# Investment Guide for SOCIMIs and SIGIs 2019

## Legal framework and Property Market in Spain and Portugal

DLA PIPER

primeyield®

GLOVAL PART OF

Prime Yield, part of Gloval, and DLA Piper associate to deliver an Investment Guide for Socimis and Sigis. A groundbreaking initiative targeting REITs operating in Iberia, this Guide aims to provide a comparative legal framework of such vehicles in Spain and Portugal, but also the key performance indicators of the real estate markets in both countries.

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# 1. Economic Overview

**SPAIN**

The Spanish GDP recorded a year-on-year growth of 2.4% in Q4 2018, closing full 2018 results with an annual variation of 2.5%. The quarterly results reflect a significant increase of expenditure and public investment, which offsets the slowdown in the remaining components of domestic demand. Potential risks to watch out include the evolution in Oil prices, the level of indebtedness, as well as the parliamentary tension. The scenario of low interest rates is expected to continue, as well as the stable path in job creation.

SPAIN

**2018**

| GDP (y-o-y) | Social Security Affiliation (y-o-y)* | Unemployment Rate (%) |
|---|---|---|
| 2.5% | 2.9% | 15.3% |

| Interest Rate on new credit (mortgage)* | Interest Rate on new credit (mortgage)* Euribor 12 months* | Interest Rate on new credit (mortgage)* Differential |
|---|---|---|
| 2.1% | -0.1% | 2.2% |

| Consumer Prices Index (CPI) (y-o-y)**** | Activity rate - % of total population aged 15-64** | Housing Accessibility (Years GDI)*** |
|---|---|---|
| 1.7% | 73.9% | 7.4% |

Notes:
* data corresponding to February 2019
**data corresponding to the year 2017
*** data corresponding to the 3Q18
**** data corresponding to the 4Q18
GDI: Gross Disposable Income
y-o-y: Year on year

# In 2018, Economy expanded above 2.0% both in Spain and Portugal

2018

**GDP** (y-o-y)
2.1%

**Social Security Affiliation** (y-o-y)*
0.6%

**Unemployment Rate** (%)
7.0%

**Interest Rate on new credit (mortgage)***
1.3%

**Interest Rate on new credit (mortgage)* Euribor 12 months***
-0.1%

**Interest Rate on new credit (mortgage)* Differential**
1.4%

**Consumer Prices Index (CPI)** (y-o-y)
1.2%

**Activity rate - % of total population aged 15-64****
74.7%

**Housing Accessibility (Years NAI)**(1)
10.4%

Notes:
* data corresponding to February 2019
** data corresponding to the year 2017
NAI: Net annual Income
y-o-y: Year on year
(1) Calculation: average value of bank evaluation X average area (93.75 sq.m) / annual net income per employed person

## PORTUGAL

Overall, the Portuguese Economy expanded 2.1% in 2018. As for quarterly results, the Portuguese GDP recorded a 1.7% year-on-year rate in Q4 2018 (2.1% in the previous quarter). The external demand contribution for the GDP year-on-year variation deteriorated from -0.3% in Q3 2018 to -1.6%, reflecting a decrease in the volume of exports of goods. In contrast, the positive contribution of domestic demand increased to 3.3% in Q4 2018 (2.4% in the previous quarter), due to the acceleration of investment and private consumption.

PORTUGAL

# 2. Iberian Property Market

**SPAIN**

The Spanish property market continued to grow in the beginning of 2019 but showing a slower pace than the one recorded in 2018. The main macroeconomic and property indicators are consistent with the strong interest from investors in the logistics sector, especially concerning properties for the support of online sales (e-commerce), such as cross-docking warehouses and smaller "last mile"-logistics properties, aimed to ease and speed up the delivery process. The hotel sector, as well as the senior and student housing segments, are expected to show significant levels of investment.

SPAIN

**2018**

**Housing Prices** (y-o-y)
3.4%

**Ratio Price-to-Income** (Base 100=2015)*
112.7%

**New construction visas** (y-o-y) **Residential**
11.7%

**New construction visas** (y-o-y) **Non-Residential**
7.5%

**Certificate Finish Buildings** (y-o-y)
17.8%

**Mortgage loan** (y-o-y)**
13.7%

**Transactions of housing units Residential**
9.3%

**Investment volume (CRE) Retail**
28%

**Investment volume (CRE) Industrial**
10%

**Investment volume (CRE) Offices**
30%

Notes:
* data corresponding to the 3Q18
** data corresponding to the 4Q18
y-o-y: Year on year

# 2019 should be another buoyant year for the Spanish and the Portuguese property markets, although both slightly performing slower than in 2018.

2018

**Average value of bank evaluation** (y-o-y)

5.8%

**Ratio Price-to-Income** (Base 100=2015)**

117.9%

**New licensed buildings** (y-o-y) **Residential**

27.5%

**New licensed buildings** (y-o-y) **Non-Residential**

-0.4%

**Completed buildings** (y-o-y)

16.1%

**Mortgage loan** (y-o-y)*

32.1%

**Transactions of housing units Residential**

16.6%

**Investment volume (CRE) Retail**

45%

**Investment volume (CRE) Industrial**

5%

**Investment volume (CRE) Offices**

30%

Notes:
* data corresponding to the year 2017
** data corresponding to the 3Q18
y-o-y: Year on year

**PORTUGAL**

Global liquidity remained strong in Q1 2019 and the upward trend in property sector is expected to continue, although at a more moderate pace. The main macroeconomic and property indicators show an investment decrease in all sectors, except for hotels, that record strong investment levels. Forecasts for 2019 point out to another buoyant year for property investment, as, in addition to the already existing players, new capital is expected to come into the market, boosted by the come into force of SIGI, the Portuguese REITs. Additional activity should come from the Banks' real estate assets and the NPL portfolios.

