PenOp
Pension Fund Operators Association of Nigeria

SFS Capital

SECTORAL REPORT

Unlocking Housing Finance Through Pension Capital

Supported by: **SFS Capital Nigeria Limited**

FOREWORD

From the Chief Executive Officer,
Pension Fund Operators Association of Nigeria

Over two decades ago, Nigeria moved away from a broken, budget-dependent pension system, towards one based on contributory savings, professional fund management, and long-term capital growth. That shift created a sustainable pension industry and a significant source of institutional capital. Today, there is an opportunity to channel part of that capital to housing finance, helping to expand access to home ownership, while strengthening the broader economy. This report considers how the pension industry can play a central role in supporting this transition and transformation.

When I think about the purpose of Nigeria's pension system, I always come back to the same thing: it exists to give working Nigerians a dignified retirement. Not just a balance in a Retirement Savings Account (RSA), but a real, livable retirement, in a country where the cost of living is rising, where inflation is persistent, and where the informal safety nets that previous generations relied on, are under pressure. This is the standard we must hold ourselves to. And by that standard, there is still a great deal of work to do.

The industry has achieved something genuinely remarkable. From near-zero in 2004, Nigeria's pension fund assets have grown to ₦30.94 trillion, one of the largest institutional capital pools in sub-Saharan Africa. Over 11 million Nigerians now have registered Retirement Savings Accounts. The regulatory framework, anchored by PenCom, has matured significantly. We have built something real, and we should acknowledge that.

Nigeria's housing deficit, estimated at 28 million units, remains one of the country's most urgent socio-economic challenges. Rapid urbanization, population growth, and rising construction costs have widened the gap between demand and supply, leaving millions without access to affordable, decent housing. At the core of this challenge lies the question of finance: how can Nigeria mobilize long-term, patient capital to sustainably bridge this housing gap?

This report examines an innovative pathway, unlocking pension capital for housing finance. The opportunities are significant, but so are the safeguards required. In this report PenOp is asking some of these harder questions. What frameworks must be strengthened to balance risk and reward, how should governance structures be positioned ensure transparency, and what investment vehicles must be designed to align both pension fund mandates and housing sector needs? If done right, pension capital can become a powerful lever, stimulating construction, creating jobs, deepening financial markets, and most importantly, providing millions of Nigerians with the dignity of home ownership.

This is PenOp's first sectoral research report, and it comes with a commitment, not just a recommendation. We will be in the room, at every relevant policy and regulatory conversation, pushing for the six reforms we have outlined here. We will follow up. We will report progress. And we will hold ourselves to the same standard of accountability we are asking of others.

To our sponsors, our members, and every stakeholder who believes Nigeria's capital markets can work better for Nigerians this report is for you. Let us get to work.

Anthonia Ifeanyi-Okoro
Chief Executive Officer,
Pension Fund Operators Association of Nigeria

SFS CAPITAL NIGERIA LIMITED

ABOUT THE SPONSOR,

— SEC-licensed Fund & Portfolio Manager

SFS Capital Nigeria Limited is a fund and portfolio manager licensed by the Securities and Exchange Commission (SEC) and one of the most established names in Nigerian real estate investment management. It forms part of the SFS Group, alongside SFS Financial Services Limited, a SEC-licensed issuing house and investment bank. The Group is the product of a management buy-out of Skye Financial Services Limited, formerly the investment banking and asset management subsidiary of the defunct Skye Bank Plc, which was carved out as an independent asset manager when the Central Bank of Nigeria directed banks to divest their non-banking subsidiaries.

SFS Capital ranks among the ten largest asset managers in Nigeria by assets under management. Its franchise spans fixed income, foreign-currency investments, mutual funds, and real estate investment trusts (REITs), serving pension funds, insurance companies, endowments, high-net-worth individuals, and retail investors on both discretionary and non-discretionary mandates. The firm is independently rated by both DataPro and GCR, a Moody’s affiliate, which in March 2026 upgraded its national-scale long-term issuer rating to A(NG), with a stable outlook, citing its expanding assets under management and its expertise in REIT management.

GCR RATING

A(NG) stable

Upgraded March 2026

> *"Where pension portfolios earn around 15 per cent from government securities, well-managed residential real estate has delivered materially higher total returns, while financing the homes the country most needs."*

A founding role in Nigeria's REIT market

In 2008 it listed Nigeria's first publicly traded REIT, now SFS REIT, building the infrastructure the entire listed REIT sector rests on. It was later appointed to UH REIT (2017) and UPDC REIT (2026), and now manages three of the four REITs on the NGX a concentration no other manager matches.

Why SFS Capital sponsors this report

SFS Capital's position is that pension capital is the most sustainable channel for closing Nigeria's housing deficit commercially profitable and socially impactful at once. It is pioneering Family REITs, State-owned REITs and developer-anchored REITs, aiming to grow the industry by some N2 trillion.

2008 First NGX REIT listed → 3 of 5 NGX REITs managed → Top 10 Asset manager, Nigeria → 18 yrs REIT operating record

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Chair: Dr. Layi Fatona · MD/CEO: Patrick Ilodianya · Independent Director: Dr. Yemi Kale · Operating ethos: "Think SFS”

EXECUTIVE SUMMARY

Unlocking Housing Finance Through Pension Capital

PenOp Sectoral Research Report · 2026

> Nigeria has a housing deficit of up to 28 million units and a pension industry holding ₦30.94 trillion in long-term capital. These two facts exist in the same economy, at the same time. This report is about closing the distance between them.

Nigeria's pension industry is the second largest in sub-Saharan Africa and it is growing by approximately ₦5 trillion every year. Yet less than 1% of that capital touches real estate, while 56.2% remains concentrated in Federal Government securities earning returns that, in real terms, are barely keeping pace with inflation. At the same time, Nigeria's housing deficit continues to grow, mortgage penetration sits below 1% of GDP, and conventional bank financing short-tenor, high-rate, collateral-dependent has proven structurally unable to bridge the gap. Something has to change.

The argument this report makes is simple: pension funds are long-duration capital that need inflation-linked returns; housing assets are long-duration, inflation-linked investments. The match is not a policy argument it is a financial one. Four investment pathways already exist mortgage-backed securities through FMBN, REITs, infrastructure and housing funds, and blended finance SPVs and none requires new legislation to activate. What is missing is the credit infrastructure, the market depth, and the regulatory clarity to make them work at scale.

South Africa's PIC proved it can be done, committing R10.5 billion to SA Home Loans, with a separate stake anchoring Divercity’s 2,500-unit programme in January 2025. Kenya's Affordable Housing Act 2024 has 111,975 units completed or under development by channelling pension-linked capital through a dedicated statutory fund. Nigeria already has its own proof of concept the RSA equity contribution scheme has disbursed ₦260.61 billion toward residential mortgages since 2023. The framework for scale exists. What is needed is the will to build it.

Six recommendations: no new legislation required to begin

01 · Immediate
Dedicated Affordable Housing Fund category under Regulation 1

02 · Immediate
Rate & list FMBN mortgage bonds on FMDQ

03 · Immediate
Federal government credit guarantee mechanism via Family Homes Fund

04 · Near Term
Reform Nigeria's REIT framework, tax parity, fast-track registration

05 · Near Term
Establish a ₦500B National Housing Finance Fund with PFA co-investment

06 · Medium Term
Mandate independent valuation standards and digital land title reform

Nigeria does not have a capital problem. It has a coordination problem. PenOp is stepping into that gap and this report is where we start. · Published by the Pension Fund Operators Association of Nigeria

The housing crisis in context

Nigeria faces the largest housing deficit in Africa, a structural gap built over decades of rapid urbanisation, income stagnation, and a near-absent mortgage system. Understanding its scale is the starting point for any credible capital solution.

28M Housing units in deficit (widely cited; revised govt. estimate: 14.9M inadequate units)

700K New units needed annually to meet new household formation

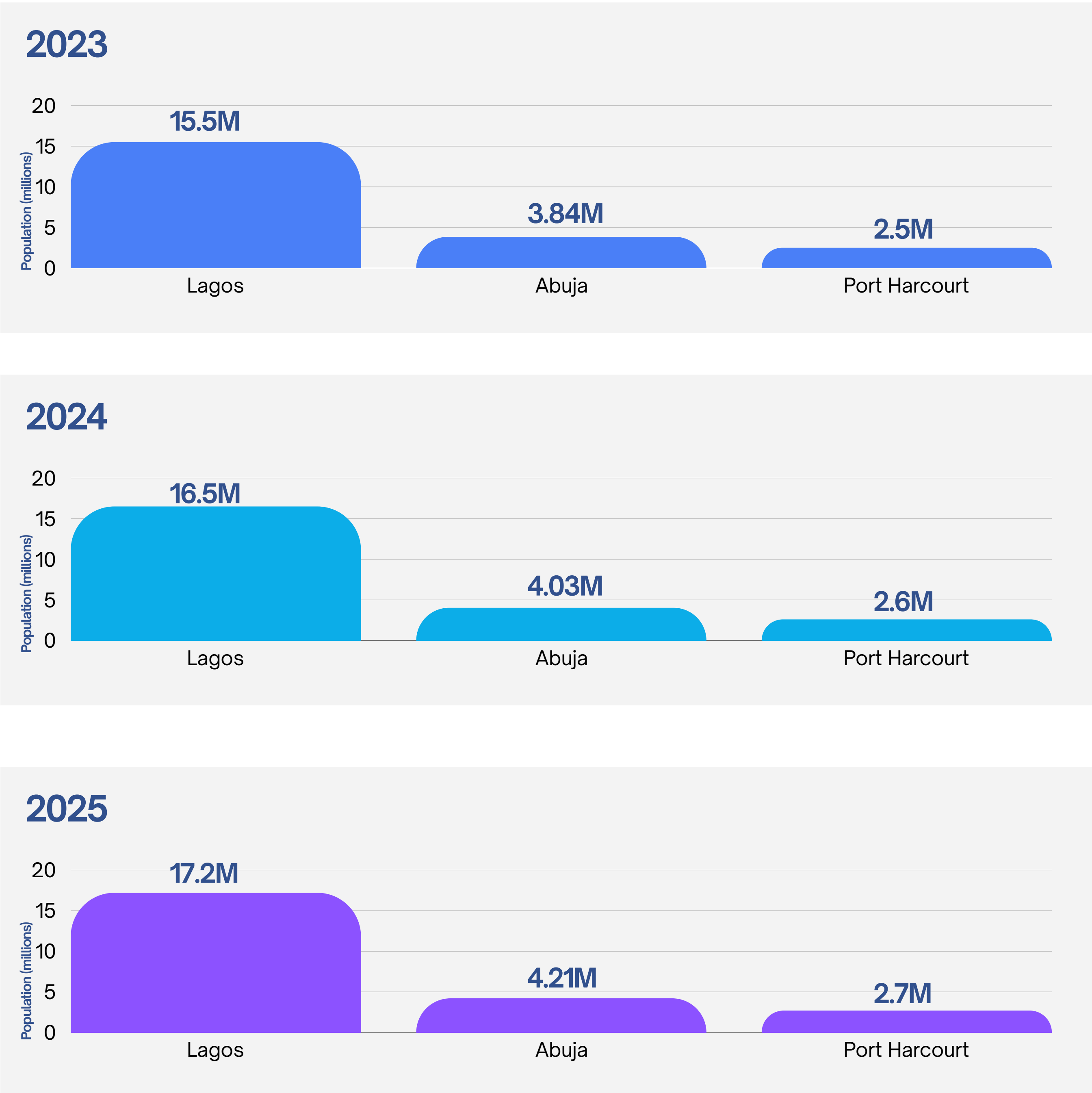
50K Units actually delivered per year (govt. + private sector combined)

