

Private equity funds jostle for €270m Dublin portfolio

■ Bidders beset former Treasury Holdings assets as investors begin to prop up moribund Irish property market

BY MIKE PHILLIPS

Some of the world's most acquisitive private equity funds are circling a €270m Dublin portfolio as investors pile into the Irish investment market.

Property Week understands that Kennedy Wilson, TPG, Patron Capital, Northwood Investors and Apollo Global Management are weighing up proposals to take control of the Castle Market Holdings portfolio built up by Treasury Holdings. The loan on which it is secured matures next month.

Ireland appears to be a key investment destination for private equity funds, which have, until now, been reticent to invest. In response to this interest, the servicer managing the Castle Market Holdings loan is considering whether to force the sale of the portfolio, or put in place a special restructuring plan that tries to capture any continued recovery in prices.

The Castle Market Holdings portfolio comprises 14 assets primarily in Dublin, among them offices let to KPMG, Bank of Ireland and law firm Mason Hayes Curran.

There is €460m of debt secured against the portfolio: €375m, which was provided by Eurohypo and then securitised, and an €85m junior loan originally

provided by Anglo Irish Bank that is now controlled by NAMA (Ireland's National Asset Management Agency).

The portfolio was valued last year at around €270m, and the loan matures at the end of January. It is being managed by Burlington Real Estate, a company set up by Treasury Holdings' former Ireland managing director, John Bruder. Treasury itself went into receivership in October.

Eurohypo, the servicer that manages the €375m of debt sold to bondholders in the securitisation, has appointed Cairn Capital as an adviser on its strategy for the loan workout.

Brookland Partners is advising junior lender NAMA.

Investors are understood to be working on proposals that include a straight purchase of the portfolio, or a deal whereby lenders would roll their existing loans into a new vehicle with new investors.

This deal would likely involve investors putting in some new equity, and lenders realising a loss on their existing debt and providing a new loan, in exchange for a share in any profits, if the value of the portfolio increases.

The structure would be similar to that used by US firm TPG and Patron Capital to buy a portfolio of Dutch offices formerly owned by Uni Invest, which were also part of a Eurohypo securitisation.

In this instance, however, it is understood that Patron and TPG are not working together. Instead, TPG is believed to be considering the deal as part of its joint venture with Green Property.

At the same time in Dublin, several recent investment transactions have attracted strong global interest, which

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Guy Hollis, CBRE

have boosted the moribund investment market and are seen as a sign that prices can continue to recover.

Irish farming magnate Larry Goodman last Friday bought the former Bank of Ireland headquarters on Baggot Street for more than €40m. The property is vacant, but still attracted several bids from overseas investors.

The price tag compares with the €212m for which a consortium fronted by Derek Quinlan bought the asset at the height of the market.

The purchase represents a bet on Dublin rents holding up or improving. The property needs to be refurbished, which could cost €35m, and relet.

Kennedy Wilson has been one of the most prolific investors in Ireland this year. Last month it pipped Delancey and KKR to State Street's Dublin headquarters for €108m. The property

was sold by the Royal Bank of Scotland.

In June it bought a €361m loan portfolio from Lloyds for around €61m, and two prime assets: a €40m Dublin residential scheme, also in June, and a €15m 50% stake in a Ballsbridge office in August.

Apollo Global Management has also already invested in Ireland: it bought a €1.8bn loan portfolio from Lloyds Banking Group for €180m last month.

Northwood Investors, the private equity firm set up by former Blackstone real estate CEO John Kukral, bought 1 Warrington Place in Dublin for €27m in April.

Guy Hollis, managing director of CBRE in Ireland, said: "The last couple of months of 2012 has seen several high-quality assets come to a Dublin market that has been starved of prime opportunities for some time, and the demand from mainly overseas investors has seen aggressive bidding for both hotel and office assets.

"This weight of money chasing prime assets in Dublin has led us to adjust our prime yield series in December, with prime office yields now standing at 6.75%, from a peak of 7.5%.

"I believe this trend will continue well into 2013, as investors believe in the long-term Ireland recovery story."



On the up: sales of €108m State Street (left) and €27m 1 Warrington Place are sign that prices can continue to recover

