



Connect

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Foreword

Rubi Arya
Executive Vice Chairperson

Dear Friends and Associates

The first half of 2017 has brought us reasons to cheer and also the need to revisit our strategies given the structural shift in the economy and especially the real estate industry.

Indian economy is poised to grow at 7.4% this year backed by higher consumption and increase in public investment. The multiplier effects of this are expected to cascade to all sectors including real estate. With the government focusing on structural reforms in the real estate sector through implementation of RERA, introduction of REITs, opening of the FDI regime, big impetus to affordable housing and infrastructure, the investment scenario for the real estate sector looks very strong.

I am happy to inform that our 4th Private REIT fund - Milestone Commercial Advantage Fund, has made its first close in July 2017 and the Fund has mobilized an amount of Rs 125 Crores. The Fund has made its first investment in Bandra Kurla Complex, Mumbai which is one of the most prominent commercial hubs of Mumbai and is also evaluating investments in Pune and Bangalore. The Fund continues to mobilize additional capital and we are seeing increasing momentum from HNIs, co-investors and insurance companies for preleased commercial assets.

Steady lease rentals, high absorption levels, inadequate supply and global investor interest have breathed life into India's commercial real estate sector. Just like developers shifted focus to the residential market after the 2008 financial crisis, commercial office is regaining favour, with some realigning their portfolios to build more commercial space.

Further, we expect micro commercial spaces to outperform due to lack of Grade -A micro offices, aspiration and desire to move to better offices and higher demand from SMEs. The boom in this segment could surpass the boom witnessed in the residential sector during the last cycle.

On our investments on the residential side, we have invested in two additional projects from Milestone Opportunities Fund 10 in Chembur and Bangalore. On the exit front as well, I am happy to inform that we have completely exited from Milestone Domestic Scheme - II and have the distinction of having distributed more than Rs 4,000 crores back to our investors.

I see logistics and warehousing as an attractive segment and with impetus being provided through initiatives such as Make in India, Ease of Doing Responsible Business, GST, etc this asset class could provide steady yields. Entry pricing in industrial real estate is competitive presently and hence should provide good medium to long term returns. Milestone, being one of the few players in the organized space with experience in warehousing, will continue to take exposure in warehousing while bringing in the corporate culture to establish large format multi-discipline logistics parks.

Real estate sector is at a point of inflection driven both by market forces and regulatory changes. We expect that the Indian real estate sector will pick up towards the end of this year with organized developers and institutional investors leading from the front. With increasing institutional interest in the sector, the investment momentum is expected to pick up.

Milestone, being one of the first home grown real estate funds, is committed to be part of the robust growth story of India.



Business Updates

“Private equity funding in office assets in 2017 is expected to beat its 2014 peak ”

VIEW OF FUND MANAGER: COMMERCIAL REAL ESTATE

The demand for commercial real estate remains robust and we see Grade - A office spaces leading this segment. On the back of this renewed demand, private equity funding in office assets in 2017 is expected to beat its 2014 peak and reach more than USD 3.5 billion (as per estimates of Cushman & Wakefield).

Increase in corporate demand has coincided with lack of Grade A offices built over the last few years resulting in increasing absorption. This trend is expected to continue as new supply will take 3-4 years to be possession ready. This gives an opportunity to invest now and benefit from the capital appreciation on account of the demand supply mismatch and reducing rates.

Further, in this low yield environment with rates further expected to go down, yield generating commercial assets are a good bet to generate healthy risk adjusted returns. Potential of REIT listing provides an additional stable exit option and this has further enhanced the attractiveness of office assets for institutional investors.

At Milestone, taking advantage of our experience of investing in pre-leased assets, we have already concluded our first investment in BKC, Mumbai and are actively working on additional investments.

VIEW OF FUND MANAGER: RESIDENTIAL REAL ESTATE

“Residential Real Estate to mature into assembly line production and delivery mode”

The implementation of RERA is gradually creating an impact. The developers are gearing up to set their house right and register their projects and board the inevitable RERA vehicle and this is beneficial for investor and end user alike.

With the focus shifting to completing existing projects and higher capital requirements due to RERA, the last quarter has witnessed lower launches in housing projects. This is expected to continue and will provide stability to residential property prices. Eventually, this will lead to consolidation making way for stronger, institutional backed developers. The pace at which this happens will depend on fund infusion into the sector by the private equity investors and the strategy adopted by developers.

While affordable housing is throwing up a huge opportunity, only those developers who work with corporate discipline and transparency will find takers in the form of customers and investors. We sense positivity in the air that is being honed further by regulation and market forces. We are exploring various funding opportunities in this space and shall also crystallize a product with a significant focus on affordable housing in the near future.

Smart Referrer

DISCLOSURES UNDER RERA

| REQUISITE INFO. | DISCLOSURES |
|----------------------------------|---|
| Developer Base Information | Developer personal details, company details, ITR, Financial Statement |
| Track record | Experience in state as well other states, detail of projects launched till date, project delays in past projects litigation past as well as present |
| Land Title | Legal Title Deed showing title of promoter, Title Search report, Certificate for encumbrance & Details of Mortgage & Charge created on land |
| Project Approval & Plans details | All approvals & NoCs, Commencement Certificate, registration with the regulator |
| Project Details | Location along with coordinates, unit details along with their carpet area, car parking, project timeline along with Gantt chart & project scheduler, amenities, details of contractors, architect, structural engineer |
| Proforma of documents | Allotment letter, agreement for sales & conveyance deed |
| Quarterly Update | Construction, sales & approval update |
| Real Estate Agent details | Details of real estate agents authorized to sell the projects |



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