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**CORK  
COMMERCIAL**  
PROPERTY REPORT

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Q3

2019



## OVERVIEW

The Irish investment market performed strongly in Q3 2019 with market turnover totalling €1.24bn. 4.8% of this, or €58.75m, related to Cork. While this was a healthy level of activity, it was less than Q2. One substantial deal accounting for more than half of all turnover value in Q3; a modern mixed-use investment on Half Moon Street, which sold for over €36m. Representing a net initial yield of 6.6%, the 11,000 sqm retail and office scheme was purchased by Kennedy Wilson. The prominent city centre building is almost entirely let and is currently occupied by a variety of tenants including Boots and Apple.

Private domestic investors targeted their interest on Cork's office market, which was very active in Q3. It accounted for half of the total six deals but just under €3m total turnover. While office investment led the Cork market in Q3, the retail investment sector was also active. One of the most notable deals of the quarter was Davy's acquisition of Castle West Shopping Centre in Ballincollig. The reported sale price of €18m represents a net initial yield over 10%.

The outlook for the remainder of 2019 is positive, with a number of attractive investments on the market. Several large deals are currently at an advanced stage. Park Avenue, a PRS investment on Douglas Road, is expected to contract early in Q4, also several retail units have come to the market in the last six months, including West City Retail Park, 37 Patrick Street and The Moremiles Centre in Blackpool.



# Cork Office market in numbers

## ACTIVITY



1,500<sub>sqm</sub>

A quiet quarter with five smaller-sized deals completed

## VACANCY RATE



9.5%

Vacancy remained steady

## RENTS



€350<sub>psm</sub>

Rents stable but have grown 1.7% annually

## CONSTRUCTION



66,200<sub>sqm</sub>

Four schemes under construction





Cube, Monahan Road

## OVERVIEW

Activity in Q3 has been quiet, consisting of five lettings; most of which were less than 350 sqm. South Mall remains in demand with two deals occurring there. The momentum in new office construction continues as more applications have been progressing through the planning process. A planning application for a 34-storey mixed-use development on Custom House Quay from New-York based Irish developer, Tower Holdings, has been gaining attention. If granted, the tower would become the tallest building in Ireland.

## ACTIVITY

Cork office market activity totalled 1,500 sqm across five transactions in Q3, all of which were lettings. More than half of all activity occurred in the south suburbs where two of the largest deals of the quarter took place. Over 500 sqm of accommodation across two neighbouring units in Riverview Business Park were occupied by Tandem Project Management. Also in the south suburbs, electronic components manufacturer Vishay Electronics leased 325 sqm in Cork Airport Business Park.

Two deals occurred on South Mall; 270 sqm at I South Mall has been let to O' Mahony Pike Architects while Grafton Recruitment has taken just under 150 sqm on the ground floor of 80a South

Mall, known as Hibernian House. In Little Island, activity has been subdued with a single deal transacting in Q3. A 240 sqm unit in Eastgate Village was let to Campion Insurance Brokers. The Professional Services sector dominated activity in Q3, accounting for 78% of total activity, with IT accounting for the other 22%.

## RENTS

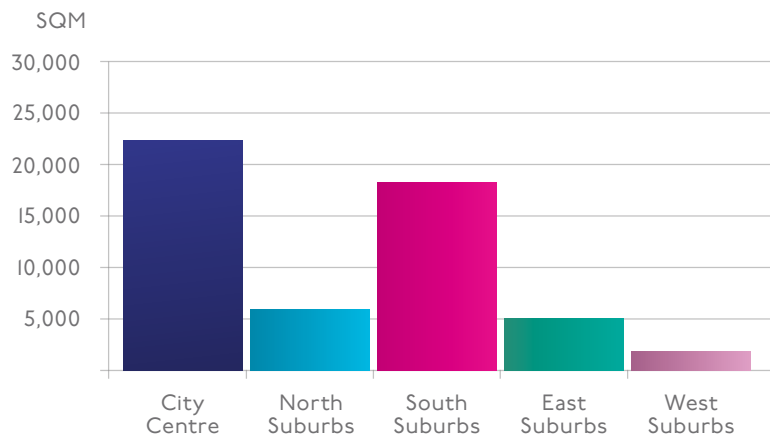
Prime city centre headline rents were stable in Q3 to stand at €350 psm (€32.50 psf) at the end of September. With greater supply of new city centre office schemes nearing completion and demanding higher rents, city centre rates are expected to stabilise in the short to medium-term. Prime suburban headline rents remained stable in Q3 for the ninth consecutive quarter, at €215 psm (€20 psf). On South Mall, rents have seen greater growth in the last few quarters. New activity in the area and several older buildings undergoing refurbishment and upgrading have been the primary source of this growth, however rents remained stable in Q3.

