Knight Frank

Ireland Investment Market Overview

Research, Overview of 2021 & Outlook 2022

Special Focus – Factors Influencing Capital Flows in 2022

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€5.5bn

Was invested in 2021, €2bn of which closed in Q4.

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5 KEY TAKEAWAYS

5.6%

With pressures very much on the upside, inflation is a new challenge for the economy and markets in 2022.

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42%

Of total spend in 2021 was invested in residential investment assets.

PAGE 3

€395m

The largest deal of 2021 was Blackstone's acquisition of the Serpentine Buildings, which are let to Meta (Facebook), in Dublin 4 for €395m.

PAGE 4 & 5

54%

Of spend in 2021 on retail assets was invested in retail parks.

PAGE 3

IRELAND INVESTMENT MARKET OVERVIEW 2021 AND OUTLOOK 2022

€2bn was spent on Irish investment property in Q4, bringing the total for 2021 to €5.5bn. This is the second highest level of annual investment that has ever transacted reflecting underlying investor confidence in the Irish economy and property market throughout 2021. Recent global events cast some shadow over how the market will perform in 2022.

ECONOMY

Ireland's overall economic position has gone from strength to strength despite the challenging backdrop of the Covid-19 pandemic. Employment levels in many key sectors were higher at the end of 2021 than they were before the disruption started in March 2020. Tax revenues reached their highest level on record in 2021 with rising income tax receipts reflecting the increase in the numbers employed in higher value adding jobs.

Consumer spending is back at pre-pandemic levels and the export sector continues to excel.

The quicker than expected reopening of the economy and a path back to the workplace are expected to provide an added bounce to an already fast paced recovery. GDP increased by 13.5% in 2021 while modified domestic demand increased by 6.5%. Developments in the rapidly evolving situation in the Ukraine means that the current forecast that the economy will grow by 7% in 2022 is under review, but demand for sectors which are drivers of growth are set to remain strong and will act somewhat as a buffer for the other shocks (such as a rapid increase in inflation) that are on the horizon.

Investor demand, while expected to be more cautious, is anticipated to lead to increasingly competition for prime assets in 2022, particularly in the office, residential and logistics sectors.

Inflation, now running at 5.6% year on year, will be a key challenge for all sectors and households, with the risks increasingly on the upside over the coming quarters, particularly driven by the spike in global energy prices.

INVESTMENT VOLUMES

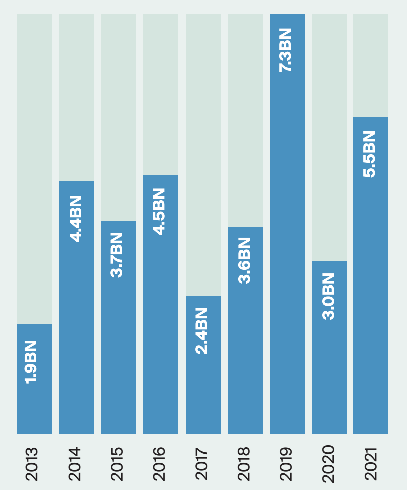
At a total of €2bn, quarterly investment spend was second only to the record level seen in Q4 2019. Investor demand for all asset categories was strong as the year closed. While investment in residential assets made up the greatest share of spend in 2021 (39% was invested in PRS and 3% in student accommodation, bringing the total to 42%), the office sector made up the largest share in Q4 (38%). The industrial sector gained significantly in 2021 accounting for 18% of total spend for the year and 28% of Q4 spend.

Signs of a recovery in demand for retail assets evolved as the year progressed with retail parks making up 54% of total investor spend in the retail sector in 2021 and 50% in Q4.

