



KAMARAJ IAS ACADEMY
Only IAS Academy by Grandson of "Perunthalaivar Kamarajar"

RBI proposes to allow banks to lend to REITs, widening real estate funding

Published On: 09-02-2026



The Reserve Bank of India (RBI) has proposed a major change to permit banks to lend directly to Real Estate Investment Trusts (REITs) — a move that could expand funding options for the real estate sector.

What Are REITs?

REITs (Real Estate Investment Trusts) are investment vehicles that own and manage income-producing properties like office buildings, malls, and commercial spaces.

REITs allow investors to earn rental income without buying property directly.

What Was the Rule Before?

Until now, banks could not lend directly to REITs.

They could only lend through special purpose vehicles (SPVs) or finance through bonds and the capital market.

What Is the RBI Proposing?

Allow banks to extend loans directly to REITs instead of only through SPVs.

These loans will be allowed with prudential safeguards to manage risk.

RBI will harmonise rules for REITs with existing norms for InvIT lending.

Why This Matters

Kamaraj IAS Academy

Plot A P.127, AF block, 6 th street, 11th Main Rd, Shanthi Colony, Anna Nagar, Chennai, Tamil Nadu 600040

Phone: 044 4353 9988 / 98403 94477 / Whatsapp : 09710729833

More stable funding: Banks can provide longer-term, stable loans to REITs.

Lower borrowing costs: Direct bank credit may reduce REITs' financing costs compared with capital-market debt.

Boost expansion: Easier access to credit can help REITs grow assets and refinance existing investments.

Expected Impact on Real Estate Sector

Improved liquidity: More funds available for income-generating real estate.

Stronger financing ecosystem: Banks offer a new avenue of financing in addition to capital markets.

Potential benefits for investors: With lower costs, REITs may have better cash flows and returns.

Note:

SPV: A legally separate company created for a specific project to isolate risk and manage financing efficiently.

InvIT lending: Providing bank credit to Infrastructure Investment Trusts to finance or refinance infrastructure projects and