



## An Investigative Study on the Real Estate Investment Trusts & its Growing Awareness in People in India

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### ABSTRACT

Real Estate Investment Trusts (REITs) have emerged as a pivotal financial instrument globally, revolutionizing the real estate investment landscape. In the context of India, the concept of REITs has gained significant momentum in recent years, offering investors an opportunity to invest in the real estate market without direct ownership of properties. The study employs a comprehensive methodology, integrating qualitative and quantitative research techniques to explore the factors influencing the awareness and adoption of REITs in India. The paper investigates the role of government policies, market regulations, and financial literacy programs in shaping public awareness about REITs.

Findings from the study reveal the dynamic nature of REITs awareness in India, shedding light on the challenges and opportunities faced by both investors and regulatory bodies. Furthermore, the research investigates the impact of REITs on the overall real estate market, including its contributions to urban development, infrastructure, and economic growth.

The paper discusses implications for policymakers, investors, and market practitioners, providing valuable insights into strategies for enhancing REITs awareness and participation. By understanding the perceptions and knowledge gaps among potential investors, recommendations are made to streamline regulatory frameworks, develop investor education initiatives, and promote transparent communication channels between REITs and the public. As India's economy continues to grow and urbanize, the findings of this study research contributes significantly for stakeholders aiming to harness the full potential of REITs as a transformative force in the country's real estate and financial sectors.

**Keywords:** *REITs, India real estate market, REITs performance, Dividend yields on REITs, Tax implications of REITs in India, Pandemic Impact real in India, Challenges and opportunities of Real Estate.*

### I. Introduction:

The Indian real estate sector has witnessed significant transformations in recent years, and Real Estate Investment Trusts (REITs) have emerged as a prominent vehicle for investment in this sector. This research paper aims to provide a comprehensive overview of REITs in India, shedding light on their inception, growth, and impact on the Indian real estate market. Additionally, it explores the potential and challenges that REITs face in India, considering economic, regulatory, and market dynamics.

The real estate sector has been a cornerstone of India's economy for decades, contributing substantially to its GDP and employment generation. However, despite its economic significance, the sector has been plagued by various challenges, including a lack of transparency, low liquidity, and limited investment avenues for retail investors. Real Estate Investment Trusts (REITs) emerged as a transformative solution to these challenges, offering an alternative investment avenue for real estate and promising to unlock the vast potential of the Indian property market. Government intervention on REITs typically involves regulations and tax policies to promote transparency, protect investors, and incentivize real estate investments. These interventions may include rules related to REIT structure, tax treatment, and reporting requirements.

Before the pandemic, REITs were experiencing steady growth and popularity as an investment choice. They offered attractive yields and diversification opportunities for investors. The pandemic led to lockdowns and restrictions on businesses, which significantly affected certain types of REITs. For example, retail and hospitality REITs faced challenges due to reduced foot traffic and occupancy rates. It's important to note that the impact of the pandemic on REITs varied by sector and region. Some sectors have since recovered, while others continue to face challenges. Overall, the pandemic highlighted the resilience of certain types of REITs and the need for adaptability in the real estate industry. Investors should carefully consider the specific sub-sector and geographical exposure of REITs in their portfolio to assess their post-pandemic performance.

### ***Evolution of Real Estate Investment Trusts***

The evolution of Real Estate Investment Trusts (REITs) in India has been a significant development in the country's financial and real estate sectors. REITs were introduced in India in 2014, following a regulatory framework established by the Securities and Exchange Board of India (SEBI). Since their inception, they have undergone several key phases of growth and evolution. Initially, the introduction of REITs in India was met with cautious optimism. It allowed investors to participate in the real estate market without owning physical properties. This was a welcome change, as the real estate sector had been largely inaccessible to small investors due to high capital requirements and lack of liquidity.

Over the years, REITs in India have matured and gained popularity among both domestic and foreign investors. They have provided a new source of funding for the cash-strapped real estate industry, which previously relied heavily on bank loans and private equity. This diversification of funding sources has contributed to the stabilisation of the real estate sector.

Moreover, the regulatory environment surrounding REITs has evolved to make them more attractive to investors. SEBI has made amendments to the regulations to address concerns and facilitate the growth of the REIT market. These changes include allowing REITs to invest in under-construction properties and reducing the minimum asset value requirement for REITs.

The listing of successful REITs on Indian stock exchanges, such as Embassy Office Parks REIT and Mindspace Business Parks REIT, has demonstrated their viability and attractiveness to investors. These REITs have provided stable returns to investors through rental income distribution. In conclusion, the evolution of REITs in India has been a transformative development, offering both investors and the real estate sector new opportunities and growth potential. As the regulatory framework continues to evolve and more properties are securitized through REITs, this investment vehicle is expected to play a pivotal role in India's real estate market in the years to come.

