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REIT - Ideal Working Model for Indian Context

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***Abstract*— The Government of India gave priority to real estate sector because of its potential to boost economic growth significantly. In view of the crucial role that REITs could play as an investment vehicle, the SEBI came out with the draft of REITs regulations in December, 2007 in order to encourage and facilitate a healthy growth of REITs in India.**

However, these regulations could not be finalized for various reasons including the global economic slowdown. In a welcome move, SEBI once again taken out draft REITs Regulations, 2013, which were approved and announced by SEBI on 26th September, 2014. Mutual Funds (MF) industry in India has been growing fast in the ongoing reforms era, particularly since the 2000s when the MF industry has witnessed many innovations. In spite of this, instruments which are very similar to MFs viz. Real Estate Funds (REFs), and its variants like Real Estate Investment Trusts (REITs) are yet to pick up momentum in India. In fact, REFs and its variants like REITs have tremendous growth potential in India; given the very low mortgage penetration in the country. Investments in REFs or REITs can offer significantly higher returns in India as against similar investment in developed nations. Hence, if properly developed REFs or REITs can significantly support the growth of residential real estate sector in India by attracting greater investment into this sector. SEBI has done a commendable job by considering international models, views of the stakeholders etc. while redefining its regulations. As SEBI goes ahead with the promotion of REITs, this paper closely looks into the features of the REITs, SEBI regulations and its implications, and suggests strategies for faster and sustainable development or real estate and housing sector in India through the REIT route.

***Keywords*— Real Estate Sector in India, REITs, SEBI Regulations**

I. INTRODUCTION

The Real Estate Investment Trust Act of 1960 led to the formation of Real Estate Investment Trusts (REITs). REITs were created as a passive investment vehicle with a goal to enable small investors to make investments in large-scale, significant income-producing real estate. The primary benefit of a REIT status is the exemption of shareholder dividends from the double taxation that applies to dividends of traditional corporations (Graff 2001). In addition, REITs generate further savings from not having to engage in costly tax-minimizing strategies that are often employed by taxable firms (Gyourko and Sinai, 1999). REITs are particularly attractive as a way to invest in real estate because REIT shares are traded and thus offer liquidity (Beals and Singh, 2002).

Significant Reasons for Introducing REITs in India

1. **Rise in demand due to changing demographics and growing urbanization:**

   More than 300 million persons are expected to be added to India's working age population by the year 2050. Needless to say, this will add to growing urbanization and the need for providing housing/ accommodation facilities for this section, which includes the increasing number of women in the work force as well.

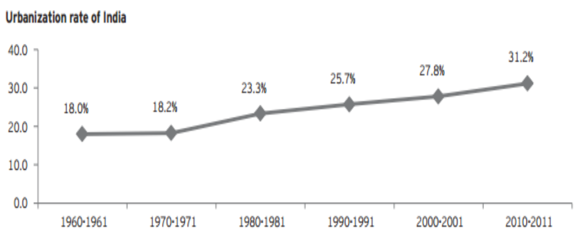


Fig: Urbanization Rate of India

2. REITs will bring transparency – REITs will assist to streamline the real estate sector by creating a transparent mechanism for raising finance in the real estate market.
3. Improvement in debt-equity proportion – There will be an improvement in the debt-equity proportion in the real estate market with the introduction of REITs as it is the source of the pure equity capital.
4. Medium for addressing non-performing assets (NPAs) – REITs can be used as a medium to wipe out NPAs/sick or defunct companies holding large values of real estate mostly in the form of land.
5. A new avenue for investment – REITs are suitable for those investors who wish to diversify their assets beyond gold and equity markets

Financing Real Estate Development in India

Channels of Financing Real Estate Development in India:

Fig: Channels of Financing Real Estate Development in India

II. REAL ESTATE IN INDIA

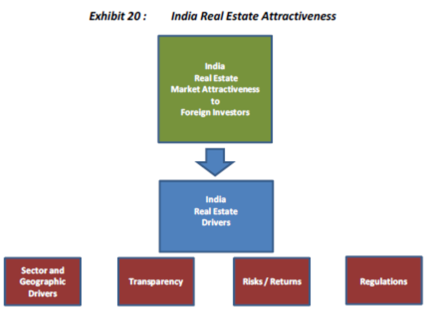
Investors are increasingly looking to the emerging markets as alternate global avenues for real estate investments. India's favorable demography and strong economic impetus have made the country an attractive place for property investors. This does not mean, however, that investment in Indian real estate is risk-free. In light of the overall economic picture and the rapid escalation in prices in real estate over the last few years, many real estate markets in India are currently undergoing a price correction.

challenges of Indian real estate investments.

