

**CORK  
COMMERCIAL  
REPORT**

Q1 2020

**Lisney**





# CORK INVESTMENT Q1 2020

BALLINCOLLIG MEDICAL CENTRE

Irish investment market turnover in Q1 2020 was almost €675m. 1.2% of this, or €8.25m, related to Cork. While this was a good level of activity, it was less than previous quarters. Furthermore, the largest deal in the quarter accounted for almost 70% of total investment spend. Aldi in Castle Square, Carrigtwohill was acquired by French investment firm Corum for €5.6m. Apart from this deal, private domestic investors were dominant in the period, accounting for four of the five acquisitions. The medical centre at Old Quarter, Ballincollig which included a pharmacy and eight tenants sold for €1,750,000 which equated to a net initial yield of 8.27%. In a retail deal, Units 1- 3 Parchment Square, Model Farm Road achieved about €440,000. In the industrial sector units 3A/E/F in Eastlink Business Park, Carrigtwohill sold for €285,000.

Looking to the year ahead, several large deals are currently sale agreed, such as a mixed-use scheme on 86 North Main Street, Cork with a guide price of €1.295m. Two retail units on Princes Street (19 & 20) have sale agreed at a guide of €1.05m.

Notably, one of the largest available industrial investment opportunities in Ireland is located in Cork. A 5,000 sqm warehouse facility in Wallingstown, Little Island is on the market at €5.2m. It is let to J&S Automotive Distributors at a rent of €371,600pa and the guide price equates to a net initial yield of 6.5%.

# CORK OFFICE SECTOR IN NUMBERS

## ACTIVITY

**8,250**  
SQM

A HEALTHY LEVEL  
OF ACTIVITY IN  
THE QUARTER

## RENTS

**€350**  
PSM

€32.50 PSF  
PRIME HEADLINE RENTS  
WERE STABLE

## VACANCY RATE

**9.6%**

OVERALL  
VACANCY RATE  
DECREASED TO  
**9.6% AT THE  
END OF Q1**

## CONSTRUCTION

**46,000**  
SQM

5 SCHEMES UNDER  
CONSTRUCTION



ACTIVITY  
Q1

CONSTRUCTION  
Q1

I SOUTH MALL, CITY CENTRE

## OVERVIEW

Market activity in Q1 was stronger than previous quarters, although some larger sized deals skewed take-up levels. The majority of take-up was accounted for by the tech sector. As such, availability levels continued to decline. No new stock completed in the quarter.

## ACTIVITY

Cork office market activity totalled 8,250 sqm across eleven deals in Q1. This is 31.2% higher than the previous quarter. Deal sizes varied substantially with one letting accounting for 56% of total take-up.

The largest transaction of the quarter was the pre-let of three floors within the Penrose Two building on Penrose Quay in the city centre to IT company Qualcomm, 4,650 sqm. In addition, software company Varonis pre-let 1,850 sqm within Penrose Two. Law firm Matheson pre-let 750 sqm in the neighbouring Penrose One. The remaining eight deals were all under 300 sqm, with the majority taken by firms in the professional services sector. Office accommodation on South Mall remained in demand with four transactions occurring on the street. Irish Life took the third floor (approximately 270 sqm) of I South Mall. McCarthys Insurance took the second floor (approximately 150 sqm) of 4 South Mall where they have occupied the ground floor for several years. Northgate Vehicle Hire took about 100 sqm at 55 South Mall while FCE Scan Ltd took 40 sqm at 15 South Mall.

The city centre accounted for 95% of all activity in the quarter. Meanwhile the tech sector accounted for 79% of activity and the professional services sector 20%.

