

Solution spotlight

Real estate investment trusts



Originally created in the 1960s to enable wider investments in large-scale, diversified portfolios of income-generating real estate, real estate investment trusts (REITs) - which acquire, hold, administer, manage, and sell real estate - have evolved into investment tools for developers (who can use REITs to access additional capital), pension funds, individuals, investment banks and corporations, raising capital through public and private placements (including operator seed capital).

By investing in fractional ownership, investors can benefit from strong cash yields and consistent income streams and preserve (or appreciate) capital for the longer-term while protecting it from inflation. REITs can also enhance the performance of capital markets, help create jobs and give the real estate sector additional impetus.

Regulatory oversight

As trusts, REITs in Bahrain are established as collective investment undertakings (CIUs) and are governed by the Central Bank of Bahrain (CBB). If listed, Bahrain Bourse (BHB) rules apply. REITs can be set up as retail (which are subject to higher regulatory control, require CBB authorisation and can be offered to any investor) or exempt (lighter regulatory control, require CBB registration and can only be offered to accredited investors) CIUs.

How can KeyPoint help?

Licensed and regulated by the CBB to provide trust and fund administration services, our market-focused REIT team provides a full range of trust administration services including:

- Advice on optimal structures
- REIT set up
- REIT administration (as trustees)
- Liaison with professional advisors and regulatory authorities

REIT requirements in Bahrain

Trustees are required to comply with the CBB's CIU registration requirements. REITs are also required to:

- Consist of a minimum of two income-generating properties with a minimum combined value of USD20m representing at least 80% of the net asset value (NAV)
- Property held for development cannot be more than 20% of NAV
- Investments in other REITs must not exceed 20% of NAV, subject to 10%/investment/REIT
- Other REIT assets must be cash or cash-equivalent
- Can only borrow for investment purposes - maximum leverage permitted is 50% of NAV
- Distribute dividends as stated in the prospectus
- Valuations of REIT-owned properties must be independent and comply with IVSC guidelines
- If listed, units must be dematerialised and freely transferable



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