TOPE ADEBAYO LP

How Real Estate Investment Schemes

Are Reshaping Nigeria's Property Market and Creating New Opportunities for Investors

www.topeadebayolp.com

INTRODUCTION

Many Nigerian investors today face a vast and diverse financial market, filled with numerous options such as stocks, bonds, mutual funds, and derivatives. With so many choices available, determining the most suitable investment can be challenging. Each product carries its own set of risks, potential returns, and detailed terms that require careful consideration.

Historically, real estate has been considered a reliable way to build wealth[1]. Its tangible nature and its track record as a strong hedge against inflation have made it a popular choice. However, directly investing in property is not practical for everyone. It often demands substantial capital, active management, and can involve complex legal and administrative processes.

This is where Real Estate Investment Schemes (REIS) offer an alternative. Instead of purchasing physical properties yourself, REIS, similar to a collective investment scheme, allow investors to pool their funds to acquire and manage income-producing properties such as office buildings, shopping centre, or residential developments. Investors receive a portion of the income generated, typically through periodic distributions, and can participate with a smaller investment than would be needed for direct ownership. Despite these benefits, many Nigerian investors remain unfamiliar with REIS. There is often uncertainty about how these instruments operate, the risks involved, and how to start investing in them.

This article aims to clarify these points. It will explain the fundamentals of Real Estate Investment Schemes, outline their legal framework under Nigerian law, and highlight why they could be a valuable addition to your investment portfolio. Whether you are an experienced investor or new to the market, gaining a clear understanding of REIS can open doors to real estate investing in a more straightforward, efficient, and accessible manner.

What Are Real Estate Investment Schemes — And Why Should You Care?

A Real Estate Investment Scheme (REIS) is a specialised collective investment vehicle, that pools funds for investment in real estate assets. It may be structured either as a corporate entity or as a unit trust, and must be fully approved and regulated by the Securities and Exchange Commission (SEC). The primary objective of a REIS is to invest in income-generating real estate assets, including land, buildings, and real estate-related financial instruments such as asset-backed securities and mortgage-backed securities (MBS). REIS may also invest in companies that manage or provide such assets.

Similar to a mutual fund, it collects money from multiple investors to create a pooled fund. This allows investors to participate in large-scale investments they might not be able to access individually. Under REIS, investors acquire securities whether shares or units that confers on the beneficiary a proportional entitlement to the income generated by the underlying real estate assets, such as rental income, interest income, or capital gains from asset sales. Depending on the structure of the scheme, investors may also receive voting rights or participation in scheme management.

---

1 Real Estate's contribution to GDP surged from N10.5 trillion in 2023 (pre-rebasing) to N30.7 trillion after the rebasing and further climbed to N41.3 trillion in 2024.

THREE DIMENSIONS FOR CLASSIFYING REIS

It is important to understand that REIS vehicles are not one-size-fits-all. They can be classified along three key dimensions:

a. regulatory definition—as set out by the Securities and Exchange Commission (SEC).
b. business model & primary income source—based on the nature of the assets held and how income is generated.
c. trading and accessibility—how investors can access or trade their interests

a. Regulatory Definition—as set out by the Securities and Exchange Commission (SEC)

Rule 510 of the SEC Rules provides that "Real Estate Investment Scheme (REIS) may be constituted as (i) company; or (ii) trusts" This dual structure is important because it gives sponsors the flexibility to align the investment vehicle with specific legal, tax, and operational considerations.

I. Real Estate Investment Companies (REICO)

A Real Estate Investment Company (REICO) is a corporate vehicle incorporated under the Companies and Allied Matters Act (CAMA) that invests in real estate and related assets. Unlike traditional REITs or Unit Trusts, a REICO allows investors to acquire ownership through shares issued in a public offering. When an investor buys shares in a REICO, they become part-owner of the company. These shares confer voting rights, giving shareholders a direct say in the governance of the company. The board of directors, nominated and appointed by shareholders, is responsible for managing the company's operations, including real estate acquisitions, development, leasing, and disposals. This corporate governance structure allows for active shareholder oversight, distinguishing REICOs from trust-based real estate investment schemes, where management is typically left to fund managers and trustees.

Shares of a REICO are typically listed on the Nigerian Exchange Limited (NGX), allowing for public trading through licensed stockbrokers or via direct market access platforms. This provides investors with the flexibility to buy or sell shares easily, ensuring liquidity and real-time price discovery, unlike private placement or public non-traded real estate investment vehicles where trading is restricted or non-existent.

