

The Case for Cork

REPORT

CBRE RESEARCH

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CBRE



Introduction

Economics

Cork is Ireland’s second largest city, and like much of Ireland, has been enjoying strong economic growth over the last decade. Cork has historically accounted for up to 20% of Irish GDP. The manufacturing industry, of which pharmaceutical manufacturing is a large element, is one of the principal contributors to economic activity in the region alongside the technology sector, food processing businesses and tourism.

Demographics

According to the national population Census 2022, the population of Co. Cork now stands at 584,000, having grown by 7.6% between 2016 and 2022, exactly in-line with the trend for the national population. The county accounts for 11% of Ireland’s total population.

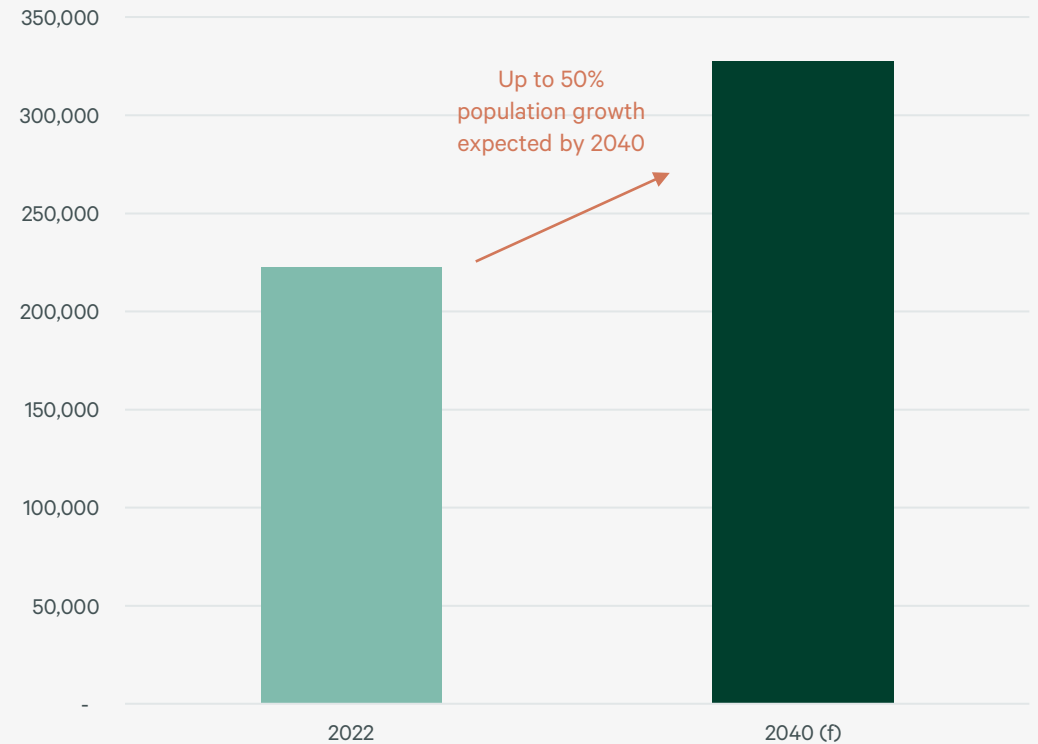
The Cork metropolitan area population now stands at 222,526. In 2019, forecasts produced as part of ‘*Project Ireland 2040*’, envisaged that the population of Cork city and suburbs could grow by between 105,000-125,000 people by 2040. This would bring the total metropolitan area population to well over 300,00.

Cork has a relatively young population, with an average age of 39.1 years, slightly ahead of the national average of 38.8 years and in 2020, Cork was recorded to have one of the highest rates of disposable income per person in Ireland (approximately €24,000 per person).

Home to University College Cork (UCC) and Munster Technological University (MTU, formerly Cork Institute of Technology), Cork has a growing student population, which now stands at 38,000. This includes an international cohort of approximately 5,000 students.

FIGURE 1

Population of Cork City & Suburbs 2022 – 2040 (f)



Source: CSO/Project Ireland 2040

Employment & FDI

Employment

According to the 2022 national population Census, the number in-employment in Co. Cork increased by 15% between 2016 and 2022 to 264,400 accounting for 12% of Irelands employed population. At the time of the Census, the unemployment rate in Cork City was 8% while Cork County had the joint lowest county unemployment rate, just 6%.

