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INVESTMENT

PROPERTY REPORT

Lisney

Q4

2019

Investment in numbers

TURNOVER



€2.75 bn

€2.75bn investment market turnover in Q4 with the year at €6.03bn

SECTOR



42%

PRS was the dominant sector accounting for 42% of the total spend in Q4

LOCATION



96%

96% of activity in Dublin

DEMAND



€875m

Almost €875m worth of investment property sale agreed



The Reflector, Hanover Quay, Dublin 2 (Sold for €155m)

“Total spend reaching over €2.75bn”

OVERVIEW

The investment market was very strong yet again in Q4 2019, exceeding expectations due to strong investor appetite, with total spend reaching over €2.75bn. This was significantly higher than Q3 and accounted for almost half of the total turnover value for 2019 (€6.03bn). Furthermore, it is the highest quarterly level of turnover on record.

There was a notable increase in off-market transactions in the quarter, with off-market activity accounting for 67% of investment spend across 24 transactions. In addition, forward-purchase deals were a big feature of the market again in Q4. When forward purchases are excluded, market turnover for the quarter is €1.9bn. Although Irish buyers were active, 57% of investment spend in the year emanated from overseas investors (excluding confidential transactions).

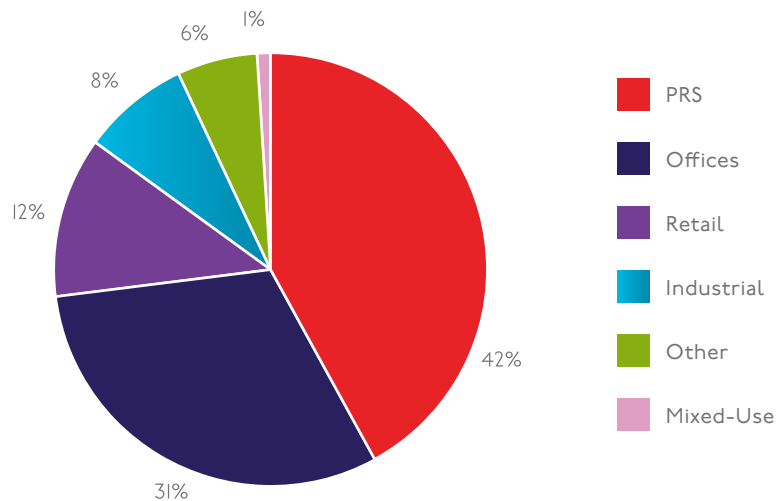
ACTIVITY

In terms of sectors, the private rented sector (PRS) and offices dominated 2019. In Q4, PRS accounted for about 42% of all activity or €1.1bn. Demand for PRS schemes is strong with significant domestic and overseas capital chasing opportunities. The largest transaction in the quarter was the sale of the Project Vert portfolio, which was acquired for €285m by Avestus Capital Partners. This was followed by another purchase by Avestus Capital Partners, where it acquired the Davitt Road development (265 apartments) in Drimnagh, Dublin I2 for €127m, which was a forward purchase.

As a result of limited availability of residential investment stock, investors are turning to forward purchases in order to acquire the right product. In the quarter, four of the top five deals were forward purchases, while they accounted for two thirds of overall PRS turnover in the period.



ACTIVITY BY SECTOR Q4 2019



Source: Lisney

At the end of 2019, there were several large PRS deals sale agreed such as the Spencer Place, North Docklands, Dublin I development (forward purchase of 471 units); East Village, Clay Farm (forward purchase of 295 units); and the Rathgar Road Collection, Dublin 6, comprising 61 apartments with development potential.

The Office sector was again exceptionally active in Q4 2019 accounting for 31% of turnover. Some very high-profile buildings transacted in the three months such as The Reflector, Hanover Quay, Dublin 2 (€155m); Block B, Elmpark Green (€53m); and Shelbourne House, Ballsbridge, Dublin 4 (€35m).

The other sectors accounted for reduced proportions of the market; retail at 12%, industrial at 8% and mixed-use / other at 7%.

The average lot size in the market overall was €37.7m in Q4, which is significantly ahead of recent quarters and is the largest quarterly average lot size recorded since Q1 2011. However, it is worth noting that the top five deals in the quarter accounted for 45% of total turnover. An analysis of transactions by international purchasers shows the average lot size of assets purchased by the cohort in Q4 was €89m; highlighting their dominance over big ticket deals.

