FACTORS AFFECTING REAL ESTATE DEVELOPMENT IN KENYA:
A CASE STUDY OF HOUSING FINANCE LIMITED

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SEPTEMBER 2018
DECLARATION

Declaration by the Student

This research study is my original work and has not been presented for a degree to any other examination body. No part of this work should be reproduced without my consent or that of the Management University of Africa.

Sign……………………Date……………………

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Adm no: BML15/00593/3/2016

Declaration by the supervisor

This proposal has been submitted with my approval to The Management University of Africa

Sign……………………Date……………………

Name  Dr. Peter Paul Kithae

MANAGEMENT UNIVERSITY OF AFRICA
DEDICATION
This research work is dedicated to my family for their support, both financial and moral. They have always believed in me and have encouraged and advised me throughout my academic endeavors.
ACKNOWLEDGEMENT

I would like to acknowledge my family members specifically my husband, for walking with me throughout my studies. Sincere appreciation to my supervisor Dr. Peter Paul Kithae for his invaluable support, guidance and encouragement. Many thanks to my Lecturers, friends and classmates who have shared priceless ideas that have helped enrich my research study.

Lastly, all honour to the Almighty God for granting me knowledge, wisdom and understanding without which this piece of work would not be a success.
ABSTRACT
The general objective of this research was to establish the factors that affect real estate development in Kenya. The specific objectives were to determine the extent to which demand, stakeholder involvement, government policy and managerial skills of developers affect the real estate development in Kenya. During the determination of the methodology, the research design adopted was descriptive research design. The researcher used stratified random sampling method in the study. This ensured that the entire population was represented. The target population comprised of 80 employees of Housing Finance. The sample size chosen was 40. Data was analyzed both qualitatively and quantitatively and presented by the use of tables, charts and graphs. This contributed towards answering the research questions and making conclusions and recommendations of the study. Based on the analysis of the 38 respondents, 92% of the respondents said that demand affects real estate development in Kenya, 79% responded that stakeholder involvement has an effect on real estate development in Kenya, 89% of the total respondents indicated that the managerial skills of the developer affects real estate development in Kenya and 95% of the respondents said government policy will contribute largely on real estate development in Kenya. The study recommends that investors in the real estate industry should be very keen to monitor demand patterns before they can decide on whether or not to invest in a particular area. It is very vital for developers to ensure that they involve the relevant stakeholders and get their goodwill before undertaking any development activity. Management from each department should be impacted with skills that are aligned with the goals and objectives of the project so as to reduce conflict of interest and duplication of duties within the organization thus increasing efficiency and effectiveness during the implementation process. The study further recommends that the government, through incentives such as reduced land rates and favourable taxation policies, can encourage investors to invest in the real estate industry.
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<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>CBK</td>
<td>Central Bank of Kenya.</td>
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<tr>
<td>HEK</td>
<td>Homes Expo Kenya.</td>
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<tr>
<td>HF</td>
<td>Housing Finance.</td>
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<tr>
<td>HFL</td>
<td>Housing Finance Limited.</td>
</tr>
<tr>
<td>KCB</td>
<td>Kenya Commercial Bank.</td>
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<tr>
<td>MUA</td>
<td>Management University of Africa</td>
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<tr>
<td>NEMA</td>
<td>National Environment Management Authority</td>
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<tr>
<td>SACCO</td>
<td>Savings and Credit Co-operative</td>
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<td>WB</td>
<td>World Bank.</td>
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### OPERATIONAL DEFINITION OF TERMS

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tr>
<td>Demand</td>
<td>This refers to the population’s ability and willingness to purchase certain products in the market</td>
</tr>
<tr>
<td>Stakeholder involvement</td>
<td>Stakeholders basically parties or individuals who are directly associated with a project activities. They will be positively or negatively influenced by the projects activities.</td>
</tr>
<tr>
<td>Government policy</td>
<td>Refers to the rules and the regulations set and implemented by various government bodies.</td>
</tr>
<tr>
<td>Managerial skills</td>
<td>The term skills are defined in various ways, Sir Charts defines skills as the capacity of getting things done through agency of a community with a view to fulfill the purpose for which it exists.</td>
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CHAPTER ONE
INTRODUCTION OF THE STUDY

1.1 INTRODUCTION
This chapter presents the background of the study and statement of the problem with an intention of indicating why it is necessary to conduct a study on this topic. It also gives the objectives of the study, significance and limitations of the study.

1.2 BACKGROUND OF THE STUDY
The development of the housing sector is generally recognized as an essential part of economic development in Kenya. In addition to the large share that the housing sector occupies in the Kenyan economy, its importance also arises from the positive externalities and spillover effects, and its impact on the social and political climate, issues of particular importance in developing countries (Mwangi, 2002).

Mbugua (2004) notes that it is projected that Kenya will have a population of over sixty million people by the year 2030 and more than 50% of that population will be living in urban areas, thus creating a big demand for new housing units. Nairobi alone requires roughly 150,000 new housing units per year compared to a maximum construction of 10,000 units per year.

As Field (2003) explains, housing is one of the basic needs of humans, the most important after provision of food and water. Despite challenges that begun in late 2011 owing to a weakened shilling; the prospects for the real estate sector in the long term appear promising. Nevertheless, the huge demand for housing will continue in the unforeseeable future, due to the fact that there is still a huge deficit in terms of housing in Kenya. The mortgage market is expected to grow tremendously over the next decade, both in the country and the region but the key factor still remains to be the interest rates charged.

The real estate industry in Kenya plays an important role in providing employment opportunities, promoting equitable income distribution all over the country and improves on individuals’ living standards thus the reduction on the poverty levels. With the help of the ministry of finance, the country can cut down on the inflation rates through austerity measures to reduce its budget.
deficit, accompanied by a tight monetary stance according to Villa Care Kenya real estate services firm (Kenya Homes Expo, 2016).

The real estate industry must be supported and it will have to grow at a faster pace than it currently does. The Kenyan real estate industry is benefiting from economic growth and the inflow of foreign aid and has been regarded as a very promising venture. The government is also heavily investing in this industry in various ways such as availing of funds to the housing ministry, enforcement of laws to govern urban planning and provision of regulatory laws in the issuance of license permits. (Kamau, 2011).

According to (Diamond and Lea, 2002), it is widely understood that the provision of housing services depends upon a well-functioning housing finance system that operates in an operationally efficient manner. Moreover, similar to the housing market, there are a lot of beneficial spillover effects that the housing finance system has on the whole financial system with far reaching consequences for economic development. There is an increased emphasis in developing and transitioning countries on real estate finance and mortgage markets.

**Profile of Housing Finance**

Housing Finance Company of Kenya, also known as Housing Finance Limited is a mortgage finance provider in Kenya, the largest economy in East Africa. The company is the only mortgage company regulated by the Central Bank of Kenya and national banking regulator. It was established in November 1965, to promote a savings culture and home ownership among the citizens of newly independent Kenya. In 1992, Housing Finance Company of Kenya became listed on the Nairobi Stock Exchange. The company adopted the shorter name of Housing Finance Limited, in 2002.

For over forty seven years, Housing Finance has been “turning dreams into homes” for many Kenyan families and housing developers mostly through ensuring provision of easy access to mortgage finance and through empowering clients to save their money for the purpose of building, buying and owning homes. Housing Finance has managed to maintain a substantial market share and remains the dominant industry leader based on mortgage loans value and number of mortgage customers.
Introduction of variables

Demand

Demand is a fundamental factor in development of the real estate industry in Kenya. The population is the main consumer of products from the real estate industry. The industry is able to flourish and grow when the population demands real estate products leading to overall economic growth. This research will focus on disposable income, financing and ability of people to buy.

Stakeholder involvement

Involvement of stakeholders to real estate development projects must be encouraged at all levels. Stakeholder participation is a fundamental factor in development of projects. Real estate development projects must involve stakeholders to ensure the right decisions are made at all levels of project management. Such stakeholders include NEMA, the Ministry of Lands and County governments. All stakeholders are required to commit themselves to ensure smooth running of the project activities and operations.

Management skills

Effective managerial skills of developers enable smooth running of projects operations. Project managers must be competent and have right skills and ensure that they recruit the right team members to efficiently carry out project operations. The recruited members should undergo good training in order to be able to produce quality output.

Government Policy

Government policies formulated bring about efficiency, consistency and order in the way real estate growth activities are carried out. Policies such as interest rate caps and policies on urbanization key determinants in the growth in real estate development. Therefore it is vital to confirm if the government policies in place are effective enough in to foster in the growth of real estate in Kenya.
1.3 STATEMENT OF THE PROBLEM
This study aims at assessing the factors that affect the growth of real estate in Kenya with a focus on Housing Finance as the case study. Provision of housing for all in the country is very crucial in order to ensure social-economic stability and to promote national development. Although the real estate industry plays a vital role in the provision of employment opportunities, enhancement of income distribution and alleviation of poverty all over the country, there exists a number of factors which limit the development of this industry to meet the ever increasing market demand in Kenya. Thus there exists a gap in the real estate industry in Kenya.

In recent years, Kenya’s population has steadily increased and as a result, the urban population in Nairobi has risen to a record of 3 million. All these people need shelter, hence the real estate sector’s contribution to the economy is very significant. Even with recent indications that the real estate business in the country is performing very well, there is evidence that certain bottlenecks may still persist. This has led to stalled projects and unoccupied complete properties.

The mushrooming of informal settlements such as slums in urban centers has largely affected the demand of real estate products in the market. Many low income earners prefer to settle in slum areas because of the low cost of rent. There are also many products in the market tailored for the middle income and high income class but no affordable products for the lower income earners. Therefore, this section of the population is usually left struggling and eventually find themselves in the slums.

