



INDIAN REITs ASSOCIATION

India REIT Primer

March 2024



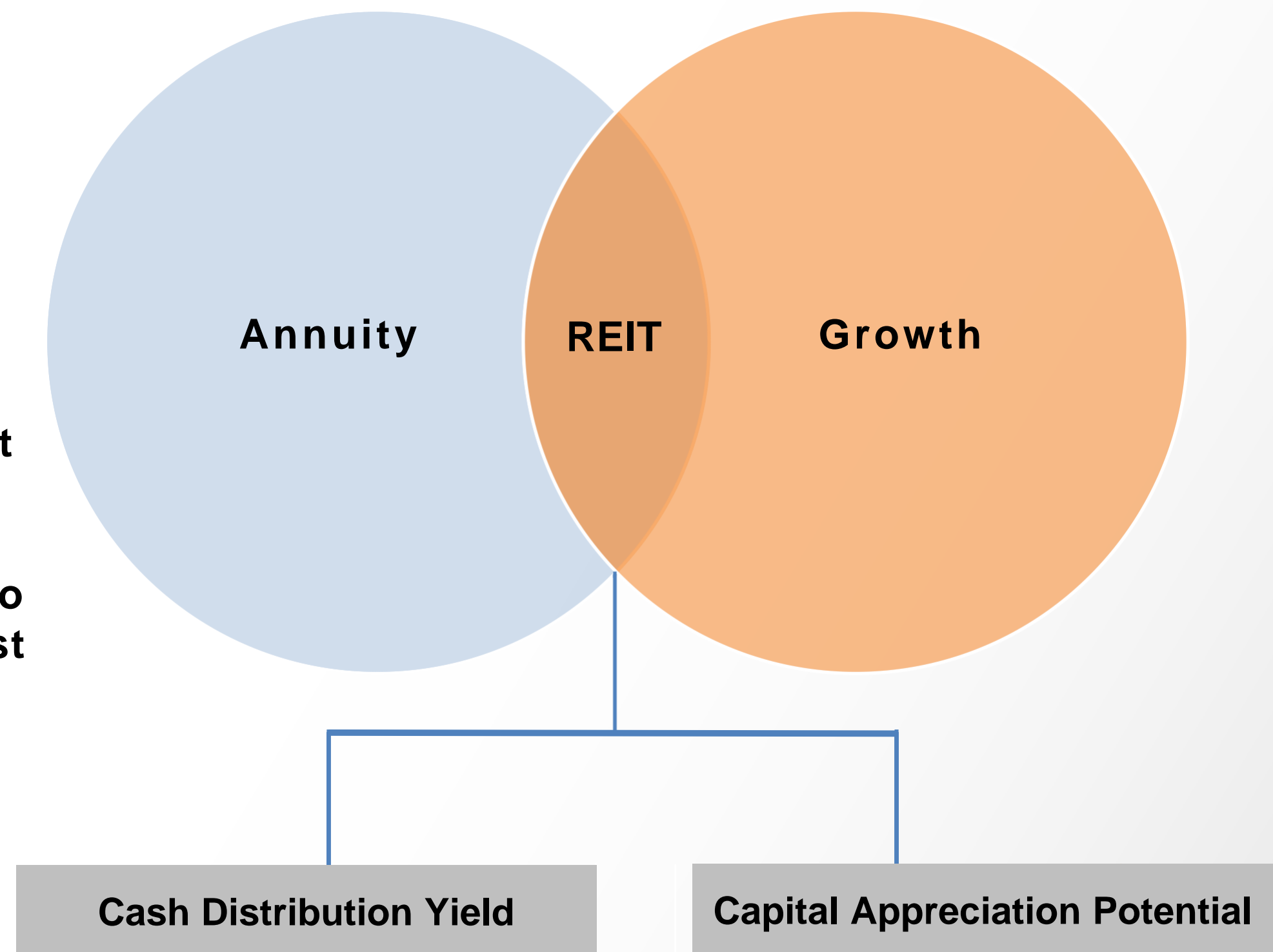
Introduction to REITs



What is a REIT?

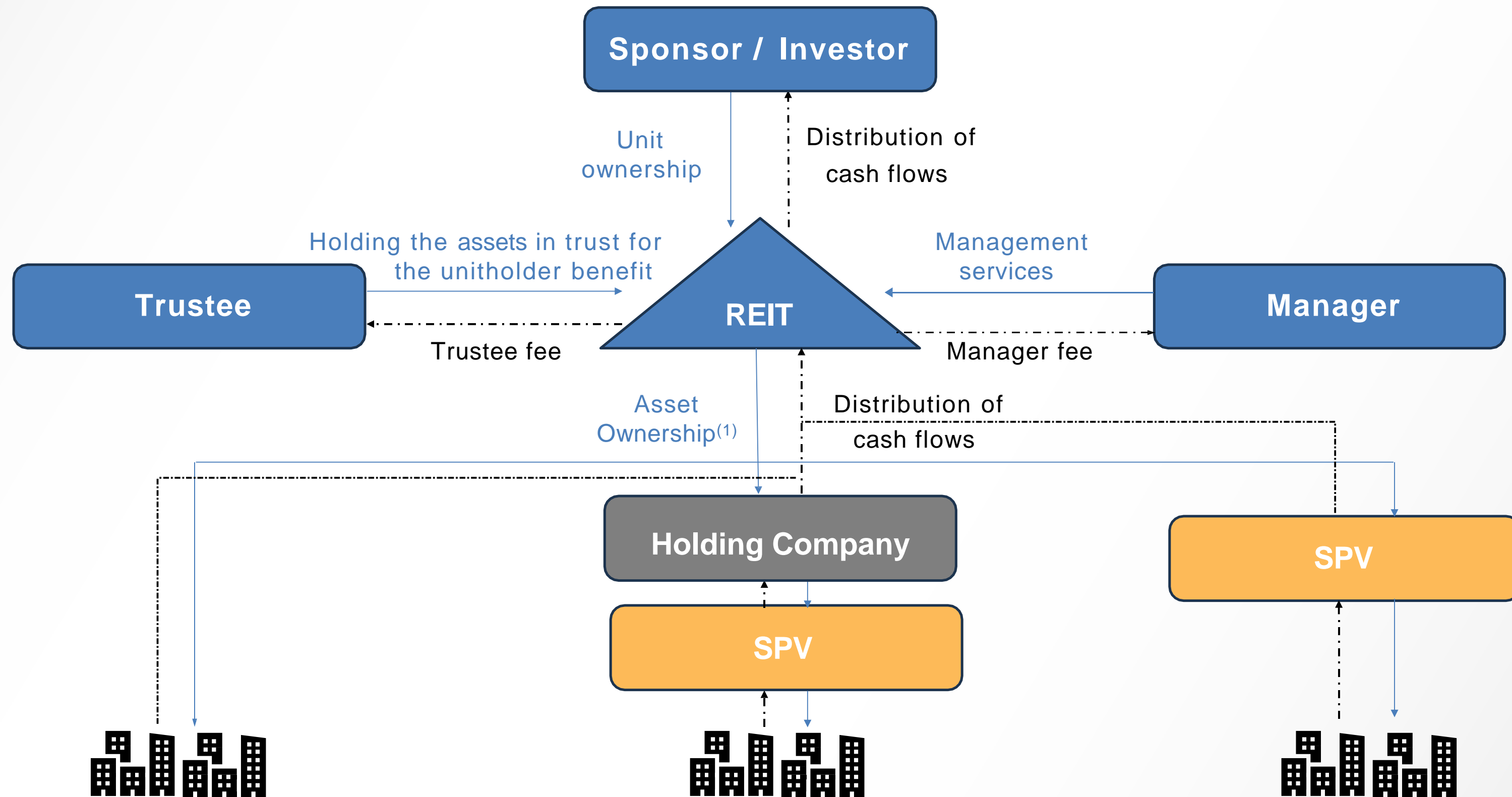
REITs are a globally accepted, liquid, highly-governed and tax-efficient product to invest in commercial and other real estate, through a publicly traded unit

- **REIT stands for Real Estate Investment Trust**
- **REITs allow investors to access the benefits of investing in real estate through a publicly traded unit**
- **REITs own, operate and/or manage income or rent generating real estate assets**
- **REITs are tax efficient vehicles that are required to distribute at least 90% of their cash flows at least semi-annually**
- **REITs typically provide consistent distribution yields with an in-built capital appreciation potential**



How is a REIT Structured?

