

# INVESTMENT MARKET COMMENTARY

H1 2021 REVIEW



# H1 2021 AT A GLANCE

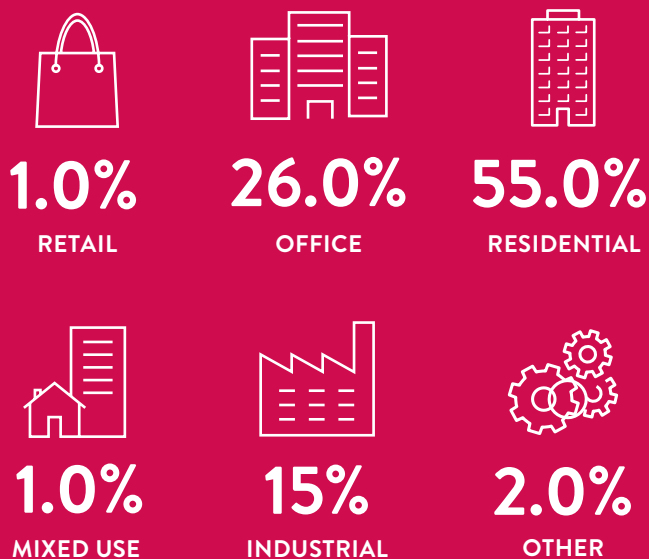
TURNOVER H1 2021

€2.76 BILLION

TURNOVER Q2 2021

€1.50 BILLION

TURNOVER BY SECTOR



PRIME YIELDS

SECTOR	H1 2021 YIELD	TRENDING
HIGH STREET RETAIL	4.5%	↑
PRIME SHOPPING CENTRE	6.0%	↑
CITY CENTRE OFFICE	4.0%	→
RESIDENTIAL (PRS)	3.75%	→
INDUSTRIAL	4.5%	↓

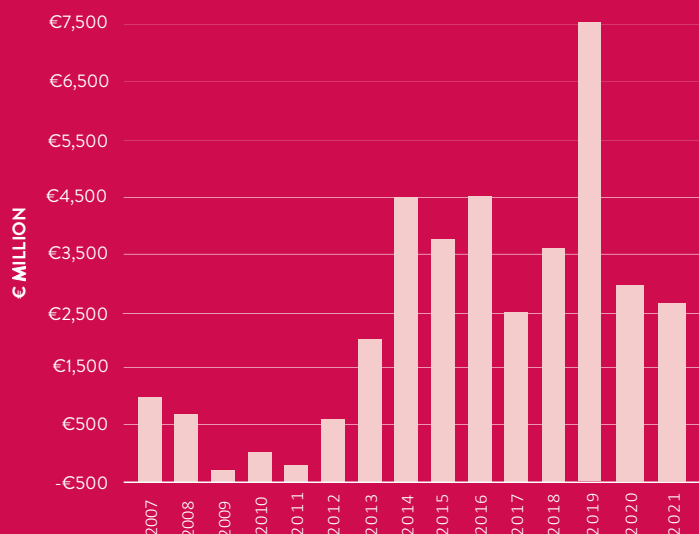


DUBLIN ACCOUNTED FOR

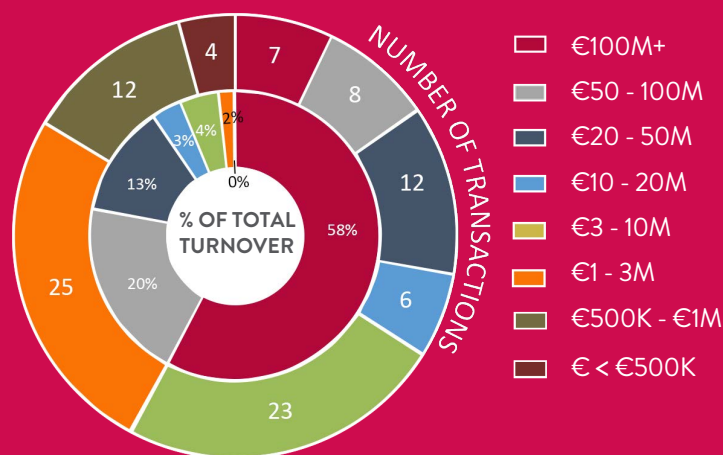
c.90%

OF TOTAL TURNOVER  
(BY VALUE)

TOTAL ANNUAL INVESTMENT TURNOVER



INVESTMENT TRANSACTIONS BY LOT SIZE H1 2021





## TRANSACTIONAL ACTIVITY

The second quarter of 2021 saw a total of €1.5 billion of deals completed, bringing the total investment figure for H1 2021 to an impressive €2.76 billion over 97 deals in H1 giving an average deal size of approx. €28.4m. If this momentum is maintained we anticipate the second highest level of investment in the Irish commercial property market on record, a 170% increase on H1 2020. While much of this increase is attributable to the improving economy following the re-opening of the country and progress of the Government's vaccination rollout system as the end of the Covid-19 pandemic appears to be nearing, the explosion of the PRS sector is the primary driver. Residential (PRS) was once again the top performing sector equating to 55% of the total turnover with €1.51 billion of deals completed. This is 25% higher than the full-year investment in PRS sector in 2020.

