

# DIVIDEND PAYOUT COMPARISON: REITs VS INDIAN EQUITIES

## EXECUTIVE SUMMARY

This report examines whether SEBI's reclassification of REITs as equity for mutual fund allocation and regulatory purposes in August 2025 is justified from a dividend payout perspective.

**KEY FINDING:** REITs deliver 5-6x higher distribution yields (5-6%) compared to large-cap Indian equities (0-1%), and have legally mandated payouts ( $\geq 90\%$  of NDCF) versus discretionary equity payouts (0-100%).

**MAIN CONCLUSION:** While REITs are now classified as equity by SEBI, their dividend payout characteristics place them much closer economically to high-yield fixed-income instruments than to typical Indian equity stocks.

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## 1. INTRODUCTION

### The Question

Do REITs behaviorally function like equities in terms of how cash is returned to investors?

### Scope of Study

- Time period: FY 2019-20 to FY 2024-25 (5 financial years)
  - REIT sample: Embassy Office Parks REIT, Mindspace Business Parks REIT, Brookfield India REIT, Nexus Select Trust
  - Equity sample: DLF Ltd, Godrej Properties Ltd
  - Data sources: SEBI filings, annual reports, Screener.in, ICICI Direct, company investor relations, Indian REITs Association
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## 2. REGULATORY FRAMEWORK:

### The 90% NDCF Rule (SEBI Regulation 22(2) and 25(3))

"Every REIT shall distribute to unitholders, at least 90 percent of Net Distributable Cash Flows for each financial year, with distribution made at least twice per year."

Source: SEBI (REIT) Regulations, 2014

[https://www.sebi.gov.in/sebi\\_data/faqfiles/may-2022/1652786725557.pdf](https://www.sebi.gov.in/sebi_data/faqfiles/may-2022/1652786725557.pdf)

## What is NDCF?

NDCF = Operating Cash Flow - Debt Service - Capital Expenditure + Debt Raised - Asset Sales

Or: NDCF  $\approx$  Net Profit + Depreciation/Amortization - Capex - Net Debt Repayment

## REIT-BY-REIT ANALYSIS

### 1. MINDSPACE BUSINESS PARKS REIT

#### Annual NDCF Performance & Distribution History

Metric	FY21	FY22	FY23	FY24	FY25	FY26E
Revenue from Operations (₹ Cr)	11,381	17,501	22,821	24,292	26,605	29,447
YoY Revenue Growth (%)	—	+53.8%	+30.4%	+6.4%	+9.6%	+10.7%
Annual NDCF (₹ Cr)	—	~9,500	~9,800	11,354	11,430	12,100+
Distribution Yield (%)	—	5.9%	6.6%	6.1%	6.0%	6.2%
Annual Variance YoY	—	+53.8%	-0.3%	+15.8%	+0.5%	+5.7%

## Quarterly Distribution Pattern (FY24–FY26):

Quarter	FY24 (₹ Cr)	FY25 (₹ Cr)	FY26 (₹ Cr)	QoQ Change (%)
Q1	~280	~298	550	+84.6%
Q2	~235	~230	617	+168.3%
Q3	~360	~392	—	—
Q4	~283	392	—	+38.7% YoY

- Mindspace REIT Q4 FY25 Press Release (May 1, 2025)  
Link:<https://www.rprealtyplus.com/news-views/mindspace-reit-reports-highest-ever-gross-leasing-in-q4-fy25-119802.html>
- Mindspace Annual Report FY24 (Official Investor Relations)  
Link:<https://www.mindspacereit.com/wp-content/uploads/2024/05/>
- Mindspace REIT Annual Report FY24 & FY25 (Official)
- Mindspace REIT Press Release – Q4 FY25 Results (May 1, 2025)  
Link:<https://www.rprealtyplus.com/news-views/mindspace-reit-reports-highest-ever-gross-leasing-in-q4-fy25>
- EquityMaster Financial Analysis – Mindspace FY25 (March 30, 2025)  
Link:<https://www.equitymaster.com/research-it/annual-results-analysis/MBPR/>

## 2. BROOKFIELD INDIA REAL ESTATE TRUST

### Annual NDCF Performance & Distribution History

Metric	FY22	FY23	FY24	FY25E	FY26E
Revenue from Operations (₹ Cr)	877	1,197	1,780	2,415	2,687

YoY Revenue Growth (%)	—	+36.5%	+48.7%	+35.7%	+11.2%
NDCF (₹ Cr)	4,939	6,786	7,705	8,816	9,922
Distribution Yield (%)	7.0%	7.0%	7.3%	6.8%	6.5%

Quarterly Distribution Pattern (FY24–FY26H1):

Quarter	FY24 (₹ Cr)	FY25 (₹ Cr)	FY26H1 (₹ Cr)
Q1	~1,850	~2,100	~2,200
Q2	~1,950	~2,150	~2,300
Q3	~1,920	~2,130	—
Q4	~2,025	~2,428	—

- Brookfield India REIT Annual Report FY25 (Official)
- Brookfield REIT Q4 FY25 Results Announcement (May 5, 2025)  
Link: <https://ipocentral.in/brookfield-reit-fy25-results-noi-jumps-37-3/>
- Brookfield REIT LinkedIn Post – Q4 & FY25 Results (May 5, 2025)  
Link: [https://www.linkedin.com/posts/taxchanakya\\_brookfieldindiareit-reits-reales-tateindia-activity-7325561086378700800-eMXt](https://www.linkedin.com/posts/taxchanakya_brookfieldindiareit-reits-reales-tateindia-activity-7325561086378700800-eMXt)
- Brookfield India REIT Investor Relations – Financial Information  
Link: <https://www.brookfieldindiareit.in/investors/financial-information>

