

Property Market Update

31 December 2021

Ireland

Over the course of 2021, more than €5 billion of investment property assets were transacted in the Irish market, compared with about €3.6B in 2020. The final quarter of the year proved to be the busiest with almost €2bn of transactions being recorded.

Turnover figures were boosted in the fourth quarter by the sale of the former AIB headquarters in Ballsbridge Dublin 4, which is now leased to Facebook, for a reported price of €395m. Another large transaction in Q4 was the sale of One and Two Docklands Central in Dublin 1 by Hibernia REIT for €152m. Prime Dublin office yields stand at around 4%.

While the Private Rented Residential Sector (PRS) represented a smaller proportion of the market in Q4, it is interesting to note that in the first three quarters of the year the sector accounted for about 54% of transactions (prime yields in the PRS sector stand at c. 3.6%).

As with PRS, the logistics sector continues to benefit from market dynamics either caused or accelerated by the pandemic. Retailers and logistics operators have been driving occupier demand for warehousing space, resulting in falling vacancy rates and rental increases. Recognising these favourable conditions, the targeting of the sector by investors has driven yield compression. Prime yields in the Dublin logistics market stand at around 4.25%.

Retail assets generally remain out of favour with investors due to changing consumer habits and concern around occupier covenant strength. Food-anchored assets and retail warehousing are however attracting strong interest.

Agents are reporting good depth of interest for investment properties while overseas investors remain very active in the Irish market (accounting for over 80% of transactions).

A pronounced feature of the investment market in the past year has been the focus on the ESG (Environmental, Social and Corporate Governance) criteria of assets. While environmental sustainability was viewed in the past as a desirable extra, it is now regarded as an important criteria in assessing and pricing assets. In the first quarter of 2021, the Irish government approved the 'Climate Action and Low Carbon Development Bill' which commits to cutting carbon emissions by 51% by 2030 and to reach net zero carbon by no later than 2050. The introduction of legislation by Ireland is part of a global effort to become carbon neutral by 2050.



Facebook Offices in Ballsbridge
Sold for c. €395m



One & Two Docklands Central in Dublin 1
Sold for c. €152m

United Kingdom

Transaction volumes in the UK market generally remain below average. The exception to this was the industrial/logistics sector which, as with other geographies, is experiencing strong investor demand and deal turnover. Despite lower investment overall, the level of cross-border capital inflows has remained relatively robust – in the first half of 2021, inbound capital accounted for about 60% of all commercial real estate investment in the UK.

CBRE reported at the end of November that capital values had increased on average by 9.7% for the first 11 months of the year, with the strongest growth in values noted in the industrial sector. Overseas investors remain active buyers across sectors, but particularly so for prime opportunities.

CBRE also reported that yields for prime West End offices have fallen from c 3.75% to 3.25% over the year to end December 2021, with a similar trend noted in the London City office market where yields have contracted from 4% to c 3.75% over the same period.

Intense competition for industrial and logistics opportunities continues to drive yields down in this sector. Prime yields for logistics investments now stand at about 3.5%, down from c 4.5% at the end of 2020.

Demand remains subdued for high street retail opportunities, with prime yields now standing at circa 6.7%. As noted in other regions, however, certain sectors of the retail market, such as retail parks, are attracting renewed investor interest which is driving yields down and values up.

WindWise Property Fund







Performance Figures to 31 December 2021	3 Mths (%)	YTD (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	10 Years (% p.a.)
WindWise Property Fund	1.12	4.62	4.62	1.76	3.82	7.51

Source: State Street Global Advisors as of 31 December 2021. Performance is calculated net of management fees. Performance returns for periods of less than one year are not annualised. Past performance is not a guarantee of future results. The performance includes the reinvestment of dividends and other corporate earnings and is calculated in EUR. Please note the returns indicated here represents the performance of the net share class of the fund.

In 2021, the WindWise Property Fund produced a total return of 4.62%. Over the course of the year, the capital value of the Fund's assets was broadly neutral with returns supplemented by positive income returns (i.e. rent roll). Throughout the year, however, performance differed across sectors with the Fund's Irish retail assets recording falls in value, while the Irish and UK industrial/logistics assets saw strong increases in value. The Fund's office assets saw modest changes in value over the review period. Changes in the GBP exchange rate had no impact on performance as 100% of the capital value of the GBP currency exposure is hedged.

