

Cytonn Kenya's REITs FY'2024 Report

Table of Contents

1 Introduction to Cytonn

2 Overview of Real Estate in Kenya

3 Overview of the REITs sector in Kenya

4 Themes that shaped the REITs sector in FY'2024

5 Performance of the REITs in FY'2024

6 Conclusion & Outlook for the sector

7 Appendix

I. Introduction to Cytonn

About Us

Cytonn Investments is an alternative investment manager, with real estate development capability, and a primary focus on private equity and real estate investments in the high growth Kenyan Region. Cytonn has a unique strategy of coupling two compelling demand areas - the lack of high yielding investment products and the lack of institutional grade real estate. We provide high yielding investment instruments to attract funding from investors, and we deploy that funding to largely pre-sold investment grade real estate. With offices in Kenya DC - USA, we are primarily focused on offering alternative investment solutions to global and local institutional investors, individual high net-worth investors, and diaspora investors interested in the East-African region. Real estate investments are made through our development affiliate, Cytonn Real Estate, where we currently have over Kshs. 82 billion (USD 820 mn) of projects under mandate across ten projects. In private equity, we invest in banking, education, and hospitality.

82

Over Kshs. 82 billion worth of projects under mandate

2

Three offices across 2 continents

100

Over 500 staff members, including Cytonn Distribution

10

10 investment ready projects in real estate

A unique franchise differentiated by:

Independence & Investor Focus

Focused on serving the interest of clients, which is best done on an independent platform to minimize conflicts of interest

Alternative Investments

Specialized focus on alternative assets - Real Estate, Private Equity, and Structured Solutions

Strong Alignment

Every staff member is an owner in the firm. When clients do well, the firm does well; and when the firm does well, staff do well

Committed Partners

Strong global and local partnerships in financing, land and Cytonn Real Estate, our development affiliate

Why We Exist

Africa presents an attractive investment opportunity for investors seeking attractive and long-term returns. Despite the alternative markets in Africa having high and stable returns, only a few institutional players serve the market. Cytonn is focused on delivering higher returns in the alternative markets, while providing the best client service and always protecting our clients' interests.

WE SERVE THREE MAIN CLIENT SEGMENTS:

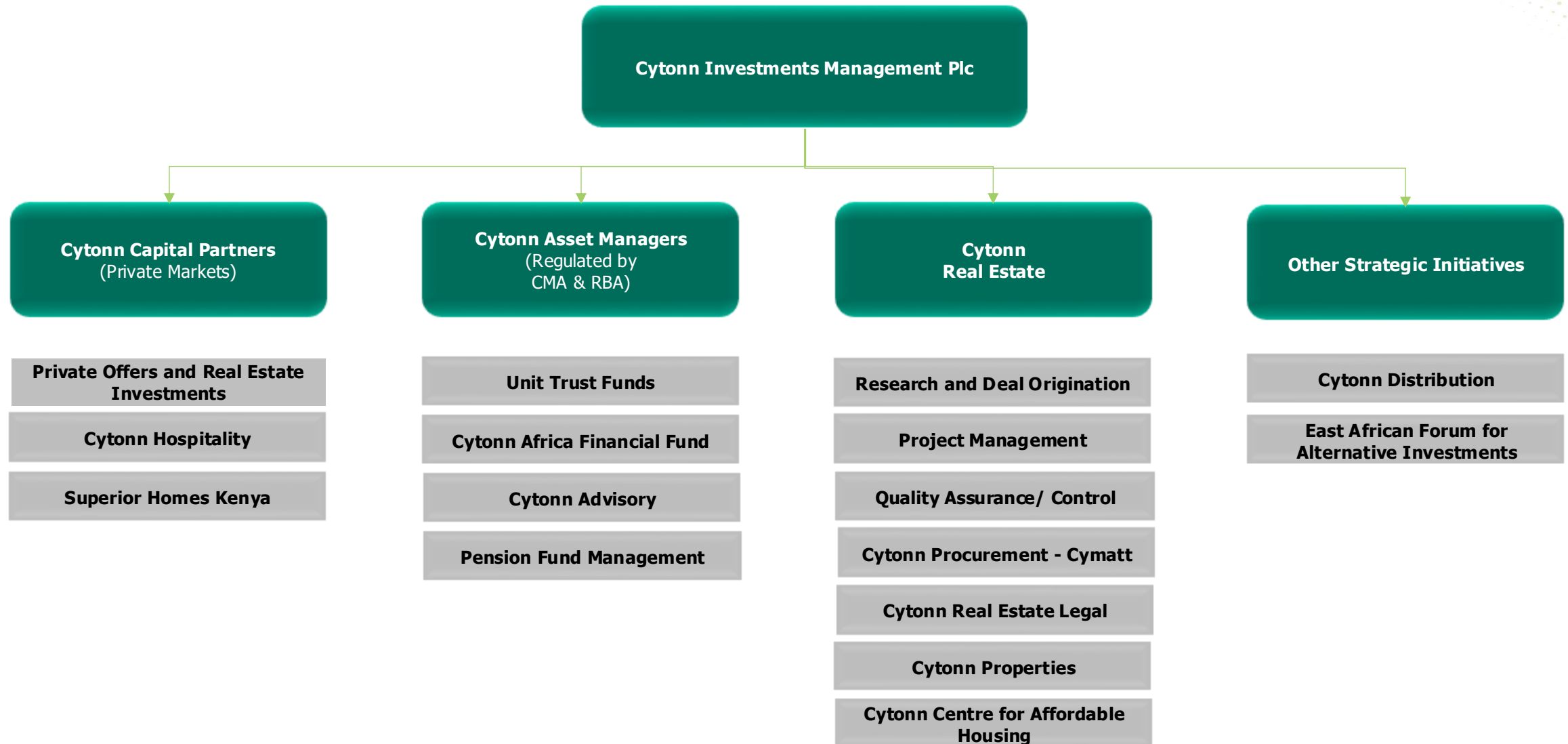
- High Net-worth Individuals through Cytonn Private Wealth. This is done through our captive Distribution Network
- East Africans in the Diaspora through Cytonn Diaspora
- Global and Local Institutional Clients. These clients are served from our Investment & Fundraising Team

WE INVEST OUR CLIENT FUNDS IN:

- Real Estate, and Real Estate Related Businesses
- Private Equity
- Fixed Income Structured Solutions
- Equities Structured Solutions



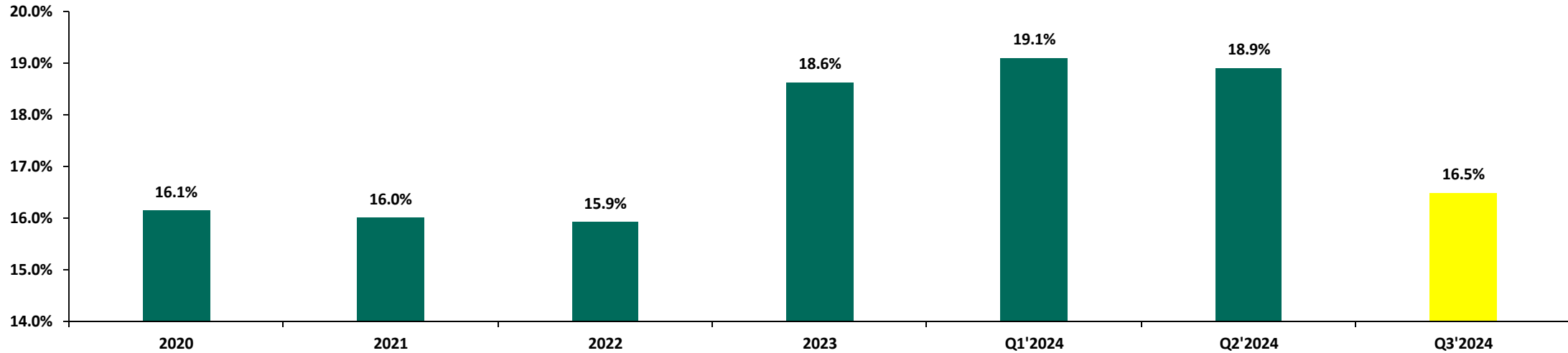
Our Business Structure



II. Overview of Real Estate in Kenya

Sectoral Contribution to GDP

Cytonn Report: Real Estate and Construction Sector Contribution to GDP (2020-Q3'2024)



