

Geared Property Update

Daresbury Park Property Fund



Irish Life

1. About the Daresbury Park Property

Daresbury Park is a modern out of town business park located in Warrington. The location, which feeds off the Manchester market, has a strong strategic position off all the major motorways and main airports. The property comprises one block in the office park and is constructed with a ground level and two upper floors. It has a total net internal area of 40,526ft² (3,765m²) split almost equally over the three floors.

The property is let in its entirety on a 20 year lease commencing April 2002 with 5-yearly upward only rent reviews, to ABB (UK) Ltd, which is part of the world-wide ABB Group.

2. Performance of the Daresbury Park Property Fund

Property Valuation – June 2011

This property was purchased in 2005 for Stg£10.125m (plus costs). The value of the property has decreased by 1.83% to Stg£7.5m in the six months to June 2011. This is due to an increase in the yield of 0.15% to 7.75%.

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 (Stg£6.8 million), loan interest expense, fund costs, rental income, exchange rate movements and fund management charge has resulted in the value of the units in the fund falling from 0.174 to 0.16 since the last valuation date i.e. 1st January to 30th June 2011.

From October 2005 (launch date) to 30th June 2011

The value of units in the fund have fallen 84% from launch in October 2005 to 30th June 2011.

Net Asset Value of Fund

As the net asset value of the fund is close to zero and could become negative, there may be a possibility that the current guide value of your Daresbury policy could move to zero in the future. An example of how this could happen would be a further reduction in the value of the property. As the debt is on a non-recourse basis, the fund would be valued at nil in this eventuality.

If this occurs, 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 Daresbury 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 30th June 2011.

3. Factors impacting the performance of the fund

Source: Irish Life

Market Overview

Office Markets in the UK continue to be split between Central London and the rest of the country. Central London with its safe haven status continues to attract overseas and institutional investors. With limited opportunities available, investors are competing aggressively, keeping downward pressure on yields. Outside London and excluding major cities investment market conditions remain less buoyant overall.

Investor demand remains narrowly focused and the prime/non-prime yield spread remains almost three times higher than at the peak of the boom in 2007.

Key risks to the sector come from debt and a pickup in credit availability continues to look unlikely. Major UK Banks continue to reduce their exposure to the sector; recent reports suggest that Lloyds bank is due to bring a large portfolio of distressed assets to the market.

In terms of the office occupational market, a lack of development in London and rising demand has put upward pressure on rental levels. Regional occupier demand remains generally weak, due to elevated supply and concerns over the Governments austerity measures. Occupier markets outside of Central London are still generally subdued and rental growth does not appear likely in the immediate future.

Property Update

The tenant, ABB (UK) Ltd, which is part of the world-wide ABB Group, is fully occupying the building. They appear to be trading well and are making all rental payment on time in line with their lease obligations.

The property is let in its entirety on a 20 year lease commencing April 2002 with 5-yearly upward only rent reviews. As reported in our previous communication, there was a review due in July 2010. CB Richard Ellis was engaged to undertake this review on behalf of the fund. We also took this opportunity of engaging with the tenant to see if they would be interested in taking a longer lease which would enhance the value of the property, but the tenant was not interested in this., The review has been recorded at “nil” increase which means the rent will stay at its current level until the next review.

In terms of recent rental activity in Daresbury business park, encouraging news is that 4 smaller units are about to complete at Cinnabar Court by the end of the 2nd quarter 2011 including a 4,000, a 5,000 and a 6,000 sq ft unit. Local agents have confirmed all are at headline rents of stg£17 psf per annum or more with incentive packages ranging from 12 – 18 months rent free. In addition, building 3300 Daresbury Park is under offer to Appsense Ltd taking approximately 15,000 sq ft at a reported rent of stg£15 psf pa. The incentive package is as yet unknown but assumed to be circa 12 months rent free. The passing rent on the ABB building is just above stg£15 per sq ft.

With regard to the loan on the property, the rent paid by the tenant exceeds the current interest repayments on the loan, with an interest cover ratio of 1.7 times. The loan amount outstanding in June 2011 has fallen to Stg£6.83 million following capital loan payments of Stg£120,000 so far in 2011 (in addition to interest repayments). The loan to value (LTV) of the property currently stands at 91%.

4. Looking Ahead

- The asset manger will continue to make capital loan repayments.
- The asset manager, supported by local advisers, will continue to monitor the business park closely for any evidence that will have an impact on the 6-monthly valuation.
- The asset manager will continue to keep in contact with the tenant to establish whether the tenant would at some point be willing to extend the lease.

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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