infrastructure and climate risk. National strategies emphasise the need to integrate climate adaptation into development planning and infrastructure investment to address the impacts of climate variability and extreme weather events on communities and economic assets.<sup>37</sup>

Across Kenya, climate vulnerability frequently overlaps with housing affordability pressures and infrastructure constraints. Rapid urbanisation has increased demand for housing in cities such as Nairobi, Mombasa and Kisumu, while informal settlements continue to expand in peri-urban areas and environmentally sensitive locations. In many cases, households settle in areas where land is available and affordable but where exposure to flooding, landslides and inadequate drainage is high.<sup>38</sup>

Housing quality and construction practices play a critical role in determining vulnerability to these hazards. Many lower-income households construct homes incrementally using locally available materials and informal construction methods, which may not fully meet structural standards or planning regulations. At the same time, informal settlements often emerge in hazard-prone areas where land is available but infrastructure and protective planning measures are limited.

Infrastructure upgrading initiatives demonstrate how resilience improvements can be integrated into informal settlement development. The Integrated and Inclusive Infrastructure Framework (3IF) developed in Kenya promotes participatory planning, cross-sector coordination and environmentally resilient infrastructure design in informal settlements. By linking drainage, water systems, public space and transport planning, the framework aims to ensure infrastructure investments address environmental risks such as flooding while improving service access for underserved communities. (See CSCC Case Study)

However, translating these principles into widespread improvements across the housing system remains challenging, particularly where housing delivery occurs through informal or incremental processes. Community-based upgrading initiatives demonstrate how resilience improvements can nevertheless emerge within these constraints. Programmes supporting improved drainage systems, safer construction techniques and integrated infrastructure investment have helped reduce vulnerability to flooding while enabling communities to remain in place.

Strengthening housing resilience in Kenya therefore requires engagement with the institutional, financial and community mechanisms through which housing is delivered. Settlement upgrading initiatives, technical training programmes and stronger coordination between housing policy, urban planning and climate strategies can help translate climate resilience objectives into practical guidance for households and local builders. Integrating climate risk considerations into land-use planning, infrastructure investment and housing development processes will also be essential to ensure that urban expansion occurs in ways that reduce long-term exposure to climate hazards.

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<sup>37</sup> Kenya Affordable Housing Green Building Guidelines. Available at: <https://www.fsdkenya.org/wp-content/uploads/2025/06/Kenya-Affordable-Housing-Green-Building-Guidelines.pdf>

<sup>38</sup> Kenya National Adaptation Plan 2015-2030, Ministry of Environment and Natural Resources. Available at: [https://unfccc.int/sites/default/files/resource/NAP\\_Kenya\\_2017.pdf](https://unfccc.int/sites/default/files/resource/NAP_Kenya_2017.pdf)



Parklands and the 'Deep Sea' slums, Nairobi. *Johnny Miller/Unequal Scenes*

## 4. Policy and Regulatory Environment

Kenya's constitutional right to housing underpins a comprehensive policy framework led nationally and implemented by counties. While legislation and institutional architecture are well established, land administration complexity, uneven municipal capacity, and fragmented coordination constrain delivery. Regulatory frameworks exist to promote orderly growth and environmental compliance, but enforcement gaps and misalignment with informal delivery pathways limit their practical impact.

The Constitution of Kenya (2010) establishes the right to accessible and adequate housing and reasonable sanitation under Article 43(1)(b) and requires the State to progressively realise this right through legislation, policy, and standards (Article 21).<sup>39</sup> This constitutional commitment underpins Kenya's housing policy, planning frameworks, and public delivery programmes.

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<sup>39</sup> 2023/24 Kenya Housing Survey Basic Report, Kenya National Bureau of Statistics. Available at: <https://www.knbs.or.ke/wp-content/uploads/2025/01/2023-24-Kenya-Housing-Survey-Basic-Report1.pdf>

## 4.1 Key Institutions and their Roles

Housing delivery in Kenya is shaped by a set of national and devolved institutions, each with distinct responsibilities that collectively determine how housing is planned, financed, regulated, and delivered. National government sets overarching policy direction, mobilises financing, establishes regulatory frameworks, and leads nationwide programmes, while County governments play a central role in implementing policies on the ground through development control, urban planning, service delivery, and management of municipal boards.

