



1<sup>st</sup> Quarter 2016

## Overall Market

Rental increases witnessed in the quarter

## Retail

Retail index up by 6.8% in Q1

## Office

Office rents have increased by 20.6% in the year

## Industrial

Rents were stable in Q1

## Economic Conditions

The Irish economy continued to strengthen in 2015 with national accounts figures showing growth of 7.8% in GDP and 5.7% in GNP. This was the highest annual growth rate recorded since 2000 and was the largest recorded in the euro area in 2015, almost five times the euro area average. Consumer spending was particularly encouraging and increased by 3.5% in the 12 months, while investment spending returned to peak levels, growing by 28%. This was largely due to R&D growth, which was influenced by patents being moved to Ireland by large multinationals. The exports of goods and services also rose in the year, by 15.6% in the year but government expenditure declined slightly, by 0.8%.

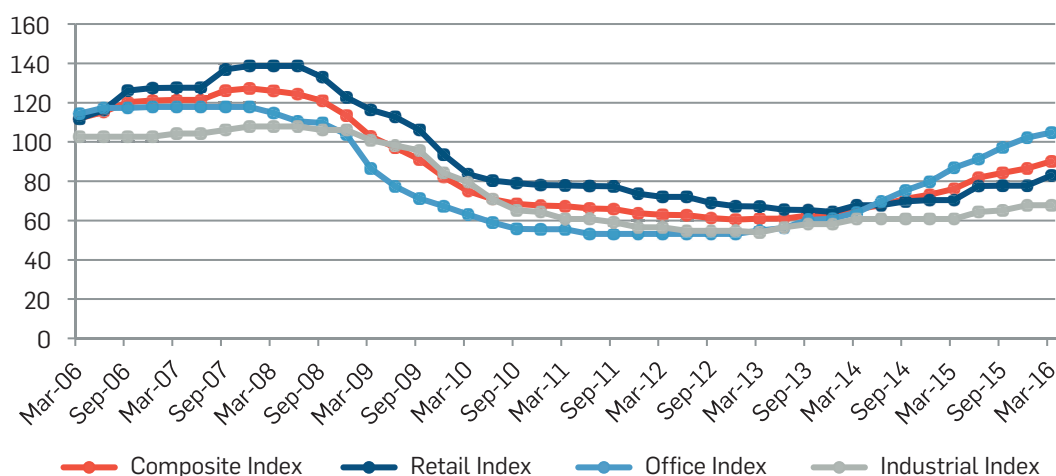
In the year to December 2015, the number of people employment increased by 2.3% (+44,100 people), which meant that there were a total of 1.98m people in employment. The number of unemployed decreased by 26,100 (-12.2%) over the period with the corresponding unemployment rate falling to 9.1% in Q4, from 10.4% a year previous. Positively, the long-term unemployment rate decreased from 5.8% to 4.7% over the year. In addition, the labour force grew by 0.8% with an additional 18,000 people on the register.

## Overall Market

Demand for commercial properties remained strong in the opening months of 2016, particularly for prime retail and office space. As a result, some notable deals occurred and rental increases were experienced. Across all sectors in key areas, vacancy rates are at low levels and with little or no new construction due to be completed this year, supply issues will remain in the short-term.

Lisney's composite index of commercial rents increased by 4.3% in Q1 2016. Growth in the index was largely driven by the retail sector, which accounted for the majority of the rental increase. In annual terms, the index grew by 18.6% and from the cycle trough in December 2012, it has grown by 49.3%. In spite of this significant growth, the index remains 29.2% off peak levels.

Index Value



Source: Lisney



Lisney Research produces a range of timely and authoritative reports on the commercial and residential property markets. The Rental Indices have been researched and compiled by Lisney Research. The establishment of the indices was carried out in conjunction with the School of Real Estate and Construction Economics at the Dublin Institute of Technology. The school is a recognised centre of excellence and the premier provider of education in real estate and construction economics in the Republic of Ireland.

