

Determinants of House Construction Cost in Kenya: A Case of Nairobi County

The provision of decent houses in Nairobi to majority of the population is facing serious challenges of affordability and accessibility. This has resulted to high prices and shortages of houses to the majority of the population. These twin challenges have been attributed to the cost of building the houses. The purpose of this study was to establish the determinants of house construction cost in Nairobi County. To achieve this, specific objectives were to determine the influence of finance, building materials, labour, land and infrastructure cost on construction cost of the houses. In addition, to establish possible strategies and initiatives that can be implemented to make construction cost of house affordable. In order to achieve these objectives the researcher used theories of finance and adapted the Fisher-Di Pasquale-Wheaton model as a constructive tool to explain the basic concepts and interactions between the real estate-market and the financial market. The study evaluated how significant the relationship each of these determinants has with the house cost. The study adopted a descriptive research survey where seventy structured questionnaires were distributed among three categories of professionals in the housing sector. The target population of this study was one hundred and sixty (160) professionals firms in the housing industry and registered with their respective associations as at 31st December 2013. A sample of 70 professionals was randomly selected in proportion to what each professional group had with the study population. This study utilized a self-administered questionnaire as a tool of collecting data. The data was analyzed using mean and standard deviations and Pearson correlation analysis. The study found out that land, building materials and infrastructure determinants have the most influence on the housing cost in Nairobi Kenya. Each of these determinants registered the highest average mean score and had a strong positive relationship with house cost with an equally high level of consensus among the respondents. The study also found out that there are possible strategies and initiatives that can be implemented to reduce the cost of constructing houses which includes Private-Public-Partnership, Government facilitation and use of alternative building technology. Based on these findings, this study concluded that the most influential determinants of cost of constructing a house in Nairobi, Kenya are land, building material and infrastructure costs. The study also concludes that there is need for the government to create an enabling environment for private sector to supply houses in Nairobi. The study therefore recommended implementation of a number of strategies and initiatives to make the houses accessible and affordable to most of the population in Nairobi, Kenya namely; encouraging Public-Private-Partnership, Government offering incentives and enabling regulatory and business environment to private sector participation and adoption of new alternatives building technologies by the professionals in the housing sector.