India has been attracting global real estate investors primarily on account of the following:

- Long term demand drivers in all real estate sectors;
- Improving market transparency;
- Attractive risk – return trade-off; and
- Liberalized government regulations.

- This leads us to the third part of this paper's research framework as shown in Exhibit 20.



Sector and Geographic Drivers: The United Nations Population Division (UNDP) expects the degree of urbanization to grow over 40% by 2030, implying that urban population will grow by 2.5% per annum in the next 25 years. Hence, while the rural population increases only marginally, urban population will double by 2030 to around 600 million people. Land is a scarce resource in India – driven by very high population density. India's population density more than 10 times that of U.S. and more than twice that of China. Projected population growth of 54% in next 43 years (CAGR. 1%) and growing urbanization are expected to continue to drive the property price increases in India

Country	Population (mn) 2007	Population (mn) 2050	Area of Country square km.	Population Density per sq km.	Urbanization
China ex HK	1,318	1,437	9,571,785	138	44%
India	1,132	1,747	3,287,576	344	28%
Indonesia	232	297	1,904,561	122	42%
United States	302	420	9,629,047	31	79%
France	62	70	551,497	112	77%
United Kingdom	61	69	244,878	251	90%

Table : Population Density

For the purposed of this discussion, it is important to understand how Indian cities are categorized. Based on the maturity of the different sub-markets, cities are divided into 3 tiers.

Table 1

Category	Cities	Characteristics
Tier I	Bangalore, Mumbai and NCR	Fairly well established real estate market Demand drivers quite pronounced
Tier II	Hyderabad, Chennai, Pune and Kolkata	Growing real estate markets Experiencing heightened demand and investments
Tier III	Chandigarh, Ludhiana, Lucknow, Guwahati, Bhubaneswar, Jaipur, Ahmedabad, Surat, Nagpur, Indore, Goa, Visakapatinam, Mysore, Coimbatore, Kochi, Vijaywada, Mangalore, Trivandrum and Baroda	Real estate markets yet to establish Perceived to have substantial potential demand

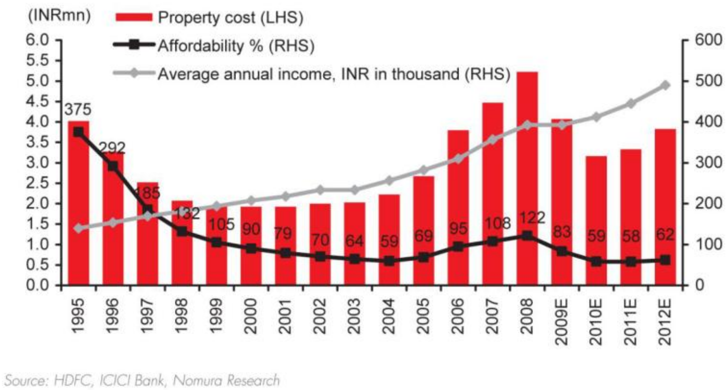
Table: Indian Cities by Market Tiers

A detailed chart of key sector wise demand drivers and growth drivers is shown in table.

The top seven cities in India account for nearly 80% of the pan-India demand with a projected demand of around 877 million sf. (Cushman and Wakefield, 2008). For further details of this demand forecast, refer table.

	Residential		Office		Retail		Hospitality	
	Rank	Estimated Demand (mln sf)	Rank	Estimated Demand (mln sf)	Rank	Estimated Demand (mln sf)	Rank	Estimated Demand (mln sf)
Bangalore	3	107	1	51	3	11	2	14
NCR	1	114	2	48	1	19	1	17
Chennai	2	108	3	33	5	6	4	8
Mumbai	5	41	4	23	2	15	3	12
Pune	4	67	5	21	7	8	6	4
Hyderabad	7	61	6	21	6	10	4	8
Kolkata	6	30	7	7	4	10	6	4

Table: Cumulative Real Estate Demand (2008 -12) by Sectors



Graph: Affordability Index of Property

The improvements are closely linked to the forces of globalization, with foreign investors requiring much greater transparency. India scores highest with regard to the presence of listed vehicles. Its greatest challenges lie in the limited provision of high quality market information and investment performance indicators. However, this lack of reliable market information is not a feature of all sectors and cities. Reliable market data is available for the office and hotel sectors in India's primary and secondary cities, compared to limited data availability for other sectors and across tertiary cities. India is currently ranked in 50th position out of 82 markets globally with a ranking similar to China's ranking

