

INVESTMENT MARKET COMMENTARY

Q3 | 2021



Q3 2021 AT A GLANCE

TOTAL TURNOVER Q3 2021

€793 MILLION

TOTAL TURNOVER 2021

€3.55 BILLION



DUBLIN ACCOUNTED FOR

83%

OF Q3 TOTAL TURNOVER
(BY VALUE)

TURNOVER BY SECTOR



14%
RETAIL



16%
OFFICE



53%
RESIDENTIAL



11%
MIXED USE

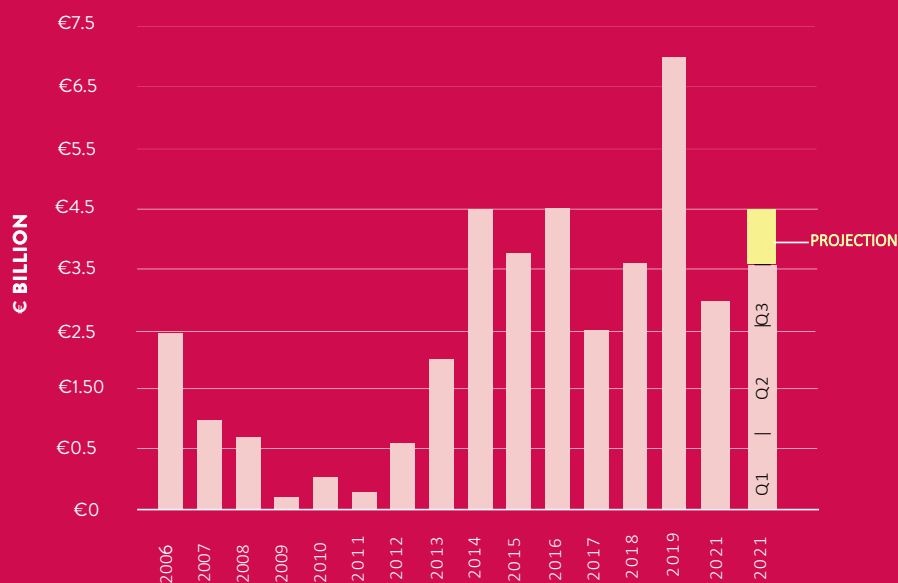


6%
INDUSTRIAL

PRIME YIELDS

SECTOR	Q3 YIELD	TRENDING
HIGH STREET RETAIL	4.5%	▶
PRIME SHOPPING CENTRE	6.0%	▶
CITY CENTRE OFFICE	4.0%	▶
RESIDENTIAL (PRS)	3.75%	▶
INDUSTRIAL	4.25%	▼

ANNUAL INVESTMENT TURNOVER





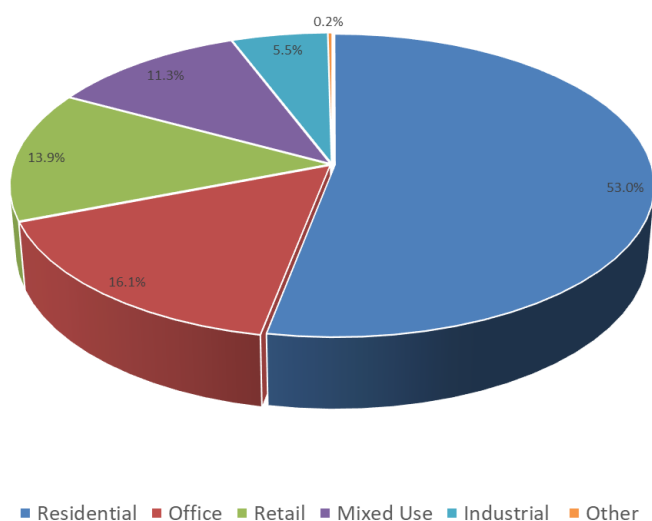
TRANSACTIONAL ACTIVITY

The real estate world has finally begun to recover following the Covid-19 pandemic and with this recovery comes a positive outlook for the Irish property market. The easing of restrictions and the reopening of the economy has seen a strong rebound of activity throughout 2021.

There was a total turnover of just under €793 million across 38 transactions in Q3 of this year. One of the top deals of the quarter was the sale of the Royal Hibernian Way, a mixed-use development which was purchased from Aviva by a private Irish investor for €74 million.

Despite a decrease from Q2's turnover of €1.5 billion, there is approximately €1.3 billion on the market or sale agreed which gives a strong outlook for the end of year. In this context our projection of excess of €4.5 billion turnover for the year remains in place. This would be only the second time the market has surpassed this figure (the last time being 2019). One of the more notable features of Q3 was the re-emergence of the Retail Sector accounting for 14% of turnover (compared to 1% the previous quarter).

