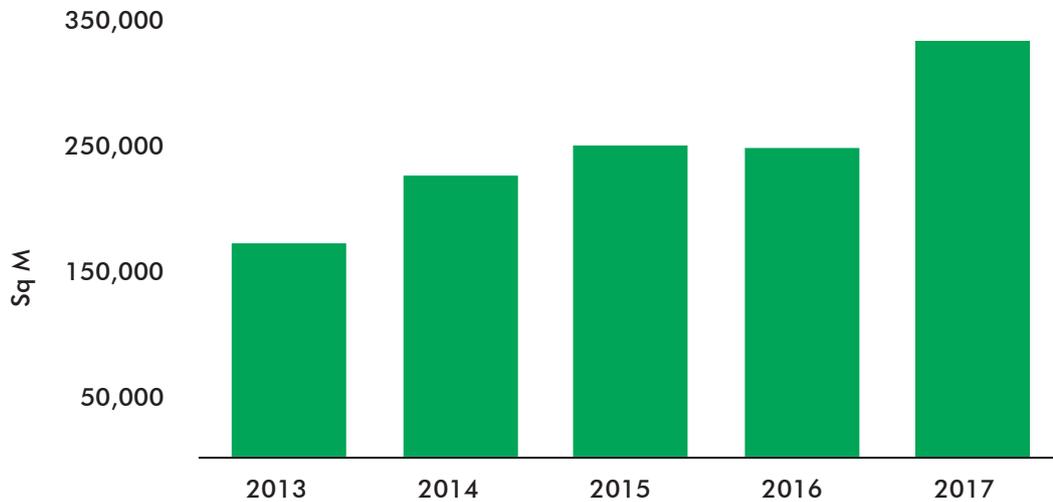


Dublin Office MarketView, Q4 2017

# 2017 - A Record Year for the Dublin Office Market

- ▼ Availability
- ▲ Take-Up
- ▲ Investment
- ▲ Prime Rents
- ▼ Yields
- ▼ Demand

Figure 1: Dublin Office Take-Up 2013 - 2017



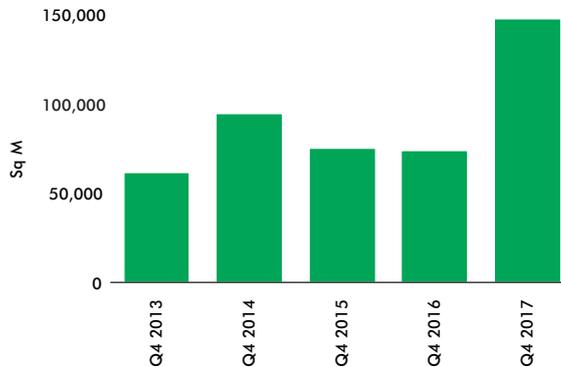
- Office take-up in Dublin during Q4 2017 reached a record 147,428m<sup>2</sup> leading to total take-up of some 331,445m<sup>2</sup> being achieved in 2017 - the highest annual take-up ever recorded in the capital, boosted by considerable expansion activity and a layer of Brexit-related activity
- In total there were 69 office transactions signed in Dublin during Q4 bringing the total number of transactions completed during 2017 to 237
- 11 of the 69 transactions signed in Q4 extended to more than 4,645 square metres (50,000 sq. ft.) in size with 4 of these extending to more than 9,290 square metres (100,000 sq. ft.)
- In total, there were 8 transactions of more than 9,290m<sup>2</sup> signed during 2017
- There were 10 pre-letting transactions signed in Q4 (accounting for 65% of the quarter's take-up) bringing the total number of pre-lettings signed in 2017 to 21 or 44% of annual take-up in the 12 month period
- 25% of office take-up in Dublin in Q4 2017 occurred in suburban markets with the suburbs accounting for 29% of annual take-up in Dublin during 2017
- Lettings to computers/technology companies accounted for 54% of take-up in Dublin in Q4 and 44% of annual take-up in the capital in 2017
- The overall rate of vacancy at the end of Q4 was 6.08% vs 6.18% the previous quarter. Meanwhile, the Grade A vacancy rate in Dublin 2/4 at the end of Q4 was 2.96%
- Prime headline rents reached €700 per square metre (€65 per sq. ft.) by year-end 2017
- Prime office yields contracted by a further 25 basis points quarter-on-quarter to reach 4.0% by the end of Q4 2017
- Offices comprised 33% of investment in the Irish market in the fourth quarter of 2017 and 36% of total investment in 2017

**OVERALL COMMENTARY**

An impressive 147,428 square metres of office leasing transactions were signed in the Dublin market in the final quarter of 2017, bringing total take-up for the year as a whole to more than 331,000m<sup>2</sup> - a new record for the Dublin market.

