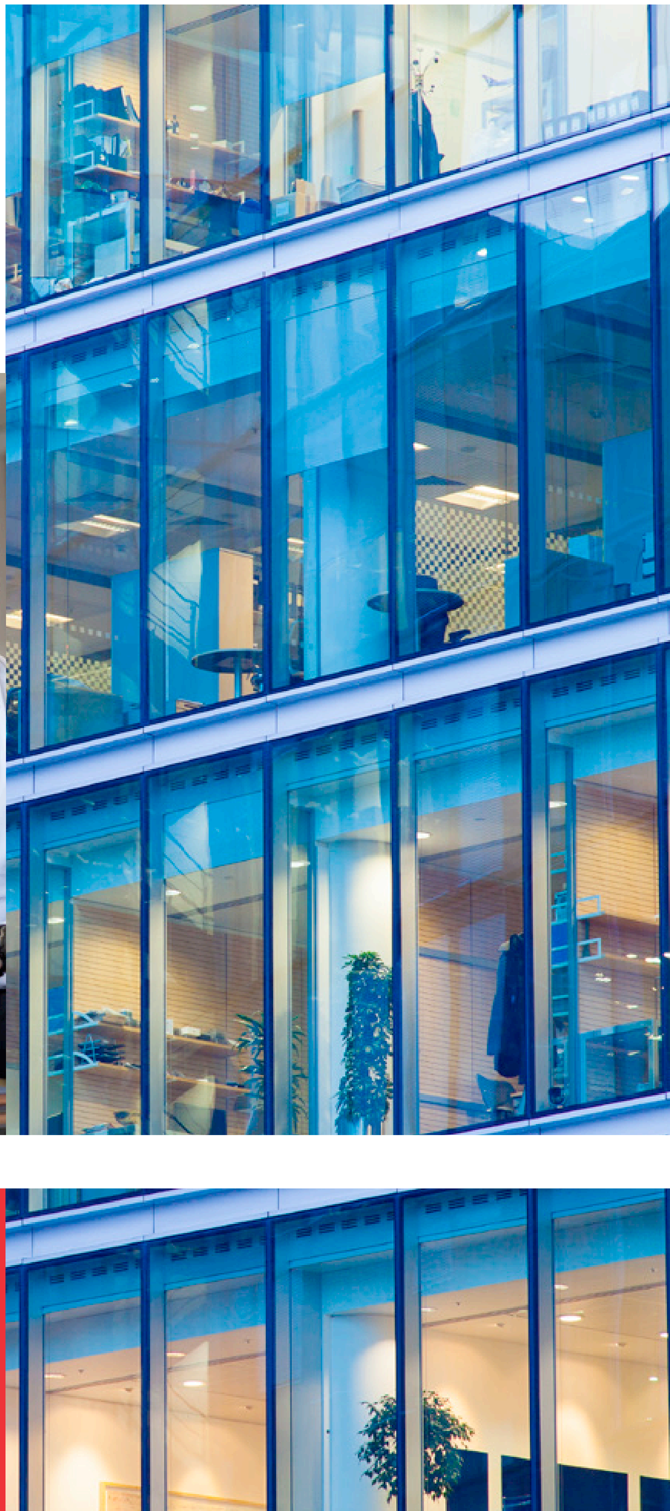
OFFICE REPORT

Q1 2024



Q1 2024

Dublin's office market had a sluggish start to 2024 with take-up reaching 15,570 sq.m. The city centre remained the focal point of activity with professional services occupiers dominating demand as the tech sector share continued to diminish. Large deals were scarce with most wishing to secure smaller amounts of space persisted, reflecting a preference for flexibility and cost-effectiveness among occupiers.

