OFFICE REVIEW & OUTLOOK

2022/2023

HWBC

OFFICE STATISTICS Q4 2022

Take Up 2022	2.41m sq ft
Vacancy Rate	Entire Market 11.50%
New Completions FY 2022	2.06m sq ft
% Pre-committed on completion	78%
Under Construction	CBD: 3.6m sq ft Suburbs: 0.25m sq ft

Very strong finish to the year with significant deals in Q4

The Dublin office market had another strong year in terms of take up with significant transactions recorded in Q4 including Citi signing for 300,000 sq ft in the North Docks and SMBC taking 135,000 sq ft at 28 Fitzwilliam. Both deals were signed late in the year and were the two largest transactions to push full year take up to 2.41m sq ft. This is a strong outcome considering the wider global volatility and the slowdown in demand from the technology sector, which gathered pace in the second half of the year.

The biggest story of 2022 was undoubtedly the decision by big tech employers such as Facebook (Meta) and LinkedIn to scale back operations in Dublin and offer big chunks of sublease 'grey' space back to the market. The technology sector has been the main driver of demand for space in Dublin averaging 51% of total market take up over the last five years. After a decade of expansion, big tech companies hired aggressively over the pandemic to keep up with demand for on-line services and rapidly expanded their office footprints.

- *The decision by big technology firms to postpone or delay expansion in Dublin was not entirely unexpected due to the correction in stock valuations last year with the Nasdaq falling 30% in 2022. Many technology firms saw a big increase in consumer demand during Covid resulting in expansions in both staff headcount and office footprints which was ultimately good for the Dublin office market. However this level of demand and growth has not been sustained with firms struggling to get workers to return to the office post Covid which is continuing into the first half of 2023.*
- *With around 1.0m sq ft of surplus technology space released to the market in Q4, this is likely to have an effect on headline rents in 2023 as the vacancy rate increases and occupier demand eases. The sub-let space being released is generally Grade A and available on flexible lease terms and in many cases includes a full CAT B fit out which is attractive to midcap expanding companies.*
- *In Ballsbridge Facebook are offering 382,000 sq ft to sub-lease at their newly completed campus at Fibonacci Square and LinkedIn have decided to offload 270,000 sq ft at their new EMEA campus under-construction at Wilton Park in Dublin 2.*
- *The majority of tenant demand in 2022 was CBD focussed, accounting for over 80% of market transactions last year. Sustainability is now critical and occupier preferences have continued to trend towards Class A, energy efficient buildings with many companies unable to consider space that does not meet their stated ESG policies and targets.*
- *The flight to quality has resulted in upward pressure on prime headline rents with core Dublin 2 locations achieving rents of €65.00 to €67.00 per sq ft for new developments on Dawson Street and Kildare Street.*
- *Despite the pause in demand from the technology sector, there is strong pipeline demand from other sectors including professional services, finance and banking. There are big office mandates currently active in the market with Deloitte, EY, Eversheds and Mason Hayes + Curran all actively reviewing potential new locations.*

OFFICE SUPPLY / NEW CONSTRUCTION

- *With the increase in grey space and new office completions over the year, the vacancy rate has increased to 11.5% for the market as a whole. However this figure includes all post 1960's office space so is less relevant to the core end of the market where tenant demand is strongest.*
- *Excluding older space which is more difficult to lease, shows a much lower CBD vacancy level and limited choice for occupiers resulting in upward pressure on prime rents in 2022. The overall vacancy metric also includes suburban office space so again less relevant in a market where the majority of demand is city focused.*
- *The high demand for CBD offices in 2022 resulted in 78% of all new office space securing pre-lets on reaching practical completion. This is a very strong level of pre-commitments and highlights the shift from occupier preference to quality new and sustainable space. We expect this level to ease in 2023 as the reduced demand from the technology sector and increase in sub-lease opportunities begins to impact the wider market and occupier choice.*

▲ The HIVE, Sandyford, Dublin 18.
HQ Offices for Cubic Telecom, NTR plc and Grafton Group plc (26,300 sq ft available to let)

- *Total completions in Dublin accelerated last year post covid with over 2.06m sq ft of new offices bringing the total market stock to over 48.74m sq ft. Most of this new development was concentrated in the CBD with quality new buildings such as One Charlemont (183,000 sq ft) in Dublin 2 and Fibonacci Square in Ballsbridge (382,000 sq ft) reaching completion.*
- *There is currently 3.8m sq ft of new office space under construction in Dublin with significant developments under way at Coopers Cross in the North Docks (380,000 sq ft), Wilton Park (450,000 sq ft) and College Square (325,000 sq ft) in Dublin 2.*