- Aurum PropTech Analysis – Brookfield Q4 Results (May 5, 2025)  
Link: <https://www.aurumproptech.in/pulse/media/brookfield-india-reit-q4-noi-growth-16-distributions-boost>
- Brookfield REIT Q4 FY25 Investor Presentation (Official)
- IPO Central Analysis – Brookfield FY25 Results  
Link: <https://ipocentral.in/brookfield-reit-fy25-results-noi-jumps-37-3/>

### 3. NEXUS SELECT TRUST

#### Annual NDCF Performance & Distribution History

Period	Revenue (₹ Cr)	Est. NDCF (₹ Cr)	Cum. DPU (₹)
FY24*	2,054	~1,520	2.00
FY25E	2,318	~1,313	2.40
FY26E	2,492	~1,412	2.60–2.75

#### Quarterly Distribution Pattern (FY24–FY26H1):

Quarter	FY24*	FY25	FY26 H1	QoQ Var (%)
Q1 (May–Jul)	680	—	—	—
Q2 (Aug–Oct)	730	835	900	+4.0%

Q3 (Nov–Jan)	750	910	–	+2.0%
Q4 (Feb–Apr)	860	965	–	-5.0%
H1 (May–Oct)	–	–	1,067	+3.5%
Full Year	3,020	3,710	–	+22.8%

- Nexus Select Trust Annual Report FY24 (Official, published June 2024)  
Link:<https://www.nexusselecttrust.com/resources/assets/pdf/Annual-Report-FY-2024.pdf>
- Nexus Select Trust Q2 FY25 Earnings Update (November 2024)  
Link:[https://www.nexusselecttrust.com/resources/assets/pdf/Nexus-Select-Trust\\_Q2-Sep-24\\_vf2.pdf](https://www.nexusselecttrust.com/resources/assets/pdf/Nexus-Select-Trust_Q2-Sep-24_vf2.pdf)
- EquityMaster Financial Analysis – Nexus FY25 (March 30, 2025)  
Link:<https://www.equitymaster.com/research-it/annual-results-analysis/NEXU/NEXUS-SELECT-TRUST-2024-25-Annual-Report-Analysis/12880>
- Nexus Select Trust Annual Report FY24  
Link:<https://www.nexusselecttrust.com/resources/assets/pdf/Annual-Report-FY-2024.pdf>
- Nexus Select Trust Q2 FY25 Earnings  
Link:[https://www.nexusselecttrust.com/resources/assets/pdf/Nexus-Select-Trust\\_Q2-Sep-24\\_vf2.pdf](https://www.nexusselecttrust.com/resources/assets/pdf/Nexus-Select-Trust_Q2-Sep-24_vf2.pdf)

## 4. EMBASSY OFFICE PARKS REIT

### Annual NDCF Performance & Distribution History

Metric	FY20	FY21	FY22	FY23	FY24	FY25	FY26E

ROI(₹ Cr)	1,624	1,837	2,033	2,441	2,791	3,022	3,418
YoY Revenue Growth (%)	—	+13.1%	+10.7%	+20.0%	+14.3	+8.3	+13.1%
Annual NDCF (₹ Cr)	~1,800	1,836	2,063	2,058	2,022	2,181	2,400+
Distribution Yield (%)	—	6.4%	7.1%	7.1%	6.0%	5.5%	5.8%
Annual Variance YoY	—	+13.1%	+12.3%	-0.3%	-1.7%	+7.9	+10%

Quarterly Distribution Pattern (FY24–FY26):

Quarter	FY24 (₹ Cr)	FY25 (₹ Cr)	FY26 (₹ Cr)	QoQ Change (%)
Q1	~530	~553	550	-0.5%
Q2	~538	~559	617	+10.3%
Q3	~539	~540	—	—
Q4	~415	~529	—	—

Full Year	2,022	2,181	~1,167*	+8.8%
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- Embassy REIT Annual Report FY21: "Leases typically have contractual escalations in the range of 10% to 15% every three to five years"  
<https://www.embassyofficeparks.com/AnnualReport-FY21/pdf/management-discussion-and-analysis.pdf>
- Axis Direct Q3 FY25 Report: NDCF at Rs 2,170-2,250 Cr for FY26E (+5% YoY midpoint)  
<https://simplehai.axisdirect.in/images/2024/Embassy-Office-Parks-REIT-Ltd---Q3-FY25-Result-Update---30012025-1.pdf>
- Embassy REIT Q4 FY25 Guidance: "NDCF increased by 9% YoY to Rs 540 Cr"  
<https://simplehai.axisdirect.in/images/2024/Embassy-REITS-Ltd---Q4FY25-Result-Update---30042025.pdf>
- <https://www.embassyofficeparks.com/investors/financial-results/>

## Should REITs Be Compared to Equities or Remain Hybrid?

REITs are HYBRID instruments with BOND-LIKE cash flow characteristics and EQUITY-LIKE appreciation optionality. They should NOT be compared directly to equities; instead, they occupy a distinct "Equity-Plus-Income" category.

## Why REITs Should be considered Hybrid (Not Pure Equity):

1. Cash Flow Mandate: 90% distribution requirement → bond-like predictability
2. Leverage Ceiling: 49% LTV limit → debt-like financial discipline
3. Asset Backing: Physical properties with stable cash flows → bond-like security
4. Quarterly Consistency:  $\pm 5-15\%$  NDCF variance vs.  $\pm 20-50\%$  equity earnings variance
5. Contractual Leases: Long-term tenant contracts (3–10 years) → bond-like contracted cash flows

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## 3. REIT DISTRIBUTION YIELDS (ACTUAL DATA)

### Dividend Yields by REIT



REIT	Dividend Yield
Embassy Office Parks REIT	5.5-6.0%
Mindspace Business Parks REIT	5.0-6.0%
Brookfield India Real Estate Trust	7.0-7.3%
Nexus Select Trust	5.0-5.5%

