CBRE OBSERVATIONS ON MIXED USE COMMERCIAL & RESIDENTIAL SCHEME, CONCORDE INDUSTRIAL ESTATE, NAAS ROAD, DUBLIN 12

Prepared for Burlington Real Estate

Prepared by CBRE Ireland

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CONTENTS

CBRE

The Brief

At the invitation of Burlington Real Estate, CBRE Ireland have inspected the subject lands at Concorde Industrial Estate, Naas Road, Dublin 12 and have had regard to draft plans prepared by Reddy Architecture & Urbanism for a proposed commercial & residential development on these lands, with a view to determining the economic & commercial viability of the proposed uses from our perspective.

We have considered the commerciality and feasibility of the proposed scheme having had regard to current supply and demand variables prevailing in various sectors of the property market in the immediate vicinity and in the wider Dublin market and our expectation for how these sectors will evolve in the medium term.

CBRE confirms that information contained herein, including projections, has been obtained from sources believed to be reliable. While we do not doubt their accuracy, we have not verified them and make no guarantee, warranty or representation about them. Our report has been prepared on behalf of Burlington Real Estate and its contents cannot be reproduced without their prior approval.

The Build-to-Rent Sector in Ireland

A significant proportion of the proposed mixed-use scheme being proposed for the subject lands will comprise purpose-built Build-to-Rent accommodation.

The Build-to-Rent sector has come to prominence in the Irish market over the last few years, fuelled in the main by unique economic & demographic fundamentals and a notable supply demand imbalance in the residential rental sector in cities such as Dublin.

At the time of the last Census of Population in 2016, 24% of the population in the Dublin region were renting privately while in the Dublin City Council local authority area specifically, as many as 30% of households were renting privately. With purpose-built Build-to-Rent stock now being developed in Dublin, we expect the homeownership rate in the city to continue to decline and the proportion of population renting to continue to increase over the next few years. This is mirroring trends being experienced elsewhere in Europe and in more established markets such as Canada and the United States.

As job creation continues in earnest in Ireland and the population of Dublin continues to increase as a result, there is considerable appetite for additional residential accommodation to be provided, particularly considering the low volume of new stock delivered to the market in recent years. With renting becoming increasingly acceptable as a form of housing tenure, there has been particularly strong appetite for modern rental accommodation in the environs of the city. In Dublin's case, a high proportion of the workforce is transient in nature and the appetite for a high-quality rental offer with associated amenities is particularly evident.

In addition to demand for the product from renters for high quality modern accommodation & associated amenities, there is strong demand from investors to develop, acquire and manage residential investment portfolios. From a situation where residential traditionally didn't form part of institutional investment portfolios in the Irish market prior to 2012, institutional investment in residential accommodation in Ireland has now become mainstream with specialist new entrant investors seeking opportunities alongside traditional investors who heretofore would not have included residential in their portfolios. This trend first began to emerge in 2012 as investors took advantage of opportunities to acquire entire blocks of residential apartments at attractive pricing (in many cases below replacement cost) following the unprecedented fall in residential property prices that occurred in the Irish market following the global financial crisis. Much of the residential stock that traded in

The Build-to-Rent Sector in Ireland

Ireland between 2012 and 2015 comprised 'multifamily' assets that had originally been developed to sell individually to owner-occupiers but were subsequently acquired and adapted for rental purposes.

Build-to-Rent stock (i.e. ***Purpose-built residential accommodation & associated amenities built specifically for long-term rental that is managed and serviced in an institutional manner by an institutional landlord***) is vastly different to the traditional rental offer in the Dublin market. It first started to emerge in the Irish market from 2016 onwards, partly as a result of a relaxation of onerous apartment planning standards, which improved the viability of apartment development. Indeed, between 2012 and 2015, all of the residential stock that traded in the Irish market comprised standing stock with forward funding/forward purchase deals only materialising from 2016 onwards as new purpose-built rental schemes with associated communal space and amenities started to obtain planning and commence construction.

Now that modern purpose-built Build-to-Rent residential stock is being developed in the Irish market, we expect to see residential accounting for a greater proportion of overall investment spend in Ireland from this point forward. Having accounted for an average of less than 9% of total investment in Ireland between 2012 and 2017, a phenomenal 29% of investment in Ireland in the first nine months of 2018 comprised residential investment with over €773 million of residential assets traded in the period. This included a number of forward commit transactions.

