



# Webinar: Commercial Property 2021 (Pension Investment Opportunities)

Tuesday 16<sup>th</sup> March 2021

**Aengus Burns**

Partner, Grant Thornton

**Marc Hawthorne**

CRE Lending Director, Capitalflow

**Conor Whelan**

Managing Partner, QRE Real Estate Advisers

**Welcome to today's webinar which will begin shortly**



# Agenda



**Aengus Burns, Partner, Grant Thornton.**

Topic: Acquiring Investment Property through Pension Structures.



**Marc Hawthorne, CRE Lending Director, Capitalflow.**

Topic: Updated lending guidelines for purchasing commercial property.



**Conor Whelan, Managing Partner, QRE Real Estate Advisers.**

Topic: Commercial real estate – the realities.

## Q&A

# Acquiring Investment Property through Pension Structures

**Aengus Burns**

Partner

Grant Thornton



# Grant Thornton in Ireland

## A focus on Ireland

Grant Thornton is Ireland's fastest growing professional services firm. We deliver solutions to all business challenges. Clients choose us because the breadth of financial and business services they need is available, delivered innovatively and always to the highest standards. At Grant Thornton we are committed to long term relationships. We are different. We are Grant Thornton.

The firm comprises over 1,500 people operating from offices in Dublin, Belfast, Cork, Galway, Kildare, Limerick and Longford.



**€163m**  
Turnover in 2020



**Office locations**  
Dublin, Belfast, Cork,  
Galway, Kildare, Limerick  
and Longford



**1,500+ employees**



**57 partners in Ireland**



"Our clients choose us because of our commitment to addressing their business needs in an innovative and collaborative manner."

Our client relationships are built on our passionate approach to providing the highest quality of service at all times."

