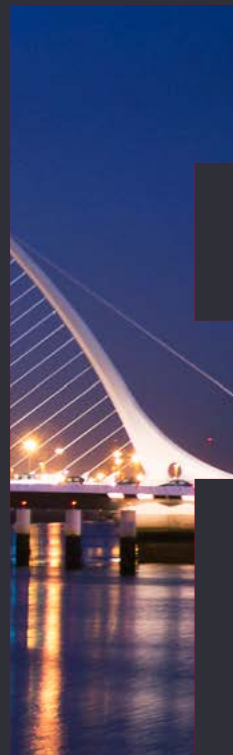
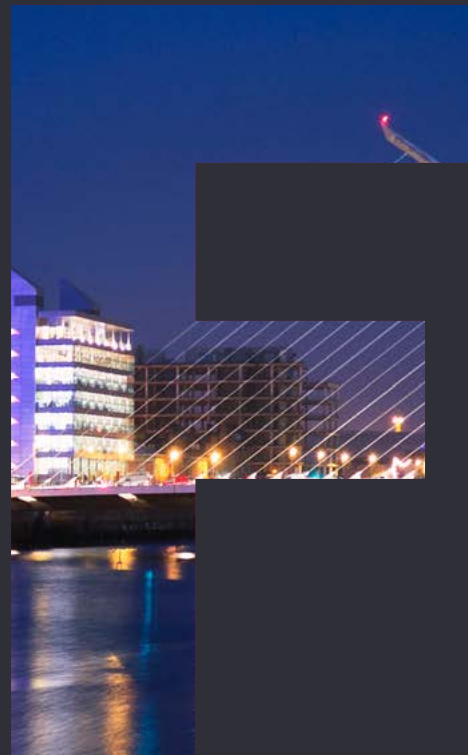


# 2021/22

## Office Market Review and Outlook



# 2021 At A Glance



Transactions Signed (Sq.Ft.)

**1,714,000**

Take-Up 2021

0.4% increase on 2020



Largest Transaction (Sq.Ft.)

**288,500**

Harcourt Square, Dublin 2

KPMG



By Size

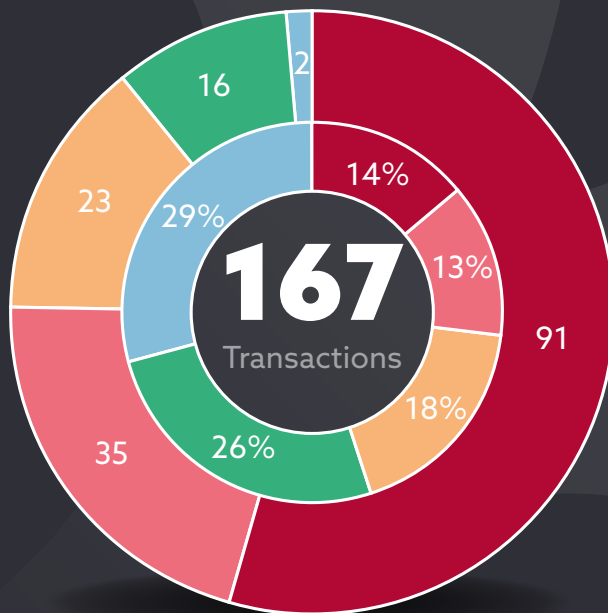
**29%**

2 transactions in excess of 100,000 sq.ft.



Overall Dublin Vacancy Rate

**10%**



### Transactions

- Under 5,000 Sq.Ft.
- 5,000 - 9,999 Sq.Ft.
- 10,000 - 19,999 Sq.Ft.
- 20,000 - 49,999 Sq.Ft.
- Over 50,000 Sq.Ft.

