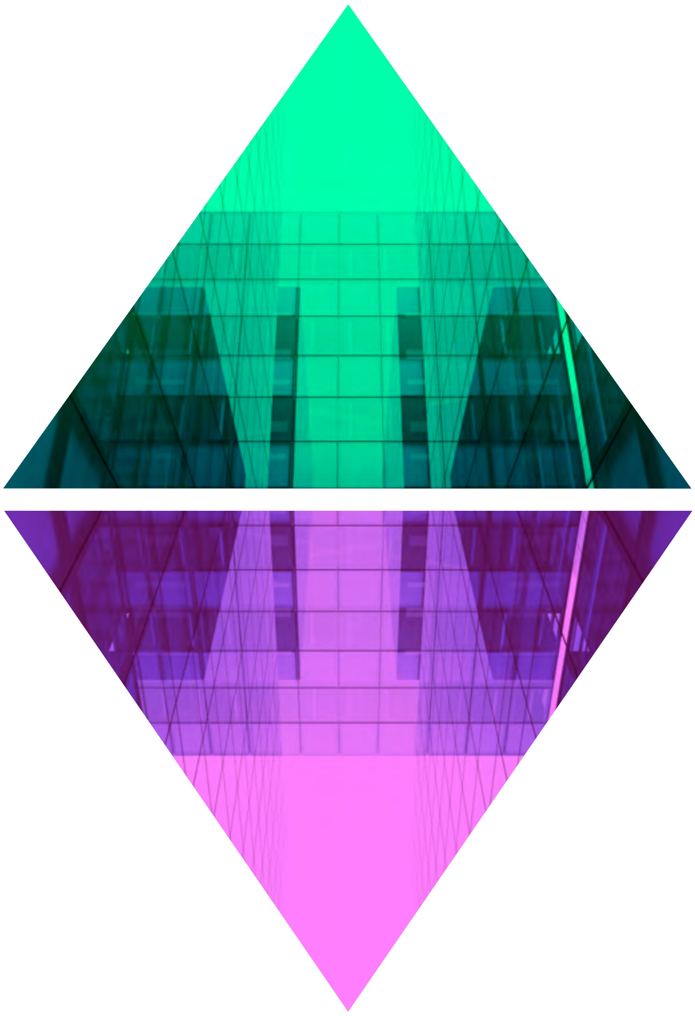


REAL ESTATE MARKET OUTLOOK 2019

30TH EDITION

CONTENTS

PAGE 5

INTRODUCTION

Review of 2018 - Myles Clarke

2018 proved to be another very strong year in terms of performance in the Irish commercial property market, both from an occupier and investment perspective.

PAGE 11

MARKET OUTLOOK

Market Outlook 2019 - Marie Hunt

Another strong year is in prospect for the Irish commercial property market in 2019. Although there is likely to be some further moderation in the pace of growth, the market remains broadly stable. However, it must be acknowledged that we are now another year deeper into the cycle and there are an increasing number of clouds on the horizon.

PAGE 15

FUNDING OUTLOOK

Funding Outlook 2019 - Andy Tallon

Debt pricing for income-producing assets has tightened and deals extending to more than €50 million are now attracting some of the cheapest debt currently available across Europe as Dublin presents good value on a relative basis compared to some other core European cities.

PAGE 17

OFFICES

While the long-term sustainability of office demand is never certain, considering the volume of outstanding requirements for office accommodation in Dublin at this juncture, office take-up in the Irish capital is on course for another strong performance this year with supply expected to remain tight.

PAGE 23

INDUSTRIAL & LOGISTICS

On the basis that lettings have been secured on several of the industrial buildings that have recently been developed or are in the process of being developed speculatively in the Dublin market, take-up in 2019 is likely to continue to be relatively constrained as a result. We expect this will encourage some developers to proceed with additional phases of development during 2019.

PAGE 29

RETAIL

Metrics including footfall, retail sales and consumer sentiment were all relatively positive in 2018. There was also good activity in the retail property market with healthy volumes of transactions recorded despite shortages of stock in some prime locations.

CONTENTS

PAGE 33

INVESTMENT

We are expecting investment spend in 2019 to be broadly similar to last year, led for the most part by some large office transactions. We expect investors to be more selective about value-add and opportunistic opportunities and primarily focussed on core and core-plus opportunities, which will lead to growing divergence between prime and secondary as the year progresses.

PAGE 39

DEVELOPMENT

As 2019 commences, there is still a very strong volume of capital to be deployed into the development land sector, which is encouraging. Appetite for sites capable of accommodating Build-to-Rent, student accommodation, co-living and senior living concepts is particularly strong.

PAGE 45

HOTELS

The volume of hotel sales in Ireland in 2019 is expected to be broadly similar to last year. In addition to steady activity in the provincial markets, we expect to see some high-profile Dublin hotels being offered for sale over the next 12 months. Strong pricing is likely to be achieved for city centre assets in particular, considering the growing international buyer pool targeting opportunities in this market.

PAGE 51

DUBLIN PUBS

We expect to see up to 30 Dublin pubs coming to the market in 2019. In addition to some city centre premises, a number of well-known suburban pubs are due to be formally launched for sale. As was the case last year, we expect to see several pubs changing hands for alternative uses this year.

PAGE 55

CORK

A wider pool of investors is now willing to look at opportunities in Cork including several European institutional investors. We could see more new entrants in 2019 in addition to some of the existing investors deploying more capital in the region.

PAGE 61

CONTACTS

INTRODUCTION & REVIEW

INTRODUCTION

Myles Clarke
Managing Director
CBRE Ireland

I am delighted to join CBRE and move into such a vibrant sector of the Irish economy. A sector also that will be transformed over the coming years by the twin change agents of data and digital.

For clients to benefit from these rapidly moving trends, being creative is key. Real estate is fast becoming a client driven business which will change the revenue profile of the asset class in the future. Where there are clients, there is data and lots of it. Whether it's the provision of working space, logistics, retail, or the burgeoning Build-to-Rent market, we need to use this data creatively to think about and plan our built environment.

CBRE is committed to developing the technologies and teams with exactly that creative outlook needed to meet these challenges. We are developing Automatic Value Model (AVM) techniques for valuations at scale. We recently launched our 'Calibrate' platform which delivers real time data driven insights into customer footfall behaviour for our retail clients. Our utilisation benchmarking tools ensure your talent has the right workplace in which to perform. We continue to invest in our specialist Healthcare and Build-to-Rent teams ensuring we are resourced to advise you on these emerging growth sectors.

Before we ask our clients to embrace these new ways of thinking and working, it is only right that CBRE embrace them first. With that in mind, we are very excited to be launching our new office layout in the Spring and look forward to inviting you all to view our new workplace at Connaught House. With a concept inspired by Irish nature and geography, our new layout is the result of a global collaborative effort starting with our '360' platform developed in the U.S. with input from our architects in the Amsterdam office and design ideas from Madrid. This will deliver a fantastic working environment for our teams with creativity at its core and a great place for clients to engage with us. This all comes together under the work of our Building Consulting team doing exactly the kind of work they do for clients day in, day out creating an agile environment that reflects the needs and provides the flexibility required of our modern consulting business.

CBRE aims to create community wherever we are active and promoting great placemaking is key to that end. So we are delighted to be supporting the inaugural ULI - IRELAND EXCELLENCE IN PLACEMAKING AWARDS which will reward best practice in placemaking in the Irish market. The awards will reward organisations and communities throughout Ireland that make genuine efforts to improve their local communities through the initiation of projects that add to the public realm and make these places better places in which to live, work and play. Alongside ULI, we will announce the winners of Ireland's inaugural Placemaking awards in the first half of 2019. (www.cbre.ie/uli-placemaking-awards-2019)

INTRODUCTION

There are of course some political and economic grey clouds on the horizon as we enter 2019. But here again, real estate, positioned well, can benefit. As volatility returns to both the bond and equity markets, real estate will attract increased focus by providing stability of income and capital performance correlated with the long term drivers of economic growth. Innovation will be transformative here too and end user needs to help broaden the traditional rent yield metric. This will change the economics of real estate in the future. Investors increasingly want data driven knowledge of the local market and end user needs to sustain returns which broadens their view of the traditional rental yield metrics.

While the economic cycle may twist and turn in the coming years, the long term outlook for the Irish economy remains strong. With the population expected to grow by almost 30% between now and 2080, compared with less than 1% for the rest of the EU, Ireland's built environment will expand in tandem. This will gift us great opportunities to deliver an amazing built environment, fit for the needs of our communities.

Combining great ideas, people and technology - CBRE will remain your trusted advisor as you plan and execute your real estate strategy in the years ahead.

2018 was another very strong year in terms of performance in the Irish commercial property market.

SUMMARY

- Dublin office market particularly buoyant
- First signs of speculative development in the industrial sector
- Encouraging appetite for core retail schemes
- Investment sector remained very attractive to long term investors and pension funds
- Strong demand for specialist sectors including healthcare and student accommodation with Build-to-Rent becoming a mainstream investment sector in its own right
- A record year for development land transactional activity
- The hotels sector boosted by forward fund and portfolio sales
- Lower number of Dublin pubs brought to market as a result of strong trading conditions

2018 IN REVIEW

On the back of strong job creation, activity in each of the occupier sectors of the market was strong with the Dublin office market having a particularly buoyant year, supported by several large lettings to occupiers in the technology sector, several of which were pre-lettings. The growth in activity by flexible office providers during 2018 was particularly noteworthy.

Brexit-related activity added an extra layer of activity in the office sector and also the industrial & logistics sector in the capital during 2018. Transactional activity in the industrial & logistics sector has been compromised for several years by a shortage of modern buildings with most development activity comprising 'Build-to-Suit' projects. However, industrial rents rose to a level in 2018 where new development was again viable and as a result, we saw the first signs of speculative development occurring in this sector in Dublin. Encouragingly, several of the new buildings have now been let prior to practical completion, such is the demand for modern stock. Demand for data centres and data centre sites was also strong throughout 2018.

Occupier activity in the retail sector of the Irish economy was considerably better than in the UK and elsewhere in Europe over the last 12 months, supported by continued job creation, strong tourist activity and increases in disposable income in the domestic economy. Appetite for any core schemes that were launched during the year was encouraging with particularly strong appetite from the food & beverage sector and the health & beauty sector. However, as the year progressed, it became evident that the pool of investors seeking investment opportunities in the retail sector had thinned considerably, particularly for secondary assets, as investors reacted to structural trends in the retail sector globally. Investor appetite for other sectors continued at pace throughout 2018 however, with several high-profile transactions completed during the last year including several forward commit and forward fund transactions. The market remained very attractive to long term investors and pension funds, keen to secure access to stable income streams. Encouraged by a number of large-scale investment opportunities, there were several new entrants to the Irish investment market during 2018 including some Asian investors who acquired their first Irish assets in the last 12 months.

Some yield compression occurred during the year. Prime yields in Ireland ended 2018 at levels that remain very attractive compared to other European jurisdictions, with prime offices and multifamily trending at approximately 4%, prime high street trending at 3.15% and prime industrial trending at 5.1%.

