FACTORS INFLUENCING EXPANSION OF COMMERCIAL PROPERTY IN KENYA: A CASE OF KERUGOYA TOWN, KIRINYAGA COUNTY

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ABSTRACT

This study is on factors that influence expansion of commercial property in Kerugoya town, Kirinyaga county,Kenya.Four study questions guided this study. Literature review focused on expansion of commercial property globally, in Kenya and Africa at large. The study focused on the factors that influence expansion of commercial property which include demographic characteristics, interest rates,market demand and Gross domestic product(GDP). The study used the descriptive survey design. The target population for the study was 112 comprising 42 investors/developers, 30 financial consultants, 10 government departments and 30 property consultants in Kirinyaga County. A sample of 88 respondents was determined based on Yamane formula 1967. Piloting was done on 5 respondents from Kirinyaga County more so the ones who would not be used in the final study. Based on the findings the following conclusions were made: Demographic characteristics, market demand, interest rates and GDP were major determinants of commercial property investment in Kerugoya town.GDP growth contributed the most to the growth in commercial property, followed by market demand, demographic characteristics then interest rates. Hence these four factors i.e. demographic characteristics, interest rates, market demand and GDP had a statistically significant positive influence on investment of commercial property. It was also found that policy measures geared toward improving the economic growth and curbing rising inflation rates and interest rates should be undertaken as they increased the investment levels.The researcher also recommends the following: That future development of commercial properties in Kerugoya should be planned strategically bearing in mind that their development affects the economy of the county. In order for Kenya to bridge the gap between demand for residential housing units and supply, Kenyan developers, real estate firms, the government and all other key stakeholders involved in real estate market, should benchmark to obtain best practices and strategies in order to alleviate or ease the problem of inadequate housing.

KEYWORDS:

Commercial property-building or land intended to generate a profit either from capital gain or rental income

Demographic characteristics-a particular sector of a population

Interest rate-amount of charges expressed as percentage of a principal by lender for a borrower for the use of assets

Market demand-the sum of the individual demand for a product from buyers in the market

Gross domestic product-the total value of goods produced and services provided in a country during one year.

INTRODUCTION

Commercial property is property used in such a manner as to make money; from renting spaces to constructing an office building to run businesses out of. Commercial property includes office buildings, industrial property, medical centers, hotels, malls, retail stores, farm land, multi-family housing buildings, warehouses, and garages.Real estate also includes special type of properties such as petrol stations, recreational facilities, restaurants, halls, places of assembly and institutional property. Residential property containing more than a certain number of units also qualifies as commercial property for borrowing and tax purposes.

According to (Brown and Matysiak, 2000) and (Syagga, 1987), commercial property is a principal type of real estate where the latter is defined as comprising land plus anything permanently fixed to it including buildings and other items attached to it. The commercial property market and industry covers land and improvements, their selling and rental prices, the economic rent of land and returns on buildings and other improvements, and the construction industry. This is especially true for many commercial property investors since the investment represents a significant portion of people's wealth in Kenya.

Commercial property investment plays a crucial role in providing employment opportunities, offering shelter to households, enhancing income distribution and alleviating poverty according toAbraham, (M 2009). Moreover the commercial property industry in Kenya continues to fail to fulfil this fundamental role due to a number of unique factors that affect investment in the sector. Kenya has witnessed an upsurge in commercial property investment in the recent past. This has been driven by a number of factors notably the quest for Kenyans to own homes, rural urban migration, increased diaspora remittances among others. Property prices in the urban areas have taken an upward trend as a result of the increased demand. The expansion of Mombasa road and the construction of Thika super highway serve as an example, which have contributed to the rise of property prices in the adjacent areas. It's therefore important to assess the factors that contribute to commercial property investment growth so as to sustain its growth in the future.

Commercial property investing is an asset form with limited liquidity relative to other investment. It is also capital intensive (although capital may be gained through mortgage leverage) and is highly cash flow dependent. Commercial property becomes a risky investment if the factors affecting the growth in the investment are not well understood and managed by an investor. The primary cause of investment failure for commercial property is that the investor goes into negative cash flow for a period of time that is not sustainable, often forcing them to resell the property at a loss or go into insolvency.

A similar practice known as flipping is another reason for failure as the nature of the investment is often associated with short term profit with less effort, Abraham, M (2009). The commercial property market in most countries is not as organized or efficient as the market for other more liquid investment instruments. The individual's properties are unique to themselves and not directly interchangeable, which presents a major challenge to an investor seeking to evaluate prices and investment opportunities. Therefore locating properties in which to invest can involve substantial work and competition among investors and to purchase individual properties may be highly variable depending on knowledge of availability.

