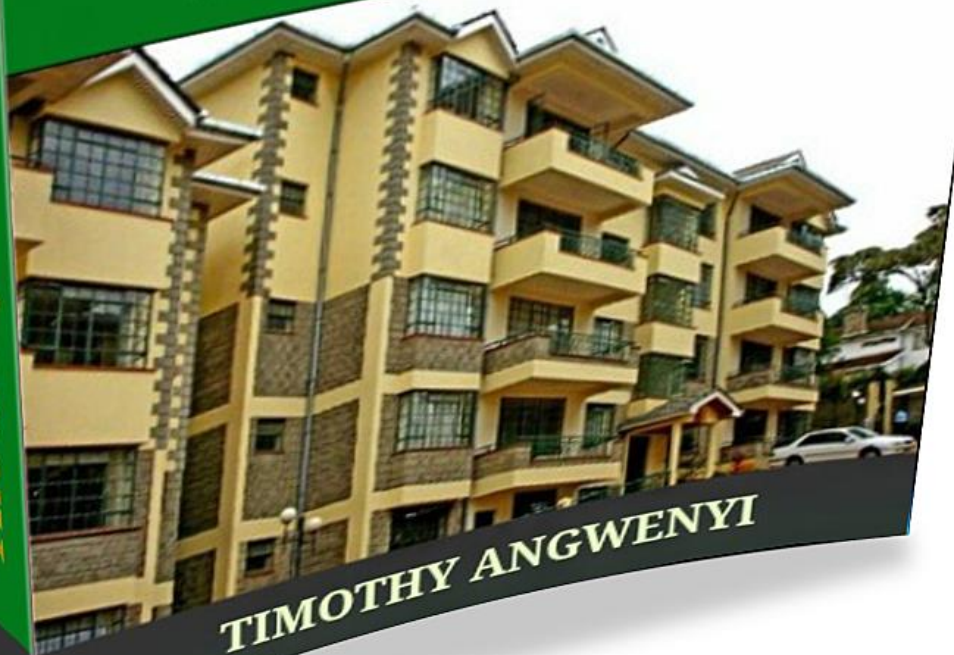
My Proven Strategies

How To Make It Big In Real Estate Business

The Ultimate Guide to Cashflows, Profit & Wealth with Real Estate Business



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The Kenyan Business Mind

How To Make It Big In Real Estate Business

The Ultimate Guide to Cashflows, Profit & Wealth with Real Estate Business

Written By: Timothy Angwenyi

Many people mistakenly believe that investing in real estate is for the wealthy people with fat bank accounts. But the truth is - anyone can build wealth by investing in real estate. The only trick to becoming a successful real estate investor in Kenya is having knowledge of the ins and outs of the real estate sector and also knowing the various opportunities this sector has for you.

Inside this eBook you will learn everything you ever wanted to know about real estate investment including how to get started even if you don't have millions of shillings readily available. You will also learn how to find the best properties that offer the greatest potential for profit, as long as you are willing to work for it.

You will also learn in-depth strategies for success regardless if you are looking to buy property and hold onto it for the long-term or if you are more interested in flipping houses as quickly and frequently as you possibly can.

About The Writer



Hello! My name is Timothy Angwenyi Morebu. My phone number is **0701712058**. My email also is timohangwenyi@gmail.com. I am a business writer & an Entrepreneur. Am currently writing *guides on various ways of earning a living in Kenya through business (Entrepreneurship),* whereby i educate Kenyans on business ideas to venture into in Kenya.

Helping people start businesses and achieve the income they desire has become a huge part of my life. Being able to share the knowledge I have gained in my life in entrepreneurship and attending business seminars and exhibitions has become extremely important to me.

I consider my readers my friends. I am always so appreciative that they take their time out to read my eBook guides and to learn about business ideas from me. Once you have finished reading this guide, I have no doubt that you will have learned a great deal about real estate business in Kenya.

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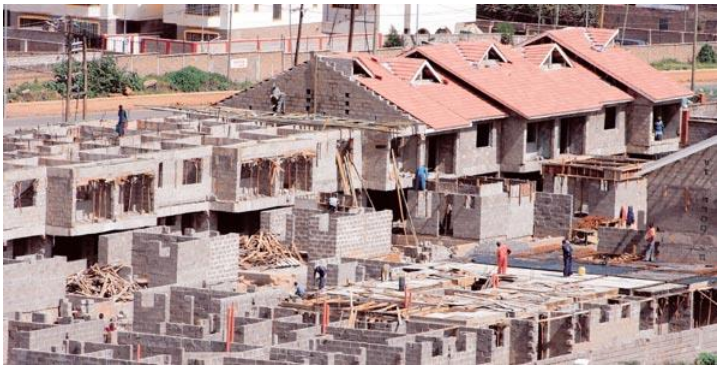
Chapter 1

The Hottest Property Market in the World – How to Invest and Make Money in Real Estate in Africa



How to invest and make money in real estate in Kenya or Africa? You're about to find out…

Just like food, water and clothing, shelter is one of the most basic human needs everywhere in the world. It would be nearly impossible to survive on this earth without a roof over your head. Everybody needs a home – a place that provides protection from harm and the weather; a warm room to sleep and live in.

Despite the huge importance of shelter, Africa currently faces a serious housing crisis. The shortage of suitable accommodation is pushing up rent and property prices in several cities and towns across the continent, making it one of the hottest and most promising places in the world for real estate investment.

The boom in Africa's real estate market is a juicy opportunity for entrepreneurs to exploit and become successful property owners.

This chapter explores the reasons for this boom, why you should invest in real estate and five great tips to help you succeed in this market.

What Is Causing The Real Estate Boom In Kenya and Africa?

It is my usual tradition to not only share interesting business ideas and opportunities with you but to explore the reasons behind them. Knowing the reasons why the real estate market in Africa is booming makes you a more informed entrepreneur and allows you to take calculated risks and make better investment decisions.

Some of the factors behind this boom may be obvious to you, but it is very important that you look at them in the right context. Here they are…

#1 – Africa Is Experiencing a Huge Population Boom



The logic here is quite simple – the larger the population, the higher the demand for housing (shelter).

Africa's population currently stands at over one billion and is expected to reach 2.4 billion in just 40 years. Over this period, our continent will experience the fastest population growth in any part of the world (including Asia).

The 10 countries on earth with the highest fertility rates are in Sub-Saharan Africa where the average woman gives birth to about five children in her lifetime.

In countries like Niger, the birth rate is as high as seven.

Just to give you some perspective, according to a Reuter's article published early this year, Nigeria (Africa's most populated country) adds roughly 11,000 newborns to its population every day!

Over the coming years, millions of Africans will need shelter – a roof over their heads. This huge population boom is the strongest underlying reason for the huge demand for accommodation and real estate properties across Africa.

#2 – Millions of Africans are moving to the cities

A significant proportion of the demand for housing and real estate in Africa is concentrated in the cities.

According to a report by the International Housing Coalition, only about 80 million Africans lived in cities in 1983. Today, that number has risen to over 400 million. The size of Africa's urban areas has been growing at nearly 5 percent for the past two decades.

Going by the current estimates, 300 million more Africans will become city people and urban dwellers by 2030.

A few reasons why Africa's urban population is growing at such a high rate are its huge population boom, and fast growing economy which is attracting more people to the cities who are searching of job and business opportunities.

At the moment, a little over 50 African cities have a population equal to or more than one million people. At the current rate of migration, the number of cities with over one million people is expected to reach 65 by the year 2030.

Because more people are flocking to cities and towns in search of jobs and a better life, they are putting a lot of pressure on the inadequate accommodation in urban areas.

#3 – The Housing Problem is Too Big for the Governments

In many parts of the world, governments are responsible for providing basic and affordable housing and accommodation for its people. In Africa, however, the governments are not doing enough to solve the housing shortage problem.

In the continent's most populated country for example, the World Bank estimates that over 16 million new houses need to be provided to solve Nigeria's serious housing problem. The estimated cost of providing these homes stands at a whopping $350 billion! That's too much for any one government to handle!

As a result of government's inability to close the huge gap between supply and demand for housing in Africa, the pressure from the large existing demand is pushing up real estate prices across the continent.

As a result, private investors, entrepreneurs and ordinary people like you now have a role to play in solving the housing crisis.

#4 – Favourable Economic Growth

The recent (2013) report by the African Development Bank, OECD, UNDP and ECA reveals that Sub-Saharan African economies are among the fastest growing in the world. According to the report, *"Africa's economic growth was 4.2 percent in 2012 and is projected to reach 4.5 percent in 2013, and further to 5.2 percent in 2014."*

In times of economic boom, more people have the financial power to invest in real estate. Although there is still widespread poverty in many parts of Africa, the average income per person is growing in many countries.

In addition, the size of Africa's large and growing middle class is a significant force behind the boom in the real estate market. The people in this category (now more than 300 million) are looking for real estate to live or invest in and have the money to pay.

4 Reasons Why You Should Invest in Real Estate?

Now that we have looked at reasons behind the huge demand and boom in the African real estate market, let's now look at a couple of reasons why you should be very interested to invest in real estate.

#1 – Real Estate Provides a Steady Source of Cash Flow



When you buy or build a piece of property (single or multiple room apartments, bungalows etc.), and rent it out to tenants, that property starts to earn you rental income (monthly or yearly depending on the contract with your tenants).

With the high demand for accommodation and growing inflation, rent prices are always on the rise. Higher rent prices mean more income for you, the landlord.

Compared to other investment options, the income from real estate is the most steady.

Take stocks for example, the amount of dividends paid by many companies often fluctuate and may not be paid every year. Bank savings (another form of investment) usually attract interest payments that may be steady but are often very small compared to the returns you can get from investing in real estate.

Because the income from real estate investments is steady and predictable, you can plan better.

The rent you get from your property can be used for specific projects such as paying your kids' school fees, travelling abroad or buying a new car. Rental income is also great for people who are planning for retirement.

#2 – Real Estate Can Be Used As Collateral for a Loan

In Africa, collateral is one of the biggest obstacles faced by entrepreneurs in obtaining a bank loan to start a new business or acquire property (such as a factory, machinery or equipment).

When banks ask for collateral, they want you to provide something that is equal to or greater in value than the loan amount you are asking for. Under this definition, your car and furniture should qualify as collateral, but the banks won't accept them.

Banks usually prefer real estate as collateral because it is known to continually appreciate in value. Unlike your car which loses value every day, the value of real estate properties are more likely to grow.

Compared to stocks (which some banks accept), the value of a property cannot vanish overnight (like stocks). As a result, an investment in real estate means that you can use the properties you buy as leverage to get money (loan) from a bank and other lenders. Only very few other investments can give you the kind of leverage that real estate can.

#3 – Real Estate Offers One of the Highest Returns on Your Investment

Like i just mentioned, real estate always grows in value. Especially in developing regions like Africa where the property market is not as matured like in North America or Europe, the prices of real estate are often on a steady rise.

Nairobi (Kenya), Lagos (Nigeria) and Luanda (Angola) are some of the African cities that are currently rated as hot property markets. Due to the huge demand for shelter in many African cities, the returns on real estate investment are one of the highest in the world.

Although buying and selling of real estate should not be your main investment goal, it is your insurance that should you need to sell your property sometime in the future (for whatever reason), you will still make a handsome return.

You can earn rent income for many years like i mentioned earlier or you could sell the property. Either way, you make money and earn a profit on your real estate investment!

Nigeria is one of the many countries in Africa that is experiencing a huge boom in its real estate market.

#4 – Real Estate is a Low Risk Investment

I'm sure you would have heard of stock market crashes and banks going bankrupt. Although real estate values often fall, it is not usually a very bad situation. In fact, even when property values fall, you would still earn rent income from your property.

On the other hand, real estate is physical and tangible compared to stocks, bonds and many other intangible forms of investment. Both in times of high inflation, economic boom and bust, real estate investments remain robust and will most likely continue to earn you income.

Very few other investment options can do the same.

How to Invest In Real Estate in 5 Easy Steps!

To me, it is not just enough to tell you about the juicy opportunities that exist in Africa's real estate market. Knowledge alone is not enough.

Because i believe the key to entrepreneurial success lies in action, i shall share with you some very important tips about investing in African real estate. Here they are…

1. First, Set Your Investment Goals…

Like we mentioned before, there are two main ways to make money from any real estate you buy: *sell* at a higher price or *rent* (or *lease*) it to earn steady flowing monthly/yearly income.

Which of these will be your goal? What's your plan?

Are you planning for retirement and need a source of income to sustain you when you are no longer working?

Do you plan to quit your job one day to pursue your real passions but need a regular source of income other than a job?

Maybe you really don't need a steady income. It could be that you are looking for low risk and long-term investment opportunities that appreciate in value over time and give a better return. You want something with investment returns that are better than a savings account and more predictable than stocks.

Whether your plan is to buy, keep and sell later or to earn steady rent income, it is very important that you have a plan and stick to it. This is the first and most important thing to do before investing in real estate.

2. Who to Buy From And How to Find Them



There are usually two groups who sell most of the real estate you want to buy – let's call them **public** and **private**.

The main player in the public group is the government. Governments often sell real estate to ordinary people and companies for residential or industrial development.

When governments sell real estate, it usually sells at a lower price compared to the prevailing market prices.

Government housing estates are a good example of a real estate opportunity where ordinary people can buy and own housing units (single homes, duplexes etc) at below market prices.

The private group is primarily made up of individuals and corporate organisations.

If you look in the classifieds section of your local newspaper, you are likely to find adverts for real estate properties on sale.

People are always on the market to sell property for all sorts of reasons. Maybe it's land that they inherited which they want to sell or it could be that they have an urgent need for cash. Other times, sellers could just be investors like you who want to realize their profit/investment.

There are always a wide variety of properties on the market for sale – bare land, partially-completed buildings, old properties that need to be renovated and brand-new (finished) houses. Depending on their condition and location (developed or undeveloped parts of town), the prices will vary significantly.

How can I know of these opportunities you ask? Well, there are a couple of tips i would share with you in this regard. And they are:

- *Be observant* and pay more attention to your environment. Look out for all those 'For Sale' banners that often hang on properties that you have been blind to all along. For all you know, there may be a juicy real estate deal on your street that you haven't noticed.
- *Follow real estate 'For Sale' listings and adverts* in newspapers and magazines. This is the traditional way for sellers of real estate to find buyers. In some cities, there are newspapers and magazines that carry only real estate news and listings. Most of these listings describe the properties, the seller's asking price and a phone number you can call. Easy and convenient!
- *Ask around.* Let people know you are in the market looking for properties to buy. Your neighbours, office colleagues and friends can be rich sources of real estate information. All you have to do is ask!
- *Enlist the services of a real estate agent.* These agents are professionals who help ordinary people like you find the kind of properties they want. Whether you want a property to live in or as an investment, it's their job to find it for you, and of course, earn a commission for their services. It's a win-win for both you and the agent. I will talk about this real estate agency business later in this ebook.

3. Before You Buy, Do Your Research Very Well!



I'm sure you do not want to get involved in a property that is the subject of a fight or legal battle. There is a lot of real estate fraud going on and you need to be sure that you are buying from the right owner of a piece of property.

You must be sure of the correct condition of any piece of real estate you are interested in. Depending on your location, there is often a way to verify the ownership title of every property.

Most cities have a Land Registry with records that contain up-to-date information about every kind of real estate in the area. Your lawyer would definitely know about this. Pay him/her to obtain a report from the relevant government department.

This is one of the most important but often overlooked things inexperienced real estate investors never do.

Most times, there are important pieces of information that you may be unable to get from formal or government sources. Ask around the area for any things you may be missing. There may be softer issues about the property that may reduce (or improve) the value of your investment.

