Industrial Market Update Autumn 2011

Increased competitiveness and the emergence of Ireland as a key location for cloud computing will have a positve effect on the industrial market

Data centres and the distribution sectors drive demand

- Activity in the Dublin industrial market is being driven mainly by companies in the data centre and transport/distribution sectors, with 50% of the industrial space taken-up in Dublin in the twelve months to the end of June 2011 coming from those two sectors. The data-centre sector accounted for circa 30% of the space taken-up with Amazon reportedly the most active player in the sector during that period.

- The transport/distribution sector accounted for approx. 20% of the space taken-up with Eddie Stobart taking the largest building of approx. 10,976sqm at Tolka Quay near the city centre.

- The remaining 50% of space occupied in the last year was spread across a number of sectors, with retailers accounting for 10% of the overall take-up (including the letting of approx.10,000sqm to Lidl in Q1 2011).

- The construction and engineering sectors each accounted for 6% of the take-up while the motor trade accounted for 5% of the take-up. Food companies accounted for 4% of the take-up.

- We expect occupier demand to continue to be driven mainly by the data centre, distribution and food sectors for the rest of 2011 and into 2012.

Analysis of available stock

- There is over 1.2 million sqm of industrial space available on the Dublin market - the equivalent of over 130 Croke Park pitches! An analysis of that total shows that half the number of available units are less than 465sqm in size, while 21% of all available units are between 465 and 1,000sqm in size.

- These data highlight the need for continued competition between landlords to keep and attract tenants and also highlights the importance of flexibility on both lease terms and rental levels. Rents remain under pressure with rental levels falling to €55 per sqm on a typical modern unit below 1,000sqm in size. Poorer quality and older type units are renting for lower levels. An analysis of vacant stock also shows that almost half of the available space in Dublin has been on the market for more than two years.

- Take-up figures for the period July 2010 – June 2011 show that:

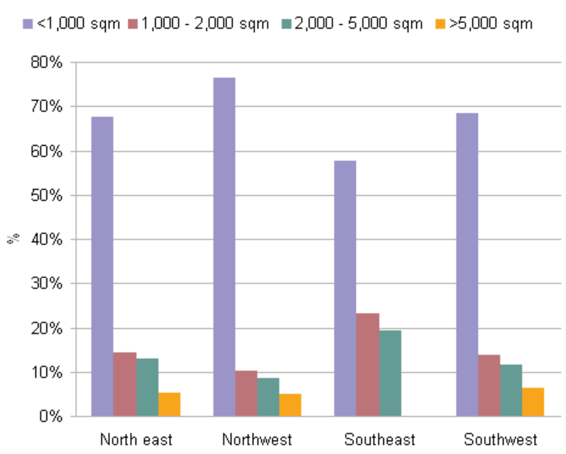
  - 43% of the number of units taken-up were below 465sqm in size - this rises to 68% for all units taken-up below 1,000sqm

  - 27% of the number of units taken-up were in the 1,000 sqm to 5,000sqm size category

  - Just 5% of the number of units taken-up were over 5,000sqm

- However, just 1.2% of units available are greater than 10,000sqm, which indicates a lack of options for occupiers seeking larger requirements, particularly as design and build options are not financially viable in the current climate.

Location of Vacant Units and Size Range - Q2 2011



Source: Savills Research

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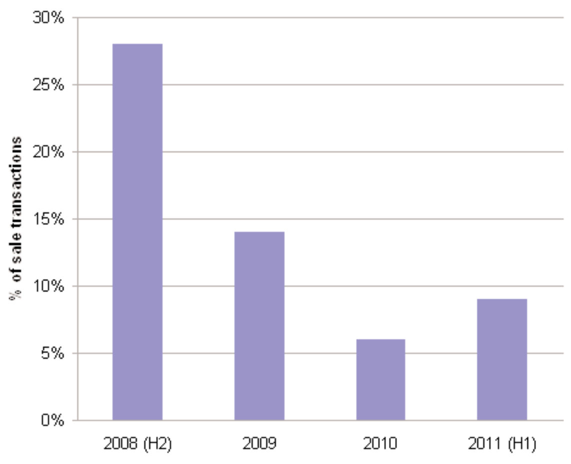
Letting activity continues to dominate but owner-occupier sales have picked up

- Activity in the industrial market was historically dominated by sales, but since the beginning of 2008 letting activity has accounted for the vast majority of transactions. The slowdown in the number of sales is a reflection of the significant deterioration in overall economic conditions and in particular the increased difficultly being faced by purchasers in securing finance.

- In 2009, 14% of total transactions were owner occupier sales. This dropped to 6% in 2010. However, there has been an increase in the level of sales to 9% for the first six months of 2011 indicating that values are now at a level that is attracting purchasers. The sales market is dominated by cash rich buyers and we expect the increase in sales activity to continue in 2011 as purchasers take advantage of current values.

Sales transactions (owner occupier)



Source: Savills Research

Wider trends across the economy will boost occupier demand

- The increase in competitiveness in the Irish economy along with the success of the IDA in attracting foreign direct investment is expected to have a positive impact on occupier demand for industrial space over the coming years. In particular the IDA is targeting the cloud-computing sector and there is evidence of a pick up in demand from that sector for locations offering fibre-optic connectivity and power capacity. The IDA has attracted for example, nine cloud computing investments in the last year including, Dell, HPO and Microsoft.

- There are many challenges facing the industrial property market at the moment, including the volume of space available on the market and the downward pressure on rental levels. However, we expect the market to slowly recovery, led by demand from multinational ICT companies who have invested heavily in Ireland in order to service the wider EU and international markets.

- The performance of the export sector supports this outlook. Export demand remains strong and is expected to remain the main driver of growth in the Irish economy in 2011 and 2012.

- Of the Top 20 exporting companies in Ireland, the Irish Exporters Association highlight the fact that seven of these are from the Information Communications Technology (ICT) sector, reflecting the growth in computer services exports; five are from the pharmaceutical/medical devices sector and five are from the agri-food sectors.

- These are the sectors expected to drive occupier demand, both directly and indirectly over the coming decade.

- In the short to medium term, demand for data centres and from the distribution and food sectors coupled with a recognised inrease in compeitiveness will drive occupier demand.

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