Lambert Smith Hampton

FAANG TASTIC YEAR

IRELAND 2019
OFFICE MARKET REPORT

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WELCOME

What a fantastic year 2018 was! Take-up across Ireland was record breaking, exceeding the 5.5m sq ft mark for the first time. In addition to the overall record breaking activity, take-up in the Dublin city centre, Belfast and Cork markets each surpassed previous highs.

Looking back, it was the so-called FAANGs (Facebook, Apple, Amazon, Netflix, Google) which grabbed the headlines. Some of these tech giants demonstrated their commitment to Ireland and ambitions for growth in 2018. Facebook announced their plans for their new EMEA headquarters at Ballsbridge, the largest deal in Irish history. Google purchased Bolands Quay and opened new locations in the Sandyford tech cluster, and Apple completed their Hollyhill campus expansion in Cork.

The revolution of serviced office operators and how occupiers consume office space also continued, with an eight-fold increase in two years. WeWork were the driving force behind the meteoric rise in Dublin city centre during 2018, while in Belfast there was growth in local and boutique operators.

Given that political uncertainty characterised 2018, the markets have shown negligible impact, instead breaking records. The strong demand was fuelled by significant delivery of new and refurbished office stock, particularly in Dublin's Central Business District. With more stock under construction, supply remains stable and grade A availability is currently healthy. Outside of Dublin, significant schemes are expected to come forward during 2019 in Belfast, Cork and Galway.

In keeping with the buoyant theme, office investment activity reached €1.4bn in 2018, almost double that of the previous year. This strong performance was a combination of the strength of the occupier market, healthy development of new stock, institutional activity and the occurrence of €100m+ deals. While we expect that office investments will continue to dominate and new stock coming forward will provide a source of new quality product, its hold will continue to be chipped away by industrial, alternative and private rented sector investments.

To capitalise on future opportunities for growth and return on investment, a granular understanding of the key markets remains critical. If you would like any guidance or further information in respect of the Ireland office markets, please contact our team of experts – we'd be delighted to help.

Stuart Draffin

PLACEMAKING

REIMAGINE & REINVENT

The relationship between people and place is not a new concept. Placemaking puts this relationship at the heart of design and development of new spaces, a hands-on approach to reimagine and reinvent public spaces as the centre of a community.

PLACEMAKING AT BONHAM QUAY, GALWAY

At Edward Capital we understand the importance of place. Our vision for Bonham Quay is to create a product that is 'More than an office' – where consideration is given to how the people and place connect from design to delivery, to create a contemporary workplace that reflects the unique culture that Galway city has to offer. The 340,000 sq ft docklands development will be arranged across four office blocks alongside two public squares that all connect via landscaped bridges and streets.

The concept is of a 'highline' for Galway – vertical green spaces arranged up through, and on top of the buildings creating opportunities and community for both the public and the 3,000 team members in office spaces, breakout terraces, desks and gardens below. The extensive glazing allows for maximum access to views.

Through creating a series of interconnecting streets around the central courtyard we are able to integrate the building with the surrounding areas. The public squares and plazas have been designed to be multifunctional and adaptable. They can be used for impromptu and organised events such as pop up markets, performances and outdoor cinema screenings. When complete, the development will be 43% open space and the new landscaped space will be equivalent in size to two-thirds of Croke Park.

Bonham Quay, will be an example of good placemaking and a workplace campus where employees and their wellbeing are looked after. Following the WELL Building Standard means consideration will be given to the quality of air, water, nourishment, light, fitness, comfort and mind. The provision of facilities for exercise, meditation and mindfulness through a wellness centre, green spaces and gardening amenities will improve the WELL Building Standard.

For more information, please contact:

Edward Capital
www.edward.ie

Bonham Quay, Galway

The Waterside, Belfast

PLACEMAKING AT THE WATERSIDE, BELFAST

Placemaking is a subject that many people talk about but few actually do well. There's one reason for this, it's not easy! Traditional developers like to dictate what is going to happen on a site. They design a few glossy commercial and luxury residential buildings, apply some slick marketing, find an anchor tenant, put a big open space in the middle, fill it with bollards and some grass. Then they wait for people to come. But that doesn't work and it hasn't worked for a long time.

At Osborne+Co, we have learned that architects and builders don't make a place - people do. Our placemaking strategy for Belfast has been based on three cornerstones. Connecting, Convening and Contributing.

CONNECTING

In shaping our plans we asked ourselves how Belfast connects with the world on a global level, how it attracts foreign direct investment. We asked how it connects physically and emotionally with those who live and travel here. We asked how well Belfast works as a city, how people travel from one side to the other. Now we are trying to work out how we can design and plan our bit of the city to create a truly shared and safe place, part of a new age of city living.

CONVENING

We explored how easy it is to set up a business in Belfast; the reasons why an organisation might relocate here. We explored ideas that would encourage students from NI and the wider diaspora to stay here or move home again. We have met with local communities and listened carefully to their ambitions for the city and their dreams for their children.

CONTRIBUTING

With private, affordable and social homes, hotel, commercial buildings and public spaces, The Waterside will provide places to live, play, work and stay, but it will also provide opportunity in the form of BEON, a talent generator where new, undiscovered and emerging talent can be nurtured, supported and showcased.

All of these plans are part of a pioneering 'PlaceMaking Plus' strategy that connects Osborne+Co with the people of Belfast, convenes with industry and academia and helps to contribute to the global appeal of Belfast as a place to locate business. These three Cs form the guiding principles of The Waterside project, highlighting Osborne+Co's desire to really make a difference to the city of Belfast by working with its people to create spaces that the city can be proud of for years to come.

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FOCUS ON

DUBLIN CITY FRINGE

With space in Dublin's core business district tightening and home to the highest prime rents, opportunities for occupiers, developers and investors exist in the city fringe areas of Dublin 7 and 8. Our analysis of the city fringe identifies the area's benefits.

ALREADY THERE

The city fringe is already home to a diverse tenant profile and a host of major occupiers. Workday, OPW and The Bar Council – Law Library are all situated north of the Liffey in Dublin 7. On the opposite side of the river, AIB, HSE, AOL and Iconic Offices are located in Dublin 8.

Many occupiers do not consider it a compromise to locate in the city fringe. Instead, they are reaping the benefits of headline rents around 25% lower than prime city centre options, government policies focused on area regeneration and significant forthcoming developments.

The city fringe also benefits from excellent transport links; serviced by the Luas Red Line, home to Heuston Station, one of Dublin's main commuter stations, and conveniently located for access to the M4/N4 and N7.

DEVELOPMENT BOOST

After a long run of absence of development in the city fringe, activity is beginning to pick up. Currently, the only scheme under construction is Oakmount's 61 Thomas Street (13,000 sq ft), due for delivery in Q2 2019.

Demolition works have commenced at the Linders of Smithfield Distillers Building (180,000 sq ft). The 8 Building (80,000 sq ft) on Newmarket Square has completed demolition and is scheduled for completion in Q3 2020. Also from Linders of Smithfield, Haymarket House (74,000 sq ft) is scheduled for completion by end of 2020, with construction expected to begin this year.

Planning consent is also in place for further developments, including 30 Old Kilmainham Road (40,000 sq ft). These new developments will boost availability in the city fringe and provide high quality options for potential occupiers.


The 8 Building, Dublin 8

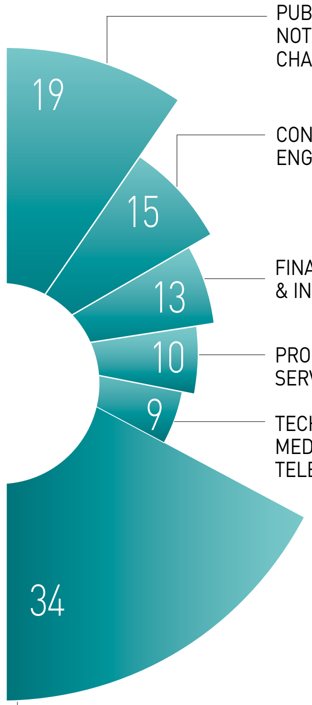
GUINNESS IS GOOD FOR DUBLIN 8

In 2017 Diageo, Guinness's parent company, announced plans to redevelop 12.6 acres of its 50 acre St James' Gate complex in Dublin 8. The mixed-use world-class urban centre will create a new city quarter to be known as St. James's Gate Quarter.

In the company's vision, old brew and vat houses will be repurposed and new buildings constructed for residential, office and commercial space. New public spaces and streets will be fully integrated into the wider Liberties area.

According to media reports, Diageo is in the final stages of selecting a development partner. The final three candidates for the joint venture are Hines, Ballymore and U&I, with the announcement of preferred partner expected soon.

TENANT PROFILE 2017-2018



FRINGE VALUE

As a proportion of Irish office investment activity, Dublin 7 and 8 typically accounts for an inconsiderable percentage (averaging around 1%), primarily due to a lack of stock. In 2018, however, investment in this area accounted for 15% of Irish office volume, boosted by the sale of the Eir Headquarters at Heuston South Quarter for €176m (NIY 5.70%) and 31-36 Golden Lane for €25.5m (NIY 5.26%).

While there is yield value in city fringe offices, with an average lot size of under €5m, purchasers of office buildings in this area tend to be private investors. The forthcoming developments may appeal to a broader range of investor types, including private equity firms and REITs.