Real Estate Investment Trusts (REITs) in India have been steadily gaining traction within the investment landscape. Since their introduction by the Securities and Exchange Board of India (SEBI) in 2014, REITs have provided investors with an avenue to participate in the Indian real estate market without direct ownership of physical properties. The growth of REITs has been notable, with a gradual increase in the number of REITs listed on Indian stock exchanges. These investment vehicles have garnered attention from both institutional and retail investors, drawn by the potential for stable returns generated from rental income of commercial properties within REIT portfolios. SEBI's regulatory oversight has played a crucial role in shaping the development of REITs in India, ensuring transparency, investor protection, and market integrity. While challenges such as limited availability of suitable commercial properties and regulatory compliance costs persist, efforts are ongoing to address these issues and foster further growth in the REIT market. To stay updated on the latest developments and performance of REITs in India, investors can refer to financial news sources, regulatory updates from SEBI, and reports from major REITs listed on Indian stock exchanges.

### ***Performance of REITS in India***

REIT as an asset class has performed better than BSE Sensex, the Realty Index and most of the small, mid and large-cap mutual funds. Embassy Office Parks REIT garnered a 12% increase in its net operating income (NOI) of Rs. 2,032 in FY 2020-21 on YoY basis. Its revenue grew by 10% to Rs. 2360 crore for the same period.

On the other hand, Brookfield India REIT registered an increase of approximately 4% in its NOI to around Rs 170 crore for Q2 2021 on a Y-o-Y basis. Its unit holders received dividend of Rs 181.7 crore.

Mindspace business parks REIT achieved an NOI of Rs. 358 crores during H1 2021 on a Y-o-Y basis.

Overall, while the Brookfield India REIT recovered exceptionally during the last six months, the Embassy Office Parks REIT and the Mindspace Business Parks REIT never traded below their issue price despite the COVID-19 pandemic.

### ***Future Outlook***

India has approximately 650 million sq. ft. of Grade A office space, of which 310-320 million sq. ft. is REIT-able stock. The current 3 listed REITs manage a portfolio of 87 million sq. ft. Therefore, there is ample potential for more space being added to the existing REITs or the listing of new REITs.

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## **2. Literature Review:**

The Indian real estate sector has long been a pillar of the nation's economy, contributing significantly to its GDP and providing employment opportunities. However, it has grappled with persistent issues, including a lack of transparency, limited liquidity, and restricted investment avenues for retail investors. This section presents a review of relevant literature that sheds light on the emergence and impact of Real Estate Investment Trusts (REITs) as a transformative solution to these challenges in the Indian context.

The inception of REITs as a financial instrument for real estate investment dates back to the United States in the 1960s. REITs have since gained prominence worldwide, with studies documenting their evolution and benefits. Global experiences serve as valuable benchmarks for understanding the potential of REITs in the Indian market (Eichholtz et al., 2020; Hoesli & MacGregor, 2016).

### **2.1. Regulatory Framework for REITs in India**

Understanding the regulatory framework governing REITs in India is crucial. The Securities and Exchange Board of India (SEBI) introduced the regulatory framework for Indian REITs in 2014, with subsequent amendments. Researchers have examined the evolution of these regulations and their impact on the market (Singh & Agrawal, 2019; Goyal & Singh, 2020).

### **2.2. Impact of REITs on Real Estate Markets**

Studies from various countries have highlighted the transformative effects of REITs on real estate markets. These effects include increased liquidity, enhanced transparency, and changes in investor behaviour. It is essential to assess how these global findings translate to the Indian real estate landscape (Ling & Naranjo, 2006; Bourassa et al., 2010).

Performance evaluation of REITs is a critical aspect of their impact. Researchers have examined the financial performance and returns of REITs compared to traditional real estate investments. This analysis can provide insights into the attractiveness of REITs for investors in the Indian context (Case & Shiller, 1988; Hoesli & MacGregor, 2000).

Cultural and behavioural factors play a significant role in investor decision-making. Researchers have explored how cultural and behavioural aspects influence the adoption of REITs in different countries. Examining these factors in the Indian context can offer insights into investor behaviour and preferences (Chan & Zhang, 2011; Amoako-Adu et al., 2019).

### **2.3. Challenges and Barriers**

The literature also highlights the challenges and barriers faced by REITs in various markets. These challenges encompass regulatory complexities, taxation issues, and operational constraints. Given the unique economic and regulatory conditions in India, understanding and addressing these challenges are crucial (Song et al., 2019; Hartzell & Titman, 2006).

### **2.4 Theoretical underpinning**

Real Estate Investment Trusts (REITs) have gained significant prominence in the Indian financial landscape since their introduction. These investment vehicles, designed to channel investments into the real estate sector, have the potential to transform the dynamics of the Indian property market. This section outlines the key objectives that underpin a research paper on REITs in India, highlighting the critical areas of focus and inquiry.

Firstly, it seeks to delve into the evolutionary journey of REITs within the Indian financial landscape, tracing their historical development and the regulatory framework that governs them, thereby establishing a critical historical context. Furthermore, it aims to meticulously dissect the regulatory guidelines set forth by the Securities and Exchange Board of India (SEBI) and the unique legal structures underpinning Indian REITs, offering insights into the intricate regulatory landscape.

The base endeavours to assess the performance of Indian REITs through empirical analyses of key financial indicators like returns, risk, yield, and their correlation with broader financial markets. It strives to uncover the underlying factors that shape the performance of these investment vehicles and determine their appeal to diverse investor profiles. Simultaneously, the research investigates investor behaviour and sentiment towards REITs, utilizing surveys, behavioural studies, and data analysis to shed light on the intricacies of investor decision-making processes, risk perceptions, and diversification strategies.

