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The Dimension and Dynamics of Property Law Practice in The Realm of Real Estate Investment Trusts (Reits) in Nigeria

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Abstract

Commercial property law and the Real estate market are majorly shaped by overall Nigerian economic activity, which determines demand for real estate. Similarly, with land and labour, real estate is a factor of production in our economy, and the efficient use of the same can have a significant and robust impact on business output. The real estate industry is a highly capital-intensive business that can be harnessed by practitioners who use the collective capital of investors to purchase and manage income-yielding property and mortgage loans in the form of real estate investment trusts (REITs). By navigation through systematic research and extensive reliance on statutes in concert with authoritative materials, we assert that the dimension of REITs has a place as it creates super dynamics relevant to the practice of property law in Nigeria. The authors aim to explore and analyse the benefits of REITs in Nigeria's cutting-edge property law practice. Further, this article discusses, from an investor perspective and the dynamics of heterogeneity of the economy, that the infusion of REITs in the framework of property law practice in Nigeria is imperative to further heighten the all-important area of practice into wholesome capital investment and economic growth.

Keywords: REITs, investment, real estate, property, mortgage

1. Introduction

By nature, a Real Estate Investment Trust (REIT) is an investment that concerns itself with investing in real estate assets or related assets solely to generate income. It combines resources and funds by a particular group of people to make plausible investments bound to yield income for its investors.

A Real Estate Investment Trust is more perfectly described as a mutual fund company that offers real estate investment opportunities to a wide range of investors. The inference is that the company owns and manages some income-producing real estate properties ranging from office buildings, apartments, shopping malls, hotels, warehouses, etc. The idea is to allow individuals to invest in real estate without involving themselves in purchasing and managing physical properties. The investors also get to enjoy the benefits accrued from the investment trusts. The primary purpose of establishing a REIT is to acquire an intermediate or long-term interest in real estate or property development to raise funds from the capital market by issuing securities in favour of the pooled investors that contributed to the trust.[i]

The introduction of the Real Estate Investment Trust is a contemporary development that has improved the system of buying and managing properties in Nigeria and many other jurisdictions where it is practised. With the advent of REIT, investors can now invest in units of fundamental properties in the stock market against the usual use of personal resources to purchase or build properties from scratch. They also get to earn dividends from such real estate investments. A remarkable benefit of investing in REITs is that they offer the potential for regular income through dividend payments. They also entitle investors to receive periodic income distributions and participate in any capital appreciation on the property.

Before the creation of REITs in 1960 [ii], purchasing and managing property was an investment opportunity open to affluent or prosperous individuals. Modern REITs allow investors to invest a small amount of money to finance a property. This is done alongside other investors who also contribute to the needed resources for the ownership and operation of the property. Modern REITs also expand the properties that can be invested in. Investment in

REITs can be in different properties such as residential, commercial apartments, warehouses, facilities, infrastructures such as cell towers, energy pipelines, etc.[iii] They can consist of both office and retail properties.

REITs can take different shapes, all aimed at achieving the sole purpose of acquiring an interest in a property. They can be open-ended or close-ended funds created exclusively for holding fundamental properties, mortgage-related assets, or both. This is traded in the stock or property market. Most REITs are publicly traded on major securities exchanges, allowing investors to purchase and sell them like stocks throughout the trading session.

Professional fund managers well versed in the stock and property markets manage real estate investment trusts. They gather the funds from the investors and invest in properties on behalf of the trust subscribers. The management aims to finance purchases and operations in return for distributing portions of the income to the investors.

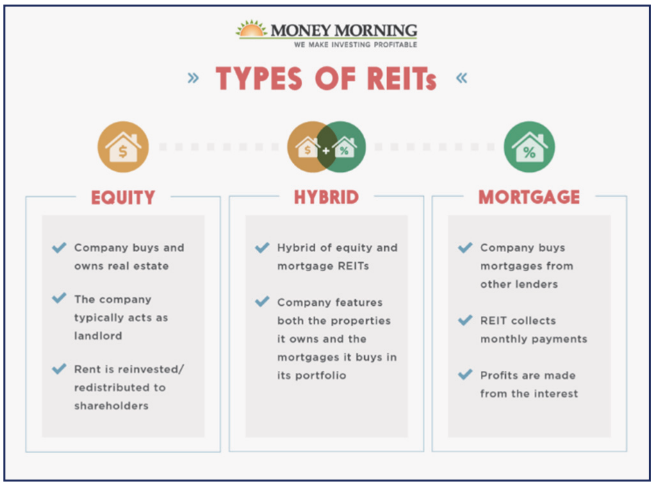
2. Types of Real Estate Investment Trust

There is no universal classification of the types of Real Estate Investment Trusts. Consequently, REITs have been identified as they apply to various jurisdictions that practice REITs.

