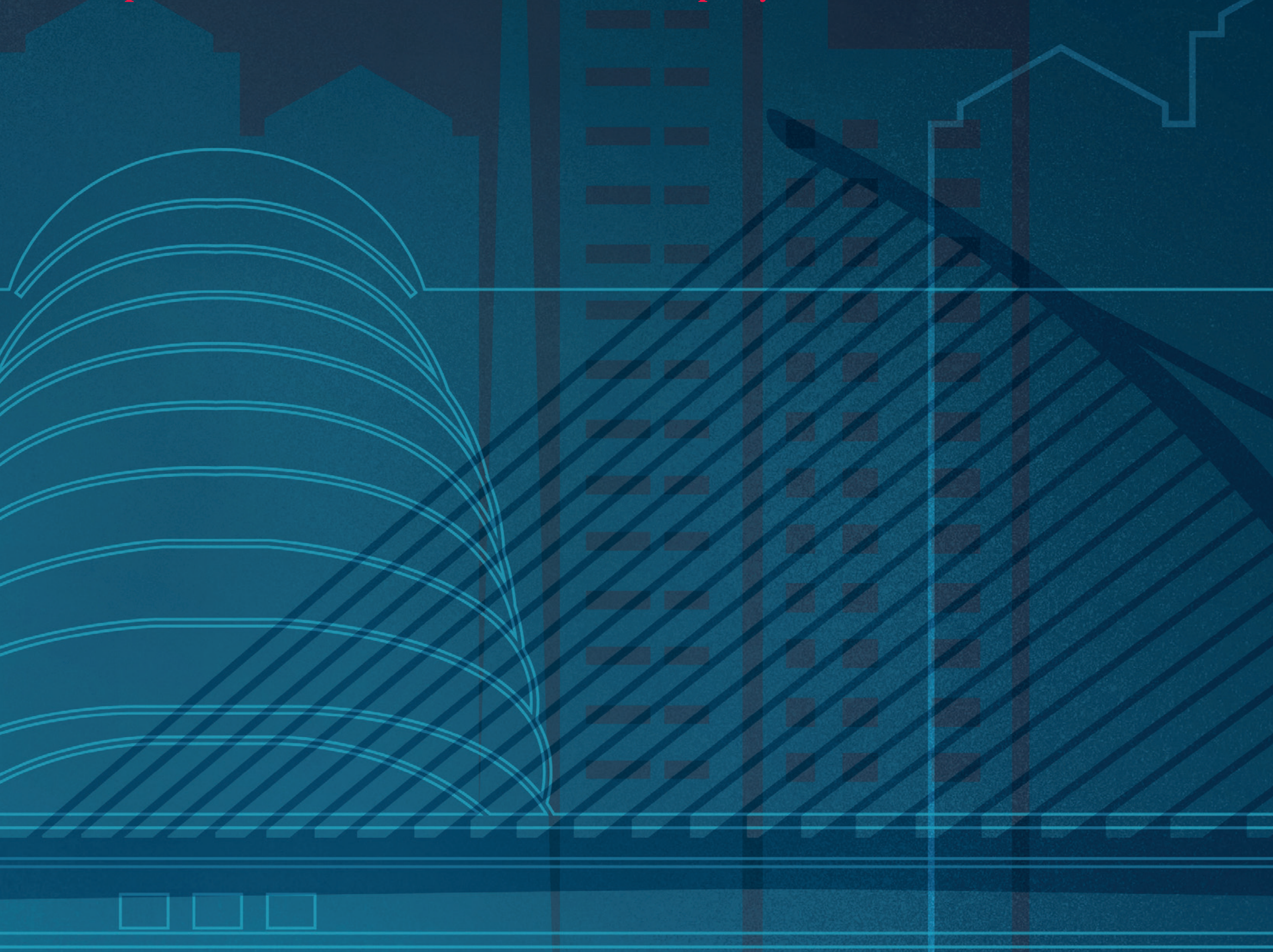
Knight Frank

Ireland Investment Market Overview

Research, Q3 2021

Special Focus – The Dublin Industrial Property Market



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5 KEY TAKEAWAYS

15% plus

GDP growth expected for Ireland in 2021, driven by both the domestic and multi-national sectors. Underlying growth in the domestic economy is set to exceed 5% for the year.

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€793m

Invested in Irish property assets in Q3. 52% in PRS and 17% in offices.

PAGE 3

€66m

Invested in Q3 in a single retail transaction, the largest retail deal of 2020 and 2021 to date.

PAGE 3

Almost 10%

increase in prime industrial rents in Dublin over the last year.

PAGE 6

€348m

Invested in Dublin industrial assets this year which is 11% of the overall Dublin investment spend – well ahead of the annual average of 4% witnessed since 2013.

