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Analysis of Covid Impacts on Commercial Office Market – Potential Implications for State Leases

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Executive Summary

This analytical note provides a high level overview of the following;

- Recent emerging trends in the office rental market, as measured by trends in market price and demand in 2020 before and after the onset of COVID-19
- Office accommodation demand in the Civil Service.
- The potential impact of remote working on demand particularly noting the COVID-19 experience and the commitment to 20% remote working across public service as indicated in the current Programme for Government.
- Potential implications for space utilization and requirements under a working from home (WFH) policy scenario.
- It is important to highlight that this paper sets out scenarios rather than forecasts and the accompanying analysis is based on these scenarios rather than a definitive DPER view or forecast of the impacts of COVID-19 on market rates and/or working from home arrangements.

Key Findings

- While the impact of COVID-19 is very uncertain at this point, some market commentary suggests a moderate impact from COVID-19 on the level of office rents. The Society of Chartered Surveyors of Ireland (RCSI)/ Royal Institution of Chartered Surveyors (RICS) Q2-2020 survey respondents indicates a 3.5-5.5% reduction over the next twelve months. However, the vacancy rate in Dublin rose by 32.8% during Q2 according to data from CBRE.

- The size of the overall State portfolio had fallen by 7.5% in 2019 relative to the portfolio in 1998. Within the portfolio, owned office space has trended upwards, except for a 4 year period from 2007 to 2011 during the financial crisis. Leased office space has trended gradually downwards since 1998 and is now 18% lower in SQM terms.

- The baseline scenario analysed in this paper suggests that under a 20% WFH policy, along with a 5% reduction in market rents, the potential average cost per staff member per year for new leases could be reduced by 24%, or €1,492. However, there are other variables and factors that influence office accommodation prices that have not been incorporated in this analysis.

- Under a more extensive WFH policy with 40% of staff working days operating from a home office environment, alongside a more severe 10% reduction in market rents, the potential average cost per staff member per year for new leases could be reduced by 46%, or €2,860.

- Recent survey data from NUI Galway has shown that 83% of 7,241 respondents were in favour of continuing WFH policies once the COVID-19 pandemic has passed. If WFH policies were made a permanent feature of the working environment, this could have a knock on effect on the requirements for both existing and future office space requirements for the Civil Service by reducing permanent desk space requirements.

- 48.7% of the OPW's leased portfolio will expire over the next 5 years, with 58% of these leases in the Dublin region. The analysis in this paper would suggest there are now real opportunities to re-examine the current approach to office accommodation, with potential savings for the Exchequer.

- This paper is a point-in-time analysis, which may merit continued work. Further iterations of this paper could be produced to reflect ongoing market developments in light of COVID-19 impacts. It is intended that this paper should inform a more complex analysis of the commercial property market in due course.

Contents

1. Introduction

The COVID-19 pandemic has caused significant changes to the working environment for employees worldwide, with significant amounts of staff working from home (WFH) for the first time ever. This has knock-on implications for the commercial office market in Ireland, as it is likely that WFH policies could persist to some degree long after the pandemic has lifted. This has the potential to structurally lower the demand for office accommodation into the future.

This analytical note provides an initial framework for analysing changes in demand for office accommodation. It aims to explore the potential price impacts of continuing WFH and flexible-working arrangements on the future demand for leased accommodation.

This paper explores the following aspects of the commercial office market:

- What are the emerging trends in the office rental market, as measured by trends in market price and demand before and after the onset of the pandemic.
- The current level of demand for office accommodation in the Civil Service.
- The potential impact of remote working on demand particularly noting the COVID-19 experience and the commitment to 20% remote working across public service.
- Potential implications for space utilization and requirements under a WFH policy scenario.

The analysis provides several scenarios of policy impacts from emerging trends in the office rental market and WFH policies – both on costs to the State and also to the requirements for office demand going forward.

It is important to restate that is a point in time analysis that does not factor in all of the variables that underpin office accommodation price setting.

2. Methodology

- Desk based research involving documenting recent trends in the commercial office market and developing a model/framework for analysing price impacts for a number of post-COVID scenarios for accommodating civil servants.
- Completion of a scenario analysis taking into consideration potential factors including WFH policy and reduction in market rents. A number of recent lease proposals were reviewed in order to ascertain the cost basis for the analysis.

