

Kenya Buyer Survey 2020

knightfrank.com/research

What impact has Covid-19 had on residential buyers' attitudes?



KEY INSIGHTS



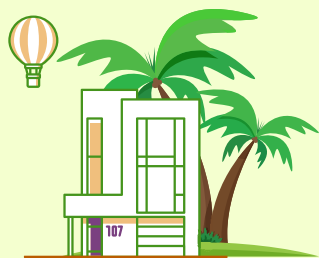
FUTURE PLANS



LIFESTYLE



PRICES



SECOND HOMES



TRAVEL

NORMAL 2.0

We find that the Covid-19 pandemic has given buyers time to reflect on how they live and use their space, influencing their future buying plans and attitudes toward property

Over the past few months the global pandemic has transformed the way we live our lives. For many our home has become our workplace, gym, eatery and classroom.

As the demands on our home have increased, now more than ever people have started to reflect on how they live, where they live, and what they need from their space.

Changes in these preferences undoubtedly impact the residential market and specifically the new development sector. Therefore understanding what these changes are is key as we seek to advise our clients on future lifestyle and investment purchases.

To find out exactly how buyer sentiments have been impacted by the pandemic we sought the views of home buyers in Kenya, through an online survey.

Some of our survey findings are not surprising and are reinforcing trends that we have witnessed in the market, with buyers prioritising greater privacy, outdoor space and a home office. But we also see that close to a third of respondents are more likely to move in the next 12 months and 50% expect the value of their property to fall over the same period, as a result of the pandemic. Access to quality healthcare ranks highly as a reason for purchasing in the future and a foreign governments' handling of the Covid-19 crisis is a key consideration for buyers looking to purchase second homes abroad.

GET IN TOUCH

Sign up to our [Research update](#) to keep informed about the impact of Covid-19 on the property markets globally.



About the survey

The Knight Frank Kenya Buyer Survey was undertaken between 15 September and 14 October 2020 with the aim of understanding what impact the Covid-19 pandemic has had on residential markets, and in particular, on buyer attitudes. The findings represent the views of registered Knight Frank clients.

FIG 1. WHERE RESPONDENTS LIVE

9% Coast
91% Nairobi

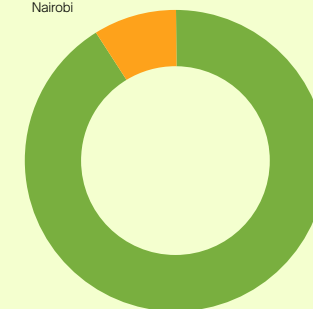


FIG 2. AGE OF RESPONDENTS

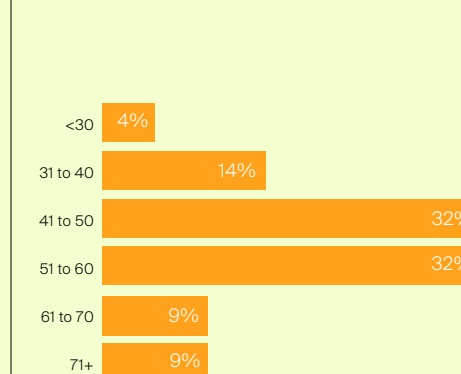
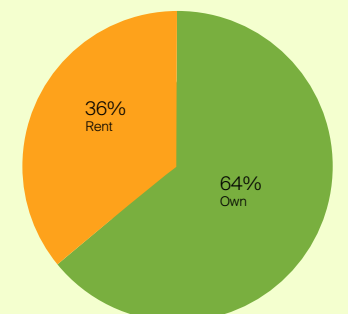


FIG 3. HOUSING TENURE OF RESPONDENTS



FUTURE BUYING INTENTIONS

The global pandemic has made buyers reflect more on what they want from a home and lifestyle

Close to a third of survey respondents answered that they were more likely to move over the next 12 months as a result of the pandemic (32%). Of the respondents who answered that they are more likely to move over the next 12 months, most are looking to stay in the same location that they currently live in, but move to a different property (72%).

