



# Kenya's Real Estate Investment Trusts (REITs) FY'2023 Report, & Cytonn Weekly #23/2024

## Real Estate

On the Unquoted Securities Platform, Acorn D-REIT and I-REIT traded at Kshs 24.5 and Kshs 22.0 per unit, respectively, as of 7<sup>th</sup> June 2024. The performance represented a 22.5% and 10.0% 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 30.7 mn shares, respectively, since inception in February 2021.

In Kenya, REITs provide various benefits like tax exemptions, a diversified pool of investment portfolios from commercial office to residential properties, and stable long-term profits. However, the continuous deterioration in the performance of Kenyan REITs and the restructuring of their business portfolios is hampering major investments that had previously been made. The challenges impeding REIT performance include: i) limited knowledge of the investment instrument among investors, ii) prolonged approval processes for REIT creation, iii) high minimum capital requirements of Ksh 100.0 mn for trustees, and iv) minimum investment amounts set at Ksh 5.0 mn.

***We expect the real estate sector in Kenya to remain resilient, supported by several key factors. These include activities from private players and the government, as seen under the Affordable Housing Programme (AHP); recovery of the hospitality sector, supported by an increasing number of international arrivals; the launch of various infrastructural developments across the country; increased investment by local and international players in the retail sector; and relatively high demographics. However, despite these positive indicators, we anticipate that rising construction costs, challenging macroeconomic conditions, and limited investor knowledge regarding Real Estate Investment Trusts (REITs) could constrain growth in the sector.***