INDIAN REITs ASSOCIATION

India REIT Primer

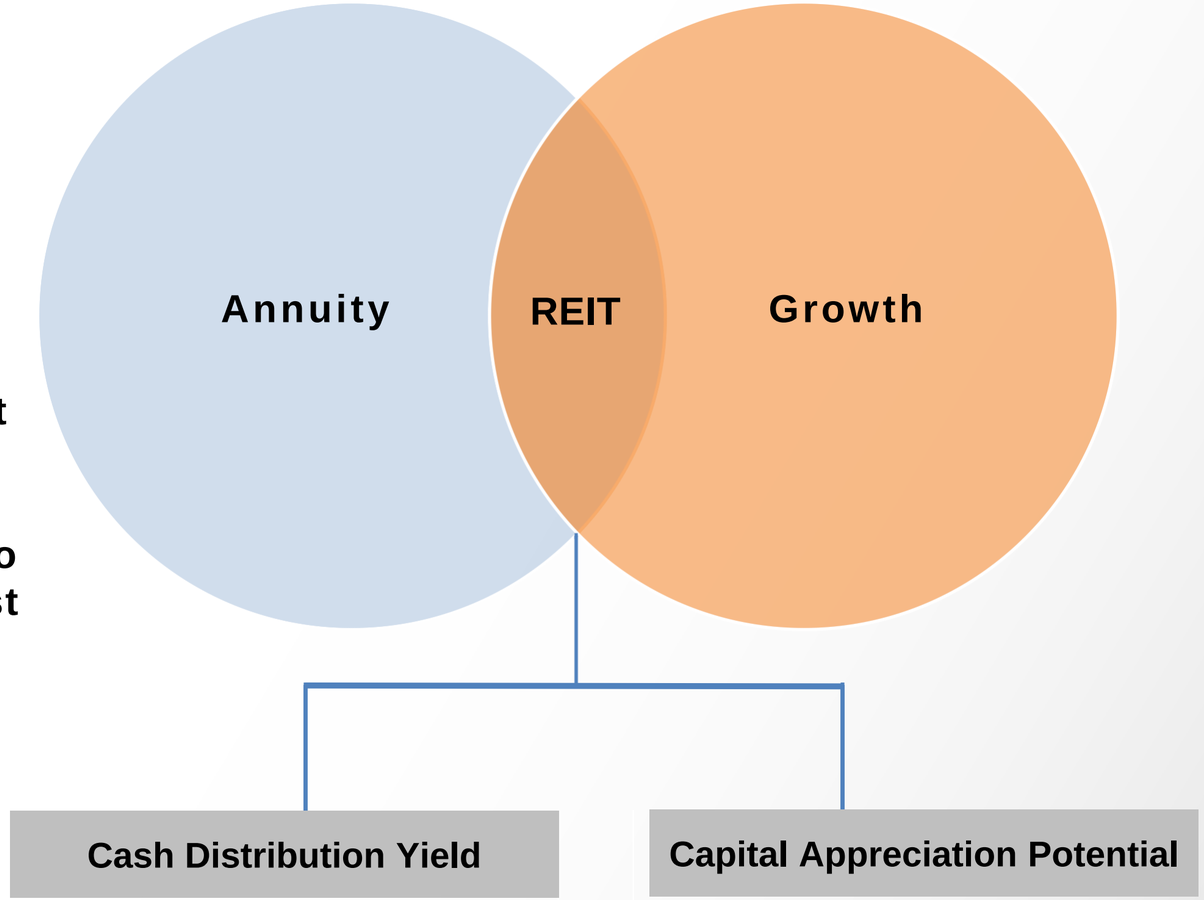
March 2024

Introduction to REITs

What is a REIT?

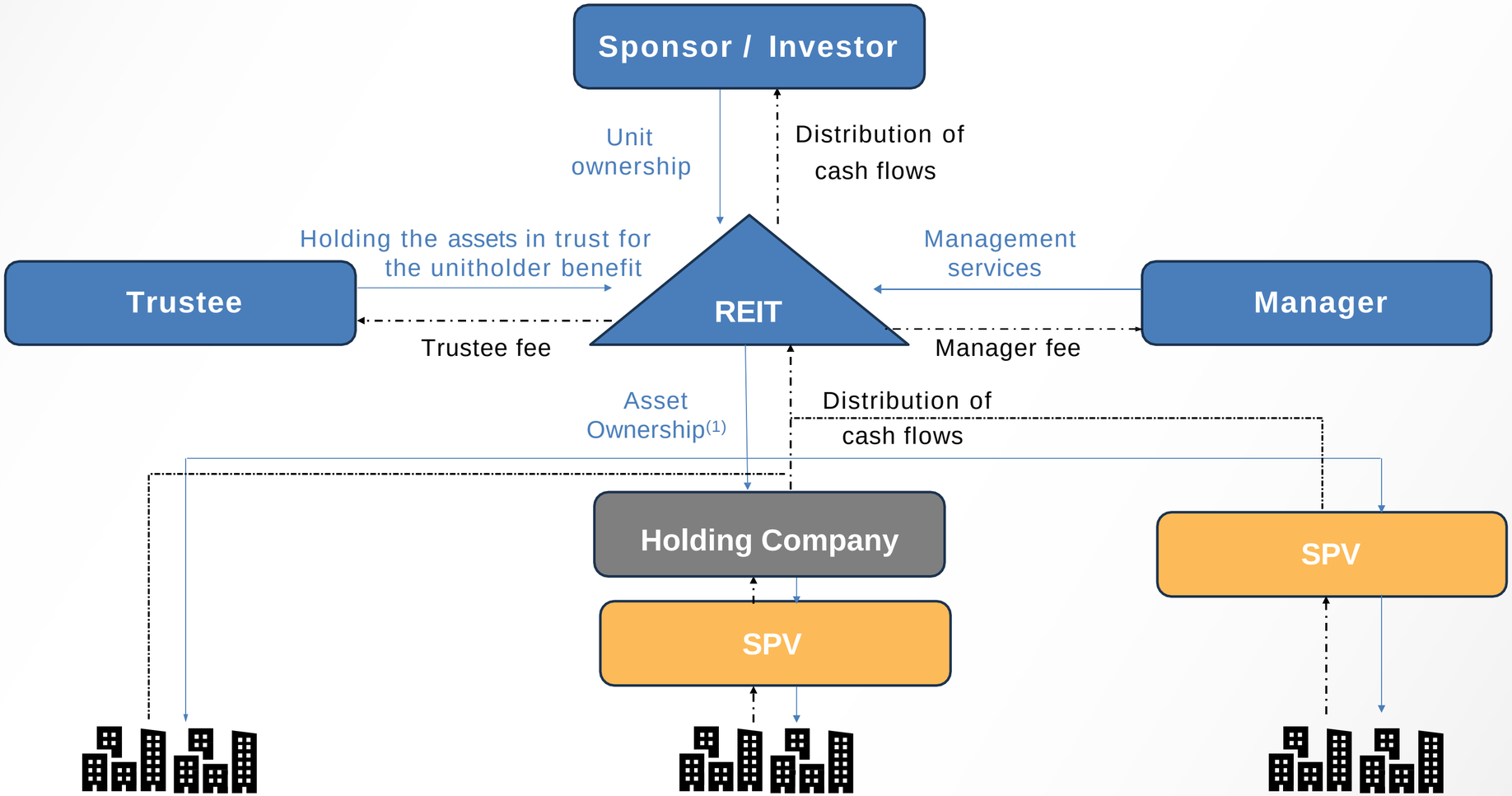
REITs are a globally accepted, liquid, highly-governed and tax-efficient product to invest in commercial and other real estate, through a publicly traded unit

