Knight Frank

Dublin Office Market Overview

Research, Q1 2022

Special Focus: Dublin Docklands

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5 KEY TAKEAWAYS

4-5%

Forecast GDP growth in 2022

Which has been revised down as the impact of the Ukrainian war slows global growth.

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12% of Q1 spend

Invested in Dublin office assets.

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471,000 sq ft

Office market take-up, a very strong start to the year with demand for space in Dublin 1 & 2 leading occupier's preferences (81% of total take-up).

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Prime rents reach €65 psf with further upside

The level of demand combined with a tighter supply pipeline, rapidly rising costs and continued supply chain problems in the construction sector are driving higher rental levels.

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1.2 million sq ft

was reserved at the end of Q1 2022 which highlights the level of pent-up demand in the market. This is expected to translate into higher levels of take-up in the quarters ahead.

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DUBLIN OFFICE MARKET OVERVIEW Q1 2022

Against the backdrop of a severe new global crisis, Ireland's economy is as well positioned as possible at the start of 2022.

ECONOMY

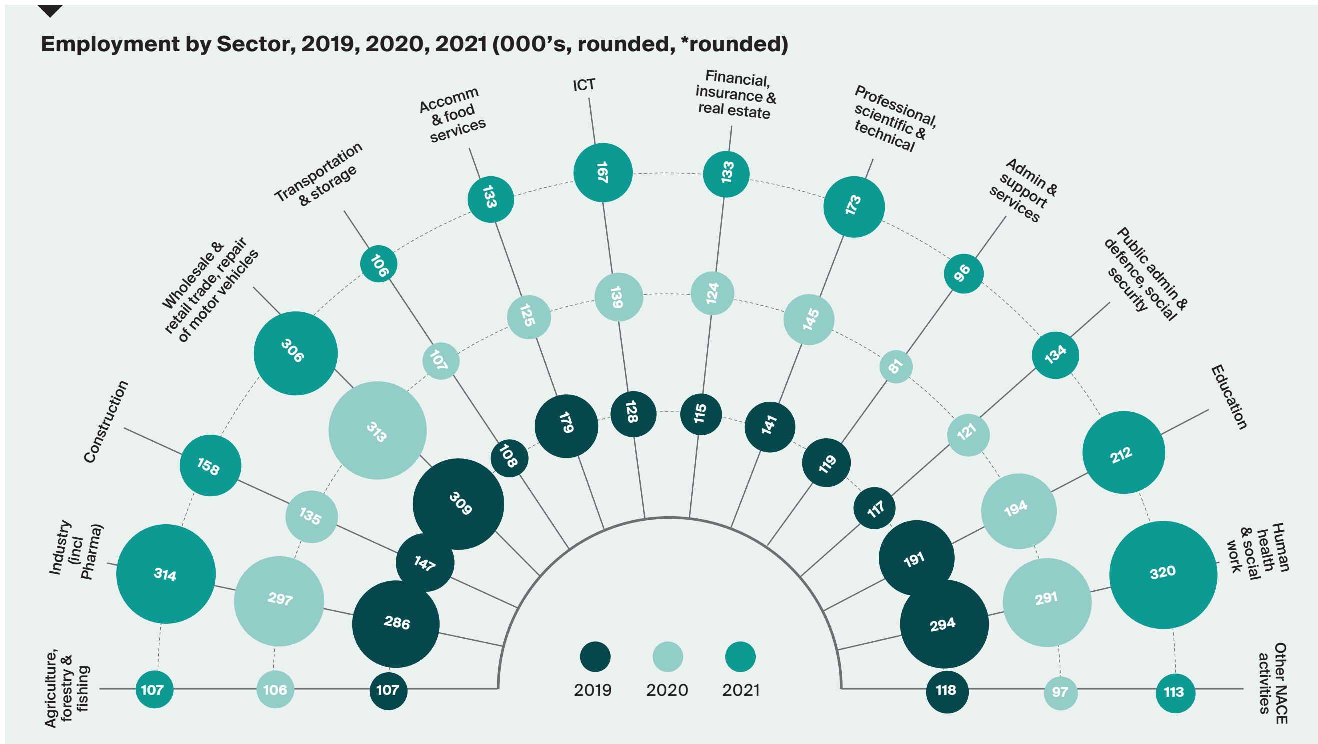
Just as one shock recedes, another presents, as is the nature of the global economy and geo-political landscape of the of 21st century. Aside from the horrific human cost of the war in Ukraine, which has taken the world backwards in so many ways, the shock to international trade and the financial system will present on-going challenges for all economies in 2022, 2023 and probably into 2024.