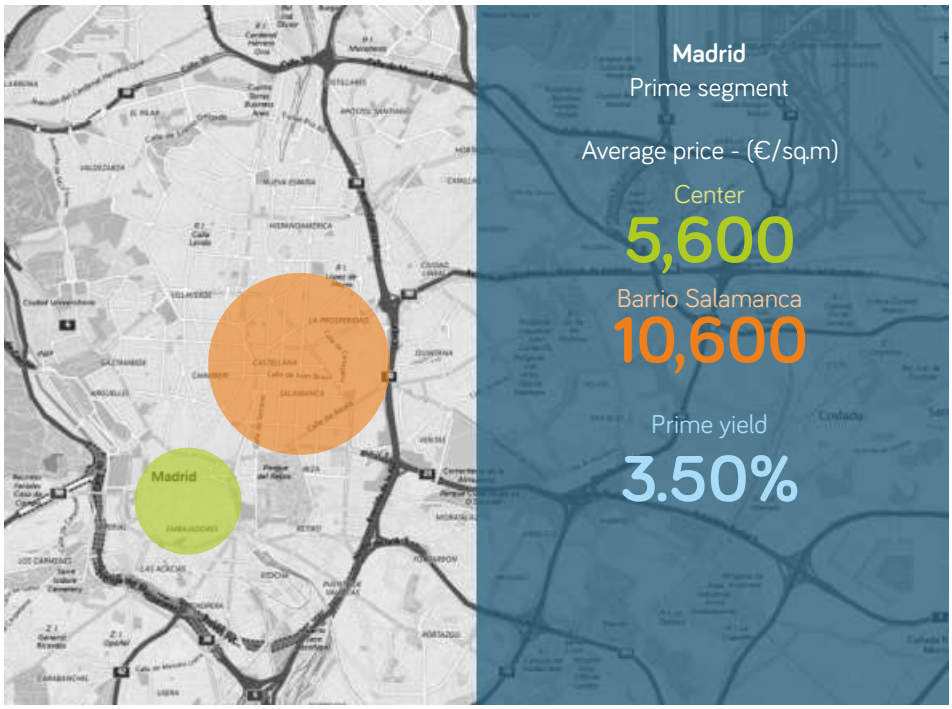
PORTUGAL

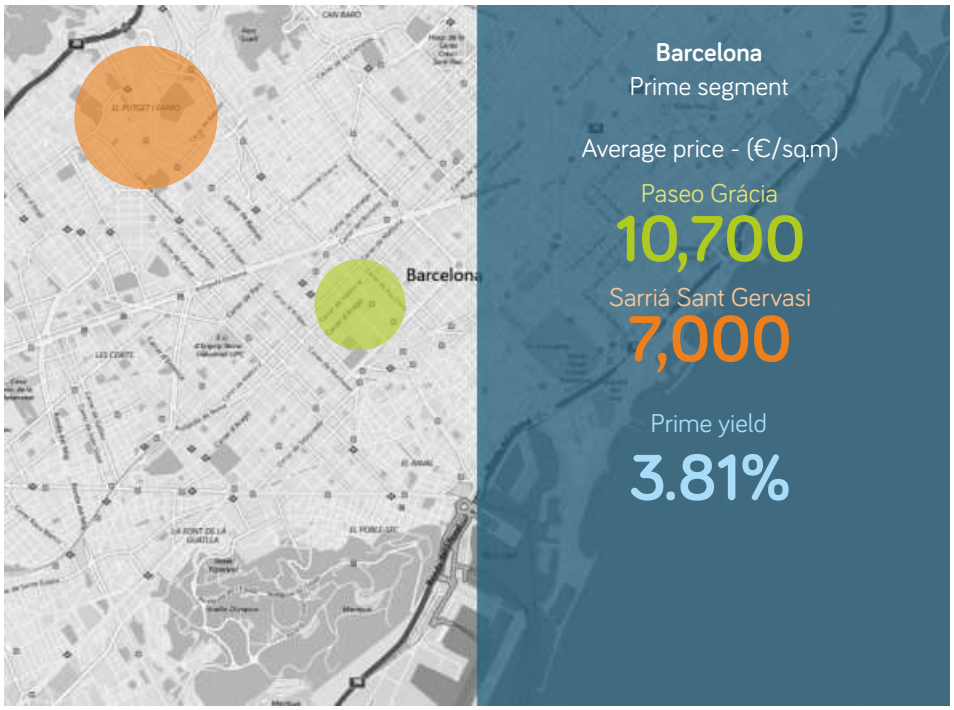
# 2. Iberian Property Market

## 2.1 Residential

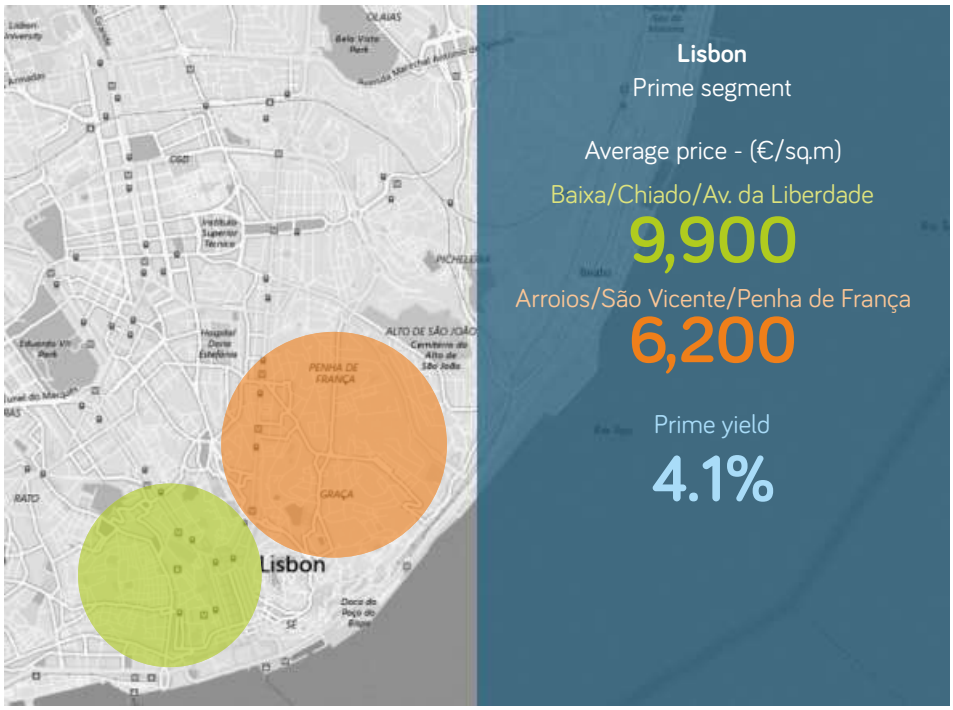
SPAIN

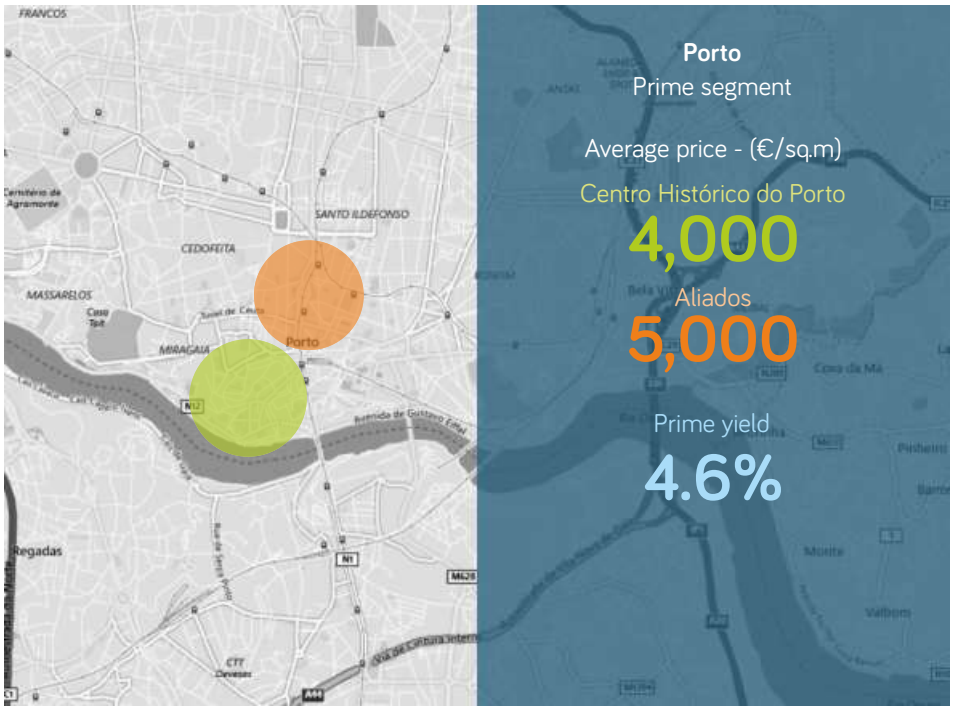
2019 continues to display a favorable scenario, as shown in the key indicators of the Spanish residential sector. The labour market situation remains positive, but, despite this, the Index of housing prices published by the INE for Q418 increased by 6.6% year-on-year, a positive figure that is nevertheless more moderate than the ones recorded in previous quarters. The Autonomous Regions of Madrid, Baleares and Cataluña showed the strongest increases in housing prices. The transaction of dwellings during 2018 (provisional data) rose 9.3% year-on-year, being the active demand the key for the increase of prices in the different zones.



# Housing prices rose 9.3% in Portugal and 6.6% in Spain (y-o-y Q4 2018), and the increase in sales was also stronger in the Portuguese market (16.6% vs 9.3% for FY 2018)




**PORTUGAL**

In Q4 2018, housing prices in Portugal continued to rise and the residential price Index IPHab released by INE has shown an year-on-year variation of 9.3% in the quarter, up 0.8 p.p. from the previous quarter. As for full year results, housing prices in Portugal rose 10.3%, with the evolution in the prices of existing housing (11%) surpassing the one recorded for new housing (7.5%). The year recorded the transaction of 178.691 dwellings, which represents an increase of 16.6% compared to the previous year.

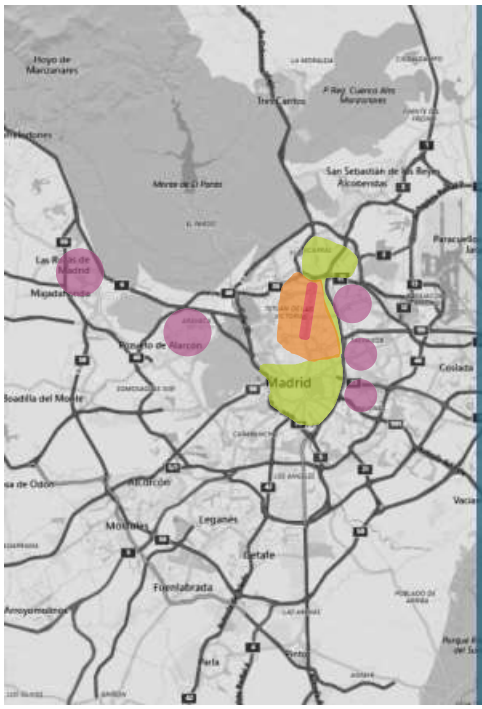
PORTUGAL

# 2. Iberian Property Market

## 2.2 Office

**SPAIN**

The good performance of Madrid's Economy supports an increasing office take up. In 2018 the take up totaled some 550,000 sqm, similar to the area traded in 2017. As for Barcelona, office take up in 2018 reached 390,000 sqm, reflecting an increase of 15% compared to 2017. Rents continue to rise in prime office locations, mainly due to the lack of office space. Also, the shortage of land available in the business locations is driving investors and developers to look for assets in secondary or surrounding areas.