Market makers and brokerage systems facilitate trading, and investors pay brokerage fees, usually structured as either a fixed fee or a small percentage of the transaction value.

Investing in a REICO offers several key benefits to shareholders. First, there is the potential for capital growth, as investors can profit from an increase in the company's share price when the REICO expands its real estate portfolio and generates positive returns. However, like other listed equities, REICO shares are subject to market fluctuations, and share prices may decline due to broader economic conditions or company-specific factors. In addition to capital appreciation, REICOs may distribute dividends from rental income, capital gains, or other profits, providing investors with a steady income stream. Some REICOs also offer dividend reinvestment plans (DRIPs), allowing shareholders to convert dividends into additional shares for compounding growth. A significant advantage of REICO investments is their liquidity and accessibility, as shares are publicly traded on the Nigerian Exchange (NGX), giving investors the flexibility to buy or sell shares at will—unlike private placements or non-traded schemes where liquidity is restricted. Furthermore, shareholders enjoy other rights, including receiving company reports and audited financial statements, voting at Annual General Meetings (AGMs), participating in rights issues or new share offerings, and exercising oversight through board representation. These features make REICO investments a flexible and transparent option for real estate exposure in the capital markets.

Unlike Private Placement REIS or Public Non-Traded REIS, where investor participation is limited and trading is illiquid or unavailable, a REICO provides both ownership rights and trading flexibility. It bridges the gap between real estate investing and equity investing, combining the capital market features of a listed company with the underlying asset security of real estate.

II. **Real Estate Investment Trusts (REITs)** have become the preferred structure for indirect real estate investment in Nigeria's capital market, offering investors access to professionally managed, diversified property portfolios. Unlike what pertains in traditional companies that issue shares, REITs are established as unit trusts, governed by a trust deed which defines the relationship between the Fund Manager and the Trustee. This establishes a strong separation of duties between: (i) the Trustee, who act as the primary safeguard, acting as the eyes and ears of the unit holders and further ensure that the fund is run properly, transparently, and in line with the law and the fund's objective; and (ii) the Fund Manager who is tasked with the day-to-day management of the fund's asset portfolio. The Fund Manager establishes, manages, operates and administers the fund on the terms and conditions contained in this trust deed and any conditions approved by the trustee.

For both types of REIS, the company's board—functioning similarly to a fund manager—appoints a property manager, usually after a competitive selection process. The property manager must be registered and approved by the Securities and Exchange Commission (SEC) and is responsible for providing day-to-day advisory services on all property-related matters, including acquisitions, leases, maintenance, and disposals.

The SEC Rules[2] introduces essential flexibility into the regulatory framework governing investment schemes. It expands the definition of acceptable trust or fund structures by permitting "any other corporate structure approved by the Commission." This provision allows for a broader range of investment vehicle structuring options beyond traditional trusts or corporate entities. As a result, it is our belief that the regulatory framework now accommodates a range of innovative schemes such as Infrastructure Funds, Private Equity Funds, Convertible Trusts, and Islamic Investment Funds. This flexibility empowers promoters and fund managers to design vehicles tailored to specific investor needs while ensuring compliance with SEC regulations.

B. Distinctions Based on Business Model & Income Source

Although this classification is not explicitly provided for under the Consolidated SEC Rules, we propose to classify REIS based on two key criteria: (i) the nature of the underlying assets held within the issuer's investment portfolio; and (ii) the primary source of income, in order to assess how the assets generate returns for investors.

I. **Equity REIS** primarily invest in income-generating physical properties, such as office buildings, shopping malls, residential apartments, and hotels. Their core revenue stream is rental income paid by tenants, positioning them to operate similarly to large-scale landlords. In addition to providing stable rental yields, Equity REIS also seeks to benefit from the long-term appreciation of property values. To optimise returns and manage risk, the portfolio usually aims to maintain a balanced mix of mid-tier properties alongside niche or specialised assets, ensuring diversification and resilience across varying market conditions. A potential disadvantage of Equity REITs is their exposure to fluctuations in property market values and tenant occupancy rates, which can adversely impact rental income and overall returns during economic downturns or sector-specific disruptions.

