



THE OFFICE MARKET

Office take-up of some 126,921m² was achieved in the Dublin market in the first nine months of 2011, which is on par with the level of letting activity achieved in the capital in the entire year last year. With a large number of transactions currently in legals and several buildings reserved, it now appears that office take-up of some 150,000m² will be achieved in Dublin in 2011 - an encouraging level of letting activity considering the economic situation. With occupiers primarily focussed on securing premises in the city centre, rents in the west and south suburbs of the city experienced further falls in recent months although prime rents in other locations in the city have remained stable. Significant office lettings that have been agreed in Dublin in recent weeks include the letting of 1,700m² to SebLife at the Bloodstone building in Dublin Docklands; the letting to Regus of 1,500m² at The Crescent building in Santry in the north suburbs and the letting of 483m² to the Kuwaiti Embassy at 1 Grand Parade and 483m² to Oasis Fund Management in the same building. There are a number of large requirements outstanding including a requirement from Citigroup for between 6,500m² and 9,290m² and a requirement from Mastercard for between 2,787m² and 3,716m². A US company is also reportedly looking for up to 9,290m² of accommodation outside of Dublin. While we have been eluding to an emerging scarcity of Grade A buildings of a certain size in Dublin 2/4 for some time now, it is now evident that this will be alleviated to some extent by modern buildings being vacated and coming back on the market to let. For example, it has been announced that the head office of EBS in Dublin 4 is to be amalgamated into AIB Bankcentre by the end of 2012, which will free up a modern office building on Burlington Road. Despite the complete lack of new development in the pipeline, office buildings coming back onto the market will result in the city's vacancy rate remaining relatively high for the foreseeable future. Most of the transactions being negotiated at present are 10 year lettings with breaks at Year 5 although in an increasing number of lettings to IT tenants, break options are being agreed to coincide with company contracts. There will be pressure over the next two months to get transactions signed before year-end although this will be somewhat frustrated by the length of time and the layers of sign-off that are currently required to finalise transactions.

For further information contact: Willie Dowling or Darren Nugent in our Offices Department at willie.dowling@cbre.com; darren.nugent@cbre.com or Paddy Conlon in our GCS /Tenant Rep Department at paddy.conlon@cbre.com

THE RETAIL MARKET

Although there has been some improvement in economic performance in recent months, retail sales figures to the end of September continued to deteriorate and the prospect of another austerity Budget next month has given consumers grounds for ongoing caution. Despite this however, there is still pent-up demand amongst retailers for prime retail premises with a considerable volume of letting activity occurring as tenants continue to take advantage of the ability to negotiate attractive deals with landlords in the current climate. French retailer L'Occitane and UK fashion retailer Vila are to open new stores at Liffey Valley shopping centre in West Dublin, where Tommy Hilfiger has just relocated to a larger store. There are plans to extend the restaurant area in this shopping centre and a new cinema foyer and 3D cinema facility is also planned. Inglot have recently opened a new store at Blanchardstown Town Centre. Meanwhile, jewellers Pandora are to open a new store at Dundrum Shopping Centre, where Carraig Donn have recently commenced trading. It is also worth noting that some of the recent rent review arbitration awards at Dundrum showed rental uplifts of between 5% and 20%, which are more modest than the initial arbitration awards reported in this centre. Carraig Donn have also recently opened a new store at Dun Laoghaire Shopping Centre, which is

Prime Headline Office Rents

City Centre	€ 323 per m ²
South Suburbs	€ 172 per m ²
North Suburbs	€ 151 per m ²
West Suburbs	€ 134.50 per m ²

