A €30 million refurbishment and extension of the Frascati Centre in Dublin is nearly complete

Invesco is behind the Frascati's €30 million refurbishment

The total investment in the Frascati will be €100 million

# Shopping centre sales a litmus test

Better value is reviving investor interest as key sites in Galway, Cork, Limerick and Dublin go to market, writes **Donal Buckley**

Savills is asking €76 million for Wilton Shopping Centre in Cork

A number of retail investment opportunities have recently been launched in what will prove to be an interesting test of the regional and suburban retail markets at a time when the occupiers face challenges from international online operators.

Marie Hunt of CBRE explained recently that: "for various reasons, the buyer pool for retail investments thinned considerably across Europe during the first half of 2018 leading to a softening in retail yields in some locations".

This dip in appetite was also seen in Ireland when some opportunist funds withdrew regional shopping centres from the sales process after they could not get their asking prices.

Nor have consumer trends helped. While the volume of Irish retail sales, excluding motors, has risen by 14 per cent since 2015, according to the most recent CSO index, the value of those sales had increased by less than 7 per cent over the 31 months to July this year. This gap reflects how bricks-and-mortar retailers are responding to online and cross-border competitors by continuing their tight margins which make it difficult for them to afford rent increases.

The current autumn property season has seen some agents pitch prices for investment sales at levels which reflect the changed market. One observer suggests that yields for some regional Irish shopping centres may have softened by as much as 50 basis points and some are available at net yields of more than 6 per cent.

Those types of yields look very attractive compared to closer to 4 per cent for prime Dublin retail, offices and build-to-rent schemes.

Meanwhile appetite among some investors also seems to have improved. Indeed some counter cyclical investors are taking advantage of opportunities offered by those who are divesting of European retail assets. By European and particularly British terms, the Irish retail occupier market is considered comparatively strong and boosted by job creation, wage inflation, rising house prices and population growth.

Dessie Kilkenny of Savills said one of the other positives had been the pick-up in house sales, which has helped bulky goods retailers. CSO retail sales figures confirm this is the strongest growth sector with home equipment sales up 13.6 per cent in volume over the 12 months to the end of July although in value terms its growth was only half of that.

Max Reilly of JLL said the reduction in overall personal debt levels in Ireland also pointed to increased disposable income. He is also encouraged by recent comment from some US funds adopting a more positive attitude to the sector partly due to the better value on offer.

The strength of the Dublin suburban retail market may also be reflected in Deutsche Bank's recent purchase of Westend Retail Park in Blanchardstown, for €147.7 million. Comprising almost 21,440 square metres of retail space and about 6,620 square metres of offices and with a rent roll of €8.5 million, the deal suggests a gross yield of 5.75 per cent.

In Galway city centre Friends First bought City Point building at Eyre Square, for around €22 million. At just over 7,100 square metres of retail, office and residential space, it generates rental income of around €1.5 million annually, suggesting a gross yield of around 6.8 per cent.

Among the forthcoming deals which will offer guidance on the types of buyers and their appetite for Irish retail will be the sale by York Capital and Clarendon Properties of the Wilton Shopping Centre in the western suburbs of Cork city. Agent Savills is asking €76 million for the centre, suggesting a net initial yield of 6.75 per cent on a net operating income of about €5.54 million. Virtually fully occupied, the lot extends to 11,277 square metres of retail space. It is anchored by Penneys. Tesco owns its own store on the campus.

Wilton's 11-acre site also has development potential as the agent is guiding €10 million for part of the site which has received the local council's approval for further development including a 7,000 square metre shop, a 190-bedroom hotel, cinema and offices.

Yet another test of the market will be the sale of City East Retail Park in Limerick. Dessie Kilkenny is seeking offers of more than €28 million, suggesting an income yield of 7.58 per cent. Set out in two detached blocks, its floor space extends to 16,607 square metres with 525 free surface car parking spaces and a rent roll of more than €2.3 million. It also has potential for two more units.

In north Dublin, JLL is guiding €21.5 million for Swords Central Shopping Centre. With 278 square metres of retail accommodation, it produces a rental income of €1.3 million from 12 shops; a 320-space car park produces an average annual income of €280,000. This suggests a net initial return of 5.57 per cent but it could increase to 6 per cent when the last unit is let.

Other signs of increased investor confidence in the Irish market have been the retail development projects. Global investment manager Invesco Real Estate is close to completing a €30 million refurbishment and extension of Frascati Centre in Blackrock, Co Dublin, bringing total investment there to more than €100 million.

Just across the road Friends First is upgrading the Blackrock Shopping Centre where it will expand units, add floors to the front of the centre and upgrading the façade, mall and shop fronts.

"We want to create a unique and artisanal shopping experience which adds to Blackrock village and forms an integral part of the town with the addition of new uses such as retail and leisure," said Friends' head of property, Claire Solon.