- 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

Rent from Properties

(+) Income from Ancillary / Maintenance

(-) Property Tax, Maintenance, Insurance

Net Operating Income (NOI)

(-) Operating Expenses

(-) Interest Cost, Taxes

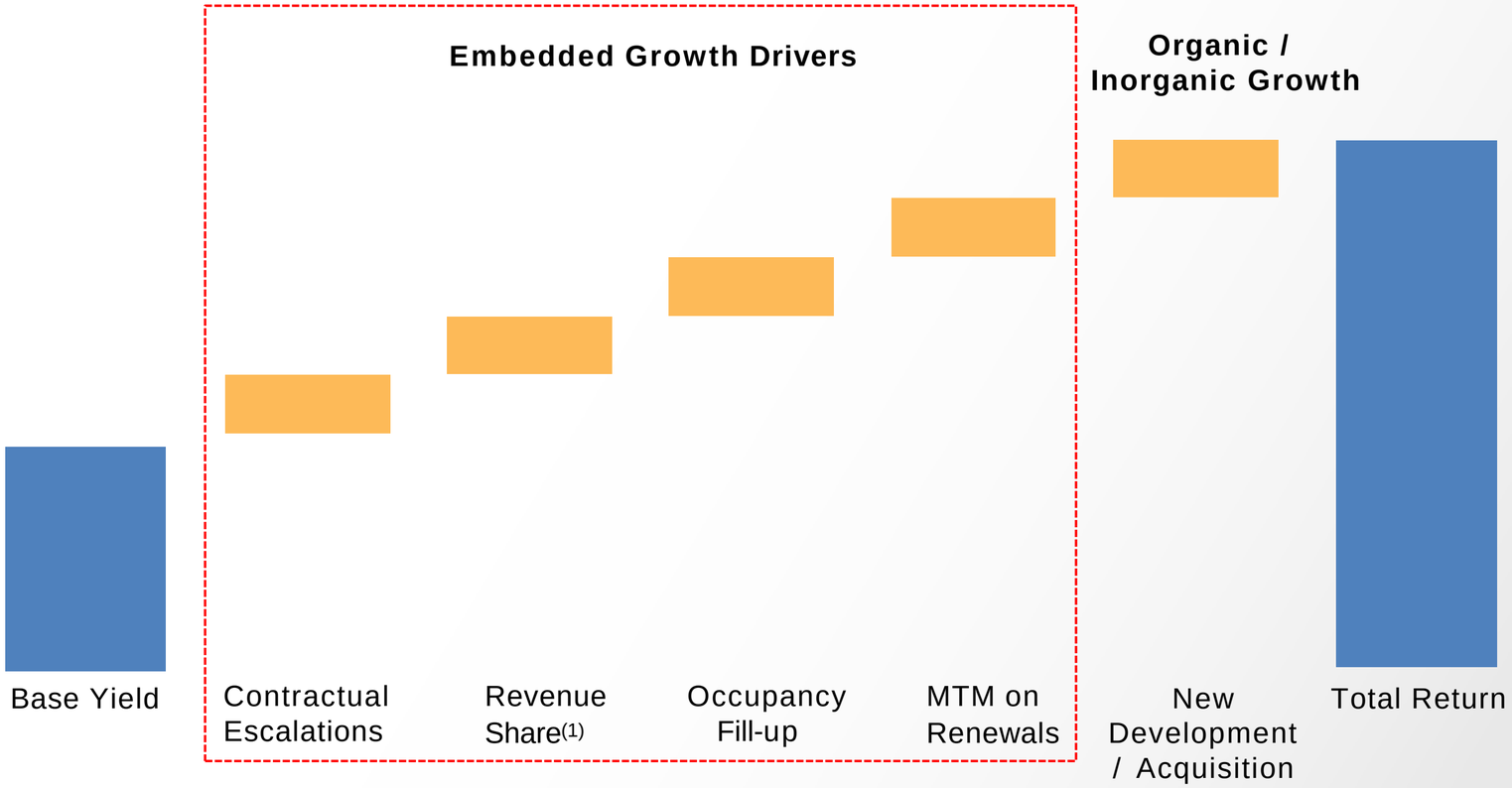
Profit After Tax (PAT)

(+) Depreciation / Others

Net Distributable Cash Flows (NDCF)

