

DUBLIN OFFICE MARKET

Q2 | 2018



Q2 2018 AT A GLANCE

TRANSACTIONS SIGNED

875,583 SQ. FT.

(81,344 SQ. M.)

TAKE-UP Q2 2018

+2% CHANGE FROM Q1 2018
-23% CHANGE FROM Q2 2017



44%

PRE-LET OF
TOTAL TAKE-UP



7.73%

OVERALL DUBLIN
VACANCY RATE

UNDER CONSTRUCTION

4.9 MILLION SQ. FT.

DUE FOR COMPLETION 2018

1.7 MILLION SQ. FT.

(54% PRE-LET OR RESERVED)

825,000 SQ. FT.

RESERVED GOING INTO Q3

TAKE-UP
BY SECTOR



42%

TMT



21%

STATE



14%

CO-WORKING



- 78% PRIME CITY CENTRE
- 10% SOUTH SUBURBS
- 6% WIDER CITY
- 5% WEST SUBURBS
- 1% NORTH SUBURBS

 TAKE-UP

Take-up for the second quarter of 2018 reached an impressive 875,583 sq. ft. across 55 deals following a stronger than expected first quarter. This figure is broadly in line with Q1 take-up but represents a decline of 23% relative to the same quarter in 2017 which saw take-up reach over 1.1 million sq. ft.

BY SECTOR

TMT remains the top performing sector this quarter leasing more than 370,000 sq. ft. or 42% of overall take up. Google were active again with the forward purchase of Boland’s Quay representing the largest deal of the quarter. This purchase involves three buildings totalling over 220,000 sq. ft. which are due for completion on a phased basis from the second quarter of 2019.

State-owned companies were particularly active this quarter, accounting for 21% of total take-up. The most notable transaction this quarter was IDA Ireland’s move to a new global headquarters at Three Park Place, where they will lease 112,000 sq. ft. across six floors. Three floors at Three Park Place will also be leased by two other State agencies, Science Foundation Ireland and the Sustainable Energy Authority of Ireland.

We understand that there are currently requirements totalling approximately 270,000 sq. ft. from State companies as an improving economy

Of the 875,583 sq. ft. leased in Q2 2018, 44% or 384,237 sq. ft. related to pre-lets or in the case of Boland’s Quay a forward sale. This compares with 28% in Q1. While this represents a significant proportion of take-up, this total was only in relation to three schemes, namely Boland’s Quay, The Reflector and One Central Plaza.

has allowed for increased capital expenditure in the public sector.

There were two deals with serviced office providers in the second quarter, both to WeWork, who have agreed to pre-let 74,000 sq. ft. across 8 floors at One Central Plaza and a further 49,305 sq. ft. at 5 Harcourt Road.

The health and pharmaceutical sector represented 9% of take-up, leasing 73,500 sq. ft. in Dublin across 6 transactions. The largest deal this quarter involved a new 45,000 sq. ft. HQ for Perrigo Pharmaceuticals at the Sharp Building, Dublin 2.

Take-up for the banking and finance sector was low this quarter with just under 18,000 sq. ft. leased, however we are seeing an increase in Brexit-related enquiries and expect this to increase in the coming months with Legal & General Investment Management and Standard & Poors, among others, recently announcing plans to open Dublin offices in the short term.



- 42% TMT
- 21% STATE
- 14% SERVICED OFFICE PROVIDER
- 9% HEALTH & PHARMACEUTICAL
- 5% EDUCATION
- 4% PROFESSIONAL SERVICES
- 2% INDUSTRY
- 2% BANKING & FINANCE
- 1% HUMAN RESOURCES
- 0% RETAIL & WHOLESALE



LOCATION

The Central Business District remains the most active location accounting for 78% of take-up in Q2. Of this total, 56% was attributable to pipeline stock currently under construction, demonstrating the continued shortage of available CBD stock for immediate occupation.

