

Assocham calls for real estate investment trusts

An early introduction of real estate investment trusts (REITs) will attract institutional investors and make the commercial real estate market more transparent, according to the Associated Chambers of Commerce and Industry of India (Assocham).

In a note to the Securities and Exchange Board of India (SEBI), the Assocham has said that REITs can also help develop commercial mortgage backed securities (CMBS) market and create a source of cheaper debt for commercial real estate.

'Since purchase and sale of real estate assets would form part of the activity of REITs, the presence of a large number of REITs can enhance liquidity in the secondary market for commercial real estate,' Assocham president Venugopal N. Dhoot said.

'The increase in liquidity would make easier the sale of assets, if necessitated in CMBS structure, thereby improving the attractiveness of CMBS,' Dhoot added.

The chamber has added that principal repayments to CMBS investors would be made through refinance or sale of property. The enhanced liquidity in commercial real estate will make CMBS more viable, in terms of availability of refinance and quicker sale of property.

However, if the CMBS are originated by a REIT, the trust would own the property. As a financial investor, the REIT would be more inclined to let the CMBS trust enforce the mortgage and sell the property.

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