In terms of transactional activity, the Fund completed the sale of 24/26 Bridge Street Stratford-Upon-Avon, U.K in February. The property comprised two adjoining retail units on one of Stratford's most prominent retailing streets. Having recently agreed a new lease with Tesco Express and secured vacant possession of the neighbouring unit, the decision was taken to sell the property as part of the Fund's ongoing strategy of concentrating the Fund's retail holdings on prime properties in core city centre locations. The property was sold in line with the independent valuation. In March 2021, the Fund completed the sale of three industrial units in Manor Royal, Crawley, U.K. Following the successful re-gear of the lease with the largest tenant, the decision was taken to sell the asset with a view to capitalising on the weight of capital seeking product such as the Crawley property. The property was sold in line with the independent valuation.

In addition to the noted transactions, there has been a continued focus on asset management initiatives, such as rent reviews and lease re-gears to improve rental income and values. Some examples of recent asset management initiatives are shown below:

	<p>40 Molesworth Street, Dublin 2</p> <p>In July 2021, the former tenant of this high profile building (Jet Engineering Technology Ltd) assigned their lease to international Solicitors DLA Piper, with a parent company guarantee.</p>
	<p>Ferry House, Lower Mount Street, Dublin 2</p> <p>Having completed a comprehensive refurbishment of a ground floor office suite in Ferry House, the Fund secured a new lease to Beyond Air at the end of Q3 2021.</p>
	<p>Unit 25 Magna Drive, Citywest</p> <p>Over the course of the summer, SSGA undertook a refurbishment of this logistics building which was vacated by Leo Laboratories in June 2021. Having completed the refurbishment, we successfully secured Saint Gobain, a pharmaceutical company under a new lease.</p>
	<p>21 Fonthill Industrial Park, Dublin 22</p> <p>In April 2021, the former tenant of this high-profile logistics building (Aquilant Medical) assigned their lease to Exertis Ireland Ltd, with a parent company guarantee.</p>
	<p>1st Floor, Grafton Buildings, Dublin 2</p> <p>In July 2021, we successfully leased the entire first floor to Centric Health Care under a new 15-year lease (with a tenant break option at year 10). This letting reduced vacancy and improved the weighted average lease length of the Fund.</p>
	<p>Unit 1, Brundenell Drive, Brinklow, Milton Keynes, UK</p> <p>In January 2021 we extended the lease on the unit with Radley & Co. to February 2033 which provides over 11 years term certain. This is in a sector that is seeing strong occupier and investment demand.</p>

The vacancy rate at the end of December 2021 stood at 3.8% (Ireland & UK, based on estimated rental value (ERV) of vacant space, expressed as a percentage of total ERV). The income yield on the properties held by the Fund at year end was c 5.3%.

Asset Distribution as at 31 December 2021 (26 Properties) (ex. Cash)			
Ireland	Office/ Mixed Use	7 Properties	50%
	Retail	5 Properties	18%
	Industrial/Logistics	7 Properties	13%
United Kingdom	Office/Mixed Use	2 Properties	8%
	Retail	2 Properties	2%
	Industrial / Logistics	3 Properties	9%

Source: State Street Global Advisors as of 31 December 2021

Ten Largest Holdings as at 31 December 2021

Building	Sector	Sample Tenants (Note 1)
40 Molesworth Street, Dublin 2	Dublin City Centre Office	DLA Piper
Ferry House, Lower Mount Street, Dublin 2	Dublin City Centre Office	CI Consulting Ltd, Sidetrade Ltd, Adaptive Mobile Security Ltd, etc.
Grafton Buildings, Grafton Street, Dublin 2	Dublin Prime Retail	Jigsaw, Seasons of Ireland, Centric Health, Good & Murray Smith Solicitors
6 Custom House Plaza, IFSC, Dublin 1	Dublin City Centre Office	Citico
7/8 Wilton Terrace (50% Interest)	Dublin City Centre Office	The Canadian Embassy, Philip Lee Solicitors, Markel International Insurance.
Site B, Etheridge Avenue Brinklow, Milton Keynes	UK Industrial/Logistics	Radley, Lok'n'Store
8-10 Hatton Gardens, London EC	London Office/Retail	BI Wines & Spirits, Beverly Hills Jewellers, Smith & Green Jewellers
Unit 21 Fonthill Busines Park	Dublin Industrial/Logistics	Exertis
67/68 Grafton Street, Dublin 2	Dublin Prime Retail	Hugo Boss
Temple House, Blackrock, Co. Dublin	Dublin Suburban Offices	European Cataract Society, Sodexo, Vodafone

Note 1: Tenant names shown may in some instances represent the tenant's trading name as distinct from the corporate entity leasing the property in question. Buildings shown above may contain vacancies from time to time which are not shown in this document.

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