That said, the Irish economy, with its much-discussed unique structure, is as well positioned as possible to weather the challenges immediately presented. The fact that economic forecasts for GDP growth were at 5 - 5.5% at the beginning of the year, allow room for the revised forecasts (now closer to 4%) to remain in strong positive territory. The impact on the domestic side of the economy, as measured by modified domestic demand (MDD), will be more unpredictable. The Central Bank has revised down its forecast for MDD from 7.1% to 4.3% as the impact of inflation erodes spending, and uncertainty, as always, brings caution, particularly relating to discretionary spending.

The sectors that drive office demand remain in expansion mode. The TMT sector's importance to the economy as well as its firm foothold in Dublin's office market are set to be important factors in terms of attracting more international occupiers to Ireland and potentially making Dublin a more attractive destination compared to some other locations in the context of the current crisis.

There are now 71,000* more people employed in the ICT/TMT and Professional Services sectors compared to the end of 2019, sectors which are key to office market demand, and another 18,000* more in financial services, insurance and real estate.

The labour market continues to improve at a faster pace than was expected this time last year. The unemployment rate is now at 5.5% compared to 7.1% in March 2021. The Pandemic Unemployment Payment (PUP) is no longer in place and the Covid



Source: CSO/Knight Frank Research

measure of unemployment is no longer in use. The pace of employment growth over the 2020-2021 period has been very significant with 229,200 more people in employment at the end of 2021 compared to the end of 2020.

Risks factors which were identified at the end of 2021, particularly inflationary pressures, have become much more acute with consumer price inflation forecast to reach 8% plus by the middle of the year. Potential increases in interest rates remain on the horizon also. Shortages of labour in the construction sector and continued supply chain and cost pressures are set to drag on construction activity across all sectors, including offices, for the rest of 2022.

Although less significant, further delays to the office completion pipeline are expected throughout the year, which in the context of increased demand, will keep upward pressure on rents for the best new space, particularly in the City Centre.

OCCUPIER TRENDS

Dublin's office market started the year strongly with 471,000 sq ft of space let in Q1.

In addition, the quantity of reserved space increased significantly in comparison to the previous quarter, rising by 47% to 1.2 million sq ft. This highlights the level of pent-up demand in the market, which is expected to translate into higher levels of take-up in the quarters ahead.

The largest three buildings which have been reserved are in Dublin 2 and total 348,000 sq ft. (The Shipping Office, 60 Dawson St and The Tropical Fruit Warehouse). Each of these has been reserved by companies in the TMT sector. There is a total of 252,000 sq ft of space reserved in Dublin 1, the largest of which are Dockline, No. 3 Dublin Landings and Parnell House.

Take-up

Once again, the TMT sector dominated activity in the first quarter. The five largest TMT deals made up 40% of the total take-up.

Fiserv's decision to take the entirety of 10 Hanover Quay (69,000 sq ft), a distinctive newly refurbished office development adjacent to the Capital Dock campus in the South Docklands, reflects the demand from the Fintech sector for unique prime space. This was the largest TMT letting of the quarter.

Toast took just over 34,000 sq ft at 124/127 St. Stephen's Green, while LinkedIn took 58,000sq ft across two floors at One Park Place. There was one TMT deal in the South Suburbs where Cubic Telecom took 28,000 sq ft at The Hive in Sandyford.

The largest transaction in Q1 was in the State sector where An Post took just under 79,000 sq ft at The Exo Building.

81% of activity was located in Dublin 1 and Dublin 2 as occupier preference for the best new space comes to the fore. The Suburbs comprised 16% of take-up. The largest deal in the South Suburbs was the letting to Cubic Telecom, mentioned above, while the biggest letting in the North Suburbs was the decision by co-working operator Regus to take just under 20,000 at Two Dublin Airport Central.

Vacancy

While demand was strong in Q1, there was an increase in the amount of space that came to the market via a combination of new, existing and space made available for sub-let or assignment, (the latter is considered to be the grey market). That said, the ten largest buildings on the market make up 25% of all the space available and if one or two of these were let over the coming quarters, it would have a considerable downward impact on the current rate of 10.1%.

There is only one building over 100,000 sq ft available in Dublin 1 (North Dock) and likewise in Dublin 2 (Fitzwilliam 28), while the Seamark Building in Dublin 4 is the largest building available on the market at 182,000 sq ft.

As the current reserved space and new deals in the pipeline transact, we expect the vacancy rate to fall to between 8.5% - 9% by year end.

