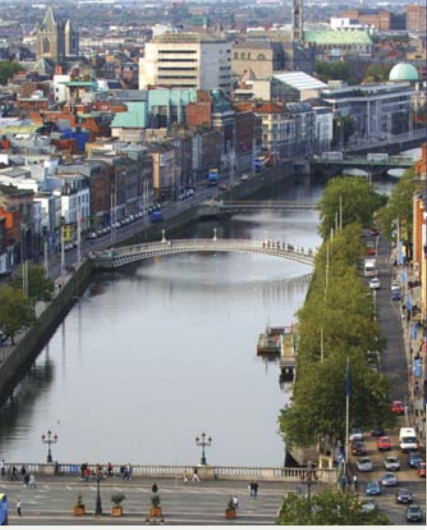

Property Snapshot

IRELAND ECONOMY & PROPERTY MARKET
COLLIERS JACKSON – STOPS QUARTERLY VIEW Q3 2009

COLLIERS JACKSON-STOPS

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Economy

- Irish economy continues to weaken with GDP falling by 8.5% in Q1 09. Consumer spending has contracted by 8.5% in Q1 09. Consumer spending has also contracted by -9.1% and capital investment fell by a staggering 34.1%, the direct result of a major contraction in finance availability.
- The standardised unemployment rate reached 11.9% in June 09 up from 8.5% at the end of 2008. The Live Register shows a 44% increase in the year to Jun 09 from 291,363 to 418,592. The construction sector continues to see further large-scale job cuts.
- The National Asset Management Agency (NAMA) is organising a "toxic bank" as a means of administrating the debt within the financial Institutions. There is still uncertainty as to the structure of this organisation and the approach that will be taken.

Property Market

Investment Overview

Q3 has seen a slight increase in activity in the Irish investment market with a number of opportunities in the market, both formally and informally. The Tommy Hilfiger investment on Grafton Street, which came to the market in Autumn 2008 quoting 5.25% is rumoured to have contracted at 6.75%. The recent sale and leaseback of a number of AIB banking premises is expected to achieve initial yields of 6.5-7% while Royal Liver is marketing a portfolio of mostly prime Dublin city centre located retail investments with quoting yields of 6-6.5%. However availability of finance and uncertainty about NAMA continue to dampen investment activity.

In the UK, the weight of opportunistic money is compressing yields on prime investments and is increasing activity in all sectors, despite the downbeat occupational outlook. Colliers Jackson-Stops along with Colliers CRE recently acquired 285 Oxford Street, London, for a private investor at an equivalent yield of 5.25% with the property having 10 years unexpired to Boots Plc

Offices

City Centre: Encouraging signs of activity in the city centre with deals being reported. In the CBD in a prime location and in a recently completed building a letting of 500 sq m was reported at €323 psm. This rental level is more concurrent with the majority of deals being done. Flexible terms, competitive rents and tenant incentives continue to dominate and any active occupiers are being actively pursued by landlords and their agents. Despite the continued negative sentiment in the market there are some signs of activity. Although at the midway point in the year 2009 looks set to be a tough year for landlords.

Suburbs: No sales transactions reported in Q2 with limited finance still causing problems. South suburbs saw a substantial letting of 3,700 sq m to ServiceSource in a recently completed building in Sandyford and was reported at €242 per sq m. Incentives most certainly a feature of the deal. Also in south suburbs Pocket Kings took a further 1,950 sq m at Cherrywood. Lease details were not disclosed by landlord suggesting a keen deal. In the north suburbs Greencore signed up for 1400 sq m at a reported €215 psm. Again incentives were a feature of the deal. Good activity close to the airport. West suburbs under pressure with falling rents and rising vacancies.

CJS View: Expected take up by end of Q2 is approximately 15,000 sq m. Overall vacancy is currently 20% and set to increase further in the second half of 2009 with older stock becoming available due to business closures.

Industrial

The level of demand continues to fall in line with a bleak economic outlook and the lack of finance available to businesses across the sector. The level of take up for 2009 is expected to be more than 50% down from the 2009 figures.

