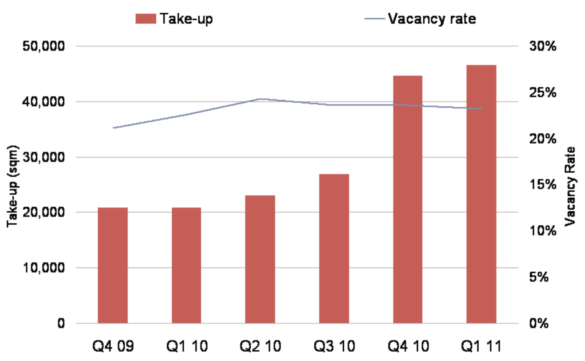
Dublin office market in minutes

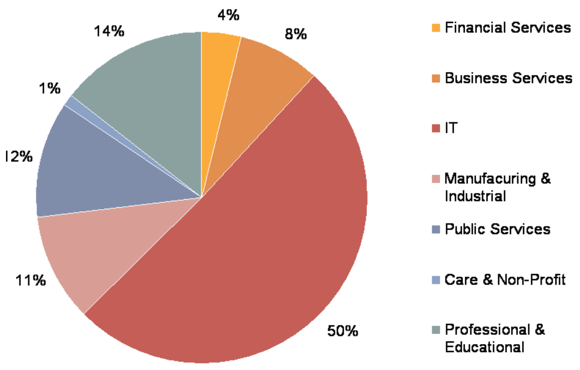
Q1 2011

Take up and vacancy rate



Source: Savills Research

Office occupiers by type (sqm)



Source: Savills Research

"Savills latest research report points to a continued recovery in the Dublin office market, with a shortage of Grade A space in prime locations becoming apparent in 2011, as demand from multinational IT companies drives the market."

Joan Henry (Head of Research)

- Just over 46,500 sqm of space was taken -up in Q1 2011, up 2% on the previous quarter.
- There were 38 deals completed in Q1 2011, down from 67 completed in Q4 2010.
- The largest deal was the purchase by Google of the Montevetro building comprising of 19,000 sqm in Dublin 4. This accounted for 42% of total office space taken-up in Q1 2011.
- Prime city centre areas of Dublin 2 and Dublin 4 accounted for 68% of total space taken-up and 58% of the total number of deals completed in Q1 2011.
- The vacancy rate fell marginally in Q1 2011 to 23.2%, down from 23.6% at the end of the previous quarter.
- The shortage of Grade A space in prime locations is becoming apparent as the level of completions comes to a halt.
- We expect demand for space to remain consistent as existing occupiers avail of opportunities to move to better locations on more favourable terms and conditions.
- Prime office rents are expected to remain stable at levels close to the €350-€375/sqm/year, while secondary rents will remain under pressure and are currently in the region of €130-€200/sqm/year depending on location and quality of space.

Dublin office market in minutes

Market trends

Take-up in the first quarter of the year increased marginally, up by 2% on the last quarter of 2010, with just over 46,500 sqm of space being taken-up in Q1 2011. Four major deals accounted for almost 70% of the total space taken up in Q1. One deal alone – which was Google's purchase of the Montevetro building for its own occupation - accounted for 42% of the total letting volume.

Apart from the major Google /Montevetro deal - all other transactions were lettings. There were 38 deals completed in Q1 2011, compared to 67 completed in the previous quarter. However, with the amount of space being taken-up up in remaining broadly the same, the average size of deals completed in Q1 2011 was almost twice the average of those completed in Q4 2010. The prime city centre office locations of Dublin 2 and Dublin 4 accounted for 68% of the total space taken-up and 58% of the total number of deals completed in Q1 2011.

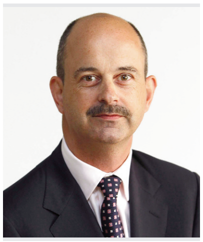
As in previous quarters, office demand was mainly driven by the IT sector, accounting for over half of the space taken-up and a quarter of all deals completed. Other main active sectos include education providers, energy and oil companies, semi-state companies as well as the financial sector.

The vacancy rate has fallen from 23.6% to 23.2%, reflecting a combination of factors; in particular a consistent level of demand for space since the middle of 2010 and a halt in the amount of newly completed space coming to the market. In particular a shortage of Grade A space in prime locations is becoming apparent. As we expected, the quality of the vacant stock has diminished as the remaining Grade A stock is being taken up by new occupiers, for example the letting of 4,229 sqm at Trinity Central (Dublin 2) and the letting of 4,337 sqm to the ESB at Swift Square.

Outlook

Looking ahead, we expect demand for space to remain consistent as existing occupiers avail of opportunities to move to better locations on more favourable terms and conditions. Also, continued interest and demand from multi-nationals, particularly in the IT and financial sectors, is recognition of the adjustment in the competitiveness of Dublin as a location in which to do business. All of these factors bode well for a continued recovery in the office market in 2011. We expect the optimism that is evidenced by the fact that take-up in Q1 2011 was twice the level seen in the same quarter last year, to keep activity robust this year and our expectation is that take-up in 2011 could reach 150,000 sqm. In this context we expect prime Dublin rents to remain stable at levels close to the €350-375/sqm/year.

For further information please contact:



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