

# THE DYNAMICS OF RENTAL HOUSING IN NAIROBI AND ITS OUTSKIRTS

CATHERINE KARIUKI, NICKY NZIOKI AND JENNIFER MURIGU

LECTURERS - UNIVERSITY OF NAIROBI, KENYA

EMAIL ADDRESS: *ckariuki@uonbi.ac.ke*

## Abstract

The 2012/2013 National Housing Survey in Kenya indicated that the majority of the population living in urban areas are renters. This study aims to find out why people rent, what kind of housing units are attractive and the new areas that middle income households prefer in Nairobi and its outskirts. The study will also establish whether these renters choose renting as an alternative to purchase even when they can afford homeownership.

The study will carry out interviews in selected areas of Nairobi and its outskirts. The study hopes to establish that the rental market is dynamic and any developer planning to construct houses for this market must understand it first. There are several reasons already identified in literature as to why people rent. These include mobility, renting allows people to remain mobile and move when their work place changes or when a better job becomes available elsewhere. A second reason given is flexibility. Renting also gives people considerable freedom over how to manage household budgets. It can also free up some money for their basic needs. The fact that the amount paid is not large renting frees renters from major financial commitment. With more funds available renters are able to support other relatives in rural areas. Renting also brings to focus the landlord and tenant relationship, with associated problems of non-payment of rent, poor maintenance and repair culture and tenant evictions.

The study hopes to come up with key policy suggestions. That is because not everyone prefers home ownership, governments must stop promising universal homeownership and be more sensitive to the needs of the renter and therefore be tenure neutral. That governments need to come up revised legislation that governs the landlord and tenant relationship.

*Key words:* Rental Housing, homeownership, landlord, tenant, maintenance, repair, policy

## Introduction

There is the common misconception that everyone wants to own a house. For many people, rental housing is a better option at some stage in their lives (UN-Habitat, 2011)

The Constitution of Kenya states that housing is a basic need. Section 43 (1) (b) of the Constitution of Kenya provides that every person has the right to “accessible and adequate housing and reasonable standard of sanitation.” The right to housing is therefore now a constitutional right guaranteed under the Bill of Rights.

However access to housing is one of the most daunting challenges of the 21st century. To date the world over there are people who are homeless, living on the streets. While a large population live in inadequate houses. The main reason for this is that the available housing is unaffordable or the supply is inadequate. To emphasize this Mugerwa of Shelter Afrique (2014) stated that despite the demand, lack of housing policies leads to developers failing to meet decent housing needs. “It is rather amazing that rental housing seems to have been forgotten in many housing policies. Rental residential markets remain relatively underdeveloped in Sub-Saharan Africa, whereas home ownership has been the object of all the attention by public policy makers and the private sector,” said Mugerwa.

With 90 per cent of Africa’s population unable to buy houses or qualify for a mortgage, he said there was need for a “mental shift” towards formal rental housing as a viable option to solve the housing crisis.

The National Housing policy for Kenya of 2004 recognises the need for rental housing. Stating that sound rent policy can stimulate investment in housing. Yet almost in the same breath states that government will endeavour to protect the interests and rights of the poor and marginalised groups against justified evictions and exorbitant rents. Rent controls have been known to be inequitable, inefficient and counterproductive. They have acted as a disincentive to many investors and developers who would consider low income housing provision.

There is also a group of people who prefer renting, even though they can afford to buy a house. These are those who enjoy the convenience that renting gives them. The rental housing market should also not be left to the private sector, governments must take the lead role here.

## Rental Housing in the Outskirts of Major Cities and Towns in Kenya

On the outskirts of Nairobi, there are several satellite towns, Kitengela, Ruai, Ruaka, Kamulu, Kitengela, Kikuyu and Kiserian. In these outskirts development of residential units has been the main focus for most developers. These developers have responded to the demand for these kinds of units as indicated in the Table 1 below, along with other factors.

