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Market Outlook



Ireland Investment Market

Research – December 2022

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7-8% GDP

growth is expected for the year as a whole.

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>€5.5 bn

total investment spend is forecast for 2022, the third highest level of investment activity on record.

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€1.7bn

worth of investment activity transacted in Q3 bringing the total spend to €4.8bn for 2022 so far (includes the €1.1 billion Hibernia REIT transaction).

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5 KEY TAKEAWAYS

89%

was invested by overseas purchasers in Q3. European and United States buyers accounted for 40% each, followed by UK buyers on 9%.

PAGE 6

36%

was invested in PRS in Q3 making it the most sought after asset class.

PAGE 6

IRELAND INVESTMENT MARKET - DECEMBER 2022

ECONOMY

2022's global economic and geo-political challenges have impacted Ireland as they have all our trading partners. Modified domestic demand showed double digit growth for the first half of the year but slowed down in the third quarter as consumer caution emerged following continued inflation and higher than expected interest rates. Consumers are

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The labour market, despite recent job losses in the tech sector, remains strong with the highest number of people ever in employment across the economy.
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however, expected to spend in the run up to the Christmas season and overall modified domestic demand is expected to increase

by over 5% for the year as a whole, while GDP is expected to increase by between 7-8% for the year.

2023 will be more challenging, with the European Commission forecasting growth in both modified domestic demand and GDP, but at more modest rates of 2% and 3.2% respectively.

Inflation and higher funding costs are putting pressure on investor choices, decision making and the length of time it is taking to conclude transactions. Increased costs are putting pressure on construction deadlines across the market, particularly in the residential investment and housing sectors. These supply constraints remain one, if not the most, significant challenges for the Irish economy.

INVESTMENT ACTIVITY

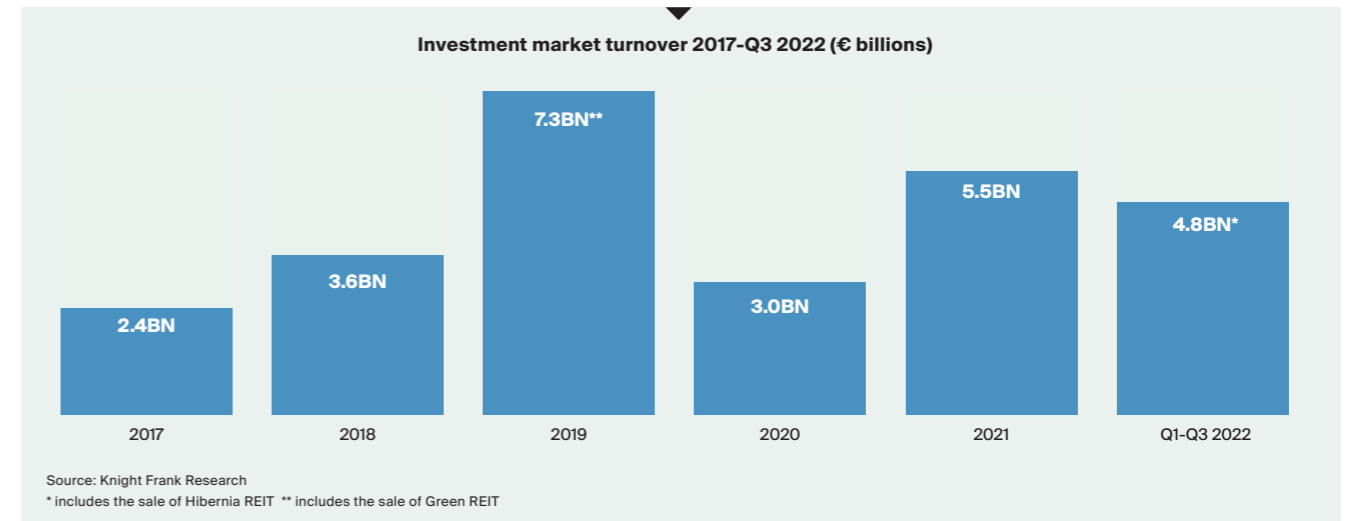
€1.7 billion was invested in the Irish property market in Q3. This brings the

