SPRING 2022

Market Matters

Murphy Mulhall

INTRODUCTION

Welcome to the latest edition of Market Matters. After what seems like a never ending two years of lockdowns and restrictions, we really hope that 2022 is the year we can get back to enjoying our work/family/social lives.

In this edition, we focus on the office market in detail and provide our unique independent insights into what's likely to happen in the months ahead. Our UK affiliate Gerald Eve and our colleagues in SIOR provide valuable updates on the London and Silicon Valley office markets. We also look at the investment market and the key trends for 2022.

We examine the ever-changing theme of flex/hybrid working which seems to be settling towards a consensus. Hopefully, our new world of work will be one where efficiency trumps presenteeism.

Finally, we make our predictions for 2022 and give our thoughts on current factors affecting the market.

We hope you enjoy the content and wish you all a successful 2022 and beyond.

All the best,

James

James Mulhall
Managing Director

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GET IN TOUCH

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QUICK FACTS

1.68
MILLION SQ FT
OFFICE TAKE-UP 2021

2.5
MILLION SQ FT
10 YEAR AVG. TAKE-UP

72
ACTIVE OCCUPIER REQUIREMENTS

794
THOUSAND SQ FT
CURRENT OCCUPIER DEMAND

71%
OCCUPIER DEMAND FROM SME'S

€52
PER SQ FT
PRIME GRADE A NET EFFECTIVE RENT

1.67
MILLION SQ FT
UNDER CONSTRUCTION CITY CENTRE (NON-PRE-LET)

144
OFFICE FLOORS
UNDER CONSTRUCTION (NON-PRE-LET)

1. MARKET REVIEW

2021

The office market was subdued for the first 6 months. Up to that point, decisions regarding office relocations/ expansions were not a priority for occupiers.

However, once the easing of restrictions began to take effect over the summer, occupier sentiment noticeably improved. From that point until mid-December (Omicron restrictions), there was an increase in the number of enquiries, viewings and ultimately, take-up levels. Omicron had a temporary dampening effect on activity.

Total annual Take-Up for 2021 was approx. 1.68 million sq.ft. However, almost 1 million sq.ft. of this was transacted during Q4. In addition, approx. 500,000 sq.ft. related to two large pre-lettings. It was definitely a year which was end loaded.

Rents & Incentives

Prime headline rents have remained largely unchanged over the last 12 months. Most commentators agree that €57.50 per sq.ft. reflects the quoting rent for Grade A offices in the CBD.

The two-tier market that we had previously referenced some time ago now seems to be upon us. There is now a marked differential in quoting/dealing rents between Grade A offices and their Grade B/Grade B+ counterparts.

The supply of Grade A and quality Grade B+ stock in CBD locations is limited. In our opinion, these two constraining factors will be the main drivers behind a slight increase in net effective rents (after incentives have been applied) this year.

Rent free periods for Grade A space will tighten by 1-2 months for 5 year leases. They will move out by 2-3 months for lesser quality space which is 'sticking'.

Rents in suburban markets should maintain their 2021 levels, albeit the gap between Grade A quality and older stock is wider here. The expected bounce from companies taking 'hubs' to facilitate flex working has not materialised.

City fringe/non-core office locations will experience a decline in net effective rents if the current 'flight to quality' approach by occupiers is maintained. Based on historical trends, the core CBD Dublin 2 office market should not experience over-supply to the extent that it would affect rental levels.

Occupier Demand

While the impact of Omicron and the ensuing restrictions did pause activity and sentiment in December, the fact that the variant did not make many critically sick, has meant that the economy and its workforce have been allowed to re-start and come back sooner than expected.

This has re-ignited confidence among occupiers. Even though remote/WFH/hybrid models are still evolving, most occupiers are now proceeding with expansion or re-location plans.

As at 1 February 2022, our market research shows the following:

- 72 office agent requirements (OAR) currently active (approx. 794,000 sq.ft.)
- 71% OAR's seeking space for SME's (0-10,000 sq.ft.)
- 60 no. of deals reserved (850,271 sq.ft.) and in legals

Assuming no further restrictions arising from future Covid variants and based on the above stats, we would anticipate take-up in excess of 1.75 million sq.ft. in 2022.

Supply

There is approx. 2.448 million sq.ft. of new Grade A office stock (non-pre-let) under construction in the Dublin market due for delivery by 2023. Of this, approx. 1.43 million sq.ft. over 117 office floors is concentrated in Dublin 2. The overall vacancy rate currently stands at 10.7% (4.9 million sq.ft.) and is rising. Greyspace supply still accounts for approx. 25% of all available stock but some companies are now pulling space from the market to re-occupy same (e.g., Bank of Ireland/DocuSign/Twitter).

There is a lack of quality space for SME occupiers (0-10,000 sq.ft.). The fact that entire large-scale Grade A CBD office buildings are constantly being shortlisted for tech occupiers removes the availability of floors as options. Thus, the number of buildings available to SME's is limited.

London/Silicon Valley Reports

Other markets where tech occupiers are active (like London and Silicon Valley) are reporting increased activity around the sector. In London, limited supply of Grade A stock is protecting headline rents although it should be noted that rent free periods there are almost double what they are in Dublin.

Office Investment

Despite Covid 19, the investment market performed strongly in 2021 (total spend €5.5 billion) with approx. €1.55 billion (28%) of total spend relating to offices across 44 deals. Prime office yields have remained firm at 4%. Low risk, secure income, resilient rent collection statistics and lack of quality stock is helping to maintain this yield profile. Flexible lease structures and downward pressure on net effective rents are notes of caution. There continues to be an influx of existing and new investors from Europe and beyond into the Irish investment market.

