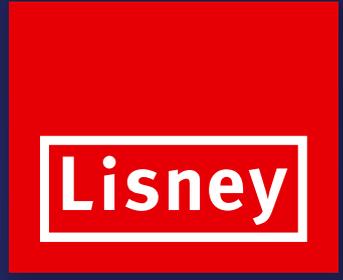


**CORK
MARKET
REPORT**

Q3 2020



CORK INVESTMENT IN NUMBERS

TURNOVER

< €10
MILLION

YTD 2020 IN CORK
JUST 6 DEALS

TURNOVER

€700
MILLION

IN Q3
NATIONWIDE

STOCK

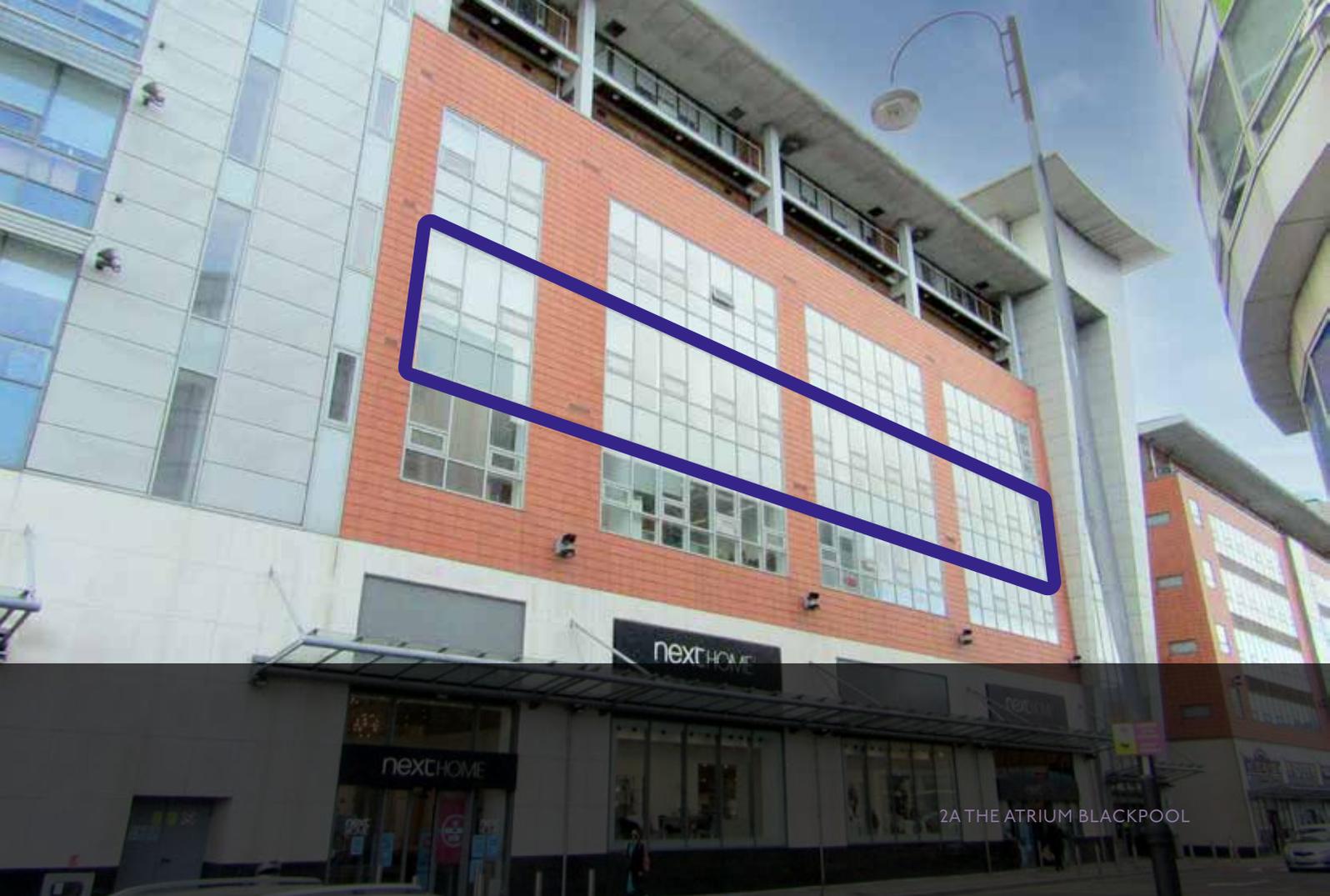
€1.9
BILLION

INVESTMENT STOCK
ON THE MARKET
NATIONWIDE

CORK STOCK

€97
MILLION

INVESTMENT STOCK
ON THE MARKET
IN CORK



2A THE ATRIUM BLACKPOOL

OVERVIEW

Nationwide, almost €700m worth of investment property transacted in Q3, however none of this was in Cork. For the nine months to the end of September 2020 Irish investment market turnover reached €1.8bn. Almost €10m of this relates to six deals in Cork, the largest of which was the €5.6m sale of Aldi in Carrigtwohill to French investment fund Corum in Q1. The other five investment sales in the first half of the year in Cork were to domestic investors.

At the end of September, there was approximately €1.9bn of investment stock on the market nationwide, 20% of which was either agreed or in negotiation. In Cork, a combined total of €97m worth of investment assets were available, however the majority of this related to Wilton Shopping Centre, which remains on the market for sale.

The performance of investment yields is mixed. Prime offices and industrial remained steady in Q3 while retail yields and some more secondary office yields softened. The gap between prime and secondary yields is likely to widen further in the coming months as investors focus on well-located buildings let to AAA covenants that will act as defensive investments.

CORK OFFICES IN NUMBERS

AVAILABILITY

72,300
SQM

AVAILABLE OFFICE
ACCOMMODATION
AT END OF Q3

TAKE-UP

5,730
SQM

Q3 TAKE-UP
ACROSS 9 LETTINGS

CONSTRUCTION

146,000
SQM

IN THE PIPELINE
WITH PLANNING
PERMISSION GRANTED

REGION



UNDER CONSTRUCTION
ACCOMODATION IN
CITY CENTRE



PENROSE DOCK

