Mid Year
Dublin Office Market Review
2014

MARKET STATISTICS		JUNE 2014
Take Up	=	95,200 sq.m
Available Space (entire market)	=	570,000 sq.m
Vacancy Rate	=	16.25 %
Total Stock (Grade A)	=	1.12 Million sq.m
Available space (Grade A)	=	81,000 sq.m
New Completions 2014	=	0
Under Construction	=	40,000 sq.m
Total Number of Transactions	=	100
Average Deal Size	=	950 sq.m

The Office Market in Dublin is moving faster than predictions at the end of 2013 with prime headline CBD rents up 15% since the start of the year. Rents are already hitting €430 psm as the reduced supply forces tenants to compete for the best city space. Tenant incentives in the form of flexible leases and rent free periods are being eroded with 5 year break options being phased out for Grade A space.

There are deals currently under negotiation with headline rents up to €484 psm and we expect strong market evidence to emerge in the second half of the year. This will be welcome news to Landlords as the first rent reviews kick in from 2015, following the ban on upward only reviews in 2010.

The take up of office space for H1 was 95,200 sq.m which is 50% higher year on year, with the technology and financial services again the dominant market sectors. Four of the top five deals so far this year are US tech companies, including Amazon, Dropbox and Oracle. Foreign direct investment promoted by the IDA is still very important to the office sector with domestic demand not yet showing signs of real recovery, with the exception of take up by government bodies accounting for 15% of market activity.

The overall market vacancy rate is down to 16.25% from a high of 22.50% and this will continue to fall as domestic demand picks up in line with economic growth. Assuming no external shocks we expect prime city headline rents to continue their current pace of growth and be established at around €484 psm by year end, up 30% on the full year. The shortage of Grade A space in the CBD will be more acute in 2015 and tenants will look to older Grade B buildings forcing rents to rise in peripheral areas. The principal winners here will be buildings located in city fringe locations in Dublin 1/3/7/8, many of which have struggled to attract tenants to date. The oldest stock classified as Grade C (solid floors) will still not interest the majority of occupiers without significant Landlord investment to modernise.

Demand for office space is fairly constant with over 100,000 sq.m of identified demand and we expect take-up for the year to be at a similar level to 2013 at around 175,000 sq.m. If anything take-up will be constrained due to lack of supply of Grade A in Dublin 2/4, where the vacancy rate has fallen below 3.0%. There is now only one city location that can provide 10,000 sq.m+ of Grade A at Grand Canal Square and around five locations which can provide

Block 1 Clanwilliam Court, Dublin 2
Office HQ for sale – 3,000 sq.m

TOP 5 OFFICE DEALS 2014	
01	Burlington Plaza, Dublin 4. Size: 6,500 sq.m Tenant: Amazon
02	1 Park Place, Upper Hatch Street, Dublin 2. Size: 5,100 sq.m Tenant: Dropbox
03	3040 Citywest, Dublin 24. Size: 4,400 sq.m Tenant: UPS
04	The Observatory, South Docks, Dublin 2. Size: 4,230 sq.m Tenant: RIOT Games
05	Block B2 East Point, Dublin 3. Size: 2,835 sq.m Tenant: Oracle

up to 5,000 sq.m. With larger transactions taking up to nine months to complete, most of the available space is either under active negotiation or reserved. As a result the real choice for new entrants seeking 2,000 sq.m+ is very limited and getting worse.

Any shortage of quality offices will have implications for the wider economy as current and future FDI projects are dependent on a reasonable supply of modern space in the right locations. Large employers such as Google and Facebook have been able to expand in Dublin over the last three years due to the availability of suitable space on competitive terms. However this is no longer the case and will have implications for the domestic economy going forward if not addressed.

A number of speculative schemes are now underway in Dublin totalling some 40,000 sq.m and will be ready for occupation from late 2015. We would expect strong tenant demand for the new space with a probability of pre-let deals being agreed prior to completion. The market is now gearing up to supply new space as evidenced by the recent sale of a prime site on Burlington Road at 60% over the guide. This site, adjacent to the old Burlington Hotel, was sold with planning permission for about 15,000 sq.m and should be completed before the end of 2016.

Most of the existing Grade A space in the CBD will be let or reserved by early 2015 and there will be a period where tenants struggle to find space in their preferred locations, until new supply starts to feed through from 2016 onwards. To cater for this supply gap, developers will increasingly look to existing stock for refurbishment opportunities where speed to market will be the key to minimise risk. Work has already begun on site at the former Bank of Ireland Headquarters on Baggot Street (20,000 sq.m) to refurbish the existing buildings and the ongoing sale of Block 1 Clanwilliam Court (3,000 sq.m) will also provide a redevelopment or refurbishment opportunity.

With demand in the CBD running at around 80,000 sq.m annually, we estimate the market needs to supply around 30,000 sq.m of new space each year to cater for demand over the next 3-5 years. It is likely that any speculative development over the next cycle will be on a controlled basis with limited bank funding available only to experienced developers with proven track records. No new space will be required in the suburbs until current supply is absorbed, and we expect limited development in only the most popular locations such as Sandyford/Leopardstown.

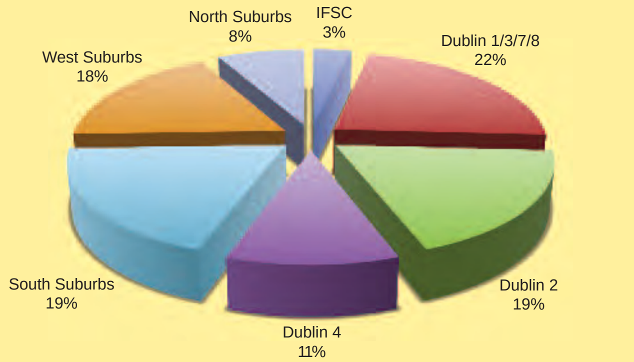
The recently designated Strategic Development Zone in the docklands will aid fast track development, with capacity to supply 300,000 sq.m plus of office space over the next decade over the 22 hectare SDZ area. Five strategic hubs have been identified at Spencer Dock, Point Village, Grand Canal Square, Britain Quay and Bolands Mills and NAMA has an interest in many of the best sites where new development is now needed to ensure a steady supply of quality space going forward.

HEADLINE OFFICE RENTS JUNE 2014		
Grade A	CBD	€430 per sq.metre
Grade B	CBD	€345 per sq.metre
Grade C	CBD	€270 per sq.metre
Suburban Grade A		€200 per sq.metre
Car Spaces:	City	€3,000 pa per space
	Suburbs	€1,500 pa per space

5/9 South Frederick Street, Dublin 2.
Refurbished offices - 2,130 sq.m

Classon House, Dundrum Business Park, Dublin 14.
High spec units To Let - 130 sq.m to 3,000 sq.m

AVAILABLE SPACE BY LOCATION



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