

**CORK
MARKET
REPORT**

Q2 2020

Lisney



CORK INVESTMENT IN NUMBERS

Q2 TURNOVER

€420
MILLION

IN Q2
NATIONWIDE

H1 TURNOVER

€1.2
BILLION

IN 2020 SO FAR
NATIONWIDE

STOCK

€800
MILLION

INVESTMENT STOCK
ON THE MARKET
NATIONWIDE

CORK STOCK

€100
MILLION

OF REMAINING
STOCK IN CORK



PRINCES STREET, CORK CITY

OVERVIEW

As with all sectors of the property market in Q2, investment activity was subdued. Nationwide, investment market turnover was €430m in the three months, bringing the total for the first half of 2020 to €1.1bn.

At the end of June, there was approximately €800m of investment stock on the market nationwide, 45% of which was either agreed or in negotiation. This leaves just €435m available. Of the €800m, just over €100m is accounted for by Cork properties. However, much of this relates to Wilton Shopping Centre, which remains on the market for sale.

Investment yields remained relatively steady but with retail an exception where yields have softened. The gap between prime and secondary yields is likely to widen in the coming months as investors will focus on well-located buildings let to AAA covenants that will act as defensive investments.

CORK OFFICES IN NUMBERS

AVAILABILITY

60,700
SQM

AVAILABLE OFFICE
ACCOMMODATION
AT END OF Q2

TAKE-UP

5,000
SQM

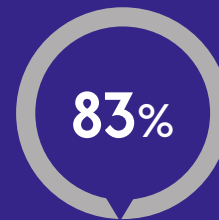
AVERAGE TAKE-UP
PER QUARTER

CONSTRUCTION

170,800
SQM

IN THE PIPELINE
WITH PLANNING
PERMISSION GRANTED

REGION



UNDER CONSTRUCTION
ACCOMODATION IN
CITY CENTRE



ACTIVITY & RENTS

Office market activity was at very low levels in Q2 given that the country was in an effective lockdown. There was just one deal completed in the Cork market in Q2, 125 sqm at 14 Anglesea Street in the city centre, which was a sale. On average, there is normally seven transactions done per quarter in the office market with take-up averaging 5,000 sqm.

Given the lack of transactional evidence and the fact it is too early to assess how the pandemic is impacting rents, prime headline city centre office rents for top quality accommodation remained steady in Q2 at €350 psm. Rental increases are driven by companies expanding or entering the market. Consequently, rental rates in the next 12 to 24 months are dependent on market demand. It is likely that FDI companies will adopt a wait and see approach in terms of assessing their occupier requirements.

AVAILABILITY

At the end of June, there was 60,700 sqm of office accommodation available, an increase of just over 13% in Q2. This was mainly due to the completion of Block B Navigation Square (7,230 sqm) during the quarter. The majority of this, 48%, was in the city centre with 30% in the south suburbs, 10% in the east suburbs, 9% in the north suburbs and 3% in the west suburbs. Grey space (or space available by way of sub-let) has not come to the market yet, but we do expect to see some over the second half of the year. The vacancy rate across all of the Cork office market was 10.7% at the end of Q2, up from 9.6% in Q2.



PENROSE DOCK DEVELOPMENT (VIEW FROM MACCURTAIN STREET, CORK CITY)

CONSTRUCTION

Most office construction sites across Cork are now back in operation after being closed for at least seven weeks. However with social distancing measures in place, completion dates will be pushed out on most schemes. In Q2, Block B Navigation Square (7,230 sqm) on Albert Quay was completed and tenants are being sought for the space. Pre-lets are being sought for Blocks C & D Navigation Square (10,389 sqm) which has not yet commenced construction.

At the end of June, there was approximately 36,750 sqm under construction across four buildings.

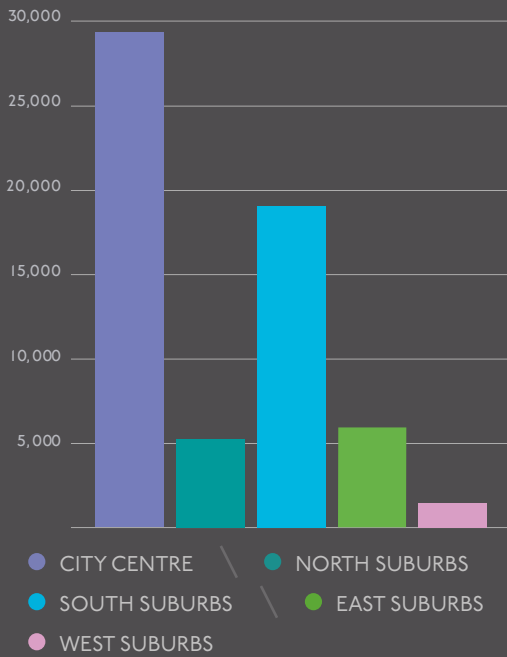
The majority of this was in the city centre and included:

- ♦ One and Two Penrose Dock (7,250 sqm and 14,900 sqm respectively) – the majority of accommodation, which is due to be completed this year, has been pre-let with occupiers including Qualcomm, Varonis, Grant Thornton and Matheson.
- ♦ Horgan's Quay (8,600 sqm) – Office Block One (along with The Dean Hotel) is at advanced stage of construction and will be completed this year, while Block Two is due to commence this year.

In the suburbs, Westfield Office Quarter in Ballincollig (6,100 sqm) remained under construction.

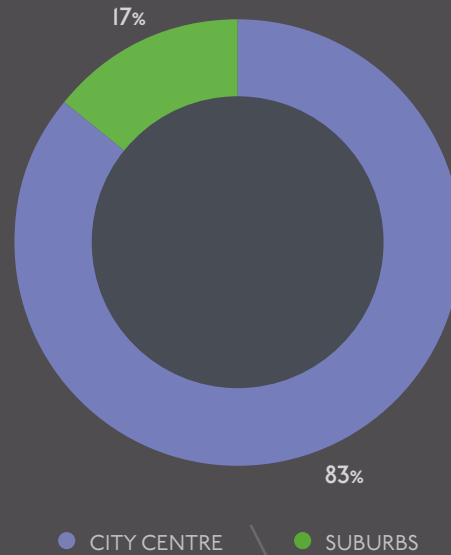
There is an additional 170,800 sqm in the pipeline with planning permission granted. 49% of this is in the city centre with the remaining 51% in the suburbs. Of note in the suburbs is Park Place (12,200 sqm), at the eastern entrance into Eastgate Retail and Business Park, Little Island where the site has been cleared and three blocks of offices are proposed.

AVAILABILITY BY REGION
Q2 2020



Source: Lisney

UNDER CONSTRUCTION
Q2 2020



Source: Lisney

OFFICE ENVIRONMENT - THE FUTURE

The office environment changed dramatically in Q2 as employees worked remotely due to COVID-19 and office space remained empty. With social distancing measures in place, offices will not be able to get back to full capacity for some time to come. Some are questioning if this will result in a structural shift in how people work; will more agile working practices be required by staff, and equally, will businesses weigh up the cost of real estate against the perceived fall-off in productivity. This will be balanced by the need to generate synergies within teams working closely in an office environment. We believe there is no one size fits all solution among and within businesses and it is too early yet to see any established, longer-term trends.

CORK INDUSTRIAL IN NUMBERS

ACTIVITY

8,300
SQM

OF SPACE
WAS TAKEN UP
DURING Q2

RENTS

€86
PSM

€8 PSF
RENTS WERE STEADY
IN THE QUARTER

VACANCY RATE



THE INDUSTRIAL
VACANCY RATE
FELL FURTHER
TO 3.6% IN Q2

SUPPLY

48,200
SQM

46% YEARLY
DECLINE IN SUPPLY



OVERVIEW

The industrial market has been the least affected property sector by COVID-19. In spite of the pandemic, approximately 8,300 sqm of space was taken up in Q2, well ahead of the previous three months (820 sqm) and in line with the long-term quarterly average (8,750 sqm). Six deals were completed in Q2 at an average lot size at 1,380 sqm. 89% of activity occurred in the south suburbs (but this is a slightly distorted figure given than it comprised the two largest transactions in Q2) with the remaining 11% of activity in the east suburbs.