₦21–₦59T Estimated financing gap to address the housing challenge

Sources: FMHUD; CBN

1.1 Urbanisation pressure: population growth in Nigeria's three largest cities

Annual growth rates, 2023–2025 (Metro area population, millions)

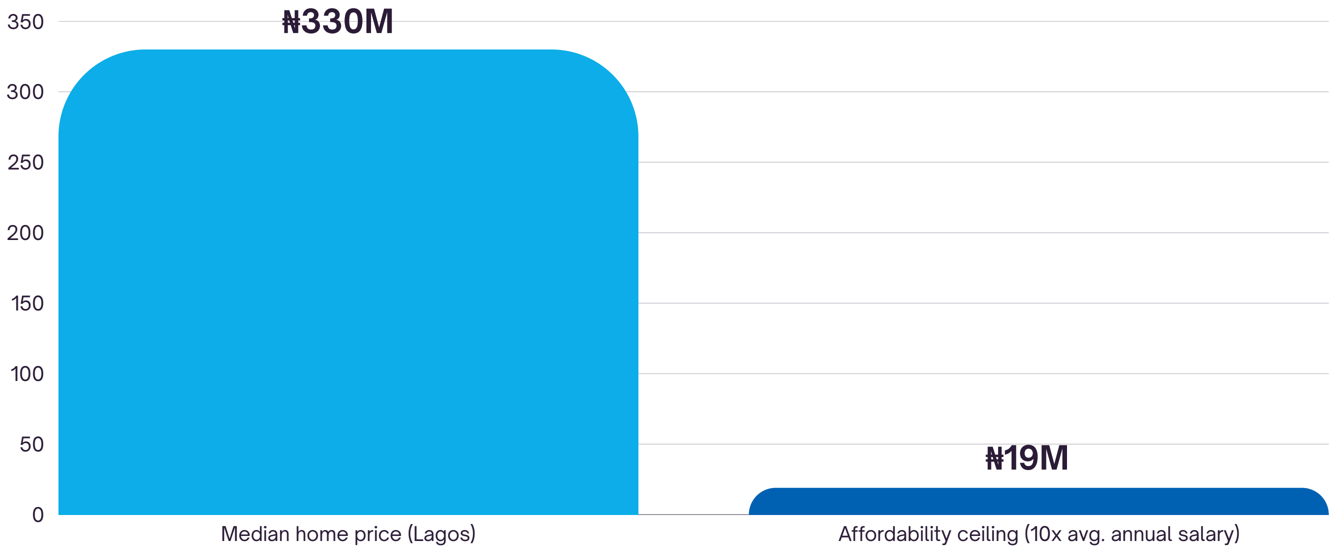


Sources: Macrotrends/UN World Population Prospects 2024

Lagos grows by 620,000 residents annually, equivalent to adding a city the size of Enugu every year. Abuja is expanding at 5% annually, one of the fastest rates in Africa. Six Nigerian cities rank among Africa's 30 fastest-growing (AfDB, 2025).

1.2 Affordability gap

Price-to-income ratio, Lagos median home vs. annual salary

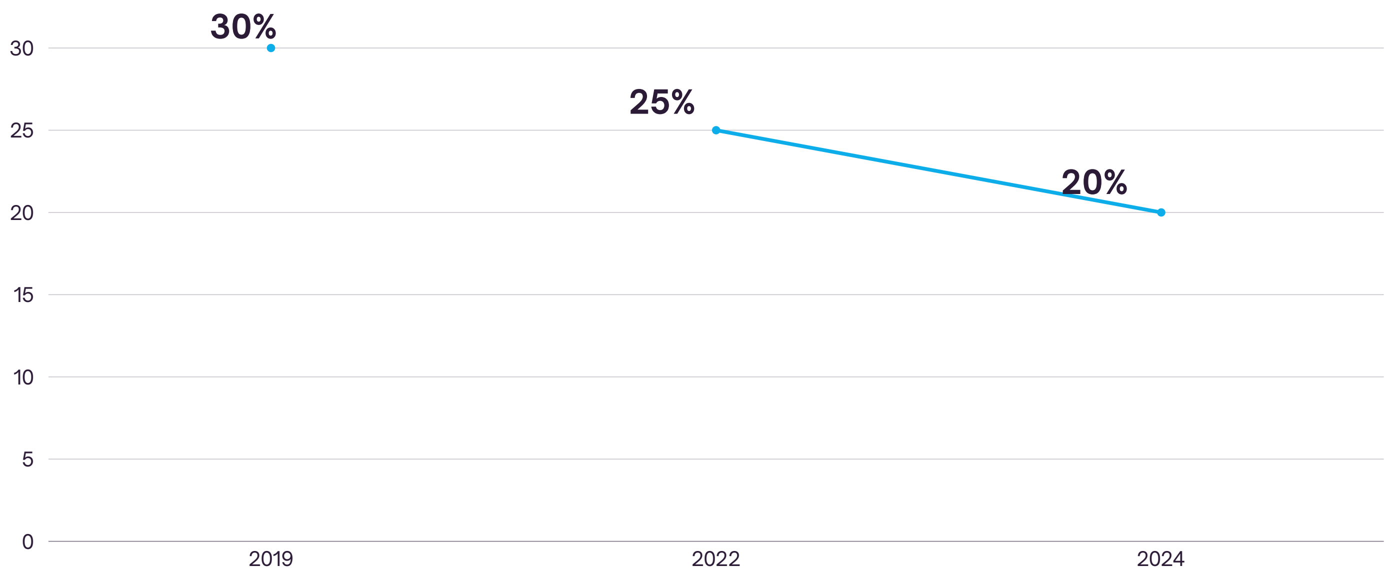


Sources: Numbeo Lagos (Price-to-Income ratio: 66.4), The Africanvestor 2026, CAHF Nigeria

Median home price in Lagos is approximately ₦330 million (2026). At current income levels, homeownership is largely out of reach for most households, with many already spending over 50% of income on rent. Rents in key Lagos locations such as Lekki and Ikeja have increased by over 200% since 2019.

1.3 Homeownership in decline

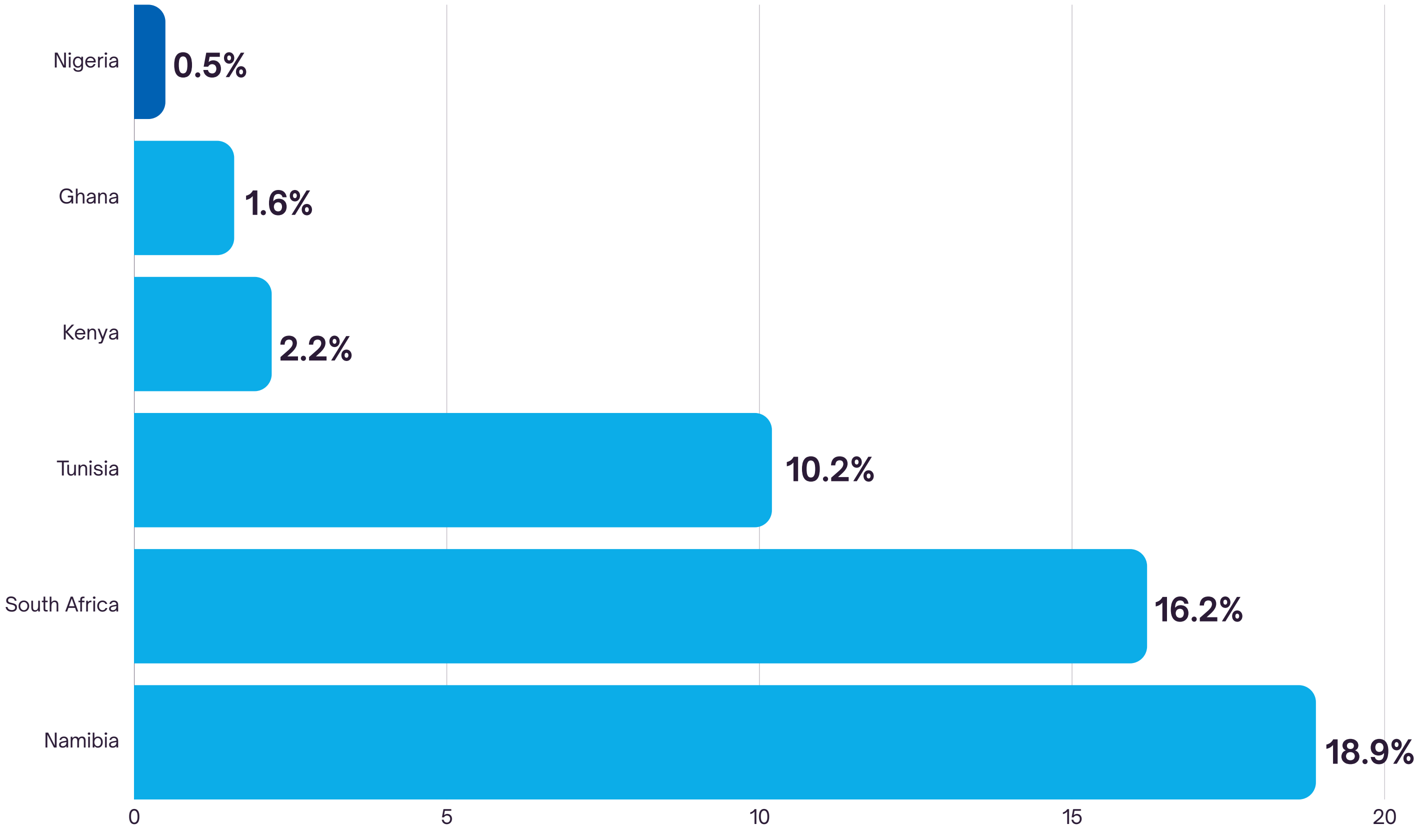
% of Nigerians who own their home, 2019–2024



Sources: CAHF Nigeria Country Report 2024; NBS Nigeria Living Standards Survey

1.4 Mortgage penetration: Nigeria vs. African peers

Mortgage debt as % of GDP



Sources:: CAHF, Oxford Business Group

Nigeria's mortgage-to-GDP ratio is below 1% compared to 16.2% in South Africa and 2.2% in Kenya. Fewer than 1% of Nigeria's 5.47M National Housing Fund subscribers have ever accessed an NHF loan. Mortgage interest rates currently exceed 20-25%, with most bank loans carrying tenors of under one year.

1.5 Why conventional bank financing has failed

The three structural barriers

01

20–25%

High interest rates

Commercial mortgage rates make monthly repayments unaffordable for most Nigerians. MPR at 26.5% as at early 2026 drives this floor.

02

1 year

Short loan tenors

Over 60% of bank deposits and a significant share of lending are short-term in nature (typically under one year). In contrast, housing finance requires long-tenor funding of 15–30 years, creating a structural mismatch in the banking system.