Economic Impact

Despite the pandemic, Ireland's economy has continued to perform very well. A combination of factors such as growth in the FDI sector (2021 was a record year for investment here according to the IDA), employment creation across nearly all sectors and increased consumer spending levels all contributed to the current domestic economic growth phase.

The clouds on the horizon for the average person are inflation and potential interest rate hikes. There are further very tangible clouds affecting the office market. These come in the form of increased material costs and labour shortages, which affect both the construction of new office space and the fitouts undertaken by occupiers.

We do not subscribe to the thinking that construction inflation will contribute to prime headline rental growth. Traditional supply/demand/quality factors will decide this.

The greatest impact of construction/materials inflation will be felt by occupiers in the fit-out costs of new space. We have seen rises of c. 40% in fit-out costs in the last 12 months. Occupiers need to be aware of this.

The importance of domestic economic performance on the office market is well known. As a sub-set of the economy, the office market reacts to booms and shocks in employment levels. There is a direct correlation between the performance of the economy and the take-up levels experienced.

Economic growth predictions for 2022 vary but the good news is that most commentators are predicting between 4.6% and 5.5%. Job creation is expected to continue across tech, finance and professional services sectors. This will translate into demand for office space. Rising material costs and labour shortages will continue to affect the cost of office fitouts.

2. THE INSIDE TRACK

Occupier Demand

We witnessed renewed occupier activity in Q3/Q4 2021, with steady increases in the number of office agent requirements received and viewings undertaken. Bear in mind this 'revival' followed 6 months of relative inactivity post January 2021 lockdown.

Looking forward into 2022, most agents are expecting a continued 'bounce' in occupier sentiment which will translate into further requirements and viewings. The current outlook is positive based on the amount of space currently reserved and in legals, together with the number of large requirements (20,000 sq.ft. +) actively seeking to transact in the next 3 to 6 months.

It is also worth bearing in mind that occupier activity is not solely related to new requirements or expansion/contraction needs. Some occupiers will simply have to move as a result of lease expiries occurring within the next 12 months. Others will consider exercising break options and relocate to more cost effective or better-quality offices.

Q1 2022 – 60 Deals Reserved

Deal Size	No. of Deals
0-5,000 sq.ft.	24
5-10,000 sq.ft.	13
10-20,000 sq.ft.	13
20,000 sq.ft.	10

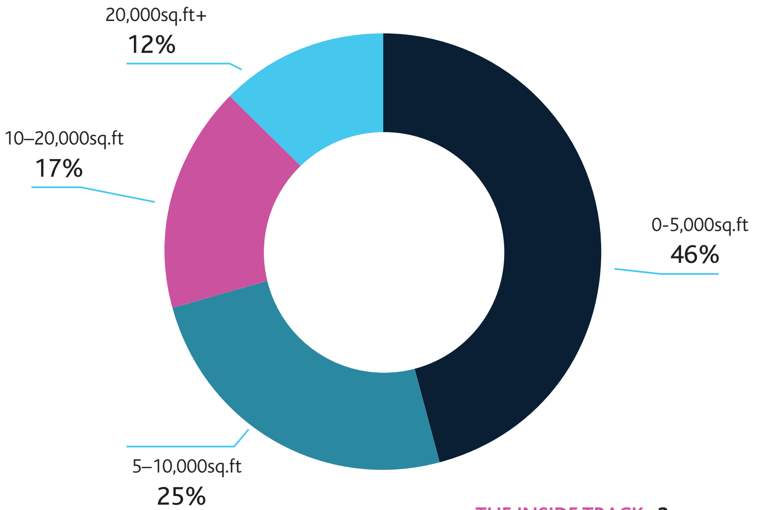
Source: MM

Current Office Agent Requirements (OAR) Analysis

76%	Preference for City Centre
24%	Preference for Suburbs
32%	Preference for Greyspace (fitted options only)
35%	Preference for Short Term Lease (<5 years)
83%	Required Occupancy within 3-6 Months

Source: MM (01/09/21-01/02/2022)

Current OAR by Size



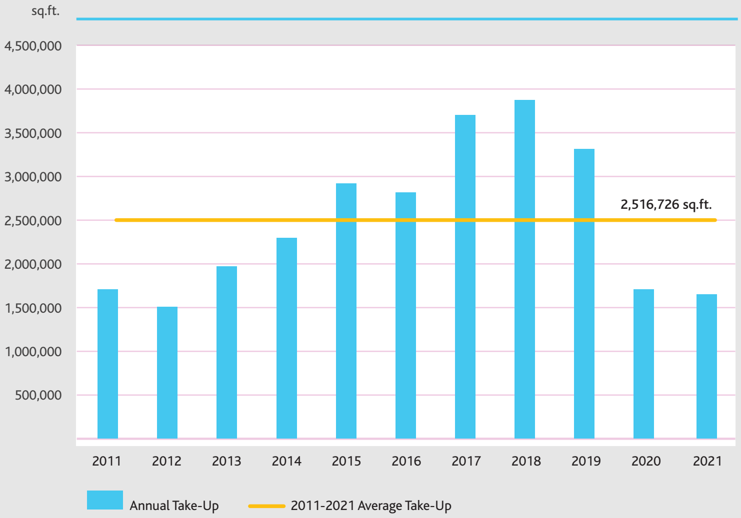
Summary

In summary, we are experiencing steady occupier activity. The importance of having office space as part of company strategy is evident based from our conversations with occupiers. Most are seeking lease flexibility and still expect some form of discount (either by way of rent reduction or additional rent free) from pre-Covid office quoting/dealing terms. Whether they get this or not will depend on building type and location.

From speaking with occupiers, agents, and landlords over the last 6 months, the majority are expecting space requirements to remain the same (size wise). This is a major shift in thinking from Covid times and again re-enforces the importance of the office and the role it plays.

