

Commercial Property Funds Update

Strong Demand

Ireland's Commercial Property continues to be an attractive investment option. The core sectors in the Irish Market of offices, retail and industrial are performing well, with strong demand backing up rent yields and values.

Commercial Property continues to be an attractive investment opportunity. It has historically offered less volatile returns than equities, and has out-performed bonds and cash. From an investor perspective, property offers a solid, tangible investment that also impacts on day-to-day life and the economy.

Hedge against inflation

By virtue of its real aspects, it provides a proxy to real economic activity and also a hedge against inflation. It provides a regular pre-determined income stream secured by leases with tenants. We can verify, in advance, the strength of the occupier and the covenants involved regarding the lease and income.

The Brexit gloom has provided some positives for the Irish Commercial Property sector with UK firms sourcing possible office space here in Dublin. While some of these enquires have been tentative to date only a small number

are required to buoy the Irish Market in the short-term. From an investor point of view it is enough to keep the positive returns flowing for this asset class for the next 12 to 18 months.

Foreign Investors

In addition to this, we have seen an increase in foreign institutional investors entering the Irish Market. Several European Pension funds are investing directly in Irish Commercial Property in order to benefit from the attractive yields on offer.

Key Fundamentals

The key part of any Commercial Property exposure is to ensure that the fundamentals are sound - *location, length of lease and quality of tenant* are key. All three of the main life assurer Commercial Property funds (Irish Life, Friends First and Aviva) are still ticking these boxes – *see below for performance figures.*



Irish Commercial Property Fund Performance 30th June 2017

Fund Provider	Year-to-date	1 year	3 Years	5 Years	10 Years
 AVIVA	4.70%	9.75%	65.03%	101.08%	--
 Irish Life	2.70%	7.49%	52.61%	85.19%	-38.81%
 Friends First	3.91%	8.53%	64.83%	164.25%	13.15%

Presented by: MoneyMate

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Summary – The above funds offer solid growth potential

Whilst we have seen a strong recovery in values of +80.5% since the trough, this is from a low base. Prices still remain 40% off peak levels. There is still further scope for growth, particularly in sectors that are forecasting rental growth. The three funds outlined above offer solid growth potential for the next 12 months and possibly longer.

Commercial Property – REITs

Real Estate Investment Trust (REIT) - explained

A REIT is a public listed company whose main activity is the ownership and management of property-related assets.

These can include offices, shopping centres, warehouses as well as commercial sites for development opportunities. More recently REIT funds have ventured towards the residential sector due to the opportunities available.

A REIT is designed to generate investment returns in two ways: firstly, through exposure to the value of the properties that the REIT owns and any accompanying capital growth; and secondly, through rental income.

Individuals can invest in REITs either by purchasing their shares directly on an open exchange or by investing in a mutual fund that specializes in public real estate – see below.

An additional benefit to investing in REITs is the fact that many are accompanied by dividend reinvestment plans (DRIPs). An Irish REIT must distribute 85% of its property related income, net of management charges, by way of dividends to shareholders.

Some REITs will invest specifically in one area of real estate - shopping malls, for example - or in one specific region, state or country. Investing in REITs is a liquid, dividend-paying means of participating in the real estate market.

REITs receive special tax considerations and typically offer investors high yields, as well as a highly liquid method of investing in real estate.

Equity REITs invest in and own properties (thus responsible for the equity or value of their real estate assets). Their revenues come principally from their properties rents.

To invest in REIT funds contact us.....

Invest directly in REIT funds through a share dealing account or alternatively through the

Fund of REIT's with Zurich Life.

Please note this is a volatile (high risk) investment asset.

(REIT)

Real Estate Investment Trust



Apartments



Shopping Malls



Office Buildings



Hotels



Warehouses