Lisney

OUTLOOK 2022

It should be noted that some 2021 year-end figures are estimates as final information was not yet available when going to print. All final year-end figures will be included in Lisney's Q4 2021 Sector Reports, published mid-January 2022.

CONTENTS

DAVID BYRNE
Managing Director

"LIVING THROUGH THIS PANDEMIC HAS MADE MANY OF US THINK MORE DEEPLY ABOUT HOW WE INTERACT NOT ONLY WITH OUR BUILT ENVIRONMENT BUT INDEED OUR ENVIRONS GENERALLY."

The Irish property market once again proved exceptionally resilient in 2021 despite the ongoing and seemingly relentless challenges COVID-19 continued to present. As we enter our third year of living through a pandemic, it is difficult not to feel somewhat disheartened that we are not as advanced in our fight against this virus as we might have thought we would be this time last year. If 2020 was a year of crisis in dealing with the sudden onset of this pandemic, 2021 offered more hope that we would emerge the other side of this once in a lifetime event. Despite herculean efforts worldwide to bring this virus under control, it continues to evade us and in doing so impacts each one of us daily.

Living through this pandemic has made many of us think more deeply about how we interact not only with our built environment but indeed our environs generally. In a world where an airborne virus is the enemy, our awareness of our surroundings has never been more heightened. This of course influences our perspective on what we optimally want from properties that make up our built environment. As a multi-disciplinary firm, Lisney has the benefit of a collective understanding on how COVID-19 might shape the future of property in the years to come. We believe that in many ways, this pandemic will accelerate positive changes in our built environment. There is an opportunity for all stakeholders in the Irish property sector to turn this crisis into a catalyst for positive change and shape the future of the buildings we occupy for the betterment of future generations.

2021 proved life in the office is not over. We still value the importance of in-person interaction with our colleagues both professionally and socially. How we use our office space is certainly evolving; the establishment of hybrid working means the future of the office will be about it being a destination that provides an appealing working environment that promotes social interaction and collaboration, but for fewer people at any one time. The decade ahead is going to bring with it a new generation of buildings centred around positively influencing the health and wellbeing of the individual and the environment generally as climate change becomes critically important for all of humanity to confront. Having the opportunity to work in buildings such as these this will undoubtedly play a major role in the battle for talent for companies in the years ahead.

Retail was one of the hardest hit sectors of property since the onset of Covid-19. Many thought that physical retail would never make a recovery when shops were allowed to reopen, and yet they are doing so despite ongoing challenges. Whilst online shopping has made a quantum leap forward in the last 21-months, we still value the experience of shopping in-person. With technology playing a greater role, in-store shopping will be more akin to a leisure activity. As such, there will need to be a much greater blend of retail and experience-based F&B along our shopping streets and in shopping centres to draw people into the stores and away from online.

The dramatic rise in online shopping has resulted in a vastly increased need for industrial and logistical space. In many ways the industrial market was the star performer of the commercial property market this year, the chronic shortage of supply fuelled the market and both domestic and international investment flooded into the industrial space. In some cases, yields being achieved matched those being achieved on high streets and offices. This is likely to continue in the year ahead.

PRS schemes continued to be an investor favourite last year as the ongoing shortage of homes remained an issue. We saw tenants placing value in the ability to rent a property within a professionally managed PRS scheme, particularly those schemes offering hospitality-like services such as concierge (for all the home deliveries!). Indeed, schemes that offered on-site workspaces and even pet friendly apartments were particularly popular, as we saw in some of the schemes we are involved in.

As soon as pubs and restaurants re-opened, albeit with ongoing restrictions, we quickly realised we still enjoy going out to socialise in person, perhaps more so than ever. However, it is likely we will continue to be conscious of the space around us. Our decision on where to socialise might be influenced by the design and layout of the venue as much as what is on offer; the two will certainly go hand in hand. 2021 saw some of the most significant sales of licensed and leisure premises in almost two decades and we were delighted to be the agents of some of the highest value off and on market transactions this year.

COVID-19 was most certainly a disruptor in the delivery of new homes throughout 2020 and 2021, the impact of which will be further felt this year. The launch of 'Housing for All' by Government in October is a welcome and ambitious blueprint for how Government intends to address the housing crisis, which without doubt remains one of the country's greatest challenges to overcome. More clarity will hopefully be forthcoming on many of the initiatives included in Housing for All, which will be welcome in the development land market and by developers alike. There is very significant demand for shovel-ready sites as developers look to retain contractors as they navigate the protracted planning process on sites which require planning permission.

The second-hand residential market and residential letting market both performed exceptionally well in 2021. We noticed a trend of lifestyle purchasing as homebuyers often widened their search not feeling so constrained by the need to be in close proximity to the city centre. Coastal suburbs proved especially popular in Dublin. Prices surged across Dublin and Cork as buyers competed in a market with historically

> "2021 WAS A VERY POSITIVE YEAR FOR LISNEY. WE ARE VERY PROUD OF OUR REPUTATION FOR EXCELLENCE IN THE MARKETS IN WHICH WE OPERATE BUT NEVER TAKE IT FOR GRANTED AND ARE ALWAYS STRIVING FOR BETTER."

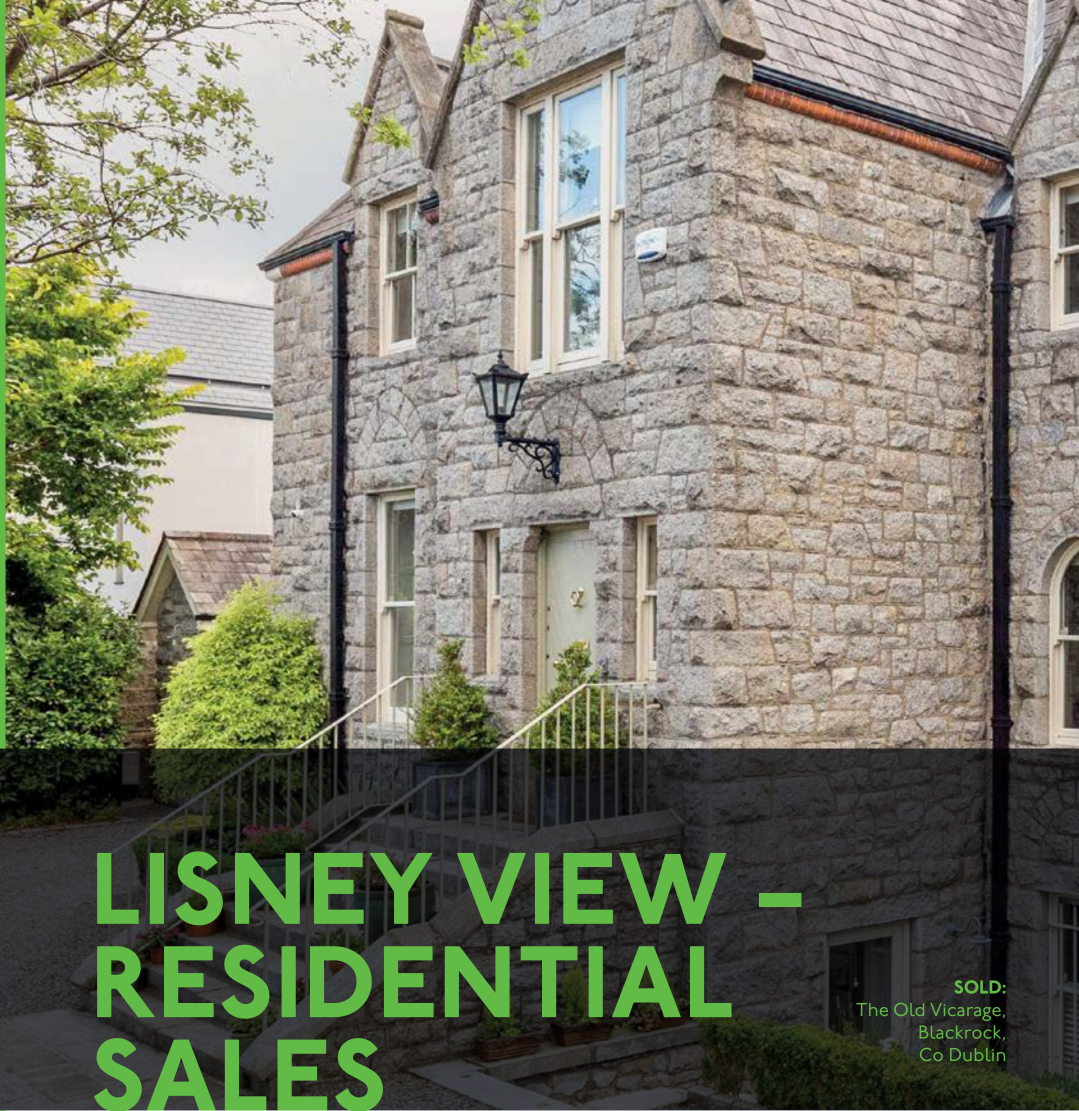
low levels of stock. We expect 2022 to be another strong year in the residential market with supply remaining an issue. The pace of price inflation is unlikely to be sustainable as affordability will certainly come into question and so we may see a levelling-off of prices as supply hopefully increases during the year.

In an uncertain world, the expertise and experience of our valuation and advisory department proves invaluable to our clients needing to make clearly informed decisions on property assets. At Lisney, we pride ourselves on harnessing our collective in-house knowledge across the full spectrum of the property market to produce best-in-class and reliable advice on every asset class.

2021 was a very positive year for Lisney. We are very proud of our reputation for excellence in the markets in which we operate but never take it for granted and are always striving for better. Our quality of service for which we are renowned is based on the top talent in the industry consistently choosing Lisney as the preferred company to work with in the Irish property industry. We were delighted to make a number of internal promotions through the year, including three new directors; Emma Coffey, Aoife Hanlon and Jackie Fitzpatrick. In addition, we appointed 10 new divisional directors and added 26 new staff members to the team as part of our ambitious growth trajectory. With some of the best and brightest property minds in the industry working in Lisney, I am looking forward to seeing the business go from strength to strength in the years ahead.

2022 is set to be another very buoyant year for Irish Property. We look forward to continuing to provide best in class seamless multi-disciplinary advice to our clients, empowering them to achieve the optimum outcome for their property related ambitions and desires in the year ahead.

THE DOMINANT TREND IN THE DUBLIN RESIDENTIAL MARKET REMAINS THE **LACK OF SUPPLY**, AS HAS BEEN THE CASE FOR ABOUT NINE YEARS



SOLD:
The Old Vicarage,
Blackrock,
Co Dublin

01

LISNEY VIEW – RESIDENTIAL SALES

DUBLIN RESIDENTIAL

Trends and official statistics relating to the overall Dublin residential market do not always correlate with what Lisney agents experience on a day-to-day basis. Lisney is most active in the mid to upper-end markets in specific Dublin locations and as such our experience is not always representative of the entire Dublin market. Additionally, trends experienced by agents on-the-ground can take some time, perhaps up to six months, to feed through into official market statistics due to the length of time it takes to conclude a sale. The 'Lisney View' set out in this report relates to our experience in the parts of the Dublin market we operate in.

2021 will be remembered as a year of buyer frustration.

Many had additional savings from prolonged periods of working from home and there was a 10-year high in mortgage approvals. However, purchase options were limited with supply remaining at historically low levels, the result of which was continued growth in prices – we estimate that Dublin prices grew by 12.5%. At the start of 2022, the dominant trend in the Dublin residential market remains the lack of supply, as has been the case for about nine years now and will continue to be the case this year.

ACTIVITY

Despite supply issues and buyer's irritation with the market, 2021 was an active year. This was in spite of the year commencing in a level 5 lockdown where viewings were prohibited, although many sales continued to complete. We estimate that 14,500 properties were transacted across Dublin, about 12,500 of which were existing, second-hand properties. While this is 13% fewer sales compared to pre-pandemic 2019, it is 14% more than in 2020.

We did note that a greater number of sales than normal fell through in 2021. One of the most common reasons for this was due to vendors being unable to source an onward purchase. However, there were other factors such as the cost of rectifying any issues found in the building survey and even sourcing a contractor to carry out the works; a general nervousness of a rising market; and a protracted conveyancing process. While we believe many of these trends will continue in the months ahead, it is positive that the "Seller's Legal Pack for Property Buyers Bill 2021" came before the Oireachtas in November

RESIDENTIAL SALES

+14%

MORE HOMES WERE **SOLD IN 2021** COMPARED TO 2020

14,500 **TRANSACTIONS** ACROSS DUBLIN, ABOUT **12,500** OF WHICH WERE SECOND-HAND PROPERTIES

and was at its second stage at the start of 2022. It seeks to make it mandatory for a vendor to provide a set of legal documents when marketing a property for sale. This is to ensure that purchasers have all relevant property information in advance of making any bids, but most notably it will ensure the conveyancing process is more efficient as the current process often leads to lengthy delays in concluding transactions.

DEMAND

Changing lifestyles due to COVID-19 will continue to impact purchaser requirements in 2022. Properties in coastal villages or within walking distance of the sea will continue to experience increased demand. Larger gardens and home offices will be prerequisites for many purchasers, albeit in areas with good transport links.

At the upper-end of the market, particularly for period homes along the coast priced at €2.5m plus, demand is strong but supply is extremely tight. This cohort of purchaser tends to be a ready-to-go cash buyer. Many are ex-pats coming home from the UK and Europe, but there is also demand from non-Irish buyers. Also in this part of the market, off-market targeted transactions are occurring; a trend that is also being witnessed across the commercial property market sectors.

Irish professionals returning from abroad will also be active in the mid-market in 2022. Many will have sizable deposits and will want to move home having found the inability to return regularly over the pandemic difficult. There will be a renewed interest and improvement in demand for city centre living, particularly apartments in central areas, from those wishing to be part of a '15 Minute City'.

Properties in turnkey condition will be the most sought after. In many cases, such sales will involve competitive bidding. However on a positive note, the frantic bidding that had been seen in the early part of 2021 has somewhat abated and we believe the market will operate at a more measured pace in the months ahead. Part of the reason for this is because asking prices have moved upwards (to reflect the growing market) and therefore pricing some potential buyers out of the bidding process.

"A LEVELLING-OFF OF PRICE INCREASES IS UNLIKELY UNTIL SUPPLY IMPROVES MORE MEANINGFULLY AND CATCHES UP WITH DEMAND."

SOLD:
3 Ballygihen Avenue,
Sandycove,
Co Dublin

Homes requiring extensive work will continue to be shied away from by purchasers unless the asking price is extremely attractive. This is due to the difficultly in sourcing builders with capacity to carry out the required works in the next 18 to 24 months, as well as the associated high cost and availability of construction materials. A large proportion of this type of property is in or going through probate (about 30% of all Lisney sales at present are probate sales) but thankfully, the delays that were occurring in the probate process earlier in the pandemic have abated.

MORTGAGE LENDING

Despite two banks announcing their exit from the Irish market (KBC Bank Ireland and Ulster Bank), mortgage approvals* nationwide in 2021 were at their highest level since records began in 2011; estimated at 44,000 in the year. Equally, mortgage drawdowns* were at their highest rate since early 2009, at almost 40,000 nationwide in the 12 months to the end of September. As a result of the greater workload placed on the remaining lenders in the market, we have found it is taking longer for approvals and drawdowns to be processed. In the recent past, drawdowns took on average three months to conclude and this we find is now taking four to five months. Parental assistance to some buyers will also remain a factor in the market as negative interest rates are applied to some savings.

The Central Bank of Ireland's macro prudential policy (mortgage measures) remains unchanged for the year ahead following the 2021 annual review. i.e. 3.5 times household income with deposits of 10% for FTB and 20% for movers. However, it is positive that there will be some operational changes, notably a carry-over system where lenders will be able to offer unused allowances (i.e. waivers on LTI or LTV limits) from 2021 in H1 2022. It is disappointing that the option for bridging finance was not reintroduced in limited scenarios, allowing those with debt-free homes to trade-down more easily. For older movers, many have to encounter a double move – sell their home and move into the rental market in the short-term, and then source a source a new home. This is holding up a significant number of family homes coming to the market.

* New property purchases – excludes re-mortgages and top-ups

-33%

FEWER HOMES AVAILABLE FOR SALE AT ANY GIVEN TIME ACROSS DUBLIN, **COMPARED TO 2019**

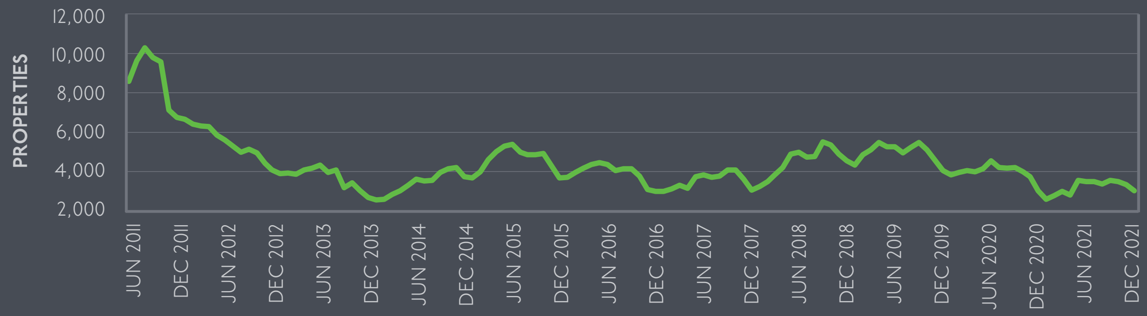
SOLD: Sloperton Lodge, Monkstown, Co Dublin

SUPPLY

Supply continues to be the key issue in the market. Over the course of 2021 there was on average only about 3,200 homes available for sale at any given time across Dublin. This is about one-third less than what was generally available in 2019, pre-pandemic.

One of the biggest hinderances to improved supply is would-be sellers continued reluctance to bring their existing home to the market, unable to see suitable options for a forward purchase. The lack of bridging finance is also a factor, particularly for those trading-down. Many are caught in a catch-22 situation, worried about rising prices and purchaser power erosion if they sell and then source a new home. This is a trend we expect to continue in 2022.

SECOND-HAND HOMES - ADVERTISED SUPPLY (JUNE 2011 - DECEMBER 2021)



Source: MyHome.ie, Lisney analysis

2022 OUTLOOK

Given the strong pent-up purchaser demand and level of mortgage approvals, 2022 will be another active year in Dublin's residential market. In spite of this, for sales to complete, vendors will need to be realistic on prevailing pricing. While we expect additional second-hand supply to come to the market early in the year, the quantity will be impacted by vendors ability to source a future home, and it is unlikely to be enough to satisfy demand. As a result, there will be further upward pressure on prices, the pace and rate of which will depend on supply levels. At a minimum, we believe that prices in the second-hand market will grow by 6%, but perhaps by more. A levelling-off of price increases is unlikely until supply improves more meaningfully and catches up with demand.

RESIDENTIAL LETTINGS

SOLD:
Greenfield Crescent,
Donnybrook,
Dublin 4

SUPPLY

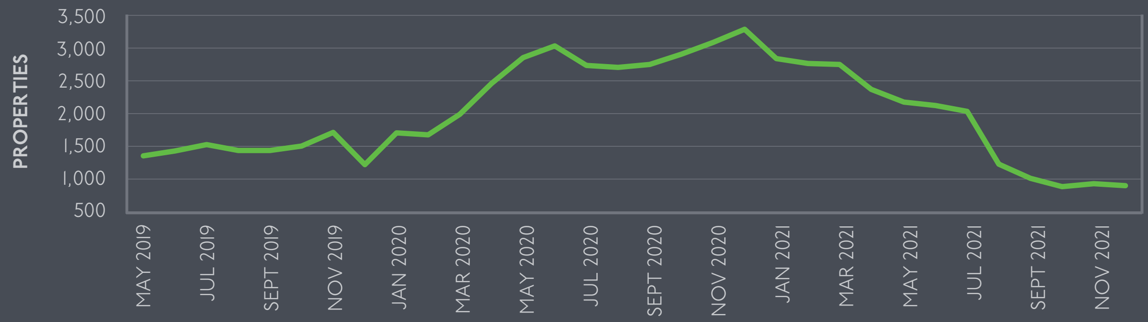
As is well documented, rental supply remains a key issue in Dublin. The Q3 2021 RTB rent index report states that there was an annual decline of 35% in the number of registered tenancies with the media reporting 46 private landlords a week are leaving the market. Rental legislation, including the recent extension of RPZs for a further three years and changes to annual rent review caps (HICP or 2%, whichever is the smaller – previously 4%), has been cited to us as the key reason. Indeed, about 20% of Lisney's sales in 2021 comprised former rental properties. In addition to private landlords leaving the market, many of the new PRS schemes due in 2021 were delayed because of COVID-related building site closures.

Heading into 2022, there were about 900 buy-to-let type properties advertised to rent across Dublin. This is 70% fewer than 12 months previous and 45% fewer than what was available pre-pandemic. In terms of PRS schemes in Dublin, there were 42 schemes advertised with properties available to rent at the beginning of the year.

DEMAND

The pace of decline in available stock gathered momentum in Summer 2021 as discussions about staff returning to offices, at least on a part-time basis, were materialising. This resulted in many renters returning to Dublin either from overseas or from other parts of the country, a trend that continued in the second half of 2021 (despite reverting to full time WFH in December) and will continue into 2022. Also linked to returning to the office is the renewed interest in the city centre. This is particularly the case for Dublin 2 and Dublin 4, where demand had shrunk considerably during the initial 18 months of the pandemic, and includes both apartments and larger family homes. Suburban areas also continue to be in high demand, once the property has good transport links, especially the Luas or DART.

DUBLIN BUY-TO-LET ADVERTISED SUPPLY (MAY 2019 - DECEMBER 2021)



Source: Daft.ie, Lisney analysis

RESIDENTIAL LETTINGS

LET:
The Albany,
Albany Avenue,
Monkstown,
Co. Dublin

900 BUY-TO-LET PROPERTIES

ADVERTISED TO RENT ACROSS DUBLIN, **HEADING INTO 2022**

-70%

FEWER THAN 12 MONTHS PREVIOUS

There are other demand trends that will continue in 2022. For example, home movers (those trading up or down) will feature in the rental market. With a lack of supply options available for onwards purchases, and without the availability of bridging finance, some in this cohort will decide to rent in the short-term. Additionally, demand for one-bed apartments is re-emerging and will grow stronger. One-bed apartments were traditionally in strongest demand but with the requirements for more space to work from home, tenants were seeking larger properties in the last 18 months. As 2022 progresses, one-beds will continually become a more viable option for individuals and couples.