In total, 69 individual lettings occurred in Dublin in the fourth quarter of 2017 with 40 of these transactions being to Irish companies. The total number of office lettings signed during 2017 was 237. Unlike the previous quarter when most transactions were relatively small, 11 of the 69 transactions that completed in Q4 extended to more than 4,645m<sup>2</sup> (50,000 sq. ft.). 4 transactions extended to more than 9,290m<sup>2</sup> (100,000 sq. ft.), which significantly boosted take-up in the last three months of the year.

Figure 2: Dublin Take-Up Q4 2013 - Q4 2017



Source: CBRE, Q4 2017

The volume of stock reserved at the end of the quarter was almost 108,000 square metres.

The volume of demand for office accommodation fell quarter-on-quarter standing at more than 235,000m<sup>2</sup> at the end of Q4 compared to more than 260,000m<sup>2</sup> the previous quarter. More than 15% of requirements at the end of Q4 2017 were specifically focussed on the Dublin 2/4 postcode.

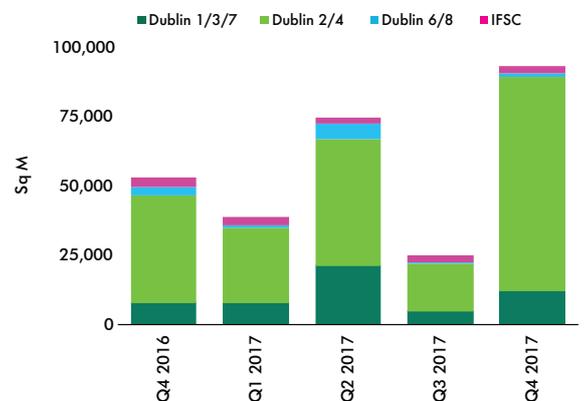
At the end of Q4, there were 35 office schemes under construction in Dublin extending to more than 400,000m<sup>2</sup> between them. Of the more than 200,000 square metres of office stock delivered in 2017, almost all was let by year-end while a sizeable proportion of the 240,000m<sup>2</sup> due for delivery in 2018 has already been pre-let. Computers & high-tech tenants accounted for 54% of take-up in Dublin in Q4 and 44% of overall take-up in Dublin in 2017. Meanwhile, financial services and business services tenants accounted for 16% of take-up in 2017 respectively while the public sector accounted for 11% of leasing activity in Dublin in 2017.

2 of the 10 largest lettings completed in Dublin during Q4 2017 were expansions while 7 were relocations and 1 was a new entrant.

Interestingly, the volume of take-up by UK companies more than doubled year-on-year.

The overall rate of vacancy in Dublin fell in Q4 2017 to 6.08%. Meanwhile, the overall rate of vacancy in the suburbs at the end of Q4 was approximately 7.61%.

Figure 3: City Centre Office Take-Up Q4 2016 - Q4 2017



Source: CBRE, Q4 2017

**CITY CENTRE**

The city centre accounted for 75% or 93,746m<sup>2</sup> of office take-up in Dublin in Q4. There were 52 individual lettings signed in Dublin city centre during Q4 of which 38 occurred in the Dublin 2/4 district specifically. In total, 83% of office take-up in Dublin city centre in Q4 occurred in the Dublin 2/4 district specifically with a further 13% of city centre take-up in Q4 occurring in Dublin 1/3/7. For the year as a whole, 71% of overall take-up occurred in the city centre with 51% occurring in Dublin 2/4 specifically.

At the end of Q4 2017, the vacancy rate in Dublin city centre was 5.16% vs 5.11% the previous quarter. Meanwhile, the vacancy rate in the Dublin 2/4 postcode at the end of Q4 2017 was 5.68% vs 5.59% three months previously. The Grade A vacancy rate in the Dublin 2/4 district at the end of Q4 2017 was 2.96%.

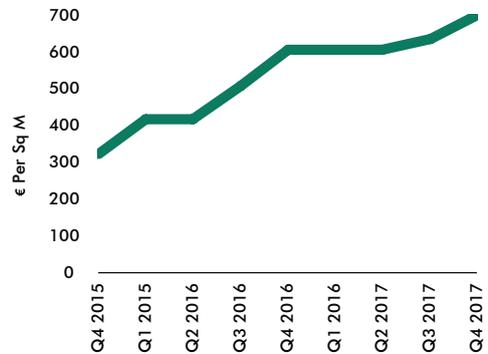
Computers & high-tech occupiers accounted for 36% of office take-up in Dublin city centre in Q4 2017. Meanwhile, business services tenants accounted for 27% of city centre take-up in Q4, while financial services occupiers accounted for 15% of city centre take-up in the three-month period. For the year as a whole, 39% of city centre take-up was to computers & high-tech occupiers while business services tenants accounted for 17% of take-up and financial services accounted for a further 15%.

Prime rents in the city centre rose in Q4 2017 to reach €700 per square metre (€65 per sq. ft.).

