Knowledge
Partner

# India REIT:
# A Potential Investment Window

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# Foreword

Whilst REITs have existed globally since past 60 years and are a USD 2 Trillion asset class currently, India saw its first REIT in April 2019 when Embassy Office Parks REIT IPO (for ~33 million sq. ft.) got listed on the Indian Stock Exchanges and paved way for retail investors to participate in the Commercial Real Estate sector.

REITs enable investors with returns through stable rent-yielding cash flows (with 90% of the earnings distributed to unit-holders) and capital appreciation. Interestingly, while All REIT Index in the US outperformed S&P 500 by ~440 basis points over 20 years, India's only REIT has outperformed equity markets by ~2000 basis points in the last 5 quarters since launch.

India has approx. 650 million sq. ft. of Grade A Office space of which, 310-320 million sq. ft. is REIT-able stock. India's office stock would touch 1 billion sq. ft. in the next 6-8 years and in next 2 years, nearly 100 million sq. ft. is expected to be listed on Indian Stock Exchanges. Therefore, the asset class presents itself with tremendous opportunity and growth to all class of investors.

In the more recent times, COVID-19 pandemic has impacted everyone globally and the CRE market is no different. REITs and CRE market, in general, may feel pressure on rental cashflows in the short term as tenants seek rent waivers/ deferments or alternatively look at renegotiating lease contracts/ vacating the premises due to their financial instability. However, given that India continues to be top IT outsourcing destination globally due to the availability of talent pool, cost arbitrage and high quality infrastructure, commercial real estate will continue to be a resilient, low risk and high return asset class.

**Sanjay Dutt**
Joint Chairman, FICCI Real Estate Committee &
MD & CEO, Tata Realty & Infrastructure Limited

# Foreword

Businesses had not expected such a severe dent, even on account of a black swan event, as the current epidemic has dished out. Consequently, a deep vacuum filled the space for a long time. After slightly over a quarter of business-hibernation, the wheels of activity have begun to turn again, albeit in a calibrated and measured manner.

During this suspended progression, I have often wondered about the typical Indian investor: especially, the retail investor. Time-tested fixed income products have usually been preferred by them. However, range-bound post-tax returns barely provide a clear or discernible choice, except perhaps the PPFs.

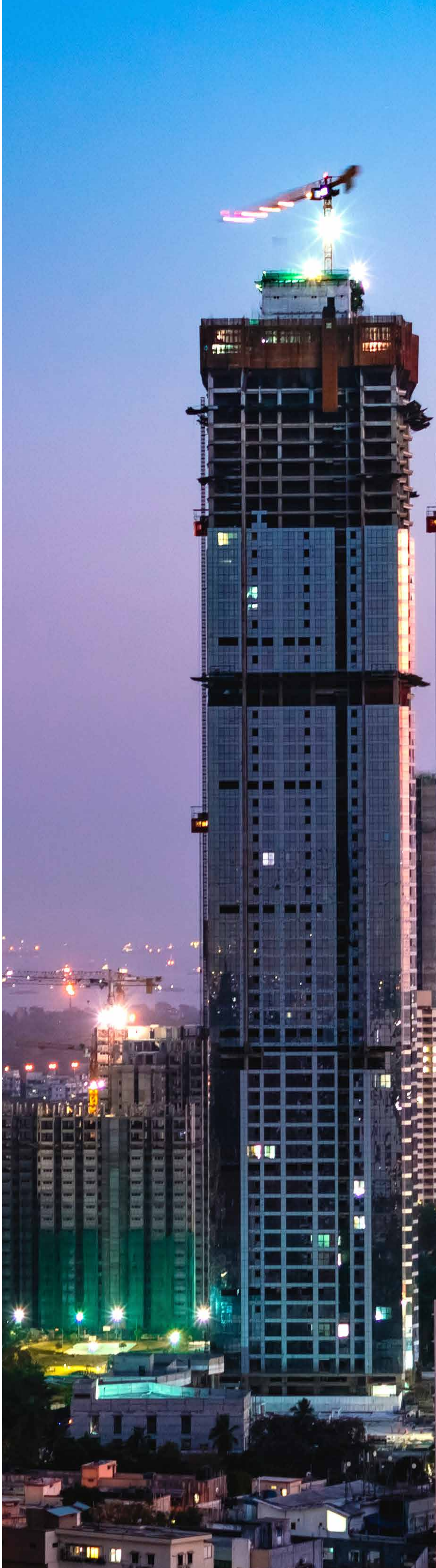
The returns from a REIT, on the other hand, could bring some hope for such a retail investor. Indians have had a generally positive experience from the only REIT during the last one year – including this difficult phase of 2020. Agreeably, just one REIT doesn't make the complete story. But, it certainly provides an interesting glimpse into this real estate based derivative. I believe, the experience has created some favourable ground for REITs in near future.

The fundamental question of whether REITs would perform at a time when businesses are shaken, needs to be answered. My conviction on REITs is guided by more reasons than one. Foremost is the fact that despite global and domestic economic upheavals of 2018-19, India posted its highest ever office space absorption for two consecutive years, clearly underlining a very strong occupier demand for its office buildings. The yields from the singular REIT on the market have remained unambiguously attractive - maintaining a discernible lead over 10-year G-sec, even through the lockdown phase.

Further, the fact remains that the current slowdown was not brought about by a chain of miscalculated business moves, or through any imprudence of global business or banking community en masse, a la 2008. In 2020, businesses were forced to removed people from workspaces in very special circumstances. And it is work, which is gradually bringing people back to offices, as is evident in the initial weeks of 'Unlocking'. That itself is the primary evidence that high-quality office properties will continue to power well-managed REITs. 'Well-managed', and, backed by 'high-quality underlying assets' cannot be underscored enough, though.

The prudent investor knows it, without a doubt. I believe the future of REITs is bright, as Indian REIT markets will look to match the potential, they carry deep within.

**Anurag Mathur**
CEO, Savills India



# Preface

In the current times, as returns from most investments are undergoing a phase of uncertainty, interest rates are in a delicate balance, the threat of inflation is rising along with drop in incomes, and multiple such challenges; the avenues for institutional as well as retail investors are increasingly limited.

Particularly, the retail investor is treading a very difficult path, as she weighs various fixed income products. At such a time, a REIT could be one of the viable alternatives. While there is no denying the fact that REITs could have its own challenges, a professionally managed and publicly traded REIT could still be a reliable choice.

