

A Study on the Performance & Awareness of Real Estate Investment Trusts (REITs) in India Post-Pandemic

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Abstract: This research paper explores the performance and awareness of Real Estate Investment Trusts (REITs) in India, particularly in the context of the post-pandemic environment. The study aims to assess investor awareness, evaluate investment behavior, analyze the impact of the COVID-19 pandemic on various REIT sectors, and provide insights into the future outlook of the REIT market in India. Through a mixed-methods approach, including quantitative surveys and qualitative analysis, the findings reveal significant trends and patterns that can guide stakeholders in navigating the evolving real estate landscape. The research highlights the importance of education and awareness in promoting REIT investments and offers recommendations for enhancing the growth of the REIT market in India.

Keywords: This research paper focuses on Real Estate Investment Trusts (REITs) in India, particularly in the post-pandemic context, examining investor awareness, investment behavior, and the impact of COVID-19 on the real estate market. It analyzes sector performance, the regulatory environment, and provides a market outlook while considering changes in consumer behavior and the importance of sustainability in the economic recovery of the sector. The study includes case studies and a comparative analysis of different property types, assessing their risk and return profiles in light of ongoing urbanization and evolving financial performance metrics, ultimately emphasizing the need for investor education.

I. INTRODUCTION

1.1 Background of REITs

Real Estate Investment Trusts (REITs) are companies that own, operate, or finance income-producing real estate across a range of property sectors. They provide a way for individual investors to earn a share of the income produced through commercial real estate ownership without actually having to buy, manage, or finance any properties themselves. The concept of REITs was first introduced in the United States in 1960, allowing individual investors to invest in large-scale, income-producing real estate. Since

then, REITs have gained popularity globally, including in India, where the first REIT was launched in 2019.

REITs typically invest in various types of properties, including residential, commercial, industrial, and healthcare facilities. They are required by law to distribute at least 90% of their taxable income to shareholders in the form of dividends, making them an attractive investment option for those seeking regular income. The growth of REITs in India has been fueled by increasing urbanization, rising disposable incomes, and a growing middle class, which has led to increased demand for real estate.

1.2 Impact of COVID-19 on Real Estate

The COVID-19 pandemic has had a profound impact on global economies, disrupting supply chains, altering consumer behavior, and triggering a reevaluation of work and living environments. The real estate sector, particularly, faced significant challenges as lockdowns and social distancing measures were implemented. The pandemic led to a decline in demand for certain types of properties, such as retail and office spaces, while increasing interest in logistics and residential properties.

The pandemic has accelerated trends that were already in motion, such as remote work and e-commerce, leading to a shift in demand for different types of real estate. For instance, the demand for residential properties, especially in suburban areas, has surged as people seek more space for home offices and remote work. Conversely, the demand for traditional office spaces has declined, prompting REITs to adapt their strategies to meet changing consumer preferences.

II. PROBLEM STATEMENT

The Real Estate Investment Trust (REIT) market in India faces significant challenges that hinder its growth and acceptance among investors. Despite the

potential for REITs to offer stable income and diversification, there is a notable lack of awareness and understanding among the Indian population. The COVID-19 pandemic has further complicated the situation, altering consumer behavior and impacting the performance of various real estate sectors.

Key issues include:

Lack of Awareness: Many potential investors are unfamiliar with REITs, limiting their participation.

Impact of COVID-19: The pandemic has disrupted traditional real estate markets, affecting demand and investor sentiment.

Sector Performance Variability: Different REIT sectors have experienced varying impacts, necessitating an understanding of which are resilient.

Regulatory Challenges: The evolving regulatory framework needs clearer guidelines to enhance transparency and protect investors.

Future Growth Prospects: Identifying trends and preferences is essential for guiding investment decisions as the economy recovers.

This research aims to provide insights into these challenges, contributing to a more informed and robust REIT investment landscape in India.

