



## MARKET COMMENTARY: AFFORDABLE HOUSING INVESTMENT FOR RETAIL INVESTORS

### THE CASE OF TSAVO APARTMENTS

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The Open Access Initiative (OAI) aims to address information asymmetries in Africa's affordable housing market by harnessing the collective experiences and learnings produced by investors and developers through their investments in affordable housing. This commentary delves into what affordable housing is as an investment case for retail investors, drawing the example from Tsavo Apartments in Kenya.

#### AFFORDABLE HOUSING DELIVERY IN KENYA: FINDING THE RIGHT PROJECTS TO FINANCE

##### Unlocking Wealth and Meeting Demand: Conceptualizing Affordable Housing as an Investment Asset for Retail Investors in Kenya – How Does It Work? The Case of Tsavo Apartments

Affordable housing can be defined as quality housing options that are accessible by those with a household income that is at or below the median income of a country. Affordable housing investments typically revolve around the purchase, ownership, management, rental, or sale of residential properties to generate a return on investment, while targeting lower income earners. Affordable housing investment is a growing and seemingly profitable investment avenue in Kenya, considering the high housing demand of about 250,000 units per year<sup>1</sup>. By providing housing at affordable rental rates, affordable housing investment can generate steady cash flows from rental income, while at the same time addressing the high demand for affordable housing.

On the demand side, there are two types of target markets in affordable housing investment schemes. First are individuals or families who either purchase or rent a residential unit as owner-occupiers or as tenants. The second target market consists of retail investors, who purchase rental properties and rent them out, with the expectation of realizing a return on their investment through the generation of passive income. Passive income is the term used to refer to earnings that require minimal effort on an ongoing basis once the initial investment or setup is completed – the retail investor purchases the unit, collects rent to cover the costs of the investment, and benefits from appreciation in the property over the long term. In the world of finance, passive income is a significant way of realizing financial independence.

<sup>1</sup> Ministry of Lands, Public Works, Housing and Urban Development- State Department for Housing and Urban Development. Accessed from, [Housing and Urban – Housing and Urban](#)

## What Factors Shape the Investment Decisions of Retail Property Investors?

Retail investors into affordable housing investment as a source of passive income mainly take the following into consideration:

1. **Property Value & Rental Opportunity:** Retail investors look for properties in locations with a strong tenant base and a potential for appreciation<sup>2</sup>.
2. **Affordable financing that does not compromise rental affordability:** Retail investors aim to acquire a reasonable return on their investment, hence the need for a suitable financing option for their properties.
3. **Property Management:** Effective property management is essential for generating passive income. Property management involves activities such as tenant screening, property maintenance, and addressing tenants' concerns.
4. **Long-Term Strategy:** Retail investors seek to consider a long-term strategy for their rental property investment. That may include considering factors such as property appreciation, rental rate growth, and having informed decisions on property upgrades.
5. **Risk Management:** Assessing and mitigating potential risks around rental investment is crucial for anyone seeking to invest in a rental investment. Risks associated with property investment may include tenant turnover, property damages, or even changes in regulations<sup>3</sup>.

## Redefining Affordable Housing Investments for Retail Investors in Kenya – The Case of Tsavo Apartments.

At the forefront of enabling investments by retail investors into affordable housing is Tsavo, a real estate investment company based in Nairobi, Kenya. Tsavo was established in 2015 by copreneurs<sup>4</sup> Emily and Leonard Mcharo, and since then, the company has focused on the affordable housing sector and currently has seven completed projects, with +2,000 residential units.

<sup>2</sup> Buy Rent Kenya (2023). Accessed from <https://www.buyrentkenya.com/discover/investing-rental-property>

<sup>3</sup>Nation (2022). Here's food for thought before investing in rental property. Accessed from, <https://nation.africa/kenya/life-and-style/dn2/food-for-thought-before-investing-rental-property-3781118>

<sup>4</sup> A copreneur is a term that refers to a couple who are both entrepreneurs and share the ownership and responsibility of a business, they are Couples who focus on the same entrepreneurial activities.