**Michael McAteer**, Managing Partner Grant Thornton Ireland

**Fastest growing  
professional  
services firm in  
Ireland**



# Options for purchasing Investment property

## Personally

- tax on equity and income and gains
- reduced capital allowances

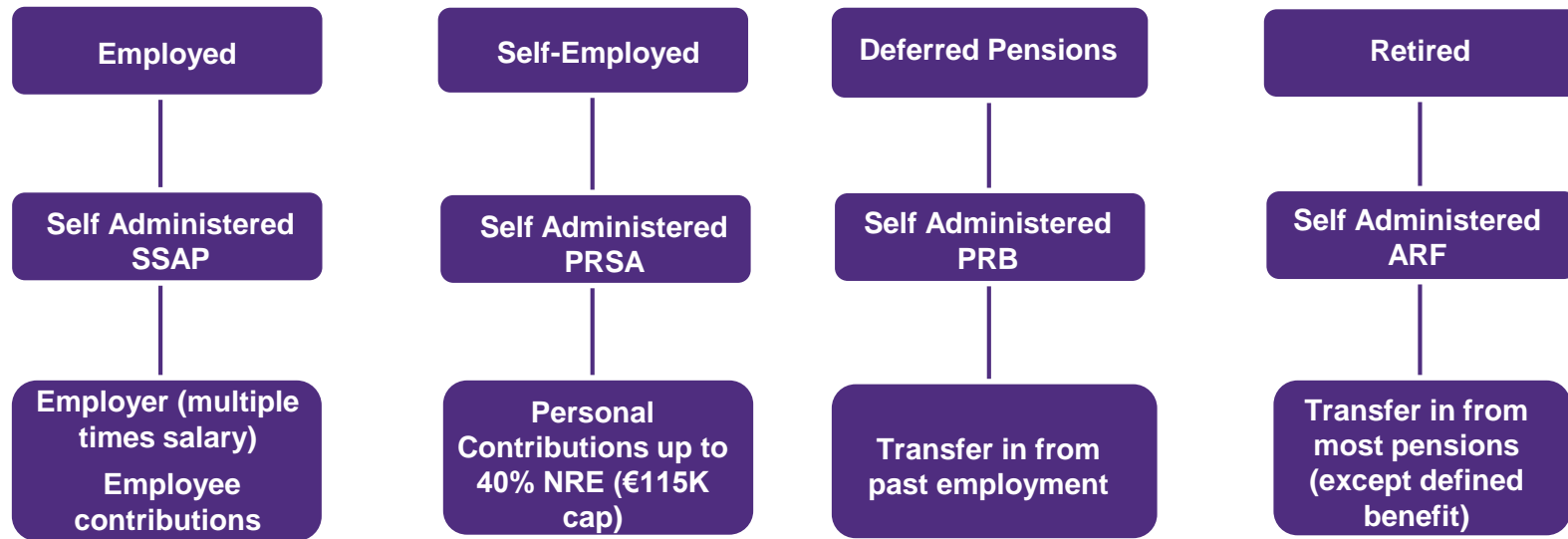
## Company

- tax on income and gains in the company
- tax on distributions from company

## Pension

- tax relief on contributions by employer
- no tax on equity or income or gains
- €2m Standard Fund Threshold
- transfer of assets to ARF continues to grow tax free
- tax on distributions from ARF after Tax Free Lump Sum

# Self-administered options



Investment Options the same for all – e.g. direct property, deposits, shares, funds, etc.



# Pension property investments

## Standard pension offering

- choice of funds mainly limited to property funds, ETF's and REIT's

## Self-Administered pension opportunities

- more open architecture includes:
- direct property incl. office, retail, industrial etc.
- co-ownership/syndicated investment property
- debt available

# Direct property purchase case study

No borrowing Property purchase example with €250,000 pre-tax funds		
	Personal	Pension (SSAP)
Funds taken out of company	€250,000	€250,000
Income tax	€100,000	€0
USC/PRSI	€37,500	€0
<b>Amount available for investment*</b>	<b>€112,500</b>	<b>€250,000</b>
Comparison		
	Personal	Pension (SSAP)
Purchase price	€112,500	€250,000
Net Rent (after Property Overheads)	€9,000 (8% net yield)	€20,000 (8% net yield)
Trustee fee (p.a.)	€0	€1,250
<b>Rent net of tax</b>	<b>€4,320</b>	<b>€18,750</b>



# Key revenue restrictions on property purchases

- arms length requirement (connected parties rule) for purchase and sale
- tenants must be arms length as above
- property development is not allowed i.e. investing not trading
- scheme must have sufficient liquid assets to provide benefits



# Direct geared property purchase case study

With Borrowing		
	Personal	Pension (SSAP)
Equity	€112,500	€250,000
Debt @60% LTV	€168,750	€375,000
<b>Purchase Price</b>	<b>€281,250</b>	<b>€625,000</b>
Net Rent (after Property Overheads)	€22,500 (8% net yield)	€50,000 (8% net yield)
Trustee fee (p.a.)	€0	€1,250
<b>Rent net of tax*</b>	<b>€16,638</b>	<b>€48,750</b>
C&I Bank payments**	€17,088	€37,974
<b>Net (deficit)/return</b>	<b>(€450)</b>	<b>€10,776</b>
*Income Tax at 52% after deduction for interest and other allowable costs		
**Borrowing 60% at 6% interest per annum with a 15 year repayment schedule.		

# Revenue borrowing guidelines

- no recourse to other assets
- no assignment of rental income
- no interest only loans
- no loans over 15 years
- no refinancing
- no direct borrowing in ARF



# Property opportunities

- multi tenanted properties
- part residential/ part commercial property
- commercial property
- council, semi state properties  
e.g. PCC's,
- individual investors
- co-ownership, syndicated investments
- property funds



# Takeaways

- company structure works best for pension contributions
- self-administered structure more flexible than insured pension
- property provides income in retirement
- opportunities available with rental underwrites from government agencies/strong covenants
- when purchasing investment property explore your pension options first



# Thank you

**[aengus.burns@ie.gt.com](mailto:aengus.burns@ie.gt.com)**



# Capitalflow

**Making A Difference in Business  
Together**





# Our Products

**Pension Mortgages, Property  
Bridging & Term Loans, Hire  
Purchase, Leasing,  
Refinancing, Invoice  
Discounting, Asset Based  
Lending**



**Capitalflow**

BETTER FINANCE, BETTER BUSINESS

# Why Us?



**EXPERIENCED** - IRELANDS SPECIALIST LENDER SINCE 2016,  
OVER 50 PROFESSIONALS, WITH VAST LENDING  
EXPERIENCE



**LOCAL** - FINANCE FOR IRISH SMES AND PROPERTY INVESTORS



**STRONG BACKING** - OWNERS INVESTED IN A PORTFOLIO OF  
FINANCE COMPANIES.



**PRODUCT RANGE** - HP, LEASING, INVOICE DISCOUNTING, ASSET  
BASED LENDING, PROPERTY BRIDGING, TERM LOANS, PENSION  
MORTGAGES



