# DUBLIN OFFICE MARKET

Q4 | 2017


bannon

2WML, Windmill Quarter, SOBO, Dublin 2

TAKE UP HAS REACHED
**HIGHEST LEVEL**
ON RECORD

(291,042 SQ. M. / 3.1 MILLION SQ. FT TOTAL TAKE UP IN 2017)

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TRANSACTIONS SIGNED Q4 2017
**110,691 SQ. M.**
(1,191,467 SQ. FT.)

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**2.51%**
GRADE A D2/D4 VACANCY

**8.65%**
OVERALL DUBLIN VACANCY RATE

PRE-LET
**54%**
OF TRANSACTIONS SIGNED

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PRE-LETS **37%** OF TOTAL TAKE UP 2017, VS. 23% IN 2016

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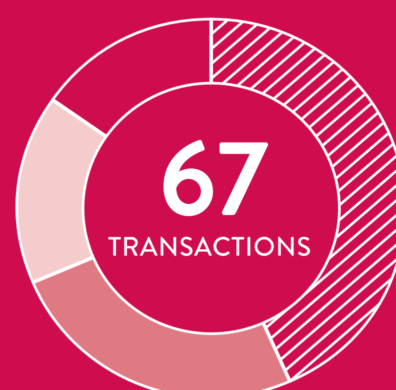


- **29 TRANSACTIONS** UNDER 5, 000 SQ. FT.
- **17 TRANSACTIONS** FROM 5, 000 – 9, 999 SQ. FT.
- **11 TRANSACTIONS** FROM 10, 000 – 49, 999 SQ. FT.
- **10 TRANSACTIONS** OVER 50,000 SQ. FT.

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**263**
TRANSACTIONS IN 2017

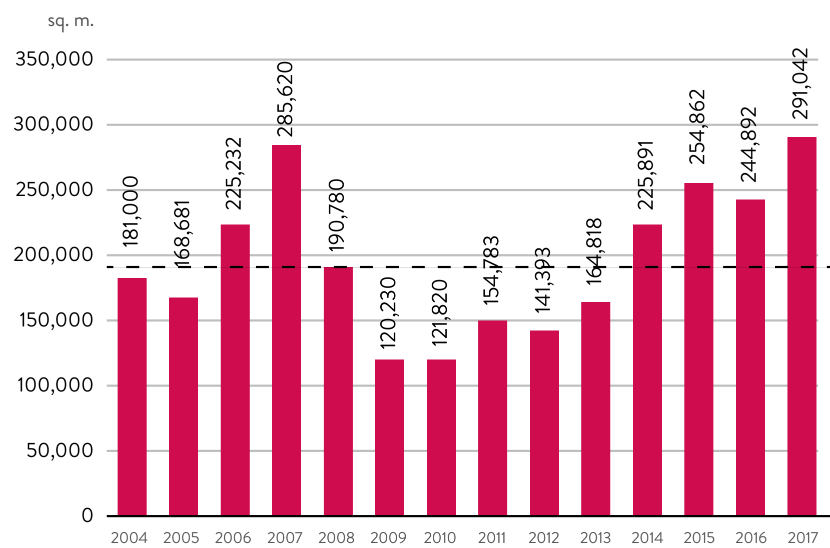

- 42% TMT
- 16% PROFESSIONAL SERVICES
- 11% BANKING & FINANCE
- 10% SERVICED OFFICE PROVIDER
- 8% STATE
- 4% RETAIL & WHOLESALE
- 4% INDUSTRY
- 2% OTHER/ UNKNOWN
- 1% HEALTH PHARMACEUTICAL
- 1% HUMAN RESOURCES
- 1% EDUCATION


- 74% PRIME CITY CENTRE
- 14% SOUTH SUBURBS
- 6% WIDER CITY
- 4% NORTH SUBURBS
- 2% WEST SUBURBS

2017 was a record year in terms of office take up with Q4 figures attributing a further 110,691 sq. m. (1.2 million sq. ft) to the end of year total. **This brought annual take up to an impressive 291,042 sq. m. (3.1 million sq. ft.)* making it the highest level on record, exceeding the previous peak level set in the height of the Celtic Tiger in 2007 but also exceeding the ten-year moving average figure of 176,000 sq. m.** (1.9 million sq. ft.) for the fourth consecutive year.

*An additional 27,964 sq. m. (301,000 sq. ft.) was taken up by owner occupier Microsoft as they complete their Leopardstown Office Campus Development.

## 10 YEAR MOVING AVERAGE




There is currently 83,613 sq. m. (900,000 sq. ft.) of accommodation reserved going into 2018.

The traditional push to close out deals before year end resulted in 67 transactions completing, bringing the total number of transactions for 2017 to 263. The most active size bracket in Q4 was **sub 5,000 sq. ft., which accounted for 43% of transactions.**

Not surprisingly the CBD remains the preferred location for businesses and accounted for 74% of take up.

Technology, Multimedia and Telecommunications (TMT) continues to be the top performing sector with 42% of overall take up in Q4, followed closely by the Professional Services and Finance sectors at 16% and 11% respectively.

Last quarter we reported that there was a notable increase in activity from the serviced offices and co-working space providers, this trend continued into Q4 with a further **10,701 sq. m. (115,180 sq. ft.)** transacted, representing **10%** of the overall take up in the quarter.