*Source: KNBS

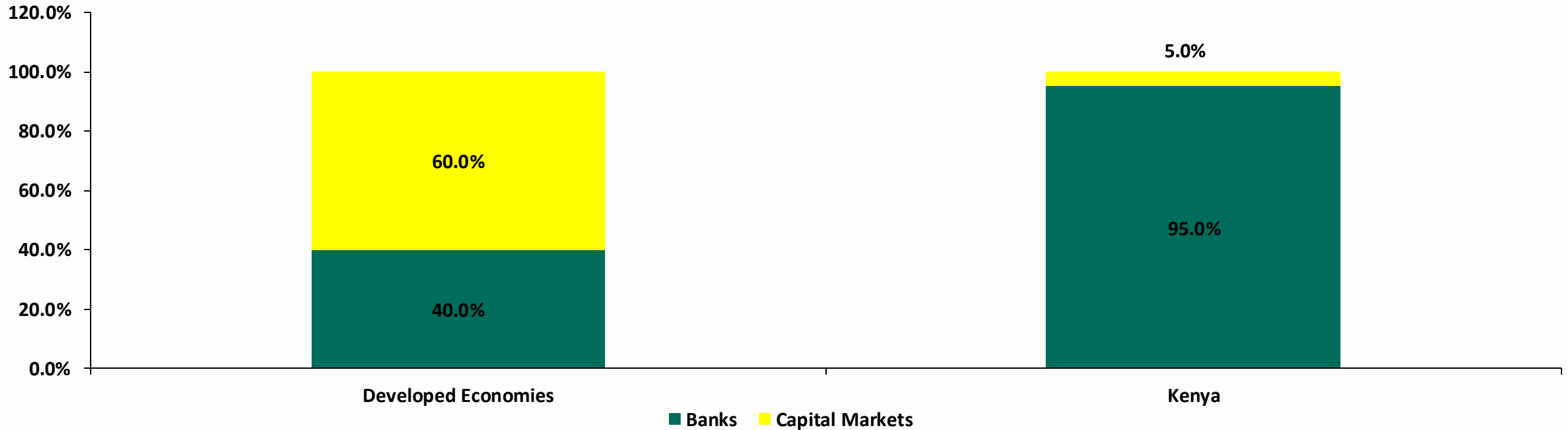
- In FY'2024, the general Real Estate sector continued to witness considerable growth in activity in terms of property transactions and development activities. Consequently, the sector's activity contribution to Gross Domestic Product (GDP) [grew](#) by 5.5 % to Kshs 283.8 bn in Q3'2024, from Kshs 268.9 bn recorded during the same period in 2023. In addition, the sector contributed 10.8% to the country's GDP, 0.3% points increase from 10.5% recorded in Q3'2023. Cumulatively, the Real Estate and construction sectors contributed 16.5% to GDP, 0.2% points decrease from 16.7% in Q3'2023, attributable to decline in construction contribution to GDP by 0.4% points, to 5.7% in Q3'2024, from 6.1% recorded in Q3'2023. The decline in Construction sector was attributable to the high cost of building materials that led to a 2.0% contraction in the construction sector in Q3'2024, compared to a 4.0% increase in Q3'2023.

Funding Gap in the Real Estate Sector

There needs to be alternative financing to meet the funding gap to Real Estate development in Kenya

- Despite the existing demand in the Real Estate market, there exists limited funding options for developers. Banks in Kenya are the primary source of funding for Real Estate development, providing nearly 95.0% of funding for [construction](#) activities as opposed to 40.0% in developed countries

Cytonn Report: Construction Financing in Kenya Vs Developed Economies



*Source: World Bank, Capital Markets Authority

III. Overview of REITs Sector in Kenya

Kenyan REITs Sector Overview

There are four authorized REITs in the Kenyan market, all of which are structured as closed-ended funds

Cytonn Report: Authorized REITs in Kenya						
#	Issuer	Name	Type of REIT	Listing Date	Market Segment	Status
1	ICEA Lion Asset Management (ILAM)	Fahari	I-REIT	July 2024	Unquoted Securities Platform (USP)	Trading
2	Acorn Holdings Limited	Acorn Student Accommodation (ASA) – Acorn ASA	I-REIT	February 2021	Unquoted Securities Platform (USP)	Trading
3	Acorn Holdings Limited	Acorn Student Accommodation (ASA) – Acorn ASA	D-REIT	February 2021	Unquoted Securities Platform (USP)	Trading
4	Local Authorities Pension Trust (LAPTrust)	Imara	I-REIT	March 2023	Restricted Market Sub-Segment of the Main Investment Market	Restricted

*Source: Nairobi Securities Exchange, Capital Markets Authority

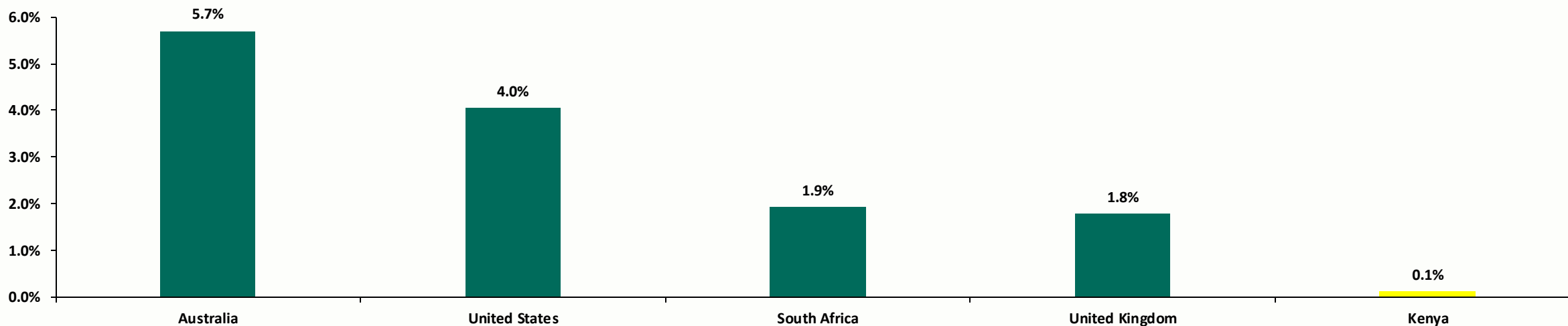
- Following the establishment of REIT regulations in 2013, four REITs were approved in the Kenyan market, all designed as closed-ended funds with a fixed number of shares. Currently, none of these REITs are actively trading on the Main Investments Market Segment of the Nairobi Securities Exchange (NSE). Following the recent delisting of ILAM Fahari I-REIT, LAPTrust Imara I-REIT is the only listed REIT in the country, quoted on the [restricted market sub-segment](#) of the NSE's Main Investment Market. It is important to note that Imara did not raise funds upon listing. The ILAM Fahari I-REIT, Acorn I-REIT and D-REIT are not listed but trade on the Unquoted Securities Platform (USP), an over-the-counter market segment of the

Kenyan REITs Sector Overview

Kenyan REITs market capitalization remains low in comparison to other countries

Since its introduction in 2013, the REIT market in Kenya has faced several hurdles that have hindered its growth. Key challenges include the hefty capital requirement of Kshs 100.0 mn for trustees, limiting this role largely to banks, and a protracted approval process for setting up REITs. Additionally, the high minimum investment threshold of Kshs 5.0 mn discourages potential investors, while a lack of sufficient investor education and awareness further impedes market expansion. As a result, the REIT market capitalization in Kenya remains significantly lower compared to other regions

Cytonn Report: REIT Market Capitalization to GDP as at December 2024



IV. Themes that shaped the REITs sector in FY'2024

Themes that Shape the REIT Sector - Regulations

Any income that REITs distribute to their investors (unitholders) are not taxed

1. Regulation:

a) Exemption from Income Tax Act- Section 20 (1) (c) and (d) of the [Income Tax Act](#) (ITA) stipulates that upon registration with the Commissioner of Kenya Revenue Authority (KRA), both REITs and the companies they invest in are exempt from the standard 30.0% Income Tax Rate (ITR). Additionally, any income distributed by REITs to their investors (unitholders) is not subject to taxation. However, it is important to note that this tax exemption does not extend to the withholding tax imposed on interest income and dividends received by unitholders who are not exempted as per the first schedule of the ITA. The rates for this withholding tax can be found in paragraph 5 of the third schedule of the Income Tax Act

b) Capital Gains Tax (CGT) exemptions- A capital gain arises when the value of a unit upon transfer exceeds its adjusted cost. The disparity between these values is liable to a tax rate of 15.0%. Consequently, any profits made by a promoter or investors of a REIT from transferring property into the REIT are now subject to Capital Gains Tax (CGT) at the [revised rate](#) of 15.0%, supplanting the previous rate of 5.0% effective from 1 January 2023. Additionally, individuals holding units in a REIT who opt to sell their ownership stake are also required to remit CGT. This stipulation emerged following an amendment to Section 34(1)(j) of the Income Tax Act through the [Finance Act 2022](#). However, within the REIT industry, there are certain scenarios that qualify for exemptions from CGT:

- i. Transfers of property from life insurance companies to a REIT are exempt from CGT, as outlined in Section 19 (6B) of the Income Tax Act (ITA),

Themes that Shape the REIT Sector ...

A direct transfer of property from the REIT promoter or investors is not subject to VAT

Regulation Continuation:

- ii. Indirect transfer of property into a REIT when the promoter first transfers properties to a Special Purpose Vehicle (SPV). Subsequently, the shares of the investee company held by the SPV are transferred to the REIT. This is considered a restructuring, as the property transfer does not involve a third party. This exemption is based on Paragraph 13 of the Eighth Schedule to the ITA. However, CGT is applicable on gains made during the transfer of shares from the investee company to the REIT Trustee,
- iii. Payments received by unit holders or shareholders in a REIT for unit redemption or share sale are exempt from CGT in accordance with section 20 (2) of the ITA,
- iv. Gains realized by the REIT from the sale of properties, whether directly or through an SPV, are also exempt from CGT.

c) Exemption from Value Added Tax (VAT)- The [Finance Act 2021](#) reintroduced a significant change regarding the exemption from Value Added Tax (VAT) for transactions involving the transfer of assets to REITs and asset-backed securities. This exemption had previously been removed by the [Tax Laws Amendment Act No. 2 of 2020](#). According to Paragraph 33 of Part II of the First Schedule to the [VAT Act 2021](#), a direct transfer of property from the REIT promoter or investors is not subject to VAT. However, if the transfer of assets to the REIT is done indirectly, through the initial transfer of assets to the investee company, VAT will be applicable. Importantly, the transfer of shares from a REITs SPV to the REIT trustee will be exempt from VAT, even if the initial asset transfer involved VAT.