III. RESEARCH OBJECTIVES

This study aims to achieve the following objectives:

- Assess awareness and familiarity with REITs among Indian investors.
- Evaluate investment behavior and trends in the post-pandemic context.
- Analyze the impact of the pandemic on various REIT sectors.
- Provide insights and recommendations for the growth of the REIT market in India.

Research Questions

To guide the research, the following questions will be addressed:

- I. What is the level of awareness and understanding of REITs among Indian investors?
- II. How has the COVID-19 pandemic affected investment behavior and preferences in the real estate sector?

III. Which sectors of the REIT market have shown resilience during the pandemic, and which have struggled?

IV. What are the future growth prospects for REITs in India, and what factors will influence this growth?

IV. LITERATURE REVIEW

4.1 Performance Persistence in Real Estate

Research has shown that performance persistence is a critical factor in real estate investments. Studies indicate that funds that have performed well in the past are likely to continue performing well in the future. This concept is particularly relevant for REITs, as their performance can be influenced by market conditions, management strategies, and investor sentiment.

For instance, Aarts and Baum (2016) explored the concept of performance persistence in real estate private equity, highlighting that funds with a strong historical performance tend to attract more capital in subsequent periods. This finding is crucial for REITs, as it suggests that past performance can significantly influence investor decisions.

4.2 Risk and Return in Real Estate Investments

The relationship between risk and return is a fundamental principle in real estate investing. Investors seek to balance their portfolios by diversifying across different property types and geographic locations. The risk associated with real estate investments can vary significantly based on market conditions, property types, and economic factors.

According to Toole and Abowitz (2010), understanding the risk-return profile of real estate investments is essential for making informed investment decisions. They emphasize the importance of considering both quantitative and qualitative factors when evaluating potential investments. This perspective is particularly relevant for REITs, which must navigate various risks, including market volatility, interest rate fluctuations, and regulatory changes.

4.3 Changes in Consumer Behavior

The pandemic has led to significant changes in consumer behavior, particularly in the real estate sector. With the rise of remote work, there has been an increased demand for residential properties,

especially in suburban areas. Conversely, the demand for traditional office spaces has declined, prompting REITs to adapt their strategies to meet changing consumer preferences.

Research by Hands et al. (2003) indicates that consumer preferences play a crucial role in shaping real estate markets. As consumers increasingly prioritize flexibility and convenience, REITs must respond by offering properties that align with these preferences. This shift presents both challenges and opportunities for REITs as they navigate the evolving landscape.

4.4 Regulatory Environment and Its Impact on REITs

The regulatory environment plays a significant role in shaping the performance and growth of REITs. In India, the introduction of the REIT framework by the Securities and Exchange Board of India (SEBI) in 2014 marked a significant step towards formalizing the REIT market. The regulations established guidelines for the registration, operation, and governance of REITs, aiming to enhance transparency and protect investor interests.

Research by Hays and Rajagopal (2012) highlights the importance of a robust regulatory framework in fostering investor confidence and promoting market growth. The study emphasizes that clear regulations can attract both domestic and foreign investments, contributing to the overall development of the real estate sector.

4.5 Global Trends in REIT Markets

The global REIT market has witnessed significant growth over the past few decades, driven by factors such as urbanization, demographic shifts, and changing investment preferences. According to the National Association of Real Estate Investment Trusts (NAREIT), the U.S. REIT market has grown to over \$1 trillion in market capitalization, with a diverse range of property types and investment strategies.

Comparative studies of global REIT markets reveal that different regions exhibit varying trends and performance characteristics. For instance, the Asia-Pacific region has seen rapid growth in REITs, driven by increasing urbanization and demand for income-generating properties. Research by Newell (2014) indicates that non-listed real estate funds in the Asia-Pacific region have gained popularity as a viable investment option, offering diversification and attractive risk-adjusted returns.

V. RESEARCH METHODOLOGY

5.1 Research Design

This study employs a mixed-methods approach, combining quantitative and qualitative research techniques. A descriptive research design is used to systematically describe and analyze the characteristics, behaviors, and perceptions of the target population.