REITs are registered as business trusts with three key parties – a Sponsor, a Manager and a Trustee

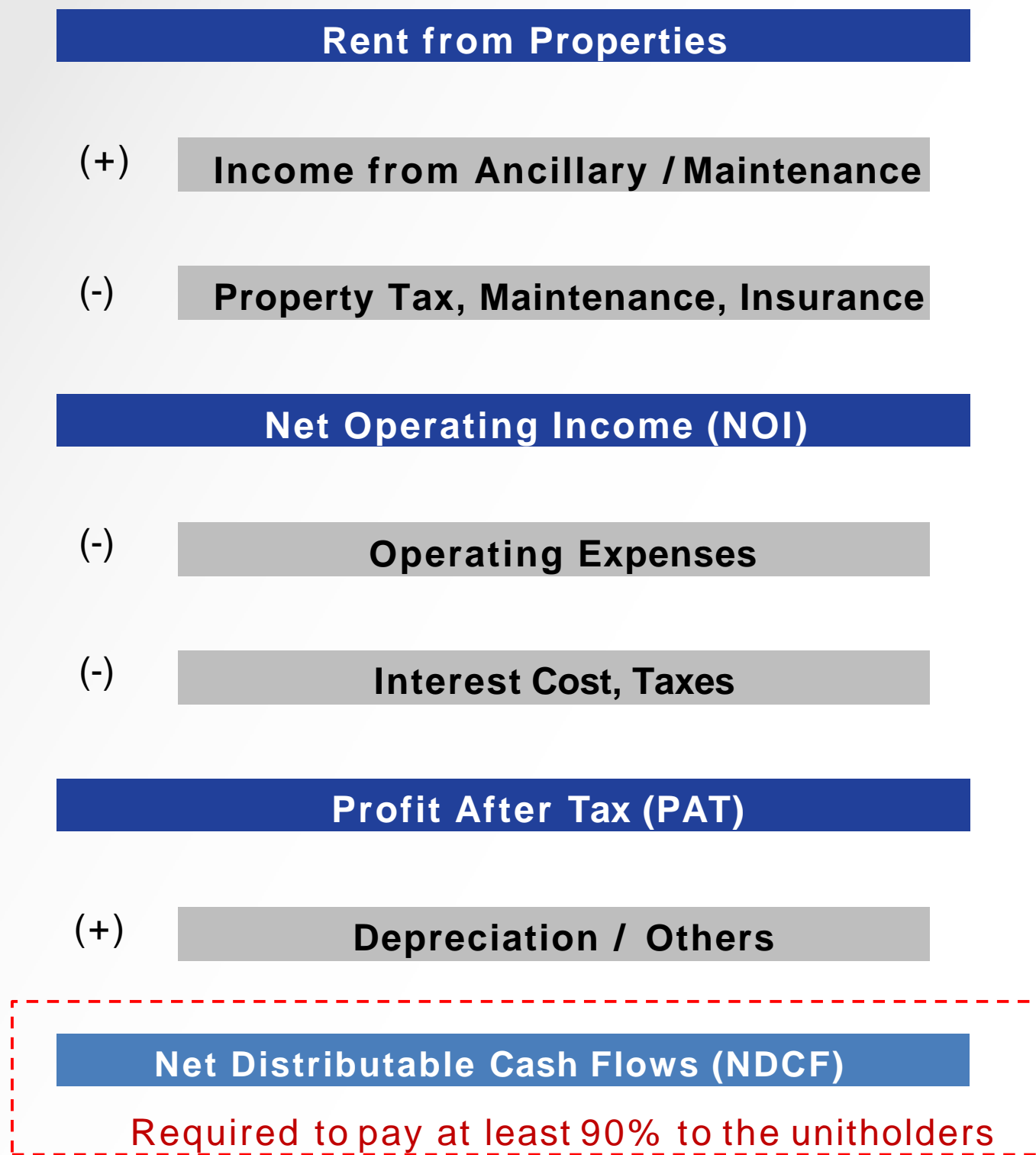


Note:
(1) REITs can hold assets either through Holding companies, Special Purpose Vehicles (SPVs) or directly

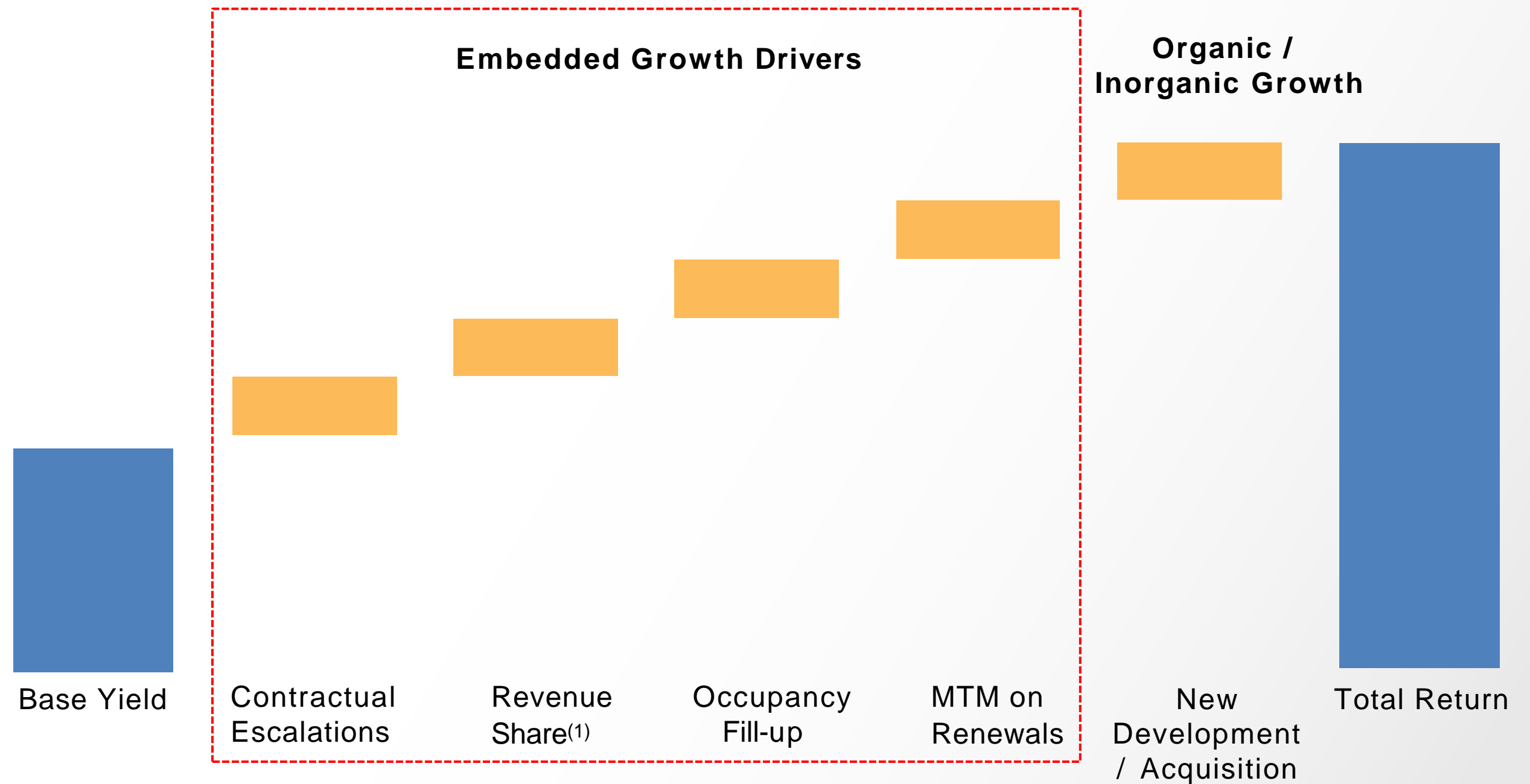
How does a REIT Generate Returns?

