



Regulating the Conversion of Real Estate Companies into Real Estate Investment Funds

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Introduction

On 3 September 2025, the Egyptian Financial Regulatory Authority (“**FRA**”) has issued a decree (the “**Decree**”), to be applied starting from 4 September 2025, establishing a regulatory framework governing the conversion of companies engaged in real estate investment or development into entities licensed to operate as Real Estate Investment Funds (“**REIFs**”) under the Capital Market Law No. 95 of 1992 and its Executive Regulations.

The Decree reflects the FRA’s continuing effort to broaden the range of non-banking financial instruments, enhance market transparency, and align Egypt’s regulatory infrastructure with international investment fund practices.

Scope and Applicability

The Decree stipulates that its provisions apply to companies already engaged in real estate investment or development which seek to convert into REIFs. The conversion is optional but contingent upon the company’s satisfaction of specific financial, structural, and procedural conditions.

Substantive Requirements for such conversion

Corporate and Operational Conditions:

A company seeking conversion must:

1. Be incorporated as a joint-stock company;
2. Have real estate investment or development within its objects reflected in its commercial register;
3. Have conducted such business for at least three (3) years prior to the conversion request;
4. Ensure that its real estate assets and investments conform to REIF requirements under the Capital Market Law, its executive regulations and FRA regulations, including proper registration;
5. Submit audited financial statements for the preceding years, approved by the company’s general assembly; and
6. Obtain the consent of its creditors to the conversion.

Capital and Equity Requirements:

The Decree imposes strict financial thresholds:

1. The issued and paid-up capital must not be less than EGP 5 million (or equivalent in foreign currency);
2. Net equity must represent at least 40% of total assets, with a minimum value of EGP 500 million, excluding revaluation differences; and the remaining net equity, as per approved financial statements, must be used for subscription in the REIF units post-conversion.

Procedural Framework:

- **Due Diligence and Internal Approvals**

The conversion process requires the preparation of comprehensive due diligence reports covering legal, financial, and tax aspects, specifically verifying property ownership, encumbrances, and



asset conditions. Those reports must be prepared by qualified experts and approved by the company's board.

The company must also obtain initial and final approvals from its ordinary and extraordinary general assemblies ("OGSMs" and "EGSMs"), covering financial statements, investment policy, capital adjustments, and mechanisms for dissenting shareholders to complete their exit process from the company prior to licensing. Moreover, acknowledging that the company's equity shareholders will still retain a minimum of 75% of the company's equity for at least 2 consecutive financial years (minimum of 24 months).

- **FRA Review and Non-Objection**

The company must file a request for non-objection with the FRA before considering the same before the company's EGSM, accompanied by:

- The due diligence reports;
- Certified minutes of the relevant general assemblies certified from the relevant authorities;
- Audited financial statements and auditor reports verifying REIF compliance; and
- A feasibility study demonstrating the fund's operational viability post-conversion.

The FRA may conduct on-site inspections or appoint external experts at the company's expense. The FRA must respond within 30 days from the date of submission of a complete file.

- **Final Conversion and Licensing**

Following the FRA's non-objection, the company is required to convene an EGSM to:

- approve the transition from its current legal framework to the Capital Market Law regime;
- amend its name and objects to align with REIF activity;
- adjust its capital structure and ownership in accordance with applicable regulations; and
- approve a disclosure report, published on the company's website.

Upon completion of these steps, the company must apply to the FRA for final licensing to operate as a REIF.

Conclusion

The Decree represents a forward-looking step toward institutionalizing REIFs in Egypt. Its procedural and financial requirements are designed to protect investors, ensure market integrity, and foster sectoral growth. It further grants the opportunity for operating companies to convert to REIFs directly instead of incorporating a new different entity.