

# LIVING IT UP

## SOLID VOLUMES

At €1.8bn investment volume in H1 2019 was in keeping with the five-year H1 average and only 2% lower than the same period of 2018. Activity was boosted by a stronger second quarter, with five €100m deals completing in Q2 compared with only one in Q1.

Marking a significant change, however, investment in the living sectors has overtaken the office sector for the last two half year periods. Together these two sectors accounted for almost two-thirds of volume. By contrast, retail volume remained below €300m for the third consecutive half year period and industrial accounted for only 1% of volume.

## RESIDENTIAL UNDERPINS PORTFOLIOS

At €684.7m, investment in the living sector, primarily the private rented sector, accounted for 37% of H1 volume. Headline deals included the €285.0m XVI portfolio of 16 nationwide apartment schemes purchased by IRES REIT (NIY undisclosed) and the off-market purchase of 600 buy-to-let homes located in Dublin, Cork and Galway by LRC Group (NIY undisclosed).

Accounting for over a quarter of H1 volume, €509.6m was invested in the office sector, primarily in Dublin. Charlemont Exchange was acquired by Vestas Investment Management for €145.0m (NIY 4.50%) on behalf of South Korean investors and Citywest Business Park was purchased by Henley Bartra for €105.0m (NIY undisclosed).

## CORK-ING

Cork is currently benefitting from both developer and investor interest. At €118.2m investment in the city was 37% above its five-year H1 average. Notably, the two largest deals were for retail assets, with Mahon Point Retail Park purchased by IPUT for €56.0m (NIY 7.00%) and Castlewest Shopping Centre purchased by Davy Investment Fund Services for €22.0m (NIY 7.96%).

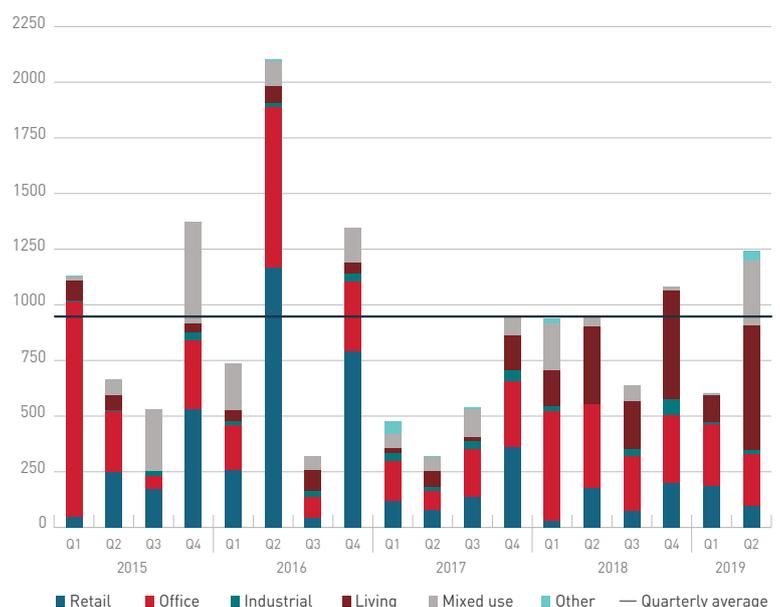
While institutional investors were responsible for the most investment volume in H1, Ireland's largest private landlord, IRES, was particularly active. Solely accountable for almost one-fifth of total volume, IRES invested €337.5m across three PRS deals. In addition to the XVI Portfolio, IRES purchased a development of 118 homes at Balbriggan and Donabate for €38.2m (NIY 6.70%) and 53 units in Baldoyle for €14.2m (NIY 4.38%).

## VOLUME BY INVESTOR TYPE YTD (%)



Institutions	31%
Private equity	23%
REITs	19%
Propcos	10%
Private investors	8%
Other/undisclosed	9%

## QUARTERLY INVESTMENT VOLUME BY SECTOR (€M)



Source: LSH Research

## TOP TEN DEALS 2019

	Sector	Price (€M)	NIY	Quarter	Purchaser	Vendor
XVI Portfolio, Nationwide	Living	285.0	-	Q2	IRES REIT	Marathon Asset Management
Heuston South Quarter, Dublin 8	Mixed use	220.0	-	Q2	Henderson Park & Chartered Land	Marathon Asset Management
Off market, Nationwide	Living	150.0	-	Q2	LRC Group	Targeted Investment Opportunities
Charlemont Exchange, Dublin 2	Office	145.0	4.50%	Q1	Vestas Investment Management	Marlet
Fairways, Dun Laoghaire	Living	108.0	4.88%	Q2	DWS	Cosgrave Property Group
Citywest Business Park, Dublin	Office	105.0	-	Q2	Henley Bartra	Davy Hickey Property Group
Pavilions Shopping Centre, Dublin*	Retail	71.0	4.90%	Q1	ILIM	IPUT
Mahon Point Retail Park, Cork	Retail	56.0	7.00%	Q2	IPUT	Deutsche Bank
North Quarter Student Accommodation, Ballymun	Living	46.0	-	Q1	AIG Global Real Estate	Lidl Ireland
7-9 Henry Street, Dublin 1	Retail	44.3	3.64%	Q1	DWS	Confidential

\*25% share. Source: LSH Research

## Q2 2019 PRIME YIELDS

SECTOR	Prime yields			YIELD SENTIMENT
	Q2 2019	3 MONTH MOVEMENT (BPS)	12 MONTH MOVEMENT (BPS)	
Prime high street	4.00%			
Prime shopping centres	4.50%			
Retail parks	6.00%			
Office	4.00%			
Industrial	5.75%			

Source: LSH Research

## OUTLOOK

The positive outlook for the Irish investment market remains and overseas buyers are continuing to deploy capital, particularly for prime Dublin assets. With the €1.34 bn sale of Green Reit to Henderson Park Capital completed in August, it is forecasted that the annual total for 2019 will surpass the €4.5bn high of 2016.

Investment in both the living and office sectors shows no signs of slowing. Given the level of PRS and build-to-rent development across the country, the living sector will continue to attract investors, both domestic and overseas.

While overseas office investors are primarily focused on prime Dublin city centre assets, local investors are looking for value outside of Dublin core.

While economic growth in Ireland is forecast to slow, a disorderly Brexit is the key risk to the attractiveness of the Irish investment market. The recent installation of Boris Johnson as the new UK Prime Minister and his determination to leave the EU with or without a deal on 31st October significantly increases this risk for Ireland.

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