



3rd Quarter 2016

Overall Market

Moderate upward movement.

Retail

Annual increases recorded.

Office

Office rents grew at a slower pace in Q3.

Industrial

Rents were unchanged.

Rental Indices

Economic Conditions

The Irish economy is expected to continue its strong expansion in the latter part of 2016 and 2017. The latest National Accounts figures from the Central Statistics Office have shown that the Irish economy continued to perform exceptionally well in the first half of 2016. GDP growth averaged 4.0% in the six months and was 4.1% higher in the year to Q2. Meanwhile, GNP was 4.6% higher when compared with Q2 2015; while GNP growth for the first half of the year was 8.4% higher on average than last year. Domestic demand was positive in Q2. Investment, which accounts for about 35% of domestic demand, was up 38.9% in Q2 and 21% in the year. Consumption was down 0.6% in the quarter; however 1.8% higher in the year to Q2 2016. Exports and imports were up by 3.9% and 9.3% respectively in the year. Therefore, net exports (exports minus imports) were 14.6% lower in Q2 2016, when compared with Q2 2015.

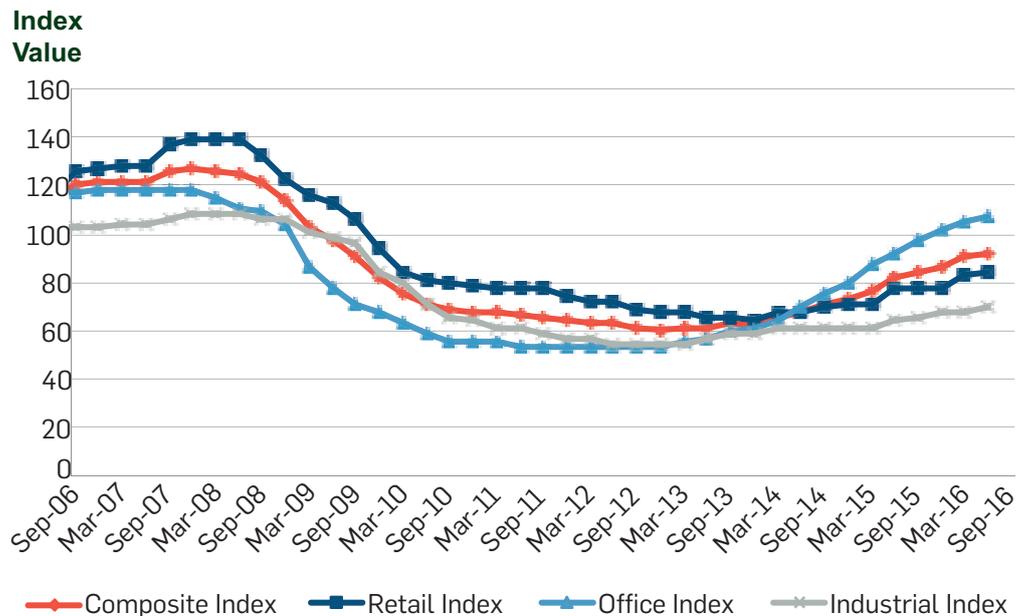
In the year to June 2016, Irish employment increased by 2.9%, (+56,200 people) according

to the Q2 Quarterly National Household Survey. There were a total of 2.014m people in employment at the end of June; the first time over two million people have been in employment since Q1 2009. The seasonally adjusted unemployment rate stood at 8.4% in Q2, down from 9.6% in Q2 2015

Overall Market

Demand for prime commercial properties was steady in Q3 2016. Rents were stable across the industrial and retail sectors, while increasing in the office sector. Prime vacancy rates remained at low levels and with an inadequate level of new construction due to be completed this year, supply issues remain a concern.

The Lisney composite index of commercial rents increased by 0.3% in Q3 2016. The marginal growth witnessed in the index was driven by the office sector which grew by 0.4%. In annual terms, the composite index grew by 9.7% and from the cycle trough in December 2012, it has grown by 53.1%. It remains 27.4% off peak levels.