### Transactions By Location

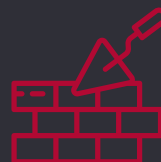
**69%**

Dublin City Centre

**31%**

Suburban and City Fringe

### Construction



**6m sq.ft.**

Under Construction

**39%**

Pre-Let/Reserved

### Transactions By Sector

**31%**

TMT

**36%**

Professional Services

**8%**

State



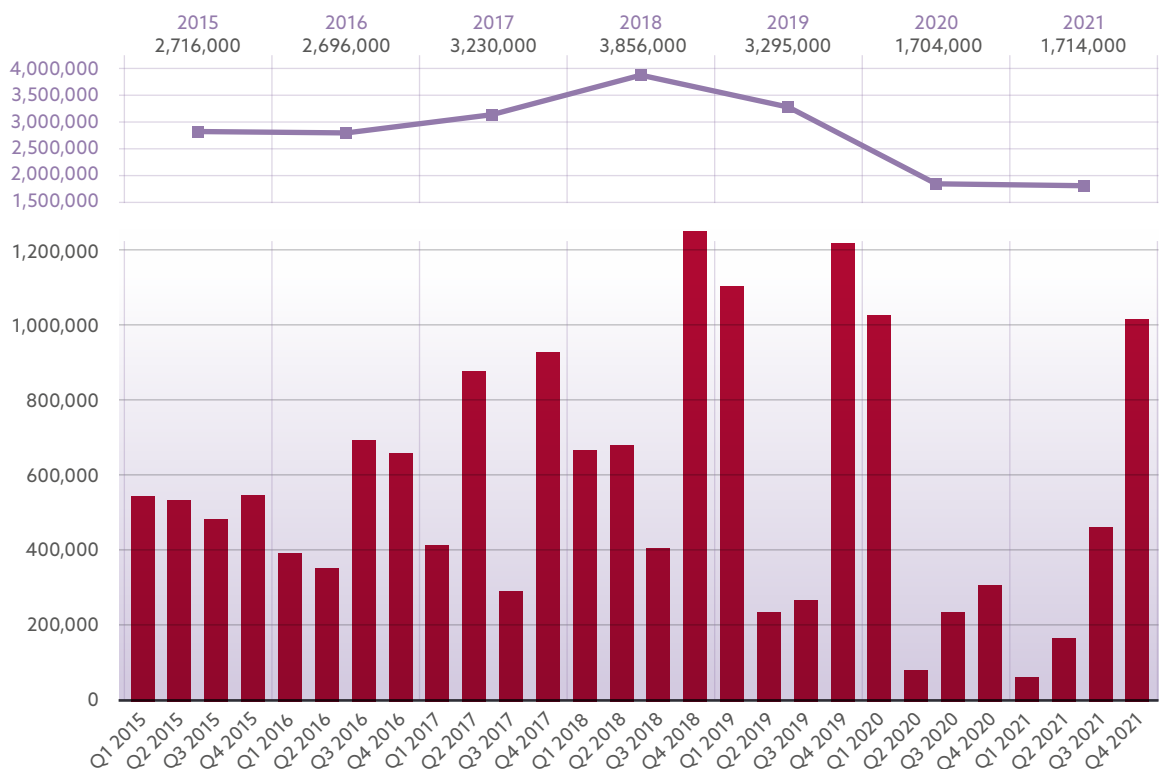
# Office Take Up

The impact of Covid 19 continued to dominate the market in 2021 with a level 5 mandate in place from Q1 resulting in a subsequent continuation of remote working into the first half of the year. This inevitably impacted the office sector with office transactions in Q1 and Q2 reaching record lows of 52,187 sq.ft. and 180,336 sq.ft. respectively. However, following the announcement of an easing of restrictions and a planned phased return to the office from the end of Q3, a notable increase in market activity was apparent with take up in H2 exceeding 1,482,000 sq.ft. across 117 transactions (86% of total take up).

Take up in H2 was largely boosted by a busy Q4 which attributed 1,019,000 sq.ft. to the final year's take up. Q4 also saw the return of the mega deal with 2 transactions in excess of 200,000 sq.ft. namely, KPMG's pre-let of Harcourt Square and Tik Tok's letting of The Sorting Office (representing 29% of total take up for 2021). The final take up figure recorded for 2021 was 1,700,000 sq.ft. which is in-line with 2020 figures, however, this represents a decrease of 48% on 2019 take up (pre-covid).

