Q2 2022

Q2 2022 Office Market Commentary

Q2 2022 At A Glance

Transactions Signed (Sq.Ft.)

511,549

Substantial increase from Q2 2021 (180,336 sq.ft.)

By Size

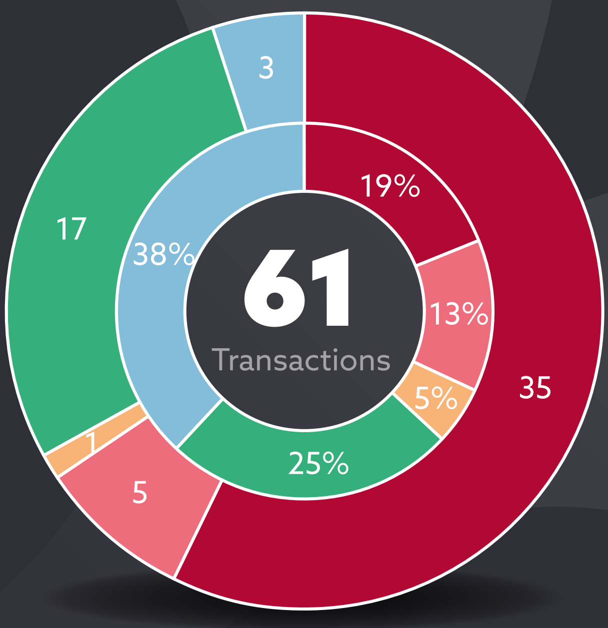
40%

3 deals in excess of 50,000 sq.ft.

Largest Transaction (Sq.Ft.)

