

Policy pointers

Nairobi's county government needs to rapidly expand access to decent, affordable rental housing for low-income residents who cannot afford to buy in the private market.

The major barrier to housing is residents' low incomes (alongside barriers linked to gender, disability, migration status, and ethnicity); urban policymakers should develop inclusive strategies to address this.

The county government needs a secure, updated, transparent land information system that can reduce the risks of mismanagement and corrupt land transactions.

Kenyan policymakers should develop joined-up, inclusive shelter interventions with a focus on more effective city planning; strategies to expand infrastructure access; and support for small-scale housing providers.

Towards holistic solutions to Nairobi's affordable housing crisis

Standing alongside Nairobi's well-known slums are high-rise tenements and other 'informal' housing types that contravene planning and building regulations. The city is undergoing a shift from low-density shacks to multi-storey tenements, and approximately 70% of Nairobi residents live in single-room units in informal settlements and tenements.¹ This market can be highly profitable: property investors can realise returns of up to four times greater compared to selling formal mid- and high-income housing. However, informal rental properties are typically overcrowded with poor services and infrastructure. Despite the president's recent promise to prioritise affordable housing, there are still major shortfalls in government capacity and a longstanding failure to plan for low-income shelter. This brief will discuss Nairobi's informal sub-markets and barriers to affordable shelter, while identifying ways to foster more inclusive housing strategies (see Box 1 for study methodology).

A city of diverse but low-quality housing

Nairobi is home to over four million people and is growing rapidly at 3.81% per year.² Most housing is rented: about 34% of households rent a single room in informal settlements and another 36% live in single-room tenements.³ Shacks in informal settlements ('slums') are usually made of mud or iron sheets, and structures are typically just one or two storeys. By contrast, tenements are five to ten storeys built of stone, steel, and/or concrete. In recent years, Nairobi has suffered several high-profile collapses of poorly constructed tenements.⁴ There are also ageing public housing units with informal extensions, and homes that are a mix of shelter types (Table 1).

Investors in Nairobi's low-cost rental housing market can realise up to four times better returns than those selling formal mid- and high-income housing. This is based on estimating the rental

yield and payback period for a unit in Mukuru (an informal settlement), as compared to the high-income area of Kilimani.⁵ Indeed, Nairobi's rental market for single rooms is a significant economic subsector that generates at least US\$372.2 million annually.⁶ Given this sector's scale and profitability, any efforts to improve Nairobi's shelter must engage with private providers in the city's burgeoning informal rental market.

Nairobi's inadequate shelter and land provision are rooted in the city's corruption, unresponsive governance, and lack of urban planning.⁷ Land development is outpacing the city's capacity for infrastructure delivery, and the cost of land is often prohibitive, contributing to the unaffordability of housing. Speculative investments in Nairobi have resulted in "a highly commodified land market ... also need to look at corruption or mismanagement in the land sector" (key informant, national government).

Failures of city planning and land governance have left a major vacuum that has encouraged the proliferation of Nairobi's inadequate low-cost housing.

Nairobi's low-income majority relies on renting and benefits from its flexibility

Barriers to delivering affordable housing in Nairobi

Poor infrastructure.

Tenements help to meet Nairobi's booming demand

for low-cost housing, particularly given its population growth and escalating land prices. Residents may consider tenements as an improvement on shacks that use even lower-quality building materials, but high-density tenements are still very unsafe, with poor services or infrastructure and of low-quality construction (Table 1). In both shacks and tenements, infrastructure is often provided by fragmented state agencies and informal actors that leave major shortfalls in household-level connectivity. Many low- and middle-income households still lack adequate roads, water, or sewer provision. Water and sewerage networks typically exclude low-income settlements (especially Eastlands and peripheral areas). In Nairobi's peri-urban areas and satellite towns, residents must rely upon on-site infrastructure (such as septic tanks) that is often inadequate.

