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From paradox to opportunity: designing a hybrid REIT Model for Romania's emerging capital market

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Abstract. *This paper addresses the Romanian real estate paradox: despite the highest EU homeownership rate (95%) and billions EUR in commercial properties, capital remains trapped in illiquid structures. We propose a hybrid R-REIT framework combining fiscal neutrality (0% corporate tax, 8% preferential dividend), progressive capital thresholds (€10M→€15M), and enhanced transparency (mandatory stress testing). Comparative analysis (US, France, Spain, Bulgaria, Poland) validates the model. Projected impact: +€650M-1B BVB capitalization (year 5), €400-600M Pension Fund allocation, competitive 6-6.5% yields versus Fidelis bonds. Implementation requires Fiscal Code amendments Q2-Q3 2026.*

Keywords: Real Estate Investment Trusts, fiscal transparency, capital market development, Romania, securitization.

JEL Classification: G23, G28, O16.

1.1. Context of the problem: the Romanian real estate paradox

Capital markets reach maturity when they can transform high-value but illiquid assets into divisible parts. We can also call this tokenization, given that blockchain technology is now much more prevalent in the mainstream. Putting this definition in the context of Romania's emerging market, it seems that it has not yet reached a sufficient level of development. Despite massive real estate developments in recent years, the connection between such assets and capital markets is almost non-existent. This research aims to review the legislative absence of real estate investment funds.

Romania is a paradoxical environment. The last three decades have been marked by major transformations, moving from the planned economy of the 1980s, which led to the revolution of 1989 and then to a new form of government in the 1990s, to the reopening of the Bucharest Stock Exchange in 1995 after 50 years of "suspension." Although the transition to capitalism has made Romania the country with the highest number of property owners in the European Union, and although the reopening of the stock exchange has opened the door for those eager to invest in various financial instruments, Romania has not yet regulated an instrument that is very popular in countries such as the United States, France, Spain, and many others.

At the beginning of 2026, the BVB still does not offer those famous REITs, i.e., real estate investment funds, for trading, although their regulation would be quite easy if we were to take a model such as the American one, which has proven to be a fairly solid example when discussing such an investment. The paradox is even more significant when we realize that real estate has been the main method of leaving a legacy to future generations, with a rate of approximately 95% of owners, and that the commercial real estate sector attracts billions of euros in foreign investment. From another perspective, all these investments represent locked-up capital.

1.2. Manifestation of the paradox: missed opportunities and inefficiencies

At present, Romania offers investors who want to expose themselves to the real estate sector only the possibility of direct ownership of the property, which comes with a high entry cost, the hassle of management, and a lack of diversification, provided that they purchase a single property. And even though the Bucharest Stock Exchange lists companies such as Star Residence Invest, which has called itself a REIT, this is not a "true" instrument, it is actually a holding companies without the fundamental characteristics of a true REIT: fiscal transparency, mandatory 90% distribution, and specialized regulatory oversight.

In short, the lack of REITs creates three major systemic inefficiencies:

1) **Capital immobilization**, with many mature portfolios remaining locked in private companies, unable to access public markets
2) **Underrepresentation on the Bucharest Stock Exchange**, with the real estate sector accounting for less than 2% of the stock market capitalization (compared to 8-12% in mature markets)
3) **Export of returns**, approximately 70-80% of office and logistics assets are owned by foreign funds, which repatriate rental profits instead of distributing them to Romanian pensioners.

1.3. Economic rationale: why REITS now?

Using such a model, functions as a transparent conduit from a tax perspective, passing most of its profits to shareholders. Such a structure mitigates the issue of prioritizing capital retention over shareholder returns.

The implementation of successful models such as SIIC (French) or SOCIMI (Spanish) would require a degree of transparency unprecedented in the Romanian real estate sector. The presence of quarterly reports and property valuations carried out by experts would significantly reduce the information asymmetry that currently prevails in Eastern Europe.

In the current macroeconomic environment, characterized by persistent inflation and volatile interest rates, the search for real returns has become a treasure hunt. History shows that real estate has been a good investment against inflation, but for the institutional sector, mainly Pillar II pensions, REITs would be a necessity. Such funds need long-term instruments, predictable sources of income to cover possible losses, a requirement that is not sufficiently met by bonds or the BET index in the banking and energy sectors.

