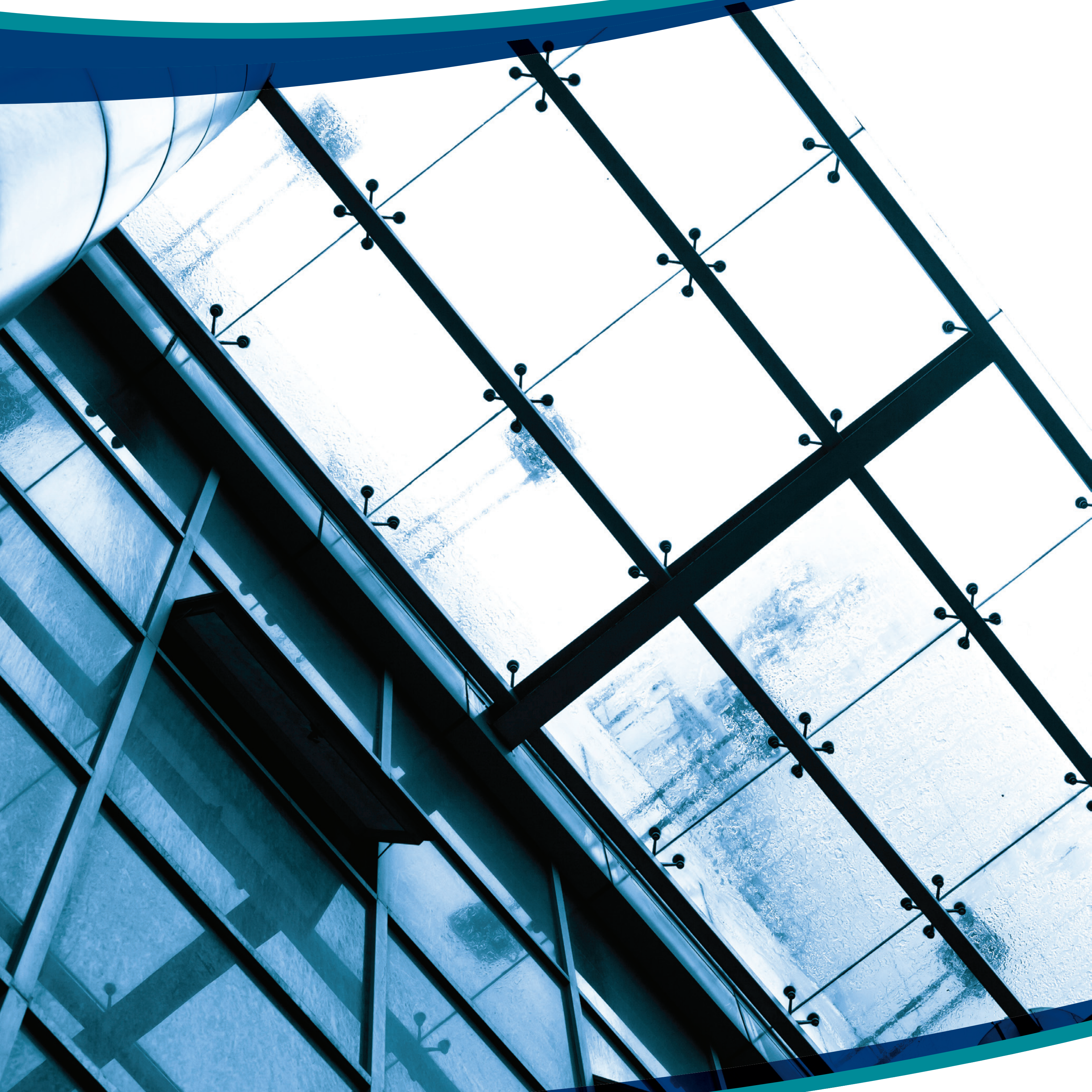
Irish Office Market
Review 2013/Outlook 2014

DTZ Sherry FitzGerald



Irish Office Market

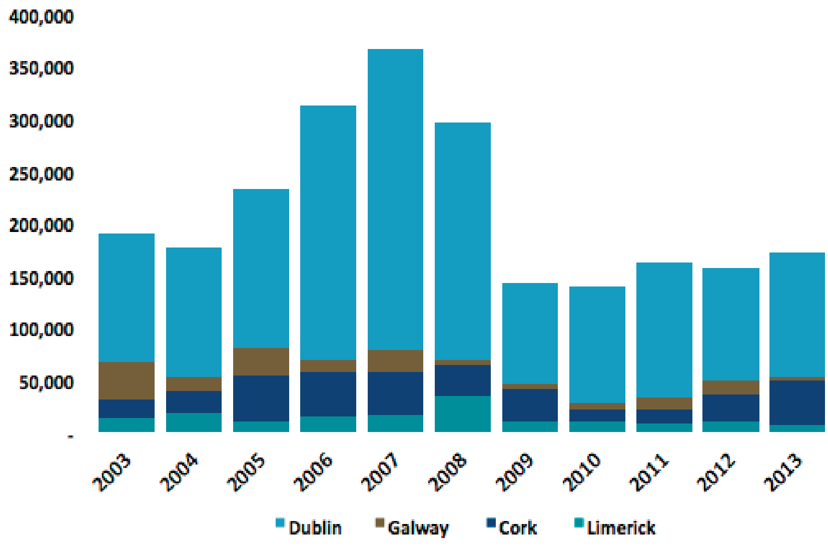
The following report incorporates a detailed overview of the regional office markets including Dublin, Galway, Cork and Limerick. This market analysis covers occupation levels, vacancy levels and rental performance in each location.

