



## Geared Property Update – Calder Park Fund – H1 2013

This is for information purposes only and for existing customers only. This is not an advertisement.

### 1. About Calder Park

Kestrel House, Calder Business Park, Wakefield comprises a modern two storey B1 office building which is let to the Secretary of State for The Transport Highways Agency (Government Tenant).

### 2. Performance of the Calder Park Fund

#### Property Valuation – June 2013

This property was purchased in 2006 for Stg£6.425m (plus costs). The value of the property has decreased by 2.94% to Stg£3.3m in the six months to June 2013. See section 4 for further details on the valuation of the property.

#### Negative Net Asset Value of Fund

The current guide value of your Calder Park policy is €0.00 because the net asset value of the fund is negative. The loan for the Calder Park property, (Stg£4.23m) is in excess of the property value, (Stg£3.3m) and all other contributing factors to the return of the fund such as previous valuations, loan interest expense, fund costs, rental income, exchange rate movements and fund management charge have resulted in the fund having negative equity and your policy having no current value.

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

The value of your plan is in your annual benefit statement. This guide value also reflects any movements in the fund since the 30 June 2013.

### 3. Loan Maturity

The loan on this property is held with permanent tsb and matured in April 2013. The amount outstanding on the loan in June 2013 was Stg£4.226m. The loan to value (LTV) ratio of the property is currently 128%.

As reported previously permanent tsb had advised that they required repayment of the loan, which would have required the property to be sold.

However after extensive negotiations, permanent tsb have now agreed to an extension on this loan for a further 2 years on the following terms:

- A 1% arrangement fee.
- Margin increased by 1.3%, which brings it to 2.45% over the cost of funds, giving a current all-in rate of 2.95% (reduced from the previous 5.99% on the fixed element of the loan).
- A 1% exit fee when the property is sold.
- Quarterly rental sweeps of surplus income to reduce the balance of the loan.
- permanent tsb reserves the right to review its position if the property valuation falls more than 10% from the December 2012 valuation of £3.4m.

Whilst the extension of the loan term means that the property does not need to be sold at this time, the current loan-to-value of ratio of 128% gives rise to a strong possibility that the property may still need to be sold at a later date without a return for policyholders. For example at 31<sup>st</sup> March 2015, Irish Life may decide, taking all of the circumstances into account, not to seek a further extension of the loan term with the current lender or with an alternative lender and may, using its sole discretion as provided

for in the fund's terms and conditions, decide that the property should be sold and the fund closed.

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.

## 4. Factors impacting the performance of the fund

Source: Irish Life

### Market Overview

Property investment transactions in the UK in the first half of 2013 have been strong at approximately £16 bn. UK institutions and listed property companies continue to be reasonably active but the most significant participants have undoubtedly been the overseas investors, who have been focussed on the Central London market. A continued widening of the gap between prime and secondary asset pricing also remains a key factor of the market. More recently however, investor demand has started to extend to key regional locations in response to strong competition and limited availability of prime stock in London.

The deleveraging by the banks has been ordered to date but there is an expectation that further deleveraging must take place to bring exposure by the banks to more modest levels. Commercial property debt has still been difficult to raise and although there is an emergence of insurance firms and pension funds entering the market the focus for this debt is on prime assets.

Occupier demand remains soft and availability rates high resulting in limited expectation of rental growth, other than in selective locations. The over-rented nature of properties has a large gap to close before landlords will see increases in passing rents.

## Property Update

The entire property is let to the Secretary of State for the Transport Highways Agency (Government Tenant) on a 25-year lease from 2005 with a tenant break option in 2020. There are 7 years remaining to the lease break option. Several attempts have been made to take out the lease break option in 2020, which would increase the value of the asset albeit at a cost to the landlord as the tenant would need to be incentivised to encourage them to commit to a longer lease duration. Unfortunately, in the current environment, UK government policy is not to extend any lease lengths. We will continue to engage with the tenant and will keep you informed if any progress is made on this.

The property valuation of Stg£3.3m in June 2013 reflects a yield of 10.5%.

## 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.

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.