1 *Occupier Trends*

2 *Investment Trends*

3 *Market Outlook*

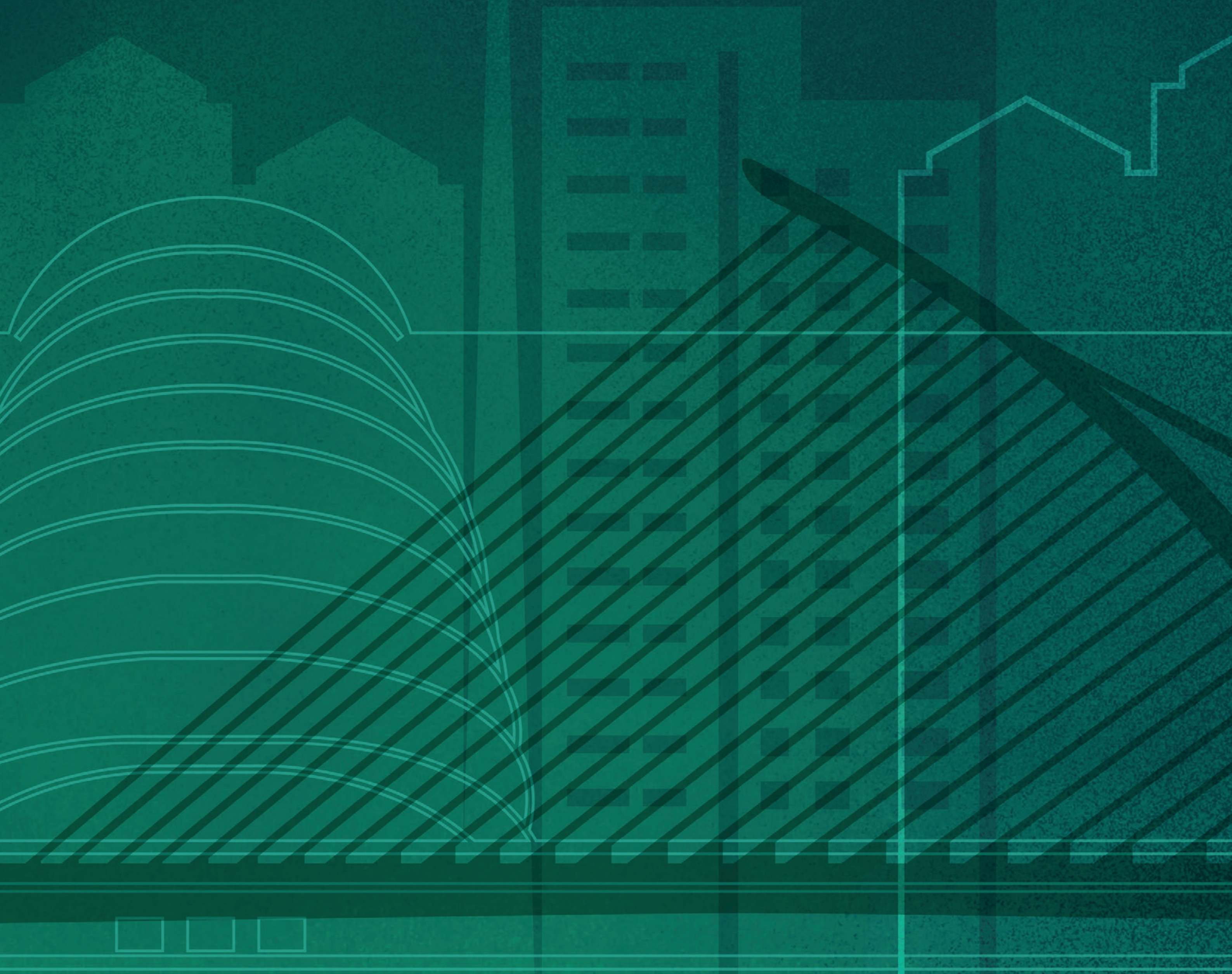
Knight Frank

Dublin Office Market Overview

Research, Q4 2021

Special Focus: Latest Trends in the Grey Market

knightfrank.com/research



5 KEY TAKEAWAYS

15%+

Forecast GDP growth in 2021

As high value adding sectors continue to create jobs and global trading partners also experience a strong recovery. Inflationary pressures now a key challenge across all sectors.

PAGE 3

€746m

Invested in Dublin office assets in Q4, taking total office investment to €1.5bn in 2021. Blackstone's purchase of The Serpentine Buildings in Ballsbridge, Dublin 4, which is let to Meta (Facebook), for €395m was the largest deal of the quarter and the year and further reflects the depth of interest in prime Dublin office assets.

PAGE 10

999,000 sq ft

Office market take-up, bringing the total for the year to 1.6m sq ft, slightly ahead of our forecast of 1.5m sq ft. KPMG's decision to take 289,000 sq ft at Harcourt Square was the largest deal of the year and reflects the underlying confidence in the market.

