



# India's new real estate and infrastructure trusts: The way forward

Fifth edition

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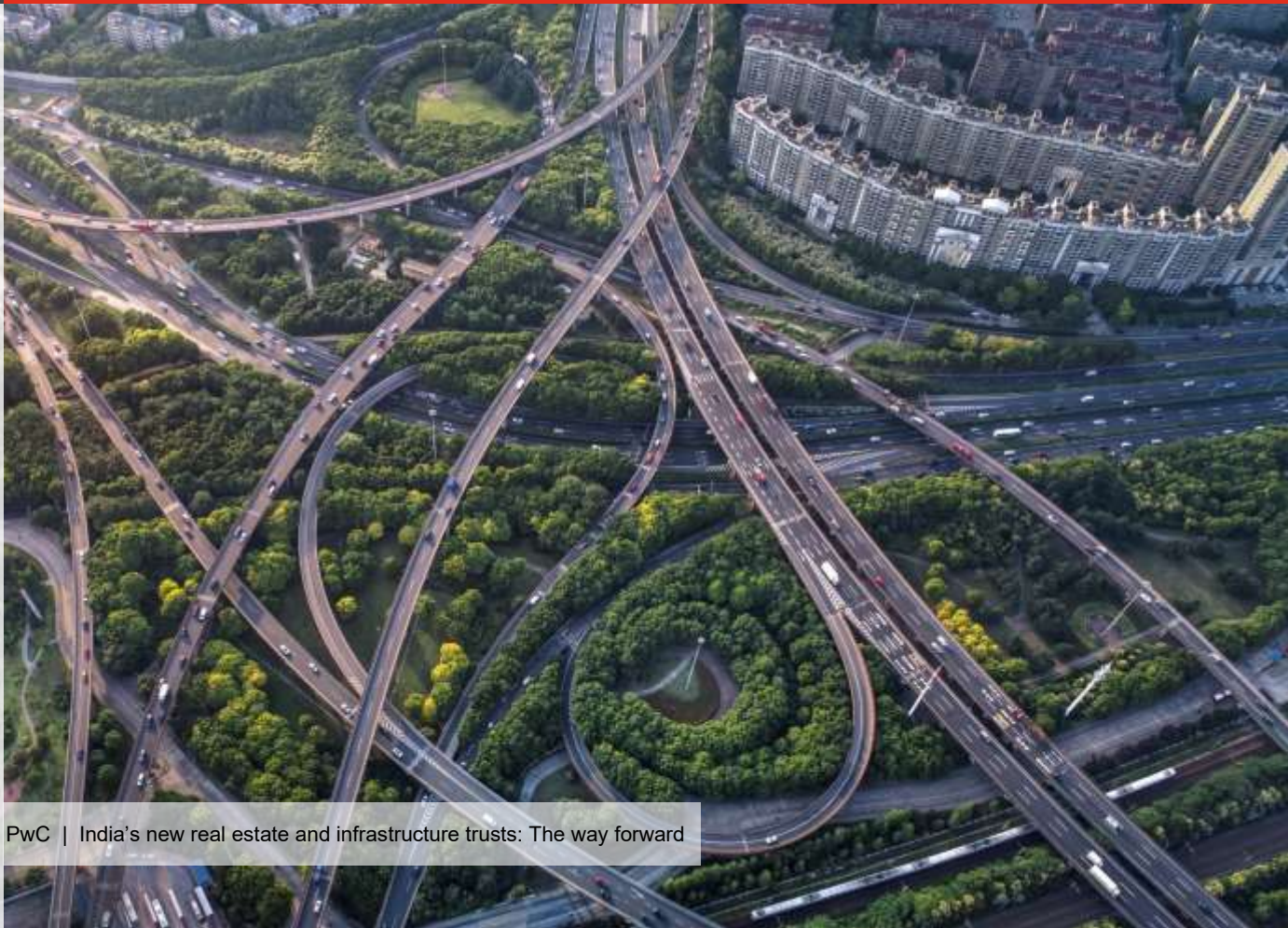
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## Preface

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## Preface

Infrastructure and real estate are the two most critical sectors in any developing economy.

A well-developed infrastructural set-up propels the overall development of a country. It also facilitates a steady inflow of private and foreign investments, and thereby augments the capital base available for the growth of key sectors in an economy, as well as its own growth, in a sustained manner. A robust real estate sector, comprising sub-segments such as housing, retail, hospitality and commercial projects, is fundamental to the growth of an economy and helps several sectors develop significantly through the multiplier effect.

However, both these sectors need a substantial amount of continuous capital for their development.

Currently, India's real estate sector is the second largest employer in the country after agriculture and is slated to grow at a steady pace over the next decade. At the same time, the infrastructure sector, which includes segments such as energy, transport, water and sanitation, communication, and social and commercial infrastructure, is the focus area for key policymakers, banks and corporates to formulate and implement regulations. This is expected to ensure the time-bound creation of world-class infrastructure in the country. India's real estate industry has witnessed a paradigm shift from traditional finance to an era of structured finance, private equity and public offering.

Given the importance of these two sectors in the country and the paucity of public funds available to stimulate their growth, it is imperative that additional channels of financing are put in place.

Real estate investment trusts (REITs) and Infrastructure investment trusts (InvITs) are investment vehicles that can be used to attract investment in the infrastructure and real estate sectors, and also relieve the burden on formal banking institutions. Regulations governing REITs and InvITs were introduced in India in 2014 and have been amended over a period of time in an endeavour to align them with stakeholders' expectations.

This report aims to provide an overview of the market for REITs and InvITs in India, and the benefits that accrue to various stakeholders by investing in these investment vehicles. It also elaborates on regulations governing the structure of these instruments in India and compares REIT markets across major countries in the world.

I hope this report is a useful reference point for you on India's REIT and InvIT regulations and that you enjoy reading it.

Regards,

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## Preface

On 1 April 2019, the very first Indian REIT was listed from Embassy Blackstone and was oversubscribed 2.5 times. This has been a culmination of efforts from industry stakeholders, APREA, the government, and the capital markets regulator, Securities and Exchange Board of India (SEBI) and our trust in REITs as a product that can offer higher income returns than fixed-income investment and remains relatively stable through periods of fluctuating economic cycles.

This represents a new asset class and could pave the way for many more REITs in India that will unlock the potential of the India's real estate industry and open up the avenues for upcoming asset classes like co-living, co-working, and student housing amongst others.

REITs in India, if encouraged for individual retail investors, can change the nature of property investment, giving individual retail investors easy access to high-value property, which was a domain previously reserved for large institutional investors.

SEBI's creation of a robust REIT framework and the Embassy REIT paves the way for many international investors to the tremendous opportunities offered by the fastest-growing large economy in the world. Moreover, Asian REITs account for more than 15% of listed real estate exposure in Asia with possibilities galore.

APREA as an industry association along with its partners and members and through educational programmes will ensure wider understanding and acceptability for investing in REITs in India.

This is the fifth edition of the REITs and InvITs primer, which gives an overview of regulations and taxes. We thank PwC India for providing support and revising this document, encapsulating the changes that are announced impacting the regulations.

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