Country	Transparency Level	2008 Score	Global Rank
Australia	High Transparency	1.20	2
New Zealand	High Transparency	1.21	4
Hong Kong	Transparent	1.55	11
Singapore	Transparent	1.55	11
Malaysia	Transparent	2.25	23
Japan	Transparent	2.39	26
Taiwan	Semi-Transparency	3.07	41
South Korea	Semi-Transparency	3.15	44
Thailand	Semi-Transparency	3.16	45
Philippines	Semi-Transparency	3.23	47
China Tier 1 Cities	Semi-Transparency	3.33	49
India Tier 1 Cities	Semi-Transparency	3.34	50
India Tier 2 Cities	Semi-Transparency	3.38	52
Indonesia	Low Transparency	3.51	55
Macau	Low Transparency	3.54	57
India Tier 3 Cities	Low Transparency	3.65	62
China Tier 2 Cities	Low Transparency	3.68	65
China Tier 3 Cities	Low Transparency	3.97	72
Vietnam	Low Transparency	4.29	77
Cambodia	Opaque	4.67	79

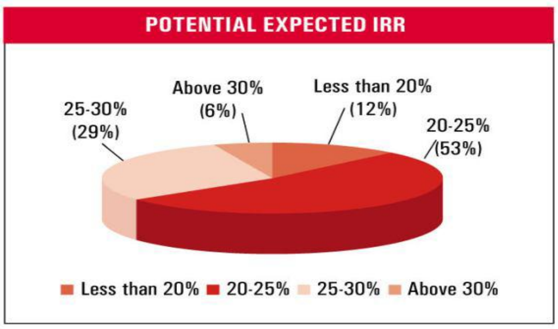
Source: Jones Lang LaSalle. LaSalle Investment Management

[23] Jones Lang LaSalle, "Transparency Comes of Age", November 2008

Table: JLL Transparency Index

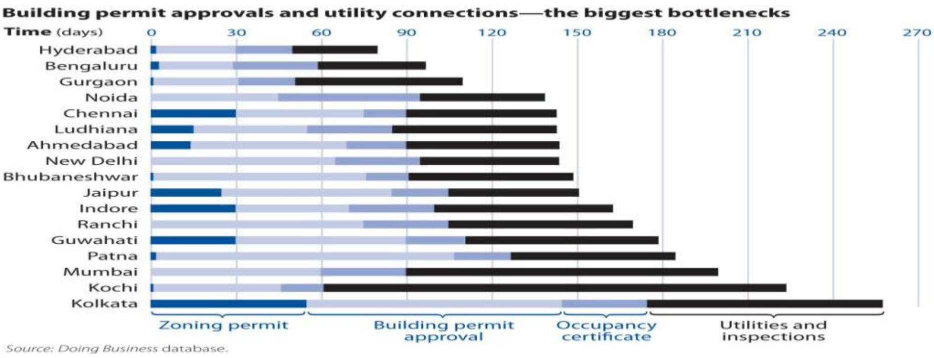
Risk / Returns

A majority of the institutional funds seek IRR's in 20–25% range given the present market conditions and the future risk expectations

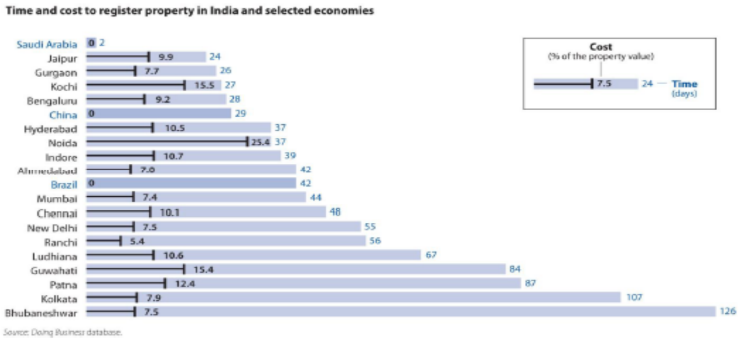


Graph: IRR Expectations

Regulatory Risks: Bureaucracy and corruption are the biggest bottlenecks and these hindrances may result in extra-ordinary delays in obtaining permit approvals, utility connections and property registrations. These delays affect the completion time of real estate projects. (See Exhibit 28).