03

5%

Land formally titled

Fewer than 5% of land parcels are formally titled. Without a valid C of O, property cannot serve as collateral locking most Nigerians out of mortgage access.

The Capital Question

Nigeria needs ₦21 - ₦59trillion to close its housing gap. The federal government's 2024 Renewed Hope programme delivered approximately 6,612 units less than 1% of the annual requirement. Bank financing is structurally misaligned. Public budgets are overstretched. The capital solution must come from somewhere else.

Nigeria's pension system manages over ₦30.94 trillion in long-term capital, patient, institutional, and structurally aligned with housing finance. The question is not whether pension capital can play a role. The question is why it hasn't and what must change.

Nigeria's Pension Fund Landscape

Nigeria's pension industry has grown into one of Africa's most significant pools of institutional capital. At ₦30.94 trillion, it is also one of the most concentrated and the gap between where the money sits and where the economy needs it is the central argument of this report.

₦30.94T

Total AUM, As of April 2026 (up from ₦27.5T at end-2025)

22%

AUM growth in 2025 one of the strongest annual expansions on record

11.2M

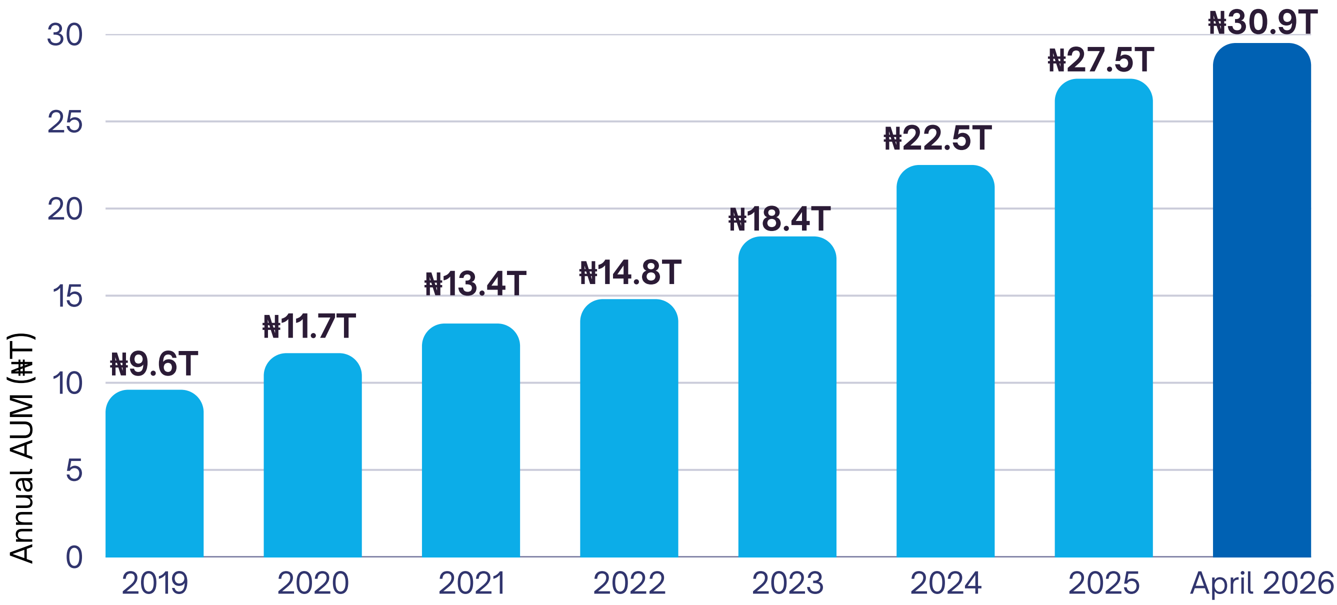
Registered RSA contributors as at April 2026 (+2.4% YoY)

7%

Pension AUM as % of GDP significantly underpenetrated vs. peers

2.1 AUM growth trajectory, 2019–2026

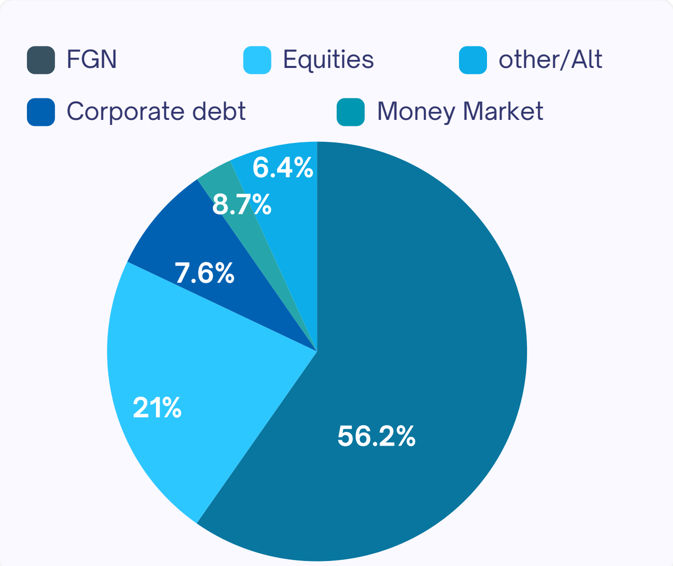
Total pension assets under management (₦ trillion)

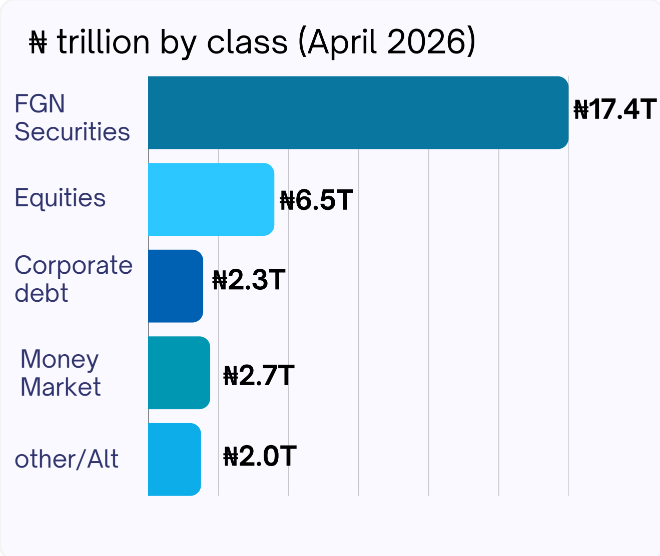


Sources:PENCOM

2.2 Where the money sits: asset allocation, Mar 2026

Breakdown of ₦30.94 trillion AUM by asset class

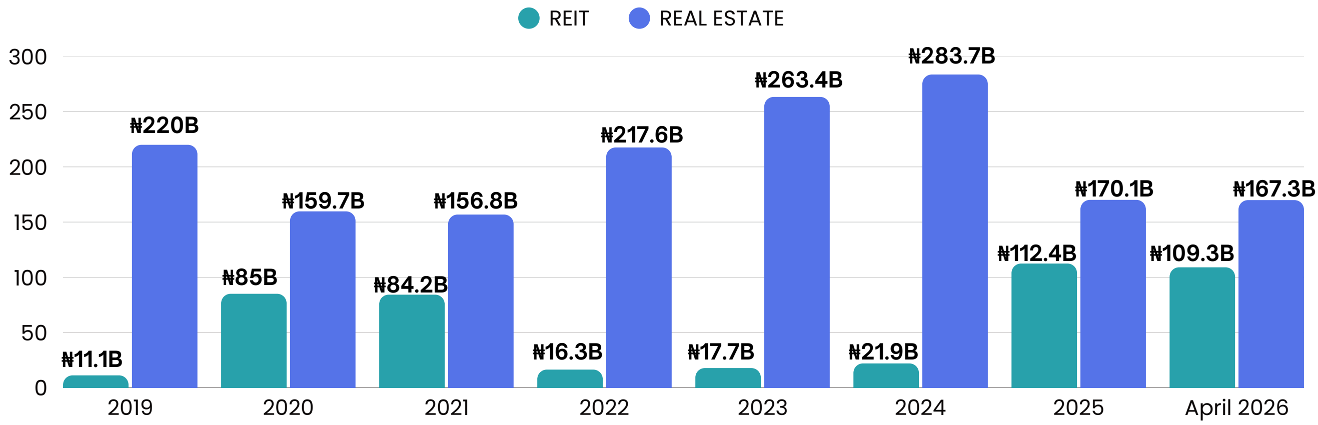




The concentration risk: Over 56 cents of every naira in Nigeria's pension fund is lent to a single borrower, the Federal Government. This makes pension returns directly correlated with FGN fiscal health. With inflation above 15% and the naira having lost over 70% of its value since 2023, real returns on FGN bonds have been near zero or negative in real terms. PenCom itself acknowledged in 2025: "We are not okay with returns the way they are, inflation is having a significant negative impact.

2.3 Real estate and housing exposure

REIT vs Real Estate



Sources: PENCOM

Despite the recovery in REIT investment in April 2026 (to ₦109.3B), total real estate exposure of ₦167.3B amounts to less than 1% of total AUM. The regulatory ceiling allows up to 10% in infrastructure/real estate, meaning over ₦2 trillion of permissible allocation is currently unutilised.

2.4 Regulatory limits under Regulation (Revised 2025)

Investment ceilings vs. actual allocation — illustrating unused headroom. (All investment ceilings presented are based on Multi-Fund Structure classification).

FGN Securities

50% - 70%

Actual: 56.2% ✓ but still inflation-exposed

Equities

25 -30%

Actual: 21%, rising but still below ceiling

Infrastructure Funds

20 - 25%

Actual: 1% (₦312.6B) barely 1% of AUM; ceiling being revised upward

REITs / Real Estate

10% - 20%

Actual: <0.5% of AUM, Nigeria has only a handful of listed REITs

Private Equity

10 -15%

Actual: ₦256.9B (April 2026) more than doubled YoY but still <1%

2.5 The structural mismatch

Why pension capital and housing finance are a natural fit and why the match hasn't happened

What housing finance needs	What pension funds are
Long-term capital Mortgages and housing development require 15–30 year financing horizons. Banks cannot provide this, their funding is short-term.	**Long-duration liabilities** Contributors pay in for 30–35 years and draw down over 15–20 years of retirement. PFAs manage decades-long capital by design.
Inflation-linked returns Real estate values and rents rise with inflation providing a natural inflation hedge for asset owners.	**Real returns above inflation** PFAs need returns that outpace inflation to protect contributors' purchasing power, which FGN bonds have failed to do in recent years.
Scale capital Nigeria needs ₦21–59 trillion to close the deficit. Only institutional investors can mobilise at that scale.	**₦30.94 trillion** Nigeria's pension industry holds more than the entire capital needed to close the housing gap and grows by ~₦5T per year.

Nigeria's pension industry holds ₦30.94 trillion in long-duration, patient capital structurally matched to the long-term nature of housing finance. Yet less than 1% of that capital touches real estate. The reason is not absence of appetite or regulatory permission. It is the absence of the right instruments, the right structures, and the right market infrastructure to make the investment feasible, scalable, and pension-grade.

Closing that gap is what the rest of this report is about.

