



OFFICE REPORT

Q2 2022

Q1
Q2
Q3



TOP 5 DEALS

SERVICE NOW

60 Dawson Street, Dublin 2

8,180 sqm

WORKDAY

Dockline, Mayor Street, Dublin 1

5,000 sqm

WAYSTONE

35 Shelbourne Road, Ballsbridge, Dublin 4

4,830 sqm

GLANDORE

Bottleworks, Barrow Street, Dublin 4

2,400 sqm

PENINSULA

Block W, Eastpoint Park, Dublin 3

1,530 sqm

TAKE UP

44,600 SQM

CITY

80%

SUBURBS

20%

ACTIVITY

52 TRANSACTIONS

860 SQM

AVERAGE DEAL SIZE

OCCUPIER PROFILE

37% TECHNOLOGY

23% FINANCE

RESERVED

115,200 SQM

CITY

68%

SUBURBS

32%

PRIME HEADLINE RENT

€667

PSM

CITY

€318

PSM

SUBURBS

DUBLIN HEADLINE VACANCY RATE

11.2%

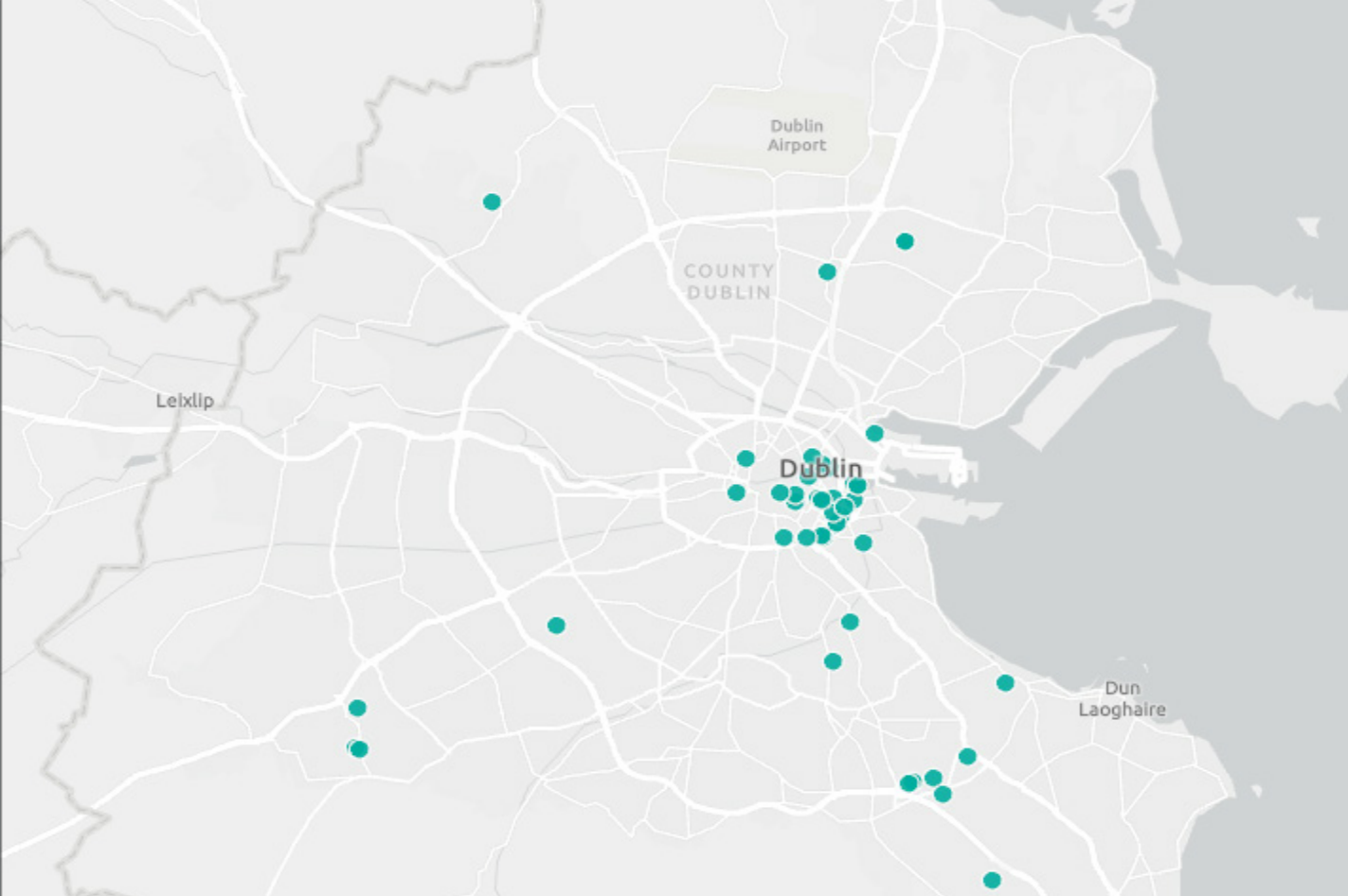
OVERVIEW

Following on from low levels of activity during the pandemic, office market activity improved in H1 2022. 44,600 sqm of office space was transacted in Q2, following on from 43,850 sqm in Q1. In addition, there was 115,200 sqm of accommodation reserved at the end of June, highlighting the level of demand present. Some