



CHAIRMAN'S REPORT – 2020 RAK AGM

2019 – 2020 Milestones

The REITS Association of Kenya has come a long way since it was first mooted at a Stakeholders breakfast held at the Serena Hotel in early 2017 which following various follow on meetings was registered in November 2017.

Despite the challenges that 2020 has bestowed on humanity, the RAK has since the last AGM made notable progress in facilitating its mandate to serve and further the interests of the Real Estate Investment sector through various initiatives including:

- a) **October 2019:** Successful lobbying for the exemption of income tax for REIT investee companies; and successful inclusion of this exemption in the Finance Bill 2019.
This had been key on RAK's agenda for a while and marked the first success to demonstrate the Association's lobbying value to its members and the industry.
- b) **October 2019:** Holding a comprehensive REITs workshop in collaboration with the Nairobi Securities Exchange (NSE) with the aim of making the REITs as an investment vehicle better understood by various stakeholders.
The training provided introductory knowledge about the functioning of REITS as a capital markets product. Some of the areas of focus included various types of REITS, regulatory framework and the tax and compliance framework of REITS.
- c) **In July 2020 and August:** Partnering with Renaissance Capital and the Chartered Institute for Securities and Investments (CISI) to host a 2 part webinar series titled *"Introduction to Underwriting and Valuation of Real Estate Investments"*. Part 1 focused on Income REITs and part 2 focused on Development REITs.
The purpose of the webinars was to shed light to institutional investors and analysts on the how they should assess REIT opportunities, underwriting assumptions and valuations through practical demonstrations on income producing assets and development projects.
The presenter was Christos Angelis, the President of Chartered Alternative Investments Association of the Netherlands.
The Panelists included our own Kenneth Masika - Vice Chairperson of RAK and Director, Lloyd Masika Limited and Hilda Njoroge MRICS – Secretary of RAK and Property Investment Manager, Co-op Trust Investment Services Limited. This presented an opportunity for RAK to create awareness about the Association's key roles within the industry.

- d) **October 2020:** RAK hosted a webinar in collaboration with the Capital Markets Authority (CMA) titled *“The Global Effect of Covid-19 on Brick and Mortar Real Estate: A Residential Property Perspective”*.

This live webinar aimed at providing insights on the effects of the pandemic on residential real estate and shedding light on winning strategies that have been adopted so far by industry thought leaders.

The presenter was Frederick Cooper, Senior Vice President - Finance, International Developments and Investor Relations at Toll Brothers Inc – a Fortune 500 Company and one of the largest Home Builders in the US; and the Panelists were Gikonyo Gitonga – Managing Director at Axis Real Estate Limited, Samuel Kariuki – Managing Director at Centum Real Estate and Jared Osoro - Director of Credit Markets at Financial Sector Deepening Africa (FSDA)

Market Education and Lobbying for the sector are two key mandates on the Association and will continue to be so in the years ahead

Current and Ongoing Initiatives

In 2019/2020 we purposed to move forward with the following initiatives:

- i) Continue to organize forums to sensitize industry stakeholders on REITs and real estate investments;
- ii) Create partnerships with other like-minded organizations to catalyse knowledge sharing and information transfer; and
- iii) Build our information repository through focused research and publications.

It is the objective of the Association to make access to Research and Publications a key benefit offered to members

The Association continues to lobby the government and regulatory bodies for favourable Tax policy for REITs.

A Presidential directive dated 25th March 2020 resulted in the National Treasury of the Republic of Kenya releasing the Tax Amendment Bill 2020, and later culminating in the passing of the Tax Laws (Amendment) Act.

A provision in the Tax Laws (Amendment) Act 2020 caused a deletion of paragraph 30 of Part II of the First Schedule to the Value Added Tax (VAT) Act, which exempted *‘Asset transfer and other transactions related to the transfer of assets into real estate investment trusts (REITs) and asset backed securities (ABS)’*.

Prior to this deletion, the transfer of properties into REITs was an exempt supply but was made taxable under the Tax (Amendment) Act 2020.

The changes to the tax regime on REITs are projected to negatively impact the use of REITs by real estate developers and the uptake of REITs by the public. By considerably altering (upwards) the financial cost of

the acquisition of assets by a REIT, the returns and anticipated object of ensuring affordable investment in the real estate sector would be significantly eroded leading to the premature or still birth of the REIT sector.

In this regard, RAK has been making lobbying efforts as follows:

- i) May 2020 Submission to the representations on the Finance Bill 2020: RAK, in partnership with the Kenya Property Developers Association (KPGA) and Nairobi Securities Exchange, submitted memoranda to Parliament and the National Treasury.
- ii) September 2020 Submission to the Miscellaneous Statutory Amendment Bill: In partnership with KPGA, RAK made submissions made to the National Treasury and the CMA.
- iii) October 2020 Submission to the KESPA Private Sector Budget Priorities.

