UK Government commits £35 million (Ksh 5.2 billion) to develop affordable green housing in Kenya through UK Climate Investments and FSD Africa Investments

### **London: 27 July 2021**

* To support green affordable housing projects in Kenya, UK Climate Investments (UKCI), the UK Government’s International Climate Finance flagship program, has committed £30 million (Ksh 4.4 billion) and FSD Africa Investments (FSDAi), the investment arm of the UK Government’s flagship financial sector development agency in Africa, has committed £5 million (Ksh 740 million)
* This £35 million (Ksh 5.2 billion) investment is into a new 10-year locally managed fund which at full size will deliver approximately 10,000 new green, affordable homes for low-income families in Kenya.

Today, UK Climate Investments (UKCI) and FSD Africa Investments (FSDAi) confirmed a £35 million (Ksh 5.2 billion) funding commitment to a Kenyan green affordable housing venture, which has received 100% of its targeted £61 million (Ksh 9 billion) investor backing for first close, enabling this locally managed fund to become operational as early as July 2021.

The Fund is targeting the delivery of approximately 10,000 homes using modern green technologies. The housing units will provide affordable ownership and rental opportunities with 100% ownership at an average cost of £30,500 (Ksh 4.5 million) and rentals ranging from £100 (Ksh 15,000) to £350 (Ksh 50,000) per month. The investments from UKCI and FSDAi deepen and strengthen the UK Government’s commitment to supporting a green post Covid-19 recovery in Kenya.

Despite booming demand for affordable housing in Kenya only 50,000 new homes are built each year compared to a target of 250,000 housing units.[[1]](#footnote-2) This has resulted in unaffordable housing prices and continued growth of the city’s informal settlements. Today, nearly half of Nairobi’s population live in slums where construction standards are poor and unsustainable, and access to essential services is limited.[[2]](#footnote-3)

Nearly 40% of the population in Kenya live below the international poverty line[[3]](#footnote-4) and access to affordable housing continues to be a significant issue, especially in urban areas. This development of green affordable housing will focus on increased availability to the low to middle income population [whose family income is below $1500 a month].

UKCI and FSDAi’s investment mainly targets Kenya’s capital, Nairobi, and will contribute to the country’s goal of building 500,000 new affordable homes by 2022. High levels of population and economic growth in Kenya have come with increasing levels of urbanisation over the last decades, creating an urgent need and opportunity to develop housing solutions that are both affordable and sustainable.[[4]](#footnote-5) Efforts to develop low-carbon buildings in Kenya also opens a new opportunity in the country’s rapidly progressing energy transition. Kenya is already a leading clean energy market in the region, with renewables accounting for 60% of power generation as of 2019.[[5]](#footnote-6)

Through delivery of this project, UKCI will help to embed international green standards in the Kenyan housing market. The investment will also support the development of sustainable building as a new green asset class for local investors, readying Kenyan institutional capital to further invest in the sector. The FSDAi investment will specifically support the build out of Open Access, a housing market intelligence portal led by the Centre for Affordable Housing Finance in Africa (CAHF) with support from FSD Kenya and Reall. This is designed to provide housing finance investors with the data they need to make investment decisions. Open Access will collect the data from these investments using it to create market intelligence for housing finance investors, developers and policymakers. Open Access will also use this intelligence to identify and resolve supply chain blockages and reduce barriers to entry for smaller scale players.

UKCI and FSDAi’s investments in the locally managed fund[[6]](#footnote-7)\* will demonstrate that affordable housing, particularly rental housing requiring long-term management, is a viable asset class for private real estate developers and investors. The investments will stimulate the flow of much needed long-term and domestic investment into this key area of development, while creating jobs in the construction and property sectors, generating profits for African businesses.

**Richard Abel, Managing Director of UKCI, said**: “It’s excellent to see this initiative reach this important milestone. The investment we have made represents an inspiring opportunity to model how sustainable building designs can help fight the effects of climate change. The need for affordable housing in Kenya is greater than ever with urban populations increasing by more than 4% in the last five years[[7]](#footnote-8). Our investment is meeting this need and will benefit thousands of Kenyans currently without affordable housing.”

**Anne-Marie Chidzero, Chief Investment Officer of FSD Africa Investments, said:** “We are pleased to be supporting access to affordable urban housing, which is a key pillar of Kenya’s development agenda. We are confident that our investment in the fund and our support for the Open Access platform will address some of the critical factors that prevent financial markets from playing a bigger role in affordable housing in Kenya.”

