



Nifty REITs & InvITs:

Tracking of publicly listed
and traded REITs & InvITs

February 2024

Introduction

India's economic growth relies heavily on its robust infrastructure and thriving real estate sector. As per a joint report by Knight Frank and National Real Estate Development Council (NAREDCO), India's real estate sector contributes to 7.3% of GDP (as of 2022) and is expected to expand to \$5.8 trillion by 2047, contributing 15.5% to the GDP whereas, the studies by the Reserve Bank of India and the National Institute of Public Finance and Policy estimate that for every rupee spent on infrastructure, there is a 2.5 to 3.5 rupee gain in GDP. Acknowledging their significance, the Indian government in the 2023 budget session took a momentous step by increasing capital expenditure on infrastructure by 33%, amounting to Rs. 10 trillion. (Source: Press Information Bureau, Government of India, Ministry of Finance)

This significant boost in investment, combined with the emergence of innovative investment avenues like Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs), holds the potential to reshape the trajectory of India's real estate and infrastructure sectors. The development of robust infrastructure, including roads, bridges, airports, and public transportation systems, plays a pivotal role in attracting potential homebuyers, businesses, and investors. Furthermore, the real estate sector acts as a catalyst for economic expansion, generating employment opportunities and driving overall growth. However, the expansion of these sectors demands significant long-term capital, exceeding the availability

of public funds.

To bridge the financing gap and fuel growth, Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) have emerged as crucial investment vehicles in India. REITs are investment trusts that own income-generating real estate assets such as commercial buildings, residential complexes, and shopping centres. InvITs, on the other hand, invest in revenue-generating infrastructure assets, including highways, power transmission lines, and renewable energy projects.

These investment options were introduced in India in 2014 and are regulated by the Securities and Exchange Board of India (SEBI). Initially the minimum application value for REITs and InvITs was Rs.50000 and Rs.1 Lakh respectively and minimum trading lot was 100 units. However, in 2021, SEBI reduced the minimum application value to range of Rs. 10,000-15,000 and minimum trading lot to one unit, making them more accessible to a wider range of investors.

There are four publicly listed and traded REITs and three publicly listed and traded InvITs on the National Stock Exchange (NSE), as of December 31, 2023. During April-December 2023, the total funds mobilised by REITs and InvITs (including funds raised through public issue, private placement, preferential issue, institutional placement, rights issue) is around Rs. 23000 Cr. (Source: SEBI).

REITs and InvITs demonstrate unique characteristics that set them apart as investment options:



Diversification:

REITs and InvITs provide investors with a diversified portfolio of real estate or infrastructure assets, reducing risk compared to investing in individual properties or projects.



Stable Income:

Both REITs and InvITs are mandated to distribute a minimum of 90% of their taxable income to investors as dividends every quarter. This translates to regular cash flow investors can rely on, particularly beneficial for individuals seeking retirement income or consistent returns.



Liquidity:

Being listed on stock exchanges, REITs and InvITs offer liquidity, allowing investors to buy or sell units easily. This liquidity contrasts with the relatively illiquid nature of direct real estate or infrastructure investments.

Professional Management:

REITs and InvITs are managed by experienced professionals, bringing expertise in property or infrastructure management. This professional management can enhance the performance and value of the underlying assets.

Tax Efficiency:

Indian REITs and InvITs offer tax benefits to both investors and sponsors. For investors, dividend income is exempt from tax if the REIT/InvIT distributes at least 90% of its taxable income. Additionally, long-term capital gains (held for more than one year) are taxed at a lower rate than short-term capital gains.

Access to Large-Scale Assets:

Investing in REITs and InvITs allows investors to gain exposure to large-scale real estate or infrastructure projects that may be otherwise inaccessible to individual investors.

Potential for Capital Appreciation:

Alongside the income generated through dividends, investors may benefit from the potential appreciation in the value of the underlying assets, leading to capital gains.

