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CREDAI **ANAROCK**
VALUES OVER VALUE

INDIAN REITS

A GATEWAY TO INSTITUTIONAL REAL ESTATE

SEPTEMBER 2025

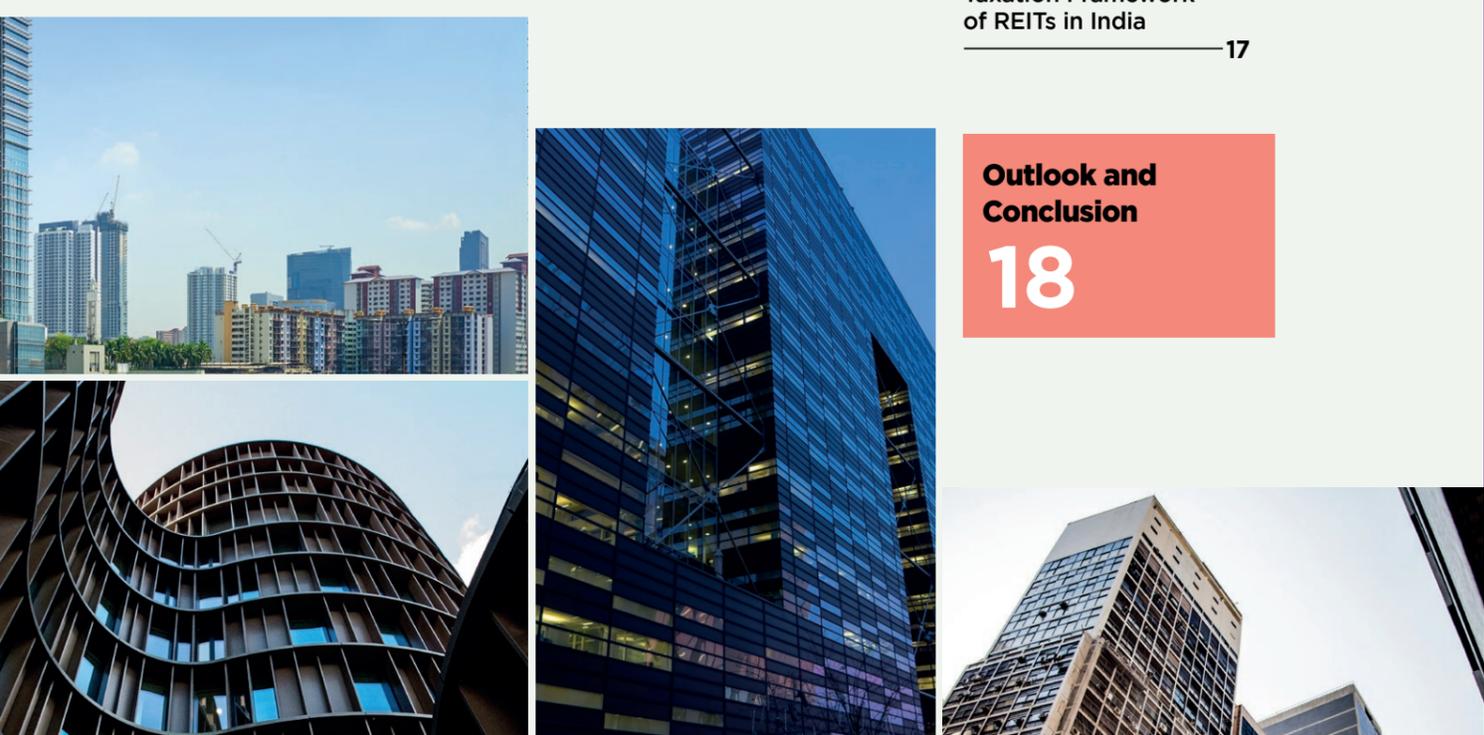


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Foreword



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The evolution of Real Estate Investment Trusts (REITs) in India marks a defining chapter in the growth of the country's institutional real estate market. Since their regulatory introduction in 2014 and the first listing in 2019, REITs have transitioned from being a novel concept to a credible, mainstream investment avenue. With the listing of India's largest office REIT in 2025, the sector has achieved both scale and global recognition, positioning India as one of the fastest-growing REIT markets worldwide.

This report captures the remarkable journey of Indian REITs against the backdrop of global benchmarks, highlighting their role in unlocking value from Grade A office assets, driving institutional participation, and deepening capital markets. Strong demand fundamentals, coupled with yields averaging 6-7% and the potential for capital appreciation, underscore the attractiveness of this asset class. Importantly, supportive reforms in taxation and proactive regulatory measures by SEBI have bolstered investor confidence, setting the stage for sustainable growth.

Looking ahead, Indian REITable stock is poised for diversification into logistics, warehousing, retail, and data centers—asset classes that will not only expand market depth but also reduce concentration risk. With demographic tailwinds, rapid urbanization, and steady GDP growth providing a robust foundation, REITs are set to play a pivotal role in reshaping the country's real estate investment landscape over the next decade. This report seeks to provide readers with an informed perspective on the opportunities and challenges ahead, as Indian REITs continue their journey from emergence to maturity.

This report, "Indian REITs: A Gateway to Institutional Real Estate", examines the rapid evolution of Indian Real Estate Investment Trust (REIT) market and its growing global significance. Since the first REIT listing in 2019, the sector has expanded steadily, reaching a market capitalization of around USD 18 billion as of August 2025. Despite being relatively nascent compared to global peers, India has already demonstrated strong fundamentals, with distribution yields averaging 6-7%, well above many mature markets such as the USA (2.5-3.5%) and Singapore (5-6%).

The strength of Indian commercial office market remains the backbone of this growth. In H1 2025 alone, net absorption touched ~27 Mn sq. ft., already more than half of the full-year tally for 2024. Out of 520 Mn sq. ft. of Grade A REIT-worthy stock, just 32% has been listed, underscoring the vast headroom for expansion. Institutional penetration of REITs currently stands at 20% of India's real estate, significantly lower than global benchmarks—55% in Singapore and 96% in the USA—pointing to immense untapped opportunity.

The regulatory environment has played a pivotal role in shaping investor confidence. Since SEBI's introduction of REIT regulations in 2014, progressive reforms—including the reduction of lot sizes, simplified capital gains, and dividend tax exemptions introduced in 2025—have strengthened transparency, retail participation, and long-term stability.

