



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
International Affairs, Communication & Coordination (IACC) Dept

PRESS RELEASE

SECP amends Regulations to facilitate development of REITs

Islamabad, June 17, 2010: Securities and Exchange Commission of Pakistan ('SECP'), vide S.R.O. 516(I)/2010 dated 16th June, 2010 (available on www.secp.gov.pk) has made significant amendments in REIT Regulations, 2008 to make it more conducive for the stakeholders. This is a step forward to enhance interest of investors for launching of REITs in Pakistan. REITs will not only encourage an era of organized real estate development in the formal economy but would also contribute to generate employment and diversify the investor base in Pakistan. REITs will add a new asset class to the country's capital market.

The significant amendments include reduction in the fund size of a REIT from Rs. 5 billion to Rs. 2 billion and the reduction in capital requirements for REIT Management Company (RMC) from Rs.500 million to Rs.200 million. The reduction in fund size and capital requirements will address the issue of capital constraints and would enable even medium size projects to qualify for REITs.

In addition, issuance of units against real estate and rental REIT Scheme on multiple sites has been allowed to enhance operational flexibility. Moreover, RMCs have been permitted to draw their fee on quarterly basis instead of annual. The cap on holding of units in a REIT by a single investor has been enhanced for government institutions. Private investors will also benefit from government owned properties forming part of a REIT as these properties have clear title and usually generate consistent cash flows. A new concept of hybrid REIT has been incorporated to introduce a composite product promising rental income as well as capital gain. This would now permit RMC's to build properties for sale and retain/acquire a few properties for rental purposes.

The amendments have been introduced with an objective to open up the real estate market to small investors who do not have enough capital, expertise or time to take advantage of profits and gains in the real estate sector. REIT being a formal structure allows raising money from the general public, through the issuance of securities listed on Stock Exchanges, to be invested in real estate opportunities.

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