



2nd Quarter 2016

Overall Market

Rental increases were experienced across all sectors in key areas

Retail

Index of retail rents increased by 1.0% in Q2

Office

The city centre index grew by a further 2.3%

Industrial

Rental pressure re-emerges

Rental Indices

Economic Conditions

The latest National Accounts figures from the CSO have shown that the Irish economy continued to perform exceptionally well in Q1 2016. Real GDP was down 2.1% in the quarter but up 2.3% in the year to the end of March. In addition, real GNP was up 1.3% in the quarter and grew by 10.6% in the 12 months. In the quarter, consumption grew by 2.1%; exports and imports were down by 5.0% and 9.8%; and investment declined by 16.1%.

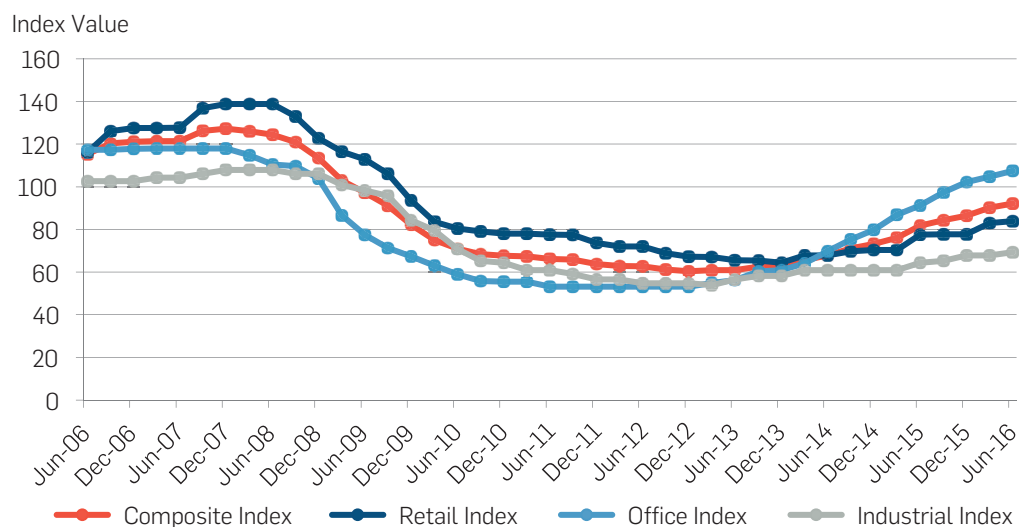
Dramatically, real GDP growth for 2015 has been readjusted and now recorded at a huge 26.3% and not the 7.8% initially estimated. However, it is important to note that much of the inflated adjustment is as a result of aircraft purchases, corporate restructuring (for example through corporate inversions into Ireland) and companies re-locating assets to Ireland. This results in an increase in capital stock, of which profits flow out of the country but depreciation of the stock remains (which is not captured by GNP). A better indicator suggested is net domestic product which counterbalances the effect of foreign outflows and depreciation. The real GDP growth level for 2015 would stand at approximately 6.5%, if this methodology was applied.

In the year to March 2016, Irish employment increased by 2.4%, (+46,900 people) according to the Q1 Quarterly National Household Survey. The number of unemployed decreased by 23,300 (-15.7%) in the year giving a seasonally adjusted unemployment rate of 8.3%.

Overall Market

Demand for prime commercial properties remained good in Q2 2016. As a result, some notable deals have occurred and rental increases were experienced across all sectors in key areas. Prime vacancy rates remained at low levels and with an inadequate level of new construction due to be completed this year, supply issues will remain in the short-term.

Lisney's composite index of commercial rents increased by 2.2% in Q2 2016. Growth in the index was driven by the office and industrial sectors with growth of 2.6% and 2.3% respectively. In annual terms, the composite index grew by 12.7% and from the cycle trough in December 2012, it has grown by 52.6%. It remains 27.6% 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.