Transparency and Regulatory Oversight:

SEBI (Securities and Exchange Board of India) regulates REITs and InvITs, ensuring transparency and adherence to regulatory standards. This oversight contributes to a level of investor protection.

With their unique characteristics, tax benefits, and regulatory framework, REITs and InvITs offer opportunities for investors to participate in the growth of India's real estate and infrastructure landscape.

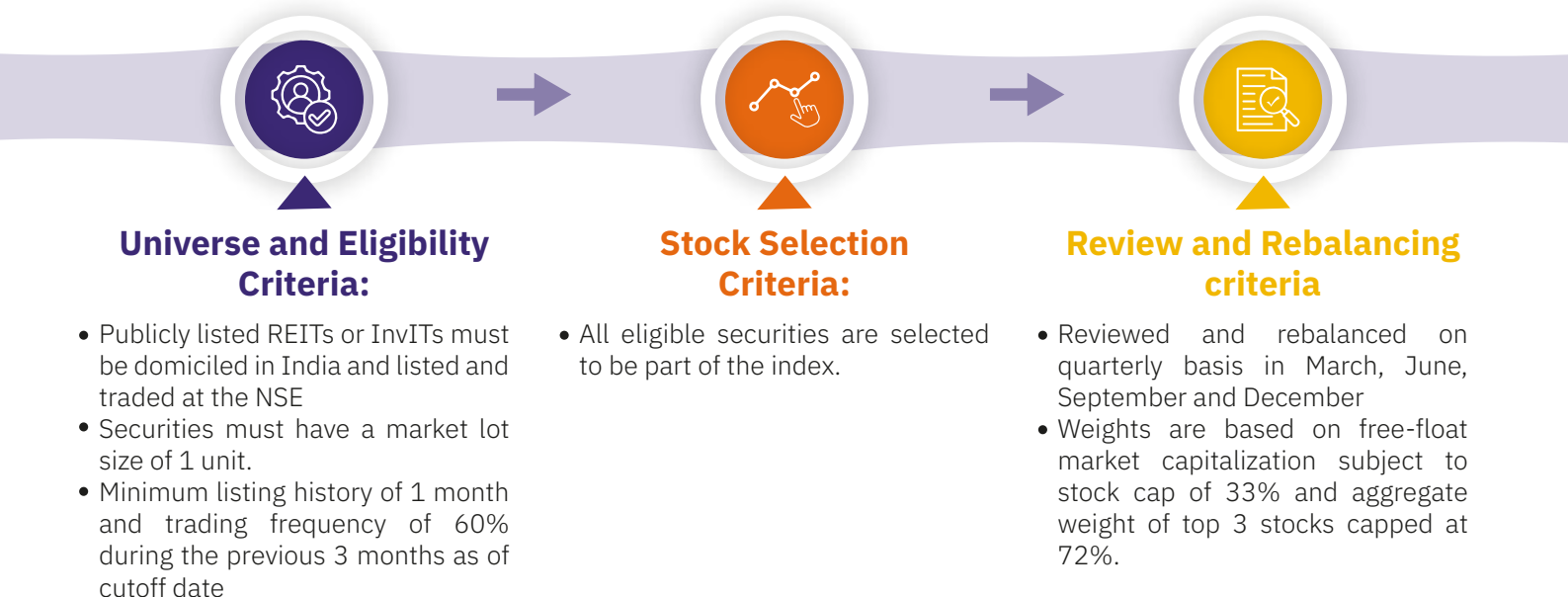
To provide exposure to such publicly listed REITs and InvITs in a single index, NSE Indices Limited launched Nifty REITs & InvITs index in April 2023.

About Nifty REITs & InvITs

Nifty REITs & InvITs index aims to track the performance of REITs and InvITs that are publicly listed and traded (listed and traded or not listed but permitted to trade) at the National Stock Exchange. The weights of

the securities within the index are based on their free-float market capitalization subject to a security cap of 33% each and aggregate weight of top 3 securities is capped at 72%.