Required to pay at least 90% to the unitholders

Illustrative Revenue Growth Drivers for a REIT



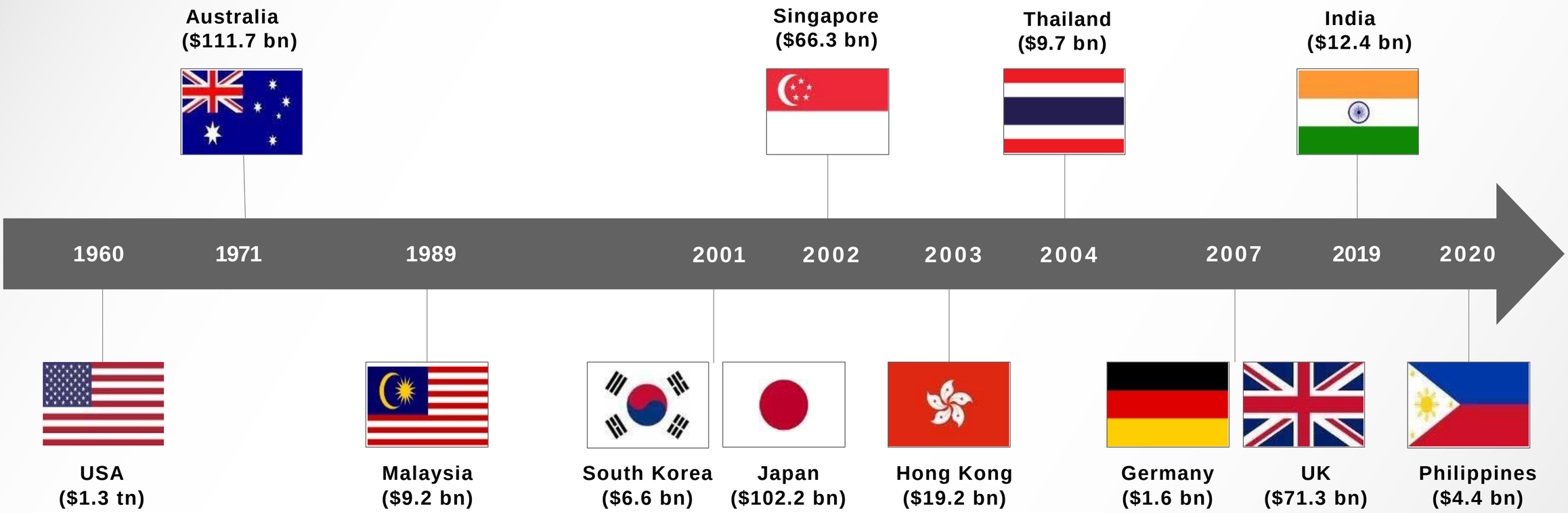
Note:
(1) Applicable for Retail REITs

Global REIT Landscape

Embassy TechVillage, Bengaluru

REITs: Globally Accepted for 60+ Years

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

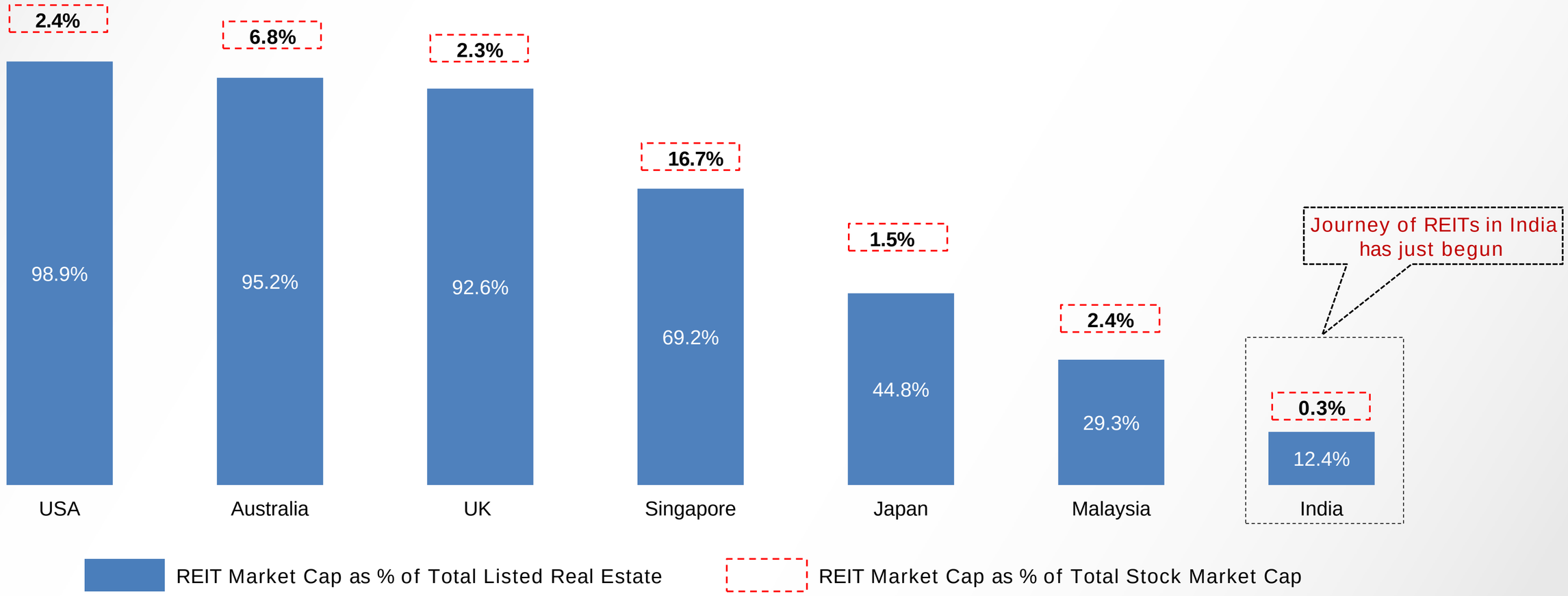


Source: European Public Real Estate Association, Mar 2024

REITs: A Key Component of Global Listed RE

Globally, around 60% of the listed real estate value is attributable to REITs vs 12% in India

