

PRE-MIPIM IRISH INVESTMENT UPDATE

March 2018

MID-POINT PRIME EQUIVALENT YIELDS (DUBLIN)

Office	4.00%	High Street Retail	3.50%	PRS	4.50% (NOI)	Hotel	4.25%
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Ahead of the Property Investment Market’s annual MIPIM showcase HWBC have picked some key themes for the Irish investment market.

The Irish economy has continued to outperform its peers and increasing wage growth is now fueling increased retail spending as the economy approaches full employment. Meanwhile the interest rate picture remains attractive from a real estate perspective with most commentators not expecting rises until at least 2019.

The Irish Investment Market has matured over the last 12 months, the average lot size has started to reduce across the market. This reflects the increasing number of single asset sales as the volume of portfolio transactions reduces and all of the major Dublin Shopping centres having changed ownership.

Deals of scale continue to attract significant investor interest with both The Square at c€250m and Dublin Landings at €160m+ seeing multiple bidders in the final rounds.

We believe that the shortage of available stock will increasingly become an issue as 2018 progresses. Evidence of the shortage of supply can be seen in the increasing number of off-market and pre-commitment type transactions taking place across the market as investors seek competitive advantage through speedy execution or increasing complexity.

DUBLIN OFFICES

HWBC’s recent Dublin Office market update predicted that rents will continue to grow given the tight supply conditions. It is likely that a number of buildings that were pre-let during construction will reach the market this year as they reach completion and are occupied. Many of these are let at rents that are now reversionary and will offer protection against any softening in rents as the supply picture improves.

We expect investor appetite to be concentrated on this pre-let product along with assets that offer immediate opportunities for refurbishment and access to the continuing strong occupier market.

PRS AND HOTEL

Investors’ appetites are broadening as the Dublin office market reaches maturity; requirements for PRS and Hotels are especially prevalent reflecting the strong occupier demand fundamentals in both markets.

As a result, both markets have experienced yield contraction as again investors seek advantage through pre-commitments and off market transactions.



Two Haddington Buildings, D4

Sold

Grade A Office Refurbishment

Lot Size €24m



Ballymoss House, Sandyford

Acquired

Client: U+I Plc & Colony Northstar

Lot Size €13.5m

Further activity is very likely in these areas as the occupational cycle still has a significant way to go in both markets, yields are very likely to sharpen given the shallow supply of stock in these emerging markets.



Clayton Hotel and Clarion Liffey Valley Hotel Sold

Client: Colony Northstar

Lot Size €60m+



100/101 Grafton Street Acquired

Client: Irish Life

Lot Size €50m

THE PROVINCIAL MARKET

Whilst Dublin dominates the market some investors have sought to take advantage of the differential in pricing available in Provincial markets most notably Cork.

Much of this is driven by an occupier cycle that lags Dublin by 12-18 months and the attractive yield available for good assets when compared to other European markets.

The shortage of investable stock will be the most significant drag on investment and we would expect to see development funding being used to create assets where supply is short.

RETAIL

Recent Investor spending has concentrated on the prime Dublin retail streets and the shopping centres dotting the M50 orbital route around Dublin. As retailers respond to the online threat by securing fewer but higher quality stores as part of multichannel strategies, supply has become tight in these locations and rental growth has emerged.

Vacancy is now starting to tighten in the better provincial locations too, supported by the wider improvement in the overall economy and we would expect to see investor appetite start to return as rents stabilise and grow in locations with attractive catchments.



Marks & Spencer, Cork Acquired

Client: Real I.S.

Lot Size €30m+



42/43 Henry Street Acquired

Client: AEW

Lot Size €20m+

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