Average REIT Dividend Yield: 5.7-6.2%

Embassy : GuruFocus, Stockanalysis India

<https://www.gurufocus.com/term/yield/NSE:EMBASSY>

<https://stockanalysis.com/quote/nse/EMBASSY/dividend/>

Brookfield : Geojit Research Report

<https://gcc.geojit.net/researchdesk/>

Mindspace : Screener.in (Financial Database)

<https://www.screener.in/company/MINDSPACE/consolidated/>

## 4. EQUITY COMPANY DIVIDEND DATA (DLF LTD)

### DLF Ltd - India's Largest Real Estate Developer

Historical Payout Ratios:

Year	PAT (₹ Cr)	Dividend Paid (₹ Cr)	Payout Ratio	Dividend Yield
FY 2019-20	₹5,617	₹1,230	21.86%	0.55%
FY 2020-21	₹5,045	₹1,260	24.97%	0.60%
FY 2021-22	₹5,920	₹1,184	20.00%	0.48%
FY 2022-23	₹11,009	₹2,395	21.76%	0.58%
FY 2023-24	₹16,304	₹1,238	7.59%	0.50%

- Dividend Yield: 0.5-0.6%
- FY24: DLF PAT was ₹16,304 crore. Dividend paid was ₹1,237.65 crore, representing 7.59% payout—the lowest in the 5-year period despite the highest profit.

Source: DLF Annual Report FY23-24

[https://www.dlf.in/annual\\_docket/Annual-report-2023-24.pdf](https://www.dlf.in/annual_docket/Annual-report-2023-24.pdf)

## What This Shows

- DLF yield of 0.58% average is 9-10x LOWER than REIT yields of 5.7-6.2%
- DLF payout ratio (PAT basis) averages ~20-25% significantly lower than REITs' 90-100%
- DLF retains 75-80% of profits for growth and acquisitions

- Payout is highly variable: FY24 shows only 7.59% payout despite ₹16,304 crore profit (board retained for debt/growth reprioritization)
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## 5. EQUITY COMPANY DIVIDEND DATA (GODREJ PROPERTIES)

### Godrej Properties Ltd - Another Major Developer

Dividend Yield: 0.00% (does NOT pay dividends)

Dividend Payout Ratio: 0% (retains all profits)

### The Point

Even among large real estate developers, payout policies are 100% discretionary. One pays some dividend; another pays none.

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## 6. NIFTY 50 / LARGE-CAP YIELDS (INDIA)

### Average Large-Cap Dividend Yields

- Real estate developers: 0-1%
- IT companies: 0-1%
- Financials: 2-4%
- Nifty 50 weighted average: 1.5-2.0%

Data Source: Wright Research Analysis

<https://www.wrightresearch.in/blog/investing-in-india-2025-equities-vs-real-estate/>

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## 7. DIRECT COMPARISON TABLE

Metric	REITs	DLF	Godrej Prop erties	Nifty 50 Avg

YIELD	5.7-6.2%	0.58%	0.00%	1.5-2.0%
PAYOUT RATIO	90-100% NDCF	20-25% PAT Avg	0%	20-40%
Frequency	Quarterly	Annual	None	Annual
Mandatory?	YES (SEBI)	NO	NO	NO
Quarterly Volatility	-3% to +12%	Variable	N/A	Variable
Payout Stability	High	Low (discretionary, 7-25% range)	N/A	Low

## 8. ARGUMENTS FOR SEBI'S EQUITY CLASSIFICATION

### Why Calling REITs "Equity" May Have Merit

#### Argument 1: Volatility Profile

REITs exhibit moderate price volatility relative to bonds but exhibit both upside and downside swings. The volatility profile reflects market dynamics of the underlying real estate assets and interest rate sensitivity, not a pure fixed-income characteristic.

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#### Argument 2: Mutual Fund Structural Access

Classifying REITs as equity allows allocation in equity MF portfolios (10% per issuer, 20% overall). This opens access to ₹2-3 trillion potential capital pool for real estate investment.

However, this classification comes with trade-offs. Debt mutual funds simultaneously faced stricter regulations post-2019 reforms, reducing some investor segments' access to yield-generating instruments. The equity classification of REITs reallocates opportunities rather than uniformly expanding them.

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### Argument 3: Global Benchmarking

US, Singapore, Australian REITs classified as equity-like. India aligning with international standards for regulatory consistency.

However, international classifications are themselves debated; many economists classify REITs separately due to hybrid characteristics.

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## 9. ARGUMENTS AGAINST PURE "EQUITY" CLASSIFICATION

### Why REITs Aren't Really "Equity"

#### Argument 1: Payout Mandate Creates Income-Focus

- REITs: 90-100% NDCF must be distributed (SEBI regulation, non-negotiable)
- DLF: Paid only 7.59% of ₹16,304 crore profit in FY24 (discretionary decision)
- Godrej: 0% payout (discretionary decision)

Result: Fundamentally different economic structure. REITs constrained as income instruments; equities free to reinvest or return capital at board discretion.

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#### Argument 2: Yield Profile

- REITs: 5.7-6.2% yields
- DLF: 0.58% yield
- Equities average: 1.5-2.0%

REITs does not match equity yield profiles. This yield differential is not incidental; it signals the asset class's fundamental orientation toward income distribution.

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#### Argument 3: Payout Stability – Despite Quarterly NDCF Volatility

NDCF Quarterly Pattern: Ranges from -3% to +12% quarter-on-quarter due to leasing timing, capex cycles, and refinancing activities.

But: Annual NDCF is stable (-1.2% to +9.2%YoY) and the 90-100% regulatory mandate ensures payouts remain predictable, creating very high distribution consistency.

Contrast with Equities:

- DLF FY24: Paid 7.59% (retained majority for growth/debt repayment)
- DLF FY25: Estimated ~9% payout (different priority)
- Godrej: 0% for years

Equity payouts are discretionary and highly variable. REITs cannot exercise this discretion.