**Jane Marriott, UK High Commissioner to Kenya, said:** “Access to affordable housing is an issue at the heart of many Kenyans. This is why, as part of the Kenya-UK partnership on climate change, we are proud to support the creation of 10,000 new green homes that not only will help us close the housing gap but will also provide new green jobs that will last. I am delighted that this British initiative has successfully attracted new investment and I hope it will lay groundwork for further investment in the sector, especially in the run up to COP26.”

**Kecia Rust, Executive Director, CAHF, said:** “A lack of consistent and reliable data to scope and evaluate the affordable housing market critically challenges delivery at scale. Housing delivery and its financing takes place along a value chain, which is encumbered with multiple blockages and market failures. Our Open Access initiative will work with investors and developers to collect data which will then be packaged as reliable intelligence on the housing market, to guide the stakeholders towards best actions for sealing the existing housing gaps.”

**##ENDS##**

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**About UK Climate Investments**

UK Climate Investments is a £200 million pilot investment programme mandated to invest in India and sub-Saharan Africa. It targets transformational green energy investments where UK Climate Investments capital can mobilise additional private sector capital on a sustainable basis to promote cleaner, greener growth in these developing economies. UK Climate Investments LLP is a joint venture between the Green Investment Group and the UK Government’s Department for Business, Energy and Industrial Strategy.

It forms part of the UK’s aid funded International Climate Finance, which is a UK Government commitment to support emerging markets and developing countries to respond to the challenges and opportunities of climate change. UK Climate Investments is managed by Macquarie Asset Management, the world’s largest infrastructure manager.

**About Macquarie’s Green Investment Group**

Macquarie’s Green Investment Group (GIG) is a specialist in green infrastructure principal investment, project development and delivery, green impact advisory and the management of portfolio assets. Its track record, expertise and capability make it a global leader in green investment and development, dedicated to accelerating the green transition.

Initially launched by the UK Government in 2012 as the Green Investment Bank, it was the first institution of its type in the world. It was purchased by Macquarie in 2017 and combined with Macquarie Capital’s renewables team to create one of the world’s largest teams of specialist green infrastructure developers and investors. Now operating as the Green Investment Group, the business and its operating platforms have investments or operations in over 25 markets, more than 450 staff and a global development pipeline of 30 GW.

For further information, please visit: www.greeninvestmentgroup.com/what-we-do/uk-climate-investments and www.gov.uk/guidance/international-climate-finance.

**About FSD Africa Investments**

FSD Africa is a specialist development agency working to reduce poverty by strengthening financial markets across sub-Saharan Africa. FSD Africa Investments (FSDAi) is the investing arm of FSD Africa. Based in Nairobi, FSD Africa’s team of financial sector and investment experts work alongside governments, business leaders, regulators and policy makers to design and build ambitious programmes that make financial markets work better for everyone. FSDAi invests in the financial firms and intermediaries whose strategies could lead to transformative change in financial markets. Established in 2012, FSD Africa is incorporated as a non-profit company limited by guarantee in Kenya, and FSDAi as a Kenyan investment company. Both are funded by UK aid from the UK government.

**About Centre for Affordable Housing Finance in Africa (CAHF)**

The Centre for Affordable Housing Finance in Africa (CAHF) has been operating as an independent think tank in South Africa since May 2014, pursuing its mission of making Africa’s housing finance markets work. CAHF’s work extends across the continent, and it is supported by and collaborates with a range of funders and partners.

1. <https://housingfinanceafrica.org/app/uploads/V13-Kenya.pdf> [↑](#footnote-ref-2)
2. <https://www.hrw.org/report/2021/07/20/we-are-all-vulnerable-here/kenyas-pandemic-cash-transfer-program-riddled> [↑](#footnote-ref-3)
3. <https://www.knbs.or.ke/?p=6022> [↑](#footnote-ref-4)
4. <https://data.worldbank.org/indicator/SP.URB.TOTL.IN.ZS?locations=ZG-KE&name_desc=false> [↑](#footnote-ref-5)
5. <https://global-climatescope.org/results/KE> [↑](#footnote-ref-6)
6. \* Under US SEC regulations we are prevented from disclosing the name of the fund while it is being marketed to US investors [↑](#footnote-ref-7)
7. <https://acumen.org/wp-content/uploads/2013/03/ABCs-of-Affordable-Housing-in-Kenya.pdf> [↑](#footnote-ref-8)