REITS ASSOCIATION OF KENYA (RAK)

NEWSLETTER

10TH EDITION APRIL 2023

REGULATION AND TAXATION OF REITS

Welcome Note from the **RAK Chairman**

A warm welcome to the 10th edition of the RAK Newsletter.

I am pleased to share with you some exciting developments in the Kenyan REITs market.

Firstly, the REITs Association of Kenya (RAK), in partnership with the Kenya Property Developers Association (KPDA) and the Nairobi Securities Exchange (NSE), has developed a REIT Toolkit & Incubator program aimed at increasing the number of REITs in Kenya. The program is designed to streamline the process of launching new REITs, educate investors and fund managers on property and REIT investment, and incubate new REITs for the market. The program is currently in the development phase and is expected to be launched by mid-2023. The Toolkit will include various tools and templates to assist in the design and operation of REITs, while the Incubator program will educate potential REIT promoters on the registration process and introduce them to existing REITs. The Investment Series will focus on real estate finance and investment and provide insight into international REITs, REITs in Kenya, and real estate and REIT investment decision-making processes.

Secondly, I am pleased to announce that the REITs Association of Kenya (RAK) Conference is scheduled to happen in the 4th quarter of 2023. The planning process is still in the preliminary stages, and the theme of the conference will revolve around building momentum to show the progression from capacity building, ironing out the REIT's structure, bringing together potential investors and promoting the listing of new REITs in the market. The event will bring together experts and industry leaders from across Kenya and all over the globe to discuss the latest trends, opportunities, and challenges facing the REITs market. Whether you're an experienced investor or just starting out, you'll find plenty of valuable insights and networking opportunities at this conference.

Thirdly, I am proud to report that the REITs Association of Kenya (RAK) has been working hard to review regulations in consultation with our stakeholders, and a proposal has been submitted to the National Treasury for consideration. We are hopeful that after the necessary changes have been made, this proposal will be read during the annual budget reading in parliament by The National Treasury & Planning Cabinet Secretary. We look forward to a positive result that will benefit all REITs in Kenya.

Fourthly, The listing of the LAPTRUST IMARA I-REIT, which has listed 346,231,413 units at Kshs 20 each, valuing it at KSh6.9 billion. The listing of the first Income-Real Estate Investment Trust (I-REIT) issued by a pension fund signifies the evolution of Kenya's capital markets. The President of Kenya has stated that he is committed to expanding opportunities for investors and issuers in Kenya and sees the capital markets as the principal source of funds for the affordable housing program, Public Private Partnerships, and other development pillars of Kenya's transformational agenda. We are thrilled to see innovative asset instruments such as REITs allow pension funds to access the potential of property-backed investments.

Lastly, there has been significant progress made towards the creation of a Kenya National REIT (KNR). The CMA, Sanduku Investment Initiative, APTAK, and NSE have been working to ensure that KNR provides affordable housing across the nation. Kenya National REIT has also been conceptualized as an accrediting organization for REITs and service providers throughout the value chain to ensure that investment-grade REITs are structured for fast investor uptake. This exciting development will serve as the main hub for communication with policymakers.

In conclusion, the REITs market in Kenya is growing rapidly, and that is the reason as to why this month's edition of our newsletter will be longer than usual. This is because there have been many new developments in the Kenyan REIT market that we would like to bring to your attention.

Enjoy the Read!

Kenneth Masika
RAK CHAIRMAN

CONTENT

Reforming REIT Regulations by TripleOKLaw LLP.

Authored by:
Brian Muindi FCIArb., Partner and Head of Corporate & Commercial at TripleOKLaw LLP

REITs have gained popularity in many countries as a means of investing in income-producing real estate assets such as apartment buildings, office buildings, shopping centres, and other types of commercial properties. The Capital Markets Authority (CMA) has been proactive in supporting the growth and development of the country's REIT market, which has grown considerably over the years. Kenya was the second country in Africa, after South Africa, to adopt REITs as a real estate investment vehicle, and the structure has proved attractive to foreign capital investment.

