

Quick Notes

REITs in Nigeria (REIS)

Practical points for investors & developers



What REITs are & why they matter

Real Estate Investment Trusts (REITs) are collective investment schemes that pool funds from investors for the purpose of acquiring, holding, managing, or financing income-generating real estate assets.

The framework for public REITS was introduced by the **SEC in 2007** to channel capital into housing and real assets. Public REITs are listed on the **Nigerian Exchange Group (NGX)**, allowing units to be traded via stockbrokers like regular shares.

Market Context

~28 Million Units

Estimated housing deficit in Nigeria (2023), highlighting the urgent need for structured real estate capital.

Why REITs Matter

- **Income Access:** Priority on regular dividend distributions generated from rent or mortgage interest.
- **Diversification:** Enables fractional ownership in premium, large-scale properties previously inaccessible to individuals.
- **Liquidity:** Units can be bought and sold on the exchange, bypassing the illiquidity of direct property ownership.
- **Institutional Oversight:** Professionally managed with strict SEC governance and compliance frameworks.



Structure & Models

REIS Legal Forms



REICO (Company)

Established as a company and registered directly with the SEC. It serves as a dedicated corporate entity primarily engaged in investing in and managing income-generating real estate.



Trust (REIT)

Established as a trust and registered with the SEC. Public REITs are listed on the Nigerian Exchange Group (NGX), enabling their units to be transparently traded via stockbrokers.

Operating Models



Equity REIT

Owens and manages income-producing real estate. The primary source of regular income is rent collected from physical properties.



Mortgage REIT (mREITs)

Invests directly in mortgages or mortgage-backed securities. The primary source of income is interest earned on the financing.



Hybrid REIT

A diversified combination of both models, holding physical real estate assets as well as mortgage-related investments.

Key Insight: Regardless of the legal structure or operating model, all approved schemes are professionally managed, regulated by the SEC, and prioritize the regular distribution of dividends directly to investors.

Key SEC thresholds (at a glance)

Statutory rules and compliance metrics governing Real Estate Investment Schemes based on SEC Rules (2017).



≥90%

Revenue Rule

Must be derived from rental or dividend income (excl. capital gains).



≥75%

Annual Distribution

Minimum portion of rental/dividend income to be distributed to investors.



≥~~N~~1bn

Initial Public Offer

Minimum capital threshold required for a new REIS listing.



≥~~N~~500m

Subsequent Offers

Minimum capital threshold allowed for follow-on capital raises.



≥75%

Legal Ownership

Minimum legal interest held in any real estate or SPV within the portfolio.



20-25%

Single-Asset Cap

Max gross asset value for a single property (20% for REITs, 25% for REICOs).



≤20%

Development Cap

Limit on new development activity relative to the scheme's gross asset value.



≤25%

Foreign Allocation

Maximum allowable investment in real estate outside Nigeria (but within Africa).



15-40%

Borrowing Limits

Maximum debt limits based on rules (15% of gross assets for REITs; 40% for REICOs).

REIT Tax Treatment

Nigeria Tax Act 2025 Overview



Section 163(1)(c) Primary Exemption: A Real Estate Investment Trust (REIT) benefits from corporate tax exemption provided at least **75%** of its dividend and rental income is distributed within 12 months after the financial year-end.



Corporate & Withholding Tax

Companies Income Tax (CIT): Exempt if the 75% distribution condition is met, ensuring no additional corporate-level taxation before distribution.

Withholding Tax (WHT): Applied strictly at the Unit Holders level at a flat rate of **10%**.



Capital Gains & Assets

Chargeable Gains (CGT): Base rate of 30% on share sales. Exemptions exist for reinvestments or if aggregate proceeds < ₦150M and gains < ₦10M over any 12 months.

Asset Exemptions: Land, buildings, and relevant securities are exempt for VAT purposes, supporting real estate investments.



Important Limitations



Taxable Income Streams

The exemption does not apply to management fees, profits, or other income earned by the REIC for its own account; such income remains fully taxable.



Shareholder-Level Tax

The exemption at the REIC level does not extend to investors. Distributions are deemed dividends and are fully taxable in the hands of shareholders.

Practical considerations & governance

Key market realities for investors, financing strategies for developers, and regulatory oversight structures.



Market Realities



NAV Variations

Units can trade at a premium or discount to their underlying Net Asset Value based on market sentiment and perceived management quality.



Income Drivers

Distributions rely directly on actual occupancy rates, tenant stability, and the strictness of rent collection practices.



Macro Factors

Interest rates, inflation, and broader real estate cycles significantly impact both property valuations and dividend yields.



Developer Angle



Capital Recycling

Transfer completed, stabilized properties into a REICO/REIT to unlock illiquid capital and fund new development projects.



Entry Rules

Minimum IPO is ₦1bn (subsequent offers ₦500m). Promoters must subscribe to and retain at least 5% of registered units.



Portfolio Caps

New development activity is capped at 20% of GAV. Must own a minimum of 75% legal interest in any portfolio asset.



Governance



Trustee

Holds legal title to the real estate assets on behalf of the unit holders.



Custodian

Ensures the secure safekeeping of all financial and physical assets.



Property Manager

Handles daily operations, maintenance, and tenant rent collection.



Fund Manager

Licensed asset management entity driving portfolio strategy and execution.



Investment Committee

≥3 experts (including ≥1 independent) directing major investment decisions.

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