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Towards real estate investment trust implementation and operationalisation: readiness of real estate investment trust connected parties in Uganda.

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Abstract

Despite several developing economies enacting Real Estate Investment Trust (REIT) regulations, REITs are still underutilised as alternative vehicle to address real estate financing challenges. In Uganda, limited research on the application of REIT towards financing real estate further complicates this situation. This study addresses crucial research gaps concerning REIT applications in developing nations, with Uganda as a focal point. The study investigates the readiness of REIT connected parties towards the implementation and operationalisation of REIT in Uganda. Through theorising REIT application and employing a qualitative phenomenological research design, the study describes the readiness of connected parties through their lived practice and experiences. Data collection was conducted by interviewing a purposively selected sample of potential REIT connected parties that comprised valuers, investment bankers, lawyers, accountants and financial experts based on their involvement in the finance and investment sector. Knowledge, Skills and Abilities (KSA) themes were deduced from the Activity Theory while sub-themes were extracted through thematic analysis. We find significant knowledge and skilling gaps related to basic and conventional operation of REIT among connected parties. We also find limited experience of connected parties towards operation of REIT. Our study proposes awareness and structured interventions from the line regulators to fast-track REIT readiness. Lastly, the study contributes valuable insights into REIT application adoption in developing countries, offering theoretical and practical implications for real estate financing.

Keywords: *Collective Investment Scheme, REIT, Connected Parties, Agricultural financing*

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1. Introduction

Real Estate plays an important part role in driving economic growth, the inter-dependent relationship between the financial economy and real estate sectors has intensified boom-bust dynamics within property markets (Waldron, 2018). At a macro level, real-estate public policy initiatives are cautiously applied given the complex relationships observed between the state macro economy, real estate economy, and housing market (Bates et al., 2015). According to the Financial Year 2024/2025 Uganda Budget Speech, there was improved performance of the Ugandan economy on account of higher growth in all sectors including services, agriculture, and industry estimated to grow at 6.6%, 5.1%, and 5.8%, respectively. This growth was reflected in the growth of the different real estate asset classes. For instance, the impressive growth in the service sector was attributed to a strong recovery in retail and wholesale trade, tourism and communication all-encompassing real estate activities (MoFPED, 2024). According to the Ministry of Lands, Housing and Urban Development, (2016) investment in real estate has the potential to generate revenue through taxes on building materials, revenues from premiums, rental or property taxes and other fees.

However, the challenge of real estate financing is faced in all real estate asset classes from traditional commercial and residential real estate to untraditional/specialised real estate such as agriculture and infrastructure. Development of real estate requires significant capital that developers and entrepreneurs are not always able to raise alone but requires credit financing and leverage. For traditional real estate asset classes such as residential, the National Housing Policy (2016) articulates that investment in the housing sector has been minimal over the years leading to inadequate housing both in rural and urban areas with urban areas having the extra burden of inadequate quantity leading to overcrowding, creation of slums and informal settlements. According to Smart & Lee, (2003), neglect of real estate is a serious limitation to the financialisation of any economy as housing wealth is more significant than other forms of equity for most citizens. Housing finance options to facilitate the demand and supply of housing are limited due to the narrow and underdeveloped finance markets in the country calling for an efficient, effective and well-structured housing finance mechanism for the development of the residential real estate asset class (Dixon et al., 2008).

In the case of non-traditional real estate assets such as agricultural real estate involved in production, capital is required as a factor of production to realise their highest and best use (Kan et al., 2022). According to Elahi et al.(2022) specialised real estate such as agricultural real estate with scaled operation requires the flow and reallocation of production factors such as capital to achieve the purpose of large-scale and intensive production. Thus, the a need for capital financing alongside other factors of production (Collier & Dercon, 2014). Financing of non-traditional asset classes is also traditionally challenging for financial institutions due to their inherent risks (Kessy, 2022). For example, financing for agricultural production remains a subject of both national interest and frustration in developing countries and emerging markets (Onyiriuba et al., 2020). Though, there have been efforts by the Ugandan government to improve financing towards agricultural real estate through traditional financing avenues, such as subsiding credit facilities offered by Private Financial Institutions (PFIs) and Saving and Credit Cooperatives organisations (SACCOS), Warehouse receipting among other initiatives, the proposed avenues dissociate public and private capital and are characterised with accessibility challenges as they are limited to established commercial players with significant agricultural real estate holdings (Havemann et al., 2020; Nakiwala et al., 2022; Ssessanga, 2020). The same financing challenge is also evident in the public infrastructure as real estate (Mello & Sutherland, 2015; Walter, 2016).

Additionally, the capital and real estate markets of Uganda similar to many developing countries, despite evolving over the last years, are still generally underdeveloped and characterised by limited securitisation and financial structuring instruments for transferring and spreading risk for illiquid assets such as the real estate asset (Sejjaaka, 2014). Globally, REIT regimes owe their existence to the United States of America's Real Estate Investment Trust Act of 1960, a financial tax regulation that fuelled the development of public real estate markets, set a standard for reducing investment risk and amplified the transparency of the investment industry (Brounen & de Koning, 2012). A REIT definition has not been altered since then as an entity that owns, operates, acquires, develops and manages real estate assets and provides related services. It qualifies for special tax treatment, and its shares might be publicly traded similarly to other stocks (Corgel et al., 1995). The special tax treatment is supposed to attract investors to invest in large, diversified portfolios of real estate combined with the liquidity of the public markets (Brounen & de Koning, 2012). REITs` principal business is the management of income-generating real estate properties and loans, thereby acting as an investment tool to spread the risk of asset ownership and create a flow of funds from investors to the underlying real estate asset (Chan et al., 2002). REIT frameworks offer securitisation which involves the pooling and packaging of homogeneous illiquid financial assets, such as real estate, into marketable securities that can be sold to investors, thereby providing low-cost capital to the asset owners (Schwarcz, 2009). Therefore, REITs are Special Purpose Vehicles (SPVs) that transfer risk and represent an ownership interest in or secured by a segregated income-producing pool of assets (Corgel et al., 1995; Haslam et al., 2015). REITs have steadily grown in size and importance, gaining traction from global investors due to their advantages towards performance in a diversified portfolio, provision of low-cost capital and access to global real estate markets (Sun et al., 2015). However, despite their advantages, acceptability and adoption in low-developing countries is still limited (Olusegun, 2016).

