

**R
E
I
T**

**Real
state
investment
trust**

in India - performance so far, economics, tax treatment, etc.

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Scope

◆ REITs- A brief overview

Introduction about REITs and other concepts

◆ Journey of REITs

Journey through the timeline of REIT regulations in India

◆ Structure of REITs

Parties to REIT.

◆ Economies of REITs

Types of REITs, Investment approach etc.



◆ Are REITs Lucrative

Issuer perspective
Investor perspective

◆ Taxation of Income

In the hands of REITs
In the hands of investors

◆ REITs in Indian Market

Snap Shot of Indian market situation, Comparison with Global Peers, Future in India..

◆ REITs – Recapitulated

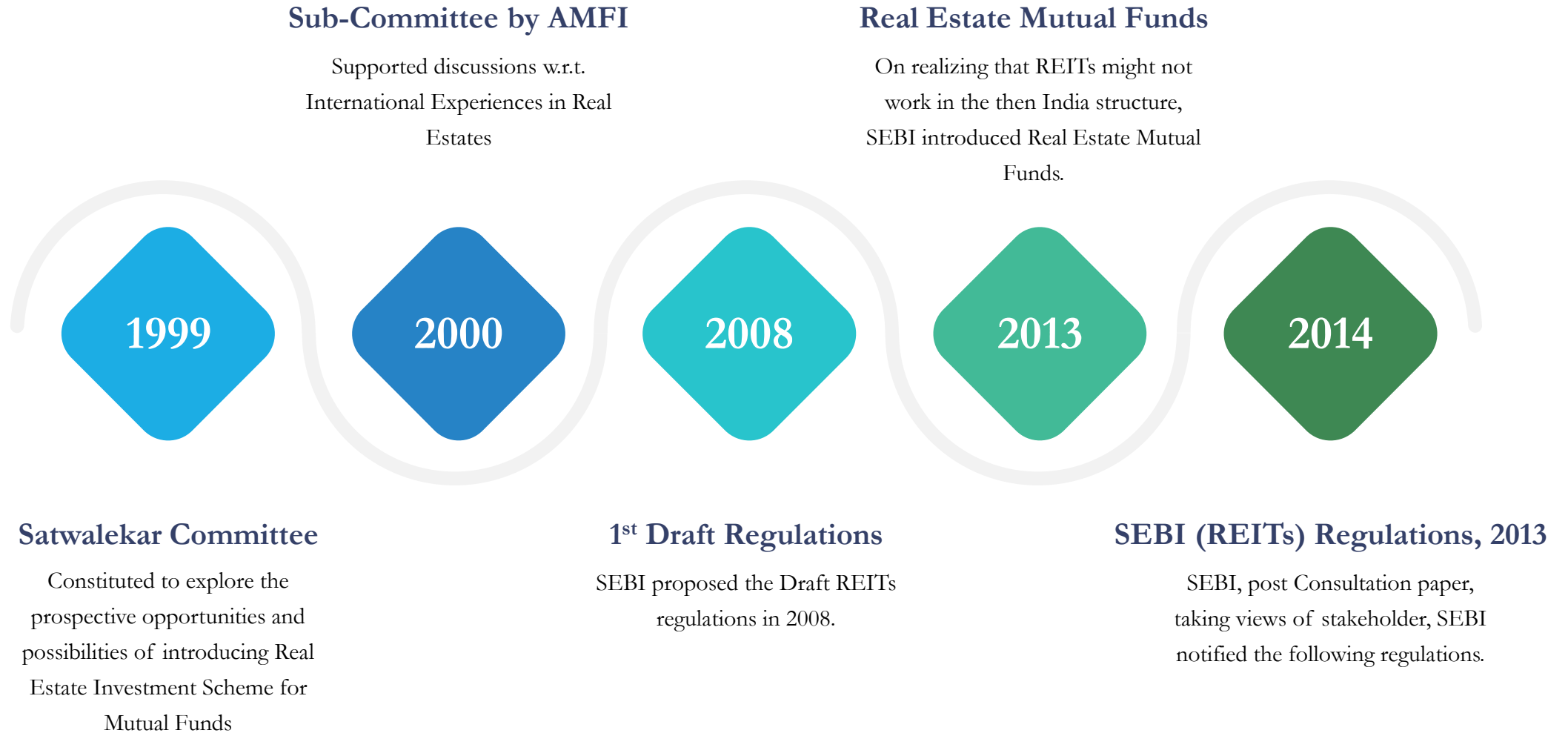
A mind map covering the concept of REITs

REITS – A brief overview.

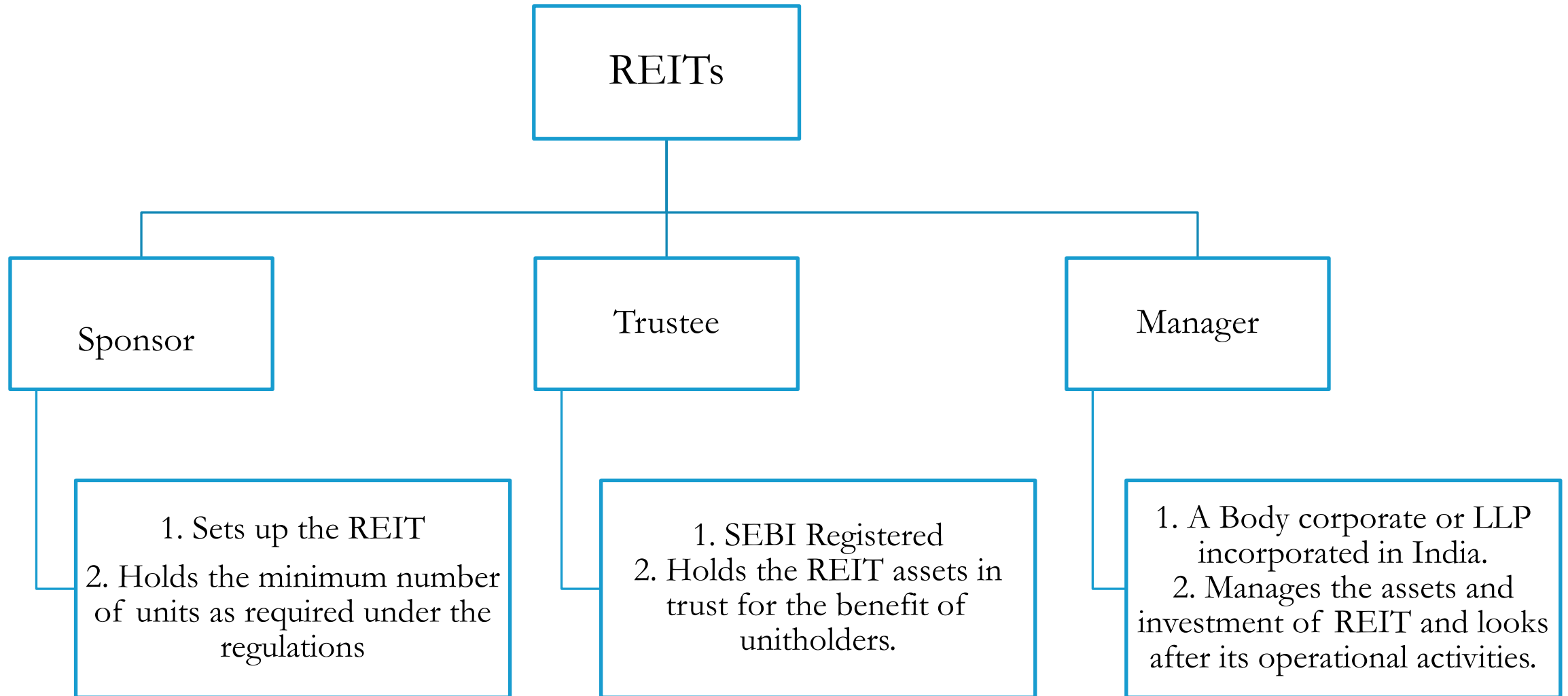
- What are Real Estate Investment Trusts (REITs)
 - In India REITs are regulated as per the **SEBI (Real Estate Investment Trust) Regulations, 2014**. (“Regulations”)
 - REITs are essentially Trusts set up under the **Indian Trusts Act, 1882**.
 - As per the Regulations, “REIT” or “Real Estate Investment Trust” shall mean a trust registered as such under the REIT Regulations.(Regulation 2(1)(zm).)
- On similar grounds to that of Mutual Funds, REITs also pools the capital of various investors by the way of issuance of units.

