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OFFICE

PROPERTY REPORT

Lisney

Q4

2019

Office market in numbers

TAKE-UP

108,700sqm

Busy quarter with annual take-up reaching over 300,000 sqm

LARGEST DEAL

41,800sqm

US tech company LinkedIn pre-let 41,800 sqm across three buildings in Wilton Park

VACANCY RATE

8.0%

Lowest vacancy level in 20 years

NEW STOCK

14,950sqm

14,950 sqm of new stock completed in Q4

Charlemont Street, Dublin 2

> "Activity in Q4 2019 was sizably larger than Q3"

OVERVIEW

Total office take-up in Q4 reached almost 109,000 sqm. This activity was much stronger than the previous six-month period. In addition, several units are reserved, while overall demand remains strong. Supply levels decreased in the quarter with the Dublin office vacancy rate dropping to 8.0%.

ACTIVITY

Activity in Q4 2019 was sizably larger than Q3, however at a lower level than in Q4 2018 (-21.6%). Although the volume of activity was up, there were several large deals completed in the three months which skewed take-up levels. The largest deal in the period accounted for almost 40% of total take-up.

In terms of the most active business type in Q4, the tech sector dominated accounting for three quarters of activity across 14 deals. The largest deal in the quarter was the pre-let of Two, Three and Four Wilton Park to LinkedIn on a 25-year lease. The 41,800 sqm of office space is being developed by Irish property company IPUT. Consequently, LinkedIn now accounts for 1.6% of all Dublin office stock.

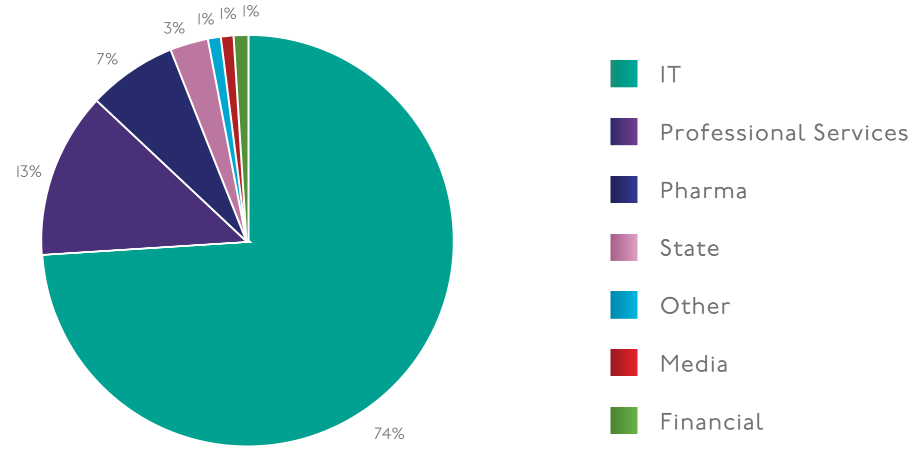
In the next largest deal, Amazon agreed to lease 15,800 sqm of office space, expanding its current Irish operations. The space is currently being developed by the McGarrell Reilly Group as part of its Charlemont Street Regeneration Project in Dublin city centre. Another sizeable deal was the pre-let of 10,500 sqm in the Cadenza building on Earlsfort Terrace, where Irish-founded tech company Intercom signed an 18-year lease.

The professional services sector accounted for 12% of activity across seven deals. The largest of these was the acquisition of the first floor of 5 Hanover Quay (2,250 sqm) by professional learning platform Gerson Lehrman Group (GLG).

The city centre was the busiest region in Q4, making up 95% of all activity, practically all of which was on the south side of the River Liffey. The south suburbs accounted for 3% of the market, the north suburbs at 1% and the west suburbs at 1%.

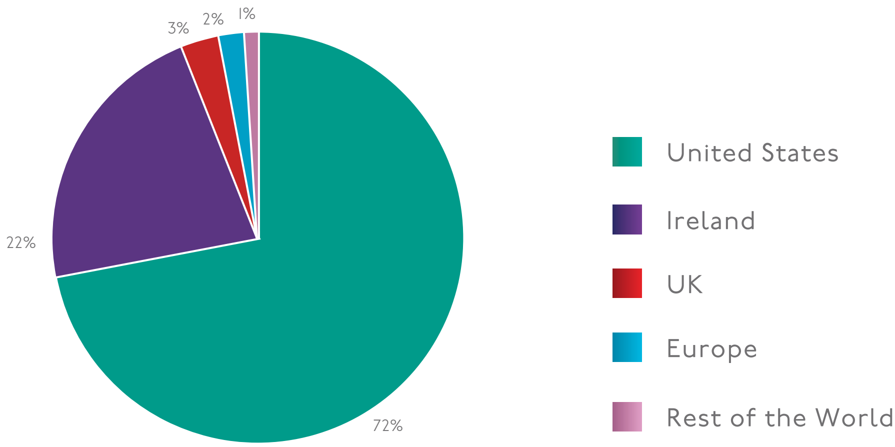
As is the usual trend of this market cycle, occupier origin over the three months was led by international companies. International occupiers accounted for 78% of activity. Of the 78% (85,200 sqm) of accommodation taken by them, the US accounted for 72% of the entire market, while the UK accounted for just 3%.

