NOTICE

Subject: **REVISIONS TO SEC MEMORANDUM CIRCULAR NO. 1, SERIES OF 2020, OTHERWISE KNOWN AS THE REVISED IMPLEMENTING RULES AND REGULATIONS OF REPUBLIC ACT NO. 9856, OTHERWISE KNOWN AS THE REAL ESTATE INVESTMENT TRUST (REIT) ACT OF 2009**

The public is advised that the Commission *En Banc,* in its meeting held on 18 November 2025 resolve to expose the draft Memorandum Circular on *REVISIONS TO SEC MEMORANDUM CIRCULAR NO. 1, SERIES OF 2020, OTHERWISE KNOWN AS THE REVISED IMPLEMENTING RULES AND REGULATIONS OF REPUBLIC ACT NO. 9856, OTHERWISE KNOWN AS THE REAL ESTATE INVESTMENT TRUST (REIT) ACT OF 2009.*

The Commission hereby requests for comments, suggestions and/or inputs from all concerned on the proposed draft Memorandum Circular by submitting written comments on or before **3 December 2025** through email at ipsd msrd@sec.gov.ph, eavalencia@sec.gov.ph and ggjarugay@sec.gov.ph with our proposed subject of **"COMMENTS ON THE REVISIONS TO SEC MEMORANDUM CIRCULAR NO. 1, SERIES OF 2020, OTHERWISE KNOWN AS THE REVISED IMPLEMENTING RULES AND REGULATIONS OF REPUBLIC ACT NO. 9856, OTHERWISE KNOWN AS THE REAL ESTATE INVESTMENT TRUST (REIT) ACT OF 2009."**

Issued on 18 November 2025.

SEC MEMORANDUM CIRCULAR NO. _____
Series of 2025

TO	:	**ALL CONCERNED**
SUBJECT	:	**REVISIONS TO SEC MEMORANDUM CIRCULAR NO. 1, SERIES OF 2020, OTHERWISE KNOWN AS THE REVISED IMPLEMENTING RULES AND REGULATIONS OF REPUBLIC ACT NO. 9856, OTHERWISE KNOWN AS THE REAL ESTATE INVESTMENT TRUST (REIT) ACT OF 2009**
DATE	:	**___ NOVEMBER 2025**

WHEREAS, Section 5 (b) of the Securities Regulation Code (SRC) provides that the Commission has the power to formulate policies and recommendations on issues concerning the capital markets;

WHEREAS, Republic Act No. 9856, otherwise known as the Real Estate Investment Trust (REIT) Act of 2009 declares it a policy of the state to promote the development of the capital market, democratize wealth by broadening the participation of Filipinos in the ownership of real estate in the Philippines, use the capital market as an instrument to help finance and develop infrastructure projects, and protect the investing public by providing an enabling regulatory framework and environment for real estate investment trusts;

WHEREAS, Section 22 of the REIT IRR empowers the Commission, in coordination with the Bangko Sentral ng Pilipinas (BSP) and the Department of Finance (DOF), and in consultation with other stakeholders such as the Philippine Stock Exchange and the real estate industry, shall promulgate the implementing rules and regulations of the provisions of the REIT Act and may continue to issue separate regulations, consistent with the REIT IRR;

WHEREAS, it is the main thrust of the Commission to further develop the capital market by continuously improving current regulations to be at par with our country's neighboring regions;

WHEREFORE, IN VIEW OF THE FOREGOING, the Commission hereby promulgates the following revisions to the subject guidelines:

SEC. 1. RENUMBERING AND AMENDMENT OF THE DEFINITION OF INCOME-GENERATING REAL ESTATE, NIRC, AND PUBLIC SHAREHOLDER UNDER RULE 3 – DEFINITION OF TERMS

The provisions under Rule 3 are hereby amended as follows:

s. "Infrastructure Projects" **as defined under R.A. 12009, or the "New Government Procurement Act," includes** the construction, improvement, rehabilitation, demolition, repair, restoration, or maintenance of roads and bridges, railways, airports, seaports, communication facilities, civil works components of information technology projects, irrigation, flood control and drainage, water

