Cytonn Monthly – July 2024

Real Estate

I. **Industry Report**

During the week, Hass Consult, a Kenyan consulting and Real Estate development firm, released its House Price Index Q2’2024 Report, focusing on the residential Real Estate sector's performance in the Nairobi Metropolitan Area (NMA). The following are the key takeouts from the report;

i. The average selling prices for all properties posted a 1.0% increase on a quarter-on-quarter (q/q) basis in Q2’2024, an improvement from a 0.5% decrease in Q2’2023. The performance can be linked to a 1.3% increase in detached house prices, coupled with a 0.6% increase in apartment unit prices. Similarly, semi-detached units registered a 0.4% uptick in selling prices, bolstering the overall performance. On a year-on-year (y/y) basis, property prices showed a 6.8% uptick, contrasting from a 1.8% decrease witnessed in Q2’2023. The surge in property prices is attributed to rising interest rates during the period under review, where we witnessed the Monetary Policy Rate (MPR) hit a historic 13.0%, further pushing up the cost of financing house purchases. Additionally, the ripple effects of high inflationary pressure and the depreciation of the Kenyan currency witnessed in FY’2023 continue to prevail, where investors increased the selling prices as they tried to remain afloat. In addition, developers are experiencing an increase in the cost of construction, which compels them to transfer the cost to home buyers,

ii. The average asking rents of housing units in the NMA during the period under review increased slightly by 0.01% on a q/q basis, slightly lower compared to a 0.1% increase recorded in Q2’2023. On a y/y basis, the average asking rent increased by 3.3% compared to the 2.1% decline recorded in Q2’2023. The increase in performance was attributable to increased rents in apartments and detached houses, registering q/q improvements of 0.5% and 0.03% respectively in Q2’2024, as landlords tried to hedge against a tough operating environment,

iii. Apartments registered the highest y/y increase in asking rents of 9.2% in Q2’2024, an improvement from 0% increase in Q2’2023. In addition, semi-detached and detached units witnessed 3.2% and 0.2% increases in asking rents respectively, a major turnaround from the 5.4% and 3.2% decline recorded in Q2’2023. The increase can be linked to an expanding middle class, with more individuals entering this income bracket hence driving the rental rates in apartments and semi-detached units which are more affordable. Simultaneously, some individuals are moving up from the middle class to a higher income bracket hence driving the price in detached units,

iv. Within the Nairobi Suburbs’ detached and semi-detached houses market, Kilimani ranked as the best-performing node, registering a y/y sales price appreciation of 9.3%. This surge can be attributed to factors such as i) close proximity to the Central Business District (CBD) and other residential areas such as Westlands, Lavington, Kileleshwa, and Karen, ii) a good concentration of retail outlets which enhances its convenience, iii) availability of quality houses attracting the middle-class, iv) a rich network work of roads which enhances its connectivity to other areas, and, v) abundance of many amenities such as schools and hospitals. In contrast, Runda posted the highest year-on-year rental price correction of 1.2%, mainly due to reduced demand for houses in the area, prompted by the pursuit of more affordable housing alternatives and stiff competition from neighboring areas such as Nyari and Kitisuru,

v. In the Nairobi Suburbs apartments, Kileleshwa was the best-performing region recording a y/y capital appreciation of 7.7%, due to; i) its close proximity to social commercial, social, and recreational amenities such as Fogo Gaucho, and the Lavington Mall among other retail outlets, ii) close proximity to Central Business District and due to good road connectivity reducing commute time, and, iii) an expanding middle-class population in the area is increasing the demand for apartments. On the other hand, Upperhill realized the highest y/y price correction of 8.3% as it experienced reduced demand as residents preferred neighboring areas such as Kilimani and Spring Valley;

vi. In the satellite towns, properties in Juja posted the highest year-on-year price appreciation, coming in at 13.1%. This surge can be linked to several factors: i) good connectivity by the Thika Super Highway, ii) a growing preference by the middle class to establish families in this area, iii) close proximity to retail centres such as the Unicity Mall and Juja City Mall, iv) close proximity to amenities such as learning institutions such as the Jomo Kenyatta University of Agriculture and Technology (JKUAT) and hospitals. Conversely, Kiambu recorded the lowest year-on-year price increase of 3.7%, due to stiff competition from neighboring areas like Ruiru and Ruaka, which are becoming increasingly preferred by residents seeking a better residential community,

vii. In satellite towns' apartments, Thika recorded the highest y/y price appreciation of 11.7% which was supported by good infrastructure such as the Thika Super Highway, a growing middle class population in the area, its increasing reputation hub for investment due to a high population, and proximity to an array of social amenities and retail outlets. Conversely, Ngong registered the lowest y/y price appreciation of 1.3% attributed to stiff competition faced from neighbourhoods such as Langata and Ongata Rongai which enjoy closer proximity to Nairobi CBD and are more affordable.

