



Ireland

Capital Markets

Quarterly Report

Q2 2022



Summary

Total investment turnover reached over €1.2 billion in Q2 2022, bringing turnover for the first six months of the year to €2 billion. In addition to this, the €1.1 billion sale of Hibernia REIT to Brookfield Asset Management closed in Q2. Like the sale of Yew Grove REIT in Q1, this transaction was completed by way of share purchase so is not considered an investment asset sale as such. Nevertheless, between standard transactions and REIT sales, the total spend on commercial property-related deals was over €3.2 billion in H1 2022, exceeding the €2.7 billion invested during the same period in 2021.

Considering asset deals only (excl. Hibernia REIT), residential was the top performer in Q2 with €438 million invested. This was followed by offices which saw €276 million invested. Industrial & logistics attracted €176 million, while investment in retail assets increased sharply to over €150 million compared with just €24 million in Q1.

In line with global trends, there has been increased investment in alternative sectors such as healthcare, which accounted for €78 million of Q2 turnover across 5 transactions. Notable deals included the sale of Ballintaggart House, home to SIMS IVF, to La Française Group for €10.65 million. Colliers acted for La Française on this acquisition and our Capital Markets team are seeing increased investor demand for similar opportunities. Alternative sectors including healthcare are becoming more established in the Irish market, underpinned by excellent growth prospects, so their share of turnover is expected to grow further in the coming years.

Pricing has remained stable and prime yields in Ireland are attractive relative to those achievable in other European peer cities, supporting strong demand and activity among overseas investors. In France and Germany for instance, the prime office yields in major cities like Paris, Berlin and Frankfurt are below 3%. This compares with prime yields of just under 4% in Dublin, where a growing number of global occupiers are opting to locate their European headquarters. European funds from France and Germany alone, including Real I.S., Corum, Sofidy and new entrant Iroko Zen, invested €210 million in Q2 across 8 transactions. These investors are seeking opportunities across various sectors and locations, which demonstrates confidence in the long-term trajectory of the Irish economy and occupier markets.

The current inflationary environment is posing significant challenges for investment markets in countries across the world, including Ireland. The potential for further increases in interest rates will affect the cost of borrowing and this will undoubtedly impact yields and capital values for property assets. Rising construction costs will also need to be borne in mind, particularly in the context of sustainability as certain investors now legally need to consider and disclose how ESG factors are adopted in their decision-making processes. There has already been anecdotal evidence of some transactions being slower to progress or being placed on hold due to changed pricing or cost expectations on either side.

Nevertheless, investor sentiment towards Ireland is positive and the economy is performing well. As demonstrated by Q2 turnover results, activity in the Irish investment market has been very robust, with global headwinds being offset by rising rents, attractive yields and the weight of global capital seeking a limited supply of core, long term investment opportunities in Ireland.

Q2 Key Stats

€1.24bn

Total turnover

€1.07bn

5-year Q2 average

53

No. Deals

€23.38m

Average Deal Size

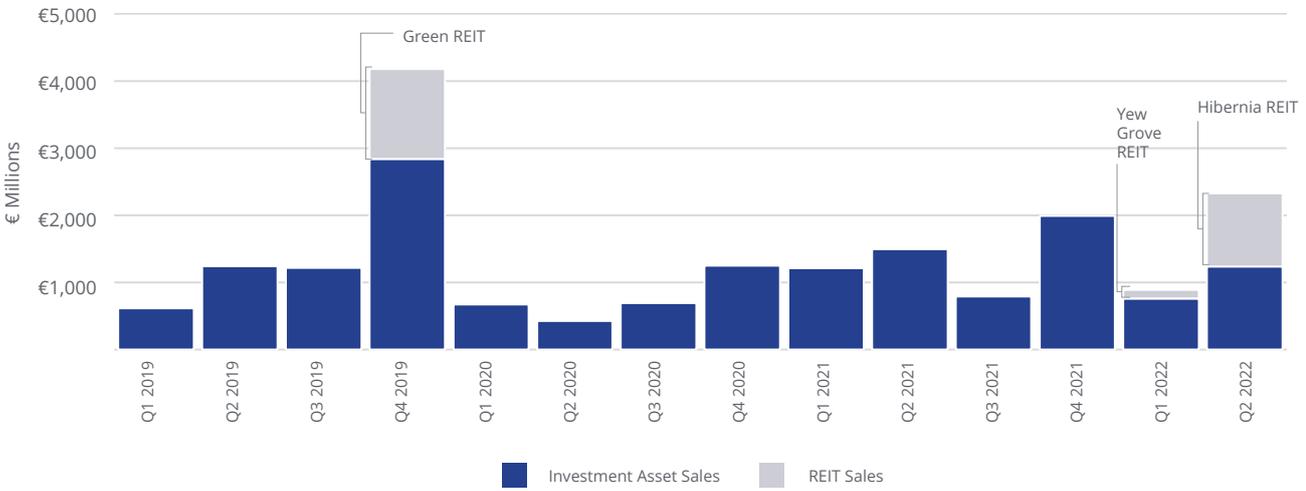
Note: Key stats and trends in terms of share of total turnover do not include the Hibernia REIT deal.

