

THE MARKET
TURNOVER
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IRISH MARKET



10

CORK COMING ON STRONG

CORK

INVESTMENT

Cork's investment market continues to perform strongly. We estimate that the market turnover was about €240m in 2019 and represented about 5% of the Irish market, making it the second busiest location for property investment. Both international and domestic investors were very active in the market with those from overseas interested in prime, high-profile assets. This demand will continue in 2020 as the yields on offer are more enticing than Dublin returns. Interestingly, the retail sector made a resurgence in 2019 with several high-profile sales concluding; Mahon Point Retail Park (€56m), CastleWest Shopping Centre (€18m), a 35% interest in Opera Lane (€20m) and the retail element included in the sale of the Half Moon Street development. There was limited activity in the PRS sector, and the only significant sale was the 62 unit Park Avenue development on South Douglas Road (approximately €18m). We anticipate another good year in 2020 for Cork's investment sector, however the significant retail activity of 2019 is unlikely to continue, and we expect the office and PRS sectors to become the main focus once again.

52

30,000
sqm

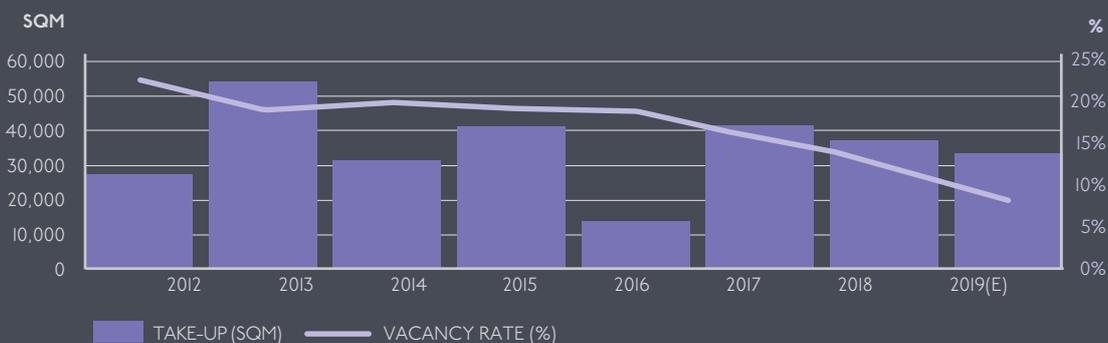
TRANSACTION
IN 2019

THE LACK OF GOOD QUALITY
STOCK AVAILABLE TO PURCHASE
OR LEASE HAS LED TO
**RENTAL AND CAPITAL
VALUE INCREASES**

INDUSTRIAL

With about 30,000 sqm transacted in 2019, the Cork industrial market was active throughout the year. This volume of take-up is in line with the annual average since 2012 and we anticipate a similar level of activity in 2020. There remains a lack of good quality stock available to either purchase or lease, particularly with dock level loading. In recent years, this lack of supply has led to rental and capital value increases. The top headline rent, at €86 psm (€8 psf) has almost doubled since 2012 and grew by 1.2% in 2019, while capital values have grown on average by 14% in the past year. We expect further value increases in 2020, which should encourage greater volumes of industrial development. Just 11,600 sqm was completed in 2019 with further development commencing in Blarney Business Park. Over 38,000 sqm has been granted planning permission and there is a further 36,000 sqm in the planning system. A decision is due in January 2020 on a planning application for a new warehouse development at Harbour Point Business Park, Little Island (19,000 sqm).

CORK INDUSTRIAL MARKET ANNUAL TAKE-UP AND VACANCY RATES (2012 - 2019E)



