



# EFFECT OF REIT ON INDIAN MALLS

By **Varun Shah**

REIT, which stands for Real Estate Investment Trust, is a type of company that invests in real estate in the form of ownership and financing of various income-generating real estate properties like office buildings, apartment complexes, warehouses, timberland, shopping malls, hotels etc.



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**R**EITs can be private, public or public non-listed. However, stocks of most REITs are traded on major stock exchanges. Even common people can invest in the portfolio of real estate properties by purchasing the shares or stocks of REITs. In return, these stockholders/investors benefit from the dividends and capital appreciation of the properties involved.

## REIT in India

The government has already introduced several reform initiatives in the regulatory framework for REIT. Through REITs, small investors will be able to invest in the lucrative real estate sector in India. The value of total REIT listing is expected to

go over one trillion INR. REITs are expected to attract both retail and institutional investors in the real estate sector.

## Effect of REIT on Indian malls

Lakhs of small investors who otherwise cannot afford to make huge investments in the real estate sector will now have the access and suitability to invest in the real estate business of shopping malls through REIT. With a larger and wider investor base which is likely to improve the quantum of funding, REITs can play an instrumental role in the development of better and advanced malls with their investments in better infrastructure, designer architecture and sophisticated engineering technologies. Builders and developers



invest a considerable amount of money in real estate projects like shopping malls. Reaching the breakeven and generating a healthy ROI may take years for these builders and developers who often find their investments in real estate locked up for years or generating returns at a very slow rate. REIT can overcome this concern by providing an exit route to these developers. This can serve as a motivator for more builders and developers to engage in real estate projects like shopping malls.

REITs have the potential to address the demand-supply deficit of shopping malls in India both in terms of quality and quantity. It is believed that of all the shopping malls operating in India, only about 15 percent of them are of superior quality. Only 50 percent of the demand for the total area requirement for shopping malls across the country is fulfilled every year. By providing a platform to invest in real estate to a widespread base of retail investors and to all categories of institutional investors, REITs has the potential to generate the necessary funding and the interest on the part of builders and developers required to balance the demand and supply of shopping malls.

Properties like shopping malls owned by REITs will have to follow more stringent protocols as they will come under public scrutiny to protect the interests of the investors, customers and other stakeholders involved. The compliance burden will increase for real estate companies. REIT platform can prove to be the financial turbine necessary for the development and upliftment of the shopping malls in India. By paving the way to the small investors' base, by providing an exit route to the builders and developers, by attracting the long-term institutional investors and by providing the much-needed investment platform for real estate companies, REITs are all set to change the face of shopping malls in India. ●●●