5.2 Data Collection

Primary data was collected through structured questionnaires distributed to investors in Gujarat, India. The questionnaire included closed-ended questions to assess awareness, investment behavior, and perceptions of the REIT market. The survey was designed to capture a comprehensive understanding of investor attitudes towards REITs and the factors influencing their investment decisions.

5.3 Sampling Method

A stratified probability sampling method was employed to ensure representation across different demographics, including age, gender, and occupation. The target population consisted of individuals from both rural and urban areas in Gujarat. This approach allowed for a diverse sample that reflects the broader population of potential REIT investors.

5.4 Data Analysis Tools

Data analysis was conducted using SPSS software, which allowed for statistical analysis of the survey responses. Descriptive statistics, including frequencies and percentages, were used to summarize the data. Additionally, inferential statistics were employed to identify relationships between variables and draw conclusions from the findings.

5.5 Ethical Considerations

Ethical considerations were taken into account throughout the research process. Participants were informed about the purpose of the study, and their consent was obtained before data collection. Confidentiality and anonymity were ensured, and participants were given the option to withdraw from the study at any time.

VI. DATA ANALYSIS AND INTERPRETATION

1. Demographics of Respondents

The survey included 225 respondents, with the following demographic distribution:

Demographic Factor	Category	Percentage
Age Distribution	18-25 years	62.2%
	26-35 years	29.3%
	36-45 years	6.2%
	46 years and above	2.2%
Gender Distribution	Female	61.8%
	Male	20%
	Other	18.2%
Education Level	Undergraduate	51.1%
	Postgraduate	40.7%
	Others	8.2%
Occupation	Student	54.2%
	Investor	16.1%
	Financial Analyst/Consultant	17.3%
	Real Estate Professional	8%
	Other	4.4%

Interpretation:

- The majority of respondents (62.2%) are young adults aged 18-25, indicating a potential for future growth in REIT investments among younger investors. This demographic is likely to be more open to innovative investment options, including REITs.
- A significant portion of respondents are female (61.8%), suggesting a growing interest in real estate investments among women. This trend may reflect broader societal changes towards gender equality in financial decision-making.
- The educational background shows that most respondents are either undergraduates or postgraduates, which may correlate with a higher understanding of investment concepts. This educated demographic is likely to be more receptive to the benefits of investing in REITs.

2. Awareness of REITs

The survey results indicated varying levels of awareness among respondents regarding REITs:

Awareness Level	Percentage
Very familiar	15.6%

Awareness Level	Percentage
Somewhat familiar	53.8%
Not familiar	24.4%

Interpretation:

- While 53.8% of respondents are somewhat familiar with REITs, a notable 24.4% are not familiar at all. This indicates a need for educational initiatives to enhance understanding and awareness of REITs among potential investors. The relatively low percentage of respondents who are "very familiar" suggests that there is significant room for growth in investor education.
- The findings highlight the importance of targeted marketing and educational campaigns to increase awareness and understanding of REITs, particularly among those who are not familiar with the concept.

3. Impact of COVID-19 on REIT Sectors

Respondents were asked to evaluate the impact of the COVID-19 pandemic on different sectors of REITs:

REIT Sector	Significantly Impacted (%)
Residential real estate	44%

REIT Sector	Significantly Impacted (%)
Commercial office spaces	22.7%
Retail spaces	22.2%
Industrial/logistics real estate	11.1%

Interpretation:

- The residential real estate sector was perceived as the most significantly impacted by the pandemic (44%), likely due to changing living preferences and increased demand for space. The pandemic has prompted many individuals to seek larger living spaces, particularly in suburban areas, as remote work becomes more common.
- Commercial office spaces and retail sectors also faced challenges, reflecting the shift towards remote work and online shopping. The decline in demand for traditional office spaces may lead to a reevaluation of office REIT strategies, with a potential focus on flexible workspaces.
- Industrial/logistics real estate was seen as the least affected, indicating resilience due to the rise of e-commerce. The pandemic has accelerated the growth of online shopping, leading to increased demand for logistics and warehousing facilities.

