



## Geared Property Update - Harcourt Fund – H1 2013

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### 1. About the Harcourt Property

The property comprises a five-storey, Georgian office building on 72/74 Harcourt Street and has approximately 3,200m<sup>2</sup> of office space and 52 car spaces. The entire property is let to Bank of Scotland (BOSI) on a 35-year lease from 25 May 1980, expiring in May 2015.

### 2. Performance of the Harcourt Fund

#### Property Valuation – June 2013

This property was purchased in 2003 for €17.47m (plus costs). The value of the property has decreased by 2.91% to €8.965m in the six months to June 2013. See section 3 for further details on the valuation of the property.

#### 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 (€8.108 million), loan interest expense, fund costs, rental income and fund management charge has resulted in the value of the units in the fund rising from 0.375 to 0.403 since the last valuation date i.e. 31 December 2012 to 30 June 2013.

##### November 2003 to 31 December 2012

The value of units in the fund have fallen 60% from launch in November 2003 (launch date) 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 the 30 June 2013.

### 3. 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

The current tenant Bank of Scotland Ireland (BOSI) is not in occupation and have sub-let part of the space in the building. They continue to be liable for the full rent on the building and all other lease obligations for the remainder of the lease term

which runs until early 2015. One and a half floors are currently sub-let on short term leases by BOSI. Given the short term now remaining to the lease end it will be difficult to find sub-tenants and the asset strategy for the building is currently being re-examined.

The current rent of €1,340,000 p.a. equates to a level of approximately €357 per sq m. The current value of the property as at June 2013 is €8.965m based on an equivalent yield of 7.85%. While the Dublin City Centre Office market has seen an improvement in values over recent months this impact has been negated on the property due to the short unexpired lease term.

With regard to the loan on the property, the amount outstanding in June 2013 has fallen to €7.853 million as a result of capital repayments. The current loan to value (LTV) of the property is 88%.

## 4. Looking Ahead

A revised asset strategy for the building is currently being drawn up and reviewed; we will report in due course on the outcome of this.

In the meantime, we continue to make the scheduled quarterly capital repayments on the fixed loan with a total of approximately €263,000 paid off the capital so far in 2013.

## 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.