ILIM

Life \ Pensions \ **Investments**

Quarterly Report
Q2 2025
Pension Irish Property Fund

more **INVESTED**

FUND CHARACTERISTICS

AT A GLANCE ▼

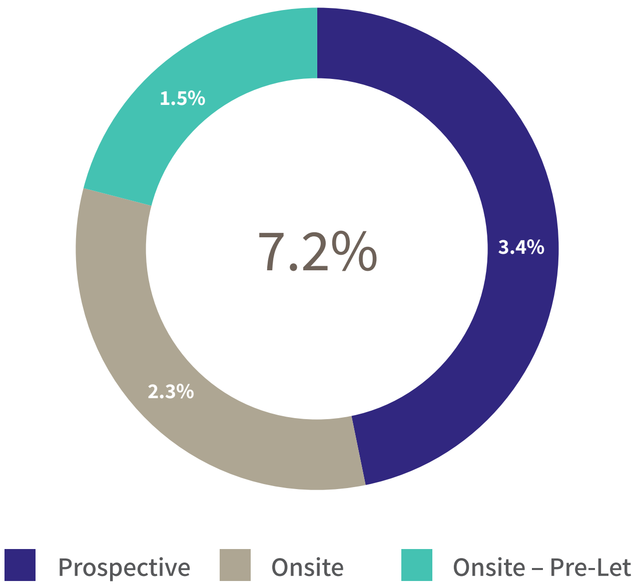
NAV	GAV	NO. OF ASSETS	GRESB ★★★★★ 2024
€1.12bn	€1.30bn	89	