In this paper, we provide a bird's eye view of REITs with specific attention to retail investor's interests. For example, the reader will find comparisons of REIT vis-à-vis other relatively stable products like the PPFs, FDs, Post office deposits, RDs, etc., or, even with the savings account interest income. These help to highlight how the past one year of REIT experience in India has presented the case.

There will be more REITs soon and in the long term in the country. In the current scenario, the equity REITs in the country will mostly operate based on the strength of underlying office real estate. We therefore, present a brief picture of office markets as well, to help the reader develop a quick understanding of these markets.

It is eventually a product that, like any other investment, has its own strengths as well as shortcomings. A due-diligence of any REIT will be needed prior to buying units in the hope of distribution yields and capital appreciation. As more REITs go for public listing, the investors will find greater choices and an entirely new set of derivatives to choose from. That, by itself, is a positive development in the post-COVID times.

# REITs: In Perspective

REITs are entities that own or finance income-producing real estate assets in a range of properties. They provide investors a chance to own valuable real estate and get access to dividend and exit based returns. They are among the few options for small investors to have a source of income from real estate based derivatives. In a broader sense, REITs can well be picturised as mutual funds with underlying assets like commercial office spaces, retail malls, data centres, industrial parks, warehouses, hotels, residential apartments etc. depending on the legislative allowance.

REIT markets around the globe have seen immense growth in recent years. The cumulative market capitalization of REITs globally is estimated at approximately USD 2 trillion now[1]. Since the early days of 1960s, the US remains the largest listed real estate market, though it is increasingly becoming global in spread. Today, nearly 40 countries have REITs, including all the G7 countries.

India was gradual in setting up its REITs legislation, as compared to the global peers. Its journey started to finally take shape in 2014, with SEBI finalising the regulatory guidelines after consultation with all stakeholders. Then in early 2019, the efforts culminated into the country's first listing - The Embassy Office Park REIT. The late adoption can be attributed to a host of limiting factors such as opacity in transactions, lack of clarity with respect to regulations, tax and investment requirements.

Nonetheless, with increasing clarity in regulations, with significant improvements in World Bank Ease of Doing Business rankings (from 100th to 63rd in two years), strong rental performance in commercial real estate; as also, owing to saturation in established foreign markets, and despite the current COVID bump, the REIT journey should only accelerate further. It is just the beginning for REITs in India, and the comparison with other key markets makes us believe that it will develop further, despite the current COVID-driven slowdown in markets.

1. Source: NAREIT

# REITs in The US & Singapore

Before we discuss India's nascent REIT market, it is logical to analyse two of the most mature REIT markets, namely, the US and Singapore.

While the REIT story started in 1960s, it began gaining prominence amongst small investors and fund houses alike in the 2000s. In the last 6 years, around USD 200 billion has been raised through REITs globally; and, of the funds raised, more than 70% has been in U.S alone[2]. Other key markets include the UK, Singapore, Canada and Australia.

### Office Leads Sectoral Share[3]

As far as sectoral breakup of REITs is concerned, commercial office spaces have led the way with a 12% share, closely followed by residential apartments, shopping centres, and warehouses at around 10% each. Interestingly however, mixed or diversified assets command over 30% share.

**Funds Raised in 2015-20 Through REITs in USD Bn**

| | |
|---|---|
| 143 | USA |
| 13 | UK |
| 10 | Singapore |
| 09 | Canada |
| 09 | Australia |
| 13 | Others |

Source: Bloomberg

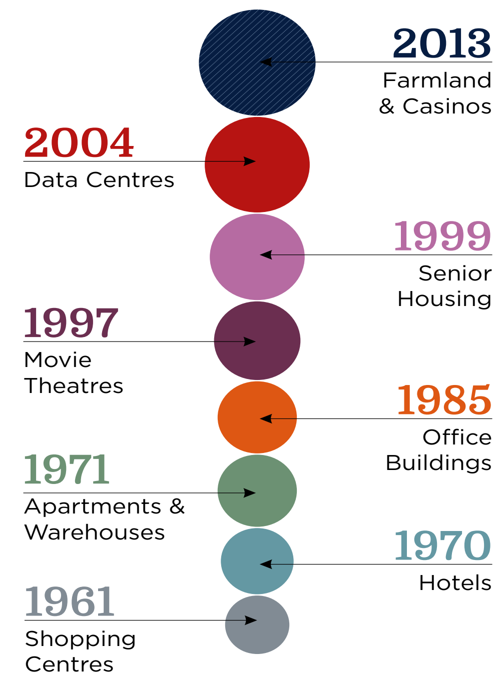
2. Source: Bloomberg
3. Source: Bloomberg
4. Source: NAREIT

## USA

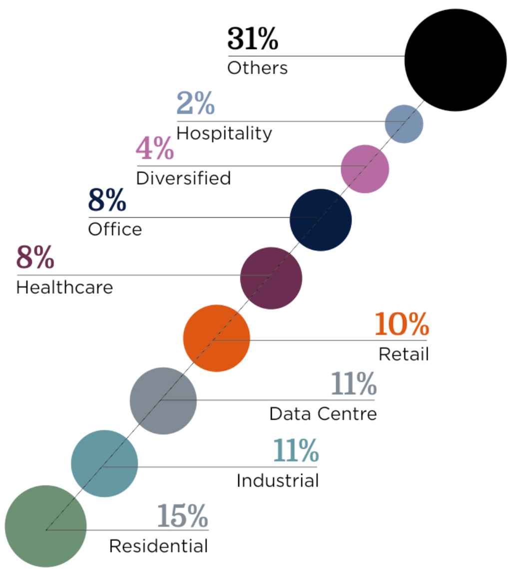
REITs, as real estate derivates, immediately brought the benefits of commercial real estate investment to a complete spectrum of investors in the US. Nearly six decades after their creation, the US REIT industry has grown to a USD 1.3 trillion equity market capitalization representing over 70% of the worldwide share[4].

The US REIT market with its varied asset classes, availability of empirical dataset for more than half a century and strong enabling legal provisions has resulted in the real estate trusts growing from strength to strength. It presents a great readymade learning experience for countries with limited on ground history of REITs like India.

