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Exit concern in the Kenyan real estate industry

Genghis Capital in partnership with Paradigm Projects hosted a property investor's forum setting a good platform to discuss the exit concern issue in the context of residential property development, how it affects investors and developers and possible solutions to this key commercial risk.

By Nelius Kanyingi

L-R Austin Ogada- Director Paradigm projects, Dan Awendo- MD Home Afrika, Andrew Saisi- MD National Housing Corporation, Geoffrey Gangla- CEO Genghis Capital Limited

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Key highlights in the NSE

TOP GAINERS	PRICE(KES)	CHANGE(%)
FTGH	4.40	+10.00
HFCK	11.65	+9.91
BAT	779.00	+9.26
SCAN	17.00	+6.25
KQ	10.85	+5.34

LOSERS	PRICE(KES)	CHANGE(%)
EGAD	20.50	-5.75
CIC	5.10	-5.56
EVRD	2.00	-4.76
SGL	30.50	-4.69
UNGA	40.00	-2.44

INDICES & OTHER TRADING STATS	
NSE ALL SHARE INDEX	191.23
NSE 20 SHARE INDEX	3,845.34
NSE 25 SHARE INDEX	4,965.76
ETF In Units-Total Deals	0.00
ETF Turnover In KES	0.00
FTSE NSE Kenya 15 Index	241.06
FTSE NSE Kenya 25 Index	247.93
FTSE NSE Kenya Govt. Bond Index	93.75
FTSE ASEA Pan African Index	1,218.62
MARKET CAPITALIZATION (KES Billions)	2,817.36
TOTAL SHARE TRADED	41,587,500.00
EQUITY TURNOVER	1,724,561,147.00
TOTAL EQUITY DEALS	1,637.00
I-REIT TURNOVER	394,825.00
TOTAL I-REIT DEALS	8.00

From Pg 1

Due to the unattractiveness of mortgage products, home ownership in Kenya remains very low with the Central Bank of Kenya estimating there are just 25,000 of home loans in the entire country with a population of 44.3 million.

In addition, the average house prices in Kenya recorded a minimal increase of 0.98 per cent in the first quarter of 2018 compared to the 1.10 per cent rise in quarter one 2017, according to the Kenya Bankers Association's Housing Price Index. This was the slowest price increase since the third quarter of 2016.

While the index depicts a sense of overall price stability, the trend over the past four quarters points to the underlying demand and supply characteristics. The slowdown in the rate of house price growth illustrates a demand slowdown on the back of the broader economic environment characterized by a general sense of slow growth.

Residential property development is speculated to be the best direction in terms of yielding faster return to the developer and investors which has seen a rise in the number of this people venturing into this particular market. However what they fail to understand is investment in property development has been categorized as high risk and illiquid due to its high capital outlay, long investment period and slow product market uptake.

There needs to be a government policy that will regulate speculators who affect pricing and location of land especially if there are planned infrastructural developments in the area. This in return increases the price of land which is eventually transferred from the developer and finally to the customer.

The policy should be able to limit their play in that space or place responsibilities upon speculators to either add value to properties held of flipping opportunity is minimized.

Dan Awendo M.D Home Afrika says there is also need for improvement outside of Tenant Purchase Schemes (TPS).The scheme is an alternative payment method for property acquisition whereby the home buyer makes a down payment and is able to access the facility before fully paying for it within an extended period of time.

Most developers in the market tend to shy away from the model as it ties down their cash flow.

"affordability is not just the price of the house or profit thee developer is making, it is about the value the customer pays on a periodic basis which could be daily, weekly that is affordable within his purchasing power." Says Mr. Dan Awendo

Andrew Saisi M.D National Housing Corporation says, for houses to move very quickly in the market developers should consider the element of proximity of to the work place. So that one ends up saving some money and commit to a home purchasing scheme.

"If you go to Singapore you are not supposed to spend more than 20-25 minutes between your home and work place so that there is no lose of man power in the process."

Unveiling of H.O.M.E (home ownership made easy)

Genghis Capital, an investment bank, and Paradigm Projects, a real estate development advisor, launched an affordable home ownership solution known as HOME (Home Ownership Made Easy). Genghis Capital is handling the finance aspect whilst Paradigm Projects is handling the technical aspect.

