

October 2022

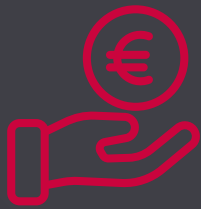


# Q3 2022

## Investment Market Commentary



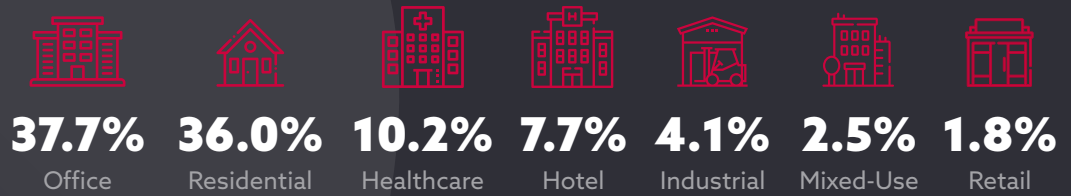
# Q3 2022 At A Glance



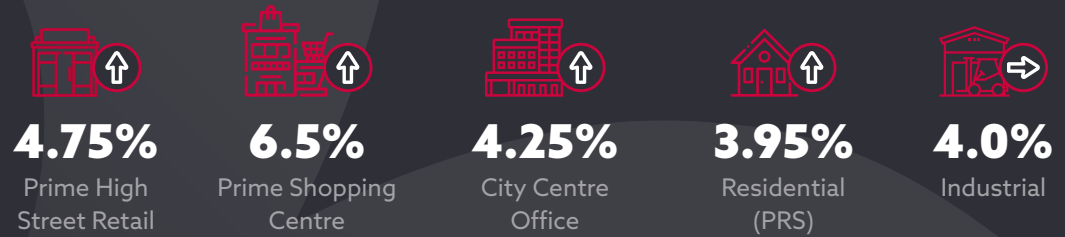
Total Turnover Q3 2022

# €1.77 billion

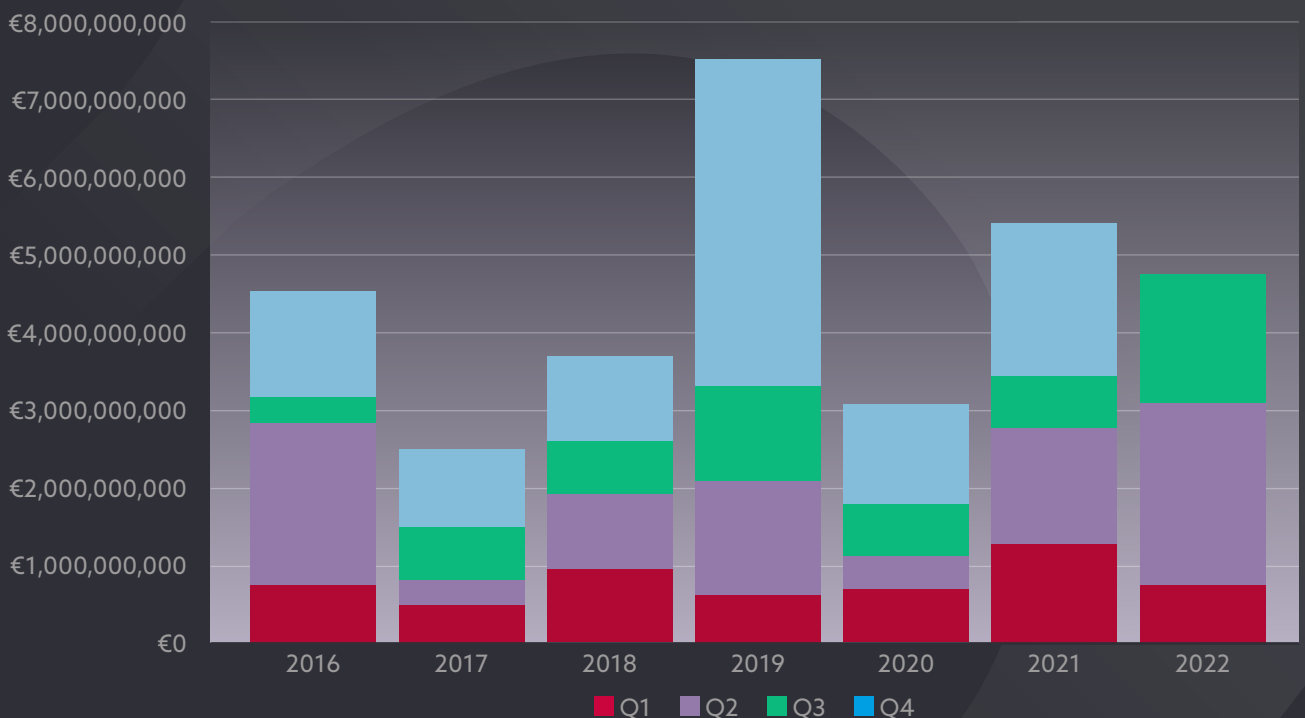
## Turnover by Sector Q3 2022



## Prime Yields



## Investment Turnover By Quarter



# Transactional Activity - Q3 2022

The Irish Commercial Real Estate (CRE) sector performed strongly this quarter with over €1.77 billion invested in Irish commercial property across 47 transactions. The largest transaction by some margin was the Ronan Group's sale of the Salesforce HQ on Spencer Place and a 204-bedroom hotel for €500 million. This deal has been in the works for over two years. Bannon have attributed €444 million to the office portion of the Salesforce sale and, unsurprisingly with this giant transaction, the office sector finished as the largest sector in the market with €667.5 million (37.7%). Interestingly if we were to exclude this large deal, the office sector falls back to a mere 16.8%.

The industrial sector's renaissance since the beginning of Covid-19 has begun to slow with only €73 million worth of turnover being attributed across six transactions. As the market begins to adjust to external factors, alternative sectors such as Healthcare (€179.85 million) and Hotels (€136.1 million) have begun to shine.



## Top 10 Transactions

Property	Sector	Approx. Price (million)	Purchaser
Salesforce HQ, Spencer Place (Office)	Office	€443.9	Blackstone
Project Sapphire (Bartra Nursing Home S&LB)	Other	€161.0	Aedifica
PRS Confidential	Residential	€123.5	Confidential