Source: Lisney



15,000
sqm

TRANSACTION
IN 2019

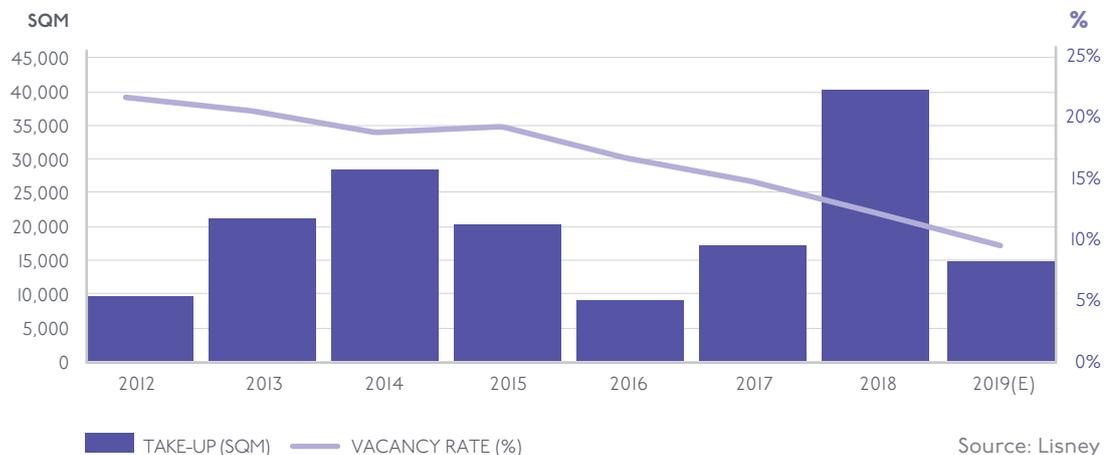
CORK'S OFFICE MARKET WILL
REMAIN VERY COMPETITIVE IN
2020 AND ATTRACT BOTH FDI
AND DOMESTIC OCCUPIERS

| South Mall, Cork

OFFICE

The Cork office market was quieter in 2019 when compared to the exceptionally strong levels of activity recorded in 2018 (which was due to Apple completing its 15,000 sqm facility at Hollyhill). We estimate that total take-up in 2019 will be about 15,000 sqm, which is slightly behind the average annual level since 2012 (excluding Hollyhill). In spite of this, demand remains strong and we expect good levels of activity in 2020. Cork's top headline office rent, at €345 psm (€32 psf), is more than half the top Dublin rate, which will mean that Cork's office market will remain very competitive in 2020 and attract both FDI and domestic occupiers. Activity will also be assisted by the new high-quality office schemes that are under construction such as the Penrose Quay and Horgan's Quay developments as well as another phase of Navigation Square. While some of this has been pre-let, much of the 66,000 sqm under construction is being built speculatively and is available. There is approximately 135,000 sqm of office accommodation with planning permission but not yet started. It is split 47% suburbs / 53% city centre. For much of this accommodation to commence, particularly in the suburbs, developers and their funders will require a level of pre-lets to be in place. We expect to see some of these schemes start in 2020.

ANNUAL TAKE-UP AND VACANCY RATES (2012 - 2019E)



Source: Lisney



“ THE OLDER AND MORE TRADITIONAL RESIDENTIAL AREAS CLOSE TO THE CITY ARE EXPERIENCING A REJUVENATION OF INTEREST. ”

Coraville, Ballintemple, Blackrock

RESIDENTIAL

Both the second-hand and new homes residential markets remain active in Cork, despite the fact that in 2019 slightly fewer properties sold compared to the previous year. Based on figures available to the end of September, new homes accounted for 15% of all sales, compared to 17% in 2018. This reduction is likely due to the fall-off in schemes coming to the market because of the uncertainty created by the Government not confirming if it would extend the help-to-buy scheme until Budget-Day in October. This had the impact of stalling the market in the Spring. However, now that certainty is restored for a further two years, we believe that new home development will progress once again and 2020 will be a busy year.

In the second-hand market, first-time-buyers remain particularly active, notably up to €450,000. This is in line with the 3.5 times multiplier of salary set down by the Central Bank and reflective of the average salaries across Cork. As a result, there was multiple bidding on properties that were priced correctly in 2019, something we expect to continue in 2020. The older and more traditional residential areas close to the city are experiencing a rejuvenation of interest as more buyers focus on quality of life and easy access to all city centre amenities.

While the uncertainty of Brexit continues to trouble the mid to upper-end of the market in Cork, larger properties continue to sell. There was an increase in the number of Cork sales above €1m in 2019 compared to 2018. The highest price achieved in Cork city in 2019 was for Coraville on the Blackrock Road (€1,825,000), while the coastal locations of Schull, Glandore and Kinsale saw multiple transactions over €1m with Kilfinnan Castle in Glandore achieving €5.732m.

Lisney's residential property value index for Cork grew by 4.5% in 2019, however the pace of quarterly growth has slowed since mid-year. In spite of this, we expect continued increases in 2020, perhaps running at 3% for the calendar year.