**Entry Points of Asset Classes in US REIT Market**




**REITs Capitalisation by Asset Class in the US, 2019**




Source: NAREIT

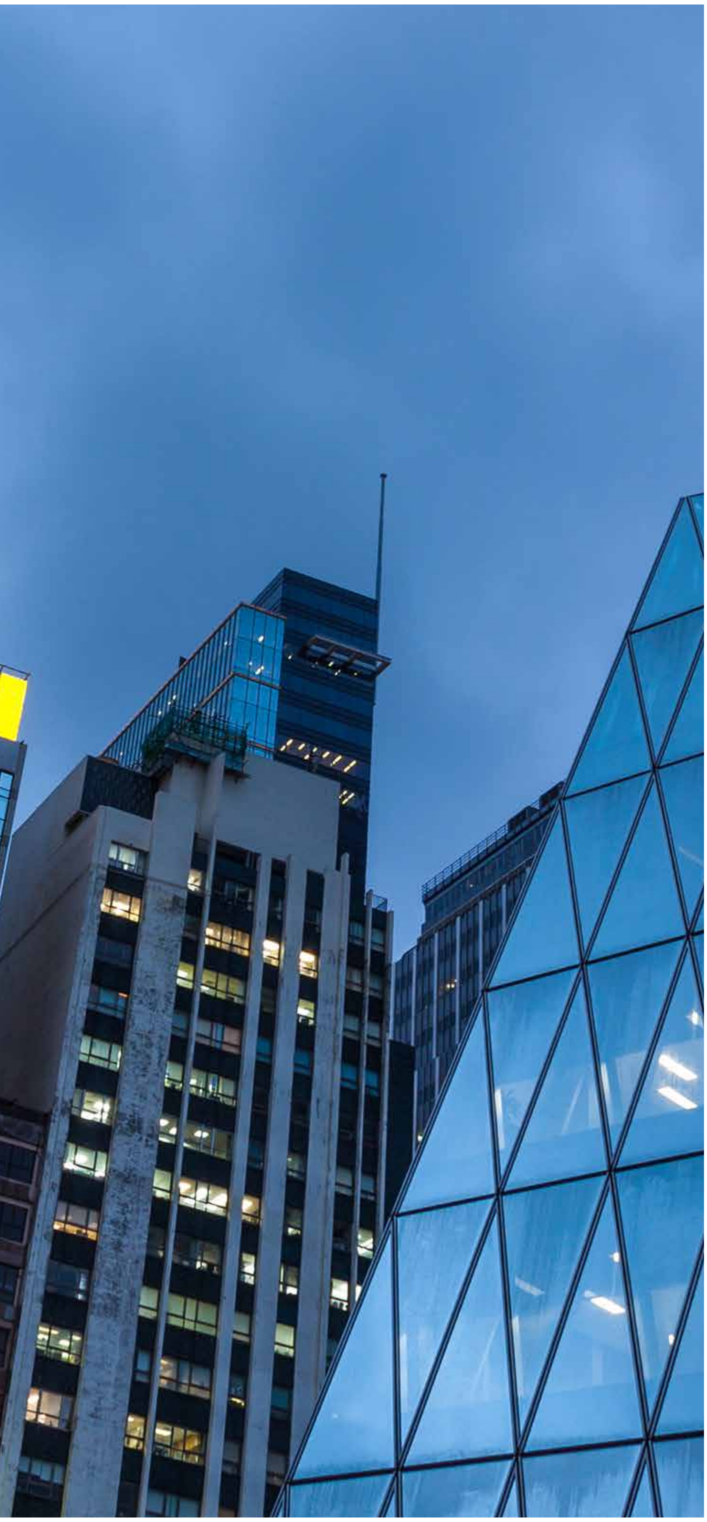
## SINGAPORE

Starting from 1999, S-REITs and property trusts, currently have a market capitalisation of around SD 100 billion. This roughly translates to 12% of Singapore Exchange's market capitalisation, making the country a powerful global REIT hub. Over 80% of S-REITs and property trusts (by market capitalisation) own properties outside Singapore[5]. The trend of acquiring assets outside Singapore has intensified in recent years as REIT managers have looked beyond the geographically small city state in search of attractive yields. Investing in S-REITs thus provides investors an around-the-world access.

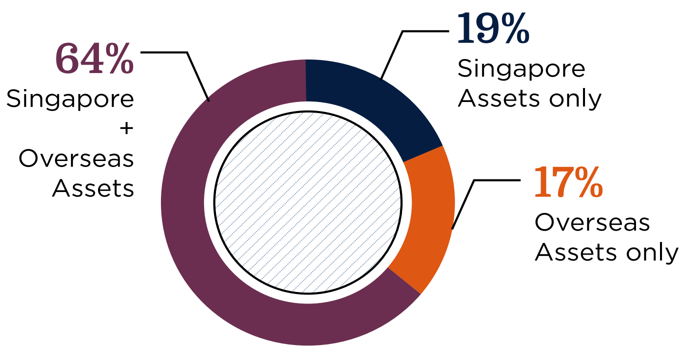
REITs in Singapore have usually given higher returns compared to those in other mature markets. Moreover, they have performed well with respect to the 10-year government bonds, delivering a positive spread of approximately 4%.

The onset of COVID-19 has, however, negatively impacted global markets, including S-REIT index, which has been in negative territory for most of 2020. It is expected to bounce back as confidence in prime real estate properties (the underlying assets of S-REITs) emerge from the current volatility. Further, the current comparatively low price points present a low entry barrier for investors.

The major asset classes in the Singapore market are offices, warehouses, shopping centres and hotels. Interestingly, most of the diversified REITs also have exposure to primarily commercial assets.

