

## Market Activity / Turnover

Investment turnover in the Irish commercial property sector amounted to €2.3bn in 2017, with some 266 transactions being completed during the course of the year. The year saw a respectable increase in activity from Irish based investors, with domestic funds such as Irish Life increasing their portfolios in prime locations. The Private Residential Sector (PRS) performed strongly with an increase in demand for this asset type. The sub €20m market continued to strengthen as the number of larger value asset sales diminished. As in recent years, Q4 witnessed a surge in transactions with almost €1bn traded in this period alone. Whilst down on 2016 figures, the total revenue for 2017 still comfortably surpassed the 10 year average of €1.8bn.



**€2.3bn**  
Investment  
Turnover



**266**  
Total  
Transactions



**€651m**  
Top 5 Deals



**90%**  
Sub €20m



**37%**  
Office



**80%**  
Dublin Area

- Total investment turnover amounted to €2.3bn for 2017. By comparison, this figure was €4.5bn in 2016.
- The top five deals totalled €651m, equating to 28% of turnover. The largest deal was The Square Shopping Centre Tallaght which sold for €233m in Q4.
- The sub €20m market amounted to 90% of all transactions (by number of sales). This is a continued trend from 2016, highlighting the reduction in large portfolio sales and institutional deleveraging.
- Office transactions totalled €850m which represents 37% of the total turnover.
- The Greater Dublin Area accounted for 80% of all transactions (by turnover), with Cork increasing its share to 7% and Galway contributing to just 2% of sales.

## Sector as Percentage of Overall Market (By Value)



**37%**  
Office



**30%**  
Retail



**13%**  
Mixed Use



**6%**  
Industrial



**4%**  
Multi Family

\*10% other

## Sub €20m Market

- In 2017, the sub €20m market consisted of 239 out of the 266 sales, which equates to 90% of all transactions. By comparison, in 2016, this sector of the market equated to 86% of the total sales (by no. of transactions).
- We expect further dominance of this sector in 2018 as the volume of larger transactions falls further and re-trades by domestic investors increase.
- The total sales amounted to just under €941m. As a percentage, this equates to 41% of the total revenue for the year.
- Notable sales included The Ericsson Facility Athlone, 94 St. Stephen's Green and 42-43 Henry Street.



## Top 5 Deals of 2017

| Property  | Sector  | Price Achieved      | Net Initial Yield |
|---|---------|---------------------|-------------------|
| The Square Shopping Centre, Tallaght, Dublin 24 | Retail  | €233,000,000        | 5.75%             |
| Cherrywood Business Park, Co. Dublin            | Office  | €145,000,000        | Confidential      |
| 13-18 City Quay, Dublin 2                       | Office  | €126,320,000        | 4.57%             |
| The Gibson Hotel, Dublin 1                      | Leisure | €87,000,000         | 4.92%             |
| Gardiner House, Dublin 2                        | Office  | €60,000,000         | Confidential      |
| <b>Total</b>                                    |         | <b>€651,320,000</b> |                   |

## Top Deals Sub €20m

| Property   | Sector    | Price               | Net Initial Yield |
|--|-----------|---------------------|-------------------|
| Ericsson Facility, Cornamaddy Road, Athlone, Co. Westmeath | Office    | €20,000,000         | 8.6%              |
| 94 St Stephen's Green                                      | Office    | €19,750,000         | 4.88%             |
| 42-43 Henry Street, Dublin 1                               | Retail    | €18,000,000         | 4.6%              |
| Off-Market PRS Scheme                                      | Mixed Use | €18,000,000         | 4.4%              |
| Grafton Collection (Lot 2)                                 | Retail    | €16,750,000         | 3.57%             |
| <b>Total</b>   |           | <b>€109,500,000</b> |                   |

## Looking Ahead - 2018 Forecast

- 2017 saw an increase in the popularity of forward funding deals. One such transaction was Irish Life financing the construction of the new Grant Thornton headquarters at 13-18 City Quay. Forward funding minimises the risk for the developer/ contractor given the presence of a signed contract. We expect this method of sale to continue in 2018, particularly for residential developments, as witnessed with IRES REIT at Hansfield Wood in Dublin 15 and with Marlet Property Group's 'Dublin Living' project.
- We forecast growth and heightened demand for alternative asset classes such as build to rent (PRS), purpose built student accommodation and healthcare. In addition, we forecast growth in demand for Industrial investments as a result of its relatively higher yields and scope for rental appreciation.
- We expect that the reduction of the Capital Gains Tax holding period from 7 to 4 years may result in an increase in the volume of sales for 2018, particularly from private investors. Investors who bought a property between 7th December 2011 and 31st December 2014 could be eligible for the relief.
- We would expect transactional activity for 2018 to be in line with 2017 figures as the market returns to a more normalised level of trading. This is underpinned by the strength of occupier activity and the potential for rental growth and yield compression, particularly in secondary locations.

## QRE INVESTMENT TEAM

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