Themes that Shape the REIT Sector- Acquisitions

Starting from 1 January, 2023, any transfers occurring in REIT sector is subject to stamp duty

- d) Adjustment in Stamp Duty-** As per the regulations set out in section 96A of the [Stamp Duty Act](#), when the properties within a Development REIT (D-REIT) are completed and start to generate stable income, any later transfer of these stabilized properties from the D-REIT to the Income REIT (I-REIT) is not subject to stamp duty. However, it is important to highlight that this exemption was only applicable to transactions completed before 31 December 2022. Consequently, starting from 1 January, 2023, any transfers occurring is subject to stamp duty in accordance with section 96A subsection 4 of the act.

2. Portfolio Holdings & Acquisitions

- i. LAPTrust Imara I-REIT possess a diversified portfolio of properties which include; i) Pension Towers, Metro Park, and CPF House which are commercial office buildings located in Nairobi CBD, ii) Retail centre Freedom Heights mall located in Lang'ata, iii) Nova Pioneer which is a purpose built education facility located in Eldoret, iv) Freedoms Height residential apartments and serviced plot located in Lang'ata, and, v) Man apartments located in Kilimani,
- ii. ILAM Fahari I-REIT manages and operates several properties under their portfolio which include: i) a mixed used development (MUD) Greenspan Mall located in Donholm, Nairobi, ii) 67 Gitanga Place which is a prime office property located in Lavington, and, iii) Bay Holdings and Highway House which are industrial properties located in Industrial Area and Mombasa Road area respectively,
- iii. Acorn Student Accommodation (ASA) I-REIT has five completed student housing properties with 3,003 beds under their management serving up to 128 universities and colleges. These properties include; Qwetu Jogoo Road, Qwetu Ruaraka, Qwetu

Themes that Shape the REIT Sector - Acquisitions

ASA D-REIT is currently developing student accommodation properties through debt and equity financing

WilsonView in Lang'ata, Qwetu Parklands, and Qwetu Aberdare Heights I along Thika Road next to United States International University Africa (USIU-A). On the other hand, Acorn D-REIT boasts of four properties which are currently operational and six other properties under development bringing to a total of ten properties with 10,060 beds under its portfolio. Operational properties include; Qwetu Hurlingham, Qwetu Aberdare Heights II, Qwetu Karen, Qejani Karen whereas properties under development include; Qwetu Chiromo, Qejani Chiromo, Qejani JKUAT next to Jomo Kenyatta University of Agriculture and Technology, Qejani Hurlingham, Qwetu KU, and Qejani KU next to Kenyatta University,

- iv. During H1'2023 period, the ASA I-REIT and ASA D-REIT entered into a legally bidding agreement for the acquisition of Qwetu Hurlingham, along Arwings Kodhek Road. The property commenced operations in January 2022 and caters to serve tertiary-education students within Hurlingham area and surrounding regions, primarily targeting Daystar University, University of Nairobi (UoN) School of Medicine, Riara University and Strathmore University students. The transaction is scheduled to be finalized in Q3'2023. For more information see [Cytonn Monthly – July 2023](#)
- v. During FY'2024, Acorn Student Accommodation Development REIT (ASA D-REIT) announced it had sold its stabilized asset, Qwetu Aberdare Heights II, to the Acorn Student Accommodation Income REIT (ASA I-REIT) in a Kshs 1.5 bn deal. The acquisition of the 630-bed capacity hostel located adjacent to Qwetu Aberdare Heights I and United States International University (USIU) brings the total number of assets acquired by the I-REIT to four over the last three years, after successful acquisitions of Qwetu Hurlingham in June 2023, Qwetu WilsonView in February 2021, and Qwetu Aberdare Heights I in October

Themes that Shape the REIT Sector - Acquisitions

ASA D-REIT is currently developing student accommodation properties through debt and equity financing

Acquisitions Continuation:

Through the sale, ASA D-REIT will repay Kshs 600.0 mn of the Acorn Green Bond, pushing the repayment of the Kshs 5.7 bn bond to Kshs 3.0 bn ahead of its maturity in November 2024. The bond which was first floated in 2019, was issued in partnership with Private Equity Fund Helios and had attracted an 85.0% subscription rate, raising Kshs 4.3 bn of the targeted amount of Kshs 5.0 bn. The bond was priced at a rate of 12.3%, and was intended to be used to finance sustainable and climate-resilient student accommodation with a combined capacity of 40,000 beds

- V. During the year, 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. 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.

Themes that Shape the REIT Sector - Capital Raising

Capital Raising in Kenya's REITs sector Continuation

3. Capital Raising

- i. Acorn Holdings, a student hostel developer in Nairobi announced a bid to raise Kshs 2.8 bn in new capital for its development and income Real Estate Investment Trusts (REITS) by February 2025 to fund the development and acquisition of new properties. The firm targets Kshs 1.9 bn for the Acorn student accommodation I-REIT and Kshs 810.0 mn for the D-REIT, which is set to be raised through a combination of a rights issue that closed on 31st July and open market offer which continues until February 2025. Acorn offered an open market price of Kshs 24.54 for the D-REIT and Kshs 22.03 for the I-REIT with existing unit holders enjoying a discount of 0.6% during the rights issue offer period which has since expired.
- ii. The Acorn D-REIT currently has an outstanding Kshs 1.86 bn green bond issued in October 2019, which financed eight hostel projects. The company had acquired Kshs 5.7 bn and has been making early repayments before the debt matures in November 2024. In February 2022, the D-REIT contracted a Kshs 6.7 bn loan from Absa Bank to fund 10 hostel projects, out of which Kshs 1.0 bn had been drawn down by June 2024 for ongoing projects at Juja, Kenyatta University and Hurlingham.
- iii. The Linzi Sukuk bond was launched on July 31, 2024, marking Kenya's first Sharia-compliant bond aimed at funding affordable housing projects. President William Ruto announced that the KShs 3 bn (approximately Usd 20 mn) bond would finance the construction of 3,069 affordable housing units, significantly reducing the cost of home ownership for many Kenyans. The initiative allows potential homeowners to pay as little as KShs 7,000 per month over a 15-year period for homes valued at an average of KShs

Themes that Shape the REIT Sector – Structural Adjustments

Structural Adjustments and delisting in Kenya's REITs sector

4. Delisting & Listing on the USP

- ILAM Fahari I-REIT's delisting from the Main Investment Market Segment (MIMS) of the Nairobi Securities Exchange (NSE) marked a strategic move in response to operational challenges and structural optimization. Following approval from the Capital Markets Authority (CMA), ILAM Fahari embarked on a transition to become a Restricted I-REIT, tailored to target professional investors. The decision to delist ILAM Fahari I-REIT from the unrestricted main investment market segment to the restricted segment reflects both challenges faced by the REIT and its proactive response. Operational hurdles prompted a re-evaluation of its structure and operations, leading to resolutions passed during an Extraordinary General Meeting (EGM) in December 2023. Key among these was the proposed conversion to a restricted REIT and subsequent delisting, which garnered significant unitholder support
- **Implications of Delisting:**
 - **Non-Professional Unitholders:** Retail investors had to choose between accepting the redemption offer, which ended their unitholder status, or retaining units with post-conversion trading restrictions.
 - **Professional Unitholders:** They remained largely unaffected, with the ability to trade units on the Unquoted Securities Platform (USP), though liquidity concerns persist.
 - **Tenants and Regulators:** Minimal impact was observed, with the CMA continuing regulatory oversight as the REIT shifted to a Restricted I-REIT.

V. Performance of the REITs in FY'2024

Kenya REITs Sector FY'2024 Metrics

Laptrust I-REIT reported a notable NOI growth of 44.7%, reaching to Kshs 353.9 mn from Kshs 244.6 in FY'2023

- The tables below highlight the performance of the Kenyan REITs sector, showing the performance using several National Association of Real Estate Investments Trusts (NAREIT) approved metrics, and the key take-outs;

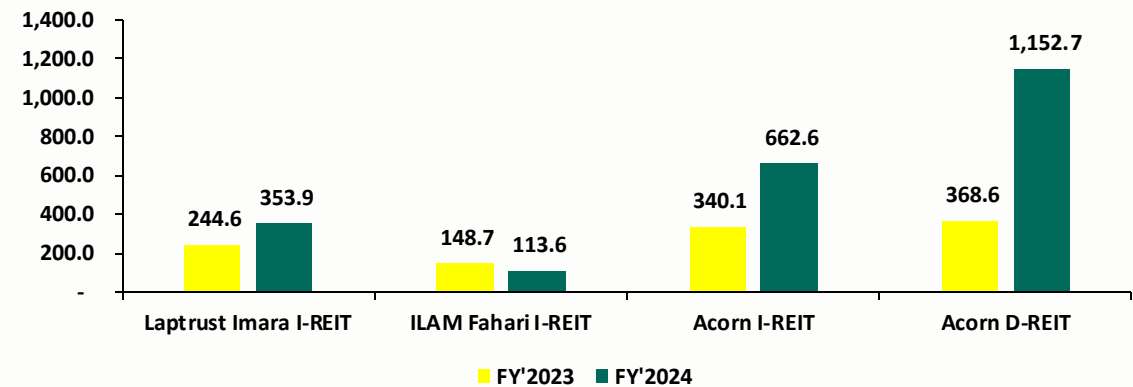
Cytonn Report: Summary Performance Kenya REITs in FY'2024															
	Imara I-REIT			ILAM Fahari I-REIT			Acorn I-REIT			Acorn D-REIT			Average FY'2023	Average FY'2024	y/y change
	FY'2023	FY'2024	y/y Change	FY'2023	FY'2024	y/y Change	FY'2023	FY'2024	y/y Change	Fy'2023	FY'2024	y/y Change			
Operating Metrics															
Net Operating Income (NOI)	244.6	353.9	44.7%	148.7	113.6	(23.6%)	340.1	662.6	94.8%	368.6	1152.7	212.7%	1102.0	2282.8	107.1%
Profitability Metrics															
Funds from Operations	57.2	283.1	394.8%	(0.3)	377.2	126831.0%	501.8	972.5	93.8%	368.6	1152.7	212.7%	927.3	2785.6	200.4%
Adjusted FFO	57.2	283.1	394.8%	(6.1)	391.2	6526.8%	501.8	972.5	93.8%	368.6	1152.7	212.7%	921.5	2799.6	203.8%
Cash Available for Distribution (CAD)	195.7	283.1	44.7%	148.7	113.6	(23.6%)	235.7	234.6	(0.5%)	239.8	293.2	22.2%	819.9	924.5	12.8%
Cash Amounts Distributed (CAD)	57.2	283.1	394.7%	126.7	54.3	(57.1%)	154.1	125.6	(18.5%)	71.6	839.9	1073.8%	409.6	1302.9	218.1%
Valuation Metrics															
Net Asset Value (NAV)	6,981.9	6,452.0	(7.6%)	3,306.4	0.1	7.6%	7,377.5	8,122.1	10.1%	6,560.9	7339.7	11.9%	6,056.7	5,581.3	(7.8%)