88,042

60 Dawson St. | Service Now



Transactions

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

Transactions By Location

78% CBD

22% City Fringe and Suburbs

Tenant Profile

27% Domestic

73% International

Transactions By Sector

35% TMT

29% Banking and Finance

12% Professional Services

Construction

5.3m sq.ft. Under Construction

40% Pre-Let/Reserved

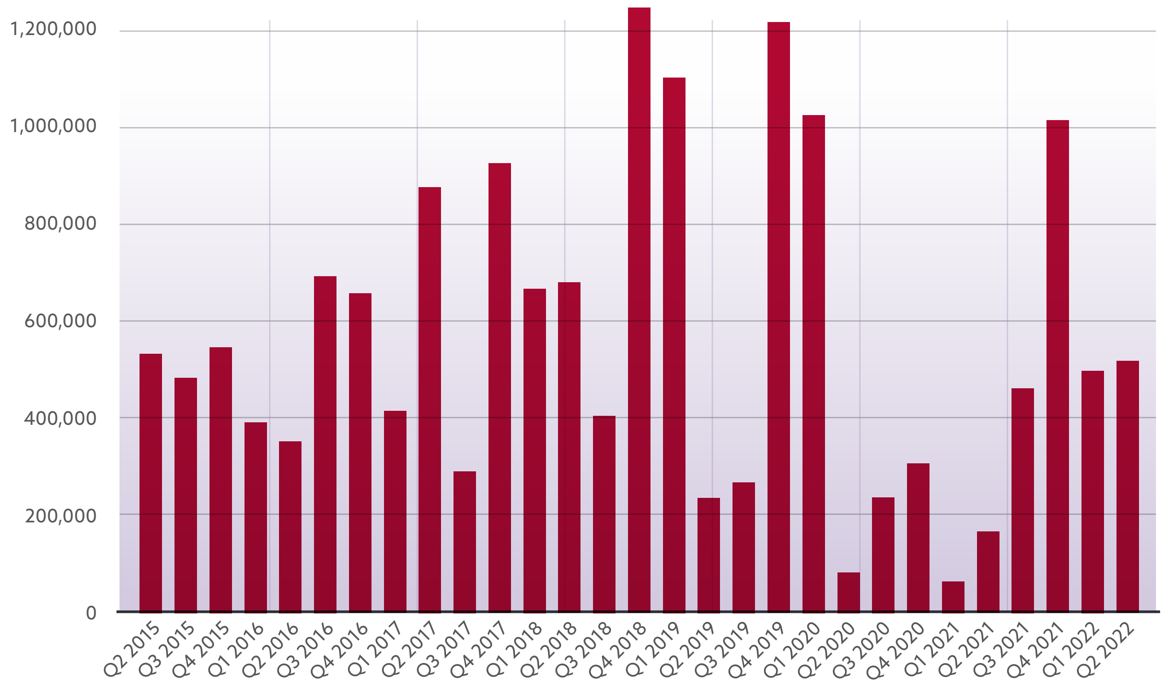
Office Take Up

Take up for the second quarter of the year reached 511,549 sq.ft. across 61 transactions, bringing the year to date figure to just over 1,000,000 sq.ft. This represents a substantial increase when compared to the same period last year when level 5 restrictions significantly impacted the office market, with just 232,523 sq.ft. transacting over that period.

Market sentiment is improving with recovery more evident quarter on quarter, demonstrated by an increase in take up and occupier demand, with over 1,300,000 sq.ft. currently reserved. We expect this recovery mode to continue into the second half of the year with increased take up and market demand expected, underscored by a number of recently announced large requirements.

ESG is increasingly impacting decision making with regard to new requirements in the market, with some companies only considering high performance Grade A buildings in order to meet their ESG agendas. This is inevitably creating a disparity between new and older stock which in-turn has a bearing on rental levels achieved, evidenced by an increase in rents for prime Grade A stock, most notable in the traditional CBD.

Office Take Up By Quarter (Sq.Ft.)



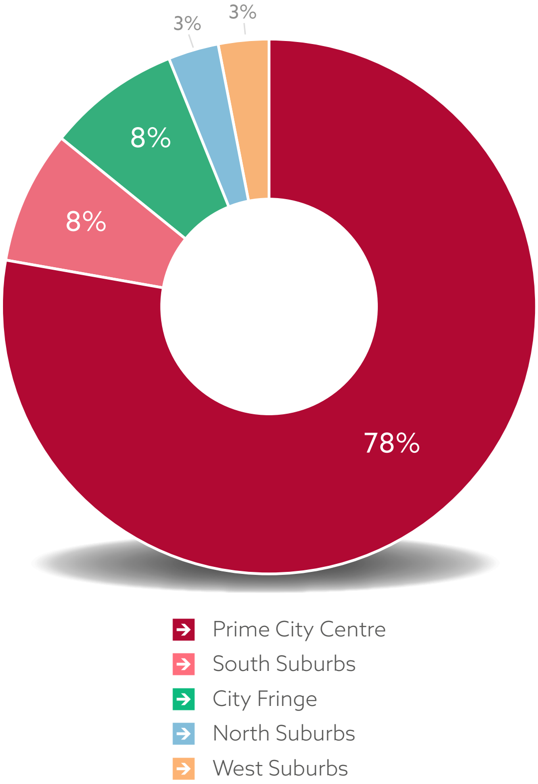
Source: Bannon Research

By Location

Demand for office space in the CBD continued with 78% of total take up focused on the city centre.

Whilst 36% of the total CBD take up was attributable to the quarters 2 largest transactions (Service Now's leasing of 60 Dawson Street and Workday's leasing of the Dockline building), there was a further 36 transactions concluded in the City Centre with companies such as Waystone, Glandore, Pinceila and Heanet active in the market this quarter.

Transactions in the South Suburbs and city fringe both reached 8% of take up, largely due to Western Union's acquisition of Block 9, Richview Office Park and Pinceila's acquisition of Block W Eastpoint Park.