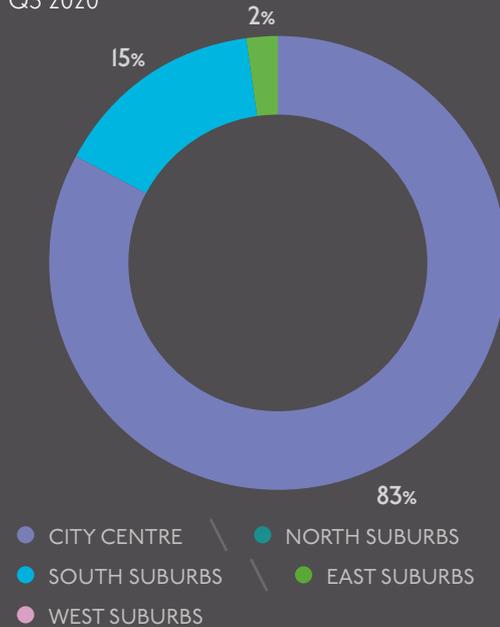
ACTIVITY & RENTS

Office market activity improved significantly in Q3 2020 following a record low level the previous quarter as a result of the lockdown during part of March, April and May. In the three months to the end of September, 5,730 sqm of accommodation was taken up across nine individual lettings. The majority of activity (83% / five deals) occurred in the city centre with three deals in the south suburbs accounting for 15% of activity and one letting in the east suburbs accounting for the remaining 2%.

The top three largest deals in Q3 were all in Penrose Dock in the city centre. In Penrose Two, Cloudera, a US tech company, took the 5th floor comprising 1,955 sqm. The 3rd and 4th floors in Penrose One were also taken, totalling a combined 2,330 sqm. In the suburbs, the south was the busiest with 860 sqm transacted across three deals; Cork company MBC Insurance took 280 sqm in Cork Airport Business Park, SynLab took 220 sqm in Dosco Business Park and Joda Engineers took 360 sqm in SIAC House at Ballycureen Cross. In the east suburbs, RMPR Agency took 100 sqm in Little Island.

Given the lack of transactional evidence in the last six months 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 Q3 at €350 psm. Rental increases are driven by companies expanding or entering the market. Consequently, rental changes in the next 12 to 24 months are dependent on market demand.

TAKE-UP BY REGION Q3 2020



Source: Lisney

DEMAND

With the easing of lockdown restrictions in June, office buildings began to regain some occupancy in Q3, but at significantly reduced levels due to social distancing requirements. The majority of office employees continued to work remotely with some alternating between the office and home. This is expected to continue into 2021 and will affect occupier demand in the short to medium-term.

