ABSTRACT

The role of the commercial banks in Kenya cannot be over emphasized as the banking industry is known for its role in the development of the nation. Banks have continued to support businesses and individuals by offering loans and accepting deposits. The banking industry is estimated to control about 30-40% of the country's GDP. Competition within the banking sector has been very stiff and banks have gone full throttle in this competition. Anchored on game theory and industry organization theory, the study established that to remain competitive, banks have employed the use of diversification in real estate to remain ahead of their peers. Diversification in real estate is a new concept in banking as banks attempt to keep pace with innovation. This study sought to establish the impact of real estate diversification in an attempt to see whether diversification in real estate will keep the commercial banks competitive. The study found out that there exist structured real estate diversification and that few banks have remained innovative enough in this sector. These banks have captured the market and are reaping the fruits of being the front runners. The study finds that real estate has been a key driver in banking sectors especially in collateral support when lowering the banks risks but with the new innovations in this sector, banks which have embraced real estate and diversified their products in this area remain competitive as reflected in their performance. Some limitations were encountered in the process of carrying out this study since not all real estate players were involved. Organizations like housing finance, national Housing Corporation, Shelter Afrique could have been involved since they contribute a lot in this industry. There is the need to carry out a similar study on all key real estate players to ascertain the level of diversification used by these players to gain competitive advantage