The recent encroachment of public land e.g. road reserves and natural resources by developers is also an emerging issue in the country. In the recent past, the National Environment Management Authority (NEMA) and the Nairobi City County have raised advocacy campaigns against such development and have issued developers of these buildings with notices to demolish them failure to which they would be demolished at the developer’s cost. Examples of buildings that have been demolished include Taj Mall building along Outering Road in Embakasi, Nakumatt Ukay, Java House Coffee restaurant, Safe Dose Pharmacy and Shell Petrol Station in Kileleshwa and South-End Mall along Lang’ata Road.

This being an important industry that makes enormous contribution to the Kenyan economy, there are gaps in the literature that ought to be filled, these includes: the available literature has
not indicated ways in which real estate enterprises can be empowered to compete on equal levels with established businesses and also where the booming housing development in the city has been sourcing its financing (Mwangi, 2002)

Studies conducted by Renaud, B (2005) and Kamau (2011) indicate that there is growing competition for funding of real estate development due to competing needs for using the same funds to finance other productive sectors of the economy. The studies show that there is shortage of long term funds which are mostly necessary to finance housing projects because banks prefer short term financing. The Central Bank Supervision report of (2012) indicates long term funding mismatch which further complicates the funding mechanism of long term projects in the real estate sector (CBK, 2016).

These factors include government policies and regulations, financial resources and their accessibility, managerial skills of developer and stakeholder participation. Interest rates also affect the prices of real estate properties thus affecting real estate development in Kenya.

1.4 OBJECTIVES OF THE STUDY
1.4.1 General Objectives
The main objective of this study is to determine the factors affecting the growth of real estate in Kenya with specific reference to Housing Finance Limited.

1.4.2 Specific Objectives
i. To establish the effects of demand on real estate development in Kenya
ii. To establish the effects of stakeholders; involvement on real estate development in Kenya.
iii. To determine the effects of management skills of the developer on real estate development in Kenya.
iv. To assess the impact of government policies on real estate development in Kenya.

1.5 RESEARCH QUESTIONS
i. What is the effect of demand on the growth of real estate in Kenya?
ii. What is the effect of stakeholders’ involvement on the growth of real estate in Kenya?
iii. To what extent does management skills of the developer affect the growth of real estate in Kenya?
iv. What is the effect of government policies on the growth of real estate in Kenya?

1.6 SIGNIFICANCE OF THE STUDY
1.6.1 Housing finance
The study will be significant to the Housing Finance Company in that it will help them understand and appreciate the factors affecting real estate development in Kenya thus coming up with possible solutions in their own capacity to encourage real estate development in Kenya. The Housing Finance management will also get to realize the importance of real estate development through the formulation of the right strategies so as to encourage the growth of real estate sector in Kenya.

1.6.2 Other Researchers
The study will provide other prospective researchers with base line resource material, right data and valuable knowledge regarding the relevant issues affecting real estate development in Kenya. The study can also help scholars to get to know more about the real estate sector in Kenya. Various stakeholders, future researchers and any other person who may come across the study are bound to benefit.

1.7 LIMITATIONS OF THE STUDY
1.7.1 Confidentiality
Some respondents were not willing to provide the needed information due to fear of being reprimanded by their managers for giving out information that they might consider to be private or confidential. However, I assured the respondents of confidentiality of the information that they provided and also sought permission from the management of Housing Finance Company to undertake this research. In addition, I provided a letter of introduction from the Management University of Africa (MUA) indicating that the research is purely meant for academic purposes.

1.7.2 Fear of Victimization
Top management have a tendency of being suspicious of researchers, it was also anticipated that some of the respondents would be concerned about the extent of information the management would want them to contribute without any repercussion. However I addressed these concerns by using a letter of introduction from the Management University of Africa (MUA) and providing the necessary assurances to the respondents.
1.8 SCOPE OF THE STUDY
The research study sought to ascertain the factors affecting the growth of real estate in Kenya with special reference to Housing Finance Company, whose Head office is at Rehani House along Kenyatta Avenue or Koinange Street. The target population was 80 with a sample size of 40. This study focused on Kenya, a developing country whose real estate development has been described by scholars as vibrant. The study was conducted between the months of May 2018 to September 2018.
CHAPTER TWO
LITERATURE REVIEW

2.1 INTRODUCTION
This chapter contains a theoretical literature and review of related literature and studies that had been done by other writers and researchers in the same area. The findings in the past literature reviews of past studies are discussed below. This chapter also expounds on review of critical literature, the gaps to be filled, summary and conceptual framework of the study.

2.2 REVIEW OF THEORETICAL LITERATURE
2.2.1 Demand
Demand is defined as the willingness and ability of the population to purchase a certain product from the market. Businesses thrive on consumers’ demand, and therefore absence of demand implies that there will be no market for any business products in the market. The law of demand states that when prices of a certain product increase, the demand for that product decreases and when prices decrease, the demand increases.

One of the key factors that influence demand in the real estate industry is population development. Population development refers to the changes in the population patterns of an area. Currently, the world population has ascended to more than 7.6 billion individuals and by 2030 more than 60 percent of the total populace is expected to live in urban areas. Kenya’s population currently stands as 51 million with the urban population standing at 26.06% of the total population. All these people require housing and therefore, real estate developers have a huge task of ensuring that all people have decent housing. Most times, a huge population is presumed to provide a good market for the real estate industry. However, this is not true for populations with little or zero income since they lack the ability to purchase real estate products. Therefore, developers need to be keen to observe economic ability of a population in any given area to determine whether to invest or not.

As demand for real estate products by the populace is a factor for the request of lodging, without renewed supply of such products, it raises the costs for both leasing and acquiring housing. The issue is additionally exacerbated in a considerable lot of the huge urban areas with an adjustment in living inclinations that has brought about a fall in family rates, especially in the western
world. Subsequently demand for real estate products by the populace to the city and less individuals per family unit means the supply of all the more real estate products is required.

The other factor that affects demand in the real estate industry is buyer’s disposable income. Disposable income refers to the population’s ability to purchase products. This is what remains after other costs have been deducted from one’s income e.g. taxes. This is the amount of money that remains for investment or savings. An increase in disposable incomes of households in a population will result to an increase in the demand for real estate products either for investment or for residing. This implies that households will put their money in the purchase of real estate products. On the contrary. A decrease in disposable income means that households will have less money to purchase or lease real estate products. This therefore implies that the demand for real estate products will decrease.

The government can therefore encourage the population to invest in real estate and other sectors of the economy by ensuring that they do not set exorbitant taxes for the common man. The government can also complement this effort by making available affordable housing units so as to accommodate individuals with less disposable incomes. In its big four agenda, the government of Kenya has plans to make available at least one million affordable housing in the next 5 years. (2018-2022). This number includes a total of 800,000 three bedroom houses, two bedroom houses, 1 bedroom houses and bedsitters. The Government also intends to construct 200,000 social housing units. This entails the development and upgrading of urban slums. This project will be undertaken in Nairobi, Eldoret, Kisumu, Mombasa and Nakuru on approximately 7000 acres of land.

The other key factor affecting demand of real estate products is the availability of finances for developers in the real estate industry as well as consumers of real estate products. Vision 2030 for housing seeks to ensure that there is adequate and decent housing in the country in a sustainable environment. Some of the strategies that have been employed to achieve this outcome include better development of and access to affordable and adequate housing and enhanced access to adequate finance for real estate developers and buyers. Nevertheless,
majority of households are faced with the challenge of inadequate incomes and this forces them to resort to informal housing.

In most economies, one of the key drivers of economic growth is long-term finance. Long-term finance makes it possible to provide affordable and adequate housing which is a major boost for Kenya’s Vision 2030. Among the flagship projects under the “Housing and urbanization” as stipulated in the Vision 2030 is Mortgage Financing Initiatives”. At an estimated yearly demand of approximately 150,000 housing units, the supply is hardly at 35,000. This implies that there is a gap of about 115,000 units. The sector therefore provides unlimited opportunities and a major market; appropriate and innovative financing mechanisms are thus absolutely necessary. (Njuguna, 2010)

Hirsh (2007), states that any new business venture is started using personal finance and contribution from friends. Another source of short-term finance is commercial banks and they are most frequently used by an entrepreneur when he/she has collateral. The funds provided are in the form of debt finance and as such, require some valuable assets as security. The collateral can be in the form of business assets such as land, car, equipment bonds or stocks.

According to Otieno (2002), finance is important for the overall development process as one of the major factors of productivity together with land and labour. It can also be regarded as one of the key inputs in the development and the growth of development entities. In addition, firms form linkages with one another for purposes of accessing financial capital.

A mortgage is a loan secured by real property through the use of a mortgage note which serves as the evidence of the existence of the loan and the encumbrance of that realty through the granting of a mortgage which secures the loan. A mortgage market is vital for the process of capital accumulation in developing economies. Furthermore, it is essential in enhancing the depth and reach of the financial markets. Since housing is the primary tangible asset of developing or transitioning economies, it can be used as collateral to borrow finances so as to carry out productive capital investment. Mortgage debt accounts form a large proportion of household debt and through secondary markets and securitization, supports the efficient functioning of financial markets. Housing finance and other real estate finance are critical both in the growth of a
dynamic housing sector in addition to the growth and expansion of the financial sector. In addition to creating more lending channels, more investment channels are opened up as well for both institutional and individual investors, therefore contributing to more complete and efficient markets. (Goodhart, 2003)

Redman and Tanner have investigated sources of financing corporate real estate and utilization, techniques and motivations involved in leasing real estate by manufacturing and service. These scholars discovered that significant sources of funds for the acquisition of real assets for production and distribution were operating cash flows instead of external sources. Leasing was a common technique to finance and acquire assets. This allows for managerial flexibility and tax sheltering benefits and creates off balance sheet financing (Redman and Tanner, 1998). Bank loans are the main source of funds for real estate developers. In the whole capital chain, bank loan account for at least 55%, some even more than 90% (Han, 2008). Bank loans almost go through every part of development process, including land reserve, real estate developing selling and buying.

