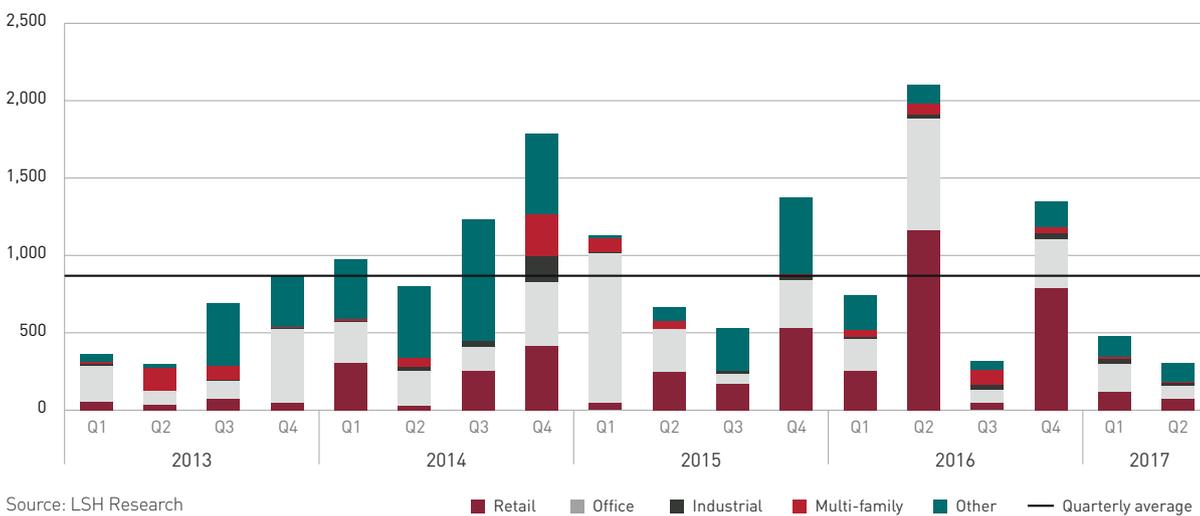


IRELAND INVESTMENT MARKET BULLETIN H1 2017

INVESTMENT VOLUME

At €782.8m investment volume in H1 2017 was subdued, standing 56% below the half-year average. Investment activity in the first six months of 2017 has been driven by smaller transactions due to the shortage of supply of sizable assets being brought to the market.

QUARTERLY INVESTMENT VOLUME BY SECTOR (€M)



Source: LSH Research

Sector focus

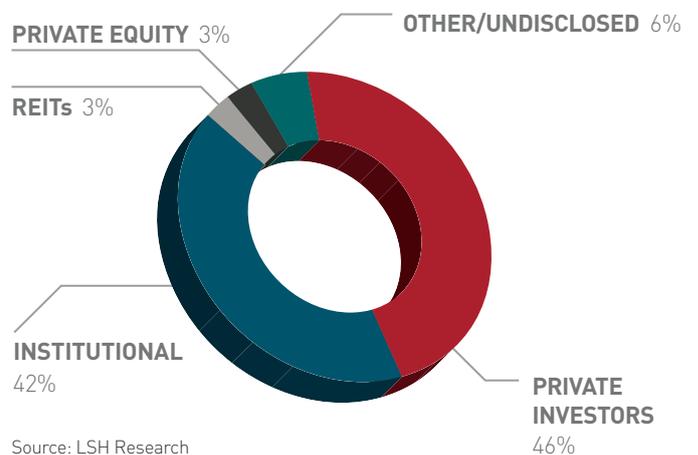
Office transactions accounted for a third of total volume in H1 2017 at €259.6m. The vast majority of this activity took place in Dublin, but also included the €20m Ericsson Facility in Athlone (NIY 8.60%) and the €11m Block B building at Bray Civic Centre in Bray, County Wicklow (NIY 7.98%).

In 2016 retail was the dominant sector for investment primarily due to a number of major lot-sizes changing hands. The lack of supply of these assets during H1 2017 pushed retail into second place, accounting for a quarter of total volume.

Meanwhile, despite limited activity in the traditional core year-to-date investment in each the leisure and alternatives sector has surpassed the total volume for 2016. Dalata's €62.5m (NIY 3.86%) acquisition of The Clayton Hotel in Dublin 2 and Clarion Hotel in the Liffey Valley provided a significant boost in this sector. Likewise, Hines' €37.7m (NIY 7.37%) purchase of the Montrose Student Residence in Stillorgan accounts for the bulk of the alternative sector volume to date.

Investors

VOLUME BY INVESTOR TYPE (%)



Source: LSH Research

TOP TEN DEALS H1 2017

	Sector	Price (€M)	NIY	Quarter	Purchaser	Vendor
13-18 City Quay, Dublin 2	Office	126.3	4.57%	Q1	Irish Life	Targeted Investment Opportunities
Clayton Hotel, Dublin 2 and Clarion Hotel, Dublin 22	Alternatives	62.5	3.86%	Q2	Dalata Group	Receiver
Park Office Portfolio, Dublin 18	Mixed use	38.6	6.82%	Q2	Syndicated fund	Park Development
Montrose Student Residence, Dublin 4	Alternatives	37.7	7.37%	Q1	Hines	Ziggurat Student Living
Off market	Industrial	28.0	6.18%	Q1	Institutional investor	Private investor
Off market	Retail	26.0	7.36%	Q2	Private investor	Confidential
Parkway Retail Park, Limerick	Retail	23.0	7.58%	Q1	Private investor	Green REIT
Fumbally Lane, Dublin 8	Mixed use	21.5	7.94%	Q1	M7 Real Estate	Markland Holdings
Building 2, South County Business Park, Dublin 18	Office	20.5	9.20%	Q2	Private investor	Green Property
Ericsson Facility, Athlone	Office	20.0	8.60%	Q2	Private investor	Gannon Homes

Source: LSH Research

Q2 2017 PRIME YIELDS

SECTOR	Prime yields			YIELD SENTIMENT
	Q2 2017	3 MONTH MOVEMENT (BPS)	12 MONTH MOVEMENT (BPS)	
Shops	3.25%			
Shopping centres	4.75%			
Retail parks	5.00%			
Office	4.65%			
Industrial	5.50%			

Source: LSH Research

Outlook

The outlook for the remainder of 2017 and into 2018 is very positive for the commercial property market. Whilst investment transactions are down year-to-date compared with 2016, activity is expected to increase in the second half of 2017, putting total volume in 2017 as a whole closely into line with ten-year average at around €2bn.

The main barrier to volume in the first half of 2017 was a lack of good quality assets coming to market. Investor appetite remains robust but a lack of stock is leaving investors increasingly frustrated. This frustration is, however, leading to an increased interest in alternative assets such as student housing, car parks and medical facilities.

The Irish economy continues to strengthen. For the fourth year running Ireland is the fastest growing economy in Europe, foreign investment is flowing and consumer sentiment continues to improve. Britain's exit from the EU presents very unique opportunities for Ireland, specifically for businesses who want either to relocate from London or a location with quick and easy access to the UK. The number of cranes dotting the Dublin skyline has doubled in the past year, a sure sign of investor confidence in the city, over and above the Brexit related uncertainty.

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