

Up and still rising

The construction industry records rapid growth, offering opportunities and challenges

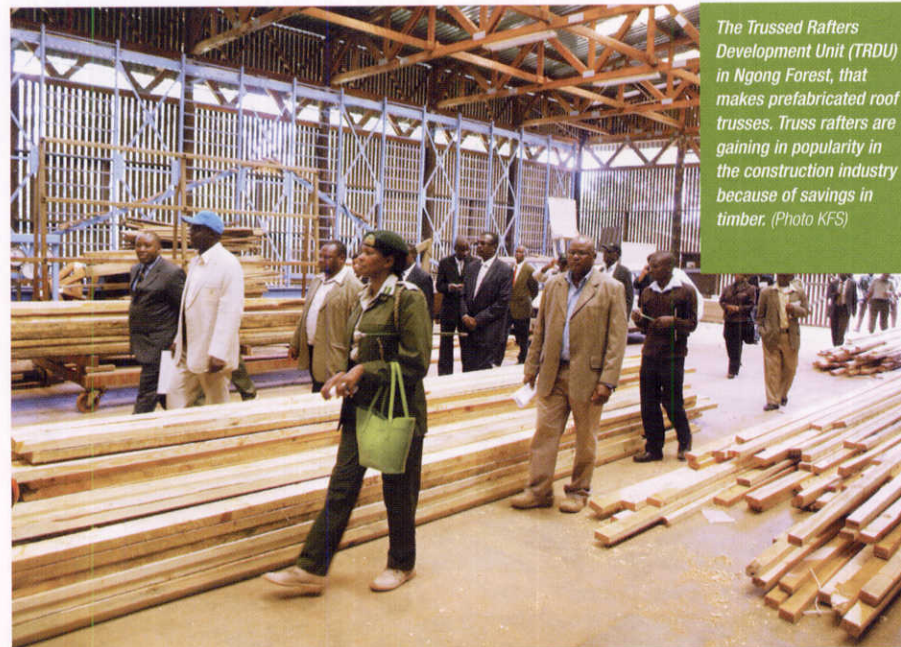
By Linus Wekesa

Like the proverbial cat, the Kenyan economy can be said to have nine lives. While most economies, especially in the developed world, have been reeling under the weight of depression, the local economy has recorded encouraging growth. The construction industry has displayed the most visible evidence of rapid growth, with a notable increase in the number of buildings constructed.

This could be a deliberate attempt to meet infrastructural demands for the burgeoning population, especially in urban areas, against a background of improved macro-economic performance and governance. At the same time, the increased demand on housing has been attributed to explosive population growth and a rising middle class.

Statistics from the Kenya National Bureau of Statistics presented in the Statistical Abstract (2010) show that the number of new buildings constructed in major urban centres has increased by about 150 per cent over the past seven years from only 1,178 units completed in 2003 to a mammoth 2,936 units completed in 2009 (Figure 1). The slack in the number of units completed only occurred in 2008 and this could be due to the post-election violence that occurred at the time.

In 2009, construction came only second to tourism in terms of growth. By mid 2010, construction was the fastest growing sector and contributed 11.0 per cent of gross domestic



The Trussed Rafters Development Unit (TRDU) in Ngong Forest, that makes prefabricated roof trusses. Truss rafters are gaining in popularity in the construction industry because of savings in timber. (Photo KFS)

product. The growth in the construction industry has led to an increase in, among other areas, the demand for timber in the country. In construction, wood is used as either round or sawn timber. Round timber is generally considered stronger than sawn timber of the same section area, since the fibres in round timber are intact. Sawn timber would comprise the building boards that include plywood and various types of boards, as well as block boards and lamin boards. Other building materials are woodwool slabs and shingles.

Timber is used in virtually all components

of a house from the floor to the roof, whether it is in conventional building or prefabrication construction. It is estimated that timber contributes about 10 per cent of the total cost of a house. Thus, substantial quantities of timber are utilised in the increasing number of houses being erected.

Estimates by the Kenya Forests Working Group show that timber demand stands at 38 million cubic meters annually. This domestic demand for timber from the construction industry has outweighed the existing forestry resources in the country.

The shortfalls in timber are made from imports from other countries in the region, whereby Kenya spends more than Ksh 3 billion (US\$ 37.5 million) annually importing timber. Since the imposition of a logging ban by the government in March 2000, most supplies have been sourced from farms in the country and imports from Tanzania, Malawi, the Democratic Republic of Congo and even Angola's Cabinda area. However, the supplies from farms and Tanzania have dwindled, forcing the country to source its timber from the equatorial rainforest.

