
PRESS RELEASE

European listed real estate industry sounds alarm at German regulator's targeting of REITs for AIFMD rules – EPRA

Brussels, April 11 – The European Public Real Estate Association (EPRA) has voiced alarm at an unexpected proposal by Germany's Federal Financial Supervisory Authority (BaFin) to include domestic REITs within the scope of the EU's Alternative Investment Fund Managers Directive (AIFMD) as it is applied under German law. BaFin invited interested stakeholders to submit their views on the AIFMD by an April 12 deadline.

The AIFMD is a European Union regulation which brings "investment funds" under the supervision of an EU regulatory body. According to EPRA, the new compliance rules applicable under the incoming regime are unlikely to be too much of a concern for the already highly regulated publicly quoted REITs, but it is the potential classification of these listed real estate companies as part of the fund sector that is of most concern.

Philip Charls, EPRA CEO, said: "The G-REITs in existence today are essentially the same as other German corporate businesses with their focus being to operate in the commercial property sector. To reclassify them as 'funds' is not only the wrong conclusion and contrary to the objectives of the AIFMD, but would, if implemented, be detrimental to the future growth of the German listed property sector and the efficiency of the broader domestic real estate industry - and so too its critical role in supporting the German economy."

EPRA strongly opposes key aspects of the BaFin proposals. Firstly, the proposal that corporate companies with G-REIT (German REIT) status should be included within the AIFMD and secondly, the regulator's view that the business of developing, refurbishing, owning and managing property for the long term is not a commercial operating business.

According to EPRA, the confusion between REITs and real estate funds comes because the underlying business activities of both can be broadly similar. However, the industry association's view is that the critical identifying features of a fund -- as opposed to commercial operating businesses -- arises from the relationship and engagement with its investors. In this respect, the relationship between a REIT and its shareholders and the operation of the corporation is no different to any other publicly listed company – whether in the real estate sector or not.

G-REITs are perpetual operating companies and simply have a business strategy with the flexibility to be changed from time to time by their management, attracting a positive or negative reaction from shareholders and the market in general. REITs worldwide develop and operate property as long-term businesses with constantly evolving strategies. Their corporate structures and business operating models convey unique attributes that set them apart from the fund sector and have been proven to deliver significant benefits to the quality of the built environment in other developed markets around the globe.

Gareth Lewis, EPRA Finance Director, said: "Germany has one of the smallest listed property market of any major economy globally and EPRA believes that if BaFin insists in reclassifying

G-REITs as funds, it will be forcing these businesses into a sector where they don't belong – nullifying the unique attributes that a healthy listed property sector brings and limiting the future growth of the Germany listed real estate industry. This will have real social and economic implications for Germany in areas ranging from job creation, to investment and development in its cities and particularly sustainability – where listed property companies are leading the way in cutting energy and water consumption and managing waste in buildings across Europe.”

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Note to editors:

About EPRA

The European Public Real Estate Association – is the voice of the publicly traded European real estate sector. With more than 200 active members, EPRA represents over EUR 250 billion of real estate assets and 90% of the market capitalisation of the FTSE EPRA/NAREIT Europe Index. Through the provision of better information to investors, improvement of the general operating environment, encouragement of best practices and the cohesion and strengthening of the industry, EPRA works to encourage greater investment in listed real estate companies in Europe.

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