

# Davy Irish Property Fund

## Q4 2020 Report

3 Months to 31 December 2020

Welcome to the Quarterly Report for the Davy Irish Property Fund (“DIPF” or “the Fund”)

## Overview

- Overall Fund performance is down 10.5% for the year to date and down 4.25% for the quarter.
- Gross Asset Value (GAV) at 31 December 2020 is €227m, as compared to €236m at the end of Q3 2020.
- Q4 dividend per unit is €181 and €713 for the rolling 12 months to 31 December 2020.
- The Fund net income distribution has strengthened in Q4 with the annualised quarterly distribution being 5.5%.
- Rent collection for the quarter across the portfolio is 78% of rent billed and 87% for the full year.

## Key Fund Metrics

**-4.25%**

Total Return – Q4



**€227m<sup>1,2</sup>**

Gross Asset Value



**-5.62%**

Capital Return – Q4



**€154m<sup>1</sup>**

Net Asset Value



**+1.37%**

Income Return – Q4



**€12,521**

NAV per Unit



## Fund Performance – Unit Class D

	Capital	Income	Total return
<b>QTR on QTR</b>	-5.62%	1.37%	<b>-4.25%</b>
<b>YTD</b>	-15.30%	4.83%	<b>-10.48%</b>
<b>1 yr p.a.</b>	-15.30%	4.83%	<b>-10.48%</b>
<b>3 yrs p.a.</b>	-5.30%	5.13%	<b>-0.17%</b>
<b>5 yrs p.a.</b>	-1.57%	5.30%	<b>3.72%</b>
<b>10 yrs p.a.</b>	5.41%	2.65%	<b>8.06%</b>

<sup>1</sup> This figure has been rounded by Davy

<sup>2</sup> Gross Asset Value means the Net Asset Value of the Fund plus borrowings

All data refers to Unit Class D (Distributing) - Sedol Number 9795233

All performance figures are for the period ending 31 December 2020  
3 and 5 year figures show the annual average performance for those periods

These figures are net of fees. Capital Return represents Net Asset Value (NAV) excluding dividends. Income Return represents dividends distributed.

Sources: Northern Trust and J & E Davy

**Warning: Past performance is not a reliable guide to future performance. The value of your investment may go down as well as up. The income you get from this investment may go down as well as up.**

**Warning: Forecasts are not a reliable indicator of future results.**

**It's not just business. It's personal.**

# Performance

The Fund's bid unit price at 31 December 2020 was €12,521. This reflects a decrease of 5.6% in the unit price of the Fund for the quarter. The distribution yield for the quarter was 1.4% giving a total return of 4.3%.

During the quarter, transactional evidence in the office and logistics sectors provided a basis for the valuers to remove the material uncertainty clause from the valuation of those two sectors. This clause has been left in place for the retail sectors and is being applied to all property fund valuations across the UK and Ireland.

The Fund is pleased to announce the acquisition of two properties during the quarter.

The first property is Model Farm Road in Cork, a detached warehouse and office building extending internally over 32,883sqft with 177 car parking spaces and sitting on 2.9 acres of land. The property is located in the Cork Business and Technology Park, an established mixed use location west of Cork city close to major road routes and approximately 1km from Cork University Hospital. The entire property is let on a 20-year lease to the HSE from August 2018 and is subject to five yearly CPI linked rent review.

The second property is a four-story office building in Galway Financial Services Centre (GFSC) in Galway city. The property extends over 16,249 sq ft and is currently let to DCI Radius Group on part ground floor and 1st floor, Bryan S Ryan on ground floor and Deloitte on the 2nd and 3rd floor. While the initial yield on the property is strong, there is significant reversionary yield opportunities as leases expire over the coming years.

The effects of Covid-19 continued to impact asset values and provided a challenging macro environment in terms of rent collections and tenant trading during the quarter.

The high street assets and Nutgrove Shopping Centre saw valuation drawdowns of 6.8% and 4.3% respectively as weak investor sentiment toward the retail sectors continued. While rent collection in the Fund has been strong at 78%, the yield expansion has negatively impacted valuation across the sector.

The office and logistics assets valuation have been robust in face of the Covid-19 pandemic and rent collections for Q4 were 98% and 100% respectively. This rent recovery performance in the quarter was a continuation of the strong collection rates during previous quarters and has underpinned the Fund distribution rate over the year.



