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## REIT as an Investment Avenue: A Comparative Study of Embassy REIT and Mindspace REIT

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### Abstract

The Real Asset Investment Trusts have emerged as an attractive investment avenue in the past decade. Just like mutual funds give exposure towards various debt and equity instruments, similarly REIT provide exposure towards Physical Real Estate. They invest in revenue generating real estate and pass on that to Investors. The REIT can be exchanged in listed stock exchanges. The unit holder may earn the benefits of price appreciation like stock and also the benefit of dividend declared by REIT. In this research, the Researcher opted for comparing the top two REIT based on market capitalization namely Embassy REIT and Mindspace REIT. The comparison shown non significant difference in the case of quarterly returns generated by REIT whereas significant difference in the dividend distribution (%) generated by REIT.

**Keywords:** Investments, Real Estate Investment Trusts, REIT, Embassy, Mindspace, Portfolio.

### Introduction

Real Estate Investment Trusts (REITs) in India are investment vehicles that allow individuals to invest in income-generating real estate assets without directly owning the properties. It is regulated by the Securities and Exchange Board of India (SEBI). They mainly invest in commercial properties such as office spaces, malls, and hotels, ensuring that 8/10<sup>th</sup> of the investment is income generating. They are required to distribute at least 90% of their income as dividends to unit holders, making them an attractive option for investors seeking regular income. Some of the prominent REITs listed in India include Embassy Office Parks REIT, Mindspace Business Parks REIT, Brookfield India REIT, and Nexus Select REIT, which is India's first retail-focused REIT. Investing in REITs offers benefits like stable income, diversification, liquidity, and professional management. However, they also come with risks such as market fluctuations, interest rate sensitivity, and regulatory changes. Investors can purchase REITs through stock exchanges like NSE and BSE, mutual funds, or fractional ownership platforms.

## History of REIT

The concept of Real Estate Investment Trusts (REITs) originated in the United States in 1960 when the U.S. Congress passed the REIT Act as part of the Cigar Excise Tax Extension Act. This legislation allowed investors to pool funds and invest in income-generating real estate, similar to how mutual funds work for stocks. The goal was to enable small investors to access large-scale real estate investments while benefiting from professional management and regular income distributions.

After the U.S., several countries adopted the REIT model, including:

- Australia (1971) – Established the Listed Property Trust (LPT) structure.
- Netherlands (1969) – Developed the fiscal investment institution (FBI) structure.
- Canada (1993) – Introduced REIT regulations to encourage real estate investments.
- Japan (2001) – Launched the Japan REIT (J-REIT) market.
- Singapore (2002) – Became a major REIT hub in Asia.

Today, more than 40 countries have a well-established REIT framework, with global REITs managing trillions of dollars in real estate assets.

## REIT: Indian Horizon

The concept of REITs in India was first proposed in 2008 when the Securities and Exchange Board of India (SEBI) drafted regulations. However, due to issues like taxation, regulatory hurdles, and lack of market infrastructure, the idea did not gain traction immediately.

In 2014, SEBI formally introduced the REIT Regulations, providing a legal framework for launching and managing REITs in India. The regulations were further refined in subsequent years to improve investor confidence and market participation.

The first REIT in India, Embassy Office Parks REIT, was launched in March 2019, backed by Embassy Group and Blackstone. This was a landmark moment, as it opened up commercial real estate investments to retail and institutional investors.

Following Embassy Office Parks REIT, more REITs were introduced in India:

- Mindspace Business Parks REIT (2020) – Backed by K Raheja Corp.
- Brookfield India REIT (2021) – Sponsored by Brookfield Asset Management.
- Nexus Select REIT (2023) – India's first retail-focused REIT, investing in shopping malls.

## Regulations regarding REIT in India

- The REIT must be set up as trust and registered with Securities and Exchange Board of India.
- REIT shall be constituted with Sponsor, Trustee, Manager and Unit Holders.
- The 8/10th of the Total assets of REIT must be invested in revenue generating properties.
- The remaining portion of REIT can be invested in under constructed properties, equity shares of real estate companies, government securities, etc.

- The REIT must be listed and the minimum public issue should be of 1/4th of total units.
- REIT has to distribute 9/10<sup>th</sup> of its net distributable income to unit holders two times a year.

### **Literature Review**

(Vedika) has analysed the importance of REIT in emerging markets with an aim to analyse the regulatory policies with reference to Asian Markets, compare the performance of REIT in South Asia with emerging and developed markets and to assess the challenges associated with investing in REIT. For achieving the objectives, The Researcher opted for secondary research methodology to analyse REIT. Researcher found that Developed market REITs benefit from higher liquidity, stronger regulations, and diversified portfolios, while Indian REITs remain concentrated in commercial office spaces. By improving regulatory frameworks, expanding into various property sectors, and adopting stricter governance practices, Indian REITs can attract more investors and enhance market stability. With an average dividend yield of 4-5%, higher than the S&P 500, REITs provide consistent income and can act as a hedge against market volatility.

