REITS ASSOCIATION OF KENYA (RAK)

NEWSLETTER

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Comparing REIT Performance Across Kenya, South Africa & the United States

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CONTENT

Welcome Note from the **RAK Chairman**

Dear Esteemed Members, Partners, and Friends of the REIT Association of Kenya,

Welcome to the 18th edition of our quarterly newsletter — a flagship publication that delivers a timely and data-driven lens on global and regional REIT performance. This issue also shines a spotlight on the significant strides the Association has made in recent months, underscoring the tangible impact of our collective efforts and strategic initiatives.

This edition features a compelling article titled *"Comparing REIT Performance Across Markets (2020–2024)"*, which presents a robust five-year comparative analysis of REIT markets in Kenya, South Africa, and the United States. Anchored on six core performance indicators — dividend yield, market capitalization, total return, price index, trading volume, and NAV pricing — the piece offers a structured and data-informed view of how these markets have navigated economic turbulence and recovery cycles, revealing both structural strengths and critical growth gaps.

The findings offer critical insights into Kenya's positioning as a nascent yet high-potential REIT market — one with significant headroom for innovation, institutional depth, and investor confidence. These insights reinforce the imperative for data-driven strategy, cross-market intelligence, and sustained stakeholder engagement as we collectively advance a dynamic, transparent, and globally competitive REIT ecosystem in Kenya.

Beyond this in-depth analysis, I am pleased to highlight a series of strategic milestones that underscore the Association's ongoing commitment to advancing awareness, fostering inclusivity, and catalyzing investment across Kenya's evolving REIT landscape:

- **Legends & Leaders Award Ceremony:** In partnership with Women in Real Estate (WIRE), we commemorated International Women's Day at the 9th Annual Legends & Leaders Breakfast. Centered on the theme "Accelerate Action," the event honored the pivotal role of women in the built environment and reaffirmed our collective commitment to gender equity and leadership in the sector.

Group photo during the WIRE Legends and Leaders Award Ceremony

- **Islamic Executive Morning Summit:** Held in April, this groundbreaking forum brought together leading voices to explore the potential of Shariah-compliant REITs. The summit highlighted the growing relevance of ethical and faith-based investing, reinforcing our dedication to innovation and financial inclusion in the REIT space.

Mr. Ugas Sheikh Mohamed, Chairman of the Capital Markets Authority–Kenya, delivering remarks during the Islamic Executive Summit

- **EAPI Summit Participation:** We were privileged to collaborate with the East Africa Property Investment Summit, where we led a focused workshop on emerging REITs and incubation strategies. This engagement solidified Kenya's positioning as a rising REIT investment hub

Emerging REITs Panel at EAPI Summit 2025

for East Africa and an emerging player on the global stage.

- **Webinar with KASIB & CISI:** Our joint webinar "Islamic REITs – The New Kid on the Block" drew over 140 participants from 20+ countries. This successful session reinforced the global interest in Kenya's REIT potential and underscored the appetite for financial instruments that align with ethical values.

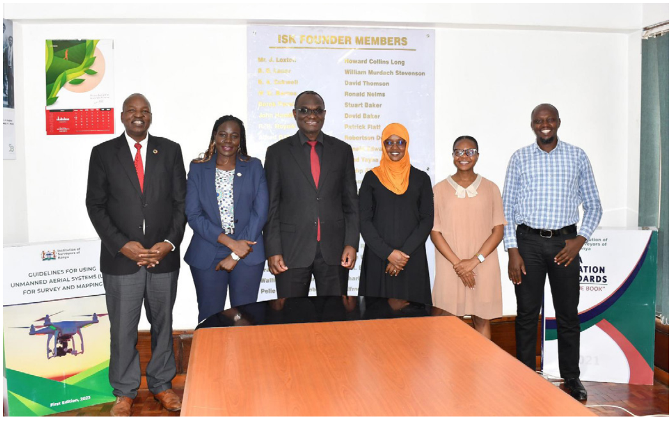
- **Global Engagement at Nareit REITWeek:** Our participation in REITWeek 2025 in New York reinforced our commitment to global dialogue and market alignment. By securing exclusive participation slots for our members, we enabled access to international thought leadership,

REITs Association of Kenya (RAK) delegation at the NAREIT REIT Week

capital markets intelligence, and high-value networking opportunities.

