

Quarterly Report - Quarter 1 2026

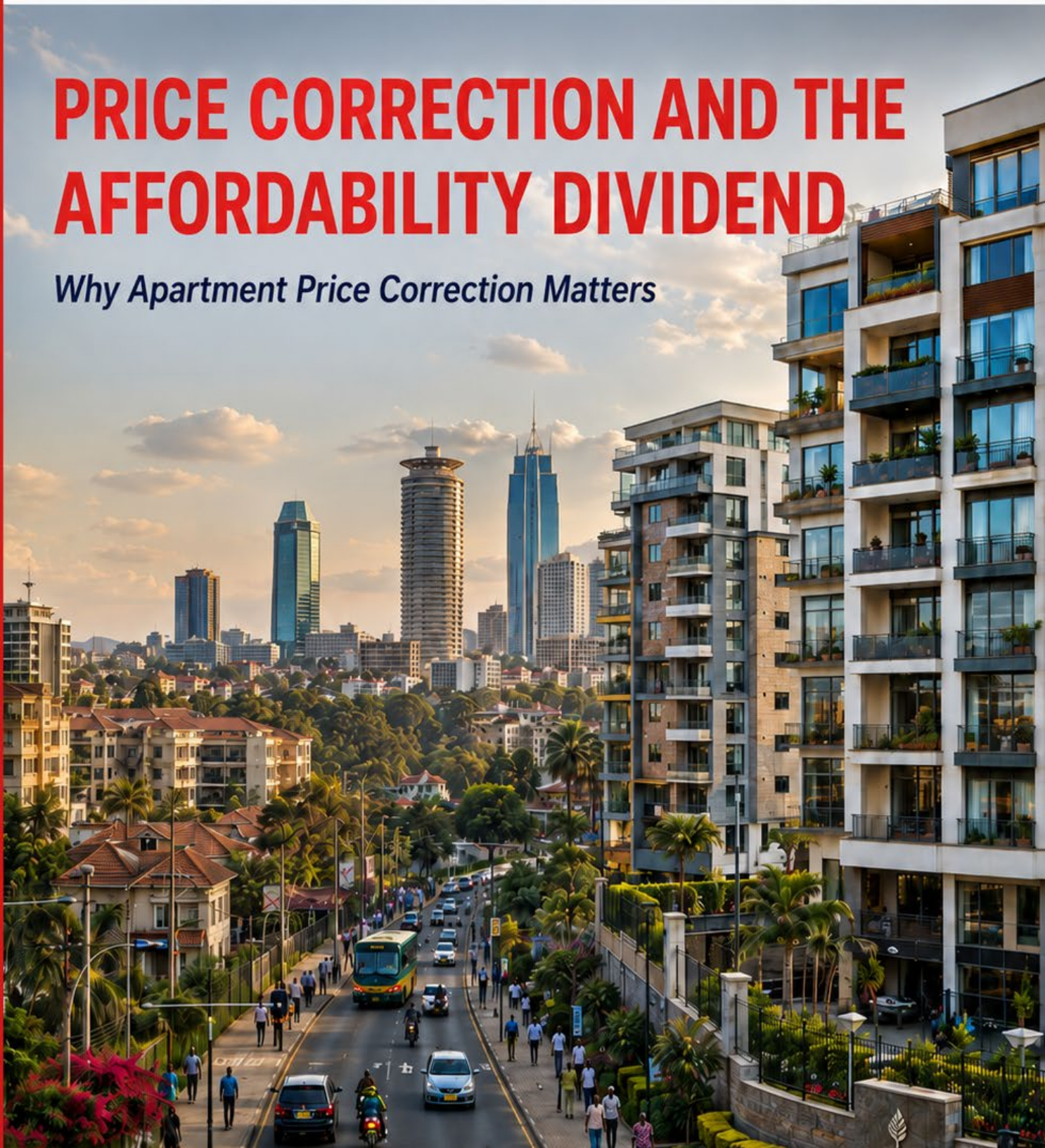


Sustainably Promoting Home Ownership

Quarterly Housing and
Housing Finance Market Dynamics

PRICE CORRECTION AND THE AFFORDABILITY DIVIDEND

Why Apartment Price Correction Matters



Quarterly Housing and Housing Finance Market Dynamics



ABOUT THE REPORT

This report is based on the Kenya National Bureau of Statistics' inaugural *Kenya Residential Property Price Index – April 2026*, which provides Kenya's first official, systematic, and quality-adjusted measure of residential property price movements. The KNBS publication tracks changes in average residential property prices from 2022 Q1 to 2025 Q4, using data from property listings, the 2023/24 Real Estate Survey, and quarterly surveys of real estate agents. It therefore offers an important basis for assessing housing market dynamics, affordability conditions, collateral-price movements, and housing finance opportunities. Building on the KNBS report, this quarterly report presents the emerging insights on the emerging residential property price correction in the apartment segment not merely as market softening, but as a potential affordability dividend: a repricing process that may bring selected urban and peri-urban units closer to household purchasing power and mortgage underwriting thresholds. The analysis focuses on what these price movements imply for homebuyers, lenders, developers, policymakers, and housing finance institutions seeking to expand access to mortgageable homes in Kenya.



EXECUTIVE SUMMARY

Residential property prices are rising at the aggregate level, but the headline trend masks significant differences across housing segments and locations. According to the Kenya National Bureau of Statistics' inaugural Residential Property Price Index (RPPI), published in May 2026, the overall residential property price index increased from 100.8 in 2022 Q1 to 117.7 in 2025 Q4, implying a cumulative increase of 16.8 per cent over the period. However, the market is not moving uniformly. The key dynamics are as follows:

- *Residential prices are rising in aggregate, but submarkets are moving differently.* The overall RPPI rose by 16.8 per cent, from 100.8 in 2022 Q1 to 117.7 in 2025 Q4. Within this movement, standalone houses gained 32.2 per cent, while apartments declined by 13.3 per cent. This points to a segmented market, where price dynamics differ by dwelling type, location, and affordability band.
