

The Drive for Real Estate Investment Trust (REITS) in West Africa

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SIMO Conference Presentation
February 23rd , 2024

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What are REITs?

- ❑ Real estate investment trusts (REITs) are companies that own and most often actively manage income-producing commercial real estate. Some REITs make or invest in loans and other obligations that are secured by real estate collateral. The shares of most large REITs are publicly traded.(NAREIT, 2011)
- ❑ Real Estate Investment Trusts (REITs) are companies that own or finance income-producing real estate in a range of property sectors. They provide all investors the chance to own valuable real estate, present the opportunity to access dividend-based income and total returns, and help communities grow, thrive and revitalize. (Deloitte, 2019)
- ❑ REITs allow anyone to invest in portfolios of real estate assets the same way they invest in other industries – through the purchase of individual company stock or a mutual fund or exchange traded fund (ETF). The stockholders of a REIT earn a share of the income produced through real estate investment – without actually having to go out and buy, manage or finance property. (Deloitte, 2019)

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What are Real Estate Investment Trusts?

- Operating companies that own, develop and manage commercial real estate
- Chartered as a corporation or business trust
- Elective choice under tax code creates pass-through of income
- Revenue must primarily come from real estate investments
- Required to distribute at least 90 percent of their taxable income
- Taxation of income is passed through to shareholder level

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TYPES OF REITS

EQUITY REITS- The majority of REITs are publicly traded equity REITs. Equity REITs own or operate income producing real estate. Equity REITs are often referred to as REITs.

MORTGAGE REITS- REITs provide financing for income-producing real estate by purchasing or originating mortgages and mortgage-backed securities and earning income from the interest on these investments.

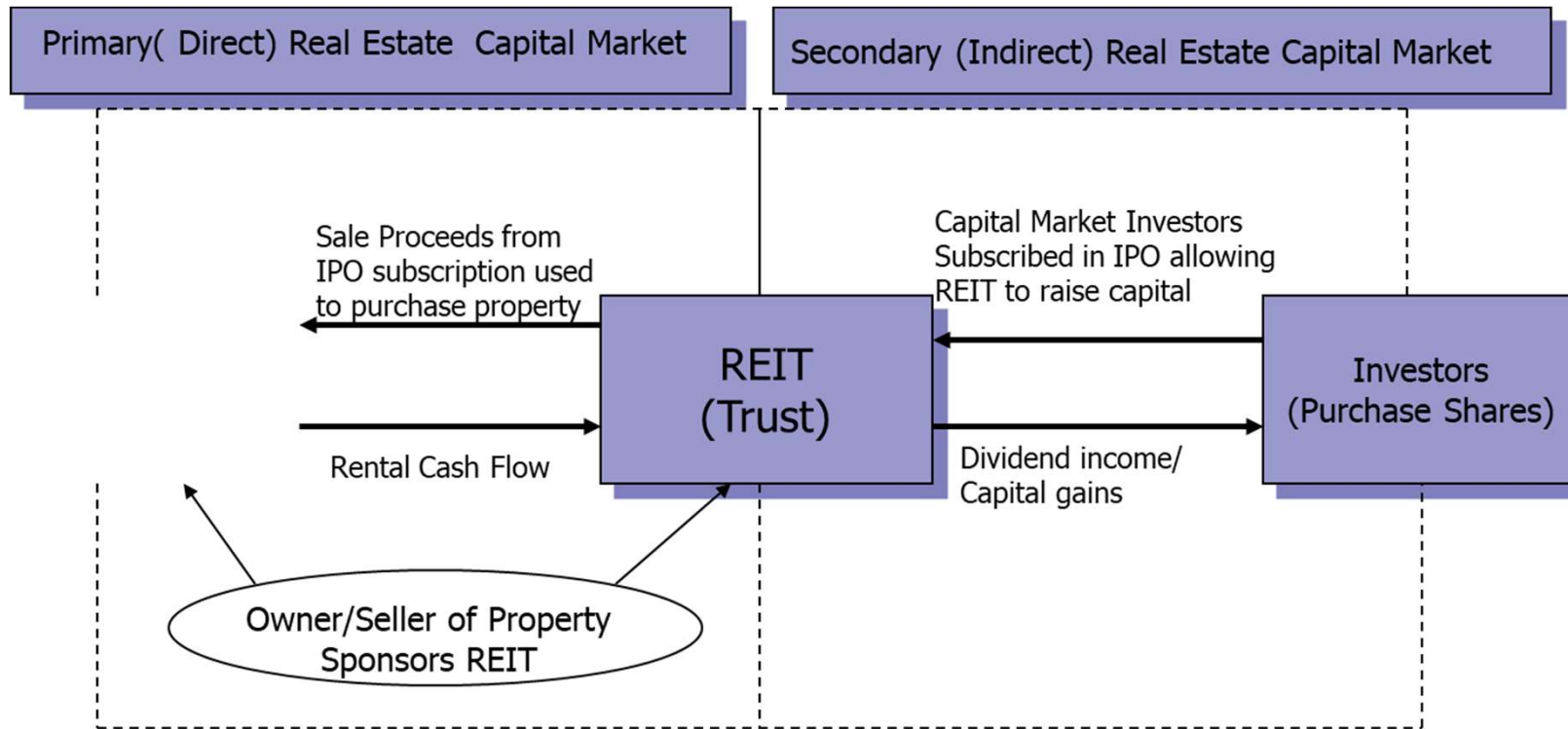
PUBLIC NON-LISTED REITS- PNLRs are registered with the Securities Exchange Commission but do not trade on national stock exchanges.

