

REVIEW AND OUTLOOK 2018/2019

OFFICE STATISTICS Q4 2018

Take Up	3.85m sq ft	Under Construction	CBD: 3.44m sq ft Suburbs: 0.6m sq ft
Vacancy Rate	Entire Market 7.2% CBD: 5.4%	Estimated Completions FY 2019	2.3m sq ft
New Completions 2018 % Pre-committed on PC	1.83m sq ft 80.0%	Pre-committed Q4 2018	52%

Mega Tech Deals Mask More Cautious Outlook From Other Sectors

2018 will go down as the year of the mega deal for the Dublin office market with Facebook pre-letting 823,000 sq ft at the ex AIB site in Ballsbridge and Salesforce finalising contracts for a new 430,000 sq ft campus in the North Docks. Google also took out the entire of the NAMA Bolands Quay mixed use development in Barrow Street adding 220,000 sq ft of office space and 46 apartments. There are also a number of TMT operators already here and expanding with several active requirements seeking space over 100,000 sq ft, mainly within the CBD. Major new job announcements are coming thick and fast for 2019 and some of the key factors contributing to the continued expansion of the tech sector is increased oversight, regulation and the introduction of GDPR in May last year.

The scale of these transactions from big technology occupiers has led to another record year of take up in Dublin with 3.85m sq. ft, surpassing last year's record of 3.6m. Although this level of pre-letting demand is very positive for the office market and wider economy, it also somewhat distorts activity on the ground where demand for smaller lot sizes is not as active. Space in the sub 30,000 sq ft range is slower to fill which reflects lower demand and a more cautious outlook from other market sectors in the financial, professional and life science sectors.

Top 10 Office Deals 2018	Size (sq ft)	Tenant
1. Bank Centre, Ballsbridge, D4	823,000	Facebook
2. Bolands Quay, Barrow Street, D4	220,000	Google
3. One Wilton Plaza, D2	153,000	LinkedIn
4. Charlemont Exchange, D2	123,000	WeWork
5. 1-6 Sir John Rogersons Quay, D2	113,000	Hubspot
6. Three Park Place, D2	112,000	IDA
7. No.2 Dublin Landings, D1	95,500	WeWork
8. One Central Plaza, D2	80,000	WeWork
9. 5 Harcourt Road, D2	59,500	WeWork
10. 2 HSEQ, Infirmary Road, D8	56,000	AIB



The HIVE Sandyford, Sandyford, Dublin 18.
New Grade A Offices To Let 73,000 sq ft. PC August 2019



The Sharp Building, Hogan Place, Dublin 2.
New Office HQ 45,000 sq ft let to Perrigo Pharma and sold to Credit Suisse

The continued growth of the co-working model is also having an impact on the market, offering a flexible alternative for companies seeking short term 'swing space' or start-ups in early growth phase and in direct competition with traditional landlords.

Prime CBD headline rents have remained stable in 2018 at €60 to €65.00 psf and we do not expect to see significant change in 2019. This is a further sign that the market is maturing in this cycle and a positive development in providing more clarity to occupiers, developers and investors on the costs and returns available. Lease terms are typically for 20 or 25 years on new or refurbished Grade A space with tenant break options generally available at the end of year 12 or 15. Tenant incentives in the form of rent free are still widely available and typically 3 months for each 5 years of term certain on the lease.

The co-working sector is likely to remain a significant player in the market in 2019 with companies like WeWork and Iconic continually expanding and looking at CBD options such as the ex-New Ireland HQ on Dawson Street and the old Clerys department store on O'Connell Street. WeWork accounted for 4 of the top 10 deals in 2018 and the co-working sector as a whole made up a significant 12% of market take up for the year. Iconic have also just opened at the old IAWS premises on Thomas Street, which is a vote of confidence in the newly developing city quarter in Dublin 8. The rapid expansion of this sector may cool somewhat this year as funders and investors re-assess risk and growth rates following the correction in global markets in Q4.

Rents in the suburbs are still in their recovery phase and we see further growth in locations such as Sandyford and Central Park with headline rents likely to reach around €35.00 psf in this cycle, slightly ahead of the last peak in 2008. Rental growth and demand is again being driven by US FDI companies taking additional space in the suburbs as an alternative location for staff. Google are already well established in Sandyford and Facebook are likely to follow suit with an on-going requirement for a significant building in the suburbs in 2019.

Supply of new space is tight in Sandyford with only 3 buildings available this year that can accommodate 50,000 sq ft +. Both Block I in Central Park (100,000 sq ft) and One South County (135,000 sq ft) are nearing completion and likely to be single or multi let. The Hive in Sandyford (73,000 sq ft) being developed by U+1 Group and Colony Capital, will be completed in August. Once these buildings are let there won't be any significant new space available in Sandyford until 2021. This will benefit other D18 locations such as Cherrywood where new construction is underway and significant investment by Hines and Spear Street is attracting new tenants to the mixed-use campus.

Headline Office Rents (Dec 2018)

CBD (Grade A)	€60 - €65.00 per sq ft
Suburban (Grade A)	€30 - €32.00 per sq ft
Car spaces; City	€4,000 pa per car space
Car spaces; Suburbs	€1,750 pa per car space

There is probably a certain degree of Brexit fatigue setting in at this stage and each passing week seems to bring more uncertainty on the outcome from Westminster. Although over 50 companies have declared for Ireland as a post Brexit location, the UK leaving the EU has had limited effect on the Dublin market to date with most requirements on the smaller scale or modest expansion of operations already here, with one or two exceptions. All this could change with a disorderly exit in March, however it appears more likely a deal will be agreed at some point whether by extension of time or otherwise, to bring much needed clarity for all market sectors and the wider economy.



CGI provided for indicative purposes only

No. Three Haddington Buildings, Haddington Road, D4
Grade A HQ building to let 20,000 sq ft. PC April 2019



Three Park Place, Upper Hatch Street, Dublin 2.
30,000 sq ft acquired for Deloitte

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