of this demand is driven by companies competing to provide the best working environment as a means of attracting and retaining staff. While the delivery of new schemes has been delayed due to COVID-19 related site closures, construction activity progressed in Q2 with 93,200 sqm completed. Prime headline rents remained stable in the quarter, albeit still 1.6% below March 2020 levels.

OFFICE



NOVA ATRIA, SANDYFORD BUSINESS PARK, DUBLIN 18 -
12,000 SQ FT AVAILABLE TO LET

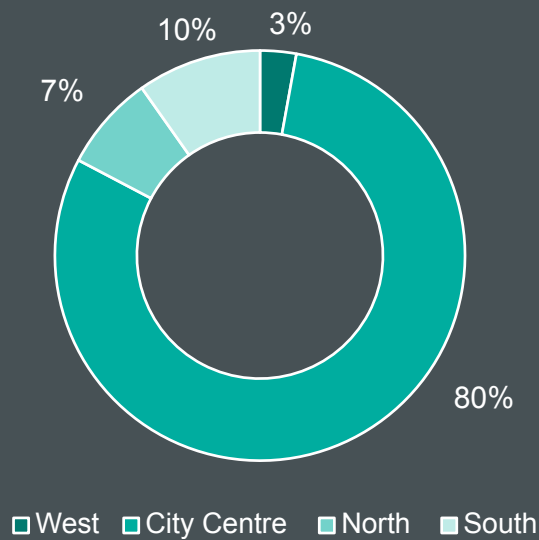


ACTIVITY

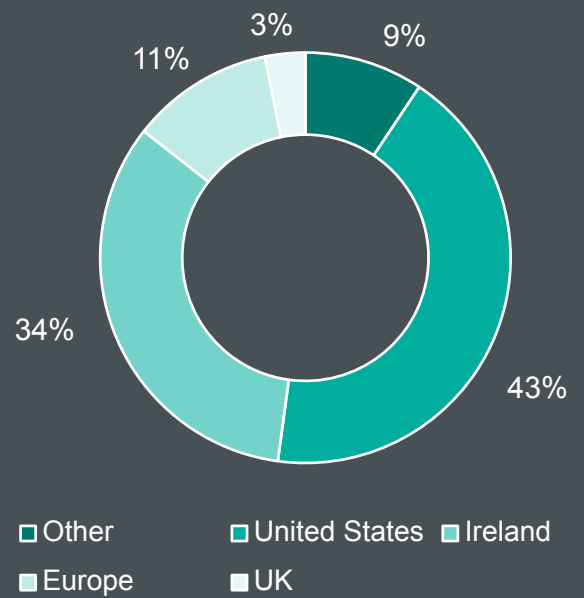
Dublin take-up in Q2 2022 reached 44,600 sqm across 52 deals. While this was a similar level to the previous quarter (43,850 sqm), it was approximately half of the average level of quarterly activity between 2017 and 2019 (86,000 sqm). 80% of Q2 activity was in the city centre with tech firms the most active. Market sentiment was positive with the amount of stock reserved at the end of the quarter standing at 115,200 sqm.