Prime Headline Zone A Rents

Grafton Street	€5,000 per m ²
Henry Street	€4,250 per m ²
Liffey Valley	€3,250 per m ²
Dundrum	€3,250 per m ²
Blanchardstown	€3,000 per m ²
St. Stephen's Green	€2,000 per m ²
The Square	€1,750 per m ²
Secondary City Centre	€1,000 per m ²
Prime Retail Warehouse	€ 242 per m ²
Secondary Retail Warehouse (Dublin)	€ 194 per m ²
Secondary Retail Warehouse (Provincial)	€ 107 per m ²



now anchored by Super Valu. A new wave of discount retailers are now getting traction with Dealz stores in Blanchardstown and Portlaoise and a new Euro 50 store at the ILAC Centre trading very well and Irish competitor Euro 2 shortly to open on St. Stephen's Green in the former Eircom store. A third Dealz store is to open in the former Zavvi unit on Patrick Street in Cork. The Swedish furniture chain Soul of Furninova are to open their first Irish store at Beacon South Quarter in south Dublin later this month while the Italian childrenswear operator Petit have recently opened their first Irish store on Exchequer Street in Dublin city centre. Smyth's Toys will shortly open a new store at Letterkenny Retail Park while Iceland are to open a new store at the Clonmel Showgrounds shopping centre later this month. Boots have announced plans to open 30 new stores in Ireland and have recently opened a new store at Lower Baggot Street in Dublin while Holland & Barrett are to open their 41st Irish store on Henry Street in Dublin city centre. Meanwhile, Kilkenny Design have opened a new store at Stilloran Shopping Centre in south Dublin where Donnybrook Fair recently started trading. Aldi are continuing aggressive expansion and are currently awaiting planning decisions in a number of locations. According to our research, quoting rents for prime retail properties now appear to be stabilising at current levels, having experienced declines of more than 50% from peak. Established retailers paying legacy rents under upward only leases are anxiously awaiting the publication of the long-promised draft legislation on rent review reform, which will enable some tenants to seek rent reductions from their landlords in order to enhance the profitability of their businesses. An increasing number of landlords and their lenders are continuing to adopt a pragmatic view as is evidenced by the number of surrenders and relettings that have recently been agreed on many of the former Halifax retail premises around the country. It is clear that notwithstanding the fact that retail sales numbers remain under pressure, many retailers are taking advantage of the favourable terms currently available in the market and the relative value is increasingly being recognised by international retailers.

For further information contact: Michael Harrington or Florence Stanley in our Retail Department at michael.harrington@cbre.com or florence.stanley@cbre.com

THE INDUSTRIAL MARKET

A cumulative 107,242m² of take-up was achieved in the Dublin industrial market during the first nine months of 2011 with 40,469m² let or sold in the capital during the third quarter of the year specifically. This demonstrates that despite the difficulties in the economy, industrial occupiers continue to take advantage of market conditions and negotiate transactions. There were 23 individual lettings signed in the industrial market in Q3, accounting for 27,373m² between them while there were 6 industrial sales completed in the same period. These included the sale of the former McCormack Macnaughton premises in the Dublin South West (N7) corridor and the sale of Units 502 and 503, extending to 3,734m², in Profile Park, along the same corridor. The largest industrial lettings signed during Q3 2011 in the capital include the letting of a 5,229m² facility at Oakwest House in the Dublin South West (N7) corridor; the letting of 3,902m² at Willsborough Industrial Estate in the Dublin North East (N1/M1) corridor and the letting of 3,534m² at Poppintree Industrial Estate in the Dublin North (N2) corridor. Other lettings agreed recently include the letting of a 3,994m² facility at Baldoyle Industrial Estate; the letting of a 2,337m² unit to United Drug at Citywest in Dublin 24; the letting of a 1,852m² facility at Harold's Cross Road in Dublin 6W and the letting of a 1,653m² unit at Cookstown Industrial Estate in Tallaght to Logic Fleet Management. Two motor showrooms at Blanchardstown have also recently been sold on the instructions of receivers. New facilities to come to the market for sale in recent weeks include the 14,594m² former Amcor facility in Finglas, which sits on a site of over 7 acres and is being guided competitively at €5.5 million. A significant proportion of the current demand for industrial accommodation is emanating from companies that are expanding operations as opposed to new entrants. However, as a result, the vacancy rate remains relatively high as older premises come back on the market to let. As a result, a significant differential exists between rents for prime and secondary industrial accommodation with prime rents now stable at approximately €65 per m². There are currently a large number of industrial transactions in legals, which should sustain take-up levels over the coming months and into 2012.