- **Ministry of Land, Public Works, Housing and Urban Development:** Provides overall policy direction for land, housing, and urban development.
  - **State Department for Housing and Urban Development (SDHUD):** Leads national housing policy and programmes, including the Affordable Housing Programme, KISIP, and KENSUP. It coordinates with counties, mobilises financing, and sets standards for housing delivery, urban governance, and regeneration.<sup>40</sup>
  - **State Department for Lands and Physical Planning:** Oversees land administration, tenure, and spatial planning frameworks.<sup>41</sup>
- **National Land Commission (NLC):** Manages public land, oversees adjudication and titling, and provides oversight on land use and tenure.<sup>42</sup>
- **National Construction Authority (NCA):** Regulates the construction sector and enforces contractor registration and standards.<sup>43</sup>
- **National Environment Management Authority (NEMA):** Ensures development complies with environmental regulations and climate safeguards.<sup>44</sup>
- **Kenya Mortgage Refinance Company (KMRC):** Expands access to long-term housing finance by refinancing mortgages issued by lenders.<sup>45</sup> KMRC is further detailed in the next section.
- **National Housing Corporation (NHC):** Develops, finances, and manages public and affordable housing, including rental and tenant purchase schemes.<sup>46</sup>
- **SACCO Societies Regulatory Authority (SASRA):** Regulates SACCOs, which are key providers of land and home improvement finance.<sup>47</sup>

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<sup>40</sup> 'Our Functions, State Department for Housing and Urban Development'. Available at: <https://housingandurban.go.ke/our-functions/>

<sup>41</sup> 'About the State Department, State Department for Lands and Physical Planning'. Available at: <https://lands.go.ke/about-state-department>

<sup>42</sup> 'Our History, National Land Commission'. Available at: <https://landcommission.go.ke/our-history/>

<sup>43</sup> 'National Construction Authority'. Available at: <https://www.nca.go.ke/>

<sup>44</sup> 'Mandate, National Environment Management Authority'. Available at: <https://nema.go.ke/establishment-of-national-environment-management-authority-nema/#mandate>

<sup>45</sup> 'Vision, Mission and Strategic Objectives, Kenya Mortgage Refinance Company'. Available at: <https://www.kmrc.co.ke/vision-mission/>

<sup>46</sup> 'Who We Are, National Housing Corporation'. Available at: <https://www.nhckenya.go.ke/we%20are.html>

<sup>47</sup> 'Who We Are, SACCO Societies Regulatory Authority'. Available at: <https://www.sasra.go.ke/who-we-are/>

- **County governments:** Lead local planning, development approvals, service provision, and municipal housing delivery. Their performance and capacity directly influence infrastructure provision, settlement upgrading, and the quality of local housing delivery.<sup>48</sup>
- **Development partners:** Including multilateral institutions (World Bank, African Development Bank, UN-Habitat), bilateral agencies, international NGOs, and philanthropic organisations. These provide financial, technical, and institutional support to the sector. Through programmes such as KISIP, KUSP, and KENSUP (further information below), they contribute funding and strengthen capacity to support planning, housing finance, climate resilience, and informal settlement improvement.

## 4.2 Policies and Frameworks

Kenya's housing and urban policy framework sits within a clear long-term national development vision, anchored by Kenya Vision 2030<sup>49</sup>, launched in 2008. Vision 2030 positions adequate and decent housing as central to building a sustainable and prosperous nation, and calls for sustained reforms in planning, land use, urban governance, and construction systems, alongside delivery of at least 200,000 new housing units per year.

Implementation of Vision 2030 is structured through successive Medium-Term Plans (MTPs). MTP I (2008–2012) and MTP II (2013–2017) laid the foundations for institutional and policy reform. MTP III (2018–2022) elevated housing to a flagship priority under the Big Four Agenda, explicitly linking affordable housing delivery to national economic and social transformation. The current MTP IV (2023–2027) aligns housing and settlements with the Bottom-Up Economic Transformation Agenda (BETA)<sup>50</sup>, which seeks to direct investment toward historically underserved populations and sectors, with housing positioned alongside agriculture, MSME development, healthcare, and the digital economy as a core pillar.

