



HOUSING PRICE INDEX

APRIL 2025

ISSUE 34

Housing prices remained upbeat in Q4 2024 amidst a slight slump in demand

Figure 1: Evolution of KBA Housing Price Index (Q2-2013 – Q4-2024)



Source: KBA

The Kenya Bankers Association Housing Price Index (KBA-HPI) reflected an uptick in house prices during the last quarter of 2024, with the movement representing a reversal of the mild decline seen in the third quarter of 2024. As illustrated in Figure 1, house prices increased by 4.8 percent during the fourth quarter of 2024 compared to a 1.1 percent decline in the third quarter of 2024.

This movement reflects the underlying demand and supply market dynamics, with fluctuations in lending rates and construction costs significantly shaping

affordability and investment trends in the residential property market. On the demand side, the demand for houses remains strongly influenced by credit costs. In the fourth quarter of 2024, weighted average lending rates were elevated, reaching 17.15 percent in October, 17.22 percent in November and 16.89 percent in December 2024 (Figure 2a). The high rates made mortgage financing more expensive, thereby suppressing the demand for houses and consequently slowing home purchases.

Highlights

Overall Market Movement: The House Price Index (HPI) recorded a 0.94% quarter-on-quarter (QoQ) increase, indicating a modest recovery in the residential property market.

Market Dynamics: The uptick in prices was driven by increased demand in middle-income neighborhoods, particularly for apartments and maisonettes. Detached units saw a marginal decline in price, reflecting continued buyer preference for compact, affordable housing.

Supply-Side Observations: Developers are leaning toward affordable housing projects, in line with government incentives and changing buyer preferences. There is still supply pressure in the high-end market, causing price stagnation in luxury segments.

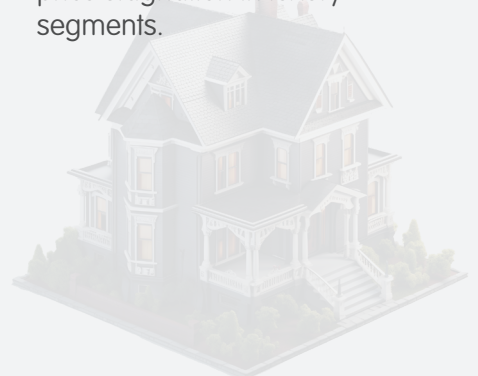
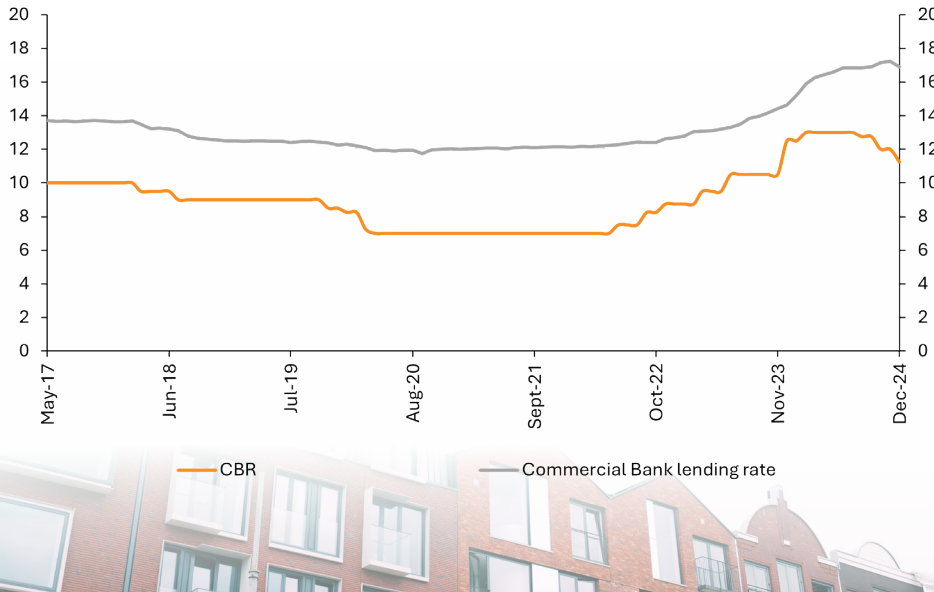


Figure 2a: Trends in Lending rates



On the supply side, the impact of rising construction costs continued to filter through the housing market (Figure 3)¹, with key materials like cement, steel, and roofing sheets recording steady price increases. On the other hand, concrete and asphalts saw a notable uptick, while sand and timber remained relatively stable. Labour costs also rose, particularly for skilled workers. Fuel and transport expenses fluctuated but remained high, impacting overall project costs. These factors collectively constrained the supply of new housing units, contributing to the observed price increase in the market.