2022 has commenced at pace with over 800,000 sq.ft. of accommodation currently reserved. Positive market sentiment is evident with an increase in new requirements and inspections in recent weeks.

## Office Take Up By Year/Quarter (Sq.Ft.)



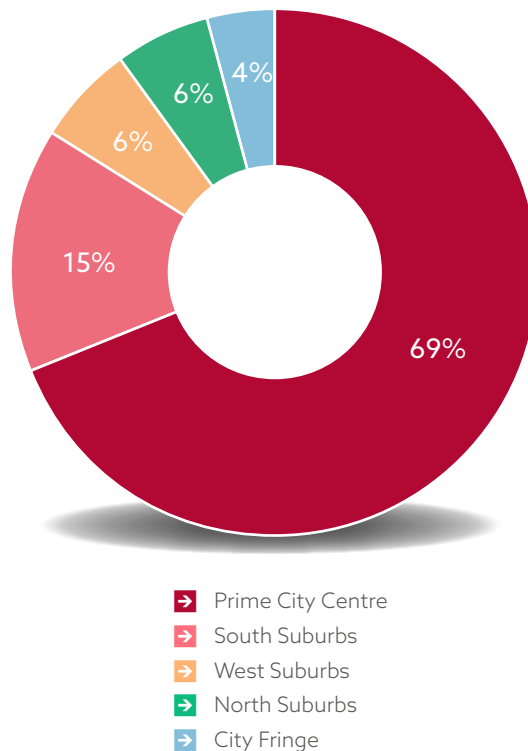
Source: Bannon Research

## By Location

The CBD remained the most active location accounting for 69% of take up in 2021. Whilst 42% of the total CBD take up was attributable to the years 2 largest transactions (Tik Tok’s leasing of The Sorting Office and KPMG’s pre-let of Harcourt Square), there was a further 90 transactions concluded in the City Centre with companies such as DLA Piper, LinkedIn, Bord Bia, Wix and Philip Lee Solicitors active in the market this year.

Transactions in the South Suburbs reached 16% of take up, largely due to the letting of 43,767 sq.ft. of Termini to BNP Paribas and over 36,000 sq.ft. to Accenture at Building 10 Cherrywood, other notable deals included lettings to Veritas at 2 Semple Exchange, Blanchardstown and Marketstar at Block G, Central Park. Overall the suburbs accounted for 27% of take up with 4% transacting in City Fringe locations.

Of the 800,000 sq.ft. currently reserved 80% of deals are attributable to the City Centre.



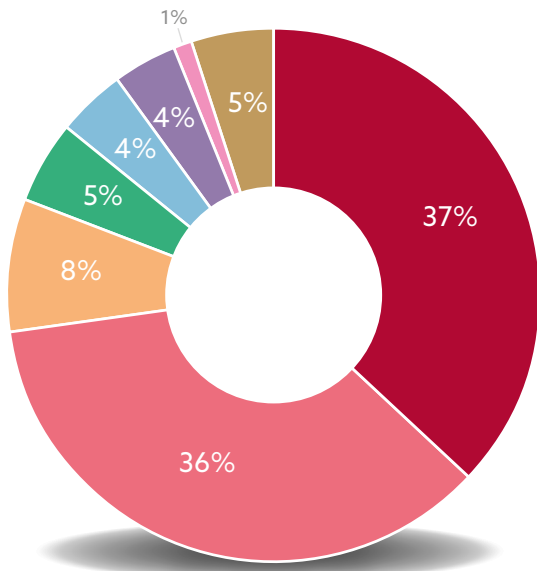
## Top 5 Transactions

Property	Tenant	Size (Sq.ft.)
Harcourt Square, Dublin 2	KPMG	288,500
The Sorting Office, Dublin 2	Tik Tok	216,000
Termini, Sandyford	BNP Paribas	43,767
Building 10, Cherrywood	Accenture	36,525
40 Molesworth Street, Dublin 2	DLA Piper	29,773