Given the positive outlook for the real estate sector in Kenya, this article aims to examine and suggest potential reforms that the CMA could consider to further support the continued growth of the local REIT market and make REITs more attractive to investors. Overall, the article re-affirms that the current REIT Regulations provide a conducive environment for the growth and development of the REIT market and the CMA has made significant strides in promoting REITs as a real estate investment vehicle. However, there is still room for improvement, and the CMA could consider various reforms to further enhance the REIT market and make it an even more attractive investment vehicle for both domestic and foreign investors. The government of Kenya would also benefit from the implementation by the CMA of these proposals that can enable REITs to play a more significant role in the development of the housing sector, making it more accessible to the public.

Current challenges facing REITs in Kenya

Despite the efforts of the CMA to attract investment in the REIT market, the sector is still in its early stages of development, with only one development REIT (Acorn Student Accommodation D-REIT) and three income REITs (ILAM Fahari REIT, Acorn Student Accommodation I-REIT and LAP Trust IMARA I-REIT) currently in operation. D-REITs can play an important role in the development of new properties and infrastructure, which can help to promote economic growth and create jobs. Similarly, I-REITs can play an important role in providing investors with a more diversified investment opportunity, which can help to reduce the overall risk of investing in the real estate market.

Potential Reforms to Rejuvenate the REIT Market

D-REITs are typically focused on the development of new properties, which requires significant capital investment. The regulations allow REITs to raise capital in a variety of ways, including the issuance of bonds or other forms of debt, subject to the maximum aggregate borrowing threshold of 60% of Total Asset Value for D-REITs. This provides REITs with the flexibility to tap into debt financing, which is a crucial component of any investment portfolio. However, raising capital can be difficult for D-REITs due to the lack of liquidity in the market, and the high risk associated with property development.

In order to rejuvenate the REIT market in Kenya, the CMA could consider implementing the measures set out below that would increase awareness of REITs among investors and educate them about the benefits of investing in REITs:

Developing an education and awareness campaign that would inform investors about the benefits of investing in REITs and provide them with information about how to invest in REITs and the risks involved.

Providing investors with access to independent research and analysis of REITs, which would help them to make more informed investment decisions.

Allowing REITs to be incorporated as corporate bodies: By allowing REITs to be incorporated as corporate bodies, the CMA could simplify the process for investors and provide REITs with greater flexibility in terms of raising capital and acquiring assets. This would also align the Kenyan REIT market more closely with international practices. Additionally, the current regulations only refer to investment by REITs through investee companies and not any other body corporates such as limited liability partnerships. By allowing REITs to invest in a broader range of investment vehicles, such as limited liability partnerships, the CMA could provide REITs with greater flexibility and enable them to access a wider range of assets.

Developing a secondary market for REITs is also key to the growth of the REIT market. A secondary market for REITs would increase liquidity, making it easier for investors to buy and sell units, which can improve the performance of the market. It is worth noting that the NSE has an OTC platform which provides a solution for REITs to trade their units outside of the formal exchange, and restricted REIT offerings can also be traded on the NSE's Main Investment Market; Restricted Sub-Segment, albeit trading on these platforms has yet to increase the liquidity of the REIT market.

Promoting green REITs and encouraging REITs to focus on affordable housing: REITs could be incentivized or required to have a certain percentage of their assets invested in affordable housing projects to address a social need while providing REITs with a stable source of income from rental income. This could also help address the housing deficit in Kenya and provide a positive social impact. In recent years, there has been an increased focus on sustainable and green investments in Africa. Kenya could look at introducing regulations that would promote the development of green REITs, which would invest in environmentally friendly buildings and developments.

Providing more flexibility in lease terms: The current regulations require REITs to enter into land leases of at least 25 years in order to qualify as an income REIT. This requirement can be onerous for REITs focused on residential or commercial properties, where the typical lease tenure is much shorter. By providing more flexibility in lease terms, the CMA could enable REITs to more effectively access the residential and commercial property markets and make them more attractive for both investors and developers.

