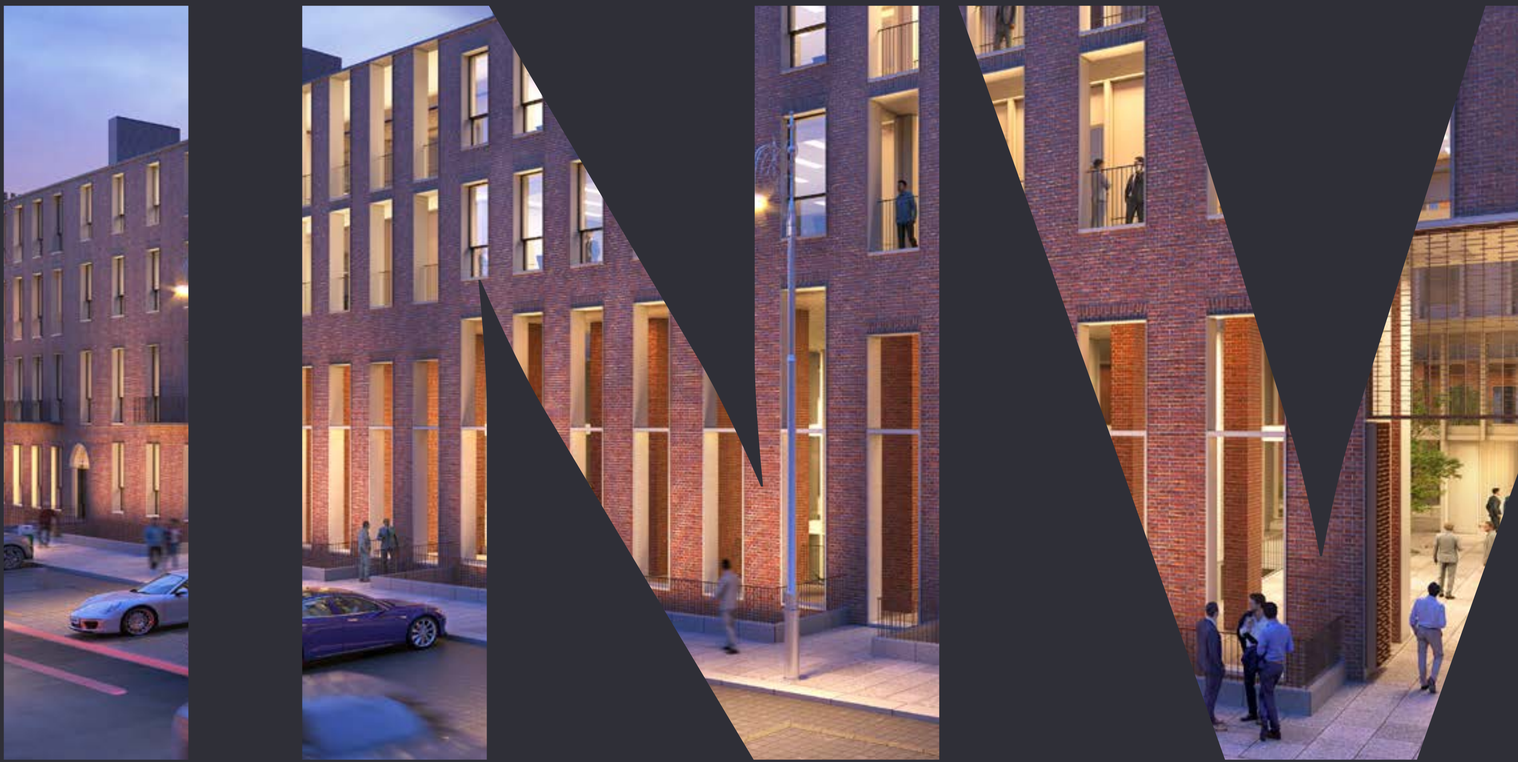
2022/23 Investment Market Review & Outlook



2022 At A Glance

For the property sector, while one of strongest capital market years on record (second only to 2019), 2022 will be best remembered as the "year of reckoning". A year where a mixture of macro-economic and geopolitical issues combined to commence rebasing the market following almost a decade of effectively zero interest rates, low inflation, and expansive monetary policies.