James Chen identified three types of REITs.[iv]

Firstly, he described the own and managed income-producing real estate as 'Equity REITs'. In equity REITs, rents are a significant source of generating revenues and not disposing of the properties.

Secondly, there are also 'Mortgage REITs,' which provide money to real estate owners and operators through loans and mortgages or by acquiring mortgage-backed securities. This type of REIT is common practice in many jurisdictions.



He also discussed hybrid REITs, combining investment strategies using equity and mortgage REITs. [v].

These are the two main types of REITs conventionally known. However, because REITs involve different subjects and are spread across different sectors, the equity REITs have been further divided into the following property sectors [vi]:

a. Office REITs	f. Lodging/Resorts REITs
b. Residential REITs	g. Self Storage REITs
c. Retail REITs	h. Timber
d. Health care REITs	i. Industrial
e. Diversified REITs,	j. Infrastructure

These various dimensions of equity REITs allow investors to invest in real estate through available and practicable options. With the increase in demand for real estate, the above mentioned sectors provide advantages to investors without the risk associated with the outright and direct purchase and management of physical properties.[vii]

REITs are further classified according to how the shares are bought and held[1]:

a. Publicly Traded REITs
b. Public Non-Traded REITs
c. Private REITs

While publicly traded REITs are shares listed on a national securities exchange for buying and selling, public non-traded REITs are not traded on a national securities exchange. Both, however, are registered with the Securities and Exchange Commission (SEC). Private REITs, on the other hand, are not registered with the SEC, and they do not trade on the national securities exchange. The implication is that private REITs are sold only to institutional investors.

[1] *'n3'*

3. Legal and Regulatory Framework for REITs in Nigeria

There are a few regulations for the practice of Real Estate Investment Trusts in Nigeria and other jurisdictions where REITs are more active.

In other jurisdictions, like America, the Internal Revenue Code (IRC) regulates Real Estate Investment Trusts (REITs). It makes provisions regarding its rules and regulations and the qualifications required to operate REITs [[viii]].

The rules and requirements for REITs according to the IRC are:

a. Invest a minimum of 75% of assets in real estate.
b. Pay at least 90% of taxable annual income as dividends to shareholders.
c. 75% of gross income must come from rents, real estate sales, or mortgage interest financing real property.
d. It must be an entity that is taxable as a corporation.
e. It must be managed by trustees or a board of directors.
f. Minimum requirement of 100 shareholders.
g. Five or less individuals can hold no more than 50% of the REITs' shares.

To qualify as a REITs, the following criteria must be met:

a. A majority of the company's assets and income must be real estate investment-related
b. The company will pay 90% of the taxable income as dividends to its shareholders annually
c. The company will operate as a taxable corporation
d. The company will be managed by trustees or a board of directors
e. Shares will be transferable
f. At least 100 shareholders after the first year of operation
g. At least half of the shares must be held by six or more individuals during the second half of the year

In Nigeria, the major laws that regulate REITs are as follows:

1. Investment and Securities Act (ISA), 2007
2. Securities and Exchange Commission (SEC) Rules, 2013
3. Companies and Allied Matters Act, 2020
4. The Finance Act, 2021
5. The Land Use Act, 1978

The first two are significant enactments. They contain provisions that empower the SEC to approve, register, and register collective investment schemes in Nigeria, and hereunder, REITs fall. The commission is empowered to "register and regulate the workings of venture capital funds and collective investments schemes, including mutual funds." The Rules contain provisions that empower such investment schemes to acquire and hold legal title to property[2].

The provisions of Rule 509(1) of the SEC Rules is reproduced thus: "A *Real Estate Investment Trust can and shall wholly acquire and hold legal title to property or choose to hold equitable and beneficial title to such property vide a Trust Deed or such other structure as may be acceptable to SEC".*

This provision implies that real estate investment trusts are allowed to hold or acquire assets by employing the machinery of a declaration of trust, whereby the legal interests in the real estate reside in the vendor, and all beneficial interests are transferred to the real estate investment trust.