Relaxing the Trustee and REIT manager requirements: The current regulations require a trustee to be a bank or a subsidiary of a bank and have a minimum issued and paid-up capital of 100 million shillings. These requirements may be overly restrictive, as evident by the limited number of trustees licensed by the CMA. Additionally, allowing REIT managers to manage multiple REITs would provide managers with more flexibility and allow them to take advantage of economies of scale and expertise across different REITs. This would also allow for more efficient use of resources and could reduce overall management costs for REITs. The CMA could consider implementing several measures that would reduce the barriers to entry and make it more attractive for trustees and REIT managers to participate in the market. This could include offering tax incentives to trustees, REIT managers, and developers who participate in the REIT sector, providing REIT managers and developers with access to low-cost financing, which would help them to acquire properties and develop new properties and streamline the process of setting up and registering a REIT, which would reduce the administrative burden and make it easier for new REITs to enter the market.

Establishing a standard valuation method: Listed REIT units are priced and traded as any other shares despite the value of their real estate assets leading to stark contrasts with their NAV. This has led to marked differences in the valuation mechanisms for private and public real estate. As some commentators have noted, investors in private and public real estate markets seldom agree on the valuation of the same asset, leading to divergence in property valuation (e.g., NAV dispersion).[1] It is important to have a robust valuation process in place that is transparent, consistent and in line with international best practices. To address this issue, the CMA could consider requiring REITs to provide more detailed information about the properties they hold, and also establish a standard valuations method that would be widely accepted in the market. Additionally, the current regulations require REITs to have their assets valued upon redemption or issuance of units. This can be a time-consuming and costly process for REITs, especially for those that have large and complex portfolios. By dispensing with this requirement, REITs could save significant resources and reduce their administrative costs.

Reforming Pre-emption rights on the issue of additional REIT securities: The current regulations require REITs to offer existing unit holders pre-emption rights on the issue of additional REIT securities, which can cause dilution of the investment for existing unit holders. Additionally, this requirement can also put a burden on the promoter to make an offer to unitholders during periodic capital raises, which can be difficult and costly. Moreover, unit holders are unlikely to participate in such offerings. By reforming this requirement, the CMA could enable REITs to more efficiently raise capital and provide a more streamlined process for investors. This could also allow for a more flexible way for the Promoter to raise capital and provide opportunities for the REITs to grow at a faster pace.

In conclusion, REIT regulations have played a crucial role in promoting the growth and development of the REIT market in the country. The CMA has been proactive in supporting the growth of the REIT market and could consider adopting some of the reforms suggested that would help to attract more investment into the real estate sector, thereby supporting the growth of the economy and creating new opportunities for investors. The modification in the regulations will bring more transparency, flexibility and access to capital which are essential for the growth of the REIT market. The REIT market in Kenya can be a major contributor to the country's economy through the provision of affordable housing and additional income to investors.

1 Listed real estate futures trading, market efficiency, and direct real estate linkages: International evidence Journal of International Money and Finance 127 (2022) 102693.

Reforming REIT Taxation by TripleOKLaw LLP.

Authored by:
By Kivindyo Munyao - Associate, Dispute Resolution TripleOKLaw LLP Advocates and Lorraine Igoki - Associate, Corporate and Commercial Department, TripleOKLaw Advocates

Introduction

A Real Estate Investment Trust (REIT) is a regulated investment vehicle that enables the issuer to pool investors' funds for the purpose of investing in real estate. In exchange, the investors receive units in the trust, and as beneficiaries of the trust, share in the profits or income from the real estate assets owned by the trust. REITs generally qualify for special tax treatment, providing a conduit for earnings to be taxed at the investor level and not at the entity level. This article mainly appreciates the general structure of REITs in Kenya and delves into the tax regime that governs REITs. The article seeks to demonstrate that, given the growing popularity of REITs as viable investment options, there is a compelling need for robust and dynamic tax legislation governing REITs to ensure that they are tax efficient, liquid and transparent investment vehicles.