The findings of the report are in line with our Cytonn Markets Review – Q2'2024, highlighting that selling prices of residential properties in the Nairobi Metropolitan Area (NMA) recorded a 0.6% appreciation in Q2'2024. The performance was supported by 0.6% price appreciation realized by apartments and 0.5% price appreciation by detached and semi-detached units each during the period under review.

Hass Consult also released the Land Price Index Q2'2024 Report which highlighted the performance of the Real Estate land sector in the Nairobi Metropolitan Area (NMA). The following were the key take outs from the report;

i. The average q/q selling prices for land in the Nairobi suburbs grew by 1.8%, compared to a 0.06% decline recorded in Q2'2023. On a y/y basis, the performance represented a 6.9% increase, compared to the 1.2% increase recorded in Q2'2023. Consequently, q/q and y/y land prices in satellite towns of Nairobi increased by 2.2% and 12.3% respectively, compared to the 1.2% and 5.1% growth respectively, recorded in Q2'2023. The ongoing market improvement highlights the sector's resilience, with rising demand driven by emerging opportunities in retail, manufacturing, and logistics to support the rapidly urbanizing towns and the Nairobi CBD,

ii. Spring Valley was the best-performing node in the Nairobi suburbs with a y/y price appreciation of 11.9%. This was attributed to; i) its close proximity to commercial, social, educational institutions and recreational amenities such as the West Gate and Village Market malls, ii) enhanced accessibility due to good road connectivity, iii) increased preference compared to neighboring areas such as Kitisuru by land buyers. Conversely, land in Kileleshwa recorded the lowest y/y price appreciation of 0.4%. This can be linked to land buyer's increased preference for adjacent Lavington and Kilimani areas, which provide a broader range of amenities, including superior infrastructure, closer proximity to retail centers, and a more established residential community, and,

iii. For satellite towns, Juja was the best-performing node with a y/y capital appreciation of 20.1%, followed by Kiserian which recorded a y/y capital appreciation of 15.3%. The improvement in performance in Juja was driven by; i) increased demand for land due to its affordability with the average price per acre coming in at Kshs 25.6 mn, ii) its enhanced access via Thika Super Highway, iii) wide variety of social amenities and school, and, iv) close proximity to other areas such as Ruiru and Thika. On the other hand, land prices in Kiserian were bolstered by its strategic location via the Forestline Road, facilitating easy access to other residential areas such as Ngong. Conversely, Thika was the least performing node with a y/y price appreciation of 5%, attributable to increased competition from the neighboring areas which are closer in proximity to the CBD and other urban areas.

The findings of the report are also in line with our Cytonn Markets Review – H1'2024 which highlighted that the overall average selling prices for land in the NMA appreciated by 3.9% to record an average price per acre of Kshs 132.7 mn per acre in H1'2024. This was mainly attributed to; i) limited supply of land especially in urban areas which has contributed to rising land prices, ii) heightened construction activity, especially in the residential sector, driven by the government's affordable housing agenda, which in turn boosts demand for land, iii) rising middle-income class population with more disposable income to invest, iv) growth in popularity of satellite towns by investors and buyers which provide affordable land options in comparison to the suburbs and key commercial zones, v) land continues to be highly valued as security by middle-class families, who place significant importance on owning land and are willing to invest large amounts of capital to acquire it, thereby driving the market, and, vi) growing demand for housing which is driven by positive demographics such as high population and urbanization, which currently stands at 1.9% and 3.7%, which is relatively higher than the global averages of 0.9% and 1.6% respectively.