Top Deals

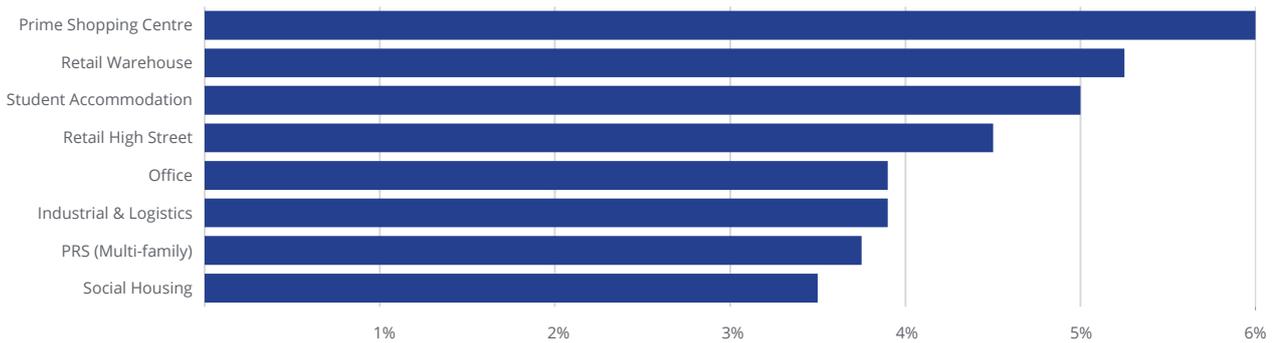
Property	Sector	Price Achieved	Purchaser
321 units Magna Drive, Citywest Dublin 24	PRS	€122m	Confidential
252 units St. Edmunds, Palmerstown Dublin 20	PRS	€105m	Ardstone
Blocks 1, 2 & 3 Founders District Dublin 4	Office	€97.5m	LCN Capital Partners
5 Harcourt Road Dublin 2	Office	€65m	REInvest
North Ring Business Park Dublin 9	Industrial & Logistics	€50m	M7 Real Estate

Fundamentals

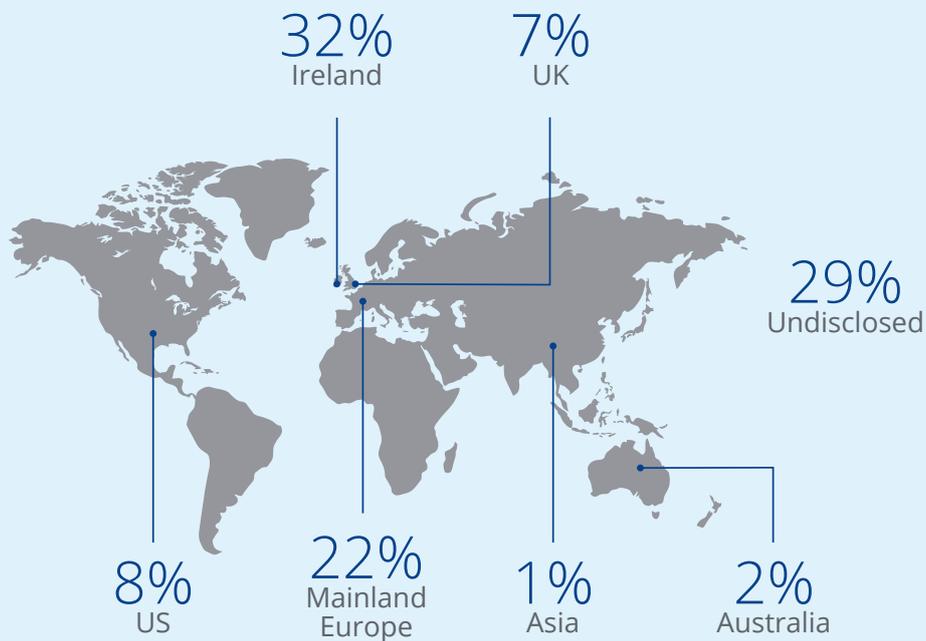
Quarterly Turnover



Prime Yields



Investor Origin



Sector Overview

Residential

Residential was the top performer again in Q2, attracting €438 million worth of investment (36% of total turnover) across 6 transactions. Residential transactions accounted for the top 3 deals in Q1, the largest being the sale of 321 units at Magna Drive, Citywest, Dublin 24 for a price in the region of €122 million. The second largest deal involved Ardstone acquiring 252 units at St. Edmunds, Palmerstown, Dublin 20 for €105 million, with both this and the Magna Drive deal being completed on a forward fund/forward commit basis. German fund Real I.S. were also active this quarter, purchasing 93 social housing units at Malahide Road, Dublin 17 for €42 million.