1.4. Research objective and central hypothesis

The main objective of this research is to formulate a solid model for implementing REITs in Romania (R-REIT), which uses international best practices but is tailored to the specificities of the Romanian tax code.

The central hypothesis is that the adoption of an R-REIT framework, anchored in three pillars: (i) the principle of tax neutrality, would attract liquidity to the BVB, both internally and externally (ii) operational standardization (quarterly reporting) (iii) investor protection (mandatory 90% distribution, 60% leverage cap)

1.5. Structure of the paper

Section 2 analyzes the academic foundations: the doctrine of fiscal transparency (Block, 2012; Geltner et al., 2013), integration into Modern Portfolio Theory (Markowitz, 1952), and empirical evidence of institutionalization (NAREIT historical data).

Section 3 conducts a comparative analysis of mature models (American, French SIIC, Spanish SOCIMI) and regional experiences, Bulgaria's unexpected success and Poland's legislative paralysis, to extract applicable lessons: Bulgaria demonstrates viability in emerging markets, Poland illustrates the cost of inaction.

Section 4 details the proposed R-REIT architecture: entity structure, tests, tax treatment, and governance.

Section 5 quantifies the economic impact on market liquidity and the attractiveness of such instruments to institutions.

Section 6 summarizes the conclusions, acknowledges limitations, and provides an actionable legislative roadmap.

2. Literature review

2.1. Theoretical foundations: fiscal transparency

The economic foundation of REIT structures lies in the principle of fiscal transparency. Block (2012, p. 338) characterizes REITs as a "fiscally transparent conduit": “REITs generally don’t pay corporate income taxes; rather, their shareholders pay taxes on the REIT’s earnings as they are distributed in the form of dividends.”

Commercial Real Estate, Analysis and Investments, written by Geltner et al. (2014, 3rd edition) expands on the hypothesis of a level of capital allocation, especially in this capital-intensive real estate industry, and the elimination of double taxation allows for higher dividend yields to investors and more aggressive reinvestment. The structure mentioned in the two studies also forms the framework for the European models, the French SIICs (2003) and the Spanish SOCIMIs (2009).

2.2. Reits in modern portfolio theory

Markowitz (1952) argues that portfolio efficiency is achieved by maximizing return for a given level of risk. REITs fall into a different category than bonds (low volatility, moderate yield) and stocks (high volatility, growth potential).

Two distinguishing features:

- **Benefit of diversification**: REITs' main income comes from rents or property valuations, not from sales of products or services. This source of income is not correlated with corporate profitability.
- **Protection against inflation** through lease agreements that allow for CPI indexation, providing a dual mechanism for hedging against inflation through nominal rent increases and asset appreciation. This is a critical feature in inflationary environments.

2.3. Mandatory distribution

The requirement to distribute at least 90% of taxable income is the main difference between REITs and traditional corporations, which prefer to retain earnings to finance expansion.

The obligation to direct earnings to shareholders functions more as a disciplinary measure, preventing the accumulation of capital to develop suboptimal projects, forcing external financing, and subjecting management to investor scrutiny.

The counterargument to this constraint is precisely the forcing of external financing at inopportune moments, during periods of asset undervaluation, diluting existing shareholders.\

2.4. Institutionalization of the real estate market

In order to reach the next level of development, the Romanian real estate market must take the step towards institutionalization and transparency. The real estate sector is dominated by owners, private equity firms, and high net worth individuals. Although these categories provided the initial liquidity, they tend to keep the details of their acquisitions fairly private, which propagates asymmetry when it comes to the real price of the asset and raises fairly high barriers to entry for the average investor.

Block (2012, p. 117) documents the American transformation: in 1993, 50 new REITs attracted $13.2 billion in capital ($9.3 billion in IPOs alone), representing a 235% increase over the previous decade (1983-1992: $3.9 billion cumulative). Market capitalization exploded from $5.6 billion (1990) to $38.8 billion (1994), establishing REITs as a mainstream asset class and triggering institutional adoption.

2.5. Summary and relevance for Romania

The challenge for the Romanian system is not technical, given that it has models in more than 40 jurisdictions over the last six decades, but rather the adaptation of the legislative framework, amending Title II of the Fiscal Code and the ASF's monitoring capacity.