INVESTMENT TUOVER BY SECTOR



SECTOR ANALYSIS

Residential (PRS):

Once again the Residential sector was the top performing segment of the investment market. It looks likely to generate the largest annual turnover for the third year running. In Q3 residential investment attracted over €420 million of capital equating to 53% of CRE investment turnover. There were 15 transactions completed in Q3. The largest transaction completed was €110 million (P&C), which is followed by Urbeo's acquisition of the Windmill scheme from Kimpton Vale for €73 million.

The composition of the residential market has begun to evolve with the emergence of a number of subsectors. The sale of 55 residential units dedicated to social housing by Allied Irish Property to Alpha Real Capital for €20 million and the sale of Centrepont Liosbaun purpose-built student accommodation for €5 million are evidence of this. These residential investments accounted for 6% of the overall PRS figure. The Project Haven social housing scheme sold at an initial yield of 3.95% showing a return close to prime PRS development sales.



Windmill Residential Scheme, Clonsilla, Dublin 15

Offices:

The uncertainty within the office occupational market due to Covid-19 has begun to spill over into the capital market. Despite the Office sector reflecting the second biggest turnover by sector in Q3, it was substantially smaller than the total turnover from both Q1 and Q2. The sector equated to 16% of the total turnover, down from 21% in Q2.

However, the government announcement of the easing of restrictions and the return of employees to the office as of the 20th of September has begun the transition back to the "new normal". There were a total of 9 office transactions completed in Q3, the largest of which was by Bannon on behalf of Intrust in respect of the sale of Block 1 Ballsbridge Park for €32 million.



Block 1, Ballsbridge Park, Dublin 4

Retail:

An optimistic outlook for the Irish property market is evidenced by the staggering performance of the retail sector in Q3 as it attracted nearly €110 million, which is five times that of total sector turnover from Q2. Three significant transactions were completed in Q3, the smallest of which was for Bridgewater Shopping Centre for €18 million and the largest being the sale of Nutgrove Retail Park by Davidson Kempner for €66.3 million.

Despite the small number of deals done this quarter it is a very positive performance for the sector indicating that investors are now keen to avail of the attractive returns available relative to other sectors. The sector is expected to strengthen further as the economy continues to reopen and return to normal with an anticipated initial focus on retail parks due to the resilience they have shown through the pandemic.

Industrial / Logistics:

Unsurprisingly the Industrial/Logistics sector has maintained its popularity throughout Q3 and is set to have its strongest year on record. Indeed, it would have seen more investment if not for the lack of high-quality assets available. While Q3 turnover was only €44 million there are a number of forward sale opportunities currently in the pipeline which are likely to boost year end figures. There were 5 transactions of note completed within this sector in Q3, the largest of which contributed €30 million of turnover, an off-market deal that is among the top 10 transactions completed in Q3.



Nutgrove Retail Park



Eason, Dublin Airport Logistic Park

TOP 10 TRANSACTIONS Q3 2021

PROPERTY	SECTOR	PRICE (APPROX.)	NIY	PURCHASER
P&C	PRS	€110 m	P&C	P&C
ROYAL HIBERNIAN WAY, DUBLIN 2	MIXED USE	€74 m	3.54%	Private Irish
WINDMILL, PORTERSTOWN, DUBLIN 15	PRS	€73 m	P&C	Urbeo
NUTGROVE RETAIL PARK, WHITEHALL, DUBLIN 14	RETAIL	€66.3 m	5.75%	International Fund
P&C	PRS	€63.5 m	P&C	P&C
P/C	PRS	€57 m	P&C	P&C
THE BUTTER YARD, BLACKROCK, CO. DUBLIN	PRS	€32.5 m	3.50%	M&G Real Estate
BLOCK 1 BALLSBRIDGE PARK, D4	OFFICE	€32 m	5.40%	P&C
OFF MARKET	INDUSTRIAL	€30 m	P&C	P&C
THE CASINO, MALAHIDE, CO. DUBLIN	PRS	€28.50 m	5.86%	Private