For example, if there are frequent security threats in the neighbourhood (like robberies, kidnapping etc), it may discourage tenants from your property and likely reduce its value should you plan to sell it in the future.

4. What If You Don't Have The Money?

Many people think they need to have a truck load of money before they can invest in real estate. In fact, we often wrongly believe that the property market is reserved for rich people and large companies who have deep pockets.

This is so not true.

Like every other business or investment that exists, there is room for everybody in real estate, no matter the size of your capital.

As i always advise, start small.

Start with your savings. Set a target for yourself every year to set some money aside for real estate investment. It may take you months or a couple of years to save enough money to buy a piece of property.

Start with what you can afford. Start with empty parcel of land on the outskirts of a developing and expanding city. These are usually cheaper than properties in developing areas but the potential for high returns is huge.

Apart from using your savings as a source of capital, there are a couple of other interesting ways to raise the money you need to start investing in real estate.

5. Make Sure You Get the Necessary Titles and Government Approvals

Due to poor regulations and inadequate controls, real estate scams are rampant in many of the cities with hot property markets in Africa.

There are incidences of fraud where the same piece of property is sold to several people. This is just one example of the different kinds of fraud and scams you could become a victim of if you are not careful.

After you have paid for any piece of real estate, you should ensure that you register your ownership (or ‘title’ as it is legally known) with the appropriate government office or department. Your lawyer can advise you on the relevant registrations and approvals to obtain.

After successfully purchasing property or real estate, many people ignore this very important step. By the time they wake up to the realities of the situation, it may have become too late.

By registering your title and getting the necessary approvals, the government recognizes your ownership of the property and protects you from any fights or disputes that often show up in this part of the world.

Getting your title registered may cost you some money and effort but it is usually worth it in the long run. Investing in good real estate is not enough. You have to do what it takes (legally) to protect your investment.

Chapter 2

How To Make Money From The Leasing Business in Kenya and Africa



The leasing business in Africa is a promising opportunity with strong prospects on the continent.

I have a friend who owns a small but successful construction company. He has completed several real estate and civil construction projects including roads, family homes and office blocks.

I had an interesting chat with him the other day and discovered one very interesting fact: His company doesn't own any major equipment.

All the trucks, loaders, bulldozers and cranes he uses on his construction projects and sites are hired or leased. By hiring equipment, instead of owning them, he was able to start and run his business on a small capital.

Since he leases only the equipment he needs for his construction projects, he enjoys a great amount of flexibility and convenience as he doesn't have to bother about the maintenance, operation and utilization that comes with owning fixed assets and heavy equipment.

Across Africa, leasing is providing a flexible option for small business owners who don't have to commit huge amounts of capital to purchase machinery, tools or equipment. This option

allows young businesses to work with small capital and enjoy a healthy cash flow, as they are able to only hire what they need.

In this chapter, I'll share with you the top five categories of leased items on the continent and how you can build a business that makes money from hiring essential tools, equipment and machinery to individuals and small businesses that need them.

Technical note:

Throughout this chapter, the terms 'leasing' and 'hiring' shall be used interchangeably. In this chapter, the term 'leasing' does not refer to 'lease financing' which is a financial instrument or commercial arrangement between a lessor and lessee for the use of an asset.'

Why is the leasing business in Africa growing very rapidly?

Cash is tight, and startup capital is often hard to find. So, rather than spend a lot of money on one piece of machinery or equipment, many entrepreneurs and businesses just prefer to hire/lease and only pay a small amount daily, monthly or yearly.

The growing demand for the flexible use of expensive items means that there's a huge potential for equipment/property leasing businesses to thrive as Africa's economy continues to grow.

Here are the top five most leased/hired categories of items in Africa:

1. Construction equipment



According to the recent KPMG Construction in Africa Sector Report, there is a need for basic infrastructure investment of around US$100 billion per year on the African continent over the next decade.

That's a lot of construction work!

Some of the countries experiencing a significant expansion in construction sector activity include: Angola, Ethiopia, Ghana, Kenya, Lesotho, Mozambique, Nigeria, Tanzania, Uganda and Zambia.

Yes, you're thinking right; these countries will need extensive supplies of construction materials and equipment to meet their infrastructural growth targets.

As a result of the ongoing (and impending) boom in construction activity across Africa, there is a steady rise in demand for hiring construction equipment, especially by contractors and construction companies that cannot afford to own them.

The most popular categories of construction equipment that are being hired are:

- *earth-moving equipment (excavators, bulldozers and loaders),*
- *construction vehicles (dumpers, tippers and tankers),*
- *material handling equipment (cranes, forklifts and hoists), and*
- *other equipment (like concrete mixers, heavy duty pumps and stone crushers).*

While the large, established and multinational construction companies have a significant stock of light and heavy-duty equipment at their disposal, the volume of construction work happening across Africa demands that construction contractors will hire equipment from third parties from time to time.

There are also the local construction contractors who will always have need to hire these equipment as they do not yet have the capital and capacity to own them. This makes them a prime target for leasing construction equipment.

There is also a huge demand for simple construction tools and household repair tools like drills, wheelbarrows and pickaxes.

Start A Scaffolding Rentals Business And Be Part Of Kenya's Fastest Growing Sector



Are you aware that the construction sector is the fastest growing industry in Kenya currently? According to the recently released data from the Kenya National Bureau of Statistics, construction industry grew at 13.6% faster than the financial and agriculture sectors which grew at 8.7% and 5.6% respectively.

You don't need rocket science to know where the big money is. Going by the recent trends, an investment in this massive industry would certainly be timely as well as rewarding especially due to factors such as devolution, discovery of oil and a growing middle class.

But sorry for boring you with heavy jargon and numbers, I was just trying to help you see the opportunities that exist around you and what the future holds. Talking about opportunities, one incredible business idea from the construction industry is the one of scaffolding rentals.

My research has shown that Kenya has a serious shortage of scaffolds. Not many people have realized that it is possible to set up a small scaffolding rentals business with small amounts of capital. In my opinion, this is a ripe opportunity that is still under-exploited.

What Is Scaffolding Rentals Business All About

A scaffold is a temporary structure on the outside of a building that is being constructed. This structure can be used by workers to climb as they perform specialized tasks such as paint-work, building repairs or construction. Another job of a scaffold is to hold concrete together in order to allow for formation of slab and pillars of a house under construction. Most constructors prefer to rent scaffolds as opposed to buying them as a way to save on cost and minimize liability.

Step 1: Getting Started



A picture showing timber for scaffolding use.

If you are planning to start on a small budget then its far much easier to start with wooden trappers and then you can advance to steel scaffolds as your business expands. So step one will be to find good quality pine/eucalyptus wood from the local timber yards. Kitengela would be a

good place to begin your search although you can always expand your search to other parts of the region in order to get cheaper prices.

Tip: Ask for high quality 8 by 1 or 9 by 1 wood. Also ask for props.

Step 2: Look For A Yard

A yard is basically an empty plot of land where you can keep your wood and props as you await customers to come rent them. This doesn't have to be anything fancy. Just a central area from where you will be running your operations from. So if you have an idle piece of land near a growing town center then this could be a brilliant way to put it to good use. Alternatively you can lease one.

Tip: Look for a minimum 20x30ft piece of land that is accessible by motorized transport.

Step 3: Plan For Transport

Because scaffolds are heavy items, it is important to plan on how you are going to be picking and delivering them to your clients. If you have a pick-up truck or a small lorry then you will have a slight advantage. However, if you are just a small investor looking to start from scratch, then you will need to talk to transporters in your area and negotiate prices in advance.

Tip: Typically it costs about Ksh.2,000 to hire a pickup truck for about 1 hour.

Step 4: Print Brochures and Business Cards

Now that you have everything catered for, you can boldly start approaching prospective customers and handing them your business cards and price list. Your customers will mostly be foremen, commercial and residential property developers and so forth.

Tip: Your price list should be based on the duration of rental period. For instance, a popular price tag on the Kenyan market is Ksh.100 for each wooden scaffold rented for 40 days.

Important Facts



Picture showing a building under construction using a combination of wooden and steel scaffolds.

*Consistent marketing and good service are important ingredients for reaching a wider market.

*For short distance deliveries you can use a cart (mkokoteni) to deliver. A new mkokoteni will costs you Ksh.20,000 to acquire.

*Consider charging delivery/pickup fees to boost your revenue. Alternatively, consider providing free transport to woo new customers if there is competition.

*As you advance you can switch to steel scaffolds which have longer life than wooden ones. Each unit will cost you about Ksh1,000 to acquire although the price varies depending on the international price of steel.

*You can expect to lose about 10% of wooden scaffolds due to wear and tear during each rental period. Essentially that means you can re-use a load of wooden scaffolds for a maximum of 10 times before they get worn out completely.

*Steel scaffolds can be re-used for a much longer time and they are preferred where unique building shapes are required (e.g. dome shaped buildings).

*The average rental price for wooden scaffolds is Ksh100, steel scaffolds Ksh150 and props Ksh25 so you can think out your pricing on that basis.

*Apart from scaffolds other items that you can add to your rentals list include: bucket hoists, concrete mixers, shovels, vibrators, ladders and wheelbarrows.

*Consider insuring your equipment to avoid unexpected loses.

*Demand for scaffoldings rental is available throughout the country particularly due to the effects of devolution. Some prime areas include: Nairobi Metro region, Mombasa, Kisumu, Nakuru and Meru.

*The only mandatory license required is the county single business permit which will cost you about Ksh10,000 per year at most.

How Much To Invest

Minimum Estimates For Wooden Scaffolds

- 200 Pieces of Eucalyptus Timber – Ksh50,000 (Ksh250 per piece)
- 200 Pieces of Eucalyptus Props – Ksh16,000 (Ksh80 per piece)
- Transport To Your Yard – Ksh10,000
- Others (Marketing, Miscellaneous) – Ksh24,000

TOTAL BUDGET = Ksh100,000

How Much To Expect

You can make a decent Ksh1 Million per year on a small yard.

Final Word

The good thing about this business is that you don't have to be involved in its day to day running. That means you can continue doing what you do best even as you leave this business to run in the background (provided there's good marketing involved). Best of all, there is room for growth. The real estate sector is a multi-billion venture and the future looks bright. So don't hesitate, if you feel this is the kind of business that would resonate with your needs and passion, go ahead and give it a try.

2. Agricultural machinery



One of the biggest challenges of agriculture in Africa is poor mechanization.

Most farmers on the continent still use crude tools and manual methods to cultivate the land. As a result, low productivity, poor yields and inefficiency continue to hold back the promising potentials of agribusiness in Africa.

But we can't blame the farmers. How many of them can afford a tractor or other highly essential farm machinery?

Very few.

However, with the hiring/leasing option, farmers can hire a tractor and other necessary farm equipment and only pay a small fraction of what these equipment would have cost, if they wanted to buy them.

The truth is, a single tractor can plough more land in far less time, and do a better job than a group of labourers working with hand tools. If all farmers in Africa could afford to use a tractor to work their fields, you can only imagine the transformational effects this would have on productivity and yield.

Unfortunately, many farmers on the continent do not enjoy the flexibility of leasing or hiring the equipment and machinery they need to increase output and productivity on their farms.

As Africa's population continues to grow and the demand for food increases, there is an interesting business opportunity to support African farmers with farm machinery under flexible, short-term arrangements.

3. Event Supplies



If you're planning a wedding party, birthday bash, cultural ceremony, community event, or any kind of outdoor or indoor gathering, it's very likely that you will be hiring a long list of equipment and accessories to make your event a success.

With events happening every other day in Africa's urban areas, the size of the event rentals business on the continent is quite huge, valued at millions of dollars every year.

Tents and canopies, tables, chairs, china and glassware, portable dance floors, catering equipment and popcorn machines, are just a few of many popular items that are in hot demand, especially during the weekends and in festive seasons.

As the population of Africa's urban areas continue to grow and the economy remains healthy, there will always be plenty of reasons for people to celebrate.

But remember, except you're in the party rentals business yourself, it doesn't make any sense to invest in, or permanently own dozens of chairs, tables and glassware. It's always cheaper and more flexible to hire these things when you need them.

As a result of the huge market demand for event supplies, it will remain a significant business opportunity on the continent.

4. Vehicles

Back in the day, most companies owned an extensive fleet of vehicles in the company car pool. These fleets often cost the company millions on top of the responsibilities of maintenance and operation that come with vehicle ownership.

These days, rather than tie down million shillings of precious capital in a fleet of vehicles, companies simply prefer to hire or lease. It's more flexible, more convenient, and healthier for cash flows.



In almost every sector, from banking, manufacturing to oil and gas, many companies are choosing to lease vehicles instead of full ownership.

Another smart friend of mine operates a business that leases vehicles to companies. His clients include individual entrepreneurs, small businesses and multinational companies. These clients would hire his cars on a daily, weekly or monthly basis, depending on the duration and occasion they need it for.

On one occasion, a small company in Nairobi had a team of representatives from its foreign business partner, and wanted to impress them. The company hired an SUV for the duration of the visit and this service was more valuable than a taxi service, and cheaper than owning the SUV.

Although my friend's cars are mostly hired on a day-to-day basis, there are also clients who hire his cars on a monthly basis. In addition to the amount paid to hire a vehicle, clients are responsible for fueling and keeping the car neat at all times.

It's not just small vehicles that are getting hired. Larger vehicles like vans and trucks are in top demand too.

Many businesses that produce or trade in heavy bulk products (like cement, petroleum products, agricultural produce etc.) now hire trucks and tankers to transport their goods. It's a cheaper and more scalable option for them.

5. Commercial Real Estate



Wouldn't it be great if every business built and owned its own offices?

Unfortunately, only the really big companies can afford to own commercial real estate assets like a corporate head office, retail outlets and warehouses.

In reality, the cheapest and most flexible option for most businesses is to hire commercial real estate that suits their needs.

It's no surprise that in many of Africa's big cities and economic hotspots like Lagos, Nairobi, Johannesburg and Addis Ababa, there is a fast rising demand for commercial real estate to meet the needs of businesses that are scrambling for office, retail and warehouse space.

Over the coming years, as business activity continues to grow in line with economic growth, I expect that the demand for office space, retail, warehouses and other types of commercial real estate will grow accordingly across Africa.

3 Things To Keep in Mind Before You Start an Equipment/Property Leasing Business

Like every business opportunity, the leasing/hiring business has its own critical success factors.

In this section, I'll share three very important things you should keep in mind before you make a move to enter this interesting industry.

(i) It's a capital intensive business

If everybody could afford their own tractor, warehouse or construction equipment, they would own them. The edge you will have in this business is the high cost of the hired items, which is exactly the reason why customers will come to you to hire or lease.

(ii) Your equipment is the heart of this business. Take good care of them.

One of the great things about the leasing/hiring business is that anytime your equipment is with a client, it's very likely making money for you. And this is why you need to ensure that your property/equipment is in good working condition at all times.

As the owner of the equipment, it is your responsibility to ensure they are operated, managed and maintained according to the recommended standards. It's important that you strike the balance between utilization and maintenance.

Don't forget, your assets/equipment cannot make you money if it's broken down or out of service.

Poor maintenance and management is the single biggest reason why many hiring businesses go out of business. The owners are often carried away by the money they're making and forget to properly service and maintain these assets.

Your equipment/property is the heart of this business. If you take good care of them (good care and proper maintenance), they will take care of you (steady income).

(iii) The terms and conditions of hiring your equipment must always be clear

In dealing with clients who hire your equipment/property, you must always set clear terms and conditions for the use of your asset. If not, you'll be encouraging people to cross the line, and they may be reckless with your equipment, and probably damage it.

Here are a couple of issues that must be addressed in your hiring/lease agreements with clients:

If your equipment is damaged during use, who takes care of it?

