

Savills Research - H1 2023

Cork Office Market

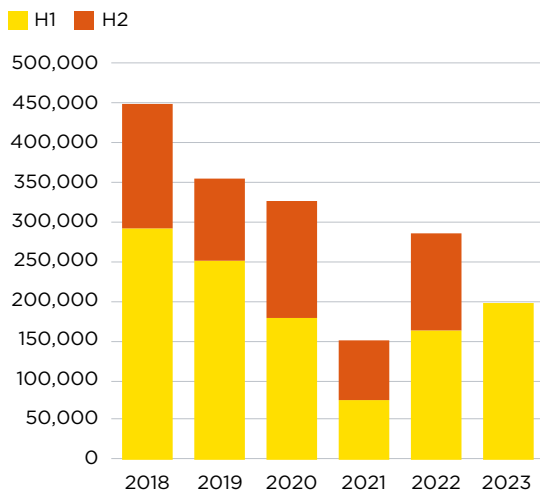


Key Statistics, sq ft*

	Q1 2023	Q2 2023	▲ q/q
Stock	7.08m	7.08m	-
Take-up	15,597	180,855	+165,258
Vacancy Rate	14.1%	13.7%	-40 bps
Completions	-	-	-

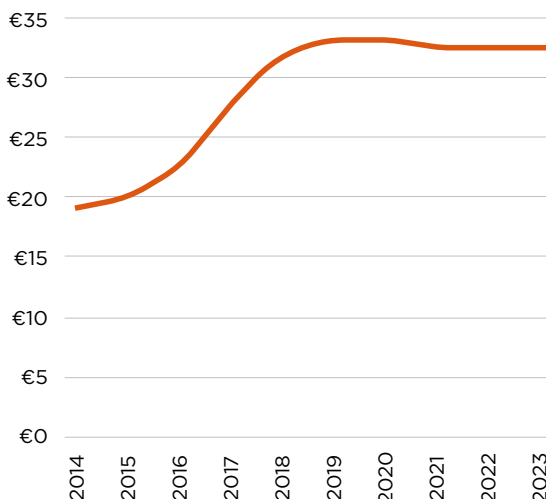
Source: Savills Research

Figure 1: Take-up, sq ft



Source: Savills Research

Figure 2: Headline rents, psf



Source: Savills Research

Public sector dominates first half take-up

Vacancy rate falls as grade A space completed in Q4 2019 is occupied for the first time.

The Cork office market recorded 180,900 sq ft of take-up across 20 deals in Q2, bringing take-up in H1 to 196,400 sq ft. This represents a 19.4% increase compared to H1 2022. 56.0% of the deals in H1 were as a result of the Health Service Executive’s (HSE) expansion within the Cork office market.

The largest letting was of Westfield Office Quarter, Ballincollig, where the HSE took over 64,000 sq ft. This building was completed in Q4 2019 and was vacant until this deal was agreed. The second biggest transaction was the HSE’s purchase and occupation of 35,200 sq ft at Building 4, University Technology Centre. The third-largest deal involved law firm Ronan Daly Jermyn (RDJ) relocating from City Gate Park, Mahon, to the South Mall in the city centre where it was previously located in 2013. The firm agreed a deal of 17,000 sq ft in the former Forcepoint space at 85 South Mall, which is the most recently built office on the Mall having been redeveloped in 2019.

ANALYSIS

There were 27 deals completed in H1 2023, which compares to 19 deals in the same period last year. On a sectoral basis, the public sector accounted for the highest proportion of space taken at 56.2%, followed by professional services at 22.2%. Just 3.5% of space was taken by tech occupiers, which is a reflection of the current sentiment in that sector. Headline rents in Cork remain at €32.50 psf. Rents have been stable for the past three years, partly as a result of the delivery of Grade A space in recent years, with limited stock available in the city core prior to 2017.