Types of REITS

REITs can either be classified as D-REITs (Development REITs) or I-REITs (Income REITs).

1. **Development Real Estate Investment Trust (D-REITs):** This is a type of REIT where investors pool resources together with the aim of acquiring, constructing, and developing real estate. Once a development has been completed, a D-REIT may be converted to an I-REIT.

2. **Income Real Estate Investment Trusts (I-REITs):** this is a type of REIT that may acquire already developed property or even develop the property for purposes of generating rental income. They will usually hold and manage the properties over a period of time.

Both D-REITs and I-REITs may be listed by the Nairobi Securities Exchange ("NSE") and subsequently delisted. This article will primarily focus on listed REITs. A listed REIT's units are traded on the NSE like any other company shares, offering investors a liquid stake in real estate. These listed REITs are governed primarily by the Capital Markets (Real Estate Investment Trusts) (Collective Investment Schemes) Regulations, 2013 ("REIT Regulations"), the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002 and the Nairobi Securities Exchange Limited Listing Rules. They are structured as unincorporated trusts rather than companies.

When these listed REITs are offered, the REIT offers can be restricted or unrestricted. Restricted offers refer to issues or offers made to professional investors while unrestricted offers are open to the public. The D-REIT offers are restricted, while I-REIT offers/issue can either be restricted or unrestricted. Restricted I-REITs can either be structured as open-ended funds or a close ended funds and may be converted from one form to another. Depending on the nature and structure of the REIT, its units can be traded on the Unrestricted Main Investment

Market Segment (UMIMS), the Unquoted Securities Platform (USP) or the Restricted Board on the NSE.

The Tax Regime governing REITs in Kenya

The biggest advantage attached to listed REITs is that they enjoy highly favorable tax benefits in the form of exemptions. Normally, tax exemptions come in many forms, but one thing they all have in common is they either reduce or eliminate the obligation to pay tax. Through these exemptions, governments extend an olive branch to businesses and provide tax holidays to stimulate growth towards a particular industry.

In the case of REITs in Kenya, various exemptions have been implemented towards REITs as one of the tax neutrality measures with the aim of promoting effective roll out of new capital markets products and services. The exemptions are major incentives designed to encourage the growth of REITs funds which allow the public to invest in the property market without requiring large cash investments.

As such REITs present themselves as the most efficient vehicles to invest in income earning property as well as tax efficient vehicles.

To understand the exemptions and how and who they apply to, it is important to first understand the parties involved in the entire process.

i. **Promoter:** This is a party involved in setting up a real estate investment trust scheme. The promoter is regarded as the initial issuer of REIT securities and is involved in making submissions to the regulatory authorities to seek relevant approvals.

ii. **REIT Manager (REIT):** This is a company that has been incorporated in Kenya and has been issued a license by the Capital Markets Authority ("the Authority") to provide real estate management and fund management services for a REIT scheme on behalf of investors.

iii. **Trustee:** The Trustee's main role is to act on behalf of the investors/beneficiaries of the REIT, by assessing the feasibility of the investment proposal put forward by the REIT Manager and ensuring that the assets of the scheme are invested in accordance with the Trust Deed and the Regulations.

iv. **Project/Property Manager:** The role of the project manager is to oversee the planning and delivery of the construction projects in the REITs while the property manager assists the REIT Manager in the management of the real estate acquired by the REIT.

v. **Unit Holders:** These are Investors who as a result of their capital contribution acquire REIT units and are the beneficiaries to the Trust.

REITs, as highlighted above, are required to invest in real estate, which they may acquire either directly or indirectly. Regulation 65 and 76 restricts the Trustee of an I-REIT and D-REIT respectively to inter alia invest:

i. Directly in eligible real estate.
ii. Invest in Eligible Real Estate assets through investment in an Investee Company incorporated in Kenya which directly owns the Eligible Real Estate, and which is wholly beneficially owned and controlled by the Trustee in its capacity as the Trustee of the I-REIT; or
iii. Invest in a wholly owned and controlled company which conducts Real Estate related activities.