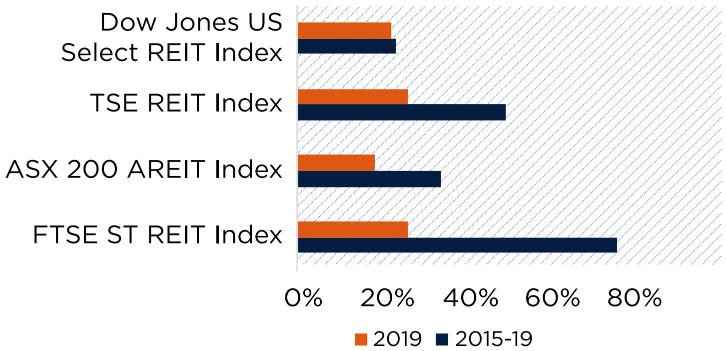


**Geographical Breakup of S-REITs by Market Capitalisation**



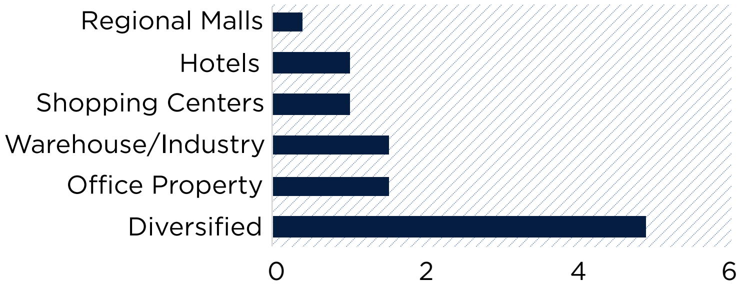

Source: SGX Research

**Historical Strong Returns of S-REITs Compared to Global Peers**




Source: SGX Research

**Sector wise Funds Raised by S-REITs in 2015-20 (in USD Bn)**




Source: Bloomberg

5. Source: reitas.sg

# Brief History in India

Based on global experience, Securities and Exchange Board of India (SEBI) introduced the concept of REITs in the Indian market in the 2000s. The country saw a slow movement and multiple amendments to the initial regulations proposed in 2014, which was somewhat similar to the initial stages in markets like US and Singapore.

**2013:** SEBI introduces draft regulations in line with international models

**2014:** Finalisation and release of REIT regulations

**2015-2019:** Amendments to regulations and multiple tax reworkings

**2019:** India's first REIT: Embassy Office Parks listed

**2020:** Mindspace Business Parks REIT, backed by K Raheja Corp Group and Blackstone Group, files offer document for IPO

# REITs & Retail Investor in India

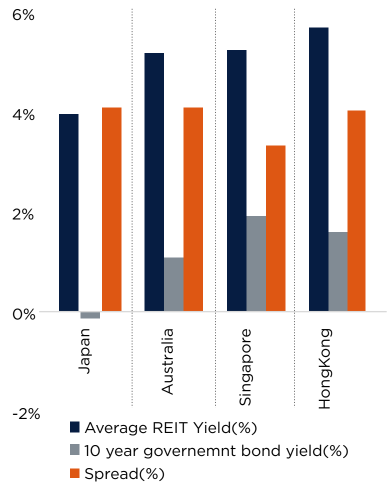
Retail investors understandably have a moderate risk profile. This is more so during the time of sudden and deep crises like the current situation in 2020, where COVID-induced lockdowns have created large-scale uncertainties. Under the circumstances, therefore, we present a clear comparison of different options with that of the REIT in the country.

We highlight the key features of REITs and the corresponding advantages to retail investors in India.

## 1. Relatively Secure Income

80% of the underlying assets in a REIT must be operational and income generating. It is well known that operational assets have a lower credit risk associated with them, by the virtue of having a proven track record of revenue generation, which makes REITs a safe investment option in these troubled times. Apart from the dividend distributed, investors also receive periodic interest repayments, just like a fixed income loan product. The relatively secured nature of both these returns add to the attractiveness of REITs especially for the retail unit buyers. The differential spread in the yields of REITs and practically risk-free 10 year government bonds is demonstrated in major REIT centres throughout the Asia Pacific region.

**Pre-Tax REIT vs G-Sec Yields in Major Asia Pacific Countries**




Source: Savills Research

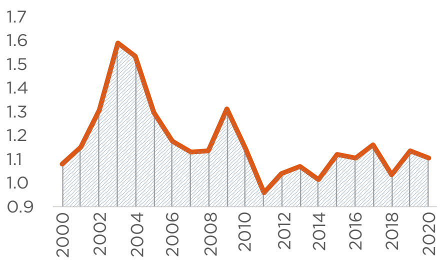
## 2. Diminishing Returns in Others

While secure investments remain a priority, the Indian retail investor is also faced with a long trend of decreasing returns as shown here.

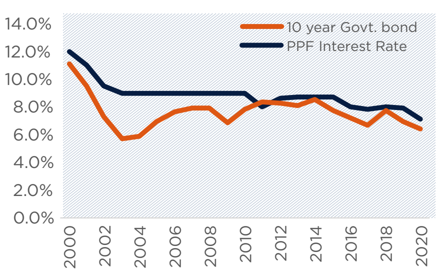
Currently, most safe investment options, including public provident funds, fixed and recurring deposits, post office and savings bank deposits are at near all-time low returns as compared to historical high figures.

A further interpretation can be seen when we compare the PPF as a multiple of 10-year Government Bond, the safest of fixed return options, which is shown in the next chart.

**PPF Int. As Multiple of 10-Year Govt. Bond**




**Year-end PPF Interest Rate and Average 10 year Govt. Bond Yield Trend**




Source: Savills Research

## 3. REITs: Better on Tax Comparisons

Pre-tax yields of REITs have proved to be better than most widely used investment options in the country.

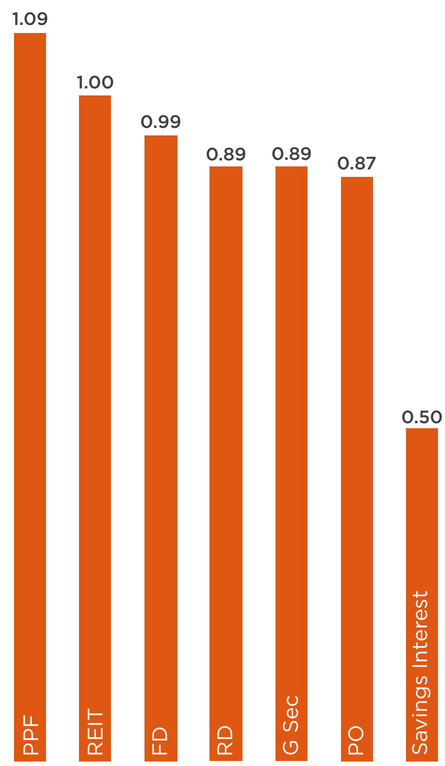
Interestingly, the yield gap widens when we take tax into consideration. The dividend portion of income from REIT being non-taxable, lends a significant advantage to a retail-investor.

Post-tax returns of REITs are almost twice or more than fixed deposits, recurring deposits, government bonds and other classes.

