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Market Outlook



Ireland Investment Market Overview

Research Q2 2022

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6.6% growth expected for 2022

But forecasts are set for multiple revisions as economic data and policy changes unfold.

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€275.8m

Invested in office assets in Q2, with the two largest office transactions acquired by new entrants to the market.

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5 KEY TAKEAWAYS

€2.3bn

Worth of investment activity transacted in Q2, bringing the total spend to €3.1 billion for the first half of the year (including the sale of Hibernia REIT for €1.1 billion).

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€122.0m

The largest transaction of Q2 was Ardstone's acquisition of 321 residential units at Magna Drive, Citywest, Dublin 24 in a forward fund deal.

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35%

Of total investment spend was invested in PRS assets, making it the most sought-after asset class in Q2.

PAGE 6

IRELAND INVESTMENT MARKET OVERVIEW Q2 2022

ECONOMY

While there have always been multiple factors influencing investor decision making, never before have there been so many of these variables changing at a faster pace than expected. Interest rates and inflation are the two which have moved significantly and further outside any range that was forecast for 2022 and 2023.

As a result of higher and challenging borrowing conditions, other trends which were already in motion are expected to accelerate. The focus on ESG and sustainability is set to become the top consideration for investors, with assets which do not meet targets and certifications, or which cannot be refurbished, expected to be deeply discounted. The polarisation of assets within each sector and between sectors is expected to intensify.

The Irish economy, while subject to ongoing economic growth revisions

and facing the same global challenges as other markets, is supported by the strength of the export sector, along with the benefit of employment gains made over the last two years. Overall, assets that come to the Irish market will continue to remain attractive to international investors with the accelerating appetite for assets with ESG credentials set to drive activity over the coming quarters and into 2023.

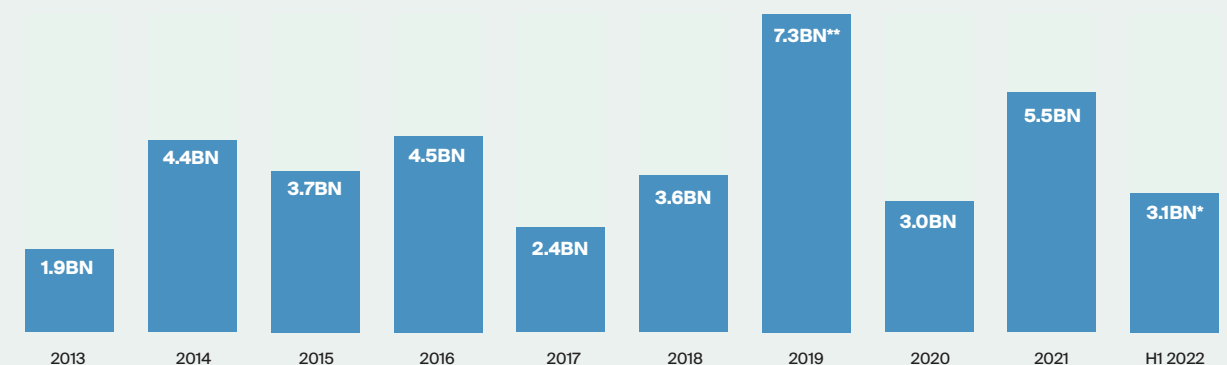
INVESTMENT ACTIVITY

Robust levels of demand in the occupational markets continues to support investor confidence and, as such, investment activity remained strong in Q2. €2.3 billion worth of investment activity transacted in Q2, bringing the total spend to €3.1 billion for the first half of the year. These figures include the sale of Hibernia REIT to Brookfield, a Canadian investment fund, for €1.1 billion. However, the sale

