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Botswana Stock Exchange Listed Property Companies as an Alternative Indirect Real Estate Investment in Botswana

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ABSTRACT:The research explored using the standard normal test (Z test) was used to determine whether local investors purchase the shares of listed property companies as an alternative to direct real estate investment by comparing the percentage of the sample chosen that indirectly invests in real estate with the expected 50%. Consequently the Z test for a sample percentage of the 95% confidence level led to the conclusion that “Botswana real estate investors purchase BSE listed property shares as an alternative to direct real estate investment.” Access to the investment characteristics of real estate without the necessary capital outlay required for direct real estate investment proved to be the greatest motivator for indirect real estate investment whilst the greatest hindrance to indirect real estate investment was indicated as the high discount between the market value of the property shares and the net asset value of the underlying portfolio. Investors are therefore recommended to include real estate in their portfolios for diversification and hedging purposes and to indirectly invest in real estate through the purchase of property companies’ shares as this provides access to the investment characteristics of real estate without the necessary capital outlay required for direct real estate investment

KEYWORDS:Alternative to direct real estate investment, Botswana Stock Exchange and Botswana

I. INTRODUCTION

Botswana is one of the few African success stories, a country which managed to evolve from abject poverty at independence in 1966 to the middle income bracket due to sustained high economic growth rates spurred by diamond revenue, though economic growth has tapered to around 2.5% annually (IMF Country report, 2018). With GDP estimate of P216 billion (circa USD18.616 billion World Bank 2020) at current prices the country has been trying to push other sectors contribution to the national economy as a twin strategy to divest outside of mining and reduce unemployment as the country is slowly becoming a victim of own success due to a growing urban population that has seen unprecedented increases in unemployment rates (Botswana Budget Statement 2020/2021). With mining accounting for up to 80% of foreign exchange earnings, concerted effort has seen the tourism sector has registering notable progress closely followed by cattle rearing (Monetary Policy Statement, 2018). Internally, infrastructure upgrades and housing needs have been draining the fiscus due to limited sources of finance. The increasing urban population is a magnate for real estate development and Monetary Policy report, (2018) captures that the market for the lower and medium cost residential property is reported to be relatively strong compared to the weaker higher-end segment in Botswana, Thus there is sustained yawning gap for real estates this brings into the spotlight how capital formation in that sector is being achieved. Currently, there are six listed property companies (Letlole La Rona Limited, New African Properties Limited, Prime Time Property Holdings Limited, RDC Properties Limited, The Far Property Company Limited and Turnstar) with a combined market capitalisation of around P6.6 billion (circa USD6.30 million) out of P42 billion on the domestic equity board nearly 15% and with a value of investment properties around P8.7

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billion (circa USD820 million) (published financials and BSE bulletins). The Botswana listed property market is largely made up of variable loan stock companies (VLS). In addition, they are other unlisted property operating companies. With this market capitalization, the VLSs are able to invest in sizeable properties. Given the trend that investors in developed markets are increasing their exposure in real estate through publicly listed real estate as a cost efficient and more liquid alternative to direct real estate holdings, the question is; are local investors taking advantage of the perceived low cost and high liquidity advantages of property shares to invest in the real estate as opposed to the more costly and lumpy direct real estate investment?

II. OBJECTIVES

- To examine the structure of listed property market in Botswana.
- To examine the indirect real estate regimes and what requirements sustain their establishment
- To explore if there is a need for alternative indirect real estate asset in the Botswana real estate market
- To assess and recommend steps that maybe needed for an alternative indirect real estate asset.