**Table 1. Number of Households by place of residence**

	Rural	Urban	Total
Total	5,491,367	3,689,349	9,180,716
Owners	4,810,531	1,090,189	5,900,720
Tenants	680,836	2,599,161	3,279,997

Source: (GOK, 2013)

From the Housing survey, 79.2 percent of those who reside in urban areas are renters. In the rural areas, owners staying in their own homes was 81.5% compared to 18.5% renters. In principle renting is associated with households living in urban areas as opposed to rural areas.

The same survey found that Kenyans spend about 44 per cent of their incomes on rent and related costs, including paying for water, sewerage, electricity and related costs.

The national median income for a household stood at Sh7,000 while housing expenditure was Sh6,000 and household savings a paltry Sh2,000, meaning that high costs of living were depressing savings.

The Nairobi's working population is showing interest in many towns in the outskirts of Nairobi. Ruaka is a good choice because of convenience, serenity and improved security. According to a property developer and manager, "Ruaka has the potential for rental units because of the upper market neighbourhoods. The area also currently enjoys ample security owing to the surrounding posh estates, which was not always the case before the modern apartments came up," .

Ruaka borders Rosslyn and Runda estates. It's also a just few minutes away from the Village market. It has good transport network system connecting it to the City Center via Limuru Road, Thika using the Muthaiga route or the newly constructed Northern by-pass and Limuru town.

Ruaka is not only attracting discerning investors but young cosmopolitan professionals from the neighbouring UN agencies are among the growing number of home seekers looking for houses in the area.

The residential rents in Ruaka range from Sh18,000 to Sh25,000 for a two-bedroomed apartment. Most of the houses in the area are studio apartments and spacious one and two-bedroomed apartments. Three-bedroomed apartments are mostly for sale. The cost per apartment is in the range of Sh7.8 million to Sh12million depending on the location, finish and materials used. This is Sh3million-Sh7million more than the cost three years ago.

Other towns like in Kikuyu, Kinoo and Muthiga, have also high occupancy levels at almost at 100 per cent. As a result the developers respond by building more apartments. Kikuyu and Ongata Rongai are all about 20 kilometres from the Cen-

tral Business District. Though Ongata Rongai is not enjoying the same occupancy rate.

The reasons given for this high occupancy levels of housing units in the area are availability of fresh water, the smooth flow of traffic, accessibility to fresh food and the high attitude and green environment that the satellite towns on the lower side of Nairobi do not have.

Ruaka and Kikuyu may be attractive for renters, but there are other areas in the outskirts of Nairobi which are not as attractive. A case in point is Kitengela and Ruai, Kamulu, Athi River, Kiserian and Ongata Rongai. As a result of rising rentals in Nairobi, residents opted to look for land in satellite towns, where they bought land and built houses to live in. Developers joined this exodus hoping to make profits in these areas opened up by these home owners. These developers constructed houses for rental. They are however finding it increasingly difficult to attract tenants for several reasons. There is a glut of rental units.

As a result these rental units remain vacant for long periods despite the low rents. In Kitengela for example, it was found that a two-bedroom apartment currently goes for Sh15,000 per month. While in Ongata Rongai the same unit rents for Sh12,000 and further away in Kiserian for Sh9,000. The areas like Ruai, Kamulu and Athi River units of similar sizes are even lower at about Sh8,000 and Sh7,000.

The other reasons given for the high vacancy rates for the above areas, include the perennial traffic jam on Mombasa Road. Most of the houses in those areas have bore hole water for the tenants which is high salt content. Tenant are looking for fresh water and regular flow of water.

According to Nderi in Acuka (2015), developers ought to look at other factors like road network, accessibility to government services, schools, hospitals and security – which are not in good supply in the satellite towns – before investing in real estate in those areas.

In other cases landlords are taking advantage of these tenants who are moving from Nairobi. These tenants had moved to Kiambu running away from congestion and high rents. This however, is no longer the case. Tenants are now complaining of high rents. A tenant at Kirigiti in the outskirts of Kiambu town, said the rent has been shooting up at an alarming rate. Once a tenant vacates, landlords set new rates even without making any renovations.

