REIT-financing – Cofinimmo – Case-study

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About Cofinimmo

Leading Belgian listed REIT invested in **healthcare** (77%), **offices** (15%) & **distribution networks** (8%)

Consolidated **portfolio** fair value: **6.0 billion EUR**

Leading listed **healthcare property** investor, with pan-European combined presence in Belgium, France, the Netherlands, Germany, Spain, Finland, Ireland, Italy and the United Kingdom

REIT status in Belgium (SIR/GVV), France (SIIC), Spain (SOCIMI)

Internal real estate management platform: **Approx. 150 employees**

Total **market capitalisation: 2.1 billion EUR** (as at 20.02.2025)

REIT-regime

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1. What is a REIT
2. History
3. Legal framework
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What is a REIT

DEFINITION

A **Real Estate Investment Trust (REIT)** is a company that

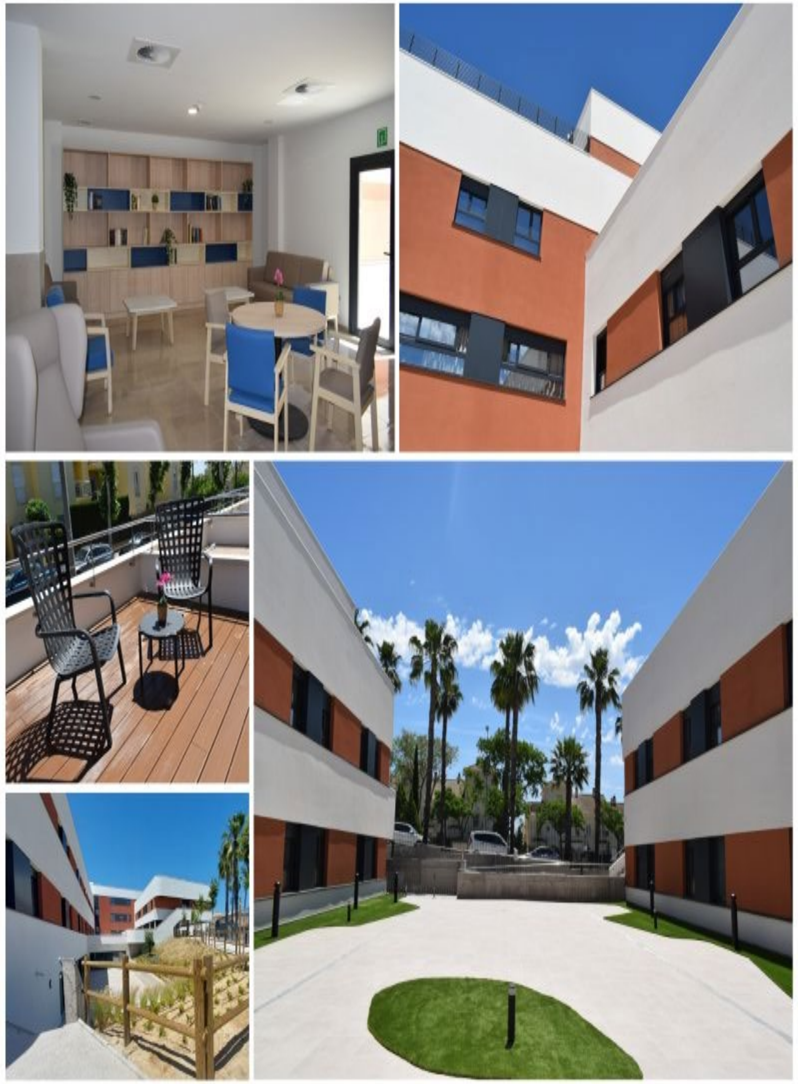
a) owns, operates and finances income-producing real estate

b) across a range of property sectors such as offices, logistics, retail, healthcare and residential

Two types: (1) public REITs and (2) private REITs, but many are public REITs

PRIMARY PURPOSE OF A PUBLIC REIT

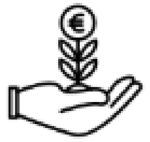
= To democratise real estate investment by allowing individual investors to invest in large-scale, diversified real estate portfolios by way of buying shares in these REITs

