

REAL ESTATE

INVESTMENT TRUSTS

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Real Estate Investment Trusts will significantly contribute to shaping the landscape of real estate investments in the UAE, and soon after, in the region. Real Estate Investment Trusts' ability to raise funds, both locally and globally, will bring in more liquidity into the UAE's real estate market, particularly Dubai and Abu Dhabi, thus allowing the cities to reap from the benefits from reits.

Dubai and Abu Dhabi have been on the radar for many international property investors and funds, however, entry to the market meant setting up local offices to manage and run potential property investments. With access to publicly traded reits, it gives the benefit of investing in the country's real estate market without worrying about operating properties.

Speaking of operations, generally, real estate investment trusts manage properties more professionally than landlords who own and manage their own properties. Real Estate Investment Trusts professional management teams plan and analyse long and short term strategies, focusing on maintaining a healthy cash flows, and maximising property value.

For investors, the benefits are plenty:

- Immediate Diversification. Instead of being exposed to one class of asset with a single property investment (residential; commercial; industrial.. etc), investing in reits allows for diversification.
- Professionally managed investments. Professional management allow for more stable investments in a volatile market. According to a recent article, Emirates REIT's asset value increased by 1.5% between end of October and end of February despite overall market declines.

Fadi Nwilati
CPA, CGMA | CEO,
KAIZEN Asset
Mgmt. Services



- Faster liquidity. For investors investing smaller amounts, in many cases, it is faster to sell shares in a reit than sell a single property.
- Transparency: Clear and transparent information related to the performance of the assets.
- Ability to own high quality assets: it is possible to invest in high quality assets which may have been out of budget due to their ticket size.
- Invest in small amounts. Average property price in UAE is out of budget for many residents, particularly arranging for a downpayment. People may now invest in the market at their own pace, deciding their own budgets.
- Fees: Investing in reits allows for avoidance of property acquisition fees for stock buyers when compared with

direct property purchase (which are around 6% in Dubai excluding potential additional VAT fees).

2017 will witness the announcement of additional real estate investment trusts, and perhaps the announcement of an additional reit going public. Emirates NBD real estate investment trust launched its stocks at Nasdaq Dubai in March 2017. Emirates REIT has been trading at Nasdaq for several years as well, and has been doing well for investors.

According to Property Time, Fadi Nwilati is the CEO of Kaizen Asset Management Services, the property manager for several of Emirates REIT's properties since 2012. Fadi believes in the successful example that Emirates REIT set for the market, which opened the way for other reits. ■