While occupier demand is present, the market is in somewhat of a hibernation. Understandably, most businesses are adopting a wait-and-see approach until they have a better understanding of the impact of COVID-19 on their long-term space requirements. It will be difficult for decision makers to opt to proceed with deals in the short-term as any space taken may not be occupied in any meaningful way for nine months to a year.

SUPPLY

At the end of September, there was 72,300 sqm of office accommodation available across the Cork metropolitan area. This is an increase of 19% compared to three months previous and an annual increase of 36%. The quarterly increase was driven by the completion of Penrose Dock and the fact that some accommodation was not taken prior to completion adding to supply levels. Additionally, a large building in the University Technology Centre at Curraheen also came to the market, and construction of Block B Navigation Square has recently been completed and become available to let. Almost half of all available accommodation was in the city centre with the south suburbs making up 25% and the north, east and west accounting for the remaining 25%.

The overall vacancy rate in Cork at the end of September was 12.1%, up from 10.7% in June and 9.5% in September 2019. Across regions, the city centre had the highest vacancy rate at 16.9% mainly due to completed new developments coming on stream, with the north suburbs at lowest at 7.9%.

VACANCY RATE Q3 2020



Source: Lisney

CONSTRUCTION

With construction sites back open since May, ongoing schemes progressed in Q3 with a number of new office buildings now complete. The construction of two new office buildings at Penrose Dock (known as Penrose One and Penrose Two) on the northern quays completed in Q3 as did Building I in Westfield Office Quarter in Ballincollig. In terms of Penrose Dock, we understand occupiers Grant Thornton, Sophos, Remitly and Minelab are all in occupation with Qualcomm, Cloudera and Varonis at fit-out stage. Law firm Matheson is set to occupy the majority of the 5th floor in Penrose One in early 2021, and it is understood an IT occupier will occupy the 3rd and 4th floor within the same building. It has been reported that the developer's own business, Flexi Workspace, will be utilising 2,600 sqm within the 23,000 sqm development.

In addition to new builds, refurbishment works have been ongoing on certain buildings. Notably, a significant refurbishment and upgrade of a 1,300 sqm three-storey office building was completed in Cork Business and Technology Park on Model Farm Road in Q3 and is now available to let with Lisney.

Three office schemes remained under construction at the end of September, totalling a combined 19,650 sqm. These comprised:

- ♦ Block I Horgan's Quay (8,565 sqm) – construction is nearly complete on this building and the adjoining Dean Hotel (which is due to open in Q4). Serviced office provider Spaces has pre-let 2,800 sqm in the scheme with the remaining 5,600 sqm available to let.
- ♦ Counting House (6,500 sqm) – construction is also nearing completion on this Grade A office space on South Main Street. This forms part of the Brewery Quarter development on the former Beamish & Crawford site. Once this office accommodation is finished, it will mean that the first two phases of this three phase project will be complete; Lee Point student accommodation (420 bed spaces) is now open but the proposed event centre has yet to start construction.
- ♦ Former Supernova building (4,575 sqm) – development works are ongoing on this building in Ballincollig.

The pipeline of possible future development is strong with 146,000 sqm of office accommodation with planning permission. This is split 42% city and 58% suburbs. In addition to individual buildings, it includes further phases at Horgan's Quay, Westfield Office Quarter and Navigation Square. In terms of Navigation Square, it is reported that Block C will commence construction in 2021 and Block D thereafter (where planning permission was recently granted for an additional 6th floor). In the east suburbs, pre-lets are being sought for Park Place at the eastern entrance to Eastgate Retail and Business Park in Little Island. The site has been cleared for 12,200 sqm of accommodation across three blocks.

OUTLOOK

- 1 Take-up will be limited in Q4 and into early 2021 as a result of the pandemic and businesses unable to physically view and occupy available premises. In particular, FDI companies will adopt a wait-and-see approach and defer decisions until later into 2021.
- 2 Prime rents are likely to remain stable in the short-term with a number of prime office developments coming on stream. With increasing new city centre office developments there will be competition to secure tenants and more attractive incentives may be on offer from landlords.
- 3 The vacancy rate will increase further in the coming months as further new speculatively built accommodation will add to supply and a certain amount of unwanted space is returned to the market as sub-lets.