Better corporate frameworks benefit firms through greater access to financing; lower cost of capital, better performance and more favorable treatment of all stakeholders Claessens et al. (2002). Firms with well-established corporate governance structures are able to gain easier access to debt financing at lower cost since such firms are able to repay their debt on time (Abor, 2007). This suggests that the ability of firms to access debt capital at lower cost could be dedicated to a large extent by how the market measures its corporate governance system. Easier access to debt capital at lower cost, in the long run leads to improved company performance.

Countries with a developed housing finance system tend to experience lower construction costs and the use of housing assets to support broader investment opportunities through formal institutional framework (Blasko and Sinkey, 2005). The financial market is critical to development process for real estate developers and investors, (Miles et al, 2000). There are suggestions that poor access to private external finance relates to demand side problems. Particularly lack of information about available sources, rather than lack of credit available (Fraser, 2004).
The Kenyan financial system through its intermediation role remains to be the key pillar in providing mortgage financing. Though there is clearly enormous opportunity in the sector, lending to the building and construction and real estate sector stands at 12.2% (Ksh 92.5 billion as at end of 2009) of the total credit by banks and mortgage finance companies. It appears that the bulk of financing is through household savings. Thus, this is a clear indication that financing is one of the major constraints. Whereas most deposits are short term in nature, mortgage financing is long-term. The traditional mismatch constraint hence comes into play. This requires a well-developed mortgage market to address long-term funding requirements of the sector. (Njuguna, 2010)

Housing finance targets to roll out innovative products as part the firm’s strategy to deliver a smooth, flawless and convenient process to the customer. It plans to do this through the introduction of Makao which seeks to address the key challenges home owners undergo during the construction period which include poor supervision, cost overruns and inflated building costs, fluctuating prices of materials, delay in completion of project, poor quality materials, theft of materials, diversion of construction funds and unqualified construction workers (Ireri, 2014). The partnership between Housing Finance and the consortium of professionals will also ensure that potential home owners save on time spent seeking for regulatory requirements and supervising construction work, while giving certainty of the finished product. The solution targets individuals, SACCOs, Corporate, Kenyans in the Diaspora, Investment groups, Schemes and the counties. (Ireri, 2014)

Kenya’s mortgage market has been described as dynamic. This is because it is growing rapidly and becoming increasingly competitive. Out of the 44 commercial banks only 30 offer mortgage loans to customers, however, it is a common practice for banks to advance mortgages to their employees. According to the Central Bank Economic Report (2012), 71% of mortgage lending in Kenya is done by five institutions namely: Kenya Commercial Bank (KCB) is the market leader with 30% of the market share, Housing Finance of Kenya with 19% of market share. There has been tremendous growth in the mortgage market with every passing year.

The monetary policy provides the framework through which the monetary authority within a country controls the supply of funds. In Kenya, the Central Bank of Kenya is the institution
mandated with this task. It influences the levels of money supply credit in the economy in order to minimize excessive price fluctuations and promote economic growth (Friedman, 1968).

Alternatively, Keynesians suggest that change in money stock facilitates activities in the financial market affecting interest rate, output, investment and employment. Modigliani (1963) supports this view but brought forward the concept of capital rationing and held that the willingness of banks to lend affects monetary policy.

The supply of loan able funds comes from individuals who have some extra income they want to save and lend out. This lending can occur directly, such as when a household buys a bond from a firm, or it can occur indirectly, such when a household makes a deposit in a bank, which in turn uses the funds to make loans available (Mankiw, 2008).

A study was conducted regarding factors that influence investment in real estate development in Kenya. The research design employed by the study was descriptive research and it targeted all licensed real estate enterprises in Nairobi. The researcher used questionnaires to collect data and analyzed the data. The study findings concluded that all real estate investments firms work towards reducing the housing deficit in the city of Nairobi which currently stands at 410 house units a day, the study also fulfilled that although deregulation of this sector is a necessary condition for revival of a healthy real estate investment sector, deregulation cannot by itself ensure that a full range of real estate investment accommodation is provided (Kamau, 2011).

2.2.2 Stakeholder involvement
Stakeholder participation refers to active process through which beneficiaries influence the execution and direction of the project’s development rather than simply receiving a share of project benefit. They should be directly involved in planning and deciding how project can be run and by doing so the prospects of its success are involved. Also involving community in the project significantly increases the chances of success by building in a self-connecting feedback circle. Development is for the people and that it is people themselves who must have the ultimate say and direct all development efforts. (Brikkle, 2006). Mackay (2007) defines stakeholder participation as a process whereby those with rights and or interests play an active role in decision-making and in the consequent activities which affect them.
One of the key stakeholders in the real estate industry is the National Environmental Management Authority (NEMA). Established under the Environmental Management and Coordination Act No.8 of 1999 (EMCA), NEMA is the principal government instrument that implements all policies and regulations relating to the environment. Among NEMA’s key functions is the monitoring and assessment of all activities that are undertaken by developers to ensure that the environment is not in any way harmed or degraded. As such, NEMA has had a keen eye on unethical developers who violate environmental laws by either constructing buildings on riparian land and undertake such blatant disregard or Environmental Health and Safety laws. NEMA has in the recent past undertaken to demolish such structures constructed on riparian land e.g. Nakumatt Ukay, Java House Coffee restaurant, Safe Dose Pharmacy and Shell Petrol Station in Kileleshwa and South-End Mall along Lang’ata Road. The authority is also taking the relevant legal action against violators. This action is aimed on reclaiming and rehabilitating natural resources such as rivers and discouraging other unscrupulous developers from doing such action. The action by NEMA was largely backed by political goodwill and received applaud from majority of Kenyans. NEMA is also charged with the responsibility of publishing and disseminating manual guidelines and codes in relation to environmental management and prevention of environmental degradation. These serve to guide real estate developers on the do’s and don’ts while undertaking real estate development activities.

The other key player in the real estate industry is the Ministry of Lands and Physical Planning. One of the key functions of this Ministry is the administration and management of all private land. It also controls and regulates use of land and property with respect to all categories of land and maintenance of land records. This therefore is a Ministry that all real estate developers should work very closely with to ensure compliance to the set standards and regulations. The Ministry also plays a critical role in the preparation of town and city master plans and allocation of land for construction. In addition, the ministry is charged with the responsibility of examining and approving building applications. Real estate developers are therefore required to submit their applications to the Ministry beforehand for consideration and subsequent approval. Developers must therefore ensure that they conform to all the set regulations and policies in order to secure positive response from the ministry. This has served to prevent dubious and incompetent
developers from putting up structures that are not in conformity with town and city master plans, as well as those that disregard the set standards of construction.

This section also examines what is meant by “active role” and describes the different kinds of roles that can be played by a key stakeholder. From any stakeholder’s perspective, stakeholder participation can be seen as a spectrum model with a range of possibilities such as being in control and only consulting, informing or manipulating other stakeholders; partnership (equal powers of decision-making) with one or more of the other stakeholders; being consulted by other stakeholders who have more control; being informed by other stakeholders who have more control and being manipulated by other stakeholders. No one likes being manipulated. We should be aware of the past failures where stakeholder’s participation was an attempt to make people contribute labor or money in an activity in which they had no interest, and from which they perceived they would receive no benefit.

Several key concepts provide the basis for effective stakeholder engagement. When people with diverse interests and areas of expertise collaborate to solve problems, better decisions are often arrived at. However, collaboration takes effort and time, and pay off may not be apparent at first. Not all projects will require the same level or style of interactions with the stakeholders (Goodyear, 2008). Real estate development in Kenya requires close partnership between the people concerned and the local or central governments so as to ensure its success.

Goodyear (2008) states that, the past several decades of development funding (for example World Bank in Africa), has demonstrated the failures of top-down approaches to development. Not only does the provision of public goods remain low in developing counties, most projects suffer from lack of sustainability. These failures can be attributed to the lack of local participation. According to conservative calculations, the World Bank’s lending for (Community Driven projects Development) has gone up from $325 million in 1996, to $2 billion in 2003. This trend is supported by anecdotal and empirical evidence suggesting community participation is an unqualified good In terms of project outcomes and sustainability (Narayan, 1995). However, despite such interest there is much less understanding of, and even lesser agreement on what community participation as part of the stakeholder’s means. There is a real danger that participation too will be misunderstood, misapplied and eventually discarded.
According to the World Bank’s Operations and Evaluation Department’s Report on sustainability study (2005), Projects that require regular maintenance and supervision are likely to benefit from strong stakeholder participation beginning with project identification, design, continuing through implementation, monitoring and evaluation. Indeed, evidence has been accumulated about the negative effects of not consulting with the affected stakeholders. The report indicates that institutional factor, including the involvement of beneficiary organizations, are the key to project sustainability. Even though all projects should be grounded on a firm outstanding of client demand for project services, participation is very essential for the success of projects that depend on cost recovery or may entail changes on behavior of the poor. A recent review suggests that, in almost every participatory project the World Bank has financed, participation has contributed significantly to project effectiveness.

One ingredient of good stakeholder engagement is to begin early and plan for continuous input. Opportunities make changes diminish as project design nears completion. Stakeholders input during conceptual stages of a project, mutual benefits are derived that lead to better results. Since 1980s, the new development slogan according to Goodyear (2008), has been “participatory or community-led development” and there has been a rush to jump on the participatory bandwagon. Such community based approaches to development are among the fastest growing mechanisms for channeling development assistance.