II. **Mortgage REIS**, unlike their equity counterparts, do not invest directly in physical properties. Instead, they function more like specialised financial institutions, focusing on real estate financing activities. Their core business involves originating or purchasing real estate loans, typically in the form of mortgages, and investing in mortgage-backed securities (MBS). The primary source of income for Mortgage REIS is the net interest margin—the spread between the interest earned on mortgages and MBS holdings and the cost of borrowing funds to finance these investments. Due to this financial structure, Mortgage REIS are particularly sensitive to changes in interest rates and credit risk, making them

[2] Rule 510 of the Consolidated SEC Rules 2013

inherently more volatile than Equity REIS. A key disadvantage of Mortgage REITs is their heightened sensitivity to interest rate fluctuations, which can erode net interest margins and lead to significant income volatility, especially in periods of rising borrowing costs or tightening credit conditions.

III. **Hybrid REIS** combines the investment strategies of both Equity and Mortgage REIS by holding a mixed portfolio that includes income-producing real estate assets alongside real estate loans and mortgage-backed securities (MBS). This structure allows them to generate income from rental payments on owned properties as well as interest income from their lending and investment activities. The dual-income model provides diversified revenue streams and broader risk exposure management. However, in practice, pure Hybrid REIS is less common, with most schemes leaning predominantly toward either equity or mortgage investments.

C. **Classification based on Trading and Accessibility,** which addresses how investors can access, buy, or sell their interests in the investment scheme.

I. **Publicly traded REIS** are listed on recognised exchanges such as the Nigerian Exchange (NGX), providing investors with liquidity and ease of entry or exit, similar to buying or selling regular stocks. This listing framework allows Nigerian investors to participate in REISs with the added benefit of transparent trading, regulatory oversight, and the convenience of market-based transactions.

II. **Public non-traded REIS or Public Non-Listed REITs (PNLRs)** though not popular in Nigeria, are a form of REIS registered with the exchange commission and offers a unique middle ground between private real estate investments and publicly traded REIS. The beauty about this form of REIS is that it allows everyday investors a chance to access real estate investments without the daily price swings of the stock market. With strict regulatory oversight, non-traded public REITs are usually offered through private placements by a licensed financial advisor, making them accessible to both accredited and non-accredited investors. For investors seeking stable, passive income and diversification, PNLRs can be appealing. They tend to be less correlated with the general stock market, providing a buffer against market volatility while allowing participation in the real estate sector.

II. Finally, **private REIS** are structured as private placements, designed primarily for institutional investors and high-net-worth individuals (HNIs). These investors typically have the financial capacity to engage sophisticated advisors or possess sufficient knowledge to navigate complex investment products. Unlike publicly offered REIS, private REIS are not open to the general investing public. Participation is usually restricted to those who meet specific regulatory thresholds, such as minimum investment amounts or accreditation criteria. Nevertheless, private REIS are still subject to regulatory oversight even though they are not offered through public solicitation or listed on a securities exchange.

Regulatory Framework: SEC Oversight and Key Compliance Requirements

a. Overview of the SEC's Role

The Securities and Exchange Commission (SEC) serves as Nigeria's primary regulator for REIS, safeguarding investors, especially those without deep financial expertise, from the risks associated with complex property investments. The Commission's proactive oversight mitigates threats—including volatility, mismanagement, and fraud—by enforcing transparency, protecting investor interests, and upholding industry best practices.

Because REIS are accessible to a wide range of investors, the SEC's regulatory objectives include: (i) ensuring full disclosure and transparency; (ii) enforcing sound governance and fiduciary accountability; (iii) minimising mismanagement or fraud; and (iv) providing channels for investor redress.

b. Fund Structures: Open-Ended vs. Closed-Ended Schemes

Under the broader Collective Investment Scheme (CIS) framework, REIS may take either of two forms:

I. Open-Ended Schemes

Open-ended funds issue and redeem units on an ongoing basis. As new investors subscribe, new units are created; when existing investors withdraw, their units are cancelled. The transaction price is always based on the fund's Net Asset Value (NAV)—that is, the total value of its assets minus liabilities, divided by the number of outstanding units. While open-ended structures are common in mutual funds and some REIS, they are less frequently used in real estate due to the sector's inherent illiquidity. Property assets cannot always be rapidly bought or sold to meet redemption requests without potentially distorting value or liquidity for remaining unitholders.

