

THE OFFICE MARKET

As expected, letting activity in the Dublin office market slowed during the traditionally quieter months of July and August. However, despite the weak underlying economic environment, there is an encouraging level of activity ongoing in this sector of the market with expectations that as much as 100,000 square metres of take-up will be achieved this year in the city. Tenants remain in a very strong bargaining position and continue to negotiate very attractive terms and conditions from landlords who are anxious to generate rent roll. Many of the deals being signed are short-term lettings and rents remain under some pressure although there is clear evidence that prime rents for new office buildings in core locations have stabilised at current levels. Letting transactions signed recently include the letting of 3,857m² to Google at East Point in Dublin 3; the letting of 3,390m² to Stream Global Services at Swords Business Park; the letting of 1,779m² to Norkom at Chapel House in Dublin 1 and the letting of 895m² to Warner Chilcott at Grand Canal Square in Dublin 2. Considering the level of active requirements for office accommodation in the capital (many of which remain confidential), we are confident of good levels of letting activity being achieved in this sector over the coming months. We expect much of this activity will be focussed on core city centre locations despite the relative value on offer in the suburbs. The vast majority of letting activity is emanating from indigenous occupiers who are relocating to new office buildings and attempting to re-let their previous premises. Despite good levels of activity in this sector, the existing overhang of office space in the capital will be slow to erode until more international requirements emerge and more net absorption is achieved.

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 Global Corporate Services Department at paddy.conlon@cbre.com

Prime Headline Office Rents

City Centre	€376 per m ²
South Suburbs	€183 per m ²
North Suburbs	€161 per m ²
West Suburbs	€151 per m ²

THE RETAIL MARKET

Following some modest improvement in retail sales activity earlier in the year, there was a slight deterioration in Irish retail performance in June according to the Central Statistics Office (CSO). The value of retail sales fell 1.1% month-on-month and there was 0.5% deterioration in the volume of retail sales in the period. This is perhaps not surprising with retail sales activity remaining very subdued across most European markets at present. Activity is uneven across retail businesses and sectors. There has been much focus in recent weeks on the move by two Irish banks to take over control of Arnott's department store in Dublin city centre. A notable trend is the decline in cross-border shopping in recent months, which have come about as a result of exchange rate movements and greater price competitiveness in the grocery sector in the Republic. Following a number of lettings agreed earlier in the summer, transactional activity in the retail property market was relatively subdued during July and August. This is more symptomatic of the time of the year than a decline in demand however with retailers still actively looking for opportunities around the country and in many cases securing premises on very attractive terms and conditions. Many are availing of opportunities to agree short-term lettings to test a particular street or shopping centre before committing to a longer term lease. However, the duration of leases generally continues to align with global practice and the downturn has accelerated this. The German retailer Lidl has in recent weeks been celebrating their 10th year of trading in the Irish market, where they now have more than 120 stores. Tesco recently announced plans to create 750 new jobs following a redevelopment of one of their stores and the opening of seven new stores across Ireland. TK Maxx has announced plans to open a new store in Newbridge in Co. Kildare. The Barry Group continue to expand their 'BuyLo' brand and intend to roll out eight new stores this year, having opened a unit recently in

Prime Retail Zone A Rents

Grafton Street	€5,250 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

Mullingar and with stores due to open in Shannon, Killarney and Waterford in the coming months. Meanwhile, forecourt retailers Applegreen are currently recruiting staff for the first motorway service areas, which are due to open shortly in Lusk, Castlebellingham and Enfield. Irish retailers also continue to expand overseas. Primark (Penney's) are to open a large new store at the Eastern end of Oxford Street in London and have been granted planning permission for a flagship store on Edinburgh's Princes Street; Smyth's Toys have announced plans to open 3 new stores in England and Wales while Paddy Power plan to open 35 new stores in the UK. It has been suggested that a large retailer such as Walmart may consider setting up operations in the Irish market if the limit on the size of retail stores is relaxed in the forthcoming review of the Retail Planning Guidelines, which is due for publication later this year. For the most part, fears of further austerity measures and Budget cuts in December continue to impinge on consumers psyche and create uncertainty so for this reason, conditions in the Irish retail sector will remain challenging for the foreseeable future.