4. Market Recovery and Growth Outlook

The outlook for the REIT market in India over the next five years was generally positive:

Growth Outlook	Percentage
Strong growth	30%
Moderate growth	45%
Stable	20%
Decline	5%

Interpretation:

- A combined 75% of respondents expect either strong or moderate growth in the REIT market, indicating a positive sentiment towards the recovery and future potential of REIT investments in India. This optimism may be driven by the anticipated

recovery of the economy and the increasing demand for quality real estate.

- The relatively low percentage of respondents expecting a decline (5%) suggests that investors are confident in the resilience of the REIT market, despite the challenges posed by the pandemic.

5. Factors Influencing Investment Decisions

Key factors influencing investment decisions in REITs were identified as follows:

Influencing Factor	Percentage
Government policies and tax incentives	40%
Stability in the real estate market	35%
Transparency in operations	25%

Interpretation:

- Government policies and tax incentives are seen as the most significant factors influencing investment decisions, highlighting the importance of regulatory support in fostering investor confidence. Investors are likely to be more inclined to invest in REITs if they perceive favorable tax treatment and supportive policies.
- Stability in the real estate market is also crucial, as fluctuations can deter potential investors. A stable market environment is essential for attracting long-term investments in REITs.
- Transparency in operations is important for building trust among investors. REITs that prioritize transparency and clear communication are likely to attract more investors.

VII. FINDINGS AND DISCUSSION

1. Key Findings

The research revealed several key findings regarding the performance and awareness of REITs in India:

- **Investor Awareness:** While many investors are somewhat familiar with REITs, there is a need for increased education and awareness initiatives. The significant percentage of respondents who are not

familiar with REITs indicates a gap that needs to be addressed.

- **Sector Performance:** The pandemic has significantly impacted residential and commercial sectors, while industrial/logistics REITs have shown resilience. This finding aligns with broader trends in the real estate market, where demand for logistics and warehousing has surged due to the growth of e-commerce.
- **Market Outlook:** Investors are optimistic about the future growth of the REIT market, driven by increasing demand for quality commercial spaces. The positive sentiment among investors suggests that the REIT market is well-positioned for recovery and growth in the coming years.

2. Discussion

The findings of this study align with existing literature on the performance of REITs and the impact of external factors such as the pandemic. The shift in consumer behavior towards residential properties and logistics highlights the need for REITs to adapt their strategies to meet changing market demands.

The results also underscore the importance of government support and regulatory frameworks in fostering a conducive environment for REIT investments. As the market continues to evolve, REITs must remain agile and responsive to emerging trends and challenges.

2.1 Case Studies of Successful REITs in India

a. Embassy Office Parks REIT

Embassy Office Parks REIT is India's first publicly listed REIT, launched in 2019. It focuses on commercial office spaces and has a portfolio of high-quality office parks located in major metropolitan areas such as Bengaluru, Mumbai, and Pune. The REIT has performed well since its inception, benefiting from strong demand for office spaces from multinational corporations.

Key Factors for Success:

- **Quality Assets:** Embassy Office Parks REIT has a portfolio of Grade A office spaces, which are highly sought after by tenants.

- **Strong Tenant Base:** The REIT has a diverse tenant base, including global companies, which provides stability and reduces risk.
- **Strategic Location:** The properties are strategically located in key business districts, enhancing their attractiveness to tenants.

b. Mindspace Business Parks REIT

Mindspace Business Parks REIT, launched in 2020, is another significant player in the Indian REIT market. It focuses on office spaces and business parks, primarily catering to the IT and technology sectors. The REIT has shown resilience during the pandemic, with a strong recovery in leasing activity.