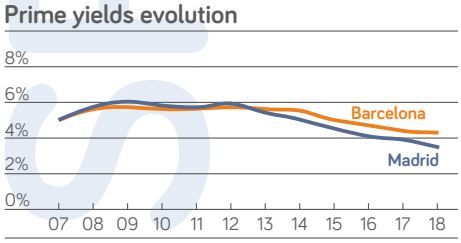



**Madrid**
Prime rents (€/sq.m/month)
CBD
35
Secondary
25
Decentralised Area
18
Other areas
16
Prime yield
3,40%
Vacancy rate: 10%
Take-up: 550 000 sq.m
Pipeline: 280 000 sq.m

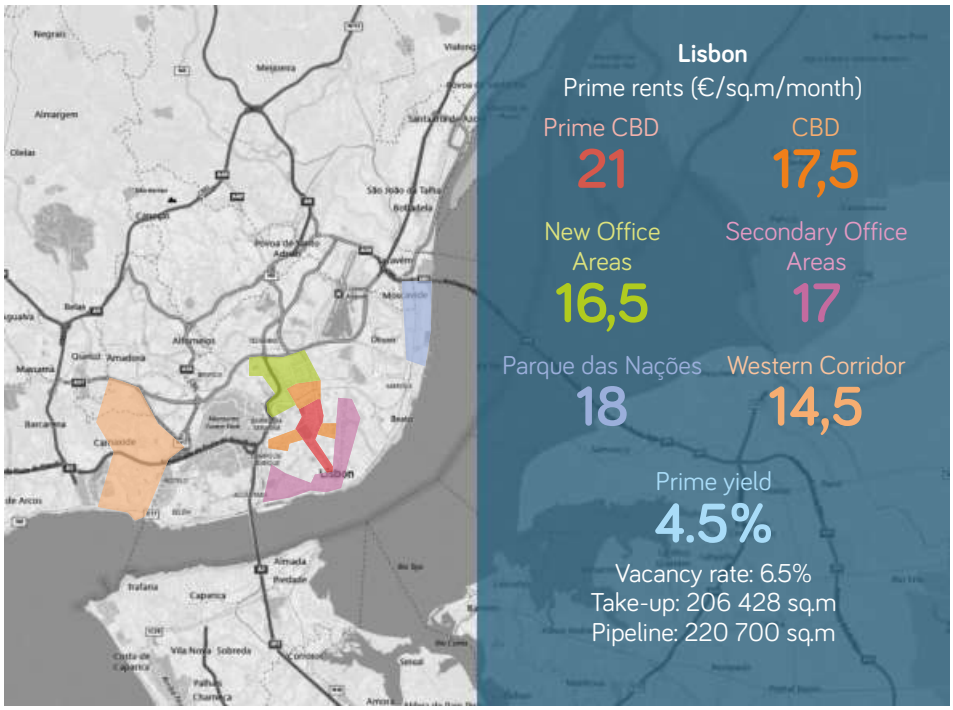
**Barcelona**
Prime rents (€/sq.m/month)
CBD
26
Secondary area / Rest of the City
23
Ensanche Area
17
Other areas
15
Prime yield
3.75%
Vacancy rate: 6%
Take-up: 390 000 sq.m
Pipeline: 100 000 sq.m

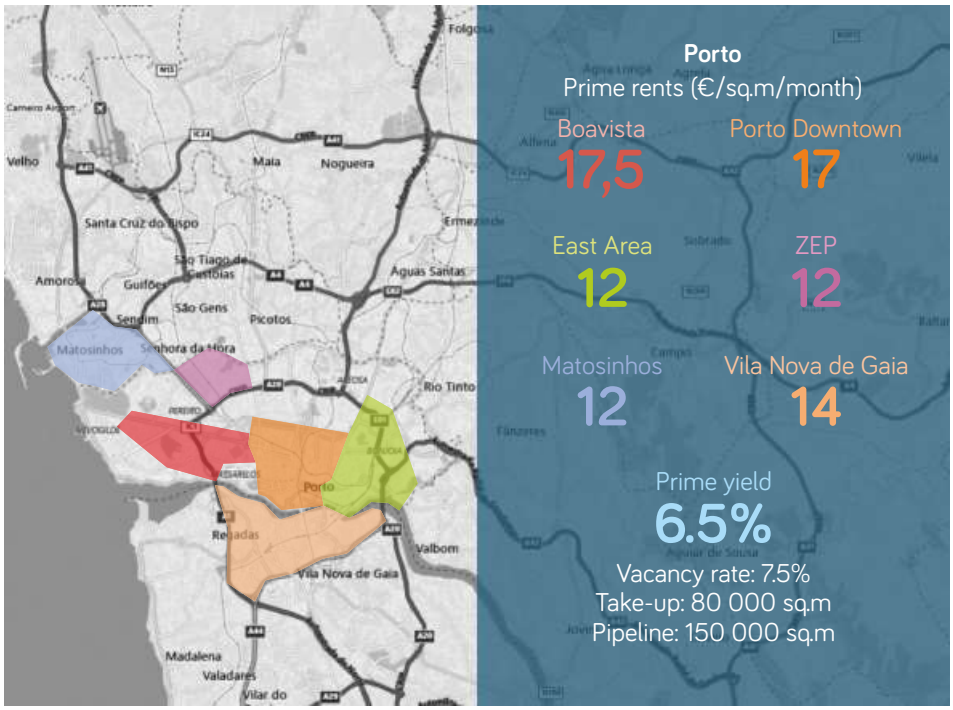
SPAIN

**Prime yields evolution**



# Good Economic fundamentals are supporting strong take-up levels in Madrid and Lisbon. Porto and Barcelona are also significantly increasing their activity.

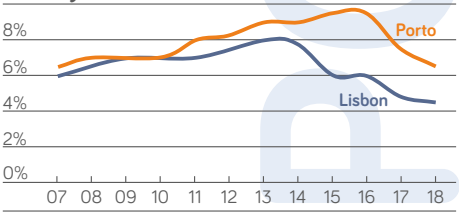



**PORTUGAL**

During 2018, the Lisbon office market reached a take up close to 210,000 sqm, which represents a 24% increase over the previous year and sets a 10-year record. Impacted by positive Economic outlook and the increasing international attractivity of Lisbon as a business location, the office market has been showing a positive evolution in recent years. As for Porto, the office market in now really booming, with take up reaching more than 80,000 sqm in 2018 in 50 deals, an unprecedent level for the local market.