Although PPFs provide higher returns and are non-taxable as well, the lock-in period involved in the relatively illiquid instrument, is a deterrent for investors - specially those in the younger age bracket.

REITs, on the contrary, much like pure equity products allow the ease of entry and exit to the retail investor at any point of time.

**Pre-Tax Returns As Multiple/Fraction of REIT Yield**




Source: SBI RD 1 year, FD, PPF and Savings Bank rate

REIT yield is indicative, in light of the current macro-economic scenario and does not represent any particular listed or to be listed REIT.

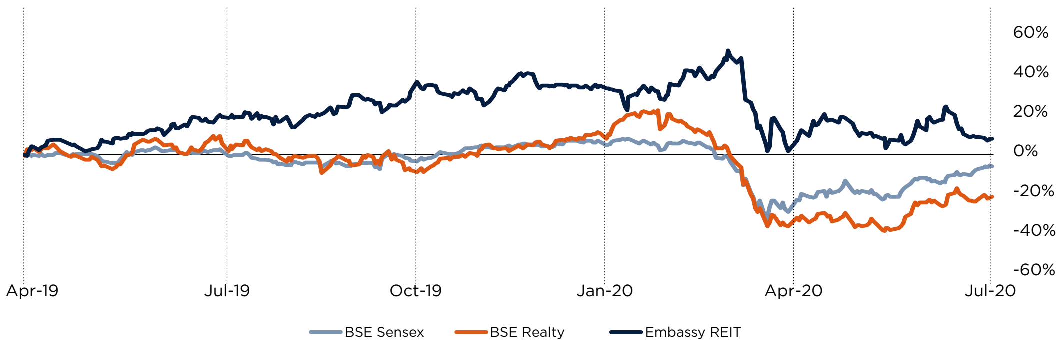
## 4. Capital Appreciation

It is natural for the investor to compare REITs with equity products and mutual funds as well. In that regard, India's sole REIT has generally outperformed the market, not merely in normal circumstances but even during the ongoing pandemic. This was true of the time of sudden crashes in markets when stringent lockdowns were imposed world over, including India.

Since the IPO and listing in 2019, Embassy Office Parks REIT has shown an appreciation of 8% (As on 9th July 2020[6]), reaching a maximum appreciation of around 50% in the pre-COVID phase.

It is to be noted that the BSE Sensex and S&P BSE Realty Index registered negative returns in the comparable timeframe at -5% and -8% respectively. Similarly, almost all the mid-, large- and small-cap mutual funds delivered a negative return since the beginning of this year.

**Embassy REIT vs. BSE Sensex**




Source: Moneycontrol, July 9th 2020

## 5. Stable and Long-term Returns

A question that everyone, especially in India, seem to be interested is - Whether the investor interest will remain in REITs, particularly after the current crisis subsides?

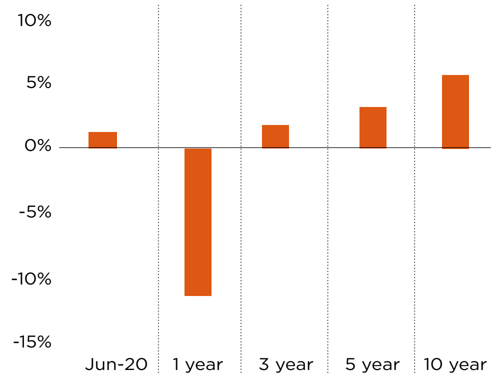
While new to India, REITs have a proven track record of stable returns historically in mature markets like US and Singapore.

As an asset class, REITs had emerged stronger out of turbulent times like the Global Financial Crisis (GFC). They are therefore expected to remain an inflation hedged exceeding investment option in a post-COVID world as well.

It needs to be borne in mind that the current crisis has its roots in sociological and biological problems, unlike in GFC. The biological nature of the problem has weakened the physical aspect of real estate occupancies. A solution emerging from the scientific domain will be key to reinstating the confidence.

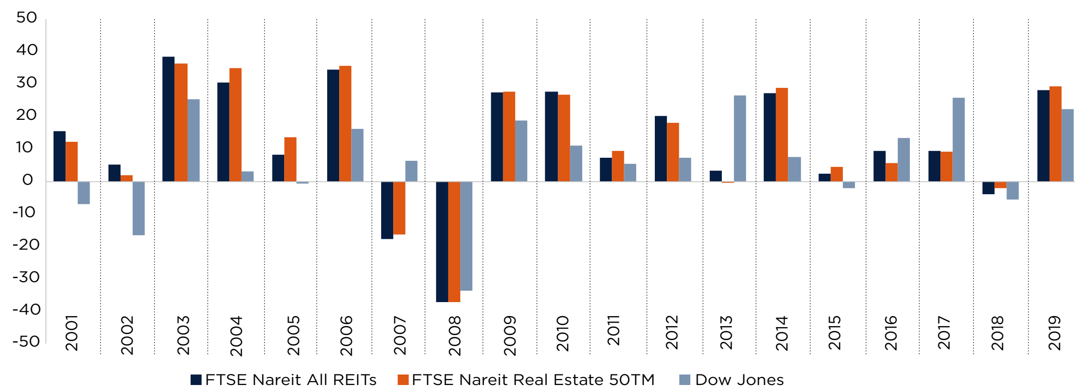
NOTE: Year to date returns in 2020 has already shown a turnaround. However, one-year returns remain negative, as the REITs are yet to reach the pre-COVID performance indicators.

**S-REIT Returns in % - Trend Over the Years**




Source: APREA

**Historical Annual Return (%) Comparison- REITs, Real Estate and Dow Jones**




Source: NAREIT

## 6. Strong Legal Framework

A strong regulatory framework shaped by SEBI in consultation with various stakeholders ensures protection of interests of the investor, especially the REIT unit holder. Since the draft REIT guidelines, there have been multiple amendments to regulations and multiple tax reworkings to make REITs an attractive option of investment. As recently as in early 2020, the government, after consultation with multiple stakeholders, went against a proposed regulation aimed at taxing the divided income at end of the unit holders. This showcases the seriousness of the regulatory bodies in promoting REITs and should provide a strong sense of conviction for the public at large to invest in REITs.

