Ireland Residential Investment Snapshot Q1 2021

IRELAND RESIDENTIAL INVESTMENT SNAPSHOT Q1 2021

HEADLINES

62%	€806 Mn	3.75%
WAS INVESTED IN RESIDENTIAL, THE LARGEST PROPORTION OF CRE INVESTMENT SPEND	TOTAL RESIDENTIAL INVESTMENT SPEND FOR Q1 2021	PRIME RESIDENTIAL YIELDS REMAIN STABLE

In the first three months of the year, overall investment spend was €1.31 billion of which 62% was residential investments, the highest quarterly percentage since 2013.

Q1 residential investment spend was 3.7 times greater than in Q1 2020, with the three largest transactions accounting for €581m of total investor spend in the quarter.

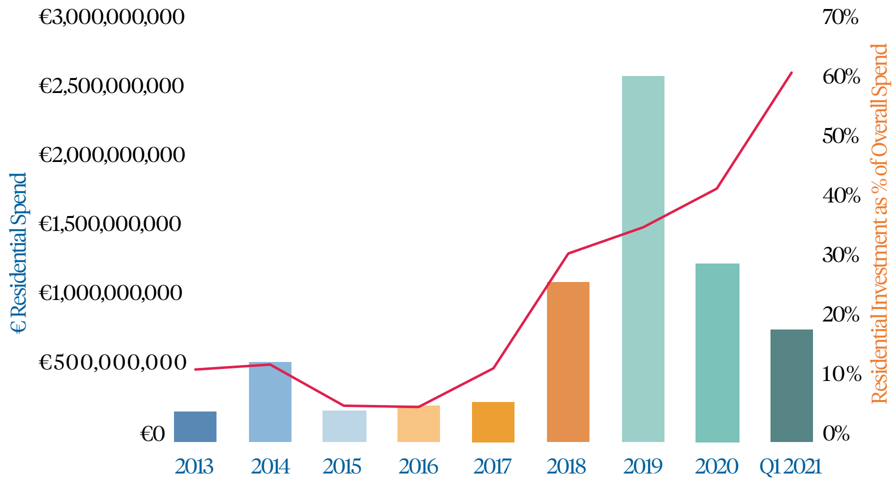
The €806 million of residential investment transactions was made up of 14 deals over €1 million, of which one deal accounted for 56% of the spend at €450 million.

Following on from the trend seen throughout 2020, many of the deals completed in Q1 2021 were off market transactions and 89% of deals completed were forward commit structures. Also, many of the deals were carried over from the second half of 2020 as it is taking longer than usual for transactions to complete due to the Covid-19 pandemic.

Demand for assets outside of Dublin is also strong with Real I.S. purchasing 134 apartments in three blocks at Marina Village in Greystones, Co. Wicklow, for €64.5m.

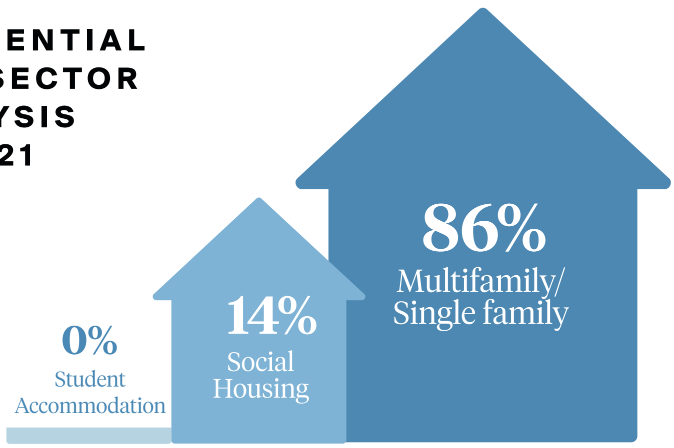
Institutional ownership of residential assets now stands at in excess of 18,600 units across Ireland. In Dublin, there is a considerable spread of ownership across the regions. Dublin City and South Suburbs have 31% and 30% of institutionally held units, followed by the West Suburbs at 23%. The North Suburbs has the lowest percentage of institutional ownership at 17% however, as more stock is delivered in this location we expect this figure to increase.