This report traces the journey of India's REITs, compares their performance and structure with global peers, and analyzes the risk-return profile within the current regulatory and taxation framework. It also outlines how the future of REITs in India will be driven by diversification into warehousing, logistics, retail, and data centers, supported by macroeconomic resilience and sustained demand from Global Capability Centers (GCCs).

By capturing both the milestones and the road ahead, this study provides a comprehensive understanding of why India is set to become one of the most attractive destinations for REIT investments globally.

Indian REIT Evolution: From Concept to Credibility

Commercial Office Spaces Overview of the Indian Real Estate

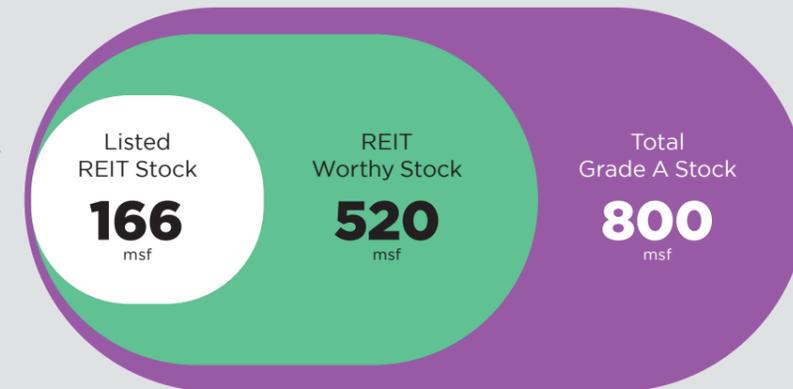
Indian Grade A commercial office market remains one of the strongest growth engines within the real estate sector. As of H1 2025, net absorption reached ~27 million sq. ft., constituting 53% of the total absorption recorded for the entire 2024, setting the stage for another record year. The alignment of net absorption with supply in 2024 indicates a balanced market, providing a foundation for resilience and sustained demand.



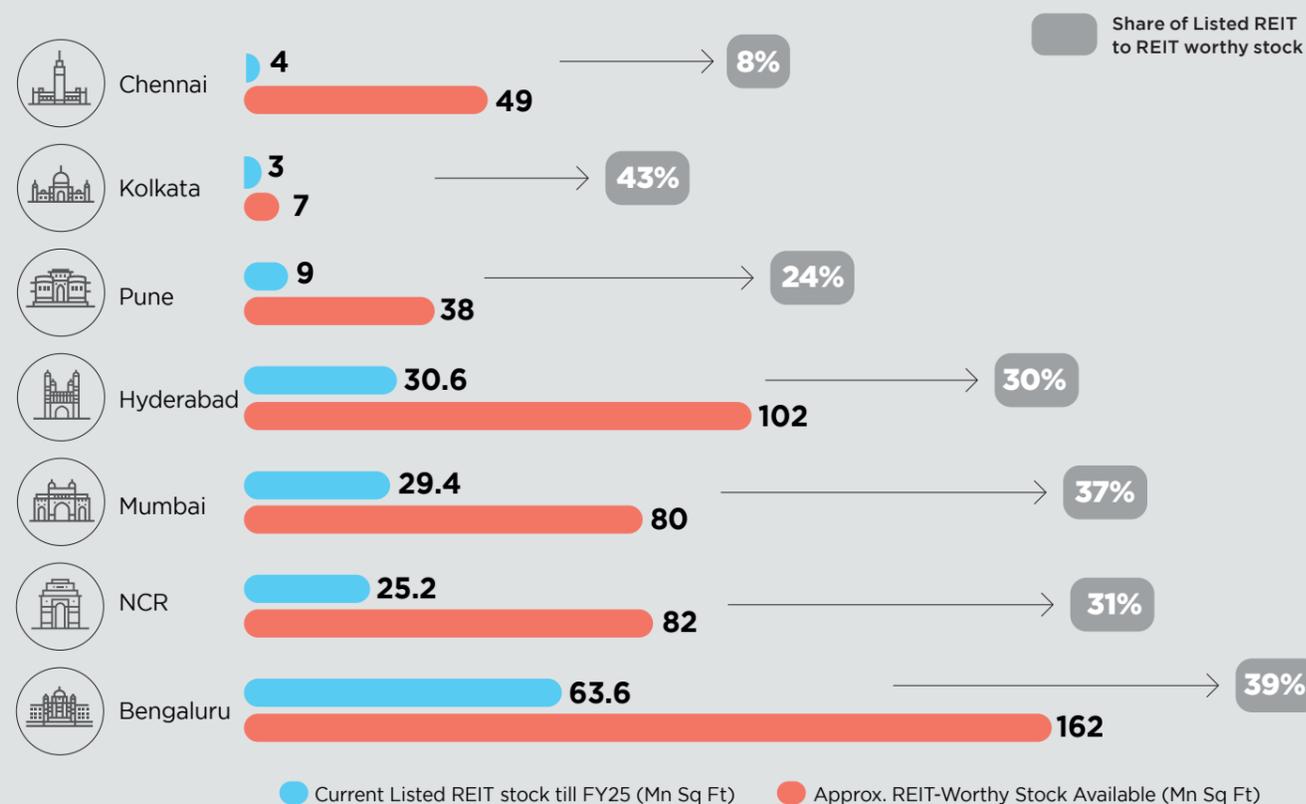
Source: Anarock Research & Advisory

REIT Potential Office Stocks

REIT was introduced in India in 2019, yet its market cap now surpasses several mature global markets. However, only 32% (166 Mn sq. ft.) of the 520 Mn sq. ft. REIT-worthy office stock across the top 7 cities is listed under the three REITs—Embassy Office Parks, Mindspace Business Parks, Brookfield India & Knowledge Realty vast growth potential. Southern cities (Bengaluru, Hyderabad, Chennai) hold 313 Mn sq. ft. of this stock, with just 31% currently listed.



