

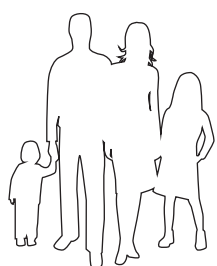
# MARKET WRAP 2016 - KEY TRENDS 2017

RESEARCH

"All sectors of the Irish commercial property market performed in 2016 – against the dichotomy of **Ireland's small open economy remaining the fastest growing in Europe** and the changing fabric of the international landscape. 2017 is set to pose many new challenges which the market is better set to take advantage of than any other time in the last decade".

- Joan Henry, Head of Research, joan.henry@bnpparibas.com

## IRISH MARKET AT A GLANCE



# 3.7%

increase in population  
2016 CENSUS

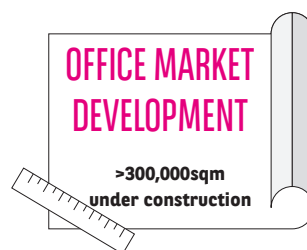
## FASTEST GROWING ECONOMY IN EUROPE

4.5% 2016  
3.5% 2017



## OFFICE MARKET DEVELOPMENT

>300,000sqm  
under construction

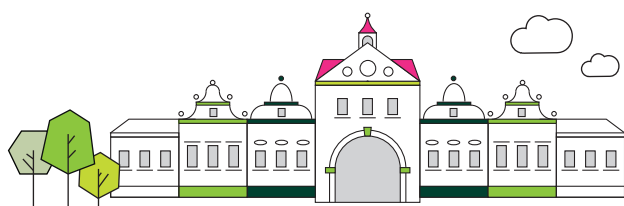


MODERNISING  
DUBLIN'S CITY LANDSCAPE

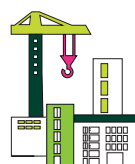
## LARGEST SINGLE ASSET SALE Q2

# €945 MILLION

THE BLANCHARDSTOWN CENTRE



## OPERATORS DRIVING DEVELOPMENT



Student accommodation  
Hotels  
Hostels  
Nursing homes...

## LOGISTICS BACK IN FASHION



short supply in most  
sought after locations

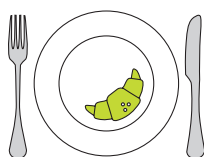
## RENTAL GROWTH

to continue

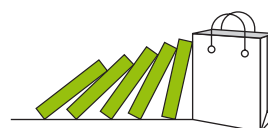


across all sectors

## FOOD & BEVERAGE



strong demand from  
new entrants



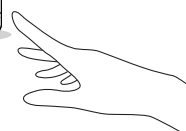
# 4%

# VACANCY

Dublin's Prime Retail Parks

PRIME RETAIL  
HIGHSTREET ASSETS  
in high demand

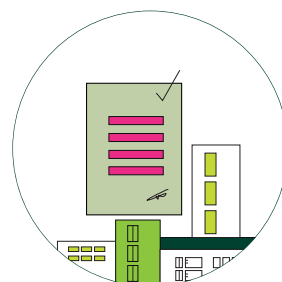
## TOUCH & FEEL FACTOR



# MARKET WRAP 2016



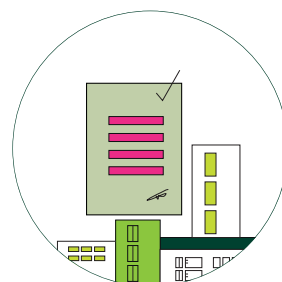
- 1 **Retail assets dominated** investor appetite with the largest ever single asset trading in the Irish investment market - **The Blanchardstown Centre €945m.**
- 2 New European and Middle & Far Eastern, **less risk averse investors have entered the Irish market.** The weight of capital continues to focus on obtaining best in class "core" assets.
- 3 **Investment market turnover** exceeded expectations for the year as a whole with almost **€4.5 billion** driven by a number of large retail and office asset sales and an increase in volume of transactions.
- 4 Office assets remain the backbone of the investment market. Active **office supply pipeline** is the key factor anchoring rents.
- 5 Dublin city's office landscape is being transformed with the equivalent of **10% of current office stock under construction and refurbishment.**
- 6 With **unemployment levels falling to 7.2%**, office occupiers continue to compete for the best space on offer in all city and good suburban locations.
- 7 **Grafton Street** remains the high-street jewel, as new and exciting refurbishments see the street continue to adjust to the requirements of **international brands.**
- 8 The **Retail Parks** market is currently operating to capacity with only **4% vacancy** across Dublin's main retail parks, driven by no new supply and strong occupier demand.
- 9 **Logistics market** is alive again. There is a lack of suitable product but take up on track to comfortably exceed the 10 year average. First signs of **speculative development** albeit limited.
- 10 **Real Estate Investment** on a relative value basis remained very attractive compared to other asset classes with the traditional **"pick-up" over cash & bonds widening** throughout the year.



# TRENDS TO WATCH 2017



- 1 Investors to continue to seek opportunities in Ireland - the fastest growing economy in Europe. The strong pace of growth to allow for adjustment to external uncertainties.
- 2 Demand from overseas buyers set to continue and **investor pool to become even more international** as more risk adverse investors seek to enter at this mature stage of the market cycle.
- 3 Focus of investors set to remain on **core product** and expect to see heightened competition due to liquidity squeeze which could see some **prime yield hardening**.
- 4 **Prime office rental growth to continue** but at more modest pace with occupier choices to increase as the pipeline delivers, driven by development in the North Docks, IFSC, Dublin 2 and Dublin 4.
- 5 All eyes will be on **Molesworth Street and Hatch Street** where deals in these locations will set the **upper limit for prime office rents**.
- 6 Badly needed new **city centre retail development** to attract new occupiers and we will see a **broader retail offering** on e.g. Dawson Street / Dame Street / College Green.
- 7 The **larger out of town retail locations** set to gear up for expansion as the long awaited **new development phase** begins.
- 8 **Prime retail rents** show most upside given the current imbalance between demand and supply. Food & Beverage operators will compete aggressively for the **limited supply of prime product**.
- 9 **Developers** set to continue to **compete for prime sites** in city locations. Alternative funders backing traditional developers to continue to emerge as a dominant force.
- 10 **International environment** will be more **challenging** for Ireland as a small open economy but the commercial market looks better set to take advantage than any time in the last decade.



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