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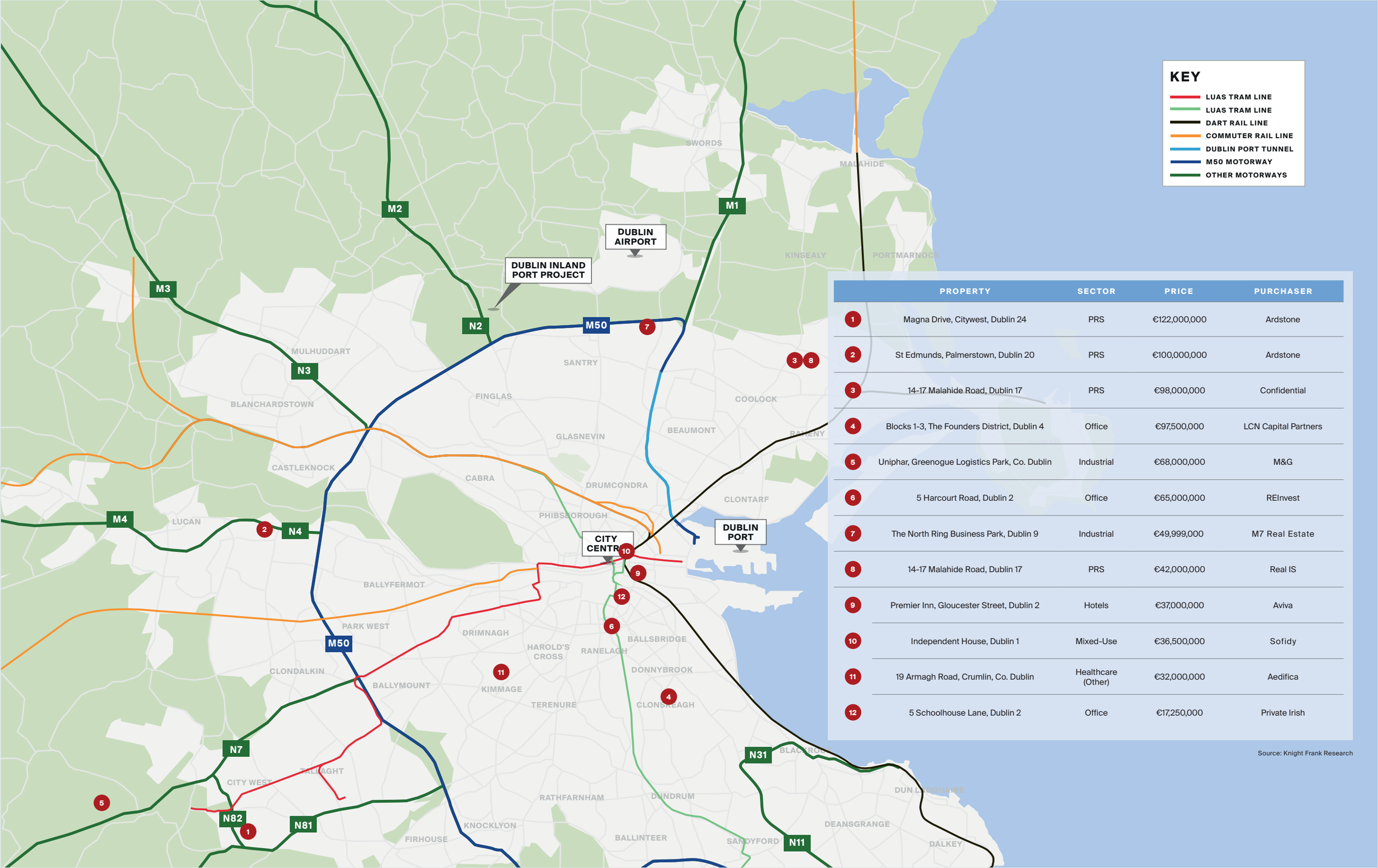
of Hibernia REIT was a share purchase transaction, therefore the assets are not considered to have transacted as normal sales in the market. The sale does nevertheless underpin global investor confidence in the Irish property sector. When excluding the Hibernia REIT deal, €1.2 billion worth of investment activity transacted in Q2 or almost €2 billion for the first half of the year, comfortably above the average half-year spend over the last five years of €1.7 billion.

Investment market turnover 2013 - H1 2022 (€ billions)



Source: Knight Frank Research.
* includes the sale of Hibernia REIT ** includes the sale of Green REIT

KEY DUBLIN INVESTMENT TRANSACTIONS Q2 2022



ANALYSIS OF SECTOR ACTIVITY

Private Rented Sector (PRS)

Driven largely by the significant demand-supply imbalance in both the housing and rental markets, a substantial level of capital is ready to deploy into new build core assets in the Irish PRS sector. This sector was the most sought-after asset class in Q2 accounting for 35% of investment spend or €432.8 million.

Ardstone acquired the two largest PRS transactions in Q2 which will see them forward fund 321 units at Magna Drive, Citywest, Dublin 24 for €122.0 million and forward commit to 252 units at St Edmunds, Palmerstown, Dublin 20 for €100.0 million.

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The strength of the office occupational market continues to attract international capital with assets offering strong sustainability credentials and security of income driving demand
 ◆◆

Office

The office sector accounted for 22% of total investment spend in Q2 or €275.8 million (excluding the sale of Hibernia REIT), making it the second most sought-after asset class. The two largest office transactions of Q2 were both purchased by new entrants.

