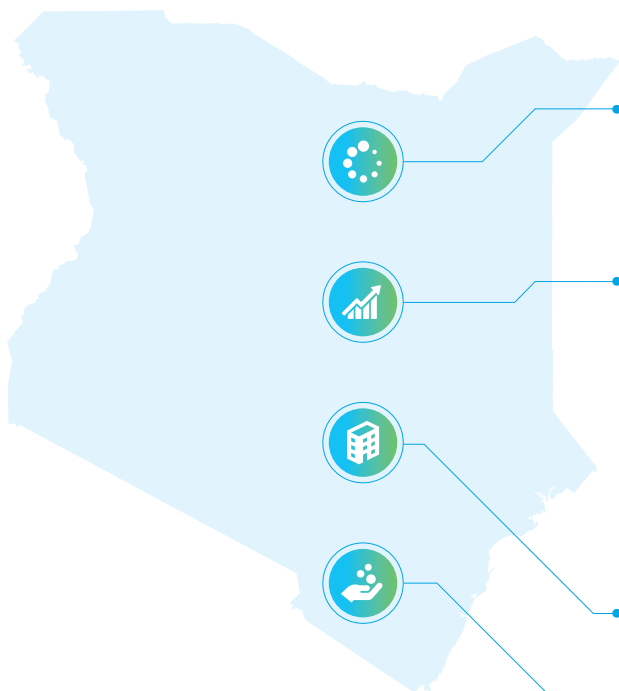


KENYA GREEN BUILDING MARKET SNAPSHOT 2020¹

This Green Building Market Snapshot provides a summary of key market indicators based on IFC's research on policy environment, building construction, and Green Building certification and finance. The year of the snapshot coincides with the launch of the UK-IFC Market Accelerator for Green Construction (MAGC) program in the country. Additionally, most recent Green Building developments in the market are included where available. IFC welcomes readers' comments.

CERTIFIED GREEN BUILDING MARKET STATUS: UNDERDEVELOPED

As of 2020, Kenya's Green Building Market development has been gradual. The certified Green Building market was 3%² of new builds in 2020. The certified buildings were mainly offices and high-income housing. There are couple Real Estate Investment Trusts (REITs), but there are no Green Building construction loans or mortgage products in the market. The government has a green economy strategy (2016)³ with Green Building targets; an ordinance on construction of affordable houses according to EDGE standards; and a green fiscal incentives policy framework (ongoing), but the implementation and impact of these on the Green Building market development are still to be seen.



COUNTRY LANDSCAPE

- Energy Consumption:** Access to electricity has increased dramatically in Kenya over the past 20 years, reaching almost 3/4 of the population today.⁴ Buildings use 47% of the available electricity generation capacity (32% for residential buildings and 15% for commercial/public service buildings).⁵
- Construction Market:** The housing market can be characterized by a large demand and undersupply of formal affordable housing. According to the World Bank's April 2017 economic update, Kenya faces a housing deficit of over 2 million units and has nearly 61% of urban households living in slums. While 244,000 units are needed annually, the supply is less than 50,000 units per year.⁶ To meet this deficit, as part of the Kenyan Government's "Big Four" agenda for prioritizing development, Nairobi is expected to construct 30,000 new affordable housing units in the short term, and private companies are expected to be assigned 7,000 acres of public land for development in the long term.⁷
- Developers:** Although there are no exact numbers on real estate developers, the market is dominated by local developers followed by Chinese developers in recent years.
- Finance:** As of 2018-end, the number of mortgages provided by commercial Banks was 26,500. Savings and Credit Cooperatives (SACCOs) are estimated to provide almost 90% of Kenya's total housing finance.⁸

1. GREEN BUILDING POLICIES AND REGULATIONS

Is there a national definition of Green Building?

The Kenya Green Building Society adheres to the World Green Building Council definition of Green Building, as “the design, construction, and operation of buildings with minimum to zero negative effects on the environment.” However, there appears to be no separate national definition of Green Building.⁹

Is Green Building part of the country’s Nationally Determined Contributions (NDC)?