## RENTS

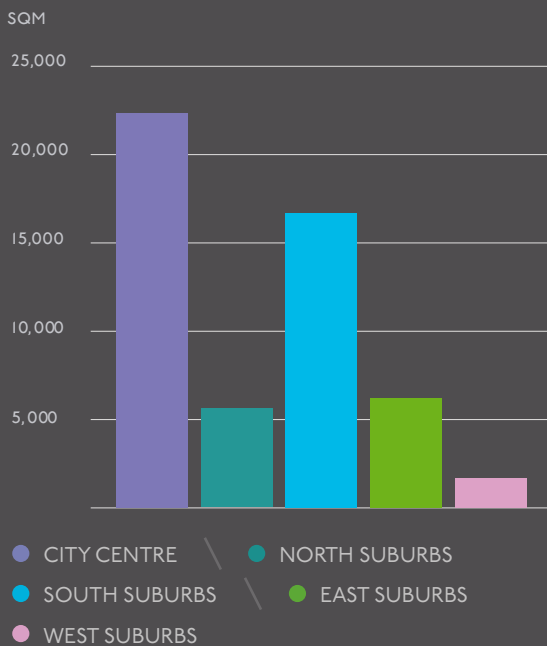
Prime city centre headline rents were stable again in Q1, standing at €350 psm (€32.50 psf). Suburban office rents have remained relatively stable in the range of €183psm (€17psf) to €215psm (€20psf) depending on location. On South Mall, rents were also stable at €280 psm (€26 psf) at the end of March 2020.

## AVAILABILITY

Availability levels reduced further in the opening quarter of the year, decreasing by 1.8%. While there was notable activity in the three months, much of the activity consisted of pre-lets in new accommodation in the city centre and as such, take-up did not impact supply as much as usual. The overall vacancy rate decreased marginally from 9.7% in Q4 to 9.6% in Q1.

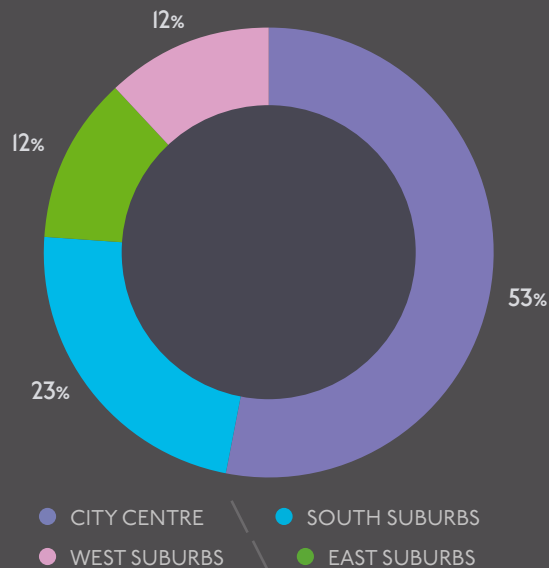
The largest stock of vacant offices was in the city centre, where over 40% of all office availability was located. The south suburbs followed by 34% of available supply. The west suburbs had the lowest volume of available stock (4%).

**AVAILABILITY BY REGION**  
Q1 2020



Source: Lisney

**PLANNING GRANTED BY REGION**  
Q1 2020



Source: Lisney

## CONSTRUCTION

At the end of Q1 2020, approximately 46,000 sqm of accommodation was under construction across five schemes, the majority in the city centre; One Penrose Dock (7,250 sqm), Two Penrose Dock (14,850 sqm), Block B Navigation Square, Albert Quay (9,300 sqm), Block I, Horgans Quay (8,550 sqm) and in the west suburbs, Building I, Westfield Office Quarter, Ballincollig (6,050 sqm). It is notable that across the 22,000 sqm under construction at Penrose Dock, a large proportion of this has been pre-let.

There was an additional 155,000 sqm in the planning pipeline with approval granted. The city centre accounts for the greatest pipeline of activity including planning permission for a further 6,300 sqm in Navigation Square across Blocks C & D; Blocks 2 & 4 in Horgans Quay (20,100 sqm) and 14,200 sqm at Penrose Quay, which is adjacent to Penrose Dock. There is a further 35,600 sqm in the pipeline in the south suburbs, combined with 18,600 sqm in the east suburbs. In the west suburbs, O'Flynn Construction has approval for the construction of 17,800 sqm across three buildings in Westfield