85% of the volume of residential investments traded in the Irish market since 2012 have been located in Dublin, which is perhaps not surprising considering the severe supply imbalance prevailing in the Dublin housing market and the fact that new investors to Ireland generally have a preference for investing in the capital city.

According to our research there is at least €5 billion targeting the Build-to-Rent sector in Ireland at present with most of this capital concentrating on the Dublin market. 32% of this capital emanates from European investors with Canadian investors accounting for a further 15% of the pool of capital targeting this sector in Ireland at present and 10% emanating from US investors. 21% of demand at present is emanating from Irish investors while UK investors account for another 14% of demand.

The Build-to-Rent Sector in Ireland

Purpose-built Build-to-Rent schemes that offer the highest quality design together with the correct blend of commercial amenity, public open space and private amenity space to match the needs of the local demographic will attain the highest occupancy and ultimately achieve the highest rent, particularly where the schemes are located close to public transport.

We expect that the vast majority of the new purpose-built Build-to-Rent stock that will be developed in Dublin over the coming years will be located within the M50 motorway with demand expected to be strongest for schemes that are within walking distance of public transport, particularly those that are within a 20-30-minute commute time from Dublin city centre. It is likely that several older industrial, retail and commercial schemes within the M50 C-Ring motorway will ultimately be redeveloped for higher value alternative uses such as Build-to-Rent over the next few years – a trend that was alluded to by the Minister for Housing, Mr. Eoghan Murphy in announcing the establishment of the Government's new Land Development Agency in September 2018. Indeed, the Minister specifically referenced the Naas Road area within his presentation, suggesting that this location is likely to be home to a new residential suburb in due course considering its proximity to public transport.

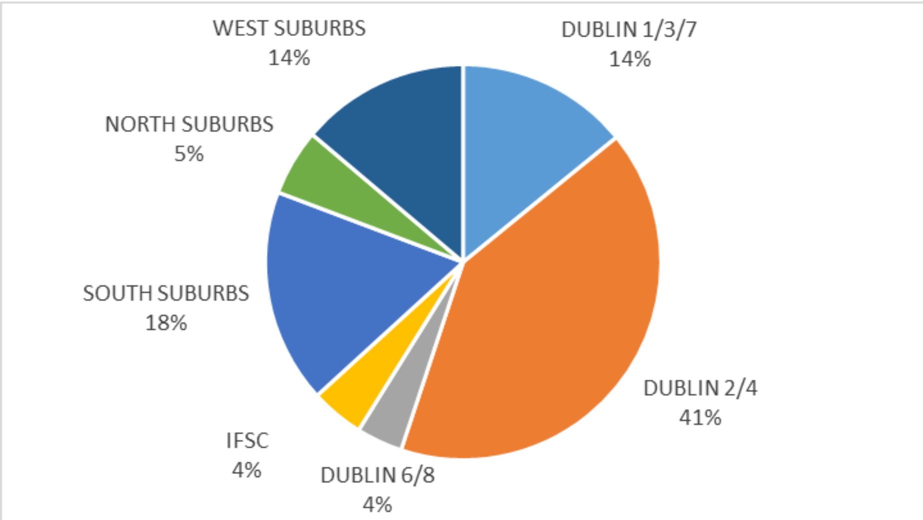
The Dublin Office Market

The subject site on Dublin's Naas Road is located in the west suburbs of the city which only accounts for a relatively small proportion of activity in the Dublin office market each year.

The Dublin office market currently extends to more than 4 million square metres of which more than 60% is located in the city centre, where the vast majority of employers are located and demand for office accommodation is strongest. 41% of the total office stock in Dublin at present is located in the Dublin 2/4 postcode, which consistently accounts for the largest volume of leasing activity in the Dublin market each year.

37% of existing office stock in Dublin is located in the suburbs, with the south suburbs accounting for almost half of this stock. In total, there is more than 572,000m^2 of office stock located in the west suburbs of the city, with this district accounting for 14% of overall office stock in Dublin and 38% of suburban stock specifically.

