

SEBI (Real Estate Investment Trusts) (Amendment) Regulations, 2025

The Securities and Exchange Board of India (SEBI) has introduced a series of pivotal amendments to the Real Estate Investment Trusts (REITs) Regulations, 2014 through the SEBI (REITs) (Amendment) Regulations, 2025, dated April 22, 2025, the key highlights of which are as mentioned below.

A. Inclusion of “Common Infrastructure”

A major highlight of the amendments is the introduction of the definition of “common infrastructure”, which includes essential facilities such as power plants, district heating/cooling systems, water and waste treatment plants that are either exclusively used by the REIT and its entities, or are vital to its functioning. Interestingly, if these facilities generate excess output (like surplus electricity), REITs are now permitted to sell it to the central or state grid.

However, this comes with conditions that: (a) The manager must disclose in the annual report that the excess couldn't be consumed internally; (b) Revenue from such sales must be used towards REIT-related payments; (c) All such transactions must be transparently audited and disclosed.

B. Clarification on Investment Instruments

The regulation refines the definition of “liquid assets” for REITs. Now, only mutual fund units with a credit risk value of at least 12, and those falling under Class A-I of SEBI's potential risk matrix, qualify. This move prioritizes safer, more stable investment options, aligning with SEBI's continued emphasis on prudent financial practices.

C. Governance Overhaul – Independent Directors

To strengthen corporate governance, the amendment now mandates prompt replacement of an independent director in case of a vacancy. If the vacancy arises due to term expiry, it must be filled before the vacancy. For other reasons, it must be filled within three months.

D. Enhanced Role of Trustees

New sub-regulations under Regulation 9 enhance the trustee's role by codifying their fiduciary duties. Trustees must now adhere to principles of transparency, due diligence, and unitholder protection, and oversee the REIT manager more effectively. SEBI also introduced Schedule XII, listing illustrative trustee responsibilities, and allowed engagement of external consultants for 18 months to help trustees comply with these enhanced roles. Notably, this provision will come into force 180 days after publication, giving trustees ample time to prepare.

E. Flexibility in Locked-In Unit Transfers

The amendment brings clarity to locked-in REIT unit transfers. Sponsors or sponsor group entities may now transfer locked-in units amongst themselves, provided the lock-in period continues to apply to the transferee.

Link - https://www.sebi.gov.in/legal/regulations/apr-2025/securities-and-exchange-board-of-india-real-estate-investment-trusts-amendment-regulations-2025_93589.html