

# Q2 2020

IRISH  
INVESTMENT  
MARKET  
AT A GLANCE



**BNP PARIBAS  
REAL ESTATE**

INVESTMENT  
RESEARCH

## Q2 2020 KEY TRENDS

MORE THAN  
—  
€430 MILLION  
INVESTED

1  
—  
MEGA DEAL  
—  
€100M+

NO. 1 DEAL  
—  
BISHOP'S SQUARE  
€183M

TOP 5  
—  
TRANSACTIONS  
—  
83% OF TURNOVER

OFFICES  
—  
60% OF TURNOVER

## CONTENTS

- 3 Q2 2020 INVESTMENT MARKET AT A GLANCE
- 4 KEY INSIGHTS
- 6 TOP TRANSACTIONS Q2 2020
- 6 TOP TRANSACTIONS DUBLIN CITY
- 7 TOP TRANSACTIONS
  - OFFICE
  - MIXED USE
  - INDUSTRIAL & LOGISTICS
- 8 TOP TRANSACTIONS DUBLIN SUBURBS
- 9 TOP TRANSACTIONS OUTSIDE DUBLIN
- 10 PROFILE OF TRANSACTIONS BY SECTOR
- 12 CONTACTS



## Q2 2020 INVESTMENT MARKET AT A GLANCE

**KATE RYAN**  
Associate Director & Head of Research  
BNP Paribas Real Estate

“ Despite the challenges associated with COVID-19 restrictions, the Irish commercial property investment market delivered a relatively impressive second quarter with total turnover reaching over €430 million. ”

This is a strong result considering the market effectively came to a standstill during Q2, meaning that face-to-face meetings, site visits and other due diligence measures that are vital to progressing investment transactions could not take place due to the virus.

European investors continue to invest heavily in Irish commercial property, accounting for 62% of total turnover. Germany handled the pandemic particularly well, and German investors have not seen significant dents in their inflows and were able to remain relatively active throughout the crisis. This is positive for Ireland which has seen significant growth in investment from Germany in recent years.

Offices remain the most popular asset class, accounting for 60% of total turnover with €260 million invested. The largest deal was Bishop's Square, which was acquired by GLL Real Estate Partners for €183 million. French fund Corum acquired Google-occupied Blackthorn House in Sandyford, bringing their total investment for the first six months of 2020 to €52.4 million. Not surprisingly, the retail sector was the weakest performer, although this sector was already in a challenging position

before the crisis and some subsectors are having to evolve quickly in line with changes in consumer behaviour.

The global trend of increased institutional allocation to the industrial and logistics sector continues to be felt in Ireland, with investors attracted by its strong income yield and future growth potential – particularly in light of Brexit. This sector was also one of the big winners during the COVID-19 pandemic, with significant growth in the pharmaceutical, food and distribution sectors driving occupier and investor demand. Rents and capital values have been rising strongly due to limited supply, however a resurgence in speculative development in recent years is providing new opportunities.

In terms of the impact on pricing, we expect this will be marginal for defensive assets such as core office, residential and logistics. Recent transactions such as the sale of Bishop's Square at a net initial yield of c.4% support this view. For the retail and hospitality sectors, which were more severely affected by the pandemic, the impact on pricing and investor sentiment is likely to be more significant. Nevertheless, there is still a lot of capital in the market seeking value-add opportunities. Financing remains challenging and will likely only be granted for very secure opportunities, meaning that cash buyers are likely to predominate as opportunities arise.