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## Retail Sector

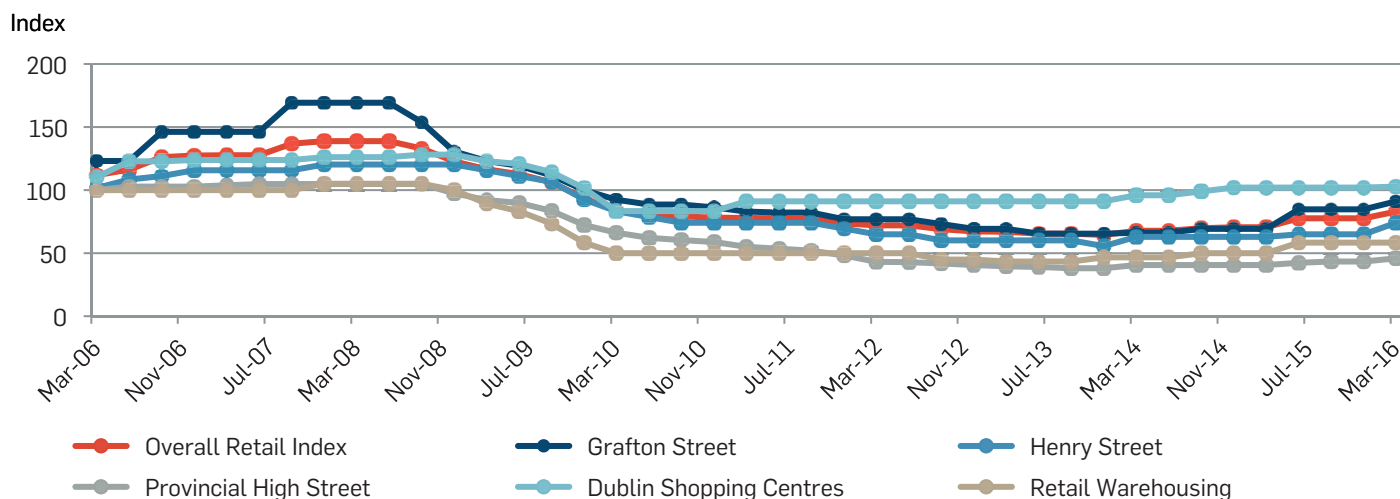
Following on from a strong 2015, the retailing environment began 2016 on a positive note. The volume and value of core retail sales (i.e. excluding motor trades) grew by 7.1% and 4.7% respectively. The KBC Bank Ireland / ESRI consumer sentiment reached a 15 year high in January but with the looming Brexit vote in the UK and prospect of prolonged political uncertainty, it fell in February and March.

Lisney's index of retail rents increased by 6.8% in Q1 and by 17.9% in the year. This is mainly due to rental increases in Dublin's prime shopping streets. The index has now risen by 28.9% since the lows experienced at the end of 2013.

A breakdown of the individual indices reveals that Lisney's Grafton Street index grew by 7.6% in Q1 while the Henry Street index grew by 14.3%. In the 12 months to

the end of March, both of these indices have seen substantial growth, rising by 31.6% and 17.7% respectively.

Also in Dublin, the index of key suburban shopping centres grew by 0.6% in the quarter, while retail parks in Dublin remained unchanged. Outside of the capital, the index of provincial high street rents grew by 6.2% in Q1 and ended March 13.2% higher than a year previous.



Source: Lisney

## Office Sector

Total take-up in the Dublin office market exceeded 44,000 sqm in Q1. This represents an 11% reduction on an annual basis and is just half the level recorded in Q4 2015. However, it was still a healthy level of activity. The vacancy rate across all Dublin regions continued to fall and for Dublin overall was 10.9% at the end of March.

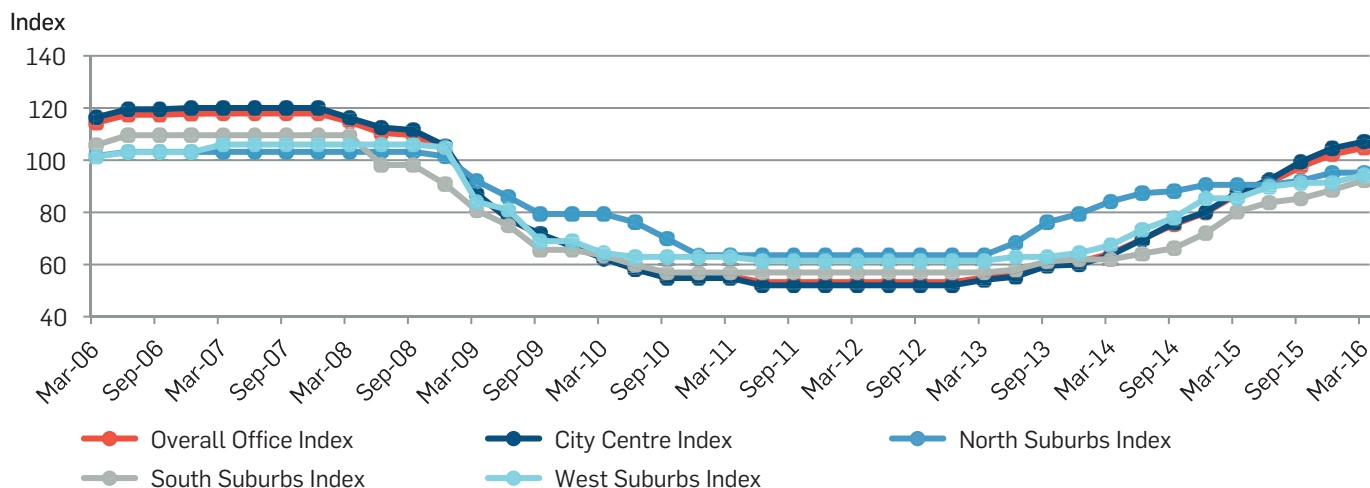
The index of overall Dublin office rents continued on its upward trajectory in the

opening months of the year, increasing by 2.6%. When compared with the same period in 2015, it was 20.6% higher. Notably, the index has increased by 96.9% in the three years from March 2013.