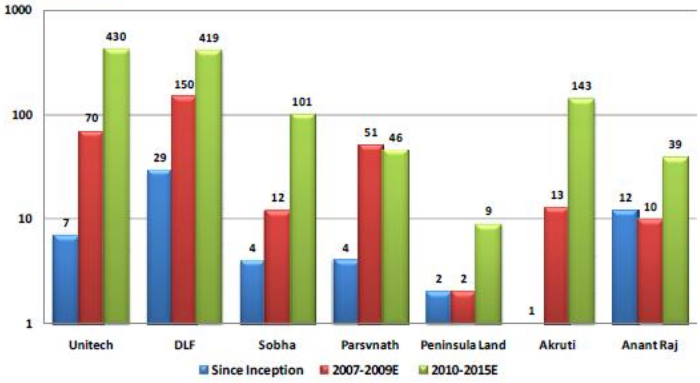
Graph: Bureaucracy – The Biggest Bottleneck



Market Transparency Risk: Although market transparency has obviously improved, it is still hard to get reliable and consistent information on the Indian property market. India is a vast and heterogeneous country, It is evidently important to know whether a property is situated in a rapidly expanding or a stagnant region. More professional due diligence and valuation institutions are needed.

Liquidity Risk: The investment market is still in its infant stage. Investors face serious challenges infinding appropriate exit opportunities.

Developer Risk: This can be a boon or a bane as well, depending upon the product and the micromarket. Small developers are typically unorganized but can easily deliver a small project very fast and get the first-mover advantage in given area. The small developer can serve as a better partner at times compared to a large developer in terms of accessibility. However, small developers may not have the organizational backup to deliver large FDI compliant projects. On the other hand, large developers have undertaken projects at a scale never seen in the history of their existence . Prior the partnering with a developer, investors must scrutinize the capacity of the developer to undertake further projects.



Graph: Inadequate Execution Capability

Regulations

Government regulations have had a tremendous influence on the real estate investment opportunity in India. The current regulatory regime restricts investments in certain sectors and in certain financial instruments. It is critical to understand the intention and spirit of the present regulations so that investments can be structured appropriately.

FDI Regulations: 100% Foreign Direct Investment ("FDI") is allowed under the automatic route to develop townships, built-up infrastructure and construction-development projects, including, without restriction, housing, commercial premises, hotels, resorts, hospitals, educational institutions, recreational facilities, and city and regional level infrastructure. A foreign investor must develop a minimum of 10 hectares for serviced housing plots and 50,000 sq. meters for construction-development projects.

The regulation prohibits repatriation of the original investment for a period of three years after capitalization. However, the foreign investor may apply to the Foreign Investment Promotion Board ("FIPB") for a waiver of this condition. The regulation mandates that 50% of the project must be developed within five years from the date all statutory clearances are obtained. The regulation also retains the condition of minimum capitalization of $10 mln for wholly owned subsidiaries and $5 mln for joint ventures with Indian partners. However, these funds must be brought in within six months of commencement of business. Regulations have been established for hotel, industrial and special economic zones (SEZ) projects, wherein FDI up to 100% is permitted under the automatic route without the restrictions as stated above i.e. investors can invest in ready assets in these sectors.

Pricing: The price at which a foreign investor invests into an Indian company is regulated. Accordingly, shares in an unlisted Indian company may be freely issued to a foreign investor, subject to the following conditions being satisfied:

- The foreign investor subscribes to the Indian company's shares at a price that is not lower than the floor price computed on the basis of the "ex-CCI" (Controller of Capital Issues) formula which is the equivalent to the average of Net Asset Value per share and Profits Earnings Capacity Value per share;
- The consideration for the subscription is brought into India prior to or at the time of the allotment of shares to the foreign investor.

If any of the above conditions are not complied with, then the prior approval of the Foreign Investment Promotion Board (FIPB) and/or the Reserve Bank of India (RBI) is required. However, if the foreign investor is a Foreign Venture Capital Investor registered with the Securities Exchange Board of India (SEBI), then the above pricing restrictions do not apply.

Venture Capital Regime: In April 2004, SEBI opened a small window for real estate investments under the Venture Capital Fund (VCF) and Foreign Venture Capital Investor (FVCI) regime. However, it is pertinent to note that since the last 2 years, the Securities and Exchange Board of India (SEBI) has not granted any FVCI approval to any of the foreign investors for investing in real estate sector in India

By using the various tax-friendly jurisdictions, the following structure as shown in is one of the most popular legal, tax and exchange-control efficient structures for routing investments into India

