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Market Outlook



Ireland Residential Investment Market

Research Q3 2022

Special Focus – Dublin Student Accommodation Review

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4.3%

Unemployment rate, reflecting the strength of the labour market.

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€185m

Was invested in Purpose Built Student Accommodation Q1-Q3 2022.

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5 KEY TAKEAWAYS

8.7%

Consumer price inflation shows some easing as consumers react to inflationary pressures and higher interest rates.

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57%

Of deals were forward commit.

PAGE 5

€638m

Spent on residential investment assets in Q3 2022.

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ECONOMIC CONTEXT

The Irish economy continues to outperform its trading partners, despite the multiple challenges facing the global economy. Global uncertainty is slowing deals closing and dampening activity at a time when otherwise demand far exceeds supply in the PRS market.

ECONOMY

At a time when multiple economic variables are putting pressure on global economic activity and causing increasing caution and uncertainty, the Irish economy continues to grow.

Overall GDP growth of close to 9% is expected for the year as a whole, while modified domestic demand is expected to come in at 7.5%.

Employment growth and positive fiscal policy measures have supported consumer activity and dampened the impact of broad inflationary pressures and energy price increases in particular.

The housing market remains one of, if not the most significant challenge for the economy.

Unemployment, at 4.3%, is expected to continue to fall with 4.1% forecast by year end.

Housing demand continues to exceed supply, with Census data on the population giving further insights as to the gap between housing requirements and actual housing stock.

While the supply pipeline has improved, the pace of delivery to the market of all forms of housing supply, needs to be much accelerated.

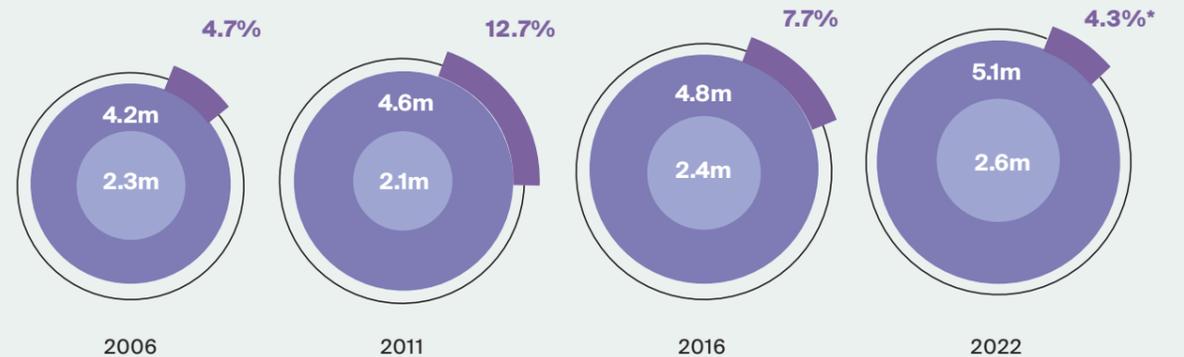
Economic Growth Forecasts

	2022*	2023*
US	1.6%	1%
UK	3.6%	0.3%
EURO AREA	2.6%	1%
CHINA	3.2%	4.4%
JAPAN	1.7%	1.6%
IRELAND	9%	3.5%
IRELAND MODIFIED DOMESTIC DEMAND	7.5%	2.5%
GLOBAL	3.2%	2.7%

*World Bank, IMF, EU Commission, Irish Central Bank, Department of Finance, ESRI.

Population, Employment & Unemployment

Population No. Employed Unemployment Rate



Source: Knight Frank/CSO *September 2022

RESIDENTIAL INVESTMENT MARKET Q3 2022

The Irish investment market saw significant transaction volumes during Q3 2022 compared to previous years. However, given the current economic and geopolitical conditions which are impacting investor sentiment and therefore pricing, we expect the remainder of 2022 to be subdued by comparison.

In the quarter, there were forty-four transactions across all sectors totalling €1.7 billion. Of this, €638 million was spent on residential investment assets.