REITs provide total returns with a cash distribution yield and capital appreciation potential through growing property valuation

Illustrative Simple Business Model for a REIT



Illustrative Revenue Growth Drivers for a REIT



Note:
(1) Applicable for Retail REITs



Global REIT Landscape

Embassy TechVillage, Bengaluru

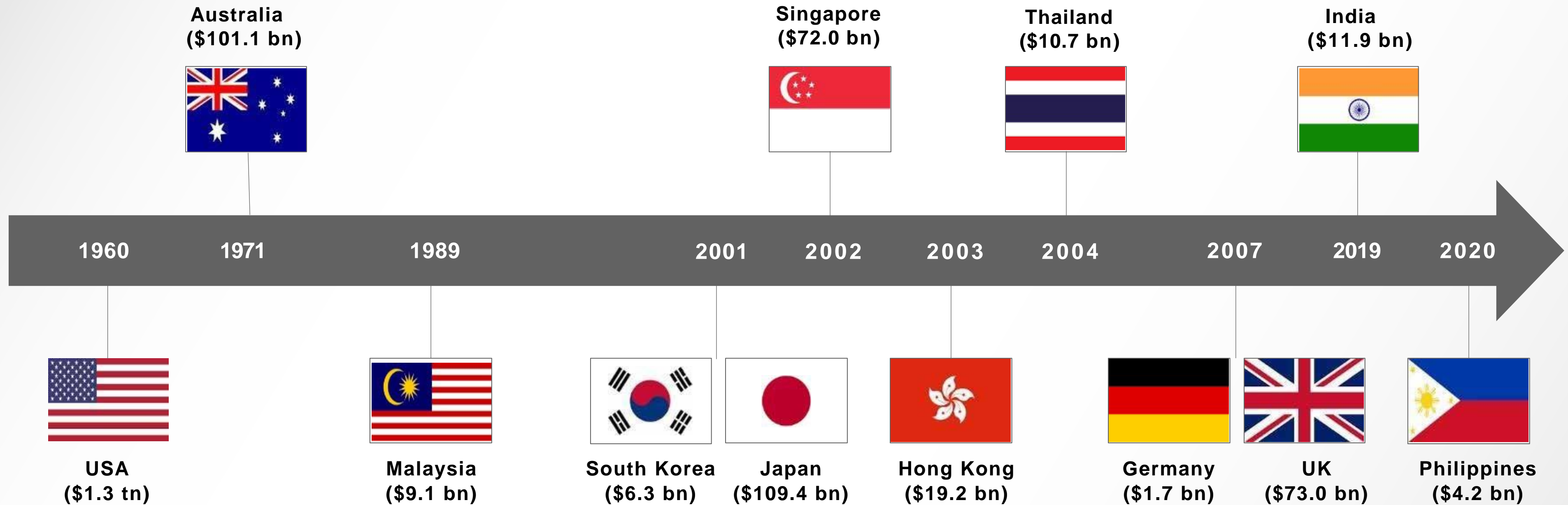
Embassy
TechVillage
ಎಂಬೆಸಿ ಟೆಕ್ ವಿಲೇಜ್

JPMorgan Chase & Co.

ಜೆಪಿ ಮೋರ್ಗನ್ ಚೇಸ್ & ಕಂ.

REITs: Globally Accepted for 60+ Years

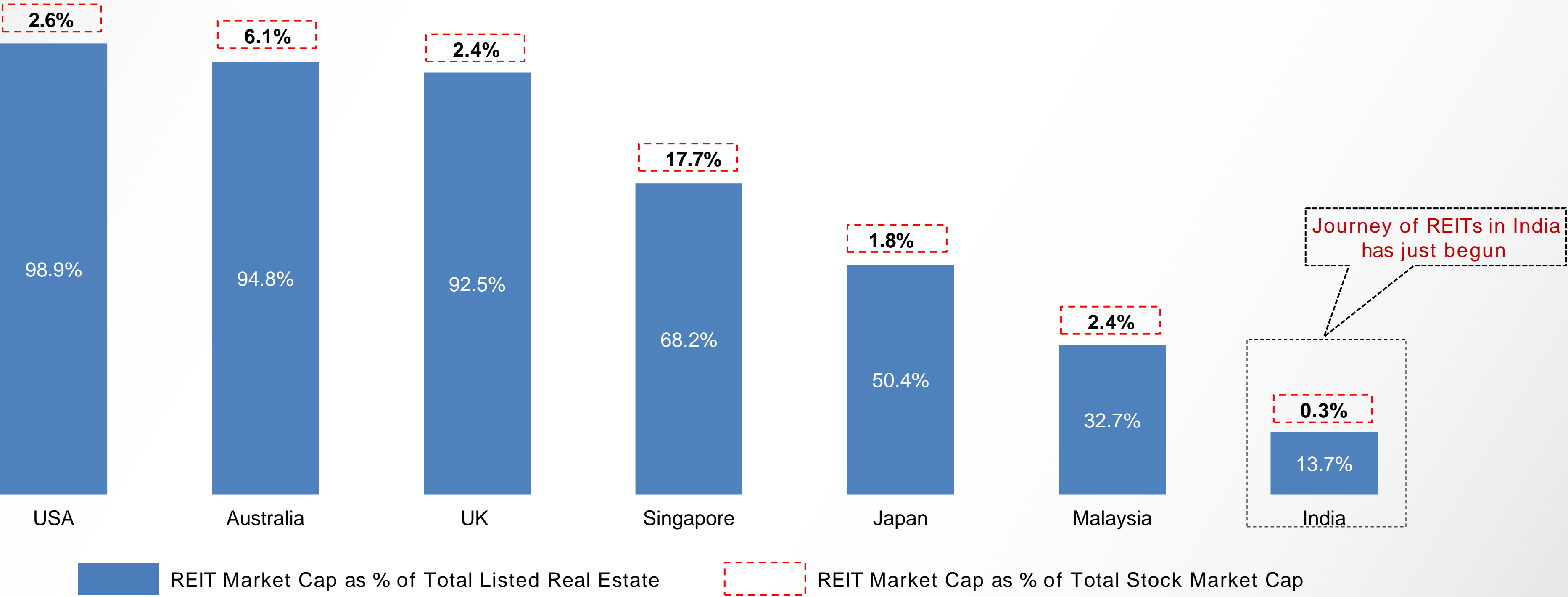
1,000+ REITs listed globally across 40+ countries with a combined market capitalization of ~ \$2 trillion



REITs: A Key Component of Global Listed RE

Globally, around 60% of the listed real estate value is attributable to REITs vs 14% in India

REITs' contribution to the listed real estate market cap (%)