- To sum it up, REIT is a collective investment vehicle, that owns, operates, or finances income-generating real estate either directly or through Special Purpose Distinct Vehicles (SPVs).
- This unit represents a part of the ownership of the Real Estate held by the REIT, which further entitles the unit holder to get a share in the income generated by the REIT.
- REITs raise funds from a large number of investors and directly invest that sum in income-generating real estate properties (which could be offices, residential apartments, shopping centres, hotels, and warehouses).

Journey of REITs



Structure of REITs

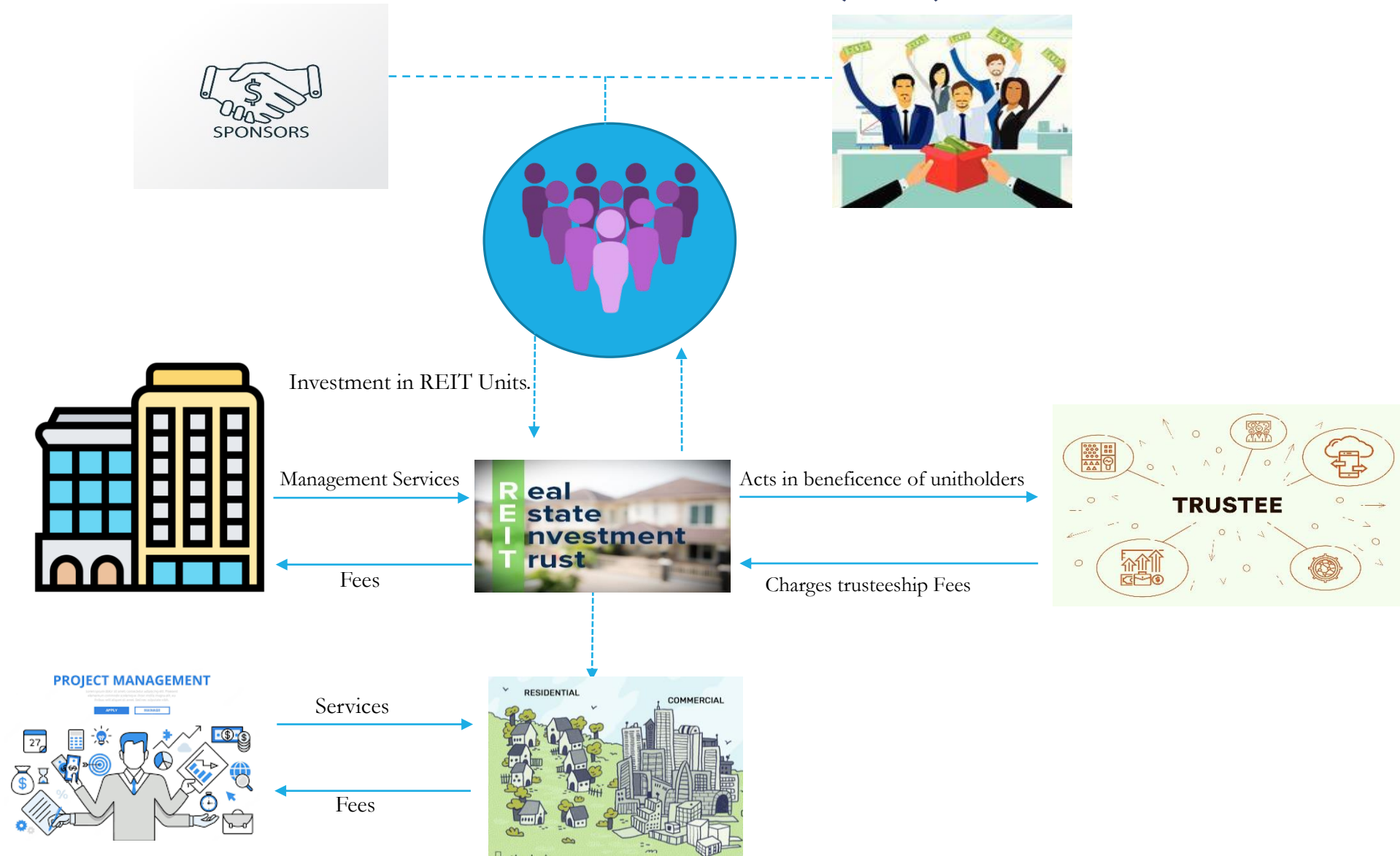


Structure of REITs

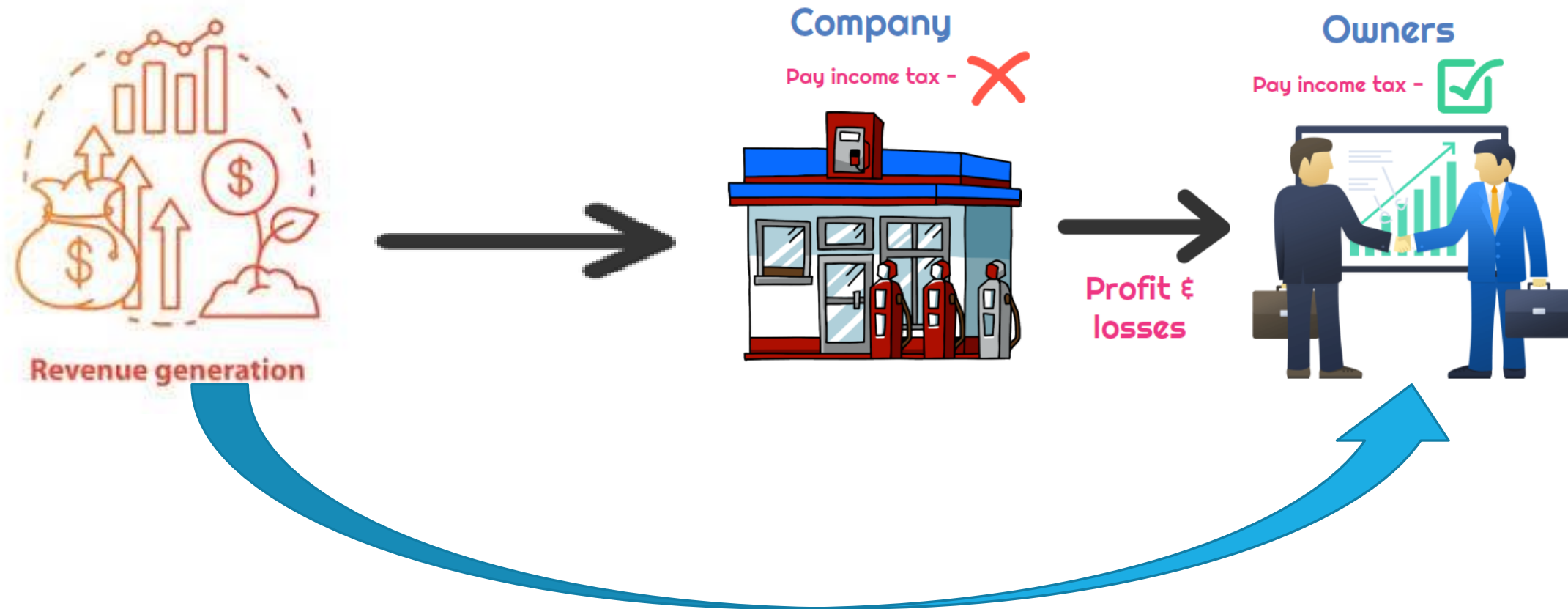
Particulars	Sponsor	Manager	Trustee