We also saw strong investor demand for specialist sectors including healthcare and student accommodation during the last year. One of the key standouts of 2018 was the growth in the volume of demand for Build-to-Rent opportunities following changes to the planning code which had a positive impact on viability in this sector. The extent to which Build-to-Rent increased as a proportion of overall investment spend in Ireland in 2018 was remarkable. Build-to-Rent is now becoming a mainstream investment sector in its own right, with an ability to help alleviate some of the well-documented pressures in the Irish housing market. Although there was an improvement in the supply of new homes during 2018, it remained considerably below the volume actually required and the proportion of units comprising apartments remained relatively low.

2018 was a record year for the development land sector in Ireland, with transactional activity the highest in a decade and significantly boosted by several strategic land sales that completed during the year. There was evidence of increased depth to the development land sector in 2018 with bidders from a myriad of different sectors bidding competitively on assets that were launched for sale both in Dublin and regional cities such as Cork.

Meanwhile, the hotel sector had a busy year also, supported by strong tourist numbers and buoyant business activity. Transaction volumes in this sector were boosted by the completion of some forward fund transactions and portfolio transactions during the year with the volume of single asset hotel sales in 2018 lower than had been anticipated. To some degree, the decision not to bring hotels to the market was influenced by the strong underlying trading performance that many of these properties enjoyed during 2018, something that also had a negative impact on the number of Dublin pubs offered for sale over the course of the last 12 months.

One of the key standouts of 2018 was the growth in the volume of demand for Build-to-Rent opportunities

All in all, it was a solid year's performance that lays the foundation for what looks certain to be another healthy year for the commercial property market in 2019 despite the potential threats, both global and domestic, that loom large.

Myles Clarke,
Managing Director
CBRE Ireland

Marie Hunt
Executive Director, Head of Research
CBRE Ireland

Two more years of above-trend Irish economic growth are in prospect for 2019 and 2020 with Ireland remaining among the countries with the best GDP growth potential over the next five-year time horizon.

SUMMARY

- With occupier activity remaining healthy across all sectors and strong investor appetite continuing to prevail, the likelihood is that another strong year is in prospect for the Irish commercial property market in 2019

- Although there is likely to be some further moderation in the pace of growth, the Irish commercial property market remains broadly stable

- However, it must be acknowledged that we are now another year deeper into the cycle and there are an increasing number of clouds on the horizon, not least Brexit, which has the potential to dent confidence and impact negatively on Irish economic performance

- The challenges facing the various sectors of the market now go deeper than conventional economic performance and the supply/demand dynamics of commercial real estate with a myriad of global and structural threats now meriting consideration also.

2019 IN PERSPECTIVE

2019 looks certain to be a turning point for monetary policy in the Eurozone, which in turn will have implications for the commercial real estate sector considering the intrinsic link between interest rates, Government bonds and real estate returns. Interest rate hikes will move onto the 'watch list' in the second half of 2019. However, with less leverage being used by buyers and more institutional investment in the Irish market than in previous cycles, the market is arguably less susceptible to interest rate movements than at any time in the past. In any event, when interest rate rises eventually start to materialise in the Eurozone, increases are likely to be marginal. Therefore, even though the considerable arbitrage between property returns and Government bonds, which has sustained the market for many years now, will be eroded somewhat, real estate investment will remain compelling.

Investors will increasingly seek to deploy into sectors that have capacity to generate stable long-term income, something that is in Ireland's favour. The fact that investment opportunities in Ireland are attractively priced relative to other European locations at this juncture also bodes well.

As the cycle matures further, the search for secure, stable long-term income will escalate

It is difficult to generalise across sectors, but we believe that there is potential for some yield compression in 2019 in various sectors of the Irish market, most notably prime offices, prime Build-to-Rent, hotels and industrial. This is at odds with many other locations in Europe where yield compression is unlikely at this point in the cycle. In contrast, the thinner pool of buyers for secondary retail assets could impact liquidity and therefore lead to some further yield softening for some retail assets in the Irish market over the course of this year.

New development in the Irish market over the last number of years has been very well controlled. It will be increasingly important to monitor the extent to which the pipeline expands throughout 2019 as the cycle matures further. A controlled development response should support further rental growth in some sectors in 2019. The best rental growth is likely to be achieved in the residential and industrial markets, with these sectors remaining fundamentally undersupplied.

Considering the volume of outstanding requirements for office accommodation in Dublin at this juncture, office take-up in the Irish capital is on course for another strong performance this year with supply expected to remain tight despite the volume of new construction underway. Technology will continue to be prominent this year, both as a direct source of demand and also as a driver of the accelerating shift towards agile workplace strategies and demand for tech-enabled and SMART buildings. As the move towards flexible working escalates even further, we expect to see increased focus on office space utilisation. One of the key trends for 2018 will be the extent to which office leasing activity spills over into new and emerging districts of the capital, boosting areas such as Dublin 8.

The two sectors of the retail market that are most insulated from structural changes in consumer behaviour in the medium term are large experiential retail schemes with a food & beverage and leisure offering and convenient local assets. The challenge for retailers, landlords and developers is to make retail schemes more experiential and more defensive against changes in consumer preferences whilst at the same time having the most efficient and complementary omnichannel offering.

Demand in the industrial & logistics sector this year is expected to primarily emanate from companies involved in E-commerce, logistics, pharmaceuticals and food manufacturing while we also expect to see continued strong appetite for zoned land for data centre use in 2019. Brexit-related demand is expected to increase as companies attempt to streamline and adapt their supply chains, with some UK-based E-commerce occupiers expected to take a physical presence in Ireland for the first time this year. Prime industrial rents are expected to increase by as much as 6.5% over the course of 2019 as a result.

We expect to see an increase in planning applications for co-living concepts over the next 12 months

We expect to see continued evolution of the Build-to-Rent sector in the Irish market during 2019 with an increase in transaction volumes anticipated not least because some developers will look to de-risk schemes considering the weaker backdrop for traditional house sales. A lack of standing stock will lead to the emergence of forward funding transactions in this sector over the next 12 months and we may also see some portfolio trades as investors strive to get a foothold in this new and emerging specialist sector. As an increasing proportion of the population move towards rental as a form of tenure, local authorities, planners and other stakeholders need to gain a better understanding of the characteristics of the Build-to-Rent model. We expect to see an increase in planning applications for co-living concepts over the next 12 months.

> The issues that are likely to be topical in 2019 are competitiveness, flexibility, affordability, viability and deliverability

We see price stabilisation occurring in residential land prices in 2019 following the strong growth witnessed in the last number of years, particularly considering the extent to which house price inflation has eased in the Irish market over the last 12 months. The big focus for 2019 will be on securing planning permission, the provision of services & infrastructure and ultimately commencing development on the many sites traded during 2017/2018.

The volume of hotel sales in Ireland in 2019 is expected to be broadly similar to last year, albeit with limited portfolio transactions. In addition to steady activity in the provincial markets, we expect to see some high-profile Dublin hotels being offered for sale over the next 12 months. Strong pricing is likely to be achieved for city centre assets in particular, considering the growing international buyer pool targeting opportunities in this market. Meanwhile, we expect to see up to 30 Dublin pubs coming to the market this year.

The issues that are likely to be particularly topical in the Irish commercial property market this year are competitiveness, flexibility, affordability, viability and deliverability. Capacity constraints and construction price inflation will dominate the agenda. The issue of sustainability will also become increasingly topical over the course of the next 12 months as occupiers increasingly make efforts to cut running costs as well as striving to meet stringent sustainability and CSR requirements.

Digital transformation will continue to disrupt the real estate sector in 2019 and beyond. Institutional owners, occupiers and investors will increasingly implement blockchain technology in their operations and processes to increase efficiencies while new technologies such as Artificial Intelligence, voice-assisted devices and augmented reality will increasingly disrupt the sector.

Marie Hunt

Marie Hunt
Executive Director, Head of Research
CBRE Ireland

Andy Tallon
Senior Director
Capital Advisors UK & Ireland

Over the course of 2018 we have seen heightened appetite for lending to commercial real estate throughout the country.

It is notable that we have had a significant number of lenders enter the Irish market over the last 12 months with various strategies seeking different levels of return. This increased competition came in the form of international balance sheet lenders, insurance companies and entrants into the 'direct lending' or 'debt fund' space. The Irish pillar banks have also been very active and continue their reformation as lending teams continue to grow and change strategies in order to hit growth targets.

Generally speaking, as the year went on and competition for deals intensified, lenders fought hard not to concede ground on Loan-to-Value (LTV). It might reasonably be argued that as values rise, a flat LTV actually marks a transfer of risk from borrower to lender. Pricing of debt for income producing assets has tightened and deals extending to more than €50 million are now attracting some of the cheapest debt currently available across Europe as Dublin presents good value on a relative basis compared to some other core European cities. Speculative development finance for commercial assets continued to be the most difficult asset class in the market to fund. Generally, the Irish balance sheet lenders remained constrained in this sector and required pre-lets, which meant investors / developers were reliant on a higher cost of debt more generally associated with direct lenders. There has been increased competition in the residential / Build-to-Rent sector as the appetite from both a debt and equity perspective has grown over the last 12 months.

The public debt markets remain of interest albeit the Commercial Mortgage Backed Structure (CMBS) market generally has had limited activity across Europe. Transactions peaked mid-2018 and tailed off in the last quarter of the year. We are aware that the year-end flurry of commercial real estate loans closures has left several originators considering a CMBS exit. This is definitely a space to watch for 2019.

The borrower outlook for 2019 remains extremely positive. We are seeing a "Brexit Bounce" in the market as more international lenders are looking for opportunities in Dublin and generally across Ireland. Being a Euro denominated market, built on strong economic fundamentals, Ireland will continue to prove attractive for investment as the UK finalises its withdrawal from the EU. We expect that margins will continue to fall over the first 6 months of the year with increased appetite for core income-producing product, particularly where this is of a scale that is attractive to international lenders.

There has also been sustained growth in direct lending and we expect more debt funds will arrive seeking opportunities primarily in the residential development space considering the supply demand imbalance in this sector of the Irish economy. We expect that fund manager participation will continue during 2019 as this relatively new asset class offers relatively predictable and stable income; good diversification of risk through a large pool of loans and priority in the capital stack ahead of equity offering protection in a downturn.

