OVERVIEW
Momentum in the Dublin office market continues in quarter three, with every indication that 2018 will be another buoyant year for leasing activity. Speculative office development activity remains very strong in both the city centre and suburbs, while pre-lets are also increasingly evident. Annual total take up now looks set to surpass Cushman & Wakefield’s earlier 2018 forecasts. This is supported by the large quantity of deals signed and pre-let at end September. Furthermore, net take up, a real indicator of net new demand and expansion, is now back to above-average levels, most notably in the Central Business District (CBD).

The tech sector still dominates activity in Dublin, and while this poses its own opportunities and risks, a healthy demand also from professional services companies is still very much apparent. This is a positive reflection of the underlying strength of the wider economy. While availability and vacancy rates declined in the third quarter, the pace of development in Dublin is providing a level of stability to the market in terms of demand and rental growth pressure for prime offices.

182,750 sq m
THE NINE MONTH PERIOD TO SEPTEMBER 2018 RECORDED 182,750 SQ M OF TAKE UP IN DUBLIN.

53%
THE VOLUME OF SPACE UNDER CONSTRUCTION IN THE CBD IS AT A RECORD HIGH, WITH A SIGNIFICANT 53% PRE-LET/RESERVED AT END SEPT.

Key Statistics – Q3 2018

<table>
<thead>
<tr>
<th></th>
<th>Dublin</th>
<th>CBD (Central Business District)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Take Up - YTD Q3</td>
<td>182,750 Sq M</td>
<td>106,700 sq m</td>
</tr>
<tr>
<td>Largest Occupying Sector - YTD Q3</td>
<td>Tech Sector (26%)</td>
<td>Professional (28%)</td>
</tr>
<tr>
<td>Availability</td>
<td>470,900 Sq M</td>
<td>213,050 Sq M</td>
</tr>
<tr>
<td>Vacancy Rate</td>
<td>13% (Net VR 8%)</td>
<td>11.2% (Net VR 5.1%)</td>
</tr>
<tr>
<td>Under Construction</td>
<td>406,300 sq m</td>
<td>352,550 sq m</td>
</tr>
<tr>
<td>Pre-let/Reserved</td>
<td>50%</td>
<td>53%</td>
</tr>
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</table>

Source: Cushman & Wakefield Research
The Dublin office market is on target for another record year for leasing activity. A total of 79,750 sq m of office space was occupied in the capital in the third quarter of 2018. This is 18% higher than quarter three of 2017 and brings the 2018 year to date total to 182,750 sq m, across 169 deals.

Development activity, in terms of both new builds and refurbishments, are the key feature of the market at present resulting in some very large lettings taking place. Notably, of the top ten take up deals in the year to date, nine comprised either newly completed or refurbished, large, Grade A1 office buildings. This has resulted in the overall average-sized deal increasing from 885 sq m in YTD 2017, to 1,081 sq m in YTD 2018.

Key movements in the third quarter included AIB occupying 12,000 sq m at Block H, Central Park in Leopardstown, which completed construction last year. In the CBD, 13-18 City Quay completed construction during quarter three, with Grant Thornton moving into approximately 8,200 sq m, while Avolon took up 7,400 sq m at No.1 Ballsbridge, Block 1.

### Key Dublin Office Take Up Deals, YTD Q3 2018

<table>
<thead>
<tr>
<th>Office</th>
<th>Tenant</th>
<th>Sector</th>
<th>Sq M</th>
<th>Quarter Taken Up</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.1 Dublin Landings, NWQ, Dublin 1</td>
<td>NTMA</td>
<td>State</td>
<td>13,850</td>
<td>Q1 2018</td>
</tr>
<tr>
<td>Block H, Central Park, Leopardstown, Dublin 18</td>
<td>AIB</td>
<td>Finance</td>
<td>12,000</td>
<td>Q3 2018</td>
</tr>
<tr>
<td>13 - 18 City Quay, Dublin 2</td>
<td>Grant Thornton</td>
<td>Professional</td>
<td>8,200</td>
<td>Q3 2018</td>
</tr>
<tr>
<td>No.1 Ballsbridge, Block 1, Dublin 4</td>
<td>Avolon</td>
<td>Professional</td>
<td>7,400</td>
<td>Q3 2018</td>
</tr>
<tr>
<td>5 Hanover Quay, Dublin 2</td>
<td>Aptiv</td>
<td>Tech</td>
<td>5,700</td>
<td>Q3 2018</td>
</tr>
</tbody>
</table>

Source: Cushman & Wakefield Research
“2018 is shaping up to be another remarkable year in the Dublin office market. The level of take up represents a strong and growing market that looks like it will continue into 2019. Large technology companies dominate demand, however we are also seeing the welcomed re-emergence of indigenous occupiers.”

RONAN CORBETT, HEAD OF OFFICES, CUSHMAN & WAKEFIELD.

Other deals of note include tech company, Aptiv, occupying the top three floors of 5 Hanover Quay, measuring 5,700 sq m, while Fleetmatics took up 5,500 sq m in two floors at Nova Atrium North in Sandyford.

The key deal signed in the quarter was Google entering a long-term lease to rent six floors at Grand Canal Quay office block in the south docklands, measuring over 5,200 sq m.

Sub-leases are also becoming a more prominent feature of the market. Increasingly, tenants are committing to a longer-term expansion plan by signing more space than immediately required, and sub-leasing the excess space in the short-term until such time that they require it.

In terms of tenant profile, tech companies continue to be the key drivers of growth in leasing activity and the best performers in Dublin, comprising 26% of take up in the year to date. While the dominance of the tech sector poses its own opportunities and risks, a healthy demand also from core professional services companies is still very much apparent, which is a positive reflection of the underlying strength of the wider economy. However, flexible office workplace take up has grown in Dublin from a sub 1% share to 9% in just a few years, and comprises 14% in the CBD.