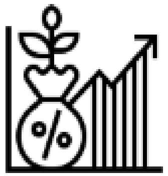


What is a REIT

ATTRACTIVE FOR INVESTORS

- **Access to a diversified real estate portfolio**
  - REITs often own different types of real estate
- **Access to a steady income**
  - REITs have the obligation to pay a certain minimum amount of dividends to their shareholders every year
- **Liquidity**
  - The shares can be bought and sold on stock exchanges
- **Access to professional management**
  - The real estate is managed by professionals (the REIT has specialised teams)
- **Transparency and regulation**
  - REITs are subject to regulatory oversight and as a listed entity they are obliged to disclose their financial performance





History

1995

Royal Decree of 10 April 1995:
Regulatory framework in place for Vastgoedbevak/SICAFI

1960

Origin in US:
US Federal Law of 14 September 1960: extending fiscal transparency to Real Estate Investment Trusts

2014

Creation of Operational REIT (GVV/SIR) status:

- Law of 12 May 2014
- Royal Decree of 13 July 2014

- Concept first introduced in the US in 1960
- Belgium one of the first countries to introduce the REIT-regime in Europe (in 1995)
- Current legal basis: the Law of 12 May 2014 regarding REITs and its implementing Royal Decree of 13 July 2014

Legal framework of the Belgian REIT

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AIM OF THE REGULATORY FRAMEWORK

⇨ Promote a fair, efficient and stable real estate investment market, which is protective of the interests of the investors

- At least 30% of the shares must be trading on a Belgian-regulated market (Euronext Brussels)
- Maximum debt-to-assets ratio of 65%
- Obligation to pay out at least 80% of its net result
- Low corporate income tax
- Principal activity is active management of real estate
- Quarterly valuation of the assets by an independent expert
- A maximum of 20% of its total assets can be invested in 1 single “real estate complex” (risk diversification)
- Specific rules regarding internal control structures

Examples in Europe

WDP

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SEGRO

MERLIN
PROPERTIES

UNIBAIL-RODAMCO-WESTFIELD

gecina

KLEPIERRE

aedifica

MONTEA

SHURGARD

Sources of financing

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1. Overview
2. Cofinimmo Sustainable Finance Framework
3. Rights issue
4. ABB
5. Contribution of assets
6. Optional dividend
7. Bank financing
8. Bonds
9. Commercial paper
10. Sale of rental receivables

Overview

Types: equity, debt and other

1. Equity	1. Rights issue 2. ABB 3. Contribution of assets 4. Optional dividend
2. Debt	1. Bank financing 2. Bonds 3. Commercial paper
3. Other	1. Sale of rental receivables

Cofinimmo Sustainable Finance Framework May 2020

- Framework developed to **attract funding for assets and activities** that contribute to **Cofinimmo's sustainability strategy**
- Outlines what the funds should be used for (e.g. type of building) in accordance with criteria set out in the **Green Bond Principles**, **Social Bond Principles** and **Green Loan Principles**
- Cofinimmo has 2.6 billion EUR in sustainable financing
- Cofinimmo - Sustainable Finance Framework

Rights issue

- **Offering of new shares to existing shareholders** (secondary public offering (SPO)) (standard capital increase)

- Legal framework
  - Code of Companies and Associations of 28 May 2019
  - Prospectus Regulation (EU 2017/1129)
  - Law on Public take-over Bids of 1 April 2007
  - Law regarding supervision on the financial sector and financial services of 2 August 2002
  - Law on REITs of 12 May 2014

Rights issue

- **Key steps**
  - Board decision
    - Approval to launch the capital increase
    - Approval on the amount
    - Approval on the subscription price (always at a discount to the current stock-price)
  - Opening of offer period
    - Minimum 15 calendar days (non-REITs) and minimum 3 business days (REITs) (legal requirement)
    - Existing shareholders have possibility to subscribe pro rata their shareholding (preference right)
  - End of initial offer period – second offer period
    - If not all existing shareholders have exercised their preference right, the other shareholders/new investors can subscribe during a second offer period to the not yet subscribed offers
  - End of second offer period – approval of shareholders meeting
    - Majority 75%
    - Company may revoke transaction if a certain minimum amount has not been subscribed to

Rights issue

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- Short prospectus required (**summary document** – 11 pages) (new EU Listing Act – since 4 December 2024) provided
  - over 12 months, the total amount of offer of securities are < 30% of the capital, or
  - the company has been listed for 18 months

- **FSMA** (Financial Services and Markets Authority)
  - No approval summary document (only filing with the FSMA) (since new EU Listing Act)
  - Approval corporate documentation and press-releases

