

IRELAND Office Market Snapshot

Second Quarter | 2019



MARKET INDICATORS

Market Outlook

Prime Rents:	Upward pressure is being placed on prime Dublin office rents, with rents rising to €673 per sq m in Q2.	▲
Prime Yields:	Continued strong investor appetite for office space sees prime yields remain at 4.00% for the coming year.	▶
Supply:	Newly completed stock is increasing the Grade A availability. However, this space is quickly absorbed, with a high proportion pre-let before completion.	▼
Demand:	Expansion led Tech, professional services and finance occupiers continue to be key drivers of demand. Demand from serviced office providers is also thriving.	▼

Prime Office rents – June 2019

LOCATION	€	US\$	GROWTH %	
	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Dublin (2/4 District)	673	75.5	4.2	9.4
Dublin (Suburban)	323	36.2	-0.6	15.1
Cork	350	39.3	0.0	11.8
Galway	323	36.2	9.1	14.8
Limerick	215	24.1	0.0	7.5

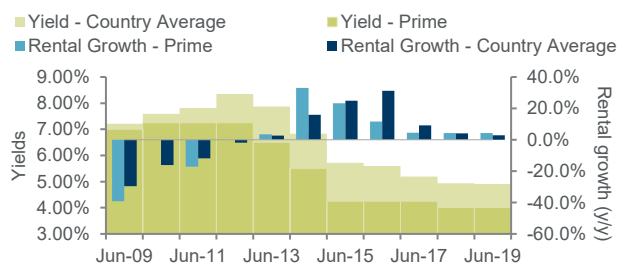
Prime Office yields – June 2019

LOCATION (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	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	5.25	5.50	5.65	8.50	5.25
Galway*	6.00	6.00	6.25	9.50	6.00
Limerick*	6.25	6.25	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

The Dublin office market continues to perform strongly. Tech occupiers remain the dominant sector in acquiring office space followed by Financial Services, while in terms of location the CBD persists as the location of preference. The market is also witnessing tenants seeking to secure surplus space, more than they initially require, with the intention of growing into the space in the near future. Lastly, as the market vacancy rate fell to 10.2% in the second quarter, a level which has not been seen since the early part of the last decade, the net available space under construction at present is much welcomed.

Occupier focus

As a byproduct of tenants acquiring surplus space, more than they currently require, the market is recording a number of short-term, fully fitted, options available in the market. Sub-leases are evident in both take up and availability and will be one to watch as the year progresses. Although the CBD remains the preferred location of choice, it must be noted an increasing number of tenants are considering the south suburbs for large back office locations. This is evident in H1 take up activity, while construction in the area is also expected to further increase activity in coming quarters. Another feature of the market is the growth of co-working and serviced offices. With a couple of large deals so far in 2019, the sector ranks highly in a sector breakdown of take Up. For example, it represents 10% of take up in the CBD to H1 2019 and we anticipate this trend to continue for the remainder of the year.

Investment Focus

The Dublin investment market is currently dominated by Korean investors who have to date this year acquired two large assets and are actively seeking other large assets. In addition, there is also strong competition from both European and US investors seeking similar stock. Given the strong occupier market and the acute lack of investment product, prime yields will remain at their current level in the short to medium term.

Outlook

The Dublin Office market experienced a strong opening half to 2019 and is expected to continue to witness a high level of activity in the latter half of the year. Development and indeed pre-lets of same will remain a feature, given the continued shortage of Grade A stock in prime locations. Approx. 278,000 sq m of new build are expected to be delivered by 2021 with 59% already pre-committed. On top of delivery of new space, refurbishment projects are also featuring strongly and will continue to do so going forward. Lastly, Technology, professional services and finance occupiers are anticipated to continue to feature strongly. Refurbishment projects are featuring strongly and will continue to do so going forward.

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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	3.7m	382,300	10.2	63,600	122,850	473,350
CBD						

Source: Cushman & Wakefield Research

Key Occupier Transactions

PROPERTY	SUBMARKET	TENANT	SIZE (SQ.M)	TRANSACTION TYPE
10 Molesworth Street, Dublin 2	Traditional Core	AIB	10,700	Take Up
Bank Centre Campus, Dublin 4	Ballsbridge	Facebook	8,350	Take Up
151 Thomas Street, Dublin 8	Secondary	Iconic Offices	6,500	Take Up
1 Grand Canal, Dublin 2	South Docks	Google	5,225	Take Up
1 Georges Quay (1GQ)	South Docks	OPW	3,900	Reserved
Block 8, Bellfield Office Campus, Dublin 4	Secondary	Paddy Power	3,900	Signed
The Reflector (9 Hanover Quay), Dublin 2	South Docks	LogMeIn	3,000	Take Up

Source: Cushman & Wakefield Research

Key Investment Transactions

PROPERTY	SUBMARKET	BUYER	YIELD	PRICE € MILLIONS
Off-Market Portfolio, Dublin	Secondary	Henley & Bartra	P&C	€125m
51-54 Pearse Street/Magennis Place, Dublin 2	CBD	Irish Pension Fund	2.9%	€27.2m
23 Shelbourne Road, Ballsbridge, Dublin 4	CBD	U + I	3.0%	€25.3m
Cork Airport Business Park, Cork	NA	Bartra Capital	7.7%	€21.3m
Corrig Court, Corrig Road, Sandyford, Dublin 18	Secondary	Private Irish Investor	6.8%	€12.3m

Source: Cushman & Wakefield Research

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