- As is usual, the city centre was the busiest region, accounting for 80% of space transacted. It was followed by the south suburbs region at 10%, while the north and west suburbs accounted for 8% and 3% respectively.
- The two largest transactions were in the city centre. ServiceNow (a US software company) took 8,180 sqm at 60 Dawson Street in Dublin 2, which is currently under construction. Also in the tech sector, Workday completed a deal on 5,000 sqm at Dockline on Mayor Street in Dublin 1.
- Occupiers from the US took most space, 43% of the total, with domestic occupiers taking one-third. Interestingly, deals relating to occupiers from the US were 2.5 times larger than those completed by domestic companies; 1,735 sqm compared to 710 sqm. This could highlight a more cautious approach being adopted by local businesses to the current economic climate and also caution in relation to the evolution of hybrid working.
- The tech and finance sectors were the most active in Q2, accounting for 37% and 23% of take-up respectively.
- The State was involved in two deals. HEAnet (tech service provider to the Irish educational sector) took 15,700 sqm at North Dock Two, Dublin 1 and the Department of Justice leased 4,240 sqm at The Richmond Building, Dublin 7.
- Serviced office providers remained active in Q2 2022 taking 3,300 sqm across two deals. Glandore, a long standing Irish serviced office provider, took 2,400 sqm at the newly built Bottleworks building on Barrow Street and Pembroke Hall took 900 sqm at 5 Dame Lane in Dublin 2.
- The average transaction size in Q2 was 860 sqm, which is lower than the previous quarter's average of 1,160 sqm and remained substantially below the 1,600 sqm average in the four years before the pandemic.