Their preference to stay in the same location suggests that buyers are happy with the area they reside in, but not the homes or environment they live in. People choose where they live based on factors that include housing prices, disposable incomes, proximity to work and access to schools, among others. The desire to remain in the same location suggests that for these buyers the reasons that drew them to the area will continue to hold true over the next 12 months.

In terms of buying motives, acquiring a holiday home ranked highest as the main reason for purchasing a new

home in future. This suggests that as the pandemic has forced many to stay indoors, through government and health directives, it has stimulated buyers' interest in homes that they can use as an escape or refuge. With regard to the 4% of respondents who answered that they were less likely to move within the next 12 months, and the 64% who said that their buying position had not changed as result of the pandemic, it is likely that buying a holiday home is part of a longer-term or aspirational goal.

However, we note that improved access to quality healthcare, downsizing/retiring, upgrading the family's primary residence and building a family residence are highly ranked reasons for purchasing in the future. Arguably, access to good healthcare may be top-of-mind by both real estate investors and end users at the moment due to the focus that the pandemic has placed on personal health and the healthcare system.

TAKEAWAY

Close to a third of respondents are more likely to move in the next 12 months due to the Covid-19 pandemic and improved access to quality healthcare is a key driver of property demand.

FIG 4. CLOSE TO A THIRD OF RESPONDENTS ARE MORE LIKELY TO MOVE OVER THE NEXT 12 MONTHS AS A RESULT OF THE PANDEMIC

Q: Has the on-going Covid-19 pandemic made you more or less inclined to move within the next twelve months?

32% More **4% Less**

No change: 64%

FIG 5. OF THOSE LIKELY TO MOVE, MOST ARE LOOKING TO STAY IN THE SAME AREA BUT CHANGE PROPERTY

Q: If you are more inclined to move, where are you looking to move to?

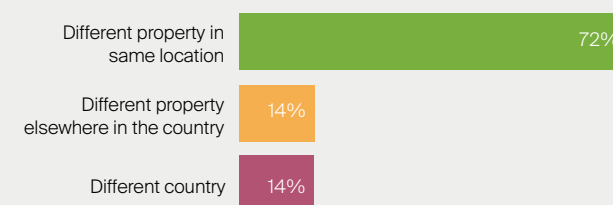


FIG 7. ATTITUDES TOWARD PURCHASING NEWLY-BUILT PROPERTY REMAIN THE SAME

Q: Are you more or less likely to buy a newly-built property as a result of the pandemic?

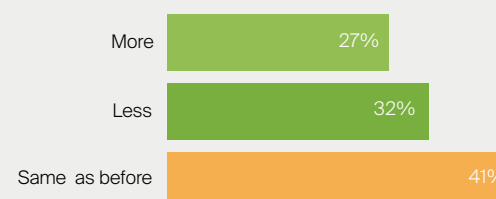


FIG 6. IMPROVED ACCESS TO QUALITY HEALTHCARE RANKS HIGHLY AS A REASON TO BUY

Q: Please select your top 3 reasons for purchasing a new property in the future.

A NEW HOLIDAY HOME (SUN, MOUNTAIN, NATURE ETC.)

13%

IMPROVED ACCESS TO QUALITY HEALTHCARE

12%

DOWNSIZING OR RETIRING

12%

UPGRADING FAMILY'S PRIMARY RESIDENCE

12%

BUILDING FAMILY RESIDENCE

12%

LOCATION OF CHILDREN'S EDUCATION

8%

ABILITY TO REACH DESTINATION WITHOUT RELYING ON AIR TRAVEL

8%

BUSINESS OR EMPLOYMENT

8%

MOVING PERMANENTLY TO A NEW COUNTRY OR TERRITORY

8%

TAX REASONS

7%

*Total count (unweighted)

DOWNLOAD

Read our [Healthcare in Africa – 2020 Report](#)

LIFESTYLE

From outdoor space to home offices and lower density living, we look at what buyers really want post-Covid-19

TAKEAWAY

Home offices, greater privacy and outdoor space are top priorities for buyers. 77% of respondents are more likely to work from home and 41% of respondents say they will wait 12 months or more before travelling abroad.