Early engagement provides a golden chance to influence public perception and set a positive tone with stakeholders at the beginning. Be clear upfront that there are still many uncertainties and unknowns, and use interactions with stakeholders as a predictor of potential issues and risks, and to help generate ideas and alternative solutions on early design questioning (Brikkle, 2006).

There exist different types of stakeholders with whom they are all handled uniquely depending on their nature. Executive stakeholders are entitled to the payment of bills. They are the manager or directors who are involved with financial objectives for the projects. They are required restrict themselves to commercial or financial consideration and be actively discouraged from being involved in technical design since their experience and skills are vastly different to that of the original end user. The end users can be referred to as the consumers or individuals who will use the final product or service. No one knows more about what the product supposed to do when it
hits their desk than they do considering their needs. Experts are required in various fields such as graphic designing field, representatives in sales field, lawyers and accountants

Stakeholder outline a vision of promoting new and improved decision making by developing the tools, data training necessary to support implementation. The focus of activities should be on supporting the implantation and running of the project management as opposed to creating a new decision making framework. The principle are not new just difficult to implement. There is importance of making information available to support the tradeoff analysis required for project management. The integration of disparate data bases, the ability of highway user and societal costs are seen as important types of information for management (Pollitt 2007).

Basically all stakeholders are of value to the success of the project. As their input is of great importance for purposes of achieving the projects goals and objectives

2.2.3 Managerial skills of the developer

Skills are defined in various ways; Sir Charts, 2012 defines skills as the capacity of getting things done through agency of a community with a view to fulfill the purpose for which it exists. This definition emphasizes the accomplishment of tasks through the effort of the people, it is the duty of entrepreneurs to guide and coordinate doers of a task towards certain specific goals. This can only be done if the managers are well equipped with knowledge affecting the same internal environment.

Managerial skills of the developer can be acquired through training. Training is the systematic modification of behavior through learning. This occurs as a result of education, instructions and planning experience. Training is task oriented as it focuses on specific area of work. The training standards are derived from the job description or task requirements of the job. Training is provided when there is a gap between the expected and the critical standards of work performance. (Armstrong, 2006).

Managers and developers in real estate firms are supposed to ensure that they have the required knowledge and skills to be able to assemble the requisite physical and human resources for their work. It is the manager’s role to ensure that at the beginning of every project, they set the objectives in accordance to the client’s interests and coordinate all processes until the completion of the project. They should have the ability to managing staff for the firms to achieve their goals.
In other words, managers must get the work done by the staff. This means that the managers must be capable of handling all the resources of the firm which include finances, equipment, personnel, materials and information. A manager who can be able to handle all these resources effectively is able to achieve the set targets with ease.

The process of real estate development is usually marred by a lot uncertainties and therefore developers should at all times be prepared to handle any eventualities that may arise in the course of work. The developer has a great responsibility of ensuring that the needs of all stakeholders are met. In addition, development of real estate usually entails long term contrasts. The price of making a simple mistake is extraordinary and the effects of an error is multiple, long term and sometimes unseen. This therefore means that the developer’s task is very key in ensuring the success of real estate projects.

In the course of work, the developer may face a myriad of challenges including; rising competition and unethical business practices, changing technologies, stringent and restrictive government policies among others. The developer should be proactive and dynamic to ensure that they anticipate these challenges and have set up plans to handle them.

The success of any real estate enterprise depends on the kind of management style applied by its leadership. Management styles can be classified into three groups namely; authoritarian, democratic, and laissez-faire.

Authoritarian Style – Authoritarian managers go by variety of names. They are sometimes called top-down managers, control freaks or dictators. They do this without much expression of warmth and affection. They attempt to set strict standards of conduct for their employees. The managers expect the staff to do what they are told and generally don’t allow for disputes or negotiations (Mark, 2005). The managers don’t explain why they want the staff to do things; they are not expected to question a rule or command. They focus on bad behaviour rather than the positive ones and the staff are often scolded (Vincent, 2004).

In this kind of leadership, the focus of power is with the leader and all interactions within the group move towards the leader and he or she mobilizes people towards a vision (Goleman, 2000). The leader is the sole decision maker who tends to be dictatorial. This type of leadership is strict and rigid. Thinking is not allowed, there is no compromise and rules are there to be followed. Here, communication is a one way traffic and there is no recognition or praises.
According to Alexander’s (2005) study, he stated that managers with formal education, more training, and experience had less authoritarian style. Managers with non-authoritarian style tend to have more positive interaction with employees than do managers with more authoritarian styles (Annet, 1989; McCartley, 1984). Authoritarian managers have high demands but they are not responsive to their employees. Instead, they are status-oriented and expect their orders to be obeyed without explanations (Baumrid, 1991).

Democratic Style – Democratic managers are much more egalitarian; they believe that seeking consensus with staff is the best way to draw on broadest range of resources and get the best results. They also believe that providing staff with responsibilities and showing confidence in them, helps them to develop as employees and as individuals (Mark, 2005). This is where the focus of power is more with the group as a whole rather than with a single individual. There is great interaction within the group. The leader forges consensus through participation and collaboration, team leadership and communication (Goleman, 2000). The leadership functions are shared with members of the group, and the leader is more of a member of the group. Group members have a greater say in the decision making. The leader asks for and uses suggestions from subordinates but still makes decisions. Communication is two-way traffic and there is recognition and praises.

According to Alexander (2005), managers who often use the democratic management style are accommodative; they assign responsibilities to the staff, they encourage active participation, team work and give clear instructions in any assignment given to the staff members. Managers who use democratic style in their daily routine tend to have more consultations and deliberations before they make any final decision on any problem (Mark, 2005).

Laissez-Faire Style – This is a let’s wait and see approach. Mostly, the leader is a non-committal. There is no authority, there is extreme freedom, no control, and there is no job description. In this case, the leader plays many roles in the organization. They are uninvolved managers characterized with demands, low responsiveness, and little communication. They only do the bare minimum and they are generally detached from the stakeholders. In most cases, leaders who use this management style may even reject or neglect the needs of the stakeholders (Baumrind, 1991).

Authoritative Style - An authoritative manager helps the staff to be responsive to the stakeholders. They do this by providing clear reasonable expectations for their staff. They
establish rules and guidelines to be followed. Managers who use this style are responsive to their staff and willing to listen to them. They are more nurturing, assertive but not intrusive and restrictive. Their disciplinary methods are supportive rather than punitive. They like their staff to be assertive and self-regulated as well as co-operative (Vincent, 2004). Baumrind’s (1991) study findings stated that managers who use this type of style are willing to listen to questions from stakeholders and are very responsive.

All the management styles used have an impact on real estate development. Conventional wisdom indicates that strictly authoritarian managers are never good managers. This is to a large extent true because most people do not respond well to constant orders. Nevertheless, in most cases, with business being what it is, there may not be enough time to think through and discuss in details, every problem that arises. Sometimes things have to be done with no questions (Mark, 2005). This affects the way staff carry their mission of modeling their companies since they are not given an opportunity to give their opinions but only follow orders. Democratic managers seek input about a problem. They will still have to make a decision and it will have a better chance of being correct if some inputs have come from competent employees. Management styles in their extreme forms are problematic in practice (Mark, 2005).

Casico (1998) said that training improves skills and this helps the employees to utilize materials, machines with greater versatility. The first step in training is to decompose the training task into comprehensive analysis of the training system including interaction with other organizational system then determining training needs and specify training objectives clearly finally consider alternative ways of learning. Waters (2004) defines attitude as a planned process to modify through learning experience to achieve effective performance in an activity. Its aim in the work environment is to develop the abilities of the individual and to satisfy the current and future needs of an organization.

According to Kraaling (2004), if we want the rest of the world to recognize our business as being concerned about human factors problem, we must develop a tool kit of a way to approach and solve human performance problems. To ensure that training improves job performance, there is need to be rational and develop a systematic way of selecting and nominating trainees. The selection of trainers should emerge naturally from training needs that have been identified to
save resources, inability to learn, perform tasks but also to facilitate the application of knowledge and skill in work situation. The underlying objectiveness of training in general is to achieve a change in the behavior of those trained is that they acquire new skills, technical knowledge and problem solving abilities or attitudes that will enhance their work performance.

In recent survey authors concluded that much of the training reported was for the organization rather than individual development suggesting that many employees would not regard training they receive as training. This is because it neither imparts transferable skills nor contributes to personal and educational development (Armstrong, 2003)

Armstrong (2003) contends that an organization seeks to run training administration, which will include the following aspects; the organizational need to use information technology to store competence based module on the database, which enables trainers to select the appropriate module mix to meet a specific learning need. Such information technology should be used to analyze training recommendations contained in performance review to identify collective and individual training needs.

The administration should also include activities such as identification of suitable courses that meet training needs, making arrangements off the job course, recording and monitoring training expenditure against the budget storing data on standard or individually tail lured introduction, continuation and development training programmer including syllabus routings responsibilities and tasks. With the proper training administration in place, the organization will be able to plan and achieve the training needs of its employees (Jones, 2005).

Armstrong (2003) says that for training to be organized and conducted successfully, an organization needs to have individual employee’s information which includes employee’s record and information obtained from the application forms together with the employment history that was built up since the employee joined the organization.

Donald (2003) says that it is widely acknowledged that many writers and practicing managers give praises of training. Since it is considered as a symbol of the employee, commitment to staff or that it shows an organizations strategy which is based on adding value rather than lowering costs. According to Donald (2004), lack of effectiveness training predominates in much
organization today and these serious doubts remain to whether or not management actually does invest in the training of human resources.