Additionally, during the month, the following industry reports were released and the key take-outs were as follows;

Cytonn Report: Notable Industry Reports During the Month of July 2024

#	Theme	Report	Key Take-outs
1	Residential	Central Bank of Kenya (CBK). The Bank Supervision Annual Report 2023	· The Central Bank of Kenya (CBK) released The Bank Supervision Annual Report 2023 which heighted that; in 2023, the number of mortgage accounts increased by 2,229, representing an 8.0 % increase to 30,015 from the 27,786 recorded in 2022. · Additionally, the value of outstanding Non-Performing Mortgage Loans increased by 7.9% to Kshs 40.8 bn in 2023 from Kshs 37.8 bn in 2022, For more information, please see our Cytonn Weekly #29/2024
2	Hospitality Sector, Real Estate, Building and construction Sector	2024 Economic Survey by Kenya Bureau of Statistics	· The Kenya National Bureau of Statistics (KNBS) released the Q1'2024 GDP Report which highlighted that the Real Estate sector posted steady growth of 6.6% in Q1'2024, which is 0.7% points slower than the 7.3% growth registered in Q1'2023 · The construction sector grew by 0.1% in Q1'2024, which is 2.9% points slower than the 3.0% growth in Q1 2023. On a quarter-on-quarter basis, this performance represented a 2.1%-points decrease from the 2.2% growth recorded in Q4'2023 · The accommodation and restaurant services grew by 28.0% during Q1'2024, representing a 19.1%-points y/y decline from the 47.1% growth recorded in Q1'2023. · For more information, please see our Cytonn Weekly #27/2024.

Source: Kenya National Bureau of Statistics (KNBS)

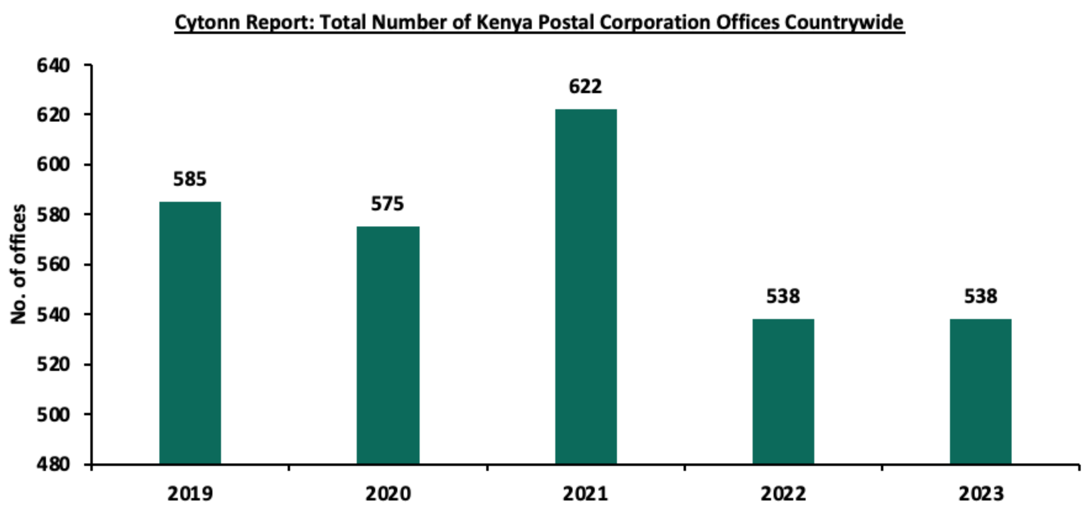
II. **Residential Sector**

There were four notable highlights during the month;

i. Faulu Microfinance Bank, a subsidiary of Old Mutual Group, announced a range of innovative financial solutions including unsecured loans, customized financial packages for property improvement, and payment plans aligned with rental income cycles aimed at addressing gaps in service access for landlords, agents, and other stakeholders in Real Estate development and management. For more information, please see our Cytonn weekly #30/2024,
ii. Megna Homes, a Mombasa-based developer, announced plans for the construction of a modern gated community project in Kisauni. The project, dubbed 'Santana', is set to be launched in August 2024 and is expected to be complete by the end of 2 years at Kwa Sonko in Bakarani along the Old Mombasa-Malindi Road. For more information, please see our Cytonn weekly #30/2024,
iii. Finsco Africa, a Real Estate firm, announced that it recently secured a Kshs 5.0 bn deal with Atlanta-based Go Greenwood Bank LLC for onward long-term funding with a key focus on affordable housing targeting the lower and upper middle class. For more information, please see our Cytonn weekly #28/2024, and,
iv. Fairdeal Properties, a private construction company, launched a Kshs 2.0 bn affordable housing project in Bamburi, Mombasa County, which will see the construction of over 500 housing units. The project will be developed in three phases, a with completion expected within three and half years. The first phase project will consist of 200 units of one, two, and three-bedroom typology within a gated community, spanning a five-acre parcel of land. For more information, please see our Cytonn Weekly #27/2024.

