



## Geared Property Update – Earlsfort Fund – H1 2013

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

### 1. About the Earlsfort Property

Osborne House is a modern five-storey office building located on the east side of Earlsfort Terrace. It comprises 1,161m<sup>2</sup> of offices and 15 car spaces. The fund holds a 78% share in the building. The entire property is let to Jerdip Properties who have an option to break in May 2015.

### 2. Performance of the Earlsfort Fund

#### Property Valuation – December 2012

This property was purchased in 2002 for €9.036m (plus costs). The value of the property has decreased by 3.05% to 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 Earlsfort policy is €0.00 because the net asset value of the fund is negative. The loan for the Earlsfort property (€4.518m) is now in excess of the property value, this and all other contributing factors has resulted in the fund having negative equity and your policy having no current value.

Please note that this 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 Earlsfort 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 30 June 2013.

### 3. Fund Maturity

The loan on this property is held with permanent tsb and matures in December 2013. The amount outstanding on the loan in June 2013 is €4.518m resulting in a loan to value (LTV) ratio of 132%. The original loan on this property matured in late 2009 and moved to a variable rate after its maturity. The loan has been further extended until December 2013.

Discussion are on-going with ptsb on the loan maturity, however, ptsb have indicated that they may require the property to be sold. As you are aware, the decline in property values over the last few years has resulted in the value of your plan being adversely affected. Should Irish Life have to sell the property, the net asset value of the fund is likely to remain negative resulting in the value of your fund remaining at €0.00.

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. Your accumulated fund at that time could be valued at zero.

## 4. Factors impacting the performance of the fund

Source: Irish Life

### Market Overview

The Irish commercial property investment market has experienced a significant improvement in transactional activity over the first 6 months of the year. This has been driven by investor demand for prime Dublin city centre offices and an improvement in the supply of properties brought to the market, as the banks and NAMA have commenced unwinding their exposure to the sector. This has not extended to secondary properties, or suburban and regional office markets as concerns over high vacancy rates and rental prospects persist.

The overall Dublin office vacancy rate remains stubbornly high at 19% but the Dublin CBD has seen grade A office vacancy fall to c.5% driven by take up by foreign direct investment companies and the wider business services sector. Prospects for rental growth are good, however due to current levels of over-renting this will have limited impact on rents receivable for most leased investment properties. In relation to older/secondary and suburban offices, it is expected that these will continue to underperform in the short/medium term.

### Property Update

While city centre offices have generally seen some improvement in value over recent months, the decrease in the Earlsfort property value in June 2013 is as a result of the outward movement of the yield reflecting the short term security of the rental income.

Arthur Cox solicitors are currently seeking new office accommodation and as such are expected to vacate this property in May 2015.

## 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. 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. 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.