

# Brexit is the biggest variable for the Dublin office market in 2017

THE potential positive impact of Brexit on the Dublin office market is the biggest variable likely to impact on rental growth in 2017. As the UK looks increasingly likely to move towards a 'hard Brexit', the potential loss of financial services 'passporting rights' for London-based firms will increase the volume of potential relocations to Dublin.

While rental growth has eased from the double-digit levels of 2012 to 2015, prime office rents rose a respectable 9pc last year, and in HWBC's latest *Dublin Office Market Review* published this week, we forecast that they will grow by a similar level in 2017. The possible Brexit-related demand is hard to quantify, but recent reports of plans by investment banks Barclays and Credit Suisse to increase their Dublin presence is a positive sign that 'tyre kicking' will soon evolve into concrete commitments.

My view is that while demand may come from companies moving 100 or 200 staff, rather than moving thousands, it will still have a positive impact given the sup-



HWBC MD Tony Waters

ply constraints in the Dublin market.

Given those constraints, it is encouraging that there has been a surge in new developments, and we forecast completions in 2017 will almost double on last year, with a total of more than 2.3m sq ft of space expected to be finished.

At current levels of construction, I see no risk of oversupply as happened in previous cycles. It is a huge step for any developer to move from planning stage to building speculatively. The difficulty in securing funding is also

a self-policing feature of this cycle, which was certainly not the case prior to 2008. In fact there are already signs the market for new supply may be tapering off with a noticeable reduction in new planning applications over the second half of 2016.

Lease terms are continuing to harden for tenants across all sectors, but particularly for prime city-centre space. This is having a positive knock-on effect for city fringe locations such as Dublin 1, 7 & 8 and East Point, all seeing strong interest from occupiers seeking alternatives.

The pace of increase in city rents is also benefiting suburban locations such as Sandyford and Leopardstown where rents are typically half the city rate, but grew at a slightly faster pace in 2016. Grade-A suburban rents finished the year running at €28 per sq ft up 11pc on 2015.

The market is not without uncertainties, and having absorbed the geopolitical shocks of 2016, we now have to worry about what the UK's triggering of Article 50, Trump's moves on free trade, and the uncer-

tainties surrounding elections in France and Germany will mean for investor sentiment and risk appetite.

At home, the minority government must address the challenges in the residential property market, where lack of new supply and rental accommodation at affordable rates could have negative consequences for winning Brexit business and foreign direct investment.

Notwithstanding these risks, the market has weathered the challenges it has faced well, and with investor appetite from overseas still strong the outlook for 2017 looks positive.

*Tony Waters is managing director of HWBC which advised on several major transactions in 2016 including BVK's €630m acquisition of Liffey Valley Shopping Centre and Colony Capital's acquisition for over €450m of the Project Tolka Portfolio. A full version of HWBC's Dublin Office Market Review 2016 is available for download at [www.hwbc.ie](http://www.hwbc.ie)*