

SEBI amends Master Circular for Real Estate Investment Trusts; Revised lock-in provisions for preferential unit issues

The Securities and Exchange Board of India (SEBI) vide its Circular No. SEBI/HO/DDHS/DDHS-PoD-2/P/CIR/2025/43 dated March 28, 2025, has amended its Master Circular for Real Estate Investment Trusts (REITs), revising lock-in provisions for preferential unit issues and establishing guidelines for follow-on offers.

The lock-in period for units allotted to sponsors and sponsor groups is now aligned with initial offer regulations, with 15% locked-in for three years and the remainder for one year. Inter-se transfer of locked-in units within sponsor groups is permitted, provided the lock-in period continues for the transferee.

SEBI has also introduced a framework for REIT follow-on offers, mirroring InvIT public issue guidelines. This includes rules for offer document filing, minimum public unitholding, allotment timelines, and restrictions on further unit issuance.

The changes, aimed at easing business operations, are based on industry representations and recommendations from the Hybrid Securities Advisory Committee (HySAC).

The detailed Key amendments are as follows:

A. Review of lock-in provisions for preferential issue of units for Real Estate Investment Trusts (REITs):

15% of the units allotted to sponsors shall be locked-in for a period of three years from the date of trading approval granted for the units. Further, the remaining units allotted to sponsors shall be locked-in for a period of one year from the date of trading approval granted for the units.

Additionally, units allotted under a preferential issue to a sponsor or its sponsor group entities which are subject to lock-in, may be transferred among such sponsor or its sponsor group entities, subject to the condition that the lock-in on such units shall continue for the remaining period with the transferee and such transferee shall not be eligible to transfer such units till the expiry of the lock-in period originally applicable to such units.

B. Guidelines for follow-on offer by publicly offered REITs:

The minimum public unitholding shall be at least 25% of the total outstanding units of the REIT on post issue basis. Further, the provisions of Regulation 15 of the REIT Regulations shall be applicable for follow-on offer document and advertisements in relation to a follow-on offer.

Additionally, a REIT shall not undertake any further issue of units in any manner whether by way of public issue, rights issue, preferential issue, institutional placement

or otherwise, except pursuant to a unit-based employee benefit scheme (if any) during the period between the date of filing of the draft follow-on offer document for the listing of the units or refund of application monies.

Also, the REIT shall file the draft follow-on offer document, through the merchant banker with the Board, for its observations. The draft follow-on offer document shall also be filed with the recognized stock exchange, through the merchant banker.

Link - https://www.sebi.gov.in/legal/circulars/mar-2025/amendment-to-master-circular-for-real-estate-investment-trusts-reits-dated-may-15-2024_93143.html