Who will be responsible for things like fuel (especially for vehicles), transportation to/from the site, operation and servicing?

It always helps to have your clients sign your Standard Terms and Conditions of Use during the hiring transaction to ensure that each party knows their responsibilities and expectations.

Interested in the Leasing Business In Africa?

Though capital intensive, the leasing business can be a very promising venture that can continue to bring in a steady stream of income for many years, if the lifespan of the lease equipment is ensured.

If you have little or no experience in the leasing business, it's best to start small. Start with one piece of equipment to test the market and learn the ropes. You can scale up and buy more equipment as you progress.

Chapter 3

Building and Construction materials – 9 Hot selling products that can make you money in Africa



Ever wondered how big the building and construction materials business in Africa really is? You're about to find out.

High building and construction activities are often signs of growing economies. When the economy looks good, the demand for residential, commercial and all kinds of real estate usually goes through the roof.

Africa is home to six of the world's fastest growing economies. It also has the world's fastest growing population which is expected to reach 2.3 billion in less than 40 years.

Where will all these people live?

It's no surprise then that Africa's richest man, Nigeria's Aliko Dangote, has built a multi-billion dollar fortune from cement – one of the most important and hot-selling building materials on the continent.

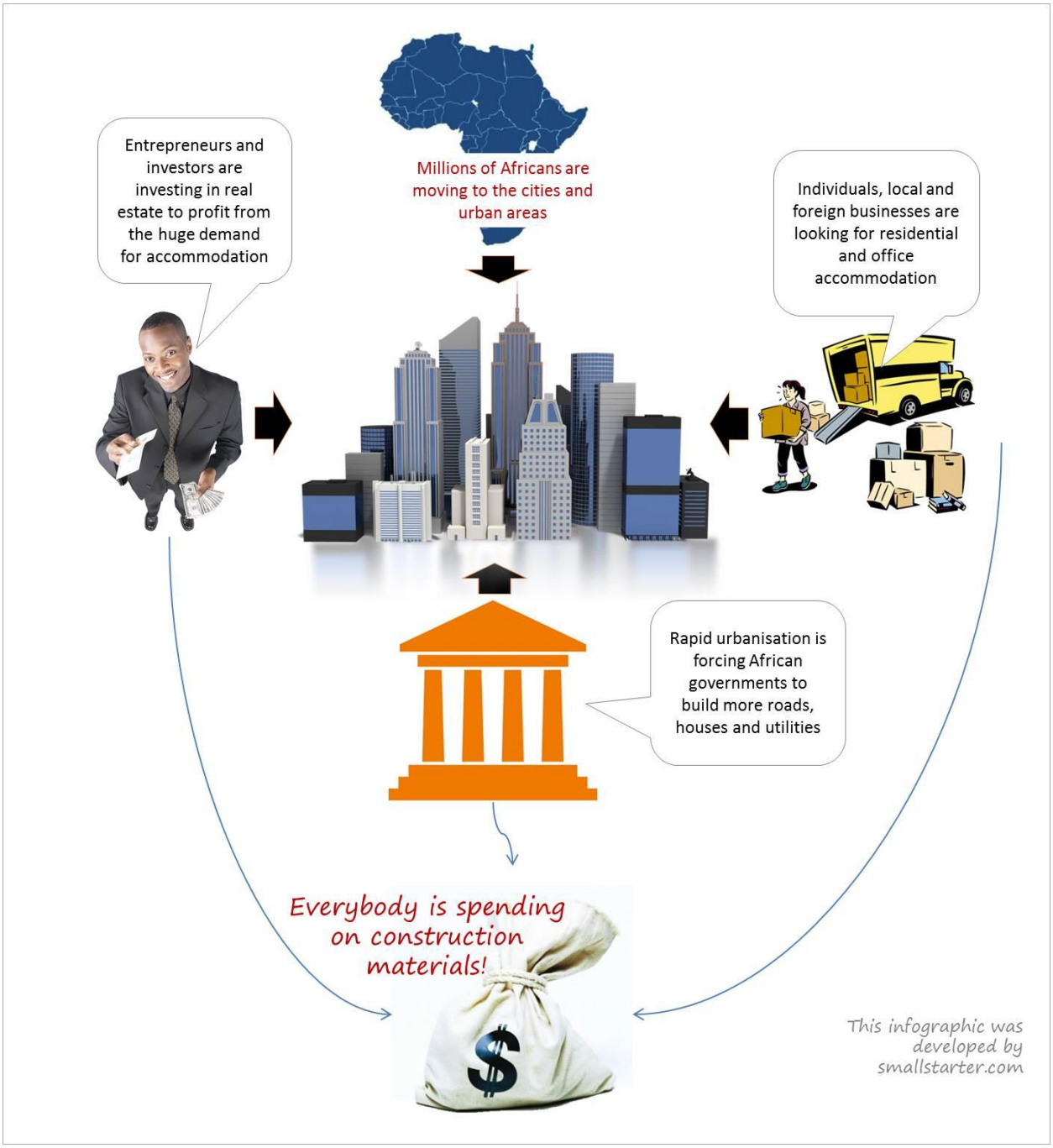
Across Africa, entrepreneurs, investors and governments are spending billions of shillings on real estate projects in a bid to satisfy the huge and growing demand for residential and commercial accommodation.

This chapter looks at nine hot-selling materials that can make you money in Africa's building and construction boom.

Why is the demand for building and construction materials growing across Africa?

Before we explore these 9 hot selling materials, it's important that we take a quick look at the factors responsible for the growing demand for building and construction materials across Africa.

In addition to the explanation I'll be giving shortly, i developed the *'infograph'* below to give you an interesting snapshot of all these factors. It's quite simple and i hope it'll make a lot of sense to you.



1. A fast growing population

Africa's population has reached the one billion mark and is projected to exceed 2 billion by 2050. Our continent has the world's highest birth and fertility rates which makes it the fastest growing population on the planet.

Shelter remains a basic need for millions of Africans who need a roof over their heads. Now and in the near future, there is (and will be) an explosive demand for housing.

This demand provides a lucrative potential to investors and entrepreneurs who are investing in residential buildings and real estate projects. Governments across the continent are also investing in public housing projects to reduce the deficit in many towns and cities.

This population-driven investment in real estate projects by both investors and governments is leading to a growing demand for all types building and construction materials.

2. Favourable economic growth

The 2013 report by the African Development Bank, OECD, UNDP and ECA reveals that Sub-Saharan African economies are among the fastest growing in the world.

According to the report,

"Africa's economic growth was 4.2 percent in 2012 and is projected to reach 4.5 percent in 2013, and further to 5.2 percent in 2014,"

Increased construction and building activity is usually one of the signs of positive economic growth. Governments have more money to invest in building and construction projects such as infrastructure (roads, bridges, dams etc) and basic housing.

In times of economic boom, more people have the financial power to invest in real estate or start building their personal houses. Because business is good in times of economic growth, companies expand their capacity by building new or larger warehouses and offices.

All of these building projects lead to a demand for building materials such as wood (timber), cement, sand, steel and several other hot-selling products which feed building and construction activities.

3. Rapid urbanization

At the time of writing this ebook, more than 40 percent of Africa's one billion people live in cities. This proportion is much higher than India's 30 percent and comparable to China's 45 percent.

At an average urban migration rate of 3.5 percent projected for the coming years, more than 400 million more Africans will become city people in the next 10 to 20 years.

The demand for basic shelter is concentrated in Africa's urban areas. At the moment, just about 50 African cities have a population over 1 million. At the current rate of migration, the number of cities with over one million people will be over 65 by the year 2030.

Because more people are flocking to cities and towns in search of jobs and a better life, they are putting a lot of pressure on the inadequate accommodation available in urban areas.

Africa's economic growth is also concentrated in the cities and is attracting a lot of local and foreign businesses. Both small and big businesses require office space and residential apartments for their local and expatriate workers.

As a result, private investors and entrepreneurs are getting involved in building projects and real estate developments that will supply the needed office and residential accommodation to these businesses.

4. An expanding middle class

The African Development Bank describes the 'middle class' as people who spend between Ksh.200 to Ksh.2,000 a day. Currently, there are more than 300 million people on the continent who fit into this category.

A significant majority of Africans in the middle class hold salaried jobs or own a small business. Many of them have access to mortgage loans and are building their own properties and homes. A lot of them also invest in real estate projects and have become landlords.

According to a recent Deloitte report, "Africa's middle class has tripled over the last 30 years, with one in three people now considered to be living above the poverty line – but not among the wealthy. The current trend suggests that the African middle class will grow to 1.1 billion (42%) by the year 2060. As African economies are growing (7 of the 10 fastest growing in the world are African), the wealth is trickling down and Africa now has the fastest growing middle class in the world."

9 Hot-selling Building and Construction materials with high lucrative potentials in Africa

Now that we have explored the reasons for the huge and growing demand for residential and commercial accommodation across Africa, it's time to take a quick look at the top 10 hot-selling products in the building materials market. Here we go…

#1 – Cement



Cement is one of the most widely used building materials in the modern world and nearly six billion tonnes of this very important commodity is produced every year.

Cement is so crucial to the building and construction industry that it's hardly surprising that Africa's richest man, Nigeria's Aliko Dangote, is heavily invested in cement production across Africa.

Cement is the main ingredient used in the production of blocks which are the single most used items in building and construction work.

It is combined with aggregates (sand, gravel and stones) to make concrete and used as slurry for filling cracks in all kinds of structures. It is also used for masonry work, plastering and pointing. This versatile capability allows cement to be used in all kinds of structures including buildings, bridges. dams, docks, harbours and roads.

Manufacturing cement requires a very heavy capital investment in quarries, labour, plant and equipment. As a result, only national governments and businessmen with deep pockets are able to set up cement manufacturing plants.

However, small scale businesses and entrepreneurs can get involved in the cement business by joining the distribution chain. You could become a major dealer who buys directly from the cement manufacturers or major importers. Or you could start up as a retailer who sells the product directly to home builders and contractors.

Depending on the volume of cement you decide to deal in, it's likely you will need a sizeable store or warehouse to keep your stock. You must be careful that your cement is well sealed and protected from water which could totally damage it.

It's also important that you know the cement brand(s) that are favoured and preferred by builders in your area.

#2 – Wood



Wood is one of the oldest and most commonly used building/construction materials in the world.

Despite the growing threat of deforestation, wood has remained in high demand as a building material because of its reasonable cost, availability, attractive appearance and long life (if protected from insects and moisture).

Wood used in building and construction work is commonly referred to as timber (or 'lumber' in the US and Canada).

Timber is sawn into planks or poles and used as supporting materials (beams and pillars), in roof and ceiling construction, door and window frames, and exterior cladding.

Timber is also commonly used in flooring, paneling and general finishing. It is most commonly used to form the mould in which liquid concrete is poured, compacted, and allowed to harden.

Before wood is used for building and construction work, it has to be felled in the forest, processed and seasoned (the process of removing moisture from wood). It is then sawn into logs and planks and sold on the market.

Although Africa has extensive (but fast depleting) forest reserves, the conservation efforts in many countries are forcing builders to look for alternatives to timber.

In Kenya for example, innovative entrepreneurs like Lorna Rutto are using waste plastic to produce a strong and durable substitute to timber; and making a lot of money in the process.

Entrepreneurs who intend to harvest trees to be used as timber will likely require a permit or license from their government's forestry department or agency responsible for forest resources. Permits have become necessary to avoid indiscriminate logging that cause damage to the environment.

If you intend to buy wood from loggers and process them to timber, it's likely you will need to invest in machinery and experienced labour who know the techniques of treating, seasoning and curing wood to avoid damage caused by moisture and insects.

#3 – Aggregates



Aggregates are raw earth materials which have been used since prehistoric times in building and construction. Aggregates fall into two broad categories – *coarse aggregates* (such as crushed stones, gravel, pebbles, and granite) and *fine aggregates* (usually sand and clay).

In modern construction work, aggregates are combined with cement to produce concrete and mortar. Using aggregates gives volume, stability, resistance to wear or erosion, and other desired physical properties to all kinds of structures – buildings, bridges, roads etc.

As you may have guessed, aggregates are the most mined materials in the world.

Operating a mine (or quarry) is very capital-intensive and requires large earth-moving equipment, belt conveyors, and machines specifically designed for crushing and separating various sizes of aggregates.

Entrepreneurs who intend to play in this space could buy aggregates from quarry operators and sell them directly to builders in truck loads or much smaller sizes.

#4 – Roofing materials



All buildings (especially houses) usually have a roof over them. Roofing materials form the outermost layer on the roof of a building and provides shelter from the natural elements (wind, sunlight and rain) and insulation against heat and cold.

Commercially available roofing materials can range from corrugated iron and aluminum, clay tiles, plastic, fiberglass and concrete.

In choosing roofing materials in Africa, builders and home owners usually consider cost, style and quality, suitability of the material to the climate, low maintenance and long life span. Materials like asbestos (which used to be very common) are becoming increasingly undesirable due to its adverse health effects.

Entrepreneurs who intend to start a business in roofing materials must constantly look out for changes in taste and trends in the market. New products are constantly being developed to overcome the shortcomings of older roofing materials, to meet the demands of modern building techniques, and to conform to increasingly stringent building codes.

There are primarily four main types of roofing that attract different kinds of customers with distinct roofing needs. They are:

- *Residential roofing (elite, premium, middle income and low cost)*
- *Industrial roofing (sheds, factory, storage, cladding)*
- *Commercial roofing (showrooms, filling stations, hotels, lodges, farms)*
- *Institutional roofing (schools, church organizations, hospitals and government buildings)*

#5 – Plumbing materials



Plumbing usually refers to the system of pipes, drains, fittings, valves, valve assemblies, and devices installed in a building for the distribution of water for drinking, heating and washing, and the removal of human and domestic waste (sewage).

The main categories of plumbing systems include: *potable cold and hot tap water supply; drainage venting; septic systems; rainwater, surface, and subsurface water drainage;* and *fuel gas piping.*

The common materials used in modern plumbing include copper, brass and plastic. In fact, more than 70 percent of materials used in today's plumbing are made of PVC or PEX plastic.

This is because plastic is very flexible, easy to install, has a low cost, does not rust like most metals and can last for a very long time.

A lot of the plumbing materials supplied to local African markets are manufactured locally or imported from overseas. Depending on the taste and requirements of customers, the quality and cost of plumbing materials in the market can vary considerably.

#6 – Steel & Metal products



Steel and metal products are widely used in building and construction. Steel is commonly used to make reinforced concrete that supports structures in buildings, bridges, dams etc.

Steel is made up of iron combined with a small percentage of carbon. High-carbon or ‘hard’ steel is used to make tools with cutting edges. Medium- carbon steel is used for critical structural components of buildings such as I-beams, reinforcing bars and frames. Low- carbon or ‘mild’ steel is used for pipes, nails, screws, door and window hinges, wire, screening, fencing and corrugated roofing sheets.

Metals such as aluminum and copper have become popular building materials due to their ability to resist rust and corrosion. Copper is used for electric wires, tubing for water supply and for flashing. Aluminum is most commonly used for roofing sheets, gutters and the accompanying nails.

Brass is another corrosion-resistant alloy of copper and zinc used extensively for building hardware.

Like cement, running a steel production plant is very capital intensive. The opportunity for entrepreneurs lies in retail and distribution of steel products to home builders and construction contractors.

#7 – Electrical materials and accessories



Electrical materials are the parts and elements used in the electrical system of any building and construction project.

This includes a huge inventory of materials used to supply electric power or telecommunications to different parts of a building and will typically consist of: *electrical conduits and fittings, wires and cables, explosion proof enclosures, meters, circuit breakers, connectors,* and *electrical products such as wiring devices (switches, plugs) and lighting (bulbs)*.