**TRACK RECORD** - OVER €550M OF LENDING ASSETS ACROSS OUR  
PRODUCT RANGE TO OVER 3,000 CUSTOMERS ACROSS IRELAND



**We'll go on the journey with you**

**Responsive Team of Experts  
Fast Straight Up Decisions**

**We get deals over the line**

**New Digital Systems with human touch**

**We lend to Unit Trusts**

**Security: First Charge on the property, Non-recourse lending**

**Loan Size: from €125,000**

**Maximum LTV: 60%**

**Term: 7 years (repayment profile up to 15 years)**

**Repayment Profile: Principal and Interest**

**Competitive pricing**



# Pension Mortgage Key Features



**Capitalflow**  
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# Loan Criteria

**Capitalflow can complete  
multi-asset single loan  
facilities!**

Property  
Categories that we  
lend to:

1. Residential: Apartments  
or Housing Units
2. Commercial: Office /  
Warehouses
3. Mix: Residential &  
Commercial

Location of  
Security /  
Properties:

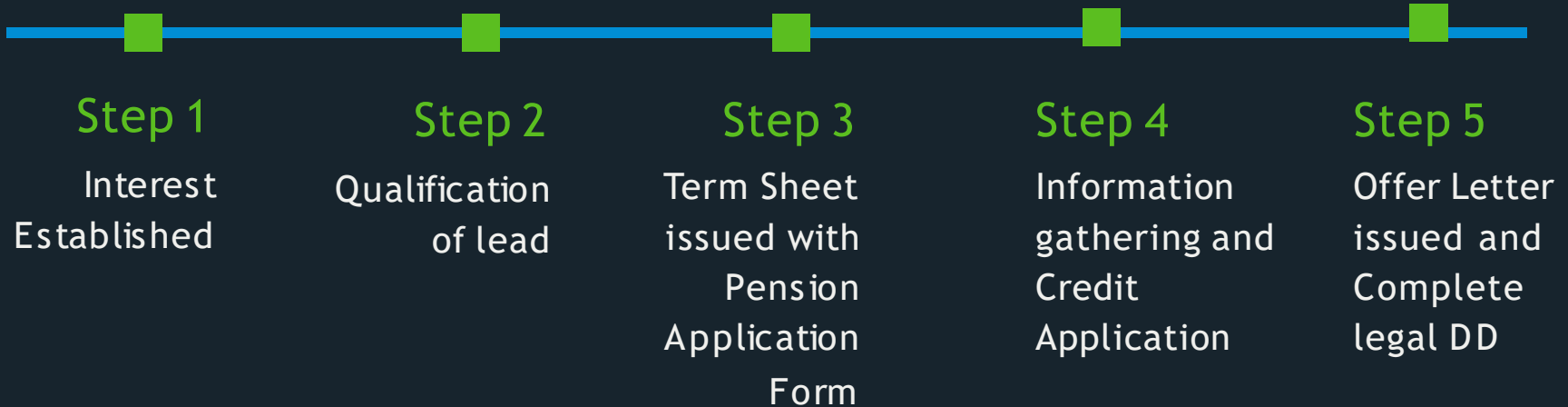
Large urban centres in  
the Republic of Ireland  
with a population of  
10,000 or more

## Commercial Properties

Loan assessed based on the commercial leases  
contracted to the property at purchase



# Overview of Application Process





# Pension Deal Samples



**Asset: Mixed Use.**

**Tenant Profile: Ground floor retail with multi apartment units overhead**

**Location: Dublin**

**Value: €585,000**

**Loan: €330,000**



**Asset: Office.**

**Tenant profile: Multiple commercial tenant**

**Location: Portlaoise**

**Value: €925,000**

**Loan: €462,500**



**Asset: Industrial.**

**Tenant Profile: Single commercial tenant**

**Location: Galway City**

**Value: €750,000**

**Loan: €435,000**



# Property Deal Samples



**Asset: Commercial**  
**Loan Type: Bridging Loan**  
**Location: Cork**  
**Loan: €1.8m**



**Asset: Residential Apartments**  
**Loan Type: Term Loan**  
**Location: Greater Dublin**  
**Loan: €220,000**



**Asset: 22 Residential Apartments**  
**Loan Type: Term Loan**  
**Location: North West**  
**Loan: €1.2m**



# Other Product Deal Samples



## INVOICE DISCOUNTING

**Accountancy Firm - €750k facility, 85% prepayment rate, facility required to fund potential merger and acquisition opportunities**



