



Geared Property Update Staines Pension Fund



Irish Life

1. About the Staines Property

Forum House, Thames Street, Staines was developed in 1988 and comprises an office building of 17,954ft² (1,668m²) arranged over ground and four upper floors. There are 64 car parking spaces. The building is constructed to modern office specification including raised floors, air handling system with perimeter central heating and lifts.

The property at Staines is leased to the Government, (the First Secretary of State for the Environment) with a tenant break option in 2021 (see lease description on the next page).

2. Performance of the Staines Pension Fund

Property Valuation – June 2011

This property was purchased in 2003 for Stg£6.12m (plus costs) at a net initial yield of 6.01%. The value of the property has fallen by 3.57% to Stg£5.4m in the six months to June 2011 as a result of the yield increasing by 0.23% to 6.9%.

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£4.5 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 0.526 to 0.446 since the last valuation date i.e. 1st January 2011 to 30th June 2011.

From June 2003 (launch date) to 30th June 2011

The value of units in the fund have fallen 55.4% from launch in June 2003 to 30th June 2011.

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, forcing yields downwards.

In terms of the office occupational market, a lack of development in London and rising demand has put upward pressure on rental levels. Outside London and excluding major Cities investment market conditions remain less buoyant overall. Regional occupier demand, while recovering, 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.

Key risks to the sector come from debt and an imminent 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.

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.

Property Update

The property continues to be fully let to the First Secretary of State for the Environment on a full repairing and insuring lease for a term expiring in March 2023, with a tenant break option in April 2021.

Staines in 2010 experienced very strong occupational activity, driven by 2 large transactions which accounted for 60% of the overall take up of 269,400 sq. ft. (Lambert Smith Hampton).

2011 got off to a very slow start and the lack of Grade A stock and good quality second hand space is also expected to dampen take up.

This shortage of Grade A stock is forecasted to place pressure on the prime rents over the next 12-18 months. But with occupiers still looking for Grade A or good secondary, this demand is not having a significant effect on the poorer secondary rental figures.

Forum House is currently rented at a passing rent of Stg£21.89 per sq. ft. The valuers still believe that the current rental value is in the region of Stg£18.50 per sq. ft.

Rental payments continue to be made in a timely manner from the tenant. Loan interest payments continue to be paid with rental income exceeding debt cost by 1.93 times (interest cover ratio). During the first half of 2011 the outstanding loan on this property was reduced by Stg£65,000. It is expected that this loan will be reduced by approximately Stg£90,000 over the second half of 2011.

The loan on the property outstanding at June 2011 has been reduced to Stg£4.52 million. The loan to value of the property has remained since December 2010 at 81%. This has occurred due to continued capital repayments since the beginning of 2011 even though the value has reduced.

4. Looking Ahead

- The debt is being repaid quarterly. The capital repayments over the next 6 months are estimated to be in the region of 2% of the loan given the current net asset value.
- The duration of the fund was extended in June 2010.
- We will continue to monitor the investment market and will look to take advantage of any opportunities which may arise to sell at an optimum price, given future market prospects, the property's lease profile and the potential for reducing 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 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.

Irish Life Assurance plc is regulated by the Central Bank of Ireland.

Irish Life Assurance plc, Registered in Ireland number 152576, VAT number 9F55923G

ILA5979 (REV07-11)-SA1