Rents

Strong demand along with the tighter supply pipeline have resulted in an upward move in prime rents which are now at €65per sq ft.

Increasing inflationary pressures will add to costs across the board, including office rents, but it is the demand from occupiers seeking the best new space in the city that is expected to see prime rents move up to €67.50 per sq ft. by year end, with the potential for some deals for the very best prime space in Dublin city locations potentially achieving €70.00 psf by year end.

The five largest TMT deals made up 40% of take-up in Q1.

Take-up is expected to reach 2m- 2.5m sq ft in 2022.

OUTLOOK

The full opening of the economy, supported by the underlying growth in key sectors which require office space, has boosted office market activity in Q1 and will bolster the market against the external impact of the war in Ukraine.

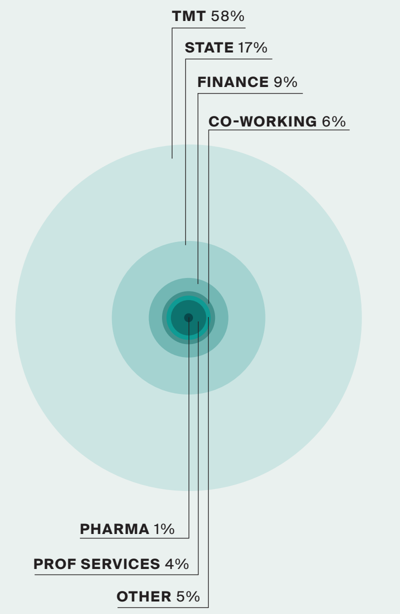
Activity is expected to continue to gain momentum for the rest of 2022 as demand from key sectors could in fact increase in the Dublin market as a result of external events.

The impact of pent-up demand from the 2020-2021 period is expected to have worked its way into real activity by the end of the year and our expectation remains that total take-up in 2022 will reach 2m sq ft with potential on the upside to 2.5m sq ft.

10.1%

Vacancy rate

Take-up by sector
Q1 2022



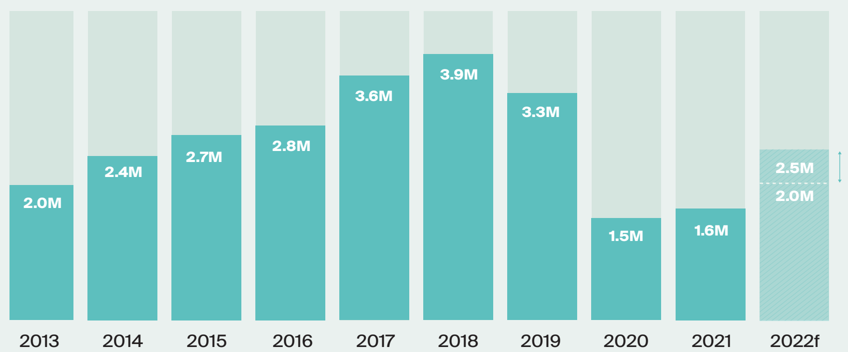
Source: Knight Frank Research

TOP 5 OFFICE LEASING TRANSACTIONS Q1 2022

PROPERTY	TENANT	SIZE (SQ FT)
THE EXO BUILDING, DUBLIN 1	AN POST	78,871
10 HANOVER QUAY, DUBLIN 2	FISERV	69,000
124/127 ST STEPHEN'S GREEN, DUBLIN 2	TOAST	34,482
ONE PARK PLACE, DUBLIN 2	LINKEDIN	29,220
ONE PARK PLACE, DUBLIN 2	LINKEDIN	28,654

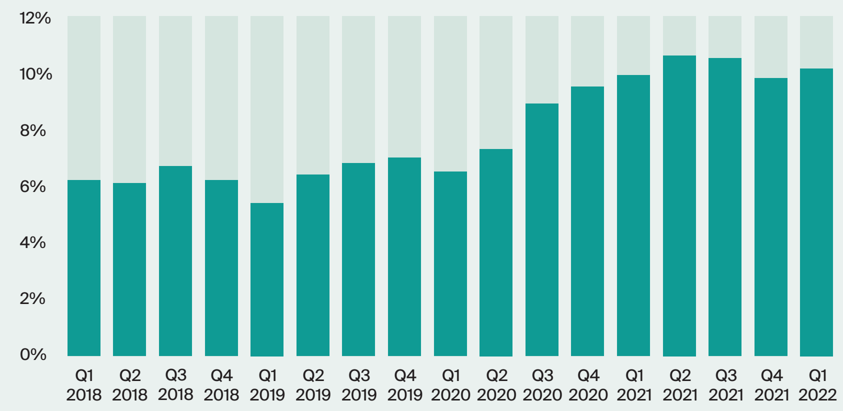
Source: Knight Frank Research

Office take-up
sq ft (millions)