Argument 4: Analyst Coverage Gap

Analyst Coverage Comparison (All Listed Indian REITs vs DLF)

Company	Number of Analysts	Key Covering Brokerages/Institutions
DLF Ltd	46 analysts	Ambit Capital, Antique Stockbroking, Nomura, Jefferies & Co., ICICI Securities, HDFC Securities, Kotak Institutional Equities, Motilal Oswal, Axis Capital, JM Financial, Emkay Global, Prabhudas Lilladher, Anand Rathi, Sharekhan, Angel One, Choice Broking, Geojit BNP Paribas, Edelweiss Securities, CLSA, Morgan Stanley, Goldman Sachs, Macquarie, UBS, Credit Suisse, BNP Paribas, Deutsche Bank, Citi, HSBC, Standard Chartered, Yes Securities, KR Choksey, LKP Securities, Systematix Shares, Elara Capital, Nirmal Bang, Arihant Capital, Canara Bank Securities, Dolat Capital, KRMPG, StoxBox, IIFL Securities, Centrum Broking, Phillip Capital, and others
Embassy REIT	16 analysts	Jefferies & Co., Kotak Securities, CITI Research, Nirmal Bang, Axis Capital, Morgan Stanley, Bank of America, ICICI Securities, JM Financial, UBS Securities, IIFL Securities, and others

Mindspace REIT	10 analysts	Kotak Securities (Murtuza Arsiwalla), CITI Research (Atul Tiwari), Nirmal Bang (Amit Agarwal), Axis Capital (Aditya Bagul), Morgan Stanley (Sameer Baisiwala), Bank of America (Kunal Tayal), ICICI Securities (Adhidev Chattopadhyay), JM Financial (Manish Agrawal), UBS Securities (Sourabh Taparia), IIFL Securities (Mohit Agrawal)
Brookfield REIT	8 analysts	JM Financial, Axis Capital, Nirmal Bang, Emkay Global, Geojit BNP Paribas, Kotak Securities, Motilal Oswal, and others
Nexus Select Trust	7 analysts	Axis Capital, Motilal Oswal, Emkay Global, ICICI Securities, Geojit, and others

#### Coverage Intensity Ratios:

- DLF vs Embassy: 2.9x more analysts (46 vs 16)
- DLF vs Mindspace: 4.6x more analysts (46 vs 10)
- DLF vs Brookfield: 5.75x more analysts (46 vs 8)
- DLF vs Nexus: 6.6x more analysts (46 vs 7)
- Average analyst coverage of all 4 REITs: 10.25 analysts
- DLF analyst coverage is 4.5x higher than average REIT coverage

#### Data Sources:

1. DLF: Simply Wall St - "DLF Limited is covered by 46 analysts"  
<https://simplywall.st/stocks/in/real-estate-management-and-development/nse-dlf/dlf-shares>
2. Embassy REIT: Marketscreener - Analyst consensus page  
<https://in.marketscreener.com/quote/stock/EMBASSY-OFFICE-PARKS-REIT-59241246/consensus/>
3. Mindspace REIT: Official investor relations page - Research & rating coverage  
<https://www.mindspacereit.com/investor-relations/rating-coverage>
4. Brookfield & Nexus: Investing.com consensus estimates, Moneycontrol, and brokerage coverage trackers

## 10. FINAL CONCLUSION

## What the Data Shows

1. Yield: REITs 5.7-6.2% vs DLF 0.58% (9-10x difference)
2. Payout: REITs 90-100% mandatory vs DLF 7-25% discretionary
3. Quarterly Volatility: REITs -3% to +12% vs equities highly variable
4. Annual Stability: REITs -1.2% to +9.2% YoY growth (very stable) vs equities cyclical
5. Regulation: REITs hardwired to distribute; equities free to retain

### **Inflation oriented data analysis:**

REITs are fundamentally correlated with inflation rates, as they include step increments to rent (dividend) payments, and also the spread captured at the end of the fixed term to catch up with current market prices. It is intuitive that housing rates are directly triggered by the changes, particularly the rise in the inflation rates. The same goes with InvITs, as they include step increments in their clauses as well.



REITs: An equally weighted index (REIT\_Office) of the 3 major REITs - Embassy, Brookfield Mindspace was created as a collective measure of the REIT industry, in order to eliminate the noise induced by the market opinion of a particular company.

InvITs: A similar index (InvIT\_Office) was made for InvITs with IRB InvIT Fund, IndiGrid InvIT (India Grid Trust), PowerGrid InvIT.

Equity: NIFTY - Just to see which is a better choice of investment between NIFTY and REITs, nothing to do with the nature of companies or underlying assets themselves.

Debt: We used the Nippon IN ETF Nifty 8-13 yr G-Sec Long Term Gilt as a proxy for debt.

Commodities: Gold (Nippon India ETF Gold BeES)

Interest Rates: We tried using RBI repo rates as Interest rates, but they were only changed a handful of times, and remained stationary for the most period, since the timeframe we are analyzing upon is relatively small, hence the analysis did not prove to be very fruitful.

In addition to these, we also included NIFTY REALTY INDEX in our analysis, as a representative of the Indian real estate index, as discussed in the previous meeting. The **Nifty Realty Index** tracks the performance of India's leading real estate developers, such as DLF and Godrej Properties, serving as the primary benchmark for the sector on the NSE.