▼ 15,750 sqm

Take Up

▼ 30

Number of Transactions

▼ 525 sqm

Average Lot Size

▼ 63%

City Centre

Busiest Region

▲ 48%

Professional Services

Busiest Sector

▼ €678 psm

(€63 psf)

City Centre Prime Headline Rent

▲ 71,600 sqm

72% in the city centre

Reserved

▲ 17.7%

Dublin Headline Vacancy Rate

▼ 290,000 sqm

Under Construction

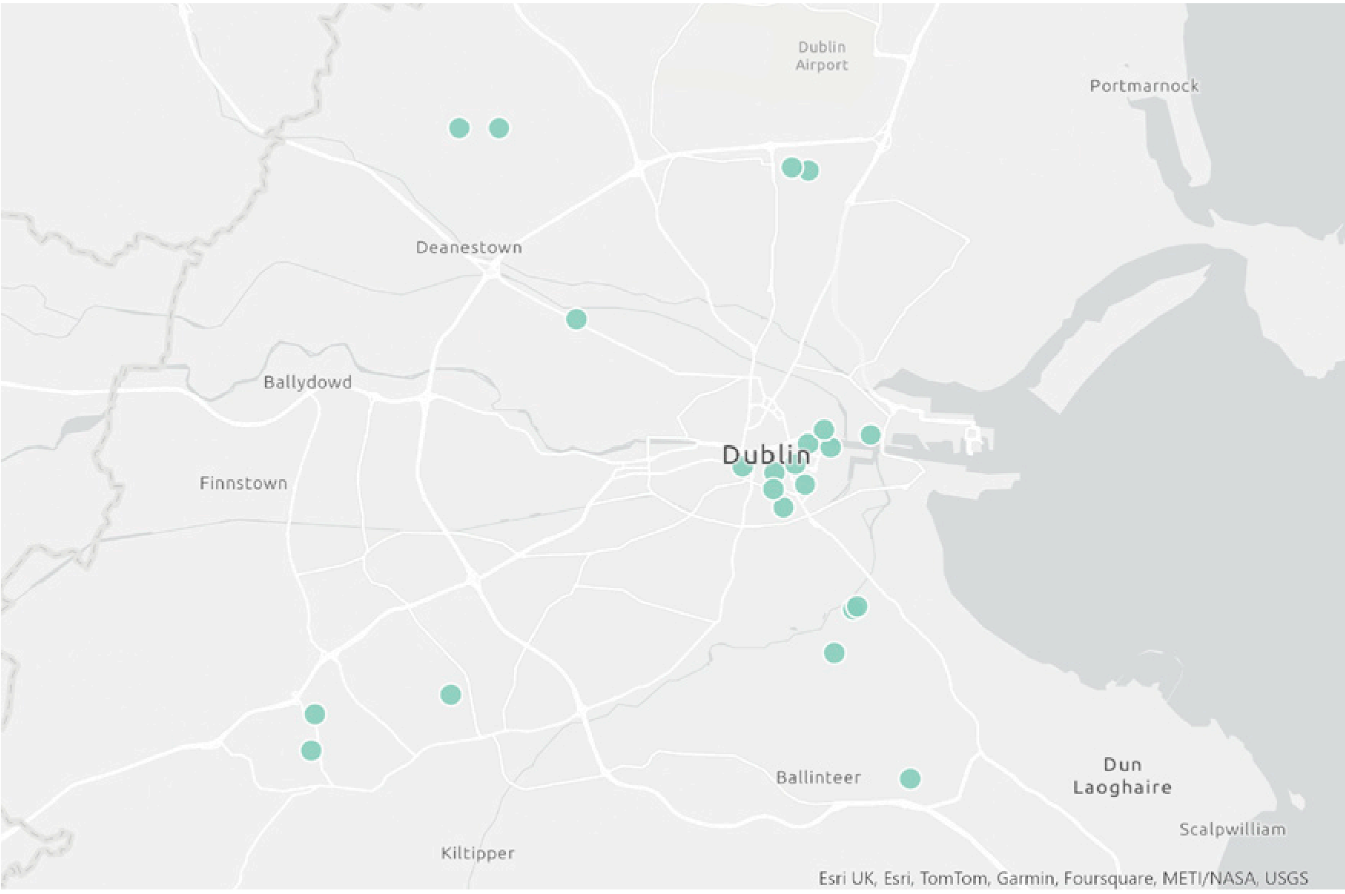
Arrows represent quarterly trends unless otherwise stated.

