

Milestone Capital

Creating & Harvesting Value in Real Estate



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“In my experience, in real-estate business, past success stories are generally not applicable to new situations. We must continually reinvent ourselves, responding to changing times with innovative new business models” – Akira Mori, visionary real estate developer of Japan.

Leveraging this philosophy, at Milestone, we have raised, deployed, nurtured and returned more than Rs 3,900 crores since 2008. With a focus on early identification of investment opportunities in the last real estate cycle, we have invested in over 60 projects. However, raising and deploying is job half done. Our active management philosophy and razor sharp focus on timely exits has delivered healthy returns across seven real estate funds. This is in line with the Milestone philosophy of consistent superior returns with moderate risk.

It is my belief that what keeps us ahead of the peers is the ability to ‘foresee’ and not just ‘forecast’. Ability to foresee how the business and macroeconomic outlook may change and which opportunities emerge. One of our strategies is to invest when others are skeptical and to sell when others are buying, in order to deliver alpha returns even during the sluggish phases of the real estate cycle. To use equity market parlance,

there are always stock specific opportunities in the market even if the sensex is not performing.

Milestone has been a first mover and has worked across asset classes including commercial, residential, warehousing and retail pan India. We made our first investment in affordable housing in Kalyan as early as in 2010. Affordable housing was not a buzz word then and we were way ahead of the market in achieving significant returns for our investors. We were also the first ones to launch a private REIT like fund in 2008 focusing on preleased commercial assets and made some marquee investments like 247 Park Mumbai, E-City Bangalore and Cerebrum Pune generating returns of 18%-21%.

I see commercial office space as a key growth segment for real estate today. Being a pioneer in this segment, we have demonstrated full cycle capability by investing and exiting 13 commercial buildings. Leveraging this experience and favourable market dynamics, we have launched our 4th Private REIT like fund. The future growth in the commercial office segment will not only be propelled by IT and ITeS but also in equal measure if not more by the BFSI, e-commerce and manufacturing sectors.

We have seen institutional investors lapping up large sized Grade-A properties providing significant exit to the developers. With limited Grade-A buildings available and till the new supply comes up, I see a shift in investment strategy towards micro commercial spaces in Grade A properties occupied by tier I tenants. Yields from preleased properties, especially in Mumbai are slated to go beyond 15% over the next 3 – 4 years and I believe it is an excellent opportunity for investors to reap the benefits of long term capital appreciation along with regular rental income. We expect the commercial boom may far exceed the residential boom witnessed in the last decade.

Milestone has also been one of the first organized players to invest in warehousing. We have invested in attractive warehousing locations of Bhiwandi (Mumbai), Kheda

(Ahmedabad) and Daruhera (NCR). With this experience, we will continue to take exposure in warehousing while bringing in the corporate culture to establish large format multi-discipline logistics parks as Indian businesses move towards an asset light satellite-like network versus the current monolithic inherited from the pre-digital technology era. The opportunities are immense as ‘Knowledge Capital’ becomes the driver of sustainable value.

I also see increased interest both from developers and investors for affordable to mid segment housing. Milestone has been one of the early movers in affordable housing and has executed this strategy effectively through investments in Godrej, ATS, Neptune and others. Post the budget, this sector looks even more attractive and institutional interest has increased tremendously.

Today, I see real estate at a point of inflection. This is being driven both by market forces and regulatory changes. These changes will result in a fundamental shift in how business is conducted in this sector and will enhance transparency and corporate governance. A significant impact is that the role of unaccounted money is going down and with legislations getting tougher; this role will further get diminished. I foresee that residential prices, which are high and unaffordable partly due to the involvement of unaccounted money, will see a true price discovery and correct downwards. This may result in residential rental yields, currently at 2-3%, going as high as 5%. On the positive side, the gap left by informal sources of finance will have to be filled in by institutional participants.

The structural changes in the real estate sector presents an opportunity for long term capital sources such as sovereign and pension funds to generate sustainable returns. More platform and managed account transactions between Indian GPs like Milestone having proven track record and long term investors are expected.

At Milestone, we are committed to be a part of the robust real estate growth story of India.