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COLLEGE OF ARCHITECTURE AND ENGINEERING

SCHOOL OF THE BUILT ENVIRONMENT

DEPARTMENT OF REAL ESTATE AND CONSTRUCTION MANAGEMENT

RESEARCH TOPIC:

AN INVESTIGATION INTO THE CHALLENGES FACING INVESTMENT IN GATED COMMUNITIES IN NAIROBI, KENYA

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DECLARATION

I **GISESA INNOCENT NYAKINA** hereby declare that this project is my original work and has not been presented for award of a diploma/ degree in any other professional body/ institution/ university.

Signature...Date...

Gisesa Innocent Nyakina

This research project has been submitted for examination with my approval as the Institution of Surveyors of Kenya Supervisor.

Signature..Date...

Susan Muchiri

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DEDICATION

This is a special dedication to my loving parents Dr. William Obiero Gisesa, Mrs. Wilkister Bochere Onyancha and Kenyans at large for peacefully voting in 2017 general elections.

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God Bless You All.

ABSTRACT

As much as there are many new laws of land and effort being made in digitalizing the land transactions in Kenya, still there are a lot of challenges most people encounter when transacting in land business. Thus, this research aims at extending the existing literature on challenges facing involved parties in land transactions in Kenya. It seeks to provide an in -depth assessment on the extent to which these challenges are faced up and their causes. The study then proposes from the findings on how best this situation can be improved and the mechanism needed to be put in place to ensure successful land transactions using a case study of Kajiado County. The study uses descriptive survey research design and questionnaires were used since the study was concerned mainly with variables that cannot be directly observed such as views, opinions perceptions and feelings of the respondents. Data was collected from both primary and secondary sources. The responses of the respondents was recorded in the questionnaires while observations from the field and personal experience of the researcher was written down in scripts. Data collected was analyzed to enable affected stakeholders to make alternative decision in relation to challenges facing land transactions in Kenya.

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List of Abbreviations

RIM…………………………………………………………..Registry Index Map

FAO…………………………………………………………..Food and Agriculture Organization

IFS……………………………………………………………International Federation of Surveyors

RLA…………………………………………………………..Registered Land Act

RTA…………………………………………………………..Registration of Titles Act

GLA…………………………………………………………..Government Lands Act

LTA…………………………………………………………...Land Titles Act

NLC……………………………………………………..........National Land Commission

NMA……………………………………………………….....National Mapping System

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

According to Panek and Sobotova (2015), they argue that a gated community is a private residential or estate houses containing entirely controlled doors for walkers, bikes, and cars and are regularly described by perimeter walls and fences. Similarly, Milanovic (2011) agrees that gated communities are neighborhoods with confined gates intended to privatize open spaces. They are security advancements with assigned borders, normally dividers or fences, and controlled doorways that are proposed to avoid entry by non-occupants. Panek and Sobotova (2015) further point out that during the colonial time, estates, in Nairobi were unmistakably outlined along racial lines i.e. Europeans, Asians and Africans. Access to the European quarters was limited to local African laborers. Harris (2013) argues that old estates such as Buruburu and Umoja started in comparable route with controlled conditions. However, things began changing after the original proprietors sold and left houses to new proprietors not bound by the set of accepted rules.

When asked about the idea of gated communities different people evoke diverse responses on the planet, with reports that post - apartheid South Africa has seen the ascent of such estates generally determined by security needs. In Argentina, the white collar class which lives outside, see those in gated communities as rich and ridiculing their riches. They allude to these bequests as "nations" or private neighborhoods. In spite of the fact that empirical data demonstrates that gated and walled urban areas are as old as human residence, researchers concur that the idea of current gated community homes originates from first world countries. For example, in Germany with the fundamental reason being the yearning to make a support between the individual and the general public as individuals scan for means by which to shield themselves from vulnerability hastened by heightening instances of wrongdoing.

Development funding in Kenya is carried out by the government, commercial banks, specialized housing finance institutions, insurance companies, parastatals of which the National Housing Co-operation (NHC) is a major player. Examples of gated community developers include Race Course Gardens Limited, Greenspan Housing, Scheme Developers Limited, Kamuthi Housing Co-operative Society Limited, Superior Homes Kenya Limited, Suraya Group Limited, Rendeavour Developers, Diamond Property Merchants, The Othaya Group and Kenya Homes.

Usually financiers offer both long term and short term debts to developers with the hope that the developers will pay the principal amount and the interest accrued over time. The developers of gated community are usually lured into developing gated community projects in order to make a return on the amount invested. It goes without saying that gated communities are lucrative in nature to many private and public investors who wish to own those properties in order to reap multiple benefits associated with them such as security, amenities within the developments, social prestige among other objectives. Therefore in practice developers are expected to make a return in the shortest time possible and repay any mortgage that might have been facilitated to them. This does not always happen because developers are faced with a myriad of challenges which range from breaking ground of the developments to selling of the units, this consequently affects the financiers in recouping their principal amount and expected interests within the expected timelines. It is imperative to point out that in spite of all the glamorous and attractive aura associated with gated communities, there are untold agonies and challenges that developers and financiers alike are entangled in. This is what has motivated this study to be undertaken in order to determine these challenges and propose the best practices.

1.2 Statement of the Problem

After a thorough examination of the existing literature, it has been revealed that there is a huge deficiency of information in regard to the challenges behind the non - performance of some gated communities. The main aim of this research is to identify these challenges faced by financiers when financing developers, and establishing the reasons as to why the developers are unable to roll out their gated community projects as expected in order to realize the projected returns within the stipulated timelines, and in return repay their respective financiers. These challenges are not articulately known to either the financiers or developers hence the need to carry out the investigation.

1.3 Objectives of the Study

The overall objective is to establish the challenges facing financiers and developers when investing in gated communities in Kenya.

The specific objectives are as follows:

a) To investigate the mode of financing and minimum threshold requirements needed by financiers when facilitating loans on gated community projects.
b) To determine the gestation period for various projects and the payment plans adopted by developers when selling the properties.
c) To determine the challenges faced both by financiers on giving loans and developers on rolling out the projects from inception up to selling out of the properties.

d) To recommend the best ways forward to both the financiers and developers in giving out loans and development of gated communities respectively.

1.4 Research Questions

The study is guided by the following questions:

a) What is the mode of financing and minimum threshold requirements needed by financiers before facilitating any loan on gated community projects?

b) What is the gestation period for various gated projects? What is the mode of payment adopted in selling gated properties?

c) What are the challenges faced by the financiers in funding gated community projects and developers on rolling out the projects from inception up to selling out of the properties respectively?

d) What are the appropriate mechanisms to be adopted by both the financiers and developers in giving out loans and development of gated properties respectively?

1.5 Significance of the Study

This research will go a long way in reviewing and widening the existing literature on the challenges facing investment in gated communities. It will specifically assist the financiers on how best to screen the developers who apply for funding from them by providing a thoughtful insight on how best to qualify the projects the developers want to undertake in order to determine the right amount of finances to offer them and at what time intervals. The developers on their side will understand how to balance equity and debt in the financing of their projects and how to draw up a realistic project management within appropriate timelines.

1.6 Scope of the Study

This study is limited to a sample of four gated communities. The research in coming up with the four case study areas has adopted three gated communities from the middle income earners i.e. Lapfund Gardens, Fourways Junction Estate and Crystal Rivers. The remaining gated community is from the upmarket earners and that is Rosslyn Springs.

The content of this research includes; mode of financing and minimum threshold requirements needed by financiers before facilitating loans on gated properties, the gestation period of various projects, payment plans adopted by developers when selling these units, challenges faced by developers and financiers when investing in gated communities, and finally a recommendation on the best ways forward to be adopted both by the financiers and developers when investing in gated communities.

1.7 Organization of the study;

This research is organized into five chapters each having a specific section of the research.

Chapter One;

It is an introductory. It contains the background to the study, statement of the problem, objectives of the study, research questions, significance and scope of the study.

Chapter Two;

Discusses the literature reviewed, theoretical and conceptual model that acts as a basis of the research.

Chapter Three;

In this section the characteristics of the study area are provided. The samples and sampling procedure, and methods used in collection and analysis of data are highlighted.

Chapter Four;

Presents the responses and analysis of various respondents to whom questionnaires were administered as well as oral interviews conducted, the problems encountered in carrying out the research are also highlighted.

Chapter Five;

Entails the main findings of the research and conclusions. The proposed appropriate mechanisms to be adopted by both the financiers and developers in giving out loans and development of gated properties respectively are highlighted. Suggested areas of further research are mentioned.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In this second chapter, the research reviews literature that is related and consistent with the objectives of the study. Important issues and practical problems are brought out and critically examined so as to determine the current facts. This section is vital as it determines the information that links the current study with past studies and what future studies will still need to explore so as to improve the existing knowledge on gated communities' investments.

2.2 Theoretical Concept of Finance

Usually there are two types of finance available to the developer i.e. Equity and Debt. Equity is the developers' contribution to the development process and has no maturity date while debt is an external financing process which has a maturity date. Equity can only be used in small projects contrary to the gated communities which involve massive costs and expenses making it to be a stochastic investment in nature. If a development is fully financed by equity it gives the developer autonomous control over it contrary to debt financed projects which are subject to scrutiny by the external financiers.

Therefore, a balance need to be found when determining equity – debt ratios for different projects to avoid a scenario of relying too much on either of them. Debt financing is a key element in a firm's choice of its capital structure. By generating revenues that would not have been reached without additional funding, external financing in the form of debt allows firms to increase firm value, which is traditionally considered an ultimate goal of any business. Stepping aside from perfect market assumptions, it becomes obvious that different taxation regimes, access to capital, transaction costs, different levels of agency costs, and other factors do not make financing choices irrelevant in the firm's approach to this goal. Therefore, the problem of capital structure choices has been a central question in the corporate finance literature of the last 50 years. While determinants of the choice between debt and equity are well documented and to a large extent long established, the effects of various debt sources on firm value and performance still remain somewhat unclear (Denis, 2014).

2.2.1 Traditional Theories and Optimal Capital Structure

A firm's financial decisions start from the choice between debt and equity. Denis (2014) argues that the classic theories of capital structure focus primarily on the costs of capital. It is generally accepted that the market value of a company is defined by discounted future cash flows. The conventional capital structure theory proposes that the discount factor can be affected by the firm's financing decisions. By taking the weighted average cost of capital (WACC) as the discount factor, the optimal capital structure can be characterized by such combination of debt and equity where the WACC is minimized.

The evolution of the optimal capital structure theory started with Modigliani and Miller (1958) and was continued in the seminal works of Hirshleifer (1966), and Stiglitz (1969) that focus on the optimal composition of debt and equity. They argue that the benefits of cheaper debt are offset exactly by the increase in the cost of equity, making the financing choices of a firm irrelevant to its value under the perfect market assumption. Modigliani and Miller (1963) provide another argument by relaxing the assumption of no taxes and introducing a new model which significantly altered their previous conclusions. Due to the tax relief from interest payments, Modigliani and Miller (1963) argue that the decrease in WACC is significantly larger than the associated increase due to the increased financial risk of the equity financing. Therefore, according to this model, a firm's value is maximized with 100% of debt financing, implying that the firm should borrow as much as possible.