Competition in the direct lender market is expected to put increasing pressure on LTV's and margins

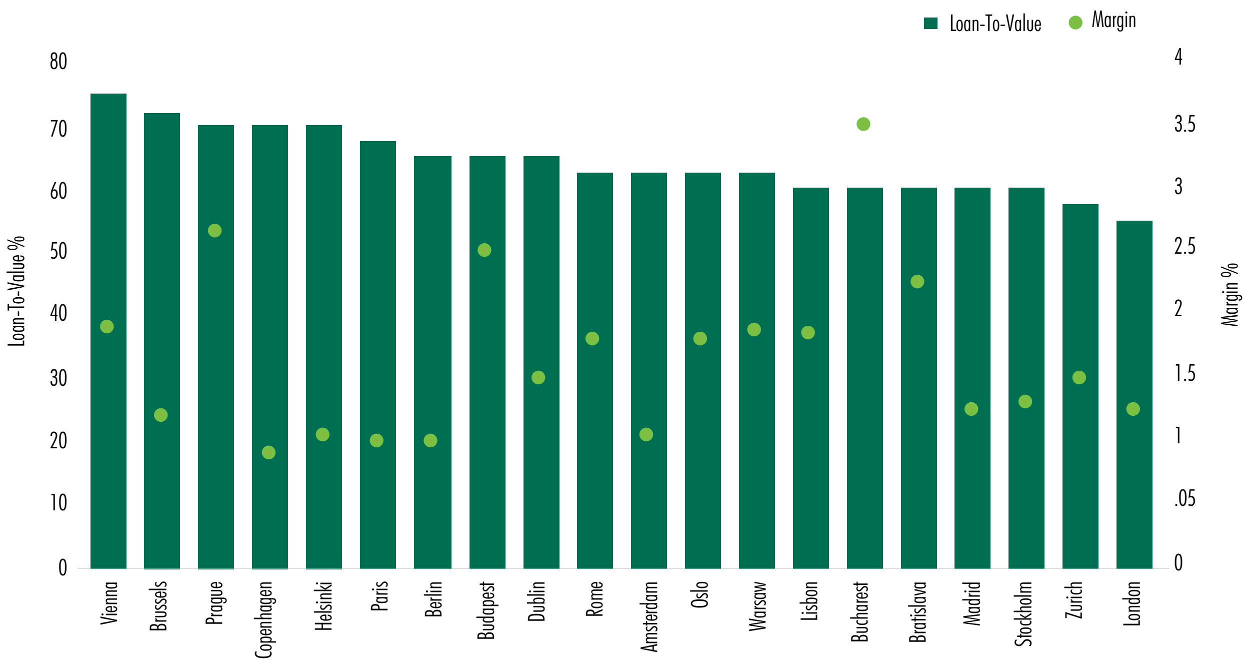
Competition in the direct lender market will put increasing pressure on LTV's and margins or will drive the debt funds into markets outside of Dublin in order to maintain returns. The debt funds who have been active for the last 3 years are likely to seek cheaper capital in order to remain competitive in the market. This will be achieved by raising new money for new strategies offering lower returns at lower leverage.

The other option is to explore the capital markets as a potentially cheaper source of funding. Unlike the balance sheet banks, the debt funds tend to have a defined investment period and may come under pressure to deploy their allocations in the market.

We also expect to see continued growth in lender appetite for alternative sectors over the course of 2019. This will be especially evident where an asset or sector can demonstrate sustainability of cashflow. Growth in social housing and the role being played by housing associations will also lead to new debt products entering the market which will be attractive to fixed income desks as well as more traditional commercial real estate lenders.

CBRE Capital Advisors have strong connectivity into various funding sources across the capital stack, which enables us to source debt and equity on a wide range of proposals. Over the past year, we have successfully raised over €6 billion of debt for clients across the UK and Ireland. Considering the strength of the funding market, 2019 looks very promising indeed.

FIGURE 1: EUROPEAN LOAN-TO-VALUE AND MARGIN 2018



Source: CBRE Research, 2018.

OFFICES

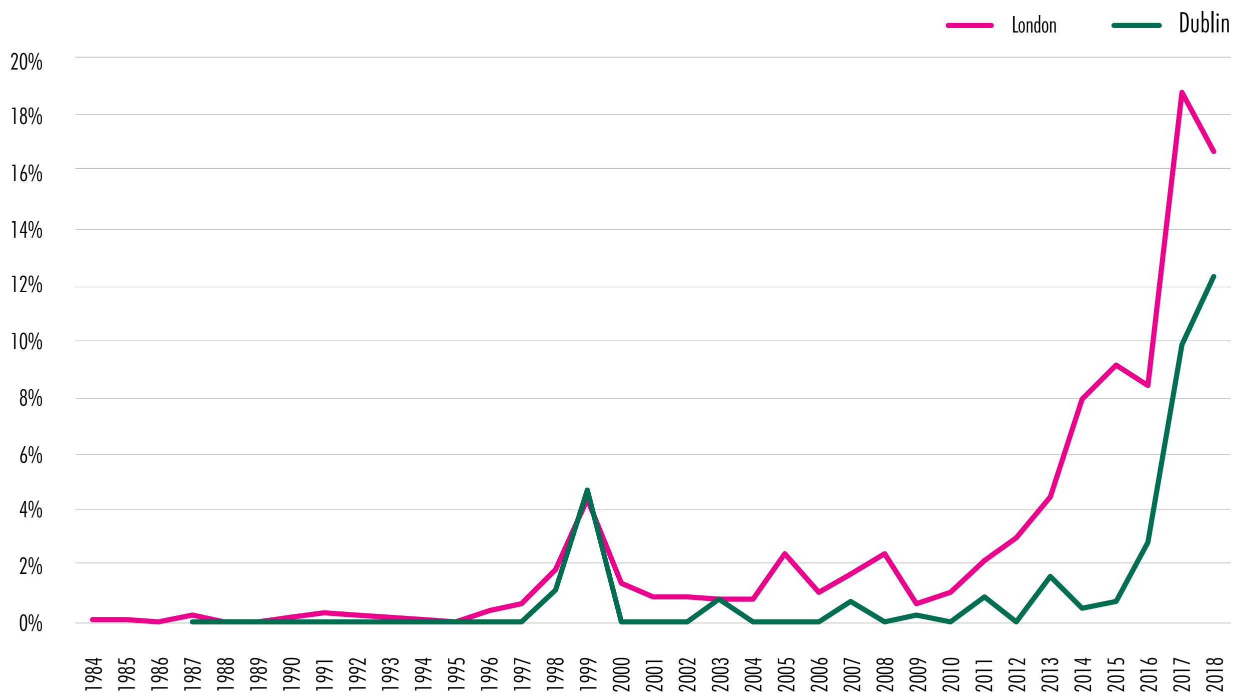
2018 was the second consecutive year where the Dublin office market achieved record performance, boosted by several strategic transactions, predominantly from the expansion of occupiers in the technology sector. Most of the large transactions signed in 2018 occurred in some of the new office stock being delivered in the capital. While the long-term sustainability of office demand is never certain, considering the volume of outstanding requirements for office accommodation in Dublin at this juncture, there is every likelihood that it could be 'three in a row' in 2019, with office take-up in the Irish capital on course for another strong performance this year and supply expected to remain tight. We expect to see continued strong flows of foreign direct investment and healthy job creation occurring in the Irish economy over the course of the next 12 months, which bodes well for the office sector of the market. While the bulk of job creation will be concentrated in Dublin, we expect to see increased activity in other regional cities including Cork, Galway and Limerick.

As was the case in 2018, we expect limited mid-sized transactions in 2019 with activity largely polarised towards very large takes of space and a significant amount of relatively small office lettings, some of which will occupy flexible space.

Despite the number of cranes on the horizon, many of the schemes being delivered have been partially or fully pre-let in advance of practical completion. As a result, there are very few office buildings ready for immediate occupation although this in turn is benefiting flexible office providers. One of the more noticeable trends in the office market over recent years has been the extent to which the phenomenon of flexible working has taken hold, with up to 12% of Dublin office take-up in 2018 comprising flexible operators. This is a trend which is only going to become more apparent throughout 2019 as co-working and flexible solutions teeter on the verge of becoming mainstream. Even if landlords are reluctant to directly lease accommodation to specialist flexible office providers, they will have to react to demand for flexibility in any event and incorporate design features into schemes including larger occupier lounges and common areas to satisfy end user requirements.

Technology will also continue to be prominent this year, both as a direct source of demand and also as a driver of the accelerating shift towards agile workplace strategies and

FIGURE 2: FLEXIBLE OFFICE TAKE-UP



Source: CBRE Research, 2018.

demand for tech-enabled buildings and SMART buildings. As the move towards flexible working escalates, we expect to see increased focus on office space utilisation as occupiers attempt to determine the correct mix of amenities and shared spaces to ensure maximum efficiencies and attract the best talent to their organisations.

Aside from demand from tech occupiers, we anticipate strong demand from the public sector in 2019 while several financial and business occupiers are likely to solidify requirements once there is better clarity on Brexit. Unlike the last cycle, and ironically fuelled to some degree by the factors that led to the financial crash, a sizeable proportion of office take-up now emanates from organisations involved in risk assessment, compliance and financial regulation and we expect this trend to continue.

There is a steady volume of new office supply under construction in Dublin and to a lesser degree in Cork, although supply remains controlled. We expect a sizeable proportion of new stock to be let prior to practical completion, as has been the trend in the Irish market over the last 12-18 months. This in turn will give developers (and their funders) confidence to progress some projects that have a grant of planning permission but have yet to commence construction. It is important that speculative development continues to be delivered on a sensible basis. We think that viability will improve for suburban offices in 2019 although there is likely to be strong competition for good suburban sites from alternative use sectors.

Outside of Dublin, there is evidence of strengthening occupier demand, which is encouraging developers to seek planning permission for new office schemes. However, the likelihood is that most of these provincial office schemes are unlikely to proceed on a speculative basis and will instead be unlocked by strategic pre-lettings in due course.

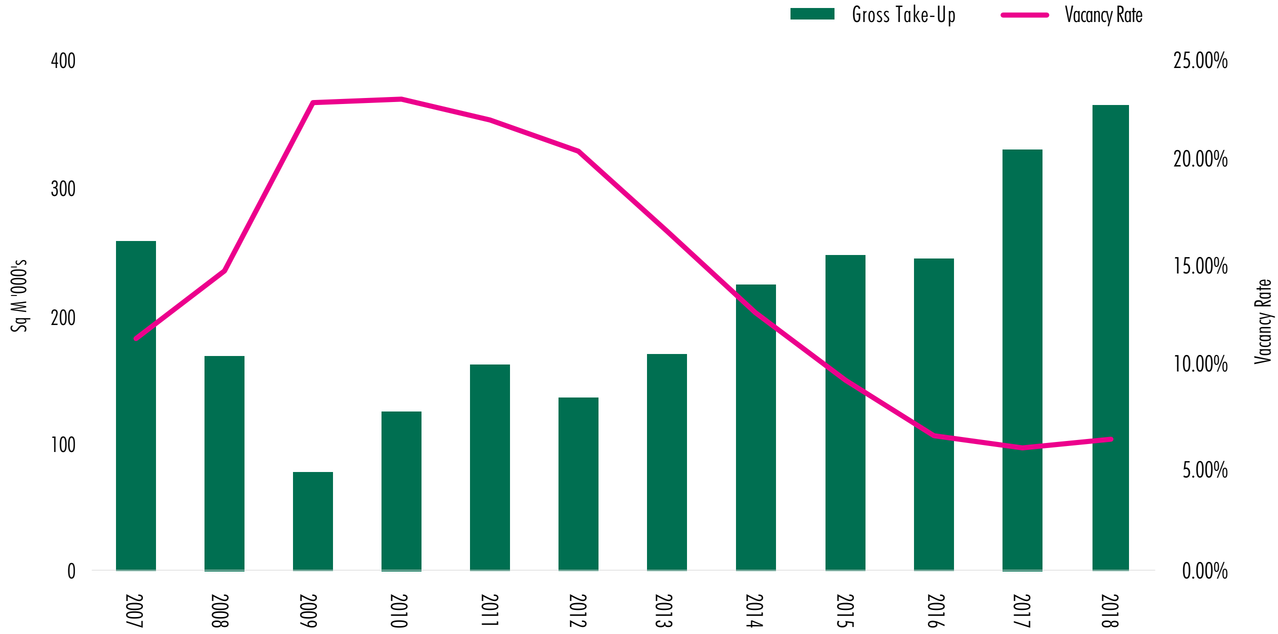
One of the key trends for 2019 will be the extent to which office leasing activity spills over into new and emerging districts of the capital, boosting areas such as Dublin 8 and easing pressures on the traditional core CBD. While prime headline office rents in the Dublin office market are expected to remain unchanged at approximately €700 per square metre in 2019, there is potential for rental growth in some locations including the North Docklands. We also expect to see good rental growth being achieved in the suburbs of Dublin and in provincial markets over the course of the next 12 months. We don't anticipate any significant changes in respect of lease lengths in 2019 with most office leases likely to range between 12 to 15 years or longer in some office cases and with incentives likely to remain relatively stable. Because of lease accounting rules, in some instances, occupiers will opt for shorter lease terms with an option to extend as opposed to signing a long-term lease.