Subsection 2 of the same section provides some safeguards for the trust. Rule 509(2) SEC Rules provides that where a real estate investment scheme property is held vide a deed of trust or such other structure acceptable to SEC, the following safeguards shall be maintained:

- Register a caution indicating the interest of the scheme in the relevant land registry where the property is located;

[2] Rule 509(1), SEC Rules, 2013

- Affix plaques and other notices on the relevant property indicating the interest of the scheme;
- Deposit the original title documents and other relevant pre-signed documents with the scheme's custodian;
- Provide such indemnity to the scheme as may be necessary in the circumstance.

According to Rule 508 of the SEC Rules, REITs shall qualify as asset-backed or mortgage-backed securities (in the case of a mortgage and hybrid real estate investment trust).

According to Rule 510 of the SEC Rules, a real estate investment scheme may be a company or a trust. Whichever form it takes, it must be registered with the commission.[3] Upon registration, the application for registration is filed on the appropriate SEC Forms, especially when registered as a trust.[4]

3.1 Requirements for the registration of REITs

A combination of the provisions of Rule 511 and 555 of the SEC Rules reveal the following as the requirements for registration of REITs:

- Application Form SEC 6A (Registration of Unit/Investment Trust Scheme)
- Two copies of the draft Prospectus.
- Two copies of the Trust Deed.
- Letter of consent from the prospective parties to the trust.
- Two copies of each Certificate of Incorporation, Memorandum, and Articles of Association of Managers duly certified by the Corporate Affairs Commission (CAC).
- Two copies of each of the Certificates of Incorporation, Memorandum, and Articles of Association of Trustee to the trust are duly certified by the CAC.
- Two copies of each certificate, as well as the particulars of the directors of the manager and trustees of the trust, certified by the CAC.
- Sworn undertaking to file evidence of the maintenance of a separate trust account in a reputable bank.
- Evidence that the minimum paid-up capital of the manager and trustee complied with the requirements of the SEC as stipulated in the SEC Rules and Regulations.

Requirements as to Form, Number of Trust Deed;

Every trust deed filed with the SEC to register a real estate investment trust must be printed and properly bound.

3.2 Registration of the Trust Deed with SEC must contain the following:

- Two copies of the trust deed and a completed application for authorisation of the scheme.
- The trust deed shall state the following information;
- The date of the trust deed;
- The name of the management company;
- The name of the trustee company;
- Name of the scheme constituted by the trust deed;
- The trustee will be liable for a breach of its duties if it fails to carry out its responsibilities under the trust deed or report a breach of the terms to the SEC.

3.3 Requirements as to Form of Prospectus

The information required to be used in offering or selling the proposed real estate investment units shall follow the order provided in Rules 528 and 530. Afterwards, it need not follow any particular order provided that the information is outlined so as not to obscure any necessary information from being incomplete or misleading.

3.4 Content of the Prospectus as provided in Rule 530

- The front cover shall state the name of the issuer/promoter, the fund manager, the fund manager's RC number, the trustee, and the custodian. It shall also state the type of units offered, the amount of units being offered,

[3] Securities and Exchange Commission

[4] Rule 526, SEC Rules, 2013

the price, and the amount payable in full on application. Provided that the initial public offer is not less than N1 billion and subsequent offers are not less than N500 million,

- A table of contents in the forepart of the prospectus showing the subject matter of the various sections or subsections of the prospectus and the page number on which each section or subsection begins.
- A corporate directory of the fund manager shall include the following details;
- Directors and principal officers;
- Names and profile of the investment committee members specifying the independent members;
- E-mails and website address (if any);
- A three—to five-year financial summary. If the fund manager is a new company, it shall furnish a statement of affairs.
- Corporate directory of valuers, issuing house, registrar, solicitor to the issue, reporting accountants, trustee, rating agency, and property manager where applicable.
- The offer, offer price, and the times of opening and closing of the offer.
- History and prospects of the scheme.
- Management and advisory services.
- The fund's objective, the strategy for achieving the stated objective, and a statement that material changes to the investment objective would require the unit holder's approval.
- Dividends, distribution, and reinvestment options, amongst others.

