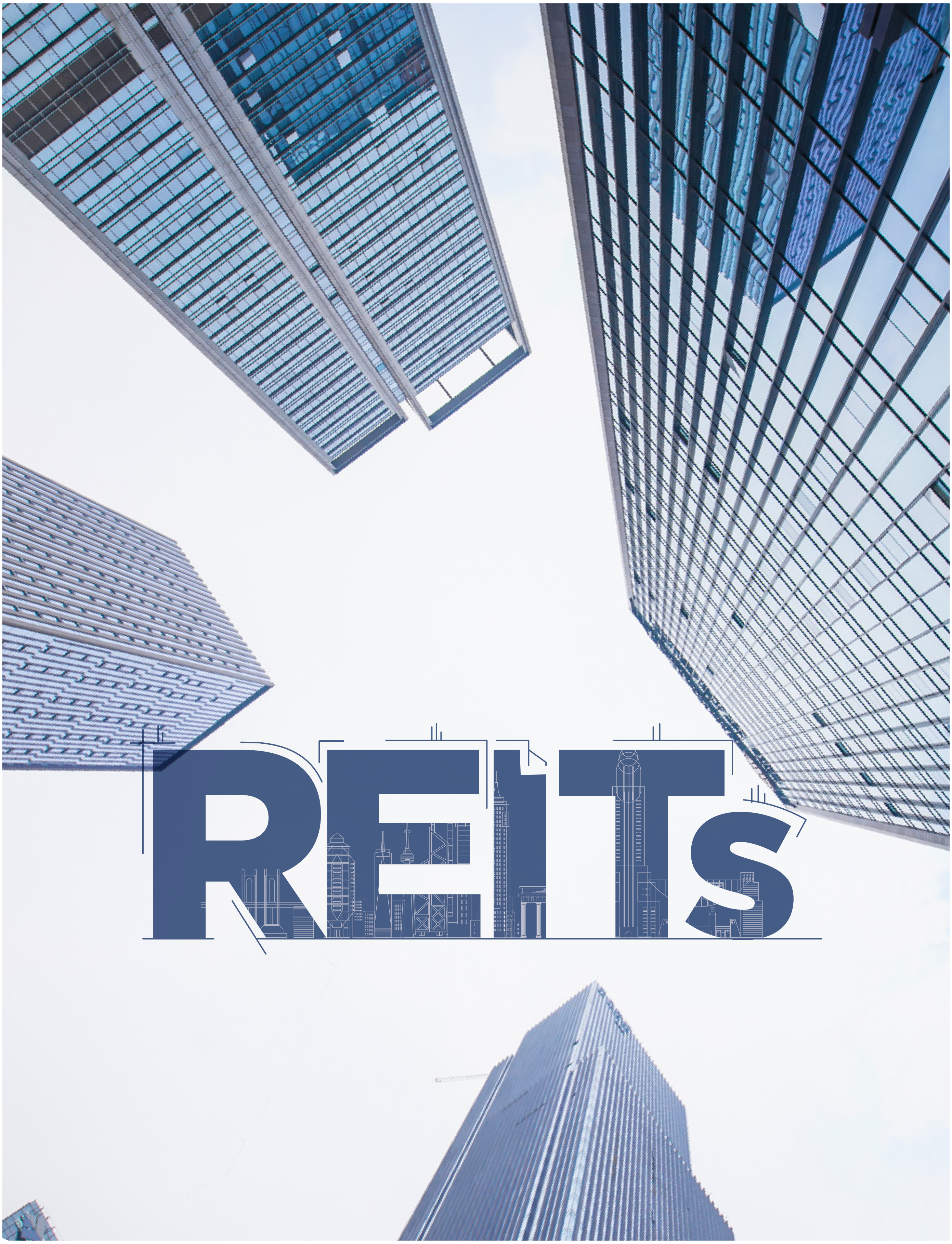
REITS ASSOCIATION OF KENYA (RAK)

NEWSLETTER

17TH EDITION MARCH 2025



Welcome Note from the **RAK Chairman**

Our journey continues to be one of growth, innovation, and impact. Welcome to the 17th edition of the RAK Newsletter for 2025! As we embark on another exciting year, I am pleased to share the remarkable progress we have achieved and the promising opportunities that lie ahead.