- *Apartment price softening is improving the affordability signal.* In 2025 Q4, median apartment asking prices stood at KSh 8.5 million in Nairobi Other, KSh 12.0 million in Nairobi Upper and Nairobi Middle, and KSh 11.5 million in Other Regions. These price levels place apartments closer to the mortgageable frontier than standalone houses, whose median prices ranged from KSh 16.0 million in Nairobi Other to KSh 100.0 million in Nairobi Upper. If household incomes, borrowing costs, loan tenors, and down-payment requirements support repayment, price softening can help convert latent housing demand into actual purchases.
- *Apartment inflation remains weak, reinforcing the affordability window.* Apartment price inflation has been negative in most quarters, including -13.9 per cent in March 2023, -9.7 per cent in September 2023, -4.2 per cent in June 2025, and -1.2 per cent in December 2025. By contrast, house inflation remained positive in nearly all quarters, reaching 23.7 per cent in June 2024, 13.2 per cent in September 2025, and 7.0 per cent in December 2025. This confirms that price softening is more pronounced in apartments than in standalone houses.
- *Formal urban apartment markets show the strongest correction.* By 2025 Q4, the apartment index had fallen to 82.6 in Nairobi Upper and 83.8 in Nairobi Middle. These declines show that price adjustment is strongest in formal urban apartment markets, where location premiums and buyer affordability constraints are more visible. With affordable housing finance, this adjustment can help more buyers move from pent-up demand to homeownership.

Apartment price correction is not merely a market adjustment. It is an emerging affordability dividend that can make homeownership more financeable for buyers previously priced out of the market. Where corrected prices align with affordable housing finance, latent demand can become effective demand.



MARKET DYNAMICS AT A GLANCE

Key trends from the KNBS Residential Property Price Index (RPPI),
April 2026 release, covering 2022 Q1 to 2025 Q4.



OVERALL RPPI

117.7

(2025 Q4)

Index (2022 = 100)

▲ +16.8%

Cumulative change
(2022 Q1–2025 Q4)



HOUSES RPPI

132.2

(2025 Q4)

Index (2022 = 100)

▲ +32.2%

Cumulative change
(2022 Q1–2025 Q4)



APARTMENTS RPPI

88.9

(2025 Q4)

Index (2022 = 100)

▼ -13.3%

Cumulative change
(2022 Q1–2025 Q4)



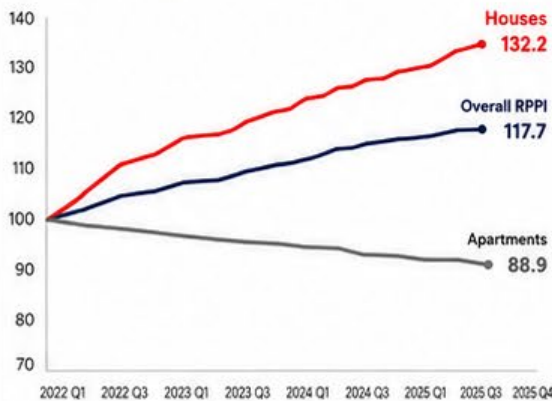
Nairobi remains the
priciest market,
especially for houses in
Nairobi Upper.