## AVAILABILITY

After several quarters of substantial supply falls, supply fell marginally by 0.1% in the Cork Office market in Q3 but by 26% on an annual basis. Vacancy remains highest in the city centre with 12.4% of building stock available. Supply in the city increased in Q3 as a number of units came to the market such as several offices in Courthouse Chambers on Washington Street. Availability in the north suburbs declined by 20%, with the vacancy rate declining from 10.9% in Q2 to 8.7% in Q3. In the east suburbs, supply grew slightly as the vacancy rate increased from 6.6% to 8.1%. In the west, availability remained stable and there was a marginal fall in supply in the south suburbs.

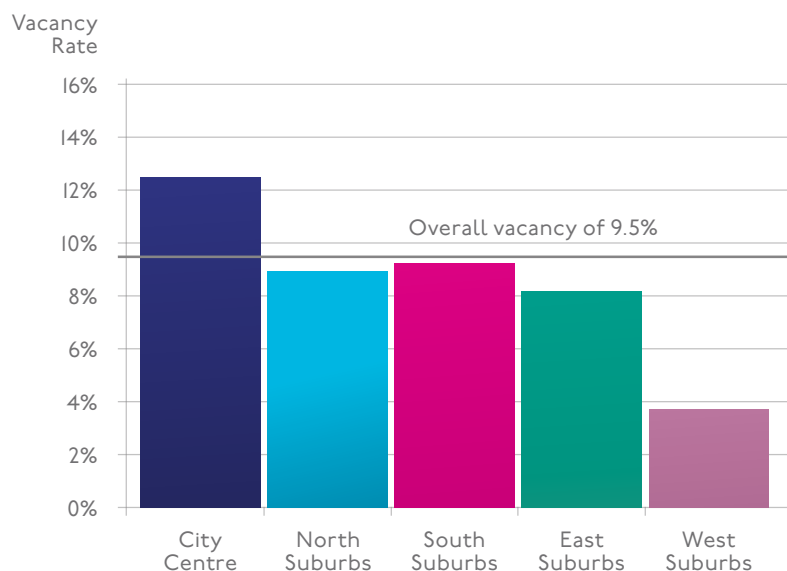
The Cube office building on Monaghan Road (formerly Phoenix House) was recently acquired by Ardú Capital in conjunction with Signal Real Estate Opportunities. Following significant investment, the building is currently available to let, with floorplates of 1,860 sqm on offer. Current occupiers in the building include Regus and Dassault Systems.

## AVAILABILITY BY REGION Q3 2019



Source: Lisney

## VACANCY BY REGION Q3 2019



Source: Lisney



HQ Development and Penrose Dock

## CONSTRUCTION

Construction of Block B of Navigation Square continues with negotiations ongoing on the 12,000 sqm building. Clearstream is now occupying the neighbouring Block A, where its official opening took place in September. A planning application was recently submitted for work on the ground floor of Block B to provide a new lobby and pedestrian access from Alfred Street.

On Penrose Quay, works are continuing on the new Penrose Dock office development, which has full planning permission for 23,000 sqm across two buildings. The lift shafts and the structural frame have been completed and the external building envelope is well advanced. Completion is scheduled for May 2020.

The HQ development on Horgan's Quay continues to take shape as the structural phase of the office element is visible and the construction of the hotel is well advanced. The first pre-let for the offices has been negotiated with Spaces. This serviced office provider is set to occupy approximately 2,800 sqm of the entire 37,000 sqm office scheme. The hotel element of the development, The Dean, is to be operated by Press Up Entertainment Group. The group operate several Dublin hotels including The Clarence, The Devlin and The Dean. A third Dean hotel is proposed for Bohermore, Galway.

