SFS - Real Estate Investment Trust ("SFS REIT")

SFS Capital

Understanding SFS REITs 76 2% Profit Growth and How REITs work

WHAT IS A REIT?

A Real Estate Investment Trust (REIT) is a professionally managed investment vehicle that pools capital from multiple investorsto acquire, own, and operate income-generating real estate. Think of it as a mutual fund or collective investment scheme, but instead of stocks and bonds etc, the fund owns physical properties apartments, offices, malls, warehouses, and hotels. When you buy a unit of a REIT, you become a fractional owner of every property in that portfolio. You are, in every practical sense, a rent-collecting landlord from the moment you purchase your first unit.

In Nigeria, REITs are regulated by the Securities and Exchange Commission (SEC) and listed on the Nigerian Exchange Group (NGX), giving investors the transparency, governance, and liquidity of a publicly traded security combined with the tangible value of real estate.

WHAT DOES A REIT INVEST IN?

REITs invest in real, physical properties that generate recurring income. The types of assets held by a typical REIT include residential apartments and estates, commercial office spaces, retail spaces and shopping malls, warehouses and logistics centres, hotels and hospitality properties, and mixed-use developments. SFS REIT focuses on upper-class residential housing in the high-growth Lekki corridor of Lagos, one of Africa's most dynamic real estate markets and home to massive government infrastructure spend.

HOW DO REITS MAKE MONEY?

REITs generate returns for investors through three distinct revenue streams:

1. Rental Income: The primary and most consistent revenue source. Tenants pay rent on properties owned by the REIT, and this income flows directly into the fund. This is the heartbeat of any REIT.

2. Capital Gains from Property Sales: When a REIT buys a property at one price and the market value increases over time, the REIT can sell the property at a profit. This is where significant jumps in profitability can occur.

3. Interest Income on the Float: Between collecting rent and distributing income to investors, the REIT holds cash the "float." This cash is placed in short-term money market instruments and fixed-income securities, earning interest income that supplements the fund's overall returns.

Nigerian REITs are required by regulation to distribute at least 90% of their net income to unitholders as dividends, ensuring investors receive consistent cash returns.

WHO INVESTS IN REITS?

Globally and in Nigeria, the largest investors in REITs are pension funds, sovereign wealth funds, family offices, insurance companies, and endowments the very institutions whose mandate is to preserve and grow capital across decades. If the smartest institutional money in the world holds REITs, it is a signal that every individual, family, corporate entity, and state government should do the same.

A Diamond in the Rough

Every credible investment portfolio needs real estate exposure. Every family legacy and institutional endowment deserves the protection, transparency, and liquidity of the REIT structure.
SFS REIT with eight prime Lagos properties, a 762% profit surge in 2025, and distributions rising to N28.30 per unit is proof that the opportunity is here, listed, regulated, and ready.

For Structure. For Legacy. For Real Value.

SFS REIT PROPERTY PORTFOLIO

SFS REIT currently holds portions of eight income-generating residential properties, all strategically located in the Lekki–VGC–Ibeju-Lekki axis of Lagos. A full listing of properties is available at sfsreit.com.

Property	Location	Description
Milverton Court Estate	Osapa-Lekki, Lagos	3-Bed Flats
Sapphire Gardens Estate	Awoyaya, Ibeju-Lekki	3-Bed Flats
Bourdillon Court Estate	Chevron Drive, Lekki	3-Bed Flats
Cromwell Court Estate	off Chevron Drive, Lekki	3-Bed Flat
Maben Phase II Estate	off Chevron Drive, Lekki	2-Bed Flats
Victoria Crest V Estate	Harris Drive, VGC	4-Bed Duplexes
Victory Park Estate	Osapa, Lekki	3-Bed Flats
Northern Foreshore Estate	Lekki	3-Bed Flats

UNDERSTANDING THE 762% PROFIT JUMP

In its audited results for the year ended December 2025, SFS REIT reported total comprehensive profit of ₦4.1 billion a 762% increase from the previous year. This dramatic leap was driven primarily by a ₦3.4 billion fair value gain on investment properties.

What is a Fair Value Gain?