Kenya REITs Sector FY'2024 Metrics

Acorn D-REIT Net Operating Income (NOI) recorded a 212.7% growth to Kshs 1,152.7 mn in FY'2024, from Kshs 368.6 mn in FY'2023

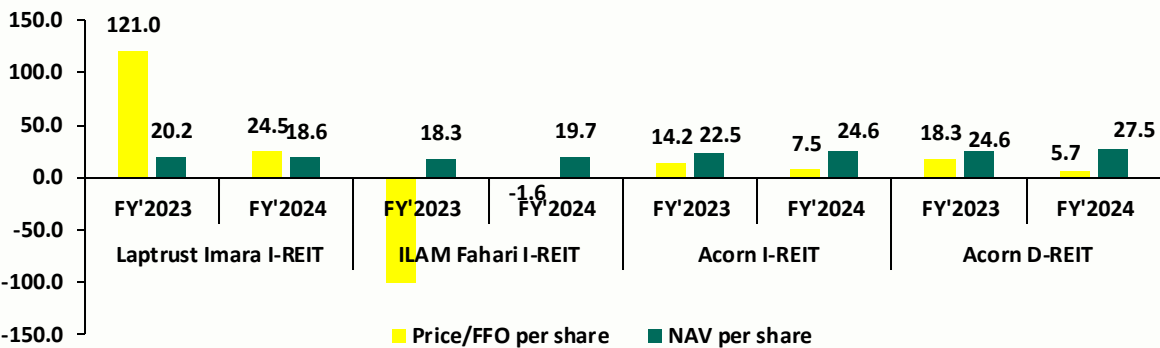
Operating Metrics

Cytonn Report: Kenyan REITs Net Operating Incomes(Kshs mns)



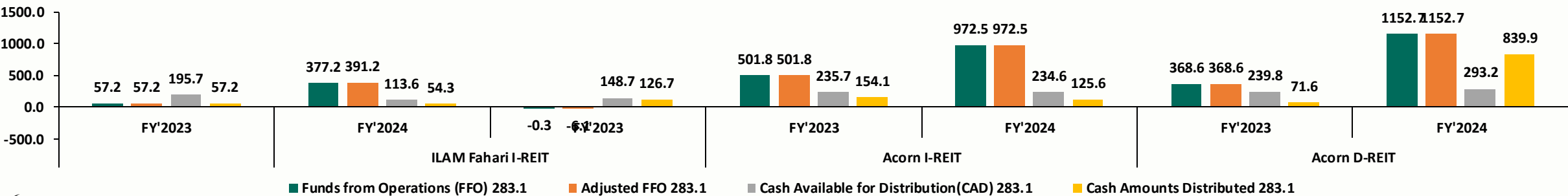
Valuation Metrics

Cytonn Report: Kenya REITs Valuation Metrics (Kshs)



Profitability Metrics

Cytonn Report: Kenyan REITs Profitability Metrics (Kshs mns)



Kenya REITs Sector FY'2024 Metrics

combined Net Operating Income (NOI) of Kenyan REITs saw a 107.1 % increase, reaching Kshs 2,282.8 mn in FY'2024, up from Kshs 1102.0 mn in FY'2023

Key takeaways from the tables include:

- i. The combined Net Operating Income (NOI) of Kenyan REITs saw a 107.1 % increase, reaching Kshs 2,282.8 mn in FY'2024, up from Kshs 1102.0 mn in FY'2023. This growth was largely driven by a 212.7% rise in the net operating income of Acorn D-REIT, which increased to Kshs 1152.7 mn from Kshs 368.6 mn in FY'2023. Additionally, Acorn I-REIT reported a notable NOI growth of 94.8%, reaching to Kshs 662.6 mn from Kshs 340.1 mn in similar period in 2023, further contributing to the overall positive performance. ILAM Fahari I-REIT's NOI saw the largest drop, falling by 23.6% to Kshs 113.6 mn from Kshs 148.7 mn in FY'2023
- ii. Combined Funds from Operations (FFO) of Kenyan REITs increased by 200.4% in FY'2024, increasing to Kshs 2,785.6 mn from Kshs 927.3 mn in FY'2023. Similarly, Adjusted FFOs for Kenyan REITs increased by 203.8%, reaching Kshs 2799.6 mn in FY'2024 from Kshs 921.5 mn in FY'2023. This increase was largely due to significant increases in NOIs except for ILAM Fahari I-REIT which recorded a decrease of 23.6% during the period,
- iii. The REITs combined Cash amounts available for paying dividends to REIT investors which we measured using the Cash Available for Distribution (CAD) metric increased by 12.8% in FY'2024 to Kshs 924.5 mn from Kshs 819.9 mn in FY'2023. The performance was propelled by Laptrust Imara I-REIT's distributable earnings which increased by 394.7% to come in at Kshs 283.1 mn from Kshs 195.7 mn during the same period last year. Additionally, Acorn D-REIT distributed earnings stood at Kshs 293.2 mn which was an improvement from the Kshs 239.8 mn earnings recorded in FY'2023 which was a 22.2%

Kenya REITs Sector FY'2024 Metrics

Combined Net Asset Values (NAV) for Kenyan REITs decreased by 7.8% to reach Kshs 22,325.1 mn in FY'2024, from Kshs 24,226.7 mn in FY'2023

- iv. Notably, the REIT managers of all four REITs recommended provisional dividends. For Laptrust Imara I-REIT, the REIT Manager suggested a first dividend distribution of Kshs 283.1 mn, amounting to Kshs 0.82 per unit, which was approved by the Trustee for the FY'2024, ILAM Fahari I-REIT's manager proposed a first and final dividend of Kshs 0.3 per unit, making Kshs 54.3 mn available for distribution out of Kshs 113.6 mn. Acorn I-REIT increased its total distribution for the year to Kshs 125.6mn, translating to Kshs 0.4 per unit, marking a 18.5 % drop from the Kshs 154.1 mn distributed in FY'2023. Acorn D-REIT recommended a distribution of Kshs 293.2 mn, equivalent to Kshs 1.1 per unit, which was an improvement from the 0.9 per unit distribution in FY'2023, and,
- v. The combined Net Asset Values (NAV) for Kenyan REITs decreased by 7.8% to reach Kshs 22,325.1 mn in FY'2024, from Kshs 24,226.7 mn in FY'2023. This decline was driven by a 52.6% decrease in the NAV of Imara I-REIT, reaching Kshs 3,306.4 mn from Kshs 6,981.9 mn in FY'2023. All other REITS recorded an increase in NAV by 7.6%, 10.1% and 11.9% for ILAM Fahari I-REIT, Acorn I-REIT and D-REIT respectively.

Kenya REITs Sector FY'2024 Metrics

Majority of Kenyan REITs remained ungeared in FY'2024, with the exception of Acorn D-REIT

The tables below makes a comparison of the leverage and liquidity ratios of all four Kenyan REITs during FY'2024 and FY'2023;

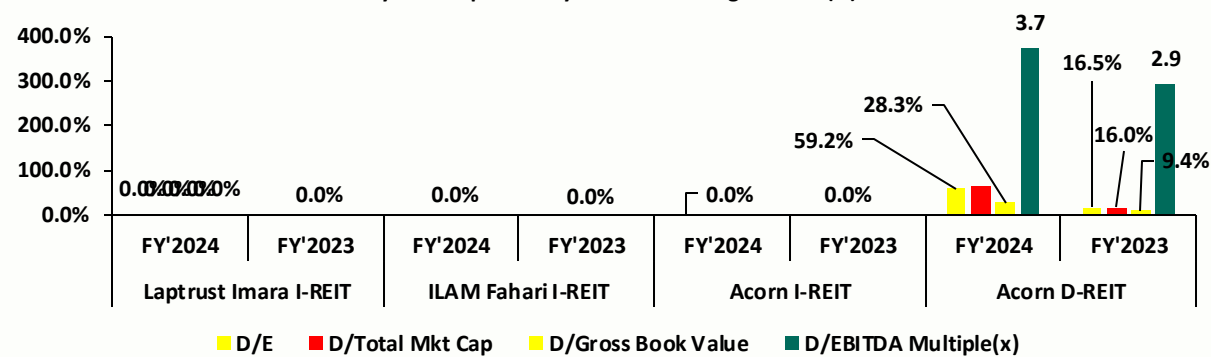
Cytonn Report: Operation & Liquidity Ratios of Kenyan REITs																
	Imara I-REIT			ILAM Fahari I-REIT			Acorn I-REIT			Acorn D-REIT			FY'2023	FY'2024	y/y change	
	FY'2023	FY'2024	y/y Change	FY'2023	FY'2024	y/y Change	FY'2023	FY'2024	y/y Change	FY'2023	FY'2024	y/y Change				
Operating Metrics																
Debt to Equity Ratios	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	16.5%	59.2%	42.7%	7.5%	24.5%	17.0%	
Debt to Total Market Cap Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	16.0%	66.2%	50.2%	7.3%	27.5%	20.1%	
Debt to Gross Book Value Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	9.4%	28.3%	18.9%	4.3%	11.7%	7.4%	
Debt to EBITDA Multiple	0.0	0.0	0.0%	0.0	0.0	0.0%	0.0	0.0	0.0%	2.9	3.7	80.3%	134.0%	154.8%	15.5%	
Liquidity Ratio																
Debt Service Coverage Ratio	0.0	0.0	0.0%	-	0.0	0.0%	-	-	0.0%	34.1%	26.5%	(7.6%)	15.6%	11.0%	(4.6%)	
Implied Capitalization Rate	3.6%	21.3%	17.8%	21.3%	7.4%	(13.9%)	4.0%	6.8%	2.8%	3.5%	9.0%	5.5%	8.1%	11.1%	3.0%	

