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KILDARE COMMERCIAL PROPERTY MARKET REVIEW AND SPRING OUTLOOK

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Overview

Activity and growth continued across all sectors of the commercial property market in 2018. It is particularly encouraging to see continued growth outside of Dublin in counties such as Kildare, Meath and Wicklow which are on the commuter belt and benefit from excellent transport and communication links to the capital.

Economic figures from the Central Statistics Office indicated GDP growth of 7.5% in 2018 with employment levels increasing by 3% hitting record highs. The biggest rate of growth was in the construction sector. Data published by the Society of Chartered Surveyors Ireland shows that construction tender prices rose steadily throughout 2018 with an increase of 7.4%. Despite the favourable economic conditions Brexit remained a constant threat throughout the year. In Budget 2018 Capital Gains Tax for qualifying land and buildings (i.e. those purchased between 7th December 2011 and 31st December 2014) was reduced from 7 years to 4 years. Commercial Stamp Duty rate increased from 2% to 6% bringing transactional costs up a total of 5% since 2017. The VAT rate in the hospitality sector returned to 13.5% after being cut to 9% in 2012, creating a commercial decision for businesses whether to absorb the increase or pass it to customers.

In 2018 the retail sector continued to be negatively impacted by online sales with the bad weather early in the year also affecting footfall; conversely the long, hot dry Summer brought bumper sales for some categories of retail.

Co Kildare in 2018

Kildare has continued to outperform other neighbouring counties in an economic sense and is home to roughly 5% of the state's total population, according to Kildare Co Council Economic Profile and Development Strategy. The urban areas including Naas, Newbridge and Celbridge have experienced substantial development mostly due to their size and relative proximity to Dublin. Rising population numbers have led to an increase in housing density in the more populated areas.

Kildare is proving to be an attractive location for the logistics sector with major retailers including Supervalu, Pennys, Aldi and Lidl having developed hubs in the county. Key to this is easy access to Dublin Port which will improve even more with the M7 upgrade works.

Many international brands have set up operations in Kildare; Kerry Group, Pfizer and Intel recently announced plans to develop a new fabrication facility in Leixlip.

Major infrastructural projects are currently underway in the county. The M7 motorway upgrade from 2 to 3 lanes with new link roads is due for completion in 2020. A 3.4km semi-urban distributor road designed to alleviate significant congestion in Athy is currently underway. The roll out of fibre broadband continues across the county in a €23m investment project.

Demand for commercial property in Kildare continued apace in 2018. The good transport links to Dublin and the midlands, the many well facilitated enterprise parks, a local educated labour market, excellent local services and competitively priced housing are all reasons why many companies are following Kerry Group, Intel, HSE and others in locating in Kildare. A commercial rate revaluation came into effect in the county in January 2018 with approx. 50% of rate payers seeing a reduction in the level of rates they pay.

Overall developments in Co Kildare mirror the economic upturn being seen around Ireland. Challenges are increased demand for social/affordable housing, office and industrial space along with escalating house prices and growing levels of congestion.

OFFICE

The office market continued to grow steadily in 2018 inline with overall economic growth at national level. As a result, vacancy rates declined across the county and rental values increased. The close proximity to Dublin and excellent road and rail transport links positions offices in Co Kildare as a good value alternative to locating a business in Dublin.

Leasing Grade A office accommodation was costed at €161 - €215 per sq. m. (€15 to €20 per sq. ft.) for lot sizes ranging from 100 to 929 sq. m (1000 to 10000 sq. ft.). Grade B offices have been achieving in the order of €86 to €130 per sq. m. (€8 to €12 per sq. ft.).

Capital values for office sales were in the region of €1500 and €2000 per sq. m. (€140 to €200 per sq. ft.).



RETAIL

Investment in the retail sector during 2018 has remained steady. Prime retail floorspace rents continue to grow at a stable rate as has been the pattern over the last few years. Vacancy rates continue to decrease in most major towns around the county.

It is likely that uncertainty around Brexit is influencing retailer occupier decisions to focus stores in prime city centre locations. Retail rents for all grades of floorspace continue to grow steadily in Kildare. Kildare village with its recent expansion continues to draw huge numbers of shoppers. The completion of the Lucan Road retail development in Celbridge and the refurbishment of existing stock resulting in new letting activity in Newbridge and Athy bodes well for the future.

The confirmation that Dunnes Stores will open a store and café on Main St in Naas is good news for the town and will lead to increases in footfall.



