

# **OBSERVATIONS ON PROPOSED DEVELOPMENT AT ROYAL CANAL PARK/PHASE IV**

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Prepared for Ballymore RCP Development Services  
Ltd

Prepared by CBRE Ireland

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**ballymore.**

**CBRE**

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## The Brief

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At the invitation of Ballymore RCP Development Services Ltd, CBRE Ireland has inspected the subject site at Phase IV, Royal Canal Park, Dublin 11 and have had regard to plans prepared by Reddy Architecture & Urbanism for a proposed commercial & residential development on these lands with a view to determining the economic & commercial viability of the proposed uses (435 residential units, a Primary Health Care centre, own door offices, a gym/juice bar and a pharmacy) from a market perspective.

We have considered the commerciality and feasibility of the proposed scheme having had regard to current supply and demand variables prevailing in various sectors of the property market in the immediate vicinity and in the wider Dublin market and our expectation for how these sectors will evolve in the medium term.

CBRE confirms that information contained herein, including projections, has been obtained from sources believed to be reliable. While we do not doubt their accuracy, we have not verified them and make no guarantee, warranty or representation about them. Our report has been prepared on behalf of Ballymore RCP Development Services Ltd and its contents cannot be reproduced without their prior approval.

## The Residential Sector

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As job creation continues in earnest in Ireland and the population of Dublin continues to increase as a result, there is considerable appetite for additional residential accommodation to be provided for purchasers and renters alike, particularly considering the low volume of new stock delivered to the market in recent years.

At best, only approximately 21,000 new housing units will be developed in the Irish market during 2019 - a volume that is at least 10,000 units less than what is required on an annual basis. Although we expect to see some further uplift in new homes delivery in 2021 and 2022, the reality is that we are still going to develop considerably less housing than what is required.

In the nine months to the end of September 2019, only 14,764 housing units were developed in Ireland. With the Dublin market, where much of the population growth is being concentrated, the situation is particularly acute of which only 4,946 were developed in Dublin specifically. There is therefore a clear need to fast-track the delivery of much-needed housing in the capital.

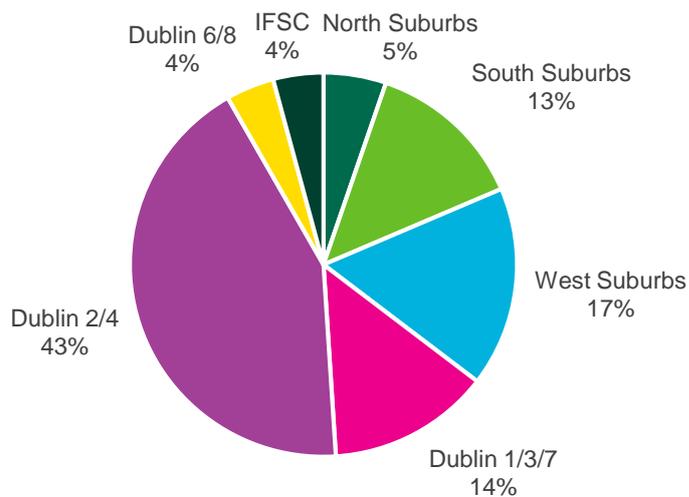
## The Dublin Office Market

The subject site at Dublin 11 is located in the north suburbs of Dublin city which only accounts for a relatively small proportion of activity in the Dublin office market each year.

The Dublin office market currently extends to more than 4 million square metres of which almost 65% is located in the city centre, where the vast majority of employers are located and demand for office accommodation is strongest. Indeed, almost 43% of the total office stock in Dublin at the end of Q1 2019 is located in the Dublin 2/4 postcode, which consistently accounts for the largest volume of leasing activity in the Dublin market each year.

As of the end of Q1 2019, 35% of existing office stock in Dublin was located in the suburbs, with the south suburbs accounting for almost 38% of this suburban stock. In total, there is more than 221,500m<sup>2</sup> of office stock located in the north suburbs of the city, with this district accounting for approximately 5% of overall office stock in Dublin and 14.8% of suburban stock specifically.