Before when the houses were fewer, Mwangi said a single room went for between Sh1,200 and Sh2,000 but has now shot to up Sh4,000, a double room cost between Sh3,000 and Sh4,000 but now it has gone up to Sh6,000. The rental of similar size of accommodation can differ for example, at Kirigiti, a one bedroom in one of the flats is going for Sh8,000 while in adjacent flats, the same house is being rented out at Sh10,500.

## Methodology

The paper examines why people rent, what kind of housing is attractive and the new areas the middle class prefer. It also went out to establish why homeownership may not be attractive to all.

The primary data was collected from residents of particular estates. Secondary data was collected from previous work done on this subject and government housing policies. The data was analysed using appropriate software and presented in tables and graphs.

## Literature Review

According to the proceedings of a conference on Rental housing (Shelter Afrique, 2014) over 2 billion urban residents are created annually and there an annual increment of 35.1 million households. Housing in urban areas, like Nairobi, are overcrowded, inadequate and unaffordable. This rising urban population is putting pressure on the existing housing stock. Governments in many cases responded by preparing housing policies that favour homeownership.

Studies by Watson et al (1998) had found out that the numbers of people in rental accommodation had steadily increased over the years. In some cities this was the dominant form of tenure. The paper noted the sector providing rental housing in South Africa had not been recognized in policy. It argued for its incorporation into the current policy.

Mallach (2007) acknowledges that rental housing stock makes half the United States of America housing stock. Yet this sector has largely been neglected by researchers and policy makers. He concluded why there is a continued disinterest in this sector is because public policy fosters an adversarial relationship between governments and owners of these units.

To drive the case for rental housing, a study in Australia by Beer (1996) stated that private rental sector has changed its role from a tenure of transition to a tenure of long term occupancy. This is because house prices have increased and interest rates are soaring. Other reasons identified included changes in the nature of work and also increased household breakups due to divorces and separations. There is also a reduction in public housing provision.

UN Habitat (2011) also recognized that there are millions of people who are tenants in Africa and that rental housing is an integral part of a well functioning market. UN Habitat (2011) recommends that policy makers must not only understand the intricacies of their cities rental housing both formal and informal. They need to know how to formulate effective, flexible policies to promote and regulate it.

Further, Andreasen (1996) recognized that local improvement projects will not work because local residents are not owners, majority are renters, He concludes that there is an urgent need to develop new approaches to the human settlement situation.

This must include looking at different forms of tenure and the development of community organizations that deal with housing but also the training of technicians and social workers.

## **Reasons Why people rent Houses**

Ideally it is said that homeownership encourages emergence of a politically stable society. In 1860, in the United States of America tenants could not vote because they were considered inferior to homeowners (Mallach, 2007). In my own estate, tenants are not allowed to join the local women's group (Chama or merry Go round group) because of the likelihood they will leave any time. They are considered transitory.

From the above discussion sustainable homeownership for all is neither financially and fiscally possible nor desirable for all household groups and lifecycles (Shelter Afrique, 2014). The investment costs for both the private sector and governments is too high. To recover from that investment it is only logical they charge high rents. Tenants also in some cases will not pay rent often as a result of managerial incompetence. To try and live a reasonable standard life, a large population who work in the city have opted to move to outskirts. Here are newly built residential areas. They offer lower rents than those in Nairobi, but better quality housing.

People rent for different reasons. These include mobility, renting allows people to remain mobile and move when their work changes or when a better job becomes available elsewhere. It also gives tenant flexibility. It gives them freedom over how to manage household budgets and frees money for other basic needs. It also has the advantage of freeing one from financial commitments. Others rent they are looking for centrally located rented accommodation because they recently migrated to the urban areas.

In some other cases as a result of the prevailing market dynamics, some people prefer to live in an area that might be too expensive to buy, but where the rentals are affordable. However, the reality is that only 20 per cent of Kenyans own a home, says Kariuki in (Merab, 2014), adding that, "The cost of purchasing the house may be too high for one to afford, and the person might not be in a position to raise all the funds required or might not have access to a mortgage facility based on their circumstances,".