Denis (2014) argues that in practice, such kind of capital structure is unrealistic. Various development costs, asymmetry of information, bankruptcy risk and other market imperfections which Modigliani and Miller did not take into account, make it problematic, if not impossible, to reach the recommended level of debt. In the real world, lenders often impose different covenants on the debt holders. One such covenant may be a certain limit on the amount of additional debt in a firm's capital structure, creating a ceiling on the debt to equity ratio. Another source of imperfection is bankruptcy risk that occurs in highly leveraged firms. Anticipating possible failure on interest payments, an increase in the rate of return would be required not only by equity holders but also by lenders, leading to a significantly higher WACC and consequently lower firm value.

The optimal capital structure problem is unique for each firm and may contain multiple equilibria. Further research has shown that the classical Modigliani and Miller theorems fail to explain the empirical composition of debt and equity. Hence, other theoretical explanations are required to reach an empirical consensus (Denis, 2014).

2.2.2 The Trade - Off Theory

The trade-off theory is to a large extent based on the Modigliani and Miller (1963) proposition. This proposition suggests that firm value is maximized with 100% of debt-financed capital. However, such an extreme prediction is often unachievable, making the model incomplete in its predictions. Obviously, there are other factors that limit the amount of debt in a firm's capital structure. One such factor is bankruptcy costs. Using these offsetting costs, Kraus and Litzenberger (1973) propose a model where the optimal level of debt is defined by the trade-off between the tax shield from debt financing and the costs associated with riskier activity due to increased financial leverage. According to this model, the value of a firm increases as long as the marginal tax benefits are higher than marginal bankruptcy costs, yielding the optimal debt to equity ratio at the point where these two factors are equal. Myers (1984) further investigates this issue and proposes the existence of a target debt to value ratio, which is gradually pursued by a firm. Hence, Myers (1984) hypothesizes that the choice between debt and equity is not only a static process, but can rather have dynamic characteristics where firms adjust their capital structures over several periods.

2.2.3 The Pecking Order Theory

An alternative explanation of the empirical capital structure distribution is suggested by Myers (1984), who argues over the hierarchical distribution of capital sources. In particular, he claims that firms would often prefer to utilize internal sources of financing rather than external. Debt financing, in turn, is also superior to equity, as equity issuance is least preferable for a profitable firm. Such a pecking order of funding is able to explain empirical variation in the capital structures. Profitable firms that do not issue debt as recommended by the trade-off theory, simply generate sufficient internal resources to finance their investments. Moreover, the theory of a pecking order is rather simple for understanding signaling hypotheses based on adverse selection and agency cost issues. These models suggest that a firm’s decision to issue debt or equity is dependent not only on internal costs and tax advantages, but also on the investors’ reaction and managerial incentives. Myers and Majluf (1984) suggest that asymmetric information between managers and investors would require a firm to follow the pecking order of capital structure if it wants to signal its attractiveness to the market. Any positive net present value (NPV) project that would result in increased firm growth and improved profitability would rarely be financed by new equity issues, as the current stakeholders would not like to split future profits with new ones. In contrast, if the project that requires financing may cause an increase in riskiness and higher costs, then existing shareholders would rather reallocate this risk among new stakeholders who in this case are the financiers.

One reasonable explanation for the pecking order is presented by Halov and Heider (2011), who suggest a model of the choice between debt and equity based on the type of asymmetric information. They postulate that if there is an uncertainty about the real value of a firm, it would rather issue debt than equity. However, if the asymmetry of information comes from the riskiness of a firm, it would prefer to issue equity over debt.

2.3 Empirical Review of Gated Communities in Different Countries

Modern, efficient gated communities underpins the economic health of all nations, supporting the economy, improving productivity, and providing access to opportunities to build stronger communities. As economies grow and populations expand, so too does the scale of demand on the gated community properties that supports daily life of urban dwellers. Improving efficient delivery of gated communities' development can be a hugely expensive task involving hundreds of millions and even billions of dollars. If successfully completed their impact is equally huge: transforming neighborhoods' and cities. Getting the delivery of such infrastructure right is therefore an issue of real importance. Cost overruns can run into hundreds of millions of dollars; a poorly specified project can fail to meet the objectives set out for the investment. As a result, improving infrastructure delivery is now a key priority for financiers and developers across the world. Whilst there have been many highly successful deliveries of gated community developments in the recent history, there are still lessons to be learned. With stakeholders demanding greater transparency and placing additional scrutiny on every decision made to ensure that the investment outcomes do not fall short of expectations. Some of these reviews globally include;

i. China

Gated communities in Beijing have been established because of a high demand of expatriates for separate type of housing from the local Chinese market. There has been an increase in demand for expatriate housing in China. Foreign housing is built and clustered into gated communities. This housing phenomenon has been driven by the concern of security. The security in this sense doesn't mean security against crime but rather protection against institutions. The cause of demand for high-quality housing in transitional economies is the economic globalization (Fulong and Klaire, 2004).

A study done by Panek and Sobotova (2015) showed that due to the nature of real estate illiquidity in Hong Kong it was discovered that financiers were not ready to offer funds to the gated community developers. The study demonstrated that about 60% - 85% capital of Chinese commercial gated community developers originated from bank credits and housing financing institutions, and in a few urban communities it even achieved 90%. As indicated by an investigation by China business association in 2006, more than 80% of the investment capital of shopping malls of the whole country was financed by the banks.

ii. United States of America (USA)

There has been a number of studies done on the topic of gated communities in the USA. These studies look at various aspects of these communities such as what are the reasons for developing gated communities, how can these communities sustain in long-term period, what are the market driving forces or sales analysis of these developments. This product of housing is not merely related to the USA housing market but it has also been expanding and developing globally and there are a number of other countries where gated communities are built and developed. There is a variety of reasons why these properties are constructed. From the developers' point of view, the main reason is the profit generated by this type of projects (Coy and Pöhler, 2002).

In America, about 10% of the capital developing commercial real estate originates from banks, about 90% of the capital originates from the developers' own reserve and different assets from financial investors. The low extent of bank financing and high proportion of other funds financing reduce the risk of developers (Xu and Chen, 2012).

In South America, the gated communities are formed because of the failure of the local government. People feel insecure, and therefore they are willing to live in the gated communities. Lower trust of people in the government contributes to the separation of the property and enclosing the property behind the walls. People try to put a circle around their living space in order to be protected from unfavorable country's government conditions in Trinidad. They can't trust the state government, and therefore they seek for a more stable and reliable form of housing that provides the protection. Gated communities create new system of services and these gated communities provide the inhabitants with its own micro governance structure. This structure is perceived by the population as a safe governing form (Mycoo, 2006).

In Latin America, there has been changes in the structure of the cities. These changes led to development of the gated communities in the suburbs of the cities. Before the development of these communities, the suburban areas were not considered as the most desirable parts of the cities. This type of development created new types of spaces. The expansion of gated communities is perceived not only as reformation of the spaces but also of the society. With the creation of the gated communities, the public places reduce. Looking at the demand side, this product of housing is associated with privileged consumer group. There is distinct class separation in the classes in South America. From the supply side perspective, the gated communities are considered as a housing product having high return on the capital invested. This product of real estate good classifies gated communities according to location into inner city and suburban types. They represent a dynamic real estate product with high return on capital (Coy and Pöhler, 2002).

iii. Great Britain

In the Great Britain, the gated communities are not considered to be a new form of development, it is a well-established type of the residential development. There are three different types of gated communities identified: infill gated communities, heritage conversion gated communities and village gated communities. Infill gated communities' constitute of small group of buildings that are set backward from the entrance and can be entered by a gate. Heritage conversion gated communities are recreated by developers from already established buildings. Village gated communities represent a type of development where there are more than 150 dwellings (Blandy, 2006). Gated communities are well established product of housing having a long term history pattern in Great Britain.

iv. Australia

In Australia, when looking at the demand side, the buyers of newly planned communities are willing to pay the premium if the property suits their wants and desires. For desired suitability, a variety of facilities in these communities should be included for instance provision of security, leisure facilities, higher concentration of natural parks, lakes or combination of all the mentioned facilities. The facilities are fulfilling the requirements of the clients, therefore, the clients are ready to pay the premium for this particular property. If the property is well-developed the customers are willing to pay higher prices even if the property is not located in the most desirable location (Chris, 2007).

v. Eastern Europe

Recently the gated communities started to spread in Eastern Europe (Post-Soviet Bloc countries). Gated communities in the Eastern Europe have been a rather new phenomena of development on the property market (Gasior, Glasze and Putz, 2009). In Eastern Europe, specifically in Bulgaria, the similar settlements to the gated communities have been already existing in the country. However, the major development of these communities started about 20 years ago. The growth of such communities is merely associated with the capital, Sofia (Stoyanov and Frantz, 2006). The gated communities in Sofia are located in attractive areas in the suburban parts of the city. This niche market attracts the high class clients who desire the isolation and separation from the rest of the city. The main idea behind having these communities is the defensive trait of the property (Stoyanov and Frantz, 2006).

vi. Ghana

Similarly a study in Ghana by Milanovic (2011) observed that accessing long-term capital was a primary obstruction to gated community development property delivery. Despite the fact that the government approaches perceive the private sectors prevailing in housing provision, the banks were found to have short-term funding and unable to lend on medium or long-term basis, thus crippling the real estate industry. Hence there was need of coming up with a flexible mode which includes mixed mode of funding gated communities.

2.3.1 Summary of Empirical Review of Gated Communities in Different Countries

It has clearly been illustrated that gated communities development in different countries has been driven by different forces such as economic globalization whose demand for housing defer from those of the locals as seen in China. Also, different countries like China developers almost entirely depend on banks for financing these projects while in the USA equity plays the biggest role.

Usually, developers are driven towards profit making while financiers are more interested in recouping their principal amount plus accrued interests. Therefore, the overriding interests in the development of gated communities are many and complex in nature and striking a balance becomes paramount in order to keep either party on board and satisfied.

In Ghana, where multiple hurdles are being experienced in the developing of gated communities due to discriminatory lending practices of the banking sector sharply contrasts the Great Britain, where whether that lending by the banks was there or not, the gated community projects have been there from time immemorial.

Finally, it goes without saying that security was the main primary reason for developing gated communities over time as experienced in Trinidad. However, other reasons are slowly coming up such as class separation and making use of open public land in South America; capital driven as a sign of prestige as shown in Bulgaria and the desire to access multiple amenities within these developments as shown by the Australian residents who do not mind the location of the developments as long as the amenities within those properties meets their respective needs.

2.4 Mode of Financing and Minimum Threshold Requirements

Mode refers to the manner in which something occurs or is experienced, expressed, or done. According to Makachia (2015) gated community finance plays a crucial part in the development process. Clearly, there is a necessity of intense funding to begin a gated project venture. Furthermore, in that capacity borrowing has been a very significant feature of gated development as a result of its high unit and the huge capital cost. However, large traditional lending institutions particularly banks and other major lenders hardly want to get involved in giving acquisition, development and construction loans to private estate developers. In other words, major banks and other financial institutions somehow reluctantly give these loans or render credit facilities to these estate developers. Even those banks which offer these loans tend to have high minimum threshold requirements from the applicants. Thus, there are obstacles to the free flow of funds from major lenders and banks to the private estate developers.

Aguko (2012) points out that a construction loan is a short-term loan that is availed to pay for the cost of building a house. It may be offered for a term that allows the customer to build the house. Such loans have a variable rate that fluctuates with the prime rate. While applying for such a loan, a lender will have to be provided with a construction timetable with detailed plans and budget. The builder is provided with funds at designated intervals for the continuation and completion of the project.