In worst-case scenarios, developing countries such as Uganda have not registered or listed any REIT for several years after enacting the REIT legal framework (Ssessanga, 2020). There have been attempts to assess the application of REIT in Uganda, but limited studies have assessed the readiness of REIT-connected parties in terms of possessing the necessary tools, rules and norms towards REIT implementation and operationalisation. Ssessanga (2020) limits his study to the perception, risks, benefits and challenges of REIT faced by institutional investors in Uganda, limiting his study to institutional investors as security holders while ignoring other connected parties essential for REIT implementation. Lipson, (2013) defines a basic securitisation structure to include originators, Special Purpose Entity (SPE) and investors while Delivorias (2015) argues that the securitisation structure comprises originators and facilitators among other players. In relation, this study refers to the REIT structure set out by the Ugandan Collective Investment Scheme (Real Estate Investment Trust) Regulations 2017. The regulation structures REIT facilitators as REIT "connected parties" to include REIT manager, valuer, trustee, holder of REIT securities, director or senior executive, officer or associate. The Ugandan Capital Markets Authority (CMA) introduced the Collective Investment Scheme (Real Estate Investment Trust) Regulations 2017 as a regulation to guide the formation and operation of REITs. However, since the introduction of the regulation, there is still no registered REIT in the Uganda real estate market, whose economy comprises diverse real estate asset classes in need of financing (Mawejje & Munyambonera, 2017; Nilsson, 2017). The inadequacy and challenge of real estate financing coupled with the absence of any registered or structured REIT in the Ugandan market to transfer and spread real estate risk motivates the importance of investigating the readiness of REIT-connected parties towards REIT implementation and operationalization as a tool for real estate financing. Similarly, global REIT reports such as EPRA annual REIT survey and NAREIT have never assessed the readiness and applicability of REIT in Uganda. The unknown readiness and applicability of REIT as an alternative towards real estate financing in Uganda portends a danger to the growth and development of REIT in Uganda. This is one research gap that the study intends to fill by investigating the readiness of REIT-connected parties towards REIT implementation and operationalisation in Uganda. By investigating the readiness of connected parties, the study contributes to the necessity of inquiry towards the application of REIT not only in Uganda but also in similar developing economies.

2. Theoretical perspective

Financing and investment generally face increasing uncertainty and change in a highly competitive environment characterized by strict regulations, technology, globalization and volatility of customers` preferences largely transforming from a descriptive, institutional field of study to a science full of theoretical thrusts (Warue et al., 2018). The dynamics are such that real estate financing as a component of finance practised under conditions of uncertainty which necessitates the development of theoretical frameworks capable of coping with complex and dynamic spatial-temporal and social dynamics in financing and investment (Adamides, 2023; Kamanga et al., 2019). Such theoretical developments require a departure from the traditional dichotomies originating in the objective/subjective divide, which inhibit the understanding of learning and knowledge creation that are simultaneous and interdependent with practice (Adamides, 2023; Sannino, 2011). Activity theory has been employed to assess the readiness of tools in different fields such as education (Yang & Bernat, 2012), Innovations (Karanasios, 2018; Sun, 2016), Technology (Adamides, 2023; Nadiri, 1970), Business (Kamanga et al., 2019) and finance (Lakay & Mlambo, 2022).

In this study, activity theory is employed to assess the readiness of REIT-connected parties given that real estate financing and investment as a constituent of the financial sector is a multi-levelled process involving multi-level changes in the underlying financial systems. Financial systems are intellectual conceptualizations that include generative and operational processes. Therefore, studying real estate financing and investment processes requires a holistic unit of analysis that considers transformations that take place simultaneously, considering the different mediating financial tools and artefacts proposed by the community of stakeholders. In this study of real estate financing and investment processes, Activity Theory is used as an up-front explanation and transformative-advocacy lens for assessing and guiding policy interventions such as REIT readiness in practice while considering the socio-cultural context of human behaviour (Bai & Henesey, 2012). For this study, Activity theory considers the interactions between connected parties as individuals, organizations and social groups with their context (culture, norms, rules, values, technologies, artefacts, and power structures) as the basic unit of related social systems (Adamides, 2023)**.** Activity Theory shifts the focus of the unit of analysis from the individual or group to the broader "activity" itself, relying on the transformative interaction between the connected parties ("subjects") and the REIT for real estate financing ("objects") (Marocco & Talamo, 2022).

Activity Theory has evolved from the first generation developed by Lev Semyonovich Vygotsky comprising interaction between subjects, objects and activity to the second generation also known as the "*Activity Theory Model* which that was expanded by Engeström by further adding three elements of complexity (rules/norms, community, rules and norms and division of labour) as crucial elements of an activity system (Karanasios, 2018; Marocco & Talamo, 2022). The third-generation Activity Theory addressed the challenges of developing conceptual tools for understanding dialogue, multiple perspectives and networks of interacting activity systems (Engeström, 2001). Third-generation activity systems include at least two interacting activity systems such as the real estate system and the financing system as shown in *Figure 1.* In this study, we focus on Engeström's third-generation "interactivity system".

