

Eligible Assets of REITs

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Setting the scene

Immovable property

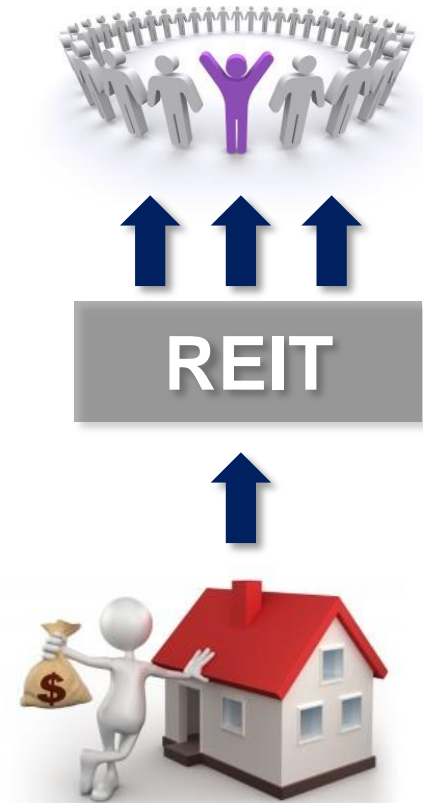
Securities

Mortgages

Setting the scene

REITs were created 1960 when US President Eisenhower signs the Cigar Excise Tax Extension.

The idea was to give all investors the opportunity to invest in large-scale, diversified portfolios of income-producing real estate.



Main investment is in Real Estate

- Industrial/offices
- Retail
- Residential
- Self storage
- Hotel
- Healthcare
- Diversified
- Other



Some countries provide restrictions on the type on real estate investments:

Certain types of property (e.g. Germany, Singapore)

Minimal level of diversification: (e.g. Belgium, Greece, Hungary, and UK)

- a) Investment in determined property cannot exceed a percentage of the total investments, or
- b) REIT must invest in a minimum number of properties

Limitations on investment in foreign property:

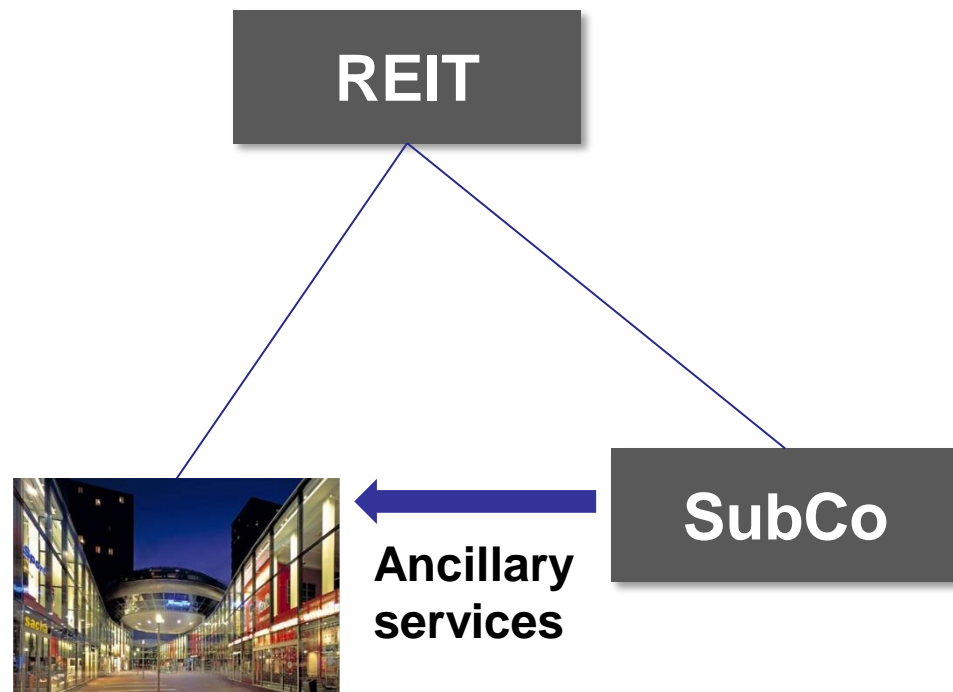
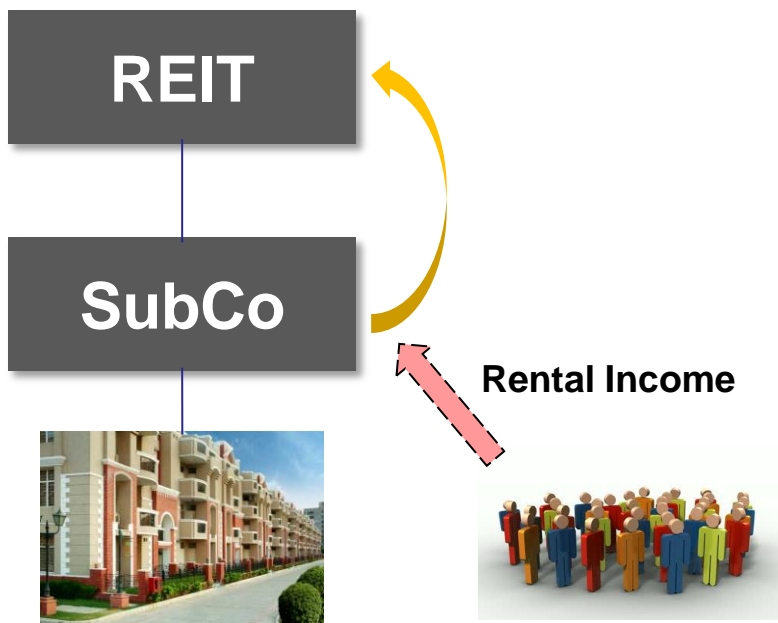
- a) Forbidden (e.g. Bulgaria);
- b) Limited to an specific amount (e.g. Greece and Turkey); or
- c) Allowed under other conditions (e.g. Germany, Hong Kong, Malaysia, Singapore, UK)



REITCo



- a) In most countries REITs are allowed to hold shares in subsidiaries investing in real estate.



