

DUBLIN OFFICE MARKET

Q1 | 2020



Q1 2020 AT A GLANCE

TRANSACTIONS SIGNED
1.08M SQ. FT.

TAKE-UP Q1 2020

PRE-LET



31%

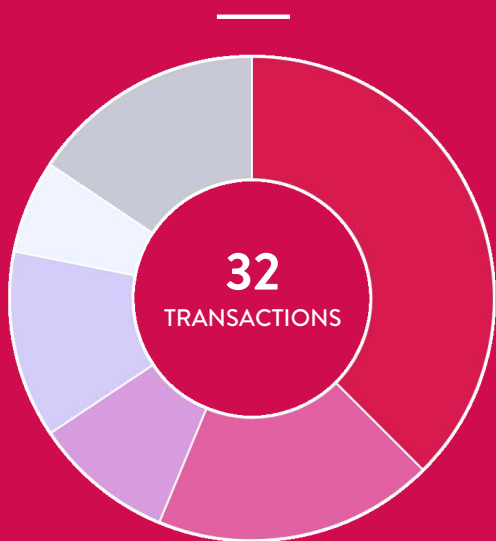
OF TRANSACTIONS SIGNED

TENANT PROFILE



82%

INTERNATIONAL



- 12 TRANSACTIONS UNDER 5,000 SQ. FT.
- 6 TRANSACTIONS FROM 5,000 - 9,999 SQ. FT.
- 3 TRANSACTIONS FROM 10,000 - 19,999 SQ. FT.
- 4 TRANSACTIONS FROM 20,000 - 49,999 SQ. FT.
- 2 TRANSACTIONS FROM 50,000 - 99,999 SQ. FT.
- 5 TRANSACTIONS OVER 100,000 SQ. FT.

5 DEALS OVER

100K SQ. FT.

940K SQ. FT.

RESERVED GOING INTO Q2 2020

TRANSACTIONS BY LOCATION



56%

CBD



30%

SOUTH SUBURBS



8%

CITY FRINGE

TRANSACTIONS BY SECTOR



70%

TMT



25%

BANKING & FINANCE



5%

OTHER



CONSTRUCTION

5.6M
SQ. FT.

UNDER CONSTRUCTION
(58% PRE-LET / RESERVED)

2.6M
SQ. FT.

DUE FOR COMPLETION 2020
(45% PRE-LET / RESERVED)



TAKE-UP

The Dublin Office market has registered another robust start to the year with close to 1.1m sq.ft. of office accommodation transacted over the first 3 months across 32 transactions. Whilst this represents a decrease of 24% on the same period last year, it also represents 43% of the annual 10 year moving average figure which currently stands at 2.49m sq. ft.

Whilst a stellar start to the year, we will of course be bracing ourselves for the economic impact of the Covid-19 virus on the 2nd quarter and indeed the wider office market for the remainder of the year.

TOP 5 TRANSACTIONS IN Q1 2020

PROPERTY	TENANT	SIZE (SQ. M.)	SIZE (SQ. FT.)
ONE & TWO SOUTH COUNTY	MASTERCARD	23,148	249,164
FITZWILLIAM 28	SLACK	12,510	134,656
124-127 ST. STEPHEN'S GREEN	INDEED	11,777	126,771
TREASURY BUILDING*	GOOGLE	11,613	125,000
STEMPLE EXCHANGE	GUIDEWIRE	7,897	85,000

*purchase for owner occupation

Source: Bannon Research



There were five deals in excess of 100,000 sq. ft transacted in the Dublin office market, just two less than the total number of deals in the same size bracket for the whole year in 2019. Google's acquisition of Treasury Building is subject to a number of short term letting agreements but will eventually accommodate additional Google staff. Indeed agreed a new lease at St. Stephen's Green where they occupy 127,000 sq. ft.

