

Q1

THE LISNEY RENTAL INDICES



The Difference

Economic Environment

The Irish economy was again the fastest-growing economy in the euro area in 2016. The latest National Accounts figures published by CSO show that the Irish economy performed remarkably well again in 2016. GDP in real terms grew by 5.2%, while GNP grew by 9.0% in the year. Consumption, which accounts for approximately 50% of domestic demand, increased by 3.0%; investment was up a strong 45.5%, driven by the imports of intellectual property products into Ireland; net exports declined by €16.04bn; and Government expenditure increased by 5.3%.

The latest labour market figures show continued improvements. In 2016, Irish employment increased by 3.3%, (+65,100 people) and as a result, there was a total of 2.048m people in employment at the end of December. The number of unemployed decreased by 40,000 (-21.4%) in the year. The seasonally adjusted unemployment rate fell from 7.8% to 7.1% over the quarter. The greatest rates of increase in the year were recorded in the construction sector (+9.2% or 11,600) and the professional, scientific and technical activities sector (+5.7% or 6,800).

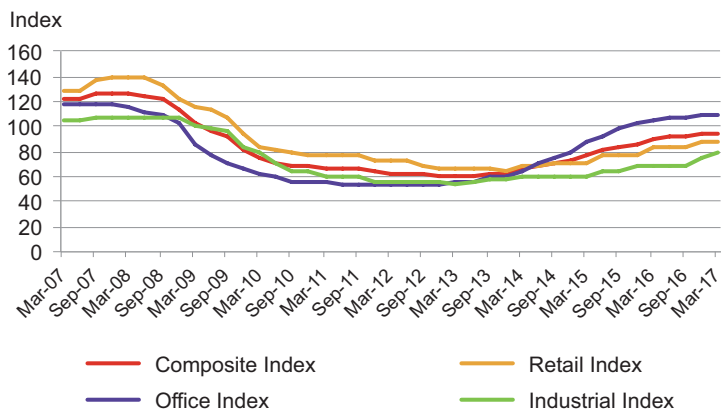
In Q1, Brexit with the enacting of Article 50, the French presidential election and the policies being put forward in the US dominated the international context. In spite of this, the outlook for the Irish economy in the next 12 to 18 months remains positive with the construction sector in particular likely to play a greater role.

Overall Market

The strongest performing sector in Q1 was industrial, but good demand remained in the office market and prime retail units continued to be well sought after. The limited supply of good quality accommodation endured across all sectors with construction evident in the office market only.

In the opening quarter of the year, the Lisney composite index of commercial rents increased by 0.4% and the index rose by 4.5% in the year to March 2017. From the cycle trough in December 2012, this index has increased by 56.1%; however still remains 26.0% behind peak levels.

Rental Index Q1 2017



Source: Lisney



The Rental Indices have been researched and compiled by Lisney Research. The establishment of the indices was carried out in conjunction with the School of Real Estate and Construction Economics at the Dublin Institute of Technology. The school is a recognised centre of excellence and the premier provider of education in real estate and construction economics in the Republic of Ireland.



Retail Sector

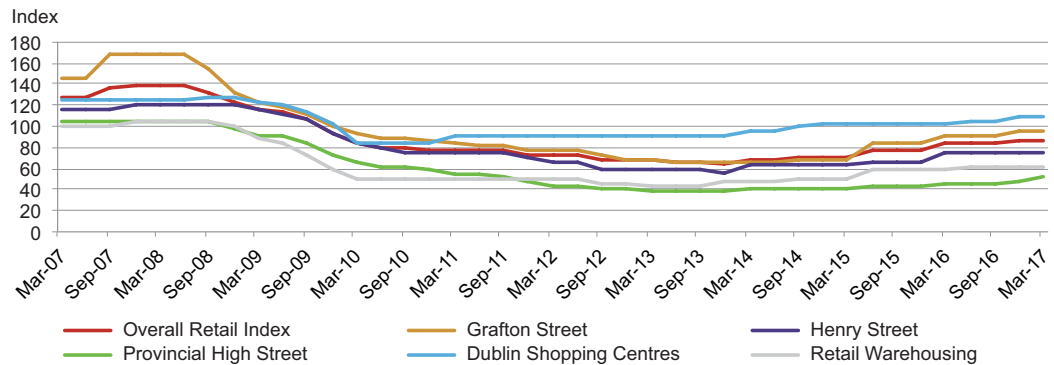
The opening months of 2017 were slower than anticipated in the retail property sector. Brexit was on retailers minds, particularly in March when Article 50 was enacted. In spite of this, demand remained from both national and international retailers who were seeking units. The continued lack of prime, good quality opportunities was evident and resulted in a considerable slowdown in the number of transactions being completed.