- **The recovery of the Irish office market continued to gain momentum over the course of 2013, however it is taking place at different speeds across the regional centres. The Dublin office market continues to lead, with the recovery firmly entrenched, whilst the Cork market is leading the recovery outside of the Capital.**
- **2013 saw both the Dublin and Cork office markets witness strong performance for the year as a whole. Performance in the Limerick market lagged somewhat, however the latter part of the year witnessed a notable increase in transaction activity. Conversely, the Galway market experienced subdued activity during the twelve month period.**
- **On a positive note, approximately €780* million worth of office assets transacted in Ireland in 2013.**
- **Availability levels remain high across the regional centres, in particular in the Cork and Limerick centres. That said, vacancy levels in the Galway office market remain the lowest of all regions. Supply levels, however, continued to recede in the Dublin CBD region resulting in upward pressure on rents in 2013. Rents have remained relatively stable across the other centres.**
- **A trend that continues to prevail across all the office centres is a shortage of good quality large office floor-plates; particularly in city centre locations. An occupier with a requirement for Grade A, city centre accommodation, greater than 5,000 sq m is limited to just two buildings across all regional centres.**
- **On a positive note, 2013 saw cranes re-emerge on the Dublin skyline with two speculative developments commencing construction in the final quarter. Furthermore, while development activity remains limited across the regional centres, pipeline projects are already confirmed for the Cork and Limerick markets in 2014.**

*irish office assets only - excludes mixed-use assets

Figure 1

Irish office market, annual take up (sq m)



Source: DTZ Sherry FitzGerald Research

Table 1

Irish Office Markets - Key figures 2013

Office Market	Dublin	Galway	Cork	Limerick
Market Stock	3,350,100 Sq M	297,450 Sq M	549,000 Sq M	305,300 Sq M
Take Up	119,300 Sq M	3,500 Sq M	41,100 Sq M	7,900 Sq M
Availability	654,600 Sq M	49,600 Sq M	126,100 Sq M	73,300 Sq M
Vacancy Rate	19.5 %	16.7 %	23.0 %	21.3 %
Under Construction	22,500 Sq M	8,300 Sq M	0 Sq M	0 Sq M

Source: DTZ Sherry FitzGerald Research

Dublin Office Market
Take Up

The Dublin office market witnessed an exceptionally strong year during 2013 in terms of both occupier demand and investment transactions. Over €700m* worth of office assets transacted in Dublin during the twelve month period, while occupier activity increased by 10% during the same period.

Furthermore, signs that Ireland's labour market has now turned a corner with job creation on the rise is good news for the office occupier market in Dublin in 2014.

2013 commenced with the office market showing signs that the recovery process was firmly under way. Following a strong level of transaction activity recorded in the opening half of the year, momentum continued and there was a notable improvement in underlying demand; in particular the quantum of space reserved and signed heading into the final quarter. The year closed with the strongest level of quarterly take up recorded for more than five years.

While the recovery in the Dublin office market is becoming firmly entrenched, it is taking place at different speeds across the country. Within the Dublin market, it has become increasingly apparent that there is a two-tiered recovery at play; with the uplift in activity and emerging rental inflation largely focussed in the central business district. In contrast, the suburban locations are sluggish with a notable overhang of supply limiting any potential for rental growth in the short to medium term. However, there are pockets of activity in certain prime suburban markets such as Sandyford and Leopardstown.

> **First office speculative developments since 2010 have commenced**

On a positive note, the final quarter also saw cranes re-emerge on the Dublin skyline as the first works on speculative office developments commenced in a number of years.

The final quarter of 2013 witnessed a surge in the volume of transactions. The level of take up or occupied space in the Dublin office market stood at an impressive 48,000 sq m in the three months to December 2013; representing a notable increase on the previous quarter and a 38% increase year-on-year. For the year as a whole, the total quantity of space transacted stood at 119,300 sq m; representing an increase in activity of 10% when compared to the corresponding period in 2012.

It is important to note that the amount of space signed and awaiting occupation stood at approximately 64,000 sq m, with a further 65,000 sq m under offer at quarter end. The strength in the level of underlying demand supports a strengthening of take up in 2014.

The level of net take up, which measures the change in occupied space, increased notably during the final quarter of the year which helped boost the annual figure. While 119,300 sq m was occupied during 2013, a significant proportion of this involved movement within the market resulting in a net increase in occupation of 65,800 sq m. That said, the level of net take up has improved substantially over the course of the past twelve months.

* Dublin office assets only - excludes mixed-use assets.

Dublin Office Market
Take up

An analysis of the profile of space transacted during the year reveals a robust level of demand for space greater than 1,000 sq m. That said, while the average size deal during 2013 was 1,350 sq m, demand remains focussed on smaller sized office units. In relation to the space occupied, the largest deal occupied during the year measured approximately 7,750 sq m. This was the occupation by Airtricity at Red Oak South, South County Business Park, Dublin 18. The adjoining building Red Oak North, measuring approximately 6,150 sq was also occupied during the final quarter by the leading pharmaceutical company MSD. MSD previously occupied 3,000 sq m in 2012.

> **Robust level of demand for deals greater than 1,000 sq m**

At the end of quarter four there was approximately 64,000 sq m signed and awaiting occupation in 2014, this compares to just 11,600 sq m at the end of 2012, thus highlighting the increased confidence in the market at present. There were a number of significant deals signed during the final quarter including the largest deal of the year which saw Facebook expand its operations in Dublin and sign Block 4 - Grand Canal Square, Sir John Rogerson's Quay; measuring approximately 11,250 sq m. Facebook are expected to release their current office at Hanover Reach measuring approximately 6,000 sq m back to the market in 2014 once fit out is complete at Block 4 – Grand Canal Square. Furthermore, the global quantitative trading firm, SIG, have signed approximately 9,300 sq m at the International Centre, IFSC. Other significant transactions include approximately 9,000 sq m signed to William Fry at Block 2 - Grand Canal Square, Sir John Rogerson's Quay.

The level of enquiries also strengthened during the final quarter of the year. At the end of December, the market saw an encouraging amount of space under offer, including one of the largest lettings in the year; approximately 10,200 sq m to Deutsche Bank at Pinnacle 2 in Eastpoint Business Park. Yahoo have also reserved approximately 6,800 sq m in the Point Village development in the north docklands.

With regard to future demand, there are a number of high profile companies with requirements for space including software giant Microsoft, Citibank, Groupon, Accenture, Brown Brothers Harriman, Riot Games and Airbnb. However, an element of occupier uncertainty continues to linger as deals continue to take time to close.

Dublin Office Market
The Central Business District

The changing pattern of demand in the Dublin office market over the past number of years has seen demand for office space largely concentrated in the Central Business District (CBD).

Since 2007, the share of offices occupied in the CBD has increased progressively year on year as occupier demand continued to focus on prime office buildings that offer modern space and infrastructure. In 2012, almost two out of every three offices occupied were located in the CBD. Modern accommodation, in particular Grade A accommodation, continues to account for the greatest share of take up. However, 2013 saw the proportion of space taken up in the CBD fall to 41%; this is largely as a result of a shortage of modern Grade A accommodation in the CBD.

