

# Q2

## THE LISNEY RENTAL INDICES



The Difference



### Economic Environment

The latest national account figures published by the CSO for Q1 2017 introduced a new measure of national output called GNI (Gross National Income). Ireland's official growth statistics had come under increasing scrutiny in the aftermath of the publication of the national accounts for 2015 when growth of 26% was noted. The new measure intends to give a more realistic picture of the underlying health of the Irish economy, rather than relying on GDP and GNP figures solely. GNI is the total of GNP plus EU taxes and subsidies; less the effects of the profits of re-domiciled companies and the depreciation of intellectual property products and aircraft leasing companies. While GDP and GNP were down in Q1 compared to Q4 2016 (which was a particularly strong quarter), annually, GDP grew by 6.1% with GNP up by 7.9%.

Ireland's debt to GDP ratio stood at 73% according to the national accounts data but this figure rises to 106% when measured with GNI.

In June 2017, inflation, measured by CPI, slipped back into negative territory (-0.4%), having been running at between 0.2% and 0.9% since the start of the year. This decline was driven by the goods section of the index (which fell by 2.9%) with services continuing to grow (+1.5%).

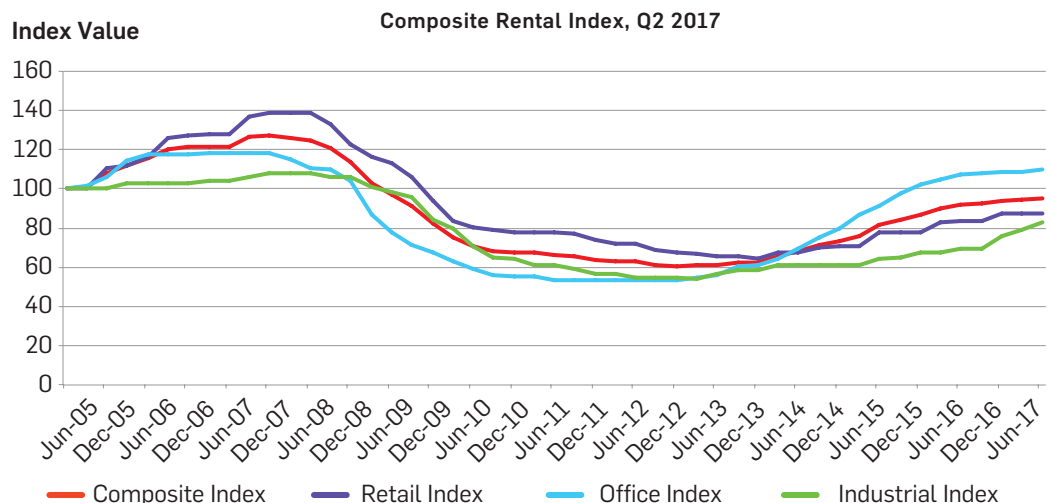
In the labour market, Q1 data shows that the positive trend remains. In the 12 months to the end of March, employment increased by 3.5% (+68,600 people) with 2,045 people in employment. The number in the labour force unemployed fell to 146,200, resulting in an unemployment rate of 6.8%.



### Overall Market

Both the office and industrial sectors experienced strong levels of activity in Q2 with a further decline in availability occurring. The retail market was quiet, which was due to a mix of retailers Brexit fears, a general lack of prime units and a growing online trend.

In Q2, Lisney's composite index of commercial rents increased by 1.1% with the annual growth rate at 3.4%. From the cycle trough in December 2012, this index has increased by 57.7%; however it still remains 25.2% behind peak levels.



Source: Lisney



The Rental Indices have been researched and compiled by Lisney Research. The establishment of the indices was carried out in conjunction with the School of Real Estate and Construction Economics at the Dublin Institute of Technology. The school is a recognised centre of excellence and the premier provider of education in real estate and construction economics in the Republic of Ireland.