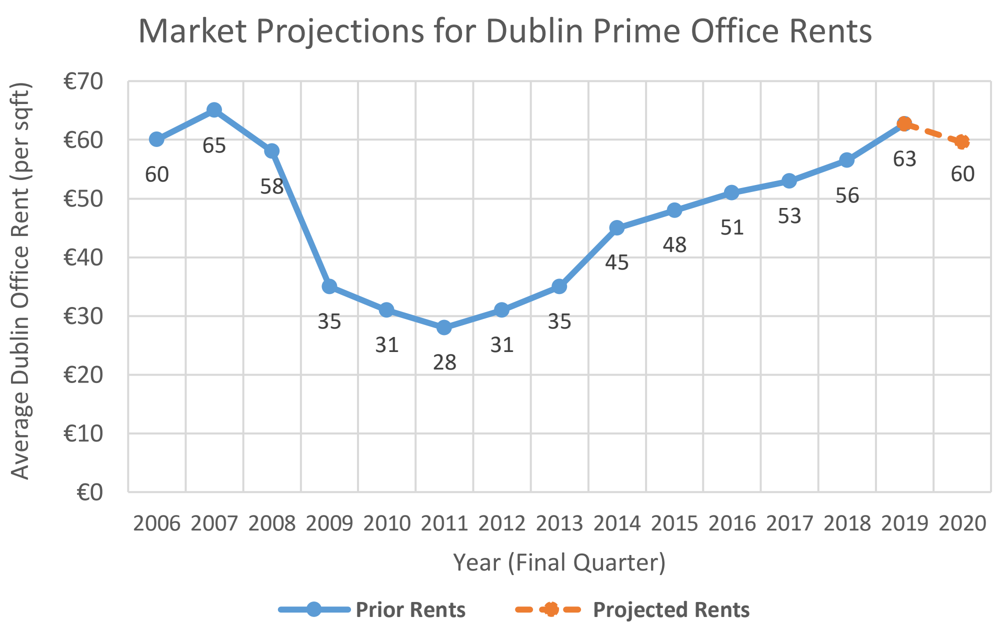
3. Emerging Trends in the Office Rental Market

Introduction

Prior to the COVID-19 pandemic, demand was strong in the Dublin office market with Q1-2020 being one of the most active quarters in the last decade in terms of leasing activity, second only behind Q1-2019. Demand was above 2019 levels until the onset of the COVID-19 restrictions in late March.

Q2-2020 saw a sharp reversal of this strength, with the lowest ever quarterly take up of office space in Dublin according to CBRE. Vacancy rates in the Dublin office market rose by 32.8% over the quarter, from 5.06% at the end of Q1 to 6.65% in Q2-2020.

Figure 1: Market Projections for Dublin Prime Office Rents [1]



Q1 commentary from property agents CBRE and Knight Frank, along with the Society of Chartered Surveyors of Ireland (SCSI) and the Royal Institute of Chartered Surveyors (RICS), anticipated a moderate impact in terms of rental costs over the next twelve months, with rental growth projections by SCSI falling by between 5-8% depending on the location and quality of office block. Given more recent data on the low levels of office accommodation take-up in Q2, along with a rapidly rising vacancy rate in the capital, this forecast may be overly optimistic. It will be important to review data for Q4 in order to establish if there is a persistent trend across three quarters.

[1] Data combines Knight Frank Research from Dublin Office Market Overview Q1-2020 and SCSI Q1 projections for rental price changes in 2020 (5% rental price reduction used)

Pre-COVID Analysis

Analysis from the *Annual Commercial Property Review and Outlook 2020* by the SCSI and the RICS, which was published in the early stages of the COVID-19 outbreak, demonstrates strong office market conditions at the beginning of the year. Prime Dublin office rents had increased by 11% over the 2018-2019 period, while rental inflation was expected to see some cooling off during 2020.

The report highlights the challenges that the office accommodation market was facing due to both supply and demand pressures. The commentary suggested that for businesses who want to expand their Irish operations in 2020, there was likely to be limited office space available in Dublin.

In Dublin City, there has been a significant volume of new construction activity in recent years. However, it was noted that in this new supply has not kept pace with demand, especially for the office sector.

Post-COVID Onset Analysis

The Q1 2020: Ireland Commercial Property Monitor published by the SCSI & RICS included a survey on market sentiment following the outbreak of COVID-19. Survey responses were collected between March and April 2020, straddling the introduction of full lockdown measures at the end of March. Survey results point to a material weakening in market sentiment following the onset of the pandemic and associated lockdown measures. For the office sector, prime rents were projected to fall by -5% and by around -8% for secondary accommodation over the next twelve months. The Q2-2020 edition of this report collected updated survey responses which moderated expected rental price reductions to -3.5% and -5.5% respectively.

The Q2 2020: Global Commercial Property Monitor by the RICS notes that their Occupier Sentiment Index[2] fell significantly in the first half of 2020, with the shift in sentiment most marked in the office sector. Anecdotal comments from survey respondents were reported to enforce this view, with several firms highlighting the scope for agile working to become more common post-COVID, structurally lowering the demand for office space.

Knight Frank published the *Dublin Office Market Overview, Research, Q1-2020* with a special focus on the impact of COVID-19. It outlines how Q1-2020 was the second strongest quarter in the last decade (behind Q1 2019), with a strong opening start to the year, masking a severe disruption to the market as a result of COVID-19. Their estimated vacancy rate for office accommodation declined to 6.5% in

[2] The RICS Occupier Sentiment Index takes an unweighted average of readings for three series relating to the occupier market: occupier demand, the level of inducements and rent expectations.