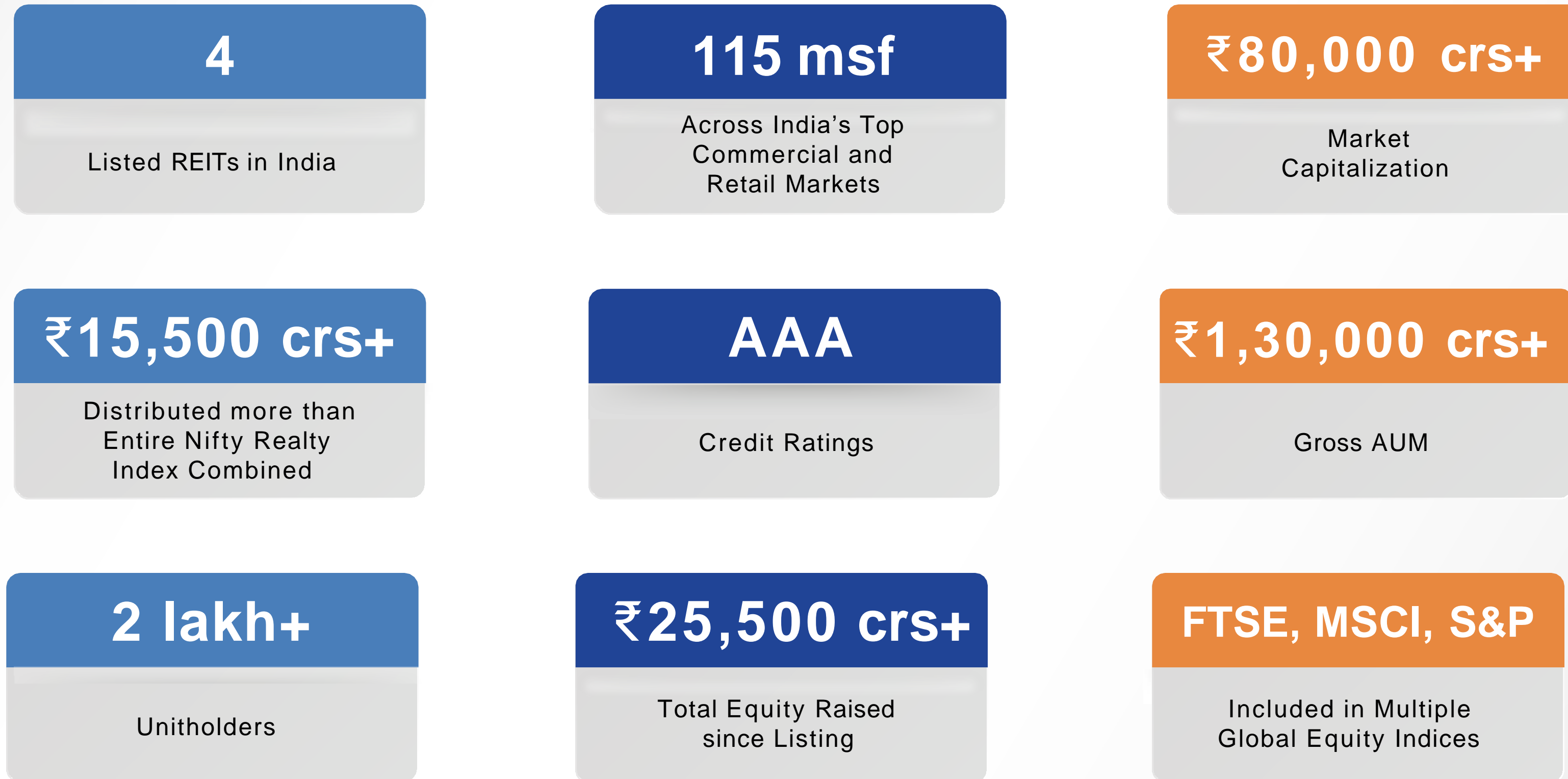


Source: European Public Real Estate Association, Dec 2023



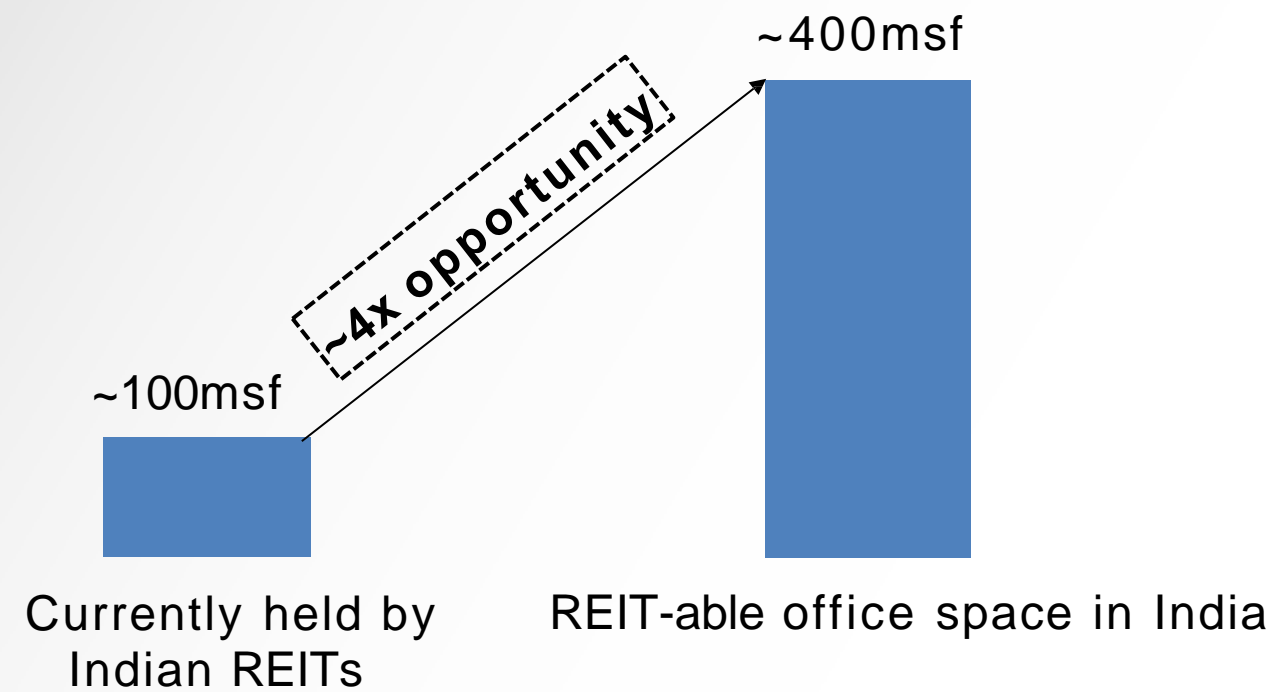
Indian REIT Landscape

The Indian REIT market continues to evolve since the listing of the first REIT in April 2019

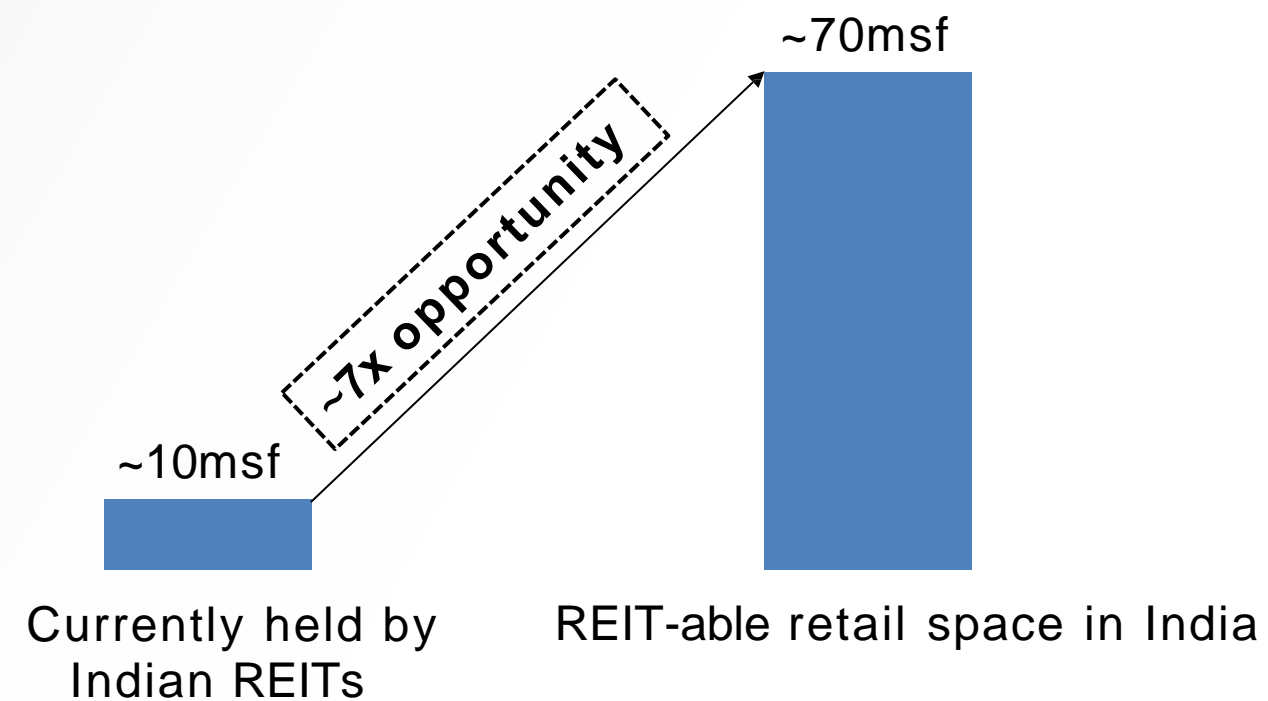


Availability of a large pool of REIT-able assets in India expected to lead the growth of the Indian REIT product