TAKE-UP BY SECTOR
Q4 2019



Source: Lisney

TAKE-UP BY OCCUPIER ORIGIN
Q4 2019



Source: Lisney

"Lowest vacancy level in 20 years"

SUPPLY

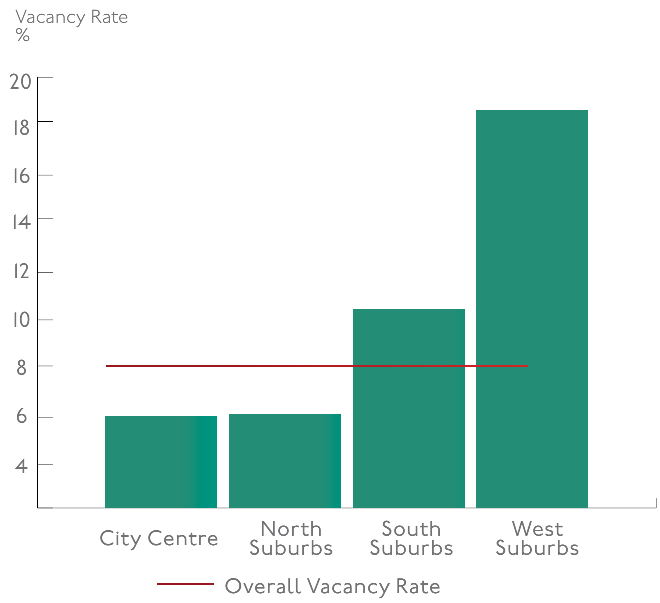
At the end of December, there was 315,050 sqm of modern office accommodation vacant across Dublin. This is a 4.0% decline when compared with Q3 and a 10.6% reduction when compared with Q4 2018.

In terms of the quality of what was vacant, 51% of supply was previously occupied, while 33% was new space, 9% refurbished and 7% sub-standard stock. The proportion of stock under refurbishment was higher in the city centre than in suburbs, at 17% and 3% respectively.

As such, the overall Dublin vacancy rate stood at 8.0% at the end of December, which is the lowest level witnessed in 20 years. Furthermore, if substandard accommodation is excluded, the vacancy rate falls to 7.4%.

The city centre vacancy rate now stands at a low 6.1%. The rates differ substantially between the suburban regions with a 6.2% vacancy rate in the north suburbs, 10.1% in the south suburbs and a much higher 18.5% rate in the west suburbs.

VACANCY RATE BY REGION
Q4 2019



Source: Lisney

NEW STOCK

Almost 15,000 sqm of new office stock was completed in Q4. In the south suburbs, Block I South County Business Park completed (12,850 sqm), while in the city centre the 500 sqm extension to Scotch House on Burgh Quay completed along with 1,600 sqm in the Wythe Building on Cuffe Street, Dublin 2. Overall, 37,500 sqm of accommodation completed across seven buildings in 2019.

New stock coming on stream has been slower over the year, however there are some notable schemes due for delivery in the short term. About 280,650 sqm of additional stock is due for completion in 2020. However, 43% (120,150 sqm) of this accommodation is already pre-let, reserved or sold. The largest scheme is Salesforce Tower at Spencer Place (43,670 sqm), the company's new European HQ. Also due to complete is 19,500 sqm at Bolands Quay, which was forward purchased by Google in 2018, along with 18,700 sqm at 4 & 5 Dublin Landings, which was acquired by the Central Bank of Ireland in 2019 and adjoins its existing HQ on North Wall Quay.

A further 150,450 sqm of space is under construction and due to complete in 2021 and 2022.

OUTLOOK

- Given the volume of accommodation reserved by prominent occupiers, 2020 will be another strong year 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 some further new construction, mainly of larger buildings.
- 2019 was a slow year for new office completions, however 2020 is set to be significantly better with over 280,000 sqm due by the end of the year.

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