- **Strategic Industry Engagements:** In addition to hosting a high-impact Golf Networking Event at Sigona Golf Club, we have continued to strengthen our institutional partnerships. Our recent engagement with the Institution of Surveyors of Kenya (ISK) holds promise for collaborative work on valuation standards, research, and policy advocacy. In the months ahead, we are curating a series of impactful events. Stay tuned for updates via our website, social media channels, and email communications.

Action on the greens at the RAK Golf Tournament



RAK-ISK engagement session at ISK offices

- **Executive Education:** In collaboration with the REIT Academy, we have launched the Executive REIT Masterclass — a pivotal initiative aimed at deepening industry expertise and elevating professional standards. We encourage all stakeholders to enroll and take full advantage of this high-impact, transformative learning opportunity.

Each of these initiatives reflects the Association's steadfast mission to build a REIT ecosystem that is inclusive, informed, and investment ready. As we look ahead, let us remain grounded in collaboration, guided by insight, and committed to innovation.

Thank you — to our members, partners, and stakeholders — for your continued support. Together, we are laying the foundation for a resilient and globally competitive REIT market in Kenya.

Geoffrey Odundo,
RAK Chairman.

Abbreviation

Acorn – Acorn Holdings Limited

AUM – Assets Under Management

CBK – Central Bank of Kenya

CMA – Capital Markets Authority (Kenya)

D-REIT – Development Real Estate Investment Trust

ETF – Exchange-Traded Fund

ESG – Environmental, Social, and Governance

Fed – U.S. Federal Reserve

FTSE – Financial Times Stock Exchange

GDP – Gross Domestic Product

ILAM – ICEA LION Asset Management Limited

IPO – Initial Public Offering

I-REIT – Income Real Estate Investment Trust

JSE – Johannesburg Stock Exchange

KES – Kenyan Shilling

MIMS - Main Investment Market Segment

NAV – Net Asset Value

NAREIT – National Association of Real Estate Investment Trusts

NSE – Nairobi Securities Exchange

PBSA – Purpose-Built Student Accommodation

RAK – REITs Association of Kenya

REIT – Real Estate Investment Trust

SA REIT – South African Real Estate Investment Trust

SARB – South African Reserve Bank

USP – Unquoted Securities Platform

USD – United States Dollar

ZAR – South African Rand

Glossary

Assets Under Management (AUM): Total market value of real estate assets under a REIT or fund manager's control.

Capital Appreciation: Increase in market value of a REIT's unit price over time.

Development REIT (D-REIT): A REIT primarily focused on real estate construction and development projects.

Discount/Premium to NAV: Market price relative to the REIT's Net Asset Value.

Dividend Yield: Annual distribution divided by market price, showing income return.

FTSE NAREIT Index: Benchmarks tracking performance of U.S. REIT sectors.

Income REIT (I-REIT): A REIT focused on rental income from completed, income-generating properties.

Index (Price Only): Captures only price movements, excluding dividends.

Index (Total Return): Captures both price changes and reinvested income.

Initial Public Offering (IPO): The first offering of REIT units to public investors

Liquidity: The ability to trade REIT units easily without large price impact.

Market Capitalization: Share/unit price multiplied by total shares/units outstanding.

MIMS (Main Investment Market Segment): The primary market segment of the NSE for listing and trading securities of fully compliant entities, including unrestricted REITs. It ensures robust disclosure, public access, and regulatory oversight.

Net Asset Value (NAV): Total value of a REIT's real estate assets minus liabilities.

Price Discovery: The market-driven process of determining asset prices based on demand and supply.

Real Estate Investment Trust (REIT): A vehicle that owns, operates, and distributes income from real estate portfolios.

Total Return: Sum of capital gains and income from a REIT investment over time.

Trading Volume: The value or number of REIT units traded over a specified period.

Unquoted Securities Platform (USP): A Kenyan trading platform for unlisted securities accessible to professional investors only.

Feature Article

Comparing REIT Performance Across Markets (2020–2024)

This five-year comparison across Kenya, South Africa, and the United States offers a structured and data-informed view of how regional REIT markets have evolved through periods of economic turbulence and recovery.

Between 2020 and 2024, the U.S. REIT market maintained overall resilience, supported by broad sector diversification and strong capital markets access. While performance dipped in 2022 due to aggressive monetary tightening, a rebound followed in 2023–2024, led by industrial and data infrastructure sectors. South African REITs exhibited pronounced volatility, particularly during the pandemic, but recovered significantly in 2023 and 2024 as yield levels remained compelling and investor confidence improved. In contrast, Kenya's REIT sector — though still small — progressed meaningfully, marked by increased REIT offering in the NSE and corporate actions like the desilting of the ILAM Fahari I-REIT from the MIMS to USP.

