DUBLIN OFFICE MARKET

Review H1 2017

2017 HIGHLIGHTS

1.67m

Square feet of take-up recorded in 6 months to the end of June

15

the number of global financial institutions who are to set up or expand their operations in Ireland in 2017

90%

of new buildings in H1 pre-let on or before completion

Another strong 6 months for the Dublin Office Market

The Dublin Office market had another strong 6 months with take up of 1.67m sq ft recorded to the end of June, which is 55% ahead of the same period last year. The demand for space shows no sign of slowing with over 2.0m sq ft of identified tenant requirements, which excludes the additional demand now starting to emerge from Brexit related tenants. Notwithstanding the robust activity across all sectors, the market does appear to be entering a more mature phase in this cycle with prime rents showing signs of leveling off and the vacancy rate likely to bottom out at around 7.0% for the entire market.

The availability of modern space is still restricted in the CBD with new completions not yet at a level to improve supply for corporate occupiers. Virtually all the visible cranes in the docklands are for office development and the majority of new buildings are letting up during construction, with 89% of new completions this year pre-committed on or before practical completion. This high level of take up was the same in 2016 where over 90% of the buildings completed last year were pre-let with typically most tenant activity in the final 6 months of construction.

There is a total of 3.89m sq ft under construction in Dublin with around 3.15 m sq ft of this city based and the balance mainly in the south suburbs of Sandyford and Leopardstown. There is also a large scheme on-site at Dublin Airport where up to 400,000 sq ft will be developed by the DAA. The Molesworth Street

Market Statistics	H1 2017
Take Up	1.67m sq ft
Available Space (entire market)	2.89m sq ft
Vacancy Rate	7.25%
Completions 2017	0.93m sq ft
Pre-committed on PC	87%
Under Construction	3.89m sq ft
Pre-Committed	31%
Estimated Completions FY17	2.54m sq ft
Estimated Completions FY18	2.28m sq ft

CGI provided for indicative purposes only

The Sharp Building, Hogan Place, Dublin 2

New Office HQ to let 45,000 sq ft

CGI provided for indicative purposes only

Ballymoss House, Ballymoss Road, Sandyford, D18

HQ Office Redevelopment 56,500 sq ft

area is seeing a huge regeneration with three significant office buildings to be completed this year with 40 Molesworth Street (30,000 sf) securing a single let to Jet.com and One Molesworth Street signing up Barclays for 35,000 sf. The old passport office at 10 Molesworth (115,000 sf) being developed by IPUT is also rumoured to be reserved to a high profile financial tenant. With the completion of the LUAS extension in 2017, this area has transformed into a new office quarter along with the more traditional CBD locations of St Stephens Green, Earlsfort Terrace and Hatch Street.

DUBLIN, THE POST-BREXIT LOCATION FOR GLOBAL FINANCIAL INSTITUTIONS

The South Docks has continued to see considerable activity in 2017 with Grant Thornton signing contracts for a new 125,000 sf HQ which is under construction at City Quay. Most of the crane activity is concentrated on the North and South Docks with Capital Docks and Dublin Landings securing significant anchor tenants of JP Morgan and NTMA respectively. The decision by JP Morgan to expand in Dublin is the first significant Brexit related move with IDA Ireland predicting a flow of announcements later this year of high profile banks and insurance firms choosing Dublin as their post Brexit location. So far in 2017 fifteen global financial institutions such as Barclays, Citi, Bank of America and insurer Legal & General have announced their intentions to set up or expand their operations in Ireland.

The increase in prime headline rents is beginning to slow with significant deals at €62.00 psf now being achieved for the top end of the CBD market. The highest rent achieved this year is a letting to a Chinese aviation company at €70.00 psf, for a smaller penthouse suite in One Ballsbridge on Shelbourne Road. Headline rents in the CBD are likely to top out at around €65.00 psf in this cycle over the next 12 months, as new supply provides more choice for occupiers. Rents in the suburbs are a little earlier in their recovery phase and are expected to keep rising to around mid €30's psf for the best buildings. This is a similar level to the peak in 2007 and provides a lower cost alternative for those companies not requiring a city presence.

Headline Office Rents	
CBD (Grade A)	€60.00 - €62.00 per sq ft
Suburban (Grade A)	€28.50 per sq ft
Car spaces; City	€4,000 pa per car space
Car spaces; Suburbs	€1,500 pa per car space

Along with other major cities such as London and New York, the rise of the co-working trend continues in Dublin with Huckletree and the Iconic brand actively taking space in the market. The New York based WeWork are also looking at numerous sites in Dublin with a significant on-going space requirement.

With around 90% of new space being let on completion, there are no signs of the market being over-supplied in the medium term. Most of the space under construction will be completed by the end of 2018, and the level of new starts this year and next for completion beyond 2019 will be closely watched for signs of over-supply. The economy is still growing and approaching full employment levels, which is the principal driver of office demand in the financial, professional and services sectors.

New speculative construction in the suburbs will take some pressure off the CBD and provide an alternative choice for tenants. So far schemes have mainly concentrated in Dublin 18 and Citywest which are long established business hubs with extensive public transport, road and light rail infrastructure essential to attract the top occupiers. The effects of Brexit on the Dublin market are still playing out, however companies do appear to be gearing up to make decisions on post Brexit moves over the next 12 months. Dublin's main competition is Frankfurt, Paris and Amsterdam and the low supply of suitable and affordable residential accommodation in Dublin will probably cost us investments over the short term.

Three Haddington Buildings, Haddington Road, D4.
Grade A HQ building to let 20,000 sq ft

2-4 Claremont Road, Sandymount, Dublin 4
High quality refurbished offices 20,000 sq ft let to Boulder Media.

CONTACT OUR OFFICE AND BUSINESS SPACE TEAM

Paul Scannell
Director

T +353 1 77 50 527
E pscannell@hwbc.ie

Emma Murphy
Divisional Director

T +353 1 77 50 519
E emurphy@hwbc.ie

Conor Kevany
Director

T +353 1 77 50 527
E ckevany@hwbc.ie

hwbc

HWBC
80 Harcourt Street, Dublin 2
D02 F449, Ireland

T 353 1 77 50 500
E info@hwbc.ie
W hwbc.ie