CORK INDUSTRIAL IN NUMBERS

ACTIVITY

6,200
SQM

OF SPACE
WAS TAKEN UP
IN Q3

RENTS

€86
PSM

€8 PSF
RENTS WERE STEADY
IN THE QUARTER

VACANCY RATE



THE INDUSTRIAL
VACANCY RATE
FELL FURTHER
TO 3.4% IN Q3

CONSTRUCTION

72,140
SQM

IN THE PIPELINE
WITH PLANNING
PERMISSION GRANTED



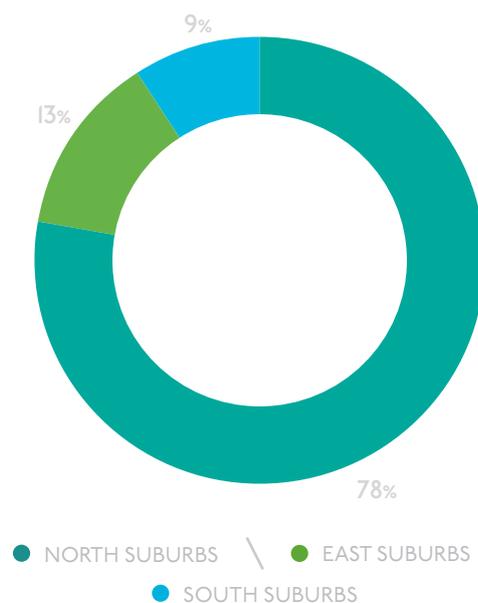
IA EASTLINK BUSINESS PARK, CARRIGTWOHILL,
CURRENTLY ON THE MARKET FOR SALE

ACTIVITY

The industrial market has been the least affected property sector by COVID-19. In spite of the pandemic, approximately 15,200 sqm of space was taken up in the first nine months of 2020. In Q3, take-up reached 6,100 sqm, 26% less than Q2 but well ahead of Q1 (820 sqm). It was also less than the long-term quarterly average (8,665 sqm). Nine deals were completed in Q3 with an average lot size of 680 sqm. This is smaller than is normal and is due to the fact that overall take-up was distorted by one large letting of 4,160 sqm. 76% of activity occurred in the north suburbs with 13% occurring in the east and 9% in the south suburbs.

Eight of the nine deals in Q3 were lettings with just one sale concluded, a 300 sqm unit in Carrigtwohill Industrial Estate (east suburbs). Also in the east, there were three lettings; 110 sqm in Euro Business Park, 165 sqm in Harbour Point Business Park and 205 sqm in Euro Innovation Park (Jellybean). The largest deal of the quarter was in the north suburbs, at Kilbarry Industrial Estate (4,160 sqm). There were three other lettings also done in the north suburbs; 280 sqm in Kilbarry Industrial Estate and two 150 sqm lettings in Brooklodge in Glanmire. In the south suburbs, Top Part Motor Factors took 550 sqm in South Ring West Business Park.

ACTIVITY BY REGION
Q3 2020



Source: Lisney

DEMAND

Occupier demand was steady in Q3 and there was particularly strong demand for units sub-1,000 sqm in size, especially in the south and west suburbs where there is very little stock available. Brexit remained on occupiers minds, with the year-end deadline close, there are a number of Brexit related warehouse requirements in the market.

RENTAL & CAPITAL VALUE

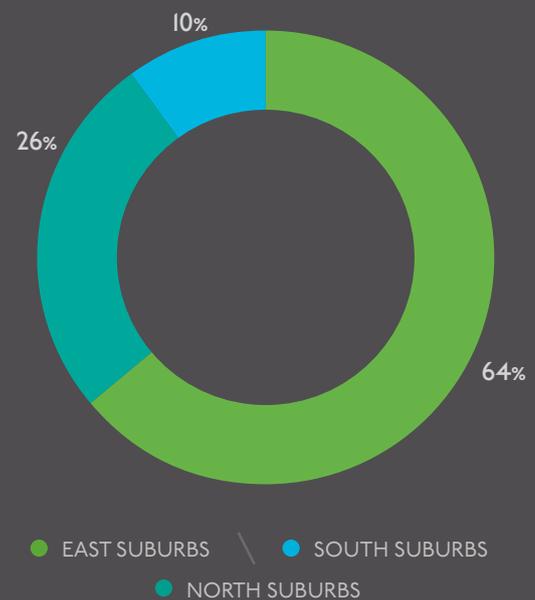
Rental and capital industrial values in Cork remained steady yet again in Q3. The prime headline rent was €86 psm (€8 psf) for all regions except the north suburbs where the prime headline rate was €75 psm (€7 psf). In terms of vacant possession capital values, the top rate was €860 psm (€80 psf) for the south, east and west suburbs. In the north suburbs, capital values stood at €760 psm (€70 psf).