Exhibit 1: Nifty REITs & InvITs index methodology



REITs and INVITs distribute at least 90% of their income to the investors on a quarterly basis which can be seen in Total return index

Exhibit 2: Performance of the Nifty REITs & InvITs index based on the Price Returns and Total Returns

Period	Nifty REITs & InvITs Index PR	Nifty REITs & InvITs Index TR
Since Inception*	0.18%	9.40%
3 year	1.61%	8.97%
1 year	-4.15%	0.82%
6 months	3.13%	5.07%
3 months	4.07%	5.03%

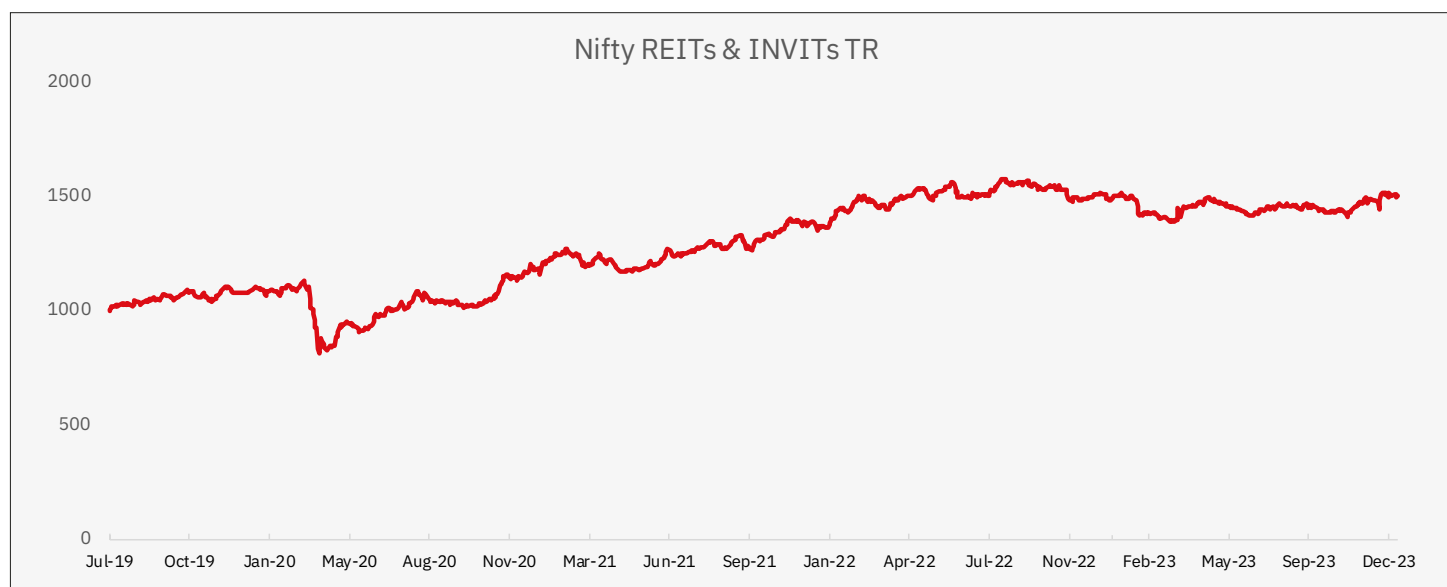
Source: NSE Indices. Data as of December 29, 2023. * Based on inception date of July 01, 2019. Returns for the period greater than one year are annualized

The Exhibit 2 above displays the Compound Annual Growth Rate (CAGR) of the Nifty REITs & InvITs Index based on Price Returns (PR) and Total Returns (TR) for different time periods. TR includes not only the price changes but also takes into account the additional income generated by the REITs and InvITs, such as interest, dividend income, rental income, and return of capital. The excess return in the TR, compared to the PR, is attributed to the distribution requirements imposed on REITs and InvITs by the market regulator SEBI (Securities and Exchange Board of India). SEBI mandates REITs and InvITs to distribute at least 90% of the cash available to unitholders on a quarterly basis,

which includes interest income, rental income, and dividends. The PR for the Nifty REITs & InvITs Index has varied across different periods, ranging from -4.15% for the 1-year period to 4.07% for the 3-month period. It shows the performance of the index solely based on price movements. The TR version for the Nifty REITs & InvITs Index which will be always higher than the PR return index, ranges from 0.82% for the 1-year period to 9.40% per annum since inception (for the 4.5 year period starting 01 July, 2019). The TR captures the full performance of the index, including all income generated.

