

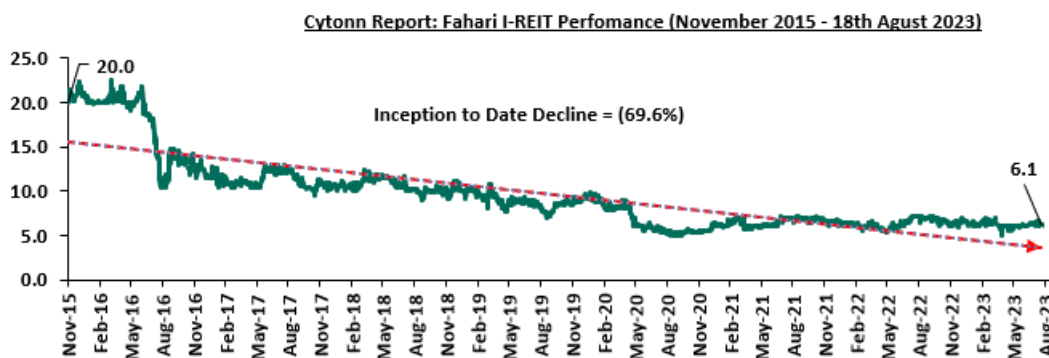
# Kenya's Real Estate Investment Trusts (REITs) H1'2023 Report, & Cytonn Weekly #33/2023

## Real Estate

### I. Real Estate Regulated Funds

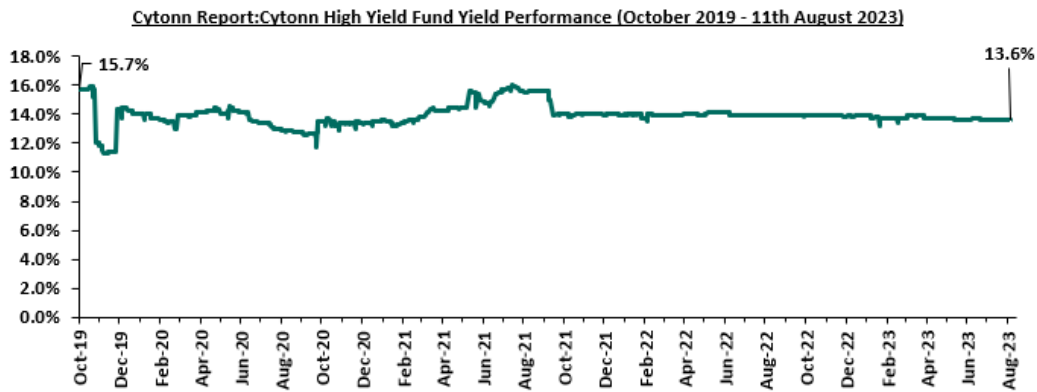
#### a. Real Estate Investment Trusts (REITs)

In the Nairobi Securities Exchange, ILAM Fahari I-REIT closed the week trading at an average price of Kshs 6.1 per share. The performance represented a 3.5% decline from Kshs 6.3 per share recorded the previous week, taking it to a 10.3% Year-to-Date (YTD) decline from Kshs 6.8 per share recorded on 3 January 2023. In addition, the performance represented a 69.6% Inception-to-Date (ITD) loss from the Kshs 20.0 price. The dividend yield currently stands at 10.7%. The graph below shows Fahari I-REIT's performance from November 2015 to 18 August 2023;