PRS Confidential	Residential	€110.0	Confidential
Watermarque Building	Office	€92.3	Corum
PRS Confidential	Residential	€90.0	Confidential
Staycity, Little Mary Street, Dublin 7	Hotel	€80.0	Confidential
Newtown Park Avenue (FF)	Residential	€76.3	Union
The Eight Building, Newmarket Square, Dublin 8	Office	€58.1	Confidential
Salesforce HQ, Spencer Place (Hotel)	Hotel	€ 56.1	Blackstone



## Residential

### Top 4 Deals

Confidential	Confidential
<b>€123,500,000</b>	<b>€110,000,000</b>
Confidential	Newtown Park Avenue (FF)
<b>€90,000,000</b>	<b>€76,250,000</b>

The residential sector performed strongly in Q3 with over €637 million worth of turnover and seven transactions in excess of €50 million. Glenveagh were particularly active this quarter selling two schemes in Dublin for €90 and €67 million. While this activity all points to a strongly performing sector, market sentiment is suggesting that these could be the last of the big PRS transactions for some time. Spiralling construction costs and caps on rental growth (2% increase per annum) have negatively impacted the sector with material uncertainty attaching to pricing.



## Offices

### Top 4 Deals

Salesforce HQ, Spencer Place (Office)	Watermarque Building
<b>€443,900,000</b>	<b>€92,250,000</b>
The Eight Building, Newmarket Square, Dublin 8	Confidential
<b>€58,100,000</b>	<b>€28,000,000</b>

For the second consecutive quarter the office sector has led the way in turnover due to one large transaction each quarter. In Quarter 2 it was the sale of Hibernia REIT for €1.1 billion and in Q3 it was the sale of the Salesforce HQ which consisted of three Grade A buildings for €443.9 million.