PENROSE DOCK, CITY CENTRE

## OFFICE SECTOR OUTLOOK

- 1 Pre-lets will be required in the suburbs before any new development commences.
- 2 It is likely that there will be a pause in demand from FDI companies due to global Covid 19 restrictions on travel. Additionally, many companies will defer any decision making on property acquisitions until there is more certainty around the containment of Covid 19.
- 3 The temporary closure of construction sites will delay building completion dates and have a knock-on effect for pre-lets and tenant's expected occupation dates.
- 4 Where rent review dates line-up with the crisis, there is likely to be some form of discount to reflect the suggestion that a hypothetical tenant would sign a lease in the midst of a global pandemic. However, given that this crisis is still unfolding, there is as yet no evidence of the impact.
- 5 Finance for property will be harder to secure as there will be greater demands on international sources of funding, and property may be viewed as having an increased risk. As a result, it may be difficult to get finance for speculative development.

# CORK INDUSTRIAL IN NUMBERS

## ACTIVITY

**800**  
SQM

A QUIET QUARTER  
WITH JUST ONE  
DEAL COMPLETED

## RENTS

**€86**  
PSM

€8 PSF  
RENTS WERE STABLE  
IN THE QUARTER

## VACANCY RATE

**4.4%**

THE INDUSTRIAL  
VACANCY RATE  
FELL FURTHER  
TO 4.4% IN Q1

## SUPPLY

**58,050**  
SQM

6.3% QUARTERLY  
DECLINE IN SUPPLY



## OVERVIEW

The overall vacancy rate across Cork industrial stock recorded a new low of 4.4% with several previously available properties also removed from the market. No industrial developments currently under construction were completed in Q1, while the main new construction activity is in Blarney Business Park.

## ACTIVITY

Following a very strong Q4 2019, the Cork industrial market recorded a quiet opening three months to 2020, with just one deal transacting. Construction company Ward & Burke leased 800 sqm across Unit 4 and Unit 5, Lehenaghmore, Togher in the south suburban region.

Demand and enquiries for prime well-located warehouse/ industrial accommodation had been steady in the early part of Q1 before the emergence of the Covid 19 pandemic in Ireland, however following the restrictions on movement many companies are now adopting a wait and see approach and are deferring making decisions on property. As such, transactional activity in Q2 is likely to be subdued.

## RENTAL & CAPITAL VALUES

Prime industrial headline rents were unchanged in Q1 at €86 psm (€8 psf) for all regions except the north suburbs. Headline rents for the north region remained at €75 psm (€7 psf).

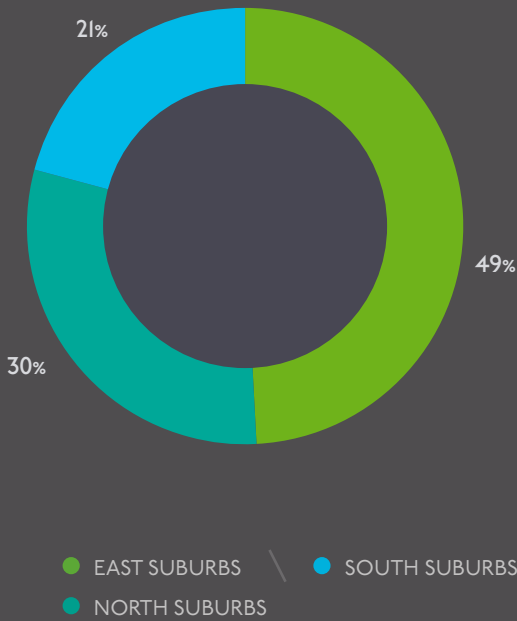
Capital values were also stable in the quarter in all regions, standing at €860 psm (€79.90 psf) for the south, east and west suburbs. In the north suburbs, capital values stood at €760 psm (€70.60 psf).



