

Geared Property Update

Boulevard Malesherbes, Paris Pension Fund



Irish Life

1. About the Boulevard Malesherbes Property

189 Malesherbes is located to the north west of Paris in the 17th arrondissement on the fringe of the central business district. It is a modern office building constructed in 1992 and comprehensively refurbished in late 2005. The property provides a total floor area of 6,143.7m² (66,130ft²).

The entire property is let to Rexel (leading distributor worldwide of electrical supplies) as their corporate headquarters. The lease is for a 9 year, fixed term from May 2006 with a break option after 7 years 3 months, subject to a break penalty of €130,000 and 9 months written notice.

2. Performance of the Boulevard Malesherbes Pension Fund

Property Valuation – June 2011

This property was purchased in 2006 for €63.99m (plus costs). The value of the property has increased by 1.44% to €66m in the six months to June 2011 as a result of a decrease in the yield by 0.06% to 6.11%.

See section 3 for further details on the valuation of the property.

Fund Return (unit price movements)

From 1st January 2011 to 30th June 2011

This valuation and all other factors contributing to the return on the fund such as the outstanding loan balance (€48.6 million), loan interest expense, fund costs, tax, rental income and fund management charge has resulted in the value of the units in the fund rising from 0.352 to 0.436 since the last valuation date i.e. 1st January 2011 to 30th June 2011.

From June 2006 (launch date) to 30th June 2010

The value of units in the fund have fallen 56.4% from launch in June 2006 to 30th June 2010.

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 30th June 2011. Exit restrictions apply to this fund.

3. Factors impacting the performance of the fund

Source: Irish Life

Market Overview

The economy in France grew by 1.5% in 2010, indicating the beginning of a new economic cycle. The outlook for the French economy remains positive with GDP growth at +1.6% expected by the end of 2011.

The Paris office market performed well over the first quarter of 2011 with a 21% rise in take-up compared to the same period in 2010.

The market is seeing a growing imbalance between available second hand and a limited availability of new space.

The increase in rental values in the prime sector that has been seen in recent months should continue while the supply of new space will become more scarce in the most sought after locations.

Investment demand remained strong in early 2011 with a 30% increase in commercial property investment compared with early 2010. Investors are concentrating on prime assets and values in the prime sector are close to levels seen before the crisis. However, prime yields are unlikely to

decrease further in the short term due to the likely increases in interest rates.

Property Update

The rent on this property is linked to the annual performance of the INSEE Construction Index based on the last quarter of each year. Any change in the rent due to the change in the index is implemented in the following May. The INSEE Construction Index rose in Q4 2010, and the subsequent increase in rent was approximately 1.7% effective May 2011.

The current value of the property as at June 2011 is €56m showing an increase of 1.44% from December 2010. This is based on a yield of 6.11% compared with 6.17% in December 2010. It should be borne in mind that the property is on the fringe of the Central Business District (CBD) and will therefore not mirror CBD yields but it does show that the yields continue to move in the right direction.

With regard to the loan on the property, the amount outstanding in June 2011 has fallen to €48.63 million. The loan to value (LTV) of the property has improved since December 2010 to stand at 87%. This has occurred due to an increase in the value of the property and capital repayments of €250,000 since the beginning of 2011.

4. Looking Ahead

With the 2013 break in the lease getting closer, the focus of the asset management team will be to ascertain the tenant's future plans for the building.

In this regard, the property has been visited a number of times since the beginning of 2011 by the team and a partial capital expenditure programme is underway, e.g. roof repairs, façade repairs, upgrading of lifts, etc. Apart from improving the overall quality of the building, the works can only help strengthen our argument with the tenant for a lease extension/renewal at the lease break in 2013 so that the building fully meets the tenant's requirements.

So far, indications are that the tenant is happy with their HQ building. The tenant has completed refurbishment of the entrance hall of the building at its own cost of approximately €50,000 – this is usually an indication that there are no plans in place to move elsewhere. Finally, since the change in the local property management team, relations with the tenant have improved significantly. At the most recent meeting with senior management of the tenant, the indications are that they will not be making a decision on the building occupancy until 2012 at the earliest. However, in the meantime we continue to maintain constant contact with the tenant to ensure the building continues to meet their requirements.

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 30th June 2011. 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.

Warning: The value of investments may go down as well as up.

Past performance is not a reliable guide to future performance.

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.

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