

# INVESTMENT MARKET COMMENTARY

2020 REVIEW  
2021 OUTLOOK



# 2020 AT A GLANCE

TOTAL TURNOVER 2020

## €3.05 BILLION



DUBLIN ACCOUNTED FOR

## c.93%

OF TOTAL TURNOVER  
(BY VALUE)

### TURNOVER BY SECTOR



## 4.7%

RETAIL



## 39.0%

OFFICE



## 42.0%

RESIDENTIAL



## 1.2%

MIXED USE



## 8.8%

INDUSTRIAL



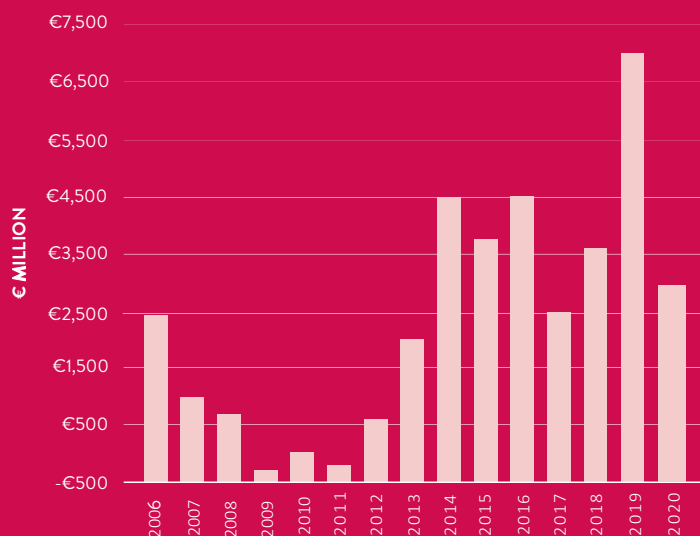
## 4.3%

OTHER

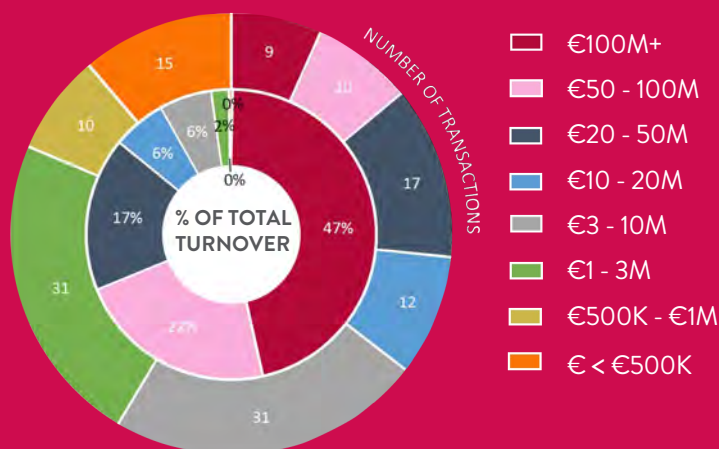
### PRIME YIELDS

SECTOR	Q1 2021 YIELD	TRENDING
HIGH STREET RETAIL	4.5%	↑
PRIME SHOPPING CENTRE	5.5%	↑
CITY CENTRE OFFICE	4.0%	→
RESIDENTIAL (PRS)	3.75%	→
INDUSTRIAL	4.95%	↓

### TOTAL ANNUAL INVESTMENT TURNOVER



### INVESTMENT TRANSACTIONS BY LOT SIZE 2020





## TRANSACTIONAL ACTIVITY

2020 was a year ravaged by the economic impacts of COVID 19 resulting in a much-subdued CRE market with €3.0 billion of deals completed, down on the 5-year running average of €4.3bn. However, the impact on each sector's performance was far from equal. 2020 saw French investor Amundi agreeing a €177.5m -forward commitment of Fitzwilliam 28, the ESB's marquee office development on Fitzwilliam Street at sub 4.0%, a cycle low-for the super prime office sector. In stark contrast the retail sector came to a virtual standstill. International and domestic investor's continued to commit substantial capital to the residential sector which is set to continue throughout 2021. It was Ireland's largest sector in 2020.



## SECTOR ANALYSIS

The **Office** sector remained a key target for a range of capital with significant demand remaining at the prime end of the sector. Offices accounted for 39% of CRE investment turnover across 33 transactions. The largest sale of 2020 was Hines disposal of Bishops Square to GLL/Macquarie for €183m (4.00%). This was followed by Amundi's forward commitment of Fitzwilliam 28 for €177.5m (3.97%). Other notable deals completed during 2020 include Kennedy Wilson's disposal of Baggot Plaza to DEKA for €141m together with Henderson Park's sale of 2 Burlington Road (€94m) and 30-33 Molesworth Street (€60m) to KGAL and KAN-AM respectively. The prime end of the sector remains a key target for international capital and we expect this to be the case for 2021.



