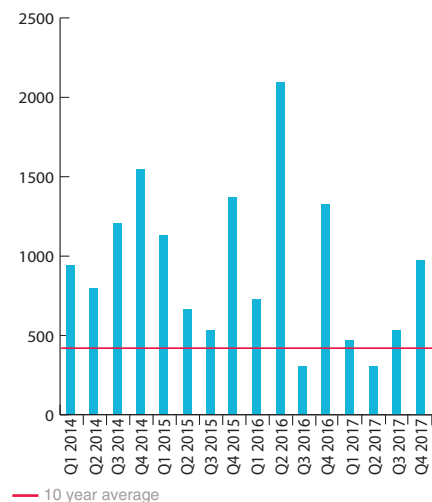


Despite a strong finish to the year - with €965.3 million transacting during Q4 - 2017 was defined by a stabilisation of investment volumes with approximately €2.3 billion worth of deals changing hands. While investor appetite for Irish real estate remained robust, volumes were constrained by a shortage of large lot-sized assets as a result of the decline in the deleveraging activity and loan portfolio sales which had characterised the market up until now. The lack of large lot-sized assets was best demonstrated by the fact that 17 deals in excess of €50.0 million occurred in 2016 as opposed to six deals in 2017, the largest of which

FIGURE 1
Irish commercial investment volumes
€ million



Source: Knight Frank Research

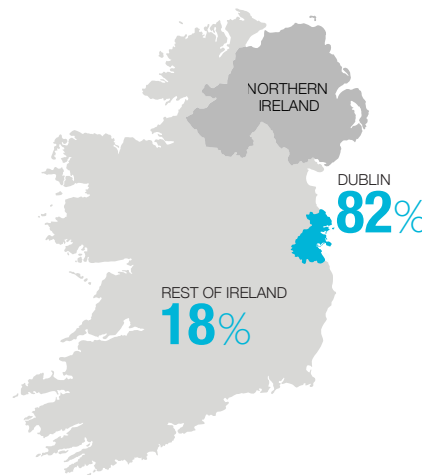
was Oaktree's purchase of The Square Tallaght for €233.0 million.

Despite this, the market comfortably surpassed its 10-year average of €1.8 billion. Investors remained focused on Dublin, with the capital accounting for 82% of total spend.

€2.3bn
worth of investments
transacted in 2017

Office sales comprised of the largest proportion of activity with 39% of the market or €891.4 million. The lack of opportunities in the city centre induced investors to move up the risk curve with the purchase of suburban assets and forward-funding opportunities becoming more commonplace. This was highlighted by the sale of a confidential suburban asset for €145.0 million and Irish Life's forward-funding of 13-18 City Quay for €126.3 million. Retail sales accounted for 32% of the total spend or €714.3 million. While half of this was driven by the disposal of shopping centres and retail parks, there was also significant interest in high-street retail assets,

FIGURE 2
Investment spend by location

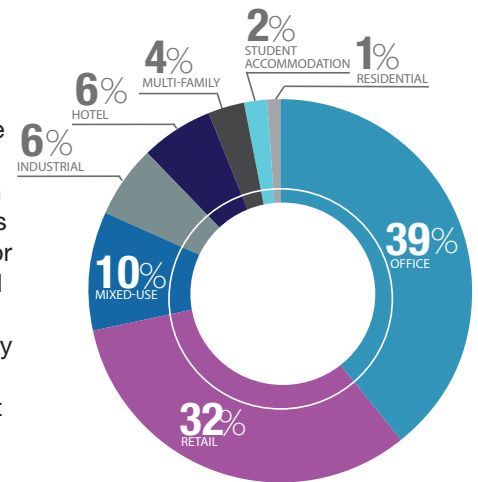


Source: Knight Frank Research

demonstrated by Irish Life's purchase of 100-101 Grafton Street for €50.1 million. Industrial sales commanded a 6% share of the market or €138.9 million with this asset type gaining in popularity in 2017 owing to its relatively higher yields and scope for rental appreciation as a result of the rapid growth in e-commerce. The largest industrial transaction was the off-market sale of a €30.0 million property in North Dublin. There was also heightened interest in alternative assets such as student accommodation, evidenced by the sale of the Montrose Student Residence to Hines for €37.6 million.