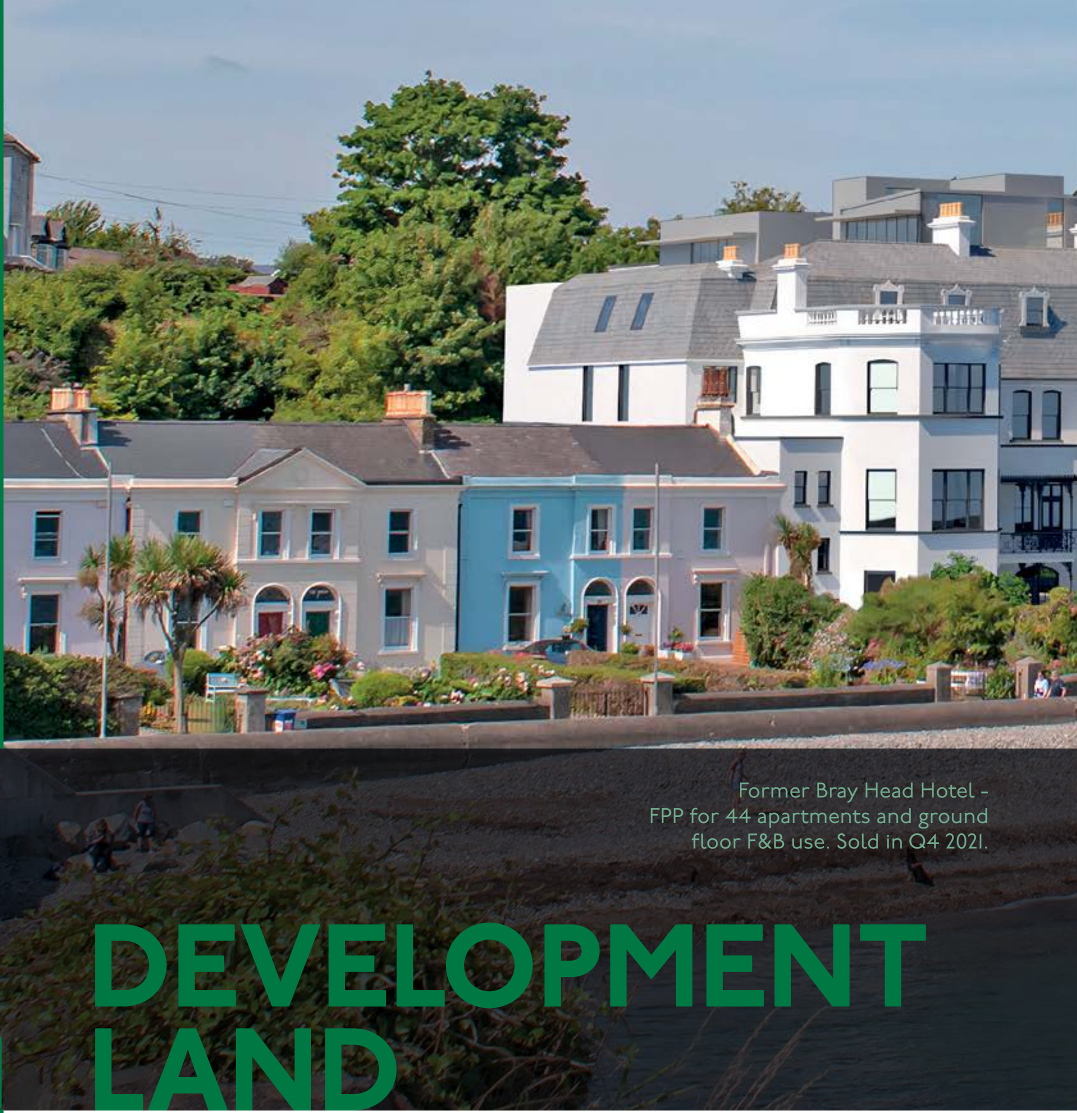
RENTS

The official index on rental values from the RTB runs about three months behind, and given the active market dynamics, figures quickly become irrelevant. That said, Q3 2021 data shows continued increases; running at 6% growth in Dublin rents in the 12 months to end-September. The 2% cap for RPZ has since been introduced and as such, the pace in the annual rate of increase is likely to have eased but with continued growth.

2022 OUTLOOK

In the year ahead, we expect sustained strong demand as workplaces and the economy open-up and the population expands further. Unfortunately, supply with continue to struggle to meet this demand. In spite of PRS schemes coming on stream, private landlords will continue to exit the buy-to-let market, and there will be very little if any net increase in Dublin supply. As a consequence, rents will continue to rise – with market rents on new schemes likely to be ahead of those growing at 2% per annum.

WE EXPECT DEVELOPMENT LAND ACTIVITY LEVELS IN DUBLIN AND THE SURROUNDING COUNTIES TO **IMPROVE IN 2022**



Former Bray Head Hotel - FPP for 44 apartments and ground floor F&B use. Sold in Q4 2021.

02 DEVELOPMENT LAND

DEVELOPMENT LAND & NEW HOMES

GREATER DUBLIN AREA (GDA)

Given the wider pandemic, economic and property market context, turnover in the development land market in the greater Dublin area was relatively good in 2021.

Estimated at close to €600m, this was about half pre-pandemic levels. The most notable impact on the market in 2021, and indeed on the market going forward, was the introduction of various changes to housing and planning policy throughout the year (see page 11).

Despite the changes, we expect development land activity levels in Dublin and the surrounding counties to improve in 2022. Many developers are reaching practical completion on existing schemes (most of which were delayed due to site closures in 2020 and 2021) and will seek replacements; end-user demand remains strong across sectors and prices remain stable or rising.

Construction cost inflation will be a key concern for developers in 2022 as supply chain and labour capacity constraints continue. Most are hopeful this is temporary in nature, but further global pandemic progress will need to occur before there is more certainty in material prices and availability. The longer this uncertainty persists, the greater the impact on viability and in turn land sales.

DEVELOPMENT LAND

-50%

~€600m
TURNOVER IN THE **GREATER DUBLIN AREA** IN 2021

ABOUT HALF
PRE-PANDEMIC LEVELS

Demand will be strongest for good quality ready-to-go sites. However, developers will adopt a more cautious approach to sites without planning permission and sales processes may be more challenging, mainly due to the uncertainty and/or changes brought about in housing policy in 2021. We believe a two-tier market will develop for residential and mixed-use lands depending on planning status.

Land sales that were delayed initially due to COVID-19 and then as a result of uncertainty awaiting policy changes will re-emerge in the market, particularly larger lot sizes. Off-market sales will continue to be a notable feature of the market.

The Land Development Agency (LDA) will have a significant influence on the development land market going forward in various ways. Given its significant development role and availability of funding, some private sector developers may dedicate resources to developing social and affordable schemes (including cost rental) for the agency, in conjunction with providing homes to the private sector. Additionally, with its remit to develop State lands, sites that would have previously been brought to the market for sale will now be developed by the agency, potentially impacting land supply.

Also potentially affecting much needed land supply in Dublin city is the local authority's proposal in the draft development plan to remove residential as a use 'open for consideration' on Z15 zoned lands. These generally comprise institutional and religious lands where in the past, surplus space was disposed for residential schemes. However, now its saleability may be more limited to community uses and social infrastructure.

Redevelopment opportunities will come to the market as a source of supply. For example, many publicans are considering their development options, which may lead to the redevelopment of some public houses in the suburbs.

HOUSING POLICY CHANGES

HOUSING FOR ALL

Published in September 2021, the report comprises the Government's housing policy **up to 2030,** the aim of which is to:

> "IMPROVE THE HOUSING SYSTEM AND DELIVER MORE HOMES OF ALL TYPES FOR PEOPLE WITH DIFFERENT HOUSING NEEDS"

The report seeks to:

1. SUPPORT HOME OWNERSHIP
2. ERADICATE HOMELESSNESS
3. INCREASE NEW HOME SUPPLY
4. ADDRESS VACANCY AND EFFICIENT USE OF STOCK

Some of the more high profile initiatives are set out below:

INITIATIVE	DETAILS & OPINION
Part V	
Increase requirement to **20%** with at least **10%** relating to social housing and the remainder for affordable homes including cost rental.	There will be a phased introduction of this higher rate, based on when lands were purchased and their planning status, i.e.

YEAR LAND PURCHASED	PLANNING PERMISSION STATUS	PART V RATE
< 2015	None	20%
2015 – 2021	Any	10%
2021 – 2026	None	20%
> 2026	Any	20%

The various time periods will lead to a **TWO-TIER MARKET** IN THE MEDIUM-TERM WITH **LANDS GRANTED PLANNING PERMISSION** GARNERING **THE GREATEST DEMAND.**

INITIATIVE	DETAILS & OPINION
Land Value Sharing (LVS)	
Will apply to all lands re-zoned to 'residential' and/ or 'mixed-use' that incorporates a residential element.	> Prior to activation, a new register of all zoned land will be compiled. This register is being developed by the DHLGH and the purpose will not be solely for LVS but will also be used as an overview of potential housing yield from zoned lands in development plans. > The existing system of Section 48 and 49 development contributions will be gradually replaced by the LVS measures. A timeframe of **Q4 2021** was placed on developing this mechanism. > The uplift will be used to secure land or financial contributions and social / affordable housing (subject to need).

The aim of LVS is to provide **GREATER CERTAINTY AND STABILITY** TO LANDOWNERS AND DEVELOPERS, while **reducing the 'hope value'** that can drive the price of land upwards and dis-incentivises development.

LVS will be applied at the point of grant of planning permission to support the delivery of land, infrastructure and housing needed for a development plan area. It does not appear that it will be ringfenced to benefit the immediate community, but rather the wider local authority area.

INITIATIVE	DETAILS & OPINION
Croí Cónaithe (Cities) Fund	
Fund to help activate unviable apartment development in cities.	> Schemes must be **greater than four storeys** and the exchequer will provide **financial assistance of up to 20% of costs**. > With 80,000 units granted planning permission but not yet started (half in Dublin), the aim is to bring some of these forward sooner with exchequer financial assistance. > It has been stated that this assistance (at 20%) is roughly equivalent to the VAT take on construction and development levies.

Details of how the fund will work in practice has not been provided – specifically, if it will work through direct payments or given that VAT was mentioned, will it be a nil charge on VAT and local authority levies.

However, the proposal should be viewed as a **POSITIVE STEP TO ACTIVATE UNVIABLE APARTMENT DEVELOPMENT** IN KEY URBAN AREAS

INITIATIVE	DETAILS & OPINION
Large Scale Residential Developments (LSRD)	
LSRD will replace SHD and with restore local authority involvement in the planning process.	> It involves mandatory timelines in three stages: 1 **PRE-APPLICATION CONSULTATION** – eight weeks of receipt of meeting request 2 **PLANNING APPLICATION** – eight weeks of receipt of application, with limited scope for 'further information requests' 3 **APPEAL** – An Bord Pleanála will be required to determine LSRD appeals within a certain timeframe (generally 16 weeks from receipt) with limited scope for 'further information requests' LSRD IS A FIRST STEP INTO MUCH NEEDED WIDER PLANNING REFORM **TO SPEED UP THE DELIVERY OF HOUSING.** **Statutory time limits** will assist in providing some certainty on the timing of decisions, however there will be a significant increase in demands on planning authorities with LSRD success depending on adequate resources being made available to planning authorities. Efforts should also be made to **control the cost of obtaining a planning consent as this is ultimately passed on to the buyer.** LSRD needs to be implemented alongside a streamlined Judicial Review process on challenges to decisions made by An Bord Pleanála. We believe that if a higher burden of proof is placed on appellants then these cases can be fast-tracked though the judicial process. Where planning applications are quashed for minor administrative issues, we hope that these cases will no longer require a new planning application.

INITIATIVE	DETAILS & OPINION
Project Tosaigh	
LDA to take the lead on cost rental model.	> The Land Development Agency Act was signed into law by President Higgins in July 2021 but has not yet been commenced and continues to operate on an interim basis by way of an establishment order (as has been the case since September 2018). The Government has earmarked capital of up to €3.5bn for the LDA to support its activities and it is currently active on several high profile projects. > However in addition to its ongoing activity, the LDA will take the lead role in Project Tosaigh contained in Housing for All, which aims to create a large-scale affordable cost-rental sector. Such homes will be **earmarked for those that do not qualify for social housing but cannot afford the private market.** > Tenants will pay approximately one-third of their net disposable income on rent, which in practice will reflect a **discount of about 25% on market rates.** > **5000** NEW HOMES BY 2026 will be targeted under Project Tosaigh.

ZONED LAND TAX

Budget 2022, and the subsequent Finance Bill 2021, introduced a new zoned land tax to replace the vacant site levy. It will apply to all lands zoned for residential and mixed-use that are serviced.

PROPOSAL

To identify zoned lands, EACH LOCAL AUTHORITY WILL **DRAFT MAPS ANNUALLY** to show lands zoned and serviced but remaining undeveloped.

The Minister has stated that there will be a A **TWO YEAR LEAD-IN TIME** FOR LANDS ZONED PRIOR TO **JANUARY 2022** and a three year lead in time for lands zoned after January 2022.

SUBMISSIONS WILL BE PERMITTED ON DRAFT MAPS for inclusion and exclusion of lands.

Revenue will implement the tax and it will operate on a self-assessed basis at an initial rate of 3% OF MARKET VALUE PER ANNUM.

OPINION

BLANKET BASIS

The tax will be implemented on a blanket basis once lands are zoned for residential purposes and serviced.

WE BELIEVE **A MORE TARGETED APPROACH IS MORE APPROPRIATE.** AN ALL-EMBRACING APPLICATION OF THE TAX IGNORES THE SIGNIFICANT NUMBER OF REASONS WHY LANDS REMAIN UNDEVELOPED.

Viability is top of this list, particularly in light of rising costs and supply chain issues. Even when lands are serviced, there can be additional factors stopping or delaying development such as issues with title, access, contamination, flooding, site conditions, etc.

PAST SUCCESS

As part of the initial establishment of this tax, WE BELIEVE THAT THE GOVERNMENT **MUST CONSIDER THE SUCCESS OR OTHERWISE OF THE VACANT SITE LEVY** AND WHAT LESSONS CAN BE LEARNED FROM IT.

For example, what percentage of sites were actually developed because of the tax – it was charged at 7% in recent years so if this rate has not encouraged development, how will a 3% rate encourage development.

This links back to other issues holding back works. 'Housing for All' introduced a land value sharing mechanism and it remains unclear how this will connect with the land value tax.

CONSTANT SUPPLY OF LAND

To reach the target of 33,000 completions per annum, the housing market needs house builders of scale; those that can build several hundred, if not thousands, of homes a year. For a developer to deliver these homes they need a fully established platform, i.e. a company employing tradespeople, in-house surveying and engineering professionals, planners, supply chains, etc.

TO BUILD AND MAINTAIN A DELIVERY PLATFORM, **DEVELOPERS MUST HAVE A CONTINUOUS SUPPLY OF LAND AT THEIR DISPOSAL** SO THAT STAFF CAN IMMEDIATELY MOVE ONTO A NEW SITE ONCE THE PREVIOUS ONE IS COMPLETE.

Whatever way the zoned land tax is developed, it must take this into consideration. Otherwise, the pace of completions will begin to fall back once again.

ZONED LAND TAX

DRAFT DUBLIN CITY DEVELOPMENT PLAN 2022 – 2028

The draft plan was released at the end of November 2021 with public consultation open until mid-February. The adoption of the final plan is expected in December 2022.

Some of the more high profile policy changes are set out below:

INITIATIVE	DETAILS & OPINION
Build-To-Rent (BTR)	
Specific BTR development standards have been set out in the draft plan.	> BTR proposals will be considered: within the INNER CITY · 500m walking distance of high employment areas · and within 500m of major public transport interchanges. > Presumption against large-scale developments (> 100 units) that comprise 100% BTR format with requirement for **a minimum of 40% build-to-sell (BTS) units**. > BTR schemes with **fewer than 100 units** will not generally be supported. > It must be demonstrated that there is **not an over-concentration of BTR development within 3km** of the subject site. > BTR is no longer permitted in principle under the 'Residential' use category but it open for consideration on Z1, Z2, Z4, Z5, Z10, Z12 and Z14 lands.
	While a mix of tenure types is favourable in any residential scheme, THE PROPOSALS FOR A **MINIMUM OF 40% BTS** FAILS TO TAKE ACCOUNT OF THE FACT THAT SUCH APARTMENT DEVELOPMENT IS OFTEN **UNVIABLE TO CONSTRUCT.** Consequently, **this could delay the development of apartments in the city** where the greatest level of demand comes from renters.

INITIATIVE	DETAILS & OPINION
Co-Living	
Purpose-built, shared living accommodation schemes are subject to 'Specific Planning Policy Requirement 9' from the Department – a presumption against granting planning permission unless there is an identified need in the Housing Need & Demand Assessment (HNDA).	> The HNDA carried out to inform the draft development plan did not identify a need for any additional co-living accommodation. > Therefore, there is a presumption against this form of development and Dublin City Council will not support further co-living development. **2,500** BED SPACES HAVE BEEN GRANTED PLANNING PERMISSION for co-living accommodation in Dublin in recent years. Given the size of the city and demographics, we agree with the HNDA assessment that there is **NO CURRENT NEED FOR ADDITIONAL UNITS.** While there is a presumption against such planning permission, it may be the case that **certain employers will seek to provide such accommodation for staff in the future**, such as large tech companies or those in healthcare

INITIATIVE	DETAILS & OPINION
Purpose-Built Student Accommodation (PBSA)	
DCC supports the provision of high-quality PBSA so long as there is not an over-concentration of development within communities.	> **Minimum size standards** have been set out, as have requirements for communal spaces, both indoor and outdoor. > Temporary use of schemes as tourist accommodation will only be considered outside of the normal academic year, and with a **letting period of no more than two months**.

INITIATIVE	DETAILS & OPINION
Z15 Zoned Lands	
Generally large sites, often consisting of long-established complexes of institutions and associated open grounds.	> In the past, residential development was 'open for consideration' on Z15 lands. > The land use objective proposed in the draft plan is **'to protect and provide for community uses and social infrastructure'**, with only very limited residential and/or office uses permitted in highly exceptional circumstances. This proposal will have an **IMPACT ON THE SALEABILITY** OF Z15 LANDS in certain areas, and will result in lands not being brought to the market for sale. It will also **impact the supply of homes in certain locations around the city**, where development was envisaged for the future.

INITIATIVE	DETAILS & OPINION
Hotels	
The draft plan states that there has been an **over-development of hotels** and measures are proposed to counter the balance.	› There will be a general presumption to avoid an over-concentration of hotels and aparthotels pending the outcome of a hotel study. › Hotels and aparthotels will be considered on a **case-by-case basis**, and will be encouraged to provide publically accessible facilities at street level.

INITIATIVE	DETAILS & OPINION
Residential Mix	
Specific Planning Policy Requirement I sets out detail on the mix of unit types.	› Housing developments may include **up to 50% one-bed or studio units** (with studios no more than 25% of the total) and there will be no minimum requirement for apartments with three or more bedrooms unless specified in the HNDA. › Two areas have been identified as having a requirement for fewer one-beds and a greater number of larger units; the **Liberties and North Inner City**. In these locations, there will be: A MAXIMUM OF **30%** **ONE-BED / STUDIOS** AND A MINIMUM OF **15%** **THREE-BEDS**

Other Proposals

25% PUBLIC OPEN SPACE
WILL BE REQUIRED WITHIN ZONES Z12 & Z15.

3 NEW **STRATEGIC DEVELOPMENT REGENERATION AREAS** (SDRA)
have been created (Finglas Village Environs & Jamestown Lands, North East Inner City, and Markets Area & Environs).

WHERE DEMOLITION IS PROPOSED
as part of a new development, a demolition justification report must be provided
SETTING OUT THE RATIONAL,
having regard to the embodied carbon of existing structures as well as the additional use of resources and energy arising from new construction relative to the re-use of existing structures.

RESIDENTIAL
will no longer be a permitted or open for consideration use on
Z6 LANDS.

NEW Z16
(AFFORDABLE HOUSING & EMPLOYMENT)
OBJECTIVE INTRODUCED
which seeks 'the social, economic, and physical development and/or rejuvenation of an area with mixed-use, the primary objective of which would be the delivery of affordable housing and employment'

30% EMPLOYMENT,
10% HIGH QUALITY RECREATIONAL OPEN SPACE,
10% COMMUNITY AND/OR CULTURAL AMENITIES,
10% PRIVATE RESIDENTIAL AND
40% SOCIAL AND AFFORDABLE RESIDENTIAL.

CASE STUDY

HEUSTON MASTERPLAN

THE HEUSTON MASTERPLAN WAS LAUNCHED BY CIE IN NOVEMBER 2021 AND COMPRISES A VISION FOR THE LANDS SURROUNDING HEUSTON STATION.

It is a Transport Orientated Development (TOD) plan, which means it will seek to maximise the provision of housing, employment, public services and leisure space within close proximity of excellent sustainable transport (i.e. mainline rail, new DART station, Bus Connects, cycle lanes, pedestrianised boardwalks, etc).

OVER

1,000 HOMES

ARE ENVISAGED, ALONG WITH

OFFICE, RETAIL & LEISURE SPACE.