Many occupiers are now demanding SMART buildings and enquiring about buildings Wired Score and Energy performance credentials as the issue of sustainability becomes increasingly topical. The Near Zero Energy Building (NZEB) energy rating regime will become increasingly topical in 2019 not least because all new buildings occupied and owned by a state body from this year onward needs to have achieved the NZEB standard and this will apply to all new buildings completed on or after 31st December 2020.

Considering the extent to which office demand in Ireland is driven by multinational activity, there is a need to be mindful of global factors that have potential to impact on demand going forward. Aside from trade wars and political factors, issues such as the introduction of an EU-wide digital tax could have implications for office demand in the Irish market going forward. However, the most pressing issue at this juncture is continued investment in infrastructure and in particular affordable housing to ensure that office workers can continue to be attracted to and accommodated in our cities.

Office leasing activity spilling over into new and emerging districts of the capital, boosting areas such as Dublin 8

FIGURE 3: DUBLIN OFFICE TAKE-UP VS VACANCY RATE 2007-2018



Source: CBRE Research, 2018.

Letting of 9,666m² at No. 2 Dublin Landings, North Docklands to WeWork

Letting of 4,488m² to Google at Blackthorn Building, Sandyford in the south suburbs

Letting of 2,420m² to Biomarin at 5 Earlsfort Terrace, Dublin 2

Joint leasing agents for 7,432m² office scheme at Newmarket, Dublin 8 on behalf of RVAM 2 Ltd

INDUSTRIAL & LOGISTICS

Over recent years, transactional activity in the Dublin industrial & logistics market was somewhat compromised by a shortage of modern accommodation with new stock primarily being delivered on a Build-to-Suit basis.

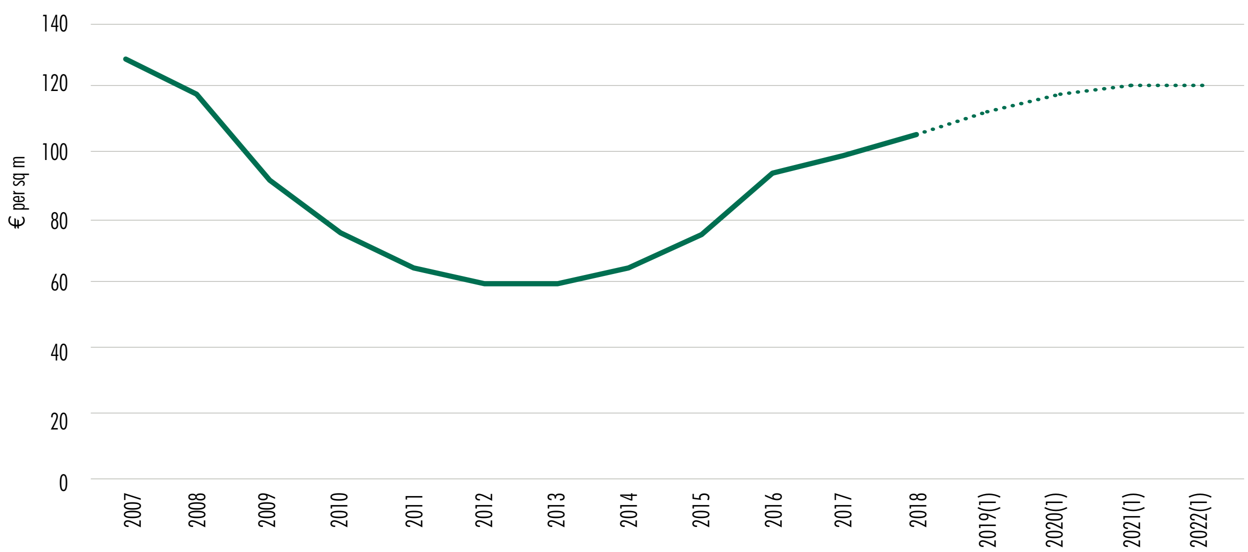
However, after over a decade of no speculative industrial development, save for two exceptions in 2017, we saw speculative development occurring at seven locations around the M50 in 2018.

During the last 12 months, prime headline rents rose by 6.5% to the point where new development became economically viable in most instances. As a result, we saw an escalation in planning activity and speculative development commencing along the M1 and N2 around Dublin Airport, as well as along the N3 and N7 corridors. Encouragingly, a number of these new speculative units have been let prior to practical completion, such is the pent-up demand for modern facilities in prime locations.

We expect this momentum to continue in 2019, supported by strong economic growth and positive structural factors including the continued growth of online sales, which currently stands at approximately 11% of total retail sales in Ireland. Demand in the industrial & logistics sector this year is expected to primarily emanate from companies involved in E-commerce, logistics, pharmaceuticals and food manufacturing while we also expect to see continued strong

> Brexit-related demand is expected to increase as companies attempt to streamline and adapt their supply chains

FIGURE 4: PRIME DUBLIN INDUSTRIAL RENT FORECASTS



Source: CBRE Research, 2018.

appetite for zoned land for data centre use in 2019. Brexit-related demand is expected to increase as companies attempt to streamline and adapt their supply chains, with some UK-based E-commerce occupiers expected to take a physical presence in Ireland for the first time this year. The evolution of E-commerce will be a substantial driver of demand within the logistics sector in 2019 with every percentage increase in online penetration fueling additional demand for industrial & logistics stock to facilitate storage, distribution, final mile delivery and reverse logistics. New EU Geo-blocking legislation, which gives shoppers the same access to goods and services wherever they are in the EU, came into force late last year and is likely to further intensify demand for logistics and distribution accommodation in the Irish market in due course.

Across Europe, demand has been increasing for final mile delivery solutions around major conurbations. This is now materialising in Dublin and likely to occur in Cork, Limerick and Galway, aligned with the steady growth in online sales activity. Indeed, Dublin City Council are currently trialling a final mile delivery concept. While demand is predominately focussed on large modern purpose-built logistics facilities close to major road networks, final mile/urban logistics can be accommodated in older buildings with lower clear internal heights, which could provide opportunities to reposition some older stock in the capital in due course. However, in some cases, these properties are now likely to be highly sought after for redevelopment for higher value uses. Furthermore, some industrial zoned lands within the M50 are now being repositioned for higher value end uses such as Build-to-Rent schemes.

On the basis that lettings have been secured on several of the buildings that have recently been developed or are in the process of being developed speculatively in the Dublin market, take-up in 2019 is likely to continue to be relatively constrained as a result. We expect this will encourage some developers to proceed with additional phases of development during 2019, albeit much of this industrial & logistics stock will not be delivered until 2020 and beyond. We expect to see additional phases coming on stream at Park Developments Group's Northwest Logistics Park in addition to Horizon Business Park, Dublin Airport Logistics Park, North City Business Park, Mountpark Baldonnell and additional builds at Greenogue Business Park over the course of the next 12 months.

The specifications in modern industrial and logistics buildings has increased significantly over recent years. However, much of the innovation is occurring within the envelope of the building. Technical requirements for new buildings have become extremely detailed, which in turn impacts on development costs. With robotics increasingly being used to pick goods stored at height, cubic capacity is becoming more important to occupiers within the storage sector of the supply chain. This increased demand for even higher eaves heights is being incorporated into new buildings, with the current norm of 12 metres eaves increasing to eaves heights of up to 14 metres. Yard depths are also becoming increasingly important – an element that needs to be borne in mind from a design perspective when planning new logistics schemes.

Demand for industrial and logistics buildings in provincial locations is likely to remained muted for the foreseeable future. With rents in most provincial locations still not justifying new development, there is likely to be limited supply of new stock in 2019. We do not expect to see any provincial speculative development outside of Cork, where JCD Group are speculatively developing at Blarney Business Park.

Unlike the office sector, where some occupiers now opt for shorter leases with options to extend as a result of Lease Accounting rules, many occupiers in the industrial and logistics sector are still willing to commit to long leases to avail of tenant inducements, with most of the larger transactions in the market in 2019 in this sector likely to extend to between 10 and 15 years' duration. This in turn will add to the attractiveness of the logistics sector for investment purposes being that most investors are now focussed on securing long-term income streams. There was an increase in the volume of industrial and logistics investment transactions completed in the Irish market in 2018. Sourcing core investment opportunities remains challenging but with new stock now being developed and let, this may create investible product in due course.

The value of industrial zoned land is expected to keep growing solidly over the course of the next 12 months, particularly for land that is serviced and has good accessibility to the M50. We also expect to see continued rental growth in this sector during the next year, with headline rental rates for best-in-class buildings expected to increase from €106 per m^2 (€9.85 per sq. ft) to approximately €113 per m^2 or €10.50 per sq. ft by year end 2019 - an uplift of 6.5%.

There were a number of high-profile new entrants into the Irish co-location data centre market last year including CyrusOne and T5 Data Centers; with some of the existing co-location operators expanding or developing new phases such as Equinix and Interxion. The hyperscalers are continuing the develop their cloud platforms in Dublin and this coupled with growing demand from the co-location sector is resulting in increased demand for sites suitable for data centre development.

All in all, a busy 2019 is now in prospect for this sector of the property market. We expect to see continued activity in the 'Build-to-Suit' market in 2019 alongside some new speculative development, which is welcome. While we are likely to see some new entrants looking at the sector from an investment perspective, occupier activity is likely to be dominated by the expansion of existing projects and companies. The extent to which Brexit drives demand will ultimately depend on whether a hard or soft outcome materialises but the logistics sector is set to witness increased activity in either scenario.