Figure 3a: Construction Materials

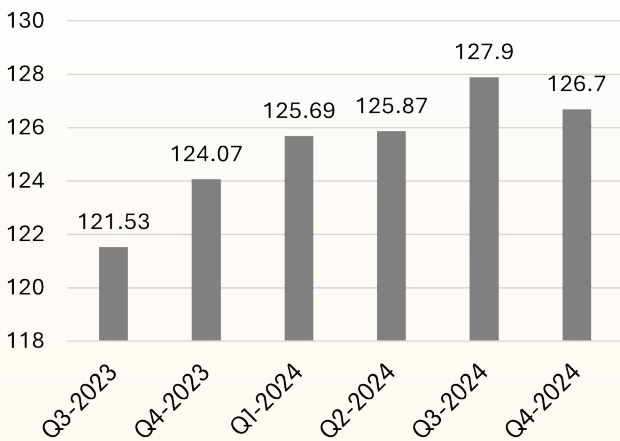


Figure 3b: Construction Equipment

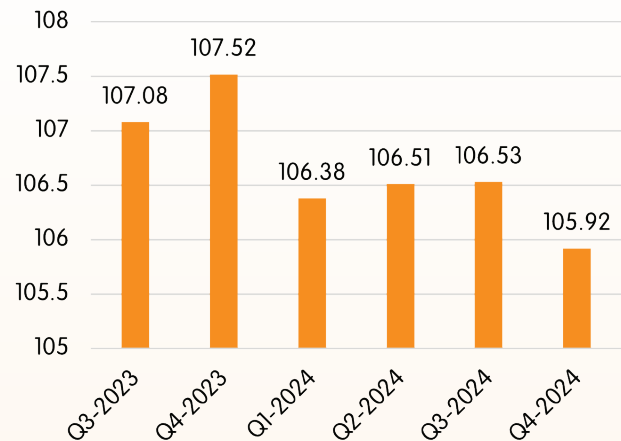


Figure 3c: Transport, Fuels and Lubricants

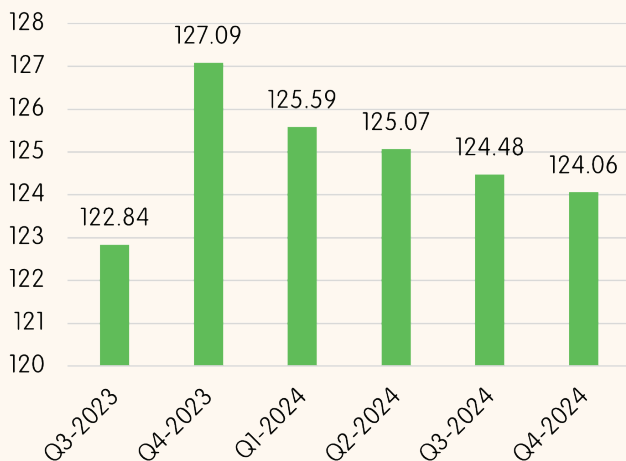
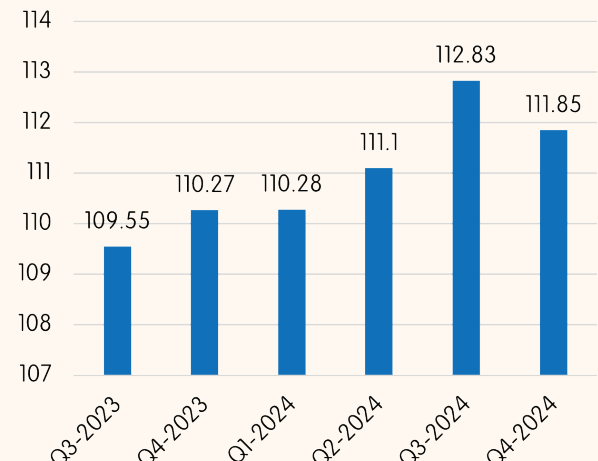


Figure 3d: Construction Equipment

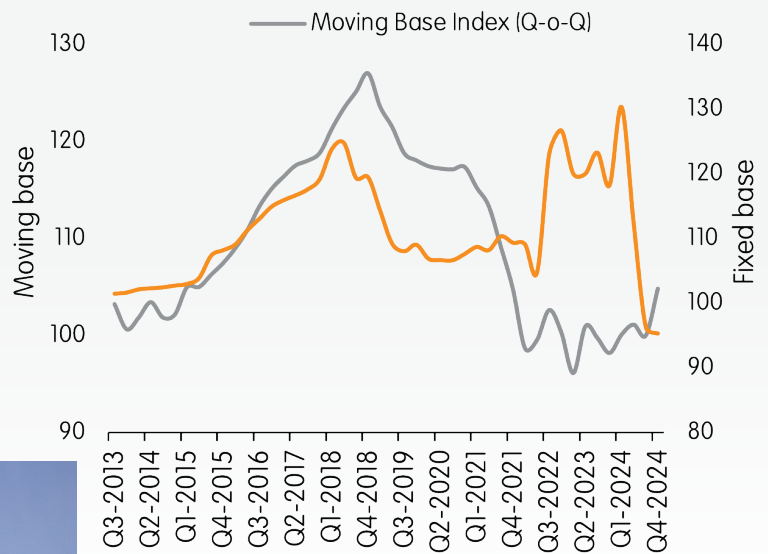


¹Figure 3 presents trends in building costs subindices. The base Period is December 2019=100

The evolution of the KBA Housing Price Index (KBA-HPI) is illustrated in [Table 1](#) and [Figure 2](#), computed using the Laspeyres Index methodology since Q1 2013 (see [Technical Note](#)).

Figure 2 shows that the moving-base index increased by 4.82, rising to 104.83, while the fixed-base index recorded a slight decline from 96.29 to 95.30; thereby suggesting a long-term decline in housing prices, as indicated by the fixed-base index, while the moving-base index reflects short-term price growth.

Figure 4: Construction Equipment



“ Moving-base index increased by 4.82, rising to 104.83, while the fixed-base index recorded a slight decline from 96.29 to 95.30

Table 1: KBA-HPI Movement (Q4-2019 to Q4-2024)

Period	Fixed Base Index (Base Period = Q1 2013)	Moving Base Index (Q-o-Q)
Q4-2019	109.04	118.04
Q1-2020	106.87	117.44
Q2-2020	106.66	117.20
Q3-2020	106.63	117.11
Q4-2020	107.60	117.37
Q1-2021	108.69	115.23
Q2-2021	108.19	113.32
Q3-2021	110.33	109.13
Q4-2021	109.35	104.77
Q1-2022	109.10	98.69
Q2-2022	104.78	99.58
Q3-2022	123.04	102.64
Q4-2022	126.72	100.35
Q1-2023	120.00	96.15
Q2-2023	120.01	92.25
Q3-2023	123.28	99.75
Q4-2023	118.21	98.22
Q1-2024	130.33	100.11
Q2-2024	116.01	102.41
Q3-2024	96.29	100.01
Q4-2024	95.30	104.83

Source: KBA Computation from Housing Prices Survey



The distribution of houses by category and region continues to evolve, reflecting shifting market dynamics. As shown in **Figure 5a**, the quarterly distribution of house transactions indicates that apartments remain dominant, though their share of completed transactions slightly declined to 40.38 percent in Q4 2024 from 43.07 percent in Q3 2024. Similarly, bungalows declined to 26.15 percent (from 27.01 percent), while maisonettes, townhouses, and double-storey houses accounted for 22.31 percent, 2.31 percent and 8.85 percent, respectively.

In terms of distribution by county, Nairobi County holds the largest share at 39.23 percent (**Figure 5b**), suggesting that a significant portion of housing developments are concentrated in the capital city, in part, reflecting on the role of economic activity, infrastructure, and accessibility in influencing the demand for housing. Kiambu county

follows at 17.69 percent, reflecting its role as a key suburban housing destination. Machakos (13.85 percent) and Kajiado (13.08 percent) also have notable shares, likely due to their growing satellite towns. Mombasa accounts for 4.23 percent, while other counties collectively contribute 11.92 percent, indicating a relatively lower but still significant housing developments outside the main urban centers.