Monthly returns of each of the aforementioned assets was considered alongside monthly inflation rates based on CPI data provided by the RBI, for the period February 2022 to November 2025 (latest available data). This only includes ~45 months worth data due to the limited availability of REIT and InvIT data. (almost 1.5 years worth data more than the last time)

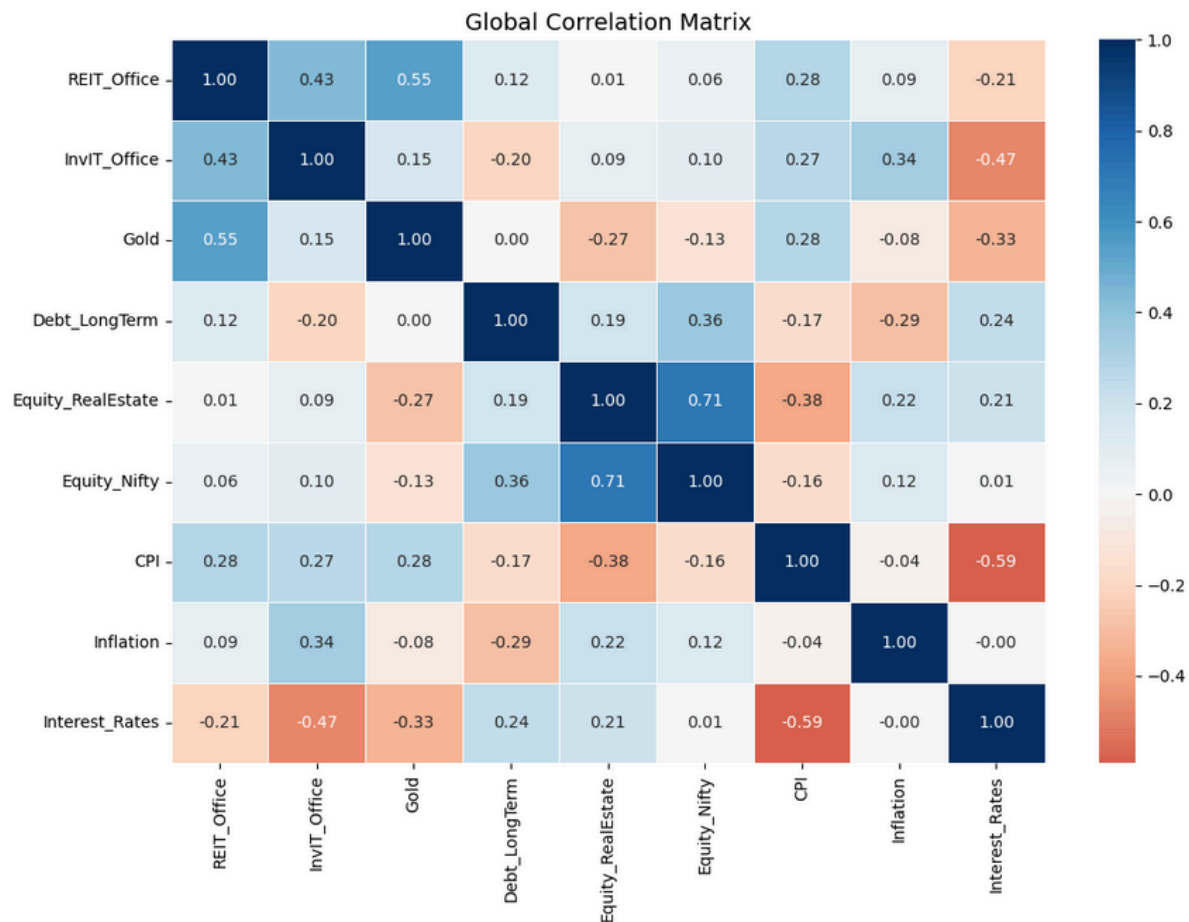
## 1) Executive Overview

- Primary Finding: InvITs emerged as the most effective aggressive inflation hedge, while REITs act as a "partial hedge" with a significant delayed reaction to interest rates.
- Banks showed low sensitivity to inflation in this period, validating their role as neutral cyclicals.

## 2) Correlation:

- The correlation matrix helps in understanding which assets move together, and which assets can be combined to create a hedging option. REITs and InvITs did not exhibit high correlation with any of the parameters, which can be intuitively explained by the lag shown by the market in reflecting the changes in prices due to changes in inflation or

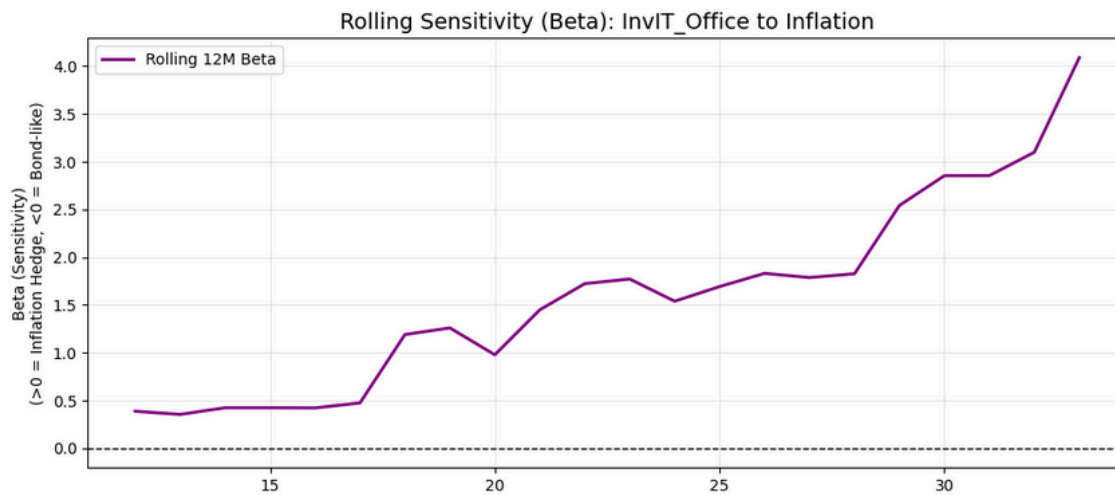
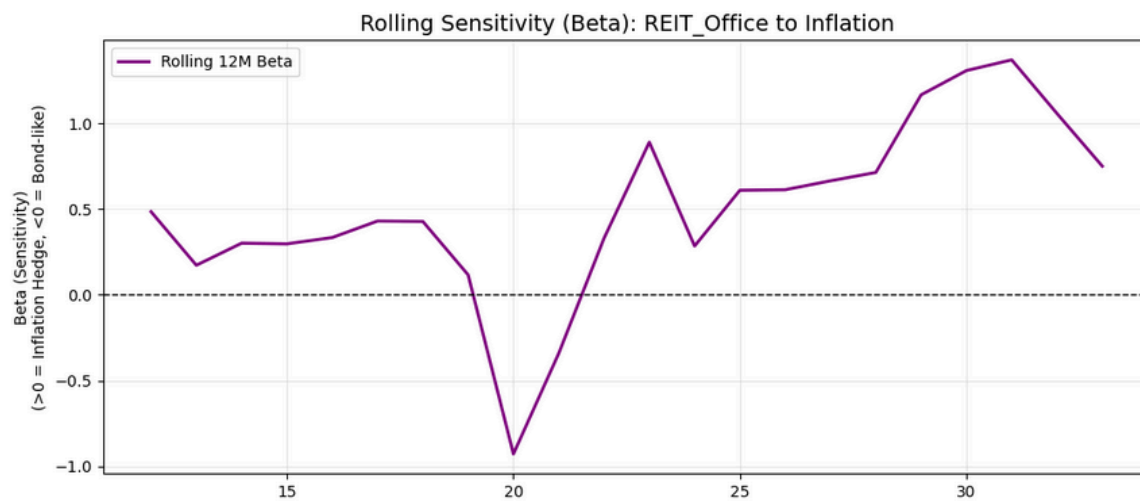
interest rates, and also validate the application of linear regression in order to model the data.