This article draws on six core metrics to evaluate performance across these three markets: dividend yield differentials, market capitalization, total return index, price index, trading volume, and NAV pricing. These metrics expose both the strengths and constraints of each jurisdiction — while highlighting Kenya's positioning as an emerging and nascent market, currently lagging both USA and South Africa.

South Africa offers some of the attractive risk-adjusted returns in emerging markets, underpinned by liquidity depth and reliable income yields. The U.S., though lower-yielding in nominal terms, continues to outperform in scale, sectoral innovation, and investor trust. Kenya stands at a strategic inflection point: it offers an expanding range of REIT types, but it faces structural challenges in market depth, liquidity, and standardised performance reporting.

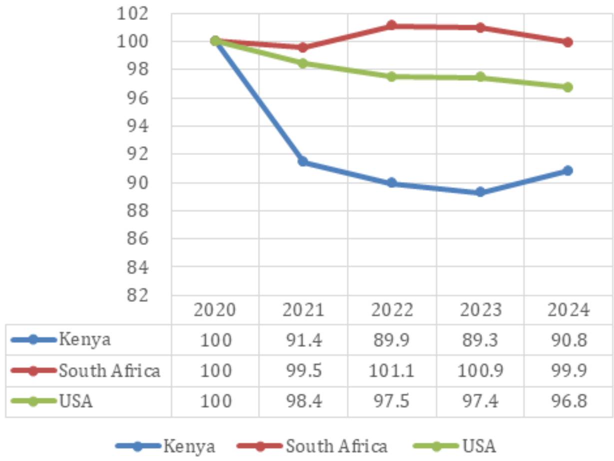
To close these gaps, Kenya must formalize REIT performance benchmarking, including the publication of an official index and regular standardised performance measurement. RAK's ongoing work on market infrastructure and best practice guidelines is both timely and foundational.

This feature article sets the context for the comparative analysis that follows.

1. Dividend Yield vs. Bond Yields
2. Market capitalisation as percentage of GDP
3. Total Return Index Comparison
4. Price Only Index Comparison
5. Trading Volume as a percentage of Market Capitalisation
6. Discount to NAV
7. Outlook for 2025

Key Metrics & Visual Comparisons

Dividend Yield vs. Bond Yields – Yield Differential (2020 -2024)



The indexed yield differential tracks the relative movement in REIT income returns versus local 10-year bond yields, rebased to 100 in 2020. A higher index level signals an improvement in the yield differential (stronger REIT income proposition relative to bonds), while a lower index reflects deterioration. The calculation methodology is detailed in Annex A.

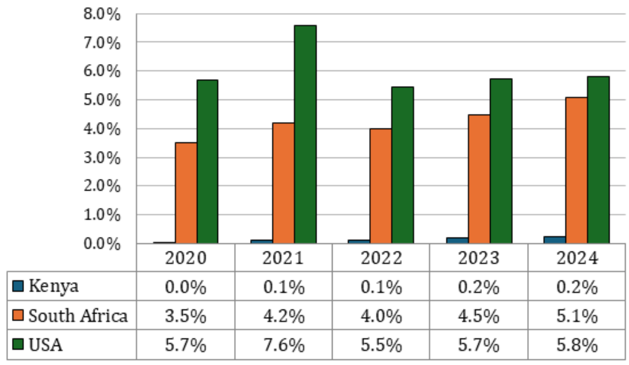
- **Kenya:** The index fell sharply from 100 in 2020 to 89.3 in 2023, before recovering slightly to 90.8 in 2024. This persistent decline reflects the widening negative yield gap as government bond yields surged—peaking at 19.4% in April 2024—while REIT distributions stayed largely flat. The fall in the index indicates that the income advantage of REITs relative to bonds weakened significantly, pushing income-seeking investors toward sovereign debt. The weighted average dividend yield fell from 10.6% in 2020 (driven solely by Fahari) to 3.2% in 2024, while bond yields peaked before easing after rate stabilization in 2025.