The Manufacturing sector accounted for the largest number of workers in the county at almost 42,700. Wholesale & Retail Trade was the next largest, with nearly 32,000 workers.

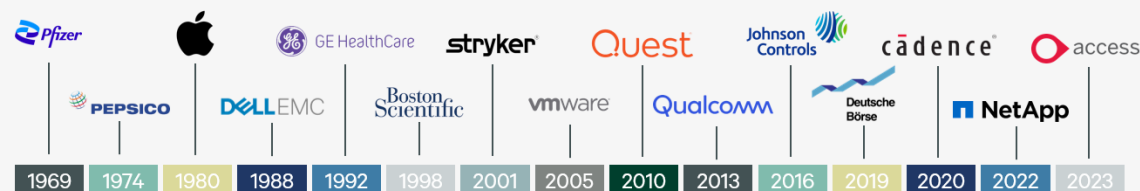
Foreign Direct Investment (FDI)

A recent poll from the Financial Times titled 'Small European Cities of the Future 2023', saw Cork place second overall, first in terms of economic potential, and third for FDI strategy. Cork has continually attracted strong levels of investment since the 1960s, and today the city is home to more than 200 multinational firms. FDI business clusters include sectors like Technology, Pharmaceuticals, Life Sciences, Food and Marine & Energy.

Regional development is a priority for IDA, and this was reflected in the level of FDI into the regions during 2023. In Cork, in October, **Thermo Fisher** officially opened a new 'Scale-Up Laboratory', doubling its capacity in the city, while F&B giant **PepsiCo** also announced a €39m investment in its Cork plant, where it employs over 1,000 people.

In November, American multinational corporation **Qualcomm** announced a \$127m investment into their Cork R&D facility while one of the most notable Irish FDI announcements of 2023 came from US semiconductor group **AMD**, which announced the creation of 290 jobs in Dublin and Cork through a €135m investment. At the start of 2024, **PwC** announced plans to increase its Cork office headcount by 150 people.

FIGURE 2
FDI History of Cork



Source: CBRE Research/IDA Ireland

FIGURE 3
Notable Cork Employers



Source: CBRE Research/IDA Ireland

Spotlight on the Port of Cork

Cork is home to one of the largest natural harbours in the world. It is one of only two Irish ports that can accommodate all six modes of port traffic.

The Port of Cork is ideally positioned for European trading, as well as direct deep sea shipping services, promoting the development of trade and economic growth.

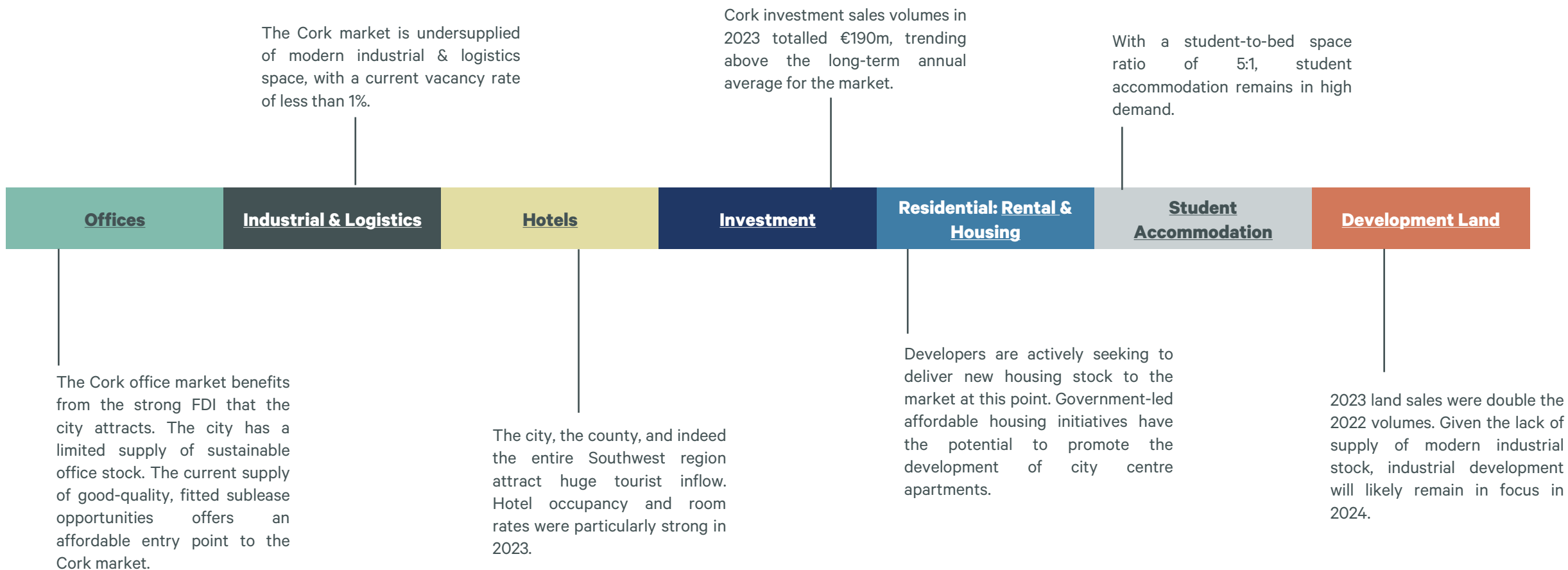
The port is the subject of a large redevelopment plan which will span the next 25 years. This will improve the ports accessibility and promote it further as a location for goods transfers from mainland Europe and the UK.