For further information contact: Garrett McClean in our Industrial Department at garrett.mcclean@cbre.com



THE IRISH INVESTMENT MARKET

Uncertainty about the controversial proposed review of upward only rent review provisions in business leases has now dragged on for almost a full year. It is frustrating that this issue has effectively stalled transactional activity since the beginning of 2011 at the very time that international investor appetite for prime investment assets had begun to materialise. The lack of clarity around this particular issue has also impacted on the performance of the investment sector in 2011. This is evidenced by the most recent data from the Investment Property Databank (IPD) for Q3 2011, which confirmed that Irish capital values declined by a further 4.6% in the three month period to the end of September, representing an almost 65% decline from peak. There have been only four investment transactions of note signed in the Irish market to date in 2011. The only investment transaction completed recently was the sale of a retail park in Limerick for approximately €30 million. Although there has been a dearth of prime investment properties being offered for sale, a number of attractive investment properties have officially come to the market in recent weeks, including the Riverside II office building in Dublin Docklands; the Plaza 4 building at Custom House Plaza in the IFSC and the One Warrington Place office building in Dublin 2, all of which are generating a lot of international appetite. These sales will be important barometers for the investment sector, creating the transactional evidence necessary to accurately determine current pricing and yield levels if they are sold. Without meaningful transactional evidence, our prime yield series can only represent a synthetic indication of what an investor would be likely to pay at this juncture for a prime asset let at an open market rent. The fact that NAMA have recently announced plans to provide staple financing to facilitate some commercial property purchases is encouraging as is the news that the Government are possibly considering reducing the rate of stamp duty on commercial property in the forthcoming Budget. Both of these measures, while unlikely to significantly stimulate transactional activity in their own right, will certainly help to facilitate transactions. To date, NAMA's approach has been to sell assets and be repaid on a 'borrower by borrower' or 'loan by loan' basis but they have now announced their intention to package up loans for sale as portfolios, which would appear to be a more sensible solution.

For further information contact: Sean O'Brien or Colm Luddy in our Capital Markets Department at sean.obrien@cbre.com or colm.luddy@cbre.com

THE UK INVESTMENT MARKET

As we approach year end, there is up to £5 billion of investment property being offered for sale in London City, with quite a few lot sizes of over £100 million on the market. This has been exacerbated by KanAm's recent decision to sell their entire Central London portfolio, which accounts for about £1 billion of this stock. In contrast, there is a scarcity of prime product available in the West End of London. With economic prospects in the UK deteriorating, investors are primarily focussed on prime well-let office buildings in the West End and good retail properties on Oxford Street, Regent Street, Bond Street and Covent Garden. The classification of prime has narrowed considerably in recent months. Although prime yields now appear to be stable, there is a growing nervousness about the stability of yields on secondary assets and in regional markets. Irish investors remain net sellers of real estate assets in the UK. A car park owned by an Irish investor at Audley Street in Mayfair sold for a reported £150 million in recent weeks. Meanwhile, a receiver acting for an Irish bank has sold the French Connection store at 390-396 Oxford Street for approximately £86 million, reflecting a yield of 3.54%; an Irish-owned multi-let retail building at Sedley Place on Oxford Street in London was sold for £77 million, reflecting a yield of 4.27%; an Irish consortium have sold a building at Belgrave Road in Victoria for £55 million, reflecting a yield of less than 6.0% and an Irish investor has sold the Prada store on 16 Old Bond Street for £32 million for a yield of just

Prime Yields		Trending
Retail (High Street)	6.50%	Weaker
Office	7.50%	Weaker
Retail (Shopping Centre)	8.50%	Weaker
Retail Warehouse	8.75%	Weaker
Industrial	9.50%	Weaker

Prime Yields		Trending
Office (West End)	4.00%	Stable
Retail (High Street)	4.75%	Stable
Retail (Warehousing)	5.00%	Stable
Office (City)	5.00%	Stable
Shopping Centre	5.50%	Stronger
Office (Provincial)	6.00%	Weaker
Industrial	6.50%	Stronger



over 3.1%. There are a number of assets owned by Irish investors on the market at present including the former headquarters of Anglo Irish Bank at 8-10 Old Jewry, near the Bank of England in London, which is guiding £45 million, or a yield of 5.5%. This property is expected to sell due to the strong underlying demand for attractive lot sizes in prime locations. Over the course of the next two months, we expect more deals to close but the urgency to deploy cash and close deals before year-end that is generally typical in Q4, appears less evident this year.