The opportunity: where pension capital fits

There is no single instrument that channels Nigeria's ₦30.94 trillion pension pool into housing. There are four each suited to different risk appetites, transaction sizes, and market maturity levels. Together, they form a complete capital stack.

3.1 Mortgage-backed securities & bond issuances

Lowest risk · Immediate opportunity

PFAs investing in housing through the debt capital market, the most direct and pension-ready pathway

How it works: FMBN originates and pools NHF mortgages, then securitises them into tradeable bonds that PFAs can buy, exactly like FGN bonds, but backed by housing assets.

NHF contributorPays 2.5% monthly → FMBNOriginates 6% mortgages, 30yr → SecuritisationPools mortgages into MBS → PFAsBuy MBS bonds on FMDQ → ReturnsInterest + capital to contributors

FMBN loan rate

6%

On-lent to NHF contributors for up to 30 years deeply concessional vs. commercial 20–25% rates. Max loan: ₦50M per contributor.

FMBN mandate

Explicit

FMBN is legally mandated to issue mortgage-backed bonds and securities to pension funds to fund secondary mortgage lending.

What must happen for MBS to become pension-eligible at scale

Credit rating framework

MBS must carry a minimum investment-grade rating from a recognised agency. FMBN bonds must be rated before PFAs can legally invest under Regulation 1.

FMDQ listing & liquidity

MBS must be listed on FMDQ and tradeable in a secondary market. Pension funds cannot hold illiquid instruments without a viable exit.

Standardised pool criteria

Mortgages backing securities need consistent underwriting standards, C of O validation, and insurance cover to be rated and pooled.

Government guarantee

A first-loss guarantee from FGN or a credit enhancement mechanism would allow FMBN MBS to achieve investment-grade status at lower cost.

3.2 Real estate investment trusts (REITs)

Market exists · Needs deepening

Nigeria has a nascent but fast-growing REIT market, PFAs are the natural anchor investors it needs

Nigeria currently has five active REIT structures. Total REIT assets reached ₦483 billion by December 2025, a significant but concentrated market that still represents less than 2% of pension AUM. SFS Capital manages three of the four NGX-listed REITs (SFS REIT, UH REIT and UPDC REIT).

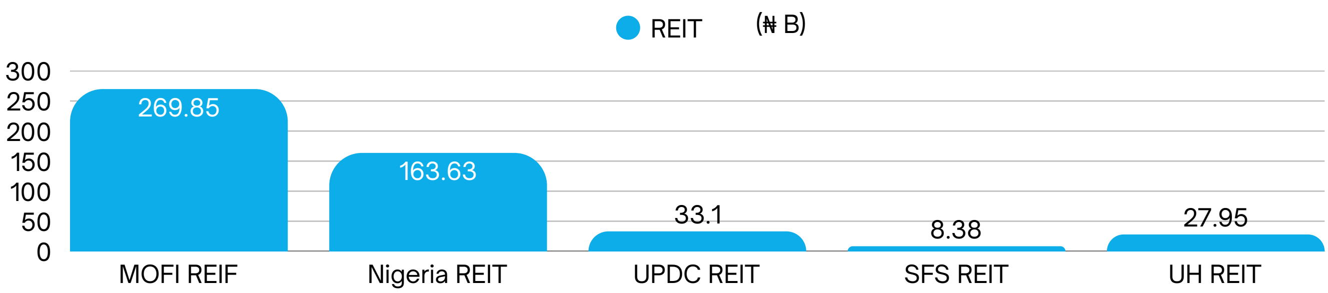
MOFI REIF
₦269.85B
10.2% YTD yield
45 unitholders · Institutional focus · ARM-managed

Nigeria REIT
₦163.63B
9.3% YTD yield
851 unitholders · Chapel Hill Denham-managed · Shariah-compliant

UPDC REIT
₦33.10B
38% YTD yield · Q1 2026 rental income +82.8%
211,092 unitholders · SFS Capital-managed · Most widely held

SFS REIT
₦8.38B
25.15% YTD yield · 52-wk high +112%
Prime Lagos residential + commercial assets

UH REIT
₦27.95B
NAV up 161% on first independent revaluation in several years – 2025 profit ₦18.2B – SFS Capital-managed



What would deepen the REIT market

More REIT listings

Nigeria has four listed REITs vs South Africa's 30+ in a $29B market. SEC should streamline listing requirements to attract developers.

Residential-focused REITs

Existing REITs focus on commercial/office. A residential-focused affordable housing REIT would directly align pension capital with Nigeria's housing gap

Tax parity

REIT distributions should be tax-exempt in PFA hands as FGN bond income is to make REITs genuinely competitive with government securities.

Mandatory dividend payout

Nigeria REITs are mandated to pay dividends annually aligning with PFAs' need for predictable income. Enforcement of this requirement must be tightened.

SFS CAPITAL AND NIGERIA'S REIT MARKET

A small market with an outsized opportunity

SPONSOR FEATURE

Nigeria's listed REIT market is small but holds substantial untapped potential. Total REIT assets reached roughly N503 billion by December 2025 under two per cent of the pension industry's AUM yet this is the only segment giving pension and institutional investors regulated, exchange-traded, income-producing exposure to Nigerian real estate.

> *"SFS Capital manages three of the five REITs on the exchange manages more of the NGX's listed REITs than any other manager."*

THREE TRUSTS, THREE STRATEGIES

SFS REIT

The market's foundation

Lekki corridor, upper-tier residential. Nigeria's first REIT, listed 2008 at N100/unit. A 17-year unbroken distribution record.

2025 distribution	N28.30
YoY growth	+31.6%
Unitholders	4,897

UH REIT

Luxury residential, revalued

Ten premium mini-estates across Ikoyi–VI and Abuja. A 2025 revaluation reset the NAV baseline entirely.

NAV per unit	N148.55
NAV growth	+161.5%
2025 PAT	N18.22bn

UPDC REIT

Diversified, new management

Residential, student housing, office and retail, including the iconic Kingsway Building. SFS took over January 2026.

Q1 revenue	N1.03bn
Rental income	+82.8%
GCR rating	A(NG) +

THE CASE FOR PENSION CAPITAL

A structural return premium, hiding in plain sight

SPONSOR FEATURE

Around 56.2 per cent of Nigeria's N30.94 trillion in pension assets sits in Federal Government securities, where long-dated FGN bonds currently yield about 15 per cent. Over 2025, SFS-managed listed REITs delivered total returns well in excess of that yield.

The binding constraint on housing has never been demand or land, it is long-tenor finance, with commercial lending above 25 per cent pricing homes beyond reach. A REIT mirrors the structure pension funds already operate within, with further safeguards layered on top.

FGN long bonds (~60% of AUM)

15%

SFS REIT total return, 2025

130%+

UH REIT re-rating, 2025

40%+

> *"Chile, whose 1981 AFP reform is the template for Nigeria's contributory PFA system, used that same pension architecture to build one of Latin America's deepest mortgage and housing-finance markets."*

Brazil has nearly tripled its listed real-estate-fund market in six years, over 70 per cent owned by ordinary citizens. India has multiplied its REIT market more than six-fold since its 2019 debut.

Nigeria's REIT market remains under two per cent of pension assets. That gap is the opportunity.

WHAT COMES NEXT

Convertible REIT

Units convertible into physical real estate, a first for the Nigerian market, subject to SEC approval.

Tokenisation

Addressing the twin crises of supply and transferability in residential property.

New REIT types

Family REITs, state-owned REITs, and trusts anchored by experienced developers.

The ambition: grow Nigeria's REIT industry by some N2 trillion from under 2% toward 10% of pension assets

3.3 Infrastructure & housing funds

Emerging · High impact potential

Dedicated SEC-registered funds that pool pension capital into large-scale housing and infrastructure projects

Infrastructure fund allocation is ₦312.6 billion in April 2026, and private equity is ₦256.9 billion yet together they remain under 2% of AUM. The revised 2025 Regulation raises the ceiling and cuts the mandatory Nigeria-investment floor from 75% to 50%, giving PFAs more flexibility.

Infrastructure fund allocation, April 2026

₦312.61B

+49% year-on-year. Driven by PenCom's push toward impact investing and rising appetite for inflation hedges beyond FGN bonds.

Regulatory headroom (revised 2025)

>₦1T

Permissible allocation ceiling for infrastructure + private equity has been raised. Over ₦1 trillion of allowable capital is currently uninvested in these categories.

Peer benchmarks: pension capital in housing funds

South Africa

PIC / GEPF: Divercity Urban Property Fund

R2.69T
GEPF total AUM

~R10.5B
Committed to SA Home Loans housing finance

The Public Investment Corporation (PIC), investment manager for the Government Employees Pension Fund (GEPF), invested in Divercity, a dedicated urban affordable housing fund in January 2025, explicitly citing the dual mandate of financial return and social housing impact. PIC's model: pension capital co-invested with private developers in mixed-income urban residential developments. Government de-risked the structure through legislation and public pension anchor investment.

Kenya

Affordable Housing Act 2024 & NSSF

KSh 623B
NSSF AUM, Dec 2025

1.5%
Affordable Housing Levy on gross salary (March 2024)

Kenya enacted the Affordable Housing Act 2024, establishing a dedicated Affordable Housing Fund and a mandatory 1.5% employer-matched housing levy. NSSF recorded 17% returns in 2024/25 with total member contributions of KSh 84 billion. Kenya's model combines mandatory levy capital with institutional fund co-investment 111,975 housing units completed or under development as of 2025. The lesson: a ring-fenced housing fund with mandatory contribution flows creates investable scale.

The Nigeria opportunity: A dedicated SEC-registered Nigeria Housing Finance Fund anchored by PFA commitments could aggregate ₦500B–₦1T in patient capital for affordable housing delivery. PenCom's revised infrastructure ceiling and its stated mandate to "promote impact investing" provides the regulatory runway. What is missing is the fund vehicle itself.

3.4 Direct development finance

Complex · Highest impact · Long term

PFAs as direct co-investors in large-scale affordable housing developments through structured SPVs and blended finance

Can PFAs invest directly in housing development? Under the current Regulation 1, open-ended PFAs cannot directly hold property. But they can co-invest through SEC-registered private equity and infrastructure funds structured as SPVs. This is the highest-impact and most structurally complex pathway.

A workable SPV structure for Nigeria

Tier 1 — Equity
Government / DFI first-loss

Family Homes Fund, FMBN, IFC, AfDB or MOFi take the first-loss position (10–20% of capital stack). This de-risks the investment for pension capital.

Tier 2 — Mezzanine
PFA co-investment

Pension funds invest through a SEC-registered private equity or infrastructure fund vehicle. Target returns: 15–20% naira-denominated over 7–10 years.

Tier 3 — Senior debt
Bank / bond financing

Commercial banks or FMDQ-listed project bonds provide senior debt. Pension anchor investment improves creditworthiness and lowers cost of senior debt.

Key structuring requirements

SEC registration

The fund vehicle must be registered with the SEC as a private equity or infrastructure fund to be pension-eligible under Regulation 1.

Clean title / C of O

All land must have valid C of O with no encumbrances. Title risk is the single biggest barrier to PFA direct real estate exposure arbitrary revocations have damaged confidence.

