2017 ANNUAL RESULTS

GREAT PERFORMANCE FOR BNP PARIBAS REAL ESTATE

- Revenue: €811M (+15% /2016)
- Profit Before Tax: €187M (+20% /2016)
- Employees: 5,100 (+20%)
- Countries: 36 (+5 main countries - 21 alliances)

REVENUE BREAKDOWN

- France: 54% (46%)
- Outside France: 46% (26%)
- Services: 38% (74%)
- Property Development: 26% (74%)
- From Recurrent Revenue: 38%

COMPREHENSIVE OFFER WITH INNOVATIVE SOLUTIONS

PROPERTY DEVELOPMENT
- Commercial Real Estate
- 137,600 sq. m under construction in Europe to January 1, 2018
- About 100,000 sq. m delivered in 2017
- €3.5 bn (+€3.3bn /2016)

PROPERTY MANAGEMENT
- Residential
  - 2,401 housing units started
  - 3,266 housing units reserved in France
  - 6,358 units under management in serviced residences in France
  - 2,291 properties sold in the UK
- Commercial Real Estate
  - €27.4bn of assets under management in Europe
  - 40.5 million sq. m under management
- Valuation
  - More than €329bn of value of assets representing more than 124 million sq. m

INVESTMENT MARKET

- Guide to Ireland’s Investment Market
- Summary of Investment Sales 2017
- BNP Paribas Real Estate Market Research

PROPERTY MARKET GUIDES

- Guide to Dublin’s Office Market
- Guide to Dublin’s Retail Market
- Guide to Development Land
- Guide to Property Management
- Guide to Building Consultancy & Design
- Guide to Lease Advisory

INVESTOR TOOLKIT

- Irish Real Estate Law: Essential Knowledge
- Tax Clinic
INTRODUCTION

DUBLIN BY NUMBERS

1.9 million
The number of inhabitants in the Greater Dublin Area (GDA) which accounts for 40% of total population
(Source: Central Statistics Office)

1.8 billion
Average annual Irish commercial property investment turnover over the last 10 years
(Source: BNP Paribas Real Estate Research)

€870 million
Invested in office assets in 2017
(Source: BNP Paribas Real Estate Research)

360,000 sq.m
Amount of office space occupied in Dublin in 2017
(Source: BNP Paribas Real Estate Research)

€2.3 billion
Commercial Property Investment Turnover in 2017
(Source: BNP Paribas Real Estate Research)

FOREWORD

“Ireland still remains the fastest growing economy in the European Union. In fact economic outcomes continue to exceed expectations, which in turn is deepening investor confidence in the Irish commercial real estate market.”

The major investment trend in 2017 was that liquidity got squeezed on the sell side of the equation which led to significant pent up demand for core investment product with a distinct lack of opportunities curtailing turnover. Despite this there were again a number of new entrants active in the market with a healthy level of enquiry likely to persist into 2018.

The office occupier market had the strongest year on record in 2017, as new supply gave companies looking to expand enhanced options. Rental growth continues despite the increasing delivery pipeline, reflecting the depth of demand from high value adding sectors such as TMT and Fintech which are now the backbone of the Dublin office occupier market.

Best in class retail schemes remain en vogue namely Dublin High Street, Retail Parks with strong tenant mix and Dublin Shopping Centres. There is also a distinct move to big box retailing as retailers are looking for fewer and larger store formats which will in turn become the focus of investors.

The international trend of increased institutional allocation to the logistics sector is now being seen in Ireland, with investors attracted by the strong income yield and future growth potential from technology led retailing. We forecast the continuing growth of the sector and its growing importance as retailing models continue to evolve and adapt to changing consumer patterns.

With the trend towards online shopping and the move to a centralised distribution model by many large supermarket retailers, the demand for distribution space was clearly evident in 2017 and this will persist into 2018.

The Irish market has proved to be dynamic in the face of rapid change in recent years. Global threats still exist and while they are somewhat unpredictable both in terms of content and timing, this cycle is predicated on stronger economic resilience. More local threats such as the exact Brexit process will need to be monitored but the forecasts for growth in the Irish economy remain relatively positive.

2018 is set to be another busy year with prospects and outlook looking good across all Real Estate sectors.

Finally, I wish to express our gratitude to EY, A & L Goodbody and IDA Ireland for their contributions to this year’s investing in Dublin Guide. We hope this guide provides a useful insight into the Irish Real Estate market and we at BNP Paribas Real Estate, look forward to meeting with you to discuss your Real Estate needs throughout 2018.

Kenneth Rouse
Managing Director & Head of Investment
BNP Paribas Real Estate Ireland

Map is for illustrative purposes only, not to scale.
IRELAND OVERVIEW

10 KEY REASONS TO INVEST IN IRELAND

1. Europe’s Fastest Growing Economy
   Ireland’s economy grew by an estimated 7% in 2017* and remains the fastest growing economy in the European Union for the fourth consecutive year.

   Other key economic indicators have been moving positively with unemployment falling to its current rate of 6%, the lowest level since May 2008.

   *Based on estimates in January 2018

2. Favourable Demographics
   Ireland has the youngest population in Europe with a third of the population under 25 years old making Ireland's dependency ratio very favourable. Ireland’s population is forecast to continue to grow until 2026 with the pace of growth expected to be stronger in Dublin and surrounding areas, where almost 40% of the population live and work.

   Ireland’s young workforce is very adaptable and highly educated with Ireland’s education system ranked amongst the Top 10 in the world and also holds the second highest rate of tertiary attainment in the EU.

3. Domestic Stability
   Ireland offers a high degree of economic and political stability with the benefit of a common law legal system and favourable tax structure which is relatively straightforward to understand.

   The climate is temperate and is generally spared from natural disaster and Ireland consistently ranks highly on the Global Peace Index making it one of the world’s safest countries in which to live. This marks Dublin out as the optimal place for investors seeking to minimise uncertainties from external global risks such as Brexit and Geopolitical risks.

4. A Sustainable Investment Market
   Ireland has demonstrated a remarkable real estate recovery with investment in commercial real estate reaching at just over €2.3 billion in 2017. The 10 year average of €1.8 billion was exceeded for the past 4 successive years.

   The Dublin market has a good degree of liquidity with foreign equity investing in tandem with domestic investors. There is a significant spread between prime real estate yields and long term bonds (e.g. The prime office yield offers a pickup of over 350 bps over 10 Yr Govt Bond*).

   *Correct as at time of printing

5. Foreign Direct Investment (FDI)
   Ireland is ranked No. 1 in the world for Foreign Direct Investment (IDA Ireland).

   Ireland has become the global technology hub of choice when it comes to attracting the strategic business activities of TMT companies and Dublin has earned the reputation for being the heart of TMT in Europe.

6. A Diverse Tenant Base and Healthy Level of Office Occupier Demand
   An important feature of the office market is the variety of tenant demand and from an investment context this constitutes a major factor of diversification within a multi-jurisdiction strategy. Unlike other European cities which tend to be dominated by financial and professional services, the Dublin office market is very varied in its occupier makeup.

   For example large financial organisations are located all around Dublin both in the suburbs for back office function and in the CBD for client facing activity. The emerging TMT sector is now a key driver of office occupancy demand in Dublin CBD in particular the South Docks, conventional occupiers such as law firms and accounting practices typically occupy the traditional CBD with pharmaceutical and other business occupiers prevalent in the suburbs.

   The market achieved the highest ever level of take-up in 2017 with 360,000 sq.m occupied in the Dublin office market.
Dublin: A Hive of FDI Activity

Dublin is a city location of ‘international’ scale in Ireland and in foreign investment terms, continued to perform well in 2017 and IDA Ireland predicts this trend will continue in 2018.

The city shows a remarkable capacity to attract foreign direct investment and has developed an international reputation as a hub for Financial Services and FinTech, Technology and International Operations centres, amongst others.

Reasons cited by companies who choose Dublin to locate parts of their business include its rich and diverse talent pool, operating business environment, accessibility and as a place to live being key to their investment decisions to locate in the Capital.

The success of Dublin in 2017 in attracting mobile foreign direct investment is nothing new in that the Capital has regularly represented Ireland’s strongest card when it comes to competing for “hard won” mobile investments in an ever competitive global environment. Dublin has long since been a location of choice for many multi-nationals looking to invest and re-invest in Ireland to primarily service the 500 million European Market place with c. 50% of IDA’s existing company portfolio located in the City and its environs. 2017 saw that portfolio further enhanced with significant investments from the likes of Indeed.com, Microsoft, Citrix, Tenable, Shire, Zendesk and Fidelity International just to name a few.

Dublin’s credibility and value proposition for FDI is particularly impressive when you consider the diverse range of projects it wins for Ireland inc. from a wide range of sectors and activities such as Digital Media, Life Sciences, International Financial Services and Information & Communications Technology (ICT), amongst others.

Its track record, particularly in respect of supporting many of leading Technology Company’s EMEA operations e.g. Google, Facebook and LinkedIn, in addition to attracting the next wave of global technology companies such as Tenable and Zendesk has seen parts of the city rebranded as the “Silicon Docks” which is an illustration of the hive of activity and vibrancy that these companies have brought to a small part of the city and is regularly referenced in many corporate board rooms all over the world.

It should be noted that the success of Dublin over many years is a result of sustained investment and a “can do” attitude and partnership by all stakeholders, both public and private, in respect of education, infrastructure, utilities, enterprise supports and place making. Consequently Dublin and its world class business ecosystem often attract the focus and inquisitive glare of competitor jurisdictions and their representatives.

7
Retail on Upward Trajectory
Dublin’s retail property market continues to experience a period of resurgence driven by a combination of consumer expenditure in the capital, Ireland’s best Out of Town Centres and international retailers competing for prime trading space. American and UK brands tend to gravitate to Dublin prior to breaking into the continental market with Grafton Street, Henry Street, Dundrum Town Centre and The Blanchardstown Centre being particularly sought after locations.

8
Logistics Hub
Dublin is the central axis of the Irish logistics market. The international trend of increased institutional allocation to the logistics sector is now being seen in Ireland, with investors attracted by the strong income yield and future growth potential from technology led retailing.

With the trend towards online shopping and the move to a centralised distribution model by many large supermarket retailers, the demand for distribution space should inevitably lead to increasing market rents and, in turn, capital values.

9
Length of Lease Terms
In Ireland commercial office leases are generally longer than in most continental markets (typically 25 years with a break after 12 years) and lease terms are generally more favourable to the investor than the equivalent in other countries.

Other things being equal, investing in Dublin can provide a further element of medium-term income stability.

