

IRELAND

Office Market Snapshot

Fourth Quarter | 2018



MARKET INDICATORS

Market Outlook

Prime Rents:	Dublin office rents are expected to increase to €673 per sq m in 2019.	▼
Prime Yields:	Prime yields are expected to remain at 4.00% for 2019, with strong investor appetite coming through.	►
Supply:	Newly completed stock means that the market is enjoying firmer levels of supply, however, this is being very quickly absorbed.	►
Demand:	IT/Comm and professional services continue to dominate, with rising demand from co-working office providers. Strong level of pre-lets & signed space.	▼

Prime Office rents – December 2018

LOCATION	€ SQ.M YR	US\$ SQ.FT YR	GROWTH % 1YR	5YR CAGR
Dublin (2/4 District)	646	68.4	4.4	13.0
Dublin (Suburban)	323	34.2	-0.6	15.9
Cork	350	37.1	7.7	11.8
Galway	323	34.2	0.0	16.5
Limerick	215	22.8	-33.8	10.8

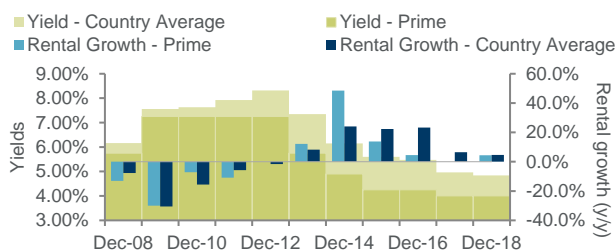
Prime Office yields – December 2018

LOCATION (FIGURES ARE NET, %)	CURRENT Q	LAST Q	LAST Y	10 YEAR HIGH	LOW
Dublin (2/4 District)	4.00	4.00	4.00	7.50	4.00
Dublin (Suburban)	5.50	5.50	5.75	8.90	5.50
Cork	5.50	5.65	5.75	8.50	5.50
Galway*	6.00	6.00	6.25	9.50	6.00
Limerick*	6.25	6.50	6.50	10.00	6.25

Note: *5yr record

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

Recent performance



Overview

2018 was a busy year for the Dublin office market with strong demand translating into above-average take up. This performance is underpinned by the sustained strong levels of growth in the Irish economy and subsequent expansion in employment levels, both of which are expected to grow by 7.5% and 3% respectively in the year.

Occupier focus

Tech occupiers once again are the main performer with professional services and the finance sector following closely thereafter. Flexible office space continues to show growth, increasing to 18% of activity in the year. 2018 also saw the largest single acquisition in the history of the state - Facebook acquired over 80,000 sq m in Ballsbridge in the final quarter.

Occupiers head count remains a primary focus and as a result are seeking shorter leases in order to facilitate future growth. SMART buildings and Near Zero Energy Buildings (NZEB) are increasingly important and will continue to do so going forward. The co-working/serviced office sector continues to perform strongly in attracting SMEs, but large corporate occupiers are also taking flexible accommodation for projects. Occupiers continue to take larger lot sizes than immediately required, in order to future-proof growth, with many subletting the additional space on a short-term basis.

Investment Focus

Strong investment in the office sector reflects the overall strength of occupier demand and increasing development activity continues to attract investors. This is expected to continue into 2019. Yields were static during the year, at 4%, and are forecast to remain at this level through 2019.

Within Dublin, investment activity is present in both the CBD and outside the CBD. Transaction activity outside the CBD saw considerable growth in 2018. This is reflective of the overall confidence in the Dublin office market, and investors turning their attention to opportunities outside the core areas in order to attain product.

Outlook

We anticipate 2019 to be another strong year for the Dublin office market, with approximately half of available space and space under construction either pre-let or reserved heading into 2019. There is a steady stream of office supply coming on stream in 2019. Speculative office developments continue to be built but in the correct locations. A strong level of pre-lets is expected to continue for the year ahead. We expect to see greater interest for the suburbs, particularly for tech occupiers.

A year and a half post-Brexit referendum and the uncertainty regarding a deal outcome is greater than ever. However, an increasing likelihood of trade restrictions for firms based in the UK means that Dublin and Ireland may continue to benefit from this factor in 2019. Major job announcements from international employers in the IT sector will continue to underpin requirements for space, alongside increasing demand from co-working office providers.

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LOCATION	BUILT STOCK (SQ.M)	AVAILABILITY (SQ.M)	VACANCY RATE (%)	TAKE-UP (SQ.M)	TAKE-UP YTD (SQ.M)	UNDER CONSTRUCTION (SQ.M)
Overall Dublin	3,709,550	466,750	12.6%	77,300	206,050	434,400
CBD	1,976,500	223,300	11.3%	59,350	166,100	341,750

Source: Cushman & Wakefield Research

Key Occupier Transactions, 2018

PROPERTY	SUBMARKET	TENANT	SIZE (SQ.M)	TRANSACTION TYPE
Bankcentre Campus & Fiobanchi Square, Ballsbridge, D4	Ballsbridge	Facebook	80,250	Signed / Pre-let
Bolands Quay, Barrow Street, D4	South Docks	Google	20,950	Pre-let
No. 1 Dublin Landings, D1	IFSC – North Docks	NTMA	13,850	Taken Up
200 Capital Dock, D2	South Docks	JP Morgan	12,100	Taken Up
Block H, Central Park, Leopardstown	South Suburbs	AIB	12,000	Taken Up

Source: Cushman & Wakefield Research

Key Investment Transactions, 2018

PROPERTY	SUBMARKET	SELLER / BUYER	YIELD	PRICE € MILLIONS
Heuston South Quarter, D8	Secondary	Confidential / Confidential	Confidential	€175
No. 1 Dublin Landings, D1	IFSC – North Docks	Ballymore/Oxley / Triuva	3.9%	€164
Confidential Dublin Office	Unknown	Confidential / Confidential	Confidential	€160
No. 2 Dublin Landings, D1	IFSC – North Docks	Ballymore/Oxley / JR AMC	4.21%	€107
The Beckett Building, D3	Secondary	Comer Group / Kookmin Bank	4.1%	€101

Source: Cushman & Wakefield Research

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