

# SPECIAL REPORT

Greek Real Estate Investment  
Companies (REICs)

2020



Real Estate Investment Companies (REICs) are described as closed-end companies, usually listed on stock markets that invest in income-generating real estate. REICs benefit from a favourable tax regime and distribute the largest part of their net earnings in dividends.

Investment in REICs offers some major advantages as compared to direct investments in property and are characterized by:

- Increased liquidity, as the investor owns shares of a listed company,
- Diversified portfolios,
- Professional management,
- Low transaction costs and
- The possibility of continuous and objective valuation of the investment.

On the other hand, some main disadvantages of an investment in REICs are the following:

- Lack of direct control over the properties' management and
- The significant fluctuation of their share price, affected by the trends in stock markets.

Therefore, REICs' returns fluctuate more than yields earned from direct investments in properties, leading to increased investment risk.

REICs were first introduced in Greece in 1999 (Law 2778/1999) and played a crucial role in supporting the local real estate market during the recent financial crisis. Focusing on high-quality commercial properties and their tenants, the portfolios of the Greek REICs exhibited remarkable resilience over the past several years. At the end of 2012 when the Greek real estate market was in deep crisis, the portfolios of the then five active REICs consisted of 370 properties at a total value of €1.4 billion. According to data from the Bank of Greece, in 2012 Greek REICs mainly owned retail spaces (49.6%) and offices (44.9%) typically leased to commercial banks. The average yield of retail spaces was estimated at 8.6% and at 8.8% for office spaces. Warehouses (2.7%), shopping centres (0.8%) and other properties (2.0%) represented only a small fraction of these portfolios.

In 2013, the investment scope of Real Estate Investment Companies in Greece expanded. The new legal framework allowed investments in residential property, tourist property, land with building permits and properties under construction. Five years later, in 2018, Greek REICs invested more than €200 million, of which 43.2% was channelled into office spaces, 24.1% into retail spaces, 21.7% into tourist properties, 8.4% into warehouses and industrial properties, 1.4% into shopping centres and 1.2% into other properties. In 2019 Greek REICs invested more than €400 million for the further acquisition of properties. Approximately 60% of the aforementioned amount was channelled into the Greek real estate market, out of which 74% was invested in offices, 15% in retail spaces, 7.5% in hotels and the rest in warehouses, land plots and other properties. A turn towards specific types of residential properties, such as student residences and elderly care units, was observed last year as well.

### Legal Framework

A Real Estate Investment Company in Greece has to be chartered as a special purpose "Societe Anonyme" with registered shares and a minimum capital of €25 million. All REICs are supervised by the Hellenic Capital Market Commission (HCMC), which grants their operating licence. Within two years of its establishment, a

REIC has to have its shares listed on the Athens Stock Exchange Market. The 2-year period may be extended by HCMC up to an extra 24-months. At the time of listing, at least 50% of the initial capital must be invested in real estate.

According to their legal framework REICs are obliged to invest at least

80% of their assets in real estate mainly located in the European Economic Area (EEA). Investment in real estate in countries outside EEA is permitted only up to 20% of the company's portfolio. Investment options in real estate are to include the following:

- Offices,
- Retail spaces,
- Shopping centres,
- Industrial properties & warehouses,
- Tourist properties,
- Residential properties (up to 25% of the total investments),
- Under construction properties, including land with building permit.

A Greek Real Estate Investment Company may also enter into pre-agreements for the purchase of properties under development or acquire shares of companies that invest in the real estate sector.

Regarding their taxation, REICs are exempted from advance tax, capital gains tax, dividend tax and real estate transfer tax. The income tax is set at a rate equal to 10% of the main refinancing operations interest rate of the European Central Bank increased by one percentage point. The calculation of the tax is based on the average of the fair market value of their investments and is paid on a six-month basis. The annual property tax is set at 0.35% for all leased building and 0.1% for own-use buildings. Buildings that are self-used are exempt from taxation. At least 50% of the annual net distributable profit should be distributed in dividends.