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IRELAND INVESTMENT MARKET OVERVIEW Q3 2021

Spend on PRS assets continues to dominate the market in Q3. While total spend in Q3 of €793m did not exceed the €1.0bn level, as it did in both Q1 and Q2, it is expected to do so in Q4, bringing total investment spend to in excess of €4.5bn for the year as a whole.

ECONOMY

Ireland continues to benefit as European and Global economies navigate their way out of lockdowns and into what will become the next phase of the recovery. Investor interest in Irish property is underpinned by the level of investment already made in key sectors such as office and retail (in particular prime high street and prime shopping centres), which itself is underpinned by multiple factors, including a wider confidence in the structure of the economy, high value employers and membership of the EU.

Ireland is on track to be the fastest growing economy in the EU again in 2021, with GDP forecast to increase by 15.6%*. Excluding the multi-national sectors, underlying domestic growth is expected to exceed 5% for the year as a whole.

2021 is set to be the year where investors broadened their portfolios further into PRS assets to avail of income opportunities against a backdrop of a growing population, a shortage of broader housing options and an economy recovering and expanding at a faster pace than had been envisaged at the beginning of 2021.

While PRS is leading investor spend at this stage in the cycle, office assets are expected to see an increased share of spend over the coming quarters with large assets such as The Serpentine Building, which is part of Facebook's new campus in Dublin 4, (on the market guiding €395m) and PWC's headquarters in Dublin 1 (on the market for €265m) expected to add €660m to spend on office assets.

As the consumer side of the economy continues to recover at pace, investor interest in retail assets is expected to increase. Demand for industrial assets is set to intensify further as companies adjust to external supply-side shocks and look to the domestic market for solutions.

INVESTMENT VOLUMES

€793m was invested in Irish property assets in Q3. While less than in Q1 and Q2, it brings the total for the year to date to €3.6bn, a strong performance overall considering that the economy was in Level 5 lockdown for the first four months of the year.

PRS accounted for the largest proportion of investment spend (52%) in Q3, followed by offices (17%). Two of the biggest three deals were PRS, the largest of which was a confidential transaction for €110m. This was followed by the acquisition of 211 units at Windmill, Clonsilla by Urbeo from Kimpton Vale for €73m. The sale by Aviva of Royal Hibernian Way to a private Irish investor, for €74m and a yield of 3.54%, completed the top three deals for the quarter.

The sale of Nutgrove Retail Park was the fourth largest transaction in Q3 and the largest retail transaction to date in 2021 and in 2020. AM Alpha acquired the retail park from Davidson Kempner for €66.3m. Also of note was the sale of 26-27 Grafton St by Aviva to Deka Immobilien for €25.4m.

Demand for industrial assets remains highly competitive and while the sector represented only 4% of turnover in Q3, it makes up 13% of overall spend in the Irish market to date in 2021.

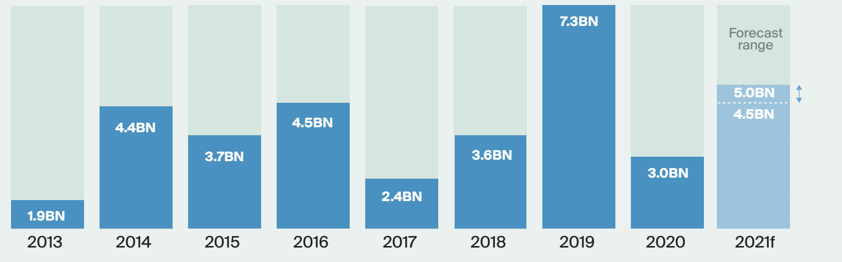
Irish and European investors were the most active buyers accounting for 77% of spend in Q3. At the same time, Irish investors have been the most active vendors in Q3 (46%), followed by investors from the US (33%) and the UK (21%).

52%

was invested in PRS assets

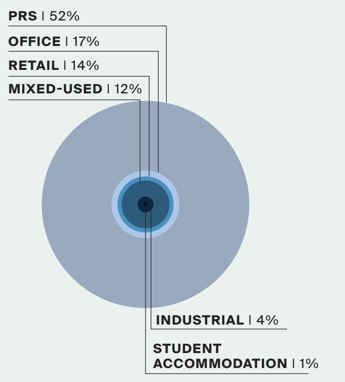
* Department of Finance

Investment market turnover 2013-2021f (€ billions)



