

Q3 2017

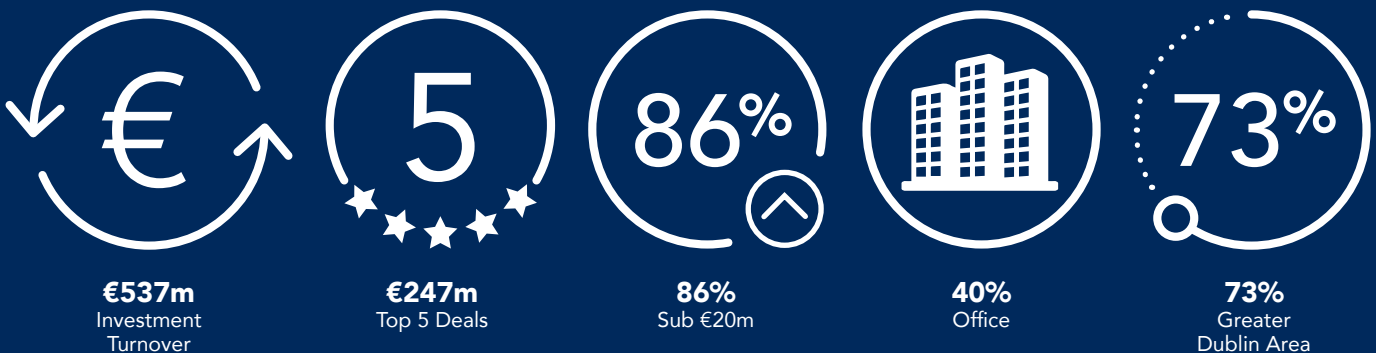
QRE INVESTMENT MARKET IN REVIEW



Market Activity / Turnover

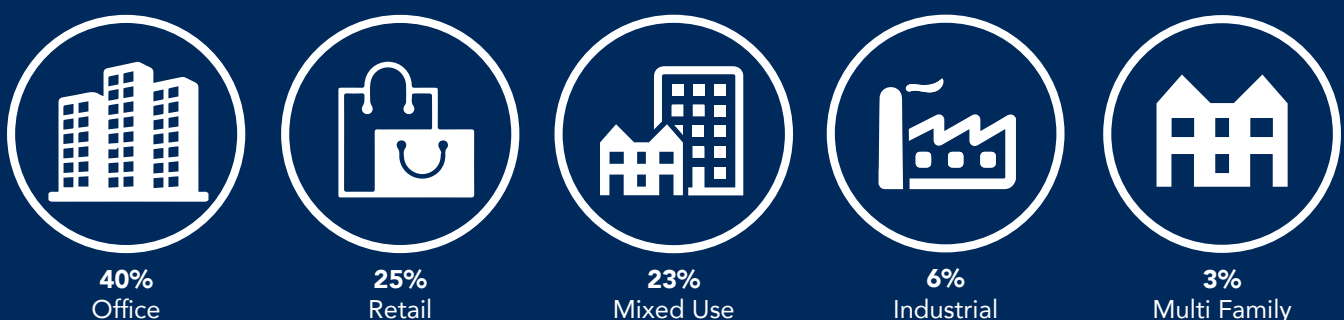
Investment turnover in the Irish commercial property sector amounted to €537m for Q3 2017, with some 59 transactions being completed during the quarter. The value of sales is significantly higher than both Q1 and Q2 of 2017, which is largely due to the completion of a number of higher value sales, which were not prevalent in H1.

At present, the total revenue for 2017 is approximately €1.3bn, which is down approximately 58% for the same period last year. Recent weeks have seen an increase in the number of assets on the market, the focus is now on completing sales by year end. We anticipate a strong finish to 2017, with anticipated sales to break the €2bn mark.



- Total investment turnover amounted to €537m for Q3 2017. By comparison, this figure was €475m for Q1 2017 and €317m for Q2 2017.
- The top 5 deals during the quarter accounted for 47% of total turnover, or €247 million. The largest deal was an off-market Dublin office transaction for €60m.
- 86% of all transactions were in the sub €20million bracket, which is a continuing trend in 2017.
- Office transactions contributed to 40% of the revenue. Notable sales included 21 Charlemont, Dublin 2 for €45m, and 4 & 5 The Harcourt Centre, Dublin 2 for €47m.
- The Greater Dublin Area accounted for 73% of all transactions (by turnover), with counties Galway and Cork accounting for just 3% each.