Total Turnover 2022

€5.7 Billion

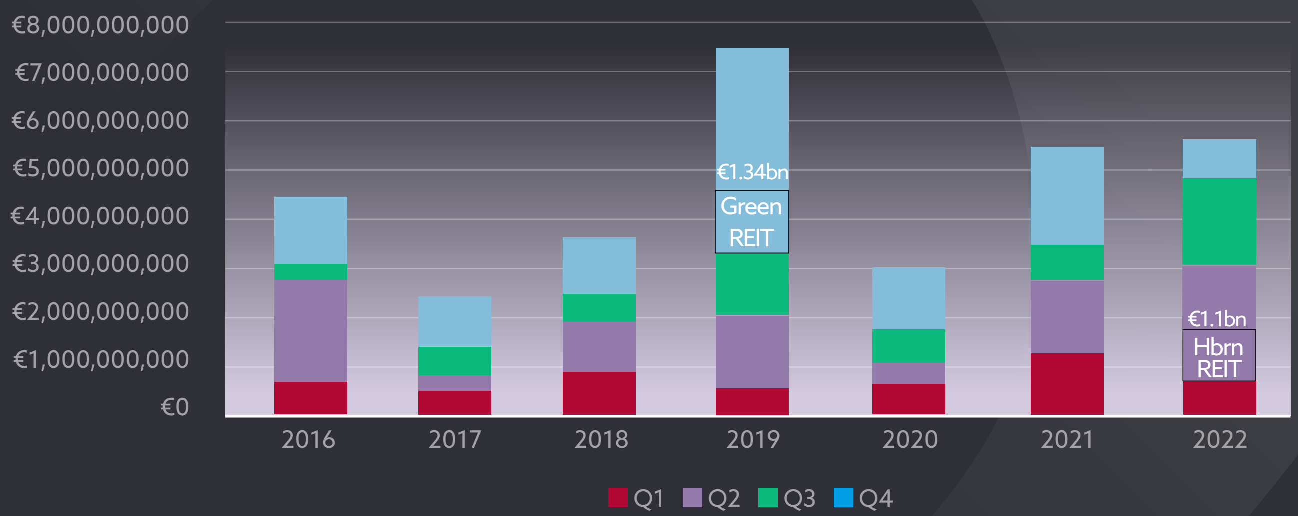
Turnover by Sector 2022

38.4%	**31.2%**	**7.8%**	**7.0%**	**5.3%**	**4.3%**	**4.1%**	**1.9%**
Office	Residential	Industrial	Retail	Mixed-Use	Healthcare	Hotel	Other

Prime Yields

4.75%	**6.50%**	**4.5%**	**4.25%**	**4.5%**
Prime High Street Retail	Prime Shopping Centre	City Centre Office	Residential (PRS)	Industrial

Annual Turnover



Transactional Activity-2022

Following the blockbuster transactions of the Hibernia REIT Portfolio and Salesforce HQ, 2022 recorded the second largest value of transactions ever recorded in the Irish CRE market with €5.7bn of transactions completed. This was achieved despite a subdued start and end to the year with c. €760m of transactions in both Q1 and Q4. In total 172 deals were completed during 2022. Stripping out the two mega deals, total turnover was recorded at €4.28 billion.

High value transactions continued to dominate the market in 2022 with 10 deals in excess of €100m which accounted for 45.3% of the total turnover for the year. The remaining transaction activity, 162 deals, averaged €19.3m per transaction. This was an increase on 2021 of over 27%. This reflects the demand for large scale prime assets from international investors, a trend that we anticipate will escalate in 2023.

Top 10 Transactions

Property	Sector	Approx. Price (million)	Purchaser
Hibernia REIT	Office	€1,089	Brookfield
Salesforce HQ, Spencer Place (Office & Hotel)	Office	€500	Blackstone
Project Sapphire (Bartra Nursing Home S&LB)	Other	€161	Aedifica
Project Ruby (Student Accommodation)	Residential	€145	Confidential
Alta Verde, Cross Avenue, Blackrock	Residential	€135	Confidential
Distribution Centre Newbridge, Co Kildare	Industrial	€128.7	Union Investment
Brickfield Square, Crumlin (242 units)	Residential	€123.5	Confidential
Magna Drive, Citywest	Residential	€122	Confidential
Church View, Killiney (190 units)	Residential	€110	Confidential
St Edmunds Drive, Citywest	Residential	€105	Ardstone

