

# PRESS RELEASE

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## **ANOTHER BUSY YEAR IN PROSPECT FOR THE IRISH COMMERCIAL PROPERTY MARKET**

**Irish property market moving to the next stage of recovery with a significant escalation in development activity becoming increasingly evident**

**Dublin, 12<sup>th</sup> January 2016** – Commercial property specialists CBRE today released their **OUTLOOK 2016** annual report containing their final year figures for transactional activity in each sector of the Irish commercial property market in 2015 and their predictions for each sector in the year ahead. The property consultants say that 2015 was an exceptionally busy year in the Irish commercial property market with annual average transaction volumes exceeded well before year-end in most sectors of the market.

Speaking at the launch of the 27<sup>th</sup> edition of their annual Outlook report at the RDS, this morning, Enda Luddy, Managing Director at CBRE Ireland said, *“2015 had many ingredients, that combined were supportive of strong CRE activity including a considerable weight of Irish and overseas capital chasing investment opportunities; strong occupational activity across all sectors; a supportive economic backdrop; strong job creation; rental growth; yield compression; muted development activity and very low interest rates. Although some of these components will change over the course of the next 12 months and the outlook is constantly evolving, we are confident that 2016 will be another good year for the Irish commercial property market”*.

### **Investment**

- 176 investment transactions of greater than €1 million concluded in the Irish market during 2015, totalling more than €3.5 billion between them. In addition, more than €7 billion of loan sales traded in the 12 month period.
- Although growth won't be as spectacular as that generated over the last two year period, very strong returns will be achieved in the Irish commercial property investment market in 2016. We are now entering a period where the Irish investment market will be focussed on generating returns from income and rental growth as opposed to yield compression.
- CBRE expect to see further new entrants to the Irish investment market in 2016.

## **Hotels**

- More than 63 hotel sales concluded in the Irish market in 2015 totalling over €710 million between them. A number of other hotel properties were sold as investments during the year and are included separately in investment spend figures. Meanwhile, the loans associated with over 40 other hotel properties also changed hands as part of loan portfolio sales last year.
- At beginning of 2016, there are 11 hotel properties totalling €55 million with contracts signed, 10 hotels totalling €30 million that are sale agreed a further 10 hotel properties (with a combined value of €126 million) officially being marketed for sale, which suggests another very active year in this sector of the Irish property market.
- One of the key trends in the hotel sector in 2016 will be a renewed focus on development in Dublin city with a notable increase in the volume of new hotel development and extension projects entering the planning process as well as a number of new hotel schemes commencing construction.

## **Dublin Pubs**

- 39 Dublin pubs were sold in 2015, totalling more than €49 million between them. A further 17 Dublin pub properties totalling more than €25 million were sale agreed at the end of last year.
- A further improvement in the pub trade in Dublin is expected over the next 12 months, which will in turn boost pub values and encourage more consensual sales in this sector of the market as opposed to the distressed sales that have been dominant over the last number of years.

## **Offices**

- Office take-up of almost 249,000m<sup>2</sup> was achieved in Dublin in 2015 in 235 individual transactions, which is remarkable considering the scarcity of prime stock.
- Prime headline office rents in Dublin will reach €700 per square metre (€65 per sq. ft.) by year-end 2016. However, developers who are seeking to de-risk new schemes by securing pre-lettings may be in a position to offer more competitive terms.
- CBRE expect to see prime rents in suburban locations increasing significantly over the course of the next 12 months, which in some cases will render development viable in

these locations and lead to an increase in planning applications for new office developments in the suburbs of the city.

- Speed to market by 2018 will be a recurrent theme and we will see considerable focus on the timeline of delivery of the many office schemes that are in various stages of the planning process. While there are no immediate concerns about oversupply, it is important to keep this under review as the year progresses and consider every scheme on its own merits but also in the context of the overall space being delivered to the market.

### **Industrial & Logistics**

- Record industrial take-up of more than 425,000m<sup>2</sup> was achieved in Dublin in 2015 in 200 individual transactions of which almost 68% comprised sales.
- CBRE anticipate prime industrial rents rising by as much as 25% to €94 per square metre by the end of 2016, which in turn will render new development viable and kick-start the development cycle in this sector.

### **Retail**

- The recovery that first began to emerge in the Irish retail sector over the last few years became firmly established in 2015 with retail sales and consumer sentiment improving significantly over the course of the 12 month period, both in physical stores and on online platforms. Encouragingly, this improvement filtered down to suburban and provincial locations during the year, leading to a notable improvement in both footfall and retail sales and a decline in vacancy rates in many shopping centres, retail parks and high streets around the country.
- The biggest challenge this year will be securing stores for retailers in many of the most highly-sought-after schemes and high streets considering that many are now close to, or at, full occupancy. We are likely to see the return of key money being paid for leases in prime locations during 2016 as a result of this competitive tension.

### **Development Land**

- 113 development land sales were completed in 2015 totalling €770 million between them, excluding the sale of almost 1,700 acres for €503 million by way of a loan sale (Project Clear) towards year-end.
- From a transaction viewpoint, 2016 is likely to be broadly comparable to last year with a similar volume of land expected to be offered for sale during the year. CBRE anticipate

that the majority of supply in 2016 will emanate from the secondary trading of sites purchased as part of loan sales over the last number of years.

- While sites are, for the most part, likely to be traded individually, we could well see some small land portfolios being released for sale this year, encouraged by the strength of appetite that was clearly evident for the Project Clear portfolio last year.

According to Marie Hunt, Executive Director and Head of Research at CBRE Ireland, *“2016 will see the Irish property market moving to the next stage of recovery with a significant escalation in development activity becoming increasingly evident. As deleveraging efforts wind down, it is inevitable that a greater proportion of transactional activity in the Irish commercial property market this year will emanate from secondary trading, as some recent buyers such as private equity firms implement their exit strategies and many of the assets and portfolios purchased over the last number of years are re-traded or re-financed. In addition to acquiring assets, investors will now broaden their focus to maximise income generation from existing assets and concentrate on potential development opportunities”.*

**ENDS**

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