Mid Year
Dublin Office Market Review
2015

The office market in Dublin recorded another strong half year performance with over 108,300 sq.m of transactions up to the end of June. This compares to 95,200 sq.m for the same period last year (13.75% increase) and take up for this year should be close to 200,000 sq.m, well ahead of the long term average of 165,000 sq.m. The office market in Dublin has been the star performer in the recovery of the property sector of the last 3 years and this is particularly evident in the CBD where prime rents rose by 30% in 2014 and are expected to rise by over 20% in 2015. Pressure on prime rents has been driven by reducing Grade A supply which is now at acute levels, particularly for requirements over 2,000 sq.m.

Economic performance is a principle driver of demand for office space and the Irish economy is the fastest growing in the EU. Much of this growth is in the services sector which is positive for the office sector in Dublin as is the falling unemployment rate, which is now below 10% with the Government forecasting full employment in the economy to be reached by 2018/19.

No new office space has been delivered to the market since 2011 and only a limited number of new schemes have started to date. There are a number of refurbishment projects underway to cater mainly for smaller requirements, recycling Grade C stock with smaller floor plates. Despite much comment over the last 18 months of serious supply issues emerging in the CBD, there has been little new construction to date to satisfy growing demand. We are of the view that new speculative projects will be limited in this cycle for a number of reasons. Generally the banks are not funding schemes on commercially viable terms and there are only a limited numbers of players in a position to fund speculative offices such as REITS, Funds, private equity and high net worth individuals. The last construction cycle was dominated by indigenous builders funded by the banks, which will not be a feature of this cycle. In addition there are industry constraints due to construction firm failures during the recession and skills shortage from the severe contraction of the construction sector, which will take time to correct.

The overall market vacancy rate is now 10.15% and is expected to keep falling until new supply comes to market in 2017/18. The vacancy rate for CBD is much tighter at 5% with much of the vacant space obsolete and virtually unlettable without significant

MARKET STATISTICS		JUNE 2015
Take Up	=	108,300 sq.m
Available Space (entire market)	=	368,000 sq.m
Vacancy Rate	=	10.15%
Total Stock (Grade A)	=	1.12 Million sq.m
New Completions 2015	=	0
Under Construction (New & Refurb)	=	155,000 sq.m
Space Pre-Let	=	57,000 sq.m
Number of Recorded Transactions	=	110
Average Deal Size	=	985 sq.m

Merrion Hall, Strand Road, Dublin 4
Entire first floor (2,000 sq.m) let to OSG.

TOP 5 OFFICE DEALS 2015

01	Baggot Plaza, Upper Baggot Street, D4. Size: 12,000 sq.m Tenant: Bank of Ireland
02	Marlborough House, Irish Life Centre, D1. Size: 7,650 sq.m Tenant: HCL
03	LXV 65 St Stephens Green, D2. Size: 6,000 sq.m Tenant: Aercap
04	Stonemasons Way, Rathfarnham, D16. Size: 4,125 sq.m Tenant: CRH
05	One Kilmainham, D8. Size: 2,800 sq.m Tenant: Paraxel

investment. The vacancy rate for Grade A stock in Dublin 2 is now below 3% and the lack of 'big box' buildings to let will impact take up levels over the next 2 years. Despite the well flagged fall in availability, there is currently less than 50,000 sq.m of new build underway in Dublin 2/4 when you exclude pre-lets. There is potential for new office development in the Docklands SDZ area over the next 5 years, however much of this space may be slow in delivery or may not end up as speculative office space.

Headline rents in Dublin are currently €535 per sq.m and are expected to be established at around €590 per sq.m by year end. Lease terms have continued to harden in favour of landlords with minimum 10 or 15 year commitments becoming the market norm. Rent free concessions have been reducing with typically 3 months available for each 5 years term certain. Due to the current 'supply gap' we expect upward pressure on rents until at least the end of 2017 until potential new supply helps stabilise the market.

Foreign Direct Investment through the IDA has been hugely successful over the last 10 years with many of the leading tech firms such as Google, Facebook, LinkedIn and Twitter locating in Dublin. All of these firms started small and grew operations in Dublin where there was a steady supply of quality office space available in the right locations.

Office take up in Dublin has been dominated by the TMT sector over the last 5 years accounting for 40-50% of annual transactions. The next highest market share is the Financial Services and Professional Services sector with 30% of take-up last year. The CBD is still the most popular with over 50% of transactions this year, however lack of space is forcing occupiers to look to adjacent locations and the wider suburbs. This has been positive for locations such as East Point and Dublin 18 in particular where Green Reit are now on site to spec build 14,000 sq.m in Central Park to meet demand.

The outlook for the office market in Dublin remains positive with the Irish economy expected to keep expanding, with both main trading partners in the UK and US also in growth mode. Other positive factors such as low inflation, lower oil prices and QE are all expected to positively affect economic performance and feed through to demand for office space. Some of the risk factors for the market include lack of suitable accommodation and the knock on effect on competitiveness as prime rents keep rising. As the economy improves there is growing demand for wage hikes particularly in the public sector. There is an election next year and the Government may bow to pressure to increase its cost base while still in a deficit position.

It is important Dublin remains competitive for FDI, and increasing costs will have a knock on effect on demand for offices. Economic success is based on numerous factors including tax, stable environment, well-educated young workforce and access to Eurozone markets. This is dependent on Ireland remaining competitive and any spike in costs such as office rents could impact overseas investment.

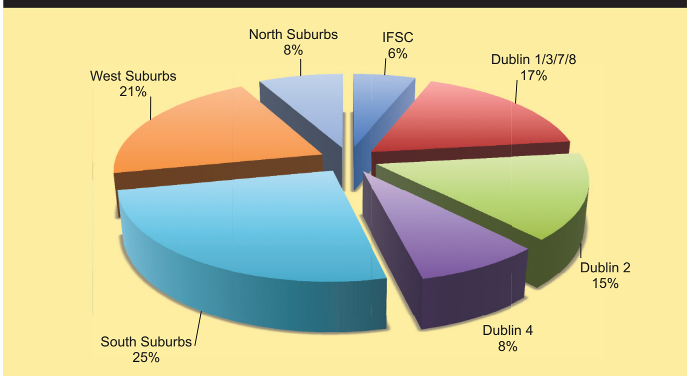
HEADLINE OFFICE RENTS JUNE 2015

Grade A	CBD	€535 per sq.metre
Grade B	CBD	€430 per sq.metre
Suburban Grade A		€270 per sq.metre
Car Spaces:	City	€3,500 pa per space
	Suburbs	€1,500 pa per space

Haddington Court, Haddington Road, D4.
Entire building to let 3,000 sq.m

Classon House, Dundrum Business Park, Dublin 14.
Entire of Classon House (7,000 sq.m) let on behalf of Green Reit Plc

AVAILABLE SPACE BY LOCATION



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