

2021/22

Investment Market Review & Outlook



2021 At A Glance



Total Turnover 2021

€5.55 Billion

Turnover by Sector 2021



41.7%

Residential



28.0%

Office



18.1%

Industrial



5.8%

Retail



3.3%

Mixed-Use



3.1%

Other

Prime Yields



4.35%

Prime High Street Retail



6.0%

Prime Shopping Centre



4.0%

City Centre Office



3.65%

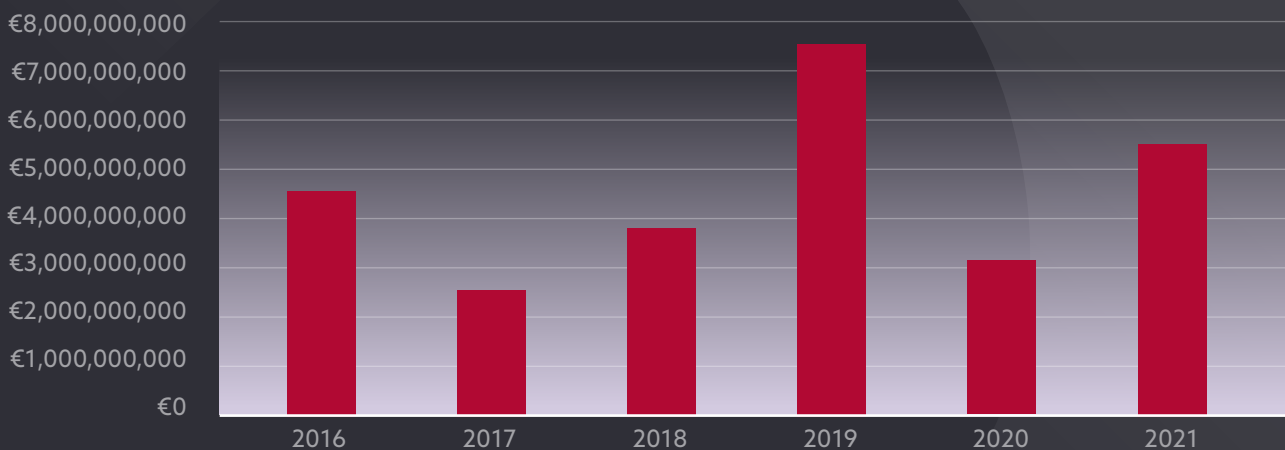
Residential (PRS)



4.0%

Industrial

Annual Turnover



Transactional Activity

2021 witnessed the second largest value of transactions ever recorded in the Irish market with a staggering €5.55bn of CRE deals completed. Q4 was the dominant quarter accounting for €1.99bn of deals, representing 36% of total turnover.

High value transactions/portfolios were a dominant feature of 2021 with 13 deals in excess of €100m which collectively equated to 51% of investment value for the year. The remaining 49% amounted to 177 transactions, averaging €15.2m per transaction. This statistic reflects the weight of international capital seeking larger scale prime assets and portfolios in Ireland albeit heavily focused on the Dublin market. The Irish capital base is now completely internationalised with US, Asian, European and domestic players all having material transaction representation throughout the year.

We expect to see a continuation of new entrants to the market in 2022 where prime assets are made available. In particular, we expect a wider range of core European funds to consider the Irish market with a focus on the prime residential (PRS) and the office sector.



Top 10 Transactions

Property	Sector	Quarter	Approx. Price (million)	Purchaser
Ardstone Portfolio	Residential	Q1 2021	€450	CBRE Global Investors
Serpentine Buildings, Ballsbridge, Dublin 4	Office	Q4 2021	€395	Blackstone
Project Tolka Portfolio	Office	Q1 2021	€290	Blackstone
Project Eagle	Industrial	Q4 2021	€285	Confidential
Royal Canal Park, Ashtown, Dublin 15	Residential	Q2 2021	€200	Union
Core Industrial Portfolio	Industrial	Q4 2021	€196	KKR
Dwyer Nolan Portfolio	Residential	Q2 2021	€181	Ardstone
Griffith Avenue (Cairn)	Residential	Q2 2021	€177	Greystar
Block A Riverside IV, 70 Sir John Rogerson's Quay, Dublin 2	Office	Q2 2021	€164	Deka
One & Two Dockland Central, North Dock, Dublin 1	Office	Q4 2021	€152	Commerz Real AG



