

New warehouses key to Kenya's trade hub ambitions

By Brian Ngugi
bngugi@standardmedia.co.ke

Kenya's ambition to become a regional logistics hub is getting a boost from novel financial instruments. This includes a new publicly traded fund for industrial real estate.

Africa Logistics Properties (ALP) recently received regulatory approval to list East Africa's first industrial Real Estate Investment Trust (Reit) on the Nairobi Securities Exchange.

The fund says it will invest in "modern, institutional-grade warehouses designed to improve supply chain efficiency."

Brian Ngugi caught up with ALP CEO Raghav Gandhi to discuss the rationale behind the REIT, its "green" credentials, and how it balances investor returns with the long-term development needs of the sector. Excerpts below:

How does the development of modern, institutional-grade warehousing directly address key supply chain bottlenecks in Kenya?

Institutional-grade warehousing is more than an upgrade to Kenya's traditional godowns; it is a critical enabler of efficient trade and industrial growth.

By addressing the fragmentation, obsolescence, and poor corridor integration of existing stock, modern facilities materially improve supply-chain efficiency and reliability.

Designed with higher clear heights, appropriate floor loading, modern rack-

ing systems, and efficient yard layouts, institutional warehouses reduce handling costs, inventory losses, and dwell times, particularly along strategic corridors linking the Port of Mombasa, Nairobi, and the East African hinterland.

Importantly, institutional warehousing enhances scalability and resilience. Professionally managed, standardised facilities allow manufacturers, distributors, and e-commerce operators to expand rapidly without heavy upfront capital expenditure, positioning Kenya as a competitive regional distribution hub for East and Central Africa.

Modern, green-certified warehousing sends a strong signal to foreign investors. Global manufacturers, logistics firms, and private equity investors typically require institutional-grade infrastructure, long-term leases, and professional asset management before committing capital.

The availability of such assets reduces execution risk, aligns with ESG and governance standards, and enhances Kenya's attractiveness as a destination for foreign direct investment.

Beyond just storage space, how does an "efficient" industrial facility act as a multiplier for businesses' operational efficiency, and what specific features deliver the most value to occupiers?

An efficient, international-standard industrial facility acts as a productivity multiplier across the supply chain, directly influencing operating costs, throughput, reliability, and scalability. Its value extends well beyond storage, enhancing firm-level competitiveness.



ALP CEO Raghav Gandhi

From a cost and productivity perspective, international-standard design features, such as higher clear heights, optimal column spacing, heavy-duty floor loading, and modern racking, enable vertical storage and higher inventory density. This shifts warehouse economics from a per-square-foot basis to a volumetric, per-pallet metric.

When full vertical capacity is utilised, storage costs per pallet can decline by over 60 per cent, while labour productivity improves through faster picking and reduced handling movements.

Yard design and access infrastructure further enhance throughput efficiency. Wide yards, multiple dock-level doors, and efficient truck circulation reduce queuing and vehicle dwell times, improving turnaround rates and lowering transport costs.

For occupiers, these efficiencies can reduce standing costs by at least 20 per cent, driven by lower labour intensity.

Beyond cost efficiency, international-standard facilities significantly reduce operational risk.

Reliable power supply, compliant fire and safety systems, effective drainage, and resilient building specifications lower the probability of disruptions, inventory loss, and insurance claims.

The ALP Reit is set to be the first USD-de-

nominated listing on the NSE and East Africa's first industrial Reit. What does this signal about the maturity of Kenya's real estate capital markets?

ALP Reit signals that Kenya's capital markets are maturing and becoming sophisticated, accommodating structures that can unlock hard-currency-denominated issuances while expanding the range of alternative assets.

The creation of a regulated, publicly traded investment vehicle reflects growing investor confidence, stronger regulatory frameworks, and the market's ability to support innovative financial structures. Reits are crucial for unlocking long-term growth capital in the widely illiquid real estate sector.

By providing a transparent, regulated platform, they allow both local and international investors to participate in real estate with lower barriers to entry, diversified risk, and predictable income streams.

In the case of the ALP Reit, this structure opens access to an emerging asset class, that is, industrial real estate, which is still in its infancy but has growth potential, allowing investors at launch to participate in the same upside prospects.

Admission to the NSE's Sustainable Finance Centre of Excellence indicates

a "green" focus. How do sustainable design features in warehouses, like those achieving IFC EDGE certification?

This highlights the growing emphasis on ESG principles in Kenya's capital markets. Sustainable design features in warehouses, focusing on embodied energy, water efficiency, and energy savings, may initially involve higher upfront costs, but they evolve into long-term competitive advantages for both developers and tenants. For tenants, green warehouses reduce operating costs through lower energy and water consumption and provide safer, healthier working environments, enhancing productivity.

For developers, green-certified buildings attract premium tenants seeking long-term leases, lowering turnover risk and making the property more resilient and marketable over its lifecycle.

Beyond economics, these features strengthen ESG commitments, helping companies meet investor expectations and enhance their brand. In the case of the ALP Reit, its underlying assets have achieved IFC EDGE Advanced certification, delivering 40 per cent energy savings, 50 per cent water savings, and a 50 per cent reduction in energy. These benefits directly pass through to tenants.

How do you balance the need to deliver consistent returns to the public unit holders with the capital-intensive, long-cycle nature of developing new industrial real estate projects?

The balance is achieved by anchoring the Reit on stabilised, income-generating assets with long-term leases, which allow for predictable distributions to unit holders from inception.

This ensures that the Reits mandatory distribution requirement is met through operating cash flows, rather than relying on development-stage risk or deferred income.

By monetising stabilised assets into the Reit, capital is released back into the development business to fund new projects. These newly developed assets then form a natural pipeline for future acquisition by the Reit once stabilised.