

Indian Commercial Real Estate Sector

RBI's bank lending framework for REITs: Enabling a refinancing pipeline of Rs. 26,000 crore for office REIT portfolio

JUNE 2026



List of abbreviations

Abbreviations	Definition
AUM	Asset under Management
BFSI	Banking, Financial Services and Insurance
Bagmane, Bagmane REIT	Bagmane Prime Office REIT
Brookfield, Brookfield REIT	Brookfield India Real Estate Trust
Embassy, Embassy REIT	Embassy Office Parks REIT
G-Sec	Government Securities
KRT, Knowledge Realty	Knowledge Realty Trust
LTV	Loan to Value
Mindspace, Mindspace REIT	Mindspace Business Parks REIT
msf	Million Square Feet
NCD	Non-convertible debenture
REIT	Real Estate Investment Trust
SEZ	Special Economic Zone
SPV	Special Purpose Vehicle
XIRR	Internal Rate of Return



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Despite global headwinds, office leasing activities in India have remained buoyant in FY2026.

REITs are better placed to withstand macro headwinds due to diversified presence across multiple micro-markets, clients and end-user segments.

The RBI's bank lending framework for REITs introduces prudential safeguards, exposure caps, and strong security structures to balance credit flow with systemic risk containment.



The office REIT's share in India's Grade A office stock across top seven cities* expanded to 16% as of March 2026 from ~10% as of March 2025, with the portfolio size increasing by 8 times over the last six years. The gross asset value (GAV) crossed Rs. 2.4 lakh crore as of March 2026, supported by inorganic acquisitions and rising institutional participation. The listing of Bagmane REIT[^] in May 2026 has further enhanced the office REIT AUM. Going forward, continued acquisitions and sponsor monetisation pipelines are expected to deepen the REIT market.



The RBI recently announced permitting bank financing to REITs within prudential safeguards and exposure caps, with implementation proposed from October 1, 2026. For office REITs, the proposal could unlock refinancing opportunities of nearly Rs. 26,000 crore over the medium term, corresponding to the outstanding NCD maturities from FY2027. Historically, REITs have accessed debt markets through the listed NCDs at relatively competitive pricing. However, direct bank financing could potentially offer longer-tenure funding, diversified lender base and more efficient liability management.



The consolidated gross LTV for five listed office REITs remained comfortable at ~24% as of March 2026, which is significantly below the proposed regulatory ceiling of 49%. At higher permissible leverage levels of gross LTV at 40% (debt-funded expansion), incremental funding opportunity (excluding refinancing) for banks could be in the range of Rs. 75,000-Rs. 80,000 crore with the new proposal from the RBI. However, REITs are expected to maintain prudent leverage, while pursuing calibrated acquisitions and portfolio expansion.



REIT portfolios reported occupancy above 80% across all major office markets, with Bengaluru and MMR recording occupancy of more than 90% as of March 2026. Strong institutional demand, stable distributions and predictable cash flows led to tightening spreads between REIT issuances and corporate bond/G-Sec yields.

*Top seven Indian office markets include Bengaluru, Chennai, Delhi National Capital Region (NCR), Hyderabad, Kolkata, Mumbai Metropolitan Region (MMR) and Pune

[^]Bagmane REIT got listed in May 2026 with GAV of ~Rs. 0.4 lakh crore as on December 31, 2025

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2 Updates on Regulatory Amendments



3 Refinancing Opportunity for Banks for Office REITs



4 ICRA's Outlook On Indian Commercial Real Estate Sector



5 Rating Actions in Commercial Real Estate - Office



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