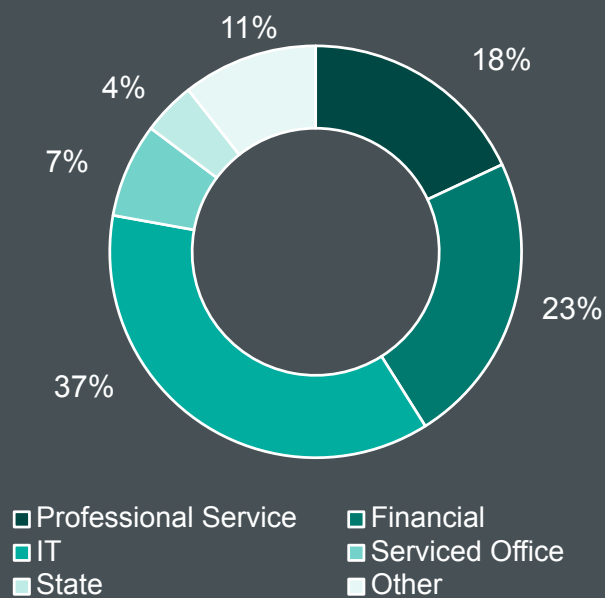
TAKE-UP BY REGION
Q2 2022



TAKE-UP BY OCCUPIER ORIGIN
Q2 2022



TAKE-UP BY REGION
Q2 2022



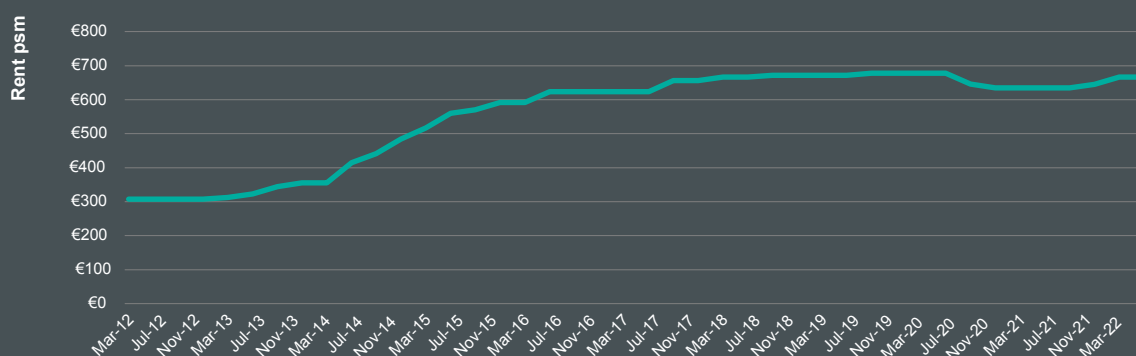
Source: Lisney

TERMS

Prime headline rents remained stable in Q2 at €667 psm / €62 psf. However, this remains 1.6% below pre-pandemic levels. For the overall office market across Dublin (prime and secondary buildings in all regions), Lisney's office composite rental index was also 1.6% lower in June 2022 when compared to March 2020.

Demand has increased significantly for fully fitted space due to significantly higher fit-out costs in the past year. Such space is achieving premium rents, and in some situations, has resulted in the gap between prime and secondary rents reducing. This has also encouraged tenants to take serviced accommodation, which is currently at high capacity. Going forward ESG criteria and the requirement for energy efficient buildings will feed into rental inflation. In addition, the rents required to justify new builds will increase to counter-balance construction cost inflation of the new developments.

PRIME HEADLINE OFFICE RENT (Q1 2012 – Q2 2022)



Source: Lisney

TOP 10 OFFICE TRANSACTIONS (Q2 2022)

| BUILDING | SQM | REGION | OCCUPIER |
|--|-------|---------------|--------------------------|
| 60 Dawson Street, Dublin 2 | 8,180 | City Centre | ServiceNow |
| Dockline, Mayor Street, Dublin 1 | 5,000 | City Centre | Workday |
| 35 Shelbourne Road, Ballsbridge, Dublin 4 | 4,830 | City Centre | Waystone |
| Bottleworks, Barrow Street, Dublin 4 | 2,400 | City Centre | Glandore |
| Block W, Eastpoint Park, Dublin 3 | 1,530 | North Suburbs | Peninsula |
| North Dock 2, Dublin 1 | 1,450 | City Centre | HEAnet |
| Bloodstone Building, Dublin 2 | 1,220 | City Centre | Caceis |
| Block 9, Richview Office Park, Dublin 14 | 1,100 | South Suburbs | Western Union |
| 3009 Lake Drive, Citywest Business Park, Dublin 24 | 930 | West Suburbs | Meridian Global Services |
| 5 Dame Lane, Dublin 2 | 900 | City Centre | Pembroke Hall |

Source: Lisney

DEMAND

The city centre remained the most sought-after region so far this year. While it had been expected that demand for suburban offices would grow significantly after COVID, this has not materialised. Just 20% of activity in Q2 and 17% of activity in Q1 was in the suburbs. Three of the top ten deals were in the suburbs in Q2 2022 and only one of them made it into the top five deals.