FLOOR AREA (SQ FT)	PASSING RENT PA	MARKET RENT PA	WAULT
4.39m	€83.52m	€104.37m	6.05 yrs

YIELD PROFILE ▼

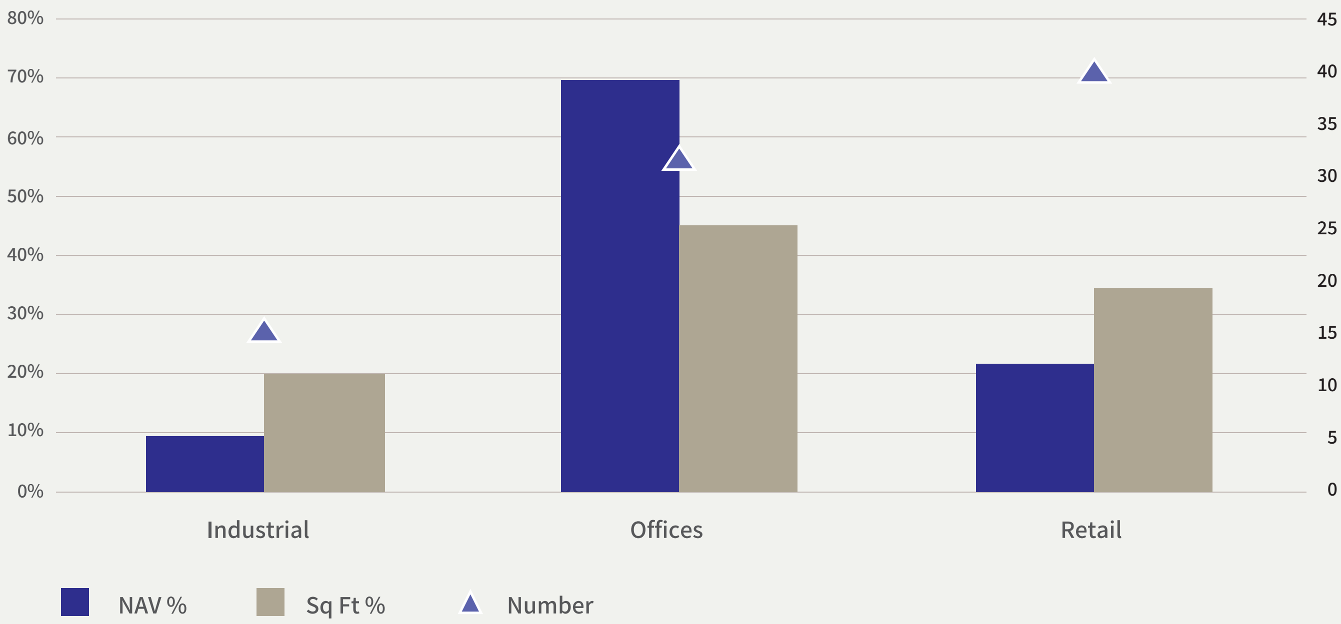
DEVELOPMENT ASSETS

as % of NAV

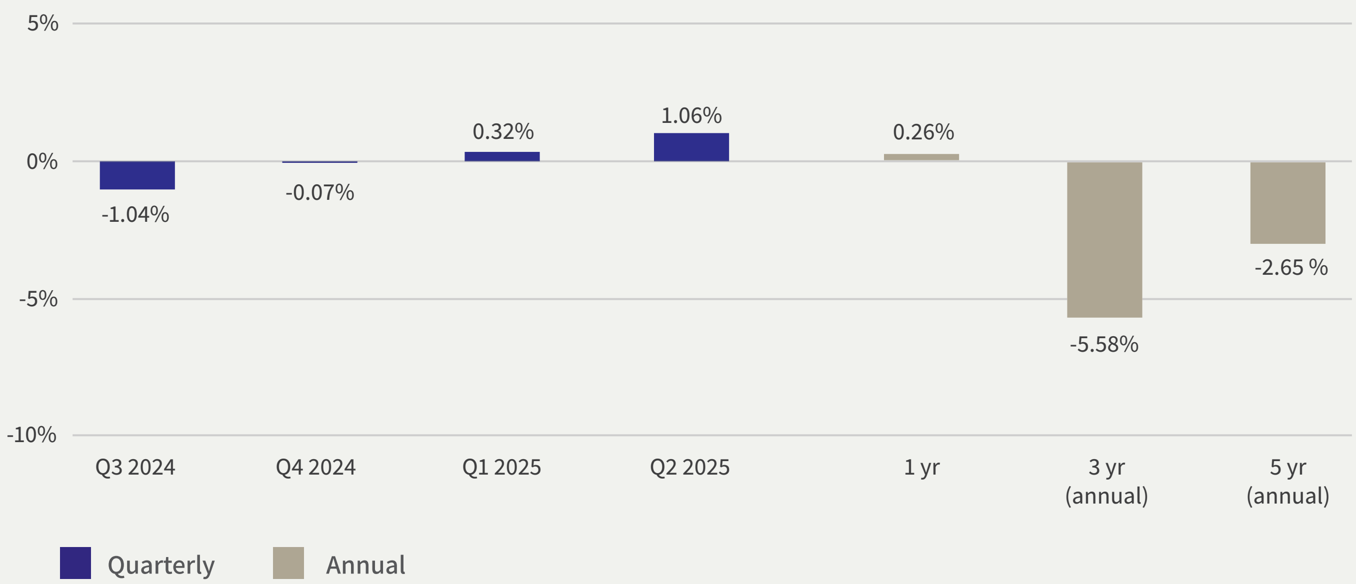


FUND CHARACTERISTICS

SECTOR



FUND PRICE PERFORMANCE



MARKET COMMENTARY

Turnover in the Irish property investment market reached €381.5m in Q2 with a total of 21 deals at an average deal size of €18.1m. A total of 13% of investors were from Ireland, 32% from North America and 53% from mainland Europe. This brings the total year-to-date turnover to €924m. A high proportion of international investors demonstrates confidence in Ireland as a secure destination for capital and capacity to generate growth.

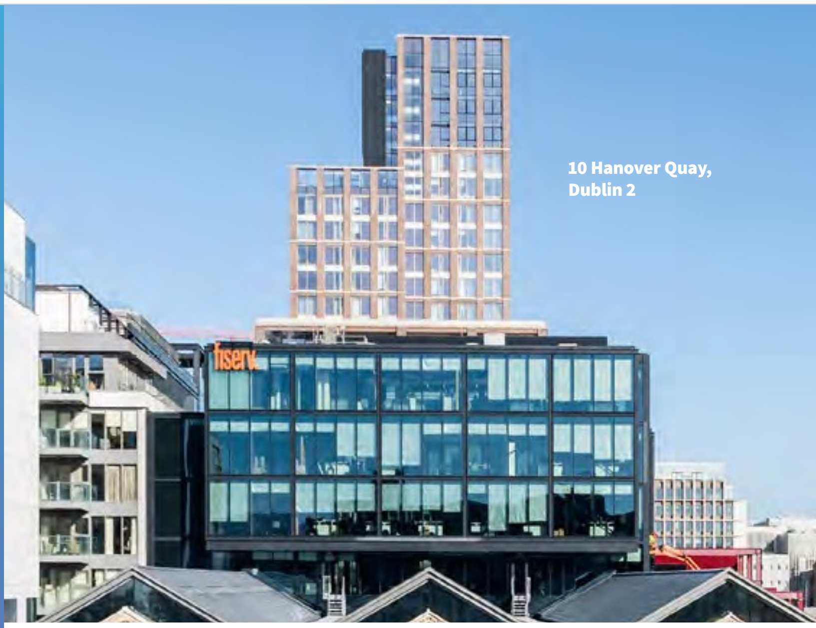
The largest deal of the quarter was the Trinity Collection of retail parks, acquired by US real estate investment trust Realty Income Corporation for a reported €123.5m (a third of the total spend during the quarter). The sale price reflects a net initial yield of 6.76%. The portfolio includes Belgard Retail Park, Tallaght; M1 Retail Park, Drogheda; and Poppyfield Retail Park, Clonmel. This purchase follows eight retail parks that Realty Income Corporation purchased for €220 million in Q1 from Oaktree Capital Management. This sub-sector has attracted significant demand from a wide variety of investors recently due to strong occupational market fundamentals and attractive yields, making debt accretive to performance. Also during the quarter, a private investor acquired 65-66 Grafton Street (occupied by Massimo Dutti) from IPUT and Aviva for a reported figure of €19m, which would represent a net income yield of 5.2%. The deal extends the recent trend of private investors returning to Grafton Street and generating competitive bidding processes, which is beginning to translate into yield compression in this location.