Eligibility	-	Company or LLP or Body corporate	Registered under SEBI (Debtenture Trustees) Regulations, 1993.
Net worth	Individual – Rs.25 crore Collectively – Rs.100 crore	For Company or Body corporate – minimum Rs.10 crore In case of LLP the value of net tangible assets shall be considered	-
Experience	Min. 5 years in development of or fund management in Real estate	Same as Sponsor. Additionally to have 2 employees having 5 years of experience in advisory/ property management in Real estate.	-

In addition to above, the Sponsors are required to hold not less than 5 % of units of the REIT on post-issue basis.

Structure of REITs (5/5)

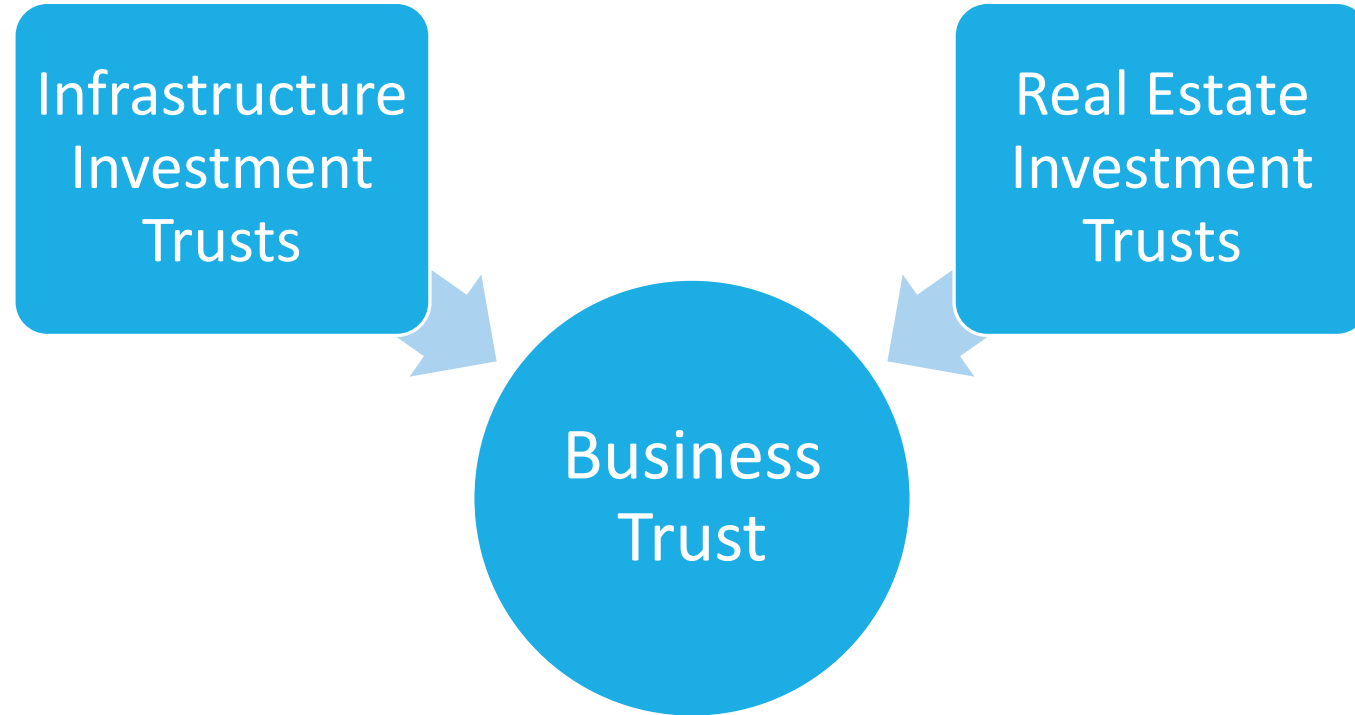


Concept of Pass Through



Income being bypassed and being taxed in the hands of the shareholder.