Q1, down from 7% in Q4-2019. However, the Q2-2020 edition of this report shows that the vacancy rate rose to 7.3% in Q2-2020 following the onset of the pandemic.

The report predicts that the demand for physical offices will remain despite the acute shift to remote working that is currently underway, with the Q2-2020 report emphasising many aspects of the office environment which are beneficial to companies and employees that are not possible to replicate within the context of WFH. However, the report also highlights research by the National Bureau of Economic Research in the United States which found that a group of employees who volunteered for a WFH programme showed a 13% increase in productivity, with 9% of the gains due to additional time available for working and 4% due to a quieter working environment.

The *Dublin Office Market View, Q2 2020* by CBRE notes that Q2 saw the lowest quarterly level of take-up ever seen in the Dublin office market. 9,885sqm was leased in the second quarter which is down significantly from 99,183sqm in Q1-2020, a quarter-on-quarter drop of over 90%. Despite this, CBRE expects prime headline rents to remain stable at €65 per sqft. The report notes that letting activity increased in the weeks after the end of Q2, as several transactions that were put on hold during lockdown were resumed. The report also mentions that vacancy rates could rise if sub-letting activity increases due to organisations reassessing their own needs for space.

The *Ireland Bi-Monthly Research Report, September 2020* by CBRE indicates that the landscape for commercial property has deteriorated in the past few months due to the extension of lockdown measures, although a level of pent-up demand remains in the pipeline from transactions initiated prior to lockdown.

"..the likelihood is that office leasing activity in many European cities, including Dublin, will remain subdued for the foreseeable future in comparison to the record volume of occupier activity witnessed in recent years." (Ireland Bi-Monthly Research Report, September 2020, CBRE)

Conclusion

The articles reviewed show the strong start to the year in commercial office market in Ireland prior to the onset of the COVID-19 pandemic. The Q2 data shows a historically weak office rental market, primarily due to the impacts of lockdown measures and recommendations for people to WFH where possible. Despite this, the market commentary indicates a moderate short term impact from COVID-19 on the level of rents, while demand for space is expected to be impaired for quite some time.

However, it is important to caveat that the situation is rapidly evolving and difficult to predict. There are several potential negative catalysts which may impact civil service demand for office accommodation and the commercial property market in Ireland. This includes potential ongoing deterioration in public finances, the need for prolonged economic stimulus in the wider economy, the ongoing health impacts of COVID-19, and the demand for continued remote working. Current market analyses may not fully capture all of these potential risks.

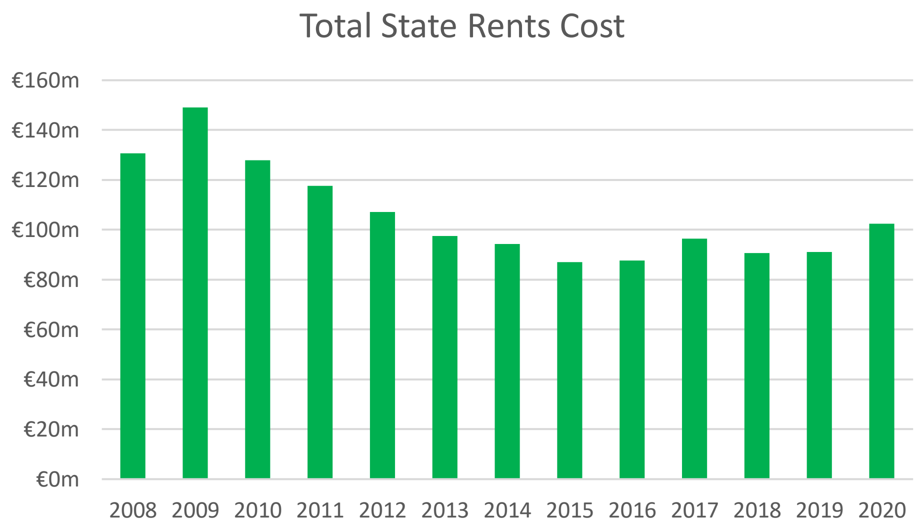
4. Examining Office Accommodation Demand in the Civil Service

This section will examine measures of demand for office space in the Civil Service using data on State rents, staffing numbers and the size of the OPW portfolio over time, as well as providing an analysis of upcoming expiries in the leased segment of the portfolio.

This is important as accurate forecasts of staffing and office demand over the next 5 years are very difficult to compile. Therefore it is essential to build a data-driven framework to provide the necessary tools to analyse the impacts of potential price and policy changes.

State Rents

Figure 2: Total State Rents Cost Per Annum[3]



In 2020, State rents has a budget of €102.5m which is 12.6% higher than the outturn in 2019 (€91m). The 2020 budget is 31.2% lower than the funding peak of €149m reached in 2009, but 17.7% higher than the low of €87m in 2015.