The following section compares the American, European, and regional models to extract best practices applicable to the Romanian context.

3. Comparative analysis: global models and regional

3.1. Mature markets paradigms

3.1.1. The American model (1960)

The Real Estate Investment Trust Act (1960) established the fundamental model, through the mandatory distribution of 90% of taxable profits, the 5/50 rule (maximum 50% held by 5 shareholders in the last half of the fiscal year) to maintain a diversified shareholder base, and qualification tests (75% of assets in the real estate sector, 75% of income derived from rents or mortgage interest). Most REITs adopt a voluntary clause limiting individual ownership to 9.9% for compliance reasons.

The model's success is also due to its integration into major indices such as the S&P 500 and the creation of specialized indices such as NAREIT, which have enforced discipline and attracted institutional liquidity. Overall capitalization has grown from $5.6 billion in 1990 to $1.3 trillion in 2024 (approximately 3-4% of the S&P 500).

The model is relevant for Romania because it demonstrates that integration into indices is an important factor for institutional adoption, not just related to the legislative framework.

3.1.2. French SIIC (2003)

Sociétés d'Investissement Immobilier Cotées (2003) focuses its portfolio on large-scale commercial properties (shopping centers, office towers). The technical specifications mention exemption from income tax, mandatory distribution of 95% of rental income and 85% of capital gains, but with a more relaxed asset test (60%) than in the US.

The main difference is the easy conversion mechanism for existing entities. One example is Unibail-Rodamco, which managed to transform its private holding company into a REIT without having to pay taxes on unrealized capital gains, paying only a 19% tax on free reserves at the time of conversion.

The model provides a roadmap for converting existing developers in Romania, such as AFI Europe, One United, Iulius, etc., without penalizing them and forcing the build of the R-REIT market.

3.1.3. Spanish SOCIMI (2009-2012)

SOCIMI (Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario) launched in 2009, decisively reformed in 2012 after the financial crisis. The parameters under which they operate include income tax exemption, different percentages depending on the source of the profit (80% of rental income, 50% of capital gains, 100% of dividends received from subsidiaries), an 80% asset test, and a mandatory holding period of at least three years.

The 2012 reform led to the absorption of toxic assets by providing a securitization vehicle. This attracted global funds such as BlackRock, which invested €2.1 billion in Testa Residential SOCIMI, and Blackstone, which invested €1.3 billion in Hispania SOCIMI, taking advantage of zero taxes and low prices.

The relevance of the model is linked to the countercyclical mechanism that the structure offers in times of stress, attracting institutional capital when banks want to withdraw.

3.2.1. Bulgaria

The Bulgarian model was unexpectedly successful for Eastern Europe, implementing the framework simultaneously with France, six years ahead of Spain and in an emerging economy with GDP/capita of less than €3,000 vs. France's €25,000+.

Parameters: 90% distribution of taxable profit, corporate profit exemption, asset class diversification (offices, retail, agricultural land—unique in Europe).

The real innovation was the inclusion of agricultural land, which mobilized a sector characterized as extremely illiquid and provided institutional investors with a consolidation vehicle.

Despite the fact that the market remained small, reaching a capitalization of €200-300 million in 2024, dividends were consistent (6-8%), attracting domestic retail investors and thus demonstrating that the structure is also suitable for emerging economies without sophisticated infrastructure.

The lesson Romania must learn is that legislative simplicity and consistent enforcement can overcome technical sophistication, so the ASF does not need the capacity of French structures to launch successfully.

3.2.2. Polonia

Poland is the negative example in this study, which despite the size of its economy (GDP €680 billion in 2024) has failed to develop a functional framework despite more than 10 years of legislative projects (2013, 2016, 2019—all of which failed in parliament). The Warsaw Stock Exchange continues to list only cyclical developers using the build-to-sell model.

The consequence of this inability has led to the emergence of "yield export," whereby ~90% of the Class A office and logistics market is owned by international funds: Blackstone (€3+ billion assets), AEW Europe (€2 billion), RREEF (Deutsche Bank, €1.5 billion). Estimated rents of €800 million-1 billion/year are distributed to German, French, and American pensioners, not to Polish pensioners.

