

# India Property Advisors raises Rs 175 crore in maiden property fund

By *Kailash Babar*, ET Bureau | Updated: Dec 29, 2015, 11.45 AM IST

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MUMBAI: Mumbai-based financial services company India Property Advisors (IPAL), led by Ramesh Jogani, former head of property fund Indiareit, has raised about Rs 175 crore.

The fund, IPAL Residential Opportunities Fund 1, which focuses on the Mumbai property market, will use the money to purchase apartments in bulk.

The fund, raised largely from high net-worth individuals and family offices, will continue to raise money until March and has just concluded its first deal. This is IPAL's maiden fund and will invest only in the Mumbai property market through pure equity transactions.

The fund is seeking to tap opportunities arising out of wide differences in pre-launch prices of new projects in Mumbai compared with completed apartments.

"Currently, there's a great arbitrage opportunity available, given the huge gap between pricing of ready and under-construction apartments. In the backdrop of low liquidity in the market and poor sales momentum, apartments are available right now at replacement cost," Ramesh Jogani, CEO & MD, IPAL, told ET.

Under-construction apartments in Mumbai's Parel locality are priced between Rs 20,000 and Rs 22,000 per sq ft, while ready flats are available in the range of Rs 35,000 to Rs 40,000 per sq ft, he explained.

"While buying in bulk, we pay maximum 50% of the apartment's value. This will ensure strong alignment of developers who will have to sell the apartments to recover the balance 50% of these invested units," said Jogani.

India Property Advisors has already concluded its first transaction through this fund and is in talks for the second such transaction with another developer in Mumbai, but Jogani declined to share further details on these investments.

The fund's total tenure will be five years and there's an option of extension for one more year. It will start exiting investments after the first three years of operations and will have an average deal holding period of around four years. "We are targeting 25-30% post-tax level returns," said Jogani.

While currently there are few property funds and institutional investors scouting for bulk apartment transactions, India Property Advisors will be picking up these through pure equity deals and not structured debt.

Last year, Mumbai-based financial services company Centrum Capital had struck a partnership with Jogani to form a real estate private equity joint venture company, India Property Advisors (IPAL). Centrum Capital, being an equity partner in the business at entity level, has also contributed to the fund through promoters' contribution.

A sluggish property market over the past three years has offered private equity and institutional investors an opportunity to build their business further. The current real estate market is offering a huge opportunity for private equity firms to enter, as most builders with projects in progress, are looking to refinance their loans at a lower rate of interest.

According to global real estate consultant Cushman & Wakefield, private equity investments in real estate touched \$2.8 billion between January and September this year, the highest since 2008, an increase of 84% over the corresponding period last year, signifying the growing confidence of private equity investor in the real estate sector of India.