AN EVALUATION OF THE PERFORMANCE AND ACCEPTABILITY OF REIT IN NIGERIA

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PURPOSE: The study investigates the performance and acceptability of Real Estate Investment Trusts (REITs) in Nigeria.

DESIGN/METHODOLOGY: The study adopted index computation and risk adjusted return (ICRAR) analysis using weekly stock returns. Market weighted capitalization approach is used to develop REIT and property stocks indexes over the period 2008-2014. A correlation analysis of the returns was done to assess the diversification benefits of N-REIT to the market.

FINDINGS: N-REIT underperformed the market in term of both average return and risk adjusted return but have a superior performance over the property company. With a low insignificant negative correlation N-REIT signals a marginal diversification advantage.

RESEARCH LIMITATIONS/IMPLICATIONS: The sample of REITs in this study is small. There are three (3) REITs in Nigeria but only two REITs in established before 2013 were selected. This research as a potential pioneer study of Nigeria REIT did not consider a mixed asset portfolio effect or benefit

PRACTICAL IMPLICATIONS:The study provides an insight into the characteristics of the Nigeria REIT which will be of interest and practical usefulness to market players. Previous studies focused on UPDC, the only listed property company in Nigeria. Therefore, investors will be guided on decision making with regard to real estate securities because of the clear evidence of the outperformance of REIT compared to the property company.

ORIGINALITY/VALUE OF WORK: This paper is the first empirical studies that investigates Nigeria REIT performance on the basis of risk adjusted analysis. It contributes to the body of knowledge by adding Nigeria market into the global REIT performance analysis. The computation of indices for N-REIT in this study was to provide comparison with market index, there has been no such index in Nigeria market publicly prior to this study.

Keywords: Nigeria REIT, REIT acceptability, REIT Performance, Risk adjusted returns, Stock market

1. Introduction

In the words of Oreagba (2010) Real Estate is the largest asset class in the world (comprising more than 54% of global financial wealth) and in Nigeria, it has consistently shown significant growth over the years. The National Bureau of Statistics (NBS) report released in February 2015 shows that the real estate sector contribution to the Nigeria Gross Domestic Products (GDP) rose from 7.56% (NGN4.9tn) in 2010 to 8.01 (NGN6.677tn) in 2013. The real estate sector also serves as a very important means of asset diversification thereby making it further attractive to both retail and institutional investors. Unfortunately, in most countries (especially the developing ones), direct investment in the real estate sector is beyond the reach of most people and as an investment-grade asset class, it is usually traded through indirect instruments such as Real Estate Investment Trusts (REITs). REITs has been accepted and adopted all over the globe as an alternative investment medium in real estate (Dittman, 2010; Sullivan, 2003). There have been records of the success of REITs operation in the western countries of U.K, USA, Canada, Australia, France and Germany. South Africa in Africa continent is recording a success story too (EPRA, 2012, 2014). Some Asian countries like Japan, Singapore, Hong Kong and Malaysia are enjoying the benefit of REITs (Ong, The, & Chong, 2011; Oreagba, 2010). However, as attractive as REITs seems to be, one wonders why it takes long time before its adoption worldwide. India, Bulgaria, Philippine, Pakistan and Nigeria could develop a legal framework for operations of REIT a decade into the current millennium (FMI, 2010). Again, in most of the countries that adopted REITs lately, the physical manifestations of the benefits of operations of REITs are yet to be seen, neither has the Nigeria REIT be researched or reported.

Within the Africa REIT context, Nigeria established REIT market in 2007, second to Ghana (with the exception of South Africa Property Unit Trust and Property Loans Stock) and have three (3) REITs by 2013 before South Africa legislated in favour of modern REIT regime. With the importance of Nigeria in Africa and West Africa economic size, it becomes inevitable to investigate the performance of Nigerian REIT (N-REIT). This is also informed by the local investors' high interest in direct real estate and stock of some construction companies in the Nigerian Stock Exchange (NSE). N-REIT is expected to be an important source of listed property securities exposure to both local and international investors especially the institutional investors. Therefore this paper has as its focus an investigation of the performance of REIT in Nigeria and also to appraise the acceptability of REIT as a viable investment vehicle in real estate over the seven (7) years of REIT existence in Nigeria (2007 -2014). The rest of this paper discusses the Nigeria REIT market characteristics followed by a brief review of literature on REIT performance analysis. The methodology and empirical result of analysis were discussed next, then empirical findings were later discussed followed by the drawn conclusions. The last section specifies the contribution and limitation of this study.

