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Effect of Property Market Liquidity on Real Estate Investment Performance in Nairobi County, Kenya

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Abstract

This study examined the effect of property market liquidity on real estate investment performance in Nairobi County, Kenya. The study adopted a pragmatic research philosophy using an embedded mixed-methods research design. The target population comprised 129 real estate investment firms operating in Nairobi County. Quantitative data were collected from 215 respondents using structured questionnaires, while qualitative insights were obtained from key informants through interviews. Descriptive statistics, correlation analysis, and linear regression were used to analyze quantitative data, whereas qualitative data were analyzed using content analysis. The findings revealed that respondents perceived Nairobi's property market to exhibit favorable liquidity conditions characterized by stable property prices (M = 4.03), accessible financing (M = 4.02), and active property turnover (M = 3.95). Real estate investment performance was also rated positively, with transaction volume (M = 4.01), capital appreciation (M = 4.01), and rental yields (M = 4.00) indicating strong market performance. Correlation analysis established a strong positive and significant relationship between property market liquidity and real estate investment performance ($r = 0.703$, $p < 0.001$). Regression results further showed that property market liquidity significantly predicts real estate investment performance ($\beta = 1.267$, $p < 0.001$), explaining 49.4% of the variation in performance ($R^2 = 0.494$). The study concludes that property market liquidity significantly enhances real estate investment performance by promoting transaction efficiency, improving access to financing, and facilitating capital appreciation and rental income growth.

Keywords: Property market liquidity, real estate investment performance, rental yields, capital appreciation, transaction volume, Nairobi County, Kenya.

Introduction

Property market liquidity has emerged as a critical determinant of real estate investment performance due to its influence on transaction efficiency, pricing behavior, and investment risk. Liquidity refers to the ease with which property assets can be bought or sold without causing significant changes in market prices (van Dijk, 2024). Unlike financial assets that are traded continuously, real estate assets are characterized by high transaction costs, information asymmetries, and relatively long transaction periods, making liquidity an important consideration for investors seeking to optimize returns and manage risk (Jiang et al., 2024). In both developed and emerging property markets, highly liquid markets are associated with greater transaction activity, improved price discovery, and enhanced investor confidence, all of which contribute to superior investment performance (Downs et al., 2025). In the context of

Nairobi County, property market liquidity reflects the responsiveness and accessibility of the real estate market to investors, developers, and buyers. It can be assessed through indicators such as construction price volatility, access to financing, and property turnover rates. Construction price volatility influences liquidity by affecting development costs and market predictability. Significant fluctuations in the cost of building materials and labor increase uncertainty, delay project completion, and reduce investors' willingness to transact, thereby constraining market activity (Soyeh & Wiley, 2019). Conversely, stable construction costs promote market confidence and facilitate smoother property transactions.

Access to financing constitutes another important dimension of market liquidity. The availability of mortgage financing, development loans, and other credit facilities enhances purchasing power and stimulates transaction activity. Well-developed financing systems lower barriers to property acquisition, increase the pool of potential buyers, and facilitate faster market turnover (Rhy, Park, & Ko, 2021). In contrast, restrictive lending conditions and high borrowing costs limit market participation, reduce transaction volumes, and constrain investment growth. This relationship is reinforced by evidence showing that investors are more willing to leverage property assets in highly liquid markets where the ease of converting assets into cash reduces perceived risk and financing costs (Downs et al., 2025).

Property turnover rate is a direct indicator of market liquidity because it reflects the frequency with which properties change ownership. High turnover rates indicate strong demand, active market participation, and efficient matching of buyers and sellers, enabling investors to dispose of assets quickly and at favorable prices (Beckmann et al., 2020). Conversely, low turnover rates signal market stagnation, prolonged holding periods, and reduced pricing efficiency. Studies have shown that markets characterized by rapid transaction turnover generally experience higher returns and lower risk premiums due to improved liquidity conditions (Jiang et al., 2024).