Rental yields remain
stable, averaging 5.2%
across all markets.

RESIDENTIAL PROPERTY PRICE INDEX TRENDS

Index (2022 Q1 = 100)



OVERALL RPPI

▲ +16.8%

Cumulative change
(2022 Q1–2025 Q4)

HOUSES

▲ +32.2%

Cumulative change
(2022 Q1–2025 Q4)

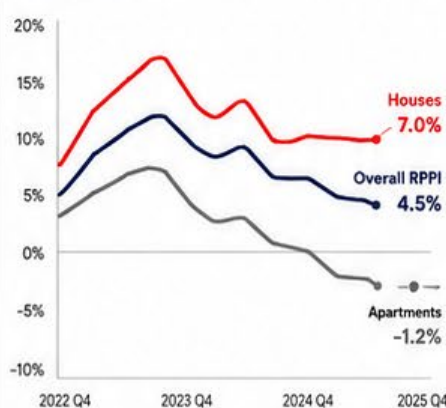
APARTMENTS

▼ -13.3%

Cumulative change
(2022 Q1–2025 Q4)

RESIDENTIAL PROPERTY INFLATION

Year-on-Year (%)



INFLATION IN 2025 Q4 (Y-O-Y)

OVERALL RPPI

4.5%

(Y-O-Y)

HOUSES

7.0%

(Y-O-Y)

APARTMENTS

-1.2%

(Y-O-Y)



AFFORDABILITY DYNAMICS



Aggregate prices rose,
but the market split.



Apartment correction is
restoring affordability.



Nairobi Upper and Nairobi Middle
apartments show the strongest correction.



The affordability dividend depends on
affordable housing finance.

MEDIAN ASKING PRICES IN 2025 Q4 (KSH MILLION)

REGION	APARTMENTS	HOUSES
Nairobi Upper	12.0	100.0
Nairobi Middle	12.0	65.0
Nairobi Other	8.5	16.0
Other Regions	11.5	28.9



“

Apartment price
correction is
creating an
affordability
dividend by moving
selected housing
segments closer to
the mortgageable
frontier.

”



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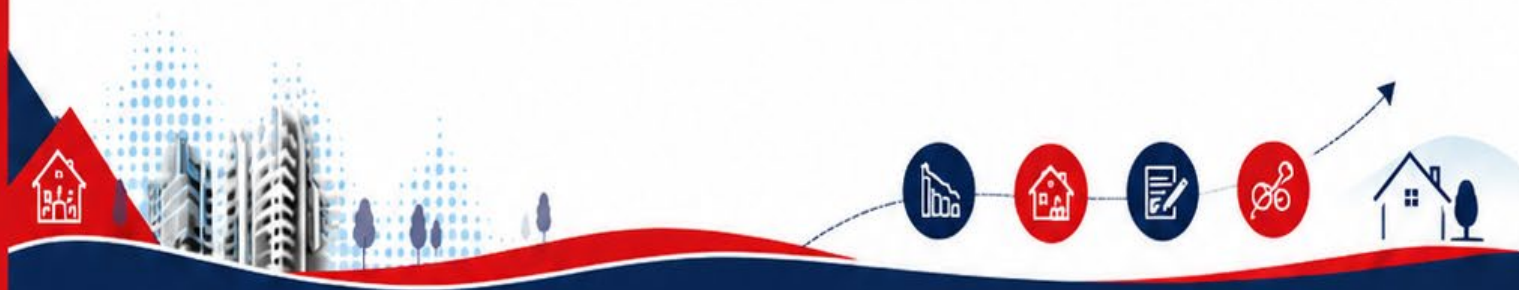
THE KNBS RESIDENTIAL PROPERTY PRICE INDEX: METHODOLOGICAL NOTE

The [Kenya National Bureau of Statistics' Residential Property Price Index \(RPPI\)](#) measures changes in residential property prices over time while adjusting for differences in property characteristics. This adjustment is necessary because housing is not a homogeneous good. Each unit differs by location, dwelling type, size, and number of bedrooms. Without quality adjustment, changes in average or median prices may reflect shifts in the mix of properties listed rather than true price movements. This is consistent with international RPPI guidance, which notes that residential property price measurement is difficult because each dwelling has a unique location and structural profile.