City East Shopping Centre in Limerick, which is guiding in excess of €28 million

Swords Central Shopping Centre: on the market at €21.5m

A new Premier Inn hotel will occupy a long-vacant corner site

## Premier Inn to move into South Great George's Street

CBRE's hotel division has let a new hotel at South Great George's Street in Dublin 2 to British budget hotel chain Premier Inn.

Planning permission was recently granted by Dublin City Council to Grosam Properties, a joint venture between Warren Private and Greenleaf Group, for the conversion of the landmark building at the intersection of South Great George's Street and Stephen Street to a 97-bedroom hotel.

The proposed development will also include retail units, which should generate keen interest from tenants.

The long-vacant building, formerly owned by Dockrell's, occupies a prominent trading position in Dublin city centre. The property is located just off Dame Street and close to Grafton Street and Trinity College. It is convenient to a host of tourist attractions including Dublin Castle and Christchurch Cathedral.

It is situated in a prime and central entertainment area of the city, beside the Temple Bar area and at the centre of a choice of trendy bars, nightclubs, restaurants and theatres in the area.

The new hotel will be Premier Inn's first site in Dublin city centre. The Whitbread-owned hotel brand has one other hotel open in Ireland which is located near Dublin airport. Whitbread confirmed the new hotel would include Premier Inn's in-house Thyme Restaurant and it is expected the new development will be open by summer 2021.

# Penrose Dock development will be a new Cork landmark

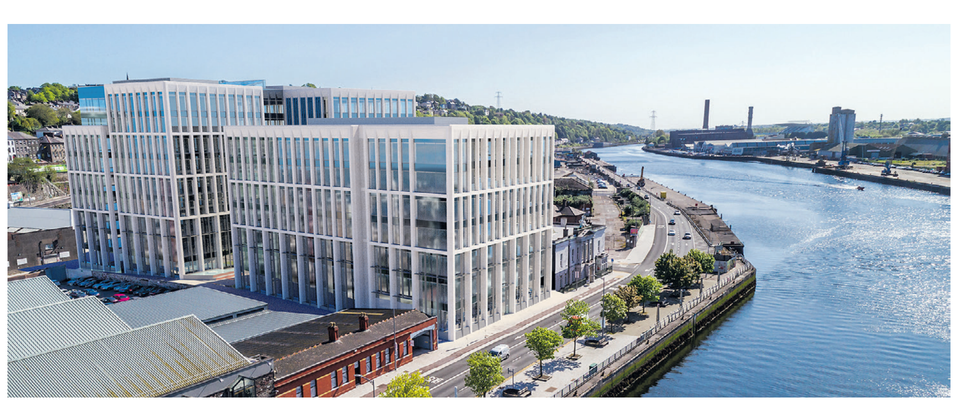
BY TINA-MARIE O'NEILL

Cork City development received a shot in the arm last week after developer JCD was given the green light for its €125 million Penrose Dock scheme in the heart of the city's docklands area.

The company expects to be on site in a matter of weeks to begin working on the 23,225 square metre Platinum LEED-designed office scheme. An active and stalwart player in the city's commercial field, the JCD group has delivered almost 80,000 square metres of Grade A office space in Cork in the last decade, working steadily through the recession, creating a string of landmark buildings and helping to transform Cork's skyline with a series of projects, including One Albert Quay, The Capitol, 97 South Mall and 85 South Mall.

The company has also proved to be successful in attracting buyers of its schemes and has completed more than €165 million in transactions with institutional investors such as Real IS, Green Reit, Irish Life and multinational companies.

Its latest scheme, Penrose Dock, will comprise two Platinum LEED-designed office blocks located on the North Quays and will retain the historic 1,115 square metre Penrose House as a key feature of the 1.8-acre scheme.



JCD has been given the green light for its €125 million Penrose Dock scheme in Cork

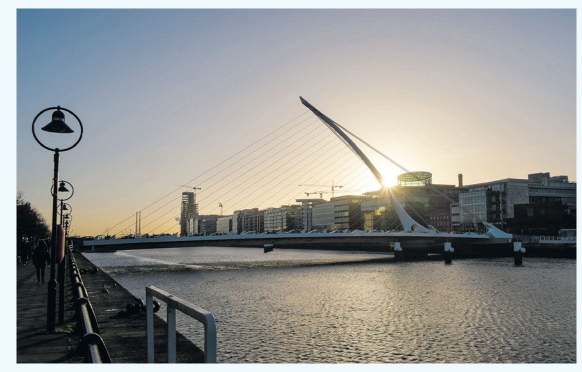
One Penrose Dock will be located on the banks of the River Lee with a lettable area of 80,000 sq. ft., while Two Penrose Dock – with a lettable area of 7,432 square metres – will be located next to the new pedestrian entrance at Kent train station.

One Penrose Dock will boast column-less 1,160 square metre floors with uninterrupted views of the city and harbour. Two Penrose Dock will have about 1,860 square metre column-less floor plates, a large town hall area for the hosting of events, a 975.5 square metre gym and a wine bar/coffee shop (subject to permission), and half of the car spaces will be fitted with charging points for electric vehicles.