Capital Dock, Sir John Rogersons Quay

## TOP 5 TRANSACTIONS Q4 2017

| PROPERTY | SIZE (SQ. M.) | SIZE (SQ. FT.) | TENANT |
|---|---|---|---|
| 100 & 300, CAPITAL DOCK, SIR JOHN ROGERSONS QUAY | 19,639 | 211,393 | Indeed |
| 10 MOLESWORTH STREET | 10,708 | 115,260 | AIB |
| THE ATRIUM BUILDINGS, SANDYFORD BUSINESS PARK, SANDYFORD, DUBLIN 18 | 8,354 | 89,920 | Fleetmatics |
| BUILDING 1, NUMBER ONE BALLS-BRIDGE, SHELBOURNE ROAD | 2,208 | 75,187 | Avolon |
| NO. 1 DUBLIN LANDINGS, NORTH WALL QUAY | 6,206 | 66,801 | NTMA |

Source: Bannon Research

## VACANCY

The overall **Dublin vacancy now stands at 8.65%, down from 9.5% in Q3.** Prime Grade A Dublin 2/4 office accommodation stands at 2.51%.

While a significant proportion of the office stock due to be delivered in 2018 has already been pre-let, many companies will be vacating existing offices as their new space becomes available. It will be interesting to monitor the effect of relocation on current vacancy levels in the coming year, with an increase in vacancy rates possible in the short term as older stock comes back on stream.

## RENTS

The highest headline rent achieved in the final quarter was €753 per sq. m. (€70 per sq. ft.), however this was for a small Grade A, Dublin 4 penthouse letting (278 sq. m.) and can therefore not be considered the norm. For the third consecutive quarter rents for prime Grade A accommodation remained stable with the **majority of deals completing between €55-€60 per sq. ft.**

Whilst rents remain largely unchanged, we are seeing changes in the incentives packages being offered by landlords such as reductions in rent free periods for long term leases.

Prime suburban rents in Q4 reached €323 per sq. m. (€30 per sq. ft.) in the South suburbs and €231 per sq. m. (€21.50 per sq. ft.) in the West suburbs.

## CONSTRUCTION

As we move into 2018, 390,295 sq. m. (4.2 million sq. ft.) of office space is under construction with 200,000 sq. m. (2.1m sq. ft.) of this due for completion before year-end. **Of the stock due to complete this year 55% is already pre-let or reserved.** Planning permission has been granted for a further 600,341 sq. m. (6.5 million sq. ft.) of space, however whether all of these developments will proceed to the construction phase is dependent on development funding and continued demand, among other things.


Dublin Airport Central

## SAMPLE OF DEVELOPMENTS DUE FOR COMPLETION IN 2018

| ADDRESS | SIZE (SQ. M.) | SIZE (SQ. FT.) | STATUS |
|---|---|---|---|
| CAPITAL DOCK | 31,911 | 343,483 | Building 200 sold to JP Morgan<br>Building 100 & 300 let to Indeed |
| BOLAND'S QUAY | 19,513 | 210,036 | On-site. Due for completion Q3 2018 |
| TWO DUBLIN AIRPORT CENTRAL | 10,873 | 117,035 | On-site. Due for completion Q4 2018 |
| THREE DUBLIN AIRPORT CENTRAL | 8,449 | 90,944 | On-site. Due for completion Q4 2018 |
| 5 HANOVER QUAY | 14,985 | 161,300 | 5,670 sq. m. pre-let |
| ONE SOUTH COUNTY | 12,190 | 131,212 | On-site. Due for completion Q4 2018 |
| THE REFLECTOR | 11,451 | 123,259 | 3,716 sq. m. reserved |

## BREXIT

As the UK edge closer to agreeing their terms of withdrawal from the EU, we expect to see further Brexit-related activity within the sector this year, with a further influx from technology, financial services and the legal sectors.

With leading international companies such as JP Morgan, Pinsent Masons, Barclays, Bank of China, Bank of America, Fundrock and Citadel all expanding within Dublin in 2017, maintaining competiveness remains fundamental in terms of attracting Brexit relocations in 2018.

**Brexit** is manifesting itself in the market as an additional consideration rather than a primary driver of demand.

## OUTLOOK

Over the last three years, the Dublin office market has seen unprecedented adjustment and entered a new cycle, with continued FDI investment and strong employment growth bolstering demand and underpinning the sector. This has resulted in increased take up, construction and capital market activity.

We commenced 2017 with some market commentators discussing a potential oversupply of office accommodation in the Dublin market with construction activity booming and planning permissions growing at pace. However, with continued strong demand and an increase in pre-lets and mid-lets during the year, pipeline stock is largely being taken up prior to completion. This, coupled with a slowdown in the level of site commencements, has led some commentators to question the potential for undersupply.

With planning permission currently granted for more than 600,000 sq. m. of stock it is likely that construction will continue at a controlled pace provided demand remains strong.

The much publicised lack of residential supply remains the biggest threat to the office sector, as a **lack of housing supply, coupled with high costs of rent for employees will inevitably impact on relocation decisions.** To combat this, the IDA is said to be "redoubling its efforts" in highlighting Ireland's sustainability as a location for international business, while recent changes in legislation relating to apartment development should have a knock-on effect on investment and ultimately on supply. Increased investment in build-to-rent and shared accommodation or 'co-living' in particular is also welcome.

While a significant proportion of new stock is already let by completion, older stock will be freed up for either occupation or redevelopment meaning that **undersupply is unlikely to be an issue,** at least in the short term.

## KEY PREDICTIONS FOR 2018

- Rents to remain stable €55-60 per sq. ft. with contractions to incentives continuing
- Pre-lets/mid-lets to continue to dominate pipeline activity
- Number of projects commencing on-site decreasing
- Vacancy rates to stabilise as take-up of new office stock frees up older stock
- Serviced office and co-working office space providers to continue to expand within the Dublin market with the likelihood of new entrants to the market in 2018
- Full impact of Brexit on Irish office market to become clearer as negotiations near completion

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