The first phase of this redevelopment plan involved the opening of a new €89m container terminal in Ringaskiddy, which can handle the largest container vessels.



Market Overview

Click on the links below to read about a sector



Offices

Cork's office market benefits from the strong levels of foreign direct investment that the city attracts. The office market is now well-established and extends to over 650,000 sq m in total size.

Take-up activity in 2023 totalled 28,600 sq m across 42 transactions. The annual average take-up over the last 10 years is approximately 30,000 sq m, so the decline in leasing activity was less pronounced than in other European cities.

The **vacancy rate** at the end of 2023 was 14.5% for Cork city and suburbs, with the city centre rate slightly higher at 15.5%. This vacancy rate includes 'grey space'.

There is just one **BER A-rated** office building in Cork, however there are 10 LEED-Certified office buildings totalling over 93,000 sq m in combined space.

Under construction offices in the city at present include *Two Horgan's Quay* on the north side of the docklands, which will measure over 15,000 sq m (GIA) and is due to be completed in early 2024. Buildings C and D of *Navigation Square* on Albert Quay are likely to be delivered in 2025 and will be 3,250 sq m and 8,825 sq m (GIA), respectively.

Prime office rents in Cork City are currently €375 per sq m (€35 psf), for the best-in-class space, having increased by just over 7% year-on-year.

Prime office yields in Cork are currently 6.25% – an increase of 125 basis points since the end of H1 2022. Like in most European cities, Cork office valuations have been impacted by the sharp increase in interest rates over this period, combined with more challenging occupational markets and investor sentiment.

FIGURE 4

Top Cork Office Leasing Transactions 2023

Property	Size (Sq M)	Size (Sq Ft)	Tenant	Sector
Westfield Office Quarter	6,000	64,600	HSE	Public Sector
4 University Technology Centre	3,270	35,200	HSE	Public Sector
3400 Cork Airport Business Park	1,800	19,400	Statkraft	Business Services
85 South Mall	1,600	17,200	RDJ LLP	Professional Services

Source: CBRE Research

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Cork office take-up in 2023 was slightly lower than the long-term annual average of 30,000 sq m

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Industrial & Logistics (I&L)

The **demand** for modern warehousing and distribution facilities in Cork has experienced a sharp increase in the last three years, fundamentally driven by the growth of e-commerce, the nearshoring of supply chains and Ireland's strong economic performance. This demand is likely to be further accelerated by the expansion of the Port of Cork.

This sharp rise in demand has led to an imbalance in the market, with an undersupply of modern facilities. The **vacancy rate** for industrial properties in Cork has more than halved since 2022, currently standing at a record low of just 0.7%.

Of the almost 21 million sq ft (2m sq m) of **total I&L stock in Cork**, approximately 65% is owner occupied, which further contributes to the supply/demand imbalance as owner occupiers are less transient. Due to a lack of development in the sector from 2008 to 2018, Cork's stock is older than that of Dublin and less than a quarter of all stock is Grade A.

