

# DUBLIN OFFICE MARKET

Q 2 | 2019



# Q2 2019 AT A GLANCE

## TRANSACTIONS SIGNED

# 354,000 SQ. FT.

(32,888 SQ. M.)



## 19%

PRE-LET



## 6.1%

OVERALL DUBLIN  
VACANCY RATE



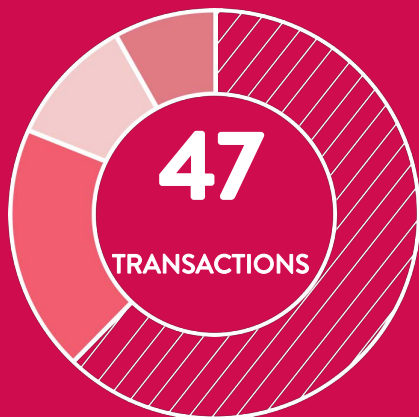
## 38%

CBD



## 34%

FRINGE & SUBURBS



- 30 TRANSACTIONS UNDER 5,000 SQ. FT.
- 8 TRANSACTIONS FROM 5,000 – 9,999 SQ. FT.
- 6 TRANSACTIONS FROM 10,000 – 19,999 SQ. FT.
- 3 TRANSACTIONS FROM 20,000 – 49,999 SQ. FT.

## TRANSACTIONS BY SECTOR



## 34%

RETAIL &  
WHOLESALE



## 17%

PROFESSIONAL  
SERVICES



## 11%

HEALTH &  
PHARMA

# 1M SQ. FT.

RESERVED GOING INTO Q3

## CONSTRUCTION



ON SITE

# 5 MILLION SQ. FT.

# DUE FOR COMPLETION 2019 2.1 MILLION SQ. FT.

(47% PRE-LET OR RESERVED)



Block I Central Park



## TAKE-UP

Take-up for the second quarter of 2019 reached a subdued **354,000 sq. ft. across 47 deals** following a stronger than expected first quarter. Whilst this represents a decrease of 60% on the same period of 2018 when combined with Q1 take-up for H1 reached 1.776m sq. ft. which is broadly in line with H1 2018. Pre-lets represented just 19% of the overall floor space leased in Q2.

We are seeing an increase in sub-lease activity 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 lack of availability of suitable accommodation, organisations are now taking a quantum of space in addition to their immediate need with an intention of subletting in the short term. Recent examples include Docusign, Hubspot and Perrigo.

We enter quarter 3 with over 1m sq. ft. of accommodation reserved. This coupled with current demand of more than 3.5m sq. ft. will undoubtedly boost H2 figures.

## TOP 5 LETTING TRANSACTIONS Q2 2019

COMPANY	SIZE (SQ. M.)	SIZE (SQ. FT.)	LOCATION
<b>PADDY POWER</b>	4,579	49,291	Belfield Office Park
<b>PADDY POWER</b>	3,827	41,194	Belfield Office Park
<b>CONFIDENTIAL</b>	2,295	24,706	Block I Central Park
<b>OPW</b>	2,107	22,679	Phoenix House
<b>WEWORK</b>	1,687	18,158	George's Quay House

Source: Bannan Research



## BY LOCATION

Albeit lower than previous quarters, the Central Business District remains the most active location accounting for 38% of take up in Q2. **None of the deals signed in the CBD this quarter are attributable to pipeline stock currently under construction.**

City fringe locations were bolstered this quarter by a letting to Paddy Power at Belfield Office Park. Fringe locations accounted for 34% of take up

16 % of take up occurred in the south suburbs. With Geonomics and a confidential party taking space in Cherrywood and Central Park respectively.

**BY SECTOR**

Office occupiers in the Retail & Wholesale sector were the top performing this quarter, accounting for **34% of all transactions**, this is largely attributable to the letting of Belfield Office Park to Paddy Power. Solvar and PepsiCo were also active this quarter.

Professional services represented 17% of the market, leasing 61,000 sq.ft. in Dublin across 11 deals. The largest deal this quarter in the suburbs, and the only pre-let, involved the new Block I development in Central Park, Leopardstown, with a letting of 25,000 sq.ft. to a confidential party.

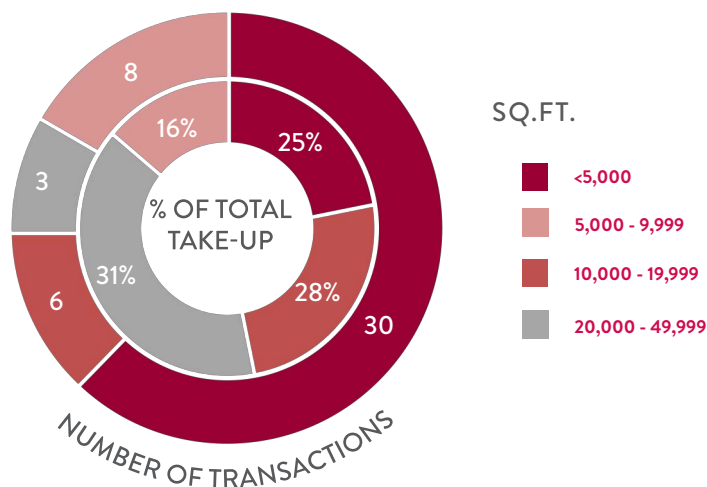
There were 6 deals in the healthcare & pharmaceutical sector in the second quarter reaching 37,000 sq. ft.