Getting hardwoods like mahogany is not difficult because the long-haul trucks going to the DRC and Uganda usually come back with the wood. However, the demand for soft wood is on

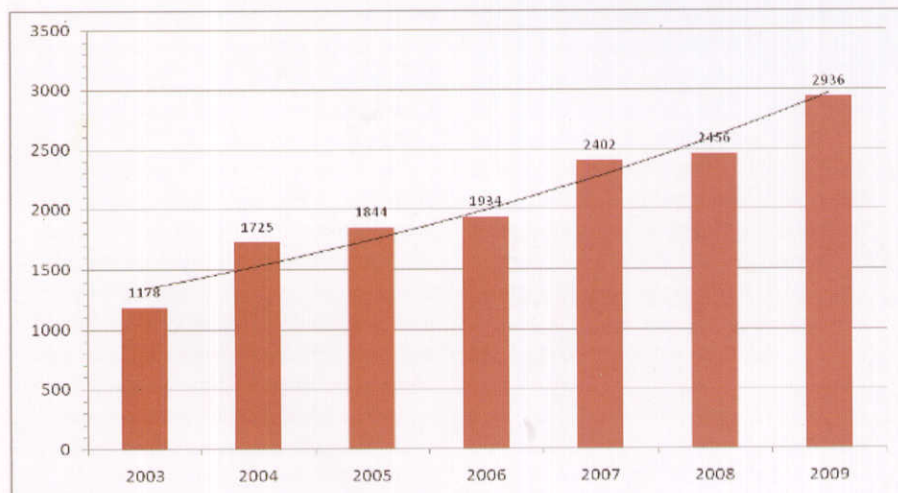


Figure 1: Number of new buildings completed in major towns in Kenya from 2003 – 2009



Block board made in Kenya. It finds ready applications in housing construction, e.g. for in-built cupboards. (Photo KFS)

the rise, making their prices to surpass the revered hardwoods. One foot of 8" by 2" softwood timber sells at Ksh 140 while the same size of mahogany is Ksh 130 and glue gum, another hardwood, is Ksh 90.

Although the logging ban resulted in the loss of jobs by thousands of Kenyans working in sawmills, the demand for timber has presented new business opportunities, resulting in the escalation of timber yards, especially in urban centres. For example, Nairobi has witnessed an increase in the number of timber yards, especially in Eastlands and the outskirts like Ongata Rongai and Mlolongo. This is offering an impetus to the entrepreneurship development spirit in the housing and construction industries, with concomitant increases in job opportunities for the Kenyan masses. The key beneficiaries are the timber yard merchants, workers and transporters.

Despite the entrepreneurial opportunities and the fact that investment in timber by micro-entrepreneurs is quite profitable, owning kilns and other facilities for timber processing is rare. In fact, timber importation is a heavy investment venture, excluding such micro-entrepreneurs in the direct importing process of timber. A single timber consignment can cost a trader up to Ksh 1 million to bring in. Raising such capital is a big challenge to micro-entrepreneurs, leaving it for big timber companies like Timsales.

In some cases, small-scale entrepreneurs have been putting their resources together to import timber. There is therefore a need for special strategies to encourage micro-entrepreneurs to take up the vast timber business opportunities arising from the construction boom in the country.

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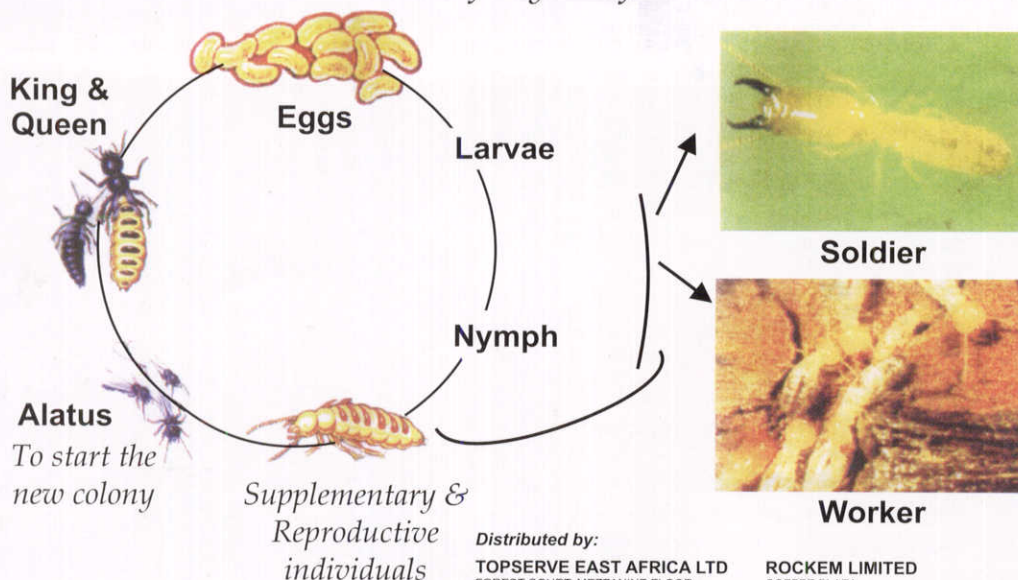
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