In Q3 the office sector contributed €667.5 million worth of turnover however if we are to view this quarter without this transaction the office sector only contributed €223.6 million. There is clearly a shortage of tradeable Grade A, ESG compliant office stock and with material uncertainty attaching to the pricing of non-compliant office stock due to upgrade costs and general market uncertainty it is likely that the office sector will start to lag behind its recent performance.



## Industrial

### Top 4 Deals

Confidential  
**€24,000,000**

1, 2 and 3 Airways Industrial Estate, Santry

**€14,000,000**

Confidential  
**€20,400,000**

Churchtown Business Park, Beaumont Avenue

**€7,150,000**

Since the beginning of Covid-19 the industrial sector has gone from strength to strength, culminating in over €1 billion of turnover contributed in 2021. In H1 of this year the industrial sector had a turnover of approximately €355 million or 11.5%, with both quarters approximately contributing equally. However, it was clear from the start that the sector’s biggest impediment was not demand but the limited supply of tradeable Grade A stock. Forward sales and forward funds have delayed the inevitable slow down, but this quarter’s performance shows that limited supply may have finally caught up with the sector.

The industrial sector accounted for €73.35 million or 4.1% of turnover in Q3 2022.



## Retail

### Top 4 Deals

Gorey Shopping Centre, Gorey  
**€9,350,000**

Killarney Outlet Centre  
**€6,910,000**

Bank of Ireland Branch Portfolio  
**€8,490,000**

Choice, Dublin Road, Clane  
**€3,100,000**

Retail was the weakest performing sector this quarter accounting for only 1.8% of turnover. After the encouraging signs in Q2 where three shopping centres transacted for a combined €86.25 million, the retail sector has stuttered this quarter. A total of €32 million was invested in the retail sector this quarter with the largest retail transaction the sale of Gorey Shopping Centre by agents Bannon for €9.35 million. There are however a number of sales processes currently in train including Tesco Baggot Street, Marshes S.C. Dundalk, Scotch Hall S.C. Drogheda, Douglas S.C. Cork and Fairgreen S.C. Carlow so it’s likely that the sector it will deliver a strong conclusion to the year.



## Hotel/ Healthcare

### Top 4 Deals

Project Sapphire  
(Bartra Nursing Home S&LB)  
**€161,000,000**

Staycity, Little Mary Street,  
Dublin 7  
**€80,000,000**

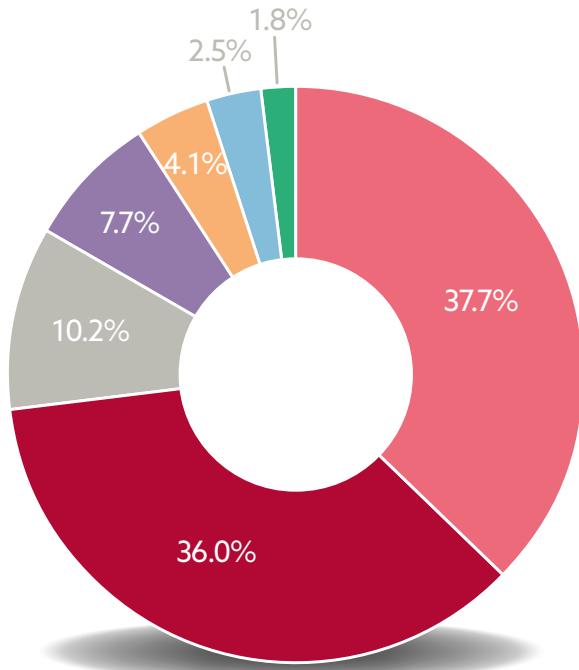
Salesforce HQ, Spencer Place  
(Hotel)  
**€56,100,000**

Sligo Carehomes  
**€17,000,000**

As the traditional sectors begin to slow down, investors are looking for alternative investment sectors to invest their money. The healthcare and hotel sector both performed well this quarter with over €315 million invested across five transactions. The largest transaction was Bartra’s sale of Project Sapphire to Aedifica. Project Sapphire comprised the sale and leaseback of three nursing homes (462 beds) in Dublin area and one forward commit (150 beds). The largest hotel sale of the quarter was the sale of Staycity on Little Mary Street for €80 million.