III. **Commercial office sector**

During the week, Postal Corporation of Kenya, opened 79,626 square feet of office space for lease to draw revenue from idle assets. The state agency has identified space in 13 branch offices across 7 counties. Mokowe post office in Lamu has the largest space available for lease at 35,000 square feet. Other sizeable office spaces include Kwale (24,000 SQFT), Hola (10,000 SQFT), Machakos (2,637 SQFT), Kiambu (782sqft), and Nairobi city square (400sqft). The move is expected to boost the revenue for the corporation amid the rising financial crisis. The leases will be in effect for 63 months, with the possibility of an extension. We expect the Corporation's move to increase the commercial office supply in the country, as well as boosting the corporation's revenue. Additionally, this venture will enhance investment opportunities for businesses that rely on commercial spaces for their operations in these areas. Below is a graph showing the total number of offices Kenya Postal Corporation owns across the country.



Source: Kenya National Bureau of Statistics (KNBS)

Going forward, we expect improved performance in Kenya's Real Estate commercial office sector, supported by several factors such as; continued uptake of existing space after developers adopted a "wait and see" approach, particularly in FY'2023 especially in the Nairobi Metropolitan Area (NMA),ii) improved investor confidence, on the back of positive macroeconomic indicators such as improved inflation levels and the appreciation of the Kenyan currency, iii) increased demand for quality office spaces, especially from international corporations, iv) the rise of the co-working concept, with emerging operators like Space, Regus, and Ikigai, and, v) an increase in deal activities within the segment. However, the sector's growth faces impediments due to the prevailing oversupply of commercial office spaces, especially in the NMA, and the rising cost of construction.

IV. **Hospitality Sector**

During the week, Accor, a hospitality group in Kenya, opened Gem Forest Hotel along Nairobi's Limuru Road, marking the ninth property it manages in Kenya's market. The property comprises of 105 rooms, conference spaces with an 80-guest capacity, a swimming pool, a gym, four restaurants, and bars. Additionally, the Hotel is expected to open its rooftop bar and lounge in August and later have a grand opening in September where it will unveil its other services. The property built at a cost of Kshs 3.9 bn (USD 30.0 mn) is targeting tourists, business travelers, and the diplomatic community living around Gigiri, Runda, Muthaiga, Rosslyn, and Nyari who are expected to be the biggest clients. The hotel's greatest asset is its strategic location close to Nairobi's central business district (CBD), the Village Market shopping and recreation complex, and the UN agencies including the United Nations Environment Programme (UNEP). The Gem Hotel boasts a good view of Karura Forest, enhancing the ambiance for its visitors, and is in close vicinity to the Nairobi Gallery, Museum Hill, and the National Museum of Kenya. Other establishments managed by the Accor Group include Movenpick Hotel and Residences Nairobi, Fairmont The Norfolk, Ibis Styles Nairobi Westlands, Mercure Nairobi Upper Hill, Novotel Nairobi Westlands, Fairmont Mount Kenya Safari Club, and Pullman Nairobi Upper Hill.

We expect continued improvement in the hospitality sector, supported by the travel industry, which is recovering from the impact of the COVID-19 pandemic. Hospitality brands are competing for a share of the domestic and foreign client base, coupled with an increase in the number of international arrivals, which grew by 4.6% in January 2024 to 134,665 from 128,772 arrivals in January 2023, signifying potential growth in the tourism and hospitality sector further supported by the visa-free policy that took effect in January 2024. The recent developments in the hospitality industry include JW Marriot Hotel Nairobi with 315 rooms and 51 serviced apartments which opened in June,100-room Dusit Princess Residences Westlands, the 128-room Pan Pacific Serviced Suites Nairobi, and the 20-room JW Marriot Masai Mara Lodge.