## Retail Sector

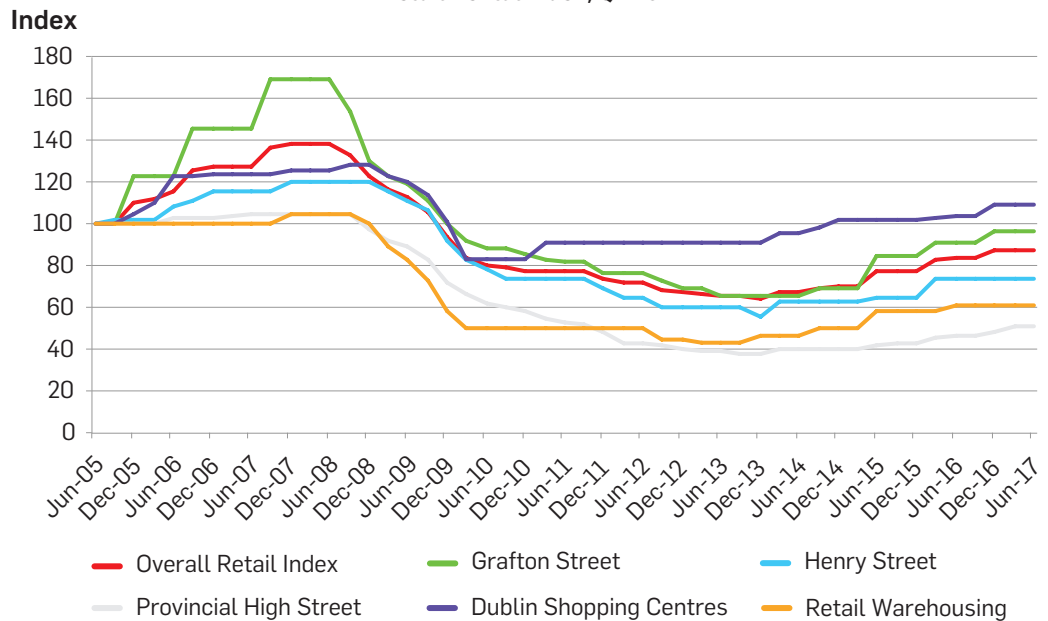
The opening half of 2017 was quieter than anticipated in the retail property sector. Although there are new entrants seeking stores and some existing retailers wishing to expand, the uncertainty surrounding external factors has influenced retailers' decisions with some postponing expansion plans in the short-term. Despite this the main indicators are generally pointing in a positive direction, notably a recovery in sentiment (at its strongest level in 16 months in June) and good retail sales (the volume increasing 7.3% annually).

Lisney's overall index of retail rents was unchanged in Q2 but in annual terms, there was a 4.2% increase recorded. The index was still 37.0% below its 2007 peak level, however it had increased 35.6% since 2013.

In terms of the prime retail streets in Dublin city centre, the Grafton Street index grew by 5.8% in the 12 months to the end of June, while the Henry Street index grew slightly, by 0.4%, over the same period. These indices had grown by 39.2% and 33.9% since the end of 2012 but remained 43.1% and 38.2% off the previous cycle high.

In the suburbs, the index of rents in prime Dublin shopping centres grew by 5.5% in the year, while the retail warehouse index remained unchanged. Outside of Dublin, the index of rents on provincial high streets grew by 10.3% annually, but remained 51% below its highest point in 2007.

Retail Rental Index, Q2 2017



Source: Lisney



## Office Sector

At 106,200 sqm, take-up in the Dublin office market reached its largest quarterly level on record in Q2 2017. The number of deals more than doubled when compared to the previous three months with almost half involving occupiers from North America. The IT and financial sectors were once again very active, as was the city centre region where two-thirds of all transactions occurred. Supply decreased, which resulted in the overall vacancy rate dropping below 10% once again.