The KNBS RPPI treats the housing market as segmented, not uniform. It covers apartments and standalone houses across Nairobi Upper, Nairobi Middle, Nairobi Other, and Other Regions, producing eight market strata by dwelling type and geography. This structure is essential because price movements differ across locations and housing types. The index is compiled using a hedonic methodology, which estimates price movements after controlling for observable characteristics such as dwelling type, location, and number of bedrooms. This method is appropriate for heterogeneous housing markets because it separates pure price change from changes in the quality or composition of listed properties.

The KNBS RPPI is based on asking prices, not completed transaction prices. It should therefore be read as an indicator of market direction, seller expectations, and price discovery, rather than a direct measure of realized collateral values. The index uses 2022 as the reference period and tracks quarterly movements through 2025 Q4.

In this report, the RPPI is used as the anchor for three issues: aggregate residential price trends, the divergence between apartments and standalone houses, and the apartment price correction that may support a financeable affordability dividend. Subsequent sections use the index for interpretation and do not revisit its technical construction.



INTRODUCTION

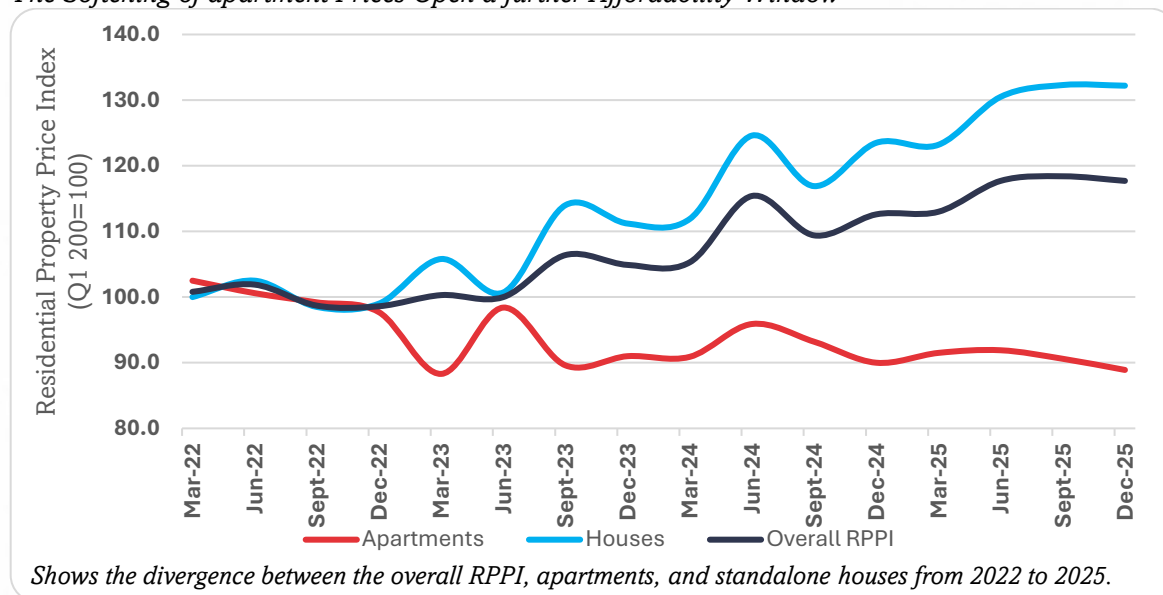
Housing affordability is a financing question. A home becomes affordable when the purchase price, borrower income, down payment, mortgage rate, loan tenor, and lender underwriting criteria jointly support repayment. According to KNBS, residential property prices are still rising at the aggregate level, with the overall Residential Property Price Index increasing by 16.8 per cent between 2022 Q1 and 2025 Q4. Yet beneath this aggregate movement, the market is not moving uniformly. Different submarkets show different price patterns. On the one hand, standalone houses remain under strong price pressure. On the other hand, selected apartment markets are moving closer to mortgageable price points. Apartment prices have softened most visibly in selected submarkets, especially formal urban apartment markets. This price movement is bringing some apartments closer to levels that can be financed through savings, income, and mortgage credit. This report examines apartment price trends and their implications for housing affordability and mortgage lending. It focuses on where prices are softening, where apartment inflation remains low, and how price correction can convert pent-up housing demand into effective mortgage demand.

