LISNEY RESEARCH

Q4 2009

RENTAL INDICES

ECONOMIC CONDITIONS

The most recent economic data provides some basis for cautious optimism with many of the world's major economies moving back into positive economic growth in Q3 2009. The Euro Area as a whole grew by 0.4% over the quarter, while the US grew by 0.7%.

Domestically, the Q3 Irish National Accounts show that economic activity (measured by GDP) shrank at an annual rate of 7.4%, while GNP dropped by 11.3%. On a quarterly basis, the corresponding figures suggest that the economy has stabilised with GDP up 0.4%. However, this growth was driven mainly by a fall-off in imports rather than a recovery in others areas of expenditure.

Budget 2010 introduced a series of expenditure cuts (equivalent to €4bn / 2.4% of GDP) in a bid to curtail the rapidly deteriorating public finances. Exchequer Returns for the year showed a deficit of €24.6bn. The ESRI anticipate that this will be €18.16bn in 2010.

Irish inflation hit -5.7% in the twelve months to November 2009 (measured by the Consumer Price Index). Services prices fell by 6.3% in the year, while Goods fell by 4.9%. The CPI excluding mortgage interest decreased by 2.2% over the same period.

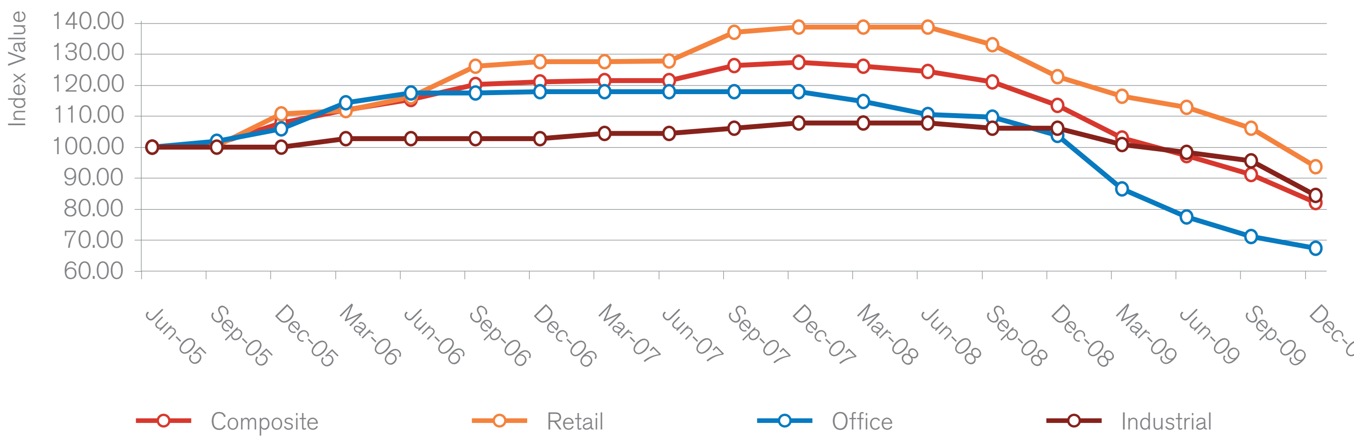
The labour market has experienced a rapid deterioration over the past 18 months. The Quarterly National Household Survey for Q3 illustrates that unemployment increased from 6.8% to 12.4% in the 12 months to the end of September 2009.

OVERALL MARKET

Over 2009, the commercial property market was extremely inactive. Occupiers cut overheads and take-up of accommodation was significantly down on previous years. Vacancy levels increased across all sectors of the market with the prime retail area of and around Grafton Street being particularly badly hit. Lease terms became very tenant orientated with exceptional incentives on offer.

The fall in commercial rents was unrelenting in Q4. The pace of decline continued to increase in both the retail and industrial sectors, while there was some overall easing in the office sector.

The composite index of commercial rents fell by 9.79% in Q4 and by 27.61% in the 12 months to the end of 2009. From market peak in 2007, the index is down 35.46%.



