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RBI's move to allow banks to invest in Real Estate Investment Trust (REITs) and Infrastructure Investment Trusts (InvITs) will help revive the cash-starved infrastructure sector.

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Reserve Bank of India (RBI) has permitted banks to invest in Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (INVITs).

In its first monetary policy review of this financial year on Thursday, Reserve Bank of India (RBI) permitted banks to invest in Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (INVITs), a move hailed by the both the realty experts and players.

REITs was introduced to provide a platform to investors for a safe investments in the real estate market. The RBI move is seen as win-win situation for both the banks and real estate players as it will provide a much needed boost for the real estate sector and institutionalizing it. Anshul Jain, managing director India, Cushman & Wakefield said, "This is a positive move by the RBI that 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. As a key take away, RBI and SEBI have shown faith in real estate investment foreseeing positive and secured return in mid to long term on account of steady economic growth. This announcement can be viewed as a sign of maturity and a step towards institutionalization of real estate in India."

Presently, banks are permitted to invest in equity-linked mutual funds, venture capital funds (VCFs) and equities to the extent of 20% of their NOF. The RBI proposed to allow banks to invest in REITs and InvITs within this umbrella limit, guidelines for which will be issued by May-end 2017. The Securities and Exchange Board of India (Sebi) has put in place regulations for REITs and InvITs and requested the RBI to allow banks to participate in these schemes.

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"The decision to allow banks to invest in Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (INVITs) within the 20% umbrella limit will allow banks to invest in an important asset class thereby providing much needed boost to this segment. Owing to better liquidity, the cost of capital for developers in the commercial segment will come down in the future," Surendra Hiranandani, Chairman & MD, House of Hiranandani said.

REIT is a process where investors pool their money and invest in good real estate units like offices, residential units, hotels, shopping centers, warehouses and more.

RBI's move to allow banks to invest in Real Estate Investment Trust (REITs) and Infrastructure Investment Trusts (InvITs) will help revive the cash-starved infrastructure sector. Calling it a positive measure for both banks and the real estate developers, Ranjeet Mudholkar, Vice Chairman and CEO, FPSB India said, "As for the banks it offers an additional important asset class for investment and brings liquidity, while it enhances liquidity for the real estate firms thus freeing up the capital and lowering the cost of capital."