

An extract from:

**Little Guy Comes Out of The Woodwork Into Property**

Declan Kennedy's UK property investment scheme is aimed at the small investor

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Niall Brady

The little guy often feels cheated when it comes to investing because he lacks the skills, the contacts and the spare cash to exploit a good deal when he sees one.

This is where Declan Kennedy, a 41-year-old Dublin accountant, claims he can help. He made his name in forestry and picked up an entrepreneur of the year award in 1997 for opening up this tax-free and highly subsidised investment to anyone willing to tie up €750 or more for 10 to 30 years. So far, 12,500 people have invested more than €3m in Kennedy's forestry schemes.

Now he has moved on to British commercial property. This is hardly a new frontier for Irish investors, who pumped an estimated €3.6bn into the market last year alone, snapping up everything from office space in the drab cities of the north of England to London's swanky Savoy and Claridges hotels.

But Kennedy's Augusta fund is open to anybody with €1,000 to invest, considerably less than other property investments that were on the market recently, where the minimum threshold was €10,000 at Standard Life, €20,000 at EBS and €30,000 at Bank of Ireland. "Our target market, loosely defined as 'middle' Ireland, is not well catered for," says Kennedy. "My interaction with investors over the past several years led me to believe that there is considerable demand for investment opportunities that can offer attractive returns, yet are less volatile than equities. Up to now, though, there has been little opportunity for the more modest investor."

He plans to raise about €4.5m from about 650 of these people, adding about three times that amount in debt finance to give a £10m fund that will buy no more than two British Properties. Kennedy has no plans to build a diversified portfolio; he says his clients are people who would gladly risk everything in a single property if they had the money to invest directly themselves.

The fund has yet to identify any properties but Kennedy insists it will be fully invested by Christmas to ensure investors' cash does not languish on deposit for too long.

Even though Augusta is a late arrival in the increasingly crowded British property market, Kennedy says that returns greater than 12% a year are "certainly achievable", so somebody who invests €1,000 today could pocket almost €2,500 before tax in 2012, when the fund will be wound up, the properties sold, the banks repaid and the surplus distributed to investors.

If this sounds attractive, remember that other property funds are forbidden by financial watchdogs from making claims about future performance, no matter how robust their projections. But Augusta is not policed by the Irish Financial Services Regulatory

Authority, so investors will be parting with their money without any of the protections available to people who invest in conventional property funds.

Another downside is that, unlike unit-linked investments, investors in Augusta will have no clear exit before maturity. Kennedy says he will try to match sellers with buyers, creating a type of “grey” market that has worked for some investors in his forestry funds, but there are no guarantees that investors will be able to access their money before maturity.

Both the property and forestry funds are being pitched as low-risk, asset backed investments, and, if they come even close to achieving the projected returns, investors should walk away smiling. But one man’s low risk is another’s sleepless night. This is why the low investment threshold is probably the main attraction, allowing investors to take a medium-term punt without losing their shirts if things do not work out as planned.