Source: Lisney



Lisney Research produces a range of timely and authoritative reports on the commercial and residential property markets. 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

There has been continued activity in the Irish retail sector over the summer months despite a shortage of stock in some prime streets and schemes. The latest recorded retail sales reveal the volume and value of retail sales rose by 4.1% and 1.8% respectively in the 12 months to August (motor trades excluded). However, on a quarterly basis both the volume and value of headline declined; -0.5% and -1.4% respectively. Notably, the gap between volume and value remains as the volume of

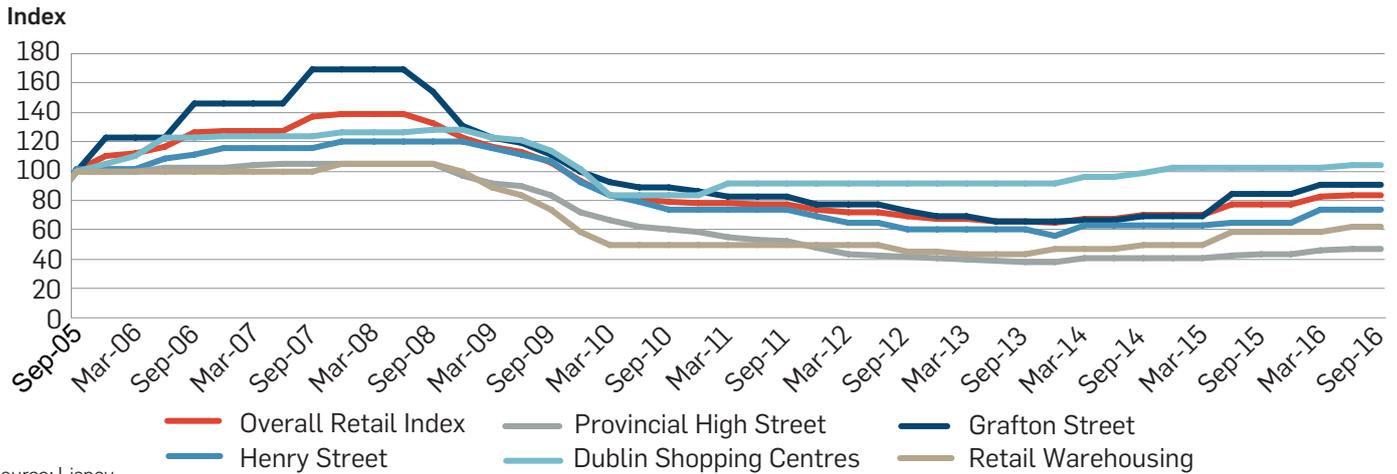
sales is now 0.7% behind peak levels while the value of sales remains 14% behind peak levels.

The Lisney index of retail rents was unchanged in Q3 but rose by 7.8% in the year. This is largely as a result of rental increases in Dublin's prime shopping streets. The index has now risen by 30.1% since the low experienced at the end of 2013.

A breakdown of the individual indices

reveals that the Lisney Grafton Street and Henry Street indices were unchanged in the quarter. However, in the 12 months to the end of September, these indices have shown growth; rising by 7.6% and a substantial 14.3%, respectively.

Also, in Dublin, the index of key suburban shopping centres was unchanged in the quarter, as was the index of provincial high street rents. Retail parks in Dublin were also stable.