These provisions ensure that the scheme is regulated and complies with the necessary standards.

4. An Overview of the Practice of REITs in Nigeria and Selected Jurisdictions

Nigeria has been growing in the practice of REITs since they were introduced into the market 15 years ago. Under the REITs concept, various portfolios of properties such as housing units, data centres, hospitals, hotels, office buildings, and warehouses are traded on the Nigerian Stock Exchange (NSE) and sold through authorised and licensed stockbrokers. The Securities and Exchange Commission (SEC) regulates all REITs in Nigeria.

The African REITs market, operating in Ghana, Kenya, Nigeria, and South Africa, is worth over $29 billion. This is out of the 37 global REITs markets, with global market capitalisation reported to be approximately $1.7 trillion in 2018.[[ix]]

In Nigeria, the total value of the market capitalisation of REITs is around 50 billion Naira and accounts for approximately 0.4% of the Nigerian Stock Exchange.[[x]] The REITs market is still growing in Nigeria and remains undeveloped compared to the stock markets in the United States and the United Kingdom. The returns there are massively more significant than those in the Nigerian markets.

The Nigerian REITs operate as a scheme wherein the legal title to the properties is resident with the fund manager, whereas the equitable title and beneficial interest vest in the investor. This is mainly due to the provisions of the Security and Exchange Commission Rules, which provide that:

"a Real Estate Investment Trusts can and shall wholly acquire and hold legal title to property or choose to hold equitable and beneficial title to such property vide a Trust Deed or such other structure as may be acceptable to SEC". [5]

Also, "Where a real estate investment scheme property is held vide a deed of trust or such other structure acceptable to the Commission, the following safeguards shall be maintained:

a. *Register a caution indicating the interest of the scheme in the relevant land registry where the property is located;*

b. *Affix plaques and other notices on the relevant property indicating the interest of the scheme;*

c. *Deposit the original title documents and other relevant pre-signed documents with the scheme's custodian.*

d. *Provide such indemnity to the scheme as may be necessary in the circumstance."*[6]

5 Rule 509 (1) of the SEC Rules

6 Rule 509 (1) of the SEC Rules

The above provision of Section 509 (2) aims to protect the interest of the REITs.

4.1 Top REITs in Nigeria

The leading and top REITs in Nigeria are:[xi]

- ***The UACN Property Development Corporation REITs:*** The UPDC REITs is one of Nigeria's most prominent investment trusts based on its net asset value. Like other REITs in Nigeria, it is listed and regulated by the Securities and Exchange Commission. The UPDC distributes at least 90% of its fund's net income twice a year. The UPDC also offers ownership of a piece of investment-grade real estate, tax exemption on income, portfolio diversification, and stable cash distributions to unit holders.

The UPDC is rated the most significant and best investment trust in Nigeria because of its net asset value and the unique vast benefits it affords investors, to wit:

a. Stable income
b. Long-term capital preservation
c. Semi-annual distribution of income to unit holders or investors
d. Transparency
e. Liquidity
f. Portfolio diversification
g. Ownership of a piece of investment-grade real estate
h. Tax exemption on income receivable by the REITs

All these are still the general advantages of real estate investment trusts. The UPDC REIT invests in residential, commercial, and Purpose-Built Student Accommodation (PBSA) assets.

The official fund manager of the UPDC REITs is Stanbic IBTC Asset Management, appointed in May 2021. Stanbic IBTC is Nigeria's highest SEC-registered fund manager, managing over 16 Collective Investment Schemes for investors to opt into singlehandedly.[xii]

- ***The Skye Shelter Fund REITs:*** The Skye Shelter Funds REITs is another close-ended real estate investment trust listed on the Nigerian Stock Exchange. Closed-end funds (or closed-ended funds) have been defined as collective investment schemes with a limited number of shares. Here, new shares are rarely issued as soon as the fund has been launched. Being the first real estate investment trust in Nigeria listed on the NSE, it started on 23rd July 2007. It completed its N2bn IPO on the Nigerian Stock Exchange in February 2008, when it was officially listed.