2021 Stats

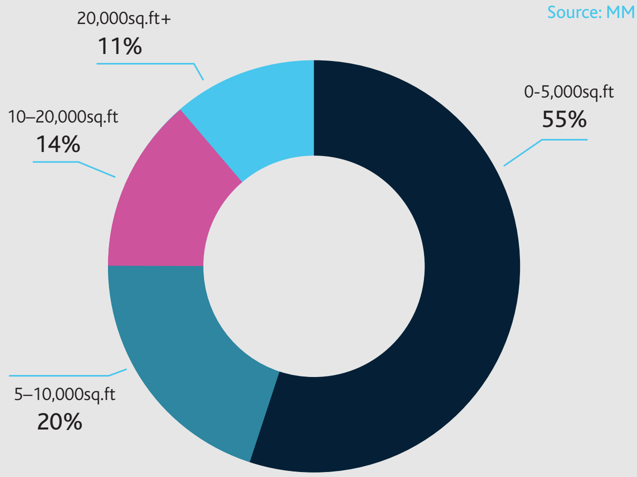
10 Year Take-Up 2011 – 2021



Source: MM

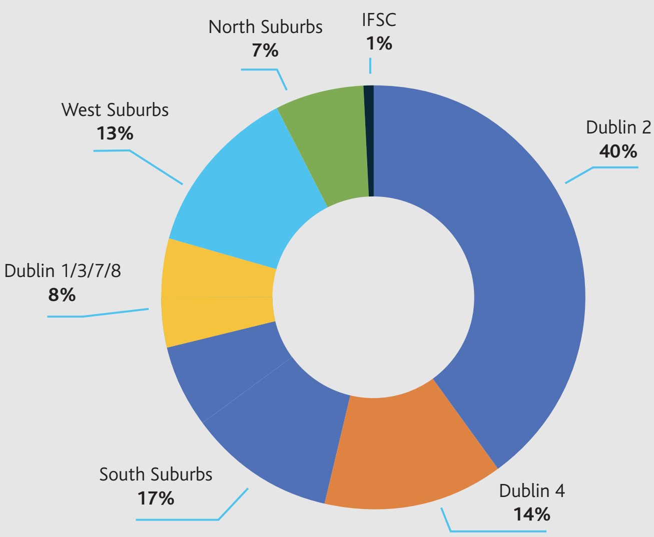
Take-Up by Size (Based on No. of Deals) 2021

Source: MM



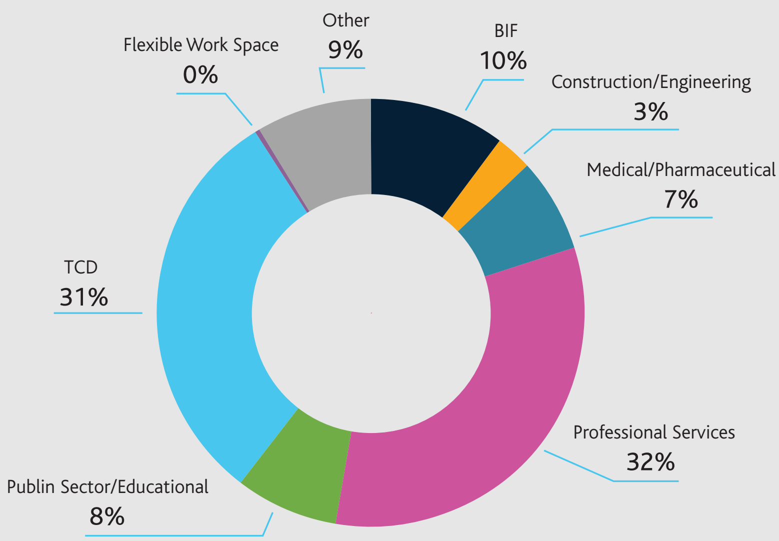
Take-Up by Location (Based on No. of Deals) 2021

Source: MM



Take-Up by Sector (Based on Sq.ft.) 2021

Source: MM



London Calling

3. London Calling

Patrick Ryan, Partner - London offices at Gerald Eve

Current Trends

Although a substantially larger office market (230 million sq.ft.) than Dublin (45 million sq.ft.) with larger sub-markets (City, Canary Wharf, West End, Victoria, etc), the London office market possesses very similar traits to Dublin. London has traditionally set the standard in terms of new Grade A office design and specification, which is replicated in Dublin.

Key Highlights

- Grade A supply is still tight in the key sub-markets of City and West End (unlikely to change 2022-2024).
- Complications in the global supply chain for materials, and labour shortages in the sector means development lead times have extended, which will keep Grade A supply low for the foreseeable future.
- Older office stock makes up a large proportion of availability, most of which will struggle to let.
- Volume of sub-let space has been on a downward trend in H2 2021, good quality tenant space has been absorbed.
- Increasing focus on ESG credentials when considering lettings, especially for pre-let activity.
- 'Flight to quality' from occupiers – best Grade A space achieving close to pre-Covid rents.
- Two-track market to entrench further and returns/ occupation to diverge, driven by ESG credentials and new occupier requirements post-covid.
- Google mobility data shows improvement in visits to workplace reached record levels before Plan B measures were put in place in December 2021. 37% below baseline at peak.
- Tech firms have been active with 1.9 million sq.ft. taken in 2021 (c. 16% of total market).
- Early signs of rental growth appearing in Grade A stock, following competition for best-in-class space (waiting on Q1 deals to confirm any rental growth but tone amongst agents is positive).
- Evidence of rent-free periods beginning to contract in Mayfair/St Jame's and Marylebone locations. Typical ranges are 21-24 months for a 10 year lease.