III. LITERATURE REVIEW

Theoretical literature review

Woychuk (2012) gives the basic definition of real estate as "an interest in land", broadening it by explaining that "interest" can mean either an ownership interest (also known as a fee-simple interest) or a leasehold interest. Akkaya, Kutay and Tükenmez (2005) suggest that investors who want to implement real estate diversification have two possibilities, either to invest directly (physical) by buying actual buildings or to invest indirectly by buying the shares of listed property companies (securities or financial) Tatham (2009) also confirms this by stating that United Arab Emirates investors have had success over the past few years investing in property by purchasing and letting out completed units or by buying and selling units off-plan prior to completion. Tatham (2009) further suggests that the alternative to direct purchasing of property is the pooling of money by investors in a property company or fund. Valente (2008) proposes a third method through property derivatives as an alternative method of investment into commercial and residential property, as well as a mechanism for managing existing exposure in both the direct and indirect markets. From the above, real estate investment can be divided into different categories by their form with the most common division being between direct and indirect real estate investments.

The benefits of real estates in general, property is considered a fairly low-risk investment, and can be less volatile than shares (Lee &Morri, 2015), Hoesli&MacGregor (2014) Some of the advantages of investing in property include: Tax deductions; Long-term investment; Positive asset base; High leverage possibilities. Niskanen, J., &Falkenbach, H. (2010) modified diversification as a motive building from Gordon, Canter and Webb (1998) who had demonstrated that adding international real estate securities to a US mixed asset portfolio yields significant risk return benefits by improving the efficiency frontier.

Drawbacks of Real Estate Investment include, among other things illiquidity as property can take many months to sell and in hard times, investors may have to accept a price haircut (Abdul-Rasheed, Amidu, Tajudeen, Aluko B (2008); Vacancies, implying periods of when the property is untenanted this reduces returns; Maintenance costs – ongoing maintenance costs, especially with an older building; Transaction costs - the costs involved in purchasing and disposing of the property can also be substantial (Slangen, L. H., &Polman, N. B., 2008)

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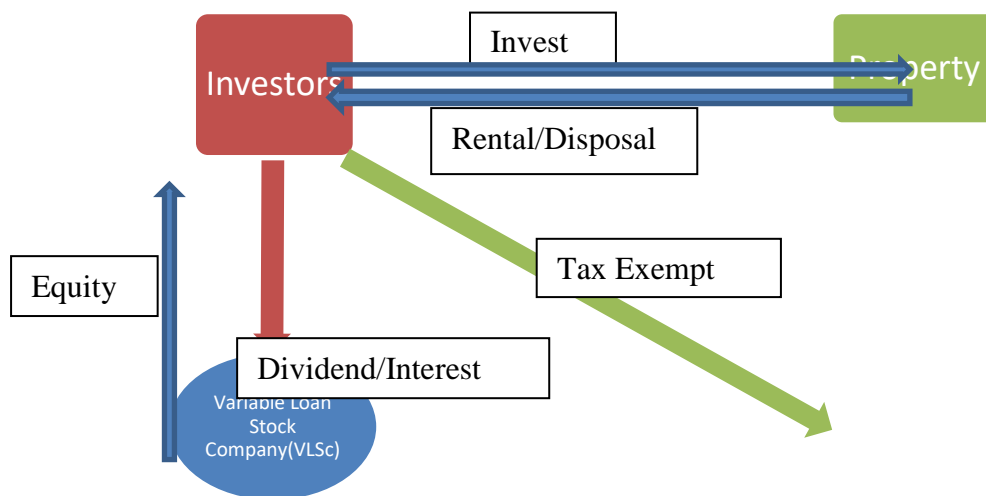
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Woychuk (2009) defines a property company as a company that owns real estate and manages it on behalf of the shareholders/unit-holders of the company. Alexander, Sharpe and Bailey (2001) define a property company as a corporation whose major business is to invest in or manage properties, thereby making a distinction between property management and property ownership businesses.

