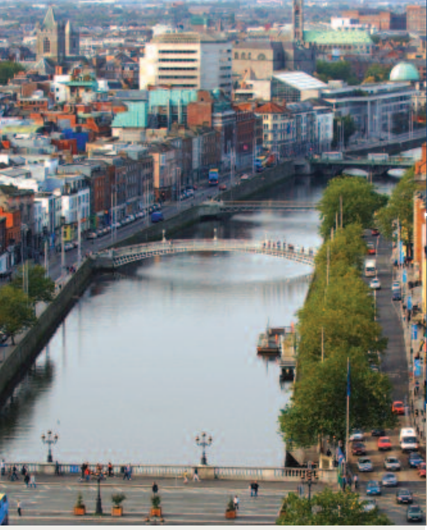

Property Snapshot

IRELAND ECONOMY & PROPERTY MARKET
COLLIERS JACKSON - STOPS QUARTERLY VIEW Q3 2008

COLLIERS JACKSON-STOPS

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Economy

After a fall of 1.5% y/y in Q1 08, Irish GDP fell by an additional 0.8% in Q2 08 putting the Irish economy officially in recession, explained by decreases in consumer spending, capital investment and contraction in the construction industry. ECB rate reduced to 3.75% as part of an international response to the financial crisis and deteriorating economic environment. EURIBOR 3-month interbank rate (30 Oct 08) at 4.79%. The Consumer Sentiment Index fell to 45.0 in Sept 2008 from 74.3 in Sept 2007. Retail sales declined by 5.2% y/y in Jul 08 (excl. car sales). The seasonally adjusted live register is up by almost 50% y/y to 244,500 in Sept 2008 with standardised unemployment rate at 6.3%. Construction employment in private firms down by 17.9% in Aug 2008 y/y.

Measures introduced by Budget 2009 (announced 14Oct 08) include a 1%levy on gross income (2%on income in excess of €100,100), a local authority charge on non-principal residences, CGT up 2% to 22%, VAT to move to 21.5% as of 1 Dec 08 and commercial stamp duty cut from 9% to 6%.

CJS View: Drastic steps have been taken by the Irish Government in Budget 2009 in a bid to help stabilise economic conditions by increasing taxes and decreasing expenditure however, measures taken will affect personal disposable income and are unlikely to encourage consumer spending in the short to medium term.

Property Market

Offices

The office market has seen significantly reduced sales and letting activity in the second half of the year. Prime rents have reclined slightly back to €645 per sq m and occupiers are negotiating for more attractive incentives in the form of rent free periods and greater flexibility with break options. There are concerns about oversupply with schemes due for completion which commenced during more buoyant times. Financial Services sector occupiers have mostly put their requirements on hold due to the current turmoil in the markets, while the overall vacancy level is 13%.

CJ-S View: Very limited sales activity in remainder of 2008. Lettings focused on sectors less affected by the credit crisis. Rents will largely remain static. Suburban and out-of-town locations must be competitive to secure tenants. Access to public transport remains key.

Retail

Falls in retail sales volumes accelerated by 1.7% (excluding Motor Trades) in July. Further declines are expected as consumer spending power and confidence continues to fall in response to the financial crisis and weakening economy.

There is a measure of activity with H&M, Zara &Warehouse now open at the Gaiety Centre (just off Grafton Street). Henry Street has similar activity. Value drive and discount retailers continue to be the most active regionally.

CJ-S View: Regional centres and secondary city retail is vulnerable and rental increases will slow. Retail development and new lettings are in decline, while heavily incentivised deals with capital contributions and lengthy rent-free periods are more common in the market place.

Industrial

The level of industrial enquiries continues to decrease as the economic downturn continues to bite. Speculative development is effectively on hold as most companies adopt a “wait and see” approach. Headline rents are steady at €125-130 psm, but incentives (rent free periods and break options) are more commonplace. We anticipate rents falling in the short-term as competition increases between developers for a shrinking pool of occupiers. It will be interesting to see how 50 acres of zoned industrial land in Naas fares in the current market. The vendors are reportedly seeking €400,000 an acre which is approximately 40% below the market value at this stage in 2006.