Flexible office workplace take up has grown in Dublin from a sub 1% share to 9% in just a few years, and comprises 14% in the CBD.
Dublin’s sectoral growth story continues to be in the co-working sector. Flexible office workplace take up has grown from a sub 1% share in the overall Dublin market in the years 2014-2016, to 9% in 2018 to date, and a more weighty 14% in the CBD. Specifically, WeWork has been one of the most active takers of space across Dublin over the past year, competing with tech giants Google, Amazon, Facebook and LinkedIn.

The CBD remains the most targeted area. The three months to September saw CBD take up doubling on the previous quarter, to reach 42,950 sq m, significantly higher than the long-run quarterly average. This brought the nine-month total to 106,700 sq m, which represents 58% of overall Dublin. This level of CBD demand is not surprising given the sustained high pace of development in the city centre.

While the proportion of CBD take up at present is trending above average, in absolute terms the secondary and suburban markets also remain very active. Outside of the CBD, a 27% uplift in take up was recorded annually to quarter three. In particular, occupiers are increasingly reviewing the north, south and west suburbs for expansion opportunities, resulting in suburban availability declining. Strong demand in the south suburbs has also resulted in prime headline rents in the south suburbs standing at €323 per sq m in quarter three.

To measure the actual change in occupied space, the net take up metric is used. A combination of the both new entrants and expanding occupiers rapidly absorbing new completions has resulted in net take up returning back to above-average levels. For the nine months to September, net take up in Dublin reached 96,850 sq m. This is just 1.5% below the total for 2017, while isolating the CBD, YTD 2018 net take up has surpassed 2017’s total volumes.
The past twelve months have seen the supply of office space in Dublin trend upwards. Clear evidence of this lies in the improving supply of Grade A1 options due to increased new build completions and refurbishments.

In the case of refurbishments, notably the availability of older, Grade B stock is slowly depleting, whereas positively, the stock of much demanded, Grade A space, is rising.

However, it is worth noting that any improvements in supply over the past year is positively impacting the CBD only, with supply increasing by 24% on an annual basis. In contrast, availability in the secondary and suburban markets have declined over the same period.

Traditionally, the majority of office space available to let was located in the suburbs, however, quarter three saw a bucking of this trend, and the stock of available office space in the CBD is now greater than that of the suburbs.

Nevertheless, availability in Dublin fell by 3.7% in the three months to September, to 470,900 sq m, resulting in the overall vacancy rate standing at 13%. The vacancy rate in Dublin, net of signed and reserved space, also fell in the three-month period, from 8.3% to 8%.

The CBD similarly saw its overall vacancy rate drop slightly, to 11.2%, in Q3, however, this is up from 9.5% recorded in Q3 2017. Net of signed and reserved space, the CBD vacancy rate declined to 5.1%, from 5.8% in quarter two, but again, up from 4.7% on an annual basis.
DUBLIN OFFICE MARKET
DEVELOPMENT ACTIVITY

Confirmed in no small part by a crane count in Dublin’s city, docklands and suburban skylines, office development continues to intensify. The volume of space under construction in quarter three increased by 4% to reach 406,300 sq m, across 42 schemes.

This is 16% ahead of the previous cycle’s peak in 2006, while it is just 20,000 sq m shy of the record high in 2001. Furthermore, the average sized building under construction at end September stood at 9,673 sq m.

Exemplifying the strength of demand, exactly half of the current volume under construction is either pre-let or reserved, leaving just 204,600 sq m of speculative space available. In particular, the volume of speculative space reserved in quarter three accelerated by 160%, to 93,200 sq m. That said, anecdotal evidence suggests that tenants still tend to prefer securing properties once the development is completed, which bodes well for the speculative office pipeline.

Focusing on the CBD alone, 352,550 sq m of office space is under construction. This is the highest level in the CBD on record, and 53% is pre-let or reserved.

An immediate outlook sees approximately 62,600 sq m of space pre-let and due for completion by year end in Dublin. Given that all of this anticipated delivery is in the city centre, Dublin’s CBD occupational market is on course for another outstanding year.

Analysing the spread of CBD development activity by submarket, the majority continues to be concentrated in the South Docks. However, a 22% uplift in activity was seen in the Traditional Core area during the third quarter, while the IFSC – North Docks saw a further 1% rise in Q3, bringing the year on year uplift in IFSC – North Docks construction activity to 135%.
Prime Dublin CBD office rents remained stable in the quarter, at €646 per sq m. At this level, rents are ahead of the previous cycle peak, and over double that of the lowest point in 2011.

Appetite for prime space remains very strong, particularly for new space under construction. Given the pace of development in the city centre, and the anticipated delivery of stock over the next year, rents should remain stable for 2019.

Thereafter, prime rents are forecast to rise to €673 per sq m in 2020, driven by a combination of rising inflation, a healthy demand for space and new completion levels easing. At this point, the absorption of vacant sites in the IFSC - North Docks is likely to reduce the scope for further CBD development.

As previously mentioned, prime rents in the suburbs remained stable in quarter three, at €323 per sq m, while upward pressure is forecast for 2019, to €350 per sq m.

Placing Ireland’s prime rents in a European and UK context, particularly in light of a looming Brexit deal and cities competing for relocators, both Dublin and the regional centres appear to remain competitive.

While Dublin rents remained unchanged, the average growth rate for office rents across Europe was 0.7% in the third quarter, according to Cushman & Wakefield’s latest DNA of Real Estate Q3 2018. The outlook across Europe for 2019 is for further increases across core cities, while notably, there were no negative performing markets in Q3, and only Istanbul foreseeing a negative outlook of all the European cities.
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