The relationship between property market liquidity and investment performance has been widely documented in the literature. Empirical evidence indicates that highly liquid property markets tend to generate stronger rental yields, higher capital appreciation, and improved transaction performance compared to less liquid markets (Ojo et al., 2022; van Dijk et al., 2022). For example, Ojo et al. (2022) found that commercial properties with higher liquidity consistently outperformed residential properties due to shorter transaction periods and stronger investor demand. Similarly, Jiang et al. (2024) observed that residential markets with higher transaction turnover and better information transparency achieved superior returns and lower risk premiums. Research further suggests that liquidity influences not only individual property transactions but also broader investment vehicles such as Real Estate Investment Trusts (REITs), highlighting its significance in overall market performance (Downs & Zhu, 2022).

Recent studies have also emphasized the role of liquidity risk in determining real estate investment outcomes. Park et al. (2025) demonstrate that housing market returns are sensitive to systematic liquidity conditions, implying that investors must account for liquidity risk when making investment decisions. Likewise, Cajias et al. (2020) found that markets with lower liquidity experienced greater price volatility and weaker investment performance. Within the Kenyan context, Amoo et al. (2025) established that effective liquidity risk management practices significantly improve the performance of housing construction projects, underscoring the importance of liquidity in enhancing both operational efficiency and investment returns. These findings suggest that property market liquidity remains a fundamental driver of real estate investment performance and warrants further investigation within Nairobi County's rapidly evolving property market.

Literature Review

Property market liquidity has received considerable attention in real estate literature because of its influence on asset pricing, risk exposure, and investment performance. Unlike financial securities, real estate assets are characterized by heterogeneity, immobility, high transaction costs, and significant information asymmetries, making liquidity both location-specific and time-varying (Geltner et al., 2018). Consequently, liquidity is increasingly viewed as a critical component of real estate investment performance, influencing investors' ability to enter and exit markets efficiently while preserving asset value. Although scholars generally agree that liquidity enhances investment attractiveness, there is less consensus regarding the magnitude and stability of its effects across different market contexts.

Existing literature conceptualizes property market liquidity through indicators such as transaction frequency, time-on-market, price volatility, and financing accessibility (Fisher et al., 2007). Studies conducted in developed markets consistently report a positive relationship between liquidity and investment performance. For example, Van Dijk et al. (2022) found that both supply-side and demand-side liquidity significantly improve commercial property performance by facilitating efficient price discovery and reducing market volatility. Similarly, Jiang et al. (2024) observed that residential markets characterized by shorter transaction periods and higher turnover rates generated superior risk-adjusted returns. These findings support the argument that liquidity enhances market efficiency and enables investors to realize expected returns more quickly. However, most of these studies are based on mature property markets characterized by high transparency, efficient information systems, and sophisticated financing structures, conditions that may not exist in emerging markets.

The relationship between liquidity and performance is further explained through liquidity premium theory, which suggests that investors are willing to accept lower returns for assets that can be converted into cash quickly and at minimal cost (Amihud & Mendelson, 1986; Lin & Chang, 2021). While this perspective implies a positive relationship between liquidity and asset values, some scholars argue that excessive liquidity may produce unintended consequences. Banti and Phylaktis (2019) found that abundant liquidity driven by speculative capital inflows can inflate asset prices beyond fundamental values, increasing market volatility and correction risk. Similarly, Chien and Liu (2023) established that global liquidity shocks can amplify housing market fluctuations, particularly in developing economies where regulatory controls and market depth are relatively weak. These findings suggest that liquidity may not always enhance performance; under certain conditions, it can contribute to asset mispricing and market instability.

Empirical evidence regarding the relationship between financing accessibility and investment performance also remains mixed. Studies such as Downs et al. (2025) demonstrate that liquid markets attract greater leverage because investors perceive lower default and exit risks, resulting in improved yield performance. Conversely, Oikarinen (2018) argues that excessive credit expansion can contribute to speculative bubbles, exposing investors to substantial losses during market corrections. This contradiction suggests that financing accessibility may simultaneously promote liquidity and increase systemic risk, implying that the effect of liquidity on performance is likely contingent on broader market conditions and regulatory oversight.