For further information contact: Cormac Kennedy or Florence Stanley in our Retail Department at cormac.kennedy@cbre.com or florence.stanley@cbre.com

THE INDUSTRIAL MARKET

There was a notable decline in transactional activity in the industrial sector in recent months. Indeed, according to our research, industrial take-up in Dublin was less than 20,000m² in the second quarter of 2010, compared to almost 58,000m² of lettings and sales achieved in the first three months of the year, when a number of large transactions were completed. Most occupiers remain focussed on cost containment and are reluctant to move to new premises unless they can negotiate very competitive terms and conditions. There is wide variation in the rental levels being achieved in the industrial market at present with significant differentials between the rents being guided for new and second-hand accommodation in all locations. A number of lettings signed recently include the letting of approximately 4,645m² at Clonsaugh; the letting of Unit 34 Fonthill Industrial Park, extending to 2,856m² at a rent of €70 per m² and the letting of 1,508 m² at Greenouge Industrial Park. Although most industrial transactions comprise lettings, there were a couple of sizeable sales transactions completed recently including the sale of Unit 3, Crosslands Industrial Estate in Ballymount, extending to 1,690m², which achieved €1,035,000 and the sale of a 10,187m² facility in Drogheda. Two very interesting industrial properties are due to be brought to the market over the coming weeks. The high-profile 4,138m² former headquarters of Mitsubishi Electric on a 3.5 acre site at Ballymount junction in West Dublin, which has 120 metres of frontage onto the M50 motorway is being brought to the market and is expected to generate considerable interest. Meanwhile, the former Vitra Tiles facility on the M11 adjacent to Arklow town centre, which extends to more than 9,290m², will also be brought to the market shortly.

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

THE IRISH INVESTMENT MARKET

The latest data from the Investment Property Databank (IPD) for Q2 2010 confirmed that while rental pressures remain and total returns in the quarter were negative, yields in the Irish investment market are clearly stabilising. This modest improvement in performance is consistent with the slow pace of economic recovery and the concentration of demand at the very prime end of the market. From a transactional viewpoint, the months of July and August were relatively quiet in the Irish investment market with very few transactions concluded on the open market. While a number of investment deals are progressing, including some off-market transactions, the only significant deal to sign recently was the sale and leaseback of the AIB branch on Dublin's Grafton Street to German property fund management firm GLL for approximately €28 million, reflecting a yield of 6%. With less pressure now on the institutions to sell core property assets, the biggest challenge will continue to be sourcing prime investment opportunities for the many overseas buyers who continue to seek out investment opportunities in the Irish market.

Prime Yields	
Retail (High Street)	6.25% Stronger
Office	7.25% Stronger
Retail (Shopping Centre)	8.50% Stable
Retail (Warehouse)	8.50% Stable
Industrial	9.00% Stable

However, both NAMA and the various banks appear to be closer to initiating investment property sales and we expect to see an improvement in the availability of investment product over the autumn, particularly now that yields appear to have stabilised.

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

THE UK INVESTMENT MARKET

Property values in the UK increased by more than 15% in the year to July 2010. While returns still remain positive, the pace of the increase in capital values has slowed over the last few months. The rapid yield contraction experienced between June 2009 and June 2010 has stabilised somewhat, which could partly be attributed to the uncertain economic backdrop.

According to the Investment Property Databank (IPD), capital values in the UK rose by only 0.2% in July having increased by 0.5% in each of the previous two months. Despite the fact that forecasts for economic growth in the UK have recently been downgraded and demand for secondary property remains particularly weak, demand for prime investment opportunities continues to outstrip supply, with little immediate threat to pricing for this sector of the market. The UK investment market actually experienced a 24% increase in investment activity in the second quarter of 2010. The central

London market remains particularly resilient with strong appetite from a range of overseas buyers while there is strong demand emanating from UK funds for prime assets in the regions. The most significant transactions agreed recently include the sale of the Drapers Gardens development in the City of London for £242.5 million, reflecting an initial yield of 5.2% and the sale of One Trafalgar Square to a Russian investor for approximately £172 million, reflecting a yield of 5.25%. Irish investors remain net sellers of real estate assets in the UK. Sales by Irish investors in recent weeks include the sale of 160 New Bond Street in London to luxury retailer Louis Vuitton for approximately £48.5 million; the sale of 18-20 Grafton Street near Bond Street for £48.1 million, reflecting a yield of approximately 3.9% and the sale of 11-12 Old Bond Street for approximately £18 million, reflecting a yield of approximately 3.4%. Meanwhile, it has been reported that Irish Life Investment Managers are selling an office investment property in Nottingham, guiding £10.4 million, which equates to a net initial yield of approximately 7.5%. We expect to see an improvement in the availability of investment properties over the course of the coming months. Although liquidity remains constrained, lending terms have become more competitive recently and there has been some improvement in the availability of debt, particularly from German banks, which augurs well for the traditional selling season in the investment market.