**Prime yields evolution**

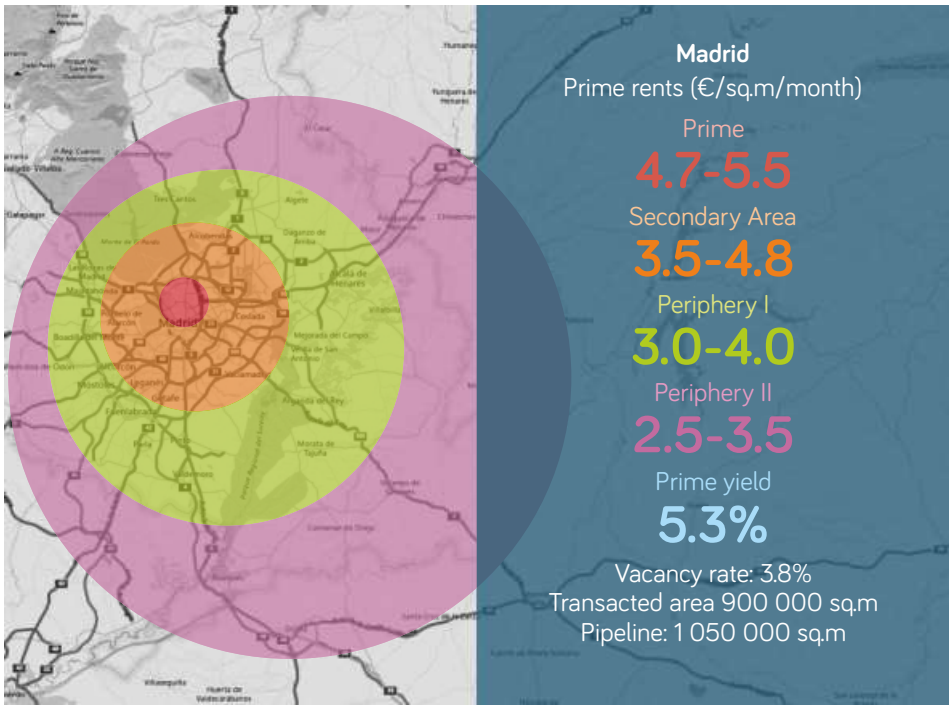


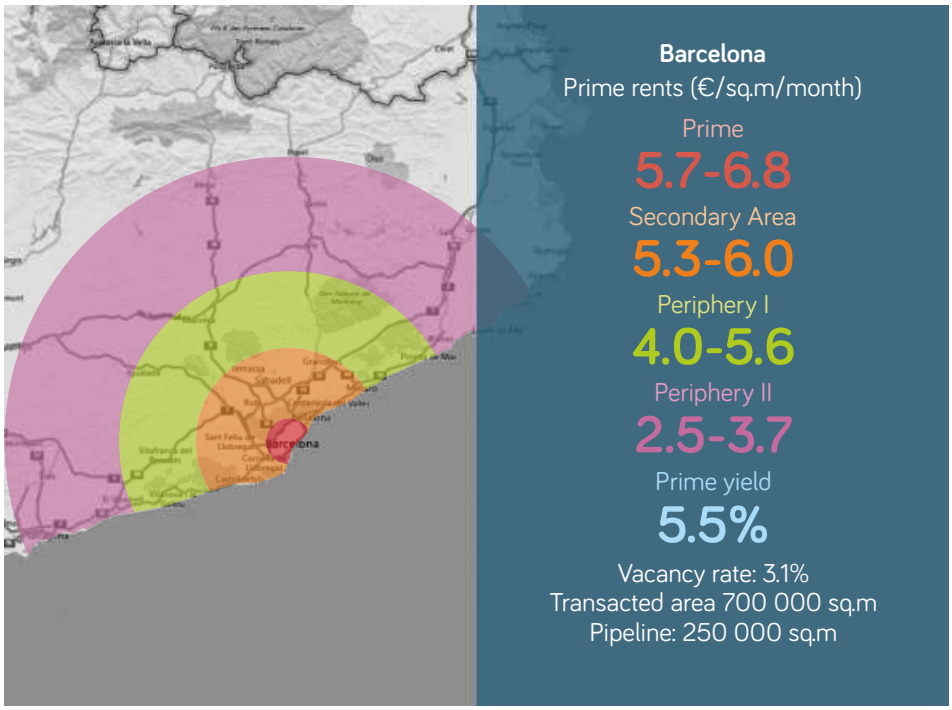
# 2. Iberian Property Market

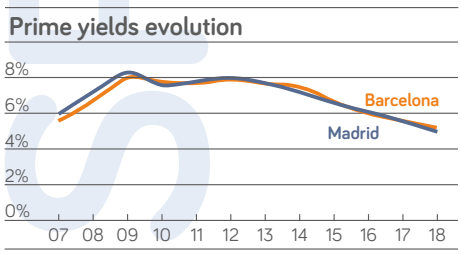
## 2.3 Industrial & Logistics

**SPAIN**

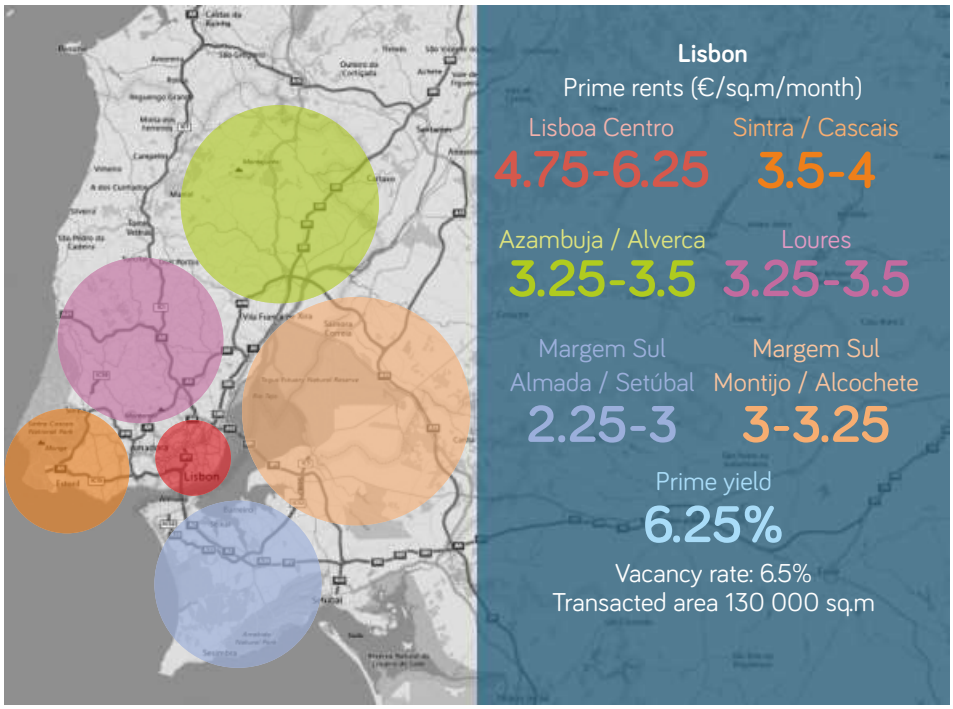
The shortage of land available for new logistics developments in the prime locations of Madrid and Barcelona is accentuating, meaning that is necessary to look to secondary locations close to the main logistics axis for new developments.
Thus, the rehabilitation and full adaptation of platforms/warehouses built in previous cycles appears as an alternative and opportunity. In 2018, take up in this segment in Madrid has exceeded 900,000 sqm, which represents 16% more than the previous year. As for Barcelona, this figure sits at 700,000 sqm, up 12% year-on-year.

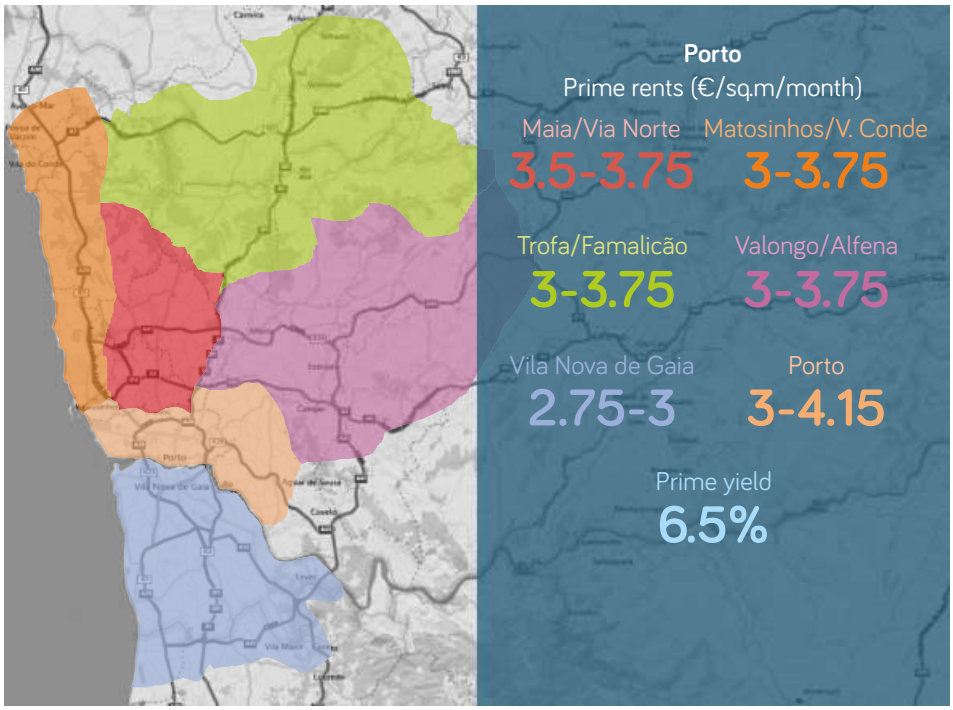


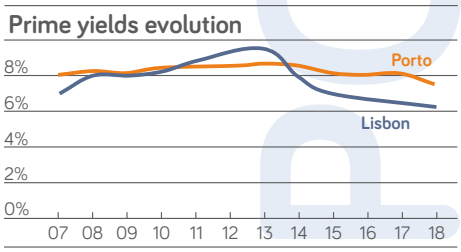
# The lack of new quality supply is a challenge for the Iberian logistics property market, although Madrid, Barcelona and Lisbon recorded a growth in take up over 2018.




