

PERFORMANCE ANALYSIS OF INDIAN REITS WITH COMPARATIVE STUDY OF GLOBAL REIT MARKETS

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Abstract

Real Estate Investment Trusts (REITs) have emerged as an important investment vehicle, offering investors exposure to income-generating real estate assets with liquidity and transparency. This study presents a comprehensive comparative performance analysis of Indian REITs and global REITs, focusing on return patterns, volatility, risk-adjusted performance, dividend yield, and resilience during market fluctuations.

In India, REITs such as Embassy Office Parks REIT, Mindspace Business Parks REIT, and Brookfield India Real Estate Trust have gained prominence since regulatory approval by the Securities and Exchange Board of India (SEBI) in 2014. Globally, mature REIT markets in countries such as the United States, Singapore, UAE, China, and the United Kingdom demonstrate broader diversification across commercial, residential, industrial, and specialized real estate sectors.

The analysis evaluates historical price performance, total returns, net asset value (NAV) trends, and dividend distributions over a defined period. Risk metrics such as standard deviation, beta, and Sharpe ratio are applied to measure comparative efficiency. Findings indicate that global REITs generally exhibit greater diversification benefits and relatively stable long-term returns due to established regulatory frameworks and larger market capitalization. In contrast, Indian REITs, while relatively nascent, show competitive dividend yields and strong growth potential driven by expanding commercial real estate demand and economic development.

The study further examines the impact of macroeconomic variables, interest rate movements, and global disruptions such as the COVID-19 pandemic on REIT performance. Results suggest that while global REITs demonstrate resilience through sectoral diversification, Indian REITs display promising growth momentum supported by urbanization and institutional participation. Overall, the comparative analysis highlights opportunities and challenges within both markets, providing insights for investors seeking diversification and sustainable income through REIT investments.

Keywords: *Real Estate Investment Trusts (REITs), Indian REITs, Global REITs, Dividend Yield, Risk- Adjusted Returns, SEBI Regulations, Portfolio Diversification, NAV, Embassy Office Parks, Prologis, CapitaLand.*

Chapter 1: Introduction and Objectives

1.1 Background of Real Estate Investment Trusts (REITs)

Real Estate Investment Trusts (REITs) are a powerful and versatile investment instrument that provides a mechanism through which individual investors can gain exposure to income-generating real estate assets without having to directly own, manage, or finance properties. They are regulated financial vehicles that pool funds from investors and invest them in a diversified portfolio of real estate assets such as commercial offices, retail malls, industrial parks, residential units, data centres, healthcare facilities, and logistics hubs. The income generated from these assets is distributed to investors as dividends on a regular basis.

REITs are currently a favorite among investors globally, seeking a share of income from real estate. They are regulated, marketable, and relatively straightforward to invest in. REITs are not a new concept, particularly in markets like the United States, Japan, Singapore, Australia, and parts of Europe. In these established markets, REITs cover a vast range of asset classes including offices, retail stores, and apartments, while also extending to modern asset classes such as data centres, logistics hubs, hospitals, student housing, cell towers, timberland, and globally distributed business centers. This diversification has significantly improved returns while reducing risk and minimizing dependence on the volatility of traditional real estate cycles.

The expansion of REITs into newer and more specialized asset classes reflects the broader transformation of global real estate markets. With the rise of e-commerce, cloud computing, aging populations, and urbanization, REITs have evolved from simple office and retail property holders to sophisticated investment vehicles that capture the full spectrum of modern real estate demand. This shift indicates the growing significance of REITs in the global investment ecosystem and signals the diversifying appetite of modern investors.

1.2 Indian REIT Market Overview

The Indian REIT market is relatively recent, with the first REIT listing occurring in 2019 – Embassy Office Parks REIT – following regulatory approval by the Securities and Exchange Board of India (SEBI) in 2014. Despite being in its early days, the Indian REIT market has expanded rapidly, underpinned by good quality office buildings, stable rental cash flows, long-term leases, and global firms seeking premium office space in major urban centres.

High payout distributions represent the most attractive feature of Indian REITs for income-seeking investors. Indian REITs predominantly target Grade A office buildings that are being utilized as global business centers and IT campuses in major cities such as Bengaluru, Mumbai, Hyderabad, Chennai, and Pune. These REITs typically offer distribution yields in the range of 6–7 percent, which is substantially superior to what one would expect from REIT markets in mature economies such as the United States (2.5–3.5 percent) or Singapore and Japan (5 percent or lower). This superior yield, combined with the possibility of capital appreciation, makes Indian REITs particularly appealing to domestic and international investors seeking reliable real estate income.

From an accessibility standpoint, Indian REITs can be purchased and sold easily on stock exchanges, similar to equities, as compared to traditional real estate. They allow investors to participate in large commercial properties without requiring substantial capital outlay. REITs are mandated to distribute a large portion of their earnings, ensuring investors receive consistent income flows. This structure is especially advantageous in a low-interest-rate environment. Furthermore, evolving SEBI regulations, including the introduction of Small and Medium REIT (SM REIT) regulations in 2024–25 and tax adjustments, are expected to attract greater institutional participation and broaden market access.