Investment in commercial property is also undertaken for its ability to provide returns inform of capital, income and intangible benefits (Baum & Crosby 1988). When there is full occupancy, prompt and total rent collection, full market rent, good physical condition of building; minimal irrecoverable outgoings and low rate of tenant turnover, is when the returns in commercial property are maximized. The indication is that the greater volatility in return in commercial property is not an appraisal problem but a problem of the property markets and commercial property as an investment vehicle.

The aim of this study was to analyze the factors that influence the expansion of commercial property in Kerugoya town, Kirinyaga County.

Organization of the Study

The study will cover the following: Statement of the problem, Objectives of the study, Literature review from different researchers that looks at specific factors influencing the Expansion of Commercial Property; The research methodology used including research design, target population, sample size and sampling technique;Instrument validity and reliability;Data collection procedure;Data analysis,presentation and interpretation and finally Summary of findings and conclusions.

STATEMENT OF THE PROBLEM

In Kenya, commercial property has seen a boom that began somewhere in the mid to late 2000s as the property market responded to the demand. The commercial property sector has therefore remained as the focus of investment interest. Favourable government policies, growing number of urban population, adequate resources and unprecedented shifts have driven changes in the demand for real estate. The middle-class populations in Kenya are demanding spaces that are far more commercial. Expansions in cities are resulting in rapid expansion of commercial property projects.

There is also growth and emergence of new commercial property players and new asset managers resulting in growing competition for commercial property assets and growing competition within commercial property asset management. The wide range of financing possibilities has also massively contributed to the growing commercial property sector. The size and scale of the commercial property market makes it an attractive and lucrative sector for many investors.

The commercial property in Kenya is however faced with shrinking occupation demand and there exists disparities between expected and actual income which may be either positive or negative. This deficit is exemplified by the Vision 2030which estimates that the country requires 200,000 new units of housing but only 35,000 units have been produced to date according to Shleifern&AVishny, R (2002). That means we have a deficit of 165,000 housing units. A report from the Kenya National Bureau of Statistics (KNBS) indicates that the commercial property investment’s contribution to Kenya’s Gross Domestic Product is very significant. That the commercial property and renting business plays a crucial role in the Kenyan economy is in no doubt. According to statistical abstract 2011, the investment grew at 3.5% in year 2007 and rose to 3.8% in year 2008.The sustenance of the commercial property sector is therefore crucial for the well being of the economy.

The study location, Kerugoya town, strategically placed in Kirinyaga County has for long been the District administrative headquarters. The Kenya Population and Housing census 2009 report stated that Kirinyaga County has a population of 528,054 growing at an annual rate of 1.5%. Kerugoya town has an urban population of 17, 122 (Census, 2009).The growing urban population has resulted in demand and growth of commercial properties in the town, with properties coming up to house banks, supermarkets and businesses being built. Rural-urban migration has also been a significant factor in population growth in Kerugoya town, affecting demand for real estate particularly the commercial type. Devolution is also assisting commercial property development as it is placing the onus on county governments to improve the commercial property landscape, which has led to reduced bureaucracy and investment in infrastructure. It was upon this background that the study investigated in detail, the factors influencing the expansion of commercial real estate property in Kerugoya town,Kirinyaga county.

OBJECTIVES OF THE STUDY

The study was guided by the following objectives;

i. To assess how demographic characteristics influence expansion of commercial property in Kerugoya town.
ii. To establish how interest rates influence expansion of commercial property in Kerugoya town.
iii. To determine how market demand influences expansion of commercial property in Kerugoya town.
iv. To find out how Gross domestic product (GDP) influences expansion of commercial property in Kenya.

LITERATURE REVIEW

This section presents empirical literature based on specific factors influencing the expansion of commercial property. The study reviewed both theoretical and empirical literature based on the themes of demographic characteristics, interest rates, market demand and gross domestic product (GDP).

Demographic characteristics

Data that describes the composition of a population, such as age, race, gender, income, migration patterns and population growth is referred to as demographic data. These statistics are a significant factor that affects how commercial property is priced and what types of properties are in demand.