Depending on the transaction structure, the tax implications may vary as will be demonstrated in the subsequent paragraphs of this article.

A. Exemption from Income Tax Act.

Section 20 (1) (c)and (d) of the Income Tax Act ("ITA"), provides that REITs and REIT investee companies, upon registration with the Commissioner of Domestic Taxes are exempted from the 30% income tax rate. Additionally, the distribution of income to unitholders of the REIT is exempt from tax.

However, the above income tax exemption does not extend to withholding tax on interest income and dividends earned by unit holders who are not exempted under the first schedule of the ITA. The rates for this withholding tax are specified under paragraph 5 of the third schedule of the Income Tax Act.

It has been and still is the practice that REITs duly established pursuant to the REIT Regulations and approved by the Capital Markets Authority (CMA) automatically qualified for exemption from income tax as the CMA authorization was transmitted to KRA. However, following the enactment of the Tax Laws (Amendment) Act, 2020 on 25th April 2020, the draft Income Tax (Real Estate Investment Trusts) Rules, 2020 (the 'draft Rules') propose the mandatory registration of a REIT or a REIT-controlled entity with the Commissioner of Domestic Taxes.

Pursuant to section 3 of the draft Rules, for a REIT or a REIT-controlled entity to qualify for tax exemption in the manner contemplated under section 20 of the ITA, the REIT has to apply to the Commissioner for registration of the REIT or its REIT-controlled entity. The Commissioner is required to render a decision within 30 days of the application and inform the applicant of the approval or rejection. However, given that a REIT is structured as an unincorporated common law trust and not a body corporate, it may be useful to get some guidance and clarity from Kenya Revenue Authority on the practical application of the proposal as the draft Rules are yet to be enacted.

It is worth highlighting that, Rule 5 of the draft rules expressly states that where a REIT or REIT controlled entity fails to satisfy the requirements of the REIT Regulations or the Income Tax Act for purposes of maintaining its exemption status, the exemption granted to the REIT or REIT controlled entity shall cease to apply and all the applicable taxes in accordance with the Income Tax Act shall fall due, and shall be payable from the date of such failure.

B. Capital Gains Tax exemptions.

The gain accrued by a Promoter or an investor on the transfer of property into the REIT is subject to CGT at the newly adjusted rate of 15% from the initial rate of 5%. However, the transfer of property from life insurance companies into the REIT is exempt from CGT as provided in Section 19 (6B) of the Income Tax Act (ITA).

Where there is an indirect transfer of property into the REIT whereby the Promoter transfers the initial properties into a special purpose vehicle i.e. an investee company which forms part of the Promoter group, and the shares in the investee company are subsequently transferred to the REIT, the transfer of the properties to the investee company will be CGT exempt as it would be considered a restructure given that the transfer does not involve the transfer of property to a third party.

The exemption is anchored on Paragraph 13 of the Eighth Schedule to the ITA which states that "Gains arising from transfer of property that is necessitated by a transaction involving the incorporation, recapitalization, acquisition, amalgamation, separation, dissolution or similar restructuring of a corporate entity, where such transfer is an internal restructuring within a group which does not involve transfer of property to a third party, is not subject to capital gains tax".

However, CGT will accrue on gains made at the point of transferring the shares in the investee company to the REIT Trustee.

Payments for redemption of units or sale of shares received by unit holders or shareholders in a REIT are also exempt from tax (capital gains) pursuant to section 20 (2) of the ITA.

Further, upon disposal of the properties by the REIT either directly or through an SPV the gain made by the REIT will not be subject to CGT.

Where the unit holder decides to sell off its stake in the REIT, normally as a registered taxpayer they are required to pay Capital Gains Tax (CGT) at the recently adjusted rate of 15% due to the amendment of Section 34(1)(j) of the Income Act through the Finance Act 2022. A capital gain is simply the excess of the transfer value over the adjusted cost of the unit that has been transferred with the difference being subjected to a 15% tax.