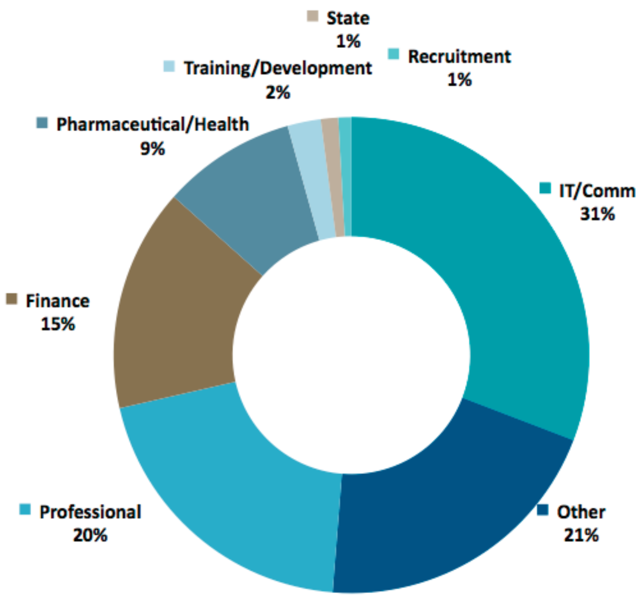
> **"Grade A remains the occupational preference"**

Approximately 48,600 sq m of office space was taken up in the CBD in 2013, of which 73% comprised Grade A space. Moreover, Grade A1 remains the occupational preference. As a result the best space in the best buildings continues to diminish. There is approximately 104,150 sq m of Grade A1 space unoccupied in the CBD, however over 50% of this space is either signed or reserved. As such, the net available Grade A1 space falls to just 51,350 sq m in the CBD. This highlights the impending shortage of top Grade A1 accommodation in the city.

Of particular note, there is a shortage of larger Grade A units in the CBD. Of the net stock of available Grade A space, there is only one unit greater than 5,000 sq m in size, highlighting the need for either refurbishment or new development of large floor-plates in the CBD. Development activity recommenced in the Capital during the final quarter of 2013 with the first speculative office developments underway since the volume of space under construction fell to zero during 2011. Total space under construction at the end of December stood at approximately 22,500 sq m; all of which is speculative and located in the central business district area of the city.

Figure 2

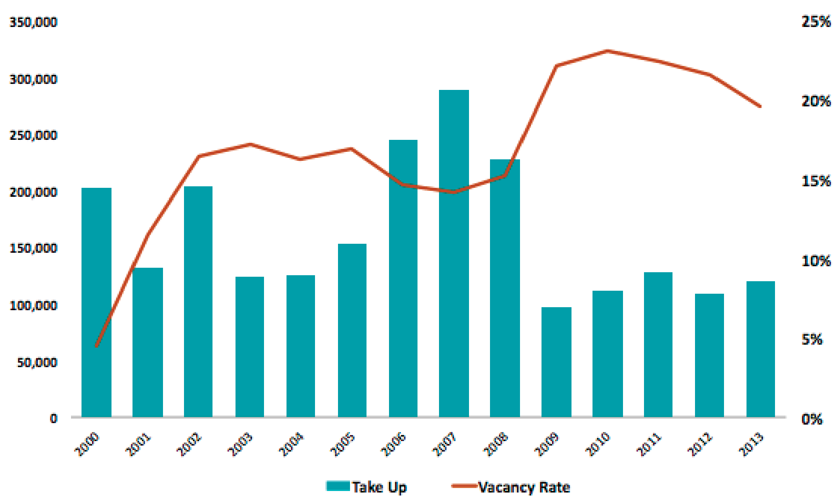
Dublin take up by tenant type, 2013



Source: DTZ Sherry FitzGerald Research

Figure 3

Dublin office market: take up (sq m) & vacancy rate (%), 2013



Source: DTZ Sherry FitzGerald Research

Dublin Office Market
The Central Business District

At the end of quarter four, the quantity of space under offer stood at 35,150 sq m, approximately 54% of the total space reserved in the Dublin office market. Furthermore, 80% of the space reserved in the CBD is Grade A space, with over 60% Grade A1.

Within the CBD boundaries, the Traditional Core area remains the most sought after location; accounting for 48% of the CBD space occupied in the year. This was followed by the IFSC – North Docks and the South Docks areas accounting for 19% and 16% respectively. The Ballsbridge area absorbed 11%, while the Fringe area accounted for the remaining space.

> **"Traditional core area remains the most sought after"**

Simultaneously, the supply of modern offices and in particularly larger office suites in the CBD is diminishing at a fast pace. In particularly supply levels in the Docklands continue to recede. The quantity of available space in the South Docks stands at just 62,100 sq m, of which almost 26,000 or 41% is either signed or reserved. Once this space is occupied, the vacancy rate in the South Docks could potentially fall to single digit figures. A similar scenario exists in the North Docks with 46% of the available space either signed or under offer. Once this space is occupied, the vacancy rate in these areas will fall to sub 10%.

A review of overall activity levels in the Dublin office market reveals the ongoing dominance of the IT/ telecommunications sector; accounting for 31% of overall take up during 2013. Active occupiers during the year include Salesforce, Google, IBM, Amazon, Yahoo, Twitter and Yelp. Such high profile occupancies have consolidated Dublin's position as an established European hub for technology and social media companies.

> "Occupiers are beginning to recognise they can no longer wait around for the right space to become available and are taking space now before rents increase further. This emerging trend will lead to increased levels of activity and higher headline rents during 2014"
>
> Ronan Corbett - Director, Head of Business Space
> DTZ Sherry FitzGerald

The IT/telecommunications sector has dominated take up year on year since 2008. That said, following a prolonged period of decline in the financial sector, a recovery is underway with the finance sector increasing its share of the market to 15% of total take up in 2013. This is expected to increase in 2014 with a number of significant deals in the pipeline. The professional sector accounted for 20% of activity while the Pharmaceutical/ Health sector was also active, absorbing 9% of total occupied space in 2013.

Within the CBD specifically, the finance sector continues to regain lost ground to the IT/ telecommunications sector, performing strongly during 2013. The finance sector absorbed 28% of activity during the year, while the IT/telecommunications sector accounted for 23% of all transactions during the period.