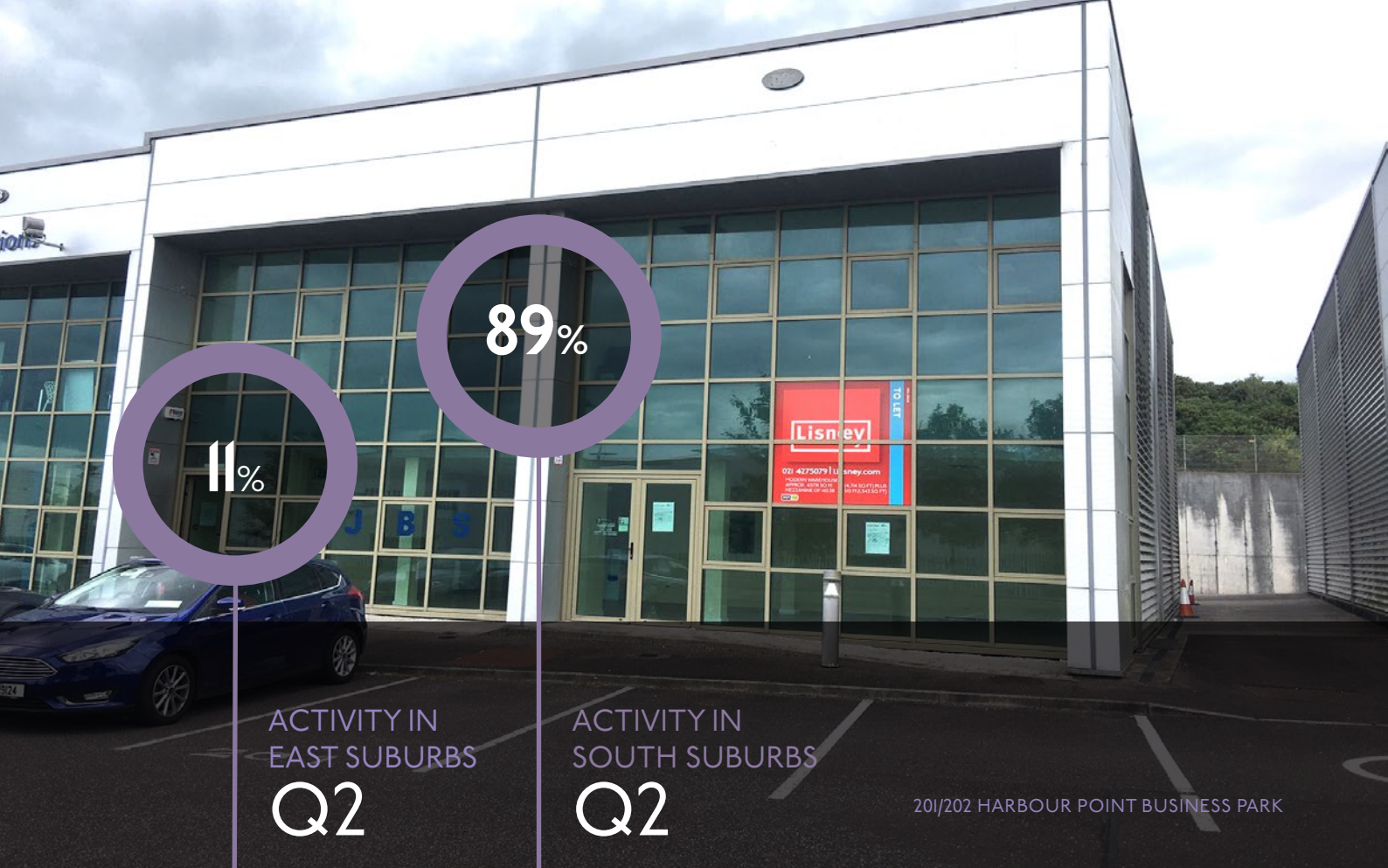
ACTIVITY

There were two sales concluded and combined, these accounted for almost 20% of the accommodation transacted. The larger sale was in University Hall Industrial Estate (1,100 sqm – south suburbs) with the other in Euro Business Park (550 sqm – east suburbs).

In terms of lettings, the largest deal of the quarter was in Ringport Business Park, Ringaskiddy in the south suburbs where MSL Engineering took 6,250sqm. This was the last remaining available unit and the business park is now fully occupied. Additionally, there were three lettings in the east suburbs ranging in size from 90 sqm to 165 sqm.

RENTAL & CAPITAL VALUE

Rental and capital industrial values in Cork remained steady in Q2. The prime headline rent was €86 psm (€8 psf) for all regions except the north suburbs where the prime headline rate was €75 psm (€7 psf). In terms of vacant possession capital values, the top rate was €860 psm (€80 psf) for the south, east and west suburbs. In the north suburbs, capital values stood at €760 psm (€70 psf).



11%

ACTIVITY IN
EAST SUBURBS
Q2

89%

ACTIVITY IN
SOUTH SUBURBS
Q2

201/202 HARBOUR POINT BUSINESS PARK

AVAILABILITY

At the end of June, there was approximately 48,200 sqm of accommodation available. Given the very strong levels of activity in Q4 2019, along with the lack of new building completions, supply has reduced by 46% in the past 12 months.

The overall Cork vacancy rate was about 3.6% at the end of Q2, the lowest on record and well below the level required for the market to move and function efficiently. However, there are variations across regions. There is no industrial accommodation available in the west suburbs and the vacancy rate in the south suburbs is just 0.8%. In the east suburbs, the rate is 6.2% while it is 8.1% in the north suburbs.