- **South Africa:** The index was broadly stable, hovering near the 100-base level across the period, peaking at 101.1 in 2022 before easing to 99.9 in 2024. This stability shows that REIT yields and bond yields moved in closer alignment, preserving institutional investor interest despite elevated financing costs. SA REIT dividend yields were strong—averaging 8.0% in 2024—but bond yields remained elevated due to inflationary pressures and macroeconomic volatility. This tight spread helped retain institutional interest despite elevated financing costs and currency risk.

- **United States:** The index declined steadily from 100 in 2020 to 96.8 in 2024, reflecting gradual erosion of the positive yield gap as U.S. Treasury yields rose from Fed tightening. The U.S. started with a +3% spread in 2020, reflecting low Treasury yields and strong REIT income. By 2022, the differential had compressed to 0%, turning slightly negative (–1%) in 2024. While dividend yields held steady at 3.96% in 2024, U.S. Treasury yields climbed to 4.58% on the back of persistent inflation and monetary tightening. Despite this narrowing, strong sector fundamentals—particularly in logistics and data centers—helped cushion income erosion, and U.S. REITs remained attractive to income-focused investors relative to the S&P 500, which yielded only ~1.2%.

Conclusion: The indexed analysis confirms that Kenya experienced the steepest deterioration in relative income competitiveness, South Africa maintained stability, and the U.S. saw a moderate but consistent compression in its REIT–bond yield advantage.

Market Capitalization as a % of GDP (2020–2024)



Market capitalization relative to GDP is a key indicator of REIT sector depth and financial market integration.

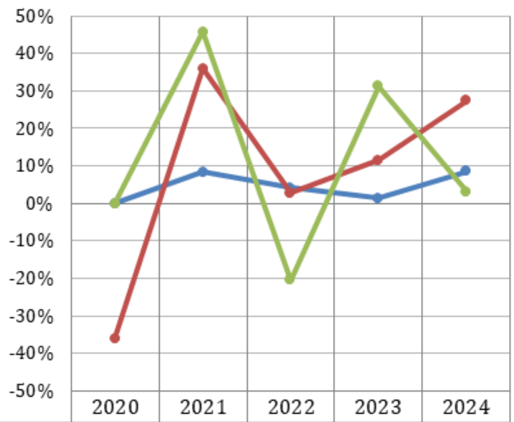
- **Kenya:** The REIT sector grew from a market cap of KES 1.0 billion in 2020 to KES 24.3 billion in 2024, representing an 24x increase in five years. However, as a percentage of GDP, REITs remained marginal—rising from 0.01% in 2020 to 0.22% in 2024. This surge was driven by new listings (Acorn D-REIT, I-REIT, Imara I-REIT).

- **South Africa:** The REIT sector recovered steadily post-COVID, with market cap rising from KES 970 billion in 2020 to KES 1.74 trillion in 2024, equal to 5.1% of GDP. While growth slowed compared to the pre-2020 trajectory, the market posted 13.9% growth in 2024, supported by revaluations, higher dividends, and stabilized interest rates.

- **United States:** U.S. equity REITs had the largest market cap globally, increasing from KES 126 trillion in 2020 to KES 185 trillion in 2024. As a share of GDP, REITs fluctuated within a high range—declining to 5.5% in 2022 during the rate shock, before recovering to 5.8% in 2024. Growth in 2024 was modest at 4.2%, reflecting cautious capital markets and stable valuations.

Conclusion: While Kenya's REIT sector remains shallow in macroeconomic terms, the expansion from 0.01% to 0.22% of Market Cap to GDP signals strong relative momentum. South Africa holds a solid middle ground with a growing but yield-sensitive market. The U.S. remains the benchmark for scale, liquidity, and integration with national output.

Total Return Index (2020-2024)



	2020	2021	2022	2023	2024
Kenya		8%	4%	1%	8%
South Africa	-36%	36%	3%	12%	27%
USA	0%	46%	-20%	31%	3%

Total return combines capital appreciation and income distribution, offering a holistic view of REIT performance. It reflects both market sentiment and operational strength across cycles. For this comparison, we use the FTSE Nareit All Equity REITs Index for the U.S., the SA Listed Property Index (J253) for South Africa, and the Kenya All Total Return Index, a market-cap weighted benchmark launched by RAK in 2025 tracking all REITs in MIMS and USP from 2020 to 2024 with a base of 1,000. See Annex B for the index construction methodology.

