

Private Rented Sector

H1 2018



Sherry
FitzGerald

Transaction Activity

The Private Rented Sector (PRS) continues to expand rapidly, buoyed by a positive economic outlook, a growing population and strong rental growth. Following a dynamic year for the sector in 2017, investor appetite for PRS assets continued unabated in the opening half of 2018.

The opening three months of the year returned an impressive €124.1m, while turnover in the second quarter increased significantly to approximately €384.6m. Combined, turnover in the first half of 2018 reached an impressive €508.7m across 11 deals. In terms of the value of turnover, this represents a significant increase in activity compared to H1 2017.

The largest deal of the second quarter was the purchase by Irish Life Investment Managers (ILIM) of 262 apartments at Fernbank, Churchtown, Dublin 14 for a reported €138.5m.

Profile Analysis

While Dublin remains the most attractive market for investors, attracting 76% of total residential investment in H1 2018, investors are increasingly looking outside of the capital for opportunities. Cork has been the key beneficiary of investment outside of Dublin to date. The largest deal completed was the sale of The Elysian, Cork city to Kennedy Wilson for approximately €87.5m in quarter one. Another recent deal of note included the sale of City Square in Blackpool, Cork, to a private UK fund for reported €33m, reflecting a net initial yield of approx. 5.3%.

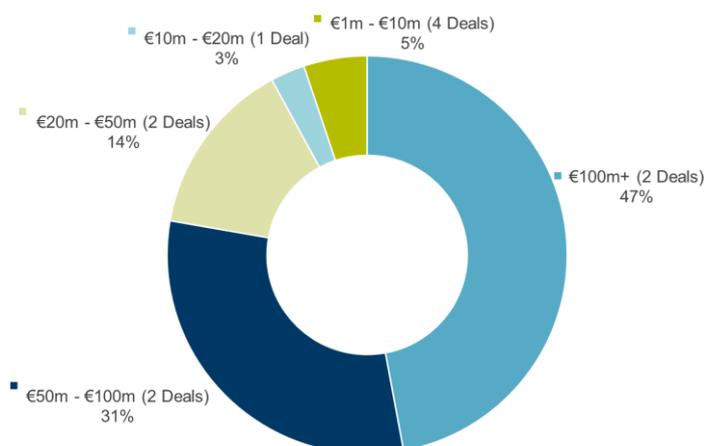
International investors continue to increase their residential holdings in Ireland, accounting for 41% of overall investment in H1 2018. However, domestic investors are getting increasingly more comfortable with the residential sector and absorbed 56% of spend, outweighing overseas spend.

Outlook

Despite the fact that the sector is still in its infancy, the momentum for institutional investment has been increasing and is expected to remain a key feature of the market in the latter half of 2018. Recent prime sales have seen a significant volume of capital chasing PRS investments. This was evident in the recent sale of The Grange in Stillorgan, Co Dublin, which exceeded the guiding price to achieve a reported €160m. This sale, which received in excess of €1bn in bids, underpins the strength of the Irish PRS market together with the significant weight of both national and international equity currently seeking to acquire Irish PRS product.

As the majority of the standing stock has now traded, most opportunities at present are available on a forward funding/purchase basis. Investors seeking scale are now having to get more comfortable with the “forward commit” approach in order to secure product. A prime example of this is the recent acquisition by ILIM at Fernbank in Churchtown. That said, a number of “re-trades” are also likely to come to the market in the coming years.

PRS Turnover by Lot Size, H1 2018



Top PRS Transactions, H1 2018

Asset	Location	Price (€)	Vendor	Purchaser
Fernbank, Churchtown, Dublin 14	Dublin	€138.5m	Park Developments	Irish Life Investment Managers
6 Hanover Quay, Dublin 2	Dublin	€101m	Cairn Homes	Carysfort Capital
The Elysian	Cork	€87.5m	Blackstone	Kennedy Wilson
Elmfield Apartments	Dublin	€68.5m	SW3 Capital	Tristan Capital Partners
The Square, Hampton Wood, Dublin 11	Dublin	€40m	Dwyer Nolan Developments	IREs

Source: Cushman & Wakefield Research/RCA



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