

Real Estate and Finance & Capital Markets newsletter

Real Estate Investment Companies | Introducing a new modern framework

On 11 April 2025, law 5193/2025 was published, establishing a legislative framework that provides Real Estate Investment Companies (REICs) with greater investment flexibility and modernised operations, while also imposing stricter supervision for the investors' protection. This initiative helps to simplify procedures by eliminating bureaucratic obstacles, enabling REICs to flourish in the current dynamic market environment.



Key changes

Increased minimum share capital

Under **new regime** REICs are required to have a minimum share capital of €40 million, an increase from the threshold of €25 million of the previous law – which had been further increased to €29.35 million by virtue of Decision 7/249/2002 of the Board of Directors of the Hellenic Capital Market Commission. This updated requirement applies both at the licensing of the company and throughout its operation.

Expanded Investment Activities

The **new regime** represents a departure from the previous system's exhaustive case-by-case approach, introducing a more simplified and modernised investment framework. The new regulations provide REICs with enhanced flexibility in their activities.

The Simplified Investment Structure

Real Estate Investments

A significant portion of at least 70% (compared to 80% under the previous regime) of REICs' capital may be invested in real estate assets, directly or indirectly through: (a) subsidiaries (excluding partnerships), REICs or similar companies, where they hold a minimum of 70% ownership, (b) investment in UCITS or EU-licensed AIFs that focus (in both cases with express provision of investing at least 70% of its assets) on securities of real estate investment companies or those involved in real estate development, management, and exploitation or, in the case of EU-licensed AIFs, on real estate assets directly, and (c) Public-Private Partnership Contracts (PPP) or similar agreements.

Company Investments

At least 10% of investments may be allocated to any type of companies (excluding partnerships), REICs, UNITS or AIFs whose main purpose is the acquisition, construction, management, development, and exploitation of real estate and the provision of services directly connected with the use and development of the property. If REIC does not have control in such companies, it is necessary to participate in the company's Board of Directors with one member with voting right.

Diversified Portfolio

Up to 10% of investments may be allocated to companies (excluding partnerships) or REICs or similar companies that invest on real estate or in UCITS or AIFs. The total investment cannot exceed 5% of the total investment of the REIC's group. Furthermore, REICs may invest in shares of any company (excluding partnerships) which provides services to real estate assets in relation to the REICs' group, as well as in relation to the companies in the shareholding of which REICs participate with at least 20%.

Establishment

The real estate assets, the subsidiaries, the UCITS, the AIFs and the target companies may all be established in Greece or in the EU or in the EEA or in third countries, provided that investments in real estate assets established in third countries may not exceed twenty per cent (20%) of the total investments of the REICs group.

Energy

REICs are now also permitted to invest in renewable energy projects, such as photovoltaic installations, but exclusively for self-consumption. This initiative aims to reduce energy costs and carbon footprints of REICs and their subsidiaries, aligning with sustainable development goals. The maximum installed power of the renewable energy projects may not exceed the sum of the agreed power of the providers of REICs' real estate assets.

A general glimpse

Under the **previous regime**, REICs' activity was mainly real estate leasing and transfers, which limited their potential for revenue diversification. The market demanded an expansion of opportunities in a way that would enable REICs to commercially exploit their property in alternative manners.

With the introduction of the new regime and the above structure simplification, REICs are **now** empowered to move beyond real estate leasing and to build, manage, develop, and utilise a wide range of real estate assets, such as commercial parks, parking spaces, data centers and more, unlocking new avenues for growth and profitability.

Finance and securities

Under **previous regime**, REICs were permitted to obtain various types of loans and credit facilities for their investment activities, provided that their total borrowings do not exceed 75% of their assets. They were also allowed to establish subsidiaries solely for the purpose of obtaining loans and utilising borrowed funds to finance both REICs and their subsidiaries. The key change under the **new regime** is the broadened scope regarding collateral and security arrangements. REICs are now authorised to grant collateral and security not only on their own assets but also on the assets of the entire group, potentially unlocking greater financing options and more favourable terms.

Valuation

Time of Valuation

While **under the previous regime** the valuation of the REICs assets was conducted by the REIC's statutory auditor at the end of each fiscal year on the basis of a special regular report of an independent valuer, now the valuation is conducted at the end of each semester and directly by the independent valuer appointed by the REIC's ordinary general meeting, in collaboration with the company's statutory auditor.

Valuation before the Investment

Under the **previous regime** the acquisition of any real estate asset or in rights on them required their valuation by an independent valuer, while under the **new regime**, the valuation has to be conducted before entering into any binding agreement involving the acquisition or disposal of real estate assets by the independent valuer.

Ability to diverge from valuation price

Under the **new regime**, the permissible variance between the transaction price and the independent valuation has been significantly widened:

For Transfer: A REIC may now transfer real estate assets at a price up to 15% lower than the value assessed by the independent valuer.

