Are REITs and InvITs more appealing to investors post Budget 2024? | Simply Save

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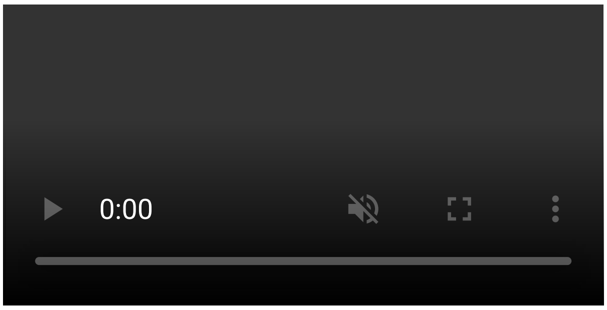
Under the new Budget proposals, investments in REITs and InvITs will be considered long-term if investors hold the units for more than 12 months, instead of the previous 36 months. Has this made these instruments more attractive for investors? Subahoo Chordia, Head of Real Assets Strategy, Edelweiss Alternatives addresses this in Simply Save Podcast.



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With the aim to rationalize and simplify capital gains taxation, Finance Minister Nirmala Sitharaman proposed various changes in the Budget 2024-25. In her speech, she said that listed financial assets held for more than a year will be classified as long-term, while unlisted financial assets and all non-financial assets will have to be held for at least two years to be classified as long-term.

Under the new proposal, investments in **REITs and InvITs** will be considered long-term if investors hold the units for more than 12 months, instead of the previous 36 months.

A real estate investment trust (REIT) or an infrastructure investment trust (InvIT) is an investment vehicle that owns revenue-generating real estate or infrastructure assets. REITs invest in real estate projects, whereas InvITs invest in infrastructure projects with a long gestation period. Through these trusts, investors get exposure to diversified regular income-generating real estate and infrastructure assets.

Have the Budget proposals made these instruments more attractive to investors? Subahoo Chordia, Head of Real Assets Strategy, Edelweiss Alternatives addressed this in Simply Save Podcast.

Here are a few points that Chordia highlighted:

• In real assets, people are able to participate in the cash flows and any kind of growth on the underlying assets by buying units of REITs.

• Investors can participate in cash flows and growth of physical assets through REITs and InvITs.

• Foreign investors and domestic capital are participating in India's REIT market, with a 90% CAGR growth since launch.

• Investors should evaluate REITs' governance, growth, and risk before considering returns.

• REITs and InvITs are just like equity, the risk needs to be assessed based on underlying assets

• Chordia highlights the importance of sponsor and investment manager track record and pedigree.

• Returns and investment decisions should not be made because of tax

• REITs and InvITs have lower risk due to long-term contracts, but market risk remains.

• Budget tax changes have made REITs more investor-friendly.

• Retail investors should diversify their investments in REITs and other yielding assets for better risk-adjusted returns.

• Investors should focus on long-term thematic plays in India despite budget changes.

• Chordia emphasized on the importance of governance, risk, and track record in evaluating returns.

• Look at governance, growth potential, and risk profile of underlying assets before considering returns.

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