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Company	Matrix European Real Estate Inv Tst
TIDM	MERE
Headline	Portfolio Update
Released	09:30 06-Jul-2009
Number	1531V09

RNS Number : 1531V

Matrix European Real Estate Inv Tst

06 July 2009

Matrix European Real Estate Investment Trust Limited ("the Group")

6 July 2009

Property Valuation Announcement

The Board of Matrix European Real Estate Investment Trust Limited announces the valuation of the Group's property portfolio as at 30 June 2009.

30 June 2009 Property Valuation

The value of the property portfolio as at 30 June 2009 was €657 million (31 December 2008: €700 million), representing a like-for-like fall of 6.1% for the half year.

The valuations have been performed by the independent Valuers in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards. With the exception of the IZD Tower in Vienna ("Vienna"), which assumes a corporate sale (in accordance with previous practice), the valuations show the "Market Value" assuming an asset sale of each property.

The Valuers note that the level of activity in the European property investment market has been at a low level since the middle of 2007, primarily because of the reduced availability of credit and, where credit is available, the increased cost of borrowing. The lack of comparable market transactions has resulted in a greater than normal level of reliance being placed upon professional judgement in arriving at valuations. Furthermore, the lack of liquidity in the capital markets means that it may be very difficult to achieve a sale of property assets in the short-term.

Hedging Contracts

The Company uses financial derivatives to hedge its exposure to movements in interest rates and exchange rates. As at 30 June 2009 the value of the interest-rate derivatives was a liability of €10.1 million, representing an increase in the liability of €5.1 million since 31 December 2008.

The value of the Company's foreign-exchange hedging contract, which exchanges €150.0 million for £101.3 million in June 2014 and €5.0 million to £3.7 million on a quarterly basis until June 2014, is a contingent liability of €44.2 million as at 30 June 2009 (comprising €31.9 million for the capital hedge and €12.3 million for the income hedge) compared with a liability of €59.4 million as at 31 December 2008.

Loan-to-Value Covenants

As a consequence of the reduction in property values the Group's gearing as at 30 June 2009 had risen to a loan to value ("LTV") ratio of 71.5%. The Group's LTV covenants can be summarised as follows:

The loan for Vienna has a maximum LTV of 67.5% and is subject to a cash sweep at 65% LTV. Where the latter applies any surplus income is used to reduce the debt level. The current LTV is 67.3%, based on the value of the property as described above and, as a consequence of this, the cash sweep will be implemented which will have the effect of that cash will be accumulated within the Austrian property owning subsidiaries, or the loan amortised, rather than distributing cash to the MEREIT Group.

The Lloyds Banking Group ("LBG") debt on the remainder of the portfolio, excluding Montpellier (which is ungeared), has an average long term LTV limit of 78.6%. LTV limits vary by property and range from 72% to 85%. Current average gearing for these properties is 76.7%. Some loans are also subject to cash sweeps above certain LTV levels. Following the June valuation, only one property (Nice) has exceeded its LTV covenant and an allocation of sufficient cash to degear the property, and therefore ensure covenant compliance, has been made.

As at 30 June 2009, the Group had approximately €44 million of cash of which circa €20 million is available to protect its LTV covenants.

Foreign Exchange Covenants

The foreign-exchange derivative contract, which is secured on substantially all the assets of the Group, is subject to several financial covenants, which can be summarised as follows:

The gross asset value of the Group's portfolio is to exceed €500 million.

The Group is to have a net asset value in excess of £150 million.

The portfolio LTV ratio is not to exceed 75% on a consolidated reporting basis.

The portfolio interest cover ratio must exceed 140%.

A cross default clause, such that covenants within the individual debt facilities of the Group's subsidiaries must not be in default.

On the basis of currently available unaudited information for the half-year, the Group is in compliance with the above covenants.

This announcement is not a preliminary statement of the Company's financial results. The financial information contained herein is not

audited and is subject to change. The Company expects to publish its audited financial statements for the half-year ended 30 June 2009 on 28 August 2009.

It remains the case that whilst the Group can use its cash resources to defend individual loans against breach of LTV covenants (and thus to defend against a breach of the cross default), these cash resources are not sufficient to remedy LTV covenant breaches if the decline in property values exceeds a certain level. As well as marketing properties for sale, the Group is presently in discussions with LBG to consider the possible impact of declining values on its various covenants and is exploring the possibility of an early refinancing of its loans, particularly those that mature in December 2009.

It should be noted that the prospect of devaluation across the European property market, the limited headroom under the Group's financial covenants, limited free cash reserves and the low volume of transactions in the investment market combine to raise material uncertainty which may cast significant doubt as to the Group's ability to continue as a going concern, and its prospects over the next twelve months.

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