

# REIT Awareness : A perspective Investors of India

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## ABSTRACT

*Indian real estate industry has been emerged as one of the fast growing and major employment generation industry of India. Research title "REIT Awareness: A perspective of Normal Investors of India" is based on awareness of common people about this concept. This concept is new in India despite structure is similar to any other organisations like mutual fund, companies that are listed in the stock exchange. The purpose of this research was to explore the awareness about REIT among common people based in New Delhi. A random sampling was applied to approach to 100 respondents. Respondents were normal visitors to Bajaj Capital office Nehru Place New Delhi for their Investment related issues/ enquiries etc. Outcome of the survey revealed that people are less aware with the REIT and it will take time to consider as normal avenues of investment by the investors.*

**Key words:** REIT, Awareness, Mutual Funds, Investment Avenues.

## 1.Introduction

Real Estate Investment Trust (REIT), is an organisation that facilitate finances to real estate projects and projects produces income for REIT. REITs provide all types of regular income streams, diversification and long-term capital appreciation to its investors. Any investor can invest in portfolios of large scale properties / projects in the similar fashion they have been investing in other organisations of other industries by the way of buying shares. REIT buys properties or invests in projects that generate income to pay dividend to the REIT investors along with an opportunity of capital gain as well. In this way investors does not required to go and buy properties. REITs stocks are also traded in major stock exchanges.

As far as types of REITs are concerned, it is public non-listed and private REITs. It is two types-Equity REITs and Mortgage REITs. Equity REITs generate income through the collection of rent, sales of the properties they own for the long-term. Mortgage REITs invest in mortgages or mortgage securities tied to commercial and/or residential properties.

REITs are involves in apartments, hospitals, hotels, industrial facilities, infrastructure, nursing homes, offices, shopping malls, storage centers, student housing, and timberlands. In United State REITs are having properties almost in all states and generates more than one million U.S. jobs annually. U.S. REITs are a model for REITs around the world, and now more than 30 countries around the world have adopted REIT legislation. **(REITs 2016)**

## 2.Literature Review

On Sept. 14, 1960 President Dwight D. Eisenhower signed legislation that created a new approach to income-producing real estate investment – a manner in which the best attributes of real estate and stock-based investment are combined. REITs, for the first time, brought the benefits of commercial real estate investment to all investors – benefits that previously had been available only through large financial intermediaries and to wealthy individuals. Over time, investors responded to this new opportunity, and more than five decades after their creation stock exchange-listed U.S. REITs the industry has grown to a \$1 trillion equity market capitalization and nearly \$2 trillion in real estate assets. REITs in the U.S. and increasingly around the world now regularly provide investors with the opportunity for meaningful dividends, portfolio diversification, valuable liquidity, enviable transparency and competitive performance. **(REITs 2016)**

**3.Working of REITs**



Investing in real estate can be lucrative, if investor know what they are doing. But they are right, unless they use the services of a property management company, investors need to handle landlord responsibilities. A real estate investment trust (REIT) can be a valuable way to increase the amount of real estate in investors portfolio without requiring investors hands-on presence.

REITs were created by Congress in 1960 so that investors without the millions of dollars required to invest in commercial property could invest in real estate. Many REITs are publicly traded on stock exchanges and own a variety of property such as shopping malls, shopping centers, offices, hotels, apartments, self-storage facilities, industrial warehouses and healthcare facilities such as medical offices and assisted living facilities. Most REITs manage their property as well as own it. Some REITs don't own property at all and invest instead in mortgages. Other REITs are not publicly traded. Individual investors can buy REIT shares instead of entering into a real estate partnership.

Like any other investment, the performance of individual REITs fluctuates for a variety of reasons. The best resource for information about REITs is the National Association of Real Estate Investment Trusts (NAREIT), which has extensive research and data on REITs. According to NAREIT, the average annual return on equity REITs between January 1978 and December 2010 was nearly 12.3%. Michele lerner (2014)

**4.Aim & Objective**

Aim or overall purpose of the study is to explore the awareness about REITs. Specific objective is to conduct survey on awareness on REITs with specific to investors visiting to Bajaj Capital Nehru Place, New Delhi.