Pass through concept w.r.t. REITs



REITs & InvITs are classified as business trusts and as per section 115 UA, of Income Tax Act 1961, income so distributed by Business Trust to its Unit holders shall be deemed to be the Income of such unit holders and shall be charged to tax accordingly.

Investment approach

Can Invest in	Cannot Invest in
<ol style="list-style-type: none">1. Holding Company (Hold co.) and/ SPVs2. Properties*3. Transferable Development Rights (TDRs)	<ol style="list-style-type: none">1. Agricultural Land2. Mortgages other than Mortgage Backed Securities (MBS)3. Vacant Land

Investment approach

Minimum of 80% (in value) of REIT assets shall be in:

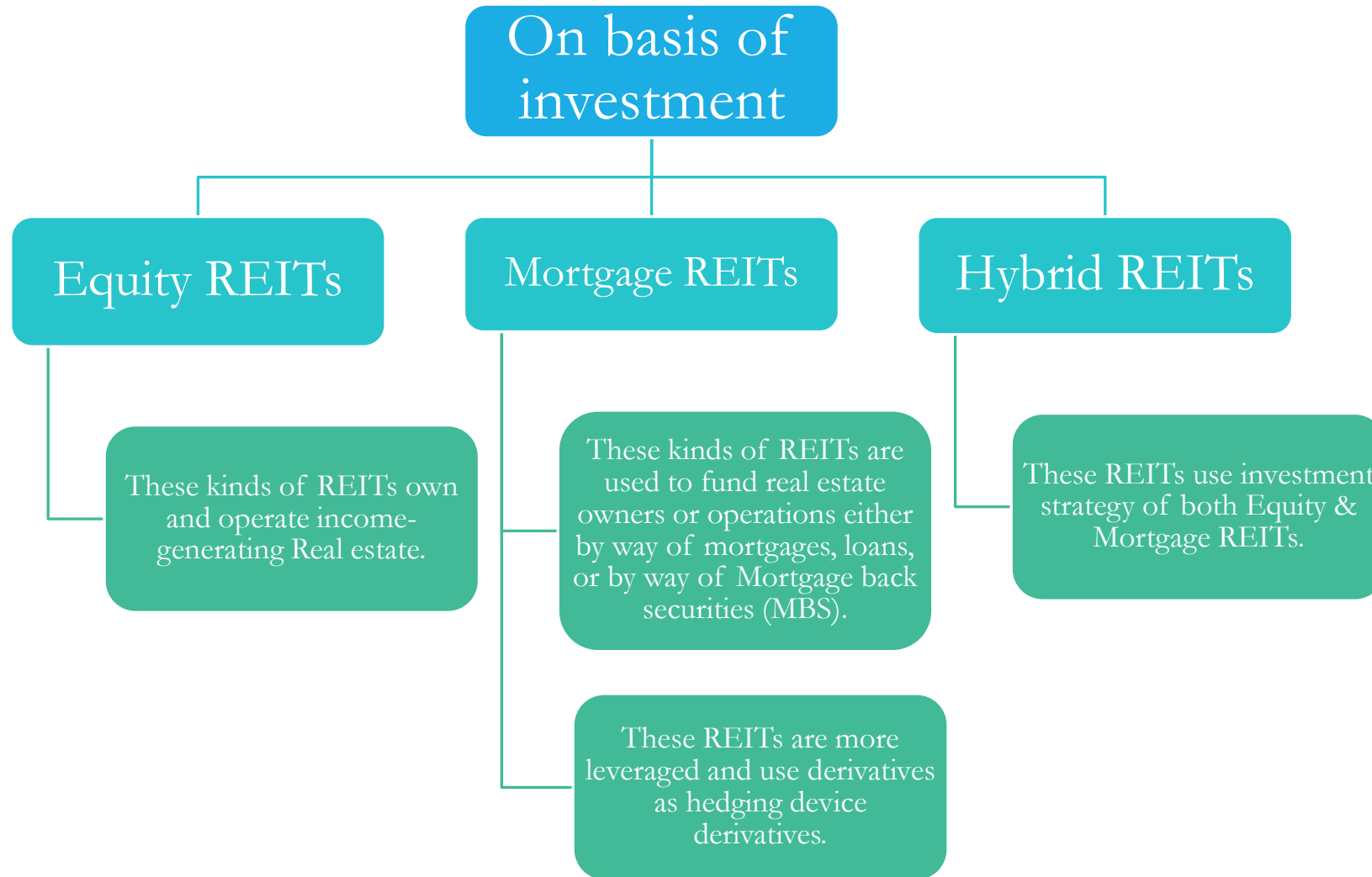
Completed and rent / income generating properties where

- Investment is made by Hold co./ SPVs only the portion of direct investments shall be considered and
- Where the same is made in any project in stages, only the completed part of the project shall be considered.

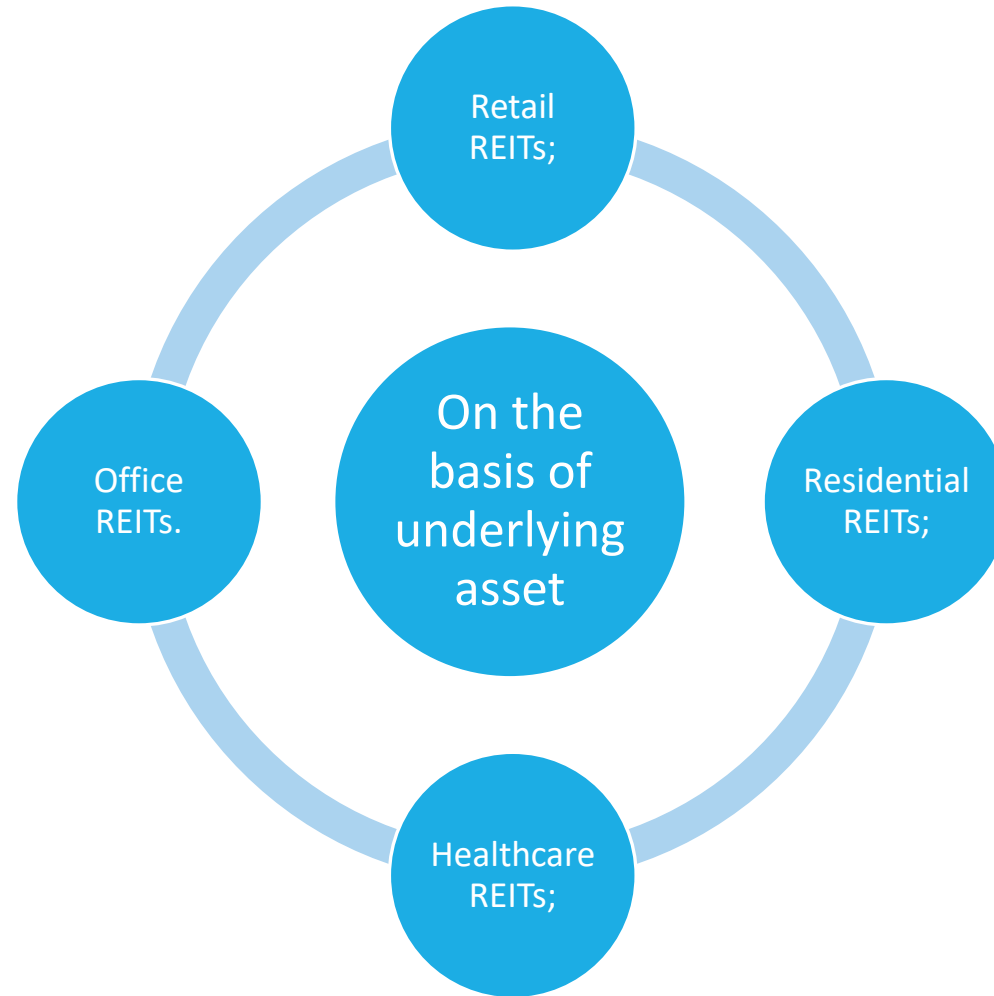
Not more than 20% (in value) of REIT assets shall be in:

