



DRAFT CHAIRMAN'S REPORT – 2022 RAK AGM

November 2020 – December 2021 Milestones

Good morning all,

Thank you for taking time out of your busy schedules to attend the 3rd RAK Annual General Meeting. My name is Ken Masika; I am the current Chairman of the RAK, and I would like to take this chance to allow my fellow officials of the Association to introduce themselves....

(hands over Mic to Vice Chairman, Treasurer and Secretary)

As you may be aware the main aim of the Association is to lobby for favourable policy within the REITs space and educate the market about the long term benefits of investing on REITs, with the overall aim of growing REITs in Kenya.

Since the last AGM held virtually in October 2020, in-spite of the challenging past 1 and a half years as a result of the global headwinds, the Association has managed to make some notable strides indicated below:

a) Lobbying Initiatives:

- i. **June 2021:** RAK managed to successfully lobby for the re-instatement of exemption of VAT on transfer of assets into REITs and ABS. This came after the deletion of this tax benefit in March of 2020 when the Government of Kenya put in place measures to cushion the country's economy from the effects of the pandemic. The re-instatement was aimed at deepening our Capital Markets by encouraging investors to participate in REITs, by applying REITs as a financing alternative for affordable housing, including specialized facilities like student hostels. Since then, REIT issuers are able to continue to enjoy VAT free transactions when moving properties into REITs.
- ii. **June 2022:** During the budget statement reading earlier this year, it was proposed to widen the scope of investments where pension schemes can invest their funds. Previously, pensions could only invest up to 30% of their funds in listed REITs only because unlisted REITs fell under 'Any Other Assets' which was not ideal as it required schemes to seek specific trustee approvals and 'no objection' letters from the Retirement Benefits Authority (RBA) which was cumbersome and was a potential deterrent for investment into the REIT asset class.

The regulation did not provide for a ‘direct’ investment of pension funds into unlisted REITs. As a result, current and upcoming unlisted REITs would continue to face very small investable amounts in asset allocation which would restrict diversification portfolio actions and overall investment into alternatives such as these that present a more sustainable way into property investments.

The extra layer of approvals also meant that pension funds would find it easier to go with ‘direct’ deals where the larger allowable limit existed within the RBA investment guidelines. The RBA guidelines are to be amended to include unlisted REIT, and this will allow up to 30% investment by pensions in both listed and unlisted REITs, thus offering fund managers, trustees a wider investment pool, given the new unlisted REITs in the market and potential upcoming unlisted REITs.

Once again, I would like to thank the RAK Main Committee and Tax Working Group, Nairobi Securities Exchange (NSE), Capital Markets Authority (CMA), Kenya Property Developers Authority (KPDA) and Kenya Private Sector Alliance (KEPSA) for combined and consistent efforts towards pushing for achievement of this important milestones.

- iii. With regard to the long outstanding **draft REIT subsidiary legislations** to the Income Tax Act, we are still pushing to have it gazetted by the Taxman.

b) Capacity Building and Awareness Efforts:

- i. **November 2020:** We hosted a webinar on *“The Global Effect of Covid-19 on Brick and Mortar Real Estate: A Commercial Property Perspective”*. The webinar was the second part of a series and focussed on analyzing the effects of the pandemic on brick and mortar real estate from a residential and commercial property perspective. Cumulatively, this webinar series attracted over 70 industry stakeholders.
- ii. **March 2021:** In collaboration with the Capital Markets Authority (CMA) and Nairobi Securities Exchange (NSE), we hosted a virtual Regional Capital Markets REITs Conference on Friday, 19th March 2021 from 8am to 1pm that brought together approximately 250 industry stakeholders. This was a platform for industry stakeholders to participate in timely topical discussions on REITs.
- iii. **May 2021:** We also collaborated with the NSE and Abojani Investment to host a virtual REITs training session. During the forum, RAK Main Committee member, Ruth Okal,

made a comprehensive introductory presentation on REITs. The forum was attended by 55 industry stakeholders.

- iv. **July 2021:** We hosted an in-person REITs Media Breakfast and Training at the Nairobi Serena Hotel. The event was in collaboration with Acorn REITs, Fahari I-REIT, CMA and NSE, during which we had representation from 10 renowned local Media Houses. The forum presented a chance to engage with editors of leading business publications in order to continue market education on REITs and ensure that editors are empowered with the correct knowledge as they publish articles in the various newspapers and digital platforms.
 - v. **July 2021:** I represented the Association in the Africa Wealth Conference organized by Regal Africa Financial Services Limited, specifically on the Asset Management & REIT Management Panel. During the session I was able to discuss what REITs are and how they improve a person's real estate portfolio, how they differ from rental properties and how REITs can be harnessed for the Big 4 Agenda of housing.
 - vi. **July 2021:** One of our Main Committee member, Luke Kinoti, participated in the East Africa Property Investment (EAPI) Summit on a panel discussion titled: *"Sustainable (Green) Financing Solutions: New Ways To Attract Capital And Investment Into The East African Real Estate Sector"*. We participated alongside other panellist from JLL, Nedbank CIB, Acorn and International Finance Corporation (IFC).
 - vii. **October 2021:** Pension funds are an important target group for education on REITs. On 27th October 2021, we participated in the 9th Annual Octagon property investment conference with an aim to educate pension administrators on how they can use REITs in a beneficial way. We made a presentation on REITs highlighting key aspects including benefits of investing in REITs.
 - viii. **November 2021:** We hosted the virtual REITs Masterclass in collaboration with CMA and Tripleoklaw Advocates. The aim of the Masterclass was to support potential REIT issuers in the areas of regulations, policy and innovations. The forum also presented an opportunity for focused and engaging discussions and garnered participation from 140 key stakeholders.
- c) **Notable News:**
- **February 2021:** Acorn Holdings Limited (through its subsidiary Acorn Investment Management Limited (AIML)) launched their Acorn Student Accommodation (ASA)

Income and Development REIT, which took place on 24th February 2021. The Acorn REIT marked several firsts to the local capital markets: first Development REIT globally, first Student Accommodation REITs in Africa and first issuance to list on the OTC segment of the Nairobi Securities Exchange. Once again, I take this opportunity to congratulate Acorn on making a commendable stride in the local REIT market, joining pioneer Fahari I-REIT.

