BNP PARIBAS REAL ESTATE GUIDE TO INVESTING IN DUBLIN 2019

Real Estate for a changing world
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IRELAND AND DUBLIN

BY NUMBERS

#1 in the world
TOTAL VALUE OF FOREIGN DIRECT INVESTMENT PROJECTS (IBM 2018)

#3 MOST COMPETITIVE ECONOMY IN THE EUROZONE (IMD 2018)

OVERSEAS VISITORS
10.6m to Ireland in 2018

5.7% UNEMPLOYMENT IN IRELAND

IRELAND IS HOME TO
17 of the top 20 global software companies
14 of the top 15 medical technology companies
20 of the top 25 financial services companies
ALL of the top pharma companies
8 of the top 10 industrial automation companies

POPULATION OF IRELAND
4.8m

YOUNGEST POPULATION IN EUROPE
33% of population under 25 years of age

IRELAND AND DUBLIN

OFFICE SPACE MARKET
372,441 m² TAKE-UP IN DUBLIN IN 2018
130,000 m² SPACE DELIVERED IN DUBLIN IN 2018
250,000 m² SPACE UNDER CONSTRUCTION AND DUE FOR DELIVERY IN 2019

INVESTMENT IN DUBLIN
€3.1bn INVESTED
45% OFFICE
28% RESIDENTIAL
12% RETAIL

INVESTMENT TURNOVER IN DUBLIN IN 2018
€3.6bn

AVERAGE ANNUAL IRISH INVESTMENT TURNOVER OVER THE LAST 10 YEARS
€2.2bn

DUBLIN AIRPORT WAS 11TH BUSIEST AIRPORT IN THE EUROPEAN UNION IN 2018
A record 31.5 million passengers passed through Dublin Airport in 2018
Another strong year for Irish commercial property

2018 saw Ireland emerge as the fastest growing economy in the European Union for the fifth consecutive year. Key economic indicators on the domestic front continue to exceed expectations despite substantial global uncertainty, which in turn is deepening investor confidence in the Irish commercial real estate market.

The office occupier market had the strongest year on record in 2018, with a robust development pipeline providing companies looking to enter or expand in the Irish market with enhanced options. Rental growth moderated in 2018 as new supply came on stream, however strong demand and the prevalence of pre-lets in the market means that we are unlikely to see an oversupply of offices any time soon.

Retail has remained resilient with prime high street and best-in-class shopping centres and retail parks attracting strong competition among investors. A number of new retail schemes are now in the process of being planned or delivered following several years of minimal activity. This should provide larger units and more modern schemes that are better suited to current retailer and investor requirements.

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. Limited supply of industrial units in 2018 led to strong growth in both rents and capital values. This is set to continue into 2019 however we are seeing an increase in the level of speculative development which will address supply side issues somewhat.

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.

2019 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, Mason Hayes & Curran, AIB and IDA Ireland for their contributions to this year’s investing in Dublin Guide. We hope that this guide provides a useful insight into the Irish Real Estate market and we at BNP Paribas Real Estate Ireland look forward to meeting with you to discuss your Real Estate needs throughout 2019.
10 KEY REASONS TO INVEST IN IRELAND

1. Europe’s Fastest Growing Economy
   Ireland’s economy grew by 7.2% in 2017 and is estimated to have grown by a further 7.5% in 2018* making Ireland the fastest growing economy in Europe for the fifth consecutive year.

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 the 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. Ireland also holds the second highest rate of tertiary education 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 and geopolitical risks.

4. A Sustainable Investment Market
   Ireland has demonstrated a remarkable real estate recovery with investment in commercial real estate reaching €3.6 billion in 2018.
   The Dublin market has a good degree of liquidity with foreign equity investing in tandem with domestic investors. There is also a significant spread between prime real estate yields and long term bonds demonstrating a high degree of relative value in the Irish market.

5. Foreign Direct Investment
   Ireland is ranked No. 1 in the world in terms of the total value of Foreign Direct Investment projects (IBM 2018), while Dublin has separately been ranked No. 2 overall in the Financial Times fDi Intelligence ranking of European cities and No. 1 in terms of capital investment in R&D (Global Cities of the Future 2018/19). Ireland generates substantial inward investment year upon year with strengths in key high-value sectors such as ICT, financial and business services and life sciences.
   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.

*Department of Finance forecasts.
6 A DIVERSE TENANT BASE AND HEALTHY LEVEL OF OCCUPIER DEMAND

An important feature of the office market is the variety of tenant demand and from an investment perspective 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 TMT sector is now a key driver of office occupancy demand in Dublin’s CBD and in particular in 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. Office take-up reached over 370,000 sq.m last year making 2018 the highest year on record.

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 retail 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 10-12 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.
DUBLIN
A COMPELLING INTERNATIONAL LOCATION FOR FDI

Dublin has continued to absorb a significant amount of Foreign Direct Investment in 2018. It is the country’s leading city of international scale and remains an attractive place for investors to locate.

229,057 PEOPLE GO TO WORK IN IDA IRELAND SUPPORTED COMPANIES ACROSS IRELAND EVERY DAY – THE HIGHEST LEVEL IN THE 70 YEAR HISTORY OF THE AGENCY. Dublin 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 2018 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.

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.

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 competitive-ness factor for FDI.

The success of Dublin in 2018 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 service the European Market place with c. 50% of IDA’s existing company portfolio located in the City and its environs. 2018 saw that portfolio further enhanced with significant investments from the likes of MSD, Google, Autodesk, Aptiv, Amazon, Facebook 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.

In order for the rest of the country to thrive, we must continue to invest in making Dublin a great place to live and work. Other global cities are already doing this and “placemaking” is becoming a real area of competitive advantage in cities across the world. We must also ensure that there is solid vision for Dublin so that it can continue to act as a magnet for investment.

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. Construction of more than 500,000 sq.m of new office space for greater Dublin is currently ongoing and will be completed over the next 18-24 months with many more schemes scheduled to commence. This 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.

Its track record, particularly in respect of supporting many 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 New Relic and Segment has seen parts of the city re-branded 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.

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The outlook for 2019 looks promising with the IDA expecting more schemes scheduled to commence. This 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 remaining relevant and competitive in relation to winning new name 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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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.

The outlook for 2019 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 agencies, we look forward to more success for Dublin and beyond.
GUIDE TO IRELAND’S INVESTMENT MARKET OVERVIEW

The Irish commercial property investment market exceeded all expectations in 2018 with €3.6 billion invested during the year across 267 transactions.

This marked the fifth consecutive year where the total value of turnover exceeded the 10-year average, with the total of €3.6 billion in 2018 representing an annual increase of 43%.

A notable feature of the market in 2018 has been the growth of so-called ‘mega-deals’ (€100m+). The level of turnover in 2018 is a factor of this growing trend towards high-value asset sales, with 11 mega-deals transacting during the year accounting for 41% of the total turnover. This compares with just 4 such deals in 2017. Importantly, developers in recent years have responded to modern requirements with newly delivered commercial property meeting the highest standards globally and therefore being more attractive to major international occupiers and investors alike.

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 majority of these mega-deals being completed by non-Irish purchasers. Overseas investors accounted for more than 54% of investment turnover in 2018 compared with 47% in 2017. Asian investors were particularly active in 2018, accounting for 11% of total turnover.

Investment in residential assets continues to see strong growth with over €1 billion invested in 2018, accounting for 29% of turnover compared with 15% in 2017. Year-end figures were boosted by the recent forward sale of 372 apartments in Clongriffin, Dublin 13, to Tristan Capital Partners for €140 million.

The largest single transaction of the year was the BNPPRE-brokered sale of Heuston South Quarter, Dublin 8, to an Asian investor for €175 million. Other notable mega-deals include the sale of No. 1 Dublin Landings office development in Dublin 1 to Triuva for €184 million and the sale of the mixed-use Chatham & King scheme in Dublin 2 to Hines for €155 million.

Much like in 2017, office remains the dominant asset class with over €1.5 billion invested in 2018 representing 43% of total turnover. The supply of opportunities coming to the market is being boosted by strong momentum in office take-up as well as rapid development activity with over 130,000 sq.m of new or substantially refurbished office space delivered in 2018. Of this total, over 84% had been let prior to completion, indicating significant occupier demand and no sign of oversupply as yet. A further 250,000 sq.m is due to be delivered in 2019 with over 50% of this pre-let or reserved at present.

Investment in retail property across Ireland has fallen from an all-time high of almost €2.4 billion in 2016, when several high-profile transactions took place including the sale of both
IRELAND OVERVIEW

On a domestic front, the prospects for the Irish economy remain robust with key economic indicators moving positively. Growth forecasts continued to be revised upwards during 2018 in line with stronger-than-expected performance, with GDP estimated by the Department of Finance to have increased by 7.5% for 2018 as a whole and forecast to increase by a further 4.2% in 2019.

Externally, the risk of a hard Brexit remains, presenting a significant threat to both Irish economic prospects and consumer confidence in 2019. With no clear consensus on the withdrawal agreement as yet, the effects of this remain to be seen. Nevertheless, strong domestic economic fundamentals should provide some buffer to any negative impact of uncertainty in the near term.

We expect demand for prime office investments to continue throughout 2019, bolstered by continued strong demand for office space among Irish and overseas companies. Ireland is likely to continue to benefit from Brexit relocation decisions with more than 50 companies having already announced plans to locate some or all of their operations in Dublin to ensure EU market access into the future.

