

A new capital market investment and financing tool based on real estate: “Real estate certificates”

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Investments on real estate and the increase in housing requirements raised the necessities towards new regulations and capital market tools. As an alternative source of finance in real estate projects and investment tool, real estate certificates stand as a type of capital markets tool arranged with the intention of meeting those needs and contribute for the development of capital markets.

Within the course of real estate certificate issuance; the documents to be submitted, application and the procedure to be followed afterwards have been stipulated in details in the Capital Markets legislation, accordingly regulations had been announced for the stock market legislation and certain conveniences in terms of taxation were provided for the aforementioned capital markets tool within the scope of our tax legislation.

As seen from the definition, real estate certificates are capital markets tools issued by the issuer to be used in real estate project finance for future or ongoing construction projects, representing certain independent sections or an identified square unit of those detached sections and with equivalent nominal value.

It appears possible for this tool to be issued by being sold to the qualified investors with or without initial public offering (IPO); in any case it's mandatory to be traded at the stock exchange.

The model based on the aforementioned capital markets tool could also be operated as an alternative way in urban transformation and real estate investment and projects besides serving as a source of finance.

When the legal regulations concerning the matter and the relevant institutions' approach and implementation are taken into account, it can be observed that operation and implementation of this model could not be extended.

Regarding the model in which the transactions are handled under a transparent and credible environment, beside the benefits it provides in terms of issuers and investors; and if real estate sector's and capital market's development and contributions to the national economy but also the existing risks it contains are taken into account, it's considered that the implementation of it within the legal scope could be promoted and extended.

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