Focusing on individual regions, the city centre index has experienced the largest gains in recent times. It ended Q1 just 11% behind the previous peak of late 2007 and has risen by 106% since March 2013. It grew by 2.5% in the quarter, the slowest

quarterly growth rate in nine quarters. However, it should be noted that increases are now coming from a much higher base than two to three years ago and hence the percentage uplifts are smaller.

Both the south and west suburbs indices grew in Q1, by 4.1% and 3.3%. The north suburbs index remained unchanged. Since the cycle low, the indices of these office regions have grown by 62.0%, 53.7% and 50.0% respectively.



Source: Lisney

## Sectoral and Sub-Sectoral

Lisney Research

Base June 2005 =100

DATE	COMPOSITE INDEX	OVERALL RETAIL INDEX	GRAFTON STREET	HENRY STREET	PROVINCIAL HIGH STREET	DUBLIN SHOPPING CENTRES	RETAIL WAREHOUSE
Dec 11	63.76	73.67	76.92	69.44	48.13	91.15	50.00
Mar 12	62.93	72.00	76.92	64.81	42.99	91.15	50.00
Jun 12	62.74	71.98	76.92	64.81	42.78	91.15	50.00
Sep 12	61.22	68.93	73.08	60.19	41.71	91.15	45.00
Dec 12	60.39	67.28	69.23	60.19	40.64	91.15	45.00
Mar 13	60.91	67.09	69.23	60.19	39.57	91.15	43.33
Jun 13	60.89	65.50	65.38	60.19	39.04	91.15	43.33
Sep 13	62.64	65.39	65.38	60.19	37.97	91.15	43.33
Dec 13	62.40	64.40	65.38	55.56	37.97	91.15	46.67
Mar 14	65.62	67.77	66.15	62.96	40.64	95.83	46.67
June 14	67.85	67.77	66.15	62.96	40.64	95.83	46.67
Sept 14	71.12	69.79	69.23	62.96	40.64	98.96	50.00
Dec 14	73.21	70.41	69.23	62.96	40.64	102.08	50.00
Mar 15	76.04	70.41	69.23	62.96	40.64	102.08	50.00
June 15	81.75	77.61	84.62	64.81	42.25	102.08	58.33
Sept 15	84.33	77.71	84.62	64.81	43.32	102.08	58.33
Dec 15	86.49	77.71	84.62	64.81	43.32	102.08	58.33
<b>Mar 16</b>	<b>90.18</b>	<b>83.01</b>	<b>91.08</b>	<b>74.07</b>	<b>45.99</b>	<b>102.71</b>	<b>58.33</b>
3 Month Change %	4.27	6.81	7.64	14.29	6.17	0.61	0.00
6 Month Change %	6.94	6.81	7.64	14.29	6.17	0.61	0.00
9 Month Change %	10.31	6.96	7.64	14.29	8.86	0.61	0.00
12 Month Change %	18.60	17.88	31.56	17.65	13.16	0.61	16.67

DATE	OVERALL OFFICE INDEX	CITY CENTRE	NORTH SUBURBS	SOUTH SUBURBS	WEST SUBURBS	OVERALL INDUSTRIAL INDEX
Dec 11	53.19	52.01	63.49	56.92	61.38	56.52
Mar 12	53.19	52.01	63.49	56.92	61.38	56.52
Jun 12	53.19	52.01	63.49	56.92	61.38	54.78
Sep 12	53.19	52.01	63.49	56.92	61.38	54.78
Dec 12	53.19	52.01	63.49	56.92	61.38	54.78
Mar 13	54.94	54.12	63.49	56.92	61.38	53.91
Jun 13	56.23	55.29	68.25	58.00	62.87	56.52
Sep 13	60.31	59.48	76.19	61.24	62.87	58.26
Dec 13	60.92	59.95	79.37	61.96	64.37	58.26
Mar 14	64.12	63.49	84.12	61.96	67.36	60.87
June 14	69.70	69.58	87.30	64.12	73.35	60.87
Sept 14	75.36	75.91	88.09	66.28	77.84	60.87
Dec 14	79.78	80.12	90.47	72.05	85.32	60.87
Mar 15	86.87	87.62	90.47	80.22	85.32	60.87
June 15	91.29	92.31	90.47	83.83	89.82	64.35
Sept 15	97.38	99.34	92.06	85.37	91.32	65.22
Dec 15	102.12	104.49	95.24	88.61	91.32	67.83
<b>Mar 16</b>	<b>104.74</b>	<b>107.07</b>	<b>95.24</b>	<b>92.22</b>	<b>94.31</b>	<b>67.83</b>
3 Month Change %	2.57	2.47	0.00	4.07	3.27	0.00
6 Month Change %	7.55	7.79	3.45	8.15	3.27	4.01
9 Month Change %	14.74	15.99	5.27	10.01	5.00	5.41
12 Month Change %	20.57	22.19	5.27	14.95	10.53	11.44

