DUBLIN OFFICE MARKET

Q3 | 2017

TRANSACTIONS SIGNED Q3 2017

34,724 SQ. M.

(373, 766 SQ. FT.)

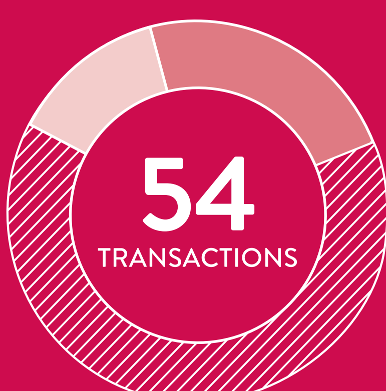
YTD: 191,673 SQ. M.

(2,063, 145 SQ. FT.)

PRE-LET

22%

OF TRANSACTIONS SIGNED



29 TRANSACTIONS UNDER 5, 000 SQ. FT.
15 TRANSACTIONS FROM 5, 000 – 9, 999 SQ. FT.
10 TRANSACTIONS FROM 10, 000 – 49, 999 SQ. FT.
0 DEALS OVER 50, 000 SQ. FT.

3%

GRADE A D2/4 VACANCY

9.5%

OVERALL DUBLIN VACANCY RATE

TRANSACTIONS BY SECTOR

17%

BANKING & FINANCE

21%

TMT

UNDER CONSTRUCTION

351,436 SQ. M.

(3,782,825 SQ. FT.)

EXISTING PLANNING PERMISSION

652,000 SQ. M.

(7,020,000 SQ. FT.)

TAKE-UP

66% CENTRAL BUSINESS DISTRICT

22% SUBURBAN MARKET

12% CITY FRINGE

Following a strong second quarter, Q3 take up figures were more subdued, largely attributable to the traditionally less active summer months, with **34,724 sq. m. (373,765 sq. ft.) transacted.** This brings the year to date take up figure to 191,673 sq. m. (2,063,145 sq. ft.) with a further 130,064 sq. m. (1,400,000 sq. ft.) of accommodation reserved going into Q4. There were **54 transactions** completed this quarter, with the most active size category again being **sub 5,000 sq. ft.** which accounted for 53% of transactions.

The Central Business District (CBD) remains the location of choice and accounted for 66% of the overall take up. City fringe accounted for 12% of take-up with the remaining 22% attributable to the suburban market.

The TMT (technology, media and telecommunication) sector continues to be the most active sector this quarter, accounting for 21% of overall take up, followed closely by the Banking & Finance and Industry sectors at 17% and 16% respectively.

Most notably this quarter, serviced office and co-working providers accounted for 13% of the total take up. Variations in market conditions, advances in technology and a move towards a more mobile and collaborative working environment, coupled with the flexibility offered by the serviced office model, has given rise to a growing number of organisations considering serviced offices as a real competitive alternative to the traditional lease structure.

This has been further augmented by the long anticipated new entrant to the Dublin serviced office market, WeWork, reserving 105,000 sq. ft. of office accommodation over two CBD locations.

TOP 5 LETTING TRANSACTIONS Q3 2017

COMPANY	SIZE (SQ. M.)	SIZE (SQ. FT.)	LOCATION
BARCLAYS BANK	3,437	37,000	One Molesworth Street, D2
ICONIC OFFICES	2,857	30,752	Ardilaun Court, St. Stephen's Green, D2
OPW	2,825	30,411	Liberty Building, Blanchardstown, D15
CORE MEDIA	2,208	32,767	1WML, Sobo District, D2
CONNECT SERVICED OFFICES	1,544	16,615	Bracken Road, Sandyford, D18

Source: Bannon Research

VACANCY

The overall Dublin vacancy rate now stands at 9.5%. This is due in part to a number of older properties coming back to the market, but also an increase in assignments and sub-lets. Dublin 2/4 vacancy stands at 7%.

We are seeing an increase in sub-lease availability from large space occupiers of recently completed new builds. Whether it be to allow for future growth and expansion, the prestige of an 'own door' office solution or as a result of the lack of availability of suitable accommodation, organisations are now choosing to take a quantum of space in addition to their immediate need with an intention to sublet on a short-term basis. This has artificially impacted vacancy rates. Examples include Via Sat sub-letting c. 11,940 sq. ft. at 21 Charlemont and Informatica subletting 17,795 sq. ft. at 1WML.

