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Philippine SEC Revises its Rules on Philippine Real Estate Investment Trusts

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Executive Summary

On January 8, 2026, the Securities and Exchange Commission of the Philippines (“Philippine SEC”) introduced revisions to the country’s 2020 REIT Rules¹ (the “2026 Revisions”).² The 2026 Revisions among others, expand the range of qualifying asset classes, enhance disclosure requirements and strengthen governance safeguards, which aim to attract both domestic and foreign investment while safeguarding the interests of the investing public. Key highlights of the 2026 Revisions are discussed below.

Wider Range of Qualifying Assets

The 2026 Revisions expand the scope of REIT-eligible assets, mainly comprising “Infrastructure Projects” and “Income-generating Real Estate”. Under the 2020 REIT Rules, “Infrastructure Projects” largely tracked the list set out in the Philippines’ Build-Operate-Transfer Law and its IRR,³ covering projects such as roads, highways, airports, railways, ports, flood control, irrigation, water supply, sewerage, power facilities and telecommunications. The 2026 Revisions broadened this list to expressly include bridges, solid waste management systems, shore protection, national and school buildings, hospital buildings and the civil-works components of information technology projects. Qualifying activities have also been expanded to cover demolition, repair, restoration and maintenance-in addition to construction, improvement and rehabilitation, clarifying that projects may be initiated by the government or the private sector.⁴

At the same time, “Income-generating Real Estate” now covers property held indirectly through unlisted special purpose vehicles (“SPVs”) or incorporated joint ventures (“JVs”). The phrase “regular stream of income” as it applies to a particular asset, has also been clarified to mean recurring and predictable cash inflows from a wide range of assets, including toll roads, railways, airports, ICT and energy infrastructure, data centers, parking facilities, malls, warehouses, immovable fixtures and real rights. Conversely, properties held primarily for sale or disposition - sometimes referred to as inventory-type assets - are expressly excluded.⁵ Taken together, these changes expand the types of REITs that sponsors may bring to market, while reinforcing the legislation’s focus on providing the public with exposure to stable, passive income. The changes also keep the Philippines in step with other jurisdictions that have long allowed an expansive list of qualifying REIT assets.

Holding Structures: SPVs and Joint Ventures

The 2020 REIT Rules allowed a REIT to invest in real estate directly or through a domestic SPV constituted to hold or own real estate.⁶ The 2026 Revisions build on this by expressly recognizing incorporated JVs as a permitted holding structure alongside unlisted SPVs. Where a REIT invests through an unlisted SPV or incorporated JV, it must hold at least two-thirds of the outstanding and voting capital stock, and the SPV or JV must have only one class of voting shares. These conditions embed a clear control requirement and prevent multi-class voting structures that could decouple economic and voting interests in the underlying vehicle. This affords greater flexibility for sponsors and their advisers to structure REIT vehicles and supports co-investment and partnership arrangements, without compromising investor protection.⁷

¹ SEC Memorandum Circular No. 1, Series of 2020; Available at https://documents.pse.com.ph/wp-content/uploads/sites/15/2021/03/2020MCNo01_1.pdf (last accessed March 6, 2026).

² SEC Memorandum Circular No. 1, Series of 2026; Available at <https://www.sec.gov.ph/mc-2026/sec-mc-no-01-series-of-2026/#gsc.tab=0> (last accessed March 6, 2026).

³ Republic Act No. 6957, as amended by R.A. No. 7718.

⁴ SEC MC No.1, S.2026, Sec.1.

⁵ *Id.*

⁶ SEC MC No.1, S.2020, Rule 5, Sec.1.1(c).

⁷ SEC MC No.1, S.2026, Sec.7.

Enhanced Disclosure Requirements

Under the 2020 REIT Rules, the REIT Plan's required disclosures on real estate operating information primarily listed traditional real property-related metrics such as operating date, occupancy rate, number and mix of tenants, principal lease provisions, average annual rent per square meter and lease expiries for the next three years.

The 2026 Revisions significantly enhance the REIT Plan disclosure regime and make it more principles-based, while at the same time introducing specific disclosures aimed at filling erstwhile disclosure gaps. The 2026 Revisions: (i) expand real estate operating disclosures from a closed list to an open-ended, materiality-based requirement, (ii) add a requirement to disclose all material transactions or agreements entered into not in the ordinary course of business, (iii) extend disclosure of the nature and extent of interests to not only directors but also officers and principal stockholders, and (iv) require that information on academic and professional qualifications and experience be clearly presented for the REIT's directors and principal officers, not just the Property Manager. The net asset value ("NAV") and NAV per share pro-forma requirement is also qualified with "as may be applicable," and where investment is via an unlisted SPV or JV, the Fund Manager must submit (and attach to the REIT Plan and annual reports) a certification that such structure does not increase the tax burden on REIT investors compared to direct ownership.⁸⁹

The other disclosure-related changes collectively promote greater transparency, comparability and investor protection, including additional disclosure requirements on material non-ordinary course transactions and fees on the platform and/or SPV or JV levels of the REIT.

