

ABSTRACT

The last decade has seen phenomenal investments in real estate. According to a report by Wisconsin School of Business in 2016, Association of Foreign Investors in Real Estate (AFIRE) with an estimated \$2 trillion or more in real estate assets under management globally, reported intention to increase their investment in US. Real estate investment contributed 9% of Kenya's GDP in 2016. In Kisumu City, real estate investors have a total per annum return of 13.3%, with an income yield of 4.8% and annual capital appreciation of 8.5% which is considered as low. However, despite many studies on the subject of investment, none covers how financial and non-financial factor appraisal contributes to choice of investment. They also do not investigate other areas of investment by the real estate investors. Therefore, choice and extent of investments by real estate investors, the contribution of non-financial appraisal factors and the contribution of financial appraisal factors, in choice of investments by real estate investors in Kisumu City, are unknown. The general objective was to establish contribution of investment appraisal factors in investment choices by real estate investors in Kisumu. Specifically the study sought to establish choice and extent of investments by real estate investors, establish contribution of non-financial appraisal factors in choice of investments by real estate investors and establish contribution of financial appraisal factors in choice of investments by real estate investors in Kisumu. The study was anchored on Rational Choice Theory and adopted a descriptive research design. The target population was all 9900 real estate investors in Kisumu. Sample size was 385, obtained using stratified sampling technique. Primary and secondary data were obtained using semi-structured questionnaire. Reliability test at Cronbach's Alpha threshold of 0.7 was done using pilot test results obtained from a survey of 10 investors and yielded coefficient of above 0.701 implying internal consistency. Face, Construct and Content validity test were done using expert reviewers. Data analysis was done using descriptive statistics. The findings are that the choice and extent of investments' overall mean response score for all the investments was 3.000, coded as moderate meaning that the extent of investment is moderately practiced by real estate investors in Kisumu. The highly rated non-financial appraisal factors were operational benefits (Mean = 4.000, Std. Dev = 1.37), risks (Mean = 4.00, Std. Dev = .533), public image (Mean = 4.00, Std. Dev = .840), and power and prestige (Mean = 4.00, Std. dev = .614), payback period (Mean = 4.000, Std. Dev = 1.29) and capital outlay invested (Mean = 4.00, Std. dev = 1.32), meaning that they were highly considered and highly rated in terms of financial appraisal factors by investors, The study concludes that choice and extent of investment is moderately practiced; contribution of non-financial appraisal factors and financial appraisal factors in choice of investments by real estate investors is moderate. The study is expected to benefit prospective investors in making future investment choices, government in formulating investment policy and researchers in conducting further research.