

## DUBLIN OFFICE MARKET

### Review H1 2018

#### MARKET STATISTICS 2018

<b>Take Up</b>	1.71m sq ft	<b>Under Construction (H1 2018)</b>	CBD: 3.675m sq ft Suburbs: 0.65m sq ft
<b>Available Space</b>	3.2m sq ft		
<b>Vacancy Rate</b>	7.5%	<b>Estimated Completions FY 2018</b>	2.42m sq ft
<b>New Completions H1 2018</b>	742,000 sq ft	<b>Pre-committed (H1 2018)</b>	41%

## Demand from Big Tech Underpins Strong Office Market in Dublin

Dublin's office market continues to outperform with strong levels of demand from the technology and finance sectors driving take up to possibly surpass the record level of 3.6m sq ft recorded in 2017. Demand from 'Big Tech' is growing quarter on quarter with some exceptional deals expected to complete by year end with companies such as Facebook, Amazon and Salesforce all in expansion mode.

The office development market is supplying enough space to meet this demand however the lack of affordable rental accommodation is a real issue with potentially thousands of new jobs to be created. Such is the concern from large occupiers that multinationals JP Morgan and Google have decided to combine office and staff needs in the same location where possible. Both firms have purchased substantial office buildings in the new Capital Docks and Bolands Quay developments in the south docks with multi-family residential accommodation on-site.

The economy is the fastest growing in the EU and approaching full employment with the majority of new jobs serviced based further strengthening demand for Grade A office space. The success of the IDA in attracting FDI and the continued expansion of firms already here is adding to demand from recent new arrivals to the market in the co-working sector. The US firm WeWork has now acquired 6 locations in Dublin accounting for over 15% of market take up this year. The rapid expansion of the co-working sector has certainly been a disruptor to the market snapping up prime CBD buildings and putting further pressure on already tight supply levels.

The growth of the co-working sector is partly to service strong demand from big tech for expansion but also the number of start-up firms who require short flexible leases with little or no capex on fit out. The development of this secondary market in fully fitted office space is particularly attractive to large occupiers who can expand rapidly without the risk of residual lease obligations in the event of a change in economic conditions. Based on such a flexible business model, there is potential for space from the co-working sector to be released back onto the market over the short term and compete for corporate tenants with the traditional landlord sector.



The Sharp Building, Hogan Place, Dublin 2.  
New Office HQ 45,000 sq ft let to Perrigo Pharma



The HIVE Sandyford, Carmanhall Road, Sandyford, D18.  
New Grade A Offices 73,000 sq ft

CGI provided for indicative purposes only



Top 5 Office Deals H1 2018	Size (sq ft)	Tenant
Bolands Quay, Dublin 4	220,000	Google
One Wilton Plaza, Dublin 2	153,000	LinkedIn
Three Park Place, Dublin 2	112,000	IDA
No.2 Dublin Landings, Dublin 1	99,500	WeWork
One Central Plaza, Dublin 2	74,000	WeWork

Prime headline rents have remained steady at around €60.00 to €65.00 psf, with the odd outlier deal in the late €60's psf for new space in Dawson Street. To achieve these headline rents landlords are agreeing generous rent-free packages of up to 12 months for long term lease commitments. We expect tenant incentives to gradually reduce over the next 12 months which should ease pressure on further rent increases for prime space. This will improve the net effective rent to landlords, which form the basis of rent review evidence in the market with headline rents discounted to reflect tenant incentives.

With demand from big tech and the co-working sector showing no signs of easing, tenants in other sectors are increasingly looking at city fringe and suburban locations to fulfill large requirements. Speculative office space is under construction in targeted locations such as Dublin 18 and Dublin Airport where the facilities and infrastructure are well suited to occupier needs. Prime rents in Dublin 18 are now around €30.00 psf on the gross internal area with evidence emerging of headline rents over €33.00 psf at Dublin Airport, which would be a new benchmark for the suburban market. On-going demand for expansion space from existing occupiers in the technology, fintech and life sciences sectors are expected to account for most of the space currently under construction in the suburbs.

Headline Office Rents	
CBD (Grade A)	€65.00 per sq ft
Suburban (Grade A)	€30.00 per sq ft
Car spaces; City	€4,000 pa per car space
Car spaces; Suburbs	€1,750 pa per car space

With over 4.0m sq ft of office space under construction, the market is keeping pace with tenant demand with new construction now at a similar level to the last boom a decade ago. However with over 70% of the space due for completion in 2018 already pre-committed, there is little evidence of over-capacity especially in the prime CBD and suburban locations. The principal differences to the last construction cycle are a combination of factors including strong pipeline demand, targeted development in the preferred tenant locations and the absence of domestic debt financing for poorly located schemes.

The technology, telecom and media sectors are continuing to dominate market take up consistently accounting for over 40% of transactions in recent years. This is expected to continue over the medium term as is the trend for big tech to 'cluster' in their preferred area and acquire adjacent expansion space where available. Google, Microsoft, Amazon, Facebook and LinkedIn have all established locations in the city and suburbs to create their own campus style environments with significant investment in amenities, wellness, health and fitness to attract and retain the highest calibre staff.

Brexit is now entering the end game with the final outcome still uncertain. Dublin has not seen a surge of Brexit related enquiries yet, but this could change over the next 9 months as the March 2019 deadline approaches. The big wins for Dublin so far have been from US and UK banking, legal and insurance companies either expanding or with advanced plans to set up new operations in the city. Over 20 companies have already declared for Dublin as their post Brexit base, however strong competition from other European cities and a difficult residential market could see Dublin miss out on some lucrative relocations in the event of a hard UK exit.



Three Haddington Buildings, Haddington Road, D4.  
[Grade A HQ building to let 20,000 sq ft.](#)



2-4 Claremount Road, Sandymount, D4.  
[For Sale - High quality refurbished offices 20,000 sq ft](#)  
[Let to Boulder Media.](#)

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