Another critical facet of the research is an examination of the transformative impact of REITs on the Indian real estate market. The motivation seeks a way into how the introduction of REITs has influenced asset valuation, transparency, and liquidity in the real estate sector, while also considering the broader implications for property owners, developers, and investors. Developer perspectives are equally essential, as the paper seeks to uncover motivations behind listing assets as REITs, exploring how this listing impacts financing strategies, capital raising, and long-term business objectives for real estate developers.

This research paper delves into the fascinating journey of REITs in India, tracing their origins, and growth trajectory, and assessing their impact on the Indian real estate landscape. Furthermore, it critically examines REITs' potential benefits and challenges, considering India's unique economic, regulatory, and market conditions.

Furthermore, one shall scrutinize the challenges faced by Indian REITs, including taxation complexities, regional asset availability constraints, regulatory hurdles, and market volatility, providing a comprehensive view of the obstacles these investment vehicles encounter in India.

### **Research Gap**

1. Impact on Real Estate Market: Investigate the specific impact of REITs on the Indian real estate market. This could include examining how REITs have influenced property prices, demand for commercial real estate, and overall market dynamics.

2. Risk and Return Analysis: Conduct a comprehensive risk and return analysis of Indian REITs to assess their performance relative to other investment options. This could involve examining factors such as dividend yields, capital appreciation, and volatility.
3. Investor Behaviour: Explore the behaviour and preferences of different types of investors (retail, institutional, domestic, and foreign) in the Indian REIT market. Understand their motivations, risk tolerance, and investment strategies.
4. Taxation and Regulation: Investigate the impact of taxation and regulatory changes on the attractiveness of REITs in India. Analyse how changes in tax laws or SEBI regulations affect the structure and performance of REITs.
5. Liquidity and Trading Patterns: Examine liquidity patterns in the Indian REIT market. Investigate factors influencing trading volume, bid-ask spreads, and the role of market makers.
6. Corporate Governance: Assess the corporate governance practices within Indian REITs. Analyse the effectiveness of governance mechanisms in place to protect the interests of investors.
7. Property Type Diversification: Explore the diversification strategies of Indian REITs in terms of property types (e.g., office, retail, residential, industrial). Determine the optimal mix for risk-adjusted returns.
8. Sustainability and Green Buildings: Investigate the integration of sustainability and green building practices in Indian REITs. Assess whether environmentally friendly properties yield better financial and environmental outcomes.
9. Real Estate Financing: Study the impact of REITs on the financing landscape of Indian real estate. Analyse whether REITs have changed the sources and terms of real estate financing.
10. Regional Variations: Examine regional variations in the performance and adoption of REITs in India. Compare the dynamics of REITs in major cities and smaller towns.
11. Investor Education and Awareness: Evaluate the level of investor education and awareness about REITs in India. Identify strategies to enhance investor understanding and participation.
12. Market Volatility and Economic Shocks: Investigate how Indian REITs respond to economic shocks and market volatility. Assess their resilience and ability to provide stable returns during turbulent times.

## **2. B. Research Objectives:**

Before delving into the research methodology, it is essential to revisit the research objectives established in the earlier section of this paper. The primary objectives of this study are as follows:

- To examine the performance of Indian REITs, including financial metrics, risk factors, and market correlations.
- To analyse investor behaviour and sentiment toward REIT investments in the Indian context.
- To investigate the impact of REITs on the Indian real estate market, including asset valuation, transparency, and liquidity.
- To explore the perspectives of real estate developers regarding REIT listings and their impact on financing strategies and capital raising.
- To identify and understand the challenges faced by Indian REITs, such as taxation complexities, asset availability, regulatory hurdles, and market volatility.

## **2.C Hypothesis**

- Ho: There is no significant relationship between real estate investment trusts and its benefits to people with reference to India
- Ha1: There is a significant relationship between rising awareness of people and growth in real estate investments trusts with reference to India.
- Ha2: There is a significant impact of real estate investment trusts and their benefits to economic development with reference to India.
- Ha3: Real estate investments trusts and awakening of financial inclusion with reference to Indian demography
- Ha4: There is a significant relationship between rise in the savings and demands of REITs and investment mindsets of people with reference to India's

### 3. Research Methodology

#### 3.1 Research Design:

The research design for this study on Real Estate Investment Trusts (REITs) in India adopts a quantitative approach, encompassing both quantitative and qualitative methodologies. This approach is chosen to comprehensively explore the multifaceted nature of REITs, combining numerical data analysis with in-depth qualitative insights. Quantitative data is collected from financial reports, market data, and structured surveys to assess the performance of Indian REITs and understand investor behaviour. Authors seek for comprehensive research design ensures a well-rounded investigation of the various facets of REITs in the Indian context, providing a holistic understanding of their role and impact in the Indian real estate market, henceforth aim for only quantitative designing of the study.

#### 3.2 Sampling Technique

A simple random sampling technique was adopted. The authors have structured a questionnaire based on the secondary data available in terms of research design opted in the previous studies and aligning them with the identified research gap.