10
An Increasing Access to Debt
With the improving sentiment in the investment market the availability of debt has continued to grow. We are in a relatively low interest rate cycle coupled with tight lending margins as banks look to grow their loan books on a selective basis after years of deleveraging. This has translated into borrowers being able to secure attractive financing terms on core Dublin assets.

With city centre properties generally having a stable and diversified income profile there is an increasing number of both local and foreign financial institutions who are offering competitive debt terms.

Damien McCaffrey
Director Investment
BNP Paribas Real Estate Ireland

Dublin: A Hive of FDI Activity

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It should be noted that the success of Dublin over many years is a result of sustained investment and a “can do” attitude and partnership by all stakeholders, both public and private, in respect of education, infrastructure, utilities, enterprise supports and place making. Consequently Dublin and its world class business ecosystem often attract the focus and inquisitive glare of competitor jurisdictions and their representatives.

Damien McCaffrey
Director Investment
BNP Paribas Real Estate Ireland
IRELAND OVERVIEW

We must not be complacent however when it comes to sustaining our competitive position and in enhancing our value proposition for the ever complex and evolving needs of FDI. Dublin must continue to lead the way in supporting the next wave of investments in commercial and residential property solutions that meet the needs of mobile investments and their employees. The ongoing supply of c. 350,000 sq.m (c. 3.7 million sq.ft) of new office solutions for greater Dublin over the next 18-24 months is very much welcome from an IDA perspective, offering a wide choice of competitive accommodation options from start up to scale up right through to options for companies requiring large square footage.

Investments from the likes of Kennedy Wilson, IPUT, Ballymore, NAMA, the REITs, amongst many others are crucial for future proofing Dublin’s capacity and competitiveness in sustaining and growing the existing base of FDI whilst also underlying international investor demand for large scale assets which come to the market. As a country we must continue to invest, we must continue to future proof the entirety of our value proposition across education, infrastructure, enterprise supports and property and we must continue to sell within a Team Ireland approach to ensure we compete for and ultimately win the next wave of international investments and jobs for the benefit of the country and the Irish people.

Finally, talent remains the biggest driver for IDA client companies in their international investment location decisions. We must be conscious that attracting the right talent is not only a function of the job opportunity itself, but very much a function of the attractiveness of the location in which the job opportunity presents. In this regard it is important to note that the availability of quality and affordable residential accommodation is a key competitiveness factor for FDI. The Government’s Housing Strategy “Rebuilding Ireland” sets out the roadmap in addressing the residential need and the future needs of FDI employees both nationally and within Dublin.

As a country we must continue to invest, we must continue to future proof the entirety of our value proposition across education, infrastructure, enterprise supports and property and we must continue to ensure we are competitive in relation to winning new investment flows as they present themselves. The city is set to undergo something of a transformation over the next number of years and the sense of opportunity is everywhere at present in relation to the property market.

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The outlook for 2018 looks promising with the IDA team at home and abroad already working on a strong pipeline for inward investment and in collaboration with other stakeholders and agency, we look forward to more success for Dublin and beyond.

Frank Conlon
Divisional Manager, Regional Business Development, Strategic Property Management, and Corporate Governance & Legal Services, IDA Ireland
www.idaireland.com

GUIDE TO IRELAND’S INVESTMENT MARKET

Overview

Strong activity in the final quarter of 2017 (€972m), brought turnover for the year to €2.3 billion, the fourth consecutive year where the total value of turnover exceeded the 10 year average of €1.8 billion.

The level of activity in Q4 reflects both an increase in the volume of transactions and also underlying international investor demand for large scale assets which come to the market.

As the market has matured, there is evidence of an increase in the pool of international investors interested in investing in the Irish market, with the larger transactions which completed in 2017 mostly purchased by non-Irish purchasers – for example Oaktree, Kennedy Wilson, Credit Suisse, La Française and Spear Street Capital.

Demand for retail assets remains a key trend - the sale of The Square Shopping Centre, Tallaght for €233m brings to €3 billion the amount of investor spend in Irish shopping centre assets over 2016-2017 period, with €2 billion of that accounted for by five transactions.

Investment Market Turnover 2016 & 2017, Quarterly by Sector (% Value of Turnover)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2016 Q1</th>
<th>2016 Q2</th>
<th>2016 Q3</th>
<th>2016 Q4</th>
<th>2017 Q1</th>
<th>2017 Q2</th>
<th>2017 Q3</th>
<th>2017 Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Office</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Industrial</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mixed Use</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mixed Use, Other</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate Research
The level of demand for prime retail assets remains underpinned by the fact that the domestic economy is making a significant contribution to economic growth, as evidenced by GDP data for Q3 2017 which show an increase in real GDP of 4.2% compared to Q3 2016.

Employment growth in high value adding sectors is supporting retail sales and skills shortages in key sectors such as TMT and some areas of professional services is allowing for wage inflation at a time when the inflation rates remain close to zero.

The 10 largest transactions made up 38% of total turnover; five of those were office transactions (four of which were located in Dublin 2). The office sector remains the backbone of investment transactions, at 38% of the value of turnover for the year as a whole.

Hotels in prime locations along with any residential or multi-family developments which come to the market, continue to attract considerable interest, buoyed by a continue lack of residential units relative to the population growth and labour market requirements.

Investor interest in hotels is underpinned by the pace of economic growth and the success of Ireland as a tourist destination as illustrated by the level of passenger throughput at Dublin airport which increased by 47% over the 2014-2017 period.

Investment Market Turnover 2014-2017, Quarterly by Sector (% Value of Turnover)

As the prospects for the economy remain very favourable with little risk evident on the domestic front in 2018, most analysts have revised their GDP forecasts upwards again, with the Central Bank of Ireland expecting GDP to have increased by close to 7% for 2017 as a whole and to increase by 4.4% in 2018. This bodes well for continued confidence in the commercial property market, with occupier demand at an all-time high for Dublin office space; while prime retail streets, shopping centres and retail parks are effectively fully occupied. Retail re-developments underway are set to capture the mood of modern shoppers requirements and offer wider food and beverage offerings.

The office sectors’ share of investment market turnover is expected to increase in 2018 as larger assets coming to the market are expected to quickly satisfy some of the demand of international investors waiting in the wings. Yield tightening was evident in the second half of 2017 and further tightening is expected in 2018.

Prime retail opportunities such as those on Grafton or Henry / Mary streets or the streets adjacent to them will continue to be competitively sought after while demand for industrial product is set to remain at a level that justifies new construction, particularly in locations close to transport hubs, such as Dublin Airport.

Expectations are that the investment market will continue to benefit from the range of positive variables that currently make-up the Irish economic backdrop.

Outlook 2018

Investment Market Research

Joan Henry
Head of Research
BNP Paribas Real Estate Ireland
## SUMMARY OF INVESTMENT SALES - 2017

### TOP 5 OFFICE TRANSACTIONS

<table>
<thead>
<tr>
<th>Property</th>
<th>Price (£m)</th>
<th>Yield</th>
<th>Purchaser</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cherrywood Office Park, Dublin 18</td>
<td>€145,000,000</td>
<td>c.6.5%</td>
<td>Spear Street Capital</td>
</tr>
<tr>
<td>13-18 City Quay, Dublin 2</td>
<td>€126,000,000</td>
<td>4.57%</td>
<td>ILIM</td>
</tr>
<tr>
<td>Gardner House, Dublin 2</td>
<td>€60,000,000</td>
<td>c. 4.8%</td>
<td>IPUT</td>
</tr>
<tr>
<td>21 Charlemont, Dublin 2</td>
<td>€49,000,000</td>
<td>c. 4%</td>
<td>La Française</td>
</tr>
<tr>
<td>4 &amp; 5 Harcourt Centre</td>
<td>€47,000,000</td>
<td>4.42%</td>
<td>Ares / Investus</td>
</tr>
</tbody>
</table>

### TOP 5 RETAIL TRANSACTIONS

<table>
<thead>
<tr>
<th>Property</th>
<th>Price (£m)</th>
<th>Yield</th>
<th>Purchaser</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Square Towncentre, Tallaght</td>
<td>c. €250,000,000</td>
<td>5.75%</td>
<td>Oaktree</td>
</tr>
<tr>
<td>100-101 Grafton Street &amp; 4-5 Wicklow Street, Dublin 2</td>
<td>€50,110,000</td>
<td>3.44%</td>
<td>ILIM</td>
</tr>
<tr>
<td>Off Market (Marks &amp; Spencers)</td>
<td>€31,000,000</td>
<td>6.5%</td>
<td>Real IS</td>
</tr>
<tr>
<td>Avoca, Kilmacanogue &amp; Rathcoole, Wicklow</td>
<td>€26,500,000</td>
<td>6.20%</td>
<td>Private Irish</td>
</tr>
<tr>
<td>14-16 Mary Street, Dublin 1</td>
<td>€26,000,000</td>
<td>7.36%</td>
<td>Private Foreign</td>
</tr>
</tbody>
</table>
## SUMMARY OF INVESTMENT SALES - 2017

### TOP 5 INDUSTRIAL TRANSACTIONS

<table>
<thead>
<tr>
<th>PROPERTY</th>
<th>PRICE (€m)</th>
<th>YIELD</th>
<th>PURCHASER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Off Market Unit Q1, Aerodrome Business Park, Naas Road, Rathcoole, Co Dublin</td>
<td>€28,000,000</td>
<td>6.18%</td>
<td>ILIM</td>
</tr>
<tr>
<td>Unit 2 Merrywell Business Park, Ballymount, Dublin 12</td>
<td>€25,000,000</td>
<td>5.80%</td>
<td>Friends First</td>
</tr>
<tr>
<td>Unit 21, Fonthill Industrial Park, Clondalkin, Dublin 22</td>
<td>€11,050,000</td>
<td>4.33%</td>
<td>SSgA</td>
</tr>
<tr>
<td>Unit 1 Stadium Business Park</td>
<td>€8,650,000</td>
<td>8.23%</td>
<td>UK Investor</td>
</tr>
<tr>
<td>Hilton Foods Building, Termonfeckin Road, Drogheda, Co. Louth</td>
<td>€7,100,000</td>
<td>8%</td>
<td>European Fund</td>
</tr>
</tbody>
</table>

### TOP 5 OTHER TRANSACTIONS

<table>
<thead>
<tr>
<th>PROPERTY</th>
<th>PRICE (€m)</th>
<th>YIELD</th>
<th>PURCHASER</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Gibson Hotel, Dublin 1</td>
<td>€87,000,000</td>
<td>4.92%</td>
<td>Dalata</td>
</tr>
<tr>
<td>The Capitol Building, Patrick Street, Cork City</td>
<td>€45,500,000</td>
<td>5.54%</td>
<td>Real IS</td>
</tr>
<tr>
<td>North Bank, North Docklands, Dublin 1</td>
<td>€45,000,000</td>
<td>5.6%</td>
<td>Kennedy Wilson</td>
</tr>
<tr>
<td>Clayton Hotel Cardiff Lane, Dublin 2</td>
<td>€40,000,000</td>
<td>6.03%</td>
<td>Dalata</td>
</tr>
<tr>
<td>Montrose Student Residence</td>
<td>€37,675,000</td>
<td>7%</td>
<td>Hines</td>
</tr>
</tbody>
</table>
BNP Paribas Real Estate add value to our clients requirements via detailed research and insights into the Dublin market, in particular tracking occupier requirements, rental trends and other key dynamics in the marketplace, such as the active completions pipeline which is a main force driving market activity and is set to remain so in 2018 / 2019. Combined with updates on the economic backdrop, BNP Paribas Real Estate’s expertise allows our clients to make longer term strategic decisions as to how to maximize the value of their property portfolios.