## Importance of Dividends

Indian REITs have a regulatory guideline to have 80% operational assets. Grade A commercial office spaces in India tend to have an operating expenditure of 10-15% of the total lease rentals. After deducting the operating cash outflows like maintenance activities and interest pay-outs to REIT unit holders, we arrive at the net distributable cashflows, which lie in the range of 75-85% of the total revenue of underlying commercial portfolio. The retail investor is mandated to receive 90% of the distributable cashflows. In addition to the dividend pay-out, interest pay-out is also earmarked for the investors. The dividend pay-out is not taxable at the end of majority of the unit holders, resulting in favorable annual yields and presenting a more attractive option to the retail investor as compared to safer fixed income products.

6. Source: Moneycontrol

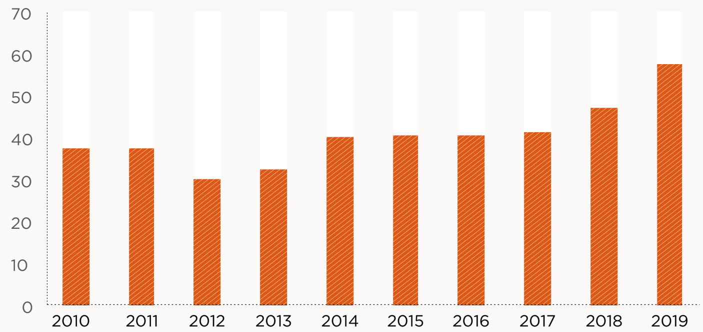
# India's Office Market

## A Story of Growth, Pause & Recovery-Expectations

Commercial leasing activity will form the backbone of a REIT in Indian markets at the present time. It has followed the overall economic growth story of India in 2010-19, culminating in consecutive record-breaking years of 2018 and 2019. The CAGR for office absorption was about 8.4% during 2014-19. The growth in 2019 had been the biggest ever YoY growth at about 22%.

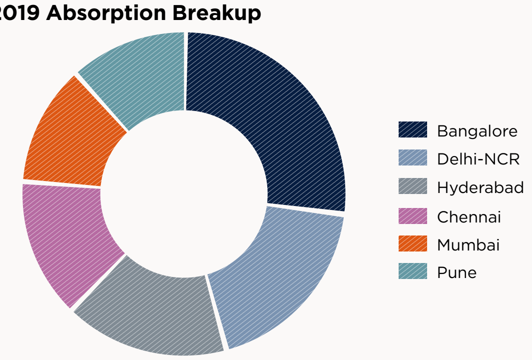
The total stock and weighted average rentals had also shown remarkable growth in the second half of the just concluded decade; with a CAGR of 6.5% and 5.5% respectively. Major demand generators for Grade-A office spaces in 2019 were technology sector (46%) and BFSI (10%). Towards the end of the decade, flexible spaces – CoWorking - also established their presence with record YoY growths.

**Top 6 Cities Office Absorption (mn. sq.ft.)**




Source: Savills Research

**2019 Absorption Breakup**

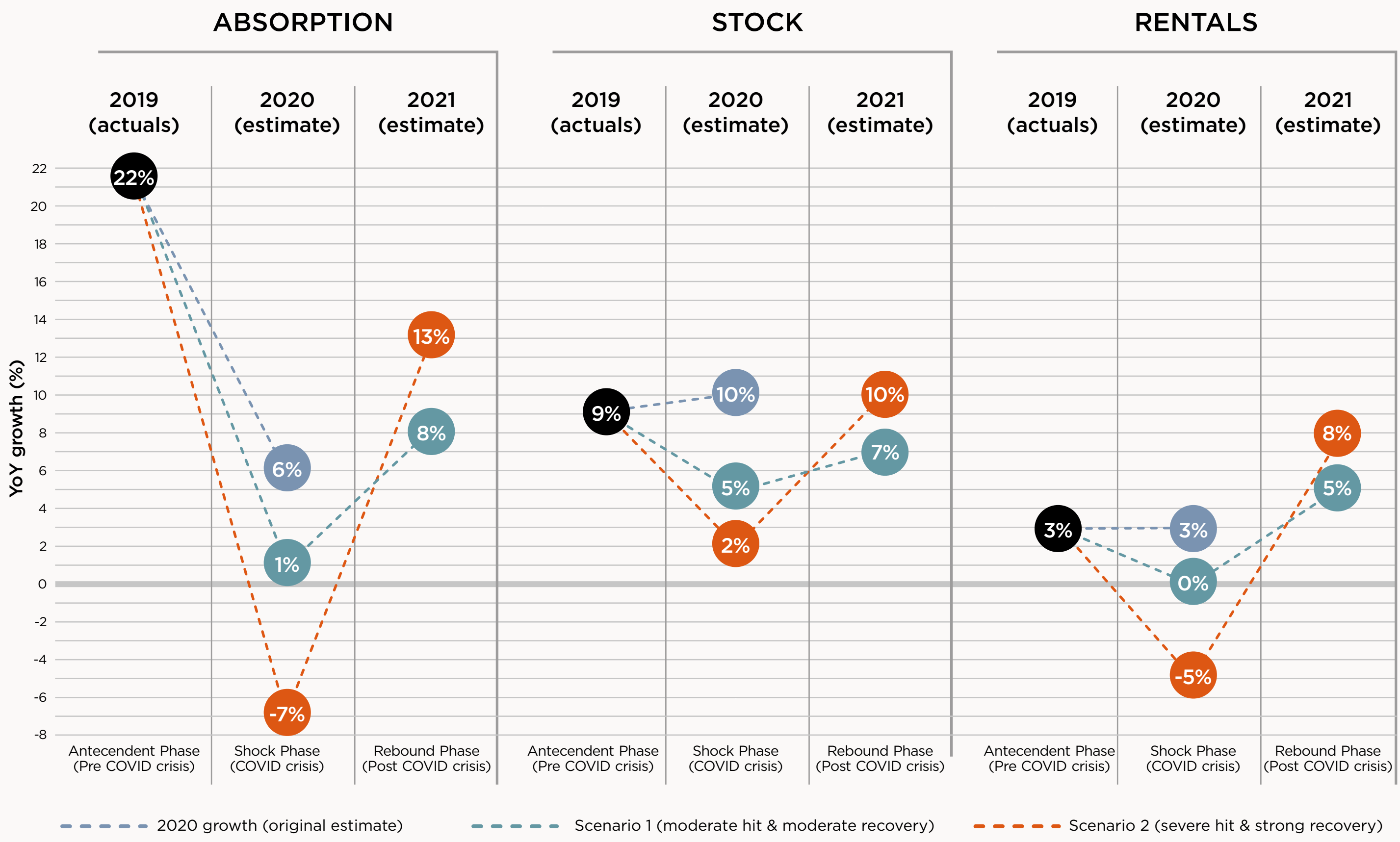



Source: Savills Research

This growth story was however temporarily paused in early 2020, on account of the sudden arrival of COVID-19 pandemic. The resultant nationwide lockdown, reverse migration of labour from urban to rural areas and a halt in construction for most of the first half of 2020, have resulted in scaling back of expectations.

