

**MORTGAGE FINANCING AND PERFORMANCE OF REAL ESTATE INDUSTRY IN  
EMBU, KENYA**

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## ABSTRACT

All over the world, real estate markets are facing challenges that can manage to continue growing only when supported by a "property friendly" banking environment. Despite the boom in Kenyan real estate sector, mortgage finance is still accessible to only a small majority of the Kenyan population, adversely affecting real estate development in the country. Banks refused to lend to mortgage borrowers even as demand rose as more Kenyans sought to take advantage of the lower lending rates to buy homes. "There is increased demand for mortgage loans due to perceived affordability after the introduction of interest capping law in September 2016. The purpose of this paper was to study the relationship between mortgage financing and performance of the real estate in Embu, Kenya. The specific objectives of the study were; effects of interest rates, mortgage loan terms, inflation and the influence of mortgage risks on performance of real estate. The study of the population entails all licensed real estate agents in Embu which were 11 in number and also individual real estate investors with residential real estate apartments. The study used both secondary and primary data. Secondary data used was obtained by use of desk research techniques from CBK documentations on mortgage loans, Hass-Consult Limited reports and KNBS published reports. Structured questionnaires were used to gather information on primary data from respondents. The questionnaires were administered through drop and pick method to real estate agents and individual residential real estate investors in Embu. Data analysis was done by use of statistical package for social sciences (SPSS) version 23. And summarized using descriptive statistics. The results will be presented in tables, percentages and charts after the data was collected. Through the investigation it was found out that the number of home loan credits, the quantity of home loan advances adjusts, GDP development and expansion rate to negatively affect the performance of real estate in Kenya. On the relationship that exists between the examined factors, the investigation concludes with a positive impact between home loan financing and performance of real estate. Administration through Central Bank and mortgage financial institutions should execute approaches that decrease the loan costs that mortgage establishments charge on home loans. For further research investigations ought to take into consideration different variables influencing execution of the performance of real estate in other than mortgage financing.