Abstract

This thesis aims to examine the REITs comparability on global scenario with an attempt to examine the feasibility and sustainability of Real Estate investment trusts (REITs) in India. The analysis is done based on the performance of REITs in various countries, real estate investments in India and perception of experts and investors about feasibility and sustainability of REITs in India. This report recognizes the fact that, now more than ever, the “Real Estate Investment Trusts” (REITs) or “Listed Property Trust” (LPT) sector is not confined to the US and Australia, with their long established REITs markets. Australian LPTs are now very much competing in the global REITs market and this report focuses on the performance of the Asian REITs market against the established global market.

The study also demonstrates the importance and benefits by REITs introduction in India. The REITs shall avail an opportunity to retail investors, who are interested in investing in Real Estate in India. REITs shall be able to achieve standardization and transparency in India Real Estate. The introduction of REITs is also expected to attract more FDI into India. REITs are expected to benefit in overall infrastructure & real estate development and also the investors, hence a win-win situation.

The thesis identifies the key issues that need to be considered while creating the market for feasibility of the REITs. Secondary sources of information/data on challenges and capabilities have been grouped together and gaps in the literature have been identified to facilitate further analysis in subsequent chapters. In subsequent chapters, the hypotheses have been tested through primary data collection and analysis. The study also provides a brief outline of the research methodology adopted for the study.

The rules of different countries pertaining to REITs have been discussed in detail. The report of different committees on Indian REITs also discussed. FDI norms on real estate and the impact of PEST factor also have been discussed. The various factors of industry capability, national and international challenges of REITs have also been discussed. We did a literature review of all the constructs used in our research. At the end the research gap has been found.
The present study addresses to develop an insight for Indian Real Estate Investment Trust through an exploratory research. The main issues covered in the study are the challenges faced by Indian REITs, its feasibility, sustainability strategy in relation to enhance the awareness for investment in REITs which leads to FDI inflow and subsequently growth of REITs to increase market share, revenue share, and competitiveness in market.

The implications and characteristics of REITs are discussed and an attempt has been made to offer explanations for the same. All information within this report is based on market data underlying the Stock Exchange in the selected countries, so the population covers listed REITs only. The information within remains relevant to the current market and directions it may take. Finally, it suggests a framework for enhancing the growth focusing on – awareness of investment, feasibility and stability, effective regulation, and corporate governance. The study was conducted in select organizations in the Indian Real Estate Sector. A conceptual framework for viability of REITs was developed.

The study was conducted in two parts; both the quantitative and qualitative survey study of investors, developers for covering the marketing strategy and qualitative survey study of experts for covering the policy issues as well as the general marketing issue with this sector. The quantitative study is to understand the correlation and contribution of the variables, with effectively enhancing the market share of the Indian Real Estate Investment Trust in the Indian market. To achieve the objective, that is enhancing the market share in national market, hypotheses are made. According to the hypothesis the major variables are: awareness among investors and developers, feasibility and sustainability of REITs, government policy and effective regulation.

For the primary survey, the step followed by taking the feedback from the experts through the organized qualitative questionnaire and also through the interview and discussion. Then the organized quantitative questionnaire was constructed for the investors and developers. After the pilot study, the field survey was conducted in different regions of India. For the response related to policy and regulation, questionnaire has been circulated to the government officials involved in policy making and decision makers of the firm. The question in the investors and developers
questionnaire covers the impacts of the macro variables- awareness, feasibility, government policy, tax structure, FDI inflow and effective regulation on market growth. Simultaneously the impact of micro variables on the macro variables has also been tested. The analysis of responses has been done to draw the conclusion.

Findings from primary survey study were synthesized. The conceptual framework of the study was validated. The study provides an insight into a disciplined approach to feasibility and sustainability for the growth in terms of turnover of the Indian Real Estate Investment Trust. A number of important findings are reported: Effective regulation and corporate governance is the key driver whereas the tax structure and FDI inflow is the key facilitator for growth of this trust. Implication, limitation and future area of the work based on this study are also suggested.

To get the secondary data, the source/publication has chosen are WITS-COMTRADE, Ministry of Commerce, Ministry of Urban development, SEBI,CMIE,DIPP etc. SWOT analysis is done by using the secondary data, case study and the response from the developers.

