

Overview of the Formation of Real Estate Investment Trusts in Turkey

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Real estate investment trusts (“REIT(s)”) are capital market institutions formed for the purpose of managing real estate portfolios and that can invest in: (i) real estate, (ii) capital market instruments, (iii) real estate projects, (iv) rights based on real estate and (v) capital market instruments. REITs are mainly regulated under; (i) Capital Markets Law no. 2499 (“Law No. 2499”), (ii) Communiqué Regarding the Principles of Real Estate Investment Trusts no. VI/11 (“Communiqué”) issued by the Capital Markets Board (“Board”), and (iii) Turkish Commercial Code no. 6762 (“TCC”), as well as other relevant legislation. REITs may be established in the form of an “ordinary partnership” to realize certain projects and may participate in the activities (other than the abovementioned ones) permitted by the Communiqué.

Formation of REITs

REITs can be formed;

- For a definite period of time with the aim of realizing a certain project,
- For a definite or an indefinite period with the aim of investing in certain fields, or
- For a definite or an indefinite period without any limitation regarding the purposes thereof.

REITs can be formed in the following ways;

- Immediate formation as a new joint stock company pursuant to the relevant provisions of the TCC, or
- Conversion of an existing partnership into a REIT by amending its articles of association in line with Law No. 2499 and the Communiqué, upon the approval of the Board.

Immediate Formation Procedure

Procedure

In order to form a REIT by way of immediate formation:

- (i) The application form must be filled out with the annexes thereof prepared and all these documents must be submitted to the Board;
- (ii) The Board shall examine the application. Upon obtainment of the Board’s approval of the application, the REIT must apply to the Ministry of Industry

and Trade for them to approve the formation of the REIT with the documents evidencing that the company’s capital is paid and other relevant documents;

(iii) Within one (1) month of the Board’s approval of the articles of association as written on the incorporation date, the REIT must register the articles of association to the Trade Registry;

(iv) Upon obtainment of the Ministry of Industry and Trade’s approval, the REIT must be registered to the Trade Registry; and

(v) The REIT shall become a legal entity by such registration, and then the REIT may commence its activities by creating a real estate portfolio.

Conditions

The conditions necessary to form a REIT by way of immediate formation are as follows:

- (i) The REIT must be formed as a joint stock company within the registered capital system;
- (ii) The REIT must offer at least twenty-five percent (25%) of its shares to the public within 3 months of the registration date of the REIT to the Trade Registry;
- (iii) The REIT’s initial capital amount must not be less than TL 20,000,000; If the initial capital amount is less than TL 50,000,000, at least ten percent (10%)

of its shares representing the initial capital must be issued against cash; If the initial capital amount is more than TL 50,000,000, at least the shares representing TL 5,000,000 of the initial capital amount must be issued against cash;

(iv) The trade name of the REIT must include the following wording: "Gayrimenkul Yatırım Ortaklığı;"

(v) The REIT must apply to the Board to obtain a "Portfolio Management Certificate" to conduct its management activities;

(vi) At least one of the founders of the REIT is required to be a "Leader Shareholder;"

(vii) The articles of association must be in compliance with the relevant legislation; and

(viii) The founders must have the qualifications required in Article 7 of the Communiqué.

Conversion

Procedure

In order to form a REIT by way of conversion:

(i) The application form regarding the conversion must be filled out with the annexes thereof prepared and all these documents must be submitted to the Board;

(ii) The Board shall examine the application. Upon obtainment of the Board's approval of the application, the REIT must apply to the Ministry of Industry and Trade in order for them to approve the amendments made to the articles of association of the REIT with the documents evidencing that the company's capital is paid and other relevant documents;

(iii) Following the obtainment of the Ministry of Industry and Trade's approval, the REIT shall cause its general assembly to meet and issue a resolution on the approval of the amendments made to the articles of association;

(iv) The abovementioned general assembly shall issue a resolution on conversion within 1 month of the obtainment of the Board's approval at the latest. The general assembly meeting resolution must be registered to the Trade Registry within fifteen (15) days of the date of the general assembly meeting at the latest;

(v) Upon obtainment of the Ministry of Industry and Trade's approval and general assembly's approval of the amendments to the articles of association, the REIT must be registered to the Trade Registry; and

(vi) The REIT shall become a legal entity by such registration, and then the REIT may commence its activities by creating a real estate portfolio.

Conditions

The necessary conditions to form a REIT by way of conversion are as follows:

(i) The partnership to be converted must have applied to the Board in order to adopt the registered capital system;

(ii) The REIT must commit before the Board that it will offer at least twenty-five percent (25%) of its shares to the public within three (3) months of the registration date of the amendments to the articles of association to the Trade Registry;

(iii) The existing paid capital and equity capital of the REIT must not be less than TL 20,000,000; If the existing paid capital amount of the company is less than TL 50,000,000, at least ten percent (10%) of its shares representing the initial capital must be issued against cash; If the existing paid capital amount is TL 50,000,000 or more, shares representing at least TL 5,000,000 of the existing paid capital amount must be issued against cash;

(iv) The partnership to be converted must have applied to the Board to change its trade name and include the following wording therein: "Gayrimenkul Yatırım Ortaklığı;"

(v) The company to be converted must apply to the Board to obtain a "Portfolio Management Certificate" to conduct its management activities;

(vi) At least one of the existing shareholders of the company to be converted is required to be a "Leader Shareholder;"

(vii) The company to be converted must have applied to the Board in order to amend its articles of association to comply with the relevant legislation; and

(viii) The existing shareholders of the company to be converted must have the qualifications required in Article 7 of the Communiqué.