PAGE 4

€57.50 psf

prime rents held firm at this level in 2021 and are expected to increase to €62.50 psf by mid year.

PAGE 5

812,000 sq ft

was reserved at the beginning of 2022, reflecting the pace of recovery in demand towards the end of 2021.

page 4

DUBLIN OFFICE MARKET OVERVIEW Q4 2021

Once again Ireland is excelling in terms of recovery, productivity growth, job creation and consequently tax in-take which creates a very positive backdrop for continued success in 2022.

ECONOMY

The Irish economy continues to recover at a pace that exceeds that of other EU and global economies. Well established drivers such as the strength of the multi-national sector, the level of employment creation in high value adding sectors along with the pace of the rebound in consumer spending, have put Ireland firmly on track to deliver strong double-digit growth of an estimated 15.6% for 2021.

Modified domestic demand – which reflects growth in just the domestic economy – is expected to have increased by over 5% in 2021, with over 6% forecast for 2022 reflecting an effective return to pre-pandemic spending levels by consumers.

The longer than expected need to work from home where possible and the emergence of hybrid working models has not impacted employment growth across most sectors. With the exception of the Accommodation & Food as well as the Administrative sectors of the economy, all other sectors now employ more people than before the pandemic.

Double digit growth for 2021 as Ireland's recovery continues at pace.

In particular, the sectors that require office space have experienced a very considerable increase in employment. There are now almost 24,000 more

Sectors that traditionally require office space have seen a strong increase in employment. There are almost 52,000 more people employed in Professional Services and ICT than before the pandemic.

employed across the Finance, Insurance & Real Estate sector and almost 52,000 additional employees across the Professional Services and ICT sectors compared to the end of 2019. The Industry sector, which includes Pharmaceuticals, while less office focused in terms of property requirements, now also employs 20,000 more people than before the pandemic.

It is no surprise that unemployment has fallen considerably to 5.1%, and 7.5% if adjusted for jobs lost or on hold due to Covid-19.

A very positive impact of growth and employment generation across key economic sectors has been the highest tax in-take on record in 2021. Department of Finance data for 2021 shows that the total tax take was up

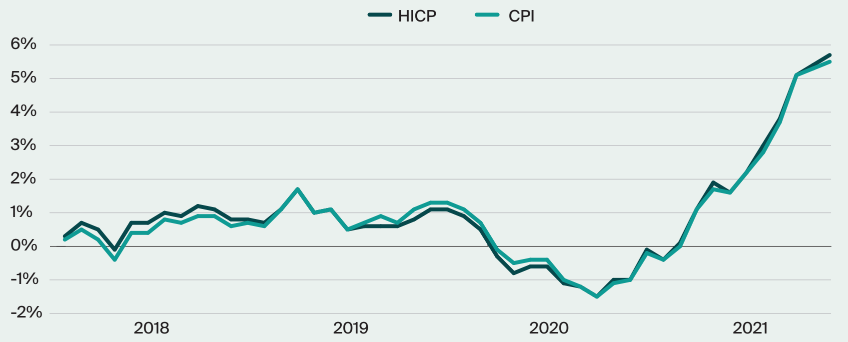
ECONOMIC GROWTH 2021 & 2022

	2021E	2022F
IRELAND	15.6%	7.6%
EUROZONE	5.0%	4.3%
UK	6.9%	4.7%
US	5.6%	3.7%
CHINA	8.0%	5.1%
GLOBAL	5.5%	4.1%

E = estimate, F = forecast.

Source: Knight Frank Research, OECD, IMF, World Bank, Department of Finance, Central Bank of Ireland/ESRI.

Irish consumer price inflation (CPI) and harmonised index of consumer prices (HICP), monthly 2018 - 2021



Source: CSO/Knight Frank Research

19.6% compared to 2020, with the income tax take up almost €4 billion, reflecting the type of roles created across the economy. VAT receipts increased by 24.3% and the corporation tax in-take by just under 30%.

Inflationary pressures are inevitable and will be a key challenge for the domestic and global economies in 2022. The risk of higher interest rates is on the horizon and for the first time in over a decade will play a role in investor decision making.

Overall however, economic conditions in Ireland are in a very favourable position as we enter 2022. Job creation across office-based sectors throughout the pandemic is expected to result in pent-up demand for office space as employees re-emerge from home over the coming months, even allowing for hybrid working models.

OCCUPIER TRENDS

Despite the setback presented by the Omicron variant in Q4, which stalled a return to the office for many, occupier activity increased considerably.

Total take-up for 2021 reached just over 1.63m sq ft, a little ahead of our forecast of 1.5m sq ft made this time last year.

Take-up

999,000 sq ft of space transacted in Q4 – twice the amount that transacted in Q3 (436,000 sq ft).

The largest transaction in Q4 was KPMG's decision to pre-let 289,000 sq ft at Harcourt Square, which they are due to occupy in 2026. TikTok's decision to take 216,000 sq ft of space at The Sorting Office was the second largest deal.