The world is forecast to experience huge demographic shifts over the coming years. These demographic changes have major implications for real estate, in that they drive demand and influence the type, functionality and location of real estate requirements. Changes in population size and configuration will have profound implications for economic and political power, resource distribution and aggregate demand, including the demand for real estate. According to the latest estimates from the United Nations, global population will rise from around 7 billion people in 2010 to over 10 billion at the end of the century.

Wage gains are just beginning to pick-up and may boost GDP growth above current expectations. Even with modest wage growth and tepid GDP growth, commercial property performance has benefited from job growth. Unemployment is a global problem in both developed and developing countries. When unemployment is rising, less people will be able to afford a house (Fortin, 2000). Moreover, even the fear of unemployment may discourage people from entering the property market. Kenya has a high level of unemployment, with the level of unemployment particularly among the youth continuing to soar every year (KEBS, 2011). As unemployment rises, companies do not increase their need for office space and may shed excess space adding to the vacancy and availability rates. Thus, the fundamentals of commercial property are most stressed when unemployment reaches its peak.

Rapid urbanization and demographic changes, especially within emerging markets, will lead to substantial growth in the commercial property industry according to the National Association of Realtors (2010). Shifting demographic trends and changes in consumer behaviour are also likely to create a huge demand for new and different commercial property by 2020 and beyond. Lieser & Groh (2011) assessed the factors influencing investment in commercial real estates by investors and concluded that environmental factors were key determinants. The duo concluded that among other factors influencing investment are: rapid urbanization, economic growth, and demanding demographics.

Hence major shifts in the demographics of a nation can have a large impact on commercial property trends for several decades. According to a report by PWC-Real Estate (2010), demographic shifts will affect demand for real estate fundamentally. The burgeoning middle-class urban populations in Asia, Africa and South America will need far more housing.

Meanwhile, the advanced economies' ageing populations will demand specialist types of real estate, while their requirements for family homes will moderate.

Interest rates

Rates on interbank exchanges and treasury bills have as profound an effect on the value of income-producing commercial property as on any investment vehicle. (Kochhar 2014).Moreover, the influence of interest rates on an individual's ability to purchase residential properties (by increasing or decreasing the cost of mortgage capital) is so profound that many people incorrectly assume that the only deciding factor in commercial property valuation is the mortgage rate (Christopher 2001). However, on the contrary, mortgage rates are only one interest-related factor influencing property values.

Interest rates affect the cost of monthly mortgage payments. They also affect capital flows, the supply and demand for capital and investors' required rates of return on investment. Interest rates will drive property prices in a variety of ways (Andrew, 2004). A period of high interest rates will increase cost of mortgage payments hence lower demand for property acquisition. High interest rates make renting relatively more attractive as compared to buying.

Commercial property investors fear that rising interest rates will cause property values to fall and total returns to weaken. However, historical data show that higher interest rates have not necessarily derailed commercial property total return performance. Property performance has often remained resilient in the face of rising rates. Indeed, the outlook for commercial property in a rising rate environment depends on a variety of factors specific to the current and expected economic and property market environment. However when interest rates are low, it encourages prospective buyers to enter the property market whereas when interest rates are high, consumers may be more unwilling to take out the mortgages they need in order to enter the property market. With fewer people looking to buy, the value of commercial property stagnates or declines.

Interest rates are a major factor in property cycles, and for that reason it's important for potential home buyers to keep an eye on where interest rates are and where they may be heading. In the UK, a sharp rise in interest rates caused a very steep fall in prices because homeowners could not afford the rise in interest rates. In general, stronger economies tend to have higher interest rates, with lower rates used as a way to increase investment and eliminate a financial slowdown.

On the commercial property markets, interest rates have a major impact. Changes in interest rates greatly influence a person's ability to purchase or rent property. Also, as interest rates rise, the cost to obtain a mortgage increases, thus lowering demand and prices of real estate. However, when looking at the impact of interest rates on an equity investment such as a real (REIT), rather than on residential real estate, the relationship can be thought of as similar to a bond's relationship with interest rates. When interest rates decline, the value of a bond goes up because its coupon rate becomes more desirable, and when interest rates increase, the value of bonds decrease. Similarly, when the interest rate decreases in the market, REITs' high yields become more attractive and their value goes up. When interest rates increase, the yield on an REIT becomes less attractive and it pushes their value down.

Interest rates are likely to be affected by inflation .The higher the rate of inflation, the more interest rates are likely to rise. This occurs because lenders will demand higher interest rates as compensation for the decrease in the purchasing power of the money they will be repaid in the future. (James, 2001).The most evident impact of interest rates on commercial property values can be seen in the derivation of discount or capitalization rates. The capitalization rate can be viewed as an investor's required dividend rate, while a discount rate equals an investor's total return requirements.