RESIDENTIAL INVESTMENT 2013 - Q1 2021



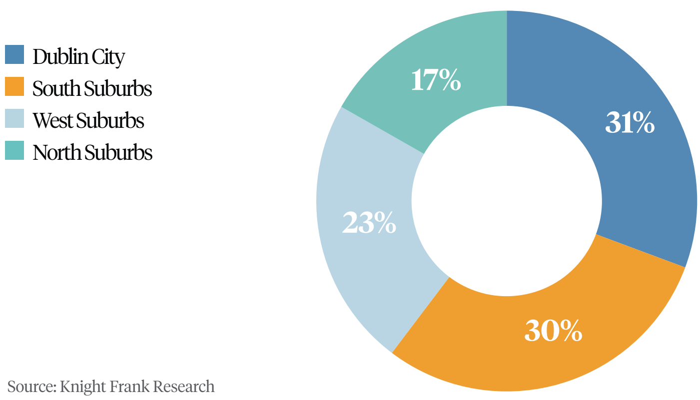
Source: Knight Frank Research

RESIDENTIAL SUB-SECTOR ANALYSIS Q1 2021



Source: Knight Frank Research

INSTITUTIONAL RESIDENTIAL OWNERSHIP



Source: Knight Frank Research

TOP 3 DEALS OF Q1 2021

1

€450 Mn

MULTIFAMILY/SINGLE FAMILY PORTFOLIO ACQUIRED BY ARDSTONE

2

€66 Mn

PRS OFF MARKET TRANSACTION ACQUIRED BY ARDSTONE

3

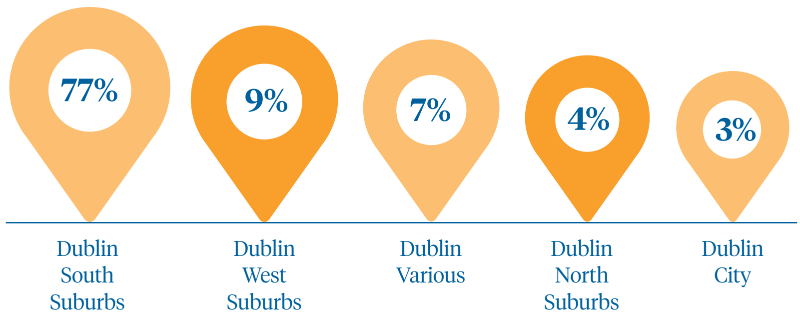
€64.5 Mn

MARINA VILLAGE, WICKLOW ACQUIRED BY REAL I.S

The fundamentals driving the Irish housing market - a rapidly growing population in a performing economy, coupled with an acute housing shortage, have intensified investor interest in residential investment assets. Competitive demand from both domestic and international investors for a limited number of assets is expected to result in increased investor spend, particularly in the second half of the year.

Prime yields could trend closer to 3.5% NIY based on core income producing product.