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Retail Sector

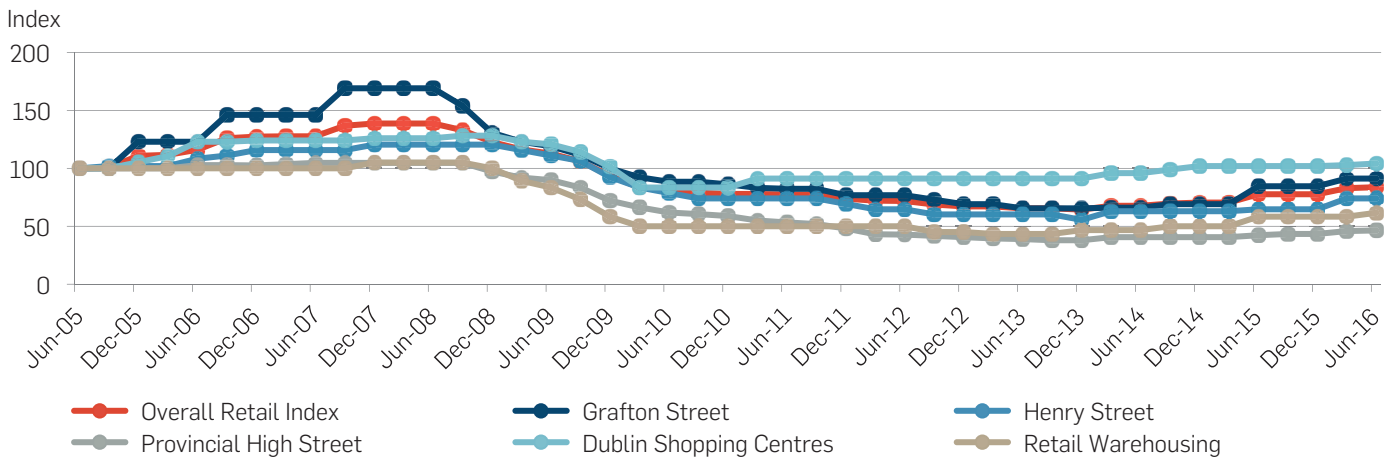
The retailing environment began 2016 on a positive note. Most notably, the KBC Bank Ireland / ESRI consumer sentiment index had reached its highest level in almost ten years and reports were indicating the best year for retail since 2008. Retail sales have been performing quite well. The availability of prime units remains an issue. Despite the fact that there is demand in the market for key locations, the quality of some of the tenants may not be as strong as that desired by landlords.

Lisney's index of retail rents increased by 1.0% in Q2 and by 8.0% in the year. This is mainly due to rental increases in Dublin's prime shopping streets. The index has now risen by 30.1% since the lows experienced at the end of 2013.

A breakdown of the individual indices reveals that Lisney's Grafton Street index and Henry Street index were unchanged in the quarter. However, in the 12 months to the end of June, both of these indices

have seen growth; rising by 7.6% and a substantial 14.3% respectively.

Also in Dublin, the index of key suburban shopping centres grew by 1.4% in the quarter, while retail parks in Dublin grew by 5.7%. Outside of the capital, the index of provincial high street rents grew by 1.2% in Q2 and ended June 10.1% higher than a year previous.



Source: Lisney

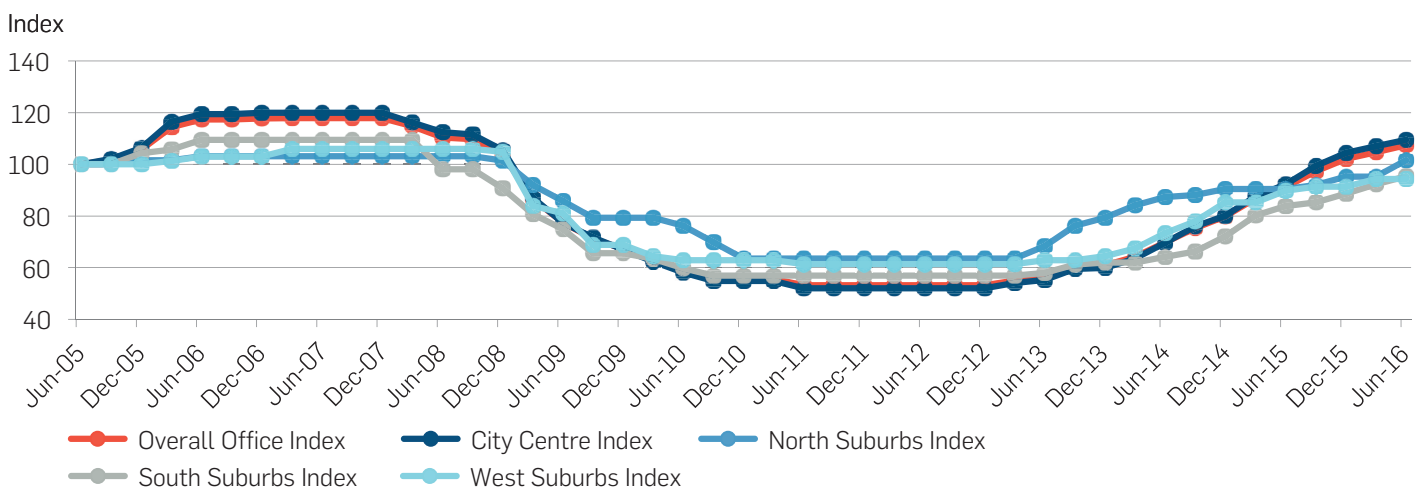
Office Sector

In recent months, sentiment in the Dublin office market was more cautious but still positive. Occupiers were possibly a little more thoughtful because of Brexit, the US elections and the US economy. Additionally, some occupiers were trying to beat the squeeze and wait for improved supply and better choice. While the depth of enquiries did reduce, demand was still healthy and there was close to 93,000 sqm of accommodation reserved and in the legal phase at the end of June.

