Irish Investment Market

Strong turnover of €2.1bn in Q2, driven by largest ever single asset sale

**TURNOVER**

€2.1 billion was transacted in the Irish commercial property sector in the second quarter of this year, stronger than expected and boosted by a single prime shopping centre sale and strong demand for prime Dublin offices. Two office transactions – the sale of One Spencer Dock for €240m and the sale of Project Kells which consisted of prime Dublin 2 offices on Dawson and Nassau Streets for €93m, made up 50% of the total amount invested in office assets in Q2.

Solid economic growth, robust employment growth and broadly based domestic demand, in particular strong consumer spending and retail sales growth are supporting investor interest in Irish commercial property.

The five largest deals in Q2 made up a total of €1.47 billion, equating to 68% of total turnover in Q2. These five deals made up 50% of the total for the first half of the year.

Q2 turnover of €2.1bn is the strongest achieved in any single quarter in the Irish market. It is three times higher than turnover in Q2 of last year and almost three times that of the same period in 2014, which had the strongest annual turnover on record. Excluding the single retail sale, turnover amounted to €1.1bn and still exceeded that of the comparable quarters in 2014 and 2015 and is the second highest quarterly investor activity in the last 24 months.

Activity in the investment market continues to reflect both the recovery and increased sentiment in the Irish economy and property market along with the depth and breath of international investor interest in recent years.

If turnover reaches the forecasted €3.5bn for 2016, the 10 year average will have increased significantly to €1.7bn, compared to €1bn in 2013.

**Investment Market Turnover, 2003-2016**, annual, €m

**Investment Market Turnover, quarterly, 2014-Q2 2016**, €m

**Largest 5 Investment Deals, Q2 2016**

<table>
<thead>
<tr>
<th>Investment Transaction</th>
<th>Sector</th>
<th>Price Achieved (€m)</th>
<th>Initial Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blanchardstown Shopping Centre, Dublin</td>
<td>Retail</td>
<td>€945m</td>
<td>4.62%</td>
</tr>
<tr>
<td>One Spencer Dock, Dublin 1</td>
<td>Office</td>
<td>€240m</td>
<td>4.7%</td>
</tr>
<tr>
<td>Project Kells, Nassau St &amp; Dawson Streets, Dublin 2</td>
<td>Office</td>
<td>€93m</td>
<td>-</td>
</tr>
<tr>
<td>St Stephen’s Green, LXV</td>
<td>Office</td>
<td>€85m</td>
<td>4.3%</td>
</tr>
<tr>
<td>Elm Park, Multi-family, Dublin 4</td>
<td>Multi-family</td>
<td>€59m</td>
<td>5.41%</td>
</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate Research
Office investments, which led the recovery in the commercial property market, remain the backbone of activity. Just over €400m has been invested in office assets on average every quarter since Q1 2014, with particular quarters such as Q2 2016 seeing double that level of investment, with one deal making up 25% of turnover.

There were 20 transactions in Q2, 17 of which were in Dublin. Six of those were in the €50m plus lot size, four between €20m and €50m and 10 were deals below €10m. Demand from non-Irish investors continues to widen with European investors purchasing almost 20% in value terms and a new entrant – AGC Equity – a global investment firm purchasing One Spencer Dock for €242m, which was the largest single office investment transaction.

Other Sectors
Investment in mixed use properties was the strongest category of interest after retail and offices, driven by Irish and private investors, with each of the 17 deals for lot sizes below €20m.

There were five industrial deals, the largest of which was the purchase by an Irish Fund of two logistics units at Rosemount Business Park for €17.8m.

Prime yields

Office 4.5%
Retail 3.25%
Industrial 6.5%
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