The notable highlight during the month was;

i. TPS Eastern Africa, the owner of the Serena hospitality brand, announced its plan to build a multi-purpose conference facility next to its Nairobi Serena Hotel. The facility, estimated to cost up to USD 30.0 mn (Kshs 3.9 bn), targets the meetings, conferences, and exhibitions (MICE) market. The project is expected to commence early next year and will take 2 years to complete following the conclusion of feasibility studies in December 2024. For more information, please see our Cytonn weekly #28/2024

V. **Real Estate Investments Trusts (REITs)**

a. **Mi Vida Home Homes Limited Licensed as a REIT Manager by Capital Markets Authority**

During the week, the Capital Markets Authority (CMA) granted a license to Mi Vida Homes Limited to operate as a REIT Manager in efforts to strengthen and develop the country's capital markets. This brings the total number of REIT managers in Kenya to 11. Below is a list of the licensed REIT Managers in Kenya;

#	Cytonn Report: REIT Managers in Kenya
1	Cytonn Asset Managers Limited (CAML)
2	Acorn Investment Management
3	Stanlib Kenya Limited
4	Nabo Capital
5	ICEA Lion Asset Managers Limited
6	Fusion Investment Management Limited
7	H.F Development and Investment Limited
8	Sterling REIT Asset Management
9	Britam Asset Managers Limited
10	CIC Asset Management Limited
11	Mi Vida Homes Limited

Source: Capital Markets Authority

As a REIT Manager, the company will offer Real Estate and fund management services for Real Estate investment trusts (REITs) on behalf of investors within a REIT scheme. We expect this milestone will open exciting new opportunities for investors and further develop our country's Real Estate market, as the country's REIT market remains underdeveloped and relies primarily on conventional funding alternatives.

b. **Acorn Holdings Financial Performance H1'2024**

Acorn Holdings released their H1'2024 financial results for the Acorn D-REIT and I-REIT. Key to note, Acorn I-REIT posted a 44.7% increase in profit to Kshs 164.1 mn from Kshs 113.3 mn that was recorded in H1'2023, linked to a 64.5% increase in rental income coming in at Kshs 534.2 mn from 324.8 mn in H1'2023. On the other hand, Acorn D-REIT posted a 67.2% decline in rental income to Kshs 53.1 mn in H1'2024 from Kshs 162.0 mn in H1'2023. The performance is attributed ASA D-REIT closing the period with only 2 operational properties in Karen (Qwetu Karen and Qejani Karen) compared to 4 at the same time in the previous year. This led to a decrease in residential revenue in the half-year following the sale of both Qwetu Hurlingham and Qwetu Aberdare Heights II. Below is a summary of the REIT's performance in H1'2024;

Figures in Kshs mn Unless Stated Otherwise

Cytonn Report: Income Statement

	Acorn I-REIT			Acorn D- REIT		
	H1'2023	**H1'2024**	**Change**	**H1'2023**	**H1'2024**	**Change**
Rental Income	324.8	534.2	**64.5%**	162.0	53.1	**(67.2%)**
Income from Other Sources	10.6	7.9	**(25.2%)**	0.02	0.0	**(100.0%)**
Total operating income	335.4	553.2	**65.0%**	515.6	424.8	**(17.6%)**
Operating Expenses	197.0	243.3	**23.5%**	181.4	153.6	**(15.3%)**
Finance costs	(45.6)	(194.9)	**327.8%**	(166.1)	(81.2)	**(51.1%)**
Profit Before Tax	**113.3**	**164.1**	**44.7%**	**170.2**	**181.4**	**6.6%**
Basic EPS (Kshs)	**0.4**	**0.5**	**26.6%**	**0.66**	**0.7**	**3.5%**

Figures in Kshs bn Unless Stated Otherwise

Cytonn Report: Balance Sheet

	Acorn I-REIT			Acorn D-REIT		
	H1'2023	**H1'2024**	**Change**	**H1'2023**	**H1'2024**	**Change**
Total Assets	7.3	10.6	**44.1%**	11.3	12.6	**11.4%**
Total Equity	6.3	7.4	**17.2%**	6.5	6.7	**3.1%**
Total Liabilities	1.0	3.1	**215.9%**	4.7	5.8	**23.1%**

Ratios summary for the I-REIT and D-REIT

Cytonn Report: Ratios Summary

	Acorn I-REIT			Acorn D-REIT		
	H1'2023	**H1'2024**	**Change**	**H1'2023**	**H1'2024**	**Change**
ROA	1.5%	1.6%	**0.0%**	1.5%	1.4%	**(0.1%)**
ROE	1.8%	2.2%	**0.4%**	2.6%	2.7%	**0.1%**
Debt Ratio	13.5%	29.6%	**16.1%**	41.9%	46.2%	**4.4%**
PBT Margin	**34.9%**	**30.7%**	**(4.2%)**	**33.0%**	**42.7%**	**9.7%**
Rental Yield	**5.0%**	**5.2%**	**0.2%**	**1.5%**	**0.5%**	**(1.1%)**
Annualized Rental Yield	**10.1%**	**10.6%**	**0.5%**	**3.1%**	**1.0%**	**(2.1%)**
Distribution Per Unit	**0.103**	**0.099**	**(4.2%)**	**0.34**	**0.46**	**11.4%**
Payout Ratio	**26.3%**	**19.9%**	**(6.4)**	**53.3%**	**68.1%**	**14.8%**

