

## Oman's maiden REIT casts wider investor net with Islamic structure

Poised to be the first to foray the nascent Omani REIT market, Shariah compliant Aman REIT is aiming to raise OMR10 million (US\$25.91 million) from both retail and wholesale investors based in Oman and abroad once it receives the Capital Market Authority (CMA)'s final greenlight. MARC ROUSSOT has more.

**“ There is a lot of liquidity to tap from Islamic banks and Takaful insurances ”**

Set up for a corporate investor which will provide half of the vehicle's OMR20 million (US\$51.82 million) capital, Aman REIT will be invested in a single asset

comprising about 705 units located in Muscat Governorate.

Having received initial approval from the CMA in January, the vehicle is expected to be launched by April and is the first of its kind since the introduction of a REIT regulation by the regulator in January 2018, accommodating both conventional and Islamic REITs.

Untested, the regulation revealed itself to be meeting market needs so far, says Abdul Samad Mohd Al Maskari, CEO of Tharaa Global Business, which structured the REIT.

“Tanfeedh, a national program for enhancing economic diversification, and the CMA have been very supportive. The introduction of REIT in the market is very important for Oman because it adds value to local and international investors as well as the domestic economy,” Abdul shares adding that the challenge was in educating the market and finding the

right asset in a depressed real estate market due to slower growth.

Structured as a Shariah compliant REIT, to broaden the investor base and leverage idle Islamic funds sitting in the Sultanate in particular, Aman REIT is expected to bring a return of above 6% after tax with a potential semi-annual distribution.

“The decision to establish a Shariah compliant vehicle is a strategic one. There is a lot of liquidity to tap from Islamic banks and Takaful insurances for instance,” explains Abdul.

To be listed on the Muscat Securities Exchange, Aman REIT intends to raise OMR10 million from domestic individuals, corporates and pension funds, among others, as well as foreign investors in general.

To attract funds from abroad, Aman REIT is in discussion with a bank playing the role of a technical partner. ☺

## Another mid-sized unrated property developer enters Sukuk market with novel deal

**A first-time Islamic issuer has closed the first tranche of a novel Sukuk program utilizing unbilled sales for executed property transactions involving multiple affordable housing construction projects, an industry first. VINEETA TAN explores the significance of this deal.**

Property developer EXSIM Development Group raised RM290 million (US\$70.54 million) under its RM2 billion (US\$486.51 million) 10-year Sukuk Musharakah Islamic medium-term note program. Under this Sukuk program, which also includes a RM1 billion (US\$243.25 million) Sukuk Murabahah Islamic commercial paper program, EXSIM and its group of companies will sell their beneficial interest under the respective development projects. The future progress billings with regards to the relevant development projects will be used to fund the remaining construction costs as well as to meet the issuer's fees, expenses and obligations under each facility. The first tranche is secured against Nidoz Residences and D'Nuri Residences in Kuala Lumpur.

“This Sukuk is the world's first-ever Shariah compliant structured transaction to monetize progress billings involving multiple projects with multiple construction programs,” Charanjeev Singh, the managing director of NewParadigm Capital Markets which developed, arranged and advised on the transaction, told IFN. The firm also advised on a similar deal but it only securitized future payments received from the sale of yet-to-be completed units in **one project instead of multiple projects.**

Fully subscribed by investors, the Sukuk facility also marks the continued expansion of the issuer universe in the world's largest Sukuk market to include mid-market and unrated issuers.

“Key features of this Sukuk program is that the qualified project developments are the ones rated and not the developer, which effectively allows even unlisted mid-sized property developers to raise financing at very attractive funding rates on par with blue-chip property developers,” NewParadigm explained.

The deal carries a 'AA3/Stable' rating from RAM Ratings.

The deal, which has the backing of national financial guarantor Danajamin, also signifies the increasing utilization of Islamic financial instruments in value-based transactions as it involves an affordable housing project.

“We look forward to facilitating the EXSIM Group to realize their first corporate social responsibility involving the development of an affordable housing project (D'Nuri). Despite the challenging property market, both D'Nuri and Nidoz appealed to house buyers through the combination of quality, affordability and strategic location. The projects have seen a solid take-up with close to 100% as of the fourth quarter of 2018. We hope our participation in this transaction will propel EXSIM Group further and bolster the government's initiative toward affordable housing schemes,” commented Danajamin CEO Mohamed Nazri Omar. ☺