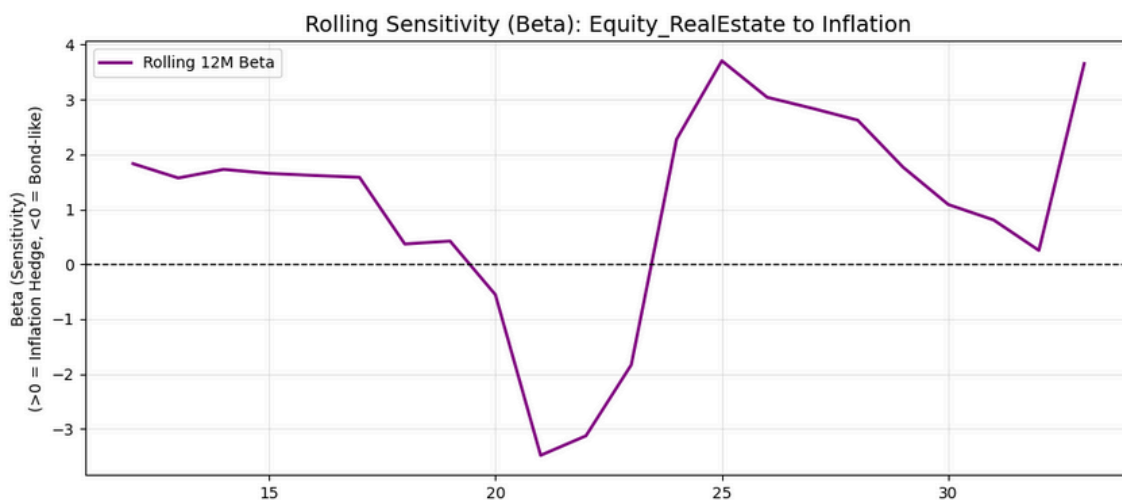
### 3) Asset Class Performance Analysis:

Ordinary Least Squares (OLS - Linear Regression) was performed on the following assets against inflation, to find out the beta (slope) in two ways. The first method was to consider rolling 12 month periods and take the average slope (beta). The second was to consider the whole data at once for both the asset under consideration and inflation. We find the former to be more robust and meaningful in this case, as a retail buyer or stakeholder is influenced more by the former, and the OLS provides a better fit.

- InvITs demonstrated the highest hedge (beta) over inflation, followed by REITs, and both were successful at beating the NIFTY, emerging as the best hedges against inflation in the short term. This supports our fundamental understanding of markets as NIFTY traditionally requires a long term investment to produce fruitful returns and act as a hedge against inflation.



InvITs were found to have an average beta of 1.59, and REITs 0.6, as compared to those of NIFTY (0.4) for the monthly data. However, it is interesting to note that the NIFTY Realty index showcased an average beta of 0.94.



The overall data also produced similar cardinality of assets. (1.14 and 0.35 for InvITs and REITs respectively, followed by 0.47 (NIFTY), but 0.55 for NIFTY Realty. ]

#### Additional findings:

Gold: Statistical regression failed to capture Gold's value because it is non-linear. Gold stays flat during mild inflation but acts as the best performer during extreme inflation or volatility shocks (e.g., the Sep '25 anomaly).