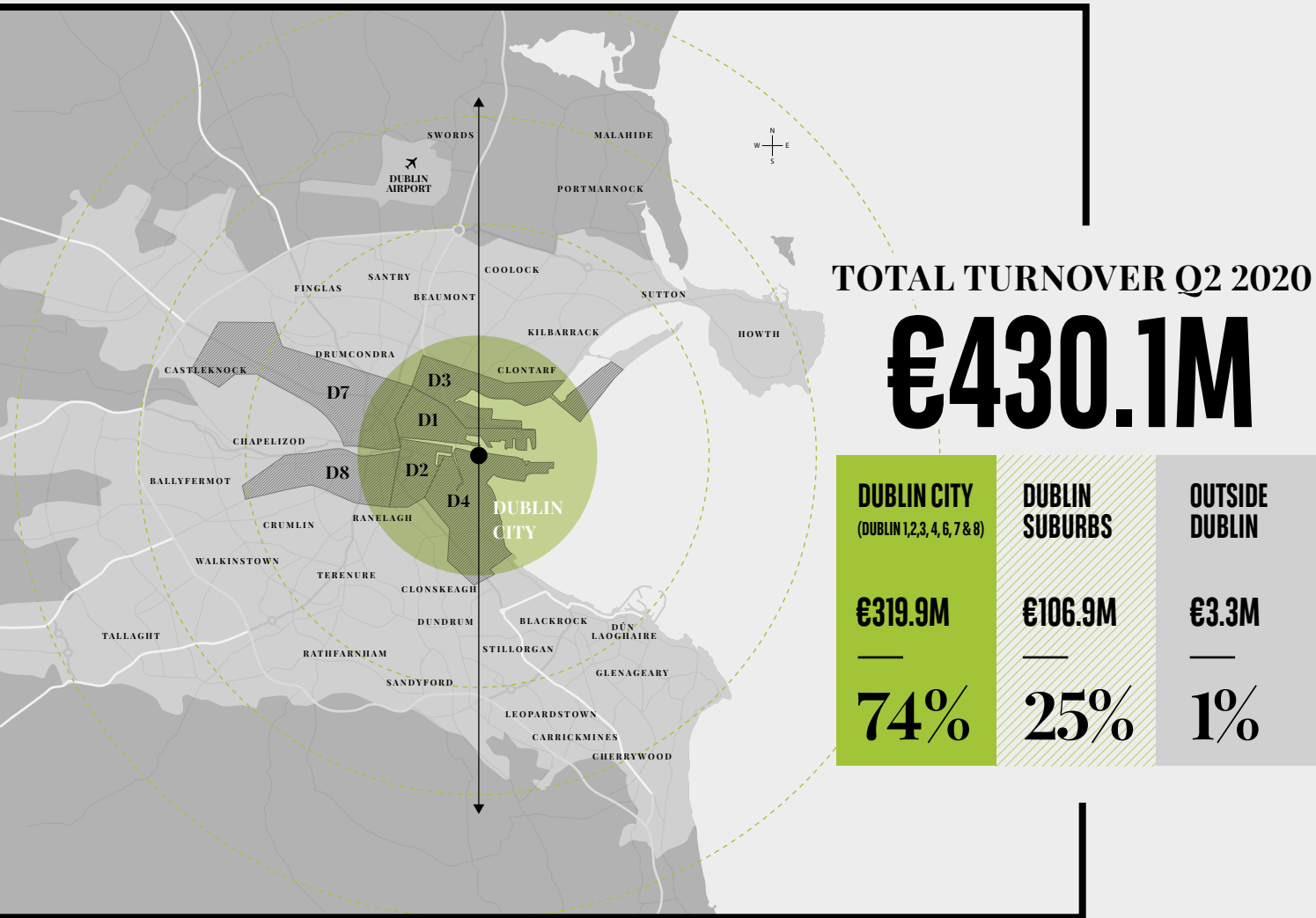
Overall, the Q2 results demonstrate that although the transaction processes may have slowed, deals are still happening. Even in markets that were most severely impacted by COVID-19, buyers and sellers were able to embrace new innovations, such as virtual viewing

tools and blockchain technology, to progress transactions. As we move into the second half of the year, most European markets have ended their lockdown periods with new investments being launched and generally well received. In Ireland, €800 million worth of commercial property was on the market at the end of Q2 with just under half of this sale agreed or under negotiation.

In general, investors are much more cautious and are looking at property fundamentals such as tenant profile, location and asset quality more closely. Investors have had time to assess their investment strategies over the past number of months and it is likely that a certain level of pent-up demand exists which will be realised in the coming months. The easing of travel restrictions in Europe will allow overseas investors to undertake technical and physical inspections of assets once again. If a second wave of the pandemic can be avoided, and restrictions continue to ease, we see investment markets picking up, but also changing and evolving to the new 'norms' of the post-pandemic world.