PRIVATE REITS- Private REITs are offerings that are exempt from SEC registration and whose shares do not trade on national stock exchanges.

Source: Deloitte (2019)

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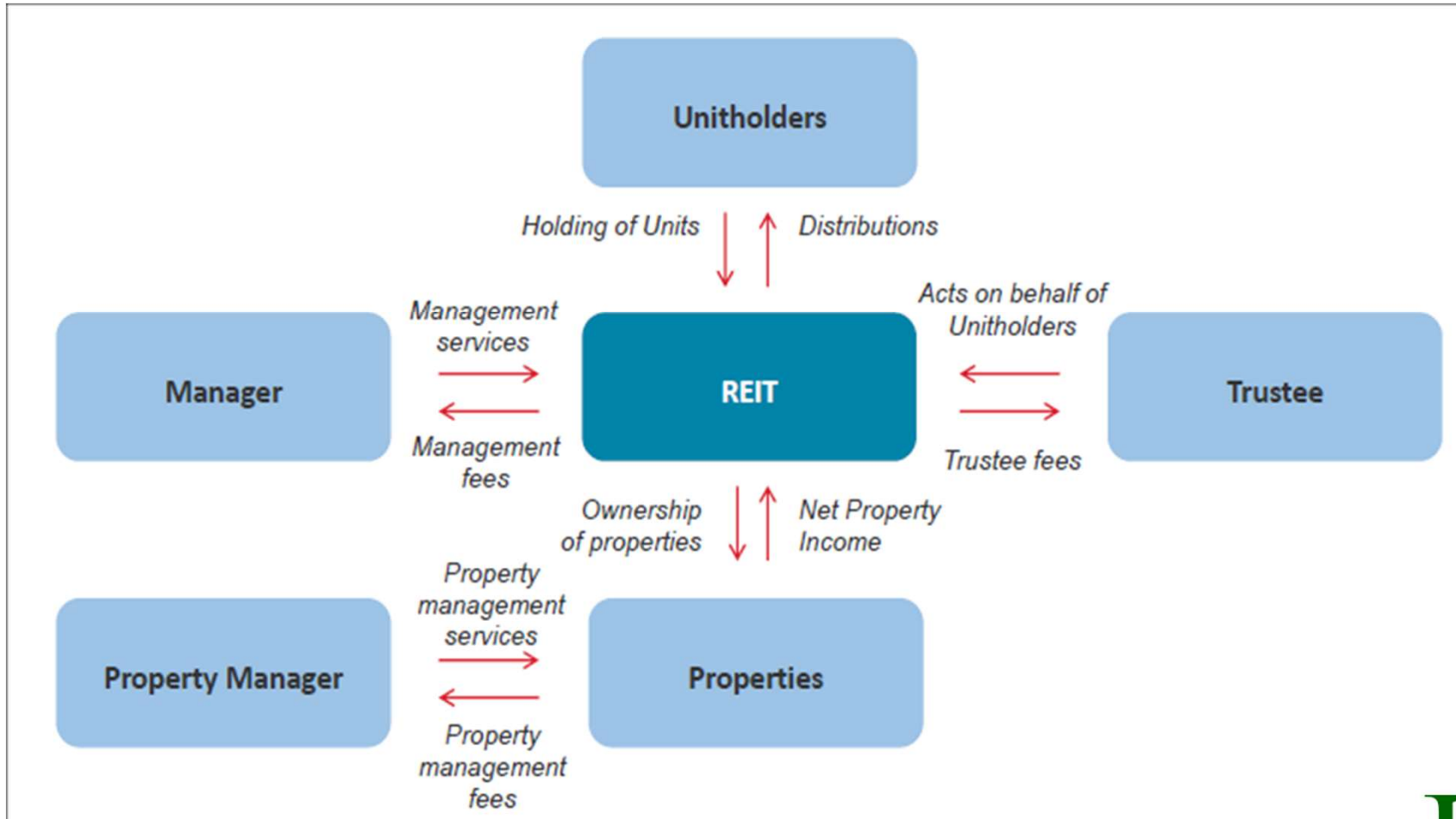
REITS STRUCTURE



□ Source: NAREIT

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REITS STRUCTURE



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FUNDAMENTAL OF REITS

LIQUIDITY: Investors can purchase or sell shares in REITs as easily as they purchase or sell shares in any other publicly traded company.

