

Two property funds convert to Reit status

SIBONELO RADEBE

TWO JSE-listed property funds, Arrowhead Properties and Synergy Income Fund, announced last week that they have successfully concluded their applications to convert into the Real Estate Investment Trust (Reit) status.

The announcement adds to the growing list of JSE-listed property funds who are converting into the new tax regime and one that is in line with global standards. The JSE property sector has about 30 listed property funds, a majority of which are expected to convert into the Reit status in pursuit of tax benefits offered under the new tax regime.

Funds which have cleared the conversion path so far include Vunani Property Investment Fund which was reclassified as a Reit for the financial year which began on July 1. The list also includes Emira Property Fund. Giants in the sector including Growthpoint Properties, and Redefine Properties have said they will convert as soon as possible.

Arrowhead's Reit status was set to commence in the financial year beginning in October. Synergy said it had been granted Reit status with effect from the commencement of its current financial year, being July 1.

The Reit regime was established early this year to create a clarified tax dispensation for listed property funds. These funds have for a long time existed under a tax shadow, created by operators who abused tax benefits associated with property funds. These benefits mainly relate to treatment of interest payment and capital gains tax.

At the launch of the SA Reit Association last month, chairperson Norbert Sasse said the local Reit dispensation had created a foundation from which the sector could grow with tax certainty and become more internationally competitive.

"Now, the association will build on this foundation of positive partnerships and development, so the sector remains at the forefront of good governance and international best practice," Sasse said.

When announcing the approval of his fund into a Reit James Templeton, Emira Property Fund CEO, said the move represented progression of Emira's good governance practice and strengthen a foundation for sustainable growth.

"Reit is the international standard for property investment and we are pleased to among the first South African investments to adopt this structure, which is globally recognised by investors," Templeton said.

The association's committee chairperson Laurence Rapp said the new Reit dispensation created a more appealing investment proposition for investors locally and abroad.

"It is a boost for the South African-listed property sector. Reit is a world-class investment vehicle that creates even more opportunities for the association to promote our listed property sector," Rapp said.

sibonelor@thenewage.co.za