Research examining property turnover rates similarly presents divergent conclusions. While Beckmann et al. (2020) and Jiang et al. (2024) report that high turnover rates are associated with stronger investor confidence and superior returns, other studies indicate that elevated

turnover may reflect speculative trading rather than underlying market strength. In rapidly appreciating markets, frequent transactions can signal short-term speculative activity that inflates prices without corresponding improvements in rental fundamentals, thereby weakening long-term investment sustainability (Banti & Phylaktis, 2019). This raises questions about whether turnover should always be interpreted as a positive indicator of market liquidity and investment performance.

The role of price volatility in shaping liquidity-performance relationships has also generated mixed findings. Conventional literature argues that high construction and property price volatility increase uncertainty, discourage transactions, and reduce market liquidity (Soyeh & Wiley, 2019). Nevertheless, some studies suggest that moderate volatility may attract speculative investors seeking arbitrage opportunities and capital gains, thereby increasing transaction activity in the short run (Chien & Liu, 2023). This inconsistency indicates that volatility may exert both positive and negative effects on investment performance depending on investor expectations, market maturity, and economic conditions.

Within emerging economies, evidence remains relatively limited and fragmented. Studies conducted in African markets largely focus on financing constraints, housing affordability, and market development rather than liquidity as a multidimensional construct. In Kenya, available studies emphasize the role of mortgage financing, capital mobilization, and property development in influencing investment outcomes (Asgodom, 2019). However, few studies have empirically examined how construction price volatility, access to financing, and property turnover rates jointly influence real estate investment performance. Moreover, most existing studies focus on property prices or housing demand rather than broader measures of investment performance such as rental yields, capital appreciation, and transaction volumes.

Therefore, despite substantial international evidence linking liquidity to real estate investment outcomes, important contextual and methodological gaps remain. Existing studies provide inconsistent findings regarding the effects of liquidity-related factors such as financing accessibility, turnover rates, and price volatility on investment performance. Furthermore, empirical evidence from Nairobi County remains limited, despite its position as Kenya's largest and most dynamic real estate market. This study addresses these gaps by conceptualizing property market liquidity as a multidimensional construct comprising construction price volatility, access to financing, and property turnover rates, and examining its effect on real estate investment performance measured through rental yields, capital appreciation, and transaction volumes in Nairobi County, Kenya.

Methodology

This study adopted a pragmatic research philosophy and an embedded mixed-methods research design, integrating both quantitative and qualitative approaches, with the quantitative strand being dominant. The target population comprised 129 real estate investment firms in Nairobi County, from which a sample of 247 respondents was selected using stratified random sampling, alongside 30 purposively selected key informants for qualitative insights. Data were collected using structured questionnaires (quantitative) and face-to-face interviews (qualitative), with instruments tested through a pilot study to ensure validity and reliability (Cronbach's alpha ≥ 0.7). Quantitative data were analyzed using descriptive and inferential statistics, including correlation and linear regression analysis while qualitative data was analyzed using content analysis. Ethical considerations, including informed consent, confidentiality and research approvals, were strictly observed throughout the study.

Results

Descriptive Analysis

The study sample comprised a fairly balanced gender distribution, with 53% male and 47% female participants, suggesting inclusivity and gender diversity within Nairobi's real estate investment workforce. In terms of educational background, a majority of respondents (48.3%) held an undergraduate degree, followed by 27% with a master's degree and 24.7% with a diploma. This indicates that most professionals in the sector possess at least tertiary-level education, reflecting a reasonably well-educated workforce capable of engaging with technical financial and investment matters. Regarding job positions, the highest proportion were property valuation experts (23.7%), followed by real estate investors (21.4%), property sales agents (20%), financial analysts (18.6%), and real estate agents (16.3%). This diverse representation ensures that insights into liquidity and pricing dynamics were drawn from varied perspectives across the real estate value chain. On the type of real estate organization, development firms accounted for the largest share of respondents at 37.2%, followed by agencies (34.9%), and Real Estate Investment Trusts (REITs) at 27.9%. This distribution reflects the dominance of property development activities in Nairobi's real estate ecosystem, with growing institutional investment through REITs. Work experience data show that 30.2% of respondents had 0–5 years of experience, while 25.1% had 6–10 years, 23.3% had 11–15 years, and 21.4% had more than 15 years. This suggests a balanced mix of early-career and seasoned professionals, enriching the study with both fresh and deeply experienced perspectives.