Overall property prices are on the rise, but apartments are softening

Residential property price trends are mixed, but the apartment segment is sustaining an emerging affordability window. As shown in Figure 1, the overall Residential Property Price Index rose from 100.8 in 2022 Q1 to 117.7 in 2025 Q4, implying a cumulative increase of 16.8 per cent. At the aggregate level, this suggests continued upward pressure on residential property prices. However, the overall index hides an important shift. House prices rose by 32.2 per cent, while apartment prices fell by 13.3 per cent over the same period. This means affordability is improving mainly in the apartment segment, where price correction is bringing some homes closer to the purchasing power of middle-income households.

Figure 1. Trends in the residential property price index

The Softening of apartment Prices Open a further Affordability Window



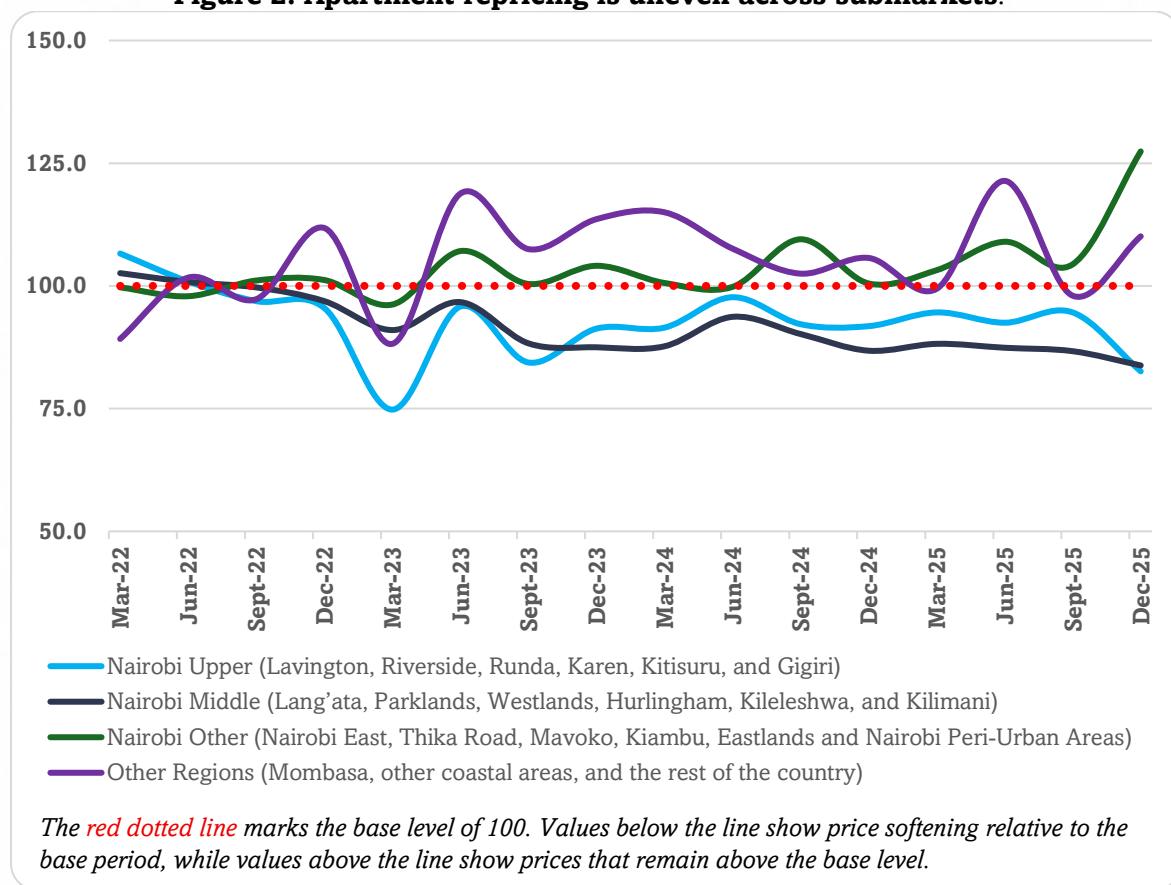
Source: KNBS Residential Property Price Index, & KMRC Research Compilation

