



Real Estate Investment Trusts (REITs)  
The International Standard for Property Investment

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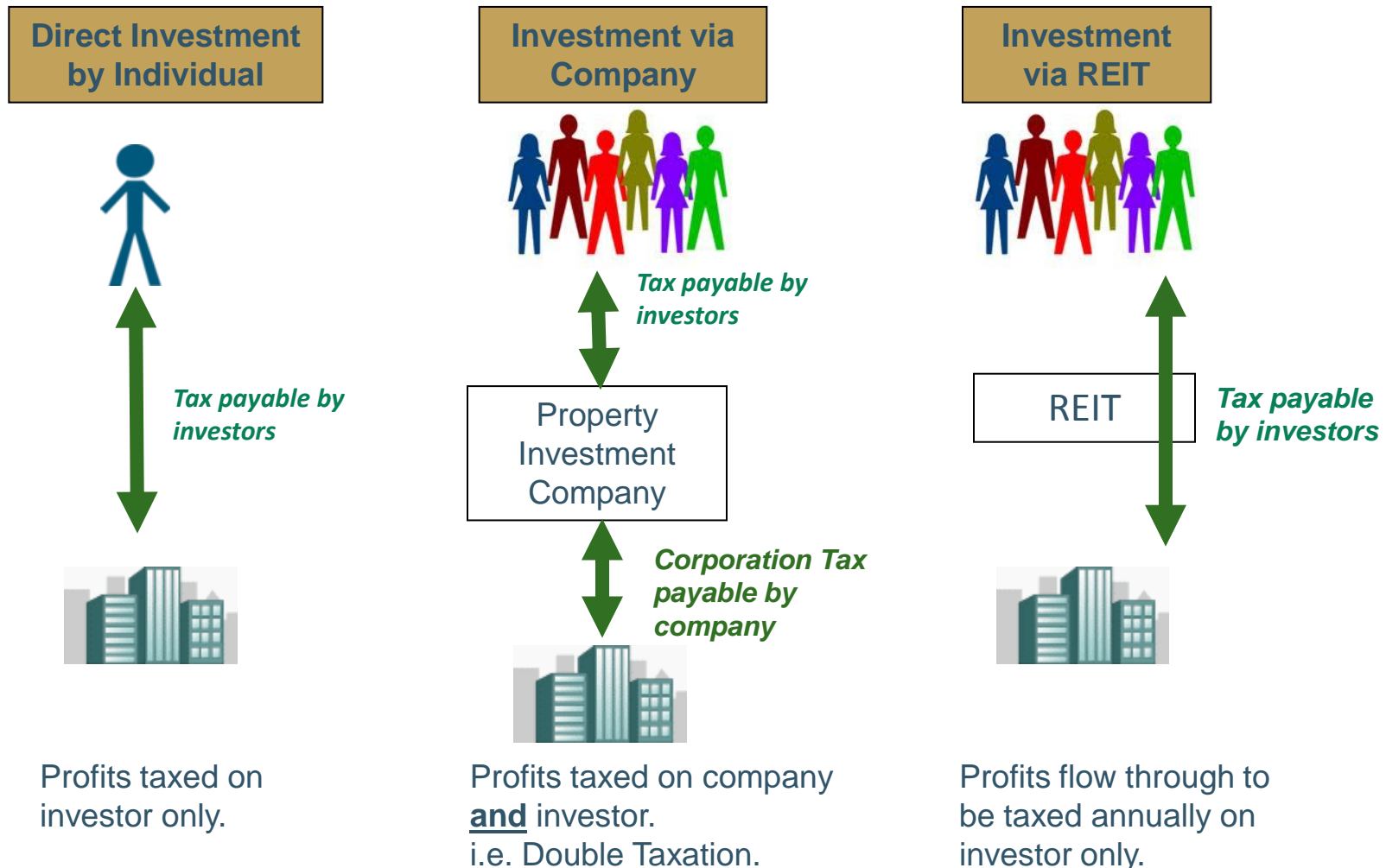


## What is a Real Estate Investment Trust (REIT)?

- A REIT is a listed company, used to hold rental investment properties.
- It is a globally recognised standard for investment in rental property assets, already established in many developed economies including the US, the UK, Europe, Asia and Australia.
- The aim of a REIT is to provide an after-tax return for investors similar to that of direct investment in property, while also giving the benefits of risk diversification.
- To eliminate the double layer of taxation which typically hinders the holding of property through a company, a REIT is exempt from corporation tax on qualifying profits from rental property.
- Instead, the company is required to distribute the vast majority of its profits to investors each year for taxation at the level of the investor.
- The company must have a diverse ownership – no one person or group of connected persons can control the REIT.



# Tax Treatment of Property Investment Income





## Benefits of REITs Explained





## REITs – Benefits for Investors

- A format that is a globally recognised standard, and which is attractive to large-scale institutional investors worldwide.
- Providing a lower-risk property investment model:
  - Diversification of investment into a pool of properties.
  - Debt limits within the REIT reduce exposure to negative equity risk.
- Allowing liquidity for investors without impairing security for tenants – investors can sell shares in a listed REIT at any time, without the costs and delays involved in selling investment properties.
- REITs are income producing investments – they are required to distribute the majority of profits each year, and so generate a regular income stream for investors.
- The limits on borrowings also protect the income stream to investors, by ensuring that income is not wholly allocated to debt repayments.



## Additional Benefits for Small Investors

- The entry cost for a REIT investment is the price of a single share. Small investors can therefore participate in the property market without mortgage borrowings or property transfer costs.
- Small investors can gain access to returns from high-quality investment-grade property assets, which have previously been the preserve of very large investors only.
- As REITs are designed to produce regular income returns to shareholders, they may give a new alternative investment option for retirement savings.



## Benefits for the Irish Economy

- An internationally recognised investment vehicle to attract new sources of capital to the Irish property market, which may assist in the unwinding of NAMA at the best possible return for the taxpayer.
- Providing a new source of capital to the property market, reducing dependence on bank financing.
- Facilitating the attraction of capital to high quality investment grade property, to encourage responsible property development and expert property management in the future.
- Reducing risk of excessive leverage by placing limits on borrowings by REITs.
- Creation of a new listed asset class for property on the Irish Stock Exchange with the benefits of transparency, stability and liquidity.



## Benefits for the Rental Sector

- Supporting a professionally managed commercial property sector.
- Potential in the longer term to improve the residential investment property sector, through greater stability and professionalism in private and social rented housing.
- Providing greater security for tenants by encouraging institutional investors (i.e. REIT companies), focused on long-term holding of rental properties.
- Requiring a lower level of borrowings on investment properties, reducing risk exposure for landlords.





## Further Benefits of REITs

- REITs may be a first step in the development of Ireland as a hub for the financing and management of international property investment.
- This would build on the success of the International Financial Services Centre (IFSC), which since its establishment in the 1980s has grown to become a globally recognised centre of expertise in financial services.
- REITs have the potential to complement the significant existing international funds industry located in Ireland, and to become part of the IFSC strategy for the further development of the sector.
- The REIT model may be a further potential market for the IFS industry to explore, following from the sector's growth in recent years into the areas of Islamic Finance and Green Finance.



**For more information please go to:**

**<http://www.budget.gov.ie>**

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