Budget 2020 provided the largest annual increase in allocation since 2009, driven primarily by an increase in Civil Service staff numbers and increased property costs. In 2019, total staff numbers in the Civil Service rose by 2,618 (+6.6%), while total leased space rose by 10,000sqm (+3.0%).

[3] Source: Budget / Expenditure Trends Chapters, 2008-2019 figures are outturn while 2020 figures are budgeted

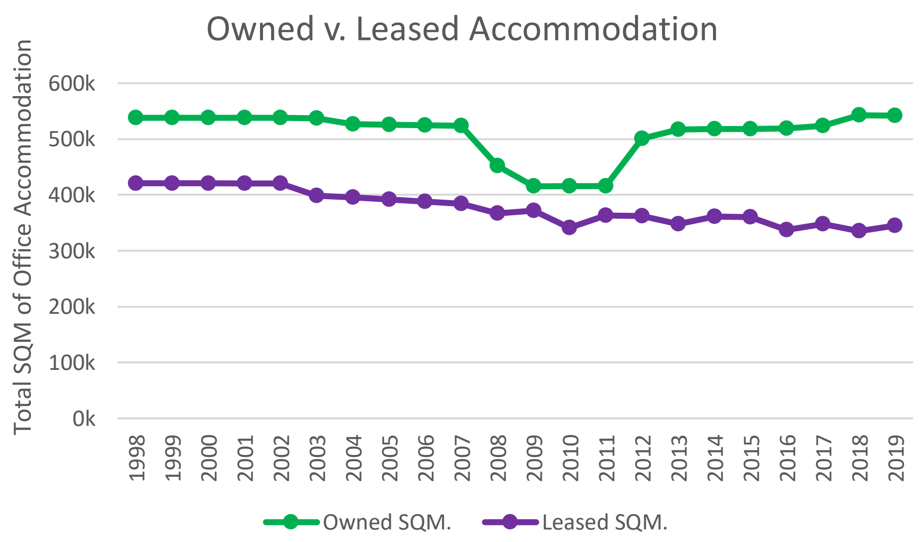
Analysis of State Portfolio

The total office space maintained by OPW at the end of 2019 was 887,407 SQM, consisting of 542,178 SQM owned and 345,229 SQM leased property.

The size of the overall portfolio had fallen by 7.5% in 2019 relative to the portfolio in 1998. Within the portfolio, owned office space has trended upwards, except for a 4 year period from 2007 to 2011 during the financial crisis. Leased office space has trended gradually downwards since 1998 and is now 18% lower in SQM terms.

This has aligned with the stated objective[4] of the OPW to increase the proportion of owned accommodation relative to leased accommodation. 61% of state accommodation is now owned with the remaining 39% leased. In Dublin, 56% of office space is owned and 44% is leased.

Figure 3: Owned v. Leased Accommodation in State Portfolio



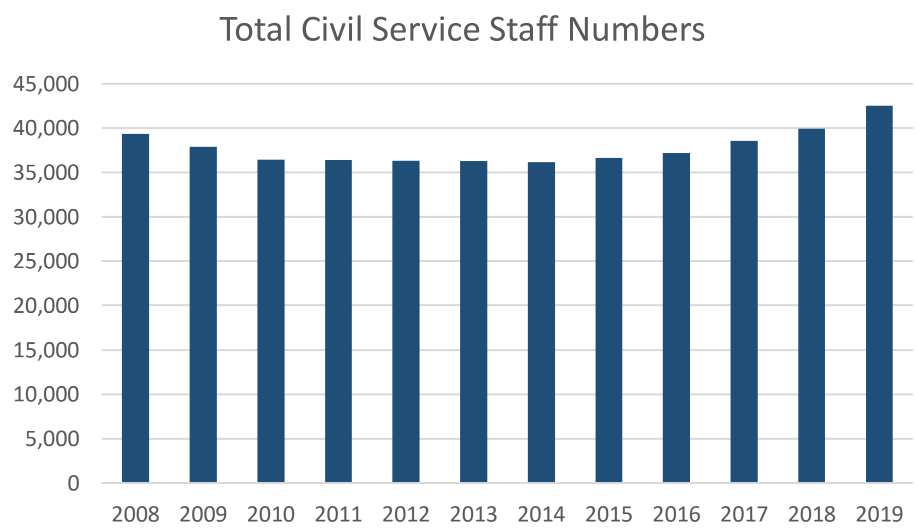
Within the Dublin area, total leased space stood at 205,143 SQM by the end of 2019 at a per annum cost of €73m, accounting for 59.4% of all OPW leased office accommodation in the country and 80.4% of total cost. Owned office accommodation in Dublin stood at 261,969 SQM in 2019, accounting for 48.3% of all owned office space by the OPW.

[4] OPW Estates Management Current/Capital Expenditure – Spending Review Paper 2020.

