



SHOW ME THE REAL EDDIE

A few weeks ago I noticed an advert in our local newspaper, the Wexford People, giving potential investors the opportunity to go along to a meeting hosted by Eddie Hobbs and Brendan Investments. The purpose of the meeting was to encourage people to invest money in European property via a fund run by Brendan Investments. I had never met Eddie and I like most people only knew him from his appearances on television in his hit shows “Show me the Money” and “Rip off Republic”. I had also seen him on the “Late Late Show” talking about this particular venture. What better way to get to know him than see him in the flesh.

Eddie Hobbs



The meeting was held on the evening of October 25th. I would guess that about 40 people turned up for the presentation. I assumed more people would turn up purely because I thought he had achieved a certain cult status.

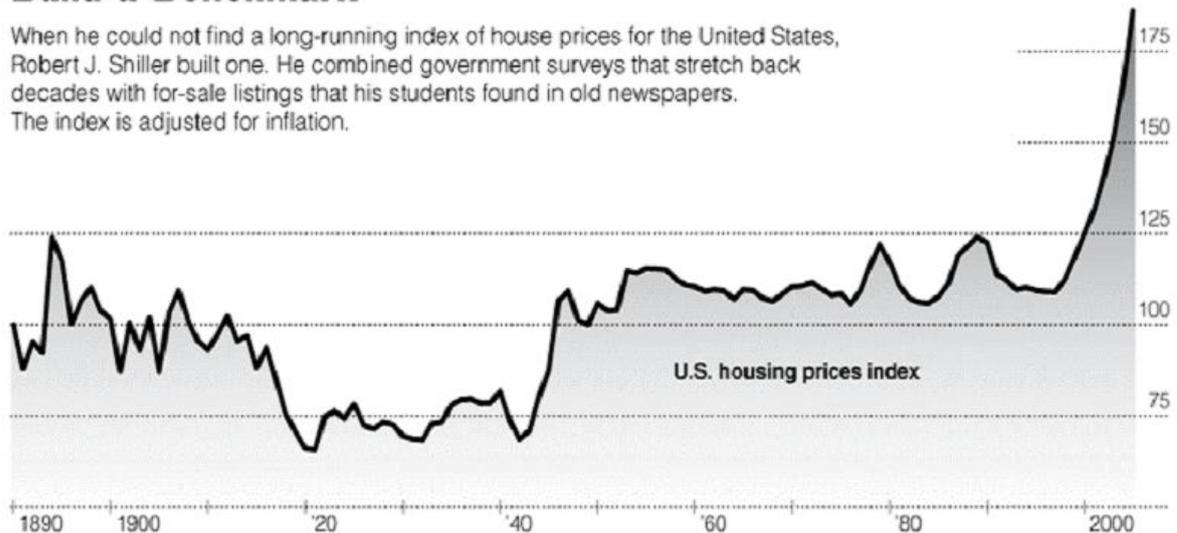
Eddie started the presentation and he spent a few minutes explaining how this was his attempt to help the ordinary people of Ireland gain access to European property in a transparent and low cost way. I think that he made a number of very valid points about how difficult and risky it has been for ordinary people to do this. He also went out of his way to make sure that everyone was aware of the risks involved in investing in property.

He also spent some time talking about his belief that a global energy crisis has already started. He spoke with such certainty that he made me nervous. I have listened to so many people talk with certainty and incredible conviction and turn out to be wrong that I now tend to prefer people who show a certain amount of humility and speak about the range of possible outcomes rather than zealot like opinions. This lecture on peak energy may turn out to be correct but I felt he was talking down at us rather than to us.

He made the point that during the 1970s oil crisis property prices managed to beat inflation and therefore gave investors a real return. He did not give any evidence to support this statement but I have done a little bit of research that supports this view. In particular I had a look at Professor Robert Shillers work on long term property prices. This work is confined to the United States and so it may not be true of Europe. Professor Shiller has shown that residential property prices did rise faster than inflation during the 70s. So far so good but I must point out that Prof. Shiller thinks that current US property prices are overvalued and therefore I presume he does not believe that US property prices could keep up with inflation.

Build-a-Benchmark

When he could not find a long-running index of house prices for the United States, Robert J. Shiller built one. He combined government surveys that stretch back decades with for-sale listings that his students found in old newspapers. The index is adjusted for inflation.