## **Challenges of Renting for the Landlord and the Tenant**

Poorly maintained units also give tenant a reason not to pay rent. This brings them at loggerheads with the landlord. In tenant controlled market, they are able to move from one house to another. Due to the high demand for housing units developers are now putting up multi-storied apartments, but most of them have been accused of abandoning safety precautions when putting up the structures.

Thuranira in Mareb (2014) says that most investors no longer concentrate on the aes-

thetics and decency of structures, but on how cheaply they can put up a five-storey flat. Once the structure is approved for occupancy, developers concentrate on chasing after returns through arbitrary rent increases and evictions, especially in informal tenancies. The majority of the tenants who fall prey to these rogue developers are those in the low-income bracket. Most of them will readily accept to move into a Sh7,000-a-month bedsitter to cut costs.

“They are mostly graduates who are starting out in life, or those who were living in the slums and have chosen to ‘upgrade’”. “Many of those in this category care little about decency. All they need is a roof over their heads.” (Thuranira in Mareb (2014)

## The Results

The primary data was collected from residents of particular estates in the outskirts of Nairobi. Majority of these were renters, though there were a few owners.

**Table 2. Renters Versus Owners**

	Frequency	Percent
Renter	32	82.0
Owner	6	15.3
No response	1	2.9
Total	39	100.0

Source, Field Survey 2015

Of those interviewed it was found out that 82% are renters and 15.3% were owners

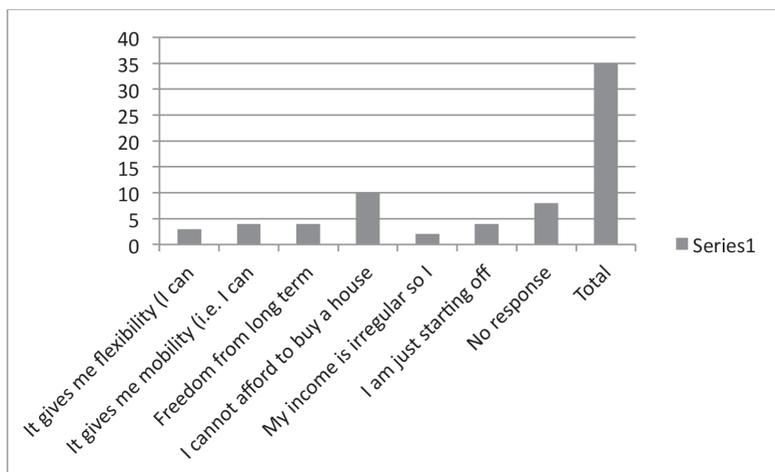
**Table 3. Reasons for Renting and not buying**

	Frequency	Percent
It gives me flexibility (I can move to a cheaper if other needs increase)	4	8.6
It gives me mobility (i.e. I can move quickly if I get a new job)	5	11.4
Freedom from long term financial commitment	6	11.4
I cannot afford to buy a house	10	28.6
My income is irregular so I cannot buy a house	3	5.7
I am just starting off	4	11.4
No response	8	22.9
Total	39	100.0

Source, Field Survey 2015

When they were asked why they rent and not buy, Majority, 28.6 % said they cannot afford to buy a house. There were others who said renting gives them mobility, financial freedom and others they were just starting off. This represented 11.4% of each category. The Figure 1 below represents these results. These reasons were also given in other similar studies.

**Figure 1 Reasons for Renting**



Source, Field Work 2015

**Table 4 Why rent a house in this Location**

	Frequency	Percent
It is close to where I work	22	56.4
It is cheap	9	23
My parents pay the rent	1	2.5
Any other	7	18
Total	39	100.0

Source, Field Work 2015

Majority, that is 56.4% lived in a particular location because it was near where they work. This was evident in the Ruaka neighbourhood where many tenants have chosen to lease because it is near places of work and it is also served by a good road network

**Table 5 Size of House**

	Frequency	Percent
One bedroom	10	28.6
Two bedroom	9	25.7
Three bedroom	2	5.7
Four bedroom	5	14.3
Single room	3	8.6
Bedsetter	6	17.1
Total	35	100.0

Source, Field Work 2015

The majority of those interviewed live in a one bedroom house at 28.6% followed by those who occupy two bedrooms (25.7%). According to the data collected, the majority of the renters said their houses were adequate and in good condition 31.7% and 36.5% respectively.

