

The Role of Kenya's Capital Market on Economic Growth, & Cytonn Weekly #01/2021

Real Estate

1. Statutory Reviews

During the week, the Kenya's National Treasury announced plans to draft a national property rating legislation to replace the outdated Valuation for Rating Act of 1956 and the Rating Act of 1963. The agency seeks to overhaul the 1956 property valuation laws in a bid to determine new land rates and ensure inclusion of more property owners into the tax bracket.

The outdated property legislations have been undermining the valuation rolls and tax base of properties that are rateable. As per the current legislation, the land rates are based on the 1980 valuation, and the old valuation roll has never been updated since 1956 even though best practice requires the valuation roll to be updated every ten years. In addition, there is no uniform method for valuers to determine the value of land, and, there is no provision for challenging wrong valuation rolls. These have resulted in relatively low property rates thus hindering the government from realizing revenues accruing from accumulated property values over the years. The new legislation is expected to ensure that all properties are captured within the valuation roll, land rates are based on improved property values and will also provide a legal framework in the event that the valuations are legally challenged hence the need to correct the anomalies in the current legislation.

In our view, the effort by the government in streamlining land and property transactions will; (i) enable increased revenue collection by county governments by exposing the rise in property values, (ii) enhance effective enforcement of payment of rates, and, (iii) improve land information records through the updated valuation as per current property prices. Other plans that the government through the Ministry of lands has been working on to improve transactions and enhance transparency include; i) digitization of land records and processes to enhance security of land records, improve accessibility and cut down cost of land transactions, ii) rolling out a titling programme that targets to resolve long-standing land ownership disputes and uncertainties that have locked out land-owners and businesses from accessing credit facilities from financial institutions, iii) working on a new Land Valuation Index to guide land valuations for investment and other purposes across the country, and, iv) decentralization of the services by the Ministry of Land by construction of new Land Registries in Kitui, Mbeere, Bomet and Ol Kalou. We expect the supportive framework that the government plans to put in place will enhance the ease of land transactions, and enhance revenue collection at county level thus availing funds for infrastructural projects, thus boosting the real estate sector.

We expect positive reforms within the Ministry of Lands to boost activities within the land sector thus supporting the real estate sector in general.

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