A Real Estate Investment Trust (REIT) is a company that invests its assets in real estate holdings (Akkaya, Kutay and Tükenmez (2005). Investors get a share of the earnings, depreciation, etc. From the portfolio of real estate holdings that the REIT owns. Deloitte& Touché (2017) define a real estate investment trust (REIT) as a corporation or a business trust that combines the capital of many investors to acquire (or provide financing for) various real estate assets. Suárez, J. L. (2009) broadens this definition by stating that a REIT is a property investment company whose main activities are managing, letting or selling real estate, investing in other real estate companies, and even financing real estate. The most outstanding characteristics of a REIT are the requirement to hold a high proportion of real estate related assets (at least 75%) and the requirement to distribute a large portion of their income as dividends (at least 95 % in the UK). These requirements, mold an entity that exhibits the characteristics of the properties held hence the popularity of REITs in developed nations.

In Botswana the common structure is of Variable Rate Loan Stock (VLS) companies. Variable rate Loan Stock Company is an ordinary company and is established in terms of the Botswana’s Companies Act 32 of 2004. Shareholders purchase units in the VLS. In a VLS an investor who purchases a linked unit in a VLS company receives one part equity and one part debenture. The debenture portion of the linked unit generates interest at a variable rate for the linked unit holder. The interest is paid out of profits obtained from, rental streams from the properties in which the company is invested, the sale of an asset that has appreciated in value since its purchase, the rendering of property management services or other immovable property related activities (Rampersad, 2010). From a governance perspective, listed VLS companies are subject to the Companies Act and BSE regulation. VLS companies are typically geared at a debt to equity ratio.

Fig 2.1 Variable Loan Stock Structure



Author’s construct 2017

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Structure of a Variable Loan Stock Companies

The VLS distributes the incomes as interest on the loan portion of the unit and also as a dividend on the share. The loan portion is taxed in the hands of the recipient, while the portion attributable to the share is taxed at the dividend rate. The interest rate must be market related (de Klerk, 2013). Variable Loan Stock (VLS) companies, because of their ability to issue units to sellers in exchange for property, are able to invest at relatively short notice in prime or strategic properties. They can borrow money for acquisitions, but this adds risk because of possible negative gearing. For this reason, borrowing is usually limited by the Articles of Association to 25 to 30 percent of the total book value of assets (Company's Act 32 of 2004). The value of an investor's shares in any VLS can be established by consulting the latest stock market publication which indicates the most recent purchase and selling prices of the units.

2.2 Empirical literature

Worzala, E., Sirmans, G., & Zietz, E. (2000) working with real estate portfolio managers, and found that approximately half of the funds surveyed considered REITs to be part of the real estate portfolio, while the other half viewed the securities as being part of the common stock portfolio. Later Cieleback (2004) surveyed 52 pension funds in Europe and notes that real estate is becoming of increasing importance in the asset allocation of institutional investors with the overall average allocation to real estate of all respondents being 10.4% trends which he also confirmed in a paper in Cieleback (2017) This percentage was expected to rise as the pension funds also signalled their intent to increase their real estate allocation over the years with non-listed real estate having been the most popular category followed by listed real estate.

Abdul-Rasheed & Tajudeen (2006) conducted a performance analysis of listed construction and real estate companies in Nigeria and note that publicly listed real estate and construction companies are only a minute portion of the total commercial real estate market. Jensen (2007) investigates the asset allocation between direct and indirect real estate investments in the Netherlands and find out that institutional investors have 38.4 billion Euros in property divided into 29.9 billion Euros (78%) in direct property and 8.5 billion Euros (22%) in indirect real estate.

Listed property stocks, or Real Estate Investment Trusts (REITs) in the US, have long provided a ready conduit for indirect property investment. It then becomes common practice to use property stock or REIT returns as a proxy for real estate investment returns. The rationale for this is that the market price for a stock is essentially the market value of the underlying assets of the company (Martin and Cook, 1991). Moreover, the use of a ready and market-based property stock index for financial research is appealing and a property stock index overcomes the problems associated with using appraisal-based indices Syz, J. M. (2008). Glascock, J. L., Lu, C., & So, R. W. (2000) suggest that REIT are more integrated with the stock market, while Ross and Zisler (1991) show that REITs are more volatile than valuation-based property returns. Gyourko and Linneman (1988) find evidence that REITs behave more like stocks than real estate. Eng, (1995) prove that REITs follow a random walk when adjusted for short-runs bias, and suggest that REIT returns may not be a good proxy for property returns.