Nevertheless, the commercial office market is expected to bounce back strongly, which we anticipate, would be in a V-shaped pattern. The same is based on the long-term inherent strengths of the demand by lead sectors and short-term nature of the pandemic-related concerns arising in the office market. We had published our assessments in the [COVID Volume #2.](#) (The analysis was done in March 2020 and was in light of the then prevailing circumstances. The V shaped recovery expectation still remains, however the corresponding figures in the chart below have been updated)

**COVID-19: Expectations of V Shaped Bounce Back**




Source: Savills COVID Volume #2

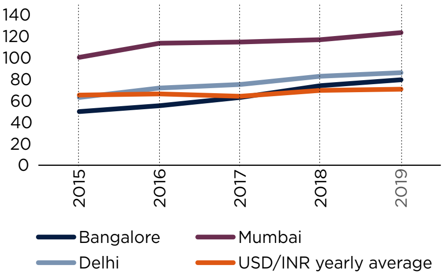
## Long Term Factors Powering Office: Cost Plus Talent

While debates on India eventually losing its cost-arbitrage have raged for nearly two decades, the same has not been entirely witnessed. This provides India its strong foundation for office markets. However, the even bigger driving force comes from the vast talent pool that India offers to global businesses. The two factors combine to create a strong USP for offices in India.

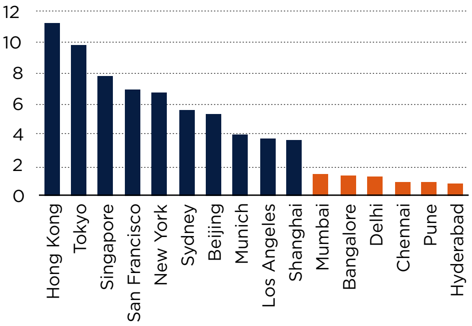
### Cost Advantage

Low rentals as compared to global peers. Steady Rupee depreciation has meant India retaining the cost advantage as compared to global peers (which are historically 2-5 times expensive). Despite healthy INR rental growth, USD rental outflow remains rangebound between USD 0.75-1.75 per sq.ft per month in top 3 cities over the last 5 years. Hence, MNCs with primary revenue stream in USD, continue to find India as an attractive destination to invest.

**Weighted Average Rental Trends (INR/sq.ft./month)**



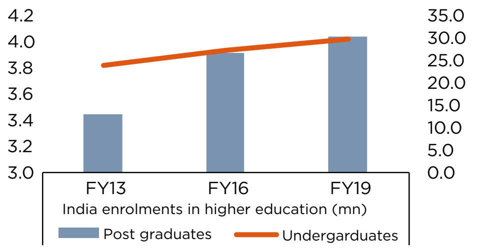

**Rental Comparisons (USD/sq.ft./month)**




### Talent Pool Advantage

Abundance of talent pool can be clearly seen in the increasing enrolments in graduate and post-graduate courses. India has the 2nd highest number of STEM graduates in the world- which inarguably forms the backbone of modern economy. These graduates primarily constitute the behind the scenes workforce of IT and BPO dominated office leasing in India.

**Availability of Skilled and Talented Workforce**




### Short Term Nature of the Pandemic-related Concerns

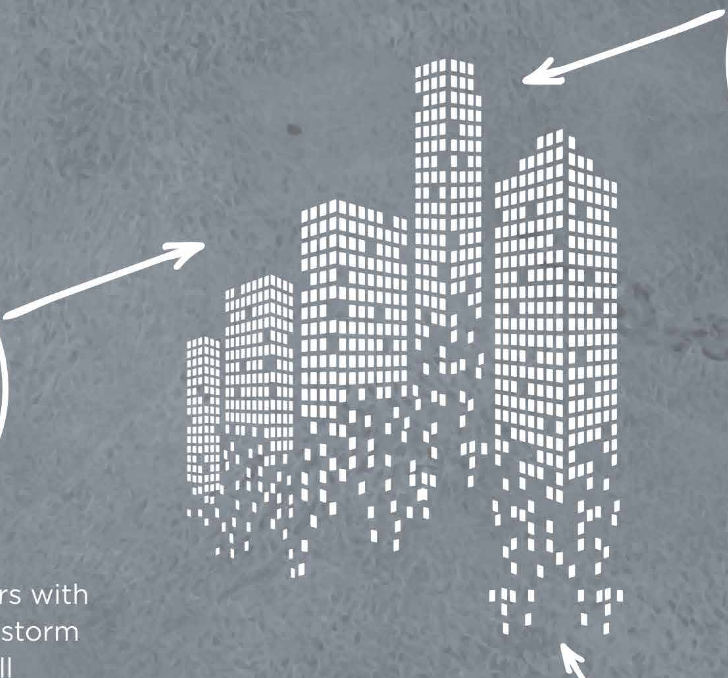
01 Understandably there has been a lack of leasing activity across major cities in India during the pandemic. However, it also needs to be noted that the supply of premium quality **Grade-A office space is limited**. These quality buildings can only ensure that employee health and safety norms are adhered, both comfortably and conveniently. Properties which are currently or are expected to be a part of future REIT listings, belong to this category and hence the outlook for REITs continue to remain favourable in the country.

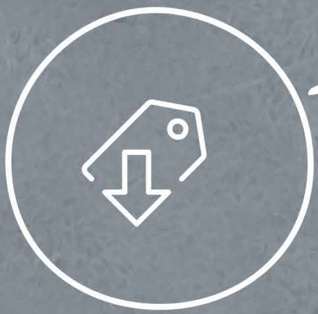
02 **WFH cannot substitute WFO entirely.** Office space remains critical for employees to socialise, interact and help each other out- essentially it is critical for an employee to feel part of the company culture. Moreover, in a country like India, working conditions at home are not comparable to western countries. Also, for companies, especially in outsourcing segment, office still remains the cheapest way to deliver all the requisite infrastructure for the employees.

