

Q2 DUBLIN OFFICE MARKET 2020



**BNP PARIBAS
REAL ESTATE**

OFFICE
RESEARCH

Q2 2020 KEY TRENDS



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OFFICE OCCUPIER MARKET AT A GLANCE

KATE RYAN

Associate Director & Head of Research
BNP Paribas Real Estate

“ Q2 2020 was the weakest quarter on record for the Dublin office market with take-up reaching just 6,970 sq.m across 13 lettings. ”

Not surprisingly, occupational markets have felt the impact of the COVID-19 crisis with take-up experiencing significant declines during Q2. This is a situation which has been experienced in office markets across the world as strict lockdown measures and market uncertainty led office occupiers to put leasing decisions on hold.

The office sector has been undergoing a structural transformation for some years, with many companies seeking to consolidate their office footprints and lease lengths declining in line with a growing desire for flexibility. COVID-19 accelerated the pace of this change with remote working becoming the new norm. This has given companies time to assess their space needs, however the impact of this on the office market is unclear as yet.

Some may conclude that they simply do not need the amount of space that they have needed up to now, opting to embrace remote working on a permanent or rotational basis. Despite potential cost savings, this may not suit all business models. Equally, this may not suit all workers. Much has been reported about the mental strain of working remotely; the office is not just a place of work, but a place to meet, interact and collaborate with colleagues and clients too. And despite the adoption of technologies such as video conferencing, practical constraints such as connectivity issues and a lack of suitable office space at home remain.

Recent years have seen a rise in the use of shared office spaces, with providers such as WeWork experiencing exponential growth. The pandemic has thrown the future of these operators into the spotlight, with shared accommodation seen as riskier in terms of the spread of the virus. That said, the model has matured in recent years, with both Regus and WeWork launching new brands targeted at larger corporate tenants. Irish company Iconic Offices have also been proactive in their response to the crisis, investing heavily in the implementation and communication of safety protocols to ensure the wellbeing of members as they return to the office. As occupiers seek to introduce flexibility into their leasing arrangements, so that they are better placed to deal with unexpected shocks, this may protect the serviced office sector and ensure its viability into the future.

The preference towards city centre locations may also change as a result of the pandemic. Physical distancing and anxieties in relation to public transport may cause a reversal of the trend of consolidation into one large office. Instead, companies might opt for smaller satellite offices outside of the city centre which are less densely populated and can be accessed by car. Whether this will lead to a longer-term shift in occupier preferences remains to be seen.

Similarly, good cycling and walking infrastructure and other environmental and sustainability measures such as good ventilation and access to outdoor space will be increasingly important. The integration of smart building technology will also support health and wellbeing of employees, so buildings that have future-proofed in this way will be more attractive.