Key Milestones

A key focus has been regulatory engagement and advocacy, where RAK has taken a proactive role in driving reforms to cultivate a more enabling environment for REITs. Our engagements with the Finance and Economic Planning Committee on the exemption of stamp duty and capital gains tax (CGT) mark a pivotal step toward enhancing the sector's competitiveness.

In addition, our recent workshop with the National Treasury provided a platform to address key regulatory concerns, reinforcing our commitment to fostering a transparent, efficient, and investor-friendly REIT market. As an association, we remain optimistic that the Finance Bill 2025 will introduce transformative reforms—lowering market barriers, strengthening investor confidence, and positioning REITs as a premier investment vehicle in the region.

Momentum continues to build with notable milestones in licensing - **NCBA Kenya PLC** secured its **REIT Trustee license**, while **Mi Vida Homes Limited** and **Future Construkt Investment Managers** obtained **REIT Manager licenses**. These developments underscore the rising confidence in REITs as a prime investment vehicle and reflect the growing institutional participation shaping the sector's future.

Our REIT Toolkit & Incubator Program continues to grow, with part of the first cohort of REIT promoters set to launch this year and preparations underway for a second cohort focused on industrial REITs. To further accelerate industry participation and capacity-building, we are scaling up deal rooms and workshops.

CONTENT

The RAK 2024 Annual Conference was another landmark event, convening industry leaders from across Africa. In this edition, we spotlight the rapid rise of Moroccan Real Estate Collective Investment Schemes (OPCIs), offering key insights into the evolving real estate investment landscape across the continent.

Charting the Future

We kicked off the year with great momentum at the **REIT Breakfast Forum**, themed **"The 2025 REIT Sector Outlook."** This insightful gathering provided a platform to reflect on the sector's achievements while setting the course for its future in Kenya and across Africa.

I extend my deepest appreciation to our esteemed sponsors—**Two Rivers International Finance & Innovation Centre (TRIFIC), Mi Vida Homes, Sterling Real Estate Advisory (STREAD), Construkt Africa, and Dyer & Blair Investment Bank**—for their unwavering support and commitment to advancing the REIT sector. **Your partnership is instrumental in driving innovation, fostering growth, and unlocking new frontiers for real estate investment.**

As the sector continues to expand, several key players are shaping the future of REIT issuances in Kenya.

1. Future Construkt Africa

Future Construkt Africa is leveraging its expertise in transitional leadership, strategic advisory, and asset optimization to structure large-scale Affordable Housing REITs (D-REIT & I-REIT) and Commercial Real Estate I-REITs.

Founder/CEO, Construkt Africa LLC Mr. Paul Kavuma Presenting at the REITS Breakfast Forum

2. Ivhu Africa

Ivhu Africa, is in the process of structuring an KES 18 billion Development & Income REIT (D&I REIT) to support resilient, green industrial real estate projects in Kenya and the COMESA free trade area, addressing critical gaps in Africa's supply chain infrastructure.

Founder & Managing Director Ivhu Africa, Mr. Asbury Maruza Chikwanha Presenting at the REITS Breakfast Forum

3. Two Rivers International Finance & Innovation Centre (TRIFIC) Special Economic Zone (SEZ)

TRIFIC SEZ is developing a pioneering USD 35 million I-REIT, targeting institutional investors seeking high-yield, stable investments in Nairobi's

CEO TRIFIC SEZ, Ms. Brenda Mbathi Presenting at the REITS Breakfast Forum

SEZ. These developments reinforce the role of REITs in unlocking capital for real estate and infrastructure projects while offering attractive returns for investors.

As we chart the course for 2025, we are excited to launch high-impact initiatives that will elevate industry expertise and expand strategic opportunities.

In line with our commitment to enhancing market transparency and investor confidence, RAK is developing REIT Best Practice Guidelines (BPG), aligned with global standards such as those set by Nareit and EPRA. These guidelines will serve as a reference for ensuring greater transparency in Valuation, Performance Metrics, Environmental, Social, and Governance (ESG) Frameworks, and Credit Ratings. By establishing clear benchmarks, we aim to facilitate a more standardized and credible REIT market that encourages both local and international investment.

