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Research Paper

Views on real estate investment financing in Nigeria

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Abstract. The various ways through which real estate investors seek finance in Nigeria include equity funds, consociate capital, family sources, contractor finance, mortgages and recently through real estate investment trusts. In recent times, investors have been dissatisfied with various methods and are seeking ways to get real estate investment funds without difficulties. The purpose of our paper is to analyse these different sources and recommend the one(s) that can improve the situation. The methodology consists in a descriptive survey through questionnaire. A sample size of 511 respondents was randomly selected from a population of 2,320 chosen from finance companies, bankers, REITs staff and registered estate surveyors. Data collected were analysed through ANOVA tool. Analysis showed that traditional sources of real estate finance are no more adequate for provision of housing in Nigeria and that introduction of real estate investment trust (REIT) system will increase house ownership in Nigeria and increase housing stock. The researchers also recommended that property investment companies should establish REITs and invest in property. Unit investors may sell their shares in future and buy private property should they desire to be identified as property owners, rather than having pieces of property in various places.

Keywords: Real estate investment funds, sources of real estate finance, REITs, operators, modes of financing.

INTRODUCTION

Real estate investment involves giving up capital now with the hope of receiving future streams of income and/or capital appreciation. There may be other reasons for investing in real estate, for example, political prestige, and provision of owner-occupier accommodation and so on. Real estate financing is a capital-intensive and problematic. Lenders charge high interest rates and there are cumbersome repayment conditions.

There are several ways of investing in real estate and these include individual ownership whereby one buys property with equity funds and could get a freehold or leasehold title. One could take a mortgage loan from a financial institution and execute a mortgage deed. Individuals, by owning property, invest substantial capital, take on significant risks, including those associated with construction, political, financial and business risks. In recent times, however, indirect investment opportunities in real estate are available, for example, property loan stock (PLS) companies, property unit trust (PUT) and real estate investment trust (REIT). REITs have become useful in Nigeria for big and small property investors since their shares can be purchased by anyone who can afford to acquire the minimum holding as specified in the initial public offer or can buy from the stock market. But REITs as a means of real estate investment is not yet popular in Nigeria as we have only four companies, namely, Skye Shelter Fund, Union Homes REIT, Aso REIT Company Limited and recently UACN REIT. Many Nigerians are not aware of REITs option of real estate finance. Public enlightenment by authorities and mandatory publication of financials of REITs companies in the media will help popularise REITs in Nigeria. The few existing REITs also should improve their performance level in order to give more confidence to prospective unit investors.

Individual property investors who do not consider investment strategy in real estate beyond private home ownership, thus ignoring opportunities of enjoying benefits of real estate pooled funds, can now own pieces of property through REITs, in both big and small properties.

Statement of problem

In Nigeria, one of the ways of providing real estate finance is by ploughing back real estate income [(for example rental incomes, sinking funds from leasehold interests and sale of real estate), operator's internal finance though external to real estate (consociate capital, equity funds and syndicate) and finance external real estate and the operator (family sources, mortgages, adventitious capital and contractor finance)]. In recent times, due to increased demand for real estate and shortage of its supply, the financing modes listed above are no more adequate to meet the requirements. More modern sources of financing in form of property unit trust and real estate investment trusts have debuted in Nigeria, but they are not yet popular due to lack of enlightenment, poor income levels, stringent REITs laws, lack of improvements in management, trustee, regulatory and investment structures of REITs. Moreover, REITs' performance should improve through changes in management, operational, organisational, regulatory and investment structures.

These researchers seek to find ways of making real estate investment funds available to Nigerians in order to meet the real estate finance needs of the households.

Aim and objectives

The aim of this research is to examine the various modes of financing real estate investment in Nigeria and to recommend the best among them that will address property ownership finance.

The research objectives are: to identify various modes of financing real estate investment in Nigeria; and to identify which of these modes will be best to Nigerians who intend to invest in real estate. Objective is also to suggest how to improve the performance and popularity of the model in Nigeria.

