

“Real Estate will continue as a preferred asset class over years to come”

as per Ms Rubi Arya, Executive Vice Chairman, Milestone Capital Advisors Limited

Q. Real Estate has taken a hit over the last couple of years with sales numbers reducing and price corrections being witnessed across markets? How has this impacted Milestone? What has been the risk mitigation strategy of Milestone?

I will like to share a famous quote by Franklin D Roosevelt “*Real estate cannot be lost or stolen, nor can it be carried away. Purchased with common sense, paid for in full, and managed with reasonable care, it is the safest investment in the world.*”

So, although it might not have delivered exceptional returns over last few years, it still will continue as a preferred asset class over years to come.

To ensure value creation in Real Estate, what we emphasize, is on the **right developer, right product and right market**, making it an optimum combination providing a high margin of safety to our investments. We strongly believe that the subdued real estate scenario will have least impact on mid-segment residential housing, due to its demand being mostly end-user driven. As for our commercial investments, our investment strength has been the **right balance between properties, capital markets and external environment**. Also to add, we have always believed in active management and have developed a strong **asset management** expertise, wherein we nurture these assets through professional in-house facility management and tenant relationship processes.

Our deals are structured to ensure ring-fencing of our investments at all times. Having adopted such measures, we have ably returned over Rs 3,800 crores to our 14500+ investors at above average market returns, even in today’s volatile market conditions. We have undergone credit ratings for our recent funds, which have been rated AA+ by agencies like CARE etc., for their superior risk-adjusted returns structures.

Q. Historically, Milestone has had equal exposure in residential and commercial segments. How do you see this going forward? What is the focus area of the fund?

We have benefited by taking exposure to both these prominent assets classes and shall continue with the same strategy going forward, with **active diversification** in the



form of identifying niche opportunities within these two broad themes. For eg, in residential, we shall explore senior living, affordable housing amongst others. On the commercial side, apart from regular office and IT spaces, we are also focusing on warehousing and industrial parks. Given the policy initiatives such as Make in India, Housing for All and Interest Subvention for affordable housing segment, we see ample opportunities to generate healthy returns across these sectors.

Q. It is widely expected that interest rates will substantially reduce over the next 12 - 18 months. In light of this, what investment strategies will Milestone focus on to provide attractive returns to its investors?

PE players must revisit the drawing board to restructure the nature of their participation in real estate. Evaluating security values based on projected capital rates and cash flows in order to take secured debt positions, will now change. In the wake of diminishing debt returns scenario, funds will have to increase their risk appetite as availability of pure debt opportunities will continue to decrease, especially amongst grade-A developers. Taking quasi equity positions or pure equity position is the way forward for achieving higher returns. Since high returns are linked to high risks, inherent knowledge, investment discipline and team strength will be a distinguishing factor. Also the introduction of the **Real Estate Regulatory Act (RERA)** Bill will ensure higher

transparency in development processes hence higher opportunity for investors to go for equity deals. Funds will need to be more hands-on in respect of their knowledge of micro-markets, project development and execution aspects and statutory approvals and processes. This shall enable the developers and PE partners to course-correct if required. In the commercial asset space, with reducing interest rates, we can expect **excellent valuations** for certain grade A assets, making such investments provide higher yields to investors as well.

Q. Each sector and its participants have a long wish list from the government in terms of the budget as well as other policy announcements. What are your expectations on this front for the real estate sector?

First of all, I would like to state that various initiatives already undertaken and in process, have the potential of wide reaching impact in terms of accessibility to housing, transparency, corporate governance and protection of consumers. We have witnessed that the end-user demand remains high for real estate, and consumers need to have the right environment for investing. I personally look forward to the **implementation of RERA** as it will bring in immense security in investments and will usher in larger equity participation in deals. Also, I think the market is ready for **REIT listings** and that being another game changer, will bring about transparency and a lot of non-institutional participation back in the real estate markets, as well as lead to higher occurrences of high-quality deals in the commercial space. In the consumer space, one of the factors that can positively influence the consumers is through relaxation in certain areas of tax relief like waiving construction timelines for home loan interest benefits & increased incentives on their interest rates, bringing HRA and self-employed house rent allowance at par, which in-turn shall ensure a higher disposable income in hands of the investor. This shall directly and indirectly augment the demand which shall provide stability to the sector. Similarly in the commercial space, removal of the DDT bottleneck in REITs and the clarity on GST implementation will go a long way in establishing a robust investment scenario as well.