

CREDO

PERSONALISED WEALTH MANAGEMENT

Credo Capital Plc
Real Estate Investment Trust
(REITs)



What is a REIT?

Real Estate Investment Trusts (REITs) operate like normal investment trusts, in that they pool investors money and then invest in commercial and possibly residential property.

REITs are designed to offer investors income and capital appreciation from rented property assets in a more tax efficient way than is available at present.

What are the benefits?

- REITs will provide access to property returns without the current disincentive of double taxation. Currently, if investors buy shares in property companies, the companies themselves have to pay corporation tax (therefore reducing profits and in theory the amount of dividends to shareholders) and then at an individual level, the investor pays tax on the dividend at his or her marginal rate. With an REIT, no corporation tax will be payable providing that 90% of rental profits are distributed to shareholders.
- REITs give investors access to more lucrative opportunities which they could probably not achieve as individuals, such as geographical diversification and access to commercial property.
- An investor could be part owner of a professionally managed portfolio, with no responsibilities for the properties themselves
- Shopping centres and industrial buildings, where profit margins can be substantially higher, could become accessible.
- There would be no minimum holding period.
- No difficulty in liquidating the asset if required – as quoted shares they are easy to buy and sell

Restrictions

No one party will be allowed to hold more than 10% of the REIT so that share will be available to the widest possible audience.

The REIT market

This is a new development which will be effective from 1 January 2007. So it is difficult to say how popular they will become in the UK, but the global growth of REITs has been exponential and this market is currently estimated to be worth some \$400 billion. REITs originated in America and the idea has gradually been taken up by most other major countries around the world.

What charges can I expect to pay?

Cost of dealing in REITs is likely to be somewhere in the region of 0.5%.

What kind of returns can I expect?

REITs could trade at anything up to a 20% premium to their NAV, if experience in other established markets is a true indicator.

How do I buy an REIT?

REITs can be bought and sold through Credo Capital Plc. Contact your Relationship Manager or Client Services on 020 7291 3200 or e-mail at info@credogroup.com.

Important Notice

The value of the fund and income earned thereon can go up and down and you may not get back your money invested. Past performance is not indicative of future performance. Returns are not guaranteed. The information does not constitute advice or a personal recommendation. Suitability of a particular Real Estate Investment Trust and the amount you should invest will depend on your attitude to risk and your financial objectives. These will be determined once you have had discussions with an investment advisor.

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