SHAREHOLDER VALUE: Just like investors in other public companies, REIT shareholders can receive value in the form of both dividend income and share value appreciation.

ACTIVE MANAGEMENT/CORPORATE GOVERNANCE: Publicly traded REITs generally are actively and professionally managed corporations. They adhere to the same corporate governance principles that apply to all major public companies.

DISCLOSURE OBLIGATION: Publicly traded REITs, like other public., are required to make regular financial disclosures to the investment community, including quarterly and yearly audited financial results with concomitant filings with the Securities and Exchange Commission.

NO SHAREHOLDER LIABILITY: As is the case with equity investments in other publicly traded companies, shareholders have no personal liability for the debts of the REITs in which they invest.

LEVERAGE LIMITS: REITS are prescribed Leverage Limits in each country. This is to prevent the high risks associated with high debt ratios.

Source: NAREIT

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REITS STRUCTURE

- ❑ The Trustee: the trustee, as the name suggests, is responsible for the holding of the REIT units for investors. The trustee may also ensure compliance on the REIT on behalf of unitholders, and act in all manners in the interest of unitholders.
- ❑ The REIT manager: the REIT manager is the one or the team that manages the strategic oversight of the REIT and its investment strategies
- ❑ The Property manager: on the other hand, the property manager is in charge of the actual management of the properties, e.g. running marketing campaigns or strategizing to maximise rental income.
- ❑ The Sponsor: They are usually big developers. They may be the ones who initially developed the properties and assets in the REIT. A sponsor, especially a larger one, would typically run and manage several REITs at once with different REIT manager teams.

Source: thestatsguy

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EQUITY REITS SECTORS

Office REITs—own and manage office buildings

Industrial REITs—own and manage warehouses and distribution centers

Retail REITs—own and manage retail stores and shopping centers

Lodging REITs—own and manage hotels and resorts

Residential REITs—own and manage apartments and single-family residences

Infrastructure REITs—own and manage infrastructure assets like cell towers and energy pipelines

Self-storage REITs—own and manage storage facilities

Healthcare REITs—own and manage medical and long-term care facilities

Data Center REITs—own and manage information technology data centers

Timberland REITs—own, manage, and harvest timberland

Diversified REITs—own and manage mixed property types

Specialized REITs—own properties that don't fit into the other categories

Source: moneyfortherestofus

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Timeline of introduction of REITS (GLOBALLY)

1960 – 1970	1971 – 1980	1991 – 2000	2001 – 2010	2011 – 2020
Netherlands New Zealand Taiwan United States of America	Australia	Belgium Canada Japan Singapore Turkey Ghana	Bulgaria Dubai Finland France Germany Nigeria Hong Kong Israel Italy Malaysia Mexico Pakistan Philippines South Korea Spain Thailand United Kingdom	Bahrain Hungary Ireland Kenya Saudi Arabia South Africa Bahrain India Oman Portugal Vietnam

Overview of the African REITs Industry

Country	Management Style	Minimum Investment in Real Estate	Development	Gearing Limit	Minimum Dividend Pay-out	Corporate Income Tax Exemption
Nigeria	Internal	75% ⁹⁶	Allowed	15%	90%	No ⁹⁷
Tanzania	External	50%	Maximum 10% of total assets	None	90%	No
South Africa	Internal / external	75%	Allowed	60%	75%	Yes
Kenya	External	IREIT: 75% DREIT: 35%	Allowed	IREIT: 35% DREIT: 60%	IREIT: 80% DREIT: Optional	Yes
Rwanda	External	100%	Not allowed ⁹⁸	20%	90%	No
Morocco	External	70%	n/a	n/a	n/a	Not yet

Source: CAHF (2017)

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Global Comparison of REIT markets

Global Comparison of REIT Markets				
Listing Country	Number of REITs	NO. EPRA REIT Index	Sector Market Cap (EUR M)	% of Global REIT Index
United States	191	121	Eur 980,842	66.41%
Japan	66	41	Eur 107.970	9.22%
United Kingdom	53	33	Eur 58, 537	5.27%
Australia	45	12	Eur 71,057	3.96%
South Africa	31	8	Eur 8,699	0.47%

Source: EPRA FTSE (2020)

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Case Study 1: Acorn REITs in Kenya

Global Classification	PBSA	Multi-Family / Private Rental Sector (Build-to-Rent BTR)			Senior Living	
Housing Segment						
	Student Housing	Young Professionals	Starter Homes	Family Homes	Empty Nesters	Senior
Age Group	18 - 22	22 - 28	28 - 32	32 - 55	55 - 65	65+
Predominant Occupation	Rent	Rent	Rent	Own/Rent	Own/Rent	Own/Rent