Nigeria REIT Market

In 2007, the Securities and Exchange Commission (SEC) of Nigeria issued the first set of guidelines for the registration and issuance of requirement for the operations of REIT in Nigeria following the enactment of Investment and Securities Act (ISA) of 2007. The first REIT in Nigeria is the SKYE Shelter REIT launched by SKYE Bank Plc in 2007 with NGN2billion. Following this was the launching in 2008 of Union Homes Hybrid REIT by Union Homes (a subsidiary of Union Bank of Nigeria Plc) with a market capitalization of NGN50billion (Odunsi, 2011; Oreagba, 2010). Union Homes has been engaging in real estate acquisition, development, financing, leasing and management prior to the launching of its Hybrid REIT. Unfortunately the IPO was under subscribed to due to the global economic and financial crisis of 2007/2008. Today, there are three REITs in Nigeria. The third entrant into Nigeria REIT is the UPDC REIT launched by UAC Property Development Company (UPDC), a major player in Nigerian real estate sector with NGN30billion entry on February 8, 2013 (Businessday, 2013).

The position of Nigeria in the global economic terrain is a possible factor for economic concern and market operation including property market as a whole and REIT sector in particular. Doing Business report ranked Nigeria 170 out of 189 countries, a setback from 147th position in 2013. Economic Freedom placed the country at 129 out of 175 nations and Transparency International, a corruption watchdog in her 2013 Corruption Perception Index ranked Nigeria 144 out of 177 countries (David, 2014). Table 1 is a summary of the rating of the Nigerian economy.

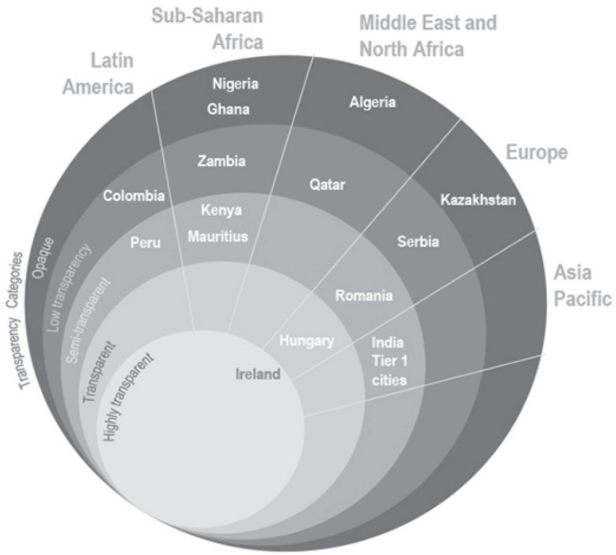
Table 1: Economic Rating of Nigeria

S/N	Economic Report	Number of Countries ranked	Nigeria Position
1	Doing Business Report 2014	189	170
	Doing Business Report 2013	189	147
2	Economic Freedom 2013	175	129
3	Corruption Perception Index (TI) 2013	177	144
4	Emerging Markets' GDP (Baum, 2008)	180	136

Source: Author Compilation (CBN, Baum, 2008; David, 2014; and Khan, 2014)

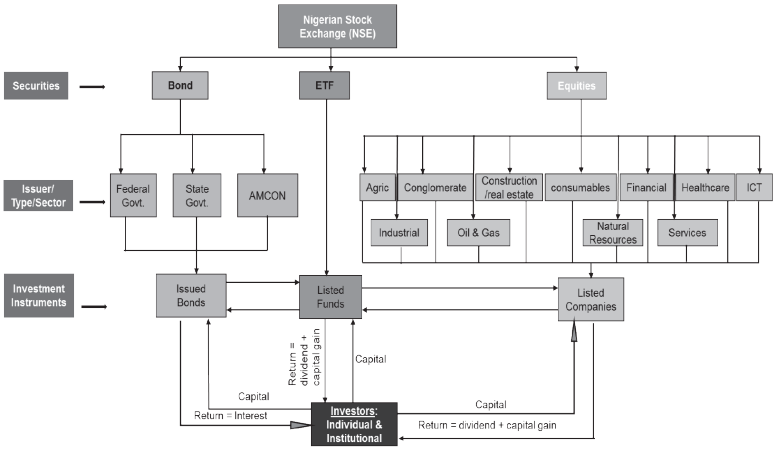
The Jones Lang Lasalle (JLL) Global Real Estate Transparency Report, 2014 ranked Nigeria among the top 10 improvers markets (and among the top 5 improvers from Sub-Sahara Africa) (Fig.1). Nigeria is one of the fast growing economies and a regional hub of attraction for international commercial property investors in Africa. The various economic ranking reflect the transparency and policy inadequacy of Nigeria which could be related to the country's leadership focus.