With significant development activity underway in PRS in particular, we expect the residential sector’s share of investment market turnover to continue to increase as larger assets coming to the market are quickly snapped up by international investors with substantial capital to deploy in Ireland. We also expect to see the growth of alternative asset classes such as healthcare in 2019 as well as an increase in investment in industrial and logistics opportunities with growing levels of speculative development now evident.

Global uncertainties are not deflecting investors who trust in Ireland’s strong domestic economic fundamentals and healthy occupier markets. We expect this momentum to continue throughout 2019 with investment turnover forecast to again reach €3 billion by year-end.

CENTRAL PLAZA, Dublin 2

Liffey Valley (€610 million) and Blanchardstown (€950 million) shopping centres, to €486 million or 14% of turnover in 2018. While on the surface this may appear to be an alarming decline, it is a factor of the high levels of deleveraging activity that took place following the recession with almost all of the prime shopping centres and many provincial schemes and retail parks changing hands.

It must also be noted that very little retail development activity has taken place in recent years, leading to limited opportunities for investors in terms of prime retail stock. Nevertheless, we are seeing a resurgence in investment in retail in the form of refurbishment, reconfiguration and extension works on existing schemes across the country, while a number of new schemes are in planning or under construction following several years of minimal activity. This includes large scale schemes such as Central Plaza (former Central Bank HQ) in Dublin 2, which will provide over 6,000 sq.m of new retail and food and beverage (F&B) space close to Dublin’s Temple Bar.

The industrial and logistics sector has been the least buoyant in terms of investment turnover over the past number of years with €119 million invested in 2018 representing just 3% of overall turnover. This is due in large part to the lack of suitable product coming to market, rather than a lack of investor appetite.

OUTLOOK 2019

Global uncertainties are not deflecting investors who trust in Ireland’s strong domestic economic fundamentals and healthy occupier markets. We expect this momentum to continue throughout 2019 with investment turnover forecast to again reach €3 billion by year-end.

CENTRAL PLAZA, Dublin 2
### SUMMARY OF INVESTMENT SALES – 2018

#### Top 5 Office Transactions

<table>
<thead>
<tr>
<th>PROPERTY</th>
<th>PRICE</th>
<th>YIELD</th>
<th>PURCHASER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heuston South Quarter</td>
<td>€175,000,000</td>
<td>4.9%</td>
<td>Asian Corporate</td>
</tr>
<tr>
<td>No. 1 Dublin Landings</td>
<td>€164,000,000</td>
<td>3.9%</td>
<td>Triuva</td>
</tr>
<tr>
<td>No. 2 Dublin Landings</td>
<td>€106,500,000</td>
<td>4.2%</td>
<td>JR AMC</td>
</tr>
<tr>
<td>The Beckett Building</td>
<td>€101,000,000</td>
<td>4.1%</td>
<td>KB Kookmin Bank</td>
</tr>
<tr>
<td>Belfield Office Campus</td>
<td>€90,000,000</td>
<td>4.8%</td>
<td>Spear Street Capital</td>
</tr>
</tbody>
</table>

#### Top 5 Residential Transactions

<table>
<thead>
<tr>
<th>PROPERTY</th>
<th>PRICE</th>
<th>YIELD</th>
<th>PURCHASER</th>
</tr>
</thead>
<tbody>
<tr>
<td>372 Apartments</td>
<td>€140,000,000</td>
<td>-</td>
<td>Tristan Capital Partners</td>
</tr>
<tr>
<td>The Grange, Stillorgan, Co.</td>
<td>€126,000,000</td>
<td>4.4%</td>
<td>Kennedy Wilson</td>
</tr>
<tr>
<td>Six Hanover Quay</td>
<td>€101,000,000</td>
<td>4.0%</td>
<td>Carysfort Capital</td>
</tr>
<tr>
<td>Fernbank, Churchtown</td>
<td>€100,000,000</td>
<td>6.2%</td>
<td>Irish Life</td>
</tr>
<tr>
<td>The Elysian, Building, Co.</td>
<td>€87,500,000</td>
<td>-</td>
<td>Kennedy Wilson</td>
</tr>
</tbody>
</table>

#### Top 5 Retail Transactions

<table>
<thead>
<tr>
<th>PROPERTY</th>
<th>PRICE</th>
<th>YIELD</th>
<th>PURCHASER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Westend Retail Park</td>
<td>€147,700,000</td>
<td>5.3%</td>
<td>DWS</td>
</tr>
<tr>
<td>The Park Carrickmines</td>
<td>€95,000,000</td>
<td>c. 4.0%</td>
<td>IPUT</td>
</tr>
<tr>
<td>Charlestown Shopping Centre</td>
<td>€40,000,000</td>
<td>6.6%</td>
<td>Private Irish</td>
</tr>
<tr>
<td>The Mill Shopping Centre</td>
<td>€17,500,000</td>
<td>6.9%</td>
<td>Confidential</td>
</tr>
<tr>
<td>Carlow Retail Park, Co.</td>
<td>€16,750,000</td>
<td>7.8%</td>
<td>Friends First</td>
</tr>
</tbody>
</table>

#### Top 5 Industrial Transactions

<table>
<thead>
<tr>
<th>PROPERTY</th>
<th>PRICE</th>
<th>YIELD</th>
<th>PURCHASER</th>
</tr>
</thead>
<tbody>
<tr>
<td>DHL Industrial Unit</td>
<td>€26,000,000</td>
<td>7.5%</td>
<td>Confidential</td>
</tr>
<tr>
<td>Dublin Airport Logistics Park</td>
<td>€22,500,000</td>
<td>-</td>
<td>DWS</td>
</tr>
<tr>
<td>Westlink Industrial Estate</td>
<td>€13,870,000</td>
<td>6.4%</td>
<td>M7 Real Estate</td>
</tr>
<tr>
<td>White Heather Industrial Estate &amp; 307 South Circular Rd.</td>
<td>€10,000,000</td>
<td>5.0%</td>
<td>U+I Group plc.</td>
</tr>
<tr>
<td>Dublin Logistics Portfolio</td>
<td>€5,750,000</td>
<td>6.5%</td>
<td>Confidential</td>
</tr>
</tbody>
</table>
BNP PARIBAS REAL ESTATE MARKET RESEARCH

At BNP Paribas Real Estate we add value to our clients’ requirements via detailed research and insights into the Irish commercial property market.

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 2019 / 2020. Combined with updates on the economic backdrop and access to pan-European data via our International Research team, BNP Paribas Real Estate’s expertise allows our clients to make longer term strategic decisions as to how to maximise the value of their property portfolios.

KATE RYAN
Head of Research
BNP Paribas Real Estate Ireland

IRELAND OVERVIEW

IRISH INVESTMENT MARKET IN NUMBERS 2018 OVERALL

COMMERCIAL PROPERTY

- €3.6bn invested in Irish Commercial Property (+43% vs. 2017)

DUBLIN INVESTMENT MARKET

- 85% total turnover represented by Dublin

- €3.1bn
- €523.7m
- €175m/4.9% NIY

TRANSACTIONS

- 11 mega deals
- €1.5bn
- 802m
- 22%

OFFICES

- Remained the top performing sector

- €802m top 5 transactions
- €1.5bn invested across 80 deals 43% of turnover

RESIDENTIAL

- €1bn
- €1bn
- 29% of turnover
- 22%

Continued strong growth in Investment in PRS has meant that residential is now the second best performing sector.

BNP Paribas Real Estate Research Publications

Investing in Dublin – 2019
After an exceptional year in 2017, take up levels in the Dublin office broke all previous records to reach 372,441 sq.m om 2018 – an increase of 5.1% relative to 2017. The office landscape is now unrecognisable when considering only 6/7 years ago take up levels were as low as 120,000 sq.m.

**THE MARKET CONTINUES TO BE DOMINATED BY THE TECHNOLOGY, MULTIMEDIA AND TELECOMMUNICATIONS (TMT) SECTOR, WHICH ACCOUNTED FOR 51% OF TAKE-UP IN 2018.**

A large proportion of this was represented by the Facebook's decision to pre-let more than 80,000 sq.m at the former AIB Bankcentre in Ballsbridge. This represented the largest single letting in the State’s history. Other notable TMT deals include pre-lets of 10,301 sq.m to Hubspot at 1SRQ and of 3,686 sq.m to Airbnb at The Reflector. Google were particularly active in 2018, taking more than 35,000 sq.m of office space in Dublin across five properties.

**RECENT HISTORY**

In 2007, all construction activity in the Irish property market ceased almost overnight. The office market was worst affected and prime rents fell from a high of close to €700 per sq.m to as little as €323 per sq.m 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 landlord’s 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. Between 2015 and 2018 almost 500,000 sq.m of new office space was delivered in Dublin, with the majority of this space having been delivered in the city centre. In 2018 alone, more than 130,000 sq.m of new or refurbished office space was delivered in Dublin with 84% of this stock having been let prior to completion. A further 230,000 sq.m of office stock is currently on site and due for delivery before the end of 2019, with lettings in place for approximately 50% of this total. This means that despite the significant levels of stock under construction, strong demand means that Dublin is unlikely to see an oversupply of office stock any time soon. Development has been concentrated in the city centre, with 93% of all space delivered in 2018 being located in Dublin 1, 2 or 4, largely around the North and South Docks. This is consistent with the pattern in demand with 71% of take-up in 2018 occurring in the city centre.