However, by the mere fact that they have transferred an asset under the REITs regime in Kenya, the CGT does not affect the said transactions. This is because the listed REITS are an example of listed marketable securities that were excluded from the application of CGT under the Finance Act 2015.

C. Exemption from VAT Act.

The Finance Act 2021 reintroduced the exemption from VAT of all the transfer of assets and other transactions related to the transfer of assets into real estate investment trusts and asset-backed securities. Initially, this exemption had been revoked vide the Tax Laws Amendment Act No. 2 of 2020.

Pursuant to Paragraph 33 of Part II of the First Schedule to the VAT Act stipulates that "The transfer of assets and other transactions related to the transfer of assets into real estate investment trusts and asset backed securities is exempt from VAT."

In view of the above exemption, an outright transfer of property from the Promoter/investors would be VAT exempt. Where there is an indirect transfer of property to the REIT, the transfer of the initial assets into the investee company will be subject to VAT, however, the transfer of shares in the SPV to the REIT trustee will be exempt from VAT.

D. Exemption from Stamp Duty

The transfer of property by the Promotor/investor into the REIT for consideration of REIT securities is exempt from VAT. Additionally, once the properties in a D-REIT are stabilized, the subsequent transfer of the stabilized properties from the D-REIT to the I-REIT is exempt from stamp duty.

This is in line with section 96A of the Stamp Duty Act which provides:

(1) "This section only applies to real estate investment trusts authorized under the Capital Markets Act (CAP 485.A), in respect of which it is shown to the collector: -

a. That the effect is to convey or transfer a beneficial interest in a property from one trustee to another trustee or to an additional trustee; or
b. That the effect thereof is to convey or transfer a beneficial interest in property from a person or persons for the transfer of units in the real estate investment trust.

(2) No stamp duty shall be chargeable on an instrument relating to the matters referred to in subsection (1).

It bears noting, however, that the above exemption was applicable to instruments executed before the 31st of December 2022. Therefore, all transfers effected from 1st January 2023 will attract stamp duty.

Main Challenge to the REITs Tax regime

While the tax burden has been largely offloaded to REITs through the above exemptions, there remains a legal gap as to the rules and regulations that govern the REITs and REITs controlled entities exemption under Section 20(1)(d) of the Income Tax Act.

As of 22nd January 2023, the Kenya Revenue Authority has not published the regulations that will formally exempt the REIT-controlled entities from income tax. This is despite the fact that the Cabinet Secretary to the National Treasury and Planning exercising powers conferred by Section 130 of the Income Tax Act made the draft Income Tax (Real Estate Investment Trusts) Rules, 2020 and subjected the said draft to the public for comments.

As such REIT controlled entities have been operating with the belief that KRA will not demand taxes from them courtesy of

Section 20(1)(d) of the Income Tax Act. This is a dangerous position to be in given that the tax authority has embarked on aggressive tax collection to try and hit the estimated three trillion (Kshs. 3T) for the 2022-2023 financial year.

Its trite law in tax legislation that they should ensure the right of certainty and predictability in economic activities as reaffirmed by Justice Odunga in the Minimum Tax case. Therefore, regulations ought to be passed to avoid investors and REITs being on pins and needles during this period. Additionally, by taking care of the uncertainty aspect in the tax structure, more investors will be pulled towards REITs and raise the number from the current three. Currently, other capital markets products such as financial derivates are subject to tax courtesy of the Finance Act, 2022 which amended the Income Tax Act to tax gains accruing to a non-resident from financial derivatives at a rate of 15%.

Additionally, it is our proposal that the definition of a REIT-controlled entity under the draft rules is amended to include Limited Liability Partnerships. Borrowing from best practice, India, whose REIT market has attained significant maturity since its launch authorizes a REIT to invest in real estate assets either directly or through a holding company or a special purpose vehicle which can either be a company or an LLP.

Conclusion

Despite the legal gap on Income Tax regulations, REITs present themselves as the most efficient vehicles to invest in income-earning-property courtesy of their tax efficiency.