Fitzwilliam 28, Dublin 2 - Acquired by Amundi. Bannon advised the vendor, ESB.

The **Residential (PRS)** sector was the largest sector of the investment market in 2020 attracting over €1.29bn of capital across 29 deals. This is despite the closure of building sites in March for a two-month period and the uncertainty created early in 2020 amid Covid. The largest PRS deal of the year was DWS's acquisition of Cualanor at Honey Park in Dun Laoghaire for €197m. This deal involved the forward purchase, from Cosgrave Property Group, of 368 Apartments. In addition, DWS also acquired the Prestige Portfolio from MKN for €145m which comprised 317 units of new build and existing apartments and houses across four locations around Dublin. The PRS sector has a deep domestic and international following and we expect the demand to harden further during 2021.



Bishops Square, Dublin 8 - Acquired by GLL



Cualanor, Honey Park - Acquired by DWS



30-33 Molesworth Street. - Acquired by Kan AM



The **Retail** sector was unsurprisingly the biggest loser in 2020 amid Covid given months of lost trade for some elements of the sector together with insolvency processes implemented by large, mostly UK, retail chains. This led to High Street and comparison led Shopping Centre's going through difficult times which has ultimately impacted on pricing, driven by sentiment as opposed to transactions. Liquidity remains the biggest hurdle for this sector, outside of grocery led assets, which will likely lead to yields moving further out to entice investment. €143m was invested in 2020 across 27 deals. The biggest transaction was the €23m sale by Irish Life of 9-11 Grafton Street reflecting an income yield over 4.00% with likely reversion at next review. This was followed closely by Musgrave's acquisition of their own Grocery Store in The Pavilion Shopping Centre for c.€22.5m (7%+).



9-11 Grafton Street - Acquired by Core Capital

The **Industrial/logistics** sector was been the standout performer of 2020 with both yield contraction and rental growth evident across the sector. The sector's biggest problem is the limited supply of tradeable assets which subdues it's prevalence in the overall market turnover. The sector contributed c.€270m of turnover in 2020 across 21 transactions. However, one single multi-asset transaction accounted for €200m of turnover. This was the multi-asset sale by Exeter/ Morgan Stanley of a large European portfolio with €200m of assets in Ireland. This was acquired by GIC, an arm of Singapore's Sovereign investment Fund, reflecting an average yield below 5%. We expect increased forward sale activity in the sector in 2021 given the weight of capital chasing this product.