These disbursements are provided at the various stages of the construction process. Equally important, the number of draws and the amount to be paid is negotiated between the lending institution and the borrower. The lending institution may release the draws after the inspection of a particular construction stage. After the draws have been paid and construction completed, the buyer will have to take the end loan to pay off the construction loan. The balance that is left to be paid off the construction loan is rolled into the normal mortgage (Sila and Olweny, 2014).

Usually, the builder requires payments in regard to the different stages of construction. These stages include six phases fully adopted from an online Project Management – Training Journal as shown below:-

i. Initiation phase

The initiation phase is the beginning of the project. In this phase, the idea for the project is explored and elaborated. The goal of this phase is to examine the feasibility of the project. In addition, decisions are made concerning who is to carry out the project, which party (or parties) will be involved and whether the project has an adequate base of support among those who are involved.

In this phase, the current or prospective project leader writes a proposal, which contains a description of the above-mentioned matters. Examples of this type of project proposal include business plans and grant applications. The prospective sponsors of the project evaluate the proposal and upon approval, provide the necessary financing. The project officially begins at the time of approval.

ii. Definition phase

After the project plan (which was developed in the initiation phase) has been approved, the project enters the second phase: the definition phase. In this phase, the requirements that are associated with a project result are specified as clearly as possible. This involves identifying the expectations that all of the involved parties have with regard to the project result.

iii. Design phase

The list of requirements that is developed in the definition phase can be used to make design choices. In the design phase, one or more designs are developed, with which the project result can apparently be achieved. This is followed by the development phase. As in the definition phase, once the design has been chosen, it cannot be changed in a later stage of the project.

iv. Development phase

During the development phase, everything that will be needed to implement the project is arranged. Potential suppliers or subcontractors are brought in, a schedule is made, materials and tools are ordered, and instructions are given to the personnel and so forth. The development phase is complete when implementation is ready to start. All matters must be clear for the parties that will carry out the implementation.

v. Implementation phase

The project takes shape during the implementation phase. This phase involves the construction of the actual project result. Programmers are occupied with encoding, designers are involved in developing graphic material, contractors are building, and the actual reorganization takes place. It is during this phase that the project becomes visible to outsiders, to whom it may appear that the project has just begun. The implementation phase is the doing phase, and it is important to maintain the momentum.

vi. Follow up phase

Although it is extremely important, the follow-up phase is often neglected. During this phase, everything is arranged that is necessary to bring the project to a successful completion. Examples of activities in the follow-up phase include writing handbooks, providing instruction and training the prospective users, setting up a help desk, maintaining the result, evaluating the project itself, writing the project report, holding a party to celebrate the result that has been achieved, transferring to the directors and dismantling the project team.

Usually before the final payment, an expert will be sent by the lender to investigate the completion of the construction; if it is not found to be satisfactory, then the lender can withhold payment. Nevertheless, the interest and the repayments will only be charged on the funds used.

Once the gated community is built, the developer may then pay up the construction loan with the proceeds of the off – plan sales or mortgage loan. In a different arrangement where the gated properties are to be sold on completion, the construction loan repayment may be made differently. A build to sell construction loan is a loan for developments (either for commercial or residential use) for sale to the final owners upon completion. The construction loan under this approach is tailored to be disbursed alongside project implementation mainly upon presentation of certificates of works completed (Hansen, 2015). The principal loan amount disbursed shall not be payable during the construction period. The repayment of the loan upon completion is linked to sale of completed developments with the option of early retirement that does not attract any penalties or fees. The developers' motivation for profit on total investment is supported through this form of bridging finance until the sales are concluded within a negotiated period.

Usually all lenders evaluate borrowers based on different factors that include previous business experience, this will greatly depend on the number of projects the developers have overseen over time and the level of success they have achieved. Most financiers prefer at least 5 years with a proven success rate of more than 2 projects which can be proven. Secondly, the ability to repay the loan which includes the value of collateral being offered and the personal/entity standing in the economy together with the developer's character. The developers on their side need to thoroughly prepare their documents. They should include their business plan, balance sheet, cash flow statement, income statement, personal financial statements, personal and business tax returns, and a description of the terms and loan amount, including how it will be used, secured, and repaid.

To generalize, lenders are not interested in long term vision for the development. They are solely concerned with risk management and the ability of the business to repay the credit that they have provided. To maximize the likelihood of securing finance through a lender, developers must have a financial plan that will allow for debt repayment and must have assets that the lender can take as security in the event that they default on repayments. Developers are tougher to generalize as they come in all shapes and sizes with different expectations and motivations. We can subdivide developers into Equity Developers (Angel Developers) and Venture Capital Developers. Angel Developers prefer to invest in businesses that can quickly get to cash flow positive, whereas Venture Capital Developers seek businesses that can grow very quickly and become very valuable. So the lesson to be learnt here is that the developers need to be clear on their goals for the business and only approach those funders whose goals are well aligned with their own. For some this may point towards Equity and for others Loans. There is no right answer as every business is different.

2.5 Challenges Experienced in Determining the Appropriate Financing Mode Globally

A crucial component of all infrastructure projects is the procurement and funding decision. The key overriding principles are that: the choice of delivery mechanism should be appropriate to a project's unique circumstances and risks; an objective 'value for money' assessment should be made in selecting the procurement option. There are multiple procurement options available such as PPP (Public Private Partnerships) and Project Alliances (PA). Failure to audit the procurement process to ensure its adherence to general procurement policy and best practice guidelines, and the robustness of procurement options analysis poses a major threat to development of gated communities.

Other major challenges facing property developers is in hiring a probity adviser, seeking technical and commercial advice, conducting continued workshops for the project team and carrying out due diligence. These processes impose additional costs on top of the construction costs. This has mainly been attributed to the fact that these costs cannot be directly attributed to a particular outcome of the project but in the long run they are of tremendous benefits.

Most financiers fail to undertake research of the projects presented to them in order to determine their viability. In most circumstances they rely on feasibility studies and market research undertaken by valuers. The real estate industry over the years has grown and most of the developers rely on previous feasibility studies and market research without giving regard to the current existing market trends. The financiers also fail to insist on innovation from the part of the developers. Since they trust methods that have been tried, tested and worked in the market and tend to discourage the using of innovation in constructing gated properties because of the associated increased costs and uncertainties.

Over the years financiers undergo different training from that of the developers. They might not understand the gist of the development plans presented to them for financing and might also not be having the necessary capacity in determining the appropriate amount of finance they are supposed to remit to the developers over the life cycle of the projects thus leading to redundancy of the projects through the failure of taking into account the principle of minimizing costs while maximizing output.

Risk is inherent in all projects and therefore resources and time must be allocated to identify risk, estimate its impact and investigate mitigation processes. Regardless of the difficulty to identify, measure and mitigate risk, project proponents must be willing to deploy time and resources to convince all stakeholders that risk is managed effectively. This is usually overlooked both by the financiers and developers in the development process. Risk can manifest itself through fluctuating inflation over the development life cycle of a project.

Finally it is an international requirement that an Environmental Impact Assessment (EIA) of a given project is undertaken and the appropriate Project Affected Persons (PAPs) compensated accordingly. Most projects kick off without EIA reports or compensation of the PAPs thus are rendered detrimental at a later date leading to losses. To validate compliance and assure other project stakeholders, an independent auditor should be appointed to monitor environmental compliance. However, this is overlooked always and this terrible mistake has been exemplified by relevant authorities who approve development plans without the requisite documents and this projects get rejected at a later date leading to losses of funds that had already been invested in the project.

2.6 Gestation Period and the Payment Plans Adopted

Gestation basically refers to the development process of a gated community by dividing it into phases making it possible to lead it in the best possible direction. It involves organization into phases, the total work load of a project is divided into smaller components, thus making it easier to monitor. Depending on the location, availability of resources and magnitude of the project, it usually takes between two and four years or more to execute a project, and the developer sells the homes throughout this period.

During the development process of the gated community projects, investors buying an off-plan property can only pay a minimum deposit such as 10% or 15% of the sale price to secure that property; thereby, allowing investors to sell the property with a profit when market prices increase. Most developers prefer off – plan sales because it is a manifestation of the projected project success. Financiers usually set the minimum number of properties that need to be sold off – plan before ground breaking, however as the development continues a decrease in sales may imply failure of the project. It is imperative to point out that usually properties sold off – plan are sold at a low price as opposed to those properties which are sold once the project is complete. As the project is being rolled out more properties can be sold out during the construction process or once the project is complete. Many home buyers are more convinced once they see the final product as opposed to a situation whereby they buy properties out of graphical imaginations of the final property.

Developers' employ various methods of project payments from property buyers which can include lump sum cash option, down payment followed by sequential payments at given intervals as the contract may stipulate between the developer and buyer, cheque, bank accounts etc. Usually lump sum cash option has an added advantage to the buyer who pays slightly less as opposed to the down payment followed by sequential payments. The longer the payment period the higher the payment cost on part of the buyer and the more the risk involved by the developer.

2.7 Best Practices Globally in Financing Gated Communities Projects

Practice 1

According to the Department of Infrastructure Planning and Delivery Research of the Australian Government (2010), the best practices in the development of gated communities' should include:

the project assessment and planning, including business case development; overarching project governance; project management and delivery; project planning; choice of delivery and funding methods, including the allocation of risk between parties; and management of ongoing operations. The procurement model should be chosen on the basis of project specifics and should rigorously follow established published guidelines. The case studies demonstrate that an objective procurement options analysis should be undertaken to ensure that a procurement method is selected that 'best' fits the characteristics of the project. In this context, the existence of government guidelines provides a clear framework for efficient risk allocation and competitive bidding to drive innovation and value, and gives both the financiers and developers a good degree of transparency and certainty about the overall process.

Practice 2

Usually projects that develop from long‐term plans and which have robust business cases are likely to be the most successful. The case studies suggest that projects which are underpinned by a body of strong, sound policy and receive the long-term commitment of governments are more likely to result in a positive outcome. In addition, the case studies illustrate that robust business cases, developed and tested over a number of years, help to ensure that the final project design and specification meet the needs of users and the wider community and are therefore successful.

Practice 3

Strong project governance arrangements mean strong project delivery. The case studies show the importance and value of strong governance and project management arrangements. Most of the successful projects created sophisticated governance arrangements, incorporating clear key lines of responsibility for key project owners and managers, such as the Joint Leadership Team arrangements. Independent expert advisors and joint governance arrangements are practical steps to ensure value for money is achieved.

Practice 4

Transfer risk appropriately in order to maintain value for money. The case studies demonstrate that different risk transfer arrangements can be appropriate for different projects. Risk transfer is closely connected to the procurement model and should be considered on a case by case basis on its first principles, not by prior decision. Different gated community projects pose different risks at any particular time and place, and this keeps on varying from time to time depending on a number of factors such as the political climate and the prevailing economic situation among others.