With social distancing directives, curfews, travel restrictions and county lockdowns that have now been eased, it is not surprising that after spending a great deal of time at home, buyers want more living space. 54% of respondents said that they are more likely to buy a detached family home than they were prior to Covid-19, with 50% in favour of waterfront homes.

As might be expected the demand for apartments has declined, with 50% of respondents indicating that they are less likely to want to live in an apartment in the future.

Over three-quarters of respondents stated that they are more likely to work from home in the future as a result of Covid-19, with only 1% of respondents indicating that they intended to work less from home. This serves to explain

why 85% of respondents answered that a home office is now more important when choosing a property to buy.

What does this mean for offices? Recent commercial transactions indicate that the office in Kenya still plays an important role. Indeed 22% of respondents indicated that their work lifestyle will remain the same as it was pre-Covid 19. As the sector recovers, a change in working patterns may be witnessed as corporates welcome staff back into the office on a rotational basis.

Throughout the course of the pandemic people have taken to exercising, socialising and educating at home. Not surprisingly, 73% of respondents indicated that greater privacy is more important, while 68% stated that large gardens and outdoor space are

now high on their wish lists. Whilst stay at home measures vary across countries, what the pandemic has emphasised is the connection between wellbeing and the outdoors.

41% of respondents say the ability to extend is more important now, and 27% are more likely to want an annex for family members. Perhaps Covid-19 has generated a desire to have elderly or extended family close by, or to have space for long term guests.

Travel is a critical factor, and early on in the pandemic the suspension of international and intercounty travel negatively impacted prime residential rents and sales transactions. International flights resumed in August 2020, although there remains a degree of caution as 41% of respondents said they would wait 12 months or more before travelling abroad. It could be that respondents are adopting a wait-and-see approach, monitoring the pandemic and what directives governments implement before making travel plans.

FIG 9. 77% OF RESPONDENTS SAY THEY ARE MORE LIKELY TO WORK FROM HOME

Q: Are you planning to work from home more often as a result of the Covid-19 pandemic?

77% More **1% Less**

No change: 22%

FIG 10. HOME OFFICE AND GREATER PRIVACY TOP BUYER WISHLISTS

Q: Thinking about any future property purchases (primary residence), how important are the following factors when choosing the type of property you might buy post Covid-19?

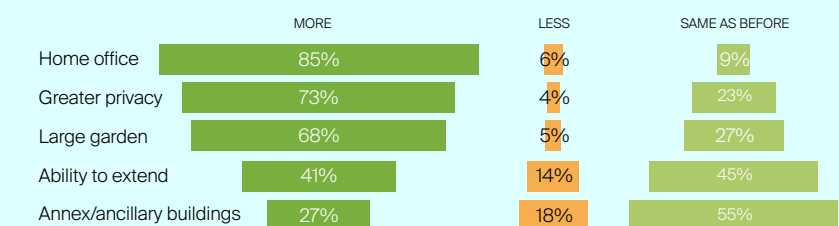


FIG 11. 41% OF RESPONDENTS ARE LOOKING TO WAIT 12+ MONTHS BEFORE TRAVELLING ABROAD

Q: How soon are you planning to travel abroad again?