Defined exit route

Regulation 1 requires pre-defined exit routes: IPO, sale to another fund, or trade sale. Projects must be structured with a clear liquidity horizon from day one.

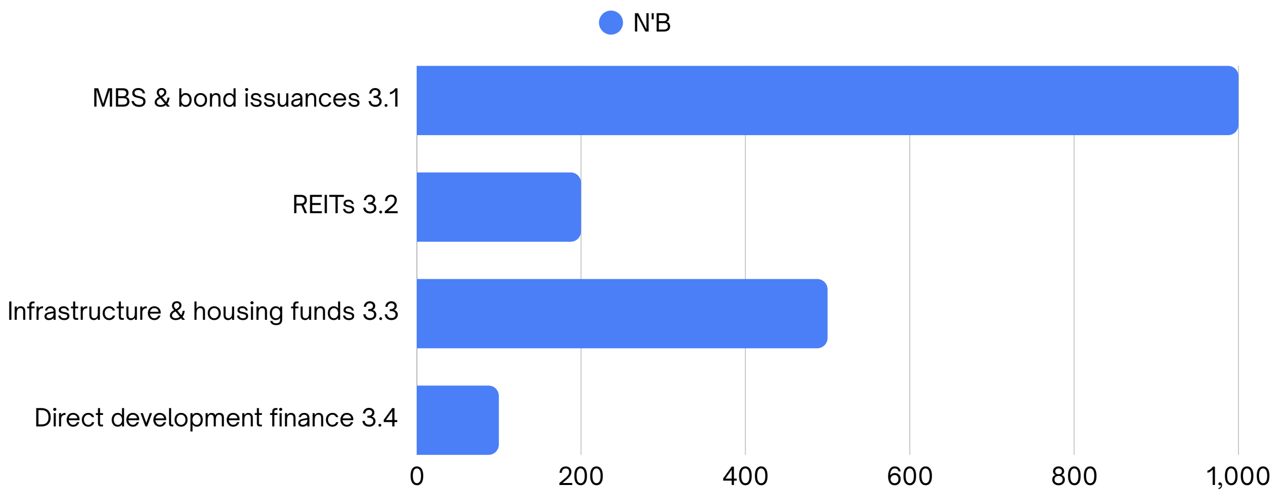
Government guarantee

Federal or state government off-take guarantees committing to purchase completed units for civil servant housing provide the revenue certainty PFAs need.

The Nigeria precedent: In Q4 2025, PenCom data showed 51,845 RSA holders accessing up to 25% of RSA balances for residential mortgage equity contributions with ₦260.61 billion already allocated. This shows pension capital is already flowing toward housing at the individual level. The next step is enabling it at the institutional level, through properly structured fund vehicles.

3.5 The four pathways at a glance

Comparing risk, readiness, and pension capital potential



PenOp Research estimates. Based on current AUM headroom under PenCom Regulation 1 (revised 2025) and market depth of each instrument category.

The combined opportunity

These four pathways are not mutually exclusive. A single large-scale affordable housing project could be financed simultaneously through an FMBN mortgage bond (Pathway 3.1), a REIT listing of the completed asset (3.2), a private equity fund vehicle for the construction phase (3.3), and a government-guaranteed SPV for off-plan sales (3.4). The instruments reinforce each other. The question is not which pathway to choose, it is how quickly the market infrastructure can be built to make all four work at scale.

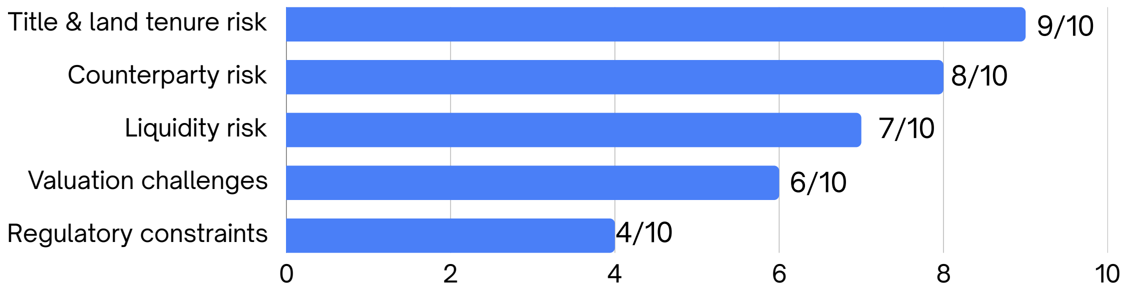
Nigeria's pension industry adds approximately ₦5 trillion per year. Capturing even 5% of annual flows into housing finance would generate ₦250 billion annually more than the federal government's entire housing budget in 2024.

Barriers & risks

An honest assessment builds credibility. The opportunity is real but so are the barriers. For pension capital to flow into Nigerian housing at scale, five structural risks must be named, understood, and mitigated. The good news: none of them is insurmountable.

Risk severity at a glance

Five barriers rated on severity and mitigation difficulty



PenOp Research assessment. Scale 1–10 reflects severity of barrier to institutional investment, based on PenCom data, PenOp REIT investment data, CAHF Nigeria 2024, and Legal500 Nigeria Real Estate 2024.

4.1 Title & land tenure risk — C of O issues and arbitrary revocation

The single biggest reason PFAs pulled back from real estate a 91.6% drop in REIT investment

The barrier

<5%
Share of Nigeria's land parcels that are formally titled. Over 95% of Nigerian land has no legally recognised document and even titled land faces revocation risk.

Under Nigeria's Land Use Act of 1978, all land is vested in the State Governor. A C of O is not freehold ownership, it is a leasehold of up to 99 years, revocable by the Governor for public interest or breach of terms. Compensation for improvements (not land value) is the only statutory remedy.

Pension and real estate experts cited arbitrary revocation of C of Os by state governments as the primary reason for the 91.6% collapse in PFA REIT investment between 2020 and 2024. When state governments revoke titles on land held by institutional investors without transparent due process, the risk becomes unacceptable for a fiduciary managing contributor retirement savings.

The double allocation problem: Nigeria's land registries suffer from poor record-keeping that has resulted in the same parcel of land being allocated twice to different parties. PFAs investing in a REIT or housing fund could unknowingly hold an asset subject to a competing title claim with no transparent registry to verify the position before investment.

Lagos State has introduced an Electronic C of O (e-C of O) system as a positive step toward digitised land records. The federal government signed 6,685 electronic C of Os in 2015 to early 2023. But adoption across states remains patchy and the fundamental revocation risk under the Land Use Act has not changed.

Proposed mitigations

Reform the Land Use Act or introduce a carve-out for institutional investment. The Land Use Act is widely acknowledged as a barrier to investment. A targeted amendment creating a separate regime for institutionally held land where revocation requires an independent tribunal would significantly reduce investment risk without overhauling the entire Act.

Mandatory title insurance for pension-eligible real estate.
PenCom should require all pension-eligible real estate investments to carry title insurance from an approved insurer. Title insurance is standard practice in developed mortgage markets and directly compensates investors for losses from title defects or revocation.

Accelerate national digitisation of land registries

A centralised, publicly searchable national land registry building on Lagos's e-C of O and the AGIS system in Abuja would allow PFAs to conduct definitive title due diligence before investment, reducing the risk of double allocation and fraud.

Government pre-titled land banks for housing development.
The federal and state governments should identify and pre-title large land parcels for affordable housing development providing developers and investors with clean, unencumbered land that carries government title backing, eliminating revocation risk for pension co-investors.

4.2 Counterparty risk — weak developer track record and project completion failures

Nigeria's housing market has a significant history of abandoned and delayed projects

The barrier

50%+

Estimated proportion of real estate construction budgets in Nigeria affected by cost overruns, driven by the 2023–24 inflation and devaluation episode (headline inflation peaked above 30% in 2024, easing to 15.69% by April 2026) naira depreciation, and rising import costs for steel, cement, and finishing materials.

Nigeria's private real estate development sector is fragmented, largely unregulated at the developer level, and has a significant history of project abandonment, cost overruns, and failure to deliver units as contracted. Pension fund managers as fiduciaries cannot absorb losses from failed development projects.

Several risks compound the counterparty problem: developers are often undercapitalised and rely on buyer deposits or early-investor capital to fund construction creating a Ponzi-like structure where delivery depends on continuous new sales.
Construction cost inflation (cement, steel, tiles) rose sharply post-2023 devaluation, pushing many off-plan projects into insolvency before completion. There is no central developer registry, no mandatory financial disclosure for housing developers, and no performance bond requirement for residential projects.

MREIF precedent: The Ministry of Finance's Real Estate Investment Fund (MREIF) issued its first 100+ mortgages in mid-2025 but the average loan size was ₦50–100 million, targeting upper-middle income buyers. This shows that even government-backed structures can miss the affordable housing target if developer selection and project oversight are inadequate.

Proposed mitigations

Mandatory performance bonds for pension-funded developments

Any housing development receiving pension capital through a fund, SPV, or REIT must carry a performance bond from an approved surety company. If the developer fails to complete the project, the bond pays out to the fund.

Drawdown-based funding structures

Pension capital should never be disbursed in full upfront. A professional fund manager with an independent quantity surveyor or project monitor should approve each construction milestone before funds are released. This is standard in infrastructure project finance and must be replicated for housing.

Developer accreditation register

The SEC, FMHUD, and state real estate regulatory authorities (Lagos State Real Estate Regulatory Authority was established in 2022) should jointly maintain a register of accredited housing developers eligible to receive institutional funding.

Criteria: audited financials, track record of completed projects, minimum equity contribution, and insurance cover.

Anchor with established developers and PPPs

In the near term, PFAs should restrict housing investment to established, audited developers with completed project track records or to public-private partnership structures where government provides the land and development framework, reducing developer risk to the pension fund.

4.3 Liquidity risk — real estate is illiquid, pension funds need exit options

Fundamental mismatch between asset illiquidity and fund obligations

The barrier

Days

FGN bonds settle and trade within days in an active secondary market.Selling a real estate asset or unwinding a housing fund position can take 6–36 months.

PFAs have daily withdrawal obligations, contributors can switch PFAs, retire, or claim benefits on short notice. This creates a genuine need for a proportion of assets to be liquid at all times.

Real estate, whether direct property, housing funds, or unlisted SPVs is structurally illiquid. Nigeria's REIT market, while listed, is thin. UPDC REIT's total market cap is approximately ₦33 billion a single mid-sized PFA could own the entire fund and still struggle to exit without moving the price.

The real risk is size: Nigeria's pension fund grows by ₦5 trillion annually. Even a 5% allocation to real estate means ₦1.5 trillion needs to find a home in an asset class where Nigeria's entire listed REIT sector is worth less than ₦500 billion. The liquidity problem is not today's problem, it is the problem that will emerge as the market scales. Building liquidity infrastructure now is essential.

Proposed mitigations

Listed instruments as primary vehicle

PFAs should prioritise FMDQ-listed mortgage bonds and NGX-listed REITs over direct or unlisted real estate. Listing creates a secondary market and a price signal even if liquidity is thin initially, it grows as market makers emerge.

Liquidity buckets within portfolios

PenCom should formalise a two-bucket approach: a liquid core (FGN bonds, listed equities, money market) and an illiquid satellite (real estate funds, infrastructure, private equity) capped at 15–20% of total AUM. South Africa's GEPF uses a similar structure.