Regionally, housing activity has also shifted as low-market segment (Region 1) transactions increased to 45.8 percent in Q4 2024 from 45.3 percent in Q3 2024. Similarly, high-market segment (Region 3) activity grew to 38.5 percent from 37.2 percent, while the mid-market segment (Region 2) declined marginally, now representing 15.8 percent of transactions compared to 17.5 percent in Q3 2024 (**Figure 5c**).

Figure 5a: Quarterly distribution of house transactions by region(%)

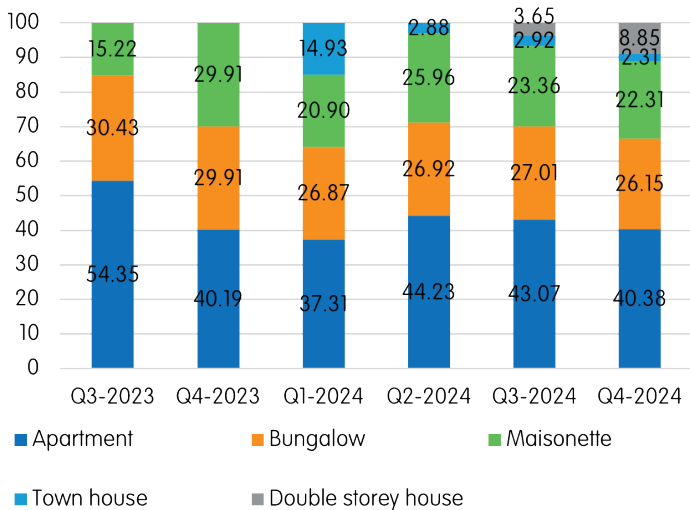


Figure 5b: Distribution of house transactions by County (%)

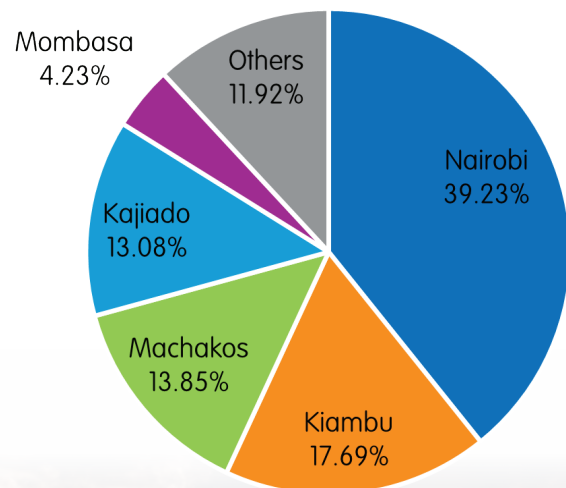
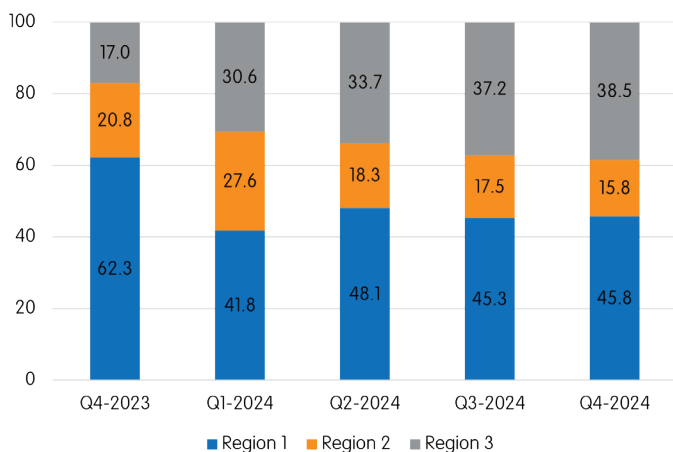


Figure 5c: Quarterly distribution of house transactions by house type



Source: KBA Computation from Housing Prices Survey



“ Significant portion of housing developments are concentrated in the capital city, in part, reflecting on the role of economic activity, infrastructure, and accessibility in influencing the demand for housing.

There are noticeable variations in house prices across different regions and types of properties. In Q4 2024, townhouses averaged Kes. 32.87 million, followed by double-storey houses at Kes. 25.97 million. Meanwhile, maisonettes, apartments and bungalows recorded average prices of Kes. 21.13 million, Kes. 13.67 million, and Kes. 8.87 million, respectively. Market segment analysis further highlights these differences, with high-

market houses averaged Kes. 20.94 million, mid-market houses stood at Kes. 16.06 million as low-market houses averaged Kes. 10.98 million (Figure 6a). A breakdown of regional house prices shows Region 1 with maisonettes at 17.0 million, apartments at 8.18 million, and townhouses at 22.08 million. These price movements and variations were equally observed in region 2 and region 3 (Figure 6b).

Figure 6a: House Prices By Region and Type of House

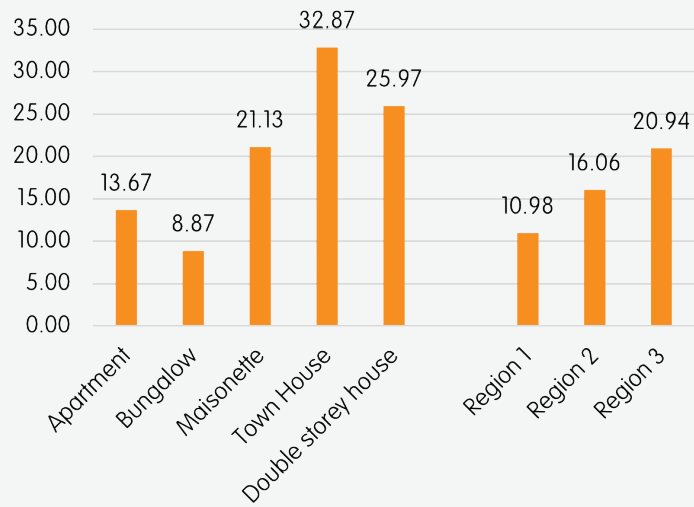
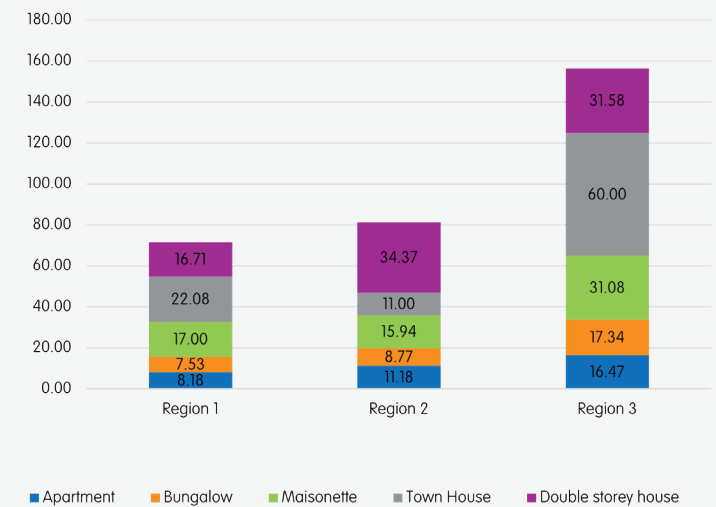