Joan Henry
Head of Research

BNP Paribas Real Estate Market Research

IRISH INVESTMENT MARKET IN NUMBERS
2017

- €2.3bn
  Invested in Irish Commercial property 2017

- €1.9bn
  Investor spend in Dublin market

- 83%
  Dublin

- 17%
  Rest of Ireland

- 6%
  Lowest level this cycle

- 10.5%
  Economic Growth
  GDP Year on year 2017

- 10%
  Economic Growth
  Year on year Q3’17 strongest in the EU

- 28%
  Top 5 Transactions

- €644 m
  Invested in one Large Shopping Centre

- €233 m
  10% of 2017 turnover = Top 5 Transactions

- 83%
  €2.3bn
  Investor spend

- 17%
  €1.9bn
  Dublin

- 6%
  €644 m
  Rest of Ireland

*February 18 Data

BNPPRE Research Publications:

BNPPRE Research Publications:

www.realestate.bnpparibas.ie
Overview

2017 was one of the best years on record in the Dublin office market and market sentiment is at an all-time high.

Take-up in excess of 360,000 sq.m (3.9 m sq.ft) was 40% higher than 2016 & approximately 1.75 times the long term average. The upshot of this strong take-up and continued demand is the prevalence of “landlord friendly” conditions i.e. record low vacancy, upward pressure on rental levels and longer lease terms.

To understand the dynamics of the Dublin office market better, it is first prudent to have consideration for its recent history.

Recent History

In 2007, all construction activity in the Irish property market ceased almost over-night. The office market was worst affected and prime rents fell from a high of close to €700 per sq.m (€65 per sq.ft) to as little as €323 per sq.m (€30 per sq.ft) in 2010 with limited take-up and vacancy rates fluctuating to over 25%. In 2011 / 2012, the market started to emerge from its slumber and demand increased steadily buoyed by favourable take-up from Foreign Direct Investment (FDI) occupiers predominantly.

Despite the surge in demand, limited new office buildings were constructed between 2007 and 2015 in Dublin due to a shortage of development finance and insufficient rental return, causing a massive shift in the landlords favour.

In 2015, office rents increased by 25% in one year alone with continued growth evident ever since. Since 2015, new development has emerged across the city sky-line to alleviate the demand side pressures curtailng the market.

Prime CBD Rents 2017

c.€670 per sq.m

Total Take Up 2017

360,000+ sq.m

Emerging Trends and Current Cycle

The focus of occupier demand has been largely city centre focused in recent years but 2017 seen a strong take-up in the city edge and suburban districts. This trend will continue to evolve in 2018 as occupiers seek more cost effective occupancy solutions. 2017 saw the first new speculative development in the Dublin suburbs in almost 10 years (Block H Central Plaza). Areas close to amenities and good public transport are considered attractive.

One of the notable trends in the Dublin market in 2017 was the emergence of the serviced office sector in a considerable scale. Wework executed their first lease in October 2017 and have already committed to over 26,000 sq.m (280,000 sq.ft) of office space with continued growth aspirations.

The Office Group and Huckletree were other new entrants following fast on the heels of Wework, while existing established serviced office occupiers like Regus, Iconic and Glandore expanded their respective operations. 2018 will see continued growth and expansion in this market sector.

Prime benchmark CBD rents are currently in the region of €670 per sq.m with moderate rental growth expected in 2018. Rental levels in excess of these figures will be achieved in certain instances where occupiers can avail of attractive lease flexibility and existing quality fit-outs. Overall with some 350,000 sq.m (3.7 million sq.ft) of new office supply under construction, the Dublin office market will function at much more sustainable levels going forward, allowing occupiers reasonable choice. Developers viable margins and informed Investors competitive returns.

Inducements by way of rent free are standard and are generally between 6-9 months for standard lettings.
Outlook 2018

The forecast for the Dublin office market remains extremely positive. Foreign Direct Investment, largely from North America remains the key driver for take-up, while indigenous growth and Brexit related activity will further fuel the expected strong take-up in 2018 and beyond. Focus remains on key city centre office space particularly among the TMT and Financial Services sector.

With unemployment figures now as low as 6%, recruitment is becoming an increasingly important consideration for occupiers and many TMT occupiers are using their real estate to attract and retain staff in a very competitive sector.

Notable occupiers such as Google, Facebook, Linkedin, Amazon and many others continue to increase their occupancy footprint in Dublin. Microsoft recently opened a purpose built campus-style facility of over 30,000 sq.m (323,000 sq.ft) on the outskirts of Dublin and some of names mentioned above are considering similar projects.

We expect general lease terms to remain stable and modest rental uplift. The fringes of the city centre are expected to see considerable activity as occupiers look to compromise on the need to retain a central presence at more palatable rental levels.

Typical lease terms in the current market are 20 / 25 years with the earliest breaks for new developments achievable between years 10 and 15. Suburban office space can generally expect to achieve break options closer to year 10 and perhaps sooner for secondary office space. Breaks are usually subject to certain conditions including a standard 12 month notice period. In many cases, a rental penalty may be a condition of the break option.

Upward only rent reviews were prohibited in leases which commenced after the 28th February 2010. Rent reviews, where they are set out in leases from February 2010, are to the market rent on an open market basis (i.e. upwards or downwards). Rent reviews are usually every 5 years. The new rent may be agreed between the landlord and tenant (or respective representatives) and is based primarily on comparable market lettings. The emergence of CPI linked rent reviews has emerged in to the office market but it is not common place. In default of agreement between the parties the rent review can be referred to arbitration. Generally, there is a provision in the lease for referral to third party and the lease will dictate whether an arbitrator or independent expert will be elected to set the new rent.

On the basis that tenants occupy premises for a period in excess of 5 years, they have an automatic right of renewal by law on expiry of the lease and can apply for a new lease of 20 years or such lesser term as a tenant may nominate. It will not however be fixed for a period of less than 5 years without the landlords agreement. Under recent legislation, all tenants of commercial premises can contract out of their statutory right of renewal providing greater flexibility to landlords and tenants when negotiating the terms of the lease.

Dublin Office Market - Key Districts

The Dublin office market provides in excess of 4 million sq.m (43,055,642 sq.ft) of office space and can be divided in to the following key districts:

<table>
<thead>
<tr>
<th>DISTRICT</th>
<th>RENT PER SQ M</th>
<th>NOTABLE OCCUPIERS</th>
<th>COMMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prime CBD</td>
<td>€670</td>
<td>Barclays, Deloitte, EY, Aviva, Investec, AIB, Shire Pharma &amp; Government Agencies</td>
<td>The traditional Central Business District (CBD), this is the most historic and sought after location within the city, largely centres around St. Stephen’s Green and the main shopping hub of Grafton Street. Space in this area is at a premium and in demand.</td>
</tr>
<tr>
<td>South Docks</td>
<td>€620</td>
<td>Google, Facebook, AirBNB, Accenture, Bloomberg, Delphi and various legal firms</td>
<td>Emerged in the early 2000’s as a cheaper alternative to the traditional CBD and at first attracted major legal firms but has since become the location of choice for the TMT sector. This is the part of the city that is most active in terms of new activity and take-up.</td>
</tr>
<tr>
<td>Dublin 1 &amp; North Docks</td>
<td>€550</td>
<td>BNP Paribas, KPMG, Citi Bank, Hubspot, Credit Suisse, PWC, Yahoo, AIG, Central Bank of Ireland, NTMA.</td>
<td>Dublin’s earliest docklands regeneration scheme which led to the development of the IFSC (Dublin 1) in the early 1990’s. The centre is host to some of the world’s most important financial institutions. Since the early 2000’s office developments have continued beyond the IFSC and eastwards along the North Docks.</td>
</tr>
<tr>
<td>Ballsbridge / Dublin 4</td>
<td>€600</td>
<td>Avolon, IBM, Bank of Ireland, Zurich, Sky Ireland, Amazon Goodbodys, Gilt Groupe.</td>
<td>Dublin 4 largely provides high-end residential accommodation with a growing commercial district largely centred around Ballsbridge. This is an affluent part of town with growing appeal.</td>
</tr>
<tr>
<td>North Suburbs</td>
<td>€270</td>
<td>Dublin Airport Authority, Ebay, Paypal, Kellogg, BMW, Cisco, EMC Dell.</td>
<td>Home to the city’s airport, this part of Dublin is seeing increased level of activity. The new development at Dublin airport is likely to be the catalyst for further new development.</td>
</tr>
<tr>
<td>South Suburbs</td>
<td>€323</td>
<td>Microsoft, Vodafone, Salesforce, Mastercard, Atricity, Dell, Accenture, Fleetmatics</td>
<td>The most established “out of town” location for occupiers, it has seen notable take-up in the past 18 months and continues to see considerable demand as occupiers identify cheaper alternatives to the city.</td>
</tr>
</tbody>
</table>
GUIDE TO DUBLIN’S RETAIL MARKET

Dublin City Centre Retail

> Grafton Street & Environs

Grafton Street located on the south side of the City remains the most sought after retail destination in Ireland. It is located adjacent to Dublin’s CBD and is a popular destination for Dublin’s many tourists.

The major occupiers on the street are the up-market department store Brown Thomas and M&S who trade directly opposite.

The tenant line up has been reinvigorated with the recent arrival of a host of international retailers including: Hugo Boss, Space NK, Urban Decay, Massimo Dutti and more recently Victoria’s Secrets who opened their first Irish store at 22/29 Grafton Street in Q4 2017.

St. Stephen’s Green Centre is the only enclosed shopping mall on Grafton Street located at the top end. It was developed in 1988, is anchored by Dunnes Stores and has struggled somewhat in recent times due to the poor configuration of its retail units and uninspiring tenant mix.

We understand the owners are currently reviewing development options for the scheme.

