HWBC

DUBLIN OFFICE MARKET

Review 2017 / 2018

MARKET STATISTICS 2017

Take Up	3.57m sq.ft	**Under Construction (Q4 2017)**	CBD: 3.5m sq.ft Suburbs: 0.48m sq ft
Available Space	2.90m sq.ft		
Vacancy Rate	7.0 %	**Estimated Completions FY 18**	2.73m sq.ft
New Completions 2017	1.97m sq.ft	**Pre-committed (Q4 2017)**	39%

Record Breaking 12 Months for the Dublin Office Market

Momentum has been building in the Dublin Office market over the last few years with pent up demand from occupiers resulting in the highest ever level of transactions recorded in 2017. Total take up for the year was 3.57m sq ft with a number of new developments under construction securing large pre-commitments from high profile names such as JP Morgan, Indeed.com and AIB. Although demand for space remains strong, it is unlikely this volume of take up will be reached again in 2018 mainly due to supply issues with fewer large schemes for completion over the next 12 months. Significant buildings likely to pre-let in 2018 include Three Park Place on Hatch Street and Bolands Quay and 1 SJRQ in the south Docks, with most of the other planned developments pushed out to 2019 and beyond.

Although this cycle appears to be entering the mature recovery phase, there are no signs of the market running out of steam anytime soon with demand well ahead of current supply levels, particularly within the CBD. Construction of new space is being scaled up in the city, but is not yet having an effect on supply levels as over 80% of new stock completed last year was reserved on or before completion.

The Dublin market is heavily dependent on Foreign Direct Investment (FDI) with the IDA continuing to outperform in

Top 10 Office Deals 2017	Size (sq ft)	Tenant
Microsoft HQ, South County, D18.	370,000	Microsoft
100 & 300 Capital Docks, D2.	216,000	Indeed.com
The Beckett East Wall Road, D3.	170,000	Facebook
Block H Central Park, D18.	152,000	AIB
Miesian Plaza, Baggot Street, D2.	143,000	OPW
200 Capital Docks, D2.	127,500	JP Morgan
LinkedIn HQ, Lad Lane, D2.	118,000	LinkedIn
10 Molesworth Street, D2.	115,000	AIB
The Atrium, Sandyford, D18.	90,000	Fleetmatics
One Ballsbridge, Shelbourne Road, D4.	75,000	Avalon

Three Park Place, Hatch St. Upper, D2
30,000 sq ft acquired for Deloitte at Three Park Place

Ballymoss House, Ballymoss Road, Sandyford, D18
HQ Office Redevelopment 56,500 sq ft

attracting overseas business to Ireland, despite stiff competition from the UK and Europe. FDI companies now employ over 200,000 people directly in Ireland with Dublin the main beneficiary as the only location of international scale. Dublin is particularly successful in attracting FinTech and Technology companies with new entrants this year including KBRA, Jet.com, ViaSat and Tecknicor. There was also considerable expansion from existing and growing companies driving take up to record levels with Facebook, Indeed.com, LinkedIn and Microsoft all taking space over 100,000 sq ft. Reliance on the success of FDI has the potential for some downside risks. Exposure to international events such as Brexit, political uncertainty in Germany and tax changes in the US have some potential to disrupt the Dublin office market.

Prime office rents are still seeing upward pressure reaching €65.00 psf in 2017 for the best space, however the majority of CBD transactions are in the €55 - €62.50 psf range. We expect prime rents to remain at these levels in 2018 with some exceptions likely for smaller suites or more flexible lease agreements. It remains a landlord's market with further hardening of lease terms expected in 2018 including reduced rent free concessions and / or break options pushed out with penalties, rather than prime headline rents continuing to rise at a similar pace to recent years.

Headline Office Rents	
CBD (Grade A)	€65.00 per sq. ft
Suburban (Grade A)	€30.00 per sq.ft
Car spaces; City	€4,000 pa per car space
Car spaces; Suburbs	€1,500 pa per car space

The improved availability of space in the suburbs is becoming an attractive option for large corporate occupiers and we see more scope for rent rises this year in the preferred locations such as Sandyford and Leopardstown. Dublin 18 has continued to attract the most interest from tenants, which was reinforced by Google's decision to establish a significant suburban hub there in 2018. In two of the largest office deals of the year, AIB pre-let the entire of Block H in Central Park (152,000 sq ft) from Green REIT and Fleetmatics are taking 90,000 sq ft in the Atrium Buildings, which were previously occupied by Microsoft. With increased tenant demand and rising rents, Dublin 18 is starting to see renewed speculative office development with over 550,000 sq ft completed in 2017 including the new Microsoft HQ in South County.

We expect greater interest from corporate occupiers to relocate to the suburbs this year as rents, lease terms and availability better suit the profile to satisfy large space requirements. We predict prime rents in the suburbs will exceed €30.00 psf by the end of 2018 as supply tightens with no significant increase in new construction until after 2019.

With strong occupier demand and pipeline of enquiries, 2018 is shaping up to be another year of growth for the Dublin Office market. New office completions for 2018 are predicted to be around 2.7m sq ft with already close on 40% of this space reserved, so new stock is still not reaching a level to affect the current market imbalance for occupiers.

The continued shortage of Grade A space is one of the factors in the rise of the co-working sector in Dublin with both WeWork and Iconic Offices in aggressive expansion mode in 2017. This market is serving the early phase Technology companies who need maximum flexibility for growth, but also increasingly the corporate market for expansion and temporary project or 'swing space'.

We are now less than 12 months from the introduction of new international accounting rules on the 1st January 2019, which will bring all property leases onto corporate balance sheets to be recorded as a liability. This is likely to incentivise certain market sectors to seek more lease flexibility and we have seen some examples of this in 2017 with companies opting for a shorter lease term initially with a right to extend, rather than the more traditional 20 or 25 year lease with tenant break option.

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

The Sharp Building, Hogan Place, D2
New Office HQ 45,000 sq ft

CONTACT OUR OFFICE AND BUSINESS SPACE TEAM

Paul Scannell
Director - Head of Offices

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