Summary

The lack of quality Grade A supply in key sub-markets is propping up headline rents. financial & professional services firms are likely to add to the greyspace supply, however, there is limited appetite for fitted space among occupiers.

Tech is strong and continues to acquire additional space. Apple have just signed for 52,000 sq.ft. at 22 Bishopsgate in the City with an option on a further 78,000 sq.ft.

Rent free periods and lease flexibility are the components of deals that have shifted in the occupier's favour rather than reduction in headline rents. These metrics are how London office agents track the true state of the market.

It is interesting to note that rent free periods for ten year term certain leases in London are almost double (24 months) than what they are in Dublin (12 months). This anomaly shows the strength and robust nature of the Dublin market in the years 2016 to 2021.

Our key take-away from conversations with the Gerald Eve team is that limited supply conditions of Grade A stock, coupled with relatively low transactional activity are maintaining headline rental levels.

A View from the Valley

3. A View from the Valley

Mike McCarthy (SIOR) Executive Managing Partner at Transwestern

Current Trends

The relevance of Silicon Valley tech occupiers in the context of the Dublin office market is important. Occupational trends on the West Coast impact us there, as some of the major tech firms have, or will have, very large office footprints in Dublin.

The overall size of the Silicon Valley office market is about 64 million sq.ft.

As with most office markets around the world, transaction volumes were low in the first 6 months of 2021, due to the continued Covid-19 pandemic. However, Silicon Valley's office market rebounded in the fourth quarter of 2021 with several impressive expansions by big tech.

Key Highlights

- Silicon Valley's unemployment rate stands at approx. 2.9%.
- Office rents remain flat.
- Meta, LinkedIn, Tesla Motors and Santa Clara VTA continue to expand within Silicon Valley.
- Vacancy rates currently stands at 14.4%.
- Take-Up 2021 (22,000,000 sq.ft.) up 46% on 2020.
- As at January 2022, there is 6.5 million sq.ft. of office space under construction, 73.7% of which is either build-to-suit or pre-let.
- Sub-letting market is starting to contract as Q4 2021 saw 5.1% decrease in this market.
- New tech replacing those who leave the Valley - 40 companies valued @ $1 billion or more located in SV in 2021.
- 28 Silicon Valley based companies went public in 2021, adding more than $102 billion to the region's market.

Summary

Our key take-away from the Silicon Valley office market is the resilience around the tech sector. The perception that tech is/was 'dumping' lots of sq.ft. onto the market is misguided. While sub-letting or greyspace activity is occurring, it is minimal in an overall market context.

The implications of this trend if it follows through to the Dublin market is largely positive. Tech companies in Dublin may offer (what was intended to be growth) space back to the market by way of sub-letting in the coming years. However, based on Silicon Valley trends, it is unlikely to be to such an extent that would distort the supply side of the market.

Relevance to Dublin Office Market

- Tech sector resilience.
- Professional and financial services firms are more likely to contribute to greyspace supply.
- Headline rents reducing slightly by up to 5% only.
- Net effective rent likely to reduce by 10-15% (as rent-free periods increase).
- Increased rent-free incentives and lease flexibility will be the main tools used to give occupiers value.
- Constrained office supply and low unemployment environments help maintain rental levels.

4. TAKING STOCK – Dublin Office Supply

Under Construction 2022-2023

The table below provides a summary of the supply of new Grade A office space (non-pre-let) currently under construction in the Dublin market 2022 – 2023.

2022

Location	No. of Developments	Size	No. of Floors
Dublin 2	8	635,047	55
Dublin 4	-	-	-
North Docks	2	248,638	21
City Fringe	1	113,249	8
South Suburbs	-	-	-
West Suburbs	-	-	-
Total	**11**	**996,934**	**84**