The lands will be developed in several phases by way of a development agreement with CIE. Lisney will be bringing the first phase to the market in

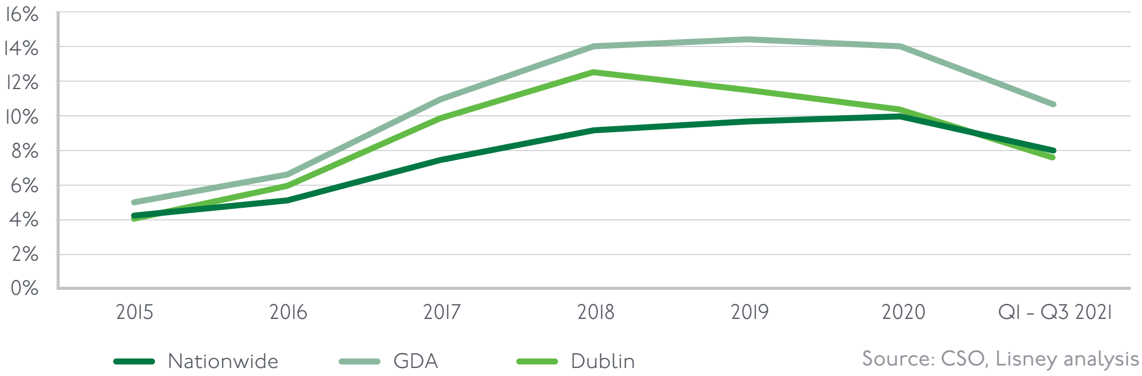
SPRING 2022

NEW HOMES

Redan Cliff,
Dalkey, Co. Dublin

Purchaser demand in the greater Dublin area remains exceptionally strong for newly constructed, energy efficient homes. Many potential buyers are benefiting from increased savings and greater purchaser power. All categories of buyer are active, but most particularly first-time-buyers (FTB) for homes priced up to €500,000 – over this level we have noted that demand reduces by about 75%. The further extension of the enhanced help-to-buy scheme in Budget 2022 (for FTB's of new homes up to a price of €500,000, where they can claim 10% of the purchase price up to a maximum of €30,000) was a welcome move. It means FTB can bring forward their purchases and for many leave the rental market sooner. For the developer it provides certainty of demand to continue building and providing supply. In the GDA over the first nine months of 2021, 11% of the overall sales market (new and existing home sales) comprised FTB buying a new home, down on recent years when it averaged 14%.

FTB OF NEW HOMES AS A PROPORTION OF THE OVERALL RESIDENTIAL SALES MARKET



Source: CSO, Lisney analysis

There were a limited number of new schemes launched onto the market in 2021, with most comprising further phases of existing schemes. At the end of December 2021, there were about 85 new home schemes in Dublin publically advertised for sale on the various property portals, which compares to over 140 available 12 months previous. We expect to see improvements in this in the months ahead as new launches occur in 2022.

The most significant impact on the new homes market in 2021 was the closure of residential building sites for 13 weeks in the first half of the year. Also of note was the cost and availability of construction materials and labour. This means that completions and new starts were delayed, factors that will impact supply in 2022. For context, it was notable that new home sales as a proportion of the overall residential market fell in the first nine months of 2021, at 20% of all sales in the GDA. This averaged 27% in the previous three years.

One Springfield Park,
Deansgrange, Dublin

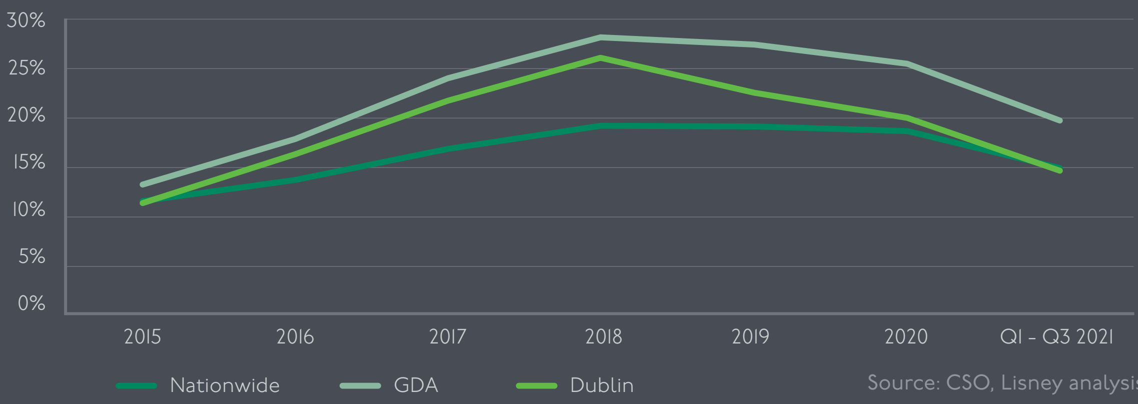
33,000
NEW HOMES

PER YEAR
ARE REQUIRED
ESTIMATED BY
HOUSING FOR ALL

THIS IS
57% MORE
THAN WHAT IS BEING
PROVIDED CURRENTLY

NEW HOMES

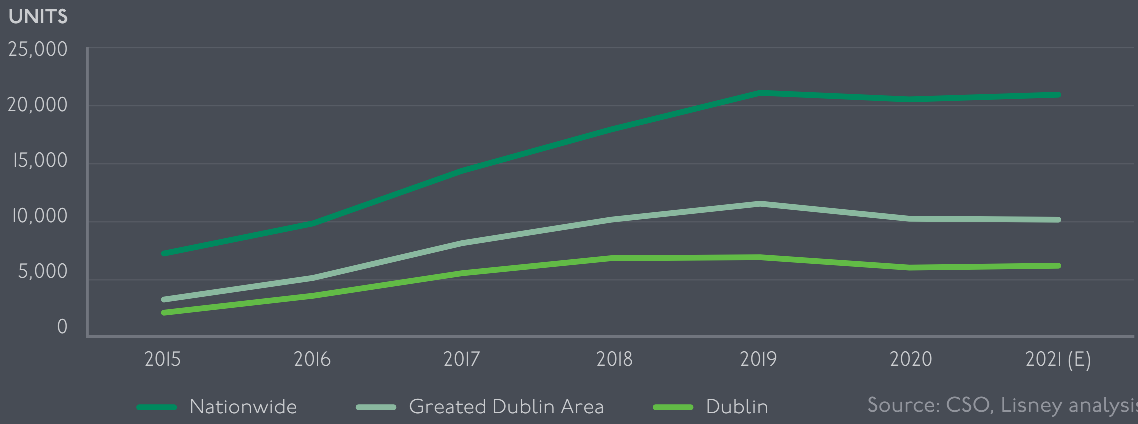
NEW HOME SALES AS A PROPORTION OF THE OVERALL RESIDENTIAL SALES MARKET



Source: CSO, Lisney analysis

We estimate that nationwide completions for 2021 will be at a similar level to 2019 and 2020; about 21,000. For Dublin, the figure will likely be just over 6,000 and for the GDA, just over 10,000. Housing for All estimates that 33,000 new homes per year are required, which is 57% more than what is being provided currently. To meet this need, new starts must ramp up significantly in the months ahead and hope that new strains of COVID-19 do not result in further site closures in 2022. It also remains to be seen how the various pieces of new housing policy and development plan reviews will impact delivery of supply to the private new homes market.

HOUSING COMPLETIONS



Source: CSO, Lisney analysis

OVER THE DECADE, PRS TRANSACTIONS HAVE MADE UP A **GROWING PROPORTION** OF THE OVERALL IRISH INVESTMENT MARKET

Shieling Square, Raheny, Dublin 5

03 PREVAILING DEMAND

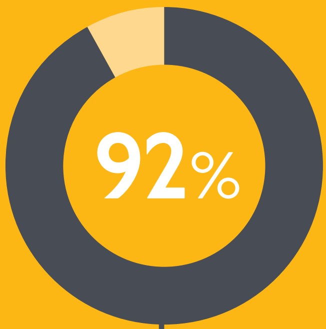
PRS

The private rented sector remains one of the least affected property market sectors by the pandemic due to its counter-cyclical characteristics. It continues to be a large part of the development land, residential letting and investment sectors in Dublin.

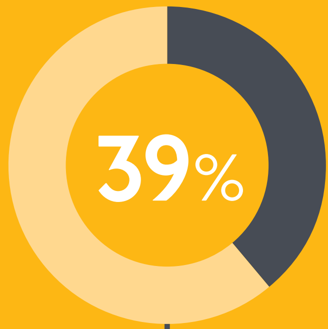
It is now 10 years since PRS / multi-family assets became part of the Irish investment market. In the decade, €8.5bn has been spent on opportunities, 92% of which relates to Dublin. Initially in 2012, these comprised unsold apartments from the previous market cycle and were mainly partial blocks of apartments. This then evolved into the sale of schemes that were originally designed as units to be sold individually, and now in more recent times comprises specifically designed build-to-rent blocks.

Over the decade, PRS transactions have made up a growing proportion of the overall Irish investment market; dramatically growing from single digit / teen percentages to almost half of all property investment. As the market has matured, yields have hardened with current prime net rates for standing stock at 3.5% and forward commitments up to 20 bps higher. Off-market and forward purchases have dominated the deal type since 2018, a trend that will likely continue in 2022.

IN THE
LAST DECADE
€8.5 BN
HAS BEEN
SPENT ON PRS
OPPORTUNITIES

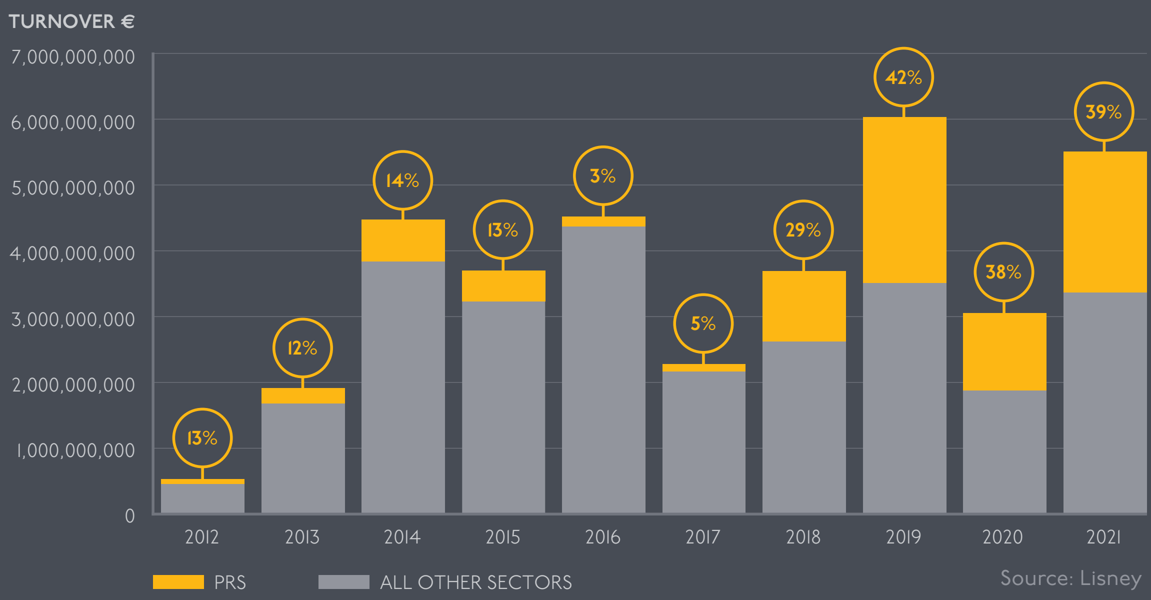


OF WHICH
RELATES TO
DUBLIN



OF THE OVERALL
INVESTMENT MARKET
2021

PRS & OVERALL INVESTMENT MARKET TURNOVER (2012 – 2021)



Source: Lisney

Government intervention and heightened negative attention may influence the intensity of demand for this sector going forward. Recent changes include lower rent caps in RPZs (maximum of 2% p.a.), increased Part V requirement (now 20%), increases to stamp duty (albeit only on houses and duplexes) and proposed planning changes in Dublin City Council's administrative area – for greater detail on each of these points see page 29. Consequently, while investor and developer demand remains in place, viability of new schemes will be under greater scrutiny and significant due diligence on rental assumptions will be carried out as part of cash flow models.

TRANSACTION SIZES REMAINED SUBSTANTIAL WITH 30 INDIVIDUAL DEALS COMPLETED OF MORE THAN **€50M**

04 EXCEPTIONALLY STRONG

INVESTMENT

OVERVIEW

In a market sector driven by sentiment and international investors, Irish property investment remains exceptionally strong. In the context of a continuing global pandemic with travel restrictions and economic lockdowns, market turnover in 2021 exceeded €5.5bn.

This was the second largest year on record, only 9% below that of the record-breaking 2019. With on-market supply relatively limited throughout the year, off-market sales accounted for 51% of turnover and generally comprised the larger deals.

Interestingly, transaction sizes remained substantial with 30 individual deals completed of more than €50m; the average lot size across the market was the largest ever, at €28.1m.

MARKET TURNOVER

One and Two Docklands Central, Dublin 1

€3 BILLION

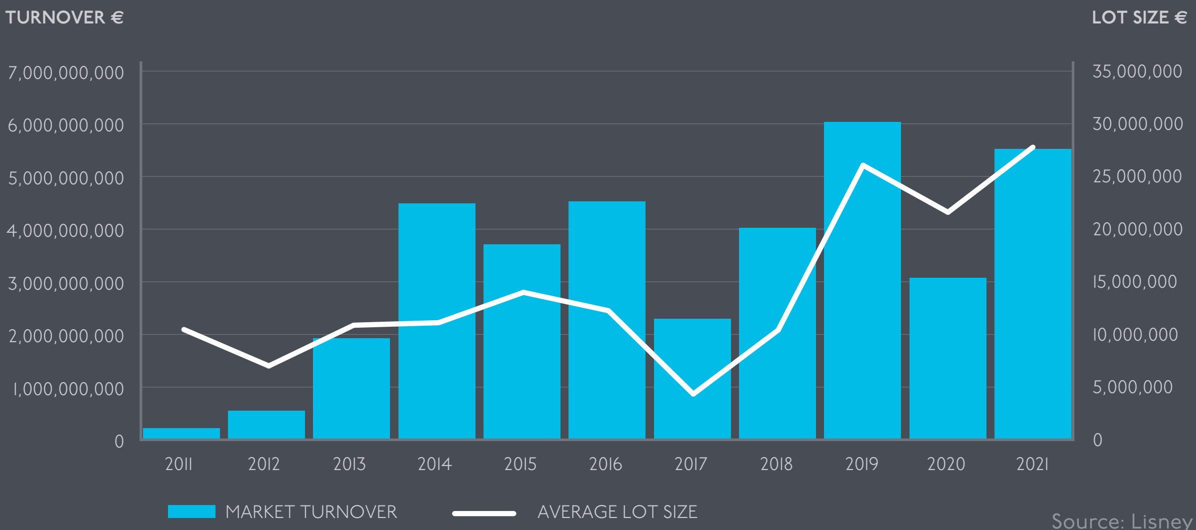
MARKET TURNOVER 2020

€5.5 BILLION

MARKET TURNOVER 2021

SECOND LARGEST YEAR ON RECORD

IRISH INVESTMENT MARKET TURNOVER & AVERAGE LOT SIZE (2011 – 2021)



Source: Lisney

PRS DOMINATED MARKET ACTIVITY IN 2021

€2BN INVESTED IN 2021, BRINGING THE **10 YEAR TOTAL** TO **€8.5**BN

92 Ranelagh Village, Dublin

ACTIVITY & DEMAND

Market dynamics entering 2022 are similar to that of last year and turnover for the year is likely to emulate 2021. Demand remains robust across all parts of the market. International investors and larger Irish funds are most active in the larger lot sizes. Private Irish investors have significant demand for assets priced up to €6m with many seeking a home for cash on deposit that is not producing a return and may be subject to negative interest rates. All traditional property sectors are in demand as are more alternatives.

PRS

As has been the case for the past three years, PRS activity dominated market activity, at 39% of all spend in 2021, much of which was done off-market (albeit with vendors still running sales process, just not actively marketing / advertising). Just over €2bn was invested in PRS last year, bringing the 10-year total to over €8.5bn. Government intervention and negative media attention may influence the intensity of demand for this sector in 2022 (see page 29). That said, domestic and international investors continue to pursue standing investments, forward funding and forward purchasing opportunities. With forward commitments, significant due diligence on rental assumptions will be carried out as part of the underwriting process. Deals to approved housing bodies will also continue to make up part of this market, many of which will be forward purchases.

OFFICES

Despite most office-based staff continuing to work from home, at least part of the time, investment in the office sector is not waning. 28% of investment spend in 2021 was in the office market, and at over €1.5bn was the second largest investment in the sector in the last six years. This shows confidence that the office has a significant role for companies going forward. ESG (see page 29) will also be to the fore in this sector in the years ahead for both investors and occupiers, and will likely lead to a widening in the pricing gap between new and older office buildings. Investors are increasingly more conscious of BER and LEED ratings and achieving the requirements set out in the Net Zero Asset Managers Initiative (net zero greenhouse gas emissions from property portfolios by 2050 or sooner). In the last two years, the pace of change in this area has increased and poor BER ratings can impact saleability and pricing of assets, a trend that is set to continue in 2022 and beyond.

ACTIVITY & DEMAND

Project Star

INDUSTRIAL

The star performer of the property market in 2021 was industrial. This was not just an Irish phenomenon but a global one as retailers and logistics companies sought additional accommodation to cater for the growth in ecommerce. Entering 2022, demand remains exceptionally strong for well-let large-scale buildings and portfolios, and with investors pricing-in continued rental growth, yields are hardening in the sector. 18% of market turnover in 2021 related to industrial investments and if additional supply had been available this figure would have been higher given the level of capital chasing opportunities. At over €1bn, 2021 was the strongest year ever for industrial investment spend; in fact, it is 2.5 times greater than the previous annual high in 2019. There will be more forward funding deals in this space in 2022.

RETAIL

The retail investment sector is making somewhat of a resurgence following five or six difficult years (albeit just 6% of market turnover in 2021). There is renewed interest in opportunities that are priced correctly, a trend that will expand throughout 2022. Prime high street transactions occurred in the latter part of 2021, providing pricing evidence that is likely to lead to further sales this year. Retailers operating from retail parks have generally traded well during COVID as consumers seek greater space and the outdoors while shopping. The sale of the Parks Collection last year demonstrates the strong demand that is in place for well-located schemes with good tenant line-ups, and further sales are likely in 2022. There is interest in shopping centres and although no high-profile scheme has transacted, smaller sales are illustrating demand from domestic and international investors but with significant analysis carried out on tenant viability and income sustainability. The re-emergence of turnover rents will make assessments more difficult. Many of the larger shopping centres acquired earlier in the property market cycle (mainly between 2014 and 2016) have reduced income streams and in turn the capital value has declined. For retail schemes purchased with debt, equity levels have now likely diminished and as a result, we expect assets to trade this year. It may be the case that an investor, or even a handful of investors, will take a large position in this area, wagering on a recovery in the sector.

Royal Hibernian Way, Dublin 2

SUPPLY

On-market supply was tight throughout 2021 with many sales comprised of targeted approaches. For almost two years, some potential sellers have held-off bringing opportunities to the market, fearful that full buyer participation would not be possible due to the pandemic and the travel restrictions on many international investors. This bodes well for supply levels throughout 2022 and in turn strong levels of activity.

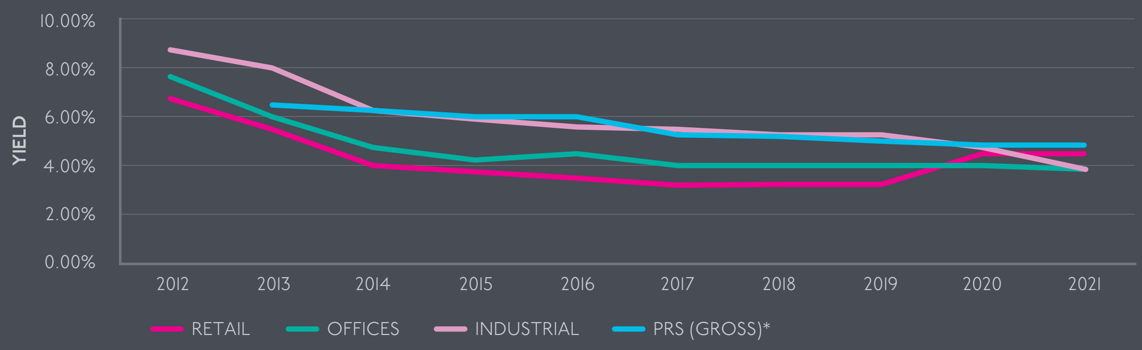
PRICING

As to be expected, capital value and yield movements in 2021, and indeed since the onset of the pandemic, are very sector specific. This will continue to be the case in 2022. However, we do anticipate improvements across most sectors in 2022 with the possibility of yields hardening on some properties.

	CAPITAL VALUES		NET EQUIVALENT YIELD		
	Change in Capital Values since the onset of the pandemic	Change in Capital Values in the first 9 months of 2021	Prime Yield End-2021	Change in Yield since the onset of the pandemic	Change in Yield in 2021
OFFICES	-4%	-1%	3.90%	-10 BPS	-10 BPS
RETAIL	-22%	-6%	4.50%	+75 BPS	—
INDUSTRIAL	+14%	+12%	3.90%	-135 BPS	-85 BPS
PRS*	—	—	4.85%	—	—

* PRS yields do not have OPEX accounted for and as such, are on a gross income basis.
Source: Lisney (Yields), MSCI (Capital Values)

PRIME NET EQUIVALENT YIELDS (2012 – 2021)



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

EXTERNAL FACTORS

There are several wider economic factors that may impact both the investment and occupational property markets in 2022 and beyond.

FACTORS	DETAILS
1 CORPORATION TAX	**The long-discussed Irish corporation tax rate will increase from 12.5% to 15% from 2023 for companies with a turnover greater than €750m.** Ireland fought hard to keep the lower rate and while there has always been the worry that increasing the rate would jeopardise FYI investment into Ireland (and in turn from a property market point of view, the level of occupier activity), the fact that this is a minimum rate globally and many of the smaller start-up companies will be below the threshold, fears appear to be appeased. Reassuringly, IDA results for 2021 details substantial growth in FDI in the year with the highest employment creation figures ever in a single year achieved – despite the pandemic and the OECD international tax agreement. It may be the case that this agreement has taken away the constant threat of potential increases and reassured many of Ireland's international office occupiers, particularly US tech companies.
2 INFLATION	**Irish inflation at the end of 2021 was at its highest level in a decade, running at 5.3%.** Across the Euro Area, the figure was 4.9% with larger economies like Germany and France at 6% and 3.4% respectively. In all locations, transport and utility costs were driving the growth with comparison goods and recreational spending substantially less, generally running below the critical 2% annual growth mark. The ECB has stated that the inflation surge is 'transitory' and indicated no policy tightening in 2022, however many commentators believe an interest rate hike will be required by the start of 2023. Should the base rate increase, this will have an impact on pricing in the property market.
3 IRISH PROPERTY FUND BORROWING LIMITS	Proposals have been put forward by the Central Bank of Ireland to introduce borrowing limits on Irish property funds. Currently under consultation, **it has been suggested that there will be a 50% cap on borrowing** with the Governor of the Central Bank stating that this would prevent Irish entities becoming over leveraged in the event of a market shock. If this ceiling is introduced as suggested, funds will have three years to reduce debt levels. The proposal has caused some concern and may impact Irish investor activity in the longer-term, and also may lead to some sales to reduce debt levels.