Further, REITs do present themselves as the best option to provide a financing solution to accelerate affordable housing supply in the Country. Recently, the Government of Kenya committed to delivering a series of ambitious social programs to promote long-term economic development for Kenyan citizens through its Big Four agenda, and key among them is affordable housing. The housing pillar in the Big Four agenda will facilitate the development of 500,000 low-cost homes, together with the supporting infrastructure, using innovative funding mechanisms and technologies. With the annual housing demand in Kenya standing at 250,000 units and an estimated supply of 50,000 units and expected growth in the deficit attributable to high population growth and rising urbanization rates, there is an opportunity.

With the tax incentives provided above, REITs continue to provide investors with dividend-based income, competitive market performance, transparency, liquidity, inflation protection and portfolio diversification.

Secretariat Report

i) REIT Toolkit and Incubator

The REITs Association of Kenya (RAK), in partnership with the Kenya Property Developers Association (KPDA) and the Nairobi Securities Exchange (NSE), has developed the REIT Toolkit & Incubator program. The program is designed to increase the number of REITs in Kenya by streamlining the process to launch new REITs, build sector capacity, educate investors and fund managers on property and REIT investment, and incubate new REITs for the market. The program was conceived in 2022 and is currently in a development phase and is expected to be launched by mid-2023.REITs have the potential to mobilize trillions of Shillings on the public markets. While REITs can be leveraged across all property asset classes, the private sector, Government of Kenya and donor partners have expressed a particular interest in affordable housing REITs for rental housing. REIT are a relatively new product in the Kenyan market that requires education, sectoral capacity building and mobilization.

The Toolkit & Incubator program development activities include workshops to develop the toolkit with over 30 industry experts, an investment series focused on real estate investment and risk management, incubator design meetings with various REIT promoters, mobilization of new REIT Managers and Trustees, and engagement with fund managers and pension trustees to educate them on REITs and real estate investments. The Toolkit will include various tools and templates, including business plans for the design of a REIT strategy, financial models to project investment returns, checklists for real estate due diligence, legal agreements that integrate the various services required for a REIT to operate, regulatory checklists for the REIT, Managers and Trustee registration, and investment memorandum to enable fundraising for the REIT. The Incubator program will educate potential REIT promoters on the registration process, introduce them to existing REITs, share the business value of REITs, review of necessary documentation to establish a REIT, share perspective from investors, and encourage collaboration within the sector. The Investment Series will entail a high-level discussion on real estate finance and investment, international REITs, REIT in Kenya, and real estate and REITs investment decision making processes.

ii) Regulations

In line with the requirement to review regulations after every 10 years, the Policy and regulations proposal put forward by RAK in consultation with its stakeholders has been submitted to the National Treasury for consideration via our parent regulator the Capital Markets Authority. After changes are approved, this will be read during the annual budget reading in parliament by The National Treasury & Planning Cabinet Secretary for amendments that have been made. We look forward to a positive result.

iii) Kenya National REIT

The creation of a Kenya National REIT (KNR) has been advanced significantly through the efforts of the Capital Markets Authority (CMA), Sanduku Investment Initiative, the Association of Pension Trustees and Administrators of Kenya (APTAK), and the Nairobi Securities Exchange (NSE). The goal of providing affordable housing around the nation has been furthered by Kenya National REIT as it is in line with the government's Economic Transformation Agenda. Through Special Purpose Vehicles, Kenya National REIT will register all REITS for the construction of affordable housing and infrastructure.

In order to ensure that investment-grade REITs are structured for fast investor uptake, Kenya National REIT has been conceptualized as an accrediting organization for REITs and service providers throughout the value chain. Kenya National REIT will serve as the main hub for communication with policymakers.

From the left Mr.Tom Mulwa Managing Director at Liaison group Ltd, Ms. Mbithe Muema Chief Business Officer, Nairobi Securities Exchange, Mr.Hosea Kili CEO CPF Financial Services Ltd , Mr. Joseph Rono Director Strategy Finance & Investment at CPF Financial Services Ltd.