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



Source: European Public Real Estate Association, Mar 2024

Indian REIT Landscape

Candor TechSpace G1, Gurugram

Snapshot of Indian REITs

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

4
Listed REITs in India

115 msf
Across India's Top Commercial and Retail Markets

₹85,000 crs+
Market Capitalization

₹17,000 crs+
Distributed more than Entire Nifty Realty Index Combined

AAA
Credit Ratings

₹1,40,000 crs+
Gross AUM

2.3 lakh+
Unitholders

₹25,900 crs+
Total Equity Raised since Listing

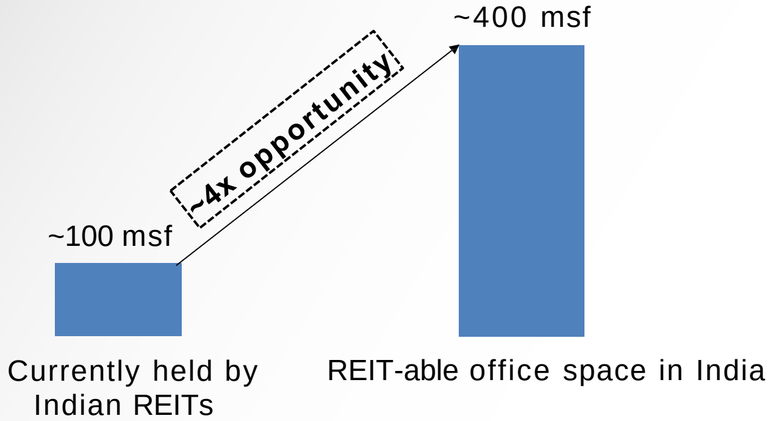
FTSE, MSCI, S&P
Included in Multiple Global Equity Indices

Source: Market capitalization based on the closing price on NSE as on May 18, 2024. All other data based on the latest available results (Q4 FY2024) and filings on respective REIT websites
Notes: (1) Refers to total area (under construction, development potential and completed area) held by the 4 listed Indian REITs as of Q4 FY2024 disclosures

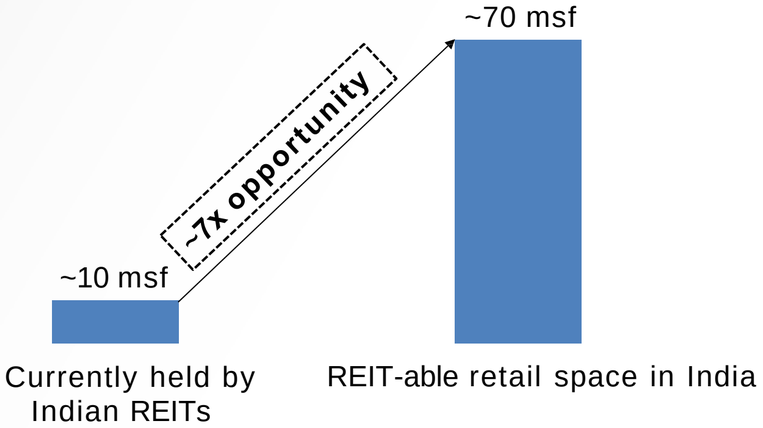
Market Potential for Indian REITs

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

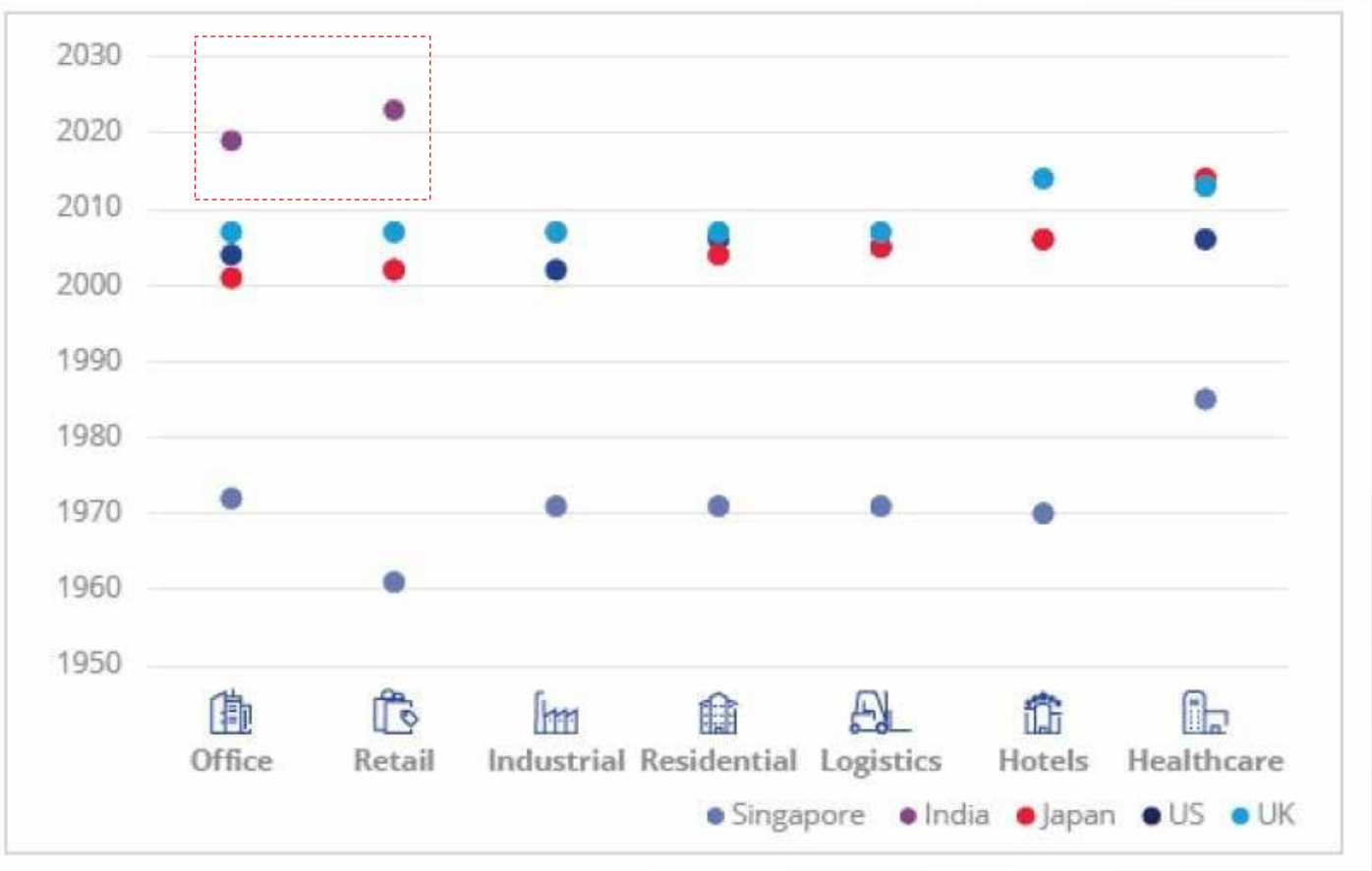
Grade A REIT-able Office Stock in India (msf)