(Sangeetha) has analysed the REIT and its future prospects. The research was descriptive in nature signifying history of REITs, its emergence in US Markets and its comparison with reference to India. the researcher noted various benefits of REIT in the research paper such as focusing more on dividends, main investment is in commercial property, its liquidity, relatively low risk than investing in real asset, regulatory safeguard, etc. The researcher also signified that the main success factor on success of REIT will be based on regulatory bodies such as SEBI, and awareness about the product.

(Tiwari, Jain and Sai Sudarshan) has analysed regarding awareness of Real Asset Investment Trusts and its awareness. The researchers' objectives for the study were to analyse the performance of REIT, analyse investor's behaviour and challenges faced by REIT. For these objectives, they collected data from 200 respondents in the form of questionnaire. They found a positive sentiment towards awareness of REIT, with easy exposure towards real assets without investing substantial amount. Respondents also favoured a source of regular income, and future growth of REIT.

### **Research Methodology**

#### **Sample Selection and Criterion**

The study is based on comparison of Returns of top two Real Estate Investment Trusts listed in National Stock Exchange as on 12 March 2025 namely Embassy REIT and Mindspace REIT.

#### **Research Gap**

After analysing the research papers, there are limited REITs in India and mostly the researchers have focused on descriptive aspect of REITs. The comparative study of two REIT has not been performed. This article emphasizes the comparison of two listed REITs on the basis of the Market Cap as on 12<sup>th</sup> March, 2025 as per National Stock Exchange. This also helps investor in deciding which REIT to opt for investment and which has better dividend distribution percentage, thereby increasing their capacity of earning income.

### Data Collection

The data is collected from the website of National Stock exchange regarding the historical opening and closing prices, volume weighted average price, etc.

### Study Period

As the most of the REITs were launched in 2019 and 2020, the Quarterly data from Q3 of 2021 to Q3 of 2025 is considered as study period.

### Accounting and Statistical Tools

For calculating returns, the returns as percentage were calculated and for the dividend distribution, the total amount declared as percentage of face value is calculated. For comparison of means of the same, independent T Test was used.

### Objectives of the Study

- To gather basic information regarding REITs.
- To compare the Returns of Embassy REIT and Mindspace REIT.
- To compare the dividend distributions of Embassy REIT and Mindspace REIT.
- To draw conclusions thereof.

### Limitations of the Study

- The study is related to limited aspects of REIT from investor's point of view only.
- Due to unavailability of data, the study was commenced from Q3 of 2021.