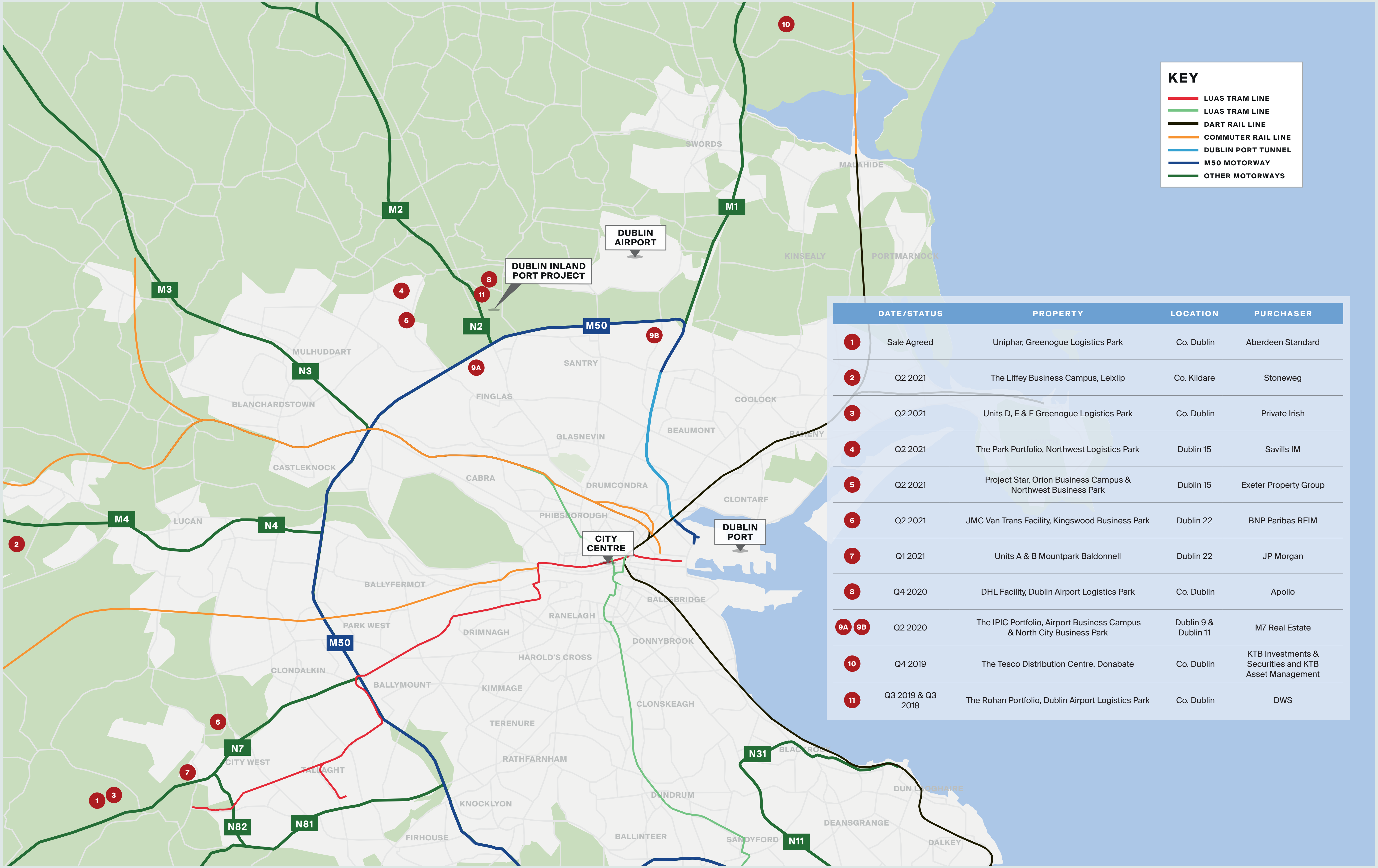
Source: Knight Frank Research

Breakdown of investment spend by sector (%), Q3 2021



Source: Knight Frank Research

KEY DUBLIN INDUSTRIAL INVESTMENT TRANSACTIONS 2019-2021



	DATE/STATUS	PROPERTY	LOCATION	PURCHASER
1	Sale Agreed	Uniphar, Greenogue Logistics Park	Co. Dublin	Aberdeen Standard
2	Q2 2021	The Liffey Business Campus, Leixlip	Co. Kildare	Stoneweg
3	Q2 2021	Units D, E & F Greenogue Logistics Park	Co. Dublin	Private Irish
4	Q2 2021	The Park Portfolio, Northwest Logistics Park	Dublin 15	Savills IM
5	Q2 2021	Project Star, Orion Business Campus & Northwest Business Park	Dublin 15	Exeter Property Group
6	Q2 2021	JMC Van Trans Facility, Kingswood Business Park	Dublin 22	BNP Paribas REIM
7	Q1 2021	Units A & B Mountpark Baldonnell	Dublin 22	JP Morgan
8	Q4 2020	DHL Facility, Dublin Airport Logistics Park	Co. Dublin	Apollo
9A 9B	Q2 2020	The IPIC Portfolio, Airport Business Campus & North City Business Park	Dublin 9 & Dublin 11	M7 Real Estate
10	Q4 2019	The Tesco Distribution Centre, Donabate	Co. Dublin	KTB Investments & Securities and KTB Asset Management
11	Q3 2019 & Q3 2018	The Rohan Portfolio, Dublin Airport Logistics Park	Co. Dublin	DWS

