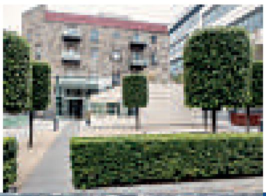
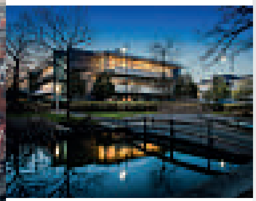
BCP

Invest with confidence





BCP PROPERTY VALUE ADD FUND UPDATE

PVAF UPDATE AND OUTLOOK

PVAF entered 2020 with €3.0m in contracted annual rent across the four income-producing properties, up 6% over 2019. This is equivalent to a 4.3% running yield based on the end-2019 valuations, and an 8.1% cash yield. Occupancy across the portfolio, based on occupied floor area, stood at 94% at end-December. The annual contracted rent is split across 40 tenants. 78% of the fund rent is contracted to office tenants, 13% to retail, 4% to restaurant & café, 3% to beauty and 2% to residential.

As at the start of September, 75% of the overall Q3 rent due to the fund had been collected. We have agreed rent payment schedules with a number of retail tenants and are proactively engaged with other tenants who are experiencing trading difficulties to structure rent payment plans. We are monitoring activity amongst our tenant base closely as we emerge from the Covid lockdown to mitigate collection risk and support tenants where we can.

We retain our performance objective of 8-10% annually net of fees over rolling five-year periods. Unit price performance in H1 2020 was -7.7%. Our long-term asset management objectives for each asset have not altered significantly. The investment strategy remains consistent and is driven by investing in value-add real estate in strong core locations. We retain a positive outlook for the Dublin commercial real estate market over the medium to long term. While transactional volumes have been low, investment and leasing deals have closed during the Covid lockdown (see Market Overview) at robust valuations and rents reflecting the fundamentals of the Dublin market which are much changed since the last crash.

Grafton Place:

(34% of NAV): Construction recommenced on May 18th. We have worked closely with all stakeholders (including our contractor Sisk and lender Goldman Sachs) to mitigate any Covid enforced delays and additional cost. Practical completion is now envisaged for February 2023 as against August 2022 pre-Covid. We are reassessing the leasing and marketing strategy in light of the changing market and expect to launch the scheme in Q1 2021. We remain positive that we can hit our target rents given the central location, envisaged quality of the scheme and timing to practical completion. We retain a positive outlook for units on prime high street locations where we believe the trading space still has a purpose and advancing technology (checkout-free / cashless shops) can help increase in-store sales volumes. This should be supportive for rents in our opinion.

Fumbally:

(30% of NAV): Most of the rent in Fumbally (96%) is contracted to office tenants while residential makes up 4%. Rent collection for Q3 currently sits at 85%. We have agreed a number of rent payment plans with tenants based on the level to which their underlying business was impacted because of Covid. Contracted rent is up 35% since acquisition in August 2018. We await a final decision on the proposed development of an enterprise centre totalling 34k sq ft. net lettable space on the podium site over the underground carpark. A final decision is expected at the end of September. We are advancing two other planning applications at the Fumbally complex.

Source: Apex as of June 30th 2020. Performance is quoted net of fees and gross of tax. Past performance is not a reliable guide to future returns.

PLEASE CONTACT YOUR FINANCIAL ADVISOR OR BCP (01 668 4688 / INVEST@BCP.IE) FOR MORE INFORMATION.

BCP

Invest with confidence

BCP PROPERTY VALUE ADD FUND UPDATE

Eastpoint:

(20% of NAV): Google, the building's sole tenant, completed an investment in two new lifts for the building during Q2. Google waived their break in April 2020, while they have the right to another break in April 2022 and their lease expires in April 2023. We retain an open dialogue with Google about their long-term occupational needs.