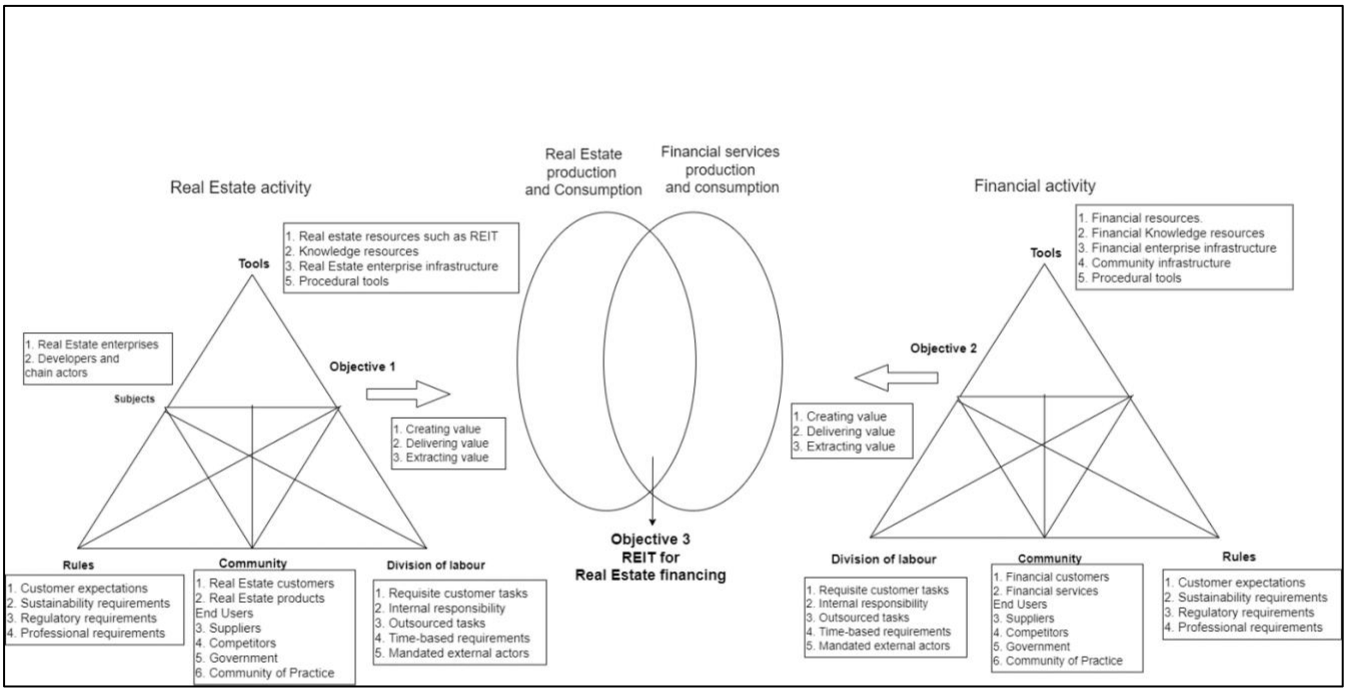

Figure. 1: Third-generation Activity Theory indicating conceptual links to REIT for Real Estate Financing

Source: (Authors own, 2024).

According to Activity Theory in this study, connected parties (subjects) engage in purposeful activities with objectives to satisfy their established needs and for survival (Engeström, 1999). Connected parties are collective subjects involved in a collective activity of REIT operationalization and implementation, while for individual activities such as Trustee services, accounting and valuation, there are individual subjects such as Lawyers, Accountants and Valuers respectively. Each subject is a free agent with their own goals and ideas, making it hard to predict their behaviour. The objective of facilitating real estate financing motivates the subject actors to carry out their roles in the activity of REIT for real estate financing. Activeness is essential because it accounts for human actions through the use of tools/instruments that are means/artefacts by which the activity of real estate financing is carried out (or mediated) (Engeström, 2009). Transformation of the objective is only possible through historically developed means, the transformation process leads to the formation of the subject`s identity regarding a specific activity. Rules are cultural norms, formal or informal rules, regulations, and institutions governing the performance of the activity (e.g., standards, regulations and guidelines). Community denotes the various stakeholders in this case (connected parties) of the activity (real estate financing), and division of labour signifies who is responsible for what, who does what, and how roles and power hierarchies are organized, as the procedures and processes for carrying out the activity of REIT for real estate financing.

In this study, Activity Theory holds that knowledge and skills are "tools" while abilities are "norms/rules" of connected parties ("community"). This analytical framework helps to influence and explain the REIT readiness of connected parties, by determining whether connected parties are able to conduct and execute their ("objective") of implementing and operationalising REIT for real estate financing as defined by their different roles ("division of labour"). In this study, we extend real estate financing and investment research by theorising and conceptualising the implementation and operationalisation of REIT as a tool for real estate financing in Uganda and similar developing economies as shown in Figure 1.

With reference to the theoretical underpinning, the readiness of REIT-connected parties towards the "activity" of implementing and operationalising REIT is generally defined by the activity "tools" comprising knowledge and skills, and activity "rules/norms" comprising the abilities. Connected parties are part of the activity "community" with given roles ("division of labour") towards REIT implementation and operationalisation. Connected parties in this study are defined by section 3 of the Collective Investment Scheme (Real Estate Investment Trusts) Regulations, 2017 to include:

(a) REIT manager;

(b) valuer appointed to undertake a valuation of the scheme;

(c) Trustees

(d) Substantial holders of REIT securities in the scheme;

(e) Director, a senior executive or an officer of any person referred to in (a), (b) or (c) above;

(f) Associate of any person referred to in (d) and (e) above;

(g) A controlling entity, a holding company, a subsidiary or an associated company of any person referred to in (a) to (d) above.