Rental levels have not seen the dramatic deterioration of other sectors but prime rates are beginning to fall as vacancy levels and competition between landlords and developers increases. Shorter more flexible leases with significant incentives are a feature of the current market. Prime rents are now estimated to be €110 per sq m per annum but this figure is masked somewhat by the levels of rent free being offered.

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We do not anticipate any significant sales until the financial institutions are in a position to fund transactions. Due to the lack of transactional evidence it is very difficult to gauge the level of reduction in capital values. The most significant sale this quarter was the sale of a 1,900 sq m facility at Dublin AirPort Logistics Park to Simtech Aviation Limited. The price achieved was reported to be in the region of €1,740 per sq m proving that there is still a market for prime strategically located developments. There have been no reported industrial land sales but the general consensus is that values have fallen by between 30-50% from their peak 2 years ago.

CJS View: A very difficult market will continue for the remainder of the year. Excellent opportunities for tenants to secure attractive lease deals.

Retail

The May 2009 Consumer Sentiment survey shows that consumers remained concerned across a range of economic indicators, particularly about the outlook for the economy, labour market and household finances, (KBC Ireland/ESRI).

The volume of retail sales decreased by 7.1% in April 2009 compared to April 2008, while the value of retail sales declined by 11.2% over the same period (CSO).

Trading remains weak and temporary rent accommodations are becoming commonplace. Incentive packages can now be for up to 3 years' rent free or a combination of rent free with capital contribution. Lease length is shortening, with 5 & 10 year leases more prevalent. Some tenant interest is reported, principally from retailers not represented or under-represented in the country, but most offers are opportunistic.

CJS has advised TK Maxx on leasing of two new stores in Galway & Portlaoise for opening Autumn 2009 and also secured A-Wear as tenant in the Bridgewater Shopping Centre, Arklow. Terms were also agreed on behalf of Cost Plus Sofas for two new stores in Sligo & Galway, and in a novel departure, CJS has just negotiated a lease on a turnover rent on Grafton Street.

Residential

As we enter Q3 little has changed in the residential markets, with a trickle of quality houses entering the marketplace, the same cautious buyers are looking and re looking at the same properties with a few deciding to purchase at the right price.

The continued lack of bank support combined with a palpable nervousness in the market place has ensured that few deals are completed at the middle and top end of the market.

The market in its real form is not properly in gear, giving the old adage "willing buyer and a willing seller" a new meaning as the only sellers entering the market are those with a real imperative to sell, such as executors sales or those who are taking the opportunity to trade up who recognize that the drop in value in their own property is, made up for by the value offered further up the scale.

There is far more activity in family homes offered at between €300,000 - €1,000,000.

With active bidding from loan approved purchasers providing swift sales, which is something the market has being missing up to now.

CJ-S view: The market has come to a point where price levels are beginning to match buyer's expectations at all levels, however the lack of bank support allied with lack of consumer confidence and skewed by a obvious lack of fresh property entering the market place, will continue to produce an unstable and unpredictable market place in 09. Green shoots in the UK and USA markets are providing some hope that matters will stabilize in 2010.

Advisory Services

The Minister for Justice has tabled an amendment to the Land and Conveyancing Law Reform Bill which will ban the use of upward only rent review clauses in all new business leases. This change will only apply to new leases signed after the legislation is passed by the Oireachtas in late July.

Rating valuation certificates have now been received by all commercial occupiers in the Fingal County Council borough. CJ-S hopes to secure significant savings for a number of occupiers which will have a significant impact on occupiers overall outgoings.

Demand for valuation reports for loan security purposes remains low, due to the scarcity of funding from financial institutions, however the demand for valuations for internal accounting purposes and property transfer between families has increased.

Given the current trading difficulties being experienced by tenants a significantly higher percentage of rent reviews are being referred to third party as tenants are seeking rent reductions and agreement is not being reached between both parties.

CJ-S View: The change in legislation proposed by the Minister for Justice banning upward only rent reviews will be welcomed by groups such as the Grafton Street Traders (GST) who have who have continuously lobbied against the practice of upward only rent reviews however, this practice will have a negative impact on capital values of investment properties due to an increased level of uncertainty over future rental values.

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