



REUTERS

Wealth manager plans Saudi region's first REIT

Wed Apr 15, 2009 7:13am EDT

By Martin de Sa'Pinto

GENEVA (Reuters) - Saudi Arabia's first sharia-compliant real estate investment trust is expected to be launched in June, an asset manager involved in preparing the product told Reuters on Wednesday.

[John Sandwick](#), managing director of wealth manager Encore Management, said the REIT will invest only in domestic Saudi real estate and is expected to raise at least 1 billion Saudi Riyals (\$266.7 million).

"The fund will have complete local credibility because investors will be able to see the assets they are investing in, and they like that," Sandwick said.

The trust will hold 5 percent in cash with a bank standby credit facility on a conventional Islamic credit facility, which will allow it to guarantee monthly liquidity even if redemptions exceed 5 percent of assets.

Sandwick said the product is sponsored by a very well-known Saudi real estate product provider. There will be no lock up period, although investors withdrawing their assets within the first year will pay a 5 percent penalty.

"For the first time we are bringing real estate investment trust technology to Saudi Arabia," Sandwick said.

"I'm actually puzzled as to why nobody else has created a similar product for the Islamic asset management market in Saudi Arabia. There's a huge demand."

Sandwick said current market conditions had created a "window of opportunity where you can buy a building with a 22-24 percent gross yield, while net yields, after operating and fund costs will be around 7 to 11 percent, closer to the latter than the former."