**SUBURBS**

There was 53,682m<sup>2</sup> of office transactions signed in the Dublin suburbs in Q4 2017 in 17 individual transactions with the suburbs accounting of 25% of all leasing activity in Dublin in the period. In total, there were 65 transactions totalling 97,766m<sup>2</sup> completed in the suburbs during 2017 with the suburbs accounting for 29% of total take-up in the period.

Figure 4: Prime Headline Dublin Office Rents Q4 2015 – Q4 2017



Source: CBRE, Q4 2017

Figure 5: Suburban Office Take-Up Q4 2016 – Q4 2017



Source: CBRE, Q4 2017

Figure 6: Prime Headline Office Rents Q4 2017

	€ Per M <sup>2</sup>
City Centre	€700.00 per m <sup>2</sup>
South Suburbs	€306.66 per m <sup>2</sup>
North Suburbs	€200.00 per m <sup>2</sup>
West Suburbs	€188.30 per m <sup>2</sup>

Source: CBRE, Q4 2017

87% of the office leasing activity signed in the suburbs in Q4 occurred in the south suburbs, boosted by a number of large transactions, most notably the occupation by Microsoft of 34,554m<sup>2</sup> at their new HQ in Sandyford. The overall vacancy rate in the suburbs at the end of Q4 stood at 7.61% while the Grade A vacancy rate in the suburbs was 4.94%.

By virtue of the large Microsoft take, computers & high-tech occupiers accounted for the largest proportion (85%) of leasing activity in the suburbs in Q4 2017. For the year as a whole, this sector accounted for 55% of suburban take-up with financial services tenants accounting for 17% of suburban take-up in 2017 and business services tenants accounting for 14%.

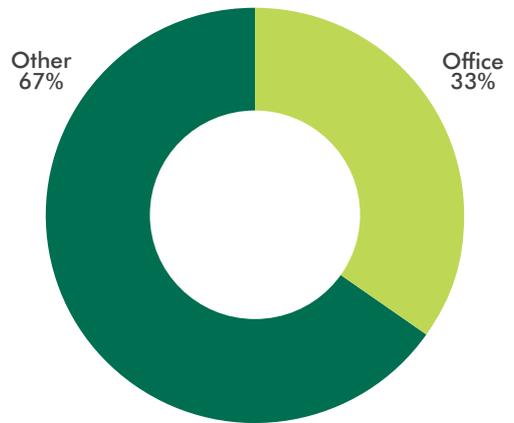
Prime headline quoting rents in the south suburbs were approximately €306.66 per m<sup>2</sup> at the end of Q4 while rents in the north and west suburbs were at €200 per square metre and €188.30 per square metre respectively.

**INVESTMENT**

The value of office investment transactions (extending to more than €1 million) completed in the Irish market during Q4 2017 was more than €427 million accounting for 33% of investment activity in the Irish market in the quarter. In addition, more than €68 million of mixed-use transactions (some of which included office properties) were also signed in the three-month period. In total, office investment spend in 2017 reached €942 million or 36% of the total investment spend in the 12 month period.

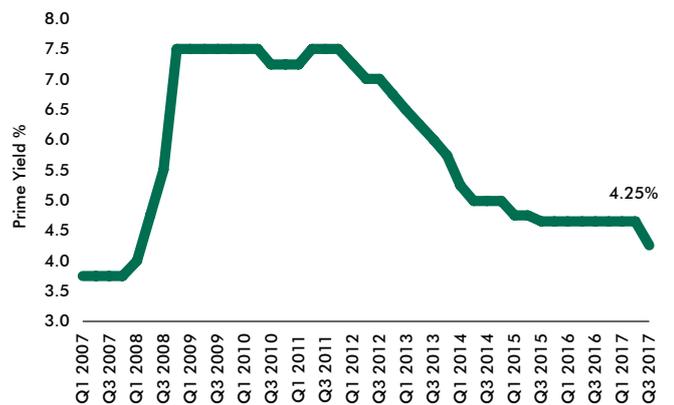
The largest office investment transactions to sign during Q4 2017 included an office investment at Cherrywood Business Park, Dublin 18, which sold for approximately €145 million; the forward sale of The Exo building in Dublin’s Point Square for more than €115 million and the sale of an office building at Lower Baggot Street in Dublin 2 for approximately €36 million.

Figure 7: Irish Investment Spend Q4 2017 by Sector



Source: CBRE, Q4 2017

Figure 8: Prime Office Yields 2007 - 2017



Source: CBRE, Q4 2017

Prime office yields in Dublin contracted by 25 basis points in the quarter to reach 4.0% by the end of Q4 2017. Despite the yield compression experienced during 2017, prime office yields in Dublin remain higher than previous peak levels unlike most other European markets and are attractively priced compared to the rest of Europe. This should bolster international appetite for Irish real estate opportunities over the next 12-month period.



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