In a continuation of the trend towards the suburbs, 10% of take-up this quarter was attributable to the south suburbs. With Google having spread to the suburbs last quarter we expect other companies to follow suit considering the lack of availability of suitable space in the city centre and relative cost savings which can be made in terms of rental values for suburban offices.

The largest deal in the south suburbs this quarter was 25,000 sq. ft. at Building 1, Central Park. This involved a sub-lease to Salesforce on a short-term basis.

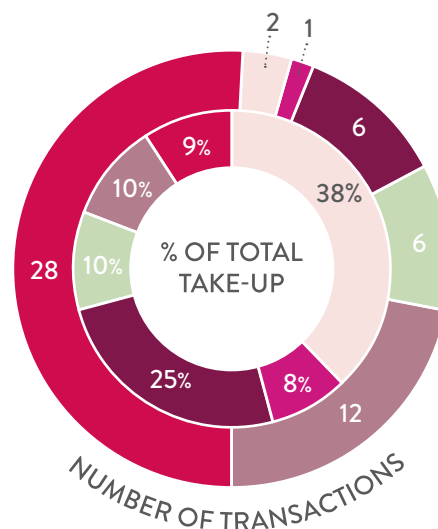
6% of total take-up was attributable to city fringe locations where the largest deal was again attributable to a sub-lease which saw the HSE take 31,225 sq. ft. at The Brunel Building, Heuston South Quarter.

BY SIZE

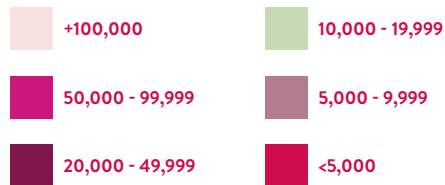
The average deal this quarter stood at 15,920 sq. ft., representing a 17% increase relative to Q1. The sub-10,000 sq. ft. size bracket remains the most dominant by number of deals, with 73% of all deals (40 out of 55) falling within this bracket. Since these deals were smaller this represented just 19% of total take-up this quarter.

On the other hand, while just three deals were completed for more than 50,000 sq. ft. of office space, this represented almost half of total take-up. Overseas occupiers are leasing larger spaces with the average deal standing at over 18,000 sq. ft. in Q2 compared with a 12,000 sq. ft. average for domestic companies.

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



SQ.FT.



TOP 5 TRANSACTIONS Q2 2018

PROPERTY	OCCUPIER	SIZE (SQ. M.)	SIZE (SQ. FT.)
BOLANDS QUAY, BARROW STREET	Google	20,507	220,732
THREE PARK PLACE, HATCH STREET	IDA	10,405	112,000
ONE CENTRAL PLAZA, DAME STREET	WeWork	6,875	74,000
5 HARCOURT ROAD	WeWork	4,581	49,305
THE SHARP BUILDING, 10-12 HOGAN PLACE	Perrigo	4,181	45,000

Source: Bannan Research





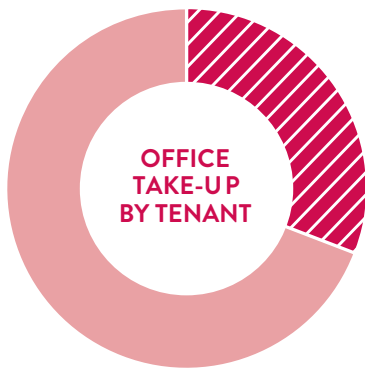
VACANCY

Overall Dublin vacancy now stands at **7.73% compared with 8% in Q1**, while overall Dublin 2/4 vacancy currently stands at 4.4%.



TENANT PROFILE

The second quarter saw a continuation of the dominance of overseas occupiers with 69% of take-up attributable to non-Irish companies. This has declined somewhat compared with 78% in Q1.



31% DOMESTIC



69% INTERNATIONAL



RENTS

Prime rents remain in the region of €55-60 per sq. ft. with the highest reported headline rent of €60 per sq. ft. achieved for just over 6,000 sq. ft. at One Molesworth Street.

