

Global investors show renewed interest in Indian realty market

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The Singapore-based Ascendas Property Fund Trustee, which focuses on owning income-producing real estate assets, has bought 'aVance 3,' office building in Hyderabad for Rs 294 crore. Last week, Bangalore-based RMZ Corp, along with sovereign wealth fund Qatar Investment Authority closed the biggest office space deal in the country, buying the 1.25 million sq ft office complex Equinox Business Park at the Mumbai's Bandra-Kurla Complex (BKC) for about Rs 2,400 crore.

Many of these players are betting on the Reits market picking up in the coming years. The government is expected to grant exemption on dividend distribution tax (DDT) for Reits. This tax is seen as a major reason the Reits market has not taken off even after guidelines have been put in place a year ago and tax exemptions like pass through granted in the last budget.

Global investors have renewed their interest in the Indian realty market to tap into the long-term potential of the sector.

"Many of these PE investors who are picking up income generating commercial real estate assets would be looking at unlocking value through Reits in the coming years," says Sunil Rohokale MD & CEO ASK Group.

"When Reits take off, income building assets, which are currently sitting on the banks' books against receivables or sitting on the balance sheet of developers, will get unlocked. Reits will get a major boost, if the clarification on DDT comes through," said Rohokale.

Even as the government issued clarification on taxation on Reit, experts feel more clarity is required on several issues for the market to pick up, as issues like MAT and tax on dividend are big hurdles.

The finance minister had provided a few tax concessions for Reits in the last budget, including pass through status for the trusts.

"Despite the announcement, not a single Reit has been listed in India. The primary reason is the DDT, though the government has worked towards removing other bottlenecks. Developers and other asset holders

need the government to do away with it in the budget. Until this vital change is made, Reits, which can almost single-handedly revive the Indian real estate sector, will remain pipped at the post. To aid the faster revival of the real estate sector as well as to provide a boost to the economy in general, the budget must address this issue," says Ajay Jain, executive director for investment banking and head real estate group at Centrum Capital.

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