Solar energy products are becoming a popular way of providing electricity to millions of Africans who are not connected to the grid.

Entrepreneurs, like Tanzania's Patrick Ngowi, are building million dollar fortunes from providing solar electricity to residential homes and government buildings. You should read Patrick's inspiring success story.

While some of the electrical materials mentioned above are made locally, a variety of brands are imported from North America, Europe and Asia and may be preferred for their higher quality.

Before entering this business, entrepreneurs must ensure that they are well aware of customer preferences in their area.

#8 – Glass

Glass is fast becoming one of the most preferred materials of modern building architecture.

Clear windows have been used since the invention of glass to cover small openings in buildings and provide us with the ability to both let light into rooms while at the same time keeping undesirable weather outside.

Glass controls light, letting in the good rays and keeping out the bad ones; it also saves on energy costs by providing natural day lighting. As a result, more designers are finding that glass fits quite nicely into today's green building environment.

Other qualities that make glass such a hot-selling building material include its roles in heat, sound, fire and solar protection. It also provides an interesting means of design and electromagnetic dampening.

Glass sold on the African market is of varying types *(reinforced, laminated and tempered)* for all kinds of uses. Glass has also found popular use as a decorative material in designing building exteriors.

Entrepreneurs can source glass from both local and foreign glazers.

#9 – Paints



Paints are applied to interior and exterior walls of buildings to make them beautiful, enhance texture and protect from cracks, wear and tear.

There are paints of all colours and types in the market which typically include: *emulsions (water-based paints), matte finish, gloss, varnish, enamel* and *lacquers.*

A growing number of local businesses now manufacture paints to compete with dominant foreign brands.

I advise that you understand the tastes and preferences of home builders and construction contractors in your area before you go ahead to invest in stock.

8 Little Secrets Of Running a Successful Hardware Store Business



80% of those who venture into hardware business close shop in less than 2 years due to losses and cash-flow problems. The good news however, is that there are those few lucky ones who survive against all odds and live to share the cake as cut-throat competition fades away. But what really separates the wheat from the chaff?

As a potential hardware owner, it is important that you are up to speed with some trade secrets…In other words you need to be armed with some market survival tactics that an ordinary business classroom doesn't offer.

In this section, i will give you some street smarts of starting a successful general hardware and construction equipment supplies shop in **Kenya**.

1. **Know Your Market**

As a rule of the thumb you need to understand your market thoroughly before you commit your money to the business. First, you need to identify places with ready (and growing) market potential for hardware products.

Secondly, you need to be in sync with the trends and ruling prices of the industry. You also need to do a strength, weakness, opportunities and threats analysis (S.W.O.T) with particular focus on what your potential competitors are up to.

To guide you in your research work, here are some 5 questions that you need to find answers to:

- ❖ Which is the best place to start a hardware business in terms of market potential?
- ❖ How many competitors are already on the market?
- ❖ How much money am I willing to spend to penetrate the market?
- ❖ What is the greatest weakness with my potential competitors and how can I use it as a launching pad for my business?
- ❖ Given past, and recent past trends, what does the future for the business look like?

2. Which is the Best Place To Start a Hardware Shop?

The best place to start a hardware is where there is an upcoming community of people who are building their first homes.

Look for possible future satellite towns and start small. As the estate grows, your business will most likely grow as it benefits from customer loyalty which can be earned by operating in the market over a long period of time.

For those in Nairobi and its environs, the best places to set up shop would be along Kangundo road, Eastern Bypass and Magadi Road.

It is however important to ascertain that you're choosing a market that has enough purchasing power i.e. customers who can potentially spend at least Ksh.20,000 per month and pay on time.



3. What about Competition?

Hardware business has minimal barriers of entry and for this reason cut throat competition is quite a common feature.

The first step in dealing with competition is to avoid it in the first place. Ideally, you should set-up shop in upcoming estates and grow slowly as the market expands.

It's also important to create strong relationships with the market – this can be achieved by doing the following.

(1) Creating a low price image e.g. by offering price discounts on basic products such as cement, steel bars and iron-sheets and recovering the profit margin through minor products such as door locks, hinges, sand paper and trowels.

(2) By encouraging convenient shopping e.g. by allowing your trusted clients to place orders via phone, delivering to the site for free and allowing them to pay you later in the evening.

(3) By providing a one stop shop for your clients such that they don't have to go shop for anything else in any of your competitors' shops. You may want to talk to your suppliers so that they avail any items that may be on demand but are missing from your shop as quickly as possible as you strive to achieve the status of a one-stop-shop.

4. Which Products "Move" Off The Shelves Quick?

Because hardware business is quite capital intensive – ***i.e. huwa inafunga pesa sana*** – you will want to invest mostly in fast moving products. These are

1. Cement
2. Steel bars and rods
3. Nails
4. White cement

5. Door hinges
6. Roofing nails
7. Flooring tiles
8. Welding rods
9. Plumbing material

Please note that although products such as cement and steel bars sell quite fast, they have very slim profit margins. You can start your hardware with these basic items and then expand your inventory by adding other new products based on what your customers are frequently requesting for.



5. Marketing

Don't make the mistake of sitting in your shop the whole day waiting for customers to walk in. With the kind of competition that's there nowadays, you are better off getting the word out there yourself.

You can hire a salesman to be going around you area scouting for any new upcoming construction sites. Field trips such as these will help you initiate fruitful relationships with site owners and foremen.

Tip: When you go marketing to different customers, the first question you're most likely to get is **"How much do you price cement and steel bars?"** At that point, you're better off giving a price discount for these two crucial commodities even if it means recovering the cost through other products which the customer might require later. Most potential customers use the

price of cement and steel bars to judge how friendly your deals are – so don't make the mistake of overcharging them on these two.

6. Managing The Hardware

Hardware business requires a hands-on approach. And although it is quite possible to run it alongside an 8am to 5am job, you will surely need to burn the mid-night oil in order to keep track of its performance.

Ideally, you should have a stock taking exercise done after every two weeks – this will help you understand which products are "moving" fast off the shelves and which ones need immediate restocking.

Stock taking can also help you control possible theft by your employees; which has often been cited as one of the biggest challenges in running a hardware shop.

7. Minimum Cost Breakdown

- Starting stock – Ksh500,000 (200 bags of cement, 100 pieces of steel bars among others)
- Rent & Deposit – Ksh50,000 (May vary)
- Single Business Permit
- KRA ETR Machine
- Other Minor Requirements
- The minimum starting budget for this SME would be Ksh700,000.

8. Profitability

On average a good performing hardware makes a net profit of 10% its daily sales. Therefore if you make a daily sale of Ksh.100,000 you can look forward to making Ksh.10,000 net profit per day. Please note that this figure may vary depending on your pricing policy and list of expenses.

Interested in the building and construction materials business in Africa?

The materials and products on this hot-selling list are just a handful of the opportunities that exist in Africa's building and construction materials market.

Depending on your location and the preferences of home builders and contractors, the types of materials required may differ considerably. It's important that you study the existing materials and products in your market before you decide on which ones you will start a business around.

I believe that the opportunities identified in this chapter can be taken further by your creativity and energy. If you are confident, a business in Africa's booming construction market will work for you, it's important that you start taking action as soon as possible.

Chapter 4

Real Estate Agency – How to earn income by connecting people to homes and investments of their dreams



The problem of housing in many African cities and the lure of lucrative real estate investment deals have created a multi-billion shillings real estate agency business in Africa.

These agents and brokers are earning enviable incomes by helping people find the right homes and connecting investors to profitable real estate investment deals.

Compared to the rest of the world, Africa's real estate market is largely young and under-explored. And as real estate investment grows on the continent and more people join Africa's middle class, the real estate agent's business is bound to explode.

Let's take a look at this opportunity and how you can become a real estate agent…

Who is a real estate agent and why has this service become so important?



A real estate agent or broker (or Realtor) is a person who acts as a middleman or intermediary between real estate buyers (investors, prospective tenants etc) and sellers (landowners, landlords etc.).

The agent earns a healthy commission by helping people find accommodation or office space that meets their needs at a price that is agreeable to the seller.

In most cases, there are separate agents representing the interests of buyers and sellers.

The rapidly growing population of African cities has led to rising demand for residential and commercial accommodation.

The number of people living in African cities is forecast to exceed 500 million by 2020. This rapid urbanization is a direct consequence of Africa's booming population, impressive economic growth, and massive migration of people from rural areas and foreign countries to African cities.

New local businesses and foreign companies looking to set up shop in Africa are contributing to the rising demand for office space. As more people continue to look for ready housing or undeveloped land to build their own houses for residential and commercial use, the asking prices for accommodation and vacant land in many African cities are currently at record highs.

In the middle of all this overwhelming demand and limited supply of accommodation, there is no formal structure or marketplace for landlords, prospective tenants, buyers, sellers and investors, to meet and transact in the multi-billion shillings African real estate business.

By becoming the vital link between property owners and prospective buyers and tenants, real estate agents are providing a very important service to this disorganized market, and making a lot of money in return.

Market Opportunities for the Real Estate Agency business in Africa

In many rapidly developing cities across Africa, the commissions earned by real estate agents can range from 5 to 20 percent of the eventual transaction (rental or sale) value. Agents can earn between several thousand shillings for simple tenancy deals or up to millions of shillings for facilitating the sale of high-value properties and land.



As property sales values and rent prices continue to rise in line with Africa's rapid economic development, the commissions that are earned from some of these deals can be staggering.

In addition to the demand by local real estate investors, foreign investors are also looking for lucrative deals for development purposes.

In the absence of a marketplace for buyers and sellers to meet, only enterprising real estate agents can connect these parties and smile to the bank on the commissions they have earned.

Unlike in developed countries where real estate agency is a closely regulated practice, interested African entrepreneurs may not need a license, qualification or registration with the government to act as real estate agents. Anyone with the right information can link buyers and sellers, and earn commissions for their services.



This business may sound like an all-comers affair. However, only agents who distinguish themselves succeed in the long run.

Most successful agents who have built a reputation of trust and fairness with their satisfied clients still make huge commissions from referrals and recommendations.

Poor skills, insufficient knowledge and the threat of fraud makes it difficult for newcomers to make any decent income from this business.

However, once credibility is established from the first few ‘small’ deals, satisfied clients are more likely to refer friends, family and total strangers. This business is almost entirely based on trust and loyalty!

There are several accounts of unemployed Africans and young school leavers who have transformed their financial situation through real estate agency. The most attractive thing about this business is its relatively low risk and little or no startup costs.

However, a personable and professional attitude, very good communication, negotiation and selling skills will be the difference between huge success and predictable failure.

Success tips for aspiring real estate agents



Starting off in the real estate agency business requires a thorough knowledge of the real estate market, trends and applicable local laws.

Most clients will regard you as the expert and look up to you for sound advice. Depending on whom you will be representing, buyer or seller, your primary goal must always be to help your clients get the right accommodation at the right price.

Most people searching for a suitable accommodation will typically be looking for good neighborhoods that have the basic amenities (electricity, water, good roads etc.) and fair tenancy or lease conditions.

Landlords will be more interested in getting tenants who can afford the rent/lease. Real estate investors will be looking for lucrative property deals in a developed or fast developing part of town to assure good returns on their investment.

It is very essential that you understand the needs and budget of your clients in order to fully satisfy them.

You must learn to distinguish yourself in this very crowded and competitive business by being professional, putting the interest of your clients first and not focusing too much on your commissions.

The ultimate guarantee that you will remain successful in this business is the number of clients who are satisfied with your service and will happily recommend your services to others.

If you can, find a mentor who is experienced in the business and willing to teach you the ropes. A lot of the tools you will need to succeed lie in your people skills, presentation, negotiation and ability to communicate well.

There is no doubt that you will have to read some of the great books on how to become a successful real estate agent to gain the knowledge and skills that will carve out a niche for you in this business.

How to find customers for your real estate agency business…

- Advertising in the real estate space of local newspapers and magazines can help to widen your exposure and reach potential clients. Most people looking for accommodation visit the pages of these media to find information on what's available on the market.
- Due to the rising penetration of the internet in Africa, a lot of online forums, blogs and listing websites have become popular with people looking for residential accommodation or office space. E.g OLX, Facebook e.t.c

Most of these online services are free and allow you to upload pictures of the property, a summary description and the asking price. OLX has become popular destinations for real estate agents and people looking to sell, lease or buy real estate in Kenya.

- Word of mouth never goes out of fashion! Whenever you have a chance with anyone, make sure you share your business cards to both prospects and satisfied customers. You never know if someone you meet knows someone who needs your services. Above all, never forget to ask for referrals from your satisfied customers!

Some things you should consider in the real estate agency business…

Building a reputation and a loyal clientele is the secret to success in this business, however, achieving this is likely to take time. It may be unrealistic to expect millions of shillings

in commissions in your first or second year of business, unless you learn fast or enjoy the support of a good mentor.

As the income from this business will not be very steady, it is very important that entrepreneurs plan and set aside living expenses for up to six months in advance. Most agents become desperate to close deals due to financial pressure and focus too much on their commissions rather than the interests of their clients.

Most agents also do not invest enough time and energy to improve their knowledge and skills. The tastes of customers and market trends are always changing. Serious agents must be able to anticipate these changes in order to properly serve their clients. This requires focus, dedication and hardwork.

Chapter 5

Real Estate Business Success Tips



You do not have to be rich to join property market

Don't wait until you have saved enough to build a house. Put the 'little' cash you have in a joint land-buying venture and watch your investment grow.

"Earth is the best investment on earth."

That is a statement by Mr Gilbert Kibire, the CEO of Icon Valuers Ltd, a real estate firm based in Nairobi, a statement echoed by his colleague, Mr Martin Cheboror.

"Land is the only asset you can invest in, where its value will almost always appreciate," Mr Kibire expounds.

Indeed, real estate has proved to be an avenue for creating wealth. Whether it is building your retirement home or buying plots as a group, many of us have dreamt of investing in property at a certain point in our lives.

However, sometimes investing in real estate can be intimidating for beginners due to fear of the unknown.

Mr Cheboror explains that these reservations are legitimate as he has seen people lose millions of shillings and go bankrupt overnight in real estate deals gone awry.

"For smart investors who consult widely and seek guidance from professionals, the industry sure is lucrative, as we have facilitated deals in which people have made millions of shillings overnight," he says.

Below are 10 tips that will help you get started in real estate and turn investing in property into a lifelong pursuit to secure your financial future.

1. START SMALL, START NOW

A common truism in property circles is that, with real estate, you don't wait to buy, you buy and wait.

"Many people lose out on making a fortune because they think the money they have is too insignificant to get them into the real estate business.

They don't know that there are investment packages and opportunities they can exploit if they seek guidance from a real estate agent," Mr Cheboror offers.

To drive the point home, Mr Kibire gives the scenario of two individuals with Sh.100,000 each, and who both want to own a home in 10 years.

While individual A might think it is better to save until he can raise the capital required to build a home, individual B, who gets into a joint land-buying venture with his Sh.100,000, will be better off as his stake in the venture will have risen over the years since the value of land always appreciates.

"There are many financing options available to people with an interest in the real estate, ranging from bank loans to mortgages and micro-finance savings packages. Just make sure the income or appreciation value of your property surpasses the interest on the loan to avoid burning your fingers," advises Mr Kibire

You don't need to buy an apartment complex right out of the gate. It is okay to start small, even if it is with REITs or partnerships. Just start.

2. REAL ESTATE IS NOT A GET-RICH-QUICK SCHEME

Most people find the allure of buying property today and selling it after a short time hard to resist. However, the two professionals caution against getting into real estate with such an attitude because, like any other investment, there is always an element of risk involved.