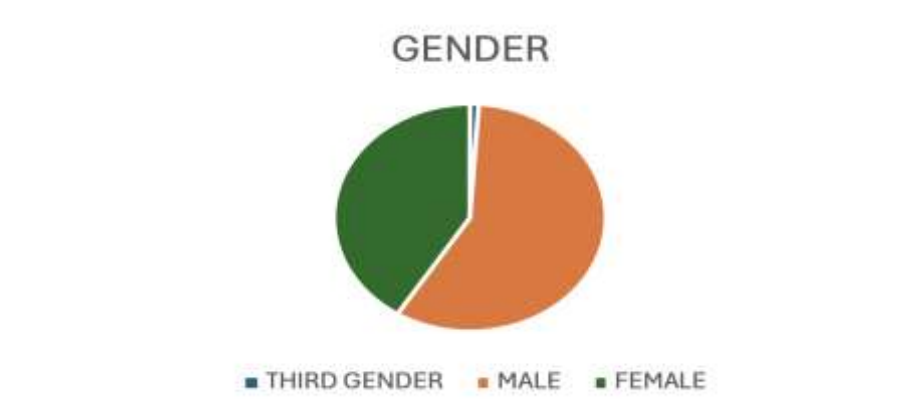
A structured questionnaire will be floated to a targeted sample size of 200 respondents. The researchers aim to collect the demographic samples as well as the data on the variables highlighted as the impacting factors of the study. The questions will be based on the constructs that probabilistically impact the study.<sup>12</sup>

#### 3.3. Hypothesis Testing

The objectives will be framed into the constructs of the study and hypothesized upon the same. The data will be analysed through the statistical tool using MS-Excel and methods of descriptive statistics, correlation analysis, Two-Factor ANOVA testing for survey items' reliability testing. The reliability testing of the questionnaire will be done based on the pilot study of survey responses of sample size 20 (constituting 10% of data sample targeted). On the basis of a valid Cronbach Alpha value above .7. The questionnaire will further be floated.

### 4. Data Interpretation and analysis:

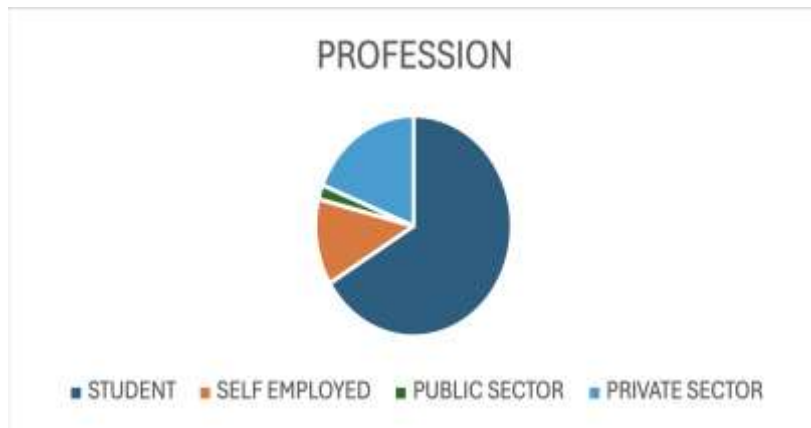
#### 4.1 Demographic Analysis



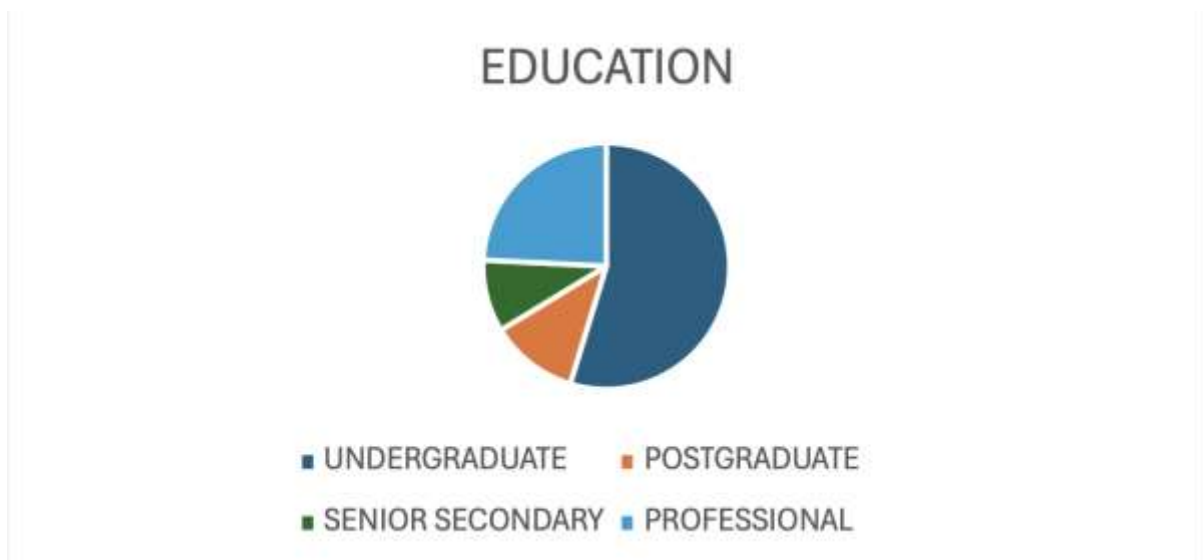
Out of 96 in the group, there are 55 males, 39 females and 1 third gender. The group majorly consists of male and female.



