



## Geared Property Update - Axis Parc Fund – H1 2013

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### 1. About the Axis Parc Property

Axis Parc is an office park located in 1435 Mont-Saint-Guibert, which is situated in the south eastern periphery of Brussels, beside the university town of Louvain-La-Neuve and in the heart of the Province du Brabant Wallon. The subject property investment comprises three separate self-contained office buildings completed in 2005, with a total area of 10,630m<sup>2</sup> and 327 parking spaces. These are three of a total of nine similar office blocks (totalling 30,000m<sup>2</sup>) clustered in the office area of the park.

### 2. Performance of the Axis Parc Pension Fund

#### Property Valuation – June 2013

This property was purchased in 2007 for €23.65m (plus costs). The value of the property has decreased by 0.35% to €23.10m in the six months to 30 June 2013.

#### Fund Return (unit price movements)

##### 31 December 2012 to 30 June 2013

This valuation and all other factors contributing to the return on the fund such as the outstanding loan balance (€14.77 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 slightly from 0.97 to 1.06 since the last valuation date i.e. 31 December 2012 to 30 June 2013

##### May 2007 (launch date) to June 2013

The value of units in the fund have risen 0.06% from launch in May 2007 to 30 June 2013.

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 30 June 2013. Exit restrictions apply to this fund.

### 3. Factors impacting the performance of the fund

Source: Irish Life

#### Market Overview

According to the IMF, the financial stress in the Euro area has moderated in response to policy actions at both the national and European levels. But economic activity remains weak, and growth projections for 2013 have been lowered because weakness has spilled over from the periphery to the core. The Organisation for Economic Co-operation and Development (OECD) notes that “Belgium has weathered the global crisis quite well, notably with a relatively good unemployment performance. However, still-weak domestic demand, rapid fiscal consolidation and slow export market growth will weigh on the economic recovery.”

Belgium remains a two tier market with a good level of demand for prime core well-let assets in the main cities of Belgium. Investor demand for secondary locations is somewhat constrained by the limited availability of finance. The result of this is that there is a limited level of investment transactions in the Brabant Wallon area resulting in more uncertainty around the pricing of property assets

## Property Update

The buildings that make up this investment property (buildings A, B and C) are located in a high profile location within Axis Parc and are almost fully let with a vacancy rate of approximately 1.35%. However, this vacancy rate could increase depending on the outcome of legal proceedings with a tenant (occupying approximately 5% of the office space) that missed its break option.

There are a number of tenant break options occurring in 2014 and this is a challenge to the asset due to the expected completion of adjacent newer office buildings. This increase in supply is likely to increase vacancy levels and thus competition in the office park. It is likely that tenants with break options will seek rent reductions or other incentives such as rent free periods to remain in situ. It is expected that rents will continue to suffer downward pressure.

Negotiations on the extension of the lease to Hamon (the tenant occupying the majority of Building A) have not been successful; however we have recently reopened negotiations.

## Loan Update

The loan on the property is with KBC Corporate Bank and matures in June 2014. The amount outstanding in June 2013 has reduced to €14,768,236 following capital repayments. The current loan to value (LTV) of the property is 63.93%.

## 4. Looking Ahead

- We are considering implementing a schedule of works to improve the energy performance of the buildings while at the same time obtaining an energy use certification.
- We are actively engaging with tenants with

break options in 2013 and 2014 to negotiate longer firm lease lengths.

- The leases do not provide for rent reviews but the rent is reviewed annually in line with the Health Index.
- The strategy for the property is to optimise the leasing and rental profile of the property with a view to positioning the property for sale prior to the maturity of the loan in 2014. The key focus is to keep the vacancy level low, preserve the rental income levels and continue to pay down the debt.

## 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 value at 30 June 2013. The accompanying benefit statement reflects an up-to-date value of your investment.

You can call your broker Future on 091 549000 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.