	FACTORS	DETAILS
4	ESG	**Over the pandemic, investor focus on ESG has increased considerably, and not just in terms of 'environment' and sustainability, but also across the 'social' and 'governance' categories**, a trend that will continue to be to the fore in the years ahead. Investors will become more focused on the business activities carried out by tenants, how they are handling their own ESG policies, and if this is aligned with the fund and investors. Sustainability will continue to be in focus with many funds potentially having to act in the years ahead to rebalance portfolios to support overall ESG policies. They may be forced into either redeveloping / significantly refurbishing older buildings to achieve better performance levels or sell the properties and allow someone else do it. In the office market, this could lead to a widening of the pricing gap between new and older buildings.
5	PRS MARKET INTERVENTION	Government intervention in a market is generally unwelcome by investors. Any form of uncertainty causes increased risk with frequent rule changes making it impossible to forecast when carrying out cash-flow pricing models for investment. During 2021 there were several changes imposed on the PRS market with potentially more to follow this year. Notably, increased stamp duty rates when purchasing more than 10 houses and/or duplexes within 12 months (apartments remained at the lower rate); rent reviews capped in RPZs to 2% p.a. or HCPI, whichever is the lower (previously at 4%); and increasing Part V requirement to 20% (from 10%) for newly constructed schemes. Additionally, Dublin City Council in its draft development plan, due to come into effect by the end of the year, is seeking to limit PRS development in the city centre with a presumption against new schemes with fewer than 100 units and a presumption against new schemes with more than 100 units that comprise 100% build-to-rent format with a requirement for 40% of units to be build-to-sell. In addition to the interventions, the negative media attention many PRS investors are getting for investing in large-scale residential developments (many of which would never be developed otherwise) is also a concern. On the surface, many may be happy with the recent interventions and perhaps believe further are justified as it would assist owner-occupiers. However, it must be remembered that PRS developments have significantly assisted supply in Dublin's rental sector, a sector that is seriously under-supplied and where private buy-to-let landlords are rapidly exiting the market. There were a few high-profile reports towards the end of 2021 that investors (mainly international) were stepping back from the PRS market because of public backlash and the impact on their CSR policies. It remains to be seen whether the government intervention and heightened attention of the sector will hamper the market in 2022. Unfortunately, there is the threat that international investors will look abroad to more welcoming markets instead of Ireland, which would have very serious negative consequences for housing delivery in Ireland.

Despite the pandemic and potential headwinds, Ireland's economy remains in good condition. Exchequer receipts have recovered strongly, the economy continues to expand, and the country has one of the highest vaccination rates in the world with the booster programme progressing at speed. Consequently, the Irish investment market remains healthy, with robust investor demand, it is anticipated that 2022 will be another strong year in terms of activity and market turnover.

IN FOCUS: LEASE ADVISORY

Across all market sectors, occupiers and building owners have encountered various issues since the onset of the pandemic. This has brought the importance of their landlord / tenant relationship into greater focus.

WHERE THE MOST SUCCESSFUL OUTCOMES ARE ACHIEVED, **BOTH PARTIES HAVE WORKED COLLABORATIVELY AND CREATIVELY** TO SUSTAIN BUSINESS MODELS

5 YEAR PATTERN

In the traditional commercial property sectors (office, retail and industrial), rent reviews typically fall due on the fifth anniversary of the lease commencement for the length of the lease and are based on prevailing market rents. Transactional evidence is used as the basis of rent calculation, taking account of any incentives received to arrive at a net effective rent.

RENT REVIEW ACTIVITY

HOWEVER, GIVEN THE DIFFERING PERFORMANCE OF SECTORS OVER THE COURSE OF THE PANDEMIC, AND EVEN BEFORE, **SOME MARKETS WITNESSED MORE RENT REVIEW ACTIVITY THAN OTHERS IN 2021,** A TREND THAT WILL CONTINUE THIS YEAR.

INDUSTRIAL / LOGISTICS

From an occupational market point of view, the industrial sector has been the star performer of late with headline rents on average growing strongly. Simultaneously, rent-free periods have shortened with lease terms and break options pushed out. This is due to a shortage in supply and increased occupier demand, mainly from businesses engaged in e-commerce.

There are opportunities in 2022 for landlords to contest rents that are due for review with the potential for increases on the passing rates.

RETAIL

Unlike the industrial market, the retail sector has suffered greatly during the pandemic with the closure of non-essential stores for prolonged periods and retailers often permanently closing stores and/or moving much of their business online (leading to a demand for logistics space). Very few new retailers have entered the market and few transactions of note have occurred to establish rental tone. For leases created after 2012, the rent at review can fall or rise, depending on the market dynamic in the previous five years.

With reviews due in 2022, some tenants may be in a position to secure rent reductions on certain stores. For retailers, this could lead to considerable savings over a 5-year period until the next rent review.

Landlords with proactive asset management plans will look for opportunities to engage with tenants, potentially re-gearing leases to suit all parties and limiting rent reductions. This could include removing break options, extending the term or varying other lease covenants.

OFFICES

Unlike the industrial and retail sectors where rents have either increased or decreased, office rents have been relatively stable in recent times but with the potential for some increases this year. However, more notable going forward will be the increased focus on specification – particularly the difference between new and older buildings. Newer buildings benefit from accreditation standards (BER, LEED, BREEAM, Wired Score, Well Score, Cycle Score, etc). ESG is also becoming of much greater importance as occupiers make conscious decisions on sustainability and social factors relating to buildings. It is plausible that there will be a knock-on impact on rent reviews.

Rental evidence relating to more efficient buildings will be adjusted when applied to older buildings being reviewed; potentially leading to a two-tier market.

WHILE HYBRID AND AGILE WORKING IS HERE TO STAY FOR MOST PEOPLE, **THE OFFICE HAS AN IMPORTANT ROLE TO PLAY FOR COMPANIES GOING FORWARD**

05 STRONGER THAN EXPECTED

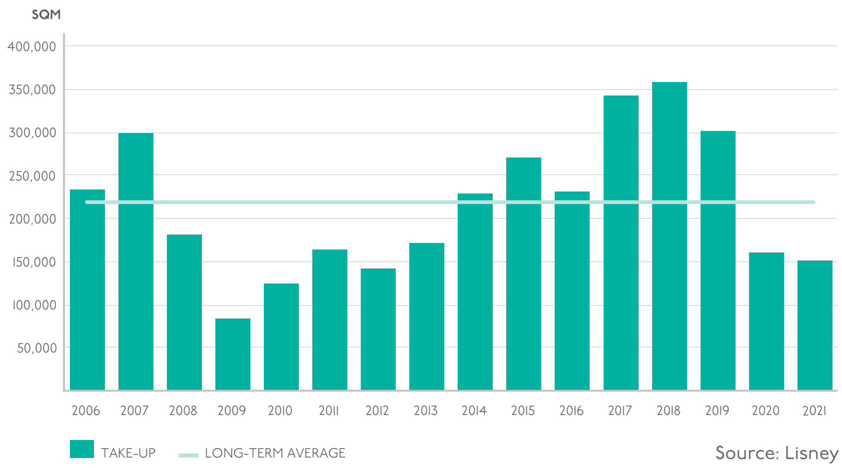
OFFICES

OVERVIEW

Office market activity in 2021 was stronger than expected, at 151,000 sqm.

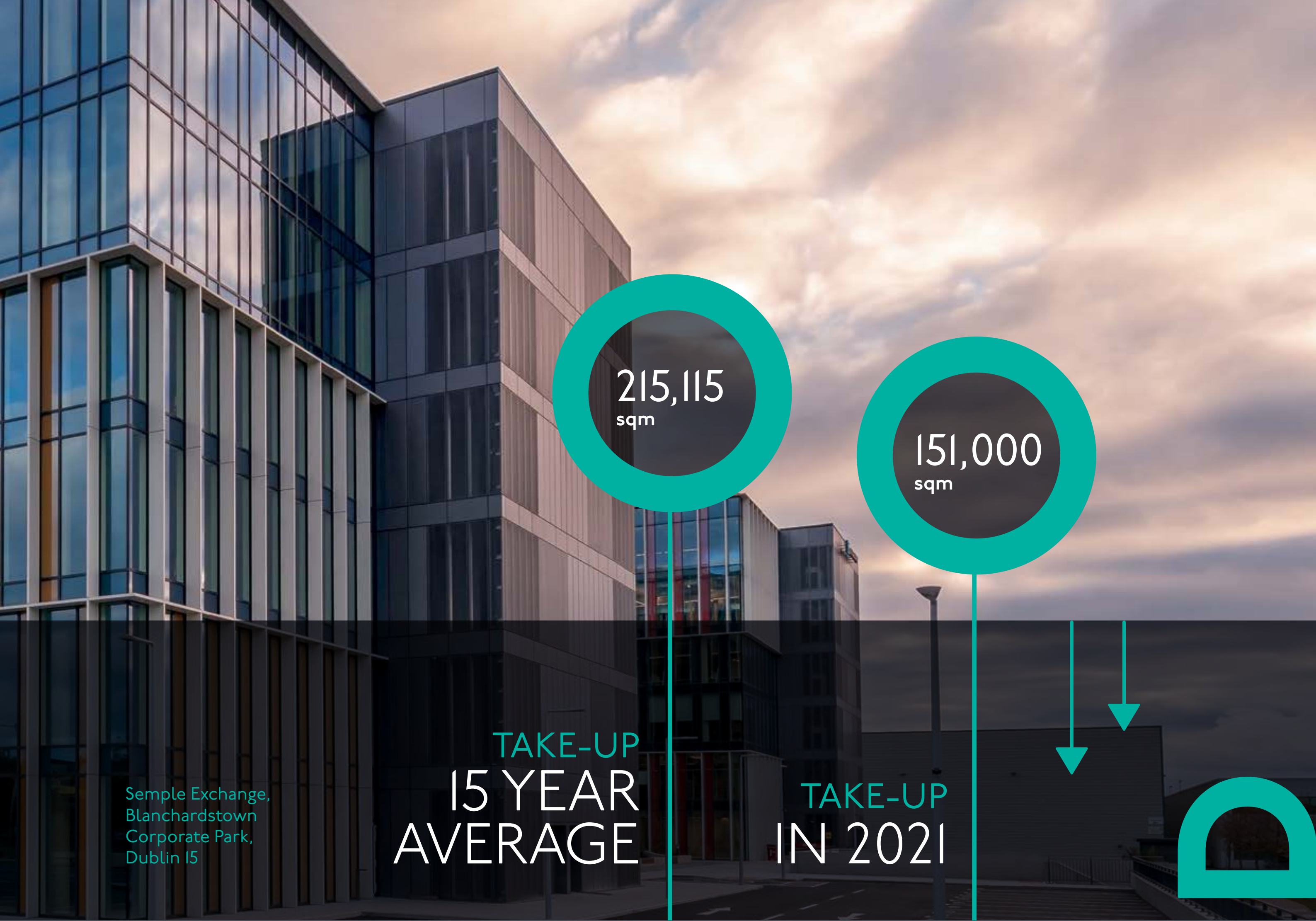
Over 60% of this was done in the final months of the year and did include two very large deals in Q4 that made up one-third of all take-up (KPMG and TikTok). We anticipate a better year in 2022; 80,000 sqm of accommodation was reserved going into January and with strong prevailing demand and occupiers in a better position to make property decisions, a greater volume of transactions will occur.

MARKET ACTIVITY (2006 - 2021)



Source: Lisney

DEMAND



Semple Exchange, Blanchardstown Corporate Park, Dublin 15

THE OFFICE

2021 demonstrated the resilience of the Dublin office market. While hybrid and agile working is here to stay for most people, the office has an important role to play for companies going forward. The social aspect of colleagues interacting in-person is critical to team building and business success, as well as staff morale and wellbeing. Despite grey space (sub-lets) being available in the market, most occupiers have been reluctant to dispose of surplus space, not fully knowing what their requirements will be in the medium-term.

Evidence so far suggests that most occupiers will not require less office space in the future but how they use the space will be different. Working environments will become more appealing to attract and retain staff. Changes may include fewer banks of open plan desks but where they are in place, greater amounts of personal space. There will be more sound-proof pods (suitable for two to three people) and phone booths, and break-out and collaboration space will become even more important as teams connect on the days they are in the office. The immediate external environment will also be important, connecting with the community and having social amenities nearby. The key for developers and investors will be to designing-in flexibility as future occupier requirements are unknown, and as seen in the past two years, can evolve quickly.

DEMAND

12 months ago, it was expected that suburban activity would increase as businesses sought to meet the changing lifestyles of staff. This has not necessarily materialised yet (only 29% of 2021 activity was in the suburbs, in line with recent years) and while there is good suburban demand, it has not come at the expense of the city centre – the two exceptionally large deals in 2021 were in the city centre in Dublin 2. We expect continued demand for the city centre core in 2022.

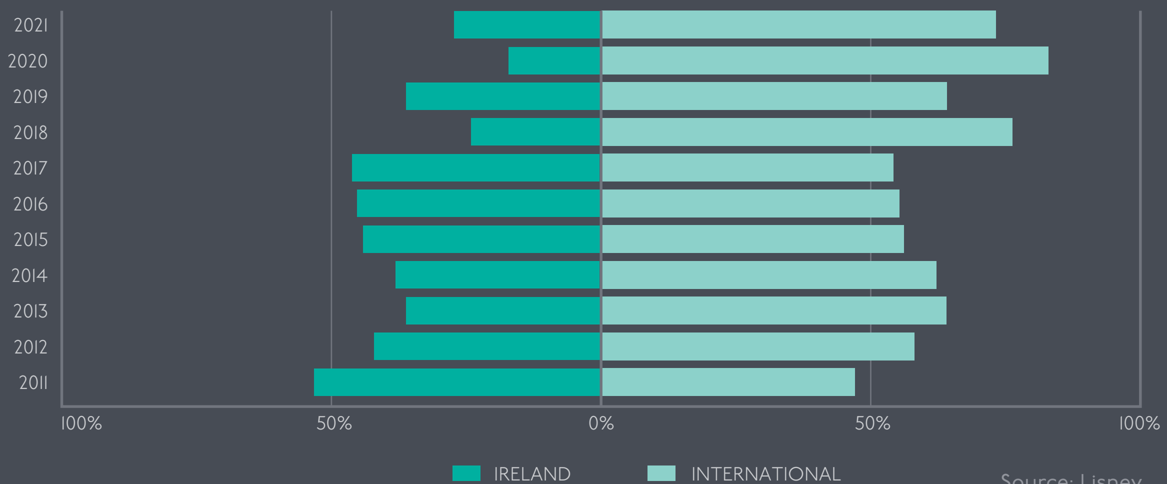
73%

OF THE MARKET COMPRISES INTERNATIONAL OCCUPIERS

Founders District, Belfield, Dublin

Despite the lower levels of activity last year, international occupiers accounted for three-quarters of the market. While US companies remained the most active (43% of entire market), they were not as dominant as in recent years, with companies from the UK and Europe also active. This was partly due to travel restrictions but also pandemic uncertainty more generally. The tech revolution has not gone away and there are several large-scale (such as Amazon) and smaller-scale (Workhuman, Pintrest) tech companies with requirements either active or on temporary hold. We expect to see movement on these as this year progresses.

DOMESTIC V INTERNATIONAL OCCUPIER ORIGIN (2011 - 2021)



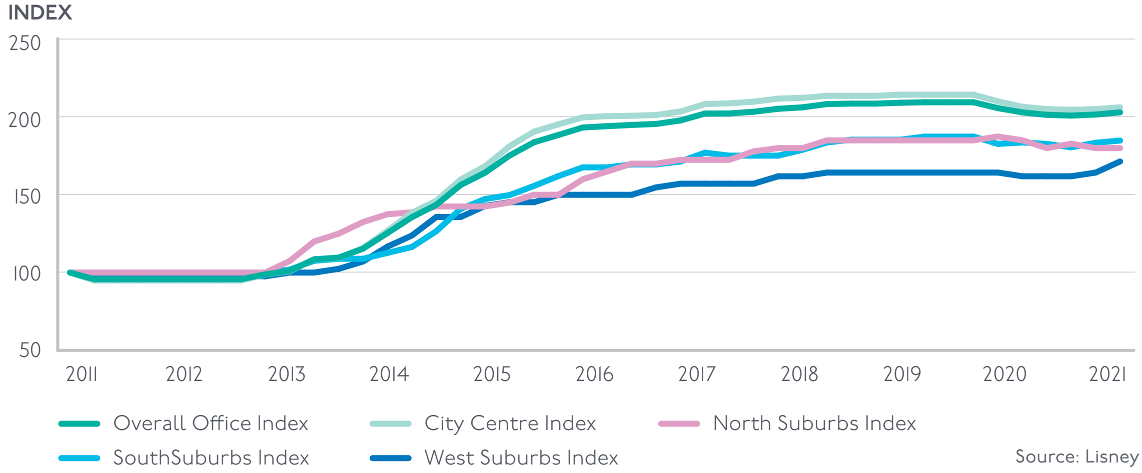
Source: Lisney

For many with space requirements, flexibility will remain crucial in 2022. In the short-term, some may choose serviced accommodation to allow them to grow or contract as needed, while others will take leases, but the timing of break options will be important. While headline rents have remained relatively steady over the pandemic, with just a slight decline initially, incentives such as break options and rent-free periods are moving a little in favour of the tenant. Also linked to flexibility is the heightened demand of space already fitted out. Fit-out costs have increased substantially in the past two years due to material and labour shortages. Taking space that is in turnkey condition with partitions and desks already in place allows occupiers to reduce set-up costs now and gives them time to make longer-term decisions on space requirements.

“ STAFF WELLBEING, ALONG WITH BUSINESS COMMITMENTS TO SUSTAINABILITY AND THE ENVIRONMENT WILL MEAN THAT **MOST OF THE LARGER OCCUPIERS WITH SPACE REQUIREMENTS WILL LOOK TOWARDS NEWER BUILDINGS.**”

140 Pembroke, Ballsbridge, Dublin 4

LISNEY OFFICE RENTAL INDEX (Q1 2011 - Q4 2021)



Source: Lisney

ESG – ENVIRONMENT SOCIAL GOVERNANCE

ESG is very much in focus in this sector, particularly for multinationals and publicly quoted companies. Staff wellbeing, along with business commitments to sustainability and the environment will mean that most of the larger occupiers with space requirements will look towards newer buildings. Currently, flexibility is the trade-off with older buildings, however, moving forward, there will likely be a two-speed rental market and a widening in the gap between rental packages achieved on new and older accommodation.

In turn, there will be an investment market impact as the capital value of older stock is written down over time. In the medium to longer-term this will create redevelopment / refurbishment opportunities as landlords seek to achieve net zero, LEED and other standards. In addition to the costs / viability implications of the various options, there is likely to be a greater focus on carbon management and comparisons will be made between the impact of demolishing older existing buildings, refurbishing existing building and constructing new buildings. Heading towards 2030 there may be the question of whether the carbon footprint of demolished buildings will be considered in the environmental impacts of new buildings – i.e. will the site lifecycle be considered when all the various sustainability ratings are assessed?

OECD INTERNATIONAL TAX AGREEMENT

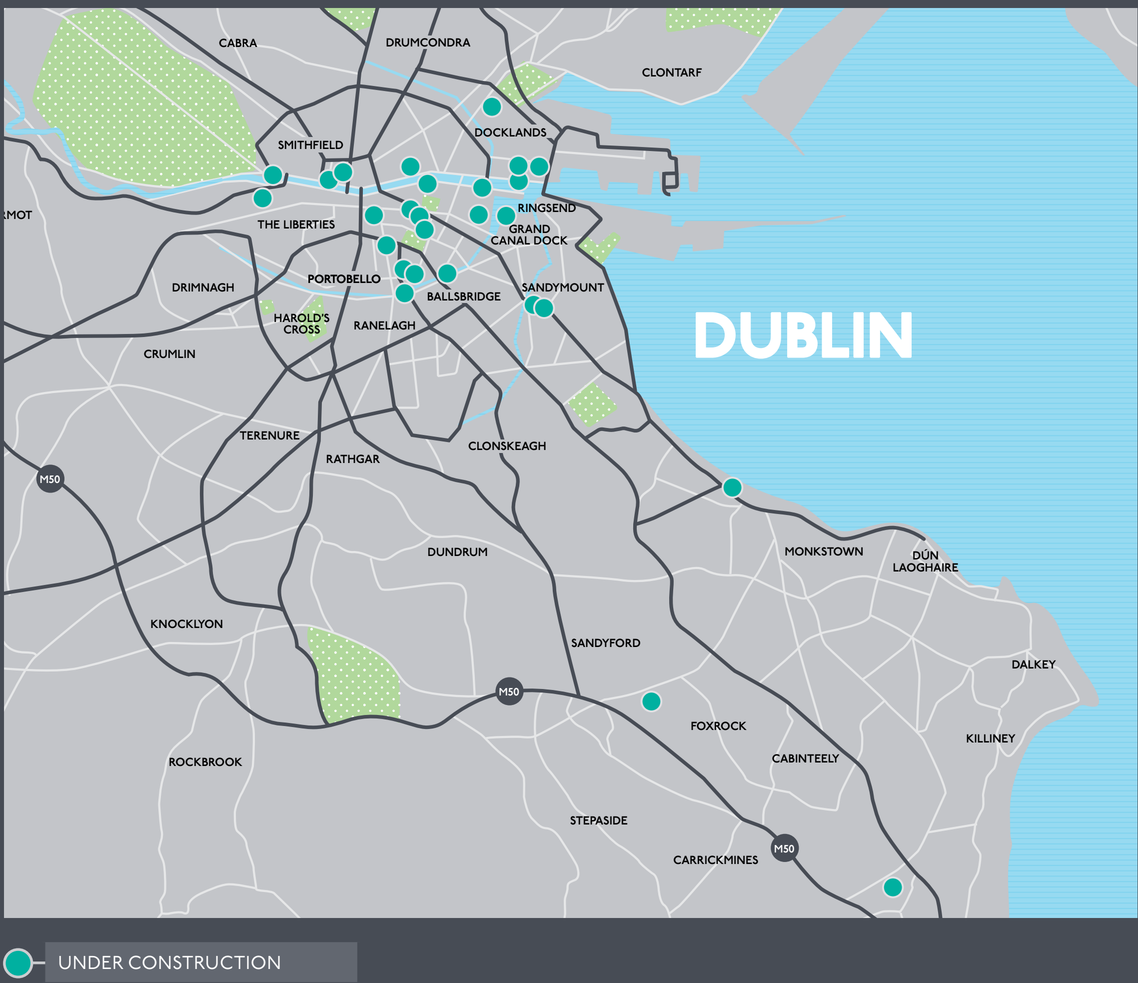
Last October, Ireland joined 140 other countries in agreeing to reform the international tax rules, addressing the challenges arising from the digitalisation of the global economy. Despite the Irish government fighting hard to retain Ireland's existing 12.5% rate, it has agreed to adopt the global minimum effective corporation tax rate of 15%. This will only apply to companies with revenues of more than €750m and currently impacts 56 multinationals and 1,500 foreign owned MNEs based in Ireland.