Redemption gates on housing funds

Well-structured housing funds should include redemption gate provisions limiting how much capital can exit in any 12-month window. This is standard practice in private real estate funds globally and protects both investors and the fund's operational capacity.

Deepen the REIT secondary market

FMDQ and NGX should introduce market maker obligations for REIT securities ensuring that a buyer or seller can always transact at a fair price, even in thin markets.

4.4 Valuation challenges — Nigeria's real estate valuation is inconsistent

Without credible pricing, PFAs cannot mark-to-market their portfolios

The barrier

₦1.4M–₦2.1M/m^2

Price range per square metre on Banana Island, Lagos, illustrating extreme valuation variance even within a single location. Victoria Island commercial land rose from ₦1.2M to over ₦2.1M/m^2 in a single year (CAHF 2024).

Nigeria's real estate market lacks a centralised, transparent, and independently verified price index. Valuations are conducted by individual estate surveyors with no standardised methodology, no publicly available transaction database, and no regulatory audit of valuation reports submitted to PFAs.

This creates three problems for institutional investors: they cannot independently verify the fair value of assets they hold; they cannot compare valuations across different PFAs or funds; and they face the risk that in a market downturn, asset values are marked down sharply from inflated levels a risk that falls entirely on contributors.

The Nigeria Institution of Estate Surveyors and Valuers (NIESV) has a professional framework, but adherence is inconsistent and enforcement is weak. The proposed National Housing Data Centre (inaugurated by FMHUD in August 2024) is a positive step but is not yet operational at scale.

Proposed mitigations

Mandate independent third-party valuations for pension-held real estate

PenCom should require that all real estate assets held by PFAs be independently valued at least annually by a NIESV-accredited firm with the valuation report submitted to PenCom and made available to contributors.

Establish a National Real Estate Price Index

CBN, FMHUD, and the NBS should jointly produce a quarterly index of real estate transaction prices similar to the Halifax or Case-Shiller indices covering at least Lagos, Abuja, and Port Harcourt. This is the single infrastructure investment that would most improve confidence in real estate as a pension asset class.

Accelerate the National Housing Data Centre

The FMHUD-inaugurated Joint Steering Committee must be given clear deliverables and a timeline. A functioning data centre would provide the transaction history needed for credible valuation benchmarks.

4.5 Regulatory constraints — Regulation 1 investment limits

Low direct risk but creates structural underallocation

The barrier

0.5%
Actual PFA allocation to real estate remains below the permissible ceiling of 10% under the Regulation (depending on fund classification under the Multi-Fund Structure). Over ₦2 trillion of allowable investment capacity remains unutilised.

Regulation 1 (revised September 2025) defines which assets PFAs can hold and at what concentration. While it has been revised to raise infrastructure and alternative investment ceilings, three constraints remain:

Instrument eligibility: Only SEC-registered or exchange-listed instruments qualify. Most housing fund vehicles and development SPVs are not yet structured to meet this bar. FMBN bonds are not yet rated or FMDQ-listed, making them pension-ineligible today.

Single-entity concentration: Regulation 1 caps exposure to any single issuer which limits how much of any one housing fund or bond a PFA can hold, reducing the incentive to create new vehicles.

FGN crowding out: Although no explicit rule forces PFAs into FGN bonds, the combination of perceived safety and regulatory simplicity means 56.2% of all pension assets remain in government securities. Real estate competes on an unequal footing.

Proposed mitigations

Rate and list FMBN bonds on FMDQ

A credit-rated, exchange-listed FMBN mortgage bond would immediately become pension-eligible without any change to Regulation 1. This is the fastest single action to unlock PFA capital into housing.

Create a dedicated housing fund asset class

PenCom and the SEC should jointly define an approved "Affordable Housing Fund" category similar to how infrastructure funds were defined with clear eligibility criteria, return benchmarks, and governance standards.

Publish a revised Regulation 1 explanatory note

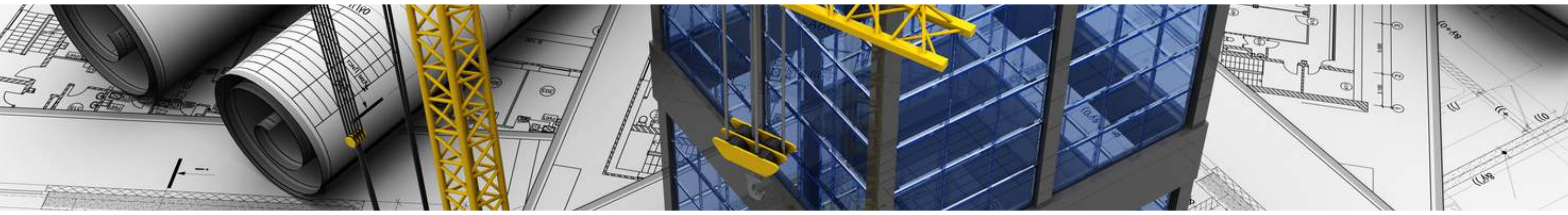
PenCom should issue guidance clarifying exactly what housing investment structures are permitted today. Many PFAs avoid the category due to regulatory ambiguity not prohibition.

Every barrier in this section has a known solution. None requires new legislation to get started, most require coordination between PenCom, the SEC, FMHUD, and state governments. The 91.6% collapse in PFA real estate investment between 2020 and 2024 was not inevitable. It was the outcome of unresolved structural risks meeting a lack of market infrastructure. Resolving even two or three of these barriers particularly title risk and valuation standards would unlock pension capital into housing finance faster than any new regulation could.

PenOp is committed to working with regulators, government, and market infrastructure providers to resolve each of these barriers systematically. Section 5 sets out the specific policy asks.

5 Policy Recommendations

PenOp sets out six actionable policy recommendations to unlock pension capital for Nigerian housing finance. Each is grounded in the evidence in this report, assigns clear institutional responsibility, and is achievable within existing legislative frameworks no new primary legislation is required to begin.



5.1 Immediate — 0 to 6 months

Extend Regulation 1 to create a dedicated, pension-eligible Affordable Housing Fund category

Lead: PenCom + SEC · Support: FMHUD, PenOp

Why this is needed

Only 86
Instruments currently meet PenCom's liquidity and free-float criteria across all asset classes. The shortage of qualifying housing instruments is regulatory, not market-driven.

PenCom's September 2025 revision of Regulation 1 raised infrastructure fund ceilings and private equity limits from 5% to 10–15% depending on fund class. However, no specific "Affordable Housing Fund" category exists with defined qualifying criteria, return benchmarks, or governance standards.

PenCom Director General Oloworaran explicitly acknowledged this gap, noting the "limited availability of investable instruments that meet regulatory standards" as the primary constraint on alternative asset deployment. PFAs want to invest the instrument category does not yet exist in a form they can use.

> *"We are not really okay with returns the way they are because inflation is having a significant negative impact. We really want to see traction in those alternative assets."*
>
> *— Ibrahim Buwai, PenCom Spokesperson, August 2025 (Bloomberg)*

The specific ask

Define an "Affordable Housing Fund" asset class under Regulation 1
PenCom and the SEC should jointly define qualifying criteria for SEC-registered Affordable Housing Funds covering minimum fund size (at least ₦10 billion), governance standards, permitted underlying assets (land with clean C of O, residential mortgage pools, FMBN bonds), return reporting requirements, and maximum allocation per PFA.

Issue an explanatory circular immediately

Without waiting for a new regulation, PenCom should issue a circular clarifying exactly which housing investment structures are permissible under the current revised Regulation 1. Many PFAs avoid real estate due to ambiguity not prohibition.

Raise the infrastructure/housing fund ceiling to 20% for RSA Fund II

The revised 2025 regulation raised private equity limits to 10–15%. An equivalent revision for Affordable Housing Funds ringfenced from general infrastructure would create a clear, dedicated allocation pathway.

5.2 Immediate — 0 to 6 months

Rate and list FMBN mortgage bonds on FMDQ

Lead: FMBN + FMDQ · Support: CBN, PenCom, SEC, PenOp

Why this is needed

6%

FMBN's on-lending rate on NHF mortgages deeply concessional, long-tenor housing finance. FMBN is legally mandated to issue bonds to pension funds. The bonds do not yet exist in pension-eligible form.

FMBN's mandate explicitly includes issuing mortgage-backed bonds and securities to pension funds and insurance companies to fund its secondary mortgage market. The legal authority already exists. What is missing is the credit rating, FMDQ listing, and standardised pooling framework that would make FMBN instruments pension-eligible under Regulation 1.

Under Regulation 1, corporate and agency bonds must carry a minimum investment-grade credit rating and be listed on a recognised exchange to qualify for pension investment. FMBN bonds are currently unrated and unlisted making them ineligible regardless of PFA appetite.

The specific ask

Commission an investment-grade credit rating for FMBN

The CBN and FMHUD should mandate and fund a credit rating exercise for FMBN and its proposed mortgage bond issuances. A government-backed institution of FMBN's mandate should context target an investment-grade national-scale rating, supported where necessary by credit enhancement or a partial government guarantee.

List FMBN mortgage bonds on FMDQ within 12 months

FMBN, FMDQ, and the SEC should establish a joint workstream with a 12-month deadline to structure, rate, and list the first tranche of FMBN Mortgage Bonds minimum face value ₦10 billion to meet Regulation 1 thresholds.

Standardise NHF mortgage pool criteria

For MBS issuance, FMBN must develop and publish standardised underwriting criteria for mortgage pools including mandatory C of O verification, minimum borrower income thresholds, and insurance requirements so that pooled mortgages can achieve a consistent credit rating.

> *Real estate investment through Mortgage-Backed Securities (MBS) and REITs registered with SEC are allowable instruments under PenCom's investment regulations but no rated, listed MBS product currently exists in Nigeria's market.*
>
> *— TotalEnergies EP Nigeria CPFA, citing PenCom Investment Regulations*

5.3 Immediate — 0 to 12 months

Establish a federal government credit guarantee mechanism for pension-backed affordable housing investment

Lead: Federal Ministry of Finance · Support: FMHUD, CBN, Family Homes Fund, PenOp

Why this is needed

₦21–59 Trillion
Capital needed to close Nigeria's housing deficit. Public budgets cannot provide this. A government credit guarantee costs a fraction of direct spending while unlocking multiples of private pension capital.

The single largest barrier to PFA investment in housing outside of title risk is the absence of a first-loss or credit enhancement mechanism. PFAs are fiduciaries: they cannot absorb development losses on behalf of contributors. A government credit guarantee changes the risk calculus fundamentally, allowing pension capital to invest at scale in assets it would otherwise avoid.

Kenya's Affordable Housing Fund, established under the Affordable Housing Act 2024, provides a direct precedent. The government provides the statutory framework and first-loss capital; institutional investors co-invest in senior positions with protected returns. The model works and is replicable.

The specific ask

Establish a Nigeria Affordable Housing Credit Guarantee Scheme

The Federal Ministry of Finance through the Family Homes Fund or a new SPV should establish a partial credit guarantee covering 20–30% of first losses on pension-backed affordable housing investments. This would require a one-time capitalisation of approximately ₦100–150 billion, or a lower paid-in amount backed by callable capital, to support a potential ₦500 billion housing fund.

