

Laptrust released the H1'2024 financial results for the Imara I-REIT for the period ended 30<sup>th</sup> June 2024. The I-REIT was authorized by the Capital Markets Authority (CMA) on 1<sup>st</sup> November 2022. Laptrust Imara I-REIT holds several properties across the country including; Pension towers, CPF House, Metro Park, Freedom Heights mall, Freedom Heights serviced plot, Man apartments, and Nova Pioneer in Eldoret.

**Below is a summary of the Laptrust Imara I-REIT's H1'2024 Performance;**

<i>Figures in Kshs bn unless stated otherwise</i>			
<b>Balance Sheet</b>	<b>H1'2023</b>	<b>H1'2024</b>	<b>H1'2023/H1'2024 Change</b>
Total Assets	7.3	7.3	(0.39%)
Total Equity	7.0	6.9	(1.08%)
Total Liabilities	0.3	0.4	15.36%

<i>Figures in Kshs mn unless stated otherwise</i>			
<b>Income Statement</b>	<b>H1'2023</b>	<b>H1'2024</b>	<b>H1'2023/H1'2024 Change</b>
Rental Income	167.1	198.3	18.70%
Income from Other Sources	36.2	73.8	104.09%
Operating Expenses	103.6	109.8	5.95%
<b>Profit/Loss</b>	<b>99.6</b>	<b>162.4</b>	<b>62.97%</b>
<b>Basic EPS (Kshs)</b>	<b>0.3</b>	<b>0.5</b>	<b>62.97%</b>

<b>Ratios Summary</b>	<b>H1'2023</b>	<b>H1'2024</b>	<b>H1'2023/H1'2024 Change</b>
ROA	2.74%	4.50%	1.76%
ROE	2.86%	0.05%	(2.80%)
Debt Ratio	4.2%	4.9%	0.66%
PBT Margin	59.6%	81.9%	22.24%
Rental Yield	2.4%	3.0%	0.53%
Annualized Rental Yield	4.9%	6.0%	1.09%

### **Key Highlights in H1'2024:**

- On 7<sup>th</sup> 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,

### **Income Statement:**

- The basic earnings per unit came in at Kshs 0.5 in H1'2024, a 63.0 % increase from 0.3 recorded in H1'2023. The performance was driven by a 63.0% increase in net earnings to Kshs 162.4 mn in H1'2024 from Kshs 99.6 mn recorded in H1'2023,
- Rental and related income for the REIT stood at Kshs 198.4 mn in H1'2024, a 18.7% increase from Kshs 167.1 mn in H1'2023, implying a gross rental yield of 3.0% in H1'2024 on interest-earning assets, higher than the 2.4% rental yield recorded during H1'2023. This increase in rental income was driven by upward review in rental prices for several properties within the portfolio. For instance, rental prices at

Pension Towers increased from Kshs 78 per SQFT in Q2'2023 to Kshs 100 per SQFT in Q4'2023; a 33.3% increase. Moreover, there was a 14.8% increase in rental prices at CPF House to Kshs 463 per SQFT in 2024 from Kshs 403 per SQFT in 2023. The annual rental yield currently stands at 6.0 %, an increase of 1.09% from 4.9% achieved in H1'2023,

- Total operating expenses for the REIT came in at Kshs 109.8 mn, 6.2% higher than the Kshs 103.6 mn recorded in H1'2023, attributed to a 20.2% increase in fund operating expenses to 41.0mn from 34.1 mn, and a Kshs 35.5 mn incurred in utility expenses,
- Trustee fees in H1'2024 stood at Kshs 22.1 mn, accounting for 53.8% of the total fund operation expenses. Key to note, expenses made up 40.3 % of the total operating income,
- Total earnings available for distribution for the period H1'2024 came in at 129.9 mn an increase of 30.4% from 99.6 Mn recorded in H1'2023. This was attributed to by the increase in total operating profit which increased by 63.0%,
- Distributable earnings per unit came in at Kshs 0.4 per unit a 30.4% increase from Kshs 0.3 per unit and this is attributable to the increase in the total earnings available for distribution,
- The REIT Manager recommend an interim distribution 129.9 mn which was an increase from the zero distribution that was proposed in H1'2023. This distribution translated to annualized dividend yield of 3.8 % and a payout ratio of 80.0% in H1'2024, and,
- The implied capitalization rate is at 2.4% implying that there is a low return on current investment from a highly valued portfolio of properties relative to their income.

#### **Balance Sheet:**

- Total assets for the REIT stood at Kshs 7.30 bn in H1'2024, a 0.4% decrease from Kshs 7.33 bn recorded in H1'2023 attributable to Kshs 0.4 bn in cash and cash equivalents, and Kshs 0.1 bn in trade and other receivables, Kshs 6.7 bn in investment property saw a 2.6% decrease from Kshs 6.9 bn in H1'2023 attributable to the fair value adjustment applied to the investment property
- Total liabilities in H1'2024 came in at Kshs 355.4 mn, recording a 15.4 % increase from Kshs 308.1 mn in H1'2023 wholly attributable to an increase in trade and other payables by 15.4% to 355.4 Mn from 308.1 Mn in H1'2023,
- The shareholder's funds decreased by 0.6% to Kshs 6.95 bn from Kshs 7.02 bn in H1'2023, attributable to 187.4 Mn fair value reserve which was incurred in H1'2024, and
- The REIT currently has a Return on Asset and a Return on Equity of 4.5% and 0.05% respectively.

Going forward,

- We anticipate that the three-year restriction period from 2022 to 2025 on trading will be essential for the I-REIT to build a strong performance record, which will help to boost investor confidence in this asset class. However, currently, only high-net-worth individuals can invest in the I-REIT, as the units are restricted to trading among those who qualify as professional investors, excluding retail investors from participation. The dividend yield for the trust stood at 2.3% which performed lowest as compared to other assets. The chart below shows the comparison of Imara Laptrust yield performance versus other assets.