For further information contact: **Caroline McCarthy** in our Capital Markets Department at caroline.mccarthy@cbre.com

THE DEVELOPMENT LAND MARKET

There has been an increasing volume of development sites being formally offered for sale in recent months. Many of these sites are being brought to the market on the instructions of receivers while others are consensual sales. In the current market, demand for sites, which is predominantly emanating from cash buyers and special purchasers, is ultimately dependent on the location and the quoting price, with reasonably strong demand prevailing for lot sizes of less than €2 million in good locations. Site sales that have been agreed recently include the sale of a 1.25 acre site with planning permission for 18 apartments at the corner of Sandford Road and Eglington Road in Ranelagh in Dublin 6; the sale of a residential zoned site at Herbert Road in Bray, Co. Wicklow, which sold for approximately €1 million and the sale of a mews site in Northbrook Lane in Ranelagh, Dublin 6, which has been agreed for approximately €375,000. 35 acres of industrial zoned land in Athy, Co. Kildare recently sold for €550,000 or €15,700 per acre. Meanwhile, a 105 acre land parcel at Dunsany in County Meath sold recently for €10,000 per acre while a 191 acre residential farm at Roscrea, Co. Tipperary sold for more than €1.3 million. Sites that are currently being marketed include the 15.7 acre Cemex site in Naas, Co. Kildare, which is being guided at €4.5 million; a 1.77 acre site with planning permission for 59 apartments at Howth Road in Clontarf, Dublin 3, which is on the market guiding €2 million; a 0.75 acre site at Killester Avenue in Killester, Dublin 5, which has planning permission for 9 houses and which is guiding €450,000; a ready-to-go 1.8 acre site at Carrickmines in south Dublin, which is guiding €1.2 million; a 1.98 acre site at Sutton Cross in north Dublin with planning permission for 60 apartments, which is guiding €1.55 million; the well-known 3.28 acre former Dawn Dairies site at Dublin Road, Galway, which is being offered for sale guiding €2 million and a 3 acre residential site in Donabate in north Dublin, which is guiding €300,000. The largest parcel of land being offered for sale at present is undoubtedly the 465 acre Milverton Demesne lands in Skerries in north Dublin, which is guiding €9.5 million. With all local authorities now focussed on implementing their 'core strategies', Killarney Town Council are the latest local authority to consider freezing the development of 108 hectares of residential zoned land in their current development plan for the town. The Department of the Environment & Local Government have in recent weeks released an update to their 2010 National Housing Survey. According to the 2011 survey, one in five of the new homes recorded as vacant in the Republic last year are now in beneficial use while the number of ghost estates has fallen from 2,876 to 2,066 in the 12 month period.

For further information contact: **Wesley Rothwell** in our Development Department at wesley.rothwell@cbre.com

THE HOTELS & LICENSED MARKET

While transactional activity is somewhat less than what had been anticipated earlier in the year, the hotel industry itself, particularly in Dublin, is showing great resilience with steady growth maintained over the last 12 months. This was evidenced by the most recent STR Global statistics on occupancy and RevPar for the Dublin region and the most recent visitor numbers from the Central Statistics Office, which showed that

	Sept 2011	Sept 2010	Year To Date	Running 12 mth
Occupancy	79.1%	80.1%	72.8%	71.2%
Average Room Rate	€88.43	€82.72	€82.34	€81.38
Revenue Per Room (RevPar)	€69.92	€66.27	€59.97	€57.92

Source: STR Global

tourist numbers are up 12% year-on-year. In addition, a new report issued this month by PricewaterhouseCoopers has forecast that occupancy rates in Dublin hotels are likely to grow by 6.0% in 2011 and by a further 2.8% next year. A global