- Properties which are under constructions and
 - Shall be held by REIT for a minimum period of 3 years from it's completion;
 - part of existing revenue generating properties owned by REIT and shall be held for 3 years after its completion;
 - Completed but non-revenue generating properties and shall be held for minimum of 3 years from the date of purchase;
- Listed/Unlisted Debt of Companies in Real Estate Sector;
- Mortgage backed Securities;
- Equity of listed/unlisted companies who's 75% income is from Real Estate activities;
- Government Securities;
- Unutilized Floor space index of existing projects
- TDRs
- Money market instruments or cash equivalents

Types of REITs



Types of REITs



Are REITs Lucrative?

From Issuer's Perspective

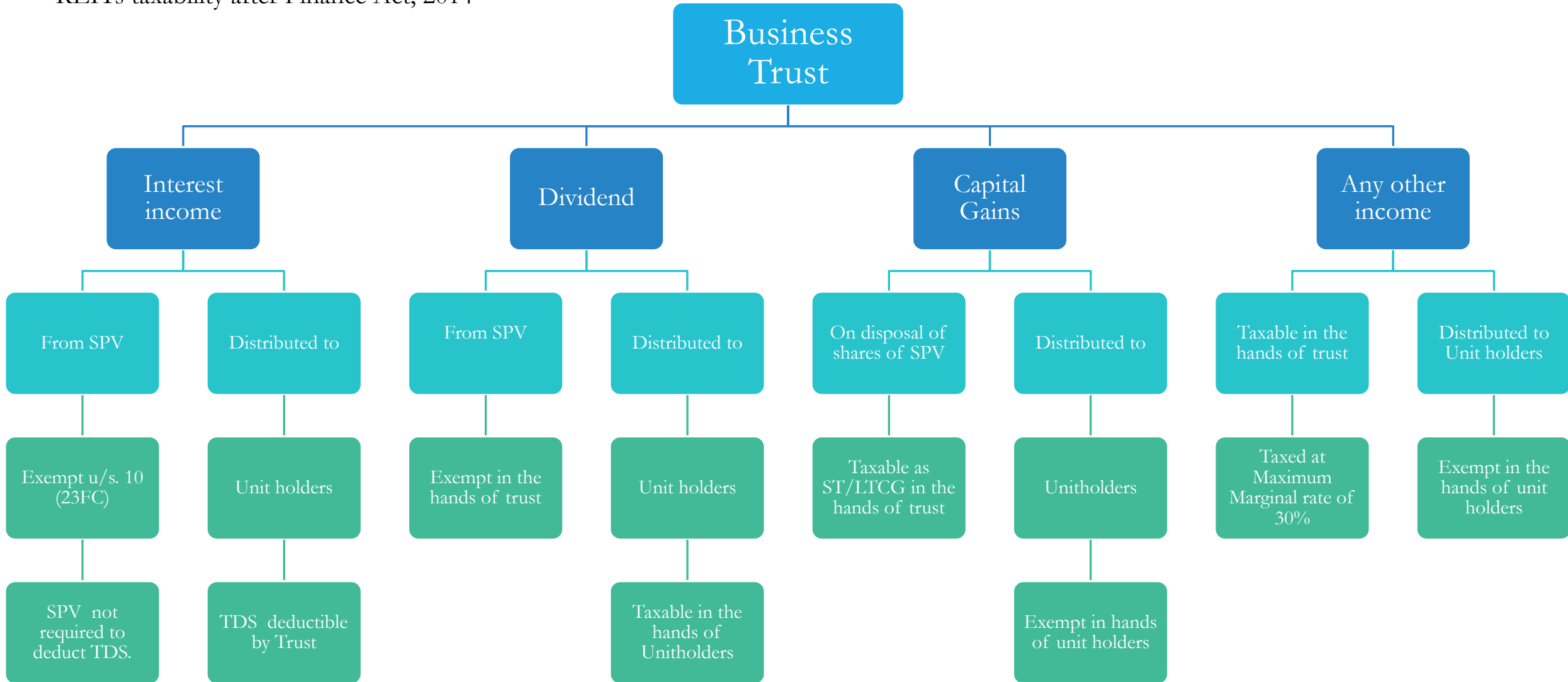
- Monetizes the portfolio of operational assets
- Unlocks capital and deleverages balance sheet
- High credit quality and low cost of capital
- In India REITs get a few exemptions:
 - Dividends or Interest received from the SPVs are exempt from tax,
 - Further, Any income generated from renting or leasing of Real Estate assets which are owned directly by the REIT is also exempt from tax.
 - Additional in India, as Listing of REITs is mandatory, on being listed on stock exchanges it becomes easier to access capital for future growth.

From Investor's Perspective

- Provides steady returns since the regulations, REITs are required to distribute 90% of its income to unitholders
- Good Capital appreciation opportunity
- Helps investor diversify his portfolio, allowing them exposure to Real Estate sector.
- Real Estate is an excellent hedge against inflation.
- REITs allow investor to add Real estate to their portfolios at a small ticket size.
- Unlike traditional real estate investments, REIT units are liquid.
- REITs are professionally managed.