"One virtue that will prove very vital in this business is patience, which goes hand in hand with the principle of delayed gratification.

A person seeking to make a fortune in the real estate sector should be prepared to work hard and learn over a long time to understand how the market works," Mr Kibire says.

3. DO NOT QUIT YOUR REGULAR JOB JUST YET

If you are looking to getting started in the property sector, quitting your regular job might not be a very sound move, especially if it is the job that provided the initial capital for your investment.

According to Mr Cheboror, people who quit their jobs to concentrate on real estate are oblivious of the fact that they can get professionals to handle the management part of their investments.

"Property agents and land economists have obviously been in the industry much longer, and are thus more experienced in competently managing your investments," he says.

Relying on professionals saves you time as it only requires you to play a supervisory role.

4. DO NOT UNDERSTATE THE IMPORTANCE OF DUE DILIGENCE

The average Kenyan looking to get into real estate is always paranoid. This is because cases of people buying land whose title deeds are later revoked are rampant in many parts of the country.

"We have had people asking us to do a title deed verification when their investments have already gone up in smoke. By then it is too late, and there is little we can do. To avoid being sucked into such unscrupulous deals, we advise land buyers to consult professionals, who will carry out due diligence to verify the legitimacy of the property in question," says Mr Kibire.

Even when buying property from a family member, a friend or a person you think you know very well, resist the temptation to skip carrying out due diligence as unforeseen circumstances could later lead to life-long scarring.

"We know of people who spend the rest of their lives servicing loans for properties that turned out to be phony," Mr Cheboror offers.

Given the kind of emotions land issues raise, it is certainly better to be safe than sorry.

5. SURROUND YOURSELF WITH THE RIGHT TEAM

When getting started, it is advisable to build a team of professionals you can easily consult before making any move, especially one that involves high financial expenditure.

A property valuer, a conveyancer, an accredited contractor and a loan adviser are a few of the professionals whose advice you cannot afford to shrug off.

While adding the professionals to your payroll might seem costly at a glance, a closer look will reveal that it actually saves you money.

Mr Kibire, the CEO, cites the case of a client who wanted to buy a house in Nairobi valued at Sh.10 million, a week before the interview. Before he could seal the deal, however, the prospective buyer decided to call the valuation firm for advice.

"Our team visited the property and advised the client not to pay a cent more than Sh7 million for the property. He later sealed the deal for Sh6.5 million. While we only charged him 0.25 per cent of the property price for our services, he ended up saving a huge sum," Mr Kibire says.

6. BUY THE WORST HOUSE IN THE BEST NEIGHBOURHOOD

"The importance of location in any real estate investment cannot be overemphasized.

This is because property in prime locations is measured not so much by the cost of construction, but by the value and high appreciation rate of the land on which the property sits," Mr Cheboror says.

Investing in a simple establishment in a high-end neighbourhood always pays handsomely. However, the reverse can be the worst mistake an investor could ever make. Buying the best house in the worst neighbourhood, he warns, will always turn out to be disastrous as the value of the land underneath hardly appreciates, and future buyers will most likely shun the property because of the neighbourhood.

7. BEAR IN MIND THE 1 PER CENT RULE

When putting up commercial or residential property to let, seek advice from your agent and do your calculation in such a way that, when the property is finally ready for occupation, the money collected as monthly rent is always more than 1 per cent of the total investment cost. This is what Mr Kabire refers to as the 1 per cent rule.

"Say you put up rental apartments at a cost of Sh.1 million. The total monthly rent collected from an apartment should always be at least Sh.10,000.

This will enable you to recoup your investment in less than 10 years," Mr Kibire says.

However, the 1 per cent rule is not cast in stone.

"Some investors recoup the principal investment in a shorter time, even four to six years. But those whose buildings on prime land in places such as Westlands and Kilimani take as long as 30 years.

These investors rest easy knowing that the land on which their buildings sit is gaining value at a much higher rate than the rents," he adds.

8. GOOD BOOK-KEEPING WILL SAVE YOU A FORTUNE

Mr Cheboror points out that many small-scale constructors do not appreciate the value of accounting for every shilling spent while constructing.

They thus end up getting duped by unscrupulous foremen and contractors, so building a house ends up feeling like pouring money into a bottomless pit.

He advises that investors get into the habit of keeping all the financial records pertaining to the construction.

This, he explains, is useful in determining the amount of rent to be charged, or the price of the building, were it to be put up for sale.

Keeping records can also save you money when the time comes to file your tax returns with the Kenya Revenue Authority (KRA). The financial records put you in a good position to enjoy tax exemptions.

9. DO NOT FALL IN LOVE WITH THE PROPERTY

When buying property for resale, you are better off checking your emotions at the door. "There are buildings put up for sale that are over-designed and over-decorated.

These buildings have great curb-appeal, that is, they look appealing at a glance. People tend to fall in love with such buildings and hence end up paying inflated prices, only for them to get shocked when they later cannot sell the building at a profit," Mr Kibire says.

"We always advise our clients that real estate is not a sentimental business. One should always be on the lookout for profits and not let the visual appeal of a property cloud their judgment," he adds.

However, when buying your own home, you can go ahead and fork top dollar for a property with great curb appeal.

10. AVOID THE PATH OF LEAST RESISTANCE

The temptation to cut corners to save some money will certainly arise at some point. The agents agree that taking shortcuts is rarely ever worth it; if anything, it usually results in the loss of entire investments, and sometimes even lives. Going by the book might seem expensive, but it saves you a lot of mental agony and is actually cheaper.

"Hire only contractors accredited and licensed by the National Construction Authority," advises Mr Kibire.

"Take note of the national construction regulations and county by-laws to avoid the possibility of your property being demolished in future.

Conduct surveys to avoid encroaching on public land, and use only genuine materials while constructing. I have seen entire buildings being marked as unfit just because the owners did not see the need to conduct the necessary inspections at the foundation stage."

When it comes to contracting services such as borehole digging and hiring heavy machinery, deal only with reputable companies to avoid getting into trouble with the KRA.

Best places to invest in real estate in Kenya



'Niko na ka-one-eighth mahali…" is a common conversation starter in many social gatherings. This is so common that a person mentioning a 'ka-one-eighth' will be quickly understood by anyone around them to be talking about a piece of land. In any social gathering, the question of land or property will at some point crop up. And parents will always pointedly ask their children to build a house. Such is Kenyans fascination with matters of land and real estate.

This bug has translated to a booming sector. The last decade has seen phenomenal investments in real estate. Projects worth billions of shillings have either been completed or are under construction. The boom has not escaped the notice of international players who have found the country to be ideal for their investments.

So, which are some of the best areas to be looking at?

Nairobi's satellite towns

In recent years, Nairobi's satellite towns have stolen the thunder as far as real estate investments are concerned. These include Kitengela, Kiserian, Athi River, Juja and Kangundo Road. Land availability and reasonable prices in these locations – commonly referred to as

Nairobi's bedrooms – are key drivers for developers looking to cash in on the growing middle class.

According to HassConsult's land price index for the first quarter of this year, an investor is better off banking on land in these locations as opposed to stocks, bonds or treasury bills. For example, a person who bought an acre of land in 2007 for a million shillings in these areas would have seen his investment rise to Sh6.4 million by beginning of this year.

A similar investment would have earned him less than a million shillings through the bond market in the same period. What if he had put the money in a savings account? He would have earned a partly Sh.140,000 in eight years.

In a recent interview, Francis Kihanya of Manyatta Investments International, a company that handles Diaspora investments says the drive towards satellite towns is unstoppable as long as land prices within the city continue on their upward trajectory.

"Recently, we have seen more than 60 per cent of Diaspora investments on real estate going to satellite towns. Most of these people are investing in land for the future and not necessarily for current construction needs," he says.

According to Pete Muraya, CEO of Suraya Property group, any high land costs in the city will have to be passed on to prospective home buyers hence the reason to build in the city environs. "It is easier to buy an eighth of an acre in the outskirts and build several rental houses that building similar homes say in Githurai where there is a lot of county control," he says.

However, he adds that the challenge in these areas is lack of efficient transport system that negates any gains made on home purchase or construction. "You cannot build homes with the notion that everyone will be driving to work. The masses still rely on buses and matatus that may not be so reliable. The much talked about light rail mode of transport will be a game changer in satellite towns," he says.

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the notion that everyone will be driving to work. The masses still rely on buses and matatus that may not be so reliable. The much talked about light rail mode of transport will be a game changer in satellite towns," he says.

Nanyuki-Isiolo

Laikipia plains have been termed as the 'millionaire's playground' for a good reason. It is here that remnants of Kenya's white settlers have dictated the lifestyle in Nanyuki and its environs for a long time.

Recently, the area has seen an influx of real estate developers who, just like those in Naivasha are attracted by the area's natural attractions. Mount Kenya, the Aberdares and Loldaiga Hills loom large over the region.

Also, Laikipia has the highest concentration of big game after the Tsavo ecosystem with large conservancies such as Ol Pejeta, El Karama, Borana, and Lewa defining land use here. Add to these the mild weather and you have a perfect recipe for serious real estate development.

Mount Kenya Holiday Homes near Naro Moru and Mount Kenya Wildlife Estate on the eastern corner of Ol Pejeta conservancy are among the big projects that have broken ground here.

Towards Isiolo, however, land is still available and cheaper for development. Big government projects including a resort city and an international airport are meant to prop the area as the ultimate real estate destination.

The planned Isiolo Resort City is seeing a spike in land prices, as is the advanced construction of the Isiolo Airport. In 2011, Isiolo saw land prices surge in anticipation of the proposed government projects under the country's development blueprint, Vision 2030. Back then, a local daily said speculation had made an acre of land in Isiolo jump from Sh15,000 to Sh150,000, this is even higher today.

Today, land close to the town has gone even higher with areas like Kulamawe, County Council, Kambi ya Juu, Kiwanja ya Ndege, Bulla Pesa and around the Isiolo Hospital and attracting more residential developments. A 50 by 100 feet plot in such areas is going for at least Sh500,000. Construction of 501-kilometre Isiolo-Moyale highway, which links Kenya to Ethiopia is ongoing with a railway line linking the area to the coast included in the mega projects.

Naivasha

The Rift Valley region has been attracting high end developers. Naivasha's scenic landscape, wildlife parks and a lake popular with holidaymakers have put the once dusty town on the global property radar.

Postcard developments here include Longonot Gate, Great Rift Valley, Osotua Villas, and Aberdare Hills Golf Resort, which was named as the Best Golf Development in Africa at the 2015 International Property Awards.

On the other hand, OLX, the online advertising portal lists more than 300 properties within the greater Naivasha area with prices ranging between Sh95,000 and Sh5 million an acre. However, the most popular locations are those around Lake Naivasha. They also command higher prices than the outskirts.

Lamudi, a Global property portal focusing on emerging markets states that despite the availability of land within Naivasha and its environs, construction of residential homes is yet to take shape.

"The availability of land in Naivasha is beyond the development rate of the town. This makes the area a real estate hotspot," states Lamudi. Investors in middle to lower segments of the market should take the cue and come up with products that resonate with Kenya's ballooning middle class.

Mombasa

Back to the cities, it is not only Nairobi that you should be looking at. Despite lying on an island, Mombasa has stamped her authority as a leader in real estate development along the coast. Apart from the well known, high-end products, the area has a growing appetite for middle and low end developments. For example, Nyali View Park, a cluster of 144 units comprising of two and three bedroom apartments is located near City Mall, Nyali and selling between Sh3 million and Sh10 million in what could be considered a high end location.

"The homes are popular with first time home owners and those interested to flip them over for capital gain. The uptake of such low end development is a trend gaining popularity in Mombasa," says Mwenda Thuranira, CEO of Mombasa-based MySpace Properties.

Kisumu

The lakeside city too has seen unprecedented development within the last five years. Like Nairobi, the trend in Kisumu is to move away from the city's hub to the outskirts. Formerly desolate areas such as Awasi and Kibos have seen developers erecting residential units for owner occupation or rental.

And while Milimani was the preferred address a few years ago, the picturesque Riat Hills has lately seen investments in billions of shillings.

In 2014, a high profile real estate developer in the name of Coromandele Design embarked on a project to develop 30 Swedish style villas on 8.5 acres with an initial budget of more than a billion shillings.

Rents in Riat range between Sh35,000 to Sh60,000. Gated communities such as Victoria Gardens have the middle class as the intended clientele with prices ranging between Sh9 million to Sh16 million.

Elly Ongoma, a director at Eldon Properties and head of sales for Victoria Gardens, says first time home buyers are mostly going for the two bedroom units showing a need to develop for the lower end of the market.

"We are kick starting the development of low end homes that will sell between two and three million shillings. What we are calling for is for county governments to provide prerequisite infrastructure so that our targeted end buyers can benefit," says Ongoma.

Like Isiolo, Kisumu is also riding on the recent infrastructure upgrade such as Kisumu airport to international standards.

Where and how to start in real estate in Kenya



Investing right in the property business is a skill that takes time to learn but which, if mastered, can guarantee you a comfortable life because you will be able to successfully manipulate your assets to get maximum profits. However, a common problem many first-timers have is deciding on the type of real estate they should put their money in.

"We get many clients who have spent the better part of their adult lives savings with the hope of investing in the property sector but when the time comes, they are often unsure how to go about it since they do not fully understand the dynami-cs of the industry," says Mr Gilbert Kibire, the CEO of Icon Valuers Ltd, a real estate firm based in Westlands, Nairobi.

"There are different ways of making money when dealing in property," notes Mr. Kibire's colleague, Martin Cheboror. "It is up to the investor to choose a niche they are comfortable enough with to sink their teeth in."

According to valuer Paul Kiome Matumbi, when deciding on the type of real estate to venture into, you need to consider the location and size of the land, as well as the envisaged profits and the time you are willing to wait to recoup your principal capital.

When deciding on the niche to invest in, it helps if an aspiring investor understands the two ways in which property pays back. The first, current income, refers to the money you will be collecting from your property monthly or yearly as rent after you have deducted all the expenses.

Second, a good investment should also appreciate handsomely with time so that you can always make a considerable profit if you decide to sell it later on. So it is advisable to consider both the expected current income and appreciation rates before entering into a property deal. However, avoid the temptation to invest in too many areas.

"The most successful investors are those who choose one or two niches and take time to master them," says Mr. Kiome, the CEO of Nairobi-based real estate firm Prudential Valuers.

Below are some investment options the local real estate market has to offer:

1. Your own home

According to Mr. Matumbi, building one's home should be the stepping stone to creating a budding real estate portfolio.

"Even the birds of the air and the ants on the ground build their own nests, so why should a human being continue paying rent for the rest of his life?" he wonders.

"A home is a wise investment because even if you do not plan on selling it soon, it still has monetary value and it can be used as leverage when seeking loans from financial institutions. The

appreciation aspect of it cannot be ignored because if you decide to sell your home, later on, it will certainly be a worthy investment," Mr. Matumbi adds.

Even when you don't have enough money to buy or build your home, consider taking a mortgage. Rent payments go to the landlord's pockets and at the beginning of the month, one doesn't have anything to show for it. Mortgages, on the other hand, go towards increasing your equity in your home and in the end you will have a house to show for it.

"The comfort of having your own home gives you peace of mind that enables you to confidently venture into other real estate investments," the valuer says.

2. Residential houses

According to the National Housing Corporation estimates released last year, Kenya has an annual housing deficit of more than 200,000 units. To ease the problem, 150,000 new units are needed per year. If you decide to spend your money easing this deficit and say, build an apartment complex, you will be making hay while the sun shines.