The lesson from this example proves that inaction has massive and irreversible opportunity costs, with each year of delay strengthening the dominance of foreign ownership of assets.

3.4. Relevance for Romania

Comparing the two extremes, we realize that Romania has similarities with both:

a) Similarities with Poland:
- Dominance of foreign ownership: An estimated 70-80% of Class A office/logistics space in Bucharest is owned by foreign capital (Globalworth €1.2 billion, NEPI Rockcastle €800 million, Immofinanz €500 million).
- Underdeveloped stock exchange: BVB capitalization €30 billion (15% of GDP) vs. GPW Warsaw €200 billion (29% of GDP)
- Developers avoid listing: AFI Europe, One United, Iulius – all prefer bank/private equity financing, avoiding the stock exchange due to double taxation (29.44% ETR vs. 16% R-REIT projected)

b) Similarities with Bulgaria:
- Emerging economy: Similar GDP/capita (~€18,560 RO vs. €16,260 BG), comparable ASF infrastructure
- Retail appetite for yield: Bank deposits €90+ billion at 2-3% real negative yield → search for alternatives
- Sufficient simplicity: Bulgaria has demonstrated that it does not require France-level sophistication to launch successfully

As already mentioned, the difficulty is not technical but political and lies in the will to act in 2026-2027.

4. Proposed structure for R-REIT

4.1.1. Legal entity and capital structure

The transformation of the Romanian real estate sector requires a robust legal entity to ensure investor protection and development. The joint-stock company (S.A.) is the exclusive form of incorporation, governed by Law 31/1990 with amendments specific to the object of activity.

Progressive model of minimum capital (innovation adapted to the Romanian context):

Initial phase (2026-2029):
- Minimum share capital: €10 million;
- Cap: Maximum of 8 R-REITs during this period;
- Rationale: Allows pioneers to test the market without prohibitive barriers, generating rapid momentum (estimated 3-4 listings in the first 2 years).

Standard phase (2029+)
- Minimum capital raised to: €15 million;
- Applicable to all R-REITs post-2029;
- Rationale: After proof-of-concept, stricter institutional standards ensure economic viability (G&A ratio below 4%) and international credibility.

The transition will be mandatory, and those who fail to reach the €15 million level by December 31, 2032, will have the following options to avoid non-compliance, resulting in the loss of tax exemption after a period of 6 months: (i) secondary capital raise, (ii) reinvestment of retained earnings, or (iii) merger with other R-REITs.

Model justification: Block (2012) warns that an undersized REIT may suffer from fixed costs (management, audit, compliance, valuations) that represent a significant proportion of assets, eroding profit margins and making dividend yields unsustainable. The minimum capital requirement of €10 million ensures that only institutional-grade portfolios will be able to access preferential tax status.

4.1.2. Listing and free float requirements

The clear distinction between R-REITs and private real estate holding companies is achieved through mandatory listing on the Bucharest Stock Exchange within a maximum of 18 months from incorporation.

Minimum free float: 30%

The economic rationale for this threshold is:
- Higher liquidity (30% x €15M = €4.5M public float, if we set a target of 0.2% = €9,000/day);
- Institutional threshold: international mutual funds require a minimum of €4-5M free float to initiate coverage

Shareholder diversification rule:

5/50 rule (US standard): Maximum 50% of capital held by 5 shareholders over the last 6 fiscal months;

PLUS 10/75 rule: maximum 75% held by 10 shareholders:

This set of rules prevents extreme concentration and ensures that 25% of the shares are truly dispersed.

4.1.3. Adaptive governance structure

To balance investor protection with moderate economic viability, we propose a gradual mechanism:

UNITARY system allowed (€10-20M equity):
- Combined Board of Directors (executive + non-executive)
- Composition: Minimum 5 members, of which 3 are independent (60%)
- Economic advantage: Reduction of G&A costs by €80-120k/year (~20-25% savings vs. dualist system)
- Justification: €10-20M portfolios do not justify dualist governance overhead (marginal supervision cost > marginal control benefit)

Mandatory **DUALIST** transition (€20M+ capital):

Executive Board (executive management)
- Supervisory Board (non-executive oversight, 5-7 members)

- Trigger: Equity capital exceeds €20M for 2 consecutive quarters
- Deadline: 12 months from reaching the threshold
- Benefit: Sophisticated governance for scale-up, clear separation of management/ control, enhanced protection against fraud

Mandatory insider ownership: minimum 12% (management with significant participation aligns interests with shareholders, avoids excessive risk, and incentivizes sustainable long-term growth).