3. Methodology

The overarching methodology for this study is qualitative through a phenomenological approach describing the readiness of connected parties through their lived experiences. The phenomenological approach is the type of inquiry best suited for REIT readiness research for connected parties as it is important to understand their common or shared experiences of their readiness phenomenon. The phenomenon study focuses on describing what all participants have in common as they experience a phenomenon and reducing their individual experiences with it to a description of the universal essence (Casey, 2000b; Creswell, 2012). A phenomenological study provides a descriptive passage that discusses the essence of the experience of participants incorporating "what" they have experienced and "how" they experienced it (Burton, 2000; Casey, 2000a; Creswell, 2012). The phenomenological study provided both the textual and structural descriptions of what connected parties experience and how they experience it in terms of knowledge, skilling and abilities towards REIT readiness

A qualitative research design was used in this study to investigate and attain a greater and deeper understanding of phenomena within real-life settings (Patton, 2001). Creswell, (2012) argues that in order to conduct thorough qualitative research, a unit of analysis must be defined, and this unit of analysis should be pitched in the form of a research question. Therefore, for this study, the research question was: *What is the readiness of REIT-connected parties towards facilitating REIT for real estate financing in Uganda? Therefore,* *the phenomenon (object of human experience) is REIT readiness, and the unit of analysis is connected parties in Uganda.*

The target population for the study was REIT-connected parties. The mentioned connected parties are the actors and professionals created by the legal framework (Collective Investment Scheme (REIT) 2017 Regulations), to implement and facilitate REIT operations in Uganda. Connected parties are required to possess the professional knowledge, skills and competence required to execute their function towards the operationalisation of a REIT. The target population of connected parties was sampled purposively based on their involvement in the finance and investment industry where REIT is used as a vehicle for financing and investment. The sampling frame comprised potential connected parties who are licensed, certified, or registered by the different line regulators in 2023. Lists of the licensed potential connected parties were obtained from the line regulators in October 2023. The regulators list informed the target population from which a purposively selected sample was obtained as presented in Table 1 below.

Table 1: Functional areas of connected parties, target and sample population

No	Functional Area	REIT Function/ Role	Regulator	otential Connected arties	Target opulation	Sample Population	Particip ant ID
1	Finance and Investment	Potential Trustees	Capital Market Authority (CMA)	Licensed Financial advisors,	30	3	A1, A2, A3,
2	Finance and Investment	Potential Trustees, Potential holders of REIT securities	Bank of Uganda (BOU)	Commercial Banks	25	4	B1, B2, B3, B4
3	Valuation and Property Management	Valuers, Potential REIT Managers, Property Managers	Institute of Surveyors of Uganda (ISU)	Valuation Surveyors and property managers	130	6	C1, C2, C3, C4, C5, C6
4	Finance Investment	Potential Trustees, Potential holders of REIT securities	Insurance Regulatory Authority (IRA)	Insurance Companies	28	6	D1, D2, D3, D4, D5, D6
5	Legal	Potential Trustees, Potential REIT Managers	Uganda Law Society (ULS)	Lawyers and Advocates	Over 2000 Licensed advocate s	6	E1, E2, E3, E4, E5, E6
6	Accounting	Potential REIT Managers	Institute of Certified Public Accountant s Uganda (ICPAU)	Accountant s	150 Firms	6	F1, F2, F3, F4, F5, F6,

Source: Authors` compilation

3.1. Data collection and analysis

With the research approach and sampling technique in mind, data collection was conducted by interviewing the sampled population of potential REIT-connected parties who are expected to have experienced the readiness phenomenon. Data collection consisted of in-depth interviews and focus group discussions with the sampled potential REIT-connected parties as the participants, These included valuers, investment bankers, lawyers, accountants and financial experts as indicated in table 1. Participants were asked questions regarding their (1) Knowledge, (2) Skills and (3) Abilities (KSA) - deduced themes from the activity theory. The KSA interview guide was defined by the initial review of literature that was conducted prior to data collection. The interview guide contained the 3 KSA sections and 29 questions that inquired about the knowledge, skills and abilities (KSA) of the connected party as an individual and less of a community given the different professional specialisations. Conducting individual interviews facilitated objective responses by providing opportunities for self-reflection and discussions related to experiences in the finance and investment activity system where REIT financing is centred. A focus group discussion was conducted with a group of valuers to assess their REIT readiness.

Semi-structured interviews were conducted with different categories of connected parties (valuers, investment bankers, lawyers, accountant and financial experts indicated in table 1) giving more room and flexibility to each respondent’s unique background, circumstances, and perspectives while also enabling the interviewer to address topics of relevance to the research (Ploll et al., 2022). The pre-defined KSA categories deduced from the theoretical framework were not designed to restrict the participants but rather to facilitate the expression of the readiness phenomenon and experience.

All interviews and the focus group discussion were transcribed. To ensure the anonymity of all participants, identifying information, such as names and places, was replaced with Participant IDs as shown in Table 1; thus, creating a pseudonymisation of the transcripts.

The transcribed raw data (interview notes and group discussion transcripts) were analysed using thematic analysis. First, the nodes for the thematic analysis were conducted deductively by reference to the theoretical framework to obtain the KSA themes followed by an analysis of 48 child nodes that were ultimately amalgamated into 8 sub-themes (second-order concepts) in NVivo. Table 2 shows the breakdown of the themes. Collectively, these main themes offer a comprehensive understanding of the viewpoints held by connected parties, shedding light on the KSA factors that define their REIT readiness.

KSA themes	Subthemes (Second-order concepts)	Initial Codes (first-order concept)
Knowledge	REIT regulation	Investing in real estate
		Units for real estate
		unification of real estate
		Capital Markets Authority regulation
		Trusts of real estate
		Diversification for investor
		REIT regulation
		Trust deed
		Roles
		Guidelines
	Securitisation	Secured lending
		Equities
		Securitised products
		Securitisation contract
		Floating and diluting equities
		Corporate governance
	Tax advantage	Auditing
		Accounting
		Tax consideration
		Management Accounting
	Risk transfer and risk shift	Capital mobilisation
		Publicly listed
		Diversify
		Portfolio risk
Skill	Investment management	Portfolio management
		Asset management
		Estates management
	Performance measurement and evaluation	Return measurement
		Return attribution
		Risk measurement
		Technical competencies
		Conventional analysis
		Non-conventional analysis
		Investment analysis
Abilities	Previous similar assignments	Trustee roles
		Valuation assignments
		Property management
		Security holding
	Training and experience	Continuous Professional Development (CPD)
		CFA
		CIPM
		Charter
		Investment and finance pathway
		Chartered fellows
		Capacity and experience
		Traded securitised products
		Tax advisory

Table 2: Summary of KSA themes and subthemes.