AVAILABILITY

At the end of September, there was approximately 44,860 sqm of accommodation available, a decline of 7% in the quarter with a number of properties removed from the market. Given the very strong levels of activity in Q4 2019, along with the lack of new building completions, supply has reduced by 48% in the past 12 months.

The overall Cork vacancy rate was 3.4% at the end of Q3, the lowest on record and well below the level required for the market to move and function efficiently. However, there were variations across regions. There was no industrial accommodation available in the west suburbs at the end of September and the vacancy rate in the south suburbs was just 0.7%. In the east suburbs, the rate was 6.4% while it was 5.9% in the north suburbs.

AVAILABILITY BY REGION
Q3 2020



Source: Lisney

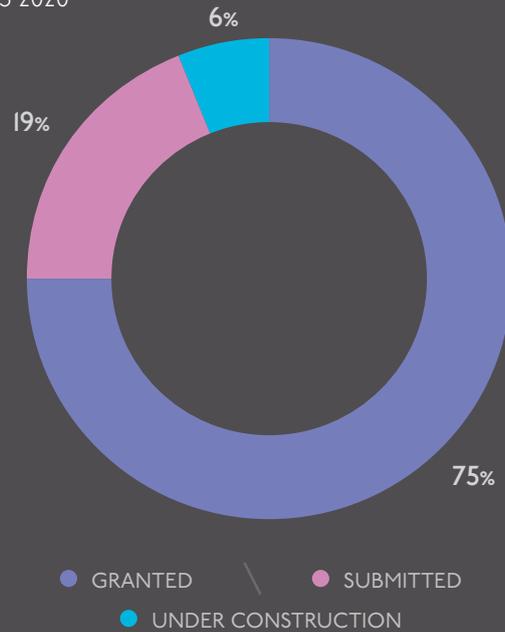
CONSTRUCTION

Two new buildings completed construction in Q3. In Blarney Business Park, Progressive Commercial Construction (part of the JCD Group) completed Unit 8002, a 1,115 sqm premises (now available to let) with the larger adjacent building (Unit 9003) of 5,590 sqm remaining under construction and near completion. Also in this business park, planning permission has been granted for a further 14,000 sqm of accommodation (Unit 8003 and Unit 9004) but building works have yet to start. Also completed in Q3 was a 1,200 sqm unit in Anchor Business Park in Little Island. A neighbouring site has been cleared for development but no works have commenced.

In terms of the pipeline of proposed new schemes, there was 72,140 sqm (seven buildings) with planning permission granted, and an additional 18,215 sqm (three buildings) seeking permission at the end of September.

One of the buildings at planning stage is a 6,800 sqm waste transfer and recycling facility at Courtstown, Little Island where Cork County Council decided to grant permission but there was a third-party appeal to An Bord Pleanála. A decision was due in September but as of the end of the quarter, it had not yet been made.

AVAILABILITY BY REGION Q3 2020



Source: Lisney

OUTLOOK

- 1 Vacancy rate within Cork city and its environs has reached a new record low of 3.4%, well below the typical equilibrium level. It is envisaged that the vacancy rate will fluctuate around this level in the short-term with a limited number of new developments coming on stream.
- 2 Given the historic low vacancy rate, combined with steady occupier demand, rental and capital values will remain stable in Q4 and into 2021.
- 3 Construction is due to commence shortly on the new Harbour Gate Business Park development in Little Island. Planning permission has been granted for almost 19,000 sqm across four high-bay premises with unit sizes ranging from 1,750 sqm to 12,070 sqm. This is the most significant proposed new warehouse development in Little Island for over 10 years and is very positive for the market.