Chong Geh, Tan, Tey & Yap, (2014). Researches on the diversification effects of direct versus indirect real estate investments using annual data from 1975 through 2003 to construct mean variance optimal portfolios for the United Kingdom. Using pooled real estate fund returns, the optimal low risk mean-variance portfolio had a 33.7% allocation in real estate, 54.1% in real estate for the medium-risk portfolio whilst for higher-risk portfolio common stock constitutes 100%. Using real estate common stock (shares) returns to construct the optimal mean-variance portfolio allocations, the

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following asset allocations evolved: real estate is excluded in the low risk portfolio whilst for the medium-risk portfolio real estate common stocks constitute only 4.0%.

An investigation into the agency problems in indirect real estate investing based on the response of 52 pension funds across Europe by Cieleback (2017) shows an overall average allocation to real estate of all respondents of 10.4%, broken down to 6.9% direct real estate, 2.1% unlisted real estate and 1.4% listed (public) real estate. In 2005, the results of the Swiss Institute Survey10 (www.institutionalsurvey.ch), for 151 institutional investors with total assets worth CHF 180 billion shows that on average the survey respondents held 12.6% of their total assets in direct real estate and 4.9% in indirect ownership (through mutual funds, investment foundations, stock-exchange listed companies, etc.). It is interesting to note that in all the above cases listed real estate is the least popular category despite its high liquidity and low minimum investment requirements compared to the other investment forms. Abdul-Rasheed et al (2006) argues that, notwithstanding the theoretical charm of securitized real estate coupled with its increasing popularity, most developing countries are yet to fully embrace the new financial innovation in the property market because of the high level of ignorance amongst investors.

Advantages of indirect securities compared to direct real estate can be summarised as follows: The securitized nature of indirect real estate investment vehicles introduces a low cost trading dimension that is not present in the unsecuritised real estate market (Reddy, 2013). Investors avoid the direct taxation and direct involvement in the expensive and time consuming management of the buildings. High growth potential indirect real estate investment options have been extremely successful and popular with investors. As a result indirect property investment is a growth market with a substantial amount of new and various products (Lorenz and Lützkendorf, 2011). Inclusion of a liquid asset at an active management level, indirect securities could be used to quickly alter exposure in the portfolio and provide the fund with a liquid asset, as an alternative to cash, that is real estate related (Stevenson, 2001).

Diversification Schlump (2009) describes direct real estate investment as exhibiting distinctive characteristics compared to other investments, including fixed location, heterogeneity and illiquidity. These characteristics limit the practical implementation of the theoretical diversification benefits and hence the advent of indirect real estate investment products has been a logical consequence to overcome these drawbacks. The use of foreign indirect vehicles may however, provide an alternative means in obtaining some degree of exposure to international markets. Eichholtz, Gugler and Kok, (2011).compares the relative benefits of diversifying internationally into both real estate securities and equities and find that real estate stocks provide greater diversification opportunities than common stocks. Corroborated by Stevenson (2001) the relevance of this issue to the current study revolves around the fact that indirect securities could therefore be used as timing devices in picking up market movements in advance of when they are incorporated into appraised values.

Findings on the drawbacks of indirect securities by Brounen and Ben-Hamo (2009) contends that although the correlation between international real estate securities and the US equity markets is low, the stock market sentiment in listed real estate securities decreases its appeal to investors. Liu, Hartzell, Greig and Grissom (1990) also find evidence that the direct real estate market is segmented in terms of the capital markets, while they cannot reject the hypothesis that REITs are integrated with common equities. Share price discount to NAV Lin, Rahman and Young, (2009) discovers that since the sharp decline in all U.S. stock prices in the fall of 1998, the prices of shares in real estate companies have failed to recover nearly as much as prices of most other types of stocks. As a result, most real estate companies share prices are significantly lower than the per share net asset values of the real properties held by companies.