Total Return index performance of the Nifty REITs & InvITs index

Exhibit 3: Performance of the Nifty REITs & InvITs index since inception



Source: NSE Indices. Data as of December 29, 2023

Exhibit 4: Annualised return and volatility profile of the Nifty REITs & InvITs Index

Period	Annualised Return and Annualised Volatility Profile of Nifty REITs & InvITs TR index (As of December 29, 2023)		
	Returns	Annualised Volatility	Return to risk ratio
Since Inception*	9.40%	12.96%	0.73
3 year	8.97%	9.52%	0.94
1 year	0.82%	9.88%	0.08
6 months	5.07%	9.32%	0.54
3 months	5.03%	11.64%	0.43

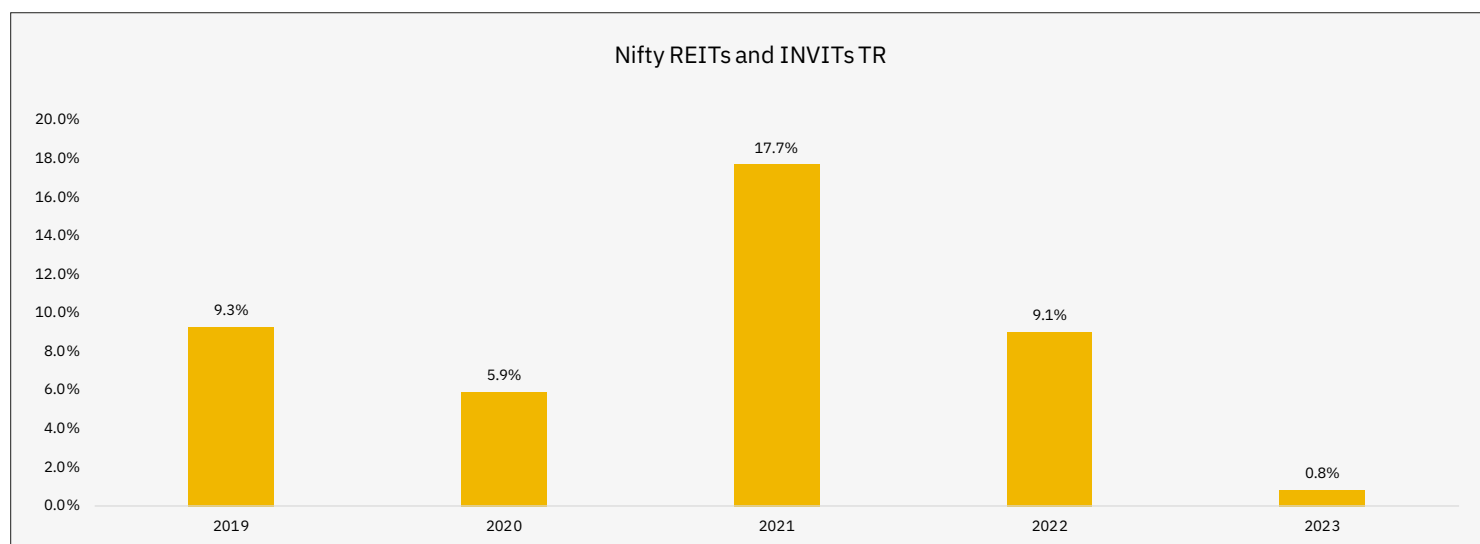
Source: NSE Indices. Data as of December 29, 2023. * Based on inception date of July 01, 2019. Returns based on TRI values; Returns for the period greater than one year are annualized

Since July 01, 2019, the Nifty REITs & InvITs TR index has delivered 9.40% CAGR with annualised volatility of 12.96%. The Nifty REITs & InvITs TR index has delivered 8.97% CAGR in last 3 years with annualised volatility of 9.52%, resulting in a return to risk ratio of

0.94. The index delivered 5.07% returns during the past 6 months and 5.03% returns during the past 3 months. During the same period, the index had annualized volatility of 9.32% and 11.64% for 6 months and 3 months respectively.