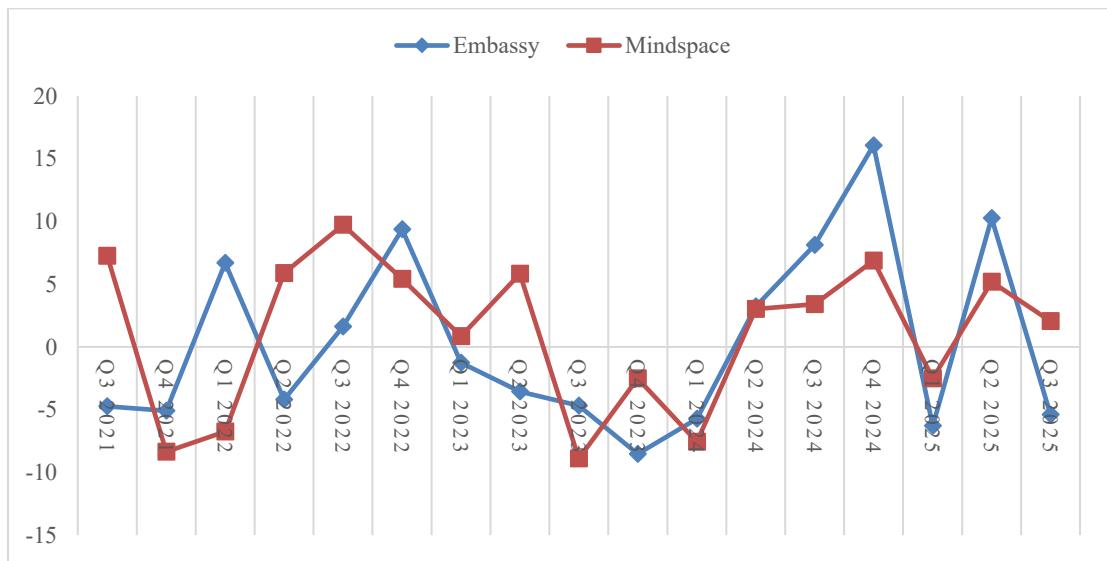
### Data Analysis and Interpretation

#### Comparison of Quarterly Returns of Embassy REIT and Mindspace REIT

Table 1: Quarterly Returns of selected REITs

	Embassy	Mindspace
Q3 2021	-4.7253	7.2484
Q4 2021	-5.0902	-8.3480
Q1 2022	6.6887	-6.7452
Q2 2022	-4.2025	5.8702
Q3 2022	1.6077	9.7218
Q4 2022	9.3671	5.4170
Q1 2023	-1.2666	0.8405
Q2 2023	-3.5516	5.8201
Q3 2023	-4.6905	-8.9033
Q4 2023	-8.5242	-2.5104
Q1 2024	-5.7233	-7.5693
Q2 2024	3.2192	3.0275
Q3 2024	8.1181	3.4074
Q4 2024	16.0699	6.8791
Q1 2025	-6.2913	-2.5193
Q2 2025	10.2714	5.1808
Q3 2025	-5.3901	2.0462
<b>Average</b>	0.3463	1.1096
<b>Min</b>	-8.5242	-8.9033
<b>Max</b>	16.0699	9.7218
<b>S. D.</b>	7.2853	6.0623

(Source: Calculated from Data derived from NSE Website)



**Chart 1 : Quarterly Returns of Embassy REIT and Mindspace REIT**

**Interpretation:** The above Table 1 and Chart 1 shows the quarterly returns of Embassy REIT and Mindspace REIT. The lowest return generated by Embassy REIT in Q4 of 2023 at -8.52 percent. The lowest return generated by Mindspace REIT in Q3 of 2023 at -8.90 percent. The maximum return generated by Embassy REIT in 16.06 percent in Q4 of 2024. The maximum return generated by Mindspace REIT in Q3 2022 at 9.72 percent. The standard deviation in Embassy REIT was found at 7.28 percent whereas in Mindspace REIT, it was at 6.06 percent.

#### Hypothesis Testing

$H_0$ : There is no significant difference between quarterly returns generated by selected REITs.

#### Result based on Independent T Test

t Cal	t Tab	df	p	Level of Significance	$H_0$
-0.33	2.03	32	0.74	0.05	Accepted

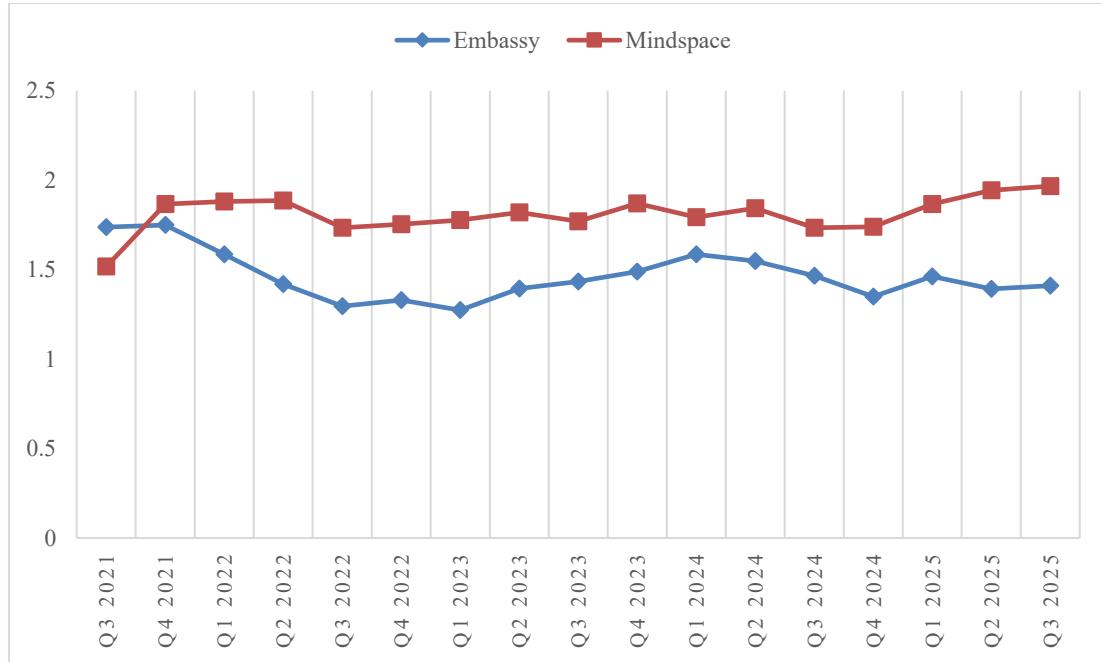
From the above results, the t calculated value is -0.33 which is less than table value of 2.03 and also, p value is 0.74 which is higher than level of significance 0.05, therefore null hypothesis is accepted.