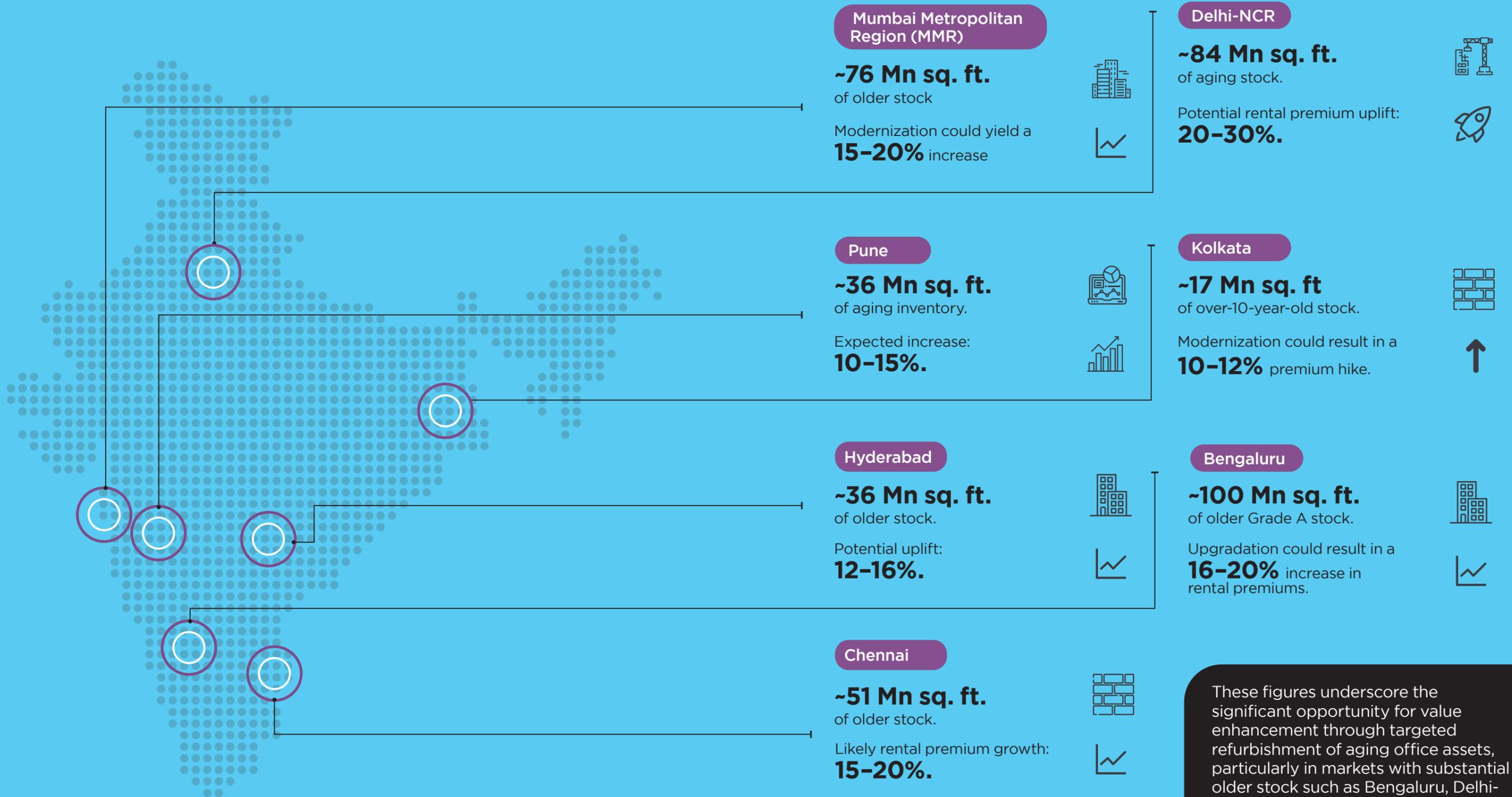
REIT - Worthy Stock Vs Listed REITs



Source: Anarock Research & Advisory

City-Wise Distribution of REITable Stock

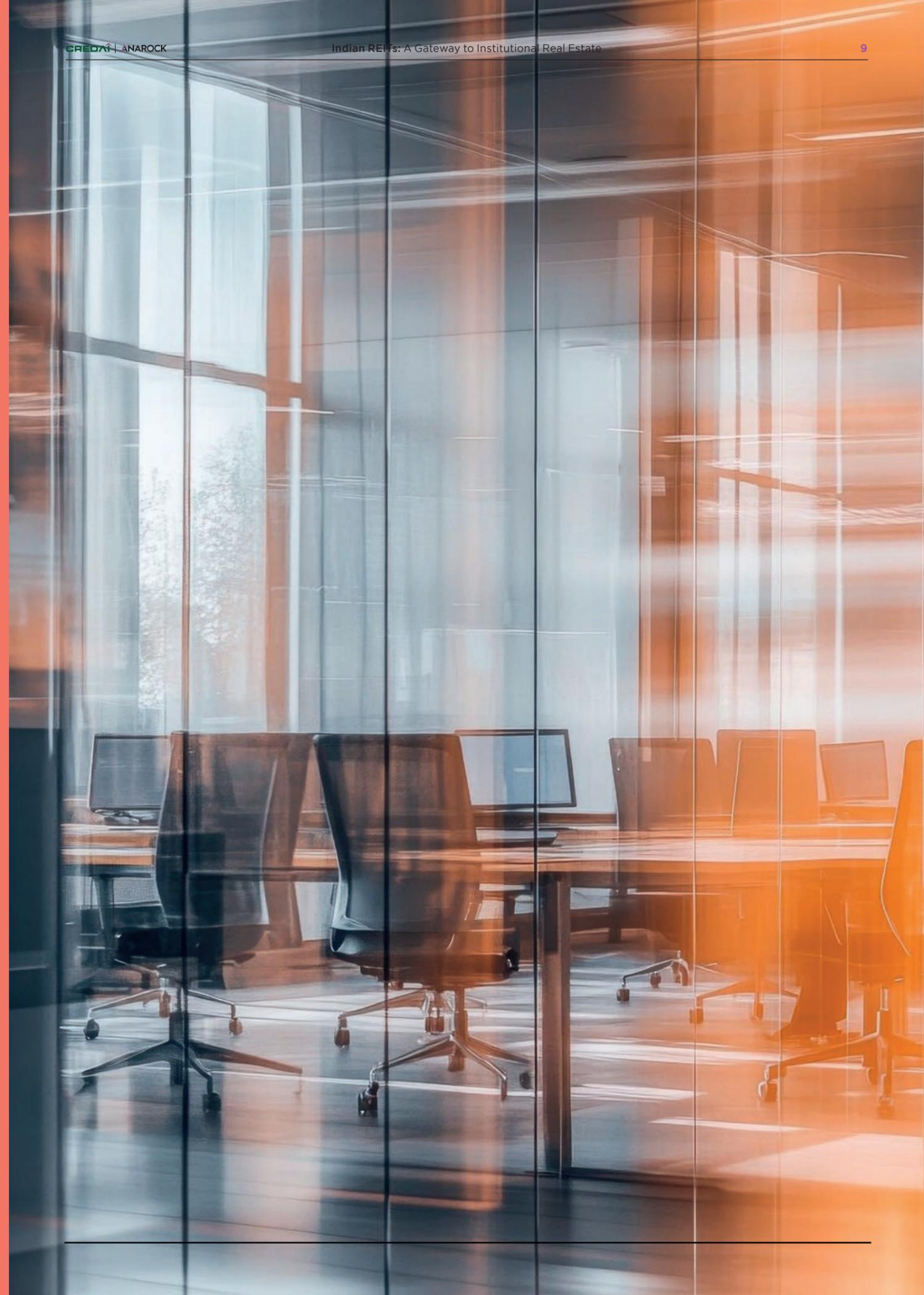
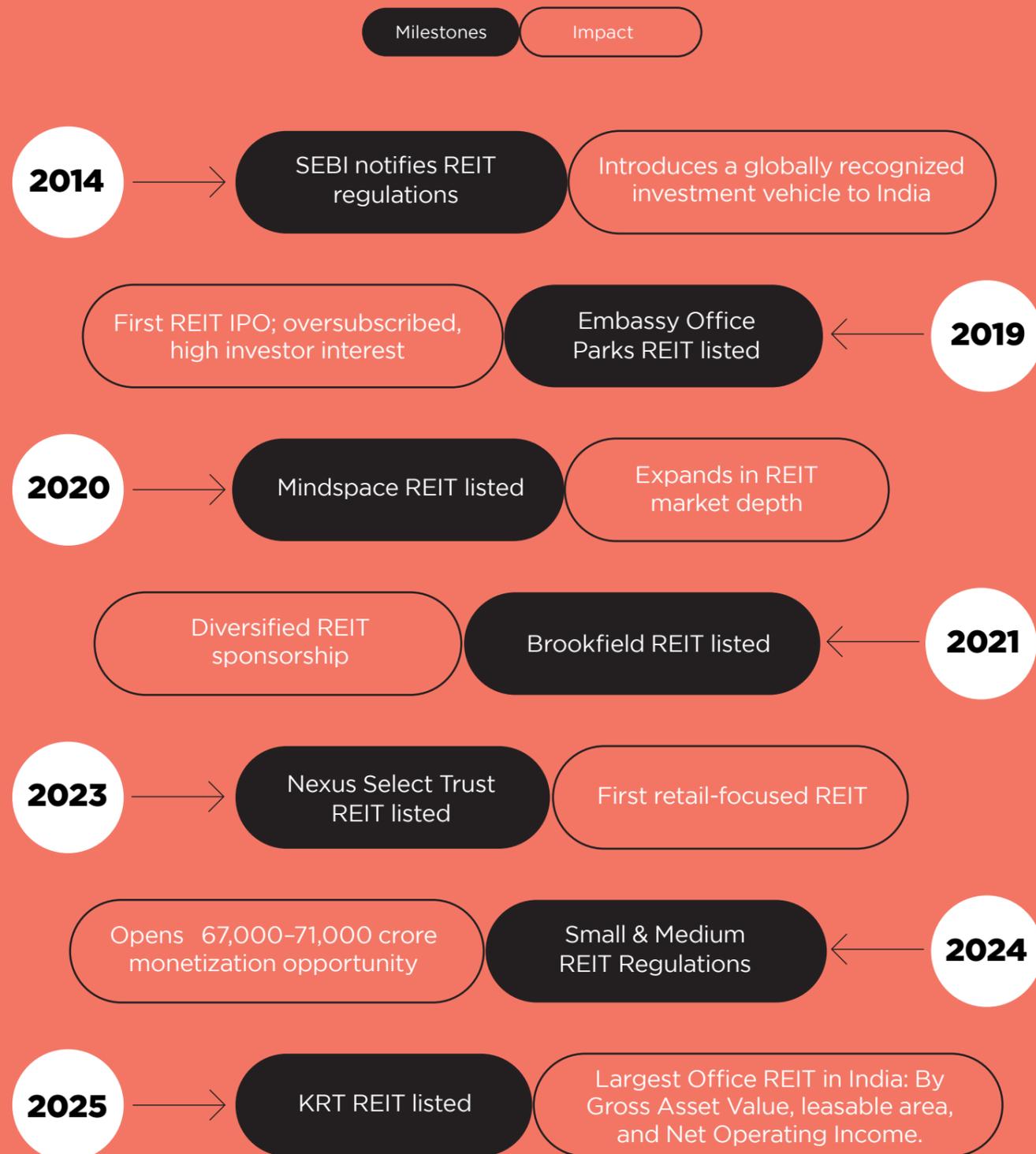
An assessment of aging Grade A office inventory across major Indian cities indicates substantial potential for rental premium appreciation upon modernization.



These figures underscore the significant opportunity for value enhancement through targeted refurbishment of aging office assets, particularly in markets with substantial older stock such as Bengaluru, Delhi-NCR, and MMR.