Dublin Office Stock by Location

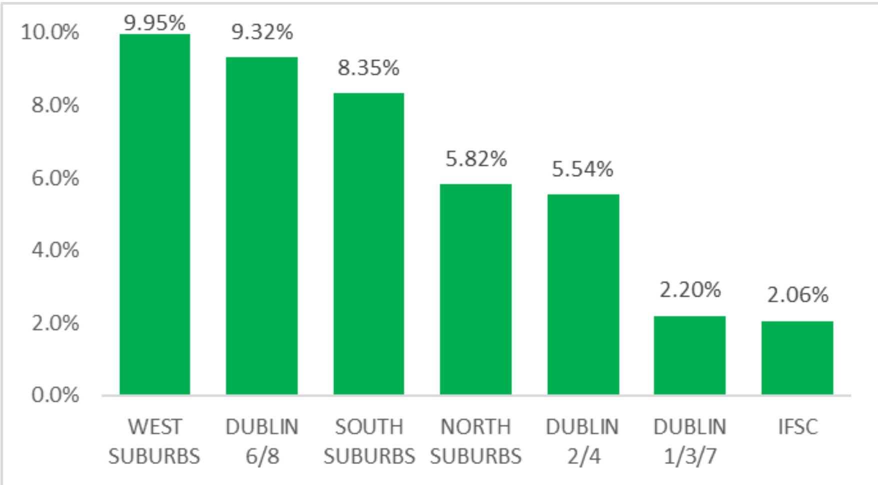


Source: CBRE Research

The Dublin Office Market

A significant proportion of the office stock that is located in the west suburbs of Dublin is functionally obsolete and as a result this district boasts a higher vacancy rate than other office districts in the capital. In total, **there is almost 56,000m^2 of vacant accommodation in the west suburbs of the city at present**.

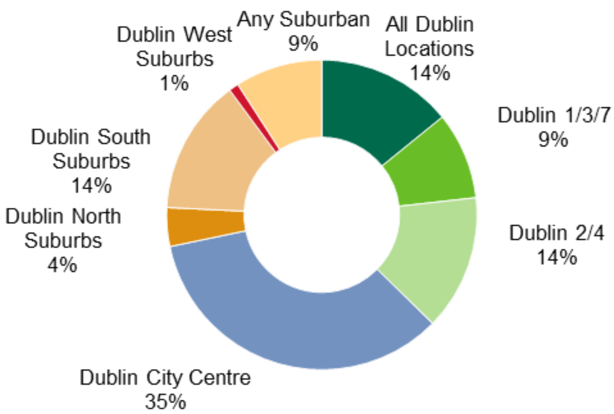
Dublin Office Vacancy Rates by Location



Source: CBRE Research

In addition to the fact that a proportion of the stock that is located in the west suburbs of the city is functionally obsolete, demand for accommodation in this particular district of the city is lower than for other locations. In fact, of the more than 360,000m^2 of office demand currently prevailing, 9% are open to any suburban location. However, **only 1% of current requirements have specifically identified the west suburbs of Dublin as their preferred location.**

Dublin Office Requirements Q2 2018 by Location

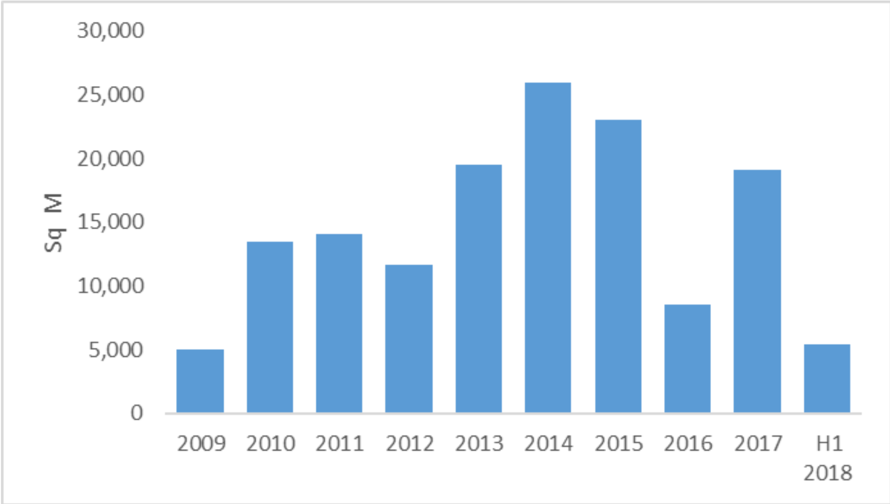


Source: CBRE Research

The Dublin Office Market

An average of 14,570m^2 of accommodation has been let per annum in the west suburbs over the last ten-year period.