Nevertheless, the city centre development cycle that began in 2015 is now almost finished, with almost all of the prime sites having been redeveloped. Key developments delivered during this era include Dublin Landings (Ballymore/Oxley – 50,000 sq.m), Miesian Plaza (Larry Goodman – 20,000 sq.m), Three Park Place (Clancourt Developments – 15,800 sq.m), 10 Molesworth Street (IPUT – 10,798 sq.m), One Wilton Park (IPUT – 14,000 sq.m) and Vertium (Union Investments – 16,000 sq.m).

**EMERGING TRENDS AND CURRENT CYCLE**

The focus of occupier demand has been largely on the city centre since 2015 but 2017/18 saw a strong take-up in in city fringe and suburban districts. This trend will continue to evolve in 2019 as occupiers seek more cost effective occupancy solutions.

We are now noting a strong trend in development activity towards city fringe and suburban locations as development becomes more viable in non-CBD locations thanks to increased occupier demand. Key developments in these locations include One, Two & Three Dublin Airport Central (Dublin Airport Authority – 27,000 sq.m), Block H Central Park (Green REIT – 14,000 sq.m), One South County (13,000 sq.m), The Seamark Building, Elm Park (Chartered Land / Starwood – 20,000 sq.m) and Lake Drive, Citywest (Davy Hickey – 11,000 sq.m). Areas close to amenities and good public transport are considered attractive. The serviced office sector experienced strong growth again in 2018 with over 43,000 sq.m leased accounting for 12% of annual take-up. WeWork were responsible for 74% of this total across five deals. WeWork, who executed their first lease in October 2017, have committed to two further leases in early 2019 bringing total space occupied in Dublin to more than 50,000 sq.m. It will be interesting to see how their ambitious expansion plays out in the coming year. Iconic Offices, an Irish serviced office provider, has also been expanding rapidly in the Dublin market with close to 30,000 sq.m occupied at present.

**RENTS AND LEASE TERMS**

Prime benchmark CBD rents are currently in the region of €670 per sq.m with moderate rental growth expected in 2019. Rental levels in excess of these figures will be achieved in certain instances where occupiers lease premium penthouse suites or can avail of attractive lease flexibility and existing quality fit-outs. Inducements by way of rent free are standard and are generally between 6-9 months for standard lettings in CBD and 12 months upwards for prime suburban offices. 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 particularly in the city centre. 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 and % cap and collar mechanisms at review has emerged in to the office market and are becoming more commonplace. 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.

### Outlook 2019

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 2019 and beyond.

With the economy close to full employment and unemployment now at 5.3%, 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 environment.

Microsoft recently opened a purpose built campus-style facility of over 30,000 sq.m on the outskirts of Dublin, with Facebook, LinkedIn and Salesforce undergoing similar large scale developments across the city. Facebook are also reported to be expanding into the suburbs with terms agreed for more than 18,000 sq.m at The Atrium in Sandyford. Google continue to expand rapidly with a requirement for more than 7,000 sq.m in Sandyford, while other notable TMT occupiers such as Stripe and Dropbox also have large requirements in place.

We expect general lease terms to remain stable with rental uplifts in non-CBD locations. 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.

With a significant quantum of new office supply under construction, the Dublin office market is expected to function at much more sustainable levels going forward, allowing occupiers reasonable choice, developers viable margins and informed investors competitive returns. The high levels of pre-letting activity on newly delivered office stock leads us to believe that 2019 will see a significant tightening of supply in city centre locations, in particular Dublin 1, 2 and 4. With close to 50% of the development pipeline for 2019 already pre-committed, supply shortages will push occupiers with large size requirements to city fringe or prime suburban locations this year. We expect rent levels for prime suburban office developments to increase in 2019 for this reason.

## Dublin Office Market

The Dublin office market provides in excess of 4 million sq.m of office space and can be divided in to the following key districts:

### District

<table>
<thead>
<tr>
<th>District</th>
<th>RENT / SQ.M</th>
<th>NOTABLE OCCUPIERS</th>
<th>COMMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prime CBD</td>
<td>€592-€670</td>
<td>Barclays, Deloitte, IDA Ireland, EY, Aviva, Investec, AIB, Shire Pharma &amp; Government Agencies</td>
<td>The traditional Central Business District (CBD) is the most historic and sought after location within the city, it 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>€600</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>North Docks &amp; IFSC</td>
<td>€550</td>
<td>BNP Paribas, KPMG, Citi Bank, Hubspot, WeWork, 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, Eirgrid, Sky Ireland, Amazon Goodbody, Gilt</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 and increasing levels of construction activity</td>
</tr>
<tr>
<td>North Suburbs</td>
<td>€185-€355</td>
<td>eBay, Paypal, Kellogg, BMW, Cisco, EMC, Dell, AIB, Ryanair, eShopWorld, Salesforce</td>
<td>Home to the city’s airport, this part of Dublin is seeing increased levels of activity. The new development at Dublin Airport Central is likely to be the catalyst for further new development</td>
</tr>
<tr>
<td>South Suburbs</td>
<td>€270-€323</td>
<td>Microsoft, Vodafone, Salesforce, Mastercard, Artictricity, Dell, Accenture, Verfone, Google</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>

OUTLOOK 2019

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 2019 and beyond.

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GUIDE TO DUBLIN’S RETAIL MARKET

DUBLIN CITY CENTRE RETAIL

Dublin’s prime city centre retail pitch is relatively compact, centred around two established retail thoroughfares, Grafton Street and Henry / Mary Street.

GRAFTON STREET & ENVIRONS

Located on the south side of the River Liffey, Grafton Street is a 515 metre long pedestrianised street and Ireland’s highest profile and most sought-after high street retail location. The street is home to 90 retail units with a combined retail area of over 34,000 sq.m. The major occupiers on the street are the upmarket department store Brown Thomas and M&S who trade directly opposite one another. The tenant line up has been reinvigorated with the recent arrival of a host of international retailers including The White Company, Rituals and The North Face who trade directly opposite one another. The tenancy mix has been reinvigorated with the recent arrival of a host of international retailers including The White Company, Rituals and The North Face.

Henry Street & Environ

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.

The major occupiers on the street are the upmarket department store Brown Thomas and M&S who trade directly opposite one another. The tenant line up has been reinvigorated with the recent arrival of a host of international retailers including The White Company, Rituals and The North Face. There are a number of complimentary streets intersecting with or running parallel to Grafton Street. Dawson and Nassau Street in particular have become more important in the retail hierarchy given the launch of the new LUAS line and the substantial development activity taking place in the area.

St. Stephen’s Green Shopping Centre, which was developed in 1988, is the only enclosed shopping mall on Grafton Street. The scheme is anchored by Dunnes Stores and has struggled in recent times due to poor unit size configuration and a resultant lack of demand among tenants, although ee understand the owners have plans to remodel and refurbish the scheme.

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.

Henry / Mary Street is approximately 450 metres long, bounded by O’Connell Street to the east and Jervis Street to the west. There are 62 retail units on the street, significantly less than the 90 units on Grafton Street, however the units are larger with ground floor areas (not including department stores) averaging 187 sq.m. compared with an average of 132 sq.m. on Grafton Street.

There has historically been little vacancy on Henry / Mary Street with three retailers having decided to upsize in recent times – Next, JD Sports and Top Shop. 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 RENTAL OUTLOOK

Rents on Dublin’s prime retail streets adjusted downward by between 50-60% following the recession and struggled at these levels until end 2013 / early 2014. They have now recovered to close to 80% of the peak 2008 (blended) levels. The headline Zone A rent reported in respect of the Victoria’s Secret letting on Grafton Street is €6,800 sq.m per annum, with the equivalent Zone A rents on Henry Street at €4,800 sq.m per annum. We expect rents to continue the upward trend although at more modest levels.

DUBLIN CITY CENTRE DEVELOPMENT PIPELINE

There are four large retail-led development projects planned or under development in the city centre at present. These are Dublin Central (also referred to as the Carlton Cinema site), Clerys, Central Plaza (former Central Bank HQ) and Project Kells. 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 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. The scheme was acquired by Europa Capital for €63 million in Q4 2018. Europa, along with local partners Oakmount and Core Capital, will commence construction in the coming months with the new scheme being branded the ‘Clerys Quarter’.

Over on the south side there are two developments planned which should go some way to addressing the extremely limited 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. Construction is progressing on the redevelopment of nearby Central Plaza on Dame Street which will include some 3,270 sq.m. of retail and 1,460 sq.m. of food and beverage space along with 8 floors of office space on completion. 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.

Developers Meyer Bergman and BCP recently appointed contracts for the construction of a scheme known as Project Kells, a planned retail development on the corner of Dawson and Nassau Street which will deliver a total of 7,728 sq.m. of retail space. Demolition is due to commence in Q1 2019 with the scheme due to reach completion in 2021.
DUBLIN OUT OF TOWN RETAIL

THE 5 LARGE OUT OF TOWN SCHEMES ACCOUNT FOR OVER 40% OF ALL DUBLIN SHOPPING CENTRE SUPPLY

1. BLANCHARDSTOWN CENTRE
   - Blackstone
   - Multi Corporation
   - 111,480 sq.m

2. DUNDREUM TOWN CENTRE
   - Hammerson / Allianz
   - 114,470 sq.m

3. SWORDS PAVILIONS
   - Hammerson & IPUT
   - Irish Life
   - 45,500 sq.m

4. LIFFEY VALLEY SHOPPING CENTRE
   - BVK
   - 71,320 sq.m

5. THE SQUARE, TALLAGHT
   - Oaktree
   - 53,652 sq.m

The above are all located on or close by the M50 orbital motorway and all had or have live planning permissions to extend. By far, the two most dominant schemes are The Blanchardstown Centre in North West Dublin and Dundrum Town Centre in South Dublin. A sixth major out of town scheme is planned by Hines at lands at Cherrywood which will provide up to 53,550 sq.m of new retail and leisure accommodation with a smaller 30,000 sq.m development planned by IPUT adjacent to the highly successful retail parks at The Park, Carrickmines.

