

Q1 IRISH INVESTMENT MARKET AT A GLANCE 2020



**BNP PARIBAS
REAL ESTATE**

**INVESTMENT
RESEARCH**

Q1 2020 KEY TRENDS

MORE THAN
—
€674 MILLION
INVESTED

1
MEGA DEAL
—
€100M+

NO. 1 DEAL
—
THE TREASURY BUILDING
€115.5M

TOP 5
TRANSACTIONS
—
56% OF TURNOVER

OVERSEAS
INVESTORS
—
75% OF TURNOVER

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Q1 2020 INVESTMENT MARKET AT A GLANCE

KATE RYAN

Associate Director & Head of Research
BNP Paribas Real Estate

“ The Irish commercial property market entered 2020 in a position of strength, underpinned by solid domestic economic fundamentals and healthy levels of occupier activity. ”

After a record year in 2019, investment in Irish commercial real estate was still buoyant in early 2020 with total turnover exceeding €674 million during the first three months of the year. Low interest rates and high liquidity in the market led to strong competition, particularly from European investors (excl. UK) who accounted for 40% of Q1 turnover.

The impact of the COVID-19 emergency on the investment market gradually became apparent from mid-March onwards. Measures such as office closures, travel restrictions and the cancellation of large events were taken swiftly by companies, resulting in a dramatic reduction in face-to-face meetings, site visits and other due diligence measures which are vital to progressing investment transactions. Finance is generally on hold, while the halting of development activity has slowed the delivery of new opportunities to the market.

Sectors which involve the congregation or movement of people, including retail, office, transport, education and

leisure, have been the hardest hit by the spread of the virus and will take longer to recover. By contrast, the industrial and logistics sector is benefitting from increased pressure on supply chains as sales of food and e-commerce have surged. This is likely to lead to further upward pressure on rents and values due to low supply in the near-term.

It is clear that Q1 investment activity was not impacted to a large extent, despite the quarter being effectively cut short by three weeks, with many transactions completing before the restrictions were put in place. There was continued demand for office and residential assets, which accounted for 54% and 33% of turnover respectively. Still, the uncertainty triggered by COVID-19 has led to a slowing of activity, with investors and sellers adopting a ‘wait-and-see’ approach, at least until the market has more visibility on when the current situation is likely to end.

