

Below is a summary of the ILAM Fahari I-REIT's FY'2023 Performance;

<i>(Figures in Kshs bn Unless Stated Otherwise)</i>			
Balance Sheet	FY'2022	FY'2023	Δ (FY'22/ FY'23)
Total Assets	3.6	3.5	(4.0%)
Total Equity	3.4	3.3	(3.4%)
Total Liabilities	0.1	0.2	(14.8%)

<i>(Figures in Kshs bn Unless Stated Otherwise)</i>			
Income Statement	FY'2022	FY'2023	Δ (FY'22/ FY'23)
Rental Income	0.4	0.3	(9.0%)
Income from Other Sources	0.0	0.0	68.1%
Operating Expenses	0.2	0.2	(7.2%)
Profit Before Tax	(0.0)	(0.0)	(99.0%)
Basic EPS	(0.0)	(0.0)	(99.0%)

Ratios Summary	FY'2022	FY'2023	Δ (FY'22/ FY'23)
ROA	(0.8%)	(0.0%)	0.8%
ROE	(0.8%)	(0.0%)	0.8%
Debt Ratio	5.3%	4.7%	(0.6%)
PBT Margin	(8.4%)	(0.1%)	8.3%
Rental Yield	12.1%	11.6%	(0.5%)

Key Highlights in FY'2023:

- A first and final dividend of Kshs 70 cents per unit was recommended by the REIT manager ILAM and approved by the Trustee with respect to the 2023 fiscal year, to be paid by 30th April 2024,
- Unitholders of ILAM Fahari I-REIT [approved](#) the proposed operational restructuring and delisting of the REIT from the Main Investment Market Segment of the Nairobi Securities Exchange (NSE). The decision follows an Extraordinary General Meeting (EGM) held last week on Friday 24th that resulted in the approval of all the resolutions endorsed by the REIT manager and agreed by the Trustee. For more information, please see our [Cytonn Monthly – November 2023](#),
- LAPTrust Imara I-REIT traded for the first time on 25th October 2023 since its listing, with a total of 30.0 mn shares traded in two deals valued at Kshs 600.0 mn, with the share price remaining unchanged from its listing price of Kshs 20.00. For more information, please see our [Cytonn Weekly #43/2023](#),
- Trading of ILAM Fahari I-REIT units resumed trading on the Nairobi Securities Exchange after a two-week trading suspension from Friday 6th October 2023. The suspension was to allow for the redemption of 36.6 mn units from Non-Professional investors in order to facilitate the conversion of the I-REIT into a restricted REIT from an un-restricted REIT. For more information, please see our [Cytonn Weekly #43/2023](#),
- ILAM Fahari I-REIT released results for the redemption offer of 36.6 mn units from Non-Professional investors following the conclusion and subsequent lapsing of the conversion offer period by ICEA Lion Asset Managers (ILAM) on Friday 6th October. The redemption offer was oversubscribed by 113.4%, receiving applications for the redemption of 41.4 mn units from Non-Professional investors at an offer price of Kshs 11.0. For more information, please see our [Cytonn Weekly #42/2023](#),

- The trading of ICEA Lion Asset Management (ILAM) Fahari I-REIT units was suspended, with effect from Friday 6th October upon the conclusion and subsequent lapsing of the conversion offer period by ICEA Lion Asset Managers. For more information, please see our [Cytonn Weekly #41/2023](#),
- The Capital Markets Authority (CMA) gave its approval for the conversion of ILAM Fahari Income Real Estate Investment Trust (REIT) from the Unrestricted Main Market segment of the Nairobi Securities Exchange (NSE) into the Restricted Market Segment through a Conversion Offering Memorandum. For more information, see our [Cytonn Monthly- August 2023](#),
- Local Authorities Pension Trust (LAPTRUST), the oldest pension scheme in Kenya, listed the LAPTRUST Imara I-REIT on the Nairobi Securities Exchange (NSE) at a bell-ringing ceremony officiated by President William Ruto. For more information see our [Cytonn Weekly #12/2023](#), and,
- The Capital Markets Authority (CMA) in collaboration with the Sanduku Investment Initiative, the Association of Pension Trustees and Administrators of Kenya (APTAK) and the Nairobi Securities Exchange (NSE) announced ongoing plans to create a Kenya National REIT (KNR) as an accreditation body for REITs and their stakeholders within the Kenyan REITs market. For more information, see our [Cytonn Weekly #06/2023](#).