For further information contact: Caroline McCarthy in our International Investment Department at caroline.mccarthy@cbre.com

THE DEVELOPMENT LAND MARKET

The new Planning & Development (Amendment) Bill 2010, which has significant implications for the development land sector, passed into law recently. In addition to major technical changes regarding the preparation and approval of development plans, the legislation requires all local authorities to examine the extent of zoned land in their areas and includes provisions to dezone lands if necessary. While there are undeniably many local authorities with a surplus of zoned land, we question the merits of de zoning land, which could ultimately lead to upward pricing pressures in some local authority areas in the future. Phasing the future development of existing zoned lands and reviewing this annually as opposed to every five years would appear to be a better solution. In another significant move for the development sector, Dublin City Council recently voted to ban the construction of buildings above 28 metres in height unless a Local Area Plan (LAP) is first produced for the location. Although development activity is essentially halted in the current climate, the ban on tall buildings, if it proceeds, will certainly have repercussions for

Prime Yields	
Office (West End)	4.25% Stable
Retail (High Street)	4.85% Stable
Retail (Warehousing)	5.25% Stable
Office (City)	5.50% Stable
Shopping Centre	5.50% Stable
Office (Provincial)	5.75% Stable
Industrial	6.50% Stable



the city over the next number of years. Although a number of off-market land sales are progressing slowly, other than a number of agricultural land sales being concluded around the country, transactional activity in this sector of the market remains constrained. That said, we expect more sites to come onto the market over the coming months. There is good demand for prime land parcels from cash buyers so this should result in more sales activity during the autumn. The Government recently announced its revised capital spending plans, which will see €5.5 billion invested annually in the period 2011-2015. Although this level of investment is less than originally planned in the National Development Plan, it is welcome nonetheless. We particularly welcome the decision to proceed with creating a new urban quarter at Grangegorman in Dublin's north inner city. We welcome the Government's recent announcement of plans to formally set up a long-awaited national property database. We urge Government to engage with all of the relevant stakeholders to create a comprehensive database that produces accurate and timely national data to suit the requirements of all concerned. Considering the dearth of reliable information on the housing sector, we are eagerly awaiting the imminent publication of the Department of the Environment's vacant housing audit. This study should finally produce accurate statistics to counteract a lot of the incorrect data that has been dominating the headlines over recent months and enable us to make more accurate assumptions about house prices and ultimately land prices.

For further information contact: Ronan Webster or Wesley Rothwell in our Development Department at ronan.webster@cbre.com or wesley.rothwell@cbre.com

THE HOTELS & LICENSED MARKET

According to the most recent data available on the sector, Dublin hotel occupancy was surprisingly strong in June and July at 77% and 74.7% respectively. The year-to-date average at 64% is also up year-on-year from 61.6% in 2009. However, average room rates continued to decline in the capital, showing a 10.6% decline year-on-year, a trend that is even more pronounced in other locations around the country. The reality is that conditions in the Irish hotel sector generally remain extremely challenging. The economic situation coupled with severe liquidity issues continue to compromise the viability of hotel operations throughout Ireland, including many long-established businesses. The announcement by Bank of Scotland Ireland that they are to depart the Irish market at the end of this year has caused further concern as this bank has traditionally funded more than 20% of Ireland's hotel operations. These hotels are now faced with a near impossible situation in trying to secure alternative funding in a seriously illiquid market, for their working capital requirements over the coming winter period. The latest CSO data has revealed further bad news for the industry as visitor numbers to Ireland this year continue to decrease, with inward traffic through Ireland's airports down over 20% in the first seven months of the year. In recent weeks, a provisional liquidator has been appointed to run the Morrison Hotel in Dublin; a bank has foreclosed on the Moyvalley Hotel & Golf Resort in Co. Kildare and a receiver has been appointed to the Osprey Hotel & Spa in Naas, Co. Kildare. A receiver was also appointed to the Finnstown Country House in Lucan and the well-known Citywest facility in West Dublin and it is expected that more hotels will go into receivership over the coming months as we go into the traditionally less busy winter season. According to our research, there are now more than 40 Irish hotels in receivership. When you consider that this equates to over 4,000 bedrooms - almost 7% of the national hotel bedroom stock - the seriousness of the situation is clearly evident. In contrast, the UK hotel market has been holding up well. The Jury's Inns Group have just opened a new hotel in Bradford, having recently secured a very prestigious UK Government contract to house senior UK civil servants in their 24 Inns across the UK. The London hotel market has been performing particularly well with record Occupancy and Revpar numbers during the summer months. CBRE Hotels has brought the prestigious 272-bed Portman Hotel at Portman Square in London to the market guiding £120 million and this opportunity is generating strong interest, particularly from international buyers given the relative weakness of Sterling. Recent hotel deals include the sale of the Irish-owned 188-bed Park Inn at Hyde Park to a private buyer for approximately £35 million, which highlights the current strength of demand and may encourage more Irish hotel owners to dispose of their UK hotel assets over the coming months. With the loans of over 35 Irish hotels (and a further 13 outside of Ireland) having now been acquired by NAMA, we expect some