Market Demand

One factor that determines market demand is the population of a city or a county (population size and population growth), the more people in the economy, the greater the demand for housing. Demand is a strong determinant of commercial property pricing as well and changes just as supply does (Djankov, 2002), whenever there is a limited amount of real estate as the population grows, the supply is diminished, and housing prices go up. However when you have a large supply, prices often decline according to Knight Frank, Kenya report (1998).

According to Hassanein an Barkouky (2008), falling house prices can lead to a restriction in supply. The supply of commercial property is affected by a number of factors including: the number of new houses being built; planning restrictions on the use of land; local opposition to new home builds and profitability of building new property. The supply of commercial property is produced using available land, available labor, and inputs such as electricity and building materials (Knight Frank, Kenya report, 1998). Supply of commercial property depends on the costs of these inputs.

In accordance with (Han, 1996) the location of a property also influences its demand. Property set up in an undesirable location may not sell well compared to property in a desirable location where potential clients are in favour of. Hence, location creates demand for commercial property. However, oversupply often creates lower prices for housing. With a wide variety of property to choose from, because of an excess of property inventories, a buyer’s market ensues where available buyers pick out and choose from amongst the property sellers’ offerings, often dictating prices. The result of a buyers’ market situation is that property sellers compete with each other for the available buyers thus resulting in lower prices. A sellers’ market ensues when the buyers in the commercial property market have fewer alternatives. Here, there are few viable alternatives. The result is that builders cannot keep up with the demand and the sellers hike up the prices of the available property. With buyers chasing the available housing, the commercial property sector experiences significant growth (Kibirigr, 2006). In a boom, builders are usually keener to build more.

In addition, studies have revealed that housing demand has been stimulated by several factors including strong economic expansion (rising incomes) in this period, low interest rates on housing financing, demographic trends and the demand for second homes. Demand is also contingent upon the purchasing power of potential homeowners (Golland, 1996). If the buyers do not have the purchasing power, supply won’t be met and demand will be weaker. To gauge the purchasing power of real estate; determinants include Gross Domestic Product, inflation, jobs reports, Consumer Price Index, wage levels and disposable income.

Hence commercial property prices rise and fall based on the laws of supply and demand.However, you could have a large supply of housing and if it's also in high demand, prices might also rise. If there are high supplies of homes that are also highly desirable, this tends to attract buyers to the market willing to pay premium prices.

By the end of 2007, prices of commercial property began to slightly decrease and sales also decreased in Spain. Adjustments were made in the quantities of property rather than the prices. Following the first signs of significant adjustment, progressive reduction of prices was done. Falling prices were attributed to declining employment levels, increasing costs of capital, increase in housing and credit rationing.

The commercial property industry is therefore cyclical, it booms and busts, and rises and dips as years go by according to Geoffrey (2011). Commercial property expansion is characterized by new construction activity which is a good way to measure the state of affairs in the commercial property industry. Cycles of commercial property are defined by major fluctuations of economic variables across various markets according to Goetzman and Rouwenhorst (1999). Hence, the housing market is affected by a mix of global and local economic factors.

Gross Domestic Product

One of the most important primary indicators used to gauge the health of a region's economy is the Gross Domestic Product (GDP). It represents the total dollar value of all goods and services produced over a specific period of time. (Wikipedia, 2016) Measuring GDP is complex, but it can be measured in two ways: The Income Approach which is adding up what everyone earned in that region and the Expenditure Approach which is adding up what everyone spent in that region.

Income is a major determinant of demand for housing. With higher economic growth and rising incomes people will be able to spend more on houses; this will increase demand and push up prices. Demand for housing is often noted to be income elastic. Also, rising incomes lead to a bigger percentage of income being spent on houses. Similarly falling incomes will mean people cannot afford to buy or rent much and those who lose jobs in recessions fall behind in their mortgage payments.

Commercial property investment is such a large part of GDP, that some believe significant changes in the housing market can affect the trajectory of our economy as a whole. For instance, during the Great Recession, the housing bubble nearly collapsed the entire financial system. However, that situation was the exception, rather than the rule. Nevertheless, under normal conditions, the relative strength or weakness of our overall economy is what charts the course for housing. In a vibrant economy, jobs are plentiful and the personal mobility/income that results is translated into strong numbers for home sales.