Porter (2006) says, the most valuable resources in any organization are its people. It is essential that you invest in the development of your management and leadership skills to ensure your team fulfill the potential. Investment into both personal and professional development has been proven to provide increased personal and team productivity. Ultimately training is different from exercising in the sense that; people may dwell in an exercise as an occasional activity for fun. Training has precise goals of improving one’s capability, capacity and performance leading into dramatic impact on the bottom line.

2.2.4 Government Policy
Policy refers to a principle or rule that guides decisions and achieve rational outcomes. Policies are usually statements of intent, and are implemented as a process or procedure. Most times, policies are adopted by boards of senior governance institutions within organizations while procedures or protocols are developed and adopted by senior management officials. Policies can help in both subjective and objective decision making. (Richardson, 2004)

Regulation defines policies and rules on how people should be treated. Policies can either be written or unwritten. Basically policies have advantages of prompting uniformity in decisions, facilitating centralization and decentralization, creation of the time saving aspect. This may result to better communications and reduced conflict within the organization since the employees are well aware that they are protected by the existing policies. Policies also do promote managers effectiveness in an organization. (Armstrong, 2003).

Policy study can also be referred to as the process of making important organizational decisions, including the identification of new alternatives such as activities or procedures to be implemented considering on their impact. Policies can be understood as political, management, financial and administrative mechanisms arranged to reach explicit goals. (Pierre, 1998).

Blakemore (1998), policies are typically promulgated through official written documents. Such documents have standard formats that are specific to the organization issuing the policy. Whereas such formats are different in terms of their form, policy documents usually contain certain standard components. These standard components include: a purpose statement outlining
why the organization is issuing the policy and what its desired effect is, an applicability and scope statement describing who the policy affects and which actions are impacted by the policy. Therefore there is a lack of consensus on the definition of policy. The goal of policy may vary widely according to the organization and the context in which they are made.

Government policies regulate the business operations of real estate development firms and this can be seen through restrictions imposed by the government on their operations. These policies may encourage business growth for real estate development firms by widening the market. The procurement entities have a wide variety of suppliers to source from thus increasing competition and accountability among suppliers. However, these policies may discourage business in the sense that the organization can be in bilateral trade and regional market. The government policy can discourage buying of building construction materials from non-member countries. This avoids sourcing of suppliers from non-member state. (Weele, 2005)

Though government legislation imposed on the real estate industry have a direct impact on the business operations, the sourcing company needs to establish ways of doing business in accordance to the government legislative policies. Parliament passes laws that encourage business by making the business environment conducive for business activities. Taxes, barriers, customs and restrictions imposed by the government on business entities make it odious to carry out business with various international suppliers. The legislation must be abided as it may encourage or discourage investment in all sectors including the real estate industry. This legislation and the government policies help the organization not to be engaged in unlawful trade. (World Bank, 2008)

Chapman (2000), government policies include legislation put down to ensure that the service industry runs smoothly. Lack of legislation or inadequate or weak legislation will definitely affect the service delivery in this organization. A policy is a deliberate plan of action that is meant to guide decision making and achieve rational outcomes. This term may apply to government, private sector organizations, groups and individuals.

According to institute of policy formation (2001), policies differ from rules of law. The government regulations affect the performance of all organizations and companies in the country. All policies from the government directed to co-operative societies will eventually have
an impact on the service delivered to their members and the same applies to other institutions and businesses.

Bytle (2001), states that in hidden hand approach, the only responsibility companies have including those in the real estate industry is to maximize profits. This is in accordance with the market principles and within the constraints of the law. Government interference in business is restricted to a minimum, the society will benefit automatically from the activities of the business sector.

Interest rates are an example of policies that the government uses to regulate the real estate industry. By definition, interest rates refers to the annual amount charged, in most times it is a percentage of the total amount borrowed. Changes in interest rates usually results in a change in the total borrowing cost. This in turn affects expenditures that are related to funds that have been borrowed e.g. Bank loans, mortgage schemes etc. Most consumers of the real estate industry become discouraged to invest when the interest rates are high. On the contrary, low interest rates encourage investors to put their money in the real estate industry. In most cases, the cost of borrowing funds highly depends on the rates of interest set by the government. This means that each time there are high interest rates, investors spend more and they spend less each time interest rates are low. Therefore, even the slightest changes in interest rates cause significant changes in investors' spending and consumption of products in the real estate industry. (Muthaura, 2012).

There are two categories of mortgage interest rates namely; fixed interest rates and floating interest rates. Banks charge different interest rates on mortgage facilities. Overall, banks consider factors such as profit margins, cost of funds and operating expenses to determine the interest rates they charge. A lot of banks give loans on the basis of floating interest rates, and therefore this is the reason why most unpaid loans are usually on floating rate basis. In order to reduce market risk, financial institutions add a premium over and above the floating rates while considering the payable period of the loan. A lot of banks are able to easily set their fixed rates by observing the future trends of interest rates and the existing floating rates. Most times, fixed rate loans can be changeable time and again depending on the existing rates (Singh et al, 2012)
According to the CEO of the Kenya Bankers Association, Mr. Habil Olaka interest rate cap is one of the factors that are slowing down the growth of the real estate industry. Mr. Olaka notes that financial institutions are reluctant to give loans, and consequently, this has led to a decrease on the number of properties bought. The cap has also discouraged potential investors from setting up new development projects. Overall, prices of residential properties steadily increased at a slow pace in the second quarter of 2017. The average pricing for houses in Kenya recorded a slight increase of 0.98 percent compared to 1.10 percent rise in quarter one 2017.

The Kenya government has in the recent past shown commitment to give incentives to real estate developers so as to encourage the development of low cost housing. The Principal Secretary in the Ministry of transport and Infrastructure Mr Charles Hinga indicated that the government has set aside 7,500 acres of serviced land for developers to construct affordable houses. In addition, corporate tax for property developers who build at least 100 units of low cost houses has been halved. This is aimed at encouraging the construction of at least 200,000 affordable housing units per year. Other such incentives include but not limited to a 15% tax relief for tax payers who purchase houses under affordable housing schemes, and the abolishment of stamp duty first time home buyers.

Urbanization is another factor that affects real estate development. Urbanization refers to the movement of people from rural to towns and cities. Urbanization is very critical factor in real estate development. Over the last century, towns and cities have become the go to economic centers and have therefore attracted a lot of young, energetic and highly skilled professionals to seek better lifestyles and career development. Kenya is also not left behind as it is gradually moving away from subsistence agriculture to an urbanized country. The government therefore has been grappling with crafting suitable guidelines and policies to guide the urbanization process. In addition, the government is marshalling the requisite resources to sustain the growth of urban centres in Kenya.

Majority of young people are moving from subsistence agriculture to pursue paid careers in urban centers with the aim of improving their living standards. A report by the United Nations indicated that by 2050, 68% of the world’s population will be living in urban centers with Africa and Asia leading with the highest population of urban dwellers in the world. Kenya’s population
currently stands as 51 million with the urban population standing at 26.06% of the total population.

The government can therefore encourage developers to invest in real estate especially in the urban centres by creating incentives to attract investors. Urban centers are a one stop shop for urban dwellers to get housing, entertainment and shopping outlets. This kind of convenience has brought about rural urban migration which has in turn sparked rapid growth of urban centers to meet the rising demand for real estate development products. Urbanization has continued to be a demand driver in the real estate industry and analysts believe that developers and investors in the sector of rental housing stand to benefit a lot in the short run.

2.3 REVIEW OF CRITICAL LITERATURE
One of the key factors to consider in real estate development is the demand. Demand is a key determinant in the growth of real estate development firms. Previous researchers have been shallow in their quest to show the effects of demand in the running of real estate development firms especially disposable income, financing and ability of people to buy. This study therefore seeks to shed more light on other vital factors that affect the performance of such institutions as a consequence of demand.

Stakeholder involvement as observed in the literature review is a crucial factor facilitating decision making process. Engagement by stakeholders is key for the success of any real estate development project. Examples of such stakeholders include; NEMA, the Ministry of Lands and County governments. Nevertheless the previous researchers did not review the effects of stakeholders’ absence in implementation of real estate development in Kenya.

In addition, previous researchers in this field have failed to adequately analyze how the management skills of the developer affect the overall performance of the institutions. Thus, this study aims at showing these effects and recommends possible ways of improving management styles.

One of the key stakeholders in the running of real estate development firms is the government through its policies. These policies affect the running and growth real estate development firms. Examples of such policies include interest rate capping and policies on urbanization. Previous researchers have been shallow in their quest to show the effects of government policy in the
running of real estate development firms. This study therefore seeks to shed more light on other vital factors that affect the performance of such institutions as a consequence of government policies.

2.4 SUMMARY OF THE GAPS TO BE FILLED
Demand is a fundamental factor in development of the real estate industry in Kenya. The population is the main consumer of products from the real estate industry. The industry is able to flourish and grow when the population demands real estate products leading to overall economic growth.

Engagement of stakeholders to real estate development projects must be encouraged at all levels. Stakeholder participation is a fundamental factor in development of projects. All projects must involve stakeholders to ensure the right decisions are made at all levels of the project management. All stakeholders are required to commit themselves to ensure smooth running of the project activities and operations.

Effective managerial skills of the developer enable smooth running of projects operations. Project managers must be competent and have right skills and ensure that they recruit the right team members to efficiently carry out project operations. The recruited members should undergo good training in order to be able to produce quality output.

Government policies formulated bring about efficiency, consistency and order in the way real estate growth activities are carried out. Policies such as interest rate caps and policies on urbanization key determinants in the growth in real estate development. Therefore it is vital to confirm if the government policies in place are effective enough in to foster in the growth of real estate in Kenya.
## Conceptual Framework.