A sixth major out of town scheme is planned by Hines at lands at Cherrywood which will provide up to 53,550 sq.m of new retail and leisure accommodation with a smaller 30,000 sq.m development planned by IPUT adjacent to the highly successful retail parks at The Park, Carrickmines.

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 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.

Three extensions (Central Mall, Blue Mall & Red Mall) are advanced at the Centre in 2017 and there is a live planning permission dating from 2014 for a further 32,515 sq.m 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.

DUNDREUM 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 centre in Ireland with a line up including House of Fraser, M&S, Harvey Nicholas, Primark and Hollister. The scheme also includes a large and successful range of complimentary restaurant occupiers with the owners planning to add to the F&B mix. Planning which was previously received for a second phase has now lapsed and a fresh planning application is expected.

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 historically suffered somewhat due to its proximity to the much larger Blanchardstown Centre and lack of critical mass. However with both Primark and Tesco having opened new outlets in recent times this gap is narrowing. Planning permission was refused in 2017 for an additional 22,000 sq.m and the owners are expected to re-apply during 2019.

THE SQUARE SHOPPING CENTRE, TALLAGHT, DUBLIN 24

This was Ireland’s first regional scale town centre scheme which opened in 1990. The current customer base is more local rather than regional. Set over three trading levels, the layout can prove a little confusing at times.

Dundrum 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 21,490 sq.m extension has the potential to bring new life to the scheme which is located in one of Dublin’s largest suburbs.

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 upward 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.
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.

WESTEND RETAIL PARK
Westend, 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 one of the latest retailers to open at the scheme.

THE PARK, CARRICKMINES
This scheme 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, IKEA, Harvey Norman, Lifestyle and Next Home are among the current occupiers.

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

AIRSIDE RETAIL PARK
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.

NEW RETAIL entrants in 2018
Rituals
Ace & Tate
The White Company
The Ivy
Le Pain Quotidien

NEW RETAIL entrants in 2019
Decathlon
JYSK
Rapha
Daniel Wellington
Dyson

DEPARTMENT MANAGING DIRECTOR
& Head of Retail Agency
BNP Paribas Real Estate Ireland
GUIDE TO DEVELOPMENT LAND

OVERVIEW

Coming off another record year for the property market, the development land market exceeded all expectations in terms of transaction values and volumes in 2018, with turnover of approximately €1.5 billion.

The predominant sentiment is optimistic for 2019 and beyond. Brexit is a fear, but Ireland’s economy is considered to be strong. Potential trade disputes following the INMO strike, and the possibility of a general election could be disruptors this year, and possibly an interest rate rise. Consistent with government policy and the National Planning Framework, the order of priority for 2019 development will be Dublin and the Greater Dublin Area. The ESRI estimates that by 2040 the national population will increase to 5.6 million, the majority of the population, employment and infrastructure exists. The Build to Rent sector continues to grow apace, and with an estimated 20% of Irish households now in rental accommodation, rental level growth and sustainability is becoming a key factor in funding these projects, along with construction cost inflation which is running at 7-8% per annum. As a delivery model, Build to Rent is a vital component to help solve Ireland’s housing crisis with the current supply of approx. 38,000 housing units per annum falling way short of the level required to meet the pent up demand of approx. 35,000 units plus. Affordability, viability and quality of BTR schemes will become more important over the coming years as developers begin to produce and deliver a pipeline of units.

Residential developers and investors have continued to pursue development opportunities in close proximity to transport nodes - particularly the LUAS, which can have a major impact on a scheme’s density, sustainable rental levels and construction costs (minimal / reduced car parking requirements). The government’s introduction in 2018 of guidelines for new apartment design standards and building heights have generally been welcomed, adding clarity and flexibility to residential developments, helping to improve their viability.

The Vacant Sites Levy (VSL) and Capital Gains Tax (CGT) waiver will likely encourage land owners to dispose of sites in 2019, acting as push and pull mechanisms. The Land and Development Agency, established in 2018 is expected to be an active player in the residential development sector as it prioritises the development of state owned land to deliver much needed housing.

NOTABLE 2018 DEALS INCLUDE

APOLLO HOUSE
0.72 acre site in Dublin 2 acquired by Marlet in Q4 2018 for a reported €56 million, equating to approx. €78 million per acre. The property was sold with planning permission for approx. 12,600 sq.m of offices

CB9 (Project Waterfront), North Wall Quay, Dublin 1
4.6 acre site in North Wall Quay acquired by Colony Capital / RGRE for in excess of €180 million equating to approx. €40 million per acre. The site had planning permission for approx. 28,000 sq.m of offices and 420 apartments (with a feasibility study suggesting this could be increased to over 500 units)

PARKGATE ST, Dublin 8
1.65 acre site beside Heuston station, Dublin 8 which sold in H2 2018 for close to €20 million per acre. It is expected the purchaser will develop a primarily residential led scheme

MOLYNEAUX HOUSE, Dublin 8
0.47 acre redevelopment opportunity on Bride St, Dublin 8 that was reportedly sale agreed in December above its €15 million guide, equating to over €32 million per acre. The property was sold with a feasibility study for a 238 bed hotel (but no planning permission)

OUTLOOK 2019

In terms of deal flow, we may see some re-trades of assets bought in recent years, potentially influenced by the CGT waiver and VSL, as well as rebalancing of portfolios acquired. The main plc / housebuilding groups will continue to be acquisitive. Regeneration of the various SDRA sites will continue – such as the John Player / Bailey Gibson site on South Circular Road and Diageo’s expected announcement of a partner to develop their James Street site – with St. James’s Hospital still undergoing a now €1.7 billion redevelopment. These will stimulate further development activity in Dublin 8 which has already been an area of focus over recent years.

TU Dublin (formerly Dublin Institute of Technology) recently brought to the market some of their centre colleges, to help fund their relocation programme to the new Grangegorman campus. This announcement could stimulate further activity in Dublin 1, Dublin 7 and Dublin 11.

BOBBY LLOYD
Director
Land & Development
BNP Paribas Real Estate
Ireland
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. THE OTHER PRINCIPAL OCCUPATIONAL CHARGES ARE AS FOLLOW:

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.

SERVICE CHARGE RANGES FOR VARIOUS PRIME ASSET CLASSES

<table>
<thead>
<tr>
<th>PROPERTY TYPE</th>
<th>SERVICE CHARGE (per sq.m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office</td>
<td>€70.00 - €90.00</td>
</tr>
<tr>
<td>Shopping Centre (Enclosed)</td>
<td>€97.00 - €178.00</td>
</tr>
<tr>
<td>Retail Mall (Open)</td>
<td>€43.00 - €75.00</td>
</tr>
<tr>
<td>Retail Park</td>
<td>€10.75 - €27.00</td>
</tr>
<tr>
<td>Industrial/Logistics (Estate Charge)</td>
<td>€16.25 - €37.75</td>
</tr>
</tbody>
</table>

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 2012. 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 specific maintenance requirements, the average service charges in residential complexes are set out as follows:

<table>
<thead>
<tr>
<th>PROPERTY TYPE</th>
<th>AVERAGE ANNUAL SERVICE CHARGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Bed Apartment</td>
<td>€900 - €1,100</td>
</tr>
<tr>
<td>2 Bed Apartment</td>
<td>€1,300 - €1,500</td>
</tr>
<tr>
<td>3 Bed Apartment</td>
<td>€1,700 - €2,000</td>
</tr>
<tr>
<td>House</td>
<td>€450 - €600</td>
</tr>
</tbody>
</table>

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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.

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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.

SERVICE CHARGE RANGES FOR VARIOUS PRIME ASSET CLASSES

<table>
<thead>
<tr>
<th>PROPERTY TYPE</th>
<th>SERVICE CHARGE (per sq.m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office</td>
<td>€70.00 - €90.00</td>
</tr>
<tr>
<td>Shopping Centre (Enclosed)</td>
<td>€97.00 - €178.00</td>
</tr>
<tr>
<td>Retail Mall (Open)</td>
<td>€43.00 - €75.00</td>
</tr>
<tr>
<td>Retail Park</td>
<td>€10.75 - €27.00</td>
</tr>
<tr>
<td>Industrial/Logistics (Estate Charge)</td>
<td>€16.25 - €37.75</td>
</tr>
</tbody>
</table>

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 2012. 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 specific maintenance requirements, the average service charges in residential complexes are set out as follows:

<table>
<thead>
<tr>
<th>PROPERTY TYPE</th>
<th>AVERAGE ANNUAL SERVICE CHARGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Bed Apartment</td>
<td>€900 - €1,100</td>
</tr>
<tr>
<td>2 Bed Apartment</td>
<td>€1,300 - €1,500</td>
</tr>
<tr>
<td>3 Bed Apartment</td>
<td>€1,700 - €2,000</td>
</tr>
<tr>
<td>House</td>
<td>€450 - €600</td>
</tr>
</tbody>
</table>
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. This measure was initially applied to Dublin and Cork City. It covers the four 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.