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IV. METHODOLOGY

A descriptive research design was used to gather data; with about 50 questionnaires containing both closed and open ended questions was constructed and distributed using a stratified sampling technique to various respondents. The collected data were analyzed descriptively and presented in likewise for ease of analysis. All data collected was processed using the SPSS Version 22 software to generate frequencies and percentages. The researchers analysed the listed property on the BSE namely property variable rate loan stocks. The data for this study comprises four PLCs on the Botswana Stock Exchange over the period 1 January 2011 to 31 December 2015. Data on the average quarterly prices of the property loan stock companies in the Botswana Stock Exchange. The returns were computed using the Sharpe Index ratio. The risk free rate is based on the average coupon rate of the Treasury Bills for the year.

Sampling procedure

This study makes use of non-probability sampling known as “Quota Sampling”. In this research the universe of investors in Botswana is divided into strata according to investment type and the strata with the highest potential to invest in real estate is then selected. Al-Marwani, (2014) wrote that the average investor (individuals) will invest in the real estate market by purchasing a home. Woychuk (2009) further stated that large income-producing real estate properties are commonly purchased by high net-worth individuals and institutions, such as life insurance companies, real estate investment trusts (REITs) and pension funds. For this research the universe of respondents chosen is: high net worth individuals and; analysts, dealers, investment managers, fund managers & stock brokers chosen from the following institutions (pension funds, property companies, asset management companies and stock broking firms). The respondents selected have the highest potential to indirectly invest in real estate as corroborated by Woychuk (2009)

V. RESULTS AND DISCUSSIONS

Notwithstanding the usefulness of the ratio between indirect and direct real estate investments, such data is hardly compiled in developing nations and reliability of information around the area would be doubtful. In this study the proportion of the investors that invest in real estate through property companies is investigated as this is considered less complicated than trying to establish the asset allocation between direct and indirect real estate investment.

Current Asset Allocation of Respondents

The current asset allocation of the respondents surveyed is biased towards listed company shares (56%) whilst bonds, real estate and money market constitute 22% 12% and 5% respectively. Whilst whilst 5% is held in other assets including cattle and minerals. The 12% asset allocation in real estate compares well to the 10.4% found by Cieleback (2004) in the survey of 52 pension funds in Europe.

Risk Aversion of Respondents

Fifty three percent of the respondents indicated that they would assume average risk whilst 32% indicated that their risk tolerance is below average and 15% are risk lovers. The less than 100% investment in shares is a reflection of the risk tolerance of the bulk of the investors as corroborated by Adair et al (2006). Adair (2006) researches on the diversification effects of direct versus indirect real estate investments using annual data from 1975 through 2003 to construct mean-variance optimal portfolios for the United Kingdom. Using real estate common stock (shares) returns to construct the optimal mean-variance portfolio allocations, the following asset allocations evolved: real estate is excluded in the low risk portfolio whilst for the medium-risk portfolio real estate common stocks constitute only 4.0%.

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4.3 Comparison of Sample Percentage with Expected

Fifty five percent of the respondents surveyed indicated that they indirectly invest in real estate through the purchase of shares of one or more of the listed property companies on the BSE. The significance of this proportion is tested using the Z test for a sample percentage.

Comparing Sample Percentage with Expected Percentage (Z test) The 55% obtained from the survey is compared with the expected 50 % in a Z test for a sample percentage at the 95 % confidence level as follows. Since the Z value calculated falls in the non-critical region, the null hypothesis in this study is accepted at the 95% confidence level. Botswana real estate investors purchase BSE listed property shares as an alternative to direct real estate investment.