Source: Acorn

Case Study 1: Acorn REITs in Kenya Market Leader in Student Housing in Sub-Saharan Africa



Source: Acorn

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Case Study 1: Acorn REITs in Kenya Market Leader in Student Housing in Sub-Saharan Africa

Our PBSA Portfolio Consists of 9 Operating Assets in Premium Locations with Excellent Performance

High Quality Properties

Covid Resilience Demonstrated

Close to Major Universities

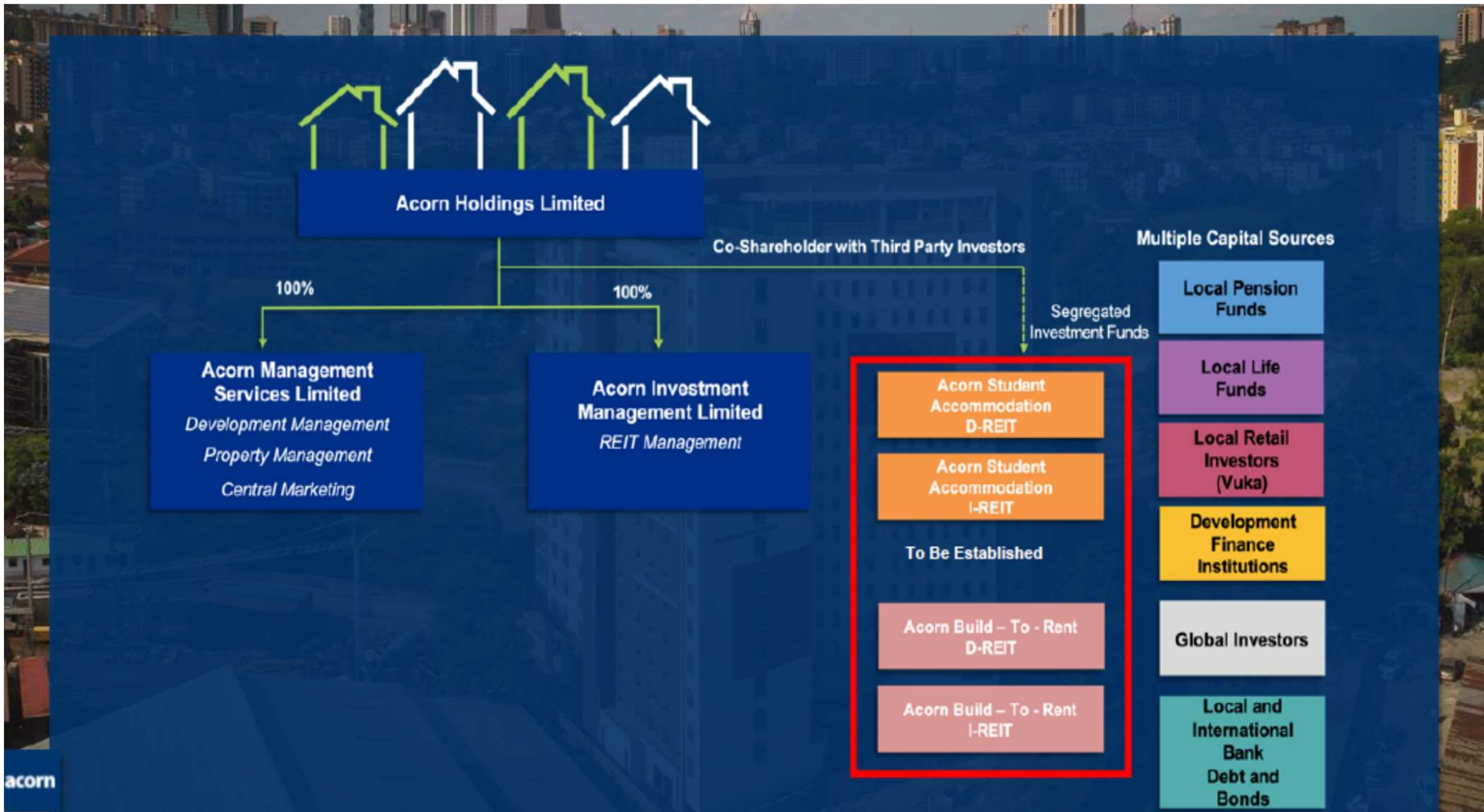
Economies of Scale

Brand Recognition



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Case Study 1: Acorn REITs in Kenya Business Model of Acorn: Aggregate Capital from Multiple Sources