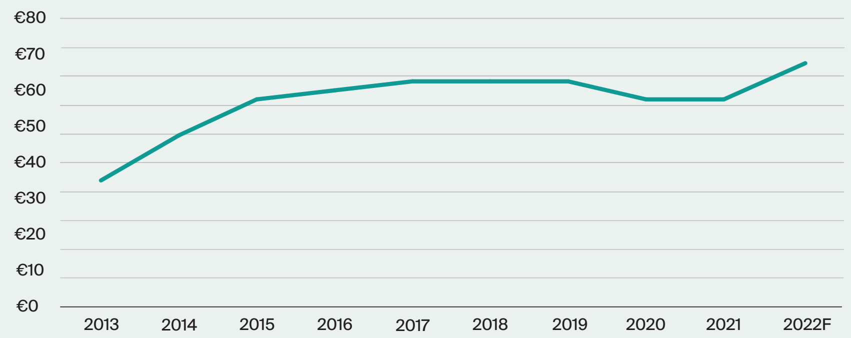
Source: Knight Frank Research

Dublin market vacancy rate

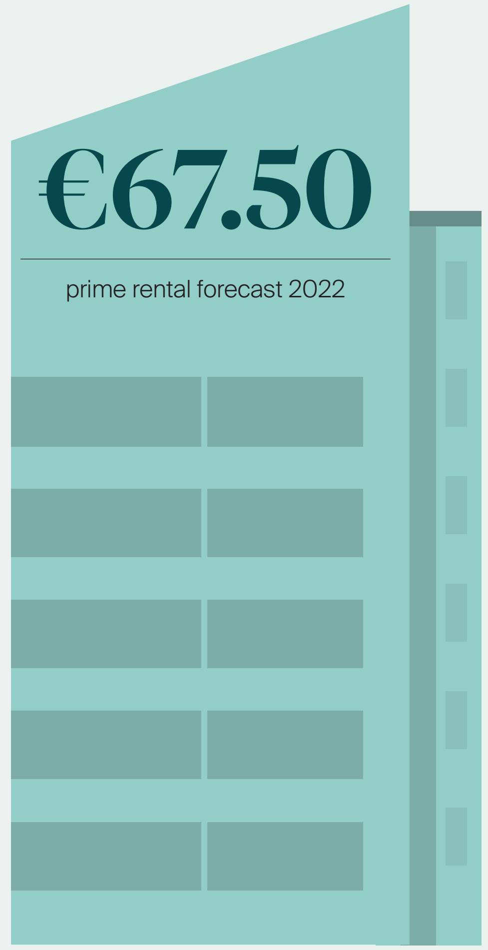


Source: Knight Frank Research

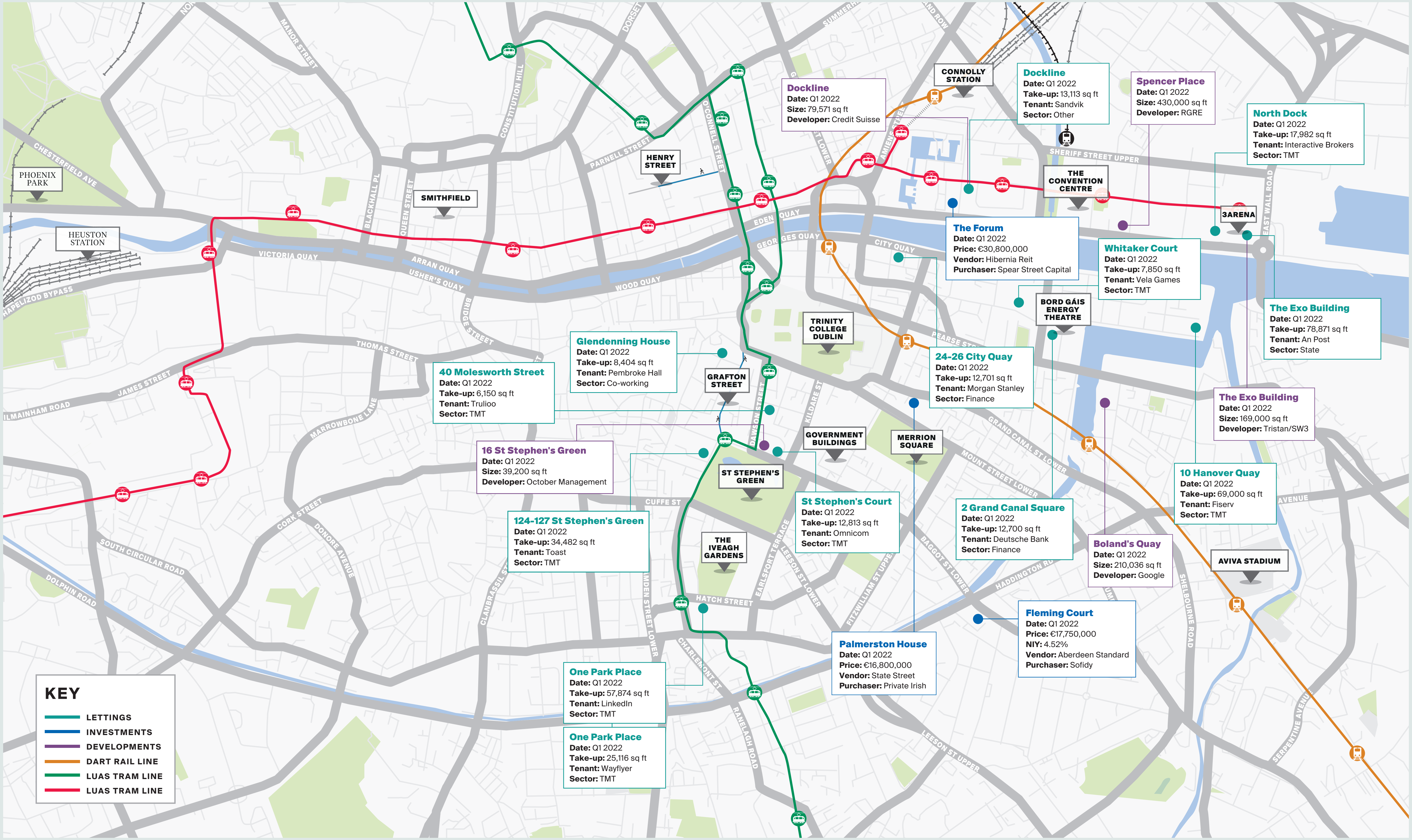
Prime rental growth (per sq ft)



Source: Knight Frank Research



TOP LETTING, INVESTMENTS & DEVELOPMENTS IN Q1 2022



OFFICE DEVELOPMENT

A number of key developments, which had been delayed over the last two years, completed in Q1. The largest of these was 430,000 sq ft at Spencer Place in Dublin 1 followed by 210,000 sq ft at Boland's Quay in Dublin 4.

A total of just over 1m sq ft completed in the quarter, 81% of which had been pre-let.

There is another 1.6m sq ft due to complete throughout the rest of 2022, 51% of which is pre-let.

There are six developments of scale currently due to complete throughout the rest of 2022 (each of which is over 100,000 sq ft), four of which are pre-let (Fibonacci Square in Dublin 4, The Irish Distiller's Building in Dublin 7, One Wilton Park and The Cadenza Building, both of which are in Dublin 2).

