Market Monitor
AUTUMN 2023

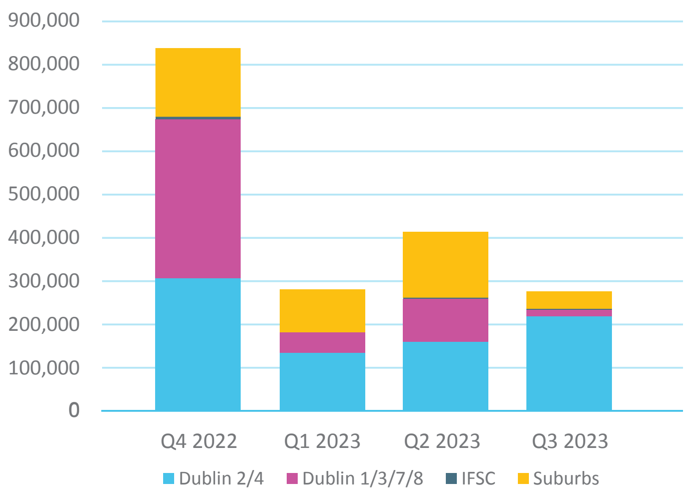
OFFICES (Q1 - Q3 2023)

- Approx. 967,000 sq.ft. take up in YTD across 144 deals
- SME 0-10,000 sq.ft. sector dominant
- New 'Landlord Controlled' Grade A stock impacted by scaled back demand and competition from New 'Tenant Controlled' Grade A stock
- CBD most active location
- Rent across all grades coming under pressure

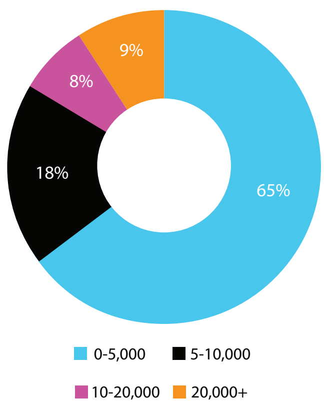
TOP 5 DEALS (Q1 - Q3 2023)

NTA	Haymarket House, Smithfield, Dublin 7	79,600 sq.ft.
DATADOG	Third & Fourth Foor, One Dockland Central & Third Floor, Two Dockland Central, Guild Street, D1	43,776 sq.ft.
KKR	Fourth, Fifth & Sixth Floor, Cadenza, Earlsfort Terrace, Dublin 2	39,236 sq.ft.
Jacobs	Part Second Floor, Termini, 3 Arkle Road, Sandyford, Dublin 18	30,500 sq.ft.
Pinterest	Second Floor, 60 Dawson Street, Dublin 2	27,739 sq.ft.

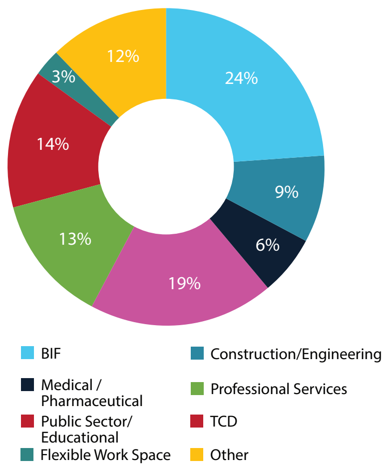
TAKE UP BY LOCATION (Q1 - Q3 2023)



NO. OF DEALS BY SIZEBAND (Q1 - Q3 2023)



TAKE UP (SQ.FT.) BY SECTOR (Q1 - Q3 2023)



COMMENT

How would you summarise the year so far?

lIn a word – Quiet. We got so used to big pre-lets and lettings that once these dried up, it felt like a chasm had been created! However, we are now adjusting to what I would describe as an early 2000's 'Normal' Dublin office market level.

Q1 & Q2 were slow but activity levels (albeit at lower 0-10,000 sq.ft. size range) have picked up in Q3. Tech slowdown/retreat has led to an increased supply of New Grade A stock which is competing (for the first time on any significant scale) with New Grade A 'Landlord Controlled' stock.

Quoting rents are holding firm in this bracket but with the lack of big requirements in the market, pressure may force one or the other to 'blink'. This is likely to occur by way of increased rent free/incentive packages as opposed to headline rent reductions. I expect a busy end to the year but at SME level.

Where are we now on WFH & BITO strategies from what you are seeing?

That depends on the type of industry you are in and whether you belong to an international or domestic company. Irish owned businesses (particularly Professional Services) are back in the office 4 x days per week based on conversations I have had with CEO's. International companies are still 2 – 3 days BITO and this seems to be a company wide mandate with local operations free to alter if they wish. Job security fears will drive BITO rates up with presenteeism and visibility in the office viewed as important by same. The main concern with these companies is trying to figure out the amount of space they require when their current lease is up. My expectation is that the majority will require 10-20% less than they had before.

