

# **Critical Factors Affecting Affordability of Mortgage Housing in Kenya**

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## **Abstract**

This study investigated factors affecting affordability in the mortgage housing sector in Kenya. Housing affordability is a major problem experienced by urban households in Africa. According to the African Development Bank (The middle of the pyramid: Dynamics of the middle class in Africa, market brief, 2011), only three per cent of the entire African population can afford a mortgage. In Kenya, the Centre for Affordable Housing Finance in Africa has estimated that only eleven per cent of urban households earn enough to support a mortgage. Attempts were made in this study to develop an empirical model to reveal the underlying factors affecting housing affordability in Kenya. Applying a multiple regression approach, the model identified that affordability of mortgage housing in Kenya is significantly driven by clusters of factors related to the households' social-economic factors, property attributes, loan characteristics and the macroeconomic environment. Specifically, the interest on mortgage, number of households' dependents, loan-to-value ratio, type of mortgage instrument, number of income earners in a household, real gross domestic product per capita and size of household are the critical factors affecting affordability with the greatest contribution to the affordability problems of households in the mortgage housing sector in Kenya.

## **Keywords**

Housing affordability Critical factors Mortgage housing sector Kenya

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