Stock-based compensation: 50% din total compensation (CEO/CFO/CIO).

Structure: cash salary 50%, restricted stock units 50% cu vesting 4 ani (cliff 1 an). Global practice REITs: 40-60% equity comp (NAREIT Survey 2023).

4.2. Tax regime: neutrality and conversion incentives

The Romanian context in 2026 presents a unique challenge, with direct competition from Fidelis 10Y EUR government bonds offering a 6% annualised tax-free interest rate. This circumstance requires not only corporate profit exemption, but also preferential treatment of dividends for the viability of projects.

At the corporate level, the profit tax should be 0% (total exemption) provided that the qualification tests are met. At the shareholder level, taxes will be 8% (preferential treatment vs. 16% standard) for individuals, legal entities, and non-residents.

The reason for preferential treatment is the allocation of capital to the real productive economy, financing income-generating properties, jobs, etc., compared to government bonds that finance a government deficit. The international precedent is Belgium, which offers preferential treatment to REITs (15% vs. 30%).

In order to make a quick conversion to R-REIT in Romania, a one-time exit tax of 3% is proposed:

Application mechanism:

Developer X owns a portfolio through an LLC:
- Acquisition cost base (2015-2020): €8M
- Fair market value (ANEVAR 2026 valuation): €15M
- Unrealized gain: €7M

Upon conversion to R-REIT (transfer of assets to new entity):
- Exit tax due: €7M × 3% = €210,000 (one-time payment)
- vs. Standard capital gains tax: €7M × 10% = €700,000 (for PJ)
- Conversion savings: €490,000 (-70% compared to standard treatment)

4.3. Qualification tests: asset, income, holding period

Asset Test - 80%: Minimum 80% of the value of assets represented by income-generating real estate (offices, retail, logistics, residential rentals). The remaining 20% may include: operating cash, government securities (liquidity dividend), assets under development (maximum 24 months), and rent receivables. The 80% threshold (higher than the US standard of 75%) signals enhanced credibility for the emerging market.

Income Test - 75%/95%: (a) Minimum 75% of gross income comes from rents, mortgage interest, dividends from other R-REITs, or sales of properties held for more than four years. (b) Minimum 95% of total income comes from qualified sources.

Holding Period - 4 years: Any property sold within 4 years of acquisition generates profit that is not eligible for exemption (taxed at the standard rate of 16%). Exceptions: (i) bankruptcy of major tenant (>20% NOI), (ii) expropriation, (iii) force majeure (natural disasters).

Compliance: ASF quarterly check, breach of any test = loss of retroactive exemption for the fiscal year + penalties of 0.1%/day.

4.4. Dividend policy: FFO, AFFO, and mandatory distribution

Mandatory reporting formula:

FFO = Net Profit + Property Depreciation - Exceptional Gains Sales

Mandatory distribution: 90% of FFO (not GAAP net profit). Mechanism: R-REIT calculates FFO according to the formula, distributes a minimum of 90% within 12 months after the end of the fiscal year. Non-compliance: Loss of current year exemption + retroactive 16% income tax liability.

AFFO (Adjusted FFO) - Voluntary reporting encouraged:

AFFO = FFO - Recurring Maintenance CapEx (AFFO provides a more conservative view of dividend sustainability.)

The legislative framework presented in section 4 provides Romania with an internationally competitive R-REIT model, adapted to emerging markets and economically viable in the Fidelis 6% context. Section 5 quantifies the projected impact on the financial ecosystem.

5. Economic and financial impact of implementing R-REIT

Implementing R-REIT goes beyond fiscal adjustment; it is a structural reform of the capital market capable of reconfiguring investment flows at the national level. This section looks at the effects on the Romanian ecosystem.