Table 1

Background Information

Variable	Indicator	Frequency	Percentage
Gender	Male	114	53%
	Female	101	47%
Education	Diploma	53	24.70%
	Undergraduate Degree	104	48.30%
	Masters' Degree	58	27%
Job Position	Real Estate Investor	46	21.40%
	Real Estate Agent	35	16.30%
	Financial Analyst	40	18.60%
	Property Valuation Expert	51	23.70%
	Property Sales Agent	43	20%
Types of Real Estate	Investment Trust	60	27.90%
	Agency	75	34.90%
	Development firm	80	37.20%
	11-15 Years	50	23.30%
	6-10 Years	54	25.10%
	Above 15 Years	46	21.40%
Years of Experience	0-5 Years	65	30.20%

Property Market Liquidity

The findings in Table 2 indicate that respondents generally agreed that Nairobi County exhibits relatively favorable property market liquidity conditions, as evidenced by the high composite mean scores across all dimensions. The overall means ranging from 3.95 to 4.03 suggest a positive perception of liquidity in the property market, while the relatively low standard deviations (0.81–0.84) indicate a high level of consensus among respondents.

Regarding construction price volatility, respondents agreed that property prices in Nairobi are relatively stable, as reflected by a composite mean of 4.03 and a standard deviation of 0.84. Specifically, respondents agreed that property prices are generally stable (M = 4.07, SD = 0.88), do not fluctuate sharply (M = 4.03, SD = 0.79), and that sudden price changes are relatively uncommon (M = 3.98, SD = 0.84). These findings suggest that the Nairobi property market is characterized by moderate price stability, which enhances market predictability and reduces uncertainty for investors. Stable property prices are likely to encourage investment by facilitating more accurate valuation and long-term planning.

With respect to access to financing, respondents also reported favorable conditions, yielding a composite mean of 4.02 and a standard deviation of 0.81. The highest-rated statement was that property buyers can easily access mortgage financing (M = 4.08, SD = 0.80), followed by the availability of mortgage, bank loan, and developer financing options (M = 4.00, SD = 0.83). Respondents further agreed that financing options improve property affordability (M = 3.98, SD = 0.80). These findings imply that financing mechanisms are perceived to support market participation and investment activity by enhancing purchasing power and facilitating property acquisition. Improved access to credit is therefore likely to strengthen market liquidity through increased transaction activity.

Concerning the property turnover rate, respondents generally agreed that the Nairobi property market experiences relatively active transactions, as indicated by a composite mean of 3.95 and a standard deviation of 0.84. Respondents agreed that the market has high sales activity (M = 4.00, SD = 0.82), while properties are sold relatively quickly (M = 3.93, SD = 0.83) and resale periods are reasonably short (M = 3.92, SD = 0.86). Although the turnover rate dimension recorded the lowest composite mean among the three dimensions, the findings still indicate positive perceptions regarding the ease of buying and selling properties. This suggests that investors are generally able to enter and exit the market without experiencing excessive delays.

Overall, the results indicate that Nairobi County enjoys relatively strong property market liquidity characterized by stable property prices, accessible financing options, and active property transactions. Among the three dimensions, construction price volatility emerged as the strongest indicator of liquidity (M = 4.03), closely followed by access to financing (M = 4.02), while property turnover rate recorded the lowest but still favorable score (M = 3.95). These findings imply that the Nairobi property market provides a conducive environment for investment by supporting transaction efficiency, reducing market uncertainty, and facilitating capital mobility, factors that are expected to enhance real estate investment performance.