Offices

Top 4 Deals

Serpentine Buildings,
Ballsbridge, Dublin 4
€395,000,000

Project Tolka
Portfolio
€290,000,000

Block A Riverside IV, 70 Sir John
Rogerson's Quay, Dublin 2
€164,000,000

One & Two Dockland Central,
North Dock, Dublin 1
€152,288,000

Offices remain the second largest asset class for the second consecutive year accounting for 27.9% of total turnover. Approximately €1.55bn of office transactions occurred throughout 2021. The €1.55bn occurred across 42 separate asset/portfolio transactions, the largest of which was the purchase by Blackstone of the Serpentine Buildings, a Dublin CBD backed prime office portfolio, for a reported €395m. The second largest stand-alone transaction was Deka's purchase of Irish Life's Block A Riverside IV for €164m (4.08% NIY) followed by Commerz Real AG's acquisition of Hibernia REIT's One & Two Dockland Central for €153m (4.8% NIY). The largest portfolio transaction was Blackstone's purchase of Project Tolka for €290m. The portfolio comprised 27 SJRQ and Burlington Plaza, two Grade A office buildings.



Residential

Top 4 Deals

Ardstone Portfolio
€450,000,000

Royal Canal Park,
Ashtown, Dublin 15
€200,000,000

Dwyer Nolan Portfolio
€181,000,000

Griffith Avenue (Cairn)
€177,000,000

The Residential (PRS) sector was again the largest sector of the investment market in 2021 attracting over €2.3bn of capital across 52 deals (41.7% of turnover). This is despite the closure of building sites in the Q1 period and the uncertainty created by the Covid-19 pandemic.

The largest PRS deal of the year took place in Q1 and set the tone for the sector. CBRE Global Investors completed the forward purchase for €450m of more than 900 residential units under redevelopment or due to be developed in various schemes across the greater Dublin area. In addition, Union also acquired the Royal Canal Park development from Ballymore for €200m which comprises 218 1-bed and 217 2-bed apartments.

Turnover in the residential sector fell as the year progressed with H1 accounting for 1.5bn and H2 accounting for €805m. It comprised 19% turnover in Q4 2021 (its lowest quarterly % level in 4 years save for Q1 2020). The escalating impact of the judicial review process on the planning system and changes to fund rules owning PRS are likely contributory factors to unit supply. However, the PRS sector has a deep domestic and international following and we expect that once supply rebounds, that transactions will follow.



Industrial

Top 4 Deals

Project Eagle
€285,000,000

Core Industrial Portfolio
€196,000,000

Liffey Business Campus
€95,000,000

Confidential
€60,000,000

In the face of the impact of Covid the Industrial/logistics sector has quickly become the darling of Europe real estate investment. It has performed very strongly throughout 2021 with both yield contraction and rental growth evident across the sector. The sector contributed €1bn of turnover across 36 transactions. This equated to 18.2% of total 2021 turnover, a substantial increase from 8.8% in 2020, and the first annualised “double digit” representation for the sector since records began. Two multi-asset portfolio transactions accounted for €481m of industrial turnover. This was the sale of the Project Eagle Portfolio for €285m and the multi-asset sale by Core Industrial to Palm Capital for €196m. The sector’s biggest impediment has always been the limited supply of tradeable assets which has subdued its prevalence in the overall market turnover. We anticipate forward sale activity (such as the pending €135m Penney’s distribution warehouse in Newbridge) is likely to bridge these supply shortcomings in the short term.



