

# DUBLIN OFFICE MARKET

2020 REVIEW  
2021 OUTLOOK



# 2020 AT A GLANCE

TRANSACTIONS SIGNED  
**1.70M SQ. FT.**

TAKE-UP 2020

BY SIZE

**52%**

52% OF TRANSACTIONS < 5,000 SQ.FT



**10%**

OVERALL DUBLIN VACANCY RATE



**60%**

DUBLIN CITY CENTRE



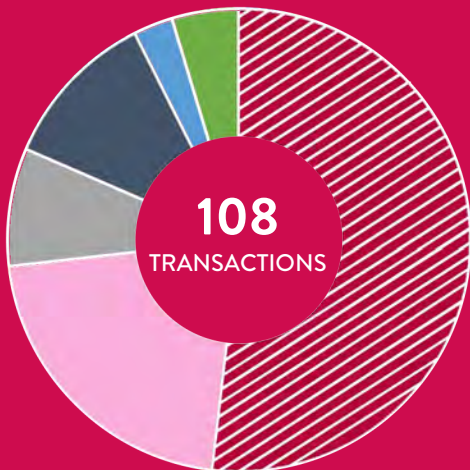
**5%**

CITY FRINGE



**35%**

SUBURBS



- 56 TRANSACTIONS UNDER 5,000 SQ. FT.
- 23 TRANSACTIONS FROM 5,000 - 9,999 SQ. FT.
- 9 TRANSACTIONS FROM 10,000 - 19,999 SQ. FT.
- 12 TRANSACTIONS FROM 20,000 - 49,999 SQ. FT.
- 3 TRANSACTIONS FROM 50,000 - 99,999 SQ. FT.
- 5 TRANSACTIONS OVER 100,000 SQ. FT.

LARGEST TRANSACTION  
**250,000 SQ. FT.**

MASTERCARD - ONE & TWO SOUTH COUNTY

TRANSACTIONS BY SECTOR 2020



**54%**

TMT



**19%**

BANKING & FINANCE



**7%**

HEALTH & PHARMA

**290,000 SQ. FT.**

RESERVED GOING INTO Q1 2021



CONSTRUCTION

**5.20M SQ. FT.**

47% PRE-LET/ RESERVED

**1.60M SQ.FT.**

DELIVERED 2020

(34% INCREASE FROM 2019)

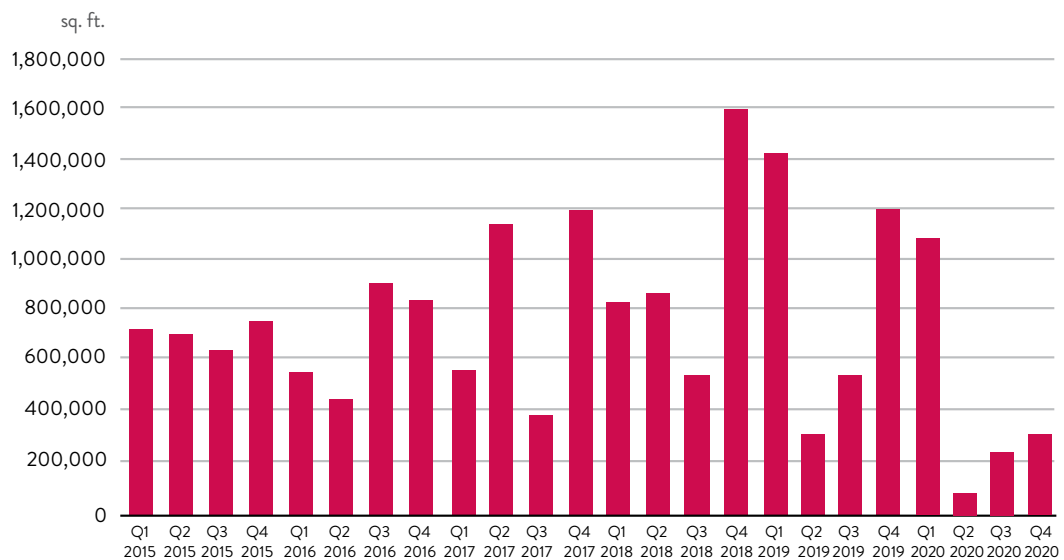


TAKE-UP

Following a number of record breaking years in the Dublin Office market, the first 3 months of 2020 began robustly with over 1,000,000 sq.ft. of office take up recorded across 32 transactions. There was 940,000 sq.ft. of accommodation reserved as we entered Q2, which promised to be another strong year in terms of office occupancy.

However, the impact of Covid-19 on the Dublin Office market took hold with remote working becoming the norm from Q2. This coupled with the global uncertainty from this unprecedented event resulted in a delay in decision making and capital expenditure, effectively pausing the market. Whilst take up in Q2 was the worst effected at 75,000 sq.ft. this did improve in the second half of the year with 58% of all deals concluding in the final 2 quarters (63 transactions), bringing the year end total take up figure to 1,706,000 sq.ft. (48% decrease on 2019 total).