Calendar year return of the Nifty REITs & InvITs Index

Exhibit 5: Performance of the Nifty REITs & InvITs index



Source: NSE Indices. * Return for 2019 is calculated from July 01, 2019, to December 31, 2019.

During the period July 2019 till Dec 2023, the Nifty REITs & InvITs index delivered positive returns in all the calendar years. In the year 2020, despite global uncertainties (COVID -19), the index delivered positive return of 5.9% whereas, Nifty 50 delivered a return of 16.14% over the same period. Calendar year 2021 was one of the best years for Nifty REITs and InvITs index as it gave 17.70% return while Nifty 50 delivered a return of 25.59% in the same period. In Calendar year 2022,

despite a slowdown in the REITs market globally (Source: Knight Frank and National Real Estate Development Council (NAREDCO), report), the Nifty REITs & InvITs total return index delivered a return of 9.10% led by factors such as affordable housing market, growing demand for luxury housing, affordable rental housing in India, household income evolution in India.

Rolling Returns for Nifty REITs & InvITs index

Exhibit 6: Daily rolling return analysis of the Nifty REITS & InvITs index

Analysis based on daily rolling returns										
Investment Horizon	Percentage of total instances						Return Analysis			
	Negative returns	Positive returns					Return Attributes			
		<0% CAGR	>=0% CAGR	0-5% CAGR	5-10% CAGR	10-15% CAGR	>15% CAGR	Min CAGR	Max CAGR	Median CAGR
3 years	0%	100%	0%	16.2%	70.6%	13.2%	7.5%	21.4%	12%	12.4%
2 years	0%	100%	10%	23.9%	33.9%	32.3%	2.1%	34.6%	11.9%	13.6%
1 year	32%	68%	6.7%	10.2%	5.4%	46.2%	-7.8%	49.7%	11.9%	11.2%

Source: NSE Indices. Analysis period is from July 01, 2019 to December 29, 2023

The Nifty REITs & InvITs index has delivered positive returns 68% of the time over horizon of 1 year, based on daily rolling return analysis. As the investment horizon increases further to 2 and 3 years, the frequency of positive returns approached 100%. For 3-year horizon period, the Nifty REITs & InvITs index returns ranged between 7.5% per annum to 21.4% per annum. Over the same period, the Nifty REITs & InvITs index delivered average return of 12.4%, based on daily rolling return analysis. Likewise for 2 year investment horizon, the Nifty REITs & InvITs index delivered

average return of 13.6%, based on daily rolling return analysis, ranging between 2.1% to 34.6%

Overall, the analysis shows that for 2 and 3 year investment horizon period, the Nifty REITs & InvITs index has consistently delivered positive returns. The median and the average CAGR returns were relatively stable, indicating a consistent performance by the index. However, in the 1 year horizon period the Nifty REITs & InvITs index has shown variability in returns, with ~32% of instances experiencing negative returns.

