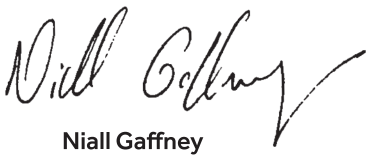
# CHIEF EXECUTIVE'S REVIEW

**2017 was a big year for IPUT. The marking of our 50th year in business and the pre-letting of our entire development pipeline were the standout highlights. Our strategy of regenerating portfolio income continues to drive the performance of the Fund.**



**Niall Gaffney**
Chief Executive

### Growing rental income

In addition to the lettings of our development projects, we completed 17 new lettings in the remainder of the portfolio and a further 11 leases were re-geared or reviewed. The rents achieved for all reviews and new lettings were ahead of Estimated Rental Value's (ERV's).

The average WAULT on new lettings was 12.6 years and our occupancy rate remains above 98%. Deals completed after year end will push this above 99%. In the context of a portfolio of 95 properties across 470,000 sq m (5 million sq ft), this is a notable achievement.

The rental values in the portfolio continue to improve and the passing rental income at the end of 2017 stood at €100m, compared to an ERV of €123m. We expect to secure further uplifts in income across all sectors through rent reviews over the medium term.

### Transaction activity

Investment activity in Ireland remains elevated and the Fund completed a number of strategic transactions for a cumulative €144m in 2017. These acquisitions were all in Dublin and in line with our investment strategy. We also took advantage of favourable market conditions by disposing of a number of non-core assets generating €31m (7% ahead of IPUT valuations).

Amongst the key acquisitions completed during the year were the acquisitions of Gardner House and the remaining 66% interest in Wilton Park House. These acquisitions complete the assembly of the Wilton Park Estate which comprises over 27,870 sq m (300,000 sq ft) of office space centrally located in the heart of the CBD. We are currently working on a masterplan which could potentially deliver over 55,740 sq m (600,000 sq ft) of office accommodation once complete. The first phase is due to commence in mid-2018 with the redevelopment of One Wilton Park.

### Added value programme

The regeneration of our properties is a key strategic priority as it future proofs the income of the Fund. We reached practical completion on a number of key development projects during the year. 40 Molesworth Street, The Exchange and Unit 624 Northwest Business Park all completed on time and on budget, while 10 Molesworth Street completed in Q1 2018. Income was secured on all projects prior to completion through a combination of pre-lets and a rental underwrite. These projects have generated over €15 million of new rent for our shareholders, secured on long term leases to strong tenant covenants. These lettings will be a significant contributor to the expected 7% increase in shareholder dividends in 2018. We are forecasting further material increases as the next phase of our regeneration programme completes.

We are at various stages of advancement with the next phase of our development projects. We are on-site at 5 Earlsfort Terrace and will commence shortly at One Wilton Park. We have lodged planning applications on both 30-32 Sir John Rogerson's Quay and Quadrant 3, The Park, Carrickmines, Dublin 18 which we expect will be key drivers of shareholder returns in the future.

### Sustainability

IPUT is firmly established as the market leader in Irish property in terms of sustainability. We were the first Irish property fund to achieve a 2-star Green Star Rating in the GRESB survey in what was only our second year participating.

We have taken a leadership role in sustainability which is suitably reflected in our brand "An IPUT Building". Our ambition for an IPUT Building is that it is well designed, energy efficient and has the wellbeing of its users in mind.

We have several exciting initiatives planned for 2018 particularly in the area of the public realm. Works to improve the public realm are already underway along Molesworth Street. We are planting new trees, laying granite paving and widening footpaths adjacent to our developments at 10 and 40 Molesworth Street.

€15m+
**of new income secured through pre-lets**

€123m
**Estimated Rental Value**

98.1%
**Occupancy rate**

€144m
**Strategic acquisitions**

12.6 years
**Average WAULT on new lettings**

€31m
**Capital recycled through disposals**

"We continue to be active in the current market. We are disciplined in our approach to investment where suitable opportunities arise to add value to the portfolio. Equally we will continue to dispose of assets which do not fit within our strategic long term objectives."

**People**

At its core, IPUT is a people focused business and our staff are paramount to the success of the Fund. Having added additional resources in 2016 we have continued to add further to the headcount in 2017. We have recruited people in the development, investment and administrative areas of the business. The business is growing steadily and I expect recruitment to continue in 2018 to meet our ambitious plans for the future.

We have relocated to St. Stephen's Green and our new office reflects both the ambition and personality of our business. We are authentic about promoting quality design across our estate and in doing so, we recognise that thoughtful design will serve to improve the wellbeing of our people. I expect the move will enhance productivity, help retain our existing team and assist in the recruitment of new high calibre employees into the future.

**Outlook**

Having de-risked the current development pipeline we have further regeneration opportunities across our estate, in particular within the Dublin city centre office market. These initiatives will potentially grow shareholder dividends by approximately 20% over the next five years.

We continue to be active in the current market. We are disciplined in our approach to investment where suitable opportunities arise to add value to the portfolio. Equally we will continue to dispose of assets which do not fit within our strategic long term objectives.

The Fund is well capitalised and in 2018 we will continue to engage with new and existing investors to meet our ongoing capital requirements. The €150m revolving credit facility has served us well since 2016 allowing us to complete our development projects, while also minimising any dilution of shareholder dividends.

Despite volatility in the global economy, Dublin remains an attractive location for global capital to invest and for multi-national occupiers to locate their EMEA bases. In 2017, we witnessed record levels of office take-up, particularly from the fintech sector. We expect this trend to intensify in 2018 and our portfolio is well positioned to capitalise on the demand for large scale city centre office accommodation.

In summary, the Fund is in good shape as we move into 2018. We have prudent levels of development exposure to the best performing sector of the market and we believe this will deliver solid dividend growth to our shareholders over the coming years.