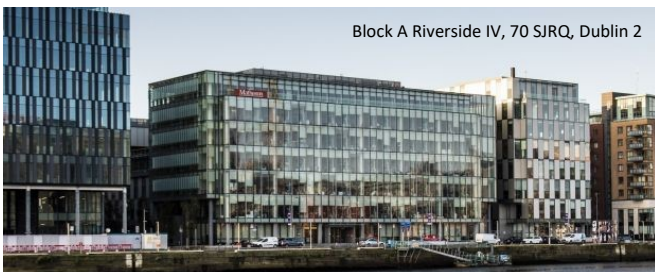


## SECTOR ANALYSIS

### Offices

Despite concerns about future occupancy in the office sector due to the impact of Covid-19, offices remained the second largest performer of the investment market. The government announcement that office workers who have been working from home may return to the office in September and this has strengthened confidence in the sector.

So far in 2021, €702 million in capital has been invested in office stock. 19 deals were completed in H1 with a significant acceleration in Q2 as only 5 transactions were done in Q1. However, the largest transaction of the H1 period was seen in Q1 with Eastdil's sale of the Project Tolka Office Portfolio for €295m. Offices accounted for 26% of CRE investment turnover, a large decrease on its impact in 2020, where 33 transactions went through equalling 33% of the yearly turnover. The largest deal in Q2, and second largest of the year so far, was for Block A Riverside IV in Sir John Rogerson's Quay which contributed €164m.



Block A Riverside IV, 70 SJRQ, Dublin 2

### Residential (PRS)

As with 2020 and 2019, the Residential (PRS) sector was the most active segment of the investment market attracting over €1.51 billion for H1.

There were 25 transactions completed in the first half of 2021 including Hooke & Macdonald's acquisition of Royal Canal Park for €200m which is comprised of 435 1 and 2 bed apartments. This was followed by the Dwyer Nolan Portfolio for the sum of €181m. While it is expected that the strength seen in this sector will prevail, supply constraints and the reopening of the economy could see the office, retail and industrial sectors make a strong return.



One Navigation Square, Albert Quay, Co. Cork

### Industrial/logistics

The Industrial/Logistics sector has continued its marked improvement throughout the Covid-19 pandemic. The first six months of 2021 were busy for this sector, particularly Q2, where the Industrial/Logistics sector generated over €417m in capital creating optimistic expectations for its performance for the rest of the year. The combined total turnover in this sector for 2018, 2019 and 2020 equates to €663m indicating just how impressive the H1 2021 figure of €417 is.

The continued investment in the Industrial/Logistics sector relies on the continued supply of quality assets. The shortage of Grade A Industrial/Logistics stock is likely to cause investment in this sector to slow in 2022. Due to the strong level of demand we expect to see forward sale opportunities and sale and leaseback attempt to fill this void.

There were 25 transactions completed within this sector, 9 in Q1 and 16 in Q2, the largest of which contributed €95m of turnover for a private and confidential property. Unusually 3 out of the top 10 transactions of H1 were in the industrial sector. As expected, this sector is continuing to grow in demand from investors but the lack of assets available is a major curbing factor to the sector's success. This imbalance of supply and demand looks set to continue for the foreseeable future proven by the exceptionally low vacancy rates and the issue of available stock. If the volume of industrial assets increased this sector could easily be the strongest performing sector this year.