Under International Financial Reporting Standards (IFRS), REITs are permitted to report their properties at fair (market) value rather than historical cost. When an independent valuer revalues the REIT's properties and determines that market prices have risen, the increase is recognised as a fair value gain in the income statement. This is exactly what happened with SFS REIT the properties were revalued to reflect current market realities in Lagos, and the resulting uplift flowed through as profit.

Why Can the Jump Be So Sudden?

A revaluation gain is not a gradual process it is recognised in a single reporting period when the valuation is updated. Properties may have been appreciating steadily for years, but if the REIT previously carried them at historical cost, the entire accumulated appreciation is captured in one result. This creates a sharp, headline-grabbing jump that reflects years of compounded value growth compressed into a single financial statement.

Will Profits Keep Rising?

Yes, but not at 762% per annum. The underlying rental income grew 29% year-on-year and net income rose 32% both strong, sustainable growth figures. Future profits are expected to grow as the REIT acquires more properties, increases rents, and benefits from continued real estate appreciation in Lagos. However, the dramatic revaluation-driven jump is a one-time adjustment.

Going forward, growth will be meaningful but more measured, reflecting the organic expansion of the portfolio and steady capital appreciation.

WHY REITS ARE THE BEST WAY TO HOLD REAL ESTATE WEALTH

Real estate is the most time-tested store of value in human history. In high-inflation environments and periods of global uncertainty, while equities and currencies may fluctuate wildly, well-located property holds its ground. In the short run, other investments may outperform but over the long run, especially across generations, real estate has proven to be the most resilient and reliable wealth-preservation asset class.

REITs are the most efficient way to access this asset class. They are the diamond in the rough that few talk about, yet they offer unmatched advantages:

Tax Efficiency: Nigerian REITs enjoy significant tax exemptions. Income earned within a REIT structure is not subject to company income tax, which means more returns flow directly to investors. This makes REITs one of the most tax-efficient investment vehicles available.

Professional Management at Fractional Cost: A REIT is overseen by a Fund Manager (SFS Capital), a Custodian (StanbicIBTC Nominees), a Trustee, a registrar (Coronation Registrars) and regulated by both the SEC and the NGX. This institutional governance structure which would cost millions to replicate privately is available to any investor at the price of a single unit. This is unmatched value for intergenerational wealth transfer.

Legacy and Structure: Families, states, corporations, and even groups of friends can form REITs to hold and grow their real estate assets in perpetuity. Properties contributed to a REIT immediately gain the benefit of professional management, regulatory oversight, institutional monitoring (Pension Funds and Global Investors), liquidity, and transparent valuation. REITs are the ultimate vehicle for legacy planning for taxes, for structure, for generational continuity.

Collateral and Tokenisation: Because REIT units are listed securities with transparent pricing, they can be used as collateral for loans and margin facilities. As capital markets evolve, REIT units are also prime candidates for tokenization, enabling even broader access and fractional ownership on digital (Blockchain) platforms. REITs will benefit from the AI and Tech transition.

COMPARABLE TO GOLD — STEADY AND CONSISTENT

Like gold, real estate is a hard asset. It cannot be printed, inflated away, or wiped out by a corporate scandal. REITs offer the stability of gold with the added advantage of generating income you collect rent, not just store value. Every portfolio, whether personal, institutional, or sovereign, should include a REIT allocation.

THE OPPORTUNITY IN NIGERIA

Nigeria's REIT market is still in its early stages. With combined assets of the 5 listed REITs below ₦1 Trillion and total market capitalisation representing a comparatively small portion of the NGX, the sector is deeply underleveraged. For those who understand the power of real estate, this is the ground floor. Experience, expertise, and early positioning in Nigerian REITs are non-negotiable advantages. SFS Capital created the first listed REIT in Nigeria (SFS REIT) and its REIT experience is unmatched in the country.

SFS Capital manages three of the four REITs listed on the Nigerian Exchange Group. In 2026, international rating agency GCR Ratings (a Moody's affiliate) upgraded the credit rating of SFS Capital to A(NG) a testament to its institutional strength and track record. In Nigeria especially, deep experience in real estate and REIT management is an irreplaceable success factor. Once a REIT is created, real estate or cash can be added at any time to expand the portfolio, immediately enhancing its value. Convertibility to physical real estate is also an innovative option that the REIT structure will uniquely enable in the future.

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