CORK RETAIL IN NUMBERS

CONSUMER SENTIMENT



KBC
CONSUMER
SENTIMENT INDEX

SALES VOLUME



COMPARED TO
PRE-COVID

ONLINE SALES



4.5% OF ALL SALES
WERE ONLINE
IN AUGUST

SHUTTER COUNT

16
UNOCCUPIED
UNITS

16 UNOCCUPIED UNITS
ON PATRICK STREET



76 PATRICK STREET

CONSUMER SENTIMENT

Heading into Q3 2020, consumer sentiment, as measured by the KBC Consumer Sentiment Index, had experienced two successive months of recovery. This followed the largest monthly drop in the survey's history in April, reflecting both the dramatic change in the Irish economy and also consumer's individual financial circumstances as a result of COVID-19. July brought further increases in sentiment, however, the index fell back again in August as virus-related concerns were renewed. This likely reflects mixed reports on the strength and speed of economic recovery and employment, in addition to the local lockdowns in several counties.

KBC CONSUMER SENTIMENT INDEX
FEBRUARY 1996 – AUGUST 2020



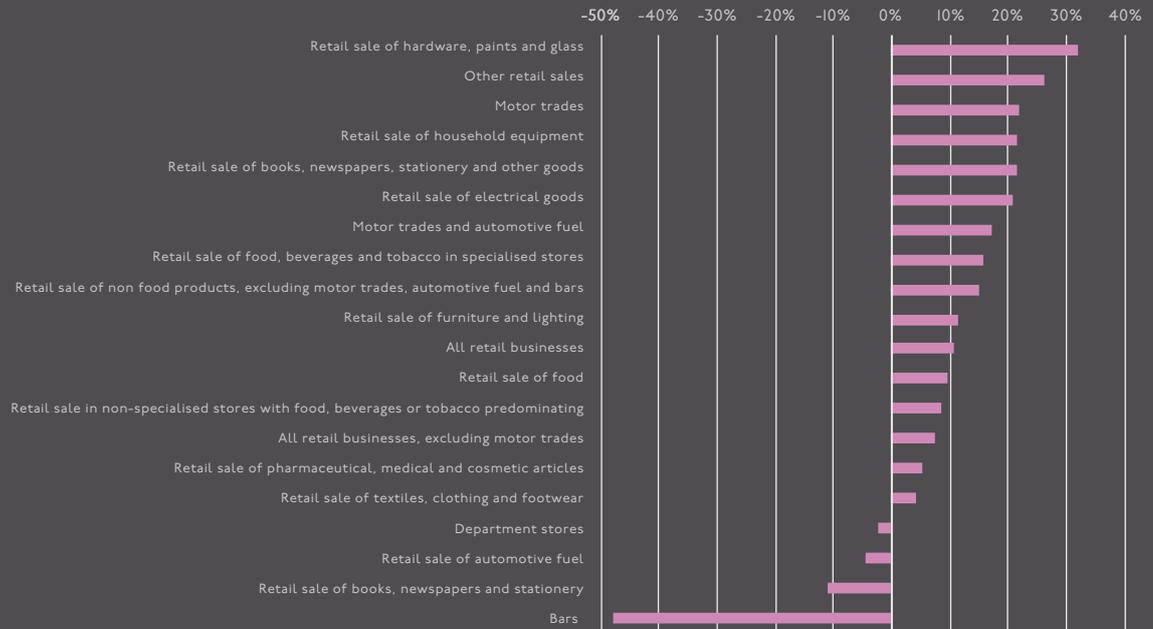
Source: KBC Bank

RETAIL

RETAIL SALES

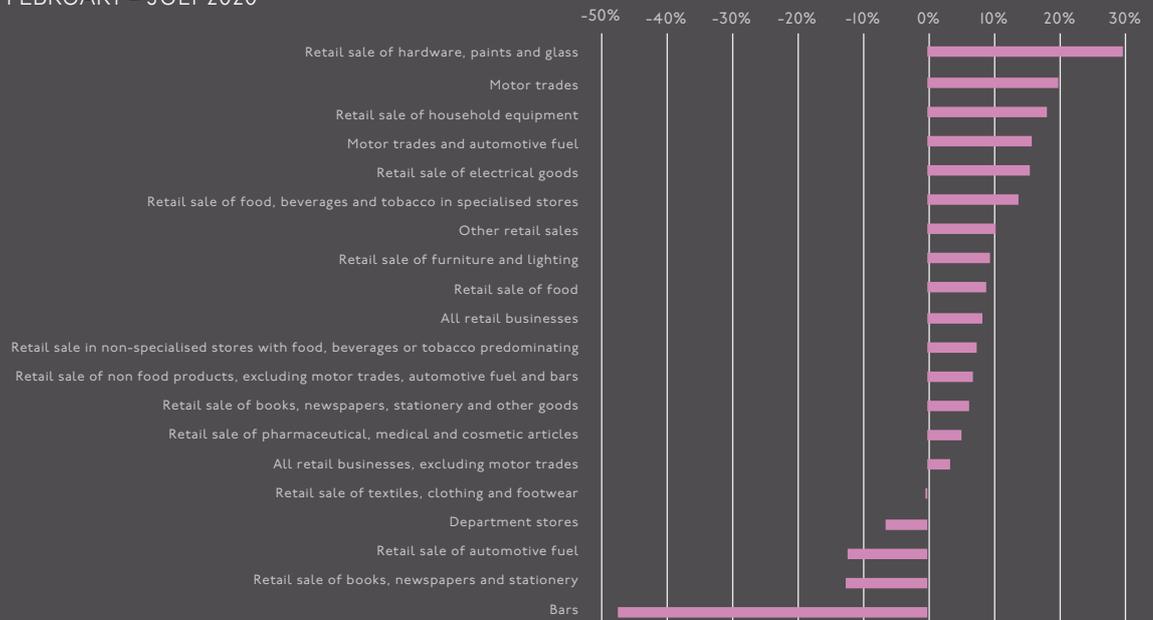