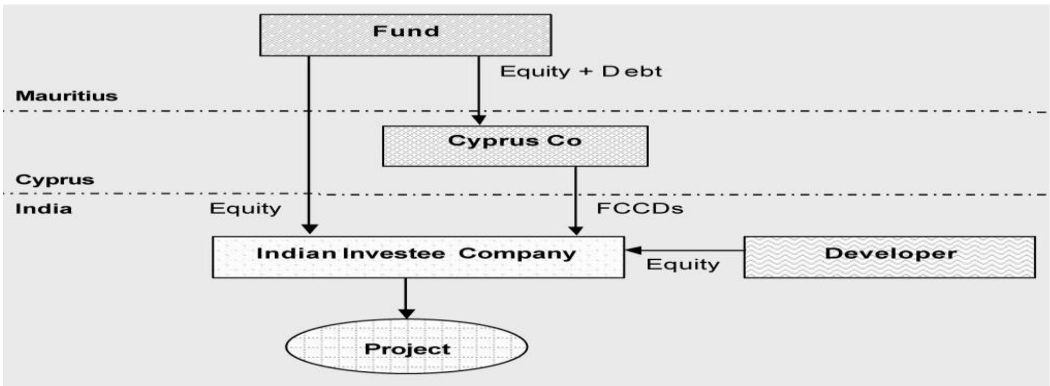


Fig: Mauritius – India – Cyprus structure

Public Equity Markets: Indian real estate companies on the public real estate markets have raised approximately $8.5 bln since 2005

Y/E Dec	2006	2007	2008	Mid 2009
Total	$2,709 mln	$3,938 mln	$343 mln	$1,655 mln
Source: Deutche BanK				

Table :Fund Raising for Real estate in Indian Equity Markets

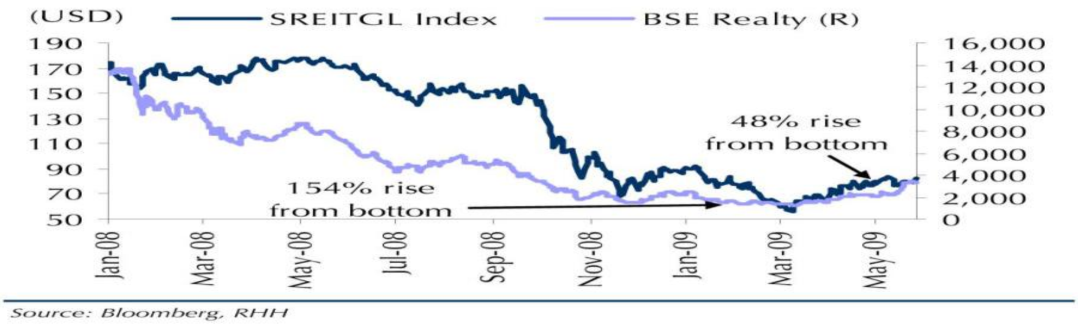
The present level of foreign investment in the public markets is estimated at $5.5 bln out of a total market capitalization of $25.5 billion.

