



4th Quarter 2016

Overall Market

Another year of strong demand

Retail

Retail rents increased further

Office

A more moderate pace of inflation was noted in 2016

Industrial

The industrial index strengthened considerably over the year

Rental Indices

Economic Environment

The Irish economy is expected to continue its strong expansion into the final quarter of 2016 and 2017. The latest National Accounts figures published by the Central Statistics Office have shown that the Irish economy continued to perform exceptionally well in the first nine months of 2016. GDP growth averaged 4.6% in the nine months and was 6.9% higher in the year to Q3. Meanwhile, GNP was 10.2% higher when compared with Q3 2015. Consumption, which accounts for approximately 53% of domestic demand, increased by 2.1% in the year. Investment was down 7.2% in the year, while government expenditure increased by 5.4%. Net exports were 20.1% higher in the third quarter of 2016 compared with the corresponding quarter of 2015.

The latest employment figures published by the Central Statistics Office show that in the year to September 2016, Irish employment increased by 2.9%, (+57,500 persons), according to the Q3 Quarterly National Household Survey. There was a total of 2.04m people in employment at the end of September. The number of unemployed

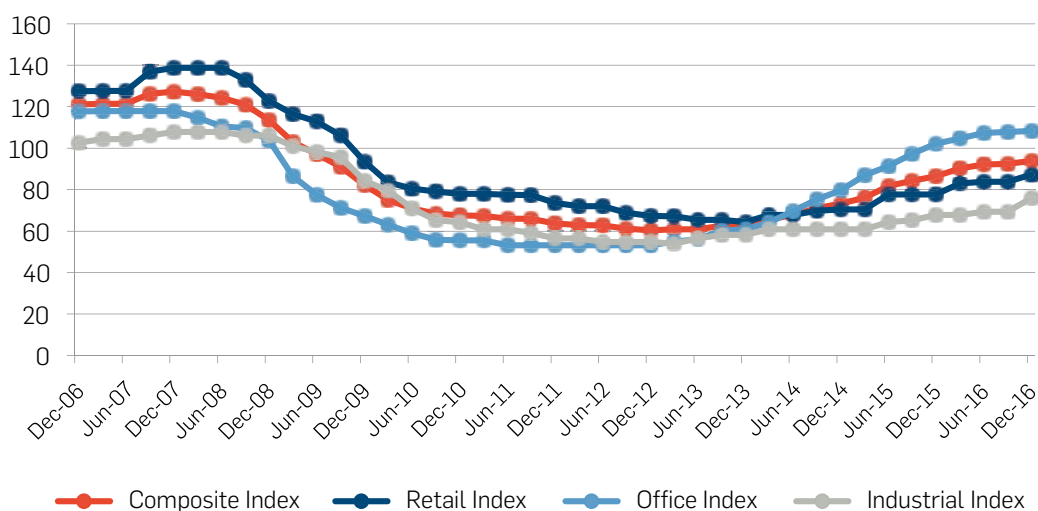
decreased by 25,300 (-12.5%) in the year. The seasonally adjusted unemployment rate dropped below 8% in Q3; down from 9.1% in Q3 2015. The greatest rates of increase, on an annual basis, in Q3 were recorded in the Accommodation and Food Service activities (+9.6% or 13,400) and Construction sector (+7.3% or 9,300) sector.

Overall Market

2016 was another year of strong demand for commercial property. The majority of activity was concentrated in both the office and industrial markets as both continue at cycle highs, while prime retail units remained well sought after. The limited supply of good quality accommodation remains a feature across all sectors and will continue to cause difficulties throughout 2017.

Over the year, the Lisney composite index of commercial rents increased by 8.5%. From the cycle trough in December 2012, this index has increased by 55.4%; however still remains 26.3% behind peak levels.

Commercial Composite Index, Q4 2016



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 retailing environment began the year on a positive note, with the volume of core retail sales (excluding motor trades) posting an annual increase of 10.3% in January. CSO data show that the volume and value of retail sales rose by 4.9% and 2.2% in the 12 months to November (motor trades excluded).

Consumer sentiment dropped to its lowest level in almost two years in December, falling to 96.2 from 97.8 in November (any reading above 50 shows expansion).