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



Inception of REITs across Asset Classes Globally



Source; Colliers, Wall Street research

Advantages of Investing in Indian REITs

Nexus Koramangala, Bengaluru

Why Invest 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

Strong Governance Framework and Disclosure Requirements

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 Dividend component– 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) Dividend – 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

How To Invest in Indian REITs?

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

Tax Treatment for REIT Investors

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)

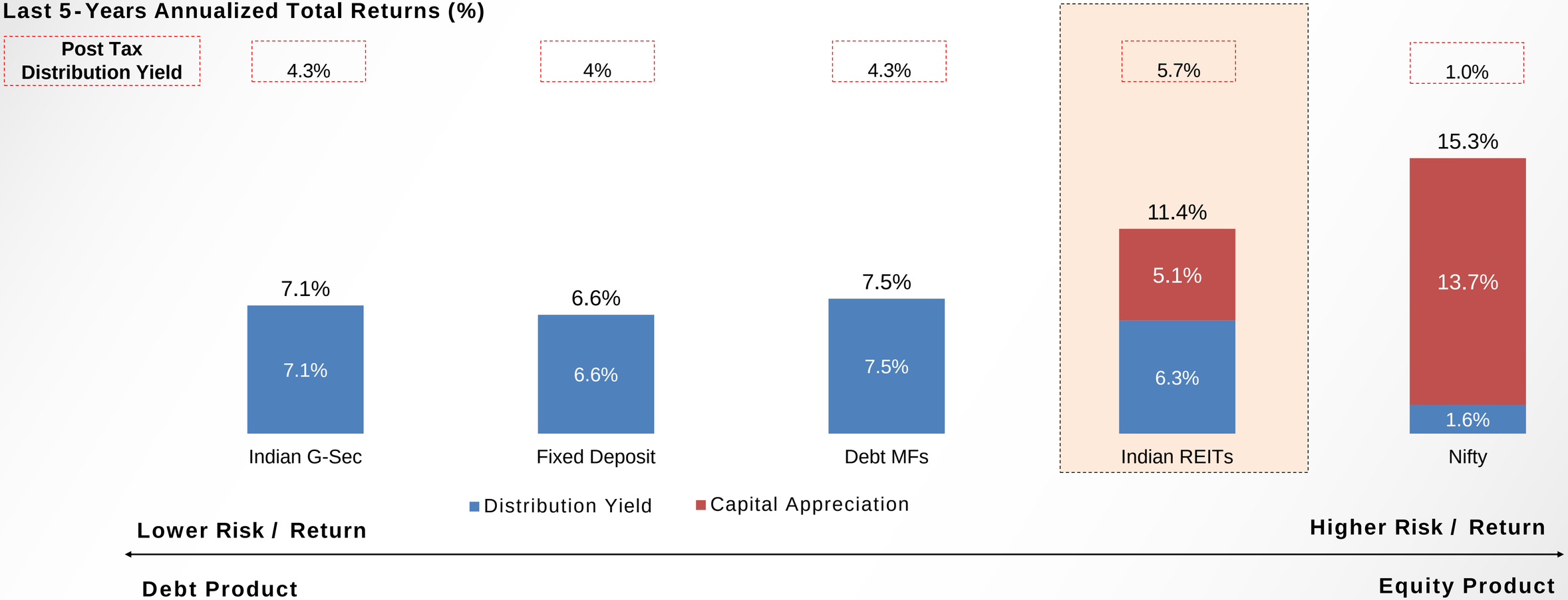
Please refer to the 'Knowledge Center' tab on the IRA website for further details.

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 May 18, 2019 to May 18,2024
(1) Refers to Indian 5-year G-Sec yield as on May 18, 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 May 09, 2019
(3) Refers to the average 5-year returns of all open-ended long duration debt mutual funds as on May 17, 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 May 18, 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