Reasons for indirectly investing in real estate through BSE property counters

Given that most of the respondents indicated that they indirectly invest in real estate the reasons for doing so were ranked as follows:

- **Access to the investment characteristics of real estate without the necessary capital outlay required for direct real estate investment.** This proved to be the highest ranked motivation for indirect real estate investment with 21% of the total points. This is a valid argument given that most of the respondents gave their personal opinion rather than their institution's philosophy. Individuals tend to have lower capital available to make outright purchases of real estate and therefore find investment through real estate shares more optimal.
- **The discount between the market value of the property shares and the net asset value of the underlying portfolio** was indicated as the second highest ranked motivator for indirect real estate investment with 19% of the total points. Comparisons between market capitalisation and the net asset value of the six listed property holding counters corroborated this sentiment as all the counters were trading at a discount to the net asset value as at 10 October 2018.
- **The avoidance of direct involvement in property management, lower transaction costs of indirect real estate investment and the flexibility to switch portfolios** were equally ranked at as the third highest motivator for indirect real estate investment with 16% of the total votes each – these reasons are interrelated given that property management involves the maintenance and replacement costs of fixtures (higher costs) and the buying and or selling of properties (portfolio switching).
- **The availability of daily share prices to measure investment performance for the listed property companies** was ranked sixth with 11% of the total points – it is definitely easier to track the performance of a stock market portfolio on a daily basis compared to direct property prices whose prices depend upon the strength of the negotiating parties.
- Other reasons such as **the need to diversify portfolios** received 1% of the total points thereby signifying their relative insignificance.

Reasons for not indirectly investing in real estate through BSE property counters

- **The highest discount between the market value of the property shares and the net asset value of the underlying portfolio** – whilst this was ranked highly by investors indirectly investing in real estate as a motivator to purchase property company shares, those investors who choose not to invest in real estate through the same means ranked this reason as the greatest hindrance with 19% of the total points. Downs (1999) confirm this drawback of property company shares by stating that since the sharp decline in all U.S. stock prices in the fall of 1998, the prices of shares in real estate companies failed to recover nearly as much as the prices of most other types of stocks.
- **Difficulties in comparing the performance of the indirect property market with the direct property market** – with a weight of 17% of the total points, respondents indicated this reason as the second most detractor from investing in real estate through real estate shares. It is obvious that a significant number of the respondents failed to see the link between the performance of a listed companies shares with the behaviour of the property market.

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- **The uncertainty of dividends from property companies** - with direct investment, the return distribution is directly tied to the performance of the underlying real estate, whereas dividend distributions from property companies are subject to the discretion of the management. This is motivating for REITS given their statutory obligations to distribute returns frequently
- **The poor diversification in individual property companies and the high volatility of share prices** were equally ranked as the fourth most influential hindrance to indirect real estate investment with a weight of 15% each – this is true of the property companies on the BSE as they are highly specialized with The Far Property Company Limited (FPC) providing and managing Retail space for Choppies Limited and the rest concentrating in office and retail property. The share prices of these property companies were also highly volatile during the period from September 2017 to October 2018.

Other reasons – other reasons cited by respondents mainly included regulatory constraints with a weight of 5%

Future Asset Allocation of Respondents

The proposed future asset allocation of respondents differed significantly from their current asset allocation. There is a significant reduction in the proportion of shares from the current levels of 66% to a desired level of 42% (a 36 % decline), the proportion of bonds rises from 0% to a desired 11%, the proportion of real estate rises from 15% to 21%, the money market proportion rises from 14% to 19% and other assets proportion rise from 5% to 7%. The desired future asset allocation is indicative of investors desiring to diversify their portfolios as opposed to concentrating on equity holding.

Future Real Estate Investment Decision In trying to gauge the strength of the respondent's investment decision pertaining to indirect real estate investment. The proportion of the respondents likely to indirectly invest in real estate, however rose marginally to 57 % from the current 55% indicating that respondents who are currently not purchasing real estate company's shares was an alternative to direct real estate investment would do so in the future.