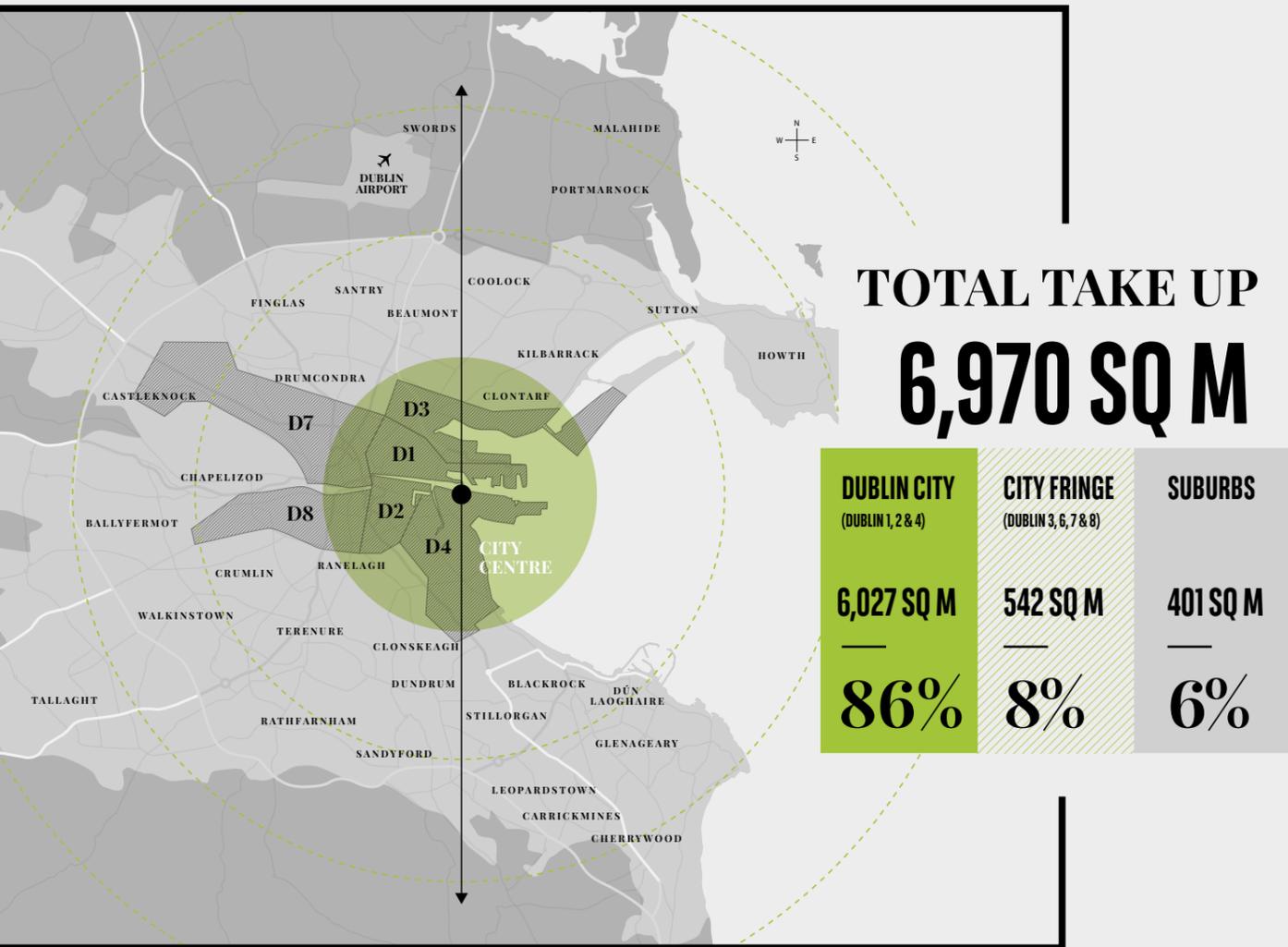
While it is too soon to comment on rental values, the underlying strength

of occupier markets and steady delivery of supply to the market should ensure that significant declines are generally limited. Some occupiers are struggling more than others, and have scaled back expansion plans. Others, who may have postponed relocation plans earlier in the year, are now resuming their office search processes which is a positive sign. The focus in the near term will be more on extended rent-free periods and other incentives as tenants consider short-term cash flow issues and the practicalities of fitting out accommodation.

As we move into Q3, the easing of restrictions has meant that inspections are now possible but remain challenging due to social distancing, particularly where existing tenants are still in occupation. New innovations such as virtual tours and drones have become more widely used, which is positive for the office market and will benefit both users and providers of office space into the future.

While we do not expect the traditional office occupier model to fall away, we do expect that working from home will become more widely accepted and adopted. Nevertheless, there will still be a need for face-to-face meetings, team building, community and collaboration in the post-pandemic world.

TOTAL TAKE-UP Q2 2020
6,970 SQ.M



“

It is too early to assess the full impact of the ongoing COVID-19 crisis will have on office occupation, but it is clear coronavirus will prompt some rethinking about the role of the office. A recent survey carried out by BNP Paribas Real Estate found while 90% of respondents were happy to work from home during the pandemic, more than 50% said they would not like to continue to do so in the future. On balance, it seems that people work better as a team, and bringing the team together supports productive engagement. Whether the team is more dispersed in a new office space, or just occupies the same shared space but less frequently, are among the questions employers now need to answer.”



KEITH O'NEILL
Executive Director & Head of Office Agency, BNP Paribas Real Estate

Source: BNP Paribas Real Estate Research

	CITY CENTRE (DUBLIN 1, 2 & 4)	SUBURBS
HIGHEST RENTS	€640 PER SQ M 6C CUMBERLAND PLACE, DUBLIN 2	€179 PER SQ M CITYWEST SHOPPING CENTRE, DUBLIN 22
NUMBER OF DEALS	10	2
AVERAGE DEAL SIZE	603 SQ M	200 SQ M
OFFICE STOCK RESERVED	46,288 SQ M	15,137 SQ M
TYPICAL LEASE BREAK	10-12 YEARS	5 YEARS
UNDER CONSTRUCTION	507,962 SQ M	118,297 SQ M