Table 2

Property Market Liquidity

Property Market Liquidity	Mean	Std. Dev
Construction Price Volatility		
Property prices in Nairobi are generally stable.	4.07	0.88
Property prices in Nairobi do not fluctuate sharply.	4.03	0.79
Sudden price changes in the property market are rare.	3.98	0.84
Composite Mean	4.03	0.84
Access to Financing		
Mortgage, bank loan, and developer financing for property investment are readily available.	4.00	0.83
Property buyers can easily access mortgage financing.	4.08	0.80
Financing options improve property affordability.	3.98	0.80
Composite Mean	4.02	0.81
Property Turnover Rate		
Properties are sold quickly in Nairobi.	3.93	0.83
Property resale periods are short.	3.92	0.86
The property market has high sales activity.	4.00	0.82
Composite Mean	3.95	0.84

Real Estate Investment Performance

The findings presented in Table 3 indicate that respondents generally perceived real estate investment performance in Nairobi County to be favorable across the three performance dimensions of rental yields, transaction volume, and capital appreciation. The composite mean scores ranged from 4.00 to 4.01, suggesting agreement among respondents that the real estate market continues to generate positive investment outcomes. The relatively low standard deviations (0.80–0.83) further indicate consistency in respondents' views regarding the performance of the sector.

Regarding rental yields, the findings show that respondents agreed that the Nairobi property market continues to provide stable and growing rental income opportunities, as reflected by a composite mean of 4.00 and a standard deviation of 0.83. The statement that rental income from properties is increasing recorded the highest mean score (M = 4.05, SD = 0.84), indicating that respondents perceive rental returns to be improving. Respondents also agreed that strong rental demand supports stable rental yields (M = 3.98, SD = 0.80), suggesting that demand for residential and commercial space remains robust. Furthermore, the mean score of 3.97 (SD = 0.84) on the statement regarding weak rental demand implies that respondents generally recognized the sensitivity of rental yields to fluctuations in demand. Overall, the findings suggest that rental yields remain an important contributor to investment performance in Nairobi's real estate market.

In relation to transaction volume, respondents reported positive market activity, yielding a composite mean of 4.01 and a standard deviation of 0.80. The highest-rated statements were that property transaction volumes are increasing (M = 4.02, SD = 0.79) and that the property market has high sales activity (M = 4.02, SD = 0.78). Respondents also agreed that property sales occur frequently (M = 4.00, SD = 0.82). These findings indicate that the Nairobi property market is characterized by active buying and selling of properties, reflecting healthy market participation and investor confidence. High transaction volumes are generally associated with stronger market liquidity and improved investment opportunities, enabling investors to enter and exit the market more efficiently.

Concerning capital appreciation, respondents similarly expressed positive perceptions, with a composite mean of 4.01 and a standard deviation of 0.82. The statement that property values have appreciated over the past five years recorded the highest mean score among all items in the table (M = 4.15, SD = 0.80), indicating strong agreement that property investments in Nairobi have experienced significant value growth over time. Respondents also agreed that property values are high (M = 3.96, SD = 0.83) and that property values are increasing (M = 3.93, SD = 0.82). These findings suggest that capital appreciation remains a major source of return for real estate investors, reflecting sustained demand and positive market fundamentals in Nairobi County.

Overall, the results reveal that real estate investment performance in Nairobi County is perceived to be strong across all dimensions. Transaction volume and capital appreciation emerged as the strongest indicators of performance (Composite Mean = 4.01 each), closely followed by rental yields (Composite Mean = 4.00). The findings imply that investors continue to benefit from increasing property values, active market transactions, and stable rental income streams. Collectively, these outcomes indicate a relatively healthy and resilient real estate market capable of generating both income and capital gains for investors.

