

Quick Stats Q2

Year-on-year change

Transitional Activity	↓
Investor Demand	→
Prime Yields	→

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

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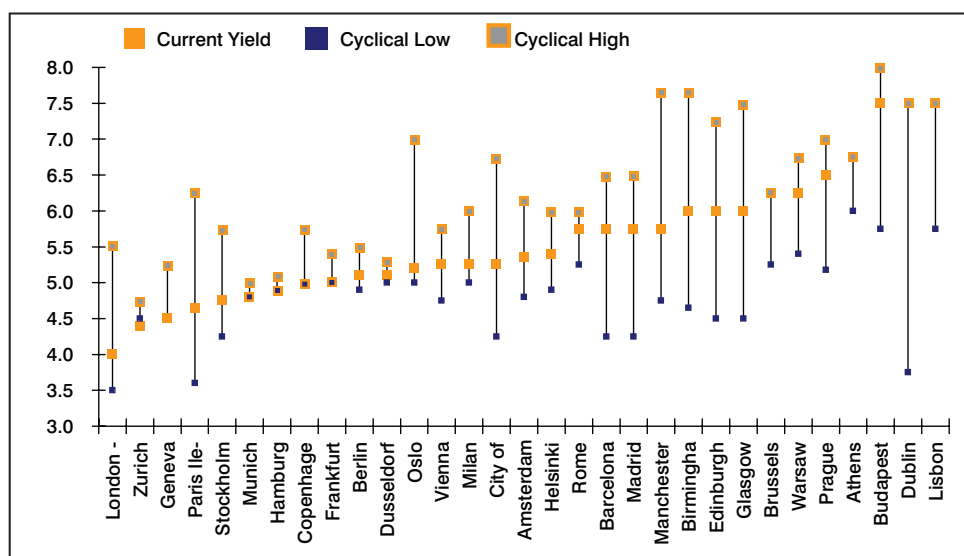
RESEARCH

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OVERVIEW

- Dearth of transactional activity in the Irish investment market in the first half of 2011**
 Just less than €150 million was invested in the Irish investment market in the first half of this year. There were only three significant transactions signed in the period, with two of these comprising sales to occupiers.
- Commercial property values are still declining**
 Although Irish commercial property values appeared to be stabilising 12 months ago, the uncertainty that has since prevailed around Government proposals to retrospectively change rent review mechanisms in business leases and the ongoing lack of bank finance has stalled this recovery. Capital values declined by a further 7.6% in the first half of 2011, bringing the peak-to-trough decline in values to 63%.
- Continued interest in the Irish market from overseas investors**
 In the absence of liquidity in the domestic market, the only realistic buyers of Irish investment properties at present are overseas investors. Although transactional activity has been stymied by uncertainty in the first half of 2011, there is still considerable interest from overseas investors. However, all of this interest is focussed on prime office and retail opportunities in Dublin.
- Prime yields remain at high levels relative to the UK and the rest of Europe**
 Prime yields in an Irish context have experienced the most significant correction of all European markets since 2007. This is primarily due to the fact that the availability of debt has effectively dried up and the domestic investors who heretofore dominated the Irish investment market are no longer active. Determining yields in the absence of transactional evidence is difficult but in comparison with the UK and the rest of Europe, prime yields in Ireland remain relatively high.