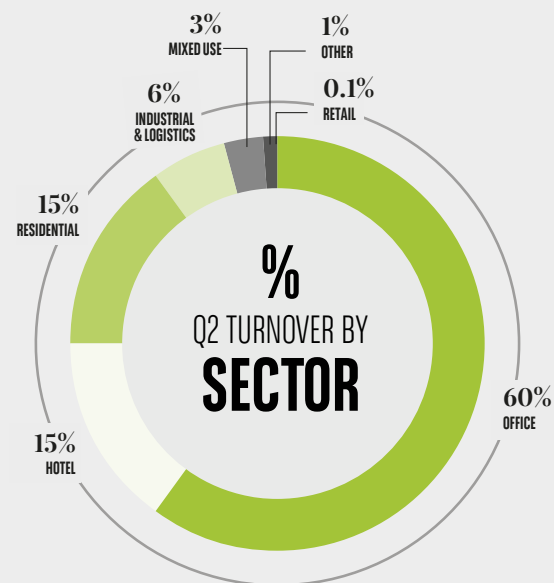
EUROPEAN INVESTORS  
ACCOUNTED FOR

**62%**  
OF TURNOVER IN Q2



“ The record annual turnover levels reached over the past three years can mask quarterly fluctuations. Indeed, there have been some ‘normal’ quarters, such as Q2 2017, when total investment was well below the level achieved this quarter despite the market operating at full speed for three months. ”

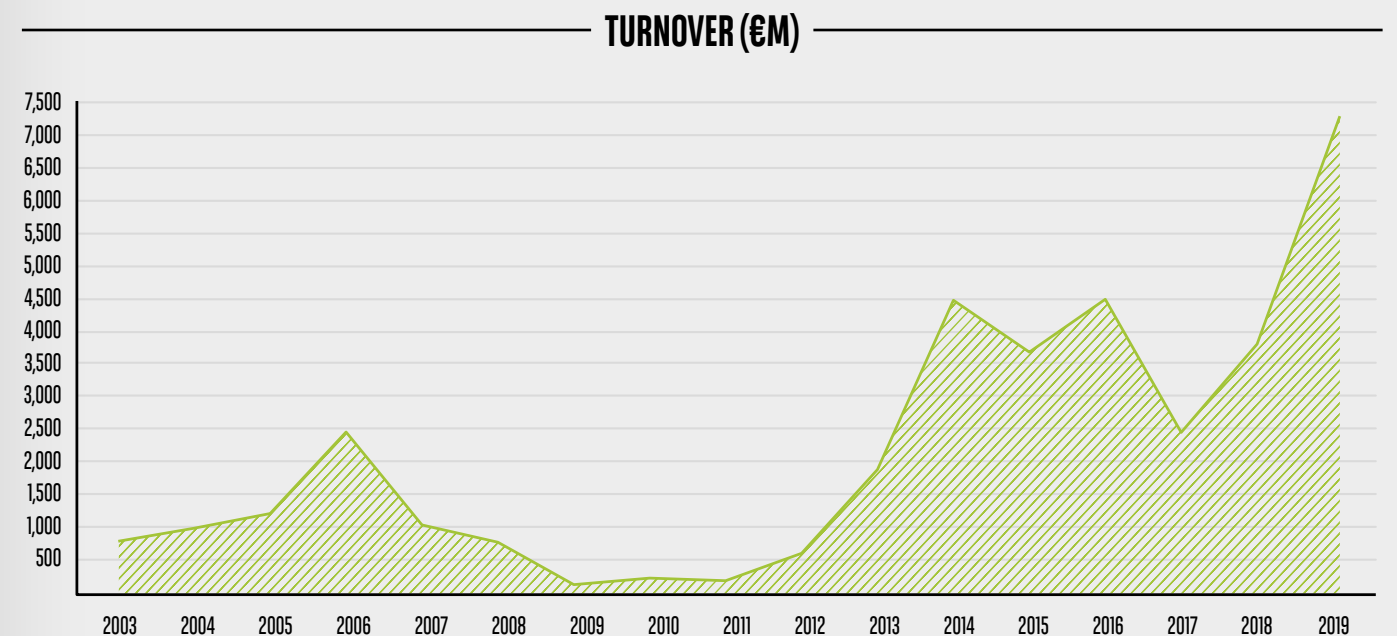
KATE RYAN  
Associate Director, Head of Research, BNP Paribas Real Estate Ireland



Source: BNP Paribas Real Estate Research

“ Positively, there is a huge amount of liquidity coming into the market. Around €1.300bn of bonds are projected to mature in the next three years for France, Germany and the UK alone. With the majority of bonds now in negative territory, it is assumed that a good part of this liquidity may be redirected towards alternative assets including real estate. Moreover, total real estate fundraising exceeded €136bn in 2019 – an all-time high. This so-called ‘dry powder’ will need to find a home in 2020, possibly in more favourable buyers’ market conditions. ”