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 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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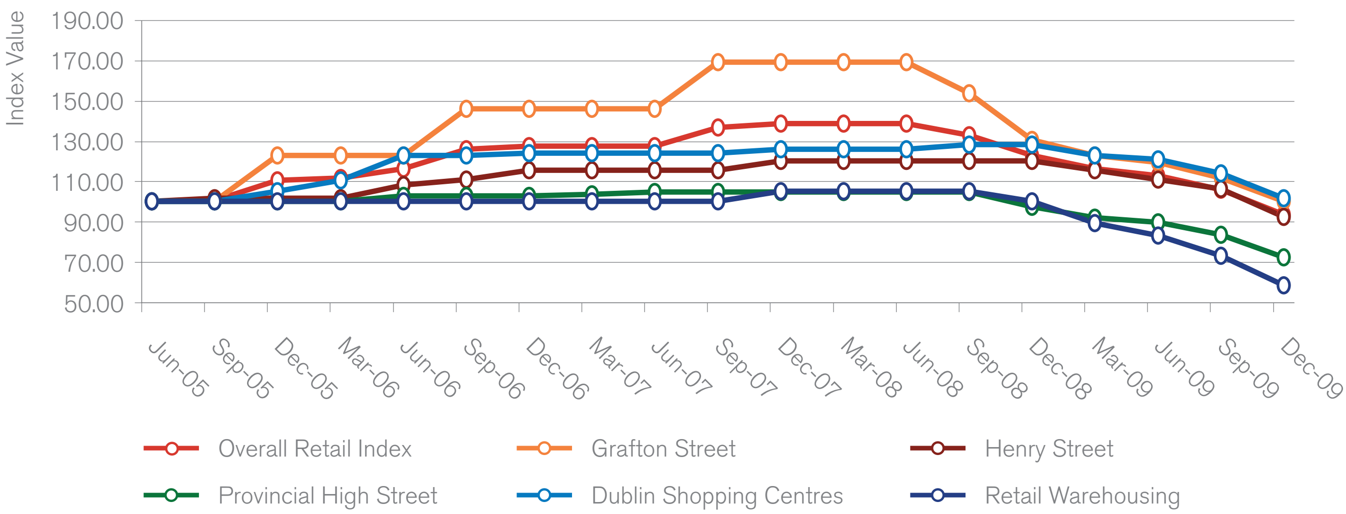
RETAIL SECTOR

On a quarterly basis, the pace of decline continues to increase, with Q4 overall retail rents falling 11.75%, compared to 5.97% in the previous quarter. When compared with the market peak of 2007, the overall retail index is down 32.53%.

To the end of October 2009, CSO statistics show an annual fall in the volume and value of retail sales of 9.1% and 13.9% respectively. Clothing and household goods make up a large proportion of this decline, which is feeding directly into retail rents.

While Henry Street rents held up particularly well in 2008 when compared to Grafton Street, they were not so fortunate in 2009. In the 12 months to the end of December 2009, the Henry Street index shows a fall of 23.08%, similar to Grafton Street, where the index fell by 23.53%. Typical Zone A rents on Henry Street and Grafton Street are now in the region of €5,000 psm and €6,500 psm respectively, significantly below market peak of €6,500 psm and €11,000 psm.

With the continuing massive decline in spending on bulky goods during 2009, retail warehousing rents suffered the greatest weakening of all retail sectors. On an annual basis rents fell by 41.67%, and since market peak by almost 45%.

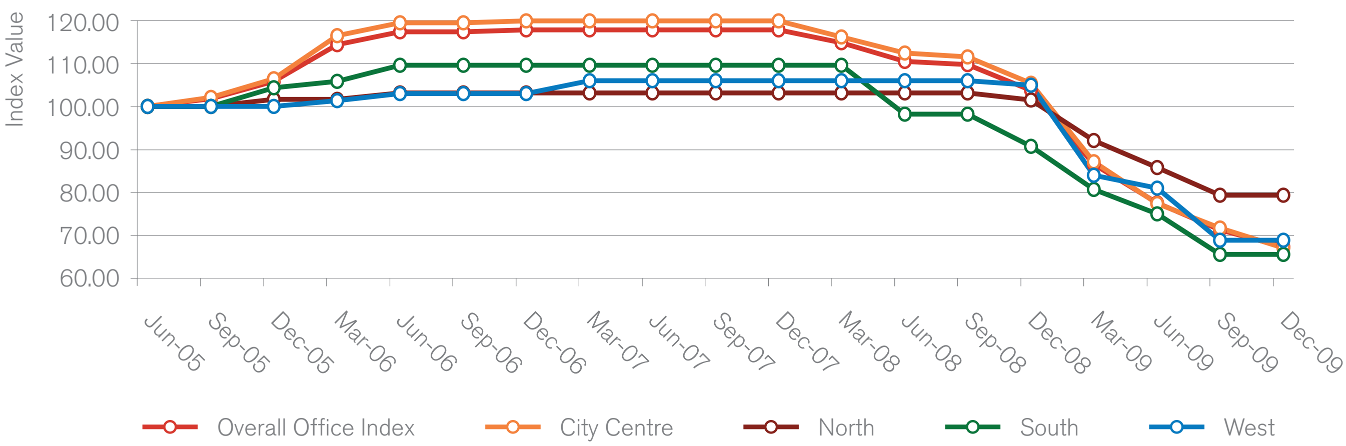


OFFICE SECTOR

A number of office enquiries that had become dormant in the first half of the year, reappeared in Q4 in recognition of good opportunities and 'value'. In spite of this, total take-up over the quarter was less than the preceding two quarters, with just over 16,500 sqm of space absorbed. Availability remains high with a total vacancy in the entire Dublin region at 22.6% (777,132 sqm).

