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# Ireland Investment Market Overview

Research, Q2 2021

**Special Focus – The rise of sustainable real estate in Dublin's Office Investment Market**

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8-11%

GDP growth expected for Ireland in 2021. 2020 GDP growth was revised up to 5.9% from 3.4% last year, driven by strong export demand from the industry and ICT sectors in particular.

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35

Office buildings currently under construction, some of which are pre-let, are targeting LEED or BREEAM certification.

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5 KEY TAKEAWAYS

€1.45 billion

Invested in commercial property assets, 49% in PRS and 21% in offices.

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44

Office buildings in the city centre have achieved LEED or BREEAM certification since 2015.

PAGE 4 & 5

22%

Invested in industrial assets as demand spikes up in line with the boom in on-line retail.

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# IRELAND INVESTMENT MARKET OVERVIEW Q2 2021

Investment volumes reach €1.45 billion in Q2, a strong performance given the restrictions. Demand for PRS, Office and Industrial assets are set to intensify in the second half of 2021.

## ECONOMY

GDP growth in 2020 has been revised up from 3.4% to 5.9%, driven by robust activity in the industry and ICT sectors. While this masks the weakness of domestic sectors, it nevertheless gives a considerable buffer to the government in terms of the safety of employment in high value adding sectors and to tax revenue.

Q1 2021 reflects the same trend, with GDP up by 8.6%. Expectations of a rebound on the domestic side coupled with continued growth in the ICT and industrial sectors, such as pharmaceuticals, puts Ireland on track for double digit GDP growth in 2021.

The increased pace of the vaccination programme along with positive growth numbers and continued government supports to households and businesses, is adding to a sense of optimism for the second half of the year. The government has announced its Economic Recovery Plan with commitments to return the public finances to a sustainable position by 2025, to phase out supports as the domestic economy opens up further and to prioritise structural problems in the economy; with housing being the most acute. Supply

constraints in certain sectors, could act as a drag on activity in the short-term and add to inflationary pressures.

Ireland is well placed to leverage the strength of the high value adding sectors of it's economy

## INVESTMENT VOLUMES

Q2 was another strong quarter for the investment market despite the persistence of Covid-19 restrictions throughout, with €1.45 billion transacting. This brought the total investment spend for the first half of the year to €2.76 billion, compared to €3.02 billion for 2020 as a whole.

PRS accounted for 49% of the investment spend in Q2. The largest transaction was Union Investment's purchase of 435 units at Royal Canal Park, Dublin 15 for €200 million in what was the first forward fund to complete in the market. A significant supply-demand imbalance and Ireland's unique economic and demographic backdrop will result in more of these types of deals going forward.

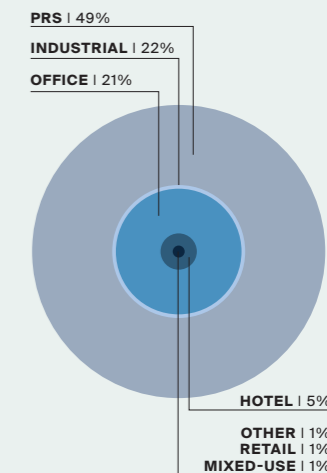
Industrial assets accounted for the next highest share of the investment spend with 22%. The sector continues to see a structural shift in demand given the growth in e-commerce with strong competition amongst investors to gain exposure to the sector. Among some of the high profile transactions to occur in Q2 was the sale of the Liffey Business Campus in Co. Kildare to Stoneweg for €95 million.

Finally, office assets comprised 21% of the investment spend. A significant weight of capital continues to chase prime opportunities in Dublin as evidenced by the purchase of Riverside IV for €164 million by Dekka Immobilien.