Trends in Civil Service Numbers

Following the financial crisis, Civil Service numbers declined by 8% from 2008 to 2014. This was due to a combination of several factors, including pressure on public finances, early retirement schemes and a moratorium on recruitment.

Figure 4: Total Civil Service Staff Numbers [5] [6]



Civil Service staff numbers subsequently increased significantly, rising by 17.6% from the lows in 2014 to a total complement of 42,540 staff in 2019. This correlates with an increase in owned office accommodation, but did not drive an increase in leased accommodation.

It is difficult to predict Civil Service staff numbers over the coming years, not least because of the uncertainty introduced by the COVID-19 pandemic on the general economy and on public finances.

A proportion of Civil Service staff will always have to be accommodated permanently, for example those working in the Gardaí and in the Prisons Service. In these circumstances, it would be difficult to envisage the level of WFH that could be practical.

Other staff who are not in public-facing roles may be able to engage in more flexible working practises, including a permanent degree of WFH beyond the COVID-19 pandemic.

[5] OPW data has a bi-annual frequency, to get a yearly series an average of prior and subsequent year was taken.

[6] This uses an absolute scale which highlights that even during the period after the financial crisis there was a baseline of at least 36,000 staff who required office accommodation across the Civil Service.

OPW Future Accommodation Requirements

While there is no specific projection of Civil Service staff numbers going forward, particularly given increased uncertainty due to the COVID-19 pandemic, we can examine current leases which will be expiring over the next 5 years and contingent staffing accommodation needs

Figure 5: OPW Lease Expiries 2021-2025 by Current Lease Cost

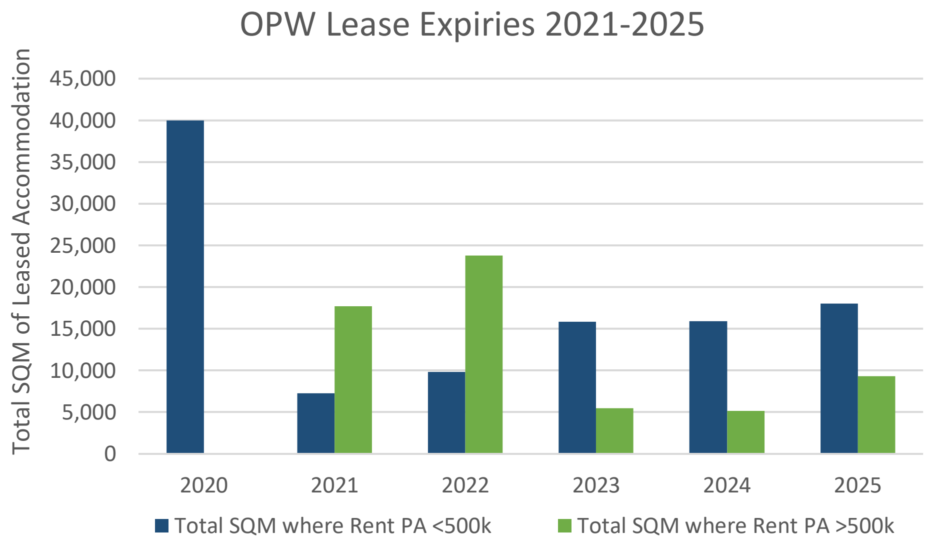


Fig. 5 shows the total SQM of office spaced currently leased by OPW for which leases will expire over the next 5 years, split by total current expenditure rent cost of each lease per annum. The total SQM of leases expiring over this time horizon is 168,242 SQM, which accounts for 48.7% of total OPW leased office accommodation in 2019.

Of the segment of the portfolio for which lease expiry will occur within the next 5 years, 61,426 SQM (36.5%) relates to leases which have a current rent per annum over €500,000. The expiry dates of this group of leases are particularly clustered over the 2021-22 time period.

Replacing these leases is a useful proxy of a static level of office accommodation demand over the time horizon. The potential impact of WFH policies and market rental price changes will be examined in the next section.

Once again, it is important to note that other factors such as location, the level of civil service mobility, emerging ICT innovations and flexible working arrangements could impact the level of actual office accommodation demand going forward.

