

Company name **Irish Rdn prop REIT**
Headline **IREES announces Pipeline Agreement with CAPREIT LP**

RNS Number : 7460X
Irish Residential Properties REIT PLC
21 November 2014

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I●RES Announces Pipeline Agreement with CAPREIT Limited Partnership

Summary

Irish Residential Properties REIT plc ("I●RES" or the "Company"), an Irish multi-unit residential property investment company, today announces that:

- it has entered into an agreement with CAPREIT Limited Partnership ("CAPREIT") pursuant to which CAPREIT has agreed to make property acquisition facilities available to I●RES (the "Pipeline Facility");
- I●RES shareholder approval will be sought in due course in respect of the Pipeline Facility as it constitutes a related party transaction under the Irish Listing Rules; and
- CAPREIT has been selected as the preferred bidder to acquire the "Rockbrook" property portfolio for approximately €88.9 million (including VAT, but excluding other costs of acquisition), which is the first proposed transaction to utilise the Pipeline Facility.

Rockbrook Portfolio

The "Rockbrook" portfolio is being sold through a receiver on behalf of the National Asset Management Agency (NAMA) and Allied Irish Banks plc ("AIB") as security trustee for AIB and KBC Bank Ireland plc and consists of 270 suites and mixed use commercial accommodation of approximately 4,459 sq. m. (48,000 sq. ft.) generating rental income. The portfolio also includes a development site of approximately 1.13 hectares (2.8 acres) which has planning permission for 467 apartments, 5,976 sq. m of commercial space and associated basement car parking. The Rockbrook portfolio is currently approximately 97% occupied and

has a gross residential passing rent of approximately €4.3 million p.a. and commercial rent of approximately €0.4 million p.a., representing an initial gross rental yield of 5.3%.

Pipeline Facility

Since I●RES's funds are fully invested and I●RES's gearing is nearing the maximum permitted level under Irish REIT legislation, I●RES has entered into an agreement with CAPREIT (the "**Pipeline Agreement**") in order to permit I●RES to participate in forthcoming sales processes for additional suitable property investments within its Investment Policy. CAPREIT has agreed to make funds available to acquire properties intended to be transferred to I●RES under the Pipeline Facility in the amount of up to €150 million (plus any third party indebtedness that may be raised by CAPREIT and approved by I●RES) for a period of up to one year (or such other period as I●RES and CAPREIT may agree) to permit I●RES to acquire such properties from CAPREIT once I●RES has sourced additional funding. The Pipeline Agreement will terminate upon the earlier of the termination of the Investment Management Agreement and the termination of the Services Agreement (as defined below), however, no further funds will be made available to, and no amounts may be re-drawn by, IRES under the Pipeline Facility unless reauthorized by CAPREIT.

Under the Pipeline Facility, at the request of I●RES, and subject to the approval of the trustees of CAPREIT (who have authorised the acquisition of the Rockbrook portfolio) and the independent directors of I●RES (i.e. the members of the Board of Directors of the Company that are not connected with CAPREIT), wholly-owned newly incorporated Irish subsidiaries of CAPREIT ("**Property HoldCos**") will bid for and, if successful, acquire property investments within I●RES's published Investment Policy. The Pipeline Agreement is conditional upon I●RES shareholder approval as it constitutes a related party transaction under the Irish Listing Rules between I●RES and its related party, CAPREIT, a 20.8% shareholder in I●RES.

The acquisition by I●RES of any Property HoldCo from CAPREIT, in accordance with the Pipeline Agreement, would be subject to I●RES shareholder approval of the Pipeline Agreement and I●RES having sufficient funding available to it to acquire such Property HoldCos.

The Pipeline Agreement provides that the price payable by I●RES for any Property HoldCo would be the price paid for the relevant property investments held by that Property HoldCo (together with all third party costs incurred by CAPREIT or the Property HoldCo in acquiring those property investments, including expenditures incurred to complete reasonably necessary capital work and any acquisition related taxes and duties) (the "**Acquisition Cost**") (net of indebtedness) provided that I●RES acquires such Property HoldCo within 6 months of the acquisition of the property investments by that Property HoldCo and thereafter at the greater of the Acquisition Cost (net of indebtedness) and the fair market value (as defined by IFRS and determined by a qualified independent appraiser reasonably satisfactory to the parties) of the assets of the Property Holdco at the time of acquisition by I●RES of the related Property

HoldCo (net of indebtedness).