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Apartment prices are softening, but unequally across sub-markets

The apartment segment shows the clearest sign of improving affordability, but the adjustment is uneven across submarkets. Figure 2 shows that apartment price movements differ materially across locations. Nairobi Upper and Nairobi Middle are mostly below the red reference line, indicating price softening. Nairobi Other and Other Regions are mostly above the red line, indicating firmer prices or renewed price increases. Apartment prices are adjusting most clearly in formal urban submarkets where initial price levels, location premiums, construction costs, and seller expectations may have moved beyond what buyers can afford. The correction is therefore a sign that the market is searching for prices that buyers can afford.

Figure 2. Apartment repricing is uneven across submarkets.

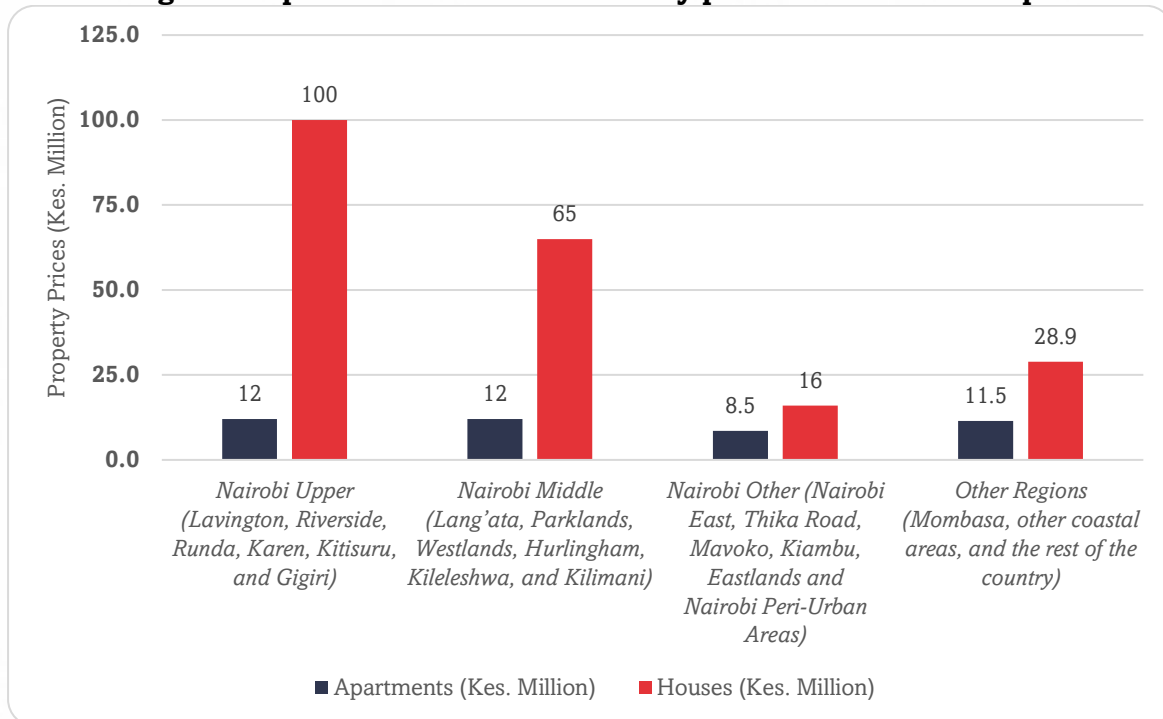


Source: KNBS Residential Property Price Index, & KMRC Research Compilation

Affordability depends first on property price. Figure 3 illustrates this clearly. In 2025 Q4, median apartment asking prices stood at Kes. 8.5 million in Nairobi Other, Kes. 12.0 million in Nairobi Upper and Nairobi Middle, and Kes. 11.5 million in Other Regions. By contrast, median house prices ranged from Kes. 16.0 million in Nairobi Other to Kes. 100.0 million in Nairobi Upper. This large price gap makes apartments much more affordable than standalone houses. The affordability case is therefore clearer in apartments because the purchase price is lower is more likely to fit within the income of households.