II. Close-Ended Schemes

Close-ended REIS issue a fixed number of units during an initial public offering (IPO). After the IPO, these units are listed and traded on an exchange, such as the Nigerian Exchange (NGX), similar to company shares. The market price of these units will fluctuate based on supply and demand, and may deviate from the underlying NAV, sometimes trading at a discount or premium. This is the predominant structure for listed Nigerian REIS, as it provides the fund manager with a stable, permanent capital base—particularly advantageous for holding and managing illiquid, income-generating property assets.

Understanding this distinction is crucial, as it informs several facets of SEC oversight—particularly in areas such as asset allocation, liquidity thresholds, redemption policies, and investor protection requirements, which often differ for open-ended versus close-ended schemes.

c. SEC Oversight: Rigorous yet Enabling Framework

The SEC's regulatory regime for REIS is among the most comprehensive in Africa. SEC defines eligible real estate as income-generating land and buildings either directly owned or held via Special Purpose Vehicles (SPVs) set up for the scheme's benefit[3] REIS are also permitted to acquire real estate-related assets, including shares in property companies or other regulated collective schemes, and in certain structures, may issue asset-backed or mortgage-backed securities.

A REIS can either wholly acquire legal title to underlying assets or, where not feasible, hold equitable and beneficial ownership via a SEC-approved trust structure. In such cases, robust safeguards such as title registration, visible notice to the public, secure custody of title documents, and indemnification of investors are necessary.

Investors participate in REITs by acquiring units during public offerings. This practice parallels the approach used in Real Estate Investment Collective Offerings in other markets, which entitles them to a proportionate share of the trust's income and capital appreciation. Unlike shareholders in a conventional company, unit holders usually do not have direct voting rights; instead, they rely on the Trustee's fiduciary oversight to protect their interests, provide transparency, and ensure sound management. A significant advantage of this structure is the ability to list REIT units on the Nigerian Exchange (NGX). Public trading of these units provides investors with liquidity comparable to equities, a notable contrast to the illiquidity inherent in direct real estate ownership. Currently, all listed real estate investment schemes on the NGX are organised as REITs, reflecting the market's strong preference for this trust-based, professionally managed, and transparent investment model.

For REIS—whether structured as a Real Estate Investment Company (REICO) or a Real Estate Investment Trust (REIT)—a SEC-registered property manager oversees the daily operations, including rent collection, property maintenance, and tenant relations.

d. Structure, Authorisation, and Governance

As noted above, REIS may be constituted as either companies (REICO) or trusts (REIT), each subject to detailed SEC authorisation mechanics. For REICOs, incorporation under Nigerian law with explicitly stated real estate investment objectives, appointment of SEC-registered property managers, and regular filing of SEC-compliant valuation reports are required. In trust-based REIS, the Trustee plays a critical fiduciary role. Acting as the legal custodian of the scheme's assets, the Trustee is responsible for holding equitable title to the properties on behalf of unitholders and ensuring that the fund operates in compliance with the trust deed and SEC regulations. The Trustee oversees the activities of the Property and/or Fund Manager, ensuring that asset acquisitions, management practices, and disposals align with the scheme's investment policy and regulatory framework.

[3] Rule 508 of the Consolidated SEC Rules

e. Disclosure, Prospectus, and Offer Dynamics

In addition to the Fund Manager filing quarterly reports with the SEC detailing performance metrics like rental yield and occupancy levels, the Trustee must submit a half-yearly report to the SEC.[4]

All REIS—regardless of structure—must submit a prospectus that thoroughly discloses the scheme's purpose, strategy, risks, property portfolio, key professional advisers, governance details, and potential conflicts of interest. The SEC rules mandate that this document must clearly state:

I. The scheme's objectives and investment strategy.

II. The specific risks involved and the strategy for managing them.

III. Full details of the properties, including location, age, rental income, and major tenants.

IV. Details on fees and charges, with a clear warning for investors to seek this information before investing.

V. A corporate directory listing all professional parties to the offer, such as the valuer, solicitor, and property manager.

