



Press Release

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For immediate release

SECP introduces new Regulatory framework for REITs in Pakistan

ISLAMABAD April 20: The Securities and Exchange Commission of Pakistan (SECP), has notified Real Estate Investment Trust (REIT) Regulations 2015 through SRO 328(I)/2015 to replace REIT Regulations 2008. The latest REIT Regulations 2015 have been notified after extensive public consultations to adequately cover investor risks and make the regulatory framework more conducive and practicable. REIT Regulations envisage primarily two types of REIT Schemes i.e. Developmental REIT Schemes for construction of properties and Rental REIT Schemes for renting out completed properties.

Through notification of REIT Regulations 2015, the paid up capital requirement of REIT Management Companies (RMCs) has been brought down from Rs. 200 million to Rs. 50 million. To include mid-sized properties into REIT Schemes, the minimum fund size requirement of Rs. 2 billion has been reduced to bring it in-line with the listing regulations of stock exchanges.

The minimum stake of RMC in a REIT Scheme has been reduced from 20% to 5%. Concept of strategic investor has been incorporated who will hold 20% stake in a REIT Scheme. Other salient features of the REIT Regulations 2015 include simplification of approval process and allowing performance fee for REIT managers. A criteria for rental track record has been prescribed for REIT eligible properties.

Considering the potential for real estate market and robust business activity in large cities, REITs can be established in cities other than provincial and federal capitals. Fund raising from Pre- IPO investors has been allowed in the name of Trustee after registration of REIT Scheme subject to sharing of business plan. Buyers of property from a developmental REIT Scheme have been adequately protected as the customer advances will be received through banking channels and in the name of Trustee only and subject to certain disclosure requirements.

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It is expected that the new set of Regulations would encourage both property owners and property developers to consider REITs structure for promoting real estate market in Pakistan. The complete set of REIT Regulations 2015 is available at SECP website (www.secp.gov.pk).