



## At A Glance Q1 2017

# Irish Investment Market

50% of deals in Q1 2017 were lot sizes below €20m, with the completion of one large office transaction equating to 25% of total turnover...

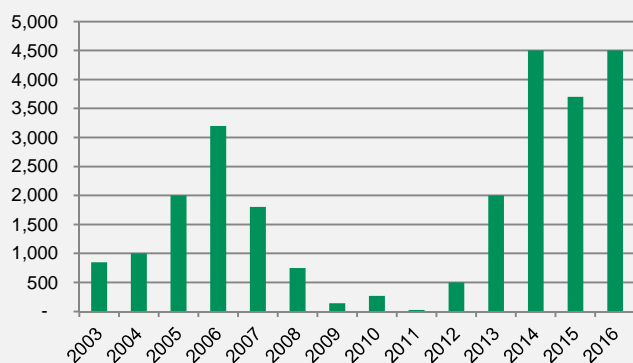
### TURNOVER

The first quarter of 2017 has seen investment spend on Irish commercial property total €476m. This, while a strong number in itself, is lower compared to the same period for each of the last three years.

The Q1 data are dominated by the completion of the purchase by Irish Life of the City Quay office, which is under construction and pre-let to Grant Thornton. This deal was agreed in Q4 2016 but signed in this quarter and as such more accurately reflects activity in the second half of 2016.

Key features of the market in Q1 2017 are the lack of product that has come to the market in the new year above €50m in lot size and also the quantum of deals done below €20m in lot size (49%). The majority of vendors and purchasers in the latter category were private investors with small domestic investors particularly active. There were 46 deals less than €5m in lot size, equating to €72m of total Q1 turnover.

### Investment Market Turnover, 2003 - 2016 annual, €m



Source: BNP Paribas Real Estate Research

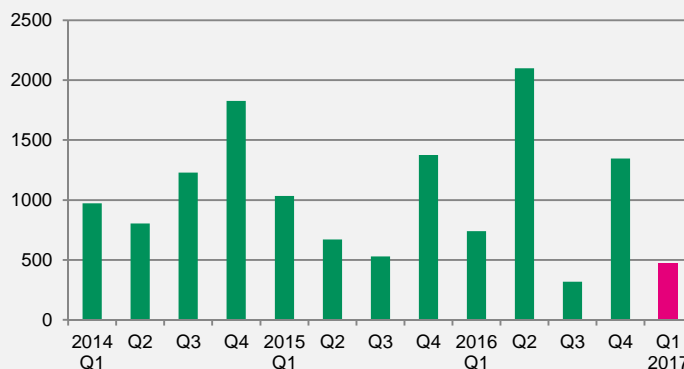
Investment activity outside Dublin was strong in Q1, with 25% of the €476m spend invested outside the capital. Five deals totalled €77m, with retail leading:

- Parkway Retail Park in Limerick (€23m)
- Carlow Retail Park, (€16m)
- Merchant's Quay Shopping Centre, Cork (€13.7m)
- City Quarter, Lapps Quay, Cork (€13.3m)
- Block B, Bray Civic Centre, Wicklow (€11m)

Retail opportunities coming to the market are attracting strong investor interest in keeping with the trend that drove 2016 turnover, resulting in the 2<sup>nd</sup> highest level of turnover on record.

Turnover is expected to reach the long term average or above in 2017—c €2bn. While risks from external geo-political factors do exist— the main domestic risk to market performance is the lack of assets to meet the demand of a wide base of investors set to avail of any remaining value in the Irish market and /or prime assets.