As we deepen our global engagements, we are thrilled about Nareit REITWeek 2025, one of the world's premier REIT industry gatherings, taking place from June 2nd to 5th in New York City. Through our strategic partnership with Nareit, RAK has secured exclusive slots for the Kenyan delegation, providing a unique opportunity for our members to connect with global industry leaders, gain cutting-edge market insights, and explore transformative investment opportunities. We strongly encourage RAK members to seize this moment to expand their networks and position themselves at the forefront of the evolving REIT landscape.

In collaboration with the REIT Academy, we are rolling out an Executive REIT Masterclass, a premier virtual training designed to deepen industry knowledge. We are also preparing to host an Executive Morning Summit on 17th April 2025 focused on Unlocking Ethical and Halal Investment Opportunities Through Shariah-Compliant REITs. Beyond knowledge-sharing, we are enhancing networking platforms, including an exclusive Golf Event, bringing together industry leaders for high-level connections and collaboration.

With these transformative initiatives on the horizon, 2025 is poised to be a defining year for the REIT sector. We are steadfast in our commitment to driving innovation, strengthening industry alliances, and shaping a regulatory landscape that accelerates sustainable growth. The momentum is building, and the opportunities are limitless. Here's to a year of bold strides, lasting impact, and unprecedented success!

Thank you and Enjoy the Read!

Geoffrey Odundo,
RAK Chairman.

Moroccan Real Estate Collective Investment Schemes (OPCIs) (Organismes de Placement Collectif Immobilier) – An Inspiring Model

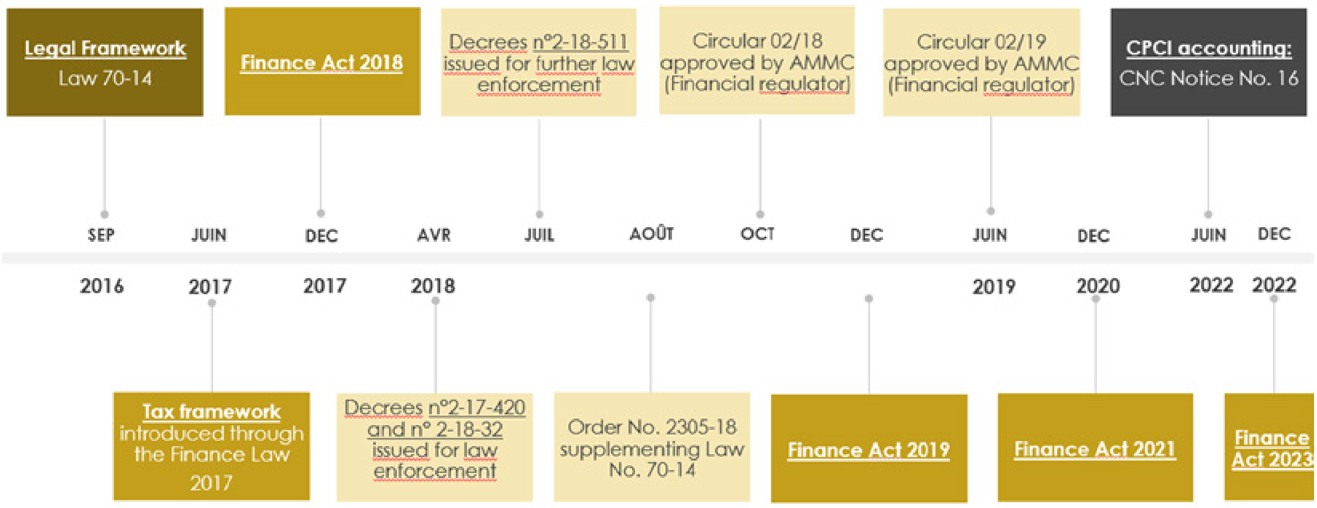
By Noreddine Tahiri, President, Morroco REITs Association.

Naivasha, Kenya – During the REIT Association of Kenya (RAK) colloquium on *"Conquering New Horizons: Unlocking the Potential of the REIT Market in Africa"*, Moroccan Real Estate Collective Investment Schemes (OPCIs) were at the heart of discussions. Recognized for their success and rapid growth, the Moroccan model was presented as an inspiring reference for African markets, particularly for East African countries.