The data obtained from the opinion survey questionnaire were analyzed using the SPSS tool. The entire study was classified into four major parts according to hypothesis: finding out the challenges of Indian Real Estate Investment Trust, its feasibility, subsequent growth and finally the sustainability in the existing market and penetrating in the new market through developing value added business by better corporate governance. All the hypotheses of this study are accepted with 99 percent confidence level and the hypotheses for these have been found true.

We supplemented our hypothesis and objective of study also by two case study analysis.

The findings from the opinion survey study organized for this research are synthesized. A number of important findings are detailed in this thesis. The investment preference of the investors varies. Maximum prefers to invest in REITs and the minimum prefers in infrastructure and joint venture reality developer. The model developed for development of REITs depends on four significant parts: factors influencing in feasibility and stability, effective regulation for sustainability and awareness for investment in REITs which leads to FDI inflow and growth of REITs.
All these four parts of this model are correlated and dependent on each other. For testing the hypotheses of feasibility and stability of REITs, correlation and regression analyses were performed for both the macro and micro variables. All the macro as well as the micro variables under study emerged as interdependent on each other. For feasibility and sustainability of REITs, effective regulation, return on investment, tax structure and government policy are the key drivers. Lack of awareness for investment is creating hurdles for feasibility and stability. There is a scope of increasing penetration to the number of more investors and developers, if there is provision for easy exit, liquidity benefit and easy investment. Other variables like income and legal compliance can also be responsible for contribution in investment. The hypothesis is proved true as effective regulation and awareness lead to more investment in REITs.

The micro variables—no brokerage, no registration cost, no maintenance cost, no legal cost and no legal hassles in transfer, were found as the key driver for creating awareness for investment in REITs. Likewise micro variables are highly impacting on the macro variable investment. That shows the micro and macro variables both are inter and intra dependent on each other significantly (in 99 percent confidence level). Correlation and regression analyses were performed to test the hypotheses, of investment which leads to the FDI-inflow and growth for REITs can be possible is true. The FDI inflow was one of the variables it helps to infrastructure development of the sector, dependents on investment environment. Investment environment was drove by Sector, Government policy and legal compliance. That shows if FDI inflow will increase, the infrastructure development of this sector can be possible. That will lead to meet the growth. All factors in this part of study are highly correlated (99 percent confidence level) and dependent on each other. The maximum impact or the key driver is risk mitigation followed by audit compliance and corporate governance.

Having a broad focus the thesis also details the limitation; this research study holds many areas that can further be explored by future researchers. The study does not end here but rather unfolds areas to be examined and bridges the gap with areas that may not have been explored within the specified limits of my research question. The following section will reveal such limitations of my research study.

Though the study was done covering a major part of the real estate investment sector in metros, it is unable to cover the consumers’ perception all over the country.
The respondents were reluctant to share the relevant information, specifically policy and regulation standards related, which are faced in the national market. In this context the study is unable to provide any conclusion.

The thesis also describes the area of for further research. The choice of firms for questionnaire was restricted around Delhi, Mumbai, Chennai and Calcutta only. A bigger sample size representing the country can be covered in further research.

This study covers only the real estate sector, specific to investment trust. Similar study can be conducted for other financial sector. It is also suggested to take similar study for other sectors.

Entire research may be extended by adding/replacing the variables included in this study. The study should be undertaken with a larger sample.

For the product development, a specific study may be taken over by covering the consumers in the domestic market as well as for the international market.

Some specific studies are suggested to take on government policy, FDI policy, and WTO policy related to this sector.

This study adds to the existing literature on this critical less studied area of investment, strategy, government policy, better corporate governance, tax structure and effective regulation and better financial return. The study provides an insight into the dynamic national market strategy to the real estate investment sector. The study serves as a guide to a disciplined approach to enhance the market share, sustainability in market, new market penetration and getting higher return for the investment in real estate investment trust. The model also justifies the interdependence of micro variables and its impact by statistical method. The macro variables viz; feasibility and stability of REITs, effective regulation for sustainability of REITs, awareness for investment in REITs and FDI inflow and growth of REITs in India has been analyzed and justified.