Taxation of Income

REITs taxability after Finance Act, 2014*



REITS in Indian- A case study.

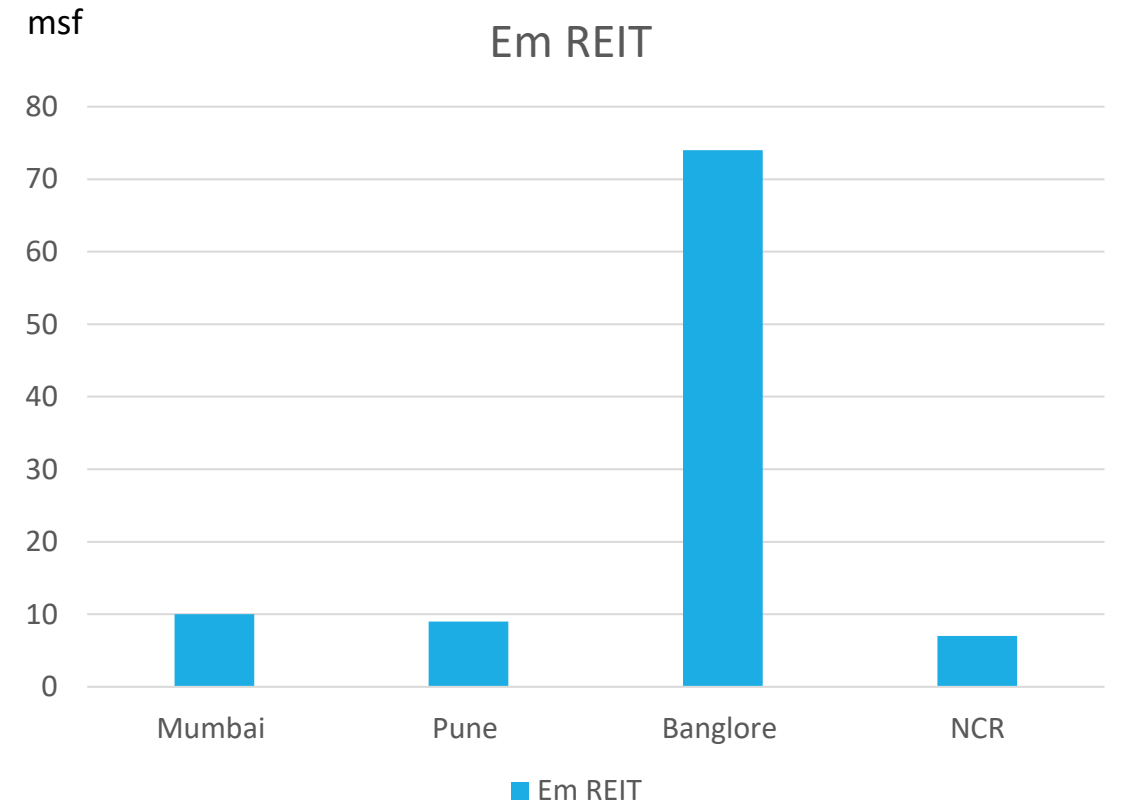
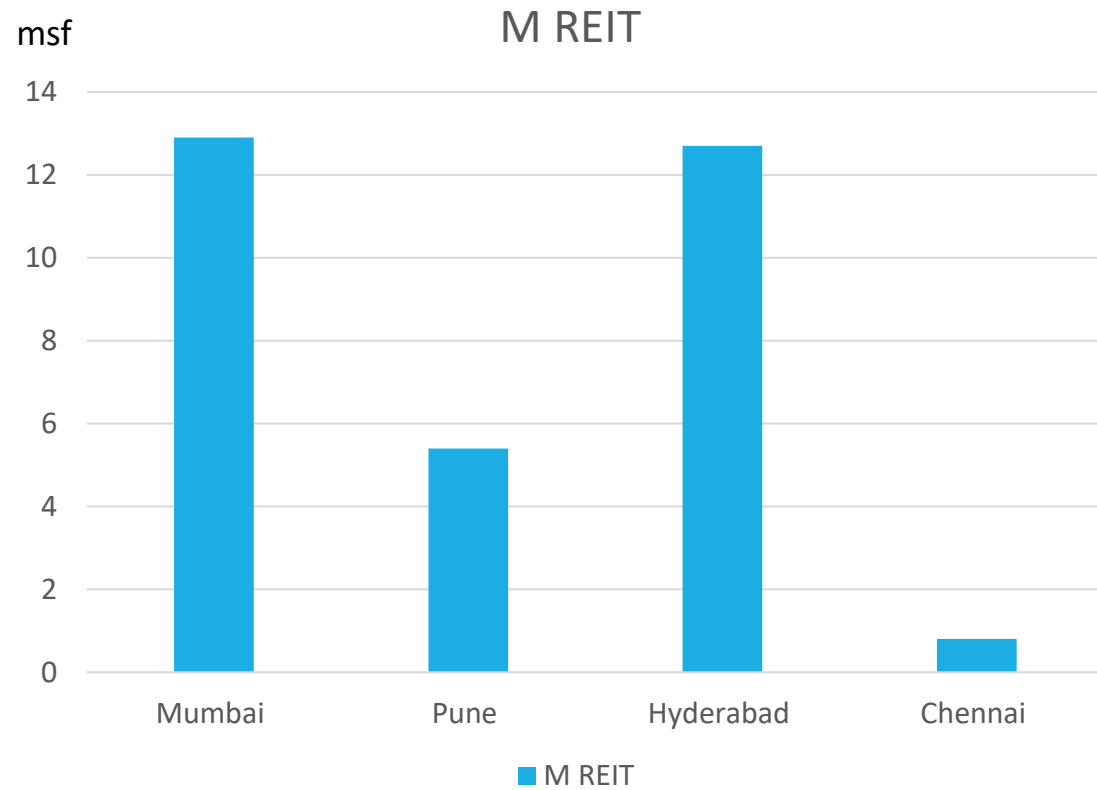
Embassy Office Parks REIT Ltd

- Sponsored by Embassy & Blackstone, Embassy REIT is the first listed REIT in India & the largest in Asia (by area)
- The company owns & operates 42.8 MSF (million square feet). It has a portfolio of eight office parks, six hotels (two are under-construction) & a 100 MW solar power plant.
- occupancy of 87% as of March 31, 2022.

Mindspace Business Parks REIT Ltd.