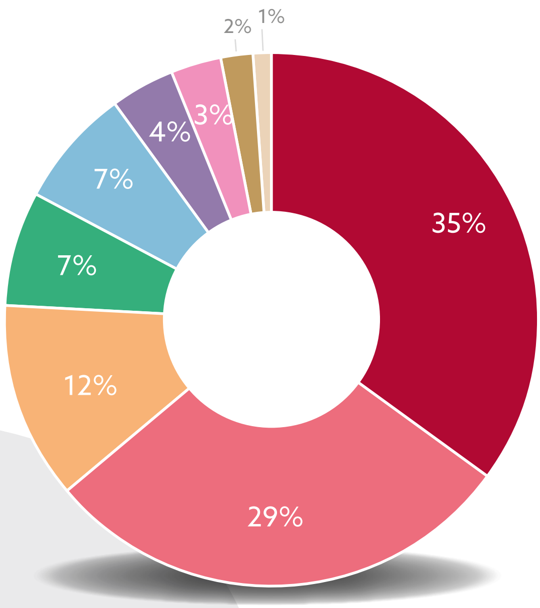
Top 5 Transactions

Property	Tenant	Size (Sq.ft.)
60 Dawson Street	Service Now	88,042
1st, 2nd 3rd & 5th Floor Dockline	Workday	53,917
35 Shelbourne Road, Ballsbridge	Waystone	52,011
Bottleworks	Glandore	25,763
Block W Eastpoint Park	Pinceila	16,500

By Sector

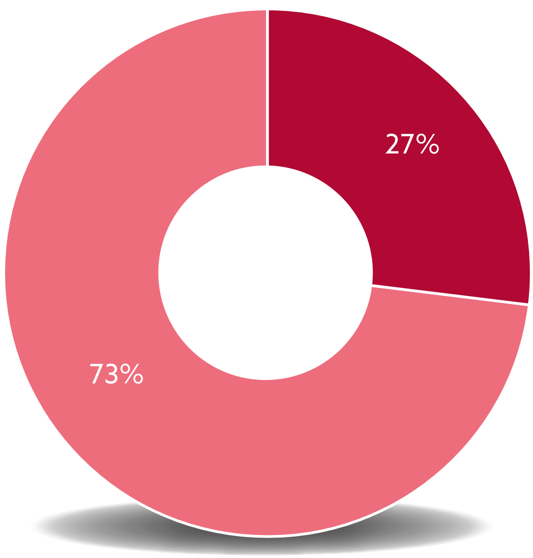
The Technology, Multimedia and Telecommunications (TMT) sector accounted for the largest portion of take up at 35% (179,042 sq.ft.) overall. This figure was boosted by two of the largest transactions of the quarter. Service Now have agreed to lease over 88,000 sq.ft. at 60 Dawson Street, a prime Grade A building currently under construction, whilst Workday have acquired 53,917 sq.ft. of the Dockline building, a recently refurbished Grade A building located in the IFSC.

Over the last number of years, particularly in this development cycle (2015 onwards) TMT have been the top performing sector with their share of take up exceeding 70% in some quarters. However, we are starting to see an increase in the banking & finance and professional services sectors with activity this quarter reaching 29% and 12% respectively. Occupiers such as Waystone, Caceis, Meridian Global, Zurich and Western Union all acquiring office space in excess of 9,000 sq.ft. this quarter.



Tenant Profile

Occupier profile remains consistent with previous quarters, with 73% of take up from International occupiers and 27% from domestic companies.



By Size

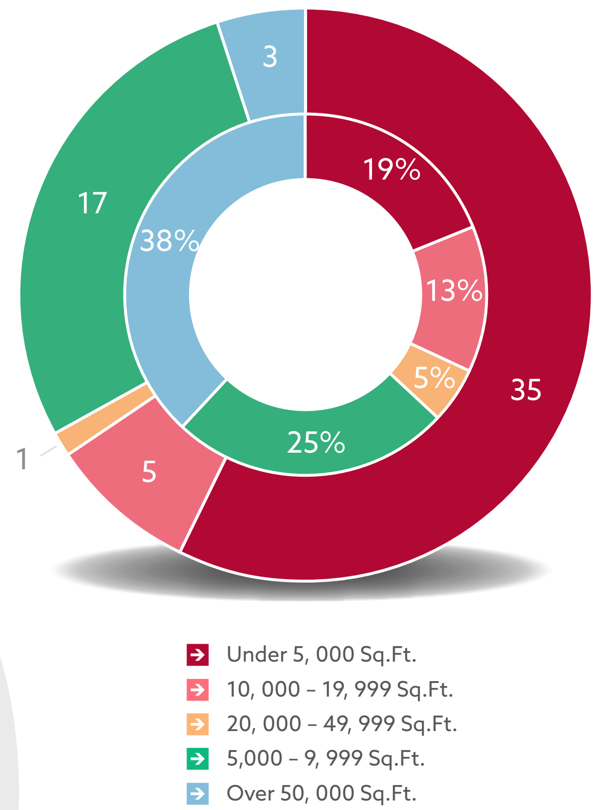
The most active size bracket in terms of number of deals completed was once again sub 5,000 sq.ft. with 35 transactions in Q2. Whilst this accounts for 57% of all transactions signed, it only represents 19% of the overall floor space leased.

