



PENSION FUND INVESTMENT STRATEGY IN REAL ESTATE

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PROPERTY INVESTMENT FORUM

Presentation outline

- Pension industry at a glance
- What governs pension funds investment strategies?
- Pension fund property investment strategies – where has the money been going
- What pension funds look for in property investments?



Pension Industry at a glance as of 31 March 2025

- 967 registered occupational schemes excluding NSSA and PSPF
 - of only 479 (49.53) % are active
 - of the 488 (50.46%) which are inactive, 78% (372) of the inactive are earmarked for dissolution
 - 930 are DC, 34 DB and 3 hybrid
 - 798 were insured funds through 8 life assurance companies, 155 are self administered through 14 fund administrators and 14 were self managed stand-alone funds
- Total assets stood at USD2.48 billion equivalent up 10% on USD2.26 billion in Dec 2024 (76% invested in property, equities and Pas)
 - USD1.14 billion (46% is invested in property)
 - 19% in invested in quoted and unquoted equities
 - 11.27% PA assets (8 new PAs approved, 1 property related)

Why pension funds invest in property?

- Access to long term patient capital and build economies
- Currency and inflation hedge – property investments can withstand economic upheavals
- Stable and consistent income over time especially when backed by long-term leases
- Portfolio diversification – counters the variability and unpredictability of listed equities and corporate failures (> 20 delistings or suspensions over the past 15 years)
- Capital appreciation – over time well located assets can appreciate significantly over time
- Visibility and impact of investment (bragging rights to making an impactful investment)

What governs Pension Fund Property Investment strategies



Pensions and provident fund Act (24:32) -



IPEC guidelines and directives issued from time to time e.g on strategic asset allocation, offshore investments etc



Investment policy statements



Pension Fund strategies



Macro economic environment and macro policies



State of capital markets

IPEC GUIDELINES ON ASSET ALLOCATION

4. Prescribed Limits

	Type of Investment	New Upper Limit	Current Upper Limit
A	Prescribed Assets	40%	40%
B	Bonds/Stocks	40%	40%
C	Property	40%	50%
D	Local listed Equities	60%	50%
E	Foreign Investments	15%	N/A
F	Unquoted shares/Alternative Investments	15%	10%
G	Money Market & cash	20%	45%
H	Other	5%	10%

Pension funds approaches to investing in property

Direct property strategy

- Pension fund acquires and manages properties (office buildings, malls, logistics centers etc) or undertake construction projects directly.
- Gives control over project, income, governance and development profit and potential appreciation
- Has been the traditional strategic play for bigger well capitalized pension funds
- Challenge is large capital requirement, exposure to development risk, management burden, post investment illiquidity.

Indirect property strategy

- Emphasis co-investment and co-development strategies through pooling together resources from various pension funds / investors
- Include property/ real estate funds, joint ventures with developers or special purpose property vehicles and REITS
- Very popular investment strategy in recent times
- Cons: Access to professional project development and property management, lower capital requirement, instant diversification across properties and location, lower cost, better investment performance and better post investment liquidity
- Disadvantage include lower control, market-driven volatility.

Core-satellite property strategy

- Strategy that combines high-quality, income-producing properties with low risk (e.g., prime offices, retail centers) with “speculative” property investments in search of higher returns.
- A pension fund will allocate part of its funds towards property investments in search of capital appreciation.
- e.g. Strategic land banking and development of properties for resale.
- Very popular investment strategy in recent times

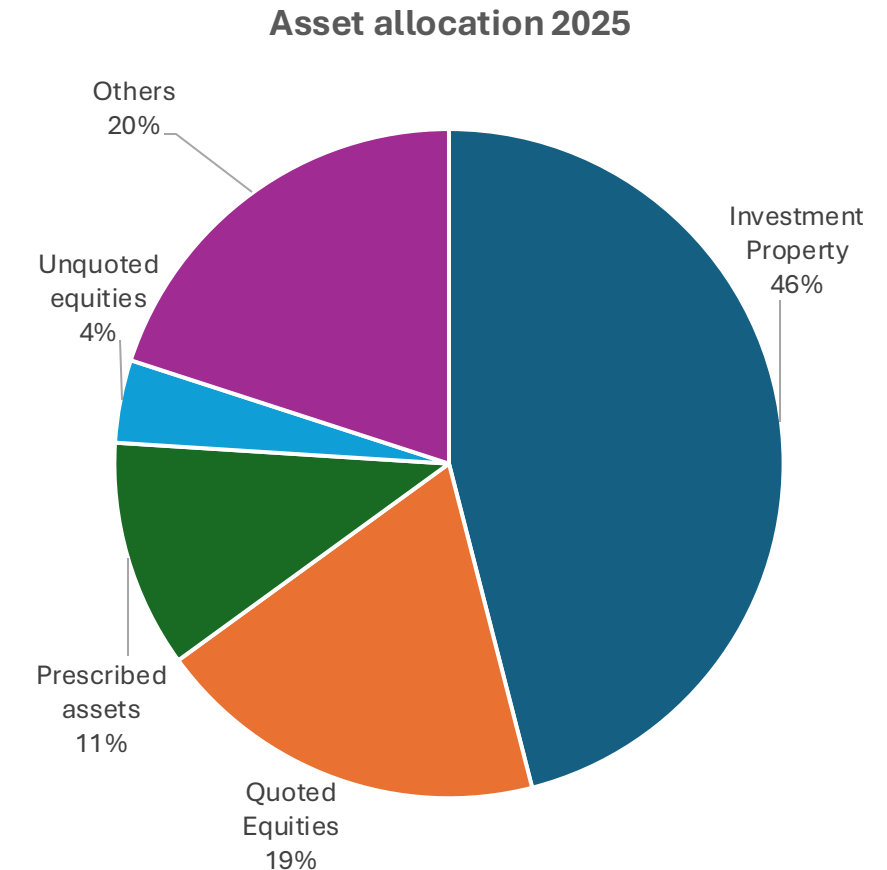
PENSION FUND 5-YEAR STRATEGIC ASSET ALLOCATION