CONSTRUCTION

No new buildings completed construction in Q2. There are just two premises under construction, both in Blarney Business Park, by Progressive Commercial Construction part of the JCD Group; Unit 8002 (1,115 sqm) which is nearing completion and Unit 9003 (5,575 sqm). There is a further 14,000 sqm of accommodation (Unit 8003 and Unit 9004) with planning permission but yet to start construction.

In terms of the pipeline of proposed new schemes within the Cork city environs, there is 76,450 sqm of industrial development granted planning permission, and an additional 18,970 currently seeking permission.

In Q2, the appeal to An Bord Pleanála against permission granted for 19,000 sqm across five high-bay warehouses in Harbour Point Business Park was withdrawn. This is the most significant proposed new warehouse development in Little Island for over 10 years and is very positive for the market.

Also in Little Island, Liam Davis has been granted conditional planning permission for the construction of a building consisting of five separate units for light industrial / warehouse use. The proposed development adjoins a site where conditional planning permission has also been granted by Cork County Council to the same applicant for the construction of a warehouse of 1,196 sqm near Courtstown Industrial Estate.

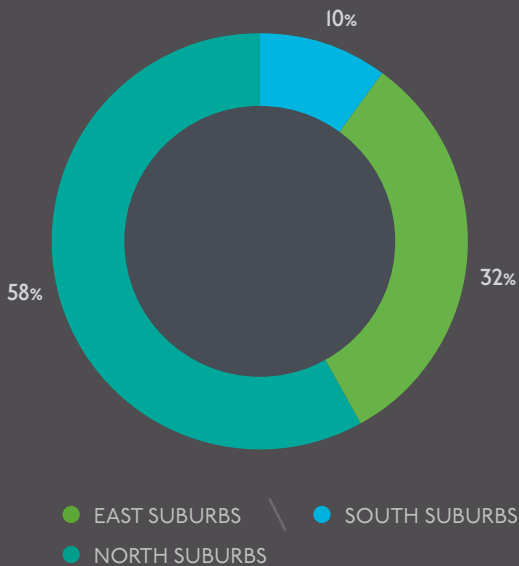
Outside of the city, approximately 20km to the north, at Watergrasshill Business Park (just off the M8), planning permission has been granted for 18,580 sqm comprising four detached high-bay warehouses.

INDUSTRIAL ENVIRONMENT – THE FUTURE

The vacancy rate for industrial property in Cork has reduced to 3.6%, which is a record low and well below the equilibrium level. With reduced activity levels due to Covid-19 and limited supply of new industrial stock, we would expect the current vacancy rate to fluctuate around this level for the remainder of 2020 and for rents and capital values to show little movement. The withdrawal of an appeal to An Bord Pleanála in relation to the development of approx. 19,000 sqm of high bay warehousing in Little Island is a positive sign for the industrial market, with site works expected to commence shortly.

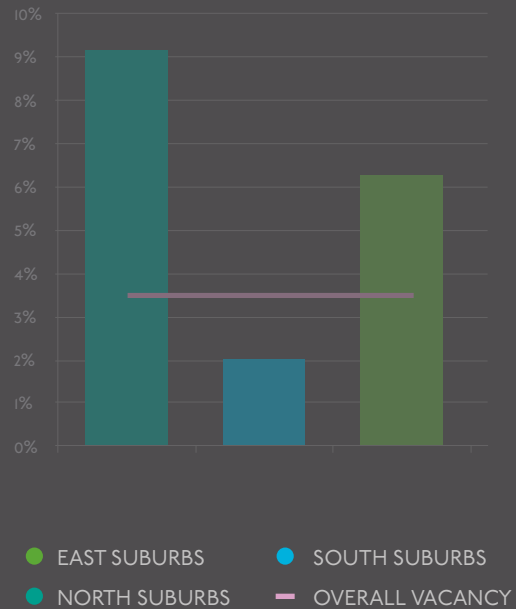
This is reinforced by the grant of planning permission of approx. 18,580 sqm comprising of four detached high bay warehouse/industrial units at Watergrasshill Business Park, and the continued development of Blarney Business Park will ensure there are design and build opportunities for large warehouse users. However it is envisaged that further speculative development will be limited for the balance of this year given the current economic uncertainty and until businesses get back to some sense of normality.

AVAILABILITY BY REGION Q2 2020



Source: Lisney

NEW BUILDING PIPELINE Q2 2020



Source: Lisney

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COMMERCIAL
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