DAMIEN MCCAFFREY  
Director, Investment, BNP Paribas Real Estate Ireland



**TRANSACTIONS BY LOT SIZE AND LOCATION**

	UNDER €1M	€1M-€3M	€3M-€10M	€10M-€20M	€20-50M	€50-100M	€100M+
DUBLIN CITY	1	3	2	1	1	1	1
DUBLIN SUBURBS	2	3	-	1	-	1	-
OUTSIDE DUBLIN	2	-	-	-	1	-	-
<b>% OF TOTAL TURNOVER</b>	<b>0.3%</b>	<b>2%</b>	<b>6%</b>	<b>9%</b>	<b>13%</b>	<b>27%</b>	<b>43%</b>

Count of transactions does not include deals for which location of property is unavailable.

Source: BNP Paribas Real Estate Research





## TOP 10 TRANSACTIONS Q2 2020

	PROPERTY	LOCATION	ASSET TYPE	PRICE ACHIEVED	YIELD ACHIEVED
1	Bishop's Square	Dublin 2	Office	€183m	4.0%
2	Clayton Hotel, Charlemont	Dublin 2	Hotel	€65m	4.25%
3	Riverside One, Sir John Rogerson's Quay (30% interest)	Dublin 2	Office	€37.5m	c.4%
4	Blocks C & D, Parkgate Business Park	Dublin 8	Office	€19.5m	5.2%
5	Blackthorn House, Sandyford	Dublin 18	Office	€17.5m	6.7%
6	Unit D, Kilcarbery Distribution Park (50% interest)	Dublin 22	Industrial & Logistics	€6m	-
7	Fresh Block, Smithfield	Dublin 7	Mixed-Use	€4.6m	6.5%
8	Dorset Street	Dublin 1	Mixed-Use	€3m	-
9	73, 75 & 77 Rathmines Road Upper	Dublin 6	Residential	€2.5m	1.5%
10	58 Fitzwilliam Square & 58 Pembroke Lane	Dublin 2	Mixed-Use	€2.3m	1.8%

Confidential off-market transactions not listed.

## TOP 5 OFFICE TRANSACTIONS

	PROPERTY	LOCATION	PRICE ACHIEVED	YIELD ACHIEVED
1	Bishop's Square	Dublin 2	€183m	4.0%
2	Riverside One, Sir John Rogerson's Quay (30% interest)	Dublin 2	€37.5m	c.4%
3	Blocks C & D, Parkgate Business Park	Dublin 8	€19.5m	5.2%
4	Blackthorn House, Sandyford	Dublin 18	€17.5m	6.7%
5	Harbour House, Nelson Street, Clonmel	Tipperary	€1.5m	7.9%

## TOP MIXED-USE TRANSACTIONS

	PROPERTY	LOCATION	PRICE ACHIEVED	YIELD ACHIEVED
1	Fresh Block, Smithfield	Dublin 7	€4.6m	6.5%
2	Dorset Street	Dublin 1	€3m	-
3	58 Fitzwilliam Square & 58 Pembroke Lane	Dublin 2	€2.3m	1.8%
4	50 Upper Baggot Street	Dublin 2	€1.9m	5.9%

## TOP INDUSTRIAL & LOGISTICS TRANSACTIONS

	PROPERTY	LOCATION	PRICE ACHIEVED	YIELD ACHIEVED
1	Confidential Portfolio	Co. Dublin	€20.7m	-
2	Unit D, Kilcarbery Distribution Park (50% interest)	Dublin 22	€6m	-
3	Unit 6 Fashion City, M50 Business Park, Ballymount	Dublin 12	€310k	3.5%





## TOP TRANSACTIONS DUBLIN SUBURBS

	PROPERTY	LOCATION	ASSET TYPE	PRICE ACHIEVED	YIELD ACHIEVED
1	Blackthorn House, Sandyford	Dublin 18	Office	€17.5m	6.7%
2	Unit D, Kilcarbery Distribution Park (50% interest)	Dublin 22	Industrial & Logistics	€6m	-
3	Spar, Holywell Commercial Centre, Swords	Co. Dublin	Retail	€376k	7.3%
4	Unit 6 Fashion City, M50 Business Park, Ballymount	Dublin 12	Industrial & Logistics	€310k	3.5%

## TOP TRANSACTIONS OUTSIDE DUBLIN

	PROPERTY	LOCATION	ASSET TYPE	PRICE ACHIEVED	YIELD ACHIEVED
1	Medical Centre, Ballincollig	Cork	Other	€1.8m	8.4%
2	Harbour House, Nelson Street, Clonmel	Tipperary	Office	€1.5m	7.9%



PROFILE OF TRANSACTIONS BY SECTOR

TWO LARGEST OFFICE TRANSACTIONS



Hines

#1 Bishop's Square, Dublin 2

Grade A office building extending to 16,980 sq.m, originally built in 2002 but recently substantially refurbished by Hines. The property, which is multi-let with 90% of the income attributable to State entities, was acquired by GLL Real Estate Partners for **€183 million**.

