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OFFICE

PROPERTY REPORT

Lisney

Q2

2019

Office market in Numbers

TAKE-UP

26,000 sqm

Activity characterised by smaller sized deals

LARGEST DEAL

3,850 sqm

Paddy Power lease additional space in Belfield Office Park

VACANCY RATE

8.9%

Overall vacancy rate stands at 8.9%

NEW STOCK

72,700 sqm

Over 70,000 sqm of new stock due to complete by the end of 2019

Treasury Building, Grand Canal Street, Grand Canal Dock, Dublin 2. Available To Let

OVERVIEW

Total office take-up in Q2 2019 was in sharp contrast to last quarter and indeed the recent comparable quarters. However, this was expected following extraordinary activity over the last year. In addition, several units are reserved and due to close in Q3, while overall demand remains strong.

ACTIVITY

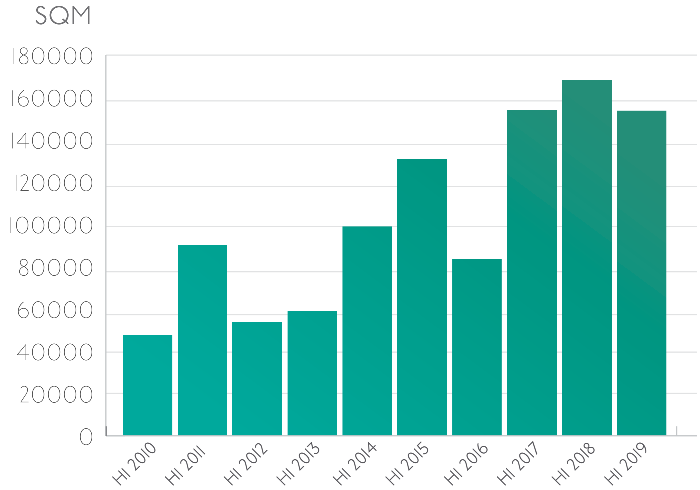
In the second quarter of 2019 the Dublin office market recorded a lower level of activity, at just over 26,000 sqm, however strong demand remains with a large volume of stock reserved. Although the volume of activity was down, the number of deals done was healthy; 41. This compares to 45 in Q1. The average sized deal for the quarter was 650 sqm, down from 2,850 sqm in Q1.

Looking at activity for the first half of the year, H1 2019 is on a par, if not stronger, than opening months in previous years. Furthermore, there is over 90,000 sqm of space reserved, with the majority due to close shortly. This bodes very well for activity levels for the second half of the year.

The city centre was the busiest region in Q2, making up two-thirds of all activity, practically all of which was on the south side of the River Liffey. The south suburbs was the next busiest region at 20% of the market, followed by the west suburbs at 11% and the north suburbs at 2%.

The largest deal over the three months was the letting of Blocks 7/8 in Belfield Office Park to Irish bookmaker Paddy Power. This is reportedly on a short-term basis while they refurbish Blocks 1, 2 and 3, which it has occupied since moving from its headquarters in Tallaght in 2011. Approximately 2,300 sqm was taken up by an aviation company in Block 1 Central Park, becoming the buildings first tenant.

DUBLIN OFFICE ACTIVITY
10 YEAR



Source: Lisney

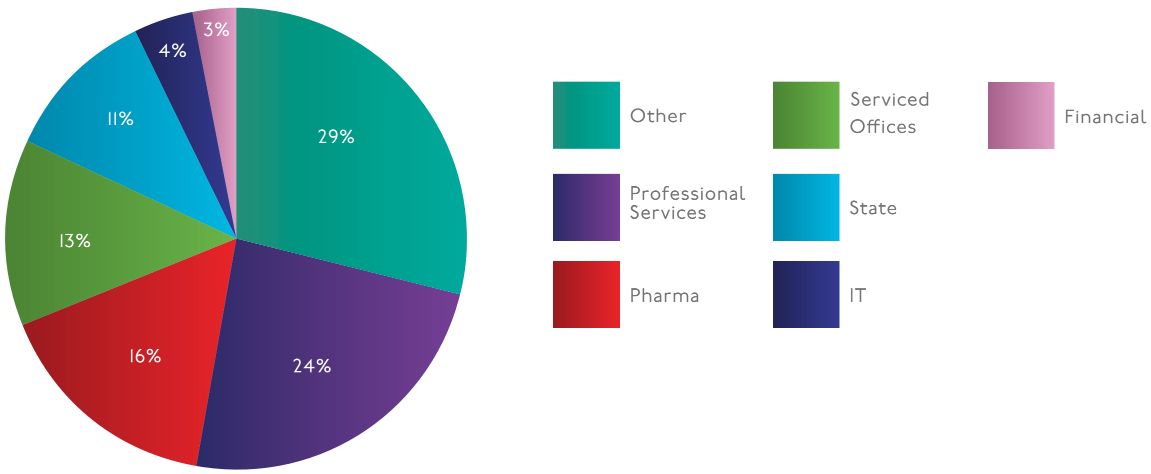
The State or State-related bodies continued the acquisition trail with four deals completed in Q2, the largest of which was the OPW taking 2,100 sqm in Phoenix House, Dublin 8 (of which it now has taken the entire).