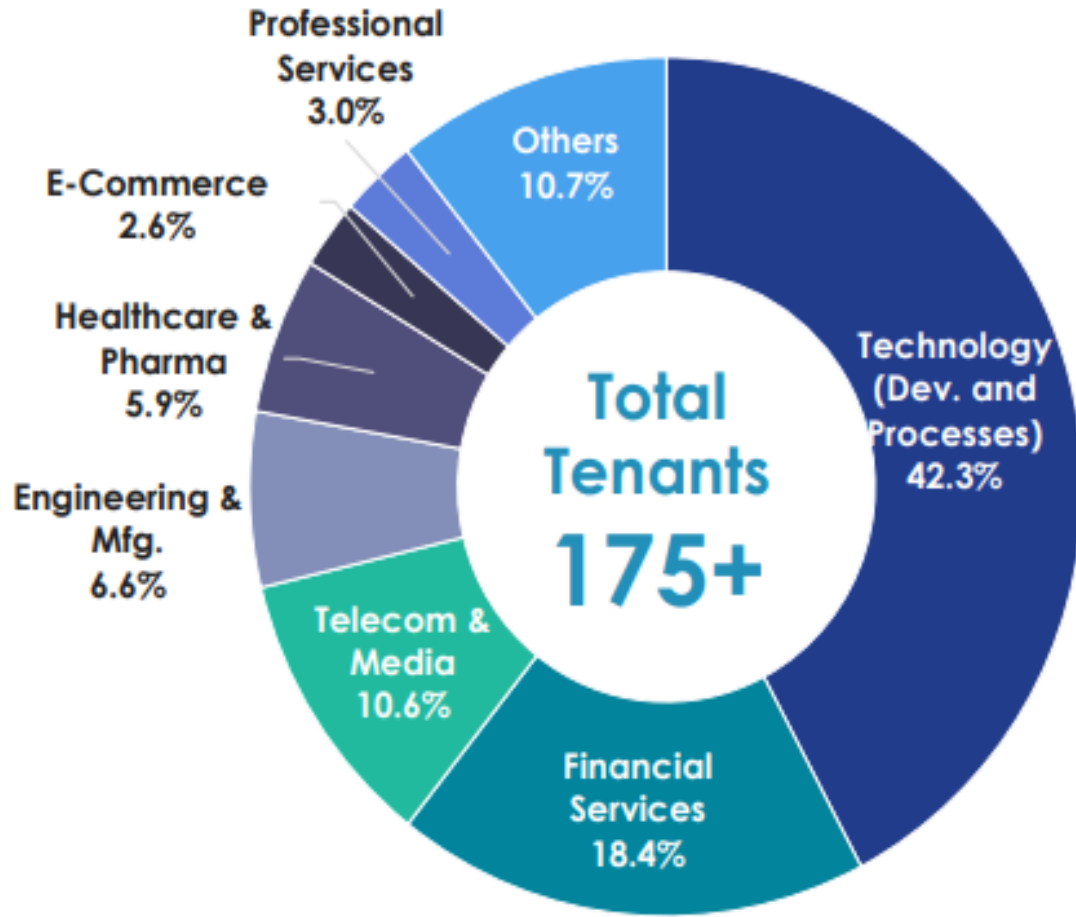
- Mindspace REIT is sponsored by K Raheja Corp Group.
- It has a strong portfolio of office spaces across Mumbai, Pune, Hyderabad & Chennai with a total leasable area of 31.8 msf.
- Occupancy of 84.3% as of March 31, 2022.

Spread of REITs in India

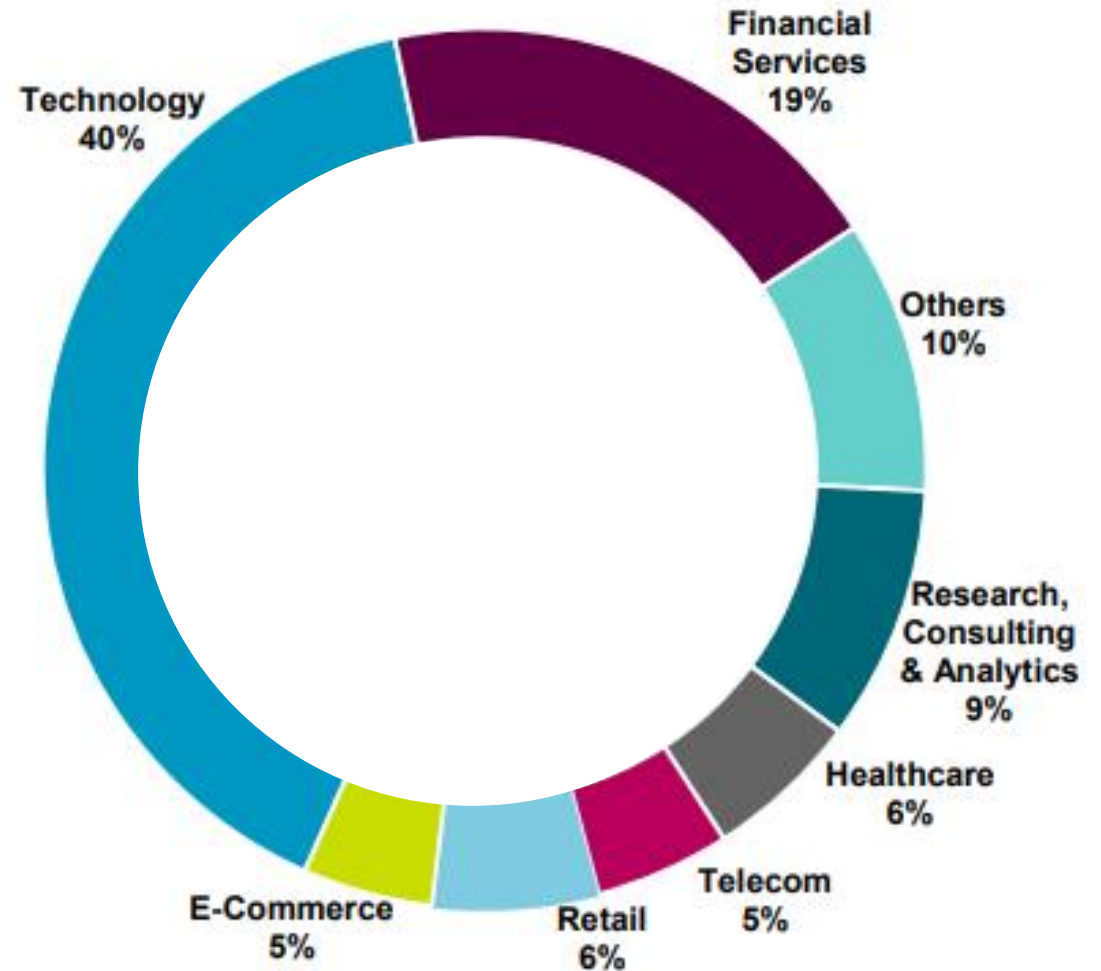


Vis-à-vis comparison between REITs Listed in India in terms of place of assets

REITS – Indian Market Scenario.