Research questions

Certain research questions need to be answered. For example, what are the various modes of financing real estate investment in Nigeria? Which among these modes is best suited to Nigerians who intend to invest in real estate? Thirdly, how can the performance of the identified mode be improved and popularised in Nigeria?

Hypotheses

H_1: Existing modes of financing real estate investment in Nigeria are inadequate for the purpose.
H_2: The best among these models will not improve the availability of real estate investment funds in Nigeria.
H_3: Improvement in performance of the best suited model of financing and popularising it in Nigeria will not make it a preferred source.

LITERATURE REVIEW

Definition of real estate

Real estate is the physical land and appurtenances affixed to land, for example structures, according to Appraisal Institute (2001). It is immobile and tangible. Legally, it includes land and all things that are natural part of land, such as trees and minerals and all things attached to land by people such as buildings and improvements.

Brueggeman and Fisher (1993), Jacobus (2006), Sirota (2004) and several other authors support the view that real estate includes land and all natural and man-made improvements permanently attached thereto, including air and mineral rights. Real estate acquisition goes with accompanying bundle of rights—hence, the legal theory of real estate. The rights include right to use, possession, control, enjoyment, exclusion and disposition. Also, they include right to pass the property by means of a will or when alive. These rights also include surface rights, sub-surface rights and air rights.

However, Stocker (2011) removes air and water rights from real estate: *"unless you are flying through the air or on/in a large body of water, you are occupying what is called real estate. It includes all kinds of buildings, land they are on and land without buildings. That is nature… both underdeveloped wilderness and farmland or cultured wood."*

To these researchers, real estate is the bundle of rights one has on land and all that are affixed to land. It does not matter the amount of improvement made on land, the bundle of rights will determine the value one attributes to the real estate.

Types of real estate

According to Kimmons (2011), there are three major types of real estates, namely: vacant land, residential properties and commercial properties. Under vacant land, he grouped land for farming, ranch, reserve and land not yet built up. He subdivided residential land under heads such as condominiums, detached low-rise blocks of flats, vacation short-lets and tenement rooms. His conclusion is that residential properties are by far the most popular with agents. For commercial properties, he qualified such as existing business buildings or land zoned for commercial use. He seemed to have left a fourth one, which has an important impact in the economy of any nation, namely: industrial land. It includes land used for manufacturing and warehousing.

Fischer (2007) groups types of real estate into five, namely: apartment buildings, commercial real estate, office buildings, raw land and industrial property. Raw or undeveloped land is seen as good investment by him, especially for speculation. For industrial land, he groups traditional ‘dirty’ businesses for chemicals, petroleum and steel to clean businesses like computers and electronics. Under commercial land, he groups industrial, office and rental properties (grocery stores, office buildings, raw land, self storage, rental space and shop malls). He seems to have mixed things up here. He repeated industrial under commercial property. Industrial land should have a separate head under which manufacturing, warehousing and similar uses should be grouped.

Definition of real estate investment

Ogbonna (2009) defines real estate investment in a simple term to represent business, residential and social investments as the main classes that can be undertaken by private and public client-groups, hence, providing yet another classification model. He adds that since real estate investment is capital intensive, capital insufficiency drastically reduces prospects of real estate investment success.

Kalu (2009) sees real estate investment as parting with capital for acquisition of properties with a view to receiving future regular income (rent) and/or capital appreciation.

Isaac (1998) simply describes real estate investment as a long-term commitment of funds. Purchase time (which is up to six months sometimes) opportunities for short-term dealings are restricted. He adds that well-selected properties can offer income and capital growths over a longer period.

These researchers agree that investment, whether in real estate or in other areas, involve giving up capital sum at the time of investment, in return for income to be received over time. This is true, whether the income is received as periodic payments or allowed to accumulate, and taken as capital sum. It is also true when the income is received in non-monetary form. It is also true when a property is owner-occupied, since the owner is saving rent that would have been paid and is also enjoying capital appreciation.