Dublin Office Market
Availability

2013 saw supply levels in the Dublin office market fall for the third consecutive year. While supply levels continue to fluctuate on a quarterly basis, the overall total quantity of available office space declined by 9% during 2013 to stand at 654,600 sq m at the end of December.

The rate of decline was more aggressive than in previous years. The reduction in supply stems from a combination of increased demand and a stabilisation in the rate of second hand space entering the market.

Within in the CBD, the total quantity of available space continued its downward trajectory, however, the rate of decline appears to be plateauing as evidenced by a 3% annual reduction in supply levels. Within in the CBD, the market continued to witness increased polarisation between the supply of Grade A stock and Grade B levels. The quantity of Grade A space continued to diminish; falling by 6% over the twelve month period. Furthermore, with new supply non-existent, the shortage of Grade A space has resulted in an improvement in sentiment for refurbishment opportunities. On the other hand, the quantity of Grade B stock increased by 3% year on year.

> **"Supply levels reduced by 9% over 2013"**

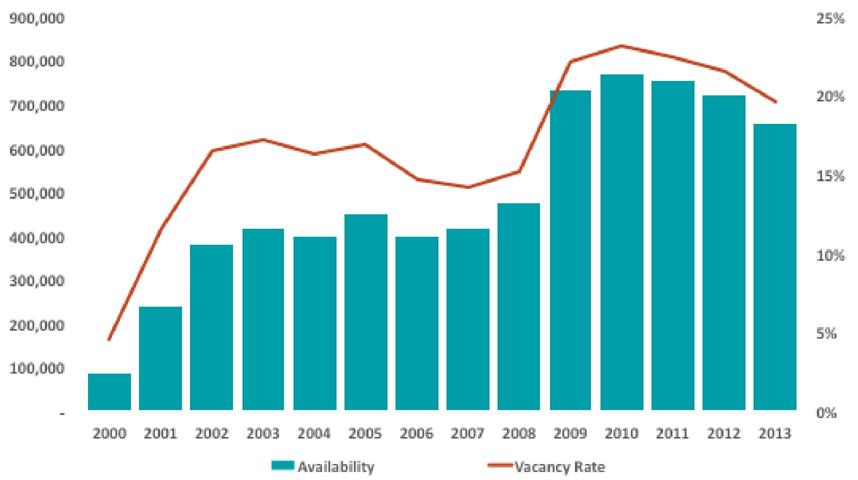
Total availability in the CBD stood at approximately 237,150 sq m at the end of December, equating to 36% of the total available office space in the capital. Net availability stands at just over 200,000 sq m with a further 35,150 sq m of office space reserved at the end of quarter four.

Grade A space remains the most sought after in the CBD and continues to dominate take up in this region. Approximately 73% of the space transacted in the CBD in 2013 comprised Grade A space. As a result, the supply of Grade A space continues to fall at a faster rate. At the end of quarter four, there was 151,500 sq m of available Grade A space in the CBD, down 6% on the level recorded twelve months previously. At present, the Grade A vacancy rate stands at 14.8%. However, with approximately 70,700 sq m of Grade A space either signed or reserved at the end of December, the Grade A vacancy rate could potentially fall to single digit levels in the near future.

There is approximately 104,150 sq m of A1 space available in the CBD. However, half of this space is either signed or reserved. Furthermore, the proportion of larger office floor-plates has diminished significantly. The largest offering of space can be found at Block 5, Grand Canal Square, Sir John Rogerson's Quay measuring approximately 11,600 sq m. This is the only building available that can satisfy a 5,000+ sq m requirement of Grade A space in the CBD.

Figure 4

Dublin office market: availability (sq m) & vacancy rate (%), 2013



Source: DTZ Sherry FitzGerald Research

Dublin Office Market
Availability

Consequently, as the quantity of Grade A stock continues to diminish, many occupiers are looking to Grade B space to fulfil requirements. At the end of December, the quantity of Grade B properties in the CBD stood at approximately 85,650 sq m of good quality second hand floor-space available.

While the shortage of space in the CBD is a concern, supply levels in the overall Dublin office market remain stubbornly high by historical standards. This is further highlighted by an analysis of the vacancy rate. The vacancy rate declined to 19.5%, down from 21.5% recorded twelve months previously. A significant proportion of the vacant space is older stock which could be deemed effectively obsolete. This stock has been on the market for a considerable number of years and therefore arguably masking the true vacancy rate in the market.

> **Available Grade A stock continues to diminish**

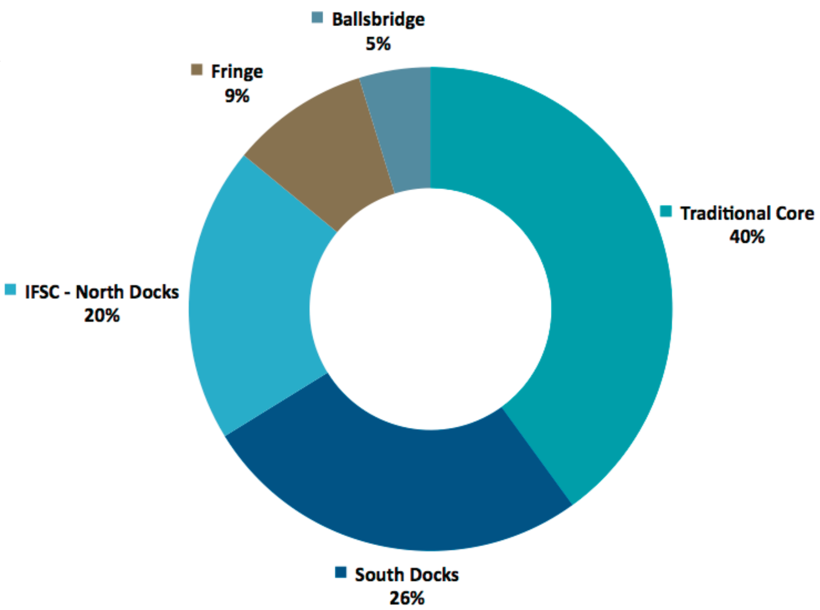
The corresponding vacancy rate in the CBD stood at 13.8%, reflecting a modest reduction on the comparable rate of 14.3% recorded in the previous year. Furthermore, the vacancy rate could potentially drop to 9.7% following the absorption of the space that is signed and reserved at present. It is important to note that approximately 51% of the total office stock in the capital is located in the CBD.