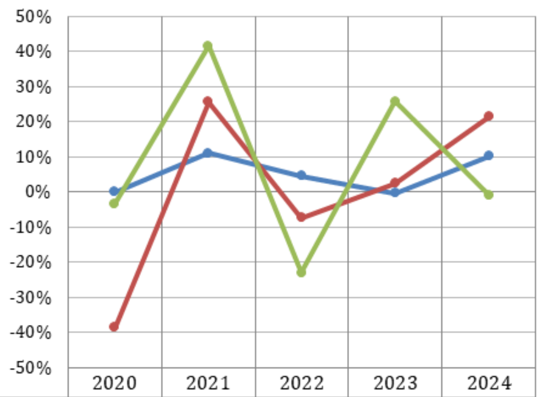
- **Kenya:** The Kenya All Price Index was launched in 2025, tracking REITs from 2020 with a base of 1,000. From its base, the index advanced to 1,241 in 2024, reflecting an 8.5% gain in the latest year. The 2024 increase was driven primarily by Fahari's 74.60% price surge following its migration to USP, alongside strong contributions from Acorn D-REIT (+8.72%) and Acorn I-REIT (+3.99%). These gains marked the index's strongest annual advance since its inception, highlighting the impact of corporate actions and asset repricing in driving capital appreciation.

- **South Africa:** The SA Listed Property Index (J253) has tracked the top 20 liquid REITs on the JSE since 2004. It recorded a –36% crash in 2020, followed by a sharp recovery: +36% in 2021, +12% in 2023, and +27.4% in 2024. These gains were underpinned by high dividend yields (6.25%–9.5%), asset sales, and lower loadshedding disruptions. In 2024, REITs outperformed both SA equities and government bonds.

- **United States:** The FTSE Nareit All Equity REITs Index has long served as the industry's reference point. It posted a strong +46% return in 2021, corrected –20.4% in 2022, and rebounded +31% in 2023, then +3% in 2024. While more volatile than its peers, the U.S. REIT sector-maintained dividend yields of 3.96% in 2024, which cushioned capital drawdowns. Legal payout requirements (90% of taxable income) ensure a consistent income layer across cycles.

Conclusion: Kenya's REITs have delivered positive total returns since 2022 despite structural challenges. South Africa's income-driven recovery highlights the defensive power of high yields, while the U.S. model demonstrates the importance of capital recycling, dividend consistency, and index longevity.

Price Only Index Comparison (2020 – 2024)



	2020	2021	2022	2023	2024
Kenya		11%	5%	0%	10%
South Africa	-39%	26%	-7%	3%	21%
USA	-3%	42%	-23%	26%	-1%

Price-only indices isolate capital appreciation (or depreciation) and exclude income distributions. They are useful for assessing investor sentiment, valuation momentum, and macro-driven price reactions across REIT markets.

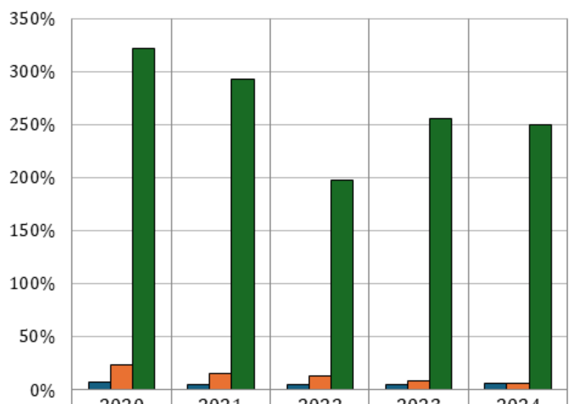
- **Kenya:** The Kenya REIT Price Index is a market-cap weighted benchmark tracking price performance from 2021 with a base of 1,000. From inception, the index rose to 1,110 in 2021 (+11.0%), supported by strong early sole performance from Fahari I-REIT. Gains moderated to +4.6% in 2022 as stable pricing in Acorn I-REIT, D-REIT and moderate appreciation in Fahari. In 2023, the index dipped slightly (–0.3%) due to declines in Acorn D-REIT and Fahari, which outweighed gains in Acorn I-REIT. The sharpest move came in 2024, with the index climbing 10.1% to 1,274, driven largely by Fahari's 74.60% price surge following its migration to the USP, complemented by solid advances in Acorn D-REIT (+8.72%) and Acorn I-REIT (+3.99%). Limited price discovery and thin secondary market liquidity continue to constrain the index's responsiveness outside of corporate events and revaluations.