Dublin Office Stock by Location

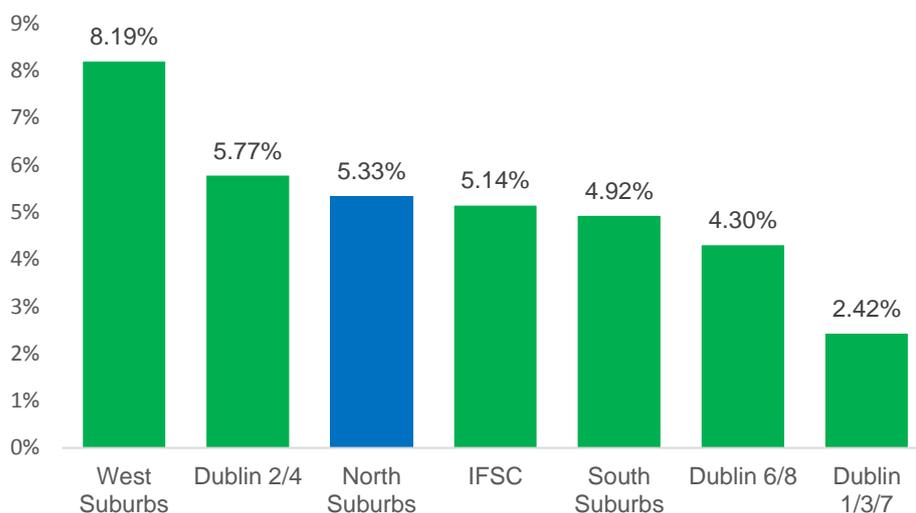


Source: CBRE Research

# The Dublin Office Market

According to our research, the north suburbs of Dublin, where the subject site is located, had a vacancy rate of 5.33% as of the end of Q1 2019. **In total, there was 11,820m<sup>2</sup> of vacant office accommodation in the north suburbs of the city at the end of Q1 2019.**

Dublin Office Vacancy Rates by Location Q1 2019

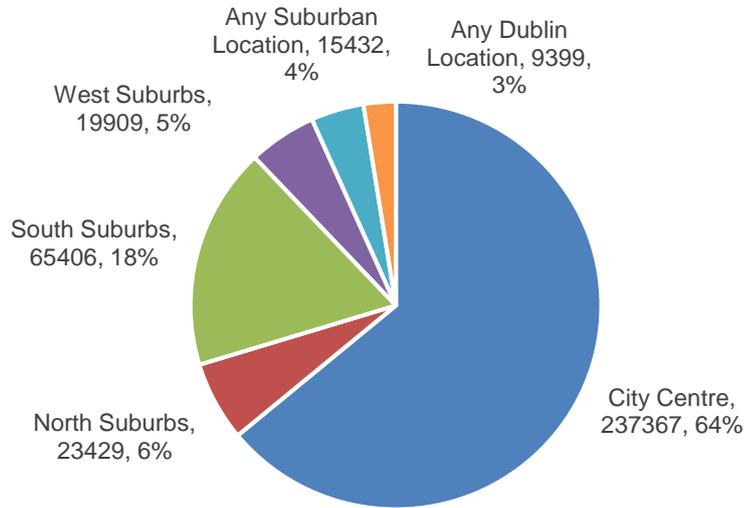


Source: CBRE Research

Demand for accommodation in the suburbs is considerably lower than for other locations and of the occupiers that are willing to consider a suburban location, the north suburbs only accounts for a relatively low proportion of this demand. In fact, of the more than 370,000m<sup>2</sup> of office demand currently prevailing in Dublin at the end of Q1 2019, only 33% are open to a suburban location, while **only 6% of current requirements have specifically identified the north suburbs of Dublin as their preferred location.** This equates to current demand for approximately 23,429m<sup>2</sup> in the north suburbs, which already has enough vacant stock to accommodate as much as half of this demand.

