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EDITORIAL

Real Estate Investment Trust (REIT)

REITs or real estate investment trust can be described as a company that owns and operates real estates, to generate income. **Real Estate Investment Trust Companies** are corporations, that manage the portfolios of high value, real estate properties and mortgages. For instance, they lease properties and collect rent thereon. The rent thus collected is later distributed among shareholders as income and dividends.

Typically, REITs offer investors, an opportunity to possess high-priced real estate and enable them to earn dividend income, to boost their capital eventually. Thus investors can utilize the opportunity, to appreciate their capital and generate income, at the same time. Properties included in REITs comprise data centres, infrastructure, healthcare units, apartment complexes, etc. The different sources of funds, for REITs, include Equity, Mortgage, Hybrid, Private REITs, Publicly traded REITs and Public non-traded REITs. There are many advantages for the investors, who park their funds in a REIT.

- **Steady dividend income and capital appreciation:** Investing in REITs is said to provide substantial dividend income and also allows steady capital appreciation over the long term.
- **Option to diversify**: Since most REITs are traded frequently on the stock exchanges, it provides investors with an opportunity to diversify their real estate.
- **Transparency in dealing:** Being regulated by the SEBI, REITs are required to file financial reports, audited by professionals. It provides investors with an opportunity to avail information on aspects like taxation, ownership and zoning, thus making the entire process transparent.
- **Liquidity:** Majority of REITs trade on public stock exchanges and hence they are easy to buy and sell, which adds on to their liquidity aspect.

- **Accrues risk-adjusted returns:** Investing in REITs offers individuals risk-adjusted returns and helps generate steady cash flow. It enables them to have a steady source of income to rely on even when the rate of inflation is high.

REITs are likely to suffer with some limitations.

- **No tax-benefits**
- **Market-linked risks and Low growth prospect**

In India, the concept of Real Estate Investment Trust is relatively new and the first guidelines were introduced by SEBI (Securities Exchange Board of India) in 2007. The current SEBI guidelines, related to REITs in India, were approved in September 2014.

At present, REITs are heating up as a destination for investment, as evident from the fact that even during the pandemic-stricken year of 2020, the net absorption of real estate was quite high. There are also strong indicators that the net absorption in 2021 will be over 30 million square feet. This stems from India Inc's ongoing efforts towards self-reliance in line with the Government's Aatmanirbhar Bharat agenda. This will undoubtedly fuel the real estate sector, which will add to the international and domestic confidence in REITs.

Both big and small investors can park their funds, with caution, into this investment option and reap benefits accordingly.

The Thirty Fourth Issue (Vol.17, No.2) of the SMART Journal of Business Management Studies consists of ten articles, written by authors of repute, on different themes of contemporary relevance. I hope readers would find the Journal academically challenging and strategically stimulating.

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