Top 10 Office Transactions (Q1 2024)

PROPERTY	SQM	REGION	OCCUPIER
60 Dawson Street, Dublin 2	2,560	City South	RenaissanceRe
George's Quay House, Townsend Street, Dublin 2	1,650	City South	Personio
2 Grand Parade, Dublin 6	1,230	City South	Element Fleet
One Park Place, Hatch Street, Dublin 2	1,120	City South	Fidelis
The Observatory, Sir John Rogersons Quay, Dublin 2	750	City South	Shutterstock
2 Stemple Exchange, Blanchardstown Corporate Park, Dublin 15	710	North Suburbs	Blue Insurance
Block 3 Richview Office Park, Dublin 14	680	South Suburbs	O'Leary Insurance
Dublin Airport Business Park, Dublin 9	620	North Suburbs	Arachas
3018 Lake Drive, Citywest Business Campus, Dublin 24	580	West Suburbs	Schneider Electric
Block C Cookstown Court, Tallaght, Dublin 24	540	West Suburbs	RSK

Source: Lisney

Office Take-Up Q1 2024



Source: Lisney

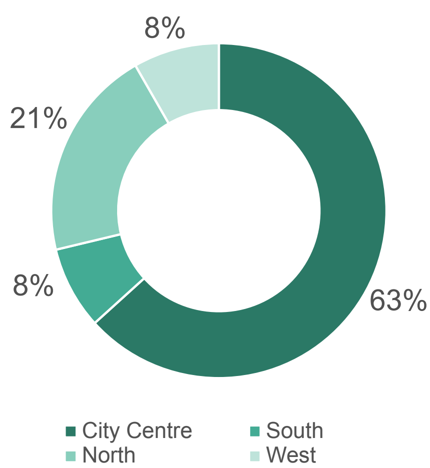
RIGHT:
2 Charlemont Square, Dublin 2 - 6,800 sqm is currently reserved to two occupiers

Activity

Excluding the COVID-affected months Q1 2024 was the lowest quarterly take-up on record However, the amount of space reserved increased by 12%.

- The city centre region remained the most active with 63% of all activity taking place there.
- With 30 deals completed, the top ten accounted for 66% of the overall take-up. Of these, only four were individually larger than 1,000 sqm with one more than 2,000 sqm. In the years just prior to the pandemic, it was very unusual for transactions smaller than 1,000 sqm to make it into the top ten.
- The average deal size was 525 sqm, down from 830 sqm in Q4 2024 and 710 sqm in 2023. In addition, it remained substantially below the previous 5-year average of 1,240 sqm.
- The largest deal was in the south city centre and included the letting of 2,560 sqm at 60 Dawson Street in Dublin 2 to RenaissanceRe, the Bermuda based reinsurer. The second largest deal was also in the south city centre and comprised German tech company Personio's acquisition of 1,650 sqm at George's Quay House in Dublin 2, previously occupied by the serviced office provider WeWork.
- Domestic occupiers and occupiers from North America took the most space (32% and 29% of the total respectively). The average lot size of Irish occupiers was 840 sqm, while North American companies took larger amounts of space, averaging 1,240 sqm per deal.
- Smaller size lettings, sub-1,000 sqm continued to dominate the office market in Q1 (26 out of 30 deals), accounting for 58% (9,190 sqm) of all activity by size. This compares to 46% in Q4 2023.
- Professional services firms accounted for 48% of the total take-up, up from 12.5% in Q4 2023. The tech sector, which had dominated the market between 2014 and 2020 but retrenched in recent years, accounted for 21% of the total, down from 27% in Q4 2023.
- Six deals (combined 5,800 sqm) were within new buildings that were never previously occupied and just two deals (1,980 sqm) were within a refurbished building. Most activity, 22 lettings (105,120 sqm), occurred within used accommodation that was previously occupied by another tenant. Part of this activity may be due to the space coming fully-fitted, allowing tenants to avoid or reduce the capital expenditure of initial setup costs when moving into new premises.