Reasons for investment in real estate

i) For capital appreciation: According to Sirota (2004), the primary reason for investing in real estate is the preservation and possible enhancement of the capital invested. Investment in real estate is known to appreciate (or preserved) over time that it stands as a hedge against inflation. Even when investment in real estate has a loan element, a real estate investment may build up additional equity for its owner through reduction of mortgage debt. The periodic repayments of the principal amounts owed, increase the equity in property. Where property is fully financed through equity funds, the returns in form of net rents can form additional capital for reinvestment into real estate.

For the above reason, people have continued to invest in real estate, even when returns are not very encouraging.

ii) For profit: Apart from annual returns in form of rents receivable or rents saved (if owner-occupied), property values appreciate over time. If sold, there is profit from the property appreciated value and rent.

According to Ogbuefi (2002), an investment in real estate can yield two types of income, which combine to give the actual return. These are unit rental income and unit price appreciation or depreciation. If for example the unit basis is annual, the rate of return, R, would then be:

$$R = \frac{\text{Annual rental income + Annual differential}}{\text{Purchase price or amount invested}}$$

On the other hand, this can be shown as holding period returns:

$$HPR = \frac{\text{End capital + Rent – Beginning capital}}{\text{Beginning capital}} \times 100$$

The worth of the real estate at the end added to net rents and deducted from the worth of real estate at the beginning divided by the worth of real estate at the beginning and multiplied by one hundred will give the returns within the period, whereby the real estate is held as an investment. However, real estate returns are bedevilled by series of risks.

Baum and Crosby (1988), enumerate some sources of these risks. Ajayi (1998) also deals with these risks to include among others, tenant risk, structural risk, taxation risk, holding period risk and timing risk. Alexander and Sharpe (1989) are of the opinion that when sensible investment strategies are compared with one another, risk and return cannot be separated.

iii) To enjoy relief: People invest in real estate through specialised vehicles, like REIT in order to enjoy tax exemption and relief. However in Lagos State of Nigeria, there has been allegations of multiple taxation these days in form of land use tax, tenement rate and several illegal (but locally legalised) levies that tend to defeat the purpose.

iv) Other reasons: include satisfaction of economic or social need, for security, for political power and for continuity of estate and for independence and freedom. Isaac (1998) reasons that one could want to invest in real estate because he has surplus income and has no knowledge of alternative safe vehicle or for return and security it offers him.

Mode of acquisition of real estate in Nigeria

i) Direct acquisition of real estate: Acquisition of real estate when one has his capital simply implies the act of giving up capital in return for an interest in landed property with a view to receiving an income immediately or over time or save rent, which would have been paid over the period the property lasts. This involves a direct purchase of an existing property.
ii) Another mode of acquisition is through purchase of land and construction of the building by the investor.

According to Lichfield (1969), development of a particular piece of land is a process which involves much more than mere carrying out of construction works. It starts perhaps many years before works and buildings are designed, and lasts perhaps well beyond the time when new works are completed until the new accommodation is fully occupied and used. Land acquisition and development are inter-disciplinary in content and orientation. Construction of a simple 2-storey detached house starts from acquisition of land from an estate surveyor. A lawyer is needed to carry out search and also draw up deed of assignment or lease and in most cases, register them with the appropriate land registry. An architect is involved in designing, production and approval of the plan. A quantity surveyor does the costing, while a building/civil engineer is awarded the contract for the actual construction. Electrical and mechanical sub-contractor comes on for all electrical and plumbing works. A project manager is to oversee all works and coordinates all professionals in order to make sure quality, budget and schedule over-runs are minimised.

Principally, real estate in Nigeria is acquired through two methods, namely: purchasing a property or developing one. However, there are exceptions to these two methods. A government can acquire compulsorily for public purposes. Individuals can buy into real estate through REITs or other property trusts. The trusts however, would have to adopt one of the two methods above to acquire the real estate.