Company Name	Market Capitalization	Market Capitalization in USD	Foreign Institutions %	Foreign Promoters %	Foreign Market Cap	Foreign Investment in USD	Domestic Institutions %	Domestic Institutions in USD
Indian Listed Companies								
DLF	Rs. 567,454 mln	$11,822 mln	6.9%	0.0%	Rs. 39,041 mln	$813 mln	0.5%	$57 mln
Unitech	Rs. 123,864 mln	$2,580 mln	5.5%	0.2%	Rs. 7,097 mln	$148 mln	1.8%	$47 mln
Lanco Infratech	Rs. 83,808 mln	$1,746 mln	11.5%	48.8%	Rs. 50,595 mln	$1,054 mln	4.6%	$80 mln
HDIL	Rs. 64,493 mln	$1,344 mln	10.9%	0.0%	Rs. 7,043 mln	$147 mln	1.3%	$18 mln
Indiabulls Real Estate	Rs. 58,264 mln	$1,214 mln	54.0%	0.0%	Rs. 31,463 mln	$655 mln	0.7%	$8 mln
Jai Corp	Rs. 39,367 mln	$820 mln	11.7%	13.9%	Rs. 10,062 mln	$210 mln	3.6%	$29 mln
Akruti City	Rs. 33,980 mln	$708 mln	1.9%	0.0%	Rs. 629 mln	$13 mln	0.5%	$3 mln
Anant Raj Industries	Rs. 30,174 mln	$629 mln	30.4%	0.0%	Rs. 9,161 mln	$191 mln	0.1%	$0 mln
BF Utilities	Rs. 26,237 mln	$547 mln	11.5%	0.0%	Rs. 3,017 mln	$63 mln	0.4%	$2 mln
Phoenix Mills	Rs. 14,231 mln	$296 mln	24.3%	0.0%	Rs. 3,454 mln	$72 mln	2.8%	$8 mln
Puravankara	Rs. 15,601 mln	$325 mln	8.3%	0.0%	Rs. 1,290 mln	$27 mln	0.9%	$3 mln
Omaxe	Rs. 14,970 mln	$312 mln	0.6%	0.0%	Rs. 90 mln	$2 mln	2.0%	$6 mln
Parsvnath	Rs. 17,112 mln	$357 mln	2.7%	0.0%	Rs. 465 mln	$10 mln	1.1%	$4 mln
Sobha	Rs. 13,840 mln	$288 mln	5.4%	86.9%	Rs. 12,776 mln	$266 mln	1.4%	$4 mln
Mahindra Lifespaces	Rs. 11,418 mln	$238 mln	23.7%	0.0%	Rs. 2,703 mln	$56 mln	10.4%	$25 mln
Brigade Enterprises	Rs. 8,251 mln	$172 mln	6.2%	0.0%	Rs. 509 mln	$11 mln	2.0%	$3 mln
Ajmera Realty	Rs. 20,989 mln	$437 mln	11.3%	0.0%	Rs. 2,365 mln	$49 mln	0.2%	$1 mln
Ansal Properties	Rs. 6,027 mln	$126 mln	14.2%	0.0%	Rs. 856 mln	$18 mln	5.0%	$6 mln
Orbit	Rs. 8,046 mln	$168 mln	14.6%	0.0%	Rs. 1,172 mln	$24 mln	4.4%	$7 mln
IVR Prime	Rs. 4,513 mln	$94 mln	9.3%	0.0%	Rs. 417 mln	$9 mln	1.8%	$2 mln
Kolte Patil	Rs. 3,900 mln	$81 mln	5.7%	0.0%	Rs. 222 mln	$5 mln	0.4%	$0 mln
Ganesh Housing	Rs. 2,498 mln	$52 mln	26.0%	0.0%	Rs. 649 mln	$14 mln	4.4%	$2 mln
BSEL Infrastructure	Rs. 1,512 mln	$31 mln	41.2%	0.0%	Rs. 623 mln	$13 mln	0.0%	$0 mln
DS Kulkarni	Rs. 902 mln	$19 mln	43.4%	0.0%	Rs. 391 mln	$8 mln	6.4%	$1 mln
Ansal Housing	Rs. 802 mln	$17 mln	19.5%	0.0%	Rs. 156 mln	$3 mln	1.1%	$0 mln
Foreign Listed Companies								
Indiabulls Inv Trust	SGD 660 mln	$454 mln				$454 mln		
Ascendas India REIT	SGD 555 mln	$381 mln				$381 mln		
Hirco Plc	£68 mln	$108 mln				$108 mln		
Unitech Corporate Park	£62 mln	$98 mln				$98 mln		
Ishaan	£62 mln	$98 mln				$98 mln		
Trikona Trinity Capital	€118 mln	$187 mln				$187 mln		
Yatra Capital	€ 75 mln	$106 mln				$106 mln		
Eredene Capital	£50 mln	$79 mln				$79 mln		
Alpha Tiger Property	£42 mln	$66 mln				$66 mln		
Naya Bharat Property	£17 mln	$26 mln				$26 mln		
Total in USD		$25,560 mln				$5,483 mln		$318 mln
Total %		100.0%				21.5%		1.2%

Prices and rates as of 17th July 2009
1$ = Rs. 48, 1 SGD = Rs. 33, 1GBP = Rs.79, 1 EUR = F Source: Moneycontrol.com, ISI Emerging Markets, Kotak Securities

Current Environment

India's growth rate is expected to slow to 7% from 9% levels in previous years. There is a decline in foreign direct investment flows and bank credit in line with global trends. As a result of the slowdown, there currently exists an oversupply situation in almost all sectors. This has caused the markets to downward correct to the tune of 20-30%.



Graph: S&P Global REIT Index vs. BSE Realty Index

III. RESEARCH METHODOLOGY

The methodology adopted is descriptive-analytical and exploratory. The study is descriptive to the extent that it describes the developments in the field of real estate sector in India with a focus on the role of REITs in the faster development of this vital sector, and the role played by SEBI in promoting REITs. The recent relaxations in the norms of REITs so as to make them more attractive are focused in the study. The paper is analytical too as it seeks to analyze the weaknesses of the SEBI Regulations on REITs 2014, particularly the reasons for poor investor preference towards REITs etc. and accordingly to suggest remedial strategies. The study is based primarily on the secondary data from authentic sources.