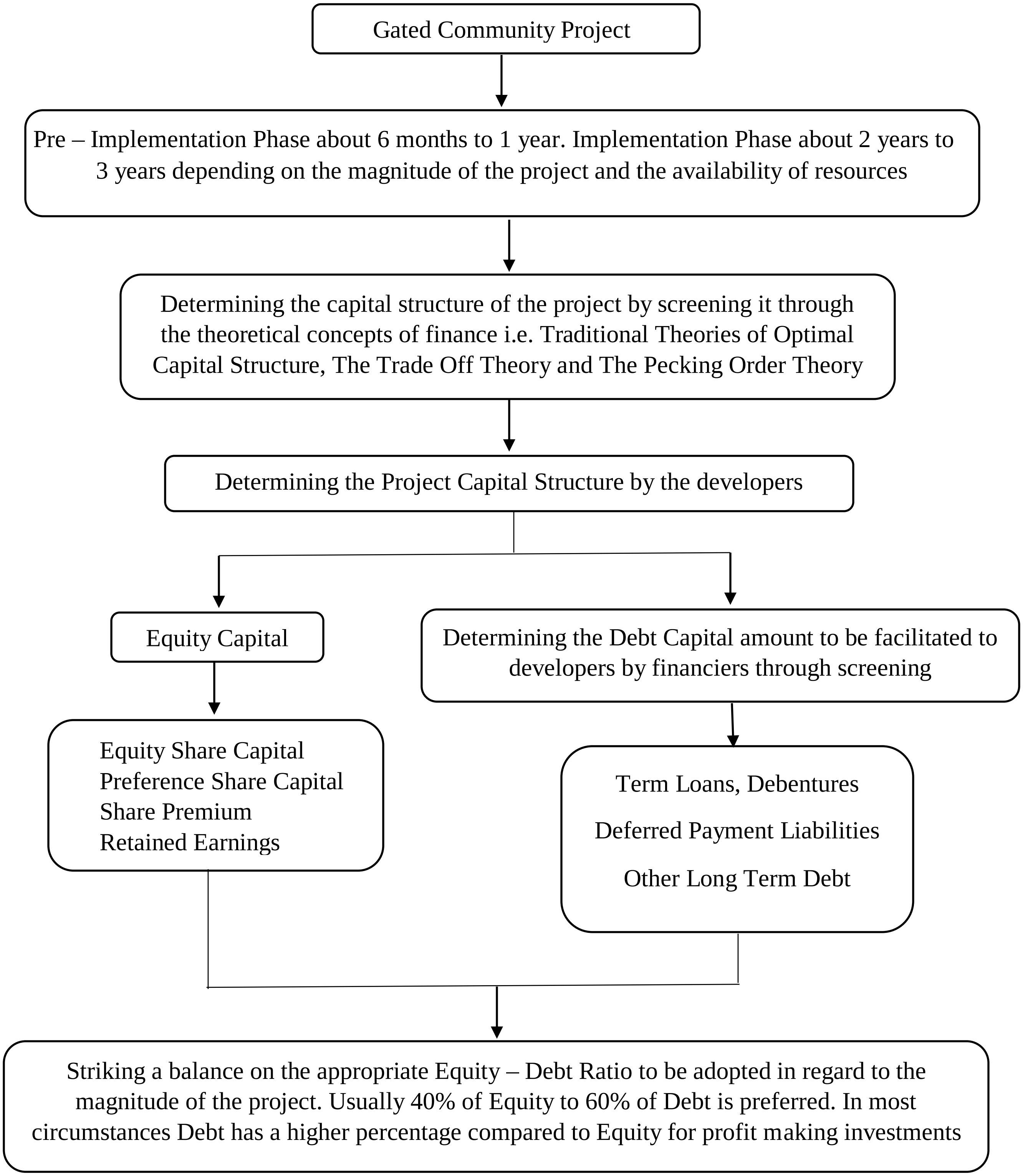
Practice 5

Careful management of local and environmental impacts assist project delivery. Reducing and mitigating local and environmental impacts are very important goals in their own right; they also help in smooth project delivery. The case studies show that close and meaningful community engagement can lead to major design and delivery changes that are welcomed by local communities and improve the asset (for example, the shared bicycle and pedestrian path on most gated community projects). Impartial Environmental Impact Assessments are a prerequisite for major projects, and independent verification (for example, by the office of the respective Environmental Monitoring Authorities within which a project is being developed) can be very helpful in building trust for controversial projects.

Practice 6

Being open to learning lessons from previous projects. Lessons learned from previous projects can be very helpful in improving new processes. This openness and honesty can be difficult, but it is clearly invaluable in ensuring continuous improvement in planning and delivery processes over time.

2.8 Theoretical Model



Source: Kishore, R.M. (2009) and Field Survey, 2017

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methodology that gives details regarding the procedures used in conducting the study. Pertinent issues discussed in this section include the sample and sampling techniques, background information of the study areas, data collection and analysis methods and ethics in research.

3.2 Samples and sampling procedure

Rossi, Wright and Anderson (2013) argue that a sample design is a definite plan for obtaining facts from a given population. It refers to the technique a researcher adopts in selecting items for the sample. The target population in statistics is the specific population about which information is desired. According to Denscombe (2014) a population is a well-defined or set of people, services, elements, and events, group of things or households that are being investigated. The researcher in coming up with the four case study areas has adopted three gated communities from the middle income earners i.e. Lapfund Gardens, Fourways Junction Estate and Crystal Rivers. The remaining one gated community is from the upmarket earners i.e. Rosslyn Springs.

The researcher gave out two questionnaires to each of the selected case study gated communities totaling to eight questionnaires. In each of the selected case study gated community both the developer and financier were given a separate questionnaire to fill.

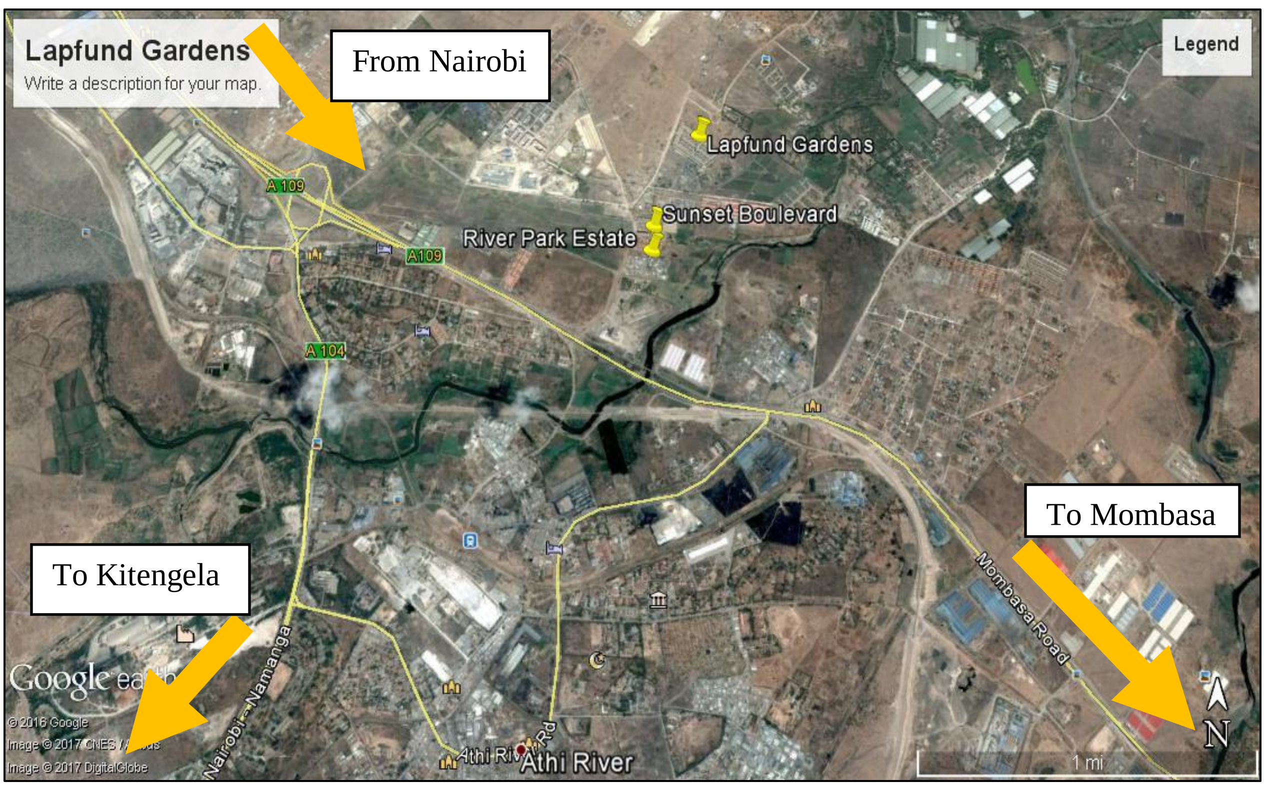
3.3 Background Information of the Study Areas

This study is limited to a sample of four gated communities which were chosen on the basis of their easy accessibility to the wanted information and they are newly developed or were recently developed i.e. were completed not more than five years ago.

3.3.1 Lapfund Gardens

It is located approximately 1.3 Kilometres off Mombasa Dual Carriageway, 3 Kilometres past the Athi River Interchange on the way to Mombasa, Athi River, Machakos County. It neighbours River Park Estate and Sunset Boulevard.

Figure 1.0 Location of Lapfund Gardens



Source: Google Earth Pro, 2017

It is a gated development of 131 maisonettes on a 10 acre parcel, having typically three types of houses that include: acacia (36), bamboo (39), cedar (56), block of 5 specialist shops and requisite ablution facilities, nursery school block having offices, 3 classrooms and kitchen facilities, and a conveniently located commercial centre.

3.3.2 Fourways Junction

It is located approximately 10 Kilometres from Nairobi Central Business District (CBD), approximately 7 Kilometres off Thika Superhighway and 550 Metres off Kiambu Road, Kiambu County. Nakumatt Ridgeways is within close proximity. The name Fourways is coined from the fact that the estate is found at the Cross (X) Section of Northern Bypass and Kiambu Road.

Figure 2.0 Location of Fourways Junction Estate

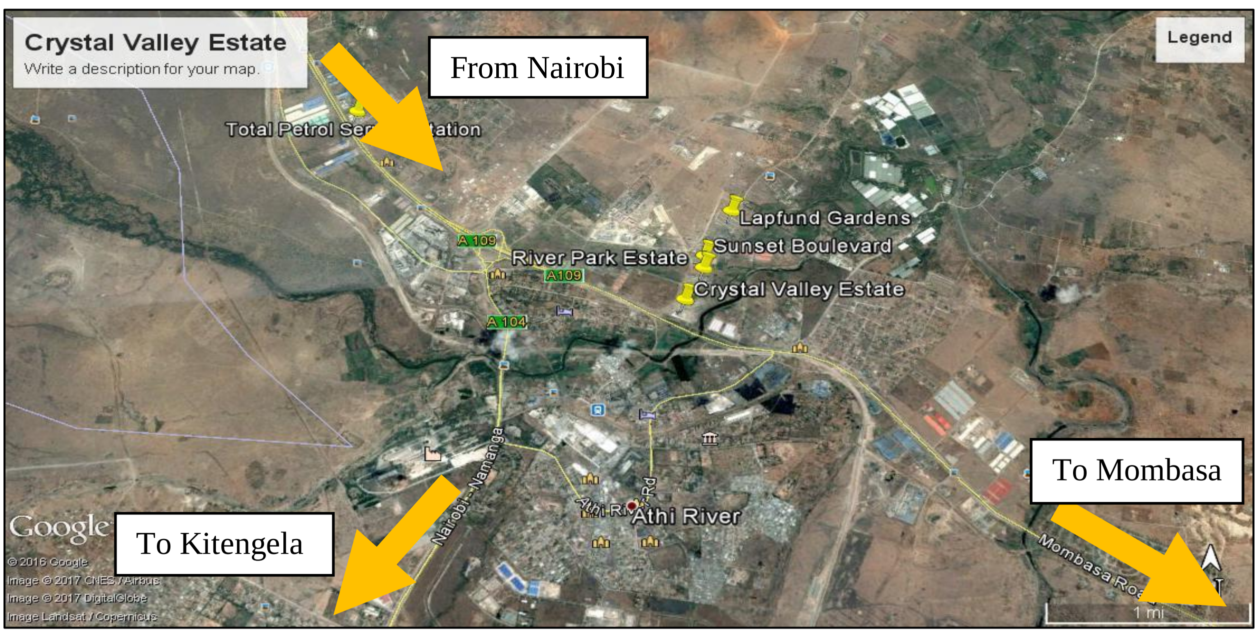
Source: Google Earth Pro, 2017

It has a mixture of cluster houses, apartments, office blocks, a shopping mall, a 3 star hotel, a BPO Park (Business Processing Outsourcing), a nursery, primary/secondary school, a retirement home and fully fledged country club.

