GLOBAL EXPANSION OF REITS: U.S. MARKET STRENGTH, POLICY SHIFTS, AND INVESTMENT OPPORTUNITIES

By Skylar Pollock, Esq.
Law Clerk, MIAMI REALTORS® & University of Miami School of Law General Counsel Practicum, Spring 2025
legal@miamire.com

By Alian Collazo
Chief of Commercial, MIAMI Association of REALTORS®
alian@miamire.com

What is a Real Estate Investment Trust?

Simply put, a real estate investment trust, also known as an "REIT," is an entity that owns and typically operates income-producing real estate and related assets.

Since the 1960s, REITs have enabled broad-based U.S. real estate investments in a similar fashion as other asset classes—namely securities[1] Ownership interests in REITs are generally held as shares or membership interests in the entity.

Accordingly, REITs provide a mechanism for investors to earn a share of income produced by real estate ownership, management, and financing without the burden of searching for, acquiring, and holding the underlying asset. REITs are broadly organized into equity or mortgage REITs depending on whether the entity holds real estate itself or only the financing instruments. Some REITs may also be hybrid—holding both real estate assets and mortgages.[2]

In many ways, REITs are like any other for-profit enterprise. REITs may be available public markets (*i.e.*, listed on a national stock exchange), publicly available but not traded (*i.e.*, available in secondary market transactions), or private companies. Unlike ordinary companies, however, REITs are subject to numerous requirements and restrictions that attempt to ensure standard and transparent governance, a concentration of assets and services in the real estate market, and foster broad ownership in the REIT itself.[3]

Created to encourage real estate financing and make real estate investments available to individual investors, REITs are afforded special tax treatment at the corporate level and favorable tax treatment for

[1] Pub. L. No. 86-779, 74 Stat. 998, 1003–08 (1960).
[2] Cong. Research Serv., *Federal Land Ownership: Overview and Data*, R44421, at 2 (2016), https://www.congress.gov/crs_external_products/R/PDF/R44421/R44421.7.pdf.
[3] *Id.*

investors.[4] Additionally, REITs offer potentially tax advantageous investment opportunities for foreign investors desiring to access the U.S. real estate market.[5]

Benefits of Investing in U.S. REITs

U.S. Capital Markets Are Robust, Liquid, and Accessible to Investors

The United States has the largest, most robust, and most diverse capital markets in the world—accounting for 55% of the global public equity market and the largest most developed private capital market.[6] Fostered by a mature regulatory framework, well established legal system, liberal business environment, and fierce competition, U.S. capital markets continue to outpace its international counterparts.[7] Similarly, the U.S. maintains the largest and most robust REIT market, with a scale approximately 10 times larger than the second largest market, Japan,[8] and accounting for approximately half of global listed equity REIT capitalization.[9]

U.S. Law Favors REIT Investors

Most U.S.-based REITs are registered with the U.S. Securities Exchange Commission (SEC) and are available on public capital markets.[10] Publicly traded REITs benefit from strong corporate governance standards established by U.S. law and the REIT's stock exchange rules, extensive SEC public disclosure requirements, an open and dynamic market for REIT shares, and a track record of stable dividends that appeal to both institutional and retail investors.

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[4] Cong. Research Serv., *Federal Land Ownership: Overview and Data*, R44421 (2016), https://www.congress.gov/crs_external_products/R/PDF/R44421/R44421.7.pdf.

[5] *Id.* ; *See also* Ashalata Shettigar, *The Role of REITs for Foreign Investors in U.S. Real Estate*, THE TAX ADVISER (Aug. 30, 2025), https://www.thetaxadviser.com/issues/2025/aug/the-role-of-reits-for-foreign-investors-in-us-real-estate/.

[6] Diana Raedle, *Understanding the U.S. Capital Market Structure for Capital Raising Success*, U.S. DEP'T OF COM., INT'L TRADE ADMIN., at 146 (July 2022), https://www.trade.gov/sites/default/files/2022-07/USCapitalMarket.pdf.

[7] *Id.*; Rafael La Porta, Florencio Lopez-de-Silanes, Andrei Shleifer & Robert W. Vishny, *The Strongest Capital Markets Are in Common Law Countries*, NBER DIGEST (June 1, 1997), https://www.nber.org/digest/jun97/strongest-capital-markets-are-common-law-countries?page=1&perPage=50.

[8] Statista Research Department, *REITs Market Worldwide – Statistics & Facts*, STATISTA (Apr. 24, 2024), https://www.statista.com/topics/10665/reits-market-worldwide/#topicOverview.

[9] National Association of Real Estate Investment Trusts, *REIT Industry Financial Snapshot – Monthly REIT Data for Sept. 2025*, NAREIT (Nov. 5, 2025), https://www.reit.com/data-research/reit-market-data/reit-industry-financial-snapshot#:~:text=Industry%20Size,term%20capital%20gains%20in%202024 ; National Association of Real Estate Investment Trusts, *Global Real Estate Investment: Opportunities & Insights,* NAREIT (2024), https://www.reit.com/investing/global-real-estate-investment#:~:text=How%20Many%20REITs%20Are%20There,bonds%2C%20as%20this%20chart%20shows.

[10] Seung Wha Oh & Andrew Verstein, *The Limits of Algorithmic Governance*, 133 YALE L.J. 812, 812 (2024), https://yalelawjournal.org/pdf/133.3.OhVersteinArticle_akg8rrko.pdf.; U.S. Sec. & Exch. Comm'n, *Real Estate Investment Trusts (REITs)*, INVESTOR.GOV, https://www.investor.gov/introduction-investing/investing-basics/investment-products/real-estate-investment-trusts-reits (last visited Nov. 5, 2025).

