Demand in Q4 brings take-up to 250,000sqm for 2016, as new & refurbished space dominates occupier preferences. 5 deals make up 47% of Q4 take-up...

DEMAND

76,000sqm of office space was signed in Q4, a strong performance and just short of the 78,000sqm achieved in Q4 2015. As 2016 progressed there was a clear shift in occupier preferences to avail of the new and refurbished space coming to the market. Dublin 2 & 4 have further enhanced their position as the most preferred locations for financial services and TMT sector companies. 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).

The next three largest deals make up 16% of Q4 take-up (Zurich's deal to occupy 6,300sqm at Enterprise House in Blackrock which will be refurbished while Docusign and Maples FS have taken 3,000sqm each at Cumberland House and 32 Molesworth St, both being refurbished in Dublin 2.

SUPPLY

Occuier preference for new office stock became particularly clear in the second half of 2016. Development in Dublin’s office market is being led by construction and refurbishment in Dublin 2 & 4, which in turn are the locations benefiting the most as new supply becomes available.

The active supply pipeline was the biggest factor driving the market in 2016 and this will continue to be the case in 2017. With over 300,000sqm of space under construction and being refurbished and due to complete by 2019/2020, occupier options, even allowing for current pre-lets, have increased, allowing for more competition in the market. Landmark new schemes such as on Hatch St (c.12,000sqm), developments on Molesworth St (totalling c.20,000sqm), schemes in the South Docks at Windmill Lane and Capital Dock (totally c.41,000sqm) and refurbishments such as on George’s Quay (c.11,000sqm) offer more options and will continue to test the upside for prime rents in 2017.
RENTS

Prime rental growth remained positive in 2016, but at a much steadier pace than the 22% increase in 2015. Starting the year 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 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 in the region of €700 per sqm per annum—a unique renovated warehouse in Dublin’s South Docks with a short lease.

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.

BNP Paribas Real Estate takes into account a wide range of economic and market variables in giving a view and forecasting in relation to prime office rents.

LARGEST OFFICE LETTINGS, by Quarter in 2016

<table>
<thead>
<tr>
<th>Building</th>
<th>Size, sqm</th>
<th>Location</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One Park Place, 4th floor</td>
<td>2,790</td>
<td>Dublin 2</td>
<td>Existing</td>
</tr>
<tr>
<td>One Park Place, 1st floor</td>
<td>1,750</td>
<td>Dublin 2</td>
<td>Existing</td>
</tr>
<tr>
<td>Q2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spencer Dock, Block C</td>
<td>4,000</td>
<td>Dublin 1</td>
<td>Existing</td>
</tr>
<tr>
<td>George’s Quay House</td>
<td>2,460</td>
<td>Dublin 2</td>
<td>Existing</td>
</tr>
<tr>
<td>Q3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13-18 City Quay</td>
<td>11,000</td>
<td>Dublin 2</td>
<td>New, under construction</td>
</tr>
<tr>
<td>Miesian Plaza, Blocks 2 &amp; 3</td>
<td>7,000</td>
<td>Dublin 2</td>
<td>Refurbishment/redevelopment</td>
</tr>
<tr>
<td>Q4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vertium Building</td>
<td>16,000</td>
<td>Dublin 4</td>
<td>New, under construction</td>
</tr>
<tr>
<td>Dublin Landings, North Docks</td>
<td>7,600</td>
<td>Dublin 1</td>
<td>New, under construction</td>
</tr>
<tr>
<td>Enterprise House</td>
<td>6,270</td>
<td>Blackrock</td>
<td>Redevelopment/new build</td>
</tr>
</tbody>
</table>

SUMMARY

€625-€635 sqm per annum

Prime Rents

>300,000 sqm

Under construction & Refurbishment

9%

Vacancy rate

Take-up Q4

76,000 sq m
BNP Paribas Real Estate

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For more information:
www.realestate.bnpparibas.ie
www.realestate.bnpparibas.com

BNP Paribas Real Estate
IRELAND
20 Merrion Road
 Ballsbridge
Dublin 4 D04 C9E2
Tel: +353 1 661 1233
www.realestate.bnpparibas.ie

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Main Locations
EUROPE
FRANCE
Headquarters
167, Quai de la Bataille de Stalingrad
92867 Issy-les-Moulineaux
Tel.: +33 1 55 65 20 04

BELGIUM
Boulevard Louis Schmidtlaan 2 B3
1040 Brussels
Tel.: +32 2 290 59 59

CZECH REPUBLIC
Pobřežni 620/3
186 00 Prague 8
Tel.: +420 224 835 000

GERMANY
Goetheplatz 4
60311 Frankfurt
Tel.: +49 69 2 98 99 0

HUNGARY
Alkotas u. 53.
H-1123 Budapest
Tel.: +36 1 487 5501

IRELAND
20 Merrion Road, Ballsbridge, Dublin 4
Tel.: +353 1 66 11 233

ITALY
Via Carlo Bo, 11
20143 Milan
Tel.: +39 02 58 33 141

JERSEY
3 Floor, Dialogue House
2 – 6 Airey Street
St Helier, Jersey JE4 8RD
Tel.: +44 (0) 1 534 629 001

LUXEMBOURG
Avento Building
Avenue J.F. Kennedy 44
1855 Luxembourg
Tel.: +352 34 94 84
Investment Management

Tel.: +352 26 26 08 06

NETHERLANDS
Antonie Vivaldistraat 54
1083 HP Amsterdam
Tel.: +31 20 935 97 20

POLAND
Al. Jana Pawła II 25 Atumum Tower
00-854 Warsaw
Tel.: +48 22 653 44 00

ROMANIA
Bună Antoaneta
Street nº 40-44
Bucharest 011655
Tel.: +40 21 312 7000

SPAIN
C/ Genova 17
28004 Madrid
Tel.: +34 91 454 96 00

UNITED KINGDOM
5 Aldermanbury Square
London EC2V 7RP
Tel.: +44 20 7398 4000

MIDDLE EAST / ASIA
ABU DHABI
Hessa’s Bin Zayed Street
Area 19-02 posit nº198
P.O. Box 2742 Abu Dhabi
Tel.: +971 44 248 277

DUBAI
Emaar Square
Building nº 1, 7th Floor
P.O. Box 7233, Dubai
Tel.: +971 44 248 277

HONG KONG
25 /F Three Exchange Square,
8 Connaught Place, Central,
Hong Kong
Tel.: +852 2909 2806

Alliances
ALGERIA *
AUSTRIA
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Contacts
Alliances Florence Hesse
Tel.: +33 (0) 1 47 59 17 38
florence.hesse@bnpparibas.com

Research
Céline Cotasson-Fauvet
Tel.: +33 (0) 1 47 59 17 45
celine.cotasson-fauvet@bnpparibas.com

www.realestate.bnpparibas.com

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