- **South Africa:** The SA Listed Property Index (J253) tracks capital-only movements for the top 20 REITs on the JSE. It posted a sharp –39% decline in 2020, recovering +26% in 2021. Volatility remained high with a –7% dip in 2022, then stabilized at +3% in 2023 and a stronger +21% in 2024. This rebound was driven by sector re-ratings, especially in logistics and retail-focused REITs.

- **United States:** The U.S. REIT market is tracked via the FTSE Nareit Equity REITs Index (price return version). After a mild decline in 2020 (–3%), the index rebounded +42% in 2021 as liquidity surged post-COVID. This was followed by a steep correction (–23%) in 2022 amid aggressive Fed tightening. Partial recovery occurred in 2023 (+26%), but momentum stalled again in 2024 (–1%) as inflation persisted and Treasury yields remained elevated.

Conclusion: Kenya's REIT price index offers a valuable, but still evolving, benchmark for price momentum. South Africa's market shows signs of re-rating with renewed confidence, while U.S. REIT prices remain tied to interest rate cycles. For Kenya, index adoption will be essential to move beyond yield-focused narratives and toward capital appreciation-led growth.

Trading Volume as a percentage of Market Capitalisation (2020 - 2024)



	2020	2021	2022	2023	2024
Kenya	7%	5%	5%	5%	7%
South Africa	24%	16%	13%	9%	6%
USA	322%	293%	197%	255%	250%

Kenya South Africa USA

Liquidity is a critical driver of pricing accuracy, investor confidence, and market depth. Comparing trading volume relative to total REIT market cap reveals sharp disparities in maturity, accessibility, and investor engagement across the three markets.

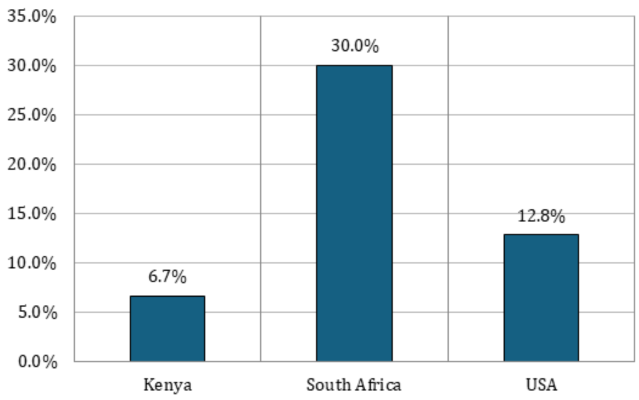
- **Kenya:** From 2020 to 2024, Kenya's REIT market remained highly illiquid. Annual turnover rose from just KES 72 million in 2020 to KES 1.65 billion in 2024, with 2024 volume buoyed by a KES 1.55 billion trade in Imara I-REIT. However, much of this volume occurred off-market on the USP platform. Turnover as a share of market cap peaked at 6.8% in 2024, still well below emerging market benchmarks. Acorn I-REIT remains the most actively traded, while ILAM Fahari's shift to the USP significantly constrained trading activity.

- **South Africa:** The JSE's SA REIT sector displayed steadily declining turnover from KES 232 billion in 2020 to KES 110 billion in 2024. Turnover as a percentage of market cap fell from 24% in 2020 to just 6.3% in 2024. While headline REITs like Growthpoint and Redefine still attract significant volume, trading remains concentrated. Market fragmentation and economic uncertainty likely contributed to lower investor engagement.

- **United States:** The U.S. REIT market remains by far the most liquid globally. Average daily volumes exceeded USD 9 billion in 2024, amounting to KES 451 trillion annually. Volume consistently exceeded 250% of market cap, reflecting dominance of ETFs, institutional flows, and continuous pricing. This deep liquidity supports high-frequency price discovery and enables both retail and institutional investors to transact efficiently across all REIT sectors.

Conclusion: Kenya's REIT market continues to face structural liquidity barriers, despite improved participation in 2024. South Africa's turnover is declining but still robust relative to its peers. The U.S. remains the global benchmark, underpinned by scale, automation, and ETF adoption. For Kenya, enhancing trading platforms, reducing investor restrictions, and incentivizing market-making are essential next steps toward liquidity normalization.

Discount to NAV 2024



The NAV discount or premium offers a critical lens into investor sentiment, market efficiency, and confidence in asset valuations. A sustained discount often reflects perceived risk, illiquidity, or macroeconomic overhangs.