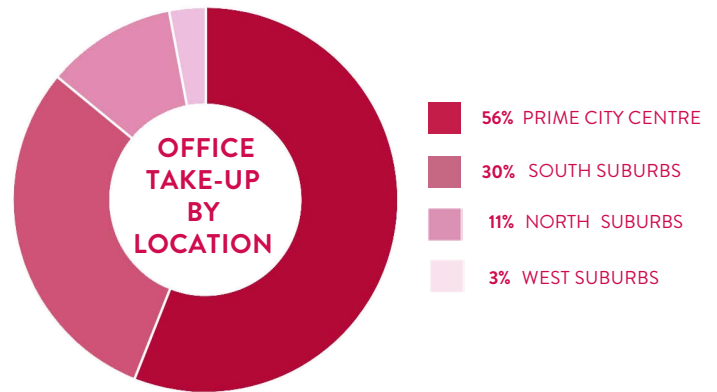


Fitzwilliam 28

BY LOCATION

Despite increased activity in the suburbs, the city centre once again accounted for the largest amount of floor space signed with 56% of take-up, with the south suburbs accounting for 30% of take-up.

The north suburbs performed stronger than usual with 11% of overall take-up, in part due to Guidewire’s pre-let of 85,000 sq.ft. at Stemple Exchange in Blanchardstown Corporate Park while the west suburbs accounted for 3% of take-up.



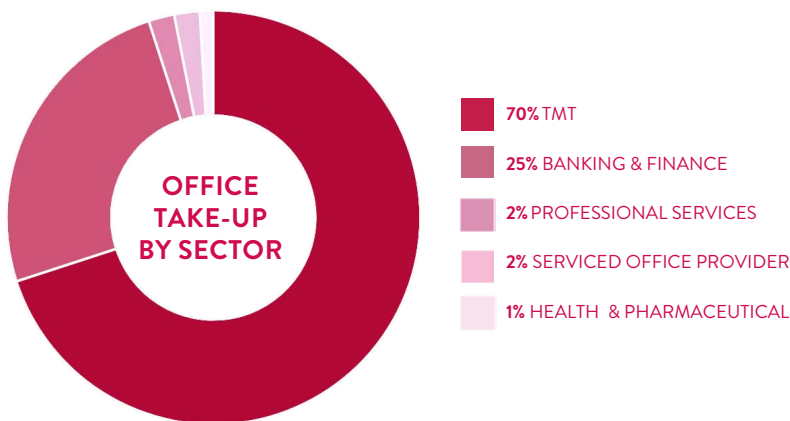
BY SECTOR

Once again, the Technology Media and Telecom (TMT) sector accounted for the largest portion of take-up with 70% (756,769 sq. ft.) overall.

Salesforce acquired a further 37,000 sq. ft. at 78 Sir John Rogerson’s Quay. Google also continued their expansion once again this quarter purchasing the 125,000 sq.ft. Treasury Building on Grand Canal Street.

Online retailer Zalando were also in expansion mode in quarter one, acquiring 47,500 sq. ft. in 2WML in the Windmill Quarter.

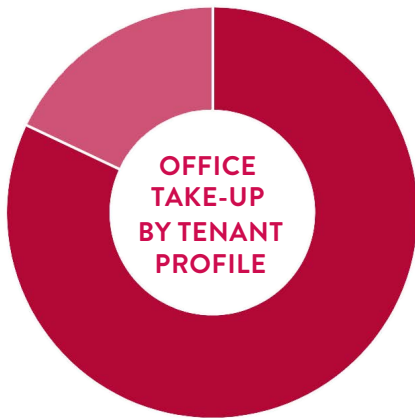
Banking & Finance has also been the stand-out sector in this quarter accounting for 25% or 264,380 sq. ft. of take up. Take-up in this sector is largely due to Mastercard’s transactions at South County.





TENANT PROFILE

Overseas occupiers represented 53% of the number of transactions in quarter 1 (17 of 32) However this represented 82% of total take up or 892,967 sq. ft.



82% INTERNATIONAL 18% DOMESTIC



VACANCY

The overall Dublin vacancy rate now stands at 6.69%



RENTS

Prime headline rents in the city centre have remained steady from the end of 2019 in the €60-€62.50 per sq. ft. range.

