Our Views

Unlocking Value: Why REITs & InvITs Deserve the Spotlight

Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) are innovative investment vehicles that provide investors with the opportunity to enter the real estate and infrastructure markets—sectors traditionally accessible only to those with significant capital. REITs primarily focus on commercial real estate assets such as office spaces, malls, and hotels, while InvITs invest in infrastructure projects, including highways, power transmission networks, and gas pipelines. These instruments are listed on Indian bourses akin to a normally listed stock and are regulated by the Securities and Exchange Board of India (SEBI), enabling both retail and institutional investors to participate in large-scale, professionally managed ventures, while benefiting from liquidity and transparency.

With over a decade of success, the Indian REITs & InvITs landscape is steadily evolving and poised for further growth. As of March 2025, India has 4 listed REITs and 26 SEBI-registered InvITs, 4 of which are publicly traded. Majority of REITs & InvITs are backed by global and large domestic sponsors and have a total Assets Under Management (AUM) of approximately INR 7.5-8.0 lakh crores.

Indian REITs include high-quality assets and a diverse tenant portfolio, featuring leading domestic and global companies. This solid foundation provides competitive yields, tax benefits, liquidity, and lower capital requirements compared to standalone real estate assets. However, REITs in India only account for ~10% of the country's total listed real estate value, covering nearly 126 million square feet —far lower than the over 90% seen in developed markets such as the USA and UK. This gap presents substantial growth opportunities and highlights the need for further promotion of REITs and InvITs, alongside the development of regulatory frameworks to support their expansion.

Although India's REIT market is still in its early stages compared to its global counterparts, it holds immense potential, bolstered by an abundance of high-quality real estate assets. Notably, more than 400 million square feet of completed office space and 70 million square feet of completed retail space in India qualify as suitable for REIT inclusion, strengthening the case for the sector's growth. Additionally, the introduction of Small and Medium REITs (SM REITs) is expected to bring 300-350 million square feet of office space to the stock exchanges. Meanwhile, the InvIT market for Indian roads has the potential to grow to an AUM of INR 3,20,000 crores by March 2026, driven by private sector investments in core infrastructure and the National Highways Authority of India's (NHAI) national monetization pipeline.

REITs and InvITs: Gaining Traction as Hybrid Investment Options

REITs and InvITs represent a unique asset class that combines the characteristics of both fixed-income instruments and equities. These investment vehicles offer a balanced opportunity for investors to earn stable returns from income-generating real estate and infrastructure assets through dividend distributions, while also benefiting from unit price appreciation. This hybrid model makes them a trusted investment option, even in volatile market conditions.

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By investing in REITs and InvITs, investors can diversify their portfolios beyond conventional asset classes such as equities, bonds, and gold. These investments typically exhibit low correlation with stock market movements, making them a good hedge during subdued market conditions. Moreover, as India's real estate and infrastructure sectors continue to expand, the demand for high-quality assets is expected to rise, supporting long-term value appreciation.

As per the data released by the Indian REITs Association, Indian REITs have delivered an annualized pre-tax return of ~10.5% for the last 5 years, significantly higher than traditional instruments such as fixed deposits and debt mutual funds. Additionally, Indian REITs and InvITs are currently trading at a discount to their Net Asset Value (NAV), presenting an attractive entry point and signalling untapped market potential. This growing recognition is evident in the surge of REIT unitholders from 4,000 in 2019 to over 260,000 by the end of 2024.

Way Forward – Enhancing India's REITs and InvITs Ecosystem for a More Investor-Friendly Future

Over the last one year, Indian REITs have delivered a more stable return of 8.9% through dividends and capital appreciation, higher than the Nifty which recorded a 4.7% return during the same period. With this unique hybrid nature and attractive returns, REITs and InvITs should be recognized as a distinct investment category.

A crucial next step in fostering their growth is their inclusion in major benchmark indices, such as the Sensex and Nifty, across both equity and debt segments, in addition to existing sectoral or thematic indices. This move would significantly enhance market depth, liquidity, and investor participation, while also attracting passive foreign capital inflows into Indian markets. A similar trend was observed in the domestic consumer internet sector, with Zomato becoming India's first new-age tech stock to be added to the BSE Sensex.

In well-established markets such as the United States and Singapore, REITs hold a prominent position in benchmark indices, reflecting their credibility as a stable and income-generating asset class. For example, in Singapore, the REIT sector is the third-largest by weight in the Straits Times Index (STI), trailing only banks and industrial stocks. This inclusion underscores the market's confidence in REITs' ability to deliver sustained income and capital appreciation. Globally, Indian REITs are already included in prominent indices such as the FTSE, MSCI, and S&P, signalling their growing relevance in the international investment landscape.

While listing on Indian bourses provides liquidity, integrating REITs and InvITs into India's Sensex and Nifty indices, across both equity and debt segments, would provide momentum to these asset class and enhance acceptance among domestic and foreign institutional and retail investors. This strategic move would further solidify India's position as a mature, dynamic, and attractive investment destination for real estate and infrastructure assets.

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