

Geared Property Update Waterside Pension Fund



Irish Life

1. About the Waterside Property

Waterside House, Uxbridge Business Park was developed in 1999 and comprises an office building of 33,390ft² (3,102m²) arranged over ground and two upper floors. The building is constructed to full modern office specification including raised access floors, air-conditioning and lifts serving all floors.

Waterside is a purpose built office let to Xerox UK Limited on full repairing and insuring lease until 1st July 2017 with less than 6 years remaining on the lease. There are 5 yearly rent reviews on the property and the next rent review is due in 2013. Waterside is one of three buildings occupied by Xerox in this location.

2. Performance of the Waterside Pension Fund

Property Valuation – June 2011

This property was purchased in 2003 for Stg£11.86m (plus costs) at a net initial yield of 6.57%. The value of the property has fallen by 3.19% to Stg£9.85m since the last valuation in December 2010.

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 of the fund such as the outstanding loan balance (Stg£8.1 million), loan interest expense, fund costs, exchange rate movements, rental income and fund management charge has resulted in the value of the units in the fund falling from 0.528 to 0.474 since the last valuation date i.e. 1st January to 30th June 2011.

From June 2003 (launch date) to 30th June 2010

The value of units in the fund have fallen 52.6% from launch in June 2003 to 30th June 2011.

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

Property investor demand remains narrowly focussed with strong demand for prime property. Yields for non prime office investments have generally increased resulting in a fall in value.

Occupier markets outside of Central London offices still generally muted, and widespread rental growth does not appear likely in the immediate future. Occupier demand in the Thames Valley in 2011 was less busy than the previous quarter but still well above that of the same period last year, with take-up slightly down and the vacancy rate slightly increasing. The Thames Valley market is a strong favourite with occupiers accounting for half the total square footage under offer of all the three office markets (Thames Valley, M25 North and M25 South) in the region. The Uxbridge sub market is perceived as an area for rental growth over the coming years due to a lack of Grade A space.

There have been 2 recent investment transactions which are somewhat comparable to the property at Waterside, both in Stockley Park in Uxbridge where the first transaction showed an 8.75% Net Initial Yield (NIY). This property has Cisco Systems in place as the tenant but with a break in lease in 2015. The yield priced in this risk. The second

transaction is quoted to be exchanged at 7.25% NIY and is let to Celgene Corp with 10 years unexpired this transaction showed a yield of 7.25%. The higher yield (i.e. lower value) deal reflects the shorter lease term certain an element of over renting.

Property Update

Xerox occupies three buildings in this location, Riverview, Waterside and Bridge House. Irish Life own both Riverview and Waterside but the building Bridge House is owned independently. During the course of 2010 Irish Life had ongoing discussions with Xerox to seek to extend the length of their lease. The owner of Bridge House had a separate strategy for their building and was not in a position to enter meaningful discussions on a re-gear of the lease on Bridge House. Xerox would not negotiate on the lease for Riverview without being able to re-gear all three leases. More recently indications have been that the owner of Bridge house maybe in a position to re-look at the re-gear of the lease therefore discussions with the tenant have resumed. If the lease is re-gearred a sale on the asset will be explored.

The property is currently rented at a passing rent of Stg£24.50 per sq.ft. The valuers at June 2011 estimate that the current rental value of the property has not changed since December and is still in the region of Stg£22 per sq.ft.

Rental payments continue to be made in a timely manner by the tenant. Loan interest payments continue to be paid with rental income exceeding debt cost by 2.56 times, (interest cover ratio). This has enabled the reduction of the loan on this property by stg£200,000 since the beginning of the year with a further estimated amount of stg£230,000 is due to be paid to reduce the loan by the end of the year.

The loan on the property outstanding at June 2011 has been reduced to stg£8.1m. The loan to value has improved since December to stand at 79%. This has occurred due to continued capital repayments over the course of 2011.

3. Looking Ahead

- Maintain contact with tenant and adjoining property owner with a view to extending the lease.
- If the lease can be extended with the tenant, look at potential sale of the asset.
- Continue to make loan repayments to reduce the level of the outstanding loan. The capital repayments over the next 6 months are estimated to be in the region of 2.8% of the loan given the current net asset value.

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.

This product will be affected by changes in currency exchange rates.

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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