



EAGLESTONE
ADVISORY



2nd Annual Mozambique - Real Estate Conference

Navigating the Market Part I: Banking & Raising Finance for Real Estate Investments

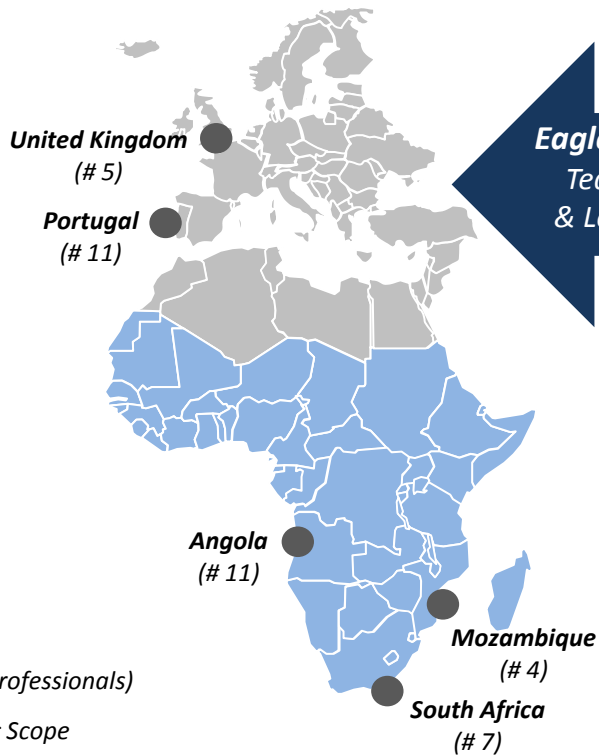
January 2014



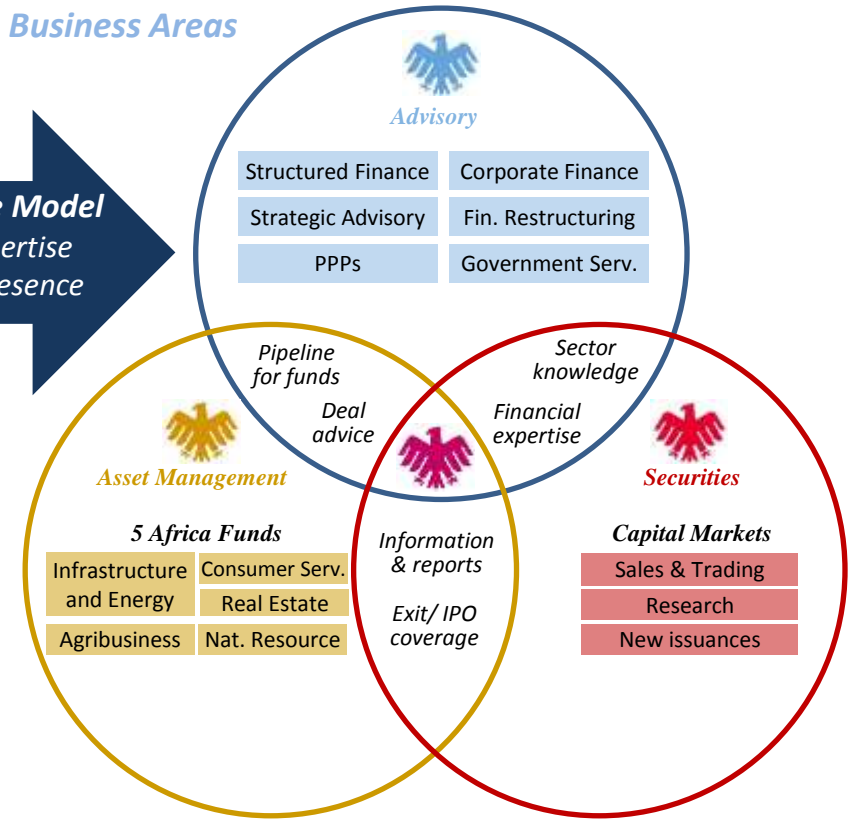
Eaglestone

- Local presence in high growth underpenetrated markets
- Cross fertilization among business areas
- Adherence to international regulatory standards

Geographic Scope and Local Presence



Business Areas



The Opportunity

Real Estate Market in Mozambique



MZ: we are also present in Mozambique where we have a vast experience and see this high growth untapped market as a very good opportunity