- **Market abuse** rules (MAR)
  - A rights issue will constitute inside information at some point in the process
  - Specific rules apply
  - Prohibition to trade in the shares/to do equity transactions when in possession of inside information

Accelerated book-building (ABB)

- **Offering of securities in a very short period of time**
  - Preparation: a few weeks
  - Offering open for a few hours
- **Legal framework** (see rights issue)
- **Offering to qualified investors only (never to retail)**
- **Preference right for existing shareholders is always disapplied**
- **Formalities**
  - No approval from shareholder meeting, board approval only (within authorised capital)
  - No prospectus (over 12 months, the total amount of offer of securities are < 30% of the capital)
- **Cumulative amount of capital increases carried out through ABB over a period of 12 months cannot exceed 10% of the amount of the capital (REIT-specific)**

Accelerated book-building (ABB)

- **The subscription price is at a discount**
  - Smaller discounts than for rights issues

- **FSMA**
  - Approval corporate documentation and press-releases

- **Market abuse rules** (see rights issue)

Zoom on the authorised capital

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- **Authorised capital** = the maximum amount of capital that a company can issue, pursuant to its articles of association, without needing approval from the shareholders

- **Maximum of 5 years**

- **Legal maximum amount**
  - 100% of the capital

- **Proxy advisers' guidelines are much stricter** (see next slide)

- **Cofinimmo:**
  - 50%: capital increases in cash with preference right (rights issue)
  - 20%: capital increase through optional dividend
  - 10%: capital increase through contribution in kind and capital increase in cash with cancellation of preference right (ABB)
  - 5 years

Proxy advisers' guidelines

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ISS – Continental Europe Proxy Voting Guidelines

- "Vote for issuance authorities with pre-emptive rights to a maximum of 50% over currently issued capital […]"
- "Vote for issuance authorities without pre-emptive rights to a maximum of 10% (or a lower limit if local market best practice recommendations provide) of currently issued capital […]"

Glass Lewis – Continental Europe Guidelines

- "In our view, any general authorisation to issue shares and/or convertible securities with pre-emptive rights should not exceed 100% of a company's total share capital…
- … and any general authorisation to issue shares and/or convertible securities without pre-emptive rights should not exceed 20% of the company's total share capital."

Contribution of assets

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- A technique to **increase the equity** whereby the **acquisition of assets** is paid **with shares** of the REIT instead of with cash
- Usually done within the **authorised capital**, so no shareholder approval required
- **FSMA-approval** required
- Subscription price cannot be lower than the lower of (specifically for REITs):
    (1) the net asset value per share not older than 4 months prior to the contribution, and
    (2) the average share-price over 30 calendar days prior to the contribution

Optional dividend

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- A technique to **increase the equity**
- Option for shareholder to receive their **dividend in shares** instead of in cash
- Contribution of the dividend to the capital (contribution in kind)
- Usually done within the **authorised capital**, so no shareholder approval required
- **FSMA-approval** required

Bank financing

- Types:
  - **Bi-lateral** loans (one credit institution)
  - **Syndicated** loans (a pool of credit institutions - often LMA-type because international lenders)
- Usually **bullet-loans** (to have a stable cash-position at all times; refinancing at maturity)
- **Unsecured** (international investors require a “free asset-base”)

Bonds

- A **debt-instrument** that allows a company to **raise money** by borrowing from investors
- Reimbursement at a **maturity date** and **periodic interest payments**
- Bonds are financial instruments that are **traded**
- Summary document, FSMA and market abuse rules (see rights issue)
- **No shareholder approval**
- **Unsecured**

Commercial paper

- Is a **short-term** debt instrument
- Maturity:
  - Usually a few months
  - Maximum 1 year
- Generally **rolled-over**
- Secured by “**back-up lines**”

Sale of rental receivables

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- A way to obtain **cash through the sale of (part of) rent receivables** to a credit institution

- (Part of) the rent will be paid to the credit institutions but the landlord remains liable under the lease (e.g. for maintenance) => sale of 85% of the rent only (15% for maintenance expenses)

- Only possible when tenants are **institutional investors or public entities**

- Down-side: the credit institutions do not allow the asset to be sold as they want the initial landlord to stay on the hook for the maintenance (asset is illiquid)

Any questions?


THANK YOU
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