Source: Authors` compilation.

Methodological rigour was attained through the application of verification and validation through literature searches, adhering to the phenomenological method, bracketing past experiences, keeping field notes, using an adequate sample, identification of negative cases, and interviewing until saturation of data was achieved. Validation was accomplished through the use of multiple methods of data collection (interviews and focus group discussion), and data analysis and coding were also cross-checked by more experienced researchers.

4. Results

The transcription of the conducted interviews for this study resulted in 32 transcripts; out of which 48 significant statements were extracted. Participants were predominately investor analyst (68%) and potential investors/security holders (32%) operating as registered businesses. The average age bracket of participants was 41-50 years old, Majority of the participants were designated as managers/assistant managers (77%), Director (13%), and Partners (10%). Despite over 85% of the participants possessing masters` degrees, 70% do not possess real estate related training. 57% of the investor analyst participants possess additional professional certification in their line of practice. All participants possessed over 10 years of work experience. The 31 transcripts from the participants together with 1 transcript from the line regulator were arranged to formulate meanings from the KSA factors that resulted into different sub-themes as indicated in the results.

4.1. Knowledge of REIT

Participants described their knowledge of REIT based on their awareness of existing legal mandate of REIT application and implementation in Uganda, securitisation as a basis for REIT application, knowledge of the required training and skills for REIT application and implementation, advantages and disadvantages of REIT as well as the role of REIT to real estate financing.

4.1.1 REIT regulation

Focusing on the existing knowledge of REIT for real estate financing, the majority of the respondents across the different categories expressed limited knowledge of the REIT regulation. Responding spontaneously, REIT was described as “a tool for investing in real estate”, “Trust for real estate”, and “Investment tool for real estate” A sense of REIT as a tool to seek exposure to real estate was evident in the description of REIT among connected parties in finance and investment sector. “It is used for diversification and accessing real estate assets” stated an investment advisor A1. Another accountant F3 stated, “REIT is a trust for investing in real estate for high-net-worth investors”.

A sense of limited knowledge of REIT conceptualisation was evident among potential REIT trustees. A2 stated, “We have limited involvement and exposure in the real estate sector for our client’s investment structuring”. However, A1 articulated his role as potential trustee and manager towards REIT operation stating “According to the REIT regulation, I am authorised to perform a number of roles as an investment manager, for other roles I can outsource”.

Valuers C2 and C3 highlighted the general features of REIT despite expressing limited awareness of the REIT regulation. Valuer C1 stated “I know a REIT but am not familiar with the existing REIT regulation” while Valuer C2 stated, “The REIT regulation is new and I am not sure whether it changes anything regarding how REITs operations generally”.

Legal practitioner E3 defined the general operations of REIT stating “It is formed to help investors invest in real estate, REITs are trusts with special tax considerations and special structuring. In Uganda, the regulation articulates what a REIT is in terms of structure, formation, term and assets to be invested in”. E5 stated Although, REITs are structured under the trust deed, I have personal concerns regarding Schedule 6 fees that are higher than some practice certificate fees”.

4.1.2. Securitisation

Potential institutional security holders highlighted their participation in the securitisation market from both the buying and selling sides B2 stating, “We advise listed entities as they are some of our biggest clients however, they are hardly interested in acquiring equities”. A similar account is exhibited by similar respondent B4 who stated “Our investment arm is not yet active in Uganda to acquire securitised products for our customers though we advise them”.

Contrary to commercial banks, insurance firms highlighted more knowledge and involvement in securitisation outside the real estate asset class. D2 states, “We of course invest some premiums in equities according to the IRA guidelines, however, not yet in REIT securities or real estate”. D5 stated “We have securitised products and have invested in them but not yet securitised tangible assets such as real estate”.

Despite real estate-related studies and training, potential valuers and real estate managers expressed limited and lack of basic knowledge of securitisation which is a basis of REIT operation. C1 stated, “I relate it to secured lending”. Admittedly, C2 stated “I have no idea”. C5 stated, “creating securities from investment though am not aware of the different types of securitisation”. C6 stated, “I know securitisation involves creating securities but I need to research more about its application in real estate in practice".

Legal-related connected parties E2 and E5 highlighted how they have provided legal advice on securitisation contracts in the finance and investment sector. E2 stated, "We have advised on the legality of creating equity securities through securitisation, floating and diluting equities for a financial institution". E5 stated, "As company secretary, we know securitisation from a corporate governance perspective not really sure how it applies real estate unless they are companies". E3 and E1 expressed how securitisation is out of their scope of practice. E3 stated, "These are areas we outsource to Chartered colleagues especially or our other fellows in the finance and investment areas".

4.1.3 Tax Advantage

Valuers C3, who is also a potential REIT Manager recognised the tax advantage of REIT as an investment vehicle as stated in the excerpt below:

> *"REIT tax advantages serve at the corporate level as investment security to investors, though it is a double-edged sword as it limits funds available for growth of the REIT since over 90% of total returns need to be given out as dividends to investors".*

A similar account of REIT tax advantage knowledge was expressed by Valuers C4 and C5.

Despite demonstrating reliable tax knowledge as tax advisors, accountants as potential REIT managers, expressed limited REIT taxation structuring in Uganda as none of them has yet audited or advised a REIT before. F4 stated, "Management of trusts in terms of accounting is similar, so REIT would also be subjected to the same accounting principles of trusts". F5 stated, "Despite not accounting for a single REIT, I believe the accounting standards established for trusts cater for REITs". F6 who already holds managerial positions stated "Tax laws in each jurisdiction keep changing and taxation of trusts like REIT need to be legally backed I however doubt if there is a significant change from other trust laws in terms of management and taxation".

