

Real estate investment trusts emerging in India

India's booming realty space is increasingly seeing the emergence of real estate investment trusts (REITs) as one of the most viable options for raising funds, a leading industry body says.

The global REITs market is set to become a \$70 billion market by 2010 and emerging in a big way in India and other developing nations, says a study by the Associated Chambers of Commerce and Industry of India (Assocham) and Credit Rating Information Services of India Limited (Crisil).

The emergence of REITs in the Indian real estate industry will also enable developers attract retail as well as corporate investors, according to the study.

'Currently only venture capital funds have been allowed to offer real estate funds,' said Assocham president Venugopal N. Dhoot in statement Thursday.

In the Indian context REITs can help provide an exit route for developers to revolve funds more efficiently.

This will also provide opportunities to retail investors to participate in the real estate sector and provide asset diversification to corporate investors, besides building a vibrant secondary real estate market.

At present, the global REITs market comprises 491 trusts across 19 countries of which US accounts for over half the share, followed by Australia.

Australia's market is not stringently regulated compared to other global REIT systems, evidenced by there being no listing requirements, gearing or interest coverage limits, limits on developments and restrictions on diversification and ownership or management.

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