Office Take-Up in West Dublin 2009 – H1 2018



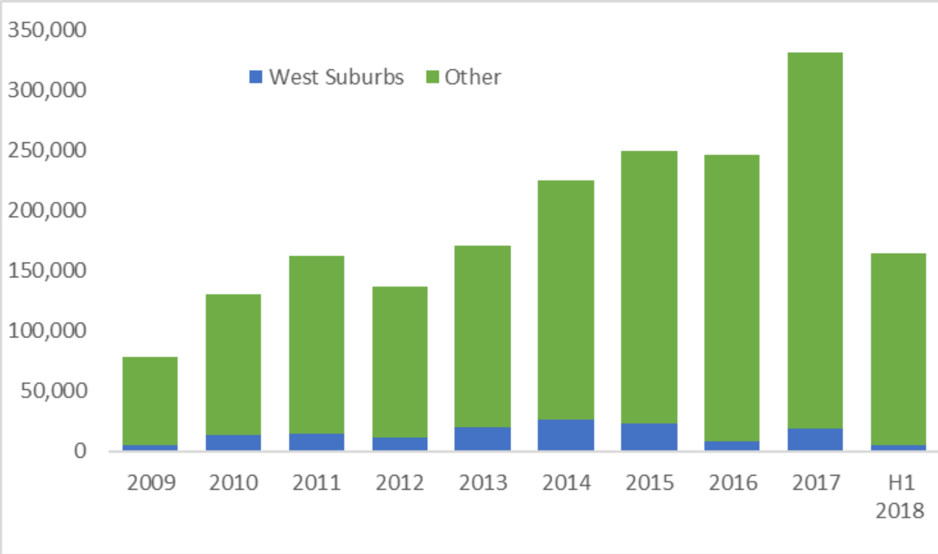
Source: CBRE Research

Over the last 10-year period, an average of only 8% of office take-up in Dublin each year is located in the west suburbs of the city. In the first half of 2018, only 3% of office take-up in the capital occurred in this district with occupiers having a preference for locating in the Central Business District, despite the fact that prime rents in the city centre are at least twice those prevailing in the suburbs. Prime rents in the west suburbs are currently €188.30 per square metre compared to €700 per square metre in Dublin city centre.

Given the low take up of office accommodation in this area of Dublin and the lack of demand for offices in this location relative to other parts of the city, developing a large office scheme on the subject site is clearly not the optimum development use.

The Dublin Office Market

Dublin Office Take-Up 2009 – H1 2018



Source: CBRE Research

There is currently more than 370,650m^2 of new office accommodation under construction in Dublin in 30 separate schemes. In addition, a further 493,143m^2 of office stock currently has a grant of planning permission while a further 102,000m^2 have lodged a planning application. This confirms **that there is sufficient office stock under construction and in the planning pipeline that can potentially be delivered if demand materialises, negating the need for further accommodation to be delivered in the west suburbs where demand is weakest.**

.The Dublin Retail Market

The Irish retail occupier market is bucking the European trend at present with footfall, consumer sentiment and retail sales all continuing to perform well, supported by a strong economic backdrop and bumper tourist activity. However, as shopping patterns change, retailers are increasingly focussing attention on a relatively small pool of core locations and schemes, predominantly those in the heart of the city centre and within established shopping centres and retail parks.

Virtually no new retail stock has been developed in the Dublin market in recent years. The total stock of shopping centre accommodation in Dublin is approximately 600,000 square metres (6.45 million square feet) while the stock of retail park accommodation in the capital is now approximately 340,000 square metres or 3.66 million square feet. The market is well served from a retail perspective and while most of the large shopping centres on the M50 network have, or are in the process of applying for, planning permission for extensions, there is limited new stock under construction at present.