Rights of ownership of real estate in Nigeria

According to Ifediora (1993), property rights devolve on the legal concept of ownership. In general, the rights of ownership are definable rights protected by the law. These rights vary but there are three most significant ones, namely: right to use and enjoy the property, right to use and enjoy the income and benefits there-from and right to alienate, dispose of, transfer and otherwise transact with the property.

According to Miles (1981), ownership rights in landed property have always carried responsibilities with them. Some of these have been enforced in law, while others as real as they are may not be enforceable since they are not covered by the statutes. Owner of these rights therefore, has an obligation to practise good estate management to the benefit of the occupants, neighbours and the nation as a whole.

Umeh (1973) defines interests in land under two broad heads, namely: superior estates and inferior estates. Superior estates are freehold and absolute ownership and are the highest and most complete forms of proprietary interests in land. These are usually unlimited in term and run in perpetuity. Though limited by laws of the land, the owner is conferred with the widest scope of proprietary decisions as to usage. Inferior estates are normally limited in tenure and usage, and can be found in such ownership as leaseholds, mortgages, pledges and tenancies.

Umeh (2007) indicates that real estate is a bundle of rights. Various proprietary rights of ownership can exist simultaneously on one parcel of land. However, land rights in each state in Nigeria are vested in the governor of the particular state, in trust for the citizens. It is administered by him for use and common benefit of all Nigerians. The implication is that all the proprietary interests are conferred upon these governors, thus bestowing only rights of occupancy to the former and future owners (Land Use Act 1978).

Other rights on and over lands which are not forms of estates in land, but are in the nature of rights and privileges of one land over another, exist (Ifediora, 1993). These include easement which in effect limits the free use of proprietary rights by the owner. In Nigeria, ownership rights are concretised through issuance and registration of documents, such as certificate of occupancy (customary and statutory), deed of lease, assignment or gift. The essence of ownership rights in real estate is that the quantum of these bundle of rights determine among other factors, the actual value or worth of the real estate in question.

Characteristics of real estate in relation to other assets

Viruly (2011) lists characteristics of real estate involvement as follows:

i) Large individual value: Commercial and residential properties are generally of large individual value with capital values running into millions of Rand and investors rarely have the bulk capital to purchase the whole investment, hence reliance most times on debt financing.

ii) Not a standardised investment: Real estate is not a standardised investment. No two given properties are the same, and every building is located on a unique art with specific legal and geographical characteristics. Since property values are dictated by location, the same size of property in different locations will have different values, even if they have different costs.

iii) Can be improved by good management: Active and good management can improve returns on property investment. A property investor can add value by improving lease structures, maintaining tenants and refurbishing or even developing. Some investors are known to have turned building around from an investment perspective.

iv) Information tends to be poor: Information on the property market tends to be imperfect and investors often rely on word of mouth or media for market information. The values at which transactions occur are not always made public. Transactions on shares at the Stock Exchange are a public knowledge through their information system.

v) Economic life of real estate is influenced by physical, functional and economic obsolescence, unlike share life, which is affected by the performance of the company. Free Library (2011), lists real estate as having the following characteristics: dual components (land and building in one); durability; fixity; heterogeneous, such that each unit is unique; elasticity of stock, such that though fixed in supply, land use can vary or buildings can vary in construction and re-adaptation.

vi) Imperfection: Physical land, buildings, bundle of rights coexisting among themselves result in a uniquely complex market.

vii) Real estate markets have significant interdependency with overall economy; the more capital made available to real estate, the less capital remaining for business enterprises whose continued momentum and expansion ultimately determine the demand for property services and the space to be leased.

Wurtzebach et al. (1994) list characteristics of real estate investment as fragmented and dispersed, heterogeneous, managerially problematic, indivisible, high cost of transfer and imperfection of market transactions. They compare the characteristics with that of stock, which are centralised and easily transferable, even in small units.