VI. A cautionary statement in bold characters advising that the rental yield of the properties is not the same as the yield of the units and that the value of real estate can fluctuate.

f. Income and Distribution Rules

A minimum of 90% of a REIS's revenue must be derived from rental or dividend income, ensuring a focus on stable, income-generating assets.[5] To ensure investors receive their returns, a REIS must distribute not less than 75% of this income to unitholders at least once a year.[6] Failure to make a distribution at least once a year can lead to the scheme being de-registered by the SEC.

g. Asset Allocation, Reporting, and Prudential Limits

The SEC sets granular asset allocation thresholds and liquidity rules, tailored to the scheme structure:[7]

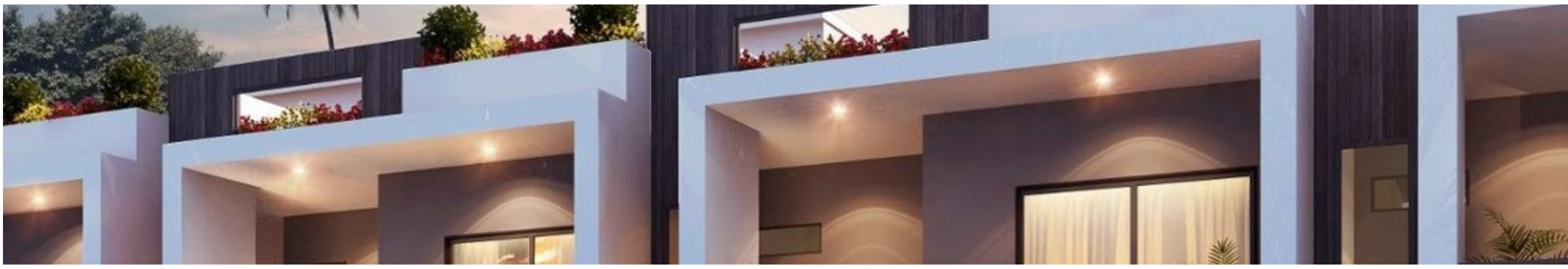
I. **Close-ended equity-based REIS:** At least 75% of assets in income-generating real estate; max 10% in liquid assets.

II. **Close-ended mortgage-based schemes:** At least 75% in qualifying mortgage assets.

III. **Hybrid models:** Minimum 40% to both real estate and mortgages.

IV. **Open-ended schemes:** At least 70% in real estate or related assets; liquidity capped at 10%.

The SEC also requires regular independent property valuations (at least biennially), rigorous quarterly reporting, mandatory insurance of all properties, and prudent borrowing limits. A REICO is prevented from borrowing more than 40% of its gross asset value from third parties.[8]



4 Rule 541 of the Consolidated SEC Rules
5 Rule 510(2) of the Consolidated SEC Rules
6 Rule 510(3) of the Consolidated SEC Rules
7 Rule 521 and Rule 539 of the Consolidated SEC Rules
8 Rule 525 of the Consolidated SEC Rules

The borrowing capacity of a Real Estate Investment Trust (REIT) is limited to 15% of its total gross assets.[9]

In addition, any property developed under the scheme must be held for a minimum of two years before disposal. To promote diversification and reduce concentration risk, a single property must not exceed 25% of a REICO's gross asset value or 20% in the case of a REIT.

A REIT has the flexibility to invest a portion of its portfolio internationally, subject to specific conditions designed to manage risk. A REIT can allocate a maximum of 25% of its total assets to investments outside Nigeria, with the geographic scope strictly limited to other countries within Africa.[10] To ensure a standard of quality and stability, any target country for investment must have an investment grade credit rating assigned by an international rating agency. Finally, the investment itself, whether a direct property or an interest in a real estate Special Purpose Vehicle (SPV), must have characteristics consistent with the definition of similar permissible assets within Nigeria.

Benefits of Investing in REIS for the Nigerian Investor

REIS are transforming the landscape of property investment in Nigeria. These vehicles offer a compelling range of advantages for individual and institutional investors seeking secure, scalable, and professionally managed exposure to the local real estate market. Below, we articulate the key benefits:

a. Accessibility & Lower Barrier to Entry

Perhaps the most immediate benefit of REIS is democratised access to Nigeria's most attractive real estate assets. By pooling capital from a broad spectrum of investors, REIS enable participation in high-value trophy assets—such as premium office towers in Ikoyi or landmark retail malls in Victoria Island—that would ordinarily be unattainable for individuals or smaller institutions due to steep acquisition costs and complex transaction hurdles. Through REIS, investors can secure fractional interests in such properties with relatively modest capital outlays, effectively broadening market participation and financial inclusion.

b. Professional Management

REIS unit holders directly benefit from the expertise of SEC-registered fund managers, whose core mandates are asset allocation, portfolio strategy, and risk management. Day-to-day property operations—spanning tenant acquisition, lease negotiations, facility management, and maintenance—are entrusted to professional property managers, also regulated by the SEC. This dual-tier governance ensures the highest levels of operational efficiency, industry best practice, and regulatory compliance—protecting the interests of passive investors and optimizing property performance.

