

# Clyde Courts China

Irish entrepreneur, Sean Gallagher is one of Ireland's best known entrepreneurs and with his latest company, Clyde Real Estate, he has his sights set on becoming one of Ireland's leading developers.

"There are four legs to any stool for a business owner," asserts serial entrepreneur, investor, business mentor, former Dragons Den supremo and one-time Presidential candidate, Sean Gallagher. "You have to have the right business idea, the right team in place to execute your plan and you need a suitable funding avenue to start the business and support its growth. The fourth thing you need is a place from which to operate your business."

Clyde Real Estate, Gallagher's most recent business venture meets these criteria in spades. He had previously invested in property in a personal capacity and acquired an understanding of the intricacies of the market when he established SmartHomes, an early adopter of the internet of things in the home and one of his earliest successful, large-scale businesses ventures.

Clyde Real Estate represents a more direct play on actual bricks and mortar and the idea was sparked in 2015 when the recovery from the financial crisis was gathering momentum and business activity and new investment was beginning to accelerate. Gallagher, however, noted that much of the new construction activity was centred around

developing large office blocks in prime city-centre locations and lacked the diversity of output which he felt was necessary to meet emerging demand from multiple sectors. "In 2015, the country was beginning to emerge from the downturn and we realised that there was a considerable shortage of office and industrial production facilities across the country. There were office blocks being built in commercial business districts in the heart of the city, but outside of that, in the suburbs and in large urban areas, there was a dearth of new building. That was where we saw a gap and we realised that there was a bridge to be built between business and commercial properties."

Gallagher teamed up with Colm Piercy who has an equally formidable track record as a technology entrepreneur and investor in digital infrastructure, technology and telecom ventures. He was the founder and Group CEO of the Digiweb Group, an independent Telecoms, Cloud and Managed IT services provider that now includes Viatel, Digiweb and Smart Telecom with operations across Ireland, the UK and Europe. Colm also co-founded Dataplex in 2011, a successful wholesale Data Center provider. Since 2013, his investment company, Chirisa Investments, has become the lead investor in data centre firms, 365

Data Centers and Digital Fortress, which between them own or operate more than 20 data centres across the US. The duo established Clyde Real Estate with no less an ambition than to become one of Ireland's leading investors and commercial real estate development companies and a premium provider of office, technology, life sciences and production facilities around the country. The company's first venture was the former Alcatel Lucent building in Blanchardstown, Dublin 15, a vast facility of 330,000 sq. ft. set on a 16-acre site. Half of the building had formerly been allocated to production while the remainder comprised a large office and administrative space set across three floors.

"Typically, our strategy is to dispose of the redundant portion of the building which in this case was the empty production facility, which we sold to Equinox, a data centre company that went on to secure planning permission for a significant data centre complex which will be a valuable asset for the country in the future," says Gallagher. "With the remainder, we developed very high-quality office space and we have since leased that space out to tenants."

Other headline grabbing deals include the purchase of the former Braun building in

Carlow, a facility of 250,000 sq. ft. set on 30 acres that had been zoned for industrial use. Gallagher has been actively working with the IDA to attract a tenant of sufficient quality and scale to occupy the building and the site was recently rezoned by Carlow County Council from industrial to general enterprise and employment use which will significantly enhance end-user options.

A substantial building of 80,000 square feet close to Shannon airport has also been added to its growing portfolio and has since been redeveloped and fully let. The company has also purchased a number of facilities in Cork, Limerick and Dundalk. “To give you some context, we focus on suburban Dublin or other large urban areas where there is good road infrastructure, a growing population, convenient access to ports and airports and most importantly, access to third-level universities and colleges. From Dundalk to Blanchardstown and from Cork to Limerick, all of our investments follow that model,” says Gallagher.

Both partners have established a vast network of contacts within Ireland’s business community and in the public and professional services sectors which have been instrumental in enabling the company to upscale so rapidly. “Whether it’s with estate agents, the IDA or Enterprise Ireland or with business and property owners and local authorities, it is about networking and building up long-term, trust-based relationships,” Gallagher explains. “We always approach a project on a collaborative basis. It’s not just about building a property portfolio, we also want to help create jobs in urban regional areas and in suburban Dublin. Our driving force is to create suitable spaces for businesses because that’s a key requirement for any business if it is going to get off the ground and grow and develop. We want to feature a range of facility types in our portfolio including small start-up units, larger follow on facilities and substantial manufacturing and production sites.”

Clyde Real Estates has developed particular expertise in the data centre field market and a number of sites they have acquired have been identified as suitable for reconfiguration to data centre usage. It is also examining opportunities

in both the social and private housing markets where significant pent-up demand continues to exist.

While Clyde Real Estate has accumulated a substantial portfolio of assets in a relatively short time period, Gallagher is bemused and occasionally frustrated at the slow pace at which the commercial development market operates.