BREAKDOWN OF DEALS PER SIZE CATEGORY

	UNDER 500 SQ M	500 / 1,000 SQ M	1,000 / 2,000 SQ M	2,000 / 5,000 SQ M	5,000 / 10,000 SQ M	10,000 SQ M AND ABOVE
CITY CENTRE	5	4	-	1	1	1
CITY FRINGE	-	1	-	-	-	-
SUBURBS	2	-	-	-	-	-
% OF TOTAL TAKE-UP	25%	43%	-	32%	-	-

Source: BNP Paribas Real Estate Research



TOP 10 DEALS CITY CENTRE

	BUILDING	LOCATION	TENANT	QUANTITY SIGNED SQ FT	QUANTITY SIGNED SQ M
1	4th, 5th & 6th Floors, 2 Cumberland Place	Dublin 2	3M	23,928	2,223
2	1st Floor, 45 Mespil Road	Dublin 4	Amryt Pharma	8,200	762
3	George's Quay Plaza	Dublin 2	Vanguard	6,243	580
4	6th Floor, 6c Cumberland Place	Dublin 2	Teckro	6,200	576
5	3rd Floor, Palmerston House, Fenian Street	Dublin 2	Confidential	5,500	511
6	2nd Floor, Lonhort House, Leeson Street	Dublin 2	Bartra	4,508	419
7	2nd Floor, Joshua House, Dawson Street	Dublin 2	Dentons	4,200	390
8	South Dock House	Dublin 2	Guggenheim / IRES	4,125	385
9	Part 4th Floor, Garryard House	Dublin 2	Osborne & Co.	1,167	108
10	20 Stephen Street Lower	Dublin 2	Adaptive	784	73

TOP DEALS DUBLIN 2

	BUILDING	LOCATION	TENANT	QUANTITY SIGNED SQ FT	QUANTITY SIGNED SQ M
1	4th, 5th & 6th Floors, 2 Cumberland Place	Dublin 2	3M	23,928	2,223
2	George's Quay Plaza	Dublin 2	Vanguard	6,243	580
3	6th Floor, 6c Cumberland Place	Dublin 2	Teckro	6,200	576
4	3rd Floor, Palmerston House, Fenian Street	Dublin 2	Confidential	5,500	511
5	2nd Floor, Lonhort House, Leeson Street	Dublin 2	Bartra	4,508	419

TOP DEALS DUBLIN 4

	BUILDING	LOCATION	TENANT	QUANTITY SIGNED SQ FT	QUANTITY SIGNED SQ M
1	1st Floor, 45 Mespil Road	Dublin 4	Amryt Pharma	8,200	762

TOP DEALS CITY FRINGE

	BUILDING	LOCATION	TENANT	QUANTITY SIGNED SQ FT	QUANTITY SIGNED SQ M
1	Phibsborough Tower, Phibsborough	Dublin 7	Giant Media	5,830	542

TOP DEALS SUBURBS

	BUILDING	LOCATION	TENANT	QUANTITY SIGNED SQ FT	QUANTITY SIGNED SQ M
1	Unit A, Citywest Shopping Centre	Dublin 24	PMEP Consulting	2,239	208
2	Unit A, Citywest Shopping Centre	Dublin 24	Blue Saffron Ltd.	2,077	193



PLANS SUBMITTED

BUILDING	LOCATION	LANDLORD	SIZE SQ FT	SIZE SQ M
DIT / TUD Site, Kevin Street Lower	Dublin 8	Westridge Real Estate	571,671	53,110
Connolly Quarter	Dublin 1	CIE / Ballymore / Oxley	256,258	23,807
94/95 Mount Street Lower	Dublin 2	Mount Way Offices Ltd.	30,828	2,864
Columbia Mills, 14-15 Sir John Rogerson's Quay	Dublin 2	MKN Properties	25,726	2,390

PERMISSION GRANTED

BUILDING	LOCATION	LANDLORD	SIZE SQ FT	SIZE SQ M
Harcourt Square (Amendments)	Dublin 2	Hibernia REIT Plc.	343,000	31,866
45-47 Cuffe Street	Dublin 2	KC Capital	50,773	4,717
2-5 Warrington Place	Dublin 2	Davy	45,725	4,248
42A Parkgate Street	Dublin 8	Ruirside Developments	39,805	3,698
18 Leeson Street Lower	Dublin 2	Aviva Life & Pensions	37,187	3,455
House of Europe, Chatham House, Chatham Street	Dublin 2	Lioncor Developments	15,339	1,425
Victoria Buildings, 1-2 Haddington Road (Extension)	Dublin 4	Tullington Ltd.	5,285	491

ON SITE

BUILDING	LOCATION	LANDLORD	SIZE SQ FT	SIZE SQ M
Cherrywood Town Centre (Phased)	Dublin 18	Hines	246,988	22,946
2 Grand Parade	Dublin 6	Hines / Union Investment	103,333	9,600
Haddington House, Haddington Road	Dublin 4	Alykes Ltd.	51,247	4,761
5 Dame Lane (Refurbishment & Change of Use)	Dublin 2	Eir	13,100	1,217

Source: Property brochures and/or relevant planning authorities.