Exposure of the Nifty REITs & InvITs for last one year

Exhibit 7: Stock level exposure of the Nifty REITs & InvITs for last 6 quarters

REITS	Weights in Index (%)					
	Dec-23	Sep-23	Jun-23	Mar-23	Dec-22	Sep-22
EMBASSY OFFICE PARKS REIT	32.37	31.7	32.5	32.9	32.9	32.5
Nexus Select Trust	18.3	17.3	-	-	-	-
MINDSPACE BUSINESS PARKS REIT	11.05	11.1	15	15.3	15.2	15.7
Brookfield India Real Estate Trust	9.02	9.5	9.1	9.2	9.6	10.3
Total weight of REITs	70.74	69.6	56.6	57.4	57.7	58.5

INVITs	Dec-23	Sep-23	Jun-23	Mar-23	Dec-22	Sep-22
	Dec-23	Sep-23	Jun-23	Mar-23	Dec-22	Sep-22
INDIA GRID TRUST	12.49	12.3	16.2	15.3	15.4	15
POWERGRID Infrastructure Investment Ltd.	11.65	12.8	19.7	20.3	20.4	21.1
IRB INVIT FUND	5.11	5.4	7.5	6.9	6.4	5.5
Total weight of InvITs	29.25	30.5	43.4	42.5	42.2	41.6

*Weights as on the last working day of the respective quarter.

The Exhibit 7 above, displays the portfolio weight of the Nifty REITs & InvITs index during the previous 6 quarters. The weight of each security is based on its free-float market capitalization.

The REITs component in the Nifty REITs and InvITs index constitutes 70.74% of the total weight in the index, while the InvITs component constitutes 29.25% weight in the index as on December 29, 2023. As seen in the exhibit 7, REITs account for a higher proportion in the index compared to InvITs throughout the quarters.

Within the REITs component, Embassy Office Parks REIT constitutes highest weight in the index, ranging from 31.7% to 32.9% over six quarters. In the REITs

component, Brookfield India Real estate trust has held the lowest weight ranging from 9.02% to 10.3%. Nexus Select Trust – a newly listed REIT was recently included in the index, with the weight around 18.3% as on December 29, 2023.

Within the InvITs component, the weight of POWERGRID Infrastructure Investment Ltd in the index ranges from 11.65% to 21.1% whereas, the weights for INDIA GRID TRUST ranges from 12.3% to 16.2%. These two InvITs combined account for majority of the weight in the InvITs component. IRB INVIT fund has held the lowest weight in the InvIT component in all the six quarters with the weights ranging from 5.11% to 7.5%.

Signing off.....



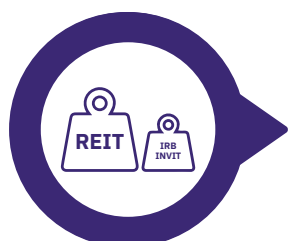
The Nifty REITs & InvITs Index is designed to track the performance of publicly listed and traded Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs).

Since its inception on July 1, 2019, until December 29, 2023, the Nifty REITs & InvITs TR Index has delivered a CAGR of 9.40%.



The Nifty REITs & InvITs TR Index has positive returns in all 5 calendar years

Over the 2 and 3 year investment horizon period, the Nifty REITs & InvITs TR index has always delivered positive returns, based on daily rolling return analysis



Embassy Office Parks REIT has consistently been the highest-weighted stock, followed by Nexus Select Trust. IRB INVIT FUND has been the lowest- weighted stock.

As on December 29, 2023 REITs account for 70.74% of the weight in the index, whereas InvITs account for 29.25% of the weight.



About NSE Indices Limited:

NSE Indices Limited (formerly known as India Index Services & Products Ltd. - IISL), a subsidiary of NSE, provides a variety of indices and index related services for the capital markets. The company focuses on the index as a core product. The company owns and manages a portfolio of indices under the Nifty brand of NSE, including the flagship index, the Nifty 50. Nifty equity indices comprise of broad-based benchmark indices, sectoral indices, strategy indices, thematic indices and customised indices. NSE Indices Limited also maintains

fixed income indices based on Government of India securities, corporate bonds, money market instruments and hybrid indices. Many investment products based on Nifty indices have been developed within India and abroad. These include index based derivatives traded on NSE and NSE International Exchange IFSC Limited (NSE IX) and a number of index funds and exchange traded funds. The flagship 'Nifty 50' index is widely tracked and traded as the benchmark for Indian Capital Markets.

For more information, please visit: www.niftyindices.com

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