



Colliers

Ireland
**Capital
Markets**

Quarterly Report

Q3 2023

Accelerating success.

Overview

Q3 Key Stats



Investment Turnover

€443m

5-year Q3 Average

€981m



Deals

31

Average Deal Size

€14.3m

The slowdown in investment turnover continued in Q3 with €443 million transacted across 31 deals. While this is an increase of 32% relative to Q2, it is less than half of the long-term quarterly average of €1.1 billion and 75% below the Q3 2022 total of €1.75 billion. This brings total spend year-to-date to €1.4 billion, again a significant decline on the same period in 2022 when turnover exceeded €5 billion including the sale of two REITs.

The office sector was the top performer in Q3, comprising 40% of total turnover. Retail was the second-best performer with 33% of turnover. Industrial & logistics accounted for 19% of total spend, while healthcare accounted for 7% thanks to a significant deal which saw UK investor Primary Health Properties PLC acquire the 1 Westfield Enhanced Community Care facility in Ballincollig for €29.64 million / 5.61% NIY.

Our capital markets team has found that while the number of active buyers in the market has reduced, there is still good appetite for investment opportunities across a broad range of sectors and locations, although investors are placing sharper focus on yields, energy ratings and tenant covenants. Demand is generally strong in the hospitality, healthcare and logistics sectors, although quality assets are still in short supply.

Within the retail sector, investor interest remains focused on defensive assets like supermarkets, neighbourhood centres and retail parks, some of which have seen competitive bidding from multiple investors. For offices, long unexpired lease terms and strong covenants, ideally State-backed, are most attractive and

investors are willing to consider opportunities outside Dublin if returns are competitive. ESG is still an important consideration, particularly for offices, and buildings in need of significant upgrades are less desirable.

Irish investors have been increasing their share of overall investment, accounting for 42% of Q3 turnover with most of this relating to private capital. The most prominent investor was Davy Real Estate, which acquired seven regional shopping centres for a total of more than €100 million during the quarter. French investors accounted for 31% of turnover, reflecting the growing presence of SCPI funds like Corum and Iroko Zen – both of whom completed acquisitions during Q3.

Notwithstanding the reduction in investment volumes, Ireland is considered a core investment market and overseas buyers are continuing to monitor opportunities. Repricing is slowly continuing, although in many cases vendor expectations are still seen to be unrealistic compared with comparable deals overseas. For vendors, unless there is a compelling reason to sell, many are opting to hold assets until there is more price clarity. That said, it is possible that higher debt costs may trigger forced sales which will bring more product to the market.

Positively, it appears that interest rates are now stabilising. This is welcome news for CRE owners and investors, although the consensus is that any reduction in base rates will not happen before H2 2024 at the earliest.