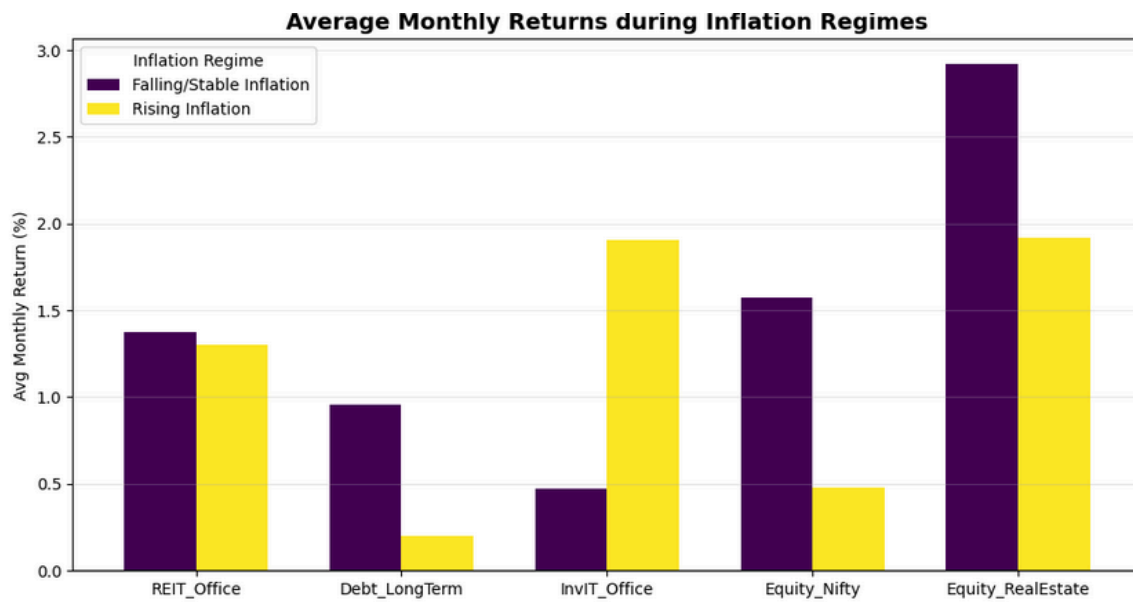
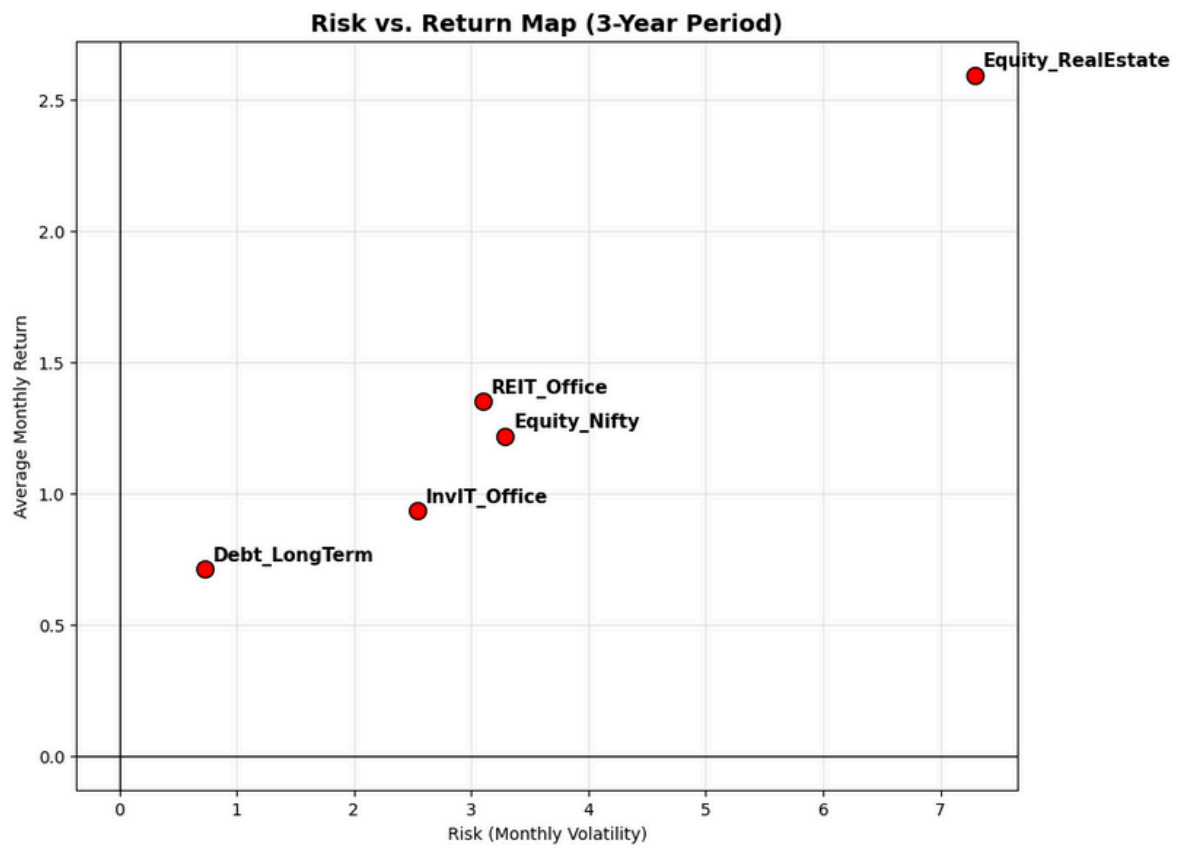
Debt (Long-Term Gilts): Showed a statistically significant negative correlation with inflation. As expected, rising inflation leads to rising yields and falling bond prices.

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In addition to analyzing the performance of assets against inflation, we analyzed the drivers of Indian REIT returns by running regression models against inflation, interest rates, and the broader stock market. We theoretically expected REITs to either rise with inflation or move inversely to interest rates, similar to bonds. However, every test yielded a near-zero correlation, with our models explaining only about 3% of the price movement. At first, this low "R-squared" appeared to be a failure of our analysis, suggesting that we were missing a key variable or using the wrong timeframe.

Indian REITs are a relatively new asset class and have been driven more by specific one-off events - such as the tax changes in the 2023 Union Budget - than by general economic cycles. This finding aligns with official NSE data, which consistently reports a very low correlation between REITs and the Nifty 50. The "failure" of our regressions simply confirms that REITs currently operate independently of the macro factors that drive other stocks.

This is highly relevant to our final conclusion because it redefines the value of REITs in a portfolio. Since they do not react predictably to inflation or market crashes, they cannot be used as a targeted hedge against those risks. However, their statistical independence makes them an excellent tool for diversification. By adding an asset class that essentially ignores what the rest of the market is doing, investors can lower their overall portfolio risk, relying on REITs to behave differently when traditional equities are volatile.