While prime shopping centres and urban high streets have experienced an improvement in retailer demand in retail years, this is not yet filtering through to secondary and tertiary high streets and schemes, many of which continue to struggle with high vacancy rates. As has been evidenced in many markets across Europe, the effect of polarisation has become particularly evident in the Irish retail market in the last two to three-year period with many of the retailers that are looking for premises focussing their attention on the better high streets and shopping centres in the Dublin region to the detriment of older schemes in the suburbs, many of which are now being repositioned for higher value uses.

UK retailers who have been particularly active in the Dublin market in the last decade have been less active than normal in the last two-year period for a number of reasons including BREXIT uncertainty. There has also been some leakage of retail spending to Northern Ireland due to Sterling Euro exchange rate movements following the BREXIT vote. In addition, Ireland has not been immune to increased focus on online retailing, with an increasing number of Irish shoppers opting to shop online. Only approximately 10% of retailing activity in Ireland occurs online at present but this is growing at a fast pace.

CBRE Observations on the Proposed Scheme

CBRE have considered draft plans prepared by Reddy Architecture & Urbanism for a proposed commercial & residential development on the subject lands at the Naas Road in Dublin 12. Having had regard to supply & demand variables in the location, we believe that the proposed scheme comprises a high-quality well-designed scheme that will prove commercially viable and attractive to a range of end users and in particular residents. The scheme offers the ability to deliver scale which is desirable considering the severe supply demand imbalance inherent in the Dublin housing market at present. Considering the location, a mixed-use scheme is the least optimum use of the subject site in our opinion with the proposed use (a high-quality residential rental scheme with ancillary commercial uses) being more in keeping with the location and infrastructure provision in the area. In any event, to develop a sustainable Build-to-Rent scheme of the quality envisaged, achieving critical mass is imperative from a commercial viability perspective.

As outlined by the Minister for Housing in recent weeks, locations such as the Naas Road, which have traditionally been associated with commercial and industrial uses are now likely to become the new residential suburbs of the future. In this regard, the proposed scheme constitutes a much more sustainable and efficient use of the subject lands than the existing use, which in any event doesn't generate significant numbers in terms of employment.

Considering the ancillary commercial uses that will be contained within this Build-to-Rent scheme and applying average employment density measures to each use (Employment Densities Guide & CBRE Research), there is potential for up to 150 jobs to be created and sustained within this development in due course, excluding any management personnel that will be employed within the residential element of the scheme.

As can been seen from our analysis of the Dublin office market, the west suburbs of the city are least favoured from an office occupier viewpoint, regardless of the fact that office rents in the location are considerably lower than those prevailing in the city centre, with only 3% of office take-up in the capital in the first half of 2018 being located in this district. **Given the low take up of office accommodation in this area of Dublin and the lack of demand for offices in this location relative to other parts of the city, developing a large office scheme on the subject site is clearly not the optimum development use**.

CBRE Observations on the Proposed Scheme

However, with an increasing proportion of office take-up in cities such as Dublin comprising flexible office occupiers, it is encouraging that an element of serviced offices will be contained within the proposed scheme. This office accommodation could be marketed to external occupiers but in keeping with trends in purpose-built residential rental projects in other jurisdictions, it is also likely to prove attractive to renters within the proposed development.

Similarly, as the complexion of the retail sector continues to evolve and an increasing proportion of activity moves online, new retail provision is likely to be largely concentrated in a small number of existing shopping centres and retail parks and largely comprise extensions as opposed to greenfield development. It is therefore **wholly appropriate that any retail provision within the proposed scheme be focussed primarily on complementing the residential offer, providing services and amenities for residents that are otherwise not available in close proximity.**

Considering the specific attributes of the subject lands, particularly their profile and access onto the Naas Road and proximity to public transport, the site particularly lends itself to the development of a high-quality well-designed Build-to-Rent scheme with ancillary commercial uses. The development will incorporate an appropriate blend of communal space, public open space and private amenity space as well as commercial uses that will complement the residential offer. The quality of design, amenities and public open space proposed seem appropriate and the mix of one bed and two bedroom units is sensible considering the makeup of demand for residential rental accommodation in the capital at present.