**PORTUGAL**

The shortage of quality supply continues to constrain the occupational activity in the industrial property market and 2018 recorded a decrease in take up compared to the previous year (occupation around 130,000 sqm). More than 30 deals of industrial and logistics property occupation were identified at the national level. Nevertheless, in the Greater Lisbon region the trade of new spaces increased, reaching about 90,000 sqm, most of which were located in the prime axis of Alverca-Azambuja. In the Greater Porto, activity was residual, especially due to the lack of quality product.



# 2. Iberian Property Market

## 2.4 Retail

**SPAIN**

With the promising outlook for e-commerce, there's an increasing interest for high-street stores, aiming to adapt such spaces to this new shopping trends. And this is a trend that could also be seen in large shopping centers. High-street rents in the prime retail locations of Madrid and Barcelona continue to stand at high levels due to the lack of available spaces. In both cities, prime rents range from 220-290 €/sqm/month. Investors continue to be especially attracted by the areas of Barrio de Salamanca and Centro, in Madrid; and Portal del Ángel and Paseo de Gracia, in Barcelona.

SPAIN

| Format | Location | Prime rents (€/sq.m/month) |
|---|---|---|
| Shopping Centres | Spain | 97 |
| Retail Parks | Spain | 25 |
| High street retail | **Madrid** Barrio de Salamanca y Zona Centro | 290 |
| High street retail | **Barcelona** Porta del Ángel, Pº Gracias, Rambla, Avda. Diagonal | 285 |
| Prime yield | Madrid y Barcelona | 3.3% |

# High street retail is an increasingly preferred format for retailers in Madrid, Barcelona and Lisbon, but Shopping Centers are also updating to new consumer trends.

| Format | Location | Prime rents (€/sq.m/month) |
|---|---|---|
| Shopping Centres | Portugal | 105 |
| Retail Parks | Portugal | 10 |
| High street retail | **Lisbon** Avenida da Liberdade Chiado | 130 |
| High street retail | **Porto** Rua Santa Catarina | 65 |
| Prime yield | | 5.0% |

**PORTUGAL**

The high-street stores remain at the top of retailer's preferences, representing more than 60% of the occupational deals recorded over 2018 in retail property. Prime rents stand at 130€/sqm/month (Chiado/ Avenida da Liberdade) for high-street retail and at 105 €/sqm/month for shopping centres. Although a mature market, shopping centres continue to be a target for investment. The new pipeline is limited, but several existing schemes are expanding and renewing, mainly updating to new trends in the areas of food courts, leisure and culture.

PORTUGAL

# 2. Iberian Property Market

## 2.5 Hotel

**SPAIN**

The hotel sector, obviously very impacted by the tourism sector performance, maintains a positive outlook. The investor appetite continues to be strong and more differentiation strategies aiming to increase guests – such as the ones focused on technology, gastronomy and specific packs – will be in place. In 2018, hotel investment volume exceeded €5 billion. According to the Group Gloval, around 60% of the deals concern to 4-star hotels, followed by 5-star, with 21%, and 3-star units, around 13%. The communities of Baleares, Cataluña and Andalucía occupy the top positions.

| Format | 2018 | Change rate 18/17 |
|---|---|---|
| Overnights stays (thousands) | 413 680.0 | -1.2% |
| National | 135 491.1 | 0.1% |
| International | 278 188.9 | -1.8% |
| Guests (thousands) | 117 537.2 | 0.9% |
| National | 55 651.9 | 1.2% |
| International | 61 885.3 | 0.7% |
| RevPar (€) | 57.35 | 1.08% |
| Occupancy rate per room | 65.0% | 0.0% |

Source: INE (ES)

SPAIN

# There's a growing investor appetite for hotels in Portugal and Spain, an area boosted by strong tourism fundamentals.

| Format | 2018 | Change rate 18/17 |
|---|---|---|
| Overnights stays (thousands) | 57 600.3 | -0.04% |
| National | 16 694.4 | 5.0% |
| International | 40 905.9 | -2.0% |
| Guests (thousands) | 21 051.00 | 1.7% |
| National | 8 288.5 | 3.9% |
| International | 12 762.5 | 0.4% |
| RevPar (€) | 52.53 | 4.5% |
| Occupancy rate per room | 65.4% | -1.2% |

Source: INE, Turismo de Portugal

**PORTUGAL**

The hotel sector, with a stronger and stronger relevance in investment activity and increasingly considered by big players as an excellent alternative for property investment, consolidated the operational results in 2018, stabilizing the record growth that it had been experiencing since 2014. When compared to previous years, the tourism sector showed a more moderate growth, although the indicators show a RevPar growth of € 52.5 (+ 4.6%), total revenues of €3,6 billion (+ 0.6%), and an average rate room of € 95 (+ 7.0%).

PORTUGAL

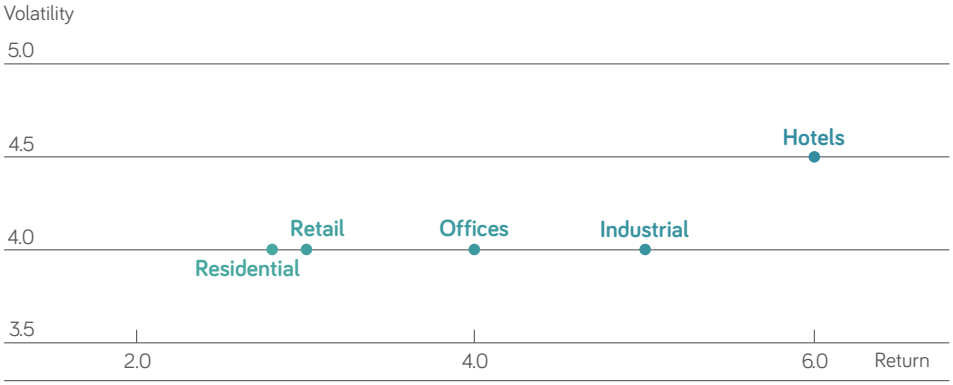
# 2. Iberian Property Market

## 2.6 Investment

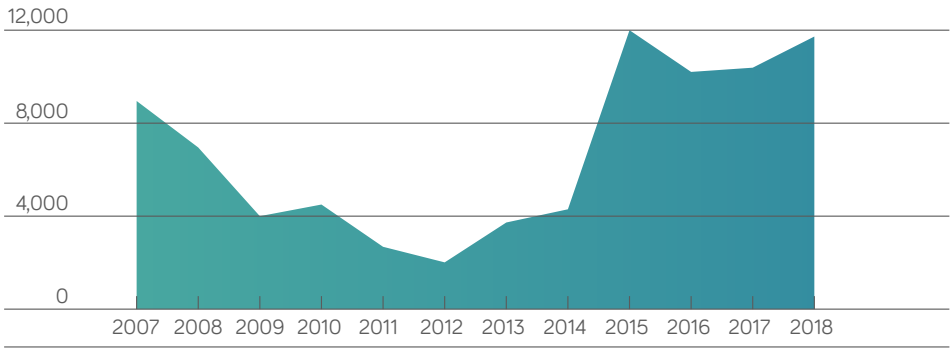
**SPAIN**

In 2018, the investment volume in the Spanish property market reached 11,8 billion euro, rising about 13% when compared to 2017 and coming close to the 12 billion euro -peak of over a decade, which was recorded in 2015. Offices were the main target for investors, totaling 30% of all investment, but both retail and hotels were also top choices, presenting weights of, respectively 28% and 27%. As for prime yields, hotels have the highest returns (6.0%), followed by logistics (5.0%), office (4.0%) and retail (3.0%). As for the residential property, prime yields stood at 2.8%.

