भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

International Research Conference II *on* Real Estate Investment Trusts *(REITs)*

Conference Schedule

March 20, 2015

Hyatt Regency, Sahar Airport Road, Mumbai

March 20, 2015, Friday

Time	Program
9:30 am - 9:40 am	**Inaugural Address** Shri Prashant Saran, Whole Time Member, SEBI
9:40 am - 10:00 am	**Keynote Address** Shri U.K. Sinha, Chairman, SEBI

Session - 1:

10:00 am - 11:30 am

REITs - Structure, Performance and Impact

How have REITs evolved globally in developed nations such as USA, Australia, Singapore etc.? How Bank-financing for real estate could fuel systemic risk? Whether REITs and InvITs serve as a capital market solution? How have they performed in terms of returns and risk and how have they helped in creating liquidity? How the regulations evolved to make REITs a success in the countries where they are successful? What are the learnings/Best practices to be followed? How REITs remains a good idea despite the Global Financial Crisis of 2008?

The regulatory framework in terms of allowing participation by offshore and onshore institutional investors plays a key role in creating the necessary depth and liquidity in the capital markets. India is unique considering that it has not achieved full capital convertibility yet.

- Should unhindered participation by foreign institutional investors be allowed in the REIT market? Should the liberalization be done in a phased manner?
- Should REITs be considered a low / medium risk investment for allowing domestic institutions

Speakers:

Dr. Patrick Lecomte
ESSEC Business School, Singapore

Dr. Ting Kien Hwa
Universiti Teknologi MARA, Malaysia

Mr. Cyril Shroff
Amarchand & Mangaldas & Suresh A. Shroff & Co., India

Mr. Sundareswaran S
Morgan Stanley, India

Q & A Session

11:30 am - 12:00 noon	**Tea/Coffee break**

Session - 2:

12:00 noon- 01:30 pm

Taxation for REITs

Considering international experience, tax efficiency is critical to the success of REITs. In many of the developed financial markets, success and development of REIT regime is driven by stable and efficient tax laws. Any taxation policy applying to REITs should be consistent with the broader policy rationale underpinning the development of the REIT market. The design of any set of taxation rules is always accompanied by complexity. Questions remain, however, in terms of the taxation of domestic investors as compared to foreign investors and the taxation rules that apply to income distributions compared to gains arising from disposal of the underlying property or disposal of the interest in the REIT.

- Should a REIT be a pass-through entity for tax purposes?
- If a REIT is a flow-through entity and makes distributions to a tax resident, should the resident be taxed?
- If a REIT is a pass-through entity for tax purposes and makes distributions to a tax non-resident, should the non-resident be taxed in the REIT's country of listing? Should such tax be a final withholding tax?
- Where the REIT pays corporate taxes on property income, is the same available as credit to non-residents in international tax scenario?
- Should the SPVs owned by REIT be treated on par with normal corporates or be given any beneficial tax treatment? Should REITs or SPVs owned by them be given any property / stamp duty exemption on acquisition of property and would such a step be revenue neutral for the Revenue (States)?
- Impact of taxation on the real estate sector and the way it has driven the companies in the real estate sector.

Speakers:

Dr. Sameer Chandan
The Wharton School of the University of Pennsylvania, USA

Mr. Gautam Mehra
PricewaterhouseCoopers, India

Dr. Pawan Jain
Central Michigan University, USA

Mr. Punit Shah
KPMG, India

Q & A Session

1:30 pm - 2:30 pm **Lunch**

Session - 3:

02:30 pm - 04:00 pm **Valuation of REITs**

A REIT's return profile has characteristics of both bonds and equities. The long-term nature of REIT leases provides income visibility (like bonds), while the mark-to-market of leases allows REITs to take part in the economic cycle (like equities). Unlike traditional companies, which are valued on EPS or book value, REITs are valued under different criteria including Funds From Operations (FFO) , Adjusted Funds from Operations (AFFO), and NAV etc. Real estate is purchased in the private sector based on cash flow streams from the asset, not on GAAP earnings or historical book values. As a result, several metrics have been created to evaluate REITs since the early 1990s across the world.

A significant part of conducting due diligence on a REIT investment involves analyzing its financial health and performance. Since NAV reporting standards are not yet common or standardized, a financial advisor and investor must rely on examining the financial statements of a REIT during the capital raising phase or thereafter to determine whether it is appropriate to invest in the REIT.

- Are any specific accounting standards required for REIT or is the existing accounting standards framework sufficient?
- Should a fair value basis of accounting for investment properties be made mandatory for REITs?
- The need and frequency of the NAV for the REITs and discussion on role of analysts and disclosure of NAV

Speakers:

Mr. Victor Yeung
Admiral Investments, Hong Kong

Mr. Amit Oberoi
Colliers International, India

Mr. Manish Srivastava
NYU School of Professional Studies Schack Institute of Real Estate, USA

Q & A Session

4:00 pm - 4:30 pm	**Tea/Coffee Break**

Session - 4:

04:30 pm - 06:00 pm **Managing the REITs**

In terms of management and investment choices REITs across the globe generally provide what investors want. The need for management is an indispensable for the business model to increase the appetite for more development activity than is currently permitted. One of the striking similarities of REIT frameworks in Asia Pacific that is at odds with other parts of the world is a stronger focus on an external management model. Countries such as US, Australia which developed the REIT model years ago, externally managed REITs were phased out in favour of internally managed vehicles. There is continuing debate as to the relative merits of internally or externally managed vehicles.

- While conflicts of interest and cost leakage are commonly cited as negatives of the external model, large fund management platforms can create economies of scale that enable continued enhancement of back office functions which can be lacking in some internally managed REITs.
- Internally managed vehicles, may find it difficult to resource sufficient local expertise in a geographically diverse portfolio whereas a larger external fund manager may have the scale to support the local presence necessary to effectively manage such geographic diversity.

SEBI regulations have mandated the REITs to have external managers. This has been done to check the conflict of interest situation. However, countries such as USA have moved from the external manager to internal manager for REITs, where most of the listed REITs are internally managed. However, a large portion of public unlisted REITs, REITs which are offered to public but are not listed on exchanges, are majorly externally managed.

Speakers:

Dr. Chyi Lin Lee
University of Western Sydney, Australia

Dr. Prashant Das
Ecole hoteliere de Lausanne, Switzerland

Prof. Manish Srivastava
NYU School of Professional Studies Schack Institute of Real Estate, USA

Mr. Sunil Hingorani
K Raheja Corp, India

06:00 pm - 06:10 pm **Concluding Remarks**
Shri S. Raman, Whole Time Member, SEBI

Vote of thanks

Dinner	**07:00 pm onwards**