Reits or business trust?

Key differences relate to ownership, management and governance. By Genevieve Cua

A Reit is a collective investment scheme investing in real-estate, which can span commercial, industrial, retail or hospitality. It is managed by a licensed manager who is an arm’s-length manager – separate from the trustees on whose behalf the Reit is managed.

A business trust is a hybrid structure combining elements of a company and a trust. It owns a business enterprise, investing in assets and infrastructure. Unlike a company, however, it is not a separate legal entity. It is a trust which operates as a single entity – the trustee-manager. The accompanying graphic illustrates key aspects of this structures: companies, business trusts and Reits.

There are some issues relating to corporate governance that are worth noting:

Reit or Reit managers are unlisted businesses, Reits can be legally owned by individuals and it’s not a separate legal entity.

Trustee is referred to as trustee-manager. Serves to oversee and control the trust assets, in the trust’s best interest.

Each Reit or business trust has an AGM, to which shareholders have the right to attend AGM, to speak and vote on resolutions.

Key points in choosing a trust to invest in

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