Lack of affordable housing finance. Housing finance is available only to wealthy households. Just 10% of Kenya's population can afford a formal house costing US\$10,000 (without subsidy) and a monthly mortgage repayment of US\$174.⁸ As of December 2017, Kenya had only 26,187 mortgages with a total value of US\$2.322 million.⁷

There is an urgent need to focus on expansion of affordable *rental* housing, since Nairobi's low-income majority relies on renting and benefits from its flexibility.⁹

Low incomes and insecure livelihoods. The prevalence of low incomes and insecure informal livelihoods (such as vending, construction, or other casual jobs) are significant barriers to providing decent and affordable shelter. Social factors such as gender, disability, migration status,¹⁰ and ethnicity, may also interact with residents' financial constraints (see Box 2).

The way forward

To better meet the needs of the city's low-income majority, and respond to this complex informal housing market, Nairobi's planning systems must be reformed. As a positive start, affordable housing was recently selected as one of Kenya's 'Big 4' policy priorities, and President Kenyatta promised to build 500,000 affordable homes by 2022, creating opportunities for developing more inclusive strategies.¹¹

Nairobi will require a range of integrated policies and approaches to promote affordable housing:

Improve access to safe, affordable rental housing:

- Home ownership is not the solution to shelter deficits: Nairobi needs multiple tenure and occupancy arrangements, with an emphasis on affordable rental housing and economic development strategies targeting low-income residents.
- Appropriate, well-enforced policies and regulations on rental housing can improve tenants' living conditions. Working with informal rental housing providers, who are often overlooked, will be critical. Future interventions can leverage their much-needed private capital, but redirect it to better-quality shelter.
- Tenements need updated planning, design, and health regulations, as well as initiatives to improve infrastructure and ensure minimum housing standards are met.

Develop comprehensive, inclusive economic development and affordable housing strategies:

- Kenya's government and development partners should enhance access to affordable construction finance; build the capacities of built-environment professionals, finance agencies, and other stakeholders in housing; and improve the supply of land and bulk infrastructure to reduce developers' costs (Box 3).^{8,12,13}
- The city needs to integrate housing strategies with more inclusive economic development strategies.¹⁴ This will require investment in the informal economy to improve productivity (such as enhancing informal workers' skills and access to infrastructure) and provide secure trading sites.

Box 1. Research methodology

We conducted 72 qualitative interviews and 17 focus group discussions (FGDs) with low-income households across the metropolitan area. Additionally, we conducted key informant interviews (KII) with national and urban officials (in city planning, housing etc.), utilities agencies, shelter finance practitioners, academics, civil society leaders, landlords, and informal service providers. Our secondary data analysis incorporated academic and grey literature on shelter, land, and infrastructure; official data; and market research on shelter, land prices, and housing finance. We also conducted a land and housing markets survey and spatial analysis of shelter, land, and infrastructure. Although the research analysed findings from across Nairobi's metropolitan area, time limitations meant that the team could not fully analyse Nairobi's wide array of informal housing sub-markets or informal infrastructure and services providers.

Table 1. Nairobi's low-income shelter types

Shelter type	Main building material	Building height/density	Basic services	Settlement pattern
Shacks	Iron sheet roof; iron sheets/mud walls	Single storey or occasionally two-storey. Typical single-room unit 100ft ²	Highly inadequate, with shared water and sanitation (that is, public taps, pit latrines) and often pay-per-use. Electricity via legal/illegal connections. Mainly unpaved narrow streets/paths.	a) Spontaneous: organic layout, incremental housing construction b) 'Planned layout': may begin with well-defined street/plot patterns but later become crowded c) Hybrid layout: organic alongside 'planned layout'
Tenements	Quarry stone walls; steel and concrete	5–10 walk-up storeys. Typical single-room unit 100ft ²	Each floor has shared sinks, taps, and toilets/bathrooms; sometimes water only available on ground floor. May have sewer or a cesspool. Typically have electricity. Narrow, unpaved streets.	'Planned layouts' with defined street layout and standardised plot sizes. Blocks usually cover the entire plot, with narrow streets between blocks.
Ageing low-cost public housing	Row stone houses, with some informal extensions that often resemble shacks	Often low density and low building heights	Originally well-planned infrastructure, but now highly inadequate due to densification and neglected maintenance. Open spaces rare, as informal extensions proliferate.	Located near city centre. Main houses are complete units; informal extensions offer single-room units (for sub-letting or extended family members).
Mixed-shelter	Combination of shacks, tenements, and stone-walled structures, with single-room units and informal extensions	Ranges from single-storey shacks and low-rise units to multi-storey tenements	Services typically accessed using a mix of approaches common in shacks and tenements. In site-and-service schemes, provision better but increasingly overcrowded.	Varied layouts and structures; incomplete tenement blocks may have shacks on top floor