RENTS

Rents have continued to remain steady for the third consecutive quarter. Whilst the highest headline rent recorded this quarter was at €775 per sq. m. (€72 per sq. ft.), this was for the unique, waterside 'own door' office (81b Campshires) and is therefore not reflective of the market for typical large Grade A accommodation. Prime 'Grade A' rents remain between €55 - €60 per sq. ft. with multiple transactions concluded within this range during Q3.

CONSTRUCTION

Projects under construction in the pipeline continue to progress at pace, with over 99,313 sq. m. (1,069,000 sq. ft.) of new build and refurbishment projects delivered thus far this year. 90% of these were pre-committed prior to completion.

There is currently 351,436. sq. m. (3,782,825 sq. ft.) under construction, 21% of which is pre-let. The quantum of office space under construction has declined in recent months as completions have begun to outpace commencements. The only major projects to have commenced this quarter are Project Fitzwilliam and Dublin Airport Central which together account for 605,000 sq. ft. of space. With relatively reduced commencement rates now a trend continuing from Q2, and an average project delivery time of 18-24 months, there is a potential concern that a supply imbalance may emerge in mid-2019. Projects commenced in the last quarter will be well placed to capitalise on this potential shortage in 2019.

Given the unique nature of this current property cycle and the level of speculative development being undertaken across the city, it is interesting to look at the timing of take-up of the accommodation versus the project timeline, with a clear correlation forming at the mid to late construction phase.

CONSTRUCTION PRE-LETS

YEAR OF DELIVERY	COMMENCED AND DUE FOR COMPLETION	PRE-LET	PRE-LET AND RESERVED
YTD DELIVERED 2017	1,069,000	90%	91%
2017	922,164	28%	61%
2018	1,733,242	19%	31%
Beyond 2018	1,127,419	0%	0%

DELIVERY PIPELINE

SAMPLE OF PIPELINE DEVELOPMENTS Q3 2017

BUILDING/SITE	SIZE (SQ. M.)	SIZE (SQ. FT.)	EXPECTED COMPLETION	STATUS
3 PARK PLACE	12,565	135,245	Q4 2017	55,000 sq. ft. reserved
13-18 CITY QUAY	10,963	118,000	Q1 2018	Completion 2018 Pre-let to Grant Thornton
THE REFLECTOR	11,451	123,259	Q3 2018	Completion 2018
2WML	5,677	61,107	Q4 2018	Completion Q4 2018
BOLAND'S QUAY	19,606	211,036	Q4 2018	Completion 2018
ONE SOUTH COUNTY	12,190	131,212	2018	Commenced
76 SJRQ	9,492	102,120	2019	Commenced
PROJECT FITZWILLIAM	36,917	397,370	2020	Commenced

Source: Bannon Research

2WML, Windmill Quarter, SOBO, Dublin 2
Sole Letting Agents: Bannon

Rental growth will likely **remain steady** due to supply filtering through.

One Molesworth Street, Dublin 2

OUTLOOK

Take up figures for 2017 to date have already exceeded the ten-year moving average annual figure of 176,515 sq. m. (1,900,000 sq. ft.) for the fourth consecutive year. With 1,400,000 sq. ft. reserved going into Q4 and with many organisations touring potential new properties, the outlook remains strong.

If Q4 continues at the same pace, the take up figure for 2017 has the potential to reach the **highest level on record,** exceeding the 260,000 sq. m. / 2.798 million sq. ft. achieved in 2007.

Heading into Q4 details have been announced of impressive transactions to begin the quarter. AIB have agreed to lease 115,000 sq. ft. at IPUT's 10 Molesworth Street. The building is currently being extensively redeveloped and is due for completion in Q1 2018.

Whilst we are seeing some benefit from Brexit in the form of high-profile relocation decisions by some financial services firms, the true impact is yet to be seen. We do expect to see further growth from professional service sectors such as the legal sector, with the Irish common law system as well as the English language and cultural similarities, making the transition practical for firms and more attractive for staff. The increased presence of global companies in Ireland may further encourage law firms to set up a base in Dublin, where major clients are located. This has been further validated by the fact that the number of UK lawyers registering in Ireland in order to retain access to the European Court of Justice, EU tribunals and other legal institutions post-Brexit increased by 275% last year.

Dublin has been bolstered further by the news that the European Medicines Agency has shortlisted Dublin, and the Dublin Airport Central development specifically, amongst 7 locations in the EU, as a potential European headquarter relocation from their current 300,000 sq. ft. base in Canary Wharf.

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