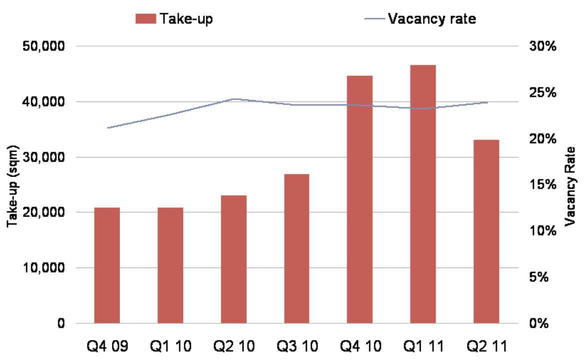
Dublin office market in minutes

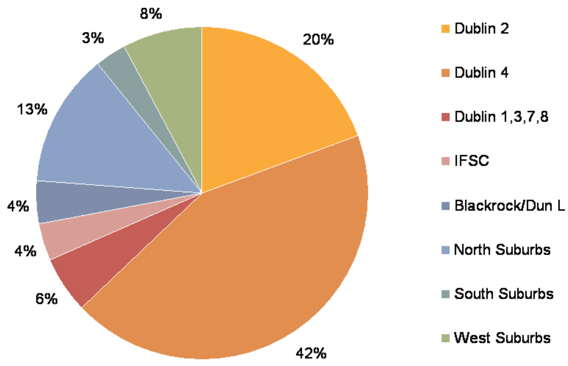
Q2 2011

Take up and vacancy rate



Source: Savills Research

Take -up (sqm) by location Q2 2011



Source: Savills Research

"Letting activity in the Dublin office market was strong in the first half of 2011 with just under 80,000 sqm of space taken-up. The prime locations of Dublin 2 and 4 made up 62% of the total space taken-up and the preference for prime space is expected to drive activity for the remainder of the year."

Joan Henry (Head of Research)

- Office take-up in the first half of 2011 has been strong in the context of the current tough economic climate, totalling just under 80,000 sqm.
- Take-up in Q2 is 43% higher when compared to the same period in 2010. The second quarter take-up is also higher than each quarter in 2009.
- One large deal accounted for over a third of the space taken up in Q2 – which was Paddy Power taking over 11,000 sqm in Dublin 4.
- Dublin 4 recorded the largest take-up in Q2, accounting for over 33% of the total. Together the prime locations of Dublin 2 & 4 made up 62% of total letting volume in the second quarter.
- There were 43 deals signed in Q2, up marginally from 38 in Q1 2011 and the average deal size for Q2 2011 is 767 sqm, down from 1,225 sqm in Q1 2011.
- The amount of vacant stock on the market has increased slightly in Q2 2011 compared to the previous quarter, with the vacancy rate increasing from 23.2% to 23.9%.
- The increase in the overall vacancy rate is being driven by older stock coming on the market. The completion pipeline has almost dried up with only 12,000 sqm of space due to complete in 2011.
- Prime rents have remained stable at close to €350/sqm/per annum. The outlook for prime office space demand remains positive for the reminder of 2011 and into 2012.

Dublin office market in minutes

Market trends

Office take-up has remained steady so far in 2011 with just under 80,000 sqm of space let in the first six months of the year. This is 43% higher than for the same period in 2010, but consistent with take-up levels in the second half of 2010 when market activity showed a clear sign of picking up. Prime locations dominate, with 62% of the take-up in Q2 in Dublin 2 and Dublin 4 combined. One large deal accounted for over a third of the space taken up in Q2 – which was Paddy Power taking over 11,000 sqm in Dublin 4.

The overall Dublin vacancy rate has however increased in the second quarter and is currently 23.9%. This is a result of two factors firstly, older space coming to the market in recent months and also the surplus of new space that was completed and not taken-up at the peak of the market. The vacancy rate varies significantly depending on the location. For example the North Dublin suburbs experience the highest vacancy rate of 45% while the IFSC has a rate closer to 10%.

Any analysis of the Dublin office market requires a detailed look by area as the level and quality of stock varies considerably. In terms of overall office supply, develeopment completions are at the lowest level since pre 1985, with only 12,500 sqm of new office space completed in Dublin in 2011. No additional newly completed space is expected to come on the market in 2012.

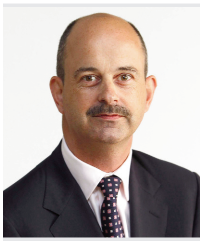
Rents for space in prime locations have stabilized at close to €350 per sqm/per annum. Secondary rents will remain under pressure for the rest of 2011 and into 2012.

Pressure on rents is twofold, firstly due to higher vacancy rates in less prime locations and secondly the deals on offer by landlords to take-up space in the more prime locations

Outlook

The outlook for the office market is positive given current tough economic conditions. What we expect to see happen is that there will be a continued and more pronounced divide between prime and secondary office space. Demand is set to remain focused on prime central locations and on new space in well-located suburbs. The fact that the pipeline for the construction of new office space has dried up means that the quality of space available, will continue to diminish. In particular, as we have been saying for some time, there are few prime Grade A large office buildings now available in central Dublin locations should a large requirement emerge. This we expect will drive recovery in the market as the demand for grade A space is expected to remain consistent as has been the case over the last twelve months. This will be driven particularly by the high-tech sector and currently there are a number of high profile firms with requirements for grade A space in Dublin city centre.

For further information please contact:





Roland O'Connell
Director
+353 1 618 1315
roland.oconnell@savills.ie

Michael Healy
Associate
+353 1 618 1367
michael.healy@savills.ie

Bryan Garry
Graduate
+353 1 618 1342
bryan.garry@savills.ie

Joan Henry
Head of Research
+353 1 618 1300
joan.henry@savills.ie

Davina Gray
Research Analyst
+353 1 618 1483
davina.gray@savills.ie