Apart from these two large deals in Q4, there were fifty-four other deals signed, bringing the total deals completed for the year as a whole to one hundred and forty-one, one hundred and two (72%) of which were signed in the second half of the year.

79% of activity in Q4 was in the City Centre followed by the South and West Suburbs which accounted for 7% of take-up each. The TMT sector continues to lead occupier demand with that sector representing 42% of take-up in Q4. Professional Services made up 31% of take-up followed by Finance and Other which comprised 8% each.

There was 812,000 sq ft of space reserved at the beginning of 2022 and an estimated 3.5m sq ft of active demand in the market. 84,000 sq ft is reserved at the Exo Building in Dublin 1, 73,000 sq ft at Dockline and 62,000 sq ft at No.3 Dublin Landings, both also in Dublin 1. In Dublin 2 there is 60,000 sq ft reserved at 12 Dawson and another 80,000 sq ft at One Park Place.

KPMG and TikTok completed the two largest occupier deals of the year. Both deals signed in Q4 and given their scale, reflect a vote of confidence from two key sectors (Professional services and TMT) in the underlying fundamentals of the economy as well as the growth prospects for their own sectors.

Vacancy

The vacancy rate has fallen to 9.8% from 10.5% at the end of Q3 2021. It peaked at 10.6% in the middle of 2021 following the lowest level of demand on record in the first half of 2021.

A decline in the amount of space on the grey market, along with increased take-up and delays to the completions pipeline have all contributed to the decline in the vacancy. The expectation is that the vacancy rate will continue to decline in 2022.

Rents

Prime rents remained firm throughout 2021 at €57.50 psf. Delays to the construction pipeline, compounded by inflationary pressures in the construction as well as all other sectors, are expected to see prime rents increase in 2022.

Upward pressure on rents will be led by demand for new or redeveloped buildings which meet sustainable credentials and which offer occupiers the best options for hybrid working spaces and flagship space in line with their brand and growth strategies, a key part of which is attracting and retaining talent.

We forecast that prime rents will reach €62.50 psf by mid-year and €65.00 psf by the end of the year.

OUTLOOK

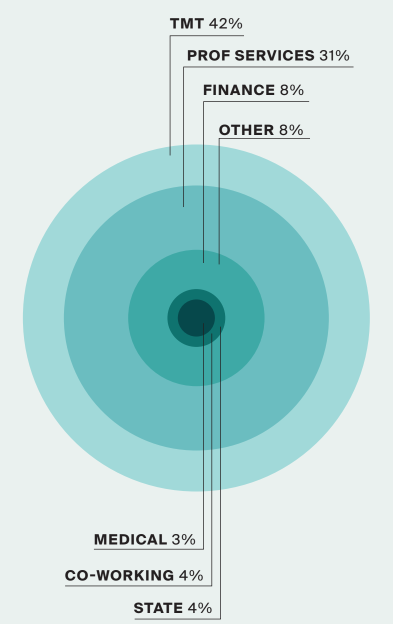
The lifting of almost all Covid-19 restrictions will allow for a much broader return to the office and a wider opening of the economy. This is expected to allow occupiers to act on demand requirements which have evolved over the last two years which they have not been able to progress with.

Our expectation is that activity in 2022 will gain considerable momentum from the end of Q1 onwards with take-up forecast to reach 2m sq ft for the year as a whole.

9.8%

Vacancy rate

Take-up by sector
Q4 2021



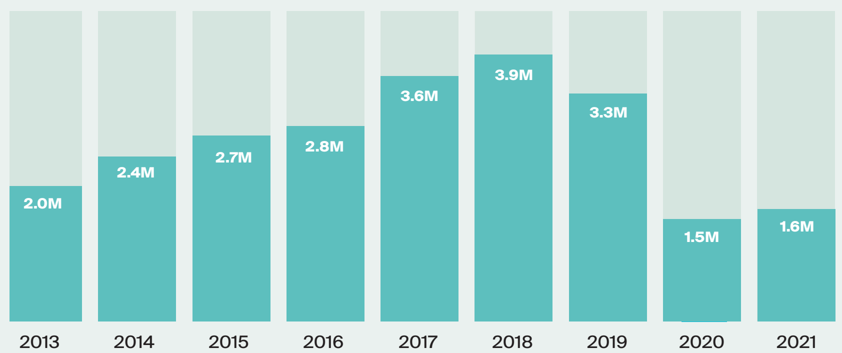
Source: Knight Frank Research

TOP 5 OFFICE LEASING TRANSACTIONS Q4 2021

PROPERTY	TENANT	SECTOR	SIZE (SQ FT)
HARCOURT SQUARE, DUBLIN 2	KPMG	PROFESSIONAL SERVICES	288,500
THE SORTING OFFICE, DUBLIN 2	TIKTOK	TMT	216,000
BUILDING 10, CHERRYWOOD BUSINESS PARK, DUBLIN 18	WE ARE THE PIONEER GROUP	CO-WORKING	30,558
ONE PARK PLACE, DUBLIN 2	LINKEDIN	TMT	28,506
2 STEMPLE EXCHANGE, DUBLIN 15	VERITAS	TMT	27,280

