Dublin market on the up despite election fears

■ Confidence grows as prime office rents in the Irish capital are forecast to soar

BY ANDREW DON

RAINPREL/SHUTTERSTOCK

Prime office rents in Dublin are on track to hit €65/sq ft (£50/sq ft) by the end of 2016 – more than double their post-crash low – and analysts say even an uncertain outcome in Ireland's election is unlikely to dampen the positive mood in the market.

HWBC's Office Market Review for 2015, released today, shows rents for grade-A office space in Dublin jumped 22% to €55/sq ft last year.

Another double-digit increase is expected this year and HWBC has increased its forecast for rental growth to 18% for 2016. The upshot is that, by the end of this year, rents will have increased 117% in just four years.

The surge in rental growth is being driven by strong occupier demand, fuelled by a recovering economy and a lack of development since the crash.

As the Irish electorate goes to the polls today, pundits are predicting a hung parliament with a Fianna Fáil/Fine Gael coalition viewed as the most likely outcome.

However, the uncertainty has not affected the investment or lettings markets, and few expect a hung parliament to have a negative impact.

"Property investors don't like uncertainty," said Tony Waters, HWBC's managing director. "But I don't think there is major concern this election is going to change the broad positive direction of the Irish economy, which has underpinned the recovery of the property market."

Michael McElligott, managing director of Tetrarch Capital, which has an Irish property portfolio of around €500m, said any new government would be focused on keeping the recovery on track.

"We do not anticipate a new government would do anything to jeopardise the recovery that has come through so strongly in the past two years and is continuing to sustain itself this year," he said. "We would expect a new coalition will ultimately emerge during 2016 with a very strong pro-business mandate to deliver continuing stability, economic growth and job creation."

Fears Sinn Fein could gain a share of power caused some concern last year and although this is now thought unlikely, it remains a possibility if there is no clear winner and Fianna Fáil and Fine Gael fail to agree a coalition deal.

Paul Murphy, asset manager at corporate finance adviser Duff & Phelps, said if a minority government was formed with support from smaller parties "there will undoubtedly be some market uncertainty particularly in the lead-up to the incoming government's first budget".

Green REIT's fears of oversupply in Dublin subside

In another sign of the strength of the Irish property market, Green REIT reported a series of major lease extensions this week and said fears of oversupply of offices in Dublin had "abated".

In interim results published on Monday, the company revealed that lease extensions with several companies, including its biggest tenant Vodafone and Pioneer Investments, had helped increase its weighted average unexpired lease term (WAULT) by 46% from five years in June to 7.3 years. The addition of a major new tenant, Fidelity, which is paying €5.8m (£4.5m) a year on a new 12-year lease also boosted the results.

Looking ahead: Green chief executive Pat Gunne

Along with a 7% increase in EPRA net assets, the news helped boost Green REIT's shares by 6% on Monday.

The company, which currently has four speculative developments under construction, caused a stir in September last year when it warned of the potential for oversupply in the Dublin office market. However, this week, it said this was now less of a risk than it was.

"The occupier market is very healthy, with concerns about future Dublin office oversupply abating somewhat, particularly with NAMA unlikely to be involved in mass speculative development in Dublin's Docklands," it said.

International NEWS

Brunswick shifts bulk
Brunswick Real Estate has offloaded a €450m (£351m) portfolio of 97 retail, office and hotel properties in Sweden and Finland – the bulk of the remaining assets in Brunswick's Sveafastigheter Fund III – to Partners Group.

Grosvenor links to Oz
Grosvenor Group has joined forces with Propertylink in Australia to launch a new fund, Propertylink Office Partnership 3, and has acquired four properties in Sydney for AUD$94m (£48m).

So Ouest in €330m sale
Unibail-Rodamco has agreed to sell the 358,449 sq ft So Ouest office building in the Paris region of Levallois-Perret for more than €330m. It has been fully let since 2014 to SAP France and Pharmaceutical Research Associates on long-term leases.

Cresco goes 'micro'
Cresco Capital Group and LJ Partnership have bought a 70,527 sq ft property on Brunnenstrasse, near the Mauerpark area of Berlin, which will be turned into 700 'micro' apartments, aimed mainly at students. The total development value is worth around €83m.

CTP buys Prologis Park
CTP has bought the former Prologis Park Bucharest A1, now renamed CPTPark Bucharest West, for about €40m. The 1.1m sq ft business park comprises four warehouse properties plus 36 ha (89 acres) of land prepared for customer-built projects.

Sachs reaches Zenith
Goldman Sachs and Valad Europe have acquired the 25-strong Zenith portfolio of office and industrial assets in the Netherlands from Altera Vastgoed for around €217m. The portfolio totals 1.9m sq ft.

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