

ACORN REIT EARNINGS NOTE – H1'2025

3rd August 2025

Acorn Holdings released their H1'2025 financial results for the Acorn D-REIT and I-REIT, which invests in purpose-built student accommodation (PBSA). The Development Real Estate Investment Trust (D-REIT) finances the development of Purpose-Built Student Accommodation (PBSA) housing projects and later exit the projects to the Investment Real Estate Investment Trust (I-REIT) through legally bidding acquisition agreement. Rental incomes and other sources of income play a significant role in driving the investments and operations of the REITs.

Below is a summary of the Acorn's I-REIT and D-REIT H1'2025 performances:

Figures in Kshs mn Unless Stated Otherwise

Cytonn Report: Income Statement						
	Acorn I-REIT			Acorn D-REIT		
	H1'2024	H1'2025	Change	H1'2024	H1'2025	Change
Rental Income	534.2	524.1	(1.9%)	53.1	157.9	197.6%
Income from Other Sources	0.3	0.3	(5.0%)	0.0	0.0	
Total operating income	545.6	524.4	(3.9%)	424.8	805.5	89.6%
Operating Expenses	243.3	231.4	(4.9%)	153.6	238.6	55.4%
Finance costs	(194.9)	(202.7)	4.0%	(0.1)	(0.4)	367.1%
Profit Before Tax	164.1	251.6	53.4%	181.4	205.0	13.0%
Basic EPS (Kshs)	0.5	0.7	38.2%	0.7	0.7	6.8%

Figures in Kshs bn Unless Stated Otherwise

Cytonn Report: Balance Sheet						
	Acorn I-REIT			Acorn D-REIT		
	H1'2024	H1'2025	Change	H1'2024	H1'2025	Change
Total Assets	10.6	11.3	7.3%	13.4	16.1	33.7%
Total Equity	7.4	8.6	15.9%	6.7	7.7	11.9%
Total Liabilities	3.1	2.7	(13.0%)	5.8	8.4	62.8%

Ratios summary for the I-REIT and D-REIT

Cytonn Report: Ratios Summary						
	Acorn I-REIT			Acorn D-REIT		
	H1'2024	H1'2025	Change	H1'2024	H1'2025	Change
ROA	1.6%	2.2%	0.7%	1.4%	1.3%	(0.1%)
ROE	2.2%	2.9%	0.7%	2.7%	2.7%	0.0%
Debt Ratio	29.6%	24.0%	(5.6%)	43.3%	52.1%	8.8%
PBT Margin	30.7%	48.0%	17.3%	42.7%	25.5%	(17.3%)
Annualized Rental Yield	10.6%	4.9%	(5.7%)	1.0%	2.6%	1.6%
Distribution Per Unit	9.9%	7.4%	(2.5%)	46.3%	104.0%	57.7%
Payout Ratio	19.9%	10.8%	(9.1%)	68.0%	72.7%	4.7%

Acorn I-REIT

Income Statement:

- The basic earnings per unit increased by 38.2% to Kshs 0.7 in H1'2025, from Kshs 0.5 recorded in H1'2024. This was mainly driven by a 53.4% increase in profit to Kshs 251.6 mn recorded in H1'2025, from Kshs 164.1 mn that was recorded in H1' 2024, linked to a 4.9% decrease in operating expenses coming in at Kshs 231.4 mn from 243.3 mn in H1'2024
- The I-REIT recorded a 1.9% decrease in rental income coming in at Kshs 524.1 mn from Kshs 534.2 mn in H1'2024. The performance was attributed to the decrease in residential rental income by 2.0% to 516.4 mn in H1' 2025 from 527.1 mn in H1' 2024;
- The REIT's total operating expenses decreased by 4.9% to Kshs 231.4 mn from Kshs 243.3 mn in H1' 2024. This performance was attributable to a 5.4 % decrease in administrative expenses which reduced to Kshs 178.5 mn in H1'2025 from Kshs 188.6 mn in H1'2024. However, this movement was mitigated by impairment gain on financial assets coming in at Kshs 3.3 mn in H1'2025 from an impairment loss of (4.8) bn in H1' 2024, and,
- The current rental yield for the I-REIT decreased by 0.6% points to 10.0% in H1' 2025, from 10.6% in H1'2024 following a decrease in the rental income which was due to the decrease in residential rental income by 2.0% to 516.4 mn in H1' 2025 from 527.1 mn in H1' 2024;

Balance Sheet:

- Total assets for the I-REIT increased by 7.3% to Kshs 11.3 bn in H1'2025 from Kshs 10.6 bn in H1'2024. This was mainly on the back of a 4.1% increase in investment property during the period, coming in at Kshs 10.7 bn from Kshs 10.3 bn in H1'2024. This was as a result of increase in fair value of investment property to Kshs 151.7 mn in H1' 2025 from Kshs 49.1 mn in H1' 2024,
- Total liabilities decreased by 13.0% to Kshs 2.7 bn in H1' 2025, from Kshs 3.1 bn in H1' 2024 as a result of a decrease in short term borrowings. During the period under review, short-term borrowings decreased by 5.2% to Kshs 2.4 bn from Kshs 2.6 bn in H1' 2024. Moreover, the REIT registered payables amounting to Kshs 267.7 mn in H1' 2025 which further contributed to the decrease in liabilities,
- The shareholder's funds for I-REIT increased by 15.9% to Kshs 8.6 bn in H1' 2025, from Kshs 7.4 bn in H1' 2024. The I-REIT's equity increase was as a result of; i) an increase in revaluation reserve at the end of the period by 60.6% to Kshs 1,093.8 mn in H1' 2025 from 681.2 mn in H1' 2024 and, ii) increase trust capital by 11.8% to Kshs 7.3 bn from 6.6 bn, and,
- The I-REIT's Return on Assets (ROA) increased by 0.7 % point to 2.2% in H1' 2025 from 1.6% in H1' 2024, Return on Equity (ROE) increased by 0.7% points in H1'2025 to 2.9%, from 2.2% in H1' 2024. This was attributable to a 53.4% increase in profit to Kshs 251.6 mn recorded in H1' 2025, from Kshs 164.1 mn that was recorded in H1'2024

Acorn D-REIT

Income Statement:

- The basic earnings per unit for the REIT remained unchanged at Kshs 0.7 in H1' 2024. This was mainly driven by a 13.0% increase in total profit to Kshs 205.0 mn in H1'2025 from Kshs 181.4 mn in H1'2024.
- Acorn D-REIT posted a 197.6% increase in rental income to Kshs 157.9 mn in H1' 2025 from Kshs 53.1 mn in H1' 2024. This can be attributed to increase in residential income by 99.2% to 155.7 mn in H1' 2025 from 52.0 mn in H1' 2025 due to the opening of the Kenyatta University (KU) properties which added on to the revenue to the existing Karen and Chiromo properties.

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- The total operating expenses for the D-REIT increased by 55.4% to Kshs 238.6 mn in H1' 2025 from Kshs 153.6 mn in H1' 2024, mainly driven by a 92.4% increase in administrative expenses to Kshs 90.9 mn in H1' 2025 from Kshs 47.2 mn in H1' 2024, and,
- The current rental yield for the D-REIT increased by 0.8% points to 1.3% in H1' 2025 from 0.5% recorded in H1' 2024. This can be attributed to a 197.6% increase in rental income to Kshs 157.9 mn in H1' 2025 from Kshs 53.1 mn in H1' 2024.

Balance Sheet:

- Total assets for the D-REIT increased by 20.3% to Kshs 16.1 bn in H1' 2025, from Kshs 13.4 bn in H1' 2024. The increase in assets was mainly backed by an increase in cash and cash equivalent which increased by 14.3% to Kshs 250.8 mn in H1' 2025 from Kshs 219.5 mn in H1' 2024.
- Total liabilities for the D-REIT increased by 44.8% to Kshs 8.4 bn in H1'2025, from Kshs 5.8 bn in H1' 2024, mainly driven by; i) 55.4% increase in borrowings which came in at Kshs 4.8 bn in H1' 2025, from Kshs 1.8 bn in H1'2024, and ii) 15.0% increase in trade and other payables to Kshs 1.2 bn in H1' 2025, from Kshs 1.1 bn in H1' 2024,
- The total equity for the D-REIT increased by 14.3% to Kshs 7.7 bn in H1' 2025, from Kshs 6.8 bn in H1' 2025. The increase was attributed to an increase in shareholders contribution by 7.3% to Kshs 5.9 bn in H1' 2025, from Kshs 5.5 bn in H1' 2024.
- The D-REIT recorded 6.1%-point decrease in ROA to 1.3% in H1'2025 from 1.4% in H1'2024. This is attributable to slightly lower returns on assets in H1'2025 compared to H1' 2024. The ROE recorded remained unchanged from 2.7% in H1' 2024 which was mainly attributable to a 13.0% increase in total comprehensive profit to Kshs 205.0 mn in H1'2025 from Kshs 181.4 mn in H1'2024.

Looking ahead, Acorn Holdings is expected to sustain growth by leveraging its strong development pipeline and the increasing demand for affordable and quality student housing. For the I-REIT, efforts will likely focus on optimizing operational efficiency, improving occupancy rates, and stabilizing rental income, especially considering the recent decline in residential rental revenues. Meanwhile, the D-REIT is poised to benefit from its aggressive development strategy, with the surge in rental income indicating successful project handovers and improved monetization. However, rising finance and administrative costs will need close monitoring. Overall, the REITs' improved profitability, balance sheet strength, and strategic focus on the student housing niche position them favorably to deliver long-term value to investors in Kenya's evolving real estate landscape.