



# Post Elections Economic Focus, & Cytonn Weekly #33/2022

## Real Estate

### I. Residential Sector

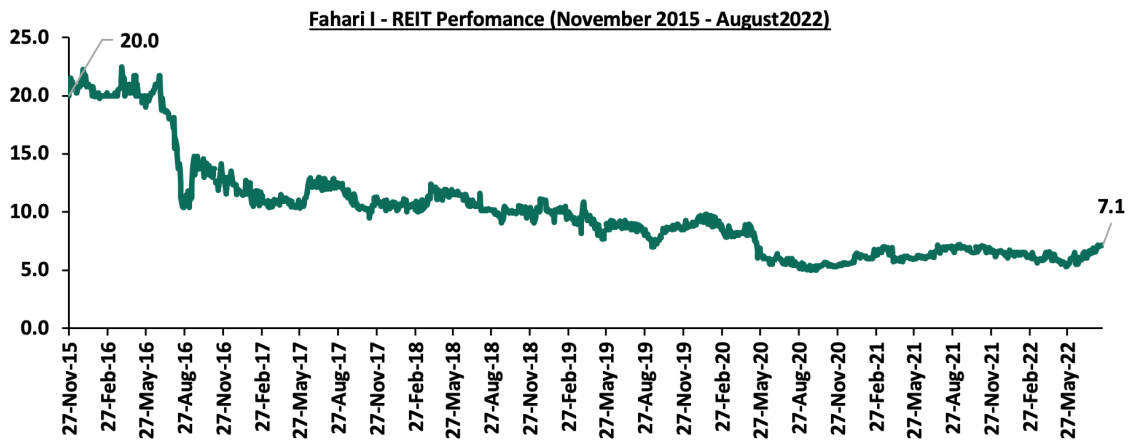
During the week, EA Limited, a subsidiary of the TransCentury PLC, an African infrastructure investment company based in Nairobi Kenya, **announced** plans to develop an affordable housing project worth USD 250.0 mn (Kshs 29.8 bn) in the Democratic Republic of Congo (DRC). The project targets the Office ConglAIS De Controle (OCC) staff (a quality assurance body) and will consist of 5,000 units to be constructed over a period of five years starting in 2022. Notably, EA limited will be the Engineering, Procurement and Construction (EPC) contractor as per the signed Memorandum of Understanding (MOU) with Symbion Architect, making the treaty the first to be initiated since DRC joined the East African Community bloc in March 2022. EA's decision to invest in DRC was mainly driven by;

- i. The positive demographics fueling demand for housing units, with DRC's current **population** and **urbanization** growth rates being 3.1% and 4.4%, respectively, compared to the world's 0.9% and 1.7%, respectively, as at 2021. Additionally, the population is **projected** to reach 145 mn by 2050, with 60.0% being urban dwellers and 40.0% being rural dwellers, from the 42% urban dwellers and 58% rural dwellers recorded in 2014, and,
- ii. The growing need for decent and affordable homes as the project targets 5,000 staff members and their families, which in turn may translate to over 20,000 individuals assuming an average of four people per household. Consequently, this is expected to help curb the existing housing deficit in the country which is **currently** at 4.0 mn housing units and growing by 250,000 p.a as at 2021.

In our view, EA's expansion move will see the TransCentury group further increase its asset base and footprint in the East African region. EA is expected to benefit from DRC's viable housing market which is primarily driven by impressive demographics resulting to a rapid demand for dwelling units that surpasses the current supply. Moreover, the move by EA is expected to boost investment confidence in the region which has been witnessing improved activities and developments in various sectors with the most recent focus mainly on the banking sector.

### II. Real Estate Investment Trusts (REITs)

In the Nairobi Stock Exchange, ILAM Fahari I - REIT closed the week trading at an average price of Kshs 7.14 per share. The performance represents a 0.6% and 11.6% Week-to-Date (WTD) and Year-to-Date (YTD) increase, respectively, from Kshs 7.10 and Kshs 6.4 per share, respectively. On an Inception-to-Date (ITD) basis, the REIT's performance continues to be weighed down having recorded a 64.3% decline from Kshs 20.0. The graph below shows Fahari I-REIT's performance from November 2015 to August 2022:



*The increasing investor confidence in the East African property market is expected to drive the developments and performance of the Real Estate sector. However, investor's minimal appetite for the Kenyan REIT instrument is expected to continue weighing down the overall investments in REITs.*

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