

DUBLIN OFFICE MARKET

Q1 | 2019



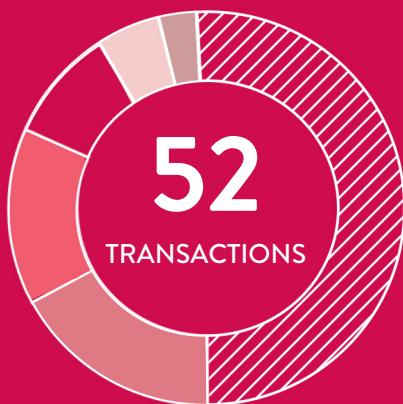
Q1 2019 AT A GLANCE

1.42M SQ. FT.

TAKE-UP Q1 2019

PRE-LET
60%

OF TRANSACTIONS SIGNED



- 31 TRANSACTIONS UNDER 5,000 SQ. FT.
- 8 TRANSACTIONS FROM 5,000 – 9,999 SQ. FT.
- 6 TRANSACTIONS FROM 10,000 – 19,999 SQ. FT.
- 2 TRANSACTIONS FROM 20,000 – 49,999 SQ. FT.
- 1 TRANSACTIONS FROM 50,000 – 99,999 SQ. FT.
- 4 TRANSACTIONS OVER 100,000 SQ. FT.



64%

CBD



36%

FRINGE & SUBURBS

949,000 SQ. FT.

RESERVED GOING INTO Q2 2019



6.2%

OVERALL DUBLIN VACANCY RATE

TRANSACTIONS BY SECTOR



59%

TMT



31%

STATE

CONSTRUCTION



560,000 SQ.FT.

DELIVERED IN Q1 2019

4.5M SQ.FT.

UNDER
CONSTRUCTION

53% COMMITTED

2.1M

DUE FOR
COMPLETION 2019

46% COMMITTED



TAKE-UP

The first quarter of the year saw another strong performance from the office sector with 1.42m sq. ft. of space transacting, representing a 66% increase from the same quarter in 2018.

Four of these deals fall into the ‘over 100,000 sq. ft. bracket’ making the opening quarter for 2019 another record for the Irish property market. By comparison, in 2018, there were a total of five deals over 100,000 sq. ft. for the year.

The 10-year moving average figure has now been adjusted to 2,250,000 sq. ft. (formerly 2,100,000 sq. ft.) following several years of strong growth. With over 949,000 sq. ft. reserved moving into Quarter 2, together with a large number of unfulfilled active requirements in the marketplace, we expect 2019 to be another strong year, exceeding the 10-year moving average for the fifth consecutive year.

BY LOCATION

The Central Business District remains the first choice for tenants with take up in the area accounting for 64% of the overall transactions for the period.

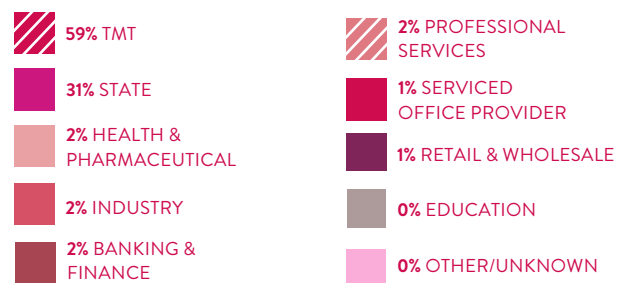
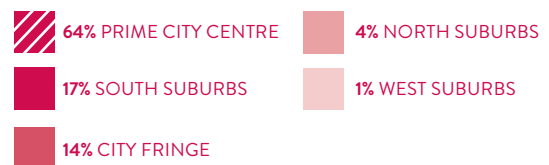
The market is currently characterised by a tightening of availability of stock for larger requirements for immediate occupation. This will be particularly prevalent in the coming year/years as pre-lets and take up of pipeline stock prior to completion continuing to be a dominant feature of the market.

Increased take up in the south suburbs (17%) and city fringe (14%) is mainly attributable to two large deals, the OPW taking 180,000 sq. ft. in the Distillers Building, Dublin 7 and Facebook’s newest letting of 174,000 sq. ft. at Nova Atria South, Sandyford.

BY SECTOR

TMT again remained the top performing sector this quarter leasing more than 839,000 sq. ft. or 59% of overall take up. This is largely due to Salesforce leasing 470,000sq. ft. at Spencer Place.

The State has also been particularly active this quarter accounting for 31% (440,000 sq.ft.) of take up. The majority of take-up is from the OPW taking 180,000 sq. ft. and 47,000 sq. ft. in the Distillers Building and Bishops Square respectively and the Central Bank committing to 201,000 sq. ft. at Block 4 & 5 in Dublin Landings.



The recent flurry of Serviced Office providers taking up space from previous quarters has reduced from 11% in all of 2018 to 1% in this quarter. The Banking and Finance sector absorption has also seen a reduction from 9% in 2018 to 2% in this quarter. **Having regard to Brexit, it is evident that many new Financial sector entrants are taking short term space in serviced offices to secure a base in Ireland in the interim period.**



TENANT PROFILE

The split between international and domestic occupiers has witnessed a shift with 40% of the transactions taken-up by the local market. Q1 2019 is an exception to what we would traditionally expect to see. By comparison Q4 2018 take-up was 79% international and 21% domestic with the whole of 2018 showing a 75% international and 25% domestic split. Again, this is attributed to the large take-up from the State.