The index of overall Dublin office rents continued to grow in Q2, increasing by 2.6%. When compared with the same period in 2015, it was 17.7% higher. Notably, the index has increased by 101.9% in the three years from March 2013.

Focusing on individual regions, the north suburbs saw the largest quarterly increase in Q2 (6.7%). This index is now just 1.5% behind its peak level. The city centre index grew further in Q2 (2.3%) and now stands

just 8.7% behind the previous peak of late 2007 having risen by 110.6% since March 2013. The south suburbs index grew in Q2 by 3.5%, while the west suburbs index was unchanged.



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
Mar 12	62.93	72.00	76.92	64.81	42.99	91.15	50.00
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	92.23	83.81	91.08	74.07	46.52	104.17	61.67
3 Month Change %	2.27	0.96	0.00	0.00	1.16	1.42	5.71
6 Month Change %	6.63	7.84	7.64	14.29	7.41	2.04	5.71
9 Month Change %	9.36	7.84	7.64	14.29	7.41	2.04	5.71
12 Month Change %	12.81	7.99	7.64	14.29	10.13	2.04	5.71

DATE	OVERALL OFFICE INDEX	CITY CENTRE	NORTH SUBURBS	SOUTH SUBURBS	WEST SUBURBS	OVERALL INDUSTRIAL INDEX
Mar 12	53.19	52.01	63.49	56.92	61.38	56.52
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
3 Month Change %	2.55	2.30	6.66	3.47	0.00	2.31
6 Month Change %	5.18	4.82	6.66	7.67	3.28	2.31
9 Month Change %	10.29	10.26	10.35	11.90	3.28	6.40
12 Month Change %	17.66	18.66	12.28	13.83	5.00	7.84

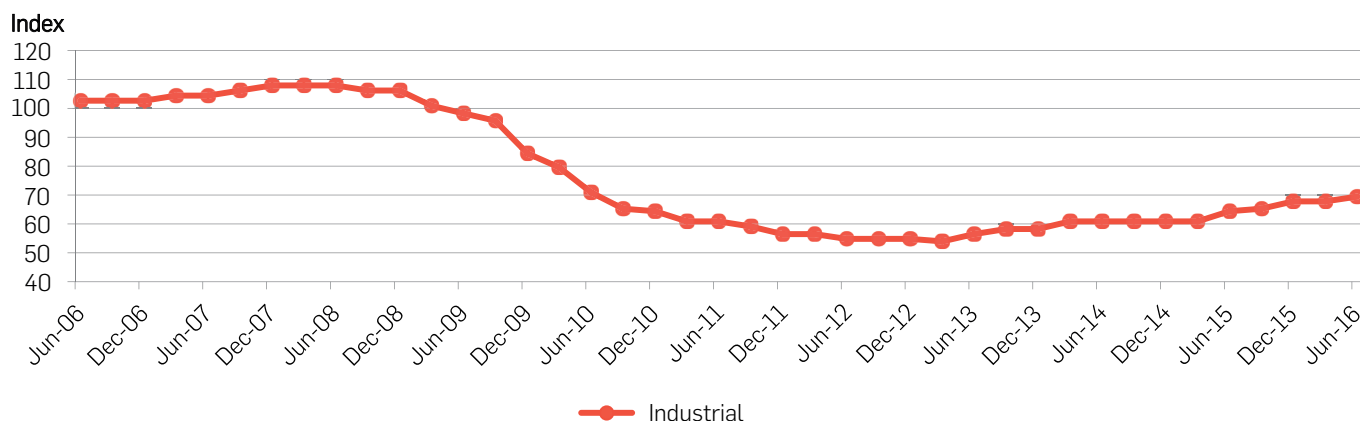
Industrial Sector

The strong activity witnessed in the Dublin industrial market over the past two years, continued into 2016. In Q2, 50,100 sqm of space was transacted with 60% relating to lettings. While the amount of available space increased slightly, the vacancy rate was 14.8% or about 2.5 years supply.

Rental pressure commenced in the index of overall industrial rents in Q2, with a rise of 2.3% witnessed. In the year to the end of June, the index increased by 7.8% and since the cycle low, has grown by 28.7%.

An examination of regions reveals the southern region saw the largest quarterly

increase in Q2 (3.8%). The northern region grew by 2.9% in Q2. The north-west region witnessed a rise of 2.3%, while rents in the south-west region grew by 1.6%.



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
Jun 2016	83.81	107.41	70.65	92.23

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.

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