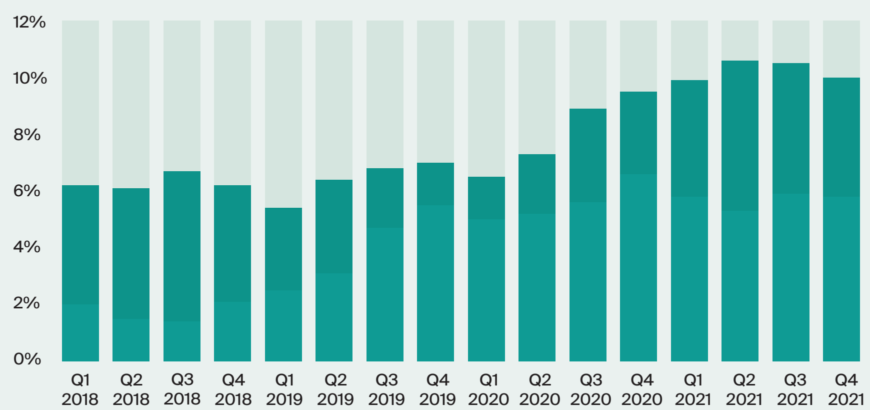
Source: Knight Frank Research

Office take-up
sq ft (millions)



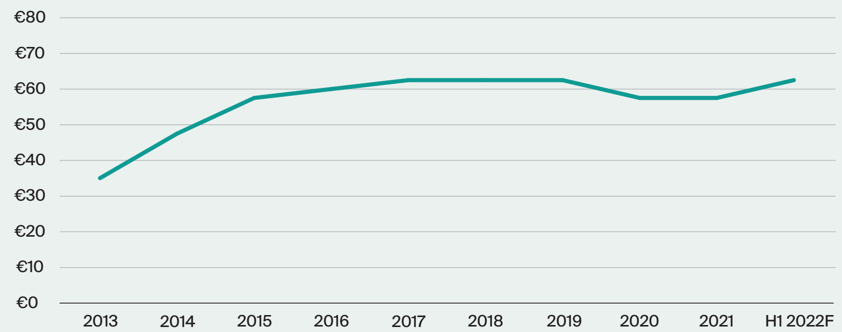
Source: Knight Frank Research

Dublin market vacancy rate

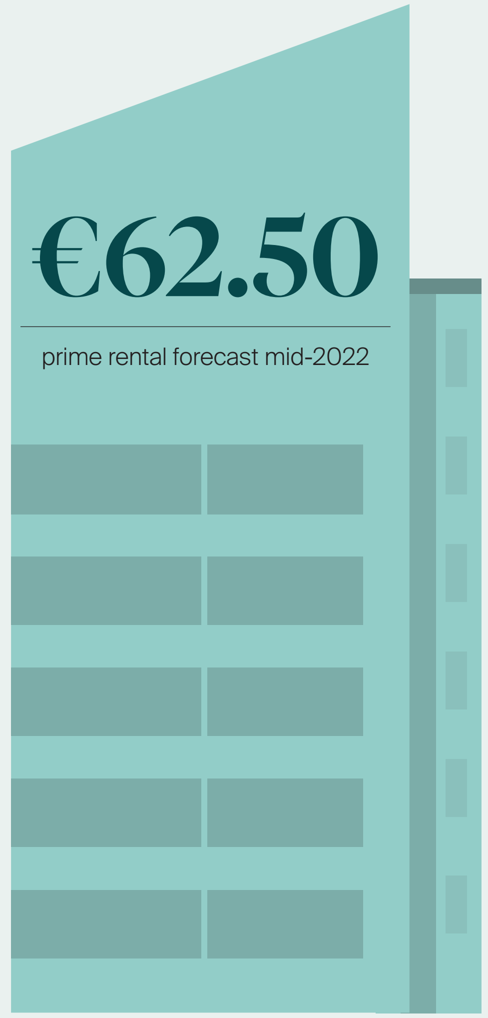


Source: Knight Frank Research

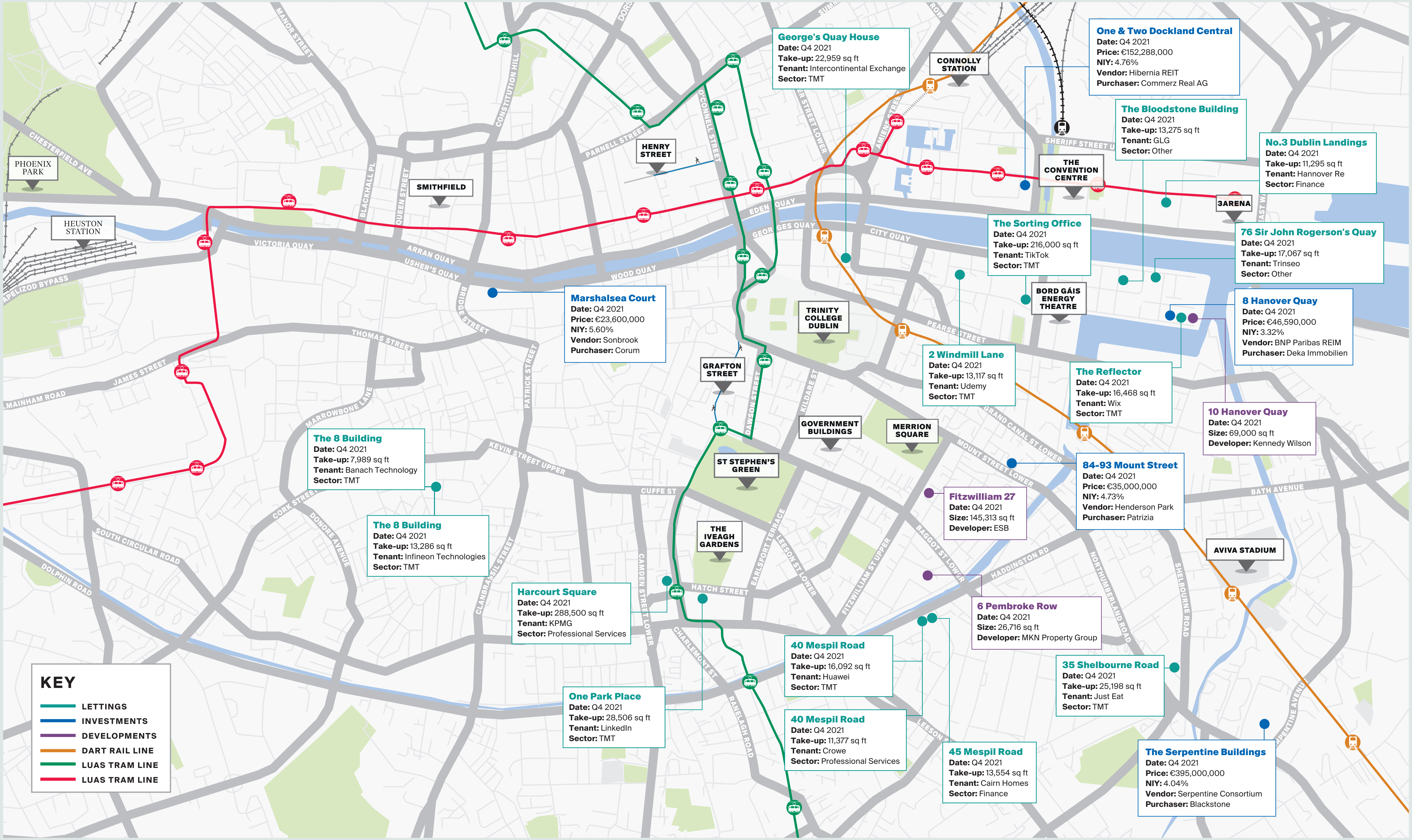
Prime rental growth (per sq ft)



Source: Knight Frank Research



TOP LETTINGS, INVESTMENTS & DEVELOPMENTS IN Q4 2021



OFFICE DEVELOPMENT

The impact of delays to the office construction pipeline became very evident at the end of Q4, with a number of large buildings which were due to complete delayed into Q1 2022.

Three large pre-let buildings (One Wilton Park, Spencer Place and Boland's Quay) which total just under 800,000 sq ft are now due to complete in Q1. 169,000 sq ft at The Exo Building is also now due to complete in Q1.

Three buildings completed in the final quarter of the year, the largest of which was Fitzwilliam 27 which was developed by the ESB. 69,000 sq ft of speculative space completed at 10 Hanover Quay while 27,000 sq ft completed at 6 Pembroke Row (which was already let to the OPW).