Retail

Top 4 Deals

The Parks Collection
€74,100,000

Nutgrove Retail Park
€66,340,000

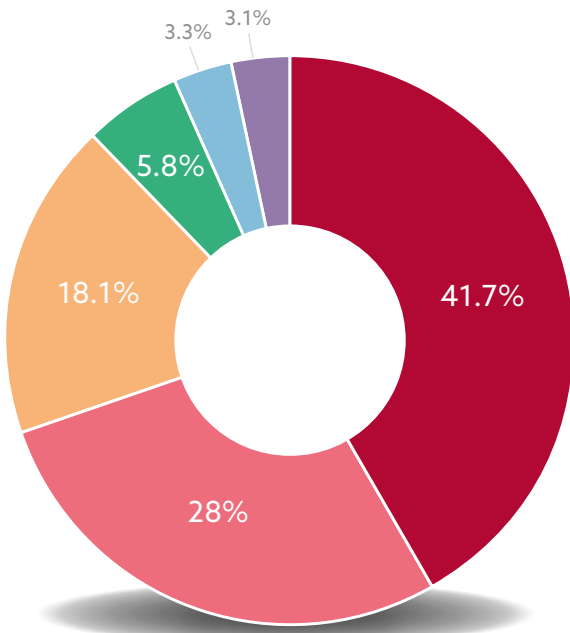
Citywest Shopping Centre,
Co. Dublin
€30,300,000

West Dublin Grocery
€25,800,000

The Retail sector was very much a story of two halves in 2021. A mere €34m was invested in H1 across 18 deals, reflecting the closure of non essential retail in Q1 and Q2. However, an optimistic outlook for the retail market is implied by its staggering performance in H2 as it attracted nearly €288m, which is 8.5 times that of total sector turnover from H1.

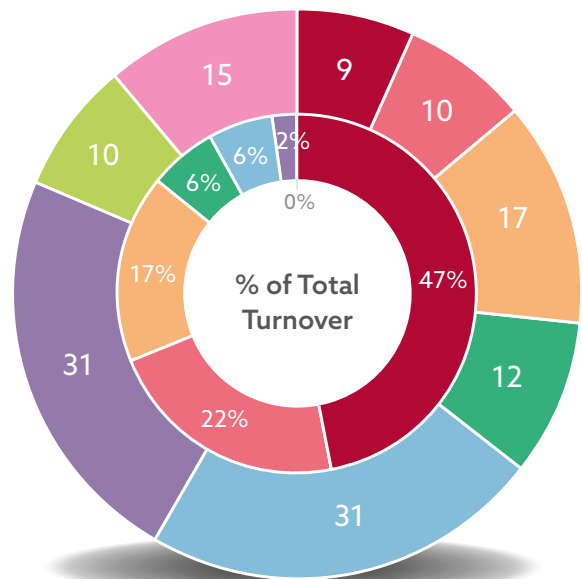
Two deals were largely responsible for the excellent performance. The Parks Collection, a portfolio comprising three retail parks was acquired by Marlet from Marathon for €74m (8.6% NIY) and Nutgrove Retail Park was sold by Davidson Kemper to AM Alpha Fund for €66m (5.8% NIY). Agents Bannon acted as acquisition agents in the purchase of City West Shopping Centre and disposal agent for the sale of the West Dublin Grocery, respectively the 3rd and 4th largest retail deals of 2021. Notably the top two deals completed in the sector were both retail parks, highlighting the resilience they have shown through the pandemic.

Investor Turnover by Sector



-  Residential
-  Office
-  Industrial
-  Retail
-  Mixed-Use
-  Other

Investor Transactions by Lot Size



-  €100m+
-  €50 - €100m
-  €20 - €50m
-  €10 - €20m
-  €3 - €10m
-  €1 - €3m
-  €500k - €1m
-  <€500k

Location

The Dublin market continues to dominate Ireland's investment spend, with close to 74% of transaction value occurring in the city and suburbs. This figure in reality is likely to be substantially higher due to the large amount of reported confidential deals.