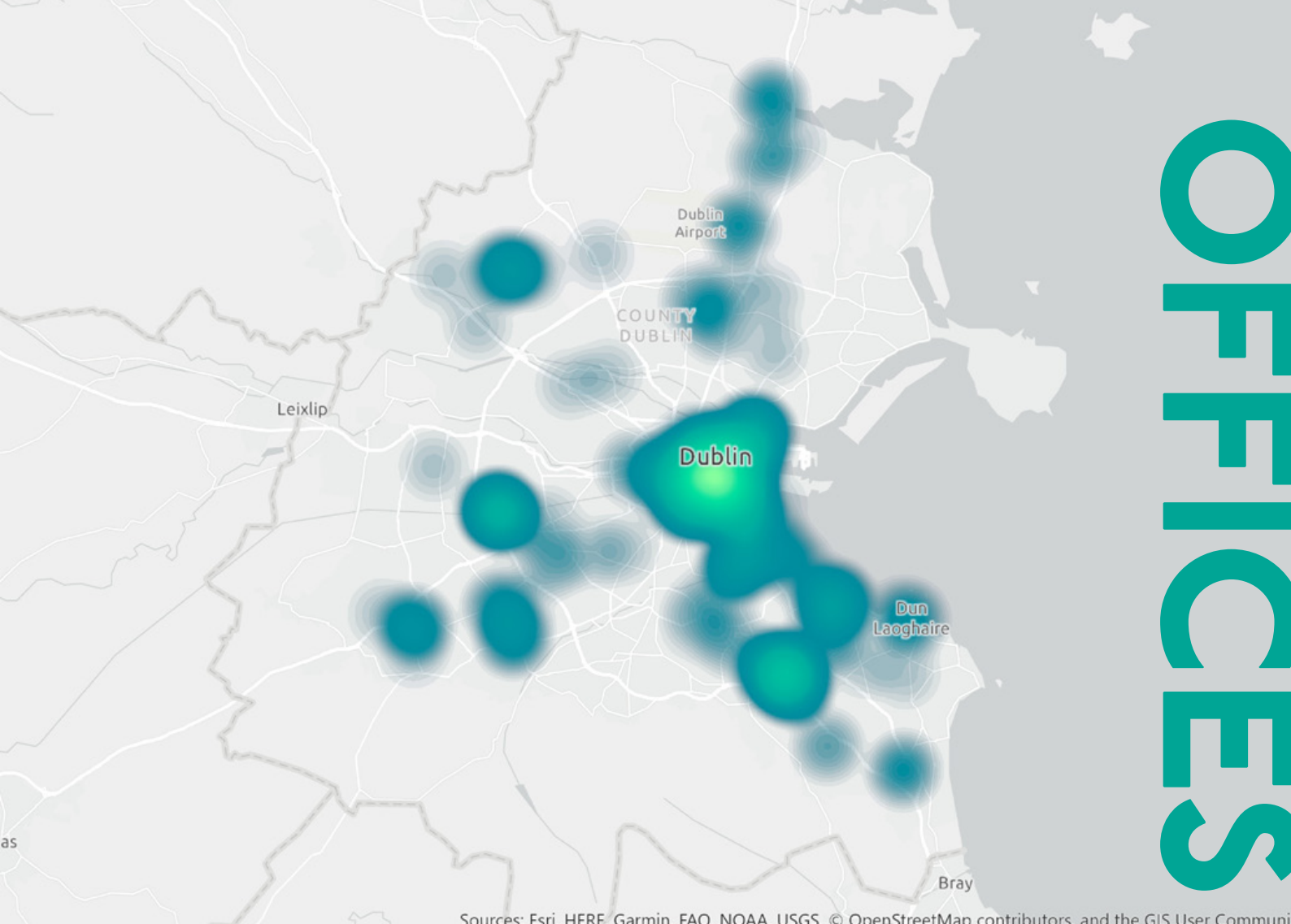
A total of 115,200 sqm of office accommodation was reserved at the end of June 2022 with just under 70% of this in the city centre region, providing further evidence of the continued demand for central locations. Six out of the top ten reserved deals were in the city centre. TikTok, the Chinese social networking platform, has agreed to take the two largest reserved deals. These include the entire 16,450 sqm in The Shipping Office development as well as 7,730 sqm in the nearby Tropical Fruit Warehouse on Sir John Rogerson's Quay. This trend by large international companies to take buildings close to one another continues to intensify. Occupiers such as Google, Salesforce and Facebook have already moved to campus-like accommodation in Dublin where they can accommodate all or most of their employees in proximity to one another.