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Although investor concerns in relation to the macroeconomic and funding environment intensified in the second half of the year, investment activity remained strong with €1.7 billion worth of assets transacting in Q3.
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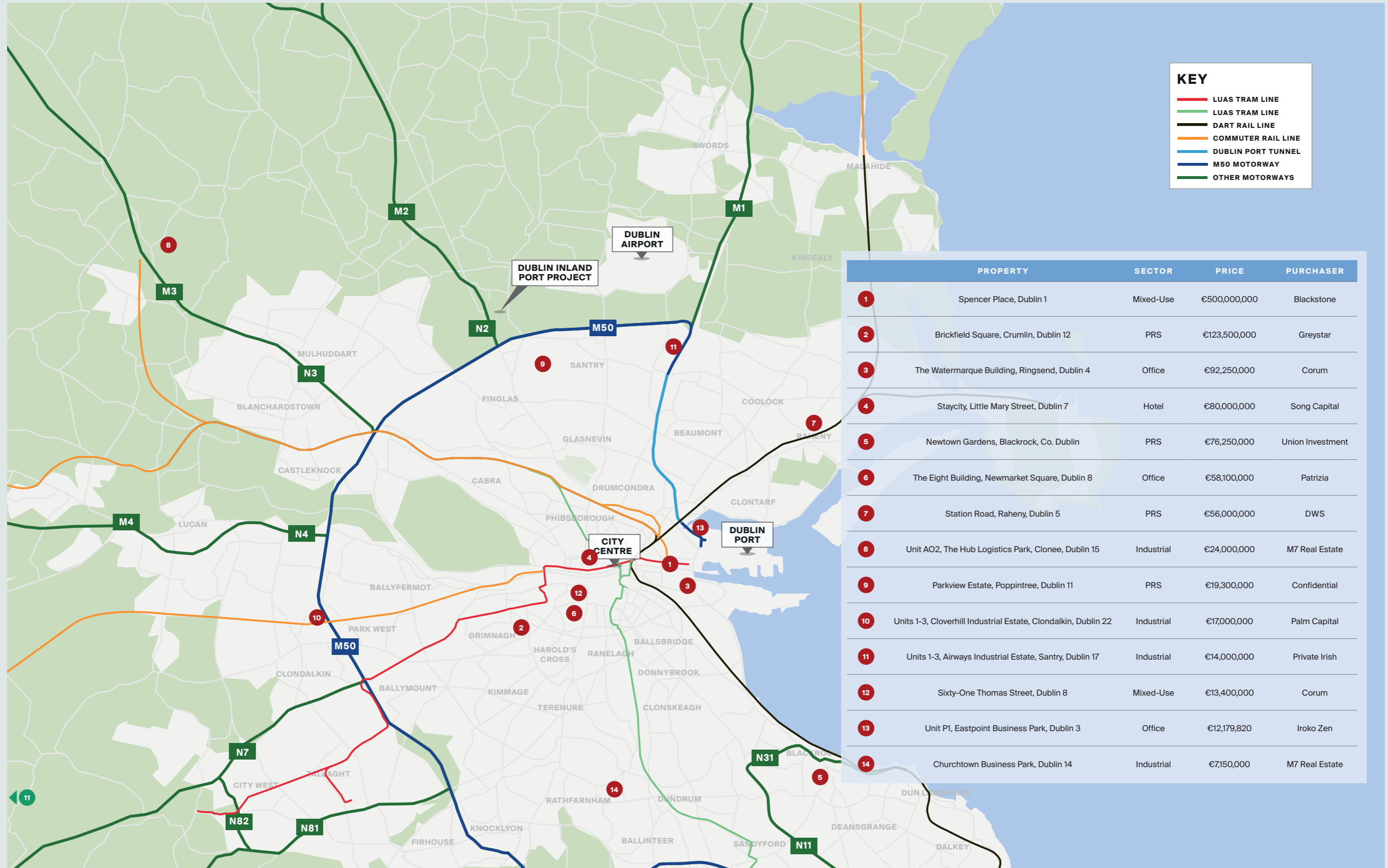
total amount invested in 2022 so far to €4.8 billion.

This total, which includes the €1.1 billion sale of Hibernia REIT to Brookfield Asset Management in Q2, is 36% higher compared to the same period last year.

Investor spend for 2022 so far is significantly above the average for the equivalent period over the last five years which equates to €2.5 billion.



KEY INVESTMENT TRANSACTIONS Q3 2022



ANALYSIS OF SECTOR ACTIVITY

Private Rented Sector (PRS)

Accounting for 36% of total investment spend in Q3, PRS was the most sought-after asset class with €637.8 million transacting. Multifamily continues to be the most dominant sub sector, accounting for 83% of residential investment spend in Q3. The largest multifamily deal in Q3 was Greystar's acquisition of 242 units at Brickfield Square, Dublin 12 for €123.5 million.

Social Housing and Student Accommodation accounted for 11% and 6% of residential investment spend respectively in Q3. New Beginnings were particularly active in the Social Housing sector in Q3, acquiring 128 units as part of Project Ivy and 34 units as part of Project Haven Purple for €54.5 million and €12.0 million respectively. In terms of Student Accommodation, Harrison Street purchased 342 units at Melbourne Point in Cork for €40.0 million.

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Investor interest in the residential market is broadening to sub-sectors, in particular student accommodation which has proven highly defensive for investors during periods of economic uncertainty, anchored by the steadiness of university enrolment and the consequent demand for housing.
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Office

Office assets accounted for 11% of total investment spend in Q3 or €185.1m. The largest office transaction in Q3 was Corum's purchase of The Watermarque Building, Dublin 4 for €92.3 million, while Patrizia acquired The Eight Building in Dublin 8 for €58.1 million. In addition, a number of mixed-use assets transacted which consisted largely of office space.

