

# Q4

## THE LISNEY RENTAL INDICES



The Difference



### Economic Environment

The latest national account figures from the CSO for Q3 2017 were again very positive. GDP grew by 4.2% in the quarter and 10.5% in the year. In the first three-quarters of the year, GDP was up 7.4% on average on the same period last year, leaving it very well placed to top the EU growth league table for the fourth year running. Stripping out the multi-national sector, GNP was up 11.9% in the quarter and 11.2% in the year. On the expenditure side, consumption (which accounted for 51.7% of domestic demand) increased by 2.7% in the year; the best performance since Q2 2016.

The most recent labour market figures published by the Central Statistics Office for Q3 2017 showed a solid pace of Irish employment growth, now

closing in on its previous peak levels. In the year to Q3, Irish employment increased by 2.2%, (+48,100 people), according to the Labour Force Survey. As a result, there were a total of 2.2m people in employment at the end of September. Positively, there continues to be a shift from part-time to full-time jobs, with full-time jobs growing by 6.9% in the year. This is the fastest growth seen within this cohort, with data dating back to 1998.

In December 2017, inflation measured by CPI, increased by 0.4% in the year. The most notable contribution to the rise in the year was the increase in Housing, Water, Electricity, Gas & Other Fuels (0.52%) while the most notable decrease was in Clothing & Footwear (-0.19%).

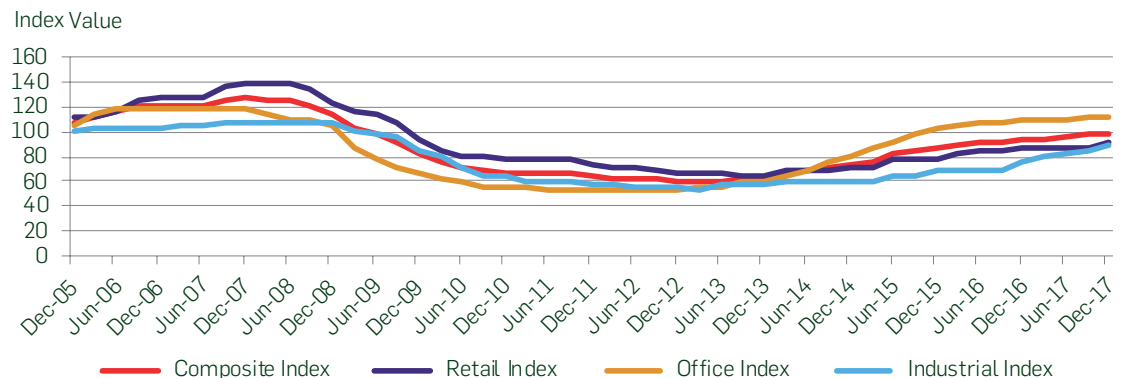


### Overall Market

The final quarter of the year was busy in the commercial property market. Offices experienced its busiest quarter on record with take-up reaching 137,550 sqm, while industrial activity was also strong reaching almost 79,000 sqm. The retail market continued to experience low levels of vacancy in prime areas with the F&B sector leading demand.

The Lisney composite index of commercial rents increased by 4.2% in 2017; this compares to a rise of 8.5% in 2016. The rise in the index was largely driven by increasing rental levels in the industrial sector but the slowdown from 2016 is due to the maturing office market and hence the slower pace of rental growth. From the cycle trough in December 2012, this index has increased by 62.0% but remains 23.2% behind peak levels.

Composite Rental Index, Q4 2017



Source: Lisney



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.



## Retail Sector

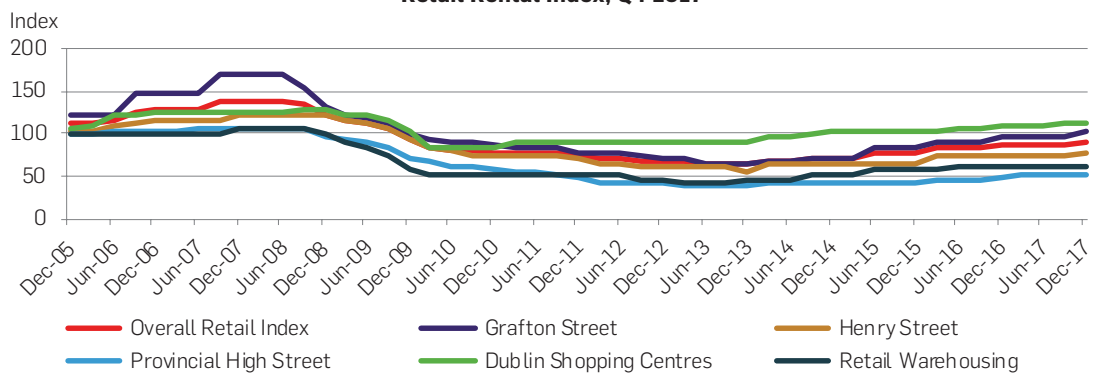
The uncertainty of Brexit impacted UK retailers in 2017, many of whom have taken the decision to hold off expanding into the Irish market until there is a greater understanding of how Brexit will affect trade. The number of unoccupied units did not change much during the year and any turnover of tenancies was mainly with existing retailers who were expanding operations. However, the main indicators are generally pointing in a positive direction.