21%

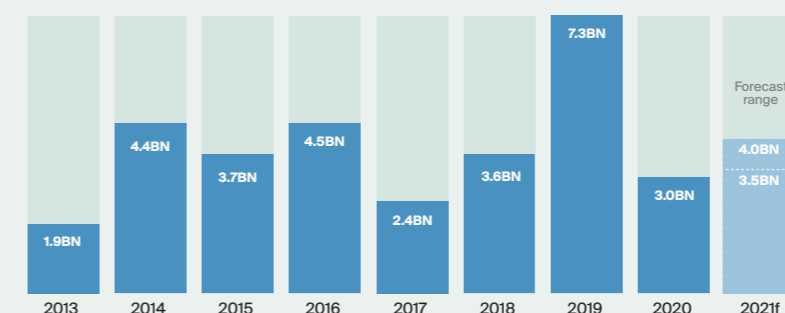
was invested in office assets

### Breakdown of investment spend by sector (%), Q2 2021



Source: Knight Frank Research

Investment market turnover 2013-2021f (€ billions)



Source: Knight Frank Research

# KEY OFFICE BUILDINGS COMPLETED SINCE 2015 WITH LEED & BREEAM CERTIFICATION



Source: Knight Frank Research

† The EXO Building has been awarded LEED Platinum prior to practical completion. It is the first building in Europe to be awarded certification prior to PC.

## THE RISE OF SUSTAINABLE REAL ESTATE IN DUBLIN'S OFFICE INVESTMENT MARKET

Investing sustainably in real estate has very much been an evolving trend in recent years, one that has gathered pace over the last twelve months in particular. A key challenge for cross-border real estate investors is knowing how to compare sustainable building criteria across different standards and deciding which matter most in which areas around the world. LEED and BREEAM are two of the most widely used ratings internationally. However, LEED is the primary accreditation used in the Irish market.

◆◆  
**Gaining access to sustainably accredited real estate assets is now an essential part of securing long term returns.**  
 ◆◆

There are three main reasons why investors now show a clear preference for sustainably accredited real estate. Firstly, the need for carbon reduction and the legislative framework that is evolving globally to ensure this. The built environment contributes an estimated 40%\* of global carbon emissions, and global regulatory and tax changes are likely to favour green

real estate investment going forward, particularly in relation to for example, obtaining planning. Secondly, sustainable buildings will increasingly attract stronger tenant retention and therefore a more secure income stream. This factor is expected to become more important, with office buildings seen as a strategic device to further corporate goals and as a reflection of corporate brands\*\*. The final and arguably the most fundamental reason, is that finance options for development are expected to become increasingly wider for buildings targeting sustainable credentials and less so for those that are not.

Dublin's office investment market has undergone a very considerable refurbishment and re-build over the last five to seven years and with sustainability in mind, we have researched the office buildings completed since 2015 and how they rate.

An analysis of forty-four office buildings completed in Dublin's city centre market since 2015, shows that sixteen have LEED Platinum, twenty-five have LEED Gold,

one has BREEAM Outstanding (Central Bank of Ireland building on the North Docks) and two have BREEAM Very Good. The largest development to achieve LEED Platinum is Dublin Landings (No.'s 1-5) on the North Docks. There is a cluster of five buildings in Dublin's traditional core area at and adjacent to St. Stephen's Green, which are LEED Platinum. The majority of buildings along the South Docks are LEED Gold, with the exception of three buildings (1SJRQ, 1GQ, and The Sorting Office, which are LEED Platinum. While there are more buildings with LEED Gold, the amount of space (sq ft) with LEED Platinum is almost equal to that with LEED Gold accreditation.

Looking at the space under construction in the city centre, of thirty-five buildings assessed, twelve are targeting LEED Platinum and will equate to just over 50% of that total space when complete. Investor and occupier demand for these buildings, some of which are already pre-let, is expected to come to the fore as the economy and businesses move forward with location and investment decisions in 2021 and 2022.