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Figure 3. Apartments offer a lower entry price to homeownership



Source: KNBS Residential Property Price Index, & KMRC Research Compilation

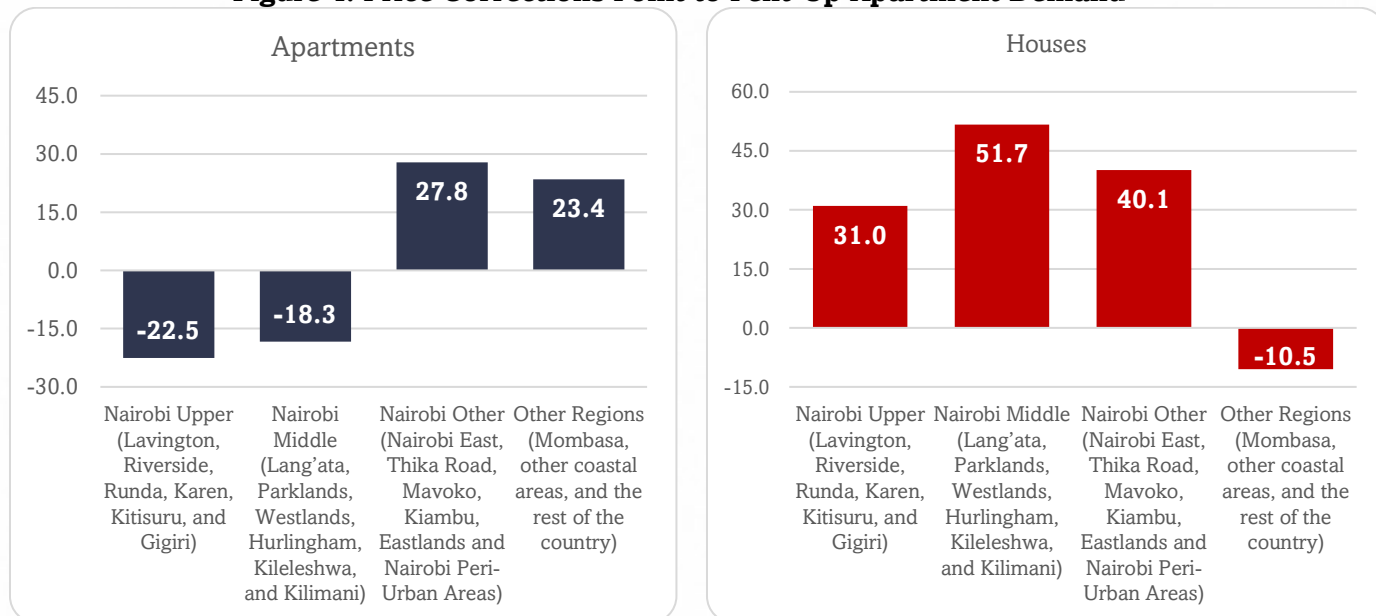
Apartments are leading the property price correction

Price softening is more visible in apartments than in standalone houses. As shown in Figure 4, cumulative price changes between 2022 Q1 and 2025 Q4 differ sharply across housing types and locations. This shows that prices are not moving in the same direction across the market. In apartments, prices declined by 22.5 per cent in Nairobi Upper and by 18.3 per cent in Nairobi Middle, showing clear price softening in these formal urban markets. However, apartment prices increased in Nairobi Other and Other Regions, which means the correction is not uniform. This is where pent-up demand is likely to be strongest: apartments in Nairobi Upper and Nairobi Middle are becoming more affordable. For standalone houses, price softening is much less common. House prices increased in Nairobi Upper, Nairobi Middle, and Nairobi Other, while only Other Regions recorded a decline of 10.5 per cent. This means the affordability gain is stronger in selected apartment markets, while standalone houses remain largely expensive and continue to rise in price.