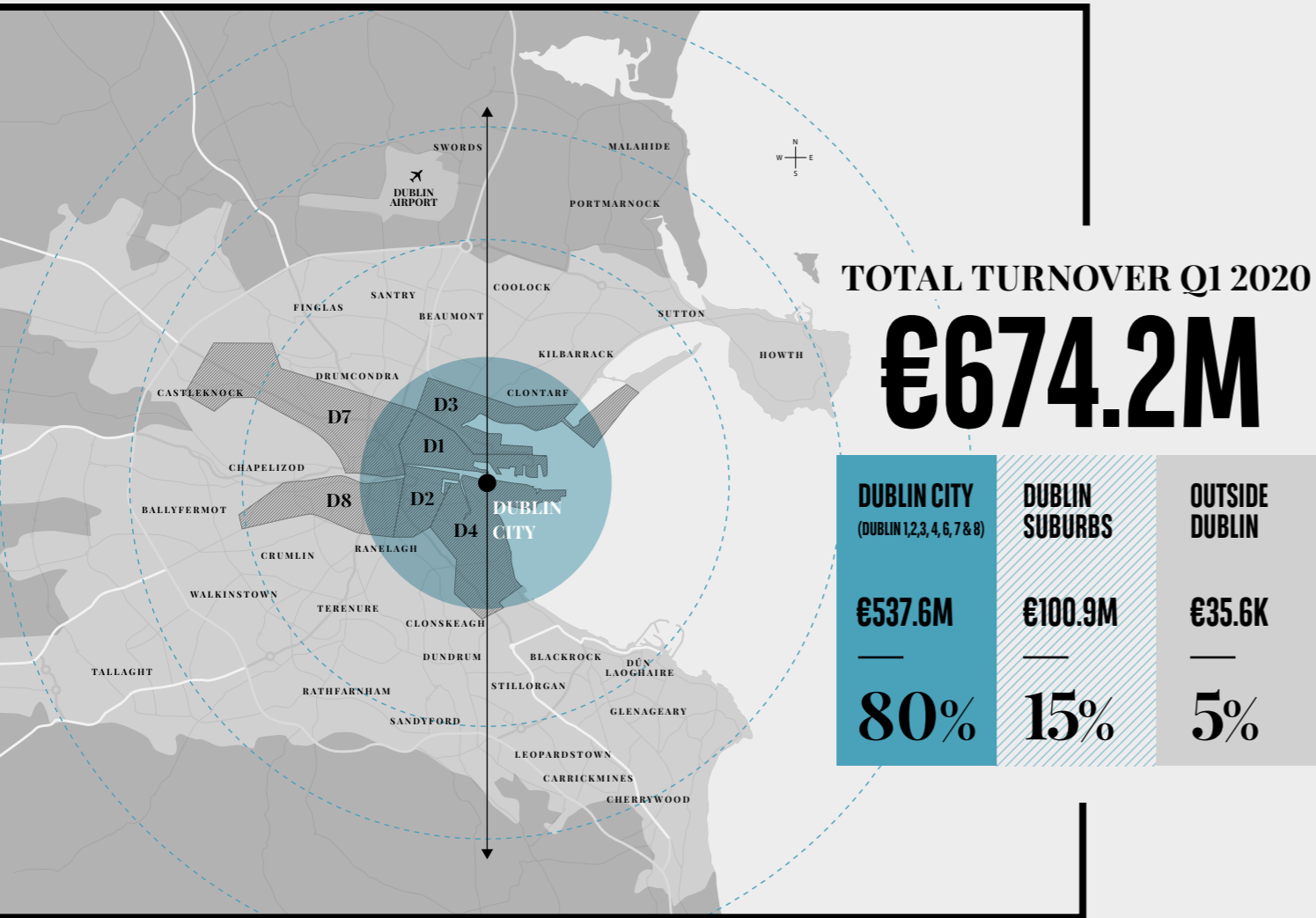
Nonetheless, some transactions are progressing and are likely to complete in the coming months, especially those involving prime assets in core segments of the market. Increasingly these will be deals involving a good level of equity, and less debt, as financing becomes more challenging. As such, cash buyers are likely to become more prevalent in the coming months as opportunities arise. Cash flow is more important than ever for occupiers too, with liquidity and balance-sheet resilience now becoming paramount. Landlords and tenants of commercial property will need to work

together proactively in this regard, to find a solution that will ensure business sustainability for the tenant leading to a more secure and longer-term income stream for the landlord.

On a positive note, recent data show that the strict restrictions adopted in Ireland are having an impact, with the National Public Health Emergency Team reporting that the number of new cases of COVID-19 has plateaued and should start to fall shortly. We have seen that business activity is resuming in Asian countries and increased interest in European real estate investment opportunities is now becoming evident. As such we remain cautiously positive of a rebound in activity in the latter half of the year, provided the pandemic can be contained within the next few months.