Take-Up by Region (Q1 2024)



Source: Lisney

TERMS

The prime city centre headline rental dipped slightly to €678 psm (€63 psf) having been at €700 psm (€65 psf) at the end of 2023. It is now at the same level as it was prior to the pandemic. In addition, commercial rents on secondary space continued to soften. Indeed, Lisney's office rent index for the Dublin region (prime and secondary buildings in all areas) was 6.5% lower in March 2024 than it was in March 2020.

DEMAND

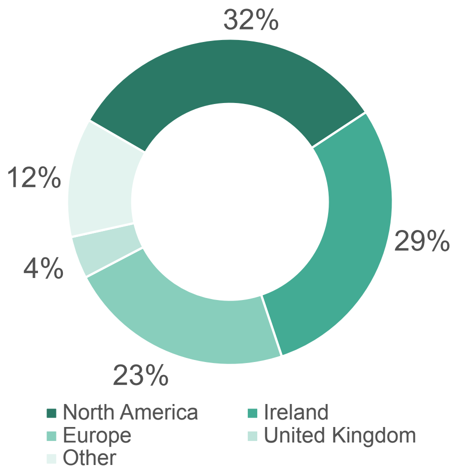
At the end of March 2024, there was close to 67,000 sqm of office accommodation reserved, of which 70% was in the city region. This included BNY Mellon's plan to take The Shipping Office (7,300 sqm) in Dublin 2; Bloomberg & Mark Anthony Brands taking 6,300 sqm at One Charlemont Square; and the HSE taking 4,000 sqm at Unit 1 Swords Business Campus.

EY, the global accountancy and consulting firm, currently has an active requirement for 15,000 to 20,000 sqm of space and has reportedly shortlisted three city centre locations. Another leading global professional services firm, Deloitte, has agreed terms in principle to pre-let approximately 20,000 sqm on Adelaide Road. Stripe, the Irish founded payment platform, has a requirement of 9,500 sqm and Regeneron Pharmaceuticals has a requirement of 3,700 sqm. More demand is expected from the State, including purchases of new premises in addition to some of the ones they already occupy.

The importance of ESG continues to strengthen in occupiers' property decision-making. This is encouraging landlords with tenants in place to ensure their buildings meet the required credentials to encourage tenants to renew agreements as lease events approach.

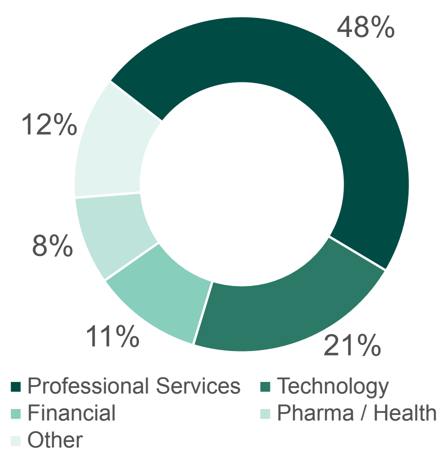
For the last few years, occupiers have struggled to understand their property requirements as WFH and hybrid working evolved. However, in recent months there appears to be an element of better clarity on tenants' size requirements and the working patterns of staff. Location, amenities and transport links remain crucial for businesses seeking to attract employees back to the workplace. Occupiers continue to try and avoid significant capital expenditure when possible. This is particularly the case for SMEs where A-ratings are of less importance but where they require space that has a good quality fit-out, including furniture.

Take-Up by Occupier Origin (Q1 2024)