Site clearance works in Little Island have completed to enable the development of Park Place, located to the eastern entrance of Eastgate Retail & Business Park. The development will comprise of 12,200 sqm of office accommodation within three blocks.

Tower Holdings is reportedly set to commence the tendering process for the construction of a 15-storey 5,575 sqm office development. Known as The Prism, the development fronts Clontarf Street and neighbours Parnell Place Bus Station. Construction is expected to commence later this year.

Tower Holdings has also submitted a planning application for the Customs House site. The proposed development will include a 34-storey hotel and conversion of the current bonded warehouse units to retail units. If granted, this development would become the tallest building in Ireland.

Cork City Council has requested further information in relation to the planning application at 40-42 Grand Parade. An application has been made to convert the former tourist office and adjacent office to a 48-room hostel comprising 284 beds.

## OUTLOOK

- Prime headline city centre office rents are stable and are likely to remain so as new city centre accommodation becomes available.
- As take-up continues to eat into availability, the vacancy rate is expected to continue to fall.
- Construction on several large office and mixed-use developments will progress further and add to the medium-term supply. Some developments in the pipeline will require pre-lets before progressing to construction stage.





# Cork Industrial market in numbers

## ACTIVITY



7,900 sqm

Strong quarter with a total of ten transactions

## SUPPLY



85,800 sqm

3.4% quarterly decline in supply

## RENTS



€85 psm

Rents have remained stable for the third consecutive quarter

## VACANCY RATE



6.5%

The industrial vacancy rate fell from 6.8% to 6.5% in Q3



Unit 17 South Ring West Business Park

## OVERVIEW

Activity was strong in Q3 with a healthy number of deals completed, three of which exceeded 1,000 sqm. The east suburbs was the primary destination for activity, accounting for almost two-thirds of all deals. New construction remained limited but growing as new planning applications enter the pipeline.

## ACTIVITY

Ten deals totalling 7,900 sqm transacted in the Cork industrial market in Q3. Lettings dominated activity, with just two sales from a total of ten transactions. Sales in Q3 included a vacant 560 sqm unit in the South Ring West Business Park and a smaller 100 sqm unit in Eastgate Way in Little Island.

Activity was strong in Little Island with two of the larger deals occurring in the area. The largest transaction of the quarter was the letting of 2,900 sqm in GB Business Park. The unit, formerly occupied by Wisetech, was taken by Hach Ireland. In Wallingstown Business Park, a 1,000 sqm premises previously occupied by GLS was let to animal nutrition producer Nutribio. Also in Little Island, an unknown neighbouring occupier has let over 850 sqm of warehouse accommodation.

In the northern suburbs, activity was healthy with three smaller and mid-sized transactions occurred in Glanmire. Two units of about 150 sqm were let in Brooklodge, one of which will be occupied by solar panel installers, PV Generation Ltd. In Sarsfield Court Industrial Estate, removal company Careline International let 650 sqm of industrial accommodation.

The second largest deal of the quarter was a letting of 1,100 sqm across two units in North Point Business Park to Daly Industrial Supply Co Ltd. Nearby in Gateway Business Park, DHL acquired over 350 sqm of warehouse space.



## RENTAL & CAPITAL VALUES

Prime industrial headline rents remained stable in Q3 for the third consecutive quarter at €85 psm (€7.90 psf). Annual growth was stronger, growing 13.3% from €75 psm (€7 psf). Rents of €85 psm prevailed across the south, east and west suburbs. The north suburbs remained the exception, at a lower rate of €75 psm (€7 psf).

Rents in the north suburbs have typically been significantly lower than rates in other areas. However this has seen some change in the last two years as northern rents have picked up and are currently only slightly lower than average. With annual growth of 7.1%, upward pressure on north suburban rents has been notable since the beginning of 2018. The completion of new warehouses at Blarney Business Park and the higher rents they demand have been the main driving force for this growth.