This strategic direction is operationalised through a suite of sectoral policies and legislation. The Affordable Housing Act (2024) provides the most direct delivery and financing framework, while the National Urban Development Policy (2023), Physical and Land Use Planning Act (2019), and National Land Use Policy (2017) establish the governance and spatial planning architecture needed to support sustainable urban growth. Housing delivery and informality are addressed through the National Housing Policy (2016) and National Slum Upgrading and Prevention Policy (2016), while environmental sustainability, land tenure, and devolution are underpinned by EMCA, the National Land Policy, the County Governments Act, and the Urban Areas and Cities Act.

***Specific policies and acts are detailed in Appendix 2***

<sup>48</sup> County Governments Act. Available at: <https://www.worldbank.org/content/dam/Worldbank/document/Africa/Kenya/Kenya%20Devolution/County%20Governments%20Act%20%282012%29.pdf>

<sup>49</sup> Kenya Vision 2030: <https://vision2030.go.ke/>

<sup>50</sup> Bottom-Up Economic Transformation Agenda (BETA): <https://repository.kippra.or.ke/items/a1ea8cab-ff8c-4127-9e45-81a9eae0bcd>



Kibera neighbourhood, Nairobi. *Nantonov/iStock*

## 5. Major Government Housing and Urban Development Programmes

Kenya has introduced ambitious national programmes to address the housing deficit, most notably the Affordable Housing Programme targeting 200,000 units annually. Complementary reforms include the Housing Levy, KMRC mortgage refinancing, KUSP municipal strengthening, and KISIP settlement upgrading. While policy ambition and financing mechanisms have expanded significantly, verified completions remain well below targets, highlighting implementation, infrastructure, and affordability constraints.

Kenya has introduced a suite of large-scale national programmes in recent years designed to address the housing deficit, support orderly urban development, and improve living conditions. These programmes operationalise national housing policy and Vision 2030 commitments, while responding to challenges such as informality, inadequate infrastructure, and limited access to finance.

## 5.1 Affordable Housing Programme (AHP)

Launched in December 2017, the Affordable Housing Programme (AHP)<sup>51</sup> is the Government of Kenya's flagship initiative to expand housing supply and improve access to homeownership for low- and middle-income households. Initially implemented under the Big Four Agenda, the programme is now embedded within the Fourth Medium-Term Plan (2023–2027) and the Bottom-Up Economic Transformation Agenda (BETA), and is legally anchored in the Affordable Housing Act (2024).

The AHP seeks to address both housing supply and effective demand constraints through two core objectives:

1. Delivering 200,000 housing units annually, with around 30% supported directly by government and 70% financed through the National Housing Development Fund (NHDF); and
2. Expanding the mortgage market to one million active mortgages through the provision of low-cost, long-term financing mechanisms.<sup>52</sup>

The Affordable Housing Act established the Affordable Housing Fund, which now serves as the central financing mechanism for the programme, pooling resources from channels including the national Housing Levy, national budget allocations, returns generated from Fund investments, developer charges, and contributions from development partners. The Housing Levy is set at 1.5% of employees' gross earnings and matched by employers and intended to provide a predictable revenue stream for long-term programme sustainability. However, significant legal challenges have led to stop-start implementation.

Many AHP projects are located on national or county land, which is contributed at no cost by government, significantly lowering the capital investment required and enhancing affordability for end-buyers. Housing delivery typically proceeds through Public–Private Partnerships, specifically Public–Private Developer Partnerships (PPDPs), in which private developers finance, construct, and deliver units under agreed pricing and design standards. The government, in turn, facilitates planning approvals, provides serviced land and supporting infrastructure, and manages allocation processes.

As detailed in Table 3, The Affordable Housing Act defines three housing categories as shown below, aligned to household income levels and differing degrees of financial formality, savings capacity, and access to housing finance.<sup>53</sup>

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<sup>51</sup> <https://www.bomayangu.go.ke/>

<sup>52</sup> 2023/24 Kenya Housing Survey Basic Report, Kenya National Bureau of Statistics. Available at: <https://www.knbs.or.ke/wp-content/uploads/2025/01/2023-24-Kenya-Housing-Survey-Basic-Report1.pdf>

<sup>53</sup> The Affordable Housing Act 2024, Republic of Kenya. Available at: [https://kenyalaw.org/kl/fileadmin/pdfdownloads/Acts/2024/TheAffordableHousingAct\\_2024.pdf](https://kenyalaw.org/kl/fileadmin/pdfdownloads/Acts/2024/TheAffordableHousingAct_2024.pdf)