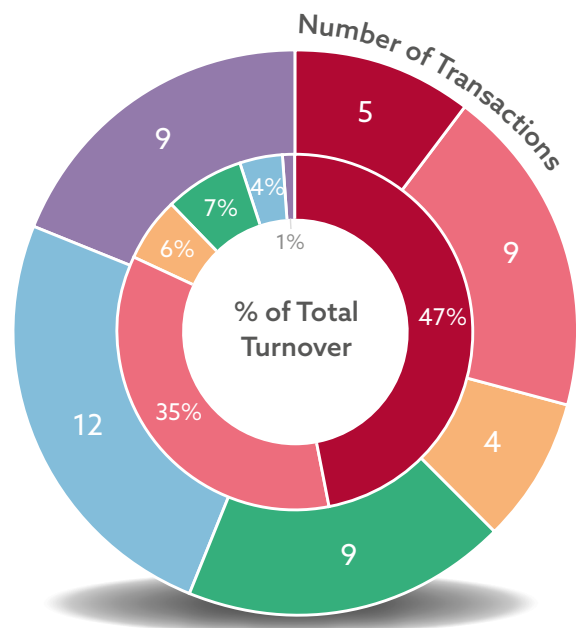


## Investor Turnover by Sector



- Office
- Residential
- Other
- Hotel
- Industrial
- Mixed-Use
- Retail

## Investor Transactions by Lot Size

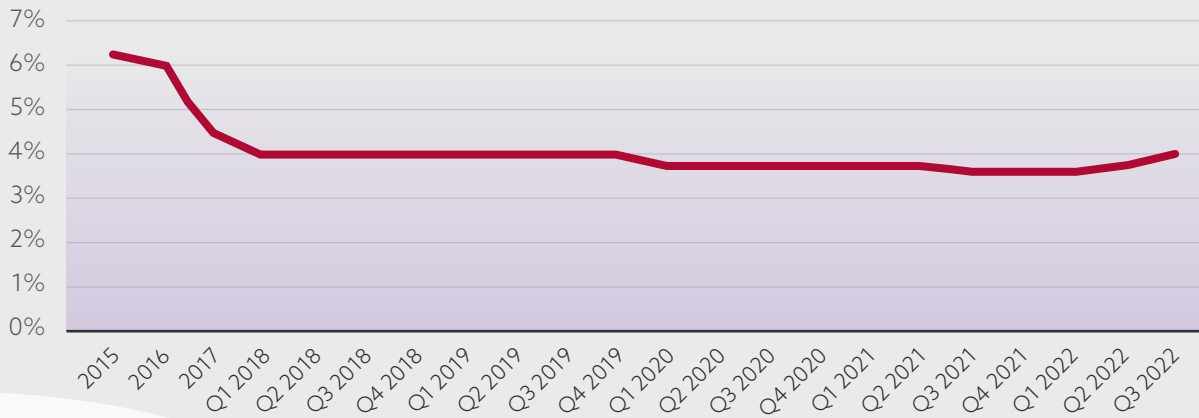


- €100m+
- €50 - €100m
- €20 - €50m
- €10 - €20m
- €3 - €10m
- €1 - €3m



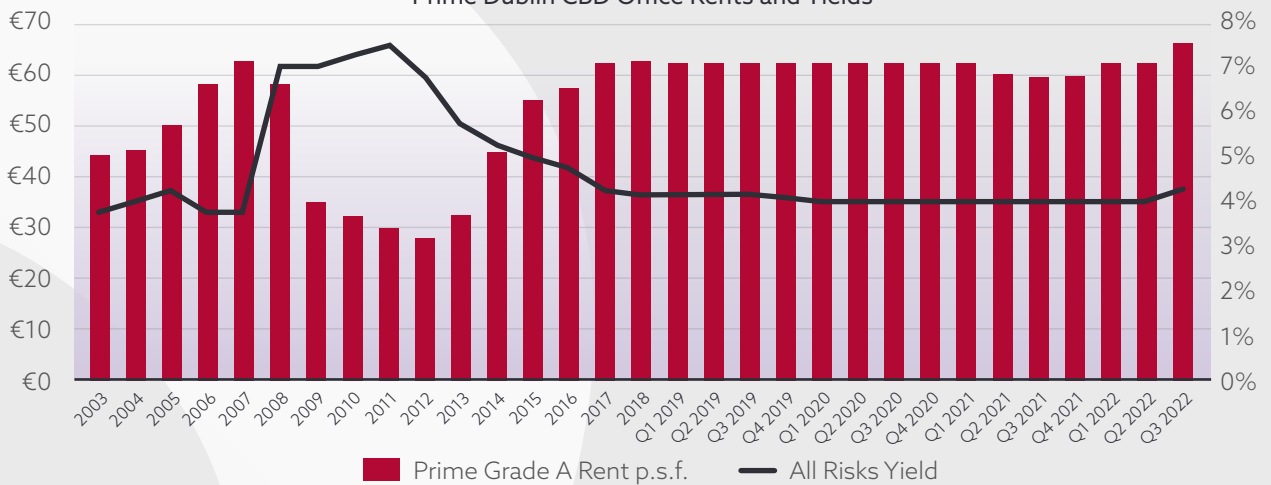
## Residential (PRS)