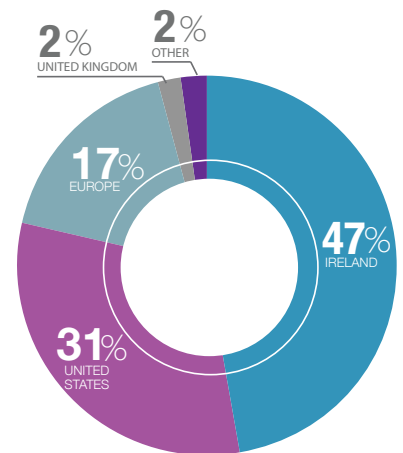
47% of all investment transactions in 2017 were purchased by Irish buyers which represented a significant shift in the origin of the buyer profile given that

FIGURE 3
Investment spend by sector



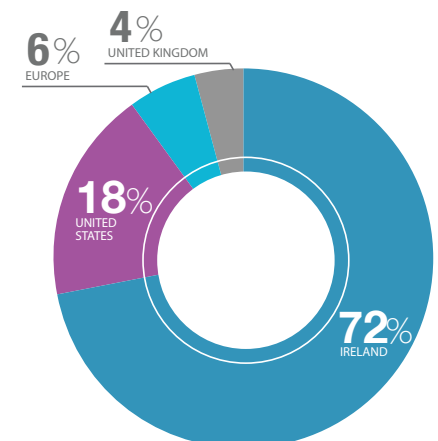
Source: Knight Frank Research

FIGURE 4
Investment spend by buyer origin



Source: Knight Frank Research

FIGURE 5
Investment spend by vendor origin



Source: Knight Frank Research

purchasers from the US and Europe dominated the market in 2016. This was due to the prevalence of smaller lot-sized assets which are mainly of interest to domestic private investors. However, there remains considerable depth in the market with buyers from the US and Europe accounting for 31% and 17% respectively as they remain attracted

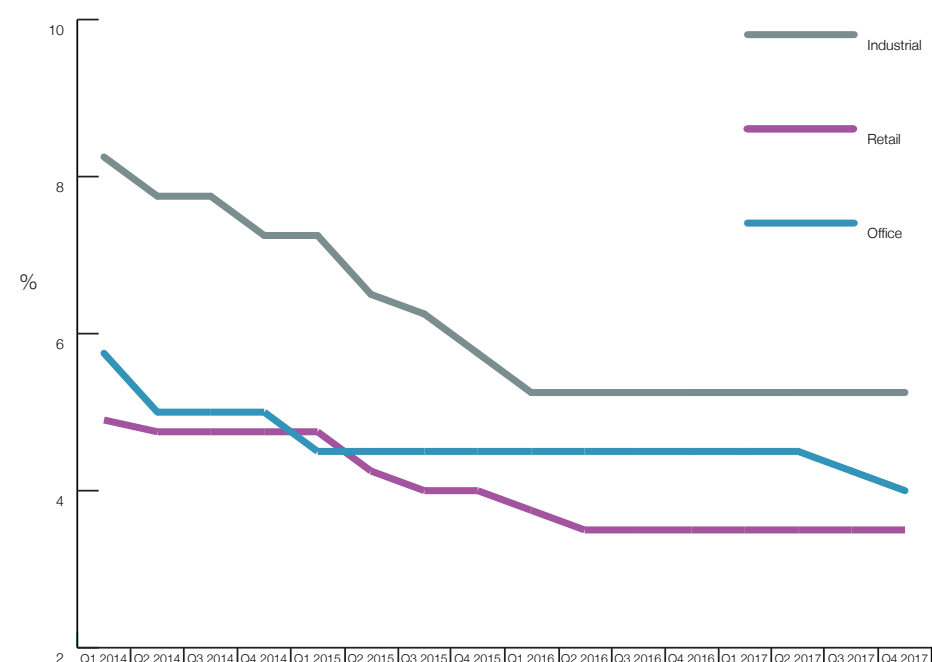
by the market's solid growth fundamentals. Their continued interest in the market was highlighted by a number of high-profile acquisitions, namely the purchase of the Gibson Hotel by German Investor Deka Immobilien for €87.0 million and Blocks 4 & 5 Harcourt Centre by US buyer ARES for €47.0 million.

FIGURE 6
Top 5 investment transactions

Property	Sector	Seller	Buyer	Price (million)	Yield
The Square Tallaght, Dublin 24	Shopping Centre	NAMA	Oaktree	€233.0	Unknown
Cherrywood Business Park, Co. Dublin	Office	Hines	Spear Street Capital	€145.0	Unknown
13-18 City Quay, Dublin 2	Office	TIO	Irish Life	€126.3	4.57%
The Gibson Hotel, Dublin 1	Hotel	Private	Deka Immobilien	€87.0	4.92%
Gardiner House, Dublin 2	Office	Kennedy Wilson	IPUT	€60.0	Unknown

Source: Knight Frank Research

FIGURE 7
Investment yields



Source: Knight Frank Research

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