VI. CONCLUSION

The current asset allocation of the respondents surveyed revealed a bias towards listed company and bonds, indicating that Botswana investors have a fair exposure in real estate given that in Europe only about 10.4% (Cieleback - 2004) is invested in real estate. The other conclusion would be that though the market is awash with liquidity, the fact that most of the funds are from government, government agencies and quasi government entities with regimented investment preferences. The risk tolerance level appears at odds with the current asset allocation that exhibit a high proportion of risky assets (shares). The conclusion from this observation is that investors are going to significantly reduce their exposure in shares (risky assets) into safer assets like real estate and or bond securities. Real estate is considered a more stable investment option whilst the fixed income market is less risky than shares and as such should witness a growth in preference by investors. This can be ascertained from the comparison of the survey results on current and desired asset allocation.

The conclusion of the hypothesis testing is that Botswana real estate investors do purchase BSE listed property shares as an alternative to direct real estate investment. The reasons provided as the leading motivators for indirect real estate investment lead to the conclusion that most respondents gave their personal opinion on real estate investment in Botswana as opposed to their institutions' philosophies. This is because individuals are more inclined to having less capital for direct investment in real estate as opposed to institutions. Individuals are also likely to take advantage of deep discounts to make investments, given their limited capital, thus favouring the discounts in property companies shares relative to the Net Asset Value.

Reasons for not indirectly investing in real estate through BSE property counters. The conclusion is that whilst some investors prefer to invest in discounted assets, others view the discount as an undervaluation of the investments they will be making thus shun such investments. However, other salient factors might be that property holding counters on BSE are tightly held hence rarely change hands this is attributable to the fact that all the companies are generally held single controlling shareholders mostly families.

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The desired future asset allocation is indicative of investors desiring to diversify their portfolios into less risky assets such as real estate, bonds and the money market as opposed to concentrating on equity holding and low income fixed income securities. This is in line with the risk tolerance levels of the bulk of the respondents which was at the average level. In other words, more investors are likely to purchase property companies shares with a motive to gain exposure to real estate investment.

Asset allocation Investors are recommended to include real estate in their portfolios for diversification and hedging purposes. Using data from 1984 to 1997, Gordon, Canter and Webb (1998) demonstrate that adding international real estate securities to a US mixed asset portfolio yields significant risk return benefits by improving the efficient frontier. In general, property is also considered a fairly low-risk investment, and can be less volatile than shares (NAREIT (1998), Hoesli&MacGregor (2000) and Adair, Alastair, McGreal, Stanley, Webb & James R (2006).

Choice Between Direct And Indirect Real Estate Investment, Investors are recommended to indirectly invest in real estate through the purchase of property companies' shares as this provides access to the investment characteristics of real estate without the necessary capital outlay required for direct real estate investment. Property company shares also mostly trade at a discount to the net asset value of the underlying portfolio thereby providing a cheaper investment option.

Due to the fact that the REIT structure has not been implemented as yet, the results from this research cannot be conclusive. The results are solely intended to obtain an indication of the possible impact that the current and proposed listed property structure will have on the listed sector. Recommendation to Regulators REITS as alternative indirect real estate investment vehicles in that order. Whilst legislation for companies (which include property companies) is in place, there is no existing legislation REITs such that even if the promoters desired to set up such institutions in Botswana, it would be difficult. There is therefore a need to formulate legislation to allow the formation of such institutions locally.

Investor Education Abdul-Rasheed et al (2006) argues that, notwithstanding the theoretical charm of securitized real estate coupled with its increasing popularity, most developing countries are yet to fully embrace the new financial innovation in the property market because of the high level of ignorance amongst investors. This study also revealed that the difficulties in comparing the performance of the indirect property market with the direct property market were ranked as the second most deterring reason for indirect real estate investment locally. There is therefore a need for property companies to educate the investment world the nature of their business to avoid this information asymmetry.

The uncertainty of dividends from property companies proved to be one of the major reasons that deter investors from indirectly investing in property company shares as an alternative to direct real estate investment. Property companies are therefore recommended to ensure that dividends are paid regularly and also that the payout ratio is high in relation to the earnings.

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