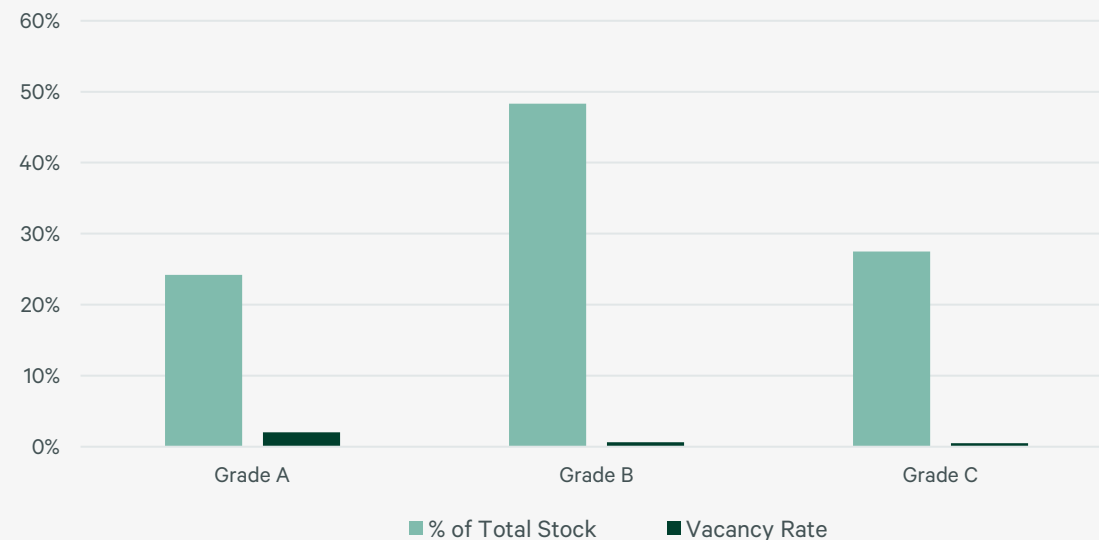
Blarney Business Park, located on the N20, 6km north of the city, is Cork's newest and most modern logistics park. Developed by JCD Group, it has attracted some tier 1 occupiers in recent years, including 3PL providers such as FedEx and DHL. The success of the park has led JCD to secure planning permission for another modern park, Evergreen at Little Island. Little Island is Cork's foremost industrial location with 4.8m sq ft (446k sq m) of standing stock.

In 2023, the **largest I&L leasing deal of the year** was at unit 4 in Anchor Business Park in Little Island, where Kuehne+Nagel, signed a long-term lease for 6,900 sq m.

Prime I&L rents in Cork for the very best-in-class, sustainable stock are now €12.50 per sq ft (€134.55 per sq m), but with build cost inflation and current yields, any new builds will require rents in excess of €13.50 per sq ft (€145.30) in order to commence construction. **Prime I&L yields** are now 5.75%, an increase of 75 basis points since the end of H1 2022.

FIGURE 5

Cork Industrial & Logistics Stock by Grade* & Vacancy



Source: CBRE Research; *Proportion of the Total Market

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The vacancy rate across industrial & logistics facilities in Cork currently stands at just 0.7%

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Hotels

Cork is a major tourist destination for both domestic and international travel. A total of 2.8m **international passengers** flew in and out of Cork Airport in 2023, an increase of 25% from 2022 and the busiest year on record for Cork.

According to the most recent **Household Travel Survey (Q3 2023)** conducted by the CSO, the southern region, which includes Cork, was the region most visited by Irish residents, accounting for over 50% of domestic overnight trips (approximately 2.3 million trips). Excluding Dublin, Cork is the county that generates the highest revenue from domestic travel, with an associated expenditure of €336m in 2022, according to Fáilte Ireland.