03 A consequential de-densification of office spaces will mean the return of the golden rule (100 sq.ft. per person norm) of early 2000s: **Space per employee** rising 15-20% is a critical factor.

## The Catalysts & Support Elements

In addition to the two major drivers, it is essential to enlist the major catalysts and other supporting factors which continue to buttress India's office markets, and could play a key role in defining a V-shaped recovery post-COVID.





Tremendous improvement in **ease of doing business ranking**[7] in the last few years; MNCs have greater confidence in setting up and managing offices in the country.

Large office developers with ability to weather the storm and liquidity issues will solidify their positions further and will take advantage of **falling benchmark rates**. Access to cheaper capital is expected to play a pivotal role in further consolidation of the real estate office market.

Emergence of **strong property management norms**, which facilitates an enabling environment for business in India.

7. World Bank's Ease of Doing Business Rank saw India enter the top 100 in 2017 and then moved up to 63rd place in 2019.

# Endnote

The Indian market has evolved over the years, with increased participation of retail investors, in equity and debt products. Direct investments in stock markets and indirect exposure through mutual funds and SIPs have been on the rise over the last few years. Indian retail investors are embracing equities progressively and have emerged as one of the largest net-providers of funds to the financial system.

Growing knowledge of the REITs as a product will ensure greater acceptability and gradual increase of retail interest in this segment, as has been evidenced in the past one year. The instrument will enable retail investors to participate in the growing real estate opportunity. Institutional investor confidence is also likely to emerge stronger on the other side of the pandemic. A well-regulated REIT market in the country providing easy entry and exit options to non-traditional investors with respect to real estate derivates could well be the next chapter of real estate success story in the new decade.

# Abbreviations

AREIT: Australian REIT

ASX: Australian Securities Exchange

BFSI: Banking and Financial Service Institutions

BPO: Business Process Outsourcing

BSE: Bombay Stock Exchange

CAGR: Compounded Annual Growth Rate

CRE: Commercial Real Estate

FD: Fixed Deposit

FTSE: Financial Times Stock Exchange

INR: Indian Rupee

IPO: Initial Public Offering

IT: Information Technology

MHRD- Ministry of Human Resource and Development

MNC: Multi National Company

NAREIT: National Association of Real Estate Investment Trusts, a Washigton DC based Organisation of REITs

NCR: National Capital Region

PPF: Public Provident Fund

RD- Recurring Deposit

REIT: Real Estate Investment Trust

RERA: Real Estate Regulatory Authority

S&P: Standard & Poor's

S-REIT: Singaporean REIT

SBI: State Bank of India

SD: Singaporean Dollar

SEBI: Securities and Exchange Board of India

SIP: Systematic Investment Plan

STEM: Science Technology Engineering and Medicine

TSE: Tokyo Stock Exchange

USD: United States Dollar

USP: Unique Selling Point

WFH: Work From Home

WFO: Work From Office

YOY: Year on Year

# Annexure: Growth Potential in India

Although one has to acknowledge the fact that REITs in India and the underlying asset class have seen recalibrations in expectations, including returns, it also needs to be reiterated that the investors - both institutional as well as individual - remain in search of an avenue to maximize profitability even in these unprecedented times. REITs particularly can fulfil most of their needs.

The primary question is: Would REITs stand a chance for success, when the smokescreen of COVID-19 clears, with investment sentiments still bearing the marks of hits from recent past.

The answer, in our considered opinion is that REITs have the potential to stand firm amid the storm currently churning real estate investment. REITs tick all the boxes in three key areas, viz., retail attractiveness, growth potential based on global evidence and overall environmental factors.

## Retail Attractiveness

Retail investors have the potential to drive REITs, owing to greater security, ease of investment and structured approach leading to greater consistency of returns. We have covered these in detail in the report.

## Growth Potential for Institutional Investos

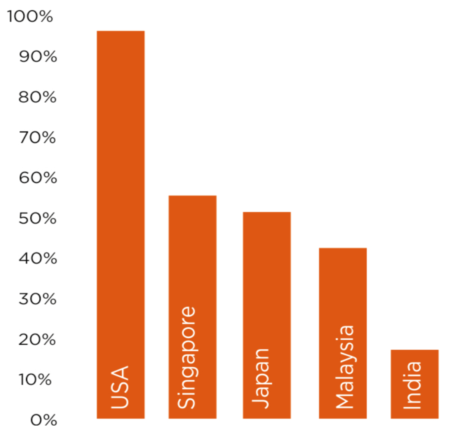
REITs in India as a percentage of the overall real estate market capitalisation is still minimal as compared to mature markets like US, Singapore and Japan. In fact, it is less than 20% vis-à-vis 50-95% in developed economies.

The potential in India is therefore, yet to be unlocked, and the share is expected to increase further, enabling institutional investors greater exposure with much lesser operational hassles of managing a portfolio of hard assets.

**Moderate Risks in Riskier Times**: For institutional investors like insurance companies and pension funds, REITs have unlocked the real estate market in India. In current times, as the demand side is badly shaken owing to a freeze in business activity, coupled with an uncertain prognosis for short-term, the risk perception of a portfolio consisting of operational assets is much lower. This will enable these investors to take early positions with expectations of safe and consistent returns.

**Lead Example**: Interestingly, India's only REIT has been reaffirmed the highest possible credit rating in May 2020; Strong debt protection metrics and stable revenue visibility of underlying assets have resulted in unwavering confidence of market and rating agencies reflect the same. This further highlights REITs as a good investment option for corporates and institutional investors even during the ongoing pandemic.

**REITs As % of RE Markets in Different Countries**




Source: Savills Research

## Policy Push and Potential

**Policy Boost**: The policy environment in India has demonstrated that it takes cognisance of the untapped potential of REITs. The policy framework has regularly strived to make it attractive, by progressively working on multiple tax reforms and clarifications to weed out the ambiguities both at the trust and individual unit holder level have paved the way for easier access to real estate derivatives. Continuous consultation with all stakeholders and effective policy implementation is expected to facilitate the market to grow from strength to strength.

**Leading Asset Class**: Data centres and warehouses could emerge as the asset classes that generate increased interest among developers with respect to REITs in India. Student housing and senior living also have an upside potential only, especially in the longer term.

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## FICCI

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