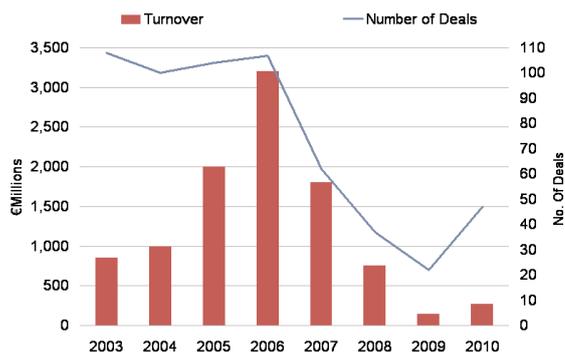


Ireland Investment market in minutes

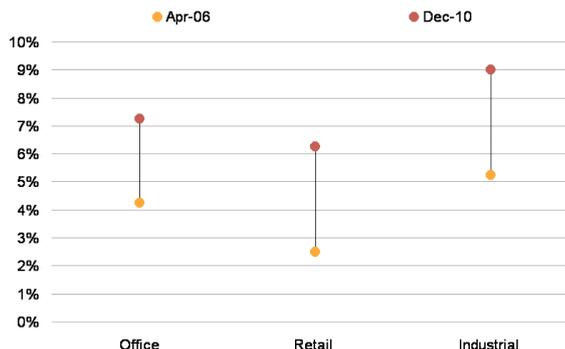
Q4 2010

Irish investment market



Source: Savills Research

Prime yields



Source: Savills Research

“Irish investment market turnover reached €270m in 2010, almost twice that of 2009, but a number of deals due to close in Q4 are now expected to close in 2011. We expect supply in 2011 to increase as banks, receivers and Nama seek to initiate the disposal of assets.”



Joan Henry (Head of Research)

- Irish investment market turnover reached €270m in 2010. While the €270m is almost double that achieved in 2009, it remains below what was forecast as a number of deals due to close in 2010 have been pushed out to 2011.
- Turnover was €50m in Q1, €79m in Q2, €113m in Q3 and fell to €27m in the final quarter. There were 47 deals completed in 2010, over twice the amount completed in 2009.
- There were a number of larger transactions completed by international investors including the sale and leaseback of the Eircom Management Network Centre in Citywest, which was acquired by London & Regional and the sale and leaseback of AIB Grafton St to a German bank.
- In terms of supply, the amount of stock on the market is now at its lowest level in a decade. As deals completed, new properties have not come to the market to replace them.
- We hold the view as we did in 2010, that going forward in 2011 if prime secure property comes to the market, demand will be evident particularly from international investors.
- Prime office yields are in the region of 7.0 -7.5% while prime retail yields are in the region of 6.5%. Prime industrial yields are currently 9.0% plus.
- For long term secured assets, we expect values to hold at or close to current levels, but for secondary assets, we expect that values will remain under pressure.

Ireland Investment market in minutes

Market trends

Irish investment market turnover reached €270 in 2010 compared to €140m in 2009. Turnover slowed down in the final quarter reaching €27m compared to €113m in Q3. A number of deals due to be completed in 2010 have been pushed out to 2011.

Retail investments account for 55% of the value transacted in 2010 with office investments accounting for 40% and industrial investments were 5% of the total. In terms of the number of deals - there were 47 deals completed in 2010, over twice the amount completed in 2009.

The majority of transactions completed in 2010 were by Irish investors who typically acquired smaller lot sizes. However, several larger transactions were completed by international investors including the sale and leaseback of the Eircom Management Network Centre in Citywest, which was acquired by London & Regional and the sale and leaseback of AIB Grafton St to a German bank. Over 70% of the transactions involved properties, which were let on long-term leases to secure covenants such as multi-nationals and banks. We would expect to see more international and institutional investors active in the market if secure prime supply becomes available.

In 2010 typical lot sizes of investments coming to the market were considerably smaller than in previous years, with the majority in the €10m or less price bracket, the average transaction lot size was in the

region of €5.7m.

As 2010 progressed there was a considerable reduction in the amount of investment property available on the market. As deals completed, new properties have not come to the market to replace them. There was just over 40% less stock on the market at the end of 2010 compared to the end of Q1. The amount of stock now available on the market is now at its lowest level in almost a decade.

The majority of the stock available on the market is mostly comprised of non-prime assets for which there is little or limited demand. In 2011 we do expect that there will be an increase in supply as banks, receivers and NAMA (National Asset Management Agency) seek to initiate the disposal of assets.

Outlook

We hold the view as we did in 2010, that going forward in 2011, should prime secure property come to the market, demand will be evident particularly from international investors. For long term secure assets, we expect values to hold at or close to current levels, but for secondary assets, we expect that values will remain under pressure.

It is likely that activity in Q1 will remain subdued following domestic economic developments in Q4 2010. However, we do expect to see a pick-up in activity later in 2011 as both NAMA banks and non-NAMA are expected to begin to sell assets. Liquidity of cash will remain an issue as we enter into 2011.

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