“ When forward purchases are excluded, market turnover for the quarter is €1.9bn ”

In Q4, Dublin led activity in terms of location, making up 96% of turnover, across 58 transactions. Excluding confidential transactions where the purchaser cannot be analysed, international buyers remain very active and dominate the market; making up 57% of all activity in the three-month period.

Off-market activity also continued in Q4, accounting for 67% of turnover across 24 transactions. Two of the top three deals in the quarter were off-market and were both portfolio sales. The Cedar Portfolio was acquired by US investor Blackstone for €530m off-market while Avestus Capital Partners acquired Project Vert for €285m.

In addition, forward-purchases were a big feature of the market in Q4, accounting for 28% of turnover or €760m across 13 deals. When forward purchases are excluded, market turnover for the quarter is €1.9bn. It is worth noting that even when forward purchases are excluded, the Q4 level of take up is the highest quarterly level recorded since Q2 2016; therefore, the second highest on record.

SUPPLY

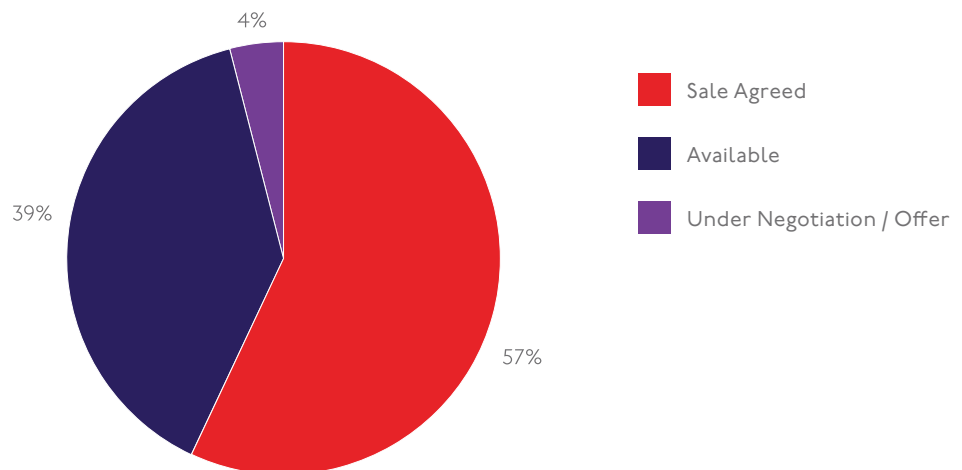
At the end of Q4 2019, there was about €1.5bn worth of assets on the market. Of this, over €928m was either sale agreed or under negotiation. This means that just €599m was available for purchase. PRS accounted for 40%, retail 22% and offices a further 20%.

Regards PRS, there are several large deals on the market such as The Casino, Malahide with a guide of €14.5m and Fawn Lodge & Deerpark House, Castleknock with a guide of €10m. Wilton Shopping Centre in Cork is the largest retail opportunity on the market at €86m, while the largest office opportunity on the market is 4 & 5 Harcourt Centre, Dublin 2 (€53m).

PRICING

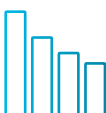
Prime net yields in the retail sector softened in Q4 from 3.25% to 3.50%, while gross yields hardened in PRS from 5.00% to 4.85%. Prime net equivalent yields remain below long-term averages across each sector.

SUPPLY STATUS Q4 2019



Source: Lisney

PRIME NET EQUIVALENT YIELDS



	END-DEC 2019	QUARTERLY CHANGE	ANNUAL CHANGE	BELOW LTA
Office	4.00%	-	-	-190bps
Retail	3.50%	+25bps	+25bps	-115bps
Industrial	5.25%	-	-25bps	-230bps
PRS (Gross)*	4.85%	-15bps	-35bps	

* PRS yields do not have OPEX accounted for and as such, are on a gross basis.

Source: Lisney



OUTLOOK

- Strong demand from international investors is likely to continue for prime larger lot sizes, mainly in the PRS, office and industrial sectors due to strong occupational markets.
- Private investors will remain active participants up to about €5m.
- Off-market sales will remain a significant share of the marketplace throughout 2020.
- 2020 turnover levels will remain strong given the supply due to come to the market; however, it will be less than that achieved in 2019.

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