



REAL ESTATE **INVESTMENT**

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ABOUT US



Investment
Advisory



Wealth
Management



Risk
Management



Private Equity



Private
Banking





Managing Income/expenditure



Contingencies/Reserve

These are items relating to your family's security example rent/mortgage, domestic expenses, insurance, education & other redundancy measures



Operations

These are your regular monthly expenses such as house shopping, fuel, domestic expense and other regular maintenance costs



Growth

These are expenses related to investment for future expenses and personal growth such as higher education, business growth, travel & passive income for retirement.



THE INVESTOR LIFE CYCLE

A

ACCUMMUL
ATE

18 to
45years

C

CONSOLID
ATE

45 to
65years

D

DE
-ACCUMUL
ATE

65 to
80years

T

TRANSFER

80+ years

REAL ESTATE MARKET

Real Estate is one of the worlds largest asset classes, valued at over \$300trn globally, and making up close to 80% of worlds wealth.

Real estate is often the **Primary Source of Wealth** for individuals and the **Biggest** investment many make in their lives.

If you're interested in entering the world of real estate investment, there are SIX types of real estate to consider:

1. Land
2. Office
3. Industrial
4. Housing (multi- or single-family)
5. Hotel
6. Retail

Key Definitions

Real Estate is defined as property consisting of land and the buildings on it, along with its natural resources such as crops, minerals or water; immovable property of this nature; an interest vested in this (also) an item of real property, (more generally) buildings or housing in general.

Land in Kenya comes under these three categories:

1. Public Land
2. Communal/Community Land
3. Privately Owned Land

Key Definitions

Privately Owned Land is either:

1. Freehold Land
2. Lease Hold Land

1. Freehold Land – hold absolute ownership for life. It has no restrictions on use of the land. It is most common in rural areas where land rates are not charged.

2. Lease Hold Land – land that is held for a certain/specific time period subject to payment of land rent/rates to the national/county government. The land reverts back to the lessor once the time period is done. Usually in Kenya, this is 99 years. Most of these lands are in town centers and in major cities.

Calculation of ROI

This is usually based on rental or sale value after investment. It depends on certain variables:

1. Is it a cash buy or a mortgage buy
2. What is the current rental yield
3. Are there any other associated costs? Legal costs, stamp duty, advertising,

Simple Calculation:

A simple house bought at KES 7 Million. Renovation costs- KES 500,000. Sale price is KES 9 Million

$$9000000 - 7500000 = 1500000$$

$$1500000 / 7500000 = 0.2\% \text{ or } 20\%$$

Global Trends

Global ROI in terms of prime yield:

Country	Yield
South Africa	9.06%
Dubai	5-6%
United Kingdom	6.21%
Australia	5.23%
United States	6.12%
Switzerland	2.94%

Mortgages in Kenya

- The interest rates in Kenya are relatively high. For the below example, the person ends up paying KES 18Million in a mortgage for 20 years and the house value was KES 8,000,000. KES 10 Million is in interest.

ENTER VALUES

<i>Loan amount</i>	KES 8,000,000.00
<i>Annual interest rate</i>	9.90%
<i>Loan period in years</i>	20
<i>Number of payments per year</i>	12
<i>Start date of loan</i>	4/17/2023
<i>Optional extra payments</i>	

LOAN SUMMARY

<i>Scheduled payment</i>	KES 76,672.45
<i>Scheduled number of payments</i>	240
<i>Actual number of payments</i>	240
<i>Total early payments</i>	\$0.00
<i>Total interest</i>	KES 10,401,386.97
LENDER NAME	Woodgrove Bank

Trends in the Global Market

1. Student Housing
 2. Flip/ Upgrade and Sell
 3. Buy and Hold
- The biggest/largest contributor of growth in Europe is Purpose Built Student Accommodation.
 - While in United Kingdom, the market growth for prime residential property is approximately 6%, the purpose built student accommodation sector is growing at 8%. In Seville, this is at 6% while the rest of Spain is at 5%.
 - Real Estate for rental income in growing cities, like Dubai, are growing, especially apartment hotels, where the prime yield is 7%, while in the rest of the UAE is 5.6%