The highest suburban rent achieved was €30.50 per sq. ft. at One and Two South County.



BY SIZE

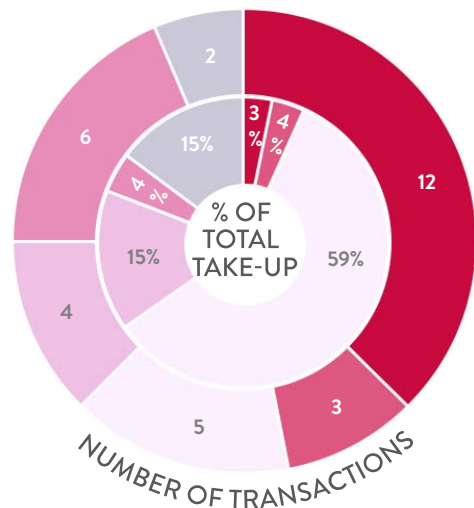
Transactions over 100,000 sq ft. represented 59% of total take-up for the quarter across 5 transactions. Large scale transactions have been a feature of the market over the last 4-6 quarters with companies, particularly in the tech sector, taking entire buildings to allow for future growth and to cement their position in the Dublin market. This has also been influenced by the lack of supply of Grade A accommodation of scale over the previous 5 year period.

The largest single transaction of the quarter was 144,915 sq. ft. at One South County to Mastercard. Mastercard also acquired the entire of Two South County extending to 104,249 sq. ft. bringing their total accommodation to 249,164 sq. ft.

In the city centre, the largest letting was the pre-let of ESB's 134,000 sq. ft. landmark Fitzwilliam 28 development to technology giant Slack.

The sub 5,000 sq. ft. bracket remains the most active once again with 12 transactions, however this represents just 3% of floor space taken up.

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



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



CONSTRUCTION

Latest figures indicate that there is 5.6m sq.ft. of office accommodation under construction across Dublin with completion dates up to 2022. 58% of this stock is already pre-let or reserved however the portion of reserved stock that transacts in the short term is uncertain due to the impact of the Covid-19 crisis.

With planning permission granted for a further 7.5 million sq.ft. in the capital the office construction pipeline remains steady. However, it should be noted that not all planned schemes will progress to construction. This will, as always, depend on continued demand and availability of funding. Additionally, with construction on sites suspended until further notice, we will not see any commencements in the short term.



SAMPLE OF PLANNING GRANTED

ADDRESS	SIZE (SQ. M.)	SIZE (SQ. FT.)	STATUS
BLOCK N CENTRAL PARK	47,216	508,228	Planning granted Q1 2020
COOPER CROSS	44,594	480,000	Planning granted Q1 2020
1-3 BALLSBRIDGE PARK	42,602	458,563	Planning granted Q4 2019
CASTLEFORBES BUSINESS PARK	10,257	110,400	Planning granted Q4 2019
20 MERRION ROAD	5,481	58,997	Planning granted Q3 2019

Source: Bannan Research



OUTLOOK

Whilst there is 940,000 sq. ft. of floor space reserved as we move forward into Q2, it remains to be seen how much of this will transact given the current global uncertainty. What is clear is the Covid 19 crisis will certainly result in a **delay in decision making and capital expenditure in the short term**, with the hope that any long term effects will be negated by a willingness to get back to full operations on all fronts as quickly as possible. We have already seen the announcement by Workday to shelve plans to expand to 160,000 sq. ft. at Heuston South Quarter in Dublin 8.

Interestingly, if we examine the statistics from the past 4 years, the average Q3+Q4 combined take-up is 1.6m sq.ft. Should typical transactional activity resume by Q3 and excluding any potential take-up in Q2 we should still be in a good position by the end of the year, exceeding the 10 year moving average. We would caveat that this is dependent on worldwide economic activity resuming at least by mid-year. This may be aspirational target, particular for the US market as their Covid-19 surge appears to be lagging the rest of the world and escalating at a more intensive rate. As the Irish office market has become increasingly dependent on the largely US based TMT sector this is possibly the greatest sectoral threat.



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