Eason, Dublin Airport Logistic Park

**Retail**

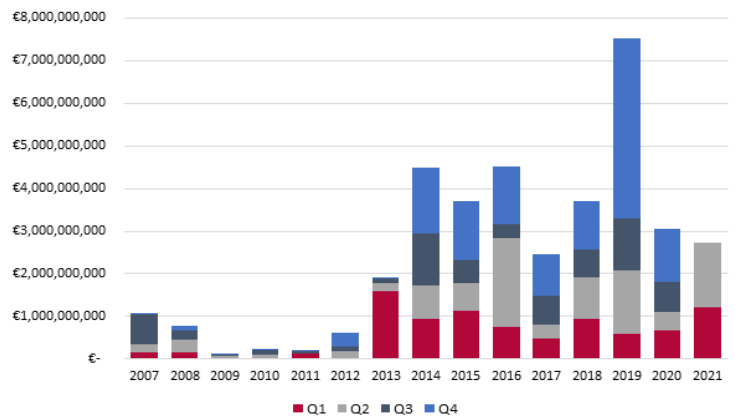
The Retail sector was unsurprisingly the weakest performing sector for the second year in a row. Due to Covid-19, retail businesses have been unable to open and function as normal throughout both Q1 and the majority Q2. As a direct result of this the Retail sector lost months of trade and as a result a large number of tenants have failed to pay their rent. Investors are hesitant to invest in retail until the impacts of the current pandemic lessen substantially. While we have seen a material pick up in sales activity towards the end of Q2 with the €75m Parks Portfolio and two Goldman Sachs Assets (Citywest and Bridgewater €46m) coming to the market these transact until at least Q3.

There was a total of 18 retail deals in H1 2021, the majority of which were seen in Q1, equalling a turnover of €34m. The largest deal was the €6.8m sale by Bannon of Lakepoint Retail Park in Westmeath on behalf of Marathon Asset Managers.

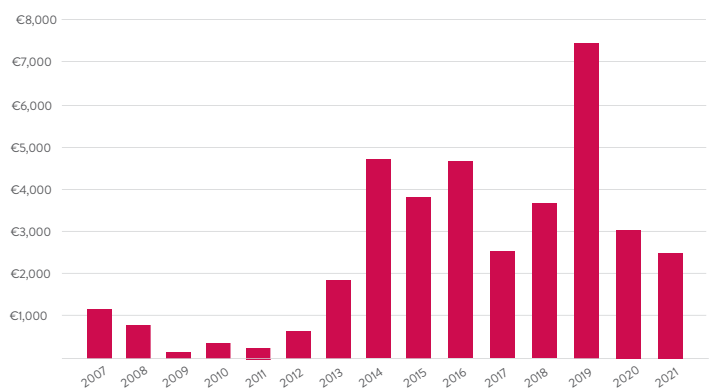


The Maple Village Centre, Navan Road, Co. Meath

**INVESTMENT TURNOVER BY QUARTER**



**TOTAL ANNUAL INVESTMENT MARKET TURNOVER (€m)**



Source: Bannon Research

**TOP 10 TRANSACTIONS\***

PROPERTY	SECTOR	PRICE (APPROX.)	NIY	PURCHASER
ROYAL CANAL PARK, ASHTOWN, DUBLIN 15	Residential	€200 million	5.64%	UNION
DWYER NOLAN PORTFOLIO	Residential	€181 million	4.81%	Confidential
P&C	Residential	€177 million	P&C	P&C
BLOCK A RIVERSIDE IV, 70 SJRQ, DUBLIN 2	Office	€164 million	6.48%	DEKA
EAST VILLAGE, CLAY FARM	Residential	€127 million	4.19%	Confidential
CONFIDENTIAL	Industrial	€95 million	3.98%	Confidential
PREMIER INN, CASTLEFORBES, DUBLIN 1	Hotel	€70 million	4.08%	UNION
ONE NAVIGATION SQUARE, ALBERT QUAY, CORK	Office	€60 million	4.73%	CORUM
CONFIDENTIAL	Industrial	€50 million	Confidential	Confidential
NORTHWEST BUSINESS PARK, BALLYCOOLIN, DUBLIN 15	Industrial	€47.9 million	2.97%	Confidential



## OUTLOOK

The outlook for the balance of 2021 looks positive and we anticipated a continued focus on the PRS and office sectors. While there is still an element of occupational uncertainty attaching to the office sector capital markets activity would imply a confidence that there will be a return to some new version of ‘business as usual’ in the short to medium term. Due to the strong level of demand in the industrial/ logistic sector we expect to see forward sale opportunities attempt to fill the void created by the restricted supply of standing product which is likely to be further bolstered by sale and leaseback activity. Supply and demand imbalance in the sector is likely to result in continued yield contraction. A resurgence in the retail “grocery” sector is beginning to emerge in the Irish Market with a shrinking gap between what the sector is trading at in the UK and the perceived value in Ireland. We expect this resurgence will be followed by retail parks which proved a Covid and Online resilience over the last 18 months not previously appreciated. Ultimately, we see the large delta which is developing between “grocery retail” and “necessity retail” to attract investors to the latter sector later in the year and thought to 2022 however compassion lead retail (including the high street) has a much tougher hill to climb both in terms occupier demand and investor appetite.



## 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



Premier Inn, Castleforbes, Dublin 1



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