At the moment, seven REICs have been granted operating licence from the Hellenic Capital Market Commission, while 4 are listed on the Athens Stock Exchange.

| Listed REICs  |
|---|
| Prodea Investments  |
| Trastor Real Estate Investment Company                        |
| BriQ Properties R.E.I.C.                                      |
| Intercontinental International Real Estate Investment Company |

| Non-listed REICs             |
|------------------------------|
| Ble Kedros R.E.I.C.          |
| Noval Property R.E.I.C.      |
| Orilina Proeperties R.E.I.C. |

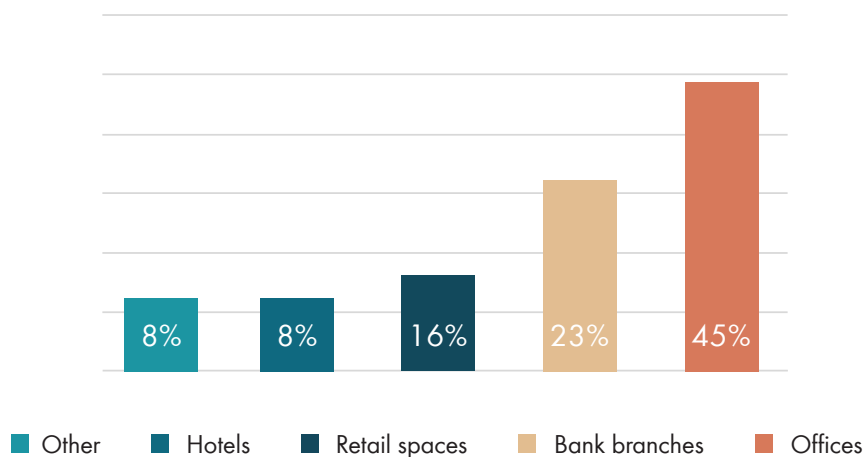
### Prodea Investments

Prodea Investments is the largest REIC in Greece with a portfolio of approximately €2.2 billion<sup>1</sup>. The company was established in 2010 as “NBG Pangea REIC” by the National Bank of Greece (NBG). The National Bank of Greece fully owned the company until 2013, when Invel acquired a 66% stake. In 2015, Pangea was listed on the Athens Stock Exchange after successfully completing a reverse merger into its subsidiary MIG Real Estate REIC, which had been listed on the Stock Exchange since 2009. Last year Invel exercised its right to buy the remaining stake from NBG (32.7%) and renamed the REIC as Prodea Investments.

Today, Prodea Investments has a market capitalization of €2.018 billion<sup>2</sup>, while Invel owns a 98% stake of the company with the remaining 2% of the shares free floating. It is worth noting that €1.1 billion have been invested by the REIC in acquisitions in the core Hellenic markets (Greece & Cyprus) and in neighbouring countries since 2013. In 2019, the portfolio of Prodea was comprised of 372 properties, 23 more than in 2018 (349 properties). The vast majority of the properties are located in Greece (328), while 26 are in Cyprus, 14 in Italy, 2 in Bulgaria and 2 in Romania.

|                                   |                 |
|-----------------------------------|-----------------|
| GAV <sup>1</sup>                  | € 2,189,988,000 |
| Number of properties <sup>1</sup> | 372             |
| Market cap <sup>2</sup>           | € 2,018,406,820 |

#### Breakdown by asset type



Source:  
Prodea Investments, Company Presentation February 2020 (data refer to the period ended on September 30, 2019).

<sup>1</sup> As of December 31, 2019.

<sup>2</sup> As of July 29, 2020.

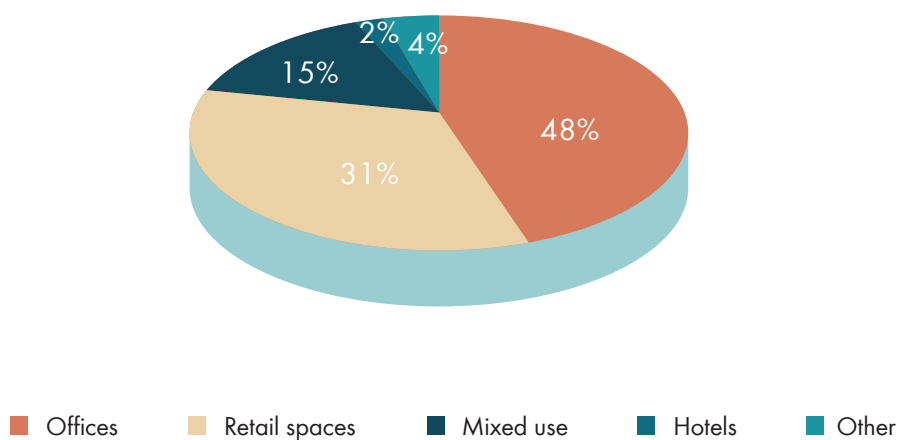
### Trastor Real Estate Investment Company