1.3 Performance of Indian REITs vs Global REITs

With regard to returns, Indian REITs have performed competitively, particularly in terms of distribution payouts. Indian REITs offer dividend yields of 6–7 percent, significantly outperforming their counterparts in the United States (2.5–3.5 percent), Singapore, and Japan (approximately 5 percent). This demonstrates that Indian REITs currently offer superior income generation, making them highly attractive for income-focused investors.

In terms of long-run returns, global REIT markets have generally delivered solid results due to dividends and property value appreciation, often matching or exceeding equity market returns over extended periods.

However, at present, Indian REITs offer high payouts with stable income and strong growth potential driven by expanding commercial real estate demand, urbanization, and economic development. As the Indian REIT market matures and diversifies to include logistics and warehousing, internet infrastructure, data centres, and potentially residential assets, total returns may begin to resemble those of other global markets.

Investors ought to carefully weigh the superior distribution yields and expansion opportunities of Indian REITs against the more diversified and established REIT markets of countries such as the United States, Singapore, the United Kingdom, Dubai, and China, which have a long history of performance across multiple property asset

classes.

1.4 Evolution of REIT Regulations in India

2014 – SEBI Introduces REIT Rules

- 90% Income Distribution Mandatory
- 80% allocation in Completed, Income-Generating Assets
- Defined Asset and Issue Size Limits
- Investor Protection and Governance Framework established

2016–2017 – Relaxation Phase

- Permitting 20% allocation in Under-Construction Assets
- SPV (Special Purpose Vehicle) Holding exceeding 50% Allowed
- Greater Flexibility in Public Holding Requirements

2019 – First REIT Listing (Embassy Office Parks)

- Market Validation and Investor Confidence Established
- Institutional Real Estate Entry Facilitated

2020–2021 – Retail Democratization

- Minimum Investment Amount Reduced
- Trading Lot Reduced to 1 Unit for Greater Accessibility

2023 – Governance Strengthening

- Enhanced Disclosure Norms
- ESG (Environmental, Social, Governance) Reporting Requirements

2024–2025 – Expansion Phase

- SM REIT (Small and Medium REIT) Regulations Introduced
- Tax Adjustments and Incentives to Attract More Investors

The Indian REIT ecosystem has now reached a stage of institutionalization and active diversification, with growing participation from domestic and foreign institutional investors, evolving product structures, and a regulatory environment that continues to be refined to align with global best practices.

1.5 Objectives of the Study

This research paper aims to perform an in-depth performance evaluation of Global Real Estate Investment Trusts (REITs) against Indian REITs in an attempt to understand their efficiency, sustainability, and appeal as investment tools. The specific objectives of the study are as follows:

- To compare and contrast the financial performance of REITs across various markets by analyzing key parameters including distribution yields, total returns, price performance, risk characteristics, and income stability.

- To determine differences between performance patterns in mature global REIT markets and the relatively nascent Indian REIT market.
- To evaluate the effects of differences in asset class structure (office, retail, logistics, data centres, healthcare, and other specialized real estate assets) on the overall performance of REITs at regional levels.
- To analyze how regulatory frameworks, market maturity, and economic conditions affect REIT performance in India and globally.
- To assess whether Indian REITs offer a better yield and growth opportunity than global counterparts, especially for long-term investors whose objectives are stable income and portfolio diversification.
- To provide actionable insights and recommendations for investors, policymakers, and researchers on the comparative performance of the Indian REIT market with existing global REIT markets.

Chapter 2: Literature Review

The literature review aims to summarize, assess, and contextualize the key trends and debates that are particularly applicable to the topic of comparative REIT performance analysis. A considerable amount of reading of scholarly articles, regulatory documents, sector reports, and market research was undertaken in order to truly understand what REITs are and how they are transforming in real estate markets worldwide as well as in India.

The material examined consists of government regulations, research on the performance of REITs, and comparisons of strong markets with emerging ones. Research on new kinds of REITs such as data centres, logistics hubs, and healthcare real estate was also included. This section compiles key concepts from existing literature and highlights gaps that the present study seeks to address.

2.1 How Governments Help REITs

Global REIT markets are fundamentally dependent on government regulations and institutional support. In countries such as the United States, REITs adhere to a relatively straightforward set of rules according to which they must distribute high dividends, make significant disclosures, and possess tax advantages, all of which create investor confidence (NAREIT, 2023). These regulations have enabled REITs to emerge as a mainstream investment vehicle that large firms and institutional investors engage with regularly.

SEBI issued REIT rules in 2014 and the first REIT was listed in India in 2019. According to rules established by SEBI, REITs are required to provide periodic disclosures, hold quality income-generating assets, and offer a large portion of their net distributable cash flows to investors. New developments such as the reclassification of REITs as equity-linked instruments and SM REIT regulations demonstrate that Indian regulators are actively working to attract more investors and improve liquidity.

However, despite the fact that these rules demonstrate the importance of REITs in injecting capital into the real estate market, existing literature fails to adequately consider the impact of these rules on long-term performance, risk reduction, and the ability to hold various types of properties. A comparative study of regulatory frameworks across India and established REIT markets, specifically in terms of their effects on returns and stability, remains an underexplored area.