Source: "Irrational Exuberance," Robert J. Shiller

Obviously Europe and in particular Germany has a property cycle of its own and therefore may not be as expensive as the United States. Hugh O'Neill, one of the Brendan Investments team spoke on this issue. He explained that Germany did not have the same boom as the US and is therefore far better value. Hugh spoke after Eddie and he gave practical examples of the types of property they are looking at in Germany. He gave an example of an office property and a retail property. These properties had 15 year leases with good tenants and had rental yields higher than their 5% borrowing costs. Listening to Hugh talk about these opportunities was a bit strange because it sounded exactly like the reasons I had for joining a German property syndicate at the end of last year. I joined a syndicate that has invested purely in the German retail sector for exactly these reasons: good tenant on a 15 year lease with a gross rental yield of over 6% and borrowing costs of 5%. In other words this part of the presentation was music to my ears and it made me feel that this part of their project should do well.

Hugh O'Neill explained that they intended to put around 70% of the money raised into these hopefully safe German properties and as stated above I would feel quite comfortable with this part of the plan.

The other 30% of the money raised is going to be invested in development opportunities in Ireland, Portugal and the UK. This part of the plan is controlled by Vincent Regan. Vincent spoke about the development projects he has already been involved with in Ireland and Portugal. He also talked about some of the opportunities he is working on for Brendan. This is riskier than buying buildings with existing

tenants. Here you are putting your faith in the skills of the individual involved and these risks have been adequately acknowledged by all concerned at Brendan Investments.

I have no reason to doubt the knowledge and integrity of Vincent Regan. It is down to each investor to decide whether they have confidence in him because that is all you can do at this stage.

At the end of the presentations I felt relatively positive towards the whole approach of Brendan Investments. I like the German property market and I felt that the whole team would work towards a positive outcome. I did not feel that they deserved the massive amount of negative media coverage.

After the presentation there was a question and answer session. I asked them what they thought about REITs (Real Estate Investment Trusts) and in particular German REITs. I did this because I do have one concern with funds like Brendan Investments. One of the problems with such a fund is the inability to sell it at a date of your choosing. Brendan Investments talk about a likely 10 year time horizon but they do attempt to address this concern by talking about what is known as a “grey market” listing. In other words investors might have the ability to sell their shares but there is no guarantee that this will happen.

I prefer investments where I have the ability to sell at a time of my choosing and that is why when it comes to property investments I have mentioned that I like REITS (See Opinion Piece No.14).

Last year when I invested in the German syndicate there were no German REITs. I knew that there was the possibility that they could be introduced in 2007 but I did not feel that it was prudent to wait.

The legislation was passed in Germany in March of this year but by the time I met Eddie on Oct. 25th I thought that no REIT had been approved. (In fact I had not seen that the first German REIT had been approved on Oct. 11th).

Eddie was first to respond to my question and he responded by saying that there was no real comparison between their fund and a REIT. I did not expect him to suggest that what they were doing was totally different to a REIT. I accept that there are significant differences but there are also significant similarities and in fact I thought that some of the REIT characteristics might be attractive to some of the people in the room.

Eddie talked about the higher gearing in the Brendan Fund. They can be 75% geared. Maybe some of the potential investors might be attracted to lower gearing and therefore lower risk?

He said that REITs were all about generating income and not about generating capital gain whereas Brendan is all about capital gain. Again that might be attractive to some of the people in the room.

Add in the ability to sell on a daily basis and I think that a German REIT might not be as unattractive as Eddie suggested.

When I left the meeting I did not know what to think. Is Eddie a true champion of the people or is he just another walking ego, caught up in his own self importance and trying to flog another fund?

One evening a couple of weeks later I was sitting in my office when my mobile phone rang. “Hello, Eddie Hobbs here, I just want to let you know that we met our minimum

funding and that we are making progress with a number of our projects”. I suddenly remembered that I had given my name and number on the way into the meeting so it wasn't a major shock to get a call but I didn't think it would be Eddie himself. Once I had got over that surprise I thought I would mention that I had discovered that the first German REIT had been approved in October. I was hoping that if he was the true champion of the people he would engage in a friendly chat about German REITs. Instead all I got was a question about whether I was interested in investing in the fund. When he realised that I was not going to invest, he basically said good night. He must have had others to ring and so he wasn't going to give me anymore of his precious time.

In conclusion I still don't want to be too negative about Brendan Investments just because of the way Eddie Hobbs talked to me but I am still left trying to answer the question.....did he “Show me the Real Eddie”

Eddie Hobbs isn't the only Eddie to have me flummoxed in recent months..... yes you guessed it our other great Eddie from Co. Cork- Eddie O'Sullivan. I found this amusing picture recently (especially for you Jack!)