Housing category	Target monthly household income	Planned share of delivery	Typical financial profile	Main finance route
Social housing	< KES 20,000	20%	Largely unbanked; very low savings	Government-led Tenant Purchase Schemes and subsidies
Affordable housing	KES 20,000–149,000	50%	Mixed banking access; limited to moderate savings	Public or private Tenant Purchase Schemes
Affordable middle-class housing	> KES 149,000	30%	Formally banked; strong savings capacity	Mortgage finance (with some TPS use)

**Table 3: Affordable Housing Act Categories (Source: Kenya Law)**

To further improve affordability, the Kenya Mortgage Refinance Company (KMRC) refinances mortgages issued by banks, microfinance banks, and SACCOs at lower interest rates (typically around 9–10 percent) and offers longer repayment periods of 20 years or more. Although only a fraction of AHP buyers currently access mortgages, KMRC refinancing helps expand homeownership options for households otherwise often shut out of the formal finance market.

To encourage private sector participation, the government offers incentives including VAT exemptions on affordable housing inputs, reduced corporate tax rates for developers, lower import levies on qualifying materials, and relaxed thin capitalisation rules for affordable housing schemes.<sup>54</sup>

The Boma Yangu platform serves as the official portal for potential buyers to register, apply for units, and interact with the AHP process. As of 11<sup>th</sup> December 2025, the platform records 400 projects in the pipeline, 30,000+ active savers, and almost 900,000+ registered applicants.<sup>55</sup>

While the AHP has made progress, delivery has been slower than planned. Reliable, audited data on completions is limited. Available reporting suggests that 13,529 units were completed during the 2017–2022 Big Four phase, with a further 2,075 units fully completed and handed over between July 2022 and June 2025 (counting completed and occupied units only). By contrast, a frequently cited figure of 140,000 units appears to include units under construction or at advanced stages rather than verified completions. Key challenges include legal disputes over the Housing Levy, infrastructure shortfalls in fast-growing urban areas, limited mortgage uptake due to income informality, and capacity constraints at county level affecting planning, approvals, and coordinated delivery.<sup>56</sup>

Nevertheless, the AHP represents an ambitious and comprehensive approach, bringing together public land, public and private finance, low-cost mortgages, and long-term payment schemes to resolve Kenya’s supply-and demand-side challenges.

<sup>54</sup> A Review of the Affordable Housing Programme, Cytonn Report. Available at: <https://cytonnreport.com/topicals/a-review-of>

<sup>55</sup> <https://www.bomayangqu.go.ke/>

<sup>56</sup> A Review of the Affordable Housing Programme, Cytonn Report. Available at: <https://cytonnreport.com/topicals/a-review-of>

## 5.2 Kenya Mortgage Refinance Company

KMRC was established in 2020 as a non-deposit taking financial institution set up as a public–private partnership, with 25% government and 75% private sector shareholding. Its role is to deepen Kenya’s mortgage market by providing long-term, low-cost refinancing to primary mortgage lenders, including banks and SACCOs.

KMRC enables lenders to offer longer tenors (20+ years) and lower interest rates (typically 9–10%), improving affordability and expanding access for low- and middle-income households. It refinances mortgages for home purchase, construction, and buy-and-build products, with SACCO partnerships extending reach beyond traditional banking clients.

Refinancing is supported by concessional funding from the World Bank (IBRD) and AfDB, blended with domestic bond issuance, allowing KMRC to lend below market rates. While KMRC-backed loans still represent a small share of total mortgages, uptake is growing as participating lenders expand.<sup>57</sup>

More recently, KMRC has created a related entity called the Kenya Mortgage Guarantee Trust (KMGT), which functions as a partial credit guarantee scheme. KMGT’s purpose is to mitigate risk for banks and SACCOs when they lend to borrowers who are considered higher risk, including low- and mid-income workers and informal sector earners. By cushioning lenders against some potential defaults, the guarantee scheme is intended to unlock mortgage access for segments of the population that traditionally face exclusion due to perceived risk.<sup>58</sup>