Since 2007, office rents have fallen by much greater levels than in other commercial sectors with the overall office rental index down 42.90% from peak. Initially, suburban rental correction was at a much quicker pace than in the city centre given the levels of vacancy present (up to 35% in some areas), however as this correction in the suburbs was so severe and rents are now are very low levels, values remained unchanged over the final quarter of 2009.

Dublin city centre vacancy is at an all-time high (18.3%) and consequently, rental levels continued under downward pressure in Q4. In the three-month period, rents fell by 6.54%, although it should be noted, at a slower speed than in preceding quarters.



SECTORAL AND SUB-SECTORAL INDICES

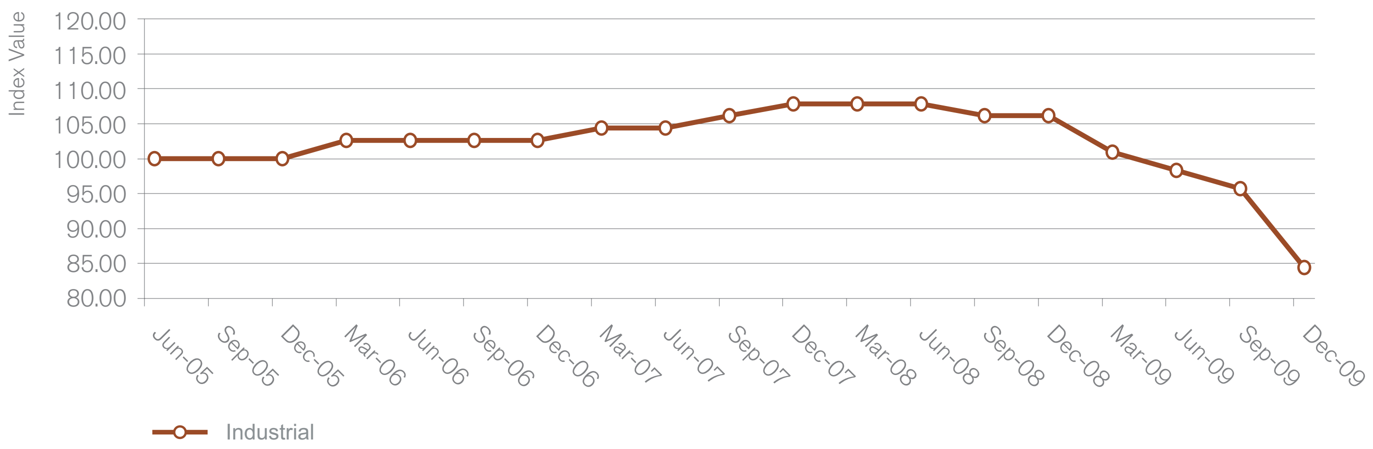
DATE	OVERALL INDEX	OVERALL RETAIL INDEX	GRAFTON STREET	HENRY STREET	PROVINCIAL HIGH STREET	DUBLIN SHOPPING CENTRES	RETAIL WAREHOUSE
Jun 05	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Sep 05	100.94	100.46	100.00	101.85	100.00	100.00	100.00
Dec 05	107.69	110.74	123.08	101.85	100.00	105.21	100.00
Mar 06	111.90	111.78	123.08	101.85	100.00	110.42	100.00
Jun 06	115.30	116.16	123.08	108.33	102.67	122.92	100.00
Sep 06	120.27	126.09	146.15	111.11	102.67	122.92	100.00
Dec 06	121.10	127.46	146.15	115.74	102.67	123.96	100.00
Mar 07	121.37	127.56	146.15	115.74	103.74	123.96	100.00
Jun 07	121.43	127.67	146.15	115.74	104.81	123.96	100.00
Sep 07	126.22	136.90	169.23	115.74	104.81	123.96	100.00
Dec 07	127.30	138.72	169.23	120.37	104.81	126.04	105.00
Mar 08	126.04	138.72	169.23	120.37	104.81	126.04	105.00
Jun 08	124.32	138.72	169.23	120.37	104.81	126.04	105.00
Sep 08	120.98	132.99	153.85	120.37	104.81	128.13	105.00
Dec 08	113.49	122.76	130.77	120.37	97.33	128.13	100.00
Mar 09	102.91	116.41	123.08	115.74	91.98	122.92	89.33
Jun 09	97.21	112.79	119.23	111.11	89.84	120.83	83.33
Sep 09	91.08	106.06	111.54	106.48	83.42	114.06	73.33
Dec 09	**82.16**	**93.60**	**100.00**	**92.59**	**72.19**	**101.56**	**58.33**
3 Month Change %	-9.79	-11.75	-10.34	-13.04	-13.46	-10.96	-20.45
6 Month Change %	-15.48	-17.02	-16.13	-16.67	-19.64	-15.95	-30.00
9 Month Change %	-20.16	-19.60	-18.75	-20.00	-21.51	-17.37	-34.70
12 Month Change %	-27.61	-23.76	-23.53	-23.08	-25.82	-20.73	-41.67