Offices in wider city locations including Dublin 8 are achieving rents of €35-40 per sq. ft., while Grade A offices in suburban locations are now quoting rents in excess of €30 per sq. ft. demonstrating the spread of rental growth outside of the CBD in line with increased demand.



DEMAND/REQUIREMENTS

Demand for office space has remained strong this quarter with a notable increase in requirements from State bodies.

Dublin remains the top choice for Brexit relocations the IDA recently announcing that 42 UK companies have confirmed plans to locate some of their operations here since the referendum result. This has further bolstered demand for office space with Goodbody estimating total space required by these companies to be in the region of 350,000 sq. ft.



Central Plaza, Dublin 2

DEVELOPMENT ACTIVITY

As previously noted, we are now seeing a slowdown in construction project commencement with just 2 new developments starting on site this quarter. This brings the total under construction to 4.9 million sq. ft. of office space.

Given the current shortage of availability of modern stock in prime locations, we are seeing the proportion of this total represented by pre-lets grow rapidly amid strong competition among occupiers – many of them large multinationals seeking larger and more flexible floorplates – for new high quality properties in prime locations. Our research indicates that of the 1.7 million sq. ft. due for completion by end of 2018, 54% is currently pre-let or reserved.

This quarter saw planning granted for several large-scale office developments in prime locations, including a significant development at Hanover Quay (Kennedy Wilson & NAMA) totalling 87,400 sq. ft. due for completion in 2020.

In general, developers have responded to modern office requirements with new stock meeting the highest standards globally and therefore being more attractive to international occupiers and investors alike. This will be an important factor in overseas companies’ relocation decisions as regards Brexit. From a funding perspective, institutional investors can now better understand and price Irish office stock and are therefore more likely to invest in it, leading to more stability in the market than has been seen in previous cycles.



SAMPLE OF SUPPLY PIPELINE

ADDRESS	SIZE (SQ. M.)	SIZE (SQ. FT.)	STATUS
FITZWILLIAM 28, DUBLIN 2	12,510	134,656	Due for completion Spring 2020
2WML, DUBLIN 2	5,759	62,000	Due for completion Q4 2018
TWO & THREE DUBLIN AIRPORT CENTRAL	19,322	207,980	Due for completion Q1 2019
74-75 LOWER BAGGOT STREET	7,024	75,605	Construction commenced Q2 2018
SPENCER PLACE, DUBLIN 1	46,184	497,119	Construction commenced Q2 2018

Source: Bannan Research



Fitzwilliam 28, Dublin 2



OUTLOOK

A number of significant deals are in the process of signing which should boost take-up for the traditionally quieter summer months of July and August. With a strong start to the year and approximately 2.5 million sq. ft. of active requirements, we expect the remainder of the year to see the same momentum.

Given the continued strength of pre-lets with several schemes having been granted planning permission this quarter we are now expecting total take-up for the year to well exceed the ten-year moving average.

In terms of global risks, up to now Ireland has remained relatively insulated from the impact of ongoing Brexit negotiations with all indicators recording positive growth.

Current strong levels of economic growth are set to continue with the European Commission now forecasting GDP growth of 5.7% in 2018. This, along with steady employment and wage growth should continue to boost the office sector throughout the remainder of 2018.

Ireland has remained **relatively insulated** from the impact of ongoing Brexit negotiations.



Hambleden House
19-26 Lower Pembroke Street
Dublin 2

BANNON OFFICE TEAM



Rod Nowlan
Director
rnowlan@bannon.ie



Lucy Connolly
Associate Director
lconnolly@bannon.ie



Louise Doherty
Associate Director
ldoherty@bannon.ie




Rebecca Jones
Surveyor
rjones@bannon.ie


BANNON RESEARCH





Kate Ryan
Research Analyst
kryan@bannon.ie

CONTACT

 +353 1 647 7900

 www.bannon.ie

 www.linkedin.com/company/bannon

 www.twitter.com/bannon