“Compared to any other business I’ve been involved in, property is slow and it requires patience. You can have the most attractive building in the world but if the market turns and tenants with a need for it cannot be found, you just have to wait it out and continue to absorb the capital and operating costs until a suitable tenant is found. This is particularly true of large office or industrial facilities where finding the right tenant can often take some time.”

While the first five years of the company’s existence were focussed primarily on laying the correct foundations, establishing a presence in the market and forging strong relationships with estate agents, potential tenants and funders, Gallagher is now intent on taking the company to the next level. He recently announced that a further €20m of debt has been secured to assist in delivering several forthcoming projects. “Having recently secured an investment of €20m from UK investors, we now plan to go out to the market to raise a further €100m. The overall objective is to secure €500m of assets and when we achieve that target, we will push it out further. As we continue to expand, we will attract further investment,” he states.

FDI clients are a key target market and in addition to working with the IDA and other inward investment agencies, Clyde Real Estate engages proactively with tenants and supports them with planning applications and in addressing any issues which may arise on site. When required, they also assist in assigning suitable project management teams or contractors to deliver the project. “When companies come in, they need certainty and if they have a large building, that can be adapted quickly and cost-effectively to their needs, it means that they can be in the market and executing their plans



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much more rapidly and with far greater certainty,” says Gallagher.

Clyde Real Estate’s current property portfolio features a broad mix of tenants including technology and call centre clients, finTech, life science and financial services companies as well as administrative centres and call centres. The scale of the companies represented in its portfolio is equally diverse and ranges from small and medium-sized operators right up to international corporate giants such as Intel, Citibank and Nokia.

Gallagher is impressed by the calibre of developers operating in the Irish commercial property sector but says that what distinguishes Clyde Real Estate is the fact that the two founders are seasoned entrepreneurs with experience across multiple sectors. This gives the company an edge, he says. “We talk the language of business and we have a better understanding of the difficulties and challenges they are likely to face and the type of facility and location which best suits their particular purpose. We also assist in addressing any problem that might arise in relation to acquiring planning permission and we have the knowledge and practical experience necessary to help our clients overcome any obstacles that might arise concerning getting their production lines up and running and delivering their product to market speedily and efficiently.”

Gallagher is mindful of the economic implosion of a decade past when grossly inflated property prices brought the economy to its knees. Vital lessons have been learnt from that period and both partners carry out a detailed appraisal of each potential addition to its portfolio to ensure it meets a set of very carefully defined criteria and specifications. In addition, Gallagher believes that greater oversight of our financial institutions will ensure they don’t repeat the extravagant lending which was a key catalyst for the financial implosion and subsequent recession.

Gallagher also believes the fact that post-Brexit Ireland will be the only English-speaking country in Europe will yield significant dividends and provide an opportunity to capitalise on our



impressive record in attracting inward investment from around the world. “We have been successful in attracting companies who want to use Ireland as a base to sell products and services into the European market. We provide an attractive proposition for those companies and I expect that to continue and progress into the future,” he says.

In 2018, Gallagher joined the Irish China Business Association (ICBA), with a view to extending and deepening the company’s relationships with the Asian market, particularly China, which he believes will be an increasingly influential global economic force in the years to come. Last year Gallagher was accompanied by Piercy on two separate visits to China and Hong Kong, once with the Entrepreneur of the Year group which comprises all the alumni of the previous finalists of the senior Entrepreneur of the Year Awards. They visited a series of companies and delivered presentations to potential investors keen to explore both commercial and residential investment opportunities in Ireland.

He is optimistic that Ireland’s deepening relationship with China is potentially hugely significant provided it is fully optimised. He was particularly encouraged by the decision of Chinese biopharmaceutical company WuXi Biologics to build a €325 million plant in Dundalk and later announce plans to double down on its investment with the addition of a \$240 million (€216m) vaccine production facility on the campus.

A strong supporter of IDA efforts to encourage greater regional dispersal of inward investment, Gallagher says that it will require significantly greater effort to promote and educate investors as to potential alternatives to Dublin which enjoys international recognition as an attractive FDI location. Ensuring a supportive and welcoming business environment and that all the necessary facilities and infrastructure is available in preferred regional locations is also critical. Establishing strong links with third-level education institutions is also a priority requirement for investors.

“A large employer like WuXi has a massive commercial, social and economic impact on a town. It’s creating multiple jobs that are rooted in that community which means fewer cars and less commuting,” he says. “People can live locally and enjoy a better quality of life and a more productive work-life balance. This typically results in better performance at work and also helps create vibrant and fast-growing communities.”

The traditional prevailing view of China as a low-cost manufacturing destination is hopelessly outdated, according to Gallagher who says it is now a formidable economy with tentacles spread out across the world. “In terms of its skills base, technological expertise, production quality and calibre of investment options, China is now a global leader across many sectors. Countries all over the world are eager to attract inward investment from China and Ireland is no exception.