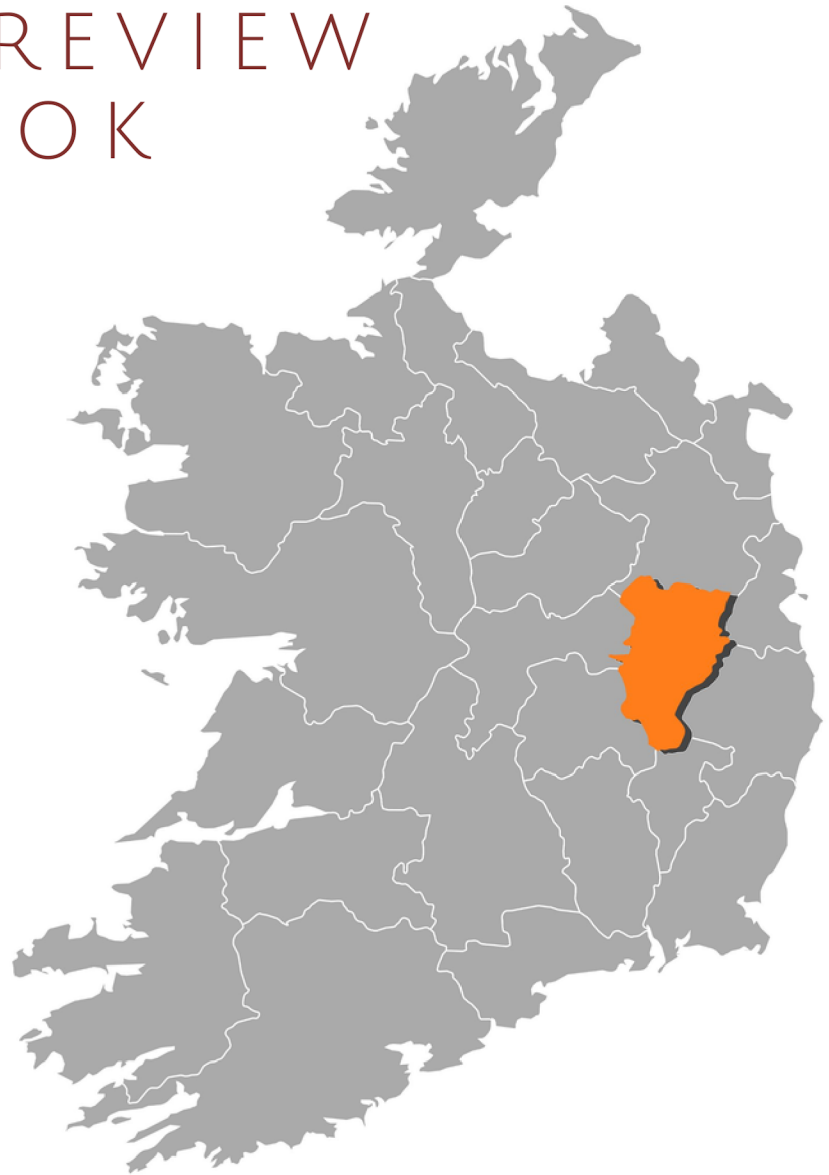




O'Neill & Co.

CHARTERED SURVEYORS
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KILDARE
COMMERCIAL PROPERTY
MARKET REVIEW
& OUTLOOK
2022



OFFICE



RETAIL



INDUSTRIAL



DEVELOPMENT
LAND

OVERVIEW

According to the latest Central Bank forecast (July 2022), the Irish economy has continued to recover strongly from the effects of the pandemic, but the economic impacts of the Russian invasion of Ukraine will impact growth. Higher inflation along with increased uncertainty and negative consumer confidence will have ramifications for the economy, and accordingly modified domestic demand has been revised down to 4.3% in 2022.

The Irish economy's performance is dependent on a number of domestic and international factors including: stability in employment, continued high value of exports, supply chain disruptions, the war in Ukraine and rising inflation. While the outlook is optimistic, it is likely that demand in general consumer consumption could drop as Autumn approaches and the price hikes in energy are felt across the board.

Data published by the Society of Chartered Surveyors Ireland shows that construction tender prices rose steadily throughout 2021 with an increase of 7%, an increase attributed to pent-up demand following the easing of COVID-19 restrictions and supply chain issues that occurred as a result of COVID-19.

We are seeing a continued demand for commercial properties in 2022, with scarcity of supply an ongoing issue. The land market is busy with relatively small-scale sales, and a rising demand for large residential development sites in the Greater Dublin area.

KILDARE

Kildare has continued to outperform neighbouring counties in an economic sense. The county is home to roughly 5% of the state's total population, according to Kildare County Council's Economic Profile and Development Strategy. The urban areas including Naas, Newbridge and Celbridge have experienced substantial development mostly due to their size and relative proximity to Dublin. Rising population numbers have led to an increase in housing density (albeit slowed due to Brexit and COVID-19 in the last couple of years) in the more populated areas, with demand currently outstripping supply.

