

Global REIT Survey 2016

ASIA



Dubai – REIT



1 General introduction / history / REIT type

	Enacted year	Citation	REIT type	REIT market
REIT	2006	The Investment Trust Law No. 5.	Trust type.	To be established.

The REIT was introduced with the REIT law, which is part of The Investment Trust Law No. 5 that went into effect as of August 06, 2006.

The REIT market is still in its infancy, and as of July 30, 2016 there is one publicly listed REIT in Dubai.

Dubai Islamic Bank, in partnership with France's Eiffel Management Limited, launched the first Islamic REIT in Dubai as of December 2010. The venture, by the name of Emirates REIT was listed on NASDAQ Dubai on April 8th, 2014 and raised USD 201 million through the IPO process.

On 1 March 2015 Eiffel Management Limited acquired the remaining 25% of Emirates REIT Management's share capital from Dubai Islamic Bank for an undisclosed sum. Dubai Islamic Bank no longer holds an interest in the trust manager; however, the Bank maintains an interest in the REIT itself.

The REIT is set up as a close ended investment company (CEIC) in accordance with the DIFC company regulations and operates under the Dubai Financial Services Authority's (DFSA). The REIT will also include a Shari'a board to advise on Sharia-related matters such as Fatwas, rulings and regulations to ensure the entire operation is in accordance with the Sharia law.

Although not listed on the Dubai NASDAQ, a USD 200 million Cayman Island-organised Arabian Real Estate Investment Trust (AREIT), Private REIT, was jointly developed and launched by HSBC Bank Middle East and asset management company Daman. AREIT is managed by AREIT Investment Holdings Limited.

Sector summary*

Listing Country	Number of REITs	Number in EPRA REIT Index	Sector mkt cap (EUR€m)	% of Global REIT Index
United Arab Emirates	1	0	€ 333	0.00%



*Market cap rebased in EUR and is correct as at 29 July 2016. The Global REIT Index is the FTSE EPRA/NAREIT Global REITs Index. EPRA, August 2016.

2 Requirements

2.1 Formalities / procedure

Key requirements
<ul style="list-style-type: none"> - Required to use a closed-ended legal structure for the investment vehicle - For property funds which intend to be Public Funds, the Fund Manager may only use either an Investment Company or Investment Trust as the investment vehicle of the Fund; must ensure that it is listed and traded on an Authorised Market Institution within 6 months from the date on which the Units of the Fund are first Offered to the public; and, must ensure that the Constitution of the Fund includes provisions that address the issuance, redemption and private placement of units

Legislation for the REIT structure was approved on August 06, 2006. Due to limited information available, comments on the key requirements for the REIT must be subject to a future detailed analysis.

2.2 Legal form / minimum initial capital

Legal form	Minimum initial capital
Public Property Fund.	No

Legal form

The REIT is a Public Property Fund that is constituted as either an Investment Trust or an Investment Company (which is the same as for other Public Property Funds).

Minimum initial capital

There are no minimum initial capital requirements existing.

2.3 Unit holder requirements / Listing requirements

Unit holder requirements	Listing mandatory
Detailed information not yet available.	Yes

Unit holder requirements

Due to limited information available, comments on unit holder requirements must be subject to a future detailed analysis.

Listing requirements

Listing is mandatory. No regulations pertaining to private REIT has been instituted.

2.4 Asset level / activity test

Restrictions on activities / investments
<ul style="list-style-type: none"> - REITs with 100% foreign share ownership are restricted to investing in freehold areas as the non-freehold areas are available only to UAE and GCC nationals. - REITs which have majority (51%) or more by UAE/GCC ownership are exempt from any restrictions in freehold and non freehold areas. - REIT is primarily aimed at investments in income generating real property. - REITs are permitted to invest directly into real property. - REITs are permitted to develop real estate; property under development must not exceed 30% of the net assets value of the Fund Property of the REIT. - REITs must derive income from two tenants or lessees. - REITs must distribute to unit holders at least 80% of its audited annual net income. - The persons providing oversight functions in respect of the fund must determine if any: <ul style="list-style-type: none"> - Revaluation surplus credited to income, or - Gains on disposal of Real Property shall form part of the net income for distribution to unit holders. - REITs can only invest up to 40% of its total assets in cash and government securities while the remaining balance of the fund is to be invested in real property, property related assets, or units in another property fund. - REITs may hold real property via an SPV (Special Purpose Vehicle) and should receive the total income generated by the SPV. - REITs should own and control a minimum 50% shareholder stake if entered into a joint property ownership arrangement. - REITs ownership of property outside Dubai and other GCC countries is bound by the same ownership restrictions mentioned above.