Irish homecoming event, to be known as “The Gathering”, announced at the recent Global Economic Summit in Dublin Castle, is to be staged in 2013. This and other new tourist initiatives such as the recent launch of the www.irelandbyappointment.com website and the filming of a new Tourism Ireland TV campaign are designed specifically to attract more tourists to Ireland and should be welcomed and encouraged. From a property perspective, negotiations are continuing on the sale of a number of hotel properties around the country including Kilkea Castle Hotel in Kildare; the Killerig Hotel in Carlow and the Pearse Hotel on Pearse Street in Dublin. There is a particularly encouraging level of international interest in the Morrison Hotel in Dublin city centre, which was recently brought to the market on the instructions of receivers for NAMA, guiding €25 million. To date, there have been over 70 expressions of interest in this prime hotel asset, which is trading very well, with enquiries from all over the world. The first round of bids for this hotel is due in the next couple of weeks. While there is disappointment at the slow rate at which hotels are being brought to the market, once some of the more high-profile hotel transactions are completed, we expect to see more hotel properties being formally launched for sale. In the pub sector, there is still good demand for prime properties as was evidenced by the recently agreed sale of the Pier House in Howth, which had been guiding €1 million. The well-known Stout Bar in Rathmines, which had been guiding €2 million, generated considerable interest and has now gone to best bids. The focus for the next two months is to conclude negotiations on a number of hotel and licensed properties before the traditional year-end.

For further information contact: Paul Collins, Dermot Curtin or John Hughes in our Hotels & Licensed Department at paul.collins@cbre.com or dermot.curtin@cbre.com or john.hughes@cbre.com

THE BELFAST MARKET

Despite the underlying economic situation in Northern Ireland, there has been quite a bit of activity in the occupier sectors of the property market in the region in recent months. Indeed, over 20,000m² of office lettings were signed in Belfast in the first nine months of 2011. A number of other transactions are currently in negotiations and will be signed before year-end. Air passenger duty is to be cut for direct long haul flights from Northern Ireland from November 1st and it has been confirmed that

Continental Airlines direct flight between Belfast and Newark will continue to operate. This is very good news for Northern Ireland, particularly considering the regions current relative attractiveness to multinational investors and employers. Having been revised downwards over the course of the year, rents, for prime properties at least, now appear to be stable at current levels. Indeed, while rents on secondary buildings remain under pressure, with no new development in the pipeline, we could well see rents

for prime office and retail premises increasing somewhat in 2012. Recent office lettings signed in Belfast include the letting of 929m² in two floors to First Source at Oyster House at Wellington Place and the letting of 890m² to Grant Thornton at the 10th floor of the Clarence West building. Both of these office buildings are now fully let. While there are some new entrants, the majority of office take-up in Belfast is emanating from existing occupiers taking advantage of the ability to negotiate favourable leases in the current climate. A number of employers in the region including Capita, PWC, Deloitte and Ernst & Young have recently announced expansion plans, which is very encouraging. In the retail sector, G-Star Raw have completed the fit out of a new store on Ann Street in Belfast while two new retail stores are currently being fitted out at Arthur Street, close to the Victoria Square shopping centre, for Le Creuset and Jack Wills - their first stores in Northern Ireland. A large extension to the Quays Shopping Centre in Newry is due to commence next year. In the investment sector, transactional activity remains weak. Transactions completed recently include the sale and leaseback of two Royal Mail facilities in Craigavon and Belfast to private buyers for £1.56 million, reflecting net initial yield of 6.43% and £1.25 million, reflecting a net initial yield of 5.7%, respectively. With liquidity severely constrained, local cash buyers are predominantly focussed on prime investment assets in lot sizes of up to £2 million.

Prime Rents	
Zone A Retail	£1,615 per m ²
Secondary Retail	£650 per m ²
Prime Office	£134.50 per m ²
Secondary Office	£102 per m ²
Prime Industrial	£32.50 per m ²

Prime Yields	Trending	
Prime Retail	6.00%	Stable
Prime Office	7.00%	Stable
Prime Industrial	7.75%	Stable
Secondary Retail	8.50%	Weaker
Secondary Office	8.50%	Weaker



Above that value, demand is limited to institutional buyers. Indeed, we are currently negotiating a number of transactions in Belfast on behalf of UK institutions. Although conditions in the Northern Ireland hotel sector remain competitive, Belfast is set to host the MTV music awards ceremony later this month, which will undoubtedly provide a significant boost for local tourism and hotels in the run up to the Christmas period.

For further information contact: Brian Lavery in our Belfast Office at brian.lavery@cbre.com