While such changes have always posed worries about multinationals choosing to locate in Ireland (and from a property market point of view, the level of occupier activity), the fact that this is a minimum rate globally and also applies to countries Ireland competes with for FYI, fears are somewhat mollified. Additionally, smaller FDI companies and start-ups will mostly remain below the €750m threshold. Reassuringly, IDA results for 2021 detail substantial growth in FDI in the year with the highest employment creation figures ever in a single year achieved – despite the pandemic and this tax agreement. It may be the case that this agreement has taken away the constant threat of potentially larger increases and reassured many of Ireland's international office occupiers, particularly US tech companies. More notable threats to the market now may be the housing market crisis and Ireland's competitiveness as prices increase and value for money slides.

NEW STOCK

94,000 sqm of new office space was completed in 2021, half of which was already let or reserved. Initially, over double this amount was due to be finished last year, however with COVID-related site closures early in the year, delays continued. These will now reach PC in 2022 and we estimate that over 180,000 sqm of accommodation will be built this year. At the start of January 2022, there was 430,000 sqm of office under construction, 95% of which is in the city centre.

DUBLIN CITY CENTRE - UNDER CONSTRUCTION



94,000 sqm

NEW OFFICE SPACE COMPLETED IN 2021

50% OF WHICH WAS ALREADY LET OR RESERVED

The Sorting Office, Grand Canal Dock, Dublin 2

NEW STOCK

Potential new starts this year are more difficult to predict with construction capacity in focus across the entire of the property market. The office sector is competing particularly with the residential sector for contractors. Labour and material costs have increased rapidly and the availability of both is constrained. Therefore, most office developers will remain cautious this year when considering starting new builds, worried about rising costs and potential delays. This could result in upward pressure on rents as new supply becomes more limited and is not supplemented by the availability of used and/or grey space.

Additionally, we are likely to see the market turn its focus towards providing Net Zero buildings to cater for occupiers that have pledged to become net zero by 2030. The Dublin market has yet to see a true net zero building constructed, however we understand there are a number of projects in the pipeline.

2022

Unlike in the past when external shocks impacted the sector, the Dublin office market is not in an over-supply situation. The amount of grey space that has come back to the market is not as high as initially expected and the overall vacancy rate remained relatively steady at 10% in 2021 (equivalent to about 1.5 to 2 years' supply). Despite the Omicron variant accelerating the fourth wave of the pandemic and pushing case numbers to record highs at the start of the year, fewer people are getting critically sick. Consequently, as the international economy opens up further and businesses make occupational decisions, we anticipate strong office market demand and much healthier activity levels in 2022. Big tech companies will continue to power market demand. However, construction capacity issues could impact on new building supply in a time where new accommodation (as opposed to older space) will be in increased demand due to ESG commitments.

THE INDUSTRIAL SECTOR'S **STRENGTH IN THE MIDST OF A PANDEMIC** IS LARGELY DUE TO ECOMMERCE AND THE NEED FOR LOGISTICS SPACE BY 3PL AND LARGE RETAILERS

Amazon,
Baldonnell Business Park,
Dublin 22

06 STAR PERFORMER

DUBLIN INDUSTRIAL

ACTIVITY & DEMAND

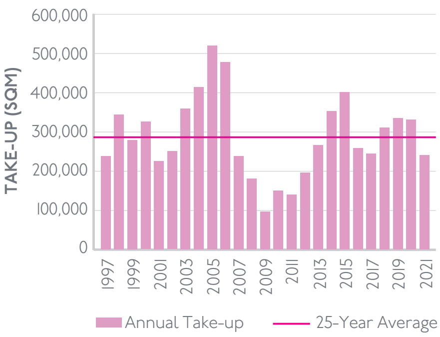
The industrial sector was the star performer of the commercial occupational markets in 2021, a trend that is likely to continue this year.

Its strength in the midst of a pandemic is largely due to ecommerce, and the need for logistics space by 3PL and large retailers, along with pharma companies.

Market take-up was estimated at close to 240,000 sqm last year. While this is the lowest level since 2017, and just below the 25-year annual average, it is not as a result of lack of demand. Rather, it reflects the shortages in suitable supply and the COVID-related lockdowns in the first half of the year. While supply shortages will persist this year, given the space under construction and in the pipeline, we anticipate take-up reverting to over 300,000 sqm in 2022.

Lettings as opposed to sales to owner-occupiers have dominated the market since 2017 (averages three-quarters of space transacted) and will continue to do so this year. It is reflective of how capital values have grown in recent years where businesses put capital to other uses rather than being tied up in owning a building. Another trend likely to continue in 2022 is demand for smaller premises (< 1,000 sqm) by indigenous businesses. This has been evident since mid-2021 and is a positive indicator for the economy. We will also see some developers return to constructing in this sub-1,000 sqm building category along with the 1,000 to 2,000 sqm sector, which is suffering from under supply.

DUBLIN INDUSTRIAL MARKET ACTIVITY (1997 - 2021)



Source: Lisney

LEASE TERMS

240,000 sqm

MARKET TAKE-UP 2021

300,000 sqm

EXPECTED MARKET TAKE-UP 2022

This is the lowest level since 2017, and reflects the shortages in suitable supply and the COVID-related lockdowns in the first half of the year.

TERMS

With a landlord market, lease terms continued to evolve in 2021 and will likely change further this year. For design-and-build projects, the majority of landlords are currently securing 20-year terms with break options pushed out to year 10 or 12. This will likely move to year 15 this year. Rent free periods have fallen to 4 or 5 months with headline rents at €113 - €116 psm (€10.50 - €10.75 psf) and this will move to over €118 psm (€11 psf) during 2022.

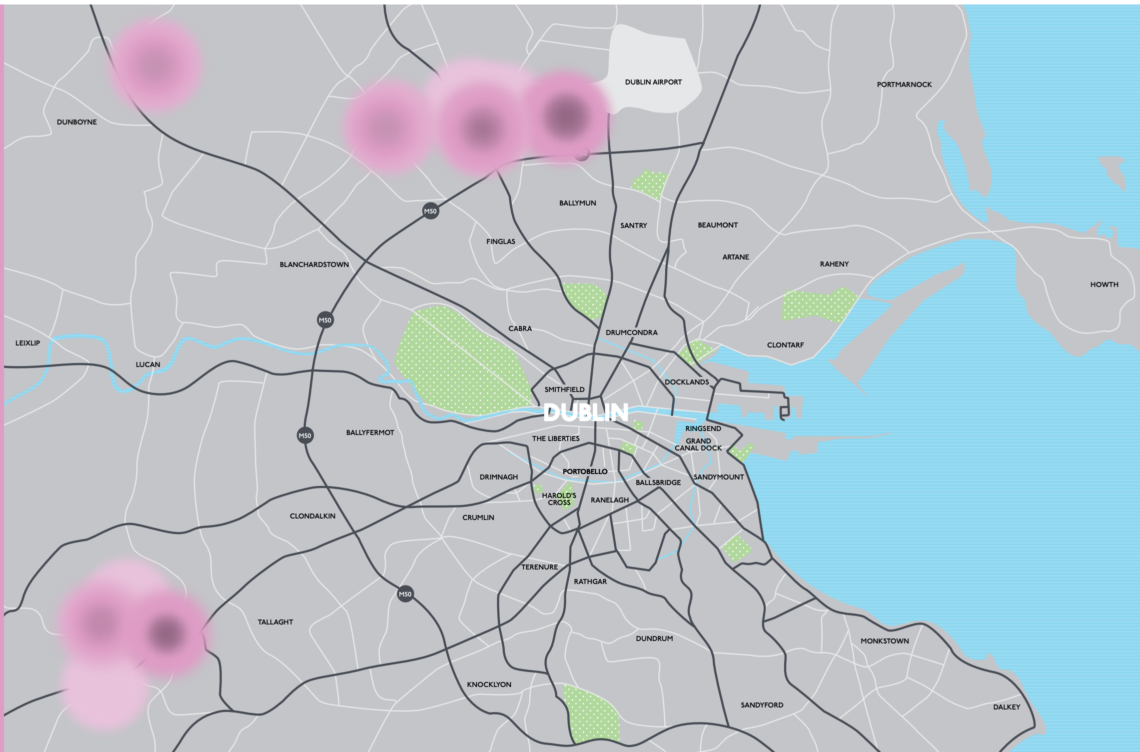
Given the shortage in stock, good quality used space is achieving similar terms and incentives but at perhaps slightly lower rents €102 - €105 psm (€9.50 - €9.75 psf). At the smaller end of the market (less than 1,000 sqm) where only slightly better levels of supply is available, break options are being achieved sooner in the lease, generally at year 5 or 7, with rents varying depending on location and condition. It is noteworthy that there has been a steady increase in demand for modern units in the 1,000 - 2,000 sqm size bracket and rental levels in excess of €130 psm (€12 psf) have been achieved in recent months.

Lisney's index of industrial property rents in Dublin grew by 9% in 2021 and by 48% in the last five years. This pace of growth is significantly greater than any other commercial sector. We anticipate further growth of at least 10% in the next 18 months. This is due largely to the continually growing activity in online sales and the resultant need for logistics space, including same-day / next-day delivery options. With European and global players now in the market, it also reflects the gap between Dublin's prime rates and that of other competing European cities.

FUTURE STOCK

UNDER CONSTRUCTION

Industrial construction activity has been gathering momentum since the latter part of 2016. Despite the closure of some building sites for 17 weeks in the early part of 2021, the pace of new starts quickened considerably in the year. Entering 2022, there is about 275,000 sqm of accommodation under construction (compared to 125,000 sqm 12 months previous) with several notable features to this; large lot size (the average building is 10,200 sqm), larger eaves height (all between 12m and 14m), majority have deals agreed (only 40% is available), and generally located either in the southwest or northwest regions. Just nine developers are involved in providing this space, seven of which are particularly active.



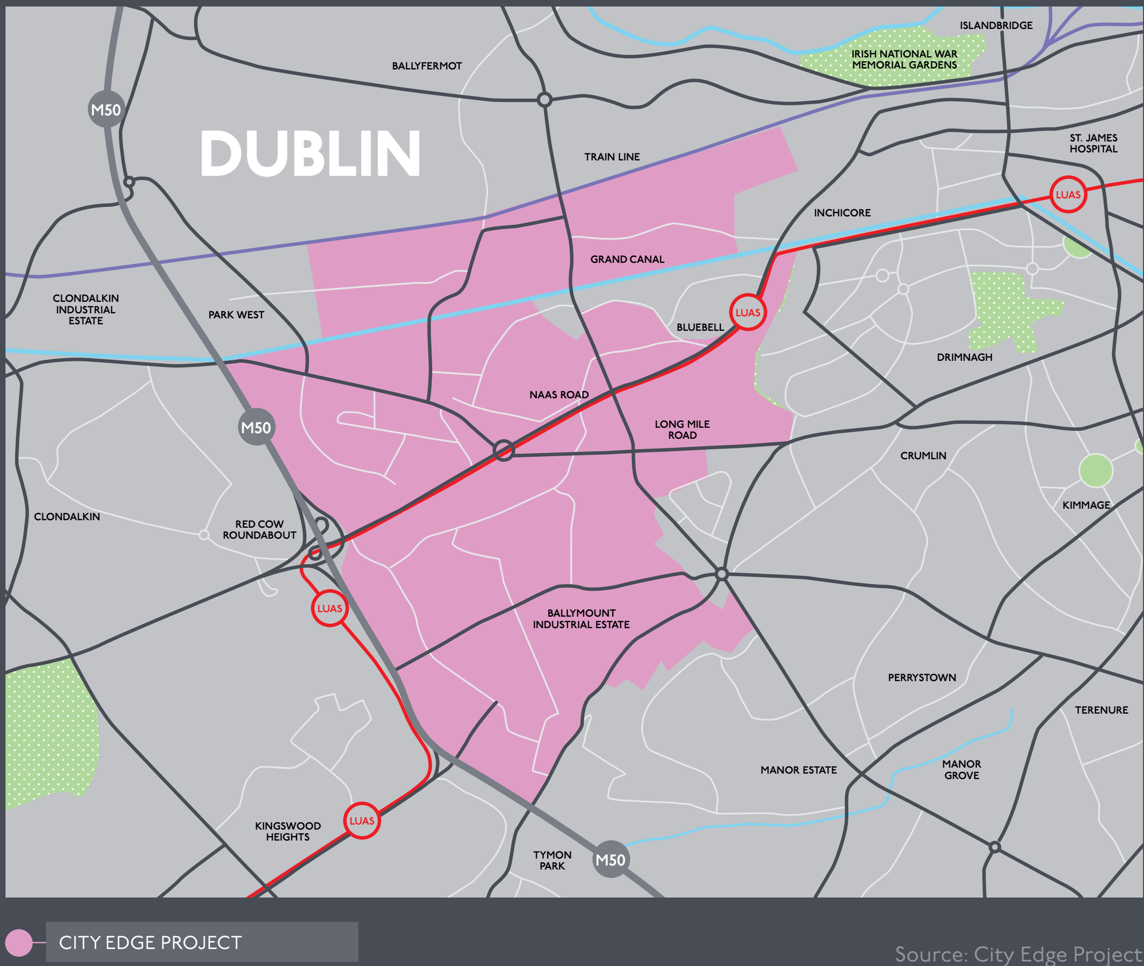
Source: Lisney

PIPELINE

In addition to the buildings on-site, over 146,000 sqm of space has planning permission but has not yet started. Five of the developers already engaged in construction works are also involved with this accommodation. 60% is in the north region with the remainder spread across the southwest and northwest regions. Given the occupier demand, much of this pipeline will progress in the short to medium-term, by way of a mix of design-and-build, speculative and some forward funding from investors. In addition to this, other lands are being considered for industrial development. In the northwest region, two large tracts of industrial zoned lands are due to come to the market early in the year. Combined, the sites extend to over 200 acres where it is feasible that over 350,000 sqm of industrial premises could be built in the coming years.

CITY EDGE PROJECT

In terms of longer-term industrial development in Dublin, consideration must be given to the City Edge Project that was launched in September 2021 by Dublin City Council and South Dublin County Council. The vision is to create one of "Europe's largest urban regeneration projects", "an attractive extension of the city for people to live, work and socialise". This will mean displacing existing industrial uses.



Source: City Edge Project

The area extends to 700 ha around Park West, the Naas Road and Ballymount, and on the surface it is a very positive project with the potential to create 40,000 homes and 75,000 jobs in a central location that is on the Luas line, i.e. climate resilient compact growth, as required in the National Planning Framework. However, and this is accepted by the local authorities, this area is already a successful busy business and residential community sustaining 25,500 jobs in 1,500 different businesses that account for 4% of Dublin's employment and contributes almost €2bn to the economy each year. From a property point of view, it is Dublin's traditional industrial area with much of the southwest region's stock located in Park West Industrial Park, JFK Industrial Estate, Western Industrial Estate and Ballymount Industrial Estate. Practically all of the industrial buildings in these estates are occupied by operational businesses and the vacancy rate is very low (sub-4%).

Prevailing rental and capital values do not justify redevelopment. If this plan is to begin to materialise, consideration will need to be given on how to encourage the majority of the 1,500 businesses to relocate to other areas. We estimate about 2.5m sqm of alternative industrial accommodation would be required to replace what is lost. Therefore, the question currently remains; where will the businesses go? There is currently insufficient industrial zoned lands in DCC and SDCC's administrative areas to cater to their space requirements.

THE NEW **NATIONAL DEVELOPMENT PLAN** SETS OUT **€165**BN **IN SPENDING** UP TO 2030

Former Lufthansa Premises,
Naas Road, Baldonnell,
Dublin 22

INFRASTRUCTURE/CARBON TAXES/ESG

A new National Development Plan was released in October 2021, setting out €165bn in spending up to 2030. Transport infrastructure forms a large part of this (€35bn) and it is critical to the industrial property market. €5.8bn has been earmarked for new roads, while there are also plans to improve international connectivity by 2026 with €2.4bn for air and €42m for ports. Much of the overall spend is on public transport infrastructure, which does assist with alleviating road congestion elsewhere but it is notable that there were no proposals for an additional River Liffey bridge on the M50, no outer M50 ring road and the previously earmarked eastern by-pass is now gone.

Towards the end of 2021, there was a growing awareness about the impact of rising carbon taxes, and in turn fuel cost, for road hauliers. This too can impact on the industrial market and in particular on the location of 3PL premises. Combined with occupiers corporate governance and environmental policies (ESG), there have been large strides of late in energy efficiency for industrial buildings. Most of the new buildings under construction are obtaining a LEED rating of Silver and in many cases Gold, achieved through rainwater harvesting, EV charging points, increased cladding insulation standards, solar panels and LED sensory lighting in the office and warehouse areas.

INVESTMENT MARKET

€1BN

SPENT ON INVESTMENT DEALS IN 2021

This is equivalent to industrial investment market turnover for the previous **6 YEARS COMBINED**

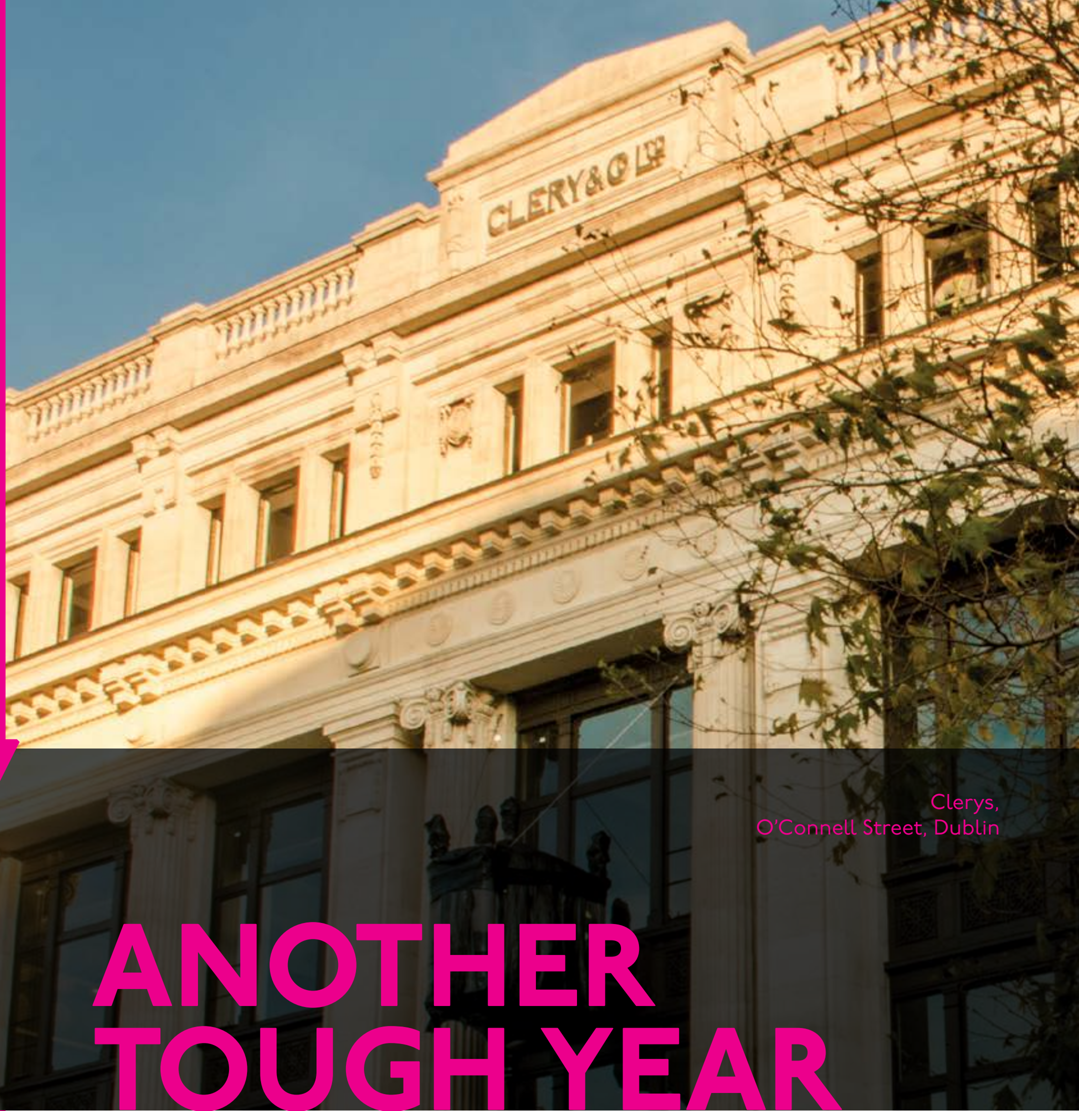
25 Magna Dive, Citywest, Dublin 24

INVESTMENT MARKET

Domestic and international investor demand in the industrial sector reached record highs in 2021 with €1bn spent on investment deals. This is equivalent to industrial investment market turnover for the previous 6 years combined. While much demand stems from the resilience of the sector over the pandemic with rental and capital values growing, activity also occurred due to the improved availability of investment grade product (acceptable lot sizes and lease terms). The limited opportunities that have been offered off-market have seen highly competitive bidding processes, with some buildings achieving 25% more than the original guide price.

In the past decade, very few opportunities of note have been offered. However, several portfolios along with large distribution / 3PL centres have provided supply in the past 12 months. One of these distribution centres (Primark, Newbridge) was offered by way of a sale-and-leaseback of an under-construction premises and achieved a reported 3.7% net initial yield. By way of reference, this is lower than prevailing yields on prime high street retail and prime office blocks. Also of note was Palm Capital's purchase of the Core portfolio for a reported €196m, which primarily comprises Naas Enterprise Centre but also properties and land mainly in the greater Dublin area. These sales point toward a potential trend in 2022, whereby newly completed industrial stock that is generally larger in size and occupied on institutionally acceptable leases, will be sold either individually or as part of portfolios. There will be no shortage of prospective buyers as evidenced by some of the recent Irish and European-wide sales. It may also be the case that later in the year, several forward funding opportunities will be put to the market by developers. Additionally, in order to capitalise on improving prices, some owner-occupiers will consider sale-and-leaseback deals. This could be a very attractive proposition for those that bought buildings between the 7th December 2011 and the 31st December 2014 and held for between four and seven years. For those bought in 2014, the CGT waiver savings will now begin to diminish.