Kalu (2009) groups four major forms of investment into two, namely: bank deposit and government stock, and property and share investment. He notes that bank deposit and government stock are risk-free, non-equity in nature and optimally inflation-prone, while share and property are risk-prone, equity-based and inflation-proof as investments. The spin-offs associated with share and property include and capital growth, as well as real growth, whereas these inflation-linked growths are not directly linked with income from bank deposit or government stock. Other characteristics of share and property which cannot be directly linked with bank deposit and stock include super-gain, arising as a result of take-over of a company, which sometimes doubles its share price, or change of use, legislation or conversion for property, leverage or gearing.

Brett (1989) agrees with the above, but adds many more points. According to him:

i) Commercial properties are of high value, whereas shares can be broken down into smaller units of ownership. Real estate ownership thus tends to be in the hands of large financial institutions rather than individuals;
ii) Real estate is not a standardised investment; one share in a given establishment is the same as another, but properties are not identical;
iii) Real estate is not a pre-packaged investment; with investment in a share, you buy the management. But with real estate, you will need to manage it yourself or pay someone to manage it for you;
iv) There is no single market for real estate purchase, but with shares you go to the stock exchange. This makes time of purchase of real estate longer than is applicable for shares;
v) Market information for real estate is imperfect and informal, but for shares, market is formal and perfect;
vi) Income from real estate comes in form of rent, which cannot be reviewed mid-term, whereas income from shares in form of dividends can increase any time, even within annual report period, an interim dividend can be awarded, pending when the final dividend will be paid;
vii) Property investment can wear out through depreciation, while shares also can vanish if a company goes bankrupt;
viii) Variety of ownerships in real estate range from freehold to leasehold and each type affects the value of the property, whereas different forms of ownership in shares, e.g. preference and ordinary, will not necessarily increase the overall company worth.

Modes of financing real estate investments in Nigeria

Internal financing

These types of real estate finance come from rental incomes, sale of real estate and sinking fund from leasehold interests. Some investors accumulate rents, sinking fund and premiums in a dedicated account and use the same to provide more properties. Ikedianya (1979) wrote on these modes.

Finance internal to operator but external to real estate

These refer to equity capitals that are assembled from sources other than from property income. Examples are consociate capital, equity fund, syndicate and trust. Consociate capital is the type derived from other businesses than property. Investors have been known to invest money from transport companies to real estate, for example, The Young, Chisco and ABC Transport.

Equity in finance generally means the ownership of any asset, after all debts and liens associated with such assets are paid off. Equity capital could be private or public. Private equity refers to capital fully owned by an operator. There is no attachment or lien on it. It is fully provided from investor's personal sources without any attachments or conditions by anybody. Public equity is sourced from the public in the form of unitisation of property ownership through trust companies or REITs.

Finance external to real estate and operator

These are types of real estate finance which are external to both real estate commodity and investor. Examples of such are family sources, adventitious capital, contractor finance, mortgages and other loans, not from property income and the investor.

An operator could borrow from family members or friends on trust to complete a particular property. Adventitious capital comes from funds diverted from partnership fund or consortium to real estate development. It stems from excess funds of a consortium or partnership. When channelled into real estate, it is known as adventitious capital.

Contractor finance is a system whereby a contractor or developer invests his finance on another's land, followed by an opportunity to recoup his investment and profit from sale of some units or collection of rent from the developed property. The original owner is usually entitled to a portion of the property. However, properties for contractor finance are usually located in choice areas, for them to attract developers.

Barlowe (1978) defines mortgage as a conveyance of land given as a security for payment of a debt. In a simple term, a mortgage is a loan secured on real estate. The real estate on which the loan is secured is a collateral security.

Though there are different types of mortgage arrangements made for the convenience of mortgagees or mortgagors, the main types are legal and equitable mortgages.

Legal mortgages are well perfected and registered in the land registry. There is usually a mortgage deed signed by both mortgagee and mortgagor. This deed is the agreement binding on the parties and usually states the terms of the mortgage. The deed is supported by governor's consent in Nigerian states.

Equitable mortgages arise when there is evidence that parties intend that real estate should be held as security for payment of a debt. Dome faulty or incomplete mortgages are treated as equitable mortgage.