Offices

Top 4 Deals

Hibernia REIT **€1,089,000,000**	Salesforce HQ, Spencer Place (Office) **€443,900,000**
Blocks 1, 2 and 3 of Founders District **€97,500,000**	Watermarque Building **€92,250,000**

The two landmark transactions of Hibernia REIT and Salesforce in Q2 and Q3 respectively led to the office sector emerging as the largest asset class in 2022 accounting for 38.4% of the capital markets turnover equating to €2.18bn across 41 transactions. Save for the top two office deals the office investment market was more subdued in 2022 compared to previous years with an average transaction value of €20.5m with no deals breaching the €100m mark. The closest transactions to this were Spear Street Capital's disposal of Blocks 1, 2 and 3 of Founders District to UK investor LRC Group and Corum's acquisition of the Watermarque Building.

While the office sector dominated turnover in 2022 it is interesting to note that if we exclude the two exceptional deals being Hibernia Reit and Salesforce, we see a continuing trend of turnover contraction in the sector. When excluded, the office sector only represented 17% of total turnover for the year.

Residential

Top 4 Deals

Project Ruby (Student Accommodation) **€145,000,000**	Alta Verde, Cross Avenue **€135,000,000**
Brickfield Square, Crumlin **€123,000,000**	Magna Drive, Citywest **€122,000,000**

The residential (PRS) sector continued to attract strong investment in 2022 with €1.76bn recorded across 32 transactions. This equates to an average lot size of in excess of €55m.

The largest residential transaction of the year, and fourth largest overall transaction, was the sale of the Project Ruby Portfolio which comprises three student accommodation blocks in Dublin (Blackhall Place & Cork Street) and Galway (Fairgreen Road) for a combined €145 million.

There were six transactions in excess of €100m with an additional nine between €50m and €100m. These top 15 deals accounted for 79% of the sectoral turnover. The balance of the turnover was derived from a further 17 transactions with an average value of €22m.

Industrial

Top 4 Deals

Primark Distribution Centre, Newbridge **€128,700,000**	Confidential **€68,000,000**
North Ring Business Park **€49,999,000**	Greenogue Portfolio **€39,000,000**

The industrial sector has held firm in third place in terms of turnover in the Irish CRE market for the third year in a row with 22 transactions generating a turnover of €441m.

The standout transaction of the year was Union's acquisition of the Primark Distribution Centre in Newbridge, Co. Kildare. This alone accounted for 29% of the total turnover for the sector.

15 of the 22 industrial transactions in 2022 related to properties in Dublin which represented 56% of the total turnover.

Retail

Top 4 Deals

Manor West Shopping Park **€55,175,000**	Avenue Portfolio **€37,008,000**
Confidential **€28,000,000**	Dundalk Retail Park **€25,000,000**

With a total turnover of €395m, investment in the retail sector continues to build but remains significantly below pre-pandemic levels. A total of 34 deals were completed with an average value of €12m. With limited prime assets of scale available, the top transaction of the year was found in Tralee Co. Kerry comprising Manor West Shopping Centre which was acquired by Marlet Property Group and Melcorpo for €55m. However, there is little doubt that the most high-profile sale of the year was by IPUT comprising the Victoria Secrets Property on Grafton Street. This was reportedly sold to a local private investor at €28m reflecting a yield level of approx. 4.8%. The same two parties also contracted on the Tesco on Lower Baggot Street at €12m showing a yield of just over 5%.