The key take-outs include;

Acorn I-REIT

- The basic earnings per unit increased by 26.6% to Kshs 0.5 in H1'2024, from Kshs 0.4 recorded in H1'2023. This was mainly driven by a 44.7% increase in profit to Kshs 164.1 mn recorded in

H1’2024, from Kshs 113.3 mn that was recorded in H1’2023, linked to a 64.5% increase in rental income coming in at Kshs 534.2 mn from 324.8 mn in H1’2023,

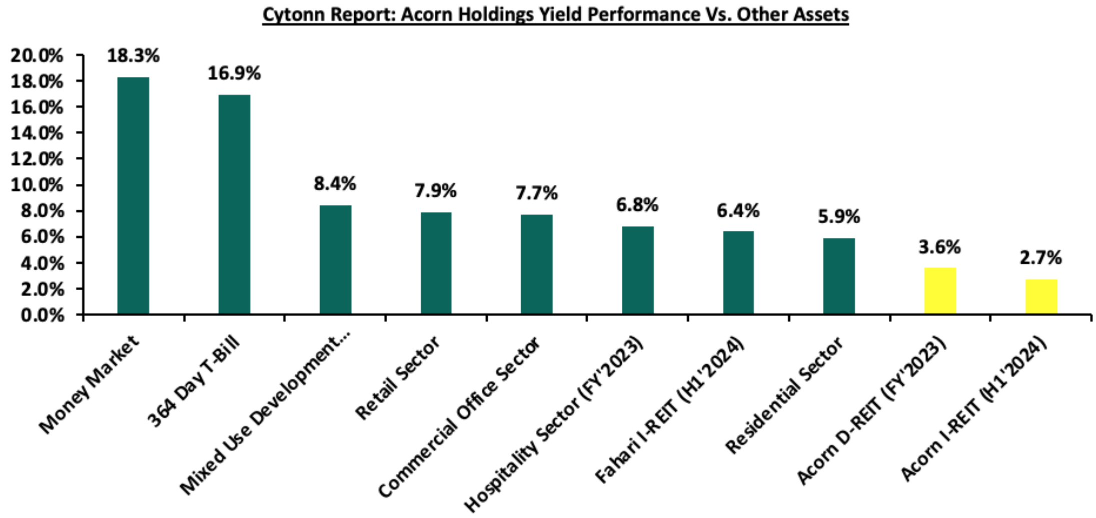
- The current rental yield for the I-REIT increased by 0.2% points to 5.2% in H1’2024, from 5.0% in H1’2023 following an increase in the rental income and stable average occupancy levels of 87.0% for current properties in their portfolios,
- Total assets for the I-REIT increased by 44.1% to Kshs 10.6 bn in H1’2024 from Kshs 7.3 bn in H1’2023. This was mainly on the back of a 57.0% increase in investment property during the period, coming in at Kshs 10.3 bn from Kshs 6.6 bn in H1’2023. This was a result of newer acquisitions during the period including Qwetu Aberdare Heights II at a valuation of Kshs 1.4 bn, and,
- The shareholder’s funds for I-REIT increased by 17.2% to Kshs 7.4 bn in H1’2024, from Kshs 6.3 bn in H1’2023. The I-REIT’s equity increase was a result of; i) an increase in revaluation reserve at the end of the period by 44.4% to Kshs 681.1 mn in H1’2024 from 471.7mn in H1’2023, ii) increase trust capital by 15.4% to Kshs 6.6 bn from 5.7 bn, and iii) a 7.2 mn in assets replacement reserves. On the other hand, there was a slight 1.2 % decrease in retained earnings to Kshs 174.0 mn from Kshs 176.1 mn in H1’2023.