Mindspace REIT.









Embassy REIT

Source Investor presentation.

Comparison between REITs in different countries.

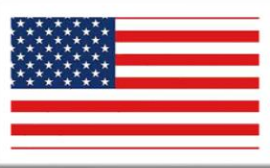


Global REIT market at a glance

	USA	Singapore	Japan	Hong Kong	Malaysia	India
Year of introduction	1960	2001	2001	2003	2007	2014
No. of publicly-traded REITs	194	44	62	11	18	1 *
Market capitalisation of REITs (US\$ bn)	1232	76	148	35	9	4
Market capitalisation of real estate sector (US\$ bn)	1284	137	292	585	22	24
REIT as a % of real estate	 <p>REIT Mcap 96% Other Real Estate 4%</p>	 <p>REIT Mcap 55% Other Real Estate 45%</p>	 <p>REIT Mcap 51% Other Real Estate 49%</p>	 <p>REIT Mcap 6% Other Real Estate 94%</p>	 <p>REIT Mcap 42% Other Real Estate 58%</p>	 <p>REIT Mcap 17% Other Real Estate 83%</p>

Source: S&P CapIQ as of August 2019

*Data drawn before listing of the other REIT

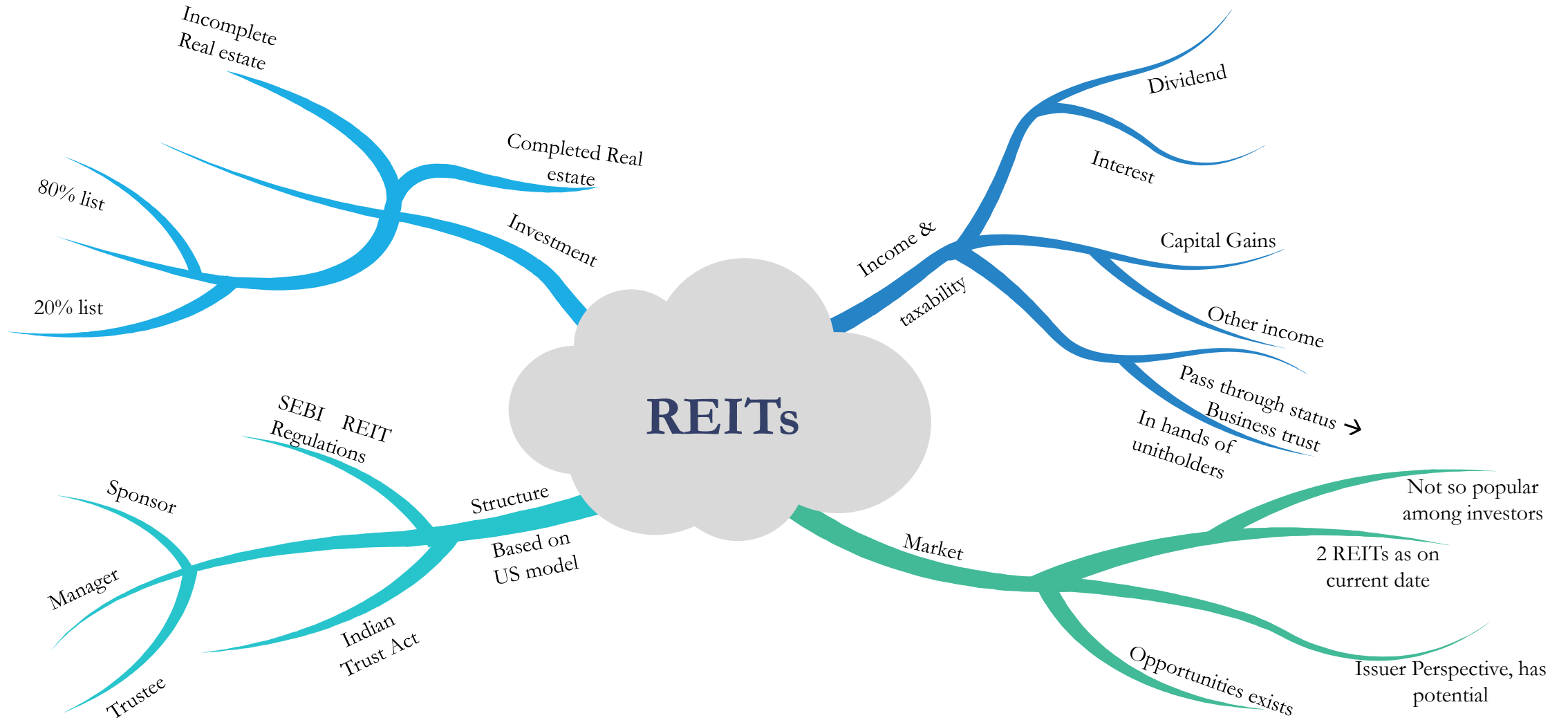
Are Indian investors the only ones skeptical over REIT investments ?

Country	Timeline					
 USA	1960 The Congress introduced a legislation for REITs	1965 First REIT listed on the NYSE	1969-74 Mortgage REITs fuelled the first REIT expansion	1986 Tax reforms and REIT simplification	1989 Dramatic real estate downturn	1991 Kimco's IPO launched the modern REIT era
 Singapore	1999 Regulatory regime for REIT established	2002 CapitaMall Trust is the first listed S-REIT	2005 Five REITs issued	2009 Regulatory support to REITs during the financial crisis	2018 Removal of withholding tax of 17% for S-REIT ETFs	2019 S-REITs' market cap increased at 22% CAGR in the past 10 years
 Japan	2000 REITs framework introduced	2001 Two REITs listed publicly on the Tokyo Stock Exchange	2007 REITs issuance in Japan increased steadily to 42	2012 Listed REITs dropped to 33 owing to consolidation following the financial crisis	2014 Operational REITs increased to 46 in two years after no public REIT issue for five years	2019 Japan has over \$150 billion REIT market cap with 62 listed REITs

Sources: National Association of Real Estate Investment Trust (NAREIT), US, The REIT Association of Singapore (REITAS) and the Association of Real Estate Securitization (ARES), Japan

Recap!

“Buy land, they're not making it anymore.” – Mark Twain



Thank You!