

# REIT Fundamentals

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- ▶ **REIT stands for Real Estate Investment Trust**
  - ▶ **A REIT is a trust that owns, operates or finances income-producing real estate**
    - REITs give all investors access to the benefits of real estate investment with the advantage of investing in publicly traded units
  - ▶ **A REIT is a tax-efficient vehicle that**
    - enables owners of real estate to pool income generating assets together in a portfolio; and
    - allows investors to buy ownership in real estate assets in the form of equity
  - ▶ **REITs globally are a US\$2 trillion asset class; first REIT started in the US in the 1960s**
    - REITs are universally accepted by global institutions and individual investors as a product that provides:
      - Liquidity
      - Transparency
      - Diversification
      - Dividends
      - Performance
  - ▶ **REITs must pay out majority of earnings as distribution to Unitholders**
    - Indian regulations require REITs to pay out 90% of distributable cash flows
  - ▶ **REITs must have at least 80% of their assets be completed and income-producing**
    - A low level of development (20% or less) means less risk to the cash flows
  - ▶ **REITs are typically listed on stock exchanges through an Initial Public Offering (IPO)**
    - Once listed, they serve as permanent capital vehicles to raise debt and equity in the capital markets to acquire new assets to grow
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