ABSTRACT

The introduction of REITs in the securities market was intended to broaden capital markets, allowing them to be used to raise funds for affordable housing while also serving as an alternative investment choice. However, since its introduction, Kenya's REITs market has experienced slow development. The performance of the listed REITs has not been as expected since listing in the year 2015. Additionally, efforts by REIT managers to issue more real estate securities have been slow. There is a lack of information as to why this current situation exists. In addition, information is scant on how investor sentiments, property diversification, and investor awareness may influence the performance of REITs. Moreover, it is not clear how the market regulatory framework may moderate the relationship between investor sentiments, property diversification, investor awareness, and the performance of REITs in Kenya. Thus, the main objective of this study was to examine how investor sentiments, property diversification, and investor awareness influence the performance of REITs in Kenya. Specifically, the study sought; to assess the influence of investor sentiments on the performance of REITs, examine the influence of property diversification on the performance of REITs, evaluate the influence of investor awareness on the performance of REITs, and analyse the moderating effect of market regulatory framework on the influence of predictor variables on the performance of REITs in Kenya. A predictive correlational research design was employed. The target population comprised 202 respondents consisting of Fund Managers, Stock Brokers, Investment Banks and Property Developers. A structured questionnaire was used to collect primary data, while audited financial records for the years 2016-2020 provided secondary data. The reliability and validity of the research instrument were ascertained through pre-testing, Cronbach alpha, and factor analysis. To summarize the findings, descriptive statistics were employed. Inferential statistics such as Structural Equation Modelling were used to test the hypothesized relationships at a 5% significance level. SPSS and DEA software was used for data analysis. The results are presented using tables and discussions. Results show that there exists a positive significant influence of investor sentiments on the performance of REITs. There exists a positive significant influence of property diversification on the performance of REITs. Further, the influence of investor awareness on the performance of REITs is positive but statistically insignificant. The findings also revealed that the market regulatory framework does not significantly moderate the influence of investor sentiments, property diversification investor awareness, and performance of REITs in Kenya. The study concludes risk and return sentiments have made REITs issuers shy away from issuing new such securities in the market. Further, continued property-type location diversification will enhance the uptake of REITs by investors. The study recommends that continuous engagement sessions between the securities market regulatory authority, the REITs Association of Kenya, and investors will enhance market confidence, thus lowering the risk-return sentiments. In addition, REITs issuing firms should also ensure that there is clarity over the returns of the underlying properties since this is likely to improve REITs' share returns by creating certainty among investors.