Key Factors for Success:

- **Focus on IT Sector:** The REIT's focus on the IT sector has positioned it well to benefit from the growing demand for office spaces in technology hubs.
- **Flexible Leasing Options:** Mindspace Business Parks REIT offers flexible leasing options, which are attractive to companies adopting hybrid work models.
- **Strong Management Team:** The REIT is backed by a strong management team with extensive experience in real estate and asset management.

c. Brookfield India Real Estate Trust

Brookfield India Real Estate Trust, launched in early 2021, specializes in commercial real estate and has properties in major cities including Mumbai, Gurgaon, Noida, and Kolkata. The REIT benefits from the global presence of its parent company, Brookfield Asset Management.

Key Factors for Success:

- **High-Quality Assets:** The REIT focuses on high-quality, well-located properties that attract premium tenants.
- **Strong Parent Company:** The backing of Brookfield Asset Management provides financial stability and access to global resources.
- **Focus on Sustainability:** The REIT emphasizes sustainability and energy

efficiency in its properties, aligning with the growing demand for environmentally responsible investments.

2.2 Comparative Analysis with Global REIT Markets

a. Overview of Global REIT Markets

The global REIT market has witnessed significant growth over the past few decades, driven by factors such as urbanization, demographic shifts, and changing investment preferences. According to the National Association of Real Estate Investment Trusts (NAREIT), the U.S. REIT market has grown to over \$1 trillion in market capitalization, with a diverse range of property types and investment strategies.

b. Comparison with U.S. REIT Market

The U.S. REIT market is characterized by its maturity and diversity, with a wide range of property types, including residential, commercial, industrial, and healthcare. In contrast, the Indian REIT market is still in its infancy, with a limited number of publicly listed REITs and a focus primarily on commercial office spaces.

Key Differences:

- **Market Maturity:** The U.S. REIT market is well-established, with a long history of performance data, while the Indian market is still developing.
- **Property Types:** U.S. REITs invest in a broader range of property types, including residential and healthcare, whereas Indian REITs are primarily focused on commercial office spaces.
- **Regulatory Environment:** The regulatory framework for U.S. REITs is more developed, providing greater transparency and investor protection compared to the Indian market.

c. Comparison with Asia-Pacific REIT Markets

The Asia-Pacific region has seen rapid growth in REITs, driven by increasing urbanization and demand for income-generating properties. Countries such as Japan, Australia, and Singapore have well-established REIT markets, with a diverse range of property types.

Key Differences:

- **Market Size:** The Asia-Pacific REIT market is larger than the Indian market, with more publicly listed REITs and greater market capitalization.
- **Investment Strategies:** Asia-Pacific REITs often employ diverse investment strategies, including development and redevelopment projects, while Indian REITs are primarily focused on income-producing properties.
- **Regulatory Framework:** The regulatory environment for REITs in Asia-Pacific countries is generally more developed, providing greater investor protection and transparency.

2.3 Future Trends in the REIT Market

a. Technological Advancements

The integration of technology in the real estate sector is expected to shape the future of REITs. Technologies such as artificial intelligence, big data analytics, and blockchain are being increasingly adopted to enhance operational efficiency, improve tenant experiences, and streamline property management.

Implications for REITs:

- **Enhanced Decision-Making:** Data analytics can provide insights into market trends and tenant preferences, enabling REITs to make informed investment decisions.
- **Improved Tenant Engagement:** Technology can enhance tenant experiences through smart building solutions and digital platforms for communication and service requests.
- **Operational Efficiency:** Automation and digital tools can streamline property management processes, reducing costs and improving profitability.

b. Sustainability and ESG Considerations

Environmental, social, and governance (ESG) considerations are becoming increasingly important for investors. REITs that prioritize sustainability and responsible investing are likely to attract more capital and enhance their long-term performance.