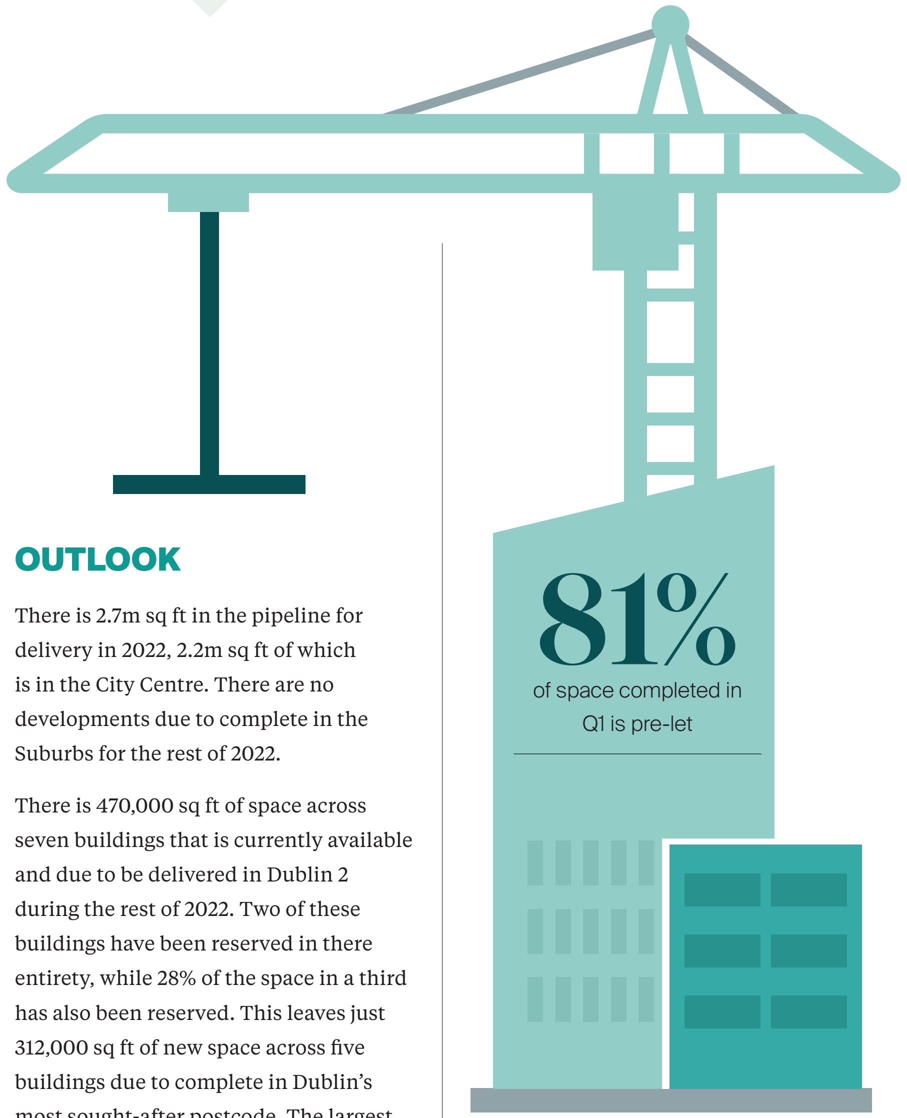
Fibonacci Square is by far the largest, delivering 378,000 sq ft of space which is fully pre-let to Facebook.

There was one office development completed in the Suburbs, where just over 98,000 sq ft was completed at Two South County Business Park. This was pre-let by Mastercard.

OUTLOOK

There is 2.7m sq ft in the pipeline for delivery in 2022, 2.2m sq ft of which is in the City Centre. There are no developments due to complete in the Suburbs for the rest of 2022.

There is 470,000 sq ft of space across seven buildings that is currently available and due to be delivered in Dublin 2 during the rest of 2022. Two of these buildings have been reserved in there entirety, while 28% of the space in a third has also been reserved. This leaves just 312,000 sq ft of new space across five buildings due to complete in Dublin's most sought-after postcode. The largest of these is Charlemont Square (184,000 sq ft) which is due to complete in the second quarter. In Dublin 4, the refurbishment of One Haddington Buildings will deliver 42,000 sq ft and is the only scheme currently due to complete in 2022 in this postcode that is not pre-let.



The tighter supply pipeline, due to delayed and postponed projects, along with increased demand leaves increasingly less options for occupiers looking for large new space over the coming years.

LARGEST BUILDINGS COMPLETED IN Q1 2022

BUILDING	SIZE, SQ FT
SPENCER PLACE, DUBLIN 1	430,000
BOLAND'S QUAY, DUBLIN 4	210,036
THE EXO BUILDING, DUBLIN 1	169,000
TWO SOUTH COUNTY BUSINESS PARK, DUBLIN 18	98,221
DOCKLINE, DUBLIN 1	79,571
16 ST STEPHEN'S GREEN	39,200

Source: Knight Frank Research

81% of space completed in Q1 2022 is pre-let

SPECIAL FOCUS

DUBLIN'S DOCKLANDS

Dublin's Docklands has been successful in attracting the world's largest Tech companies such as Google and Facebook, while the recent decision by TikTok to locate there has reinforced the areas' reputation as "Silicon Docks". The area is also home to many Financial and Professional Services companies including JP Morgan, State Street, PWC and Grant Thornton. A&L Goodbody are also located at the Docklands and IPUT, their landlord has recently announced the redevelopment and extension of A&L's headquarter building on North Wall Quay.

Key drivers of the successful evolution of the Docklands include the significant provision of transport infrastructure in the area over the last decade and the fact that part of the Docklands was designated as an SDZ. This facilitated the fast-track planning and large-scale development of office space in the area allowing occupiers to forward plan.

Dublin's Docklands represented almost 25% of all take-up in the Dublin office market between 2010 – Q1 2022. The South Docks has accounted for 62% of that letting activity.