Overview of REIT Journey of India

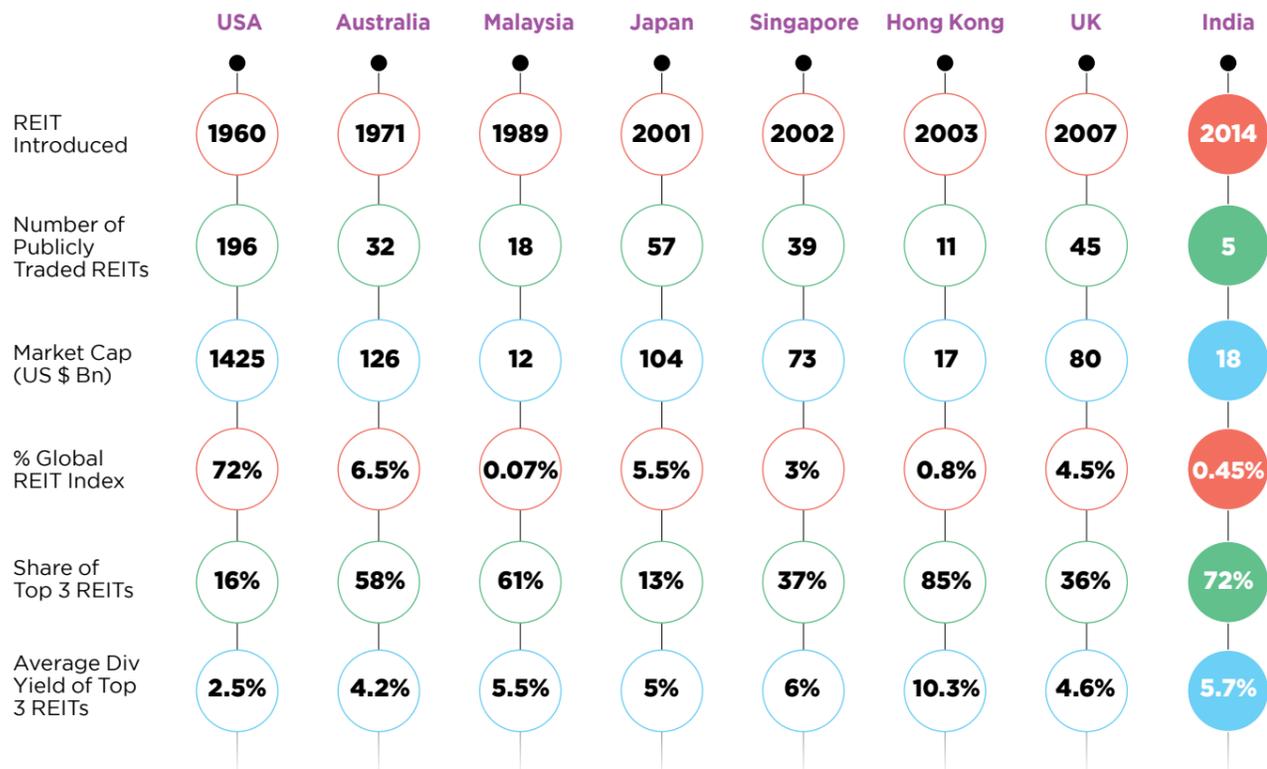
An assessment of aging Grade A office inventory across major Indian cities indicates substantial potential for rental premium appreciation upon modernization.



India on Global REIT Map

India's REIT Vs Global REIT

Table 2: Indian REITs performance across global peers



Source: Anarock Research & Advisory

Note: The data has been sourced from multiple trading portals, Nareit reports, and national stock exchanges. For countries other than India, the dataset is compiled up to January 2025, while for India, it is updated till August 2025.

While REIT regulations were introduced in India in 2014, the country's first REIT was listed only in 2019. Despite this relatively late start compared to global peers, India has already achieved a market capitalization of around USD 12 billion with just four listed REITs. Recently, the 5th REIT - KRT REIT - was launched, marking Asia's second-largest REIT IPO and India's largest by Gross Asset Value

(GAV) and Net Operating Income (NOI). With a substantial GAV of ~ 62,000 crore, the portfolio spans over 46 million sq. ft. of premium office space across 29 commercial assets in six major Indian metros, with a strong presence in Mumbai, Bengaluru, and Hyderabad. With three more REITs expected over the next four years, India is projected to cross USD 25 billion in market capitalization. It is generally

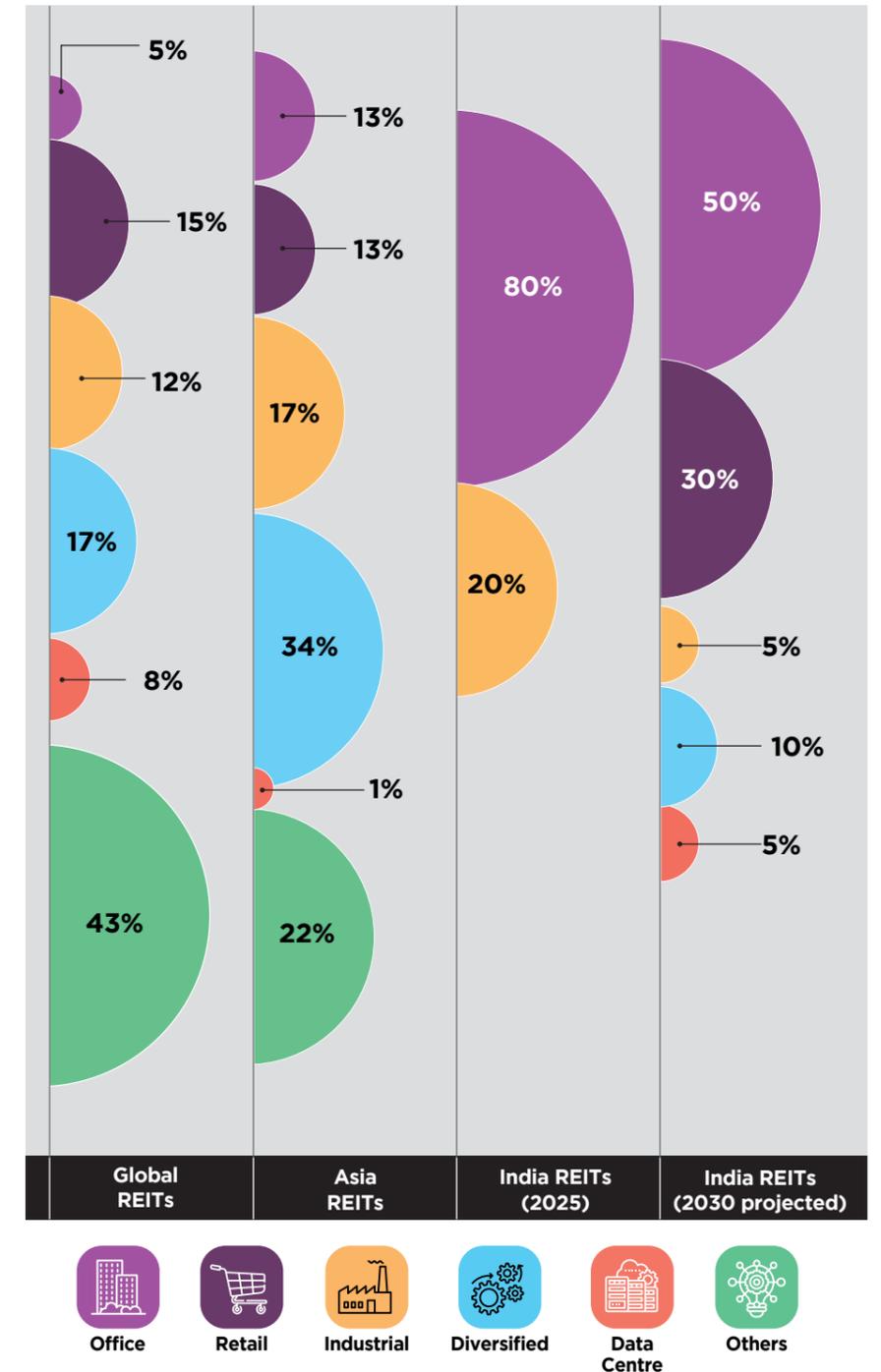
observed that when the top three REITs hold more than 60% of a country's total REIT market cap, the sector is considered not yet mature. In India's case, this concentration highlights that the REIT market is still in its early growth phase, with a large share of REITable assets controlled by a few institutional giants.