Yields

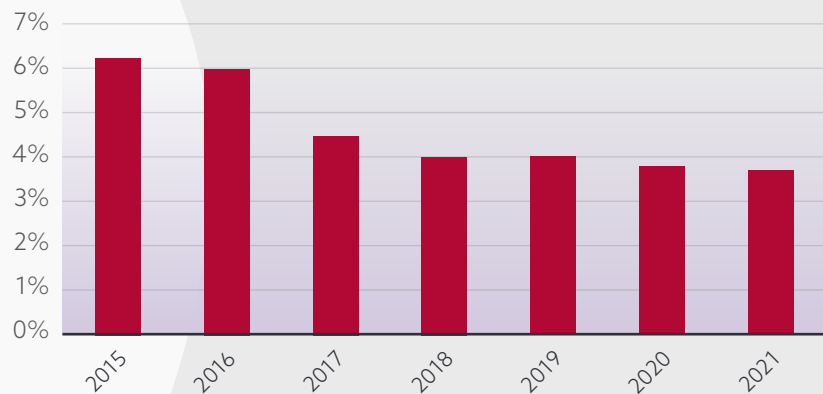
Sector	01	Q2	03	04
Prime High Street Retail	4.50%	4.50%	4.35%	4.35%
Prime Shopping Centre	6.00%	6.00%	6.00%	6.00%
City Centre Office	4.00%	4.00%	4.00%	4.00%
Residential	3.75%	3.75%	3.65%	3.65%
Industrial	4.50%	4.50%	4.25%	4.00%



Residential (PRS)

Prime residential yields (PRS) moved for the first time since 2019, contracting to 3.65%. This is reflective of residential being the most active sector again this year with numerous prime PRS transactions supporting the level.

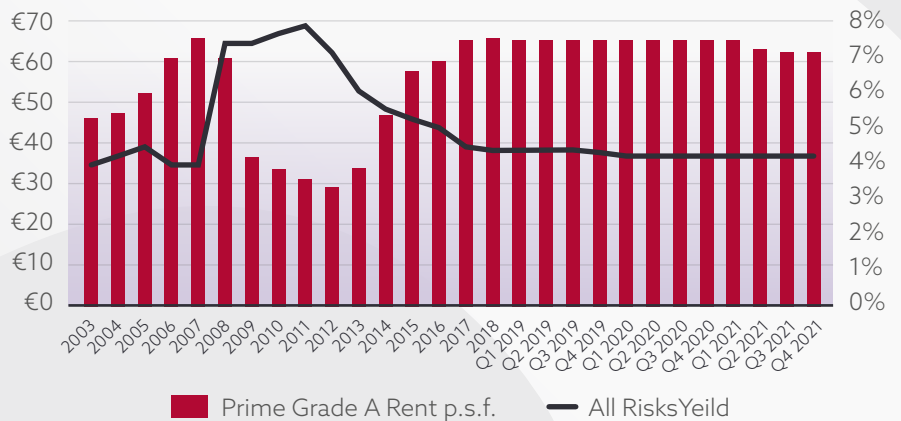
Prime PRS Yields



Office

Office yields have maintained their levels at 4.0% again in 2021. The demand for Grade A office investments was prominent throughout the year with the sale of a number of single asset and portfolio sales.

Prime Dublin CBD Office Rents and Yields

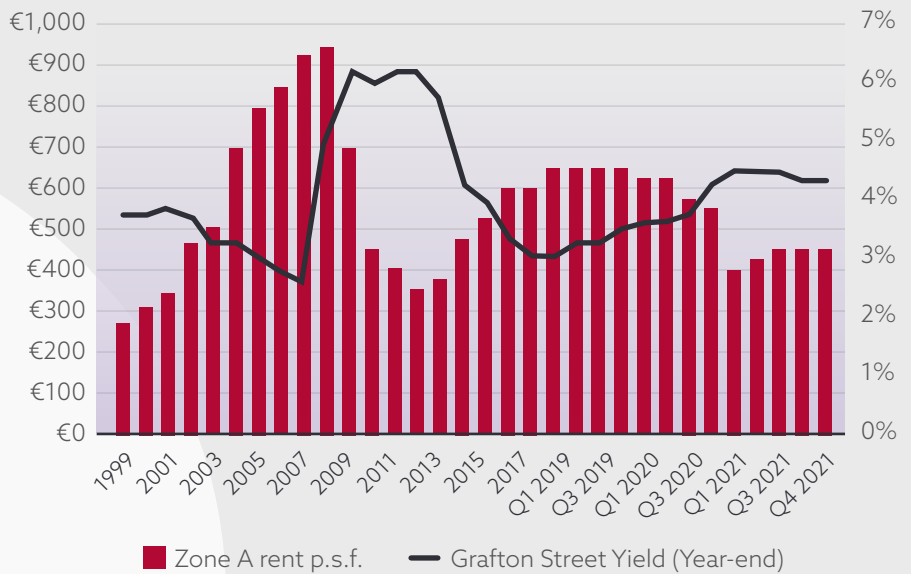




Prime High Street Retail

There has been limited retail transactional evidence on the high streets throughout 2021 resulting in minimal yield change. The only material high street transaction in 2021 was the sale of 26/27 Grafton Street for €23m, providing limited transactional evidence. We are likely to see some high street assets offered to the market in 2022 which will set a tone for the sector.