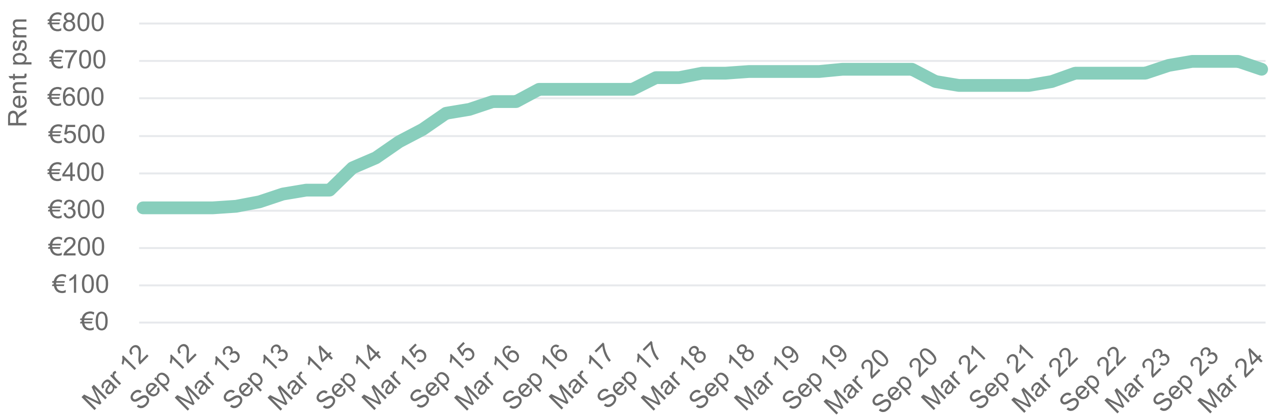
Source: Lisney

Take-Up by Occupier Sector (Q1 2024)



