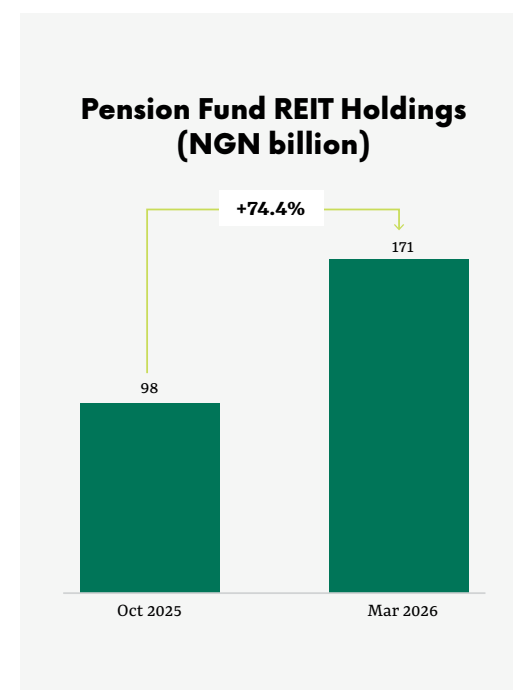
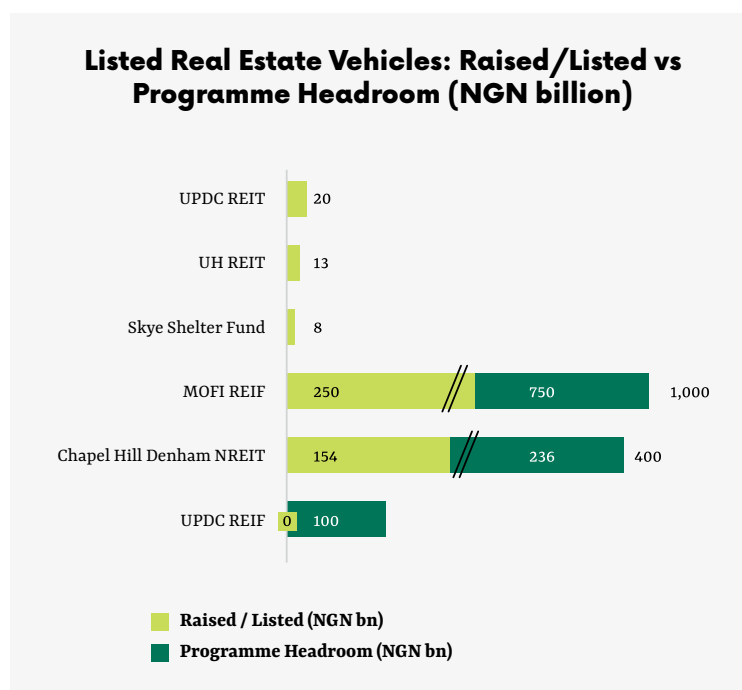
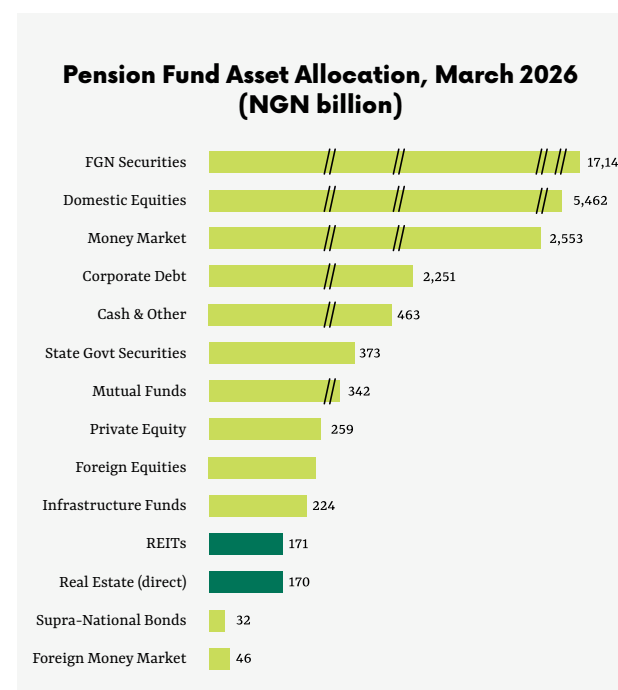


Repricing Nigerian Real Estate

How Pension Reform, Investments and Securities Act 2025 Could Compress the Sector's Cost of Capital

by Lanre Olutimilehin



Three numbers describe the structural shift underway in Nigerian real estate. The first is ₦29.52 trillion; the size of the national pension pool as of March 2026. The second is 58 per cent; the share still parked in Federal Government securities. The third is over ₦750 billion; the announced capacity of three new institutional real estate vehicles, either listed on the NGX or approved by shareholders in the past twelve months.

The regulator has opened a door. The capital is waiting. The sponsors are finally moving. The question is whether the cost of capital follows.

