

Davy Irish Property Fund

3 months to 31st December 2024

Welcome to the Quarterly Report for the Davy Irish Property Fund (“DIPF” or “the Fund”), a sub-fund of Davy Property Trust

Overview and key fund metrics

- The Fund’s total return for Q4 was -0.96%
- The Fund’s Gross Asset Value (“GAV”) as at 31st December 2024 was €99m compared with €105m as at 30th September 2024
- Q4 dividend per unit was €160 for Q4 (2.34%) giving an annualised income distribution for the quarter of 9.36%
- Rent collection for the quarter was 95%

-11.79%

Total Return
YTD 2024

€99m

Gross Asset
Value

-3.30%

Capital Return
Q4

€56m

Net Asset
Value

7.28%

Income Return
YTD

€6,614

NAV per Unit

Historical Fund Performance – Unit Class D	Capital	Income	Total
QoQ	-3.90	2.34%	-0.96%
YTD	-19.07%	7.28%	-11.79%
1 yr p.a.	-19.07%	7.28%	-11.79%
3 yrs p.a.	-14.91%	5.59%	-9.33%
5 yrs p.a.	-10.95%	4.66%	-6.28%
10 yrs p.a.	-4.35%	5.99%	1.64%

Values have been rounded where appropriate for presentation

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 2024

3, 5 and 10 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

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: This is a marketing communication. This is not a contractually binding document. Please refer to the Prospectus and Supplement of the Fund and to the KID and do not base any final investment decision on this communication alone.

Market and Fund update

Outcome for Q4 2024

The Net Asset Value (“NAV”) per unit of the Fund reduced by 3.30% in Q4 2024 compared with reductions of 4.19% in Q3 2024, 12.65% in H1 2024 and 24% in 2023. The reduction in NAV was offset by an income distribution of 2.34% (in Q3 2024 the income distribution was 1.90%) for the quarter resulting in a net negative return of 0.96% (in Q3 2024 the net negative return was 2.28%). The negative outcome for the quarter was, we believe, driven again predominantly by yields increasing due to a combination of interest rate rises and investor sentiment. However, it does appear that transaction activity is slowly returning to the market allowing price discovery which in the short term is negative but may improve both liquidity and ultimately should put a floor under prices.

Update on Management

In November 2024, the Davy Real Estate (“DRE”) team completed a buy-out of their business, left Davy and set up their own company, Flairside Limited which trades as Lanthorn. As a result of the move, J&E Davy no longer acts as Investment Manager and this role has moved to IQ EQ Fund Management (Ireland) Limited (“IQ-EQ”) that is also the Alternative Investment Fund Manager (“AIFM”) of DIPF. Lanthorn has been appointed as Investment Adviser to the Fund and provides non-discretionary investment advisory and property management services to the AIFM in respect of DIPF. Northern Trust remain in their roles as administrator and depositary. There were no changes made to the fee structure of the Fund or to any of the other terms of the Trust Deed or the other fund documentation.

Commentary on Valuations

For the assets remaining in the Fund at the end of 2024 their valuations performed as follows over the course of 2024 (by sector):

	Since 30/09/24	Since 31/12/23
Office assets	-3.29%	-11.16%
Retail assets	-2.12%	-10.01%
Total	-2.45%	-10.42%

Retail yields moved out by c. 110 bps over the course of the year. These reflect the small number of properties that traded on Grafton and Henry Street in the year. The Nutgrove shopping centre is now trading at a yield of c. 10% with the main evidence in the shopping centre sector being generated by the sale of the Square Town centre in Tallaght which completed in the year.

Retail estimated rental values (ERVs) have stayed relatively stable over the year. Taking 33 Henry Street as an example ERVs remained at €225 per sq ft Zone A over the whole year. Taking 44 Grafton Street as another example, ERVs reduced slightly from €490 per sq ft Zone A to €470 over the year. This reflects the relatively strong leasing demand for the key streets. Therefore, it was the continued movement in yield that drove valuations during the year.

Office yields for the Fund’s assets moved out by between 30 and 250 bps over the course of the year. This large range is due to different leasing profiles of the buildings and expected works required once space becomes available. These buildings now look inexpensive on both a yield and a price per sq ft basis but unfortunately reflect the prices achieved in the market in the small number of buildings that actually traded in 2024.