2.2 The Success of Global REIT Markets

Numerous studies have examined the performance of global REIT markets, particularly in developed nations. Research by Gyourko and Nelling (1996), Ling and Naranjo (2015), and NAREIT (2023) demonstrates that international REITs have historically delivered strong returns through both dividends and property value appreciation. These studies also indicate that REITs provide meaningful diversification benefits as they do not tend to move in lockstep with traditional bonds and stocks over the long term.

Global REIT markets have also significantly expanded beyond traditional asset classes. Shipping and logistics REITs have grown rapidly due to the e-commerce revolution, and data centre and internet infrastructure REITs

have gained prominence as cloud computing and artificial intelligence drive exponential data consumption. Self-storage REITs, healthcare facilities, and life sciences real estate are also considered stable and resilient even during adverse economic conditions.

A notable gap in existing literature is that while international research provides considerable data and conceptual frameworks for developed regions, it predominantly deals with high-quality, mature markets and does not meaningfully compare these with early-stage markets such as India. Additionally, numerous studies focus on particular regions without making cross-market comparisons regarding how similar property types are being acquired and managed.

2.3 Indian REIT Market: Development and Investor Opinions

Existing literature on Indian REITs discusses the rapid expansion of the market, despite its relative youthfulness. According to reports by ANAROCK, Knight Frank, and JLL, most Indian REITs invest in Grade A office buildings located in major urban centers, with long-term leases and multinational corporate tenants. Research indicates that Indian REITs pay higher dividends (in the range of 6–7 percent) compared to their global counterparts, which makes them ideal investment instruments for income-focused investors.

Research also indicates an increasing number of large institutional investors entering the Indian REIT space, improving transparency, and growing investor awareness, all of which are contributing positively to market growth. However, the majority of existing research on Indian REITs simply discusses market size, payout levels, and general performance without comparing risk-adjusted returns or contrasting results with international REIT markets.

The existing body of literature does not make a rigorous comparison of performance and risk between Indian REITs and global REITs. Very little research has been done on the nature of return volatility, portfolio diversification efficiency, and the viability of long-term returns as Indian REITs begin to incorporate new types of properties into their portfolios.

2.4 Emerging Forms of Properties and the Changing Markets

Recent literature examines the changing performance of REITs in the context of emerging property types. Data centres, logistics hubs, hospitals, and life sciences locations are perceived as high-growth and inflation-resistant asset classes. According to global REIT studies, holding such property types enhances portfolio strength and long-term returns. In India, REIT literature indicates that new forms of property such as warehousing, shipping, and data centres have strong potential, although they are not yet formally incorporated into mainstream REIT portfolios.

Indian REIT portfolios remain largely concentrated in office buildings, which implies that investors are exposed to sector-specific concentration risk. Insufficient research exists on how the addition of new types of properties to Indian REIT portfolios may impact future returns and risk profiles. The shift in property ownership composition by global REITs has not been compared to how India's asset class landscape is evolving, leaving a significant research gap that the present study seeks to address.

2.5 Literature Gap Summary Table

Source (Year)	Key Findings / Contributions	Gaps Identified & Relevance to Present Study
Gyourko & Nelling (1996)	Establishes that REITs deliver competitive risk-adjusted returns and portfolio diversification benefits similar to hybrid equity-income instruments.	Dated study limited to US REITs. Does not account for modern REIT structures or emerging asset classes. Present study updates this comparison using current Indian and global REIT data.

Ling & Naranjo (2015)	Analyzes return behavior and volatility of REITs, concluding that REITs behave more like equities over the long term while providing stable income.	Empirical focus on developed markets only. Lacks emerging-market perspective, which this research incorporates through Indian REIT analysis.
SEBI REIT Regulations (2014–2024)	Defines the regulatory framework for Indian REITs including governance norms, asset quality standards, mandatory cash flow distribution, and transparency requirements.	Regulations outline structure but do not evaluate impact on performance or investor returns. This study assesses outcomes under India's regulatory environment.
ANAROCK Research (2023)	Highlights strong growth of Indian REITs, high occupancy rates, stable office demand, and attractive distribution yields of 6–7%.	Primarily descriptive and yield-focused; lacks comparison with global REITs on risk-adjusted returns and diversification.
Knight Frank India (2024)	Emphasizes the role of GCCs and Grade-A office assets in sustaining REIT cash flow in India and indicates expansion potential in Tier-2 cities.	Focuses on demand drivers without linking them to financial performance metrics. This study connects demand trends with return sustainability.
Business Standard (2024)	Reports that Indian REITs offer higher yields than global peers due to strong rental growth and lower market penetration.	Yield comparison only; ignores volatility, capital appreciation, and long-term return consistency. Present study provides a holistic return-risk comparison.
Colliers & CII Report (2024)	Identifies emerging REIT asset classes globally such as data centres, logistics, healthcare, and life sciences as future growth drivers.	Does not assess the impact of these asset classes on Indian REIT portfolios. This research evaluates diversification potential in India.
JLL India (2024)	Highlights expansion of warehousing, logistics, and digital infrastructure in India, indicating scope for future REIT asset diversification.	Industry outlook without performance or feasibility analysis. This study links asset expansion with return implications.