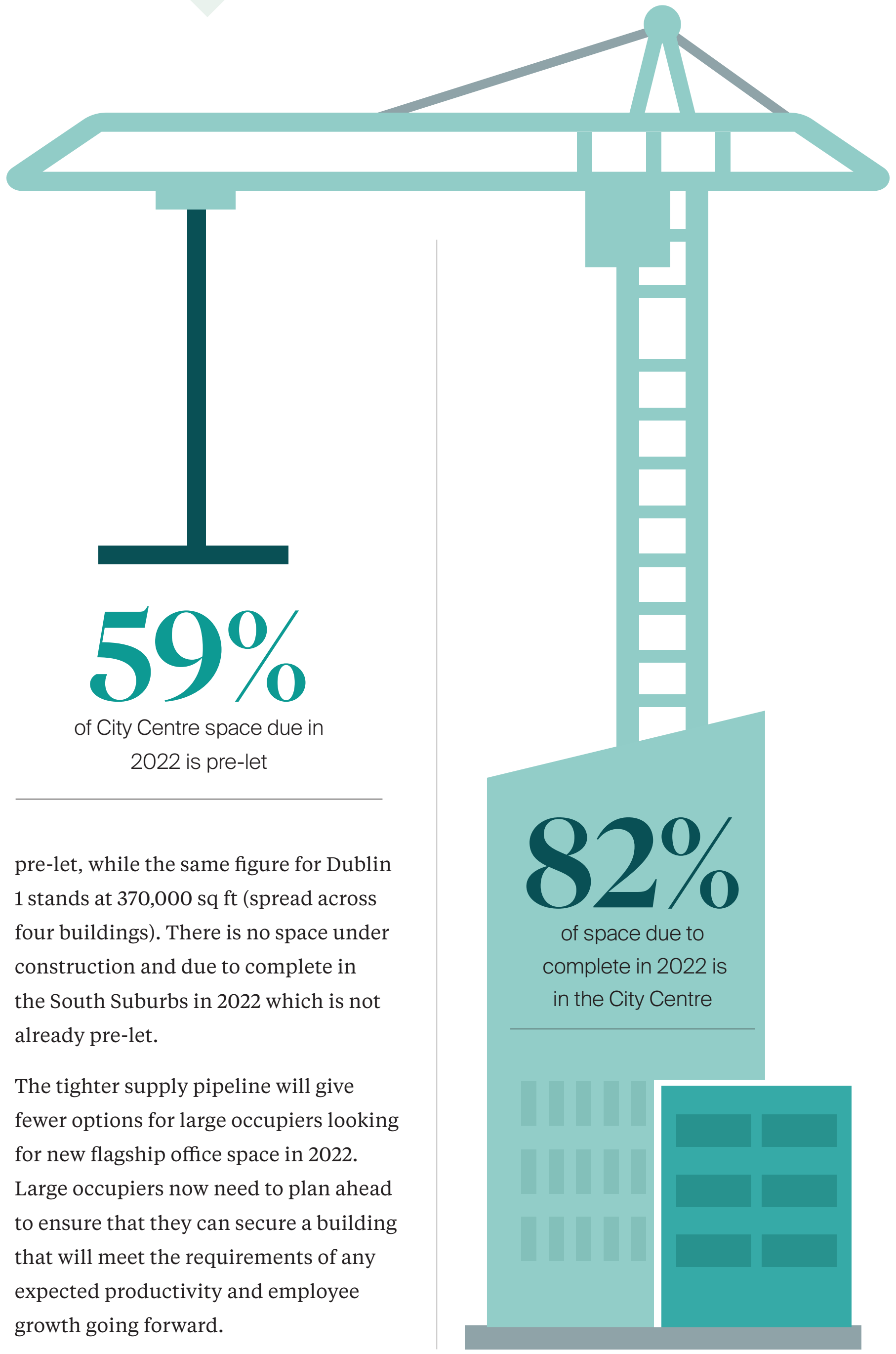
There were no new office completions in the suburbs in Q4. Total space completed across the market in 2021 was just under 1m sq ft, 50% of what was expected to complete at the beginning of 2021.

OUTLOOK

There is 2.7m sq ft in the pipeline for delivery in 2022, 2.2m of which is in the City Centre.

In terms of space under construction, less than 500,000 sq ft is due for delivery this year in Dublin 2 which is not already pre-let, while the same figure for Dublin 1 stands at 370,000 sq ft (spread across four buildings). There is no space under construction and due to complete in the South Suburbs in 2022 which is not already pre-let.

The tighter supply pipeline will give fewer options for large occupiers looking for new flagship office space in 2022. Large occupiers now need to plan ahead to ensure that they can secure a building that will meet the requirements of any expected productivity and employee growth going forward.



LARGEST BUILDINGS COMPLETED IN 2021

BUILDING	SIZE, SQ FT
2 CHARLEMONT SQUARE, DUBLIN 2	170,125
FITZWILLIAM 27, DUBLIN 2	145,313
FITZWILLIAM 28, DUBLIN 2	135,000
35 SHELBOURNE ROAD, DUBLIN 4	87,500
2 STEMPLE EXCHANGE, DUBLIN 15	82,570

Source: Knight Frank Research

Dublin's office supply pipeline has been significantly impacted by Covid-19 lockdowns

