

## REAL ESTATE INVESTMENT TRUSTS (REITs)

### Overview of REITs

A REIT is a regulated investment vehicle that enables the issuer to pool investors funds for the purpose of investing in real estate. In exchange, the investor receives units in the trust and as beneficiaries of the trust, share in the profits or income from the real estate assets owned by the trust.

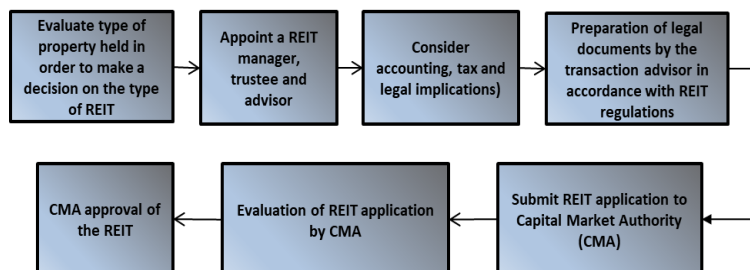
Types of REITs	Description of Investments
<b>Income REITs (I-REITs)</b>	An I-REIT is a real estate investment scheme which owns and manages income generating real estate for the benefit of its investors
<b>Development REIT (D-REITs)</b>	A D-REIT is a development and construction real estate trust involved in the development or construction projects in real estate

- e) Investors in REITs have the advantage of investing in a variety of real estate e.g. shopping malls, residential projects, industrial projects
- f) REITs provide investors with access to professionals such as property managers and fund managers
- g) REITs offer predictable income streams because of long-term lease agreements with tenants

### Key Requirements

Requirements	I-REITs	D-REITs
Permitted Investments	Income generating real estate	Development and construction projects
Types of Offers	Restricted or unrestricted	Can only be restricted
Listing	Unrestricted offers only must be listed, restricted is optional	Listing is optional
Minimum Investors	7	7
Minimum Value of Initial Assets (KShs)	300 million	100 million
Minimum Subscriptions (KShs)	5 million (only if restricted)	5 million
Minimum Free Float	25%	25%
Minimum Retention and Lock in Periods	20% of NAV-Year 1 10% of NAV-Year 2 0%-Year 3 onwards	10% of NAV-Year 1 & 2 0% - Year 3 onwards
Borrowing Limits	35% of total asset value	60% of total asset value
Investment of Capital Raised	At least 1 real estate investment with 180 days of close of the offer	At least 1 real estate investment within 180 days and a minimum of 30% to be invested with a year.
Distribution Requirements	80% of net after tax income within 4 months after the end of each financial year.	Subject to the scheme documents and the REIT manager's recommendations

### Process of setting up a REIT



### Tax Incentives

- i. Income tax is exempt
- ii. VAT exemption on asset transfer and other transactions related to asset transfers into a REIT
- iii Capital gains tax on sale of property is exempt
- iv. Stamp duty exemption on transfer of land into a REIT

### Benefits of REITs

- a) REITs are more tax efficient
- b) Easier access and ownership in a less capital intensive manner as compared to a direct purchase of property
- c) More liquid since units in a REIT can easily be sold
- d) Access to wider pool of investors/capital, i.e. makes financing developments easier

### Our Contacts

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