Strategy

Absa Bank Kenya Head of Mortgage Beatrice Chege during the interview in Nairobi on May 5. PHOTO | LUCY WANJIRU

Home ownership

To pay mortgage or to buy your new house?

HOUSING

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Every month, countless tenants rush to pay rent—driven less by comfort and more by fear. Fear of penalties. Fear of eviction. Yet rarely is there fear of what rent really means: money permanently gone. No equity. No investment. Just another receipt.

In contrast, mortgage payments—often perceived as intimidating—can represent the first step toward wealth creation.

Beatrice Chege, the head of mortgage business at Absa Bank, challenges the deep-seated belief that mortgages are for the wealthy or inherently stressful.

"If today you're a renter and want to move to homeownership, you're redirecting the same funds you would have spent—forever lost—to an asset with appreciating value," she explains.

A Sh30,000 monthly rent payment sustained over 25 years translates into Sh9 million spent with no return.

"Take that same amount and use it toward a mortgage—at the end, you own an asset," Ms Chege says.

"When you finish paying a mortgage, the value of the property often has increased significantly. You stop paying rent and gain a long-term investment."

Still, the journey can feel daunting. The discomfort of fixed monthly payments, interest tracking, and long-term commitment is real. Yet Ms Chege argues that this early discomfort yields access to one of the most powerful financial tools: leverage.

"A mortgage begins as an expense, but becomes an investment—an asset you can borrow against, use to fund other ventures, or hold for appreciation."

With growing skepticism—particularly among younger Kenyans—about whether homeownership remains necessary in the face of modern financial pressures, the case for mortgages is being reframed.

Ms Chege insists that buying a home, especially as a first major investment, provides two key benefits: security and opportunity. "Once you own a home, you can unlock equity to invest elsewhere," she says.

This is the long game of mortgage-financed real estate: financial resilience through asset-backed capital.

Home or stocks?

But how do mortgages compare with other forms of investment—land, equities, or bonds?

"All assets have cycles," Ms Chege says. "Sometimes stocks outperform. At other times, infrastructure bonds offer 15 to 16 percent returns."

However, property—especially when financed by a mortgage—offers something distinct: tangible security coupled with long-term appreciation.

"Real estate is best for mid- to long-term horizons. It's not a fit for short-term goals, but over time, it provides a reliable store of value."

Mind you life stage

She cautions against a one-size-fits-all approach. "Your investment strategy must align with your life stage and financial journey. What's right for one person may not suit another."

Still, if one is ready to stop renting and start owning, is it financially feasible?

"Absolutely," she affirms. "Banks now offer 100 percent financing, unlike before when they capped lending at 70 or 90 percent of the property value."

This means prospective homeowners can often get in with minimal upfront costs—an important shift in a market long dominated by cash buyers and developer financing.

It's akin to paying rent, Ms Chege says, but with one critical difference: "Stability. With fixed mortgage repayments, you can plan long-term. No surprises. No annual rent hikes."

Where you buy also matters

Location, naturally, still matters. Areas like Kiambu—with strong population growth and improving infrastructure—are delivering consistent returns. "Demand drives appreciation," Ms Chege says, noting that while high-end properties in exclusive areas may look attractive, they're often harder to sell, especially under distress.

Buying off-plan also presents unique advantages. "If you get in early during development, by the time the property is complete, the value has appreciated," she explains.

The caveat? Off-plan investments carry risk, especially with undercapitalised or delayed projects. But with due diligence, the upside is substantial.

Whether buying a first home, upgrading, or acquiring property as a rental asset, Ms Chege argues that mortgage financing remains one of the most effective tools to convert a recurring expense into long-term value.

And many Kenyans are beginning to agree.

According to the *2023/24 KNBS Housing Survey*, while the national homeownership rate stands at 61.3 percent, rural areas dominate with 85.5 percent. Urban homeownership, however, lags at just 22.8 percent.

But this is precisely where a shift is taking root, particularly among middle-income earners navigating volatile rental markets.

The game-changer

The game-changer? The Kenya Mortgage Refinance Company (KMRC), which has helped demystify and derisk mortgage lending through fixed-rate, single-digit mortgage products.

"Mortgages are now widely embraced as secure and efficient tools for homeownership," KMRC notes.

Its introduction of stable repayment terms—extending up to 25 years—has alleviated the traditional anxieties around fluctuating interest rates.

To date, KMRC data shows it has refinanced over 4,600 loans worth Sh16billion, with average loan tenures of 14 years.

Importantly, this uptake has shown strong gender inclusion, with women accounting for 47.2 percent of KMRC-supported homeowners—a sign of shifting social norms in wealth building.

Ultimately, KMRC argues that the math speaks for itself: mortgages offer a steady pathway to equity. Unlike rent, which accrues no value, mortgage payments steadily reduce principal, allowing homeowners to benefit from capital gains in appreciating property markets.

In cities like Nairobi and Mombasa—where rent increases are relentless—locking in a fixed mortgage payment brings much-needed predictability. Even closing costs, once seen as prohibitive, have become more manageable under the KMRC model, which allows financing beyond the house purchase itself.

With fixed-rate options insulating borrowers from market volatility, and income ceilings raised to accommodate home loans up to Sh10.5 million, the mortgage market is no longer reserved for the wealthy or elderly.

It is increasingly a tool for the financially savvy—and a path toward building lasting wealth in a volatile economy.

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An investment

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