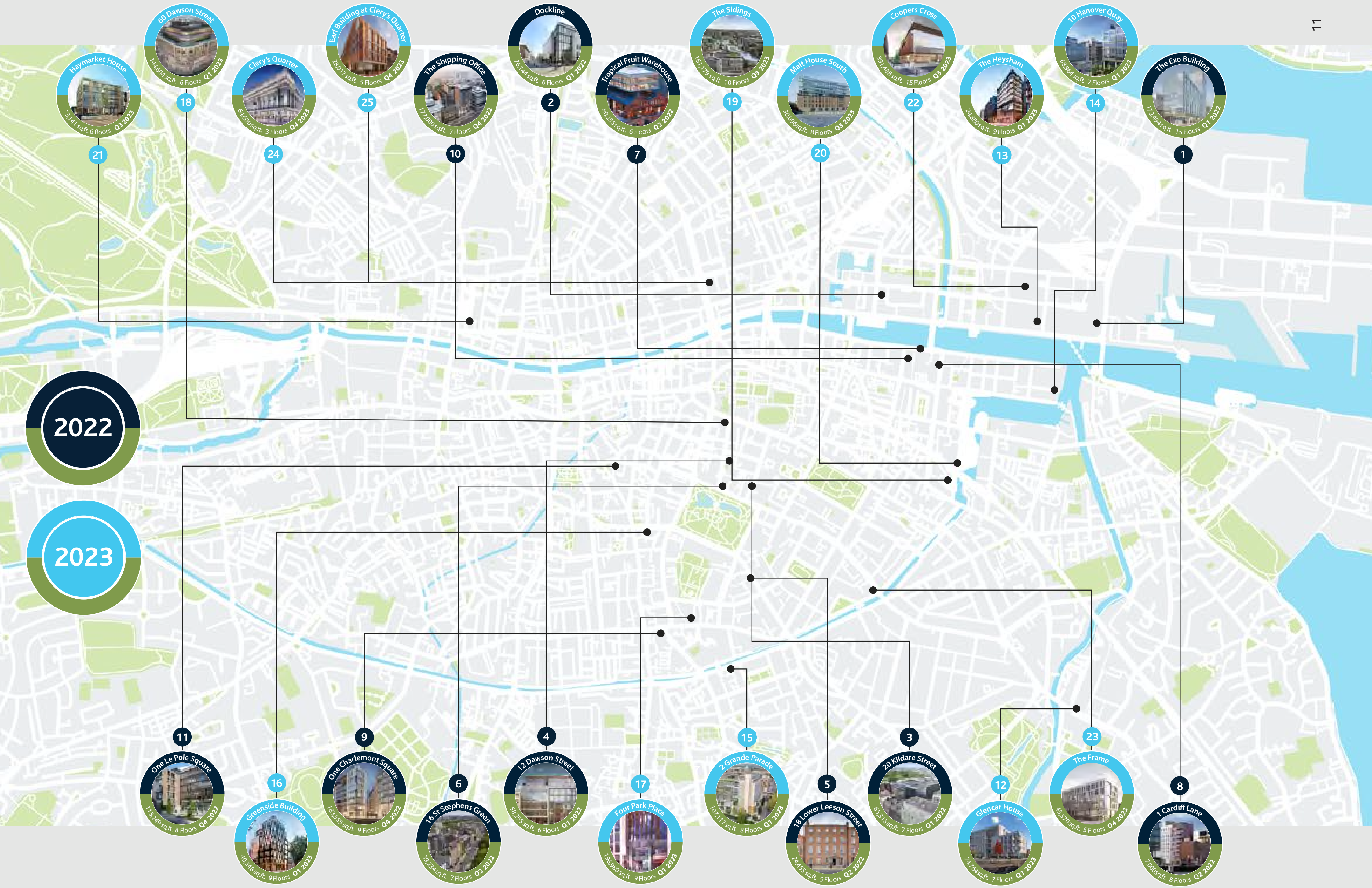
2023

Location	No. of Developments	Size	No. of Floors
Dublin 2	8	794,658	62
Dublin 4	1	74,764	7
North Docks	2	416,368	24
City Fringe	3	165,758	14
South Suburbs	-	-	-
West Suburbs	-	-	-
Total	**14**	**1,451,548**	107

Grade A Floor Availability – February 2022

Location	No. of Buildings	Total Size	No. of Floors
Dublin 2	11	147,863 sq.ft.	23
Dublin 4	5	107,708 sq.ft.	14
North Docks	3	234,217 sq.ft.	20
Total	**19**	**489,788 sq.ft.**	**57**

Source: MM


2022
2023
21 Haymarket House 73,141 sq.ft. 6 floors Q3 2023
18 60 Dawson Street 144,604 sq.ft. 6 Floors Q1 2023
24 Clery's Quarter 64,600 sq.ft. 3 Floors Q4 2023
25 Earl Building at Clery's Quarter 28,017 sq.ft. 5 Floors Q4 2023
10 The Shipping Office 177,000 sq.ft. 7 Floors Q4 2022
2 Dockline 76,144 sq.ft. 6 Floors Q1 2022
7 Tropical Fruit Warehouse 80,235 sq.ft. 6 Floors Q2 2022
19 The Sidings 161,179 sq.ft. 10 Floors Q3 2023
20 Malt House South 30,096 sq.ft. 8 Floors Q3 2023
22 Coopers Cross 391,488 sq.ft. 15 Floors Q3 2023
13 The Heysham 24,880 sq.ft. 9 Floors Q1 2023
14 10 Hanover Quay 69,964 sq.ft. 7 Floors Q1 2023
1 The Exo Building 172,494 sq.ft. 15 Floors Q1 2022
11 One Le Pole Square 113,249 sq.ft. 8 Floors Q4 2022
16 Greenside Building 40,348 sq.ft. 9 Floors Q1 2023
9 One Charlemont Square 183,555 sq.ft. 9 Floors Q4 2022
6 16 St Stephens Green 39,234 sq.ft. 7 Floors Q2 2022
4 12 Dawson Street 58,255 sq.ft. 6 Floors Q1 2022
17 Four Park Place 196,980 sq.ft. 9 Floors Q1 2023
15 2 Grande Parade 107,117 sq.ft. 8 Floors Q1 2023
5 18 Lower Leeson Street 24,455 sq.ft. 5 Floors Q2 2022
3 20 Kildare Street 65,313 sq.ft. 7 Floors Q1 2022
12 Glencar House 74,764 sq.ft. 7 Floors Q1 2023
23 The Frame 45,370 sq.ft. 5 Floors Q4 2023
8 1 Cardiff Lane 7,000 sq.ft. 8 Floors Q2 2022