Figure 6b: Average house prices across the region & by house type



Source: KBA Computation from Housing Prices Survey

The demand for larger plinth areas continues to be consistent. Townhouses maintained the largest average plinth area at 4,197.4 square feet, followed by double-storey houses at 2,783.3 square feet, maisonettes at 2,726.2 square feet, bungalows at 1,910.6 square feet, and apartments at 1,601.1 square feet (Figure 7a).

Across regions, Region 1 recorded the largest average plinth area at 2,178.4 square feet, followed by region 3 at 2,029.2 square feet, and region 2 at 1,919.2 square feet (Figure 7b).

Figure 7a: Average plinth area by house type

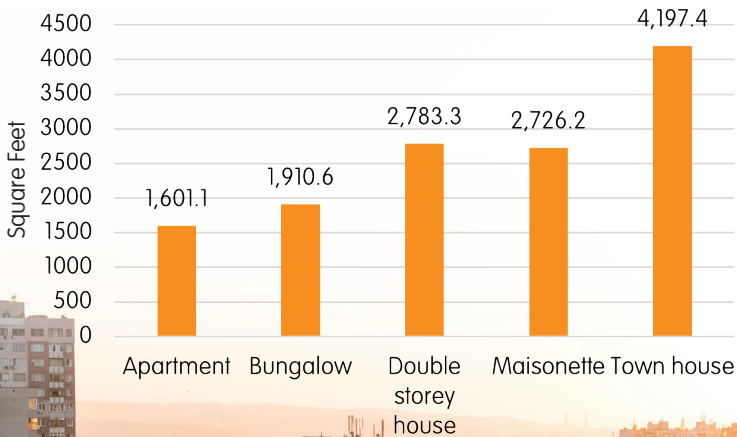
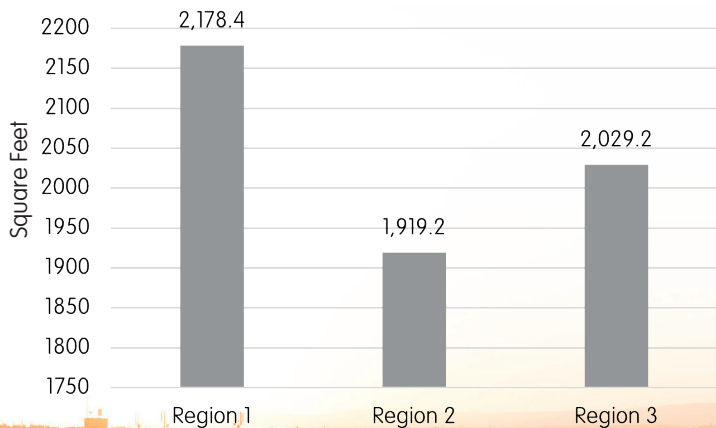


Figure 7b: Average plinth area across the region



Source: KBA Computation from Housing Prices Survey

Amenities Preferences Among Homeowners

Homeowners amenity preferences reflect their lifestyle, security, and convenience needs. While some prioritize safety and accessibility, others seek recreational and aesthetic features. Understanding these trends enables developers to align residential offerings with market demand. Based on the fourth quarter of 2024 data, apartment dwellers prioritize convenience-oriented amenities (Figure 8a). The most sought-after features include master ensuite and all ensuite bedrooms, which provide privacy and comfort.

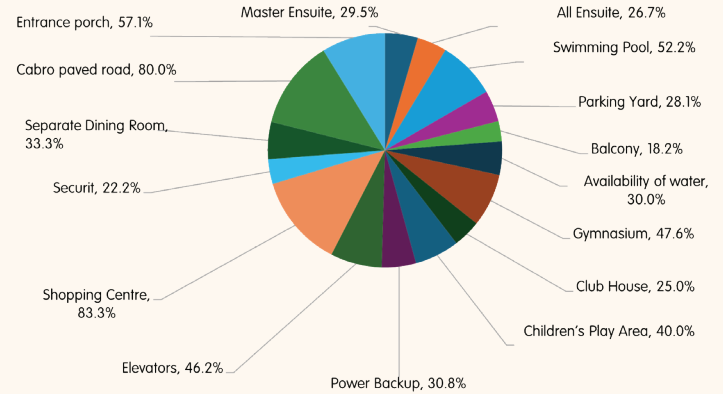
Balconies are also highly valued, while parking yards have become essential for vehicle owners. Additionally, gated communities and enhanced security measures are top priorities for safety. The presence of shopping centers reflects the need for easy retail access, while water and power backup systems ensure uninterrupted services.

Standalone homes, including bungalows and maisonettes, have their emphasis on larger living spaces and exclusive amenities. However, Master ensuite and all ensuite bedrooms remain crucial for comfort, while the presence of domestic staff quarters reflect household management needs. In addition, the homeowners have shown preferences for Parking yards, gardens, and backyards. High-end homeowners favor swimming pools and clubhouses, while gated communities provide security and exclusivity. Aesthetic features such as flat roofs and gazebos add to the appeal (Figure 8b and Figure 8c). Moreover, many homeowners prefer gazebos and gardens, highlighting an inclination for open-air recreational spaces. Some bungalows incorporate double-storey options, maximizing space without compromising the benefits of single-level living.