Blocks 1-3, The Founders District, Dublin 4, which is occupied by Flutter Entertainment, was sold to LCN Capital Partners for €97.5 million, while 5 Harcourt Road, Dublin 2, which is let to WeWork, was acquired by REInvest for €65.0 million.

Industrial and Logistics

A shortage of modern space against robust demand from the e-commerce sector is continuing to drive investment in industrial and logistics. Opportunities are scarce however and as a result forward funding transactions are increasingly being considered by investors.

The largest deal of the quarter was M&G's forward fund of Uniphar, Greenogue Logistics Park, Co. Dublin for €68.0 million. Another significant deal was the sale of North Ring Business Park, Dublin 9 to M7 Real Estate for €50.0 million. The sector accounted for 14% of total investment spend in Q2 or €176.6 million.

Retail

Retail warehousing continues to lead retail investment activity due to the perceived reliability of the income on offer, a stronger recovery from the pandemic and pricing underwritten by the potential for conversion to alternative uses such as residential and industrial.

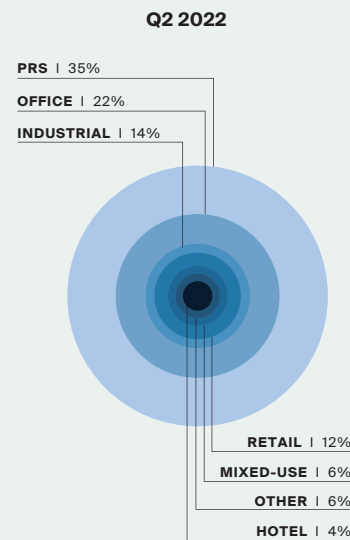
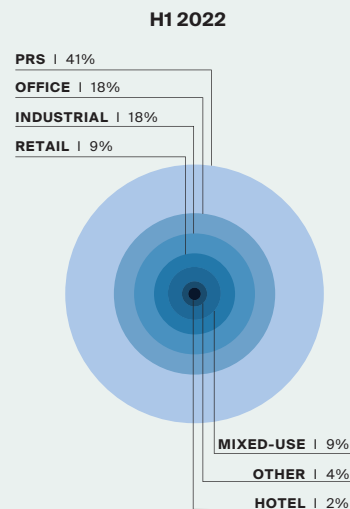
The largest deal of Q2 was the sale of The Manor West Retail Park in Tralee, Co. Kerry for €55.2 million to Marlet. There were also a number of significant regional shopping centre transactions with The Fraser Group purchasing the Corrib Shopping Centre, Galway for €18.3 million and a Private Irish Investor acquiring the City Square Shopping Centre, Waterford for €18.0 million. Overall, retail accounted for 12% of total investment spend in Q2 or €150.5 million.

Hotel and Other

€48.5 million or 4% of total investment spend was invested in the hotel sector in Q2. The largest deal of the quarter was the sale of the Premier Inn, Gloucester Street, Dublin 2 for €37.0 million to Aviva. €78.2 million was invested in healthcare assets (other), accounting for 6% of total investment in Q2. Aedifica purchased three care homes across Dublin, Meath and Kildare for a combined value of €61.5 million.

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There is evidence of strong pricing for healthcare assets as some investors seek to diversify their portfolios into alternative sectors against a backdrop of limited supply.
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Breakdown of investment spend by sector (%) H1 2022 & Q2 2022



Source: Knight Frank Research
 Note: Excludes the sale of Hibernia REIT

PRIME YIELDS Q2 2022

OFFICE	4%
PRS	3.75%
RETAIL – PRIME HIGH ST	4.50%
RETAIL – PRIME SHOPPING CENTRE	6%
RETAIL – PRIME WAREHOUSE	5.75%
LOGISTICS/INDUSTRIAL	4%

Source: Knight Frank Research

OUTLOOK

1.

Pricing in Dublin has remained stable for prime assets due to the shortage of opportunities, however concerns around rising inflation, interest rate increases and continuing geopolitical turmoil could result in some pressure on pricing in the second half of the year and into 2023.

2.

The Irish market is expected to see increased polarisation driven by asset, location and covenant considerations, with residential investment, prime office and prime logistics assets set to benefit the most.

3.

Overall transaction volumes are expected to moderate over the coming quarters, but they are coming off a record base.



Dublin Office Market
Overview Q2 2022



Ireland Residential Market
Overview Q2 2022



Dublin Industrial &
Logistics Market Overview
Q1 2022



New Homes Construction
Survey 2022

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