SPECIAL FOCUS

SPECIAL FOCUS: LATEST TRENDS IN THE GREY MARKET

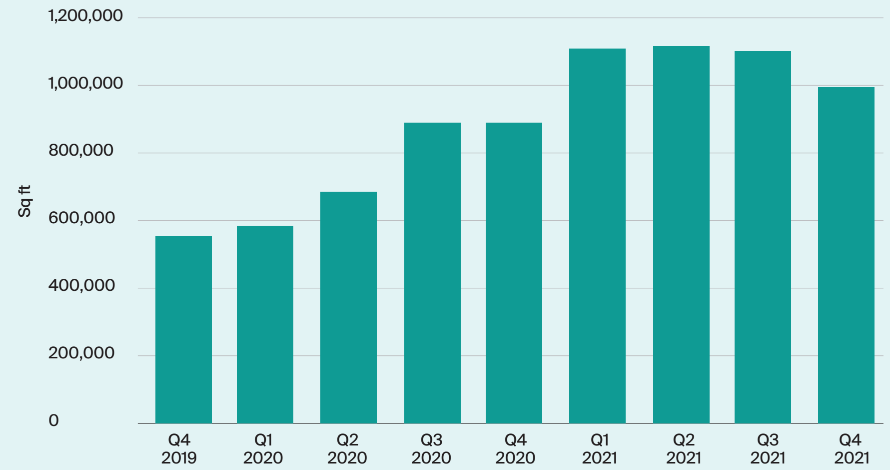
Quite an amount of space was earmarked for the grey market prior to Covid-19, with fast growing technology companies tending to take excess space in order to facilitate medium term growth. Furthermore, Covid-19 has also been a catalyst for financial services companies to review legacy footprints and expedite some of their consolidation efforts. However, the latest data shows that the amount of grey space* in the Dublin office market has reached a turning point, declining for a second consecutive quarter to just under a 1.0 million sq ft in Q4 - an overall decline of 11%. So, what are the reasons behind this recent fall and can we expect it to continue?

- The successful vaccination rollout and the phased easing of restrictions in the second half of 2021 provided companies with an opportunity to plan a gradual return to the office as well as to consider their future occupational strategies which translated into a marked improvement in occupier activity. In line with what we are witnessing in the traditional leasing market, there has been a flight to quality in the market for grey space with good quality, modern grey space witnessing robust demand as evidenced by Wix's taking of 40,000 sq ft at The Reflector, while DLA Piper and 2K Games took 30,000 sq ft and 26,000 sq ft at 40 Molesworth Street and One Park Place respectively. A further 184,000 sq ft of grey space was reserved at the end of Q4 suggesting that a healthy level of demand will continue into 2022.
- There is also some evidence of companies withdrawing space from the market. The reasons for this vary from company to company. The remarkable recovery of the Irish economy throughout the Covid-19 pandemic has given some companies the confidence to grow their workforces once again which has made them realise that they need to retain some space in order to accommodate this expansion, regardless of whether they plan on adopting hybrid working or not. For companies transitioning to hybrid working, some overestimated the proportion of their workforce that would work remotely on a continuous basis and now realise that a greater share will return to the office than previously thought, resulting in them withdrawing some space from the market. For others, while hybrid working may result in less employees in the office at any given time, companies now want to retain the same quantity of space but use it differently by adding more space for collaboration, socialisation, and learning. Some examples of companies withdrawing space from the grey market include Bank of Ireland, who having originally marketed the entire of 40 Mespil Road, are now understood to be retaining part of the accommodation for their own use. Likewise, DocuSign withdrew 24,000 sq ft of space that they were marketing at 5 Hanover Quay, while Twitter took back 16,000 sq ft at One Cumberland Place.

Looking ahead, the best grey space is transacting quickly. Older stock, with older fit-out may find it difficult to be sub-let or assigned. There could be discounting on space of that nature throughout the year particularly if corporate occupiers look to mitigate cost exposure.

There is also some evidence of this type of space being handed back to the landlord particularly where a redevelopment or refurbishment play is possible. This, in conjunction with the factors outlined above, is expected to accelerate the fall in the amount of grey space available in Dublin throughout 2022 as the market for grey space experiences further stabilisation.

Volume of grey space available in Dublin



Source: Knight Frank Research

* Ready and available for occupation

INVESTMENT MARKET

€746m worth of office investments transacted in Dublin in Q4, bringing the total for the year to €1.5bn and ending the year on a strong note. Spend in the final quarter represented 50% of total office investment for the year.

The largest deal of Q4 and indeed the year was Blackstone's purchase of The Serpentine Buildings in Ballsbridge, Dublin 4, which is let to Meta (Facebook), for €395m. This deal, along with the purchase of One & Two Dockland Central for €152m by Commerz Real AG, made up 73% of total investor spend on office assets in the Dublin market in Q4.

Other deals of note in the quarter include the sale by BNP Paribas REIM of 8 Hanover Quay which is occupied by AirBnB. The purchase price of €46.6m paid by Deka Immobilien represents an initial yield of 3.32%, which reflects the fact that the building was under rented. Additionally, 84-93 Mount Street in Dublin 2, let to the public sector, was purchased by Patrizia for €35m. The vendor was Henderson Park who also sold Fitzwilliam Hall to Sofidy for just over €30m. The largest five deals in Q4 were in the City Centre locations of Dublin 1, 2 & 4.