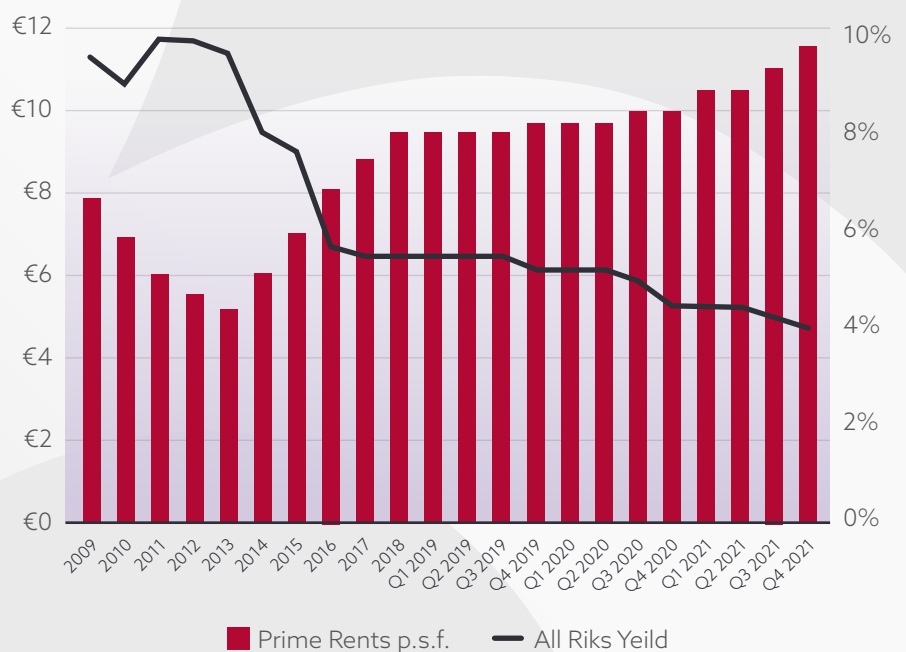
Grafton Street Rents and Yields



Industrial

Industrial sector yields have contracted from 4.5% in Q1 to 4.0% in Q4. This contraction is supported by a number of large portfolio and single asset sales in the latter half of the year and one pending (but relatively unique) forward sale transaction (Penney's Distribution Warehouse) at approx. 3.75%. The industrial sector has seen the greatest yield movement across all sectors since the start of the pandemic. Industrial yields were reported at 5.25% in Q4 2019.

Prime Industrial Rents and Yields





Outlook

The outlook for 2022 is positive with a range of prime office stock already on the market or due in Q1 which should attract strong interest. This includes Henderson Park's One Molesworth Street and The Central Bank of Ireland's Block R Spencer Dock.

Residential led investment will continue to be highly sought after as investors continue their pursuit of quality assets to build large platforms.

Expect yields in this sector to continue to remain stable however Investors will be watching for any political interference around rent caps and new regulation.

Retail could continue to surprise the market to the upside with both Manor West Shopping Park and City Square Shopping in Galway already at agreed stage (at approx. €72m collectively) and a number of retail parks and shopping centres due to go on the Block. The industrial sector will undoubtedly continue to be in demand, but the lack of quality stock will be the biggest hindrance to the sectors growth.

As we come out from the shadow of the pandemic, we expect continued interest from all the established European funds with the expectation of multiple new entrants. However one of the key drivers of both investment supply and demand at an institutional level in 2022 will be ESG considerations. In addition we are beginning to see the emergence of "family offices" competing for larger and larger lot sizes. Forecast turnover is difficult to predict at this point, however, we would anticipate another strong year with the €4bn mark likely to be exceeded yet again.



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