

Momentum to hold first close on Africa RE fund

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The London-based global investment manager expects to complete its first round of fundraising for its debut property vehicle next month.

Momentum Global Investments is preparing to close on its first round of capital for its debut real estate fund, Momentum Africa Real Estate Fund, according to documents distributed to investors and seen by *PERE*. The London-based global investment manager expects to collect a total of \$70 million during its first close, which is slated for next month, and is eyeing a final close during the first quarter of next year.

Momentum, which is the international investment management arm of MMI Holdings, the third-largest African life insurer, already has received \$32 million in commitments toward its \$250 million equity goal, according to a person familiar with the fund. The first closing is expected to include capital from European family offices as well as a \$10 million co-investment from Momentum. The firm declined to comment.

Additionally, a global consulting firm has selected Momentum as its preferred African real estate fund manager. The consultant will have an aggregate \$125 million to deploy in an Africa-focused property fund on behalf of various African pension plans, but no commitments have yet been made to date.

The London-based investment manager, which began actively shopping the vehicle in March, is targeting at least 60 percent of its capital raise to come from South African pension funds, which are now allowed to allocate up to five percent of their total assets outside of the country as a result of recent regulatory changes. Momentum also is aiming to raise about a third of its equity target from the US, where it has been marketing the fund since June.

Indeed, the firm has tapped Morgan Creek Capital Management, a Chapel Hill, North Carolina-based asset management firm, as a joint-venture partner for its onshore feeder fund, Morgan Creek Momentum Africa Real Estate Fund. Morgan Creek will be responsible for investor relations, fund administration and research on behalf of the US fundraising.

Momentum Africa Real Estate Fund will pursue the development of retail, office and industrial properties in sub-Saharan Africa, excluding South Africa, with a return target of 18 to 20 percent. Potential projects for the first close would include the \$68 million Lingamo Bay City Mall, the first regional shopping mall in Maputo, Mozambique; and Maitama Mall, a mixed-used development with a \$90 million retail phase and \$70 million office component in Abuja, Nigeria. Investments will have a maximum leverage of 60 percent. The fund would have a 1.5 percent management fee and a 20 percent performance fee above a hurdle, investor documents said.

Momentum will be developing the projects through Eris Property Group, an African real estate developer of which MMI Group owns a 52 percent controlling stake. Eris, which has developed or is developing 100 projects with an aggregate cost of \$1.7 billion, will “warehouse” investments on its balance sheet. It will transfer projects to the fund only after certain risk criteria, such as title and zoning, budgeting, preleasing and debt funding have been secured. Momentum plans to exit fund investments through potential buyers such as such African insurance companies, pension plans and other institutions; African and global sovereign wealth funds; and existing and new real estate income funds.

Momentum Africa Real Estate Fund represents the first external property fund for Momentum, which previously raised an in-house vehicle. The firm also manages two listed funds, Africa ex-South Africa Equity Fund, an Africa-focused emerging markets fund; and Africa Fixed Income Fund.