- b) In many instances, REITS can invest in other REITS (e.g. Hungary, New Zealand, Spain)
- c) In some countries REITs are allowed to invest in transferable securities (e.g. Netherlands)
- d) In limited cases REITs may hold hedging instruments (covering its financial risk) (e.g. Belgium)

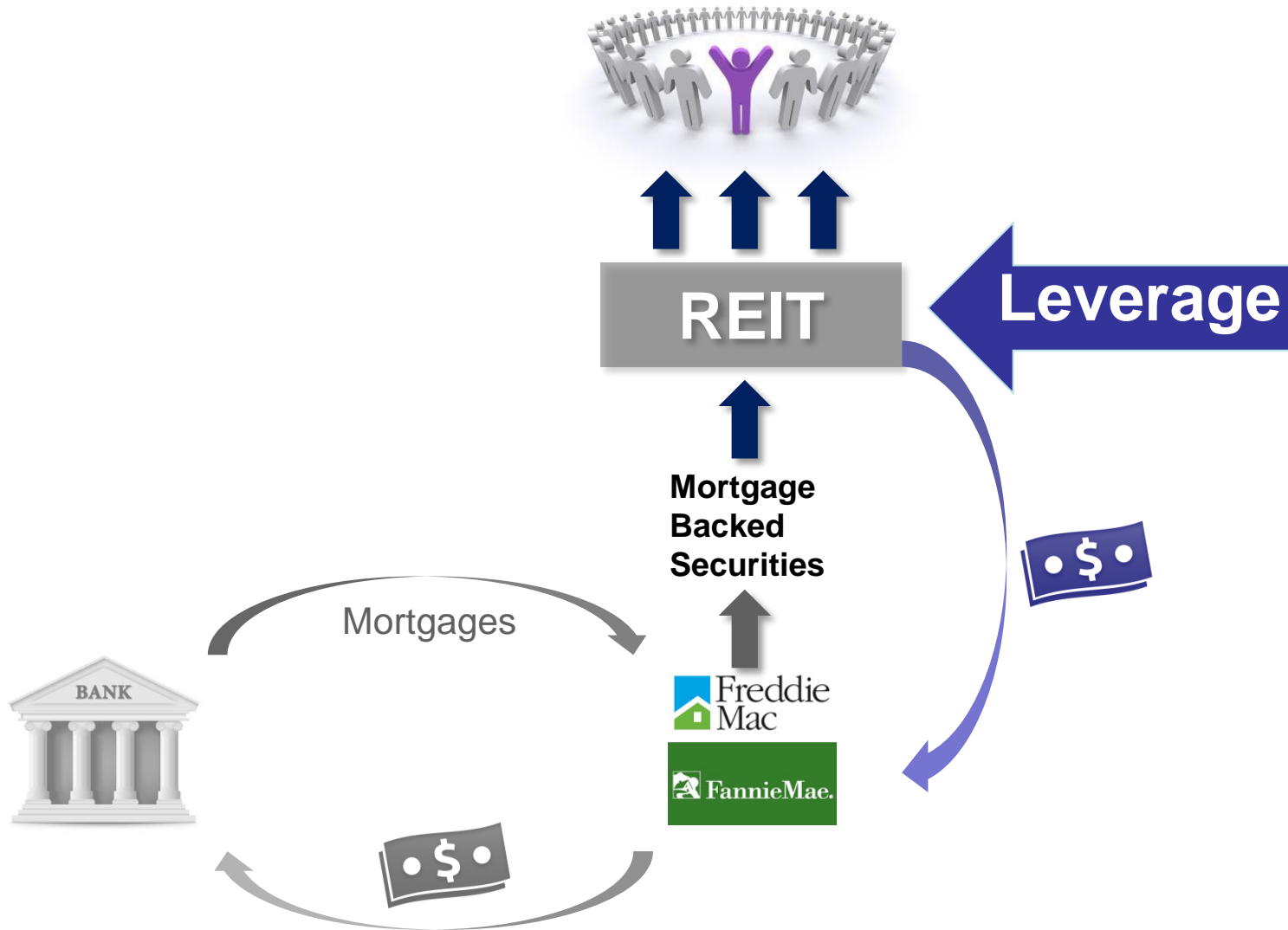
- e) Government Securities
- f) Cash
- g) Mortgages (e.g. Mexico, US)

Generally do not operate the same assets or property as equity REITs;

Lend money to real estate owners or operators either directly or indirectly through:

- a. secondary market purchasers of real estate loans, or
- b. Mortgage backed securities (MBS)

Mortgage REITs



Categories of Mortgage REITs

- Invest in mortgages and MBS, often with significant leverage, profiting from any spread between the yields produced by the assets it holds and their costs (including interest);
- Originating, Holding and securitizing mortgages and MBS

Mortgage REITS- conclusion

Mortgage REITs hold mortgages and MBS on their balance sheets, and fund these investments with equity and debt capital (common and preferred equity, repurchase agreements, structured financing, convertible and long-term debt, and other credit facilities).

Thank you!