Table 3

Real Estate Investment Performance

Real Estate Investment Performance	**Mean**	**Std. Dev**
Rental Yields		
Strong rental demand supports stable rental yields in Nairobi.	3.98	0.8
Rental income from properties is increasing.	4.05	0.84
Weak rental demand reduces rental yields in Nairobi.	3.97	0.84
Composite Mean	**4.00**	**0.83**
Transaction Volume		
Property transaction volumes are increasing.	4.02	0.79
Property sales occur frequently.	4	0.82
The property market has high sales activity.	4.02	0.78
Composite Mean	4.01	0.80
Capital Appreciation		
Property values are increasing.	3.93	0.82
Property values have appreciated over the past five years.	4.15	0.8
Property values are high.	3.96	0.83
Composite Mean	**4.01**	**0.82**

Correlation between Property Market Liquidity and Real Estate Investment Performance

The correlation analysis results in Table 4, revealed a positive relationship between property market liquidity and real estate investment performance ($r = 0.703$; $p < 0.01$) indicating a significant association between the two variables. This implies that, as property market liquidity increases, real estate investment performance tends to increase, suggesting that a more liquid market is associated with higher real estate investment performance.

Table 4

Correlation between Property Market Liquidity and Real Estate Investment Performance

		Market Liquidity	Real Estate Investment Performance
Market Liquidity	Pearson Correlation	1	.703**
	Sig. (2-tailed)		0
Real Estate Investment Performance	Pearson Correlation	.703**	1
	Sig. (2-tailed)	0	

** Correlation is significant at the 0.01 level (2-tailed).

Regression on Property Market Liquidity and Real Estate Investment Performance

The regression model summary, in Table 5 indicates that market liquidity is a significant predictor of the property prices, with a strong relationship between the two variables. The R Square value of 0.494 indicates that approximately 49.4% of the variation in real estate investment performance is explained by market liquidity. The other extent of real estate investment performance is explained by other factors outside this study model.

Table 5

Model Summary on Market Liquidity and Real Estate Investment Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.703a	0.494	0.492	0.30064

a Predictors: (Constant), Market Liquidity

The ANOVA results, in Table 6 provide evidence of a significant relationship between property market liquidity and real estate investment performance. The F-value of 208.013 with a p-value of 0.000 shows that the regression model is statistically significant at the 0.01 level. This means that property market liquidity significantly contributes to explaining variations in real estate investment performance.

Table 6

ANOVA on Market Liquidity and Real Estate Investment Performance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	18.801	1	18.801	208.013	.000b
	Residual	19.251	213	0.09		
	Total	38.052	214			

a Dependent Variable: Real Estate Investment Performance

b Predictors: (Constant), Market Liquidity

The regression coefficients in Table 7 provide insights into the relationship between property market liquidity and real estate investment performance. The unstandardized coefficient for property market liquidity is 1.267, which means that for each one-unit increase in property market liquidity, real estate investment performance is expected to increase by 1.267 units, holding other factors constant. The equation drawn from the model is represented as:

$$Real\ Estate\ Investment\ Performance = 1.082 + 1.267(Market\ Liquidity)$$

The t-test was applied to test the research hypothesis that was stated as:

H_{0_1}: Property market liquidity does not have a significant effect on real estate investment performance in Nairobi County, Kenya.

The t-value for market liquidity is 14.423, and the p-value is 0.000, provided enough evidence to reject the null hypothesis and conclude that property market liquidity has a significant effect on real estate investment performance in Nairobi County.

Table 7

Coefficients on Property Market Liquidity and Real Estate Investment Performance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.082	0.351		3.085	0.002
	Market Liquidity	1.267	0.088	0.703	14.423	0

a Dependent Variable: Real Estate Investment Performance

Additional to the quantitative data presented above, a discussion with key stakeholders in the real estate sector provided a more in-depth illustration of the effect of market liquidity on real estate investment performance in Nairobi County. Across all participants, there was consensus that increased liquidity, mainly through Real Estate Investments (REIs), has enhanced real estate investment performance in prime locations such as Westland, Kilimani, and Nairobi CBD. This is due to intensified competition and demand fueled by pooled capital from both institutional and retail investors. According to one of the participants, *"*REIs *have increased liquidity in prime areas like Westland, driving commercial property prices up"* (Participant 1).