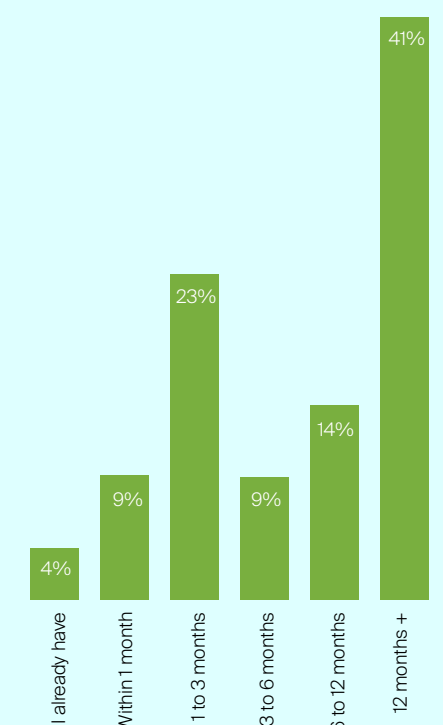
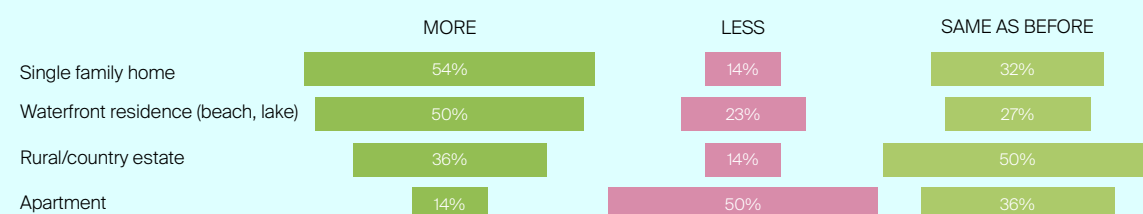


FIG 8. SINGLE FAMILY DETACHED HOMES ARE IN DEMAND

Q: How has the Covid-19 pandemic influenced the type of property you want to live in?



DOWNLOAD

Read the [Global Buyer Survey 2020](#) and see whether our priorities differ.



PRICES

Buyers expect prices to decline in the next twelve months, whilst early signs suggest cautious optimism for recovery

50% of respondents expect prices to fall over the next 12 months, 36% do not foresee any change, whilst 14% believe that prices will increase. Do these views match what we are seeing in the residential sector?

Knight Frank Kenya's 1st Half 2020 Market Update - found that prime residential sale prices in Nairobi decreased by 2.9% over the first half of the year, compared to a 1.8% decline over the same period in 2019; predicting that the decline would continue until the end of the year, albeit at a slower rate. Preliminary data for the second half of 2020 validates this forecast, suggesting that we are beginning to see some sale price stability as the economy continues to open.

The increased demand for liquidity has meant that sellers are more inclined to discount their prices and discounted offers of up to 15% of the asking prices have already been witnessed. Buyers may need to act quickly to capitalize on the softer prices, although it is anticipated that this trend will continue into 2021.

TAKEAWAY

Buyers expect property prices to fall in the next 12 months and most buyers' budgets have declined as a result of the pandemic.

66% of respondents say that their budget has declined since the start of the pandemic, with 43% of them indicating that their budget declined by over 10%. This is likely because many companies have had to resort to salary cuts, reduced hours or redundancies. 32% of respondents, however, believe that their spending power remained the same and 2% believe that it increased. It may be the case that respondents who indicated that their budgets have increased were able to save more due to fewer opportunities to spend throughout the course of the pandemic or the tax allowances introduced over the period.

DOWNLOAD

[Read the Kenya Market Update – 1st Half 2020.](#)

FIG 12. 66% OF RESPONDENTS SAY THEIR BUDGET HAS DECREASED SINCE THE START OF THE CRISIS

Q: How has the Covid-19 pandemic influenced your spending power? Has your budget changed as a result of the crisis?