Key Local Insights

Residential

- Supply is mainly focused in the mid/high-end of the market and international segment niche
- The lettings market is currently very dynamic comparing to the sales market, mainly due to restrictions in accessing mortgage finance
- **Growing demand for better quality housing**

Office

- Lack of international standards office space for the inflow of major multinationals leading to very low vacancy rates of office space
- In Maputo it is estimated that over 70% of new supply is sold or let
- **Recent growth in demand for quality office space given the inflow of multinationals and private investment in the country**

Retail

- Informal sector dominant
- Growing demand for quality goods among affluent portion of population
- **Growing demand for modern retail outlets**

Industrial & Logistics

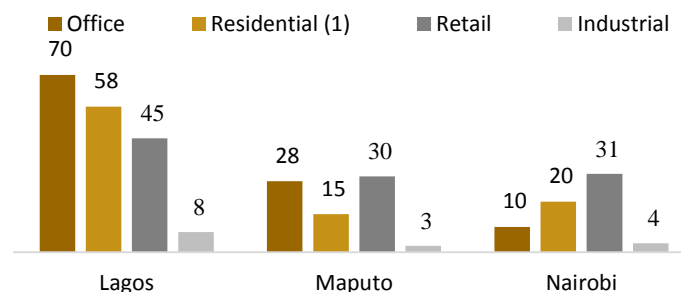
- Ever growing need for warehousing and distribution infrastructure
- **Multinationals inflow, particularly into the resources sector, will continue to drive strong demand for this subsector**

Tourism

- Still small in size but growing and developing very quickly
- **Strong potential in terms of tourism; planned infrastructure development will help to further support this growth**

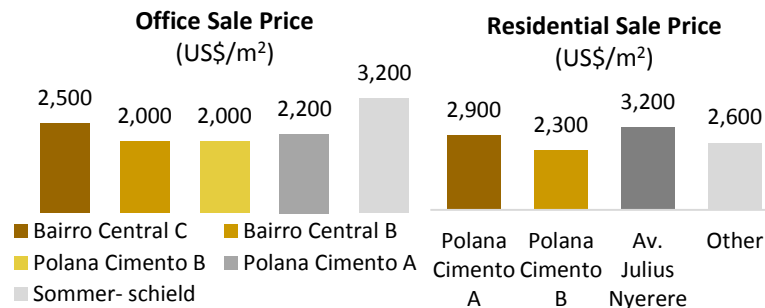
Potential

Maputo's prime rents are in line with cities in the region (monthly US\$ / m²)



(1) Residential considers a 4 bedroom 200 sqm house in prime location.

Prime Yields



Source: Knight Frank, PrimeYield.

The Fund

Salient Terms

- ✿ **Target Size:** US\$ 200m
- ✿ **Minimum Ticket:** US\$ 10m
- ✿ **Commitment Period:** 4 + 1 years (*from final closing*)
- ✿ **Term:** 10 + 1 + 1 years
- ✿ **Hurdle:** 8%
- ✿ **Management Fee:** 2%
- ✿ **Establishment Costs:** Greater of US\$ 2m & 1.5% of total commitments
- ✿ **Carry:** 20%, 50/50 catch-up
- ✿ **Cornerstone Status:** US\$ 40m
- ✿ **Cornerstone Rights:** Co-investment Rights, Advisory Board Seat

#1 - 25 de Setembro

Office Building in Downtown Maputo (Mozambique)



Asset: Office Complex –
Location: Downtown (Maputo – MZ)
Promoter: Liberty Real Estate
Investment: US\$ 10.0m
Equity Stake: 45%



Downtown Maputo Region Background

- Total existing office space in the central business district of Maputo totals 332,100 m². Around 65% of all existing office space has been built in the last decade, thus making Maputo a relatively young office market
- In addition to the existing space, a pipeline of new projects is estimated to build a total 222,650 m² of new office space with the majority of this new space (60%) being built on an owner-occupation basis, with banks and governmental entities representing the main owners/ occupiers

Maputo Office Lease Prices and Yields (Source: Worx)

Area	Average Values (US\$/m ² /month)	Prime Values (US\$/m ² /month)	Yields
Prime CBD	25-35	40	10-12%
CBD Downtown	25-30	35	10-12%
CBD Uptown	25-30	38	10-12%
Emerging Area	30	30	10-12%