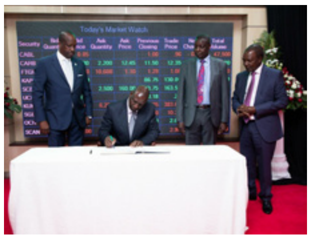
iv) Launch of LAPTRUST IMARA I-REIT

LAPTRUST | IMARA I-REIT

The Local Authorities Pension Trust (LAPTRUST) has listed the first Income-Real Estate Investment Trust (I-REIT) issued by a pension fund at the Nairobi Securities Exchange (NSE). The LAPTRUST IMARA I-REIT has listed 346,231,413 units at Kshs20/= each, valuing it at KSh6.9 billion, and will be a closed-ended fund listed on the restricted sub-segment of the main investment market segment of the NSE. Investors can buy REIT securities in the secondary market to invest in a diversified portfolio of income-generating real estate assets, potentially unlocking liquidity for pensioners.

The President of Kenya, Hon. Dr. William Samoei Ruto, noted that the listing of the first Real Estate Investment Trust (REIT) issued by a pension scheme signifies the evolution of Kenya's capital markets. He believes that the capital markets' ability to evolve sustainably is a critical pillar of the country's competitiveness and ability to finance development, create jobs, and alleviate poverty. The President stated that he is committed to expanding opportunities for investors and issuers in Kenya, devising appropriate mechanisms that leverage various sources of savings to provide capital to finance the country's transformation. He sees the capital markets as the principal source of funds for the affordable housing programme, Public Private Partnerships, and other development pillars of Kenya's transformational agenda. The President expects that Kenya's capital markets can and must be revitalized by enlisting the participation of micro-, small-, and medium-sized enterprises, as well as large multinational companies that have set up business operations in Kenya.

According to CPF Financial Services Group Managing Director Mr. Hosea Kili, the introduction of innovative asset instruments such as REITs allows pension funds to access the potential of property-backed investments.



Mr. Job Kihumba chairman Standard Investment Bank (SIB), Mr. Hosea Kili CEO CPF Financial Services, Prof. Njuguna Ndung'u Cabinet Secretary National Treasury & Economic Planning, Mr. Zacharia Mwangi Njeru Cabinet Secretary for The Ministry of Lands, Public Works, Housing and Urban Development, Ms. Aida Kimemia-Nesbitt Chairperson of Central Depository and Settlement Corporation (CDSC), H.E. Dr. William Samoei Ruto , CGH. President of The Republic of Kenya and Commander-in-Chief of The Kenya Defence Forces, Mr. Kiprono Kittony Chairman Nairobi Securities Exchange (NSE), Mr. Ugas Sheikh Mohamed Chairman Capital Markets Authority (CMA), Mr. Geoffrey Odundo Chief Executive Officer Nairobi Securities Exchange (NSE).

v) REITs Conference

The conference is scheduled to happen in the 4th quarter of 2023. The planning process is still in the preliminary stages. The theme of the conference will revolve around building momentum to show the progression from capacity building, ironing out the REIT's structure, bringing together potential investors and promoting the listing of new REITs in the market. This exciting event will bring together experts and industry leaders from across Kenya and all over the globe to discuss the latest trends, opportunities, and challenges facing the REITs market.

The REITs market in Kenya has been growing rapidly in recent years, with new opportunities emerging for issuers, investors and developers alike. At the conference, you'll learn from a range of speakers with diverse perspectives on the REITs market, including real estate developers, asset managers, legal experts, and government officials. There will also be interactive panel discussions with local practitioners and global players like the National Association of Real Estate Investment Trust (NAREIT) to enhance local industry engagement with global learning. Whether you're an experienced investor or just starting out, you'll find plenty of valuable insights and networking opportunities at this conference.

David Irungu Waggema RAK treasurer

RAK Chairman Kenneth Masika

Former RAK chairman Edward Kirathe

Ruth Okal RAK Chairperson of the Policy, Publications and Research Committee

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