

# Industrial sector weathers the pressure of virus crisis

The Q1 2020 property results reveal that some sectors are withstanding the impact of the pandemic more effectively than others



**Aoife Brennan**

**D**espite Covid-19 and the effective shut-down of the global economy in the middle of March, the Q1 2020 property sector results were strong.

In the occupier markets, Dublin office take-up was almost 90,000 square metres, which was a particularly good opening quarter to the year. As has been the norm of late, US tech occupiers dominated.

Interestingly, the southside suburbs were very active, with both Mastercard and Google taking substantial amounts of space in Leopardstown. Google was also active in the city centre, which means the tech giant now accounts for about 3.1 per cent of all of Dublin's purpose-built modern office accommodation.

Serviced-office providers had been very active in the market in the last two years, but they only accounted for 2 per cent of Q1 activity.

This sector is under immediate pressure due to Covid-19 and it is very likely that, where possible, many of those who physically occupy the space will give notice if their contracts have short notice periods. Some of these will return, but others may not, which could lead to a demand for smaller office units.

Demand in the sector will be more limited in Q2, especially while the lockdown continues. Some tenants may sign deals, but these will probably have special conditions attached.

Certain sectors, such as professional services, aircraft leasing and some financial, will likely be absent from the market for the next while as businesses recover from the effective shutdown. The impact of Covid-19 on office rents will depend on whether occupier requirements that are on hold become live again and if there is



Google's offices in Leopardstown: the tech giant now accounts for 3.1 per cent of all of Dublin's purpose-built modern office space

sufficient alternative demand.

The industrial sector has probably been the least affected by Covid-19, and it too had a strong Q1. Activity reached 87,000 square metres and included some very large deals. However, the lack of supply is clear, particularly for larger, good quality units.

Combined with the current increase in short-term occupier requirements (six to 12 months), this will mean that other occupiers in the market will be forced to commit to design-and-build properties in 2020, for delivery in the second half of 2021. The occupier trend will be towards renting once again with purchases less likely due to tighter

finance. Developers will need to mobilise construction, which will be challenging as the new site safety procedures are put in place in the coming weeks.

In the investment market, nationwide turnover reached €675 million, which was slightly ahead of Q1 last year. The office sector dominated the market, at 54 per cent of all investment spend. This was contrary to recent previous quarters where private rented sector (PRS), overshadowed all other sectors.

However, there were several PRS deals at sale agreed stage and it is likely that they will take longer to close in light of the current situation.

Also dominant were internation-

al investors, which accounted for 82 per cent of the market and were involved in all of the top ten largest deals. Notably, domestic funds were absent, which is possibly due to reported increases in redemption requests.

Prime retail yields softened in the opening months of the year and are likely to remain under sustained pressure in the coming months. In the occupier markets, the retail sector has been disproportionately affected by the restrictions imposed.

The increased risks associated with tenant covenants and indeed tenant failures, along with the risks surrounding market rental levels and rental growth projections, will

be to the fore in the medium-term. Some landlords may now consider it time to sell retail investments, which will open up opportunities for others.

A greater differential in secondary and prime yields will become evident across all sectors in the coming months due to the associated risks, particularly of tenant default.

Well-located properties let to AAA covenants will be in demand, as they will be viewed as defensive investments, particularly given that the markets may be entering a prolonged period of low interest rates.

As several ongoing sales have been put on hold and other assets that were set to come to the market have been postponed in the short-term, the supply of all types of investment properties for sale will be lower. This will mean market turnover for the year will be significantly less than anticipated.

How and when the investment market recovers will depend on the timeline of containment measures and the overall effect on the occupier markets. Also a factor will be the availability of bank financing for property acquisitions and the loan-to-value ratios required.

Importantly, once Covid-19 is under control and restrictions are eased, the fundamentals for investment in commercial property in Ireland remain strong.

Property yields will continue to offer an attractive spread over government bonds and the interest rates offered by banks.



Mastercard has plans for a major expansion of its offices in Leopardstown



Harcourt Square will be built on a 1.9-acre city centre site

## Hibernia gets permission for its Harcourt Square office development

BY TINA-MARIE O'NEILL

**H**ibernia Reit has received a grant of planning for an expanded development scheme at Harcourt Square in Dublin.

Designed by Irish architecture firm Henry J Lyons, the scheme will deliver 31,866 square metres of Grade A office accommodation on the 1.9-acre city centre site.

It's an increase of just over 2,600 square metres, or nine per cent, on the previously approved plans for an almost 30,000-square metre scheme, and follows further work to optimise the layout.