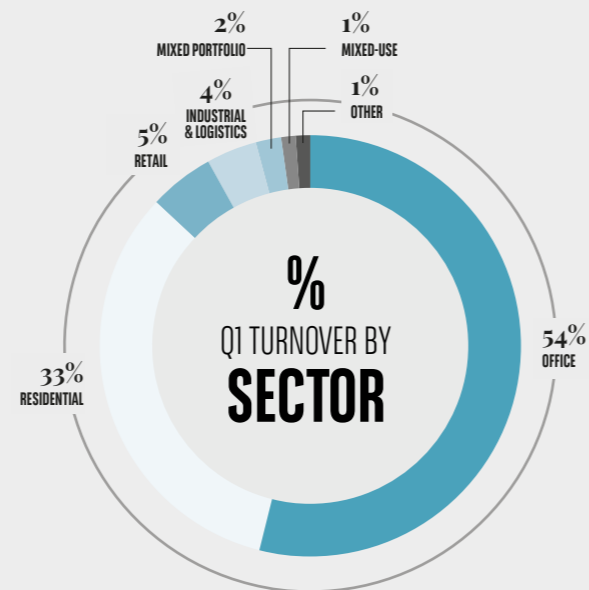
EUROPEAN INVESTORS
ACCOUNTED FOR

40%
OF TURNOVER IN Q1



“ The fundamentals that have underpinned record levels of investment in Irish commercial real estate remain, with overseas investors from an increasingly varied spread of countries active in the market in recent years. The consensus is that this period of low interest rates is likely to last for some time yet, with Ireland well positioned to benefit from a resurgence in commercial property investment once the COVID-19 pandemic has passed. ”

DAMIEN MCCAFFREY
Director, Investment, BNP Paribas Real Estate Ireland



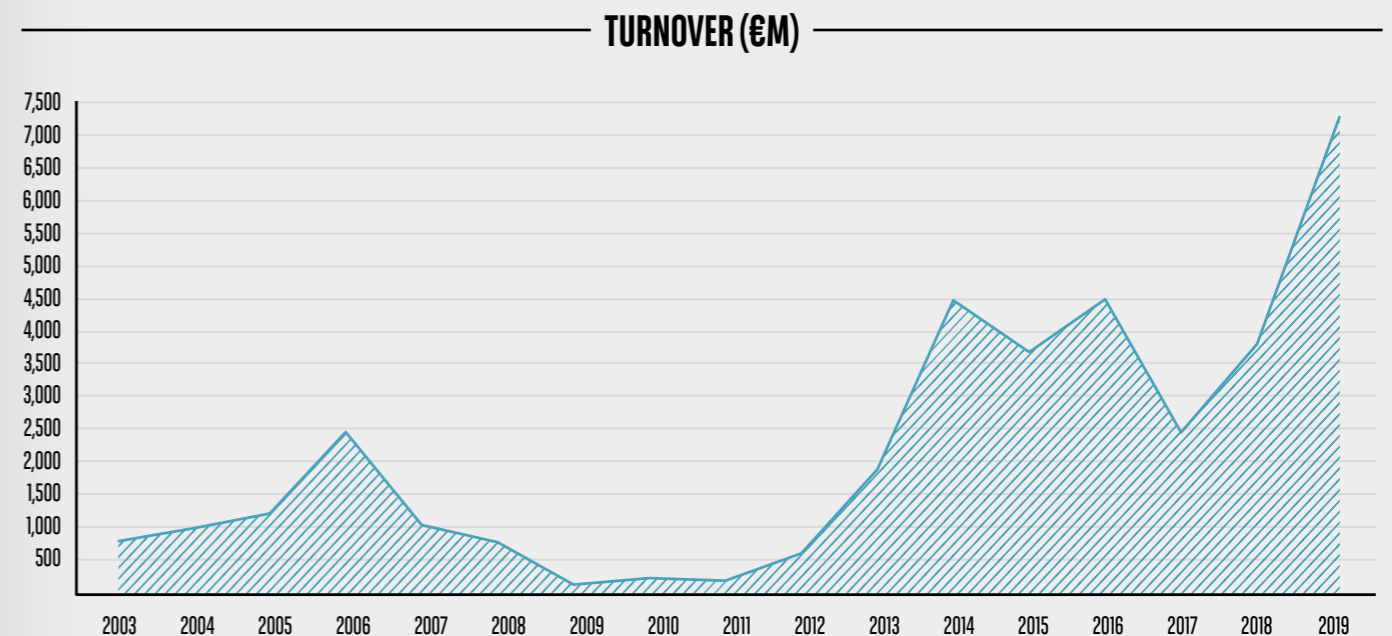
Source: BNP Paribas Real Estate Research

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In our last report we noted a move towards the development and attractiveness of more mixed-use assets. This type of asset may be considered a more defensive investment, with the combination of property types allowing for a diversification of income streams. Similarly, we see multi-let properties becoming more attractive to investors who may be seeking to minimise covenant risk during these uncertain times. ”