"Residential property," Mr. Cheboror says, "is one of the best real estate investments when it comes to long-term income. Even after recouping the principal investment, most developers prefer to hold on to their property indefinitely."

Noting that residential units are easy to rent, sell and finance, Mr. Kibire says that they can serve as both solid investments as well as personal residences because the investor could decide to live in one of the units.

However, do not let your experience as a tenant fool you that it is easy to manage rental houses. According to Mr. Kibire, some developers end up under-estimating the costs it will take to manage their building.

"Carefully screening your tenants and appointing a competent manager will go a long way in shielding you from losses," he says.

3. Commercial investments

Mr. Atumbi defines this as putting up property with the aim of leasing it to business outlets. He points out that, with shopping malls now the craze, retail property is proving increasingly more lucrative than residential property. However, he is quick to caution that the sector is not recommended for beginners, unless one has a solid financial base.

To get it right, Mr Matumbi advises, you should approach an anchor tenant for a contracted deal before the construction begins. An anchor tenant, usually a large-scale retailer, is a big business whose presence on your property will draw other commercial tenants.

"Most investors negotiate with anchor tenants so that they (the anchor tenants) finance part of the construction costs. The anchor tenant then recoups their contribution by not paying rent for a number of years," he explains.

4. Industrial property

These include depots, warehouses, distribution centres and other property set up for use by light industries such as creameries and bakeries.

Mr Kibire points out that industrial property requires relatively smaller capital to set up since their designs are usually not complicated. "Provided you get the location right, they are particularly lucrative because the landlord thrives on long-term leases with a single big tenant, so the problem of defaulting on rent is minimised," he adds.

While noting that the minimum period for leasing industrial property in Kenya is five years and a month, Mr Matumbi concurs that it is a viable option for "small" developers because county governments are currently encouraging industrialisation. However, he notes that the bureaucracy involved in change of user and getting the relevant permits can be discouraging. "There have even been cases where, after an investor has got all the relevant permits, local residents have lobbied the authorities to veto the setting up of the industrial property," he says.

5. **Raw land**

This is just a parcel of land without any development on it. When buying raw land, it is important for speculators to watch out for catalysts that can work in their favour in pushing up the price. Mr Cheboror says a catalyst could be an upcoming external development, most often a road.

Raw land can also be leased or rented to provide cash flow. To get even more from it, you can subdivide it and sell it in smaller units.

Investment vehicles in real estate

AN ASPIRING REAL estate investor can use a number of strategies to gain a foothold in the industry.

1. **The REIT way**

Real Estate Investment Trusts (REITs) are an indirect way of investing in real estate and ideal for those who do not wish to be actively involved in the management of the property.

"A REIT is an investment entity that brings together many small investors who buy shares in the entity. The entity then purchases commercial real estate and distributes most of its income to the investors on a monthly or yearly basis according to individual contributions," explains Mr Martin Cheboror, a valuer.

Since they are listed in the Nairobi Securities Exchange (NSE), it is in REITs that real estate and the stock market meet.

"The returns with REITs are relatively low since they involve less risk, but REITs are recommended for people who want to invest in property with minimal capital," Mr Matumbi offers.

2. The build, operate and transfer method

Sometimes, the owners of prime land find themselves disadvantaged in that do not have enough capital to optimally develop their land. In such cases, Mr Cheboror suggests that the land owners consider the build, operate and transfer approach. This is where the land owner partners with a venture capitalist who builds on the land. The two parties then enter into an agreement whereby the venture capitalist operates the property for a number of years to recoup his investment, after which ownership of the property reverts to the land owner.

Citing a recent report that ranked Nairobi as Africa's top foreign direct investment (FDI) destination, Mr. Gilbert Kibire, Icon Valuers Ltd CEO, explains that foreign investors are increasingly looking to get into joint ventures with local land owners.

"In foreign markets such as Asia and Europe, capital gain is low and unattractive. Investors from these countries bring their money to Nairobi with the hope of making bigger returns and when they come here, they look for ready land where they can operate for a few years before cashing out and exiting the market," he reveals.

3. The 'chama' approach

"There is power in numbers," notes Mr Kibire, who acknowledges that his job has made him a member of several chamas that have invested heavily in real estate as joint ventures.

"What I have learnt is that when putting together an investment group, it helps to have a diverse membership, ranging from lawyers to accountants and even real estate agents. This will provide you with a ready pool of crucial expertise and save you a fortune on consultation fees," he offers.

A good investment group should have a constitution with clear guidelines explaining the methods through which the group plans to invest its money.

He says although disagreements are inevitable in chamas, they should be encouraged since they help forestall risks and assist in critically analysing a deal to filter out bad investments."

4. Property flipping

Flipping involves buying real estate with the intention of selling it within a short time (usually a few weeks) for profit. It is a lucrative field but it can be taxing in terms of time and effort as it requires a wholly hands-on approach.

"People have made successful careers out of this highly speculative trade, but bad deals are rampant as well," says Mr Kibire. To avoid bad deals, he advises those getting into the flipping business to begin with the end in mind.

"We teach our clients the principle of making profits before they even buy the property. With flipping, you need to have an idea as to whom you'll sell the property to before you even buy it," he explains.

To reap maximum financial gain from flipping, an investor needs to understand the imperfect nature of the property market. While an investor can find a land owner willing to sell his land for 2 million shillings, he or she can resell the same land for 5 million the very next day.

Speculators should consult with real estate valuers to determine the highest amount for which they can dispose of their property.

5. **Wholesaling**

In real estate circles, wholesaling refers to the practice where a speculator spots a real estate deal and enters into a binding contract to acquire the property from the seller after putting down a little or no money at all. The speculator then sells the contract to another buyer. The difference between the contracted price and the amount paid by the buyer constitutes the wholesaler's profit.

A vital tip for a wholesaler is to add a clause in the purchase contract that allows him or her to back out of the deal if he cannot find a buyer by a certain date.

According to Mr Matumbi, the practice is gaining momentum with houses that are selling off-plan, with speculators only committing to buy the property and then hunting for buyers as the property comes up.

Wholesaling can be a great way for those with limited capital to gain entry into real estate.

Creating a Real Estate Investment Company. What it Takes.



Real estate investment is a very attractive avenue for wealth building, as there are few other business opportunities where the potential for income is so high. However, it can be a very risky endeavor to step out on your own and jump into a volatile market. Navigating the financial and legal issues surrounding real estate investment can be an incredible hassle. Still, thousands of people are doing it every day and the smart ones are coming out on top.

Here are a few of the things these successful investors consider before jumping into the fray:

Flipping or Long Haul Investing?

The first step to real estate investment is to decide what type of investor you'll be – a house flipper or somebody who's in it for the long haul.

Flipping houses has become something of a hot button issue. Televisions show across the networks have capitalized on the trend and popularized this quick-return type of property investing. However, it's not all glitz and glamour…

Flipping involves buying fixer-upper homes, slapping on some "quick fixes" to increase the value, and then selling for a profit. Usually the whole process takes a month or two and profits can range from several thousand to several millions, depending on the market, the investment, and how quickly the property actually flips.

But often, first-time flippers wind up sinking money into properties that won't sell quickly enough for them to realize a profit. They may spend too much on renovations, fail to understand the particular market, or get hooked into high-cost loan arrangements that were supposed to last for 30 or 90 days, but end up lasting years.

Long-haul investment (usually in multiple unit residential properties) offers a different type of financial opportunity. Generally, these properties are purchased because they offer rental income and require little renovation up front. While these business opportunities are more stable, it may take some time before profits are ever realized. The idea of residual income is great, but when that actual amount earned is levied against mortgage payments, first-time landlords are often lucky to break even.

Financing

Unless you're independently wealthy, you're going to have to find a way to pay for your investment properties. Any of the following options – or some combination of different techniques – may be right for you.

Though zero-down opportunities do exist, they carry a high level of risk if you can't secure income relatively quickly from a property. Still, it's a good idea to tie up as little of your own money in the process as possible. The good news is that these are competitive times and lending agents are aggressively looking for your cash. Some offer down payments as low as 5% for real estate investment properties, so it's worth the extra effort to apply with several lenders in order to find the best loan terms.

On the other hand, finding a wealthy partner might be the best option, as it is for many first-time investors. That said, if you take this approach, it's important to always have an exit strategy to get out of such a relationship if you want to take your business in a different direction.

Another tip: always secure more than you need. This extra capital will allow you to do the necessary refurbishments to a property to either increase the value at sale or to increase your monthly rental prices. Either one of these options will help to boost your profits and do more than break even.

Legal Set-Up

You can buy properties in your name and go from there, but that's just asking for financial failure! You should always create your business as a business. There are several options available, based on the tax status you're willing to accept – but generally, most real estate investment businesses are setup as LLCs. This option allows owners to legally separate themselves from liability in order to protect personal property and finances in the event of a catastrophic failure (such as a lawsuit).

It's generally quite easy to create an LLC. The two main requirements are filing articles of incorporation with state agencies and maintaining a business of "good standing."

However, even when setting up simple LLCs, it's a good idea to seek the advice of a real estate attorney who's experienced with real estate matters. Additionally, you may want to ask a financial advisor before doing the actual paperwork to see if any other incorporation options suit your needs better.

Insurance Needs

Incorporation doesn't protect your business from litigation due to unsafe conditions or accidents. Insurance does. Long-term rental property investors will want to have iron-clad insurance policies in place that include stipulations about what's covered by the insurance and what is the responsibility of the renter.

Short-term investment properties must be covered by short-term insurance policies. You simply can't afford to go without, but – at the same time – there's no reason to lock yourself into a long-term contract if you're going to offload the property as soon as possible.

Whatever type of insurance you choose be aware that there will always be exclusions. These eventualities are not covered by the policy and are one of the reasons why you should always incorporate your business to protect yourself.

Work with a Realtor

When setting up your property investment business, you may be tempted to skimp as much as possible to reap the lion's share of the profits for yourself. However, it's not a good idea to go it alone during the property search on your first couple of go rounds. No matter how much market research you do, you're not going to be an expert the first time or two you purchase income properties.

In addition, realtors understand the market within a given geographic area better than you ever could. Your goal should be to find the worst houses in the best neighborhoods and spruce them up to reap the biggest rewards. You don't want to get hung with a mediocre property in a neighborhood that's on the decline. This may mean sacrificing some of your predicted profit, but it's a valuable learning experience that will help you cut the cord in the future.

Be Cautious of Starting Small

It seems wise, at least on the surface, to start small and grow bigger in the real estate business, but this may not always be the best option. Generally, single unit rental properties and small single family homes are the most attractive to newbie investors, as they usually cost less to purchase. However, the profit from these properties is often swallowed up by the mortgage, renovation budget, and maintenance on the properties.

As a result, it may be a better idea to partner with a wealthier individual or to secure more financing in order to purchase a more profitable property. This isn't to say that you should ever over-extend yourself, but beware that properties requiring small initial investments often offer

small profit potential. Take this – and all of the other factors described above – into consideration before signing on the dotted line of your first investment property.

From a cyber cafe attendant to a real estate deal-maker



Rehema Uledi never had a foolproof plan as far as her career was concerned. When she finished high school and settled in Nyeri Town, she wasn't certain about what she wanted to pursue. "I got married then had my first child at 22," Rehema shares.

Two other kids would follow in 2005 and 2012, respectively. 2012 was also the year she would become a single mum and register her real estate and property management company, but we'll get to that in a bit.

Before then, Rehema had stints in unrelated fields before she found something to be passionate about: first, she was selling CDs and VCDs. She made some good money then moved to selling suits – for men and women – to employees of a bank near where she lived. In between, Rehema trained and worked as a community health worker at an NGO-funded project which focused on children. She continued juggling the two for one more year before she relocated, with her family, to Nairobi in early 2011.

"I enrolled at a computer college then got work at a cyber cafe as an assistant supervisor. I loved the job and the people I worked with," says Rehema.

It would be at the cyber cafe that her luck would change for the better. Frequenting the cyber cafe were all these property agents who would photocopy and print contracts and agency agreements and whatnot. Rehema couldn't help but take a peek at what these documents contained. Her curiosity prodded her into buying a book on property management, one she devoured in a matter of weeks.

"It's called Property Ladder: The Developer's Bible by Sarah Beeny," she shares.

Armed with some tips and thirsty for more, Rehema went ahead and brokered her first property deal.

KINDLING A FIRE

"I made in two days what I couldn't possibly earn from the cyber in a month," she recalls.

And thus her passion was ignited. Rehema scouted and took photos of properties across Nairobi. The photos captured both commercial and residential property, for rent and for sale. She paid for advertising space in malls and newspapers. It wasn't too long before the calls – and the cash – started trickling in. Closing a deal gave her a high she had never experienced before. She quit the cyber cafe in June 2011.

However, Rehema didn't make anything worth her time and effort in the first year-and-a half in business.

"I relied on my husband to take care of the home and our three kids," she recalls.

"Besides cash-flow, landlords were the biggest challenge. A majority would refuse to settle my commission after I'd linked them to tenants. It didn't help that we had signed agreements," she says.

In hindsight, she shares that landlord drama is usual when you are starting out in the industry, but it thins out as you get more clients and interact with more landlords.

The competition and mistrust amongst the agents was another challenge.

"Everyone wants to eat!" she exclaims.

But it counts to be wise – what one must realise is that there is plenty of pie to go around. You only have to know where to find this pie.

So despite the challenges, Rehema didn't falter. She was driven by the desire to get the high of closing deals. Drawing strength from this high, the business started to become sustainable in late 2012. It was also the time she and a friend registered the company. As business grew, the next year, Rehema added property management to her portfolio.

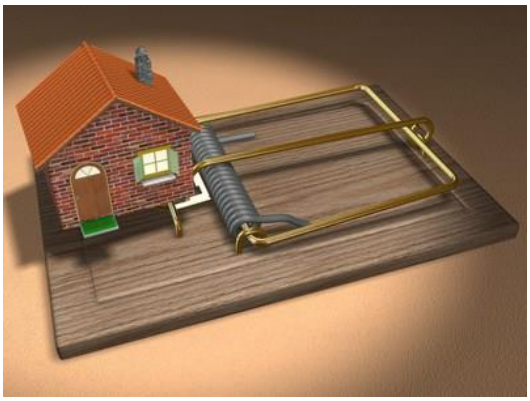
"Property management is a walk in the park compared with one-off rentals and sales. It increases your worth in the market in addition to ensuring a steady stream of income every month," she says.

In future, Rehema plans to return to school for a course in property management, business and IT. Until then, she focuses on the pursuit of the next high.

HOW SHE DID IT

- No matter how tough things may seem, trust and believe in God that they will always get better.
- There are no shortcuts, you simply have to work hard.
- Pursue something you love to do.
- Packaging and presenting yourself right gives you an edge over competitors.

How To Spot a Real Estate Scam in Kenya



The property listing almost looks too good to be true – it is in the perfect location, has beautiful photos and is well below your budget. You send off an enquiry and receive a quick response: the landlord is currently overseas and cannot show you the home. But if you can wire through a deposit as soon as possible, the property is yours.

For many people who have tried to rent a property online, this scenario might sound all too familiar. While new technologies have made it easier than ever before for property seekers to get all the information they need to supercharge their house hunt, the Internet has also made it easier for online fraudsters to target both buyers and renters.

But by being aware of a few tell-tale signs, house-hunters can learn to quickly sort the scammers from the legitimate real estate agents. Below are tips to help online property seekers avoid falling victim to a scam.

Always insist on inspecting the property.

Never agree to make any payments upfront or sign a contract without first inspecting the property. Viewing the property and meeting the agent in person are the best ways to guarantee that the listing is legitimate.

Verify the identity of the person you are dealing with.