Businesses have a strong focus on staff retention and recruitment at present. This means they are prioritising staff welfare and analysing labour pools when making real estate decisions. In efforts to concentrate on staff needs, businesses continue to monitor their remote working policies with many permanently continuing with a hybrid work model, or at least until the staff shortages ease in the more medium-term. Location remains an important factor for many with most staff wanting central areas that offer a certain lifestyle as many have returned to the offices for a few days a week. Equally, when recruiting from overseas (as most large companies do), these employees want to be in central, well-connected areas, near shops, restaurants, leisure, and social activities.

For many with space requirements, location and talent attraction are not the only important factors. Lease flexibility is also relevant and has resulted in the re-emergence of requirements from serviced office providers. As they expand into new premises, they are interested in both modern and Georgian buildings, offering a variety of office environments, and providing businesses with short-term options while they consider their longer-term plans and navigate flexible working practices.



MAYNOOTH BUSINESS CAMPUS -
LISNEY LET 37,000 SQ FT TO GLENVEAGH PROPERTIES ON BEHALF OF FINE GRAIN PROPERTIES



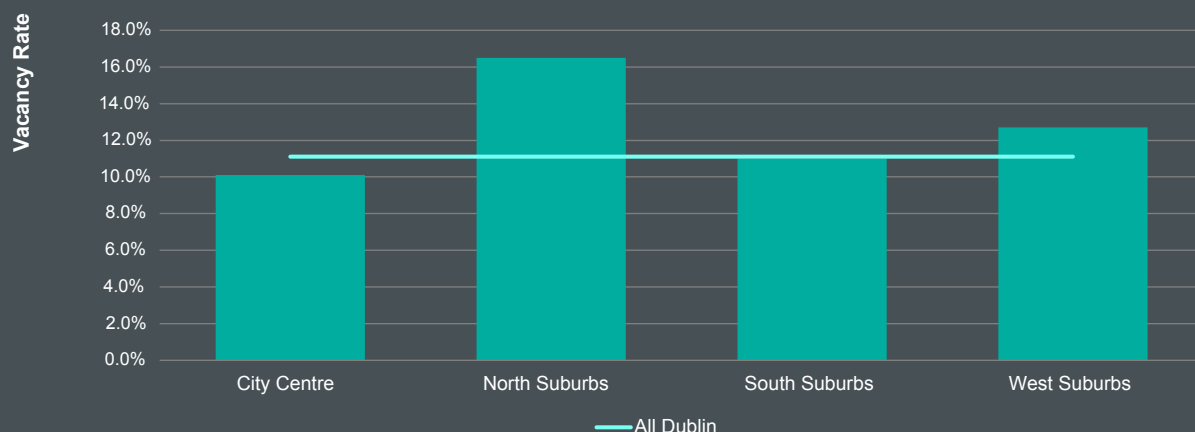
SUPPLY

There was just under 480,000 sqm of modern office accommodation vacant across Dublin at the end of Q2 2022, up by approximately 6.9% in the quarter. 57% of this space was in the city centre region, with the remainder spread across the suburbs. 63% of the vacant space was previously occupied, with a further 3% refurbished stock and 7% sub-standard. 28% of supply comprised new never occupied accommodation.

Dublin's overall headline vacancy rate increased in Q2 to stand at 11.2% at the end of June, up from 10.1% three months previous. Much of the increase relates to the new buildings completed and now available including the part of The Exo Building not taken by An Post and 16 St Stephen's Green.

Across the regions, the lowest vacancy rate was in the city centre (10.1% headline / 9.3% true rate when sub-standard stock is removed), followed by the south suburbs (11.0% headline / 10.3% true). The north suburbs headline rate was 16.5% and west suburbs headline rate was 12.7%. There were further variations within the city centre itself. In Dublin 2, the headline vacancy rate was 7.1% with the true rate of 6.4%. In Dublin 1, the headline and true vacancy rates stood at 14.8% and 13.9% respectively.