TEXTILES, CLOTHING AND FOOTWEAR WERE HARD HIT BUT DID EXPERIENCE AN **IMMEDIATE AND NOTABLE BOUNCE** ONCE STORES REOPENED.



Clerys,
O'Connell Street, Dublin

07

ANOTHER TOUGH YEAR

RETAIL

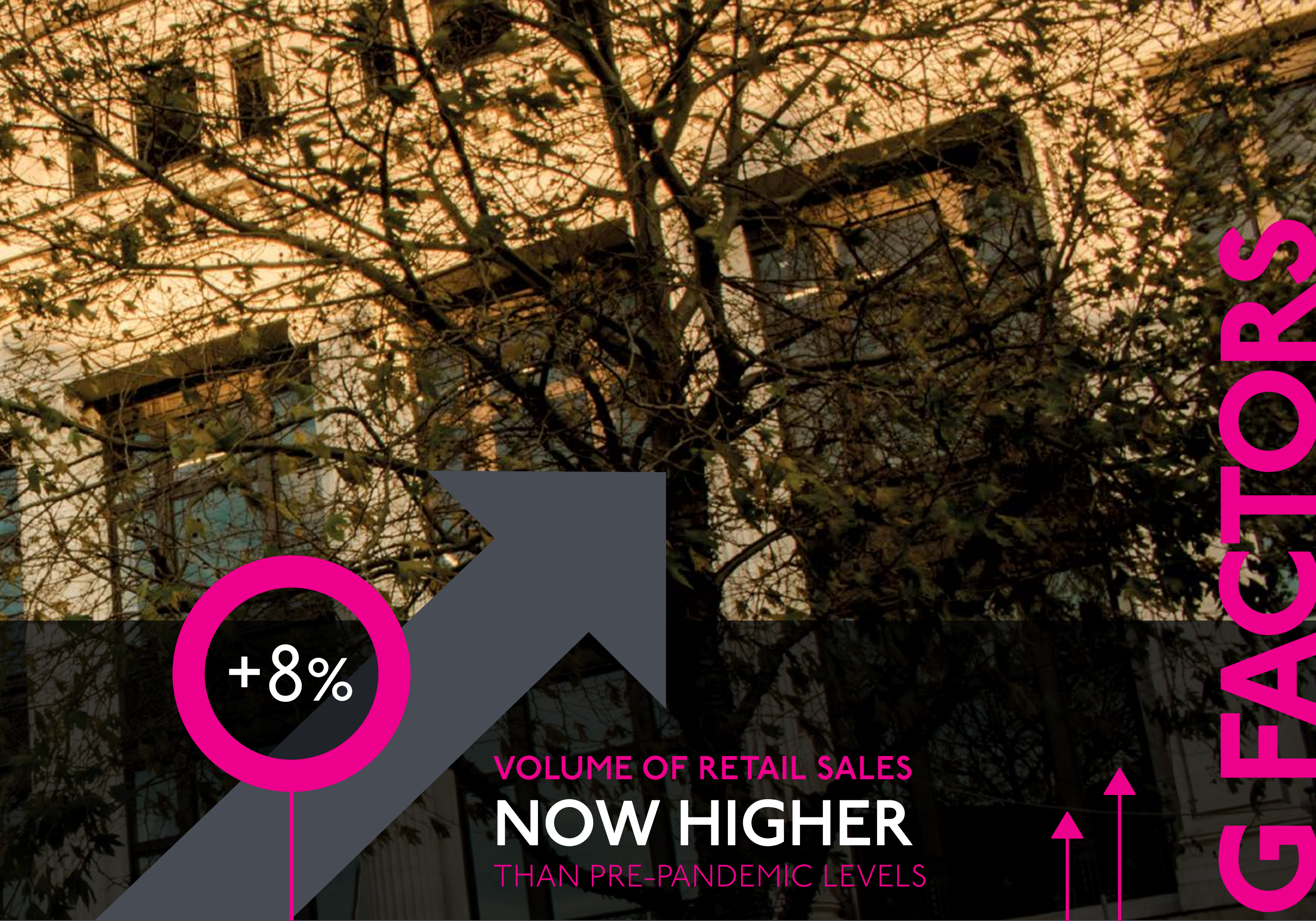
MARKET CONTEXT

2021 was another tough year for many retailers with non-essential physical stores closed for almost four months.

Textiles, clothing and footwear were hard hit but did experience an immediate and notable bounce once stores reopened. The grocery and convenience sectors had a steady year as they remained open. Many bulky goods retailers were permitted to open, albeit with some restrictions on products sold, with click-and-collect assisting the level of sales.

Last year, consumer sentiment dipped in January, coinciding with a lockdown along with the post-Christmas period. But it did recover quickly and remained relatively stable and strong throughout the year, albeit with the threat of Omicron having some impact towards the end of the year. Accordingly, the volume of all retail sales grew by 2.7% in the 11 months to November 2021 and was 8% higher than pre-pandemic levels.

Entering 2022, the sentiment around consumer expectations for the year ahead is impacted by the fourth wave of the pandemic and the very high infection rates as well as concerns about the cost of living; rising prices is very much a factor with CPI growth running at the largest annual rate in two decades (+5.3%). Much of this increase is driven by energy costs (home and transport) with the majority of retail sub-sectors remaining below the 2% growth mark – notably clothing, footwear and household goods.



VOLUME OF RETAIL SALES
NOW HIGHER
THAN PRE-PANDEMIC LEVELS

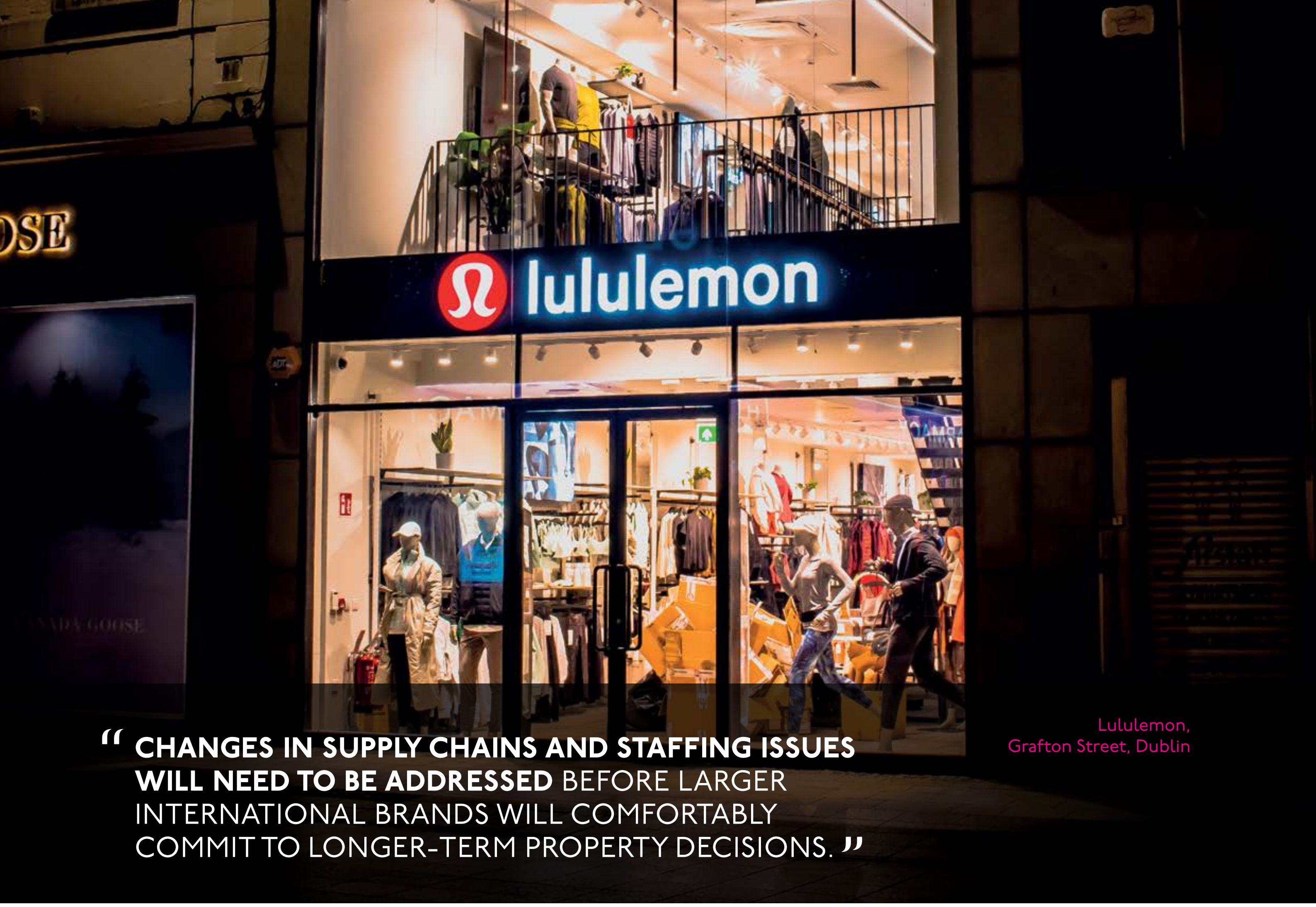
IMPACTING FACTORS

Readings from KBC Bank Consumer Sentiment Index suggests consumer caution rather than a collapse in confidence, which does provide a basis to be hopeful about retail trading conditions in 2022. This in turn will impact demand of stores in the retail property market.

IMPACTING FACTORS

Following on from last year, a two-tier retail property market will certainly continue in the first half of 2022; whereby regional towns and city suburbs will perform well while the city centre high streets will continue to be hardest hit. This is due to several underlying factors. Specifically, the city centre has suffered from reduced footfall levels with tourist numbers down 80% and office workers continuing to work from home. Once the fourth Omicron wave starts to ease, tourist numbers should begin to improve and office workers will return once again to the city centre, at least two to three days a week. Traditionally, the city centre high streets attracted high-profile UK and international brands, however many of these brands are not currently in expansion mode.

Unlike the mass store closures experienced globally in 2019/2020, retailers have spent 2021 dealing with outbreaks of COVID-19, major supply chain issues, demand surges once restrictions lift and major staffing shortages. Supply chains were once predictable and were not designed to face the challenges presented over the past 24 months. This is an area that most retailers will be focused on again in 2022 as uncertainty continues due to the rapid changes taking place globally, Brexit, the pandemic and climate change. The second biggest challenge facing retailers is staffing shortages. Retailers and restauranteurs will work hard to attract and retain good quality staff, concentrating on how best to train them while also dealing with COVID outbreaks and close contact restrictions. Consumers have stayed away from indoor shopping during periods of high or increasing virus numbers. Well-trained staff providing an excellent service, along with well stocked stores in safe environments will be paramount if retailers are to entice shoppers back instore.



Lululemon,
Grafton Street, Dublin

> “ **CHANGES IN SUPPLY CHAINS AND STAFFING ISSUES WILL NEED TO BE ADDRESSED** BEFORE LARGER INTERNATIONAL BRANDS WILL COMFORTABLY COMMIT TO LONGER-TERM PROPERTY DECISIONS. ”

THE YEAR AHEAD

While 2021 was very much a period of survival for retailers, 2022 will be about living with the virus and operating in its context. Changes in supply chains and staffing issues will need to be addressed before larger international brands will comfortably commit to longer-term property decisions. In the short term, landlords will need to be flexible on lease terms to attract retailers back into the Irish market. There are still a large number of vacant units to let both the Grafton Street and Henry Street areas (15 and 9 respectively). The city centre shopping centres fared better due to the flexibility around terms with St Stephen’s Green and Ilac Shopping Centres agreeing several short-term lettings to well-known brands including Jack Wills, Best Menswear and Born. Lululemon opened its doors in the former Pamela Scott store on Grafton Street just in time for Christmas, which was a welcome addition to the street. Lettings are in negotiations on units on Grafton Street and on nearby Chatham Street, which will hopefully complete in Q1 2022, bringing new life and additional footfall to the street. With a lack of investment in Grafton Street and Henry Street, Dublin’s premier shopping districts are looking tired and require an upgrade in paving, streetscape and landscape to make them more visibly attractive to international occupiers considering Dublin and the Irish market.

Within regional towns and city suburbs, rents are low enough and terms flexible enough to allow occupiers to continue to trade. Retailers across the board have benefitted from the non-payment of commercial rates along with other Government assistance, allowing them to survive during the difficult trading periods. As a result, supply is tight in many towns and shopping centres across Ireland, a trend that is likely to continue well into 2022.

‘FUTURE STORE’

Retailers have been dealing with ecommerce for almost two decades, albeit the intensity of which has increased dramatically in the past few years. Simultaneously, the number of new physical store openings has declined. As a result, retailers from all sectors are now reflecting on what their ‘future store’ will look like.

Many are considering different store formats and are moving away from obvious high street or flagship locations. For example, IKEA has taken smaller city stores across Europe that are more accessible, and in Ireland it recently opened its first furniture planning store in Naas, Co Kildare. Pop-up stores have been slow to take-off in Ireland but are much more common across Europe where luxury brands are using them for in person product launches. Louis Vuitton, Prada and Gucci have all used pop-up stores in this way.

H&M has moved away from the landmark high street locations opening on South King Street and College Green in the past. It has now closed its store at the entrance to the Ilac Shopping Centre on Mary Street and is relocating to the Clerys redevelopment on O'Connell Street. H&M, like other large fashion multiples, is seeking turnover or TOC (total occupancy cost) deals based on shorter, three to five year terms.

Generally, for turnover deals to be effective both landlords and tenants need to collaborate and be fully transparent. All deals have different matters of relevance and there is no one-size-fits-all solution; however, consideration must be given to in-store sales, online sales, returns, vouchers, staff discounts, and click-and-collect. Landlords need to be cognisant that they are benefiting from a strong footfall driver and in return, the tenant wants to be able to control costs and have flexibility where the location is not the right fit.

TRENDS

TRENDS

There are many emerging and established trends that will also impact the property market in 2022, which include:

- As **ESG** grows in significance, larger brands are starting to look more closely at the area of eco-friendly / sustainable stores along with second-hand item sales. IKEA recently opened a trial second-hand store where it will buy back and resell unwanted furniture.
- **Cashierless stores** are on the rise whereby customers walk out of the store with the items purchased scanned automatically and the cost debited from a linked account. Amazon originally initiated this approach in 2018, and last year Tesco opened its first checkout-free store in central London. In Ireland, BWG Foods that owns and operates almost 1,100 Spar, Eurospar, Mace, Londis and XL stores, has teamed up with MishiPay to introduce Scan, Pay and Go technology. The trial commenced in August 2021 in Spar Cherrywood, Dublin and in Londis Newcastle, Galway and is likely to continue in 2022.
- **Food takeaways** have soared over the pandemic due to the restrictions imposed on the hospitality sector. For many traditional restaurants this has been facilitated by a relaxation in planning laws with food collected by consumers, but for others, online food ordering and home delivery platforms such as Just Eat, Deliveroo and Uber Eats have provided the infrastructure needed. To demonstrate the growth, it is interesting that the number of users of the Deliveroo platform in Ireland grew by 75% between 2019 and 2020 (from 80,000 to 140,000). This demand is set to continue and will be further enabled by technology and changing property requirements. Ghost kitchens – also known as dark, cloud, or virtual kitchens – is a growing trend globally. These kitchens are food preparation and cooking facilities, from which food is delivered to the consumer. There is generally no shopfront, no indoor seating and no waiting staff, and the only customer interaction is online when ordering. Some ghost kitchens may provide a collection area, and internationally, many may also include a drive-thru. In spite of consumers growing demand for takeaways and taking account of the difficult two years the hospitality industry has endured, requirements for traditional restaurants remains high. In Dublin, this is focused on strong south Dublin suburban locations with brands such as Siam Thai (Rathmines), Bujo Burger (Ternure) and Michels (Blackrock) taking space.

Looking forward, if retailers can get supply chains and staffing issues under control, the retail property market may move towards a period of new store openings. These are likely to be subject to landlords offering flexible terms, allowing retailers test the viability of locations following a period of changing consumer demands and trends.

CITY CENTRE PUBS CONTINUE TO SUFFER THE MOST GIVEN THEIR RELIANCE ON TOURISTS AND NEARBY WORKERS.

Brazen Head, Usher's Quay, Dublin

08 INCREASED TRANSACTIONS

LICENSED & LEISURE

OVERVIEW

The licensed and leisure industry remains among the worst hit sectors of the economy by the pandemic. Following a very prolonged period of closure for all types of licensed premises in 2020, there were further closures in the first half of 2021.

Limited reopening began in June and expanded in July as the vaccine roll-out gathered pace. According to the CSO, the volume of sales within bars grew in each of the subsequent months and given that it was coming from such a low base was up by over 500% in the first month of opening and then by an average of 17% per month thereafter. However, not all businesses preformed equally. Certain restrictions remained into December with further restrictions coming into play on the 20th December due to the arrival of the Omicron variant.

TRADING

City centre pubs continue to suffer the most given their reliance on tourists and nearby workers. The lack of corporate and event-based footfall also continues to impact many city centre premises. While international travel opened-up more widely in 2021, overseas tourist numbers remain about 80% below 2019 levels. Additionally, the phased return to the office was paused in November due to growing COVID-19 case numbers. In the suburbs, businesses are busy, continuing to benefit from people spending more time in their local areas, although restricted in numbers by social distancing and earlier closing times.

In addition to the difficult trading circumstances, publicans are experiencing significant staffing challenges since reopening. The 21 months of disrupted trade has taken its toll on staff in bars and restaurants and resulted in some seeking employment in other sectors and/or leaving the country. The availability of the PUP has also been cited as a reason for shortages.

Certain government supports continue to assist the industry. The EWSS scheme, which provides a level of income to publicans and their workers, has been extended to the end of 2022. The lower tourism VAT rate of 9% has also been extended (until September 2022), supporting food margins. However, the CRSS scheme, providing up to €5,000 a week to businesses that were prohibited from opening or where their trade has been reduced significantly due to the restrictions imposed on them, is due to end on the 31st January 2022.

ACTIVITY

ACTIVITY

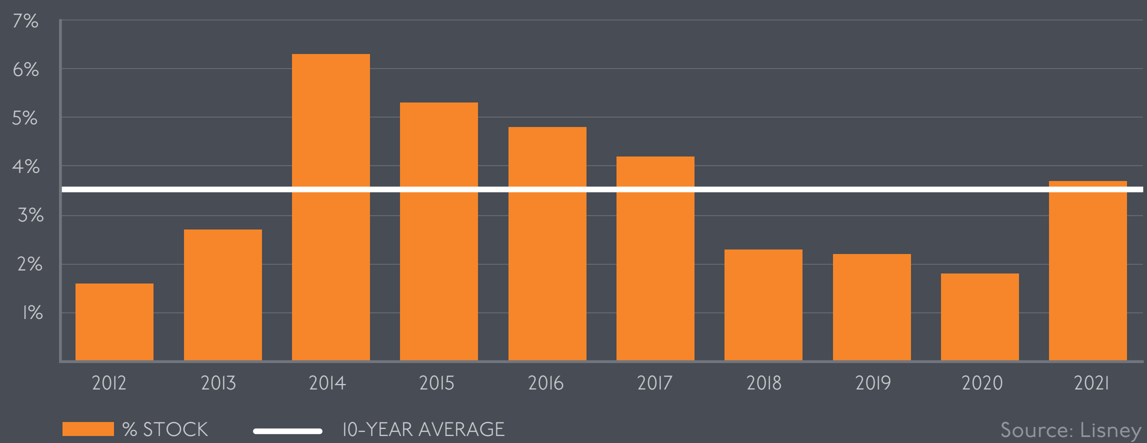
Despite the supports, the pandemic has weighted heavily on the viability of some operations. According to the Licensed Vintners Association (LVA), 349 pubs in Ireland have closed permanently due to COVID, which accounts for 5% of all stock. 33 of the closures are in Dublin.

There is also evidence of pubs temporarily remaining closed. For example, the operator of O'Neill's on Pearse Street, a long-established Victorian premises, has taken the decision not to reopen until the 8pm closing time restriction has been lifted, stating that the early curfew makes the business unviable. Encouragingly, there were also some new openings, mainly by larger group operators, some of which were earmarked pre-pandemic. Examples include Lennan's Yard on Dawson Street, JD Wetherspoon's two premises in Dublin city centre - Keavan's Port on Camden Street and South Strand on Hanover Quay, and NolaClan's The Gables in Foxrock.

From a property market perspective, despite the significant challenges and periods where the industry was unable to trade, sales activity significantly increased in 2021. 27 Dublin pubs transacted in the year, at a combined value in excess of €70m, the largest market turnover in over a decade. The 10-year average is €35m, with 2020 at €41.65m and 2019 at €57m.

Notable sales include The Brazen Head, Ireland's oldest pub, at Usher's Quay in Dublin 8; MB Slattery in Rathmines; The 108 in Rathgar; The Magpie Inn in Dalkey; The Wellington on Baggot Street; Dice Bar in Smithfield; Larry Murphy's on Baggot Street; and Fitzgerald's in Sandycove. There were an additional 12 licensed premises sale agreed in Q4 2021, further illustrating the appetite within the market.

PROPORTION OF DUBLIN LICENSED PREMISES STOCK SOLD (2012 – 2021)



Source: Lisney

6 PUBS

AVAILABLE IN ON-MARKET SALES WITH MORE DUE IN **QI 2022**

The Auld Dubliner,
Temple Bar, Dublin 2

DEMAND / SUPPLY

It is likely that there will be further casualties this year, but there will also be opportunities. Traditionally, the Irish pub industry has been predominantly owner/family-operated (more than 90% of premises). However, the majority of Dublin licensed premises sales in recent years have been driven by family office, private equity and institutional investors through either leasing or minority ownership stake deals with publicans, which could indicate a change to this long-standing ownership structure.