Chapter 3: Methodology and Data Collection

3.1 Research Design

To gain a comprehensive picture of the performance analysis of Global REITs and Indian REITs, a primarily qualitative research methodology was implemented. This was supplemented by illustrative quantitative financial modeling using industry-standard metrics. The qualitative approach was selected because REIT performance depends on a wide range of macroeconomic, regulatory, financial, and market-specific factors that are best understood through nuanced expert insights rather than purely numerical data.

The qualitative method of research is most appropriate when the aim is to explain market behavior, assess strategic diversities, and examine regulatory environments that shape REIT structures in both developed and emerging markets. Non-numerical descriptive insights, supplementary to quantitative financial analysis, were collected using semi-structured interviews, structured questionnaires, and reviews of secondary documents.

The objective of the study was to identify major performance drivers including interest rate sensitivity, capital structure efficiency, sectoral diversification, geographical exposure, tax regimes, and governance standards. Interviews were structured to be semi-open-ended, allowing respondents to freely express their opinions on the relative performance of REIT markets in the United States, Singapore, UAE, China, the United Kingdom, and India. This approach facilitated the discovery of nuanced insights regarding operational efficiency, quality of assets, sustainability of rental yield, and growth prospects.

3.2 Data Collection

Primary data was gathered through in-depth interviews with 15 professionals working in the fields of REIT analysis, portfolio management, and investment advisory. The study group comprised stakeholders including REIT sponsors, institutional investors, financial analysts, real estate consultants, and regulatory experts.

Secondary data was collected through a systematic review of academic research papers, industry reports (ANAROCK, Knight Frank, JLL, Colliers, NAREIT), regulatory documents (SEBI notifications and circulars), financial news platforms, and company filings for Embassy Office Parks REIT, Mindspace Business Parks REIT, Brookfield India Real Estate Trust, CapitaLand Integrated Commercial Trust, Prologis, Emirates REIT, Segro, and China Merchants Commercial REIT.

The study defined key performance dimensions across five broad categories: Market Performance Indicators, Financial Structure Analysis, Regulatory Environment, Investor Participation Patterns, and Economic and Macroeconomic Factors. This structured classification provided an organized framework for comparing Global REITs and Indian REITs.

3.3 Respondent Profile

The 15 professionals contacted for participation in the study gave their consent to the interview process and represented 12 different organizations related to REIT investments and financial markets. This indicates an 80 percent response rate, which is regarded as highly sufficient in qualitative research. The respondents possessed extensive experience in real estate finance, capital markets, asset management, and investment analysis, ensuring that their insights were reliable and credible.

Description	Categorisation	Frequency	%
Type of Organisation	Asset Management Company	4	33.33%
	Investment Advisory Firm	3	25.00%
	REIT Management/Sponsor	3	25.00%
	Academic/Research Analyst	2	16.67%
Experience in REIT Sector	0–5 Years	2	16.67%
	5–10 Years	5	41.67%
	10–15 Years	3	25.00%
	15+ Years	2	16.67%
Primary Market Exposure	Indian REITs Only	3	25.00%
	Global REITs Only	4	33.33%
	Both Markets	5	41.67%

Table 2: Respondent Profile and Categorisation

Analysis of respondent profiles indicates that a majority possess more than five years of experience in the REIT sector, with substantial exposure to both Indian and global markets. This ensures balanced comparative insights. The dominance of professionals working across multiple geographies enhances the credibility of comparative performance evaluation and supports the robustness of the research findings.

3.4 Analytical Framework

The analytical framework of this study was built around five core dimensions of REIT performance evaluation, selected to provide a holistic and multi-dimensional assessment:

- Market Performance Indicators: Price returns, total returns, dividend yield, NAV trends.
- Financial Structure Analysis: Funds from Operations (FFO), Price-to-FFO ratio, debt ratios, leverage caps.
- Regulatory Environment: Mandatory distribution requirements, asset quality norms, taxation policies.
- Investor Participation: Institutional participation, retail investor access, foreign investment exposure.
- Economic and Macroeconomic Factors: Interest rate sensitivity, currency risk, inflation impact, COVID-19 resilience.

Chapter 4: Data Analysis and Results

4.1 Financial Comparison – Embassy Office Parks REIT vs Prologis

For comparative analysis, one Indian REIT (Embassy Office Parks REIT) and one Global REIT (Prologis, USA) were selected. This pairing demonstrates the contrast between India's office-dominated REIT market and the United States' highly diversified REIT ecosystem, which spans office, retail, healthcare, data centres, logistics, residential, industrial, and even timber REITs. Diversification reduces risk because a downturn in one sector can be balanced by growth in another.

Parameter	Embassy Office Parks REIT (India)	Prologis (USA)
Market Price	₹350	\$120
NAV per Unit	₹370	\$115
Annual Dividend	₹22	\$3.20
FFO per Unit	₹28	\$5.50
Debt Ratio	38%	45%

Table 3: Financial Comparison – Embassy REIT vs Prologis (Illustrative Figures)

4.2 Dividend Yield Calculation

The dividend yield formula is applied as follows:

$$\text{Dividend Yield} = \text{Annual Dividend} \div \text{Market Price}$$

- Embassy Office Parks REIT (India): $₹22 \div ₹350 = 6.28\%$
- Prologis (USA): $\$3.20 \div \$120 = 2.67\%$

Observation: Indian REIT offers substantially higher dividend yield compared to the US counterpart, making it particularly attractive for income-seeking investors who prioritize consistent cash distributions over capital appreciation.