SOME OF OUR CURRENT PROJECTS



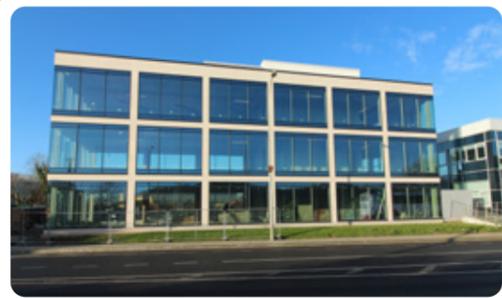
#1 South County Office Campus, Sandyford, Dublin 18

BNP Paribas Real Estate acted on behalf of developer Infinity Capital in securing global payments giant Mastercard as a tenant at the South County Office Campus, Dublin 18. The letting, which was completed during Q1, saw Mastercard signing to lease One and Two South County (23,148 sq.m) with an option to lease the planned Three South County building (4,200 sq.m) at a later date. One South County reached completion in Q3 2019. Construction has commenced on Two South County, which will be completed mid-2021. This high-profile suburban campus-style development will be home to Mastercard's Technology Hub for Europe, providing a 'Campus of the Future' for the global payments giant.



#2 One Cherrywood, Dublin 18

BNP Paribas Real Estate are delighted to have been instructed by US real estate developer Hines as joint letting agents on One Cherrywood. Designed by world renowned architects Gensler, this exceptional landmark development comprises 14,752 sq.m of Grade A office accommodation set over 6 floors fronting onto the Wyatville Road. The building, which will be constructed to the highest specification, can accommodate requirements from 1,561 sq.m to 14,752 sq.m. With the development of the new residential quarter and the Cherrywood Town Centre well underway, incoming tenants will have immediate access to living accommodation as well as a wide range of amenities.



#3 Dublin Airport Business Park, Co. Dublin

Block B, which extends to 930 sq.m, is the latest addition to Dublin Airport Business Park in the north suburbs. The offices are due to reach completion in August 2020 and are attracting significant attention from indigenous and overseas occupiers. Upon securing a tenant, the landlord and developer B&C Contractors will turn their attention to developing the final phase of the scheme, Block C, Dublin Airport Business Park which will provide an additional 4,000 sq.m of Grade A office space to the business park.



#4 One Warrington Place, Dublin 2

BNP Paribas Real Estate on behalf of Centrica Plc. have recently agreed terms to a global occupier on the 4th and 5th floors of One Warrington Place. One Warrington Place is a striking landmark corner office building located in an unrivalled location in Dublin City Centre. The floors extend to 1,268 sq. m of fully fitted, Grade A accommodation and have been let on a 6 year sublease. The new tenant will join Bord Gáis and Mars Capital as the third occupier at One Warrington Place.



#5 Second Floor, Joshua House, Dawson Street, Dublin 2

BNP Paribas Real Estate are delighted to have secured the subletting of second floor, Joshua House to Dentons, the world's largest law firm in Q2 2020. Dentons committed to the second floor, which extends to 391 sq.m, on a 2 year sublease. Following the successful letting of this floor, BNP Paribas Real Estate are now offering the third floor of this building (328 sq.m) to the market for lease. It comprises a fully fitted, Grade A office suite with a mix of open plan space, executive offices and boardrooms in the heart of Dublin 2.



#6 Citywest Shopping Centre, Dublin 24

BNP Paribas Real Estate are delighted to have secured the letting of ground and first floors at Unit A, Citywest Shopping Centre to recruitment firm Blue Saffron and engineering firm PMP Consulting Limited during Q2 2020. The two floors, which together extend to 401 sq.m, were let on a 10 year lease with a break option in year 5. Unit H is now being offered to the market extending to 750 sq.m over three floors.



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At BNP Paribas Real Estate our people work with you to build targeted and integrated real estate solutions for your every need: Property Development, Transaction, Consulting, Valuation, Property Management and Investment Management.

With our international scope, expertise and on-the-ground presence, you will find the perfect partner that can ensure the success of your real estate projects.



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