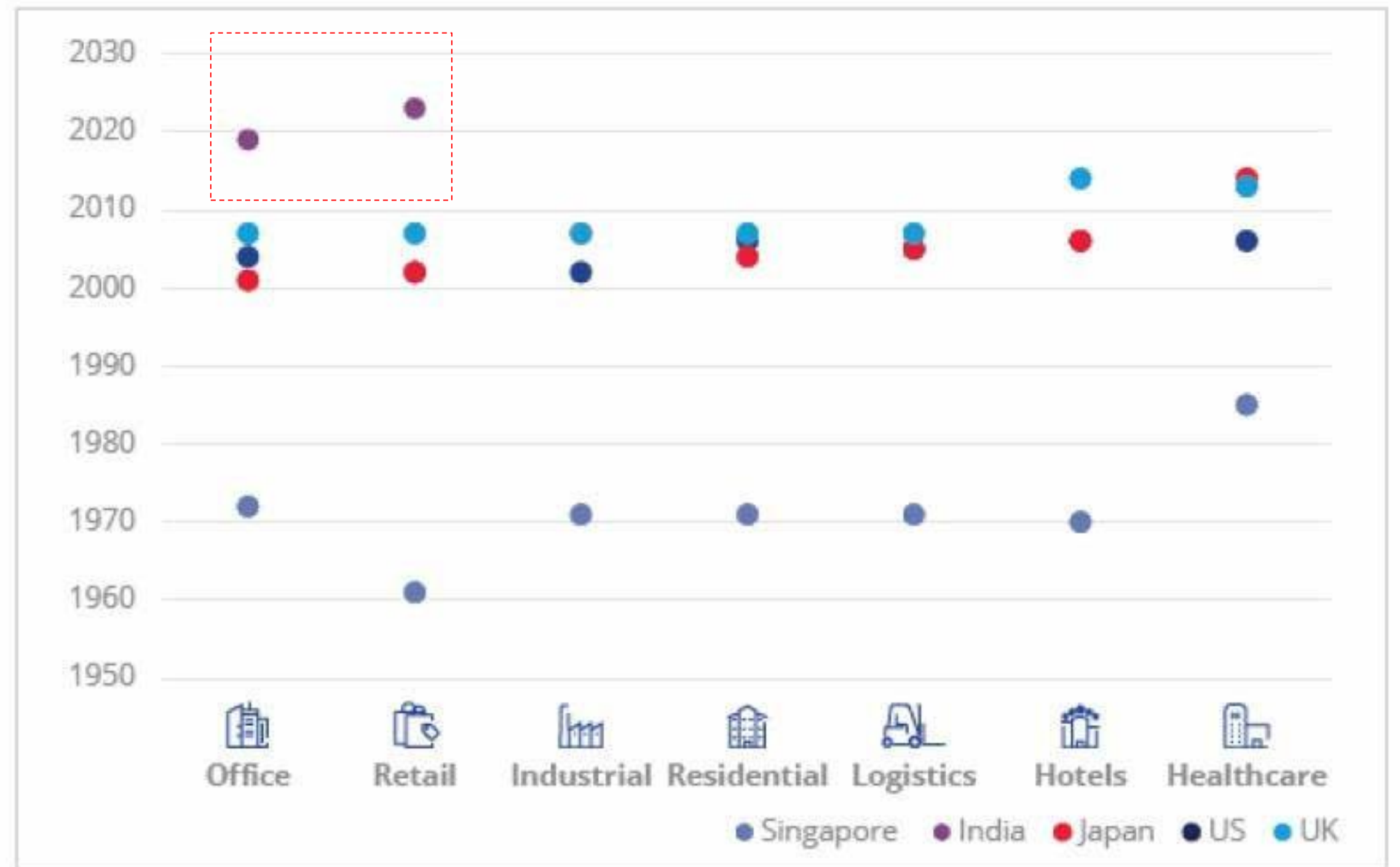
Grade A REIT-able Office Stock in India (msf)



Grade A REIT-able Retail Stock in India (msf)



Inception of REITs across Asset Classes Globally





Advantages of Investing in Indian REITs

REITs are a liquid, 'total return' product, allowing ownership in a professionally-managed real estate asset portfolio

1 Accessibility

Ownership in professionally-managed real estate assets, even with a small capital outlay

2 Liquidity

REIT units are freely traded in stock markets like equity shares

3 Transparency

Strong governance framework and disclosure requirements prescribed by SEBI

4 Tax-efficient Yields

Required to distribute at least 90% of cash flows semi-annually; distributions are typically consistent and tax-efficient

5 Growth Upside

Participation in potential capital appreciation of REIT units from organic or inorganic growth

6 Diversification

Investment in a diversified portfolio across sectors and cities

Indian REITs adhere to a strong SEBI regulatory framework, which is aimed at protecting the interests of the unitholders

Consideration

Regulatory Framework

Execution Risk

80% of value must be in completed and income or rent generating assets

Restrictions on speculative land acquisitions

Leverage

49% debt cap (as % of asset value)

Majority unitholder approval required to cross 25%

Distributions

90% minimum cash flows to be distributed

Net distributable cash flows to be distributed semi-annually

Corporate Governance

50% Independent directors on the Board of the Manager

Unitholder approval required on critical matters and unitholder interests aligned due to a performance linked management fees structure

Related Party Transactions

10% range (+/-) for pricing any acquisition or sale of assets⁽¹⁾

Majority unitholder approval required for transactions exceeding 10% of the REIT value

On related party transactions, Sponsors are not allowed to vote as well as additional specific disclosures are required

Note:

1) Acquisition or sale price of an asset cannot be higher than 110% or lower than 90% of the average valuation of two independent valuers

REITs vs Other Ways to Invest in Commercial Real Estate



Indian REITs offer multiple advantages over direct investment in real estate or owning equity of a listed real estate company

	Liquidity and Investment Quantum	Transaction Costs	Diversification	Nature of Returns and Tax Efficiency
REIT Units	High liquidity, Low minimum investment (1 unit)	No entry or exit load	High (multiple tenants, cities, sectors)	Capital appreciation and mandatory regular distributions <u>Dividend component</u> – Tax exempted ⁽¹⁾
Physically Owning Real Estate (Direct / Fractional Ownership)	Low liquidity, High investment quantum	Transaction costs involved	Low	Taxable rents, capital returns driven by exit timing and valuation
Listed Shares of a Real Estate Company	High liquidity, Low minimum investment (1 share)	No entry or exit load	High	Capital appreciation and dividends (not mandatory) <u>Dividend</u> – Taxable

Note:

1) Dividend from an SPV which has not opted for concessional tax regime (25.17%) u/s 115BAA is exempt in the hands of the unitholders. In case the SPV has opted for Section 115BAA, dividend would be taxable in the hands of the unitholders

Any investor with a demat account can invest in Indian REIT units which are freely traded on the Indian stock exchanges

- **REIT units are listed on the Indian stock exchanges NSE and BSE through an Initial Public Offering (IPO)**
- **Any eligible investor (domestic / foreign / retail / institutional) can buy REIT units in India**
- **The REIT units can be bought or sold through a demat account, and the process is similar to the buying or selling of an equity share of a listed company**
- **An investor can buy or sell a single unit at a time**

Indian REITs are tax-efficient instruments; the dividend component is exempt⁽¹⁾ from tax in the hands of the unitholders

Nature of Income	Taxation for REIT	Taxation for Unitholders
Dividend	Exempt	Exempt⁽¹⁾
Interest Income	Exempt	Taxable at applicable tax rates Withholding tax to be deducted by the REIT (Non-residents - 5%, others - 10%)
Amortization of SPV debt	Exempt	Nil upon receipt⁽²⁾
Capital gains on the sale of REIT units	NA	Taxable⁽³⁾

Please refer to the 'Knowledge Center' tab on the [IRA website](#) for further details.