The regional price of commercial property can be greatly increased by a rise in GDP. A large expenditure in a specific region which can typically be best exemplified with a large infrastructural project promotes employment in that region (construction is the only part of commercial property that is measured by GDP). As jobs are filled, the vacancy rate decreases as people move to that region. Rental rates increase, which makes a mortgage payment seem more affordable. The demand to own a property increases. The regional price of commercial property increases as a result and the regional GDP dramatically increases as a result of all the above factors.

Real estate plays a major role in the economy in the United States.Commercial property which includes apartment buildings creates spaces for jobs in retail, offices and manufacturing. It affects many other areas of economic well-being that are not measured as well. For example, a decline in commercial property sales eventually leads to a decline in commercial property prices. That lowers the value of all homes, whether owners are actively selling it or not.In this region, the performance for commercial property in 2014 was weaker than many expected. According to economists, the principal issue that contributed to this was the fact that the Maryland economy tanked in 2013, in as much as there were a number of dynamics that contributed to this weakness. In the same region between 1993 and 2007, there was a strong increase in house price. This was due to a combination of low unemployment, high growth and low interest rates. However, between 2007 and 2009 house prices fell. This was attributed to: Credit crunch and a decline in bank lending; house prices became over-valued in boom years meaning few first time buyers could now afford and the recession and rise in unemployment discouraged many from buying.

Huang and Ma (2015), while studying the influence of real estate investment and economic growth in China, established that effect of real estate investment on economic growth was huge and exceeded that of economic growth on real estate investment. News about real GDP does influence stock markets according to Birz and Lott (2010). For commercial property markets, there is not necessarily a strong relationship (Bouchouicha and Ftiti, 2012). Unanticipated changes actually also do affect the securitized commercial property market. Increased real output should result in higher innovation pace and industrial production (Ewing and Payne 2003). Companies can take advantage of a growing economy and increase revenues without considerably affecting the internal competition balance of the business sector (Koller et al, 2010; and Porter, 1980). When the private and corporate income levels increase, it can also stimulate domestic demand for residential properties and office space. Countries such as Sweden and Switzerland have confronted the financial crisis with good economic conditions and therefore had a solid economic foundation to attract foreign investments. This increases the demand for commercial property and the relative value of commercial property securities mutually.

METHODOLOGY

Study Design

This study adopted a descriptive survey design. This design was appropriate since the researcher aimed at collecting data on conditions that already exist or ongoing. Descriptive research studies are designed to obtain pertinent and precise information concerning the current status of a phenomenon and wherever possible to draw a valid general conclusion from the facts discovered (Gay, 1992; Kombo and Tromp, 2006).The study used different sources of information from: Ministry of planning and devolution; Department of statistics and other relevant government departments; Questionnaires and interview schedule, all of which yielded the necessary information for the success of this study.

Target Population

The target population for this study was 112 comprising of 42 investors/developers, 30 financial consultants, 10 government departments and 30 property consultants who are the main stakeholders in Kerugoya town.

Sample Size and Sampling Technique

For this study, simple random sampling method was used. The sample size was obtained by using the Yamane formula, (Yamane 1967) a simplified formula for calculating small sample sizes. This formula was used to calculate the sample size assuming a 95% confidence level and P = 0.05 whereby:

$$n = \frac{\mathbf{N}}{\mathbf{1 + N(e)^2}}$$

Where n is the sample size, N is the population size, and e is the level of precision resulting in a sample size of 88.

Instrument Validity

To enhance the validity of the questionnaires, a pre-test (pilot study) was conducted on five respondents working in the county government of Kirinyaga because this had the same characteristics as the target population. This pilot group was selected through random sampling. The main reason for conducting the pilot study was to ascertain the validity of the questionnaire and interview schedules. The study used both face and content validity to ascertain the validity of the questionnaires and interview schedules. This was necessitated by the need to assess the clarity of the instrument items so that those that failed to measure the variables they were intended to were modified or discarded completely and new items added.

Reliability of the Research instruments

According to (Copper and Schindler 2010) reliability refers to the accuracy and precision of a measurement procedure. It is used to measure the degree to which a research instrument gives consistent results. To enhance reliability of the instruments a pilot study was conducted on five respondents. The aim was to assess the clarity of the questionnaire items.Cronbach Alpha was used to test the reliability of the research instrument and yielded a reliability coefficient of 0.8.The acceptable

Reliability coefficient is 0.8 and above, (Rousson, Gasser &Seifer, 2012) though in general, a reliability coefficient of 0.7 is also considered acceptable.