Looking at 2021, €1.5bn was invested in office assets, a strong performance given the limited travel and viewing options available throughout the year.

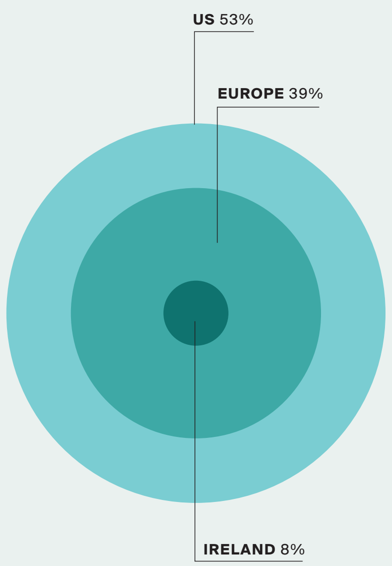
92% of the investment made in the office sector in Q4 was from non-Irish investors, reflecting ongoing confidence in the Irish market.

€70m was invested outside Dublin in 2021, the largest transaction being the sale by O'Callaghan Properties of One Navigation Square in Cork to Corum for €60m.

Looking ahead to 2022, there are three large lot sizes currently available. Two of these are on the market; One Spencer Dock, which is the headquarter location of PWC in Ireland and Block R, Spencer Dock. The third is an off-market portfolio in Dublin 2.

Strong demand is expected to remain a key feature of the market in 2022 and the pace at which large lot sized assets come to the market in order to satisfy this demand will be interesting to watch this year. New buildings with the best sustainable credentials, in a City Centre location, are expected to test prime yields at the 3.5% level.

Profile of Investors by location Q4 2021



Source: Knight Frank Research

89%

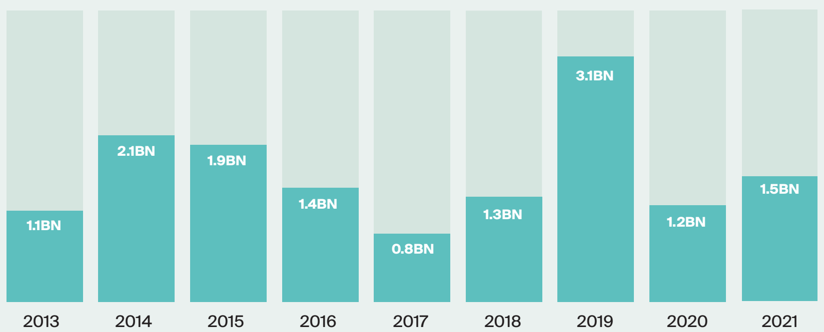
of spend in 2021 was on buildings in Dublin 1,2 & 4

TOP 5 OFFICE INVESTMENT TRANSACTIONS Q4 2021

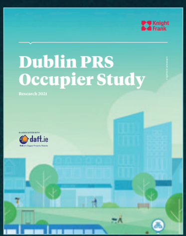
PROPERTY	VENDOR	BUYER	PRICE € MILLION	YIELDS
THE SERPENTINE BUILDINGS, DUBLIN 4	SERPENTINE CONSORTIUM	BLACKSTONE	€395,000,000	4.04%
ONE & TWO DOCKLAND CENTRAL, DUBLIN 1	HIBERNIA REIT	COMMERZ REAL AG	€152,288,000	4.76%
8 HANOVER QUAY, DUBLIN 2	BNP PARIBAS REIM	DEKA IMMO-BILIEN	€46,590,000	3.32%
84-93 MOUNT STREET, DUBLIN 2	HENDERSON PARK	PATRIZIA	€35,000,000	4.73%
FITZWILLIAM HALL, DUBLIN 2	HENDERSON PARK	SOFIDY	€30,350,000	4.20%

Source: Knight Frank Research

Dublin office investment volumes (€ billions)



Source: Knight Frank Research



Dublin PRS Occupier Study 2021

Dublin Office Market Overview Q3 2021

Dublin Investment Market Overview Q3 2021

New Homes Construction Survey 2021

Please get in touch with us

Research

Joan Henry, Chief Economist &
Head of Research
joan.henry@ie.knightfrank.com

Robert O'Connor, Senior Research Analyst
robert.oconnor@ie.knightfrank.com

Capital Markets

Adrian Trueick, Director
adrian.trueick@ie.knightfrank.com

Peter Flanagan, Director
peter.flanagan@ie.knightfrank.com

Ross Fogarty, Director
ross.fogarty@ie.knightfrank.com

Offices

Declan O'Reilly, Director
declan.oreilly@ie.knightfrank.com

Paul Hanly, Director
paul.hanly@ie.knightfrank.com

Jim O'Reilly, Director
jim.oreilly@ie.knightfrank.com

Daniel Shannon, Director
daniel.shannon@ie.knightfrank.com

Gavin Maguire, Associate Director
gavin.maguire@ie.knightfrank.com

Knight Frank Research Reports are available at knightfrank.com/research