Kenyan REITs Sector FY'2024 Metrics

Acorn D-REIT'S debt to EBITDA multiple decreased to 7.0 x in FY'2024, from 11.8x in FY'2023

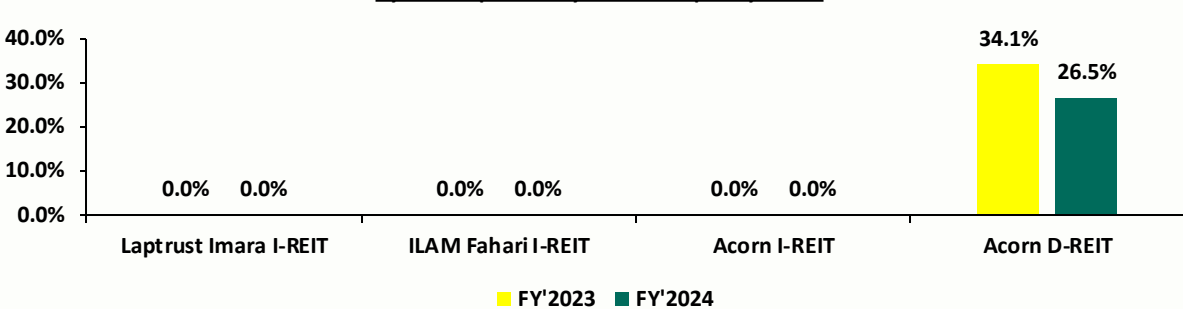
Leverage Ratios

Cytonn Report: Kenyan REITs Leverage Ratios (%)



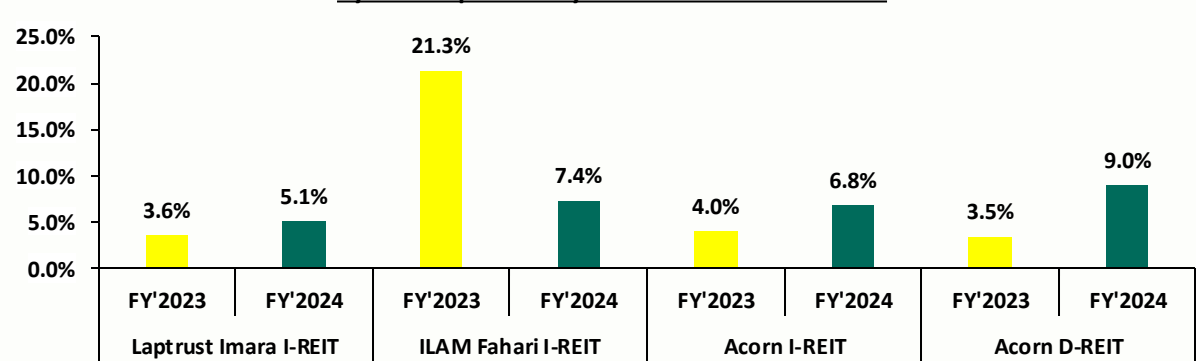
Liquidity Ratios

Cytonn Report: Kenyan REITs Liquidity Ratios



Valuation Metrics

Cytonn Report: Kenya REITs Valuation Metrics



Kenya REITs Sector FY'2024 Metrics

In FY'2024, Imara I-REIT traded at the highest implied capitalization rate of 21.3%

Key takeaways from the tables include:

- i. Majority of the REITs remained ungeared during FY'2024, with their leverage ratios remaining at zero except Acorn D-REIT. Acorn D-REIT debt ratios increased in FY'2024 on account of a 301.9% increase in its long-term borrowings to Kshs [4.3](#) bn from Kshs [1.5](#) bn in FY'2023,
- ii. Notably, Acorn D-REIT's Debt to EBITDA Multiple increased by 80.3% to 3.7x in FY'2024, from 2.9x recorded in FY'2023. This was on the back of a faster rise in the REIT's long-term borrowings which outpaced the EBITDA's incline. Acorn D-REIT EBITDA in FY'2024 increased by 215.4% to Kshs 1,163.8 mn from Kshs 369.0 mn in FY'2023, compared to a 301.9% decrease in the REIT's long-term debt, and,
- iii. Imara I-REIT traded at the highest implied capitalization rate of 21.3%, signifying a higher return on investment compared to other REITs. In contrast, Acorn I-REIT had the lowest implied capitalization rate of 6.8%.

Kenyan REITs Sector FY'2024 Metrics

Acorn I-REIT units are trading at a premium relative to its peers, with a Price to FFO per share multiple of Kshs 24.5

- The table below presents a summary of key valuation metrics of Kenyan REITs in FY'2024;

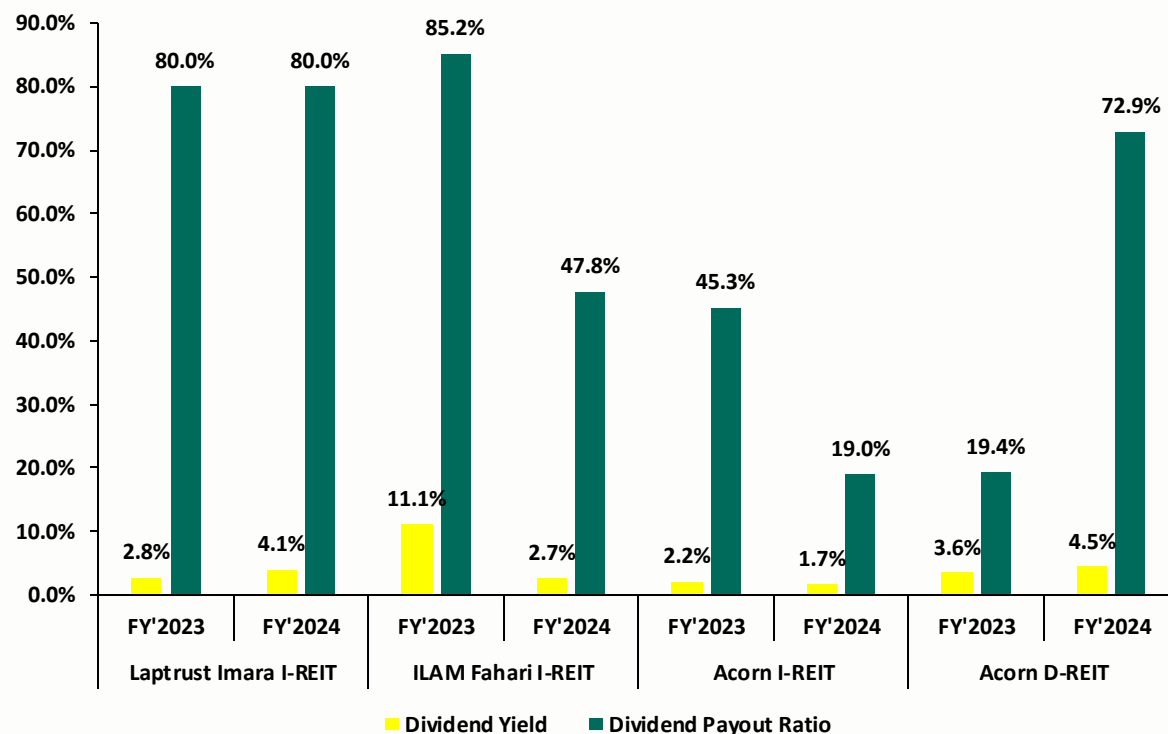
Cytonn Report: Summary Performance Kenya REITs in FY'2024															
	Imara I-REIT			ILAM Fahari I-REIT			Acorn I-REIT			Acorn D-REIT			FY'2023	FY'2024	y/y change
-	FY'2023	FY'2024	y/y Change	FY'2023	FY'2024	y/y Change	FY'2023	FY'2024	y/y Change	FY'2023	FY'2024	y/y Change			
Operating Metrics															
Price/FFO per share	121.0	24.5	(79.8%)	(3830.5)	(1.6)	100.0%	14.2	7.5	(47.2%)	18.3	5.7	(68.9%)	(919.3)	9.0	(101.0%)
Dividend Yield	2.8%	4.1%	1.3%	11.1%	2.7%	(8.4%)	2.2%	1.7%	(0.4%)	3.6%	4.5%	0.9%	4.9%	3.3%	(1.7%)
Dividend Coverage/Payaout Ratio	80.0%	80.0%	0.0%	85.2%	47.8%	(37.4%)	45.3%	19.0%	(26.3%)	19.4%	72.9%	53.4%	57.5%	54.9%	(2.6%)
Net Asset Value	6,981.9	6452.0	(7.6%)	3,306.4	3556.9	7.6%	7377.5	8122.1	10.1%	6,560.9	7,339.7	11.9%	24226.7	25470.7	5.1%
Net Asset Value per share	20.2	18.6	(7.6%)	18.3	19.7	7.6%	22.5	24.6	9.1%	24.6	27.5	11.6%	21.4	22.6	5.6%
Implied Capitalization Rate	3.6%	5.1%	1.5%	21.3%	7.4%	(13.9%)	4.0%	6.8%	2.8%	3.5%	9.0%	5.5%	8.1%	7.1%	(1.0%)
Annualised Dividend Yield	5.7%	8.2%	2.5%	11.4%	2.7%	(8.7%)	2.2%	1.7%	(0.4%)	3.6%	4.5%	0.9%	5.7%	4.3%	(1.4%)