Q1 2021 DUBLIN RESIDENTIAL INVESTMENT TRANSACTIONS BY LOCATION



Source: Knight Frank Research

TOP 5 RESIDENTIAL INVESTMENT DEALS Q1 2021

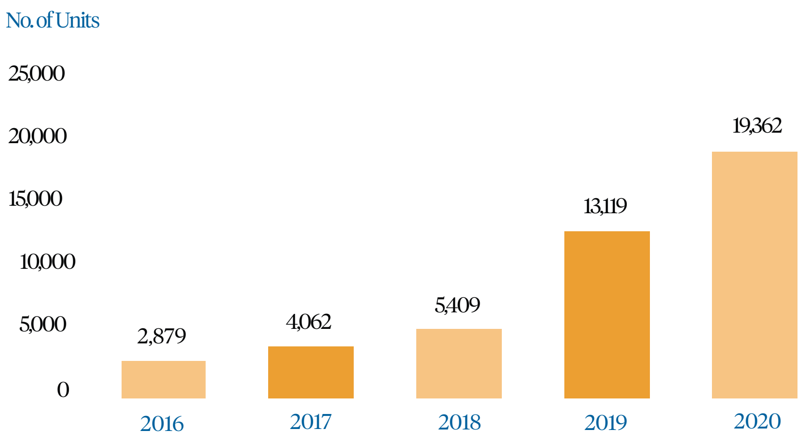
Property	Sector	Deal Structure	€m	Purchaser
Confidential	Multifamily / Single family	Forward Commit	€450m	Ardstone
Confidential	Multifamily	Forward Commit	€66m	Ardstone
Marina Village, Greystones, Co. Wicklow	Multifamily	Forward Commit	€64.5m	Real IS
Project Hexagon	Social	Forward Commit	€54.5m	Ardstone
Shackleton Park, Lucan, Co. Dublin	Single family	Forward Commit	€48.25m	Angelo Gordon / Carysfort Capital

Source: Knight Frank Research

Our research shows that 64% of construction projects were delayed between 4-6 months over the last year and 18% were delayed by 7-12 months due to Covid-19. However, developers have continued to apply for planning permissions and are pushing ahead with projects with 58% of developers expecting stronger activity in 2021 than in 2020.

In Dublin, 85% of units granted permission in 2020 were for apartments. This compares to 29% in 2016. This rise in grants of apartment applications is positive in terms of potentially addressing the housing supply shortage in the market.

DUBLIN: NUMBER OF APARTMENTS WITH GRANT OF PLANNING



Source: CSO

2020 - A TEST OF RESILIENCE

- The initial uncertainty caused by the pandemic resulted in a period of dislocation in the global debt market that lasted for several months. Many real estate lenders hit the pause button on new business to take stock and address issues with their loan books.
- As supply in the debt markets fell, senior debt pricing spiked up by 25-150 basis points, depending on the lender's source of capital and the resilience of the real estate sub-sectors they were lending into, and leverage dropped by 5% on average.
- Debt pricing remained largely stable throughout Q1 2021, albeit at a re-based level, while leverage has remained conservative.
- Despite the market turbulence, lender appetite for prime PRS assets has remained strong throughout the pandemic, particularly for portfolios of purpose built assets that offer diversified income streams.
- For best-in-class PRS assets, all-in cost of debt has, in many cases, fallen since the onset of Covid-19. This reflects the reduction in swap rates to near historical lows and strong competition between lenders as capital is re-directed to the relative `safe haven' of the residential investment sector.

DEBT OUTLOOK 2021

- Transition from interbank offered rates (i.e. EURIBOR, EONIA and LIBOR) to new alternative risk-free rates (i.e. SOFR, ESTER and SONIA).
- Increasing prevalence of green and sustainability linked finance as part of the wider ESG agenda.
- Rise of sales of Non-Performing Loan (NPL) books.

Key Contacts

Residential Capital Markets:

Tim MacMahon
tim.macmahon@ie.knightfrank.com
Emma Courtney
emma.courtney@ie.knightfrank.com

Research:

Joan Henry
joan.henry@ie.knightfrank.com
Robert O'Connor
robert.oconnor@ie.knightfrank.com

EMEA Residential Capital Markets:

Stuart Osborn
stuart.osborn@knightfrank.com

Capital Markets:

Peter Flanagan
peter.flanagan@ie.knightfrank.com
Adrian Trueick
adrian.trueick@ie.knightfrank.com

Capital Advisory:

Lisa Attenborough
lisa.attenborough@knightfrank.com
Craig Wilson
craig.wilson@knightfrank.com

enquiries@ie.knightfrank.com
knightfrank.ie
20-21 Upper Pembroke Street, Dublin 2
+353 1 634 2466