## SINGLE INVOICE FINANCE

**Recruitment Firm - Invoice value €50k, credit term of 45 days, prepayment of 90% - to fund day to day expenses**



## ASSET FINANCE

**Seller of Commercial Vehicles - Finance of €22k for 2 x new vans for long term hire**

# What our Customers Say



*Capitalflow*  
BETTER FINANCE, BETTER BUSINESS



"Capitalflow were more flexible, went a bit further for the client involved, wanted the business more"

"Never any hassle with them, always a phone call away, and they were very flexible and friendly and good about it, we can only say good things about them"

"The team they had involved, very helpful, very friendly, nothing seemed to be a problem"



# Contact Us



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**Capitalflow**

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**REAL ESTATE  
ADVISERS**



**Grant Thornton**

# The Realities of the Commercial Property Market

**Conor Whelan**

Managing Partner

16<sup>th</sup> March 2021



# 1. OCCUPIER MARKET

The **Good** – INDUSTRIAL?

The **Bad** – OFFICE?

The **Ugly** - RETAIL?

## 2. INVESTMENT MARKET

Year	Total Sales	Value	Sub €20m	% of Transactions	Value
<b>2016</b>	297	€4.5Bn	258	87%	€951m
<b>2017</b>	266	€2.6Bn	239	90%	€941m
<b>2018</b>	267	€3.65Bn	223	84%	€732m
<b>2019</b>	238	€7.2Bn	160	67%	€695m
<b>2020</b>	119	€3.1Bn	81	68%	€401m

# 3. SUB €20M INVESTMENT

Year	Office	Retail	Industrial	Mixed	PRS	Other
2018	23.2%	29.4%	10.4%	22.3%	7.6%	7.1%
2019	25.9%	25.9%	13.3%	16%	10.5%	8.4%
2020	21.7%	23.9%	17.4%	21.7%	9.7%	5.6%

# WHERE SHOULD I INVEST?



REAL ESTATE  
ADVISERS

The **Fundamentals** need to be strong...

Title

Zoning

Condition

Covenant Strength

User

Rent

Rent Review Clause

Lease Term

Break Options

Repairing Obligations

Reinstatement Provisions

Local Market

History of Demand

Re Letting Potential

Asset Management Potential

Development Potential

# The Role of Your Rent Review Surveyor

QRE

REAL ESTATE  
ADVISERS

## Your expert advisors in QRE



**Caitriona Ryan**

MRICS, MSCSI

Caitriona has over 17 years' experience in the Irish Commercial Property Market, specialising in Professional Services. She is a fully qualified chartered surveyor and advises Clients on all aspects of landlord & tenant including Rent Reviews, Rating & Valuation. Caitriona is experienced across all sectors of the market from office to retail to industrial and has recently been involved in challenges to the Vacant Site Register.



**Hugh Markey**

FRICS, FSCSI

Hugh has over 40 years' experience, focusing on the retail market. He is a Fellow of both the Royal Institution of Chartered Surveyors and the Society of Chartered Surveyors Ireland.

He is a Deputy Chairperson of the Valuation Tribunal. He is a member of the Dispute Resolution Committee of the Residential Tenancies Board. He specialises in landlord and tenant matters, particularly pertaining to retail property and regularly acts as an expert witness before the courts. He also acts as an Arbitrator and Independent Expert in rent reviews.



**Paul McElearney**

FRICS, FSCSI

Paul has worked for over 38 years as a property professional in Ireland. Paul held the position of Head of the Property Valuation Team in IBRC's NAMA unit, and Property Manager in the Asset Management Team in Bank of Ireland. He is a Fellow of the Society of Chartered Surveyors Ireland (FSCSI) and Fellow of the Royal Institute of Chartered Surveyors (FRICS). Paul also has a Diploma in Arbitration Law (UCD) and was elected as a Fellow of the Chartered Institute of Arbitrators and is a member of the Presidents Panel in the SCSi.

## CONTACT US

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**We are more Art than Science...**

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**Thank you  
Q&A**