3.3.3 Crystal Rivers

Crystal Rivers is located 25 Kilometres from Nairobi Central Business District (CBD) and 1.2 Kilometres past the Athi River Interchange. It covers 5.7 acres with a residential area consisting of 3 and 4 bedroom townhouses, plus a cluster of 3 bedroom apartments. The project is under construction and is expected to be completed in 2 phases. Phase 1 which includes a mall and to comprise 138 townhouses and 140 apartments while Phase 2 will comprise 120 apartments.

Figure 3.0 Location of Crystal Rivers



Source: Google Earth Pro, 2017

3.3.4 Rosslyn Park

The subject property is situated at the extreme western end of Lone Tree Road, within Rosslyn Springs, approximately 12 Kilometres from the City Centre of Nairobi and approximately 1.6 Kilometres off Limuru Road. Rosslyn is a residential area to the North West of the City Centre of Nairobi, Kenya, just next and East of Runda Estate. It borders Kiambu County to the west. The estate is close to the newly opened Two Rivers Mall and Rosslyn Riviera.

It is a modern architect designed gated community whose villas are in three typologies namely Five Type A located at the top of the plot, eight Type B located part at the middle and part at the lower side of the plot, and four Type C located at the bottom side of the plot. The units have spacious accommodation comprising four en suite bedrooms. Each unit has a detached servants' quarter unit for two.

Figure 4.0 Location of Rosslyn Park

Source: Google Earth Pro, 2017

3.4 Data Collection and Analysis

Data according to Rossi, Wright and Anderson (2013) are the facts collected by the researcher from the study environment. Further, they argue that primary data refers to information obtained firsthand by the researcher on the variables of interest for the specific purpose of the study and secondary data refers to information gathered from sources already existing. For example, the primary data was obtained from oral interviews supplemented with explanations and clarifications; and administering of open and close ended questionnaires. On the other hand, the secondary data was obtained from government publications, websites, books, newspapers, articles and journals.

The process of data analysis involved several stages. The data was decoded and checked for any errors and omissions. The responses from the questionnaires were analyzed to respond to the research objectives. Qualitative data and content analysis were used in the analysis of the responses. The analysis of the qualitative data was based on the researcher’s understanding and conceptualization of the responses. Content analysis and descriptive statistics were used to analyze the data, the findings were presented in form of texts, tables and bar graphs. The data was summarized according to the study’s objectives.

Objective 1: To Investigate the Mode of Financing and Minimum Threshold Requirements Needed by Financiers when Facilitating Loans on Gated Community Projects

This data was obtained from financiers and developers in regard to debt and equity respectively of various gated community projects. Primary data was collected through oral interviews supplemented with explanations and clarifications, and administering of open and close ended questionnaires. Secondary data was obtained from built industry analysis, websites, books, newspapers, articles and journals. The data was presented in form of narrative texts.

Objective 2: To Determine the Gestation Period for Various Projects and the Payment Plans Adopted by Developers when Selling the Properties

This data was obtained from the developers through oral interviews supplemented with explanations and clarifications, and administering of open and close ended questionnaires. The data was presented in form of narrative texts.

Objective 3: To Determine the Challenges Faced Both by Financiers on Giving Loans and Developers on Rolling Out the Projects from Inception Up To Complete Selling of the Properties

This data was obtained from financiers and developers who have been involved in gated communities' development projects through oral interviews supplemented with explanations and clarifications, and administering of open and close ended questionnaires. Secondary data was obtained from government publications, built industry analysis, websites, books, newspapers, articles and journals. The data was presented in form of narrative texts, tables and bar graphs.

3.5 Ethics in Research

This research strictly adhered to research ethics and none of the respondents was forced to fill the questionnaire. There was no plagiarism, fabrication, falsification of results and the responses were not manipulated for self-gain.

3.6 Summary Table

Table 3.1 Summary Table

Objectives	Data Needs	Data Sources	Collection Methods	Methods of Analysis	Data Output
Objective 1	Mode of financing and minimum requirements needed by financiers	Financiers, Banking Sector and Developers	Oral interviews, questionnaires, built industry analysis, websites, books, newspapers, articles and journals	Narrative Texts and tables	Narrative Texts, tables and bar graphs
Objective 2	Gestation period and payment modes accepted by developers when selling the properties	Developers	Oral interviews and questionnaires	Narrative Texts	Narrative Texts
Objective 3	Challenges faced by financiers when giving loans and developers when rolling out the projects	Financiers and Developers	Government publication, oral interviews, questionnaires, built industry analysis, websites, books, newspapers, articles and journals	Narrative Texts and tables	Narrative Texts, Tables and Bar Graphs.

Source: Field Survey, 2017

CHAPTER FOUR

DATA RESULTS, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter contains the analysis, presentation and interpretation of the data collected. The responses were analyzed in accordance with the research objectives. The research objectives were: to establish the challenges facing financiers and developers when investing in gated communities in Nairobi, Kenya; to investigate the mode of financing and minimum threshold requirements needed by financiers when facilitating loans on gated community projects; to determine the gestation period for various projects and the payment plans adopted by developers when selling the properties; to determine the challenges faced both by financiers in giving loans and developers on rolling out the projects from inception up to selling out of the properties; and to recommend the best ways forward to both the financiers and developers in giving out loans and development of gated communities respectively.

The collected data was subjected to content analysis and descriptive statistics that include; narrative statistics, tables and bar graphs. Qualitative and conceptualization methods were adopted for the analysis of non-discrete data. Primary data was collected through oral interviews supplemented with explanations and clarifications, and administering of open and close ended questionnaires. Secondary data was obtained from the built industry analysis, websites, books, newspapers, articles and journals. The data was presented in form of narrative texts, tables and bar graphs, then discussed based on the research objectives. In total four financiers and four developers were interviewed giving a gross total of eight respondents.

4.2 Response Rate

The oral interviews and questionnaires response was very motivating and encouraging. All the questionnaires given out to the selected gated communities were returned and any clarification needed was sought immediately. In summary 4 questionnaires were returned from the developers and 4 questionnaires were returned from the financiers. Making it a 100% response rate as shown in Table 4.1

Table 4.1 Questionnaire Response Rate

Category Interviewed	**Number of Questionnaires Administered**	**Number of Questionnaires Returned**	**Percentage (%)**
Developers	4	4	100
Financiers	4	4	100
Total	**8**	**8**	

Source: Field Survey, 2017

4.3 Lapfund Gardens

Lapfund Gardens was developed by Citic Developers. The main source of funding was debt with equity from Lapfund Secured Retirement taking a paltry of less than 30%. Pre-implementation period dates back to 2010 and ground breaking was hard to achieve within the stipulated timelines. It was completed in February, 2014.

Although not all the units have been sold there are multiple complains from the homeowners in regard to poor workmanship and some of these homeowners are literary selling their units. The current sole selling agent is Advent Valuers Limited.

In general the process can be rated as below average or 40% because the invested funds have not been recouped both by the financiers and developers. The project greatly disadvantaged the homeowners in regard to design, water availability, workmanship among other issues.

The project assessment and planning, including business case development, and overarching project governance looks fair. The procurement process did not fit the characteristics of the project. The risk assessment research relied on feasibility study of valuers who were not well conversant with proper project development processes and formulated an over ambitious feasibility study full of hearsay.

This project was underpinned by a body of fair sound policy and received the medium-term commitment of the appropriate parameters. The project failed to take into account the advantages of expert advisors and joint governance arrangements as practical steps to ensure value for money.

Risk in selling was not appropriately transferred through general listing. A defective Environmental Impact Assessment (EIA) and no meaningful community engagement were undertaken. The implementers of the development failed to show keenness in learning lessons from previous projects.

Since the project was finished in 2014 the homeowners have been suffering from unavailability of water and it is just this year (2017) that a fully-fledged borehole has become operational and the units are slowly selling but they are experiencing stiff competition from Crystal Rivers among other surrounding gated communities.

The credit risk associated with this project was relatively high because the top management of Lapfund Secured Retirement Scheme were accused of embezzling funds. The market business risk was also difficult to predict because of the ever changing inflation rates in the economy.

Smart customers who prefer to pay a little premium and then wait for the properties to be completed posed a major challenge at ground breaking thus compelling the investors to use a lot of debt.

4.4 Fourways Junction Estate

Fourways Junction Estate is being developed by Suraya Property Limited. The main source of funding was debt from Standard Chartered Bank taking a proportion of about 65% with equity from Suraya Retained Profits. It is being built in phases with the latest Phase 3 having a ground breaking of March, 2017 and is expected to be completed in September, 2018.

The Suraya Property Selling Group are the sole selling agents. To be fair the development is not doing badly off but it is over ambitious in that there are multiple properties within the same development i.e. maisonettes, block of apartments, hotels among other properties. It has been accused of denying the homeowners privacy and the plot ratio to development is small. The ground coverage is quite big and many critics have questioned whether it underwent the proper planning approval processes.

It was able to break ground over the shortest time possible because the developers have been in the field for over 10 years and have a good development standing record. Phase 1 is completely sold with few units of less than 15% remaining in Phase 2 while Phase 3 is still taking shape but approximately 15% units have been sold off – plan.

In general the process can be rated at 85% because the invested funds were able to be recouped both by the financiers and developers at a profit within the stipulated timelines in Phase 1 and the same appears to be likely in Phase 2.

The project assessment and planning is overboard overarching good project governance and delivery. The choice of delivery and funding including allocation of financial risks is well balanced. The procurement guidelines were transparent and the overall process had certainty.

Suraya property Group Limited is underpinned by a body of strong, sound policy and receives long-term commitment from its top management. The project design of the three phases was well thought over time and met the needs of the users and the wider community.

Right from the top management downwards there are strong governance arrangements with clear key lines responsibilities for key project players and managers. The risks are well transferred between the developers and financiers, and a sound Environmental Impact Assessment was carried out.

4.5 Crystal Rivers

Crystal Rivers is being developed by Landmark Developers. The sole source of funding is equity from Safaricom Staff Pension Scheme. It is expected to be completed by December, 2018. There are multiple selling agents and over 20% of the units have been sold off - plan and its image has been boosted by the brand name of Safaricom and Landmark Developers who have been in the field for over 10 years and have a good development standing record.

The project assessment and planning, including business case development, and overarching project governance looks good. The procurement process ‘best’ fits the characteristics of the project. The government guidelines were followed to the latter and a risk assessment research was done with a lot of transparency.

This project is underpinned by a body of strong, sound policy and so far receives the long-term commitment of the appropriate parameters. The project has met the design and specification needs of users and the wider surrounding community needs, taking the advantage of the expert advisors and joint governance arrangements as practical steps to ensure value for money.