The Rapid Rise of Moroccan OPCIs: A Benchmark Model

In just five years, Morocco's OPCI industry has experienced remarkable growth, with 60 OPCIs approved and assets under management reaching $10 billion. This outstanding progression has captured the attention of many participants.

One of the key factors behind this success lies in the establishment of a clear and robust legal and regulatory framework, ensuring legal security and enhanced transparency for investors. The Moroccan OPCI law and its implementation texts have laid a solid foundation for the sector's development by guaranteeing rigorous oversight mechanisms, attractive tax incentives, and the integration of accredited real estate appraisers to ensure transparent asset valuation.

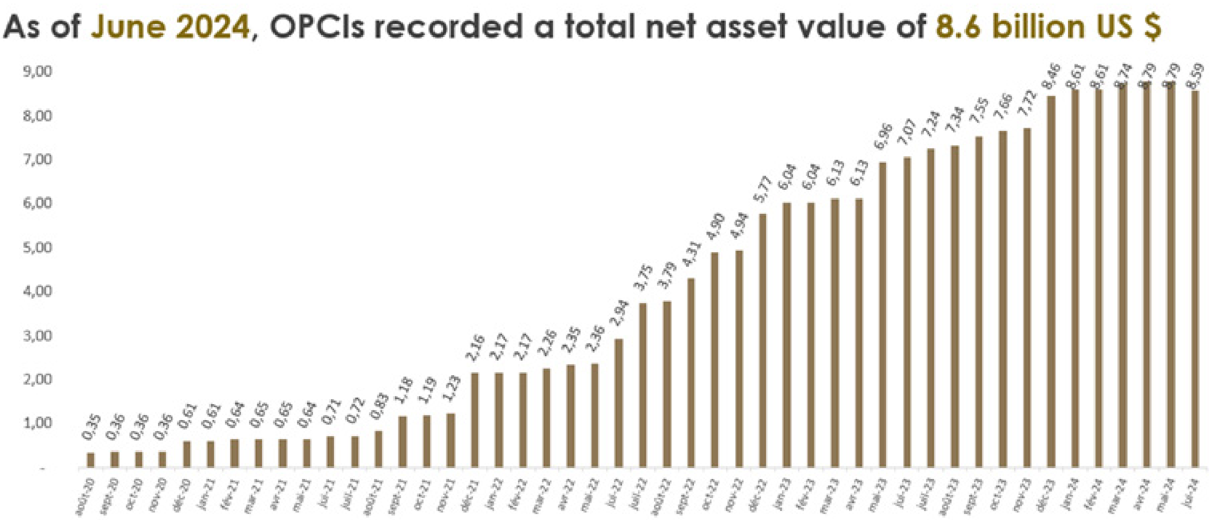


Evolution of the Legal and Regulatory Framework of REITs in Morocco

A Strategic Lever for the Development of African Real Estate Markets

The Moroccan experience demonstrates how OPCIs can play a key role in structuring rental property markets and mobilizing long-term capital. Through this investment vehicle, the Moroccan financial sector has successfully channeled institutional savings into rental real estate, facilitating the financing of large-scale projects without excessive reliance on bank debt.

This model represents a significant opportunity for African markets. Many countries in the region are now seeking to develop an even more tailored legal and tax framework to attract institutional and professional investors to rental real estate. In this regard, the Moroccan model offers a proven and tangible example, showcasing how a well-designed regulatory framework can stimulate real estate investment while ensuring secure and efficient asset management.



Evolution of the Net Asset Value of REITs in Morocco (August 2020 - June 2024)

Synergies Between Morocco and East Africa: Promising Prospects

The RAK colloquium highlighted the growing interest of East African financial and real estate players in Morocco's best practices. The establishment of OPCIs has not only enhanced liquidity and transparency in Morocco's real estate market but has also fostered the emergence of a structured ecosystem, bringing together management companies, real estate appraisers, institutional investors, and regulators.

Following the discussions, several participants expressed their willingness to deepen exchanges with Moroccan stakeholders to benefit from their expertise and explore cooperation opportunities. This ongoing momentum could lead to joint initiatives aimed at accelerating the development of REITs in East Africa, leveraging the Moroccan experience.