Many of the deals that completed were in progress for a number of months and in some cases, over a year.

In Q3 2022, there were two residential investment transactions with a deal value exceeding €100 million, with a further nine deals ranging between €1 million and €99 million.

SUB - SECTOR ANALYSIS

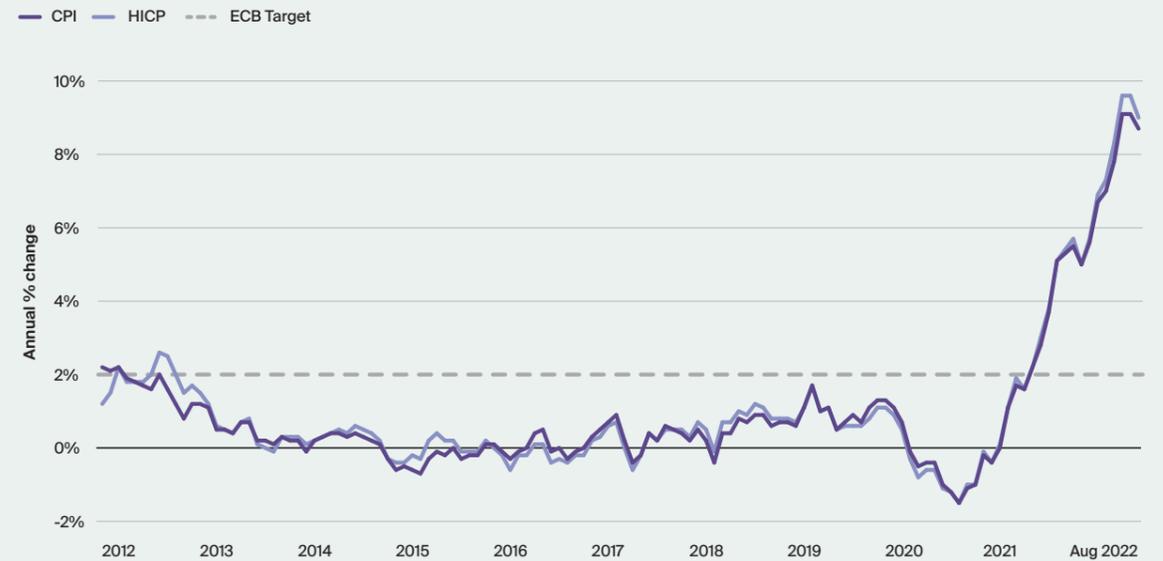
Multifamily continues to be the most dominant sub sector within residential investment.

Eight of the eleven transactions in the quarter were multifamily transactions, (83% of the total residential investment turnover).

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Residential investment volumes accounted for 37% of the overall investment spend, the strongest sector in the quarter.
 ◆◆