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St James's Gate, Dublin 8


Haymarket House, Dublin 7


The Distillers Building, Dublin 7

TOP FIVE LETTINGS 2017-2018

Property	Size (sq ft)	Date	Occupier	Occupier Type
151 Thomas Street	69,636	Q4 2018	Iconic	Co-working/Serviced office
2 HSQ, Heuston South Quarter	56,245	Q4 2018	AIB	Finance, banking & insurance
Infinity Building, Smithfield	37,173	Q1 2017	Department of Social Protection	Public sect, not-for-profit, charities
Block B, Cultural Space, Smithfield Square	36,307	Q4 2017	Rothco	Professional services
The Brunel Building, HSQ	31,225	Q2 2018	HSE	Public sector, not-for-profit & charities

 Data source: LAMBERT SMITH HAMPTON

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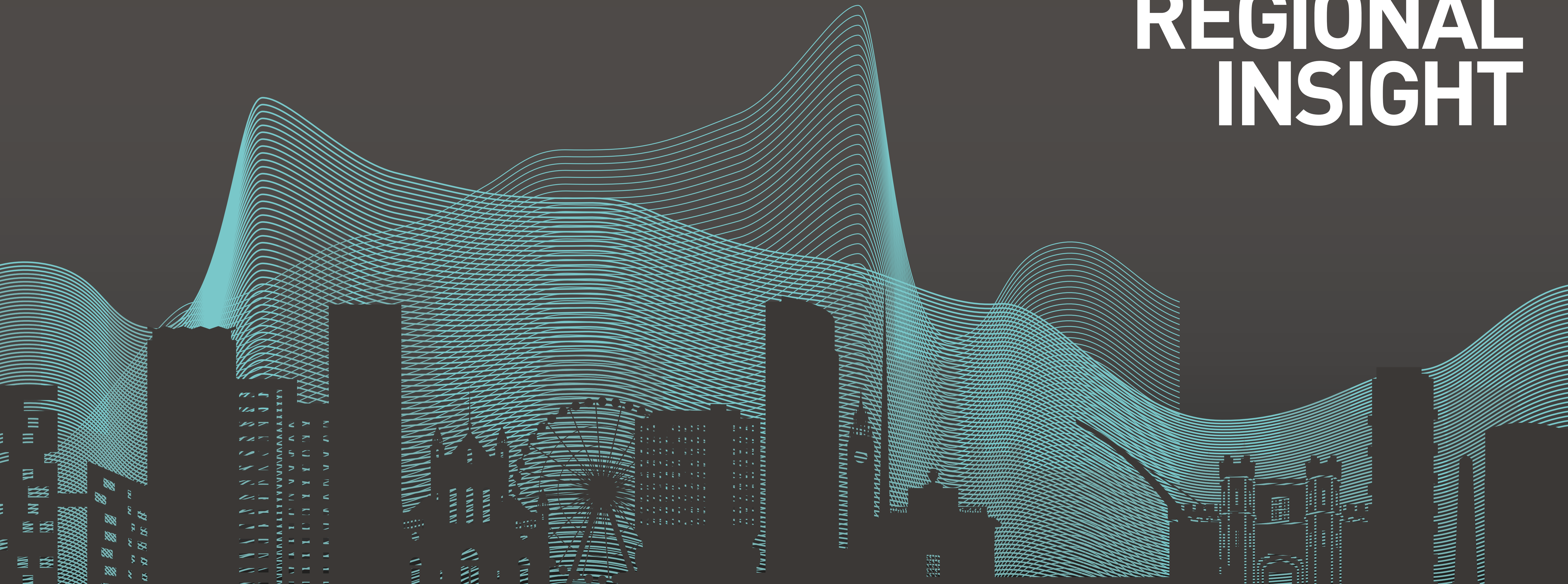
REGIONAL INSIGHT



OCCUPIER MARKET OVERVIEW

FACEBOOK LIKES DUBLIN

The Irish markets put in a record-breaking performance in 2018, boosted by major deals and demonstrating clear resilience to the political turmoil. Occupiers are showing confidence in Ireland and benefitting from the wave of development in recent years.

Across Ireland's six key markets combined, take-up in 2018 reached a decade high of 5.5m sq ft, 28% above 2017's total and a third higher than the five-year annual average. Activity was boosted by a bumper final quarter, when take-up was just shy of 2m sq ft.

November 2018 saw Ireland's largest ever single office deal on record, Facebook's 870,000 sq ft agreement at the former AIB Bankcentre site in Ballsbridge, Dublin. As occupier confidence has grown, large deals have become more common, with nine deals over 100,000 sq ft agreed during the past 12 months.

In addition to Facebook, a host of world renowned names joined the 2018 list of occupiers expanding or relocating, including Google (200,000 sq ft at Bolands Quay, Dublin), Apple (170,000 sq ft at Hollyhill, Cork), PwC (155,000 sq ft at Merchant Square, Belfast) and LinkedIn (152,797 sq ft at Wilton Terrace, Dublin).

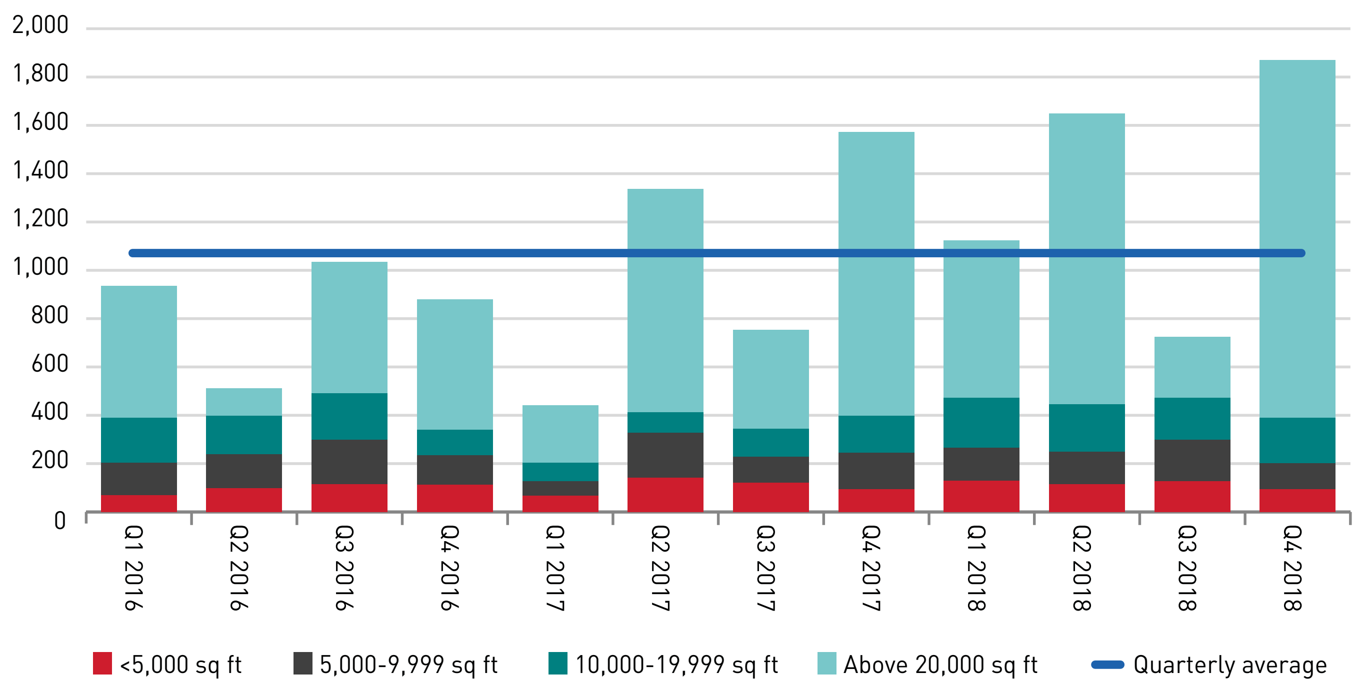
NEW SPACE FUELS RECORD YEAR

During 2018, construction of new stock increased for the fourth consecutive year, standing at 6.4m sq ft and 11% above 2017. The strength of occupier demand and rapid uptake of new development was crucial to the record breaking year, with two-fifths of space under construction pre-let.

Construction remains focused in Dublin city centre, although activity in this location decreased from 3.8m sq ft in 2017 to 3.5m sq ft in 2018. Development activity in Cork doubled during 2018, spurred on by tenant demand, particularly from the US technology sector.

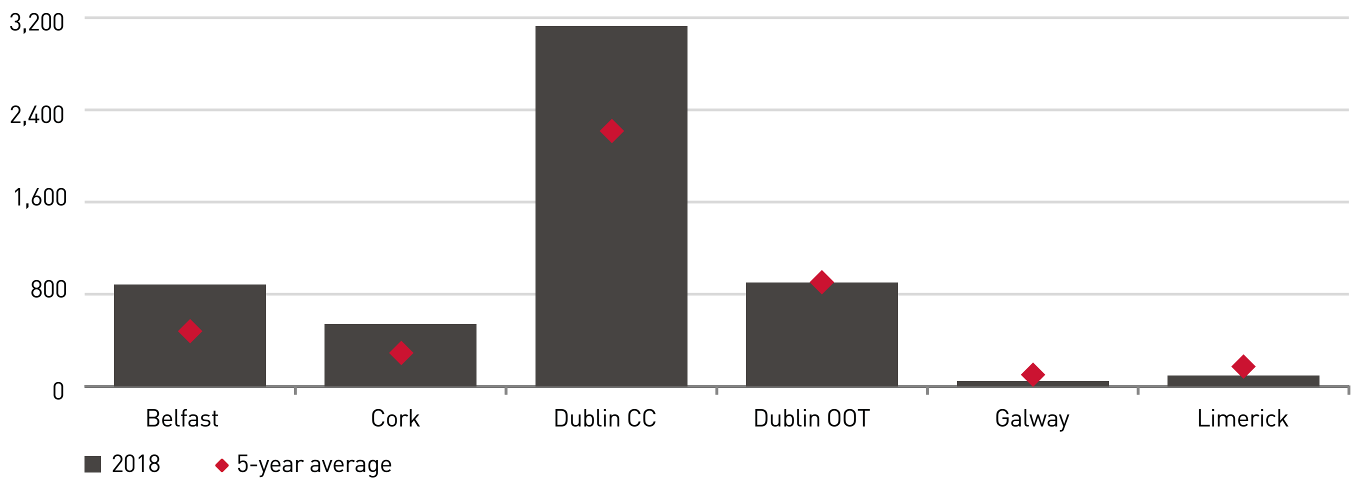
With a number of key developments completing during the past 12 months, development at the beginning of 2019 has fallen to 4.3m sq ft. Given developer confidence, particularly in Dublin and Cork, additional schemes are expected to break ground during the year.