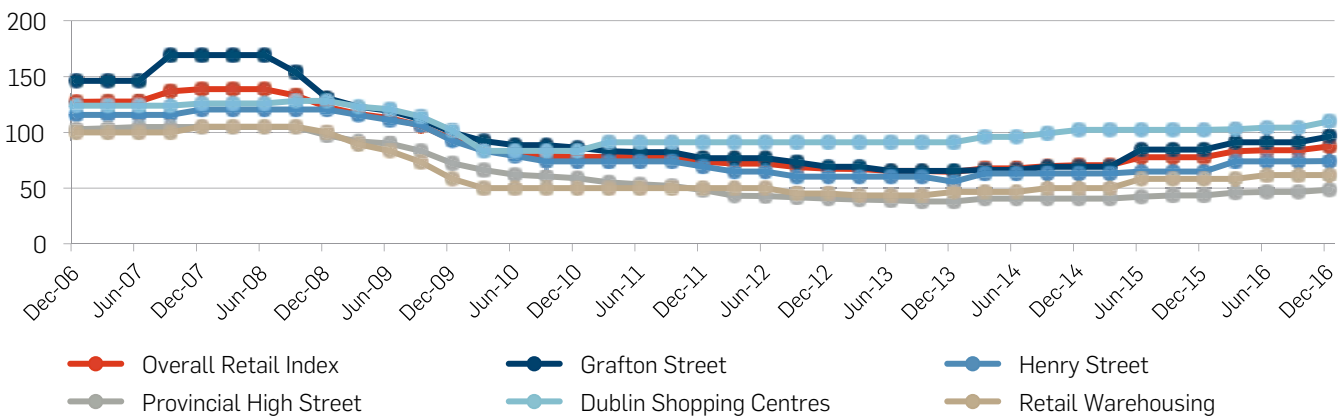
The comparable index figure in December 2015 was 7.4% higher at 103.9. This is due to many consumers believing the economic recovery has over promised and under-delivered over the year.

The Lisney index of overall retail rents indicated a rise of 12.2% over 2016. The rental increase is stronger than that of 2015 when a 10.4% increase was witnessed over the year. However, the index remains 37.1% below its 2007 peak level.

In terms of Dublin high streets, the Grafton Street index showed a 13.9% rise in the year. Since the bottom of this index series in mid-2013, it has increased by 39.2%.

The Henry Street index revealed significant changes in the year, rising by 14.7% over the 12 month period. Since the bottom of this index series in mid-2013, it has increased by 33.9%. In addition, the index of provincial high street rents saw a 12.3% increase in 2016.

Retail Index, Q4 2016



Source: Lisney

Office Sector

Activity in the Dublin office market continued at very strong levels in 2016. The IT sector maintained its significant presence in the market with well-known global firms like Google and Salesforce taking additional space. Following a number of years when international occupiers were the dominant players in the market, Irish firms accounted for almost half of all activity. Rising rents and falling vacancy rates remained key

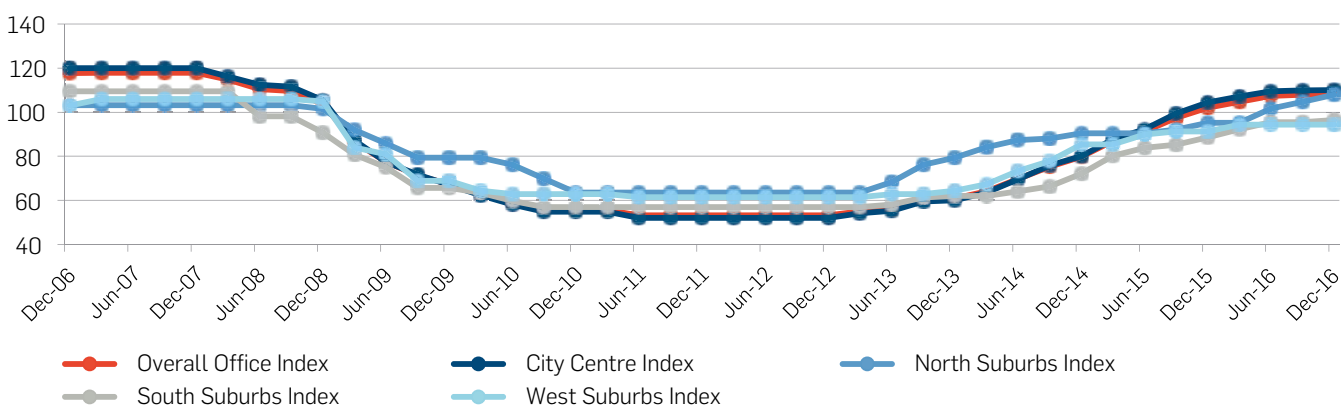
characteristics in the year. Significantly, the overall Dublin vacancy rate fell below 10% for the first time in 16 years to stand at 9.5%.

