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# Setting Up and Listing Real Estate Investment Trusts (REITs)

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ZSE REITs Masterclass  
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... Rationale for setting up a REIT

... The REITs regulatory framework

... Key steps in establishing a REIT

- ✓ Inflation hedge
- ✓ Stable income sources - rentals
- ✓ Limited volatility and downside risk
- ✓ Portfolio diversification
- ✓ Infrastructure – “the greater good”

# LIMITATIONS OF DIRECT PROPERTY INVESTMENTS



- Re-mortgaging / leverage
- Sub-divisions and sectional title
- Unitising
- Listing

A Real Estate Investment Trust (REIT) is an investment vehicle legally set up to pool funds from many investors for investment into real estate in a tax-efficient manner

## Key Characteristics

- Unitised investments
- Can either be for purchase of or development of real estate
- Licensed and regulated
- Enjoy tax neutrality
- Vehicle – Company vs Collective Investment Scheme
- Is usually listed on a securities exchange

- ✓ Securities & Exchange Act (Chapter 24:25)
  - Gives SECZ powers to regulate all investment activities, funds and intermediaries, including securities exchanges
- ✓ Collective Investments Schemes Act (Chapter 24:19), 1998
  - Allows for registration of all vehicles to pool funds from many investors for investment into specified funds with pre-defined objectives
- ✓ Statutory Instrument 240 of 2019 enacted Collective Investments Schemes (Internal Schemes) (Amendment) Regulation (Number 5), 2019
  - Introduced Real Estate Investment Trusts as new products that can be offered as collective investments schemes alongside Commodity, Private Equity Funds, etc
- ✓ Finance (No 2) Act of 2020
  - Set out qualifying criteria for tax exemption for REITs

- Licensed and registered under Collective Investments Schemes Act
- The real estate under the REIT should be developed after 1 January 2021 (pension funds exempted)
- At least 80% of income from real estate (i.e. rentals)
- At least 80% of net income distributed as dividends
- Minimum of 100 shareholders and not more than 50% of shareholding should be in hands of 5 or few individuals (pension funds exempted)
- Be listed on a licensed securities exchange



# SETTING UP A REIT IN ZIM: KEY STEPS

## Step 1

- **Concept development**
  - Agree objective and identify properties to be incorporated in the REIT
  - Appoint Financial Advisor

## Step 2

- **Draft Constitutive & Marketing Documents**
  - Draft Trust Deed
  - Draft Prospectus, Teaser, etc

## Step 3

- **Appoint advisory team**
  - Pre-requisite – Investment Manager and Trustee
  - Other – legal advisors, tax advisors, stockbrokers, transfer secretaries

## Step 4

- **Licensing and securities exchange listing**
  - Apply to SECZ for licensing of the REIT
  - Engage investors and apply to the securities exchange for listing



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