At the end of Q2, several prospective investors were competing to acquire Jervis Shopping Centre in Dublin 1, which is being marketed at a guide price of €120m.

Although the retail sector accounted for the largest single transaction in Q2, the largest spend was into offices (47%). US institutional investor Kennedy Wilson sold two prime offices during the quarter: 20 Kildare Street was bought by Deka Immobilien for €70 million (reflecting an income yield of 5.2% and a rate per sq. ft. of €1,083); and Pontegadea, the Spanish family office of Zara founder Amancio Ortega, acquired 10 Hanover Quay in the South Dublin docklands for €66m (reflecting an income yield of 5.4% and a rate per sq. ft. of €967). These deals generated much-needed evidence of prime office demand, helping valuers more accurately assess other prime offices.

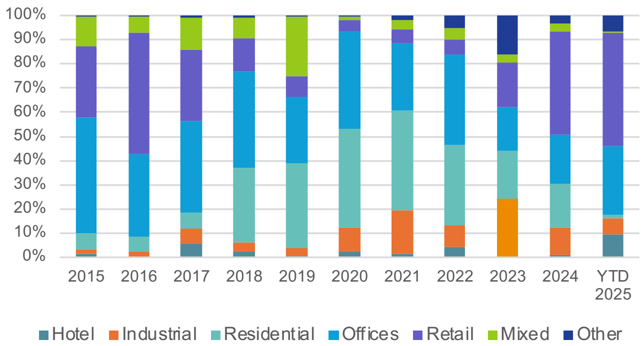
In addition, Corum, a French asset manager, acquired the Infinity Building in Smithfield for €42m, at an income yield of 8.4%, which demonstrates the attractive yields available for non-prime stock. Further up the risk curve, an unfinished development site known as Camden Yard, was placed on the market at a guide of €90m. This is a mixed-use development opportunity of offices, residential, and retail, closely located to St. Stephen's Green.

Despite pent-up demand for residential and industrial/logistics investments, little activity was registered in these sectors in Q2 – with just €23m invested into logistics and no material residential or student housing deals at all. Government measures were enacted and proposed in Q2 to improve the viability of new development of residential accommodation.



10 Hanover Quay, Dublin 2

Investment Market Share by Sector 2015 - 2025



Source: Savills

Office

During the quarter, take-up of office space in Dublin amounted to 644,000 sq. ft. This brings the total take-up of office space in the city during the first half of the year to 1,041,000 sq. ft. Almost 550,000 sq. ft. of this was in Dublin 2/4, accounting for 85% of take-up. Once again, this demonstrates the heightened relative demand for offices in prime locations, which is illustrated in several examples.

The largest leasing deal of the quarter came from Workday. After selecting its new HQ at College Square in August 2024, in Q2 it completed on a 20-year lease for 416,000 sq. ft., moving from a peripheral city location close to Smithfield. This deal represents the largest letting in Europe this year in terms of size and significantly reduces the amount of Grade A space available in the city core. Another significant commitment during the quarter was the assignment of Horizon Therapeutics' lease of 70 St. Stephen's Green to Vodafone. The telecommunications company is moving from its existing Irish HQ in the south suburbs. This property was redeveloped by Irish Life in 2021 and is held in its unit-linked funds.

