

Regenerating our Income

CHIEF EXECUTIVE'S REVIEW



Realising our ambitious regeneration projects in 2018 allowed us to generate over €100m in rent roll for the first time in our history. We achieved this milestone off the back of pre-letting these projects and have positioned the portfolio for further growth in 2019 and beyond.

Niall Gaffney
Chief Executive

15%

Growth in net rental income to over €107m

€70m

Strategic acquisitions

€116m

Capital recycled through disposals

€250m

Revised and up-sized revolving credit facility

3 Star

Green Star rating in the 2018 Global Real Estate Sustainability Benchmark

11.3

Average Years WAULT on new lettings

8%

Growth in Dividend per Share

Industry Leading Portfolio

I PUT owns and manages the leading prime commercial property portfolio in Ireland. At the end of 2018 we owned 89 properties, almost exclusively in Dublin, with a NAV of €2.5bn. Our portfolio is principally invested in prime offices, with selected exposure to the retail and industrial sectors. Across our portfolio, we have an occupier base of 380 businesses with an occupancy rate of 99.5% at year end.

Strong Income Growth

2018 was a year of significant income growth reflecting an active year for lettings and lease re-gears. In particular, we let a number of our added value projects most notably 10 Molesworth Street and The Exchange, delivering a 15% increase in net rental income to €107m.

We completed 17 new lettings and 15 rent reviews in 2018. The average WAULT on new lettings was over 11 years, delivering a year end WAULT of 6.9 years across the estate.

Rental values across our portfolio continued to improve in 2018 with significant reversionary potential embedded in our portfolio. Passing rental income at the year end was €111m with an estimated rental value (ERV) of €130m. We are focused on driving further income growth through continued and active rent reviews across the estate.

Actively Managing our Portfolio

I PUT is an actively managed core income fund and we are alive to market opportunities. We continually review the performance prospects of all our assets and in this context, we completed transactions with a cumulative value of €186m in 2018.

We sold six assets generating proceeds of over €116m and acquired two assets for just under €70m. This included the off-market €158m asset swap involving the acquisition of Deloitte House, a landmark office building on the corner of Earlsfort Terrace, in exchange for two office properties, namely 6 George's Dock and 40 Molesworth Street. In this transaction, we crystallised a significant €46m gain on the disposed assets and acquired an income generating asset which offers substantial medium term development potential. Over the course of the year we also disposed of several smaller retail and logistics assets, which is consistent with our primary focus on larger scale, prime assets.

Post year end, we sold our minority holding at Pavilions Shopping Centre, Swords. In a separate transaction we acquired Phase 2 in Carrickmines giving us full ownership of this retail park. We have ambitious plans to create one of Ireland's leading retail and leisure destinations with the development of Phase 3, Carrickmines. In Q1 2019, we also acquired an additional large-scale logistics asset beside Dublin Airport which has expanded our logistics holdings to over 2.4 million sq ft.

We continue to review our portfolio and market opportunities in 2019. As demonstrated by the level of our activity in the Dublin market, we have a proven ability to both recycle and deploy capital in a timely fashion.

Strategy in Action

During 2018, we completed a substantial development at 10 Molesworth Street which was pre-let to AIB plc as their new corporate headquarters. This property now represents our largest single asset and is let on a long-term lease delivering €7m of annual rental income and generating an income yield on cost of over 11%. We let The Exchange, the first new office development in Dublin's IFSC since 2003, delivering €5m of annual rental income and an income yield on cost of 6.4%. We also successfully completed a refurbishment and pre-letting of a substantial logistics unit in Northwest Business Park, consistent with our strategy of increasing our exposure to prime logistics assets.

We reached practical completion and pre-let the majority of 5 & 6 Earlsfort Terrace where we initiated an extensive redevelopment during 2018 including the addition of two new floors. In keeping with our commitment to investment in the public realm, we are also developing a new urban park in front of the buildings.

Chief Executive's Review

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For 2019 and beyond, we will continue to pursue our strategy of regenerating our portfolio. Currently, we are on-site with two projects; a 152,000 sq ft office development at One Wilton Park which has been pre-let to LinkedIn and will generate annual income of €8m upon completion in Q4 2020. At 30–32 Sir John Rogerson's Quay, the Tropical Fruit Warehouse, we are also on site and on track to deliver 83,500 sq ft of office space in Q1 2021. Our ambition is that this building will become an iconic riverside office development and currently represents the only speculative development in the portfolio.

We have submitted a planning application for the redevelopment of the remainder of our estate at Wilton Park, which includes Wilton Park House, Gardner House and their associated public spaces. Outside of prime office space in Dublin City Centre, we have submitted a planning application for Phase 3, Carrickmines. Our ambition for both schemes would be to achieve planning permission within the calendar year 2019 with a view to substantially pre-letting the projects thereafter.

In short, over the course of 2018 we have largely de-risked our development pipeline and positioned the portfolio for further growth in 2019.