THE DUBLIN INDUSTRIAL MARKET

On-demand consumer behaviour and the pace of technological change is driving greater e-commerce adoption and is forcing retailers to engage in significant supply chain reconfiguration. E-commerce is a very real estate intensive activity, requiring three times the space of bricks and morter retailers due to the need to cater for a wider product availability, greater inventory levels and increased order returns[1]. Additionally, as a response to recent geopolitical tensions and the Covid-19 pandemic, retailers are engaging in near-shoring and on-shoring in order to minimise future disruption to supply chains.

On the back of these global trends, Dublin is witnessing strong occupier demand for industrial/logistics space, driven by retailers and 3PLs. Average annual take-up stood at 307,000 sq m between 2017-2020, while a further 186,000 sq m has transacted in the nine months to Q3 2021. A shortage of speculative development and record low vacancy rates is creating intense competition for space and driving strong rental growth – prime rents have risen by 9.6% in the past year, jumping from €108 psm to €118 psm as of Q3 2021. These conditions are acting as a tailwind for investor activity.

€348m has already been invested in industrial assets in Dublin in the nine months to Q3 2021 which equates to an 11% market share of total Dublin investment spend – almost three times greater than the annual average of 4% that has been witnessed since 2013. An additional €103m was invested in industrial assets outside of Dublin. One large transaction, which was the sale of The Liffey Business Campus in Co. Kildare to Stoneweg for €95m, made up the majority of that spend.

Currently most individual assets in Dublin lack the scale required by institutional investors, therefore bundling assets into a portfolio is common in order to provide them with the required lot size. So far this year, Savills IM bought the Park Portfolio for €47.9m, while the Exeter Property Group purchased Project Star for €33.5m. The largest transaction was JP Morgan's purchase of Units A & B Mountpark, Baldonnell for €60.5m which itself formed part of a wider portfolio of European assets. Other notable investors that are active in the market include DWS, Aberdeen Standard, BNP Paribas REIM, Kennedy Wilson, Arrow Capital Partners, Palm Capital and M7 Real Estate.

The expanding investor pool means there is significant competition for prime opportunities which is resulting in downward pressure on yields. Prime opportunities – modern or new stock providing 10-year plus income (with fixed uplifts or indexation) – now attract a yield towards 4.00% which is down from 4.75% a year earlier.

Such is the competition for high quality opportunities that investors are beginning to forward fund assets. One has already occurred this year, namely the forward fund of Units D, E and F Greenogue Logistics Park by a private Irish investor for €53.0m, while the nearby Uniphar building is reportedly being forward funded by Aberdeen Standard for €70.0m. The latter could transact by year-end, adding significantly to the 2021 industrial spend which is already on course to be the strongest year yet for investment in this sector.

Considering the outlook for continued rental growth along with the substantial weight of capital looking to deploy in the Dublin market, prime industrial yields are expected to tighten further in 2022.

1: Prologis

TOP FIVE DUBLIN INDUSTRIAL TRANSACTIONS 2021

BUILDING	PRICE ACHIEVED (€M)	PURCHASER
UNITS A & B MOUNTPARK BALDONNELL, D22	€60,500,000	JP MORGAN
UNITS D, E & F, GREENOGUE LOGISTICS PARK, CO. DUBLIN	€53,000,000	PRIVATE IRISH
THE PARK PORTFOLIO, D15	€47,900,000	SAVILLS IM
PROJECT STAR, D15	€33,500,000	EXETER PROPERTY GROUP
UNIT B, MERRYWELL INDUSTRIAL ESTATE, D12	€32,000,000	PALM CAPITAL

Source: Knight Frank Research

Investor spend on industrial assets in Dublin and Ireland as a share of total investment spend, 2013-Q3 2021.

Source: Knight Frank Research

OUTLOOK

1.

Deals in the pipeline, if they close in Q4, could bring total investment spend for the year as a whole to between €4.5 billion and €5 billion, which would make 2021 the second strongest year on record in terms of the value of investment spend on Irish property.

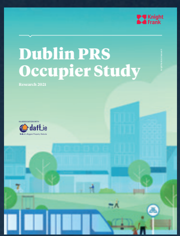
2.

Given the pace of economic recovery, employment growth, demographics and a continued shortage of housing, PRS assets are set to remain a key sector driving investment spend in 2022.

3.

Strong demand for industrial assets is expected to continue into 2022, with a wide range of domestic and international investors competing for a limited pool of assets which will result in further yield tightening.

Dublin Office Market Overview Q3 2021



Dublin PRS Occupier Study

Active Capital 2021

Ireland Residential Investment Snapshot Q3 2021

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