OFFICE TAKE UP BY QUARTER ( SQ.FT)



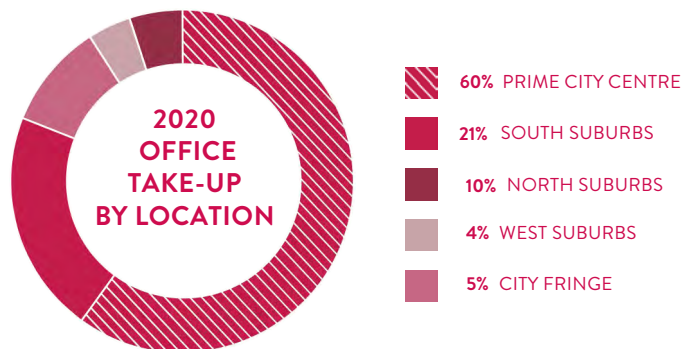
Source: Bannan Research

**5 transactions exceeded the 100,000 sq.ft.** size bracket this year, accounting for 635,500 sq.ft or 37% of the total take up for the year. This size bracket was once again dominated by the Tech and Banking and Finance sectors with occupiers such as Indeed, Mastercard, Slack and Google scaling up operations across the capital. All of these lettings were concluded in quarter 1.

There is currently over 290,000 sq.ft. of office accommodation reserved. We would note that active requirements/reactivation of requirements had increased significantly in recent months coinciding with the announcement of a vaccine in quarter 4.

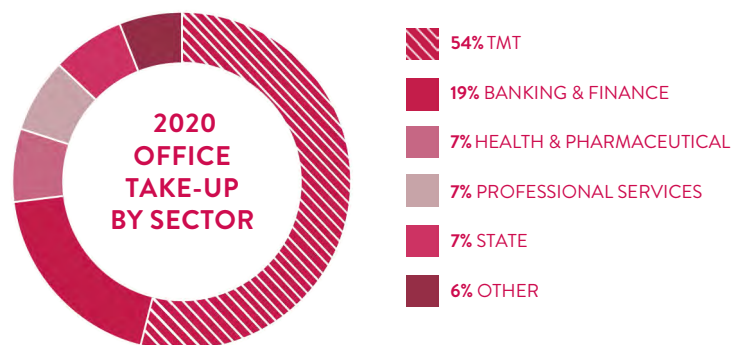
### BY LOCATION

The CBD remained the most active location, accounting for 60% of total take up in 2020. The South Suburbs performed well accounting for 21% of take up, largely due to the letting of One and Two South County to Mastercard. This transaction alone accounted for 71% of South Suburban take up at 250,000 sq. ft. Overall the suburbs accounted for 35% of take up, with City Fringe locations reaching 5% this year. Other notable deals included a letting to Google of Block I Central Park, Leopardstown and Guidewire at Semple Exchange, Blacnshardstown Corporate Park at 75,294 sq.ft. and 85,000 sq.ft respectively.



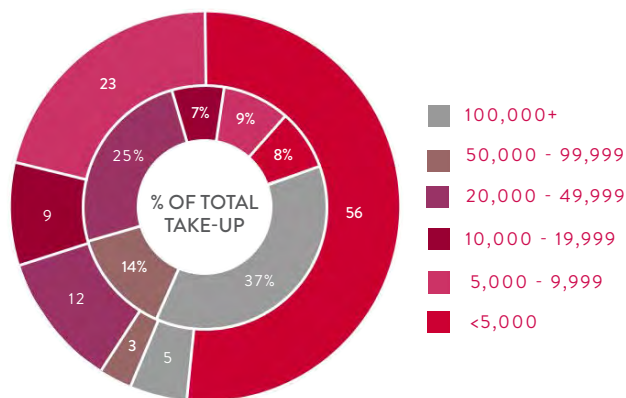
### BY SECTOR

Technology, Multimedia and Telecommunications (TMT) continued to be the top performing sector with 54% of overall take up this year, once again the sector was dominated by large scale lettings in excess of 100,000 sq.ft. highlighting the continued investment by international tech companies into the Dublin market. Banking and finance performed well accounting for 18% of 2020 take-up, followed by Health and Pharmaceutical at 7%. The Health and Pharmaceutical sector increased market take up significantly this year with a number of large lettings to international occupiers, including; Gilead, 3M and Regeneron to name but a few.



### BY SIZE

The most active size bracket once again was sub 5,000 sq. ft. with 56 transactions throughout 2020. Whilst this accounts for 52% of all transactions signed, it only represents 8% of the overall floor space leased. There were 5 transactions above 100,000 sq. ft. in 2020 which accounted for 37% of the overall floor space leased. There were 12 transactions in the 20,000 – 50,000 sq.ft. bracket accounting for 25% or 427,568 sq.ft. of floor space leased.