The Lisney overall index of retail rents rose by 3.6% in 2017, which compares to a 12.2% increase last year. The index was still 34.9% below its 2007 peak level, however had increased 40.3% since 2013.

In terms of the prime retail streets in Dublin city centre in the year, the Grafton Street index grew by 5.5%, while the Henry Street index grew by 3.9%. These indices have grown by 46.8% and 39.1% respectively since the end of 2012 but remained 39.9% and 35.8% off the previous cycle high at the end of December.

In relation to the suburbs, the index of rents in prime Dublin shopping centres was unchanged in Q4 but grew by 1.9% in the year. However the index remained 12.6% below its highest point in 2007 at the end of 2017. Outside of Dublin, the index of rents on provincial high streets was unchanged in the quarter but grew by 5.5% annually.

**Retail Rental Index, Q4 2017**



Source: Lisney



## Office Sector

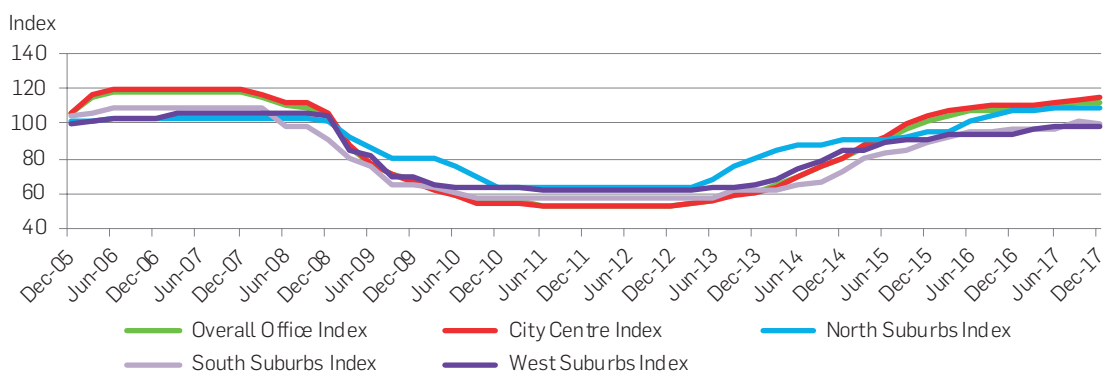
The Dublin office market experienced another robust year, with activity at an exceptional level. The supply of office space remained low throughout the year, with vacancy rates in the city centre particularly depleted. Positively, construction of new office buildings continued in 2017 and gathered pace with each passing quarter. 2017 will represent the largest amount of new office completions since 2009.

The Lisney index of overall Dublin office rents was unchanged in Q4 and by 3.8% in the 12 month period. At the end of Q4, the index was just 4.6% off

its previous cycle peak (2007), having increased by 111% since early 2013.

Focusing on the various sub-indices, the city centre index increased by 0.2% in Q4 and by 4.0% in 2017. Meanwhile, all of the suburban regions were relatively static in the final months of the year but did experience growth over the year. The south suburban region saw the index rise by 3.3%, the north suburban region by 1.5% and the west suburban region rose by 4.8%.