A Promising Future for OPCIs in Africa

The rise of OPCIs in Morocco demonstrates that with a coherent vision and well-adapted regulatory measures, real estate investment can become a powerful driver of economic and financial development. East Africa could capitalize on this experience to implement even more attractive regulatory and tax frameworks that encourage investments in rental real estate.

This colloquium has thus been a key step in strengthening potential synergies between Morocco and East Africa, paving the way for strategic collaborations that could contribute to the expansion of REITs across the continent. Building on its success, the Moroccan model could become a reference for African markets looking to further energize their real estate sector through modern and high-performance financial instruments.

Comparison of Morrocan OPCIs and East African REITs: Regulation, Taxation, and Profitability

Moroccan OPCIs and East African REITs are investment vehicles designed to provide investors with exposure to the real estate market while benefiting from a structured regulatory framework. However, their operational frameworks differ in several aspects. OPCIs take the form of Real Estate Investment Funds (FPI) or Real Estate Investment Companies (SPI), under the strict supervision of the Moroccan Capital Market Authority (AMMC). In contrast, REITs are regulated by the Capital Markets

Authority (CMA) and adopt a more flexible model, distinguishing between I-REITs, which focus on income-generating properties, and D-REITs, which specialize in real estate development. One of the key differences is that REITs can be publicly traded, offering greater liquidity to investors, whereas Moroccan OPCIs rely on expert valuations and are less easily tradable on the secondary market. However, Moroccan law allows for the possibility of OPCIs being listed.

In terms of taxation, both frameworks offer incentives to investors, but those of Kenyan REITs are more advantageous. Moroccan OPCIs benefit from a corporate tax exemption, provided they redistribute 85% of the income received to investors. In contrast, East African REITs benefit from a total capital gains tax exemption on transactions between funds or for sales on the stock market, as well as a waiver of stamp duty on unit exchanges.

This more flexible tax framework promotes greater investment fluidity and lowers transaction costs, making REITs more attractive to investors seeking short- to medium-term opportunities.

Finally, in terms of returns and attractiveness, Moroccan OPCIs stand out for their stability, relying on real estate assets that generate regular rental income, an advantage for institutional investors or those favoring long-term investments. Conversely, REITs offer a more dynamic return potential due to their exposure to the stock market and the opportunity to invest in real estate development projects through D-REITs. However, this flexibility comes with increased volatility, as unit prices fluctuate according to market dynamics. Ultimately, the choice between OPCIs and REITs depends on the investor’s profile: OPCIs suit those seeking security and stable profitability, while Kenyan REITs may appeal to those prioritizing liquidity.

Real Estate Investment Trusts and the Importance of REIT Sectors

By Professor J. Morris, Founder & CEO, REIT Academy, L.L.C.
REIT IPO'S 1991-PRESENT, Chart Courtesy Hoya Capital

And So, It Begins

At the "Dawn of the Modern REIT Era" defined as the 1991 IPO for Kimco Realty Trust, the notion of separating REITs into their "Sectors" was not a consideration – very few public REITs existed back then. It would take a few years for this nascent industry to develop.

In November 1992, Taubman Centers, a large privately owned developer of large shopping malls across America launched their REIT IPO, but this time it was much diOerent than the Kimco IPO. Why? Because Taubman used the UPREIT structure for the first time, a novel approach that solved for the issues facing all private firms that owned a portfolio of properties – how to migrate Limited Partnership Interests in each asset to a receiving entity and not be considered a "sale."

This is a story for another day.

The 1990's Set the Stage for the Modern REIT Industry

By the end of a very busy REIT formation decade, the 1990's delivered more than 150 new public REITs – today, we have 185 public equity REITs in America most were created during the 1990's. Several "rules of the road" had been established for the new public REITs:

- Low debt – debt levels must be at a maximum 50%, preferably lower
- Acquisitions were the growth vehicle, no development
- Dividends paid quarterly – this applied the "90% payout rule"
- A portfolio in one single asset class, not multiple property types

The final bullet point required any private company considering a conversion to becoming a REIT and launching their IPO must have assets of the same property type. In fact, private companies that owned a potpourri of property types and were candidates for a REIT were usually told to sell oO all but one property type and call us back then buy the bankers. Public equity REITs were designed to be low leverage, high quality assets of the same type managed by a team of seasoned professionals.