Risk in selling has been appropriately transferred through general listing which includes Safaricom, Advent and Crystal Selling agents among others. An Environmental Impact Assessment (EIA) has been undertaken and meaningful community engagement leading to major design and delivery changes thus improving the asset. The implementers of the development have shown keenness in learning lessons from previous projects.

Its main shortcoming is that the completion of the mall has not been achieved as anticipated but it is expected that early next year before end of March it will have been completed. So far this is the best project and its success can be rated at over 80%.

4.6 Rossyln Park

Rossyln Park main source of funding was equity from Kengen Staff Retirement Benefit Scheme. It was completed in May, 2011 and has been in the market over the last 5 years. The workmanship is exemplary but the selling price asked then (2011) is what the properties are selling for currently.

Based on the reality that this development is situated at a prime location, its failure to perform has greatly brought into question the credibility of Kengen procurement staff and the top management. Its critics argue that funds were misappropriated and since they could not be justified the management wanted to cushion itself by selling at a high price in order to recoup the lost funds.

Although the project greatly appeals the homeowners in regard to design, water availability, amenities, and workmanship among other issues, it is regarded as a failure.

The project had a poor assessment and planning, including business case development and governance. The project delivery was good in terms of workmanship but the risk entirely rested on Kengen Staff Retirement Benefit Scheme which was the sole source of funding. The procurement model chosen was not based on the project specifics and failed to rigorously follow established published guidelines. Also the degree of transparency and certainty were overlooked by the management.

This project was not underpinned by a body of strong, sound policy and failed to receive the long-term commitment of the appropriate parameters of Kengen. The project further failed to meet the wider surrounding community needs. The project failed to take into account expert advisors and joint governance arrangements as practical steps to ensure value for money. It also failed to transfer risk appropriately in order to maintain value for money. Usually different gated community projects pose different risks at any particular time and place, and this keeps on varying from time to time depending on a number of factors such as the political climate and the prevailing economic situation among other factors and all this were overlooked. Its success rate can be rated at below 40%.

4.7 Mode of Financing and Minimum Threshold Requirements

Usually lending institutions and banks offer loans to developers at different stages of development. Before they facilitate any loan a valuation report is usually done to ascertain the amount of funds that have been used at that particular stage. The payments can be monthly or quarterly or semiannually depending on the project and the agreement between the involved parties.

The developers are needed to furnish their respective financiers the construction timetable with detailed plans and budget at designated intervals for the continuation and completion of the project. Usually, the developer requires payments in regard to the different stages of construction.

The borrowers need to clearly furnish the financiers information regarding their previous business experience, ability to repay the loan, collateral and personal guarantee. The developers also need to thoroughly prepare their documents. They should include their business plan, balance sheet, cash flow statement, income statement, personal financial statements, personal and business tax returns, and a description of the terms and loan amount, including how it will be used, secured, and repaid. The developers must have a financial plan that will allow for debt repayment and must have assets that the lender can take as security in the event that they default on repayments.

Quite often financiers need a CRB (Credit Reference Bureau) document from the developers in order to determine their past credit repayment character. They need to show their experience over time in the development of gated community projects and usually most financiers prefer a period of not less than 5 years with at least 2 successful projects.

4.8 Gestation Period and Payment Plans Adopted

Depending on the location, availability of resources and magnitude of the project, it usually takes between two and four years or more to execute a project, and the developer sells the homes throughout this period. The pre-implementation phase is between 6 months to 1 year and the implementation phase takes 2 years to 3 years.

During the development process the gated community projects are sold off - plan. As the project is being rolled out more properties can be sold out during the construction process or once the project is complete as it is the case in most circumstances. A careful sales strategy should be established to ensure all the units are sold over the gestation period and achieve maximum returns since selling prices start at low in the off – plan sales and rise as construction progresses.

Developers' employ various methods of project payments from property buyers which can include lump sum cash option, down payment followed by sequential payments at given intervals as the contract may stipulate between the developer and buyer, cheque, bank accounts etc.

4.9 Challenges Faced by Financiers

The regulatory agenda is one of the major challenge financial institutions are facing. Banks and housing financiers have little capital, too much short-term funding and too high leverage. The reforms that have been introduced so far have increased resilience and in *extremis* made banks less costly to resolve. There is no reason why this should, in principle, diminish the ability of banks to serve the real economy. When most of the banks and housing financiers are simultaneously aiming to cut costs to restore profitability, while raising the resources, their dedication to compliance still creates another consequence elsewhere in the economy. For instance, IT resources may be diverted away from innovation. That would hinder the process of technological adaptation that is key for their long-term viability which is used by both the financial institutions and developers in the country.

Credit risk is another challenge the financiers are facing be it funding the gated community project or funding any other project in the market. Hence, to minimize the credit risk on the banks' or other financial institutions, the rate of interest will be higher for borrowers if they are associated with high credit risk. Factors like unsteady income, low credit score, employment type, collateral assets and others determine the credit risk associated with a borrower. Credit risk can be associated with interbank transactions, foreign transactions and other types of transactions happening outside the bank. If the transaction at one end is successful but unsuccessful at the other end, loss occurs. If the transaction at one end is settled, but there are delays in settlement at the other end, there might be lost investment opportunities.

Similarly, most of the project funding institutions are facing the challenge of business risks that comes when these financial institutions funds development projects such as a gated community. In general business risk refers to the possibility that a company will have lower than anticipated profits, or that it will experience a loss rather than profit. In the context of a bank, business risk is the risk associated with the failure of a bank to meet its long-term strategy, estimated forecasts of revenue and number of other things related to profitability. To be avoided, business risk demands flexibility and adaptability to market conditions. Long term strategies are good for banks, but they should be subject to change. The entire banking industry is unpredictable and Long-term strategies must have backup plans to avoid business risks.

The crucial objective of various financial institutions is to loan, make positive earnings and reward its shareholders for their ventures. Financial institutions make their profits from using their depository base to lend out credit to consumers at interest. As they do this, they experience both good and bad borrowers. In this manner, majority of these housing financiers are not in better position of overseeing element nature of economy and concoct most ideal methodology to be embraced in financing housing projects in the Kenyan market. Usually banks have a poor understanding of the gated community market as they lean more on making profits and cushioning themselves against bad debts while overlooking the potential of the market.

The other most concerning challenge confronted by the house financing and banking sectors is the absence of sufficient information about the developers and the projects to be financed. Financiers need to decide if the borrowers will have the capacity to pay the principal and interest when they fall due. They need a variety of information on different borrowers' in regard to points of interest to incorporate their capacity (volatility of earnings), capital (leverage) and security. The financier obliges the borrowers’ to "the three C's of lending" which are the security factor, perimeter variable and credit factor, which are all vital to lending in both developed and rising economies.

Another difficulty financiers of gated communities face is the delicate saving money framework that cannot support plans for further growth of the housing projects due to the dynamic nature of the housing business in the Kenyan market. For instance, in the year 2014/2015, a few banks had reported reduced profits margins from funding gated community businesses. Currently some banks such as National Bank are facing big challenges and are struggling to survive since Capping of interest rates was introduced by the government in 2016 thus affecting their lending rate in the market.

There are instances where new mortgage fund banks have small comprehension about the property market and end up dealing in managing un-careful property developers who exaggerate the properties lucrativeness. These properties are over-esteemed on account of advertisements and amenities to be offered within them and this is usually not realized once they are completed. Also, a large portion of the housing improvement financiers are facing the test of raising cash-flow to accommodate mortgage fund. For example, the banks need to disclose to existing and potential shareholders the significance of venturing into this new line of financing, and this is not easy. This opens to another challenge where the shareholders must be persuaded and give assent for such expensive capital costs. Moreover, identifying the correct property developers to work with and who won't exploit the bank's clients regarding the property value and even reliability is difficult and requires thorough screening. Similarly, while adjusting the desires of the shareholders regarding quick returns versus the truth that the returns from mortgage fund would not be discharged instantly is also a challenge and requires greater care to strike a balance. Closing a deal on mortgage finance would not be as fast and the returns are realized after a long time.

The macroeconomic policies and regulations are another challenges gated community funding institutions are facing. Some of these macroeconomic regulations may not be adopted to affect the interest rate and the dynamic nature of inflations that has affected the efficiency of housing financiers. Therefore, sound macroeconomic regulation strategy structure is one that advances development by keeping inflation low, the budget deficit small and the current account sustainable. In this manner, central banks in most developing business sector economies have utilized arrangements like the money hold reserve and liquidity proportion as instruments of fiscal control. Money hold reserve is the rate of the percentage of the banks kept in a record with the central bank. These policies and regulation are made to control volume of assets accessible for financial institutions to invest in granting loans and advances.

The reality is that the majority of houses that have been developed in Kenya over the last couple of years are not affordable to a majority of people. Market speculators using this “imaginary” deficit of housing have been creating a possible non-existent demand, pushing the land prices initially up and then the property market. The problem is that when the prices do not represent the real market values, then the possibility of a market downturn is very strong. Depending on the market dynamics, that could be translated to a price collapse thus affecting the ability of the developers to pay financiers.

Financiers feel that other sectors of the economy are superior and realize better returns hence, under financing the development in gated communities. A research indicates that there is growing shortage of funds for gated communities' development due to competing needs for using the same funds to finance other productive sectors of the economy.

The above established bottlenecks experienced by the financiers when investing in gated community developments' can be summarized by Table 4.2. It is paramount to point out that the calculations are based on 4 questionnaires returned from the financiers.

Table 4.2 Challenges Faced by Financiers

Challenge	**Lapfund Gardens**	**Fourways Junction Estate**	**Crystal Rivers**	**Rosslyn Park**	**Number of Respondents who identified the challenge**
Regulatory measures by the government	1	1	1	1	4
Credit and business risk	1	1	1	1	4
Poor understanding of the economy by financiers as they lean more on making profits	1	-	-	-	1
Insufficient information on the developers and the projects they are financing	1	-	-	1	2
Introduction of the interest capping rate thus influencing the free lending rate	-	1	-	-	1
Dynamic inflation rates in the	1	1	1	1	4

economy that are difficult to predict					
Speculative development of the gated communities which does not represent the real market values thus increasing the possibility of a market downturn	1	-	-	1	2
Competitive allocation of funds among competing productive sectors of the economy	1	1	-	-	2
Total					**20**