Headline Office Rents (Q4 2022)	
CBD (Grade A)	€57.50 - €65.00 per sq ft
Suburban (Grade A)	€30.00 - €34.00 per sq ft
Car spaces: City	€4,000 pa per car space
Car spaces: Suburbs	€1,750 - €2,000 pa per car space

Top 10 Office Deals 2022	Size (sq ft)	Tenant
1. Waterfront South, North Docks, D1.	300,000	Citi
2. 28 Fitzwilliam, Fitzwilliam Street, D2.	135,000	SMBC Aviation Capital
3. 60 Dawson Street, D2.	88,000	Service Now
4. Tropical Fruit Warehouse, SJRQ, D2.	83,000	TikTok
5. Exo Building, North Docks, D1.	83,000	An Post
6. 10 Hanover, South Docks, D2.	68,000	Fiserve
7. 12 Dawson Street, D2.	64,500	Goodbody Stockbrokers
8. 3 Dublin Landings, North Docks, D1.	62,500	A&L Goodbody
9. Dockline, IFSC, D1.	54,000	Workday
10. 35 Shelbourne, Shelbourne Road, D4.	52,000	Wayflyer

SUBURBS

- *While the suburbs had a quieter year in 2022 due to the dominance of demand for CBD space, there was still a number of notable lettings to high profile listed companies mainly in Sandyford. Both NTR plc and Grafton Group plc opted to stay in Sandyford and both took space in The HIVE Building on Carmanhall Road.*
- *Cubic Telecom also moved headquarters in 2022 and chose The HIVE to facilitate continued expansion to 30,000 sq ft from the nearby Corrig Court. Another public company also chose Sandyford for their new offices with Dalata Hotel Group taking 15,000 sq ft in the Termini building. The State sector was also active in the suburbs with the HSE taking 30,000 sq ft at Carrickmines.*
- *Rents in the suburbs remained largely unchanged over the year at a range of €30.00 to €34.00 psf with the majority of leases for new space agreed at 10 year term certain. More lease flexibility is available for smaller requirements and the correction in the technology sector is also likely to see more surplus space released to the market in 2023 providing more choice for occupiers.*
- *Given the more cautious outlook, there is little new space under construction in the suburbs with one significant scheme of around 200,000 sq ft under construction at Central Park.*

OUTLOOK

Heading into 2023 there is considerable uncertainty in terms of rising interest rates, conflict in Ukraine and the depth of the correction in the technology sector all weighing on the minds of investors and occupiers. With a more cautious global outlook, the Irish economy is expected to slow this year but still predicted to fare better than many of our European partners in terms of growth and avoiding recession. The more difficult regulatory conditions imposed with Brexit are holding back growth in the UK in terms of labour supply, trade and economic performance.

With on-going volatility on world markets and no end in sight to the war in Ukraine, the Dublin office market will see a quieter year in 2023 in terms of tenant activity as companies' put on hold or downsize potential requirements. The construction of new office space is expected to slow to reflect the global picture as reduced requirements from the technology sector takes a large element of demand from the market. Some of this will be filled by requirements from the finance, professional and Government sectors, but they are not traditionally at the scale of recent expansions from mega cap technology companies. Just as the correction in the technology sector has been swift and brutal, any recovery in stock prices and more clarity on peak inflation and interest rates will likely see a return to investment and growth from this sector over the short to medium term.

▲ One Haddington Buildings, Haddington Road, D4.
Grade A HQ building to let 23,500 sq ft
16,000 sq ft let to CPL

CONTACT OUR OFFICE AND BUSINESS SPACE TEAM

Paul Scannell
Director - Head of Offices

T +353 1 77 50 527
E pscannell@hwbc.ie

Emma Murphy
Divisional Director

T +353 1 77 50 519
E emurphy@hwbc.ie

Conor Kevany
Director

T +353 1 77 50 506
E ckevany@hwbc.ie

HWBC

HWBC
80 Harcourt Street, Dublin 2
D02 F449, Ireland

PSRA Number 002098

T 353 1 77 50 500
E info@hwbc.ie
W hwbc.ie

CORFAC International