Demand for prime central Dublin pubs and those in densely populated suburban areas will remain strong in 2022. Larger pubs that are capable of seating a meaningful number of customers while accommodating social distancing, or those benefiting from usable outdoor space to accommodate additional patronage, will attract the greatest interest. Demand will stem from various types of purchasers including existing publicans (albeit possibly constrained by finance availability in the short-term) and private equity funds. These funds in particular will be targeting the upper-tier of the Dublin market, seeking established pub groups and/or high profile venues; we are aware of several with active 2022 requirements.

In terms of the supply, the pipeline is strong as 2022 begins. There are six pubs available in on-market sales with more due in QI 2022. As the right opportunity becomes available, potential purchasers that are well resourced will be keen to engage with sales processes and complete transactions.

"**PREMISES IN WELL-POPULATED AREAS** WILL RECOVER MORE QUICKLY THAN THOSE RELYING ON TOURISM."

O'Neills,
Suffolk St, Dublin 2

OUTLOOK

OUTLOOK

Entering 2022, the impacts of the Omicron variant are prevalent but the booster and over 5s vaccines are progressing at speed. Many operators invested heavily in their outdoor dining areas in 2021, which will continue to drive customer demand, particularly during the warmer months. As such, we are optimistic about further improvements in trading conditions in the year ahead, which will have an impact on activity and pricing in the licensed premises property market.

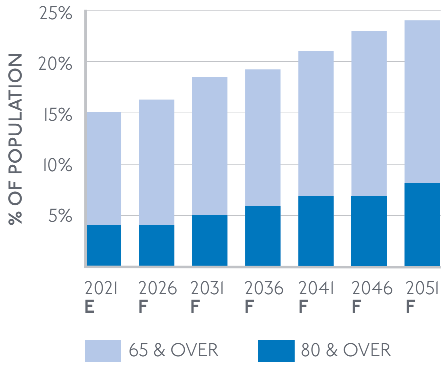
Premises in well-populated areas will recover more quickly than those relying on tourism. Hence, spots such as Temple Bar will take longer to revert to pre-COVID levels of trade. Publicans with substantial cash reserves are also likely to recover quicker. The staff shortage, however, may have some influence on the recovery speed for some of the operations.

DESPITE THE SUCCESSFUL VACCINE ROLL-OUT AND ONGOING BOOSTER PROGRAMME, **COVID-19 CONTINUES TO IMPACT ALL ASPECTS OF HEALTHCARE OPERATION**

09 CONTINUED DEMAND

HEALTHCARE

FORECASTED AGEING POPULATION



Source: CSO

The healthcare sector, both in Ireland and globally, had yet another exceptionally tough year in 2021. Despite the successful vaccine roll-out and ongoing booster programme in Ireland, in early 2022, COVID-19 continues to impact all aspects of healthcare operation with the Omicron variant significantly adding to case numbers.

NURSING HOMES

Nursing homes continue to fight hard to protect vulnerable residents and occupancy levels have recovered in spite of staff shortages and rising costs. Smaller nursing homes (30 to 60 beds) are finding it more difficult to operate, particularly in areas where fair deal rates are lower and staff shortages more pronounced.

NURSING HOMES

-1%

REDUCTION IN STOCK WHEN COMPARED TO 12 MONTHS PREVIOUS

31,842 NURSING HOME BED SPACES NATIONWIDE

From a property market perspective, investment and activity in the sector remains strong. Several major transactions occurred in 2021 with overseas investors very active, including DomusVi (Spanish), Orpea Group (French) and Emera (French). Irish investors were also active with Cardinal Capital purchasing a controlling stake Mowlam Healthcare. There will be continued demand this year from both local and international sources, particularly for new larger schemes in the main urban areas, for existing nursing home stock and viable development opportunities.

In terms of new nursing homes being constructed, rising costs are making some schemes unviable, especially smaller ones in areas with lower fair deal rates. Some of the considerations that need to be factored into development viability and in turn, sustainable operations, are set out below.

COVID-19 NURSING HOMES EXPERT PANEL (2020)	This report made several suggestions in relation to nursing home operations. Of note from a property point of view was the recommendation to move away from multi-occupancy rooms, which does impact on operational and new development costs.
FAIR DEAL / NURSING HOME SUPPORT SCHEME (NHSS)	The Fair Deal system has not changed since it was introduced over a decade ago and while a pricing review was due in 2017, this remains outstanding. Consequence, and as shown in a value for money review by the Government towards the end of 2021, this means the amount paid to public nursing home from the NHSS is on average 62% higher than that paid to a private / voluntary nursing home. This is affecting new home viability and along with additional COVID-19 related costs and staff shortages, it is also impacting on the operation of existing private / voluntary homes.
NATIONAL STANDARDS FOR RESIDENTIAL CARE SETTINGS FOR OLDER PEOPLE IN IRELAND (2016)	The deadline for adhering to HIQA's 2016 nursing home standards was the 31st December 2021. Key requirements include minimum floor area (7.4 sqm) for rooms designated before July 2009; no more than four residents per room; and easily accessible toilets must be provided close to rooms for every eight residents. It is likely that some older homes are now non-compliant with these 'Schedule 6' regulations, which will force many to close but provide opportunities for new purpose-built homes with better facilities and amenities.

In January 2022, there were 31,842 nursing home bed spaces nationwide and despite new bed spaces being completed in 2021, this was a reduction in stock of almost 1% when compared to 12 months previous. Stock may fall further in the months ahead due to the implementation of the 2016 standards, however encouragingly, there are a further 3,100 new beds under construction, in both extensions to existing homes and within new schemes. In line with the move to larger premises, the average number of beds in new developments under construction is 104, while within the standing stock of existing properties the average number of beds is 56.

The future pipeline of potential schemes is also strong. While not all will likely progress, 7,500 additional bed spaces have been granted planning permission and a further 1,600 beds are currently in the planning process seeking permission.

THERE WILL REMAIN AN **UNDER SUPPLY** OF STOCK IN MANY AREAS; PERHAPS **BY AS MUCH AS 20,000 BED SPACES**, THE MAJORITY IN DUBLIN

10 FULL CAPACITY

PURPOSE-BUILT STUDENT ACCOMMODATION

The impact of COVID-19 on the student accommodation sector continues to reduce, particularly since the beginning of the 2021/2022 academic year.

DEMAND

PBSA schemes are reportedly operating at full capacity as international students return to Ireland and a growing number of domestic students enrol in full-time courses.

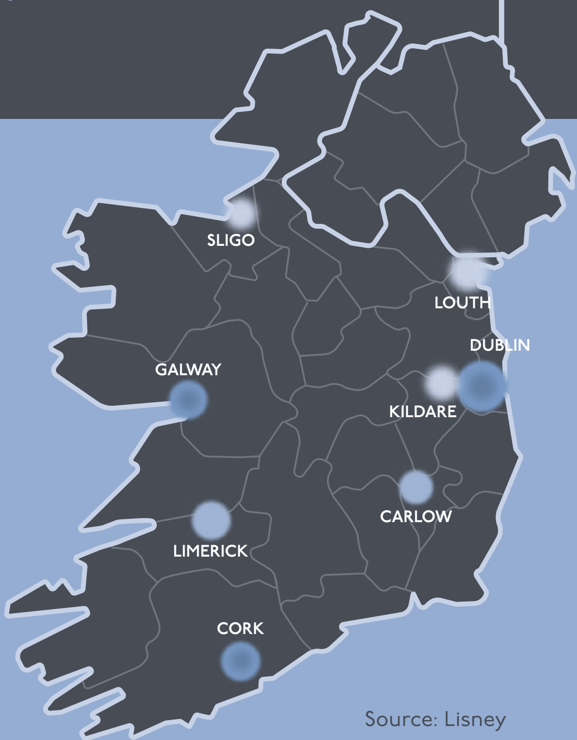
IRISH STUDENTS	INTERNATIONAL STUDENTS
The hybrid approach of leaving certificate examination alongside predicted grades in 2021 resulted in grade inflation and higher points requirements for courses. Consequently, a greater number of places have been provided (4,620 additional came on-stream in September 2021 in addition to the 2,225 created in 2020) and in turn, increased demand for accommodation by Irish students.	Greater opportunities to attract overseas students due to Brexit also remains and will be present in the years ahead. Since August 2021, 'home fees' are no longer available to new EU / EEA and Swiss students studying in the UK. Fees for some UK institutions are now up to four times higher and the financial support programme is no longer open to them. Therefore, there continues to be an opportunity for Irish institutions to attract some of the almost 150,000 such students that go to the UK to study. In turn, for PBSA operators there is an opportunity to provide accommodation for them given that PBSA is normally overseas students' first choice for housing.

RENTS

Academic year rental rates for students in PBSA schemes can vary significantly. Factors affecting cost include whether the accommodation is on or off-campus; the age and quality of the scheme; the facilities and amenities provided; the number of weeks per year it is available to the student (generally between 38 and 42 weeks); and its location and proximity to third level institutions. Rental agreements fall under the Residential Tenancies (Amendment) Act 2019 and the Residential Tenancies (No. 2) Act 2021, and as such, for existing schemes located in a rent pressure zone, annual changes to rent are limited to 2% or the change in the HICP (whichever is the lowest). Given that new schemes entered the market in the past 12 months, the growth in overall rents was slightly higher than this in Dublin for the 2021/2022 academic year, where we estimate that they grew by approximately 2.3%, but with variations across schemes.

4,500 BED SPACES UNDER CONSTRUCTION

PLANNING PERMISSIONS



Source: Lisney

SUPPLY

SUPPLY

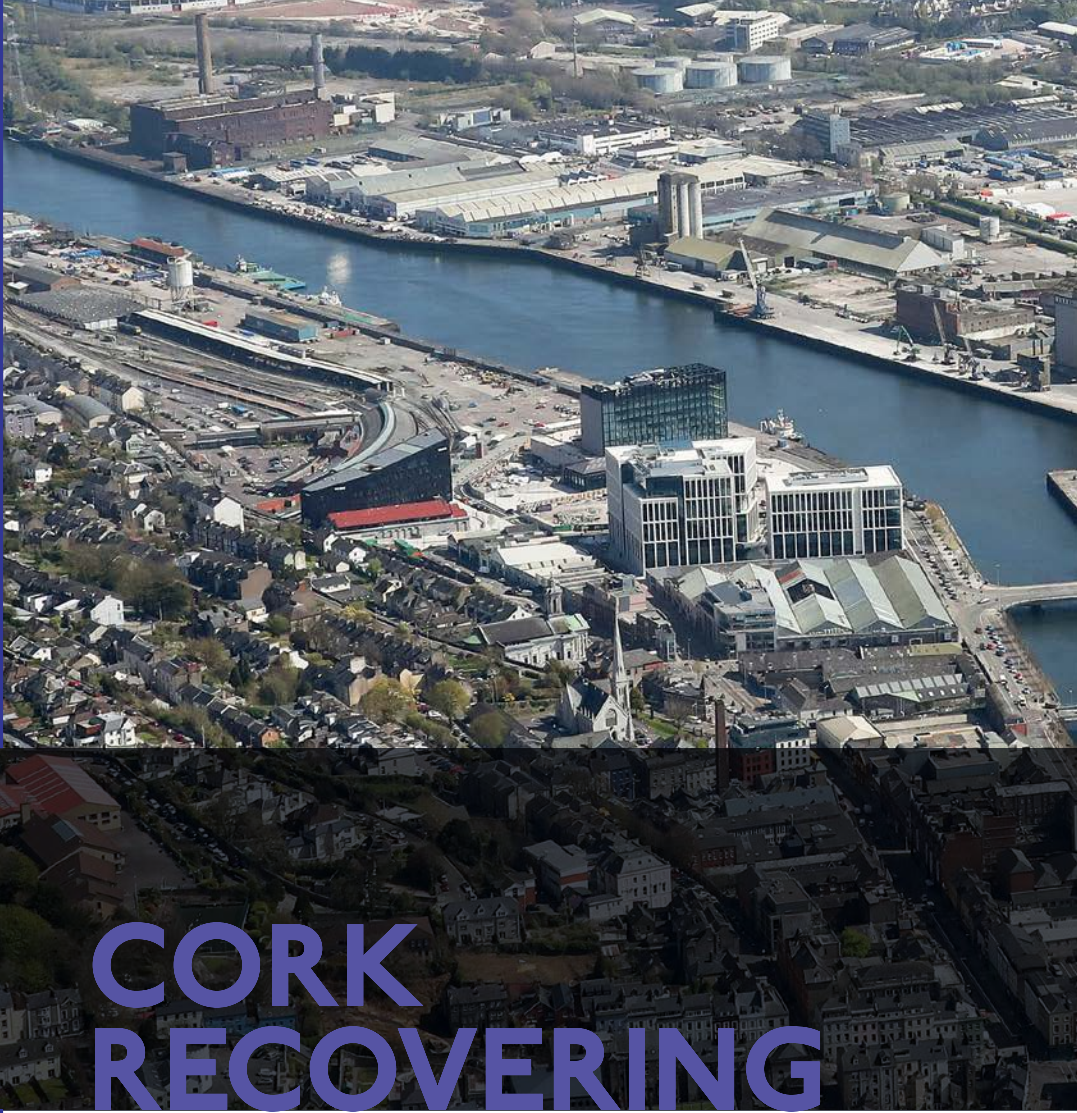
The number of PBSA bed spaces continues to grow, a trend that will continue in 2022. New scheme construction viability continues to depend on both academic term rentals (to students) along with summer lets (to students and tourists). Rising construction and labour costs are also having an impact. The recently published draft Dublin City development plan re-affirms support for the provision of high-quality, professionally managed PBSA in appropriate locations, with the presumption against any change of use during term-time.

Since mid-2017 (when the Government released the National Student Accommodation Strategy), we calculate that stock nationwide has increased by close to one-third. Dublin has experienced the greatest increase, at 63%, with Cork and Galway at 36% and 33% respectively. The pipeline of development is strong with almost 4,500 bed spaces under construction, a further 6,000 with planning permission (that are likely to progress), and over 700 seeking planning. Even if all of these schemes progress, there will remain an under supply of stock in many areas; perhaps by as much as 20,000 bed spaces, the majority in Dublin.

TRANSACTIONS

Since 2014, over €900m has been spent on PBSA assets, although with few transactions of note completed from the onset of the pandemic to the end of Q3 2021. Encouragingly, the occupancy and the rental profile of schemes stabilised as the new academic year commenced. Consequently, several large sales of operational schemes (Project Lighthouse and Project Ruby) were due to close by the end of 2021 / early 2022, which will likely add about €260m to market turnover. These sales show confidence in the sector and may encourage further transactions in 2022.

WE ANTICIPATE **A GOOD YEAR IN CORK'S INVESTMENT MARKET IN 2022** WITH CONTINUED DOMESTIC AND INTERNATIONAL INTEREST IN WELL-LET PROPERTIES.



CORK

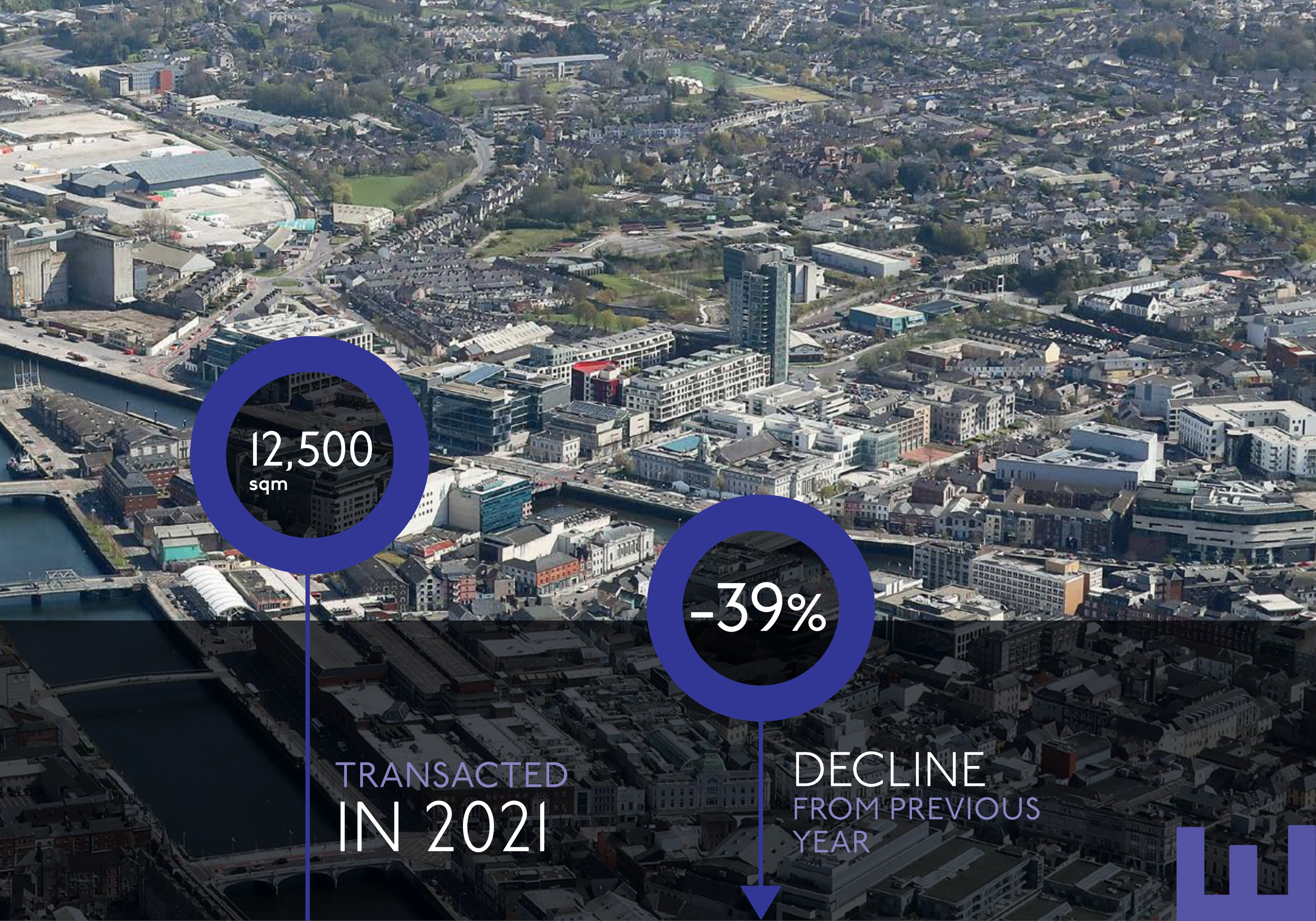
CORK RECOVERING

INVESTMENT

Following a quiet year in Cork's investment market in 2020, last year saw transactional activity recovering with market turnover just under €90m.

However, this represents just 1.6% of national investment market turnover, at €5.5bn. Despite the recovery, the majority of Cork transactions were smaller lot sizes, under €5m. The largest transaction was the sale of One Navigation Square, Albert Quay in Q2 for €60m with this one deal making up two-thirds of all investment market spend. While nationally investors were primarily focused on the PRS and office sectors, the majority of transactions in Cork comprised retail assets. This is partly because of a lack of supply and in the PRS sector, the fact that new development remains unviable in Cork.

Prime office yields are holding steady and have not changed since the onset of the pandemic. The industrial occupational market has strengthened in the past 18 months and the hardening of yields is reflective of that. Going forward, the strong new construction activity in Cork will hopefully mean new, larger assets will be offered for sale. We anticipate a good year in Cork's investment market in 2022 with continued domestic and international interest in well-let properties. Supply is likely to remain the biggest constraint.



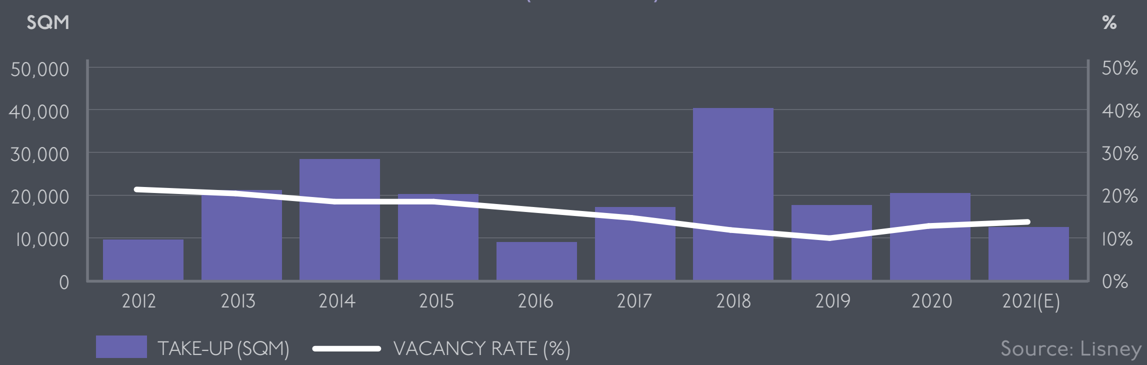
OFFICE

OFFICE

Following a strong 2020 in the Cork office market, activity in 2021 was more subdued with fewer large transactions taking place. 2021 take-up totalled an estimated 12,500 sqm, which reflects a decline of approximately 39% on the previous year. Over 60% of all activity in 2021 was in the city centre. The supply level grew in 2021 driven by the completion of new developments and is likely to increase further this year with more high profile office developments coming on stream. Additional supply may also come from unwanted space being returned to the market by tenants as grey space (sub-lets), although this is likely to be less than originally expected.

Prime headline rents will remain stable in the short-term. However, with increasing new city centre office developments there will be competition to secure tenants and more attractive incentives will be on offer from landlords. Occupier demand, particularly from the FDI sector, should begin to improve in the months ahead and as such, enquiries and activity levels will grow.

