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Office building hits boom levels as demand surges

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OFFICE construction in Dublin has returned to Celtic Tiger levels.

However, despite the increase in office building, there is little evidence of overcapacity in the market, according to the latest 'Dublin Office Review' from property agent HWBC.

The demand is being driven by both tech companies and providers of co-working spaces.

A relatively new phenomenon in Ireland, co-working spaces are becoming increasingly popular with the likes of WeWork – which accounted for 15pc of the market take-up this year – and Huckletree snapping up spaces in the city centre.

The demand for space from tech, telecom and media organisations is expected to continue in the medium term, as is the trend for big tech companies to 'cluster' in their preferred area and acquire adjacent office space where available, the report finds.

"The fact that construction levels are at boom-time levels might ring the oversupply alarm bells if the continuing occupier demand in the Dublin office market wasn't so strong," said Tony Waters (inset), MD of HWBC.

Demand for office construction in Dublin is being driven by tech companies and providers of co-working spaces like WeWork

"Over 70pc of the space due for completion this year is already pre-committed to tenants. With a robust demand pipeline and well-targeted development locations, this construction cycle is very different from the previous speculative boom."

While the supply of office space is enough to meet current demand, there is a major concern around the lack of affordable accommodation for workers.

The report points to the fact that some large occupiers have looked to combine office and staff needs in the same location: for instance JP Morgan and Google have purchased office buildings at Capital Dock and Boland's Quay respectively, with substantial apartment complexes on the same site.

On the matter of Brexit, the report finds that while Dublin has recorded wins from finance and insurance firms in the UK and US, the surge in Brexit-related demand has not been the major driver of the market.

Better infrastructure and connectivity in other European cities, and the difficult residential market, are among the reasons why some companies have not included Dublin in their Brexit contingency planning, according to HWBC.

This may change, however, in the coming months as Brexit fast approaches and the outcome remains uncertain.

"The impact of companies relocating to Dublin has not been the main driver of tenant demand," said Paul Scannell, HWBC director and head of offices.

"So far over 20 companies have declared for Dublin as their post-Brexit base.

"However, we continue to face strong competition from other European cities, and the challenges in our residential market could be one of the factors that make companies look to relocate elsewhere."

Overall, prime rents in the city centre are currently at around €60 to €65 per sq ft and look set to hold that level, HWBC said.