TSAVO designs, builds, sells, and manages their properties. The firm has focused on real estate for investment purposes. The target market for Tsavo is retail investors who are looking for alternative investment asset classes from the traditional equity and treasury bills and are also seeking for a cash yielding asset. According to Tsavo, their unique value proposition is as follows:

- i. **Proved delivery method:** They take 24 months to build an apartment. The short timeline allows the investor to generate returns quickly. This is with the caveat that one will not earn from their units until all balance is cleared. Additionally, TSAVO don't use loans to fund their projects. They start projects only when the project is 40% sold off and use the proceeds to finance the project<sup>5</sup>.
- ii. **Incentives for Investors:** They have flexible payment plans with a 20% deposit and a maximum of 5 years repayment period with 0% interest. The 0% interest attracts many investors as they are able get favourable monthly payment options as they monitor the development progress. Tsavo also have 3 types of discounts that they offer. That is, when a customer pays all the cash amount at project commencement, they get a 3% discount of the total unit value. There's also a reinvestment discount, that is, 3% for 2<sup>nd</sup> and 3<sup>rd</sup> units bought, then 10% discount upon purchase of more than 3 units and a 15% discount upon purchase of more than 10 units. Lastly is the referral discount of 2% to offset the customer's balance depending on the unit size.
- iii. **Stable and predictable return:** TSAVO offers rental returns of over 7% and capital gains of up to 35% upon completion of a project. In terms of value addition, TSAVO provides property management services to its investors through its in-house management company known as TSAVO Lifestyle.
- iv. **Clarity on Ownership Documents:** The units are handed over only after the investor has paid the full amount. Their projects are usually under a mother title. Once an investor has paid the full amount, he/she is offered a sectional title. This is possible as a result of the new Sectional Properties Regulations of 2021 and is different from subleases which were given in the past<sup>6</sup>.

At Tsavo, the process of acquiring the unit begins with the unit being reserved for the investor. The investor is then taken through a floor plan as a guide. The documents required at the point of issuing the Letter of Offer include the Kenya Revenue Authority (KRA) pin, a copy of National ID, postal address, phone number, email and next of kin details. The investor is then required to sign the sales agreement within 14 days and pay a 20% deposit.

Tsavo has currently seven completed projects. Most recent one is the Tsavo Sunset 1 project in Thindigua, Kiambu Road, which is already completed. The completed projects include:

1. Laiser Place located in Rongai.

<sup>5</sup> TSAVO. <https://tsavo.ke/tsavo-payment-plan/>


<sup>6</sup> Sectional Properties Regulations, 2021. <https://lands.go.ke/wp-content/uploads/2022/06/Sectional-Properties-Regulations-2021.pdf>

2. 90 Degrees located in Embakasi.
3. Coral Bells in Thindigua, Kiambu Rd
4. Tsavo Studios in Embakasi
5. Royal Suburbs Phase 1 in Roysambu
6. Tsavo Skywalk along Wanyee Road
7. Tsavo Sunset Phase 1 at Thindigua, Kiambu Road- Recently Opened

Ongoing projects include:

Project	Location	Date set for completion
Royal Suburbs Phase 2 (96% sold out)	Roysambu	December 2023
Tsavo Step-Up (67% sold out)	Rirurta	December 2023
Tsavo Fedha (85% sold out)	Embakasi	March 2024
Royal Suburbs Phase 3 (63% sold out)	Roysambu	August 2024
Royal Suburbs Phase 4 (sold out)	Roysambu	December 2024
Tsavo Sunset Phase 2	Thindigua	Construction has recently begun
Tsavo Stanley	Kiambu	Newest Project. Yet to start.

Some of the completed projects as of July 2023:

Tsavo Projects	No. of Units	Types of Units	Price of Units	% of Units Sold	Rent Price of units	Service Charge	Amenities Offered
<p>Tsavo Studio</p> 	248 units	Junior Studio, Superior Studio, and One Bedroom Apartments	Price ranges from (Kshs (1.8M – 2.6M)	Sold out	<p>Junior Studio rent price is Kshs 9,000 (USD 64.8)</p> <p>Studio price is Kshs 12,500 (USD 90)</p> <p>Superior Studios Kshs14,500 (USD 104.4)</p> <p>One Bed room Kshs17,500 (USD 126)</p>	Kshs 1500 (USD 10.8)	<p>Elevator</p> <p>Security Camera</p> <p>Rooftop Cafeteria</p> <p>Minimart</p> <p>Common Area</p> <p>Generator</p> <p>Laundromat</p>