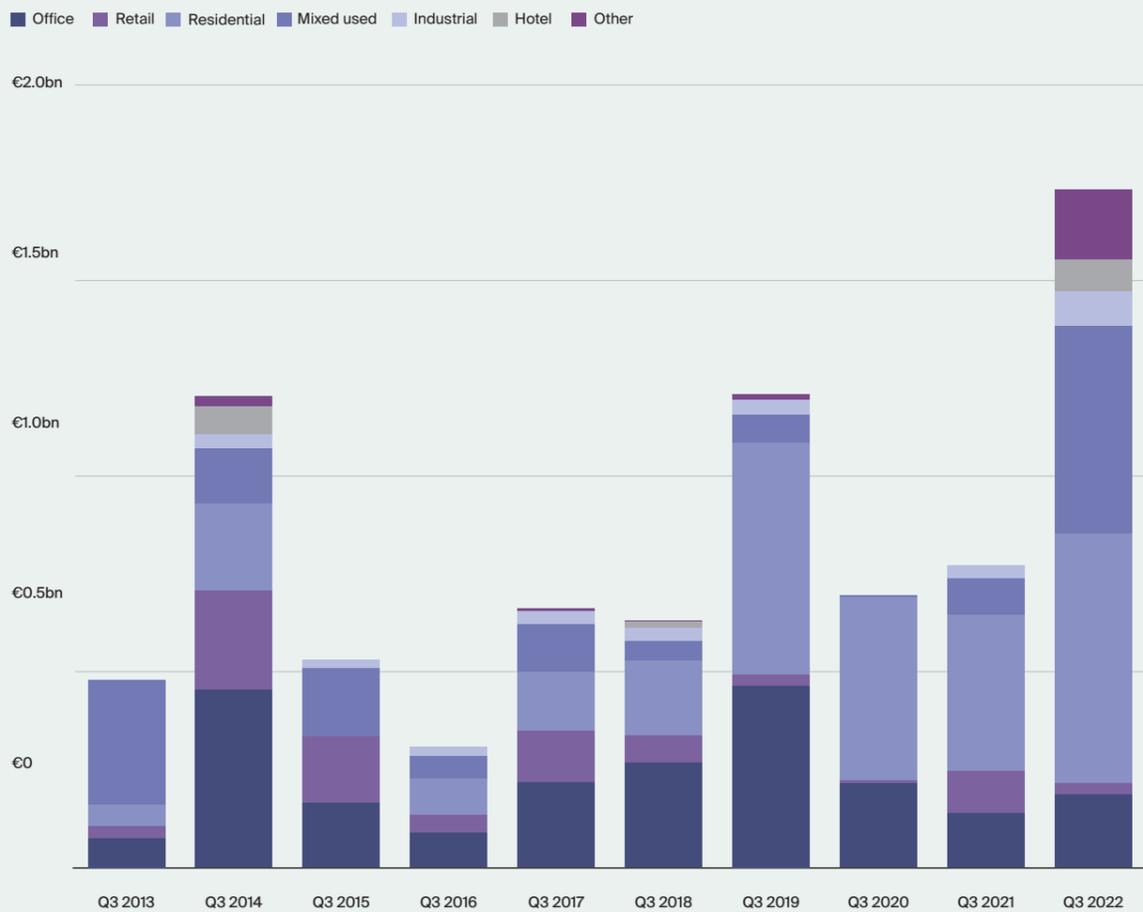
The remaining transactions comprised of two social investment deals and one Purpose Built Student Accommodation (PBSA) deal which accounted for 11% and 6% of the total residential investment turnover respectively.

Ireland - CPI & HICP Inflation rate



Source: Knight Frank Research/CSO

Investment Market Spend by Sector Q3 2013 - Q3 2022



Source: Knight Frank Research

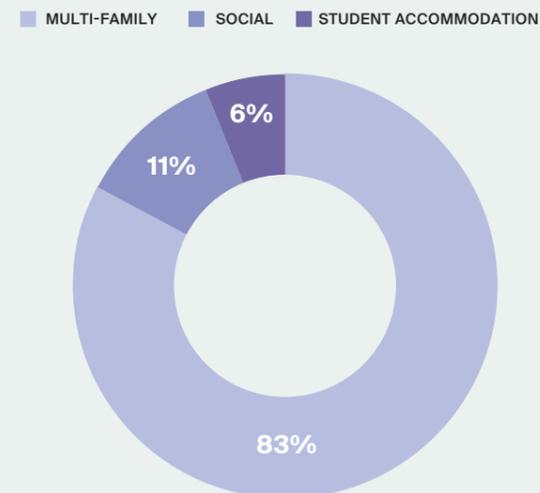
DEAL TYPE ANALYSIS

In terms of deal structures, 57% of transaction volumes in Q3 2022 were forward commit deals, 29% were existing or standing stock and 14% were forward funded. We would not

expect to see forward fund deals take place in the current environment, rather in the short term we expect to see the majority of deals to be for existing stock or short term forward commits with practical completion within the next twelve months.