Many international brands have operations in Kildare, including: Kerry Group, Pfizer, Dr Pepper, and Intel who have announced plans to invest another €12bn in its fabrication facility in Leixlip. Kildare continues to be an attractive location for the logistics sector with major international brands, including Penneys, Lidl, and DHL, having acquired or developed hubs in the county over the last 12 months. Drinks company Diageo are also set to invest in Kildare having recently announced plans to build a €200 million brewery in Newbridge.

Key to Kildare's appeal for investment is easy access to Dublin Port which has improved even more with the M7 upgrade providing new link roads in 2021. A 3.4km semi-urban distributor road designed to alleviate significant congestion in Athy is currently underway. The roll out of fibre broadband continues across the county in a €23m investment project.

Demand for commercial property in Kildare continued apace in 2022. The good transport links to Dublin and the midlands, the many well-facilitated enterprise parks, a local educated labour market, and excellent local services are all reasons why many companies are choosing Kildare as a location for their business.

Overall developments in Co. Kildare mirror the economic upturn being seen around Ireland. The challenges are increased demand for social/affordable housing, office and industrial space along with escalating house prices and growing levels of congestion.



OFFICE

Office rental values over the next 12 months are expected to remain steady. The outlook for the remainder of 2022 and into 2023 is generally positive, as the easing of COVID-19 restrictions has led to a gradual return to the office this year. Although larger corporates remain in a hold pattern regarding their longer-term office requirements, expansion opportunities are still very much on their agendas.

There is a growing demand for office space which offers energy efficiencies; something we foresee a continued demand for over the coming years as building energy performance becomes an important consideration for companies and their staff.

Kildare's close proximity to Dublin and excellent road and rail transport links position the county as a good value alternative to locating a business in Dublin where rents are at a premium.

Leasing Grade A office accommodation was costed at €161-€215 per sq. m. (€15 to €25 per sq. ft.) for lot sizes ranging from 100 to 929 sq. m (1,000 to 10,000 sq. ft.). Grade B offices have been achieving in the order of €86 to €130 per sq. m. (€12 to €15 per sq. ft.).

Capital values for office sales were in the region of €1,800 and €2,000 per sq. m. (€170 to €250 per sq. ft.).

RETAIL

The retail sector, which was heavily hit during COVID-19 lockdowns, has enjoyed a period of growth in 2022. According to IBEC's Retail Ireland report, the volume of retail sales (ex bars & motor) increased by 8.2% from February-April 2022 versus the same period in 2021. The value of sales for that period increased by over 13.7%. While these figures are encouraging, it remains to be seen what impact the continued rising inflation levels will have on consumer spending in the latter part of 2022. The latest information from Google shows that footfall in Irish retails (excluding grocery and pharmacy) dipped slightly in May, but remains higher than median European levels. Online spending accounted for 45% of overall Point of Sale spending in April, a decrease of 2% when compared to March.

Demand for physical retail space has dwindled in city centre locations since the emergence of COVID-19. Landlords have had to be flexible on lease terms, with some short-term lettings becoming the norm in several Dublin City Centre locations.

However, outside of the city centres, many retailers have weathered the storms of COVID-19 over the past 2 years. Those in suburban locations and regional towns have stood strong, having benefited from the non-payment of commercial rates and other Government supports. The result of this has seen lower supply of retail units available in towns and shopping centres.

Bricks and mortar retail units are not going anywhere. Consumer sentiment surveys show that while consumers are willing to make purchases online, they are keen to have showrooms where they can see and touch products as part of their purchasing decisions. Omnichannel retail, sometimes referred to as 'Bricks and Clicks', a sales strategy integrating both offline and online retail presences, is on the increase in 2022.



INDUSTRIAL

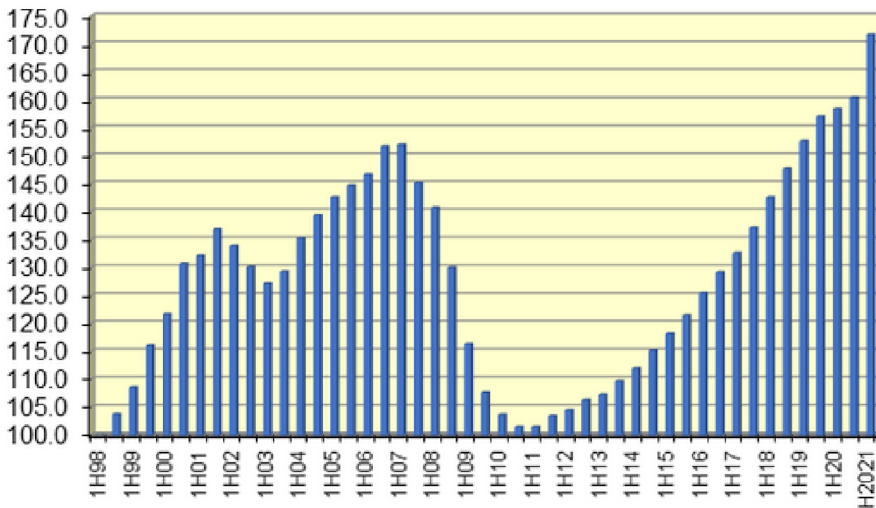
The scarcity of industrial premises and an increase in demand have led to increased returns in capital growth. According to the MSCI Property Index the Irish commercial property market achieved a total return of 23% in 2021.