The planning and development of new apartment schemes continues to increase in line with low supply of rental accommodation and strong investor demand. Permission was granted for more than 26,000 apartments in 2021, up 7% relative to 2020 and 39% relative to 2019. The replacement of the Strategic Housing Development (SHD) process with the Large-Scale Residential Development (LRD) bill aims to cut down planning timelines and the risk of Judicial Review for developers, however rising build costs and a higher cost of capital may prove an impediment to certain projects. Nevertheless, given current supply-demand imbalances and the level of apartments currently planned, there should be no shortage of opportunities for investors seeking to enter this market going forward.



Highlighted Deal

Real I.S. acquired 93 social housing units and 3 commercial units from Gem Group for **€42 million**. These form part of a wider mixed-use development which is due for completion at the end of 2023. The units were acquired as part of Real IS's Modern Living fund and a 25-year lease has been agreed with Dublin City Council.

Office

In addition to the sale of Hibernia REIT, which included its 0.9 million sq. ft. office portfolio, a total of €276 million was invested in office assets in Q2 across 15 transactions. The largest office transaction involved the sale of Blocks 1, 2 & 3, Founders District to LCN Capital Partners acquire for €97.5 million. This was followed by the sale of the WeWork-occupied 5 Harcourt Road for €65 million / c. 4.3% NIY to German fund REInvest.

The largest regional office transaction saw Fine Grain Property acquire Building 7000, Westpark Shannon Business Campus in Co. Clare for a price in the region of €20 million. This deal involved a sale and leaseback with AXA Partners, giving Fine Grain full ownership of the Westpark campus. This was followed by the sale of Dromore House, East Park, Shannon, Co. Clare to Corum Asset Management for €14.7 million / 7.1% NIY. Colliers acted for Corum on this transaction.

Dublin office take-up has continued to recover, reaching over 500,000 sq. ft. in Q2, while the level of reserved space is currently in the region of 1.3 million sq. ft. This along with the number of large requirements in the market and the level of pipeline stock that is already pre-committed (76% of 2022 deliveries) bode well for continued strong performance in the Dublin office market which in turn should drive good investor interest throughout the remainder of 2022.



Highlighted Deal

LCN Capital Partners acquired Blocks 1, 2 & 3, Founders District, Dublin 4 from Spear Street Capital for **€30.8 million / c. 4.8% NIY**. The 165,000 sq. ft. property recently underwent complete refurbishment and is leased to Flutter Entertainment PLC.

Sector Overview

Industrial & Logistics

Industrial & logistics continues to attract high levels of investment and the occupier fundamentals in the Irish market are extremely positive. Total investment in this sector reached €177 million across 10 deals in Q2 (14% of turnover), almost on par with the €178 million invested in the sector in Q1.

With supply still extremely low relative to demand, and vacancy in the region of 1%, prime rents have been rising strongly to a current level of €11.25 per sq. ft. Numerous developers including Rohan Holdings, Palm Capital, Henderson Park and new entrants Chancerygate / Bridges Fund Management are now actively developing new units and this should provide investment opportunities going forward.

With the supply of standing investment opportunities still low, there has been an increase in forward funding type transactions, with the largest industrial & logistics deal of Q2 involving confidential forward fund for a price in the region of €68 million. This follows a forward funding deal in Q1 which saw Union Investment acquiring a planned Primark distribution centre for €128.7 million.



Highlighted Deal

M7 Real Estate acquired North Ring Business Park, Dublin 9 from Rohan Holdings for just under **€50 million**. North Ring Business Park extends to approximately 205,000 sq. ft. across 20 units with access to the M50 via the Swords Road in North Dublin.

Retail

Retail has recovered well from the pandemic, with retail sales now consistently well above pre-COVID levels. Our retail team reports very strong activity among occupiers, with several new entrants now seeking their first Irish stores and existing occupiers back in expansion mode. This has supported improved investor sentiment and activity in the retail sector, which saw over €150 million invested (12% of total turnover) across 10 transactions this quarter.

Retail Parks both in and outside of Dublin are performing very well and seeing strong levels of occupier activity. The largest retail transaction of the quarter was the sale of Manor West Retail Park, Tralee to Marlet for €55.2 million. This was also the largest regional investment transaction and, positively, there has been increased regional investment activity in all sectors. Colliers were involved in two other retail park transactions this quarter, including the acquisition of Eastgate Retail Park in Cork, bringing total spend in the retail parks sub-sector to €82 million.

Other key investment deals in the retail sector include Corrib Shopping Centre in Galway and City Square Shopping Centre in Waterford, both previously owned by Marathon and sold by Colliers for c. €18 million each respectively.



Highlighted Deal

Fraser Group acquired Corrib Shopping Centre in Galway City from Marathon Asset Management for **€18.25 million / 8.4% NIY**. Corrib Shopping Centre extends to 98,925 sq. ft. and is anchored by Sports Direct (owned by Fraser Group), who agreed to lease the 65,000 sq. ft. former Debenhams unit last year. Colliers acted for the vendor on this transaction.

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