The Skye Shelter fund managers make opportunist investments in joint venture developments and are responsible for acquiring stocks. They invest in several high-quality properties – malls, residential houses, and warehouses. The Fund allocates 64% of its funds to real estate properties, 20% to real estate-related investments, and 17% to fixed-income investments. Real estate-related investments here range from mortgages, real estate-backed securities, and stocks closely tied to the real estate industry. [xiii]

Financial Times [xiv] records that the Fund is primarily involved in acquiring investment properties that the fund managers hold for capital appreciation. As noted above, the Fund allocates in real estate properties, real estate-related investments, and fixed-income investments. It is deeply engaged in acquiring, holding, renting, renovating and/or trading income-generating real estate, such as residential homes, shopping malls, shops, hotels, offices, and warehouses. Some of the properties of the SSF are: Milverton Court Estate, Osapa-Lekki Lagos; Bourdillion Court Estate, Off Chevron Drive, Lekki Lagos; Sapphire Gardens Estate, Awoyaya, Ibeju-Lekki Lagos; Victory Park Estate, Osapa Lekki, Lagos; and Harold Shodipo Crescent, Ikeja GRA, Lagos.

In 2020, following the SSF's resolution in 2019 to change the fund's name, it was altered from Skye Shelter Fund to SFS Real Estate Investment Trust (SFS REITs) [xv].

- ***Union Homes REITs (UHREIT):*** The Union Homes REITs was established in 2008 by Union Homes Savings & Loans Plc, a subsidiary of Union Bank of Nigeria. It is an actively managed and unique close-ended investment scheme that provides unit holders access to investments in an approved portfolio of properties. The fund managers (SFS Capital Nigeria Limited) spread the portfolio mix across commercial and residential property investment and mortgage assets in high-brow areas of Lagos, Abuja, Ikoyi, and Lekki [xvi].

The scheme's Trust Deed invests over 90% of the funds in real estate and related investments, with about 10% of its total assets channelled to quality money market instruments to ensure liquidity. As an investment in property and mortgages, it affords investors the benefits of a two-pronged asset.

As a subsidiary of Union Bank of Nigeria, Plc and a scheme listed on the NSE, investors undoubtedly enjoy a guarantee of their investment (capital sum) and the transparency and ethical conduct required by both the SEC and the NSE.

Like other REITs and following the legal expectations of REITs, the UHREIT (Union Homes REIT) also pays out 90% of the net income accruing to investors annually as dividends.[xvii]

4.2 REITs in Selected Jurisdictions in the World

4.2.1 America

REITs are vastly engaged in America compared to other jurisdictions. A 2022 research [xviii] revealed that approximately 150 million Americans, or 45% of American households, are invested in REITs through their 401(k), IRAs, pension plans, and other investment funds.[xix] The research revealed an estimation of the number of American households and Americans that own REITs stocks directly or indirectly through mutual funds, ETFs or target date funds. Nareit reports that REITs of all types collectively own more than $4.5 trillion in gross assets across the U.S., with public REITs owning approximately $3 trillion in assets. U.S.-listed REITs have an equity market capitalisation of more than $1.4 trillion. It is estimated that over 535,000 properties and 15 million acres of timberland across the U.S. are owned by public REITs.[7]

The implication is that the practice of REITs is predominant in the U.S. and a significant mode of investment in real estate and properties. The practice of REITs extends to the different classes of equity REITs, ranging from industrial REITs to hotels and resorts, offices, healthcare, retail, residential, and specialised REITs. A real estate company in the U.S. known as Boston Properties Inc. (BXP) is one of the companies specialising in office space. The National Health Investors Inc (NHI) and CareTrust REIT (CTRE) fall into the healthcare REIT category.

The five (5) largest REITs in the United States as of 2021 are:[xx]

a. American Tower Corporation

b. Prologs

c. Crown Castle International

d. Simon Property Group

e. Weyerhaeuser

In addition, the Forbes Global list includes numerous notable REITs in the United States and some in France, the United Kingdom, Russia, Sweden, Hong Kong, and China.[8]

4.2.2 India

As of August 2014, India approved the creation of real estate investment trusts in the country [xxi]. Indian REITs (country-specific/generic version I-REITs) will help individual investors enjoy the benefits of owning an interest in the securitised real estate market. Unlike the traditional way of disposing of real estate, the most significant advantage will be the fast and easy liquidation of investments in the real estate market. Through various notifications, the government and the Securities and Exchange Board of India invested in real estate in India directly and indirectly through foreign direct investment, which was easier through listed real estate companies and mutual funds. REITs regulations came into effect only in 2017, and the first REIT offering was launched in 2019. As of 2021, three REITs were listed in the National Stock Exchange of India: Embassy, Mindspace and Brookfields. Overall, the shareholding of Indian REITs is skewed towards institutional investors (mostly FPIs), with minimal contribution from retail investors.

