

# **Real Estate Investment Trust: How REITs have performed in India in 2021**

## **Introduction**

Real Estate Investment Trusts (REITs) are catching up big way in the Indian economy and real estate sector. Regulated by SEBI, REITs are companies that own, operate, or finance income-producing commercial real estate (from the Indian perspective). Pooling together the capital of multiple investors, REITs make it possible for them to earn dividends from office property investments. This is without the investors needing to buy, manage, or finance any real estate themselves.

We take a look at some recent REIT deals and investments that have taken place in the Indian sector. We'll also evaluate the performance of these companies as recorded throughout the year.

## **History of REITs in India**

India currently has three REITs listed with SEBI, as also two InvITs (Infrastructure Investment Trusts). InvITs are conceptually similar to REITs, with the difference being that while REITs own and operate office spaces, InvITs operate infrastructure, including but not limited to, roads, bridges, dams, and power grids to name a few from the entire list. The history of the inception of REITs and InvITs in India lies not too far away in the past, which indicates that REIT is a recent trend having caught up in the Indian real estate big time.

The three Indian REITs are: Embassy REIT (started in 2017), Brookfield REIT (commenced in 2019), and Mindspace REIT (began in 2020). All three of them are listed and traded on both the BSE and the NSE. The two publicly-listed InvITs are: India Grid Trust, and IRB InvIT.

The Embassy company, in association with Blackstone Group, owns and operates 42.4 msf portfolio of infrastructure, office parks, and buildings. The Brookfield company lies on similar lines, while K Raheja Corp Group is the sponsor of Mindspace Business REIT.

## **Overall Indian REIT performance in 2021**

Embassy Office Parks REIT, in FY 2020-21, reported a 12% rise in net operating income (NOI) to Rs 2,032 crore on a Y-o-Y basis. Likewise, its revenue grew 10% to Rs 2,360 crore for the same period. Bolstered by assets including eight office parks, two hotels, and a 100 MW solar power set-up, Embassy is Asia's first as well as the largest REIT in terms of area.

Brookfield India REIT, on the other hand, saw its NOI rise nearly 4% to around Rs 170 crore for Q2 2021 on a Y-o-Y basis. It also extended dividend pay-out worth Rs 181.7 crore to unitholders.

Mindspace business, with a consolidated leasable area of 30.2 msf, has a strong portfolio of office spaces across tier-1 cities such as Mumbai, Pune, Hyderabad, and Chennai. The REIT unraveled an NOI of over Rs 358 crore during H1 2021 on a Y-o-Y basis.

The India Grid InvIT fetched returns worth 56% for its unitholders during FY 2020-21, while the IRB InvIT fared even better with 83% returns for the same period.

## **Conclusion**

All in all, the REIT (as also the InvIT) space in India has been witnessing a gradual upward trajectory despite the aftermath of the pandemic. Beating the COVID blues, the REITs have ensured that they deliver value to the entire set of stakeholders, including investors, sponsors, trustees, and more.

This encouraging commercial REIT trend in India could well open space for its expansion into residential, retail, and hospitality segments in the years to come. Linked directly to the office space and commercial real estate sentiment in India, REITs, with their modus operandi of monetizing rent-yielding office assets, promise a lot more in the months and the years to come.

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