There were 3 transactions in Q2 which exceeded the 50,000 sq.ft. bracket and represented 38% of overall floorspace leased.

There were 5 transactions in the 10,000 – 19,999 sq.ft. bracket accounting for 13% or 145,965 sq.ft. of floor space leased.

The average deal size for Q2 is 8,386 sq.ft. The H1 average deal size stands at 9,281 sq.ft. By way of comparison the H1 2019 (pre-pandemic) the average deal size was 17,530 sq.ft. We expect the average deal size to increase in the later part of the year as large requirements are satisfied.

No. Deals By Size | % Of Total Take-Up



Rents /Terms

Prime quoting rents for Grade A offices have remained steady, with City Centre schemes quoting levels between €57.50 - €65.00 per sq.ft. and suburban schemes quoting levels of €32.50 - €35.00 per sq.ft. With the increased demand for Grade A offices we do expect rents to increase for prime CBD offices in H2 of this year, with some recent deals reportedly agreed at levels in excess of €65 per sq.ft. Owners continue to seek long term leases, particularly for Grade A stock with a typical term certain of 10 – 12 years.

Lease flexibility continues to be sought by occupiers with 62% of deals completed incorporating early break options.

Construction

Over 900,000 sq.ft. of stock was delivered to the market in Q2, the majority of which was pre-committed prior to completion. Projects to reach practical completion included; Two South County (Mastercard), One Wilton Park (Linkedin) and Exo which is part leased to An Post.

There is currently c. 5,300,000 sq.ft. of construction projects under construction across the capital, of which 40% is pre-committed. Of the schemes due for completion in 2022 (3,000,000) 70% are pre-committed.

There is over 8,400,000 sq.ft. of office accomodation with planning permission granted. Construction starts remain steady and will be cumulative with continued demand in the market and having regard to construction costs and other economic considerations.

Property	Size (Sq.Ft.)	Status
2 Grand Parade, Dublin 6	107,000	Due for completion Q1 2023
The Shipping Office, Dublin	177,000	Due for completion Q4 2022
Glencar House, Dublin 4	74,764	Due for completion Q2 2023
Fibonacci Square, Dublin 4	583,533	Due for completion Q3 2023

Outlook

The office market has experienced a tumultuous period over the last 2 years as a result of the pandemic but it is clear that market sentiment is improving in the sector, as is evidenced by an increase in take up, reserved space but also an increase in active demand in the market. We are seeing a reactivation of paused requirements and new large requirements being recently announced this trend is expected to continue into the latter half of 2022.

Undoubtedly, there are a number of global factors that could affect the Irish property market going forward. Considerations such as; inflation and the subsequent cost of construction and rise in the cost of living, likely interest rate hikes and the war in Ukraine, all of which have the potential to dampen market demand. However, Ireland's economy is performing well, we are experiencing effective full employment and wage and GDP growth which bodes well for the sector.

Lease flexibility has become a feature of the market over the last 4 quarters, with companies seeking this flexibility largely to help them manage the impact of remote and hybrid working and the future of same. It is clear that hybrid working is here to stay, therefore as companies get a clearer understanding of their office needs and market demand continues we expect a retraction of lease flexibility in the longer term.

Key Predictions for H2 2022

- Rents to remain stable
- Continuation of demand for Prime Grade A buildings
- Continued focus on ESG agendas, potentially creating a two-tier market

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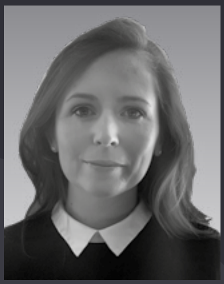
Contact The Office Team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