# The Dublin Office Market

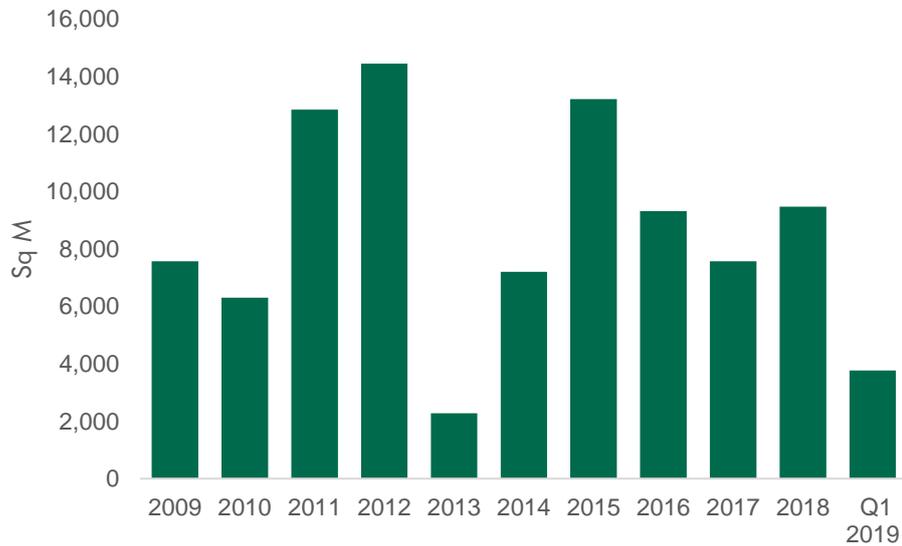
Dublin Office Requirements Q1 2019 by Location



Source: CBRE Research

Although volumes fluctuate year-on-year, an average of 9,024m<sup>2</sup> of accommodation has been let per annum in the north suburbs over the last ten-year period.

Office Take-Up in North Dublin 2009 – 2019 Q1



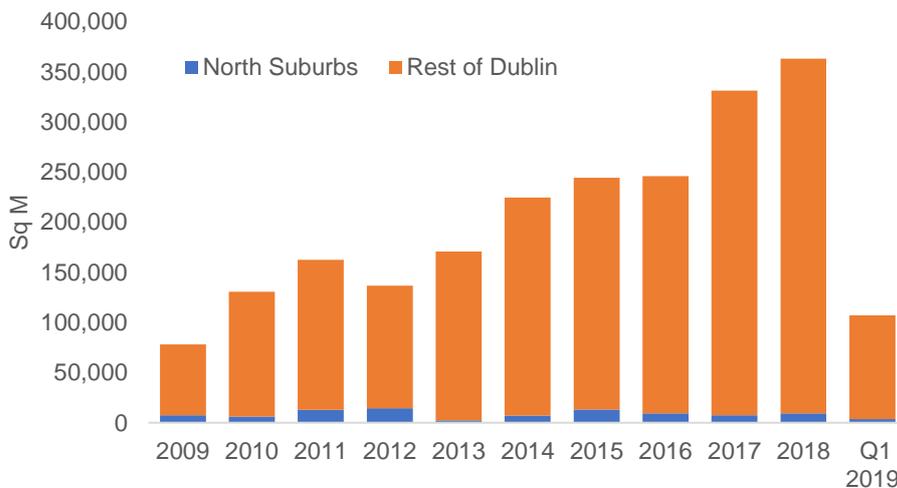
Source: CBRE Research

## The Dublin Office Market

Over the last 10-year period, an average of only 4.3% of office take-up in Dublin each year has been located in the north suburbs of the city. During 2018, only 2.6% of office take-up in the capital occurred in this district while only 3.5% of take-up in the most recent quarter (Q1 2019) occurred in this district with occupiers having a preference for locating in the Central Business District, despite the fact that prime rents in the city centre are at least twice those prevailing in the suburbs. Prime rents in the north suburbs are currently €210 per square metre compared to €306.66 in the south suburbs of the city and €700 per square metre in Dublin city centre.