Trends in the Kenyan Market

1. Student Housing
2. Affordable Housing
3. Reits
4. Rent to Own

Key Facts:

1. Nairobi County has upgraded its Land registration numbers. The new registration system moves from LR/LN numbers into Block Numbers
2. Occupancy rate is at 75.9%
3. Increment of rent by 3.77%
4. Rental Yield in Kenya is 5-6%

Trends in the Kenyan Market

1. Student Housing

The biggest champion is Qwetu Housing – funded by Acorn Holdings Ltd. The yield in this market is 8%.

The student housing market covers a major gap in the market, according to KNBS, we need 60,000 units to cover the deficit in Kenya.

2. Affordable Housing

This means providing adequate housing for a household earning a combined income of KES 150,000. The property cost is capped at 8million. The interest rate is fixed for tenor of the loan. Most partners are charging 8-10% on the mortgage for up to 20 years.

Trends in the Kenyan Market

Affordable Housing – Government Projects:

Name	Location	Number of Units
Kibera Soweto B	Kibera	3,000
Mowlem	Embakasi West	4,900
Makesembo Estate	Kisumu	2,000
Mukuru Housing	Nairobi	13,000
Clay City	Nairobi	5,280
Buxton Point	Mombasa	2,150
Bachelors Jeevanjee	Nairobi	1,800
Pangani Housing	Nairobi	1,562
Bondeni Housing	Nakuru	605
Stoni Athi	Athi River	10,500

Trends in the Kenyan Market

3. Reits

REITS can be defined as a is a company that owns, operates, or finances income-generating real estate. In turn, an investor buys shares and they are allocated units in which they earn dividends and capital gain.

Think of it as a Money market fund but the funds are being pooled specifically to develop real estate. In Kenya, we have two types of Reits:

- Development Reits
- Income Reits

Trends in the Kenyan Market

3. Reits

- ❑ **Development Reits** are reits specifically designed to buy, develop and construct projects. They usually are aimed at selling the units and sharing capital gains with the shareholders. Acorn is the only one in this market right now.
- ❑ **Income reits** are funds pooled together to invest in long term real estate assets, usually completed real estate projects. The investors earn a dividend based on the performance of the properties in the portfolio.
- ❑ These are the most common in Kenya. We have Acorn I-Reit, Ilam- Fahari reit and Laptrust Imara I- Reit.

Who is involved?

- ❑ A reit typically is has the follow key offices:
- ❑ Unit Holder/Investor
- ❑ Trustee
- ❑ Asset Manager
- ❑ Property Manager
- ❑ Promoter

Trends in the Kenyan Market

How to Buy Reits

- ❑ Reits are traded on the Nairobi Stock Exchange as well as private placement.
- ❑ For most development reits, the companies use the private placement method, using the transaction advisors to attract investors into the project.
- ❑ Acorn Reits are traded on their platform and they do the placement for you. It is a mixed purpose Reit, and is KES 20.89 per unit,
- ❑ For the reits traded in the NSE such as Ilam- Fahari reit and Laptrust Imara I- Reit, then your stock broker should be able to place the order for you. Laptrust has a minimum amount of KES 5,000,000 to get in. Ilam Fahari is trading at KES 6.28 per share/unit.

Trends in the Kenyan Market

4. Rent to Own

This is an arrangement where by the buyer has the right to buy a home at the end of a pre-determined rental period, at a price agreed before signing the agreement. This time period is agreed upon.

The purchaser/ Buyer will pay a down payment or deposit towards the purchase, usually 10% and then pay for the house while they live in it.

The other arrangement is the buyer pays a down payment for the property, then pay another 40% during the construction, and then the other 50% is paid within the agreed upon time.