## 5.3 Kenya Urban Support Programme (KUSP I & II)

The Kenya Urban Support Programme (KUSP)<sup>59</sup> is the government’s flagship instrument for strengthening urban governance, municipal capacity, and infrastructure delivery under devolution. KUSP I (2018–2023) focused on operationalising the Urban Areas and Cities Act, supporting counties to establish municipal boards, prepare urban plans, and improve financial management and service delivery through performance-based conditional grants. The programme helped institutionalise structured urban governance across 45 counties.<sup>60</sup>

KUSP II, supported by USD 350 million from the World Bank, builds on these foundations by deepening institutional reforms and expanding support to a wider set of municipalities. It places stronger emphasis on municipal finance, own-source revenue, infrastructure delivery, and urban resilience, including in rapidly growing and refugee-hosting towns such as Dadaab and Kakuma. KUSP has become a central vehicle for strengthening Kenya’s devolved urban system and creating an enabling environment for housing investment, including the Affordable Housing Programme.<sup>61</sup>

<sup>57</sup> By end 2024, KMRC had refinanced 3,855 mortgages since its inauguration, an increase of 727 against the previous year. See <https://kmrc.co.ke/resource/-kmrc-annual-report-2024v2>

<sup>58</sup> RSF Manual for the Mortgage Guarantee Scheme of Kenya Mortgage Guarantee Trust, Kenya Mortgage Refinance Company. Available at: <https://kmrc.co.ke/assets/file/3856211c-rsf-manual.pdf>

<sup>59</sup> Kenya Urban Support Programme (KUSP): <https://kusp.go.ke/#>

<sup>60</sup> Kenya - Urban Support Program, World Bank, 2017. Available at: <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/357091501293684377/kenya-urban-support-program>

<sup>61</sup> Kenya Second Urban Support Program Project, World Bank, 2024. Available at: <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099052623105512488>

## 5.4 Kenya Informal Settlement Improvement Project (KISIP)

The Kenya Informal Settlement Improvement Project (KISIP), launched in 2011 with support from the World Bank, AFD, and SIDA, aims to improve living conditions in informal settlements through secure tenure and infrastructure upgrading. The programme supports community-led planning, land tenure regularisation, and investments in basic infrastructure such as roads, drainage, water, sanitation, and lighting.<sup>62</sup>

KISIP II (USD 165 million, closing in 2026) focuses on integrated settlement upgrading, socio-economic inclusion, institutional capacity building for slum upgrading, and programme coordination.<sup>63</sup> It currently supports around 200 informal settlements across 33 counties, contributing to improved services, tenure security, and resilience, in line with SDG 11 and Kenya Vision 2030.<sup>64</sup>

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<sup>62</sup> 2023/24 Kenya Housing Survey Basic Report, Kenya National Bureau of Statistics. Available at: <https://www.knbs.or.ke/wp-content/uploads/2025/01/2023-24-Kenya-Housing-Survey-Basic-Report1.pdf>

<sup>63</sup> Background Information, Kenya Informal Settlements Improvement Project. Available at: <https://www.kisip.go.ke/background-information>

<sup>64</sup> KISIP Project, A Game-Changer, Kenya Informal Settlements Improvement Project. Available at: <https://www.kisip.go.ke/kisip-project-game-changer>



Looking at homes earmarked for demolition, Kibera, Nairobi. *Johnny Miller, Unequal scenes*

## 6. Barriers and Enablers

Kenya's housing outcomes reflect deep structural barriers, including affordability gaps, limited formal finance, land tenure complexity, and infrastructure shortfalls. At the same time, powerful enabling mechanisms sustain the system: self-build, incremental construction, small-scale rental supply, and SACCO-based finance. These adaptive pathways provide access but often reinforce vulnerability. Strengthening these enablers while addressing systemic constraints is central to scalable, resilient housing delivery.

Housing systems are shaped by the interaction of land governance, housing finance, regulatory frameworks and household construction practices. In rapidly urbanising countries such as Kenya, misalignment across these elements can constrain the expansion of affordable housing supply and influence how housing is delivered across formal and informal markets.

National policy frameworks influence the cost and availability of land and finance, while institutional capacity affects how effectively housing policy and programmes are implemented. Developers and lenders shape formal housing supply, while many households rely on incremental construction, rental housing and informal finance to meet housing needs.

