



## **REIT Buy-Back on Freehold and Leasehold Properties**

### **COVID-19 Updates**

As to the severe impacts of Covid-19 pandemic on many businesses especially on property market. To alleviate an unhealthy situation and support business operators, the SEC has announced the new regulations on Real Estate Investment Trusts (“REITs”) that the REIT Manager is allowed to invest in assets including hotel, hospital, shopping mall or office building with buy-back conditions from the property owners both in freehold and leasehold properties. In addition, in case of the necessity, the REITs may temporarily operate other of those businesses other than renting assets. Kindly be noted that the necessity which allows the REITs to operate other businesses refers to only the condition that there is a change of lessee or the process of seeking a new lessee is ongoing.

The key requirements can be summarized as follows:

- A property owner shall have obligation or option to buy assets back from the REITs. In this case the sale and purchase agreement of the asset shall specify a specific date and an agreed price.
- REITs with a buy-back obligation can be offered to all types of investors or only to Institutional Investors or Ultra High Net Worth Investors (“UHWI”) while REITs with buy-back option can be only offered to Institutional Investors or UHWI.
- With regard to the REITs which invests in the leasehold property, the lessor and REITs as the lessee are allowed to include the termination clause with the compensation at the agreed price paid to the REITs.
- The property owner shall be a juristic person and shall not be under any restrictions to hold such property.
- The REIT is required to invest only in the completed property which is ready to generate income.