**Table No. 6 Reasons for liking the House**

	Frequency	Percent
The size is adequate	13	31.7
It is in good condition	15	36.5
My landlord/agent treats me well.	7	17
The location is good	4	9.7
No response	2	4.87
Total	41	100.0

Source, Field Work 2015

If the location is good and the houses are in good conditions, tenants tend to stay and are likely to pay rent on time.

**Table 7 Reasons for not liking this house**

	Frequency	Percent
It is too small	7	20.0
It is poorly maintained	6	17.1
My landlord makes too many demands	7	17.1
That it is not mine	2	5.7
Water may be a problem sometimes	3	8.6
No response	11	31.4
Total	35	100.0

Source, Field Work 2015

The problems included the landlord making too many demands and lack of water, units being too small and poorly maintained. This is also seen in literature where renting brings to focus the landlord and tenant relationship, with associated problems of non-payment of rent, poor maintenance and repair culture and tenant evictions.

The fact that the house is small, is an indication that rental houses are often made small so that the landlord can maximize on the piece of land he has by building as many units as he can. Renters will also take smaller houses, because the rent is bound to be lower. Maintenance of rented out buildings has always been a challenge. With landlords not keeping up to the minimum standards required by statute.

**Table 8 What Government can do to improve housing**

	Frequency	Percentage
Make housing Affordable housing	13	37.1
Control the house rent	5	14
Develop policies on housing and construction standards	1	2.8
Enforce laws to ensure that the basic facilities are in place	10	28.5
Assistance removal of deposit payment	1	2.8
Improve on accessibility to all places	1	2.8
Improve on public private partnership to construct more houses	2	5.7
Lower the mortgage rates	1	2.8
The government should lower land rates that would lead to reduction in rents	1	2.8
Total	35	100.0

Source, Field Work 2015

Majority at 37% felt government has a role to play in making housing affordable. The policy government prepares should be one that give construction standards and ensure that basic facilities are provided. The government is encouraged to enter into the private public partnerships to increase the number of houses added to the national stock.

When asked what government can do to improve housing the tenants had a whole list of opinions. All who were given questionnaires answered this particular section.

## Concluding Remarks and Recommendations

The study concludes that renters in urban areas will always be more than owners. Governments must therefore stop promising universal homeownership and be more sensitive to the needs of the renter and therefore be tenure neutral.

The government has a role to play in rental housing. It should provide policy framework and standards in the construction industry. They can do this by providing houses themselves at national level or county levels. Investment in rental housing by the private sector, especially for the poor, should be encouraged. This can be done by governments giving the necessary incentives, like tax holidays for developers developing housing for the poor. It is recommended that governments need to come up with revised legislation that governs the landlord and tenant relationship. The aim of this is to protect both the tenant and the landlord. The public private partnership projects proposed are currently geared towards building houses for owner occupier. Public private partnerships have the advantages of delivering on time, better management and improved levels of service. The increased availability of funds may also be beneficial to both the public and the private sector. The recommendation here is that rental housing must be a discussion in any public private partnership project, where governments can provide the land and the investor can build, operate and transfer.

The movement of renters who work in cities into the outskirts need also to be recognised by government agencies dealing with housing. Within these areas governments must provide basic infrastructure and amenities. This will allow residents to live in habitable houses that are cheaper.

Shelter Afrique (2014) has promised to re-conduct another conference on African Rental Housing next year. This discussion should be encouraged all over the continent. This is meant to continuously engage the stakeholders to keep the dialogue on rental housing open and to help them deliver on their duties.

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