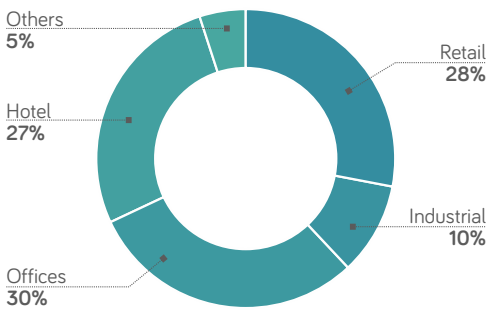
**Prime Yields by segment**




**Investment Volumes in Spain** (millions of euro)



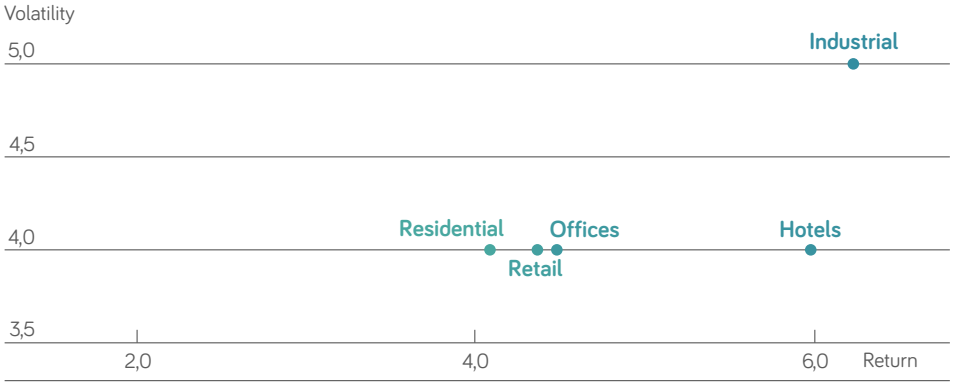

**Investment by segment (2018)**



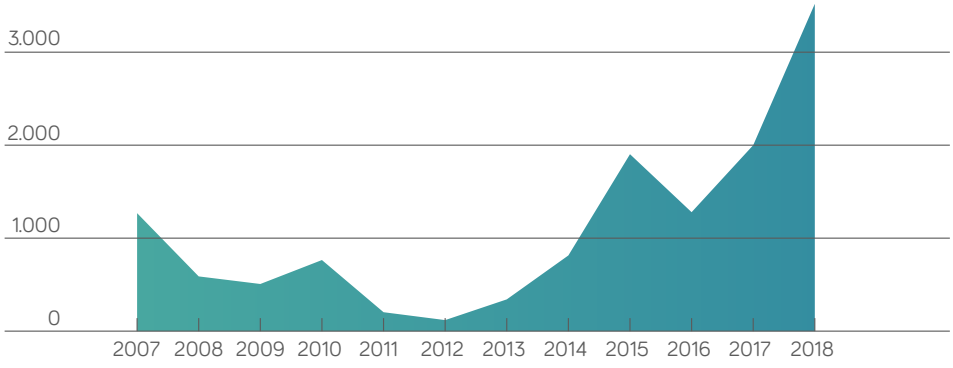

SPAIN

# Investment volume in Spain was three times higher than in Portugal, but while prime yields in the first one ranged from 2.8% to 6.0% in the several segments, in the second ranged from 4.1% to 6.3%.

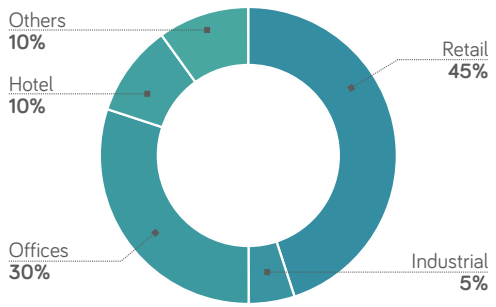
**Prime Yields by segment**




**Investment Volumes in Portugal**




**Investment by segment (2018)**




**PORTUGAL**

2018 was a record-breaking year for property investment in Portugal, with volumes transacted peaking at 3,5 billion euro, an unprecedented figure for the national market. This reflects an 75% year-on-year growth. Retail, which trading included some of the leading shopping centers in the country, was the strongest segment, totaling for 45% of all investment accounted in 2018. Offices were also very buoyant, totaling 30% of all investment. Prime yields ranged from 6.3% and 6.0% respectively for logistics (5% of investment volume) and hotels (10% of total investment), to 4.5% in offices and 4.4% in retail.
As for the residential property, returns stands at 4.1%

PORTUGAL

# 3. The numbers of the Property Market at a Glance

## Spain

**Residential**

↗ 9.3%

Residential sales in Spain
(581,793, 2018)

**Offices Madrid**

↗ 21%

Take-up
(550,000 sq.m, 2018)

**Offices Barcelona**

↗ 7%

Take-up
(390,000 sq.m, 2018)

**Industrial**

↗ 10%

Prime rent
(4.7-5.5 €/sq.m/month, 2018)

**Retail**

↗ 28%

Retail prime rent (High street)
(220-290€/sq.m/month, 2018)

**Hotel**

↗ 1.08%

RevPar
(57.35€, 2018)

**Investment**

↗ 13.5%

Volume of investment
(11,800 millones de euros, 2018)

# Portugal

**Residential**

↗ 17%

Residential sales in Portugal
(178,691, 2018)

**Offices Lisbon**

↗ 24%

Take-up
(206,428 sq.m, 2018)

**Offices Porto**

↗ 167%

Take-up
(80,000 sq.m, 2018)

**Industrial**

↗ 5%

Prime rent
(4,75-6,25€/sq-m/month, 2018)

**Retail**

↗ 7.7%

Retail prime rent (High street)
(105€/sq.m/month, 2018)

**Hotel**

↗ 4.5%

RevPar
(52.5€, 2018)

**Investment**

↗ 75%

Volume of investment
(3.5 bilion euros, 2018)

# 4. Iberian REITs: SOCIMI and SIGI

## REIT in Spain – SOCIMI

Public Limited Companies Listed Investment in the Real Estate Market (Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario, "SOCIMIs") are regulated by Spanish Law 11/2009 of 26 October, and are configured as a tailor-made vehicle for investment in real estate assets for rent. SOCIMIs are the Spanish adaptation of real estate investment vehicles (REIT) already in operation in other countries.
SOCIMIs are listed companies with a particular tax regime which activity is restricted to the development, refurbishment and management of profitable real estate assets, to holding a stakes in other SOCIMIs and to the development of ancillary real estate activities.
The SOCIMIs must take the form of a public company (sociedad anónima). Their shares must be nominative and of the same class so that all have the same nominal value and grant the same corporate and economic rights to their owners. The minimum share capital to constitute a SOCIMI is 5 million euros. Real estate can also be contributed to form the share capital and there is no limit on external financing.
A SOCIMI can be incorporated with only one property and its real estate assets can be located within Spanish territory or abroad.
The SOCIMI's asset composition must comprehend at least 80% of real estate assets assigned to leases or to land intended for urban development, or participations in other SOCIMI or REIT. These assets must remain in the company for at least 3 years.
At least 80% of the income of the SOCIMI for a given tax period, excluding the transfer of shares and real estate, must come from rental income and/or dividends from SOCIMIs / Reits in which the SOCIMI holds a share. SOCIMIs must be listed on regulated stock markets, or on a multilateral trading system, in Spain or in any other Member State of the European Union. Most of the Spanish SOCIMIs are listed on the Alternative Stock Market, ("MAB"), for which it is necessary to hire a Registered Advisor and a liquidity provider (a bank or securities agency). SOCIMIs must have at least 20-25 shareholders. One of the following two requirements must be met:
a) Shareholders with a share inferior to 5% must represent an estimated market value of 2 million euros, or; b) shareholders with a share inferior to 5% must represent a minimum of 25% of the shares issued by the company.
Within 6 months counted from closure of each fiscal year, the SOCIMI must distribute to its shareholders at least 80% of the profits obtained from rental income and 50% of those arising from sales of assets. 100% of profits obtained from the holding of shares in other SOCIMIs or REIT must be distributed.
SOCIMIs have a special tax regime, being generally exempt from Corporate Income Tax, with certain exceptions.
The SOCIMI is an ideal investment instrument for small and medium-sized investors, because they allow investors to diversify their asset portfolio by entering the real estate market without having to be engaged in the management. Listed on the stock market, the investment in SOCIMIs benefit from the visibility, liquidity, valuation and guarantees of the regulated stock market.

# REIT in Portugal - SIGI

The Decree-Law 19/2019, of January 28, approves the legal regime of the Sociedades de Investimento e Gestão Imobiliária ("SIGI"). This is a new type of real estate investment companies envisaging the investment and dynamization of the real estate market, particularly of the leasing market. SIGI corresponds to the Portuguese version of REIT ("Real Estate Investment Trusts"). SIGI are required to adopt the corporate type of limited liability company by shares ("S.A. companies") and require a minimum subscribed and fully paid-up share capital of € 5,000,000, and share capital contributions may not be postponed. SIGI may, or not, be incorporated following a public offering.

This diploma also allows that, by complying with certain requirements, existing S.A. companies and SICAVIs and SICAFIs can be converted into a SIGI.

The SIGI's corporate purpose comprises the (i) acquisition of property rights, surface rights or other equivalent rights over real estate for leasing or other forms of economic exploitation, such as construction projects and rehabilitation of real estate, shop use agreements (within shopping malls) and space use contracts for office purpose (ii) the acquisition of shares in other SIGI or in companies based in another Member State of the EU or the European Economic Area, and (iii) the acquisition of shares or units of participation in Collective Real Estate Investment Institutions Real Estate Funds and Real Estate Investment Companies. From the second year after the constitution of the SIGI (a) at least 80% of the total value of SIGIs assets will have to correspond to the value of the rights held on real estate and financial participations held under its corporate purpose and (b) at least 75% of the total value of SIGI's assets will have to correspond to the value of real estate rights subject to leasing or other forms of exploitation, as per the corporate purpose.