Figure 4.1: Top impover markets on Regional Basis (JLL, 2014)



The Nigerian Stock Exchange (NSE) offers a range of products of securities for daily trading under three broad categories of Equity, Bond and Traded Funds. The equities sector deals with all shares and stock of the listed companies divided into 11 sub-sectors, The Bond are debt instruments issued by the government, both federal and state governments as well as the asset management company of Nigeria (AMCON). Exchange Traded Funds are pool of funds that are registered with the exchange for the purpose of investment in the shares of listed companies therefore allowing the fund holders part ownership of the companies in which the fund are invested. The Nigerian stock exchange has 193 listed companies with market capitalization of NGN11.5trilion (US$57.8bn). The exchange has 9 indices for the market including the All Share Index (ASI), NSE30, Banking Index, Insurance Index, Oil &Gas Index, Consumer Goods Index, Lotus II Index (for sharia compliant equities), ASeM Index (alternative securities market Index), and Industrial Goods Index. The structure of the Nigerian stock exchange is presented in figure 2.

Figure 2: Structure of the Nigerian Stock Exchange (NSE)



The REIT industry in Nigeria fall within the Construction/real estate subsector of the Nigerian stock exchange equity stock category with 3 REIT companies, 2 property companies and 5 construction companies listed. The regulatory structure of the Nigerian REIT is presented in Table 2 below

Table 2: Nigeria REIT Regulatory structure and characteristics

Management	Internal Management
Property Investment	At least 75% on real estate assets for close end and 70% on real estate assets for open end.
Overseas investment	No
Property Development	Yes, only for inclusion in portfolio
Gearing	25% of fund
Distribution	At least 90%
Capital gain tax	Exempted
Stamp duty	15%
Unit Holder	Minimum of 100
Tax transparency	Partial
Withholding tax	10% in the hand of unitholders
Listing	Nigerian Stock Exchange (NSE)
Regulatory body	Securities and Exchange Commission (SEC)
Legislation	Investment and Securities Act (ISA) 2007

Source: Author's compilation from guidelines from SEC, NSE and ISA 2007

There are three (3) REITs in Nigeria with predominant investment in the residential property sector. This is because one of the driving forces for REIT establishment is to increase the supply of housing to the teeming population. Nigerian REITs invest more in high and medium class accommodation. Table 3 present the profile of the Nigerian REIT.

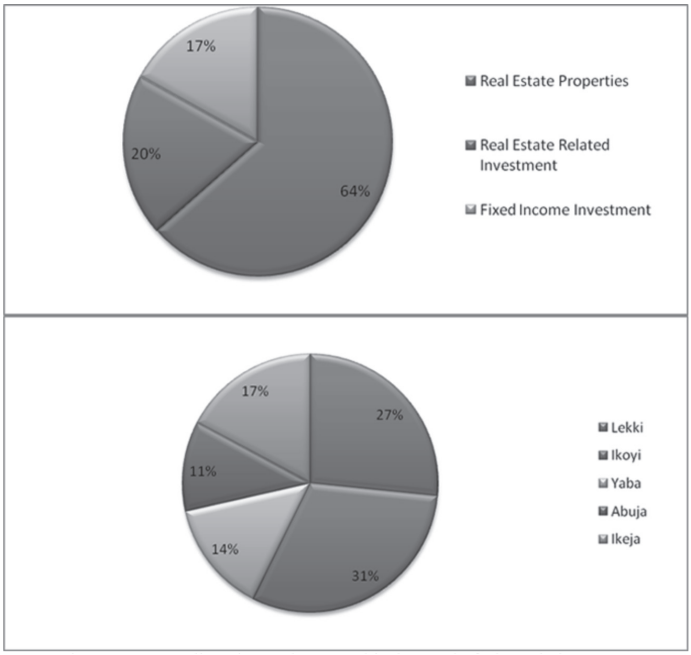
Table 3: Nigeria REIT Profile as at 31st October, 2014

REIT	Year Listed	Units	Price (NGN)	Capitalisation (NGN'm)	Sector Share (%)	Property Types
Skye Shelter	2007	20,000,000	100	2,000	5.37	Residential and Commercial
Union Homes	2008	250,000,000	45.22	11,305	30.38	Residential and Commercial
UPDC	2013	2,658,000,000	9	23,922	64.25	Residential,

Source: Authors Compilation from Nigerian Stock Exchange weekly report and N-REIT annual reports.