The indices tracking the volume and value of retail sales have improved significantly since the reopening of most non-essential stores in June. Excluding motor trades, since a low point in April, the volume of retail sales has increased by 40.4% and the value of sales by 37.7%. The declines in April were at 23.8% for both indices. Consequently, the indices are now ahead of where they were prior to the onset of COVID-19 (+5% volume). However, there are variations between sectors as evidenced in the charts below.

RETAIL SALES INDEX – VOLUME OF SALES FEBRUARY – JULY 2020



Source: : CSO

RETAIL SALES INDEX FEBRUARY – JULY 2020

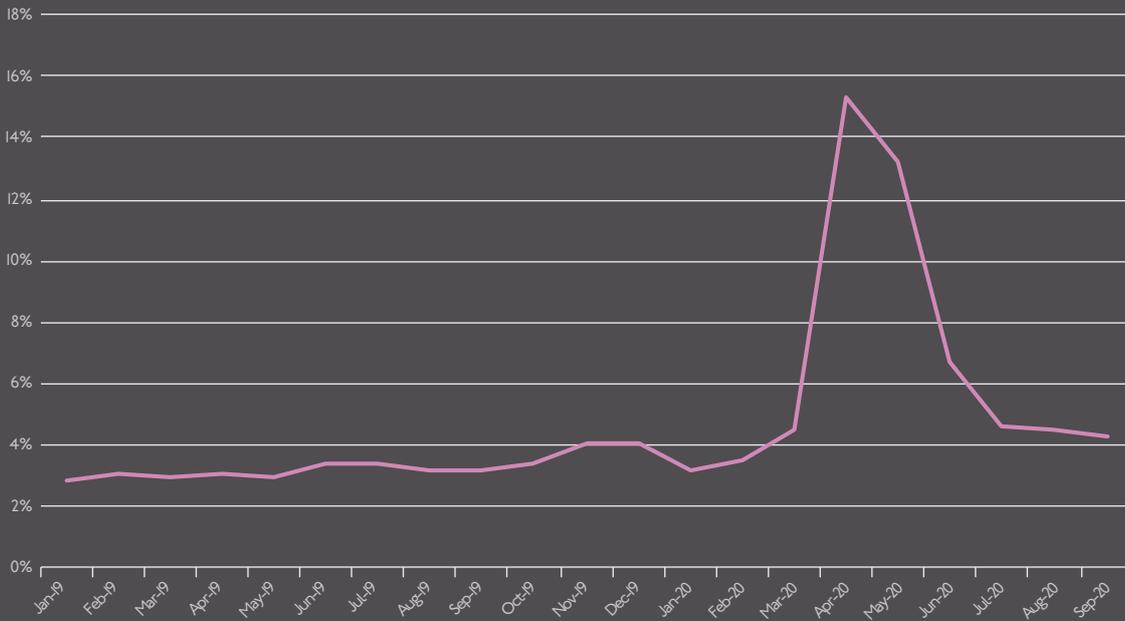


Source: : CSO

RETAIL SALES

For retail warehousing schemes, it is notable that the sale of hardware, paints, electrical goods and furniture are all showing increases, some quite strong increases. Additionally, the CSO noted that online shopping as a proportion of the total turnover of all businesses fell in July as businesses reopened and in-person shopping increased. In July the proportion of shopping online was 4.5% compared to an all-time high of 15.3% in April 2020.

