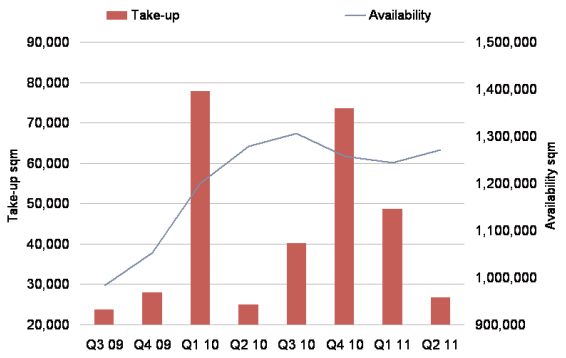
Dublin industrial market in minutes

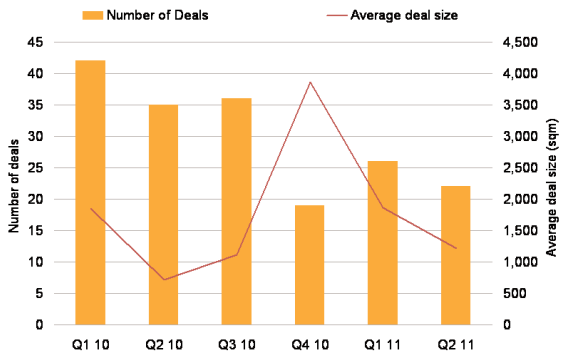
Q2 2011

Take-up and availability



Source: Savills Research

Number of deals and average deal size



Source: Savills Research

"Q2 2011 recorded a pick-up in sales activity with purchasers capitalising on current values. While we expect this trend to continue on in 2011, lettings will remain the dominant source of transactional activity. Savills estimates industrial take-up for 2011 will be in the region of 150,000 sqm. "

Davina Gray (Research Analyst)

- Dublin industrial take-up in Q2 2011 was 26,800 sqm, down significantly compared to Q1 2011 when take-up was 48,600 sqm.
- Despite the drop in space being taken-up there were 22 deals completed in Q2 2011, which is only four less than Q1. Four sales were included in this number of deals completed.
- The southwest accounted for the majority of take-up activity during the quarter accounting for over 48% of the space taken-up in 13 deals.
- Rents and letting terms vary depending on the location and quality of stock, with prime rents in the region of €45-€65/sqm/year, while secondary rents remain under pressure and can be as low as €25/sqm/year
- Sale prices varied between €430/sqm to €989/sqm, with quality and location the main factors driving values.
- The amount of vacant stock available at the end of Q2 2011 was up marginally by 2.3% compared to Q1 2011.
- The northwest region experienced the most significant increase in vacant stock, increasing by over 8% from the end of Q1 2011, driven by a nubmer of large industrial units which have come to the market.
- We expect demand for the rest of 2011 to remain steady with take-up for the year as a whole expected to be in the region of 150,000 sqm.

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Market trends

The amount of industrial space taken-up in Dublin fell by 45% in the second quarter of the year compared to the first. Take-up in Q2 was 26,800 sqm, compared to 48,600 sqm in Q1. This reflects the difficulties seen in the wider economy and across all property sectors. Take-up for the first six months of the year was down 27% compared to the same period in 2010.

Despite the drop in the amount of space being taken-up in Q2, the number of deals completed remained steady, with a total of 22 deals completed compared to 26 deals the previous quarter. As a result of this, the average deal size fell in Q2 to 1,218sqm from 1,869 sqm in Q1. There were four sales completed during the quarter, as occupiers now see value in purchasing. In contrast there were no sales in Q1 and eight sales in 2010.

The southwest accounted for the majority of take-up activity during the quarter accounting for over 48% of the space taken-up in 13 deals. There was also activity in the northwest region with 11,000 sqm of space taken-up in six deals.

The largest transaction completed in Q2 was the letting of just under 8,000 sqm in Northwest Business Park (Dublin 15). Lease terms and rents are again dependent on the quality and location of space with prime rents now in the region of €45 - €65/sqm/year. Average lease terms are in the region of 5 years with the number of break options in all leases increasing.

The prices achieved in the sale of the four properties during the quarter again varied depending on the location and quality of stock being sold. Units that are of poor quality (i.e asbestos roofs) or in non-prime locations achieved values between €430/psm and €510/psm, while better quality industrial stock sold for in the region of €970/psm.

The amount of available space on the market increased slightly in Q2 2011, with the total amount of stock on the market now 1,271,900 sqm compared to 1,243,400 sqm at the end of Q1 2011, an increase of 2.3%. The amount of vacant stock on the market has increased as firms continue to downsize their operations and recievers add more vacant stock to the market. The northwest region experienced the most significant increase in vacant stock increasing by over 8% from the end of Q1 2011.

Outlook

The volume of industrial take-up is expected to remain steady for the remainder of the year, with take-up for 2011 estimated to be in the region of 150,000 sqm. Although sales activity will continue to increase in 2011, lettings will remain the dominant source of transactions. The key to doing deals in 2011 is flexibility on rents and lease terms as potential occupiers continue to have a broad range of options available to them.

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