Extend the Family Homes Fund mandate to include pension co-investment

The Family Homes Fund is an existing government vehicle with a housing mandate. Its mandate should be extended to allow it to act as the first-loss co-investor alongside PFAs in qualifying affordable housing developments without creating a new institution.

Issue government off-take guarantees for civil servant housing

Federal and state governments should commit to purchasing a defined number of completed affordable housing units from pension-backed developments for allocation to civil servants providing revenue certainty that makes project finance viable.

5.4 Near term — 6 to 18 months

Reform the REIT regulatory framework to attract institutional capital and expand the market

Lead: SEC · Support: NGX, FMDQ, PenCom, PenOp, FMHUD

Why this is needed

91.6%

Collapse in PFA investment in REITs between 2020 (₦85B) and 2024 (₦21.9B). PenOp attributed this to the "dearth of REITs available in the market" not lack of appetite.

Nigeria has five active REIT structures, four of them NGX-listed, with a combined NAV of approximately ₦483 billion (December 2025). South Africa has over 30 listed REITs in a sector valued at approximately $29 billion. The gap reflects regulatory friction not market potential.

The barriers to REIT formation in Nigeria include: the cost and complexity of SEC registration for new REITs; the absence of tax parity between REIT distributions and FGN bond income in PFA hands; thin secondary market liquidity that discourages both issuers and investors; and the near-total absence of residential-focused REITs, which are the instrument most directly aligned with Nigeria's housing gap.

The specific ask

Grant REIT distributions full tax exemption in PFA hands

Income from FGN bonds is tax-exempt for pension funds. REIT distributions in PFA hands should receive equivalent treatment, in particular exemption from withholding tax on distributions. This one change would make REITs genuinely competitive with government securities

Streamline SEC registration for new REITs: 90-day approval target

The SEC should introduce a fast-track registration pathway for REITs with a stated 90-day approval target and a standardised prospectus template. The current process, which can take 12–24 months, discourages new REIT formation.

Introduce a Residential Affordable Housing REIT category

The SEC should create a distinct "Affordable Housing REIT" classification with specific eligibility requirements minimum 70% of assets in residential properties priced within a defined affordability band and link this to the credit guarantee mechanism in Recommendation 3.

Mandate market makers for listed REITs on NGX and FMDQ

NGX and FMDQ should require designated market makers for all listed REIT securities, ensuring minimum bid-ask spreads and transaction volume to improve secondary market liquidity.

5.5 Near term — 6 to 24 months

Establish a National Housing Finance Fund with PFA co-investment as a structural pillar

Lead: FMHUD + Federal Ministry of Finance · Support: PenCom, SEC, PenOp, AfDB, IFC

Why this is needed

₦5T

Annual growth in Nigeria's pension AUM. Capturing just 5% of annual inflows into a dedicated housing fund would generate ₦250 billion per year more than the entire federal housing budget.

Individual PFAs face structural challenges investing in housing without a pooled vehicle: transaction costs are high, due diligence is expensive, and no single PFA has the in-house expertise to underwrite housing development risk. A National Housing Finance Fund managed by a professional fund manager, regulated by the SEC, and anchored by PFA co-investment solves all three problems simultaneously.

The Kenya model is instructive: a government-mandated Affordable Housing Fund, capitalised by a statutory levy and institutional co-investment, delivered 111,975 units in its first year of operation. Nigeria's pension industry is significantly larger than Kenya's NSSF in absolute terms, providing the capital base to do more.

The specific ask

Establish a ₦500 billion National Housing Finance Fund (NHFF)

The FMHUD and Federal Ministry of Finance should establish an NHFF as an SEC-registered infrastructure fund. Target capitalisation: ₦500 billion comprising ₦50–100 billion in government seed capital (through the Family Homes Fund), ₦200–300 billion in PFA co-investment, and ₦100–150 billion from DFI partners (IFC, AfDB, AFC).

Appoint a professional fund manager through open procurement

The NHFF should be managed by a professionally licensed fund manager selected through transparent procurement not government. This preserves the commercial discipline and governance standards that pension fiduciary duty requires.

Define a clear mandate: affordable housing, not luxury development

The NHFF mandate should explicitly cap investment in units priced above a defined affordability threshold recommended at up to ₦100 million per unit in the highest-cost markets (Lagos and Abuja), stepped down for other locations and indexed annually to construction cost inflation or, preferably, defined by income (housing costing no more than 30% of household income, as in Kenya’s Affordable Housing Act) to prevent mission drift toward the luxury segment where PFA capital is not needed.

PenOp's role: coordinate PFA participation

PenOp is best placed to coordinate PFA participation in the NHFF conducting collective due diligence, negotiating fund terms on behalf of the industry, and ensuring governance standards are maintained. This is a natural extension of PenOp's industry coordination mandate.

5.6 Medium term — 12 to 36 months

Mandate independent valuation standards and a national land title system for pension-eligible real estate

Lead: FMHUD + NIESV · Support: CBN, NBS, State Land Registries, PenCom, PenOp

Why this is needed

<5%

Share of Nigeria's land parcels that are formally titled. No centralised, searchable land registry exists nationally. PFAs cannot confidently underwrite assets they cannot independently verify.

Arbitrary C of O revocations by state governments were cited by pension and real estate experts as the primary reason for the 91.6% collapse in PFA REIT investment. Until title security is improved, pension capital will find other homes regardless of regulatory permission.

Lagos State's e-C of O and Abuja's AGIS system show that digital land registries are technically feasible in Nigeria. The challenge is national rollout, interoperability, and legal protection for institutional investors holding titled land. The FMHUD's August 2024 inauguration of a National Housing Data Centre Joint Steering Committee is a positive beginning but delivery is needed urgently.

The specific ask

Mandate annual independent valuations for all pension-held real estate

PenCom should amend Regulation 1 to require that all real estate assets held by PFAs be independently valued annually by a NIESV-accredited valuer, with results submitted to PenCom and disclosed to contributors in annual RSA statements.

Establish a National Real Estate Price Index (CBN + NBS + FMHUD)

A quarterly, publicly available price index for residential real estate covering at minimum Lagos, Abuja, and Port Harcourt would provide the benchmark data required for credible independent valuations. The CBN, NBS, and FMHUD should jointly commission this index within 18 months.

Deliver the National Housing Data Centre within 24 months

The FMHUD Joint Steering Committee inaugurated in August 2024 must publish a delivery timeline and be held to it. A functioning national housing data repository is the infrastructure on which all other reforms depend.

Longer-term legislative agenda (beyond the six regulatory recommendations): Amend the Land Use Act to protect institutional investors from arbitrary C of O revocation

A targeted amendment requiring that any revocation of C of O held by SEC-registered institutional investors be subject to independent review would materially reduce the single largest risk deterring PFA capital from Nigerian real estate.

Summary: six recommendations, three time horizons, five institutions

Who must act, and when

Recommendation	Lead institution	Timeline	Pension capital unlocked (est.)
01 — Affordable Housing Fund category in Reg. 1	PenCom + SEC	0–6 months	₦500B–₦1T+
02 — Rate & list FMBN bonds on FMDQ	FMBN + FMDQ	0–12 months	₦500B–₦1T+
03 — Government credit guarantee mechanism	FMF + Family Homes Fund	0–12 months	De-risks ₦500B+ in co-investment
04 — REIT framework reform	SEC + NGX + FMDQ	6–18 months	₦200B–₦500B
05 — National Housing Finance Fund (₦500B)	FMHUD + FMF	6–24 months	₦500B direct
06 — Valuation standards + land title reform	FMHUD + NIESV + CBN	12–36 months	Enables all of the above at scale

PenOp's commitment

PenOp does not simply identify policy gaps, we commit to active participation in resolving them. As the industry association for Nigeria's licensed PFAs & CPFAs, PenOp is best positioned to coordinate pension industry input into each of these reforms, facilitate collective due diligence on qualifying housing instruments, and serve as a structured channel between the pension industry, regulators, and government on housing finance policy.

Case studies

Three case studies: two international, one domestic that demonstrate pension capital and housing finance can be successfully combined. Each carries lessons that are directly applicable to Nigeria's context today.

ZA Case Study 1: South Africa

PIC / GEPF — Divercity Urban Property Group

How Africa's largest pension fund became an anchor investor in affordable rental housing and what it took to get there

R2.69T	R10.5B	2500	10,000+
GEPF total AUM Africa's largest pension fund, managed by PIC	GEPF committed to SA Home Loans affordable mortgage finance vehicle	New affordable rental units Divercity will develop with PIC investment	Total units Divercity expects to build by 2030 across city centres

What happened

In January 2025, the Public Investment Corporation (PIC) which manages assets on behalf of the Government Employees Pension Fund (GEPF) made its first investment in South Africa's multifamily residential rental sector, taking a stake in Divercity Urban Property Group.

Divercity's model is straightforward: build high-density, well-located affordable rental housing in city centres, close to jobs, public transport, and essential services then manage it institutionally as a long-term income-generating asset. The investment directly supports Divercity's ambition to develop an additional 2,500 affordable units, with a 10,000-unit target by 2030.

This built on an earlier commitment: GEPF had already invested R10.5 billion into SA Home Loans, one of South Africa's primary affordable mortgage lenders, as part of a broader R70 billion developmental investment mandate given to the PIC over ten years.

> *"As South Africa confronts a critical housing shortage, the PIC is committed to investments that not only deliver sustainable financial returns to its client portfolios, but also investments that drive impactful socio-economic outcomes."*
>
> *— Kabelo Rikhotso, PIC Chief Investment Officer, January 2025*

What made it work and what Nigeria can learn

Dual mandate framing financial returns AND social impact

PIC structured the investment explicitly as both a financial and a social return. "Financial return means PIC must generate profit for clients; social return means our investments should positively affect social conditions." Nigeria's PenCom should adopt equivalent dual-mandate language in its revised Regulation 1, legitimising affordable housing as a pension-grade investment category.

Institutional landlord model reduces risk

Divercity manages properties itself providing consistent, professionally managed rental income. The PIC is not underwriting developer risk. Nigeria's housing fund structures should similarly separate the developer (who builds) from the institutional manager (who holds and operates), reducing PFA exposure to construction risk.

Independent research underwrote the decision

Before investing, the PIC relied on independent MSCI research demonstrating that multifamily residential delivered "consistent performance, low volatility, and predictable returns" over five years. Nigeria needs equivalent independent research on PFA-backed housing returns which PenOp is positioned to produce.

> *"This is about more than buildings. It is about making cities work better for people, so that living closer to work is not a privilege, but a possibility for more South Africans."*
>
> *— Dr David Masondo, PIC Chairperson, April 2026 site visit, Cape Town*

Phased commitment, not big bang

GEPF committed R70 billion over ten years, not all at once. A phased, mandate-governed commitment structure allows pension funds to enter cautiously and scale as confidence builds. Nigeria's NHFF should be structured identically initial commitment, then scale.