The asset allocation and geographical spread for the Skye Shelter REIT is presented in figure 3 while figures 4 and 5 shows the residential estates of Skye Shelter REIT and UPDC REIT property portfolio respectively.

Figure 3: Asset allocation and geographical spread of Skye Shelter REIT



(source: www.skyeshelterfund.com/index.php)

Figure 4: Property Portfolio of Skye Shelter REIT (Source: www.skyeshelterfund.com/index.php).

Figure 5: Property profile of UPDC REIT (source: www.updcplc.com/projects)

REIT Performance Analysis

The performance of REIT as a securitised real estate investment with real property or mortgages as its underlying asset has been related to two important factors which are (i) the pricing of REIT stocks in the stock market (share price) and (ii) the income from the underlying real property assets. While the share price movement in the stock market is an indication of value/capital appreciation, the income from underlying property assets determines the dividend distribution. The difference in stock market and the property market is also reflected in the price movements. Prices moves (changes) in stock market every minutes but it takes some time for prices of properties to change (Chan et al., 2003).

REIT performance has been extensively researched across the global REIT markets ensuing in mixed findings of both outperformance and underperformance of the stock market, the usual benchmark. (Ong et al., 2011) in their study of Malaysia REIT found M-REIT having superior performance over other stocks and the market index and also reported that the superior performance can be sustained by M-REIT. Grupe and DiRocco (1999) earlier found similar result in favour of equity REITs outperforming the market. According to Havsy (2012) REITs in United States outperformed the S&P500 index with a long term yield of 7-8%. The dividend from REIT sector in Asian markets is between 4.1% and 9.3% with most markets outperforming their market indexes (FMI, 2010). In a comparative studies of Malaysia and UK REITs, Alias and Soi Tho (2011) found a similar result with both markets. Pham (2013) could not agree less with the FMI report of 2010, he concluded that Asian REIT markets have higher returns with lower risks. Okunev and Wilson (2008) adopted a modelling approach to predict excess asset return and also concluded that REIT provides excess return. Newell et al., (2013) studied the French REIT (SIIC), their findings was not different as SIIC delivered a superior returns compare with stock on a risk adjusted basis. Other studies that reported similar findings include Newell and Osmadi (2009) on Malaysia REIT and Newell and Peng (2012) on their study of Japan REIT, Newell et al., (2015) on a study of Singapore REIT. The one year REIT operations in South Africa after the conversion of some PUT and PLS to modern REIT in 2013 presents a 5.5% return in 2014 (EPRA, 2014). This is higher than interest rates on deposits, an indication of a better yield. Olaleye and Ekemode (2014) conducted a study of the performance of real estate securities and non real estate securities in Nigeria using the UACN Property Development Company (UPDC) as proxy for real estate securities. Their study found that real estate securities outperformed non real estate securities and the result was believed to be the similar for REITs (as an alternative investment securities for real estate in Nigeria).

On the contrary, some other studies found that REIT performance may not be superior all the times and in all markets. Peng and Newell (2012) found Taiwan REIT underperforming the construction shares sector though outperform the shares on a risk adjustment return (adopting Sharpe ratio) basis. Osmadi (2007) researched on the performance of the then listed property funds (LPT) in Malaysia between 1991 and 2005 and concluded that Malaysia LPTs underperform the Kuala Lumpur Composite Index (KLCI). The result was in agreement with Newell, Ting, and Archeampong (2002) on a similar study, only one out of the four (4) listed property trust companies studied outperform the KLCI. Ooi and Liow (2003) reported lack of any empirical evidence of higher returns from real estate stocks that is superior to other stocks in the Asian Markets. Ong et al. (2012) concluded that the outperformance of REIT is dependent on the type of measurement tools that is adopted in the analysis. They stressed further that the adoption of Jensen Alpha in a risk adjusted return analysis of Malaysia REIT during and post global financial crisis of 2007-8 shows an outperformance of M-REIT over the stock market. However, the opposite result of underperformance was reported with the adoption of both Sharpe and Treynor ratio in the same study.