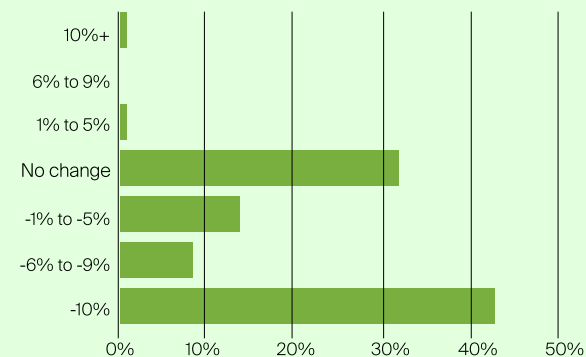
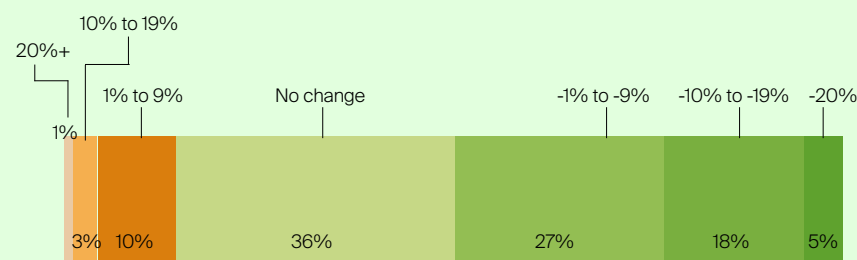


FIG 13. 50% OF RESPONDENTS EXPECT THE VALUE OF THEIR PROPERTY WILL FALL

Q: In your view how will the pandemic have affected the value of your primary residence in 12 months' time?



SECOND HOMES

The pandemic has focused buyers' minds on lifestyle purchases with many eyeing a retreat should future outbreaks or lockdowns occur

18% of respondents said they were more likely to buy a second home as a result of the pandemic, presumably as a retreat or safe haven in case of future outbreaks or disasters, and to enhance their lifestyle during periods of uncertainty.

After the start of the pandemic our agency sales teams witnessed an increase in inquiries for prime residential homes along the Coast and began closing deals with predominantly Kenyan buyers. The pandemic seemingly provided the motivation some buyers needed to commit to buying a second home.

Similar to primary residences, buyers of second homes are prioritising home offices, greater privacy and outdoor space when choosing a second home. 41% of

respondents are more likely to want a second home that they can extend, and almost a third (32%) are more likely to look for a property with an annex.

68% of respondents said that if they were to buy a property abroad, the government's handling of the Covid-19 pandemic would influence their decision to buy. Therefore, buyers will be scrutinising the continued handling of the pandemic and countries seen to be successfully managing, or to have successfully managed the crisis may rank higher among second home buyers.

VIEW

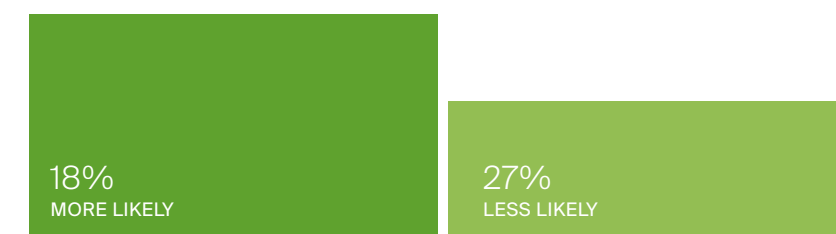
[Our properties for sale along the coast](#)

TAKEAWAY

Demand for second homes in the coming years may be linked to governments' handling of the pandemic.

FIG 15. 18% OF RESPONDENTS ARE MORE LIKELY TO BUY A SECOND HOME AS A RESULT OF THE PANDEMIC

Q: In terms of buying a second home, has the pandemic made this...



No change: 55%

FIG 16. 68% SAY THE GOVERNMENT'S RESPONSE TO THE PANDEMIC WHERE THEY ARE LOOKING AT BUYING A SECOND HOME WOULD INFLUENCE THEIR DECISION TO BUY