Serviced office providers were active again in Q2, accounting for 13% of total take-up. Wework expanded further taking the fourth floor of Georges Quay House (1,700 sqm). The company now accounts for 27% of total serviced office space in Dublin overall and is reported to have several deals in the pipeline. Some of this relates to its new HQ concept, where WeWork lease large amounts of space to occupiers with minimum services from WeWork. Other serviced office providers active in the three months was Pembroke Hall, leasing 1,500 sqm in Ballast House, Westmoreland Street and Clearspace taking a small amount of space at Windsor Place.

In terms of the most active business type in Q2, the professional services sector accounted for a quarter of market take-up across 12 deals. Global research and advisory firm, Gartner, took 1,200 sqm at Two Park Place. The pharma sector was another noteworthy occupier type in Q2 with 16% of take-up. Genomics Medicine Ireland leased 1,350 sqm at Building 4, Cherrywood Business Park. Serviced office space followed with 13% of the take-up total. In contrast to the market norm, the Tech sector accounted for just 4% of activity. That said, there is a considerable volume of accommodation reserved for this sector across the remainder of the year including Amazon at Charlemont Square.

Occupier origin over the three months reversed from its usual trend, with domestic occupiers driving demand rather than international occupiers. Domestic occupiers accounted for almost 80% of activity. Of the 80% (20,600 sqm) taken by Irish occupiers, professional services accounted for one quarter of it. International occupiers leased just 5,400 sqm, of which the US accounted for 70%.

TAKE-UP BY SECTOR
Q2 2019



Source: Lisney

Stemple Exchange, Blanchardstown Corporate Park,Blanchardstown, Dublin 15. Currently Under Construction

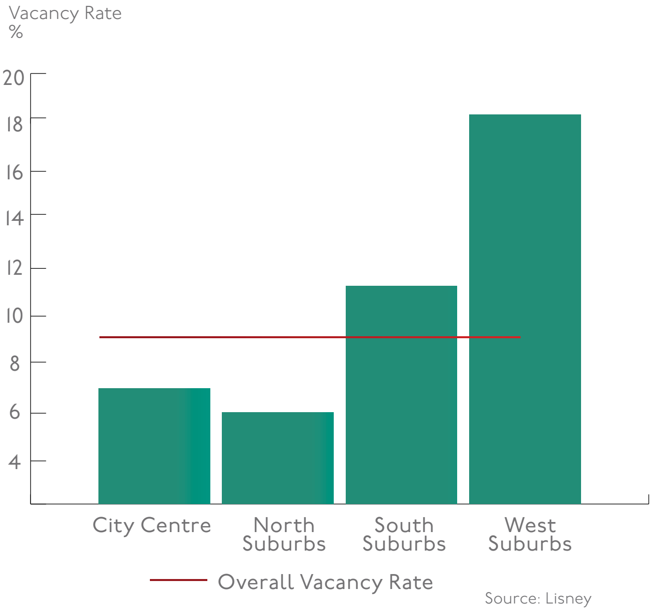
SUPPLY

At the end of June, there was over 350,000 sqm of modern office accommodation vacant across Dublin. The overall Dublin vacancy rate stood at 8.9% at the end of June, however if substandard accommodation is excluded, the vacancy rate falls to 8.1%. Given the volume of older stock in the CBD, the difference between the headline vacancy rate and the true rate in Dublin 2 / Dublin 4 was even greater, at 7.5% headline and 6.1% true.

In terms of the quality of what was vacant, 48% of supply was previously occupied, while 32% was new space, 10% sub-standard and 10% refurbished stock. The proportion of sub-standard space was higher in the city centre compared to the suburbs, at 14% and 6% respectively. The proportion of stock under refurbishment was also higher in the city centre than in suburbs, at 17% and 2% respectively.

Across Dublin, there were just 12 existing schemes with more than 5,000 sqm of accommodation available at the end of Q2 and just two schemes with more than 10,000 sqm available. The largest existing property on the market was the Seamark Building, Elm Park, Dublin 4 (16,150 sqm). This is followed by 1 Heuston South Quarter (14,250 sqm) which is now reserved.

VACANCY RATE BY REGION
Q2 2019



Source: Lisney

NEW STOCK

Just one building (2,200 sqm) completed in Q2 2019 at 10 Pembroke Place in Dublin 4. New stock coming on stream has been somewhat slower in recent months, however there are some notable schemes due for delivery later this year. In the city centre, additional floors at Bishop's Square (2,500 sqm) are due in the coming months, while Bolands Quay (19,500 sqm), 76 Sir John Rogerson's Quay (6,800 sqm) and Two Clarendon (2,800 sqm) are expected to be completed in the latter half of the year. While development activity is mostly concentrated in the city centre, there are some sizable developments due for completion in the suburbs in the year. Examples include One South County in Sandyford (12,850 sqm) and Dublin Airport Central in North County Dublin (19,250 sqm).

In total approximately 72,700 sqm of additional stock is due for completion this year. That said, 43% of this accommodation is already pre-let, reserved or sold. A further 263,450 sqm of space is under construction and due to complete in 2020 and 2021.

OUTLOOK

- Given the volume of accommodation reserved by prominent occupiers, 2019 will be another strong year for the city centre and south suburbs in terms of activity.
- Demand from international tech companies will continue with some deals already agreed. This will give confidence to developers and lead to further new construction, mainly of larger buildings.
- State backed occupiers will remain active and are likely to take further space in the short-term.
- The prime headline rental rate will increase further over 2019, however this will only be achieved on a few buildings.
- Potential increase in number of pre-lets during 2019.

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