



## Geared Property Update - Paris Fund – H1 2013

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### 1. About the Boulevard Malesherbes Property

189 Malesherbes is located to the north west of Paris on the fringe of the Central Business District. It is a modern office building providing a total floor area of 6,143.7m<sup>2</sup> (66,130ft<sup>2</sup>). Up to August 2013 the entire property was let to Rexel as their corporate headquarters.

### 2. Performance of Boulevard Malesherbes Fund

#### Property Valuation – June 2013

This property was purchased in 2006 for €63.99m (plus costs). The value of the property has fallen by 9% to €42m in the six months to June 2013.

#### Negative Net Asset Value of Fund

The current guide value of your policy is €0.00 because the net asset value of the fund is negative. The loan for the Boulevard Malesherbes property, (€48.38 million) is in excess of the property value (€46.2 million), this and all other contributing factors has resulted in the fund having negative equity and your policy having no current value.

Please note that this negative equity will need to be recovered before the net asset value of the fund increases to a positive value and before the policy will be valued at greater than €0.00.

As you're aware, the fund is a closed fund and investors cannot exit until maturity. When the fund matures, investors will receive a maturity value based on the sale price achieved at the time. The value of your plan is in your annual benefit

statement and is the current guide value. This guide value also reflects any movements in the fund since the 30 June 2013.

### 3. Fund/Loan Maturity

The loan on this property is held with permanent tsb and matured in June 2013. The amount outstanding on the loan in June 2013 was €48.38 million. The loan to value (LTV) ratio of the property is currently 115%.

As advised in previous reports, ptsb had indicated that it would not be extending the existing loan. In advance of the maturity of the loan the asset managers submitted a 2-year loan extension request to ptsb along with an asset strategy paper and detailed cash-flows on the fund. The purpose of the extension is to enable us put the asset strategy in place over the coming 12 to 24 months.

Ptsb has sought external property advice to assist them in reviewing our proposal. They have now granted a short-term loan extension to 30<sup>th</sup> September 2013 while they consider our proposal.

Given the current environment it is possible that no option to extend or refinance the loan will emerge, and that the asset management team will be required to put the property up for sale to repay the loan.

Should Irish Life have to sell the property, the current value of your plan may be further impacted depending on the sale price achieved which could result in the loss of your investment in the fund.

As explained in the terms and conditions, when the geared pension property fund ceases, the value of the fund will be the amount received from the sale of the fund assets less any outstanding balance on the loan of the fund. Your accumulated fund at that time could be valued at zero.

## 4. Factors impacting the performance of the fund

Source: Irish Life

### Market Overview

France is experiencing weak economic conditions and the economy is back in recession. This is impacting on investor confidence and occupier demand.

Property investment in Paris is seeing a decline in 2013 compared with 2012. The inertia of economic growth, uncertainty about how sovereign debt is managed and hardship on the letting markets are holding back investment.

Despite investors' interest, risk aversion still prevails. Buyers are mainly aiming for secure properties in the most liquid business districts. This is affecting pricing, with two distinctive trends – where pricing is holding up reasonably well and where secondary property values are falling.

In the first half of 2013 the most challenged occupier sector was office space above 5,000 m<sup>2</sup>. Relocations are being held back by the economic environment and occupiers are adopting a “wait-and-see” approach. Significant commercial incentives are available to tenants with an average of 2 months rent free on every year of lease contracted. Also, negotiations between potential occupiers who are very demanding and landlords on the defensive continue to be protracted and complicated. Very few speculative new developments are being undertaken.

## Property Update

As advised in previous reports the tenant in the building, Rexel, has exercised a lease break option and will vacate the building in August.

Following protracted and challenging discussions we are pleased to report that we have reached a financial settlement with Rexel of just over €1m in lieu of the tenant carrying out its reinstatement obligations under the terms of the lease. This is a more preferred outcome as these funds are available to cover part of the planned refurbishment costs

The implementation of the asset strategy of securing a new tenant on as long a lease as possible is now the main objective and focus. This strategy will of course be contingent upon the outcome of our discussions with the bank on a loan extension.

We have used the past number of months to appoint architects and project managers on the refurbishment programme and detailed specifications are being drawn up these include some significant improvements including the entrance hall, replacement of the 3 lifts, installation of additional disabled bathrooms on each floor (as required under French legislation) as well as an overall refurbishment of all floors.

In relation to the re-letting of the building, CBRE Paris continue to market the building to potential occupiers. However, as indicated in our market overview above, the market for office space of this size has been particularly quiet in the first half of 2013. We are working on producing a marketing brochure for circulation with architect mock-ups of how the building will present post refurbishment.

We will keep you informed on any progress that is made on refurbishment, re-letting and loan extension discussions.

## 5. Keeping you up-to-date on your fund

Property valuations are completed in June and December each year. This property update reflects the last property valuation as at 30 June 2013. The accompanying benefit statement reflects an up-to-date value of your investment.

You can call your adviser or contact our Geared Property Services Team on 01 704 1831 to get an up-to-date value at any stage on your investment. In the interest of customer service, we will record or monitor calls. The information provided is a guide only and may be subject to change. The valuation details regarding the asset(s) in question are confidential and should be considered price sensitive information.