4.2.3 Kenya

The Capital Markets Authority in Kenya approved the first REIT in October 2015. Stanlib Kenya issued the REIT under the name Fahari I-Reit scheme. The close-ended REITs scheme provides unit holders stable cash inflows

[7] *'n19'*

[8] *'n20'*

from income-generating real estate properties. The unrestricted IPO is listed on the main investment market segment of the Nairobi Securities Exchange [xxii].

4.2.4 Ghana

The Home Finance Company, now known as HFC Bank, established the first REITs in Ghana in August 1994, and since then, it has been leading in mortgage financing in Ghana. Using various collective investment schemes and corporate bonds, it has continued to finance its mortgage lending activities. Collective Investment Schemes, of which REITs are a part, are regulated by Ghana's Securities and Exchange Commission.

In many other jurisdictions, REITs are widely practised. These schemes own, manage, develop, and trade properties with adequate licenses from regulatory bodies and enactments. The widespread practice of REITs reveals the extent to which its advantages abound and the level of risk it curtails.

5. Advantages and Disadvantages of REITs

The introduction of REITs has been welcomed by some merits and demerits across jurisdictions. More so, analysing every transaction's pros and cons is essential before engaging it. REITs are no different. Understanding this will aid investors in discovering and being convinced whether the advantages outweigh the disadvantages.

5.1 Some of the advantages of Real Estate Investment Trusts include

Firstly, REITs are easier to buy and sell against the rigorous and cumbersome process of purchasing properties directly. This is attributed to the fact that they are primarily traded on public exchanges. Being a corporate investment with its unique processes, it saves the individual the stress of embarking on real estate acquisition on a personal basis.

Another advantage of Real Estate Investment Trust is that it allows investors to make and earn profits from real estate without directly owning, operating, or managing the properties. They can access passive real estate income without physically holding real estate assets.

Thirdly, and similar to the point above, REITs present an opportunity for investors with low funds to make their real estate investments at least for commencement. They save impecunious investors the challenge of solely securing the capital cost of the acquired property.

Fourthly, REITs are very beneficial to new investors who do not have adequate real estate experience. Direct real estate investment in Nigeria and many other jurisdictions carries some risk that experienced investors seem to escape. The indirect investment nature of REITs helps new investors who want to diversify their portfolios with less risk. This is because experienced professionals with the requisite expertise manage the funds in REITs to manage properties and maximise returns.

Another advantage of REITs is that they have the potential for capital appreciation as the value of the assets increases. They also have the potential for a high return on investment (ROI). In 2019, REITs boasted an average of 10.5% in the S&P Index. [xxiii] The S&P Index added REITs to its ten existing categories in 2016.[xxiv]

REITs provide for diversification, which allows the investor to invest in different properties. Equity REITs have various classifications, including hotels, residential houses, healthcare, etc. Investing in different properties reduces the risk of investing in a single property.

Liquidity is another crucial advantage of REITs. Like regular stocks, REITs shares can be bought and sold on major stock exchanges. Investors can also sell their shares whenever they want without necessarily waiting for the traditional six-month lock-up period. This is in contrast to direct real estate investment.

It is also interesting to note that REITs pay steady, significant dividends year over year. REITs are required to pay at least 90% of taxable income to shareholders. It is also a common practice to have a 5% dividend yield or even more. Investors make their money from these dividends and have higher yields than traditional dividend stocks.

Additionally, REITs are more stable in terms of price. Their value rarely fluctuates like that of other stocks and bonds.

Lastly, another advantage of REITs lies in investing in REITs. It is not a complex process. The investors are responsible for observing and accessing the public data and then opting for their desired investment choice.

5.2 Some of the disadvantages of Real Estate Investment Trusts include:

Firstly, dividends from most REITs don't meet the IRS definition of qualified dividends. Hence, they are taxed at higher rates than ordinary dividends, and this is a demerit. Investors who own REITs in a taxable brokerage account usually look out for this, considering the possibility of holding REITs in a tax-advantaged Roth IRA account [xxv].