Mixed Use, Healthcare, Hotel & Other

Top 4 Deals

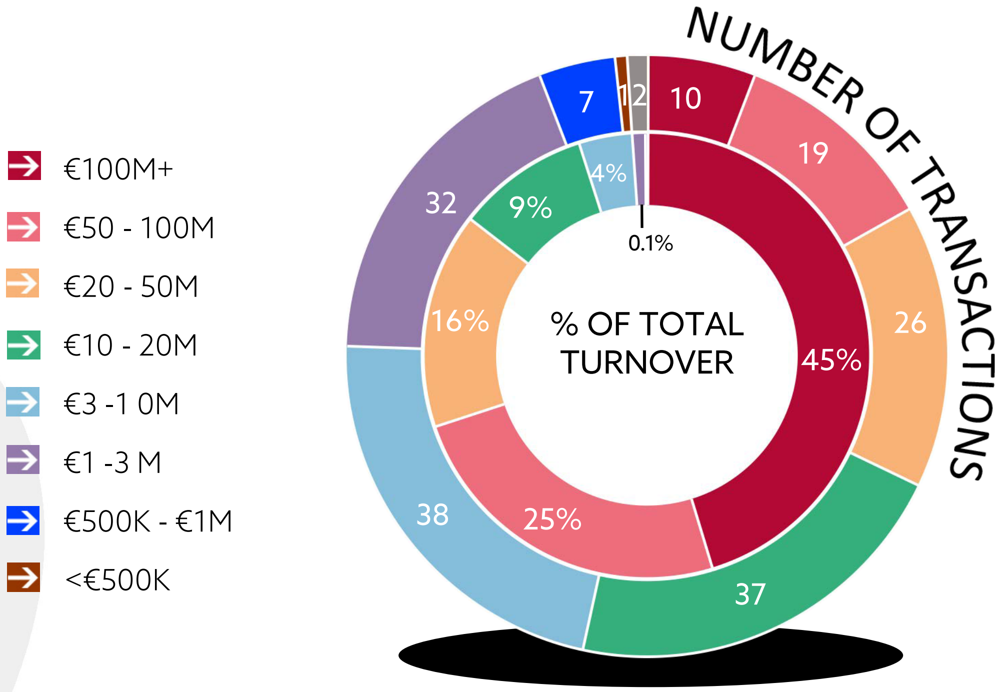
Project Sapphire (Bartra Nursing Home S&LB): **€161,000,000**	Confidential **€90,000,000**
Point Square **€85,000,000**	Staycity, Little Mary Street, Dublin 7 **€80,000,000**

As the traditional sectors begin to slow down, investors are looking for alternative investment sectors to invest their capital. The mixed use, healthcare, hotel and other sectors accounted for 43 deals in 2022 totalling €881m.

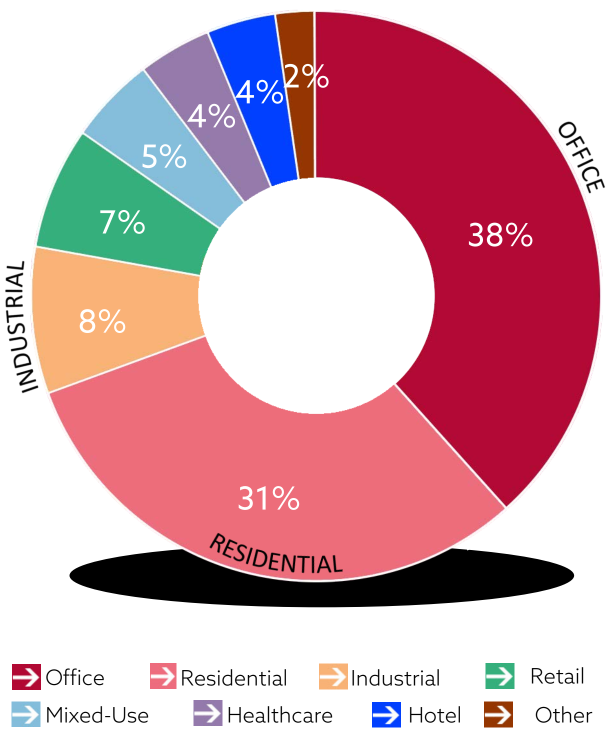
The largest transaction was Bartra's sale of Project Sapphire to Aedifica, comprising the sale and leaseback of three nursing homes (462 beds) in the Dublin area and one forward commit (150 beds). The largest hotel sale of the year was the sale of Staycity on Little Mary Street.

Ballybunion Capital's purchase of the Point Square from NAMA was a notable mixed use transaction.