The Dockland's office market has developed in scale to just over 9m sq ft across two submarkets - the South Docks and the North Docks/IFSC. Historically, demand for office space in the Docklands has been strong with almost 6.8 million sq ft transacting in the area between 2010 and Q1 2022.

Some of the largest deals in the Dublin office market have transacted in the Docklands including TikTok's decision to take 216,000 sq ft at the Sorting Office in 2021, Indeed's to take 211,000 sq ft at 100 and 300 Capital Dock in 2017 and Google's to develop 210,000 sq ft at Boland's Quay in 2018.

As the provision of transport infrastructure and office development accelerated in the North Docks, occupiers such as the NTMA (144,000 sq ft at No.1 Dublin Landings) and the Central Bank (194,000 sq ft on North Wall Quay and 201,000 sq ft at No.4 and No.5 Dublin Landings) were attracted to take space there, much in line with the finance-centric tenant profile of the IFSC.

The occupier mix in the North Docks has since evolved to include the TMT sector with the pre-let of 430,000 sq ft at Spencer Place by Salesforce in 2019 and Microsoft's decision to take 44,000 sq ft at No.3 Dublin Landings in 2020. We are likely to see the TMT sector take space in the IFSC in the coming years as the leases of finance companies who benefited from incentives to locate there.

In terms of the development pipeline, just under 2.4 million sq ft is due to be delivered in the Docklands between 2022 and 2024 of which 37% is already pre-committed. This is likely to increase to 51% when space that is currently reserved is included.

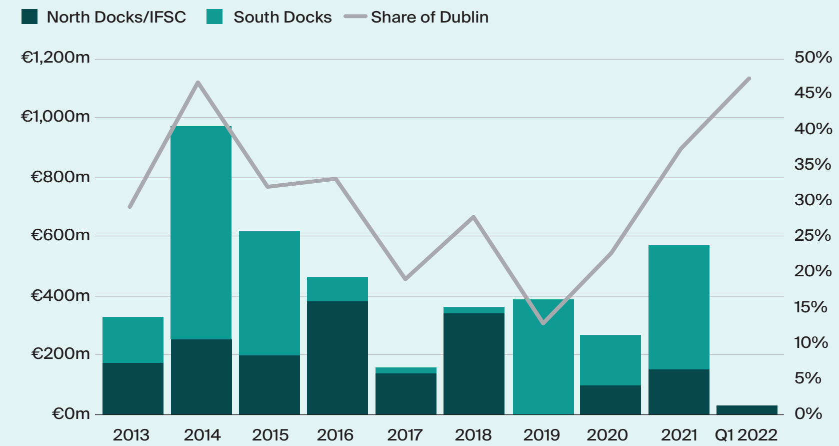
Rents for prime space can vary across the Docklands submarkets. Currently rents in the North Docks/IFSC range from €55-€59.50 psf, while rents in the South Docks are achieving in excess of €61 psf.

Against a backdrop of strengthening occupier demand and the tight development pipeline, the expectation is that rents in the Docklands will increase over the coming years, creating a very attractive backdrop for developers looking to get a foothold in the Docklands market. We are expecting strong competition for the Citi HQ at One North Wall Quay which is currently guiding €120m. This would provide a prospective purchaser with the opportunity to either refurbish the existing accommodation or to carry out a complete redevelopment of the site.

In terms of investment activity, €4.2 billion has transacted in the Docklands between 2013 – Q1 2022.

The Docklands – with its central location close to extensive transport connections and its ecosystem of high growth companies as well as its active development pipeline of new and sustainably accredited buildings – is likely to attract a significant share of capital which could put further downward pressure on yields over the coming years.

Investment in the Docklands and share of Dublin market



Source: Knight Frank Research

INVESTMENT MARKET

Irish property investment volumes totalled €759m in Q1, a strong performance that is on a par with spend in the final quarter of 2021.

Of that, €546m was invested in the Dublin market. Investment in office assets accounted for 12% of spend in Q1, comprising three deals which were located in the City Centre.

The largest deal of Q1 was Spear Street Capital's purchase of The Forum Building in the IFSC for €30.8m. Sofidy purchased Fleming Court in Dublin 4 for €17.8m while a private Irish investor purchased Palmerston House in Dublin 2 for €16.8m.

Relatively speaking this was a low level of investment in office assets, partly explained by the lack of stock on the market at the beginning of the year.

€2bn could potentially be invested in office assets in the Dublin market in 2022.