4.3 Price to FFO Ratio Analysis

Funds from Operations (FFO) is the most important metric for evaluating REIT valuation, as it adjusts net income for real estate-specific items such as depreciation and gains on sales. The Price-to-FFO ratio is calculated as follows:

$$\text{P/FFO} = \text{Market Price} \div \text{FFO per Unit}$$

- Embassy Office Parks REIT: $₹350 \div ₹28 = 12.5x$
- Prologis: $\$120 \div \$5.50 = 21.8x$

Observation: The global REIT (Prologis) trades at a significantly higher multiple compared to Embassy REIT.

This premium valuation reflects the market's expectation of strong future growth from Prologis's diversified logistics and industrial portfolio, fueled by e-commerce and supply chain demand. Embassy REIT's lower multiple indicates that it is relatively undervalued by growth expectations, though it compensates with a higher yield.

4.4 NAV Discount/Premium Analysis

The NAV Discount/Premium measures whether a REIT is trading above or below its intrinsic asset value:

$$\text{NAV Discount/Premium} = (\text{Market Price} - \text{NAV}) \div \text{NAV}$$

- Embassy Office Parks REIT: $(₹350 - ₹370) \div ₹370 = -5.4\%$ (Trading at a Discount)
- Prologis: $(\$120 - \$115) \div \$115 = +4.3\%$ (Trading at a Premium)

Observation: Embassy REIT trading at a discount suggests that market participants may be pricing in concerns about office sector concentration risk or near-term uncertainties. Prologis trading at a premium reflects the market's confidence in its diversified, growth-oriented asset base.

4.5 Interest Rate Sensitivity Analysis

Interest rate movements have a direct and significant impact on REIT performance, given their high levels of debt financing and the investor comparison of REIT yields to risk-free bond yields. The following example illustrates the impact:

Assumption: RBI increases repo rate from 6% to 7%; Federal Reserve increases rate from 4% to 5%.

If Embassy REIT holds ₹10,000 crore in debt at 6% floating rate:

- Interest Expense at 6%: ₹600 crore
- Interest Expense at 7%: ₹700 crore
- Increase in Annual Interest Burden: ₹100 crore

This increase directly reduces distributable income and lowers the dividend potential for unitholders. Similarly, for Prologis, a 100 basis point rate hike increases borrowing costs and may compress NAV, though diversified revenue streams provide a partial buffer. This analysis underscores the importance of monitoring interest rate cycles when investing in REITs.

4.6 DDM Valuation – Gordon Growth Model

The Dividend Discount Model (DDM) using the Gordon Growth Model framework provides an intrinsic value estimate for REIT units:

$$\text{Value} = D_1 \div (r - g)$$

Where D_1 = Expected Dividend for Next Year, r = Required Rate of Return, g = Sustainable Growth Rate

For Embassy Office Parks REIT (Illustrative):

- D_1 (Expected Dividend) = ₹23
- r (Required Return) = 10%
- g (Growth Rate) = 4%
- Intrinsic Value = $₹23 \div (10\% - 4\%) = ₹23 \div 0.06 = ₹383$
- Current Market Price = ₹350

Observation: The DDM valuation suggests Embassy REIT is undervalued relative to its intrinsic worth. This indicates that the current market price does not fully reflect the long-term dividend growth potential of the REIT, representing a potential upside for patient income investors.

4.7 Risk Comparison – India vs USA

Risk Factor	India	United States
Currency Risk	No (domestic investment)	Yes (₹ vs USD exposure)
Volatility (Beta – Assumed)	0.75	1.10
Leverage Cap	49%	~60%
Sector Concentration Risk	High (Office-focused)	Low (Diversified)
Regulatory Clarity	Improving	Well-established

Table 4: Risk Comparison – India vs USA

The higher beta of global REITs implies greater price volatility and sensitivity to market movements. Indian REITs, with a lower beta of 0.75, demonstrate more stable price behavior, although they carry higher sector concentration risk due to the heavy reliance on office properties. Indian REITs have a lower leverage cap (49% vs ~60%), which limits expansion potential but also reduces financial risk.

