MORTGAGE REPORT
IN ASSOCIATION WITH

The Mortgage Company
OPENING DOORS

Interest rate hikes stall mortgage market, despite long term positive returns from housing loans

- A greater proportion of the new housing stock that came to market in 2011 was reachable by mortgaged buyers than in any previous year, at 38 per cent of new-builds, compared with 34 per cent in 2010
- A buyer of a mortgage townhouse in 2002 would have a house now worth substantially more than the buying price plus all mortgage repayments, at any interest rate from 5 to 20 per cent
- The mortgage market has increased from 7600 homes in 2006 to 20,000 homes in 2012
- The recent hike in interest rates has slowed mortgage uptake by more than the entire house price boom and tripling in house prices
- Nonetheless, it is still possible to get mortgages at well below prevailing rates, with mainstream mortgages ranging from 19% to 28%, and secondary mortgages available for 14%.
- Moreover, variable rate mortgages will track interest rates downwards, no matter when they are signed.

Summary of Market Rates:

	Bank	Construction: Commercial	Construction: Home Ownership	Home Purchase	Land Purchase	Equity Release
Highest	**Bank of Africa**	**N/A**	**28%**	**28%**	**28%**	**28%**
	Barclays	N/A	N/A	21.90%	N/A	21.90%
	CBA	23%	N/A	22%	N/A	22%
	Consolidated Bank	25%	25%	25%	25%	25%
	Co-operative Bank	23.25%	23.25%	23.25%	23.25%	23.25%
	Diamond Trust Bank	24%	24%	24%	24%	24%
	Equity Bank	25%	25%	25%	25%	25%
	Family Bank	24.50%	24.50%	24.50%	24.50%	24.50%
	HFCK	23.00%	23.00%	23.00%	23.00%	23.00%
Lowest	**I & M Bank**	**19%**	**19%**	**19%**	**19%**	**19%**
	KCB S & L	24%	24%	24%	24%	24%
	National Bank	22%	22%	22%	22%	22%
	NIC Bank	24%	24%	24%	24%	24%
	CFC Stanbic Bank	24%	24%	24%	24%	24%
	Standard Chartered	N/A	N/A	19.90%	19.90%	19.90%

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The Mortgage Company, in partnership with HassConsult, today announces the results of its first quarterly Mortgage Report, with the launch of a series of new trackers to help mortgage seekers by demystifying the mortgage market.

"With now 38 per cent of the new housing coming to market reachable for mortgage buyers, and mortgage offerings having ballooned in recent years, the mortgage market offers the chance of home ownership to tens of thousands of Kenyans," said Carole Kariuki, Managing Director of The Mortgage Company.

"But potential buyers have been hampered by scant information. With the new mortgage report we are combining information on the best mortgage offers, the best terms for buyers, and the equations in ensuring that buyers come out with good returns on their house buys, even after servicing their mortgage loans," she said.

The Mortgage Company is East Africa's mortgage brokers, specializing in sourcing and arranging the best mortgages for home buyers across all possible lenders.

The report presented the rates being offered by Kenya's top 15 mortgage lenders, which currently range from 19 per cent from I&M Bank to 28 per cent from Bank of Africa.

With now a wide range of mortgages on offer, the stock of new housing available to mortgage buyers shifted up in 2011 to 38 per cent of new housing, from 36 per cent in 2010.

At the same time, up until the interest rate hikes by the Central Bank, mortgage uptake had surged, to reach some 20,000 mortgaged homes by early this year, up from 7600 in 2006.

"There are both funds and homes available to fuel a much greater uptake, when mortgage buying is based on solid information and decision-making," said Ms Kariuki.

The Mortgage Report also calculated the returns for mortgaged home buyers across the last decade by comparing the rises in house prices with the prevailing lending rates. Across all properties, mortgaged buyers have consistently made returns, even on mortgaged home purchases, until the interest rate rises of 2011.