Promoter Background

- Liberty Real Estate team has a substantial track-record in Sub-Saharan Africa real estate investment with the creation of a real estate investment portfolio of US\$ 800m in Angola: Escom building (US\$ 150m), Sky Center (US\$ 451m), Acquaville (US\$ 162m), Bela Vista (US\$ 19m), Urbisoyo (US\$ 23m)
- A technical services contract will be celebrated with Worx, one of the leading real estate companies in Portugal and associated with Knight Frank with operation in Angola since 2010 and Mozambique since 2013

Investment Considerations

- Good opportunity to partner up with an important player in Mozambique
- Size of building should facilitate the quick placement of the product and good time to market
- This emblematic project will shape the landscape of the developing downtown Maputo business district
- Strong interest has been demonstrated by both DFIs and other international investors

Project Specifics

- The Avenida 25 de Setembro office building land site is located in Maputo Downtown business district
- Proposals have been received from 5 major architects and are presently under evaluation by Liberty Real Estate team and Worx
- The building is projected to have around 25 floors including parking floors for around 500 spaces, depending on the project that will be awarded
- In line with the market standards the building will also have some area dedicated to retail
- The project might have some floors for residential use if in line with the actual market demand



Areas and Efficiencies (subject to architect selection and project award)

USE	Floors	GBA (m ²)	%	GLA (m ²)	%
Offices	15	28,495	56%	23,776	83%
Residential	?	-	-	-	-
Retail	3	4,310	8%	3,017	70%
Parking	7	18,520	36%	588 Parking	-
Total	23	51,325	100%	26,793	

#9 - JFS Tower

Office Building in Downtown Maputo (Mozambique)



Asset: Office Complex –
Location: Downtown (Maputo – MZ)
Promoter: JFS Real Estate
Investment: US\$ 10.0m
Equity Stake: 30%



Downtown Maputo Region Background

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Promoter Background

- JFS - JFS Real Estate is one of the companies that form JFS Holding conglomerate, which has a History of over 100 years in Mozambique. Other business areas include agribusiness, energy, auto and building materials
- Mota Engil – Mota Engil is one of the largest Portuguese industrial conglomerate. Its core business is civil engineering and construction but the company also operates in other areas such as logistics, retail and warehousing. Mota Engil has operations in Europe, Africa and America.

Investment Considerations

- Good opportunity to partner up with a prominent developer and business group in Mozambique
- Size of building should facilitate the quick placement of the product and good time to market
- Mota Engil will be both a contractor and a shareholder
- Mota Engil has already signaled the intention to be the off-taker for two office floors in the building

Project Specifics

- The JFS Corporate Tower land site is located in Maputo Down Town, adjacent to the Down Town CBD
- Its located 200m from the Maputo train station
- The building is projected to have 10 office floors and 4 parking floors as well as an area of over 1.000 m² for prime retail space



- Offices with big open space floors and a shared central support structure
- Upper floor offices have a privileged view over the city and the bay
- Total of 152 parking spaces, implying a ratio of 2 spaces per 100 m² of office space

Areas and Efficiencies

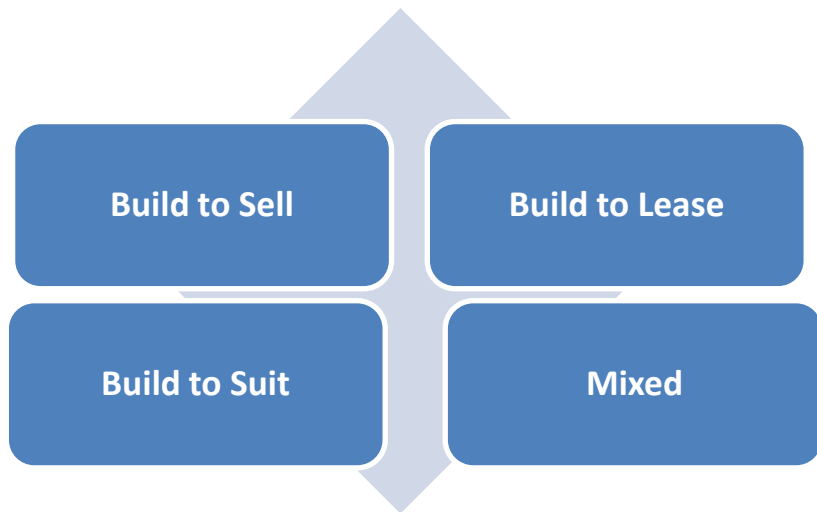
Use	Floors	GBA (m ²)	%	GLA (m ²)	Efficiency
Office	5-14	9,351	60%	7,671	82%
Retail	0-1	1,958	10%	1,330	68%
Parking	0-4	4,991	30%	152 spcs	
Total	14	16,300	100%	9,001	