4.1.4 Risk transfer and risk shift

Potential REIT managers and Trustees from the finance and investment segment expressed investment-related knowledge on risk transfer and risk shift. A1 stated, "REIT as a trust is for transferring and shifting ownership risk from real estate to third parties with securities in the trust". B1 stated, "Through risk transfer, the trust entity raises finances most probably for developers in real estate".

The following two excerpts from potential REIT security holders D1 and D2 respectively illustrate the adequacy of REIT-related knowledge on risk transfer and risk shifting:

> *"The challenge is real estate financing requires sustainable private capital mobilisation that REITs provide on a large scale especially if they are publicly listed. All real estate assets can mobilise funding through securitisation. However, the rate of return will be of concern to us as institutional investors holding REIT securities. We collect premiums that need to be invested and paid back with reasonable returns".*

And

> *"Investment through REIT will help investors diversify their portfolios from risk associated with other assets. However, the market and performance of REITs if implemented needs to be attractive to encourage significant holdings in such investments".*

4.2. Skills for REIT application and implementation

In this theme, connected parties focused on their skilling to implement and facilitate REIT operations. While there have been awareness campaigns for REIT under the line regulator, skilling and training of stakeholders is still limited.

4.2.1 Investment Management

Despite their training in real estate, valuers exhibited limited skilling in investment management compared to other connected parties whose training is skewed towards finance and investment. Valuer C4 described his investment management training as limited to "investment valuation method and general investment appraisals for private and public investment projects". C5 articulated "I have brief knowledge of portfolio management from university education but haven't practiced it anywhere in real estate". A sense of limited competence in understanding REIT operation was evident in the explanations of a potential REIT Manager C1 who stated "REIT management tasks are similar to property management tasks".

A potential trustee from the legal functional area E3 stated "I have managed estate trusts but not really managed securities trusts as a trustee". Table 3 shows selected examples of significant statements from the different connected parties and their formulated meanings in relation to the investment management subtheme.

Table 3: Selected significant statements of connected parties and their formulated meaning in relation to the investment management sub-theme.

Significant Statement	***Formulated meaning***
(E4) In Uganda, the Trustees Act Cap 164 (1954) provides general concepts regarding the creation of trusts and the roles and responsibilities of a trustee in regard to investments. The terms of the trust relationship and the principles used by the trustee to manage the assets and distributions to the beneficiaries are outlined in the Trust deed. The same functionality of managing a trust cuts across all trusts and as lawyers, we can do that.	Practitioners from the legal segment as connected parties have the training needed to manage trusts including securities trusts such as REIT.
(B1) Unless it is the big investment banks, this bank and most Ugandan banks still lack the internal capacity to run a fully functioning investment arm. The existing investment arm is limited lending to the government through investing in bonds, apart from custodian services there is limited value we can give to the private sector in terms of investment management.	Commercial banks are focused on the custodian role as they are easier to run as opposed to investment banking which demands more complex functionalities. Also, their return requirement and risk expectations are complex to be met by investments such as REITs as securities holders.
(C1) Unless a valuer has elevated to also do law on top of the valuation training, the role of trustee should be limited to practitioners in legal practice.	Without legal training, it is difficult to conduct trustee functions for REIT.
(C2) Training and competence to manage entities such as REITs require management skills for REIT managers and this is an open position as long one has management training and skilling.	Skills to operate as a REIT Manager is open to all areas as long as the connected party demonstrates management training and skills.
(A3) Institutional investors have the internal capacity to manage REIT and act as REIT trustees. This is demonstrated globally in the investment sector. Unfortunately, the scope of investment operations in Uganda is limited. This forces them to rather outsource essential investment advisory services and focus on a niche they have competence.	Institutional investors, as securities holders, prefer to outsource skills externally. Internal sourcing requires the need for more skilled personnel and competencies to monitor the performance of their investments thus higher costs.

Source: Authors` compilation

4.2.2 Performance measurement and evaluation

Performance assessment skills using conventional and unconventional approaches are vital requirements for evaluating and advising on investment vehicles such as REITs. Investment Advisor A1 highlights the needed technical competencies to manage and monitor investment vehicles. He states "Investment assessment especially measurement and evaluation to meet the investors' needs is critical to ensure smooth running of investments vehicles such as REIT". A2 articulates how training in these areas is not available in the conventional education system of many practitioners by stating "Leave alone the basic risk and return assessments, investors especially institutional investors want forecasts, event analysis, risk and return attributions yet these are not available in our conventional training and skilling".

Interestingly, respondents with real estate-related training from the valuation functional area highlighted the need to gain more experience in conducting performance measurement and assessment for real estate assets to better serve investors. C1 stated, "From your explanation, we need more training on business valuations because, in REIT operation, real estate is conducted to be an investment and a business". C3 stated, "Return and risk assessment for investments seems to be a specialised assessment, something I would be glad to outsource".

Institutional potential securities holders from banking, insurance and pension funds leverage their ability to build internal capacity for investment performance measurement and evaluation. B2 stated, "We have the internal capacity, at least globally to assess investments through our investment management arm". D3 a pension fund respondent stated "We have empowered the internal team to conduct any types of investment analysis needed before we make decisions to invest in any fund such REIT so; REIT managers should also have good investment reporting to attract us as institutional investors".

4.3. Abilities towards REIT application and implementation

In this cluster, respondents focused on their capabilities associated with facilitating and implementing REIT. Descriptions of their abilities are consistent and drawn from a variety of experiences, such as acting as a trustee, valuer, security holder, conducting previous similar assignments and managing real estate-related businesses.