"Even at 20 per cent interest rates, mortgage buyers end up ahead during periods of house price growth, achieving more through the appreciation of their homes - in a market consistently suffering from short supply - than they pay in loan interest," said Ms Kariuki.

However, the returns are far better and more sustained - even during periods of lower house price inflation - when interest rates are lower.

"Interest rates are the single most critical factor in driving the mortgage market and access to more middle-income housing."

For more information contact:

Caroline Kariuki

The Mortgage Company

0733 514 541

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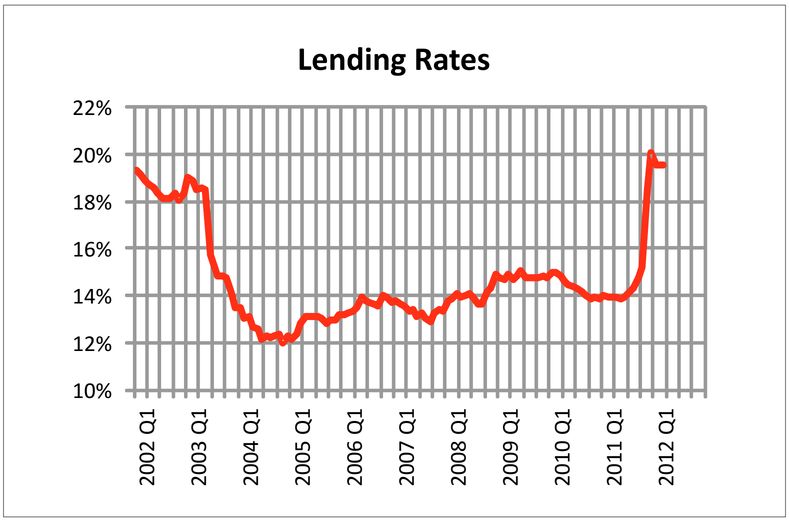
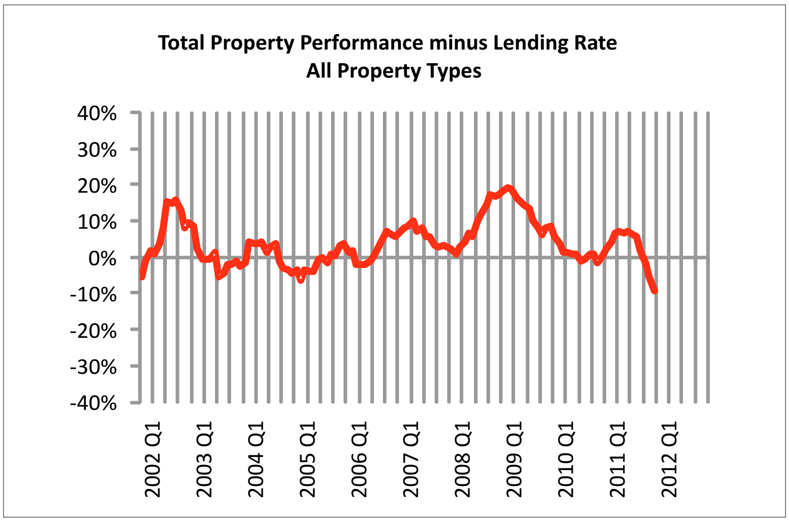
Total returns on mortgaged house purchases

A comparison of the costs of a variable mortgage, versus the gains in house price appreciation and rental income, in each year



SNAP SHOTS

Average lending rates over the last ten years.



SNAP SHOTS

Total returns from a mortgage buy (house price capital appreciation + rental income per year) less the annual cost of a mortgage will illustrate whether or not the mortgage is a profit or loss per year.

When the red line rises above 0%, you are making a profit even with the cost of the mortgage.