Housing delivery in Kenya is dominated by household-led construction and informal market activity. Around 80% of owner-occupied homes are self-built, while only 2-3% are purchased through formal market transactions. Rental housing absorbs the majority of urban population growth, particularly in cities such as Nairobi where nearly 90% of households rent their homes. These patterns reflect structural constraints within the formal housing system, including limited access to finance, high land costs and infrastructure deficits, but they also demonstrate how households and markets adapt through incremental construction and informal rental supply.

Rental housing therefore represents a central component of Kenya's housing system rather than a transitional tenure. However, rental markets remain only partially integrated into housing policy and regulatory frameworks, limiting opportunities to improve housing quality, tenant security and investment conditions within a sector that accommodates the majority of urban households.

These dynamics, including the central role of rental and incremental housing, reflect structural misalignment with the dominant pathways through which housing is delivered. While policy frameworks, finance systems and regulatory processes are largely oriented towards formal developer-led housing, most housing is produced incrementally by households and small-scale landlords. This misalignment limits the effectiveness of formal interventions while reinforcing the central role of informal and incremental delivery mechanisms within Kenya's housing system.

## 6.1 Barriers to Effective Housing Delivery

Despite the adaptive mechanisms through which households and markets continue to produce housing, structural constraints across the housing system limit the scale, affordability and resilience of formal housing supply. These barriers operate across multiple levels of the housing system, including land governance, housing finance, regulatory frameworks and institutional capacity.

Together, these factors influence how land is brought into development, how housing projects are financed, how regulations shape housing supply and how effectively urban institutions coordinate housing delivery.

### Land

Land governance plays a central role in shaping housing supply in Kenya. Rapid urbanisation has increased demand for well-located urban land, while supply remains constrained by tenure complexity, infrastructure deficits and fragmented institutional responsibilities. Land acquisition and titling processes can be lengthy and costly, creating legal uncertainty and raising transaction costs for both households and developers.

Land accounts for a significant share of development costs in major urban markets, reducing the feasibility of housing targeted at low- and middle-income households. Where land is cheaper in peri-urban areas, limited trunk infrastructure provision shifts servicing costs onto developers or communities, increasing final housing prices and extending project timelines.

Urban growth has therefore been absorbed largely through peri-urban expansion and informal settlement development. In many cities, informal settlements accommodate a large share of urban households, often in locations with limited infrastructure provision, insecure tenure and elevated environmental risk.

### Housing Finance Ecosystems

Access to housing finance remains shallow and highly segmented. Mortgage penetration is extremely low relative to the size of the housing market, with fewer than 1% of households holding a mortgage. Formal mortgage lending therefore plays only a limited role in shaping housing outcomes for most households.

Mortgage products are largely accessible only to formally employed households with stable incomes, titled land and strong collateral. High interest rates, relatively short loan tenors and strict eligibility requirements further limit access for low- and middle-income households.

Constraints also affect housing developers. Limited access to long-term development finance and reliance on buyer deposits during construction create financing risks and slow project delivery. Long development cycles combined with short-term financing instruments make it difficult to mobilise capital for affordable housing projects at scale.

As a result, most housing construction is financed through savings, remittances and informal borrowing, reinforcing incremental construction as the dominant delivery pathway.

### Regulatory and Institutional Capacity

Housing outcomes also depend heavily on regulatory frameworks and institutional capacity. Kenya's housing governance system involves multiple national and county-level institutions responsible for land administration, planning, infrastructure provision and housing delivery.

Although regulatory frameworks aim to promote safety and quality through planning and building standards, enforcement capacity is often limited. Informal and incremental construction frequently occurs outside formal regulatory systems, reducing the influence of building codes and planning standards on housing quality.

Institutional coordination across land administration, housing policy, infrastructure provision and finance remains a persistent challenge. Fragmented responsibilities across national ministries, agencies and county governments can slow project approvals, delay infrastructure provision and limit the ability to coordinate large-scale housing delivery.

## Climate Pressures

Climate risks increasingly intersect with housing challenges in Kenya's cities. Rising temperatures, intensified rainfall events and flood risks affect many urban areas, particularly where informal settlements and peri-urban expansion occur in locations with limited infrastructure and environmental protection.

Low-income households are disproportionately exposed to climate hazards. Informal settlements often experience weak drainage systems, limited solid waste management and housing constructed without technical guidance on climate-resilient building practices. These conditions increase exposure to flooding, heat stress and landslides.