Data collection Procedure

The administration of study data collection instruments was done both at the pilot and the main study. A letter of introduction from the University of Nairobi was issued. The heads of the relevant government departments, financial institutions, property consultants and contracting firms were contacted. This was followed by a visit for the administration of the questionnaires. During the data gathering exercise, respondents were assured of confidentiality, that the responses could be used only for academic purposes. This was essential in order to create a rapport with the respondents and to gain their acceptance and trust. To gain full co-operation from the respondents, the study explained the significance of the study and their participation. The study allowed some respondent's time to fill the questionnaires. Hence arrangements were made for a second visit to collect questionnaires that were not collected the same day. Interview schedules were administered the same day.

Data analysis, presentation and interpretation

Table 1.1 Influence of social/demographic characteristics on expansion of commercial property

Age years	Frequency	Percentage
18-25	8	10
26-30	16	20
31-35	20	24
36-40	19	23
41-45	12	15
46 above	7	8
Total	**82**	**100**
Gender		
Male	52	63
Female	30	37
Total	**82**	**100**

Results showed that the majority of respondents were in the age brackets of 31-35 years 20(24%), 36-40 years 19(23%), 26-30 years 16 (20%),41-45 years 12(15%),18-25 years 8(10%) and 46 years and above had 7(8%).This implies there was a significant difference among respondents in the age distribution since expected uniform distribution across age groups was not achieved in each age bracket. This meant that majority of the respondents were mature middle age people. This was an indication that the respondents had varied age distribution and therefore gave different views on the factors influencing expansion of commercial property in Kenya: a case of Kerugoya town, Kirinyaga County.The study also sought to find out the gender distribution among the key respondents. The respondents were asked to indicate their gender, this was done in order to assess if gender had any influence on expansion of commercial property in Kenya: a case of Kerugoya town, Kirinyaga County.Based on the analysis, majority of the respondents were males 52(63%) while the rest were females 30(37%). The results illustrated that there was a significant ($p<0.05$) variation in the gender distribution among the respondents since the expected 50% was not attained because the number of males was more than that of females who participated in the study. Therefore, gender equity among the respondents who participated in this study was not achieved. This could also point out that more males are involved in the commercial property industry than women in Kirinyaga County.

The study further sought to establish what age group presents the larger market for commercial property and this was to be determined by the numbers in each age group. The findings are as presented in the table below:

Table 1.2 Age Group which presents the larger market for commercial property

Category	Frequency	Mean	Percentage
Below 30 yrs	5	0.06	6.09
Btw 30-40 yrs	10	0.12	12.19
Btw 40-50 yrs	28	0.34	34.14
Btw 50-60 yrs	32	0.39	39.02
Above 60 yrs	7	0.08	8.53
Total	82		100

From the table, the research found out that the age group which presents the larger market for commercial property in Kerugoya town was between the age of 50-60 years 32(39.02%),followed by 40-50 years 28(34.14%);30-40 years 10(12.19%); below the age of 30 years and above 60years was 5(6.09%) and 7(8.53%) respectively. The age group which has larger market of commercial property is a significant factor as it affects how commercial property is priced and what types of properties are in demand.

Table 1.3 Influence of Interest rates on expansion of commercial property

Interest Rate	SA			A			N/A/D			SD		
Frequency(f) and Percentage (p)	F	M	%	F	M	P%	F		P %	F	M	P%
Low interest rates boost commercial property growth	49	0.59	59.75	21	0.26	25.60	2	0.02	2.43	10	0.12	12.19
Increased credit to private sector boost commercial property growth	72	0.87	87.80	10	0.12	12.19	0	0	0	0	0	0
Stable macroeconomic environment boosts commercial property growth	80	0.97	97.56	2	0.02	2.43	0	0	0	0	0	0

SA=Strongly Agree A=Agree N/A/D=Neither Agree/Disagree SD=Strongly Disagree.