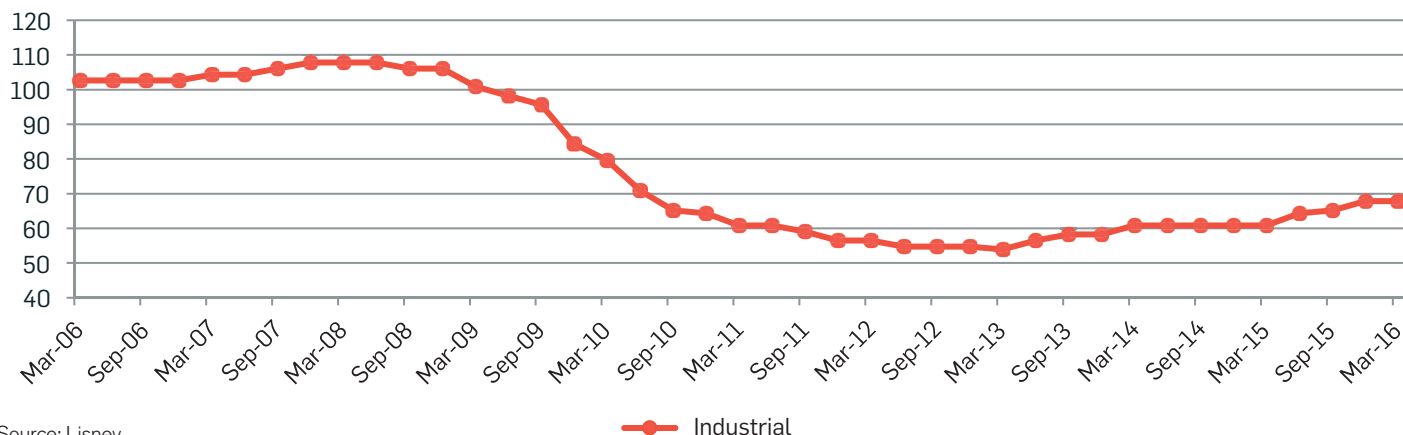
## Industrial Sector

The strong activity witnessed in the Dublin industrial market over the past two years, continued into 2016 with almost 61,000 sqm of accommodation taken-up. The amount of available accommodation

continued to diminish in Q1 and as a result, so too did the vacancy rate. Following rental pressure in the closing quarter of 2015, rents were stable in Q1. However, in the year to the end of March,

the index had increased by 11.4% and since the cycle low, had grown by 25.8%.

Index



Source: Lisney

Industrial

## Lisney Rental Index - Historical (June 05 = 100)

DATE	RETAIL	OFFICE	INDUSTRIAL	OVERALL
Dec 2001	51.73	110.09	100.07	84.17
Dec 2002	59.26	101.06	98.52	84.14
Dec 2003	74.04	96.81	96.55	88.87
Dec 2004	96.29	96.81	98.52	97.29
Dec 2005	110.74	105.80	100.00	107.69
Dec 2006	127.46	117.79	102.61	121.10
Dec 2007	138.72	117.89	107.83	127.30
Dec 2008	122.76	103.76	106.09	113.49
Dec 2009	93.60	67.31	84.35	82.16
Dec 2010	78.03	55.57	64.35	67.68
Dec 2011	73.67	53.19	56.52	63.76
Dec 2012	67.28	53.19	54.78	60.39
Dec 2013	64.40	60.92	58.26	62.40
Dec 2014	70.41	79.78	60.87	73.21
Dec 2015	77.71	102.12	67.83	86.49
Mar 2016	83.01	104.74	67.83	90.18

**Please note:** Lisney first produced commercial rental indices in 1970. This index series was discontinued following the release of the Q2 2004 publication. A new index series based on a different set of data commenced in Q2 2005, i.e. the current index series. As an indicative exercise to provide some continuity between the old and the new indices, they have been chain linked and the results are set out in the table above.

**Disclaimer:** The Lisney Commercial Rental Indices are derived and published solely for information purposes as a means of tracking the commercial property rental market. They are not derived for the purpose of valuation and should not be used as such. Lisney bears no liability for any losses, damages, costs or expenses suffered by any person as a result of any reliance on this information.

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