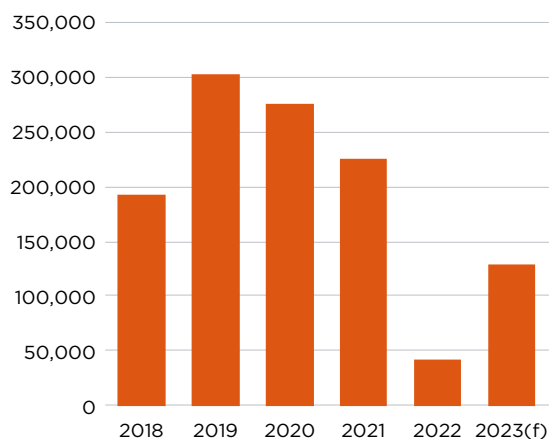
Table 1: Top five deals

Property	Sq Ft	Tenant	Sector
Westfield Office Quarter	64,670	HSE	Public Sector
4 University Technology Centre	35,220	HSE	Public Sector
85 South Mall	17,340	Ronan Daly Jermyn	Professional & Technical Services
IDA Business & Technology Park	7,260	HSE	Public Sector
Tellengana House	6,990	IPS	Professional & Technical Services

Source: Savills Research

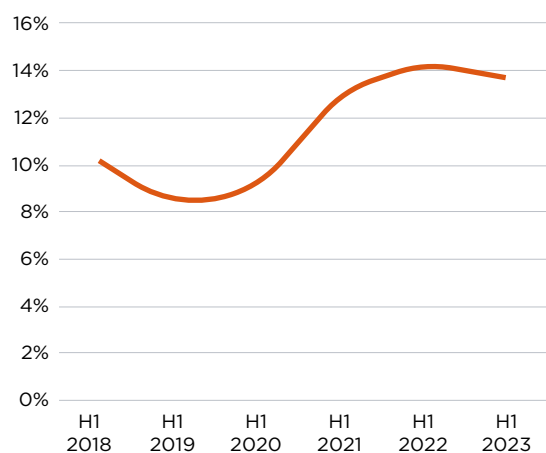
*Note: All sq ft quoted in estimated net terms

Figure 3: Development pipeline



Source: Savills Research

Figure 4: Vacancy rate



Source: Savills Research

DEVELOPMENT PIPELINE

The Cork office market reached a significant milestone in 2022 when total stock broke the 7 million sq ft mark for the first time. This was driven by the completion of 41,400 sq ft at City Gate Plaza in Mahon which was developed by JCD in collaboration with the occupier, LogiTech, and is the most recent office completion in Cork. However, construction is underway in the city centre at Horgan’s Quay 2, where 128,200 sq ft is due to be completed by year end. A further 2.5 million sq ft of offices have been granted planning permission, while submissions have been made for a further 530,000 sq ft to be developed. Should all these projects materialise, this will result in more than 3.1 million sq ft of space being delivered.

VACANCY

H1 2023 recorded a vacancy rate of 13.7%. Vacancy levels have fluctuated significantly since 2018, reaching a high of 14.3% in H1 2022. While the latest reduction in the vacancy rate reflects the recent take-up of Westfield Office Quarter after a two-year negotiation, vacancy has generally been trending upwards. It has been impacted by some key factors such as slow transactional activity caused by the pandemic, along with the delivery of new office stock which is yet to be absorbed. We have also seen an increase in grey space coming to the market via sublets and assignments. Companies are releasing this space as an immediate cost-cutting exercise and also in response to a change in work patterns.

Table 2: Top five completions

Property	Location	Sq ft	Year Completed
Penrose Dock 1 & 2	City Centre	250,000	2021
Apple HQ	North Suburban	170,270	2018
1 Navigation Square	City Centre	125,400	2019
1 Horgan’s Quay	City Centre	116,780	2020
2 Navigation Square	City Centre	80,870	2020

Source: Savills Research

Outlook

We are seeing a flight to quality from a tenant perspective in the market at present, with tenant fit out placing a huge emphasis on health and wellbeing. Prospective tenants are putting people to the fore in their design processes, with breakout zones, restaurants and meeting rooms all featuring heavily in the list of requirements and criteria that need to be fulfilled when selecting a suitable property. The market is also currently dominated by the public sector and government bodies. When it comes to the space requirement, the main focus of these state and semi-state bodies are sustainability and energy performance.

Given the level of development over the last five years, Cork has demonstrated that it is a stable office market as reflected both in a consistent level of take-up along with consistent rental levels. We anticipate with the next phase of development seeing rents rise to reflect the increasing costs of delivery. Nevertheless, Cork remains an incredibly competitive environment for office occupiers with prime city centre offices being leased at rental levels 50% below similar specification buildings in Dublin. Overall, the market is expected to continue to expand in the years ahead amid population growth and development of the city docklands.



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