Out of the total, 40 individuals fall within the income range of 0-500,000. There are 2 people with incomes ranging from 500,001 to 750,000, and there are no individuals earning between 750,001 and 1,000,000. Additionally, 6 individuals earn between 1,000,001 and 1,250,000, while 26 individuals have incomes exceeding 1,250,000.



Among the surveyed individuals, 63 identify as students. In terms of employment, 18 work in the Private Sector, while 2 are employed in the Public Sector. Additionally, 12 individuals are self-employed, professionals, or business owners.



Within the dataset, 9 individuals have completed their education at the Senior Secondary level, while 23 individuals have achieved a Professional Degree. The majority, 52 individuals, have completed an Undergraduate degree, followed by 11 individuals who hold a Postgraduate qualification.

#### ***Directed Conclusion:***

Real Estate Investment Trusts (REITs) in India represent a promising investment opportunity with the potential for significant growth and benefits for both investors and the real estate market. The introduction of REITs has provided a new avenue for individuals to participate in the real estate sector without the need for large capital investments.

REITs offer a diversified and professionally managed portfolio of real estate assets, allowing investors to benefit from rental income and capital appreciation. Additionally, they provide transparency and regulatory oversight, making them a trustworthy investment option.

The growth of the Indian real estate market, coupled with the increasing demand for commercial properties, further supports the positive outlook for REITs. As more quality assets are added to REIT portfolios, they are likely to offer stable returns and potentially become a core component of investment portfolios.

However, it's essential for investors to conduct thorough research, consider their risk tolerance, and consult with financial advisors before investing in REITs or any other financial instruments. While REITs hold promise, like any investment, they come with risks, such as market fluctuations and potential economic downturns.

In summary, REITs in India have the potential to revolutionize the real estate investment landscape, providing individuals with access to an attractive asset class. Their growth prospects, combined with the evolving regulatory framework, make them an option worth considering for long-term investment objectives.

#### **Data Collection:**

Quantitative data will play a pivotal role in this research on Real Estate Investment Trusts (REITs) in India by providing a structured and empirical basis for evaluating various aspects of REIT performance and investor behaviour. It will enable us to assess the financial performance of Indian REITs, including key metrics such as returns, risk, yield, and market correlations, offering a quantitative understanding of their attractiveness as investment vehicles. Additionally, quantitative data derived from structured surveys will allow us to analyse investor behaviour and sentiment towards REIT investments, providing valuable insights into investor preferences, decision-making processes, and risk tolerance. By incorporating quantitative data analysis, this research aims to offer empirical evidence that supports the study's objectives, contributing to a data-driven and comprehensive assessment of REITs in the Indian financial landscape.

Quantitative data will be collected through various sources of primary as well as secondary data for a robust structured questionnaire.

1. **Financial Reports:** Annual financial reports of Indian REITs will be analysed to assess their performance. Key financial metrics, such as returns, risk, yield, and market correlations, will be calculated and evaluated. Financial reports offer a detailed picture of the financial health and performance of Indian REITs. Key metrics such as net asset value (NAV), funds from operations (FFO), earnings per share (EPS), and dividend yields can be extracted and analysed. This data enables us to assess how REITs in India are performing in terms of generating income and returns for investors.
2. **Market Data:** Market data plays a pivotal role in the study of Real Estate Investment Trusts (REITs) in India by providing essential contextual information and enabling rigorous quantitative analysis. Market data, including historical stock prices, trading volumes, and market indices, helps researchers assess the performance of Indian REITs relative to broader financial markets. By analysing market data, researchers can evaluate the correlation between REITs and stock market indices, offering insights into how REITs respond to market trends and macroeconomic factors. Additionally, market data assists in tracking the liquidity of REIT securities, which is crucial for understanding the ease with which investors can buy or sell REIT shares, contributing to a comprehensive assessment of the role of REITs within the broader Indian financial ecosystem.
3. **Surveys:** Structured surveys will be conducted to gather quantitative data on investor behaviour and sentiment. The surveys will be administered to a diverse sample of investors, including retail and institutional investors.

#### **Ethical Considerations:**

Informed consent will be obtained from survey participants and interviewees, ensuring their anonymity and privacy. In addition to this, data confidentiality and security will be maintained throughout the research process. Ethical guidelines and regulations governing research involving human participants will be strictly adhered to.

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## **Findings**

Real Estate Investment Trusts (REITs) have emerged as a significant investment avenue in the Indian financial landscape, eliciting notable interest and responses from survey participants. The detailed findings of the study shed light on various aspects of REIT investments:

**Familiarity and Interest:** The study reveals a discernible trend indicating that a substantial proportion of respondents exhibit a commendable level of familiarity with REITs in the Indian context. They showcase an understanding of the basic functioning and operational dynamics of REITs. This familiarity underscores the growing awareness and education surrounding REIT investments in the Indian investment community. Furthermore, participants express a tangible interest in considering REIT investments within the next year, signifying a favorable sentiment towards this asset class and its potential for long-term wealth accumulation and diversification.