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

COMMERCIAL REAL ESTATE

MANAGED IN EUROPE

40,500,000 m²

PROPERTIES MANAGED IN EUROPE

33,500

IN 54 CITIES WITH 854 PROPERTY MANAGEMENT EMPLOYEES

RENT COLLECTED

€33,000,000 p.a

SERVICE CHARGE COLLECTED / EXPENDED

€8,500,000 p.a

FLOOR AREA UNDER MANAGEMENT

276,692 m²

RESIDENTIAL UNITS MANAGED

1,650

GROSS REALISATION FROM SALES OF

€128,242,570 TO YEAR END 2018

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. Our ethos and track record of continually delivering and indeed exceeding our clients’ expectations has allowed us to develop strong long term relationships with our clients.

BRENDAN EGAN
Executive Director
Property Management
BNP Paribas Real Estate
Ireland
GUIDE TO BUILDING CONSULTANCY & DESIGN

PLANNING, PROJECT MONITORING & DUE DILIGENCE

Working with BNP Paribas Real Estate gives you access to a wealth of appraisal and project monitoring expertise. This will help you make the right real estate decisions, ensuring that your property is constructed, extended or modified to the highest quality, providing flexible and sustainable space to meet your operational and performance requirements.

- We provide guidance and advice in respect of the Planning Process in Ireland, both for works that require permission and exempted development.
- Prepare Planning Application Drawings and Documentation, Planning Reports etc. for new buildings, extensions, change of use etc. and Section 5 Declarations of Exemption, for existing uses, where applicable.
- Project Monitoring of Occupier fit-out works on behalf of Landlords for all project types.
- Due Diligence reports in respect of the Planning History of a particular site, building or unit.

DESIGN AND SPACE PLANNING

Working with our experienced architecture and design team will help you create efficient, inspirational and motivational working environments, enhancing property value and performance. We provide value related advice enabling you to ensure that your property assets make a significant contribution to the success of your business.

- We design buildings and plan internal spaces for offices, retail and all types of commercial buildings.
- Advice for Occupiers in co-ordination with Landlord design teams to ensure efficient, cost effective and compliant design solutions.
- Space Utilisation Studies and Floor Area Analysis for office fit-outs.
- Advice in respect of Building Control, Building Regulations and other Statutory Obligations for Landlords and Occupiers.
- Carry out Building Evaluation Analysis and Space Planning Audits to meet current and future needs of clients for expansion or down-sizing.

BUILDING SURVEYING

By choosing BNP Paribas Real Estate you have a partner with vast experience in building surveying and technical due diligence. This means you will fully understand the condition of a building, the risks and opportunities it presents and have confidence in your decision making.

- Schedules of Conditions Reports and Dilapidation Reports for Lease Agreements.
- Building Surveys and Photographic Record Surveys for all types of Buildings.
- Manage and coordinate specialist Environmental, Sustainability & Structural Surveys and Building Services Audits & reports for all Building types.
- Capital Works Analysis reports for sinking funds and Life Cycle Analysis.
- Budget Costs and Reinstatements Costs for all building types.
- Health and Safety Building and Occupant Audits, Inspections and Reports.

PROJECT MANAGEMENT

BNP Paribas Real Estate has a track record of delivering high quality sustainable projects to programme and budget, exceeding clients’ business objectives. Our approach is to take ownership and responsibility for all aspects of the project, where the project manager acts as an interpreter, coordinator and motivator responsible for ‘driving’ the project to a successful completion.

- Setup and Project Management of construction projects, including new build, refurbishment and fit out. Advice to Occupiers and / or Landlords at all stages of the development process, from inception to completion.
- Oversee Occupier works, on behalf of Landlords and vice versa, across all our regions.
- Management of Due Diligence and Feasibility Studies including Option Appraisals.
- Tendering and Selection of Project Design and Construction Teams.

JERRY CORCORAN
Head of Building Consultancy Services
BNP Paribas Real Estate
Ireland
GUIDE TO LEASE ADVISORY

OFFICES

Prime headline rents for Grade A office stock in prime Dublin 2 CBD continue to accelerate when compared with preceding years and at present it is estimated that the average headline rent is in the region of €670 per sq.m NIA (noting several deals agreed in excess of this level in the range of €700 per sq.m). This is consistent with the estimated headline rate in 2018 and whilst the rate of growth may have slowed somewhat in recent years it generally remains on an upward trajectory. 2018 was a record year for activity in the Dublin office market in terms of take-up exceeding 370,000 per sq.m, an increase of over 5% compared with 2017. Indeed reports in the market that a large multi-national has agreed a penthouse in Dublin 4 however that is exceptional and not reflective of the general market.

Whilst Dublin 1, Dublin 2 CBD and Dublin 4 dominate the take up statistics (Dublin 4 being complemented by the Facebook deal on the former AIB Bankcentre in Ballsbridge reported in Q4 2018 that extends to over 80,000 sq.m) the suburbs have also enjoyed rental inflation over the last 12 months. The north suburbs, and in particular the suburban office space at a headline of circa €355 per sq.m GIA in 2018. The south suburbs have also enjoyed a strong year with average headline rents around Sandyford for example estimated at circa €323 per sq.m GIA. There are pockets of activity both above and below these levels depending on size, aspect, quality of space etc.

The rise in headline rents has also been accompanied by a rise in net effective rentals due to the conservative package of incentives being offered by landlord’s and this upward movement in net effective rentals is the factor that is driving rent review activity in both the prime CBD around Dublin 1, 2 and 4 for example and also the north and south suburbs. This is especially true in respect of the first sequence of rent reviews on leases granted in 2012/2013 that are coming through for negotiation in 2017/2018. We have seen substantial increases in rental levels reserved under such rent reviews and this is simply a reflection of the movement in the office market over the intervening 5 year period.

We have witnessed a similar trend in the provincial office markets in Cork, Galway and Limerick in 2018 however the rate of growth has not been as dramatic or pronounced as the prime Dublin office market. Rent review activity in Cork and Galway in particular has been high and headline rents in those locations continue to push forward unabated. Having acted for tenant occupiers in these locations we have seen first-hand the quantum of rental increase being agreed under review compared with five years ago. Rent review activity invariably lags behind the office market due to the nature of negotiations associated with rent reviews. The larger rent reviews are generally more contentious and can take many months, even years, to conclude unless one party is amenable to the other side’s position.

Whilst the general trend indicates an increased level of rental growth being secured under rent review activity in the office sector this is not always the case and there are a number of exceptions to this trend such as those buildings secured on upward only rent review provisions at the peak of the market in 2007/2008. A high profile example of this was the 2018 Arbitration conducted on the PwC building along Spencer Dock, Dublin 1 effective from April 2007. Whilst held under three leasehold interests the arbitrator awarded a rent below the passing rent in each case (in reality the rent remains unchanged due to the upward only rent review provisions).

The impending Brexit deadline of 29 March 2019 is fast approaching and yet the levels of uncertainty associated with this process only seems to grow daily. The UK appears to lurch from one crisis to another and with parliament having unanimously rejected the proposals put to it the government are coming under increasing pressure to reach a compromise to avoid crashing out of the EU with no agreement in place. Uncertainty is never good for any market and whilst the Dublin office sector has benefited from the current situation to a certain extent it has not been a significant impact in terms of companies relocating to Ireland. That may all change in 2019 however it remains to be seen in what way.

HIGH STREET RETAIL

The prime retail locations along Grafton Street and Henry/Mary Street continue to exhibit strong dynamics such as high demand, low supply and low vacancy levels with the result that prime headline rents in 2018 are estimated to be in the region of €6,000 - €7,000 per sq.m Zone A for Grafton Street and circa €4,800 per sq.m along Henry/Mary Street.

Whilst the indicators are positive for the prime locations the headline Zone A rents have still not trumped the levels witnessed in the peak of 2008/2009 when Grafton Street was soaring high with Zone A rents in excess of €8,030per sq.m and Henry/Mary Street registering circa €5,500 per sq.m Zone A. As such rent review activity on leases agreed at the peak in 2008/2009 on upward only review patterns remain muted as these leases are considered over rented. Conversely leases granted 5 years ago on market rent reviews are seeing rent review activity that reflects the movement in the market during that period and this is not confined to the prime areas of Grafton Street and Henry/Mark Street.

Proximity to the prime retail areas around Grafton Street appears to be a key factor in recent and projected rental growth in areas such as South William Street, Wicklow Street, Clarendon Street and Exchequer Street for example. We have seen evidence along Exchequer Street for example of new headline rents in the region of €1,250 per sq.m (overall on ground floor) and this will assist landlord’s with rent reviews on such streets that are considered reversionary.
BNP Paribas Real Estate Ireland has an experienced lease advisory team available to help landlords and tenants to negotiate the best lease terms to support business strategy and objectives.

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 continue to expect to record reversionary increases at rent review.

New letting activity, whilst not confined to prime Dublin City Centre, is centered around these locations and secondary and tertiary locations have not enjoyed the bounce recorded in the prime locations. Consequently rent review activity is concentrated on the prime streets with lower levels of activity recorded in the other locations.

Provincial retail continues to encounter a turbulent period and this is especially true for the smaller towns where the demand continues to be low, vacancy high and supply negligible. The prime locations such as Patrick Street in Cork have been resilient however such locations are the exception.

In general the sentiment attached to retail opportunities is estimated to have weakened somewhat over the last 12 months with an expectation that this may continue going forward. It is well documented and publicised that retail as a property sector is going through a period of transition with the dominance of online retailing being of particular concern. The phrase “Bricks V’s Clicks” succinctly describes this feature of the market. There is a clear and definite synergy between the UK retail markets and the Irish retail sector and reports coming out of the UK and US for example are a cause for concern.