Source: Field Survey, 2017

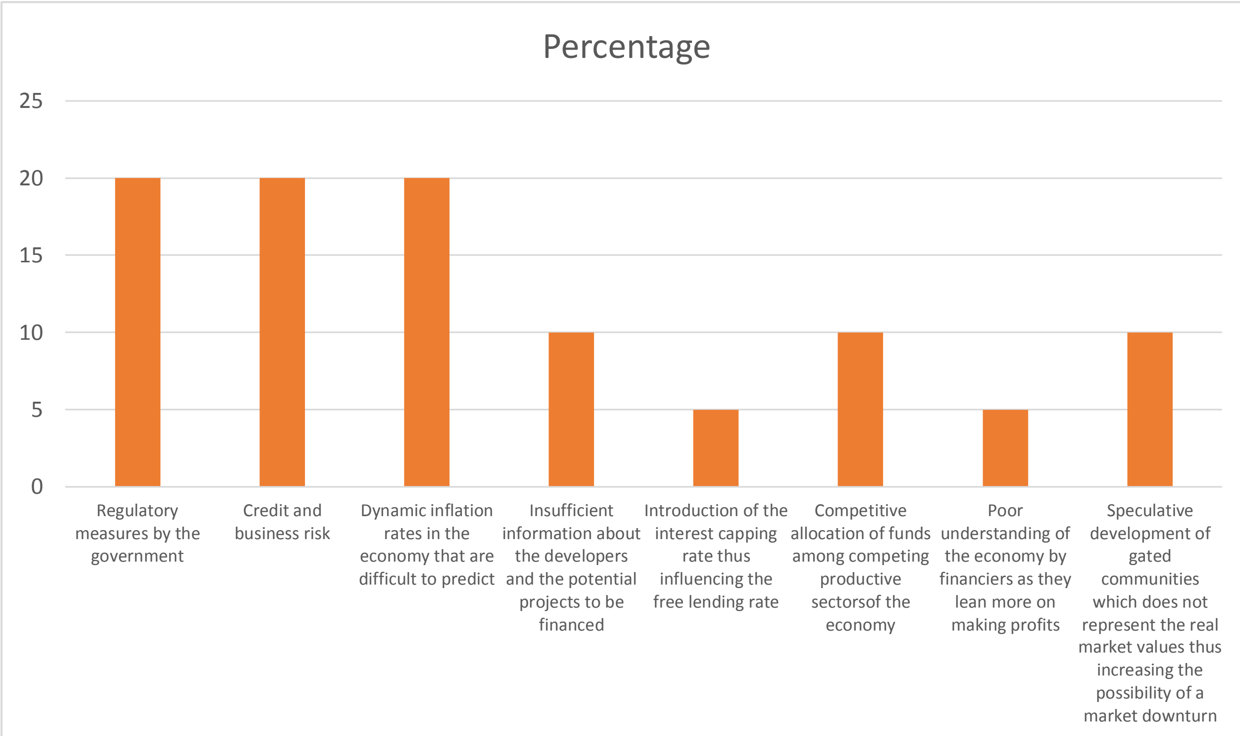
The study established that the descending order of the challenges faced by financiers in giving out loans for gated community projects were as follows: regulatory measures by the government; credit and business risk; dynamic inflation rates in the economy that are difficult to predict; insufficient information on the developers and the projects they are financing; speculative development of the gated communities which does not represent the real market values thus increasing the possibility of a market downturn; competitive allocation of funds among competing productive sectors of the economy; poor understanding of the economy by financiers as they lean more on making profits; and introduction of the interest capping rate thus influencing the free lending rate. This can be ranked as shown in table 4.3 below.

Table 4.3 Ranking of Challenges Faced by Financiers

Challenge	Number of Respondents who identified the challenge	Percentage of Ranking (%)
Regulatory measures by the government	4	20
Credit and business risk	4	20
Poor understanding of the economy by financiers as they lean more on making profits	1	5
Insufficient information on the developers and the projects they are financing	2	10
Introduction of the interest capping rate thus influencing the free lending rate	1	5
Dynamic inflation rates in the economy that are difficult to predict	4	20
Speculative development of the gated communities which does not represent the real market values thus increasing the possibility of a market downturn	2	10
Competitive allocation of funds among competing productive sectors of the economy	2	10
Total	**20**	**100**

Source: Field Survey, 2017

Bar Graph 4.1 Ranking of Challenges Faced by Financiers



Source: Field Survey, 2017

4.10 Challenges Faced by Developers

Gated community developers are taking longer to sell luxury properties in gated communities, and are holding back on launching new projects in the segment due to weak demand in a subdued property market. While developers deny facing any huge inventory pile-up, most of them admit that property sales have been impacted by weak market sentiment forcing buyers to hold back their purchases. On the other hand, experts point out that too-high prices are a major deterrent for consumers who may want to buy luxury properties in a gated community. Most customers are smarter nowadays, they do not mind giving a little premium and buying a completed property. Hence, one of the challenges luxury builders face is that they do not have enough cash flow to complete the projects.

There are different challenges confronting gated community designers and investors, for example, shortage of good serviced land, absence of funds, absence of talented workforce and obsolete building codes and by-laws. The Kenyan Government has however endeavored to settle the shortage of land issue by opening up other rural zones particularly within the environs of Nairobi City for vast scale property advancement, by actualizing infrastructural changes including development of the Thika Super Highways, Bypasses and Dual Carriageways.

Also there is a greater risk involved requiring extensive totals of funds and assets to be tied up in the construction process and giving a product that is generally indivisible. The process and the profits thereof are likewise influenced specifically by the economic conditions at the local, national and international levels. Unfortunately, most investors and designers don't have such expensive aggregates of cash nearby to put in the development and in that capacity need to fall back on acquiring a mix of value and obligation to fund their development ventures. Regardless of the possibility that they add value, numerous investors are passionate adherents to use and would like to use as meager costs as possible under the prevailing circumstances while maximizing output.

In Kenya like numerous other countries, gated community development is a significant venture resource class. The idea of proprietorship profoundly ingrained in the minds of many Kenyans, an unbalanced measure of the nation's riches is tied up in gated community properties. Regardless of whether it is the buying of the family's first house or building up a multi-billion-shilling business venture, availability and affordability to financing is the way to a fruitful gated community investment. Episodic stories flourish of yearning Kenyan business visionaries whose interest in gated community properties available to be purchased or rentals curve dependably in limbo. This has been confirmed by the Kenyan landscape which has been filled with projects which have slowed down or considerably deferred due to non-reasonable money related issues.

More importantly, Kenya's gated community market is at an intersection on the ground that as designers continue attempting to connect the house deficiency, the market elements appear to be unable to bolster their expectations. Of specific worry to developers is the way that development costs have increased by around 15 per cent for the past 5 years due to a weakening shilling that has seen higher import costs, while existing credits are presently costlier by no less than 1.5 per cent.

These new developments on the money related front represent a problem for most developers beginning new projects, as the increasing expenses will hit the last part of their activities. With expanding development costs, an increase in the fund expenses and purchasers who are confronted with high mortgage rates, it now looks practically self-destructive to begin new tasks. It will be extremely intense for new undertakings. The market flow is not for either the buyers' or the developers'. The increase or drop in these rates can fundamentally influence the cost of financing and mortgage rates. The fixing position of interest rates by the Central Bank with a specific end goal to pad the shilling has additionally observed an increase in between bank trade rates. Changes in this segment influence the measure of capital accessible for gated community ventures.

The connection between loan fees and property costs has gone under serious investigation since the lodging blast of the mid-2000s, and the resulting ensuing financial crisis of 2007–09. They further point when loan fees or interest rates are down, credit moderateness is up, expanding interest for houses, pushing house costs up and when financing costs are high, credit winds up noticeably costly, requests come down and house costs fall. Two perspectives have risen out of this experience. One is that policy ought to react all the more proactively to resource value rises and particularly to abundances in the property markets. As indicated by this view, central banks can protect or attenuate asset price bubbles, and thus promote financial stability.

The inefficiency of the Kenyan land market has led to lack of affordable construction land combined with difficulties in its accessing and making it difficult to expand accessibility to homeownership. In particular, the multiple land titling and registration mechanisms which are grossly inefficient and overly complex.

On the other hand, most of the gated community developers are not only facing the challenges from financing the project but also selling the units in a gated community. The property market performance of the first half of 2016 follows three years of very mild price changes. The demand and supply market dynamics have not been subject to significant changes over the period. The supply has been in response to the broad demand characteristics in the market. The new units being put up are mainly targeting the middle-end of the market, with the lower-end experiencing supply constraints arising mainly from the tendency of developers inclining more towards renting than selling. Nairobi and its neighborhoods is the first area to feel the heat of the housing market. Investors in several neighborhoods in the capital are feeling pressure from a slump in property prices and rentals as an obvious excess supply is creating new market conditions.

The real estate market has seen marginal changes over the last one year. Overall 2017 has seen a depressed market. This is mainly attributed to the capping of interest rates with the financial institutions withholding or limiting credit to the economy and the prevailing political situation particularly due to the general elections with most buyers adopting a wait and see mode.

Also most of the projects in Kenya are faced with the challenges of external forces such as government regulations and housing policy politics that may affect the rolling out of the projects from inception up to selling out of the properties. Most of the developers may find themselves in court due to harsh regulations that are influenced politically and thus affect either the development or the selling of the properties once they are ready for selling.

The above established bottlenecks experienced by the developers when investing in gated community developments' can be summarized by Table 4.4 below.

Table 4.4 Challenges Faced by Developers

Challenge	**Lapfund Gardens**	**Fourways Junction**	**Crystal Rivers**	**Rossyln Park**	**Number of Respondents who identified the challenge**
Too high prices of gated community properties	-	1	-	1	2
Smart customers paying a little premium and then wait for the properties to be completed thus developers need enough cash to complete the projects on their own	1	1	1	1	4
Greater risk involved in using extensive funds and assets to be tied up in the	1	1	1	1	4

generation of giving a product that is generally indivisible					
Profits are influenced by economic conditions at the local, national and international levels	1	1	1	1	4
Increasing of development costs and weakening of the Kenyan Shilling	1	1	1	1	4
Purchasers are faced with high mortgage costs	1	1	1	1	4
An inefficient land market	-	-	-	1	1
External negative forces such as poorly thought government regulations and housing policy politics	1	1	1	1	4
Total					**27**

Source: Field Survey, 2017

The study established that the descending order of the challenges faced by developers on rolling out the projects from inception up to selling out of the properties were as follows: smart customers paying a little premium and then wait for the properties to be completed thus developers need enough cash to complete the projects on their own; greater risk involved in using extensive funds and assets to be tied up in the generation of giving a product that is generally indivisible; profits are influenced by economic conditions at the local, national and international levels; increasing of development costs and weakening of the Kenyan Shilling; purchasers are faced with high mortgage costs; external negative forces such as poorly thought government regulations and housing policy politics; too high prices of gated community properties; and an inefficient land market. This can be ranked as shown in table 4.5 below.

