

Real Estate Investment Trusts (REITs)



JSE

Real Estate Investment Trusts (REITs)



- Real Estate Investment Trusts (REITs):
 - Companies that **manage, operate and own** a real estate portfolio consisting of income-producing property e.g. commercial property
 - Have equity and bond features e.g. **cash distribution** (profits) and **capital** growth (share price)
 - JSE **listed** property investment vehicles that also trade on the JSE;
 - The share price of REITs is determined by **demand** and **supply** and therefore the potential to incur capital gains is possible;
 - REITs allow investors to **reap the benefits of owning property** as an asset class **without directly owning** and **managing property**.

Types of REITs



- Previously Property Unit Trusts (PUTs) and Property Loan Stock (PLSs) companies existed on the JSE
 - Now these have **adopted the REIT regulatory framework**
- There are **2 different types** of REITs:
 - **Company REITs (“old PLSs”)**
 - **Trust REIT (“old PUTs”)**



Benefits of investing in REITs



- **Diversification**
 - REITs give investors indirect exposure to a wide variety of expertly managed properties.
- **Regular Income Stream**
 - REITs are supported by lease agreements which increase/grow on an annual basis.
- **Exposure to Immovable Property**
 - Investors may gain exposure to immovable property with lower initial outlays
- **Taxes**
 - REITs are exempt from Capital Gains Tax (CGT) in respect of the disposal of the its immovable property, shares in another REIT or shares in a controlled property company.
 - REIT shareholder will only pay CGT when the REIT share is sold

Benefits of investing in Property Entities



- **Taxes (continued)**
 - Interest distributions by a REIT (or a controlled property company) payable to South African resident investors are re-characterised as **taxable dividends**, but dividends withholding taxes will not apply.
 - Where the recipient is a non-resident investor, the dividend will **remain exempt from income tax**.
- **Liquidity**
 - REITs are traded on the JSE and are considered more liquid than the physical properties.
- **Well Regulated**
 - REITs, notwithstanding the JSE Listing Authority, are subject to the REIT legislation particular to the country in which the company is incorporated, the Companies Act as well as their own Articles of Association or the Collective Investment Schemes Control Act.
- **Price Transparency**
 - The share price of REITs is determined by market forces (demand and supply) and is visible to the public.

Some things to consider when investing in REITs



- **Fees**
 - When purchasing these securities through a stockbroker investors will incur brokerage fees as well as other fees.
- **Risk**
 - The price of these securities is determined by the forces of demand and supply. Thus investors are exposed to market risk as well as other risk factors specific to immovable property.

How to invest in REITs?



- To buy or sell REITs on the Johannesburg Stock Exchange (JSE) you need to open a brokerage account with an accredited **stockbroker**;
- You can find a list of stockbrokers [here](#).

Contact us

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