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<thead>
<tr>
<th>Independent Variables</th>
<th>Dependent Variable</th>
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<tbody>
<tr>
<td>Demand</td>
<td>Real estate development in Kenya</td>
</tr>
<tr>
<td>Stakeholders Involvement</td>
<td></td>
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<tr>
<td>Managerial Skills</td>
<td></td>
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<tr>
<td>Government Policy</td>
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**Source:** Author (2018)

### Demand

Demand can either encourage or discourage investment in real estate development. In areas that are fast growing, investors are very quick to establish housing facilities. On the contrary, areas with low demand do not attract investment in real estate because of the uncertainty on return on investment. The real estate industry contributes to the development of the country’s economy to a great extent.

### Stakeholder involvement

Involvement of stakeholders to real estate development projects must be encouraged at all levels. Stakeholder participation is a fundamental factor in development of projects. Real estate development projects must involve stakeholders to ensure the right decisions are made at all levels of project management. Such stakeholders include NEMA, the Ministry of Lands and County governments. All stakeholders are required to commit themselves to ensure smooth running of the project activities and operations.

### Management skills

Effective managerial skills enable smooth running of projects operations. Project managers must be competent and have right skills and ensure that they recruit the right team members to
efficiently carry out project operations. The recruited members should undergo good training in order to be able to produce quality output.

**Government Policy**

A government is a body of people that work to effectively and successfully guide a unit or community. One thing government does is set and administer policy. They use customs, laws, and institutions to exercise political, executive, and sovereign power with the intent of managing a state of wellbeing that benefits all aspects of the community or unit.

Governments tend to be dictated by many factors. The major influences are culture and history. While it can be a complicated structure, governments can be classified into types. There are democracies, republics, monarchies, dictatorships, and aristocracies—to name just a few.

A policy is a principle or course of action proposed or implemented by a governing body. Governing bodies are groups of people that act in unison to guide and support a community, unit, business, institution, etc.

Policies can take many forms depending on whether you’re looking at an institution, organization, government, or other body. Overall, policies do share some common features:

- Policies are authoritative declarations promoted by a person or body given the power to do so.
- Policies shape principles and laws. Policies state and influence ways to perform actions and sometimes by whom.

Government policy describes a course of action, creating a starting point for change. They can influence how much tax the community pays, immigration status and laws, pensions, parking fines, and even where you go to school. While policies are driven to be non-discriminatory, they can affect specific groups of individuals. Policies are not laws, but they can lead to laws.

Government bodies are constantly looking to develop and implement ways that change the lives of residents and communities for the better. Not surprisingly, it’s a daunting task, striving to harness ideas and resources that will effectively address society’s problems of which there can seemingly be no end. The degree of the issue can seem miniscule in the large scheme of things,
but government is required to deal with them. This is why governments are always looking at a range of situations.

Policies have to be prepared carefully. Even in the smallest enterprise, creating policy can seem like an endless strip of red tape. That’s a necessary evil. Government policy will have a dynamic impact. While it may seem frustrating, everyone involved wants to be absolutely sure these changes will improve and not deter the community.

Government policies formulated bring about efficiency, consistency and order in the way real estate growth activities are carried out. Policies such as interest rate caps and policies on urbanization key determinants in the growth in real estate development. Therefore it is vital to confirm if the government policies in place are effective enough in to foster in the growth of real estate in Kenya.
CHAPTER THREE
RESEARCH DESIGN AND METHODOLOGY

3.1 INTRODUCTION
This chapter describes the design and methodology that was used in the study. It expounds on the study design, data sources, study area, study population, sample size and sampling techniques, research instruments used, the validity of the instruments, methods of data analysis and presentation of results and the limitation of administration of research tools.

3.2 RESEARCH DESIGN
Research design refers to the outline, scheme or plan that is used to generate answers to the research problem. It is the plan for collecting and utilizing data so that desired or required information can be obtained with sufficient precision for proper testing of the hypothesis. In this study, the researcher used descriptive research design. This study design seeks to establish factors associated with certain outcomes, occurrences, conditions or types of behavior. Descriptive research is a scientific method of investigation in which data is collected and analyzed in order to describe the current conditions, terms or relationships concerning a problem, (Mugenda & Mugenda, 2003)

3.3 TARGET POPULATION
Target population is defined by Borg &Crall (1989) as a universal set of the study of all members of real or hypothetical set of people, events or objectives to which an investigator wishes to generalize the result. The target population of the study was as follows:

Table 3. 1 Target Population

<table>
<thead>
<tr>
<th>Department</th>
<th>Target Population</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Top management</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>Supervisory staff</td>
<td>72</td>
<td>90</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>80</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Author (2018)
3.4 SAMPLING DESIGN
According to Bowman (1998) a sample is defined as a representative of a large group or entire population usually adopted since the entire population cannot be adopted due to the size and a complete survey is not economically feasible. The study used stratified random sampling technique in which the sample size was representative of the whole population as each stratum had an equal chance of selection. Stratified sampling ensures inclusions of smaller groups which have alternatively been omitted by other sampling methods. A fifty percent (50%) sample size was selected from the target population. The sample size was as follows:

Table 3.2 Sample Size

<table>
<thead>
<tr>
<th>Population Category</th>
<th>Target Population</th>
<th>Sample Size 50%</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Management</td>
<td>8</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>Supervisory Staff</td>
<td>72</td>
<td>36</td>
<td>90</td>
</tr>
<tr>
<td>Total</td>
<td>80</td>
<td>40</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author (2018)

3.5 DATA COLLECTION METHODS
The data was collected mainly through questionnaires. Questionnaires were hand-delivered. The questionnaires were comprised of both closed ended and opened ended questions. The closed ended questions answered basic questions such as gender and age. The open ended questions allowed for self-expression from the respondents. Questionnaires were economical in gathering data because the resources used will be minimal. They were also appropriate because the questions were structured to gather only relevant information thus made respondents more at ease. They also protected respondent’s identity unlike interviews which are mostly recorded. After designing the questionnaires, the researcher edited them as a surety of having all the required information for the study. A visit to various respondents was done and questionnaires were left to be collected at a later date as a measure of time.
3.5.1 Validity and Reliability

A pilot study was undertaken to pre-test the method and tools of data collection. Five questionnaires were issued to five respondents to pre-test whether the questions were interpretable and understandable. The responses received enabled necessary adjustments to be made on questionnaires for the correct response from the respondents during the actual data collection time.

3.6 DATA ANALYSIS METHODS

According to Kothari (2006), data analysis procedure includes the process of packaging the collected information, putting it in order and structuring its main components in a way that the findings can be easily and affectively communicated. After the data collection and before analysis, all questionnaires were thoroughly analyzed for reliability and validity. Editing, coding and tabulation were also carried out. The data was analyzed using both quantitative and qualitative techniques. Qualitative methods involved content analysis and evaluation of text material. Quantitative methods involved the use of diagrams such as tables and charts.

3.7 RESEARCH ETHICS

During this study, the researcher treated all information given with respect and confidentiality.
CHAPTER FOUR
DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 INTRODUCTION
This chapter analyses the findings and provides an interpretation and presentation of the data in line with the objectives of the study. The data obtained is presented in a tabular form, percentages and in descriptive statistics such as pie charts, line graphs and bar graphs. The chapter is further subdivided into several sections that are pertinent to the subject under study.

4.2 PRESENTATION OF FINDINGS
4.2.1 Response Rate
The analysis of the response rate was as follows;

Table 4.1 Response Rate

<table>
<thead>
<tr>
<th>Response Rate</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Response</td>
<td>38</td>
<td>95</td>
</tr>
<tr>
<td>Non response</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author (2018)

Figure 4.1 Response Rate

Table 4.1 above and figure 4.1 indicates how the sampled respondents participated in the study. The total numbers of the respondents who successfully filled and completed the questionnaires to the required satisfaction of the research were 38 which comprised of 95% of the total
respondents and 5% of the non-respondents who did not participate effectively. Based on the analysis, it can be concluded that the response rate was extremely high.

4.2.2 Age of the respondents

The analysis of the age of the respondents was as follows;

Table 4.2 Age of the respondent

<table>
<thead>
<tr>
<th>Age Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-25</td>
<td>5</td>
<td>14</td>
</tr>
<tr>
<td>26-35</td>
<td>11</td>
<td>30</td>
</tr>
<tr>
<td>36-45</td>
<td>16</td>
<td>42</td>
</tr>
<tr>
<td>46-55</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>Above 55</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>38</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Author (2018)

According to table 4.2 and figure 4.2 above, 14% of the respondents were of the age bracket 18-25, 30% were between the ages of 26-35, 42% were between the ages of 36-45, 10% were of the
age bracket of 46-55, while 4% were of the ages of above 55 years old. Based on the study, it can be inferred that majority of the respondents were between the ages of 36-45.