Notes:

(1) There is no further tax on dividends in the hands of the unitholders provided the SPVs are subject to tax under the old tax regime

(2) Not taxable upon receipt, however such proceeds need to be reduced from the cost of acquisition of the units

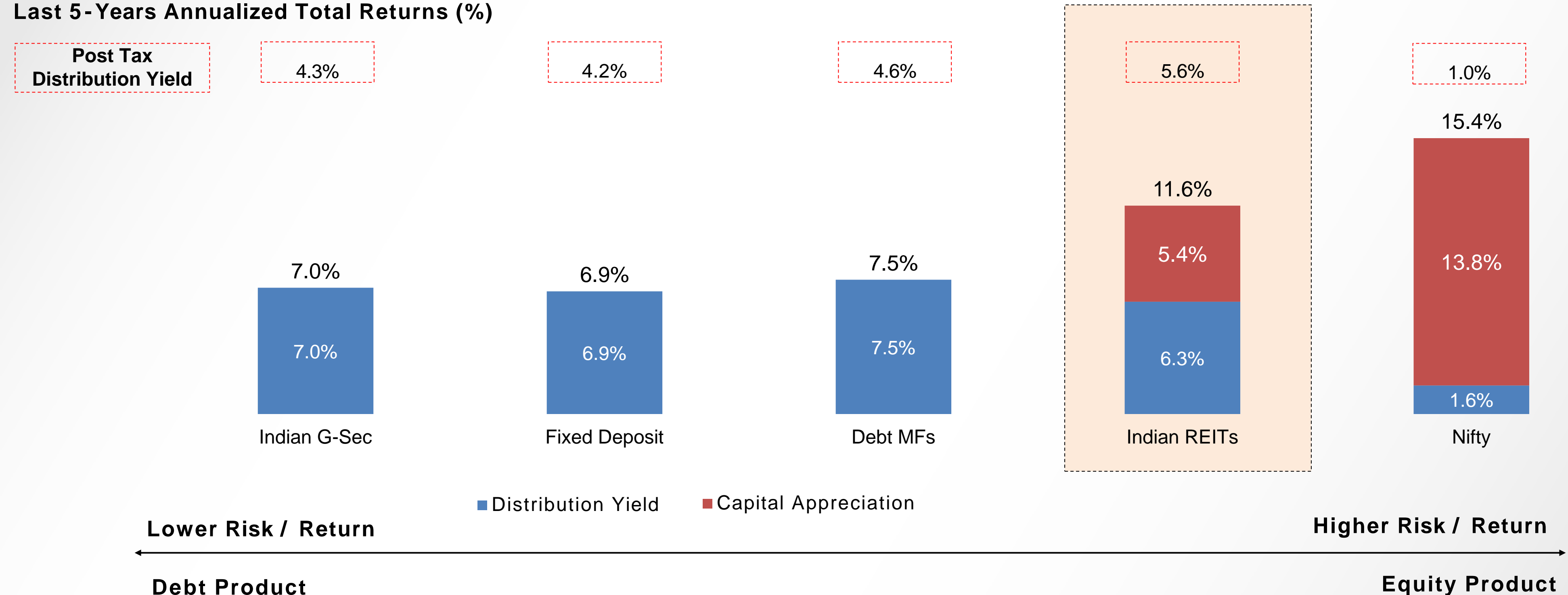
(3) Assuming on- market sale - LTCG 10%, STCG 15% subject to taxability under applicable DTAA for non-residents

Attractive Post Tax Yield Coupled with Capital Appreciation



REITs can be effective instruments for overall asset allocation strategy of an investor as they offer attractive post-tax distribution yields along with long-term capital appreciation potential

Last 5-Years Annualized Total Returns (%)



Notes: Source: Bloomberg, SBI, AMFI. For period Jan 01, 2019 to Feb 29, 2024

(1) Refers to Indian 5-year G-Sec yield as on Feb 29, 2024

(2) Refers to the SBI bank domestic fixed deposit rate for 5 years and upto 10 years (for amount less than ₹2 crores) as on Feb 29, 2024

(3) Refers to the average 5-year returns of all open-ended long duration debt mutual funds as on Feb 29, 2024

(4) Refers to the median performance of all 4 listed Indian REITs for the last 5 years – annualized considering period of respective listing. Distribution yields and capital appreciation computed basis respective IPO prices of the REITs and the NSE closing price as on Feb 29, 2024. Post tax distribution yield is calculated assuming 39% tax rate on the interest component of the actual distributions

(5) Tax rate of 39% (Maximum Marginal Tax Rate) considered for calculating all post tax distribution yields



Annexure

MindSpace Madhapur, Hyderabad

Overview: Embassy REIT

Embassy REIT is India's first listed REIT and the largest office REIT in Asia by area. It owns and operates a commercial office portfolio across 4 major cities in India