Source: Bannan Research

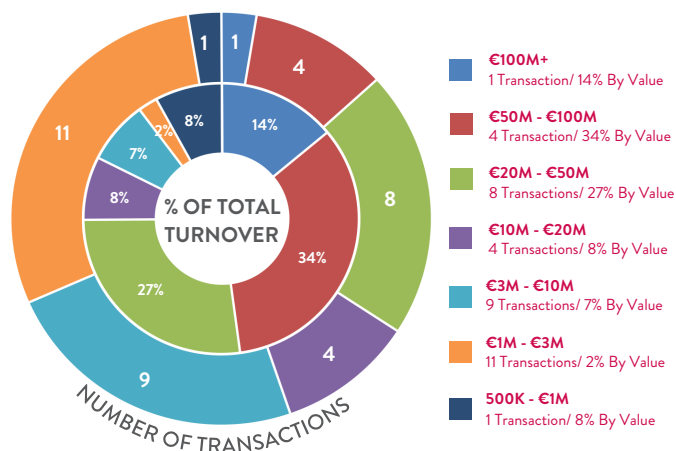


LOT SIZES

This quarter again saw a small number of high value transactions account for a large proportion of overall turnover with one transaction in excess of €100 million along with two transactions in excess of €70 million. Collectively these three transactions, two of which were PRS led, accounted for 32% of overall turnover for the quarter. The average lot size stood at €20.8 million for Q3 2021.

INVESTMENT TRANSACTIONS BY LOT SIZE Q3 2021

38 transactions totalling €793 million. Excludes deals below 500k.



LOCATION

Dublin continues to dominate with 83% of total transaction value and 71% of transaction volume occurring in the capital. The city of Cork attracted 5% of value dominated by a number of large small Office transactions with the geographical balance having limited foothold.



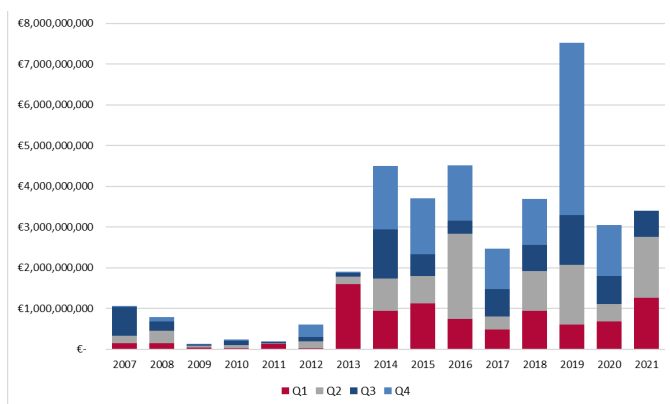
Royal Hibernian Way, Dublin 2



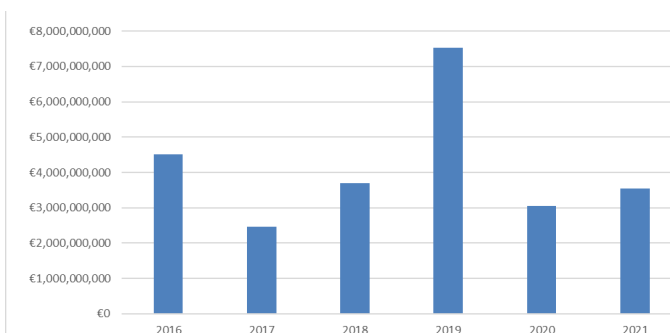
INVESTOR PROFILE

Dublin continues to dominate with 80% of total transaction value and 76% of transaction volume. Overseas and Irish Capital shared the investment spend this quarter with 46% and 54% of transactions completed respectively. European investors accounted for 21% of spend with 15% coming from the UK. There was limited Asian/Korean capital invested this quarter. However, with several Grade A office investments currently in advanced legal stages with this capital source we expect this to rise in Q4.

INVESTMENT TURNOVER BY QUARTER



ANNUAL TOTALS



The Butter Yard, BlackRock, Co. Dublin



OUTLOOK

The outlook for the remainder of 2021 looks positive with the market set to post the second highest annual turnover since records began.

The removal of the majority of the remaining Covid restrictions on the 22nd of October is likely to continue to provide investors with the confidence that the most covid affected sectors are on the rebound.

While the PRS and the office sectors are likely to remain the focus of investment, retail is finally emerging from the shadows of its most difficult trading period on record.

There are several retail deals at agreed stage (the Parks Portfolio and Citywest) and also significant sales processes underway (e.g. Manor West in Tralee and City Square in Waterford) that are anticipated to bolster the sector in Q4.



ONE TO WATCH: INDUSTRIAL/ LOGISTIC SECTOR

Demand for the industrial/logistic sector is unlikely to abate as investors across Europe seek to fulfil ever increasing “buy-orders”. In this context we expect to see forward sale opportunities attempt to fill the void created by the restricted supply of standing product. This is likely to be further bolstered by sale and leaseback activity. In this context we anticipate material yield contraction in the sector.

“Investor demand remains robust in the Irish market and we expect to see strong activity during Q4 across the sectors”.

Rod Nowlan , Director





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