Previous research on REIT performance have suggested that REITs have similar char-

acteristics of return and risk to the stocks in the capital market and its performance can be assessed in the same way stock performance is assessed (Chan et al., 2003). The Risk Adjusted Return following the computation of mean average return and standard deviation is agreed to be acceptable in REIT performance measurement (Bruegeman & Fisher, 2002; Glascock, Lu, & So, 2000; Lee & Chiang, 2010; Mueller & Mueller, 2003). The REIT performance analysis in this study involves the processing of financial data relating to REIT transaction and performance in the Nigerian Stock Exchange. Most of the past studies adopted index computation from the market transaction data, assess the average return and risk adjusted return with the standard deviation (risk), the return is compared with an index or the respective stock market index as a benchmark in other to assess REIT performance and diversification advantage (Newell & Osmadi, 2009; Newell & Peng, 2012; Newell et al, 2002, Ong et al, 2012). Some other studies adopted risk volatility to assess performance and diversification of investment to REITs (Chan, Hendershott, & Sanders, 1990; Han & Liang, 1995; Titman & Wanga, 1986; Kim & Jang, 2012). This research also adopted REIT index computation and risk adjusted return to assess N-REIT performance. In the situation of a non-existent index series for Nigeria REIT, the authors computed a market weighted REIT and property indexes.

Data and Methodology

Necessary for index construction are trading data availability, representativeness of the data, consistency and length of time, market size and sector size (Freeman, 2007). Weekly returns of REIT and Property sectors were accessed for the period February 2008 the first day of REIT transaction recorded in the Nigerian Stock Exchange to December, 2014 (358 observations). Both Skye Shelter REIT and Union Homes REIT form the constituents for the index computation for the REIT sector while UACN Property Development Company (UPDC) is the only listed property company in the Nigerian Stock Exchange and the only constituent for the property sector. The stock market computed All Share Index (ASI) were compiled for the same period as well and the Treasury Bill true yield of the Central Bank of Nigeria for 365 days tenure is adopted as the risk free rate which is 10.35% as at end of May 2015. The data were collected from the websites of the Nigerian Stock Exchange (NSE) and the Central Bank of Nigeria. Following the computation of the REIT index and Property Index, the weekly return is calculated and the mean return representing average of values over the period is considered as the expected return. It was calculated as follows:

$$R = 1/T \sum_{t=1}^{T} r_t \qquad (1)$$

where R is the expected return, rt is the return at time t and T is the total number of observations.

The risk component of the asset is measured by the standard deviation of the return. It represents the variance between the average return and the observed return for each time and it is calculated from the sample periodic returns as follows.

$$s = \sqrt{\sum_{t=1}^{T}(r-R)^2/(T-1)} \quad (2)$$

where s is the sample standard deviation. The sample standard deviation is used in this research as population standard deviation (∂)

The risk adjusted return is measured in two ways in this study. The return-risk ratio (coefficient of variation) and the Sharpe ratio. The return-risk ratio takes the form of dividing the return by the risk and the Sharpe ratio is measured by the risk premium of the asset divided by the volatility thus:

$$\text{Sharpe ratio} = (R - R_{rf})/s \quad (3)$$

Where R_{rf} is the risk free return of the market. In the main study, the market risk free return (Rrf) is the 365 days Treasury Bill true yield of the Central Bank of Nigeria (CBN) which is 10.35% as at May 2015. Since the risk free return adopted is annualised, a weekly risked adjusted return was derived from the 365 days Treasury bill yield using the expression

X^{52} = 10.35%, where X is the weekly risk free return.

The advantage of Sharpe ratio is its mathematical simplicity and theoretical sensitivity but its weakness lies on the standard deviation that assumes normal distribution of data. The adoption of Sharpe ratio in this study follows the distribution of the data which passes the normality test.

Analysis and Result

Statistical Analysis

The assumption of normal distribution was tested for in respect of the weekly capitalisation data on REIT and Property Company before computation of index, using Skewness and Kurtosis statistics. Both REIT and Property capitalization values are normally distributed with values greater than -1.96 and less than +1.96, the normal distribution range. The Skewness values are -0.671 and 0.214 while Kurtosis values are -1.551 and -0.513 for the N-REIT and Property Company respectively (Table 4).

Table 4: Descriptive Statistics/Normality test for market data of REITs and Property company

	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
REIT Capitalisation	358	10216889009.99	5817410396.11	-.671	.129	-1.551	.257
PPTY Capitalisation	358	24250928700.40	6494734450.23	.214	.129	-.513	.257
Valid N (listwise)	358						

Analysis of Variance (ANOVA)

One way ANOVA test was conducted on the continuous data of capitalisation between REIT and Property Company. The test of homogeneity of variances shows that there is no significance difference between the variances of capitalisation for REIT and property company, $P > 0.05$ (Table 5). With no significant difference in variances, the F statistics value of 927.47 (df =1,714, $P < 0.05$) is significant (Table 6). The ANOVA test shows that there is significant differences in mean capitalisation for REIT and property stocks with property being higher as shown in Table 4