An analysis of the spread of overall available space in the office market at the end of 2013, reveals that the suburbs continue to account for the majority of accommodation, 38%. This would suggest that the vacancy rate in this region is significantly greater than the overall market rate of 19.5%. A further 27% of accommodation is located in the secondary region.

Within the CBD, the Traditional Core area accounts for the largest proportion of available space, 40%, with the profile of space heavily weighted towards Grade B stock. The South Docks and IFSC North Docks account for 26% and 20% respectively with the available space almost exclusively Grade A. The Fringe and Ballsbridge areas of the CBD account for a small proportion and are broadly mixed in terms of grade profile.

Figure 5

Dublin CBD availability by area, 2013



Source: DTZ Sherry FitzGerald Research

Dublin Office Market

Under Construction

The third quarter of 2013 saw the first speculative office development commence construction since the volume of space under construction fell to zero during 2011.

This includes the redevelopment of the former Canada House office, a corner site at 65-68 St. Stephen's Green, Dublin 2 comprising approximately 6,900 sq m.

Given that this development is speculative, it will provide a good test for the market. Furthermore, ground has broken on the former 2.02 acre Vet College site in Ballsbridge, Dublin 4. The original planning permission allows for an office element measuring 15,600 sq m.

Development activity is expected to be further enhanced with a number of projects in the pipeline to commence construction during 2014. In the interim, the market will continue to steadily absorb the excess space available in the market at present.

The total space under construction at the end of December stood at approximately 22,500 sq m, all of which is speculative and located in the central business district area of the city.

The total stock of office accommodation remained unchanged at approximately 3,350,100 sq m at the end of December 2013.

Rental Levels

Over the last number of years, the Dublin office market remained a tenants market. However, as the recovery continues to take hold particularly in the CBD, the pendulum is swinging back towards the landlord as occupiers choice continues to fade and rents increase.

As supply levels in the CBD recede, in particular Grade A space, prime rents are beginning to come under pressure as occupiers realise that the market is becoming more supply-constrained. In the CBD, headline rents for third generation prime accommodation stood at approximately €350 per sq m at the end of December. For the year as a whole, headline rents in the capital rose by 12%. 2014 is expected to see further rental inflation with prime headline rents between €380 and €430 per sq m. Deals at the latter rent will be niche transactions and not an indicator of a wider trend in the market. 2013 saw the level of incentives available on existing new Grade A space continue to tighten and lease flexibility is beginning to diminish. 2014 will see a continuation of this trend, however, some landlords will continue to concede some incentives to close deals.

In the suburbs, rents can vary significantly depending on location and building specification, but have remained broadly unchanged over 2013. The south suburbs continue to see the strongest suburban headline rental levels, particularly in Sandyford where rents range between €161 and €194 per sq m per annum. In the western suburbs rents typically range between €86 and €150 per sq m per annum. In the northern suburbs, headline rents generally range between €129 and €150 per sq m per annum.

Galway Office Market

Following strong occupier activity in 2012, the Galway office market looked set to enjoy another solid year of activity in 2013, however conversely, experienced subdued demand for the twelve month period.

The IDA served as a significant driver of demand in 2012, however did not have the same influence in the market in 2013. This, coupled with a lack of suitable supply, has had a significant impact on demand throughout the year. Despite a strong start to the year, activity became more subdued with each passing quarter. A total of 3,500 sq m of space transacted in the twelve month period.

> **"Subdued demand over 2013"**

Activity in the year was largely focussed on smaller sized units. That said, there were two notable deals taken up in the market in the year. Firstly, 750 sq m in the Ballybrit Business Park, by a shared services call centre. In addition to this, a further 550 sq m was taken up by a printing company in the Liosbaun Business Park on the Tuam road.

Furthermore, the level of net take up, which measures the change in occupied space, shifted to negative territory over the year and now stands at -10,950 sq m.

Having said that, activity is set to rebound in the opening months of 2014 with a number of significant deals in the pipeline. A unit in Sandyfort Business Park, measuring 2,000 sq m, has been signed by a language school for €54 per sq m. This deal is subject to planning. Additionally, Hanley House, the Crescent, measuring 550 sq m has been signed and is also subject to planning. Furthermore, the Webworks building, Fairgreen, has been sold to a private investor; measuring approximately 3,250 sq m. This indicates a welcome return to demand in the city centre and may point to a general shift in demand in the professional services sector.

Table 2

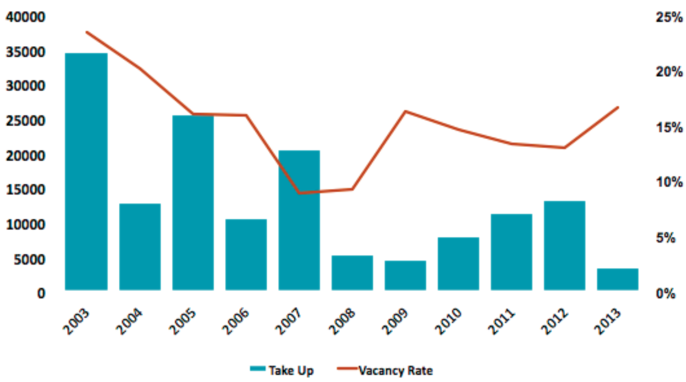
Galway Office Availability by Grade A, Q4 2013

A Stock	No. of Offices	Sum of Availability Sq M	%
	City Centre		
< 1,000 sq m	3	1,750	5
≥ 1,000 - 5,000 sq m	4	10,950	31
≥ 5,000 - 10,000 sq m	1	5,550	16
Sub-total	**8**	**18,250**	**52**
	Suburbs		
< 1,000 sq m	7	4,550	14
≥ 1,000 - 5,000 sq m	6	12,000	34
≥ 5,000 - 10,000 sq m	0	-	-
Sub-total	**13**	**16,550**	**48**
Total	**21**	**34,800**	**100**

Source: DTZ Sherry FitzGerald Research

Figure 5

Galway office market: take up (sq m) & vacancy rate (%), 2013



Source: DTZ Sherry FitzGerald Research

Galway Office Market

Most notably, for the first time in recent years, construction has begun on the former Hewlett Packard facility for Noble Energy in Ballybrit, measuring approximately 8,260 sq m. The facility is part of a design and build project between HP and a local developer.

The majority of new enquiries tend to be IDA led, however the lack of suitable floor-plate accommodation available in the market has begun to hinder potential activity. Consequently, speculative builds may be witnessed in 2014.