Grafton/Henry/Mary Street Research 2017

> Henry Street & Environs

Henry Street on the North side of the City Centre perceived to be less upmarket than Grafton Street and more mass market has a much broader mix of anchors including: Arnotts Department Store, Primark, Debenhams, M&S and Dunnes Stores.

There has historically been little vacancy on Henry Street and it has attracted a range of new retailers in recent times. These include: Mango, Parfois, iConnect and Ann Summers.

Henry Street houses two enclosed shopping schemes.

The Jervis Centre, which opened in 1996, is located opposite Primark and next to M&S.

The Ilac Centre which was originally developed in 1981 has recently been substantially refurbished. It shares many of the characteristics of St. Stephen’s Green Shopping Centre.

The long planned ‘Dublin Central’ development site is located immediately adjoining. If and when this scheme gets off the ground it will improve the attractiveness of both the Ilac & the general Henry / Mary Streets retailing precinct.

> Dublin City Centre Development Pipeline

The Dublin Central development represents an unrivalled opportunity to provide the first shopping centre in Dublin City Centre since 1996. Now under the control of Hammerson, they are believed to be examining various development options for the 2.23 ha (5.5 acre) site.

Nearby the vacant former Clerys Department Store has received planning permission for an impressive re-development which is set to incorporate a significant retail element.

Over on the south side there are two developments planned which should go some way to addressing the extremely limited of supply of larger retail floor plates in the south city centre and also units capable of accommodating the extensive demand from established or prospective F&B operators seeking a city centre presence.

Meyer Bergman / BCP have received planning permission just off Grafton Street on Nassau / Dawson Street which is set to provide over 7,000 sq.m of retail space and has the potential to create a new ‘Regent Street’ style retail destination for Dublin.

Hines / Peterson are re-developing the former Central Bank complex on Dame Street / College Green. This development will link the prime Grafton Street retail pitch with Temple Bar, Dublin’s most important leisure and tourist destination, a location with many similarities to London’s Covent Garden.
Dublin Out of Town Retail

The major out of town shopping schemes

The 5 large out of town schemes account for around 35% of all Dublin Shopping Centre supply.

1. The Pavilions, Swords, Co Dublin

This is located in Swords in North County Dublin. It originally opened in 2001 and was extended in 2006 with cinemas and additional retail including Zara. It is anchored by Dunnes Stores and SuperValu and includes Next, River Island, H&M and Mango in its line-up. We expect that previous plans to extend are being revisited.

2. The Blanchardstown Centre, Dublin 15

This is the largest overall shopping scheme in Ireland when the adjoining retail park and leisure space is included. It opened in 1996 and the core shopping centre comprises over 59,000 sq m (635,000 sq ft) anchored by Dunnes Stores, Debenhams, Primark and M&S. It was acquired by Blackstone in 2016 for close to €950 million representing the largest single property transaction ever in the Irish market. While not perceived as being as upmarket as Dundrum, its Southside counterpart it draws from a wide catchment and is a hugely popular destination for retailers and continually operates at near 100% occupancy.

Two extensions (Central Mall & Red Mall) are planned for the Centre in 2017 and there is a live planning permission dating from 2014 for a further 32,515 sq m (350,000 sq ft) extension to be known as the ‘Yellow Mall’. A revised planning scheme for this element is currently being formulated and which will envisage the introduction of a number of new MSU units and significant new dining and leisure element.

3. Liffey Valley Shopping Centre, Dublin 22

This is located on the M50 at the junction with the N4 and opened in 1997. It is anchored by M&S and Dunnes Stores (drapery) only. It has suffered somewhat due to its proximity to the much larger Blanchardstown Centre and lack of critical mass. However, Primark has opened a new outlet with Tesco soon to follow suit. Planning permission was refused in 2017 for an additional 22,000 sq.m (237,000 sq.ft) and the owners are expected to re-apply during 2018.

4. The Square, Tallaght, Dublin 24

This was Ireland’s first regional scale town centre scheme which opened in 1990. Unfortunately, very little has happened at the scheme since and its customer base is local rather than regional. Set over three trading levels, the layout can prove a little confusing and off putting.

Dunnes Stores, Tesco and Debenhams are the anchor stores. Other major occupiers include: H&M, River Island and Dealz. The Centre has recently been sold for close to €250 million. A planned 17,187 sq.m (185,000 sq ft) extension has the potential to bring new life to the scheme which is located in one of Dublin’s largest suburbs.

5. Dundrum Town Centre, Dublin 14

This is located in an affluent south Dublin suburb on the LUAS light rail line and opened in 2005. It has arguably the best tenant mix of any shopping scheme in Ireland with a line up including House of Fraser, M&S, Hamleys, Harvey Nichols, Primark and Hollister.

There are a number of retailers actively looking to locate within the scheme however as there is minimal tenant turnover these requirements remain unfulfilled. The scheme also includes a large and successful range of complimentary restaurant occupiers. Planning which was previously received for a second phase has now lapsed and a fresh planning application is expected.

Dublin Out of Town Rental Outlook

Rental growth at the two dominant out of town shopping centres, Dundrum Town Centre and the Blanchardstown Centre will follow the same upwards trend as Grafton Street and Henry / Mary Streets as both schemes will continue to be the most sought after shopping centre locations for new entrants to the Irish market.

Although less pronounced, rental growth will also be a feature of other Irish prime Dublin shopping centre locations.
Principal Retail Parks

The first Retail Park opened in Ireland in 1990. After a slow start the sector took off and there are now 14 principal retail parks with a total floor area of 250,000 sq.m (23,227 sq.ft).

Overall vacancy rates are currently around 2% with many of the principal schemes operating at 100% occupancy. Rental growth will be a key feature in this sector in the short to medium term.

> Blanchardstown - Retail Parks

The two Retail Parks forming part of the overall Blanchardstown shopping complex provides the largest concentration of Retail Park space in Ireland along with the most impressive tenant mix.

Retailers include: TK Maxx, Mamas & Papas, Harvey Norman, Smyths Toys and DFS who opened their very first Irish store here in 2012.

> Airside

This is located in Swords, North Dublin close to the airport. It is the second largest retail park scheme in Ireland but unlike its principal counterparts the uses are restricted to ‘Bulky Goods’ and no ‘Open Use’ (i.e. fashion etc.) retailers are permitted.

Major occupiers include: B&Q, Woodies, Harvey Norman, PC World and Smyths Toys.

> The Park, Carrickmines

This scheme developed in two phases is located in the affluent South Dublin and is the dominant scheme in the catchment area. It was built in two phases with part of Phase Two having permission for part ‘open use’ retailing.

TK Maxx, Mothercare, Harvey Norman, Lifestyle and Next Home are among the current occupiers.

IPUT who own Phase One of The Park plan a new third phase providing which will include additional retail park space along with convenience retail and leisure.

West End

West End, although under separate ownership is immediately adjoining The Blanchardstown Centre and forms part of the overall retail offer. It has full open use consent and is the closest scheme in Ireland to a dedicated fashion park.

Occupiers include: Next, New Look, GAP and NIKE with Home Sense, the TK Maxx owned brand the latest retailer to open at the scheme.

Retail Transactions 2017

The Square Towncentre, Tallaght, Dublin 24

The Capitol Building, Cork

5 New Retail Entrants in 2017

- Victoria’s Secret
- Urban Decay
- Smiggle
- Hotel Chocolat
- Homesense

5 Expected New Retail Entrants in 2018

- The Ivy
- Rapha
- Le Pain Quotidien
- The White Company
- Rituals

Eoin Feeney

Executive Director
Retail Agency
BNP Paribas Real Estate Ireland
GUIDE TO DEVELOPMENT LAND

Overview
The residential sector is likely to dominate the development land market in 2018. Opportunities in the emerging build to rent sector will be particularly sought after, fuelled by a rising population and an increase in the rate of renting in Ireland. Investors are attracted by the potential for long-term, stable income and the benefits of portfolio diversification offered by this alternative asset class.

Land prices are expected to continue to rise, particularly for prime sites in the city centre and the Greater Dublin Area.

Housing
Ireland remains a very popular choice for foreign direct investment as the economy has continued to outperform many European countries. However, the severe undersupply and cost of housing is affecting the availability and cost of labour for companies looking to locate or expand operations here, reducing Ireland’s competitiveness.

The Minister for Housing has introduced a variety of initiatives to stimulate the supply and affordability of housing in Ireland. These have generally been received positively in the market and include the revised guidelines for the design standards of new apartments which are expected to be implemented shortly. These standards are expected to improve the viability of apartment schemes including build to rent, allowing for more efficient designs, densities and mix of units, and relaxing car parking requirements, helping to make schemes more cost effective.

The reduction in the holding period for Capital Gains Tax exemption and the Vacant Site Levy may help increase the supply of development land in 2018.

Offices
The last 12 months have seen the development of several large scale office developments including Capital Dock, Dublin Landings and the Exchange, as well as a number of schemes in the city centre such as 3 Park Place, 10 Molesworth Street and One Molesworth.

Developers are currently on site on some large office and mixed use schemes in the docklands area, including Spencer Place and The Exo Building, and 2018 will see the completion of new office developments such as 8 Hanover Quay, The Reflecter and 1-6 Sir John Rogerson’s Quay.

Given the strength of the office market, coming off the highest take-up on record in 2017, with a significant occupier demand pipeline, prime office developments will continue to be in strong demand.

Notable Deals
Notable deals in 2017 include the reported purchase by Glenveagh Properties plc of 1-3 East Road, Dublin 3 for €40 million (a 5.2 acre residential site) while Cairn Homes plc, Glenveagh’s competing listed builder, reportedly paid €107.5 million for a 3.5 hectare (8.64 acre) portion of the RTE Campus, Montrose, Dublin 4.

Alternatives
A variety of alternative asset classes such as student housing, data centres, hotels, medical and healthcare are likely to feature prominently in 2018. Housing associations have been active players in 2017, and this is likely to continue in 2018.

SDZ locations such as Cherrywood & Clonburris will be crucial in providing suburban housing with suitable amenities and infrastructure. Hines have received permission in Cherrywood for a scheme that will provide 1,269 units. It is estimated the 280 hectare (692 acre) Clonburris SDZ could accommodate approximately 8,000 homes.

Outlook
Demand for well-located sites in commuter belt areas and regional cities that are zoned, suitably serviced and have good public transport are expected to be in strong demand due to the general levels of certainty associated with their development. Serviced sites with planning permission will be particularly attractive and it is expected that there will be more speculative land purchases through 2018.

Various large residential developers are expected to be active participants in the market in 2018. Development land licencing agreements will continue to feature in the residential market, creating additional opportunities to deliver much needed housing units.