Kenya’s initial INDC target in 2015 aimed to reduce emissions by 30% relative to the country’s base case scenario (i.e., growth without climate policies) by 2030. The target was recently adjusted to abate GHG emissions by 32% by 2030, in line with Kenya’s sustainable development agenda and national circumstances. There are no specific measures stated for Green Buildings.¹⁰

Is there a national Green Building strategy/action plan?

In the Constitution, its Vision 2030, and the Second Medium-Term Plan (MTP2), the Kenyan government articulates a strong high-level policy commitment to inclusive green economic growth and investment including energy and building and construction.¹¹

The Green Economy Strategy Implementation Plan (2016)

Prepared by the Ministry of Environment and Natural Resources, the strategy includes sustainable design, construction, and maintenance of buildings. The strategy aims to ensure 75% of large public and private new or renovated buildings to be green by 2030.

Public Policy and Regulations

In 2020, Kenya has issued a decree that all affordable housing development projects under the nation’s “Big 4” agenda must meet the EDGE Green Buildings standard. The government will provide developers with free land to build affordable housing projects that meet the government’s commitment to resource-efficient structures. The decree was enacted by Kenya’s State Department of Housing & Urban Development in the Ministry of Transport.¹²

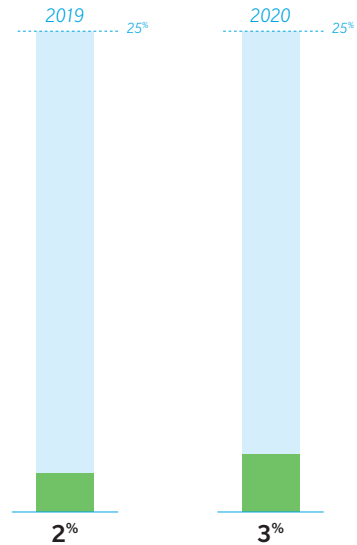
The Kenyan Parliament approved tax incentives for green bonds issuance in 2019. KBA issued the Sustainable Finance Initiative (SFI) Voluntary Reporting Template and the voluntary reporting of the implementation of the Sustainable Finance Principles and Guidelines in 2019. Kenya’s SFI plans to provide FIs with more resources to help them implement the Sustainable Finance Principles. These developments will be key to supporting the growth of the climate financing market in the coming years.¹³

2. GREEN BUILDING MARKET SIZE

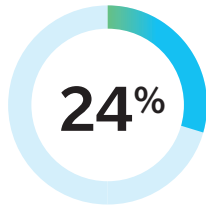
New and existing floor space certified green in 2020: 0.1 million square meters



Share of certified new green buildings among all new developments (based on square meters)



Share of green building developers among major developers¹⁴



3. CERTIFICATIONS AND STANDARDS

National Green Building Rating Systems

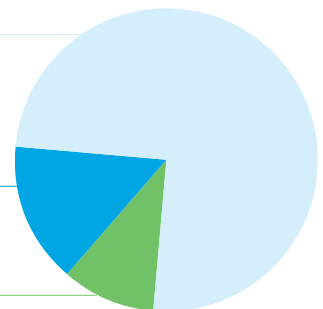
(2021 Update): Safari Green Building tool:¹⁵ The Architectural Association of Kenya (AAK) has launched a Green Building certification tool that assesses construction projects to establish their environmental performance.

International Green Building Rating Systems

- ▶ EDGE was established in Kenya in 2015 and certified 0.3 million sqm as of 2020
- ▶ LEED was established in Kenya in 2012 and certified 0.06 million sqm as of 2020
- ▶ Green Star Kenya was established in Kenya in 2017 and has certified 0.04 million sqm as of 2020

Voluntary Green Building certification systems' market share by square meters certified (as of 2020).