The index of Dublin office rents, increased marginally by 0.4% in Q4 2016. In 2016 as a whole, the Dublin office index indicated a more moderate pace of inflation, when compared with previous years; increasing by 6.1%. At the end of December, the index was

just 8.1% off its previous cycle peak (2007); it has increased by over 100.0% since early 2013.

Focusing on individual suburban regions, the north suburbs saw the largest annual increase (13.3%). This index is now 4.6% ahead of its peak level. The index for the south suburbs saw growth of 8.9% in the year. Meanwhile, the index for the west suburban region increased by 3.3%.

Office Index, Q4 2016



Source: Lisney

Base June 2005 =100

DATE	COMPOSITE INDEX	OVERALL RETAIL INDEX	GRAFTON STREET	HENRY STREET	PROVINCIAL HIGH STREET	DUBLIN SHOPPING CENTRES	RETAIL WAREHOUSE
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
Dec 16	93.85	87.23	96.36	74.36	48.66	109.90	61.67
3 Month Change %	1.48	4.08	5.80	0.39	4.60	5.50	0.00
6 Month Change %	1.82	4.08	5.80	0.39	4.60	5.50	0.00
9 Month Change %	4.07	5.08	5.80	0.39	5.81	7.00	5.71
12 Month Change %	8.51	12.24	13.88	14.73	12.35	7.65	5.71

DATE	OVERALL OFFICE INDEX	CITY CENTRE	NORTH SUBURBS	SOUTH SUBURBS	WEST SUBURBS	OVERALL INDUSTRIAL INDEX
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
Dec 16	108.31	110.08	107.93	96.49	94.31	75.95
3 Month Change %	0.40	0.12	3.03	1.12	0.00	9.45
6 Month Change %	0.84	0.51	6.25	1.12	0.00	9.45
9 Month Change %	3.41	2.82	13.33	4.63	0.00	11.98
12 Month Change %	6.06	5.35	13.33	8.88	3.28	11.98

Industrial Sector

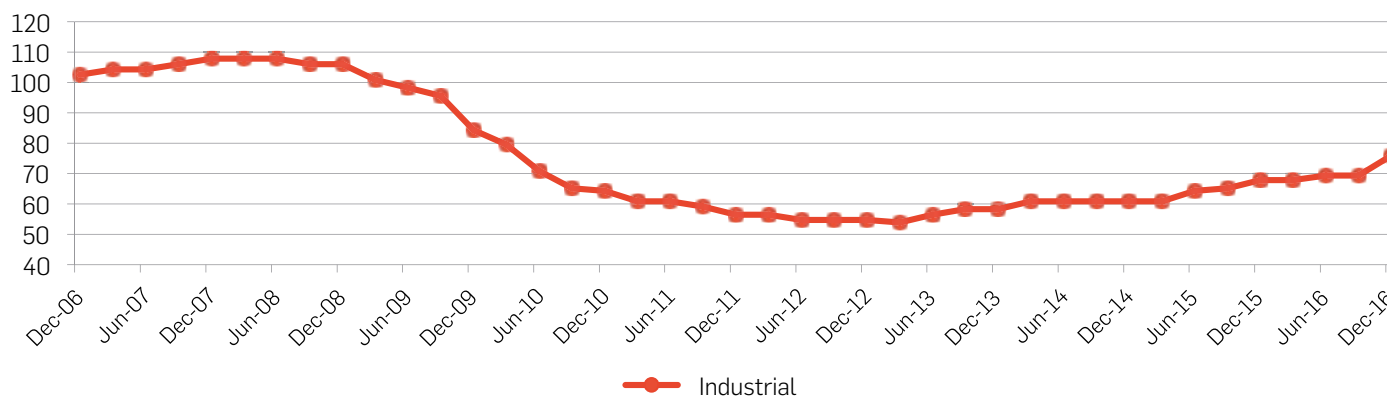
The strong activity over the previous two years in the industrial market continued into 2016. The overall level of take-up for 2016 (260,000 sqm) is down on 2015 levels; however it is still a healthy level. At the end of 2016, there was approximately

976,950 sqm of vacant industrial accommodation on the market. This represented an overall Dublin vacancy rate of 15.0%.

The Lisney industrial index climbed by 9.5% in the final quarter of 2016.

As such, the index reveals a considerable 12.0% increase in annual terms. In addition, the index has increased by 40.9% since the cycle low in Q1 2013.

Industrial Index, Q4 2016



Source: Lisney

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
Dec 2016	87.23	108.31	75.95	93.85

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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