€213m was invested outside of Dublin. The largest transaction outside of Dublin was in the industrial sector; (the forward fund of the Primark Distribution Centre in Newbridge, Co Kildare by Union Investment for €128.7m).

The sale of 32 South Mall in Cork for €13.2m was the largest office transaction outside of Dublin.

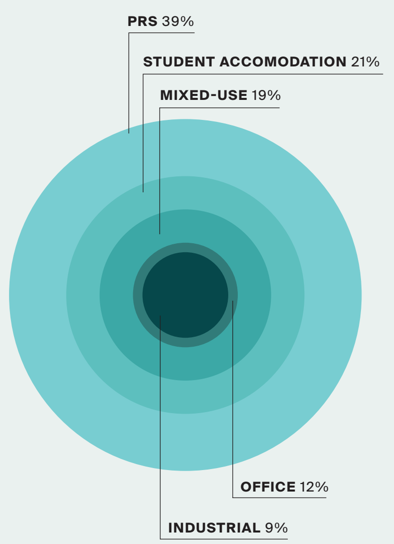
Office assets of significance that have come to the market in Q1 include St. Stephen's Green House and the adjoining No. 4 Earlsfort Terrace. St. Stephen's Green House is guiding €50m on behalf of State Street Global Advisors and Irish Life Investment Managers, while No. 4 Earlsfort Terrace is guiding €13m. While being sold separately, the buildings if purchased together, offer a unique opportunity for the redevelopment of a combined large footprint.

Other city centre assets on the market include Block R, Spencer Dock (guiding €110m) and One Harbourmaster Place in Dublin 1 (guiding €54m). Off-market transactions remain a feature of the market with an off-market portfolio in Dublin 2 (guiding in the region of €360m), expected to attract considerable investor interest.

Demand is expected to remain strong in 2022, albeit that the uncertainty regarding the impact of the Ukrainian war and on-going sanctions will bring some investor caution across Europe and the UK.

Nevertheless, Dublin remains well positioned to attract its share of the weight of capital seeking prime assets and we hold our view of further tightening of prime office yields to 3.5%.

Breakdown of Dublin investment spend by sector, Q1 2022



Source: Knight Frank Research

74%

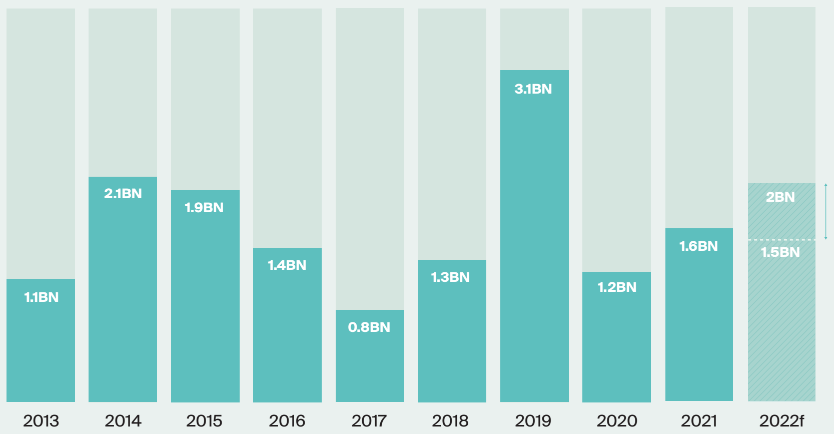
of capital invested in Dublin office assets in Q1 was from US and Europe

TOP 3 OFFICE INVESTMENT TRANSACTIONS Q1 2022

PROPERTY	VENDOR	PURCHASER	PRICE € MILLION
THE FORUM, DUBLIN 1	HIBERNIA REIT	SPEAR STREET	€30,800,000
FLEMING COURT, DUBLIN 4	ABERDEEN STANDARD	SOFIDY	€17,750,000
PALMERSTON HOUSE, DUBLIN 2	STATE STREET	PRIVATE IRISH INVESTOR	€16,800,000

Source: Knight Frank Research

Dublin office investment volumes (€ billions)

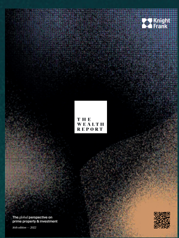


Source: Knight Frank Research

Ireland Residential Investment Market Overview 2021 and Outlook 2022

Active Capital 2021

Ireland Investment Market Overview Q4 2021



The Wealth Report 2022

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

Sean Cadogan, Graduate - Research Analyst
sean.cadogan@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

Tom Fahy, Associate Director
tom.fahy@ie.knightfrank.com

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