Mandatory Dividend Distribution at the SPV and JV Level

Under the 2020 REIT Rules, while the REIT itself was subject to a 90% distributable income payout requirement, there was no corresponding mandate at the SPV level, meaning cash could potentially be retained below the REIT. The 2026 Revisions close this gap. Where a REIT invests through an unlisted SPV or incorporated JV, the constitutive documents of that vehicle must now mandate the distribution of at least 90% of its distributable income to the REIT or other shareholders, and such distribution must occur prior to the REIT's own dividend declaration. Any failure of the SPV or JV to make the required distributions will be treated as a violation of the REIT's own dividend distribution obligation.¹⁰ This effectively "looks through" the SPV or JV for purposes of assessing compliance with the statutory payout rule and ensures that value is not trapped at an intermediate level in the structure.

Tax Efficiency: Deductibility of SPV and JV Dividends

Under the 2020 REIT Rules, "Taxable Net Income" was computed as gross income less allowable deductions, less dividends distributed by the REIT to its own shareholders, a formula designed for single-layer vehicles that did not address dividends received from underlying SPVs.¹¹ The 2026 Revisions retain the general formula but expand it so that dividends actually distributed to and received by the REIT from its unlisted SPVs or JVs are also deducted in computing Taxable Net Income. The emphasis on dividends "actually distributed to and received by" the REIT is a meaningful qualifier since only dividends that have in fact been upstreamed to the REIT qualify for the deduction.¹² This refinement should help mitigate the risk of economic double taxation within multi-tier REIT structures, better aligning the tax base with net income, supporting the use of compliant SPV or JV structures and contributing to the overall tax efficiency and attractiveness of Philippine REITs.

Other Key Changes

- 1. Enhanced Reinvestment Requirement.** Under the 2020 REIT Rules, sponsors were required to reinvest the proceeds from the sale or transfer of real estate or other assets to a REIT within one year. The 2026 Revisions extend this period to two years and clarify that reinvestment may take the form of investment in equity, extension of loans, purchase of debt instruments, or repayment of loans or debt instruments, in relation to any

⁸ SEC MC No.1, S.2026, Sec.8.

⁹ See also SEC MC No.1, S.2026, Sec.2, which introduces safeguards against duplicate management fees.

¹⁰ SEC MC No.1, S.2026, Sec.3.

¹¹ See SEC MC No.1, S.2020, Rule 3(yy).

¹² SEC MC No.1, S.2026, Sec.1.

real estate or infrastructure project in the Philippines.¹³ This extension should ease execution and timing pressures on sponsors in identifying, structuring and closing suitable reinvestment opportunities, including more complex or large-scale projects.

2. **New “Related Party Transaction” Definition.** Under the 2020 REIT Rules, related party transactions (“RPTs”) were governed primarily through procedural safeguards, disclosure, board and committee approvals and independent fairness assessments, without containing a concise, stand-alone definition of what substantive dealings would be regarded as a RPT, leaving some scope for interpretive gaps at the margins.¹⁴ The 2026 Revisions address this by defining “Related Party Transaction” as any transfer of resources, services or obligations between the REIT and a Related Party, regardless of whether a price is charged.¹⁵ This broad, catch-all definition reduces ambiguity, helps ensure that all relevant dealings are captured by the existing approval and fairness safeguards, promoting more consistent compliance across the REIT sector.
3. **Sharper “Public Shareholder” Test.** The 2020 REIT Rules defined “Public Shareholder” as any shareholder other than Sponsors, Promoters, related parties and other specifically excluded non-public persons, so long as such shareholder formed part of the free float used to meet the minimum public ownership requirement.¹⁶ The 2026 Revisions tighten this definition by explicitly excluding any person who has “substantial influence” over REIT management or operations, with substantial influence deemed to exist at a 10% or higher direct or indirect shareholding. Persons holding less than 10% may also be excluded where they can exert influence, for instance, where shares are held by a director, principal officer or principal stockholder’s immediate family member sharing the same household.¹⁷ By incorporating both quantitative (10% threshold) and qualitative (actual influence, including family or household relationships) indicators, these changes narrow the pool of investors that can count as “public” and help ensure that the minimum public ownership threshold reflects genuinely dispersed, non-controlling shareholders.
4. **Safeguards Against Duplicate Management Fees.** The 2026 Revisions require the REIT Plan and the Fund or Property Management Agreements to explicitly prohibit Fund or Property Managers from charging the REIT and any unlisted SPV or incorporated JV the same fees for the same services. This prohibition must now be built directly into the governing documents of the SPV or JV.¹⁸ This should minimize fee leakage and ensure that investors are not economically penalized through multiple layers of identical fees on the same underlying assets or activities. It also sharpens the oversight role of boards, independent directors and RPT committees, which can now more readily identify and challenge management fee structures that might breach the no-double-charging rule.
5. **Strengthened Fund Manager Reporting.** Two changes to Fund Manager reporting obligations round out the revisions. First, the deadline for submitting the three-year investment plan is clarified: it must be submitted on or before December 31 of each year. Second, where a REIT invests through an unlisted SPV or JV, the Fund Manager must certify that such structure does not result in a greater tax burden to REIT investors compared to direct asset ownership, with this certification attached to the REIT Plan and annual reports.¹⁹ These changes make the Fund Manager explicitly accountable for assessing and attesting to the tax impact of structural choices, enhancing transparency and providing regulators and investors with clearer assurance that portfolio structuring is aligned with investor-protection and tax-efficiency objectives.