IRELAND TAKE-UP BY SIZE (000 SQ FT)



Data source: LAMBERT SMITH HAMPTON

IRELAND TAKE-UP (000 SQ FT)



SUPPLY REMAINS STABLE

Despite the huge amount of development, supply of office space across the markets remained stable at 8.2m sq ft, only 2% below 2017. With more speculative development coming forward and grade A availability at 60%, there are no immediate concerns about supply pressure.

There are nonetheless contrasts between the markets. Availability in the two Dublin markets increased during 2018, by 6% in the city centre and by 19% out-of-town, with both markets boosted by new developments. Looking ahead, both locations have a healthy level of planning consents in place, however, development sites in the city centre are becoming more limited.

Availability in each of the other locations, however, declined by more than a fifth during the past 12 months, with less than two years of supply in Belfast and Cork.

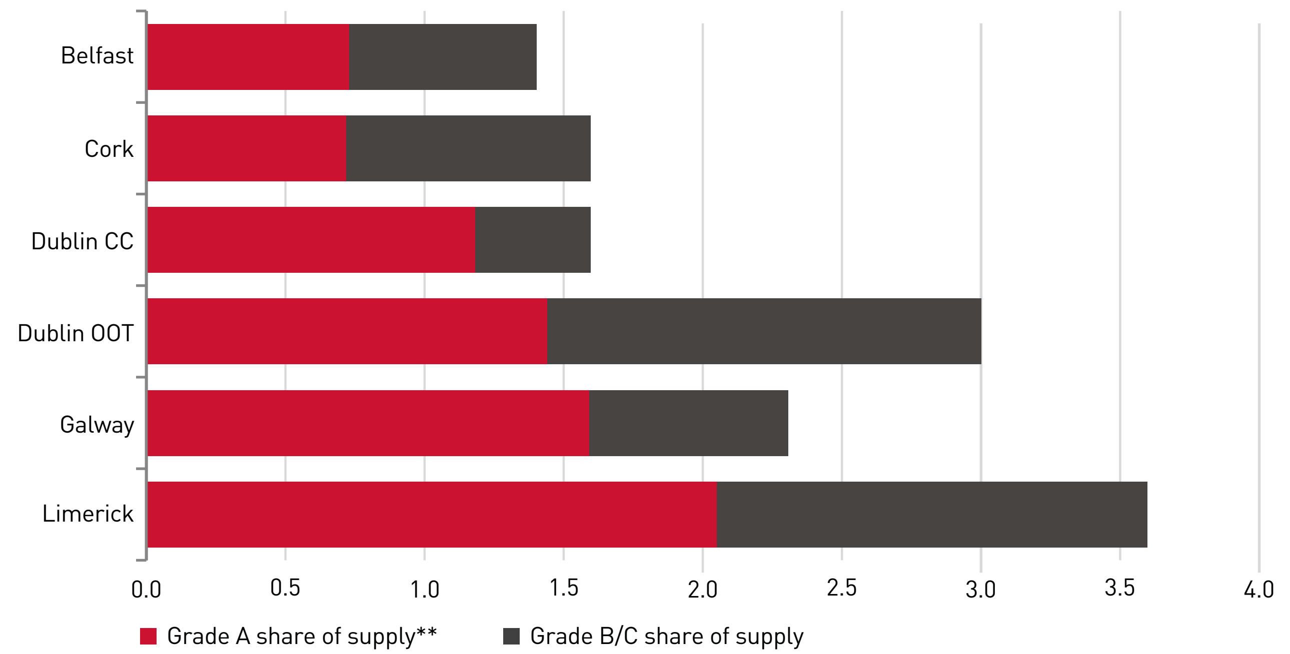
METEORIC RISE OF SERVICED OFFICES

Serviced offices was the fourth most active sector during the past 12 months, responsible for just under half a million square foot of take-up, an eight-fold increase in two years.

While the profile of serviced office operators is becoming more diverse, WeWork is by far the key occupier driving take-up. First entering the Irish market in 2017, their presence is clustered in five Dublin city centre locations totalling over 368,000 sq ft. Their strategy has been to pre-let new build or significantly redeveloped buildings.

Belfast continues to see growth from local, boutique operators in 2018, with Ormeau Baths extending their current operation (7,873 sq ft), and both Clockwise (30,319 sq ft) and StepSpace (11,227 sq ft) opening their first locations.

IRELAND AVAILABILITY AS YEARS OF SUPPLY*



*Years of supply defined as current availability divided by 5-year average take-up. **Grade A includes speculative space completing in the next 12 months.

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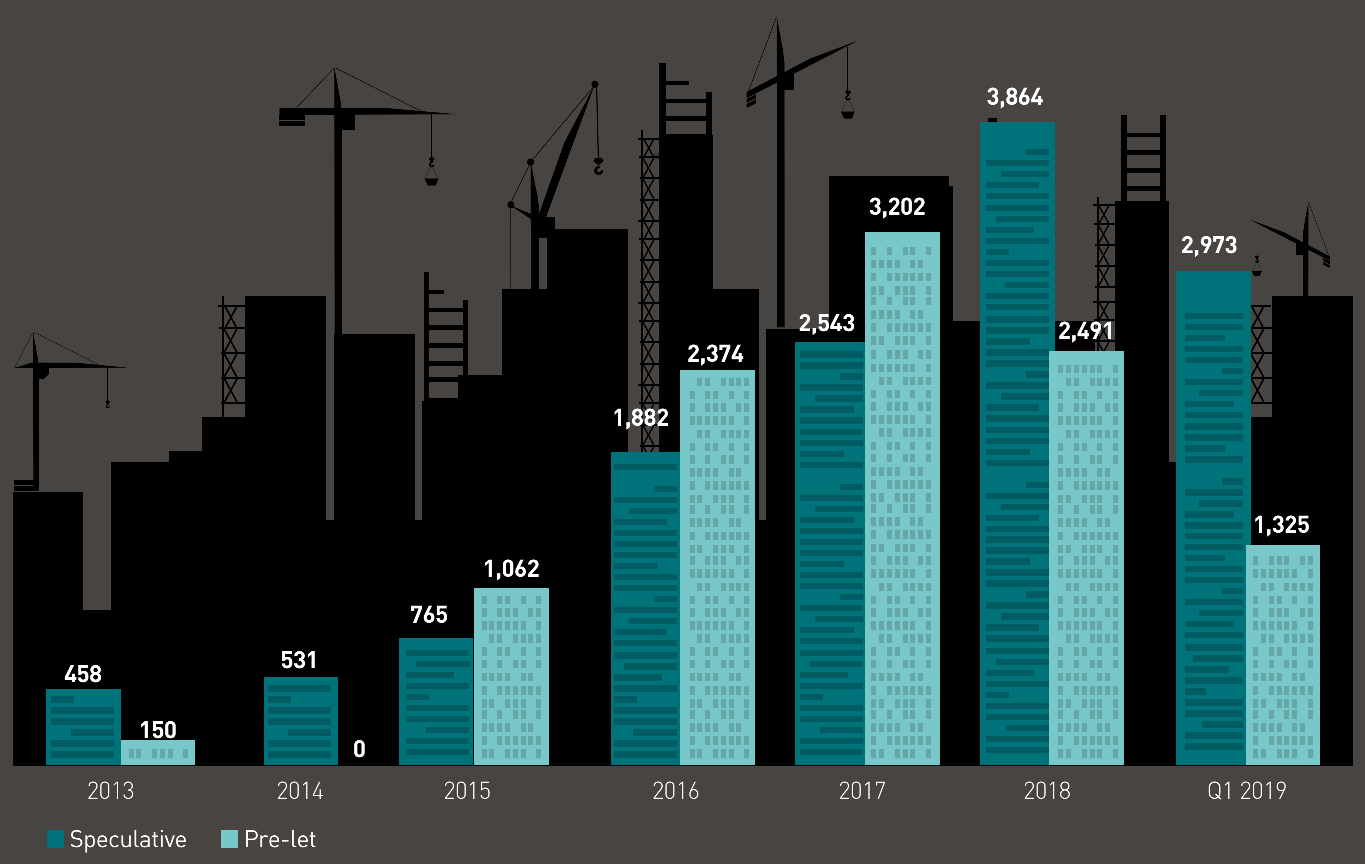
IRELAND UNDER CONSTRUCTION (000 SQ FT)



FACEBOOK'S FAITH

Facebook's plans to move its EMEA headquarters to Bankcentre, Ballsbridge underlines its long term commitment to Ireland and ambitions for growth. The company is vocal of Ireland's rich pool of talent and this show of confidence follows its 2017 opening of an Oculus (Facebook virtual reality unit) office in Cork.

Totalling 870,000 sq ft, the Ballsbridge HQ will be set across a number of buildings and quadruples its existing footprint in Ireland. The 1.4 acre campus will be developed into a state-of-the-art environment, incorporating collaborative and training spaces, and an outdoor plaza.

By 2020, approximately 4,000 Facebook employees will be located in the new campus, with space to add another 5,000 staff in the following years.

GOOGLETOWN GROWS

Google continued to build on their existing Dublin presence in 2018, with a series of agreements on Dublin offices totalling around 360,000 sq ft. Most notably, the recent purchase of the Bolands Quay development adjacent to their Grand Canal Dock campus. Due for completion at the end of 2019, the mixed-use development will include 200,000 sq ft of office space to accommodate 2,500 staff.

Further increasing their footprint, Google also leased 58,000 sq ft at Grand Canal Quay, 52,925 sq ft at The Chase, Sandyford and 48,522 sq ft at the Blackthorn Building, Sandyford.

RECORD BREAKERS

While political uncertainty characterised 2018, it appeared to have a negligible impact on some of the key Irish markets, instead reaching record levels of activity.

Take-up in Dublin city centre surpassed 3m sq ft for the first time, boosted by the huge Facebook deal. In Belfast, 2018 take-up was more than double that of 2017, fuelled by two major deals, namely PwC's pre-let of Merchant Square (155,012 sq ft) and the Department of Finance's lease of Nine Lanyon Place (150,000 sq ft).