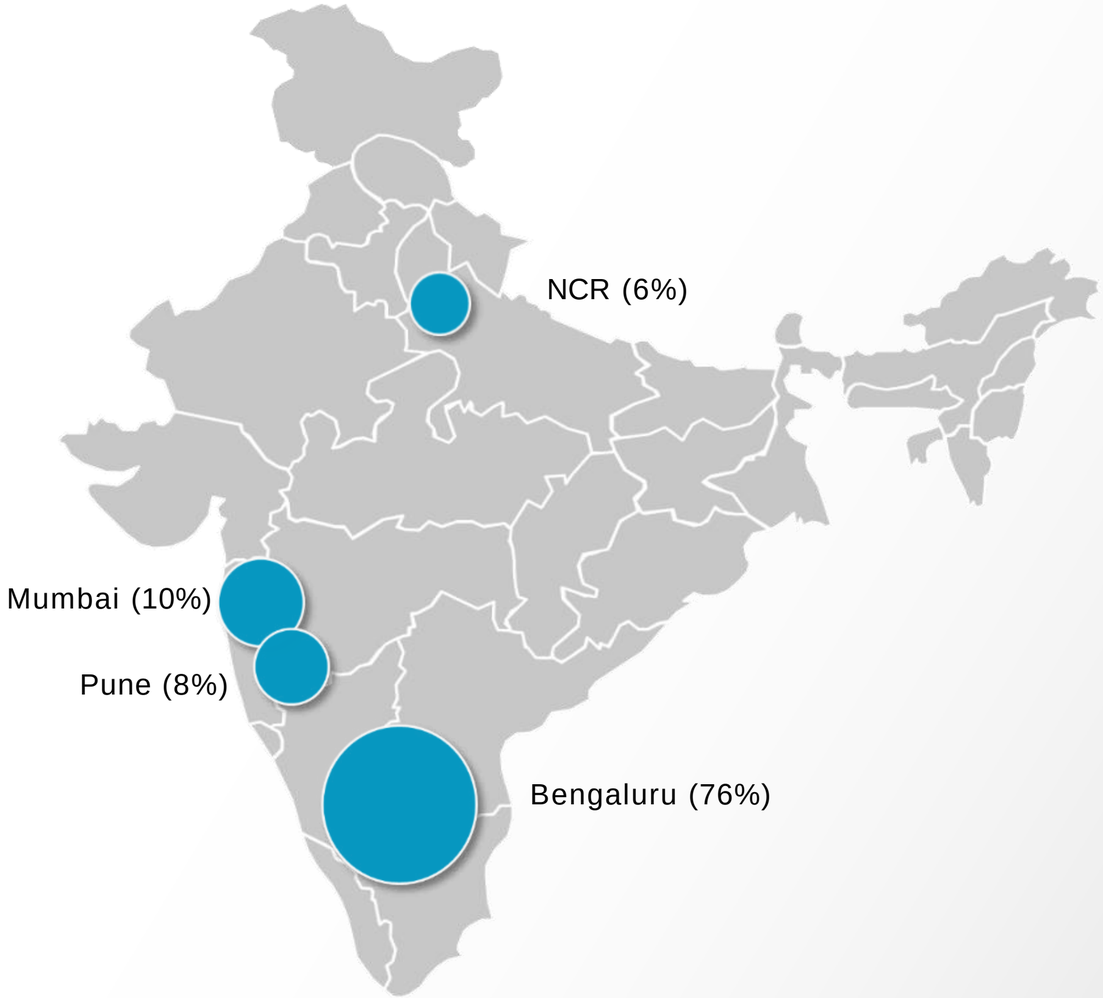
Annexure

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	**255**	**85%**
Portfolio (1)	Blue-Chip Occupiers	Occupancy
13	**1,614**	**100 MW**
Commercial Offices	Hotel Keys (2)	Solar Park
10%	**47%**	**6.8 Years**
Mark to Market Potential	Gross Rents from Fortune 500 Occupiers	WALE
₹2,982 crs	**₹2,022 crs**	**29%**
FY2024 Net Operating Income	FY2024 Distributions	Net Debt to GAV