Take steps to check the agent you are dealing with is a licensed broker or agent. In the first instance, a simple online search can help you detect a scam. Try searching for the property's address, the name of the agent and their email address.

Avoid listings that have been posted multiple times.

One common scam is for fraudsters to copy an existing (and legitimate) listing of a property for sale and repost it as a rental, with their own contact details attached. Look out for duplicate listings which have different asking prices.

Never give away your personal information or documents.

You should never be asked to provide your bank account details or personal identification documents to someone over the internet. Importantly, never provide your credit card verification code to anyone.

Remember that if it sounds too good to be true, it probably is.

One of the most important rules in real estate is that if a deal sounds too good to be true, it most likely is. Be sceptical about any online listings for attractive properties which are very well priced for the area. Scammers often use these very low prices to lure property seekers.

If you detect a scam, get in touch.

Focus your search on properties listed by well-known real estate agencies and trusted classifieds websites. Once you have detected a possible scam on a real estate search website, notify the platform immediately.

How I built a multi-million real estate firm at only 22



It is uncommon that someone in their right frame of mind would be willing to lose all their worth in a single throw, for whatever reason. But that is exactly what Lawrence Kagema, 25, did while he was still a student at the University of Eldoret in 2014.

Most college students are disposed to explore any thinkable avenue to enliven their life in the university, and make it a bit of a thrill too. Without doubt, sporting elegant electronics, snazzy outfits and leading a "cool" life is the dream of most students, and even a priority to others.

But during his time in college, Kagema was cut from a different cloth.

While his colleagues were busy relishing the delights of university life, he was determined to raise capital for his business, albeit through the most unorthodox route.

"I was in Third Year when I sold my beddings, dishes, gas cylinder and even my smartphone. I disposed everything I had and I spared only what I needed for survival," recollects Kagema.

But even as he cashed in on his belongings and moved in with a friend, the Sh.40,000 that his belongings had fetched was only enough to register his business — Spectacular Living International Limited — and to produce a handful of fliers to market his new business. But the thought of giving up never crossed his mind.

"Most people have a misguided notion that you should start a business when you have the perfect conditions, which is unrealistic. I started with whatever I had. Moses used what he had; a stick to part the waters of the Red Sea. You can never use what is not within your reach; otherwise you will never get started," says Kagema.

Kagema, who was studying for a Bachelors degree in Finance, would use any free time to market his new business in Eldoret town.

He would traverse the town meeting people and asking them to invest their property with his property management firm, which he was running singlehandedly without an office or a mobile phone to coordinate activities.

It is intriguing, however, why an investment greenhorn would bet his bottom dollar on an industry that is sometimes hostile even to seasoned entrepreneurs with huge financial muscle, people with a deep understanding of the dynamics of the property market.

"I had a childhood fascination with building structures. I may not have been lucky to study architecture, but I wanted to be involved with construction at some point in my life," he says, adding that some people often go into business for the wrong reasons.

"You must have a sentimental attachment to a particular type of business to invest your money in it. Otherwise disappointment may be inevitable."

One year later, the business began to gain a strong foothold in the property market of the South Rift town. However, Kagema completed his studies, and had to move back to his home in Mombasa. Therefore, the business had to either relocate, or fold up. "It was a bitter pill having to leave behind clients I had fought hard to get. We were moving into a new market, to start with baby steps all over again," he says.

Having begun only as a property management firm, today, Spectacular Living International has diversified into numerous other services, and according to Kagema, dividends are now trickling in. "Project development, purchase and resale of property is our core business. Some

people have the money, but they do not know how to invest it. Others have land but do not have the slightest clue on how to utilise it," he says.

The firm also offers consultancy services to investors who want to develop property but lack the understanding of the workings of the real estate industry. "We hold our clients' hands from conceptualisation of an idea to the time we hand them keys to their complete homes," he notes. With absolutely no training in the real estate industry, Kagema and his team rely heavily on research to understand and tailor their services to demands of the market.

"We get monthly earnings of between Sh200,000 to Sh500,000, and sometimes up to Sh1 million. Besides myself, Spectacular Living International Limited has five employees and a host of agents who work on a task basis. We now have the Costal market within our grip, something we only thought was a dream three years ago."

In his determined incursion into the multi-billion shilling industry, Kagema and his team have set up a base in Nairobi, which they hope to fully operationalise soon.

"Nairobi is the boiling pot of the property industry. The market in the city is robust and we hope to break into it in the next few years," he says.

In property business, Kagema emphasises that reputation is critical. He says that previous clients who put in a good word about their firm have helped them earn more customers.

Lest you imagine that entrepreneurship is the surest path to instantaneous riches, you may be in for a rude shock, as Kagema warns. "Business may not earn you ridiculous amounts of money as we get to hear every day, but certainly there is contentment in doing what one loves."

To those who wish to try their hand in business, Kagema has some advice: "Starting small is a blessing in disguise. You learn the importance of restraint in your expenditure. Someone whose enterprise was founded on budgetary constraints cannot afford to be wasteful when they finally start making money."

How 31-year-old built his multi-million real estate empire

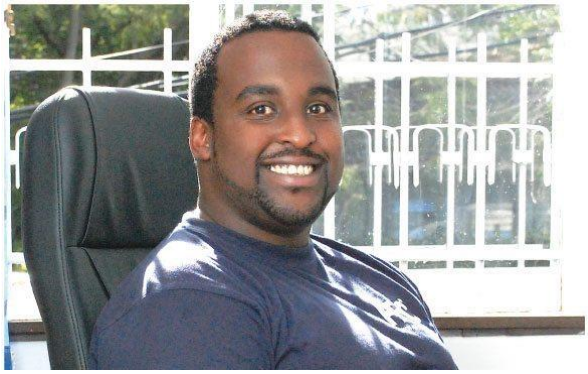


Brian Gacari has lived the good life, but has also had it yanked away from him.

He grew up in affluence, attending top schools and living in an upmarket neighbourhood in Nairobi. But then life took a turn. His parents retired and had put all their life savings in a bank that collapsed, plunging his family into penury. The good life he had become accustomed to was no more.

"I grew up in a comfortable middle class family in Nairobi's Lang'ata estate, but things changed when my parents retired when I was 16. They struggled to look for work to support us as they had lost most of their investments, particularly property," recounts Brian.

Brian studied business administration and marketing at Strathmore University and although it was his father's idea (he wanted to study law), he says it gave him a strong foundation. Before venturing into real estate, Brian had worked as an intern at the US Embassy, Commercial Bank of Africa (CBA), and as a sales and marketing coordinator at Subaru Kenya, introducing the paybill number mode of payment at the company in 2009, way before it became fashionable. His itch for adventure kept him moving and in mid 2009, he accepted an internship position with Health Life Beverages Company in Accra, Ghana.



Brian Gacari, CEO, PRC

Despite enjoying success with the company in his one and a half year stay, he accepted a job offer at Telecom Italia in Venice, Italy, in their research and development department. In order to get his documents processed in readiness to move to Italy, Brian came back home and simply never left.

"When I came back home, the properties market was heating up. A friend had just inherited 10 acres of land in Syokimau but did not have money to develop it. We partnered to make a development on the property a reality. A few discussions later and PRC was born," he says.

In 2010, at the age of 25, he founded Property Reality Company (PRC). Gacari would not reveal how much is company is worth today, but admits it holds assets in the millions of shillings.

Brian says he believes his childhood experience was the foundation of Property Reality Company (PRC), as he grew up with the dream of making property and home ownership for families affordable.

Mr Gacari, now 31, swore not to make the mistakes his parents had made. He was determined to put his money in land and real estate, which, he says, hold money more reliably.

A while back, he unveiled his six-member board, which includes investment analyst Aly-Khan Satchu, who will be the director in charge of media, investor relations and financials. He

also appointed media personality Caroline Mutoko, who will be the director in charge of sales and marketing.

PRC has built a reputation for itself purchasing and re-selling land, handling about 4,000 title deeds in counties like Lamu, Machakos, Laikipia and Nakuru.

"We have most recently purchased 150 acres of land in Syokimau, where we intend to put up 400 apartments. Each of them will have three bedrooms and a spacious living room. The houses will retail at Sh3.9 million each when completed," said Gacari.

He added that the housing units will also include social amenities like playgrounds and a gym. The ground-breaking ceremony is to set to be held in a few months' time.

Greenhouse farming

But, Gacari said, the biggest leap of faith the company has so far taken is getting into agriculture.

PRC is looking to help its clients buy farm land, which the company manages on their behalf under a concept dubbed Kilimo Biashara.

"Our first project was in Naivasha where, after purchasing 20 acres of land, we started greenhouse farming for fruits and vegetables. We floated the idea to potential buyers, who simply buy the land and the greenhouse, and we manage it for them," he said.

"They don't pay us a management fee for a period of one year and by then they are able to reap returns from the farm." The uptake, he said, has been more than encouraging so far. Gacari added that his firm, which has three offices in Kenya, is also in plans to expand into the region, starting with an office in Uganda.

My Journey To Success in Real Estate



George Nyagowa is one of the successful real estate dealers in the lakeside city of Kisumu. Nyagowa's derives his success from a strong desire to eke out a living from self -employment that pushed him to set up his own real estate company, where he is the director.

The decision saw him quit Milligan Company Limited, also real estate dealer, after the firm run into financial difficulties. Armed with a capital of Sh500,000 plus experience he had acquired as a an employee in the same sector, he plunged into business.

First, he acquired about half-an-acre piece of land at Tom Mboya estates, which he subdivided, developed and later sold to a prospect buyer at lucrative profits. The land cost Sh1.5 million but Nyagowa convinced the sellers to take a deposit first and instalments later.

"It was a humble beginning characterised with disappointments, but slowly I found a breakthrough," he remembers. Today, his Michigen Investment Company has grown in the last 18 years into one of the leading real estate dealers in Kisumu town.

The commercial agency deals with real estate management, buying, developing and selling land. The 45-year-old real estate dealer now boasts contributing to the development of Kisumu by enabling people to acquire land and construct rental housing units.

Other Michigen projects are apartment Makadada apartments and industries. The growth of the company has seen him employ over 10 workers up from three when it was first established in June 2003.

Having tasted the success in self-employment at 27 years, Nyagowa urges young people to take a step of faith and pursue the wide range of investments in business such as real estate development instead of waiting for uncertain opportunities in formal employment.

He also asks the government to consider incorporating institutions like Kenya Industrial Estates in providing loans to the youth besides easing the acquisition process to enable them to start their own businesses.

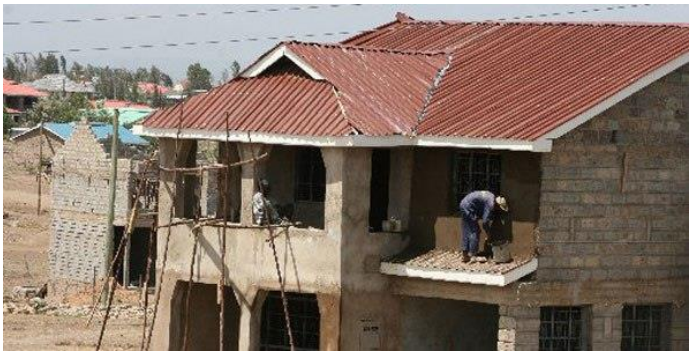
"The youth have a chance to dominate the business sector. They should avoid the notion that one must amass wealth to make meaningful investments," he advises. Nyagowa says Kisumu has experienced significant growth in real estate, with new developments in property taking centre stage.

"The city is growing steadily towards the outskirts which is good for investors keen to put up developments such as apartment blocks and commercial buildings," he says. However, the entrepreneur cites political violence and fraud at the Ministry of Lands as major challenges facing the land and building construction sector.

The business is also being hurt by cases of double title deeds issuance at the Lands department. "Kisumu is known for political violence especially during the electioneering period.

This hampers business for real estate dealers," he regrets, adding that ethnic politics is a threat to investors in the region. Despite such risks, Nyagowa intends to incorporate partners to build gated community homes at the upmarket Riat Hills in the outskirts of the town. "We have acquired seven acres and construction will start soon," he says. Other plans in the pipeline include opening a branch in Nairobi.

What you need to succeed in real estate business



Almost every Kenyan dreams of owning property, either in towns or their suburbs. This has, in turn, led to escalation of the cost of land and housing.

The fast growth of the middle class has been a boom to the sector, with increasing demand for decent and affordable homes.

It is estimated that Kenya has a supply deficit of over 200,000 housing units every year. As demand grows, entrepreneurs have taken advantage of the opportunities presented to net billions.

However, few understand how to make an entry and sustain growth in this booming sector.

Making the first step in the long journey to success and keeping a good pace has remained a mystery to many potential investors.

“The best thing about real estate is that you don’t need to be a rocket scientist to succeed; all you need is hard work and determination to achieve clearly set goals,” says Mentor Holdings executive chairman Daniel Ojijo.

His company has grown from a part-time marketing agent in real estate, earning a commission of 30 per cent, to the multi-billion venture that it is now.

The dream was conceived through interaction with an agent who helped Mr Ojijo get a house.

He realised that one does not need to own property to make money. Instead, you just need to bring together property owners and those looking for houses. By so doing, you get a piece of the cake in the form of commissions.

Mr Ojijo's marketing skills and determination earned him a chance to work with a bigger firm, in which he eventually acquired a 20 per cent share.

He later pulled out to buy Villa Care, which was not doing well at the time. The company has since grown to become the multi-billion shilling empire under the name Mentor Holdings.

Co-owned with other directors, Mentor Holdings has 11 subsidiaries including Kenya Homes Expo, Beyond Media, Homes Kenya, Windsor Homes, Home Fix, Nairobi Best Homes, Villa Care, Kenya Interiors, International Valuers, and Mentor Group Limited.

Windsor Homes alone has a portfolio of Sh15 billion, with the total turnover of the holding company well into the billions.

According to Mr Ojijo's business partner, Major (retired) D.K. Karau, real estate business is demanding, especially at the start because it requires high amounts of capital compared to other investments.

Most of the ventures are started through loan financing and it may take time to break even.

However, once success docks, the glory of the enterprise keeps growing, with assured demand for houses as long as the population keeps growing.

Maj Karau says partnerships are important in the business. If you are a developer, you need to hook up with a marketer, a valuer, contractor, and project financiers.

“This industry is about knowing people and positioning yourself strategically. Open-mindedness to business opportunities created through partnerships is of invaluable importance,” he says.

“Our growth has been fuelled by partnerships with people of similar passion. We yearn to provide a one-stop-shop for our clients so that we can answer all their questions without having to consult outside,” says Maj Karau, who is also the company’s investment director.

According to older players in the sector, you cannot succeed in real estate unless you have passion for the business.

Your adrenaline must shoot up when you hear people talk about land or property. This helps you overcome obstacles in the path to success.

“You need to know what your competitors are doing and be ready to take advantage of their weaknesses,” says Mr Charles Mwangi, the chief executive of Rubyland Limited, valuers and real estate consultants.

He says one needs to research the market before picking a location and nature of the venture.

“The disadvantage of reproducing your competitor’s product is that you have to price yours within their range,” he says.

Understanding the laws governing development is also important so that one does not have to contend with demolitions in the future.

Successful players say real estate gives one the ultimate pride of an achiever. They argue that even those who have invested in other sectors at some point feel the urge to own property.

Clearly, there are opportunities to reap from the booming industry. And those in it agree that although the road is rough at the beginning, the sky is the limit once you hit the tarmac.

Why I don’t regret quitting law to venture into real estate



For Janet Mungai, in business, the big mistake many people make is trying to force an interest onto themselves instead of pursuing their passion. This piece of business philosophy is what guides Ms Mungai, a lawyer who for some time earned her living representing clients in court.