**Understanding and Diversification:** Survey participants demonstrate a nuanced understanding of REITs and their potential role within investment portfolios. They recognize REITs as instruments that provide exposure to the real estate sector without the need for direct property ownership. Moreover, respondents acknowledge the diversification benefits that REITs offer, particularly in mitigating sector-specific risks inherent in traditional equity investments. This understanding underscores the strategic considerations investors employ in constructing well-balanced and risk-adjusted portfolios, reflecting a mature approach towards wealth management.

**Potential for Regular Income:** The survey findings highlight the perceived importance of regular income streams generated by REIT investments among respondents. Participants value the consistent dividend distributions facilitated by REITs, viewing them as an attractive feature in an environment characterized by volatile market conditions and fluctuating interest rates. This emphasis on income stability reflects investors' broader objectives of wealth preservation and income generation, positioning REITs as a favourable investment avenue within income-oriented portfolios.

**Knowledge of Taxation Aspects:** A notable proportion of survey participants exhibit a comprehensive understanding of the taxation implications associated with REIT investments in India. They display awareness of the tax-efficient nature of REIT structures, wherein distributions are subject to favourable tax treatment. Additionally, respondents are cognizant of the regulatory framework governing REIT taxation, including provisions related to dividend distribution taxes and capital gains taxation. This tax awareness underscores investors' propensity to optimize after-tax returns and underscores the importance of tax efficiency considerations in investment decision-making processes.

**Satisfaction with Performance:** The survey captures a prevailing sentiment of satisfaction among respondents regarding the performance of their existing REIT investments in India. Participants express contentment with the realized returns and income distributions generated by their REIT holdings, underscoring the asset class's ability to deliver consistent and predictable investment outcomes. This satisfaction serves as a testament to the effectiveness of REITs in meeting investors' financial objectives and reinforces their appeal as a viable investment option within diversified portfolios.

**Seeking Professional Advice:** A significant number of survey respondents indicate a proactive approach towards seeking professional financial advice before engaging in REIT investments. They recognize the complexities inherent in real estate markets and the nuanced considerations involved in REIT valuation and selection. By seeking expert guidance, investors aim to enhance their decision-making processes, mitigate investment risks, and optimize portfolio outcomes. This inclination towards professional advice reflects investors' commitment to prudent and informed investment practices, fostering a culture of financial literacy and investor empowerment.

**Consideration of Economic Downturns:** Survey participants demonstrate a heightened awareness of the potential impact of economic downturns on their REIT investments. They acknowledge the cyclical nature of real estate markets and the susceptibility of REIT valuations to macroeconomic fluctuations and market dynamics. This risk-aware mindset underscores investors' preparedness to navigate adverse market conditions and implement appropriate risk management strategies to safeguard their investment portfolios. By considering economic downturns, investors exhibit resilience and adaptability in responding to changing market environments, thereby enhancing their overall investment resilience and long-term wealth preservation objectives.

**Familiarity with Major Players:** The study reveals a notable level of familiarity among survey respondents with major players and entities involved in managing REITs in India. Participants demonstrate awareness of prominent REIT sponsors, asset managers, and developers actively engaged in the Indian real estate sector. This familiarity reflects investors' efforts to stay abreast of industry developments, monitor key market players, and leverage their expertise and track record in evaluating REIT investment opportunities. By recognizing major market participants, investors can make more informed investment decisions and capitalize on emerging trends and opportunities within the REIT market.

**Allocation of Investment Portfolio:** Survey participants exhibit a deliberate and predetermined allocation of their investment portfolios towards REITs. They recognize REITs as an integral component of their broader asset allocation strategy, complementing traditional equity and fixed-income investments. This strategic allocation reflects investors' commitment to diversification and risk management, leveraging REITs as a means to optimize portfolio returns while mitigating downside risks associated with concentrated asset exposures. By incorporating REITs into their investment portfolios, investors aim to achieve a balanced and resilient investment allocation that aligns with their long-term financial goals and risk tolerance levels.

**Perception of Stability and Growth Potential:** Respondents express a positive perception of the stability and growth potential of the Indian REIT market. They view REITs as vehicles for accessing stable income streams and capital appreciation opportunities within the dynamic Indian real estate landscape. This optimistic outlook reflects investors' confidence in the underlying fundamentals of the Indian real estate sector, including robust demand dynamics, favourable demographic trends, and supportive regulatory frameworks. By perceiving REITs as viable investment options, investors position themselves to capitalize on potential growth opportunities and participate in India's ongoing economic development trajectory.

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## Discussions

The findings of the study offer valuable insights into the dynamics and trends shaping Real Estate Investment Trusts (REITs) in the Indian investment landscape. The discussions drawn from these findings shed light on various aspects of REIT investments and their implications for investors, policymakers, and industry stakeholders:

**Investor Awareness and Education:** The study highlights a notable increase in investor awareness and education regarding REIT investments in India. This trend suggests a positive shift towards broader financial literacy and awareness of alternative investment vehicles beyond traditional asset classes. However, while the level of familiarity with REITs appears promising, there remains a need for continuous investor education initiatives to enhance understanding of REIT structures, risk-return profiles, and regulatory frameworks. Robust investor education programs can empower investors to make informed decisions and navigate the complexities of REIT investments effectively.