Your Most Common Business Models and Main Sources of Funding

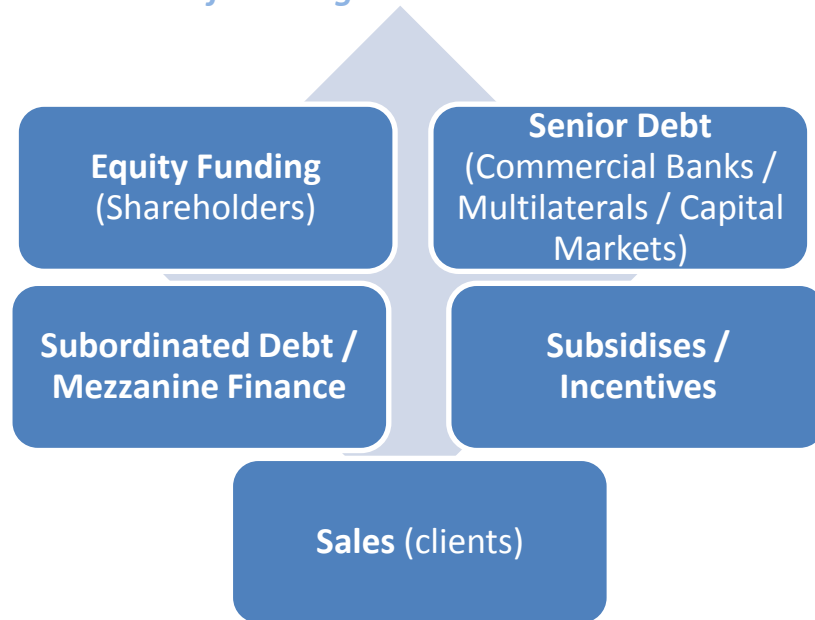
❖ What is your optimal structure of finance?

- Your optimal structure of finance will arise after you define what is the best business model for you project;
- All steps of development, from site selection, definition of mix of use, architect, construction company, business plan and market assessment are critical to achieve your optimal project and therefore the structure of finance;
- Get the right project and project development, meaning a project that accommodates all parties interests in a balance manner;