Looking Ahead

The 2026 Revisions reinforce the original policy objectives of the REIT Act while updating the regime to reflect the growing sophistication of Philippine real estate and infrastructure platforms. By broadening the scope of eligible assets, clarifying the treatment and control of SPVs and JVs, tightening public float, RPT, fee and dividend rules and embedding tax-neutrality

¹³ SEC MC No.1, S.2026, Sec.5.

¹⁴ See SEC MC No.1, S.2020, Rule 5, Sec.9, which provides that any contract, or amendment thereto, between the REIT and related parties must comply with minimum safeguards such as full disclosure, board and independent director approval, approval by the REIT’s RPT Committee, a fairness opinion, and consistency with the Philippine SEC rules on material RPTs for publicly listed companies.

¹⁵ SEC MC No.1, S.2026, Sec.1.

¹⁶ SEC MC No.1, S.2020, Rule 3(ii).

¹⁷ SEC MC No.1, S.2026, Sec.1.

¹⁸ SEC MC No.1, S.2026, Sec.6.

¹⁹ SEC MC No.1, S.2026, Sec.8.

safeguards, the revisions seek to balance flexibility for sponsors and fund managers with stronger protections for public investors.

The scale of the opportunity, and the ground the Philippines has yet to cover, is underscored by a comparison with more established REIT markets. As of July 31, 2025, Japan's REIT market comprised 57 listed vehicles with a combined market capitalization of US\$109 billion, Singapore's REIT market comprised 46 listed vehicles with a combined market capitalization of US\$71.4 billion, and India's REIT ("I-REIT") and Infrastructure Investment Trusts ("InvIT") market comprised 21 listed vehicles (five I-REITs and 17 InvITs) with a combined market capitalization of US\$33.2 billion. Even China, which only introduced its REIT regime in 2021, one year after the Philippines, already had 66 listed vehicles with a combined market capitalization of approximately US\$27.7 billion. By contrast, as of July 31, 2025, the Philippine REIT market, which saw its inaugural listing only in 2020, comprised only eight listed REITs with a combined market capitalization of US\$4.6 billion.²⁰

The 2026 Revisions seek to close that gap by expanding the universe of qualifying assets, accommodating more flexible holding structures and strengthening governance and transparency standards, thereby creating a more competitive platform for attracting both domestic and foreign capital into Philippine real estate and infrastructure. Notably, the 2026 Revisions also position the Philippines to capitalize on some of the fastest-growing asset classes in the global REIT universe. Data center REITs, in particular, have emerged as a major growth segment driven by the rapid expansion of cloud computing, artificial intelligence workloads and digital infrastructure demand across the Asia-Pacific region. Singapore REITs with data center exposure had a combined market capitalization of approximately US\$18 billion as of February 14, 2025.²¹ Moreover, global data center capacity is projected to grow at 15 percent per year between 2023 and 2027.²² By expressly encompassing data centers, ICT infrastructure and energy infrastructure within the definition of income-generating real estate, and by introducing tailored, materiality-based disclosure standards suited to non-traditional asset classes, the 2026 Revisions lay the regulatory groundwork for Philippine REITs to participate in this structural growth trend and compete more effectively with regional peers for investor capital.

If effectively implemented, these changes should support continued REIT listings and asset injections in the Philippines, promote deeper and more transparent capital markets and enhance the long-term attractiveness of REITs as a vehicle for funding real estate and infrastructure development.

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²⁰ Knight Frank India, *India's InvIT Market Poised for 3.5x Surge to USD 258 Bn by 2030, Emerging as Global Infrastructure Investment Magnet* (August 19, 2025), available at <https://www.aprea.asia/wp-content/uploads/2025/08/Indias-InvIT-Market-Poised-for-3.5x-Surge-to-USD-258-Bn-by-2030-Emerging-as-Global-Infrastructure-Investment-Magnet-Knight-Frank-India.pdf> (last accessed March 3, 2026).

²¹ Combined market capitalization calculated by aggregating the market capitalizations of REITs in Singapore with data center exposure as reported by SGX and Bloomberg as of February 14, 2025. See SGX Research & Education, *REIT Watch: Data Centre S-REITs Report Growth in Latest Results* (Feb. 17, 2025), available at <https://www.sgx.com/research-education/market-updates/20250217-reit-watch-data-centre-s-reits-report-growth-latest>.

²² Singapore Exchange Limited, *REIT Watch – Data Centre S-REITs Report Growth in Latest Results*, SGX Market Updates, February 17, 2025. Available at: <https://www.sgx.com/research-education/market-updates/20250217-reit-watch-data-centre-s-reits-report-growth-latest> (last accessed March 12, 2026).

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