CJ-S View: A recovery in sales volumes will not happen until financial stability is restored.

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Country Homes & Land

Since the summer of 2006, house prices have fallen on average by 23% in the capital and 17% throughout the rest of the country.

The upper end of the market has been most affected by the downturn and it is now widely accepted across the industry that county houses in the million euro plus bracket are down by as much as 30%.

Of the 364 farms offered at auction this year, only 29% were sold under the hammer. The average price of farmland has fallen by 25% in the past 10 months and sites for one-off housing are down by as much as 50%.

CJ-S View: No significant residential market upturn until credit crunch has dissipated and confidence returns. Cash buyers are positioned to exploit good opportunities.

	Leinster	Munster	Connacht	Ulster
Average €/ acre (2008 / 2007)	21,000 / 25,000	16,000 / 21,000	12,000 / 16,000	No change

Source: CJS

Residential Lettings

Despite the current down turn, demand for top quality rental properties remains strong. Our rental tenant database has grown significantly by the addition of 'new' potential purchasers waiting for finance or further price falls; corporate clients are demanding superior residential properties. The landlord profile is changing from investors/speculators, to include owner-occupiers seeking to let out homes until markets recover.

CJ-S view: The rental sector will remain buoyant. Potential purchasers will continue to rent, until mortgage lending and prices stabilise. Properties near schools and with easy city centre access remain the most popular.

Advisory Services

In an effort to reassess their portfolios, investors and developers are increasingly instructing CJ-S to carry out valuations for internal use purposes, only then will they approach the financial institutions for refinancing. Landlords are beginning to become more realistic in their rental demands during rent review negotiations. Limited evidence and the potential for rents to decline in 2009 are major factors in this change of attitude. In an effort to protect their interests, landlords have to weigh up the short term benefit of large rental increases against the long term benefit of protecting their tenants' ability to trade; reducing the risk of vacant units.

CJ-S View: It is more important than ever for landlords and tenants to seek professional advice in relation to rent reviews. Landlords can no longer count on "a rising tide to raise all boats" and tenants must protect their ability to trade.

Development

Activity in the development land market has been limited due to the lack of financing for speculative development sites. As a result it is expected that a number of well located sites will come to the market in the next few months as developers are forced to de-leverage and raise cash. Falling land values should have a positive impact on the Governments National Development Plan despite budgetary constraints as strategically located lands required for infrastructure development become more affordable.

Sandyford Watch: Since February 2008 An Bord Pleneala has made 10 major decisions in the Sandyford area all of which have been refused permission with the exception of a 682 sqm development. The moratorium on the Sandyford area will remain until deficiencies in the provision of public transport, water and foul drainage services are resolved. In addition to this the Council will not be in a position to complete the draft Sandyford Urban Framework Plan (SUFP) until these issues have been resolved.

Dublin City County Council are currently considering a variation to the development plan which will allow buildings of 16 or more storeys in five areas in the city to include the Docklands; Connolly Station area; George's Quay including Tara Street; the Digital Hub and Heuston Station area while buildings of 8 to 15 storeys could be accommodated in Phibsborough; Grangegorman; the Malahide Road near Darndale, Clonshaugh Industrial Estate; Ballymun; Pelletstown; the Dublin Industrial Estate; Ballyfermot; Parkwest/ Cherry Orchard; and the Naas Road/Long Mile Road area. Should this variation be adopted by the council it will have a significant impact on land values in these areas going forward.

CJ-S View: As the number of distressed sellers increases and developers seek to raise cash it is expected that a number of well located sites will come to the market in the coming months. Cash buyers will continue to monitor the market carefully as land prices fall representing good value.