c. Diversification

One of the primary attractions of REIS is risk mitigation through diversification. Investors gain exposure not to a single property, but to a portfolio of income-generating real estate spanning multiple sectors—commercial offices, retail centres, residential developments, and industrial assets—and, where applicable, geographic diversification across Lagos, Abuja, and emerging urban corridors. This structure minimises single-

[9] Rule 530 of the Consolidated SEC Rules
[10] Rule 539 of the Consolidated SEC Rules

asset and sectoral concentration risks, stabilising returns even during localised downturns in sub-segments of the property market.

d. Liquidity – Especially for Listed REITs

Unlike direct property investment, which is inherently illiquid and may require months to execute a sale, units of listed REIS (REITs) are traded on the Nigerian Exchange (NGX). This secondary market liquidity allows investors to efficiently enter or exit positions in response to changing market conditions or personal liquidity requirements, with price discovery reflecting prevailing demand and supply. It represents a significant evolution in the real estate asset class, providing a solution to one of the age-old drawbacks of property ownership.

e. Steady Income Stream

REIS are structurally designed to deliver predictable, periodic cash flows. In Nigeria, the SEC mandates that a minimum of 75% of distributable income be paid out to unit holders—typically on a quarterly or semi-annual basis. These distributions are sourced directly from rental income or mortgage interest—offering a transparent, reliable income stream that can serve as an effective supplement to salaries, pensions, or corporate cash flows, particularly in a yield-hungry environment.

f. Inflation Hedge

With Nigeria's inflation profile often outpacing global averages, real assets like real estate offer valuable inflation protection. Rental income and asset values derived from prime properties generally adjust upwards over time, helping to preserve real purchasing power. REIS thus provide an efficient tool for investors seeking to hedge portfolios against currency depreciation and the erosive effects of inflation—a critical consideration in the local macroeconomic context.

g. Transparency & Regulation

Investor confidence in REIS is underpinned by a comprehensive regulatory framework enforced by the SEC. This oversight mandates stringent disclosures (financial statements, property valuations, performance reports), robust governance through the role of independent trustees (especially in REITs), and regular, transparent reporting to both the SEC and investors. These measures mitigate risks of mismanagement and ensure that investor rights are protected at every stage.

h. Tax Efficiency (Potential/In Principle)

The viability of REIS as an investment class is heavily dependent on its tax treatment. The law is that, with certain exceptions, "collective investment schemes shall be treated as pass-through vehicles for purposes of taxation".[11]

This "pass-through" or "flow-through" means that income generated by the scheme (such as rent or dividends) is not taxed at the entity level. Instead, the income flows directly through to the investors (shareholders in a REICO or unitholders in a REIT), who are then taxed at their respective individual or corporate rates. This structure effectively avoids the double taxation that would otherwise occur if the income were taxed first in the hands of the scheme and then again upon distribution to investors. This tax efficiency is a primary attraction of REIS and

[11] Section 195 of the ISA 2025

is often conditional upon the scheme distributing a significant portion of its income—a minimum of 75% of rental income, as per SEC Rules.

However, there is a critical nuance: the pass-through treatment does not automatically apply to a "specialised or alternative scheme". While the Act does not explicitly define this category, it is often understood in regulatory practice to refer to funds that are not offered to the general public but are restricted to qualified institutional investors or high-net-worth individuals. This creates a potential point of regulatory risk. A large, privately placed REIS designed for institutional investors could be deemed "specialised" by the SEC and consequently lose its tax-efficient pass-through status, making it commercially unviable.

This exception creates a powerful incentive for scheme promoters to structure their REIS as publicly offered, retail-accessible funds to guarantee the favourable tax treatment. This aligns the commercial interests of promoters with the broader policy goal of financial inclusion. For sponsors of institutionally focused funds, however, it introduces an element of uncertainty that hinges on future SEC rulemaking and interpretation. This is a critical advisory point for any entity contemplating the launch of a new REIS in Nigeria.

For the discerning Nigerian investor, REIS represent a sophisticated, well-regulated gateway into the country's property markets—marrying diversification, liquidity, and professional oversight with robust income and relative inflation protection. From a capital markets standpoint, REIS encourage the deepening of Nigeria's financial system, harnessing local and international capital for productive investment in urban infrastructure while broadening financial inclusion.