Prime Office Yields Q2 2011 vs. High/Low in Current Cycle



Source: CB Richard Ellis Research

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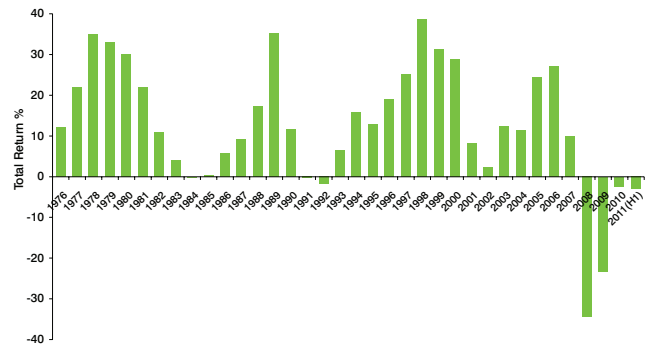
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Conditions in the Irish investment market in the first six months of 2011 remained difficult. According to the Investment Property Databank (IPD), total returns in the Irish market declined by a further 3.0% in the first six months of 2011 while capital values declined by 7.6% in the period. A lack of liquidity coupled with uncertainty regarding potential lease reform meant that there were only three significant investment transactions totalling €149.25 million, signed in the Irish market in the first six months of 2011 – the sale to Google of their premises Gasworks House and Gordon House at Barrow Street in Dublin 4; the sale of an office investment in Clonskeagh in Dublin 4 and the sale of a city centre office building to Primark, who part-occupy the building. There were no retail or industrial investment sales completed in the Irish market in the first half of 2011.

Most of the investors who have an appetite to purchase Irish investment assets at present are overseas investors who have a preference for prime assets in the Dublin market. The ability to sell secondary properties or provincial property in a market where liquidity remains constrained and demand is purely focused on prime remains very challenging.

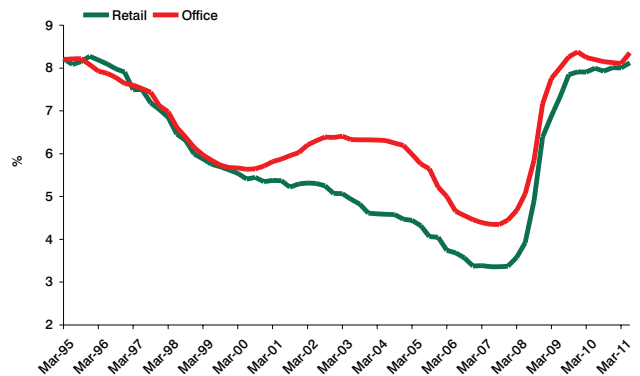
Prime yields in an Irish context remain high relative to their historic levels and yields currently prevailing in other jurisdictions. It is important to stress however, that prime yields are being derived in the absence of transactional information. It seems unrealistic that a 200 basis point difference exists between average prime yields in Europe and those prevailing in the Irish market. However, until such time as the Irish Government publish draft legislation regarding the reform of upward only rent review mechanisms in business leases and some transactional evidence materialises, it is not possible to establish where prime yields will ultimately settle in an Irish context. If the Government decide not to pursue their stated objective of rebasing rents in all business leases to 2011 values, prime yields in all sectors of the Irish market are likely to decrease somewhat from current levels, bridging the significant gap that currently exists with the UK and other European jurisdictions. However, in the meantime, while the outcome of the proposed legislation remains unclear, uncertainty will prevail and demand for even the most attractive Irish assets will remain muted.

Irish Total Returns 1976 - 2011(H1)



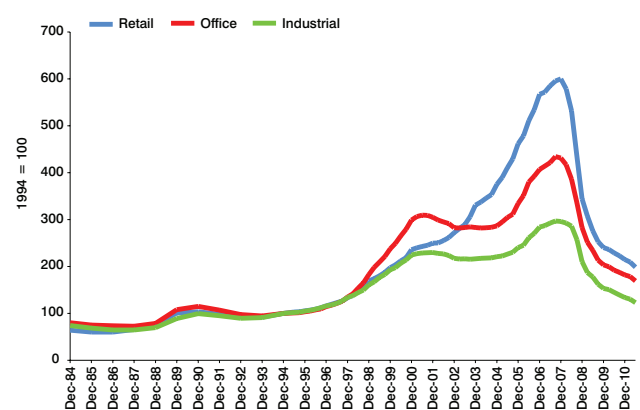
Source: IPD

Equivalent Yields Ireland Q2 1995 - Q2 2011



Source: CB Richard Ellis Research

Irish Capital Value Index 1984 – 2011(H1)



Source: IPD