Table 5: Test of Homogeneity of Variances-Capitalisation

Levene Statistic	df1	df2	Sig.
2.092	1	714	.149

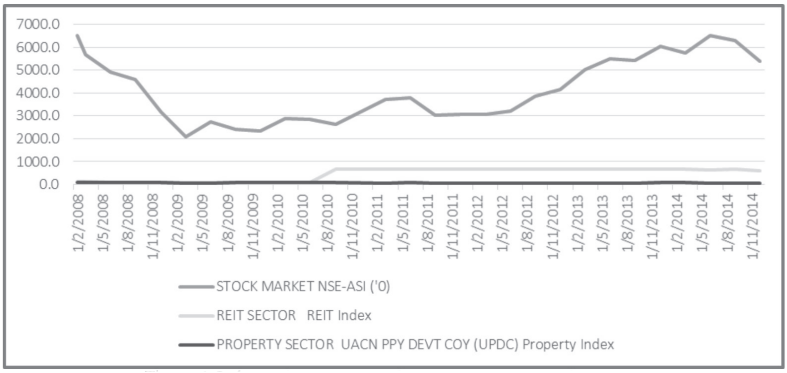
Table 6: F-statistics (ANOVA) for Capitalisation

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	3.525E+22	1	3.525E+22	927.467	.000
Within Groups	2.714E+22	714	3.801E+19		
Total	6.240E+22	715			

Acceptability of N-REIT

The indexes were plotted against the Nigerian Stock Exchange All Share Index (NSE-ASI) as shown in figure 6. Both REIT and property indexes reveal a near constant scenario through the entire period under study. This suggest that there is little or no trading in real estate securities (property and N-REIT) in Nigeria stock market. The property index exhibited a non liquidity scenario throughout the period. The trend was similar for both REIT and property indexes between 2008 and 2010. This is because only one REIT company (SKYEREIT) is been traded until May 2010 when the second REIT (UHOMEREIT) joined the market, Thus the rise in capitalization and consequently the index as shown in figure 6 (on a quarterly basis). Nevertheless both property and REITs shown a non-liquid, non-trading status. The market index however presented a time series data set.

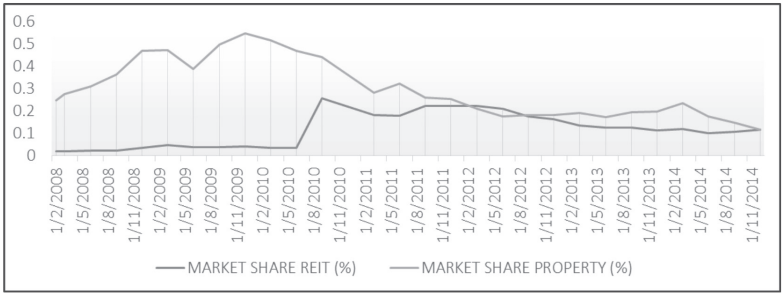
Figure 6: Index series movement for NSE-ASI, REIT and Property



Source: Nigerian Stock Exchange (December, 2014)

The study estimated the market share for both property and N-REIT of the Nigerian Stock market in term of capitalization. The result was plotted as shown in figure 7. The REIT sector contribute 0.02% of the stock market between February 2008 to May, 2010 then rose to 0.26% in September, 2010 as a result of the entry of the second REIT company into the market, and experienced decline over the period to 0.12% by December, 2014. In a similar trend, the property company contribute 0.24% in February 2008, rose to 0.55% in December, 2009 and decline on undulating pattern to 0.11% by December 2014.

Figure 7: N-REIT and Property stock share of Nigeria Stock Exchange Market Capitalisation



From the data collected from the stock exchange, the annual closing prices of the REITs were examined between 2007 and 2014 to show the annual price movements. Figure 8 presents the share price as it falls from base year 2007 gradually till 2014 suggesting depreciation in capital value.

Figure 8: N-REITs Share Price (2007-2014)

N-REIT performance analysis

Table 7 presents the risk-adjusted performance of N-REITs property stock and the market (NSE) over February, 2008 – December, 2014. According to the results, N-REITs underperforms the market but have superior performance to property sector. N-REIT generates an average annual return of 1.8% as compared to that of 2.3% for the market and -0.05% for Property Company. The risk level, as measured with standard deviation, was higher for the market (48.48%) than that of N-REIT (34.8%), and that of Property Company (6.62%). On a risk-adjusted basis, measured by return/risk and Sharpe ratios, N-REITs was ranked second to the market and significantly above the Property Company. The analysis revealed the superior performance of N-REIT over Property company shares in terms of both average return and risk-adjusted performance over the study period. Meanwhile, the market (NSE-ASI) outperform N-REIT