Furthermore, under federal law, U.S.-based REITs must distribute at least 90% of taxable income to shareholders annually[11], providing consistent returns even during downward market cycles. Moreover, U.S.-based REITs shares must be transferable[12], contributing to market liquidity; and are prohibited from concentrating a majority of ownership in five or fewer investors[13], ensuring greater diversity of ownership.

Tax Benefits for Foreign Investors of U.S.-based REITs

The U.S. tax system is notoriously complex, even for seasoned investors and practitioners. While a comprehensive discussion of beneficial tax treatment of REIT investments and income is beyond the scope of this article, foreign investors should be aware of certain tax advantages afforded to foreign investors of U.S.-based REITs.

Generally, foreign individuals and corporations are not subject U.S. federal income tax on U.S.-source capital gain unless the investment is: (1) connected with a trade or business in the U.S.; or, (2) the individual who realizes the gain is present for at least 183 days in the US.[14] Depending on the individual's investment strategy, a REIT may effectively be used to minimize their tax burdens with respect to their U.S.-based real estate investments, income, and sale proceeds.[15] Indeed, recent regulatory developments have sought to encourage foreign investment in U.S.-based REITs by, for example, increasing foreign ownership thresholds in REITs before imposing direct foreign income taxes on real estate dispositions.[16]

With careful planning, a foreign investor may effectively use a U.S.-based REIT to eliminate their U.S. tax filing requirements and minimize their U.S. tax liability on their real estate investments.[17] As always, foreign investors should assemble a team of REALTOR® members, accountants, tax advisors, and lawyers for their real estate transactions, especially complicated ones.

Global Listed Real Estate and REIT Trends

The U.S. REIT model has since become the prototype for global markets due to its transparency, regulatory oversight, and accessibility.[18] While REIT regimes have expanded to 42 countries worldwide, the United States continues to anchor the global market. [19] As of 2024, global REITs reached over $2 trillion in equity

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[11] I.R.C. § 857, 26 U.S.C. § 857 (2024).

[12] I.R.C. § 856(a)(2), 26 U.S.C. § 856(a)(2) (2024).

[13] I.R.C. §§ 856(a)(2), 856(a)(6), 542(a)(2), 26 U.S.C. §§ 856(a)(2), 856(a)(6), 542(a)(2) (2024).

[14] Jane G. Gravelle, *Real Estate Investment Trusts (REITs) and the Foreign Investment in Real Property Tax Act (FIRPTA): Overview and Recent Tax Revisions*, CONGRESSIONAL RESEARCH SERVICE (Jul. 14, 2016), https://crsreports.congress.gov/product/pdf/R/R44421.

[15] Shettigar, *supra* note 5.

[16] I.R.C. § 897(k)(1)(B), 26 U.S.C. § 897(k)(1)(B) (2024); *see also Overview and Recent Tax Revisions,* CONGRESSIONAL RESEARCH SERVICE (Jul. 14, 2016), https://crsreports.congress.gov/product/pdf/R/R44421.

[17] Shettigar, *supra* note 5.

[18] Mutahi F. & Othieno F., *Real Estate Investment Trusts versus Direct Real Estate Investments: A Portfolio Optimization Approach*, 4 J. FIN. & INV. ANALYSIS 1, 1–5 (2015).

[19] *Supra* note 1.

capitalization.[20] EPRA data shows that Europe and Asia-Pacific together comprise less than half the market share,[21] underscoring the dominant scale, liquidity, and investor confidence found in the U.S. sector.

This leadership reflects a combination of robust regulation, the depth of the capital markets, and the consistency of U.S. dividend distribution practices, which many countries have attempted to emulate but failed to replicate.[22]

ABOUT THE AUTHORS

Skylar Pollock, Esq. At the time of this writing, Skylar Pollock was a rising third-year law student at the University of Miami School of Law. She participated in the General Counsel Practicum hosted by the MIAMI Association of REALTORS® in the Spring 2025 semester — an opportunity offered to exceptional law students seeking to gain practical experience in the legal field. The only of its kind in the state, and under the supervision of MIAMI REALTORS®' Chief Legal Counsel & COO, Evian White De Leon, students engage in substantive legal work that connects classroom theory with real-world application.

Alian Collazo. Alian Collazo serves as the Chief of Commercial for the MIAMI Association of REALTORS®, where he leads the strategic direction, advocacy, and member-services for the commercial real estate division in one of the nation's top markets. With a background in government relations, grassroots advocacy, and business strategy, he brings a dynamic, forward-looking lens to South Florida's commercial real estate landscape. At MIAMI REALTORS®, he champions initiatives that enhance members' connectivity, skills, and global reach—whether through educational programming, policy engagement, or member marketing tools. Known for his proactive, collaborative style, Alian is dedicated to creating value for commercial practitioners—equipping them not just to navigate, but to shape the market.

[20] Nicole Funari, *Traded REITs Top 1,000 Worldwide*, NAREIT (June 2, 2025), https://www.reit.com/news/blog/market-commentary/traded-reits-top-1000-worldwide.
[21] EPRA Research & Indices Team, *Global Total Markets Table Q4-2024* (Dec. 2024), https://www.epra.com/media/EPRA_Total_Markets_Table_-_Q4-2024_1737474139239.pdf.
[22] Oh & Verstein, *supra* note 10, at 820.