Most Common Business Models



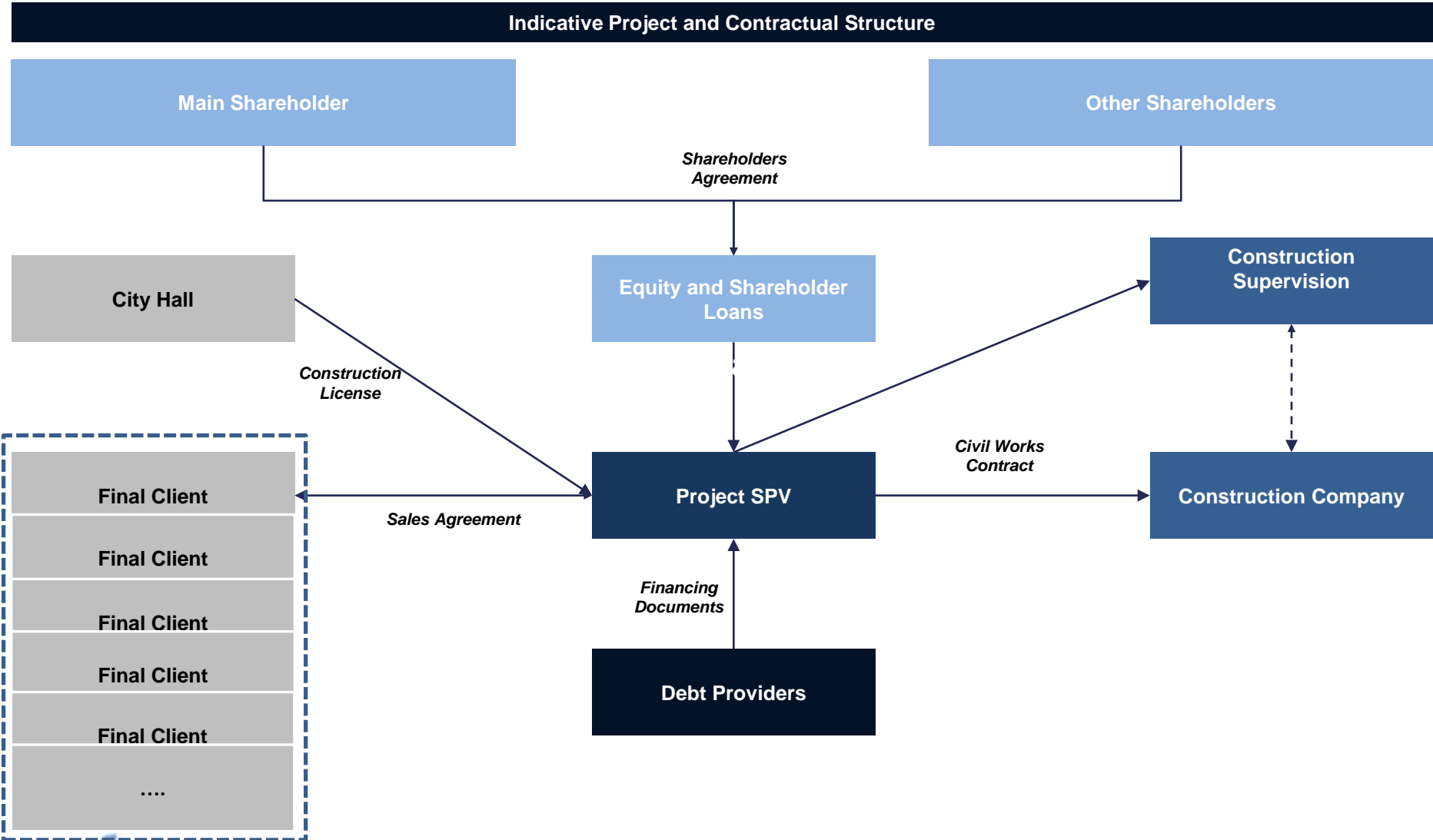
Main Sources of Funding



Funding Structures: Corporate Finance

Item	Description
Type	Corporate Finance non-recourse / limited recourse basis
Debt to Equity ratio:	up to 50: 50 (depending on warranties, pre sales and others you can get it more competitive)
Term:	depending on size (normally 2-5 years)
Senior Debt Pricing:	In USD margins ranging from 500 to 800 bps (depending on several aspects such as country risk; project quality; off taker and others) In MTC margins ranging from 1400 to 2200 bps (depending on several aspects such as country risk; project quality; off taker and others)
Construction:	Construction turnkey agreement with a reliable counterparty
Construction Supervision:	Supervision turnkey agreement with a reliable counterparty and local presence
Shareholders Return:	minimum expected IRR in the region of 15% - 30%
Key Issue:	FLEXIBILITY from both sponsors and lenders in order to agree and find the best possible / well balanced structure
Currency	Metical and /or USD – depending on the investment structure
Raising	Either Local or International (depends on the size of the project)
Incentives	Consider the ones promoted by CPI and the right fiscal structure
Warranties and Collaterals	It is a market practice but is an issue to be seen on a case by case basis