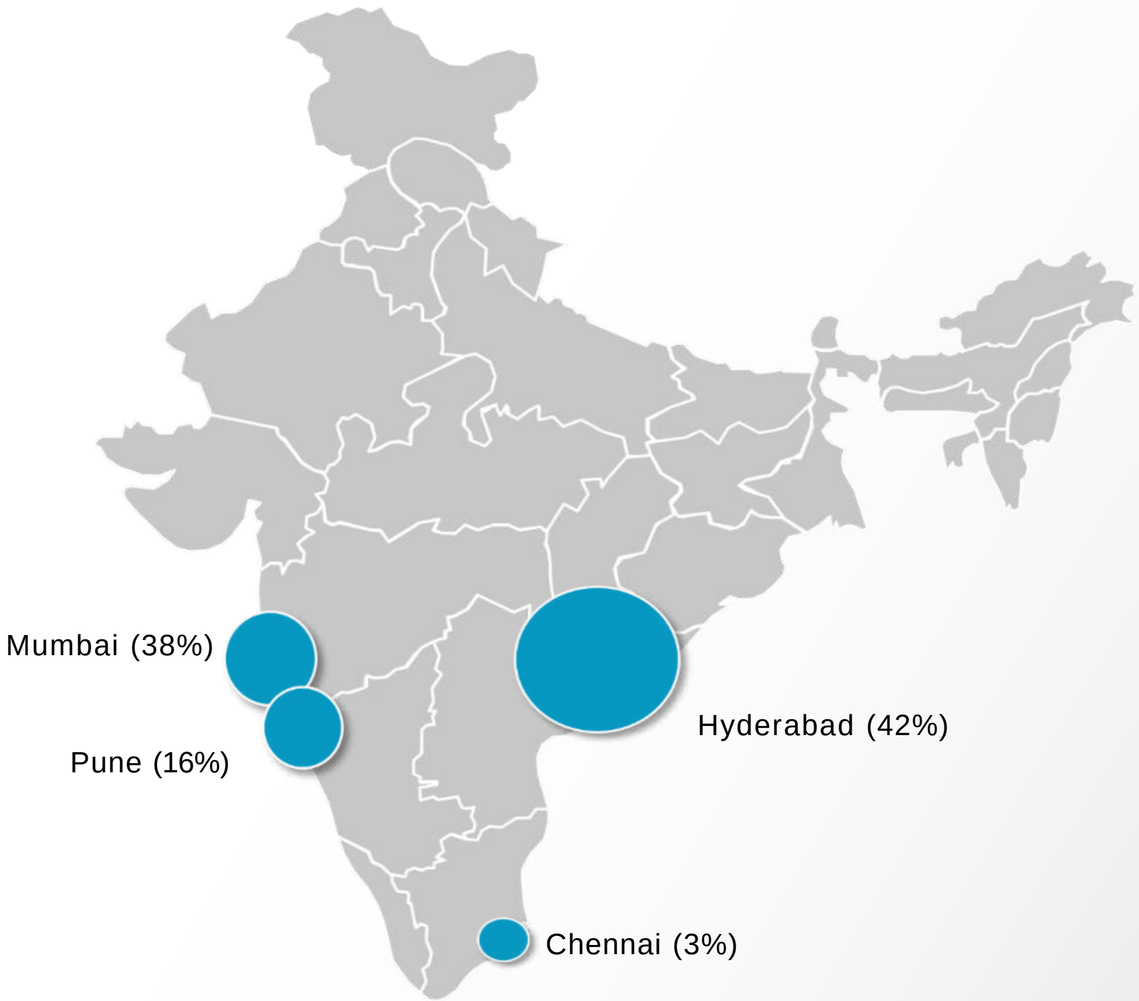


Notes: All figures refer to Q4 FY24 unless specified otherwise. City wise split by % of Gross Asset Value(GAV)considered per Mar'24 valuation undertaken by Ms.L Anuradha, in conjunction with independent property consultant review services undertaken by C&W.
(1)Comprises 36.5 msf completed, 6.1 msf under construction and 2.8 msf future development
(2)Includes completed, under construction and proposed future development

Overview: Mindspace REIT

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

33.2 msf	**69.2%**	**90.6%**
Portfolio (1)	Share of foreign MNCs in rentals(2)	Occupancy (6)
5	**5**	**₹29,873 crs**
Independent Office Assets	Integrated Business Parks	Gross Asset Value
91%	**33%**	**6.8 Years**
Market Value of Completed Assets (3)	Gross Rents from Fortune 500 occupiers(4)	WALE
₹1,896 crs	**₹1,136 crs**	**21.1%**
FY2023 Net operating Income	FY2024 Distributions	Net Debt to GAV (5)

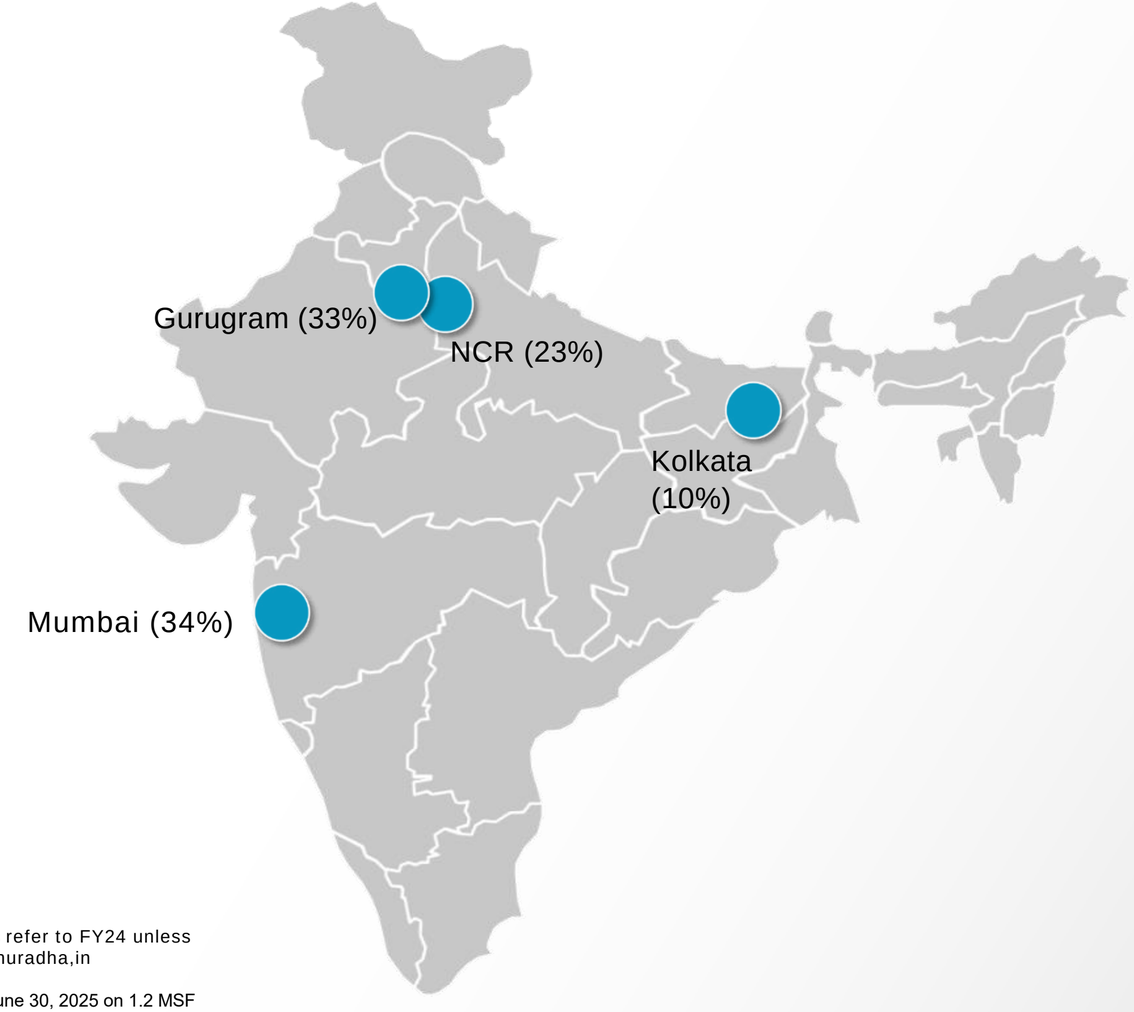


Notes: All figures refer to Q4 FY24 unless specified otherwise. City wise split by % of Gross Asset Value(GAV) considered per Mar'24 valuation undertaken by Ms. L Anuradha,in conjunction with Independent property consultant review services undertaken by C&W
(1)Comprises 26.3 msf completed and 7 msf future development/under construction
(2)Represents % of Gross Contracted Rentals as on Mar 31, 2024
(3)Includes Real Estate & Facility Management Division
(4) Fortune 500 Global List of 2023 (5) Represents 100% of the SPVs including minority interest in Madhapur SPV.
(5) 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 Mar 31, 2024
6)Excludes Pocharam