As new REIT IPO's were announced frequently, new public equity REITs joined the ranks of various "sectors": meaning, for example, new Apartment REITs became part of the Apartment REIT group or Sector, new oOice REITs became part of that grouping and on and on.

Original Few REIT Sectors

Yet, the new REITs comprised only a few actual sectors or groups – known as "traditional asset classes" or traditional property types:

- **OEice**
- **Apartments**
- **Hotel**
- **Warehouse**
- **Malls**
- **Strip shopping centers**

These are the property types investors were most familiar with, plus, they were developed and owned by a "marquee" company with a very long-term successful track record. Investors were buying shares of these new REITs for many reasons, one of which is to invest with a company that has been very successful – yet, never allowed multitudes of investors into their projects ownership. Now through the public REIT model, anyone could invest alongside these powerful bluechip firms.

REIT Sectors are Born – A Product of REIT Analysts

A large and important part of the public REIT industry is the "Sell Side REIT Analyst Community" which is a (now) large group of REIT analysts who examine any public REIT's financials, portfolio characteristics, management team and more to arrive at their "Opinion" of the REIT.

3, there were no real REIT analysts. Investment banks "borrowed" financial analysts who were assigned to the Utilities industry to review a REIT – and this wasn't a frequent occurrence.

Now, however, blue-chip investment banks like Goldman Sachs, Merrill Lynch and others were helping private companies create their REIT and once ready, used their enormous strengths to sell shares in the new REITs. Each investment bank that was the "managing underwriter" for a new REIT IPO always had a REIT analyst study the company thoroughly and write a lengthy research report on the company for prospective investors.

The title "Sell Side REIT analyst" came from the action that the reports were intended to "sell" the shares to the public via the IPO. Then the term "Buy Side REIT Analyst" was born to describe a financial analysts that worked for an investor such as a REIT fund or private family oOice that invested in REIT stock. These professionals represented the Buyers of REIT stocks hence Buy Side.

Busy Leading Up to the IPO

As part of my first REIT creation and IPO, I was very busy doing many diOerent things. Frist, I was promoted to Director of Acquisitions for the large company prior to our IPO. This role had me meeting with investment sales brokers, property owners and others in pursuit of buying apartment properties that fit with our acquisition s parameters, which I also developed.

As we approached our expected IPO date – which would be deferred multiple times – I developed a "pipeline of acquisitions" meaning, I had identified, studied, underwritten and met with each of the owners of the properties that were part of my pipeline of acquisitions. In fact, the sellers were very excited for us and awaited the chance to sell us one of their properties at or near the price I contemplated. Nothing was final until I submitted the proposed acquisition to our full Board of Directors, and it was approved.

I also provided the many property tours of our entire portfolio that would become part of the IPO. These property tours took many hours - between 4 to 5 each. I would drive a nice van that had seats for around 5 to 6 people and each was always full. I did these tours 1-2 times per week for nearly a full year. During each, I met and got to know the many sell side analysts who had scheduled a property tour. They attended because their company was going to team up with the managing underwriter to sell stock in our IPO.

Eventually, it was the Sell Side Analyst community that arrived at the decision to begin separating public equity REITs into "sectors" so they and others could compare REITs in any particular sector to one another. This made a lot of sense, but it required more than one sole public REIT to create a Sector.

REIT Sectors are Formed – and Take Hold

I cannot pinpoint exactly which REIT sell Side Analyst came up with the first repor separating asset classes for public REITs, but once they did, everyone else copied it. Why? *Because it was a terrific idea.*

Now, REIT analysts could show investors how one REIT that owned the same property type performed versus others "in their REIT Sector."

REIT Sector Multiply – Quickly

An important element of public equity REIT's is their elegant and unparalleled benefits. These benefits inure to both shareholder's and the REIT alike, including

- Access to capital, both equity and debt
- Transparency
- Regular reliable dividend payments
- Immediate liquidity
- Seasoned management teams
- High quality assets

Plus, many more beneficial attributes.

Therefore, many companies who were structured as a traditional C Corp or other entity converted to a REIT structure to take advantage of these many benefits. This had the eOect of growing REIT sectors organically – meaning, companies ion existence and doing business as publicly held company but wanted to be structured as a REIT.