Investor Transactions
by Lot Size



Investor Turnover by Sector
including Hibernia Reit & Salesforce



Investor Turnover by Sector
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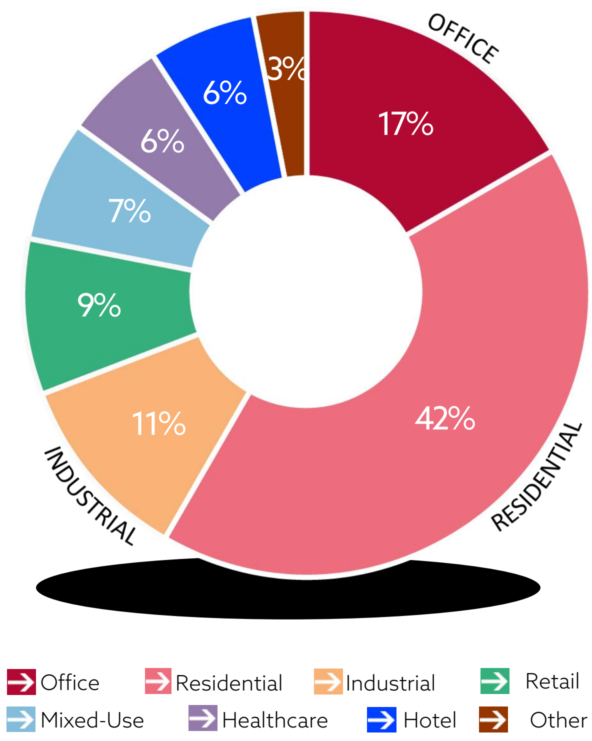


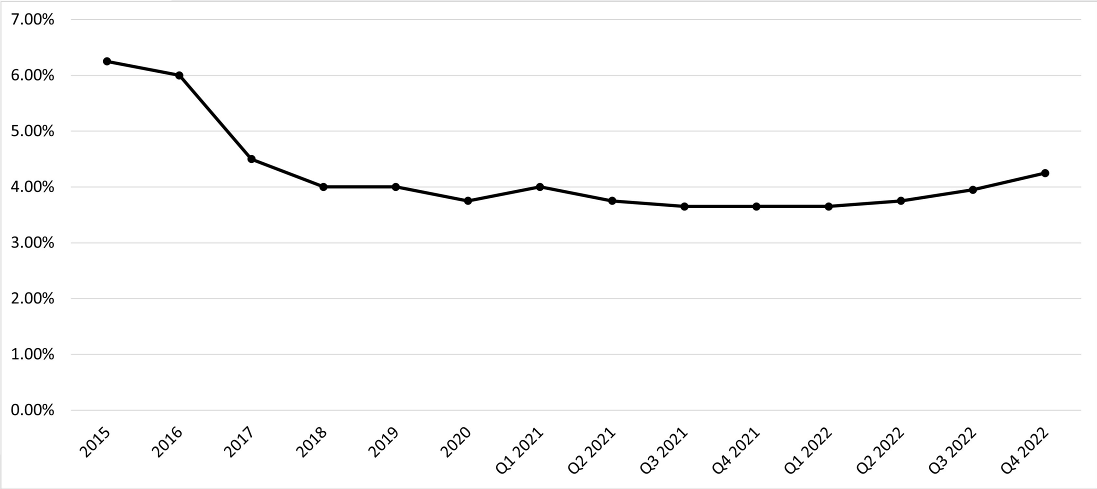
If we exclude the Hibernia REIT transaction from Q2 (which arguably should not have been included as it was a corporate acquisition) and the one-off €500m Salesforce deal from Q3, the lay of the land changes dramatically. The result is that the residential sector exceeds 50% of Q3 volumes and 44.4% of the year-to-date volumes. Conversely, the office sector falls to a mere 17.7% of the quarter and 17% for the year-to-date. This is a dramatic transition for the offices sector which accounted for 39% of market transactions in 2020 and 28% in 2021. A number of factors are likely contributing to this shift, amongst them is the depleting availability of developer led schemes available for trade, concern attaching to the occupational impact of the WFH phenomena and the unknown impact of required ESG retro-fitting to standing stock.

As a consequence of the movement in the office sector's relative importance we are seeing a number of alternative sectors come to the fore. The industrial sector has seen the reverse trend as the desire for sheds from institutions is unabated and the supply side is relatively elastic. It has grown from a mere 4% in 2019 to 8% in 2022. Similarly, the healthcare sector, from near obscurity, comes to represent almost 5.3% of investment volumes.