Participant 2 also noted that, *"Liquidity from REIs... drove price appreciation..."* (Participant 2).

However, some participants noted that in emerging zones like Athi River, liquidity has helped stabilize prices and avoid volatility, *"Liquidity in emerging areas like Athi River stabilizes prices, making them safer for long-term mortgage collateral"* (Participant 3).

Participants indicated that *REIs* have significantly diversified and improved access to financing, reducing reliance on high-interest bank loans and enabling more structured and transparent investment. According to the participants *"REIs provide developers with alternative financing... Thika Road Mixed-Use Corridor leveraged REI capital"* (Participant 2 & 4).

Further it was noted that increased liquidity has accelerated property turnover, especially in Nairobi's industrial and high-demand zones. Improved transaction transparency and real estate investment demand are key drivers.

According to the participants, market liquidity, primarily through *real estate*, has had a dual effect on Nairobi's real estate sector. It has driven up prices in prime areas and enhanced financing and turnover, but also raised concerns about affordability, speculation, and infrastructure stress. As summarized by Participant 6, *"our oversight ensures diversification... to prevent overconcentration and speculative bubbles."*

Discussion of Results

The findings of this study reveal a significant and positive relationship between property market liquidity and property prices in Nairobi County. With a correlation coefficient of 0.703 ($p < 0.01$), liquidity is strongly associated with rising property values. The regression model further demonstrates that property market liquidity explains 49.4% of the variance in property prices ($R^2 = 0.494$), and the regression coefficient ($\beta = 1.267$) indicates that increased liquidity substantially elevates price levels. These findings align with a broad body of empirical work. Van Dijk et al. (2022) found strong co-movements between liquidity and property prices. Jeon and Kwon (2020) reported that liquidity expansion accompanies upward price adjustments. Chien and Liu (2023) noted that liquidity effects tend to be more pronounced in developing markets. Studies in distressed markets (Ganduri et al., 2023) and across global markets (Banti & Phylaktis, 2019) similarly conclude that liquidity shocks significantly influence price formation. Evidence from tokenized property markets (Swinkels, 2023; Cajias et al., 2020) and Kenya-specific liquidity hedging research (Kamari et al., 2023) further reinforces the centrality of liquidity to real estate pricing across contexts.

The qualitative findings corroborate these quantitative results and provide deeper insight into the mechanisms through which liquidity influences property prices in Nairobi. Through all interviews, participants described how market expansion driven by real estate investment increases liquidity, enabling capital to flow into emerging peri-urban zones. Informants highlighted areas such as Ruiru, Kitengela, Ruaka, and Ngong as prime examples where liquidity-linked investment has generated substantial increases in land prices. These patterns mirror findings by Chien and Liu (2023), who observed that liquidity injections in emerging markets tend to shift investment boundaries outward, thereby increasing suburban and peri-urban valuations. Infrastructure improvements funded through real estate investment, such as new road networks, were also identified as catalysts for rising land values, consistent with global observations on liquidity-enhanced spatial development.

Participants also noted that liquidity-driven development has contributed to imbalanced supply dynamics, with an oversupply emerging in Nairobi's luxury real estate segments while middle-income housing remains undersupplied. This mirrors Jeon and Kwon's (2020) assertion that liquidity can shift investment preferences, often favoring higher-return luxury products at the expense of affordable housing. The resulting divergence, oversupply at the high end and persistent shortages for middle-income households, has sustained upward pressure on mid-tier property prices. Literature from developing markets suggests similar patterns where liquidity tends to be concentrated in affluent developments (Chien & Liu, 2023), exacerbating affordability constraints.