Based on the table above, the findings are explained systematically according to each of the components embodied in interest rate:

Based on the findings shown in the table, 49(59.75%) strongly agreed low interest rates boosts commercial property growth, 21(25.60%) agreed, 2(2.43%) neither agreed nor disagree while 10(12.19%) strongly disagreed. From the findings, majority of the respondents strongly agreed that low interest rates boosts commercial property growth which implies that interest rates, especially the rates on interbank exchanges and Treasury bills, have as profound an effect on the value of income-producing commercial property as on any investment vehicle. According to the findings shown in table, majority of the respondents 72(87.80%) strongly agreed that increased credit to private sector boosts expansion of commercial property while 10(12.19%) agreed. This implies that the major option to increase growth of commercial property is to overcome the income/ capital constraint through increased credit provision to private sector so as to boost commercial property growth. The finding also implies that institutions which provide credit facilities play a pivotal role in the survival and expansion of commercial properties in Kenya. From the findings outlined in the table, majority of the respondents 80(97.56%) strongly agreed that a stable macroeconomic environment boosts commercial property growth while 2(2.43%) agreed. This implies that when the country's macroeconomic environment is stable in terms of: low inflation and unemployment, political stability etc., this will influence positively expansion of commercial property. Hence interest rates influence commercial properties in Kenya and its counties.

Table 1.4 Influence of market demand on expansion of commercial property.

Market Demand		**High**			**Low**	
Frequency (f) and Percentage (p)	F	M	%	F	M	P%
How is the market Demand for Commercial property in Kerugoya?	77	0.93	93.9	5	0.06	6.09
How is the Population growth in Kerugoya?	81	0.98	98.78	1	0.02	1.22
How are property prices in Kerugoya compared to other towns?	69	0.84	84.14	13	0.16	15.82

On the question about how is the market Demand for Commercial property in Kerugoya, 77(93.9%) of the respondents stated the market demand was high while 5(6.09%) indicated it was low. This implies that the market demand for commercial property in Kerugoya town is high and therefore there is a large market for real estate and commercial property developers to invest in that county. Based on the findings on how is the Population growth in Kerugoya, majority of the respondents 81(98.78%) indicated that it was high while 1(1.22%) indicated it was low. This shows that the population growth in Kerugoya has been on the increase which is instrumental to expansion of commercial properties as the increase in population increases demand for housing and increase in prices. On the question about how are property prices in Kerugoya compared to other towns, the response was as follows; 69(84.14%) majority of the respondents indicated that property prices in Kerugoya are high compared to other towns while 13(15.82%) indicated it was low. This indicates that there is high demand for commercial property in Kerugoya town and by assumption a corresponding rate of employment in the town. If supply of something like housing is limited, prices for that housing often increase. However, you could have a large supply of housing and if it's also in high demand prices might also rise. High supplies of homes that are highly desirable also tend to attract buyers to the market willing to pay premium prices.According to the findings in the table,70(85.36%) of the respondents agreed that market demand influences expansion of commercial property in Kenya while 12(14.63%) respondents disagreed. Based on the findings, this clearly shows that market demand influences expansion of commercial property in Kenya.

Table 1.5 Influence of Gross Domestic Product on expansion of commercial property

Gross Domestic Product	SA			A			N/A/D			SD		
Frequency (f) and Percentage (p)	F	M	%	F	M	P%	F		P%	F	M	P%
Income and wage growth have a great influence on expansion of commercial property in Kenya	77	0.93	93.90	5	0.07	6.097	0	0	0	0	0	0
Global economic growth has had a great influence on expansion of commercial property in Kenya	80	0.97	97.56	2	0.03	2.43	0	0	0	0	0	0
Terrorism and insecurity have had a great influence on expansion of commercial property	32	0.39	39.02	50	0.61	60.98	0	0	0	0	0	0
Construction costs have a great influence on expansion of commercial property in Kenya	81	0.99	98.78	1	0.01	1.22	0	0	0	0	0	0
Land costs have a great influence on expansion of commercial property in Kenya	82	1	100	0	0	0	0	0	0	0	0	0