DATE	OVERALL OFFICE INDEX	CITY CENTRE	NORTH SUBURBS	SOUTH SUBURBS	WEST SUBURBS	OVERALL INDUSTRIAL INDEX
Jun 05	100.00	100.00	100.00	100.00	100.00	100.00
Sep 05	101.77	102.13	100.00	100.00	100.00	100.00
Dec 05	105.80	106.37	101.59	104.31	100.00	100.00
Mar 06	114.37	116.44	101.59	105.76	101.33	102.61
Jun 06	117.40	119.49	103.17	109.51	102.99	102.61
Sep 06	117.40	119.49	103.17	109.51	102.99	102.61
Dec 06	117.79	119.95	103.17	109.51	102.99	102.61
Mar 07	117.89	119.95	103.17	109.51	106.04	104.35
Jun 07	117.89	119.95	103.17	109.51	106.04	104.35
Sep 07	117.89	119.95	103.17	109.51	106.04	106.09
Dec 07	117.89	119.95	103.17	109.51	106.04	107.83
Mar 08	114.75	116.19	103.17	109.51	106.04	107.83
Jun 08	110.45	112.44	103.17	98.12	106.04	107.83
Sep 08	109.69	111.53	103.17	98.12	106.04	106.09
Dec 08	103.76	105.43	101.46	90.76	104.86	106.09
Mar 09	86.54	87.15	92.02	80.72	84.00	100.87
Jun 09	77.47	77.33	85.83	74.96	80.94	98.26
Sep 09	71.21	71.69	79.37	65.56	68.86	95.65
Dec 09	**67.31**	**67.01**	**79.37**	**65.56**	**68.86**	**84.35**
3 Month Change %	-5.47	-6.54	0.00	0.00	0.00	-11.82
6 Month Change %	-13.12	-13.35	-7.53	-12.54	-14.92	-14.16
9 Month Change %	-22.22	-23.11	-13.75	-18.78	-18.02	-16.38
12 Month Change %	-35.13	-36.45	-21.77	-27.77	-34.33	-20.49

INDUSTRIAL SECTOR

The majority of industrial transactions over the quarter were for lettings rather than sales due to the lack of available funding. Average lease lengths are now between one and five years, and are on very favourable terms. Availability in the Dublin region stands at approximately 1 million sqm, 70% more than the same period of 2008 with over 42% of this in the south west area.

In spite of escalating vacancy rates, industrial rents have fared better than the other commercial sectors. Since market peak of 2007, industrial rents have fallen by 21.78% and on an annual basis by 10.49%. However, on a quarterly basis, Q4 2009 saw the biggest three-month drop since market peak, by falling 11.82%.



LISNEY RENTAL INDEX - HISTORICAL (JUNE 05 = 100)

DATE	RETAIL	INDUSTRIAL	OFFICE	OVERALL
DEC 2000	47.03	103.20	114.14	83.44
DEC 2001	51.73	100.07	110.09	84.17
DEC 2002	59.26	98.52	101.06	84.14
DEC 2003	74.04	96.55	96.81	88.87
DEC 2004	96.29	98.52	96.81	97.29
DEC 2005	110.74	100.00	105.80	107.69
DEC 2006	127.46	102.61	117.79	121.10
DEC 2007	138.72	107.83	117.89	127.30
DEC 2008	122.76	106.09	103.76	113.49
DEC 2009	93.60	84.35	67.31	82.16