TOP 5 TRANSACTIONS IN 2020

LOCATION	SIZE (SQ. M.)	SIZE (SQ. FT.)	COMPANY
ONE & TWO SOUTH COUNTY	23,148	249,164	MASTERCARD
FITZWILLIAM 28	12,510	134,656	SLACK
124-127 STEPHEN'S GREEN	11,777	126,771	INDEED
TREASURY BUILDING	11,613	125,000	GOOGLE
STEMPLE EXCHANGE	7,897	85,000	GUIDEWIRE

Source: Bannan Research



VACANCY

The overall Dublin vacancy rate stands at 10%, translating to c. 8.2% in the City Centre and 13% in the suburbs.

One stabilising feature of the market over the last number of years has been the level of pre-lets achieved on new construction projects, meaning that a large majority of space under construction was accounted for prior to completion. However, it is worth noting that the current vacancy rate has been exasperated by a number of projects reaching practical completion where a pre-let was not secured. One example of this is The Sorting Office, a Grade A Dublin Docklands scheme extending to over 200,000 sq.ft. which reached practical completion earlier this year. Prior to completion it was widely reported that Google were in talks for the entire but later withdrew their interest. Given the location and specification of this scheme and having regard to pre-covid market trends a pre-let or part pre-let would have been anticipated.

NO. OF TRANSACTIONS >100,000 SQ.FT

YEAR	NO. TRANSACTIONS >100,000 SQ.FT	% OF OVERALL TAKE-UP
2020	5	37%
2019	7	53%
2018	5	37%
2017	6	25%
2016	2	11%

Source: Bannan Research



RENTS

Prime quoting rents for Grade A offices have remained steady, with City Centre schemes quoting levels between €57.50 - €65 per sq.ft. and suburban schemes quoting levels of €25 - €34 per sq.ft.



## CONSTRUCTION

A total of 1.6m sq. ft. of office accommodation was delivered in 2020 representing an increase in completions of 34% on 2019.

Currently there is 5.2m sq. ft. of grade A accommodation under construction, 47% of which is pre-let or reserved. 83% of construction activity is concentrated in Prime City Centre locations with an additional 17% in fringe and suburban.



Of the 5.2m sq.ft. of accommodation under construction, 2.4m sq.ft. is due for completion in 2021, however it is estimated that 65% of this is already accounted for. Given current restrictions some of these projects will inevitably be delayed, pushing practical completion into 2022.

### SAMPLE OF DEVELOPMENT PIPELINE

ADDRESS	SIZE (SQ. M.)	SIZE (SQ. FT.)	STATUS
FIBONACCI SQUARE, DUBLIN 4	54,212	583,533	Pre-let to Facebook
BOLANDS QUAY, DUBLIN 4	19,513	210,036	Pre-let to Google
FITZWILLIAM 28, DUBLIN 2	12,510	134,656	Pre-let to Slack
60 DAWSON STREET, DUBLIN 2	13,487	145,176	Due for completion Q3 2022
CADENZA, DUBLIN 2	10,476	112,760	Pre-let to Intercom
10 HANOVER QUAY, DUBLIN 2	6,410	69,000	Due for completion Q2 2021

Source: Bannon Research



## OUTLOOK

Like many industries, 2020 has been a challenging year for the office sector as the continual impact of the global pandemic took hold. The primary consequence has been effectively stalling decision making on large capital expenditure projects and working from home consequently becoming the norm for the majority of office-based workers. There are green shoots as we continue through the vaccine rollout, with an increase in market activity anticipated in the second half of the year.

2020 did see a number of large international firms scaling up operations in the capital, further highlighting Dublin's attractiveness in terms of FDI investment. Tik Tok is the latest international social media giant reportedly considering an expansion of their Dublin based operation, seeking to house over 5,000 employees over the coming years with an estimated final footprint of 500,000 sq.ft.

Having consideration to vacancy levels as we move forward into 2021, we do expect to see a material increase in so called 'Grey Space' (accommodation available by way of sub-lease or assignment) due to companies reducing their office requirements. We must also contemplate the the release of space flowing from the ultimate occupation of the 'development pre-let' on the vacancy rate as a number of large scale Dublin projects reach practical completion in 2021. Pre-lets have mainly occurred in the Dublin market due to existing companies such as Slack and Intercom (rather than new entrants) expanding and securing larger premises. This ultimately means that for the majority of these companies, they will vacate their former office buildings as their new premises come on stream. This will inevitably lead to an increase in vacancy rate in the short term. It is worth noting that this space may enter the market at a controlled pace as landlords seek to refurbish or redevelop. We would further note that this could be mitigated somewhat by a normalisation of market demand in the second half of the year.

The big question for the office market in 2021 will be the amount of space companies will now take up to fulfil their requirements, particularly having regard to the expectations of employees to have more flexible working practices and the ability to work from home. What has become apparent as we moved from our initial lockdown into lockdown number 3 is the desire by employees to return to the office in some form, however, we do anticipate a hybrid model being the most likely for the majority of companies going forward.



## KEY PREDICTIONS FOR 2021

- Headline rents to remain steady
- Significant increase in incentives available
- Increased appetite from tenants for flexible leases
- Number of projects commencing on site decreasing
- Increase in vacancy rate in the short term
- Market demand to increase in H2
- Brexit, an additional consideration rather than a primary driver of demand



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