Within 1 year from incorporation, the shares representing the total of the SIGI's share capital must be admitted to trading on regulated markets or on a multilateral trading facility.

Within 9 months from the end of each tax year, the following minimum thresholds of profit distribution are required: (i) 90% of the profits arising from the dividends and other income originated by the investments in shares and investment units held under the corporate purpose and (ii) 75% of the remaining distributable profits as per general corporate law.

A minimum of 75% of the profits arising from the sale of assets acquired following the SIGIs corporate purpose must be reinvested within 3 years from sale date.

Regarding the tax regime, the Portuguese legislator created SIGI as a type of real estate investment companies, the already existing regime foreseen in article 22 of the Portuguese Tax Incentives Statute (EBF) shall be applicable for this type of investment companies.

The sector believes that REITS will be able to attract a considerable investment to Portugal.

# 4. Iberian REITs: SOCIMI and SIGI

## 4.1 Legal Framework: SOCIMI vs SIGI

| | **Spain** (SOCIMI) | **Portugal** (SIGI) |
|---|---|---|
| **Minimum Share Capital** | € 5.000.000<br>Special requirements for contributions in kind | € 5.000.000<br>Capital contributions must be immediately provided upon incorporation, without possibility of being postponed |
| **Capital reserves** | Legal and restricted reserves cannot exceed 20% of the share capital | Reserves cannot exceed 20% of the share capital |
| **Shareholding Structure** | A number of shares held by shareholders with a percentage of less than 5% corresponding to at least an estimated market value of 2 million euros or, alternatively, representing at least 25% of the shares issued by the company is required.<br>At least 20-25 shareholders. | A minimum of 20% of the share capital must be held by investors holding (directly or indirectly) no more than 2% of the voting rights |
| **Type of shares** | Single-class nominative shares | Single-class nominative shares |
| **Corporate Purpose** | Acquisition and development of urban properties for lease and rehabilitation purposes<br><br>Acquisition of shares in other SOCIMIs or in other companies headquartered in Spain or abroad, with the same corporate purpose and with the same regime of distribution of profits<br><br>Acquisition of shares in other companies, headquartered in Spain or abroad, which have as main corporate purpose the acquisition of real estate property for leasing purposes and which are subject to the same regime of distribution of profits as the SOCIMIs (statutorily or legally), provided such companies do not hold any shares in any other company. All of the share capital of these companies must be held by other SOCIMIs or to non-resident companies mentioned on the previous paragraph<br><br>Acquisition of shares or investments in Real Estate Collective Investment Institutions incorporated under Spanish law. | Acquisition of property rights (or other similar in rem rights) over real estate properties for:<br>• Leasing;<br>• Development of construction and rehabilitation projects;<br>• Store utilization contracts on shopping malls;<br>• Space use contracts for office purposes.<br><br>Acquisition of shares in other SIGIs or in companies headquartered within other the EU member-states or European Economic Area member-states bound to administrative cooperation equivalent to that established within the EU, which fulfill the following requirements:<br>• Corporate purpose similar to the SIGI;<br>• Composition of assets respecting the SIGI specific limits;<br>• Share capital entirely represented by nominative shares;<br>• Similar regime regarding the distribution of profits<br><br>Acquisition of shares or investment units on:<br>• Collective Real Estate Investment Institutions incorporated under the applicable Portuguese law with similar profit distribution policies;<br>• Real Estate Funds and Real Estate Investment Companies for residential lease purposes subject to Law n. 64-A/2008, with similar profit distribution policies. |

| | **Spain** (SOCIMI) | **Portugal** (SIGI) |
|---|---|---|
| **Shares subject to public negotiation in open market** | The shares must be admitted to trading in a regulated market or in a multilateral trading system located or functioning on a EU member-state, within the European Economic Area, or on a regulated market of any country where there is an uninterrupted interchange of tax information during the tax period with the Spanish Tax Authorities<br><br>A table describing the options are described in Annex I. | The shares must be admitted to trading in a regulated market or in a multilateral trading facility ("MTF") located or functioning in an EU member-state or within the European Economic Area, within 1 year counting from the incorporation of the SIGI.<br><br>A table describing the options for listing on a MTF or a regulated market in Portugal are described in Annex I. |
| **Asset composition** | At least a minimum of 80% of the SOCIMI's asset value must be invested in assets included in its Corporate Purpose. | Real estate property rights (or other similar in rem rights) must correspond to a minimum of 75% of the SIGI's assets<br><br>The totality of the assets mentioned on the Corporate Purpose must correspond to a minimum of 80% of the SIGI's assets |
| **Minimum asset permanence period** | Real estate properties acquired by the SOCIMI must remain leased for a minimum period 3 years after acquisition | Assets must remain owned by the SIGI for a minimum of 3 years after acquisition |
| **Limitation to the origin of income** | 80% of the annual income (excluding any income deriving from the transfer of shares or properties) must originate from:<br>• the leasing of real estate in compliance with the corporate purpose; or<br>• dividends or profits from participations held in accordance with the corporate purpose. | None |
| **Indebtedness limitation** | None | The SIGI's indebtedness is limited to 60% of the total value of the SIGI's assets |
| **Distribution of profits** | Within 6 months counted from closure of each fiscal year, the SOCIMI must distribute to its shareholders, at least:<br>• 100% of the profits arising from the dividends and other income originated by the investments in shares and investment units foreseen by the corporate purpose;<br>• 50% of the profits deriving from the transfer of property rights, shares or investments (the profits not distributed must be re-invested following the corporate purpose within 3 years counted from the date of sale. If they are not, they must be distributed in its totality);<br>• 80% of the rest of the profits obtained | Within 9 months counted from closure of each fiscal year, the SIGI must distribute to its shareholders a minimum of:<br>• 90% of the profits arising from the dividends and other income originated by the investments in shares and investment units foreseen by the corporate purpose;<br>• 75% of the remaining distributable profits as per general corporate law<br><br>A minimum of 75% of the profits arising from the sale of assets acquired following the SIGI's corporate purpose must be reinvested within 3 years counted from the date of sale. |
| **REITs Tax Regime** | As a general rule, the SOCIMI is exempt from Corporate Income Tax. However, a 19% special levy is applied over the dividends distributed to shareholders which comply with the two following requirements:<br>• the shareholder's participation in the SOCIMI is superior to 5% of the share capital; and<br>• the dividends, at the level of the shareholders, are exempt or taxed at a rate inferior to 10% according to its residency tax regime | SIGIs are taxed under the Corporate Income Tax Code, with the following particularities: exclusion from the assessment of taxable profit of capital income, rental income and capital gains (except when income derives from entities domiciled in a tax haven).<br><br>SIGIs are exempt from State and Municipal surcharge;<br><br>The income obtained by the SIGIs is exempt from withholding. |
| **Shareholders Tax Regime** | Shareholder is a resident legal person – 25%<br><br>Shareholder is a resident natural person – between 19% and 23%<br><br>Non-resident shareholders: 19%. This tax rate could be reduced in case a Tax Treaty applies and such treaty foresees a reduced rate | Taxation over the shareholder's income obtained through the SIGI depends on the nature of the income obtained and the participant's statute of residence, with possible variation on withholding tax rates between 10% and 28%.<br><br>Effective taxation will depend on a case-by-case analysis, according to the specific type of income and of investor. |

# 4. Iberian REITs: SOCIMI and SIGI

## 4.1 Legal Framework: SOCIMI vs SIGI

**Annex I - SPAIN**

The shares must be admitted to trading in a regulated market or in a multilateral trading system located or functioning on a EU member-state, within the European Economic Area, or on a regulated market of any country where there is an uninterrupted interchange of tax information during the tax period with the Spanish Tax Authorities, within 1 year counting from the decision of the company to opt for the SOCIMIs tax regime.