Based on the findings, 77(93.90%) strongly agreed that income and wage growth have an influence on expansion of commercial property in Kenya, and 5(6.097%) agreed. There was no response on respondents who neither disagreed nor agreed and strongly disagreed. This means that income and wage growth have a great influence on expansion of commercial property and based on the findings, income is a major determinant of demand for housing. With higher economic growth and rising incomes people will be able to spend more on houses, i.e. a bigger percentage of income will be spent on houses. Similarly falling incomes will mean people cannot afford to buy or rent much and those who lose jobs in recessions fall behind in their mortgage payments. According to the findings, majority of the respondents 80(97.56%) strongly agreed that global economic growth has a significant influence on expansion of commercial property, 2(2.43%) agreed while there was no response on respondents who neither disagreed nor agreed and strongly disagreed. This implies that when there is global economic growth there is also growth in the country's commercial property industry which plays a very key role in our economy.On security, the respondents gave different views; 32(39.02%) of respondents strongly agreed that terrorism and insecurity influence expansion of commercial property in Kenya and 50(60.98%) agreed. This implies that when a particular county or country experiences terror attacks or insecurity, that hinders commercial property investors and developers from investing in that particular area hence it influences negatively expansion of commercial property. From the results, 81(98.78%) of respondents strongly agreed that construction costs have a great influence on expansion of commercial property in Kenya while 1(1.22%) agreed. This implies that when construction cost is low in terms of materials and labor this will encourage most investors to start building hence influencing expansion of commercial property in Kenya. Results from the table indicate that 82(100%) participants strongly agreed that land costs have a great influence on expansion of commercial property. High cost of land tends to discourage investment as it increases the overall cost of development which puts off potential investors. When the cost of land is affordable it attracts investment particularly in the commercial sector. Such investments create employment in that region and as jobs are filled, the vacancy rate for commercial spaces decreases. Rental rates increase, which makes a mortgage payment seem more affordable. The demand to own a property also increases.

I. SUMMARY OF FINDINGS AND CONCLUSIONS

Results showed that majority of respondents were mature, middle aged i.e. from 31-35 years and 36-40 years respectively. The varied age distribution was able to yield different views on the factors influencing expansion of commercial property in Kenya: a case of Kerugoya town, Kirinyaga County.The age group which presents the larger market for commercial property in Kerugoya town was between the ages of 50-60 years. The age group which has larger market of commercial property is a significant factor as it affects how commercial property is priced and what types of properties are in demand.

Results also showed that the majority of respondents agreed that urbanization migration from rural areas to cities has led to expansion of commercial property in Kenya. Based on the findings, the implication is that the large number of people migrating from the rural areas to cities probably looking for jobs or working in the cities has led to growth in the commercial property sector in Kerugoya because of population growth in the towns.

Majority of the respondents strongly agreed that increased credit to private sector boosts expansion of commercial property. This implies that the major option to increase growth of commercial property is to overcome the income/ capital constraint through increased credit provision to private sector so as to boost commercial property growth. The finding also implies that institutions which provide credit facilities play a pivotal role in the survival and expansion of commercial properties in Kenya. From the findings, majority of the respondents strongly agreed that a stable macroeconomic environment boosts commercial property growth. This implies that when the country’s macroeconomic environment is stable in terms of: low inflation and unemployment, political stability, etc., this will influence positively expansion of commercial property. Hence interest rates influence commercial properties in Kenya and its counties.

Market demand for commercial property in Kerugoya town is high according to majority of respondents who stated that market demand in Kerugoya is high hence there is a big market for real estate and commercial property developers to invest in that county. They also indicated that the population growth in the town is high. This shows that population growth in Kerugoya has been on the increase and this has led to expansion of commercial properties. The implication is that an increase in population increases the demand for housing and increase in prices. Demand creates a supply increase which affects the price of a property.

In Gross Domestic Product, of which commercial real estate is such a large part of, it is believed that significant changes in its market can affect the trajectory of our economy as a whole. Income is a major determinant of demand for housing. With higher economic growth and rising incomes people will be able to spend more on houses; this will increase demand and push up prices. Demand for housing is often noted to be income elastic. Also, rising incomes lead to a bigger percentage of income being spent on houses. The results showed that majority strongly agreed that income and wage growth had an influence on expansion of commercial property in Kenya and that the commercial property sector in Kerugoya town is a major source of employment. This means that income and wage growth have a great influence on expansion of commercial property. With higher economic growth and rising incomes people will be able to spend more on houses. Similarly falling incomes will mean people cannot afford to buy or rent much and those who lose jobs in recessions fall behind in their mortgage payments. Therefore GDP has a great influence on expansion of commercial property in Kenya.

The study that was carried out to investigate the factors influencing the expansion of commercial property in Kerugoya town, Kirinyaga County revealed that; Demographic characteristics, market demand, interest rates and GDP were the major determinants of commercial property investment in Kerugoyatown.GDP growth contributed the most to the growth in commercial property, followed by market demand, demographic characteristics then interest rates. The study indicated that shifts in these factors had a statistically significant influence on investment of commercial property and positively related to expansion of commercial property in Kerugoya town. Despite that, policy measures geared toward improving the economic growth and curbing rising inflation rates and interest rates should be undertaken in order to increase the investment levels.

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