4.3.1 Previous similar assignments

The ability to implement and facilitate REIT operations is influenced by the ability to conduct previous similar assignments. A potential trustee, E,3 stated "I have executed a similar trustee role in estate planning as a company and I know under the trust law, the roles and functions do not differ". This previous experience creates the capacity to manage trusts for different entities including REITs. A similar account is provided by other connected parties from the legal fraternity. E4 citing Section 1 of the Trustees Incorporation Act, 1939 states "The Trust regulation is clear on how trustees should manage trusts such as REIT, we currently act as trustees for different entities based on these guidelines". E1, states "We have registered trustees for different entities as corporate bodies with powers". Though trustees play an important role in retirement plans, unit trusts, charities and estate planning, the regulator highlights that the abilities and competence to operate as trustees for estate planning are not necessarily the same for securities trusts.

Valuer C5, with over ten years of experience in the valuation of real estate, described his encounters with different valuation tasks by stating, "Valuation has taken me places where I did not expect; I have managed to even learn a lot of other asset valuation by practising and engaging in Continuous Professional Development (CPD) to upgrade my abilities to conduct valuations". A valuer/property manager (C3) states "We are managing a broad portfolio of real estate assets around Greater Kampala, therefore property management for a REIT or REIT Management is something we can deliver on". An investment management consultant A1 who manages private investments and properties on a small scale around Kampala, stated, "Although the roles of REIT manager are outlined in the regulation, management principles applied in all entities are generally applicable to REIT management".

4.3.2 Training and experience

Extensive capabilities through training and experience were evident among potential REIT Managers from the financial and investment segment. A1 stated, "As a Charter (Chartered Financial Analyst) I have the capacity to conduct investment management for different clients including REIT". A similar account was exhibited by A2 stating "Additional training and getting chartered in the investment and financial pathway exposes one to non-conventional approaches and methods of analysing and advising on investments such as

REIT". Further training in specialised finance and investment programmes improves the abilities of connected parties towards facilitating the operationalisation of investment vehicles such as REITs. A confirmatory statement from the investment securities regulator in the finance and investment segment states, "Currently, the market has enough chartered fellows to run REIT investments", reaffirming the availability of abilities to implement and facilitate REIT operations.

Potential securities holders from the finance and investment functional areas highlighted the importance of experience in trading and holding securities. D5 dealing in securitised products stated, "We have built capacity and experience in trading securitised products, if a REIT has a good prospectus we can trade their securities". B2 stated "REIT is a regulated business with equity holding, at one point it would require leverage given the leveraging ratios you mentioned. We possess tested experience to offer lending and advisory to listed entities such as REITs".

Connected parties from the different practitioners such as lawyers, valuers and accountants related their experience in their areas of practice but highlighted limitations in training related to REIT. C1 stated "We have experience in conducting valuation for all asset classes, therefore, we can value all REIT assets if assigned valuation tasks. But the other functions you mentioned, (*referring to investment management*) seem to be technical and we would require further training in that area". Legal practitioner E3 stated "We specialised in litigations and disputes in the financial sector, given this experience we can advise REIT and their investors on legal matters preferably". While accountant F4 stated, "My area is accounting and tax advisory for any entity, but since I have not done work for a REIT before, I may need to do more reading and gain training on their operations".

5. Discussion

From the literature review, the assessment of REIT readiness of connected parties involves assessing their knowledge, skills and abilities as the required tools, norms and rules to execute their functions towards implementing and operationalising REIT for the real estate financing objective. The study findings support Wilson's (2008) argument that Activity Theory connotes the study of human behaviour towards achieving a given objective. The results of this study confirm the association between Activity Theory and REIT readiness assessment of connected parties. This finding is further supported by the empirical work of Sun (2016) who hypothesized relationships between user, tool, task-related factors and the dependent variables. An interesting finding is the existing knowledge, skill, and ability gaps among the different connected parties. There is limited knowledge regarding REIT operation and implementation among the connected parties despite the existing regulatory framework since 2017.

The study findings agree with the argument that real estate investment is related to the general economic activity and prosperity of a particular country. The study found that the abilities of the connected parties, that define their practice norms, are limited due to the low levels of economic activity in the country, which translates to the low levels of investment activity in the real estate sector. This finding is also in agreement with prior studies of real estate markets' activities in similar developing countries where real estate markets are defined by low levels of transparency (Anim-Odame, 2016; Anim-Odame, 2021), limited transaction volumes and liquidity (Hammond, 2006) as well as limited finance sophistication and investable market (Cheng et al., 2006).

The limited exposure to concepts such as securitisation by connected parties who possess real estate training confirms limitations in REIT-related education and training. This finding is consistent with Mun's (2002) argument that valuers need to take on more assignments in finance and accounting, portfolio management, investment performance measurement and appraisals besides the conventional valuation assessment of real estate as an asset class. Exposure to the mentioned fields will help connected parties with training in real estate-related securitisation to risk transfer and risk shift in the real estate sector. This is also consistent with Wesonga et al.'s (2022) findings that identified and explained the skilling and training gaps of valuers in Uganda.

The results of this study further support the argument of Chan et al. (2002) that institutional investor's behaviour and norms have a significant impact on REIT operation and performance. These results are also consistent with later observations in the study by Lantushenko & Nelling (2022) that suggest that REITs exhibit stronger growth when they experience more volatility in institutional ownership. A similar account is argued by Das, Freybote & Marcato (2015) suggesting that poor perception of REITs by institutional investors adversely affects their growth. Decision-making and performance of REITs are mostly driven by institutions that hold highly diversified portfolios. This argument is supported by Huerta, Ngo & Pyles (2021) study that suggests that institutional investors` sentiments have a significant influence on REIT operations and performance. At a localised level, Ssessanga`s (2020) study revealed the low-risk tolerance of institutional investors in

Uganda. The result is consistent with the finding of limited interest by institutional investors as potential securities holders in REIT.

The strategic move towards REIT for real estate can enhance access to real estate finance and investment, improve land use, and position Uganda as a proactive player in the global financial and investment market. Despite being classified as a less developed country, Uganda`s consideration of REIT adoption is crucial for achieving sustainable development goals, addressing real estate financial challenges, and ensuring sustainable land management practices.

