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SEBI Proposes Broader Strategic Investor Base for REITs and InvITs

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The Securities and Exchange Board of India (SEBI) has proposed expanding the definition of “strategic investors” in Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs), aiming to attract more institutional capital and enhance participation in these asset classes. The proposal has been released for public feedback, with suggestions invited until August 22.

Under current norms, strategic investors include a limited set of institutions such as infrastructure finance companies, scheduled commercial banks, insurance companies, mutual funds, and select categories of foreign portfolio investors (FPIs). These entities are allowed to subscribe to units before the initial public offering, with a requirement to hold their investments for at least 180 days.

SEBI now seeks to align the definition of strategic investors with the broader category of Qualified Institutional Buyers (QIBs). The revised framework would open the door to a wider range of entities, including pension and provident funds, public financial institutions, insurance pools managed by the defence sector, and state industrial development bodies. The move also proposes excluding certain FPI categories, such as individuals, corporate entities, and family offices.

Strategic investors are typically required to commit between 5 percent and 25 percent of the issue size before the launch. These pre-issue commitments help establish investor confidence and strengthen the base of long-term capital. The revised definition would not alter the existing investment thresholds or lock-in requirements.

According to SEBI, the current regulations have excluded long-term investors who are well-suited for REIT and InvIT investments. These trusts typically own yield-generating infrastructure and real estate assets that align with the return expectations of pension funds and other institutional investors.

The proposal follows a series of reforms aimed at improving access and transparency in REIT and InvIT markets. Earlier, SEBI introduced changes to reduce the minimum investment amount and enhance the role of merchant bankers. In April, SEBI also suggested raising the equity mutual fund exposure limit to REITs and InvITs from 10 percent to 20 percent to improve liquidity.

By widening the pool of strategic investors, SEBI aims to increase capital availability for REITs and InvITs, allowing for larger fundraises and deeper institutional participation. The consultation process will conclude on August 22, after which SEBI is expected to finalise the amendments.