4.2.3 Gender

The issue of gender was important in the study as it would indicate that there was gender balance in the response given, the findings were as follows:

Table 4.3 Gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>26</td>
<td>68</td>
</tr>
<tr>
<td>Female</td>
<td>12</td>
<td>32</td>
</tr>
<tr>
<td>Total</td>
<td>38</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author (2018)

Figure 4.3 Response according to gender

Source: Author (2018)

Table 4.3 and figure 4.3 above show the total number of males and females who responded. The males were 68% of the total respondents whereas the females were 32% of the total respondents as illustrated on the figure. From this study, it can be concluded that the number of males who responded was higher than the number of females who responded.
4.2.4 Marital status

On marital status the study findings were as follows:

Table 4. 4 Marital status

<table>
<thead>
<tr>
<th>Marital Status</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Divorced</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Separated</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Married</td>
<td>18</td>
<td>47</td>
</tr>
<tr>
<td>Single</td>
<td>17</td>
<td>45</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>38</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Author (2018)

Figure 4. 4 Marital status

Source: Author (2018)

Table 4.4 and figure 4.4 above, indicate the marital status of the respondents. Based on the analysis, 45% were single, 47% were married, 5% were separated, 3% were divorced. It can be concluded that majority of the respondents were married.
Table 4.5: Highest level of education

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Secondary</td>
<td>6</td>
<td>16</td>
</tr>
<tr>
<td>College</td>
<td>18</td>
<td>47</td>
</tr>
<tr>
<td>University</td>
<td>12</td>
<td>32</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>38</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Author (2018)

Figure 4.5: Highest level of education

Source: Author (2018)

Table 4.5 and figure 4.5 above shows the level of education of various respondents. According to the table, 47% of the respondents were of college level, 32% of the respondents were of university level, 16% of the respondents were of secondary level, and 5% of the respondents
were of primary level. From the findings, it can be deduced that the majority of the respondents were of college level and that the organization had a work force that was generally literate.

4.4.6 Effect of demand

Table 4. 6 Effect of demand

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>35</td>
<td>92</td>
</tr>
<tr>
<td>No</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>38</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author (2018)

Figure 4. 6 Effect of demand

Source: Author (2018)

Analysis from the table 4.6 and figure 4.6 shows that 92% of the respondents said that demand will affect the growth of real estate in Kenya while 8% declined. This shows that demand affects the growth of real estate in Kenya.
4.2.7 Extent to which demand affects real estate development in Kenya

Table 4.7 Extent to which demand affects real estate development in Kenya

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large extent</td>
<td>28</td>
<td>74</td>
</tr>
<tr>
<td>Medium Extent</td>
<td>6</td>
<td>16</td>
</tr>
<tr>
<td>Little Extent</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>38</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Author (2018)

Figure 4.7 Extent to which demand affects real estate development in Kenya

Source: Author (2018)

Analysis from the table 4.7 and figure 4.7 indicated that 74% of the respondents said that demand has an effect to a large extent while 16% of the respondents indicated that demand has a medium extent effect and 10% indicated that demand has an effect to a little extent. This can be concluded that demand affects the growth of real estate in Kenya.
4.2.8 Effect of stakeholder involvement

Table 4.8 Effect of stakeholder involvement

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>30</td>
<td>79</td>
</tr>
<tr>
<td>No</td>
<td>8</td>
<td>21</td>
</tr>
<tr>
<td>Total</td>
<td>38</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author (2018)

Analysis from the table 4.8 and figure 4.8 concludes that 79% responded that stakeholder involvement has an effect on the growth of real estate in Kenya while 21% response was it has no effect on real estate development in Kenya. The response shows that stakeholder involvement affects the growth of real estate in Kenya.
Table 4.9 Extent to which stakeholder involvement affects real estate development in Kenya

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Large</td>
<td>30</td>
<td>79</td>
</tr>
<tr>
<td>Large</td>
<td>5</td>
<td>13</td>
</tr>
<tr>
<td>Small</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>38</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Author (2018)

Figure 4.9 Extent to which stakeholder involvement affects real estate development in Kenya

Source: Author (2018)

Analysis from the table 4.9 and figure 4.9 shows that 79% responded by saying that stakeholder involvement largely contributes to the growth of real estate in Kenya, 13% indicated that stakeholder involvement slightly contributes to the growth of real estate in Kenya while the minority 8% indicated that it does not contribute at all. This indicates that stakeholder involvement has a large effect on the growth of real estate in Kenya.
4.2.10 Effect of government policy

On whether government policy affected the implementation of real estate growth in Kenya, the response was as follows;

Table 4. 10 Effect of government policy

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>36</td>
<td>95</td>
</tr>
<tr>
<td>No</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>38</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author (2018)

Figure 4. 10 Effect of government policy

Table 4.10 and figure 4.10 above shows the effect of government policy on real estate growth in Kenya. Based on the analysis, 95% of the total respondents indicated that the government policy affected real estate growth in Kenya while 5% of the total respondents stated that government
policy does not affect the growth of real estate in Kenya. From the study, it can be concluded that government policy affected the growth of real estate in Kenya.

4.2.11 Government policy Rating

On how the respondents rated government policy, the response was as follows;

Table 4.11 Extent to which government policy affects real estate development in Kenya

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very High</td>
<td>20</td>
<td>53</td>
</tr>
<tr>
<td>High</td>
<td>9</td>
<td>24</td>
</tr>
<tr>
<td>Fair</td>
<td>7</td>
<td>18</td>
</tr>
<tr>
<td>Low</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>38</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author (2018)

Figure 4.11 Extent to which government policy affects real estate development in Kenya

Source: Author (2018)

According to the table 4.11 and figure 4.11 above indicating how they rated government policy, 18% of the respondents rated it as fair, 24% rated it as high, 53% rated it as very high, while 5%
rated it as low. This indicates that the majority of respondents rated government policy very high.

### 4.2.12 Effect of managerial skills of the developer

**Table 4. 12 Effect of managerial skills of the developer**

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>34</td>
<td>89</td>
</tr>
<tr>
<td>No</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>38</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author (2018)

**Figure 4. 12 Effects of managerial skills of the developer**

Source: Author (2018)

Analysis from table 4.12 and figure 4.12 shows that 89% of the respondents said managerial skills will contribute largely on real estate development and 11% of the respondents said that managerial skills will not contribute to real estate development in Kenya.
4.2.13 Extent to which managerial skills of the developer affects real estate development in Kenya

Table 4.13 Extent to which managerial skills of the developer affects real estate development in Kenya

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Extent</td>
<td>30</td>
<td>79</td>
</tr>
<tr>
<td>Medium Extent</td>
<td>7</td>
<td>18</td>
</tr>
<tr>
<td>Small Extent</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>38</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Author (2018)

Figure 4.13 Extent to which managerial skills of the developer affects real estate development in Kenya

Source: Author (2018)

Analysis from table 4.13 and figure 4.13 indicated that 79% of the respondents said that managerial skills has a large extent effect on real estate growth, 18% of the respondents indicated medium extent and small extent for the 3% of the respondents. This concludes that managerial skills have great influence on the growth of real estate in Kenya.
4.3 SUMMARY OF DATA ANALYSIS

4.3.1 General Information

The total number of the respondents who successfully filled and completed the questionnaires to the required satisfaction of the research were 38 which comprised 95% while 2 comprising 5% of the respondents did not participate effectively. 14% of the respondents were of the age bracket 18-25, 30% were between the ages of 26-35, 42% were between the ages of 36-45, 10% were of the age bracket 46-55, while 4% were of the age of 55 and above. The males consisted 68% of the total respondents while the women comprised of 32% of the total respondents in terms of gender classification. In terms of marital status, 3% were divorced, 5% were separated due to other circumstances, 47% of the respondents were married while the other 45% of the respondents were single. On the other hand, looking at the levels of education attained, 5% had reached primary level, 16% reached secondary level, 47% reached college level, and 32% reached university level.

4.3.2 Demand

Based on the analysis of the 38 respondents, 92% of the respondents said that demand will affect real estate growth in Kenya while 8% declined. This shows that demand affects the growth of real estate in Kenya. Thus, it can be concluded that demand affects the growth of real estate in Kenya based on the study.

4.3.3 Stakeholders involvement

Based on the analysis of the 38 respondents, 79% responded that stakeholder involvement has an effect on real estate growth in Kenya while 21% response was that it has no effect on real estate growth in Kenya. This concludes that stakeholder involvement the growth of real estate in Kenya.

4.3.4 Government policy

Based on the analysis of the 38 respondents, 95% of the total respondents indicated that the government policy affects real estate growth in Kenya while 5% of the total respondents stated that government policy does not affect real estate growth in Kenya. From the study, it can be concluded that government policy affects the growth of real estate in Kenya.

4.3.5 Managerial skills of the developer
Based on the analysis of the 38 respondents, 89% of the respondents said managerial skills will contribute largely on real estate growth and 11% of the respondents said that managerial skills will not contribute to real estate growth in Kenya. Thus, it can be concluded that managerial skills affects the growth of real estate in Kenya.
CHAPTER FIVE
SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION
The purpose of the study was to establish factors affecting the growth of real estate in Kenya. This chapter presents findings of the study, conclusions and recommendations.

5.2 SUMMARY OF FINDINGS
5.2.1 How does demand affect the growth of real estate in Kenya?
Based on the analysis of the 38 respondents, 92% of the respondents said that demand will affect real estate growth in Kenya while 8% declined. This shows that demand affects the growth of real estate in Kenya. Thus, it can be concluded that demand affects real estate growth in Kenya based on the study.

5.2.2 How does stakeholder involvement affect real estate growth in Kenya?
Based on the analysis of the 38 respondents, 79% responded that stakeholder involvement has an effect on real estate growth in Kenya while 21% response was that it has no effect on real estate growth in Kenya. This concludes that stakeholder involvement affects the growth of real estate in Kenya.

5.2.3 How does government policy affect real estate growth in Kenya?
Based on the analysis of the 38 respondents, 95% of the total respondents indicated that government policy affected real estate growth in Kenya while 5% of the total respondents stated that government policy does not affect real estate growth in Kenya. From the study, it can be concluded that government policy affects the growth of real estate in Kenya.

5.2.4 How does managerial skills of the developer affect real estate growth in Kenya?
Based on the analysis of the 38 respondents, 89% of the respondents said managerial skills will contribute largely on real estate growth and 11% of the respondents said that managerial skills will not contribute to real estate growth in Kenya. Thus, it can be concluded that managerial skills affects real estate growth in Kenya.
5.3 CONCLUSION

This study confirms that demand, stakeholder involvement, government policy and managerial skills of the developer affect real estate growth in Kenya. The literature reviewed and research findings showed that the extent to which demand, stakeholder involvement, government policy and managerial skills are patent to project efficiency. However the author provided a review that did not delve much into the study phenomenon and hence the need for further study.