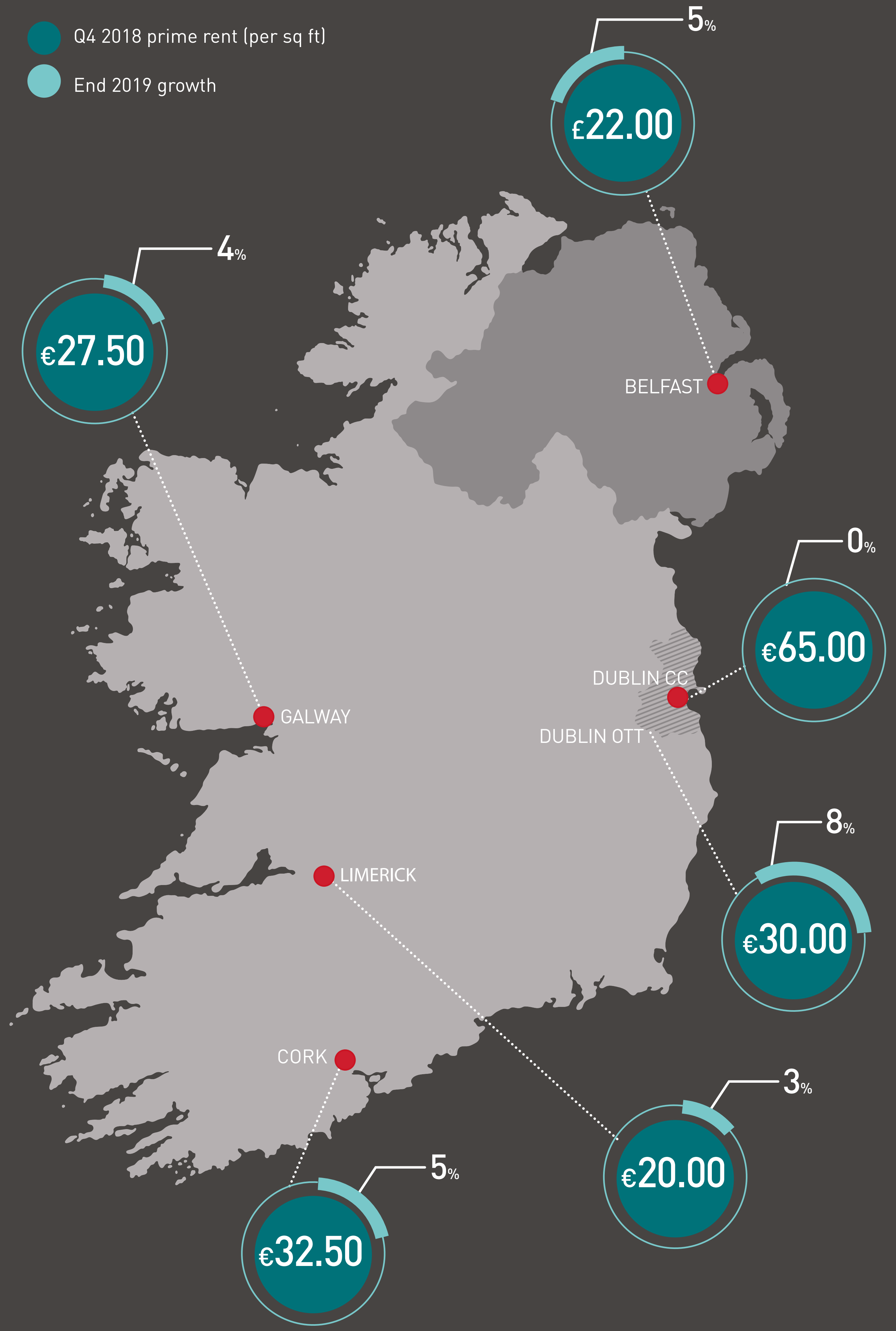
Activity in Cork was outstanding, with take-up exceeding 540,000 sq ft, almost treble 2017's take-up. Underpinned by Apple's new 170,000 sq ft Hollyhill campus and Clearstream's pre-let of 90,000 sq ft at Navigation Square, there is no doubt that Cork is currently an attractive alternative to Dublin for occupiers.

TECH AT THE TOP

While the tenant profile of Ireland is diverse, over the past 12 months the technology, media and telecoms sector was responsible for a huge 50% of take-up. During 2018 there was a boom in the growth of the Irish tech sector, including indigenous digital and technology firms, supported by IDA Ireland, Enterprise Ireland and an increase in lending to this sector from Irish banks.

In addition to deals aforementioned, Allstate leased 138,225 sq ft at East Bridge Street, Belfast, Hubspot leased 113,034 sq ft at 1SJRQ, Dublin and Autodesk leased 48,484 sq ft at 1WML, Dublin.

There has been movement amongst this sector to the south Dublin suburbs, specifically clustering in the Sandyford area where Microsoft opened their new headquarters in 2017. New occupiers in this area in 2018 have included Google (101,447 sq ft), PLR Worldwide Sales (17,562 sq ft) and Vizor Software (10,204 sq ft).



Data source: LAMBERT SMITH HAMPTON

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TRACKING DEMAND

RELOCATION TRIGGERS & DRIVERS

What has been motivating companies to acquire new office space in Ireland and what influenced their choice of property? Our analysis of recent activity above 5,000 sq ft reveals that expansion has overwhelmingly played a key role in driving recent demand.

TRIGGERS – WHAT IS PROMPTING RELOCATION?

Over the past 12 months, almost three-quarters of office relocations across Ireland were triggered primarily by a need to expand. Expansion amongst the technology, media and telecoms sector was particularly widespread, with Facebook, Google, Apple, HubSpot and Huawei amongst occupiers taking additional space. Healthy expansion activity was also noted amongst finance, banking and insurance, and professional services occupiers.

The continued growth of serviced office operators boosted companies citing expansion, with WeWork very active in Dublin city centre expanding their operations. Iconic also added additional co-working space at 151 Thomas Street, Dublin (69,636 sq ft) and Ormeau Baths, Belfast (7,873 sq ft) extended into the other half of the Victoria bathhouse doubling their offer.

Corporate activity was the main trigger of 17% of deals. In Belfast, Allstate opened their new 138,000 sq ft headquarters, the largest single office development for 15 years. In Dublin, new entrants included Cardinal Health (17,562 sq ft), Truata (7,721 sq ft) and Social Talent (7,000 sq ft).

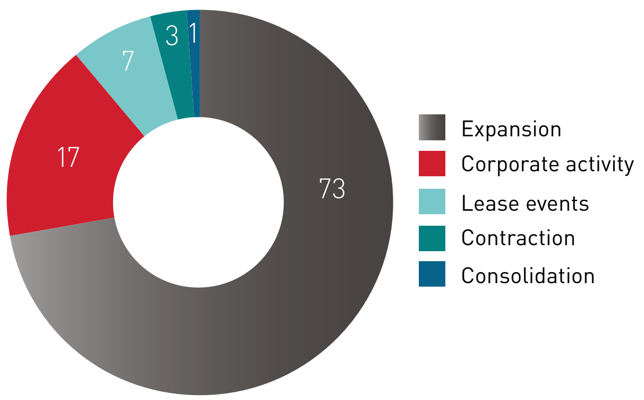
DRIVERS – WHAT DETERMINES END CHOICE

Location was the key determinant of end choice amongst occupiers in 2018, accounting for 59% of deals above 5,000 sq ft and above, and consistent with last year's finding. Google's purchase at Bolands Quay (200,000 sq ft) is adjacent to their current Dublin city centre office, whereas PwC are relocating from Belfast city centre periphery to core at Merchant Square (155,012 sq ft).

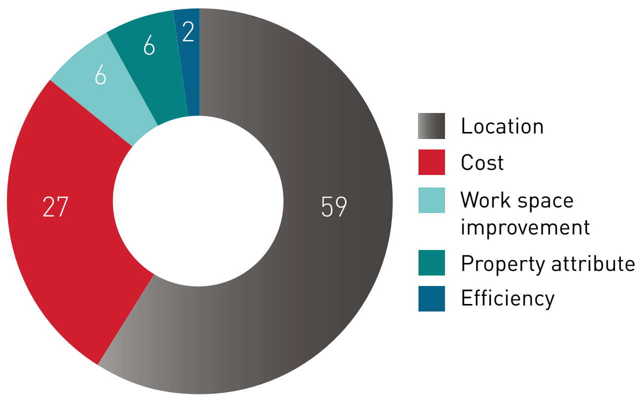
There was an increase in occupiers prioritising cost as the key driver for their end choice during 2018. This was particularly evident amongst companies who chose to locate in out-of-town Dublin, where prime rents are approximately 50% less than the city centre. This includes Mastercard which leased 71,385 sq ft across three properties at Mountainview Central Park. Firstsource relocated to the more cost efficient Concentrix House, Belfast after their departure from Oyster House due to landlord redevelopment.

In Belfast, recently refurbished properties appealed to a range of occupiers who sought work space improvement. This included TLT at River House (11,630 sq ft), Davidson McDonnell at Longbridge House (5,350 sq ft) and Savills at Longbridge House (5,226 sq ft).