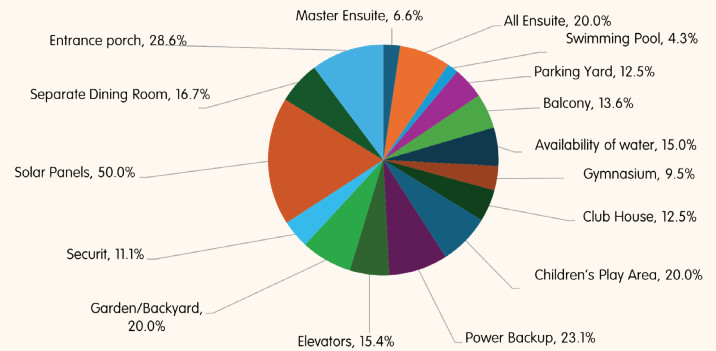
Homeowners in the townhouses segment commonly prioritize master ensuite and all ensuite bedrooms for privacy and convenience (Figure 8d). Domestic staff quarters are frequently included to support household needs. However, for the double-storey, amenities such as parking yard, Gazebo Domestic Staff Quarters, all ensuite and Master ensuite are in high demand (Figure 8e).

Figure 8a: Amenities preferred by apartments owners

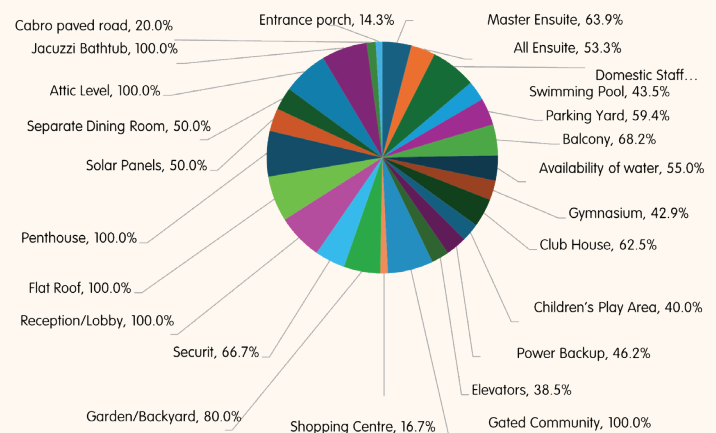
Region 1



Region 2



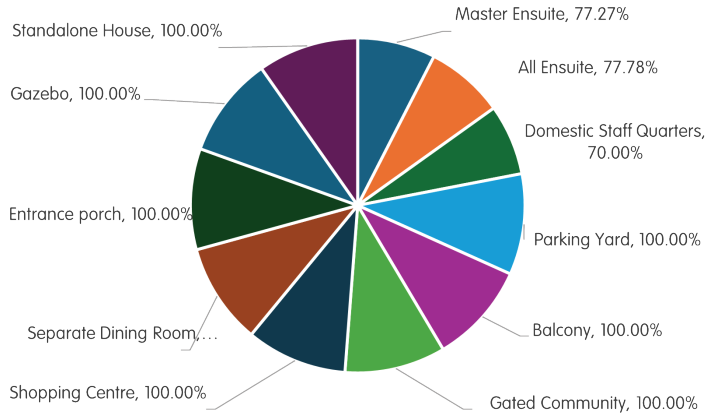
Region 3



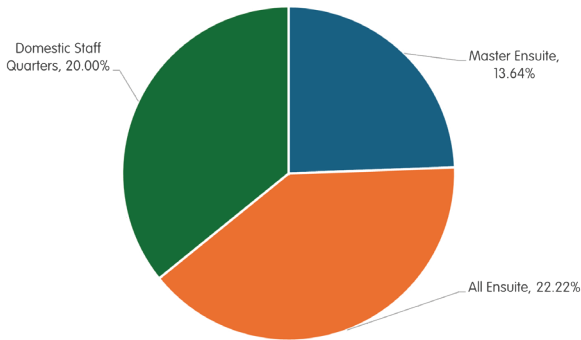
Source: KBA Computation from Housing Prices Survey

Figure 8b: Amenities preferred by Bungalow owners

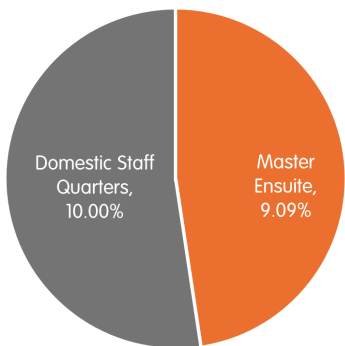
Region 1



Region 2



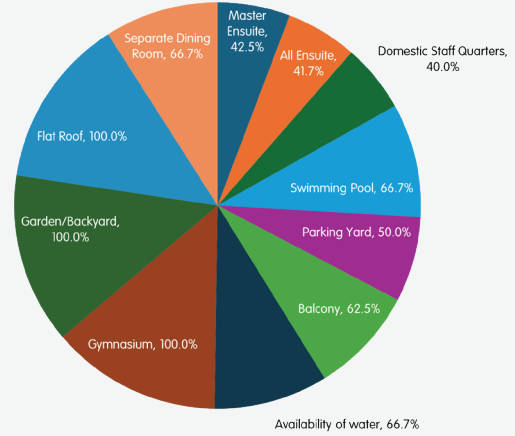
Region 3



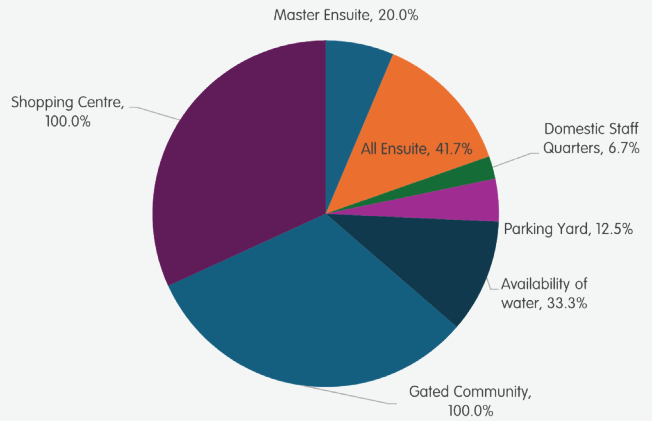
Source: KBA Computation from Housing Prices Survey