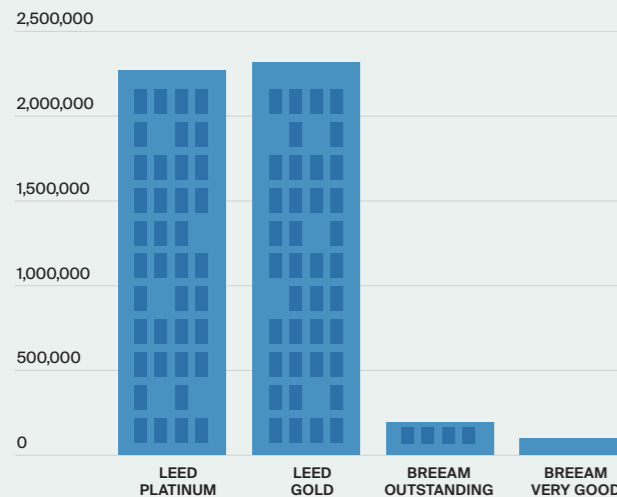
### TOP FIVE CITY CENTRE OFFICE BUILDINGS UNDER CONSTRUCTION

BUILDING	SIZE (SQ FT)	CERTIFICATION EXPECTED
2-4 WILTON PARK, DUBLIN 2	434,073	TARGET LEED PLATINUM
SPENCER PLACE, DUBLIN 1	430,000	TARGET LEED PLATINUM
COOPER'S CROSS, DUBLIN 1	390,000	TARGET LEED PLATINUM
FIBONACCI SQUARE, DUBLIN 4	378,308	TARGET LEED PLATINUM
BOLAND'S QUAY, DUBLIN 4	210,036	TARGET LEED GOLD

Source: Knight Frank Research

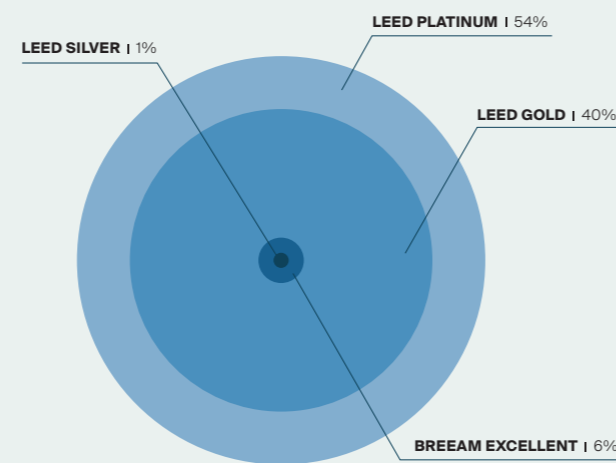
\*Knight Frank UK, Nov 2020, UN Environment Programme 2019 Global Status Report for Buildings and Construction \*\*YOUR SPACE, Knight Frank UK Research April 2021

City centre office space (sq ft) completed since 2015 by certification type



Source: Knight Frank Research

Breakdown of city centre office space (sq ft) under construction by certification type



Source: Knight Frank Research

## OUTLOOK

1.

Ireland's economic recovery is already out-pacing forecasts on a quarterly basis. It will be hard to accurately predict actual outcomes over the coming quarters, given the two tier growth structure and the pace of the vaccination programme, which will allow for a further easing of restrictions. That said, all indicators point to risks on the upside, with double digit growth, albeit from a low base on the domestic side, almost certain.

2.

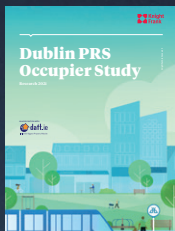
Expectations as to the level of investment spend in the Irish market have increased to reach €3.5 - €4 billion in 2021, driven largely by the level of demand for residential investment assets.

3.

LEED and BREEAM are two of the most widely used ratings internationally and with LEED the main certification used in the Irish market. Gaining access to sustainably accredited real estate assets is now an essential part of securing long term returns and Dublin is well positioned to take advantage of this increasingly important global trend.



Dublin Office Market Overview Q2 2021



Dublin PRS Occupier Study



Ireland Residential Investment Snapshot Q2 2021



The Wealth Report 2021

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