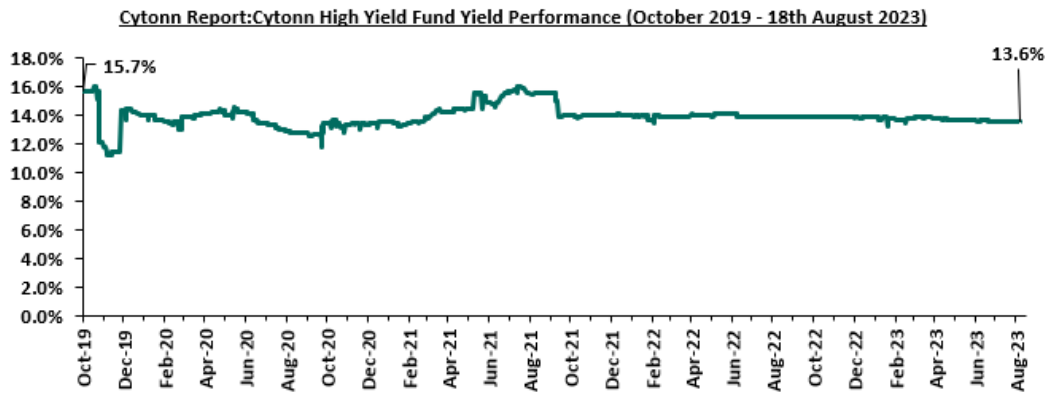
In the Unquoted Securities Platform, Acorn D-REIT and I-REIT traded at Kshs 23.9 and Kshs 21.6 per unit, respectively, as at 18 August 2023. The performance represented a 19.5% and 8.0% gain for the D-REIT and I-REIT, respectively, from the Kshs 20.0 inception price. The volumes traded for the D-REIT and I-REIT came in at 12.3 mn and 30.2 mn shares, respectively, with a turnover of Kshs 257.5 mn and Kshs 624.4 mn, respectively, since inception in February 2021.

REITs provide various benefits like tax exemptions, diversified portfolios, and stable long-term profits. However, factors such as; i) inadequate comprehension of the investment instrument among investors, ii) prolonged approval processes for REITs creation, iii) high minimum capital requirements of Kshs 100.0 mn for trustees, and, iv) minimum investment amounts set at Kshs 5.0 mn, continue to limit the performance of the Kenyan REITs market.

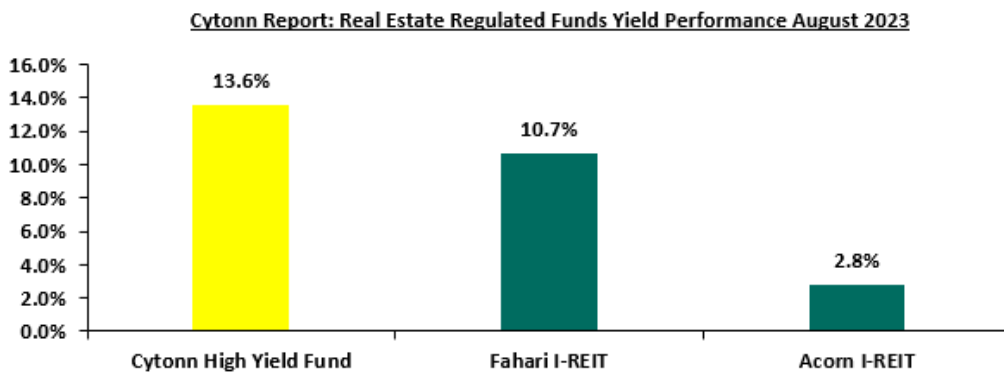


**a. Cytonn High Yield Fund (CHYF)**

Cytonn High Yield Fund (CHYF) closed the week with an annualized yield of 13.6%, remaining relatively unchanged from the previous week. The performance also represented a 0.3% points Year-to-Date (YTD) decline from 13.9% yield recorded on 1 January 2023, and 2.1% points Inception-to-Date (ITD) decline from the 15.7% yield. The graph below shows Cytonn High Yield Fund’s performance from October 2019 to 18 August 2023;



Notably, the CHYF has outperformed other regulated Real Estate funds with an annualized yield of 13.6%, as compared to Fahari I-REIT, and Acorn I-REIT with yields of 10.7% and 2.8% respectively. As such, the higher yields offered by CHYF makes the fund one of the best alternative investment resource in the Real Estate sector. The graph below shows the yield performance of the Regulated Real Estate Funds:



Source: Cytonn Research

*We expect the performance of Kenya’s Real Estate sector to remain on an upward trajectory, supported by factors such as; i) positive demographic trends facilitating increased housing demand, ii) continued focus by the government and private sector to provide affordable housing, iii) infrastructure developments opening up areas for*

***investments, and iv) rapid expansion of retail investors. However, the oversupply of physical space in select sectors, including commercial office and retail sectors leading to slower uptake of new spaces, rising construction costs on the back of inflationary pressure, and limited investor knowledge and interest in REITs, which is expected to hinder the sector's optimal performance.***

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