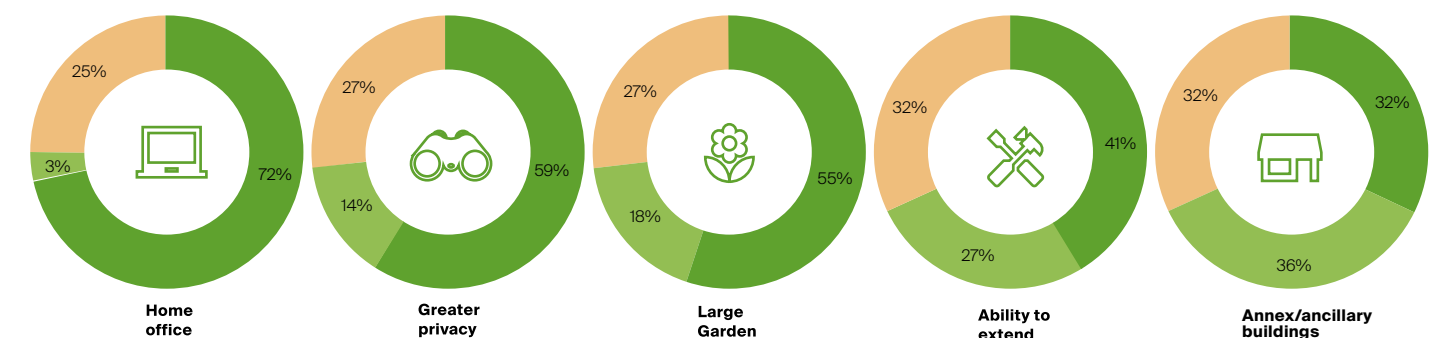
Q: Assuming you were looking to buy a second home abroad, would the government's handling of the crisis in your chosen country or territory, influence your decision to buy?

68% Yes 14% No

Made no difference: 18%

FIG 14. HOME OFFICE, PRIVACY AND OUTDOOR SPACE ARE TOP OF SECOND HOME BUYER WISHLISTS

Q: How important are the following factors when choosing to buy a second home?



WHAT NEXT?

5 TRENDS TO MONITOR

We look at some of the trends emerging as a result of the pandemic

01.

KENYA'S POSITION AS A BUSINESS HUB TO FOSTER RESILIENCE

Kenya is unquestionably a regional business hub with multiple multi-national corporations choosing to set up their headquarters in the country. As a result, a large part of our prime residential rental market is linked to expatriates who work for these companies. At the start of the pandemic we noticed that a number of expatriates travelled back to their home countries as their physical offices closed, their children's schools closed and international borders also closed. This had a negative impact on the prime rental market resulting in lower occupancies and discounted rental levels. With the resumption of international travel, and as offices and schools have begun to reopen, we have started to see this group coming back into the country; welcome news for landlords eager to see their source of income return. Although we anticipate a comeback of the prime rental market, optimism must be managed as adverse global economic conditions will see a reduction in corporate housing budgets.

02.

GOVERNMENT INTERVENTION TO AID MARKET RECOVERY

The Government of Kenya was quick to implement taxation measures to provide individual and corporate relief in the face of the global pandemic. Effective from 1st April 2020 the government introduced a reduction of the Value Added Tax (VAT) rate from 16% to 14%. As a result the real estate sector saw transactional costs for property purchases reduced. In terms of fees this allowed both buyers and appointing parties to make savings when paying for services that attract VAT. Looking at commission fees the standard practice is for the appointing party to pay real estate agents a commission for successfully finding a buyer, this fee is paid together with VAT, at the prevailing rate. Turning to the buying process, both buyers and sellers typically seek legal counsel to represent them in the sale and these services have a fee which also attracts VAT, again at the prevailing rate. As VAT applies across most of the sale process the reduction translates to savings.

In addition, the government also introduced measures that saw Pay As You Earn (PAYE) reduced from 30% to 25%, with the aim of mitigating some of the financial strain of Covid-19. For those who consider themselves financially stable, this presented an opportunity to increase their disposable income, which could be directed towards investment or primary home purchases. Indeed, the results of the survey indicate that for a few respondents' budgets have increased as a result of the pandemic.

Since undertaking our survey, however, the government announced that these tax measures will be reversed from 1st January 2021 effectively removing these benefits. At inception, these tax measures had no clear timelines as to when they would revert back to 16% for VAT and 30% for PAYE. Nine months on looking at the residential market as a whole, fewer buyers have been able to capitalise on these softer fiscal measures, as a result of the decreased market activity.