- **Kenya:** Kenya's REIT sector showed a modest improvement in NAV alignment in 2024, with the market-wide discount narrowing to 6.7%. The USP's limited trade visibility and absence of automated price discovery mechanisms continue to suppress transparent valuation for listed REITs on the platform. Despite uneven data availability and illiquidity, the narrowing discount suggests gradual investor re-engagement, though structural reforms remain essential to sustain that momentum.

- **South Africa:** South African REITs have exhibited structural discounts since the onset of the COVID-19 crisis. While the broader sector recovered in 2023–2024, many listed REITs continue to trade at 30%–50% below NAV, reflecting macro instability, low investor confidence, and limited free float. These deep discounts may reflect not mispricing, but concerns over weak tenant fundamentals, valuation lag, and load shedding costs.

- **United States:** U.S. REITs have historically traded close to NAV, buoyed by deep capital markets and consistent earnings visibility. From 2019 through early 2022, many sectors—especially industrials and data centers—traded at premiums to NAV. However, by late 2022, aggressive Fed rate hikes, inflationary pressures, and recession fears pushed the broader REIT market into a discount band of 10%–15%. According to S&P Global Market Intelligence, the U.S. equity REIT sector ended 2024 at a 12.8% median discount to NAV, with defensive subsectors like healthcare and logistics narrowing toward par.

Conclusion: South Africa presents the deepest NAV discounts—currently averaging 30%—despite strong yields. The U.S. sector ended 2024 at a moderate 13% discount, largely driven by macro factors rather than asset fundamentals. Kenya's discount averaged 6.7%, most of the credit being the lower price discovery on USP platforms.

Outlook for 2025

The outlook for 2025 reflects cautious optimism across all three markets, shaped by macroeconomic stabilization, regulatory evolution, and investor sentiment dynamics.

Kenya

Kenya's REIT sector is expected to enter a new phase of expansion driven by:

- **Incubator Momentum:** New entrants such as Ivhu Africa (KES 18B D&I REIT) and the Mi Vida Affordable Housing REIT are poised to increase sector depth.

- **Regulatory Support:** Continued engagement with the National Treasury and CMA on tax reforms (e.g., stamp duty exemptions) will improve cost-efficiency.

- **Diversification:** A shift from retail and student housing toward logistics, industrial, and ESG-aligned REITs will attract broader investor profiles.

- **Index Creation:** Development of a Kenya REIT Index will help track performance, improve market transparency, and attract passive capital.

However, scaling will require addressing:

- USP liquidity constraints,
- Lack of NAV reporting standards,
- Limited market-making infrastructure.
- Harmonization of regulations across real estate incentive platforms such as Special Economic Zones (SEZs), Export Processing Zones (EPZs) and REITs.

South Africa

The SA REIT sector is well-positioned to consolidate its 2024 gains:

- **Valuation Catch-Up:** While many REITs still trade at discounts to NAV, 2025 could see re-ratings if interest rates stabilize and inflation moderates.

- **Yield Resilience:** With dividend yields still above 8%, SA REITs will remain attractive to local and global income investors.

- **Structural Adjustments:** Increased offshore exposure, green building retrofits, and balance sheet optimization will drive longer-term stability.

Risks include: energy insecurity (load shedding), currency volatility, and weak consumer demand.

United States

The U.S. REIT market is likely to experience selective outperformance:

- **Tech-Driven Growth:** Data centers, logistics, and healthcare REITs will continue to lead due to secular demand drivers.

- **Monetary Policy Sensitivity:** The Fed's stance on interest rates will heavily influence equity REIT valuations and access to debt.

- **Capital Recycling:** Mature REITs will continue to prune portfolios, focus on operational efficiency, and deploy capital into high-yielding segments.

Conclusion: Kenya has the most to gain in 2025, with the potential to double listed assets and launch new asset classes. South Africa offers deep yield plays and value recovery, while the U.S. remains a platform for innovation and income diversification. For Kenyan stakeholders, the lessons from both ends of the maturity spectrum will be vital in navigating the next phase of REIT sector development.