## AVAILABILITY

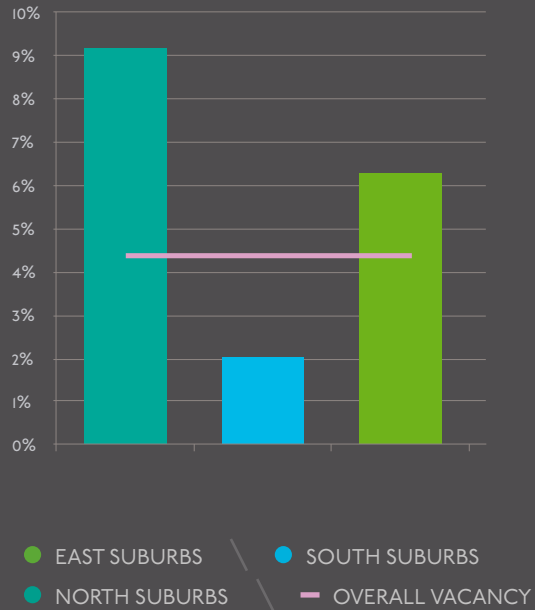
The overall vacancy rate across Cork industrial stock recorded a new low of 4.4%. Compared to Q4 2019, industrial availability declined by 6.3% to 58,050 sqm, due largely to units being taken off the market. Industrial space remained in short supply in the south suburbs where the vacancy rate was just 2.0%. Almost half of overall availability was in the east suburbs, where the vacancy rate was 6.3%, while the vacancy rate in the north suburbs was 9.2%.

**AVAILABILITY BY REGION**  
Q1 2020



Source: Lisney

**VACANCY BY REGION**  
Q1 2020



Source: Lisney

## CONSTRUCTION

No new industrial accommodation completed in Q1 2020, however there have been some developments regarding the construction pipeline. Planning permission has been granted for approximately 56,500 sqm of industrial stock, while a further 39,000 sqm was in the planning pipeline and awaiting a decision.

Following the completion of a new 5,500 sqm warehouse building in Blarney Business Park late last year, Progressive Commercial Construction Ltd is developing an additional 1,115 sqm. The company has also been granted planning permission for a total of 19,500 sqm across three separate units in the same business park.

Cork County Council's decision to grant planning to Harbour Point Warehousing and Logistics Limited for the construction of 19,000 sqm of high bay warehouse space at Harbour Point Business Park in Little Island is now on hold due to a third-party appeal to An Bord Pleanála. This, if it progresses, would be the most significant new warehouse development in Little Island for over 10 years and would significantly add to stock levels in the region. Also, in the Harbour Point Business Park, following the opening of its newly developed high bay distribution warehouse, EZ Living Furniture has now submitted a planning application for two warehouse buildings extending to a combined 9,700 sqm on an adjoining site.

County Clean Recycling's planning application for the construction of a 6,625 sqm waste transfer and recycling facility at Courtstown, Little Island had been approved but is also now the subject of a number of third party appeals to An Bord Pleanála.

A new planning application has been submitted by Liam Davis for the construction of a building consisting of five separate units for light industrial / warehouse use (1,100 sqm in total). The proposed development adjoins a site where conditional planning permission has been granted by Cork County Council to the same applicant for the construction of a warehouse of 2,000 sqm near Courtstown Industrial Estate in Little Island.



CGI HARBOUR POINT BUSINESS PARK, LITTLE ISLAND

Artist's Impression

Pedersen Focus

## OUTLOOK

- 1 Demand for prime well-located warehouse/ industrial accommodation had been steady in the early part of Q1 before the emergence of Covid 19. Covid 19 has significantly impacted activity in the industrial sector as many companies are adopting a wait and see approach and are deferring making decisions on property.
- 2 The upward momentum in rents and capital values is expected to further encourage new development in the short to medium term, however with construction work currently at a standstill, completion dates of developments currently under construction will be extended.
- 3 Steady demand from both owner-occupiers and investors is expected to continue, especially for smaller warehouses and light industrial units. However, there will be delays in bringing properties to the market due to the Covid-19 pandemic and its effect on market certainty.
- 4 Modern high-bay warehouse accommodation with dock-level loading remains scarce and demand remains strong for this type of accommodation.

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