A Guide for the Potential REIS Investor

As of 2025[12], the Nigerian Exchange (NGX) features two prominent REITs actively traded on its platform. In addition to REITs, Real Estate Investment Companies (REICOs) are also listed and traded[13] on the NGX in the same manner as ordinary company shares. These securities are held in investors' stockbroking and Central Securities Clearing System (CSCS) accounts. However, the key distinction between REITs and REICOs lies in their legal and fiscal structures—particularly in the tax treatment of dividends. While REITs benefit from a pass-through tax structure that exempts qualifying income from corporate taxation, REICO dividends are taxable and generally discretionary in nature.

Currently, the REITs listed on the NGX are;

1. Skye Shelter Fund (Ticker: SKYESHELT); and
2. UPDC REIT (Ticker: UPDCREIT).

[12] The foregoing analysis is based on information available to the writer as of 1st August, 2025
[13] Investors can buy and sell them in much the same way as traditional REITs

a. How to Invest: Accessing Listed REITs in the Nigerian Capital Market

An individual cannot independently open a designated "REIT account" on the Nigerian Exchange (NGX). To invest in REITs, one must open a standard stockbroking account linked to the Central Securities Clearing System (CSCS).

For a retail or institutional investor, the process of investing in a publicly listed Nigerian REIT is straightforward and identical to investing in any other company listed on the Exchange. The steps are as follows:

I. **Select a Licensed Stockbroker:** Begin by choosing a stockbroking firm that is duly registered with both the Nigerian Exchange (NGX) and the Securities and Exchange Commission (SEC). When selecting a broker, investors should consider factors such as: (i) brokerage fees and commission structure; (ii) user-friendliness of the trading platform; (iii) access to research and market insights; and (iv) quality of customer service and responsiveness.

II. **Open a Brokerage Account:** Once you have selected a licensed stockbroker, the next step is to open a trading account by completing the KYC forms and providing your bank account details for funding and withdrawals. The broker will also open a Central Securities Clearing System (CSCS) account for you, which will serve as the electronic repository for your REIT units and other securities, and issue you a unique CSCS account number. You will be required to sign a Brokerage Agreement—and possibly a Custody Agreement. After your documents are verified and the account approved, you will receive login credentials to access the broker's trading platform and begin trading REITs on the NGX.

III. **Research on the Available REITs:** Conduct a thorough analysis of each REIT by examining its property portfolio—whether residential, commercial, or retail—and assessing historical dividend payments, share price performance, and key financial metrics such as Net Asset Value (NAV) and, where available, Funds from Operations (FFO). Review financial statements for indicators like debt exposure, occupancy rates, and overall profitability, accessible via the NGX or the REIT manager's website. Consider the experience and track record of the REIT's sponsor or manager. Finally, calculate the current dividend yield (annual dividend per share divided by current share price) and benchmark it against other income-generating investments to guide your investment decision.

IV. **Fund the Account:** Transfer money from your bank account into your newly opened brokerage account using the instructions provided by your broker (e.g., via bank transfer, online payment).

V. **Place an Order:** To purchase units, log in to your broker's online trading platform and decide whether to place a Market Order, which executes the purchase at the current best available price, or a Limit Order, where you specify the maximum price, you are willing to pay. Once you have made your selection, enter the number of units you wish to buy, review the order details carefully, and submit the order for execution.

b. Due Diligence Framework: Key Metrics for Evaluating a REIS

A prudent investment decision requires looking beyond the general appeal of the sector and conducting rigorous due diligence on the specific REIS. The following framework, summarised in the Table below, outlines the critical areas for due diligence.

Table 1: Investor Due Diligence Checklist for Nigerian REIS (REICO and REIT)

Due Diligence Area	Key Questions and Metrics	Why It Matters
1. Management & Governance	Who is the Fund Manager? Who is the Trustee? What is their track record and reputation?	The quality of management is the single most important driver of performance. A skilled manager can navigate challenges and unlock value, while a poor one can destroy it.
2. Property Portfolio Quality	What specific properties does the REIS own? Where are they located? What is the quality of the buildings? Who are the major tenants (tenant covenant strength)? What is the current occupancy rate?	The underlying assets generate the income. A portfolio of prime properties with strong tenants and long leases is far more resilient and valuable than one with secondary assets and high vacancy.
3. Financial Health & Valuation	Cash Flow: How much cash does the REIT generate from its core operations, that is, its FFO (Funds from Operations)? Value (NAV): How does REIT's market price compare to its Net Asset Value (NAV)? Leverage: What is the REIT's current debt level, and does it comply with the SEC's 40% borrowing limit to ensure financial stability?	FFO provides a more accurate picture of a REIT's operating performance than net income. The NAV-to-price relationship helps assess valuation. High leverage increases financial risk, especially in a high-interest-rate environment.
4. Dividend Policy & History	What is the current dividend yield? What is the payout ratio/ Is the dividend consistent and sustainable? Does it comply with the 75% distribution rule?	For income-focused investors, the sustainability and growth of the dividend are paramount. A very high payout ratio may leave little room for capital expenditure or growth.