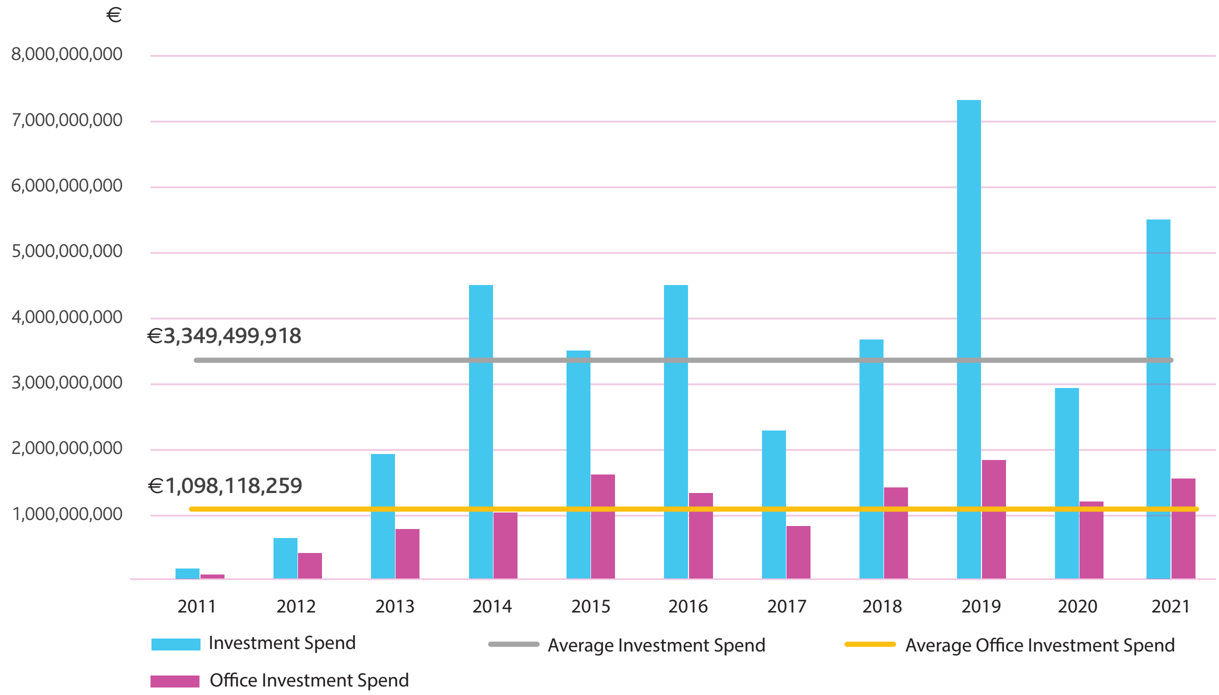
Dublin City Centre Grade A Office Supply Map 2021 –2023

No. on Map	Development	Size sq.ft.	No. of Floors	PC Date
1	The Exo Building	172,494	15	Q1 2022
2	Dockline	76,144	6	Q1 2022
3	20 Kildare Street	65,313	7	Q1 2022
4	12 Dawson Street	58,255	6	Q1 2022
5	18 Lower Leeson Street	24,455	5	Q2 2022
6	16 St. Stephens Green	39,234	7	Q2 2022
7	Tropical Fruit Warehouse	80,235	6	Q2 2022
8	One Cardiff Lane	7,000	8	Q2 2022
9	One Charlemont Square	183,555	9	Q4 2022
10	The Shipping Office	177,000	7	Q4 2022
11	One Le Pole Square	113,249	8	Q2 2022
12	Glencar House	74,764	7	Q1 2023
13	The Heysham	24,880	9	Q1 2023
14	10 Hanover Quay	68,964	7	Q1 2023
15	Two Grand Parade	107,117	8	Q1 2023
16	Greenside Building	40,348	9	Q1 2023
17	Four Park Place	196,980	9	Q1 2023
18	60 Dawson Street	144,604	6	Q1 2023
19	The Sidings	161,179	10	Q3 2023
20	Malt House South	30,096	8	Q3 2023
21	Haymarket House	73,141	6	Q3 2023
22	Coopers Cross	391,488	15	Q3 2023
23	The Frame	45,370	5	Q4 2023
24	Clery's Quarter	64,600	3	Q4 2023
25	Earl Building at Clery's Quarter	28,017	5	Q4 2023

5. MONEY MONEY MONEY – The Investment Market

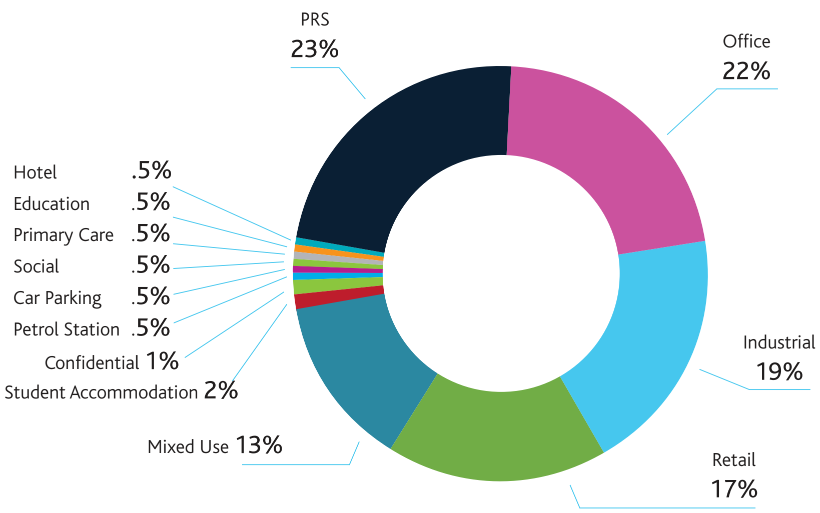
Despite Covid-19, the Investment Market performed strongly in 2021, with a total of €5.5 billion investment spend. Total investment spend in 2021 was significantly higher than the spend in 2020 (€2.9 billion) and well in excess of the 10 year average investment spend of €3.35 billion.