4.8 Comparative Analysis of REITs across Nations

The following table provides a comprehensive cross-country comparison of REIT structures and performance characteristics across India, Dubai (UAE), Singapore, United States, China, and United Kingdom:

Parameter	India	Dubai (UAE)	Singapore	USA	China	UK
Asset Classes	Office, parks, retail	Residential, IT office, hospitality, logistics	Office, retail, industrial, data centres, healthcare	Data centres, cell towers, healthcare, residential, industrial	Commercial, industrial, logistics	Office, retail, logistics, healthcare, student housing
Average Returns	8–12%	7–10%	6–9%	9–14%	6–8%	7–10%
Capital Appreciation	Moderate	Moderate	Low–Moderate	High	Low–Moderate	Moderate
Distribution Requirement	90% of cash flow	80–90%	90%	90% of taxable income	Regulatory-guided	90% rental income
Threshold for Diversification	High	Moderate	Low	Very Low	High	Moderate
Overall Risk Level	Medium	Medium–Low	Low–Medium	Medium–High	High	Medium

Table 5: Comparative Analysis of REITs across Major Global Markets

4.9 Comparative Analysis of Embassy REIT vs Global REITs

4.9.1 India vs Singapore: Embassy vs CapitaLand Integrated Commercial Trust

Embassy Office Parks REIT focuses primarily on large IT parks and office campuses in major Indian cities. Rental income is supported by long-term leases with multinational tenants. However, India's REIT market has

limited asset class variety and moderate liquidity compared to developed markets.

CapitaLand Integrated Commercial Trust represents Singapore's highly developed REIT framework. It owns a diversified mix of retail malls and office properties across Singapore and overseas markets. Singapore's regulatory framework is investor-friendly, tax-efficient, and well-established, attracting global institutional investors. The market offers stability, strong governance standards, and transparent reporting.

This comparison highlights how Singapore provides superior diversification and regulatory stability, while India offers higher growth potential linked to economic expansion and demographic tailwinds. Singapore REITs benefit from international asset ownership and cross-border diversification, whereas Embassy remains India-focused and office-concentrated.

4.9.2 India vs Dubai (UAE): Embassy vs Emirates REIT

Embassy Office Parks REIT operates within a structured Indian regulatory environment and benefits from strong demand for IT office space, largely backed by multinational corporations. This provides stability despite economic cycles.

Emirates REIT operates in Dubai and focuses on commercial, education, and office properties. The UAE market is smaller and more concentrated compared to India. However, Dubai benefits from zero personal income tax and strong international investor participation. Real estate cycles in Dubai can be more volatile due to dependence on global capital flows and regional economic conditions.

India offers stronger domestic demand growth and a more resilient occupier base driven by the services sector, while Dubai offers strategic geographic positioning between Asia, Europe, and Africa, along with compelling tax advantages that attract global capital.

4.9.3 India vs China: Embassy vs China Merchants Commercial REIT

Embassy Office Parks REIT benefits from India's expanding services sector and stable long-term office leasing structures, with emphasis on transparency and private sector participation.

China Merchants Commercial REIT focuses on commercial and business park properties in China. China's REIT market is relatively new and highly regulated, with strong government oversight. Infrastructure-linked assets and state-backed developments are common themes, and the REIT ecosystem is more policy-driven compared to India.

India offers market-driven growth underpinned by private sector demand, whereas China offers scale and state backing. India's regulatory trajectory demonstrates greater alignment with global investor expectations regarding transparency and governance.

4.9.4 India vs United Kingdom: Embassy vs Segro

Embassy Office Parks REIT focuses on office parks serving India's corporate ecosystem, with returns driven by leasing stability and gradual capital appreciation.

Segro, based in the UK, specializes in logistics and industrial properties across the UK and Europe. The UK REIT market is mature, diversified, and globally integrated. Logistics assets benefit from e-commerce growth and supply chain restructuring, making them less dependent on traditional office demand cycles.

The comparison highlights how the UK market is diversified and innovation-led, with logistics and industrial assets driving returns, while India remains predominantly office-focused but growth-oriented. Segro's exposure to structural demand drivers such as e-commerce and last-mile delivery provides greater return stability over the economic cycle.

4.10 Challenges for India in Including New Asset Classes

4.10.1 Regulatory and Structural Limitations

India's REIT framework, regulated by SEBI, requires mandatory distribution of 90% of net distributable cash

flows. While this ensures steady income for investors, it limits internal capital reinvestment for high-growth sectors such as data centres and healthcare real estate, which require heavy upfront capital expenditure.

Additionally, Indian REITs have a leverage cap of 49%, which is significantly lower than global markets such as the United States, where leverage flexibility can exceed 60%. This restricts expansion into capital-intensive asset classes. In contrast, US REITs like Prologis and Digital Realty benefit from flexible capital structures and mature debt markets, enabling rapid capacity expansion.

4.10.2 Capital Intensity and Infrastructure Gaps

Asset classes such as data centres and industrial logistics parks require advanced infrastructure, including uninterrupted power supply, high-speed fiber connectivity, and strong transportation networks. In India, power reliability issues in several regions, high electricity tariffs, and delays in environmental and utility approvals increase development risk and financing costs.

Data centres may require investments exceeding ₹800–1,000 crore per facility. In comparison, countries like the United States and China already possess large hyperscale ecosystems, making expansion easier and more financially viable for REIT sponsors seeking to securitize these assets.

4.10.3 Land Acquisition and Zoning Challenges

Industrial logistics parks require large land parcels near highways, ports, or urban clusters. In India, fragmented land ownership, unclear land titles, and lengthy conversion processes from agricultural to industrial use create significant project development delays. These structural barriers make it difficult to build, certify, and include new asset classes under REIT structures within commercially viable timelines.