Development transactions involving corporate and institutionally owned lands may feature in 2018, following on from recent tenders for properties such as CIE’s Boston Sildings and Project Connolly, and Diageo plc’s St. James’ Gate Quarter.

Bobby Lloyd
Director
Development Land
BNP Paribas Real Estate Ireland

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Dublin’s canal area will be transformed by office developments such as One Wilton (Irish Life), Wilton Park House (PUT), 43 / 49 Mespil Road (Davy) & 2 Grand Parade (Hines). Nearby office schemes including Seagrave House, Davitt House and 5 Earlsfort will connect these previously more peripheral locations to the traditional CBD. Meyer Bergman’s 23,000 sq.m (250,000 sq.ft) retail and office development at Nassau House will have a very positive impact on Dawson Street in the next 18 – 24 months.
GUIDE TO PROPERTY MANAGEMENT

In the normal course, commercial leases for multi-let building services are arranged by the landlord for the common area and the costs are recovered from the occupiers by way of a service charge and other occupational costs.

The principal charges are as follows:

Service Charges

Occupiers of multi-let commercial property such as offices, shopping centres and mixed use schemes are obliged to pay an annual service charge for the provision of communal services such as general maintenance, security, utilities and cleaning etc. These obligations will be specifically detailed in their lease agreement.

The apportionment of an occupier’s service charge liability will be typically based on the pro rata percentage floor area of the occupier’s demise to the overall lettable floor area of the building.

Service Charge Ranges for Various Main Asset Classes are outlined in the table below

The levels will vary depending on the size and age of the building, quantum of communal plant and level of service specification required by the building and meet the expectation of commercial occupiers.

Sinking Fund

A sinking fund is a communal reserve for the building which can be used to fund future upgrades and renewal / refurbishment of the common areas and replacement of the main plant and systems such as passenger lifts, roof surfaces, security systems and redecoration.

It should be an essential consideration for occupiers that the building has an adequate sinking fund in place with an appropriate annual provision to fund these future works which occur during the building’s lifecycle.

Not only will a sinking fund mitigate large levies in future years, it will also limit the impact on the occupiers’ cash flow during the tenancy.

Insurance

While it is usual for a landlord to arrange appropriate insurance cover for a building, the occupier will be charged for their portion of the annual insurance premium.

These insurances normally cover fire & material damage, consequential loss of rent & service charge, engineering, public liability for the common area and employers liability for on-site staff.

The level of insurance premium varies depending on the value of the building, age, type of construction, levels of cover and historic loss ratio. Typical costs are €2.70-€4.85 per sq.m.

Residential Occupier Costs

Multi-unit residential complexes are governed by the Multi-Unit Development (MUD) Act 2011 which was enacted into legislation in 2011.

This relatively new legislation has brought a much needed reform and structure to this sector and clearly sets out the procedure for the management and governance of Owners Management Companies (OMC). Upon purchase of a property in a managed residential complex, owners become members of an OMC. The responsibility for governance and overall operation of these companies rests with the Directors of the OMC who are made up of its members.

For residential developments it is now a legal requirement under the MUD Act to form an OMC and the obligations for the payment of service charges, which includes insurance and sinking fund provisions is specified in the owners lease agreement.

Residential service charges vary from complex to complex and the level of service charge will typically be based on the quantum of communal services provided to the complex, maintenance requirements and the specification agreed by members of the OMC at their Annual General Meeting of the Company.

While service charges in residential complexes can vary depending on the specific maintenance requirements, the average service charges in residential complexes are set out as follows:

Service Charge Ranges - Residential Property
Residential Rent Reviews

The Residential Tenancies Act prohibits the landlord from setting a rent that is in excess of market rent. If a landlord intends reviewing the rent, they must inform the tenant, in writing, of any review in rent, a minimum of 90 days before the new revised rent is due to take effect.

A valid notice served by the landlord must be in the prescribed form.

A landlord can only review the rent once in any 24 month period, and cannot review within 24 months of the commencement of the tenancy except in limited circumstances such as a complete refurbishment of the property which affects the market rent of the dwelling.

Rent Certainty measures were introduced by the Irish Parliament in late 2016 due to the rapidly rising rental levels experienced in rent pressure zones.

The Rent Predictability Measure is a new provision that is intended to moderate the rise in rents in the parts of the country where rents are highest and rising - where households have greatest difficulties in finding accommodation they can afford.

In these areas, called Rent Pressure Zones, rents will only be able to rise by a maximum of 4% annually. The measure will be applied immediately to Dublin and Cork city.

It covers the 4 Dublin local authorities (Dublin City Council, South Dublin County Council, Dún Laoghaire / Rathdown County Council and Fingal County Council) and Cork City Council. Since then other regional areas of the country have been included.

Withholding Tax / Collection Agent

If a landlord resides outside the Republic of Ireland (i.e. non-resident landlord) and rent is paid directly to that landlord or to their bank account either in the State or abroad, income tax at the standard rate of tax (currently 20%) must be deducted from the gross rents payable.

Failure to deduct tax may leave the tenant liable for the tax that should have been deducted.

Where the non-resident landlord appoints an agent, who is resident in the State collecting the rent, the tenant should pay the gross rent to the agent without deduction of income tax.

The agent is then chargeable to tax on the rents as ‘Collection Agent’ for the non-resident landlord and is required to submit an annual tax return and account for the tax due. BNP Paribas Real Estate acts as Collection Agent on behalf of a number of our clients.

BNP Paribas Real Estate Property Management - Key Figures

Commercial Real Estate Managed in Europe

38,000,000 sq.m

Properties Managed in Europe

33,500 sq.m

in 54 cities with
854 property management employees

In Ireland our Property Management business has grown substantially in recent years and our portfolio can be summarized as follows:

- Rent Collected
  €41,000,000 p.a

- Service Charge Collected / Expended
  €8,500,000 p.a

- Floor Area Under Management
  276,086 sq.m

- Residential Units Managed
  1,500

gross realization from sales of
€101,871,470 to year end 2017.

Our Bespoke Solutions

At BNP Paribas Real Estate, we take pride in our proactive and hands on approach to the management of our clients property assets.

We actively seek to identify and implement efficiencies to streamline the buildings cost base and maintain the buildings to the highest standards, which protects and enhances the long term asset value.

We aim to provide first class services that are essential to the management of your real estate assets, utilising the entire Group’s know-how to improve the profitability of your investments and long term value while reducing the cost of your assets and maximise the quality of work environments.

We have made sustainable development a key to our management ethos so that it becomes an integral part of the everyday running of properties.

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Property Management
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Brendan Egan
Executive Director
Property Management
BNP Paribas Real Estate Ireland
GUIDE TO BUILDING CONSULTANCY & DESIGN

Our building consultancy team are experts at surveying buildings to inform investment decisions. Our building surveyor consultants are trained in the structured and methodical inspection of buildings and the built environment with particular regard to measurement, condition, dilapidation and defects.

Building Surveying is one of our core service delivered by highly experienced practitioners.

The Range of Services include:

Planning Advice & Due Diligence
We can provide guidance and advice in respect of the Planning Process in Ireland for works that require planning permission and / or works deemed exempted development.

We can provide due diligence advice in respect of a property’s planning status / planning history and guidance in respect of regularisation or the need for future planning permissions etc.

Planning Permissons
We can prepare planning applications for new build properties, change of use, alterations etc.

Space Planning
Our team can assist in respect of space planning for office, retail and commercial properties.

Building Regulations & Building Control (BCAR)
Our team advises on the statutory requirements with regard to compliance with the various statutory Acts and Regulations in effect in Ireland.

Validation / Certification
We give guidance in respect of validation and certification requirements for all property / building types.

Environmental Design & Sustainability
Our team can provide step by step guidance in respect of best practice in the pursuit of near zero energy (NZEB) building design and lifecycle analysis.

Retrofit
We prepare design guidance and management services in respect of retrofitting to meet client demands.

Green Lease
Our team can interact at an early stage in the design process to ensure best practice is achieved to meet the requirements of green lease standards.

Energy Audit
We can provide advice and auditing services in respect of building performance and guidance in respect of improved efficiencies and cost saving measures in the medium term and over the lifecycle of a lease.

Building Surveys
Our team can assist clients in the preparation of the various surveys, schedules, record documents etc. in respect of new leases, break options, leases nearing expiry etc.

Feasibility Design
Our team provides guidance and feasibility design services, materials and finishes selection for fit-outs, new-build and alterations.

Bespoke Service
Our team is available to provide a tailored service to our clients in all aspects of the property market.

Maintenance & Management
Our team are available to aid in the preparation of maintenance and management programmes for all property / building types.

Project Management
We can give management advice at all stages from initial concept design through to completion / hand-over.

Single Source / Turn Key Service
Our team produces the full suite of services to aid clients and to ensure best practice compliance with standards, value for money and realistic project programming.

Jerry Corcoran
Head of Building Consultancy Services
BNP Paribas Real Estate Ireland
GUIDE TO LEASE ADVISORY

Offices

The continued upward movement in prime headline rents for Grade A office space in the Dublin CBD has acted as the catalyst for increased rent review activity in the office sector in such areas, and in the general Dublin city and suburbs office sector as a whole. Whilst the pace of growth may have slowed somewhat compared with earlier years the current headline rate for Dublin 2 is estimated to be in the region of €875 sq.m (€62.25 sq.ft) with a limited package of incentives amounting to circa 6-9 months for a 12-15 year term certain. Prime headline rents are now on a par with the record levels achieved during the peak in 2006/2007.

The headline rent and package of incentives may vary depending on the covenant, quantum of space and term certain being provided. Rent review surveyors are generally guided by the comparables and the increasing headline rental coupled with the reasonably conservative package of incentives has resulted in higher net effective rentals – hence the increased volume of rent review activity being witnessed.

This increase in headline and net effective rents, and consequent rise in rent review activity, is not confined to Dublin 1 and 2 or the surrounding suburbs but is a feature of the prime office market in provincial cities such as Galway, Limerick and Cork for example. The prime office locations within these respective cities have also recorded an upward trend in headline and net effective rents driven by the supply/demand dynamic that currently exists.

High Street Retail

At their peak in 2008/2009 prime Zone A blended headline rents in Grafton Street topped out at €8,330 sq.m (€774 sq.ft) whilst along Henry / Mary Street the equivalent prime headline rate was a more conservative €5,586 sq.m (€519 sq.ft) Zone A. The prevailing prime headline Zone A rent in Grafton Street is estimated at circa €6,800 sq.m (€632 sq.ft) whilst the prime Zone A rent for well configured units on Henry / Mary Street have currently settled in the region of €4,500 sq.m (€420 sq.ft) Zone A. Commentators predict that prime headline rents will continue to push forward in the prime Dublin retail locations over the next few years however possibly at a reduced rate of growth.