## **FUNDAMENTAL RATIOS:**

### **Cap Rate Spread: 340 bps**

A cap rate spread compares the premium real estate has over something as risk averse as government bonds and a higher spread means a higher premium. A current spread of 340 bps means it is in the normal range not undervalued or overvalued with inflation.

### **InvIT Yield Spread: 511 bps**

The InvIT Yield spread has a higher premium over the REIT confirming that

### **FFO Yield vs Inflation: 9.54%**

## **Final Verdict:**

For an inflation-proof Indian portfolio, the data suggests overweighting InvITs for direct hedging, holding Gold for tail-risk insurance, and using REITs for diversification - but with a strict exit strategy triggered 3-4 months after an inflation spike to avoid the interest rate lag effect.

## **Comparison of equity vs REITs and InvITs:**

## Performance Metrics

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Sharpe Ratio : 0.7844  
Sortino Ratio : 1.0909  
Max Drawdown : -54.9919%  
Average Drawdown : -13.5830%  
Performance Metrics

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Sharpe Ratio : 0.7256  
Sortino Ratio : 1.0294  
Max Drawdown : -53.0448%  
Average Drawdown : -16.7620%  
Performance Metrics

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Sharpe Ratio : 0.7947  
Sortino Ratio : 0.9842  
Max Drawdown : -49.8830%  
Average Drawdown : -10.1587%

Real Estate Low, Mid then High

## Performance Metrics

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Sharpe Ratio : 0.6690  
Sortino Ratio : 1.0533  
Max Drawdown : -55.0996%  
Average Drawdown : -18.0686%  
Performance Metrics

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Sharpe Ratio : 0.8133  
Sortino Ratio : 1.1239  
Max Drawdown : -57.0787%  
Average Drawdown : -17.4305%  
Performance Metrics

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Sharpe Ratio : 0.7947  
Sortino Ratio : 0.9842  
Max Drawdown : -49.8830%  
Average Drawdown : -10.1587%

Infrastructure companies low, mid followed by high

#### Performance Metrics

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Sharpe Ratio	: 0.3191
Sortino Ratio	: 0.4175
Max Drawdown	: -33.2278%
Average Drawdown	: -10.9965%

5 years reits

#### Performance Metrics

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Sharpe Ratio	: 0.8546
Sortino Ratio	: 0.7545
Max Drawdown	: -17.3071%
Average Drawdown	: -3.2837%

5 years invits

#### Performance Metrics

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Sharpe Ratio	: -0.9637
Sortino Ratio	: -1.4611
Max Drawdown	: -33.2278%
Average Drawdown	: -14.2169%

6 month reits

#### Performance Metrics

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Sharpe Ratio	: 1.3943
Sortino Ratio	: 1.5938
Max Drawdown	: -6.9494%
Average Drawdown	: -1.2878%

6 months invits



#### Performance Metrics

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Sharpe Ratio : -0.1395  
Sortino Ratio : -0.1945  
Max Drawdown : -33.2278%  
Average Drawdown : -18.5957%

1 year reits

#### Performance Metrics

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Sharpe Ratio : 2.4888  
Sortino Ratio : 2.8972  
Max Drawdown : -6.9494%  
Average Drawdown : -0.8955%

1 year invits

#### Performance Metrics

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Sharpe Ratio : 0.1386  
Sortino Ratio : 0.1815  
Max Drawdown : -33.2278%  
Average Drawdown : -13.8887%

3 year reits

#### Performance Metrics

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Sharpe Ratio : 1.1021  
Sortino Ratio : 0.8793  
Max Drawdown : -17.3071%  
Average Drawdown : -3.2520%

3 year invits

# REAL ESTATE COMPANIES & THEIR CLASSIFICATION

Company Name	Industry Type(Construction or Real Estate)	Official AMFI Rank	Avg Market Cap (Jan–Jun 2025)	Final Classification
Larsen & Toubro	Both	12	₹4,72,595 Cr	High Cap
CBRE Limited	Real Estate	N/A(Listed on NYSE)	₹4,10,000 Cr	High Cap
DLF Limited	Real Estate	43	₹2,10,480 Cr	High Cap
Godrej Properties	Real Estate	141	₹66,405 Cr	Mid Cap
Oberoi Realty	Real Estate	146	₹63,414 Cr	Mid Cap
Prestige Group	Real Estate	154	₹59,044 Cr	Mid Cap
Brigade Group	Real Estate	271	₹26,130 Cr	Low Cap

<b>NBCC (India) Ltd.</b>	Both	<b>272</b>	₹26,044 Cr	<b>Low Cap</b>
<b>IRCON International</b>	Both	<b>325</b>	₹18,489 Cr	<b>Low Cap</b>
<b>NCC Limited</b>	Both	<b>345</b>	₹15,422 Cr	<b>Low Cap</b>
<b>Sobha Ltd.</b>	Both	<b>395</b>	₹12,465 Cr	<b>Low Cap</b>
<b>Mahindra Lifespaces</b>	Real Estate	<b>485</b>	₹10,115 Cr	<b>Low Cap</b>
<b>Reliance Infra</b>	Both	<b>515</b>	₹8,718 Cr	<b>Low Cap</b>
<b>Ashoka Buildcon</b>	Both	<b>625</b>	₹5,710 Cr	<b>Low Cap</b>
<b>Jaiprakash Assoc.</b>	Both	<b>1105</b>	₹886 Cr	<b>Low Cap</b>

**Classification Standards:** To classify the companies into high, mid or low cap we have used standard SEBI regulation according to which companies with AMFI( Association of Mutual Funds in India) rankings:

- 1.) 1-100 : High Cap
- 2.) 101-250 : Mid Cap
- 3.) 250+ : Low Cap

**Market Capital = Total number of outstanding shares \* Current market price per share**

We have used trusted resources such as [Screener.in](https://www.screener.in) & NSE India for finding average market cap of various companies for the first half of 2025.