### Investment Market Turnover, Qrtly, 2014 – Q1 2017, €m

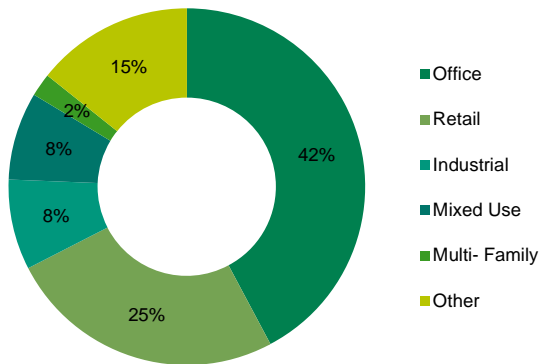


Source: BNP Paribas Real Estate Research

### Largest 5 Investment Deals, Q1 2017

| Investment Transaction                       | Sector                | Price Achieved (€m) |
|--|-----------------------|---------------------|
| 13-18 City Quay, Dublin 2                    | Office                | €126m               |
| Montrose Student Accommodation               | Student Accommodation | €37.6m              |
| Aerodrome Business Park, Naas Rd, Co. Dublin | Industrial            | €28m                |
| Fumbally, Fumbally Lane, Dublin 8            | Office                | €21.5m              |
| Ballymount Retail Centre, Dublin 12          | Retail                | €14.3m              |

Investment Market Turnover, €m (%) by sector, Q1 2017



Source: BNP Paribas Real Estate Research

## OFFICE INVESTMENT

€201m was invested in the office sector in Q1, with twelve transactions completing.

Excluding the €126m City Quay investment, the remaining total of €75m is relatively low on a quarterly basis, reflecting the lack of opportunities available to investors, particularly in the prime Dublin locations.

Prime office yields remain unchanged at 4.5%. They have been stable at this level for the last number of quarters. Any further yield tightening is largely dependent on the number and size of assets that come to the market throughout the year.

There are only two assets currently on the market in for example Dublin 2 – The Harcourt Centre and 76 Baggot St. and while they are expected to attract competitive bids, the sale of same is unlikely to impact yield stability given their age and scale. As 2017 progresses there will potentially be the sale of office assets currently under construction in CBD locations once they are pre-let, which may tempt owners to avail of the depth of interest currently in the Irish market.

## RETAIL INVESTMENT

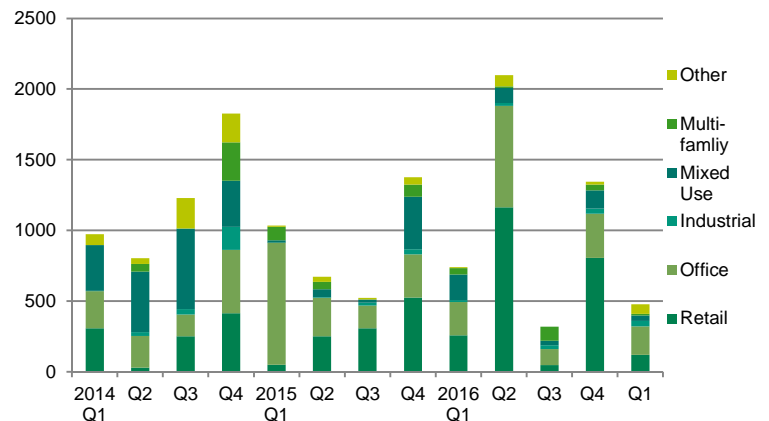
A total of €120m was invested in retail assets – €39m of which was in Dublin. Lack of assets on the market is constraining activity in Dublin at a time when investor interest remains strong, particularly for any high street opportunities.

### Prime yields



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

Quarterly Breakdown by sector, €m, 2014 – Q1 2017



Source: BNP Paribas Real Estate Research

Dublin's city centre retail offering will be considerably transformed over the next 12-18 months, with the Central Bank Project and Meyer Bergman's redevelopment plans for Nassau St, amongst others, expected to further enhance investor interest in retail opportunities.

## INDUSTRIAL

The largest industrial transaction for a number of years was the purchase by Irish Life of Aerodrome Business Park for €28m, reflecting the depth of recovery in the sector and demand emanating from institutional investors as the retailing model evolves and logistics becomes more pivotal.

## OTHER SECTORS

The second largest transaction in Q1 was the purchase by Hines of the Montrose Student Residence for €37.5m (205 bedrooms and retail space with tenants including Spar and Insomnia). Ziggurat Student Living were the vendor.

## OUTLOOK

We maintain the view that investment market activity will continue to track that of the economy and the fact that forecasters are indicating their intention to increase GDP growth forecasts for 2017 to above 4%, sentiment and investor interest in Ireland are expected to remain robust.

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## A 360° vision

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\*\* Covering Transaction, Valuation & Consulting

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