Figure 6: OPW Lease Expiries 2021-2025 by Region

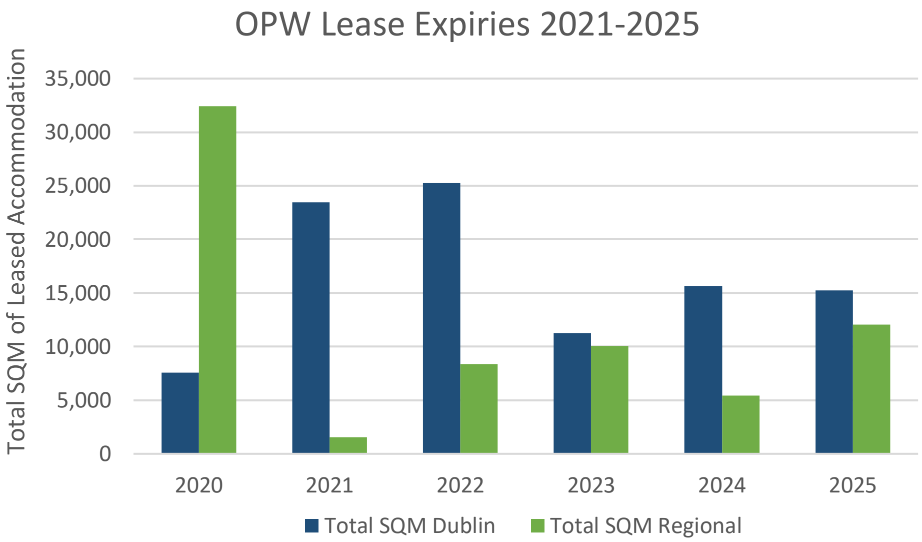


Fig. 6 shows the total SQM of office spaced currently leased by OPW for which leases will expire over the next 5 years, split by region. Leased office space located in Dublin accounts for 98,421 SQM, or 58% of all leased space expiring over this time horizon.

5. Scenario Analysis of Office Accommodation

A set of scenarios were modelled to quantify the impacts of permanent WFH policies and changes in market rents. This framework allows us to examine the impacts on marginal leases (for example, those expiring within the short to medium term) and subsequent impacts on State rents and the demand for additional office accommodation within the portfolio.

The marginal impacts on new leases were analysed by observing an average cost per staff member per year from a set of live proposals in the Dublin region submitted to DPER for Cost Effectiveness Analysis (CEA), as a proxy for current market costs.

These figures were then adjusted for COVID-19 impacts (permanent WFH policies meaning less space is required per staff member on average), and current price impacts on the rental market (baseline is 5%, severe is 10% reduction). The average cost per staff member from data available to DPER for 2019/20 is €6,217.

It should be noted that the impact on cost per staff member will depend on the type and extent of WFH policy introduced, which has not yet been decided at this time.

Potential Price Impacts

Scenario: The level of market rents falls due to lower overall demand in the market. The degree to which this happens will form 3 scenarios: i) no change, ii) 5% reduction, and iii) 10% reduction.

The level of market rents will be directly proportional to the level of demand from the private sector, so it is therefore useful to look at where the demand has come from in the most recent quarter. In Q1-2020, data from Knight Frank shows that 91% of all space let in the Dublin area was to companies in the technology, media & telecoms sector. This was led by MasterCard, who accounted for 30.5% of all leased space during the quarter, in a building located in Dublin 18.

If there is a severe downturn, it is likely that the private demand for office space could drop, which would push down the average projected rental cost over the next twelve months by more than the 5% forecast by SCSI.

Private firms are also instituting work from home policies which could lead to a structural shift lower in office demand and thus lower rents[7]. This would have a direct impact on lowering the per-staff cost of new civil service accommodation.

[7] https://www.rte.ie/news/2020/0908/1163827-google-office-plans/

Potential Impacts of Remote Working

Scenario: Total costs of accommodating each staff member fall due to WFH becoming a permanent feature of the workplace, leading to lower office space requirements. The degree to which WFH policies are implemented will inform 3 scenarios: i) no change, ii) 20%, and ii) 40% WFH policy.

Although 20% WFH may imply on the face of it that 20% of staff members would be working from home on a permanent basis, a better way to view this is that 20% of staff working days would be from a home office environment (e.g. 1 day out of a 5 day week). This could be a very conservative estimate, as there may be a higher preference among staff members to work from home – perhaps as high as 40-60%.

40% is therefore used as the more severe scenario, which would imply an average of 2 days per 5 day week for each employee working from a home office environment. The reduction in office space would be achieved through a form of desk/office sharing or adaptable office space.

Figure 7: Cost per Incremental Staff Member Per Annum

Cost Per Incremental Staff Member		**Change in Market Rents**		
		0%	**-5%**	**-10%**
	0%	€6,217	€5,906	€5,595
Extent of WFH	**20%**	€4,974	€4,725	€4,476
	40%	€3,730	€3,544	€3,357

As Fig. 7 demonstrates, the baseline scenario of a 20% reduction in new space requirements due to ongoing WFH policies, coupled with a 5% decrease in market rental prices, would lower the cost per staff member, per year for new leases from €6,217 to €4,725 (Cost reduction of €1,492).

A more severe scenario would see a much higher 40% rate of WFH alongside a decrease in rental prices of 10%, lowering the cost per staff member, per year for new leases from €6,217 to €3,357 (Cost reduction of €2,860).

