

Local property mart ready for REITs

[bworldonline.com/local-property-mart-ready-for-reits](https://www.bworldonline.com/local-property-mart-ready-for-reits)

June 19, 2019 | 12:31 am



A man looks at a screen displaying news of markets update inside the Bombay Stock Exchange (BSE) building in Mumbai, India, May 23. --
REUTERS

THE Philippine property market is well-prepared for the introduction of real estate investment trusts (REITs), as demand for more office spaces, residential projects, and commercial centers complements regulatory authorities' willingness to amend rules that initially hampered its implementation.

At the third Asia Pacific REIT Investment Summit yesterday, industry executives discussed how regulations for REITs have come a long way in the Philippines since they were first crafted by local authorities a decade ago.

"The Philippines is ready, all the fundamental components are there to go: tax authorities and Securities and Exchange Commission (SEC) are working on it," real estate consultancy firm Santos Knight Frank Chairman and Chief Executive Officer Rick Santos said during the panel discussion.

While the REIT law, or Republic Act No. 9856 was passed in 2009, taxation issues and a higher public float requirement have dissuaded companies from participating in the investment vehicle.

The current rules state that REITs must have a minimum public ownership level of 40-67%, which the SEC has recently resolved to bring down to 33%. On the other hand, the implementation of the Tax Reform for Acceleration and Inclusion Act has removed the supposed 12% tax on transfer of real properties.

The SEC however has yet to issue the final rules reflecting the promised amendments.

"I understand that the SEC and BIR (Bureau of Internal Revenue) are very close to these amendments. Whether or not they (companies) can do it under existing rules, we want to see the regulators make good on their moves," ING Bank Country Manager Hans B. Sicat said during the panel discussion.

So far, Ayala Land, Inc. is the only firm that has expressed its interest in conducting a REIT offering under existing rules. The listed property developer wants to raise about P25-26 billion from the offering anchored on its prime office assets in Makati.

"We've been waiting for over 10 years, so retail (investors) and certainly institutional investors will look forward to it," Mr. Sicat said.

Mr. Santos added that the strong demand for office spaces driven by the business process outsourcing sector and Philippine offshore gaming operators is bound to continue in the following years.

"I think there is a lot of momentum and I hope to see the first successful REIT off the ground soon. Office will probable lead the way, then retail will follow. We're optimistic, we're hopeful, and we've been patient," Mr. Santos said.

The introduction of the final REIT rules is seen to boost investments in the local property market, which Mr. Sicat said was affected by the slow regulatory environment.

Atchison Consultants Managing Director Ken Atchison said emerging markets in the region, including Vietnam, Thailand, and the Philippines are already drawing investor interest.

"In property investment per se, nominal GDP growth drives property returns. Where is the growth of nominal GDP? It's in the Philippines, Thailand, Vietnam. That's where it's taking place, and that's where the property returns will come from," Mr. Atchison said during the same panel discussion.

Mr. Atchison said that investors should watch out for emerging sectors such as student housing, which he noted would be needed in fast-growing cities.

For his part, UBS Investment Bank Global Head of Real Estate Fergus Horrobin cited logistics as one of the trends that are becoming popular in the Asia Pacific region because of the rise of the e-commerce industry.

"(Logistics) has become very intensive and attractive to investors," Mr. Horrobin said. — **Arra B. Francia**