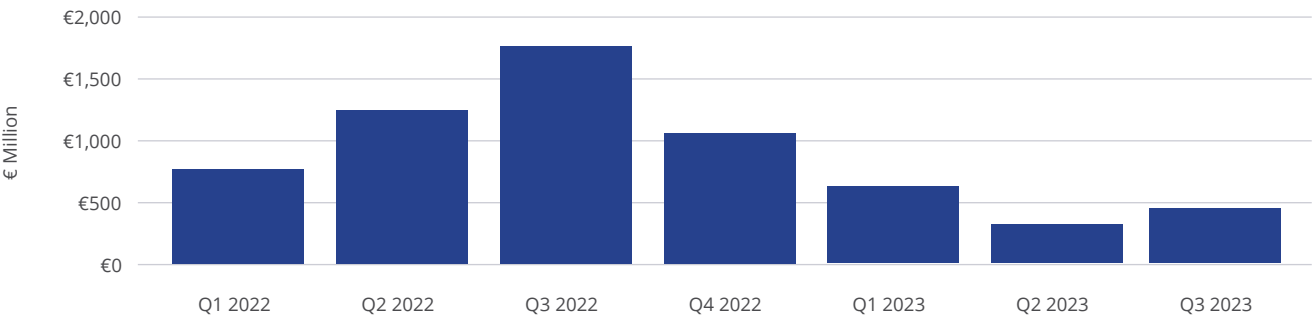


Market Fundamentals

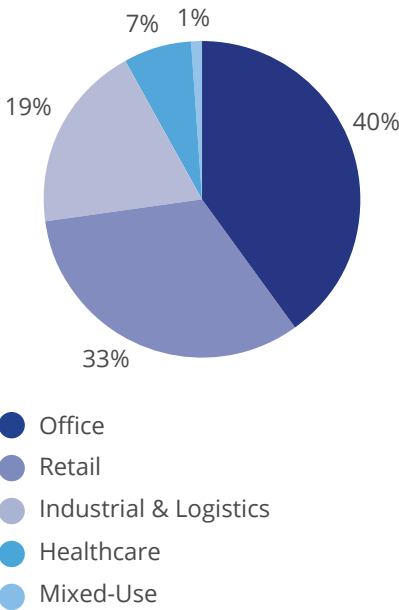
Prime Yields at Q3 2023

Shopping Centre	6.50%
Retail Warehouse	6.25%
Student Accommodation	5.25%
Healthcare	5.25%
Retail High Street	5.25%
Industrial & Logistics	5.00%
Office	4.75%
PRS	4.50%

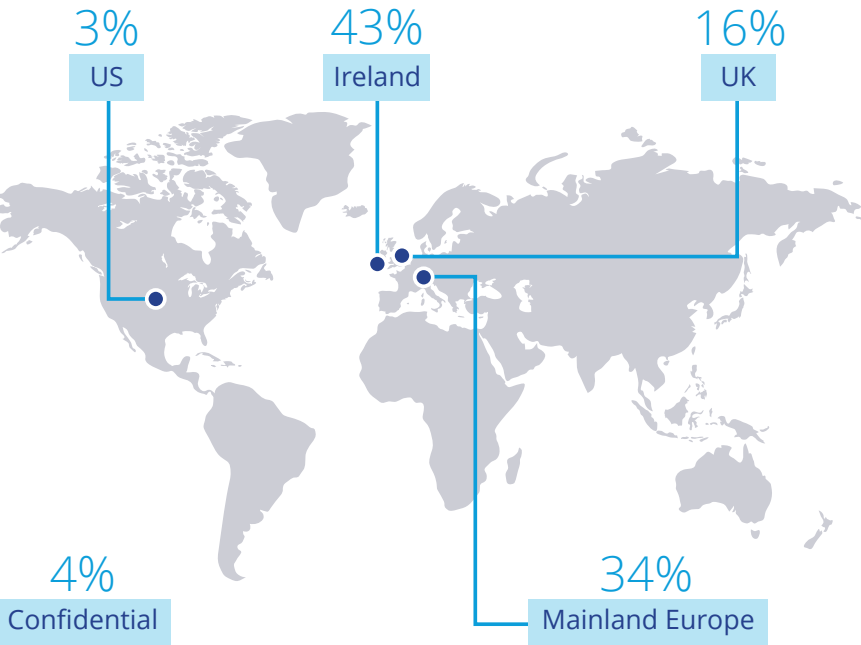
Quarterly Turnover



Breakdown By Sector % of Q3 Turnover



Investor Origin % of Q3 Turnover



Top Deals Q3 2023

Office



Property	Location	Price Achieved	Purchaser
George's Quay House	Dublin 2	€81m	Corum Asset Management
Building F1, The Campus, Cherrywood	Dublin 18	€33.4m	Corum Asset Management
73-83 Lower Mount Street	Dublin 2	€31m	Private Investor
J5 Plaza, North Park Business Park	Dublin 11	€18.1m	Iroko Zen

Retail



Property	Location	Price Achieved	Purchaser
Hexagon Portfolio	Various Locations	€74m	Davy Real Estate
Marshes Shopping Centre, Dundalk	Louth	€29m	Davy Real Estate
Meridian Point Shopping Centre, Greystones	Wicklow	€7.2m	Private Investor

Industrial & Logistics



Property	Location	Price Achieved	Purchaser
Unit D1 Airport Business Park & Units 1A & 1B Rosemount Business Park	Dublin	€40.75m	KKR / Palm Capital
35 Rosemount Business Park	Dublin 15	€14.2m	Pictet
Units 35 & 38 Fonthill Industrial Estate	Dublin 22	€10.2m	M7 Real Estate

Healthcare



Property	Location	Price Achieved	Purchaser
1 Westfield, Ballincollig	Cork	€29.64m	Primary Health Properties PLC



J5 Plaza, North Park Business Park, Dublin 11

Office

The office sector was the top performer in Q3 with €176 million invested across six transactions. ESG remains a key focus for investors and will continue to underpin demand and pricing going forward.

