

**Abstract:**

Mortgage market is a financial system that provides opportunity for originating and trading mortgage loans. A mortgage loan is used for financing real estate investments. Although there has been a remarkable increase in demand for real estate investments in Kenya the amount of mortgage uptake is still low. Studies reveal risks as important macroeconomic variables in the mortgage market. However the effect of these risks on mortgage uptake in Kenya is inconclusive. The purpose of this study was to evaluate the effect of mortgage market risk on mortgage uptake. The objectives of the study were to determine the effect of credit risk, interest rate risk, price risk and liquidity risk on mortgage uptake in mortgage lending institutions in Kenya. Causal research design was used to establish the effect of mortgage market risk on mortgage uptake. Purposive sampling was used to select a sample size of 27 out of 37 mortgage lenders that had been involved in mortgage lending since 2008 to 2013. Secondary data was obtained from Central Bank of Kenya reports and mortgage special reports for the period under study. The assumptions that form a basis for use of the regression model were tested using homoscedasticity and autocorrelation. Ordinary Least Square method was used to determine the cause effect relationship among variables while hypotheses were tested at 5% significance level. The overall model was found to be significant with  $F=13.474$  and p-value ( $0.00 < 0.05$ ). The findings revealed that risks faced by lenders affect mortgage uptake such that if the risk involved in lending is high lenders limit the amount of mortgage lending. The study recommended that lenders should ensure risks are well managed so as to increase mortgage uptake. The findings would form a basis for lenders to formulate risk management strategies that would help to mitigate risks and increase mortgage uptake. The study also forms a basis for further research and adds to the existing body of knowledge.