Davies (1979) summarises that a legal mortgage is subjected to a mortgage executed in legal form, which itself requires a deed because it constitutes the creation of a new legal estate. An equitable mortgage occurs either when an equitable interest is mortgaged or when a legal estate is mortgaged in a manner recognised in equity, but not at common law. Equity mortgage sometimes is conducted by simple deposit of title documents without the cumbersome registration of mortgage deeds in Lands Registry.

Other forms of mortgage variants are packaged trust mortgage, blank trust open-end mortgage, interest only mortgage, collaterised junior mortgage, fixed rate mortgage, wrap-around mortgage and finance mortgage.

Mortgage loan has been identified as most important factor in real estate finance, and finance is the life-blood of real estate industry. Mortgage loans come with many advantages to both mortgagor and mortgagee. A mortgagor, for example, may not be able to build a house in his lifetime, if not for mortgage loan. Repayment terms are usually long, thus, making it easy for repayment. Repayment figures at the end totally triple the borrowed amount thus, scaring investors from borrowing. Mortgagee on its own part makes a lot of profits from lending and his funds are secured especially on legal mortgage. For fear of mortgagors losing their mortgaged properties to the lending institutions due to huge total amounts repaid and due to high interest rates, this option is not always chosen by real estate investors. Also, lending institutions mobilise funds through short-term investments and cannot afford to give out mortgagors on long-term. As a result, they do not have enough funds to give prospective real estate developers and investors.

METHODOLOGY

The research method is descriptive. Relevant data were collected through administration of questionnaire. The population was primarily estate surveyors, property developers and finance operators in Nigeria. Two hundred and ninety-three estate surveyors and property developers, and one hundred and forty-two finance operators successfully completed and returned the questionnaire.

The techniques are frequency distribution where percentages and mean are used to analyse descriptive

Table 1. Are traditional sources of real estate finance still adequate for provision of housing in Nigeria and will introduction of REITS system improve the situation?

	Frequency	Percentage (%)
Strongly agree	47	33
Agree	78	55
Maybe	17	12
Disagree	0	0
Strongly disagree	0	0
Total	142	100

Source: Field survey, 2012.

Table 2. Among the available options of real estate financing, which would investors prefer?

	Frequency	Percentage (%)
Mortgage loans	12	5
Accumulated savings (equity funds)	38	15.8
Family sources	20	8.3
Sinking funds and savings from rent	31	12.9
Real estate investment trusts (REITs) funds	139	58
Total	240	100

Source: Field survey, 2012.

data of results from respondents and analysis of variance (ANOVA), which is used to test the hypotheses and answer the research questions. Based on F-ratio, null hypothesis is rejected, meaning that significant difference existed between means of the variables under consideration.

RESULTS AND DISCUSSION

From Table 1, 47 respondents (representing 33%) strongly agree that traditional sources of real estate finance are no longer adequate for provision of housing in Nigeria and that the introduction of REIT vehicle will improve the situation. 78 respondents (55%) agree, 17 (22%) are undecided, while none disagree or strongly disagree on the above situation.

It can be rightly said that traditional sources of real estate finance is no more adequate for provision of housing in Nigeria and introduction of REIT system will improve the real estate finance situation in Nigeria.

From Table 2, out of 240 respondents, 12 (representing 5%) would want to source finance through mortgage loans, 38 (15.8%) through accumulated savings (equity funds), while 20 respondents (8.3%) would opt for family sources, and 31 respondents (12.9%) would source funds through sinking funds and savings from rents. However, 139 respondents (58%) would want to finance real estate through real estate investment trusts (REITs).

Most Nigerians would like to source their real estate investment finance through REITs. In other words, they would like to own real estate through REITs.

Analysis of reasons why REITs finance vehicle is not yet popular in Nigeria (Table 3), shows that 57 respondents (30.8%) agree that there is no public enlightenment, while 7 respondents (3.8%) agree that is due to bad corporate performance. 13 respondents (7%) think it is due to fear of stock price crash, while 16 respondents (8.6%) agree it is due to fear of property price crash. 19 respondents (10.3%) agree it is due to low income level and inadequate finance. 73 respondents (39.5%) agree that all the factors mentioned above are responsible to unpopularity of REIT in Nigeria.