Figure 8c: Amenities preferred by Maisonette owners

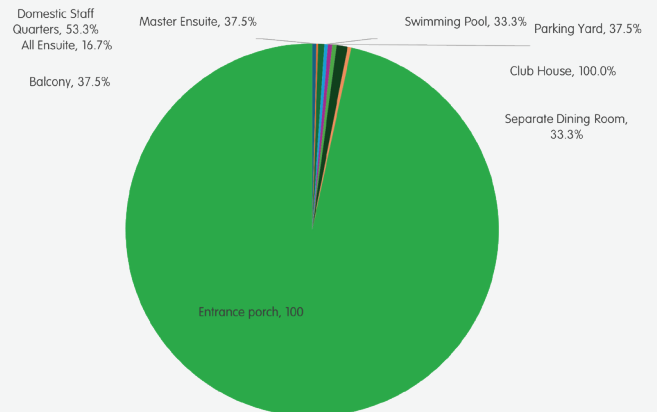
Region 1



Region 2



Region 3



Source: KBA Computation from Housing Prices Survey

Figure 8d: Amenities preferred by Town houses owners

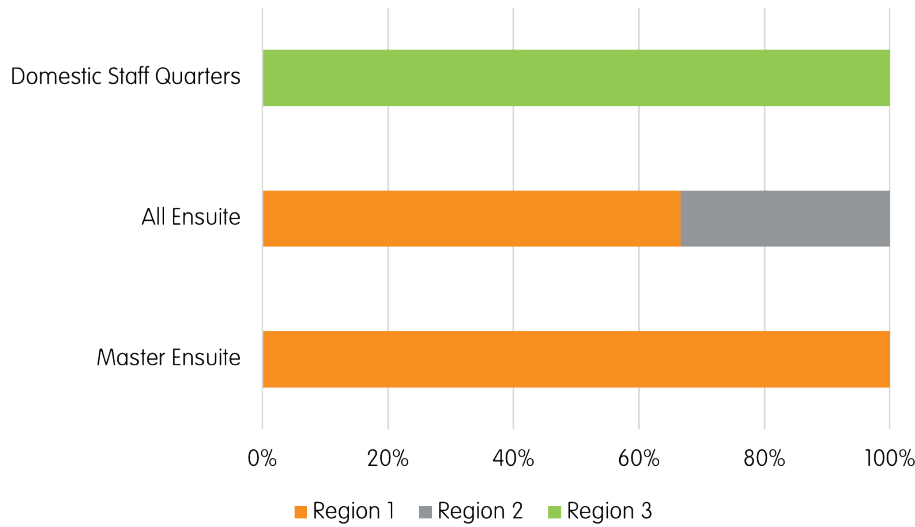
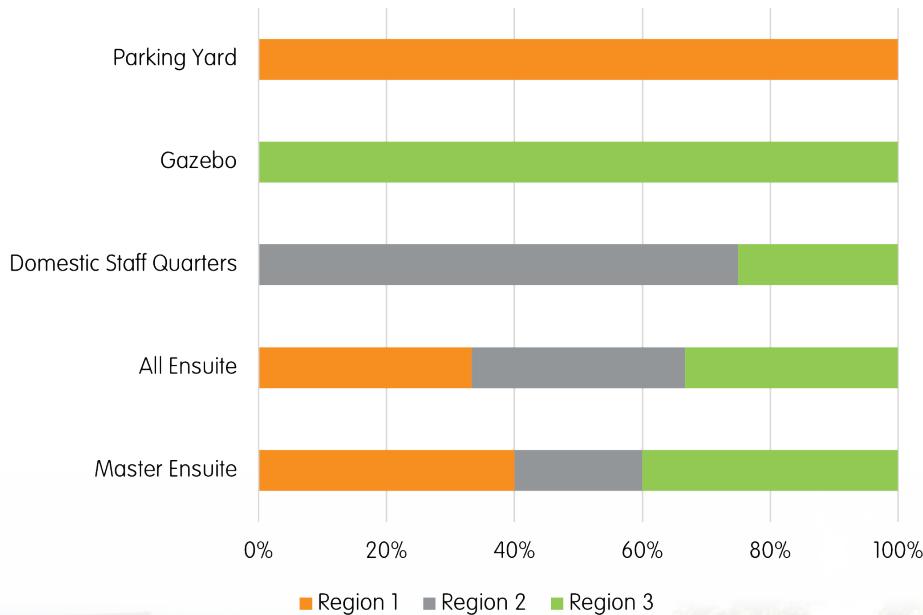


Figure 8e: Amenities preferred by double-storey house owners



Technical Note

The index follows a Laspeyres index method. In this method, the index is computed by getting the ratio of the estimated current quarter price from the hedonic method (multiplied by the weights of the preceding quarter) to the price of the preceding quarter (multiplied by the respective weights of that quarter).

The weights of the quantitative variables are obtained by getting their respective mean values. For the dummy variables however, their weights are computed as the proportions of the number of houses possessing a certain attribute to the total number of houses. Thus the index is computed by the formula:

$$Index = \sum_{i=1}^n w_i \frac{P_1}{P_0} = \frac{\sum_{i=1}^n w_0 P_1}{\sum_{i=1}^n w_0 P_0}$$

Where; P_1 is the shadow price from the estimated hedonic function for the current quarter;

P_0 is the shadow prices from the estimated hedonic function for the preceding quarter;

And w_0 are the weights of the respective variables for the preceding quarter.



The drivers of house prices based on Hedonic Regression

The hedonic regression results, based on 258 observations, in Table 2 had an R-squared value of 0.622, indicating that 62.2 percent of the variations in market value could be explained by the independent variables. The F-statistic of 19.49 was highly significant, with a probability value of 0.000, reinforcing the robustness of the model. The results points to three key patterns.

First, property size and structural features are key in determining the house prices, more specifically the plinth area, confirming that larger homes command higher prices. In addition, the more the number of bedrooms and bathrooms, the higher the prices.

Second, there are variations according to housing Types and Regional Differences. Evidently, the bungalows and apartments are cheaper than maisonettes, while a double storey house and a town house are a bit pricy. Moreover, regional pricing varies, with homes in Region 1 being 25.14

percent cheaper than those in region 2 and those in Region 3 priced 24.03 percent higher than those in region 2.

Thirdly, additional Property Features and amenities weigh on the house prices as well. Desirable amenities such as domestic staff quarters, parking and swimming pools drive up prices due to their luxury and convenience. However, some features surprisingly correlate with lower prices, that is, balconies, gymnasiums, standby generators, and children's play areas. This could be attributed to a number of possible drivers of prices. One, the maintenance and upkeep costs for features like gyms and play areas can increase service charges, making buyers less willing to pay a premium upfront. Two, security and privacy concerns arise in shared spaces, particularly in densely populated areas. Three, market saturation diminishes differentiation, as common features like gyms no longer justify higher prices.

The computation of the KBA-HPI is underpinned by estimating the weights and the shadow prices. The weighting scheme applied to the shadow prices varies from one quarter to another and relates to the units transacted during the quarter (**See Technical Note for details**).