29%

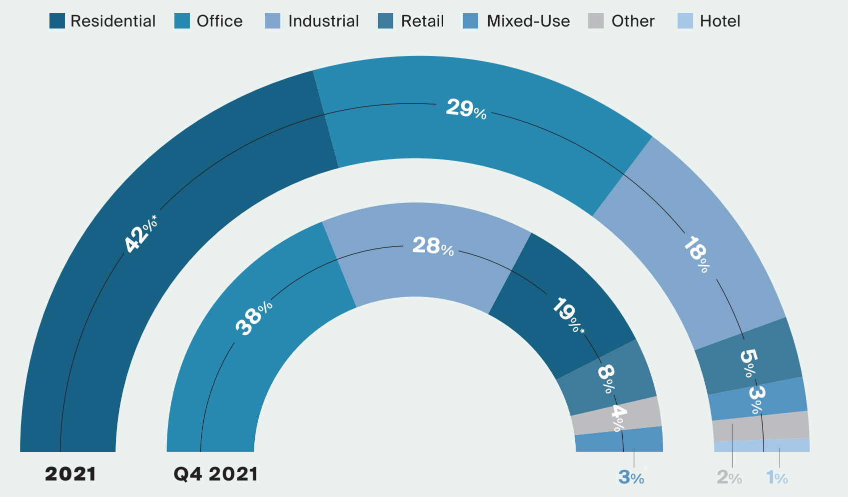
of spend in 2021 was invested in office assets

Investment market turnover 2013-2021 (€ billions)



Source: Knight Frank Research

Breakdown of investment spend by sector (%) Q4 2021 and 2021



Source: Knight Frank Research

* includes student accommodation

PROFILE OF THE LARGEST DEALS IN 2021* BY SECTOR AND INVESTOR

	OFFICE	RESIDENTIAL	RETAIL	INDUSTRIAL
	€1.6bn was invested in office assets of which €1.4bn was invested in buildings in Dublin 1, 2 & 4 combined.	**€2.3bn was invested in PRS assets.**	**€285m was invested in retail assets. Investment in retail parks made up 54% of the overall retail spend.**	**Just over €1bn was invested in industrial assets.**
1	The largest transaction was Blackstone's purchase of the Serpentine Buildings in Dublin 4 from the Serpentine Consortium. The deal involved the sale of four interconnecting Grade A office blocks which form part of Meta's (Facebook's) International Headquarters. The deal was completed in Q4 at a price of €395m. **INVESTOR** Blackstone	The largest transaction was Union Investment's purchase of Royal Canal Park, Ashtown, Dublin 15 from Ballymore. The deal involved the sale of a development comprising 218 one-bed and 217 two-bed apartments for €200m. The deal was completed in Q2. **INVESTOR** Union Investment	The largest transaction was the purchase by Marlet of the Parks Collection from Marathon for €74.1m. The deal involved the sale of a portfolio of three retail parks; including Belgard Retail Park Tallaght, M1 Retail Park Drogheda and Poppyfield Retail Park in Clonmel. The sale completed in Q4. **INVESTOR** MARLET	The largest transaction was the purchase by GIC of the Exeter Portfolio from the Exeter Group for €285m. The deal closed in Q4. **INVESTOR** GIC
2	The second largest deal was the purchase by Blackstone of the Project Tolka Portfolio from Colony Capital. The sale completed in Q1 at a price of €290m. The portfolio included four assets in Dublin 2 and 4: • 28/29 Sir John Rogerson's Quay (72% interest) • Whitaker Court (72% interest) • Block 1, Burlington Plaza (75% interest) • Block 2, Burlington Plaza (75% interest). **INVESTOR** Blackstone	The second largest transaction was the purchase by Ardstone of the Dwyer Nolan Portfolio, from Dwyer Nolan Investments. The portfolio included 401 new build apartments comprising 129 one-bed, 221 two-bed and 50 three-bed units, situated in three North Dublin locations. The deal closed in Q2 at a price of €181m. **INVESTOR** Ardstone Capital	The second largest deal was the purchase by AM Alpha of Nutgrove Retail Park in Dublin 14 from Davidson Kempner. The Retail Park, extending to 180,000 sq ft, includes six retail warehouse units, a standalone Costa Coffee outlet and parking. The deal closed in Q3 at a price of €66.3m. **INVESTOR** AMA	The second largest deal was the purchase by Palm Capital and KKR of the Core Portfolio from Core Industrial for €195m. The deal closed in Q4. **INVESTOR** KKR
3	The third largest deal was the purchase by Deka Immobilien of Riverside IV, Dublin 2. The building was sold by Irish Life for €164m and was completed in Q2. **INVESTOR** Deka Immobilien	The third largest transaction was the purchase by Greystar of Griffith Wood, Marino, Dublin 3. The deal consisted of the sale of 342 units from Cairn Homes for a price of €177m. The deal closed in Q2. **INVESTOR** GREYSTAR The Global Leader in Rental Housing	The third largest deal was the purchase by Deka Immobilien of 26/27 Grafton Street, Dublin 2. Aviva was the vendor. The property was refurbished in 2016 and the retail accommodation extends to 981 sq m. & Other Stories has traded from the property since 2016 and is one of eight brands within the H&M Group. The deal closed in Q3 at a price of €25.4 million. **INVESTOR** Deka Immobilien	The third largest deal was the purchase by Stoneweg of the Liffey Business Campus, in Leixlip, Co Kildare. Extending to 1m sq ft, the scheme consists of a mix of industrial, manufacturing and office space plus 58 acres of development land. It closed in Q2 at a price of €95m. **INVESTOR** STONEWEG