Kenya REITs Sector FY'2024 Metrics

Laptrust Imara I-REIT's and Acorn D-REIT boasted the highest annualized dividend yield in FY'2024 at 8.2% and 4.5%

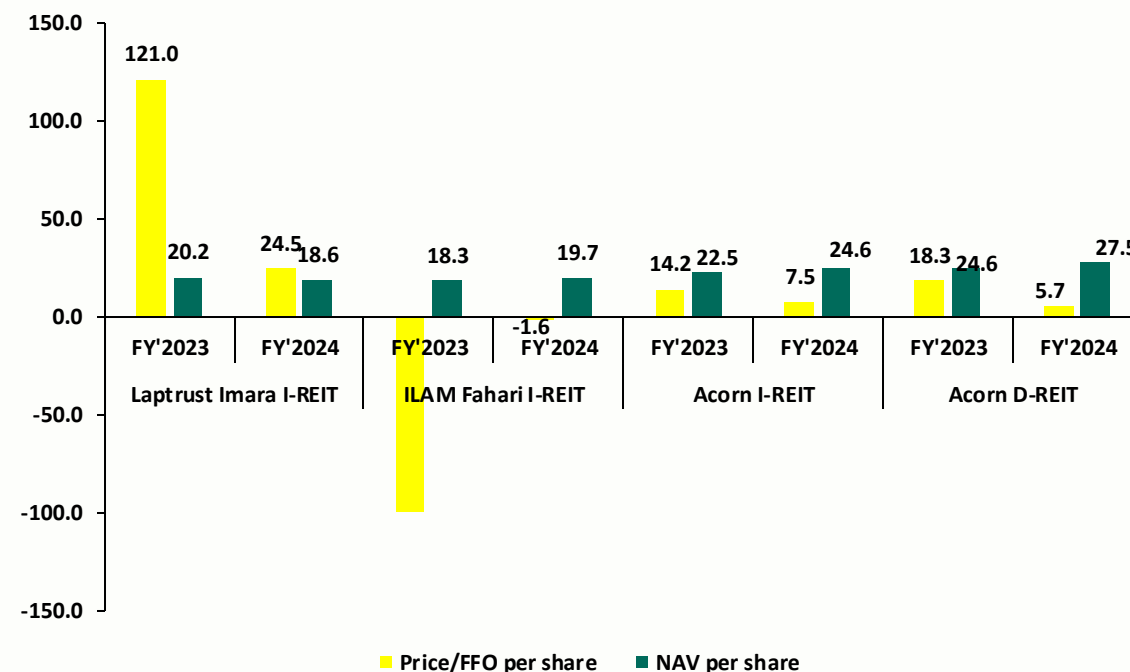
Valuation Metrics

Cytonn Report: Kenya REITs Valuation Metrics



Valuation Metrics

Cytonn Report: Kenya REITs Valuation Metrics (Kshs)



N.B

- Price/FFO per share multiple (x)
- NAV per share (Kshs)

Kenyan REITs Sector FY'2024 Metrics

Acorn D-REIT recorded the highest NAV per share at Kshs 24.6, and, ILAM Fahari had the lowest NAV per share at Kshs 18.3

Key takeaways from the tables include;

- Acorn I-REIT units are trading at a premium relative to its peers, with a Price to FFO per share multiple of Kshs 24.5, however this was a decrease of 79.8% from Kshs 121.0 price per FFO per share multiple,
- Laptrust Imara I-REIT's and Acorn D-REIT boasted the highest annualized dividend yield in FY'2024 at 8.2% and 4.5% respectively, surpassing ILAM Fahari I-REIT 2.7% and Acorn I-REIT's 1.7%. On the payout side, Imara's dividend payout was 85.2%, adhering to Kenya's REIT regulations that mandate distributing at least 80.0% of net profits after tax as dividends. Conversely, Acorn I-REIT and ILAM Fahari I-REIT had lower payouts of 19.0% and 47.8%, respectively, falling short of the regulatory threshold, and,
- Acorn D-REIT recorded the highest NAV per share at Kshs 27.5, a 11.6% increase from FY'2023's NAV per share of Kshs 24.6. This is on the back of an increase in the number of shares, which increased by 0.2% to 267.3 mn from Kshs 266.7 mn in FY'2023; and a 11.9% growth in the Net Asset Value (NAV) to Kshs 7.3 bn from Kshs 6.6 mn in FY'2023. Imara I-REIT had the lowest NAV per share at Kshs 18.6, a 7.6% decline from 20.2 recorded in FY'2023. This is attributable to a 4.0% decrease in total assets to Kshs 6.7 bn from Kshs 7.3 bn in FY'2023.

VI. Conclusion & Outlook for the REITs Sector

Conclusion, Recommendations & Outlook for the sector

The performance of the REITs market in Kenya has been marked by a moderate trajectory since inception

- Kenya's REITs market has seen moderate performance, shaped by various factors. Despite challenges, there are encouraging trends, such as growth in net operating incomes, indicating improved financial performance. Additionally, leverage ratios for most REITs have remained low, with many REITs being ungeared and relying on short-term debt for their operations to avoid overexposure to rising interest rates. This trend is expected to continue as REITs seek to maintain financial sustainability, as evidenced by Acorn Holdings' issuance of a green bond.
- i. **Stakeholder Education:** There is a pressing need to educate all key stakeholders on the REIT structure. Implementing comprehensive investor education and awareness campaigns is essential to inform potential investors about both the benefits and inherent risks of REIT investments. By enhancing investor knowledge and understanding, a larger pool of individuals can be encouraged to participate in the REIT market, ultimately driving its growth and fostering sustainable development.

Conclusion, Recommendations & Outlook for the sector

We recommend that the approval structure be consolidated into a single agency instead of two

- II. Expanding Legal Entities:** In South Africa, the REITs' legal and operational framework allows different legal entities to establish REITs, unlike Kenya, where this is limited to trusts. In both Belgium and the United States, REIT formation permits flexibility in the choice of legal entities, contributing to the diversity and dynamism of the REIT market. Belgium allows various legal structures, including public limited companies, limited liability companies, and cooperative companies, tailored to different investor preferences and business models. Similarly, in the US, REITs can be structured as corporations, trusts, or associations, providing versatility in organizational structures. To enhance the Kenyan REIT market, it is prudent to introduce similar flexibility. By expanding the range of permissible structures beyond traditional trust-based models to include corporations, partnerships, and limited liability companies, Kenya can better accommodate diverse investor needs and facilitate easier entry into the REIT market. This diversification would promote a more robust and dynamic REIT sector, catering to different organizational preferences,
- III. Streamlined Approval Process:** To improve the efficiency of Real Estate Investment Trusts (REITs) approval, it is recommended to consolidate the approval structure into a single agency, instead of the current two (CMA and KRA). Merging the approval process under one agency would eliminate the need to navigate through two separate entities for REITs approval. This consolidation would streamline the process, enhancing efficiency, reducing costs, and improving transparency and accountability,
- IV. Introduce Hybrid REIT Vehicles:** Currently, investors have to subscribe to both of the separate REIT classes, forcing them to pay duplicate costs, due to the nature of exclusivity of the two. A hybrid REIT would provide investors integrated returns, by combining the higher return from development while reducing risk exposure through the relatively stable income component of the I-REIT. In addition, an IPO with such a hybrid REIT vehicle would eliminate the duplicated costs of running two separate REITs, thereby improving subscriptions by investors. Introducing a hybrid REIT within a unified structure would thus enable investors to capitalize on the strengths of both investment types, potentially leading to more balanced risk-reward profiles,

Conclusion, Recommendations & Outlook for the sector

We retain a NEUTRAL outlook for the Kenyan REITs sector going forward

- V. Flexibility in Listing:** Acknowledging the apprehensions of companies regarding an immediate shift to public listing, we propose a gradual, phased strategy. Providing REITs with an initial period of private operation before mandating public listing would facilitate a smoother transition and align with the comfort levels of corporate entities. Belgium's stipulation of ensuring 30.0% of shares held by the public strikes a balance between public ownership and flexibility for REIT promoters. Kenya could adopt a similar approach to encourage broader investor participation while ensuring sufficient liquidity in the market. Moreover, Kenya could follow the example of the United States by offering flexibility in listing options for REITs. Granting REITs the autonomy to choose between going public or remaining private offers increased flexibility to accommodate diverse investor preferences and business models. By accommodating both publicly listed and privately held REITs, Kenya can promote inclusivity in the market and cater to the needs of a wide range of investors, thereby bolstering the vibrancy and liquidity of the REIT market. This approach creates a favorable environment for REITs to thrive while addressing concerns related to the transition to public listing,
- VI. Lower Capital Requirement for Trustees:** We propose a reduction in the minimum capital requirement, presently set at Kshs 100.0 mn, as this financial threshold practically currently limits trusteeship options solely to banking institutions. Currently, four banks are registered as REIT Trustees, including Kenya Commercial Bank (KCB), Co-operative Bank (Coop), Housing Finance Bank, and NCBA Bank Kenya. We suggest lowering the minimum to Kshs 10.0 mn to align with the minimum required for a Pension Fund Trustee. This adjustment would expand the pool of potential Trustees available to REIT Managers,
- VII. Introduce Tokenization of REITs:** Introducing the concept of tokenization for REITs presents an innovative solution and has the potential to amplify market participation. This would facilitate the ownership of REIT units in smaller denominations, even as low as Kshs 100.0 and,
- VIII. Diminishing Entry Barriers:** Revisiting the current minimum investment requirement of Kshs 0.1 mn for D-REITs and Kshs 5.0 mn for the restricted I-REIT, is essential to eliminate barriers that restrict individual participation.
- In summary, despite the hurdles encountered in the Kenyan market, the potential of REITs remains promising. These investment instruments offer a means to enhance liquidity and broaden financing options within the Real Estate sector, presenting an alternative avenue for development funding and potential returns for investors. Although Kenya's REIT journey has faced challenges, the proposed adjustments in investment thresholds and the resilience shown in the financial performance of certain REITs indicate a possible revitalization in the sector.