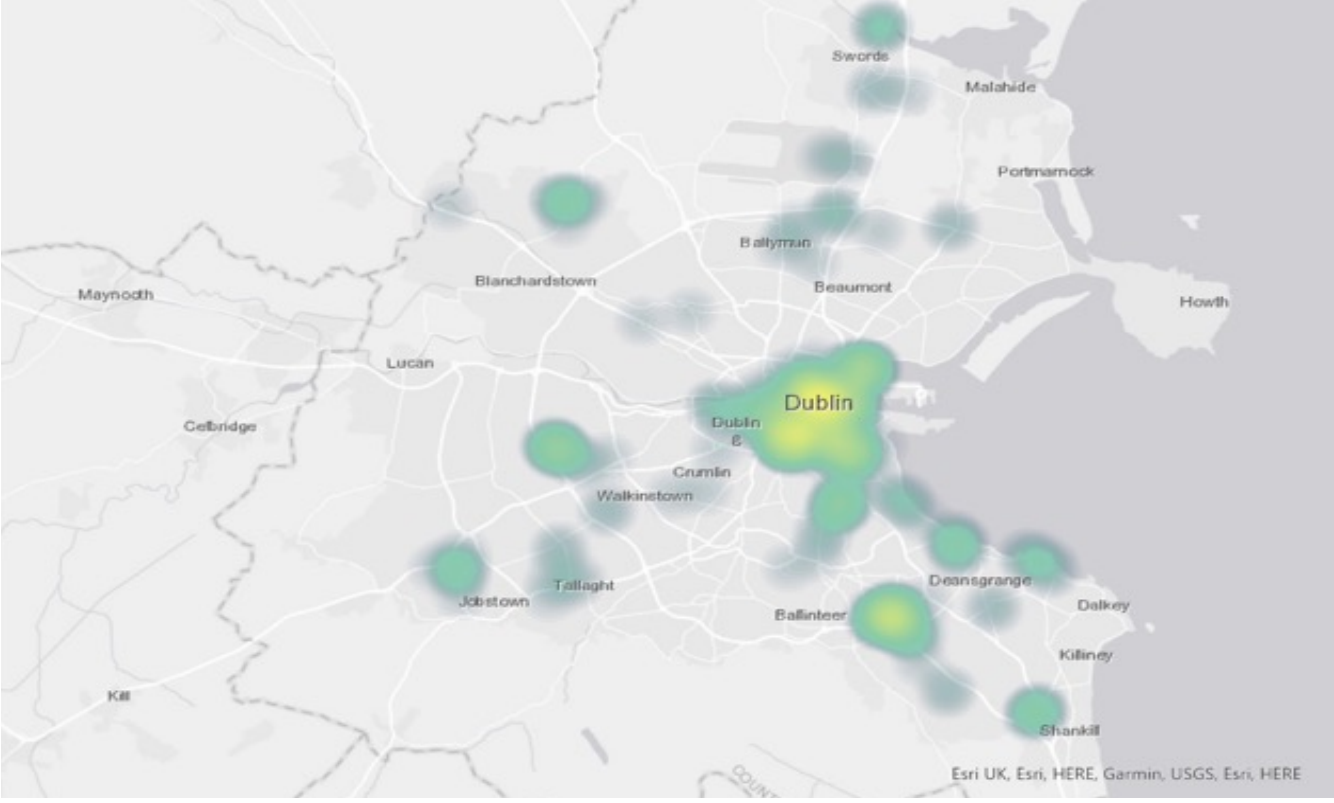
Source: Lisney

Prime City Centre Headline Office Rent (Q1 2012 – Q1 2024)



Source: Lisney

BELOW:
16 Stephens Green, Dublin 2 -
Available to let



*Office Supply Q1 2024

Supply

At the end of Q1 2024, there was 787,000 sqm of modern, purpose-built office accommodation vacant across Dublin, an increase of 8.6% in the quarter (from 725,000 sqm in December).

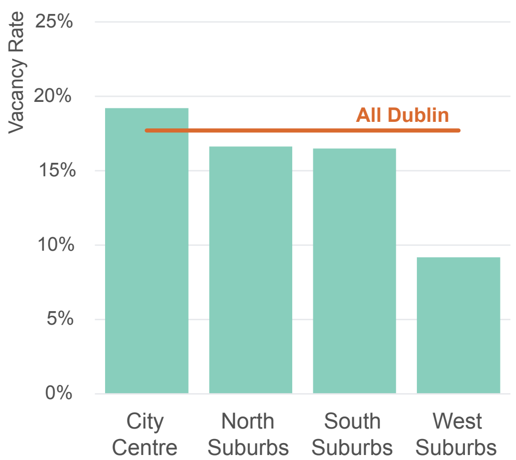
The largest addition to supply in Q1 was the newly completed Two & Three Wilton Park in Dublin 2 (25,300 sqm) which is on the market by way of sublease under Linkedin. The other substantial additions in the quarter include Block 1 College Square, Dublin 2 (19,300 sqm) and Four & Five Park Place in Dublin 2 (18,400 sqm).

Dublin's overall headline vacancy rate was 17.7% at the end of March 2024, its highest level since 2014 and just over one percentage point increase from 16.6% in December 2023.

The rate has more than doubled since early 2020 when it was just 6.9% with the majority of the increase coming from new speculatively built buildings and grey space.

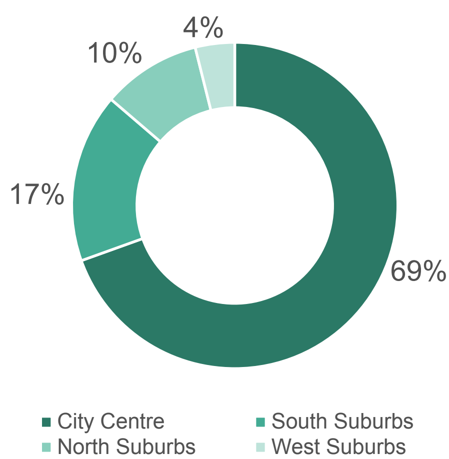
The vacancy rates across the regions varied with the city centre headline rate at 19.2% in March but with the true rate (when obsolete stock that is never likely to be occupied again is removed) at 18.5%.

Headline Vacancy Rate by Region (March 2024)



Source: Lisney

Supply by Region (March 2024)



Source: Lisney

New Stock

In Q1 2024, a total of 82,800 sqm of office accommodation, across four substantial schemes, was completed. Of this, 47,500 sqm (57%) remains available.

UNDER CONSTRUCTION	274,000 sqm
LARGEST NEW SCHEME	Camden Yard, Kevin Street, Dublin 2
AVERAGE NEW SCHEME SIZE	13,050 sqm City Centre 14,750 sqm Suburbs
DEAL AGREED / RESERVED PRE-COMPLETION	28%

ABOVE:
Stemple Exchange, Blanchardstown Corporate Park, Dublin 15 - Now fully occupied with Blue Insurance & Stiebel Eltron leasing the last remaining floors.