IV SIGNIFICANCE OF HOUSING AND REAL ESTATE SECTOR IN INDIA: NEED FOR MORE LIQUIDITY

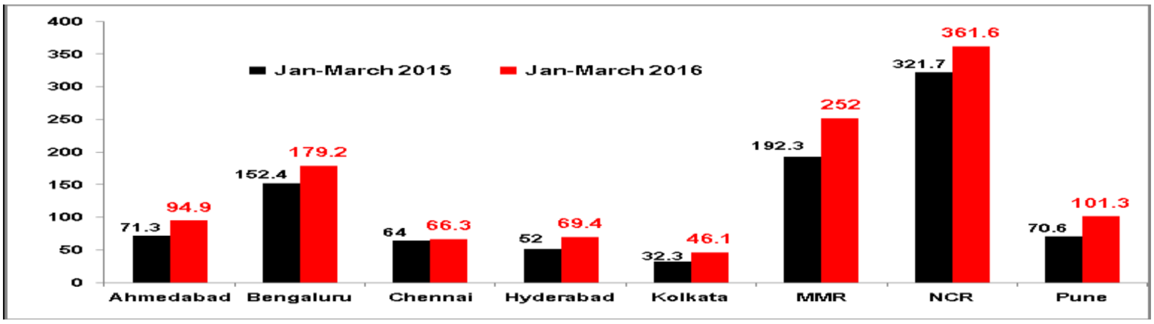
In India, because of (i) the very low percentage of MGR, (ii) the huge housing shortage, and (iii) the well recognised fact that housing and real estate investment has got immense potential for economic development because of the vast 'linkages' (both forward and backward) effects of housing investments with over 269 other industries. The real strength of the housing sector lies, in its not only direct contribution to the economy but also its 'multiplier' or, 'ripple' effects i.e. ability to stimulate economic activity in other industries. While generation of revenues and employment opportunities form some of the direct contributions to the economy, indirect benefits include the increased activity of firms, which supply materials like cement, steel, wood etc., and other allied services. Many studies have conclusively proved the positive impact of housing on economic development of nations. In short, housing and real estate sector plays a pivotal role in the development of economies across the globe, both developed and developing, and India is no exception. Many studies have pointed out the positive economic as well as social impacts of housing. The 'National Goal of Housing for All by 2022' that is applicable in India has given another dimension to the need for faster development of housing and real estate sector in India.

Table II: Growing Unsold Real Estate with the Builders in Major Cities in Kerala

(In Million Sq.Ft)

	Ahmedabad	Bengaluru	Chennai	Hyderabad	Kolkata	MMR	NCR	Pune	Total
Jan-March 2015	71.30	152.40	64.00	52.00	32.30	192.30	321.70	70.60	6.60
Jan-March 2016	94.90	179.20	66.30	69.40	46.10	252.00	361.60	101.30	70.80
Growth (Percent)	33.10	17.59	3.59	33.46	42.72	31.05	12.40	43.48	22.39

Source: "Builders strapped with unsold real estate", *The Times of India*, Kochi Ed., dt.23 June 2016. Print, p.10. [41]



Graph: Growing Unsold Real Estate with the Builders in Major Cities in Kerala

GOVERNMENT INITIATIVES TO ATTRACT FUNDS IN TO THE REAL ESTATE SECTOR THROUGH REFS

In the recent years, the supportive policies of the successive Union governments in India have further encouraged the liquidity flow into the country's real estate sector. For instance, Government of India has allowed non-resident Indians (NRIs) to invest upto 100 per cent as Foreign Direct Investment (FDI) in housing and real estate sector. This policy of 100 per cent FDI in the real estate sector in India, setting up real estate mutual funds (REMFs) coupled with other fiscal reforms like rationalization of stamp duty, property taxes etc. initiated by the Government are steps directed at making the real estate a promising investment option in India. As an outcome of these policies, the foreign contributions to REFs in India have witnessed a steady rise of 40 to 45 per cent per year. The domestic financial institutions have also built up their investments in REFs like their foreign counterparts. This combined participation from both along with contributions of the corporate houses has accelerated the growth of REFs in India. Securities and Exchange Board of India (SEBI), the regulatory authority of securities market in India, has been trying to develop various innovative models for financing real estate market over the last few years. SEBI's first attempt to bring in REITs in 2007 was not successful. So SEBI went ahead with its second attempt to bring in a REIT regime in the REMF format. But, this was also not very successful for want of adequate interest from the investors. SEBI approved the guidelines for the real estate mutual funds (REMFs) according to which all the schemes having an objective to invest directly or indirectly in real estate property will be governed by the provisions and guidelines under SEBI (Mutual Funds) regulations. SEBI made it clear that the structure of the REMFs, initially, would be close ended. The units of REMFs would be compulsorily listed on the stock exchanges, and NAV of the scheme would be declared daily. The scope of the REMFs was kept wide open, as the guidelines allow these schemes to invest in (i) directly in real estate properties within India, (ii) mortgage (housing lease) backed securities, (iii) equity shares/bonds/ debentures of listed/unlisted companies which deal in properties and undertake property development, and (iv) other securities.