**European Property  
Investment Awards  
WINNER 2018**



	2016	2017	2018	2019	2020
<b>Capital Return</b>	8.7%	0.8%	2.3%	-2.95%	-15.3%
<b>Income Return</b>	4.7%	4.5%	4.8%	5.67%	4.82%
<b>Total Return</b>	<b>13.4%</b>	<b>5.4%</b>	<b>7.1%</b>	<b>2.72%</b>	<b>-10.48</b>

These figures are net of fees and represent calendar year performance for unit class D. Capital Return represents Net Asset Value (NAV) excluding dividends. Income Return represents dividends distributed. Source: Northern Trust & J & E Davy

**Warning: Past performance is not a reliable guide to future performance. The value of your investment may go down as well as up. This product may be affected by changes in currency exchange rates.**

**Warning: Forecasts are not a reliable indicator of future results.**

# Top 3 Holdings

## Nutgrove Shopping Centre



Size 111,000 sq ft  
 Ownership 67%  
 Tenants Multi Tenanted. Anchored by Tesco, Dunnes and Penneys  
 WAULT 4.4 Years

## 20 On Hatch



Size 44,000 sq ft  
 Ownership 100%  
 Tenants MetLife, Medtronic  
 WAULT 5.41 Years

## Percy Place



Size 36,000 sq ft  
 Ownership 75.91%  
 Tenants Multi Tenanted  
 WAULT 8.55 Years

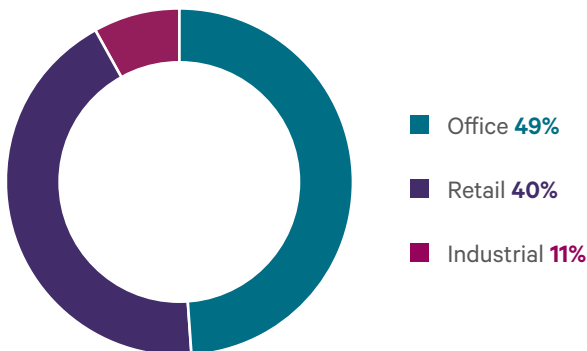
# Distributions

The distribution of net Q4 income was declared at the end of the quarter and will be distributed during January. This distribution equates to €181 per unit and brings the income distributed for the rolling 12-month period to €714 per unit or 4.83%.

The Fund is established as an open-ended fund with limited liquidity. The Manager will endeavour to redeem a redemption request as quickly as possible and it is expected that a

redemption request will be fully dealt with within three years. Although it is intended that a certain number of Units will be redeemed on each Redemption Date occurring during this three-year period, there is no guarantee that a minimum number of units will be redeemed on any given Redemption Date during this three-year period. The eventual redemption proceeds may differ from the redemption price at the date of redemption notification.

## Portfolio Breakdown



### Office

8 properties  
 215,490 sq ft  
 25 tenants

### Retail

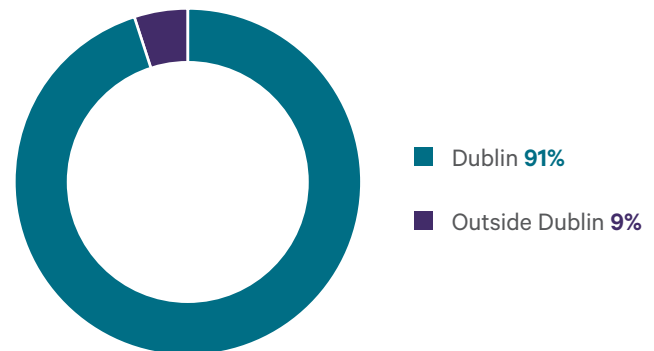
16 properties  
 180,203 sq ft  
 90 tenants

### Industrial

5 properties  
 219,028 sq ft  
 12 tenants

All data correct as at 31 December 2020  
 Source: J & E Davy unless otherwise stated  
 All data refers to Unit Class D (Distributing) - Sedol Number 9795233

## Geographical Split



Source Net Asset Value NAV - Northern Trust  
 \*WAULT = weighted average unexpired lease term Vacancy Rate by Value of the Fund

**Warning: Past performance is not a reliable guide to future performance. The value of your investment may go down as well as up. If you invest in this product, you may lose some or all of the money you invest.**

**Warning: Forecasts are not a reliable guide to future performance.**

# Prime CBD v Bond Rates

The Irish commercial property market has been severely challenged during 2020, with most sectors of the market negatively affected as a direct result of the global Covid-19 pandemic and then subsequent measures by the Government to shut down of the economy. The evolution of the pandemic in Ireland occurred with underlying threat of a no-deal Brexit in the background.

The challenges of the year have further crystallised our view around the importance that income return plays in the overall return profile for commercial real estate and recent activity in the Dublin market has suggested that investors, particularly foreign capital are looking to access additional exposure to secure long term income.

The income generating nature of real estate has become even more relevant given the recent global economic downturn and its aftermath, particularly for those risk-averse investors. The higher yields produced by commercial real estate are proving attractive relative to falling bond yields in the era of quantitative easing.