## By Sector

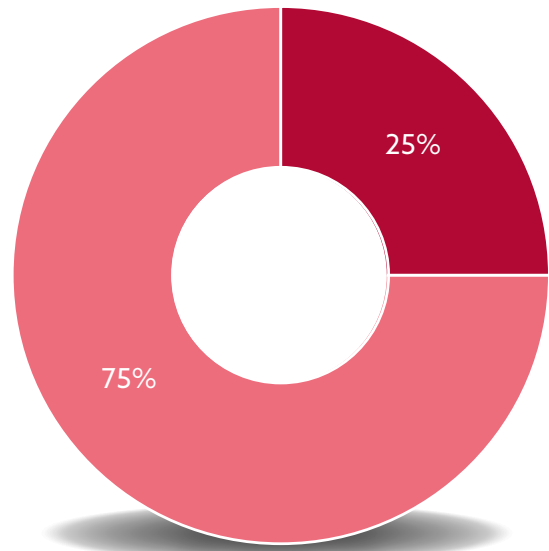
Technology, Multimedia and Telecommunications (TMT) continued to be the top performing sector in 2021 with 37% of overall take up this year. Once again the sector was dominated by large scale lettings in excess of 100,000 sq.ft. with Tik Tok being the latest International Tech firm to invest in the Dublin market. The social media giant is reportedly determined in increasing their footprint further in the capital over the coming years. The Professional Services sector has been particularly active this year accounting for 36% of take up. The State increased their market share this year at 8% following the completion of a number of new lease agreements.



- ➔ TMT
- ➔ Professional Services
- ➔ State
- ➔ Banking & Finance
- ➔ Health & Pharmaceutical
- ➔ Industry
- ➔ Real Estate
- ➔ Other

## Tenant Profile

Despite travel restrictions, tenant profile remains consistent with previous years, with 75% of take up from International occupiers and 25% from domestic companies.



- ➔ Domestic
- ➔ International



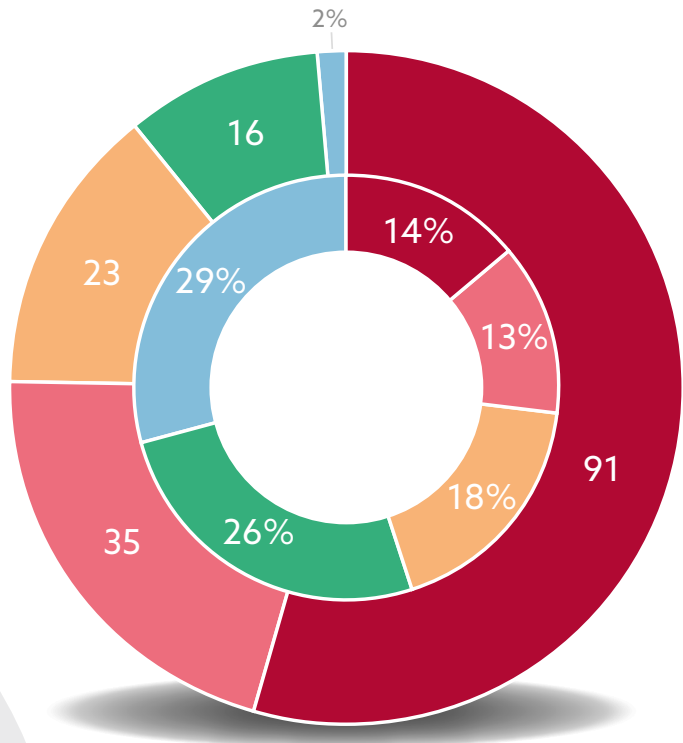
## By Size

The most active size bracket in terms of number of deals completed was once again sub 5,000 sq.ft. with 91 transactions throughout 2021. Whilst this accounts for 54% of all transactions signed, it only represents 14% of the overall floor space leased.