Source: Acorn

Case Study 1: Acorn REITs in Kenya

Business Model of Acorn: Institutional Investor Base

Institutional Investor Base

Control of Value Chain

Integrated Platform

Developer Operator Investment Manager

20y+ Real Estate Track Record

Institutional Investor Base

HELIOS Investment Partners

InfraCo AFRICA

GuarantCo GUARANTEES FOR DEVELOPMENT

CAPITAL MARKETS AUTHORITY

fsdafrica

DFC U.S. International Development Finance Corporation

RBA Retirement Benefits Authority

PID Private Infrastructure Development Group

London Stock Exchange

EMERGING AFRICA INFRASTRUCTURE FUND

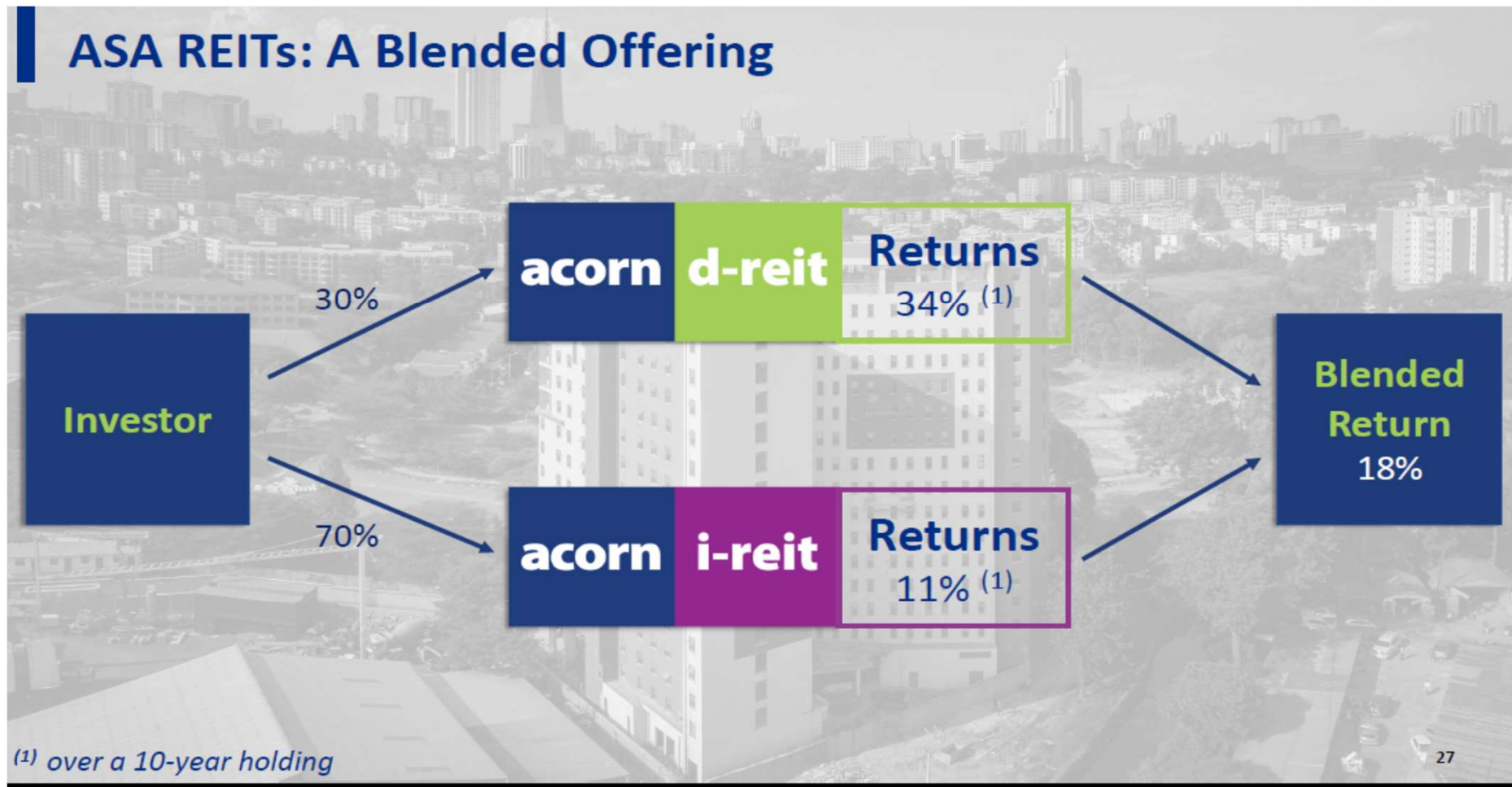
NSE nairobi securities exchange

acorn

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Source: Acorn

Case Study 1: Acorn REITs in Kenya Return on Investment for Investors

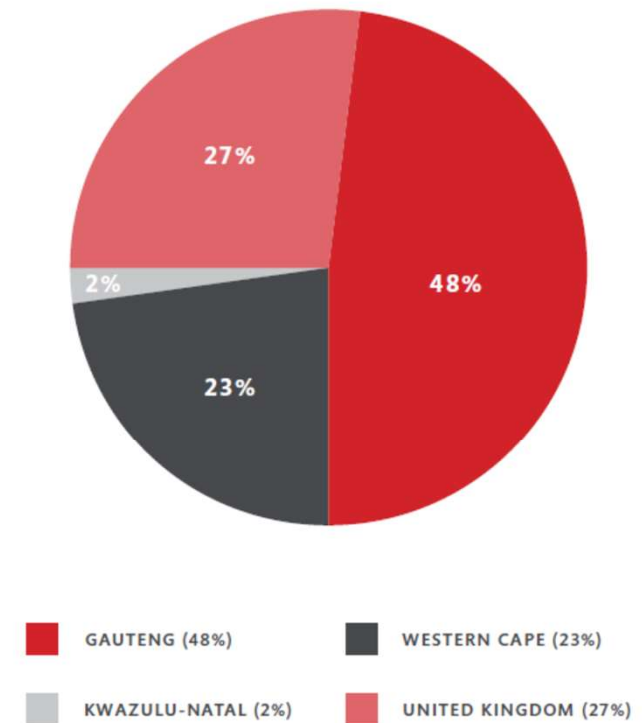


Case Study 2: Equities REITs in South Africa

INTRODUCTION

- ✓ Equities listed on the JSE in 2014 with a R1 billion property portfolio, all located in the Western Cape.
- ✓ Current portfolio is R19.3 billion (2021) with a market cap of R12 billion.
- ✓ Expanded in the UK during June 2016; acquired a UK logistics property let to Tesco in Hinckley.
- ✓ Current UK portfolio of £366 million.
- ✓ Entered a partnership with Newlands Development; potential development pipeline > £800 million over the next five years.