45.4 msf ⁽¹⁾

Portfolio

244

Blue-Chip
Occupiers

84%

Occupancy

13

Commercial
Offices

1,614

Hotel Keys ⁽²⁾

100 MW

Solar Park

10%

Mark to Market
Potential

46%

Gross Rents from
Fortune 500
Occupiers

6.9 Years

WALE

₹2,766 crs

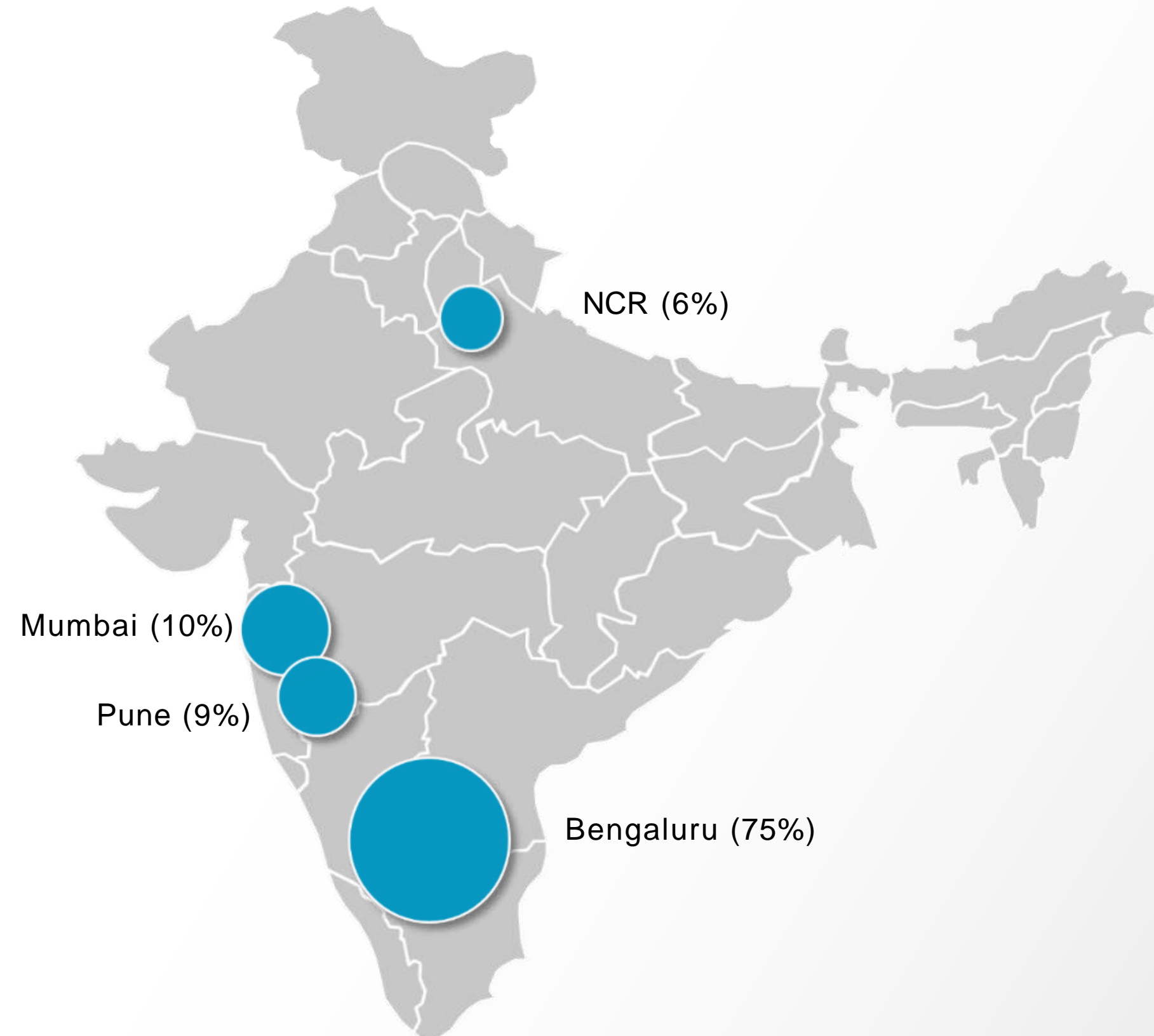
FY2023 Net
Operating Income

₹2,058 crs

FY2023
Distributions

30%

Net Debt to GAV



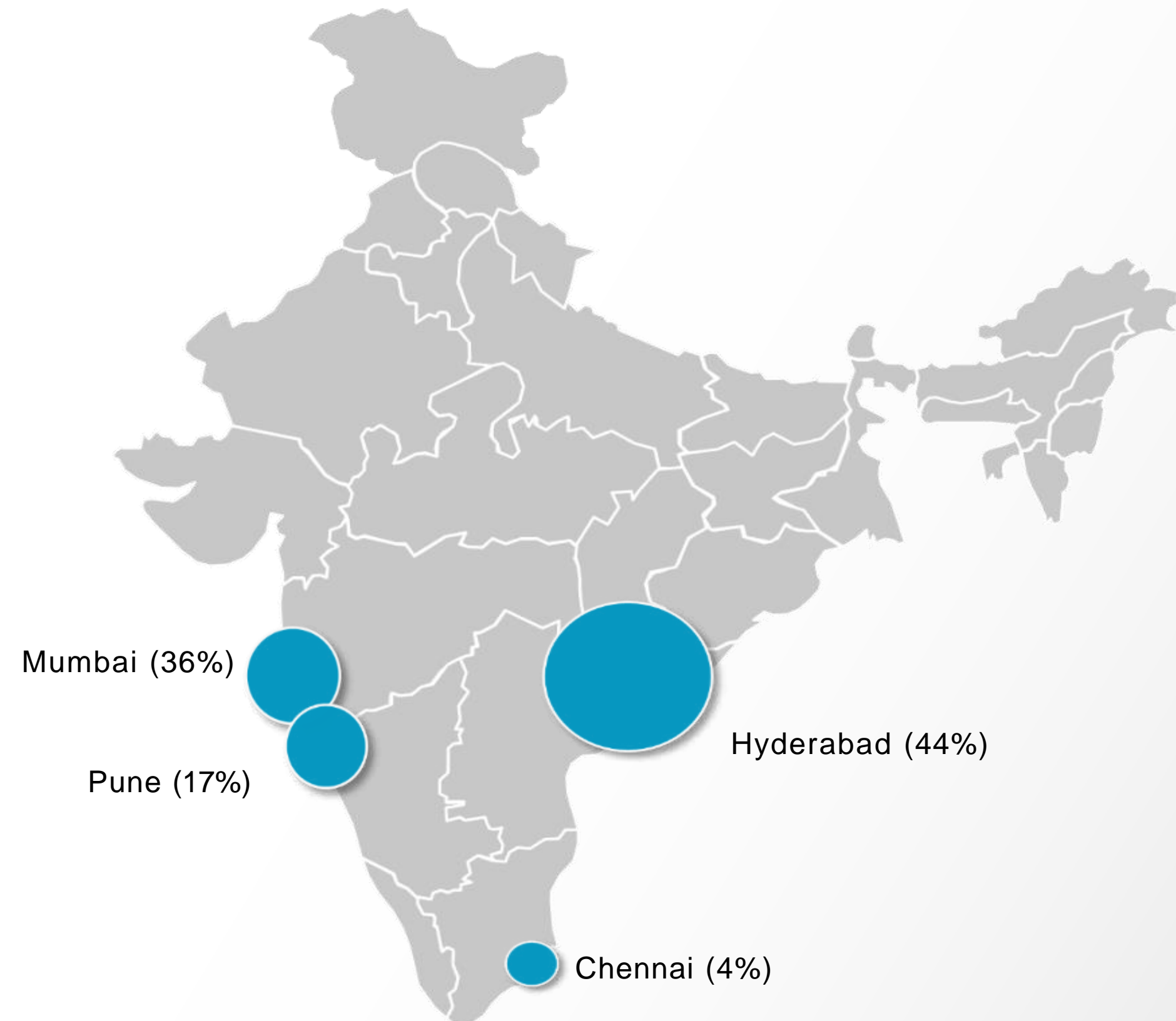
Notes: All figures refer to Q3 FY24 unless specified otherwise. City wise split by % of Gross Asset Value(GAV)considered per Sep'23 valuation undertaken by Ms.L Anuradha, in conjunction with independent property consultant review services undertaken by C&W.

(1)Comprises 35.8 msf completed, 6.9 msf under construction and 2.8 msf future development

(2)Includes completed, under construction and proposed future development

Mindspace Business Parks REIT owns one the largest Grade A office in four key commercial markets in India

33.1 msf ⁽¹⁾	73.3%	86%
Portfolio	Share of foreign MNCs in rentals ⁽²⁾	Occupancy
5	5	₹28,678 crs
Independent Office Assets	Integrated Business Parks	Gross Asset Value
92.2% ⁽³⁾	31.5%	6.8 Years
Market Value of Completed Assets	Gross Rents from Fortune 500 occupiers ⁽⁴⁾	WALE
₹1,710 crs ⁽⁵⁾	₹1,133 crs	21%
FY2023 Net operating Income	FY2023 Distributions	Net Debt to GAV



Notes: All figures refer to Q3 FY24 unless specified otherwise. City wise split by % of Gross Asset Value(GAV) considered per Sep'23 valuation undertaken by Ms. L Anuradha, in conjunction with Independent property consultant review services undertaken by C&W
 (1) Comprises 26.1 msf completed, 2.9 msf under construction and 3.3 msf future development
 (2) Represents % of Gross Contracted Rentals as on Dec 31, 2023
 (3) Includes Market Value of Facility Management Division

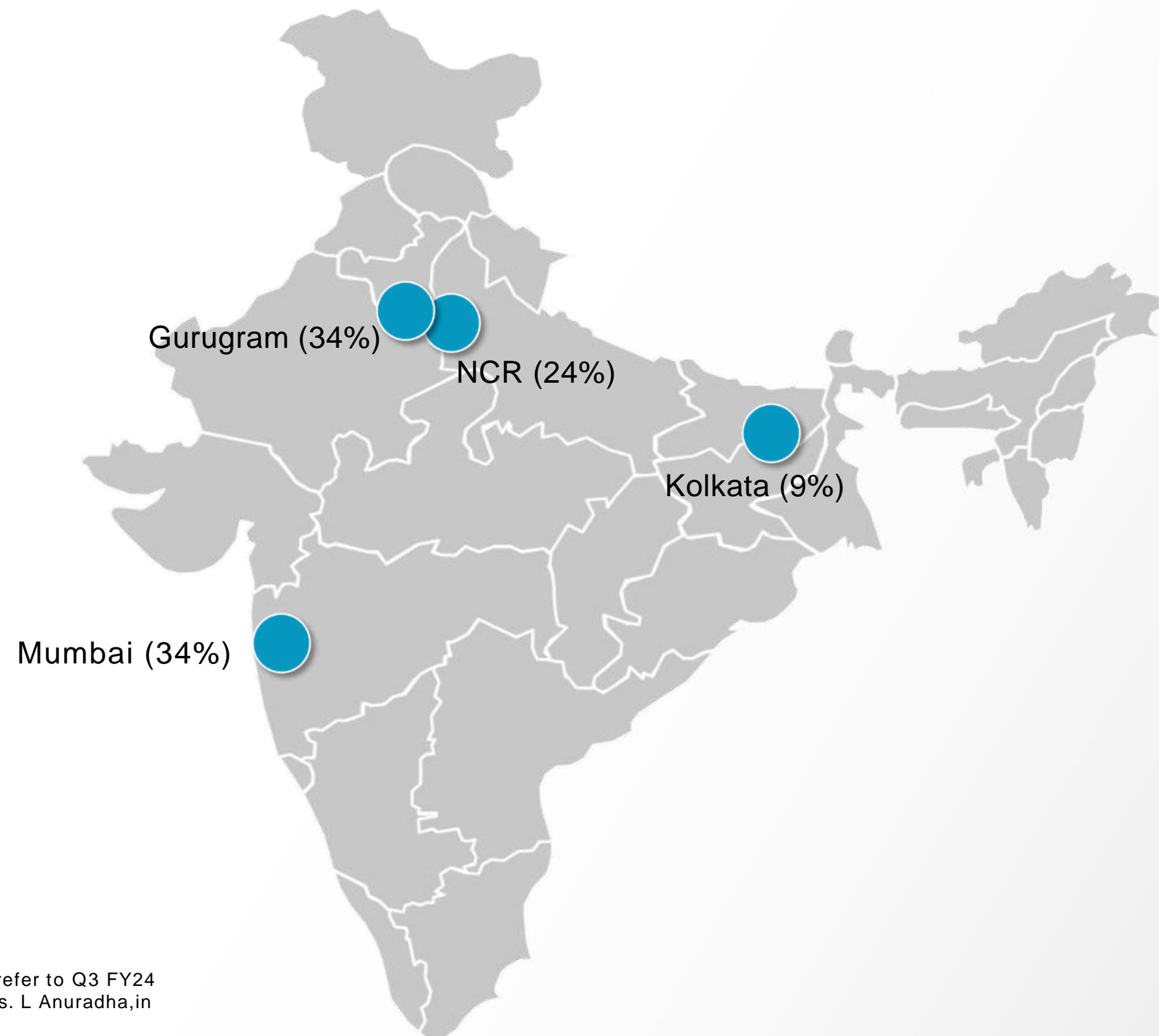
(4) Fortune 500 Global List of 2023
 (5) Represents 100% of the SPVs including minority interest in Madhapur SPV; Includes ₹186 mn one time compensation at The Square BKC
 (6) For the purpose of Net Debt and LTV calculation, Cash and Cash Equivalents, Fixed Deposits (with tenure > 3 months) which can be liquidated when required, accounting & minority adj. are reduced from Gross Debt; and Market value is as on Dec 31, 2023