PRIMARY TRIGGERS 2018 (%)



PRIMARY DRIVERS 2018 (%)

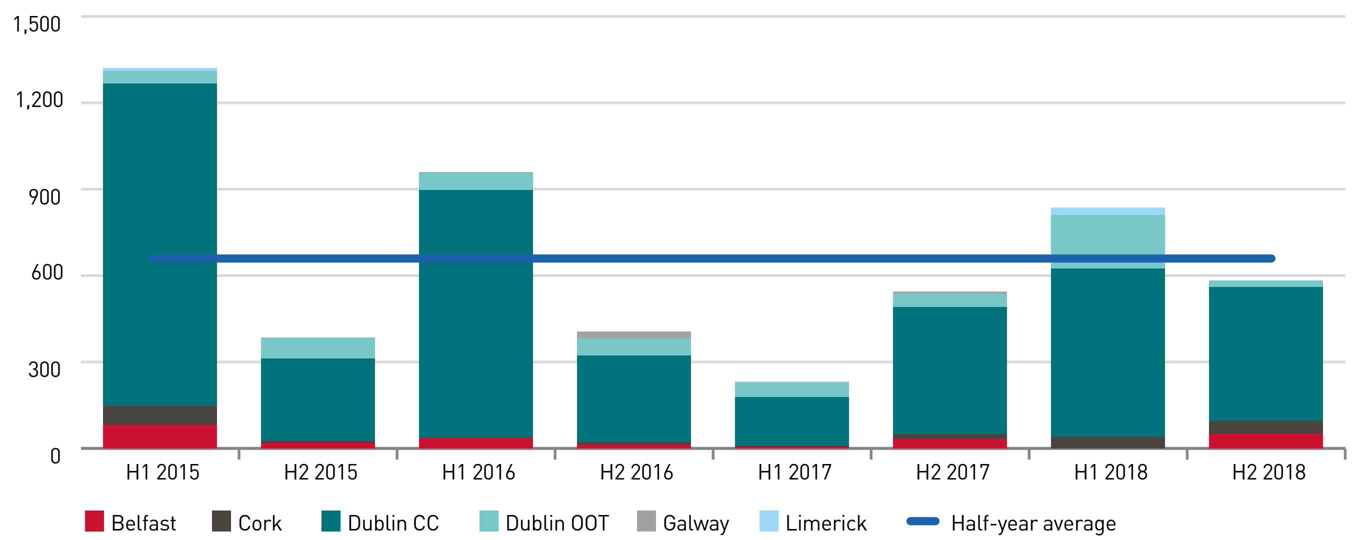


INVESTMENT MARKET REVIEW

BOUNCING BACK

Investment in offices dominated the Irish investment market in 2018, accounting for around 40% of total volume and almost doubling from 2017's level to stand at €1.4bn.

IRELAND OFFICE VOLUME (€M)



*Belfast office volume converted from sterling to euro using average conversion rate for each year.

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STANDING STRONG

Investors were attracted by the strength of the Irish office occupier market while healthy development in 2018 has provided a valuable source of stock. With office volume increasing a massive 83% year-on-year, the 2017 changes to commercial property stamp duty in the Republic of Ireland evidently had a negligible effect on investor appetite.

2018 was characterised by both real depth market activity and the occurrence of major lot size deals, with five deals in excess of €100m. The largest deals were an undisclosed Far Eastern investor's purchase of Eir Headquarters for €176m (NIY 5.70%), Triuva's purchase of No. 1 Dublin Landings for €160m (NIY 3.94%) and an undisclosed Dublin office portfolio sold for €160m.

Notably, Far Eastern investors purchased three of the five largest office assets for a combined €382.5m. Including Eir Headquarters, No. 2 Dublin Landings was purchased for €106.5m by KanAm Grund REAM on behalf of two South Korean institutions (NIY 4.21%) and the Beckett Building was purchased for €101m by South Korean-based Kookman Bank (NIY 4.13%).

CBD DOMINANCE DECLINES

Office investment activity continues to be concentrated in Dublin, accounting for nine of every ten euro invested. In a break with recent trends, however, 2018 saw a change in how capital was deployed across Dublin. The volume of activity in the central business district (CBD) fell to 59%, from an average of 81% in recent years.

This change indicates that investors are looking beyond the traditional core areas to deploy capital and into the suburbs for better value assets. Proportionately, activity in the Dublin out-of-town market has more than doubled since 2015, boosted by the Beckett Building deal and currently standing at 15% of total investment volume.

Other key out-of-town deals included, Yew Grove REIT's €29m purchase of One and Three Gateway (NIY 6.41%) and a private investor's €22.3m purchase at South County Business Park (NIY 5.78%).

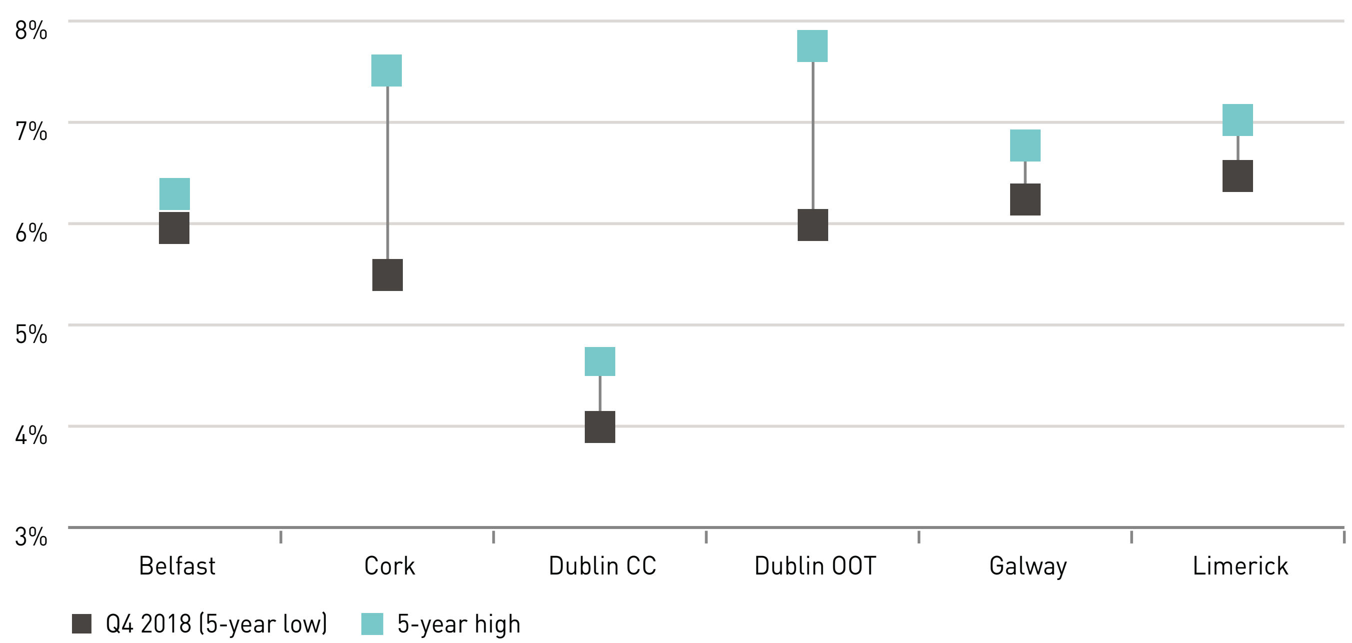
OTHER LOCATIONS PERFORM

Outside of Dublin, volume was €158.9m in 2018, 131% above 2017's level and the highest since 2015. Healthy demand for good quality assets led to increases in activity in the other key Irish markets, the only exception being Galway.

Cork volume quadrupled year-on-year in 2018, boosted by three of the largest deals in recent years. A private investor acquired the €21m sale and leaseback Block C at City Gate Park (NIY 7.00%), an off market purchase of a €20m property and a European Fund's €16m purchase of the Webworks (4.60%).

In Belfast, office investment activity picked up in the second half of 2018 and finished 31% above the previous year. Key deals included a local propco's £21.8m purchase of the Metro Building (NIY 5.75%) and Belfast Harbour Commissioner's £15.2m purchase of Obel 68 (NIY 6.73%).

IRELAND PRIME OFFICE YIELDS (%)



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INSTITUTIONS ARE BACK WITH A BANG

Institutional investors acquired €0.54bn worth of assets in 2018. With the majority of volume deployed in Dublin's CBD, institutional investors demonstrated a preference for prime assets. For example, Credit Suisse purchased both New Century House in the International Financial Services Centre district for €65.3m (NIY 4.02%) and the recently completed Sharp Building in Dublin 2 for €56.3m (NIY 4.42%).

Private investors were very active in 2018, investing €357.3m and 41% above average. Notably, over €209m of private investment volume occurred on the city centre outskirts of Dublin 7 and 8 where investors can find better value. In addition to the Eir Headquarters, an undisclosed private investor purchased 31-36 Golden Lane, Dublin 8 for €25.5m (NIY 5.26%).

DUBLIN CITY CENTRE YIELDS AT DECADE LOW

The strong demand for core product in Dublin city centre has put upward pressure on pricing, with the city's prime yield edging down by another quarter of a point to stand at 4.00% at the end of 2018, the lowest in a decade.

The drop in volume in Dublin city centre shows that investors are looking for yield in the other key markets. Yield compression has also been evident in the Dublin out-of-town market, but with prime yields currently standing at 5.75% better value is on offer compared to the city centre. Outside of Dublin, prime yields range from 5.50% in Cork to 6.5% in Limerick.

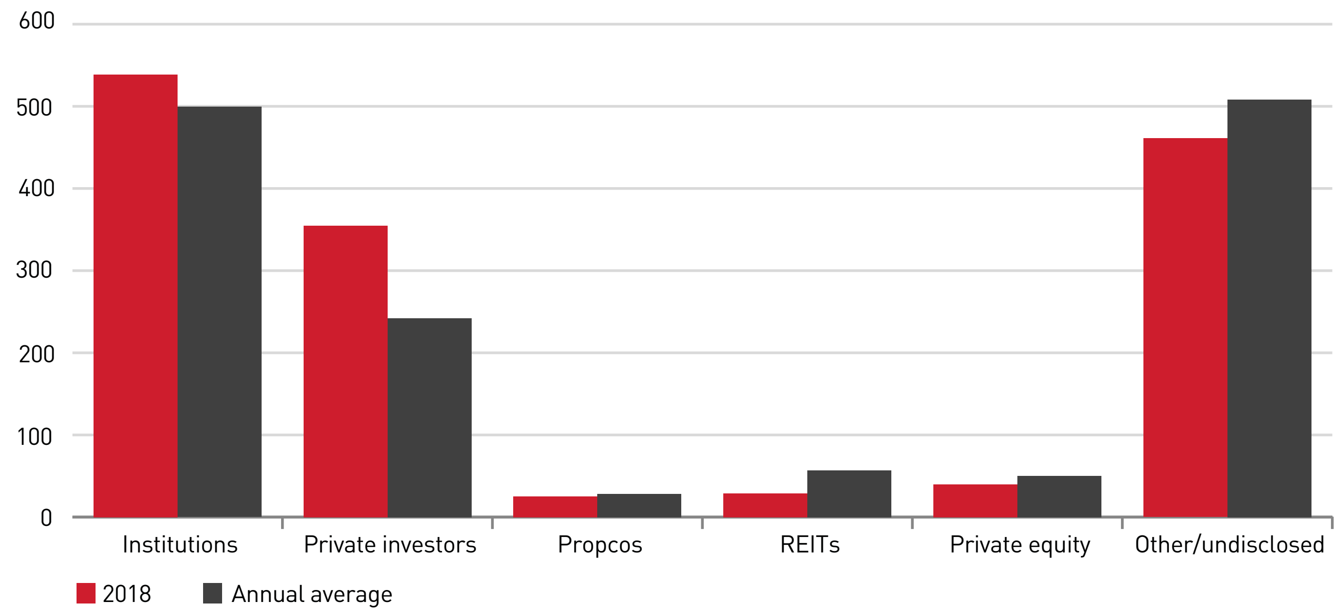
OFFICES WILL REMAIN ON TOP

The strength of demand for Irish office investments will continue and offices will again be the dominant investment sector in 2019. Both overseas and institutional buyers are expected to be very active in the coming year, with competition for the sub-prime office assets in Dublin's CBD.