The project is also the first to target the top Platinum LEED certification outside Dublin. The Leadership in Energy and Environmental Design (LEED) standard is the most widely used green building rating system in the world. The framework sets the standards that are used to create healthy, highly efficient buildings with lower running costs for the occupiers. LEED certification is a globally recognized symbol of sustainability.

Located just minutes away from the city centre's core and right next to MacCurtain Street and the city's Victorian Quarter, Penrose Dock will also complement existing and planned schemes such as One Albert Quay and Navigation Square on the South Quays, as well as Horgan's Quay with its proposed hotel and apartment scheme. Its proximity to Kent Station is another unique selling point for the development as the station has been identified as a key interchange point for the new Rapid Transit Corridor under the Government's National Planning Framework 2040.

The development was designed by award-winning Wilson Architecture, while Cork-based construction firm PJ Hegarty & Sons has been appointed as the main contractor for the fully funded project.



'Planning must be evidence-based to be sustainable'

# Fear of heights

Yes, we should judiciously relax restrictions on taller buildings – but there are other ways to achieve the compact urban growth we sorely need

BY JOE CORR

We have all heard the old saying, 'never discuss politics or religion in polite company'. I sometimes wonder if planning should come with the same health warning, such is its ability to elicit impassioned comment.

The recent publication by the Department of Housing, Planning and Local Government of Draft Guidelines on Urban Development and Building Heights was a case in point, with the immediate voices on our airwaves decrying the prospect that planning regulations would be adjusted to allow for taller residential buildings. The risk is that the argument becomes black and white, about tall buildings or no tall buildings, when the context is in fact much more nuanced.

There is no argument with the premise of the guidelines: that the current pattern of urban settlement in Ireland is unsustainable. We welcome the draft guidelines as a basis for debate on how that will be addressed.

For the Irish Planning Institute (IPI) there are a number of core principles that must be to the fore in any contribution to the consultation about these draft guidelines. The central driver of those principles is that planning must be evidence-based if development is to be sustainable.

Critically, this discussion has to be about more than 'tall buildings', which are just one possible element that may contribute to addressing the wider challenge. The real objective is to frame policies that will allow a greater level of compact urban growth and increased density as set in the National Planning Framework published earlier this year.

The evidence supporting this need faces all of us daily. For decades now, the housing market has evolved to the point where affordable accommodation is, for many first-time house buyers, only available in commuter towns and villages around our larger cities. That creates a necessity for ever longer commutes to work in those cities, the majority by car, resulting in congested roads and increased greenhouse gas emissions. For young working couples with children, long days away from home hinder and add expense to family life.

By contrast, having the scope to consolidate as much new development as possible within the existing footprint of our cities and towns would bring homes closer to jobs and enable a more efficient and economic provision of public transport.

The IPI believes the key to achieving compact cities and towns is to increase density, particularly along high-capacity public transport routes. Recent Census trends point towards smaller household sizes, suggesting a need to move away from the typical suburban residential estate comprising only three- and four-bedroom houses. Good design can ensure that a mix of unit sizes is provided at medium densities in a way that protects the amenities of both new and existing residents.

Higher density does not necessarily mean high-rise such as multi-storey apartment blocks. While we welcome the willingness to consider all options, it is over-simplistic to imagine that the solution to our housing challenge is that 'our cities and our towns must grow upwards, not just outwards'.

Of course, there are some areas where there is scope for taller buildings – in larger cities mainly. In many cases such as the Dublin Docklands, these are already identified for height in local planning policy.

We should not fear height. The outcome of the new guidelines should be that there is provision for height rather than height becoming a target. The guidelines should require that individual planning authorities include an evidence-based building heights policy in its development plan that is informed by a balance of the needs of their environment – economic and social.

These policies should promote the achievement of compact cities and towns, and give clear guidance to both developers and local residents. Arbitrary height caps, or indeed arbitrary height minima, should have no place in such policies.

The policies also need to recognise that high buildings don't always deliver high density, and that the added construction cost of tall buildings can militate against affordability. The focus of planning must be to realise places in which people and families want to live, work and build communities.

Notwithstanding this, too often debate around height is focused on the potential for adverse impacts. For many hundreds of years, tall structures, such as round towers, spires and domes, have punctuated the Irish skyline. Yet, in Ireland, modern high buildings are tolerated with reluctance rather than embraced.

The danger in that context is that this discussion and consultation focuses on the wrong things. There are urgent needs in society around housing that impact on the economy generally and citizens specifically. We must give planning authorities the latitude within an established framework to make decisions that answer to the evidence-based needs in the first instance. That would be effective planning.

*Joe Corr is president of the Irish Planning Institute, whose autumn conference 'Planning for Regeneration' takes place on October 5 at the Gibson Hotel, Dublin*