Year	2020	2021	2022	2023	2024	Mar-25
Total assets (USD b)	1.35	3.98	2.33	2.65	2.26	2.48
Investment property	27%	40%	53%	56%	47%	46%
Listed Equities	54%	43%	21%	16%	21%	19%
Prescribed assets	5%	2%	6%	8%	12%	11%
Others	14%	15%	19%	20%	20%	24%
TOTAL	100%	100%	100%	100%	100%	100%

- Revaluation gains from properties and unrealized fair value gains on equities made up 54%, 56% and 65% of total pension industry income in 2022 2023 and 2024 respectively.
- Noticeable growth property and infrastructure projects granted PA status – 3 /12 (2022), 7 / 18 (2023) to 11 /23 in 2024

Emerging Trends in Pension Fund Real Estate Strategy

- Of the USD2.48 billion, investment properties were USD1.14 billion (46%) upto 47% from USD1.06 billion in December 2024 driven by new investments especially in PAs projects and revaluation gains
- Projects with prescribed asset projects are on increase (from 3 in 2022 to 11 in 2024) - USD109 million REIT approved in Q1 2025
- Pension fund also focusing on monetization land banks already owned and regenerating older properties especially CBD properties
- Increase in focus on REITS (both income and development) some private some public) - 11 REITS registered with SEC over the past 5 years
- Significant investments into residential development - servicing of stands and cluster developments and focus on Senior Housing & Healthcare Real Estate and Student Housing
- Complemented by mortgages to pension fund members directly and indirectly through banks (back-to-back arrangements with banks)
- Land banking (taking strategic positions in growth corridors)
- Significant pension fund money going into mixed use developments, shopping malls, Cold Storage & Logistics, suburban office parks, schools, health care facilities and hospitality assets on either new land acquisitions or monetization of previous land banks



What we look for in new property investments?

- *Pension funds conduct extensive due diligence to assess financial, legal, and operational risks before investing. Some of the question we ask are:*
- *Is the project commercially viable? What are the promised returns? What is the level of cashflows? Here we look projected / historical income statements, rent rolls, and expense reports to verify revenue potential. Funds assess occupancy rates / offtake, tenant creditworthiness, and lease expiration schedules. If commercial development, what is the level of pre-leasing and who are the anchor tenants.*
- *What is the financing structure like? Debt / Equity or hybrid? How are the returns to the project shared? Yield yes but not adequate. More sophisticated investors look beyond yield and demand profit participation and evaluate value uplift (capital gains)*
- *What are the project cashflows, in what currency and how is the income going to be distributed? Pension Fund prefer guaranteed distribution model hence the preference for REITS structures*
- *What is the governance structure of the project in relation to co-investment and co-development opportunities*
- *What is the minimum investable amount and drawdown schedule? Project with high minimum investments will screen out the smaller PFs who may be interested. Developers should therefore structure projects to pool smaller contributions from the multiple smaller PFs.*
- *Other typical DD issues include proven track record of developer and financial capacity to deliver the project, clean title to the land / route to title, presence of an underwriter or bigger financier to guarantee financial close among other factors.*
- *Will this investment be able to ride through economic cycles? 2000, 2008/09, 2019, 2024*
- *ESG factors and sustainability becoming more prominent*
- *Exit option? Is the investment divisible and liquid post investment*
- *Does the project have PA status? SWEETENER BUT NOT THE KEY CONSIDERATION*

Who do you approach for access to pension funds?

- Investment advisors
- Asset managers
- Fund administrators
- Principal officers
- Trustees
- Industry association – ZAPF
- Life assurance companies for insured funds

Thank you