The weights applied in the case of quantitative attributes (i.e., plinth area, number of bedrooms, number of bathrooms, and number of floors) are their respective averages, and proportions are applied as weights in the case of the qualitative attributes (i.e., type of house, and the region). The qualitative and quantitative parameters, that drive the house price change and feed into the

construction of the KBA-HPI, are based on an estimation of a hedonic regression. The regression generates the shadow prices or marginal contributions, taking cognizance of the heterogeneous nature of housing goods best characterized by their attributes.

The hedonic regressions recognize that a dwelling is composed of a bundle of characteristics for which no market for them exists, as they cannot be sold separately, so the prices of the characteristics are not independently observed. The demand and supply for the properties implicitly determine the characteristics' marginal contributions to the prices of the properties.



Table 2: Housing Price Index Drivers for Quarter 4 of 2024

Source	SS	df	MS
Model	82.09	20.0	4.10
Residual	49.91	237.0	0.21
Total	131.99	257.00	0.51

Number of obs = 258.00
 F(20, 237) = 19.49
 Prob > F = 0.00
 R-squared = 0.622
 Adj R-squared = 0.590
 Root MSE = 0.459

Market Value	Coefficient	Std. err.	t	P>t	[95% conf. interval]	
Constant	15.221	0.168	90.590	0.000	14.890 15.552	
Plinth Area	0.003	0.001	2.950	0.003	0.001 0.004	
No. of Bedrooms	0.398	0.121	3.280	0.001	0.159 0.637	
No. of Bathrooms	0.091	0.035	2.590	0.010	0.022 0.161	
No. of Floors	0.019	0.069	0.280	0.780	-0.116 0.154	
House Type Dummy						
Townhouse	0.281	0.193	1.460	0.146	-0.099 0.660	
Apartment	-0.061	0.102	-0.600	0.552	-0.262 0.140	
Bungalow	-0.299	0.099	-3.010	0.003	-0.494 -0.103	
Double Storey House	0.038	0.121	0.320	0.752	-0.200 0.277	
Regional Dummy						
Region 1	-0.251	0.087	-2.880	0.004	-0.423 -0.080	
Region 3	0.240	0.093	2.590	0.010	0.057 0.423	
House Features/Amenities						
Master Ensuite	0.014	0.082	0.170	0.863	-0.147 0.175	
All ensuite	0.108	0.106	1.020	0.308	-0.100 0.316	
Domestic Staff Quarters	0.311	0.083	3.740	0.000	0.147 0.474	
Parking	0.370	0.117	3.160	0.002	0.139 0.601	
Swimming pool	0.328	0.164	2.000	0.046	0.005 0.651	
balcony	-0.163	0.121	-1.340	0.180	-0.401 0.076	
Borehole / Water tank	0.094	0.180	0.520	0.601	-0.260 0.449	
Gymnasium	-0.202	0.179	-1.130	0.260	-0.554 0.151	
Stand by generator/ Power backup	-0.092	0.167	-0.550	0.583	-0.422 0.238	
Children Play Area	-0.289	0.188	-1.540	0.126	-0.660 0.082	

Notes:

- All the Quantitative variables (Plinth Area, No. of Bedrooms, No. of Bathrooms, No. of Floors) enter the hedonic regression function in their natural logarithm. The house price is also expressed in its natural logarithmic form

Housing Price Index
 Quarter 4 2024



104.83

Table 3: Housing Price Index Drivers for Quarter 3 of 2024

Source	SS	df	MS
Model	37.49	10.0	3.75
Residual	37.20	126.0	0.30
Total	74.70	136.00	0.55

Number of obs = 137.00
 F (10, 126) = 12.70
 Prob > F = 0.00
 R-squared = 0.502
 Adj R-squared = 0.462
 Root MSE = 0.543

Market Value	Coefficient	Std. err.	t	P>t	[95% conf. interval]	
Constant	13.646	0.56	24.33	0.000	12.536 14.756	
Plinth Area	0.265	0.083	3.2	0.002	0.101 0.429	
No. of Bedrooms	0.427	0.231	1.85	0.067	-0.03 0.886	
No. of Bathrooms	0.272	0.15	1.81	0.073	-0.025 0.57	
No. of Floors	0.11	0.069	1.59	0.114	-0.027 0.249	
House Type Dummy						
Townhouse	0.455	0.292	1.56	0.122	-0.122 1.034	
Apartment	-0.003	0.15	0.02	0.998	-0.298 0.297	
Bungalow	-0.2	0.155	-1.32	0.188	-0.512 0.101	
Double Storey House	-0.277	0.286	-0.97	0.335	-0.844 0.288	
Regional Dummy						
Region 1	-0.154	0.133	-1.16	0.249	-0.419 0.109	
Region 3	0.188	0.138	1.31	0.193	-0.091 0.455	

Notes:

- All the Quantitative variables (Plinth Area, No. of Bedrooms, No. of Bathrooms, No. of Floors) enter the hedonic regression function in their natural logarithm. The house price is also expressed in its natural logarithmic form



Housing Price Index
 Quarter 3 2024



100.01

Table 4: Housing Price Index Drivers for Quarter 2 of 2024

Source	SS	df	MS
Model	32.89	9.0	3.65
Residual	23.68	94.0	0.25
Total	56.57	103.00	0.55

Number of obs = 104.00
 F(8, 93) = 12.94
 Prob > F = 0.00
 R-squared = 0.582
 Adj R-squared = 0.537
 Root MSE = 0.504

Market Value	Coefficient	Std. err.	t	P>t	[95% conf. interval]
Constant	14.272	0.032	31.890	0.000	13.384 15.161
Plinth Area	0.096	0.239	3.030	0.003	0.088 1.038
No. of Bedrooms	0.563	0.146	2.350	0.021	0.327 0.909
No. of Bathrooms	0.618	0.076	4.220	0.000	-0.168 0.136
No. of Floors	-0.016	0.319	-0.210	0.835	-0.803 0.465
House Type Dummy					
Townhouse	-0.169	0.151	-0.530	0.597	-0.425 0.174
Apartment	-0.125	0.163	-0.830	0.409	-0.750 -0.104
Bungalow	-0.427	0.138	-2.630	0.010	-0.387 0.161
Regional Dummy					
Region 1	-0.113	0.161	-0.820	0.415	0.283 0.923
Region 3	0.603	0.448	3.740	0.000	0.033 0.159

Notes:

- All the Quantitative variables (Plinth Area, No. of Bedrooms, No. of Bathrooms, No. of Floors) enter the hedonic regression function in their natural logarithm. The house price is also expressed in its natural logarithmic form



Housing Price Index
 Quarter 2 2024



102.41

Table 5: Housing Price Index Drivers for Quarter 1 of 2024

Source	SS	df	MS
Model	25.38	8.0	3.14
Residual	22.29	93.0	0.24
Total	47.66	101.00	0.47

Number of obs = 102.00
 F(8, 88) = 12.93
 Prob > F = 0.00
 R-squared = 0.527
 Adj R-squared = 0.486
 Root MSE = 0.493

Market Value	Coefficient	Std. err.	t	P>t	[95% conf. interval]
Constant	14.451	0.443	2.510	0.014	13.572 15.330
Plinth Area	0.055	0.030	1.830	0.070	-0.005 0.760
No. of Bedrooms	0.200	0.282	0.710	0.480	-0.360 0.760
No. of Bathrooms	0.772	0.203	3.810	0.000	0.370 1.175
No. of Floors	0.085	0.079	1.080	0.282	-0.071 0.241
House Type Dummy					
Townhouse	0.024	0.530	0.050	0.964	-0.103 1.077
Apartment	-0.081	0.136	-0.600	0.553	-0.350 0.189
Bungalow	-0.315	0.189	-1.670	0.099	-0.690 0.060
Regional Dummy					
Region 1	-0.160	0.124	-1.280	0.202	-0.407 0.087
Region 3	0.419	0.150	2.790	0.006	0.121 0.717

Notes:

- All the Quantitative variables (Plinth Area, No. of Bedrooms, No. of Bathrooms, No. of Floors) enter the hedonic regression function in their natural logarithm. The house price is also expressed in its natural logarithmic form.
- Reference categories for the dummy variables for house types and region were maisonettes and region 2, respectively.

Housing Price Index
 Quarter 1 2024



100.11

THE DEFINITION OF THE SUB-REGIONS

REGION 1

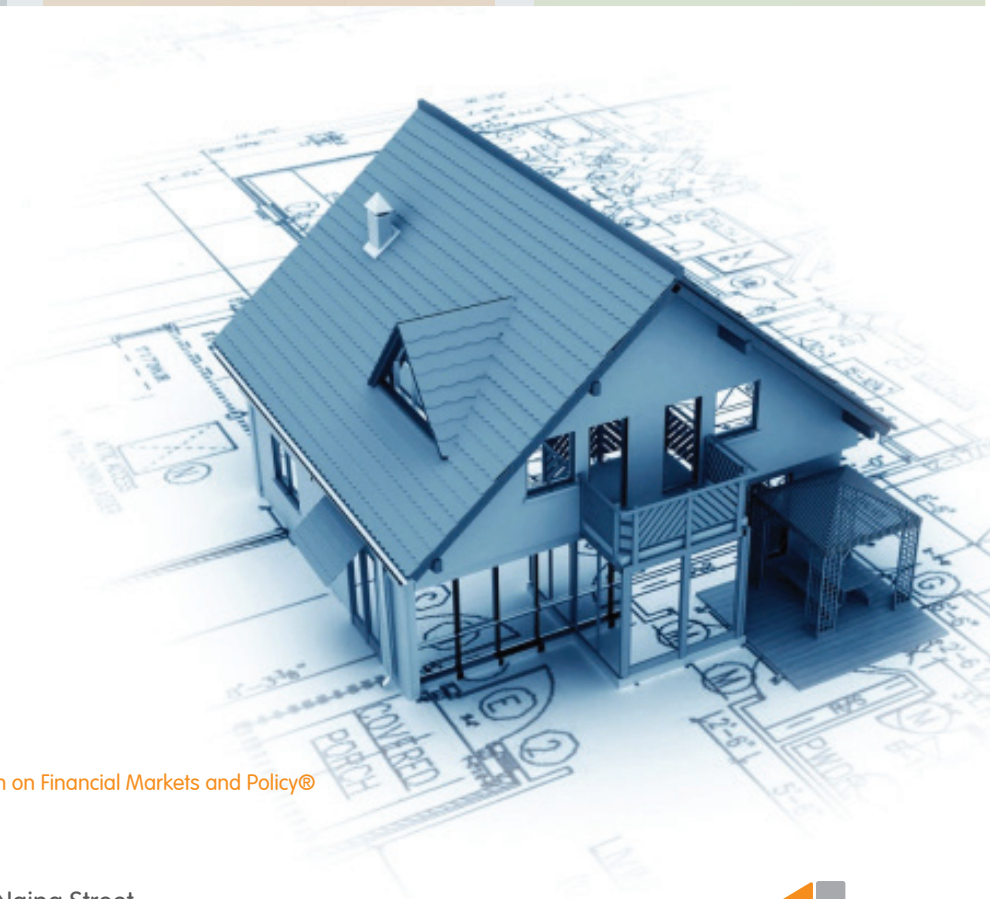
Athi River, Mlolongo, Mavoko, Nakuru, Ngong, Ruaka, Syokimau, Embakasi, Kahawa, Wendani, Thika, Mtwapa, Utange, Kitengela, Kiembeni, Nyeri, Likoni, Eldoret, Ruiru, Kilifi, Thika road (Kasarani, Roysambu, Ruaraka), Meru, Bungoma.

REGION 2

Thindigua (Kiambu Road), Kiambu, South B, South C, Kabete, Komarock, Imara Daima, Membley, Buruburu, Rongai, Waiyaki Way (Uthiru, Regen, Kinoo, Kikuyu), Mbagathi road, Ngong Road, Langata.

REGION 3

Kileleshwa, Kilimani, Lavington, Westlands, Spring Valley, Riverside, Milimani (Kisumu), Milimani (Nakuru), Runda, Karen, Garden Estate, Parklands, Ridgeways, Muthaiga, Loresho, Kitisuru, Adams Arcade, Nyali, Mountain View, Nyari.



© Kenya Bankers Association Centre for Research on Financial Markets and Policy®

Kenya Bankers Association

13th Floor, International House, Mama Ngina Street
P.O. Box 73100ñ 00200 NAIROBI
Telephone: 254 20 2221704/2217757/2224014/5
Cell: 0733 812770/0711 562910
Fax: 254 20 2221792
Email: research@kba.co.ke
Website: www.kba.co.ke



KENYA BANKERS
ASSOCIATION

One Industry. Transforming Kenya.