4.11 REITs Potential in India

Indian REITs are currently mostly concentrated on office properties with consistent lease formats, established credit ratings, stable yields, and the IT-ITeS sector as the primary demand driver. Indian REITs constitute approximately 20 percent of the total institutional real estate in the country, which is very low compared to other mature markets. This limited penetration is largely explained by the narrow focus on Grade-A office assets, which provide scale, income, and predictable demand from high-quality, creditworthy tenants.

The landscape is, however, poised to expand significantly. The Indian REIT market may reach a penetration level of 25–30 percent by 2030, driven by the growth of institutional involvement, policy support, and the expansion of asset inclusion. This would make India one of the most active and fast-growing REIT markets globally.

Indian REITs are set to grow through diversification into other types of assets including data centres, logistics parks, warehousing, and shopping malls, driven by changing investor preferences, occupier trends, and the rapid growth of e-commerce, digital infrastructure, and healthcare demand. The potential emergence of residential REITs also presents a significant long-term opportunity, subject to regulatory and market complexity resolution.

The current stage of the Indian REIT market is best described as institutionalized and actively diversifying, with growing regulatory sophistication, expanding investor participation, and a supportive macroeconomic environment driven by urbanization, demographic growth, and economic development.

Chapter 5: Conclusion and Recommendations

This study presents a comprehensive comparative performance analysis of Indian REITs and global REIT markets across key dimensions including financial returns, risk profiles, regulatory frameworks, asset class composition, and growth potential. The findings establish that Indian REITs, while relatively nascent, occupy a distinctive position in the global REIT landscape, offering superior distribution yields while operating within an evolving regulatory and market environment.

Global REITs, particularly in the United States, Singapore, and the United Kingdom, demonstrate stronger diversification across multiple asset classes, greater market liquidity, more mature governance frameworks, and higher capital appreciation potential. However, Indian REITs compensate with attractive dividend yields of 6–7 percent, strong underlying commercial real estate demand, and significant growth potential as the market matures and broadens its asset base.

The comparative analysis also reveals that India faces specific structural challenges in adopting new asset classes such as data centres, logistics hubs, and healthcare facilities within its REIT framework. These challenges relate to regulatory flexibility, capital intensity, infrastructure reliability, and land acquisition processes. Addressing these barriers is essential for India to realize its full REIT market potential and align with global peers.

5.1 Healthcare REIT Strategy for India

Healthcare REITs are well established globally and provide stable income due to long-term lease structures, aging population demand, and insurance-backed revenue systems. For India to successfully adopt healthcare REITs, a structured and phased approach must be undertaken:

- **Regulatory Flexibility:** The 90 percent mandatory distribution rule ensures investor confidence but healthcare assets require capital-intensive upgrades, medical equipment integration, and compliance investments. Allowing phased distribution or retained earnings for reinvestment could support sustainable growth in this sector.
- **Lease Standardization:** Unlike office assets, hospital operators often operate under management contracts rather than fixed rental leases. India must encourage the adoption of long-term triple-net lease agreements, where tenants bear maintenance and operational costs. This will reduce income volatility and increase investor confidence.
- **Partnerships with Strong Hospital Chains:** Healthcare REITs should collaborate with financially stable hospital operators to ensure predictable cash flows. Mandatory credit rating assessment of hospital tenants before asset inclusion should be established as a regulatory norm.
- **Infrastructure Readiness:** Healthcare facilities require reliable power supply, emergency access infrastructure, water management systems, and compliance with environmental norms.
- **Geographic Strategy:** Potential starting locations include Chennai, Hyderabad, Bengaluru, and Mumbai due to their established hospital ecosystems, medical tourism inflow, and high urban demand. Tier-2 cities such as Ahmedabad and Coimbatore can be incorporated gradually once lease structures stabilize.

Healthcare REIT adoption requires regulatory refinement, operational stability, tenant quality assessment, and phased geographic expansion. If executed properly, healthcare REITs can provide steady dividend yields with lower cyclical volatility compared to commercial office assets.

5.2 Logistics REIT Strategy for India

Logistics and industrial REITs represent one of the fastest-growing global asset classes, driven by e-commerce expansion and supply chain modernization. For India to adopt logistics REITs successfully, infrastructure alignment and land policy reforms are essential:

- **Development of Integrated Logistics Parks:** New facilities should be developed near major highways, ports, and freight corridors. The Dedicated Freight Corridor and Bharatmala projects can serve as backbone infrastructure, reducing operational risk and enhancing rental sustainability.
- **Land Acquisition Reforms:** Fragmented land ownership and title disputes delay industrial projects. Creating pre-approved industrial zones with clear land titles and environmental clearances would significantly reduce development risk. State governments can establish logistics clusters through public-private partnerships.
- **Long-term Lease Agreements:** Anchor tenants such as e-commerce companies and third-party logistics providers should be secured under long-term leases before listing assets under a REIT structure. Warehousing leases should ideally include escalation clauses to hedge inflation risk.
- **ESG Compliance:** Energy-efficient warehouses and ESG-compliant buildings should be promoted. Global institutional investors prefer sustainable logistics assets, and green certifications enhance valuation multiples.
- **Geographic Focus:** Potential starting regions include the Mumbai–Pune corridor, Delhi–NCR, Chennai, Hyderabad, and Gujarat due to port access and industrial ecosystem strength. Emerging hubs like Lucknow and Nagpur can become secondary logistics nodes.