Investment Spend 2011 – 2021



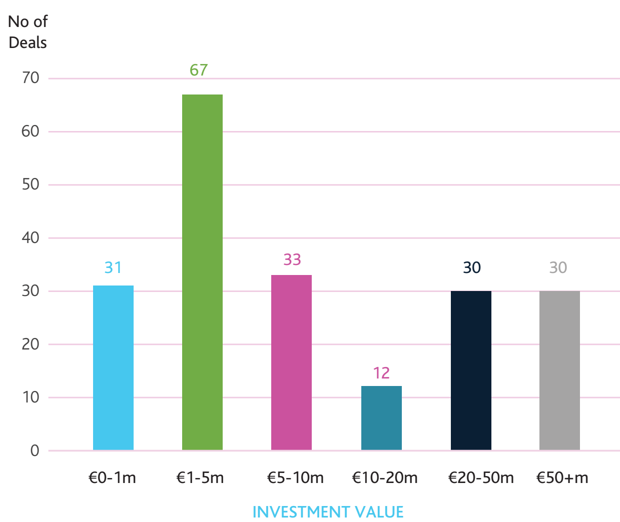
Source: MM

Investment By Asset Class 2021



Source: MM

Investment by Lot Size 2021



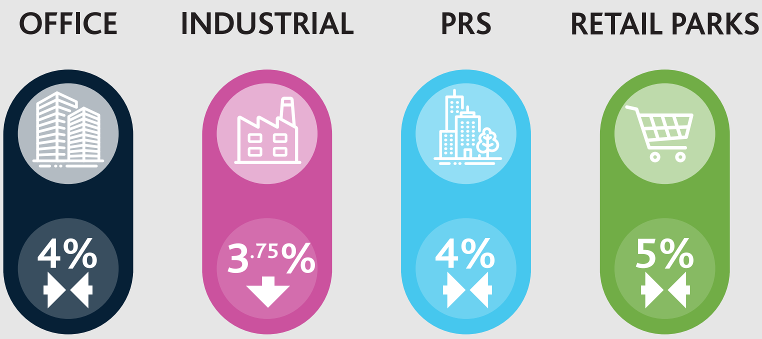
Top 5 Investment Deals 2021

Property	Price	Vendor	Purchaser
Confidential Portfolio (PRS)	€450 million	Confidential	Ardstone
Serpentine Buildings, Buildings, Dublin 4 (Offices)	€395 million	Private	Confidential
Project Tolka Portfolio (Offices)	€290 million	Colony Capital	Private Investor
Exeter Portfolio (Industrial)	€285 million	Confidential	GIC
Royal Canal Park, Ashtown, Dublin 15 (PRS)	€200 million	Ballymore	Union

Top 5 Office Investment Deals 2021

Property	Price	Vendor	Purchaser
Serpentine Buildings, Ballsbridge, Dublin 4	€395 million	Private Individuals	Blackstone
Project Tolka Portfolio	€290 million	Colony Capital	Blackstone
Block A Riverside IV, 70 Sir John Rogerson's Quay, Dublin 2	€164 million	Irish Life	DEKA
One & Two Dockland Central, North Dock, Dublin 1	€152.288 million	Hibernia REIT	Commerz Real AG
76 Sir John Rogerson's Quay, Dublin 2	€95 million	TIO	Am Alpha

Prime Yields (Spring 2022)



The Chase for 'Beds and Sheds' Heats Up

There continues to be a significant amount of domestic and international investment chasing opportunities in the PRS/residential investment and industrial/logistics markets.

New entrants from Europe and the Far East continue to target the Irish market. These investors play a key role in unlocking supply in terms of forward fund agreements and providing a target market for developers post completion. It is difficult to see how a lot of the developments would progress without their involvement in the market.

As evidenced over the past 12 months, there continues to be a strong demand for logistics/industrial investment. Whilst this sector is still in its relative infancy, there were approx. €1 billion of assets traded in 2021.

Some high-profile sales in the market included the Core Portfolio and the Primark forward fund opportunity in Newbridge. Supply remains very tight with only a handful of developers producing stock within this sector. This in turn is driving yields compression and growth in capital values.

The Sub €5 Million Market

This market has been traditionally dominated by individual investors and small family funds. There have always been a large mix of property types, from single let secure investments such as bank branches, to more 'value add' and 'hands on' asset management opportunities.

The real positive for this sector is that there is now more money on deposit in Irish banks than ever before, and in most cases earning significantly low interest or none at all. This presents great opportunities for investors to expand their property portfolios or enter the market for the first time.

Investors will have some concerns about the potential for interest rate increases in 2022. This combined with high inflation, could deter activity in the market. But in this sub-sector there will continue to be opportunities to acquire assets across all sectors, which can provide a range of investment options to meet specific risk profiles.

6. BACK TO THE FUTURE – What Next for the Office?

Covid 19 intensified the debate around the future role of the office. The structural shift in how we work had initially cast doubt on the viability and relevance of the physical office. However, lockdown highlighted issues (e.g., mental and virtual communication fatigue) around full time WFH for a considerable number of us.

Fast forward to 2022 and as the enforced WFH experiment comes to an end (fingers crossed!), it is no surprise that the value and importance of the physical office environment is once again to the fore. Long before Covid, the office had been a destination. A place where you not only got your work done but also experienced the social interaction and collaboration it offered. We may have forgotten that the office played this additional role. The office is everyone's second home, their second family and for some, it offers a nicer physical environment than they may perhaps have at home.

Rethinking our Thinking - Efficiency trumps Presenteeism

High value/collaborative work should be undertaken in an office environment over a defined period of hours or days. Blended into the working week will be WFH for process driven tasks. The traditional 9am to 5pm working day is gone (particularly with the technology available to us) so the loss of hours incurred during traditional daily commutes should be gone too. A 1 hour commute into the office at peak travel time equates to 10 hours per week or one and a half working days.

This commute time can be reduced with very little effort and smarter working. Any time regained benefits both employer and employee.

'Efficiency beats Presenteeism' should be the new working day motto.

With technology now firmly embedded into our working lives and unfortunately (with no rule book for self-discipline) into our home lives, we always have the ability to respond to work tasks from any location.