RESIDENTIAL

RETAIL

The retail market in Cork, like all other parts of the country, remains difficult with the trading environment for retailers competitive, affected by discounting and online offerings. The fire at Douglas Village Shopping Centre was one of the main talking points in the Cork market in 2019 with this centre now closed while sections are being demolished and rebuilt. Reopening is due in mid-2020. Also in the suburbs, and on a more positive note, Wilton Shopping Centre was granted planning permission for a €100m redevelopment in 2019, which will include rebuilding the Penneys anchor store along with the addition of a cinema and hotel, although the timeline for this is unknown.

At Merchant's Quay Shopping Centre, planning permission was granted last year to revamp the exterior and add a licensed restaurant at the upper level in the space that was previously occupied by Kylemore. Some works have commenced, and we expect these to be completed in 2020. JD Sports is extending its store at the Savoy Centre through to Patrick Street incorporating the former AWear store at Nos.111/112, which has been vacant for several years. The Card Factory opened in the former Oasis store at 77 Patrick Street and in December 2019 it was confirmed that North Face had leased 39 Patrick Street. These new occupiers and redevelopment works on Patrick Street are very positive improvements to the street's landscape.

Lisney's Shutter Count shows that in December 17% of units on the street were unoccupied. This is unchanged from both 2017 and 2018, but is slightly higher than that prevailing between 2011 and 2016 when it averaged 14%.

CORK CITY CENTRE DEVELOPMENT

Construction activity remains strong and proposals continue to be made for new developments in Cork city centre. These are across various property sectors including offices, residential, hotel and student accommodation. The most notable are set out below.



	LOCATION	DEVELOPER	SQM	STATUS
1	NAVIGATION SQUARE, ALBERT QUAY	O'CALLAGAHAN PROPERTIES	33,500	Once complete, Navigation Square will comprise a significant city centre office development, containing four buildings. Block A (13,720 sqm) is now complete and substantially let to Clearstream. Block B (8,830 sqm) is close to completion while Blocks C & D (8,665 sqm combined) have not yet commenced construction.
2	PENROSE DOCK, PENROSE QUAY	JOHN CLEARY DEVELOPMENTS	23,230	Penrose Dock, located on the North Quays, will contain two new office buildings (Penrose One 7,400 sqm and Penrose Two 15,800 sqm) along with the refurbishment of the historic Penrose House. Construction is well advanced and completion is scheduled for May 2020.
3	HORGAN'S QUAY	CLARENDON / BAM	37,100*	This is a major mixed-use scheme that will include three office blocks (37,100 sqm), 302 residential apartments, a 120-bed hotel, and retail and leisure uses (3,000 sqm). Works are ongoing on part of the office element, while the hotel is almost finished. *Office element only
4	THE PRISM, CLONTARF STREET	TOWER HOLDINGS	5,900	Full planning permission has been obtained for a 15-storey office building, adjacent to the city bus station. Construction has not yet commenced.
5	BREWERY QUARTER, SOUTH MAIN STREET	BAM	6,500*	The Brewery Quarter is a mixed-use development on the former Beamish & Crawford Brewery site. Works are nearing completion on the 413-bed student accommodation element but the scheme will also include offices, retail and a new events centre as part of a tourist and cultural hub. *Office element only
6	MORRISON'S QUAY	GREENLEAF GROUP & WARREN PRIVATE	7,800	Planning permission has been submitted for a 183-bed hotel and three offices (1,100 sqm) at Morrison's Island on the site of the former Moore's Hotel. Nos. 11, 12 and 13 Morrison's Quay are protected structures and they will be refurbished for the office space. Premier Inn, owned by Whitbread, will operate the hotel element.
7	CUSTOM HOUSE QUAY	TOWER HOLDINGS GROUP	31,600	A planning application has been submitted (and further information requested by Cork City Council) for a 240-bed, 34-storey hotel along with 25 serviced apartments at the Port of Cork site. As part of the overall scheme, both the custom house and the bonded warehouse will be retained, and retail and cultural spaces will also be included.
8	ALBERT QUAY	JOHN CLEARY DEVELOPMENTS		Planning permission was lodged in October 2019 for 201 build-to-rent apartments under the Strategic Housing Development process on the former Sextant Bar site. The proposed scheme will range in height up to 24 storeys and will contain various facilities and amenities, along with a ground floor café and public plaza.
9	RAILWAY GARDENS, SOUTH LINK ROAD	SEAMUS SCALLY		Planning permission was granted in December 2019 for 118 build-to-rent apartments under the Strategic Housing Development process on a site adjacent to the South Link Road. The proposed scheme will range in height up to 17 storeys and will contain various facilities and amenities.