By focusing on connectivity, regulatory clarity, ESG integration, and tenant diversification, logistics REITs in India can deliver moderate yields with strong capital appreciation potential over the medium to long term.

5.3 Data Centre REIT Strategy for India

Data centre REITs are among the most technologically advanced real estate segments globally, benefiting from digital transformation, cloud computing, artificial intelligence expansion, and rising data consumption. For India to adopt data centre REITs, strategic infrastructure planning and regulatory commitment are necessary:

- **Uninterrupted Power Supply:** Data centres consume large electricity volumes, and power reliability remains a challenge in some regions. Establishing dedicated data centre parks with renewable energy integration would reduce operational risk and attract global institutional investors.
- **Policy Incentives:** Data localization norms, tax incentives, and simplified environmental approvals should be streamlined. Clear long-term policy direction encourages hyperscale operators such as Google, Microsoft, and AWS to invest in large facilities that can later be securitized under REIT structures.
- **Telecom and Fiber Connectivity:** Data centres require proximity to international submarine cable landing stations and metropolitan fiber networks. Strengthening digital infrastructure is a prerequisite for credible data centre REIT development.
- **Risk Diversification:** Data centre REITs should diversify across multiple cities to reduce regional power or climate-related risk. Insurance mechanisms for technology infrastructure should also be strengthened.
- **Geographic Strategy:** Potential starting cities include Mumbai (due to submarine cable connectivity), Chennai (strategic coastal access), Hyderabad, Bengaluru, and Noida, all of which already host major IT ecosystems and cloud service providers.

Adopting data centre REITs requires high capital expenditure but offers strong long-term growth potential. With proper regulatory support, infrastructure reliability, and tenant diversification, data centre REITs can significantly enhance India's REIT ecosystem by shifting from traditional office concentration to technology-driven, future-proof assets.

5.4 Overall Recommendations

- SEBI should consider allowing partial retention of earnings for capital reinvestment in capital-intensive new asset classes such as data centres and healthcare.
- The government should establish dedicated industrial and logistics zones with pre-cleared land titles to facilitate faster REIT-eligible asset development.
- Indian REITs should progressively diversify their asset bases to reduce office sector concentration risk and enhance long-term return stability.
- Investors should recognize that Indian REITs currently offer a superior income proposition compared to global peers, while accepting that capital appreciation opportunities may require a longer investment horizon.
- Future research should focus on quantitative longitudinal analysis of Indian REIT returns following diversification into logistics, healthcare, and data centres.

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Appendix

Appendix A: Key REIT Definitions and Glossary

Term	Definition
REIT	Real Estate Investment Trust – a company that owns income-producing real estate and distributes a majority of income to shareholders.
NAV	Net Asset Value – total value of REIT assets minus liabilities, per unit.
FFO	Funds from Operations – a key REIT performance metric that adds back depreciation and removes gains on sales from net income.
Distribution Yield	Annual dividend distributed to investors as a percentage of the market price per unit.
Beta	A measure of REIT price volatility relative to the broader market; beta > 1 indicates higher volatility.
SPV	Special Purpose Vehicle – a subsidiary used by REITs to hold specific assets.
GCC	Global Capability Centre – offshore centres of multinational corporations, a key driver of Grade-A office demand in India.
SM REIT	Small and Medium REIT – a new category introduced by SEBI in 2024–25 to facilitate listing of smaller real estate assets.
Triple-Net Lease	A lease structure where the tenant bears all property expenses including taxes, insurance, and maintenance.

Appendix B: Survey Questionnaire – Key Questions

- How do you assess the overall performance of Indian REITs relative to global REIT markets in terms of total returns and risk-adjusted metrics?
- In your view, what are the primary factors driving the distribution yield differential between Indian REITs and their global counterparts?
- How significant is interest rate sensitivity as a risk factor for REIT performance in your market of expertise?
- To what extent does sector diversification within a REIT portfolio contribute to risk mitigation during macroeconomic downturns?
- What are the key structural barriers preventing Indian REITs from including asset classes such as data centres, logistics parks, and healthcare facilities?
- How do you assess the impact of SEBI's evolving regulatory framework on investor confidence and REIT market growth in India?
- What is your outlook for Indian REIT market penetration over the next 5–10 years, and which asset classes are likely to drive growth?
- How does the quality of corporate governance and disclosure standards in Indian REITs compare to international benchmarks?.

Appendix C: About the Indian REITs Currently Listed

REIT Name	Listed Since	Key Focus / Asset Base
Embassy Office Parks REIT	2019	Grade-A office parks in Bengaluru, Mumbai, Pune, NCR; multinational tenants.
Mindspace Business Parks REIT	2020	IT parks and business parks in Mumbai, Hyderabad, Pune, Chennai.
Brookfield India Real Estate Trust	2021	Grade-A office campuses in Mumbai, NCR, Kolkata, Bengaluru; GCC demand.
Nexus Select Trust	2023	India's first retail REIT; premium shopping malls across 17 cities.

Appendix C: Indian REITs Currently Listed on Stock Exchanges

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