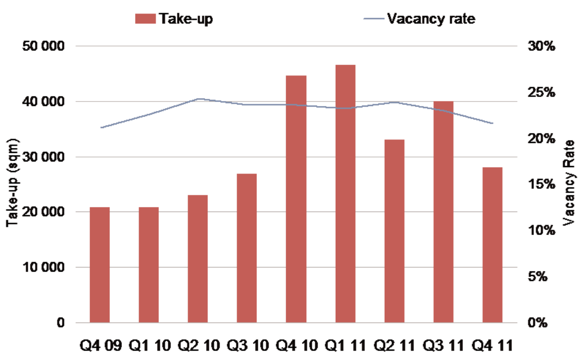
Dublin office market in minutes

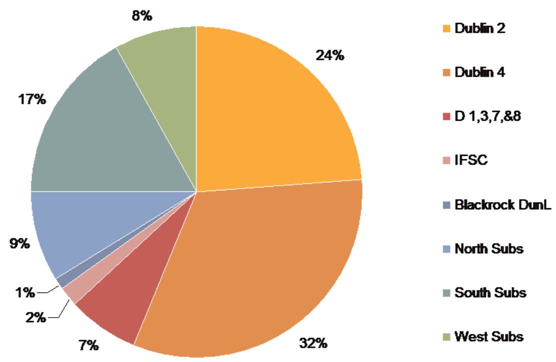
Q4 2011

Take up and vacancy rate



Source: Savills Research

Take-up by location in 2011



Source: Savills Research

"Letting activity in the Dublin office market showed an increase of 25% compared to 2010 and reached twice the total occupied in 2009. Prime locations continue to dominate, as occupiers avail of competitive rents and terms. Vacancy is down across most locations and there is no new space in the pipeline."

Joan Henry (Director of Research)

- 28,000 sqm of space was occupied in the final quarter of last year, bringing the total for the year as a whole to 148,000 sqm (slightly under our forecast of 150,000 sqm), up 25% compared to 2010.
- Activity in Q4 continued to be dominated by demand for space in the prime Dublin 2 and Dublin 4 locations. Of the 53 deals which closed in Q4, 25 were located in Dublin 2 and Dublin 4 combined.
- The vacancy rate has fallen from 23% to 21.6%, driven by a combination of factors, most notably the consistent level of demand and the very low level of new space completed. There was only 12,000 sqm of space completed last year, all of which was located in Dublin 2.
- Rents have remained under pressure during 2011 due to the competitive market conditions and difficult economic backdrop. Having shown signs of stabilising at €350/sqm/year for a number of quarters in 2010, a number of deals closed in Q4 at rents between €300-310/sqm/year.
- The outlook for 2012 is for demand to remain strong for prime Grade A space and for well-located space of Grade B standard. Well located Grade C space is also attractive given the value on rental terms and conditions.
- The risks are marginally on the downside for take-up to reach the same level achieved in 2011, but a level of 130,000 sqm is at least expected depending on the level of pressure on businesses to postpone office re-location decisions due to cost pressures in 2012.

Dublin office market in minutes

Market trends

Office take-up was relatively consistent throughout 2011. A total of 148,000 sqm was let for the year as a whole. This compares to 113,000 sqm in 2010 (an increase of 25%) and is twice that achieved in 2009, which was the low point in the current cycle. The peak of letting activity was in 2007, when 297,000 sqm of office space was let in the Dublin market.

The trend in terms of demand continues to be led by a preference from occupiers for space in prime locations – namely Dublin 2 and Dublin 4. Of the 53 deals completed in Q4, 25 were located in Dublin 2 and Dublin 4. 35% of total space taken-up was in Dublin 2, made up of 20 separate deals. The largest of these deals was Eden College's occupation of just under 3,000 sqm, of space in Scotch House on Hawkins St, Dublin 2.

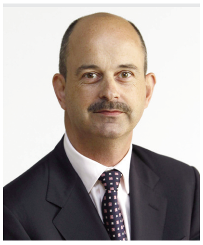
There were five deals signed in Dublin 4 in the last quarter – three of these (totalling just over 2,000 sqm) were of Grade A space. Out-of-town letting activity was strong in the last quarter of 2011, with the South suburbs making up 25% of the total space let in the quarter. The largest deal in the South suburbs was the letting of 3,200 sqm of space to Mastercard. Financial services and the ICT sector drove demand in the South suburbs, reflecting the proximity of office space in these locations to the prime locations and to good transport infrastructure.

Consistent demand across most locations, along with minimal completions (there was 12,000 sqm completed in total in 2011) has resulted in a drop in the overall level of vacancy from 23% at the end of 2010 to 21.6%. While demand is expected to remain consistent in 2012 and there is no space whatsoever in the pipeline for 2012 or 2013, the risk is that further downside potential for the overall office vacancy rate will be limited in 2012 by existing space being vacated (e.g. by existing financial services companies – AIB and Bank of Ireland are due to exit their larger buildings while Aviva insurance is expect to vacate space as its downsizes in the Irish market) and coming to the market. We expect that the vacancy rate will range 21-22% in 2012.

Outlook

The level of interest in the Dublin office market that was evident in 2011 is expected to continue in 2012. International telecoms, media and technology companies are expected to continue to look to both enter and expand their existing operations in Dublin. This in turn is being led by the on-going increase in competitiveness, the corporation tax rate and a highly skilled workforce. A relatively high, albeit falling overall vacancy level however, is expected to keep market terms and conditions tight with landlords to remain under continued competitive pressure, certainly in the first half of 2012.

For further information please contact:

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