Table 7: Risk adjusted return performance analysis

Sector	Weekly Risk free rate	Ave. Return (%)	Risk (%)	Risk Adjusted Return (Sharpe Ratio)	Return Risk Ratio	Rank
NSE_ASI	1.05	2.3	48.48	0.026	0.05	1
N-REIT	1.05	1.8	34.8	0.021	0.05	2
Property	1.05	-0.05	6.62	- 0.17	-0.01	3

The study sought the correlations between N-REIT and the market and Property Company shares. Results of the correlation is shown in Table 8. N-REIT has insignificant correlation with both the market and Property Company. The low but negative correlation between the market and N-REIT (r = -0.002) portray that N-REIT could

possess a diversification benefit to the stocks. However, the low positive correlation (r = 0.012) of N-REIT to Property Company indicates a non-diversification benefit between the two. With a positive low correlation of (r = 0.033) between the market and the Property Company, REIT possess a better diversification benefits to the market than the Property Company.

Table 8:Correlation Matrix of the returns (Market, REIT and Property

		MKT Return NSE-ASI	REIT Return	Property Return
MKT Return NSE-ASI	P. Correlation	1		
	Sig. (2-tailed)			
REIT Return	P. Correlation	-.002	1	
	Sig. (2-tailed)	.977		
Property Return	P. Correlation	.033	.012	1
	Sig. (2-tailed)	.538	.814	
	N	357	357	357

Discussion of Findings

The research assessed the performance and acceptability of REIT in Nigeria as a focal point of this study using the Index Computation and Risk adjusted Return approach as commonly adopted in stock investment performance analysis. The findings show that REIT performance in Nigeria is low. N-REIT underperforms its benchmark which is the Nigerian stock exchange – All Share Index with an average return of 1.8% against the market index of 2.3% and risk adjusted return 0.026 and 0.021 respectively (Table 7). However, N-REIT outperform the property stock of a negative average return of -0.05% (and risk adjusted return is -0.17). The correlation among the market indexes shows that N-REIT and property is low and insignificant while REIT and Market have negative correlation (-0.002). The negative correlation can signal a diversification benefit for the market, the no strong and insignificant effects portray marginal diversification advantage (Table 8). This finding is in contradiction to the global consensus of outperformance of REIT in other markets most especially equity REITs (Grupe & DiRocco, 1999). Ong et al. (2011) in their study of Malaysia REIT acknowledges the superior performance of M-REITs. One of the established benefits of REITs is high and reliable income (dividend distribution) and this had been reported to be main attraction of REITs in early studies (Havsy, 2012; FMI, 2010; Alias & Soi Tho, 2011; Newell et al., 2013; Newell et al., 2015; Newell & Peng, 2012; Okunev & Wilson, 2008). This finding of a low performance in this research could not be regarded as new or out of expectation as few other studies have argued the superior performance of REIT return and others reported dual findings of both outperformance and underperformance (Alcock et al., 2013; Osmadi, 2007 and Ong et al., 2012).

Chan et al. (2003) linked REIT performance to the stock prices and the underlying property assets and cautioned that the price movements in stock market occurs every minutes while income from properties infrequently change. They attributed the fluctuation in REIT return performance to cyclical nature and trend of property market which do exhibit boom, bull, recession and recovery. REIT in Nigeria was introduced in the midst of the global financial crisis (GFC) of 2007-2008 and initially

suffered the effect of the GFC on stock market with the initial public offer of Union Homes REIT not fully subscribed to. This has affected the performance of UHOMES-REIT in the last six years as its share price plummeted. REIT performance have also be attributed to type of REIT, equity or mortgage or hybrid. Equity REIT was found to outperform Mortgage REIT or Hybrid REIT (Grupe & DiRocco, 1999). Nigeria REIT has two Equity REIT and one Hybrid REIT, the history of dividend distribution agreed with this assertion as the Equity REIT did better than the Hybrid REIT (Table 7). Diversification in term of property types is widely accepted to be impacting on performance with most REITs having a sizeable of income generating commercial (office and retail) properties in their portfolio. Nigeria REITs' portfolio is dominated by residential properties of high income class with few commercial properties in an attempt to reduce housing shortage in Nigeria (figure 4 and 5). This probably have contributed to underperformance of Nigeria REIT. Despite the mixed findings of different studies on REIT performance across the globe, the consensus is that REIT have superior performance and do outperform their markets. The performance of Nigeria REIT contradicts this finding and aligned with few studies that found REIT performing lower than their markets. The outperformance of Nigeria REIT against the property securities however support the superior performance of REIT over property company.