<p>Royal Suburbs Phase 1</p> 	<p>400 units</p>	<p>1 Bedroom 2 Bedroom Studio Apartments</p>	<p>Studio-Kshs 1.6M (USD 11,520)  1 Bedroom-2.6M (USD 18,720)  2 Bedroom-4.5M (USD 32,400)</p>	<p>Sold out</p>	<p>Studio (Kshs 12500 (USD 90)  1 Bedroom Kshs 18,500 (USD 133.2)  2 Bedroom Kshs 28,500 (USD 205.2)</p>	<p>1 Bedroom-Kshs 1500 (USD 10.8)  2 Bedroom-Kshs 2000 (USD 14.4)</p>	<p>Laundromat Security Camera, Common Area Generator Beauty Parlor Ample Parking.</p>
<p>Coral Bells</p> 	<p>475 units</p>	<p>Studio, 1 Bedroom Convertible, 1 Bedroom, 2 Bedroom</p>	<p>Price ranges from Kshs (1.6M-4 M)</p>	<p>Sold out</p>	<p>Studio Kshs 13,000 (USD 93.6)  Convertible Kshs 19,000 (USD 136.8)  1-bedroom Kshs 21,000 (USD 151.2)  2 Bedroom Kshs 31000 (USD 223.2)</p>	<p>Studio and One-bedroom Kshs 1500 (10.8)  2 Bedroom Kshs 2000 (USD 14.4)</p>	<p>Swimming pool, Basement Parking, Security Camera, Elevator, Gym, Mini mart</p>



<p>90 Degrees</p> 	<p>104 units</p>	<p>Studio and 1 Bedroom apartments</p>	<p>Studio- Kshs 1.6 M (USD 11,520) 1 Bedroom- Kshs 2.6M (USD 18,720)</p>	<p>Sold out</p>	<p>Studio Kshs 12,000 (USD 86.4) 1 Bedroom Kshs 16,000 (USD 115.2)</p>	<p>Kshs 1000 (USD 7.20)</p>	<p>Security Borehole Water, Rooftop Cafeteria</p>
<p>Laiser Place</p> 	<p>60 units</p>	<p>1 Bedroom 2 Bedroom</p>	<p>1 Bedroom- Kshs 3.2M (USD 23,040)  2 Bedroom- Kshs 5.2M (USD 37,440)</p>	<p>Sold out</p>	<p>1 Bedroom Kshs 20,500 (USD 147.6)  2 Bedroom Kshs 27,500 (USD 198)</p>	<p>Kshs 3000 (USD 21.6)</p>	<p>Swimming pool, Ample parking, Borehole</p>



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### Revolutionizing Real Estate Investments: Tsavo's Vision for Financial Independence

According to the founders, Tsavo's vision is to promote financial independence, where investors have the opportunity to finance their future needs, wants and purpose through the integration of passive income<sup>7</sup>. Tsavo apartments have amenities such as rooftop cafeteria, borehole water, security cameras, laundromat, and parking, which make their properties attractive for the rental market.