Completed schemes comprise:

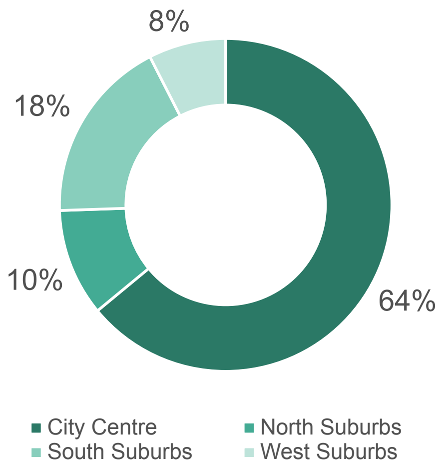
- Four & Five Park Place, Dublin 2 (18,400 sqm) - Available
- The Freight Building, Castleforbes, Dublin 1 (9,700 sqm) - Available
- 2, 3 & 4 Wilton Terrace, Dublin 2 (35,300 sqm) - Taken by LinkedIn but 25,000 sqm available to sub-let
- Block 1 College Square, Dublin 2 (19,300 sqm) - Available

At the end of March 2024, there was approximately 274,000 sqm of office space under construction. The substantial schemes in the city centre include:

- Camden Yard, Kevin Street, Dublin 2 (53,100 sqm) - Available
- Waterfront Central, Dublin 1 (40,000 sqm) – Part is Available
- Longstone House (College Square 2), Dublin 2 (19,400 sqm) - Available
- Coopers Cross 1 & 2, Dublin 1 (9,400 sqm and 27,200 sqm) - Available

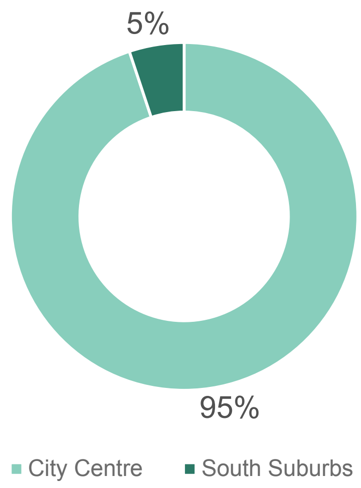
Building works will continue on accommodation already under construction, and while there are a substantial number of new schemes available, as the last property cycle showed, these can get taken up very quickly as the market improves. Such a scenario brings with it future risks, particularly in three to five years' time when there may not be enough A rated / zero-emission buildings to meet the demand arising from occupiers' 2030 ESG commitments and EU directives. Developers, investors and funders need to keep this in mind and not over-correct. That said, there is a pipeline of potential schemes across Dublin with several thousand square metres of space either with a planning grant or at pre-planning stage.

Existing Office Stock by Region (March 2024)



Source: Lisney

Office Stock Under Construction (March 2024)



Source: Lisney

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Outlook

While some improvement in activity is likely as 2024 progresses, reverting to the pre-pandemic norm is unlikely in the short term.

While gone are the days of employees being in the office five days a week, many employers are now insisting on a certain level of office contact each week rather than fully remote work. As 2024 progresses, this will increase the occupancy levels of buildings and generate more certainty for businesses on space requirements (which is already evident) and will ultimately result in market activity, albeit potentially of smaller lot sizes than in the past.

Sustainability is an ever-increasing consideration across all parts of the built environment, but none more so than the office sector – both from a regulatory standpoint but also from a moral and wellbeing perspective. Various European and domestic policies will continue to influence how properties are funded and occupied. Certain landlords will look to carry out works on older stock if the cost and risk of carrying out the works make economic sense. As it stands, the capital needed to refurbish older buildings is high and the overall demand in the market with the high vacancy rates adds to the overall risk of the investment.

Linked to above – while large requirements are currently limited, over the medium to longer-term horizon, the flight to quality will intensify for high profile tenants with preferences for ESG-focused buildings with attractive work-life amenities.

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