Rental levels for the best stock remained relatively stable (>€60 per sq. ft.), although longer-than-normal rent-free periods are being negotiated on behalf of tenants. With the Workday deal, the technology sector accounted for the largest proportion of Dublin take-up, which included seven other leasing deals executed on behalf of tech occupiers. Just under 377,000 sq. ft. remains under construction, reflecting approximately the take up for one quarter.

Retail

Positive occupational performance in the retail sector is a significant factor in the strong investment interest in the sector.

Bannon, a consultancy, is tracking an occupancy rate of 94% that includes high streets, shopping centres, and retail parks. Improving marginally from Q1, this highlights sustained tenant demand. Shopping centre and retail park footfall is at its highest levels since the pandemic (although high street footfall remains below pre-pandemic levels). Rental growth is now a material factor in the retail park sub-sector, generating capital growth, as well as improving rental yields. Otherwise, occupational demand is persistent, maintaining rental levels across prime high streets and shopping centres.

Industrial

The industrial and logistics market is currently characterised by a low vacancy rate (around 2%) and sustained demand for most size categories and locations. These factors mean rents are at historically high levels, generating rental growth at opportunities such as new leasing events or rent reviews. Most agencies are reporting a headline rental value of €13.50 per sq. ft. for high-quality product, with evidence of rents above this achieved for specific opportunities.

As well as growth prospects, the longer-term nature of leases to occupiers in this sector attracts a wide variety of investors, as well as greater adoption of index-linked reviews of rents during the term of a contract. This is in contrast to the general trend across the office and retail sectors, where tenants are negotiating greater flexibility as a market standard (retail) or due to lower aggregate demand (offices).

Occupational take-up in the first six months of 2025 amounted to 1,185,000 sq. ft., a relatively healthy quantum compared with long-term averages. This included a large 110,000 sq. ft. unit in Cloverhill Industrial Estate to Primeline Logistics, and two leases to Nesta Self Storage. One of these buildings, Burton Hall, Sandyford, is managed by ILIM, where a rent of €11.50 per sq. ft. was agreed on two units, extending to nearly 70,000 sq. ft. in total. A sale process of Nesta's self-storage business commenced in Q2. This sector, operational real estate, has seen greater institutional interest recently. It is understood a number of international investors are engaged on the opportunity.

OUTLOOK

Fund raising is a primary driver of, and precursor, to market activity in real estate. This remained at lower than longer-term levels into H1 2025. However PERE recorded an uptick on the same period in 2024 to $110.5bn (€94m) of capital raised for real estate strategies, globally. Despite low levels of new fund raising, a significant amount of capital that has been raised is yet to be deployed. A majority of this capital is earmarked for opportunistic or value-add opportunities.

Recent deals completed locally in Q2 illustrate healthy demand for Irish real estate, particularly for the prime office segment, where prices achieved will buoy values for similar product and may encourage further activity in coming months.

The nature of inward investment into the country reflects a cohort of respected, high-profile international groups demonstrating confidence in future growth prospects here. Ongoing sales processes support this and will support liquidity in the coming months.

Positive performance in equity and bond markets in H1, once maintained, will offer larger investors greater capacity to invest in real estate. In addition, the continued trend of lower interest rates will have a direct impact on pricing levels and viability of various types of real estate investment.

Occupational market dynamics are now geared towards growth in the retail and industrial sectors, while a pending supply/demand imbalance is projected to support prime office rents into the medium term. Lower-quality office space remains over-supplied, and we expect structural vacancy to persist in that sub-sector for the foreseeable future.

It remains to be seen what final set of legislative measures are introduced to amend rent-control mechanisms in the residential sector. However, we believe the introduction of an ability to reset rents to market level, in principle, is a positive step. Despite the urgent need for greater activity in this sector, the impact of these changes will be more accurately measured in years, rather than months.

FUND UPDATE

The Fund's underlying portfolio was merged with the ILIM managed Modules Property Fund in May 2025. This provides it with a wider pool of assets and improves its diversification and income profile, but does not materially alter its sector weighting or risk profile. As at the end of Q2, the Fund has exposure to 89 assets, an increase of 26 on Q1. The largest addition was 70 St. Stephen's Green, a prime office developed by Irish Life in 2021, which is now leased to Vodafone with a term certain of around 11 years. In addition, the Fund now holds a larger proportion of Pavilions and Ilac shopping centres.

The Fund returned 1.06% in Q2, comprising mainly income in a period of stable capital performance. Despite the relatively low levels of investment activity in the market, sufficient evidence is being generated across all sectors for valuers to assess the Fund's portfolio, which saw capital growth in some prime office, retail and industrial assets in Q2.

