Savills World Research
Dublin Offices

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The Occupier's Perspective: Dublin
Dublin - a growing financial market

July 2017

Summary

M&A activity **10x above average**

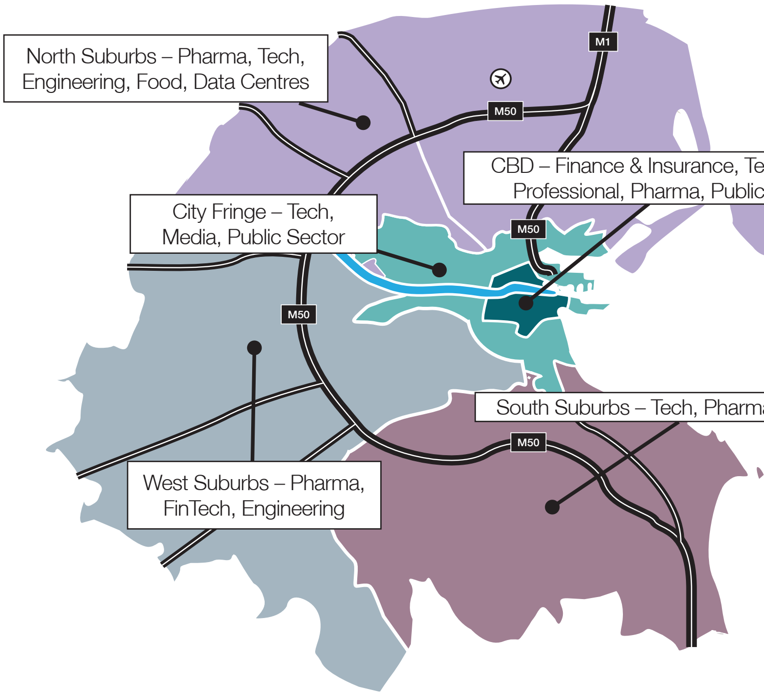
Take-up **30%** higher than average

Employment in Finance to grow **9%** by 2021

2.5 years of supply still left in the CBD

300,000 sq m of office space under construction in the CBD

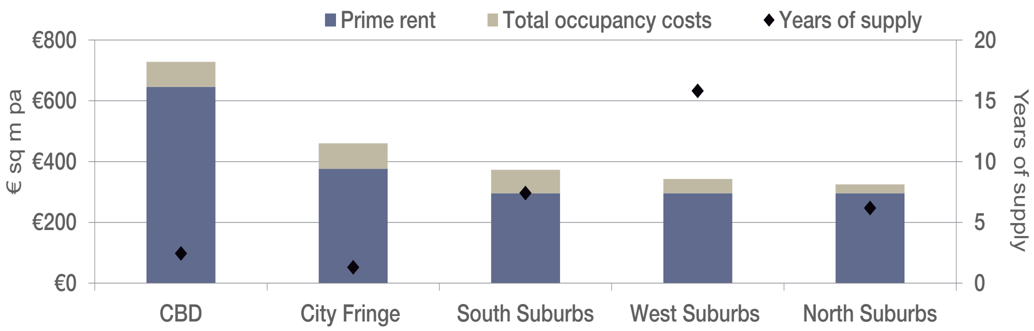
FIGURE 1
Dublin occupier map



Key Stats - Q1 2017	Prime headline rent (€/sq m pa)	Total occupancy cost* (€/sq m pa)	Vacancy rate (%)	Immediate supply (sq m)	3-year average net absorption (sq m)
CBD	645.80	728.40	4.8	80,850	33,010
City Fringe	376.70	460.20	6.5	24,600	18,870
South Suburbs	296.00	373.20	14.5	139,230	18,770
West Suburbs	296.00	343.10	19.7	94,740	6,230
North Suburbs	296.00	324.80	12.9	38,580	5,990

Savills annual occupancy costs are calculated by summing up prime headline rents, service charges, office tax and deducting landlord incentives

FIGURE 2
Occupancy costs and years of supply



[1] Savills annual occupancy costs are calculated by summing up prime headline rents, service charges, office tax and deducting landlord incentives. Please note that service charges used in the analysis are average values. The actual service charge depends on the amenities provided in the building

[2] Years of Supply is calculated by dividing current availability over average annual net absorption over the last three years

Strong occupier activity

■ **M&A activity** in 2016 was **ten times** above the 10-year average. This is leading to strong occupier demand and take-up in 2016 was 30% above 5-year average

■ Dublin's economy is set to expand by **13.9%** during 2017-21. Meanwhile, the employment in Dublin is expected to grow by **6.5%** over the next five years. The **Information & Communication sector** is expected to see employment expand by a significant **15.2%** while in **Finance & Insurance** it is set to rise by **9%** during the same period. This suggests that strong demand for office space will continue over the next few years

■ The **Information, Communication & Technology** sector and **"Other Services"** (which includes aircraft leasing firms) were the most prolific in the **CBD** in 2016, accounting for 39% and 21% of the total leasing activity respectively. **Financial Services** came in third with 16%. However, on the back of post Brexit relocation, the share of financial services will increase over the course of this year and in 2018. Meanwhile, the **Public Sector** is also very active as it is taking advantage of lease events

Could Dublin be one of the biggest beneficiaries from Brexit?