- ▶ EDGE is 75% of cumulative GB
EDGE residential 2%, non-residential 98%
- ▶ Green Star is 10% of cumulative GB
Green Star residential 37%, non-residential 63%
- ▶ LEED is 15% of cumulative GB
*LEED non-residential or mixed-use 100%*¹⁶



4. GREEN BUILDING FINANCE

Financial Institutions offering Green Building finance (by public/private) and their products as of 2019

There are no Green Building mortgages or construction finance products in the market.

- ▶ **(2022 Update) - KCB Bank:** In 2021, IFC, the Belgian Investment Company for Developing Countries (BIO), the SANAD Fund for MSMEs, and Symbiotics announced a loan to KCB Bank Kenya Ltd to help the bank increase lending for climate-friendly projects and to smaller businesses, especially those owned by women.¹⁷

Green bonds or other capital market instruments earmarked for Green Building finance between 2015 and 2020.

- ▶ Acorn Holding issued a \$40.5 million Green Bond in 2019, of which 100% of proceeds were for Green Buildings.

Financial institution lending to Green Buildings as a % of total lending to building sector (Climate financing as a % of total bank credit)

- ▶ Differentiated Green Building finance does not exist.¹⁸

Financial Incentives

- ▶ There are no incentives for Green Building financing in the country.

5. COST OF UTILITIES

Share of cost of utilities (Electricity and Water) for an average income: 22%¹⁹



6. EDUCATION AND SKILLS

Number of Universities offering Green Building programs²⁰

- ▶ The Technical University of Kenya (TUK) offers a Green Building course.

ENDNOTES

1. If not footnoted, the source of the information is a report prepared by the JLL "Green Building Market Assessment in Kenya" commissioned by IFC in 2019.
2. IFC's calculations consider the formal construction sector. The rate covers EDGE post-design, LEED and Green Star certified floor area for calendar year 2020. There may be a delay between certification and completion of the building. LEED numbers were retrieved from the USGBC website (<https://www.usgbc.org/projects>) on October 19, 2021. EDGE numbers were retrieved from EDGE App data as of September 30, 2021. Green Star numbers were retrieved from Green Building Council South Africa website on February 1st, 2022. Green certification numbers do not differentiate between buildings certified with more than one certification system or product (that is, each certification is counted as unique) and include certifications for existing buildings. Estimated new build was estimated by IFC, based on different sources including JLL's report "Green building market assessment Kenya (2019)" (commissioned by IFC) and Navigant.
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7. Climate Investment Opportunities in Cities: An IFC Analysis, IFC, 2018. <https://www.ifc.org/wps/wcm/connect/875afb8f-de49-460e-a66a-dd2664452840/201811-CIOC-IFC-Analysis.pdf?MOD=AJPERES&CVID=mthPzYg#page=98>
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11. <https://www.ifc.org/wps/wcm/connect/fc8b6cc6-036f-44f2-b767-08893e7bdcc6/IFC+-+Aligning+Kenya%27s+Financial+System+with+Inclusive+Green+Investment+-+web.pdf?MOD=AJPERES&CVID=l4hM4eq>
12. EDGE Standard Provides Key Benefit for Kenya's Affordable Housing Developers. Rebecca Menes. <https://edgebuildings.com/edge-standard-provides-key-benefit-for-kenyas-affordable-housing-developers/>
13. Ibid.
14. The top developers' list includes 34 firms and is received from the Kenya Developers' Association.
15. <https://www.constructionkenya.com/1933/green-building-certification/>
16. IFC's estimate based on LEED publicly available data.
17. <https://www.bio-invest.be/en/news/ifc-bio-sanad-symbiotics-announce-loan-to-kcb-bank-kenya-for-green-projects-smes>. <https://kcbgroup.com/kcb-green-climate-fund/>
18. IFC acknowledges that Green Building financing may be in mainstream lending portfolios and not specifically defined as green financing. It was not possible to identify such a portfolio.
19. Calculated based on the Economist Intelligence Unit Database for country utility data in major cities (year) and the World Bank GNI per capita 2019
20. The source of this information is IFC's own analysis.

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UK Government

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