INDUSTRIAL/LOGISTICS

In 2018 the average headline rental for a modern warehouse unit with good eaves height and ancillary offices close to good infrastructure is in the region of €91.50 – €105 per sq m psf depending on size. Larger units may command a slight quantum discount and the reverse for smaller units. New lettings on 10 – 15 year term certain leases will be accompanied by a limited package of incentives. Rents on older stock in less favoured locations are estimated at circa €70 per sq.m in 2018.

The demand for modern new build warehouse/logistics space is expected to continue through 2019 and so long as the demand/supply dynamic doesn’t become one of imbalance the market should remain stable and on a steady upward curve.

The perennial increase in construction costs continues unabated and therefore headline rent levels will also need to keep pace with this construction inflation to justify future development. The continued growth in prime headline and net effective rents in the warehouse/logistics sector bodes well for rent review surveyors in this specialist area with reversionary rental growth forming the catalyst for increased rent review activity.

Brexit will present a new set of challenges to the logistics sector in particular especially if the land bridge to mainland Europe from Ireland via the UK is restricted. The potential risk to the logistics sector in the event of a no deal Brexit cannot be over stated in terms of the movement of freight between Ireland and the UK/NI and this sector is watching and waiting to see how the Brexit situation develops.

DISPUTE RESOLUTION

With the increase in rent review activity across all asset types (offices, retail, industrial, warehouse) is a corresponding increase in third party referrals to either Expert Determination or Arbitration (depending on the provisions of the respective lease).

The Society of Chartered Surveyors Ireland (SCSI), having successfully sought to improve the service they provide by reviewing their panel system and personnel thereon, have now come under increasing pressure from the property industry to speed up the timeline for making an appointment by the President. At present the SCSI are taking on average circa 3 months to formalise a Presidential appointment and this delay is of concern to both landlord and tenant parties who are seeking a timely conclusion to their dispute.

Our advice is to seek a private appointment in preference to a SCSI appointment as this will expedite the process by several weeks, possibly months. A private appointment will require the agreement of the other party however this should not be a barrier to considering this alternative and indeed should be the default position in the event a negotiated settlement is unlikely to occur. An application to the SCSI should generally be reserved for instances whereby the other side has not engaged in the process and there is no alternative to appointing a third party to deal with the matter. Referral to third party should be considered as a matter of last resort once all other avenues have been exhausted. The process, whilst providing certainty in terms of a timeline for receiving an award or determination, can be costly, time consuming and fraught with uncertainty. The parties are agreeing to hand over control of the rent review process to a third party and therefore are bound by the resultant decision – a decision that may not find favour with one or both of the parties.

A number of key issues associated with rent review disputes continue to be contentious locally with the outcome usually requiring, or at least threatening, third party referral.

These include:

- Headline vs. Net Effective rents
- Assumed term
- Upward only vs. market rent reviews
Irish real estate law is based on both legislation and common law, with many of the same concepts and principles as English law.

In addition to legislation, Irish real estate law is based on common law, that is, decisions made by the Irish courts.

**PROPERTY OWNERSHIP**

A wide range of possible interests in real estate exists, ranging from a week to week tenancy to exclusive ownership. The two primary legal interests for the purpose of ‘good marketable title’ in Ireland are freehold and leasehold (with an unexpired term of at least 70 years).

Other interests in commercial property include short leaseholds for terms of up to five years and long occupational leases for terms of 20 years or more.

Rights to land and buildings on the land can be legally separable. For example, a developer of a multi-unit development will typically retain ownership of the freehold interest in the land on which the building is erected and grant long leasehold interests to buyers of the individual units within the building.

Who may acquire and hold real estate in Ireland?

Private individuals, incorporated entities and statutory bodies may hold and exercise rights over real estate. Subject to satisfactory anti-money laundering documentation being provided and UN and EU sanctions lists, there is no restriction on foreign ownership. Where a foreign company is party to a transaction, a legal opinion from a lawyer in the relevant jurisdiction may be required to confirm, for example, that the company has correctly executed the transaction documents in accordance with the laws of that jurisdiction.

What are the steps involved in a real estate transaction?

The sale of a property in Ireland is generally a four stage process. The seller’s sales agent and the buyer or the buyer’s agent agree the commercial terms for the sale of the property. Once the main terms, including the purchase price, have been agreed, this is documented by way of non-binding heads of terms. Sometimes, a booking deposit is paid by the buyer at this stage. The booking deposit is refundable until such time as contracts are signed by both parties and exchanged.

After a sale has been agreed, the seller’s lawyer then drafts the contract for sale and sends it to the buyer’s lawyer, along with copy title documents. The contract for the sale of both commer-
cial and residential property is typically based on the Law Society of Ireland standard form conditions of sale (consisting of 47 conditions), which are varied by way of special condition to reflect the nature of the transaction, the title etc. The buyer’s lawyer undertakes all necessary due diligence and a full investigation of title before contracts are signed, including raising a set of standard enquiries called Requisitions on Title.

Negotiating and settling the terms of the sales contract to the point where it may be signed by the seller and buyer typically takes 6 to 8 weeks. Once the due diligence process has been satisfactorily completed, the buyer signs the contract, in duplicate, and pays a 10% deposit (or the balance of a 10% deposit if a booking deposit has already been paid). Once the seller has countersigned the contracts and contracts have been exchanged, they are deemed to be binding.

The sale usually completes within 3 - 4 weeks of exchange of contracts. On the closing date, the buyer pays the balance purchase price and the seller executes a deed transferring the title to the buyer. The buyer’s lawyer then arranges for the property to be registered with the Property Registration Authority. Where the acquisition has been financed by way of a loan, the security deed is also registered.

What warranties are given by a seller?

A seller is required to disclose particular issues of which it is aware which may adversely affect the asset, for example, notices from statutory authorities or breaches of environmental laws. A buyer is entitled to rely on replies given by a seller to Requisitions on Title in this regard. There are a number of warranties contained in the Law Society conditions of sale, however these are often limited or qualified by a seller, particularly those relating to planning. Generally, it is the seller’s responsibility to satisfy itself about all aspects of the property and the principle of “caveat emptor” or “let the buyer beware” applies. It is, therefore, important that a buyer carries out a building survey in advance of signing contracts and, in many cases, it is necessary for a buyer to have its own planning and environmental reports carried out.

Does title insurance exist in Ireland?

Title insurance exists but it is not provided by a seller as a matter of course in transactions. It is generally only used to insure against a specific defect in title.

How are real estate brokers regulated in Ireland?

A broker must obtain a licence from the Property Services Regulatory Authority, a statutory authority responsible for, among other things, regulation of real estate brokers.

PLANNING

PLANNING

Planning law in Ireland is governed by the Local Government (Planning and Development) Acts, 1963 to 1999 and the Planning and Development Acts 2000 to 2018. Planning permission is usually required before development of a property or a change of use of property can occur (save for certain specified changes of use and some limited forms of exempted development). Responsibility for regulating development and designated use of real estate typically lies with local planning authorities. Appeals are referred to An Bord Pleanála (The Planning Board). Under the Planning and Development (Strategic Infrastructure) Act 2006 applications for development in respect of ‘strategic infrastructure’, which comprises certain categories of development considered to be of important social or economic benefit to the State or a region within the State, are made to a Strategic Infrastructure Division at An Bord Pleanála, with no right of further review. Under the Planning and Development (Housing) and Residential Tenancies Act 2016, housing developments of 100 units or more, or student housing units of 200 or more bed spaces are to be made to a Strategic Housing Division at An Bord Pleanála. Local planning authorities and An Bord Pleanála may grant (subject to conditions) or refuse planning permissions.

BUILDING CONTROL

The Building Control Acts 1990 to 2015 and the Regulations made under the Acts govern, amongst other things, the design, construction and alterations of buildings in Ireland. When buying or leasing a property in Ireland, it is essential for a buyer to obtain satisfactory evidence of compliance with planning permission and building control regulations, together with any necessary Fire Safety Certificates and Disability Access Certificates.

PRIVATE RENTED SECTOR

Investors moving into the Private Rented Sector should be aware of the law governing residential tenancies in Ireland. The primary legislation is the Residential Tenancies Act 2004 (as amended) (the “Act”). The Act regulates a range of issues relating to residential tenancies, including, amongst other things:

- the protections and security of tenure afforded to residential tenants;
- certain rights and obligations of landlords and tenants;
- the grounds for termination of residential tenancies by landlords;
- the notice periods required to be given by landlords to tenants before terminating a tenancy, and
- the frequency of rent reviews and rent increase restrictions.

Leasing a property offers greater flexibility and requires less upfront capital expenditure than outright acquiring a property. It can, therefore, be an attractive option for foreign investors establishing a foothold in Ireland. Equally, investors acquiring commercial property for the purposes of letting, need to be aware of the leasing process and the main lease provisions.

Commercial property agents acting for both the landlord and tenant will agree non-binding heads of terms. Lease provisions vary depending on the nature of the property, the length of the term of the lease and the bargaining strength of each of the parties. Some of the main lease provisions are summarised below. These need to be considered and negotiated carefully by the parties and their lawyers.

THE TERM - Commercial leases in Ireland generally fall into one of two categories: short-term letting agreements which usually have a term of less than five years, or full repairing and insuring
leases which are usually granted to commercial tenants for terms of up to 20 to 25 years, though terms of between 10 and 15 years are becoming more common.

**THE RENT** – The initial rent will be agreed between the landlord and the tenant at the beginning of the lease, with rent reviews typically taking place at five yearly intervals during the term of the lease. Rents are generally reviewed to the open market rent value on an upwards/downwards basis, but fixed incremental increases or rent reviews linked to changes in the Consumer Price Index are also sometimes provided for. Historically, leases provided for “upwards only” rent reviews but, since 2010, there is a statutory prohibition on upwards only rent review clauses in Ireland.