Listed REITs, Asset Classes (Office, Retail, Warehousing - emerging)

The concentration of Indian REITs in office assets is primarily driven by the sector's established lease structures, strong credit tenancy, and stable yield profiles underpinned by the IT/ITeS industry. In contrast, mature global markets exhibit higher REIT diversification, with retail, industrial, and specialized segments such as data centers contributing significantly to income stability. Asia's relatively significant diversification reflects portfolio hedging strategies aimed at mitigating cyclical volatility. Globally, industrial REITs are gaining momentum on the back of sustained e-commerce penetration, supply chain re-optimization, and last-mile logistics demand, ensuring long-term rental growth and capital appreciation. Data center REITs, valued at ~USD 250 billion by 2024 and projected to double within seven years, are expanding rapidly due to surging cloud adoption, AI-driven workloads, and hyperscale infrastructure needs. India is well-positioned to mirror this trend, as reflected in a 60% YoY surge in industrial and logistics leasing in H1 2025, a 30% YoY rise in warehousing absorption, and a threefold increase in institutional investment to USD 2.5 billion in 2024.

Asset Class wise REITs

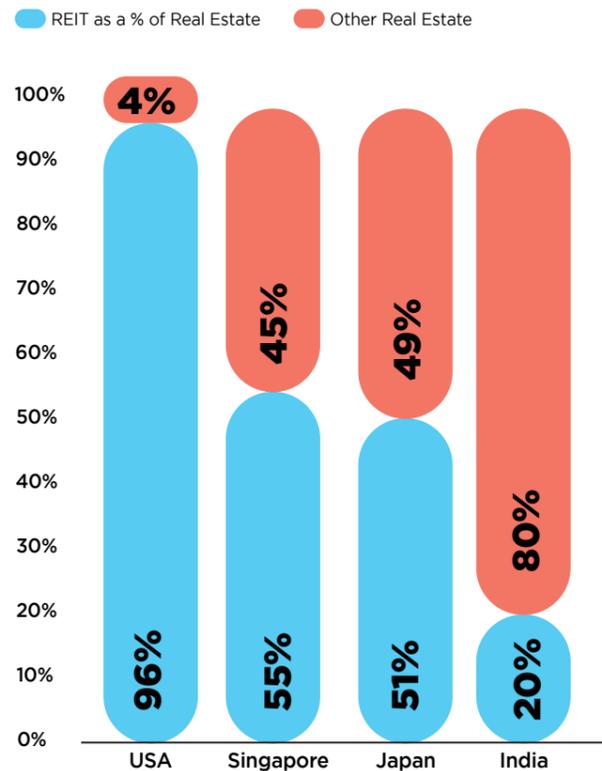
Source: Anarock Research & Advisory



Share of REITs in the Real Estate Market

Despite REIT guidelines being introduced in 2014 and the first listing only in 2019, Indian REIT market accounts for just 20% of institutional real estate, far below the USA (96%) or even Asian peers like Singapore (55%) and Japan (51%). This limited penetration is largely because Indian REITs are so far concentrated in Grade A commercial office assets, which offer scale, transparency, and stable cash flows. As the market matures, diversification is expected through data center and logistics REITs—supported by rising digital demand and e-commerce growth—while retail mall REITs may follow with ongoing consolidation. Residential REITs remain a longer-term prospect, constrained by low rental yields and fragmented ownership, indicating that Indian REIT sector is still in the early stages of evolution. With more asset classes becoming REITable, India's penetration could potentially rise to 25–30% of institutional real estate by 2030, positioning it as one of the fastest-growing REIT markets globally.

REIT as a % Real Estate



Source: Anarock Research & Advisory



Investment Case for Global Institutions

Indian REITs offer attractive risk-adjusted returns, with distribution yields averaging 6–7% annually, complemented by capital appreciation from rental escalations (typically 3–5% p.a.) and mark-to-market rent opportunities. Tenant profiles are dominated by blue-chip multinational corporations and Global Capability Centers (GCCs), ensuring strong credit quality and low default risk. Weighted Average Lease Expiry (WALE) across listed REITs stands at 6–8 years, providing income visibility.

For global institutions, Indian REITs present a liquid and transparent entry into one of the fastest-growing commercial real estate markets. Units are traded on the NSE and BSE, backed by SEBI's stringent governance framework, including 90% mandatory distribution of Net Distributable Cash Flow (NDCF) and a leverage cap of 49% of asset value.

Comparative Yield & Growth Drivers in Indian REITs

Metric	Value	Global Benchmark	Remarks
Distribution Yield	6-7%	4-5% (Global Avg.)	Higher but improving as demand outpaces supply
Capital Appreciation Potential	3-5% p.a.	1-3% p.a.	Driven by rental escalations and MTM resets
WALE	6-8 years	5-7 years	Longer tenure enhances stability
Vacancy Levels	10-16%	8-12%	Higher but improving as demand outpaces supply



Risk-Return Profile and Regulatory Confidence

Risk Factors



Concentration Risk

Currently, more than 60% of Indian REIT market capitalization is concentrated within the top three listed REITs, suggesting limited diversification



Asset Class Dependence

Indian REITs are primarily concentrated in Grade A commercial office spaces, exposing them to cyclical demand from IT/ITeS and BFSI sectors



Regulatory and Taxation Uncertainty

Changes in tax pass-through treatment or dividend taxation can impact investor yields.