Secondly, the fact that professionals manage REITs funds also poses a challenge. The implication is that investors will largely depend on the manager's skills and expertise.

Another disadvantage is that stock prices generally move in the opposite direction as rising interest rates, which makes REITs riskier investments in rising interest rate environments. REITs are sensitive to interest rate fluctuations, and rising interest rates are not so reasonable for REIT prices. REITs prices and Treasury yields have an inverse relationship: when one goes up, the other goes down, and vice versa.

Also, REITs generally don't provide significant capital growth because 90% of income is paid out as dividends rather than reinvested into the capital structure.[9]

Another disadvantage of REITs is that while REITs provide an overall investment portfolio as an advantage, most individual REITs are not diversified at all. This is mainly because they focus on a specific property type, like offices or shopping centres. If a REIT invests solely in hotels, for example, and the economy tanks or people stop travelling, such an investor can be exposed to property-specific risks.

6. Challenges of Real Estate Investment Trusts in Nigeria

The practice of REITs has met with some challenges captured by Robinson[10] as follows:

1. **Inadequate Public Awareness:** Despite being the first African country to have REITs, Nigerian practices of REITs seem to still be in their infancy. A survey[11] shows that only 58% of the participants know REITs as a concept and operation. Mrs Bola Adigun, a Price Waterhouse Cooper (PwC) Director, opined that the lack of investor's familiarity with REITs and real estate as an asset class has limited the sector's growth. Most individual investors are also unaware of REITs as an investment choice due to poor public enlightenment by authorities and non-visibility in terms of the publication of financials of REITs companies.[xxvi]

2. **Difficulties in processing and procuring land title:** The process of acquiring land title in the property sector of Nigeria has been burdened with cumbersome steps, corruption, and unnecessary delay. This is a significant challenge facing real estate in Nigeria, and as such, it transcends to real estate investment trusts whose subjects of investment are properties. The processing of land title documents usually faces much bureaucracy and can take up to six months or more to get to perfection. This cumbersome process doesn’t allow for the smooth acquisition of titles in properties.

3. **Lack of tailor-suited regulatory framework:** As contained in this work, the significant regulations applicable to REITs are the Investment and Securities Act (ISA) 2007, Securities and Exchange Commission Consolidated Rules and Regulations (2013), Companies and Allied Matters Act 2020, and the Nigeria Land Use Act 1978. There is no express or particular regulation which concerns itself with REITs alone. This is a significant challenge and doesn’t allow for the growth of the concept and practice of REITs.

7. Conclusion and Recommendations

REITs are an advanced form of investment that allows investors to purchase interests in a professionally managed real estate portfolio. It is advantageous and imperative that Nigeria imbibes and profoundly engages in the practice of REITs, apart from the fact that property investors stand to gain exposure to the value of the real estate that the trust owns and also the regular income generated from the properties, investing in REITs offers an excellent opportunity for one to get into the real estate market without having to buy or manage property by oneself. They offer both substantial dividend yields and modest, long-term capital growth, and their dividends are generated from the rents paid by the tenants of their properties.

REITs can also significantly boost the nation’s economy if fed with the appropriate growth mechanisms. They are already contributing to the economies of other countries where the practice is booming, particularly the United States, where they boost jobs and the nation’s economy.

From the foregoing, this paper makes the following recommendations:

[9] *‘n8’*

[10] *‘n14’*

[11] Ibid

a. The various news outlets, media, and the government need to create more awareness about REITs. Writers can also make more contributions and lend their voices to the publicity of REITs to members of the public and potential investors.

b. Regarding the cumbersome process, it is recommended that regulatory agencies like the Abuja Geographical Information System (AGIS), Land Registries, and other regulatory bodies be more responsive and efficient. Having a particular Agency or Department created solely to speed up the process of processing and procuring land title documents will go a long way to mitigate the delays and stress of such procurement. The One-Stop Investment Centre (OSIC), under the Nigerian Investment Promotion Commission (NIPC), is an example of such Agency.

c. It is also recommended that the legislative arm of government enact a law that mainly regulates REITs to facilitate their growth and practice and ensure adequate regulation. This will further aid understanding, interpretation, and a robust approach to the concept.

d. Technology is not left out. It is recommended that technology be more sensitised and empowered, as this will help the real estate industry design more sustainable buildings and use water and energy resources more effectively.

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