Master Sources List for REIT Comparison Report

Kenya

1. **Acorn Holdings Africa** – Official investor updates and financial reports on D-REIT and I-REIT

2. **ILAM Fahari I-REIT** – Financial disclosures, historic NSE listings, USP migration updates

3. **LAPTrust Imara I-REIT** – REIT manager statements and market updates

4. **RAK Data Analysis Files** – Custom Excel datasets provided

5. **NSE** – REIT market cap, price, and trading volume data

6. **Central Bank of Kenya (CBK)** – Historical exchange rate: USD/KES

South Africa

1. **SA REIT Chartbook (April 2025 Edition)** – Price/NAV discount benchmarks, yield trends, trading activity

2. **JSE SA Listed Property Index (J253T)** – Total return and price return data (2020–2024)

3. **Moneyweb** – "SA listed property surprises as 2023's best performing asset class" – Sector commentary, valuation recovery

4. **Chronux Research (Historical)** – For past Price/NAV insights and dividend tracking

5. **SA Reserve Bank** – Historical ZAR/USD exchange rates

United States

1. **Nareit** – December 2024 and Jan 2025 Reports – Dividend yield, total return, and NAV discount tracking

2. **S&P Global** – NAV Monitor – Stated 2024 median NAV discount of 12.8% across U.S. Equity REITs

3. **Bloomberg and Yahoo Finance (sector-level REIT data)** – Sector capital flows and pricing patterns

Cross-Market & Miscellaneous

RAK Working Group Files – Internal modeling for Kenyan REIT Index and discount-to-NAV estimation

Annexes

Annex A: Methodology Indexing the Differential REIT Dividend Yield vs. 10-Year Bond Yield

To assess changes in the relative attractiveness of REIT dividend yields compared to 10-year government bond yields, we constructed an indexed series with 2020 as the base year (Index = 100) for each country.

The process involved the following steps:

1. Data Collection

- Annual differential values were calculated as:

  Differential=REIT Dividend Yield−10-Year Bond Yield

- Negative values indicate REIT yields are lower than bond yields, while positive values indicate REIT yields are higher.

2. Index Calculation

- For each country, the base year (2020) differential was set as the reference point with an index value of 100.
- Subsequent years were indexed to 2020 using the formula:

  Index in Year N=100+ [Differential in Year N−Differential in 2020]/ Differential in 2020

- This approach expresses the change in the differential in percentage points relative to the 2020 baseline, allowing for direct comparison of trends across markets.

3. Interpretation

- An index above 100 indicates an improvement in the yield differential relative to 2020 (either REIT yields increased, bond yields fell, or both).
- An index below 100 indicates a deterioration in the yield differential compared to the 2020 baseline.
- This method allows the trajectory of relative performance to be observed without interpreting the sign of the raw differential.

4. Advantages of This Method

- Avoids distortion from small base-year differentials.
- Standardises comparisons across countries with different absolute yield levels.
- Focuses on relative movements rather than absolute yield gaps.

Annex B: Methodology Construction of the Kenya All Price Index and Total Return Index

The Kenya All Price Index and Total Return Index are constructed to track the performance of all Kenyan REITs over time, starting from a base value of 1,000 in 2020. The calculation follows these steps:

1. Market Capitalisation and Inclusion Criteria

- The market capitalisation of each REIT is recorded for every year in the analysis.
- A REIT is included in the index from the first full year after listing.
- This ensures that only REITs with a valid year-on-year performance change are incorporated.
- REITs without prior-year data are only included starting the following calendar year, preventing distortions from partial or incomplete data.

2. Performance Measurement

- Price Return: Calculated as the percentage change in market price compared to the prior year.
- Total Return: Computed as price return plus dividend yield per share, capturing both capital appreciation and income distribution.
- Performance Change: For each REIT, the change in total return (or price return) is calculated relative to the prior year.

3. Weighting by Market Capitalisation

- For each period, the weight of each REIT in the index is determined as:

  $\text{Weight}_{i,t} = \text{Market Cap}_{i,t} / \sum \text{Market Cap all},_{t}$

- Only REITs eligible for that year (based on inclusion criteria) are considered in the weight calculation.

4. Weighted Average Performance

- The performance change (%) of each REIT is multiplied by its market cap weight.

- The sum of these weighted changes across all included REITs gives the total weighted average performance for that year.

5. Index Calculation (Base 2020 = 1,000)

- The index starts at 1,000 in 2020.
- For each subsequent year:

  $\text{Index}_t = \text{Index}_{t-1} + \text{Weighted Average Performance}_t$

- Separate indices are maintained for Price Return and Total Return.

6. Interpretation

- An increase in the index reflects an overall weighted improvement in REIT performance for that year.
- A decrease reflects a weighted decline in REIT market prices and/or total returns.

Gallery

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