

Fusion Capital to launch East Africa's first D-REIT after getting CMA nod

March 2, 2016...Investors at the Nairobi Securities Exchange will soon have a chance to invest in the region's first Development Real Estate Investment Trust Schemes (D-REIT).

This follows an approval by the Capital Markets Authority issued to Fusion Capital Limited, a private equity firm and real estate developer, to launch two schemes: a commercial and a residential D-REIT.

A D-REIT is a development and construction real estate investment trust involved in the development of housing, commercial or other real estate related development and construction projects. A REIT works like a unit trust, only that the capital raised must be invested in real estate only and not any other asset class. Besides allowing investors to put their money in a wide array of properties, without having to raise huge amounts of capital required to own the same, it also gives them access to professional decision-making and management.

Commending the regulator for the speedy approval, Fusion Capital Limited Chief Executive Luke Kinoti said: "As a business, our key objective is to offer new opportunities for growth to our investors as well as provide an investment vessel that is well cushioned from risk."

"As in investment instrument, a D-REIT maintains a stable return on investment that is not structured to ensure a sustainable income. We will now move fast to ensure the D-REIT is available to investors through an initial public offering (IPO) and subsequent listing on the NSE."

The approval, which is the first D-REIT scheme on the NSE is expected to facilitate the issue and eventual listing of new units of a commercial D-REIT of a minimum of Kshs1.15 billion and a maximum of Kshs2.3 billion. The cash raised from the D-REIT issue will be invested in ongoing projects that Fusion has earmarked.

Also in the Fusion Capital pipeline is a residential D-REIT which will raise a minimum of Kshs2.58 billion and a maximum of Kshs5.16 billion.

By listing on the NSE, the future value of the D-REIT will be subject to market forces through secondary trading. Another advantage of listing is that the D-REIT remains a liquid investment, meaning investors can enter and exit as they wish, thus aiding in price discovery.

The move by Fusion Capital Limited comes at a time when property as an asset class in Kenya is receiving a lot of attention with sustained talk of a boom. According to the latest Economic Survey, growth in real estate and property sector is set to continue, driven by demand for new office space and urban housing. The survey notes that high demand for fixed assets, largely property, was a major contributor to a 5.3 per cent expansion in the Kenyan economy in 2014.



Rooted in the African growth story

Demand for high quality commercial and residential property continues to grow in tandem with the country's sustained strong economic growth and rising wealth. The growth in the real estate sector has further been bolstered by the devolved system which has created investment and development opportunities in the counties.

Both the residential and commercial D-REIT will be restricted offers; open to professional investors only. Professional investors are subject to a minimum investment threshold of Kshs5 million.

FOR MORE INFORMATION

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