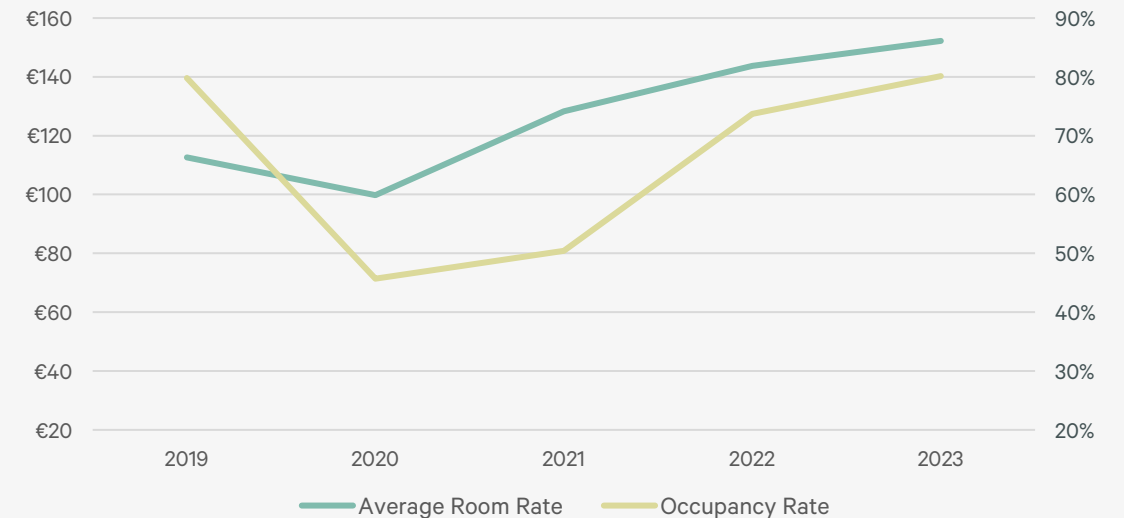
With a total of 91 hotels and over 5,400 bedrooms in Cork, the hotel market is particularly vibrant. According to Trending.ie, the average room rate for hotels in the city has increased substantially over recent years, while occupancy has also performed exceptionally well, excluding the period associated with the Covid-19 pandemic. **Hotel room occupancy** in Cork in 2023 averaged over 80%, while the **average room rate** averaged approximately €152.

The hotel **development pipeline** currently consists of 233 bedrooms and includes a 148-bed Moxy Hotel and a 43-bed Residence Inn by Marriott, both on Camden Quay and both due to complete in 2024. A 187-bed Premier Inn on Morrison's Quay opened in January 2024 – Ireland's first Premier Inn located outside of Dublin.

The most noteworthy **hotel transaction** in 2023 was the sale of the Imperial Hotel and Spa in the city centre, a 4-star hotel with 125 bedrooms that sold for a reported €25 million to the Louis Fitzgerald Group. Other notable sales in recent years include the 2021 sale of the 5-star Castlemartyr Hotel to an international private buyer for a sale price of approx. €20m.

FIGURE 6

Cork Average Room Rate and Occupancy 2019-2023



Source: Trending.ie

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Investment

Typically, of the international investors that list Ireland as a destination for investment, Cork is at the **top of the list of locations** that they are open to investing in outside Dublin.

Cork offers a lot of the same advantages as Dublin: a fast-growing population, strong economic growth, a dynamic employment market, and growing disposable incomes, while also being undersupplied in various sectors. Most notably, industrial, logistics and hotels. Like most locations in Ireland, the city is undersupplied with residential housing across tenures, including rental, PBSA, and owner-occupier stock.

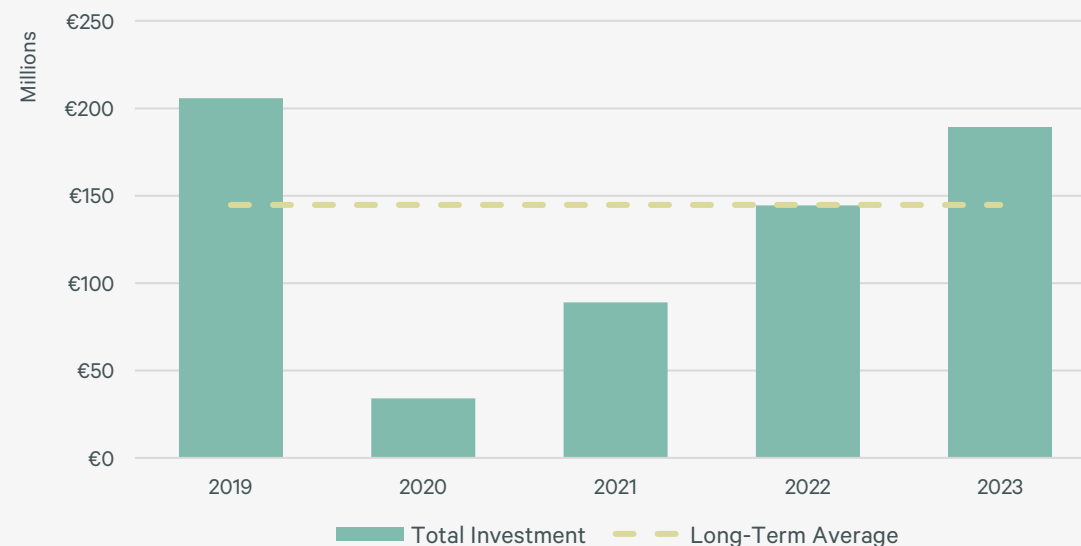
Since 2015, **average annual investment spend** in the Cork market has been approximately €145m (excluding multi-county portfolio sales). While most European cities saw a strong decline in investment activity in 2023, the level of investment spend in Cork in 2023 was over 30% higher year-on-year.