Therefore, it now makes sense to discuss a working model where each employee decides how they maximise the efficiency and productivity of their working week. Allowing this flexibility will appeal to the social/family requirements of a cross section of age groups.

Flexibility is the currency of the Post Covid working environment.

Office spaces will need to reinforce the safety message and create productive and inspiring spaces in which to work and do business.

What Occupiers want – Post Covid Trends

The importance of ESG, while relevant to all, is in reality, the focus of multi-nationals and publicly quoted companies. The green premium on rents which some think will arise from this area, will almost exclusively be focused on new Grade A office stock which benefits from accreditation standards such as LEED/BREEAM/WELL, etc.

Post-Covid, occupiers now place greater importance on how they physically occupy their space in terms of the design of their fit-out and the layout of their space. The traditional open plan office is under scrutiny. Many occupiers are re-assessing the size, location, and design of their office space to support their long-term business needs. We have outlined below some of the issues that are commonly mentioned by occupiers as they look to 'future proof' their office.

Density	Increasing space per workstation to combat "desk anxiety"
Cleaning	Additional cleaning within the office environment
Configuration	Re-configuration of communal and meeting rooms
No sharing	Removal of desk sharing
Capacity	Greater control measures around capacity and lifts/entrances/stairwells
Ventilation	Better air circulation and natural ventilation
HVAC	Improved HVAC systems
Reception	Generous reception, core and circulation areas facilitating more personal space
Layouts	Flexible office layouts allowing for changing design criteria
Leases	Lease flexibility to facilitate growth or contraction
Location	Occupiers placing higher value on amenity rich locations
Monitoring	Monitoring employee density and internal building air quality/conditions in real time
Turnkey	Occupiers are less willing to invest in fit-out for short 2-3 year leases
Transport	Proximity to public transport important as it must be easy to commute into the office

Occupiers will continue to seek office buildings and floors that can best accommodate the above and are adaptable to their changing business/working arrangements.

7. OUTLOOK 2022

Grade A all the Way

- Older, non-refurbished stock will be less desirable for occupation, while prime Grade A or newly refurbished offices will continue to be preferred. The ability of space to be adaptable and cater for an occupier's criteria will be a key factor. The best office stock (Grade A) is typically more adaptive and resilient to the changing office landscape.
- Therefore, we believe the rental gap between prime and secondary stock will continue to grow.

Location Location Location

- Post-Covid, there is a renewed focus on location. Occupiers are becoming more diligent and aware of the differences between area postcodes and what is offered in the immediate local environment. Amenity rich environments with close proximity to shops, cafes etc, public transport, Dublin bike hubs, public paths and offering a safe immediate environment for staff will be favoured by occupiers.
- As a result, prime Dublin 2 CBD offices will see the biggest concentration of activity.
- Fringe or newly developed 'quarter' locations should prioritise delivering a quality retail and amenity environment to attract occupiers in a more challenging market. Offices in these sub-markets could see net effective rental declines as they use financial incentives to attract occupiers away from the traditional core locations.

The Power of Tech

- It appears that tech occupiers will continue to dominate the large pre-letting market in 2022. We are aware of a number of well-known tech companies in advanced discussions for significant pre-lets currently as we write this. Their importance to the annual take-up figures should not be underestimated.
- The unseen impact of the tech domination is the number of office floors that can actually be taken off the market in one fell swoop by a large pre-let. SME occupiers in the 5-15,000 sq.ft. range face limited choice for Grade A CBD options as a result.
- Landlords have been reluctant to actively engage in floor by floor letting strategies as they wait in hope for tech occupiers to take the entire of their buildings.
- This perception of floor-by-floor unavailability could come back to haunt some landlords who are choosing to ignore multi-let strategies. Bear in mind, 0-10,000 sq.ft. occupiers represented 75% of the number of deals transacted in 2021. This percentage is in line with the annual average.

Struggles for SME's

- 2022 will likely be another difficult one for SME's seeking quality Grade A and Grade B+ refurbished space in core CBD locations. This lack of choice will help maintain rental levels.
- Lease flexibility will and should remain in this sector. 10 year leases with tenant break options in Year 5 and 7 will endure. Rent free periods will likely tighten for the best quality space.
- The rising costs of fit-outs remain a concern and will result in a much higher bill for occupiers moving office this year.

R is for Robust

- The market, occupier demand, rental levels and the economy all seem to have returned to pre-Covid levels. We expect 2022 to see further growth in numbers returning to the office.
- Business activity is reportedly strong in nearly all sectors, thus giving occupiers confidence to plan once again for expansion. This will lead to increased enquiry levels among agents and ultimately translate into take-up.
- Assuming no further Covid variants necessitating lockdowns/restrictions and the continued desire of tech occupiers to pre-let space, our expectation is that take-up should exceed 1.75 million sq.ft. this year.

It's all about the money money money...

- There remains very positive sentiment in the Irish commercial property market among domestic and international investors. Ireland remains attractive for the international investor market. It offers more attractive prime yields than markets such as Germany, France, Netherlands, etc.
- Office rental values have remained strong post Covid which will continue to underpin office investment values in this sector.
- The industrial investment market will continue to be characterised by a lack of quality stock. Those developers in a position to deliver high quality modern properties to the market will benefit greatly given the continuing depth of potential purchasers in this sector.
- PRS/Residential investment will continue to perform strongly with a large pipeline of apartment developments ongoing.
- ESG will continue to become important to investors in the years ahead. The social impact of property is now in the spotlight more than ever and is prevailing in decision making. Investors and developers are now seeing the benefits of a detailed focus on ESG and is having a positive impact on pricing in the market.
- The economic outlook is likely to surpass expectations in the short term, however, caution must be advised around issues such as building supplies and labour cost inflation.These factors will impact negatively on some sectors in the medium term.

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