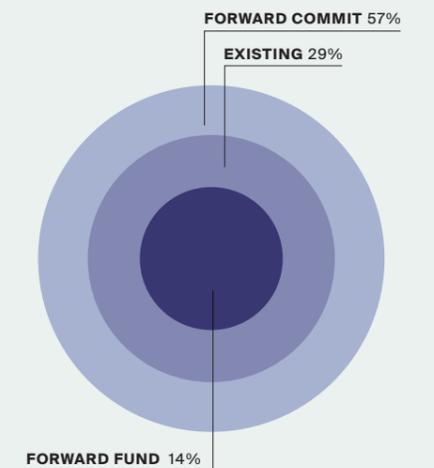
◆◆
Inflation, currently over 8%, is expected to ease and potentially fall closer to 7% in 2023.
 ◆◆

Residential Investment Spend by Sub-Sector Q3 2022



Source: Knight Frank Research

Residential Investment Spend by Deal Structure Q3 2022



Source: Knight Frank Research

SPECIAL FOCUS

DUBLIN STUDENT ACCOMMODATION MARKET

Investor sentiment has recently shown significant interest in the Purpose Built Student Accommodation (PBSA) sector, particularly post-covid with in-person learning recommencing and students, both domestic and international, re-locating and seeking accommodation in order to take up third-level placements.

PBSA INVESTMENT MARKET IRELAND & THE UK

Within an Irish context, PPBSA spend has been a small proportion of residential investment transactions over the last seven years, typically ranging from 5% to 13% of residential investment deal volumes. This is also reflected in the number of deals completed each year which is on average two deals a year.

In the first nine months of 2022, there have been two market leading PBSA transactions. In the first quarter of the year, Project Ruby, a portfolio of three assets located in Dublin and Galway, sold for €145 million, the largest PBSA investment deal transacted post-covid. In Q3 2022 Harrison Street acquired Melbourne Point in Cork for €40 million.

In the context of residential investment, the PBSA market in the UK is currently the most valuable asset class with an overall spend of £18.21 billion between 2019 to the first half of 2022. BTR transactions in the same period accounted for only 37% of transactions with PBSA accounting for

63%, demonstrating the maturity of the sector in comparison to BTR.

Given this maturity, operational, existing stock is the most prevalent type of deal structure, accounting for over 83% of all PBSA deal types transacted in the UK with the remaining deals being a mix of forward funds and forward commits as the sector and product constantly evolves. The last two years have seen the market typified by large portfolio trades in the UK, with Blackstone acquiring the IQ portfolio for €4.7bn in 2020 and Greystar/GIC acquiring the Student Roost portfolio for £3.3bn, demonstrating the liquidity and confidence of the sector.

The contrast between the two markets is stark and while the UK PBSA market is larger being home to 745,000 students and more established, the fundamentals between the Irish and the UK markets are the same, with a lack of student accommodation and rising student numbers.

The countercyclical defensive nature of the PBSA sector is what makes it so robust.

For investors looking to the Irish market, which remains significantly undersupplied, there is a clear lack of existing stock to gain a foothold in this sector. Forward commit and forward funding deals will become

the predominant route to acquire stock in the immediate future, not dissimilar to the multifamily segment of the market.

EXISTING BED SPACES

Within the Dublin market, we estimate there are approximately 17,000 PBSA bed spaces, split 55% and 45% between institutional investor and university ownership respectively.

Many of the investor-owned schemes are relatively new in terms of construction and are therefore built to a high standard, offering a range of facilities.

GSA are one of the largest institutional owners in the Dublin region with 31% of all investor held bed spaces, followed by Hines at 18%. In terms of location, over 86% of all institutionally owned bed spaces are in Dublin 1, 7 & 8, reflecting the concentration of higher education institutions in and around these areas.

PIPELINE

Within Dublin there are currently five PBSA developments on site and due for completion between Q4 2022 and Q3 2024. This will add approximately 2,800 bed spaces to the Dublin market. These schemes are situated within Dublin 1, 2, 4, 7 and 14.