Trastor was established in 1999 by Piraeus Bank and was the first company to be granted licence to operate as a Real Estate Investment Company in Greece in 2003. Two years later the company's shares were listed on the Athens Stock Market. Today, Trastor REIC has a market capitalization of €129,447,634<sup>3</sup>. WRED LLC owns 56.6% of the shares, Piraeus Bank 39.4% and the remainder 4% of the shares are free floating.

Trastor's portfolio of properties is worth €200.71 million<sup>4</sup>. In the last 3 years the company has invested approximately €100 million for the acquisition of new properties increasing the number of the properties owned from 32 in 2017 to 58 in 2019. All properties owned are in Greece.

|                                   |               |
|-----------------------------------|---------------|
| GAV <sup>4</sup>                  | € 200,706,000 |
| Number of properties <sup>4</sup> | 53            |
| Market cap <sup>3</sup>           | € 129,447,634 |

#### Breakdown by asset type (value based)



Source:  
Trastor REIC, Corporate Presentation October 2019

<sup>3</sup> As of July 29, 2020.

<sup>4</sup> As of December 31, 2019.

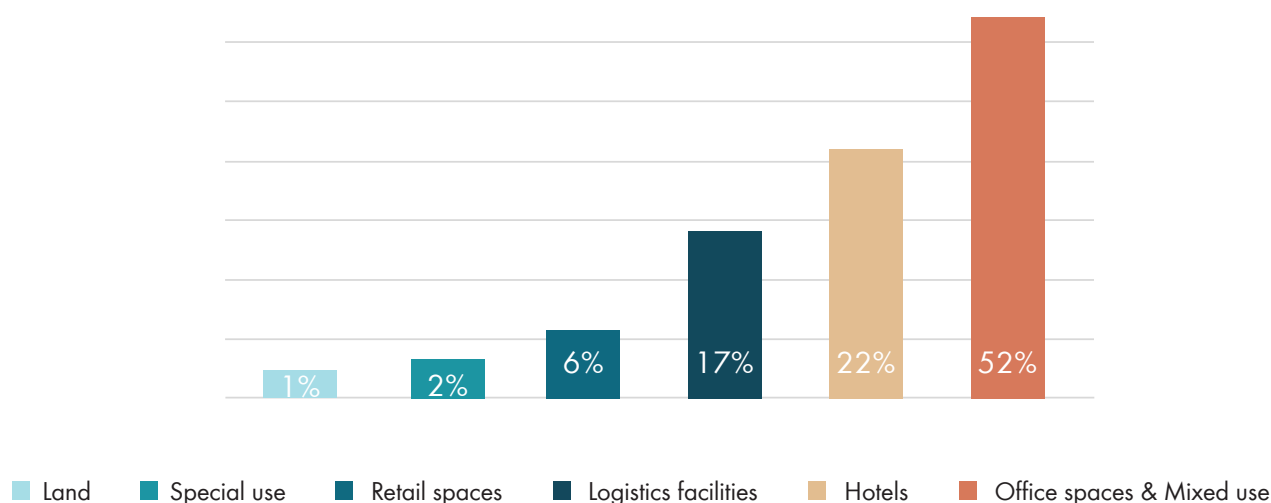
### BriQ Properties

BriQ Properties was granted licence to operate in May 2016. In July 2017, the company was listed on the Athens Stock Exchange. Today, BriQ Properties has a market capitalization of €57,938,640.7<sup>5</sup>. Approximately 45% of the company's shares are free floating, while two shareholders (Theodore Fessas: 38%, Eftychia Koutsourelis: 17%) hold 55% of the shares<sup>6</sup>.