sales to emerge over the coming months as opposed to the trend over the last two years of putting management contracts in place, regardless of the future trading potential of the hotel property. Transactional activity in the Dublin licensed property market continues to be very subdued reflecting the tight funding market and the challenging trading conditions currently being experienced by all sectors of the market. In recent weeks receivers were appointed to another two pubs in Dublin - Cassidy's Pub on Westmoreland Street and The Bayno Bar on Francis Street. On-trade drinks sales declined by a staggering 14.6% in the first five months of 2010 on top of an 8.8% decline in 2009 and a 3% decline the previous year. The move away from the on-trade has accelerated with the economic downturn. The trend and demand to lease pub premises on a short-term basis continues to grow but there is a shortage in supply of suitable properties to meet this demand.

For further information contact: Paul Collins or Dermot Curtin in our Hotels Department at paul.collins@cbre.com ; dermot.curtin@cbre.com or John Ryan in our Licensed Department at john.ryan@cbre.com

THE BELFAST MARKET

The opening of the final stretch of the A1/M1 motorway connecting the cities of Belfast and Dublin during the summer was very significant and will in time demonstrate real economic benefits. The recent announcement that a UK parliamentary committee plan to consider reviewing the rate of corporation tax in Northern Ireland could also have very significant implications for the region. According to our research, prime office rents in Belfast are some 60% cheaper than in Dublin and wage costs are significantly less north of the border. It stands to reason that if the rate of corporation tax in Northern Ireland was reduced to make it more comparable with the 12.5% prevailing in the Republic; this would significantly boost foreign direct investment and job creation in the region, all of which would be positive for the Northern Ireland property sector. Activity in the property market in Belfast was characteristically quiet during the summer months. However, the recent investment sale of a Marks & Spencer store at Donegall Place in Belfast city centre for a price of approximately £8.75 million, clearly demonstrates the prevailing demand for prime investment properties in the region, following on the back of the sale earlier in the year of the Damolly Retail Park in Newry. In the occupier markets, activity remains relatively weak which is not surprising considering fears about further public sector and welfare cuts in the region. However, a number of new office requirements for between 929m² and 1,393m² of accommodation have emerged in recent weeks, including a significant requirement from Aecom and from two new solicitors firms looking for office accommodation in the city. As we expected, the Government, who are the largest occupier of office accommodation in Northern Ireland, are now starting to negotiate with landlords to agree long term rental agreements in exchange for lower rents or capped rents at review. Retailers in Northern Ireland, particularly in border towns are now having to realign their businesses to take account of a significant reduction in the number of cross-shoppers from the Republic, which has come about as a result of exchange rate movements and keener price competition in the grocery sector south of the border. The Merchant Hotel in Belfast's Cathedral Quarter recently completed an extensive 38 bed extension. For the most part, activity in the hotel sector remains challenging however, against the difficult economic backdrop.

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

Prime Rents	
Zone A Retail	£2,000 per m ²
Secondary Retail	£ 807 per m ²
Prime Office	£134.50 per m ²
Secondary Office	£113 per m ²
Prime Industrial	£37.50 per m ²
Prime Yields	
Prime Retail	5.25% Stable
Prime Office	6.00% Stable
Secondary Office	6.75% Stable
Prime Industrial	7.00% Stable
Secondary Retail	7.50% Stable