Expected office rents reduced by between 2.60% and 5.60% over the year. ERVs in Newmount House moved from €38.50 per sq ft to €37.50 during 2024. ERVs in Percy Place moved from €45.00 per sq ft to €42.50 between December 2023 and December 2024.

Six assets were sold in 2024 generating c. €46m in proceeds. In general, the prices achieved were close to the most recent valuation preceding sale.

Portfolio updates

The portfolio is almost fully leased and income producing. In terms of further progress during Q4:

The leasing of a floor in M50 to Homestore and More has been held up by a planning issue. Lanthorn is working with planning consultants to make an application to South Dublin County Council which would resolve the issue if successful. In the meantime, discussions will continue with Homestore and More, the HSE and other potential occupants.

A long-running dispute with CPL in relation to the surrender of their lease in Percy Exchange was resolved towards the end of Q4, resulting in the payment of €825k to the Fund.

Footlocker have expressed their interest in renewing or extending their lease in 44 Grafton Street ahead of their lease expiry in March 2025 and these discussions will likely progress over the course of Q1.

Omniplex continue their works in advance of opening a cinema in Nutgrove in early 2025. This will be a great addition to the centre providing new leisure use and additional footfall. This should provide more customers for the food and beverage and other units and lengthen the day for the retailers in the centre.

The sale of One Airton completed in Q4. Some progress was made in the sales process for Newmount House but selling of these kinds of assets is proving very difficult. While some indicative pricing was received the Fund wouldn't sell at these levels. There were some investors who postponed making any decision on the property until Q1 2025 and so we should have a further update on this potential sale at the end of Q1. If the decision is taken to not sell this asset there are leasing and upgrade opportunities coming in 2025 that may help improve the value of the building.

Following the completion of the sale of One Airton and end Q4 valuations the portfolio is 36% office and 64% retail. The portfolio is now 100% located in Dublin and its suburbs.

Sales proceeds from completed sales are being used to fund redemptions, reduce debt, and possibly provide some capital for identified value add projects. We saw a significant increase in redemptions in Q2 2023 given the market uncertainty. The plan to fund these is the same as in previous cycles – a combination of finding new equity and where necessary selectively selling properties. [The AIFM] has been in discussions with two potential investors interested in making an investment in the Fund. This is likely to result in an offer from one or both over the course of Q1.

Fund Performance 2020-2024	2020	2021	2022	2023	2024
Capital return	-15.30%	-4.40%	-9.93%	-24.19%	-19.07%
Income return	4.60%	5.90%	5.89%	6.23%	7.28%
Total return	-10.80%	1.50%	-4.04%	-17.96%	-11.79%

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.

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

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 €160 per unit and brings the income distributed for the rolling 12-month period to €595 per unit or 7.28%.

The Fund is established as an open-ended fund with limited liquidity. IQ-EQ 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 of receipt. Although it is intended that a certain number of units will be redeemed on each Redemption Date, as defined in the Fund's prospectus and supplement, 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.

Top Three Holdings

Nutgrove Shopping Centre



SIZE: 111,000 sq ft
OWNERSHIP: 67%
TENANTS: Multi anchored by Tesco, Dunnes, Penneys
WAULT: 2.13 yrs to break/3.45 yrs to expiry

Percy Place



SIZE: 36,000 sq ft
OWNERSHIP: 75.91%
TENANTS: Multi-tenanted
WAULT: 3.75 yrs to break/10.14 yrs to expiry

Newmount House



SIZE: 18,530 sq ft
OWNERSHIP: 100%
TENANTS: Multi-tenanted
WAULT: 2.5 yrs to break/4 yrs to expiry

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Lanthorn is not regulated by any regulatory body and the services that are performed by them that are outlined in this update are unregulated services.

A Summary of Investor Rights can be found on the IQ-EQ website at: <https://iqeq.com/wp-content/uploads/2024/12/November-2024-Update-IQ-EQ-Summary-of-Investor-Rights.pdf>

About us*

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*Information correct as of February 2025

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