5.1. Transformation of the Bucharest Stock Exchange

A conservative estimate identifies a conversion potential of between €650 million and €1 billion in the first five years after its launch. Currently, we have four developers with portfolios exceeding €100 million. AFI Europe (€800 million → spin-off €250 million), One United (€600 million → €180 million), Iulius (€500 million → €150 million), NEPI/Globalworth selective disposals (€100-150 million).

Only the selection of four companies to transition to REITs can pave the way for a new type of instrument that could reach maturity (year 10) and represent more than 5% of the BSE capitalization in 2025 (€30 billion, 2025).

5.2. Synergy with the Second Pension Pillar

Pillar II funds managed assets worth €20 billion in 2025, but these present a mismatch. The funds invested impressive amounts in bonds, predominantly 10Y, although the investment horizon should be longer. R-REITs offer an optimal profile due to their better yield and moderate volatility, but they offer an increase in net asset value of between 2-3% annually.

Estimated progressive allocation:

Years 1-2: €100-200M (0.5-1%, initial prudence)

Years 3-5: €400-600M (2-3%, established track record)

Years 10+: €1-1.6 billion (5-8%, alignment with NL practices 12%, CA 10%)

5.3. Making real estate investments accessible for retail

R-REITs do not replace direct investments in apartments, but rather expand the range of real estate options with a distinct risk profile.

Comparison: buying an apartment directly requires €50,000-100,000 or €500,000-€5 million in the case of commercial space, which offers leverage and total control, but the risk is concentrated on a single asset and requires 5-10 hours of maintenance per month.

R-REITs are the opposite option: minimum capital of €50-500, instant diversification across multiple buildings, instant liquidity, and professional management included in the price.

In my opinion, the ideal option for investing in both variants is to combine 60% direct investment with 40% R-REITs to have a liquidity buffer.

5.4. Macroeconomic resilience

R-REIT offers three systemic benefits for the stability of the Romanian economy. Inflation protection through dual mechanism: (i) Standard commercial contracts include automatic indexation to Eurozone HICP + 1-2% margin, transferring CPI increases directly to rents, and (ii) EUR-denominated rents reported in RON capture currency depreciation (~2-3%/year historically 2000-2025), providing an implicit hedge for RON investors.

Efficient capital allocation through WACC optimization: R-REITs access capital at 6-7% (tax exemption + public markets liquidity) compared to private developers at 10-12% (taxation + expensive bank financing). The 300-400bp differential forces asset transfers to holders with lower capital costs.

Reduction in sovereign debt pressure: Diversification of Pillar II from 40% government bonds to 30% bonds + 8% R-REIT releases €1.6-2 billion demand on the government bond market. Estimated yield compression of -20-30 basis points generates savings of €30-50 million/year in interest (€150 billion public debt × 0.25% = €375 million per decade). Paradoxically, the "cost" of the R-REIT tax exemption (€60-90 million/year foregone revenue) is partially self-financed through sovereign interest savings.

5.5. Implementation timeline and risks

Years 1-2 (2026-2027) - Setup: Legislative adoption Q2-Q3 2026, first 2-3 R-REITs (AFI, One, Iulius conversions), capitalization €200-350M, BVB impact <2%. Minimal benefits – market too small for momentum.

Years 3-5 (2028-2030) - Growth: Build-up to 5-8 R-REITs, capitalization €650M-1 billion (+3-5% BVB), Pillar II allocation €200-400M, selective inclusion of BET. Validated proof-of-concept, visible benefits.

Years 5-10 (2030-2035) - Maturity: Consolidation of 12-18 R-REITs (small vehicle mergers), capitalization €1.5-2.5 billion (+6-10% BVB), Pillar II €800M-1.5 billion (4-7% assets), multiple BET constituents. Mature market, mainstream asset class.

Critical risks: (i) Real estate crisis 2027-2028 (office oversupply in Bucharest) → NAV collapse, (ii) Fiscal instability (elimination of post-change government exemption – mitigation: 12-year sunset), (iii) Fidelis yields rise to 7-8% → R-REIT non-competitive even with 60% leverage, (iv) Tier 1 developers do not convert → DOA market without anchor entities.

6. Conclusions and recommendations

6.1. From paradox to strategic imperative

The research demonstrated the Romanian real estate paradox, whereby although Romania has the highest rate of homeowners in the EU and attracts billions of euros in commercial real estate, these investments remain locked in illiquid structures, unable to generate returns for the capital market and domestic investors.