H.O.M.E buyers will now be able to acquire property at residential suburbs around Nairobi without the need for a conventional bank loans. H.O.M.E will allow Home buyers to obtain a long-term purchasing facility from the developer at favorable credit terms, with monthly repayments priced at equal or close to prevailing rental rates in the target areas.

Genghis Capital CEO, Geoffrey Gangla, said that property ownership is part of an eco-system that requires investors and developers to be innovative in enabling home owners purchase properties at reasonably affordable rates.

"Majority of people seeking home ownership do not have enough money to make an outright purchase or the down payment required which are usually steep. HOME is an innovative solution that addresses the interdependency between developers, investors and buyers allowing more people affordable home ownership."

Centum grows its stake in Sidian bank

Centum Investments has pumped Ksh 1.1 billion into its banking subsidiary Sidian in a rights issue to boost the lender's core capital.

By Njeri Murigi

Mr. Chege Thumbi, Sidian Bank Chief Executive Officer had earlier revealed in an interview that Centum, who holds 73 per cent stake in the bank, would pump money. "We do not plan to raise money in the stock market; already our main shareholder is listed. They have given us a promise that capital will not be a challenge." noted Mr. Chege.

Centum Investments have high hopes in revamp of the banking sector. Mr. Mworia notes, "We have a lot of confidence in the long-term view in the banking sector. Sidian Bank is fairly young investment, and we are therefore backing it."

Centum exited their investment in asset manager GenAfrica after selling its 73.35 per cent stake to Kuramo Capital. It also exited from Platinum Credit citing that they had realized their optimal value

The banking sector has been hard hit by the interest rate cap. Most have recorded reduction in interest in income. Sidian reported a loss of Ksh 274 million in the year ended September 2017 compared to a net profit of Ksh 220 million made in a similar period a year earlier.

Sidian Bank looks forward to being market leader trade finance, expanding in this sector will grow their loan book incredibly. "My vision for Sidian Bank is making it a strong tier 2 bank by 2022, in excess of balance sheet of Ksh 60," said Mr. Chege.

For upcoming banks to survive in the competitive banking sector, they need to identify a gap in the market develop a strategy on how to bridge the gap and execute effectively.

Mobile loans: Unplugging from the addiction

Technology has for the last five years has disrupted the banking sector operations. Banks have had to adjust to technology that eases customers' transaction for them to retain the customers. In addition they have had to partner with Fintechs and telcos offering financial services for them to go digital.

By Njeri Murigi

Equity bank, a top tier 1 bank enables its customer's access loans through equitel. Equity mobile lending rose to Ksh 57 billion in the 2017. Barclays in partnership with Safaricom are enabling Barclays and Safaricom customers easily access loans through Timiza app. Safaricom through Mshwari has 5 million active users with a deposit of Ksh 26 billion and a loan balance of Ksh 520 billion. It charges 7.5 percent charge on money borrowed and must be repaid in 30 days.

Tala, previously known as M-kopo rahisi have processes over 1,000,000 loans. Branch, a Facebook-linked mobile app allows users borrow and repay micro-loans via mobile money platform M-Pesa, has a loan book of Sh2 billion. Through these platforms and many more Kenyans can easily access unsecured loans at the comfort of their houses. This has slowly made Kenyans addicted to mobile loans.

Survey shows that 31 per cent of digital borrowers borrow to bet. Unfortunately, when one loses the bet, they borrow to repay the loan and place another bet. Delays in payment of digital loans attract hefty penalties with 9 percent defaulting and are flagged by the credit reference bureau.

Steps of stepping out of debt

1. Admit that you are addicted to debts; this will make you avoid shifting blame on reason you take loans.
2. Inform your close family members; these are the people who are affected by your financial decisions. Let them know you are stepping out of your debts and may be affected.
3. Identify reasons why you are in debt. This could be medical bill, maintaining your car, higher expenses than your income,
4. Keep away from incentives to debt. These include using a debt card instead of a credit card, deleting apps that make it easy for you to loans for consumption.
5. Make a budget. This should capture your sources and amount of income, estimate your expenses and emergency money. The allocation for emergency amount may not small if you are settling other debts.

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CONTACTS
Think Business Limited,
87 Rhapta Road, Westlands
P.O. Box 12800 - 00100, GPO, Nairobi
Tel: +254 020 4453881/2,
E: editorial@thinkbusiness.co.ke
Web: www.thinkbusinessafrica.com