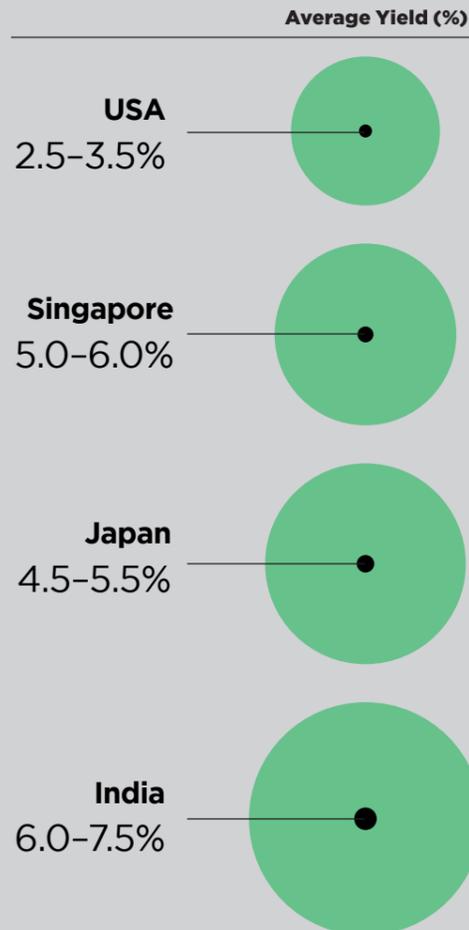
Macroeconomic Factors

Interest rate movements, inflation, and global capital flows influence returns.

Return Profile

Average distribution yields of Indian REITs range between 6% and 7.5%, competitive with fixed-income instruments but with the added potential for capital appreciation.

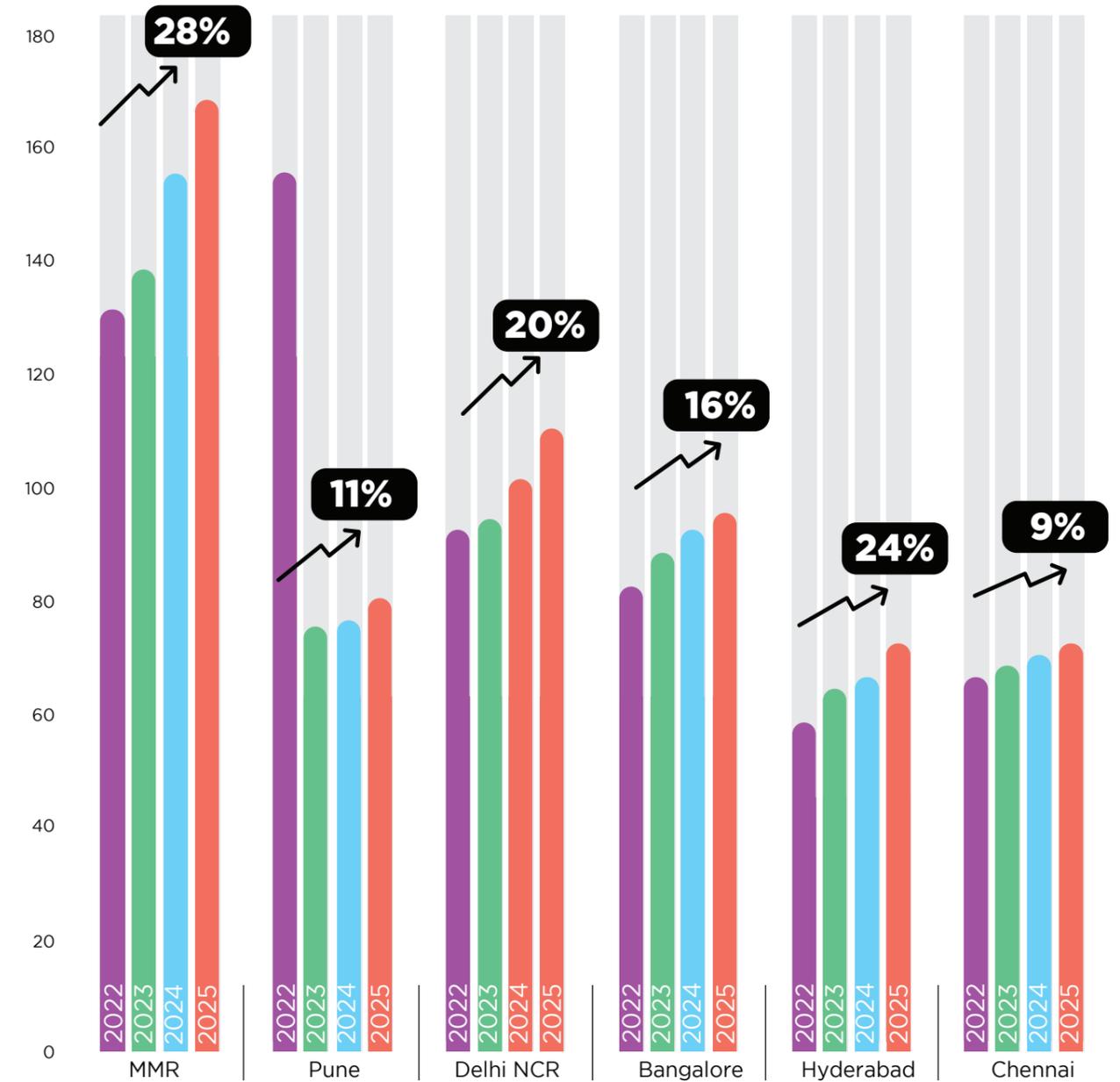
Global comparisons show India still lags mature markets like the USA, Singapore, and Japan in diversification of REIT asset classes, but the risk-adjusted yields in India remain attractive.



