

## Quarter 1 – 2010

### Dublin Office Market Bulletin

#### Take-Up

- Take up has increased 143% year on year to March 2010.
- The market has shown initial signs of recovery with take up increasing 38% from Q4 2009.
- Total office take-up for Q1, 2010 was 268,975 sq ft.



*George's Quay House, Dublin 2*

- 7 out of the top 10 deals in Q1 2010 were located in suburban office locations.
- It was noted that the average deal size was 7,082 sq ft with 28 (89,118 sq ft) of the 38 transactions of Q1 2010 being less than this figure.
- Almost 42% (112,970 sq ft) of the office deals in Q1 2010 were as a result of expansion of companies already present in Ireland although for smaller/reduced size compared to previous years.
- On a promising note, 39% (102,210 sq ft) of transactions were new international companies setting up a base in Ireland for the first time such as Marcus Evans, Maxim, William Grant & Sons and Dun & Bradstreet.
- Both of these trends are positive signals for the overall recovery of the office market going forward as they indicate that the future Dublin office performance is not just dependant on inward investment.

#### Key Q1 Transactions

Tenant	Size (sq ft)	Address
Dun & Bradstreet	43,475	The Chase, Sandyford
Kerry Foods	38,750	Belgard Square, Tallaght*
Pacemetrics	11,829	Block T East Point
ERGO	11,829	Block T East Point
Globoforce	11,630	Block 21 Park West*
Gala Networks	11,442	The Chancery, Dublin 8*
HMH Riverdeep	10,600	George's Quay House*

\*Jones Lang LaSalle involved

#### Demand

- There were 135 new enquiries in Q1 2010, an increase of 40% from Q4 2009.
- Enquiries from agents accounted for 39%.
- Of the total, 66% were for city centre and 44% for the Dublin suburbs.
- There have been a number of large requirements brought to the market by agents acting for corporate occupiers. Most notably Ebay, Yahoo, Google, ESB, Central Bank, LinkedIn, JLL Pharmaceutical Requirement and World Trade Centre are actively seeking accommodation.

#### Supply

- The office supply pipeline has effectively been turned off in Q1 2010 with only 116,788 sq ft completed, including Citywest's landmark development Waterside.
- The levels of stock under construction have dropped by 62% from 2.85 million sq ft in Q1 2009 to 1.075 million sq ft in Q1 2010 due to be completed by the year end including Monetevetro, Dublin 4, Irish Times Building, Dublin 2 and The Point Village, Dublin 1.
- Not surprisingly developments with full planning permission have been shelved for the foreseeable future.
- The overall vacancy rate for Q1 2010 is 22% which is broken down as 19% in the city centre and 26% elsewhere in Dublin.
- Dublin 2 has the lowest office vacancy rate in the city of 15% showing a continued strength in this core CBD market.
- Corporate available space, "Grey Space", has increased by 23% in the year to March 2010. This space currently accounts for 18% (1.45 million sq ft) of availability in the completed Dublin Office Market.

#### Rents & Lease Terms

- Prime headline rents in the City Centre show signs of bottoming out and range from €32 - €38 per sq ft compared to €50 -€60 per sq ft at the peak of the boom.
- In comparison, Suburban rents range from €16 - €19 per sq ft.
- Lease terms have now shifted from the traditional long term 25 year lease with a single break option to the market norm of 5 to 10 years with break options throughout.
- Rent free periods for Leases of 5 to 10 years are being negotiated at 12 – 18 months with further incentives being achieved for increased lease terms.

## Trends

- A unique feature of Quarter 1 is that 87% of all deals in Q1 2010 were for offices with new leases as occupiers are currently illustrating an aversion to sub leases and assignments. This trend does not aid the drive to reduce the levels of available "grey space".
- Whilst Tenants have a preference for fully fitted offices they want to negotiate new leases directly with Landlords. In the main, the fully fitted "grey space" is currently over rented with the challenge remaining for Landlords to grant consent to sublettings below the passing rent to achieve current market levels.
- Foreign Direct Investment accounted for 39% of the take up in Q1 2010 with a further 42% a result of occupier expansion.

## What Tenants are saying

- Occupiers are still under pressure to manage and reduce costs, increase efficiencies and achieve flexibility in lease terms to cope with changing business.
- 2009 was about survival – achieving lower rents, better lease terms and disposing of existing surplus accommodation.
- 2010 will be about finding real estate solutions that are cost efficient, sustainable and flexible.
- Good relationships between Landlord and Tenants are essential in order to maintain and sustain occupancy.
- Occupiers recognise that the market is firmly in their favour and continue to bottom fish. This is evidenced in the number of new and expansion letting referred to above.

## Q1 Office Market Summary

Activity in the Dublin Office Market has increased over the past 6 months albeit at bottom line rents. However it is noted 2009 was one of the poorest performing years to date with continued financial uncertainty.

Sentiment will continue to be buoyed by the news of companies acquiring new and expanding accommodation such as Service Source, Dun & Bradstreet, Kerry Foods, OSG Group and Audi. Increased media exposure highlighting the above, the dramatic decrease in rental levels and increased lease flexibility will hopefully continue to spur more activity over the coming year.

Tenants are aware of the high level of supply on the market versus the level of demand, and as such, the increased activity has shifted to Tenant friendly terms in this "Tenants market".

There are a number of large corporate requirements that have yet to be fulfilled in the market including:

- Ebay – 80,000 – 100,000 sq ft
- Pocket King – 80,000 sq ft
- Central Bank – 50,000 sq ft
- Bord Gais – 50,000 sq ft
- Google – 45,000 sq ft
- Yahoo – 40,000 sq ft
- NIB/Danske – 40,000 sq ft
- ESB – 40,000 sq ft
- AOL – 25,000 sq ft



*Burlington Plaza, Dublin 4*

There is a tightening of availability for Headquarter buildings within the city centre to catch requirements of 100,000 sq ft and upward such as Burlington Plaza.

Whilst 2010 looks toward a continued level of take up, it is unlikely to have any significant impact on the vacancy rate of 22% for sum time.