VII. Appendix

Kenyan REITs FY'2024 Earnings Notes

I. Laptrust Imara I-REIT

Laptrust Imara I-REIT Summary of Performance – FY'2024

Below is a summary of the Laptrust Imara I-REIT's FY'2024 Performance;

Figures in Kshs mn unless stated otherwise			
Ratios Summary	FY'2023	FY'2024	FY'2024/FY'2023 Change
ROA	0.8%	(3.0%)	(3.8%)
ROE	0.8%	(3.2%)	(4.0%)
Debt Ratio	4.2%	4.1%	(0.1%)
PBT Margin	18.8%	(42.6%)	(61.4%)
Rental Yield	4.5%	7.7%	3.2%

Figures in Kshs bn unless stated otherwise			
Balance Sheet	FY'2023	FY'2024	FY'2024/FY'2023 Change
Total Assets	7.3	6.7	(7.7%)
Total Equity	7.0	6.5	(7.6%)
Total Liabilities	0.3	0.3	(10.2%)

Figures in Kshs mn unless stated otherwise			
Income Statement	FY'2023	FY'2024	FY'2024/FY'2023 Change
Rental Income	305.2	479.1	57.0%
Income from Other Sources	90.7	100.7	11.0%
Operating Expenses	176.4	296.6	68.1%
Profit/Loss	57.2	(204.3)	(457.0%)
Basic EPS (Kshs)	0.2	(0.6)	(457.0%)

Key Highlights in FY'2024:

- On 7th May 2024, the REIT Manager recommended a first and final dividend distribution of Kshs 195.7 mn, representing Kshs 0.57 distribution per unit, which was approved by the Trustee with respect to the 2023 fiscal year. We note that this was the REIT's debut dividend distribution since its inception, For more information, please see our [Laptrust IMARA I-REIT Note FY'2024](#), and,

Financial Statements Extracts

Rental and related income for the REIT stood at Kshs 479.1 mn in FY'2024, a 57.0% increase from Kshs 305.2 mn in FY'2023

- The basic earnings per unit came in at Kshs (0.6) mn in FY'2024, a 457.0% decline from Kshs 0.2 mn recorded in FY'2023. The performance was driven by a 457.0% decline in net earnings to a loss of Kshs 204.3 mn in FY'2024 from Kshs 57.2mn recorded in FY'2023,
- Rental and related income for the REIT stood at Kshs 479.1 mn in FY'2024, a 57.0% increase from Kshs 305.2 mn in FY'2023, implying a gross annualized rental yield of 7.7% in FY'2024 on interest-earning assets, higher than the 4.5% rental yield recorded during FY'2023. This increase in rental income was driven by the new acquisition of a prime Nairobi office in March 2024 costing Kshs 2.0 bn and was expected to generate Kshs 150 mn annually. Also, the rental rates in 2024 increased by an average of 12.5%. The annual rental yield currently stands at 7.7%,
- Total operating expenses in FY'2024 for the REIT came in at Kshs 296.6 mn, 68.1% higher than the Kshs 176.4 mn recorded in FY'2023, attributed to Kshs 80.0 mn incurred in utility expenses, 65.2 mn in property expenses, and Kshs 151.4 mn in fund operating expenses.
- Total assets for the REIT stood at Kshs 6.7 bn in FY'2024, a 7.7% decrease from Kshs 7.3 bn recorded in FY'2023, comprising of Kshs 6.3 bn in investment property that saw a 7.7% decrease from Kshs 6.7 bn in FY'2023 attributable to a fair value adjustment of Kshs 558.18 mn, Kshs 0.2 bn in cash and cash equivalents, and Kshs 0.2 bn in trade and other receivables,
- Total liabilities in FY'2024 came in at Kshs 273.3 mn, recording a 10.2% decrease from Kshs 304.2 mn in FY'2023 wholly attributable to a decrease in trade and other payables,
- The shareholder's funds decreased by 7.6% to Kshs 6.5 bn from Kshs 7.0 bn in FY'2023, attributable to 6.9 bn in trust capital which recorded no change, and 272.9 mn in retained earnings which saw a 377.0% increase from 57.2 mn recorded in FY'2023, and,
- The REIT currently has a Return on Asset and a Return on Equity of -3.0% and -3.2% respectively.

II. ILAM Fahari I-REIT

ILAM Fahari I-REIT Performance – FY'2024

Key Highlights in FY'2024:

- 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. For more information, please see our [Cytonn Weekly #28/2024](#).

- Below is a summary of the Ilam Fahari I-REIT's FY'2024 Performance;

Values in Kshs bn unless stated otherwise							
Balance Sheet	H1'2022	FY'2022	H1'2023	FY'2023	FY'2024	FY'2024	Δ Y/Y (FY'23/ FY'24)
Total Assets	3.7	3.6	3.6	3.5	3.4	3.7	5.8%
Total Equity	3.5	3.4	3.4	3.3	3.2	3.6	7.6%
Total Liabilities	0.1	0.2	0.2	0.2	0.1	0.1	(30.1%)

Values in Kshs bn unless stated otherwise							
Income Statement	H1'2022	FY'2022	H1'2023	FY'2023	FY'2024	FY'2024	Δ Y/Y (FY'23/ FY'24)
Rental Income	0.2	0.4	0.2	0.3	0.1	0.3	(13.3%)
Income from Other Sources	0.0	0.0	0.0	0.1	0.0	0.1	4.4%
Operating Expenses	0.1	0.2	0.1	0.2	0.1	0.2	(2.5%)
Profit/Loss	0.1	(0.03)	0.1	(0.0003)	0.1	0.4	126631.0%
Basic EPS	0.5	(0.2)	0.5	(0.002)	0.3	2.1	126631.0%

Ratios Summary	H1'2022	FY'2022	H1'2023	FY'2023	H1'2024	FY'2024	Δ Y/Y (FY'23/ FY'24) % Points
ROA	2.3%	(0.8%)	2.4%	(0.01%)	1.6%	10.3%	(0.8%)
ROE	2.4%	(0.8%)	2.5%	(0.01%)	1.7%	10.6%	(0.9%)
Debt Ratio	4.0%	5.3%	4.9%	4.7%	4.3%	3.1%	(0.6%)
PBT Margin	51.2%	(8.4%)	48.4%	(0.1%)	38.4%	128.5%	(9.9%)
Annualized Rental Yield	10.3%	9.8%	12.7%	11.6%	10.2%	9.2%	(2.4%)

Financial Statements Extracts

Ilam Fahari I-REIT Rental income declined by 13.3% to Kshs 279.5 mn in FY'2024, from Kshs 322.4 mn recorded in FY'2023

- The basic earnings per unit increased by 126,631.0% to come in at a gain of Kshs 2.1 bn in FY'2024, from a loss of Kshs 0.002 bn in FY' 2023. The performance is attributed to an increase in ILAM Fahari's comprehensive profit to a gain of Kshs 377.2 mn in FY'2024, from a loss of Kshs 0.3 mn recorded in FY'2023. This was mainly driven by a 274.2% Increase in total adjustment in fair value a gain of Kshs 249.6 mn realized in FY'2024 from a loss of Kshs 143.3 mn in FY'2023. Additionally, operating expenses declined by 2.5% to Kshs 220.3 mn in FY'2024 from Ksh 225.8 mn in FY'2023,
- Rental income declined by 13.3% to Kshs 279.5 mn in FY'2024, from Kshs 322.4 mn recorded in FY'2023, largely attributed to the loss of revenue from 67 Gitanga place Properties upon lease expiry. We note that efforts are underway by the REIT Manager to secure a new tenant for the property,
- Interest income increased by 41.2% to Kshs 54.8 mn in FY'2024, from Kshs 38.8 mn realized in the similar period in 2023, owing to the high interest rates experienced in the market during the year,
- The total operating expenses declined by 2.5% to Kshs 220.3 mn in FY'2024 from Ksh 225.8 mn in FY'2023, driven by a 14.7% decrease in Fund-Operating expenses to Kshs 109.7 mn in FY'2024, from Kshs 128.6 mn in FY'2023. However, there was a 13.8% increase in the property expenses to Kshs 110.6 mn in FY'2024, from Kshs 97.2 mn in FY'2023. The increase in expenses was mainly on the back of the restructuring costs incurred during the year under review. Key to note, expenses made up 63.3% of the total operating income,
- Distributable earnings per unit came in at Kshs 0.6 in FY'2024, a 23.6% decrease from Kshs 0.8 recorded during a similar period in 2023 as there was reduction of operational expenses offset by a decline in rental income, and,
- The REIT Manager recommended a first and final distribution of Kshs 54.3 mn in relation to FY 2024 amounting to 30 cents per unit. This translates to a dividend yield of 2.5% and an implied capitalization rate of 7.4%.