Prime PRS Yields



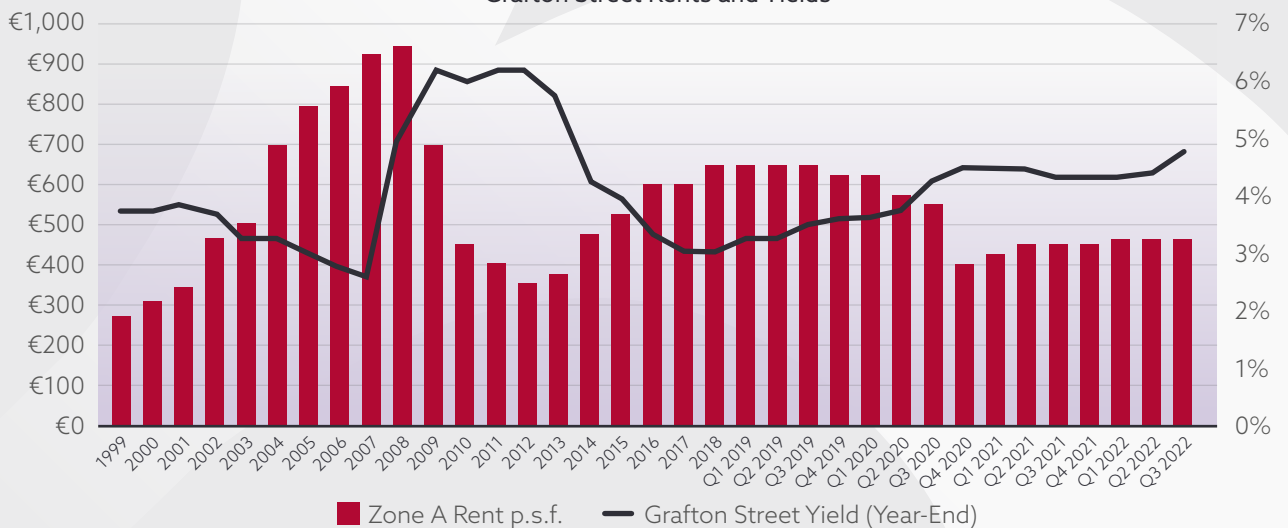
## Office

Prime Dublin CBD Office Rents and Yields



## Prime High Street Retail

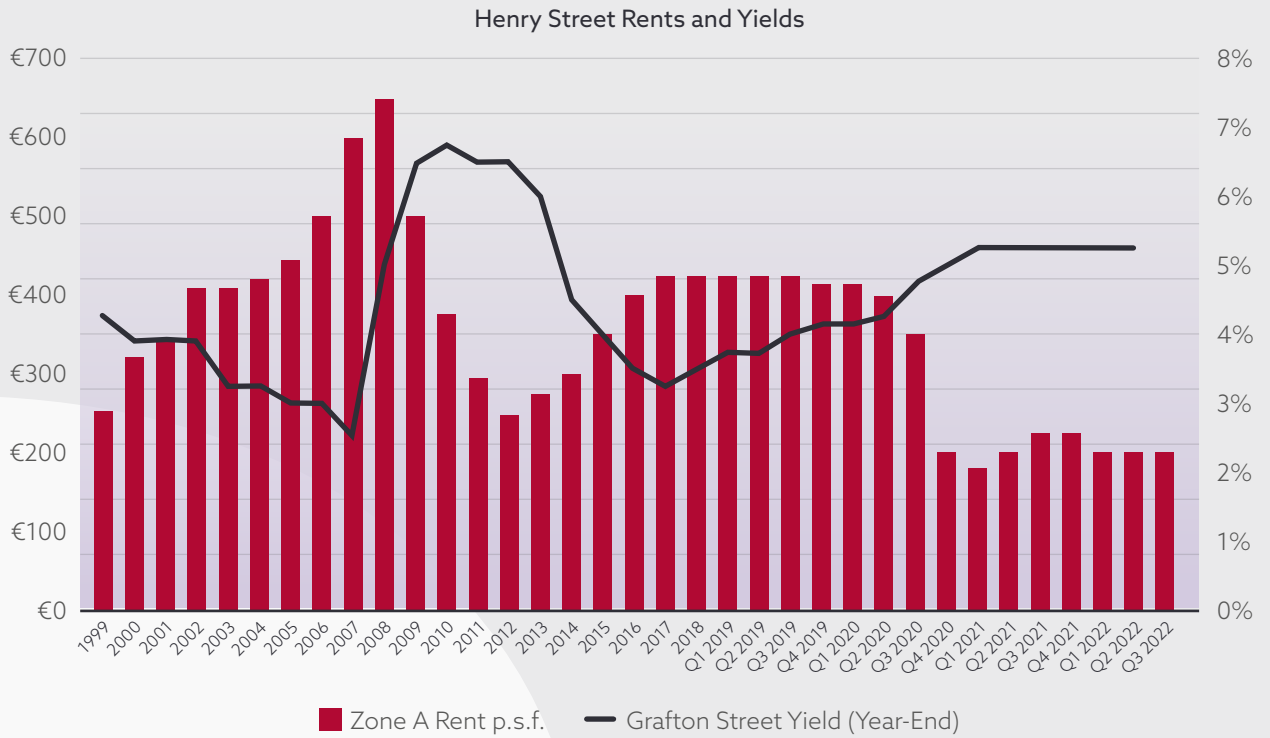
Grafton Street Rents and Yields



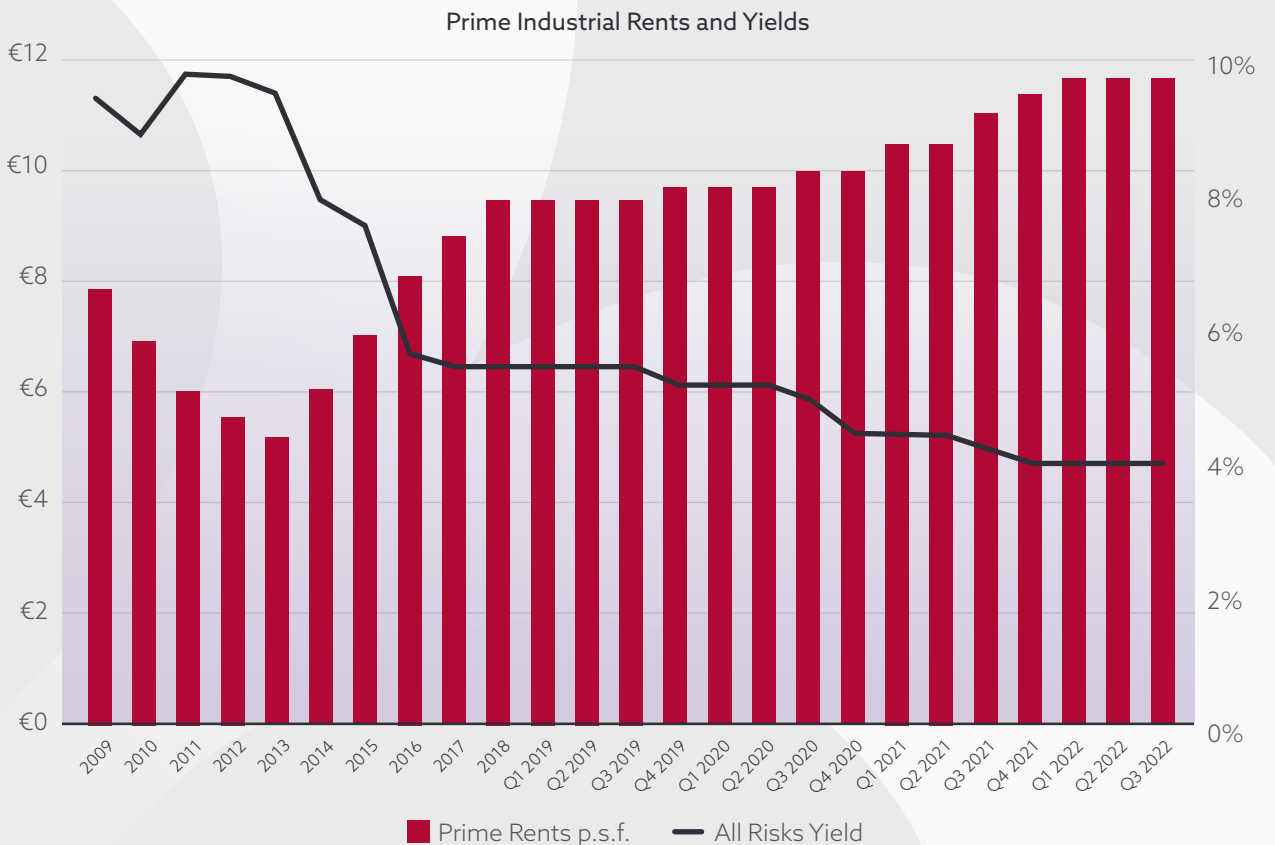




## Prime High Street Retail



## Industrial





## Outlook

The escalating impacts of the war in Ukraine, spiralling inflation, rising interest rates, looming recession on both continents and now the calamitous UK economic situation sets one of the most uncertain backdrops for the commercial property market for some time. However, as the era of free money comes to a close, there is one thing that appears certain, that a price adjustment across most of the prime real estate sectors is imminent.

The degree of adjustment will depend to a large degree on the eventual settling point of long-term interest rates however the fall is unlikely to be equal across the subsectors. We are likely to see the biggest re-base in the non-ESG compliant offices sector as the wider correction coincides with a more realistic appreciation of the importance (and costs) associated with the required upgrades. Conversely, while prime office and residential yields move off all-time lows, retail yields already sit at all-time highs across nearly all their formats as they have taken a battering from the impact of Covid and the fears of online retail. This sector along with industrial and other alternatives like hotels and life sciences are likely to see continued investor focus for the remainder of the year.

On a positive note, once an "appropriate" adjustment is seen to have been made, considerable funds appear to be waiting in the wings to be deployed, with many targeting Q2 2023 for a market re-entry. Some investors are still looking to deploy monies before year end despite the backdrop as long as the value proposition is clear. In this context we are confident annual turnover will significantly exceed €5bn for 2022 (as predicted) and establish the second strongest year on record after 2019.



# Q3 2022

## Investment Market Commentary

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