OFFICE REVIEW AND OUTLOOK

H1 2021

OFFICE STATISTICS H1 2021

Take Up H1 2021	209,000 sq ft	**New Completions H1 2021**	472,350 sq ft
Vacancy Rate	Entire Market 10.15% Dublin 2 8.10% Dublin 4 14.60%	**% Pre-committed on PC**	52.0%
		Under Construction	CBD: 4.97m sq ft Suburbs: 195,000 sq ft

Office market set for V-shaped recovery in 2022

With the office market in effective lockdown for the last 15 months, there are now increasing signs of pent up demand from occupiers with much stronger take up levels recorded in Q2. The staggered lifting of Covid restrictions and the successful vaccine roll-out has led to a bounce in economic activity with recent figures for the services sector and tax revenues showing strong recovery. We have seen a marked increase in tenant activity heading into Q3 which will translate to increased take up for the full year. All the signs are for a strong recovery in 2022 and a return to more normalised levels of activity, albeit from low levels of the pandemic.

- *Take up for the first 6 months of 2021 at 209,000 sq ft is 80% down on the same period last year, with a weak Q1 during restrictions pulling the numbers down.*
- *To put this in context take up for the same period in 2019 pre pandemic was 1.77m sq ft.*
- *Stronger Q2 activity and a positive start to Q3 will see the take up numbers continue to recover for the rest of the year and into 2022.*
- *Office space reserved stands at over 800,000 sq ft with large occupiers such as An Post, TikTok and KPMG all in advanced discussions to acquire office space.*
- *With such a dramatic reduction in activity, it was inevitable that prime rent levels would come under pressure as tenants negotiate better terms to reflect market conditions.*
- *We expect this market correction to continue into 2022 and then stabilise with increased occupier demand assisted by easing of travel restrictions.*
- *Tenant demand profile continues to change towards seeking more flexible lease terms and a preference for quality fitted space. This demand is being met largely by the increase in volume of 'grey space' on the market, which tends to be available on more flexible terms as a cost recovery exercise for occupiers with surplus space.*
- *Grey space within the CBD currently accounts for approx. 24% of total available space and this is expected to peak in the first half of 2022 as corporate occupiers make decisions on future space requirements.*
- *With the ongoing climate emergency, ESG is an increasingly important element for both occupiers and Landlords, driving a flight to quality and social and corporate responsibility from all sectors of the market. Offices with poor green credentials will struggle to compete as tenants and investors opt for sustainability and lower carbon emissions for their corporate offices.*
- *Occupier patterns are still in flux regarding the return to office and remote working, however an encouraging number of high-profile companies are paving the way for a safe and measured return to the workplace over the next 3 to 6 months. The narrative emerging highlights the importance of 'face to face' interaction and collaboration of employees in the workplace from both a wellness and culture perspective, and employee preference for a hybrid working model has been accepted for the time being.*

Headline Office Rents (H1 2021)	
CBD (Grade A)	€55.00 - €57.50 per sq ft (NIA)
Suburban (Grade A)	€30.00 – €32.50 per sq ft+ (GIA)
Car spaces; City	€4,000 pa per car space
Car spaces; Suburbs	€1,750 - €2,000 pa per car space

OFFICE SUPPLY PIPELINE

- *Due to lockdown restrictions, the supply of new space has slowed in the first half of this year with completions expected to ramp up as large schemes such as Spencer Dock (425,000 sq ft) Fitzwilliam 28 (280,000 sq ft) and the EXO Building (207,000 sq ft) in the north docks achieve practical completion.*

- *Construction has also been hit by a skills and materials shortage to further delay targeted completion dates.*
- *We estimate that around 2m sq ft of new space will be completed this year with approx. 63% already reserved and this figure will increase by year end.*

CBD Pipeline	Est. FY Completions (sq ft)	Pre-let / Reserved (sq ft)	New Space Available (sq ft)
2021	2.02m	1.275m / 63%	745,000
2022	2.05m	1.07m / 52%	980,000
2023	1.37m	450,000 / 33%	920,000

- *With new stock completions and release of grey space, the overall vacancy rate has continued to creep upwards to 10.15% with slight increase in the main CBD markets of Dublin 2 and 4.*
- *There is now very little office space under construction in the suburbs which is likely to see a shortage of quality offices once demand returns to pre pandemic levels from 2022 onwards.*

SUBURBAN MARKET

- *The suburban market has continued to perform well with a number of corporate tenants deciding to take out of town space both as a cost saving measure and to offer employees better choices in terms of live / work balance.*
- *The start of Q3 has seen BNP Paribas Bank signing contracts for 40,000 sq ft in Termini Sandyford, where US Medtech firm Resmed are also taking 20,000 sq ft.*
- *Prime rents for new space in the suburbs have largely remained stable, with more flexible sub-lease options coming to market in Central Park and Sandyford Business Park offering tenants fully fitted space on flexible terms.*
- *Blackrock has continued to grow in popularity with occupiers with recent capital investment in the micro location adding substantially to its improved infrastructure and social and recreational amenities. New shopping facilities and modern office space will offer an attractive alternative for tenants looking at suburban relocation options.*

Top 5 Office Deals 2021	Size (sq ft)	Tenant
1. Connaught House, Burlington Road, D4.	18,850	Philip Lee
2. 24/26 City Quay, South Docks, D2.	14,725	Euro Refreshments
3. One Kilmainham Square, D8.	11,500	HSE
4. Burlington Plaza, Burlington Road, D4.	11,000	Amazon
5. Nexus Building, Blanchardstown, D15.	11,000	GMC Utilities

OUTLOOK

There are now signs that the impact of the pandemic on the Dublin office market are starting to ease as occupiers look ahead to decide the right blend of office space and remote working to suit their business and staff profile. Most companies are targeting Sept / October to have protocols in place for staff returning to the office and this will lead to increased deal activity over the coming quarters. We estimate the current market correction will continue into 2022 and then stabilise with growth returning from 2023 onwards.

We are seeing evidence of pent up demand from occupiers with a positive start to Q3 which is traditionally a quiet time due to holiday season, and this bodes well for a strong finish to the year. Assuming no serious variants emerge with Covid, all the signs are that 2022 will see a return to more normalised levels of demand activity with transactions back to the long-term average for the market.

The HIVE Sandyford, Carmanhall Road, Sandyford, D18.
New HQ Offices 73,000 sq ft

One Haddington Buildings, Haddington Road, D4.
Grade A HQ building to let 42,000 sq ft

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