We can deduce from the above that the current prime headline rental level for both larger and smaller units along both Grafton Street and Henry / Mary Street have yet to reach the levels witnessed at the height of the market in 2008/2009, therefore rent review activity in this sector remains measured in respect of tenants who occupy over rented units drawn on upward only rent reviews agreed at the height of the market ie can expect no change in their rental obligations. New leases drawn on market rent review provisions agreed post February 2010 (as opposed to leases drawn on upward only provisions agreed prior to this date) can generally expect reversionary increases at rent review and this is a feature of the retail markets that had not been witnessed for several years post the economic downturn.

Once again provincial cities such as Cork for example continue to slowly improve with increased headline rents being established in new city centre developments such as The Capitol development on Patrick Street. The establishment of new headline rents is positive from a rent review perspective as this is necessary to pull the market up and create reversionary interests.

Similarly the prime retail locations in Galway and Limerick for example are slowly improving however these markets are still in recovery mode and again this is mitigating rent review activity.

Secondary retail locations in provincial cities and towns in particular suffered badly following the global economic recession and many have struggled badly with high vacancy rates, low demand and falling headline rentals. Those rents agreed at the height of the market on upward only rent review provisions either sought abatements from their landlord’s or ceased trading entirely. We don’t expect to see any material rent review activity in such locations in the immediate future.

Retail Parks

At their peak in the mid to late 2000’s prime headline rents for best in class retail units in and around Dublin extending to around €464 sq.m (5,000 sq.ft) of circa €484 per sq.m (€45 per sq.ft) for mid-sized units of circa 1,393 sq.m (15,000 sq.ft) the prime headline rate was estimated at €376 per sq.m (€35 per sq.ft) and for the larger units of circa 3,716 sq.m (40,000 sq.ft) plus the headline rent from this period was circa €269 per sq.m (€25 per sq.ft).

The most recent lettings in Phase 2 at The Park, Carrickmines Retail Park for example on the Boots unit extending to 435 sq.m (4,682 sq.ft) and dating from Q1 2016 was agreed at a headline rental of €484 per sq.m (€45 per sq.ft) with 6 months rent free.

This is equivalent to the headline rates agreed during the prime in the mid to late 2000’s and signals the end of the recession and the commencement of rent review activity in this sector.

The same feature applies to larger units with the headline rental rate now estimated at circa €430 per sq.m (€40 per sq.ft) for mid-sized units of circa 929 sq.m (10,000 sq.ft), €376 per sq.m (€35 per sq.ft) for units in the 1,858 sq.m (20,000 sq.ft) range and €296 per sq.m (€27.50 per sq.ft) for the large anchor units in the 4,645 sq.m (50,000 sq.ft) size bracket.
The position in terms of provincial retail parks is significantly different from the prime retail parks around Dublin. Whilst there has been some recent new letting activity in these parks many retailers remain on over rented leases drawn on upward only rent review provisions dating from the mid to late 2000’s, therefore rent reviews are purely academic.

The new letting evidence is showing a positive trend in terms of rising headline and net effective rents, especially for landlord’s who are now seeking reversionary increases on rent review for leases granted in the last 5 years.

Unless the market for provincial retail assets continues to push forward many leaseholders on historic over rented interests will not expect any increases at rent review. Conversely, leases granted post 2010 on market rent review provisions will see rent review activity driven by new letting evidence.

Industrial Logistics
This sector has seen a significant increase in headline rental level over the last few years driven by occupier demand, lack of product and pipeline supply. Until recently it was not considered economically viable to construct new buildings however the steady increase in headline rents for best in class space has redressed this imbalance to the point where it is now feasible.

This was one of the last property sectors to benefit from an upturn post the economic downturn and the lack of supply pipeline combined with growing demand is expected to fuel rental inflation in this sector through 2018 and possibly beyond.

The positive consequence of this from a landlord’s perspective is the expectation that rents are expected to rise at review (assuming not over rented and based on upward only reviews).

Tenants also acknowledge that their rental obligations are likely to increase to reflect the movement in this sector and the shift toward online retailing.

Dispute Resolution
Increased volumes of rent review activity usually result in increased levels of disputes and we are seeing more and more cases being referred for third party resolution to either Expert Determination or Arbitration. This referral process can occur either through a private appointment agreed between the parties or in the absence of agreement upon application to the President of the Society of Chartered Surveyors Ireland (SCSI). Usually we find that private appointments are more expeditious compared with appointments by the SCSI and are more likely to proceed through to conclusion given both sides had already agreed to engage in the third party process.

Appointments by the SCSI are as a result of a unilateral decision by one of the parties to the dispute and they can, on occasion, be used as a strategic tool to force the other side to either negotiate, compromise or capitulate. In percentage terms the number of cases that actually proceed through to a natural conclusion by way of private appointment are materially higher than those instigated through a SCSI appointment.

The SCSI has sought to react to the increased volume of applications being received by reviewing their panel of Arbitrators, something that hasn’t happened at a comprehensive level for several years. Panel members have been called for interview to ensure standards are being maintained and competency levels are at the required standard.

The SCSI ran a course in February 2017 concentrating on the writing of a reasoned award and this was well attended by panel members. This again was another initiative instigated by the SCSI with the aim of improving standards under arbitral proceedings.
Irish Real Estate Law: Essential Knowledge for Investors

Irish real estate law is broadly based on the same concepts as English real estate law and most historical differences are now of little significance in practice. The law in Ireland was modernised with the enactment of the Land and Conveyancing Law Reform Act 2009.

1. Nature of Ownership

Property in Ireland is generally held under either freehold title or long leasehold title.

A freehold title amounts to absolute ownership of the land and all of the buildings on the land.

A long leasehold title confers ownership for the period of years granted by a lease and in Ireland leases for terms of 999 years are common. The leasehold interest of a tenant is derived from the superior interest of the landlord (which may be freehold or a superior leasehold interest) and this interest is subject to the rent, covenants and the conditions contained in the lease. The rent reserved under long leases is generally nominal in nature and frequently not demanded reflecting the fact that the economic interest of a party holding a long leasehold interest in a property is for all intents and purposes the same economic interest as that held by a freehold owner.

2. Registration

Ireland operates two mutually exclusive systems of property registration, the Land Registry and the Registry of Deeds, and both of these registries are controlled and managed by the Property Registration Authority.

The Land Registry system is similar to the UK Land Registry. The Land Registry is a register of title which details the owner of property, the nature of their proprietary interest and burdens affecting the land. Ownership of “registered property” is State guaranteed. Most rural property and a small but increasing level of urban property is registered in the Land Registry. All property purchased for value in Ireland is now compulsory registerable which means that all title will ultimately become registered in the Land Registry.

Where property is not registered with the Land Registry, title is characterised as being “unregistered property” which is governed by the Registry of Deeds system. Under this system, a summary of the essential features of deeds and other conveyancing documents is registered in the Registry of Deeds in Dublin and such registration governs priorities. For Registry of Deeds titles, it is a matter for the lawyer to review the full detail of all of the relevant title deeds to ascertain the owner’s title and the quality thereof. This will become less frequent as all titles move to Land Registry title.

3. Foreign Ownership

There are no legal restrictions on the ownership or leasing of real estate by non-resident entities in Ireland. However, professional service firms in Ireland are required to carry out standard anti-money laundering checks prior to taking instructions whether the entity is domestic or foreign.

Where a foreign company is party to an Irish property transaction, a legal opinion may also be required from local counsel in the home jurisdiction of that company confirming, for example, that the transaction documents (e.g. guarantees) have been correctly executed by the company in accordance with the laws of the relevant jurisdiction.

4. Process for Purchasing Commercial Real Estate

At the outset, the commercial property agents employed by the vendor and purchaser will agree commercial terms for the purchase of the property. Once the heads of terms (including the purchase price) have been agreed this non-binding document will form the basis for negotiations of an enforceable contract for sale which the parties will enter into for the sale of the property. The majority of property deals in Ireland are transacted on foot of the Law Society of Ireland Contract for Sale which is a “one size fits all” contract used for all commercial and residential property sales and which is usually tailored to each transaction by the inclusion of special conditions which reflect the nature of the transaction. In general, especially for commercial property transactions, all due diligence work is carried out before contracts are signed. This will include the raising of detailed requisitions to be answered by the vendor’s lawyer.
The lawyer acting for the vendor is responsible for drafting the contract for sale and must also deal with any pre-contract enquiries or requisitions on title raised by the purchaser’s lawyer. The purchaser is required to satisfy itself that the vendor has good and marketable title to the property based on the title documents provided by the vendor. A 10% deposit is typically paid by a purchaser when signing contracts and once contracts have been exchanged the sale will usually complete within a few weeks. On the closing date the balance of the purchase price is payable and the deed of assurance is executed by the vendor which has the effect of transferring title to the purchaser.

Investment properties in Ireland are usually sold on an “as is” basis. The underlying principle of “caveat emptor” applies and as vendor warranties are usually very limited, it is important that the purchaser carries out a building condition survey and an inspection of plant and machinery in advance of signing a binding contract for sale. Similarly, a purchaser will be required to carry out its own due diligence in relation to matters of statutory compliance in relation to the property such as compliance with planning and environmental laws. It is normal in a sale of an investment property for no warranties to be provided by the vendor in relation to these matters. In certain cases it may also be necessary for the purchaser to have planning and environmental reports carried out.