During any period where property investments are held by a Property HoldCo, the net income of each Property HoldCo would be for the account of CAPREIT. If I●RES does not acquire the property investments held by a Property HoldCo within one year of the acquisition of the property investments by that Property HoldCo, CAPREIT would be permitted (but not obliged) to sell for its own benefit the Property HoldCo or the property investments held by the Property HoldCo to a third party or parties.

In consideration for making the Pipeline Facility available, it is proposed that, subject to I●RES shareholder approval, the following changes will be made to the investment management agreement and related services agreement between I●RES and CAPREIT group entities:

- the initial term of the investment management agreement dated 11 April 2014 between I●RES and IRES Fund Management Limited ("**IRES FM**") (a CAPREIT affiliate) (which has yet to take effect pending the authorisation by the Central Bank of Ireland (the "**Central Bank**") of IRES FM as an alternative investment fund manager under the Alternative Investment Fund Managers Directive) be extended from 5 years to 7.5 years from 11 April 2014 (the "**Investment Management Agreement**"); and
- the initial term of the services agreement dated 11 April 2014 between I●RES, IRES FM and CAPREIT, be extended from 5 years to 7.5 years from 11 April 2014 (the "**Services Agreement**").

In order to facilitate the transactions contemplated under the Pipeline Agreement, the independent directors of I●RES have approved amendments to the non-compete provisions in the Services Agreement and Investment Management Agreement, solely to facilitate the Pipeline Facility, which would otherwise prohibit CAPREIT and its affiliates from acquiring, investing or managing property investments in Ireland.

It is proposed to amend the Company's Investment Policy, subject to shareholder approval, to permit the future acquisition of property investments from time to time by way of pipeline facility.

Related Party Transaction

CAPREIT is a related party of I●RES under the Irish Listing Rules as it is 20.8% shareholder in I●RES. The Pipeline Facility proposed under the Pipeline Agreement and the related amendments to the Investment Management Agreement, the Services Agreement and the Company's Investment Policy are conditional on shareholder approval under the Irish Listing Rules. The Company will convene an extraordinary general meeting of the Company ("**EGM**") at which shareholders will be asked to consider and, if thought fit, approve a number of resolutions in connection with the Pipeline Facility. Further details in relation to the EGM will be announced in due course.

Lock-In Arrangements

Under the terms of a Lock-In Side Letter dated 2 October 2014 between IRES and CAPREIT, in connection with the €130 million two year credit facility arranged by Barclays Bank Ireland PLC (announced on 18 August 2014) (the "**Credit Facility**"), CAPREIT has agreed not to dispose of the ordinary shares held by it in I●RES as at 15 August 2014 until the earlier of: (i) 15 August 2016; (ii) the date on which the Credit Facility is terminated in accordance with its terms; and (iii) the date the lenders under the Credit Facility irrevocably and unconditionally waive the relevant requirement of the Credit Facility.

David Ehrlich, the Company's Chief Executive Officer commented:

"The Pipeline Agreement shows CAPREIT's continued commitment to the success of I●RES. Any properties acquired under the Pipeline Agreement will be important to I●RES's continued growth. I●RES would have lost the opportunity to acquire important assets without the availability of the Pipeline Facility."

For further information please contact:

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About Irish Residential Properties REIT plc

Irish Residential Properties REIT plc is an Irish Real Estate Investment Trust ("**REIT**") listed on the Irish Stock Exchange. The Company is the first REIT established in Ireland primarily focused on the multi-unit residential rental sector. The Company will continue to seek to acquire, hold and manage investments primarily in multi-unit rental residential real estate and/or ancillary and strategically situated commercial property in Ireland. I●RES raised €200 million in an initial public offering in April 2014 and currently owns 1,204 residential suites, approximately 7,728 sq. m. (83,225 sq. ft.) of commercial space and ancillary development land at 10 locations in the greater Dublin area. Further information can be obtained from the Company's website at www.iresreit.ie.

Note on forward-looking information

This note applies if and to the extent that there are forward-looking statements in this Announcement.

This Announcement contains forward-looking statements, which are subject to risks and uncertainties because they relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. Such forward-looking statements involve known and unknown risks, uncertainties and other factors,

which may cause the actual results, performance or achievements of the Company or the industry in which it operates, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The forward-looking statements referred to in this paragraph speak only as at the date of this Announcement. The Company will not undertake any obligation to release publicly any revision or updates to these forward-looking statements to reflect future events, circumstances, unanticipated events, new information or otherwise except as required by law or by any appropriate regulatory authority.

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