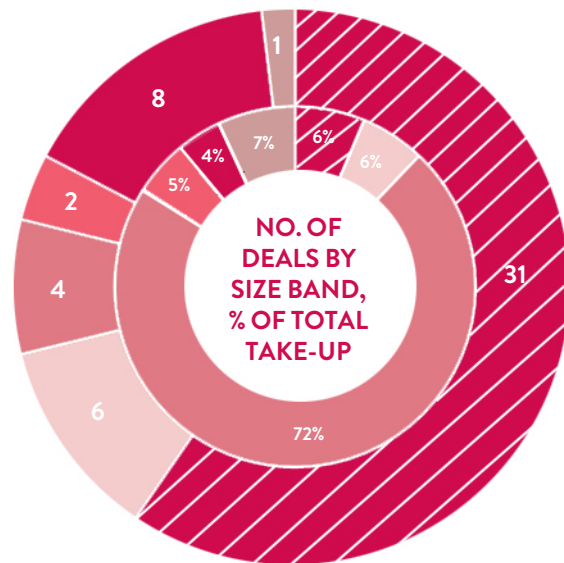
60% INTERNATIONAL 40% DOMESTIC

BY SIZE

Transactions over 100,000 sq ft. represented 72% of total take-up for the quarter. This size demand reflects strong occupier interest in single-occupancy buildings. Large scale occupiers are in some cases taking more space than initially required to future proof and allow for growth. This in turn is leading to an increase in availability of sub-leases for short term, fitted accommodation.

Once again the sub 5,000 sq. ft. bracket accounted for the majority of transactions. There were 6 transactions in the 10,000 - 20,000 sq.ft., lower than previous quarters, however we do expect to see this increase in quarter 2, with many active requirements for this size range out on tour.

Only one deal in the 50,000-99,999 sq. ft. range was recorded for the quarter, with Docusign committing to 98,629 sq. ft. at 5 Hanover Quay very close to breaking into the 100,000 sq. ft. range.



<5,000 20,000 - 49,999
 10,000 - 19,999 5,000 - 9,999
 100,000+ 50,000 - 99,999



VACANCY

Overall Dublin vacancy has remained steady, decreasing slightly on the previous quarter from 6.3% to 6.2% for Q1 2019.



RENTS

Prime headline rents in the city centre have remained steady from the end of 2018 in the €57-€62.50 per sq. ft. range.

Outside the traditional CBD in fringe locations, rents of €35-€40 per sq. ft. are being achieved with suburban locations ranging from €25-€33 per sq. ft.



DEMAND/REQUIREMENTS

Demand for accommodation remained strong in Q1. Typical space requirements are for 10,000-20,000 sq. ft. with demand for both city centre and suburban locations.

Landlords remain constant on lease terms seeking for no less than 10 years term certain with rent free incentives for prime areas ranging from 6-9 months.

TOP 5 TRANSACTIONS Q1 2019

PROPERTY	OCCUPIER	SIZE (SQ. M.)	SIZE (SQ. FT.)
SPENCER PLACE	Salesforce	43,664	470,000
NO.4&5 DUBLIN LANDINGS, NORTH WALL QUAY (SALE)	Central Bank of Ireland	18,674	201,000
THE DISTILLERS BUILDING	OPW	16,723	180,000
NOVA ATRIA SOUTH	Facebook	16,165	174,000
5 HANOVER	DocuSign	9,163	98,629

Source: Bannon Research



Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem



OPW
The Office of Public Works
Oifig na nOibreacha Poiblí





CONSTRUCTION

With over 4.5 million sq.ft. of office accommodation under construction in the capital with delivery dates between now and 2021, of which 53% is already pre-let or reserved, there is the potential for an undersupply from 2021 and beyond, assuming continued demand in line with the ten year moving average figure.

Latest figures indicate that 2.1m sq. ft. of office space is due for completion by end of 2019. Of this, 46% is currently pre-let or reserved.

560,000 sq. ft. was delivered in this quarter, including 2 Windmill Lane which reached practical completion delivering 61,107 sq. ft. of prime A-grade accommodation to the market.



2WML

SAMPLE OF SUPPLY PIPELINE

ADDRESS	SIZE (SQ. M.)	SIZE (SQ. FT.)	STATUS
DUBLIN AIRPORT CENTRAL	19,322	207,986	Due for completion Q3 2019
FITZWILLIAM 28, DUBLIN 2	26,010	279,970	Due for completion Q1 2020
THE HIVE, DUBLIN 18	6,777	72,947	Due for completion mid-2019
SORTING OFFICE, DUBLIN 2	17,000	183,000	Due for completion Q4 2019
NORTH DOCK, DUBLIN 1	18,581	200,000	Due for completion Q1 2020

Source: Bannan Research



OUTLOOK



With 949,000 sq. ft. reserved, coupled with continued demand, another strong year is predicted for 2019.



With strong demand in the market at present and the growing number of true pre-lets supply is being absorbed at a greater rate than ever before meaning large buildings are being taken out of the market before construction has even commenced.



Rents and incentive packages to remain steady.



Whilst demand for office space from International companies shows no sign of tapering off, the lack of supply will be a key issue as we look towards 2020 and beyond. Only two commercial developments commenced this quarter namely 6 & 13 Pembroke Street and Marlet's College House, 2-3 Townsend Street.



Dublin Airport Central



Hambleton House
19-26 Lower Pembroke Street
Dublin 2



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