Additionally,

➤ **Formation of the RAK Tax Working Group**

- Following the tax amendments mentioned earlier the RAK main committee formed the tax working group to champion efforts towards lobbying for favourable policy. The working group consists of representatives from Acorn Holdings, Viva Africa Consulting, Triple OK Law Advocates and Co-op Trust Investment Services Limited.

➤ **Collaboration with KESPA Public Finance Sector Board**

- RAK has nominated 2 representatives from the Tax Working Group to sit on the KESPA Public Sector Finance Board in order to facilitate lobby efforts in alignment with the government.

The Membership and Events Committee has planned for the last online event of the year scheduled for 3rd November 2020. The webinar will focus on analyzing the effects of the pandemic on brick and mortar real estate from a commercial property perspective.

The presenter is John D. Worth, Ph.D. - Executive Vice President of Research & Investor Outreach at National Association of Real Estate Investment Trusts (NAREIT) and the Panelists are Vivian Ombwayo – Director, Research and Valuation at Broll Kenya Limited, Samantha Muna - Director Development East Africa at Hilton Worldwide and Richard Hough, the CEO of Africa Logistics Properties (ALP).

We encourage and look forward to your participation.

Membership

The Association has grown from 20 members to 28 members, including a wide variety of Corporates, Associations and Individuals.

NO.	COMPANY	CATEGORY OF MEMBERSHIP	JOINING PERIOD
1	KPDA	Association	2017
2	KASIB	Association	2017
3	Acorn Holdings Limited	Corporate	2017
4	Cytonn Investments	Corporate	2017
5	Mboya Wangong'u & Waiyaki	Corporate	2017
6	Nabo Capital	Corporate	2017
7	Sterling Capital Limited	Corporate	2017
8	Viva Africa Consulting	Corporate	2017
9	MMC Africa	Corporate	2017
10	Fahari I-REIT	Corporate	2017
11	Nairobi Securities Exchange	Corporate	2017
12	TripleOKLaw Advocates LLP	Corporate	2017
13	Britam Asset Managers (K) Ltd	Corporate	Mar-20
14	Sayani Investments	Corporate	Oct-19
15	Lloyd Masika Limited	Corporate	Dec-19
16	TSG Realty	Corporate	Jan-20
17	Co-operative Bank of Kenya	Corporate	Jan-20
18	Nelly Mbugua	Individual	Mar-20
19	Daniel Kamau	Individual (CEO)	May-19
20	Diana Gachuhi	Individual (Consultant)	May-19
21	James Maclean	Individual (Director)	May-19
22	Consolata Mwangi	Individual (Director)	Jul-19
23	Vivian Ombwayo	Individual (Director)	Oct-20
24	Luke Kinoti	Individual (Founder and CEO)	Apr-19
25	Judy Jemutai	Individual (Marketing Executive)	Jul-19
26	Hellen Mwangi	Individual (Marketing Executive)	Jul-19
27	Wachira Gichu	Individual (Partner)	2017
28	Anthony Kimani	Individual (Real Estate Consultant)	May-19

Over the past year, 2 new membership categories have been introduced:

- Affiliate membership – open to government agencies
- Academic membership – open to academic and research institutions of higher learning

	CORPORATE MEMBERSHIP		AFFILIATE MEMBERSHIP		ASSOCIATION MEMBERSHIP		ACADEMIC MEMBERSHIP		INDIVIDUAL MEMBERSHIP	
TOTAL FEE	Kshs. 100, 000		Kshs. 75,000		Kshs. 50, 000		Kshs. 25,000		Kshs. 10, 000	



The membership and events committee had organized to have the RAK Conference in September 2020, however, due to the prevailing conditions caused by the pandemic, the Conference was postponed and will hopefully be held in the 2nd half of 2021

The committee is continuing to fulfil its purpose of maintaining and increasing active members and ensuring the Association remains relevant in the industry by organizing vibrant events.

The Policy Research and Publications Committee is working on a partnership with the University of Nairobi to facilitate the publication of an industry research publication. The committee is continuing to provide strategic advocacy advice, counsel and options for RAK.

Conclusion and Appreciation

As the RAK, we are confident that REITs have a bright future in Kenya and we firmly believe that in the years to come they will become the most common institutional vehicle for investing in the Real Estate Sector. But this is a long journey rather than a sprint, so we all have to be patient, resilient and stay the course.

I would like to extend my profound gratitude to the Officials, Main Committee and sub-committees for the tireless effort and time that they have put in to build a strong Association. Thank you also to all our members whose timely subscriptions and active participation has made the RAK relevant and influential. To the regulators – especially the CMA and RBA for giving the RAK tremendous support and official recognition and to the many other organizations and individuals who have supported us this far. We would not be here with you and to you all - I say thank very much indeed. It is my hope that we will continue working together to grow the REITs industry in Kenya.

Thank you.