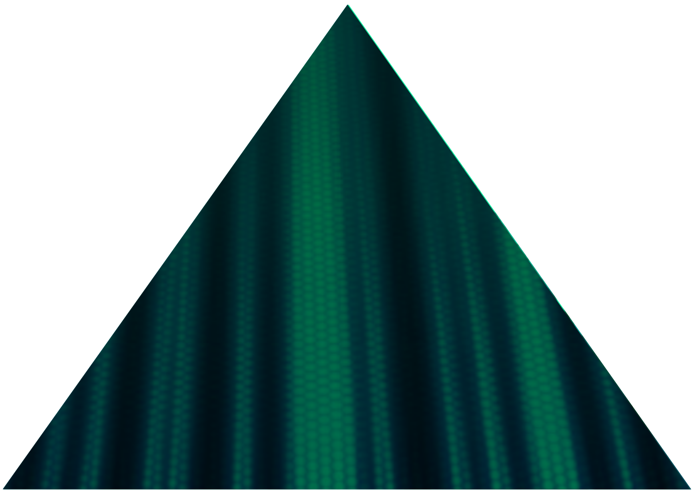

Sole agents on the sale of Liffey Park Technology Campus, extending to 136,496m^2 on 194.5 acres - the largest sale ever recorded in the industrial & logistics market

Letting agents for 4,740m² at JCD's Blarney Business Park in Cork to ILC Dover and GLS

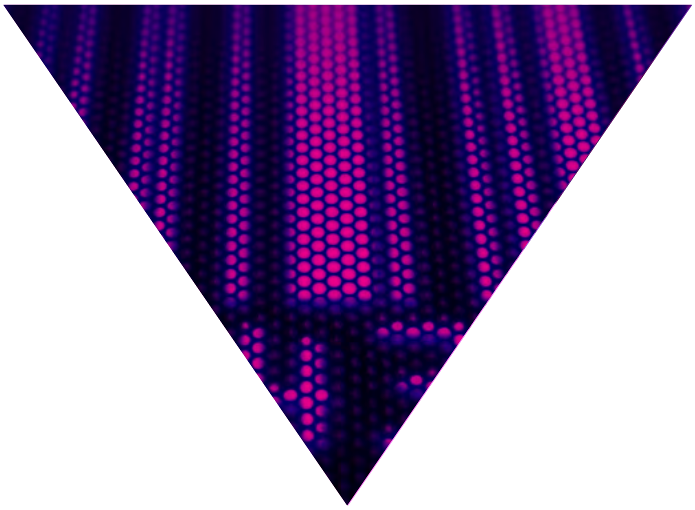
Pre-letting of 18,905m² at Block B at Mountpark's new logistics scheme, Mountpark Baldonell, Dublin 22 to Homestore + More - the largest letting in the industrial & logistics sector in 2018

Letting agents for 4,162m² at Rohan Holding's Unit A, Furry Park Business Park, Santry, Dublin 9 to Menzies

Acquisition of 2,579m² at Unit 7, Swords Business Park, Co. Dublin on behalf of Siemens Healthcare Diagnostics



RETAIL



Despite all the challenges the retail sector faces, which was very much in evidence across Europe and in particular in the UK over the last 12 months, the Irish retail market continues to perform well by comparison. Metrics including footfall, retail sales and consumer sentiment were all relatively positive in 2018. Although Brexit created uncertainty, there was also good activity in the retail property market with healthy volumes of transactional activity recorded despite shortages of stock in some prime locations.

The market is now gearing up for another busy year. Millennials are spending more disposable income on experiences rather than possessions and routine purchases are increasingly moving online, so retailers must adapt in reaction to this trend. The relationship between positive instore experience and online sales remains strong. Having physical stores and an online presence that complement each other is essential, especially now that more than 11% of retail sales activity in Ireland is occurring online and growing at a rapid pace. Retailers need to adapt, differentiate and offer superior consumer experience to survive and thrive in this omnichannel environment. In the medium term, we believe that the two sectors most insulated from structural change in consumer behaviour are large experiential retail schemes with an emphasis on food & beverage, living, entertainment and a modern leisure offering and convenient local assets. The challenge for retailers is to make retail schemes more experiential and more defensive against changes in consumer preferences whilst at the same time having the most efficient and complementary omnichannel offering.

> Retailers need to adapt, differentiate and offer superior consumer experience to survive and thrive in this omnichannel environment

We expect to see continued growth and demand this year from sectors including health & beauty, homewares, service providers, food & beverage and convenience occupiers. Their preference will be for well-located retail stores in good mixed-use and well-designed centres along with high-profile high street locations. No doubt, we will witness further new retail entrants in 2019. However, the bulk of demand will come from retailers looking to expand their existing portfolio in Ireland and increase their footprint. In some cases, this will mean retailers having larger stores in fewer locations with these stores being essentially showrooms to showcase goods and build brand identity. It is envisaged that department stores will need to be repositioned as the life cycle of this model evolves. In some cases, this will give rise to asset enhancement opportunities, enabling schemes to offer more suitable floor plates and creating points of difference for schemes that need to evolve.

Most of the retail supply to come on stream in Ireland in 2019 will comprise extensions to, and refurbishments of, existing schemes. Of the retail schemes that currently have planning permission, it remains to be seen which ones will go on site first or indeed if revised planning permissions will be sought in some instances. The volume of new retail stock that is likely to come on stream will be considerably lower than originally envisaged with plans for several schemes now being phased or curtailed and, in some cases, planning revised to incorporate alternative uses. There are plans to commence development on Cherrywood Town Centre in 2019 – a scheme in south Dublin comprising approximately 45,000 square metres of retail and leisure uses. Other developments expected to commence works this year include Phase 3 at The Park in Carrickmines, The Pembroke District at Dundrum Town Centre and the F&B quarter and a new Aldi store at Blanchardstown Town Centre in west Dublin.

Running shopping centres and retail parks is getting more management intensive. It is clear that where good asset managers are employed and keep reconfiguring and reinvesting in the asset, there is potential for value preservation and rental growth. However, from an investment perspective, we expect to see a widening gap between the performance of prime and secondary retail in 2019 as yields for secondary retail slip further due to a thinner pool of potential investors.

We expect to see some rental growth for prime retail schemes in Ireland in 2019 - in the order of 3-4% growth for prime shopping centre and prime high street assets. However, rental growth will be limited to prime assets, with rental growth for the most part remaining elusive in this particular sector in 2019.

We do not envisage any major changes to the current leasing structures in the retail sector over the next 12 months with 15-year leases with 10 years term certain and some breaks likely to be most prevalent.

We believe that the Irish retail market will continue to deliver a strong performance in 2019. However, owners and developers will need to adapt to consumers changing patterns and develop a deeper relationship with occupiers. We envisage that online will increasingly need to complement offline. Online needs bricks and mortar retailing to complement it in turn and we expect further growth of flagship showrooms in this regard. We expect to see the discount fashion sector growing further this year along with sectors such as technology, health & beauty, home, food & beverage and leisure.

Joint letting agents on redeveloped Frascati Shopping Centre, Blackrock, Co. Dublin

Letting of 900m² unit at the Pembroke District, Dundrum to Fallon & Byrne

6 acquisitions during 2018 on behalf of Therapie in key shopping centres and high streets throughout Ireland

Joint letting agents on 2,455m² of retail accommodation at Kennedy Wilson's Capital Dock scheme at Dublin Docklands

Acquisition of 15 stores during 2018 for Lidl including new neighbourhood scheme at Castleknock, Dublin 15

INVESTMENT

Investment spend in Ireland in 2018 surprised on the upside, boosted by a number of large transactions, several of which were forward commitments.

The extent to which Build-to-Rent increased as a proportion of overall investment spend in Ireland was very notable. Another interesting trend in the last year was a deepening in the pool of European buyers and the emergence of several new entrants to the Irish investment market, including some new Asian investors.

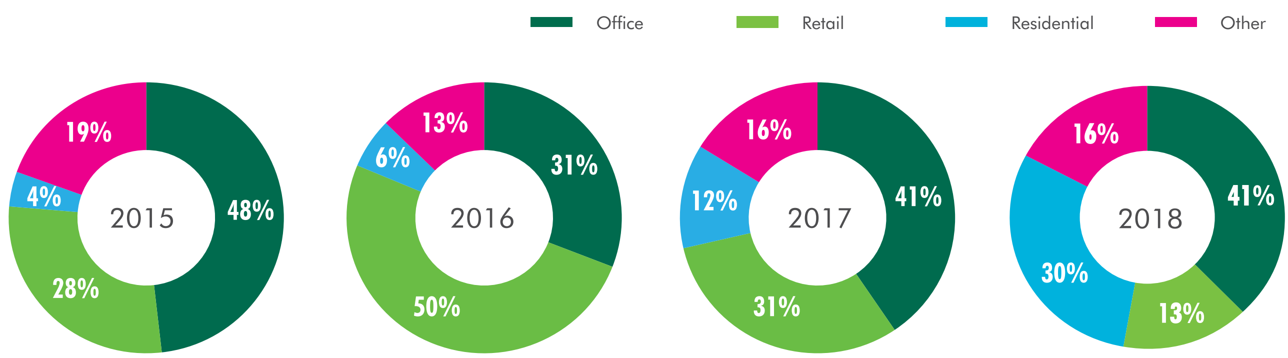
As we look to the year ahead, we are expecting broadly similar volumes of activity, led for the most part by some large office transactions. We expect investors to be more selective about value-add and opportunistic opportunities and primarily focussed on core and core plus opportunities. As a result, we expect to see a growing divergence between prime and secondary as the year progresses. Considering that property yields in the Irish market (which continues to boast above-average economic growth and stellar occupier activity) remain attractively priced compared to most other European locations, we expect Ireland to continue to attract a healthy proportion of the overseas capital looking to deploy in the European real estate sector in 2019.

As was the case in 2018, we expect several investors to consider investment opportunities outside of Dublin, considering the yield differential between Dublin and regional cities. However, we anticipate that this demand will be primarily focussed on the quality of the underlying real estate as opposed to being city-specific.

With less leverage being used by buyers and more institutional investment in the Irish market than in previous cycles, the market is less susceptible to interest rate movements than at any time in the past. However, real estate investors will be watching for an anticipated increase in interest rates in the Eurozone in 2019 being that there is such an intrinsic link between bond rates and real estate yields. However, interest rate movements are unlikely to materialise until the latter part of this year at the earliest and even then are expected to be marginal, meaning real estate will still look very attractive in comparative terms.

The pace of property investment returns has now normalised, however, the majority of investors in the Irish market now

FIGURE 5: INVESTMENT SPEND BY SECTOR 2015 - 2018



have a preference for steady rather than spectacular returns, which is deemed to be more sustainable over the longer term. From an investment perspective, the office market is likely to be the busiest sector in 2019 with good visibility on various assets that are due to come to the market over the course of the next 12 months. This product will be well received considering the dearth of prime investment opportunities and the broad spread of European and Asian investors looking to deploy capital in the Irish market.

It is difficult to generalise across sectors but we believe that there is still potential for some yield compression in various sectors of the Irish market, most notably prime offices, prime Build-to-Rent, hotels and industrial. This is at odds with many other locations in Europe where yield compression is unlikely at this point in the cycle.

From a rental perspective, while prime headline rents are unlikely to rise significantly beyond current levels of approximately €700 per square metre (€65 per sq. ft), rental growth will still be in evidence for secondary and provincial offices over the coming 12 months. The best rental growth is likely to be seen in the residential and industrial markets, with these sectors remaining fundamentally undersupplied.

In addition to demand for core office opportunities, 'Sheds' and 'Beds' appear to be sectors that will be keenly sought after in the Irish market in 2019. The industrial & logistics sector looks particularly attractive at this juncture with multi-let product very institutionally acceptable. As distribution channels evolve to service the growth of ecommerce and streamline supply chains in anticipation of Brexit, this is driving demand for industrial investment opportunities.

