

**Opening Statement by  
Mr. Frank Daly, Chairman of NAMA, to the  
Joint Committee on Finance, Public Expenditure and Reform  
Wednesday, 16 December 2015**

Chairman, Deputies and Senators,

We last appeared before you just over a year ago and we can report that very good progress has been made, across a range of activities, in the meantime. In 2015 to date, we have generated cash receipts of €8.8 billion which brings the total cash generated since inception to €32.4 billion. For the first half of the year, we recently reported a profit of €473m, including, for the first time, a write-back on impairment. This was more than the €458m profit we reported in the full year of 2014. We expect 2015 full-year profits to be well in excess of €1 billion.

Crucially, from our perspective, we are close to achieving our target of redeeming 80% of our senior debt by the end of 2016; as of today, we have redeemed €22.1 billion (73%) of the €24 billion required to achieve the target. We are confident of redeeming all of our senior debt by 2018 and of repaying our €1.593 billion subordinated debt by the first call date of March 2020.

As of today, based on current market conditions continuing to prevail, our expectation is that, by the time we complete our work, we will have generated a surplus of the order of €2 billion to hand over to the Exchequer. This is some distance from the forecasts of some commentators who were predicting NAMA losses of up to €8 billion not so long ago.

Our strong cash position, bolstered by the proceeds of the Project Arrow transaction which completed last Friday, means that we have the capacity, if required, to fund two significant development programmes which will help to address major supply shortages in residential and office accommodation, particularly in the Dublin area. The Chief Executive, Brendan McDonagh, will outline our plans for facilitating and funding the delivery of 20,000 residential units on a commercial basis, mainly located in the Greater Dublin area, by 2020. I will focus on the progress which has been made in facilitating the development of key sites within the Dublin Docklands SDZ area which secure our loans.

### **Dublin Docklands**

The development of the Dublin Docklands SDZ is a major priority for NAMA and it is one on which excellent progress has been made in a relatively short time. Shortly after the Docklands area received SDZ designation in May 2014, the NAMA Board approved a Docklands SDZ business plan and established a special delivery team to oversee development and, if necessary, funding of sites within the Docklands SDZ.

The sites under the control of NAMA-appointed receivers and investment partners have the capacity to deliver 3.8m square feet of commercial space and about 2,000 residential units and the position as of today is as follows:

- Construction has started on sites which are expected to deliver just over **780,000** square feet of commercial (mainly office) accommodation and 245 residential units.
- Planning permission has been obtained or has been sought for another **1.8m** square feet of commercial development space, including office, hotel and 970-bed student accommodation in addition to 326 residential units. This includes Block 10a on North Wall Quay where planning permission was received in recent days for a development of almost 400,000 square feet.

- Pre-planning work is underway on the remaining **1.3m** square feet of commercial space and some 1,168 residential units.
- Planning permission was recently received for the construction of a new road from Sheriff Street to North Wall Quay. Construction is expected to begin during the second quarter of 2016. Design work is also underway for the construction of a number of new pedestrian bridges which will facilitate access between the North and South Docklands areas.

There are 14 individual sites within the SDZ area which secure our loans and the approach that we adopt towards each site depends on its particular characteristics and on any particular complications that may attach to the site. Accordingly, the level of our involvement in the development of sites can vary considerably from a very active involvement in some cases to a more passive role in others.

In the case of Boland's Mill (now designated as Boland's Quay), we have committed to advancing all of the required development and associated funding – about €170m - to the receiver to enable the site to be developed. The project, which will include two landmark office buildings and a block of apartments in addition to retail, commercial and cultural space, is expected to be completed by the end of 2018.

In other cases, our role is less active. For instance, in the case of a development at 8 Hanover Quay, our involvement is by means of a share in a fund (in this case, an ICAV - Irish Collective Asset Management Vehicle) along with two joint venture partners. We have also provided construction funding for the project on arm's length commercial terms. The ICAV's function is to secure planning permission, procure a tenant, develop the site and dispose of the property when completed. A tenant – Airbnb – has already been secured and the sale of the building is close to being agreed. Construction began earlier this year and is expected to complete during the first quarter of 2016.

We have adopted a different approach again in the case of a site on 72-80 North Wall Quay (**Project Wave**). In this instance, we entered into an agreement with the Oxley Holdings Ltd., which was selected after an open market process. Under an agreement

for lease structure, Oxley acquired the right to develop, manage and realise the site. NAMA has retained the freehold interest and will receive a secure income stream in addition to a percentage of any future sales proceeds.

The development work which has begun in the Docklands SDZ will have a major transformational impact on the area and the associated benefits will be felt for many decades to come, not least the attraction of quality FDI to Ireland. I would emphasise that the progress made to date in the Docklands would not have been possible without the positive engagement and support that we have received from Dublin City Council, both in its capacity as planning authority and as development agency for the area.

### **Commercial focus**

NAMA was established almost exactly six years ago and I cannot help but contrast the very fraught circumstances in which it came into being with the much more positive outlook now. As I mentioned, I recall reading newspaper articles during those early days which included forecasts from various commentators who were predicting authoritatively that NAMA would incur losses of up to €8 billion euro over its lifetime. Thankfully, they have been well wide of the mark.

Part of that initial pessimism had to do with the fact that people were unsure about the asset management agency model as a mechanism for dealing with the soured property lending of the banks – in the European context, it was largely untried and untested on the scale envisaged for NAMA.