Financial Statements Extracts

Ilam Fahari I-REIT total assets increased by 5.8% to Kshs 3.7 bn in FY'2024, from Kshs 3.5 bn in FY'2023

- Total assets increased by 5.8% to Kshs 3.7 bn in FY'2024, from Kshs 3.5 bn in FY'2023. This was primarily attributable to a 102.3% increase in investment securities to Kshs 357.6 mn in FY'2024, from Kshs 176.8 mn recorded in FY'2023,
- Total liabilities decreased by 30.1% to Kshs 113.9 mn in FY'2024, from Kshs 163.0 mn in FY'2023 attributable to a similar decrease in the trade and other payables to Kshs 113.9 mn in FY'2024, from Kshs 163.0 mn in FY'2023. The REIT remained without non-current liabilities as at FY'2024,
- The shareholder's funds increased by 7.6% to Kshs 3.6 bn in FY'2024, from Kshs 3.3 bn in FY'2023, following a revaluation reserve correction of Kshs 4.3 mn, which realized a 98.7% decrease from Kshs 319.36 mn revaluation recorded in FY'2023, and,
- The REIT currently has a negative Return on Assets of 0.8% and a negative Return on Equity of 0.9%.
- For a more comprehensive analysis, please see our [Ilam Fahari I-REIT FY'2024 Earnings Note](#).

III. Acorn REITs

Acorn REITs Performance – FY'2024

- Acorn Holdings released their FY'2024 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 binding acquisition agreement. Rental incomes and other sources of income play a significant role in driving the investments and operations of the REITs

Key Highlights in FY'2024:

- In May, Acorn Holdings announced its decision to exercise the early redemption of its green bond, with an outstanding balance of Kshs 1.9 bn. The green bond, initially launched in 2019, successfully raised Kshs 5.7 bn through multiple transactions to develop Acorn's branded student hostels. For information please see our #Cytonn Monthly May 2024,
- Acorn Holding managed to secure a Kshs 23.6 bn (USD 180 mn) concessional loan from the US Development Finance Corporation (DFC),
- In the period under review, ASA D-REIT Manager has initiated the development of Qwetu and Qejani properties outside the Nairobi metropolitan area and is planning to transfer the Karen properties to the ASA I-REIT upon successful stabilization. The ASA D-REIT is not in a position to pay out an interim dividend due to the ongoing development activities expected to be undertaken annually.
- Student accommodation developer Acorn Holdings announced that it has fully redeemed its Kshs 5.7 bn green bond before its scheduled maturity on November 8, 2024. The firm announced that it had paid the balance of Kshs 2.7 bn from the paper, alongside the accrued interest, on its five-year medium-term note issued in November 2019. For more information, please see our Cytonn Weekly #43/2024,

Cytonn Report: Balance Sheet						
	Acorn I-REIT			Acorn D-REIT		
	FY'2023	FY'2024	Change	FY'2023	FY'2024	Change
Total Assets	9.2	11.1	20.9%	11.5	15.4	33.7%
Total Equity	7.4	8.1	10.1%	6.6	7.3	11.9%
Total Liabilities	1.8	3.0	65.8%	4.9	8.0	62.8%

Acorn REITs Performance – FY'2024

Below is a summary of the Acorn's D-REIT and I-REIT FY'2024 performances:

Cytonn Report: Income Statement						
	Acorn I-REIT			Acorn D-REIT		
	FY'2023	FY'2024	Change	FY'2023	FY'2024	Change
Rental Income	722.3	1081.6	49.7%	324.5	181.7	(44.0%)
Income from Other Sources	2.2	8.6	294.3%	6.8	0.0	(100.0%)
Total operating income	724.8	1101.2	51.9%	728.0	1490.0	104.7%
Operating Expenses	384.7	438.6	14.0%	366.2	337.3	(7.9%)
Finance costs	(127.5)	(440.4)	245.6%	(0.3)	(0.3)	14.2%
Profit Before Tax	396.1	555.6	40.3%	71.6	839.9	1073.8%
Basic EPS (Kshs)	1.2	1.7	39.0%	0.3	3.1	972.4%

Cytonn Report: Ratios Summary						
	Acorn I-REIT			Acorn D-REIT		
	FY'2023	FY'2024	Change	FY'2023	FY'2024	Change
ROA	4.3%	5.0%	0.7%	0.6%	5.5%	4.8%
ROE	5.4%	6.8%	1.5%	1.1%	11.4%	10.4%
Debt Ratio	19.5%	26.7%	7.2%	42.9%	52.2%	9.3%
PBT Margin	54.8%	51.4%	(3.5%)	9.8%	56.4%	46.5%
Annualized Rental Yield	8.2%	10.2%	2.0%	3.8%	3.3%	(0.5%)
Distribution Per Unit	77.1%	38.0%	(39.0%)	98.3%	109.7%	11.6%
Payout Ratio	73.4%	22.6%	(50.8%)	29.6%	34.9%	5.3%

Financial Statements Extracts

Acorn I-REIT recorded profits of Kshs 555.6 mn in FY'2024, from Kshs 396.1 mn

- Key takeout's include;

Acorn I-REIT

- The basic earnings per unit increased by 39.0% to Kshs 1.7 in FY'2024, from Kshs 1.2 recorded in FY'2023. This was mainly driven by a 40.3% increase in profit to Kshs 555.6 mn recorded in FY'2024, from Kshs 396.1 mn that was recorded in FY'2023, linked to a 49.7% increase in rental income coming in at Kshs 1.1 bn from 0.7 bn in FY'2023
- The I-REIT recorded a 49.7% increase in rental income coming in at Kshs 1.1 bn from 0.7 bn in FY'2023. The performance was attributed to the REIT's expanding property portfolio through acquisition of Qwetu Hurlingham and Qwetu Aberdare Heights II as well as the rental escalations that took effect in April 2024. On 1st April 2024, the I-REIT escalated rental rates at an average rate of 7.1% across its entire portfolio to hedge against inflation;
- The REIT's total operating expenses increased by 14.0%, rising to Kshs 438.6 mn from Kshs 384.7 mn in FY'2023. This performance was attributable to a 34.3 % increase in administrative expenses which rose to Kshs 355.6 mn in FY'2024 from Kshs 264.8 mn in FY'2023. However, this movement was mitigated by a decrease in fund operating expenses which registered a 23.4% decrease coming in at Kshs 88.1 mn in FY'2024 from 115.0 mn in FY'2023, and,
- The current rental yield for the I-REIT increased by 2.0% points to 10.2% in FY'2024, from 8.2% in FY'2023 following an increase in the rental income and stable average occupancy levels of 89.7% for current properties in their portfolios.

Financial Statements Extracts

Acorn D-REIT posted a 44.4% decline in rental income to Kshs 181.7mn in FY'2024 from Kshs 324.5 mn in FY'2023

Acorn D-REIT

- The basic earnings per unit for the REIT increased by 972.4% to Kshs 0.3 in FY'2024, from Kshs 3.2 in FY'2023. This was mainly driven by a 1073.8% increase in total profit to Kshs 839.9 mn in FY' 2024 from Kshs 71.6 mn in FY' 2023.
- Acorn D-REIT posted a 44.4% decline in rental income to Kshs 181.7mn in FY'2024 from Kshs 324.5 mn in FY'2023. The total operating expenses for the D-REIT decreased marginally by 7.9% to Kshs 337.3 mn in FY'2024 from Kshs 366.2 mn in FY'2023, mainly driven by a 31.0% decrease in administrative expenses to Kshs 104.5 mn in FY'2024 from Kshs 151.4 mn in FY'2023, and,
- The current rental yield for the D-REIT declined by 2.2% points to 1.6% in FY' 2024 from 3.8% recorded in FY'2023. This can be attributed to a decrease in rental revenue in the year 2024 affected by the sale of two residential properties Qwetu Hurlingham and Qwetu Aberdare Heights II. These properties, such as Qwetu Aberdare Heights II, were experiencing increasing occupancy rates and rental income before their transfer.
- For a more comprehensive analysis, please see our, and [Acorn Holdings FY'2024 Earnings Note](#)

Feedback Summary

During the preparation of this Cytonn Kenya’s REITs FY'2024 Report, we shared with the subject companies the metrics that were used in the Report for their confirmation and verification

- Below is a summary of the REITs we were able to acquire feedback from and those that went unresponsive:

Bank	Metrics Shared	Sent Feedback
Laptrust Imara I-REIT	Yes	responsive
ILAM Fahari I-REIT	Yes	Unresponsive
Acorn I-REIT	Yes	Unresponsive
Acorn D-REIT	Yes	Unresponsive

Thank You!

For More Information

- **Free Market Research: www.cytonnreport.com**
- **Follow on Twitter: @CytonnInvest**
- **On Facebook: Cytonn Investments**

For more information or any further clarification required, kindly contact the research team at investment@cytonn.com

Disclaimer: The views expressed in this publication, are those of the writers where particulars are not warranted. This publication, which is in compliance with Section 2 of the Capital Markets Authority Act Cap 485A, is meant for general information only and is not a warranty, representation, advice or solicitation of any nature. Readers are advised in all circumstances to seek the advice of a registered investment advisor.