INDUSTRIAL

2018 saw a boost in investment activity in Kildare within the industrial sector. Occupier take up continued to grow along with increases in rents and capital values. Larger sized units proved popular with manufacturing and logistic businesses while the smaller units were secured for a mix of industry. In line with an upward



demand nationwide for investment properties capital values continue to increase.

Industrial rents are running at €43 to €75 per sq m. (€4 to €7 per sq ft) across the county with the strongest performance in the urban centres Naas, Newbridge, Maynooth and Athy.

Major leasing transactions included 3,716 sq m (40,000 sq ft) to Elsatrans in Naas Enterprise Park, Hireco took up occupancy in a 25,000 sq ft unit on a 2 acre site in Naas Industrial Estate and Airicity moved into a 10,500 sq. ft unit in Greenogue Business Park. Innerworkings, the international marketing services company strengthened their presence in the M7 Business Park along with Weatherby Scientific. Domino's Pizza also strengthened their presence in Naas Enterprise Park. The improved transport links to Dublin, the airport, the port and the National Motorway network has seen Kildare becoming a choice location. This is further confirmed with the current construction by Lidl of a logistics facility (in addition to their existing facility) on the edge of Newbridge Town.

Construction of new industrial units for owner occupation and speculative development is at a slower pace due to increased building costs thus seeing reduced supply of current stock levels.

DEVELOPMENT LAND

There was limited speculative development of commercial property in Kildare in 2018 due in the main to rising construction costs.

There were however some significant transactions in both commercial and residential land. Industrial lands in Naas Industrial Estate totalling 3.5 acres achieved in excess of 200k per acre and a 1 acre site in Osberstown Industrial Park for €235k.

In residential development land sales Marsville house on 2 acres in Kill Village achieved a price in excess of €500,000 per acre and a smaller site located close by achieved €750,000 per acre.

Other significant sales of residential development took place in Naas, Clane, Celbridge, Kilcock and Blessington confirming the appetite for lands for residential development within the commuter belt.

It is likely that development land acquired for owner occupation will continue although construction of new commercial property for speculative purposes shall be at a slower pace unless pre sold or let.



Kildare and region in 2019

The commercial property market in Kildare and surrounding counties is set to continue in an upward direction throughout 2019 despite the uncertainty of Brexit. Europe's property industry leaders rate transport links (road, rail and airports) as the most important factor in choosing where to develop and invest according to a survey carried out by The Urban Land Institute (ULI) and PWC. Kildare and the counties that surround it are ideally placed to deliver on this demand with excellent road and rail links to the country's airports, port and quick access to the road network.

Demand within Kildare, Meath, Wicklow, Westmeath and other nearby counties for industrial, retail and office space is likely to continue to grow, however the lack of new construction could lead to a reduction in supply as vacancy rates in second hand stock continue to decrease. The disruption in the retail sector caused by online retailing is likely to have retail space not performing as well as others, conversely online retailing is contributing greatly to the boom in the logistics sector being seen in Kildare and further afield.

Co-working office space is becoming a rapidly growing trend particularly in commuter counties such as Kildare and surrounding counties. This involves desk spaces or larger flexible spaces available on short leases with communal facilities giving rise to a structural change within the office sector.

With some of the best commuting links in the country and leading brands located within Kildare and nearby the residential property market is likely to remain buoyant. However, the market will have to work on keeping prices affordable for buyers.



What's in store in 2019

There are of course some political and economic threats as we begin 2019, Brexit being the most prominent although Ireland can potentially benefit from the UK's departure from the EU. Dublin has seen an increase in US and UK companies setting up operations in the city in recent months.

Real estate in a stable economy will be an attractive investment into 2019 and already Ireland is seeing a steady flow of foreign investment. Indigenous developers are also active again often supported by foreign investment.

Budget 2019 had few specific implications for property markets, nor was much needed, as most indicators are very positive. Overall, strong economic growth, increasing employment, increasing population and lower taxes will continue to drive the commercial property and retail markets.

The exception, of course, is housebuilding, where supply levels remain way below what is required in the affordable and social sectors.

Although there is likely to be some reduction in the pace of growth, the Irish commercial property market remains broadly stable and the long-term outlook for the Irish economy remains strong.

Summary

Ireland's economic outlook is positive putting Ireland amongst the strongest growing economies in 2019 and forecast to be the second largest growing economy in the EU behind Malta. Ireland's international sector is complemented by a strong domestic economy which will lead to further rises in employment and a positive impact on the commercial property market.

Although the outlook is somewhat clouded by Brexit, Ireland's strong economic position should lead to increased foreign investment which will offset reduced trade.

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As we celebrate 10 years in business we look positively towards the opportunities and challenges that the next decade will bring.