

DUBLIN OFFICE DOMINATES

INVESTMENT VOLUME

Activity in the Irish investment market improved significantly in H1 2018. At €1.9bn volume was more than double the same period in 2017 and 4% above the H1 average. Quarterly investment volume has been remarkably stable, standing just above the five-year average of €935.8m for the last three quarters.

While overall activity has been healthy, there was a very mixed pattern across the sectors. Strong investor sentiment remains in the office sector and the shift to alternative assets continues. By contrast, the downturn in the retail market has fostered investor aversion to traditional retail sectors.

SECTOR FOCUS

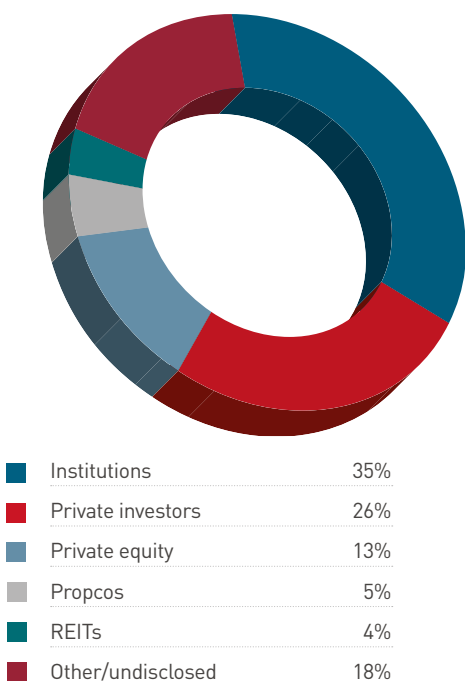
Continuing its dominance as the most invested in sector, H1 saw €862.3m of assets change hands in the office sector. Ninety percent of office volume was invested in Dublin, with two-thirds in the city centre area. Headline office deals included the €175m Eir Headquarters at Heuston South Quarter (NIY 4.87%), the €164m Dublin Landings (NIY 3.94%) and the €101m Beckett Building on East Road (NIY 4.13%).

At €210.3m retail investment accounted for only 11% of total transaction volume, the smallest proportion since H2 2013. Retail investment was boosted by Deutsche Bank's €147.7m acquisition of Westend Retail Park, Blanchardstown (NIY 5.30%).

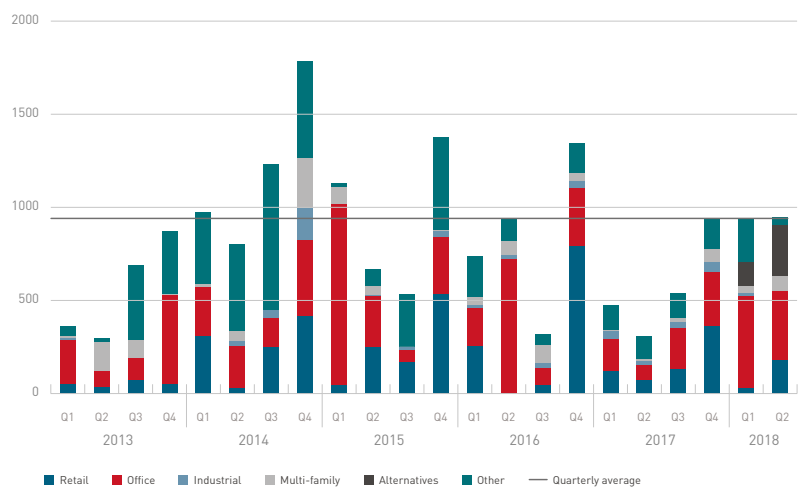
ALTERNATIVE GROWTH

As noted in UK and Europe, the alternatives sector continues to grow rapidly. In H1 investment in alternative assets stood at €403.1m, accounting for 21% of investment volume. Most notably amongst the categories of alternative assets, a total of €359.5m was invested in the private rented sector investment in H1. Two €100m+ headline transactions completed, specifically the €101m 6 Hanover Quay, Dublin 2 (NIY 4.00%) purchased by Carysfort Capital and the €100m Fernbank, Dublin 14 (NIY 6.00%) purchased by Irish Life Investment Managers.

VOLUME BY INVESTOR TYPE YTD (%)



QUARTERLY INVESTMENT VOLUME BY SECTOR (€M)



TOP TEN DEALS H1 2018

	Sector	Price (€M)	NIY	Quarter	Purchaser	Vendor
1 and 2 Heuston South Quarter, Dublin 8	Office	175.0	4.87%	Q1	CK Hutchison Holdings	Northwood Investment Corporation
No. 1 Dublin Landings, Dublin 1	Office	164.0	3.94%	Q1	Triuva	Ballymore/Oxley
Off market, Dublin	Office	160.0	-	Q2	Confidential	Confidential
Chatham & King, Dublin 2	Mixed use	155.0	4.00%	Q1	Hines	Lone Star
Westend Retail Park, Blanchardstown	Retail	147.7	5.30%	Q2	Deutsche Bank	Green Reit
The Beckett Building, East Road, Dublin 3	Office	101.0	4.13%	Q2	Confidential	Comer Group
6 Hanover Quay, Dublin 2	Alternative - PRS	101.0	4.00%	Q2	Carysfort Capital	Cairn Homes
Fernbank, Churchtown, Dublin 14	Alternative - PRS	100.0	6.00%	Q2	Irish Life Investment Managers	Park Developments
Elysian Tower, Cork	Alternative - PRS	90.0	-	Q1	Kennedy Wilson	Blackstone
Elmfield, Leopardstown	Alternative - PRS	68.5	-	Q2	Tristan Capital Partners & SW3 Capital	Dwyer Nolan Developments

Source: LSH Research

Q2 2018 PRIME YIELDS

SECTOR	Prime yields			YIELD SENTIMENT
	Q2 2018	3 MONTH MOVEMENT (BPS)	12 MONTH MOVEMENT (BPS)	
Prime high street	3.50%			
Prime shopping centres	4.50%			
Retail parks	5.30%			
Office	3.94%			
Industrial	5.50%			

Source: LSH Research

OUTLOOK

The outlook for the Irish commercial property market for the remainder of 2018 is positive. Despite the post-deleveraging environment and the October 2017 rise in non-residential stamp duty, H1 activity is only 17% lower than the 2017 annual total. Spurred on by an increase in supply of large office assets, the strong office occupier market and new investment opportunities we forecast that total investment transactions will reach €3bn in 2018.

The alternatives sector is benefitting from a structural shift in investor behaviour and its rapid growth is quickly bringing some

'alternative' categories into the mainstream, particularly PRS/Build to Rent assets in the key Irish cities. A lack of supply in the industrial sector has contributed to a downturn in transactions, but with healthy demand and strong yields we expect to see an enhanced supply.

This year to date, there has been significant overseas investment in Ireland with a number of the highest value assets purchased by investors from USA, Korea and Hong Kong. The attractiveness of Ireland, and more specifically Dublin office investments, shows little sign of slowing.

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