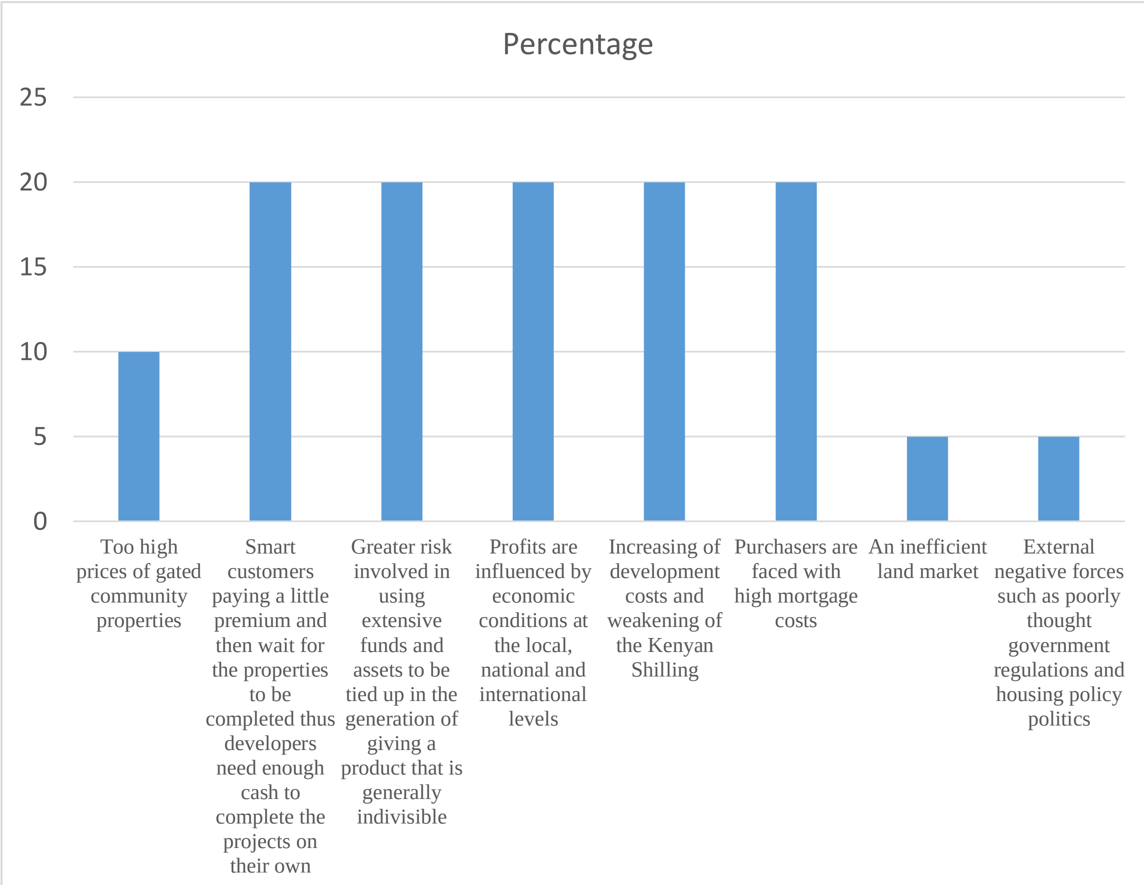
Table 4.5 Ranking of Challenges Faced by Developers

Challenge	**Number of Respondents who identified the challenge**	**Percentage of Ranking (%)**
Too high prices of gated community properties	2	10
Smart customers paying a little premium and then wait for the properties to be completed thus developers need enough cash to complete the projects on their own	4	20
Greater risk involved in using extensive funds and	4	20

assets to be tied up in the generation of giving a product that is generally indivisible		
Profits are influenced by economic conditions at the local, national and international levels	4	20
Increasing of development costs and weakening of the Kenyan Shilling	4	20
Purchasers are faced with high mortgage costs	4	20
An inefficient land market	1	5
External negative forces such as poorly thought government regulations and housing policy politics	4	20
Total	**27**	**135**

Source: Field Survey, 2017

Bar Graph 4.2 Ranking of Challenges Faced by Developers



Source: Field Survey, 2017

4.11 Limitations Encountered when Undertaking the Study

Limitations basically refers to the challenges experienced when carrying out the research and this included: choosing the right methodology in undertaking the research. The researcher overcame this challenge by realizing that the research methodology basically is generated from the research questions and not ones preferences. Basically the design comes out of the study, rather than being imposed on the study. This study involves a qualitative direction and therefore the methodology is basically borne from who the data was collected from, how the data was collected and how it was analyzed.

Participants especially financiers had issues in regard to the confidentiality of the information they presented. Also some participants had a lot of anxiety due to the location of the interview, uneasiness or lack of rapport with the researcher as they were interviewed at their work places while sitting on their workstations. This was overcome through rescheduling interviews with those participants who felt uncomfortable with the setting of the interview environment and the researcher overstressed the research confidentiality to get their attention.

The interview design and procedure posed another challenge. The process of designing an interview guide, formulation of the interview questions and staying focused throughout the period of undertaking the research without any diversions was highly considered. The research questions were not clearly understood to all the participants, therefore, assistance was offered to some participants through explanations and clarifications.

Another challenge encountered was making sense of the data collected. Quite often bias of the researcher hampers proper analyzing of the data. This problem was overcome by letting the collected data to speak for itself without any manipulation through analysis and presentation.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The core objective of this study was to establish the challenges facing financiers and developers when investing in gated communities in Nairobi, Kenya. Other objectives were to investigate the mode of financing and minimum threshold requirements needed by financiers when facilitating loans on gated community projects; to determine the gestation period for various projects and the payment plans adopted by developers when selling the properties; and to recommend the best ways forward to both the financiers and developers in giving out loans and development of gated communities respectively. The objectives were further formulated into questions to enable conduct the research. The study was then conducted setting out to answer these questions. This chapter gives a summary of the study findings in line with the research objectives, the conclusion of the study, the recommendations and areas of further research.

5.2 Summary of Study Findings

The study established the challenges facing financiers in giving out loans for gated community projects include government banking regulation policies; credit risk; market business risk; poor market understanding by the financiers; insufficient information about the developers and the potential projects to be financed; poor saving by the banks in the Central Bank that cannot guarantee plans for further growth; dilemma of balancing desires of banks' shareholders regarding quick returns versus the truth that the advantages from mortgage fund would not be discharged instantly; and dynamic inflation rates in the economy that are difficult to predict. The challenges faced by developers in rolling out the projects include too high prices of gated community properties; smart customers paying a little premium and then wait for the properties to be completed thus developers need enough cash to complete the projects on their own; greater risk involved in using extensive funds and assets to be tied up in the generation of giving a product that is generally indivisible; profits are influenced by economic conditions at the local, national and international levels; increasing of development costs and weakening of the Kenyan Shilling; purchasers are faced with high mortgage costs; an inefficient land market; and external negative forces such as poorly thought government regulations and housing policy politics.

The study further sought out to investigate the mode of financing and minimum threshold requirements needed by financiers when facilitating loans on gated community projects. It was discovered that the loans are paid at intervals and depend on the amount of work done. Usually the developers are supposed to give the financiers their construction timetable among other documentations as the financier may require.

Finally the research sought to determine the gestation period for various projects and the payment plans adopted by developers when selling the properties. It was realized that the properties are sold throughout the life of the project that is from off plan stage up to completion. The payment method employed include a down payment followed by subsequent payments as the parties involved may agree. The magnitude of the project determine the gestation period of the project.

5.3 Conclusion

In conclusion, gated communities are faced with a myriad of challenges that cannot guarantee plans for further growth. The challenges are spread from financing, developing to pricing. These challenges are faced by all stakeholders in development of gated communities but this research has specifically limited itself to the challenges faced by developers and financiers.

This research has established that financiers have developed stingy financing mechanisms especially after capping of lending rates. They only finance those developers who have proven themselves in the development of more than 2 successful gated communities with timely loan repayments.

There are several mortgage theories that are used as a basis of determining the ratio of equity and debt that should be adopted in financing gated communities.

The gated community properties have different gestation periods depending on the specific project magnitude. The research has shown that huge projects but better priced may take a shorter period than expected and this is evidenced by Crystal Rivers Estate.

5.4 Recommendations

1. It can be noted that Lapfund Gardens main funding was from debt and the top management basically embezzled funds and ended up hiring the services of incompetent developers who also used poor building materials. The WACC was not maximized and risks of selling the units were not shared appropriately amongst different selling agents.

This can be overcome by employing a transparent procurement system and leaving this process to the advice of competent specialists.

2. Feasibility studies should be used from entrusted valuers who are well conversant with the gated community projects developments and this is well illustrated by Fourways Junction who have employed their own specialists in undertaking these studies.

3. Gated community developers should use a well-balanced equity – debt ratio so as to distribute risks appropriately amongst the financiers and ensure that the monitoring of the project is overboard. This has been evidenced by the development of Fourways Junction Estate whose source of funding from retained earnings is 35% while debt takes 65% as opposed to Rossyln Park which purely used 100% retained earnings thus was greatly mismanaged.

4. Procurement methods should be tailored to the project and in particular to the unique risks of each individual project as evidenced by Crystal Rivers which is developed next to Lapfund Gardens and greatly learnt from its shortcomings.

5. Developers should be encouraged to use own reserves and their different assets thus reducing the risk of relying entirely on credits. But the development process should be well monitored by specialists and this has been the success story so far for Crystal Rivers where specialists are used at every stage of the development process.

6. Regulation needs to be mutually consistent. In particular, if we want banks to be bigger players in a more market-based financing mix, we need to ensure that regulation supports that transition and does not unduly impact banks' ability to transact freely in the financial markets. The capping rates by the Kenyan Government has reacted negatively on the demand and supply aspects of money flow.

5.5 Areas of further research

1. An investigation into the challenges facing homeowners of gated communities in Nairobi, Kenya.

2. Implications of developing mixed properties in gated communities on their individual saleability.

3. Effects of rental value of gated communities properties' in a neighbourhood rental market.

4. An investigation into the challenges facing the apportionment of service charge in gated communities.

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APPENDIX A

QUESTIONNAIRE FOR DEVELOPERS

Good morning/afternoon

This questionnaire is an aid research being conducted by **Gisesa Innocent Nyakina** who is undertaking a research project to be submitted to the University of Nairobi in partial fulfilment of the requirements for award of Degree in M.A. Valuation and Property Management, 2017. This data will help in the fulfilling the objectives of the study and suggest ways towards the improvement of Financial Investment in Gated Communities in Nairobi, Kenya.

TITLE: AN INVESTIGATION INTO THE CHALLENGES FACING INVESTMENT IN GATED COMMUNITIES IN NAIROBI, KENYA

PREAMBLE:

A Gated Community is a private residential or estate houses containing entirely controlled doors for walkers, bikes, and cars and are regularly described by perimeter walls and fences. They are usually associated with better security advancements and facilities such kindergarten and children playing areas, swimming pool, gym, well-manicured gardens, and bio digester among other facilities.

It is imperative to point out that in spite of all the glamorous and attractive aura associated with gated communities, there are untold agonies and challenges that developers and financiers alike are entangled in. This is what has motivated this study to be undertaken in order to determine these challenges and propose the best practices.

Instructions:

The information provided in this questionnaire is purely for academic purposes only.

Kindly give information with the highest degree of accuracy and confidentiality.

Questions

1. How long have you invested in gated community projects?...
2. How many gated community projects have you invested in over those years?................
3. What have been your main sources of finance?

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4. Kindly can you give us a summary of your experience?

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5. What has been the gestation period on average of the projects you have invested in over the

   years?...

6. What has been your acceptable mode of payment from buyers when selling the properties?

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7. What challenges have you faced when rolling out the projects up to the complete selling of the properties?

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Thank you for your response.

APPENDIX B.

QUESTIONNAIRE FOR FINANCIERS

Good morning/afternoon

This questionnaire is an aid research being conducted by **Gisesa Innocent Nyakina** who is undertaking a research project to be submitted to the University of Nairobi in partial fulfilment of the requirements for award of Degree in M.A. Valuation and Property Management, 2017. This data will help in the fulfilling the objectives of the study and suggest ways towards the improvement of Financial Investment in Gated Communities in Nairobi, Kenya.

TITLE: AN INVESTIGATION INTO THE CHALLENGES FACING INVESTMENT IN GATED COMMUNITIES IN NAIROBI, KENYA

PREAMBLE:

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It is imperative to point out that in spite of all the glamorous and attractive aura associated with gated communities, there are untold agonies and challenges that developers and financiers alike are entangled in. This is what has motivated this study to be undertaken in order to determine these challenges and propose the best practices.

Instructions:

The information provided in this questionnaire is purely for academic purposes only.

Kindly give information with the highest degree of accuracy and confidentiality.

Questions

1. Which financing group do you work with?...
2. How long have you worked in the gated community financing section?..........................
3. Kindly can you give us a summary of your experience?

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4. What mode of financing have you adopted?

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5. What are the minimum threshold requirements do you look out for before facilitating loans on gated community projects?

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6. What are the main challenges you have faced?

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Thank you for your response.