**Office Rental Index, Q4 2017**



Source: Lisney

**Sectoral and Sub-Sectoral** Base June 2005 =100

Date	Composite Index	Overall Retail Index	Grafton Street	Henry Street	Provincial High Street	Dublin Shopping Centres	Retail Warehouse
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
Mar 16	90.18	83.01	91.08	74.07	45.99	102.71	58.33
Jun 16	92.17	83.81	91.08	74.07	46.52	104.17	61.67
Sep 16	92.48	83.81	91.08	74.07	46.52	104.17	61.67
Dec 16	93.85	87.23	96.36	74.36	48.66	109.90	61.67
Mar 17	94.26	87.36	96.36	74.36	51.34	109.90	61.67
Jun 17	95.26	87.36	96.36	74.36	51.34	109.90	61.67
Sep 17	97.06	87.87	96.36	74.36	51.34	111.98	61.67
<b>Dec 17</b>	<b>97.82</b>	<b>90.35</b>	<b>101.64</b>	<b>77.27</b>	<b>51.34</b>	<b>111.98</b>	<b>61.67</b>
3 Month Change %	0.78	2.82	5.48	3.91	0.00	0.00	0.00
6 Month Change %	2.69	3.43	5.48	3.91	0.00	1.90	0.00
9 Month Change %	3.77	3.43	5.48	3.91	0.00	1.90	0.00
12 Month Change %	4.23	3.58	5.48	3.91	5.49	1.90	0.00

Date	Overall Office Index	City Centre	North Suburbs	South Suburbs	West Suburbs	Overall Industrial Index
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
Mar 16	104.74	107.07	95.24	92.22	94.31	67.83
Jun 16	107.41	109.53	101.59	95.41	94.31	69.39
Sep 16	107.89	109.95	104.76	95.41	94.31	69.39
Dec 16	108.31	110.08	107.93	96.49	94.31	75.95
Mar 17	108.67	110.36	107.93	96.49	97.30	79.21
Jun 17	109.93	111.60	109.52	97.56	98.80	83.04
Sep 17	112.39	114.20	109.52	100.77	98.80	85.13
<b>Dec</b>	<b>112.43</b>	<b>114.47</b>	<b>109.52</b>	<b>99.70</b>	<b>98.80</b>	<b>88.39</b>
3 Month Change %	0.04	0.24	0.00	-1.06	0.00	3.83
6 Month Change %	2.27	2.57	0.00	2.20	0.00	6.45
9 Month Change %	3.46	3.73	1.47	3.33	1.54	11.59
12 Month Change %	3.81	3.99	1.47	3.33	4.76	16.37



## Industrial Sector

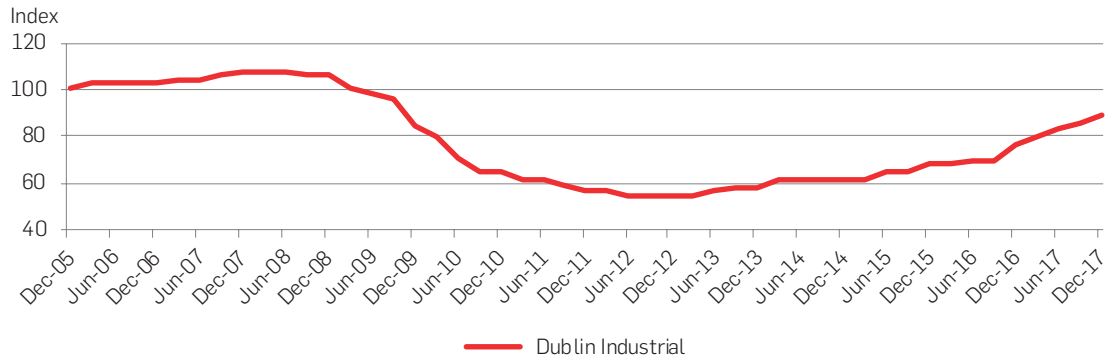
Activity levels reached 244,450 sqm in 2017 with almost 79,000 sqm of this occurring in the final quarter. The Q4 figure represents an increase of 70% on that of Q3 and the majority of transactions were lettings rather than sales; 56% of the total. Supply levels increased marginally by 0.3% in Q4. As a result, the Dublin vacancy rate was unchanged and stood at 11.5%.

The Lisney industrial index rose significantly in 2017,

increasing by 16.4% in the year. At the end of December 2017, the Dublin industrial index had increased by 64.0% since the cycle low in 2013 and was 18.0% behind its cycle peak.

A breakdown of regions reveals that all locations recorded both quarterly and annual increases. In Q4, the southwest index grew by 2.5%, the northwest by 6.5%, the north by 3.9% and the south by 2.7%.

Industrial Rental Index, Q4 2017



Source: Lisney

Lisney Rental Index - Historical (June 05 = 100)

Date	Retail	Office	Industrial	Overall
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
Dec 2016	87.23	108.31	75.95	93.85
Mar 2017	87.36	108.67	79.21	94.26
Jun 2017	87.36	109.93	83.04	95.26
Sep 2017	87.87	112.39	85.13	97.06
Dec 2017	90.35	112.43	88.39	97.82

**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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