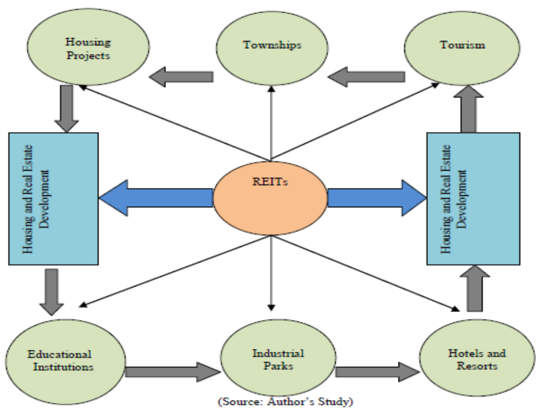
SEBI INITIATIVES TO PROMOTE REITS: REIT REGULATIONS 2014 AND ITS REVISION IN 2016 – IMPLICATIONS

Failure of its first two attempts to improve liquidity in the real estate market made SEBI to float REFs in the form of REITs (Real Estate Investment Trusts) again, in its third attempt. As part of its third initiative, SEBI has been successful in releasing the Draft of its Real Estate Investment Trust Regulations (Draft REIT Regulations) in 2013 and gathering the public comments on the above draft. SEBI has so far done a commendable job in taking into account international models and views of stakeholders. Accordingly, it was envisaged that REITs should likely emerge as a preferred form of asset backed investment with established revenue streams, and will go a long way in protecting the interests of investors seeking exposure in real estate as an asset class. More importantly, REITs may infuse additional transparency and liquidity in the Indian real estate market.

A MODEL FOR EFFECTIVE USE OF REITS FOR THE FASTER GROWTH OF HOUSING AND REAL ESTATE SECTOR

It is meaningful to suggest a model for faster development of housing and real estate sector in India through REITs. (Figure II). As shown, it may be pointed out that REITs would help to stimulate growth not only in the housing and real estate sector, but in a number of related sectors like industrial parks, tourism, educational institutions etc. Conversely, FDI into any one or more of these sectors would trigger the growth of housing and real estate sector too and hence that of REITs, as already pointed out. The model suggested by Nasar & Manoj P K (2013) [19] in the context of FDI in real estate and allied sectors is modified here to suit the case of REITs. In short, the because of the vast multiplier ('ripple') effects and inter-relationships between various sectors to the housing and real estate sector, reforms to attract REITs or FDI inflows into the housing and real estate sector not only promotes the respective sector, but all the allied sectors as well; and vice versa.

Figure II: Effective Use of REITs for the Development of Housing and Real Estate Sector in India – A Model



(Source: Author's Study)

IV CONCLUSION

There are a number of limitations and handicaps for the housing and real estate sector in India. Primarily these are the low level of penetration of the market, significantly low investments by public and private sectors, poor liquidity and resources of the players in the market, and inadequate regulatory and legal system in the country. In this context, the entry of the innovative schemes like REITs can provide the much desired liquidity and dynamism to this vital sector of the economy. Side by side, other innovative instruments and schemes such as Residential Mortgage Backed Securitization (RMBS), Reverse Mortgage Loans (RML), Housing Micro Finance (HMF), FDI in real estate, Special Residential Zones (SRZs) etc. need to be promoted further by the Government for the faster development of the housing and real estate sector and hence the overall development of the economy as a whole. REITs are particularly suitable to the current Indian scenario, because of the rising real estate prices in the past few years making investments an expensive proposition for smaller investors.

REITs in India may emerge as a new source of investment for the investors. The listed real estate and real estate investment trusts (REITs) may prove to be efficient and effective investment opportunities due to their transparency and liquidity. REITs have been implemented worldwide, and, in some markets, they have become very successful as investors look for investments which produce systematic income. The apparent choice of investors is the dividends associated with REITs. At the end, India has the entire gradient to witness a successful REIT regime in the long-term. All that is required is a well-organized regulatory system framed which ensures the best interest of the investors, the market and the nation.

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