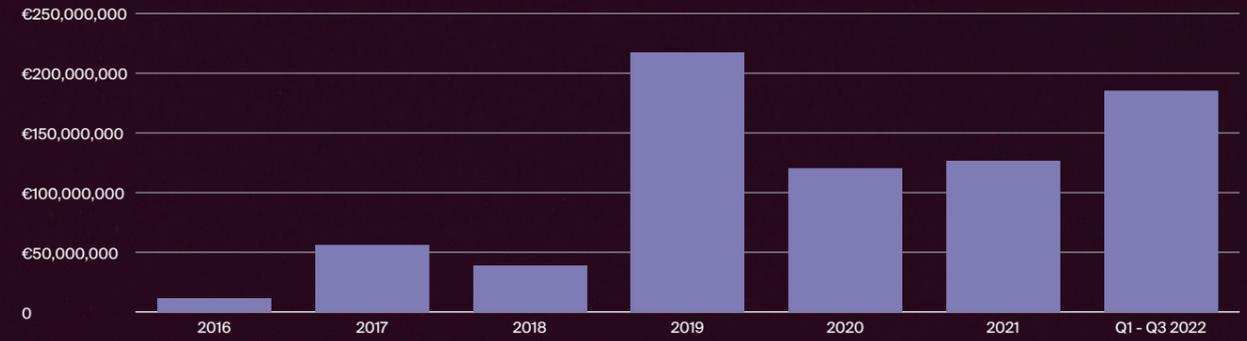
Of the developments in the pipeline due to complete, the majority are investor or developer led schemes with only one being university owned.

TOP 3 PBSA DEALS

SCHEME	DEAL TYPE	PURCHASER	PRICE ACHIEVED	YEAR
THE POINT CAMPUS	FORWARD COMMIT	DWS	€171M	2019
PROJECT RUBY	EXISTING	ARES	€145M	2022
PROJECT LIGHTHOUSE	EXISTING	PATRIZIA	€120M	2021

Source: Knight Frank Research

IRELAND PBSA TRANSACTION VOLUMES 2017 - Q3 2022



Source: Knight Frank Research

IRELAND PBSA VS PRS TRANSACTION VOLUMES 2019 - 2021



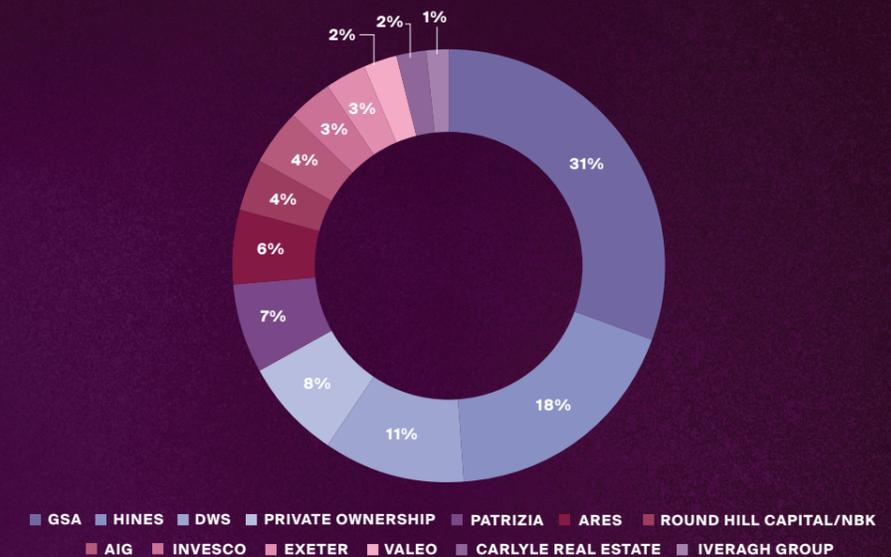
Source: Knight Frank Research

UK PBSA VS PRS TRANSACTION VOLUMES 2019 - 2021



Source: Knight Frank Research

PBSA - INSTITUTIONAL OWNERSHIP, DUBLIN



Source: Knight Frank Research



PRS Occupier Study



New Homes Construction Survey 2022



Dublin Office Market Overview Q3 2022



Ireland Investment Market Overview Q2 2022



Dublin Industrial & Logistics Market Overview Q1 2022



The Wealth Report 2022

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