Funding

New investment in the Fund of over €180m in 2018 has further diversified and internationalised our shareholder base and there continues to be significant interest in the Fund from both domestic and global institutional investors.

We secured a new five year €250m revolving credit facility from Wells Fargo during the year. This facility continues to be the most efficient method of funding our development projects and ensures there is no dilution of returns for existing shareholders. As we enter 2019, the Fund is well capitalised and positioned to deliver upon its investment strategy.

Investment in our People

In line with the growth in our business, we have continued to resource our professional team across all areas of our business, increasing our headcount from 14 to 21 people. We have a proven and experienced team that are focused on maximising the income generating capability of our existing portfolio, as well as targeting asset management opportunities to generate long-term value. Most notably, we have appointed Mr. Glenn Cran as Head of Asset Services, who along with his team will work to further enhance our tenant engagement and sustainability strategies.

Our new office on the 4th floor of 47-49 St. Stephen's Green is the first office in Dublin to achieve WELL Certificatied™ Gold. The WELL accolade reflects our commitment to quality in everything we do and our ambition to attract and retain the highest calibre of people in our business.

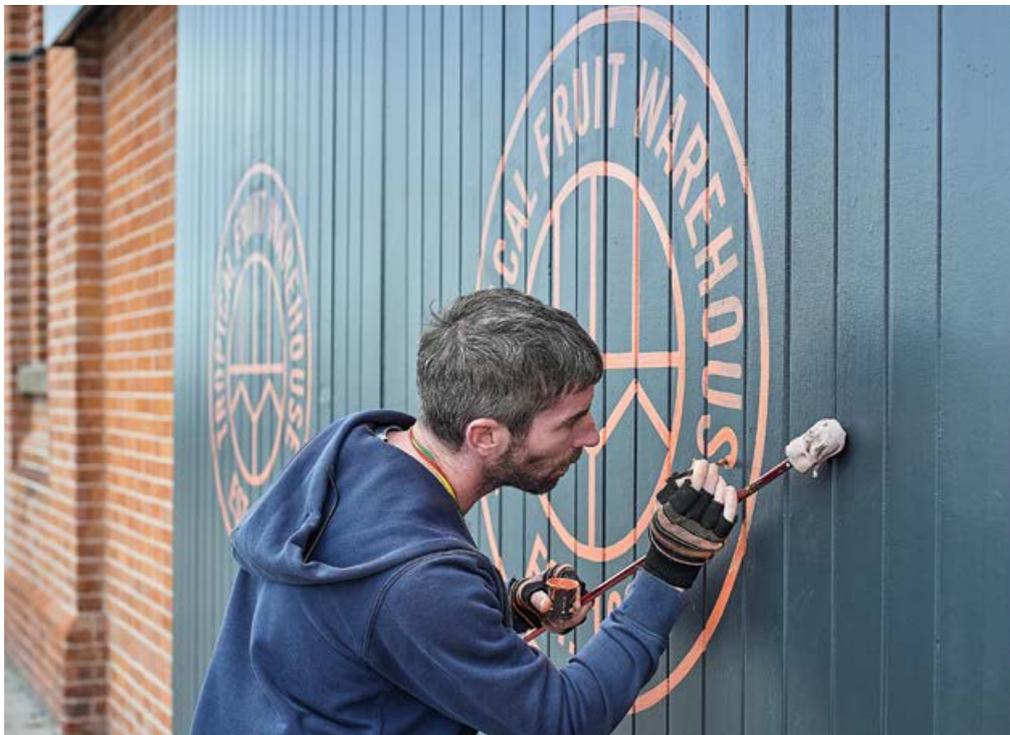
Outlook

We enter 2019 with measured but ambitious plans. In 2018, we delivered 8% growth in our dividend per share and believe that our future pipeline of regeneration projects will further enhance our income returns over the next five years.

We will continue to seek opportunities to add prime, income generating assets to the portfolio. Our acquisition criteria is clear – we target prime office assets in or adjacent to Dublin's CBD. Our investment in retail will remain focused on prime destination retail assets and we will continue to identify opportunities to increase our exposure to the logistics sector in a measured way.

In 2018, we commissioned Savills Global Research to undertake a report to help us put Dublin in a global real estate context. An extract from this report is set out on pages 38 to 41. We used the report to test and validate our outlook for the Dublin real estate market and in doing so, help our stakeholders better understand the drivers of the recent recovery in Ireland and the outlook for the years ahead.

Our strongly held view is that Dublin can and will maintain its current growth trajectory for the medium term. There is no doubt that growth will moderate, however, we are confident that IPUT has the quality assets, occupier base and measured exposure to development which will ensure that we continue to deliver consistent returns to our shareholders through the cycle.



Pictured:
Restored façade, internal timber beams
and hand-painted signage at Tropical
Fruit Warehouse, 30-32 Sir John
Rogerson's Quay, Dublin 2