Mutual funds warm up to Reits and Invits, but exposure remains low

Investments soar 27x in 5 yrs to nearly ₹20K cr; still at 0.3% of MF assets

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Even as mutual funds (MFs) increasingly invest in real estate investment trusts (Reits) and infrastructure investment trusts (Invits), their total exposure remains fractional at just 0.3 per cent of the industry's assets under management (AUM).

Although MFs have been permitted to allocate up to 10 per cent of their AUM to these assets since early 2017, significant investment growth has been seen only recently.

From ₹734 crore in March 2020, investments have risen to nearly ₹20,000 crore in March 2025, according to PRIME Database. Still, this accounts for just 0.3 per cent of the MF industry's ₹65.7 trillion AUM.

Experts note that despite a growing number of schemes authorised to invest in Reits and Invits, investments remain limited due to a strong equity market, liquidity issues, and constrained evaluation capabilities.

"The key reason for the slow uptick in demand is that the universe is not as broad and liquidity is limited. Also, given the equity market performance, fund managers have had little reason to look beyond stocks. Moreover, only a few AMCs have the evaluation and analytical capabilities to invest large sums in Reits and InvITs," said Nirav Karkera, head, research, Fisdom.

Only 22 of the nearly 45 fund houses have exposure to Reits and Invits. The top three fund houses — SBI, ICICI Prudential and HDFC — account for 77 per cent of the total MF exposure. ICICI Prudential has the highest investments at close to ₹5,200 crore.

The investment universe is limited to four Reits and 18 Invits. In 2023, NSE launched the first index — Nifty Reits & Invits — to track the performance of the asset class.

As of March 28, the index had delivered a total return of 8.5 per cent in a one-year period. In five years, the index has delivered annualised returns of nearly 16 per cent.

In a recent consultation paper, the Securities and Exchange Board of India (Sebi) has proposed to enhance the scheme's investment limit from 10 per cent to 20 per cent for equity and hybrid schemes. The regulator also plans to raise the single issuer exposure limit from 5 per cent to 10 per cent.

Experts say that while higher limits will help develop the Reit and Invit markets, it may not lead to secular growth and the results will take time to show.

Sebi is also considering other options to develop the market, including classifying Reits and Invits as equity and allowing MFs to launch dedicated schemes. However, its Mutual Fund Advisory Committee is not in favour of these changes.

GOING UP, SLOWLY AND STEADILY

	Reits & Invits investments (₹ cr)	Share in MF AUM (%)
Mar '20	734	0.03
Mar '21	1,855	0.06
Mar '22	4,311	0.11
Mar '23	5,189	0.13
Mar '24	15,455	0.29
Mar '25	19,485	0.30

Source: primemfdatabase.com

Real estate gets ₹73,903 cr from AIFs in 9MFY25

India's real estate space received 15 per cent of cumulative net AIF investments during the first three quarters of the financial year 2024-25 (9MFY25), which, at ₹73,903 crore, was the highest among all sectors during the period. The Alternate Investment Funds (AIFs) invested ₹5.06 trillion across all sectors during the first nine months of FY25, an Anarock report said.

AIFs invested ₹30,279 crore in IT/ITeS, ₹26,807 crore in financial services, ₹21,929 crore in NBFCs, ₹21,273 crore in banks, ₹18,309 crore in pharma, ₹12,743 crore in FMCG, ₹11,550 crore in retail and ₹11,433 crore in the renewable energy sector. AIF investments in real estate rose by 8 per cent from ₹68,540 crore as of March 2024 or FY24-end to ₹73,903 crore by December 2024 end.

AIFs are privately pooled funds that invest in non-traditional assets like private equity, hedge funds, and real estate. PRACHI PISAL