- Nairobi can combine strategies for new housing developments with improvements in existing shacks and tenements, using approaches such as in-situ upgrading, land readjustment, and redevelopment.
- Policymakers can also offer incentives encouraging affordable shelter production.

Support small-scale housing providers, residents and organised groups:

- Work with low-income residents to develop appropriate housing designs that foster building safety, adequate ventilation and safer play spaces.
- In some settlements (such as Maili Saba), residents have incrementally constructed low-cost units, but cannot afford technical expertise and usually struggle to access construction finance. With support from government and financiers, these small-scale housing providers can deliver low-cost housing more effectively.
- Assistance is also needed for organised groups of low- and middle-income households (such as Savings and Credit Cooperative Societies [SACCOs] and housing cooperatives), who may access land but often

Box 2. Unequal access to housing options

Nairobi's informal renters find their access to shelter is not only affected by their financial status, but by a range of social factors including age, household size, and gender norms. For example, some structure owners prefer not to rent to young single men (who are widely — unfairly — perceived as criminal); single mothers (seen as incapable of paying rent or defying gender norms), or large families because they fear that children may damage the property.

The design and infrastructure of many shacks and tenements are unsuitable for people living with disabilities (PLWDs), resulting in multiple challenges and undignified coping strategies. A 55-year-old widow with arthritis explained her struggles to walk to a latrine located 100m from her home: *"It's these knees, they are very painful when I move around . . . I have to go to the toilet but before I get there, I will have soiled myself"* (woman living in single room with extension). It can also be difficult for people with disabilities, the elderly, and children living in tenements to access services and live comfortably, particularly with imposing stairs and inadequate water or sanitation.

Foreign migrants may encounter discrimination from structure owners (who can charge higher rents or refuse to rent to them) as well as resentment for taking jobs from locals. Kenyan rural/urban migrants can struggle to access shelter too if they lack social networks that can help find an affordable unit. Finally, during elections, ethnicity can become more salient and lead to conflict: *"During this [election] season, the political impatience gets fuelled by the tribal segregation of the villages within this area"* (man in single-room shack, Mathare). Ethnic differences between Nairobi's informal structure-owners and tenants can also affect access to housing. Beyond ethnicity, however, there are several axes of difference that can shape access to shelter in the city's complex informal housing markets.

Box 3. Banks highlight obstacles and solutions to promote housing affordability

When asked about obstacles to Kenya's mortgage market, major banks highlighted the following:

- 1) High cost of housing units and land
- 2) High incidental costs like legal fees or stamp duty
- 3) Challenges with titling
- 4) Low household incomes.¹⁶

These banks advocated:

- Improved availability of low-cost housing options
- Affordable long-term funds
- Government incentives for low-cost housing
- Official provision of infrastructure to developers
- Wider availability of alternative construction technologies
- Complete digitalisation of Kenya's land registries.

Source: *Central Bank of Kenya (2018)*.¹⁶

lack the funds for decent housing construction and infrastructure.

Promote equitable infrastructure delivery and work with communities to co-produce solutions:

- Infrastructure provision has been highly skewed, resulting in the neglect of low-income areas. A redistributive strategy to provide roads, water and sewerage (at minimum) should be prioritised in Nairobi's development expenditure, as well as by its public utilities and development partners.