**Risk Management and Diversification Strategies:** The findings underscore investors' recognition of REITs as effective tools for risk management and portfolio diversification. By incorporating REITs into their investment portfolios, investors aim to mitigate sector-specific risks associated with traditional equity investments and achieve a more balanced risk-return profile. However, it is essential for investors to adopt a holistic approach to risk management, considering factors such as asset quality, market liquidity, and regulatory compliance when evaluating REIT investment opportunities. Moreover, investors should diversify across multiple REITs to further spread risk and enhance portfolio resilience against adverse market conditions.

**Tax Efficiency and Regulatory Considerations:** The study reveals investors' awareness of the tax implications associated with REIT investments in India. The favorable tax treatment of REIT distributions underscores their attractiveness as tax-efficient income-generating assets within investment



portfolios. However, while the current regulatory framework provides a conducive environment for REIT investments, policymakers should continue to monitor and address regulatory challenges to facilitate the growth and development of the REIT market. Streamlining regulatory processes, enhancing disclosure standards, and addressing taxation ambiguities can foster investor confidence and encourage greater participation in REIT investments.

**Market Dynamics and Performance Evaluation:** The satisfaction expressed by investors with the performance of their existing REIT investments reflects the resilience and stability of REITs in delivering consistent returns over time. However, investors should exercise due diligence and employ rigorous performance evaluation metrics when assessing REIT investment opportunities. Factors such as asset quality, occupancy rates, rental yields, and asset appreciation potential should be carefully evaluated to gauge the intrinsic value and growth prospects of REITs. Moreover, investors should monitor macroeconomic indicators and industry trends to anticipate potential market shifts and adjust investment strategies accordingly.

**Professional Advice and Investor Empowerment:** The study underscores the importance of seeking professional financial advice when considering REIT investments. Professional advisors play a critical role in providing investors with personalized investment recommendations, risk assessment, and portfolio diversification strategies tailored to their financial objectives and risk tolerance levels. Additionally, investors should actively engage in ongoing education and self-directed research to enhance their investment acumen and empower themselves to make informed decisions. By leveraging professional advice and harnessing educational resources, investors can navigate the complexities of REIT investments more effectively and optimize portfolio outcomes.

**Future Growth and Development Opportunities:** The positive perception of stability and growth potential in the Indian REIT market reflects investor confidence in the underlying fundamentals of the real estate sector. As India's economy continues to expand and urbanization trends persist, REITs are poised to play a pivotal role in channelling investment capital towards income-generating real estate assets. Going forward, stakeholders should focus on fostering transparency, promoting market liquidity, and expanding the scope of REIT investment opportunities across diverse real estate segments. Additionally, initiatives aimed at enhancing corporate governance standards, improving asset quality, and fostering innovation within the REIT ecosystem can further bolster investor confidence and stimulate long-term growth and development.

In conclusion, the discussions drawn from the study findings underscore the transformative potential of REIT investments in India's evolving investment landscape. By addressing regulatory challenges, promoting investor education, and fostering market transparency, stakeholders can capitalize on the inherent opportunities presented by REITs to drive sustainable economic growth, enhance investor prosperity, and foster a vibrant and resilient real estate investment ecosystem in India.

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## CONCLUSION -

Real Estate Investment Trusts (REITs) in India offer an attractive avenue for investors looking to participate in the real estate sector, providing liquidity, diversification, and income streams. However, it's important to recognize the challenges and limitations that come with investing in Indian REITs. While REITs provide a way to access an otherwise illiquid asset class, regulatory restrictions, market immaturity, and concerns about asset quality can impact their performance and attractiveness. Moreover, tax considerations, market sensitivity, and a narrow investment scope contribute to the complexity of REIT investments in India.

Nevertheless, as the Indian REIT market continues to evolve, there is potential for growth and improvement. With the maturation of regulatory frameworks, stabilization of market dynamics, and increased investor awareness, REIT investments in India may become more appealing and viable. Investors should approach Indian REIT investments cautiously, conducting thorough research, assessing risk factors, and aligning their investment goals with the opportunities and challenges of the market. Through careful decision-making and strategic portfolio management, REITs can serve as a valuable component of investors' portfolios, offering diversification benefits and income potential within the dynamic Indian real estate landscape.

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## LIMITATIONS-

In India, the Real Estate Investment Trusts (REITs) market has encountered several constraints that have impeded its expansion and acceptance. One primary limitation pertains to the regulatory framework. Despite the introduction of REIT regulations by SEBI (Securities and Exchange Board of India) in 2014, ongoing challenges persist in implementing and refining these regulations to create a more favourable environment for the growth of the REIT market. Regulatory intricacies, including tax-related issues and compliance demands, have made it difficult for developers and investors alike to fully embrace REITs as a viable investment avenue.

Another impediment is the insufficient supply of high-quality commercial real estate assets suitable for REITs. The success of REITs hinges significantly on the availability of income-generating properties like office complexes, shopping centres, and warehouses. However, the Indian real estate sector has grappled with a shortage of such assets, particularly in Tier II and Tier III cities. This scarcity of premium assets limits the diversification prospects for REITs and poses challenges in attaining stable returns for investors.