While office investment has remained on top, its hold has been chipped away by industrial, alternative and private rented sector (PRS) investments. PRS in particular, accounted for 20% of total 2018 investment, overtaking retail for the first year. We predict that good quality PRS investment will be as keenly sought after as office investments, specifically amongst institutional investors.

With yield compression ongoing in Dublin, there is clearly yield to be found in the other markets. We forecast that investors will continue to look beyond Dublin for good value, higher yielding office opportunities. With development picking up in Cork and a number of opportunities on the horizon in Belfast, savvy investors may choose to deploy their capital in these locations instead.

IRELAND OFFICE VOLUME BY BUYER TYPE (€M)



*Belfast office volume converted from sterling to euro using average conversion rate for each year.

MARKET INSIGHT

BELFAST

BEST YEAR YET

AT A GLANCE Q4 2018

2018 TAKE-UP VS 5-YEAR AVERAGE

+82%

YEARS OF SUPPLY

1.4

GRADE A SHARE OF SUPPLY

52%

PRIME YIELD

6.00%

Q4 2018 PRIME HEADLINE RENT (PER SQ FT)

£22.00

DEMAND

LARGEST SINGLE LETTINGS

The Belfast market had a stellar 2018. At 885,023 sq ft total take-up for 2018 surged to a new annual record, more than double that of 2017 and 82% above the five-year average.

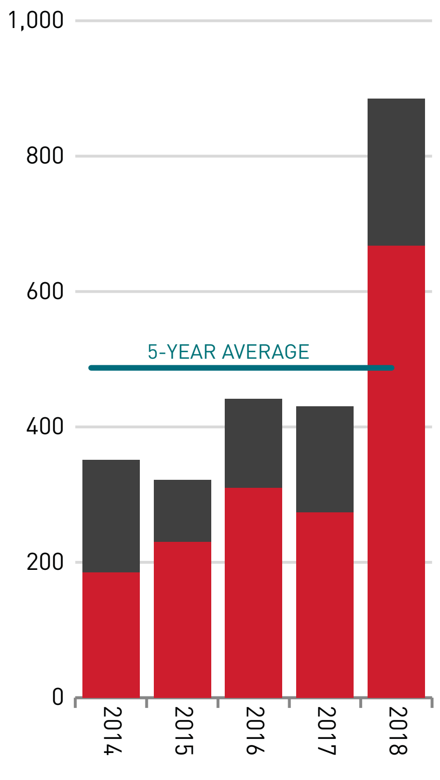
The outstanding year was underpinned by the two single largest lettings of the past decade, PwC's pre-let of 155,012 sq ft at Merchant Square and the Department of Finance's 150,000 sq ft lease of Nine Lanyon Place.

Occupier demand for high quality space continued with grade A stock accounting for three-quarters of take-up. The increase in grade A supply noted at the end of 2017 was central to satisfying 2018 demand.

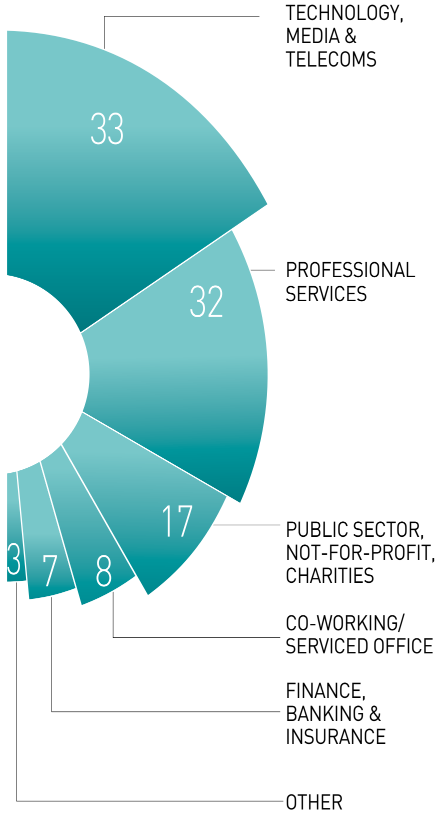
Annual take-up was driven by two sectors, which combined were responsible for two-thirds of take-up, specifically technology, media and telecoms (33%) and professional services (32%) sectors. While these sectors were active across all floorplate sizes, they dominated the sub-5,000 sq ft market.

Serviced offices continue to expand their presence in Belfast, with almost 75,000 sq ft of additional space dedicated to this sector during 2018. Clockwise opened a 30,319 sq ft co-working office at the newly refurbished River House, BESpoke announced their expansion into Northern Ireland with a 19,774 sq ft letting at Adelaide Exchange and Ormeau Baths extended by 7,873 sq ft.

TAKE-UP (000 SQ FT)



TAKE UP BY SECTOR (%)



OUTLOOK FOR 2019

Despite the challenging political climate, Belfast continues to demonstrate resilience. The recent announcements by Deloitte, Kainos and Neueda suggest that take-up will remain strong into 2019. New entrants are taking advantage of the talent, clusters and ultrafast broadband benefits that Belfast offers while long-standing occupiers are continuing to show their commitment to the city.

The expected vacuum before new development is delivered will lead to an ever-tightening grade A supply in Belfast. This could negatively impact 2019 take-up, but does present an excellent opportunity for landlords of secondary assets to reposition and add value.

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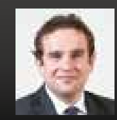

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CURRENT SUPPLY

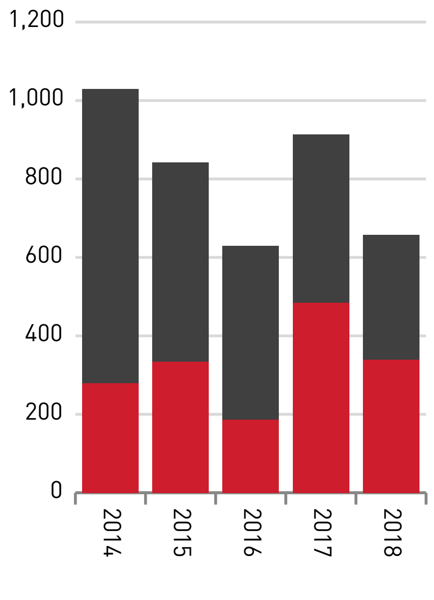
DIMINISHING GRADE A

Availability contracted by over a quarter during 2018. At 656,637, current availability is equivalent to 1.4 years of supply, the lowest of Ireland's key markets.

At the end of 2018, a significant 52% of available space comprised grade A space. Nonetheless, at only 338,793 sq ft this equates to only half of 2018's grade A take-up, suggesting that a shortage in supply is forthcoming. Grade A space ready for immediate occupation is available at River House (38,370 sq ft), City Quays 2 (23,128 sq ft) and Artola House (19,175 sq ft).

Elsewhere, there are a number of schemes undergoing comprehensive refurbishment and due for completion during 2019. These include the remaining space at Merchant Square (46,490 sq ft) and Chichester House (45,998 sq ft).

AVAILABILITY (000 SQ FT)



DEVELOPMENT AND REFURBISHMENT

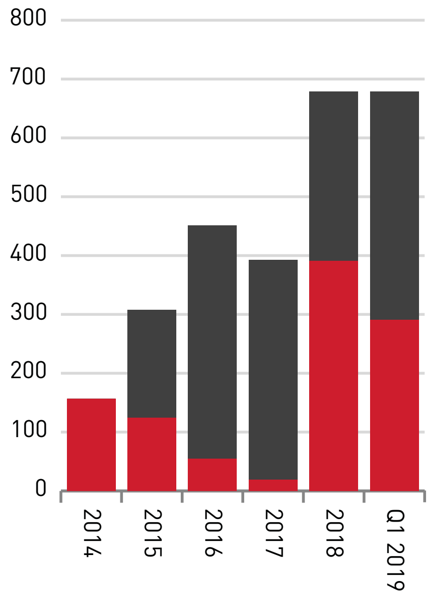
REFURBS FILL THE VOID

Development activity in Belfast is relatively healthy, although speculative new build development has been limited with new schemes predominantly driven by pre-lets. Currently under construction is the second phase of Bedford Square, a 213,000 sq development due for completion in 2020, and Lazer 2 at Weavers Court Business Park (40,000 sq ft).

Over recent years availability of grade A space has been fuelled by refurbishments. In addition to the aforementioned, refurbishments are ongoing are ongoing at East Tower at Lanyon Plaze (42,000 sq ft), McAuley House (25,000 sq ft) and 20 Adelaide Street (18,858 sq ft).

While a lull in development activity is expected, a number of new build schemes are poised to commence including Belfast Waterside (250,000 sq ft), City Quays 3 (250,000 sq ft) and International HQ, Tribeca (150,000 sq ft).