**USE BY THE TENANT:** The landlord can restrict the tenant’s use of the premises through the terms of the lease. In addition, the use of commercial premises will be restricted by the planning permission granted by the local authority.

**BREAK OPTIONS** – Tenants will generally seek a right to terminate a lease on one or more dates (called a break option). Any conditions of a break option need to be carefully negotiated by the tenant and considered by the tenant’s lawyer so as to avoid any difficulties in the future for the tenant exercising the option.

**REPAIRING OBLIGATIONS** – Commercial leases of entire standalone buildings are typically on an FRI (full repairing and insuring) basis, obliging the tenant to carry out all repairs. In the case of a commercial unit forming part of a building or multi-let development, the tenant is typically obliged to repair and maintain the internal non-structural parts of the unit and to pay a contribution towards the costs of repairs borne by the landlord in maintaining and repairing the external and structural parts and common areas.

**ALTERATIONS:** A standard lease will include a clause prohibiting the tenant from altering the premises in any way without the landlord’s prior written consent. The landlord will usually want to see the plans and specifications before agreeing to any alterations. It may also be a condition of the landlord’s consent that the premises be fully reinstated at the end of the term of the lease. The parties may negotiate concerning the tenant’s right to carry out some alterations without the landlord’s prior written consent, for example, non-structural alterations.

**ALIENATION:** A lease generally imposes restrictions on a tenant’s right to transfer its interest in the lease to a third party. A landlord cannot unreasonably withhold consent to the transfer of the whole of a property under a lease but can refuse consent to the transfer of part of a property. The landlord can also impose certain restrictions, although these must be reasonable, and normally concern the financial status of the proposed third party.

**OUTGOINGS:** In addition to the annual rent, a tenant is typically responsible for payment of all local authority commercial rates, water rates, insurance and service charges (if any).

**FINANCIAL SECURITY:** Depending on the financial strength of the company taking the lease, a landlord may require some form of security deposit or guarantee as security. Once the heads of terms are agreed, the landlord’s lawyer drafts the lease documentation. The tenant’s solicitor reviews the draft lease documentation, together with the landlord’s title to the property and raises pre-lease enquiries. Once negotiations have completed and the lease documentation has been agreed, the agreement for lease/lease is signed by the tenant and exchanged with the landlord.

At the time of the signing of the agreement for lease or lease, it is usual for a tenant to pay the rent deposit (if applicable), the first instalment of rent, the initial contribution towards the insurance of the premises and the initial service charge payment.

The timeline for completion of a commercial lease can vary greatly, ranging from weeks to months, depending on the complexity of the legal documentation and the nature of the premises. The Property Services (Regulation) Act 2011 requires that all commercial tenants file a return to the Property Services Regulatory Authority (PSRA) with the particulars of their lease. Failure to do so carries a penalty fine.

**What are the consequences of a breach by a tenant of its obligations?**

In the event of the tenant breaching its obligations, a landlord may:
- forfeit the lease;
- apply to court for a specific performance order;
- seek damages for loss suffered;
- or
- seek an order for possession of the property.

**What are the general obligations and liabilities of the landlord in respect of the property and what are the consequences of breach?**

The landlord is generally responsible for:
- ensuring that the tenant is given ‘quiet enjoyment’ of the premises (that is, not to interfere with the tenant’s use and enjoyment of the premises);
- insuring the premises (with the tenant obliged to reimburse the landlord); and
- repairing and maintaining the external and structural parts of the premises (with the tenant obliged to contribute towards the repair costs through a service charge).

In the event of the landlord being in breach of its obligations, a tenant may:
- apply to court for a specific performance order; or
- seek damages for loss suffered.

**Are long-term tenants accorded any special rights as to extension or renewal of leases?**

Unless a tenant has contracted out of its renewal rights, a commercial tenant that has been in continuous occupation of commercial premises for a period of five years is normally entitled to a new tenancy on the termination of the existing agreement.

Are there any regulations or incentive schemes in place to promote energy efficiency and emissions reductions in buildings?

Subject to some limited exceptions, there is a statutory requirement on sellers and landlords to provide a building energy rating certificate to buyers and tenants. The certificate provides an indicator of the energy performance of a building. Currently, there are no incentive schemes to improve the energy performance of a building.

Many new or refurbished buildings are being constructed/refurbished in accordance with internationally recognised standards, such as the Leadership in Energy and Environmental Design (LEED) certification. "Green leases" or green lease provisions are becoming more common, with leases incorporating provisions whereby the
landlord and tenant agree, for example, to cooperate to maintain and improve the energy performance of a building or the tenant agrees not to carry out works that would adversely impact on its LEED certification.

**INVESTMENT STRUCTURES**

**What structures are typically used to invest in real estate and what are the advantages and disadvantages of each?**

A number of structures can be used to invest in Irish real estate and the type of structure used depends on the investor base, objective of the investment and exit strategy of the investor (e.g., whether the asset is held mainly to generate rental income or to appreciate in value).

Irish companies can be used to develop real estate and a 12.5% tax rate should apply to the sale of fully developed land by an investment company. Non-Irish resident companies are often used to invest and hold Irish real estate and are liable to income tax at a rate of 20% on rental profits, compared with a 25% for Irish resident companies.

Qualifying Irish real estate funds used for international investment in Irish property portfolios are tax exempt at the level of the fund but highly regulated and expensive to set up and run. Therefore, these are suitable only for large scale investment. The Irish Collective Asset Management Vehicle (ICAV), which is a form of fund, is frequently used for large portfolio investment. The ICAV is able to ‘check the box’ to elect to be a disregarded entity for US tax purposes, which is an advantage over other fund vehicles which cannot. Following changes introduced in the Finance Act 2016, these funds are now subject to withholding tax of 20% on distributions and redemptions.

The activity to be conducted, the size of the investment and the location of the shareholder will dictate the most appropriate structures.

**Taxes payable by a buyer on the purchase/leasing of a property in Ireland**

**STAMP DUTY**

The direct acquisition of real estate in Ireland by an individual, partnership or a company gives rise to a stamp duty liability. The rate is 6% for commercial real estate. There is a stamp duty refund scheme for commercial property used for residential development (with an entitlement for the buyer to a refund of up to 4%) where development is carried out within a set timeframe and providing certain conditions are satisfied.

The rate of stamp duty on residential real estate is 1% on the first €1 million and 2% on any balance over €1 million.

The rate of stamp duty on commercial leases is 1% of the average annual rent (where the term of the lease does not exceed 35 years).

The indirect acquisition of real estate in Ireland through the acquisition of shares in a company, partnership or units in an Irish Real Estate Fund is, subject to certain exceptions, typically subject to stamp duty at the rate of 6% where the shares derive their value or the greater part of their value from non-residential property located in the state. If the acquisition is structured through a share subscription and redemption of shares in an Irish corporate vehicle, stamp duty may be avoided.

Transfers of shares in Irish incorporated companies that hold residential property are charged at 1%.

**VALUE ADDED TAX (VAT)**

VAT may also be payable at the rate of 13.5% on completion of the transaction where there is a direct acquisition of real estate. This is determined on a case by case basis as each property has its own VAT history recording previous usage and the VAT status of the seller. A buyer may be entitled to recover VAT, depending on the buyer’s VAT status and the purpose for which the property is used. No VAT is payable on the acquisition of shares. Landlords may exercise an option to charge VAT on commercial leases (at the current rate of 23%), subject to certain conditions.

**ONGOING TAXATION**

Ongoing taxes/charges payable by owners of real estate in Ireland include:

- taxation on rental income, subject to certain allowable deductions;
- commercial rates - payable in the case of non-residential property and dependent on the ‘rateable valuation’ of the property which is determined by the local authority;
- water charges - payable in the case of non-residential properties and dependent on water usage; and
- local property tax - an annual tax payable on residential properties (subject to certain exceptions) and calculated based on the market value of the property as of a certain date.

This guide is a high level summary of some important points to note for investors investing in real estate in Ireland. It is provided for information purposes only and does not constitute legal or other advice. Specific advice should be sought in specific cases.
IRISH REAL ESTATE FINANCE

ESSENTIAL KNOWLEDGE FOR INVESTORS

The strong Irish economy and real estate market at present is reflected in a competitive lending environment.

THIS POSITIVE ENVIRONMENT HAS INCREASED THE RANGE OF DEBT OPTIONS AND PROVIDERS AVAILABLE TO BORROWERS SUCH AS THE DOMESTIC AND INTERNATIONAL BANKS, PENSION FUNDS AND INSURERS, AND DEBT FUNDS AND ALTERNATIVE LENDERS. Mainstream Banks, such as AIB, are willing to lend on both investment and high quality development assets.

AIB is a leading provider of finance to the Real Estate Sector. Using a multi-disciplinary team, AIB draws on the expertise of in-house engineers, surveyors and economists as well as a large team of sector-focused banking professionals to deliver practical and innovative solutions. AIB is very active across both Commercial Real Estate Investment and Commercial & Residential Development with an established market position and key differentiators such as speed of execution and strong upfront analysis.