#### Comparison of Quarterly Dividend Distributions of Embassy REIT and Mindspace REIT

**Table 2: Quarterly Dividend Distributions of selected REITs**

	Embassy	Mindspace
<b>Q3 2021</b>	1.7382	1.5167
<b>Q4 2021</b>	1.7491	1.8667
<b>Q1 2022</b>	1.5858	1.8800
<b>Q2 2022</b>	1.4192	1.8867
<b>Q3 2022</b>	1.2963	1.7333
<b>Q4 2022</b>	1.3293	1.7533

<b>Q1 2023</b>	1.2733	1.7767
<b>Q2 2023</b>	1.3935	1.8200
<b>Q3 2023</b>	1.4338	1.7700
<b>Q4 2023</b>	1.4880	1.8700
<b>Q1 2024</b>	1.5845	1.7933
<b>Q2 2024</b>	1.5485	1.8433
<b>Q3 2024</b>	1.4657	1.7333
<b>Q4 2024</b>	1.3493	1.7400
<b>Q1 2025</b>	1.4627	1.8667
<b>Q2 2025</b>	1.3920	1.9433
<b>Q3 2025</b>	1.4099	1.9667
<b>Average</b>	1.4658	1.8094
<b>Min</b>	1.2733	1.5167
<b>Max</b>	1.7491	1.9667
<b>S.D.</b>	1.4658	1.8094



**Chart 2 : Quarterly Dividend Distribution (%) of Embassy REIT and Mindspace REIT**

**Interpretation:** The above Table 2 and Chart 2 shows the quarterly dividend distribution (%) of Embassy REIT and Mindspace REIT. The lowest dividend distribution given by Embassy REIT in Q1 of 2023 at 1.27 percent. The lowest dividend distribution given by Mindspace REIT in Q3 2021 at 1.51 percent. The maximum dividend distribution given by Embassy REIT in Q4 2021 at 1.74 percent. The maximum return generated by Mindspace REIT in Q3 2025 at 1.96 percent. The standard deviation in Embassy REIT was found at 1.46 percent whereas in Mindspace REIT, it was at 1.81 percent.

### Hypothesis Testing

$H_0$ : There is no significant difference between quarterly Dividend distributions generated by selected REITs.

t Cal	t Tab	df	p	Level of Significance	$H_0$
-8.19	2.03	32	0.00	0.05	Rejected

From the above results, the t calculated value is -8.19 which is higher than table value of 2.03 and also, p value is 0.00 which is lower than level of significance 0.05, therefore null hypothesis is rejected.

### Findings

The study was conducted as a comparison of two listed REITs namely Embassy REIT and Mindspace REIT. The two components i. e., Quarterly Returns and Dividend Distribution were compared. Out of which non significant difference was found between two REITs indicating similar movement in price during the study period. However, the significant difference was found between returns generated by two REITs. On the basis of average, the Mindspace REIT distributed more dividends as compared to Embassy REIT. This depicts the strong performance indicator as compared to Embassy REIT. The low return attribute of Embassy REIT can be explained by their revenue decreasing after Q3 of 2023.

### Suggestions

- The Embassy REIT needs take steps to generate more profitability, to generate more dividend yield and dividend distributions.
- The Mindspace REIT also faced lower income from operations in June 2024 due to lower occupancy.
- In both the cases, lower return of equity was found. The companies can also work in this area to generate healthy return on equity.
- The companies may also look for expanding its portfolio by acquiring more properties thereby increasing the rental income.

### Conclusion

Real Asset Investment trusts have emerged as another attractive avenue the investor may see as a means of diversification. Instead of investing in physical asset, one can invest and can gain exposure to investment real estate sector. The REIT from the past decade have emerged as an attractive source and also the trustworthy as governed by various regulations of Securities and Exchange Board of India. The REIT also provide an attractive income option by way of dividend and distribution of profits. In this article, researcher has attempted to compare two largest REIT based on their market capitalisation. The researcher compared two REITs based on quarterly returns and the dividend distribution. The results show significant difference in case of dividend distribution and non-significant difference in case of returns. These findings suggest in case of dividend, the average distribution done by Mindspace REIT is more compared to Embassy REIT.

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