Prime headline rents in the city centre stand at €151 per sq m. Prime headline rents remain relatively stable in the suburbs at €129 per sq m.

In terms of location, the suburban market continues to dominate, accounting for all of the space taken up over the past twelve months. Moreover, demand remains strongest for higher quality accommodation as is reflected in the fact that 53% of accommodation taken up in the period comprised of Grade A stock accommodation.

The total quantity of available space in the Galway office market rose by 28% during the year to stand at 49,600 sq m. The shift in direction is largely due to a significant increase in the quantity of second hand space released to the market during the year, coupled with subdued demand. Large units such as the Webworks building in Fairgreen and the former IBRC building on Forster Street came back onto the market during the year.

> "There has been significant activity in the latter part of 2013 which would indicate a positive outlook for 2014, with a number of larger office deals on the horizon. This should lead to increased confidence but will also accentuate supply issues in the city. The provision of new, modern office accommodation in the city is vital if the momentum in the market is to be built upon."
>
> Sean Coyne, Associate Director
> DTZ Sherry FitzGerald

An examination of the spread of available space reveals that the suburbs continue to account for the majority of accommodation, 59%. The remaining 41% is located in the city centre. Furthermore, 70% of all space is Grade A stock, while 46% of this is the better quality Grade A1 stock.

Despite the increase in available stock, it is worth noting that there is just one Grade A office measuring over 5,000 sq m available in the Galway office market.

The Galway office market continues to enjoy the lowest office vacancy rate in the country with 16.7% of the total stock vacant as of the end of December. However, this is notably greater than 13%, which was recorded at the end of 2012.

Cork Office Market

The Cork office market continued to enjoy strong levels of demand throughout 2013. The quantum of take up rose on an annual basis by 65%, recording robust transaction levels of 41,100 sq m; the largest annual take up level in recent years.

An analysis of the deals transacted in the year reveals both a large volume of smaller deals and a small number of significant large deals occurred. Notably 72% of deals transacted in the twelve month period comprised offices measuring 500 sq m or less.

A typical example of the more significant transactions was the acquisition of 5,600 sq m of space in the Motorola building on Boreenmanna road, Mahon by Abtran. In addition to this, Landmark Media Investments Ltd, publishers of the Irish Examiner and Evening Echo newspapers, relocated from City Quarter, Lapps Quay and have occupied 2,050 sq m in the Linn Dubh development in Blackpool. Furthermore, Cloud and data storage company, EMC, have taken a further 4,180 sq m of office space in Block A, City Gate park, Mahon.

> **"Robust transaction levels in 2013"**

In addition to this, the level of net take up, which measures the change in occupied space, increased significantly during the year to stand at 25,050 sq m.

> "Grade A office accommodation continues to dominate activity. This is particularly evident in the case of large footprint leasing."
>
> Philip Horgan, Surveyor
> DTZ Sherry FitzGerald

Table 3

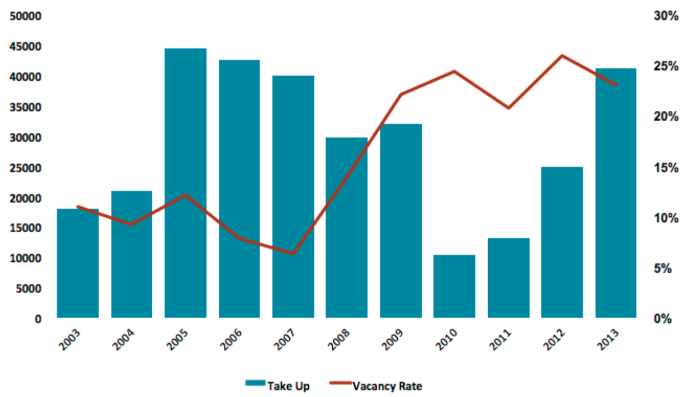
Cork Office Availability by Grade A, Q4 2013

A Stock	No. of Offices	Sum of Availability Sq M	%
	City Centre		
< 1,000 sq m	46	12,150	12
≥ 1,000 - 5,000 sq m	12	21,900	22
≥ 5,000 - 10,000 sq m	0	-	-
Sub-total	**58**	**34,050**	**34**
	Suburbs		
< 1,000 sq m	65	22,150	22
≥ 1,000 - 5,000 sq m	19	32,300	32
≥ 5,000 - 10,000 sq m	2	12,600	12
Sub-total	**86**	**67,050**	**66**
Total	**144**	**101,100**	**100**

Source: DTZ Sherry FitzGerald Research

Figure 6

Cork office market: take up (sq m) & vacancy rate (%), 2013



Source: DTZ Sherry FitzGerald Research

Cork Office Market

Most notably, approximately 11,150 sq m of accommodation has completed construction in the final quarter of 2013. Apple have extended their currently held space in Hollyhill in the Suburbs. They have completed a three-storey office block at the Hollyhill Industrial Estate on the Kilmore road. Total market stock now stands at 549,000 sq m.

Furthermore, construction is reportedly due to commence in the Albert Quay development in the city centre; total space to measure approximately 18,600 sq m. The development is subject to planning with an expected completion date in 2015.

An analysis of transaction activity by location over the year reveals a dominance of activity in the suburban market, with approximately 92% of space transacted located in the suburbs and 8% taken up in the city centre.

In addition, prime stock in well located areas continues to be the first to be taken up. This is further highlighted by the fact that 95% of all deals comprised Grade A stock; of which 68% is the best quality Grade A1 stock.

Total available stock has reduced to bring supply levels to 126,100 sq m. Supply levels have dropped on an annual basis by a most significant 10%. Strong demand has outweighed the release of second hand space coming to the market over the twelve month period. In addition to this, 8% of available stock is currently reserved.

An examination of the spread of available space reveals that the suburbs continue to account for the majority of accommodation, 61%, while the city centre accounted for the remaining 39%. Furthermore, the quality of available accommodation is reflected in the fact that 80% of available stock is Grade A; of which 59% is the best quality Grade A1 stock. Having said that, there are just two Grade A offices measuring over 5,000 sq m available in the Cork office market; both of which are located in the suburbs.

The vacancy rate for the Cork office market at the end of December stood at 23%; reduced from approximately 26% at the end of 2012.

Limerick Office Market

The first nine months of 2013 in the Limerick office market were disappointing with subdued demand witnessed in the period. Following this, the final quarter of the year saw a significant increase in activity, resulting in a total of 7,900 sq m transacting during the year.

