



The all new Portuguese REIT

The expectation is high that Portuguese REIT, combined with the proper tax stimulus, will further promote investment and boost the real estate market, allowing the operators of this market to diversify their sources of financing.

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The new Portuguese Real Estate Investment Trusts ("REIT") have been established by Decree-Law no. 19/2019, of January 28, as a new type of property investment companies: *sociedades de investimento e gestão imobiliária* ("SIGI").

These are the main features of SIGI:

(1) They must be incorporated as private limited liability companies by shares (*sociedade anónima*) with a minimum share capital of € 5,000,000. It is possible, upon decision of the general meeting, to convert already existing limited liability companies by shares or property investment undertakings with a corporate form, into SIGI.

(2) They must have a registered office and their effective management in Portugal.

(3) Their main corporate purpose is the acquisition of (i) property rights; (ii) shares of other SIGI or REIT similar companies based in another State Member, (iii) participation units or shares of real estate investment funds for urban leasing, real estate investment companies for urban leasing and also collective investment undertakings (with dividend policies similar to SIGI).

SIGI can directly manage the properties whose rights they own or contract third parties for that purpose. In addition to leasing, such properties may be used for the development of construction and rehabilitation projects and also to rehabilitation or be allocated to the use of stores or spaces in commercial centers or office spaces.

(4) SIGI shares must be listed within one year after incorporation. For that purpose, new simplified admission rules will apply, as well as specific equity dispersion requirements (at least 20% of their equity must be held by 2% or less equity holders).

(5) SIGI will be subject (i) to rules on composition and holding of assets (the value real estate assets must represent at least 75% of the total assets value and such assets must be held for at least three years after their acquisition); (ii) to the obligation of distributing a percentage of their profits in the form of dividends (iii) and to comply with a maximum indebtedness ceiling (60% of the total value of their assets).

These rules entered into force on February 1st 2019. A tax package for SIGI is expected, exempting SIGI of CIT on their asset generated income, on real estate capital gains and dividends. All combined, SIGI can be a powerful tool to foster the Portuguese real estate market, at a time this market gives signs of deacceleration.

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