6. Conclusion

Leveraging the theoretical framework, we discovered and assessed the most important factors influencing connected parties' REIT readiness. Our results confirm that limited REIT implementation and operationalisation activity tools, rules and norms deter connected parties` readiness. The study provides information to enhance the understanding of REIT implementation and operationalisation in a localised real estate market. Future research may build on the framework presented in this study to further assess the REIT readiness of the different actors within the different jurisdictions.

The study set out to assess the readiness of REIT-connected parties towards REIT for real estate financing. The study argues that the application of REIT is not to be credited to market economic factors alone, but also to the readiness of the different stakeholders involved in the application of REIT. Inquiry about REIT-connected parties' readiness is necessary; for the assessment of the applicability of REIT for financing real estate. Due to the fact that connected parties' readiness varies widely among the different connected parties, a holistic approach towards REIT readiness is a necessity for REIT application and implementation.

Through considering REIT application for real estate financing as a unit of analysis, the study concludes that knowledge, skills and abilities are the basis for assessing connected parties' REIT readiness. Thus, the study contributes to the growing body of literature on real estate financing theoretically and empirically. This study sets that deliberately structured education and training of connected parties will no doubt improve the exposure of connected parties to the operations and line roles in REIT operation and implementation thereby fostering the growth of REITs in Uganda.

7. Implications to policy and practice

The findings of the study suggest that addressing the tools, norms and rules of connected parties' readiness impacts the implementation and operationalisation of REIT in Uganda. In general, the study addresses the essential elements of REIT for real estate financing activity by leveraging the activity theory and suggests a framework for assessing and structuring interventions towards improving the REIT readiness of connected parties. Although the study suggests that the burden of ensuring the REIT readiness of connected parties lies with the line regulators to ensure interventions in the training and education of the respective connected parties, the Capital Market Authority of Uganda should take responsibility beyond license and regulating players to building REIT dedicated capacity with regards to capital market operations among connected parties.

The study also suggests that REIT-centred training and skilling is the responsibility of the line professional regulators. The training and education of connected parties need to be reviewed through a curriculum where structured investment and finance courses are understudied. The study further suggests a dedicated REIT Management Programme structured either through an already existing programme or as a dedicated programme under the Capital Markets Authority.

The principal theoretical implication of the study is that tools, norms and rules translated to knowledge, skills and abilities of connected parties in real estate financing activity. These reflect their readiness to influence REIT applications in real estate finance. The study poses important questions for further research; such as how to address the conflicting professional requirements and standards for REIT readiness among the different connected parties. What are also the recommended professional practices and standards with respect to REIT? Further research combining readiness and structured REIT requirements is also essential to investigate whether REIT application and implementation could be used as a deliberate policy to attract private sector capital towards real estate financing.

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Appendices

Appendix A

KNOWLEDGE, SKILLS AND ABILITIES (KSA) INTERVIEW GUIDE FOR CONNECTED PARTIES

RESEARCH TOPIC: Towards Real Estate Investment Trusts (REITs) for real estate financing: Readiness of connected parties in Uganda

INSTRUCTION: Simply fill or tick in the space provided to give your answer

Office	
Name of the interviewer (Optional)/Sector	
Interview Date	
Time (Start: End: Total Duration	

Section A: Respondents Profile

You have been identified as a stakeholder for the study. Please indicate your category ☐Investor ☐Investor Analyst ☐Financier ☐ Business/Commercial Lawyer ☐ Other Specify……………………………	**Gender** ☐Male ☐Female	
Age ☐21-30 Years ☐31-40 Years ☐41-50 Years ☐ 51-60 Years ☐ Above 60	**Status/Rank/Designation** ☐Manager/Senior Manager ☐Assistant General Manager/GM ☐Director/Executive Director ☐ Partner/Head of Practice ☐ Specify……………………………………	**Education background** ☐Real Estate related studies and training ☐Non- Real Estate related studies and training ☐Real estate-related studies and training ☐ Real Estate related studies and training ☐ Specify……………………………………….
Educational Qualification (Please	**Continuing Education**	**Working experience** ☐1-5 Years

the highest) ☐Higher Diploma/ Bachelor Degree ☐Master Degree ☐Doctorate ☐ Professional Qualification Certificate ☐Specify……………… ………………………	☐ACCA ☐CFA ☐ MBA ☐ Other……………… …………………….	☐6-10 Years ☐11-15 Years ☐ 16 -20 Years ☐ Above 20 Years

Section B: Knowledge

1) What is your understanding regarding a) securitisation b) risk transfer and risk spreading c) REITs, and d) Asset classes?

2) Do you know that you have a role to play as a connected party towards securitisation and REIT structuring? If yes, how?

3) What role does the Collective Investment Scheme (REIT) assign you or your firm towards REIT operation?

4) What are the differences and similarities between REITs and mutual funds? (Corporate tax)

5) REIT performance requires knowledge of both conventional and unconventional analysis, what are some of these conventional and unconventional analyses conducted to periodically report on REIT operations? (For Investment managers and valuers)

Section C: Skills

1) Do you have the skills to accomplish and carry out the assigned tasks as stipulated in the REIT regulation?

2) Have you conducted a similar task of (Trustee, Portfolio Manager, or Real Estate Manager, before? If so where and how?

3) Have you acquired additional training and skills to conduct the role assigned in REIT operations and management? How and from where?

4) Do you understand reporting of any of the REIT performance analysis techniques?

Section D: Abilities

1) You securitise real estate assets and other land-based investments.

2) Can you raise the minimum required threshold/licensing and payments needed to operate REITs?

3) Do you possess the capabilities and abilities to facilitate the operations and implementation of REIT towards real estate financing? (CFA/CIPM certification).
4) Have you done trustee, investment structuring, conventional and unconventional investment performance analysis before?

Thank you