5.3.1 Demand

According to Barke (2003), demand needs to be analyzed through the collection of information using questionnaires and analyzing this information to determine attitudes consumers of real estate products. Demand is indeed a key determinant for real estate development in any economy and therefore cannot be ignored.

5.3.2 Managerial skills

The structure of managerial skills of developers shows the grouping of various organizations’ departments and the provision of authority should be planned so that conflicts do not occur. A structure helps in the division of work, departmentalization and shows linkages of different records and activities.

5.3.3 Stakeholder involvement

Stakeholder involvement as observed in the literature review is a crucial factor facilitating decision making process. Engagement with the relevant stakeholders enables different kinds of roles to be played by different key stakeholders. This leads to the success of real estate development projects

5.3.4 Government policy

From the analysis provided above, it can be concluded that government policies and regulations can either encourage or discourage business activities. The government of Kenya has set favorable policies which tend to promote and protect real estate developers.
This action in itself has contributed to the development of the real estate industry in Kenya. However, there exists some restrictions in carrying out business in the real estate sector. The real estate industry contributes to the development of the country’s economy to a great extent.

5.4 RECOMMENDATIONS

5.4.1 Demand

The study recommends that demand should be relatively favorable so as to encourage real estate growth in Kenya. Investors in the real estate industry should be very keen to monitor demand patterns before they can decide on whether or not to invest in a particular area. This will in turn lead to increased benefits such as good profit margins, creation of employment opportunities, increased government revenue and also provision of affordable housing facilities to all.

5.4.2 Managerial Skills

From the analysis, it is positively deduced by the researcher and recommended that management from each department should be impacted with skills that are aligned with the goals and objectives of the project in order to reduce conflict of interest and duplication of duties within the organization thus increasing efficiency and effectiveness during the implementation process.

5.4.3 Stakeholder Participation

From the analysis, it is positively deduced by the researcher and recommended stakeholders participation during implementation of real estate growth. This will lead to rational and optimization of resources in the project and thus enhance efficiency and effectiveness in the real estate growth.

5.4.4 Government Policy

The study further recommends that Government Policy should be relatively favorable so as to encourage real estate growth in Kenya. This can be through minimizing on restrictions and sensitizing investors in the line of real estate growth. This can be in the form of reduced tax rates, easy access to resources needed for the implementation of real estate activities. This will in turn lead to increased benefits such as creation of employment opportunities, increased government revenue and also provision of affordable housing facilities to all.
5.5 Suggestions for Further Research

This research was conducted with some limitations and therefore it was not quite conclusive thus creating the need for further research. The researcher therefore recommends that a wider population should be used and more variables such as technology, community participation, organizational culture and communication.
REFERENCES


Ferguson, F (2001). A Housing Paradigm and New Programs for Developing Countries- The Latin
American Case, paper presented at the Galve Housing Finance Seminar sponsored by UNCHS and the Swedish Ministry of Housing.


New York: Routledge


APPENDIX I

LETTER OF INTRODUCTION

My name is Joyce Karangi from the Management University of Africa undertaking a research study on *Factors Affecting the Growth of Real Estate in Kenya* with specific reference to Housing Finance Company of Kenya. The study is designed to examine four key areas namely; demand, stakeholder involvement, government policy and managerial skills of developers and their effect on real estate development in Kenya.

By this letter, I am seeking to engage you as a participant in this study to learn more about this topic since it has not been studied much in the past. Participation in the study involves completion of a survey questionnaire that asks you basic questions which will last for approximately half an hour. The questionnaire will be administered by myself as the researcher.

I would like to assure you that any information you share will be used strictly for academic purposes and will be treated with utmost confidentiality.

Yours Sincerely,

Joyce Karangi
APPENDIX II

QUESTIONNAIRE

This questionnaire has been designed to gather information on the subject regarding factors affecting real estate development in Kenya. Please fill the questionnaire as per the instructions with utmost honesty. The information provided will be treated with utmost confidence.

SECTION A

GENERAL INFORMATION

1. Please indicate your gender

Female [ ]

Male [ ]

2. Please indicate your highest level of education

Primary [ ]

Secondary [ ]

College [ ]

University [ ]

3. What is your age bracket?

18-30 [ ]

31-40 [ ]

41-50 [ ]

51+ [ ]

4. How many years of experience do you have in working Real Estate sector?

0-5 [ ]

6-10 [ ]

11-15 [ ]

15+ [ ]
SECTION B
DEMAND

5. Does demand have an effect on the implementation of real estate development projects in Kenya?

Yes [ ]

No [ ]

6. To what extent does demand affect real estate development in Kenya?

Very large extent [ ]

Large extent [ ]

Moderate extent [ ]

Low extent [ ]

7. How do you think the population’s willingness and/or readiness to buy real estate products affects their demand of real estate products and how this ultimately affects the growth of the sector.

……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………………………………………………………………………

8. Briefly describe how people’s disposable income affects their demand of real estate products and how this ultimately affects the real estate industry in Kenya.

……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………………………………………………………………………

9. How does the availability of financial resources (or lack thereof) affect the growth of the real estate industry in Kenya?

……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………………………………………………………………………

10. In your opinion, suggest measures that can be taken to ensure proper management of financial resources in development of the real estate sector in Kenya.
SECTION C

STAKEHOLDER INVOLVEMENT

11. Does stakeholder involvement affect real estate development in Kenya?

Yes [ ]

No [ ]

12. To what extent does stakeholder involvement affect real estate development in Kenya?

Very large extent [ ]

Large extent [ ]

Moderate extent [ ]

Low extent [ ]

13. Suggest measures that the organization can take to facilitate better stakeholder involvement in order to promote real estate development.

………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………

14. In your opinion, do you think the role of the National Environmental Management Authority (NEMA) is critical in the development of the real estate industry in Kenya? If Yes, briefly explain.

………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………

15. In your opinion, do you think the role of the Ministry of Lands and Physical Planning is critical in the development of the real estate industry in Kenya? If Yes, briefly explain.

………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
16. In your opinion, do you think the role of county governments is critical in the development of the real estate industry in Kenya? If Yes, briefly explain.

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........................................................................................................................................
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SECTION D

MANAGERIAL SKILLS OF THE DEVELOPER

17. Do managerial skills of the developer have an effect on Real Estate development in Kenya?
Yes [ ]
No [ ]

18. What is the importance of managerial skills on the implementation Real estate development in Kenya?
Very essential [ ]
Essential [ ]
Fairly essential [ ]
Not essential [ ]

19. In your opinion, what set of skills must developers in the real estate industry possess to enable them to effectively and efficiently carry out their mandate?
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20. Suggest how adoption of proper managerial skills by the developer can help promote real estate development in Kenya.
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........................................................................................................................................
SECTION E
GOVERNMENT POLICY

21. Does government policy affect real estate development in Kenya?
   Yes [ ]
   No [ ]

22. To what extent does government policy affect real estate development in Kenya?
   Very large extent [ ]
   Large extent [ ]
   Moderate extent [ ]
   Low extent [ ]

23. Describe the effect of government policy on real estate development in Kenya.

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   …………………………………………………………………………………………………………
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24. What is your opinion of the government move to cap interest rates on loans. How do you think this will affect real estate development projects in Kenya?

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25. Briefly explain how policies on urbanization affect real estate projects in Kenya?

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   …………………………………………………………………………………………………………
   …………………………………………………………………………………………………………
## APPENDIX III

**WORKPLAN**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preparation of a proposal</td>
<td>1&lt;sup&gt;st&lt;/sup&gt; June – 15&lt;sup&gt;th&lt;/sup&gt; August</td>
</tr>
<tr>
<td>Preparation of questionnaires</td>
<td>16&lt;sup&gt;th&lt;/sup&gt; August – 20&lt;sup&gt;th&lt;/sup&gt; August</td>
</tr>
<tr>
<td>Circulation of questionnaires</td>
<td>21&lt;sup&gt;st&lt;/sup&gt; August – 23&lt;sup&gt;rd&lt;/sup&gt; August</td>
</tr>
<tr>
<td>Collection of questionnaires</td>
<td>1&lt;sup&gt;st&lt;/sup&gt; September – 3&lt;sup&gt;rd&lt;/sup&gt; September</td>
</tr>
<tr>
<td>Entering of data</td>
<td>4&lt;sup&gt;th&lt;/sup&gt; September – 5&lt;sup&gt;th&lt;/sup&gt; September</td>
</tr>
<tr>
<td>Analysis of data</td>
<td>6&lt;sup&gt;th&lt;/sup&gt; September – 15&lt;sup&gt;th&lt;/sup&gt; September</td>
</tr>
<tr>
<td>Finalization of the project</td>
<td>15&lt;sup&gt;th&lt;/sup&gt; September – 30&lt;sup&gt;th&lt;/sup&gt; September</td>
</tr>
</tbody>
</table>

Source: Author (2018)


**APPENDIX IV**

**RESEARCH BUDGET**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet charges</td>
<td>Kshs. 2,000</td>
</tr>
<tr>
<td>Transportation</td>
<td>Kshs. 2,500</td>
</tr>
<tr>
<td>Printing</td>
<td>Kshs. 3,000</td>
</tr>
<tr>
<td>Binding</td>
<td>Kshs. 1,000</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>Kshs. 1,500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Kshs. 10,000</strong></td>
</tr>
</tbody>
</table>

*Source: Author (2018)*