# Fundraising via REITs, InvITs drops to all-time low in FY23

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Higher yields on bonds, lack of new launches, limited availability and awareness among investors have made emerging investment instruments REITs and InvITs less attractive with fundraising hitting an all-time low at ₹1,166 crore in 2022-23.

Going forward, a change in the tax rule on distributions classified as repayment could lead to a substantial increase in tax liability as it will be taxed as 'other income' in the hands of the investor, making the instruments less attractive, Manavi Prabhu, head, fixed income, Anand Rathi Shares and Stock Brokers, said. These assets will have to either generate better underlying yields or will have to reduce the price to ensure that they are more attractive than existing fixed-income investment options, he added. According to data compiled by Prime Database.com, ₹1,166 crore was mobilized by real estate investment trusts (REITs) and infrastructure investment trusts (InvITs) together in 2022-23.

In comparison, ₹13,841 crore was raised in 2021-22 via these avenues. Before that, ₹33,515 crore was raised in 2020-21. Besides, ₹2,306 crore was collected in 2019-20, ₹8,847 crore in 2018-19 and ₹7,283 crore in 2017-18, Prime Database.com noted.

As per Sebi, ₹3,764 crore was raised by unlisted InvITs during April-February 2022-23. MINT

Apart from listed investment instruments, funds were also raised by unlisted ones and according to Sebi data, ₹3,764 crore was raised by unlisted InvITs during April-February 2022-23 and no fund was garnered by listed and unlisted REITs during the period under review.

The capital garnered by InvITs includes funds raised via public issues, private placement, preferential issues, and rights issues, as per Sebi data.

REITs and InvITs are relatively new investment instruments in India but are popular in global markets for passive income investors due to attractive yields and capital appreciation.

While a REIT comprises a portfolio of commercial real assets, a major portion of which is already leased out, InvITs consist of a portfolio of infrastructure assets such as highways, and power transmission assets.

These instruments provide returns to investors in the form of dividends, and given that they are listed, the units also trade on stock exchanges, providing liquidity. So the return on these assets is the dividend yield generated from the underlying assets.

**A change in tax rule on distributions classified as repayment could increase tax liability**

Gopal Kavalireddi, head of research at FYERS, attributed the decline in fund mobilization through REITs and InvITs to lack of new launches, volatility in stock markets, and limited availability and awareness among investors.

In addition, higher bond yields pushed by the Reserve Bank of India rate hikes were also a dampener for these instruments. "Given the series of rate hikes, currently sovereign yields are at around 7-7.5% depending on tenor and 'AAA' rated bonds are also offering 7.5-8%. REITs and InvITs have become less attractive due to higher yields on debt. Existing listed REITs and InvITs are yielding lower than sovereign risk-free rate," Prabhu said.