Consequently, annual take up levels are 29% lower than those witnessed in 2012. On a more positive note, there are strong signs of expansion moving into 2014, with a significant amount of space signed or reserved.

Notably the final three months of the year saw a significant increase in activity with approximately 4,200 sq m recorded during the quarter. This represented the strongest quarterly take up recorded in 2013. Having said that, the level of net take up, which measures the change in occupied space, returned to negative territory over the year to stand at -1,850 sq m.

> **"Strong signs of expansion moving into 2014"**

The total quantity of accommodation transacted in 2013 stood at 7,900 sq m. Transaction activity during the year was largely dominated by smaller to medium sized units, with 74% of deals taken up comprising units measuring 500 sq m or less. In addition, prime stock continues to be the first to be taken up. This is highlighted by the fact that 53% of all deals comprised Grade A stock.

That said, two larger sized deals occurred in the final quarter of the year with occupations of 1,050 sq m and 900 sq m. 1,050 sq m was taken up in the HIS building, city centre; the largest transaction in the Limerick office market in 2013. Notably, this transaction comprised shell and core space which is currently experiencing renewed interest in the market due to larger requirements. Additionally 900 sq m has been sold on 59/60 O'Connell Street, City Centre.

Moreover, there are further signs of expansion in early 2014 with a significant amount of space reserved, including Building 7000, Westpark, Shannon which has just been sold to a financial security company, and due for occupation in 2014.

Table 4

Limerick Office Availability by Grade A, Q4 2013

A Stock	No. of Offices	Sum of Availability	%
	City Centre		
< 1,000 sq m	46	12,400	22
≥ 1,000 - 5,000 sq m	4	9,150	16
≥ 5,000 - 10,000 sq m	0	-	-
Sub-total	50	21,550	38
	Suburbs		
< 1,000 sq m	32	8,100	14
≥ 1,000 - 5,000 sq m	4	10,000	17
≥ 5,000 - 10,000 sq m	0	-	-
Sub-total	36	18,100	31
	Shannon Free Zone		
< 1,000 sq m	0	-	
> 1,000 - 5,000 sq m	4	6,800	12
> 5,000 - 10,000 sq m	1	10,700	19
Sub-total	**5**	**17,500**	**31**
Total	**91**	**57,150**	**100**

Source: DTZ Sherry FitzGerald Research

Limerick Office Market

Approximately, 34% of total available accommodation is reserved which should bode well for forthcoming take up levels. Furthermore, the majority of enquiry levels and requirements in 2013 were for floor-plates in excess of 500 sq m; showing a significant shift from previous years.

In addition to the larger requirements, there is an emergence of owner occupiers coming to the fore, seeking opportunities to purchase both smaller office suites and larger office buildings in both suburban and city centre locations.

Furthermore, the interest from new entrants as a result of foreign direct investment remains a feature of the market. The IDA have taken significant steps to attract new companies into the Limerick market in 2013, for example ON Semi-Conductor and Northern Trust taking new office space in the Loughmore Centre and City East Plaza. Additionally, ACI expanded their offices in 2013 following their original expansion in 2012.

The city centre remained the most sought after location, accounting for 64% of all newly occupied space during the twelve month period. Meanwhile, 36% was absorbed in the suburban region. The lack of supply of fitted office accommodation in the suburbs, particularly the NTP/UL area, is pushing requirements to the city centre. This is most interesting as the opposite is the case in the Cork and Galway regional centres, where demand is most prominent in the suburbs. However it should be noted that the majority of the shell and core accommodation in the NTP/UL area is all now reserved or under active negotiation. There has been no office accommodation under construction since 2008 and this pent up demand may begin to filter into the shell and core accommodation in the city centre region.

The overall volume of available space in the Limerick office market decreased to 73,300 sq m during the final quarter of 2013, representing a 1% reduction on the previous quarter. A comparison with the same period in 2012 reveals an increase of 3% in available accommodation. The increase in availability over the year is due to an increase in the rate of release of second hand space to the market.

> The level of office stock both reserved and under active negotiation sets positive foundations for the office market in 2014, while a number of existing Limerick based companies are also progressing with additional expansion plans.
>
> Ciara McCarthy, Associate Director
> DTZ Sherry FitzGerald

An analysis of the vacancy rate for the overall market has shown that the vacancy rate remains broadly unchanged, standing at 21.3%. The current rate is over triple the equilibrium rate of 7% and highlights the depth of the existing level of supply.

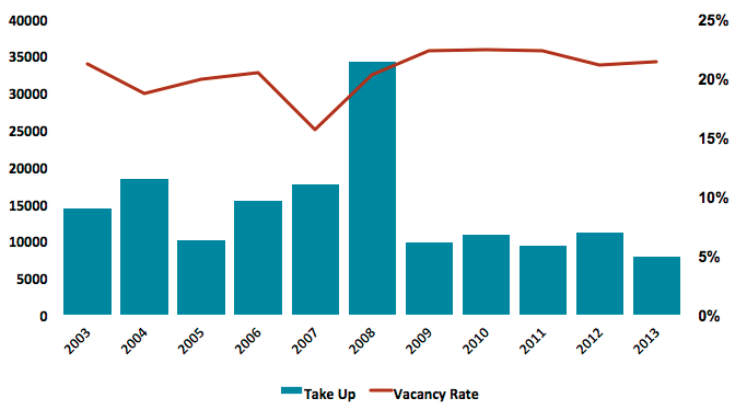
A further breakdown of available accommodation reveals that approximately 36% of available stock is Grade A stock, while just 10% of available stock is of the highest quality Grade A1. Furthermore, 41% of available accommodation comprises shell and core space. There is currently no completely available office unit measuring more than 5,000 sq m; highlighting the lack of larger, good quality space available.

Notably, the former Flextronics building in the National Technology Park is due to undergo a refurbishment and change of use to office accommodation, to meet the current lack of office supply in the Castletroy area.

An examination of the spread of available space reveals that the city centre continues to account for the largest proportion of available space, 44%. The suburbs and the Shannon Free Zone account for 28% and 28% respectively.

Figure 7

Limerick office market: total take up (sq m) & vacancy rate (%), 2013



Source: DTZ Sherry FitzGerald Research

Outlook

2013 saw emerging evidence of a strengthening of demand in the Irish office market. This translated into an uplift in activity, with stronger volumes of transaction activity experienced; particularly in Dublin and Cork.