Tenant Purchase agreements are the most common in the market, from National Housing Corporation and NSSF

Trends in the Kenyan Market

4. Rent to Own

Here is an example from a local developer:

- The total value of a 3 bedroom apartment is currently KSh 8,500,000 with a 4 year payment plan.

- Deposit -> 10% (KSh 850,000)

First Monthly Installments -> 47% during the first 2 years.

Second Monthly Installments -> 43% after the first 2 years.

- The rent to own aspect of this payment plan comes in after the two year construction period. Once either you or the tenant may occupy the apartment you can then begin making monthly payments (rent) towards owning the apartment.

STRATEGY AND ACCESS

- Location! Location! Location!
- Strategy:
 - Start where you are at a lower cost
 - Start with assets generating an income which can fund future acquisitions
 - Save up or build up as much capital to lower cost of acquisition
 - Use Professional firms to ensure your investment is secure and aligned to your cash flows and return expectations.

STRATEGY AND ACCESS

- Direct Investment Access
 - Air bnb
 - Residential
 - Commercial
 - Land banking - JV

- Indirect Investment Access
 - D – Reits
 - I – Reits

Checklist for the Wise

- ❑ We will deal with buying Land and Buying a development property.
- ❑ Each property has a unique blue print that needs to be followed to ensure you are not conned.
- ❑ KEY 1: Get a great **Conveyancing** lawyer. This lawyer must be well versed with the land laws in Kenya. They should have great connections in the Ministry of Lands and in the local county council.
- ❑ Land search is a **MUST**, even when it is a development block of apartments, ask for the MASTER TITLE.

Before Buying Land

- Identify the piece of land. Usually the locals will know who is selling land where. Where possible, work with a local land agent.
- Ensure that the seller has consent to sell the land
- Identify the purpose of the land, what is the zoning of the land, is it commercial, agricultural, residential or for mixed purposes?
- Is the title freehold or lease hold? If leasehold, how long is the lease? And are the rates payments up to date?
- The seller should have all this information

Before Buying Land

- Once you have identified the land, do a Land Search and so that you cover your bases, do it at the local county offices and the ministry of lands.
- This will also entail getting the surveyor maps of the property you are buying. This will show you the land demarcations, any rivers flowing through it and any other pertinent information you may need to know about that piece of land.
- If all is well up until now then, let the lawyers draw up the sales agreement. This document should contain the LR/LN number or block number, the amount agreed upon and the payment schedule as well as title deed transfer timelines.

Before Buying Land

- Once you have agreed on the terms of the sale, then we move the sale to the Land Board clearance. The Land board usually meets once a month and the sitting cost is about KES 1,000.
- The main purpose of this step is ensuring that the Land transaction and transfer is transparent and there is no illegality involved
- Once you get the clearance from the Land Board then you can go ahead and fill in the valuation forms from the land office.
- The land valuation is for the purpose of stamp duty. It also defines the capital gain tax the seller will incur.

Before Buying Land

- Once you have the value of the land, then you will pay according to the sales agreement and conclude the transaction.
- However, the transfer of the title must happen, the seller needs to provide
 - The Land Control Board Consent Form
 - KRA pin
 - 2 Passport size photos
 - The old Title Deed
 - Sale agreement

The land office will then issue a new title in the buyer's name.

Before Buying An Apartment

- ❑ Identify the seller or developer for the apartment.
- ❑ Ensure that the seller has consent to trade.
- ❑ Identify the apartment you want and ask for an offer letter.
- ❑ The offer letter should include the Land registration number, the details of the apartment, including size, location, floor, and amenities attached to it and the payment terms.
- ❑ Forward the same to your lawyer for verification.
- ❑ After signing the offer letter and paying the deposit, then ensure you get the sales agreement.

