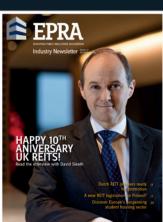


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## A NEW REIT LEGISLATION FOR POLAND?

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## A NEW REIT LEGISLATION FOR POLAND?

by Tobias Steinmann, EPRA Public Affairs Director

Doland ticks most of the boxes for a successful introduction of a REIT regime. It is the most developed financial market across Central and Eastern Europe with the largest stock exchange in the region. It has a healthy provision of assets with prime properties accounting for around 5-7%. There is also an underutilised potential of financial assets from Polish households amounting to more than EUR 400 billion.

In this context, a Polish REIT regime is long overdue. It would give a considerable boost to the market, activating local capital and drawing in foreign investors. In addition, Polish RE-ITs could be an attractive tool for commercial real estate projects in the country.

Hence, we were pleased to hear, roughly a year ago, that the government started to work on REIT legislation. EPRA has been advocating for a Polish REIT regime from the very beginning. Earlier this year in Warsaw, we gave a presentation at the first ever REIT event in Poland. The event gathered more than 200 representatives of the real estate sector and provided a great opportunity for sharing mutual expertise, networking and alignment on further actions in promoting a REIT regime in the country. We had several meetings with local experts and key market players. Recently, a national industry association has been formed. To capitalise on this, in late November we organised another panel with EPRA members, experts and fellow representations from national associations at a second REIT conference in Warsaw in November.





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partner in the De Gaulle Fleurance & Associés law firm in Paris who handled the creation of the French SIIC regime in the Ministry, presented the benchmark example for developing a successful regime. Hans Op't Veld from PGGM presented the view from one of Europe's largest pension funds. Ruud Vogelaar and Sandrine Berbel from Unibail-Rodamco laid out the tax efficiency requirements from the perspective of Europe's largest REIT. Finally, Bruno Lunghi, partner of PwC in France, summarised his experience within Europe's oldest and - along with the UK - most mature REIT regime. A lively discussion provided an interactive and fruitful experience for everybody. Philip Charls also gave a full-page interview to Parkiet, the leading business and financial newspaper in Poland, outlining the EU listed sector's perspective.

This all comes as the Ministry of Finance has been presenting its draft proposal for a REIT bill in October 2016. They have also launched a consultation to which registered stakeholders were allowed to comment. Responsibility for drafting the REIT regime falls to Deputy Prime Minister Mateusz Morawiecki, who continues his former portfolios from the Ministry of Finance and Ministry for Economic Development. According to the draft, a public company with a registered office in Poland, whose business activity includes mainly the lease of commercial real estate shall be granted a REIT status.

Certain statutory requirements must be met, such as1.

- The share capital shall be at least PLN 60 million (around EUR 15 million);
- The company shall be formed for an indefinite period of time;
- Real estate or shares in qualified subsidiaries or other REIT-status public companies shall amount to 70% of the total value of assets:
- At least 70% of net profit from sales shall come from lease or sale of real estate;
- The total balance sheet value of the liabilities of a REIT-status company shall not exceed 70% of the balance sheet value of its assets:
- At least 90% of a REIT-status company's profits [...] shall be distributed in the form of dividends in each fiscal year (to the extent such profits are not reinvested in real estate or in a shareholding of at least 95% in companies that hold real estate the value of which forms at least 70% of the balance sheet value of their assets):
- The company's profits from the lease of real estate are generated from at least three real properties.

The status of a REIT would allow for exemption from tax on income derived from inter alia lease of real estate, sale of real estate as well as from dividends received from qualified subsidiaries. It should be noted that the term 'real estate' shall exclude residential buildings and dwellings.

While some of the requirements seem to provide a solid framework for a Polish REIT regime, other points would need improvement.

The new regulation has an ambitious schedule of coming into force on 1 January 2017. We will continue the dialogue with our Polish counterparts and contacts and monitor all the developments closely. The chance of having a REIT regime in Poland is close and what we have seen so far could be a first step towards a truly successful regime.

<sup>&#</sup>x27;Greenberg Traurig - REITs in Poland', pages 2-3