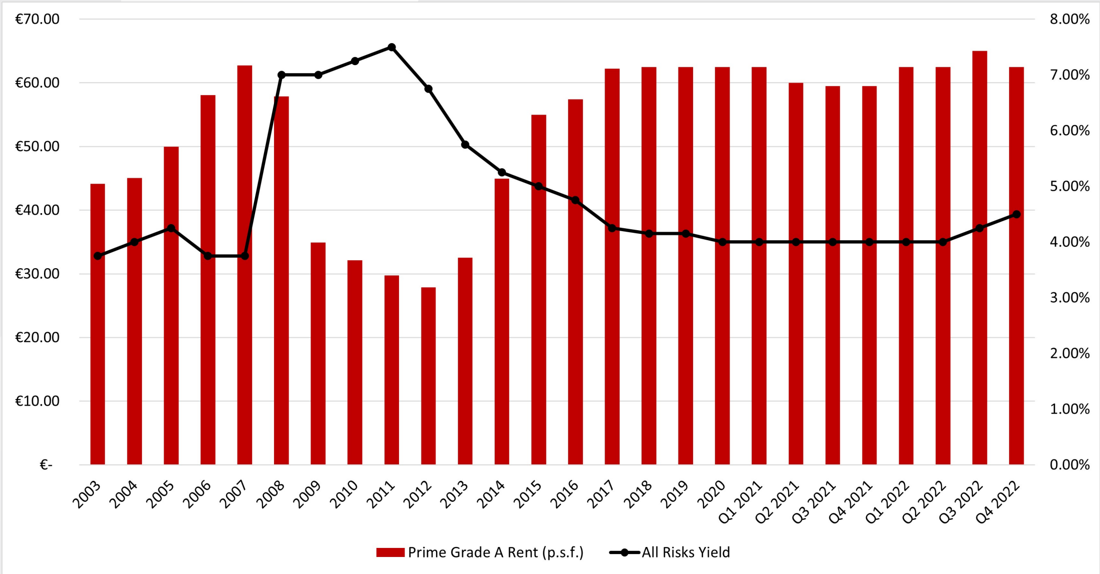
Yields

Sector	Q1	Q2	Q3	Q4
Prime High Street Retail	4.25%	4.35%	4.50%	4.75%
Prime Shopping Centre	6.00%	6.00%	6.50%	6.50%
City Centre Office	4.00%	4.00%	4.20%	4.50%
Residential	3.65%	3.75%	3.95%	4.25%
Industrial	4.00%	4.00%	4.25%	4.50%

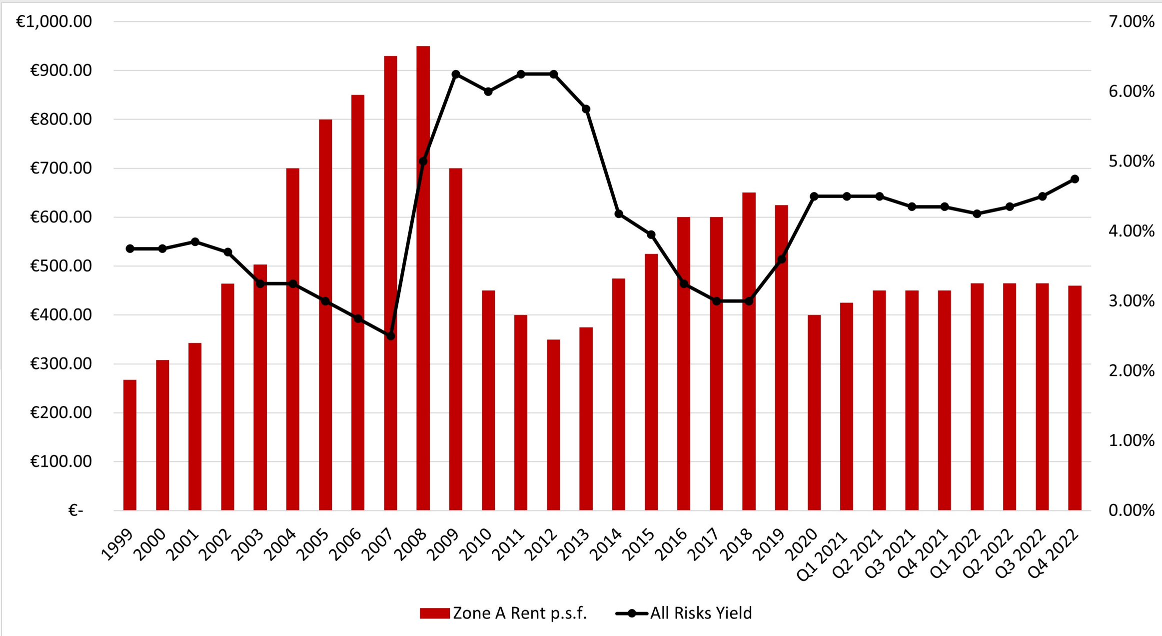
Residential (PRS)



