



**Gníomhaireacht Náisiúnta um Bhainistíocht Sócmhainní**  
**National Asset Management Agency**

**Mr. Ted McEnery**  
**Clerk to the Public Accounts Committee**  
**Leinster House**  
**Kildare Street**  
**Dublin 2.**

**20 July 2015**

Dear Mr McEnery

During NAMA's recent appearance before the Public Accounts Committee regarding the Project Eagle sales process and again as part of recent media coverage, there has been some discussion of price movements in Northern Ireland property since the completion of the Project Eagle sale in mid-2014.

In particular, there have been a number of inaccurate media reports which have suggested that the value of the Eagle portfolio has increased by 20% since the sale was concluded. We have analysed these claims and we believe that they are based on an incorrect interpretation of data, on inappropriate comparisons of portfolios which significantly differ from each other and on misquoted statements attributed to CBRE's Head of Research.

In an article which appeared in the *Irish Examiner* on 17 July 2015, it was claimed that commercial property prices across "a large chunk" of the Project Eagle loans in Belfast have soared by up to 20% since NAMA completed the transaction, according to CBRE and the MSCI. It was also claimed that CBRE stated that commercial prices have risen exceptionally strongly in Belfast in the past year, by up to 20%. It was also claimed that the leading MSCI Northern Ireland Investment Review shows that property values in the North's commercial property market grew by 10.9% in 2014.

The factual position is as follows:



- The *Examiner* article inaccurately reports the MSCI's findings. While the *Examiner* stated that prices had increased by 10.9%, page 4 of the report says explicitly: "Capital values in Northern Ireland fell by nearly 33% after peaking in 2006, but returned to growth in 2014, rising by 2.3% y/y (year on year)".  
[http://www.ulster.ac.uk/data/assets/pdf\\_file/0017/63071/MSCI Ulster NI 080715 Final.pdf](http://www.ulster.ac.uk/data/assets/pdf_file/0017/63071/MSCI_Ulster_NI_080715_Final.pdf). The 10.9% quoted by the *Examiner* is made up of an 8.4% income return and **2.3% capital growth**. The latter is the relevant figure for the purpose of measuring price movement.
- The CBRE Head of Research has stated that she was misquoted in the *Examiner* article and that she does not wish to be associated with the claim that prices have increased by 20% over the past year.
- CBRE's position is that the most recent market data that is available is that in the MSCI report, which indicates that capital values in Northern Ireland commercial property increased by 2.3% for the calendar year 2014. No figures are available for 2015.

NAMA has sought a correction from the *Examiner*. Another media outlet has already corrected an article which included the inaccuracies outlined above.

In addition to the factual position as outlined above, NAMA wishes to point out that the composition of the property portfolio securing Project Eagle is not directly comparable to the portfolio on which the MSCI report was based:

- The MSCI report relates to property in which institutions typically invest i.e. it is largely a commercial investment portfolio of prime retail, offices and industrial income-producing assets. By contrast, Project Eagle contained a significant proportion of lower quality land and development assets and other assets that would not fit institutions' investment criteria.




- The MSCI portfolio includes 66 properties with a total value of £877m and an average asset value of £13.3m. By contrast, the average asset value of NI assets in the Eagle portfolio was of the order of £830,000.
- 77% of the MSCI properties are located in Belfast, with the balance in the rest of NI.
- By contrast, only 50% of Eagle assets were located in Northern Ireland with 33% in UK regions, 7% in the Republic (including 1% in Dublin), 4% in London and 6% outside of Ireland and Britain.
- For the Eagle assets located within Northern Ireland, only 43% were located in Belfast (a regional breakdown is appended). Given that only 50% of Eagle assets were located in Northern Ireland, it follows, therefore, that only 22% of the total Eagle portfolio was located in Belfast, where the 2.3% capital growth measured by MSCI would most likely have taken place.
- 85% of MSCI properties (by value) are in the NI retail sector; by contrast, only 10% of total Eagle assets related to the NI retail sector.

It is clear that there are very significant differences between the respective compositions of the MSCI and the Eagle portfolios and that accordingly it is entirely unreasonable to use MSCI data as a guide to price movements for assets in the Eagle portfolio. As was pointed out by the NAMA CEO, Mr. Brendan McDonagh, during his testimony to the Committee, the asset portfolio securing NAMA loans was very granular and had few major assets which might have been of interest to purchasers if NAMA had decided to proceed to sell the assets on an asset-by-asset basis. Given the granularity of the Eagle portfolio and the fact that it had many secondary assets, it is reasonable to assume that price recovery would lag that of the assets in the MSCI portfolio.

Therefore, at best, Eagle assets may have increased in price by a maximum of 2%-3%, hardly the 20% erroneously claimed. When account is taken of funding and management costs, NAMA would have made little or no gain from retaining the portfolio.

Yours sincerely,



  
PP **Martin Whelan**  
**Head of Relationship Management**

Cc: Mr. Seamus McCarthy, Comptroller & Auditor General



## **APPENDIX:**

### **Regional breakdown of Project Eagle assets located within Northern Ireland**