BriQ's portfolio of 25 properties is worth of €60 million<sup>6</sup>. Over the last few years, the company has invested significant amounts in the acquisition of 4 hotel units in Paros, Tinos, Corfu and Skiathos. In general, since its establishment, BriQ Properties has invested approximately €36 million for the acquisition of 18 properties.

|                                   |                |
|-----------------------------------|----------------|
| GAV <sup>6</sup>                  | € 60 million   |
| Number of properties <sup>1</sup> | 25             |
| Market cap <sup>5</sup>           | € 57,938,640.7 |

#### Breakdown by asset type (value based)



Source:  
BriQ Properties REIC, Presentation for the General Assembly Meeting March 2020

<sup>5</sup> As of July 29, 2020.

<sup>6</sup> As of December 31, 2019.

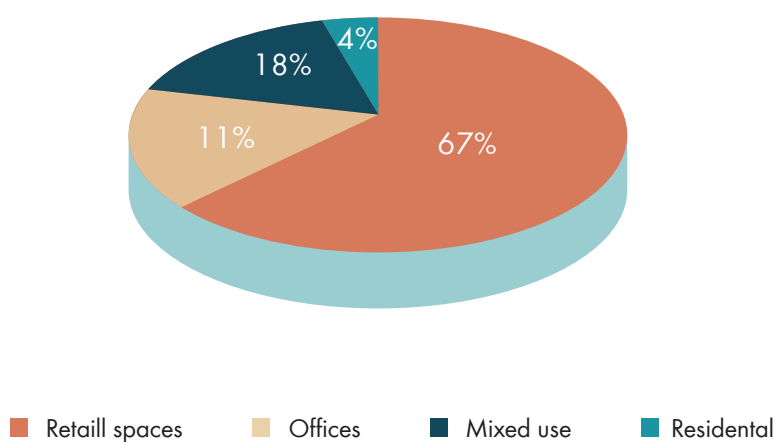
### Intercontinental International

Founded in 2012, Intercontinental International was listed on the Athens Stock Exchange in August 2016. Today, the company has a market capitalization of €67,200,000<sup>7</sup>. Ajolico Trading Limited is the main shareholder (approx. 79%) of the REIC.

The company's portfolio of 34 properties is worth of €96.2 million<sup>8</sup>. Between 2016 and 2018 Intercontinental International invested more than €25 million in the acquisition of properties. All properties owned are in Greece.

|                                   |                |
|-----------------------------------|----------------|
| GAV <sup>8</sup>                  | € 96.2 million |
| Number of properties <sup>4</sup> | 34             |
| Market cap <sup>7</sup>           | € 67,200,000   |

#### Breakdown by asset type (value based)



Source:  
Intercontinental International REIC, Presentation for the Annual General Meeting May 2019.

<sup>7</sup> As of July 29, 2020.

<sup>8</sup> The period of reference is not indicated on the company's site.



### Non-listed REICs

Three out of the seven REICs that have been granted licence to operate by the HCMC, are not listed on the Athens Stock Exchange yet.

Noval Property is the largest non-listed REIC and the second largest in Greece as to property value. Noval Property was granted licence in October 2019 and its main shareholder is Viohalco S.A. The company's portfolio of 41 properties is worth of €298.5 million and is comprised of retail spaces, offices and hotels. Two of its properties have been granted a LEED certification.

Orilina Properties was established in December 2018 with an initial capital of €105 million. Today,

the company owns 9 properties, the market value of which is estimated at €82.59 million. The company's portfolio includes offices, retail spaces and mixed usage spaces.

Finally, Ble Kedros was established in January 2014 and was granted license to operate as REIC in March 2017. The company owns 29 properties, the market value of which was estimated at €71.3 million in December 31, 2018. Ble Kedros owns offices, retail spaces, industrial properties, hotels, residential properties and land.

| REIC                             | GAV             |
|----------------------------------|-----------------|
| Noval Property <sup>9</sup>      | €298,516,310.83 |
| Orilina Properties <sup>10</sup> | €82.59 million  |
| Ble Kedros <sup>11</sup>         | €71,348,867     |

Source:

Hellenic Capital Market Commission, Bank of Greece, Bloomberg, Greek Law Digest, Prodea Investments, Trastor Real Estate Investment Company, BriQ Properties, Intecontinental International, Noval Property, Orilina Properties, Ble Kedros, Kathimerini, Naftemporiki

<sup>9</sup> As of December 31, 2019.

<sup>10</sup> The period of reference is not indicated on the company's site.

<sup>11</sup> As of December 31, 2020.



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