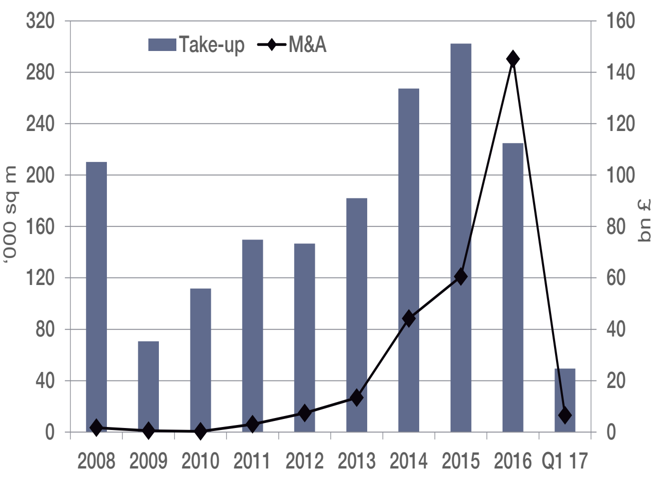
■ Brexit has raised questions as to which European city will win London's business. The evidence suggests that no single city will overtake London's primacy as a financial hub with various functions expected to be dispersed across a number of cities

■ There are a number of financial services companies looking at relocating to Dublin. This is because of strong market fundamentals, cultural appeal and favourable tax regime. Dublin's **corporate tax** rate is one of the lowest in the EU at **12.5%**

■ **JP Morgan** is the first occupier which has made a major acquisition of office space in the aftermath of Brexit referendum. The building, measuring 13,000 sq m and located in **Dublin's Docklands area**, will accommodate up to 1,000 staff. Other large banks are likely to follow this trend as there are rumoured requirements on the market from Standard Chartered, Barclays, Morgan Stanley, Citigroup, and Credit Suisse. Strong interest is also coming from financial services firms from Asia Pacific with an existing presence in London e.g. Bank of China

FIGURE 3

Take-up and M&A activity



Source: Savills, Company data

Access to talent

■ Companies based or relocating to Dublin enjoy access to a young and well educated labour force - Dublin has one of the highest **millennial to baby boomer ratios** (at 1.39:1) amongst the largest European cities (Oxford Economics, Savills World Research)

■ Dublin's labour pool is not limited to Irish citizens - 12% of those living and working in Ireland come from abroad, with 8% coming from the EU member states (source: Eurostat)

■ Any potential future shortage of labour, particularly in the Financial sector, can be fulfilled by **in-migration** from London after Brexit as Dublin shares the same language and a similar legal system

Is there enough supply?

- As Dublin continues to attract strong occupier demand over the next few years, the question appears whether there is enough supply on the market to satisfy increased occupier demand
- There is currently **325,000 sq m** of available modern office stock across Dublin, with **25%** concentrated in the CBD. This translates into the vacancy rate of 4.8% in the CBD and would suggest a shortage of office space. However, based on the average **net absorption** levels over the last three years, the CBD currently offers a significant **2.5 years** worth of supply
- In addition, **300,000 sq m** of office space is currently under construction in the CBD, **63%** of which is speculative. Space under construction in the CBD accounts for a significant 83% of the entire supply pipeline in Dublin. Additional space can be easily activated for development if demand starts to escalate

Rental outlook

- Prime headline rents have more than doubled since Q1 2012 and currently stand at **€673/sq m pa**. However, rental growth has slowed from above 20% in 2015 to around 5% in 2016
- Meanwhile, net effective rents have also risen driven by tightening tenant incentives. However, with rent free periods having narrowed, there is limited scope for incentives to tighten further in the current cycle
- We expect headline rents to rise by **6%** this year before growth slows to 4% in 2018 driven by new supply entering the market

Agent Q&A (Michael Healy)

What do you see as the main occupier trend in 2017-18?

The majority of demand will be focused on Dublin city centre, rather than the suburbs which will be the location for cost conscious occupiers. Tech will remain the most active sector followed by the Public Sector and Financial Services.

Which sector is of the most interest to you?

Following Brexit, the Financial Services sector will grow in importance, particularly the Banking, Insurance and Aviation Finance & Leasing. We anticipate a strong interest from APAC firms with an existing presence in London.

What do you consider the main challenges facing occupiers over the medium-term?

As the availability of quality options smaller than 1,000 sq m remains limited over the short to medium term, this section of the market will predominantly be serviced by tenant subletting and serviced office providers.

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