There were 2 transactions in 2021 which exceeded the 100,000 sq.ft. bracket and represented 29% of overall floorspace leased.

There were 16 transactions in the 20,000 - 50,000 sq.ft. bracket accounting for 26% or 441,000 sq.ft. of floor space leased.

The average deal size for 2021 stands at 10,300 sq.ft.



- Under 5, 000 Sq.Ft.
- 5,000 - 9, 999 Sq.Ft.
- 10, 000 - 19, 999 Sq.Ft.
- 20, 000 - 49, 999 Sq.Ft.
- Over 50, 000 Sq.Ft.





## Rents /Terms

Prime quoting rents for Grade A offices have remained steady, with City Centre schemes quoting levels between €57.50 - €62.50 per sq.ft. and suburban schemes quoting levels of €32.50 - €35.00 per sq.ft.

Landlords continue to seek long term leases, particularly for Grade A stock with a typical term certain of 10 - 12 years.

Whilst headline rents are in the main being sustained, we are seeing an increase in tenants seeking lease flexibility with earlier break options being introduced and an increase in incentives agreed. With an expected return to market norms in 2022, we do expect to see flexibility retracting.



## Construction

A total of 1.15m sq.ft. of office accommodation was delivered in 2021. Whilst this figure is low in comparison to previous years, construction projects faced significant delays in 2021 as a result of restrictions with many project completions being pushed into 2022.

Currently there is over 6,000,000 sq.ft. of grade A accommodation under construction, 39% of which

is pre-let or reserved. Of the projects that are under construction and due for completion in 2022, 63% is already accounted for.

With planning permissions granted for over 8,000,000 sq.ft. and a further 1,500,000 sq.ft. going through the planning system, construction pipeline remains steady with commencements on site dependent on continued demand in the market.

Property	Size (Sq.Ft.)	Status
Fibonacci Square	583,533	Due for completion Q3 2023
Exo, Dublin 1	168,993	Due for completion Q1 2022
Tropical Fruit Warehouse	80,234	Due for completion Q1/Q2 2022
The Shipping Office	177,000	Due for completion Q4 2022
60 Dawson Street	145,176	Due for completion Q3 2022



## Outlook

Following another challenging year for the office sector, we commence 2022 with a positive outlook. In light of recent announcements from the Government on an easing of restrictions including a phased return to the office and the Central Banks latest quarterly economic bulletin forecasting strong growth for the Irish economy over the next three years, we do expect to see a ripple effect with regards to the prospective impact on the office sector. With over 1,000,000 sq.ft. transacting in the final quarter of 2021 and with a further 800,000 sq.ft. currently reserved in the market, coupled with an increase in requirements, enquiries and re-activation of paused acquisition projects, all combined should give reassurance to the sector.

As a return to the office has commenced for some, remote and hybrid working are here to stay with the government implementing new legislation in this regard in 2022, which will see employees given the right to request remote working. How this will directly impact on the office sector remains to be seen but we do expect to see an increase in regional working hubs as an initial response from some companies and government bodies.

ESG will continue to be a focus for companies when considering office relocations with an importance on grade A 'Green buildings' coming to prominence in order to meet ESG targets in the longer term. Owners and Investors will also need to evaluate their assets in terms of ESG in order to maintain investment value and letability.

## Key Predictions for 2022



Increase in market activity, resulting in a stabilisation and return to quarterly market norms by year end

Prime rents to remain steady

Retraction of lease flexibility offered

ESG agendas continuing to shift focus to Grade A 'green buildings'



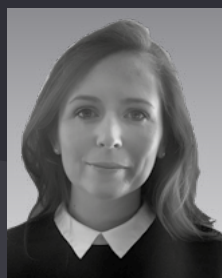
# 2021/22

## Office Market Review & Outlook

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