Sector as Percentage of Overall Market (By Value)



*3% Other

Sub €20m Market

- In Q3, the sub €20m market recorded 51 out of the 59 sales, which equates to 86% of all transactions.
- The total sales amounted to just under €215m. As a percentage, this equates to 41.5% of the total revenue for the quarter. When compared to Q1 & Q2 2017, this is a lower percentage, highlighting the fact that some larger sales have now completed.
- Notable sales included Rockfield Central Dundrum, The Merrion Collection and Oranmore Shopping Centre.
- When looking at the sub €10m market, there was 45 sales with an average lot size of €2.9m.



Top 5 Deals

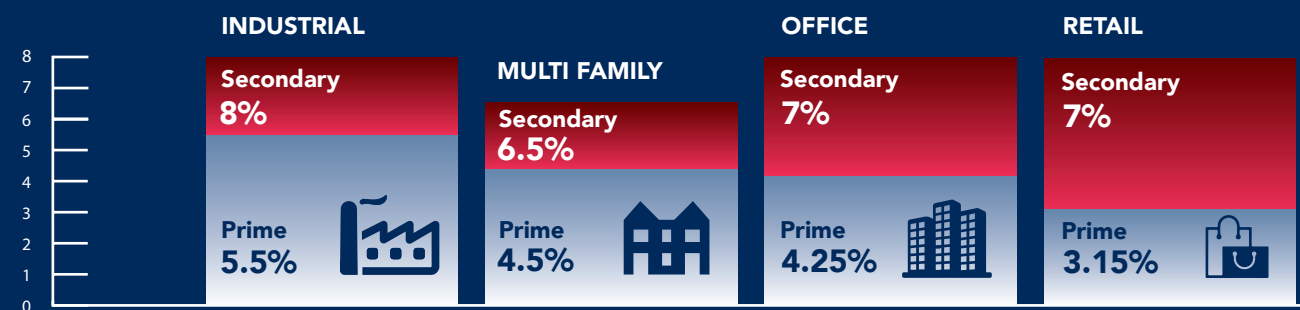
Property	Sector	Price	Net Initial Yield
Off Market	Office	€60,000,000	Confidential
100-101 Grafton Street, Dublin 2	Retail	€50,110,000	3.44%
4 & 5 Harcourt Centre, Dublin 2	Office	€47,000,000	4.42%
The Capitol Building, Patrick Street, Cork City	Mixed Use	€45,500,000	Confidential
21 Charlemont, Dublin 2	Office	€45,000,000	Confidential
Total		€247,610,000	

Top Deals Sub €20m

Property	Sector	Price	Net Initial Yield
14-16 Mary Street, Dublin 1	Mixed Use	€17,000,000	4.13%
Rockfield Central, Dundrum, Dublin 14	Mixed Use	€16,625,000	6.85%
Oranmore Shopping Centre, Oranmore, Co. Galway	Retail	€16,250,000	7.29%
Off Market	Retail	€13,000,000	Confidential
St. Andrews House, Dublin 2	Mixed Use	€11,330,000	4.50%
Total		€74,205,000	

Rental Yields

Rental yields continue to stabilise for both prime and secondary assets within the City. A brief summary of current yields is set out below:



Outlook for Q4

We anticipate a busy Q4, despite changes to commercial stamp duty, which has increased from 2% to 6% in the recent budget. We believe that this measure may impact on sales prices, with investors likely to insist upon established yields within the respective sectors and local markets.

Q4 is likely to be the strongest performing quarter of the year with the sale of a number of large assets set to close by year end (sales include The Square Shopping Centre in Tallaght). Based on current transactional evidence, we would expect year end revenue to be in the region of €2 - €2.5bn. This will be significantly less than the €4.5bn raised in 2016. However, that was a record year, which was buoyed by the sales of Blanchardstown and Liffey Valley shopping centres. Again, the final 2017 number will reflect the prevalence of the sub €20million market.

The figures for 2017 continue to show that offices remain the dominant sector in the market. Three out of the five top deals this year were offices, all of which were located in Dublin.

Looking at the trends so far this year, we are seeing continued demand for residential investments given the shortage of rental accommodation nationally. We are continuing to see alternative sources of finance attempt to enter the market. However, to date approximately 10% of our transactions have been subject to finance. Refinancing may become a factor going forward as investors gear up to enhance their investment portfolios.

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