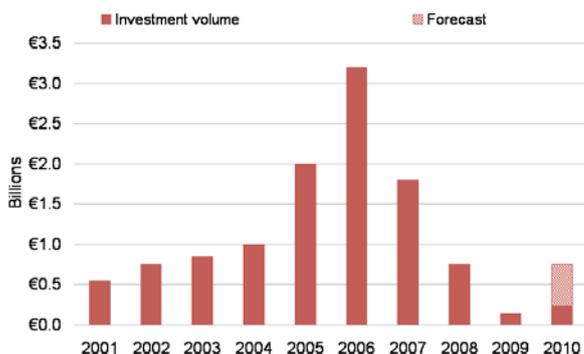


Ireland Investment market in minutes

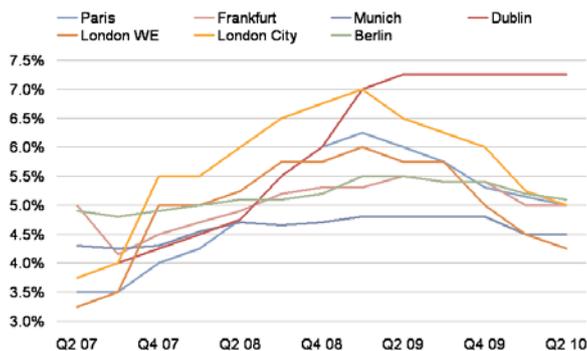
Autumn 2010

Irish investment market turnover



Source: Savills Research

European prime office yields



Source: Savills Research

“Irish investment market turnover is 95% higher for the first three quarters of 2010, compared to the same period last year. Activity is now being constrained by a lack of prime product as international investors continue to look for prime opportunities.”



Joan Henry (Head of Research)

- Investment market activity in 2010 has been considerably stronger than in 2009. Turnover from January to the end of Q3 2010 is estimated at €243m - an increase of 95% for the same period in 2009 with turnover for 2009 reaching only €140m for the year as a whole.
- There has been an increase in demand from private, domestic investors. This demand is particularly evident for the smaller secure lot sizes €5m and below.
- There is a continued interest from international investors given the potential returns available particularly for lot sizes in excess of €20m but demand is outstripping supply for prime opportunities.
- Supply remains at the lowest level since 2005. Supply levels are expected to increase over the coming months as vendors start to position themselves for potential disposals; likely sources include the National Asset Management Agency (NAMA) and the Banking sector.
- Prime office and retail yields have stabilised since Q2 2009. There is evidence of prime retail yields hardening following several transactions on Grafton Street.
- The lack of transactional activity has slowed down the pace of recovery as seen in other major European cities this year.

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Market trends

Investment volume was €113m in Q3 compared to €79m in Q2. Turnover for the first three quarters of 2010 is 95% higher than in 2009, with over €243m being transacted so far compared to €118.5m during the same period last year. Some 41 transactions have been concluded and 80% of the properties sold had in excess of 10 years unexpired on the leases.

Retail transactions dominated the investment market in Q3 accounting for seven of the 12 transactions totalling €68.5m of the total turnover. The first industrial investment transactions recorded since Q4 09 were completed in Q3 with two confidential transactions accounting for approximately €12m of the total volume. There were only three office deals closed in Q3, amounting to €32.5m. We estimate that at the end of Q3 there is around €500m of investment property on which terms are agreed and if closed, will see turnover increase to over €700m for the whole year. Turnover levels however are being constrained by the lack of suitable prime opportunities available and the corresponding lack of transactional activity has slowed down any potential recovery as seen in other major European cities.

With few new properties coming to the market the amount of investment stock publicly on the market fell by 25% in Q3 with €181m remaining on the market compared to €242m at the end of Q2. Virtually all of this stock is made up of non prime assets for which

there is little demand. Supply remains at its lowest level since 2005, however a number of assets are being discreetly offered for sale which would boost the supply by several hundred million if included.

Demand from private investors has increased but this is largely confined to very secure assets and smaller lot sizes under €5m. Due to the high returns potentially available, we are also seeing continued interest from international buyers. Unfortunately very few transactions have actually taken place reflecting the limited supply of suitable product available.

Prime office and retail yields have stabilised since Q2 2009 and we have recently seen evidence of prime retail yields hardening following several transactions on Grafton Street in Dublin.

Outlook

Supply will increase before year-end as vendors start to position themselves for potential disposals, likely sources include NAMA and the banking sector. The increase in supply will not be very significant in the short term and it will remain difficult to source quality properties producing secure income streams.

Market activity, while up on 2009 levels, will remain subdued. In relation to non prime assets, supply is expected to increase and demand looks set to remain poor for this category of asset.

There is potential for prime yields to harden if the highest quality properties become available.

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