Rental Yield and Investor Confidence

The consistent growth in commercial rentals is improving rental yields, particularly in cities like Hyderabad and Delhi NCR, where capital values remain competitive. With REITs gaining traction and office absorption back to pre-pandemic levels, investor sentiment in the commercial space remains optimistic

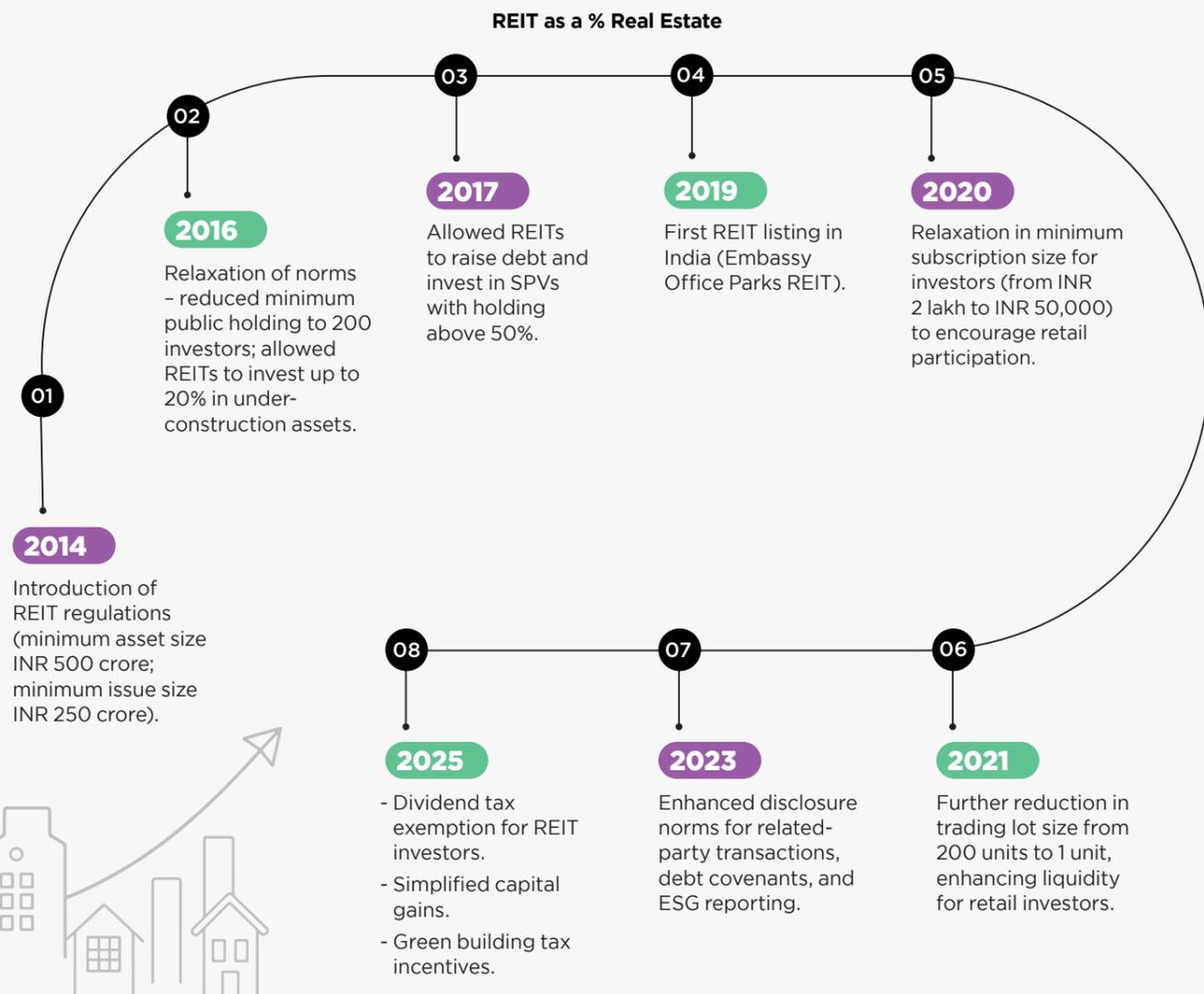
City wise Rental Yield



Source: Anarock Research & Advisory

SEBI Guidelines: Evolution of REIT Regulations

The Securities and Exchange Board of India (SEBI) has played a pivotal role in building regulatory confidence in the Indian REIT framework. The regulatory journey can be summarized as follows



Taxation Framework of REITs in India

Taxation is a critical determinant of investor confidence in REITs. The pass-through status ensures that most income is not taxed at the REIT level but in the hands of investors.

Taxation of REIT Components (as of FY 2024-25)

Income Component Tax Treatment

Dividend Income (via SPV)

Taxable if SPV opts for concessional tax regime under Section 115BAA; otherwise, exempt.

Rental Income

Taxed as Income from Other Sources at unitholder's applicable slab rate.

Interest Income

Taxed at unitholder's applicable slab rate.

Loan Repayment / Return of Capital

Taxable as Income from Other Sources at unitholder's slab rate; reduces cost of acquisition for future capital gains.

Capital Gains

Capital gains from Indian REIT units are taxed at 20% for short-term (≤ 12 months) and 12.5% for long-term (> 12 months) (with an exemption limit of INR 1.25 lakh per year), and indexation benefits have been removed.

Global Contrast:

In developed markets like the USA and Singapore, dividends from REITs are generally taxed at lower rates, making them more attractive for retail investors compared to India.

Outlook and Conclusion

Indian REIT market, though relatively young, is on a strong growth trajectory and is poised to become a mainstream investment avenue for both domestic and global investors. With a current market capitalization of around USD 18 billion and the potential to cross USD 25 billion by 2030, REITs in India are supported by deep office market demand, rising institutional-grade stock, and a proactive regulatory environment. Attractive yields of 6-7%, coupled with rental escalations and capital appreciation opportunities, make Indian REITs highly competitive compared to global peers. As the sector diversifies into logistics, warehousing, retail, and data centers, India's favorable demographics, rapid urbanization, and sustained GDP growth will further reinforce its position as one of the most lucrative markets for institutional capital. The combination of regulatory confidence, market depth, and growth potential ensures that REITs will play a defining role in shaping the future of Indian real estate.



The Confederation of Real Estate Developers' Associations of India (CREDAI) is the apex body of private Real Estate developers in India, established in 1999, with a vision of transforming the landscape of the Indian Real Estate industry and a mandate to pursue the cause of Housing and Habitat. Today, CREDAI represents 13000+ Developers across 230 city chapters in 20 states and plays an important role in policy formulation by representing the views of its members to various Ministries at regular intervals.



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About ANAROCK

ANAROCK is the leading independent real estate services company with a visible presence across India and the Middle East. The Company has diversified interests across the real estate lifecycle and deploys its proprietary technology platform to accelerate marketing and sales on behalf of its clients.

Over the last eight years, ANAROCK has expanded from being a residential-focused organization to complementary sectors including retail, commercial, hospitality, logistics & data centres, industrial and land. The firm also specialises in strategic advisory, investment banking, research & valuations and offers app based flexible workspaces and society management services. ANAROCK has developed proprietary technology that is adopted across all its businesses.

ANAROCK has a team of over 2200 experienced real estate professionals who operate across all major markets in India and the Middle East.

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