It can therefore be said from the above that REITs' unpopularity in Nigeria is due to the following: lack of public enlightenment, bad corporate performance, fear of stock price crash, fear of property price crash and low income level are reasons why REIT is not popular in Nigeria.

Analysis of Table 4 shows that 5 respondents (3.5%) and 10 respondents (7.1%) asses REIT's performance since inception in Nigeria as having done very well and well respectively, while 30 respondents (21.1%) and 97 respondents (68.3%) assess the same as having done averagely well and badly respectively. None of the respondents assessed the same as having done very badly.

From the above, it is obvious that REIT as a real estate finance vehicle has not performed very well since inception in Nigeria.

From Table 5, 69 responses (28.8%) are in favour of

Table 3. Why REITS finance vehicle is not popular in Nigeria.

	Frequency	Percentage (%)
Lack of public enlightenment	57	30.8
Bad corporate performance	7	3.8
Fear of stock price crash	13	7
Fear of property price crash	16	8.6
Low income level and inadequate finance	19	10.3
All of the above	73	39.5
Total	185	100

Source: Field survey, 2012.

Table 4. Assessment of REIT's performance since inception as a real estate finance vehicle in Nigeria.

	Frequency	Percentage (%)
Very well	5	3.5
Well	10	7.1
Averagely well	30	21.1
Badly	97	68.3
Very badly	0	0
Total	142	100

Source: Field survey, 2012

Table 5. Factors that could popularise REIT's finance vehicle in Nigeria.

	Frequency	Percentage (%)
Increased public enlightenment	69	28.8
Improvement in overall performance of REITs	31	12.9
Improvement in income levels	20	8.3
Non-volatile stock and property markets	12	5
Amendment of relevant laws to make for smooth running	38	15.8
All of the above	70	29.2
Total	240	100

Source: Field survey, 2012.

increased public enlightenment, while 31 responses (12.9%) favour improvement in overall performance of REITs as factors that can popularise REITs in Nigeria. 20 responses representing 8.3% agree that improvement in income levels will help popularise REITs finance system in Nigeria. 12 responses (5%) agree non-volatile stock and property markets, while 38 responses (15.8%) accept amendment of relevant laws to make for smooth running of REITs as factors that will popularise REITs finance vehicle in Nigeria. 70 responses (29.2%) agree that all the above factors will help popularise REITs finance system in Nigeria.

Therefore, from the above, increased public enlightenment, improvement in overall performance of REITs, improvement in income levels, non-volatile stock and property markets, and amendment of relevant laws to make for smooth running of REITs are factors that will help popularise REITs in Nigeria.

Table 6 above revealed that the output of the ANOVA analysis has a statistically significant difference between the group means. The f(cal) 17.543 was shown to be greater than f(tab) 3.00 at 0.05 level. It was also revealed that the calculated significance level 0.000 is less than the adopted confidence level of 0.05. Therefore, the null hypothesis is rejected while the alternative hypothesis is accepted. Positive changes in REIT structures will popularise REITs in Nigeria and increase housing stock.

Analysis of Table 7 shows 41 respondents (15.8%) agree that changes in management and operational structures will improve REITs performance in Nigeria. 12 respondents (4.6%) agree that there should be changes in trustee structure, while 15 respondents (5.7%) agree there should be changes in tax structure in order to improve REITs performance in Nigeria. 28 respondents

Table 6. ANOVA – Positive changes in REIT structures and effect on its popularity and increase in housing stock in Nigeria.

	Sum of squares	df	Mean square	F	Sig.
Between groups	9.354	2	4.677		
Within groups	36.258	131	0.267	17.543	0.000
Total	45.612	138			

P < 0.05 = significant

Table 7. Changes that can be brought into structures of REITs in Nigeria in order to improve their performance.

