

# Office Market Annual Review

## 2014/2015



The market in Dublin recorded near record levels of transactions in 2014 with take up reaching 220,000 sq.m and prime rents rising by 30%. The overall vacancy rate has fallen to 12.75% and there is now an acute shortage of Grade A space particularly in Dublin 2. This is having a knock on effect in the market with rents rising for all asset types. Take up in Q4 was a record 93,000 sq m with many technology and ICT firms acquiring the last of the new space to ensure capacity for continued expansion.

The CBD leasing market continues to be the dominant location in terms of office take up with over 50% of transactions located in Dublin 2/4. Demand is being driven by the technology, social media and financial services sectors which are predominantly foreign direct investment firms sourced by the IDA. Six of the biggest deals of the year were signed in Q4 with Facebook, Workday and Google all acquiring additional space. As prime space became harder to find, there may have been an element of 'hoarding' in the tech sector to provide for future growth. Indigenous demand is still quite muted but expected to improve this year as the economy recovers.



### B1 East Point, Dublin 3

Entire of B1 (3,000 sq.m) let to Oracle

MARKET STATISTICS	DECEMBER 2014
Take Up	= 220,000 sq.m
Available Space (entire market)	= 447,350 sq.m
Vacancy Rate	= 12.75%
Available space (Grade A)	= 54,500 sq.m
New Completions 2014	= 0
Under Construction	= 45,000 sq.m
Number of Recorded Transactions	= 199
Average Deal Size	= 1,100 sq.m

The lack of choice is putting significant pressure on prime CBD rents with deals now emerging at €485 to €515 psm headline. Prime headline rents are now established at €485 psm with formal quoting levels of €538 psm now common for Grade A space. The first upward/downward rent reviews will be negotiated in 2015 since the legislation came into effect in 2010, and the second half of 2014 should provide plenty of evidence of significant rental growth over the period.

### New Construction

With no new completions for five years and higher demand, the biggest issue now facing corporate occupiers is the lack of supply of prime space. There is now a shortage of 'Grade A' space in the CBD, particularly for tenants looking for 2,000 sq.m+, and this is fuelling rapid rental growth. With the severity of the crash and virtual wipeout of development and construction firms, new speculative build has been slow to get going, but a number of schemes did start in 2014. There is approximately 45,000 sq m of new or refurbished space now at various stages of development all located in Dublin 2/4.

The former Canada House on St Stephens Green will provide 6,000 sq m and the ex BOI headquarters on Baggot Street will provide up to 20,000 sq.m on a phased basis. There are also some older buildings being recycled at Grand Canal Street

TOP 10 OFFICE DEALS 2014		Size Sq.m	Tenant
01	14 / 18 Hatch Street, Dublin 2	12,000	Arthur Cox
02	5 Grand Canal Square, Dublin 2.	11,750	Facebook
03	Kings Building, Dublin 7.	7,900	Workday
04	Burlington Plaza, Dublin 4.	6,500	Amazon
05	1 Park Place, Upper Hatch Street, Dublin 2.	5,100	Dropbox
06	Block R Spencer Dock, Dublin 1.	5,000	OPW
07	3040 Citywest, Dublin 24.	4,400	UPS
08	The Observatory, South Docks, Dublin 2.	4,200	RIOT Games
09	The Guild, Ardee Street, Dublin 8.	3,600	OPW
10	Pinnacle One, East Point, Dublin 3.	3,600	Google

(4,000 sq.m) and Haddington Road (1,500 sq.m), both of which will supply badly needed space to the CBD market in 2015.

Most of the new development over the next 5 years will be completed in the Docklands Strategic Development Zone which facilitates a fast track planning process. There is capacity on undeveloped sites to supply 300,000 sq.m+ over the next decade with sites at Bolands Mills and Sir John Rogersons Quay likely to commence this year. There will be no significant completions in Dublin until well into 2016 and this 'supply gap' is of concern to occupiers and also the IDA who rely on good quality space at competitive rates to attract FDI to Dublin.

### Suburban Market

The combined effects of reduced supply and rapid rent increases for CBD space is starting to have an effect on the suburban office market. This is particularly evident in the most popular locations of Sandyford / Leopardstown where a legacy of over-development left a reasonable supply of space for occupiers. There has been little or no new construction in Dublin 18 for 5 years and the best quality space is now being absorbed by increased demand.

Most occupiers in the suburban market look for lease flexibility with 5 year breaks high on the agenda for tenants seeking 500 to 1,000 sq.m. For larger tenants 5 year breaks are still widely available, but are increasingly more difficult to secure for the newer developments. Rental levels have increased in the South suburbs over 2014 with headline deals now emerging at €245 to €265 psm on the gross internal area for prime space in Sandyford. Quoting levels for Grade A are now €270 psm gross for new buildings such as Central Park and the refurbished Blackthorn House, Blackthorn Road.

Demand for space in the south suburbs is predominantly from companies in the media, digital/technology, pharma, health and life sciences sectors. Much of this is from IDA client companies either new FDI or existing clients expanding their operations in Dublin. There is also increasing demand from financial services companies particularly those involved in international markets.

### Outlook

The IDA had another successful year announcing record new jobs of 15,000 from client companies mainly in the digital media, ICT, international financial services and life sciences. The IDAs success in attracting overseas investment, along with the recovering domestic economy, helped accelerate the pace of recovery in the market.

Due to supply pressures, we expect prime headline CBD rents to be established at €592 psm by the end 2015 and the market to grow by approx. 5 - 10% pa thereafter to reach €645 psm by the end of 2016. We expect the rapid rent rises to moderate from 2016 as new supply, mainly in the Docklands, starts to feed through and assuming no external shocks in the wider Eurozone area.

**For further information contact**

### HEADLINE OFFICE RENTS DECEMBER 2014

Grade A	CBD	€485 per sq.metre
Grade B	CBD	€375 per sq.metre
Grade C	CBD	€295 per sq.metre
Suburban	Grade A	€270 per sq.metre
Car Spaces: City		€3,000 pa per space
	Suburbs	€1,500 pa per space



### Block 1 Clanwilliam Court, Upper Mount Street, Dublin 2

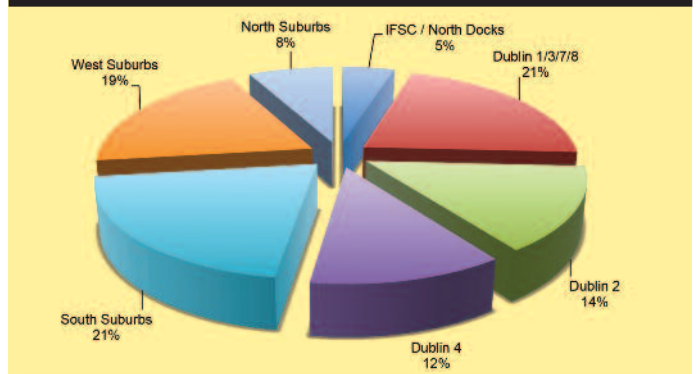
Entire building 3,000 sq m sold for redevelopment



### Classon House, Dundrum Business Park, Dublin 14

Entire of Classon House (7,000 sq.m) let on behalf of Green Reit Plc

### AVAILABLE SPACE BY LOCATION



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