The Lisney index of overall retail rents was relatively unchanged in Q1 (+0.2%) but in annual

terms, there was a 5.2% increase recorded. The index is still 37.0% below its 2007 peak level, however has increased 35.6% since 2013.

In terms of Dublin high streets, both the Grafton Street and Henry Street indices were unchanged in Q1. In annual terms the Grafton Street index saw growth of 5.8% while the Henry Street index saw marginal growth of 0.4%.

Retail Index Q1 2017



Source: Lisney



Office Sector

There was a steady level of take-up in Q1 at 49,500 sqm. Compared to the same period last year, this is an increase of 15%. The city centre was the most active region accounting for 85% of all transactions. The state led take-up in Q1, accounting for half of take-up with a further 27% of space taken by tech companies. Domestic occupiers dominated; accounting for 77% of accommodation transacted. However, the amount of available office accommodation increased in the three months with the overall Dublin vacancy rate rising to 10.7%.

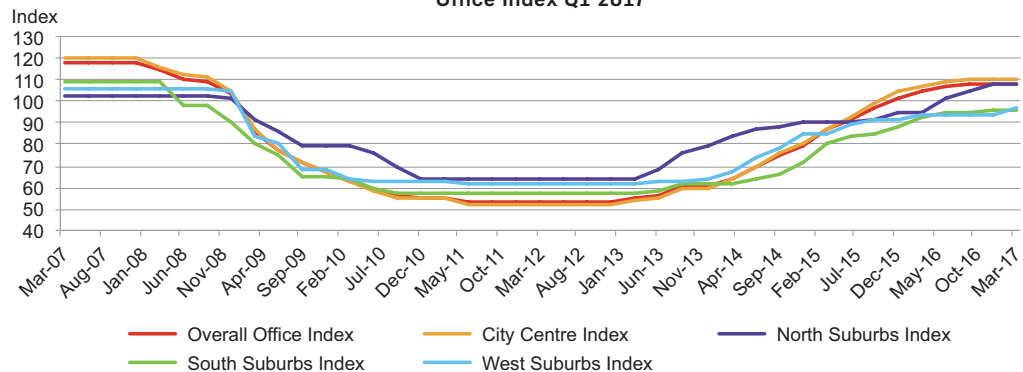
The index of Dublin office rents increased marginally by 0.3% in Q1 2017. In contrast to

recent years, growth in the 12 months to Q1 was moderate (+3.8%). At the end of March, the index was just 7.8% off its previous cycle peak (2007) and has increased by over 100% since early 2013.

The city centre index saw an increase of just 0.2% in Q1. On an annual basis, the index edged upwards by 3.1% and is now just 8.0% off its previous cycle peak in 2007.

Focusing on individual suburban regions, the west suburb was the only region to see a quarterly change with the index recording growth of 3.2%. All of the suburban regions saw annual growth.

Office Index Q1 2017



Source: Lisney

Sectoral and Sub-Sectoral Base June 2005 =100

Date	Composite Index	Overall Retail Index	Grafton Street	Henry Street	Provincial High Street	Dublin Shopping Centres	Retail Warehouse
Dec 12	60.39	67.28	69.23	60.19	40.64	91.15	45.00
Mar 13	60.91	67.09	69.23	60.19	39.57	91.15	43.33
Jun 13	60.89	65.50	65.38	60.19	39.04	91.15	43.33
Sep 13	62.64	65.39	65.38	60.19	37.97	91.15	43.33
Dec 13	62.40	64.40	65.38	55.56	37.97	91.15	46.67
Mar 14	65.62	67.77	66.15	62.96	40.64	95.83	46.67
June 14	67.85	67.77	66.15	62.96	40.64	95.83	46.67
Sept 14	71.12	69.79	69.23	62.96	40.64	98.96	50.00
Dec 14	73.21	70.41	69.23	62.96	40.64	102.08	50.00
Mar 15	76.04	70.41	69.23	62.96	40.64	102.08	50.00
June 15	81.75	77.61	84.62	64.81	42.25	102.08	58.33
Sept 15	84.33	77.71	84.62	64.81	43.32	102.08	58.33
Dec 15	86.49	77.71	84.62	64.81	43.32	102.08	58.33
Mar 16	90.18	83.01	91.08	74.07	45.99	102.71	58.33
Jun 16	92.17	83.81	91.08	74.07	46.52	104.17	61.67
Sep 16	92.48	83.81	91.08	74.07	46.52	104.17	61.67
Dec 16	93.85	87.23	96.36	74.36	48.66	109.90	61.67
Mar 17	94.26	87.36	96.36	74.36	51.34	109.90	61.67
3 Month Change %	0.44	0.15	0.00	0.00	5.49	0.00	0.00
6 Month Change %	1.93	4.24	5.80	0.39	10.34	5.50	0.00
9 Month Change %	2.27	4.24	5.80	0.39	10.34	5.50	0.00
12 Month Change %	4.53	5.24	5.80	0.39	11.63	7.00	5.71