The N7 corridor is the most dominant location for industrial and logistics activity in the Dublin market. Larger sized units proved popular with manufacturing and logistic businesses while the smaller units were secured for a mix of industry.

One of the largest industrial & logistics investment transactions to complete in the Irish market during the first quarter of 2022 was Primark's new Distribution Centre in Newbridge, Co. Kildare, for €128.7 million.

Industrial rents are running at €43 to €75 per sq. m. (€8 to €12 per sq. ft.) across the county with the strongest performance in the urban centres of Naas, Newbridge, Maynooth and Celbridge.

The improved transport links to Dublin, the airport, the port, and the national motorway network, has seen Kildare become a choice location.



Construction Tender Prices 1998 – 2021

Courtesy of Society of Chartered Surveyors Ireland.

The survey, which is based on a member sentiment survey, was conducted in August 2021.

The SCSl said the latest figures are based on median values rather than averages, as this gives a more accurate reflection of the responses it receives.

DEVELOPMENT LAND

There was limited speculative development of commercial property in Kildare in 2021 and thus far in 2022 due, in the main, to rising construction costs, COVID-19 restrictions and production delays.

There were, however, some significant transactions in both commercial and residential land in Naas, Clane, Celbridge, Kilcock and Blessington, confirming the continued appetite for lands within the commuter belt.

It is likely that development land acquired for owner-occupation will continue although construction of new commercial property for speculative purposes shall be at a slower pace unless pre-sold or let.



OUTLOOK

The commercial property market in Kildare and surrounding counties is set to continue in an upward direction into the second half of 2022 despite the uncertainty of rising inflation rates across Europe and the war in Ukraine. Europe's property industry leaders rate transport links (road, rail and airports) as the most important factor in choosing where to develop and invest according to a survey carried out by The Urban Land Institute (ULI) and PwC. Kildare and the counties that surround it are ideally placed to deliver on this demand with excellent road and rail links to the country's airports and ports, and quick access to the road network.

Demand within Kildare, Meath, Wicklow, Westmeath and other nearby counties for industrial, retail and office space is likely to continue to grow, however the lack of new construction could lead to a reduction in supply as vacancy rates in second hand stock continue to decrease. The disruption in the retail sector, caused by online retailing, is likely to have retail space performing less successfully than others. Conversely, online retailing is contributing greatly to the boom in the logistics sector being seen in Kildare and further afield.

Co-working office space is becoming a rapidly growing trend, particularly in commuter counties such as Kildare and surrounding counties. This involves desk spaces or larger flexible spaces with communal facilities, that are available on short leases; a trend which is giving rise to a structural change within the office sector.

With some of the best commuting links in the country, and leading brands located within Kildare and nearby, the residential property market is likely to remain buoyant. However, the market will have to work on keeping prices affordable for buyers.

There are, of course, some political and economic threats - the annual rate of inflation worldwide, and the war in Ukraine being the most prominent.

Real estate in a stable economy will continue to be an attractive investment in Q3 and Q4 of 2022 and already Ireland is seeing a steady flow of foreign investment. Indigenous developers are also active again, often supported by foreign investment.

Overall, strong economic growth, increasing employment, increasing population and lower taxes will continue to drive the commercial property and retail markets. Although there is likely to be some reduction in the pace of growth, the Irish commercial property market remains broadly stable and the long-term outlook for the Irish economy remains strong.

In summary: Ireland's economic outlook is positive, putting Ireland amongst the strongest growing economies in 2022, and it is forecast to be the second largest growing economy in the EU behind Faroe Islands. Ireland's international sector is complemented by a strong domestic economy which should lead to further rises in employment and a positive impact on the commercial property market.

O'Neill & Co is an independent practice of Chartered Surveyors & Auctioneers with extensive experience in the valuation and appraisal of commercial, residential, agricultural and development land and property.



OUR PHILOSOPHY

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Our aim is to meet the operational and business objectives of the contract with seamless communication and expert service delivery management to the client.

We operate a strict client care policy with a single point of contact to ensure smooth communication and a personalised service. Our high client retention and referral rate is testimony to our approach.

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