UNDER CONSTRUCTION (000 SQ FT)



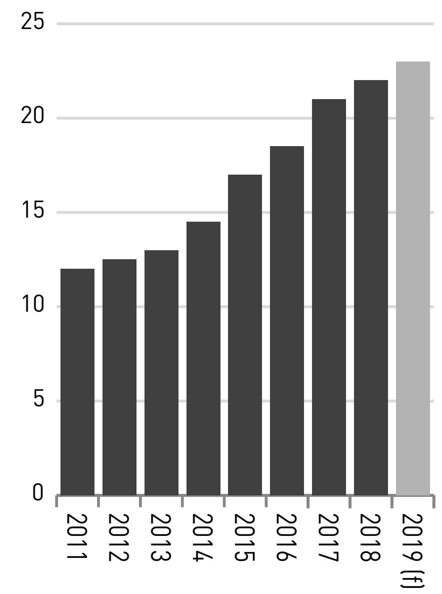
RENTAL VALUES AND YIELDS

STEADY AS SHE GOES

Belfast's prime headline rent has increased steadily since 2011, from £12.00 per sq ft to the current level of £22.00 per sq ft. While rents are forecast to rise incrementally again during 2019, growth will be relatively modest. The absence of significant new build development indicates that no real step change will occur until additional new build stock is delivered.

The office investment market in Belfast continues to be restricted by availability of stock. Prime office yields stand at circa 6.00% with a number of prime city centre assets transacting over the past 12 months. In Q3, an undisclosed local propco purchased the Metro Building for £21.8m (NIY 5.75%) and Belfast Harbour Commissioner's purchased Obel 68 for £15.2m (NIY 6.73%).

PRIME RENTAL VALUES FORECAST (£ SQ FT)



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DUBLIN CITY CENTRE

RECORD BREAKING ACTIVITY

AT A GLANCE Q4 2018

2018 TAKE-UP VS 5-YEAR AVERAGE

+41%

YEARS OF SUPPLY

1.6

GRADE A SHARE OF SUPPLY

74%

PRIME YIELD

4.00%

Q4 2018 PRIME HEADLINE RENT (PER SQ FT)

€65.00

DEMAND

FACEBOOK'S FOOTPRINT INCREASES

Annual take-up in Dublin city centre has increased for a third consecutive year, climbing to a record high of 3.1m sq ft in 2018, 31% above 2017 and 41% above the five-year average.

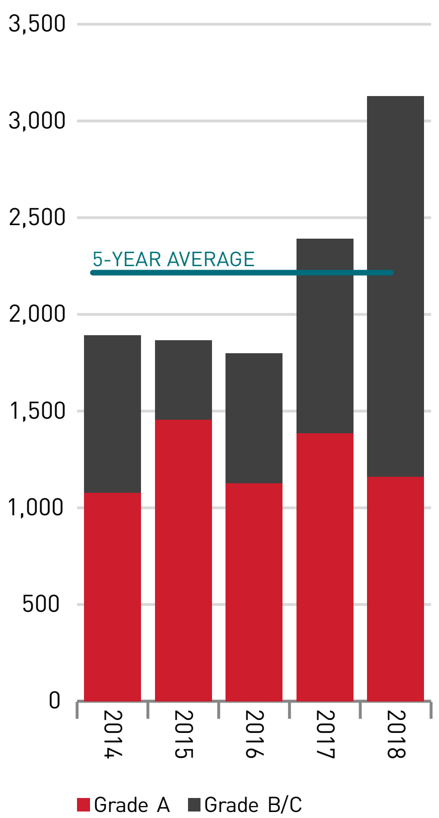
Activity was boosted by the single largest deal on record in Ireland. Testament to its long-term commitment in Ireland, Facebook leased 870,000 sq ft at the former AIB Bankcentre site in Ballsbridge. The site will be home to its new EMEA headquarters, with space to add an additional 5,000 staff when complete.

Other major deals in 2018 included Google at Bolands Quay (200,000 sq ft), LinkedIn at Wilton Terrace (152,797 sq ft), Hubspot at 1SJRQ (113,034 sq ft) and IDA Ireland at Three Park Place (112,000 sq ft).

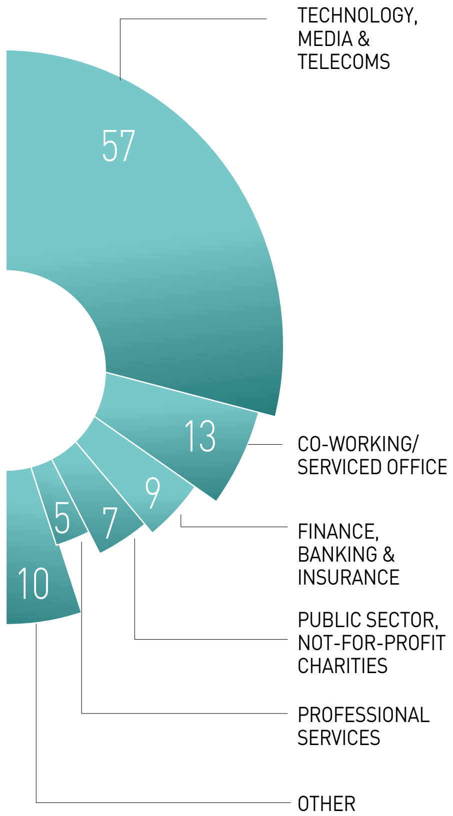
For the first time in recent years the volume of grade B/C take-up surpassed grade A, with grade A space accounting for only 37% of 2018's total. This was, however, skewed by the Facebook deal as AIB Bankcentre is currently in grade B condition.

The technology, media and telecoms sector continues to dominate the occupier profile, accounting for a huge 58% of 2018 take-up. The serviced office sector was responsible for the second largest proportion of lettings (13%), boosted by WeWork's lease of almost 354,000 sq ft across four city centre locations.

TAKE-UP (000 SQ FT)



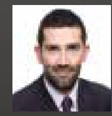
TAKE UP BY SECTOR (%)



OUTLOOK FOR 2019

Strong demand for city centre offices is expected to continue into 2019, particularly after March when more UK-based occupiers are expected to relocate to Dublin to ensure easy access to the EU. With much of the forthcoming new build developments pre-let, the serviced office sector is poised to take advantage of demand from new occupiers.

While overall prime headline rents are expected to remain stable, there is the potential for rental growth in the docklands area where demand remains high and both sites and availability are becoming increasingly limited.



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CURRENT SUPPLY

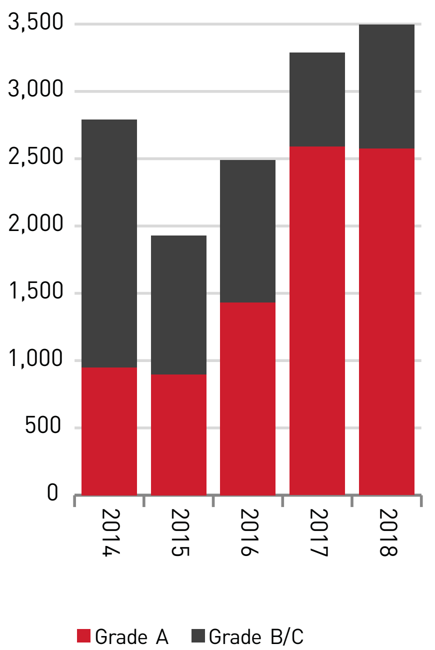
SUFFICIENT SUPPLY

Supply levels remain relatively stable, standing at 2.6m sq ft at the end of 2018 and equivalent to 1.6 years supply. Supply is concentrated in the CBD (defined as D1, D2 and D4), with only 13% of stock situated in the city centre outskirts.

The market now offers a decent choice of quality options. Grade A space accounts for a significant 74% of total supply, reflecting the high level of construction and refurbishment activity in recent years. Immediately available is the recently refurbished 5&6 Earlsfort Terrace (25,000 sq ft).

Developments due for completion by year end include The Sorting Office (204,654 sq ft), 91-94 North Wall Quay (201,081 sq ft) and 76 Sir John Rogerson's Quay (75,000 sq ft).

AVAILABILITY (000 SQ FT)



DEVELOPMENT AND REFURBISHMENT

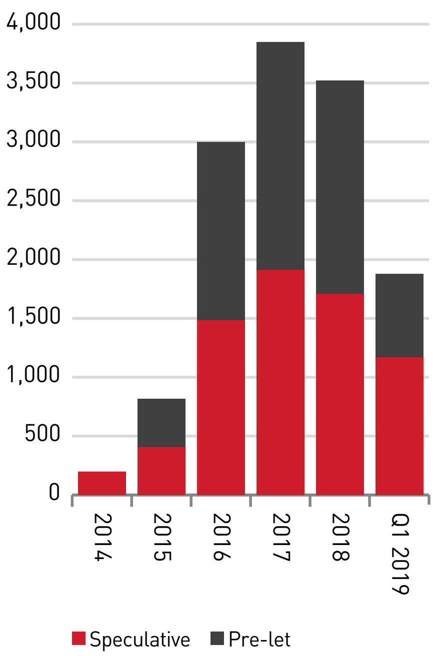
DEVELOPMENT EASES DOWN

With over 3.5m sq ft of office space under construction in 2018, there was no shortage of cranes on the city centre skyline. Development eased down from its 2017 peak, with completions of just under 2m sq ft in 2018. Occupiers have been keen to secure the high quality space, with over half of 2018 construction already pre-let.

Over one million sq ft of new space is currently under construction and due for delivery in 2020, namely Charlemont Square (220,000 sq ft) and the Exo Building (170,000 sq ft), which will be Dublin's tallest office block.

There is a considerable pipeline of planning consents in key locations, including large developments at Wilton Park (430,000 sq ft) and Spencer Place (380,000 sq ft). Development sites are, however, becoming increasingly limited, particularly within the docklands where one of the last remaining sites was sold in 2018 for €113m.

UNDER CONSTRUCTION (000 SQ FT)



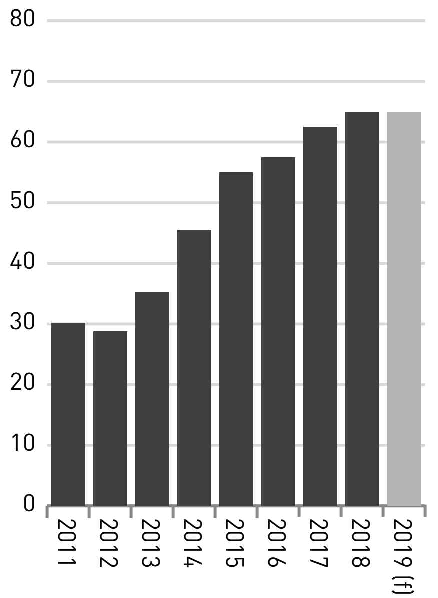
RENTAL VALUES AND YIELDS

A RISE IN RENTS

Healthy levels of construction and continued depth of demand have contributed to the steady increase in prime rents since 2014. Strong demand for high quality space saw a new headline rent of €65.00 per sq ft achieved at the end of 2018, a level confirmed by leases at Three Park Place and the Reflector.