New REIT Sectors are Born

Today, there are 19 REIT Sectors – find them listed below. I didn't expand on each REIT Sector – I will do so in a follow-up article. But suOice it to say, the growth of REIT Sectors isn't over – there will be many more companies doing business with myriad other property types that will become a REIT or launch their REIT IPO's.

1. Apartments
2. OOice
3. Industrial
4. Hotels
5. Self-Storage
6. Cold Storage
7. Medical OOice
8. Mall
9. Gaming
10. Cell Towers
11. Data Centers
12. Senior Housing
13. Ground Lease
14. Strip Centers
15. Skilled Nursing
16. Single Family Rentals
17. Life Science
18. Net Lease Manufactured Housing
19. Gaming Casinos

Sector Averages / Sector DiEerences

Next time we will explore each REIT Sector and describe the companies, what they do and most important, their respective benefits and potential detriments – risks and rewards.

Until that time – SIGN UP FOR OUR Executive REIT Masterclass through the REITS Association of Kenya!

REITS ASSOCIATION OF KENYA   REIT Academy   @REITsKenya

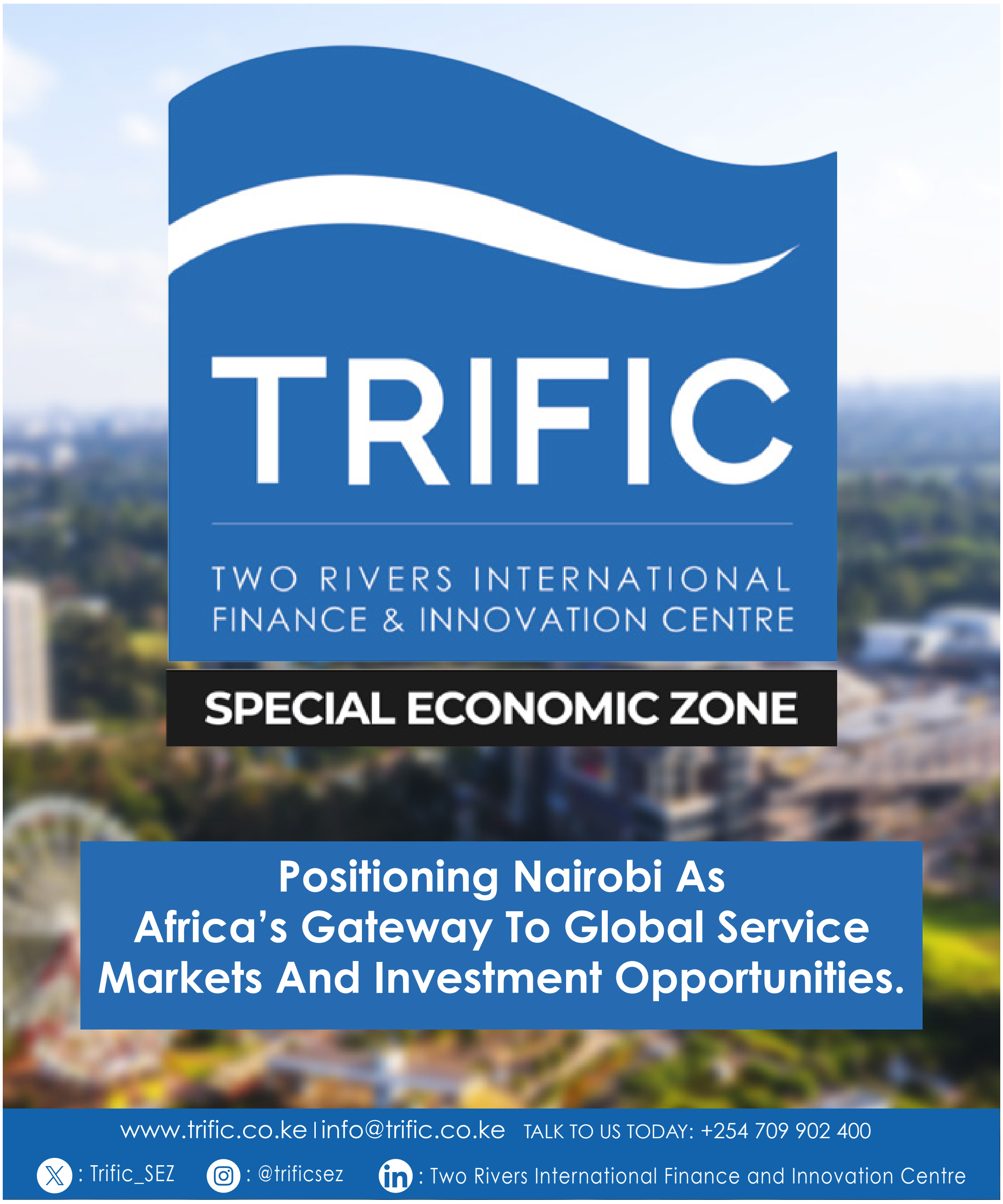
RAK Breakfast Sponsors

Breakfast Sponsor

TRIFIC SEZ

Trific is the only services-focused Special Economic Zone(SEZ) in Kenya, offering new and exciting prospects for global, regional, and Kenyan service-oriented business enterprises seeking a competitive and advantageous base to access international markets.

Spanning over 64 acres within Nairobi's prestigious diplomatic blue zone and with a further robust development capacity of 1.2 million square meters, TRIFIC provides global businesses and talent with a world-class environment to thrive, offering a world-class live-work-play ecosystem with grade A offices, residential, hospitality, and social amenities.



Silver Sponsor

Mi Vida Homes

About Mi Vida

Mi Vida is a premier institutional homebuilder and provider of real estate investment solutions, born from a Ksh 12 billion joint venture between Actis, a leading growth market investor across Africa, Asia, and Latin America, and Shapoorji Pallonji Real Estate, the real estate arm of one of India's largest construction conglomerates. With a global presence in over 70 countries and ongoing projects in 15 African nations, this partnership brings over 220 years of combined expertise in real estate development.

Mi Vida is committed to delivering quality housing that meets modern needs. Across all developments, Mi Vida maintains a dedication to quality, affordability, and sustainability, ensuring value for both residents and investors.

Commitment to Excellence