Overview: Brookfield India REIT



Brookfield India Real Estate Trust is India's first 100% institutionally managed REIT, which owns and operates class A office properties across 4 major cities in India

25.4 msf Portfolio	20.7 msf Operational Area	88% Effective Economic Occupancy ⁽¹⁾
₹83 In Place Rent	5 - Star GRESB Rating	₹28,488 crs Gross Asset Value ⁽²⁾
₹323 NAV per Unit ⁽²⁾	34% LTV excluding Shareholder Instruments ⁽³⁾	7.5 Years WALE
₹1,571 crs Current OLR Run - Rate ⁽⁴⁾	₹1,814 crs Current Adj. NOI Run – Rate ⁽⁴⁾	₹677 crs FY2023 Distributions



Notes: In-place Rent and WALE are only for the Leased Area and do not consider the area under Income Support. All figures refer to Q3 FY24 unless specified otherwise. City wise split by % of Gross Asset Value(GAV) considered per Sep'23 valuation undertaken by Ms. L Anuradha, in conjunction with Independent property consultant review services undertaken by C&W

(1) As on December 31, 2023. Income Support in Candor TechSpace N2 (2% Effective Economic Occupancy) is expiring in Q4 FY2024 and Candor TechSpace G1 (6% Effective Economic Occupancy) is until June 30, 2025 on 1.2 MSF of vacant area.

(2) As on September 30, 2023

(3) Shareholder instruments include SPV level external partners' NCD and liability component of CCD

(4) Annualized figure for Q3 FY2024

Overview: Nexus Select Trust

Nexus Select Trust is India's first listed retail REIT and leading Grade-A Consumption Centre platform

9.9 msf

Retail Portfolio

1.3 msf

Office Portfolio

17

Consumption Centers

14

Cities

354

Hotel Keys

97%

Retail Portfolio Occupancy

~ 3,000

Retail Stores

1,000+

Brands

₹138

NAV per Unit ⁽¹⁾

~ 13 crs

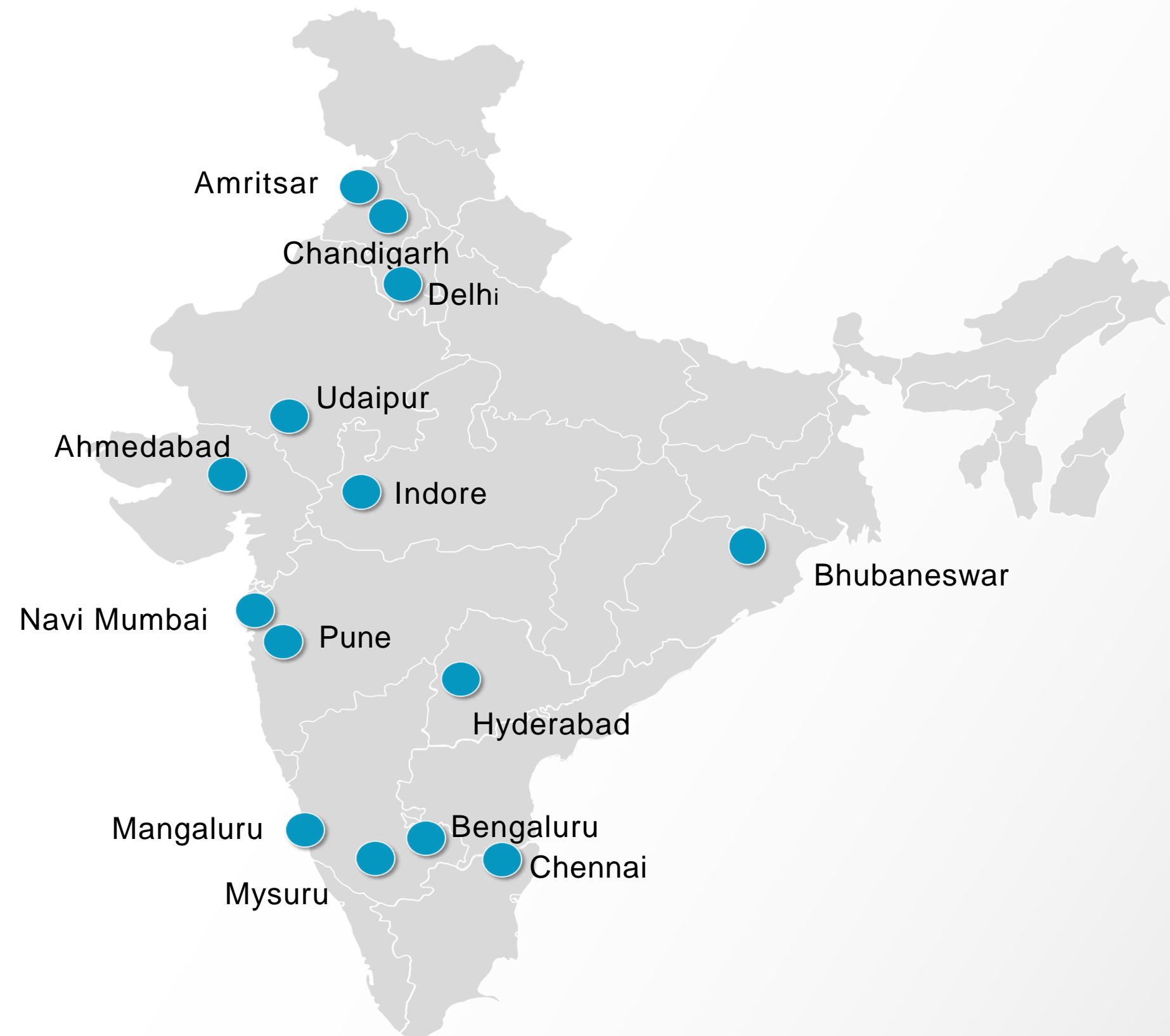
LTM Footfalls

11.1%

Rent to Sales ⁽²⁾

14%

LTV ⁽¹⁾



Notes: All data as of Dec 31, 2023

(1)) Computed basis GAV as per Sep'23 independent valuation. Excluding restricted cash

(2) Period: Oct – Dec 2023

Four Listed REITs in India



Currently, three office REITs and one retail REIT are listed in India, backed by renowned sponsors

Description	Embassy REIT	Mindspace REIT	Brookfield India REIT	Nexus Select Trust
Listing Date	April 01, 2019	August 07, 2020	February 16, 2021	May 19, 2023
Primary Asset Class	Office	Office	Office	Retail Malls
Market Capitalization	₹35,432 crs	₹20,172 crs	₹11,120 crs	₹19,227 crs
Gross Asset Value	₹52,651 crs	₹28,670 crs	₹28,488 crs	₹24,353 crs
Geographic Focus	Bengaluru, Mumbai, Pune, Noida	Mumbai, Pune, Hyderabad, Chennai	Mumbai, Gurgaon, Noida, Kolkata	Across 14 cities in India
Total Portfolio	45.4 msf	33.1 msf	25.4 msf	11.2 msf (9.9msf retail, 1.3 msf office)
Completed Area	35.8 msf	26.2 msf	20.7 msf	11.2 msf (9.9 msf retail, 1.3 msf office)
Sponsor Ownership	8%	63%	44%	43%
Sponsors	Embassy Group, Blackstone	K Raheja Corp	Brookfield	Blackstone

Thank You



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