Figure 8: % Change in Cost per Incremental Staff Member Per Annum

% Change in Cost Per Incremental Staff		**Change in Market Rents**		
		0%	**-5%**	**-10%**
	0%	0.0%	-5.0%	-10.0%
Extent of WFH	**20%**	-20.0%	-24.0%	-28.0%
	40%	-40.0%	-43.0%	-46.0%

As Fig. 8 demonstrates, the baseline scenario of a 20% reduction in new space requirements due to ongoing WFH policies, coupled with a 5% decrease in market rental prices, would lower the cost per staff member, per year for new leases by 24%.

The severe scenario would see a much higher 40% rate of permanent WFH alongside a decrease in rental prices of 10%, lowering the cost per staff member, per year for new leases by 46%.

6. Implications for Space Utilization and Requirements

If a WFH policy was adopted going forward, there could be potential efficiencies in existing state accommodation (either leased or owned offices), leading to a lower overall demand for staff accommodation and cost per staff member.

A recent survey[8] by the Whitaker Institute at NUI Galway showed that 83% of the 7,241 respondents were in favour of continuing remote working after the COVID-19 crisis has abated. This survey was collected between 27th April and 5th May from a wide range of industries and sectors across Ireland. Over half the respondents indicated a preference for WFH more than one day per week, with 12% stating that they would like to WFH full time. 16% of respondents stated that they do not want to continue working remotely.

In the framework proposed by this paper, WFH policies have a much greater impact on costs to the Exchequer than market price fluctuations currently expected in the short to medium term. In the financial crisis, commercial property rents fell up to 50% in a relatively short period of time. A similar price shock is not expected to occur due to COVID-19, however a long–term structural change towards more flexible working practices in both the private and public sector is a distinct possibility.

If policies are adapted to reflect this within the OPW Estate portfolio over time, significant cost savings on rent could be negotiated and achieved for the Exchequer. Now is an opportune time to consider the effects of policy changes on leases as a significant proportion of Dublin leases are due for renewal over the next 5 years. It is important to note that each new lease will be looked at on a case-by-case basis and this framework may not necessarily be appropriate in each or every individual lease.

To assist in COVID-19 prevention measures in the short term, increased desk spacing/social distancing within the office environment could be achieved through higher rates of WFH and having staff members only attend office premises in shifts or on certain days.

In the short term, higher rates of WFH during COVID-19 pandemic will lower the requirement for immediate office space. In the medium to longer-term, a potential preference for WFH amongst a significant cohort of Civil Service staff could underpin higher rates of permanent WFH and thus lower the total permanent desk requirement in the estate portfolio.

[8] National Remote Working Study – Whitaker Institute, NUI Galway, 2020

Further research will be necessary over time in order to understand employee preferences with regards to WFH on an ongoing basis, and also to examine data from the Property Services Regulatory Authority (PSRA), which has granular data on new leases in the commercial office market.

While this paper discusses the potential implications of WFH with respect to office accommodation, it is important to mention there are several other factors that are relevant to the future consideration of the OPW office accommodation portfolio. There is an opportunity at this juncture for the OPW to produce an overall Estate Management Strategy to consider future accommodation type, mix and location.

7. Key Findings and Insights

This discrete piece of analysis produces a number of key findings with regard to potential cost implications on State rents for the Exchequer which could be considered alongside wider policy considerations.

It is important to highlight that this paper sets out scenarios rather than forecasts and the accompanying analysis is based on these scenarios rather than a definitive DPER view or forecast of the impacts of COVID-19 on market rates and/or working from home arrangements.

- While the impact of COVID-19 is very uncertain at this point, some market commentary suggests a moderate impact from COVID-19 on the level of office rents. The Society of Chartered Surveyors of Ireland (RCSI)/ Royal Institution of Chartered Surveyors (RICS) Q2-2020 survey respondents indicates a 3.5-5.5% reduction over the next twelve months. However, the vacancy rate in Dublin rose by 32.8% during Q2 according to data from CBRE.

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- The baseline scenario analysed in this paper suggests that under a 20% WFH policy, along with a 5% reduction in market rents, the average cost per staff member per year for new leases could be reduced by 24%, or €1,492. However, there are other variables and factors that influence office accommodation prices that have not been incorporated in this analysis.

- Under a more extensive WFH policy with 40% of staff working days operating from a home office environment, alongside a more severe 10% reduction in market rents, the average cost per staff member per year for new leases could be reduced by 46%, or €2,860.

- Recent survey data from NUI Galway has shown that 83% of 7,241 respondents were in favour of continuing WFH policies once the COVID-19 pandemic has passed. If WFH policies were made a permanent feature of the working environment, this could have a knock on effect on the requirements for both existing and future office space requirements for the Civil Service by reducing permanent desk space requirements.

- 48.7% of the OPW's leased portfolio will expire over the next 5 years, with 58% of these leases in the Dublin region. The analysis in this paper would suggest there are now real opportunities to re-examine the current approach to office accommodation, with potential savings for the Exchequer.

