

Acorn Holdings released their H1'2021 financial statements for the D-REIT and I-REIT Investment arm which have been invested in student accommodation. The Development Real Estate Investment Trust (D-REIT) finances the development of student hostels whereas the Investment Real Estate investment trust (I-REIT) is mainly invested in the respective properties by the firm for rental income.

***Disclaimer: This is the first published financial statement for the Acorn I-REIT and the Acorn D-REIT and hence the performance is not compared with other periods***

### **Notable Highlights**

- Acorn Holdings launched the construction of its 3,592 room-hostels at a cost of Kshs 1.9 bn in Nairobi's Karen under the Qwetu and Qejani brands, which are expected to be completed by the end of 2022,
- As at March 31<sup>st</sup> 2021, Acorn had raised a total of Kshs 2.1 bn from investors in issuance of its development real estate investment trust (D-REIT) and income REIT (I-REIT), and,
- InfraCo, a United Kingdom-funded private infrastructure development group invested Kshs 1.0 bn to Acorn's Real Estate Investment Trust (REIT) intended to support the construction of 10,000 affordable student accommodation units. InfraCo is currently anchor investor for the Acorn Development and Income REITS.

### **Income Statement**

- Acorn D-REIT recorded profits of Kshs 266.9 mn in H1'2021 while the I-REIT profits came in at Kshs 141.3 mn. The D-REIT Performance was mainly driven by the Kshs 339.0 mn increase in the fair value of Investment Property,
- The total Operating income of the Acorn I-REIT came in at Kshs 145.0 mn, 716.5%% higher than the D-REIT whose total operating income stood at Kshs 17.8 mn in H1'2021, indicating a higher investor appetite for the I-REIT instrument as opposed to the D-REIT since it provides a monthly source of income in form of rent and capital appreciation from the various student housing accommodation facilities by Acorn Holdings, and,
- The total operating expenses for the D-REIT came in at Kshs 89.9 mn in H1'2021 driven by administrative expenses of Kshs 20.0 mn and fund expenses of Kshs 69.9 mn. On the other hand, for the I-REIT, the total operating expenses came in at Kshs 65.7 mn as at H1'2021 driven by Kshs 47.0 mn in administrative/operating expenses and Kshs 17.0 mn in fund expenses.

### **Balance Sheet**

- Total assets for the I-REIT came in at Kshs 3.5 bn as at H1'2021 driven by the Kshs 3.4 bn in Investment Properties. The D-REITs total assets came in at Kshs 6.2 bn during the period, with the majority of the D-REITs assets in Investment Properties,
- Total liabilities for the D-REIT came in at Kshs 1.8 bn with the Non-Current Liabilities at Kshs 1.7 bn and Current Liabilities at Kshs 94.5 mn during the period under review. On the other hand, total liabilities for the I-REIT was at Kshs 74.2 mn during the period,
- The net asset value per unit for the I-REIT came in at Kshs 20.6 as at H1'2021, 2.1% higher than the D-REIT net asset value which came in at Kshs 20.2,
- The overall shareholders' funds in H1'2021 came in at Kshs 4.3 bn for the D-REIT, and Kshs 3.4 bn for the I-REIT, and,

## ACORN D-REIT AND I-REIT EARNINGS NOTE-H1'2021 30<sup>TH</sup> JULY 2021

- The ROA and ROE for the I-REIT is 4.0% and, 4.1% respectively, while the D-REIT has an ROA and ROE of 4.3% and, 6.1% respectively.

### Key Take-Outs:

- From the analysis, investors have a better appetite for the I-REIT as opposed to the D-REIT evidenced by the high returns in terms of the total operating income here the I-REIT came in at Kshs 145.0 mn as opposed to the Kshs 17.8 mn for the D-REIT in H1'2021. This is mainly attributable to the fact that investors have preferences for instruments that will provide returns within a short period of time as the I-REIT guarantees returns for the respective investors from the monthly rental income generated from the select student accommodation facilities coupled with returns from appreciation of the properties,
- The Acorn's D-REIT and I-REITS performed better than the listed Ilam Fahari I-REIT evidenced by the net profits of Kshs 266.9 mn and Kshs 339.0 mn Kshs for the Acorn's D-REIT and I-REIT, respectively compared to an overall profit of Kshs 42.2 mn for the Ilam Fahari I-REIT as at H1'2021, and,
- We expect the Acorn D-REIT and I-REIT to continue showing improved performance going forward evidenced by the attractiveness of the developments where Acorn continues to invest in since Acorn mainly invests in student accommodation facilities which continues to outperform other sectors in the real estate market. The student housing facilities generated a rental yield of 7.3% as at 2020 compared to other asset classes such as the residential and commercial office spaces which recorded average rental yields of 4.8% and 6.9%, respectively, in H1'2021.

**Below is a summary of the key line items in the balance sheet and income statement;**

### *Figures in Kshs mn Unless Stated Otherwise*

Balance Sheet	H1'2021 I-REIT	H1'2021 D-REIT
Total Assets	3,517.4	6,185.4
Total Liabilities	74.2	1,838.0
Total Equity	3,443.2	4,347.4

### *Figures in Kshs mn Unless Stated Otherwise*

Comprehensive Income	H1'2021 I-REIT	H1'2021 D-REIT
Total Income	145.0	17.8
Total Expenses	(65.8)	(89.9)
Fair Value Gain on Revaluation of Property	61.9	339.0
Profit of the Period	141.3	266.9

Ratios Summary	H1'2021 I-REIT	H1'2021 D-REIT
ROA	4.0%	4.3%
ROE	4.1%	6.1%