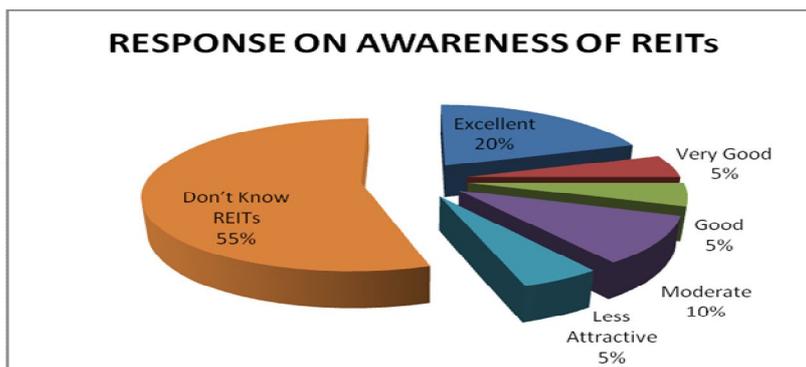
**Research Methods:**

Research method is scientific way of preceding a research work and reaching to its conclusion. It includes identification of universe, application of sampling technique, finding samples, application of right statistical tools and application of the same. (Kothari,2009). Universe of study: The universe for study is normal visit of investors to the Bajaj capital Nehru place. Sample for the study: A convenience sample was collected from 60 investors. Instrument of Primary Data Collection used was Questionnaire Method. Secondary data used were books, journals, websites etc.

**Findings**

**Preference wise choice of investment avenues:**

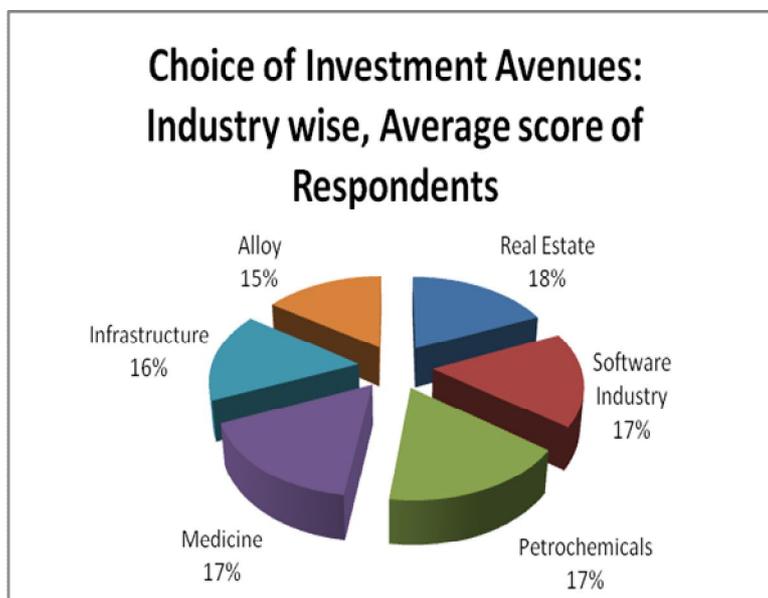
HOW YOU RATE INVESTMENT THROUGH REITs					
Excellent	Very Good	Good	Moderate	Less Attractive	Don't Know REITs
20	5	5	10	5	55



Above response on awareness shows that most of the investors are not aware with REITs and its concept as an investment avenue. Though around 45% respondents had idea about REITs. 20% responded rated as excellent avenue of investment, rest 25% were in the response category of very good, good, moderate and less attractive.

**Choice of investment avenues industry wise**

Choice of Investment Avenues: Industry wise	Mean	SD
Real Estate	6.30	0.00
Software Industry	5.75	0.42
Petrochemicals	5.82	0.44
Medicine	5.66	0.48
Infrastructure	5.48	0.41
Alloy	5.26	0.43



Respondents graded their choice of industries from investment point of view (Table 1) in order of their preference using a six point scale with 6 being the first choice, second choice and so on, where in 6 is highest choice and 1 is least choice. Above table shows that mean score of Real Estate is having highest mean i.e.6.30 followed by software, petrochemical, medicine, infrastructure and alloy industries with average score of 5.75, 5.82, 5.66, 5.48 and 5.26 respectively. Above table shows the respective standard deviation that reveals less variability in the mean. This means calculated average represents more reliability.

This shows that people prefer investment in the real estate industry but most of the people are not aware with REITs concept in India and still its stage of creating awareness about the working of REITs and there is need to make people understand about involvement of risk too in this way of investment. Above calculated average mean concludes the average choice of 100 people and average standard deviation implies that standard deviation is less so more authentic calculated mean is. So here conclusion with concrete mean is very much authentic.

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