5. Process for Leasing Commercial Real Estate

The process for leasing commercial real estate in Ireland is similar to that in the UK. The majority of inward investment projects will require the acquisition of commercial real estate and the main decision to be made is whether to purchase a property or alternatively seek to enter into a lease. Occupiers will often prefer to lease an office building or floors within a building rather than purchase the building - as leasing obviously provides greater flexibility and less upfront capital investment. As is the case with property acquisition, commercial agents acting for the landlord and the tenant will agree heads of terms which will document the parties to the lease, the annual rent, the term (including any break option) and any other points which have been commercially agreed. Lease terms vary depending on the nature of the property and bargaining power of the parties. A brief summary of some of main points to note is set out below:

- The term of the lease will typically be anywhere from 20-25 years for an occupational lease.
- Tenants will often seek to negotiate break options into a lease which provide the tenant with an ability to terminate the lease early. This right to terminate can either be on one or more fixed dates or on a rolling basis or subject to certain conditions. The conditions in the break option should be carefully negotiated by the tenant to avoid difficulties when exercising the break option in the future.
- Most commercial leases in Ireland are on an FRI (full repairing and insuring) basis, whereby the tenant will be subject to full repairing obligations. These obligations will be imposed directly by a repairing covenant entered into by the tenant or, in the case of a multi-let development indirectly through the service charge provisions which will include reimbursing the landlord for repair work to the structure and common areas of the development;
- Tenants are responsible for the payment of rent and all outgoings in respect of the property during the term of the lease including local authority rates, insurance and (if applicable) service charges. Depending on the nature of the property tenants may be offered incentives to enter into the lease such as a rent free period or a contribution from the landlord towards the cost of the tenant’s fit-out works.
- Typically, if the lease is for a term of over 5 years one would expect to see provisions in the lease dealing with the review of the annual rent at 5 year intervals. While historically Irish leases contained rent review provisions on an “upwards only” basis, the Irish Government introduced legislation in 2009 which rendered ineffective the “upwards only” element of any rent review provision in leases. For leases entered into after 28 February 2010 the rent is usually reviewed to the open market rental value at the time of the review on an upwards / downwards basis. At present there is no provision for “contracting-out” of the section. However, it is in certain circumstances possible to avoid the impact of the section e.g. fixed incremental increases or linking to the Consumer Price Index.
- A commercial tenant who has been in continuous occupation for a minimum of 5 years has a statutory right to a new tenancy (subject to certain exclusions which would include a landlord planning permission to rebuild or reconstruct the premises). The statutory right to a new tenancy applies to all commercial property.

6. Green Leases

We are now starting to see “green leases” becoming more common in the market. In certain cases, standard commercial leases are being modified to include specific clauses under which the landlord and tenant agree (amongst other things) to cooperate in the monitoring and management of utilities consumed and waste generated in the building with a view to the parties improving the energy efficiency of
the building and benefitting from the consequent savings. Many new office developments in Ireland are now being constructed in line with internationally recognised environmental standards. Buildings which have been developed to meet certain environmental standards may be granted environmental certifications such as the Leadership in Energy and Environmental Design (LEED) certification which we are now starting to see in the market (particularly for new build / refurbished properties). These certificates are an attractive offering for certain multi-national companies which are bound by internal policies requiring them to minimise the company’s footprint on the environment.

By way of example, some of the points which are now being covered in leases with a view to promoting environmental efficiencies are set out below:

- The landlord and tenant may agree to act in good faith and to co-operate to promote the environmental performance of the premises.

- Typically, the parties will seek to establish a committee to monitor the environmental performance of the building and compliance with the green clauses and environmental objectives of the committee.

- A landlord may require the tenant to also share environmental performance data regarding the consumption of utilities and generation of waste, amongst other factors, in order to maintain the current certifications of the building.

- Approval of tenant works to the building may be made conditional that such works do not adversely affect the LEED certification of the building or its environmental performance and leases will often also contain a specific list of LEED related covenants on the part of the tenant.

7. Planning & Building Control

Any material change of use of property or construction on land must have permission from the local authority or the planning appeals board (An Bord Pleanála). Certain specified changes of use and limited forms of development are exempted.

Applications for planning permission are made to the local authority in the first instance. The application is available to the public for the purposes of receiving observations and submissions. The applicant can appeal a refusal of permission and objectors can appeal a grant of permission to An Bord Pleanála. The legality (but not the planning merits) of planning decisions can be challenged in the High Court.

Parts of the State are designated “Strategic Development Zones (SDZ).” In these areas, the planning authority must put in place a plan that prescribes in detail the development it envisages within the SDZ. The plan is subject to consultation. Once it is made, any member of the public, including any developer, not satisfied with the plan can appeal it (in whole or in part) to An Bord Pleanála. Where a plan is in force, the planning authority’s usual discretion is curtailed. It must grant permission for any development that is consistent with the plan. There is no appeal to An Bord Pleanála for a grant or refusal of permission in an SDZ.

The developer must obtain an Opinion on Compliance from the architect or engineer who was responsible for overseeing the development upon completion of works pursuant to a planning permission as a system of self-certification applies. When buying or leasing a property in Ireland it is important to obtain satisfactory evidence of compliance with planning permission and building regulations in respect of the construction of the property and any significant work that have taken place since construction. There is no statutory planning register which can be checked in isolation in order to verify that a building has been constructed in accordance with the relevant planning permission(s).

Building control regulations regulate the design and construction of buildings, their material alteration and extension, their services, fittings and equipment and certain material changes in use. They deal with, among other things, health, safety and welfare of users, accessibility for disabled persons and energy efficiency. Fire Safety Certificates and Disability Access Certificates must be obtained from the Building Control Authority in respect of the design of works before they commence. Once the relevant works have been completed the developer must obtain a Certificate of Compliance on Completion from an Assigned Certifier in order to verify that the works comply with building regulations and this certificate must be registered in the national Building Control Management System.

8. Taxation

Stamp Duty

Stamp duty must be paid on instruments which result in the transfer of ownership of property. The current rates are up to 2% for transfers of residential property and 6% for transfers of commercial property (with a refund entitlement reducing the 6% rate to 2% where residential development occurs on the property within a specific timeframe). Stamp duty is also payable on occupational leases and it is charged at 1% of the average annual rent (where the term of the lease does not exceed 35 years). The 6% stamp duty charge has also been extended to certain transfers of shares in companies (both Irish and non-Irish), funds and partnerships holding Irish real estate where the effect of the transfer is to change control of the property.

Value Added Tax (VAT)

VAT is a tax which applies to the supply of goods and the provision of services. The former includes the sale of property and the latter includes the letting of property.

Special VAT rules apply to property transactions and in very broad terms these can be summarised as follows:

- The sale of property regarded as “new” is subject to VAT at the low rate (currently 13.5%).
- The sale of property not regarded as “new” is not subject to VAT but the parties can opt for VAT to be applicable.
- The letting of property is not subject to VAT but the landlord can opt for VAT to be applicable in which case VAT at the standard rate (currently 23%) applies to the rent; and

The VAT treatment needs to be addressed in the contract for sale or letting agreement and the related provisions should clarify whether VAT is applicable and which party is responsible for bearing any related VAT costs.

The above is a very high level summary of some essential point for investors in relation to Irish real estate law.

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Tax Clinic

Whether you are an individual or corporate investor, EY Dublin's Irish property taxation overview provides a brief introduction to Ireland's property tax system, taking us from acquisition right through to disposal.

Acquisition of Irish Property

> Transfer taxes

Stamp duty is an Irish transfer tax payable by the purchaser (individual or corporate) on the acquisition of Irish situate property regardless of tax residency status. The applicable rate depends on the category of property.

- Residential property is liable to stamp duty at a rate of 1% on the first €1m of the consideration paid, with the excess liable at 2%.
- A new rate of 6% (previously 2%) was introduced in Finance Act 2017 for non-residential property. The new rate applies to instruments executed on or after 11th October 2017 (subject to certain transitional arrangements extending this date to 1st January 2018 for instruments giving effect to binding contracts in existence before 11th October 2017).
- A relieving provision was introduced for certain non-residential land which is ultimately developed for residential purposes. Specifically, a stamp duty refund may apply where stamp duty was paid at the 6% rate if construction operations for a residential development commence on the land pursuant to a commencement notice within a period of 30 months following the date of the conveyance. The refund is liable to a clawback if certain criteria are not satisfied.
- The transfer of shares in a company incorporated in Ireland (including REITs) attracts stamp duty at a rate of 1% on the consideration paid subject to certain anti-avoidance provisions relating to shares deriving their value or the majority thereof from Irish land (see below).
- There should be no charge to stamp duty on either the issue or transfer of shares or units in a Qualifying Investor Alternative Investment Fund (QIAIF), a QIAIF is a regulated fund regime which applies to Irish Real Estate Funds (IREFs) that acquire Irish investment property, subject again to certain anti-avoidance provisions relating to shares deriving their value or the majority thereof from Irish land (see below).
- The anti-avoidance provisions referred to above impose a 6% rate on certain transfers of shares in companies, interests in partnerships and units in IREFs that derive their value or the greater part of their value, directly or indirectly, from Irish situs non-residential land and buildings. The provisions apply where the transfer results in a change in control and the property was held as trading stock or held with the object of either realising a gain from its disposal or realising a gain from its disposal when developed. The provisions apply to instruments executed on or after 6th December 2017.

However, the lower stamp duty rate will apply to an instrument executed before 1st March 2018 which certifies that it was executed pursuant to a binding agreement entered into before 6th December 2017.

> Value Added Tax (VAT)

Under current VAT legislation introduced in 2008, the general rule is that if a property has not been developed within the last 20 years its sale is exempt from VAT. Where a property has been developed but is sold before it is completed VAT will apply to the sale at 13.5%.

Certain properties are treated as ‘new’ for VAT purposes. Where a developed property has been completed and is sold for the first time within 5 years of the date of completion of the development, then it is treated as ‘new’ and the property is subject to VAT at 13.5%. Should the sale take place outside this period it will be exempt from VAT. In addition, where property is being sold for the second or subsequent time, it can still be treated as ‘new’ for VAT purposes and VAT automatically applies if the sale occurs within the 5 year period as above, and the property has been occupied for less than 24 months.

In the event that a commercial property is not ‘new’ as defined, its sale is VAT exempt. However, the purchaser and seller may nonetheless jointly elect to apply VAT on the sale (VAT rate 13.5%) in order for the vendor to retain entitlement to VAT recovery of the development / acquisition costs of the property.

The sale of residential property is generally subject to VAT where the property is being sold by the person who developed it even where the property is not ‘new’ as defined. VAT applies at 13.5% to the sale.

The sale of second hand residential properties is exempt from VAT. There is no option permitted to tax the sale of exempt residential property.

Where properties are sold which are let or have been let, the VAT transfer of business relief may apply to the sale whereby VAT is not chargeable. However, administrative obligations apply to the vendor and in some instances there can be VAT implications for the purchaser.

Holding of Irish Property

Irish source rental income is taxable in Ireland regardless of the tax residence of the recipient. Capital allowances (see below) and normal expenses associated with renting property are generally allowable for tax purposes. However, tax deductible interest expense for residential rented property is restricted. For the year ending 31st December 2018, the interest expense is restricted to 85% of the interest cost incurred. However, the restriction is being phased out with the allowable deduction increasing to 90% in 2019, 95% in 2020 and ultimately to 100% in 2021. Local Property Tax (‘LPT’ – see below) is not an allowable deductible expense.

Accounting depreciation is not an allowable deduction for Irish tax purposes, however, capital allowances (tax depreciation) in the form of wear and tear allowances and industrial buildings allowances can be deducted against net rental income.