A number of new leasing deals helped boost the Fund's income profile in Q2, including a new lease with Nesta for an industrial unit of approximately 70,000 sq. ft. at Burton Hall, Sandyford, securing a rent of €11.53 per sq. ft.

The Fund holds two mixed-use blocks in City Gate Business Park, Cork, where two new occupiers were secured in H1, accounting for approximately 30,000 sq. ft. of space for office and medical uses. This represents 30% of the local leasing market in Cork during that period. Advanced discussions are ongoing with prospective occupiers for a larger share of remaining space in the property, which are expected to conclude later in the year.

Occupational demand for prime retail space has been seen across the Fund's holdings in recent times. Accessorize opened a new store in 19 Henry Street in Q2, following the completion of a new ten-year lease. In Pavilions Shopping Centre, Sports Direct opened a 13,000 sq. ft. anchor unit in June, complimenting other recent additions including Dylan Oaks (jewellery and accessories), Rituals, Lovisa and Healthy Trends. Post quarter-end, a new lease was executed with Normal in Ilac Shopping Centre, which will be that retailer's first store in Ireland.

Lastly, Mango opened a flagship retail outlet in the redeveloped 112/113 Grafton Street in Q2 following an extensive fit-out. The lease was completed in Q4 2024.

The Fund's two ongoing office developments at The Frame, Baggot Street and 1 Adelaide Road saw significant progress in Q2. Practical completion of The Frame was achieved shortly after quarter end. The building occupies a prominent position at the intersection of Baggot Street and the Grand Canal.


Citygate, Cork

Pavilions Shopping Centre, Swords

Mango, 112-113 Grafton Street


The Frame, Baggot Street

ESG

ILIM believes that prudent integration of ESG factors into physical property investment decisions will lead to more sustainable long-term returns, helping to manage risk and enhance growth opportunities. ILIM adopts an active ownership approach across the real estate assets in which it invests on behalf of its clients, and aims to maximise the medium- to long-term value for its clients.

Regarding standing assets, this involves constructively engaging with property managers, encouraging better standards and management processes covering financially material sustainability risks. At asset level, ILIM has developed an Environmental Management System (EMS) to manage sustainability impacts, risk and opportunities across its clients' real estate portfolios. The EMS also aims to improve resilience and performance in clients' portfolios and assets, thereby avoiding a significant diminution in value which might result from poor environmental management, and which may lead to the 'stranding' of a real estate asset.

In all new developments, key elements of globally recognised sustainability standards, including LEED (Leadership in Energy and Environmental Design), WELL Building Standard and net-zero carbon, are integrated, while being mindful of broad environmental considerations.

As part of the real estate acquisition process, a comprehensive due diligence is conducted that includes financial, physical, governance, regulatory, market, environmental and social considerations. The due diligence process includes a technical assessment against material ESG themes. These technical assessments result in Property Improvement Plans which seek to improve ESG impacts and put the asset on a pathway to net zero to reduce its carbon emissions.

ILIM participates in the Global Real Estate Sustainability Benchmark ("GRESB") and has set specific ambitions relating to energy, water, and waste and wellbeing, together with a robust reporting regime to monitor performance against those aims, and to provide a basis for engagement with tenants and other stakeholders across its clients' property portfolios.

This process is implemented for acquisitions, refurbishments and new developments. LEED platinum is explicitly focused on new developments. These procedures provide guidelines to reduce the exposure of ILIM's clients and their assets to risks associated with or arising from environmental problems or issues. In 2024, ILIM was awarded green stars in all the managed property funds that participated in GRESB (Global Real Estate Sustainability Benchmark), denoting our continued sector leadership: a green star is reserved for the top 20% of over 2,000 participants globally in GRESB.

GRESB is the leading ESG benchmark for real estate and infrastructure investments worldwide and ILIM remains the largest GRESB participant in Ireland. Following its prior successes, the Pension Fund was again awarded five stars in GRESB in 2024 (based on an assessment of 2023's activity). Most impressively, ILIM was ranked first in Europe in its GRESB Development score, having achieved 100%. This achievement is huge validation to our commitment to sustainability and an outstanding result for the ILIM Property team and Pension fund.

The 2025 GRESB submission was made in Q2, with results expected to be received in Q4. Stars are awarded on a relative basis, so retaining the maximum five-star ranking will depend on the performance of other participating funds. ILIM is committed to continuously improving the Fund's performance in this context.

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