Before Buying An Apartment

- ❑ The sales agreement should have a deadline and payment schedule especially if the property is off-plan.
- ❑ Once the seller meets the targets, then you will be paying them, an agreed sum of money. Look out for clauses on interest surcharges
- ❑ Make sure you ask for all hidden charges before you commit

Charges:

- ❑ Stamp Duty
- ❑ Valuation Charges
- ❑ Service Charges
- ❑ Installation Charges – for electricity and water
- ❑ Legal fees

Before Buying An Apartment

- Once you agree on the sales agreement, then you will pay accordingly and you should be able to get a sublease to the property. This will be your title deed for your apartment.
- Generally you will get a leasehold title for an apartment. However, if it is a house on perhaps, on an 1/8 th of an acre, you may get a title deed since the original land may have been a freehold title.

How Do You Make Money

1. Determine what you want to do in the long run. Real estate is a long game. Where do you want to start and how do you want to grow it? Reits are a great start strategy as well as AirBnbs as a starting point.
2. Real Estate is capital intensive and therefore you need to count the cost before the start. Consider the cost of land acquisition, development and putting up in the market.
3. Always start with the population dense areas and then aim for the prime areas.
4. Properties in distress are a great buy especially in population dense areas. It is okay to buy property in auction. I give you permission.
5. Have a great product mix. Have properties in Baba Ndogo all the way to major towns such as Mombasa. The diversification will cushion you.

Tips in the real estate market

- ❑ I have been on both sides of the transactions as a developer and as a buyer.
- ❑ **My survival tips:**
- ❑ Have a professional valuation done before you commit, especially if you are doing it for investment purposes.
- ❑ Have a personal strategy of the why. If you are buying a family home, then a play area is important.
- ❑ Determine your budget and stick to it.
- ❑ When you can, buy land more than the house on it.

Tips continued:

- ❑ Consider the land cost and the building costs plus margins. Again margins contribute to it, in Africa, our margins are higher than in Europe and USA because the industry is highly regulated and the subsidies and tax cuts are incredible.
- ❑ Italy has subsidies when you buy old homes and renovate them, Germany has large rebates when you use green technology. Kenya and Africa is largely growing slowly and the tax cost in Kenya is high.
- ❑ Consider countries outside your jurisdiction and invest. Own a piece of student housing in Manchester, an Airbnb in Spain, a hotel apartment in Dubai. Keep it fresh.
- ❑ Be patient, Be patient, Be patient. Real Estate is a patient market.

Building In Kenya

- ❑ The building cost is KES 25,000 to KES 60,000 per square meter
- ❑ The cost is backed on mostly finishing of the house.
- ❑ The foundation depends on location. If it is clay soil, the needs are different from the loam soil.
- ❑ The cost of land must be factored in.
- ❑ **Location and Prices:**
- ❑ Karen, an acre is KES 60 Million
- ❑ An acre in Syokimau is between KES 23-26million
- ❑ An acre in Ndeiya – KES 3.5 Million to 6Million
- ❑ An acre in Kilifi – KES 1 million to KES 24million for beach front.
- ❑ An acre in Kisumu – KES 6Million to KES 13Million
- ❑ An acre in Tigoni- KES 25Million
- ❑ 10 Acres in Mai Mahui – KES 20Million

Building In Kenya


International Prices and Location:


- ❑ Dubai – AED 690,000 to AED 15,000,000 or KES 25.5Million to KES 554,000,000. Exclusive properties go above USD 1,000,000
- ❑ Singapore - \$ 620,000 - \$ 10,000,000 – KES 62,000,000 to \$7.5Million
- ❑ California - \$ 295,000 – \$ 100,000,000
- ❑ New York - \$ 295,000 - \$ 6,000,000

Key resources

1. Kenya Mortgage Refinance Company – all you need to know about affordable housing is here.
2. National Housing Finance and NSSF – tenant purchase agreements and rent to own agreements. These two are front and center in pushing the government agenda

Thank you!

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