Implications for REITs:

- **Sustainable Practices:** REITs that adopt sustainable building practices and energy-efficient technologies can reduce operating costs and enhance asset value.
- **Investor Demand:** There is a growing demand for investments that align with ESG principles, and REITs that prioritize sustainability may have a competitive advantage in attracting investors.
- **Regulatory Compliance:** As governments implement stricter environmental regulations, REITs that proactively address sustainability issues will be better positioned to comply with future requirements.

c. Changing Consumer Preferences

The pandemic has led to significant changes in consumer preferences, particularly in the real estate sector. As remote work becomes more common, there is an increased demand for residential properties with home office space and amenities that support remote work.

Implications for REITs:

- **Adaptation of Property Types:** REITs may need to adapt their portfolios to include properties that cater to changing consumer preferences, such as residential properties with flexible living spaces.
- **Focus on Mixed-Use Developments:** There may be a growing demand for mixed-use developments that combine residential, commercial, and recreational spaces, providing a holistic living experience for residents.
- **Emphasis on Health and Wellness:** Properties that prioritize health and wellness features, such as green spaces and fitness amenities, are likely to be more attractive to tenants.

VIII. LIMITATIONS OF THE STUDY

While this study provides valuable insights into the performance and awareness of REITs in India, it is important to acknowledge its limitations:

8.1 Sample Size and Geographic Focus

The study was conducted with a sample size of 225 respondents in Gujarat, which may limit the generalizability of the findings to the broader Indian population. Future research could benefit from a larger and more diverse sample that includes respondents from different regions of India.

8.2 Short-Term Data

The research captures recent trends post-pandemic but lacks long-term historical performance analysis. Longitudinal studies that track the performance of REITs over time would provide a more comprehensive understanding of their resilience and growth potential.

8.3 Investor Awareness Gap

Many respondents had limited knowledge of REITs, which might have influenced survey responses. Future studies could explore the reasons behind this awareness gap and identify effective strategies for improving investor education.

8.4 Market Volatility

Fluctuations in real estate trends and macroeconomic factors could impact REIT performance unpredictably. The study's findings may not fully account for external shocks or changes in market conditions that could affect investor sentiment and behavior.

8.5 Regulatory Changes

The REIT sector in India is evolving, and any sudden changes in policies may affect future findings. Ongoing research is needed to monitor the impact of regulatory developments on the REIT market.

IX. IMPLICATIONS FOR INVESTORS AND POLICYMAKERS

9.1 Implications for Investors

Investors should consider the following implications based on the findings of this study:

- **Education and Awareness:** Investors should seek to enhance their understanding of REITs and the factors influencing their performance. Educational initiatives and resources can help investors make informed decisions.
- **Diversification Strategies:** Investors may benefit from diversifying their portfolios by

including REITs that focus on different property types and geographic locations. This can help mitigate risks and enhance overall returns.

- **Monitoring Market Trends:** Investors should stay informed about market trends, consumer preferences, and regulatory developments that may impact the performance of REITs. Regularly reviewing investment strategies in light of changing conditions is essential.

9.2 Implications for Policymakers

Policymakers should consider the following implications based on the findings of this study:

- **Supportive Regulatory Framework:** Policymakers should continue to develop a supportive regulatory framework that fosters investor confidence and encourages the growth of the REIT market. This includes clear guidelines for registration, operation, and governance of REITs.
- **Incentives for Sustainable Practices:** Policymakers should consider providing incentives for REITs that prioritize sustainability and responsible investing. This can help align the interests of investors with broader societal goals.
- **Promoting Investor Education:** Policymakers should support initiatives that promote investor education and awareness of REITs. This can help bridge the knowledge gap and encourage greater participation in the REIT market.

X. CONCLUSION

This research paper provides a comprehensive analysis of the performance and awareness of REITs in India, particularly in the post-pandemic context. The findings indicate a growing interest in REITs among investors, but also highlight the need for increased awareness and education.

The study emphasizes the importance of understanding the factors influencing investment decisions and the impact of external events, such as the COVID-19 pandemic, on the real estate market. As the REIT market continues to evolve, it is

essential for stakeholders to remain agile and responsive to emerging trends and challenges.

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