In addition to the absolute yield spreads between bonds and commercial property, the contractual nature of rental income returns has again delivered relatively consistent returns during periods where the broader markets have demonstrated significant volatility.

This pursuit of robust income and yield alpha has driven a significant volume of foreign investment in the Dublin office sector this year. Even with the uncertainty in the global market, €1bn was invested in the capital through to the end of September with 78% of this quantum being Foreign sourced and 77% of that coming out of Europe.

While Dublin rents per square foot look comparatively expensive against many European counterparts with 10 year Irish government bonds going negative, foreign investors have continued to look to the city to secure prime office space at risk adjusted yield increments relative to other European capital.

With a low yield environment forecast to continue over the coming years we expect to see a continuation of this foreign capital deploying into Dublin's office sector proving strength, diversity and resilience over the longer term.

	Prime office CBD *	10 year Bond Yield **
Switzerland	2.250	-0.5790
Germany	2.550	-0.5720
France	2.800	-0.3430
Netherlands	3.100	-0.4900
Italy	3.200	0.7490
Spain	3.250	-0.0190
Sweden	3.400	-0.0290
Denmark	3.500	-1.4230
UK	3.750	0.1920
Ireland	4.000	-0.3090
Portugal	4.000	0.0260

\* Source: CBRE - as at Nov 2020. Yield Table Sheet 2

\*\* Source: Davy - as at Dec 2020. Prime CDB v Bond

**Warning: Past performance is not a reliable guide to future performance. The value of your investment may go down as well as up. The income you get from this investment may go down as well as up.**

**Warning: Forecasts are not a reliable guide to future performance.**

This quarterly report is intended as a summary of activity and performance for the specified period. It is strictly for information purposes and is not intended to be a comprehensive list of all activities of the Fund or an invitation to invest. It is not a recommendation or investment research and is classified as a marketing communication in accordance with the European Union (Markets in Financial Instruments) Regulations 2017. It does not constitute an offer or solicitation for the purchase or sale of any financial instrument, trading strategy, product or service and does not take into account the investment objectives, knowledge and experience or financial situation of any particular person. Investors should be aware that the Manager & Alternative Investment Fund Manager ('AIFM') (Davy Global Fund Management) is a wholly owned subsidiary of the Investment Adviser and Distributor (J & E Davy) and the Directors of the Manager / AIFM may also be Directors of the Investment Adviser and Distributor; both companies are part of the J & E Davy Holdings Group. Our conflicts of interest management policy is available at [www.davy.ie](http://www.davy.ie).

**Dublin Office**

Davy House  
49 Dawson Street  
Dublin 2  
D02 PY05  
Ireland  
+353 1 679 7788  
[dublin@davy.ie](mailto:dublin@davy.ie)

**Belfast Office**

Donegall House  
7 Donegall Square North  
Belfast BT1 5GB  
Northern Ireland  
+44 28 90 310 655  
[belfast@davy.ie](mailto:belfast@davy.ie)

**Cork Office**

Hibernian House  
80A South Mall  
Cork  
T12 ACR7  
Ireland  
+353 21 425 1420  
[cork@davy.ie](mailto:cork@davy.ie)

**Galway Office**

1 Dockgate  
Dock Road  
Galway  
H91 K205  
Ireland  
+353 91 530 520  
[galway@davy.ie](mailto:galway@davy.ie)

**London Office**

Dashwood House  
69 Old Broad Street  
London EC2M 1QS  
United Kingdom  
+44 207 448 8870  
[london@davy.ie](mailto:london@davy.ie)

 @DavyGroup

[www.davy.ie/real-estate/dipf](http://www.davy.ie/real-estate/dipf)

J & E Davy, trading as Davy and Davy Real Estate, is regulated by the Central Bank of Ireland. J & E Davy is a member of Euronext Dublin and the London Stock Exchange. In the UK, J & E Davy is authorised by the Central Bank of Ireland and authorised and subject to limited regulation by the Financial Conduct Authority. Details about the extent of our authorisation and regulation by the Financial Conduct Authority are available from us on request. Davy Global Fund Management Limited, trading as Davy Global Fund Management, is regulated by the Central Bank of Ireland. In the UK, Davy Global Fund Management is authorised by the Central Bank of Ireland and is subject to limited regulation by the Financial Conduct Authority ("FCA"). In Luxembourg, Davy Global Fund Management is authorised by the Central Bank of Ireland and is subject to limited regulation by the Commission de Surveillance du Secteur Financier ("CSSF"). Details about the extent of our authorisation and regulation by the FCA and CSSF are available from us upon request.



[www.fsc.org](http://www.fsc.org)

MIX

Paper from  
responsible sources