As this report has outlined, preliminary data suggests that prime residential prices in Nairobi are declining, although at a slower rate, a trend expected to continue into 2021. The removal of tax incentives and already high property prices may result in reduced market activity for this niche market.

03.

MORTGAGE RATES MAY BE CHEAPER BUT GETTING A NEW LOAN MAY BE DIFFICULT

In addition to taxation reduction, the Central Bank of Kenya has intervened through a variety of monetary measures that include the reduction of the Central Bank lending rate, (CBR), to 7% from 8.25% in January. This benefit is to be passed on to borrowers in the form of reduced lending rates, with the aim that more customers will take advantage of preferential mortgage rates from banks. As a result it is likely that banks will see an increase in the number of first-time loan applications and those looking to lock in a fixed rate mortgage. The goal of this measure is to get more people onto the property ladder and encourage investment; boosting the housing market and aiding recovery in the residential sector.

Banks however, have already reported increased mortgage defaults; a representation of the economic hardship being experienced in the country. As a number of firms struggle and move into losses, we have also seen high levels of unpaid leave and job cuts, with unemployment at 42% in June 2020, up from 35% in March 2020 (KNBS data). With no furlough scheme, and as we move into what many argue is a "second wave" of infection, lenders will likely be more cautious with their approach to new loans and be more diligent in their review and approval processes.

04.

HOMES WITH LARGE GARDENS & OUTDOOR SPACE WILL ATTRACT INTEREST

The pandemic has taught us many things but perhaps one of the key learnings is the strong link between the outdoors and wellbeing. For many gardens became a place to exercise, relax and socialise in a controlled environment. Therefore, unsurprisingly more outdoor space and privacy ranked highly on buyer wishlists as the benefits appear more appealing than ever.

It is likely that properties that have outdoor space and privacy will generate increased interest from buyers. With regard to apartments, this suggests that developments which offer large communal gardens may become top choices. For gated compounds this implies that homes with large gardens, which are not overlooked by neighbouring houses, will be preferred.

As Covid-19 measures are rolled back and we become comfortable with the "new normal", the importance of outdoor space to buyers may also allude to the fact that that people anticipate that they will be spending more time at home.

05.

FOCUS ON INNOVATION AND ONLINE VISIBILITY

Ordinarily where once we would have seen international buyers fly-in, and local buyers travel to different counties for viewings, travel suspensions at the onset of the pandemic dictated that alternative solutions had to be explored. As a response we embraced digitisation and promoted virtual viewings and virtual tours, which successfully enabled us to maintain and spark buyer motivation. What the pandemic has highlighted is the amount of space there is for digital and technological innovation in real estate. This may see the wider adoption of more interactive and immersive viewing experiences, and further advances which will seek to drive the market forward.

In terms of online engagement our website statistics for April 2020 show a 47% increase in page views for residential properties as compared to March 2020, similarly statistics for May 2020 show a further increase of 42% compared to the previous month. Since then, figures have remained consistently high and stable, but, the large jump demonstrates a significant increase in online activity. It will be interesting to monitor whether this level of engagement is sustained as we move into 2021, but currently it presents real estate agents with an opportunity to capture buyers' attention online.



We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.

SALES ENQUIRIES

Anthony Havelock
+254 727 099 364
anthony.havelock@ke.knightfrank.com

Betty Cox
+254 733 474 927
betty.cox@ke.knightfrank.com

RESEARCH

Charles Macharia
+254 721 386 019
charles.macharia@ke.knightfrank.com

PR ENQUIRIES

Cynthia Kimola
+254 723 174 143
cynthia.kimola@ke.knightfrank.com

Knight Frank Research Reports
are available at
knightfrank.com/research

Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for independent expert advice customised to their specific needs © Knight Frank Kenya 2020

This report is published for general information only. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no legal responsibility can be accepted by Knight Frank Research or Knight Frank Kenya for any loss or damage resultant from the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank Kenya in relation to particular properties or projects. Reproduction of this report in whole or in part is allowed with proper reference to Knight Frank Research.