Mi Vida was created to address critical issues in the housing sector, focusing on quality, affordability, and timely delivery. Their projects embody these values, providing sustainable and attractive living solutions for today's homebuyers and investors.

For more information, visit

www.mividahomes.com
or call +254 722 123 000.

Bronze Sponsors

Construkt Africa

Construkt Africa harness deep market knowledge, strategic insights, technical capability and innovative solutions to build scalable real estate investment platforms in Africa that attract institutional capital and drive transformative, scalable impact.

They pride themselves on the strength and differentiated capability of their seasoned team with its extensive experience in Africa and across emerging markets, and its depth of specialist expertise in strategic advisory and alternative investments in real estate development management and asset management for the delivery of best-in-class, sustainable, institutional-grade real estate projects and portfolios, across product types.

Their subsidiary Future Construkt, is duly licensed as a REIT Manager by the Capital Markets Authority of Kenya (CMA).

Sterling Real Estate Advisory (STREAD)

Sterling Real Estate Advisory (STREAD), incorporated in October 2013 and licensed by the Capital Markets Authority of Kenya (CMA) as a Real Estate Investment Trust (REIT) Manager, is a leading provider of comprehensive real estate solutions.

Dyer & Blair Investment Bank Limited

Dyer & Blair Investment Bank Limited was established in 1954 and was a founder member of the Nairobi Stock Exchange (now Nairobi Securities Exchange). Dyer & Blair is licensed by the Capital Markets Authority to provide transaction advisory services as an Investment Bank. Dyer & Blair is also licensed by the Institute of Certified Investment and Financial Analysts to provide investment advisory services as a Practicing Firm.

Dyer and Blair's principal activities are Investment Banking (Advisory and Financing Services), Brokerage (Equity and Fixed Income products) and Asset/ Wealth Management. Our investment banking expertise spans across key sectors including financial institutions, agriculture, industrials, consumer/retail, energy, utilities, infrastructure, telecommunications and technology just to mention a few.

DYER & BLAIR
INVESTMENT BANK

Are you looking to set up a REIT but don't know where to begin?

Dyer & Blair has significant experience structuring REITs as a Transaction Advisor and will be able to guide you through the process

Get in touch with us today !

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