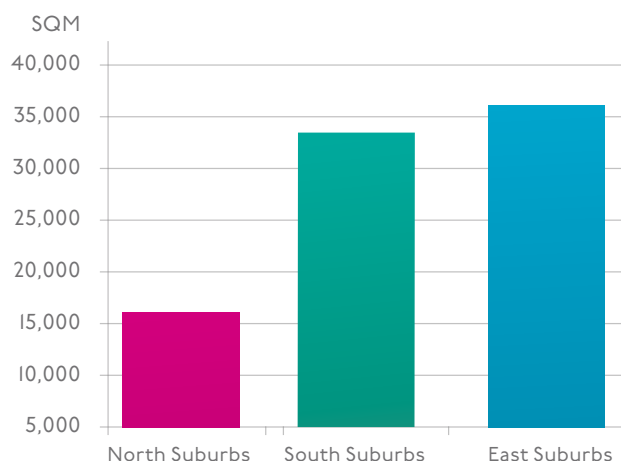
Although capital values were stable in Q3, growth has been strong on an annual basis. In the south, east and west suburbs, capital values have grown 7.3% annually to €810 psm (€75.25 psf).

The typically lower capital values in the north suburbs had the strongest growth, rising 9.3% in the year, from €590 psm (€54.80 psf) to €645 psm (€60 psf).

## AVAILABILITY

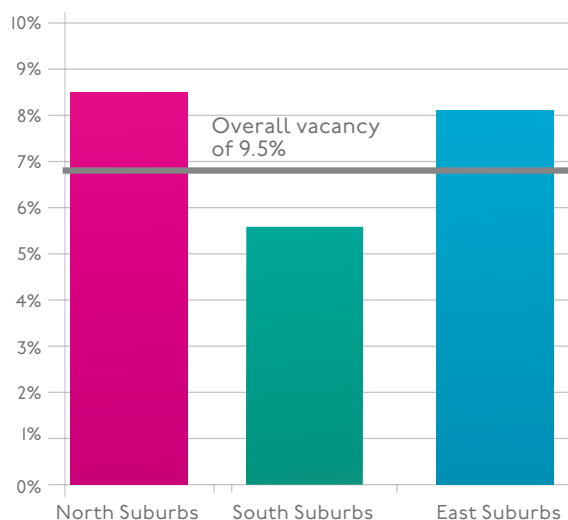
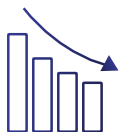
Prime warehouse accommodation to the south and east side of Cork city remained in high demand in Q3. However, supply of good quality units were in short supply. A number of smaller units in the east suburbs came to the market over the three months, however with stronger take-up than units coming to the market, overall supply continued to fall. On a quarterly basis, supply declined by 3.4%. The overall vacancy rate in the industrial market in Cork stood at 6.5% at the end of September.

## AVAILABILITY BY REGION Q3 2019



Source: Lisney

## VACANCY BY REGION Q3 2019



Source: Lisney



## CONSTRUCTION

EZ Living Furniture has opened its newly developed warehouse at Harbour Point Business Park. The high bay distribution warehouse extends to 6,100 sqm.

Construction continues on a new 5,000 sqm warehouse building in Blarney Business Park. The building is capable of sub-division into four units. The property has not yet been let and is the first speculative industrial development in Cork for a number of years. Progressive Construction, which is associated with developer John Cleary, has been granted planning permission for a 1,100 sqm warehouse unit. The warehouse will be located within Blarney Business Park with 8m eaves height and dock level loading. Cork County Council have granted conditional planning permission to Liam Davis for the construction of a 1,200 sqm warehouse. This warehouse will be located within Courtstown Industrial Estate in Little Island.

Further information has been requested by Cork County Council relating to a planning application for the construction of 19,000 sqm of warehouse space across five buildings in Little Island. The high bay warehouse accommodation in Harbour Point Business Park is one of the most significant proposed warehouse developments in Little Island for over 10 years.



## OUTLOOK

The continued increase in capital and rental values is likely to encourage further new development over the next 12 to 18 months.



Demand for smaller warehouse and light industrial units is expected to remain strong for the rest of 2019 from both owner-occupiers and investors alike.



Modern high-bay warehouse accommodation with dock-level loading is scarce and in high demand. Speculative and design-and-build development of this type of accommodation is expected to increase to meet demand and will be feasible due to rising capital and rental values.



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