Wear and tear allowances on qualifying items of plant and machinery may be available at a rate of 12.5% as a deduction over an 8 year period. Industrial buildings allowances, usually at a rate of 4%, may also be available in respect of a specified range of commercial buildings.
income of Irish tax resident companies is subject to corporation tax at rates of 12.5% and 25%. Rental income will generally be subject to corporation tax at 25%, unless it can be shown to be part of a trading activity and it is accepted practice to tax the income at 12.5%. If the Irish tax resident company is a closely controlled company then it may also be liable to the retained income surcharge in respect of non-distributed rental income, that is, the close company surcharge. This can increase the effective tax rate on rental income up to 40%.

Non-Irish tax resident companies in receipt of rental income from Irish situate property that is not treated as trading income derived from an Irish branch or agency is subject to the standard rate of income tax, which is currently 20%. A non-Irish tax resident company is not liable to the close company surcharge.

An Irish tax resident individual in receipt of rental income is liable to income tax at his / her marginal tax rate (that is, 20% or 40%) and also the universal social charge (USC) and pay related social insurance (PRSI). A non-Irish tax resident individual in receipt of Irish source rental income is liable to income tax at his / her marginal tax rate and USC.

Where the owner of a property is a non-Irish tax resident, the tenant will be required to withhold tax at 20% on the payment of rent to the landlord and remit this withholding tax to the Irish Revenue Commissioners.

The non-Irish tax resident landlord is entitled to file a tax return with the Irish Revenue and seek a refund of any excess withholding tax over its actual income tax liability. Alternatively, the non-Irish tax resident landlord can appoint an Irish resident agent to collect the rent on its behalf. This will enable the agent to receive the rent without deduction of tax, however in such a case, the Irish resident agent must account for the tax on behalf of the non-resident landlord.

> Irish regulated funds holding Irish property:

An Irish regulated fund (i.e. a fund which is authorised by the Central Bank of Ireland) is not subject to Irish tax on income / gains arising on assets held by the fund. This includes Irish property assets held by such a fund.

Investors in Irish regulated funds may however be subject to exit tax in respect of distributions / deemed distributions received or gains arising from their holdings of units / shares in the fund. There are two forms of exit tax that need to be considered in this context, being Investment Undertakings Tax (or ‘IUT’) and Irish Real Estate Funds Tax (“IREF”).

In general, IUT will apply to Irish resident individuals / company and to certain other non-exempt Irish entities investing in the fund. Importantly, IUT should not apply to non-Irish resident investors. The applicable rate of IUT will be 25% for corporate investors and 41% for individual investors (although this rate may be increased to 60% in certain cases, broadly where the investor has the ability to select, or influence the selection of the assets of the fund).

IUT-exempt investors (including non-Irish resident investors) may however be subject to exit tax on distributions / gains arising on their holdings of units / shares in certain Irish regulated property funds, known as Irish Real Estate Funds (or ‘IREF’s). Broadly, an IREF is an Irish regulated fund in which 25% or more of the fund’s assets are comprised of IREF assets.

For these purposes, IREF assets include:

- shares in an Irish REIT
- units in an IREF

It should be noted that, to the extent that an investor is already subject to IUT, then that investor will not also be subject to IREF withholding tax.

Subject to certain limited exemptions (see below), distributions paid to non-Irish tax residents and other IUT exempt investors or gains arising from their holdings of units / shares in the IREF are subject to a 20% IREF withholding tax where the distributions / gains arise from the holdings of IREF assets. It may be possible to reclaim a portion of this IREF withholding tax from the Revenue Commissioners where the investor is tax resident in a territory that has entered into a double tax treaty with Ireland and the rate of withholding tax in the relevant treaty is less than 20%.

There will also be a 20% IREF withholding tax on the gross proceeds of sale where the units / shares in the IREF are sold by the existing investor directly to another investor. The obligation to withhold the relevant amount will be with the new investor acquiring the units. To the extent that the amount withheld exceeds the tax which would have arisen on the actual gain accruing to the existing investor, the existing investor may claim a refund of the excess from the Revenue Commissioners.

As noted above, certain limited categories of investors will not be subject to IREF withholding tax. In general, these investors include:

- Irish and equivalent European Union (EU) or European Economic Area (EEA) approved overseas life assurance companies.
- Irish charities and credit unions and Irish “section 110” companies.

The term ‘equivalent’ above means that such non-Irish funds must be subject to at least the same supervisory and regulatory arrangements that apply in Ireland.

As noted above, the IREF withholding amount will comprise the income / gains arising from IREF assets held by the fund. This is however subject to one important exception - to the extent that a capital gain has been realised on a directly owned property asset held for a period of at least five years (provided that it was purchased for market value consideration and subsequently sold to a person unconnected with the IREF or any of its investors), then such a gain will be excluded from the IREF withholding amount. This also includes certain unrealised gains related to same.

Note that the exemption will be removed in respect of disposals occurring, or un-realised profits or gains recognised in the income statement of the IREF, on or after 1st January 2019.

> Irish Real Estate Investment Trust

The Irish Real Estate Investment Trust (REIT) structure was introduced into Irish law in 2013. Irish REITs are listed Irish companies, used to hold investment properties, which provide a return for investors similar to that of a direct investment in property.
Qualifying income and gains of a REIT arising from its property rental business will be exempt from Irish corporation tax at the level of the REIT. Instead, the REIT is required to distribute 85% of its rental profits annually and pass the tax obligation onto its shareholders. It does this by applying a dividend withholding tax of 20% on its distributions made to all investors (that is both Irish and non-Irish tax resident investors), unless the investor is an exempt qualifying investor e.g. an Irish pension scheme or charity. These exempt investors may receive distributions gross subject to completion of a specific declaration.

For a non-Irish tax resident investor it may be possible to obtain a partial refund of, or to claim a credit for the dividend withholding tax deducted against a home jurisdiction tax liability under the terms of a relevant tax treaty between Ireland and the non-resident investor’s home jurisdiction. A non-resident investor should not be subject to Irish capital gains tax on the disposal of shares in a REIT on the basis that it is a publicly quoted company.

Irish tax resident individual investors are liable to income tax at their marginal tax rate (20% or 40%), together with USC and PRSI on receipt of distributions from the REIT. Such investors are also liable to CGT (currently at 33%) on gains arising on a disposal of their shares in the REIT.

Irish tax resident companies in receipt of distributions from a REIT are subject to corporation tax at 25% and to corporation tax on chargeable gains realised on a disposal of their shares in the REIT, applying capital gains tax principles.

> VAT on Leases

The letting of commercial property is VAT exempt in Ireland. The landlord may opt to charge VAT on the rent (at the standard VAT rate of 23%) ensuring the landlord retains entitlement to VAT recovery on all costs of the property. VAT registered tenants may be entitled to recover the VAT on the rent as a credit in their VAT returns.

There is no option available to tax the letting of residential property which is always VAT exempt. Therefore where a landlord purchases a residential property that is subject to VAT the landlord will not be entitled to recover this VAT.

> Stamp Duty on leases

Stamp duty is charged both on the rent and also on any premium payable under a lease. The rate of stamp duty payable on the rent depends on the term of the lease.

- Where the lease is for a term exceeding 35 years but not exceeding 100 years, the rate of duty is 6% of the average annual rent.
- Where the lease term exceeds 100 years the rate of duty is 12% of the average annual rent.
- No stamp duty is payable in respect of a lease of residential property for an indefinite term or for a term of less than 35 years, provided the annual rent does not exceed €40,000.

Where a premium is payable in respect of a lease, the rate of duty applicable is the same as that which applies in respect of transfers of property. That is, 6% on non-residential property and 1% on residential property up to €1m with the excess premium liable at 2% (see acquisition section).

An assignment of a leasehold interest is charged to stamp duty as a transfer of property.

> Rates and Charges

A property tax, known as Rates, applies to most commercial buildings. The Rates vary between local authorities and are payable by the occupier of the premises on the date the Rates become due.

Local Property Tax (LPT) applies to Irish situate residential properties. LPT is a self-assessed annual tax. A property is liable for LPT if the property was residential property on the valuation date of 1st May 2013. A ‘residential property’ is any building (or part of a building) which is used as, or is suitable for use as, a dwelling. For valuation purposes a residential property also includes amenities enjoyed with the property such as a yard, garden or sheds, a driveway, a garage and other lands associated with the property up to one acre.

The current valuation date for LPT is 1st May 2013. This valuation applies for a seven year period from 1st May 2013 to 31st December 2019.

The LPT liability date for 2013 was 1st May 2013 and for every other year it is 1st November in the preceding year. That is, the LPT liability date for 2018 is 1st November 2017 and the liable person on 1st November 2017 must pay LPT for 2018.

Liable persons are:
- Owners of residential property
- Landlords where the property is rented under a short-term lease (that is, a lease for less than 20 years)
- Long-term lease holders (that is, a lease for 20 years or more)
- Personal representatives of a deceased owner
- Trustees, where a property is held on trust
- Local authorities or social housing organisations that own and provide social housing

Property values are organised into valuation bands. An LPT rate is assigned to each band.

No banding applies to property values over €1 million and an actual valuation for the property must be declared. The actual value is then assessed at 0.18% on the first €1 million and 0.25% on the portion of the value above €1 million. From 2015 onwards, local authorities can vary the LPT base rate on residential properties. The base rate is the rate that applied in 2014. The local authority can increase or decrease the LPT rate by up to 15% from the base rate.
This was changed in Finance Act 2017 such that a full capital gains tax exemption now applies where the lands / buildings are held for at least 4 years from the date they were acquired, and are disposed of at any time between the 4th and 7th anniversaries of acquisition. Tapering relief applies where the land / buildings are held for more than 7 years.

A residential property is not liable to LPT if it was constructed after 1 May 2013, or where it existed on that date, it was unsuitable for use as a dwelling. For properties constructed after that date or becoming suitable for use as a dwelling since that date, the owner will become liable to LPT from the next valuation date which is 1st November 2019. Other exemptions also apply for charities, nursing homes and residences for incapacitated persons.

Sale of property - Capital Gains Tax / Corporation Tax on chargeable gains

Chargeable gains arising on the disposal of either Irish property or shares in an Irish property company by an individual investor (whether or not Irish tax resident) or a non-Irish tax resident company are subject to the same level of taxation but are assessed as corporation tax on chargeable gains.

An exemption from capital gains tax applies to gains realised on a disposal of land and buildings situate in any European Economic Area (EEA) State (including Ireland) where the land / buildings were acquired in the period commencing on 7th December 2011 and ending on 31st December 2014. Originally, there was a requirement that the land / buildings be held for 7 years to qualify for the exemption.

Please note that this article is aimed at providing a general overview of the topics discussed and is not intended to be either exhaustive or definitive. Specific tax advice should be sought when entering into any Irish property transaction.
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