For Acquisitions: Conversely, when acquiring properties, a REIC is permitted to pay up to 15% higher than the valuation.

This represents a substantial increase from the **previous regime**, where the variance allowed was only up to 5% on a case-by-case basis.

The new law grants REICs greater flexibility in their acquisition and disposal of property assets. This change acknowledges the dynamic nature of the real estate market, enabling REICs to negotiate transactions that more accurately reflect current market conditions and strategic objectives, while maintaining the requirement for independent valuations to ensure transparency and accountability.

Enhanced Oversight and Accountability

To ensure transparency, the oversight of the Hellenic Capital Market Commission on REICs is enhanced. Regular audits will be conducted on REICs' financial statements and investment activities.

In order to achieve higher transparency, REICs are now required to:

- prepare individual and consolidated financial statements aligned with International Financial Reporting Standards (IFRS) not only on an annual but also on a semi-annual basis;
- make available detailed remuneration and investment policy, as well as a semi-annual investment statements; and
- provide extensive analysis of asset elements and risk management strategies.

In addition, stricter penalties for non-compliance have been introduced, including heavier fines (reaching in certain cases €3 million) and the potential revocation of operating licences, reinforcing the commitment to maintaining high standards of transparency and accountability.

Tax Benefits and Simplifications

The new legislation retains substantially the core tax principles from previous law 2778/1999 but introduces simplifications to resolve application issues. Here's what is provided:

Tax Exemptions

REICs and their subsidiaries (as outlined in the Real Estate Investments in section 2 above), generally benefit from tax, duties and fee exemptions in relation to the issuance of shares and the acquisition of real estate by the REIC. The above exemptions do not capture the income tax on the gain of the person contributing assets to the REIC and the real estate transfer tax upon the transfer of properties rights held by REICs.

REICs are exempt from income tax as well as from income tax on Greek and foreign source (with the exception of Greek source dividends), royalties and interests and are not subject to withholding taxes. The income tax exemption for the interests on bond loans applies under the requirement that the bonds have been held for at least thirty days before the payment date of the respective interests. Otherwise, such interests are subject to withholding tax at a 15% rate that exhausts the tax liability of the REIC for the respective income.

Additionally, income on the gains from the transfer of non-listed REIC shares on the Stock Exchange are exempt.

The tax on REICs investments referred to below exhausts the tax liability of the REIC and of the REICs' shareholders while the dividends distributed by the REICs are exempt from dividends' withholding tax.

Investment Taxation

REICs are subject to a tax based on the average value of their real estate investments at current market prices, and on their available cash. Although there were proposals to disconnect the REICs' tax rate from the European Central Bank interest rate -due to the excessive tax burden during periods of high interest rates, which, however, seems to be gradually deescalating- the new legislation retains the existing system. Consequently, the tax continues to be calculated as 10% of the prevailing interest rate set by the European Central Bank, increased by 1 percentage point.

Our perspective on the reform

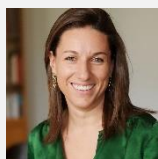
The new law marks a significant milestone in modernising the regulatory framework for REICs, introducing substantial changes that broaden investment options, eliminating bureaucratic obstacles and grant greater flexibility. This progressive change is set to empower REICs to adapt more dynamically to market opportunities and expand their portfolios.

However, some provisions raise questions. One notable concern is the legislator's decision to maintain the existing tax system, wherein the tax rate on assets remains linked to the ECB's interest rate. This approach persists despite the longstanding appeals from REICs for separating the asset taxation from ECB's rates, which would provide a more stable and predictable tax environment appropriate for long-term investment planning. Also, the rationale behind the increase on the initial capital of REICs, which sets a higher market entry barrier, appears unclear, considering this is a new law which aims to enhance the Greek capital market.

Meanwhile, recent amendments to the Athens Exchange Regulation (for which you can read more [here](#)), introducing stricter free float requirements for listed companies, present new dynamics for REICs. As REICs are required to become listed after a certain period of operation, these rules on free float pose challenges that require strategic consideration for both listed REICs and those REICs that have not yet been listed, taking into account the historically low free float percentages in existing listed REICs.

Taking into consideration the above, it seems that the legislator has chosen a gradual approach, implementing major substantial reforms while giving the market time to digest these changes before considering further adjustments.

Contact us



Sonia Melegou
Partner | Real Estate

s.melegou@zeya.com



Marina Allamani
Partner | Real Estate Tax

m.allamanii@zeya.com



Efthymis Naoumis
Senior Associate | Finance &
Capital Markets

e.naoumis@zeya.com



Katerina Pilichou
Senior Associate | Real Estate

k.pilichou@zeya.com



Anastasia Christaki
Associate | Finance &
Capital Markets

a.christaki@zeya.com

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Tel.: (+30) 210 696.70.00 | 280 Kifissias Ave., 152 32 Halandri, Athens, Greece