Urban construction activity also contributes to rising emissions associated with building materials and energy use. Kenya's formal housing construction relies heavily on carbon-intensive materials such as cement and fired bricks. At the same time, sustainability standards and green building frameworks remain unevenly integrated across the housing system, with many incremental housing developments operating outside formal regulatory and certification systems.

Institutional coordination challenges and limited municipal capacity to integrate climate risk considerations into planning and housing development processes further constrain the mainstreaming of climate-responsive housing approaches.



## 6.2 Housing Delivery Enablers

Despite these constraints, Kenya's housing system demonstrates adaptive mechanisms that enable housing delivery to continue at scale. A defining feature is the prevalence of incremental and household-led construction, which allows housing investment to align with irregular incomes and evolving household needs. While often occurring outside formal systems, these processes represent a core component of housing delivery and, when supported through appropriate finance, infrastructure and technical guidance, can form the basis for more inclusive and scalable housing systems.

### Land and Urban Governance

Programmes such as the Kenya Informal Settlement Improvement Project illustrate how tenure regularisation combined with infrastructure upgrading can strengthen security and support incremental improvements in informal settlements.

Urban governance reforms under devolution have also strengthened the role of county governments in planning and infrastructure provision. Programmes such as the Kenya Urban Support Programme support municipal capacity building, urban planning and infrastructure investment, improving the enabling environment for housing development in rapidly growing cities.

### Housing Finance Ecosystems

Although formal mortgage markets remain small, Kenya's housing finance ecosystem includes a diverse range of institutions that support incremental housing investment. Savings and Credit Cooperative Organisations (SACCOs) and microfinance institutions provide flexible loan products that align with incremental construction and informal income streams.

These institutions play a central role in financing land purchase, home construction and housing improvements for households excluded from traditional mortgage markets. By offering smaller loans with shorter tenors and flexible collateral requirements, SACCOs and microfinance institutions support housing investment aligned with the realities of household income patterns.

The Kenya Mortgage Refinance Company supports the expansion of longer-term housing finance by providing refinancing to lenders, enabling lower borrowing costs and longer mortgage tenors.

### Regulatory and Institutional Capacity

Kenya benefits from a clear policy prioritisation of housing and urban development anchored in Vision 2030 and subsequent national development strategies. This is implemented through initiatives such as the Affordable Housing Programme, which seeks to expand housing supply through public land provision, developer partnerships and new financing mechanisms.

Housing delivery draws on a network of existing actors spanning national ministries, county governments, housing finance institutions and development partners, which when effectively aligned, can support more coordinated housing investment and infrastructure development

### Climate Integration

Kenya has articulated strong national commitments on climate change and green growth. Emerging green building guidelines and sustainability frameworks provide tools for integrating climate mitigation and resilience within housing development. Institutions such as the Kenya Green Building Society promote sustainable

construction practices and support the adoption of environmental performance standards within the building sector.

Lower-carbon construction materials such as stabilised soil blocks and compressed earth blocks are already familiar within parts of the market and offer opportunities to reduce embodied emissions while supporting local supply chains.

Settlement upgrading initiatives and participatory planning processes also contribute to strengthening climate resilience in informal settlements. These approaches allow local knowledge and community participation to shape adaptation strategies while supporting incremental improvements to housing and infrastructure.

Overall, these dynamics highlight that housing delivery in Kenya is sustained through the interaction of public programmes, financial institutions, market actors and household-led construction processes rather than through formal housing supply alone. Strengthening alignment between these elements will be critical to improving housing affordability, resilience and scale.





Market in Naivasha, Kenya. *znm/iStock*

# Appendix 1:

## KNBS Sales and Rental Cost Data

Sales and prices vary substantially depending on dwelling type and location, with figures from KNBS's 2023/24 Housing Survey presented below.<sup>65</sup>

### Sales

Dwelling Type	Number of Bedrooms	Weighted Average Sale Price	
		KES	USD
Bungalow: a standalone dwelling unit without upper floors or upper rooms	2	14,152,209	108,991
	3	19,503,003	150,073
	4+	49,969,590	384,807
Maisonette: a dwelling unit on two floors or more occupied by one household	3	20,883,333	160,805
	4+	95,979,797	739,545
Flat/ Apartment: a dwelling unit joined to others in a single multi-storey building	0	4,730,475	36,428
	1	6,440,393	49,588
	2	7,874,312	60,638
	3	13,491,787	103,856
	4+	46,407,688	357,414
Townhouse: 2–3 storey semi-detached/terraced units in gated communities	1	14,050,000	108,185
	2	17,349,939	133,454
	3	23,260,606	178,102
	4+	61,144,495	468,078

