HWBC

OFFICE REVIEW AND OUTLOOK

2021 - 2022

OFFICE STATISTICS Q4 2021

Take Up 2021	1.62m sq ft	**New Completions FY 2021**	1.25m sq ft
Long Term Average	2.20m sq ft	**% Pre-committed on PC**	63%
Vacancy Rate	Entire Market 9.60% Dublin 2 5.50% Dublin 4 12.90%	**Under Construction**	CBD: 4.32m sq ft Suburbs: 0.10m sq ft

Strong Q4 sees Dublin market turning a corner

2021 was a bumpy year for the Dublin Office Market as uncertainty over the trajectory of the virus saw a poor first half in terms of tenant activity and low take up. It was noticeable however that companies were postponing requirements as opposed to cancelling. This led to a build of demand and very strong finish to the year. The strong pipeline of transactions has carried over with over 800,000 sq ft of deals reserved and expected to sign in 2022.

- *Office take for the full year was 1.62m sq ft which is 26% below the long-term average for the market at 2.20m sq ft, but could be viewed as a reasonable outcome in difficult circumstances.*
- *The emergence of Omicron in Q4 did not unduly unsettle the market showing a certain level of resilience, with the majority of firms looking beyond the pandemic and future growth.*
- *Q4 take up accounted for 60% of the years total with two large transactions in Dublin 2 accounting for nearly 500,000 sq ft between them.*
- *TikTok signed contracts to take the entire of the Sorting Office (216,000 sq ft) as the first phase of their expansion plans for Dublin. They are looking to scale up operations in the Docklands with a potential requirement for a further 250,000 sq ft.*
- *KPMG agreed a pre-let at the proposed new scheme at Harcourt Square to replace the existing Garda HQ, which is due for completion in 2026. KPMG will be moving from Stokes Place and taking an initial 288,500 sq ft with an option to expand for the entire 315,000 sq ft.*
- *Demand from the technology sector continued to dominate the market and LinkedIn took additional swing space at Park Place pending the completion of their new HQ at Wilton Place.*
- *Prime office rents have stabilised at around €57.50 psf during the year and we expect these levels to hold firm as more demand and activity returns to the market. Tenant incentives are still a feature of all leasing agreements and we don't see any additional softening in terms this year. Lease flexibility is becoming an important issue for occupiers along with 'green' buildings with low energy use.*
- *The suburbs saw some significant deal activity with traditional CBD tenants like BNP Paribas Bank opting to relocate staff to Sandyford in Dublin 18. Blanchardstown and Cherrywood also saw activity with transport links, amenities and modern office space important factors in attracting staff back the office.*

Headline Office Rents (Q4 2021)	
CBD (Grade A)	€55.00 - €57.50 per sq ft
Suburban (Grade A)	€30.00 - €32.50 per sq ft
Car spaces: City	€4,000 pa per car space
Car spaces: Suburbs	€1,750 - €2,000 pa per car space

▲ Proposed new Carrisbrook House, Ballsbridge, D4.
(HQ offices 95,000 sq ft, subject to planning).

OFFICE SUPPLY / NEW CONSTRUCTION

- *The overall vacancy rate has largely remained steady during the pandemic with a slow-down in construction offsetting reduced tenant demand to keep the market from over supply.*
- *As companies get to grips with future space requirements, the volume of grey space released on the market has begun to slow. With the lifting of most restrictions in January, the gradual return to the office will increase tenant activity in this sector.*
- *The volume of new space completed in 2021 was lower than expected at the start of the year at 1.25m sq ft and we expect 2022 will see higher figures to account for the delayed completions.*
- *There is approx. 4.4m sq ft of new space currently under construction with 45% reserved. Virtually all of this space is concentrated in the city centre but we expect to see new starts this year in Dublin 18 for completion from 2024.*

THE PUSH TO GO GREEN

Sustainability and green credentials are now one of the most important factors for tenants choosing a new office location, and increasingly some companies will not consider older buildings with poor energy ratings. This trend is likely to accelerate as environmental, social and governance become key to corporate strategies and investment decisions. Many stakeholders in the market including Funds and Institutional Landlords have already recognised this development and actively looking to replace older stock within portfolios to achieve ambitious net zero carbon targets by 2030. This is a positive development for the market and replacing older stock will have the twin benefits of providing better quality space for occupiers and help reduce the carbon footprint of the built environment.

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

Top 10 Office Deals 2021	Size (sq ft)	Tenant
1. Harcourt Square, Harcourt Street, D2.	288,500	KPMG
2. Sorting Office	216,000	TikTok
3. One Park Place, Upper Hatch Street, D2.	57,000	LinkedIn
4. Termini, Sandyford, D18.	44,000	BNP Paribas
5. Three Gateway, East Wall, D3.	43,000	ESB
6. B10 Cherrywood, D18.	36,500	Accenture
7. 40 Molesworth Street, D2.	30,000	DLA Piper
8. 140 Pembroke Road, Ballsbridge, D4.	27,500	Bord Bia
9. 6-13 Pembroke Row, D2.	27,500	Data Protection Commissioner
10. Two Stemple Exchange, Blanchardstown, D15.	27,000	Veritas

OUTLOOK

We expect 2022 to be a year of recovery for the office market in terms of take up with levels moving back towards the long-term average. After a difficult two years the market should continue to stabilise in terms of prime headline rents and a tapering of tenant incentives available to occupiers. The lifting of restrictions and gradual return to the office should support the recovery, assuming no new variants of concern emerge. The demand for new or quality upgraded buildings will increase as occupiers show a clear preference for buildings with high sustainability credentials and staff amenities.

The technology sector and FDI continues to dominate the market in Dublin and there was some concern that the new minimum tax agreement could have a negative effect on demand. This has not been the case and the IDA had a record year in terms of new overseas investment and job creation. In some ways the new tax agreement could be viewed as a positive to remove uncertainty that the tax issue is now off the table.

There is an emerging value premium in terms of rent and capital value between older buildings and modern stock as tenants in many cases will not consider buildings with poor energy ratings. This 'flight to quality' will continue as older stock struggles to compete with Grade A in terms of the standard of staff amenities.

The era of hybrid working has become a feature of the market over the last two years and new Government legislation should be in place by year end to bring more clarity to both staff and employers on future work practices.

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