Funding Structures: Corporate Finance

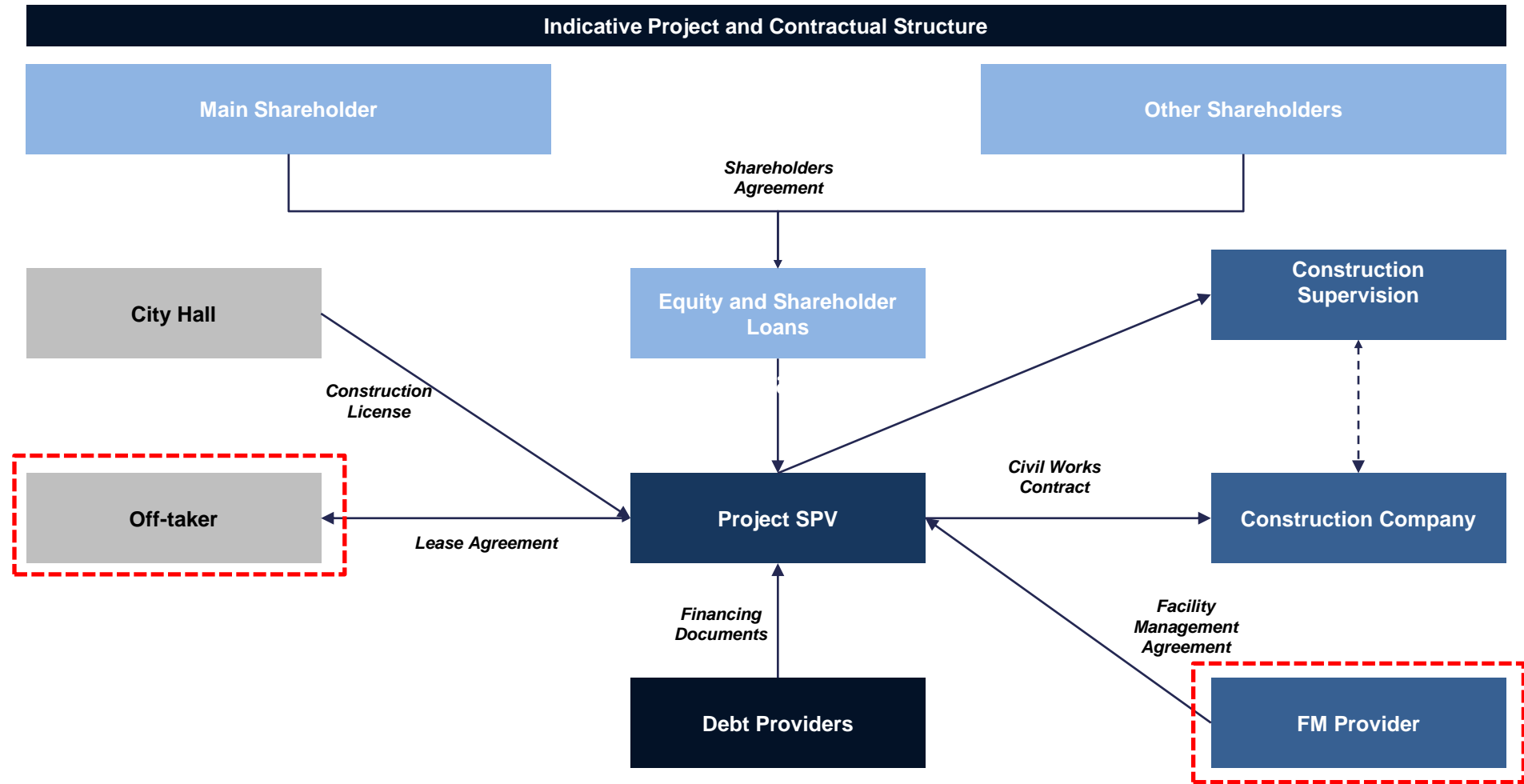


Funding Structures: Project Finance

Item	Description
Type	Corporate Finance non-recourse / limited recourse basis
Debt to Equity ratio:	up to 20: 80 (depending on warranties, pre sales and others you can get it more competitive)
Term:	depending on size (normally 10-15 years)
DSCR:	1,30x to 1,50x
Senior Debt Pricing:	<p>In USD margins ranging from 500 to 800 bps (depending on several aspects such as country risk; project quality; off taker and others)</p> <p>In MTC margins ranging from 1400 to 2200 bps (depending on several aspects such as country risk; project quality; off taker and others)</p>
Construction:	Construction turnkey agreement with a reliable counterparty
Construction Supervision:	Supervision turnkey agreement with a reliable counterparty and local presence
Shareholders Return:	minimum expected IRR in the region of 15% - 40%
Key Issue:	FLEXIBILITY from both sponsors and lenders in order to agree and find the best possible / well balanced structure
Currency	Metical and /or USD – depending on the investment structure
Raising	Either Local or International (depends on the size of the project)
Incentives	Consider the ones promoted by CPI Consider the ones promoted by CPI and the right fiscal structure
Warranties and Collaterals	It is a market practice but is an issue to be seen on a case by case basis

Funding Structures: Project Finance

Indicative Project and Contractual Structure



Risk Mitigation

Key Instruments

Technical

Turnkey Construction , Supervision and FM Agreement

Commercial

Pass-through, back to back arrangements

Political

ECA/MCA/private insurance

Financial

Hedging if available

HILP

Insurance

Key Challenges and Risks for the Sector

❖ Amount of competing projects in development:

- The market can not absorb all the projects, being critical not to delay in the development process
- The first projects to ensure development, may achieve more favourable trading conditions

❖ Raising capital:

- Projects have high needs for equity in both capital development and construction
- Capacity of the project to attract national and international investors can reduce capital costs

❖ Bank financing:

- The shortage of liquidity of the domestic banking system, creates the need for commercial banks in South Africa, bilateral agencies or multilateral development banks