KATE RYAN

Head of Research, BNP Paribas Real Estate

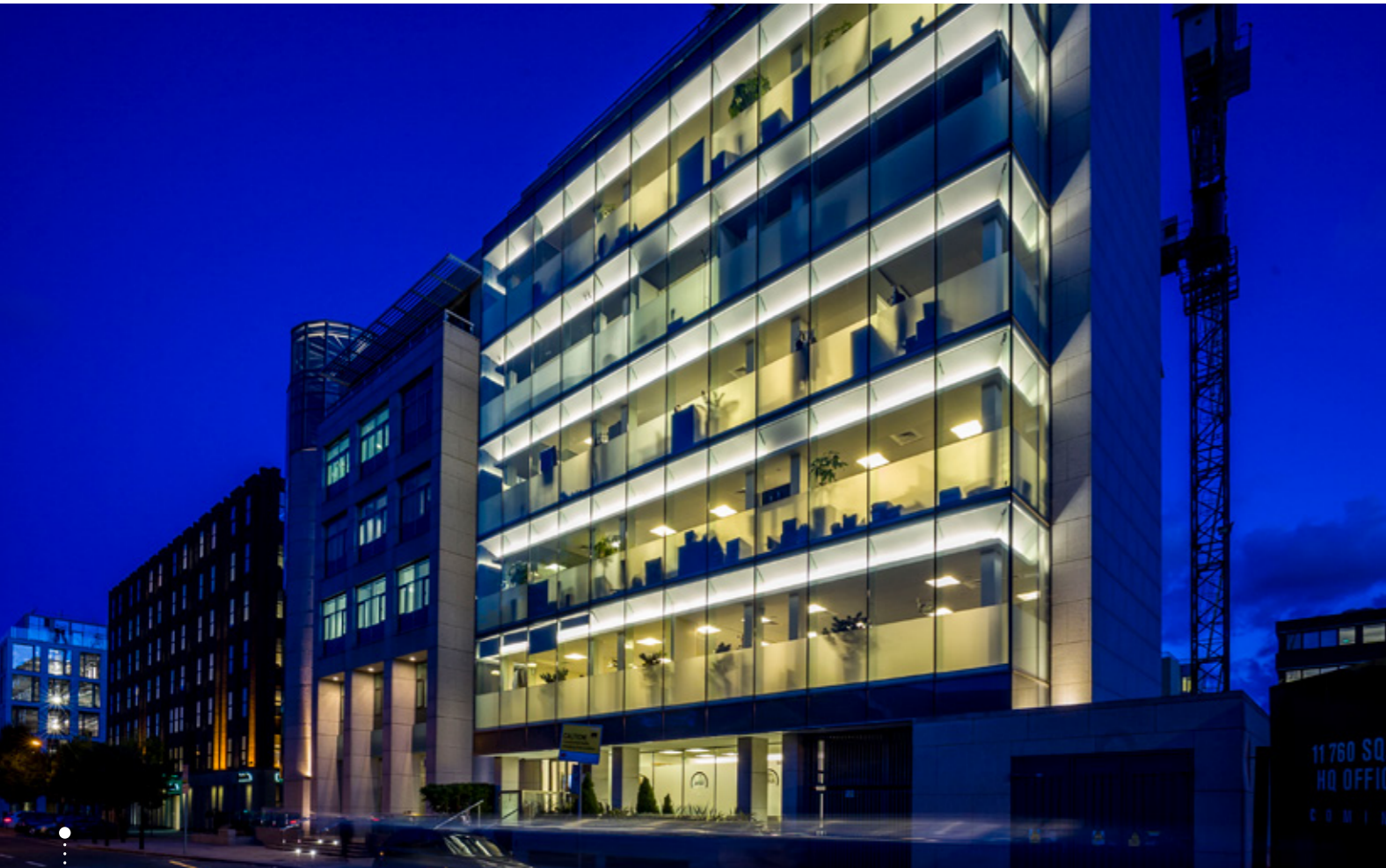


TRANSACTIONS BY LOT SIZE AND LOCATION

	UNDER €1M	€1M-€3M	€3M-€10M	€10M-€20M	€20-50M	€50-100M	€100M+
DUBLIN CITY	2	4	1	5	3	3	1
DUBLIN SUBURBS	2	10	3	1	2	-	-
OUTSIDE DUBLIN	9	4	4	-	-	-	-
% OF TOTAL TURNOVER	1%	5%	6%	13%	25%	33%	17%

Count of transactions does not include deals for which location of property is unavailable.

