

IRELAND Office Market Snapshot

First Quarter | 2019



MARKET INDICATORS

Market Outlook

- Prime Rents: Upward pressure is being placed on prime Dublin office rents, expected to rise to €673 per sq. m by year end. ▼
- 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 drives of demand. Demand from serviced office providers is also thriving. ▼

Prime Office rents – March 2019

LOCATION	€	US\$	GROWTH %	
	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Dublin (2/4 District)	646	67.8	0.0	11.4
Dublin (Suburban)	323	33.9	0.0	15.9
Cork	350	36.7	0.0	11.8
Galway	323	33.9	9.1	16.4
Limerick	215	22.6	0.0	10.8

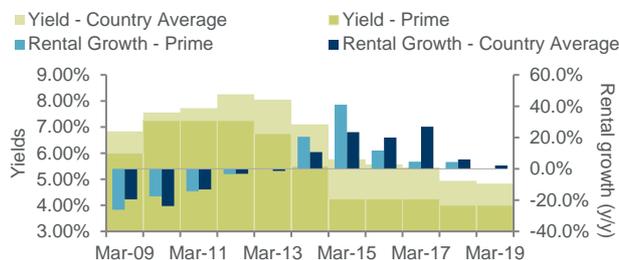
Prime Office yields – March 2019

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	5.50	5.50	5.65	8.50	5.50
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

Momentum in the Dublin Office market continues at pace. The opening quarter saw not only a strong level of take up, but also a strong presence of pre-lets and speculative development. Recruitment was the biggest tenant type taking space in Q1, as the employment related search engine Indeed.com took 19,625 sq. m in 100 and 300 Capital Dock. The Central Business District (CBD) remains the most active tenant location, while tech firms such as Salesforce, LinkedIn and Amazon, are scaling up operations in Dublin.

Occupier focus

Occupier activity in the Dublin office market continues to perform strongly with a total of 58,650 sq. m of space occupied in the first quarter of this year.

Focus largely remains on the CBD, with tenants continuing to future proof their growth by taking a larger amount of space than their immediate requirement. This leads to occupiers subletting the additional space on a short-term basis. The serviced office sector continues to perform strongly with WeWork and Iconic Offices continuing to expand. Salesforce agreed the largest pre-let in the market so far in 2019 by taking a substantial 39,950 sq m of space in the IFSC/North Docks area of Dublin's CBD. Amazon are also rumored to be on the expansion trail.

Investment Focus

Investor appetite remains strong with a significant weight of capital chasing assets in the sector at present. We continue to witness new entrants looking to gain a foothold in the market, with Korean investors notably active. Intense competition has forced investors to broaden their investment criteria with some looking to the suburbs as a means of hitting necessary returns, while others are now willing to consider forward funding/commitment opportunities as a means of entering the market. With a strong occupier market and solid investor demand we expect prime yield to remain stable for the foreseeable future.

Outlook

Serviced offices continue to be a headline story in the market, with WeWork the most active provider. This is driven by demand from small to mid-size companies, who are often choosing to take flexible space as an initial phase of growth.

Speculative development is continuing to trend upward, within both the CBD and suburban markets. Also, a feature is specification and wellness, which are becoming increasingly more important. The office market is no longer just bricks and mortar, but now includes the entire office experience. Buildings will continue to be intelligence led.

Once the remaining developments in the CBD's IFSC/North Docks are complete, we envisage the next tranche of development to include Dublin 7, including the Smithfield area and Dublin 8, including Newmarket Square, the liberties and Heuston South Quarter.

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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	3,723,000	429,200	11.5%	58,650	51,050	460,550
CBD	1,990,200	203,150	10.2%	42,800	42,800	352,600

Source: Cushman & Wakefield Research

Key Occupier Transactions

PROPERTY	SUBMARKET	TENANT	SIZE (SQ.M)	TRANSACTION TYPE
Spencer Dock, D1	IFSC/North Dock	Salesforce	39,950	Signed/ Pre - Let
Nova Atria South, D18	South Suburbs	Facebook	16,200	Signed/ Pre - Let
The Distillers Building, D7	Secondary	OPW	15,100	Signed/ Pre - Let
100 Capital Dock, D2	South Docks	Indeed.com	10,425	Taken Up
5 Hanover Quay, D2	South Docks	DocuSign	9,300	Signed/ Pre - Let
300 Capital Dock, D2	South Docks	Indeed.com	9,200	Taken Up
Charlemont Exchange, D2	Traditional Core	WeWork	8,300	Taken Up

Source: Cushman & Wakefield Research

Key Investment Transactions

PROPERTY	SUBMARKET	BUYER	YIELD	PRICE € MILLIONS
Charlemont Exchange	Traditional Core	Vesta Management Group	Off-Market	€145m
The One Building	Traditional Core	BNP Paribas	Off-Market	€44m
77 Sir John Rogerson's Quay	Traditional Core	Confidential	Off-Market	€36m
South Point, Harmony Row	Traditional Core	Corum	5.75%	€12.6m
Newnham Court, Northern Cross	North Suburbs	Confidential	8.65%	€10.4m

Source: Cushman & Wakefield Research

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