St. Andrews House:

(13% of NAV): The most concentrated exposure to retail within the fund where 51% of the contracted rent is linked to retail, with 21% to life & beauty, 17% to office and 11% to restaurant & café. We have agreed a number rent payment plans with tenants based on the level to which their underlying business was impacted because of Covid. We had agreed a surrender with one retail unit in Q4 2019 and the shop closed over the summer and we are in dialogue with three new retailers about a short-term licence. All other retail units have been open since June and retailers are reporting a healthy summer trading. Refurbishment of the apartment units in the St Andrew's House complex are ongoing. Residential rents in the Grafton Street area have held up through the summer and we still expect to generate a 5.6% yield on cost from this scheme.

Morrison Chambers:

(3% of NAV): The income profile of this asset (54% to restaurant & café, and 44% retail) exposes it to the changed consumer profile from the fallout of the Covid pandemic. This said, we have signed a new lease with a tenant at 16% ahead of the previous passing rent. This was agreed during Covid and has recently completed. Near term asset management projects include completion of an outstanding rent review and lease renewal.

Market Overview

Capital markets: There is a continued weight of domestic and overseas capital seeking opportunities in the Dublin market, particularly from German open-ended funds who experienced record cash inflows in Q1. While occupational and investment activity collapsed in Q2, sentiment remains positive in Dublin. Inspections have been taking place again since early June while feedback from the market indicates that investors have all reaffirmed their commitment to Dublin, with one German open-ended fund suggesting they still have a target of investing €300m into Dublin's office market this year. Prime office yields remain steady at 4% while prime retail yield are on a negative watch at 4.5%.

Office: In their latest research note, CBRE confirm unsurprisingly that Q2 was the lowest quarterly take-up ever recorded in the Dublin office market with just 9,885 sqm (106k sq ft) of deals signed. Of the occupational deals that completed in Q2, the largest of which was Microsoft commitment to 4,368 sqm (47k sq ft) in IPUT's Dublin Landings in the north Docks at €55psf. Rent-free periods have in general extended by 3 months to 9 months for every 5 years term certain while term certain dropped from 12 to 10 years. According to CBRE, city centre demand stands at 135k sqm (1.5m sq ft) across 25 top requirements today while signalled demand is down 20% to 350k sqm (3.8m sq ft) due to Covid. Business services (22%) and Tech/Media/Telecom (19%) account for the largest segments of demand according to CBRE. CBRE are expecting occupier activity to rebound in 2021 when travel restrictions are lifted, and economic activity picks up.

A critical difference between this cyclical downturn and the last is that vacancy (6.7% across the Dublin market at end-Q2) will be largely unaffected by new supply in the short term with most new office accommodation due for delivery in the next 12 months already pre-let, and commencement on some schemes being delayed.

The overall vacancy rate across Dublin is flat at 6.7%. In their September research note, CBRE signal that prime rents remain steady at €65 psf (€700 psqm) for the 10th consecutive quarter, they are now expecting to see some softening in H2 as tenants take advantage of market conditions.

Retail: According to BNP, it is likely that two years of availability could come into the market this year. Undoubtedly sentiment will weaken further in the short to medium term. While rents on streets where we have invested on (Dawson Street/Nassau Street, and Exchequer Street) have increased in the last year, the changed landscape poses short-term headwinds. The Covid pandemic has brought further disruption to the distribution of retail goods and has accelerated the shift to online. It is likely that this disruption will lead to rental declines and weakened investor sentiment towards the sector. However, business models amongst retailers are evolving and the demand for space in Dublin city centre continues. Two new entrants to the market registered their interest over the summer. Moreover, new rental structures are beginning to emerge between landlords and tenants in the UK and US markets which will inform the pathway for the Irish market over the coming years.

Source: CBRE

PLEASE CONTACT YOUR FINANCIAL ADVISOR OR BCP (01 668 4688 / INVEST@BCP.IE) FOR MORE INFORMATION.

71 Upr Leeson Street, Dublin 4, D04 XK68, Ireland
+353 1 6684688 | invest@bcp.ie

bcp.ie

130856 V3