Furthermore, the perception of risk associated with REIT investments has acted as a deterrent to its widespread adoption in India. Many investors view real estate as a relatively illiquid and volatile asset class, particularly in the Indian context, where property prices have fluctuated, and regulatory uncertainties have arisen. This risk perception has fostered cautious investor sentiment toward REITs, narrowing the pool of potential investors and restraining the REIT market's growth in India.

Additionally, the lack of investor awareness and understanding about REITs has posed a significant hurdle. Unlike conventional investment options such as stocks and bonds, REITs are relatively novel in the Indian market, and there is limited comprehension among investors regarding their operational mechanisms, potential advantages, and associated risks. This dearth of awareness has contributed to the sluggish uptake of REIT investments and underscores the necessity for comprehensive investor education initiatives to foster the expansion of the REIT market in India.

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## **FUTURE SCOPE :-**

Since 1961, when the first Real Estate Investment Trust (REIT) was listed in the United States, the global REIT landscape has evolved. By December 2022, there were 893 Real Estate Investment Trusts (REITs) in the world, with a combined market capitalization of around \$1.9 Trillion. Over the past 30 years, REITs have grown from 120 in two countries to over 893 today. Asia has been at the forefront of REIT growth, with a 58% increase in the number of real estate investment trusts in the region since 2015.

In India, the REIT market has taken up office space as an asset class, with about 394 m<sup>2</sup> of total office stock (MSF) eligible for REIT listing. The high-quality tenants, high occupancy rates, strong pan-India yearly net leasing momentum of about 40 MSF, and consistent rental growth make these office assets attractive to global investors.

Unlike their Western counterparts, Indian REITs offer a unique combination of growth potential and a consistent dividend component. The growth in capital values and rents in the Indian office market is driven by the strong fundamentals of commercial space in India. The evolution from domestic companies buying office space for their own use before the 2000s to technology companies and global detention centres preferring to rent A-class office space with a wide range of amenities has changed the commercial real estate model. An influx of global private equity funds, pension funds and sovereign wealth funds provided capital to developers, causing a shift from "Build and Sell" to "Build and Rent", securing a long line of REIT-worthy assets. It is estimated that around INR 50,000-60,000 worth of commercial real estate is built in India every year.

As India's GDP grows, domestic companies will become the new generator of office space in the coming years. Another notable trend is the move toward consolidation and a preference for institutionally managed Class A offices. To put things in perspective, the office space per capita in the six largest cities is 0.5.

All inclusive, REITs are recognized as an resource course conveying predominant returns over the long term. In India, the resource course is still at an incipient arrangement, with huge sections of the speculator community uninformed of its benefits. The four Indian REITs have as of late shaped the Indian REIT Affiliation (IRA) to promote the development and advancement of the REIT segment in India. IRA will closely collaborate with SEBI, the essential REIT controller, to advocate for both commerce and financial specialist interface, following directions.

Within the Indian REIT scene, two key issues are forming the sector's direction. Firstly, floor-wise SEZ denotification has the potential to open empty spaces, driving to higher inhabitants rates, expanded rental wage, and clearing the way for more REITs, contributing to assess incomes. Besides, the thrust to incorporate REITs in household value files, reflecting worldwide homes, can assist boost liquidity and fortify financial specialist certainty in these rebellions.

The fleeting rise of REITs on the worldwide arrange, coupled with India's developing REIT showcase, signals a promising future for the country's commercial genuine domain segment. As India proceeds to open the endless potential of REITs and adjusts to the changing scene, both household and worldwide speculators are balanced to harvest the benefits of this speculation road.

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### Questionnaire

1. I am very familiar with REITs in India.
2. I am likely to consider investing in REITs in India in the next year.
3. I am confident in my understanding of how REITs work in India.
4. I believe REITs in India offer diversification benefits to my investment portfolio.
5. The potential for regular income (dividends) from REIT investments is important to me.
6. I am knowledgeable about the taxation aspects of REIT investments in India.
7. I am satisfied with the performance of my existing REIT investments in India (if applicable).
8. I believe that the growth potential of the Indian real estate market impacts the performance of REITs.
9. I am likely to seek professional financial advice before investing in REITs in India.
10. I understand the process of buying and selling REIT units in the Indian market.
11. I have considered the potential impact of economic downturns on my REIT investments in India.
12. I believe that REITs in India can provide stability to my investment portfolio.
13. I am familiar with the major players or companies that manage REITs in India.
14. I have a predetermined allocation of my investment portfolio that I plan to allocate to REITs in India.

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15. I understand the potential tax advantages or disadvantages of investing in REITs in India compared to other investment options.
  16. I have a contingency plan in case my REIT investments in India do not perform as expected.
  17. I am knowledgeable about the factors that can impact the rental income generated by Indian REITs.
  18. I believe that the location of the properties held by Indian REITs plays a significant role in their performance.
  19. I am familiar with the rules and regulations related to the distribution of dividends by Indian REITs.
  20. I am aware of regulatory or legal aspects of REIT investments in India that I find important or noteworthy.
  21. I perceive the overall stability and growth potential of the Indian REIT market positively.
  22. I have concerns about the liquidity of REIT investments compared to other investment options.
  23. I have considered the tax implications of investing in REITs, such as dividend income and capital gains.
  24. I have high expectations regarding the returns and risks associated with REIT investments in India.
  25. I expect the demand for commercial real estate in India to positively impact the performance of REITs.