Overview: Brookfield India REIT

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

25.5 msf	**20.9 msf**	**87%**
Portfolio	Operational Area	Effective Economic Occupancy(1)
₹84	**5 - Star**	**₹29,225 crs**
In Place Rent	GRESB Rating	Gross Asset Value (2)
₹333	**34.3%**	**7.6 Years**
NAV per Unit (2)	LTV excluding Shareholder Instruments(3)	WALE
₹1,619 crs	**₹1,843 crs**	**₹417 crs**
Current OLR Run - Rate (4)	Current Adj. NOI Run – Rate(4)	H2 FY2024 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 FY24 unless specified otherwise. City wise split by % of Gross Asset Value(GAV) considered per Mar'24 valuation undertaken by Ms. L Anuradha,in conjunction with Independent property consultant review services undertaken by C&W

(1) As on March 31, 2024. Income Support in Candor TechSpace G1 (5% Effective Economic Occupancy for the overall portfolio) is until June 30, 2025 on 1.2 MSF of vacant area.

(2) As on March 31,2024

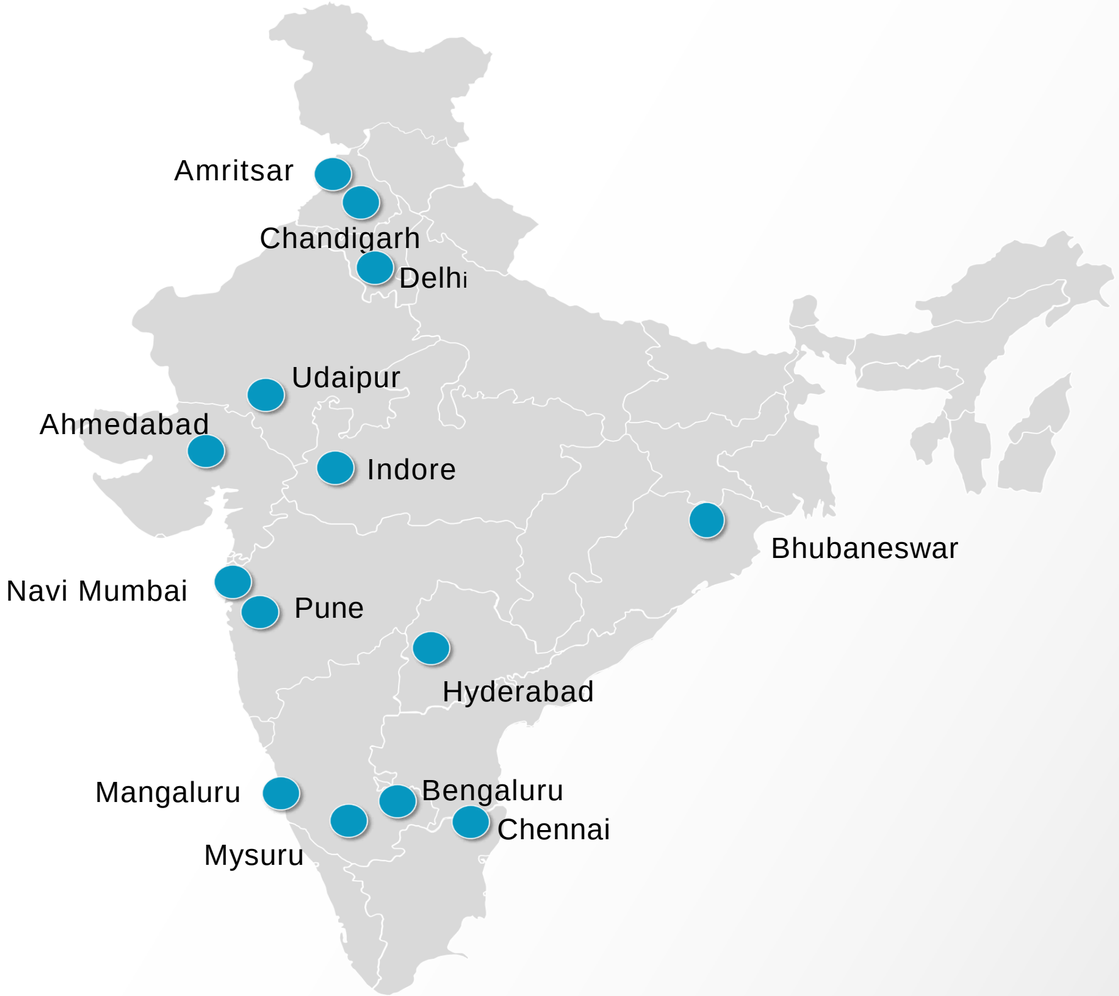
(3) Excludes liability component of CCDs of 3.7 billion and NCDs held by Reco entities.

(4) Annualized figure for Q4 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	**1.3 msf**	**17**
Retail Portfolio	Office Portfolio	Consumption Centers
14	**354**	**97.6%**
Cities	Hotel Keys	Retail Portfolio Occupancy
~ 3,000	**1,000+**	**₹145**
Retail Stores	Brands	NAV per Unit (2)
~ 13 crs	**11.7%**	**14%**
FY24 Footfalls	FY24 Rent to Sales	LTV (1)



Notes: All data as of March 31, 2024
(1) Computed basis GAV as per Mar'24 independent valuation and cash and bank balances (excluding restricted cash) as on March 31, 2024
(2) Period: As of Mar'24

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	₹33,751 crs	₹20,933 crs	₹11,306 crs	₹19,619 crs
Gross Asset Value	₹55,500 crs	₹29,873 crs	₹29,225 crs	₹25,393 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	33.2 msf	25.5 msf	11.2 msf (9.9msf retail, 1.3 msf office)
Completed Area	36.5 msf	26.3 msf	20.9 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

Source: Market capitalization based on the closing price on NSE as on May 18, 2024. All other data based on the latest available results (Q4 FY2024) and filings on respective REIT websites

Thank You

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