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## Realty industry hails RBI's decision to allow banks to invest in REITs/InvITs

*Though the real estate industry was disappointed by the RBI's decision to leave its benchmark lending rate unchanged at 6.25%, on April 6, 2017, for the third policy review in a row, the sector has welcomed its decision to allow banks to invest in REITs and InvITs*

Welcoming the RBI's decision to allow banks to invest in Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs), realty sector experts said this move will give the much-needed boost to the industry by bringing in liquidity.

Banks are allowed to invest in equity-linked mutual funds, venture capital funds (VCFs) and equities to the extent of 20 per cent of their Net Owned Fund (NOF). "This is a landmark decision. It will allow greater institutional participation in the real estate sector. Banks will now have route to investment into real estate, in turn, helping the liquidity within the sector," said Anshul Jain, Cushman & Wakefield managing director, India. The Securities and Exchange Board of India (SEBI) put in place regulations for REITs and InvITs and requested the RBI to allow banks to participate in these schemes.

"This move has shown the faith RBI and SEBI has in real estate investment foreseeing positive and secured returns, in the mid to long term, on account of steady economic growth. So, it can be viewed as a sign of maturity and a step towards institutionalisation of real estate in India," he added.

[See also: REITs to come up in 12-14 months: Knight Frank](#)

NAREDCO chairman, and DLF CEO, Rajeev Talwar said, "This step has the potential to usher-in large number of REITs' listings in India, by offering a safe asset class to invest in and also provide competition to foreign institutions. For banks, it offers an additional important asset class for investing." Talwar noted that for commercial real estate companies, once REITs pick up, it will bring liquidity, and free up capital that will help lower overall costs. "We now look forward to detailed norms and guidelines for banks' investment in REITs, by May end," he added.

### REITs and InvITs can be a good source of liquidity for the real estate sector

FICCI President Pankaj Patel said the decision is encouraging and should offer a good source of liquidity for real estate companies. "We look forward to detailed guidelines on this subject by the RBI as well as further instructions and final guidelines with regards to merchant discount rates for debit card transactions," Patel added.

Surendra Hiranandani, chairman and MD of the House of Hiranandani, said that with the banks investing in the Trusts, there will be higher liquidity in the system, which will help the cost of capital for developers in the commercial segment to decrease in the future. He said the decision to hike the reverse repo rate by 25 bps to 6 per cent, will control the liquidity surplus in the system.

Angel Broking's senior equity research analyst-banking, Siddharth Purohit said "Though

further clarity is sought on the mechanism in which this shall be adopted, it can still be sentimentally positive for listed realty and infrastructure players.”