

WindWise Property Fund October 2020 — Fund Update

Further to our letter to all WindWise Property Fund Unitholders in March 2020 and our follow up communication in August 2020, the outbreak of the Novel Coronavirus (COVID-19) resulted in the independent external valuers to the Fund introducing a 'Valuation Uncertainty Clause' from March 2020. This indicated that the valuers ascribed less certainty and a higher degree of caution to their valuations than would normally be the case. At the end of September the Valuation Uncertainty Clause remained in place for the Fund's Irish assets but had been lifted in respect of the Fund's UK assets. As a result of the presence of the Valuation Uncertainty Clause the Fund administrators have been unable to produce a Fund price which reflects the true value of the underlying assets. In light of this and in order to protect the interests of all unitholders in the Fund, the decision was taken to suspend the pricing of the Fund until such time as the degree of certainty in the valuation of assets improves sufficiently. Subscriptions to and redemptions from the Fund have been suspended since mid-March and remain suspended.

While the pricing of the Fund has been suspended since the end of March the Fund's independent external valuers have continued to prepare and issue their valuations on a monthly basis. The Irish valuations are caveated by the presence of the uncertainty clause, however they do represent the valuers' best estimate of asset pricing at the date that they are issued and are reflective of market sentiment towards the asset class and the various sub-sectors. On this basis we thought it would be useful to share with you an overview of the trends that we have seen in recent months.

Over the first 9 months of the year the capital value of the Fund's assets declined by c. 4.8%. When the overall returns are calculated (i.e. when unit pricing resumes) this decline in value will be partially offset by a positive income return from the Fund's rental income, which runs at c. 5% pa on the direct property asset (i.e., Ex. Cash holdings). Within the 4.8% decline in values it is important to note that there was a significant divergence in the performance of the sub sectors, with the retail sector bearing the brunt of the correction. Over the first three quarters of the year the Fund's retail assets declined in value by c 15% while the office and industrial assets saw falls of -1.6% and -1% respectively. The Fund's weighting in the three sectors now stands at Office: 59%, Retail: 21%, Industrial: 20% (all figures Ex. Cash). Changes in the GBP exchange rate had no impact on performance as 100% of the capital value of the GBP currency exposure is hedged. No assets were sold or acquired in the first nine months of the year.

Irish Property Market Update

The third quarter of 2020 recorded a reasonably strong level of investment turnover at c. €700m of transactions. The figures for this included some reasonably large office transactions and some Private Rented Sector (PRS) deals. This figure for Q3 brings the year to date turnover for Ireland to c. €1.7B, which given the circumstances and restrictions on movement for several months of the year, are reasonably strong (*Source: JLL*).

As Covid-19 restrictions have eased, physical inspections are now taking place which has allowed for the launch of a number of investment opportunities in recent weeks. Investment agents are reporting continued interest in prime office, logistics and private rented residential assets from international investors. There has been a number of high profile office investments sold recently to overseas investors:



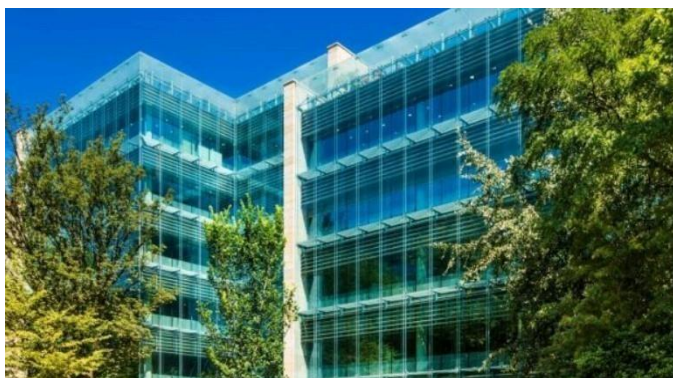
Bishops Square : ca. €182m



30–33 Molesworth Street: ca. €60m

Acquired by GLL

Acquired by KanAm Grund



2 Burlington Road: ca. €94m
Acquired by KGAL



Blackthorn House, Sandyford: ca. €18m
Acquired by Corum

In terms of occupational markets, as one might expect leasing activity in the Dublin office market declined considerably between Q1 (ca. 1m sq.ft across 29 deals) and Q2 & Q3 (c. 0.1m sq.ft across 13 deals in Q2 and c 0.15m sq.ft across 11 deals in Q3), with no large scale lettings in Q2 and only two in Q3 (>40,000 sq.ft). JLL estimate that overall vacancy stands at c. 9.4% in Dublin offices. During Q1 (pre COVID-19) this was c. 7.7% , while the vacancy rate for the city centre is c. 8.2% (Suburbs at c 10.8%), comparatively in Q1 this was c. 5.7% (Suburbs at c 10.2%). There is currently c. 5.9m sq.ft of office space under construction or refurbishment in Dublin with c. 25% of this space to be completed this year and a further ca. 51% due for completion in 2021. It is however important to note that c. 51% of all pipeline development on-site is either pre-let or reserved. The vast majority of new development underway (c. 86%) is located in the city centre where demand has been strongest. The past six months has seen an increase in the amount of office space available to sub-let as tenants look to reduce overheads by leasing out unused accommodation, this space now accounts for c 29% of overall vacancy in the Dublin market. (Source: JLL).

As with the office sector, the Dublin industrial/logistics market experienced a reduction in leasing activity in Q2 compared with Q1. Leasing activity did however continue despite restrictions on movement and take-up figures were supported by a combination of short term requirements linked to grocery, technology and healthcare as well as long term strategic requirements (Source: JLL). Agents are reporting strong demand for modern logistics accommodation which demonstrates the importance of real estate that serves as an essential component of supply chains particularly where they are likely to be disrupted by the ongoing pandemic and ultimately Brexit.

UK Property Market Update

As with Ireland, the UK market reported a marked reduction in transactional activity in the past 6 months, indeed this is a trend reported across EMEA with CBRE reporting a 39% reduction in investment volumes in Q2. Across the UK, CBRE report that commercial property capital values declined by c. 7.2% between March and August, positive income returns in the UK of c. 2.8% over the same period helped to improve the total return from UK property to -4.5% over the 6 month period. The retail sector saw a sharp decline in values with shopping centres being particularly badly hit (ca. -19.5% in capital values between March and August), declines in offices and industrial sectors were ca. 2.5%–4.5% and were largely offset by income returns.

The performance of occupational markets have also varied considerably across sectors with the retail sector recording an overall decline in rental values of ca. 4.8% since February while offices and industrial have been largely flat (Source: CBRE).

Should you have any questions in relation to the WindWise Property Fund, please do not hesitate to contact your Relationship Manager.

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