Source: BNP Paribas Real Estate Research



TOP 10 TRANSACTIONS Q1 2020

	PROPERTY	LOCATION	ASSET TYPE	PRICE ACHIEVED	YIELD ACHIEVED
1	The Treasury Building, Grand Canal Street	Dublin 2	Office	€115.5m	4.3%
2	Former Brewery Block, Newmarket Square	Dublin 8	Residential	€85m	-
3	La Touche House, IFSC	Dublin 1	Office	€84.3m	5.3%
4	Blocks 4 & 5 Harcourt Centre	Dublin 2	Office	€54m	5.1%
5	Herberton	Dublin 8	Residential	€36.5m	4.1%
6	NCI Student Accommodation, IFSC	Dublin 1	Residential	€35.6m	-
7	One Upper Hatch Street	Dublin 2	Office	€35.1m	4.0%
8	Classon House, Dundrum Business Park	Dublin 14	Office	€29.3m	7.0%
9	Rathgar Road Collection, Rathgar	Dublin 6	Residential	c. €18m	-
10	Phoenix House, Conyngham Road	Dublin 8	Office	€16m	5.8%

Off-market transactions not listed.

TOP 5 OFFICE TRANSACTIONS

	PROPERTY	LOCATION	PRICE ACHIEVED	YIELD ACHIEVED
1	The Treasury Building, Grand Canal Street	Dublin 2	€115.5m	4.3%
2	La Touche House, IFSC	Dublin 1	€84.3m	5.3%
3	Blocks 4 & 5 Harcourt Centre	Dublin 2	€54m	5.1%
4	One Hatch Street	Dublin 2	€35.1m	4.0%
5	Classon House, Dundrum Business Park	Dublin 14	€29.3m	7.0%

TOP 5 RESIDENTIAL TRANSACTIONS

	PROPERTY	LOCATION	PRICE ACHIEVED	YIELD ACHIEVED
1	Former Brewery Block, Newmarket Square	Dublin 8	€85m	-
2	Herberton	Dublin 8	€36.5m	4.1%
3	NCI Student Accommodation, IFSC	Dublin 1	€35.6m	-
4	Rathgar Road Collection, Rathgar	Dublin 6	c. €18m	Confidential
5	Rathmines Square, Rathmines	Dublin 6	€16m	c. 5.6%

TOP 5 RETAIL TRANSACTIONS

	PROPERTY	LOCATION	PRICE ACHIEVED	YIELD ACHIEVED
1	Westside Shopping Centre	Galway	€9.4m	7.3%
2	33 Shop Street	Galway	€7.4m	6.5%
3	Aldi, Carrigtwohill	Cork	€5.6m	7.3%
4	Unit 1 & 2 Parnell Centre, Parnell Street	Dublin 1	€1.8m	4.8%
5	34-35 Liffey Street Upper	Dublin 1	€1.7m	6.6%