Due Diligence Area	Key Questions and Metrics	Why It Matters
5. Regulatory & Legal	Is the scheme fully registered with the SEC? Are its annual reports and filings up to date? Read the prospectus and trust deed to understand fees, restrictions, and investor rights.	Ensures the investment is legitimate and protected under the ISA 2025. The governing documents define the rules of engagement between the investor and the manager.

c. Understanding the Risk Spectrum

Investors must approach REIS with a clear-eyed view of the associated risks, which can be categorised as follows:

- Market and Economic Risks: These are broad, systemic risks that affect the entire market. They include persistent high inflation, which can erode the real value of returns; rising interest rates, which increase borrowing costs and can depress property valuations; and currency volatility, which impacts the cost of imported materials and the value of foreign-denominated investments.

- Asset-Specific and Operational Risks: These risks are inherent to the real estate asset class itself. They include construction cost overruns and project delays, the risk of tenant defaults or vacancies leading to loss of rental income, the general illiquidity of physical property, and the significant risk of disputes and delays related to perfecting land titles.

- Scheme-Specific and Governance Risks: These risks relate to the specific REIS vehicle. They include the risk of poor management decisions, the potential for high management and operational fees that erode investor returns, and the risk of regulatory changes, particularly concerning tax laws, that could alter the investment's attractiveness.

It is crucial to recognise the interconnectedness of these risks. A single macroeconomic event, such as a sharp currency devaluation, can trigger a cascade of negative effects: it increases construction costs (operational risk), which may lead to project delays and lower profitability (asset-specific risk), and could ultimately impact the REIS's ability to pay dividends (scheme-specific risk). A holistic risk assessment is therefore essential.

CONCLUSION

Real Estate Investment Schemes in Nigeria present a compelling opportunity for investors. By offering a structured, accessible, and professionally managed pathway to real estate investment, REIS bridges the gap between the high capital demands of direct property ownership and the desire for diversified, liquid, and income-generating assets. Whether structured as Real Estate Investment Companies or Real Estate Investment Trusts, these schemes empower both seasoned and novice investors to tap into Nigeria's dynamic property market without the burdens of active management or prohibitive costs.

The robust regulatory oversight by the Securities and Exchange Commission (SEC) ensures transparency, accountability, and investor protection, fostering confidence in these vehicles. With benefits like liquidity, diversification, steady income streams, and potential tax efficiencies, REIS stand out as a practical alternative for building wealth in an inflation-prone economy and offers a forward-thinking solution for harnessing the potential of real estate.

For investors seeking to diversify their portfolios or explore new avenues for growth, understanding and engaging with REIS can unlock big opportunities. By conducting thorough due diligence and aligning investments with personal financial goals, Nigerians can leverage these schemes to achieve long-term wealth creation in a secure and efficient manner.

PLEASE NOTE THAT THIS ARTICLE IS FOR INFORMATION PURPOSES ONLY AND DOES NOT CONSTITUTE LEGAL ADVICE

AUTHORS

IFEOMA EZERIBE
PARTNER

PHILIP FRANCIS
SENIOR ASSOCIATE

GBENGA OGUNDOYE
ASSOCIATE

EXCELLENT EPELLE
ASSOCIATE

PHILIP OLADIMEJI
TRAINEE ASSOCIATE

TALP's Finance and Projects Team

For further enquiries, log onto www.topeadebayolp.com

Do you need to get in touch with us, to know more on how we can help you and your business? Kindly contact us by using any of the details provided below:

TOPE ADEBAYO LP

3rd Floor, The Phoenix, 31 Mobolaji Bank Anthony Way, Ikeja Lagos, Nigeria.
p: +234 708 869 9174, +234 813 532 1156
e: info@topeadebayolp.com
w: www.topeadebayolp.com