Technology was also identified as a key influencer, with stakeholders explaining that digital platforms and AI-based valuation tools have improved price discovery, reduced information asymmetry, and accelerated transactions. This accords with global observations by Van Dijk et al. (2022), who note that enhanced market information flows strengthen liquidity effects on pricing. Participants, however, also expressed concerns about algorithmic overvaluation, a phenomenon echoed in recent literature warning that technology driven price discovery can sometimes inflate valuations or accelerate speculative bidding. In addition, qualitative insights underscored the regulatory context within which liquidity expansion occurs. Stakeholders referenced the role of oversight institutions such as the Capital Markets Authority (CMA) and urban planning frameworks like the Nairobi Integrated Urban Development Plan (NIUPLAN) in shaping liquidity distribution and guiding sustainable growth. These observations are consistent with findings by Godge et al. (2023) and Vaghela et al. (2025), who demonstrate that effective regulatory oversight enhances market discipline and transparency, thereby structuring how liquidity translates into pricing outcomes. Planning literature further suggests that inclusionary zoning, regulation of mixed-income developments, and enforcement of spatial plans can moderate liquidity-driven price escalation, aligning with the perspectives of participants who advocated for stronger planning controls to mitigate affordability challenges.

Further, the descriptive analysis showed that respondents agreed that property prices in Nairobi are generally stable. This agrees with the findings of Soyeh and Wiley (2019) that in a highly liquid real estate market, property prices tend to remain stable even when transaction volumes increase. Results showed that respondents agreed that property prices in Nairobi do not fluctuate sharply. In correspondence, Downs and Zhu (2019) found that low price volatility indicates that buyers and sellers can transact properties without causing large swings in prices, making it easier to predict future returns. Conversely, in less liquid markets, prices can fluctuate more significantly, making it riskier for investors to enter or exit the market quickly without incurring losses.

Findings showed sudden price changes in the property market are rare. In agreement with these findings, Rhy et al., (2021) found that the ease with which investors can obtain financing directly impacts the number of transactions and, therefore, the liquidity of the market. In line with the findings, Fisher et al. (2022) found that properties in more liquid markets had higher average transaction prices and lower time on the market compared to those in less liquid areas. Fisher et al. highlighted that liquidity is essential not only for price formation but also for investor confidence in the real estate market. Correspondingly, Sagi (2021) in a highly liquid real estate market, financing options are readily available, with low interest rates and flexible lending terms, encouraging both small and large-scale investors to participate. If access to financing is limited, however, fewer transactions take place, reducing overall liquidity and making it harder to sell properties without significant price reductions.

Mortgage, bank loan, and developer financing for property investment are readily available. This agrees with findings of Onyuma (2023) that while MFIs provide essential financing for small-scale property developments, their overall impact on property prices was moderate compared to commercial banks. However, in areas where formal banking services were limited, MFIs played a crucial role in boosting property prices by enabling more people to invest in real estate. Findings also revealed that respondents agreed that property buyers can easily access mortgage financing.

In line with these findings, Walia et al., (2023) found that financial institutions are key players in driving property prices upwards, as their loan products increase the purchasing power of buyers. However, the study also found that stringent loan approval processes limit access to financing for low-income earners, leading to higher property prices predominantly in high-end markets. In correspondence, Egbo et al., (2021) found that that there is a positive correlation between the availability of financing and property prices. As financing options increased, so did property prices, particularly in the residential market. The study also noted that high loan default rates during economic downturns had a destabilizing effect on property prices, causing fluctuations in the market. However, Georges (2020) findings revealed that that increased access to mortgage financing led to a rise in property prices, as buyers were able to secure loans more easily, which heightened demand for real estate. Additionally, lower interest rates were found to further amplify this effect, as they made borrowing cheaper and more attractive.

Conclusion

Findings led to the conclusion that property market liquidity significantly influences real estate investment performance in Nairobi County. It was also concluded that higher levels of liquidity, reflected in stable prices, accessible financing and high property turnover, contribute to increased property values and active market transactions. The strong positive relationship between liquidity and property prices indicates that the availability of financing, efficient price discovery and frequent property transactions enhance investor participation and capital flow into the property market. Additionally, liquidity-driven development has expanded investment into peri-urban areas while shaping supply dynamics within different housing segments. Overall, the findings confirm that a liquid property market creates a conducive investment environment by reducing uncertainty, improving market efficiency and supporting sustained growth in real estate investment performance in Nairobi County.

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