COMMERCIAL REAL ESTATE INVESTMENT

AIB Real Estate Finance offers a range of funding solutions for all major real estate asset types such as office, retail, logistics and multi-family (PRS) investments throughout the major cities and towns in Ireland. Our wide array of customers range from domestic professional investors to global institutional investors across a variety of corporate structures and SPVs, including iCAVs, REITs, limited Corporate Partnerships, etc. Our teams have the specialist knowledge to respond to market requirements whilst providing attractive finance packages (senior debt, mezzanine debt, loan on loan financing, etc.) that will support our clients. AIB Real Estate Finance underwrites CRE investment loan amounts from €10 million to in excess of €100 million on a bi-lateral or syndicated basis. Typical maximum senior debt leverages range between 60% - 65% Loan-to-Value with a particular emphasis on asset quality, location, tenant strength, income risk profile and promoter and asset manager expertise. For loan requirements less than €10 million, these can be accommodated through AIB’s extensive business centre and branch network.

DEVELOPMENT FINANCE

Our Development Finance team offers a variety of financing products for both residential and commercial development. We have a deep understanding of the sector and long standing relationships with key industry players.

COMMERCIAL DEVELOPMENT – AIB Real Estate Finance back office, retail and industrial developments throughout the country. Our team designs structures tailored to each project’s funding needs. We regularly provide investment loans on completion through our Commercial Real Estate Investment team, in cases where the development is for a medium term hold or for onward sale.

CASE STUDY – AIB / BALLYMORE

AIB Real Estate Finance approved a €60 million working capital facility to fund the development of Block D, Dublin Landings located in the prime location of the North Docks, Dublin 1. The financing of Block D which consists of over 22,000 sq.m of commercial space is one the largest commercial project financing deals by an Irish institution in almost a decade. The block is a highly efficient energy and sustainability accredited building achieving BER A3 and LEED target platinum standard. The overall Dublin Landings development plan consists of 50,000 sq.m of commercial space and 296 apartments being developed by way of licence agreement. AIB Real Estate Finance is also funding the development of the apartments in this scheme. Overall the partnership and expertise of Ballymore Group / Oxley and AIB Real Estate Finance has been exemplary in bringing the development of the Dublin Landings to the North Docks.

RESIDENTIAL DEVELOPMENT – AIB Real Estate Finance is proud to support many International and Irish development groups as well as local development businesses. Backing residential development is a strategic priority for AIB. AIB continues to play a strong role as a senior debt provider and plans to be the primary funder of 5,500 residential units in 2019, up from 4,700 in 2018.

PRS – Our Development Finance team also supports customers on both the development of PRS schemes and the operational aspect on completion. Given the scale of some of these projects, AIB can either act as sole funder or Lead Arranger as part of a Bank syndicate.

The above is a very high level summary of the lending approach of AIB Real Estate Finance. For more information please do not hesitate to contact us.

AUTHORS

BRIAN MOTHERWAY
Senior Manager Real Estate Finance – Development Finance AIB Wholesale & Institutional Banking Block L5 AIB Bankcentre, Ballsbridge, Dublin 4 Telephone: +353 1 772 1027 Email: brian.d.motherway@aib.ie

DEREK TRESTON
Senior Manager Real Estate Finance – CRE Investment Finance AIB Wholesale & Institutional Banking Block L5 AIB Bankcentre, Ballsbridge, Dublin 4 Telephone: +353 1 641 4989 Email: derek.l.treston@aib.ie
NEED TO KNOW

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 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. There was an accompanying relieving provision 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 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 a REIT) 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). On a prima facie basis, there is no charge to stamp duty on either the issue or transfer of shares or units in a Qualifying Investor Alternative Investment Fund (“QIAIF”) (a particular type of Irish regulated fund vehicle which can hold investment property) or a foreign equivalent collective investment fund. There is a category of such fund called an Irish Real Estate Fund (“IREF”), broadly a fund which derives more than 25% of its value from Irish real estate assets, and certain anti-avoidance provisions can also apply to the transfer of units in IREFs (see below).

The anti-avoidance provisions referred to impose a 6% rate of stamp duty on certain transfers of shares in companies (Irish and non-Irish), 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 its development.

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, including interest on the “purchase, improvement or repair” of the underlying property. From 1 January 2019 interest expense for residential rented property meeting
such conditions is fully deductible for tax purposes. Prior to that date the deduction was partially restricted. 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 a surcharge in respect of non-distributed income referred to as “the close company surcharge”. This can increase the effective tax rate on rental income up to 40%. A non-Irish tax resident company in receipt of rental income from Irish situate property that is not derived from an Irish branch or agency will be 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 (PRS). 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 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, unless an Irish tax collection agent is appointed. 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 tax collection 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 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 QIAIF 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 QIAIFs, however, may 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 must be considered in this context, namely Investment Undertakings Tax (‘IUT’) and Irish Real Estate Funds Tax (‘IREF’).

In general, IUT will apply to Irish resident individuals/companies 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, including 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 IREFs (as outlined above, an Irish regulated fund in which 25% or more of the fund’s assets are comprised of Irish real assets). 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 resident investors 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 holding of Irish real estate 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 territory 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 directly sold by an existing investor to another investor. The obligation to withhold the relevant amount will lie 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 selling investor, that 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) pension schemes, Approved Retirement Funds (ARFs), Personal Retirement Savings Accounts and EU cross-border schemes holding units in the IREF directly or indirectly
- Other Irish regulated funds or equivalent funds authorised by a Member State of the EU or the EEA
- Irish life assurance funds and equivalent European Union (EU) or European Economic Area (EEA) approved overseas life assurance funds
- Irish charities and credit unions and Irish “section 110” companies

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

**IRISH REAL ESTATE INVESTMENT TRUSTS**

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 re-
turn 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 from a disposal of their shares in the REIT. Irish tax resident companies in receipt of distributions from a REIT, unless trading in stocks/shares, 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.

**VACANT SITE LEVY**
The Urban Regeneration and Housing Act 2015 introduced legislation providing for the establishment of a vacant site register in relation to idle or vacant sites consisting of an area of land exceeding 0.05 hectares. These vacant sites must be situated in areas in need of housing and be suitable for the provision of housing. A Vacant Site Levy of 3% of the market price of undeveloped lands registered on the Vacant Sites Register applied in 2018. A lower levy of between 0%-1.5% applies where any site loan was greater than 50% of the market value of the vacant site.

The Vacant Site Levy increases to 7% per annum where the land remains undeveloped in 2019 and subsequent years. An owner of a site on the Vacant Sites Register who does not develop the land in 2019 will be liable to the 7% levy, which will apply annually for every year that the land remains undeveloped. For the levy to be lifted, development must commence on the vacant site.

**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 that 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 indefinite or for a term not exceeding 35 years, the rate of duty is 1% of the average annual rent.
- 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: 6% on non-residential property and 1% on residential property up to €1m with the excess liable at 2%. 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 in Ireland. The Rates vary between local authorities and are payable by the occupier of the premises on the date the Rates become payable.
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 1 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 1 May 2013. This valuation applies for a seven year period from 1 May 2013 to 31 December 2019. The LPT liability date for 2013 was 1 May 2013 and for every other year it is 1 November in the preceding year. Therefore, the LPT liability date for 2019 is 1 November 2018 and the liable person on 1 November 2018 must pay the LPT for 2019. 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 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.

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 1 November 2019. Other exemptions also apply for charities, nursing homes and residences for incapacitated persons.

**SALE OF IRISH PROPERTY**

Assuming held on investment account as opposed to on trading account, gains arising on the disposal of either Irish property or shares in an Irish tax resident company/non-Irish tax resident company deriving the majority of its value from Irish real estate by an individual investor (whether or not Irish tax resident) are subject to Irish Capital Gains Tax at 33%. Gains arising to an Irish tax resident company are subject to the same level of taxation but are generally 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 7 December 2011 and ending on 31 December 2014. Originally, there was a requirement that the land/buildings be held for 7 years to qualify for the exemption. 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 that 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.

An Irish tax resident company, or a non-Irish tax resident company trading through a branch or permanent establishment in Ireland, which develops or deals in land for sale as part of its trade will be subject to Irish tax on gains from the disposal of land at either 12.5% (broadly where the land has been fully developed by or for the company) or at 25% (where the sale is of undeveloped or partially developed land).

**FUTURE TAX CHANGES**

International tax policy changes driven by the EU & OECD, including the “BEPS” (Base Erosion and Profit Shifting) and “ATAD” (Anti-Tax Avoidance Directive) initiatives will result in changes to Irish legislation in the coming years. This could have an impact on the taxation of Irish real estate transactions, for example, if interest deductibility rules are revised. The above commentary, which is based on current tax legislation, does not address any such potential changes and it will be important to monitor how the Irish tax landscape for property transactions evolves in this regard.

Please note that this article is aimed at providing a general overview based on current Irish tax law of the topics discussed and it is not intended to be either exhaustive or definitive. Specific tax advice should be sought when entering into any Irish property transaction.
BNP Paribas Real Estate has local expertise on a global scale through its presence in 36 countries with more than 180 offices and 5,400 employees. BNP Paribas Real Estate is a subsidiary of BNP Paribas.

As regards Ireland, BNP Paribas Real Estate provides services in respect of Capital Markets, Property Management, Transaction, Consulting and Valuation. Furthermore, all departments are supported by the Research and Consultancy Team, which provides knowledge regarding real estate markets, thus enabling BNP Paribas Real Estate clients to make the most suitable long-term business decisions.

**KEY FIGURES***

**BNP PARIBAS REAL ESTATE**

- **36** countries
  - including 21 alliances
- **5,400** employees
- **43m m²** of assets under management in Europe
- **€191m** profit before tax
  - +2.3% vs 2017
- **3,400** transactions during the year
- **250m m²** valued in Europe

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* As of 31/12/2018