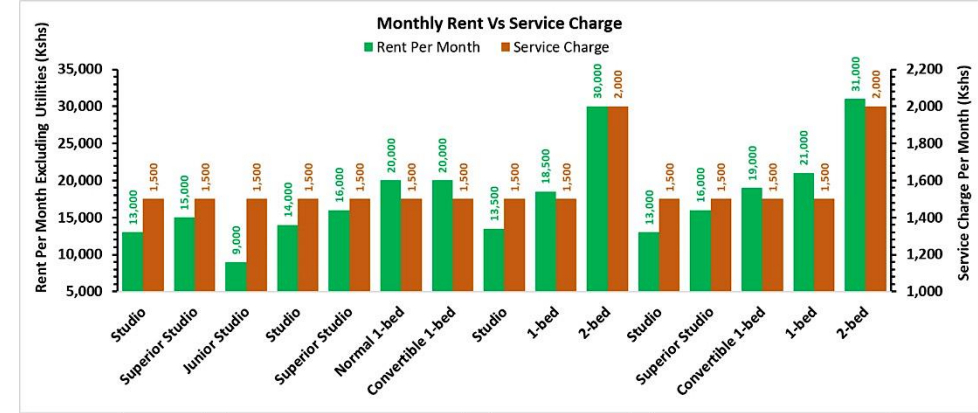
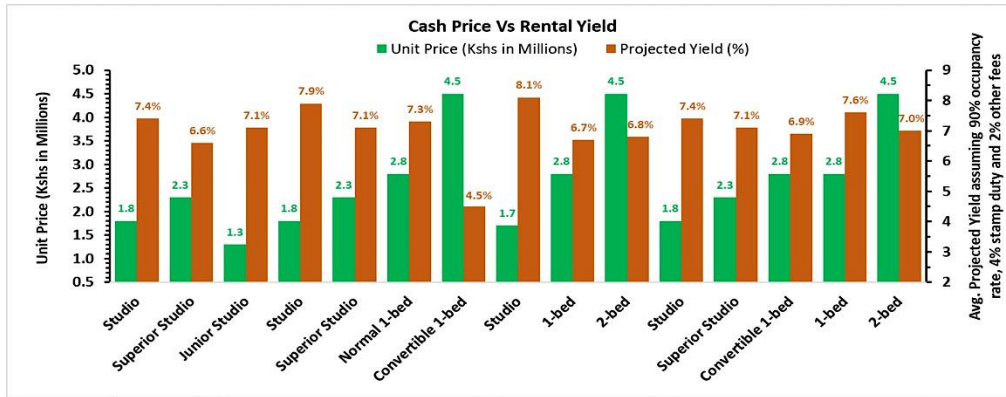
With provision of affordable housing given unit prices ranges from ksh. 1.8 million for studios apartments to ksh.4.5 million for 2 bedrooms, it is critical for investors to embark on a profitable venture such as Tsavo since, the more investment is done, the more yield is attained. At Tsavo apartments, service charges are standard for the following four types of units; junior studio, studio, superior studio, and one-bedroom units which stands at ksh 1500. On the other hand, for two bedroom and three bedrooms is ksh. 2000 and ksh.2500 respectively. At Tsavo, the rationale for payment and application if service charges are defined in the lease agreements signed by tenants.

Tsavo enables one to attain financial independence through investment opportunities that foster great financial stability and independence. Tsavo apartment buildings as outlined, are best built to serve the great purpose of provision of affordable housing, while at the same time provide great investment opportunities to all that have an interest in working with Tsavo. With amenities that aim to improve tenants' quality of life, Tsavo is a key indicator that affordable livelihood is achievable in Kenya, and that the Kenyan housing sector has much potential in transforming the lives of its citizens through affordable housing and investment.

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<sup>7</sup> Retrieved 17 January from, <https://tsavo.ke/>





## Tsavo Apartments: Leading the Charge in Kenya's Affordable Housing Revolution – How Can You Secure Financial Independence?

In summary, Tsavo Apartments stands at the forefront of affordable housing investment in Kenya, aligning with the Open Access Initiative's goal to provide information and opportunities in this sector. Affordable housing, as an investment, offers a path to financial independence, attracting retail investors.

Key factors influencing investment decisions in affordable housing include property choice, financing options, effective management, long-term strategies, and risk management. Tsavo Apartments excels in these areas, making it a compelling choice for investors.

With a track record of completed and ongoing projects, Tsavo Apartments provides flexible payment plans, guaranteed returns, and various discounts, setting it apart in the real estate market. Their commitment to improving tenants' lives and promoting financial stability underlines their transformative potential in Kenya's housing sector.

In conclusion, Tsavo Apartments not only offers a route to financial independence but also addresses the pressing need for affordable housing in Kenya. Their vision and approach provide a promising template for investors and the affordable housing market, showcasing that affordable living and financial independence are attainable goals in Kenya's dynamic real estate landscape.

This commentary was co-written by Allan Mutuma Gitonga, Open Access Initiative Program Manager at the [Centre for Affordable Housing Finance in Africa](https://www.housingfinanceafrica.org/) and Mich Jane Awuor. For more details on the Open Access initiative and its principles, contact Allan Mutuma, Programme Manager, on [allan@housingfinanceafrica.org](mailto:allan@housingfinanceafrica.org)