Acorn D-REIT

- The basic earnings per unit for the REIT increased by 3.5% to Kshs 0.7 in H1’2024, from Kshs 0.66 in H1’2023. This was mainly driven by a 6.6% increase in total profit to Kshs 181.4 mn in H1’2024 from Kshs 170.2 mn in H1’2023,
- The total operating expenses for the D-REIT decreased marginally by 15.3% to Kshs 153.6 mn in H1’2024 from Kshs 181.4 mn in H1’2023, mainly driven by a 38.8% decrease in administrative expenses to Kshs 47.2 mn in H1’2024 from Kshs 77.1 mn in H1’2023,
- Total assets for the D-REIT increased by 11.4% to Kshs 12.6 bn in H1’2024, from Kshs 11.3 bn in H1’2023. The increase in assets was mainly backed by increased amounts due from related parties which increased by 1,233.0% to Kshs 400.6 mn in H1’2024 from Kshs 30.0 mn in H1’2023 , and,
- The D-REIT recorded 0.1%-point decrease in ROA to 1.4% in H1’2024 from 1.5% in H1’2023. This is attributable to slightly higher returns on assets in H1’2023 compared to H1’2024. The ROE recorded a 0.1%-point increase to 2.7% in H1’2024 from 2.6% in H1’2023 which was mainly attributable to a 6.6% increase in total profit to Kshs 181.4 mn in H1’2024 from Kshs 170.2 mn in H1’2023.

For a more comprehensive analysis, please see our Acorn I-REIT and D-REIT H1’2024 Earnings Note.

The chart below shows the comparison of Acorn Holdings’ yield performance versus other assets.



Source: Cytonn Research

On the Unquoted Securities Platform, Acorn D-REIT and I-REIT traded at Kshs 24.5 and Kshs 22.0 per unit, respectively, as per the last updated data on 2nd August 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 31.6 mn shares, respectively, with a turnover of Kshs 257.5 mn and Kshs 633.8 mn, respectively, since inception in February 2021. Additionally, ILAM Fahari I-REIT traded at Kshs 11.0 per share as of 2nd August, 2024, representing a 45.0% loss from the Kshs 20.0 inception price. The volume traded to date came in at 138,600 for the I-REIT, with a turnover of Kshs 1.5 mn since inception in November 2015.

REITs offer various benefits, such as tax exemptions, diversified portfolios, and stable long-term profits. However, the ongoing decline in the performance of Kenyan REITs and the restructuring of their business portfolios are hindering significant previous investments. Additional general challenges include: i) insufficient understanding of the investment instrument among investors, ii) lengthy approval processes for REIT creation, iii) high minimum capital requirements of Kshs 100.0 mn for trustees, and iv) minimum investment amounts set at Kshs 5.0 mn for the Investment REITs, all of which continue to limit the performance of the Kenyan REITs market.

The notable highlights during the month were;

i. ILAM Fahari I-REIT released their H1'2024 financial results highlighting that the I-REIT recorded a 37.4% decline in profits earned to Kshs 53.8 mn, from Kshs 86.0 mn in H1'2023. For more information, please see our Cytonn weekly #30/2024, and,
ii. ICEA Lion Asset Managers (ILAM) Fahari I-REIT was admitted to the Unquoted Securities Platform (USP) of the Nairobi Securities Exchange (NSE), following their delisting from the main investment market in February 2024. ILAM Fahari joined Acorn I-REIT, Acorn D-REIT, and Linzi Sukuk in the USP, marking the first trading day in the segment. The delisting from the Main Investment Market Segment (MIMS) of the NSE will provide greater flexibility in managing the REIT's portfolio without affecting the unitholders' ability to trade their units. The REIT's shares (units) were available for trading on the platform at a fixed price of Kshs 11.0, representing the price at which a section of minority investors was bought out last year by ILAM, which is also the manager of the REIT. Cytonn weekly #28/2024

We expect the performance of Kenya's Real Estate sector to remain resilient supported by several factors: i) heightened activities from both private and government sectors, ii) an expanding population driving the need for housing, iii) government efforts under the Affordable Housing Program and the incentives advanced to developers aligned with the program, iv) an increase in deals in the commercial office sector likely to boost occupancy,

v) increased investment by international and local investors in the retail sector, and vi) increased international arrivals in the country boosting the hospitality and tourism sector. On the other hand, we expect the sector's growth to be limited by: i) slow penetration of mortgages in the country, ii) subdued growth of REITs and the overall capital market in the country, iii) the increasing cost of construction, and iv) reducing purchasing power of consumers.