With an improving economy and increased capital expenditure in the public sector, State companies feature again this quarter, albeit at a reduced rate, accounting for 3 transactions or 8% of take up. We expect State to feature heavily in quarter 3 with approximately 165,000 sq. ft. reserved at present to the sector.

The usual front runner TMT had an **uncharacteristically low quarter with only 8% transacted** across 8 deals. This will also increase significantly in Q3 with at least 2 transactions in excess of 100,000 sq.ft. due to complete.

Take up in the banking and finance sector was just under 14,000 sq.ft.

**NO. OF DEALS BY SIZE BAND, % OF TOTAL TAKE-UP**



**BY SIZE**

The average deal size this quarter stood at 7,400 sq.ft. representing 73% decrease relative to Q1. The **sub 5,000 sq.ft. remains the most dominant by number of deals**, with 63% (30 out of 47) falling within this bracket. This sector represented just 22% of the total floor space taken up this quarter.

Q2 was the first quarter since Q3 2017 where we have not had a deal in excess of 100,000 sq.ft. threshold. Indeed, there were **no deals this quarter in excess of 50,000 sq.ft.** There were three transactions in the 20,000 – 50,000 sq.ft. bracket which represented 39% of take up. Overseas occupiers are leasing larger spaces with the average deal at over 8,100 sq.ft. in Q2 compared with 7,100 sq.ft. average for domestic companies.



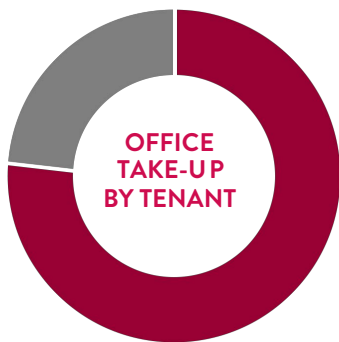
VACANCY

Overall Dublin vacancy has remained steady, decreases slightly on the previous quarter from **6.2% to 6.1%** for Q2 2019.



TENANT PROFILE

The second quarter saw a boost in take up from domestic occupiers, accounting for **74%** of overall take up compared with **40%** in Q1.



74% DOMESTIC      26% INTERNATIONAL



RENTS

Prime headline rents in the city centre have remained steady from Q1 in the **€60-€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 achieving circa €25-€33 per sq. ft.



DEMAND/REQUIREMENTS

Demand for office space has remained strong this quarter, with current demand estimated at c. 3.5M sq.ft.

DUBLIN OFFICE MARKET TEN YEAR CHALLENGE

2009		2019
9.5%	UNEMPLOYMENT RATE	4.4%
1.29m sq. ft.	TAKE UP	1.76m sq. ft. (YTD)
22.3%	VACANCY RATE	6.1%
€35 psf	PRIME RENTS	€60 psf
IAA 34,480 sq. ft.	LARGEST DEAL	Salesforce 430,000 sq. ft.

Source: Bannan Research / CSO



**DEVELOPMENT  
ACTIVITY**

We are seeing a slowdown in construction project commencements with just **4 new developments starting on site this quarter**. This brings the total amount under construction to 5m sq.ft. of office space. Our research indicates that of the 5m sq.ft. under construction 53% is currently pre-let or reserved. 2.1m sq.ft. will be delivered throughout 2019 and of this 47% is accounted for. We currently have planning permission across the capital for a further 6m sq.ft.



**SAMPLE OF SUPPLY PIPELINE**

ADDRESS	SIZE (SQ. M.)	SIZE (SQ. FT.)	STATUS
TEN HANOVER QUAY	6,355	68,400	Construction commenced 2019
TROPICAL FRUIT WAREHOUSE	6,968	75,000	Construction commenced 2019
THE EIGHT BUILDING NEWMARKET	6,984	75,179	Construction commenced 2019
COLLEGE HOUSE TOWNSEND STREET	14,642	157,600	Construction commenced 2019
6 PEMBROKE ROW	4,100	44,131	Construction commenced 2019

Source: Bannan Research



The outlook for take-up for the remainder of **2019 remains strong and it is expected to be another healthy year** in terms of occupier demand.



## OUTLOOK

The Dublin office market has continued to perform well in 2019. Despite the potential risk and uncertainty of Brexit, demand and rents have remained strong.

A number of significant deals are in the process of signing which should boost take up for the traditionally quieter third quarter.

While we do not expect to exceed the record breaking take up of 2018, with a robust start to the year, 1m sq. ft. of reserved accommodation and approximately 3.5m sq. ft. of unfulfilled requirements we expect take up to exceed the ten year moving average for the 6th consecutive year.



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