

Real estate investment trusts to come soon

The properties in Tianjin Binhai New Area and Shanghai Pudong New Area may be packaged into the first pilot units of the long-awaited real estate investment trusts (REITs) and listed on the bourses in Shenzhen and Shanghai respectively, China Business News reported Monday.

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According to the report, regulators, including the central bank, the China Securities Regulatory Commission (CSRC), and the Ministry of Housing and Urban-Rural Development are still developing related regulations.

An executive meeting of the State Council, China's cabinet, held on Dec 3, released nine measures to boost the role of the financial sector in the economy, including legitimizing REITs to provide an alternative for developers to raise money in the market.

In mid 2008, Shanghai Pudong New Area was reported to have finished preparatory work on funds related to infrastructure properties, which targeted some office buildings and retail spaces with good performance and lease contracts.

The Tianjin Binhai New Area has also released its plan for pilot units for REITs. "Tianjin targeted the high-end industrial and commercial properties to develop REITs. Through financing in the capital market, the rent revenue and investment income can contribute to the shareholders' dividends," Zheng Jinqiao, chairman of Richlink International Capital Co, was cited by the newspaper as saying.

"Raising capital will be the most urgent task for the real estate industry in the Asia Pacific region in 2009," said a report jointly released by PricewaterhouseCoopers (PwC) and the Urban Land Institute on Dec 9.

So far, mainland regulators have not worked out how to cope with controversial issues such as double taxation - taxes imposed on both property assets and dividend payment of REITs.

"Taxation is the main hurdle," said Zheng, "REITs can come out as long as the tax problem is resolved."

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