Investment volumes in 2023 totalled €189m, with a substantial portion of this being residential investments, which accounted for 50% of total spend, followed by 28% in the retail sector and 17% in the healthcare sector.

Alongside two large, off-market residential investment transactions in 2023, other **notable transactions** include the sale of 1 Westfield, a community care facility in Ballincollig, for a sale price of approximately €31m to Primary Health Properties (PHP) plc.

The sale of Douglas Village Shopping Centre for almost €23m to a syndicate of private investors and the sale of Douglas Court Shopping Centre for over €21m to a private Irish family reflect the attractiveness of high-yielding retail investment at present.

FIGURE 7
Cork Investment Volumes*



Source: CBRE Research; *Excludes multi-county portfolio sales

FIGURE 8
Notable Cork Investment Transactions 2023

Name	Sector	Sale Price	Purchaser
1 Westfield, Ballincollig	Healthcare	€31.35m	PHP plc
Douglas Village Shopping Centre	Retail	€22.98m	Urban Green Private
Douglas Court Shopping Centre	Retail	€21.50m	Private Irish

Source: CBRE Research

Residential - Rental Market

The Cork market is undersupplied of rental housing. **Professionally managed rental stock** in the City amounts to four primary schemes and approximately 460 units.

Leasing velocity at the primary schemes has been strong. Cork’s primary PRS scheme, The Elysian on Eglinton St., owned by Kennedy Wilson, has a total of 211 apartment units and has set some of the strongest rents in Cork in recent years. 2-bed apartments are achieving over €2,500 pm, demonstrating the strength of tenant demand in the city.

There are seven Local Electoral Areas (Ballincollig - Carrigaline, Cobh, Fermoy, Midleton, Macroom, Mallow and Bandon-Kinsale), as well as Cork City Council Local Authority, which are designated **Rent Pressure Zones** in Cork - meaning that rents on existing tenancies are capped according to the rate of general inflation (HICP) or cannot be increased by more than 2% annually (if inflation is higher than 2%).

The Q4 2023 daft.ie rental report showed that the **average rent** in Cork City was €1,907 per month (an increase of 8% year-on-year). While in Cork county, monthly rent averaged €1,466, an increase of 10.5% from the same period in the previous year.

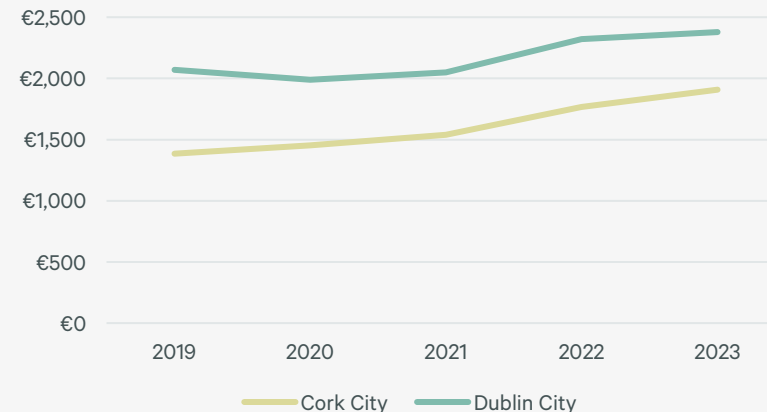
FIGURE 9

Notable Residential Developments in the Pipeline for Cork City

Name	Units	Status
Former Ford Distribution Site	1,002	Planning Granted
Creamfields, Kinsale Road	609	Planning Granted
Horgan’s Quay	302	Planning Granted
Eden, Blackrock	300	Planning Granted
Former Carey Tools Site, Albert Quay	201	Planning Granted