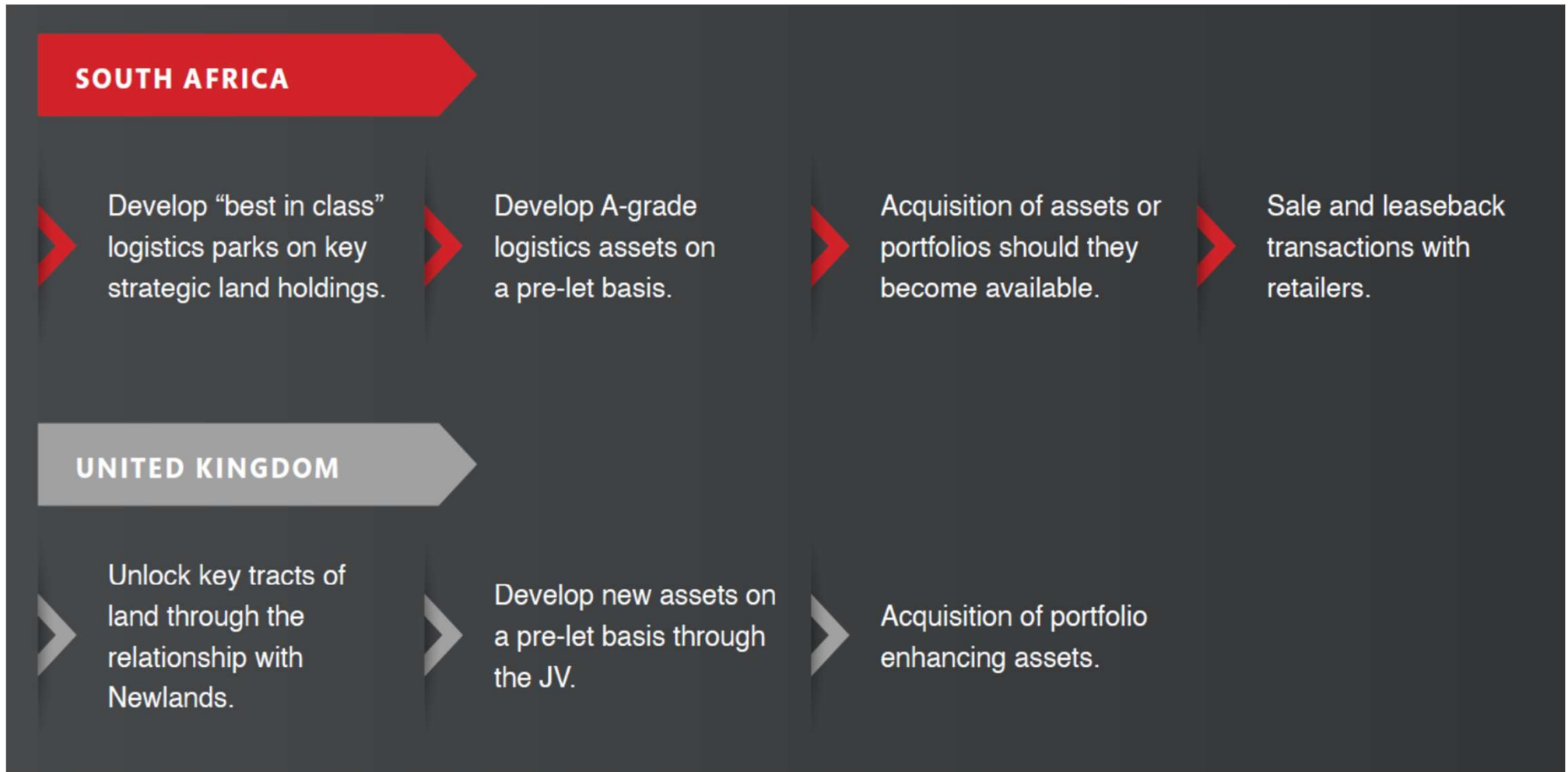
GEOGRAPHICAL PROFILE BY REVENUE



Source: Equities

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Case Study 2: Equities REITs in South Africa



Source: Equities

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Case Study 2: Equities REITs in South Africa

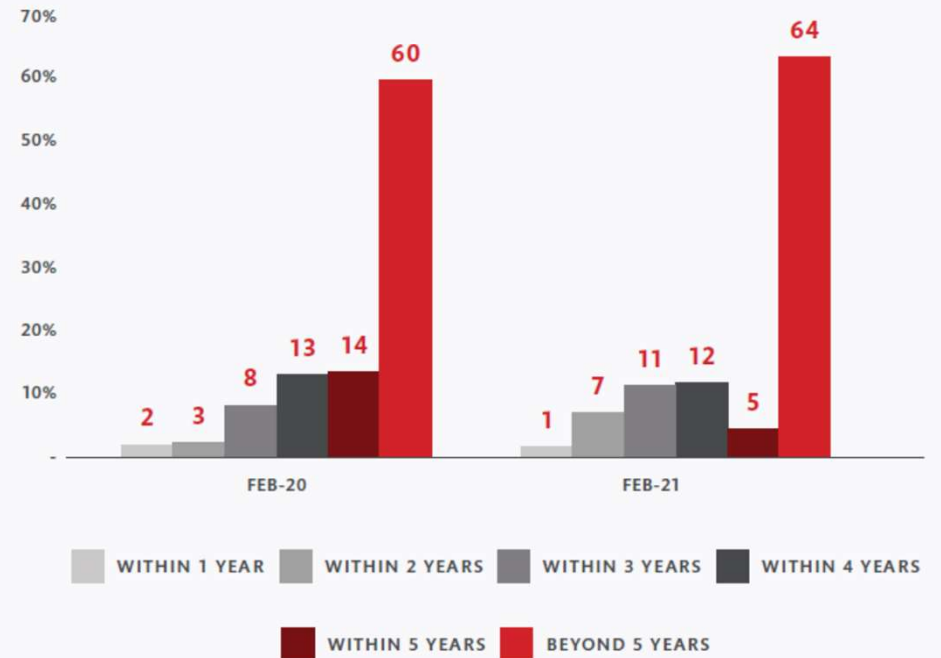
The logo for TESCO, featuring the word "TESCO" in red capital letters with three blue diagonal stripes underneath.The logo for DSV, featuring the letters "DSV" in a bold, dark blue, sans-serif font.The logo for Nestlé, featuring the word "Nestlé" in a blue, sans-serif font with a horizontal line through the middle of the letters.The logo for SHOPRITE & Checkers, featuring the word "SHOPRITE" in white on a red background and "& Checkers" in white on a green background.The logo for DHL, featuring the letters "DHL" in red on a yellow background with three horizontal lines on either side.The logo for Pick n Pay, featuring the words "Pick n Pay" in a blue and pink font.The logo for PUMA, featuring the word "PUMA" in black capital letters with a black silhouette of a puma jumping above it.The logo for Simba, featuring the word "Simba" in a red, stylized font with a yellow crown above it.The logo for Röhlig-Grindrod LOGISTICS, featuring a blue circular icon with a white swirl and the text "Röhlig-Grindrod" in blue and "LOGISTICS" in smaller blue capital letters below it.The logo for RQA, featuring the letters "RQA" in a green, serif font.

Case Study 2: Equities REITs in South Africa

PROPERTY FUNDAMENTALS

- Focus to enhance the quality and longevity of our income stream.
- The lease expiry profile demonstrates that 64% of our leases expire beyond five years.
- Less than 10% of our leases (by income) expire over the next two years (FY22 and FY23), translating into a high degree of income predictability.
- 95% of rental income is derived from A-grade tenants.

LEASE EXPIRY PROFILE (BY REVENUE)



Case Study 2: Equities REITs in South Africa

DEVELOPMENTS

Completed four modern distribution facilities in FY21; Altron, Digistics and Imperial in SA for a total capital value of R635 million and DHL Leeds in the UK with a capital value of £12 million.



