



مَصْرَفُ الْبَحْرَيْنِ الْمَرْكَزِيِّ

Central Bank of Bahrain

Islamic Real Estate Investment Trusts

IIFM Conference - Bahrain

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Background - REITs

- REITs first started in United States in 1960
- REITs now operate in 29 countries
- More than US\$700,000 Million Market globally
- 72% of Investment in the REITS are located in U.S.

REITs

- REITs are trusts which provide investors with an investment vehicle in real estates.
- REIT is a vehicle that owns and operates income producing real estates.



What is an Islamic REITs?

Islamic REIT is an investment scheme in real estate whose tenants operate permissible activities that are in line with Sharia principles.

Islamic REITs

Permissible Activities – all activities that are in line with Sharia and other than those prohibited activities that include:

- Financial services based on interest.
- Gambling
- Manufacture/sale on non-halal products
- Conventional insurance
- Entertainment activities not in line with Sharia
- Stock broking and trading in conventional securities
- Hotels and resorts

Advantages of Islamic REITs

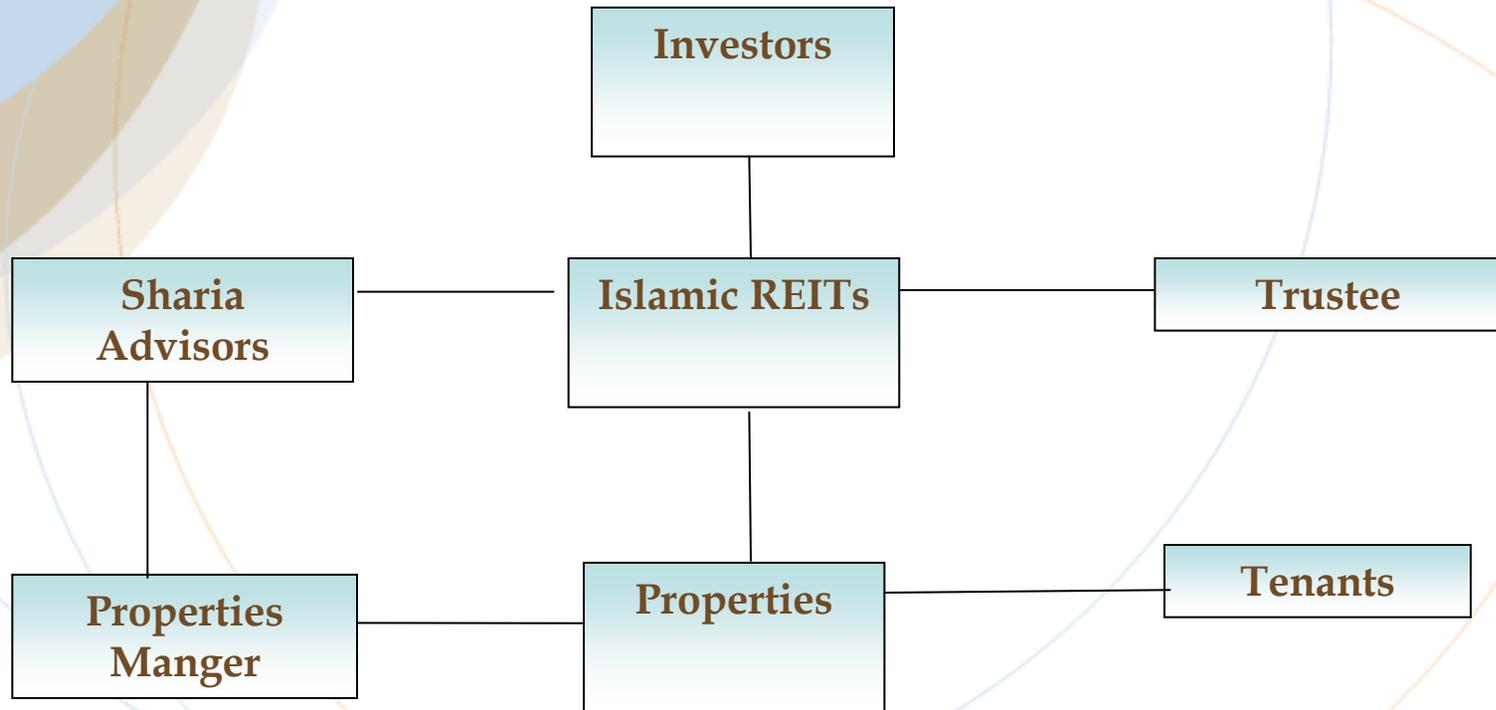
- Tax Efficiency
- Competitive returns
- Highly liquid assets
- Low correlation to market volatility
- Efficient hedge against inflation
- Risk diversification

Islamic REITs - Opportunities

- Real Estate investment attractive to Islamic investors.
- High liquidity in the Mena region
- Strong growth of Real estates sector in the region
- High demand of investors on Islamic instruments
- Appetite of investors for stable returns
- Growth in Medium size investors and affluent



Islamic REITs Structure



Islamic REITs - Characteristics

- Formed as a trust and close-ended.
- 90% of revenue to be paid out as dividends
- At least 75% of assets must be invested in RE.
- 20% limit on other REITs investments and/or other Islamic instruments.
- Financing of REITs should be in line with Sharia.
- Permissible to invest in any jurisdiction
- To use Takaful to insure Real estates.

Islamic REITs - Issues & Challenges

- Properties where mixed activities carried out (permissible & non-permissible).
- Standardization of Islamic REITs
- Lack of a developed Secondary Market for Islamic products
- Rules are not clear for Overseas Investors in RE.

Islamic REITs - Moving Forward

- To exempt REITs from Double Stamp Duties.
- To make REITs accessible to public Investors.
- Transparency



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Thank You