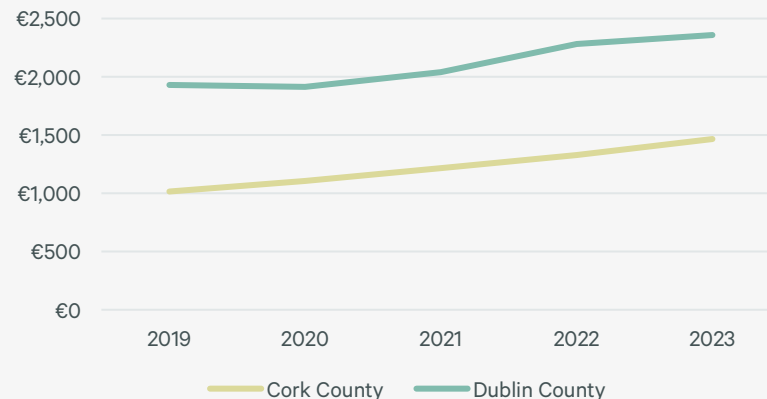
Source: CBRE Research

FIGURE 10: Average Rent Prices* Cork City vs. Dublin City (per month)



Source: daft.ie Rental Price Report, *based on asking prices

FIGURE 11: Average Rent Prices* Cork County vs. Dublin County (per month)



Source: daft.ie Rental Price Report, *based on asking prices

Residential - Housing Market

Like the Dublin market, demand for housing in Cork is significantly exceeding supply, and developers are particularly active in seeking to deliver new housing stock to the market at this point. According to data from the CSO, there were 3,100 **new dwelling completions** in Cork in 2023, of which over 1,000 were in Cork City. As outlined in the Cork City Development Plan 2022-2028, Cork is targeting the delivery of at least 17,000 new dwellings by 2028. There are 105 sites with planning permission for 9,037 units, while a further 5,000 units are at various stages of the planning process.

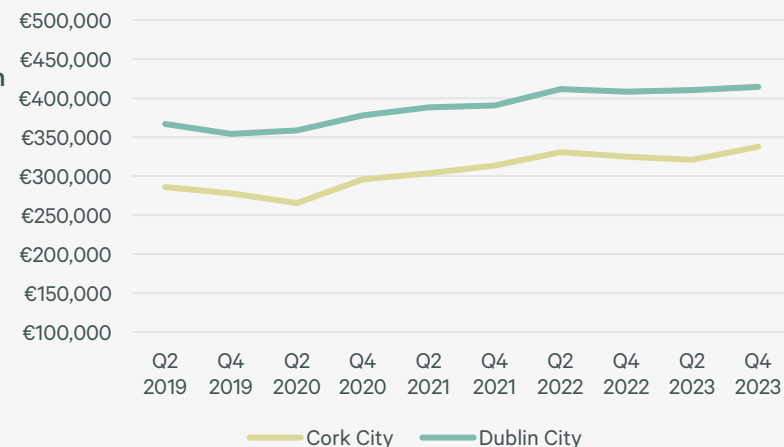
The increase in housing stock in Cork is not in line with the growth in population. Between 2016 and 2022, the population increased by 7.1%. Housing stock, on the other hand, increased by just 5%.

According to the latest daft.ie **Housing Price Report (Q4 2023)**, asking prices for homes in Cork city and county averaged €338,000 and €287,000, respectively. Prices have risen by over 18% in Cork city in the last five years and by 22% in Cork county. Asking prices in both Cork city and Cork county have risen by more than in Dublin, with Dublin city and county seeing a 13% and 15% increase, respectively.

Planning permission for a large residential development by Leaside Quays Ltd, a subsidiary of O’Callaghan Properties, was recently granted. The development, located in Cork’s Docklands, will comprise over 1,300 residential units, with ground-level units consisting of restaurants, retail, and service retail. City centre apartment development is welcomed, as the occupants will bring life to the nighttime economy, benefitting those in the F&B industry who have been affected by hybrid working and inflation.