	Frequency	Percentage (%)
Change in management structure	41	15.8
Changes in operational structure	41	15.8
Changes in trustee structure	12	4.6
Changes in tax structure	15	5.7
Changes in organizational structure	28	10.7
Changes in regulatory structure	40	15.3
Changes in investment structure	33	12.6
All of the above	51	19.5
Total	261	100

Source: Field survey, 2012.

Table 8. Will improvement in REITs operations and performance in Nigeria increase housing stock?

	Frequency	Percentage (%)
Strongly agree	43	30.3
Agree	76	53.5
Maybe	23	16.2
Disagree	0	0
Strongly disagree	0	0
Total	142	100

Source: Field survey, 2012.

(10.7%) suggest that changes in organisational structure, while 40 respondents (15.3%) agree there should be changes in regulatory structure in order to improve REITs performance in Nigeria. Whereas 33 respondents (12.6%) agree that for REITs performance to be improved in Nigeria there should be changes in investment structure, 51 respondents (19.5%) agree that all the above-mentioned changes should be brought about for a better performance.

From the above, positive changes in management structure, operational structure, trustee structure, organisational structure, investment structure and tax structure will improve performance of REITs in Nigeria.

Analysis of Table 8 shows that 76 respondents representing 53.5% and 43 respondents representing 30.3% agree and strongly agree respectively, that improvement in REITs operations and performance will increase housing stock in Nigeria. 16.2% or 23 respondents are undecided, while none of the respondents disagrees or strongly disagrees with the claim.

Analysis of Table 9 shows that 47 respondents representing 33.1% strongly agree that improvement in REITs operations and performance will popularise it in Nigeria, while 86 respondents (60.6%) agree with this view, 6.3% of the respondents (nine in number) are undecided, while none of the respondents disagrees or strongly disagrees with the claim.

Improvement in REITs operations and performance will popularise REITs real estate finance vehicle in Nigeria.

Findings

The traditional sources of real estate finance are no more

Table 9. Will improvement in REITs operations and performance popularise the real estate finance system in Nigeria?

	Frequency	Percentage (%)
Strongly agree	43	30.3
Agree	76	53.5
Maybe	23	16.2
Disagree	0	0
Strongly disagree	0	0
Total	142	100

Source: Field survey, 2012.

adequate for provision of housing in Nigeria:

i) The introduction of REITs system will improve the real estate finance situation in Nigeria. There is need to find ways of improving REITs performance so that more REITs will be encouraged to establish business. Many investors who want to supply real estate would prefer REITS financing system.
ii) Even though REITs as a means of investment have not performed well, property investors have preferred this option, hence the rush to establish REIT companies by big property investors like United African Company of Nigeria (UACN), Aso Mortgage Company Limited and Union Homes Savings & Loans.
iii) There is need to find ways of improving REITs performance so that more REIT companies will be encouraged to establish business. Improvements in management, operational, trustee, regulatory and investment structures will improve performance of REITs in Nigeria.
iv) Positive changes in REITs structures in Nigeria will popularise REITS and increase housing stock.
v) To popularise REITs in Nigeria and increase housing stock, there should be increased public enlightenment, improvement in income levels, amendment of relevant laws and availability of non-volatile stock and property markets.

CONCLUSIONS AND RECOMMENDATIONS

This work has proved that traditional methods of financing real estate investment are no more adequate considering the increase in scope of real estate development. Modern or contemporary sources, which are more aggressive and consist mostly of loans, mortgages, staff credit and pension funds, come with delays in approval, high and compounded interest rates and reluctance of lending institution to grant loans due to inadequacy of long-term funds, would have been handy but are now less preferred.

Thus, the option now is for property companies to establish REITs, pull resources of investors together and invest the proceeds in property development. Many small property investors are ready to go through REITs to own property. It is therefore recommended that property investment companies should establish REITs and invest in property. Some of the REITs unit investors may in future, sell some of their shares and buy private property should they desire to be identified as property owners, rather than having pieces of property in various places.

Positive changes should be brought into REITs operations and actions should also be taken in order to make them familiar to households.

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