The table below shows the comparison of the main listing requirements and ongoing obligations applicable to regulated market and MTSs in Spain:

| | | Spanish MTS | Full regulated market |
|---|---|---|---|
| **Listing** | ***Prospectus*** | Full prospectus | Full prospectus |
| | ***Free float requirement*** | A number of shares held by shareholders with a percentage of less than 5% corresponding to at least an estimated market value of 2 million euros or, alternatively, representing at least 25% of the shares issued by the company is required.<br>At least 20-25 shareholders.<br>A liquidity provider must be appointed. | 25% of free float<br><br>In some cases, 5% of free float, provided it corresponds to at least EUR 2 million |
| | ***Financial statements*** | 2 years (audited), unless exempted by MAB. | 3 years (audited), unless exempted by CNMV |
| | ***Intermediary*** | Registered advisor | Agent (financial services entity/bank) - only for bookbuilding and admission to listing |
| **Ongoing Obligations** | ***Financial reporting - annual*** | Yes (audited) | Yes (audited) |
| | ***Financial reporting – semi-annual*** | Yes (limited review by auditors) | Yes (not audited). Also quarterly reporting (much less exhaustive) |
| | ***Website*** | Required | Required |
| | ***Disclosure of price sensitive information*** | Required | Required |
| | ***Anti-money laundering*** | Required | Required |

**Annex I - PORTUGAL**

There are several regulatory requirements that apply to real estate investment funds and that may make their implementation very burdensome (management by a professional manager subject to own funds and governance requirements, hiring of a depositary, etc.).

By comparison, SIGIs benefit from a similar tax regime (as described above), without having to comply with the same burdensome requirements. As a "trade-off", a SIGI must have its shares admitted to trading on a regulated market or selected to a multilateral trading facility ("MTF") located or functioning in an EU member-state or within the European Economic Area, within 1 year counting from the incorporation of the SIGI.

The table below shows the comparison of the main listing requirements and ongoing obligations applicable to regulated markets and MTFs in Portugal:

| | | **Euronext Access** | **Euronext Growth** | **Euronext** (full regulated market) |
|---|---|---|---|---|
| **Listing** | ***Prospectus*** | Not required (Information Document only)* | Not required (Information Document only)* | Full prospectus |
| | ***Free float requirement*** | Not applicable | EUR 2.5 million | 25% of free float<br>In some cases, 5% of free float, provided it corresponds to at least EUR 5 million |
| | ***Financial statements*** | 2 years (not audited), but only if applicable | 2 years (audited), unless exempted by Euronext | 3 years (audited), unless exempted by CMVM |
| | ***Intermediary*** | Listing sponsor, unless exempted by Euronext | Listing sponsor, unless exempted by Euronext | Investment bank or similar |
| **Ongoing Obligations** | ***Financial reporting - annual*** | Yes (not audited) | Yes (audited) | Yes (audited) |
| | ***Financial reporting – semi-annual*** | Not required | Yes (not audited) | Yes (not audited) |
| | ***Website*** | Required | Required | Required |
| | ***Disclosure of price sensitive information*** | Required | Required | Required |
| | ***Anti-money laundering*** | Required | Required | Required |

* Unless there is a public offering of the SIGI shares, in which case a full prospectus is required.

# 4. Iberian REITs: SOCIMI and SIGI

## 4.2 REIT Tax Regime – Worldwide comparison

Capital Gains TAX Guide For Investors

Please find below a comparison of the tax regime applicable to the REIT of each mentioned country, as applicable to personal investors, corporate investors and non-resident investors.

| | Resident Personal Investor | Resident Corporate Investor | Non-resident Investor |
|---|---|---|---|
| **JAPAN** | Capital gains from sales of units are generally taxed at 20.315% (15.315% national tax and 5% inhabitant tax) separately from ordinary income upon filing. | Capital gains derived from the transfer of units are included in taxable income and subject to Japanese corporate taxes. | Capital gains derived from the transfer of unites in a J-REIT are generally not subject to Japanese capital gain tax. If a transferor owns more than 5% of the units in the J-REIT as of the end of the fiscal year immediately prior to the year in which the transfer occurs, the gain is subject to Japanese capital gain tax at approximately 25% in the absence of treaty. |
| **ITALY** | 26% substitute tax | 24% CIT + 3.9% local income tax (depending on the investor) | • 0% in case of white list investor<br>• 26% substitute tax potentially excluded by the DTT in other cases |
| **AUSTRALIA** | Max. of 45% (but capital gain reduced by 50% if asset held for 12+ months) + 2% "Medicare Levy". | 30% (27.5% for smaller companies) | 0% if investor (together with its associates) holds less than a 10% interest in the REIT.<br><br>If interest is 10% or more:<br>Capital gains tax on disposal of interest in REIT<br>Max. of 45% for individuals<br>30% for companies<br>Distributions of capital gains by REIT<br>Max. of 45% for individuals<br>30% for companies<br>Reduced rate of 15% if the REIT qualifies as a "managed investment trust" and investor is in an "exchange of information country» |
| **US** | max. 20% long term capital gains | 21% | Capital gain dividends will be taxable at same general rates as Resident Investors, REIT will generally withhold 21% of each capital gain dividend, with such withholding tax applied against the Investors<br>Gain on disposal of shares will be taxable at same general rates as Resident Investors, subject to certain exemptions. Unless exemptions are applicable, purchaser is required to withhold 15% of the amount realized on disposition |

| | Resident Personal Investor | Resident Corporate Investor | Non-resident Investor |
|---|---|---|---|
| **NETHERLANDS** | Substantial interest in REIT (i.e generally 5% or more interest) 25% Dutch income tax<br><br>Minority interest in REIT (i.e. generally less than 5%) no income tax on profit distributions, but effectively up to max. 1.68% income tax based on net wealth (including minority interest) | Generally taxed at 25% corporate income tax (19% on first 200.000) (unless Corporate Investor qualifies for exemption such as pension fund) | Personal investor generally only subject to 25% income tax upon holding substantial interest (generally 5% or more interest) in REIT (a relevant tax treaty may effectively reduce income tax rate). Corporate investor generally not taxed for 25% corporate income tax, unless a specific anti abuse rule applies for corporate investors holding a substantial interest (generally 5% or more interest). |
| **LUXEMBOURG** | 0% unless sold within six months of the acquisition | Subject to gradual levy (max. 26.01%) and net wealth tax | 0% (not subject) |
| **HUNGARY** | Capital gains on the disposal of shares in a Hungarian REIT are taxable under the general rules (15% personal income tax and 19.5% social security contribution). The social security contribution is capped at HUF 697,320 per year.<br><br>If the shares are already traded on a recognised stock exchange, then no social security contribution applies and gains max be set off against losses on other transactions. | Capital gain on the disposal of shares in a REIT is taxable under the normal corporate income tax rules (they are subject to 9% corporate income tax) unless the participation exemption rules apply. | Capital gains realised by foreign investors are not subject to Hungarian taxation. |
| **UK** | 10% or 20% | 19% (17% from 2020) | 10 or 20% in respect of gains accruing from 6 April 2019 |
| **GERMANY**<br><br>The right of taxation is given to Portugal by Art. 13 para. 4 of the DTT. Therefore, the taxation will follow the Portuguese Laws. | n/a | n/a | n/a |

# 4. Iberian REITs: SOCIMI and SIGI

## 4.2 REIT Tax Regime – Worldwide comparison

Capital Gains TAX Guide For Investors

| | Resident Personal Investor | Resident Corporate Investor | Non-resident Investor |
|---|---|---|---|
| **BRAZIL** | 20% Withholding Income Tax ("WHT") (definitive taxation); | 1) 34% Corporate Income Taxes ("IRPJ/CSLL");<br>and<br>2) (i) 4,65% (in case of financial income) or 9,25% or 3.65% (upon other income) taxes on gross revenues ("PIS/COFINS") | 1) Tax exemption of WHT for foreign investors (legal entities or individuals) that:<br>(i) do not reside in a tax haven*;<br>(ii) have invested in the stock exchange market under National Monetary Council (CMN) Resolution 4,373/14; and,<br>(iii) sell the FII quotas in the stock exchange market.<br>or<br>2) 15% WHT for foreign legal entities (i) not located in tax havens*, (ii) investing in the stock exchange market under National Monetary Council (CMN) Resolution 4,373/14, and (iii) that sell the FII quotas in the stock exchange market.<br>or<br>3) 20% WHT for foreign investors (a) (i) located in tax havens and (ii) investing in the stock exchange market under National Monetary Council (CMN) Resolution 4,373/14; or (b) that sell the FII quotas out of the stock exchange market. |
| **FRANCE** | Flat tax (*"prélèvement forfaitaire unique"*) 12.8% individual income tax + 17.2% social contributions<br>Or<br>Option for the individual income tax progressive scale (45% marginal rate or 49% including the 4% contribution on high income) | 32.02% corporate income tax | Individual investors (subject to DTT provisions):<br>• 19% WHT if holds a stake for at least 10% (directly or indirectly)<br>• 0% if stake below 10%<br><br>Corporate investors (subject to DTT provisions):<br>32.02% corporate income tax |

# Notes

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