Source: Lisney

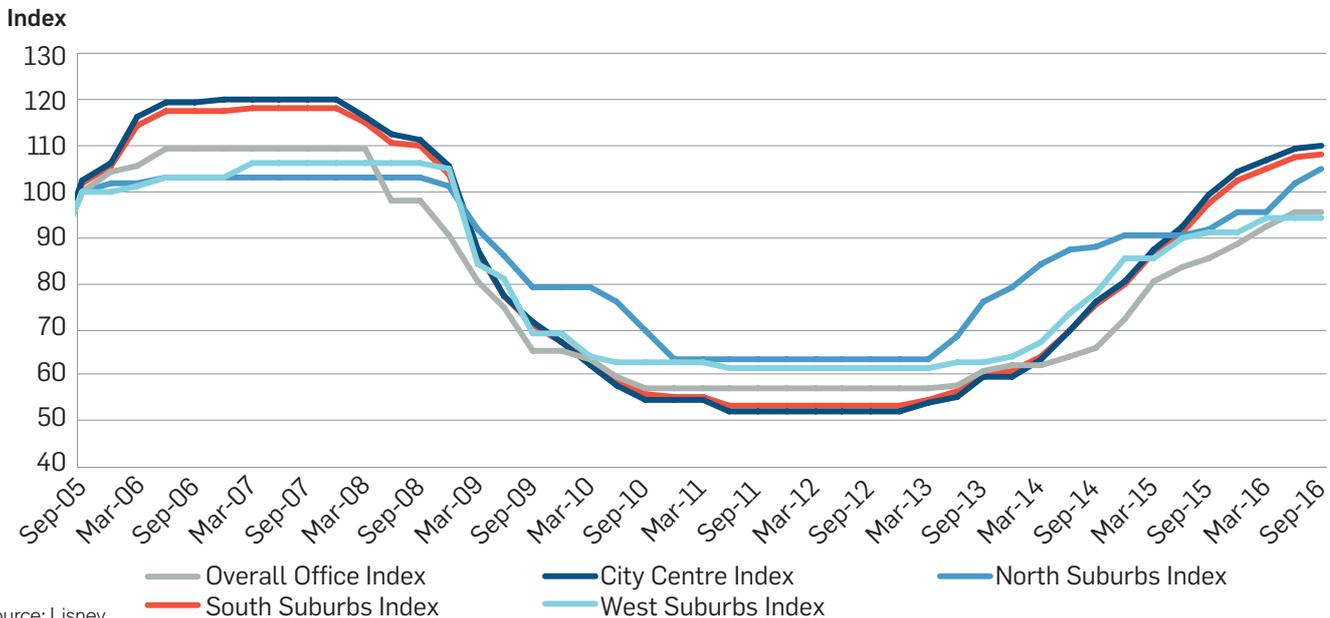
Office Sector

Demand was very healthy in Q3. Activity levels almost doubled when compared to the previous quarter with 76,200 sqm of space transacted. This compares to 43,600 sqm of accommodation taken up in Q2. At the end of September, the overall Dublin vacancy rate was 9.9%. This is the first time the headline rate has fallen below 10% since 2000.

The index of overall Dublin office rents continued to grow in Q3, but at a much slower pace; increasing by 0.4%. When compared with the same period in 2015, it was 10.8% higher. Notably, the index has increased by 102.8% in the three years from March 2013.

Focusing on individual regions, the north

suburbs saw the largest quarterly increase in Q3 (3.1%). This index is now 1.5% ahead of its peak level. The city centre index grew marginally in Q3 (0.4%) and now stands just 8.3% behind the previous peak of late 2007 having risen by 111.4% since March 2013. The south and west suburbs indices were unchanged in the quarter.



Source: Lisney

Sectoral and Sub-Sectoral

Lisney Research

Base June 2005 =100

DATE	COMPOSITE INDEX	OVERALL RETAIL INDEX	GRAFTON STREET	HENRY STREET	PROVINCIAL HIGH STREET	DUBLIN SHOPPING CENTRES	RETAIL WAREHOUSE
Jun 12	62.74	71.98	76.92	64.81	42.78	91.15	50.00
Sep 12	61.22	68.93	73.08	60.19	41.71	91.15	45.00
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
3 Month Change %	0.33	0.00	0.00	0.00	0.00	0.00	0.00
6 Month Change %	2.55	0.96	0.00	0.00	1.16	1.42	5.71
9 Month Change %	6.92	7.84	7.64	14.29	7.41	2.04	5.71
12 Month Change %	9.66	7.84	7.64	14.29	7.41	2.04	5.71

DATE	OVERALL OFFICE INDEX	CITY CENTRE	NORTH SUBURBS	SOUTH SUBURBS	WEST SUBURBS	OVERALL INDUSTRIAL INDEX
Jun 12	53.19	52.01	63.49	56.92	61.38	54.78
Sep 12	53.19	52.01	63.49	56.92	61.38	54.78
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
3 Month Change %	0.44	0.44	3.12	0.00	0.00	0.00
6 Month Change %	3.01	2.96	10.00	3.47	0.00	2.31
9 Month Change %	5.64	5.22	10.00	7.67	3.28	2.31
12 Month Change %	10.78	10.68	13.80	11.90	3.28	6.40

Industrial Sector

A healthy level of activity was recorded in Q3. Take-up for the year overall is expected to reach 300,000 sqm, which is about 25% below 2015 take-up levels. Demand for lettings outweighs sales as choice is very limited in many size ranges.

Industrial rents were stable overall in Q3. In the year to the end of September, the index has increased by 6.4% and since the cycle low has grown by 28.7%.

A breakdown of regions reveals both

the southern and south-western regions witnessed increases of 7.8% in the year to Q3. The northern region grew by 7.4% in the year, while the north-west region witnessed a rise of 4.1%.



Lisney Rental Index - Historical (June 05 = 100)

DATE	RETAIL	OFFICE	INDUSTRIAL	OVERALL
Dec 2001	51.73	110.09	100.07	84.17
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
Sep 2016	83.81	107.89	69.39	92.48

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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