A REIT is permitted to develop real estate for its own account, to trade with real estate or to own residential and/or commercial real estate. The development of real estate is restricted as follows:

1. An Operator of a REIT must ensure, subject to (2), that any investment made in respect of property under development whether on its own or in a joint venture is undertaken only where the REIT intends to hold the developed property upon completion.
2. The total contract value of the property under development in (1) must not exceed 30% of the net asset value of the Fund Property of the REIT. Property development activities do not include refurbishment, retrofitting and renovation.

A REIT in Dubai is permitted to invest in the following assets:

- Real property which consists of land and/or buildings, whether freehold or leasehold
- Income producing property such as schools, residential buildings, office buildings, warehouses, car parks, and hospitals.
- Property related assets such as: shares, debentures, or warrants which are issued by a body corporate, substantial activity which are related to investments in real property and certificates which confer rights with respect to such investments.
- Units in another property fund.
- Cash, government and public securities of up to 40% of its total investments.

2.5 Leverage

Leverage
Limited to 70% of the total net asset value.

In Dubai, an operator of a REIT may borrow either directly or through its SPV up to 70% of the total net asset value of the fund.

On 3 May 2015 the DFSA published a modification notice to Emirates REIT permitting the Fund Manager, in respect of the Fund, to borrow either directly or through its Special Purpose Vehicle up to 50% of the total gross asset value of the Fund. The modification also specified a Fund Manager of an Islamic REIT, in respect of the Fund, may borrow either directly or through its Special Purpose Vehicle up to 50% of the total gross asset value of the Fund and such borrowings are Shari'a compliant. The modification was published without conditions and effective until further notice.

2.6 Profit distribution obligations

Operative income	Capital gains	Timing
80% of annual net income.	Included in net income.	Annually.

Operative income

REITs in Dubai are required to distribute an amount not less than 80% of audited annual net income to the unit holders.

Capital gains

Capital gains are included in the annual net income of the REIT. For profit distribution purposes, the inclusion of capital gains is at the sole discretion of the overseeing body of the fund.

2.7 Sanctions

Penalties / loss of status rules
Detailed information not yet available.

Legislation for the REIT structure has been approved. Because of limited information available possible sanctions must be subject to a future detailed analysis.

3 Tax treatment at the level of REIT

3.1 Corporate tax / withholding tax

Current income	Capital gains	Withholding tax
N/A	N/A	N/A

Current income

There are no personal taxes in Dubai. The only entities that are taxed in Dubai are companies involved in the oil & gas industry and branches of foreign banks operating in Dubai (at a rate of 20%). Consequently, rental income of a REIT is not taxable (except where the investor is a branch of a foreign bank). Other types of business income if allowed to be generated are also not taxable.

Capital gains

Not taxable except where the above applies.

Withholding tax

N/A

Accounting rules

IFRS rules are applicable.

3.2 Transition regulations

Conversion into REIT status
N/A

3.3 Registration duties

Registration duties
Land Registration Fees Real Estate Transfer Fees

There is no stamp duty or transfer tax levied on acquisition of freehold property in Dubai. However there are land registration fees and transfer fees of 4% paid by the property developer and purchaser. There is no regulation as to which party bears the expense.

The general RETF rate is 4% in Dubai (and may vary for other Emirates), applied on the value of the relevant immovable property.

4 Tax treatment at the unit holder's level

4.1 Domestic unit holder

Corporate unit holder	Individual unit holder	Withholding tax
N/A	N/A	N/A

Corporate unit holder

No taxation for domestic corporate unit holders.

Individual unit holder

No taxation for domestic individual unit holders.

Withholding Tax

Dubai does not levy withholding taxes.

4.2 Foreign unit holder

Corporate unit holder	Individual unit holder	Withholding Tax
Detailed information not yet available.	N/A	N/A

Corporate unit holder

Due to limited information available, comments on taxation for foreign corporate unit holder requirements must be subject to a future analysis with regards to nature of business of foreign corporate unit holders (subject to the comments in Part 3 above).

Individual unit holder

No taxation for foreign individual unit holders.

Withholding Tax

Dubai does not levy withholding taxes.

5 Tax treatment of foreign REIT and its domestic unit holder

Foreign REIT	Corporate unit holder	Individual unit holder
Detailed information not yet available.	Detailed information not yet available.	Detailed information not yet available.

Foreign REIT

Due to limited information available, comments on taxation for a foreign REIT on income from Dubai must be subject to a future analysis with respect to applicability of double tax treaties between U.A.E. and the foreign REIT's country of residence.

Corporate shareholder

Due to limited information available, comments on taxation for domestic corporate unit holders from income of a foreign REIT must be subject to a future analysis with respect to applicability of double tax treaties between U.A.E. and the foreign REIT's country of residence.

Individual shareholder

Due to limited information available, comments on taxation for domestic individual unit holders from income of a foreign REIT must be subject to a future analysis with respect to applicability of double tax treaties between U.A.E. and the foreign REIT's country of residence. ■

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