CBRE were recently marketing office accommodation at The Botanic Building overhead the Lidl store in Glasnevin guiding rents of between €129 - €161 per m<sup>2</sup> (€12 and €15 per sq. ft) but have now taken this off the market due to lack of interest. **Given the low take-up of office accommodation in this area of Dublin and the lack of demand for offices in this location relative to other parts of the city, developing a large office scheme on the subject site is clearly not the optimum development use.**

Dublin Office Take-Up 2009 – Q1 2019



Source: CBRE Research

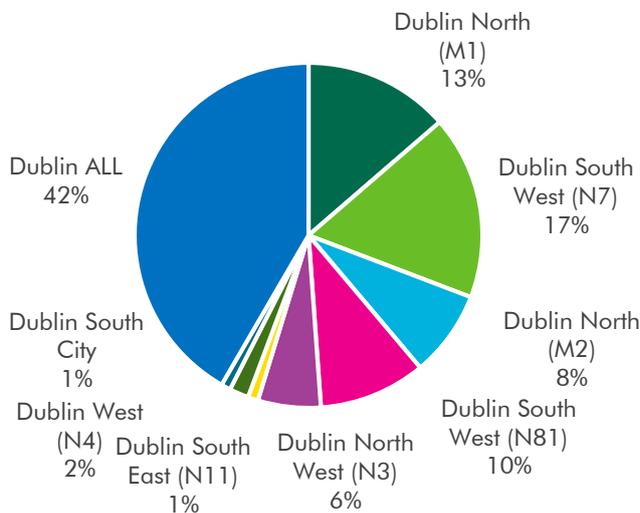
There is currently 379,240m<sup>2</sup> of new office accommodation under construction in Dublin city centre in 30 separate schemes. In addition, a further 560,980m<sup>2</sup> of office stock currently has a grant of planning permission while a further 69,631m<sup>2</sup> have lodged a planning application. This confirms that **there is sufficient office stock under construction and in the planning pipeline in locations where demand is strongest that can potentially be delivered if demand materialises, negating the need for further accommodation to be delivered in the north suburbs where demand is already weak in comparison to other locations.**

# The Dublin Industrial Market

The Dublin industrial market is largely concentrated around major road networks that connect with the C-ring motorway network. The locations that prove most attractive to occupiers in this sector tend to the Dublin South West (N7) corridor, the Dublin North (M1) corridor and the Dublin North West (N3) road corridors. Activity has been buoyant in industrial & logistics sector of the market over recent years, stymied only by a shortage of modern accommodation. However, many of the older industrial estates and buildings within the M50 are now functionally obsolete and unsuitable for modern occupiers who require new buildings with a high office content on landscaped grounds with large yards etc. As a result, the majority of the large transactions occurring in this sector are modern buildings in business parks on the outer ring of the M50 and much of the new development that is now coming on stream in the city is occurring outside of the M50.

Of the more than 118,000m<sup>2</sup> of demand currently prevailing for industrial accommodation in Dublin at the end of Q1 2019, only **6% of current requirements have specifically identified the Dublin North West (N3) corridor as their preferred location. This equates to current demand for just over 6,900m<sup>2</sup> in this particular location which already has enough vacant stock to accommodate a large proportion of this demand.**

Dublin Industrial Demand by Location Q1 2019



Source: CBRE Research

## The Dublin Industrial Market

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It is likely that several older industrial schemes which have high levels of vacancy and are clearly unsuitable for modern occupiers within the M50 C-Ring motorway will ultimately be redeveloped for higher value alternative uses such as residential over the next few years – a trend that was alluded to by the Minister for Housing, Mr. Eoghan Murphy in announcing the establishment of the Government’s new Land Development Agency in September 2018.