<sup>65</sup> 2023/24 Kenya Housing Survey Basic Report, Kenya National Bureau of Statistics. Available at: <https://www.knbs.or.ke/wp-content/uploads/2025/01/2023-24-Kenya-Housing-Survey-Basic-Report1.pdf>

## Rental

Dwelling Type	Number of Bedrooms	Average Urban Rent			
		Mombasa County		Nairobi County	
		KES	USD	KES	USD
<b>Bungalow:</b> a standalone dwelling without upper floors or upper rooms	1	6,000	46	13,000	100
	2	10,000	77	18,000	138
	3	-	-	65,000	500
	4	30,000	231	-	-
<b>Flat/ Apartment:</b> a dwelling joined to others in a single multi-storey building	0	6,000	46	7,500	58
	1	9,500	73	8,500	65
	2	15,000	116	15,000	116
	3	20,000	154	-	-
	4	-	-	30,000	231
<b>Maisonette:</b> a dwelling on two floors or more, occupied by one household	2	18,000	138	-	-
	3	-	-	25,000	193
<b>Townhouse:</b> 2–3 storey semi-detached/terraced units in gated communities	1	15,000	116	-	-
	3	-	-	70,000	539
<b>Swahili/ Compound Houses Sharing Facilities:</b> several dwellings in a structure or compound with a single main entrance. Bathroom and kitchen facilities are shared.	0	-	-	8,000	62
	1	4,500	35	6,000	46
	2	6,000	46	9,000	69
<b>Compound Houses Not Sharing Facilities:</b> several dwellings in a structure or compound with a single main entrance. Each household has its own bathroom and kitchen facilities.	0	6,500	50	7,750	60
	1	7,000	54	9,000	69
	2	7,400	57	10,000	77
	3	13,000	100	8,500	65
	4	16,000	123	-	-
<b>Shanty:</b> dwelling which is temporary in construction and made of materials like cartons, plastic sheets etc. They often don't have any water or sanitation and are mostly found in informal settlements or slums.	1	-	-	2,250	17
	2	-	-	4,500	35

## Appendix 2: Housing-Related Policies and Frameworks

Policy / Act	Year	Summary	Link
Affordable Housing Act	2024	Establishes the Affordable Housing Fund and provides the legal framework for financing and delivering affordable housing; expands pathways to homeownership for low- and middle-income households.	Kenya Law
National Urban Development Policy (NUDP)	2023	Strengthens urban governance, planning, and infrastructure; supports resilient, well-managed cities capable of delivering adequate housing.	Kenya Institute for Public Policy Research and Analysis
Physical and Land Use Planning Act (PLUPA)	2019	Provides national and county framework for spatial planning, zoning, and development control; ensures orderly urban expansion.	Kenya Law
National Land Use Policy	2017	Sets principles for sustainable, equitable, and efficient land use; supports serviced land for housing and planned urban growth.	Kenya Institute for Public Policy Research and Analysis (Sessional Paper No. 1)
National Housing Policy	2016	Provides national framework for housing supply, slum upgrading, standards, and sector governance.	SDHUD
National Slum Upgrading & Prevention Policy	2016	Guides upgrading of informal settlements and prevention of new slums through infrastructure, planning, and tenure interventions.	Kenya Institute for Public Policy Research and Analysis (Sessional Paper No. 2)
Environmental Management and Coordination Act (EMCA)	1999 (rev. 2015)	Requires Environmental Impact Assessments for all major developments; ensures environmental sustainability in housing and urban projects.	Kenya Law (1999 Act)
National Land Policy	2009	Provides foundation for secure tenure, equitable land access, and transparent land governance.	Kenya Institute for Public Policy Research and Analysis
County Governments Act	2012	Defines county responsibilities in planning, development control, and service delivery critical to housing implementation.	Kenya Law
Urban Areas and Cities Act	2011	Establishes governance structures for cities/towns and operationalises municipal boards; underpins urban service delivery.	Parliament of Kenya



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