Date	Overall Office Index	City Centre	North Suburbs	South Suburbs	West Suburbs	Overall Industrial Index
Dec 12	53.19	52.01	63.49	56.92	61.38	54.78
Mar 13	54.94	54.12	63.49	56.92	61.38	53.91
Jun 13	56.23	55.29	68.25	58.00	62.87	56.52
Sep 13	60.31	59.48	76.19	61.24	62.87	58.26
Dec 13	60.92	59.95	79.37	61.96	64.37	58.26
Mar 14	64.12	63.49	84.12	61.96	67.36	60.87
June 14	69.70	69.58	87.30	64.12	73.35	60.87
Sept 14	75.36	75.91	88.09	66.28	77.84	60.87
Dec 14	79.78	80.12	90.47	72.05	85.32	60.87
Mar 15	86.87	87.62	90.47	80.22	85.32	60.87
June 15	91.29	92.31	90.47	83.83	89.82	64.35
Sept 15	97.38	99.34	92.06	85.37	91.32	65.22
Dec 15	102.12	104.49	95.24	88.61	91.32	67.83
Mar 16	104.74	107.07	95.24	92.22	94.31	67.83
Jun 16	107.41	109.53	101.59	95.41	94.31	69.39
Sep 16	107.89	109.95	104.76	95.41	94.31	69.39
Dec 16	108.31	110.08	107.93	96.49	94.31	75.95
Mar 17	108.67	110.36	107.93	96.49	97.30	79.21
3 Month Change %	0.33	0.25	0.00	0.00	3.18	4.29
6 Month Change %	0.73	0.37	3.03	1.22	3.18	14.15
9 Month Change %	1.18	0.76	6.25	1.12	3.18	14.15
12 Month Change %	3.76	3.07	13.33	4.63	3.18	16.79



Industrial Sector

The opening quarter of the year brought with it relatively strong take-up levels of approximately 50,750 sqm. However, this figure is 24% below the same period in 2016 and 23% behind the figure recorded in the previous quarter. Lettings dominated activity in the opening quarter, accounting for 60% of all transactions. Some logistics companies operating in the UK were feeling insecure following the activation of Article 50 and the UK's planned exit from the European Union. This had an impact on sentiment in the Dublin industrial market.

The Lisney industrial index rose by 4.3% in the opening quarter. This follows considerable growth

in the previous quarter. Furthermore, the index shows year-on-year growth of 16.8%. At the end of Q1 2017, the Dublin industrial index had increased by 46.9% since the cycle low in Q1 2013 and now stands 26.5% behind its cycle peak.

A breakdown of regions reveals that all locations experienced increases in the first three months of the year.

Focusing on annual activity, the southern region increased by a significant 25% in the year to March. This was followed by both the north and south-western regions with upward movement of 18.0%. In addition, the northern region grew by 10.5%.



Source: Lisney

Lisney Rental Index - Historical (June 05 = 100)

Date	Retail	Office	Industrial	Overall
Dec 2002	59.26	101.06	98.52	84.14
Dec 2003	74.04	96.81	96.55	88.87
Dec 2004	96.29	96.81	98.52	97.29
Dec 2005	110.74	105.80	100.00	107.69
Dec 2006	127.46	117.79	102.61	121.10
Dec 2007	138.72	117.89	107.83	127.30
Dec 2008	122.76	103.76	106.09	113.49
Dec 2009	93.60	67.31	84.35	82.16
Dec 2010	78.03	55.57	64.35	67.68
Dec 2011	73.67	53.19	56.52	63.76
Dec 2012	67.28	53.19	54.78	60.39
Dec 2013	64.40	60.92	58.26	62.40
Dec 2014	70.41	79.78	60.87	73.21
Dec 2015	77.71	102.12	67.83	86.49
Dec 2016	87.23	108.31	75.95	93.85
Mar 2017	87.36	108.67	79.21	94.26

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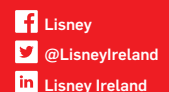
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Please note: Lisney first produced commercial rental indices in 1970. This index series was discontinued following the release of the Q2 2004 publication. A new index series based on a different set of data commenced in Q2 2005, i.e. the current index series. As an indicative exercise to provide some continuity between the old and the new indices, they have been chain linked and the results are set out in the table above.

Disclaimer: The Lisney Commercial Rental Indices are derived and published solely for information purposes as a means of tracking the commercial property rental market. They are not derived for the purpose of valuation and should not be used as such. Lisney bears no liability for any losses, damages, costs or expenses suffered by any person as a result of any reliance on this information.



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