Sold by Hines



AVIVA

#2 Riverside One, Sir John Rogerson's Quay, Dublin 2

Prime Grade A office building in Dublin's South Docks extending to 10,219 sq.m and occupied by McCann Fitzgerald on a long-term lease. IPUT acquired the outstanding 30% interest in the building from Aviva for **€37.5 million**, having acquired a 70% interest during 2015.

Sold by Aviva

TWO LARGEST INDUSTRIAL & LOGISTICS TRANSACTIONS



#1 Confidential Portfolio, Co. Dublin

Off-market sale of four industrial units in Dublin. Acquired by M7 Real Estate for a price in the region of **€20.7 million**.

Sold by a Private Vendor



AVIVA

#2 Unit D, Kilcarbery Distribution Park, Dublin 22

10,238 sq.m logistics unit occupied by BWG Foods on a long-term lease. IPUT acquired the outstanding 50% interest in this building from Aviva for **€6 million**, having acquired a 50% interest during 2014.

Sold by Aviva

TWO LARGEST GEORGIAN TRANSACTIONS



#1 58 Fitzwilliam Sq & 58 Pembroke Lane, Dublin 2

58 Fitzwilliam Square comprises a 4 storey over basement mid terrace Georgian building 671.6 sq.m and 58 Pembroke Lane comprises a two storey mid terrace property extending to 263 sq.m. The property, which is multi-tenanted by a mix of office and residential occupiers, was acquired by a private investor for **€2.3 million**.

Sold by a Private Investor



#2 50 Upper Baggot Street, Dublin 2

Listed Georgian property extending to 244 sq.m with retail at ground floor and three apartments overhead. The property is occupied by Millers Pizza Kitchen along with a residential occupier and was acquired by a private investor for **€1.9 million**.

Sold by a Private Investor



**BNP PARIBAS  
REAL ESTATE**

20 Merrion Road, Ballsbridge  
Dublin 4, Ireland  
+353 1 661 1233  
realestate.bnpparibas.ie

PSRA No: 002702



**KATE RYAN**  
ASSOCIATE DIRECTOR  
HEAD OF RESEARCH

T +353 1 661 1233  
M +353 87 191 0175  
kate.ryan@bnpparibas.com

At BNP Paribas Real Estate our people work with you to build targeted and integrated real estate solutions for your every need: Property Development, Transaction, Consulting, Valuation, Property Management and Investment Management.

With our international scope, expertise and on-the-ground presence, you will find the perfect partner that can ensure the success of your real estate projects.



**KENNETH ROUSE**  
MANAGING DIRECTOR  
HEAD OF CAPITAL MARKETS

T +353 1 661 1233  
M +353 86 832 1686  
kenneth.rouse@bnpparibas.com



**DAMIEN MCCAFFREY**  
DIRECTOR, INVESTMENT  
CAPITAL MARKETS

T +353 1 661 1233  
M +353 87 985 2272  
damien.mccaffrey@bnpparibas.com



**MATTHEW VANSTON**  
DIVISIONAL DIRECTOR, INVESTMENT  
CAPITAL MARKETS

T +353 1 661 1233  
M +353 87 643 4497  
matthewvanston@bnpparibas.com



**SEAN HOUSTON**  
INVESTMENT ANALYST  
CAPITAL MARKETS

T +353 1 661 1233  
M +353 87 435 6917  
sean.houston@bnpparibas.com

**DISCLAIMER:** BNP Paribas Real Estate is a wholly owned subsidiary of the BNP Paribas Group, the leading global Financial Institution. All rights reserved. The report was prepared by BNP Paribas Real Estate Ireland. All data provided in the publication have been carefully verified, however the authors of the report shall not be held liable for any damage or loss which may arise from the use of the data published. Reproducing, modifying or using any of the contents hereof without the permission of the authors of the publication is prohibited under the provisions of the applicable law. It is permitted to quote the contents of the publication only when clearly stating the source.