*on market deals that closed excludes transfers between companies

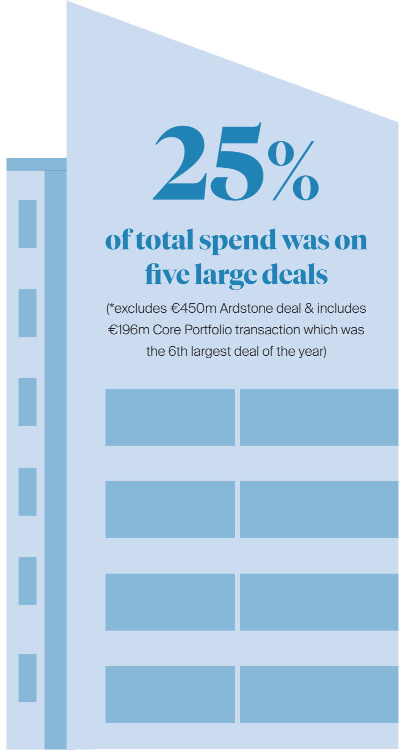
CAPITAL FLOWS 2022*

Cross-border investment has the potential to reach a new high in 2022 driven by the strength of the global recovery post Covid-19. However, the yet unquantifiable impact of war in Ukraine casts a shadow over this potential, with financial and wider market uncertainty set to slow decision making across the globe. The underlying trends identified are that the US, UK, Germany, France and the Netherlands are forecast to be the top destinations for real estate investment capital, but that is now dependent on how events evolve over the coming months.

Expectations are now subject to considerable risk, but are identified as follows:

- office assets to dominate (> 50% of capital flows)
- logistics assets to see accelerated demand
- demand for retail and hotel assets to recover
- all sources of capital to seek residential assets, targeting a wide geographical spectrum

** Active Capital global research carried out by Knight Frank analyses and forecasts capital flows on an annual basis.*



Source: Knight Frank Research

FACTORS INFLUENCING CAPITAL FLOWS IN 2022

Geo-political Risk, Currency & Hedging

Since the findings of the Active Capital Research report were published, the Ukrainian / Russian war has changed what was a stable currency environment into one of volatility with more uncertainty to follow. The US dollar is expected to continue to appreciate due to the uncertainty of this tragic geo-political situation.

Currency fluctuations will influence pricing and asset choices in European and all global markets over the coming quarters.