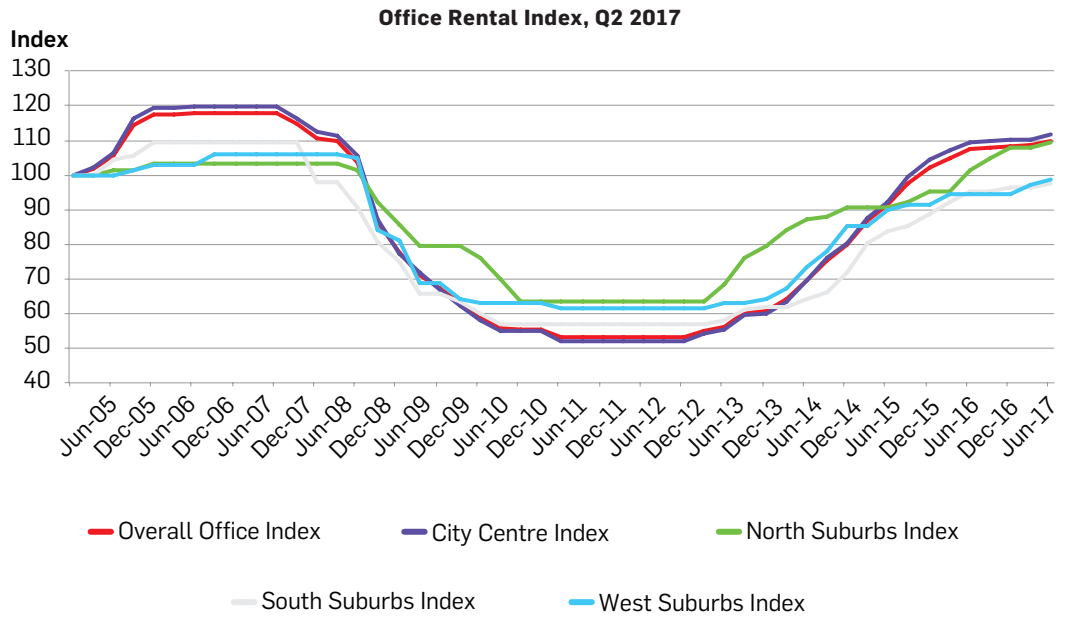
Lisney's index of overall Dublin office rents grew by 1.2% in the three months to the end of June. Similar to the previous quarter's results, annual growth tapered off with an increase of 2.4%

recorded. At the end of Q2, the index was 6.7% off its previous cycle peak (2007) and having increased almost 107% since early 2013.

Focusing on the various sub-indices, the city centre index increased by 1.1% in Q2 and on an annual basis it was 2.4% higher. In the suburbs, the various sub-indices increased in all regions in Q2 – the north and west at 1.5% each and the south at 1.1%. In the 12 months, the north region had experienced the strongest growth, at 7.8%. This region, which comprises areas such as Blanchardstown and Swords, had seen an increase of 72.5% in the index since mid-2013.



## Industrial Sector



Source: Lisney

Activity in the Dublin industrial market reached 69,700 sqm in Q2, an increase of 36% on the previous quarter. As with recent quarters, the majority of transactions were lettings rather than sales, at 60% of the total. This is contrary to 2013, 2014 and 2015 when sales dominated. Overall supply levels in Dublin continued to fall and as a result, the vacancy rate fell to 11.3%.

Lisney's industrial index rose by 4.8% in Q2 with a year-on-year growth of 19.7% recorded. At the end of

June 2017, the Dublin industrial index had increased by 54.0% since the cycle low in 2013 and was 23.0% behind its cycle peak.

A breakdown of regions reveals that all locations recorded quarterly increases; north (4.2%), northwest (3.9%), south (5.0%), southwest (5.7%). Focusing on annual activity, the south region increased by a significant 26.5%. This was followed by the southwest (22.8%), the northwest (19.9%) and the north (11.8%).



Source: Lisney

**Sectoral and Sub-Sectoral** Base June 2005 =100

Date	Composite Index	Overall Retail Index	Grafton Street	Henry Street	Provincial High Street	Dublin Shopping Centres	Retail Warehouse
Mar 13	60.91	67.09	69.23	60.19	39.57	91.15	43.33
Jun 13	60.89	65.50	65.38	60.19	39.04	91.15	43.33
Sep 13	62.64	65.39	65.38	60.19	37.97	91.15	43.33
Dec 13	62.40	64.40	65.38	55.56	37.97	91.15	46.67
Mar 14	65.62	67.77	66.15	62.96	40.64	95.83	46.67
June 14	67.85	67.77	66.15	62.96	40.64	95.83	46.67
Sept 14	71.12	69.79	69.23	62.96	40.64	98.96	50.00
Dec 14	73.21	70.41	69.23	62.96	40.64	102.08	50.00
Mar 15	76.04	70.41	69.23	62.96	40.64	102.08	50.00
June 15	81.75	77.61	84.62	64.81	42.25	102.08	58.33
Sept 15	84.33	77.71	84.62	64.81	43.32	102.08	58.33
Dec 15	86.49	77.71	84.62	64.81	43.32	102.08	58.33
Mar 16	90.18	83.01	91.08	74.07	45.99	102.71	58.33
Jun 16	92.17	83.81	91.08	74.07	46.52	104.17	61.67
Sep 16	92.48	83.81	91.08	74.07	46.52	104.17	61.67
Dec 16	93.85	87.23	96.36	74.36	48.66	109.90	61.67
Mar 17	94.26	87.36	96.36	74.36	51.34	109.90	61.67
<b>Jun 17</b>	<b>95.26</b>	<b>87.36</b>	<b>96.36</b>	<b>74.36</b>	<b>51.34</b>	<b>109.90</b>	<b>61.67</b>
3 Month Change %	1.05	0.00	0.00	0.00	0.00	0.00	0.00
6 Month Change %	1.50	0.15	0.00	0.00	5.49	0.00	0.00
9 Month Change %	3.01	4.24	5.80	0.39	10.34	5.50	0.00
12 Month Change %	3.35	4.24	5.80	0.39	11.63	5.50	0.00