**Given the low take up of industrial accommodation in this area of Dublin and the lack of demand for accommodation within the M50 relative to other parts of the city, developing industrial accommodation on the subject site is clearly not the optimum development use.**

Besides the limited demand for such units, managing potential conflicts between industrial uses and neighbouring residential uses would be problematic and compromise the efficient functioning of both uses. As alluded to earlier in this report, any policy to rezone traditional industrial lands for higher value uses does not necessarily mean replacing these uses with purely residential facilities but rather it will involve replace them with mixed-use environments with a high emphasis on placemaking incorporating a range of supporting leisure, retail, amenities and collaborative space alongside a mix of residential types to enable residents to work, play and live in close proximity.

According to the most recent Employment Density Guide (3<sup>rd</sup> Edition), employment densities within modern co-working and shared working facilities (ranging between 10 and 15 square metres per person) and supporting retail and leisure facilities (ranging between 15 and 20 square metres per person) are generally considerably higher than the general warehousing and distribution buildings they will ultimately be replacing (where typical facilities range anywhere between 47 square metres and 70 square metres per person). It can therefore be demonstrated that rezoning former industrial zoned lands for higher value mixed-use developments will not necessarily dramatically impact on the volume or sustainability of employment in these locations, rather they will facilitate remote working, hotdesking, freelancing and other new collaborative ways of working.

## The Dublin Retail Market

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The Irish retail occupier market is bucking the European trend at present with footfall, consumer sentiment and retail sales all continuing to perform well, supported by a strong economic backdrop and bumper tourist activity. However, as shopping patterns change, retailers are increasingly focussing attention on a relatively small pool of core locations and schemes, predominantly those in the heart of the city centre and within established shopping centres and retail parks.

Virtually no new retail stock has been developed in the Dublin market in recent years. The total stock of shopping centre accommodation in Dublin is approximately 600,000 square metres (6.45 million square feet) while the stock of retail park accommodation in the capital is now approximately 340,000 square metres or 3.66 million square feet. The market is well served from a retail perspective and while most of the large shopping centres on the M50 network have, or are in the process of applying for, planning permission for extensions, there is limited new stock under construction at present.

UK retailers who have been particularly active in the Dublin market in the last decade have been less active than normal in the last two-year period for a number of reasons including BREXIT uncertainty. There has also been some leakage of retail spending to Northern Ireland due to Sterling Euro exchange rate movements following the BREXIT vote. In addition, Ireland has not been immune to increased focus on online retailing, with an increasing number of Irish shoppers opting to shop online. Only approximately 10% of retailing activity in Ireland occurs online at present but this is growing at a fast pace.

While prime shopping centres and urban high streets have experienced an improvement in retailer demand in retail years, this is not yet filtering through to secondary and tertiary high streets and schemes, many of which continue to struggle with high vacancy rates. As has been evidenced in many markets across Europe, the effect of polarisation has become particularly evident in the Irish retail market in the last two to three-year period with many of the retailers that are looking for premises focussing their attention on the better high streets and shopping centres in the Dublin region to the detriment of older schemes in the suburbs, many of which are now being repositioned for higher value uses. In any event, **the nature of demand for smaller neighbourhood schemes in suburban locations has also changed dramatically in the last decade with an emphasis on experience and convenience now particularly prevalent** and several uses now functionally obsolete.

For a modern mixed-use scheme of this nature, uses such as coffee shops, convenience stores, pharmacy, medical facilities and hair/beauty offerings to service the existing and future residential community in the area will be most suitable, particularly when one considers the extent of large-scale retail provision in Blanchardstown and nearby. In this regard, the quantum and size of units proposed seems appropriate, especially when taken in conjunction

## The Dublin Retail Market

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with the commercial accommodation already provided in Phases 1 and 2 at this scheme, some of which remains vacant at this juncture. Now that Aldi is trading and generating footfall in this location, this will attract other retailers to consider locating here which will reduce voids in due course.

In our experience, convenience retailers typically require between 280 and 465 square metre units in suburban schemes; pharmacies require up to 100 square metres; coffee shops between 100 and 150 square metres while hair & beauty facilities require approximately 150 square metres. Meanwhile, medical facilities tend to favour locating alongside or overhead convenience retail and therefore have similar size requirements of between 280 and 465 square metres. In the current climate, convenience retailers will typically pay in the order of €215 per square metre for suburban retail units of this nature while other retailers will pay between €270 and €325 per square metre.