The largest of these was Blackstone's purchase of Spencer Place in Dublin 1 for €500.0 million. The office space is fully

leased to Salesforce for fifteen years, while the hotel is let to the Dalata Hotel Group for thirty-five years. In total, mixed-use assets accounted for 31% of investment spend in Q3. If the acquisition of Spencer Place was classified as an office rather than a mixed-use investment, it would bring the office sector's share of Q3 spend to 40%, while mixed-use would fall to 2%.

Healthcare

The market witnessed another strong quarter of healthcare related transactions which comprised 10% of total investment spend in Q3 or €179.9 million. Aedifica, a Belgian REIT, have been very active in the Irish market recently. The REIT acquired two further healthcare assets in Q3 which consisted of Project Sapphire, a portfolio of four nursing homes in Dublin, for €161.0 million as well as a nursing home in Sligo for €17.0 million.

Industrial, Hotels & Retail

Industrial assets accounted for 5% of total investment spend in Q3 or €90.4 million. The largest deal of Q3 was the sale of Unit AO2 at The Hub Logistics Park, Dublin 15 to M7 Real Estate for €24.0 million. M7 Real Estate also acquired Churchtown Business Park, Dublin 14 for €7.2 million.

Elsewhere, hotels accounted for 5% of investment spend which was comprised of Song Capital's acquisition of the 340-unit Staycity aparthotel on Little Mary Street in Dublin 7 for €80.0 million.

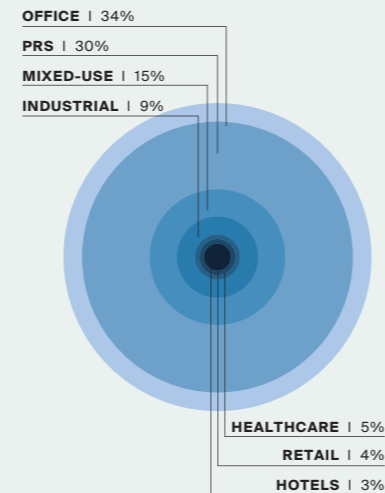
Finally, retail assets accounted for just 2% of total investment spend in Q3 or €30.2 million. Notable transactions included the purchase of Gorey Shopping Centre

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Overseas purchasers accounted for 89% of investment spend in Q3. Within this, European and United States buyers comprised 40% each, while UK buyers accounted for 9%. Irish or domestic buyers accounted for the remaining 11%.
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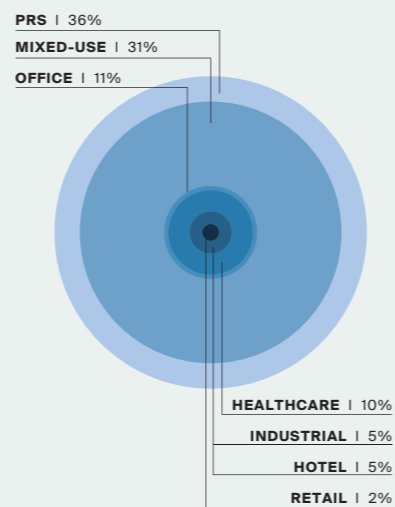
by CLL Investments LLP for €9.4 million and the Bank of Ireland Branch Portfolio, which included units in Longford, Cork, Tipperary and Galway, by Iroko Zen for €8.5 million.

Breakdown of investment spend by sector (%) Q1-Q3 2022 & Q3 2022

Q1-Q3 2022



Q3 2022



Source: Knight Frank Research
 Note: Includes the sale of Hibernia REIT

OUTLOOK

1.

The rapid repricing of debt markets is expected to continue into Q1 2023, as the ECB is set to deliver at least two more interest rate increases.

Re-pricing of prime assets is already evident and prime yields are expected to move out by up to 75 basis points from mid 2022 to Q1 2023 depending on the asset type.

2.

Some investors have put their investment plans on hold, while others have looked to reduce or renegotiate offers. However, despite this, due to the strong performance in the earlier part of the year, total investment spend for 2022 is likely to exceed €5.5 billion (the third highest level of investment activity on record).

3.

The tight labour market and robust population growth will continue to underpin demand in the residential rental market. Likewise, e-commerce and supply chain reconfiguration will support continued demand for industrial and logistics space. The increasing cost of finance and construction costs will curtail the supply of these prime assets in 2023.

4.

In the office sector, new space in City Centre locations will be increasingly sought after as occupiers recognise the need to meet ESG targets and to create best-in-class workplace environments. There may be a deeper adjustment in pricing for secondary office assets, especially those needing substantial capital expenditure in order to meet ESG targets.



Dublin Office Market
Overview Q3 2022



Ireland Retail Investment
Market Overview
August 2022



PRS occupier survey
2022



New Homes Construction
Survey 2022

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