While sourcing investible industrial product will continue to prove challenging, there will be increased opportunities to deploy capital in this sector now that new stock is being developed and in many cases let before practical completion. In line with trends across Europe, we anticipate less appetite for retail investment opportunities. Investors will remain acquisitive throughout 2019 but with a focus on prime assets. The thinner pool of buyers for secondary assets could impact liquidity and therefore lead to further yield softening for some retail assets over the course of this year.

In addition to demand for core office opportunities, 'Sheds' and 'Beds' appear to be sectors that will be keenly sought after in the Irish market in 2019

As the new year begins, the Irish investment market is in a healthy state. There is a good breadth of institutional demand and a strong volume of investors looking to deploy capital. The occupier story in sectors such as offices, industrial, hotels and Build-to-Rent remains compelling and pricing for Irish investment assets remains attractive compared to other locations across Europe. As Brexit continues to loom large, we expect more European funds (including some more French investors) looking to invest in stable markets such as Ireland. We also expect to see some further Asian capital investing in the Irish market in 2019 and possibly some new Singaporean buyers emerging. It may be approaching the late stage of cycle but the Irish investment market still offers considerable opportunity.

Sole agents on the sale of student accommodation block Cúirt Na Coiribe, Co. Galway

Sale of both No. 1 and No. 2 Dublin Landings, Dublin Docklands to new international buyers on behalf of Ballymore Oxley

Acquisition of Westend Retail Park, Blanchardstown, Dublin 15 on behalf of DWS for €147.7 million

INVESTMENT

Sole agents on the sale of the residential Belgrave Collection

Sale of New Century House office building in Dublin's IFSC on behalf of Hibernia Reit plc

DEVELOPMENT

Whether influenced by Vacant Site Tax changes, Capital Gains Tax waiver changes, planning regulation changes, the strength of underlying occupier market activity or a combination of all of the above, the volume of land traded in Ireland during 2018, was considerably higher than anticipated. Indeed, the development land market experienced the highest volume of transactional activity in a decade in 2018 and furthermore new records were set in terms of the prices achieved in some instances. In addition to the sale of some sizeable strategic land banks in the Dublin market over the last 12 months, there was an encouraging volume of activity in the development land market in the regions during 2018 also. Development continued at pace throughout the capital and to a lesser extent in regional cities, as genuine efforts were made to deliver supply to match underlying volumes of demand in sectors such as the office market, the industrial & logistics market, hotels, student accommodation and residential.

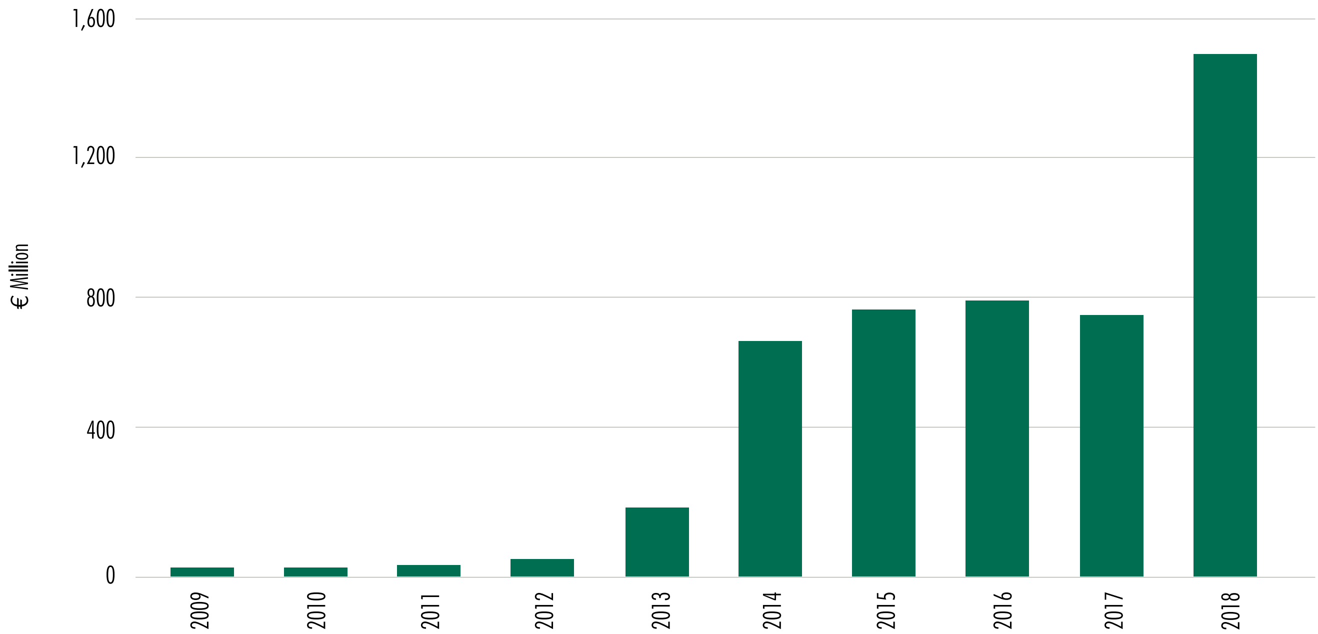
As 2019 commences, there is still a very strong volume of capital to be deployed into the development land sector, which is encouraging. Appetite for sites capable of accommodating Build-to-Rent, student accommodation, co-living and senior living concepts is particularly strong. To match this demand, we expect to see a meaningful volume of transactional activity in the development land sector over the next 12 months. However, with fewer portfolio transactions likely from this point forward, the overall volume of activity is likely to be lower in 2019 than in the year just gone and we anticipate seeing an increase in joint venture transactions. We expect to see some license transactions coming on stream in established locations and we could also see some recycling of particular assets traded as part of portfolios in recent years. Sellers in 2019 will include private equity funds, developers, private families and semi-state organisations. The Vacant Site Tax is likely to have a limited impact albeit it might encourage some landowners to be more proactive in lodging planning applications and may encourage some landowners who are unwilling to pay the tax to offload these sites. The establishment last year of the Government's Land Development Agency is welcome, but it remains to be seen to what extent this new entity will unlock land for development in the short to medium term. Other welcome changes during 2018 include changes to the planning code in respect of apartment development and the introduction of Guidelines on Urban Development and Building Height which give more clarity to developers and in some cases will improve the viability of proposed schemes.

> The big focus for 2019 will be on securing planning permission, the provision of services & infrastructure and ultimately commencing development

We see price stabilisation occurring in residential land prices in 2019 following the strong growth witnessed in the last number of years, particularly considering the extent to which house price inflation has eased in the Irish market over the last 12 months. The big focus for 2019 will be on securing planning permission, the provision of services & infrastructure and ultimately commencing development on the many sites traded during 2017/2018 with a view to increasing the delivery of much-needed supply in as timely a fashion as possible.

One of the remarkable trends witnessed last year was the extent to which Build-to-Rent became established as a mainstream investment sector in its own right with more than one third of overall investment spend in Ireland in 2018 comprising residential investments. Indeed, investment in this sector was only compromised by a shortage of investible stock such was the volume of capital looking to deploy. Interestingly, an increasing proportion of investors seeking to invest in the Build-to-Rent sector are now willing to look beyond core and are focussing attention on good suburban locations on key transport nodes where viability and affordability are considerably better.

FIGURE 6: IRISH DEVELOPMENT LAND SALES 2009 - 2018



Source: CBRE Research, 2018.

The market is now moving away from receiver/bank sales and we are seeing re-trades of residential investment stock taking place. Portfolio sales are appearing and will appeal to both traditional house builders and Build-to-Rent/Student accommodation platforms. We expect to see prime yields for Build-to-Rent product trending keener than the current rate of approximately 4% during 2019 with premiums likely to be payable for portfolio deals, such is the weight of capital seeking scale.

The adoption of revised planning regulations last year had a notable impact on the viability of apartment schemes in the Dublin market although a meaningful improvement in supply will take some time to materialise being that several schemes are now in the process of seeking planning permission and other projects are on hold until there is more clarity on new Height and Density requirements. It is now critical to keep construction inflation in check to ensure that marginal schemes remain viable. With the Central Bank's macroprudential rules continuing to curtail home buying to some extent, we expect to see a very noticeable increase in demand for quality rental accommodation over the course of 2019 so it is vital that sufficient stock is delivered. A better understanding of demographics, tenure mix and alternative forms of living and occupation is critical so that the specific design and type of stock being provided matches end user requirements.

We expect to see increased focus in social housing provision by both public and private sector entities in 2019 and beyond. We anticipate that the Government will look to establish a clear definition for 'affordable' housing considering the increased emphasis on the provision of same. We also expect to see increasing collaboration between the Build-to-Rent sector and major housebuilders, essentially blending Build-to-Rent and Build-to-Sell product in certain developments.

In many markets across Europe, the Build-to-Rent model has been social housing led and often driven by councils or city authorities to achieve balance between rental stock and private stock and promote intergenerational living. To date, Build-to-Rent in Ireland has closely mirrored the US model, targeted at high-earning millennial renters but we expect this trend will change over the coming years as this form of tenure becomes more established. However, leases will have to get longer to facilitate this trend and provide greater security of tenure.

2019 looks certain to be a busy one in the development sector of the market. The consistent themes in this sector this year are likely to be 'affordability' and 'viability', as concerns about cost price inflation and rising labour costs will only escalate further as the economy heads towards full employment.

Sale of 2.3 acres on the Long Mile Road, Dublin 12. Full planning permission for 61 units. Sold for excess €7 million

Sale of 6.91 acres at Finnstown, Lucan, Co. Dublin with full planning permission for 94 units. Sold for excess €8 million

HOTELS

HOTELS

2018 was a very positive trading year for Irish hoteliers, boosted in no small part by healthy economic activity, increased air connectivity and record tourism numbers, with more than 11 million tourists having visited Ireland last year.

Interestingly, while the number of UK visitor numbers was down year-on-year, this was more than compensated for by visitors from other jurisdictions on the back of increased marketing efforts from bodies such as Tourism Ireland and Fáilte Ireland.

Overall transaction volumes in the Irish hotel market reached more than €730 million during 2018, which was up considerably on the previous year. However, transaction volumes were boosted by the completion of some forward fund and large portfolio transactions during the year with the volume of single asset hotel sales in 2018 lower than had been anticipated. No significant single asset hotel traded in Dublin City Centre during 2018. To some extent, underlying trading conditions, including occupancy, have been so strong (Dublin continues to outperform most other European markets in terms of occupancy), that values have been increasing and hoteliers have therefore been reluctant to bring assets to the market.

The volume of hotel sales in Ireland in 2019 is expected to be broadly similar to last year, albeit with limited portfolio transactions. In addition to steady activity in the provincial markets, we expect to see some high-profile Dublin hotels being offered for sale over the next 12 months. Strong pricing is likely to be achieved for city centre assets in particular, considering the growing international buyer pool targeting opportunities in this market. In some instances, remaining assets in various loan portfolios will be sold while other hotel sales will arise as a result of opportunistic sellers willing to take advantage of pricing in the Dublin market. We are also likely to see some sellers motivated by amendments to the Capital Gains Tax waiver initiative, which came into force last year and which has encouraged some hotel owners to fast-track sales.