Notes

¹ Kenya National Bureau of Statistics (KNBS) Economic Survey (2018), Nairobi. / ² UN DESA World Urbanization Prospects (2018), available at <https://population.un.org/wup/DataQuery/> / ³ Kenya National Bureau of Statistics (KNBS) Economic Survey (2018), Nairobi. / ⁴ Mutambo, A (2 May 2016) History of collapsed buildings in Nairobi. Daily Nation www.nation.co.ke/news/History-of-collapsed-buildings-in-Nairobi/1056-3186472-afy099z/index.html / ⁵ See forthcoming IIED working paper by Mwau, B et al. (2019). / ⁶ Taking the average monthly rent of 3,000 KSh (US\$30) and with 69.5% (1,033,929) of Nairobi households living in single rooms (KNBS 2018, see reference 2), the cumulative monthly rental income from these units is 3,101,787,000 KSh (US\$31,017,870). Thus, the total annual income generated from these rental units is approximately 37.2 billion KSh (US\$372.2m). / ⁷ Bassett, E (2019). Reform and resistance: The political economy of land and planning reform in Kenya. *Urban Studies*, Online First, 1–20. / ⁸ Gardner, D et al. (2019). Assessing Kenya's Affordable Housing Market, CAHF p.10, available at <http://housingfinanceafrica.org/app/uploads/CAHF-Kenya-Housing-Analysis-FINAL-20190430.pdf> / ⁹ Gilbert, A (2016). Rental housing: The international experience. *Habitat International*, 54, 173–181. / ¹⁰ Muindi, K, Mberu B, and Sverdluk, A (2019). Dismantling barriers to health and wellbeing for Nairobi's refugees, IIED Briefing, <https://pubs.iied.org/pdfs/17714IIED.pdf> / ¹¹ The President's Big 4 policy agenda focuses on 1) manufacturing, 2) food security and nutrition, 3) universal health coverage, and 4) affordable housing. See www.president.go.ke / ¹² KNBS (2013) Kenya National Housing Survey 2012/2013: Basic Report. Nairobi, Kenya National Bureau of Statistics. / ¹³ Mose, V. et al (2018). Delivering Affordable Housing in Kenya Requires a Paradigm Shift, KIPPR Policy Brief No. 10. Available at <http://kippra.or.ke/wp-content/uploads/2018/07/Delivering-Affordable-Housing-in-Kenya-Requires-a-Paradigm-Shift-PB-10-2017.pdf> / ¹⁴ Chen, M, Roeveer, S, and Skinner, C (2016) Urban livelihoods: Reframing theory and policy. *Environment and Urbanization* 28(2): 331–342. / ¹⁵ Berrisford, S, Cirolia, LR, and Palmer, I. (2018). Land-based financing in sub-Saharan African cities. *Environment and Urbanization*, 30(1), 35–52. / ¹⁶ Central Bank of Kenya (2018). Bank Supervision Annual Report 2017, available at <https://www.centralbank.go.ke/reports/bank-supervision-and-banking-sector-reports/>

- To extend coverage to underserved areas, the government must strengthen the capacities of Nairobi's public water and sewerage agencies.
- To overcome fragmentation in service delivery, there is an urgent need for better coordination between city planning strategies and infrastructure delivery, land use, and service provision.
- Providers should partner with low-income residents and local organisations to co-produce appropriate, affordable modes of shelter, infrastructure, and service delivery.
- To foster gender-equitable service delivery, utilities should work with women and girls to design appropriate water, sanitation and hygiene facilities, including adequate lighting, menstrual hygiene facilities, and gender-segregated doors for public toilets.
- Utilities should again work with PLWDs to design appropriate water, sanitation and hygiene facilities in both shacks and tenements.

Reform land governance:

- Nairobi requires a reliable land information system: developing a secure, updated, transparent system will reduce the risks of mismanagement and corrupt transactions.
- Such a system can also facilitate land-based infrastructure financing,¹⁵ thereby helping to address key shortfalls in provision.
- Better integration of land use and infrastructure planning can provide a strategic framework for shelter delivery, resolve land conflicts, and facilitate future interventions.

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