The acceptability of REITs in Nigeria was found to be low as reflected in near illiquidity of the REIT sector (figure 6) shows that REIT and property sector in Nigeria exhibits a near constant value suggesting no trading on stock. The unit prices of the REIT shares experienced a fall from their initial public offer (IPO) price, sometimes retain the IPO price and no appreciable increase in price over the period of this study, 2008-2014 (figure 8). There is no growth but a gradual fall in capitalization. The study further found that N-REIT contributes a negligible impact to the entire market capitalization with a market share of 0.02% to 0.12% (Figures 7). The earlier studies of REIT performance linked REIT return to the investors' perception and acceptability relatively to the capitalization and net asset value. Ting (1999) reported that poor perception of REIT by Malaysian institutional investors negatively affected M-REIT growth. In a study of the 5/50 rule on REITs, Downs (1998) found similar results that the effect of the rule limited the extent of institutional investors in REITs which in turn retard the growth and performance. Where an investment instrument is fully accepted by the investors, the willingness to invest is increased and it usually lead to high performance and growth. The institutional investors are critical when it comes to investors' behaviour or sentiment as stock dominated by higher number of institutional investors outperforming the ones dominated by individuals (Badrinath et al., 1995; Chan et al., 2003; Nofsinger & Sias, 1999; Sias & Starks, 1997). A small cap stock of Malaysia REIT was not attractive enough to the funds of institutional investor (Ong et al., 2011). REIT acceptability to institutional investors have also been examined in terms of the net asset value (NAV). The studies concluded that REITs trading at premium or discount NAV is a result of institutional investors' perception and participation (Barkham & Ward, 1999; Clayton & Mackinnon, 2001; Ong et al., 2011). It can therefore be agreed that acceptability of REIT to institutional investors affects REITs fortunes in terms of performance. The findings of this study supported the earlier studies. N-REIT portends a low level of acceptability to the institutional investors as reflected in the low capitalization, near illiquidity and low return.

Conclusion

In this study, the performance of N-REIT was assessed through the use of the risk adjusted return analysis. The empirical analysis and result indicated low REIT performance in Nigeria, underperforming the market, though outperform the property company. REIT have been reported to have superior performance in terms of returns and growth with lower risk than in many markets. The lower volatility of N-REIT is however consistent with lower REIT volatility in other markets especially Asian markets. Acceptability of REIT in Nigeria is also on the low side as reflected falling share prices and the near constant REIT index over the period. Earlier studies suggested that low size stock does not attract institutional investors, perhaps the reason for the low institutional investors' participation in the REIT sector. The global financial crisis (GFC) that ushered in the REIT regime in Nigeria also affects investors' acceptance of REIT in Nigeria. The Nigerian economy with GDP of US$521bn, growth rate of 5.4% and a population strength of 170 million people present a ready demand for real estate products which can be a pivotal support for a flourishing REIT sector.

Contribution and Limitation

This research fills the gap created by non coverage of Nigerian REIT by global REIT report by bringing the Nigerian REIT sector to global awareness. Therefore the research has extended the existing literature on Africa REIT market. In addition to the contributions to existing literatures, this research provides an insight into the characteristics of Nigerian REIT market wish would be of interest and practical usefulness to market players. The computation of indices for N-REIT and property companies in Nigeria in this study was to provide comparison with market index, there has been no such indices in Nigeria market publicly prior to this study. The indices will provide a useful tool for further analysis of Nigeria property market especially for real estate securities. Investors can be guided that investing in REIT could be better than property companies because of the clear evidence of the outperformance of REIT compared to the property company. The study has also exposed the level of awareness of the Nigerian investors as well as low participation of institutional investors. It is believed that this finding of the research will enlighten the investing populace and encourage their participation in Nigerian REIT.

The possible limitation to the findings of this study is the sample size in term of number of REITs considered in this study. There are three (3) REITs in Nigeria but the two selected companies are the only two REITs in Nigeria between 2007 and 2013, The IPO of the third REIT, UPDC REIT was launched in February 2013 and the result of its operation and record of transaction was not available as at the time of data collection for this research. Also the short time series of the Nigerian REIT market (2007-2014) due to short period of existence of REIT market in Nigeria, compare to other markets of Europe, America and Asian. This research as a potential pioneer study of Nigeria REIT did not consider a mixed asset portfolio effect or benefit. Nevertheless, the limitations have no significant detrimental effect on the findings and the result represents the Nigeria REIT market.

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