- **November 2021:** RAK entered into a Collaborative Agreement with the University of Nairobi (UoN) on 29th November 2021. The agreement provides a framework for co-operation between the two parties with the aim of developing the real estate industry knowledge repository in RAK, increasing awareness on the real estate industry in Kenya, information and knowledge exchange, providing an opportunity for mutually applied research, among other areas of mutual interest. The agreement is yet another positive step in enhancing synergy between research institutions working closely with industry bodies.

d) Current and Ongoing Initiatives

In the recent past and foreseeable future, the following are the priority areas for RAK:

- i) Collective advocacy and lobbying for favourable policy within the industry;
- ii) Research and capacity building across various business categories;
- iii) Building value driven partnerships with like-minded organizations, both locally and regionally;
- iv) Networking and support towards members; and
- v) Member showcasing through meaningful collaborative engagements.

- e) The Membership and Events Committee** is tasked with maintaining and increasing active members of RAK, and ensuring the Association remains relevant in the industry by organizing vibrant activities and events.

In the recent past, the team has organized webinars including:

- *The Global Effect of Covid-19 on Brick and Mortar Real Estate – Series*
- *REITs Masterclass: Supporting potential REIT issuers: regulations, policy and innovations*

The Committee is currently working on organizing a joint workshop breakfast in collaboration with GCR Ratings. The event is aimed at introducing the concepts of Ratings to REIT stakeholders including highlighting the processes and tools involved in rating



REITs, value addition of the rating process and a demonstrative Case Study on REITs, among other key topical areas.

The team is also working on organizing for the REIT Conference towards the end of this year.

Update on membership: Towards the end of 2020, we welcomed new corporate members: Centum Real Estate and UAP Holdings. Additionally, early this year we welcomed a new individual member - Caroline Kamau-Kimoita, a Partner at CM Advocates LLP Law Firm.

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

f) The Policy, Research and Publications Committee is mandated to ensure regular publication and dissemination of research reports and publications including the periodic newsletter and industry publications.

The Committee finalized and entered into the Collaborative Agreement with the University of Nairobi on 29th November 2021. The agreement is a commitment by both parties to engage in mutually beneficial activities including deepening sector research and growing the research repositories of both institutions.

Currently, the Committee is actively pursuing partnerships with regional organizations including the Centre for Affordable Housing (CAHF), Africa Union for Housing Finance (AUHF), Habitat For Humanity and Strathmore University.

The Committee also remains committed to ensuring regular publication of research reports including the periodic newsletter of the Association, and in the near future, will endeavor to see the production of an industry publication.

The REITs Task Force: The REITs Task Force was formed on 6th July 2021 to ensure collaboration among key industry stakeholders to promote growth and deepening of the REITs market. The Taskforce is composed of representatives from the NSE, CMA and RAK. Some of the key mandates of the Taskforce include comprehensively undertaking and addressing REIT issues, recommending policies, programs and initiatives that may influence the Task Force's mandate and Identifying and recommending solutions to risk and problems that could obstruct progress



and deliverables of the REITs market, among other key mandates. The taskforce has held 4 meetings since its inception and has managed to make some notable strides internally and for the sector.

REIT Toolkit and Incubator: RAK is currently working on a REIT Toolkit and Incubator in collaboration with Kenya Property Developers Association (KPPDA) together with additional stakeholders (Fund Managers Association, Kenya Pension Funds Investment Consortium, Kenya Green Building Society).

The Toolkit seeks to educate users on the benefits of REITs, the process of setting up a REIT, templates for setting up a REIT, the contacts of consultants that are required in the REIT set up and management process, and potential investors for a REIT.

The Toolkit will also contain educational videos on each of the key phases of set up, describing key steps and how to use the templates. We will apply the REIT Toolkit on an incubated set of pilot REITs to streamline the REIT development process, update the tools and materials, educate the market, and engage potential investors.

The incubation process will include shortlisting potential REIT promoters and taking them through the REIT incubation process. This will educate the sector, increase the number of REIT issuances, and empower the RAK secretariat to incubate potential REITs.

Conclusion and Appreciation

RAK remains optimistic about the future of REITs in Kenya, despite the economic trials experienced globally and locally in the recent past. We believe that REITs can offer value addition to the Real Estate sector as a capital raising tool for developers and a stable investment vehicle for both retail and institutional investors.

I would like to extend my sincere gratitude to the Main Committee, including our Chairman Emeritus, who have served diligently towards strengthening the Association since inception in 2017. Thank you to the Membership and Events, and Policy, Research and Publications Sub-Committees for undertaking your mandates with utmost dedication and ensuring delivery on the initiatives of the RAK. I would also like to extend my gratitude to the Capital Markets Authority, the Retirement Benefits Authority and the Nairobi Securities Exchange for continued support and guidance towards RAK.

Lastly, I would like to appreciate each and every one of our members for working collaboratively with us to ensure that the Association is able to fulfil its mandates in an effective and timely



manner. We also take note of the fact that you have continued to pay your membership dues on time, as this is a key income stream for the Association. Notwithstanding the difficulties experienced, it is our hope that all members will continue to support the Association by paying up membership dues on time. I trust that we will continue to work collaboratively to ensure growth of the REITs sector in Kenya.

Thank you.