



REIT 101 for Issuers

Real Estate Investment Trust

What is a REIT?

A **Real Estate Investment Trust (REIT)** is a stock corporation created for the purpose of owning income-generating real estate such as office buildings, residential condominiums, shopping centers, hotels, warehouses, hospitals, airports and tollways. The revenues of REITs principally come from rental income, toll fees, user's fees and the like.

Benefits of Listing as a REIT

1. Gain access to ready capital with your existing property.

By transferring assets into a REIT and selling the REIT's shares to investors, developers and property owners will be able to gain access to ready capital and generate funding that can be used in additional property developments and expansion projects, especially in growth areas such as the provinces.

2. Substantial Tax Benefits.

Under the REIT Act, a REIT is allowed to deduct its dividends paid from its gross income. Given the required minimum 90% annual dividend declaration of REITs, this considerably lowers the income tax payable of REITs. Moreover, REITs enjoy a lower creditable withholding tax rate of one percent (1%) for income payments.

Upon initial public offering ("IPO"), a REIT is exempt from IPO tax.

Under current tax laws, the transfer of property to a REIT under a Tax-Free Exchange is exempt from value-added tax. In addition, a REIT enjoys a 50% discount on documentary stamp tax on the transfer of real property to the REIT.

3. Enhanced valuation for the REIT.

The formation of the company's share price in the market creates a reference to the value of the company in merger, acquisition or secondary offering activities.

4. Increased transparency generates marketing advantages and encourages good housekeeping for the REITs.

Disclosure obligations to the investing public encourage a listed REIT to plan responsibly and manage cycles in the property market. The added transparency also enables REITs to attract both local and global investors.



General REIT Listing Requirements

1. Stock corporation with a minimum paid-up capital of Php 300 million
2. 1/3 Minimum Public Ownership
3. At least 1/3 of the board of directors of a REIT must be independent directors, which in no case shall be less than two (2)
4. A REIT shall comply with the reportorial and disclosure requirements prescribed by the Revised Corporation Code, the Securities Regulation Code, the PSE Listing and Disclosure Rules, and the REIT Act of 2009 and its IRR, as may be amended
5. Subject to general listing requirements (e.g., 3-year track record of profitable operations)

To schedule an in-depth session on REIT listing, you may email the PSE Marketing Services Department at reitlisting@pse.com.ph to book an appointment or click on the link https://www.pse.com.ph/resource/memos/2020/CN_2020-0005.pdf for further details on listing.