Date	Overall Office Index	City Centre	North Suburbs	South Suburbs	West Suburbs	Overall Industrial Index
Mar 13	54.94	54.12	63.49	56.92	61.38	53.91
Jun 13	56.23	55.29	68.25	58.00	62.87	56.52
Sep 13	60.31	59.48	76.19	61.24	62.87	58.26
Dec 13	60.92	59.95	79.37	61.96	64.37	58.26
Mar 14	64.12	63.49	84.12	61.96	67.36	60.87
June 14	69.70	69.58	87.30	64.12	73.35	60.87
Sept 14	75.36	75.91	88.09	66.28	77.84	60.87
Dec 14	79.78	80.12	90.47	72.05	85.32	60.87
Mar 15	86.87	87.62	90.47	80.22	85.32	60.87
June 15	91.29	92.31	90.47	83.83	89.82	64.35
Sept 15	97.38	99.34	92.06	85.37	91.32	65.22
Dec 15	102.12	104.49	95.24	88.61	91.32	67.83
Mar 16	104.74	107.07	95.24	92.22	94.31	67.83
Jun 16	107.41	109.53	101.59	95.41	94.31	69.39
Sep 16	107.89	109.95	104.76	95.41	94.31	69.39
Dec 16	108.31	110.08	107.93	96.49	94.31	75.95
Mar 17	108.67	110.36	107.93	96.49	97.30	79.21
<b>Jun 17</b>	<b>109.93</b>	<b>111.60</b>	<b>109.52</b>	<b>97.56</b>	<b>98.80</b>	<b>83.04</b>
3 Month Change %	1.16	1.13	1.47	1.11	1.54	4.83
6 Month Change %	1.50	1.38	1.47	1.11	4.76	9.33
9 Month Change %	1.90	1.51	4.55	2.25	4.76	19.66
12 Month Change %	2.35	1.89	7.81	2.25	4.76	19.66

## Lisney Rental Index - Historical (June 05 = 100)

Date	Retail	Office	Industrial	Overall
Dec 2003	74.04	96.81	96.55	88.87
Dec 2004	96.29	96.81	98.52	97.29
Dec 2005	110.74	105.80	100.00	107.69
Dec 2006	127.46	117.79	102.61	121.10
Dec 2007	138.72	117.89	107.83	127.30
Dec 2008	122.76	103.76	106.09	113.49
Dec 2009	93.60	67.31	84.35	82.16
Dec 2010	78.03	55.57	64.35	67.68
Dec 2011	73.67	53.19	56.52	63.76
Dec 2012	67.28	53.19	54.78	60.39
Dec 2013	64.40	60.92	58.26	62.40
Dec 2014	70.41	79.78	60.87	73.21
Dec 2015	77.71	102.12	67.83	86.49
Dec 2016	87.23	108.31	75.95	93.85
Mar 2017	87.36	108.67	79.21	94.26
Jun 2017	87.36	109.93	83.04	95.26

**Please note:** Lisney first produced commercial rental indices in 1970. This index series was discontinued following the release of the Q2 2004 publication. A new index series based on a different set of data commenced in Q2 2005, i.e. the current index series. As an indicative exercise to provide some continuity between the old and the new indices, they have been chain linked and the results are set out in the table above.

**Disclaimer:** The Lisney Commercial Rental Indices are derived and published solely for information purposes as a means of tracking the commercial property rental market. They are not derived for the purpose of valuation and should not be used as such. Lisney bears no liability for any losses, damages, costs or expenses suffered by any person as a result of any reliance on this information.

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