PERCENTAGE OF TOTAL RETAIL SALES TURNOVER GENERATED BY ONLINE SALES JANUARY 2019 – JULY 2020



Source: : CSO

CONSUMER BEHAVIOUR

With the most non-essential retail closing physical stores once again on the 22nd October, the sector will be negatively impacted. Additionally, general consumer purchasing power will be affected in the months ahead as the numbers unemployed will increase, as well as the numbers on the Pandemic Unemployment Payment and other Government supports.

Similar to the last recession, it is clear that there will be a structural shift in consumer behaviours and how the retail market operates. An omni-channel presence (physical store plus an online sales platform) will become even more important for all types of retailers. Consumers have become more accustomed to shopping online for groceries and for other items that they would not have regularly shopped for online previously and may continue to do so. Technology, including advances in virtual showrooms, will progress further.

PERMANENT CLOSURES

The closure of non-essential retail for a minimum of eight weeks from the end of March has had a serious impact on certain businesses ability to survive. The second lockdown will further impact retailers. However for many retailers, difficulties were already present in their trading model pre-March and COVID-19 just accelerated the inevitable.

There have been several high-profile permanent closures (in Ireland), including Debenhams and Mothercare. Other retailers have closed or are in the process of closing physical stores but will continue to trade online. Cath Kidston and Monsoon / Accessorize both closed their physical stores. The Laura Ashley name and online business has been purchased by Gordon Brothers but closed all stores in Ireland, while Boohoo.com purchased the trading names of Warehouse and Oasis and will continue online on Boohoo's platform. The fashion sector has suffered further with trends changing quickly from formal work and occasion wear towards leisure, active and athleisure wear.

To date the closures in Ireland have been driven by UK brands situated on prime shopping streets or in the higher profile shopping centres with retail parks much less affected. These brands were already in difficulty in the UK and many had already entered the CVA process in the past. The smaller independent and national brands are working hard to get their businesses online, improve on their online presence in order to try and make it through to Christmas to see if they can see an uplift in turnover over this period in the run into Christmas.

SHUTTER COUNT

Lisney's Shutter Count at the end of September showed that there were 16 units unoccupied on Patrick Street, resulting in a vacancy rate of approximately 19.5% (based on number of units and not floor size). Compared to the end of December 2019, this is an 8.4 percentage point increase. For the city centre overall, the rate was 22.9%, a 4.2 percentage point increase since the end of last year.

RETAIL PARKS

Retail parks fared well when the lockdown restrictions were lifted in June. They offer consumers free surface parking, plenty of outdoor space for social distance queuing and large open plan stores. While in lockdown, consumers were focused on their homes and since then there has been a surge in home redecoration and refurbishments benefitting retailers across the hardware, DIY, furniture, tiles, paints, bathroom and kitchen sectors. This trend is set to continue over the coming months entering into the second closure on non-essential retail and as people continue to work from home and adapt their living environments to suit their new needs.

THE CORK COMMERCIAL TEAM



MARGARET KELLEHER
Director



EDWARD HANAFIN
Director



DAVID MCCARTHY
Divisional Director



NICHOLAS O'CONNELL
Senior Surveyor



AMANDA ISHERWOOD
Surveyor



LAURA PRATT
Surveyor

THE LISNEY RESEARCH TEAM



AOIFE BRENNAN
Director

OUR OFFICES

CORK

1 South Mall,
Cork, T12 CCN3
T +353 (0) 21 427 5079
E cork@lisney.com

DUBLIN

St. Stephen's Green
House,
Earlsfort Terrace,
Dublin 2, D02 PH42
T +353 (0) 1 638 2700
E dublin@lisney.com

BELFAST

Montgomery House,
29-33 Montgomery
Street,
Belfast, BT1 4NX
T +44 2890 501501
E belfast@lisney.com

MEET OUR TEAM

**CORK
COMMERCIAL
REPORT**

Q3 2020