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supply, sewerage and solid waste management systems, shore protection, energy/power and electrification facilities, national buildings, school buildings, hospital buildings, and other related construction projects. **In this circular, the term infrastructure projects includes both government and privately initiated projects.**

q. "Income-generating Real Estate" means real property, **whether owned directly or indirectly through a shareholding in an unlisted special purpose vehicle, wholly owned by the REIT and duly constituted to primarily hold/own real estate,** which is held for the purpose of generating a regular stream of income such as, but not limited to, rentals, toll fees, user's fees, ticket sales, parking fees, and storage fees; **provided, that "regular stream of income" refers to recurring and predictable cash inflows derived from the lease of, or other similar arrangements involving, the income-generating real estate and other passive income, which may include rental properties from toll roads, railways, airports and air navigation facilities, ports, information and communications technology infrastructure, energy infrastructure assets, data centers, parking lots, buildings, malls, warehouses or storage facilities, immovable fixtures, machineries, facilities, and structures, and real rights over properties including but not limited to usufruct, easements, and registered leases.**

Excluded from this definition are real properties held primarily for sale or disposition, such as inventory properties and assets whose income is derived mainly from their sale rather than their continuing use or operation.

x x x

aa. "NIRC" means the National Internal Revenue Code of 1997, as amended~~, and the pertinent amendments introduced by the Tax Reform for Acceleration and Inclusion (TRAIN) Act.~~

x x x

ii. "Public Shareholder" means a shareholder of a REIT other than the following persons (non- public shareholders):

i. The Sponsor/Promoter of the REIT;

ii. A director, Principal Officer or Principal Stockholder of the Sponsor/Promoter of the REIT;

iii. A director, Principal Officer or Principal Stockholder of the REIT;

iv. An associate of a director, Principal Officer or Principal Stockholder of the REIT or its Sponsor/Promoter;

v. A Related Corporation to the REIT or its Sponsor/Promoter; and,

vi. **Any person whose investment in the REIT is intended to acquire a significant equity interest for the purpose of gaining substantial influence over the management or operations of the REIT, provided that "substantial influence" shall be deemed to exist when such person holds, directly or indirectly, ten (10%) or more of the total issued and outstanding shares of the REIT;** and

vii. Any person who holds legal title to the shares of stock of the REIT for the benefit of another for the purpose of circumventing the provisions of this Act.

x x x

ss. "Related Party" includes:

i. x x x

ii. x x x

iii. x x x

iv. x x x

v. x x x

vi. x x x

vii. x x x

viii. Family members of the persons stated in paragraph (i), including:

a. their children and spouse or domestic partner;

b. the children of their spouse or domestic partner; and

c. their dependents or the dependents of their spouse or domestic partner.

tt. "Related Party Transaction" refers to the transfer of resources, services or obligations between a REIT and a related party, regardless of whether a price is charged.

uu. "Revised Corporation Code" x x x

vv. "Securities Regulation Code" or "SRC" x x x

ww. "Sponsor/Promoter" means any person **or entity** who, acting alone or in conjunction with one or more other persons, directly or indirectly, contributes cash or property in establishing a REIT, **and/or maintains Control over the REIT.**

For the avoidance of doubt, the Sponsor/Promoter shall be the person or entity that owns or holds (in the case of leasehold

rights, usufructs, easements or other analogous rights) the income-generating real estate assets to be injected into the REIT at the time of its formation or exercises control over the REIT, and shall be distinct from ordinary investors or subscribers who contribute cash and/or property for shares but do not participate in the establishment, initial asset injection, or control of the REIT.

xx. “Subsidiary” x x x

yy. “Synthetic Investment Products” x x x

zz. **“Taxable Net Income”** means the pertinent items of gross income specified in Section 32 of the NIRC, less all allowable deductions enumerated in Section 34 of the NIRC, less the dividends distributed by a **REIT or a special purpose vehicle (“SPV”) wholly owned by a REIT**, out of its Distributable Income as of the end of the taxable year as **follows**:

i. dividends to owners of the common shares;

ii. dividends to owners of the preferred shares pursuant to their rights and limitations specified in the Articles of Incorporation of the REIT; and

iii. **in case of a SPV wholly owned by a REIT, only those dividends actually distributed to and received by the REIT.**

SEC. 2. RENUMBERING, AMENDMENTS OF, AND INSERTION ON THE CONTENTS OF THE REIT PLAN UNDER SECTION 1.3, RULE 4 – REAL ESTATE INVESTMENT TRUST

The provisions under Section 1.3, Rule 4 are hereby amended as follows:

1.1 No shares of stock of the REIT shall be offered for subscription or sale to Public Shareholders except in accordance with a REIT Plan registered with and approved by the Commission. The REIT Plan shall take the place of a prospectus. It shall contain the following information:

x x x

h. the operating date of each of the real estate, including **but not limited to** the occupancy rate, number of tenants and its mix in terms of occupation or business, principal provisions of the leases, average annual rental per square meter, and schedule of lease expirations for the next three (3) years **and/or any other relevant information**;

x x x

p. **details of all material transactions or agreements entered into not in the ordinary course of business**;

q. full particulars of the nature and extent of the interest, if any, of any director**, officers, and/or principal stockholders** of the REIT, the Fund Manager, the Property Manager or any Related Parties to the REIT, in the property owned or proposed to be acquired by the REIT; and where the interest of such a ~~director~~ **covered persons** consists in being a partner in a firm, the nature and extent of the interest in the firm, with a statement of all sums paid or agreed to be paid to him or the firm for services rendered to the REIT;

r. functions, duties and responsibilities of the Property Manager and the Fund Manager and, where applicable, shareholding of the Property Manager and/or the Fund Manager in the REIT;

s. corporate information on the Property Manager, including number of years in real estate/property management or alternatively, information on two (2) responsible officers who have at least five (5) years track record in real estate/property management, total assets under management, staff strength, resources, internal controls and risk management system;

t. information on the directors and Principal Officers of the **~~Property Manager~~ REIT**, highlighting the academic and/or professional qualification as well as experience possessed by the respective personnel;

u. corporate information on the Fund Manager, including number of years in fund management, total assets under management, staff strength, internal controls and risk management system;

v. information on the directors and Principal Officers of the Fund Manager, highlighting the academic and/or professional qualification as well as experience possessed by the respective personnel;

w. details on substantial fees to be paid by the REIT, such as property management fees and fund management fees. The fees paid to the Property Manager and the Fund Manager must be clearly stated and shall include: (i) the percentage rate to be paid by the REIT; (ii) the basis on which the property management fee is calculated; and (iii) an illustration on how the fee is calculated.;

x. names, designation and the direct and indirect shareholdings in the REIT of Promoters, Principal Shareholders, directors, Principal Officers and principal officers of the Property Manager and the Fund Manager;

y. disclosure on how the proceeds of the public offering and any other funds raised in connection with the public offering will be utilized with timetable; and

z. pro-forma financial statements which shall include information on Net Asset Value and Net Asset Value per share before listing and after the proposed public offering, **as may be applicable**.

SEC. 3. AMENDMENT ON THE ALLOWABLE INVESTMENT UNDER SECTION 1.1 (C) OF RULE 5 - ALLOWABLE INVESTMENTS OF THE REIT

Section 1.1 of Rule 5 is hereby amended as follows:

SEC. 1. *Allowable Investments.* A REIT may only invest in:

1.1 Real estate.

a. A REIT may invest in real estate located in the Philippines, whether freehold or leasehold. At least seventy-five percent (75%) of the

Deposited Property of the REIT shall be invested in, or consist of, income generating real estate. Deposited Property that should be invested in Income-generating Real Estate located in the Philippines shall in no case be less than 35% of the Deposited Property.

b. An investment in real estate may be by way of direct ownership or a shareholding in **an unlisted** domestic special purpose vehicle constituted to hold/own real estate, subject to the conditions provided under these Rules. **The definition of Taxable Income under Rule 3 shall likewise apply to the unlisted domestic special purpose vehicle under this Rule.**

c. A REIT may invest in income generating real estate located outside of the Philippines; *Provided,* that such investment does not exceed forty percent (40%) of its Deposited Property and only upon special authority from the Commission. The Commission in issuing such authority shall consider, among others, satisfactory proof that the valuation of assets is fair and reasonable.

x x x

SEC. 4. AMENDMENT ON THE REINVESTMENT REQUIREMENT UNDER SECTION 5.1 (a) OF RULE 4 - REAL ESTATE INVESTMENT TRUST

Section 5.1 (a) of Rule 4 is hereby amended as follows:

SEC. 5. *Requirements.* The REIT shall comply with the following requirements:

a. Minimum Public Ownership. A REIT shall be a public company and to be considered as such, a REIT shall: (a) maintain its status as a listed company; and (b) upon and after listing, have at least one thousand (1,000) Public Shareholders each owning at least fifty (50) shares of any class of shares, and who, in aggregate, own at least one-third (1/3) of the outstanding capital stock of the REIT.