Part of the pessimism also reflected the depth of despair that many felt at the rapidly deteriorating scale of the property lending crisis as it unfolded during 2009 and 2010. Either way, there wasn't a huge amount of hope around to propel NAMA on its way.

The intervening six years have often been difficult and challenging. There can be few organisations which have been the subject of so many differing views and expectations as to its role and what it was expected to deliver. Some took the view that NAMA's job

was to hold its portfolio for the long-term; the premise being, presumably, that somehow the Irish market would recover without the stimulative impact of NAMA's market transactions.

Others took the opposite view: forget about maximising the recovery value of the loan portfolio; instead, they said, NAMA should sell its portfolio quickly in order to generate activity and thereby stimulate the Irish market out of the torpor into which it had fallen as a result of the crisis.

There were also those who thought that NAMA's role should have been to donate property at little or no cost to various groups and activities. This we could not do as we were obliged to act commercially and debtors need to maximise their debt repayments from asset sale proceeds.

Others still felt that NAMA should enforce against all of its debtors on the basis that those who were part of the problem should not be part of the solution.

There were others who characterised NAMA dismissively as a 'debt collector'. By implication, they seemed to suggest, those who borrowed millions and billions should have been granted a moratorium on debt repayments at the same time as many ordinary people were struggling to keep up payments on their mortgages.

In reality NAMA could not be all things to all men and indeed it never sought to be. We had to operate to the clear and unequivocal mandate set for us by the Oireachtas: conduct your business on an independent and commercial basis and, subject to that requirement, if you can also make a worthwhile social and economic contribution, so much the better.

That clear mandate meant that, first and foremost, we had to recover the €32 billion of debt that we incurred to acquire loans from the banks. That meant working with our debtors and receivers, who controlled the underlying property collateral, to repay as much of their debt as is possible. If, as a result of our efforts and those of our debtors

and receivers, there is a surplus by whatever future date we complete our work, that surplus will be handed over to the Exchequer.

Incidentally, and in response to some recent commentary about one of our sales transactions, I would point out that we cannot give preferential treatment to some bidders at the expense of others who are willing to pay higher prices for assets. If taxpayer funds are to be allocated to particular groups or activities, it is appropriate that the elected Government, and not NAMA, should decide how those funds should be allocated and what groups or activities should benefit from them.

### **Asset management approach**

I mentioned earlier that the asset management agency approach was untested on a major scale in the European context until it was implemented in Ireland with the establishment of NAMA in 2009. It is my view that NAMA has been very successful in carrying out its mandate and that is a view that is shared by major international organisations and by other sovereigns. A recent report by Moodys compared NAMA very favourably with two other large European sovereign workout vehicles - Sareb in Spain and Germany's FMS-WM.

Of course, NAMA has had its share of critics, not least that minority of debtors who expected that their spell in NAMA was going to be one long untroubled sabbatical from reality and that there was no need for them to make the adjustments necessary to deal with the crisis. That was not how we saw it and I doubt if too many taxpayers saw it that way either. The cosy relationships between some debtors and their banks could not continue if the crisis was to be addressed.

We are often asked for advice by other sovereigns who have already established, or are contemplating the establishment, of entities similar to NAMA. Our view is that the asset management agency approach works best when you have a portfolio of distressed assets which are broadly similar (commercial property loans, in our case) and where

there is sufficient scale to justify the recruitment of experienced specialists to manage it in a professional manner.

We also highlight the importance of a clear and independent statutory mandate to enable the business to be conducted in a commercial manner and without external interference.

And we highlight something which has been hugely important in terms of attracting and consolidating investor interest in Ireland – the assurance that transactions will be openly marketed, that they will be managed in a professional manner and that best bids will be accepted with no preferential treatment for anyone.

## **Conclusion**

With the very formidable challenges of the last six years behind us, we have now begun the final phase of our work. This will involve facilitating an expanded residential delivery programme and the development of the Dublin Docklands SDZ. I would emphasise that the primary motivation for these programmes is commercial, that is, to maximise the sales proceeds that our debtors and receivers can generate from their assets and therefore their capacity to repay their debt.

However, given the serious supply shortages of residential and office accommodation in Dublin and in other urban areas, these programmes are likely to generate wider economic and social benefits.

Those seeking to purchase their first homes will benefit from the greater choice that will be available as new supply is delivered. New supply will also act to reduce upward pressure on sales prices and on the level of rents.

And I am convinced that NAMA funding of this programme will mean that supply will come on stream sooner than would be the case if the sites were to be sold to the market.

There will also be major benefits in terms of employment: our estimates, based on industry benchmarks, suggest that construction funding on the scale proposed will lead to the creation of some **30,000** construction jobs when activity reaches its peak. In addition to direct jobs, this scale of construction activity will generate an additional **10,000** jobs downstream in the construction supply chain.

There will also be fiscal gains from this increased economic activity: higher tax receipts from newly-employed construction and other workers and an associated reduction in social protection payments.

And finally, we expect that NAMA's funding of residential projects will generate a positive return for taxpayers and will thereby enhance the currently-projected €2 billion surplus that is to be transferred to the Exchequer when we complete our work.

NAMA debtors and receivers, even operating at full capacity, can deliver only one-fifth of the 100,000 unit supply that will be required over the next five years. That leaves more than enough scope for others to deliver the additional 80,000 units that this country so badly needs.

Thank you.