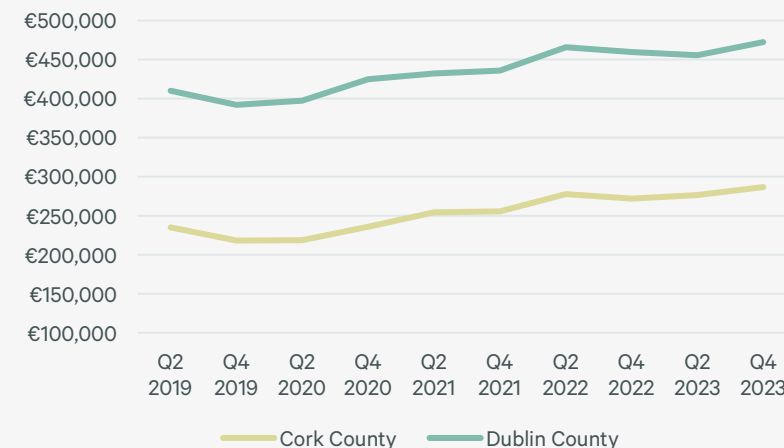
Momentum for social and affordable housing is likely to continue as the Land Development Agency and Approved Housing Bodies are expected to sponsor some large-scale apartment developments in Cork. Up to 50% of new dwelling completions nationally over the coming years will be in the social and affordable sector so this trend looks set to dominate new Cork housing supply in the coming years.

FIGURE 12: Average House Prices* Cork City vs. Dublin City



Source: daft.ie House Price Report, *based on asking prices

FIGURE 13: Average House Prices* Cork County vs. Dublin County



Source: daft.ie House Price Report, *based on asking prices

Student Accommodation

Cork has a large **student population** of 38,000, of which almost 50% are not native to Cork. Cork is home to two third-level institutions: University College Cork (UCC) and Munster Technological University (MTU). UCC has approximately 24,000 students, while MTU has 14,000.

With approximately 7,000 bed spaces in Cork at present, there is a **student-to-bed space ratio** of 5:1, resulting in high demand for student accommodation. Over 2,800 new bed spaces have been delivered since 2018. According to the most recent Cork County Council Development Plan, UCC and MTU are aiming to deliver 1,500 and 1,400 bed spaces, respectively, between 2022 and 2028.

The **development pipeline** for purpose-built student accommodation remains limited; however, there are a few sites in the pipeline. The former Coca-Cola site on Carrigrohane Road is due to reach practical completion in Q2 and is expected to open in September. With over 620 bed spaces, it will be one of the largest student accommodation developments in the country. Plans were also recently granted for a 200-bed development in Bishopstown.

Yields for prime provincial student accommodation stood at 6.25% at the end of 2023 - an increase of 75 bps from H1 2022. There is a 100bps spread between provincial and Dublin student accommodation yields.

FIGURE 14

Student Accommodation Development in Cork



Source: CBRE Research

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Cork’s student accommodation market remains undersupplied, with a student to bed ratio of 5:1

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Development Land

The metropolitan Cork development land market (within a 15km radius of Cork City Centre) is experiencing a **rebound in sales activity** after suffering a sharp decline in 2022.

Sales volumes peaked in 2018 at €104m across 261 acres of zoned land. In 2019, this figure was 38% lower at €64m and dropped again in 2020 to €57m. The year 2021 saw an uptick in transactional activity, with €67m in sales. Land sales in Cork in 2023 totalled over €53m across 15 deals, in line with the five-year average for the market and double the total 2022 spend of €26m.

The **largest transaction** in Cork in 2023, and one of the top land sales in Ireland in 2023, was for 73 acres of residential zoned land in Maglin, Ballincollig. The site sold for €15m. Another noteworthy transaction comprised 22 acres in Ardrostig, Bishopstown, which was sold to Bridgewater Homes for €10.4m. The site has planning permission for 276 residential units.

Recent **ECB interest rate rises** have added to development costs, however specialist ISIF backed funders have absorbed an element of these rate increases. In some instances, developers are pivoting to social & affordable housing, as development agreements can be put in place with an AHB to secure stage payments as the scheme progresses.

At present, approximately €83m worth of sites are being offered both on and off-market or are in the deal-agreed phase, subject to planning permission. The implementation of the deferred **Residential Zoned Land Tax** from 2025 is expected to spur activity, however, very few landowners seem to be taking mitigation measures at this stage.

FIGURE 15

Cork Development Land Transactions 2019 - 2023



Source: CBRE Research

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Cork’s development land market is on the rebound having suffered a sharp decline in sales in 2022

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