KE Case Study 2: Kenya

The Affordable Housing Act 2024 & the Boma Yangu Programme

How a statutory levy, a digital platform, and institutional co-investment delivered 111,975 housing units in under two years

111,975
Housing units completed or under development under the Affordable Housing Programme

1.5%
Employer-matched Affordable Housing Levy on gross salary effective March 2024

KSh 623B
NSSF total AUM as at December 2025 growing rapidly on revised contribution tiers

1,000,000
Target mortgages under the programme up from 27,786 mortgages as at December 2022

What happened

On 19 March 2024, Kenya's President signed the Affordable Housing Act into law establishing a dedicated Affordable Housing Fund, a mandatory employer-matched levy of 1.5% of gross salary, and a digital delivery platform (Boma Yangu) to register applicants, receive savings, and match buyers to completed units.

The results have been remarkable in scale: 111,975 units completed or under development as of the latest Kenya Permanent Mission to UN-Habitat data. The programme explicitly targets housing affordability defined in the Act as housing that costs no more than 30% of monthly income and provides for below-market-rate mortgages to qualifying buyers.

What made it work and what Nigeria can learn

A statutory levy creates investable scale immediately

Kenya's 1.5% housing levy generates a predictable, growing fund of capital that institutional investors can plan around. Nigeria's NHF contribution of 2.5% exists but is undercollected and not effectively recycled into housing supply. Reforming NHF remittance enforcement would replicate Kenya's levy effect without new legislation.

The Boma Yangu platform is fully digital: applicants register via web or USSD (*832#), save toward a deposit through a digital wallet, and are matched to available units. Organised groups, employers, SACCOs, chamas can bulk off-take units for their members. Financial institutions are integrated to provide construction financing to developers and mortgage financing to buyers.

NSSF sits at the centre of the institutional co-investment model with revised contribution tiers (effective February 2025, raising the upper earnings limit to KES 108,000) directing growing pension capital into the housing economy.

Digital delivery infrastructure is essential

Boma Yangu's USSD-based registration and digital savings wallet dramatically lowered transaction costs and expanded access. Nigeria's FMBN and PenCom should invest in equivalent digital infrastructure a PenCom-linked housing portal where RSA holders can access the equity contribution scheme in minutes, not months.

Legal definition of affordability sets the investment mandate

Kenya's Act defines "affordable housing" precisely no more than 30% of monthly income. This prevents mission drift. Nigeria's proposed National Housing Finance Fund must carry an equally clear affordability definition.

Institutional bulk off-take solves the demand problem

Employers, SACCOs, and organised groups buying units in bulk gives developers the revenue certainty to build at scale. Nigeria's government should similarly require federal and state civil service housing allocations to be bulk off-taken from NHFF-financed developments.

NG Case Study 3: Nigeria

The RSA equity contribution scheme, pension capital already flowing into housing at the individual level

PenCom's RSA Equity Contribution for Residential Mortgage Guidelines

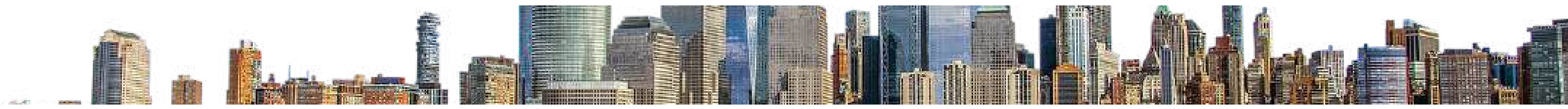
Proof that Nigerian pension capital can flow into housing and that contributors will use the mechanism when it is accessible. The challenge now is scaling it from the individual to the institutional level.

₦260.61B
Total RSA equity contributed toward residential mortgages, inception to Q4 2025

51,845
RSA holders who accessed the scheme inception to Q4 2025

25%
Maximum RSA balance accessible as equity contribution for residential mortgage

621K
Estimated eligible RSA holders who qualify but have not yet used the scheme



What happened

In 2023, PenCom issued guidelines enabling RSA holders to access up to 25% of their RSA balance as an equity contribution toward a residential mortgage. The scheme is available to active contributors who have contributed for at least five years and are below age 50 channelling pension savings directly into homeownership for working Nigerians.

By Q4 2025, 51,845 contributors had used the scheme accessing a combined ₦260.61 billion. The average access per contributor was approximately ₦5.0 million. Given that fewer than 1% of NHF subscribers have ever accessed a mortgage, this represents early but meaningful traction.

Notably, even the current scheme requires digital simplification. The process involves 17 sequential steps across the contributor, PFA, mortgage lender, and PenCom creating friction that discourages uptake. Based on MBAN's analysis, approximately 621,000 RSA holders may qualify for the scheme but have not yet accessed it representing a significant untapped pipeline of pension-backed housing equity whose total value PenOp recommends be formally quantified by PenCom using actual RSA balance data.

What made it work and what Nigeria can learn

Individual to institutional: the missing link

The RSA equity scheme channels pension capital at the individual contributor level. The next step the one this report argues for is channelling pension capital at the institutional fund level, through REITs, housing funds, and MBS, to finance housing supply rather than just individual demand.

Simplification would unlock significantly more

PenCom should reduce the scheme's process from 17 steps to a streamlined digital flow target: accessible via the PFA mobile app in under 30 minutes. Kenya's Boma Yangu USSD model demonstrates this is achievable.

Employer bulk participation is untapped

The guidelines allow joint mortgage applications and employer facilitation. No major employer group has structured a bulk programme for their workforce. PenOp should convene PFAs and large employers to pilot a bulk RSA equity mortgage programme providing a template for the broader market.

What the three cases tell us — a comparative view

Key features of each model and their applicability to Nigeria

Feature	🇿🇦 South Africa (PIC/GEPF)	🇰🇪 Kenya (AH Act 2024)	🇳🇬 Nigeria (RSA Equity Scheme)
Pension capital vehicle	Direct fund investment + SA Home Loans	Statutory levy + NSSF co-investment	Individual RSA withdrawal (25% cap)
Government role	✓ Developmental mandate to PIC	✓ Statutory fund + AH Act	◑ PenCom guidelines only; no fund
Institutional fund vehicle	✓ Divercity (institutional landlord)	✓ Affordable Housing Fund (statutory)	✗ No institutional housing fund exists
Digital delivery platform	◑ Partial — REIT and fund listing	✓ Boma Yangu — USSD + web platform	✗ 17-step manual process
Units delivered / targeted	2,500 (Divercity) + 10,000 by 2030	111,975 completed or underway	51,845 contributors accessed (not units)
Credit guarantee mechanism	✓ GEPF developmental mandate de-risks	✓ Government statutory guarantee	✗ No mechanism exists
Replicable in Nigeria today?	✓ With regulatory revision + NHFF	✓ AH Fund model directly replicable	✓ Already operating needs scaling

Conclusion

The time to act is now

Nigeria has the capital. It has the need. What it has lacked until nowis the structured argument for connecting the two. This report is that argument.

> Nigeria's pension industry holds ₦30.94 trillion in long-duration, patient capital. Its housing sector faces a 28 million unit deficit. These two facts sit side by side in the same economy and the gap between them is not technical. It is political will and market infrastructure

Over twenty years of the Contributory Pension Scheme have built one of Africa's most significant pools of institutional capital. That capital contributed naira by naira by over 11 million working Nigerians is doing important work: it is 56.2% invested in FGN securities, financing the federal government's borrowing programme and providing the stable base the pension system requires.

But the case for diversification has never been stronger. With inflation above 15% eroding real returns on fixed income, the naira having lost over 70% of its value since 2023, and PenCom's own Director General acknowledging publicly that "we are not okay with returns the way they are", the pension industry faces a structural imperative to find better investments. Housing finance through the four pathways set out in Section 3 offers exactly that: long-duration, inflation-linked, socially impactful assets that are structurally matched to the liabilities pension funds are managing.

₦30.94T Pension AUM growing by ~₦5T per year	**28M** Unit housing deficit growing	**₦250B** Annual housing finance unlocked by redirecting 5% of pension AUM growth	**6** Policy recommendations that require no new primary legislation to begin

South Africa's PIC proved it can be done with clear mandate, institutional structure, and phased commitment. Kenya proved it can be done at scale with legislation, a digital platform, and a dedicated fund. Nigeria has already proved, at the individual level, that RSA holders will use pension capital for housing when the mechanism is accessible. The question is whether Nigeria's policymakers and regulators will now build the institutional framework to do the same at scale.

None of the six recommendations in this report requires new primary legislation to begin. The regulatory powers are with PenCom and the SEC. The institutional vehicles FMBN, Family Homes Fund, FMDQ already exist. The capital is already there. What is needed is the coordination, the political will, and the structured engagement that PenOp is uniquely placed to facilitate.

PenOp's call to action

PenOp calls on the following institutions to convene a Joint Housing Finance Working Group within 90 days of this report's publication, with a mandate to deliver a 24-month implementation roadmap against the six recommendations set out in Section 5:

- National Pension Commission (PenCom)
- Securities & Exchange Commission (SEC)
- Fed. Min. of Housing (FMHUD)
- Federal Mortgage Bank (FMBN)
- FMDQ Securities Exchange
- Federal Min. of Finance (FMF)

PenOp commits to serving as the pension industry's standing representative in this Working Group coordinating PFA input, facilitating collective due diligence on qualifying housing instruments, and publishing an annual progress report against the recommendations in this document.

https://www.penop.com.ng/

A Note from the PenOp Research Team

Why we wrote this report

I want to be honest about where this report came from.
It did not start with a dataset or a policy brief. It started with a question that kept coming up in conversations with PFAs, with contributors, with people in the housing sector a question that nobody seemed to be answering directly: if Nigeria has ₦31 trillion in pension savings and a housing crisis that affects almost every Nigerian family, why is there no serious, structured conversation about connecting the two?

Part of my work at PenOp involves looking at where the pension industry is going not just where it has been. And what I kept seeing was a system that had done something remarkable: it had built one of the continent's most significant pools of institutional capital, grown it to over ₦31 trillion, and delivered real financial infrastructure where very little existed before. That is genuinely impressive. But I also kept seeing the limits of what that capital was doing. Nearly 60% of it lent to a single borrower, the Federal Government. Real returns being eroded by the same inflation that is making life harder for the contributors whose money it is. And an entire asset class housing sitting largely untouched, despite being structurally perfect for long-term pension investment.

The more I dug into it, the more I realised the barriers were not insurmountable. They were specific. Title risk. Absent credit ratings. A thin REIT market. Regulatory ambiguity. These are real problems but they are solvable problems. What was missing was not the will to solve them, but someone putting them all in one place, with evidence, with international comparisons, with a clear set of asks.

That is what this report is. It is PenOp's attempt to do exactly that to put the full picture on the table, to name the barriers honestly, and to propose solutions that the right institutions can actually implement. We are not positioning this as criticism of what has been built. We are positioning it as the next chapter of what the industry can become

We also believe, deeply, that this is not just a financial story. Behind every RSA balance is a person a civil servant, a teacher, a bank worker, an engineer, who contributed faithfully for years and deserves a retirement that is dignified, not anxious. And behind every housing statistic is a family living in inadequate shelter, unable to build the kind of stability that allows children to thrive. If pension capital deployed carefully, through the right structures can do something about both of those realities at the same time, then PenOp has an obligation to make that argument as clearly and as loudly as we can.
We hope this report starts a conversation that leads to action. We are ready to be in the room when it does.

Aminah Fagbenro

PenOp Research & Investment Lead

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