VACANCY RATE BY REGION (Q2 2021)



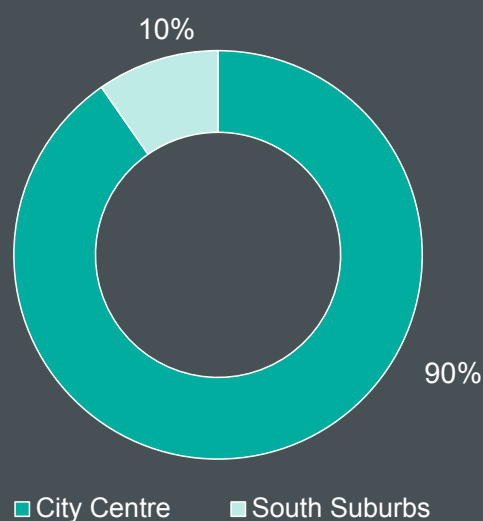
Source: Lisney

NEW STOCK

While construction sites are open and active following COVID-related closures, capacity constraints remain evident with many contractors focused on PRS and housing development. Additionally, inflation pressures on material and labour costs are impacting the viability of schemes – both those already under construction and those in the pipeline. In spite of this, 93,200 sqm of new office space was completed in Dublin in Q2 2022 bringing the total completion of new office space to 118,100 sqm in the first six months of the year. We anticipate a further 81,800 sqm of stock will be completed over the remainder of 2022.

At the end of June 2022, there was approximately 390,000 sqm of office space under construction. This was about 75,000 sqm (or 16%) lower than three months previous. 90% of under construction activity in Q2 was in the city centre and included three substantial schemes of over 35,000 sqm each – College Square, Fibonacci Square and Wilton Park. However the overall average size of buildings under construction in the city centre was 13,500 sqm, in line with the average size of buildings completed so far this year (13,120 sqm). 42% of all accommodation under construction (and 46% of accommodation under construction in the city centre) was either pre-let or reserved, much of which was commenced speculatively with deals agreed when contractors were on-site.

OFFICE STOCK UNDER CONSTRUCTION (END-JUNE 2022)



Source: Lisney

OUTLOOK

- 1 Office market activity in H2 2022 is likely to be similar to H1, and we estimate total year-end take-up will be around 165,000 sqm. Any changes (+/-) to this will depend on how global events unfold (inflation, interest rates, energy, food, supply chains, etc) and the resultant impact on businesses.
- 2 Despite some hiring freezes in certain component parts of big tech companies globally (such as Meta, Apple, Google), they will continue to power market demand. Aligning with their ESG commitments, they will focus on new accommodation in central areas.
- 3 Flexibility will remain crucial for many occupiers in the next 12 to 18 months. Some will focus on break options and rent frees, while others will require fully fitted space.
- 4 With many building contractors focused on PRS and residential schemes, and with rising costs impacting viability, supply issues in certain locations such as Dublin 2 may emerge in the next 24 to 36 months. Conversely and simultaneously, there may be some pockets of slight oversupply in areas that are not well connected and/or comprise older buildings.
- 5 While rents are generally stable in the market, there will be continued upward pressure on rates achieved within new schemes, especially in Dublin 2. While some of this growth will be required to cover rising construction costs, it will also further highlight the ESG policies being adopted by companies and their desire for sustainable buildings and a quality lifestyle for staff. New build focus will be on providing net zero buildings to meet the 2030 pledges made by companies. Interestingly, the Dublin market has yet to see a true net zero building constructed, however, we understand there are several projects in the pipeline.



THE BLOODSTONE BUILDING, SIR JOHN ROGERSONS QUAY, DUBLIN 2 -
LISNEY ACQUIRED 13,000 SQ FT FOR CACEIS IRELAND LTD

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Head of Transactional



PAUL HIPWELL
Senior Director,
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DEBORAH MAHON
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