The Policy Unlock

In September 2025, PenCom issued a Revised Regulation on Investment of Pension Fund Assets that reshaped what PFAs can buy. REITs, Infrastructure Funds, MBS and Real Estate Funds are explicitly recognised as allowable instruments. Private Equity allocations were raised to 15 percent in Fund I and 10 percent in Fund II; REITs and similar Open, Closed-end and Hybrid Funds now carry global limits of up to 25 per cent in Fund I and 20 per cent in Fund II.

Crucially, the Regulation prohibits RSA Funds from investing directly in real estate; exposure to property must flow through MBS, REITs, and similar regulated vehicles. The supply of those vehicles is therefore the binding constraint on the entire transmission.

In February 2026, the Commission issued an addendum diagnosing the constraint directly: “The current shortage of qualifying alternative asset instruments has prevented Pension Funds from allocating funds to that asset class, resulting in underutilization of the investment limit and excess liquidity for PFAs.” The addendum raised ordinary-share ceilings across Funds I, II, III and VI-Active as a temporary release valve. CardinalStone Research estimates it alone could free up between ₦600 billion and ₦1.6 trillion in additional flows.

The Investments and Securities Act 2025, signed into law that March, completed the architectural shift, formally recognising real estate investment schemes within the broader framework for Collective Investment Schemes, and expanding the regulatory architecture to embrace closed-ended and specialised structures.

The Market Response

Nigeria's listed real estate universe has long been small

but resilient. The three legacy REITs - UPDC REIT, Union Homes REIT and Skye Shelter Fund - have continued to deliver, with UPDC REIT recording a 30 per cent total return over the past year and dividend yield above 6 percent, and Skye Shelter's units roughly doubling. What they have lacked is the scale and secondary-market depth to absorb pension-scale flows. Deepening liquidity across these vehicles, alongside the new entrants, will be a defining task for the next phase.

The MOFI Real Estate Investment Fund (MREIF), managed by ARM Investment Managers, listed on the NGX in November 2025. By year-end, it had raised ₦250 billion against ₦1trillion programme ceiling, disbursed ₦70.72 billion across 1,082 mortgages in 22 states, and earned Aaa (Agusto) and AA (GCR) ratings.

On December 31, 2025, Chapel Hill Denham listed its Nigeria REIT, a Shariah-compliant closed-ended fund with an initial market capitalisation of ₦163.6 billion under a ₦400 billion programme. And on May 7, 2026, UPDC Plc shareholders approved the UPDC Real Estate Investment Fund, a ₦100 billion vehicle drawing on the company's residential, commercial, retail and hospitality pipeline.

PFAs are already responding. REIT holdings rose from ₦98 billion in October 2025 to ₦171 billion in March 2026, a 75 per cent increase in five months, against an 11 per cent rise in the total pool. Combined real estate and REIT exposure grew 40 percent over the same period. Not yet a flood, but the unmistakable signature of capital is beginning to move.

Will the Cost of Capital Fall?

The most consequential question this shift raises is not whether new vehicles will list. It is whether the cost of capital facing Nigerian developers will fall — and if so, how far, how fast, and for whom.

The starting point is sobering. Nigerian developers today face project finance facilities priced in excess of 30 percent, with terms that make all but the shortest-tenor debt structurally dilutive to project economics. At those levels, only the most exceptional projects pencil. Affordable housing does not. Build-to-rent does not. Mid-market commercial does not.

A note of precision is warranted. MREIF is a blended-finance vehicle: institutional capital invests at market-clearing yields alongside an FGN concessional tranche, with the combined structure enabling long-tenor mortgage financing at 9.75 per cent. That rate is the product of subsidy and scale, not a market-clearing yield, and cannot be read across to ordinary equity REITs.

But the broader principle MREIF demonstrates, that

patient, institutional capital, intermediated through properly structured and regulated vehicles, can be deployed into Nigerian real estate at yields a fraction of what private developers currently pay, is the principle on which the rest of the market can be built.

For income-producing real estate held through a credibly structured REIT, with valuation discipline, governance scaffolding and pension capital as the natural buyer, target equity returns in the high tens to low twenties are entirely achievable. For development-stage exposure, structured through a fund with diversified risk and institutional sponsors, the all-in cost of capital can be materially lower than the 30 per cent-plus that defines the current market.

This is not theoretical. It is what happened in the United States after the 1993 Revenue Reconciliation Act unlocked pension capital for REITs, and what happened in South Africa after the unified REIT regime took effect in 2013. In both cases, institutional intermediation reset the sector's cost of capital within a decade.

What the Profession Must Now Build

None of these works can work without institutional-grade infrastructure beneath it. Every vehicle requires audited, IVS-compliant valuations, NAV reporting that trustees can rely on, SEC-registered fund managers with track records, and custodians with the discipline to segregate fund assets. This is the part the regulator cannot mandate and the market cannot conjure. It must be built by the professionals who take the standards seriously.

Nigeria has the demographics, the housing deficit, the infrastructure pipeline, the regulatory framework, and now, uniquely in its history, both the institutional capital and the policy mandate to deploy it.

The capital is here. The vehicles are coming. Whether the cost of capital follows is the question the next five years will answer.

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