As before, the design incorporates the adjoining buildings at 39 and 40 Harcourt Street, the former being a Georgian townhouse built around 1800, which will be carefully restored as part of the project.

Harcourt Square was designed to meet the evolving needs of office users, with best-in-class efficiency and sustainability credentials across two interconnecting headquarters buildings, each with a dedicated reception for maximum occupier flexibility.

Building on the success of Hibernia's recently completed Windmill Quarter, it will also have a town hall large enough for conferences and functions of more than 600 people as well as food and beverage and fitness facilities.

Mark Pollard, Hibernia's di-

**“**  
**The development will contribute two elegant buildings to the streetscape**

rector of development, said: “We plan to start work on the redevelopment of Harcourt Square in early 2023. The existing property is let to the Office of Public Works (OPW) until December 2022 and is occupied by An Garda Síochána.

“The new Harcourt Square will be one of Dublin's largest and most exciting developments, located close to the city's historic core and on the Luas Green Line,” he said.

“The development will contribute two elegant buildings to the streetscape which, like our Windmill Quarter campus, will combine historic Dublin within a modern and innovative structure. Occupiers will benefit from best-in-class office accommodation with large, efficient floor-plates, excellent natural light, extensive external terracing and impressive reception areas.”

## CIS CONSTRUCTION INFORMATION SERVICES

## Round-up

A summary of the biggest building projects and deals going on around the country

### Tralee IT gets green light for Stem building at campus

Kerry County Council has granted planning permission for a €28 million college building at the Tralee Institute Of Technology. The site will comprise the construction of a two/three storey stem building, including the provision for machinery workshops and halls. The development is part of the National Development Finance Agency's Higher Education Bundle PPP Scheme. Pre-qualification tenders were previously advertised for contractors in December 2019 for this bundle.

### 221-apartment scheme in D15 gets go-ahead

Kimpton Vale has been granted a strategic housing development application by An Bord Pleanála for 211 apartments in four blocks. The €49 million apartment development will be located at a site in Windmill in Clonsilla in Dublin 15. The development proposes the phased completion of the public open space area to the south and south east of the



Seamount Road in Malahide, site of a proposed 142 residential units



Marlet's Walled Garden in Gort Mhuire, Dundrum

proposed apartments, which will serve both the proposed and existing residential units at Windmill.

### Stryker to build medtech building in Cork

Conack Construction is expected to start works this month for the construction of a €12.9 million manufacturing building extension/office extension for Stryker Ireland at the IDA Business Park at Anngrove in

Carrigtwohill, Co Cork. The development comprises a building ranging in height from two to three storeys and has a new production floor over two levels, administrative offices, canteen, labs, staff wellness centre and locker rooms and provision for a rooftop plant.

### Cosgrave's 331-unit Santry scheme approved

Dublin-based Cosgrave Develop-

Plan for 331 apartments in Santry

ments has been granted a strategic housing application by An Bord Pleanála for 331 apartments. The €72.8 million apartment development is located off Northwood Avenue in Santry in Dublin 9. The apartment blocks will accommodate 331 apartment units with associated ground floor terraces and upper floor balconies providing six one-bedroom units, 292 two-bedroom units and 33 three-bedroom units.

### €31m Malahide apartment scheme gets approval

Developer Ballymore has been granted a strategic housing development application by An Bord Pleanála for a proposed development comprising 142 residential units. The €31 million development is located at Seamount Road, Seamount Abbey in Malahide in north Co Dublin.

### Marlet gears up for 116 Dundrum apartment scheme

Main contractor Glenbeigh Construction is expected to start enabling works in the near future (consisting of installation of site hoarding, site access, site set-up, temporary site facilities and services) ahead of the main construction works at developer Marlet's Walled Garden in Gort Mhuire, Dundrum in Dublin 14. The

€25.5 million apartment development will comprise 116 apartments and will take in the region of two years to complete.

### Tenders out for €30m student digs in Cork

Tenders for a main contractor have been issued on a €30 million student accommodation development located at the former Coca Cola Plant on Carrigrohane Road in Co Cork. The development comprises 623 student accommodation beds. It is expected that the project will be completed in time for the academic year of 2022-2023.

\* The costings on these projects are indicative and are based on a price per square metre for shell and core only. Construction Information Services (CIS) Ireland supplies real-time information on construction projects from early planning to on-site stages. For more information, visit [cisireland.com](http://cisireland.com) or call 01-2999200



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