Having seen some new entrants to the Irish hotel market in 2018, we expect this trend to continue this year. We may also see more Asian interest in any Dublin city centre assets that are offered for sale this year. Meanwhile, we will also see some Irish hotel groups further expanding their operations in 2019, focussing in particular on good provincial assets that come to the market.

Over the last number of years, there has been a notable increase in institutional interest in the hotel sector with a widening range of buyer types seeking to invest. Demand for sale and leaseback transactions is very much in evidence in the Irish market and is expected to maintain positive pressure on hotel yields and pricing over the coming 12 months.

Dublin saw some welcome new supply coming on stream during the last 12 months and despite delays affecting several projects, the number of hotel rooms that opened for business in the capital during 2018 reached close to 1,300. The delivery timelines of several projects slipped due to planning and funding issues and as a result, some of last years' anticipated supply will now come on stream in 2019. Despite the volume of new hotel projects under construction, demand continues to outstrip supply in the Dublin market. Indeed, the supply situation is likely to become even more acute over the next 12 months if the Government proceed with plans to clamp down on the Airbnb sector as anticipated.

We believe that approximately 1,500-1,700 hotel bedrooms will complete in the Dublin market this year while development will continue, and in some cases commence, on new hotel projects in other regional cities such as Cork and Galway. Despite the number of hotel projects currently in the planning process, new stock is coming on stream at a relatively slow pace, hampered by planning and funding delays to some degree but increasingly also impacted by construction capacity in the wider economy. Some developers who are at the early stages of their design are likely to now look at revising plans in light of new Height and Density regulations introduced last year.

HOTELS

It is becoming increasingly difficult to secure city centre sites for hotel projects because of demand for alternative uses and the values being paid for these uses. For this reason, we expect to see more hotels being incorporated as part of mixed-use developments as opposed to standalone hotel projects over the next few years.

Overall, we expect to see a steady increase in hotel values in 2019 - broadly in line with the increases experienced last year. Trading conditions are expected to remain strong again in 2019, due to healthy tourism numbers, an increase in corporate activity and a strong dollar. Dublin city centre and Airport locations are likely to fare best in 2019. We also remain confident about trading performance in Cork, Galway, Kilkenny and Killarney. There is likely to be some stabilisation of performance measures including ADR and RevPAR as a result of the increase in VAT in last year's Budget from 9% to 13.5%. However, the VAT increase is likely to impact on provincial hotel properties to a greater degree than in the Dublin market, where in most cases it will be absorbed. Similarly, any downturn in business as a result of Brexit, is expected to hit provincial hotels more significantly than those in the capital.

A busy year lies ahead for the Irish hotel market with the structure of some of the hotel transactions that materialise in 2019 set to be quite varied. A structure that is becoming increasingly popular in the UK and which we expect to see appearing in an Irish context in due course are ground leases, whereby an institution buys the freehold and grants a 100+ year ground lease to an operator. We also expect to see more forward funding transactions, a greater number of sale and leasebacks, and more pre-lets, many for branded hotels, in addition to a greater number of corporate trades on larger transactions to reflect the different stamp duty rate that applies to such transactions.

Overall, we expect to see a steady increase in hotel values in 2019 - broadly in line with the increases experienced last year

Private sale of the Heritage Hotel & Spa, Killenard, Co. Laois

Sale of Project Trident on behalf of Goldman Sachs and Piershine Limited to Apollo

Sole agents on the sale of Connemara Coast Hotel in Furbo, Co. Galway to Davy

Letting of 100-bedroom hotel at South Great Georges Street, Dublin 2 to Premier Inn

Sole agents on the investment sale of Premier Suites Ballsbridge, Merrion Road, Dublin 4 to Aviva Irish Property Fund

DUBLIN PUBS

DUBLIN PUBS

Transactional activity in the Dublin pub market was lower than anticipated for the second year running in 2018 although average pub values increased year-on-year.

In total, approximately 19 pub properties with a combined capital value of approximately €32 million sold in the capital in the 12-month period compared to 24 pubs with a total combined value of €24.5 million in the previous year. The reason why so few Dublin licensed premises have been offered for sale in the last two years is primarily a result of healthy underlying trading conditions. Strong economic performance together with bumper tourist activity have provided a welcome boost to the pub trade and in turn pub valuations, encouraging many publicans who might otherwise have considered exiting the business to continue to trade. To some degree, greater access to funding has also helped many publicans to refinance or borrow capital to invest in their businesses and premises. The percentage of business being generated from food has increased noticeably in recent years and is expected to continue to grow in 2019.

Strong economic performance together with bumper tourist activity have provided a welcome boost to the pub trade and in turn pub valuations

We expect to see up to 30 Dublin pubs coming to the market over the course of the next 12 months with properties being sold by private treaty for the most part. In addition to some city centre premises, a number of well-known suburban pubs are due to be formally launched for sale in the capital during 2019. As was the case last year, we expect to see several pubs changing hands for alternative uses this year. In many cases, the value for alternative use will be considerably higher than the existing use as a licensed premises. For some publicans, this will provide an opportunity to exit the trade while others may get involved in joint venture developments.

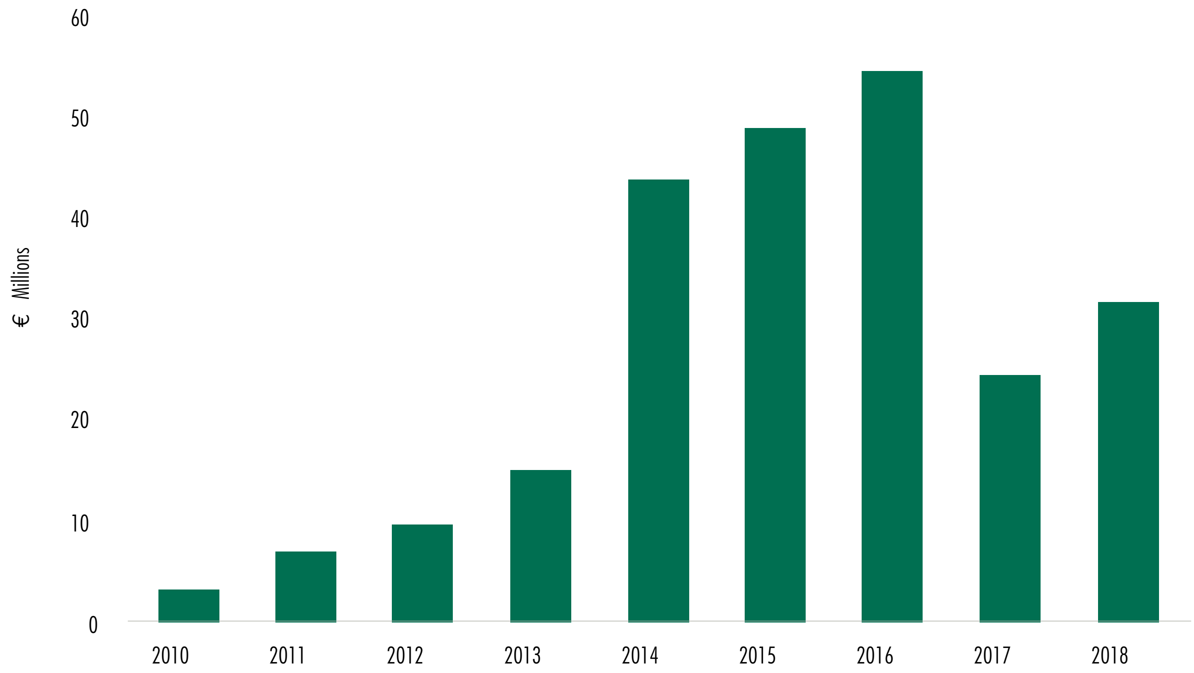
We expect that trading conditions for Dublin pubs will remain buoyant throughout 2019, particularly in Dublin city centre as a result of an uptick in business activity and buoyant tourist trade. While UK visitor numbers are expected to continue to decline over the course of the next 12 months as a result of Brexit, efforts are underway to replace this tourist activity with visitors from other jurisdictions including various European countries and the United States.

The increase in VAT (from 9% to 13.5%) that came into force following Budget 2018 was not welcomed by the licensed industry. However, we believe that the increase will ultimately be absorbed by Dublin licensed premises and is likely to have a more significant impact on pubs in provincial locations. Similarly, recently introduced drink driving legislation is likely to have a much bigger impact on provincial locations than Dublin, where a greater proportion of customers have access to public transport.

The main buyers of Dublin pubs in 2019 are likely to be some of the new groups that have emerged in recent years who we expect will continue to look to grow their portfolios. Wetherspoon's, who are currently on site at Camden Street and Abbey Street in Dublin city centre, have also indicated that they intend to recommence purchasing pub properties in the Irish market in 2019. In addition, some established publicans with two or three existing properties may look to expand their portfolios. Premises in Dublin city centre will remain most sought after amongst these buyers with purchasers expected to be much more discerning about acquiring suburban properties.