Prime yields sharpened during 2018 to currently stand at 4.00%, evidenced by the €164m purchase at Dublin Landings by the Central Bank, reflecting 3.94% NIY. The largest deal was the €175m purchase of the Eir HQ at Heuston South Quarter by the property arm of CK Hutchison Holdings, reflecting 5.70% NIY.

PRIME RENTAL VALUES FORECAST (€ SQ FT)



Data source: LAMBERT SMITH HAMPTON

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DUBLIN OUT-OF-TOWN

GO GOOGLE!

AT A GLANCE Q4 2018

2018 TAKE-UP VS 5-YEAR AVERAGE

0%

YEARS OF SUPPLY

3.0

GRADE A SHARE OF SUPPLY

48%

PRIME YIELD

6.00%

Q4 2018 PRIME HEADLINE RENT (PER SQ FT)

€30.00

DEMAND

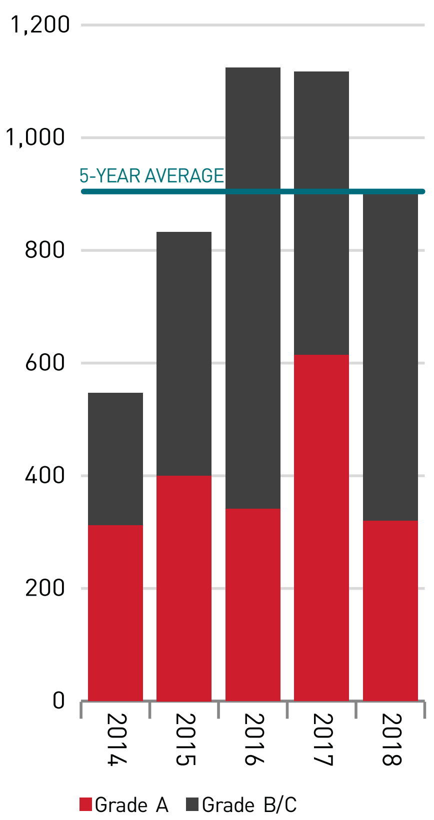
DEMAND FROM TMT SECTORS

Take-up in Dublin's out-of-town market saw take-up of 900,801 sq ft in 2018, 19% below 2017's total but nonetheless on par with the five-year annual average. Grade A space accounted for only 35% of activity, impeded by the decrease in availability noted at the end of 2017.

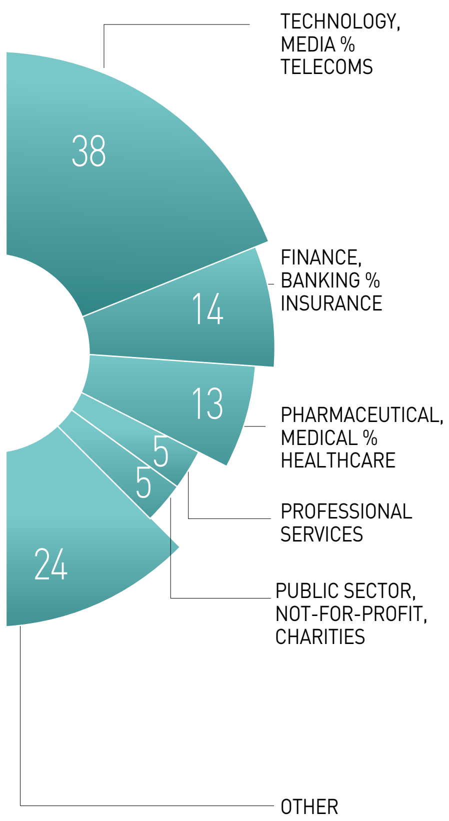
In a further endorsement of Sandyford Business District's credentials as a tech location, Google's expansion into two buildings here were the largest lettings of 2018. Google leased 52,925 sq ft at The Chase and 48,522 sq ft at the Blackthorn Building.

In a clean sweep across the three largest sub-markets, the technology, media and telecoms sector dominated out-of-town Dublin take-up. This sector was responsible for 38% of 2018's take-up, almost half of which was in the Sandyford area. Gaming company PLR Worldwide Sales leased 17,562 sq ft at Red Oak, South County Business Park and Vizor Software leased 10,204 sq ft at The Atrium, Sandyford Business Park.

TAKE-UP (000 SQ FT)



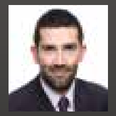
TAKE UP BY SECTOR (%)



OUTLOOK FOR 2019

While take-up during 2018 did not match the heights of the city centre, the out-of-town market is expected to continue to attract technology, media and telecoms occupiers. The suburbs offers the benefits of lower costs and locating alongside the likes of Google and Microsoft.

Looking ahead, the combination of new build supply and healthy demand will lead to rental growth during 2019, with prime headline rents expected to reach €32.50 per sq ft by year end.



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CURRENT SUPPLY

CONSTRUCTION BOOSTS SUPPLY

Out-of-town availability increased by 19% during 2018, currently standing at 2.7m sq ft. Based on average take-up this equates to 3.0 years of supply.

Grade A supply accounted for 48% of total availability, boosted by developments under construction and due for delivery by year end. A number of buildings with large floorplates are immediately available including 186,000 sq ft at The Atrium and 100,000 sq ft at Block I, Central Park.

Two prominent new build schemes imminently scheduled for completion are One South County (140,000 sq ft) and Two Dublin Airport Central (117,000 sq ft).

DEVELOPMENT AND REFURBISHMENT

SPECULATIVE DEVELOPMENT RETURNS

Development of new out-of-town office buildings has continued to pick up, with 712,451 sq ft of new space under construction at the end of 2018, up 22% year-on-year.

Speculative development is strongest in this market, with a number of buildings under construction and not yet pre-let. At Sandyford, Highfield House (238,000 sq ft) and The HIVE (formerly Ballymoss House, 56,500 sq ft) are both due for completion this year.

Planning permission and detailed specifications are in place for further development, specifically the continuation of large developments already underway. Construction at Dublin Airport Central is proceeding on buildings Two and Three, with permissions in place for Four and Five (200,000 sq ft). With the completion of the first building forthcoming, Infinity Capital plan to bring forward Two and Three South County (132,254 sq ft).

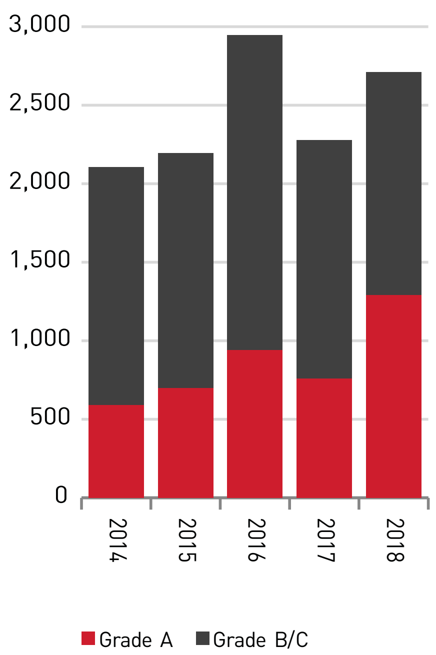
RENTAL VALUES AND YIELDS

BECKETT BIG DEAL

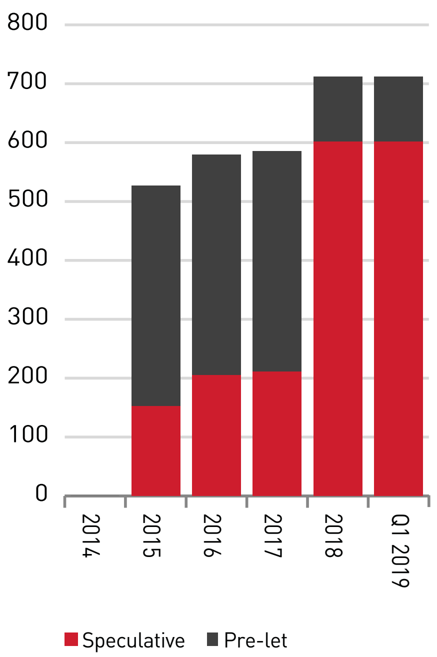
Since the end of 2017, prime rents in the Dublin out-of-town increased to €30.00 per sq ft. This level was recently confirmed by PLR Worldwide Sales' leasing of Red Oak at South County Business Park.

Activity in the out-of-town office investment market was strong during 2018, totalling over €200m. This was boosted by the €101m sale of the Facebook occupied Beckett Building to South Korean based Kookman Bank, reflecting 4.13% NIY. This yield largely reflects the long-income nature of the asset with notional prime yields remaining stable over the last 12 months at 6.00%.

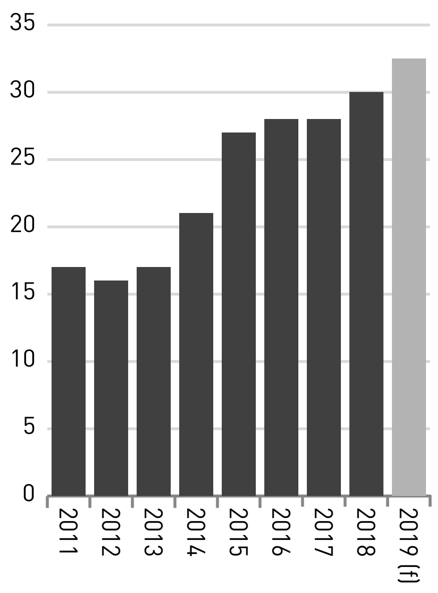
AVAILABILITY (000 SQ FT)



UNDER CONSTRUCTION (000 SQ FT)



PRIME RENTAL VALUES FORECAST (€ SQ FT)



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TOCS 2018

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