Provided, that in cases where the REIT issues additional shares to its Sponsor/Promoter or the latter's affiliates in exchange for income-generating real estate or real rights over immovable property, resulting in a temporary reduction of the minimum public ownership below one-third (1/3), such REIT shall not be deemed non-compliant with the minimum public ownership requirement, *provided further that*:

1. **The transaction has been duly approved by the Commission and the Exchange;**

2. **The REIT submits to the Commission a plan and timetable for the restoration of the minimum public ownership (through secondary offer, private placement, or other capital market transactions) within a reasonable period not exceeding six (6) months from the completion of the property-for-share exchange; and**

3. **The REIT publicly discloses the temporary breach and the remedial plan in its structured reports and on its website.**

<u>Failure to restore the minimum public ownership within the prescribed period shall subject the REIT to the applicable sanctions and possible suspension of trading.</u>

SEC. 5. AMENDMENT ON THE REINVESTMENT REQUIREMENT UNDER SECTION 5.1 (e) OF RULE 4 - REAL ESTATE INVESTMENT TRUST

Section 5.1 (e) of Rule 4 is hereby amended as follows:

SEC. 5. *Requirements.* The REIT shall comply with the following requirements:

x x x

e. <u>Reinvestment in the Philippines</u>. In line with the policy to promote the development of the capital market and Filipino participation in the real estate industry, democratize wealth by broadening the participation of Filipinos in the ownership of real estate in the Philippines, use the capital market as an instrument to help finance and develop infrastructure projects in the Philippines, reinvestment in the Philippines shall be an indispensable requisite for any Sponsor/Promoter who contributes income-generating Real Estate to a REIT.

The relevant listing rules shall be issued which primarily requires the submission of a Reinvestment Plan with a firm undertaking to reinvest (a) any proceeds realized by the Sponsor/Promoter from the sale of REIT shares or other securities issued in exchange for income-generating Real Estate transferred to the REIT and (b) any money raised by the Sponsor/Promoter from the sale of any of its income-generating Real Estate to the REIT, in any Real Estate, including any redevelopment thereof, and/or Infrastructure Projects in the Philippines. This reinvestment shall be made within ~~one (1) year~~ **<u>two (2) years</u>** from the date of receipt of proceeds or money by the Sponsor/Promoter.

<u>The reinvestment in the Philippines may take the form of investment in equity, the extension of loans or purchase of debt instruments or the repayment of loans or debt instruments in relation to any Real Estate or Infrastructure Project in the Philippines.</u>

The exchange shall furnish the Commission and the Department of Finance with a copy of the Reinvestment Plan in no more than three (3) days from receipt thereof. The Commission shall furnish the Department of Finance all REIT related reports within fifteen (15) days from the due date of submission of quarterly reports by the REIT.

The **<u>E</u>**xchange shall also adopt in its rules the appropriate mechanism, internal controls, and procedures to include, among others, requiring the Sponsor/Promoter to be a party to the Listing Agreement and prescribing reporting requirements to monitor the REIT.

SEC. 6. ADDITION OF SEC. 8 - JOINT VENTURE UNDER RULE 5 – ALLOWABLE INVESTMENTS OF THE REIT

The following provision is added under Rule 5 – Allowable Investments of the REIT:

SEC. 8. ***Joint Venture* - When investing in real estate as a joint owner, the REIT should make such investment by acquiring shares or interests in an unlisted special purpose vehicle constituted to hold/own the real estate and the REIT should have freedom to dispose of such investment. The joint venture agreement, memorandum and articles of association or other constitutive documents of the special purpose vehicle should provide for a minimum percentage of distributable profits of the special purpose vehicle that will be distributed and grant the REIT veto rights over key operational issues of the special purpose vehicle. The definition of Taxable Income under Rule 3 shall likewise apply to the unlisted domestic special purpose vehicle under this Rule.**

SEC. 7. AMENDMENT ON THE PROVISION ON THE REPORTS TO BE SUBMITTED BY THE FUND MANAGER UNDER SECTION 10.1, RULE 6 – FUND MANAGER

The provision under Section 10.1, Rule 6 – Fund Manager is hereby amended as follows:

SEC. 10. Reports. The Fund Manager shall submit the following reports:

10.1 The three (3)- year investment strategy prepared by the REIT, which shall be due for submission to the Commission and the relevant Exchange on or before December **31** of every year.

SEC. 8. REPEALING CLAUSE. All other rules and regulations or parts thereof, inconsistent with the foregoing rules and regulations are repealed, amended or modified accordingly.

SEC. 9. EFFECTIVITY CLAUSE. These Rules shall take effect fifteen (15) days after its complete publication in the Official Gazette or in at least two (2) newspapers of national circulation in the Philippines.

Done this _______________ in Makati City, Philippines.

For the Commission:

FRANCISCO ED. LIM
Chairperson