- This paper is a point-in-time analysis, which may merit continued work. Further iterations of this paper could be produced to reflect ongoing market developments in light of COVID-19 impacts. . It is intended that this paper should inform a more complex analysis of the commercial property market in due course.

Appendix 1: Sensitivity Testing

Figure 9: Sensitivity Test: Cost per Incremental Staff Member Per Annum

Cost per incremental staff member		Change in Market Rents										
		0%	**-5%**	**-10%**	**-15%**	**-20%**	**-25%**	**-30%**	**-35%**	**-40%**	**-45%**	**-50%**
	0%	€6,217	€5,906	€5,595	€5,284	€4,974	€4,663	€4,352	€4,041	€3,730	€3,419	€3,109
	5%	€5,906	€5,611	€5,316	€5,020	€4,725	€4,430	€4,134	€3,839	€3,544	€3,248	€2,953
	10.0%	€5,595	€5,316	€5,036	€4,756	€4,476	€4,196	€3,917	€3,637	€3,357	€3,077	€2,798
	15.0%	€5,284	€5,020	€4,756	€4,492	€4,228	€3,963	€3,699	€3,435	€3,171	€2,906	€2,642
	20.0%	€4,974	€4,725	€4,476	€4,228	€3,979	€3,730	€3,482	€3,233	€2,984	€2,735	€2,487
	25.0%	€4,663	€4,430	€4,196	€3,963	€3,730	€3,497	€3,264	€3,031	€2,798	€2,565	€2,331
Extent of WFH	**30.0%**	€4,352	€4,134	€3,917	€3,699	€3,482	€3,264	€3,046	€2,829	€2,611	€2,394	€2,176
	35.0%	€4,041	€3,839	€3,637	€3,435	€3,233	€3,031	€2,829	€2,627	€2,425	€2,223	€2,021
	40.0%	€3,730	€3,544	€3,357	€3,171	€2,984	€2,798	€2,611	€2,425	€2,238	€2,052	€1,865
	45.0%	€3,419	€3,248	€3,077	€2,906	€2,735	€2,565	€2,394	€2,223	€2,052	€1,881	€1,710
	50.0%	€3,109	€2,953	€2,798	€2,642	€2,487	€2,331	€2,176	€2,021	€1,865	€1,710	€1,554
	55.0%	€2,798	€2,658	€2,518	€2,378	€2,238	€2,098	€1,958	€1,818	€1,679	€1,539	€1,399
	60.0%	€2,487	€2,362	€2,238	€2,114	€1,989	€1,865	€1,741	€1,616	€1,492	€1,368	€1,243

Figure 10: Sensitivity Test: % Change in Cost per Incremental Staff Member Per Annum

Change in cost per incremental staff member		Change in Market Rents										
		0%	**-5%**	**-10%**	**-15%**	**-20%**	**-25%**	**-30%**	**-35%**	**-40%**	**-45%**	**-50%**
	0%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%
	5%	-5%	-10%	-15%	-19%	-24%	-29%	-34%	-38%	-43%	-48%	-53%
	10.0%	-10%	-15%	-19%	-24%	-28%	-33%	-37%	-42%	-46%	-51%	-55%
	15.0%	-15%	-19%	-24%	-28%	-32%	-36%	-41%	-45%	-49%	-53%	-58%
	20.0%	-20%	-24%	-28%	-32%	-36%	-40%	-44%	-48%	-52%	-56%	-60%
	25.0%	-25%	-29%	-33%	-36%	-40%	-44%	-48%	-51%	-55%	-59%	-63%
Extent of WFH	**30.0%**	-30%	-34%	-37%	-41%	-44%	-48%	-51%	-55%	-58%	-62%	-65%
	35.0%	-35%	-38%	-42%	-45%	-48%	-51%	-55%	-58%	-61%	-64%	-68%
	40.0%	-40%	-43%	-46%	-49%	-52%	-55%	-58%	-61%	-64%	-67%	-70%
	45.0%	-45%	-48%	-51%	-53%	-56%	-59%	-62%	-64%	-67%	-70%	-73%
	50.0%	-50%	-53%	-55%	-58%	-60%	-63%	-65%	-68%	-70%	-73%	-75%
	55.0%	-55%	-57%	-60%	-62%	-64%	-66%	-69%	-71%	-73%	-75%	-78%
	60.0%	-60%	-62%	-64%	-66%	-68%	-70%	-72%	-74%	-76%	-78%	-80%

Quality Assurance process

To ensure accuracy and methodological rigour, the author engaged in the following quality assurance process.

√ Internal/Departmental
- √ Line management
- √ Spending Review Steering group
- √ Other divisions/sections
- ☐ Peer review (IGEES network, seminars, conferences etc.)

☐ External
- √ Other Government Department/Office
- ☐ Other Steering group
- ☐ Quality Assurance Group (QAG)
- ☐ Peer review (IGEES network, seminars, conferences etc.)
- ☐ External expert(s)

☐ Other (relevant details)

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