CBRE were originally appointed as agents to let the retail units in Royal Canal Park in 2004 and have experienced little market interest in these units since then.

## CBRE Observations on the Proposed Scheme

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CBRE have considered plans prepared by Reddy Architecture & Urbanism for a proposed commercial & residential development on the subject property at the Ormond site at Royal Canal Park, Dublin 11. **Considering the specific attributes of the subject lands, particularly their profile and proximity to public transport but distance from the national roads network, the site particularly lends itself to the development of a high-quality well-designed mixed-use scheme, with residential use being the predominant use.**

We note par 4.3.4 of the Ashtown-Pelletstown Local Area Plan which states;

*Having regard to the extent of economic development to date in the plan area and taking into account the above analysis and the current economic climate, it is considered appropriate to take a modest approach to future economic development and to focus mainly on employment associated with services that support the existing community and future residents.*

We consider this to be an appropriate and realistic approach. The proposed development will copperfasten earlier phases of development at this location, which in totality will accommodate in the order of 4,000 residents. Employment uses within the scheme will include a primary healthcare centre (including a cafe), a pharmacy, own door offices, and a fitness centre (including a juice bar).

**The quality of design, amenities and public open space proposed seem appropriate and the mix of units appears sensible considering the makeup of demand for residential accommodation in the capital at present.**

The scheme offers the ability to build on the success of previous development phases at Royal Canal Park and will deliver scale, which is desirable considering the severe supply demand imbalance inherent in the Dublin housing market at present. Considering the location, the proposed use (a high-quality purpose-built residential scheme with ancillary commercial and leisure uses) is in keeping with the location and infrastructure provision in the area. Planned improvements to public transport in the vicinity including the opening of the new Pelletstown rail station within 300 metres of the proposed scheme along with existing access to the 120, 40e and 70d bus services and access to mainline rail and LUAS at Broombridge (approximately 650 metres from the proposed scheme, will further enhance the locations attractiveness from a residential viewpoint.

As outlined by the Minister for Housing in recent months, locations such as the subject site, which have traditionally been associated with commercial and industrial uses are now likely to become the new residential suburbs of the future. In this regard, the proposed scheme constitutes a sustainable and efficient use of the subject lands offering residents the opportunity to live, work and play in a high-quality collaborative environment that is in keeping with modern working practices.

## CBRE Observations on the Proposed Scheme

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As can be seen from our analysis of the Dublin office & industrial markets, the north suburbs of the city are least favoured from a large-scale end user/occupier viewpoint, regardless of the fact that office rents in the location are considerably lower than those prevailing in the city centre. With an increasing proportion of office take-up in cities such as Dublin comprising flexible office occupiers, it is encouraging that an element of office accommodation will be contained within the proposed scheme. This office accommodation could be marketed to external occupiers but in keeping with trends in purpose-built residential rental projects in other jurisdictions, it is also likely to prove attractive to renters within the proposed development facilitating freelancing, remote working, hot-desking and new ways of working. However, **with limited occupier demand and a sizeable proportion of vacant accommodation in the immediate vicinity including 38% of the existing non-residential accommodation in Phases 2 & 3 at Royal Canal Park (some of which has been vacant for several years), the proportion of non-residential uses being proposed in this instance is wholly appropriate.**

Similarly, as the complexion of the retail sector continues to evolve, and an increasing proportion of activity moves online, new retail provision is likely to be largely concentrated in a small number of existing shopping centres and retail parks and largely comprise extensions as opposed to greenfield development. In any event, the area is already very well served in terms of retail provision. It is therefore **wholly appropriate that any retail provision within the proposed scheme be focussed primarily on complementing the residential offer, providing convenience in terms of services and amenities for those living and working in the scheme that are otherwise not available in close proximity.**