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## THE IMPACT OF ZSE PROPERTY COMPANIES AS AN ALTERNATIVE TO DIRECT REAL ESTATE INVESTMENT IN ZIMBABWE

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In Partial Fulfillment for Msc Finance & Investment Degree

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## **Executive Summary**

This study seeks to determine whether local investors are taking advantage of the perceived low cost and high liquidity advantages of property companies shares to invest in the real estate as opposed to the more costly and lumpy direct real estate investment. The universe of investors with the highest potential to invest in real estate is targeted, from which fifty respondents were surveyed. The standard normal test (Z test) for a sample percentage is 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 %.

The current asset allocation of the respondents surveyed revealed a bias towards company shares (66%) whilst real estate and money market constituted 15% and 14% respectively. 55% of the respondents surveyed indicated that they indirectly invest in real estate. Consequently the Z test for a sample percentage at the 95% confidence level led to the acceptance of the null hypothesis, "Zimbabwean real estate investors purchase ZSE listed property shares as an alternative to direct real estate investment." Access to 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.

The conclusion from the hypothesis testing is that Zimbabwean real estate investors do purchase ZSE listed property shares as an alternative to direct real estate investment. 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 investment characteristics of real estate without the necessary capital outlay required for direct real estate investment. The study on the proportion of real estate held indirectly through investment in property companies shares is recommended for future study.