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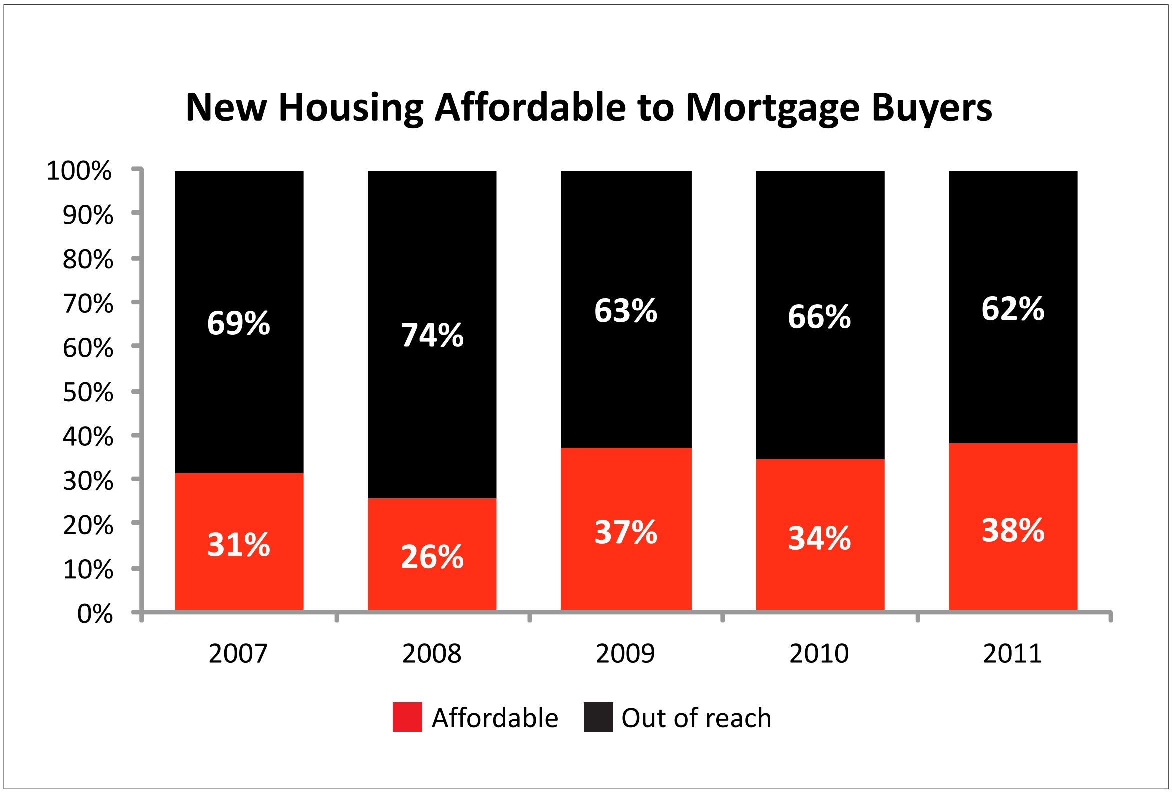
Mortgages become more accessible

An increasing number of new properties coming onto the market are now within the reach of the average mortgage buyer. We stack CBK statistics of the average new loan size against Hass Index data on percentage of the market taken up by these priced properties.



Average Mortgage Size for New Loans (kshs)

				Forecasts based on Index growth [2]	
	2007	2008	2009	2010	2011
Ave Mortgage Size [1]	5,189,360	5,452,699	7,685,520	8,300,362	8,682,178
Ave Mortgage Size plus 15% deposit [2]	5,967,764	6,270,604	8,838,348	9,545,416	9,984,505
Annual Average growth				8%	4.6%

1. Ave Mortgage size figures (2007 to 2009) from Mortgage Finance in Kenya: Survey Analysis November 2010 (Central Bank of Kenya and World Bank)