The analysis confirmed that the success of mature REIT models lies in a coherent framework that aligns principles such as fiscal transparency, operational standardization, and investor protection.

I consider the regional lesson a necessary sign to stop exporting returns to foreign capital, to German, French, and other nationalities' pensioners, and to strengthen the economic situation for current and future pensioners. Without urgent intervention, Romania risks experiencing the Polish model and the emergence of a possible pension crisis when the "decree" generation retires.

6.2. The hybrid R-REIT model: optimal architecture

The contribution of the research is to propose a progressive R-REIT model adapted to the Romanian reality, not a legislative transplant.

Structural pillars:

1) Progressive capital €10M→€15M: Pilot Phase 2026-2029 (€10M, max 8 entities) allows for rapid momentum, Standard Phase post-2029 (€15M) ensures quality consolidation.

2) Strict qualification tests: Asset 80% (vs. US 75% for extra emerging market credibility), income 75%/95%, holding period 4 years (vs. SOCIMI 3 years to combat aggressive build-to-flip speculation in Romania), 90% FFO distribution.
3) Competitive tax regime: 0% corporate profit + 8% preferential dividend (vs. 16% standard CRITICAL INNOVATION for competitiveness with Fidelis 6%), exit tax conversions 3%.
4) Mandatory minimum leverage: 40% Debt/Assets Pilot Phase, flexibility 40-60% post-maturity.
5) Enhanced transparency: Mandatory annual stress testing

6.3. Priority legislative recommendations

Immediate action Q2-Q3 2026:

Tax Code (Title II) - Art. XXX R-REIT regime:
- 0% profit exemption if: 80% asset test, 75% income test, 4-year holding period, 90% FFO distribution
- 8% preferential dividend for individuals (vs. 16% standard), ESSENTIAL competitiveness Fidelis
- Exit tax conversions 3% (vs. 10% standard capital gains), spin-off incentives

ASF rules:
- Quarterly reporting: NAV (ANEVAR/RICS), reconciled FFO, occupancy, leverage
- Annual stress testing (moderate/severe scenarios) innovative transparency
- Mandatory Big Four external audit

Law 31/1990 - Amendment:
- Exclusive S.A. form, minimum capital €10M (2026-2029) then €15M (2029+)
- Free float 30%, 5/50 and 10/75 anti-concentration rules
- BVB listing: maximum 18 months post-incorporation
- Governance: Unitary permitted €10-20M, Dualist mandatory €20M+ Insider ownership minimum 12% (management + board)

Conversion incentives:

Fast-track ASF approval: 60 days for complete files

Tax holiday on conversion gains for developers (3% vs. 10% standard)

6.4. Research limitations and future directions

Methodological limitations:
a) Extrapolative projections: Estimates of €650 million-1 billion conversion based on comparisons between Poland and Bulgaria, without public commitment from Romanian developers. There is a risk of underestimating/overestimating actual demand.
b) Behavioral assumptions: The model assumes the adoption of Pillar II and retail investors, but does not take into account risk aversion and how much institutional involvement may be delayed.
c) Optimistic horizon: The 5-10 year timeline assumes zero major external shocks.

Future research needed:

1) Comparative tax efficiency between R-REIT vs. direct ownership vs. closed-end funds
2) Pilot case study: Tracking the first Romanian R-REIT (IPO pricing, post-listing performance) for lessons learned and framework adjustment

6.5. Final conclusion

Romania may be on the verge of a capital market transformation. The implementation of such a framework has become necessary in order to avoid the Polish phenomenon, to move the BVB to a new level, and to diversify Pillar II.

The proposed model synthesizes the best practices of the last six decades and over 40 jurisdictions, but requires legislative will. The central thesis pursues a historic opportunity to build a capital market that is also represented in the real estate sector.

For the viability of this model, the preferred dividend is vital in order to offer more solid returns than Fidelis 10Y. The chances of success vs. failure lie in a seemingly minor detail, but one that proves to be fundamental.

The year 2026 could become a turning point for Romania's placement in the REIT market group or it could maintain the status quo, slowing down the maturation of the BVB.

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