A lack of office development across all markets over the last number of years, together with a flight to quality amongst active occupiers, has culminated in a significant shortage of Grade A space; and in particular larger floor-plates. Most notably, in the Dublin CBD area, prime rents are beginning to come under pressure as occupiers realise that the market has become more supply constrained. This has fuelled rental growth of 12% in prime headline rents in 2013. Rents have remained relatively stable across the other regional centres.

Availability levels in the Dublin market continued its downward trajectory over 2013. On the other hand, with the exception of the Cork market, supply levels continued to fluctuate across the other regional centres. Overall vacancy rates remain high by historical standards. 2014 is expected to bring modest reductions over the course of the year.

2013 saw cranes re-emerge on the Dublin skyline with two speculative developments commencing construction in the final quarter. Furthermore, while development activity remains limited across the regional centres, pipeline projects are already confirmed for the Cork and Limerick markets in 2014.

Market Definitions

Take Up: Occupation of a building by a tenant.

Reserved: Under active negotiation with single tenant.

Pre-let: Contract is signed by tenant but premises are not yet occupied.

Pre-sold: Contract is signed by tenant but premises are not yet occupied.

Vacancy Rate: This is the ratio of availability to market stock. The vacancy rate for the Dublin office market is calculated excluding Georgian accommodation. The vacancy rate for the Limerick office market is calculated excluding Georgian accommodation. The vacancy rate for the Cork industrial market excludes the South East region and Ringaskiddy

Office Market Definitions:

3rd Generation: Modern Buildings, post 1990, with raised access floors.

2nd Generation: Older Buildings, pre-1990, with floor trunking.

Georgian: Approximately 1725 - 1830.

Dublin Office Market Definitions:

Central Business District:
This incorporates the prime area of the city and extends to the IFSC and North and South Docklands.

Secondary: Locations adjacent to the prime region

Suburban: Locations outside city boundaries such as Clonskeagh, Blackrock, Tallaght, Sandyford and the M50.

Vacancy Rate: This is the ratio of availability to market stock. The vacancy rate for the Dublin office market is calculated excluding Georgian accommodation.

REGIONAL OFFICES

Cork Categories:

City Centre: Central Business District and adjoining areas.

Suburban: Locations outside city boundaries such as Little Island, The Airport, and areas adjacent to the South Link Road system.

Limerick Categories:

City Centre: Central Business District and adjoining areas.

Suburban: Locations outside city boundaries such as Raheen and the National Technological Park.

Shannon Free Zone: Shannon Free Zone, Shannon, Co. Clare.

Galway Categories:

City Centre: Central Business District and adjoining areas.

Suburban: Locations outside city boundaries such as Oranmore and Mervue.

Appendix

Table 5

Indicative Regional Office Rents Q4 2013

Location	Third Generation City Centre	Third Generation Suburban
	€ per Sq M	€ per Sq M
Dublin	350	140
Cork	190	115
Galway	151	129
Limerick	118	107

Source: DTZ Sherry FitzGerald Research

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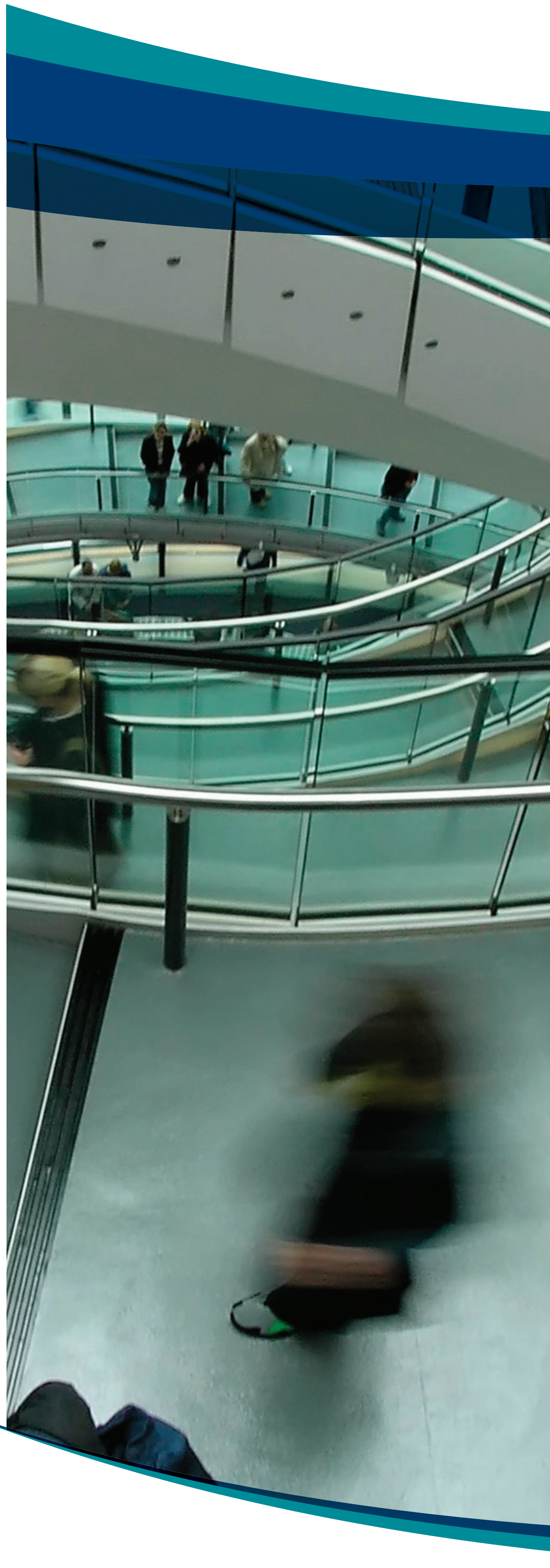

About DTZ Sherry FitzGerald
DTZ Sherry FitzGerald is the sole Irish affiliate of DTZ, a global leader in property services. With Irish offices in Dublin, Cork, Galway, Limerick and an associated office in Belfast, we are the largest commercial property advisory network in Ireland and are part of Sherry FitzGerald Group, Ireland's largest real estate adviser.

We provide occupiers and investors around the world with best-in-class, end-to-end property solutions comprised of leasing agency and brokerage, integrated property management, capital markets, investment, asset management and valuation.
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