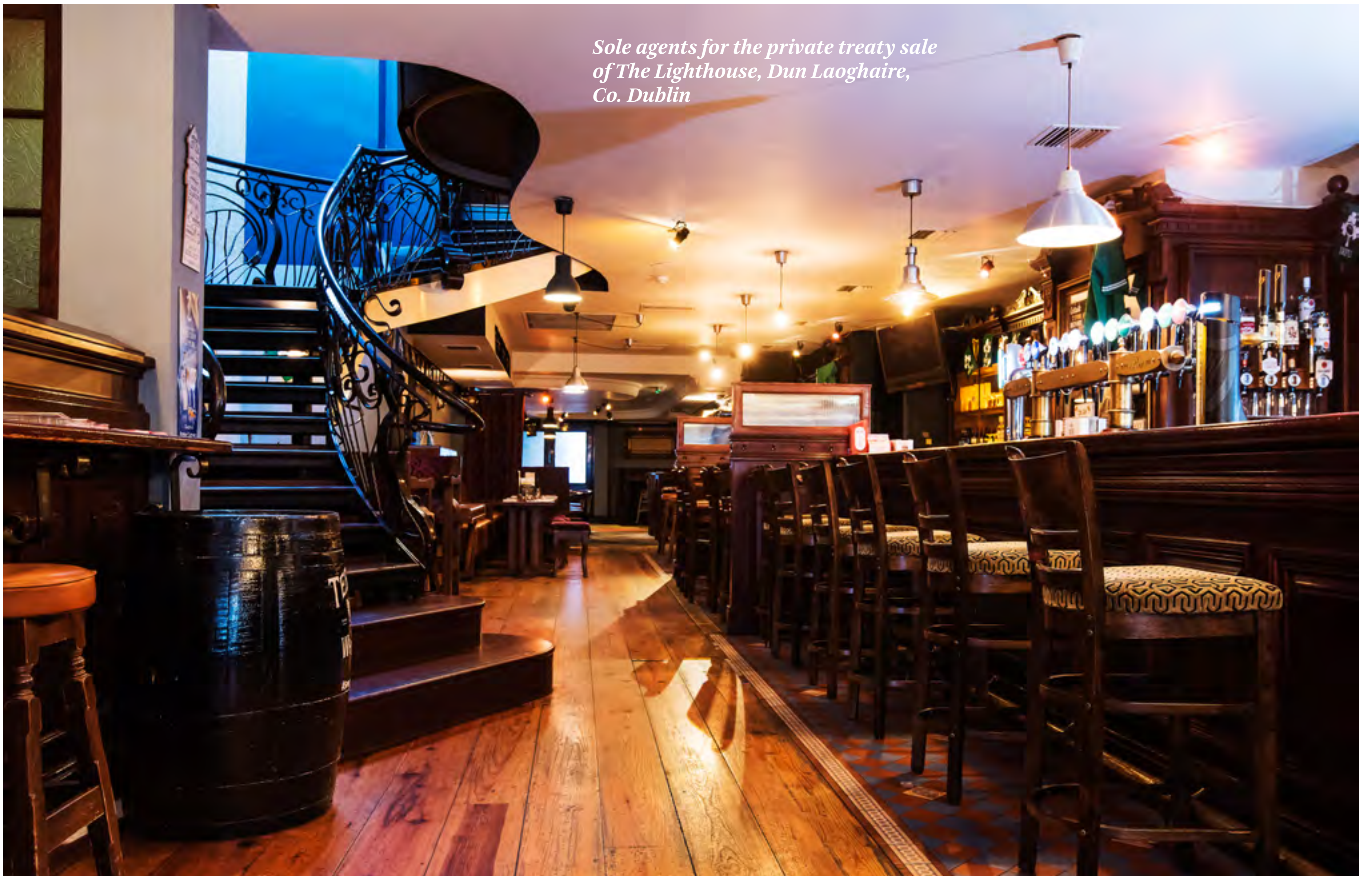
DUBLIN PUBS

FIGURE 7: DUBLIN PUB SALES 2010 - 2018

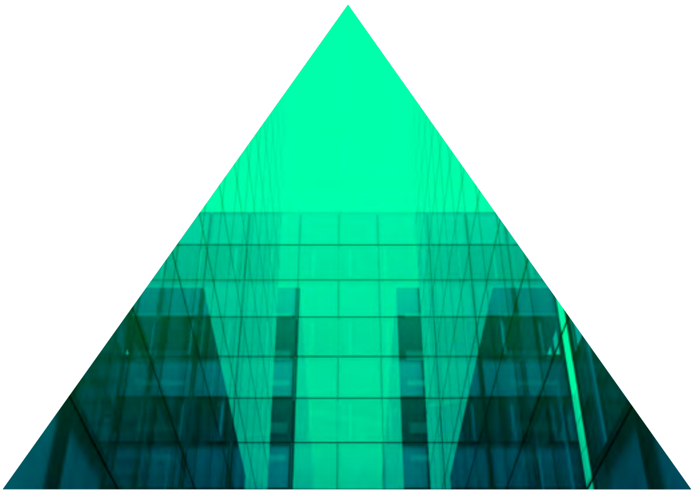


Source: CBRE Research, 2018.

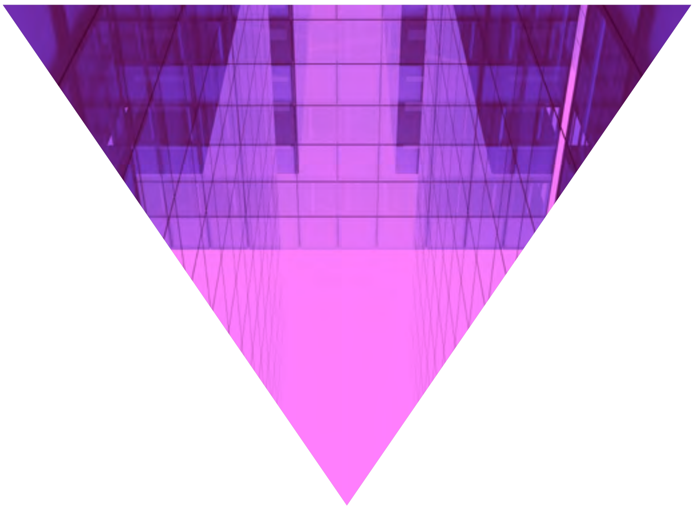
Sole agents for the private treaty sale of Stillorgan Orchard, Stillorgan, Co. Dublin



Sole agents for the private treaty sale of The Lighthouse, Dun Laoghaire, Co. Dublin



CORK



CORK

Activity in the commercial real estate market in Cork exceeded expectations last year, both in terms of occupier and investor activity, with a steady volume of transactions occurring over the course of the 12-month period.

The Cork region saw several notable job announcements being made in 2018, which clearly bodes well for the city over the medium term. In addition, the publication by the Government of the Ireland 2040 plan during 2018 was very significant for Cork and has potential to deliver huge benefits for the city and region in due course.

> The publication by the Government of the Ireland 2040 plan is very significant for Cork & has potential to deliver huge benefits for the city and region

Although the delivery of apartments remained compromised due to issues around viability, there were clear signs of increased development activity in Cork last year including traditional residential housing, offices, hotels and student accommodation, while we also saw the first tentative signs of speculative development commencing in the industrial & logistics sector of the market. More than 50,000m² of office leasing activity was recorded in Cork last year, including several pre-letting transactions in buildings that are due for practical completion during 2019. Some of this activity came from the expansion of existing occupiers including Apple, Clearstream, Voxpro and Eli Lilly although there were also some entrants in the technology space such as Forcepoint, Datastax and Keeper. Securing pre-lettings has in turn given some developers (and their lenders) confidence to proceed with additional phases of certain office schemes. Examples include Block B, Navigation Square on Albert Quay and the Penrose Dock scheme at Penrose Quay, both of which are currently on site. Office rents in Cork are expected to trend stronger in 2019 from a current rate of approximately €350 per m² (€32.50 per sq. ft) to approximately €365 per m² (€34.00 per sq. ft).

We expect to see some further job announcements for Cork during 2019, which bodes well for the new office stock that is coming on stream in the city. This, in turn, will fuel demand for additional housing and in particular for a high-end rental offering in the city. However, unless there is some intervention to improve the viability of developing much-needed apartments in the city centre, the likelihood is that housing provision will continue to be heavily skewed towards traditional low/medium density housing in the suburbs of the city.

Following the experience of the Dublin market, we expect to see increased appetite from flexible office providers to provide office accommodation in Cork over the next 12 months.

Following the opening of the 165-bedroom Maldron Hotel at Beasley Street in the city just before Christmas 2018, development continues at pace on new hotel projects including Clarendon/BAM Construction's new 136-bedroom hotel at Horgan's Quay. While as many as 800 new hotel bedrooms are in the planning pipeline across 5 separate projects, not all of these schemes will proceed in the short to medium term.

One sector that is likely to see continued investment over 2019 is the Purpose-Built Student Accommodation sector with several projects underway and planned.

From an investment perspective, there were several notable investment transactions concluded in Cork during 2018 and we remain confident that this momentum will continue in 2019, particularly considering the pricing differential that exists between assets in Dublin and those in Cork. A wider pool of investors is now willing to look at opportunities in Cork including several European institutional investors. We could see more new entrants in 2019 in addition to some of the existing investors deploying more capital in the region. Rather than being city-specific, we believe that investors will be asset-specific in their regional investment focus this year.

As new buildings are developed and leased up, this will provide some much-needed investment-grade stock. We may also see some Cork retail assets that were previously traded as part of portfolio sales being sold during 2019. There was some yield compression experienced in the Cork market during 2018 and we expect to see prime yields in the office and industrial sectors sharpening by between 25 and 50 basis points again in 2019.

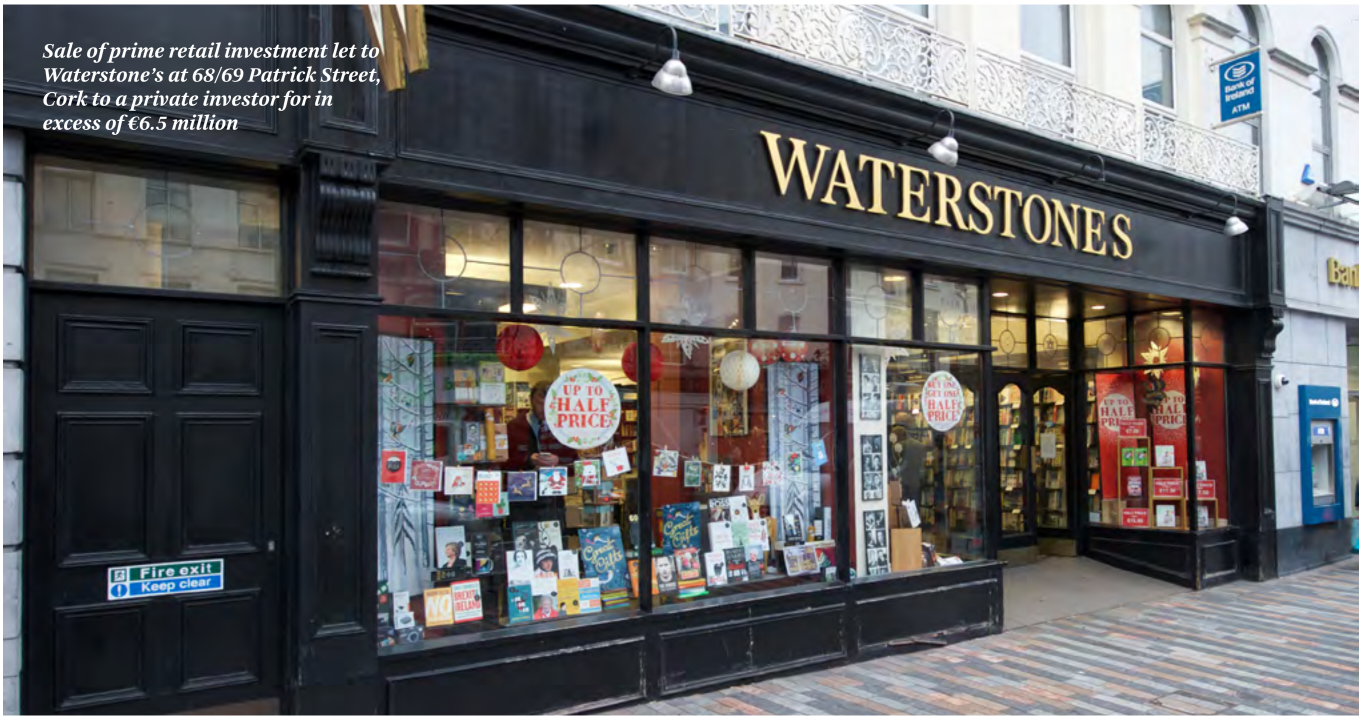
Sale of 11.35 acres at the former Ford Site, Centre Park Road, Cork for in excess of €15 million to Glenveagh plc

Sale and leaseback of an 8,119m² office building at Block C, Citygate, Mahon, Co. Cork on behalf of Quest Software to a private investor for in excess of €21 million

Sole agents for 42.99 acres at Maryborough Ridge, Douglas, Co. Cork to a private buyer for in excess of €20 million

CORK

Joint letting of 6,500m² at Block A Navigation Square, Cork City to Clearstream on behalf of O'Callaghan Properties



Sale of prime retail investment let to Waterstone's at 68/69 Patrick Street, Cork to a private investor for in excess of €6.5 million

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