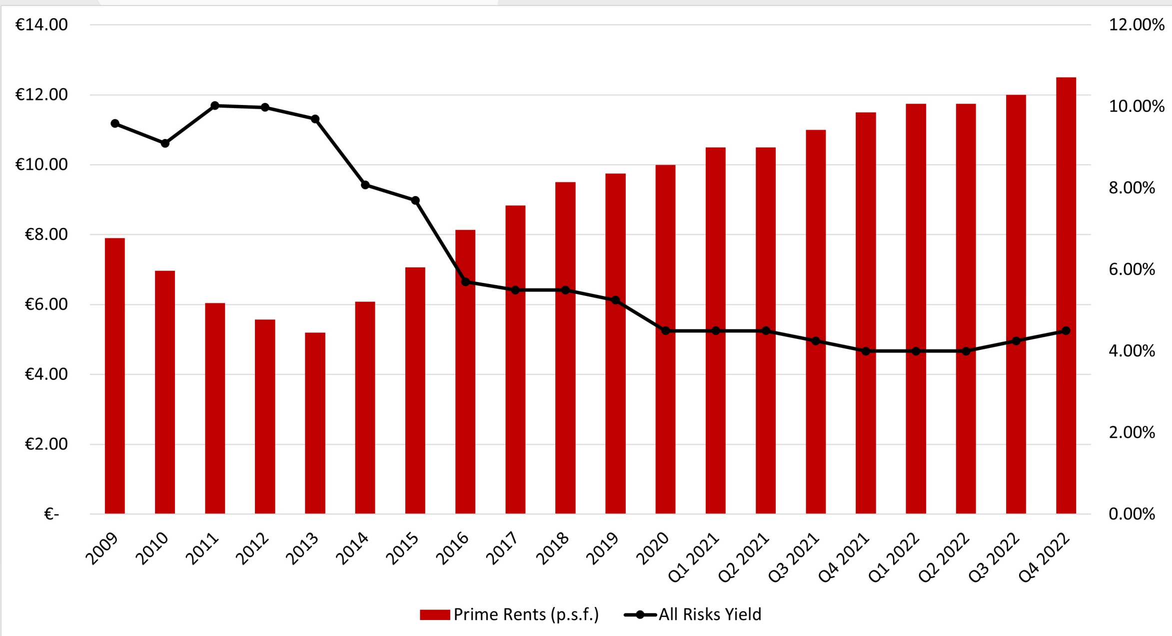
Office



Prime High Street Retail



Industrial



Outlook

The outlook for 2023, particularly the first two quarters, remains uncertain. From a supply perspective there is significant existing stock (approx. €1.2bn) currently on the market with a number of large assets anticipated to be released in Q1 & Q2 However the period of "price discovery" which lies ahead will undoubtedly subdue transaction levels despite sustained reserves of capital being available to be deployed. The retail sector appears to be ahead of the curve in this regard with vendors' acceptance of the new reality resulting in the sector representing 20% of transactions in Q4, versus more subdued levels of 5-6% seen for the past number of years. We would expect this to continue into 2023 given the quantum of stock which lies with private equity owners well beyond acceptable holding periods. Turnover levels are also likely to be bolstered by the sale of one big M50 schemes.

Residential led investment will continue to be highly sought after in 2023 as investors continue their pursuit of quality assets on which to build large platforms. However, this sector probably has the biggest adjustment to make in terms of yields and this will serve to not only subdue transaction levels, but also fundamentally undermine sustainability as build costs continue to rise. We are likely to require material government intervention to support the supply side. While the industrial sector is likely to see similar yield adjustment (as experienced in the UK) it is unlikely to impact on sustainability as we see sustained occupational demand for quality product.

As ESG continues to be at the forefront of the office sector, environmentally stranded assets will provide an opportunity for investors and developers willing to put in the time and capital to renovate and refurbish assets in order to attract Grade A occupiers and prime rents. However, material price adjustment needs to occur to support transaction levels, having regard to refurbishment costs and the new yield environment. Trading of scare ESG compliant offices is likely to be limited with most funds focussing on upgrading or purging existing portfolios of non-ESG complaint buildings.

Forecast turnover is difficult to predict at this point, however, with a subdued Q1 and Q2 likely we would anticipate a return to the more long-term average annual turnover level, being in the region of €3bn.

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