Inflation

Hopes that inflationary pressures would prove transitory have completely faded with the trajectory for inflation now clearly upwards. The rapid pace of war activity in the Ukraine will see inflation spike over the coming months, increasing the risk of outward pressure on yields. We expect yield pressures will impact some sectors more than others in 2022, (with retail and hotels the most vulnerable), depending on how events unfold.

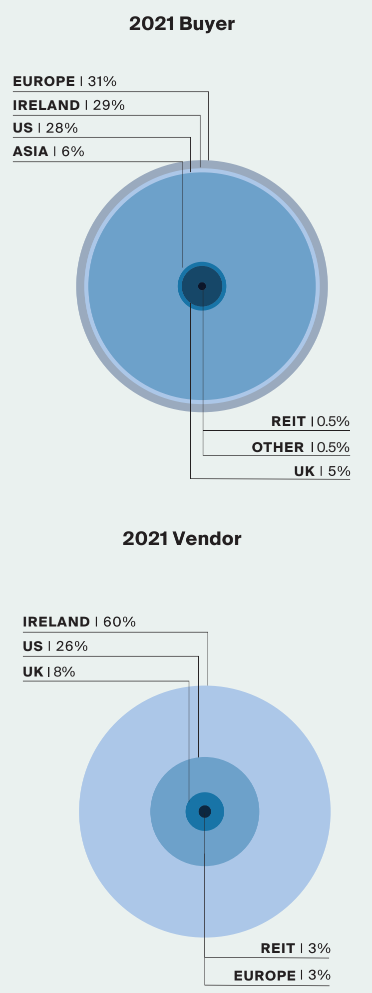
ESG

Investor preference for sustainably certified real estate has become firmly established across all major markets, particularly over the last eighteen months. 2022 is expected to see a continuation of this trend along with increasing interest in asset re-purposing and refurbishing opportunities.

Asset Rotation

Based on the assumption of a 5-year hold, transaction activity in 2017 can be used as an indicator of asset rotation. Total volumes in 2017 were 11% above the long-term average and this combined with the fact that assets bought in 2021 could have been held back in 2020/2021 due to the pandemic, indicate that asset rotation will be a key influencing factor on capital flows in 2022.

PROFILE OF CAPITAL FLOWS 2021



Source: Knight Frank Research

TOP FIVE DUBLIN INVESTMENT TRANSACTIONS Q4 2021

BUILDING	PRICE ACHIEVED (€M)	SECTOR	PURCHASER
THE SERPENTINE BUILDINGS, DUBLIN 4	€395,000,000	OFFICE	BLACKSTONE
THE EXETER PORTFOLIO	€285,000,000	INDUSTRIAL	GIC
THE CORE PORTFOLIO	€195,000,000	INDUSTRIAL	PALM CAPITAL/KKR
ONE & TWO DOCKLAND CENTRAL, DUBLIN 1	€152,288,000	OFFICE	COMMERZ REAL AG
HIGHLIGHT PARKGATE, DUBLIN 7 AND HIGHLIGHT THOMAS STREET, DUBLIN 8	€120,000,000	STUDENT ACCOMMODATION	PATRIZIA

Source: Knight Frank Research

OUTLOOK

1.

Global financial market uncertainty and widespread geo-political risk will dominate investor decision making in 2022. Before the crisis in Ukraine, capital flows were expected to reach new highs, however uncertainty will delay decision making.

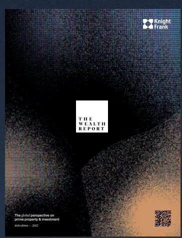
2.

Ireland is expected to see steady demand for prime assets, particularly in the office, residential and industrial sectors, with yield tightening expected for assets with sustainable credentials.

3.

Industrial assets are expected to see accelerated investor demand as a result of the current geo-political crisis as supply chain problems and inflationary pressures highlight the importance of having access to products locally. Further yield tightening is expected in this sector.

Dublin Office Market Overview Q4 2021



The Wealth Report 2022

Active Capital 2021

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