TOP TRANSACTIONS DUBLIN SUBURBS

	PROPERTY	LOCATION	ASSET TYPE	PRICE ACHIEVED	YIELD ACHIEVED
1	Classon House, Dundrum Business Park	Dublin 14	Office	€29.3m	7.0%
2	Jamestown Business Park, Finglas	Dublin 11	Industrial & Logistics	€10.8m	7.9%
3	90/91 & 77 Furze Road, Sandymount	Dublin 18	Industrial & Logistics	€5.0m	6.9%
4	Hainault House, Tallaght	Dublin 24	Office	€3.9m	6.6%
5	Slievemore Clinic, Stillorgan	Co. Dublin	Other	€3.9m	7.5%
6	Unit 504A1 Greenogue Business Park	Co. Dublin	Industrial & Logistics	€2.4m	7.4%
7	Block 4B Unit 3, Blanchardstown Corporate Park	Dublin 15	Office	€2.3m	6.6%
8	99-101 Cabra Road	Dublin 9	Mixed-Use	€1.9m	7.8%
9	Distribution Facility, Blackwater Road	Dublin 11	Industrial & Logistics	€1.9m	8.1%
10	Unit D, Merrywell Industrial Estate, Ballymount	Dublin 12	Industrial & Logistics	€1.8m	6.5%

TOP TRANSACTIONS OUTSIDE DUBLIN

	PROPERTY	LOCATION	ASSET TYPE	PRICE ACHIEVED	YIELD ACHIEVED
1	Westside Shopping Centre	Co. Galway	Retail	€9.4m	7.3%
2	33 Shop Street	Co. Galway	Retail	€7.4m	6.5%
3	Aldi, Carrigtwohill	Co. Cork	Retail	€5.6m	7.3%
4	Rye River Brewing Company	Co. Kildare	Industrial & Logistics	€3.3m	7.1%
5	Medical Centre, Ballincollig	Co. Cork	Other	€1.8m	8.4%
6	Units 2 & 2A, Ballybrit Business Park	Co. Galway	Office	€1.7m	2.5%
7	Johnstown Shopping Centre, Navan (Part Interest)	Co. Meath	Retail	€1.4m	7.7%
8	Units 16/17 Southern Cross Business Park, Bray	Co. Wicklow	Industrial & Logistics	€645k	6.8%
9	Units 1-3 Parchment Square, Model Farm Road	Co. Cork	Retail	€440k	11.0%
10	Wicklow House, Market Square	Co. Wicklow	Mixed-Use	€371k	8.0%

PROFILE OF TRANSACTIONS BY SECTOR

TWO LARGEST OFFICE TRANSACTIONS



#1 The Treasury Building, Grand Canal Street, Dublin 2

Grade A office extending to approximately 11,619 sq.m over six floors. Acquired by Google for **€115.47 million**. The property was multi-let to various tenants including the NTMA, NAMA and Perrigo at the time of sale, however the likely scenario is that Google will eventually occupy the entire building.

Sold by Percy Nominees / Jayfield Ltd.



#2 La Touche House, IFSC, Dublin 1

Office building in the IFSC extending to approximately 8,920 sq.m over six floors. The property, which was constructed in 1992, was multi-let to 14 tenants at the time of sale. The property was acquired by AXA Investment Managers, in partnership with BCP Capital, for **€84.25 million**.

Sold by Credit Suisse



TWO LARGEST RESIDENTIAL TRANSACTIONS



#1 Former Brewery Block, Newmarket Square, Dublin 8

Planned 368-bed student accommodation development in the Liberties area of Dublin 8. The site was acquired by Round Hill Capital and NBK Capital for **€85 million**. Construction of the new development is expected to begin in July of this year and take two years to completion.

Sold by Summix



#2 Herberton, Dublin 8

102 residential units at the Herberton PRS scheme located directly opposite St. James's Hospital in Dublin 8. The units were acquired by LRC Group for **€36.5 million**.

Sold by Deloitte



TWO LARGEST RETAIL TRANSACTIONS



#1 Westside Shopping Centre, Co. Galway

Developed in the 1980s, the scheme comprises 14 units together with a McDonald's Drive Thru and Maxol petrol station extending to 2,330 sq.m. The centre is anchored by a Dunnes Stores extending to 3,808 sq.m which is in separate ownership. The asset was acquired by a private investor for just over **€9.4 million**.

Sold by a private fund



#2 33 Shop Street, Galway City, Co. Galway

High profile retail unit extending to 1,043 sq.m. Acquired by French fund MNK Partners for **€7.35 million** on a sale-and-leaseback basis with Eason taking a 25-year lease on the premises as part of the deal.

Sold by Eason Holdings PLC





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