Where have all the 'Big Demand' gone? What's replacing it?

You have to remember the old adage about an Office Market being a subset of the economy in which it sits. Over the past 9 months, our economy has experienced high inflation, significant interest rate rises and felt the real effect of the Tech Slowdown in the office market.

Economic pressures feed into business leaders mindsets when it comes to growth or contraction. Our office market heavily relied on the Tech Sector in recent years in terms of huge pre-lets/lettings on Grade A stock. That's pretty much gone now and replaced by sub-letting of the excess space that was assumed once needed.

The traditional 0 – 10,000 sq.ft. SME sector is once again responsible for the vast majority of deals (75-85%) quarter on quarter. I expect this to be the case for a while, so buildings can get ahead and start deploying Multi-Let strategies. In particular, there is an opportunity for Grade A stock in this size bracket with a shortage of high quality options available, particularly in the CBD.

INVESTMENT (Q1 - Q3 2023)

- Approx. €1.705 billion transacted in the YTD across 91 transactions
- €0-€10 million lot size accounted for 63% of all transactions
- Dublin still the main centre for investment at 69%
- Investor sentiment remains weak with institutional and smaller private investors continuing to adopt a cautious approach to their activity in the market
- There will be additional pressure on institutional investors to source high quality ESG compliant buildings across all sectors

PRIME YIELDS (Q1 - Q3 2023)

Offices	Industrial	PRS	Retail Parks
4.75% ▲	4.75% ▲	4.5% ▲	6.5% ▲

TOP 5 DEALS (Q1 - Q3 2023)

Asset	Price	Vendor	Purchaser
Project Opus (Valley Healthcare)	€300m	AMP Capital	John Laing/ KKR
Opus, 6 Hanover Quay, Dublin 2	€101m	Angelo Gordon Carysfort Capital	Pontegadea
Greenogue Logistics Rathcoole, Park, Co. Dublin	€100m	Palm Capital/KKR	Ingka Investments
Eglinton Place, Donnybrook, Dublin 4	€99.5m	Richmond Homes	M&G
Confidential Residential Scheme in Dublin	€92m	Confidential	Confidential

TRANSACTIONS BY LOT SIZE (Q1 – Q3 2023)

€0-1m	€1-5m	€5-10m	€10-20m	€20-50m	€50m+
10%	42%	11%	13%	14%	10%

TRANSACTIONS BY ASSET CLASS (Q1 - Q3 2023)

Retail	Industrial	Office	Mixed Use	PRS	Residential	Healthcare	Petrol Station	Hotel	Car Park
32%	20%	18%	13%	8%	3%	3%	1%	1%	1%

COMMENT

What is next for the Investment Market?

The activity in the Irish investment market has experienced continual decline since Q3 2022 up to the end of Q3 2023. Overall, investor sentiment remains weak with institutional and smaller private investors continuing to adopt a cautious approach to their activity in the market. The pool of potential purchasers has dwindled, brought on by the ongoing uncertainty surrounding further ECB interest rate hikes and accompanying inflation issues across Europe, which are yet to bottom out. The ongoing potential for a global economic recession is also present and with the further softening of investment pricing likely, investors for the most part are pressing pause on activity. Transactions continue albeit at a much slower pace (with price adjustments) but the financing of larger deals has become much more difficult. However, there is expectation in the market that interest rate hikes will peak by the end of 2023 which will hopefully lead to a more stable market for investors who can then adjust their strategies accordingly leading to more investor activity. Yields have moved out across all sectors over the past 12 months but we don't expect to see the same movement over the coming 12 months as prices adjust and the gap between purchasers and vendors expectations closes.

What are the positive signs in the Irish Market?

Ireland remains a highly regarded, secure and stable market and remains an attractive destination for international investors. Even with a more subdued market, there have been ample new entrants (French, German) taking an active part in the market and completing on deals throughout the first half of 2023. Retail accounted for over 32% of all transactions with the investment market up to the end of Q3 2023 which shows a significant recovery for this asset class with regional opportunities proving attractive. Warehouse and Logistics continue to perform well, underpinned by a lack of quality supply and increasing rents. There has been a marked increase in the numbers returning to the office which will also help to bolster the office investment market moving forward as demand for top quality grade A accommodation returns. There remains a depth of institutional requirements across all sectors and the underlying strength of the Irish Economy will undoubtedly provide added security for those cautious in the months ahead.

Will there be a flight to quality?

There will be additional pressure on institutional investors to source high quality ESG compliant buildings across all sectors. Demand for sustainable and energy efficient buildings has always been evident but in a tighter market it will become increasingly important as investors seek to meet their own ESG requirements and acquire high end buildings. These credentials will also be key to sourcing finance and those properties which do not provide immediate ESG criteria, or at least demonstrate a clear pathway to make buildings 'greener' will suffer. Discounts will be applied to buildings and investments that do not present best in class sustainability, which will lead to a growing disparity of values between newer and older stock.