Income Statement:

- The basic earnings per unit improved to come in at a loss of Kshs 0.002 in FY'2023, from a loss of Kshs 0.2 in FY'2022. The performance was supported by a 99.0% improvement in ILAM Fahari's net loss which came in at a loss of Kshs 0.3 mn in FY'2023, from a loss of Kshs 28.4 mn recorded in FY'2022. This was mainly driven by a 12.5% reduction in fair value loss of investment property to a loss of Kshs 149.0 mn in FY'2023, from a loss of Kshs 170.3 mn realized in FY'2022. Additionally, operating expenses declined by 7.2% to Kshs 225.9 mn in FY'2023, from Kshs 243.4% recorded in FY'2022. Moreover, income from other sources also increased by 68.1% to Kshs 52.1 mn in FY'2023, from Kshs 31.0 mn in FY'2022,
- Rental income declined by 9.0% to Kshs 322.4 mn in FY'2023, from Kshs 354.3 mn recorded in FY'2022, largely attributed to the termination of the lease agreement for the single-tenanted property at 67 Gitanga Place. We note that efforts are underway by the REIT Manager to secure a new tenant for the property,
- Interest income increased by 25.0% to Kshs 38.8 mn in FY'2023, from Kshs 31.0 mn realized in a similar period in 2022, owing to the high interest rates being experienced in the market currently,
- The total operating expenses decreased by 7.2% to Kshs 225.8 mn in FY'2023, from Kshs 243.4 mn recorded in FY'2022, driven by a 26.0% decrease in property expenses to Kshs 97.2 mn in FY'2023, from Kshs 131.3 mn in FY'2022. This was attributable to lower repairs and maintenance costs as well as reduced provision for doubtful debts. However, there was a 14.8% increase in the fund operating expenses to Kshs 128.6 mn in FY'2023, from Kshs 112.1 mn in FY'2022. The increase in expenses was mainly on the back of the restructuring costs incurred during the year under review. Key to note, expenses made up 61.2% of the total operating income,
- Total earnings available for distribution for the period FY'2023 increased by 4.8% to Kshs 148.8 mn, from the Kshs 142.0 mn recorded in FY'2022, primarily driven by improvements in fair value loss of investment property, which decreased to a loss of Kshs 149.0 mn in FY'2023, from a loss of Kshs 170.3 mn realized in FY'2022. Additionally, the REIT's profit after tax for the period improved by 99.0% to Kshs a loss of 0.3 mn in FY'2023 from a loss of Kshs 28.4 mn recorded in FY'2022
- Distributable earnings per unit came in at Kshs 0.82 in FY'2023, a 4.8% increase from Kshs 0.78 recorded during a similar period in 2022 as the improvement realized in the reduction of operational expenses was offset by a decline in rental income,

- The REIT Trustee approved the REIT manager's recommendation to pay out a first and final dividend of Kshs 126.7 mn relation to the financial year FY'2023, against Kshs 148.8 mn of earnings available for distribution representing a dividend payout ratio of 85.2%, and,
- The dividend yield as at the last trading date, that is 9th February 2024 stood at 12.3%.

Balance Sheet:

- Total assets reduced by 4.0% to Kshs 3.5 bn in FY'2023, from Kshs 3.6 bn in FY'2022. This was attributable to; i) a 38.4% decline in investment securities to Kshs 176.8 mn in FY'2023, from Kshs 287.1 mn recorded in FY'2022, ii) a 20.2% decrease in assets held for sale to Kshs 160.0 mn in FY'2023, from Kshs 200.4 mn in FY'2022, and, iii) a 4.8% reduction in investment property to Kshs 2.8 bn in FY'2023 from 2.9 bn in FY'2022,
- Total liabilities decreased by 14.8% to Kshs 163.0 mn in FY'2023, from Kshs 191.2 mn in FY'2022 attributable to a 14.8% decrease in the trade and other payables to Kshs 163.0 mn, from Kshs 191.2 in FY'2022. The REIT remained without non-current liabilities as at FY'2023,
- The shareholder's funds declined by 3.4% to Kshs 3.3 bn in FY'2023, from Kshs 3.4 bn in FY'2022, following a revaluation reserve correction of Kshs 319.4 mn, which realized a 24.8% increase from Kshs 255.8 mn revaluation recorded in FY'2022, and,
- The REIT currently has a Return on Assets of (0.01%) and a Return on Equity of (0.01%).

Going forward,

- We anticipate the I-REIT's performance shall improve and stabilize following its restructuring and subsequent delisting effective 12th February 2024 by the fund manager ICEA Lion Asset Manager. This we expect will make room for financial planning and ensure that the business remains afloat. Additionally, despite experiencing a decline in rental income in FY'2023, efforts are underway by the REIT Manager to mitigate this through strategic leasing initiatives aimed at securing replacement tenants for vacant properties. We also expect the REIT to continue optimizing its cost structure to enhance profitability, as evidenced by the decrease in total operating expenses in FY'2023. However, we expect the recent delisting of ILAM Fahari I-REIT and its planned move to the Unquoted Securities (USP) Platform to introduce changes in investor sentiment and liquidity dynamics.