Corum Asset Management acquired two separate office assets during the quarter whose combined value made up 65% of the quarterly total. These are George's Quay House, Dublin 2 (€81 million / 6.24% NIY) and Building F1, The Campus, Cherrywood, Dublin 18 (€33.4 million / 6.15% NIY).

Assets offering the potential for long-term income with strong covenants are attracting good interest as investors seek to minimise risk. This was likely a key factor in Corum's decision to acquire Building F1 in Cherrywood which is occupied by Elavon on a 15-year lease term from 2019 with no break option.

Sector Overview

Highlighted Deal

Colliers represented Iroko Zen in their acquisition of J5 Plaza, North Park Business Park, Dublin 11 for €18.1 million / 7.33% NIY. The building extends to 62,221 sq. ft. let to the HSE on a new 15-year lease.

€176m

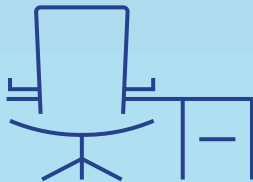
Invested

40%

Of Turnover

6

Transactions



Retail

Retail was the second-best performing asset class in Q3 with €147 million invested across 13 transactions. Retail assets are predominantly being acquired by Irish investors who made up over 90% of the total this quarter.

This is logical as Irish investors are well placed to understand the nuances of the Irish retail market, particularly when it comes to regional assets. That said, overseas investors are also actively seeking retail investment opportunities across Ireland with a notable preference for retail park and supermarket assets.

Several high street retail units changed hands during Q3, including 83 Grafton Street (€6.1 million / 5.14% NIY) and 45 Henry Street (€3.7 million / 6.14% NIY) in Dublin and 39 Patrick Street in Cork (€2.6 million / 7% NIY). Notably and in line with recent trends, all three of these were acquired by private Irish investors.

€147m

Invested

33%

Of Turnover

13

Transactions

Sector Overview

Highlighted Deal

Davy Real Estate acquired the Hexagon Portfolio of six regional shopping centres for €74 million / 11.01%. This includes Parkway Shopping Centre in Limerick, Longwalk Shopping Centre in Dundalk, Letterkenny Shopping Centre, Laois Shopping Centre, Galway Shopping Centre and Donaghmede Shopping Centre in Dublin.



Industrial & Logistics

€86 million was invested in industrial & logistics assets during Q3, representing 19% of turnover.

There were eight transactions completed during the quarter, all located in Dublin, with the largest of these being the sale of logistics units at Airport Business Park, Swords and Rosemount Business Park to KKR / Palm Capital for €40.75 million / 4.96% NIY.

Vacancy in the industrial & logistics sector is currently sub-2% and prime rents are rising. At the same time, prime yields are

now reaching 5%, compared with 4% at the end of 2021, and the latest MSCI figures show industrial capital values to have fallen by 1.5% during Q2. While this is relatively moderate compared with a decline of 4.3% for office capital values, it reflects the impact of higher interest rates and market uncertainty which are driving a repricing of assets across all sectors.

€86m

Invested

19%

Of Turnover

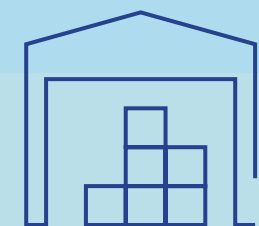
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Transactions

Sector Overview

Highlighted Deal

KKR & Palm Capital acquired a portfolio of logistics units in Dublin let to DHL, Dunnes Stores and LinkedIn.



Residential

There were no PRS transactions reported during Q3, although the State have continued to acquire residential units either directly or via approved housing bodies for social and affordable housing uses.

State-backed residential property acquisitions are not technically counted as private investment but are still worth monitoring. In many cases the assets in question may have originally been destined for or operating within the private rental sector and the vendors are often the same.

Recently reported approved housing body transactions include IRES REIT's sale of 194 houses and apartments in West Dublin to Tuath Housing Association for over €72 million and the sale of 63 apartments being developed by Cairn Homes in Castletroy, Limerick to Clúid Housing.

Sector Overview



For more
information



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