2. Average Loan to Value for lager lending companies of 85%

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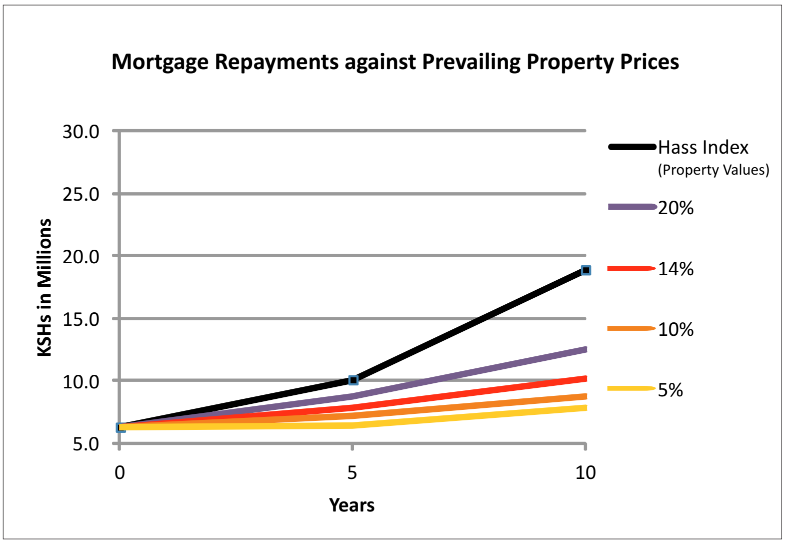
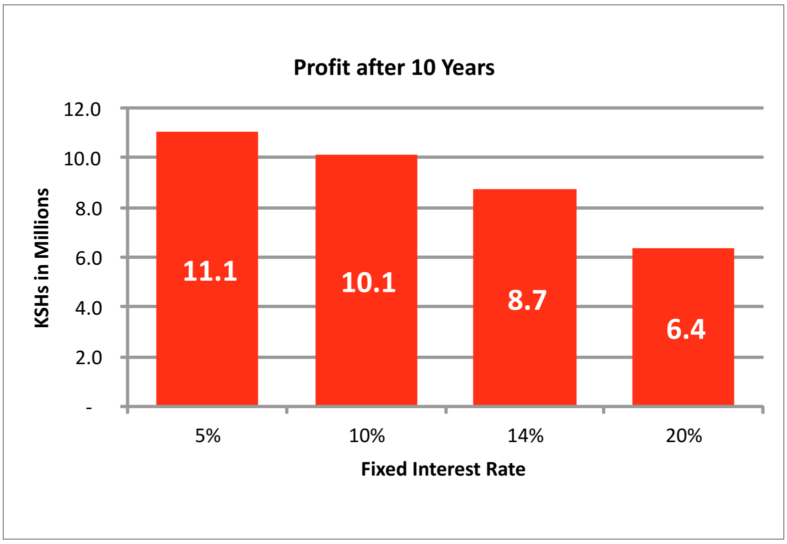
How mortgage buyers have made money over the last 10 years

Scenario: A mortgage buyer taking a townhouse worth Kshs. 6.3m in March 2002 over a 10 year repayment period ending February 2012



SNAP SHOTS

- At 5%, the buyer would have paid a total of Kshs. 7.8m after 10 years while the property would be worth Kshs. 18.9m at that time.
- At 10%, the buyer would have paid a total of Kshs. 8.8m after 10 years while the property would be worth Kshs. 18.9m at that time.
- At 14%, the buyer would have paid a total of Kshs. 10.2m after 10 years while the property would be worth Kshs. 18.9m at that time.
- At 20%, the buyer would have paid a total of Kshs. 12.5m after 10 years while the property would be worth Kshs. 18.9m at that time.



SNAP SHOTS

- At 5%, the buyer selling the property after 10 years would make a profit of Kshs. 11.1m.
- At 10%, the buyer selling the property after 10 years would make a profit of Kshs. 10.1m.
- At 14%, the buyer selling the property after 10 years would make a profit of Kshs. 8.7m.
- At 20%, the buyer selling the property after 10 years would make a profit of Kshs. 6.4m.

HassConsult Limited | ABC Place, Waiyaki Way | P.O. Box 14090 - 00800 Nairobi, Kenya
T: +254 20 4446914 | F: +254 20 4447200 | M: 0722 204 765/0733 629 786 | E: info@hassconsult.co.ke