New and refurbished space dominates office occupier preferences as supply pipeline starts to deliver – this will continue to anchor prime rents in 2017

Q4 DUBLIN OFFICE MARKET by RESEARCH BY BNP PARIBAS REAL ESTATE

18th January 2017, Dublin:

Prime rental growth remained positive in 2016, but at a much steadier pace than the 22% increase in 2015. The trend in 2017 will be more towards landlords looking to secure well established tenants of good covenant with long leases and break options 10 years plus.

Analysing the Irish commercial property market in October to December 2016, the BNP Paribas Real Estate report ‘At A Glance Dublin Office Market Q4’ found that 50% of total space taken in 2016 was in Dublin 2 & 4 (compared to 32% in 2015). The two largest deals in Q4 made up 31% of total take-up in Q4 (Amazon signed to take 16,000sqm in the new Vertium Building in Dublin 4, while 7,600sqm of space was pre-let to the NTMA at Dublin Landings which is currently under construction in the North Docks, Dublin 1).

Joan Henry, Head of Research at BNP Paribas Real Estate said: “Occupier preference for new office stock became particularly clear in the second half of 2016. This has had a positive impact on the pace of prime rental growth. Starting 2016 at €592 per sqm, rental growth of 5-6% has seen prime rents end the year in the region of €625-€630 per sqm per annum. There have been some deals signed at €645 per sqm but not enough to clearly position rents at this level across all prime locations. The active supply pipeline, particularly in Dublin’s central business districts, was the biggest factor driving the market in 2016.

The letting of just under 700sqm in the One Building on Grand Canal St in Dublin 2 to Rapid 7 achieved €645 while Docusign took just under 3,000sqm in Cumberland House in Dublin 2 at €635 per sqm. The highest rent achieved in 2016 was the letting of 1,750sqm to Zalando for over €700 per sqm—a unique renovated warehouse in Dublin’s South Docks with a short lease. We expect the increased number of new and refurbished schemes becoming available to the market to increase competition in the marketplace at an important point in the current market cycle.”

The report can be viewed here:

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NB Spokesperson Joan Henry is available for interview