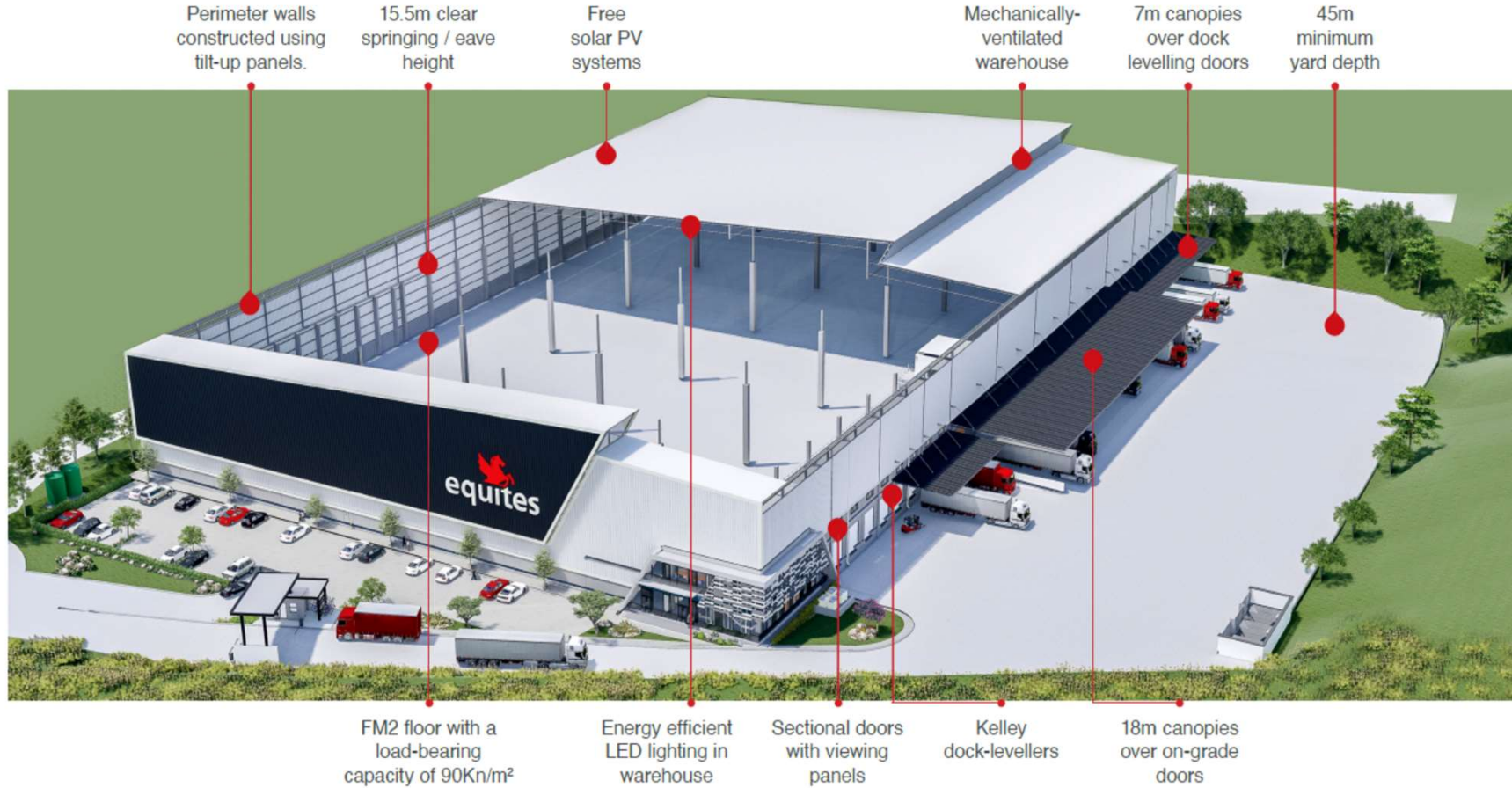
Source: Equities

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Case Study 2: Equities REITs in South Africa

MODERN DISTRIBUTION CENTRE

BASELINE SPECIFICATIONS



Source: Equities

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Conclusion: African REITS

- ❑ There is much more potential for creating property funds/REITs in Africa, specifically “West Africa”- Barely scratching the surface.
- ❑ REITs are attractive income return vehicles for shareholders.
- ❑ Owners get access to capital and liquidity through listing on stock exchange
- ❑ Making regular financial disclosures based on regulations is an essential corporate governance functionality.

REALQUANT ANALYTICS/ WHAT WE DO

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- Partner/Consult on the development/creation of Property Funds/ REITs
- Feasibility reports on Real Estate Investment Decisions
- Property Valuation
- Executive Training

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COMMENTS ARE WELCOME!

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