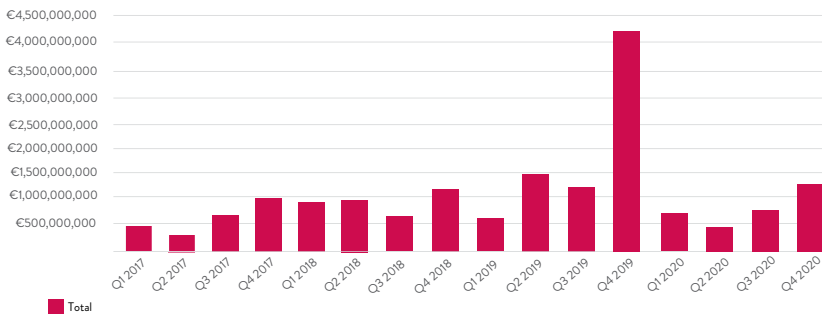


Treasury Building - Acquired by Google

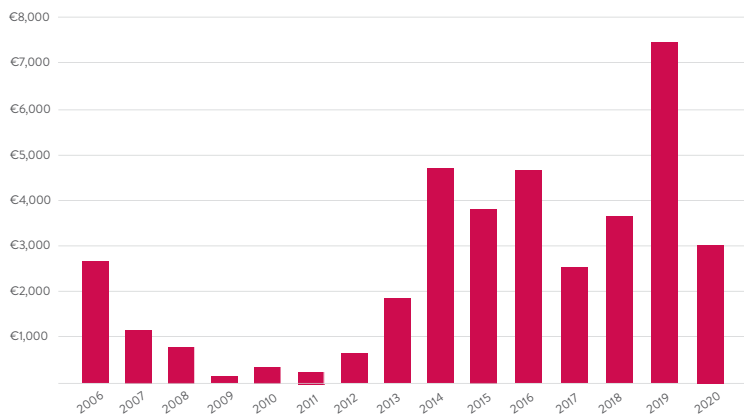
## TOP 10 TRANSACTIONS\*

PROPERTY	SECTOR	PRICE (APPROX.)	NIY	PURCHASER
EXETER GROUP PORTFOLIO	Industrial	€200 million	n/a	GIC
CUALANOR, DUN LAOGHAIRE (368 UNITS)	Residential	€195 million	3.7%	DWS
BISHOP'S SQUARE, DUBLIN 2	Office	€183 million	4.0%	GLL/ Maquarie
28 FITZWILLIAM STREET, DUBLIN 2	Office	€177.5 million	3.97%	Amunde
THE PRESTIGE PORTFOLIO	Residential	€145 million	3.95%	DWS
BAGGOT PLAZA, DUBLIN 4	Office	€141 million	4.0%	DEKA
CONFIDENTIAL PRS SALE	Residential	€140million	n/a	Confidential
BLACKWOOD SQUARE, NORTHWOOD, SANTRY DEMENSE, DUBLIN 9	Residential	€123.5 million	4.25%	Round Hill
THE TREASURY BUILDING, GRAND CANAL ST. DUBLIN 2	Office	€115.47 million	4.2%	Google
2 BURLINGTON ROAD, DUBLIN 2	Office	€94 million	4.3%	KGAL

TRANSACTION BY QUARTER



TOTAL ANNUAL INVESTMENT MARKET TURNOVER (€m)



Source: Bannon Research



Eason, 33 Shop Street, Galway - Bannon advised the Vendor



27-33 Baggot Street Upper, Dublin 4 - Acquired by DEKA



SuperValu Pavilions - Acquired by Musgrave



94 Unit Harbour Road PRS scheme Dalkey - Acquired by Irish Life for €49m



OUTLOOK

While a January 2021 lockdown was widely anticipated by the sector, the quick severity of the COVID-19 surge has taken many by surprise. In this context much of the first half of 2021 will be influenced by the fluctuating status of both the virus and the state’s efforts to mobilise the nations vaccination program. We are likely to see a continued focus on the interpreted “Covidproof” PRS sector, as well as the office sector despite mounting concerns at an occupational level. These two sectors accounted for over 80% of the transactions in 2020.

We would expect the office sector to regain supremacy in H1 2021 due to delayed PRS pipeline and also considering that the office sector has several major transactions currently in train such as Blackstone’s acquisition of Amazon, Burlington Plaza and Ronan Group’s disposal of Salesforce and Facebook Campuses, together with a pipeline of product in the Docklands.

The institutional rush to logistics is likely to see some forward funds and sale and leaseback activity with yields following the European lead to fall into the late 4% arena. However turnover within the sector is unlikely to break double digits as a proportion of the overall market as it simply lacks scalability. However, for the first time in 24 months we are likely to see retail feature, particularly the resilient grocery led and retail warehouse sectors. The yield gap between these resilient retail sectors and the other well competed sectors of the wider market, particularly PRS and logistics, is likely to prove too tempting to ignore.

For the short time however travel restrictions in place across Ireland and Europe remain in force. The easing of such restrictions is only predicated on governments seeing a reduced level of infection and fatalities. Whilst infection rates rose considerably and very worryingly in Ireland in late December and early January this will soon hopefully ease because of the Level 5 restrictions. The commencement of the rollout of a vaccine is also a huge relief and brings with it, it is hoped, the start of the end of the pandemic. This will however take several months before the majority of the population are likely to be vaccinated.

Considering the above, we expect a pronounced bounce in activity in H2 2021. Ultimately, in the absence of a meaningful level of transactions since mid-March 2020, it remains to be seen to what extent the Covid-19 pandemic has impacted on prices, yields and rental levels.



Blanchardstown ownership restructure led by Goldman Sachs



ONE TO WATCH:

“For the first time in 24 months we are likely to see retail feature on investors target list, particularly the resilient grocery led and retail warehouse sectors .”

Rod Nowlan, Director



2 Burlington Road, Dublin 4 - Acquired by KGAL



Eason, Dublin Airport Logistic Park



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Hambleden House  
19-26 Lower Pembroke Street  
Dublin 2

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## BANNON CAPITAL MARKETS TEAM



**Rod Nowlan**  
Director  
rnowlan@bannon.ie




**David Carroll**  
Director  
dcarroll@bannon.ie



**Alex Patterson**  
Divisional Director  
apatterson@bannon.ie


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## CONTACT

 +353 1 647 7900

 [www.bannon.ie](http://www.bannon.ie)

 [www.linkedin.com/company/bannon](http://www.linkedin.com/company/bannon)

 [www.twitter.com/bannon](http://www.twitter.com/bannon)

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