CORK OFFICE ACTIVITY AND VACANCY RATES (2012 - 2021E)



Source: Lisney

RETAIL

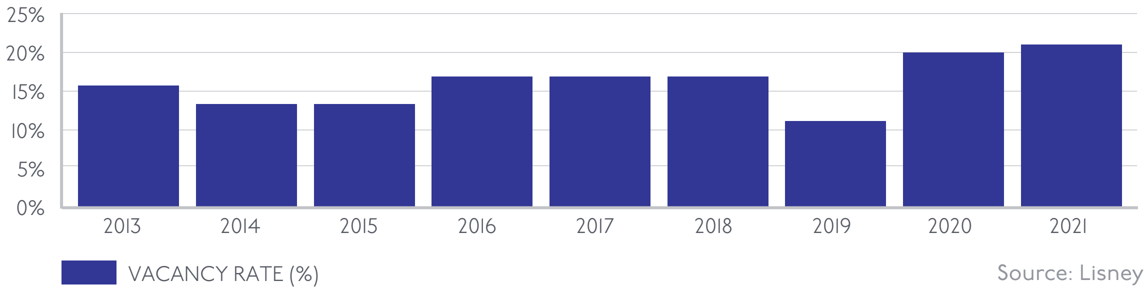
2021 was another tough year for many retailers with non-essential physical stores closed for almost four months. Textiles, clothing and footwear were hard hit but did experience an immediate and notable bounce once stores reopened. The grocery and convenience sectors had a steady year as they remained open. Many bulky goods retailers were permitted to open, albeit with some restrictions on products sold, with click-and-collect assisting the level of sales. Online sales volumes followed the lockdown trend throughout the last two years - increasing during the lockdowns and reducing during periods when restrictions were eased. At the end of 2021, online sales accounted for approximately 5.7% of all retail sales.

In Cork, the prime shopping areas have been severely hit by the pandemic with the closure of many high-profile brands, most notably on Patrick Street with the number of unoccupied stores remaining high. Lisney's Shutter Count survey found a vacancy rate of 21% at the end of the year, a one percentage point increase in 12 months. Historically, prime areas offered landlords strong covenants, paid the highest rents and were excellent footfall drivers. Unfortunately, there will be no quick fix solution in the absence of established overseas brands entering the Irish market. In the short-term unoccupied space will be taken on a short-term, pop-up basis until there is an increase in demand from expanding retailers or new entrants to the market. Turnover rents are being discussed again, mainly driven by international and UK brands. There is likely to be a greater number of them agreed in 2022.

Readings from KBC Bank Consumer Sentiment Index suggests consumer caution rather than a collapse in confidence, which does provide a basis to be hopeful about retail trading conditions in 2022. This in turn will impact demand for stores in the retail property market.

There are many technology-based changes occurring in the retail and F&B space, the pace of which has been quickened by the pandemic. These are playing a fundamental role in consumer experience. Most technologies are powered by artificial intelligence (AI) with Servion Global Solutions (a CX company) predicting that by 2025, 95% of all consumer interactions will be powered by AI. Interesting trends include the likes of smart mirrors and other augmented reality products and apps, cashierless stores, autonomous delivery robots and ghost kitchens.

PATRICK STREET SHUTTER COUNT (2013 - 2021)

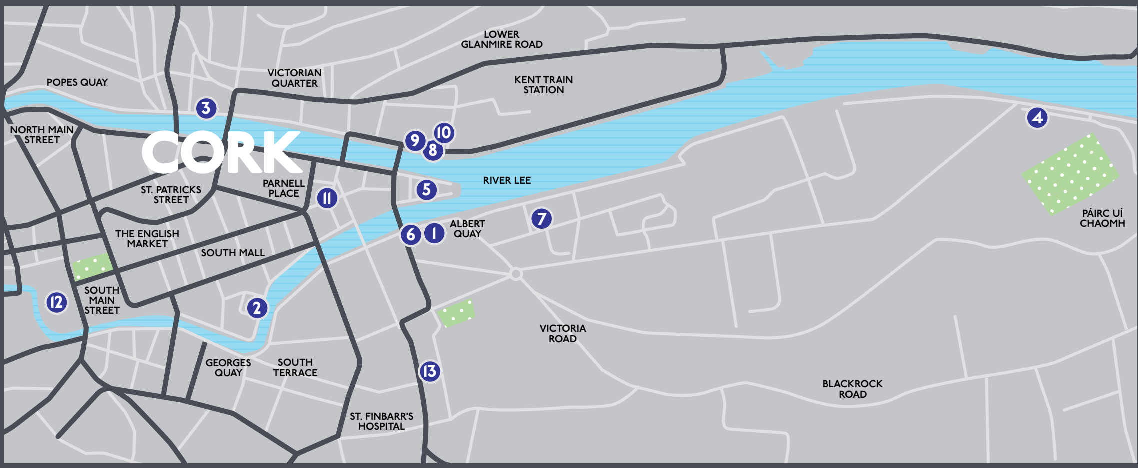


DEVELOPMENT

Construction activity and future development in Cork city centre and metropolitan area remains strong. New development activity across various property sectors including offices, residential, hotel and student accommodation will add to the attractiveness of the city centre as a working and living environment in the medium term. In terms of development, the most concerning issues entering 2022 is construction cost inflation and resource availability, along with sustainability and decarbonisation requirements. Many of these concerns will impact construction prices and delivery schedules.

The most notable future developments are set out below.

	PROPERTY	DEVELOPER	DETAILS
1	NAVIGATION SQUARE, ALBERT QUAY	O'CALLAGHAN PROPERTIES	Once complete, Navigation Square will comprise a significant city centre office development, containing four buildings. Block A (13,720 sqm) is complete and substantially let to Clearstream. Block B (8,830 sqm) is complete and available to let. Blocks C & D (8,665 sqm combined) have not yet commenced construction.
2	PREMIER INN, MORRISONS QUAY	GREENLEAF GROUP AND WARREN PRIVATE	Currently under construction, once completed this development will comprise three own door office buildings together with a 187 bedroom hotel.



	PROPERTY	DEVELOPER	DETAILS
3	FORMER MCKENZIES / CIRCUIT COURTHOUSE, CAMDEN QUAY	JMK GROUP	Planning granted for a 194 bedroom hotel and associated works with café, gym, meeting rooms, kitchen, storage, servicing and plant areas. Construction has not yet commenced.
4	FORMER FORD DISTRIBUTION SITE	GLENVEAGH	Planning permission granted for 1,002 apartments, childcare facilities and associated site works. Construction has not yet commenced.
5	OLD PORT OF CORK, CUSTOMS HOUSE QUAY	TOWER HG	Planning permission has been granted for a 34 storey complex to incorporate a 240 bedroom hotel, 25 serviced apartments and retail and cultural spaces. Construction has not yet commenced.
6	SEXTANT SITE, ALBERT QUAY	PROGRESSIVE COMMERCIAL CONSTRUCTION LTD, PART OF THE JCD GROUP	Planning application, at the request for further information stage, for a 16 storey office block of approx 23,054 sqm to include a ground floor café and restaurant.
7	FORMER ODLUMS MILLS BUILDING, DOCKLANDS	O'CALLAGHAN PROPERTIES	Planning application submitted for a mixed development on the former Odlum's building and neighbouring site. The application is for four buildings ranging from 9 to 12 storeys over a double basement, to include 80 apartments and office space. The former Odlums mill is to be redeveloped into 84 apartments, office space, bar, cinema and retail and/or café.
8	PENROSE QUAY	KARAMEX LTD	Planning permission granted for a 14,000 sqm six and seven storey office building adjoining the Penrose Dock office development. Construction has not yet commenced.
9	HORGAN'S QUAY	CLARENDON / BAM	A major mixed-use scheme that will include three office blocks (37,100 sqm), 302 residential apartments, a 120 bed hotel, and retail and leisure uses (3,000 sqm). The Dean Hotel opened in December 2020. On the office element No.1 Horgan's Quay (8,565 sqm) is complete and No.2 (11,910 sqm) is under construction and is scheduled to be completed in Q1 2023.
10	THE PRISM, CLONTARF STREET	TOWER HOLDINGS	Full planning permission granted for a 5,900 sqm 15 storey office building, adjacent to the city bus station. Site works have commenced.
11	BREWERY QUARTER, SOUTH MAIN STREET	BAM	Mixed use development on the former Beamish & Crawford Brewery site. The 413 bed purpose built student accommodation blocks and the 6,500 sqm office building known as The Counting House have been completed. Construction has not commenced on the event centre element.
12	RAILWAY GARDENS, SOUTH LINK ROAD	SCALLY FAMILY	Planning permission granted in December 2019 for 118 build-to-rent apartments. The proposed scheme will range in height up to 17 storeys and will contain various facilities and amenities. Construction has not yet commenced.

DEVELOPMENT

25,000
sqm

TRANSACTED
IN 2021

TRANSACTIONAL LEVELS WERE LIMITED DUE TO TIGHT SUPPLY AND AN EXTREMELY LOW VACANCY RATE

Unit 2 Harbour Gate Business Park, Little Island, Cork

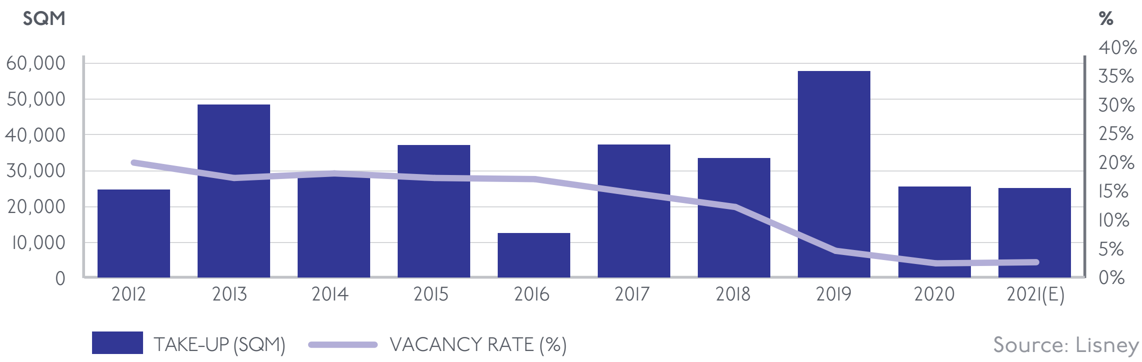
INDUSTRIAL

Occupier demand for industrial, warehouse and logistics units remains strong within Cork and the surrounding areas. The sector has been very resilient throughout the pandemic with occupiers focused on their future property requirements. An estimated 25,000 sqm of space was transacted in 2021 the majority of which comprised lettings rather than sales, a trend also seen in other city regions. Despite high demand, transactional levels were limited due to tight supply and an extremely low vacancy rate, which fell to an all-time low of just over 2.5% in 2021. Low supply will continue to be a major issue in the market in 2022.

Demand for larger size accommodation continues, mainly from retailers, logistics providers and some high tech manufacturing users. The typical marketing and letting/sale period for available units has reduced and there is generally immediate active interest with the majority of the new developments pre-let in advance of completion. For example, in Blarney Business Park three buildings are to be completed in 2022, all of which are pre-let. Two buildings in Harbour Gate Business Park, Little Island are also due to be completed in 2022, one of which is pre-let and the other is under active negotiation. Construction has commenced on large high bay warehouse units at Watergrasshill Business Park which will attract strong interest from occupiers. While rents have been generally stable for the past two years, given the level of demand and shortages in supply, prime headline rents are growing, ending 2021 at €102 psm (€9.50 psf).

The pipeline of development looks healthy with 61,900 sqm of accommodation having been granted planning permission and a further 36,630 sqm seeking permission. Just over 75% of all industrial pipeline is in the east suburbs. Given the historic low vacancy rate combined with steady occupier demand, the vacancy rate will fluctuate around the current level and rental and capital values are likely to increase further in 2022. The short letting and sales periods are also expected to continue.

CORK INDUSTRIAL ACTIVITY AND VACANCY RATES (2012 - 2021E)



Source: Lisney

Atlantic House,
Myrtleville, Cork

RESIDENTIAL

RESIDENTIAL

The residential market remained strong in Cork in 2021. Demand was strongest for homes in turnkey condition while those requiring works attracted less interest due to the cost and builder constraints to carry out the works required. As with other residential markets across Ireland, lifestyle changes and requirements for more space impacted purchasers decisions. As flexible working conditions continue to be the norm, demand from buyers wishing to move home or relocate to Cork will remain strong in 2022. This will continue to drive demand for properties with larger gardens and high broadband speed.

With strong demand and low supply, residential prices continued to increase. The CSO's residential property price index for houses in the south west region (Cork and Kerry) grew by 14.7%. From our experience, average prices across Cork's metropolitan area grew by between 8% and 10% in the year.

We estimate that 6,000 properties were sold in Co Cork in 2021, about 20% more than the previous year. Movers accounted for over half of all house purchases. First-time-buyers (FTB) were also active, particularly focusing on new homes with better BERs. The reopening of the construction sector led to a gradual recovery of the supply in the new homes sector, however, this was not enough to meet demand. Reviewing the new home market in isolation, FTB purchased almost 55% of all new homes in the city and county. This trend will continue in 2022 as the enhanced help-to-buy scheme has been further extended.

Given the strong pent-up purchaser demand and level of mortgage approvals, 2022 will be another active year in Cork's residential market. While we expect additional supply to come to the market early in the year, it is unlikely to be enough to satisfy demand. As a result, there will be further upward pressure on prices in 2022, the pace and rate of which will depend on supply levels. A levelling-off of price increases is unlikely until supply improves more meaningfully and catches up with demand.

THE **COMMERCIAL PROPERTY MARKET REMAINED ACTIVE** ACROSS MANY SECTORS, IN SPITE OF SEVERAL PANDEMIC AND BREXIT RELATED FACTORS

12 NORTHERN IRELAND

REMAINING ACTIVE

The backdrop to the Northern Ireland property market in 2021 was made up of several pandemic and Brexit related factors, some of which will continue to impact the market into 2022.

As new COVID-19 variants emerged and as the vaccination and booster programmes continued, office staff remained working from home for much of the year and non-essential retail closed and reopened. Supply chain issues relating to both the pandemic but also Brexit and the Northern Ireland protocol affected various sectors.

In spite of this background, and given the limited window post lockdown, the commercial property market remained active across many sectors. Logistics / industrial was the star performer, similar to the remainder of the UK and island of Ireland.

INVESTMENT

£250 MILLION

INVESTMENT MARKET ACTIVITY IN 2021

£200 MILLION P.A.

MARKET ACTIVITY 5 YEAR AVERAGE

INVESTMENT

Investment market activity reached £250m in 2021, 25% ahead of the five-year average (£200m p.a.) and more than double the level of activity in 2020 (£120m). The most significant transaction of the year came in Q1 with the sale of Oakland Holdings office and retail development at Merchant Square, Belfast. The building (240,000 sq ft) is fully let to PWC and several ground floor retailers. At £87m, this is the largest office investment deal on record and reflects a net initial yield of 5.2%, one of the strongest yields ever achieved for an office building in Belfast. Despite this sale, the office investment sector remains subdued due to lack of supply with the only other notable transaction that of the Government-let Goodwood House on May Street, Belfast.

Interestingly, the majority of investment activity was in the retail sector with retail parks attracting most interest, a trend that is likely to continue into 2022. Supermarket Income REIT purchased Balloo Retail Park in Bangor for £24.8m (NIY of 6.6%), which is anchored by a 60,000 sq ft Sainsburys and a 44,000 sq ft Homebase. Despite the significant vacancy levels in both, Fairhill (Ballymena) and Connswater (Belfast) shopping centres also transacted.

2022 activity levels in the Northern Ireland property investment market will very much depend on how both the pandemic and the Brexit protocol develops in the months ahead. We are hopeful of improved market turnover.

OFFICES

The office occupational market remains affected by the pandemic and people working from home. Many office occupiers continue to be unclear as to their future space requirements as hybrid working and the office function evolves. As a result, market take-up in 2021 was approximately 200,000 sq ft, which is 60% more than 2020 but half the five-year average. We expect the continued effects of COVID-19 and its variants to continue to subdue demand in 2022 with a return to more normal market conditions in 2023 as the booster programme progress and more workers are back in the office, at least a few days a week.

There has been little evidence of change in top quality headline rents, currently at between £20 and £23 psf. At these levels, office accommodation in Belfast is very competitive when compared to comparable locations in the rest of the UK and Ireland (about 60% lower than Dublin and 15% lower than Cork).

Despite an increase in grey space (sub-lets) being returned to the market, supply remains relatively tight. It is positive that over 760,000 sq ft of new Grade A accommodation will complete construction in 2022 including CQ3, The Ewart and Paper Exchange.

RETAIL

RETAIL

The winners and losers in retail in 2021 depended on if they fit into the essential or non-essential category. The majority of essential retailers including those in the grocery, convenience and discount sectors were able to fully operate throughout the pandemic and in most cases have traded exceptionally well. It is useful to note that retail activity generally is now 4.2% above its pre-pandemic level, which bodes well for all forms of retail in 2022.

Rents have held-up well in the majority of retail parks where vacancy levels have remained low due to their more attractive shopping environment during the pandemic. However, in shopping centres and on high streets, there is continued pressure on rental values with the majority of retailers taking short-term leases and requiring significant incentives to renew leases.

On 30th April 2021 non-essential retail reopened with indoor hospitality reopening on the 24th May. Footfall levels have recovered well, albeit still some way short of their 2019 levels. While there has been significant growth in online shopping, up from 19.7% in September 2020 to just over 28% in September 2021, there is no doubt that bricks and mortar retail still has an important role to play in meeting consumers' needs. This was evidenced by the droves of shoppers returning to the high streets with large queues outside stores such as Primark, Zara and Stradivarius, a clear sign of continued demand for in-store shopping.

New leasing activity in 2021 was dominated by essential retailers. For example, discount supermarket Lidl opened or relocated numerous stores with others planned for 2022. Convenience retailers remain active in seeking space with notable acquisitions occurring from both Henderson and Musgrave. The drive-thru sector has also seen a surge in demand with Tim Hortons, McDonald's, Greggs and Costa Coffee particularly active.

Encouragingly, there was activity in the non-essential sector, including TK Maxx's highly anticipated 22,000 sq ft store opening at Bloomfield Shopping Centre in Bangor, which has been extremely well received. We expect to see continued recovery in demand from comparison goods retailers in 2022.

INDUSTRIAL AND LOGISTICS

Similar to the rest of the UK and Ireland, demand for logistics space and occupier activity is strong, driven by the rise in home delivery. The fallout from Brexit has put upward pressure on rents. Older premises can now command rents of up to £5 psf and where new builds are proposed with floor to ceiling heights of 33 ft (10m) +, landlords are asking £7 to £8 psf. We expect continued and sustained demand in this sector throughout 2022 with rising rents and pre-lets a feature of the market.

RESIDENTIAL

SALES


DAVID BYRNE
Managing Director


DAVID BEWLEY
Senior Director


STEPHEN DAY
Senior Director


DARREN CHAMBERS
Director


JOHN O'SULLIVAN
Director


RORY KIRWAN
Director


ANN-MARIE McCOY
Divisional Director


BARRY CONNOLLY
Divisional Director


CIARAN CASSIDY
Divisional Director


LOUISE KENNY
Divisional Director


MICHELLE KEALY
Divisional Director


ROBERT LAWSON
Divisional Director


ROBYN ESPEY
Divisional Director


TRACEY GILBOURNE
Divisional Director

LETTINGS


AOIFE HANLON
Director

ADVISORY

VALUATION & ADVISORY


BRIAN GILSON
Senior Director


RONAN DIAMOND
Senior Director


DANIEL CAHILL
Director


ROSS SHORTEN
Director


SHANE O'BEIRNE
Director


FINTAN McCLUSKEY
Divisional Director


HELEN CALLAGHAN
Divisional Director


JASON O'NEILL
Divisional Director


JASON FIELDEN
Divisional Director


MARTIN O'HALLORAN
Divisional Director


PATRICK HUGHES
Divisional Director

RESEARCH & CONSULTANCY


AOIFE BRENNAN
Senior Director

PROPERTY MANAGEMENT


TOM McCARTHY
Divisional Director

MEET OUR TEAM

TRANSACTIONAL

HEAD OF TRANSACTIONAL

JAMES NUGENT
Senior Director

INVESTMENT

JACQUELINE FITZPATRICK
Director

CHRISTOPHER BELTON
Divisional Director

LYNDA GORDON
Divisional Director

RETAIL

EMMA COFFEY
Director

LEASE ADVISORY

CIARA O'BRIEN
Divisional Director

OFFICES

PAUL HIPWELL
Senior Director

AOIFE O'NEILL
Divisional Director

DEBORAH MAHON
Divisional Director

MAEVE FURLONG
Divisional Director

INDUSTRIAL

CATHAL DAUGHTON
Senior Director

JAMES KEARNEY
Divisional Director

DEVELOPMENT LAND & NEW HOMES

CATHAL DAUGHTON
Senior Director

FRANK McSHARRY
Divisional Director

STEPHANIE PATTERSON
Divisional Director

LICENSED & LEISURE

TONY MORRISSEY
Director

RORY BROWNE
Divisional Director

SHANE MARKEY
Divisional Director

CORK

MARGARET KELLEHER
Chairperson

EDWARD HANAFIN
Senior Director

DAVID McCARTHY
Divisional Director

NICOLAS O'CONNELL
Divisional Director

NORTHERN IRELAND

DECLAN FLYNN
Managing Director, NI

ANDREW GAWLEY
Director

CIARAN O'KANE
Director

DAVID McNEILLS
Director

GARETH JOHNSTON
Director

BUSINESS SERVICES

ACCOUNTS

RONAN QUINN
CFO

HUMAN RESOURCES

KAREN O'REILLY
Divisional Director

MARKETING

CATHAL BURKE
Head of Marketing

CONTACT US

HEAD OFFICE
St. Stephen's Green House,
Earlsfort Terrace,
Dublin 2, D02 PH42
T +353 (0) 1 638 2700
E dublin@lisney.com

CORK
1 South Mall,
Cork,T12 CCN3
T +353 (0) 21 427 5079
E cork@lisney.com

BELFAST
Montgomery House,
29-33 Montgomery Street,
Belfast, BT1 4NX
T +44 2890 501501
E belfast@lisney.com

LEESON STREET
103 Upper Lesson Street,
Dublin 4, D04 TN84
T +353 (0) 1 662 4511
E 103@lisney.com

BLACKROCK
51 Mount Merrion Avenue,
Blackrock, Co. Dublin, A94 W6K7
T +353 (0) 1 280 6820
E blackrock@lisney.com

DALKEY
8 Railway Road, Dalkey,
Co. Dublin, A96 D3K2
T +353 (0) 1 285 1005
E dalkey@lisney.com

DUNDRUM
11 Main Street,
Dundrum,
Dublin 14, D14 Y2N6
T +353 (0) 1 296 3662
E dundrum@lisney.com

HOWTH ROAD
171 Howth Road,
Dublin 3, D03 EF66
T +353 (0) 1 853 6016
E howthroad@lisney.com

RANELAGH
29 Dunville Avenue,
Ranelagh, Dublin 6, D06 K283
T +353 (0) 1 662 4511
E 103@lisney.com

FUSE

Designed by FUSE.ie

OUTLOOK 2022
LISNEY.COM