But the prospects of growth in her career notwithstanding, she quit her job and went on to pursue her interests in the property industry in order to tap into the lucrative opportunities in the sector as well as help eliminate fraud.

“I studied law at the Kenya School of Law and became an advocate of the High Court. After a while, I decided to venture into business, at one time, I thought of starting a Non Governmental Organization, but something told me to venture into the property market and I am glad I did,” she says.

However, switching to private business, as she came to learn, demands doing research as well as establishing contacts with like minded people, a task which she says is not easy.

It is about three years since she graduated from law school. And now she is the managing director of Cretum Properties Ltd, a rising real estate business in Nairobi.

Cretum Properties which she runs together with her co-director Mburu Kinyanjui specialises in buying and selling of land. At the moment, the firm has opened offices in Nairobi and Thika town.

And in an attempt to win more customers, the firm buys large tracks of land and subdivides it into smaller plots which are manageable, convenient and affordable for sale to a majority of Kenyans for subsequent development.

"What is keeping us in this competitive and complex business is trust. Land business is tricky because there are a lot of conmen in this industry. Our customers range from individuals to corporate".

Depending on the location, size, and distance from the city, the cost of the company's plots of land vary ranging from Sh180,000 to around Sh1.5 million for instance.

"The majority of Kenyans, especially those living in urban centres like Nairobi are tired of paying rent, which keeps increasing. They need to own their own homes. And this is another reason why I opted to invest in the property market," says the former Kagwe Girls student.

And since some customers may face challenges raising the required amount, the firm has a provision for potential clients to make a deposit and then honour the balance within a period of time, say, six months.

Upon completion of payment, she adds, we process title deeds for our clients and present the title to them within the shortest time possible.

Her company also has an eye on virgin land in prime areas particularly those along major roads and near key development zones in the country.

"We take responsibility of installing electricity and water, construction of feeder roads and ensure security in the land. The company has undertaken five successful projects within Mavoko Municipality. These have been sold, title deeds processed and delivered to the buyers.

"We are organising for grand opening of 170 hectares of land in Kisaju, Kajiado, early this month," she notes.

Ms Mungai also believes that technology plays an important role in the property business: “The Internet has helped us to sell property to Kenyans living abroad and even those living in the country faster than ever. Technology is transforming the property business.”

Have you forgotten your career in law?

“No. I’m a lawyer and always will be. Just because I’m not standing in the court of law to argue cases does not mean that I have forgotten law. I still offer legal advice to my clients who come to buy land here,” she says.

8 real estate traps to avoid



Below are some of the hurdles one can expect to encounter in the real estate sector:

1. **Runaway land prices**

“It goes without saying that developers need land in order to create new wealth and infrastructure,” Mr Kunyiha says. However, land prices in Kenya’s urban areas are skyrocketing at rates that cannot be sustained by the economy for long.

“In most circumstances, for a developer to make profit, they have to ensure that the cost of land accounts for 15-20 per cent of the total construction cost. For example, if a developer buys a piece of land at Sh50 million, they have to ensure that they put up a development whose value is above Sh300 million. This forces developers to put up high-rise buildings even in locations previously designated low-density residential areas,” Mr Kunyiha says.

Even then, it takes many years for proprietors to recoup their investments.

"The government should come up with measures to control land prices in urban areas to ease the pressure on property developers," suggests Mr Ojijo. He further proposes that county governments consider giving land either for free or at subsidised rates to developers to stimulate development.

2. Inadequate infrastructure

Infrastructure such as access roads, electricity, as well as the availability of water, do a lot to help bring down construction costs, says Mr Ojijo.

However, Mr Gikonyo Gitonga, a director at KPDA, observes that there's a shortage of properly serviced land in the country, especially in the counties.

"Developers usually end up installing such services themselves. If one factors in the money used to build an access road to the final cost of building an apartment, the consumers will ultimately pay for the building through the nose," Mr Gitonga offers.

He says that is why many people shy away from setting up meaningful developments in rural areas. In contrast, investors are elbowing each other for expensive pieces of land in urban areas such as Nairobi because of the existing supporting infrastructure that brings down the cost of construction.

3. Unethical practices

The term "private developer" tends to evoke rather negative feelings among the public. This is because in many cases, private developers have been associated with unethical practices such as land-grabbing, building on riparian land and cutting costs at the expense of quality during construction.

The situation is exacerbated by the occasional collapse of high-rise buildings around the country, which often lead to multiple deaths.

"When such an isolated incident occurs, it only serves to give the entire development industry a bad name," Mr Mucai acknowledges. "When KPDA was formed, one of the first items on our agenda was to come up with, and promote, tougher building standards and regulations for our members. We have worked with the National Construction Authority (NCA) to maintain building standards in the country high and ensure that developers are held accountable for their mistakes," he adds.

4. Inefficient land governing bodies

Land administration in Kenya has always been chaotic, Mr Gitonga laments. "For close to two decades, we did not enact any significant land laws and this led to the chaos that is still plaguing the sector. The passing of the new Land Act in 2012 brought a semblance of sanity to the industry, but the way many systems run is still archaic and deplorable," says the KPDA director.

Mr Gitonga lauds the move by Land Cabinet Secretary Jacob Kaimenyi that saw him disband and then re-appoint all land control boards representing 57 registries. "The former land control boards were a monument to laxity and high levels of corruption; it was clearly time for reforms," he says.

But KPDA regrets that even now, the inefficiencies that have plagued the Ministry of Land, the National Land Commission and the land control boards continue to haunt developers. Unscrupulous Kenyans have taken advantage of the inefficiencies of our systems to sell land with dubious title deeds, often in collusion with officials from the land ministry.

"It is painful for an aspiring developer to invest millions of shillings in a piece of land, only to spend years in court arguing about the validity of its title deed," Mr Gitonga says.

5. Bureaucracy

Selling land in Kenya, Mr Ojijo complains, can take up to six months or even longer. He attributes this to the complicated legal requirements that make transactions drag on needlessly. He says ideally, a simple land transaction should take between 14 to 30 days.

County governments do not help matters when it comes to fast-tracking land processes, with a simple matter like obtaining a land-rate clearance certificate taking up to two months.

When it comes to construction, Mr Ojijo says, sometimes builders have to seek similar permits from their county authorities and national bodies such as the National Environment Management Authority (NEMA) and the National Construction Authority (NCA).

Some approvals can take up to two years, and both the country and developers lose money during this period, when no meaningful development is taking place.

To get rid of bureaucracy, Mr Ojijo suggests that the government immediately establish a national housing authority, which should be given the mandate to issue all construction-related permits. With such a body, he says, a developer might be able to get all the necessary permits in 14 to 30 days.

6. Corruption

The other side of the bureaucracy coin is corruption, which is pervasive in every sector of the property industry, according to Mr Kunyiha. “Officials of several government bodies usually entice developers to pay bribes with promises to help them cut corners and save time,” he says.

“One step towards eliminating corruption and speeding up development is automating the operations. We need to do things electronically at the approval offices because the less human interaction there is between developers and government officials, the lower the opportunities for demanding or offering bribes,” Mr Kuhinya adds. He commends the Nairobi County Council for

automating construction permit processes in Nairobi, adding that other counties should follow suit to reduce corruption and delays.

7. Unclear zoning regulations

Developers are increasingly being accused of flouting zoning regulations, especially those who set up high-density commercial establishments in areas designated low-density residential areas. Mr Gitonga blames the situation on weak zoning regulations.

"In many areas, the zoning rules allow different interpretations, and this makes them open to abuse. As such, developers often find themselves in court seeking a magistrate's opinion on the rules. As KPDA, we are constantly vouching for transparent, open and predictable rules," Mr Gitonga says. He also blames corruption at the approvals' office for the propagation of this vice.

However, he warns that as more people move to urban areas, most of the zoning regulations will cease to make sense. "With increased urbanisation, the economy of an area is usually forced to expand. This pressure on the economy, coupled with reduced building space in towns, will force developers to put up high-rise apartments and more commercial establishments to cater for the increased population and economic expansion respectively," he explains.

In cases where disputes arise between the neighbouring community and a developer, the KPDA encourages the developers to settle their differences out of court by engaging in dialogue with them.

"We try to educate community members on the benefits that such a development could eventually bring to their area," says Mr Kunyiha.

8. Insufficient government incentives

The country's housing requirement is estimated at 200,000 units a year, with an annual deficit of 150,000 units.

While delivering the Budget in June this year, Treasury Cabinet Secretary Henry Rotich proposed tax concessions for property developers who build more than 1,000 houses a year, reducing their corporate tax from 30 to 20 per cent. This was later reduced to 400 units in the final financial Act.

This measure is aimed at encouraging developers to build more houses in order to reduce the deficit.

Mr Ojijo, however, doubts that the measure will have any significant benefits since very few developers have the capacity to build 400 units a year. The policy, Mr Ojijo argues, would make more sense if the threshold were lowered to 50 units.

“If the government is serious about its mandate of providing affordable housing, then it needs to set up a special committee that will come up with incentives that benefit even small-time developers,” he says.

How I started my real estate multi-million company with zero capital



Buying and selling property in Kenya, especially land, is not for the faint hearted. Stories abound of a rogue sector where land agents swindle clients of their hard earned money. In worse cases, this has led to murder arising from conflicts surrounding land ownership.

Consequently, many potential agents decide the risk is not worth it, even with the high returns that could be made in this increasingly lucrative sector. Indeed, a woman is the last person

one would expect to go where only the bravest venture. But this is not so for 39-year-old Mrs Monica Wanjohi.

In the daring spirit of entrepreneurship, Monica is now becoming one of the few established real estate agents in the country. But like most successful people, hers has not been an easy journey. Monica is not intimidated by humble beginnings. She discovered the high potential in real estate through an investment group of which she had been a member for six years.

But to achieve her dream, she had to leave the group in order to have the freedom and single-mindedly pursue the increasing opportunities in the sector. Armed only with a solid business plan, she registered her flagship company, Milestone Signature (MS) Properties Limited, and immediately started approaching networks she had gathered over the years.

The biggest challenge was raising capital for her first land deal, because despite being previously employed in a senior position with a good salary, the mother of three shares that her life was a rat race and she had depleted her savings.

"I approached many friends to invest in the land idea, but no one was forthcoming, leaving me with no option but to do what I'm good at; marketing. I searched and identified a serious buyer for a piece of land I had negotiated for.

Once I was sure the buyer was ready to sign a sale agreement and make payments, I approached the owner to release the land to me and promised to pay her within 48 hours, in time to have received money from the buyer's end," she recalls.

The pay-off

With hindsight, she says it was a big gamble that, luckily, went well. Still in her first year as a real estate agent, she is now on her third project using money from the first sale. As her business grows, she says she is now in a better position to secure financing from banks as her client base is now growing from repeat customers and referrals.

Monica attributes her increasing success to honesty and God's grace, qualities which she notes are scarce in this cut-throat business. She has also managed to conquer all self-doubt amidst the many obstacles along her entrepreneurial journey.

"The competitive advantage for M.S Properties is transparency and credibility in an industry known for fraud and theft. We proactively communicate to our customers about the progress of processing their title deeds and endeavour to issue these documents within 90 days of purchasing the land," she observes.

Background

Monica attended Ndururuno Primary School in Nairobi's Huruma Estate, where she was born and brought up. After performing well in the Kenya Certificate of Primary Education exam, she was admitted to the highly competitive Pangani Girls High School.

Again, she excelled in the Kenya Certificate of Secondary Education and proceeded to the University of Nairobi where she graduated with a Bachelor of Science in Mathematics and Chemistry. Later, she pursued diplomas in both Marketing and Project Management in order to give herself a structured and professional approach to business.

Practice run

Her entrepreneurship journey started when she formed Brandkey Limited at 27-years-old. Having worked at the Aga Khan University Hospital and Phillips Pharmaceuticals, she had identified unmet need for companies in the medical and health sector to outsource their sales and marketing functions, particularly for stagnant or slow moving products.

With a sales team of five people, the company grew fast. Unfortunately, a high staff turnover coupled with lack of experience in networking and mentorship eroded the gains she was making. She closed shop and returned to employment after two and a half years.

The entrepreneurial experience nevertheless enabled her get a job with the Nairobi Women's Hospital as the General Manager in charge of Marketing and Business Development. Thereafter, Monica joined Parapet Group of Companies as one of their general managers. She resigned from the latter position after the entrepreneurship bug bit her once more.

As a result of existing demand from her clients, Monica plans to get into property development and management. To cap it all, she is also in the process of setting up a foundation to empower women looking to be entrepreneurs, great wives and mothers.

Why you should be investing your money in Real Estate



As entrepreneurs find success with their primary business ventures, many search for the proper investments for their profits. Entrepreneurs should consider rental real estate as an important part of their wealth portfolio.

You will realize many business owners shrug off this concept after the recent downturn in real estate values, but let me list a few reasons that may change your mind:

1. Gain more leverage. Real estate is one of the few investment vehicles where using the bank's money couldn't be easier. The ability to make a down payment, leverage your capital, and thus increase your overall return on investment is incredible.

2. Grow, tax-free. Buying rental property based on speculation of its value is a dangerous tactic since cash flow is the key. However, appreciation over the long-run is certainly realistic and at the least you should be considering a tax-deferred strategy.

3. Tax free cash flow. It's no secret that because of depreciation and mortgage interest deductions (if you leverage your capital), your cash flow should be tax-free. That's right! The far majority of the time an investor will never pay taxes on their cash flow and can wait for capital gains on the sale of the property in the future.

4. The tax write-offs against your other income. Depending on your classification as an Active Investor or Real Estate Professional and your income level, there is a good chance your rental property will not only give you tax-free cash flow, but an overage of tax deductions you can use against your other income. With that said, this is something you want to discuss with your tax professional before investing so your expectations are realistic.

5. Increased tax deduction strategies. Rental property affords investors with another incredible opportunity to convert personal expenses to potentially valid business deductions. Don't forget that rental real estate is a business. This means that travel expenses to check on your properties and payments to family members who manage your properties (such as students away at college) can be deductible and increase the tax benefits when it comes to cash flow and the future sale of the property.

6. Rental real estate is a forced retirement plan. Buying a rental property is a significant commitment that you are required to commit to and maintain. You will always be grateful in the long-run when you don't give up on it and build future cash flow and wealth.

A lot of successful entrepreneurs, and almost every one of them has taken profits from their businesses over the years to invest in rental property. The far majority of us will never get rich overnight. It takes long-term investing and a diverse portfolio to build true wealth. Don't forget real estate as an important part of the equation.

Now you know how to invest and make money in real estate in Kenya and Africa…



While Africa's real estate market now sits at a very interesting time in its history, the opportunities that it holds will not last forever.

Investing in real estate is usually a long term journey; the rewards and profits take time to accumulate and the impact on your finances grows over time.

Time is the only element of real estate investing that you don't have. This is why the best time to start is NOW!

It's never too early to start. Like i advised early on, start keeping away some money every month as savings to buy a piece of property.

Set a target for yourself at the beginning of every year to invest in real estate. Get hungry for real estate deals and information. Start working on your 'property hunting' and negotiation skills. Since real estate investments need time, the best time to start is today!

In this ebook, we have looked at the situation of the real estate market in Kenya and Africa and the many opportunities that lie within it. We have also explored the strong reasons why you should consider investing in real estate and great tips that will help you succeed.

I believe that all the opportunities i have shared with you in this ebook will be taken further by your creativity and energy.

I wish you success in your quest to become a profitable real estate investor.

Thanks for taking your time to read this guide. Am still writing more and more business guides that will nourish you in your business endeavors. Always keep in touch with me on whatsapp **0701712058** to get more of my business guides and business advice.

Also whatsapp me and give me your feedback about this guide...