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Figure 4. Price Corrections Point to Pent-Up Apartment Demand



Source: KNBS Residential Property Price Index, & KMRC Research Compilation

Lower apartment inflation supports emerging affordability

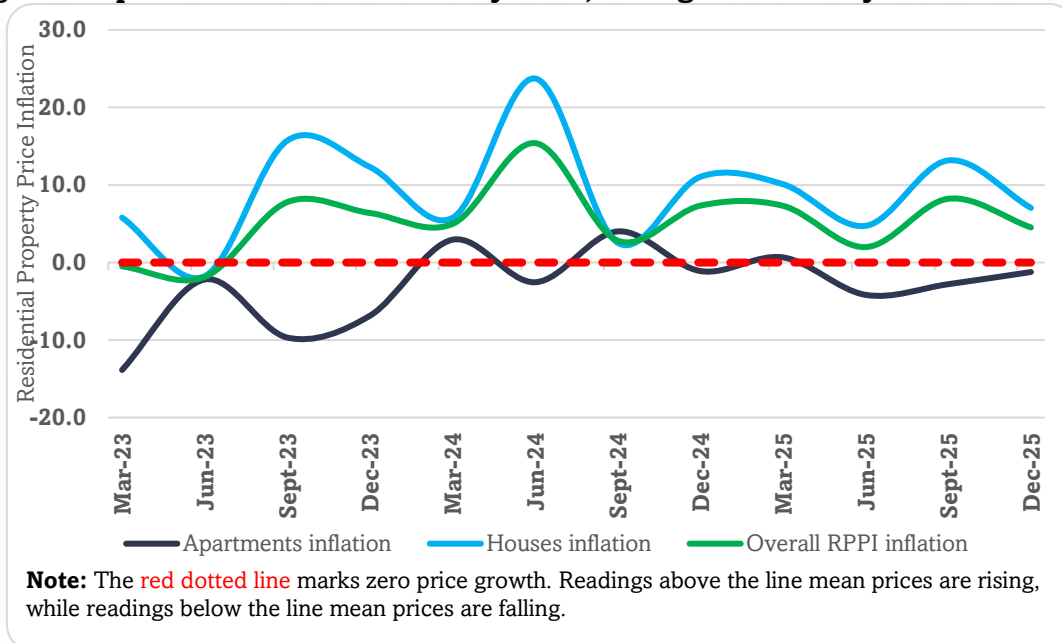
Residential property price growth has cooled, but the pattern differs sharply between apartments and houses. Figure 5 shows that overall RPPI inflation eased from 15.4 per cent in June 2024 to 4.5 per cent in December 2025. However, the cooling is not uniform. Apartment inflation was negative in most quarters, including -13.9 per cent in March 2023, -9.7 per cent in September 2023, -4.2 per cent in June 2025, and -1.2 per cent in December 2025. By contrast, house inflation remained positive in nearly all quarters, rising by 23.7 per cent in June 2024, 11.1 per cent in December 2024, 13.2 per cent in September 2025, and 7.0 per cent in December 2025. This shows that price declines are more common in apartments, while standalone houses continue to record price increases.

This matters for affordability. Homes become more affordable where prices are falling or rising more slowly, not where prices continue to increase strongly. Apartments therefore offer the clearer affordability signal, while standalone houses remain under upward price pressure. A slower overall market does not mean all homes are becoming more affordable. The affordability gain is likely to be limited to specific segments, especially apartments, and will depend on whether buyers can access suitable mortgage financing.



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Figure 5. Apartment Price Growth Stays Soft, Easing Affordability Pressures



Source: KNBS Residential Property Price Index, & KMRC Research Compilation

CONCLUSION

Price declines in housing markets can signal an adjustment toward affordability when they move homes closer to levels that households can finance. Notably, the softening of apartment prices suggests that selected apartment markets are moving closer to price points consistent with household income, down-payment capacity, and monthly repayment ability. For price softening to translate into improved homeownership outcomes, three necessary conditions must be present. First, home prices must adjust toward household purchasing power. Second, mortgage terms must support repayment capacity through affordable interest rates, longer tenors, and manageable down-payment requirements. Third, primary lenders' credit-risk assessment and collateral valuation must reflect current market prices.

These conditions become sufficient only when they coincide with borrowers who have stable enough income to service the loan and lenders willing to underwrite at the corrected market price. This is most likely to occur in selected apartment submarkets, where prices have softened, apartment inflation has remained weak or negative, and demand is supported by location, infrastructure, employment access, and services. In these markets, price correction can convert pent-up housing demand into effective mortgage demand.





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