Lisney
COMMERCIAL REAL ESTATE

OFFICE REPORT

Q3 2024

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Office market activity continued to recover in Q3 2024, albeit at a slower pace than in Q2. The city centre continued as the focal point of activity, driven by the professional services sector with the tech sector remaining subdued. While demand for fully fitted space is the preferred option, companies are increasingly more open to taking newly build grade A space and investing in fit outs. ESG considerations continue to play a significant role in shaping occupiers' property choices.

▼ 52,500 sqm

Take Up

▲ 52

Number of Transactions

▼ 1,000 sqm

Average Lot Size

▼ 73%

City Centre

Busiest Region

▲ 42%

Professional Services

Busiest Sector

▶ €678 psm

(€63 psf)

City Centre Prime Headline Rent

▲ 82,500 sqm

76% in the city centre

Reserved

▲ 16.9%

Dublin Headline Vacancy Rate

▼ 190,400 sqm

Under Construction

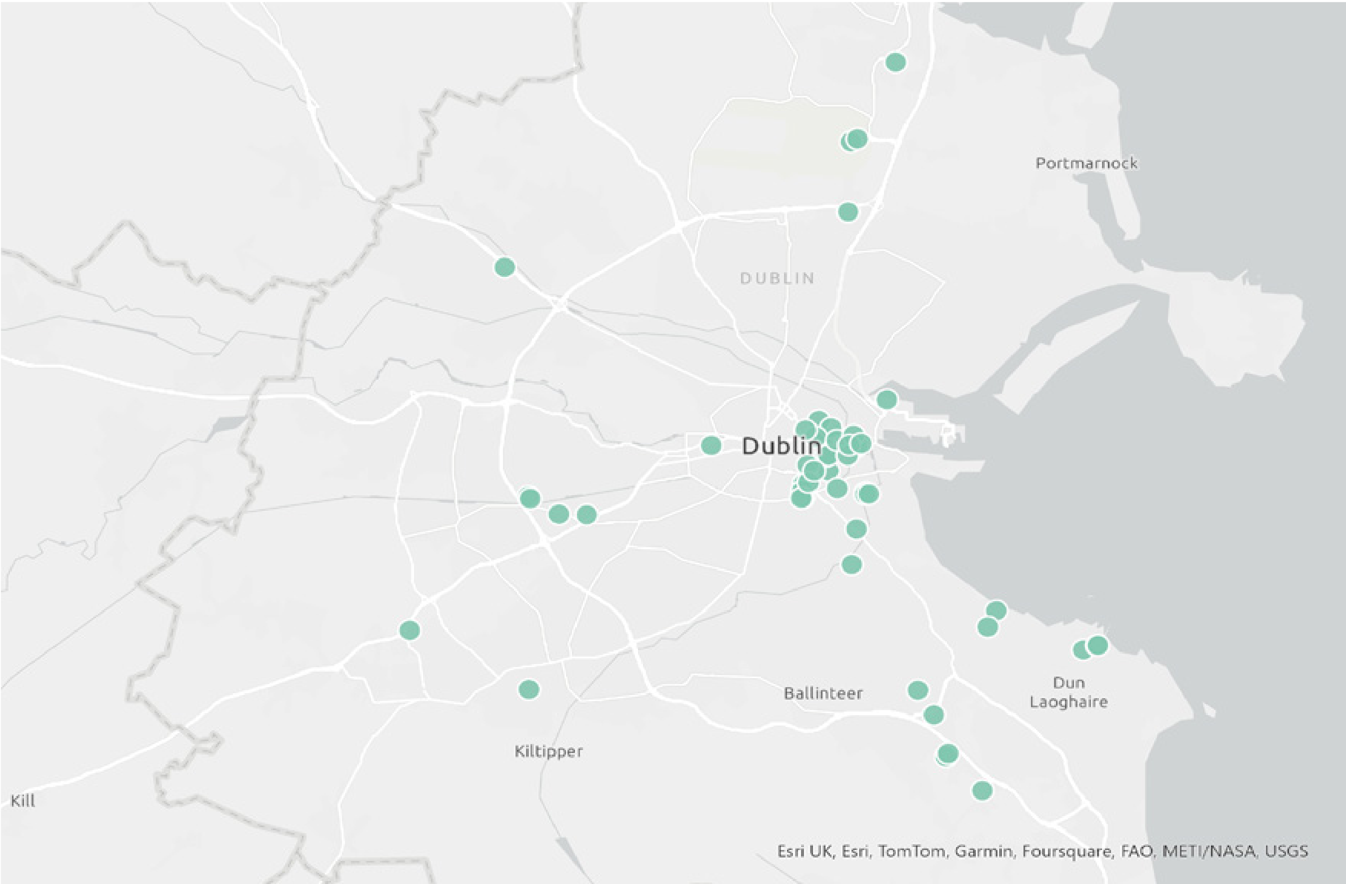
Arrows represent quarterly trends unless otherwise stated.

Top 10 Office Transactions (Q3 2024)

PROPERTY	SQM	REGION	OCCUPIER
Two Wilton Park, Dubin 2	12,400	City South	EY
24-26 City Quay, 24 City Quay, Dublin 2	3,100	City South	Fisher Investments Ltd
Two Dublin Airport Central, Co Dublin	2,780	North Suburbs	Flogas Ireland
Block A, Joyce's Court, Dublin 1	2,740	City North	ICOT
28 Fitzwilliam, Dublin 2	2,330	City South	Addleshaw Goddard
5 Hanover Quay, Grand Canal Dock, Dublin 2	2,270	City South	Apple
Two Dublin Airport Central, Co Dublin	1,940	North Suburbs	Boeing
Cadenza, Earlsfort Terrace, Dublin 2	1,760	City South	KKR
5 & 6 Georges Dock, Dublin 1	1,190	City North	Airbus
Temple House, Blackrock, Co Dublin	1,080	South Suburbs	Regus

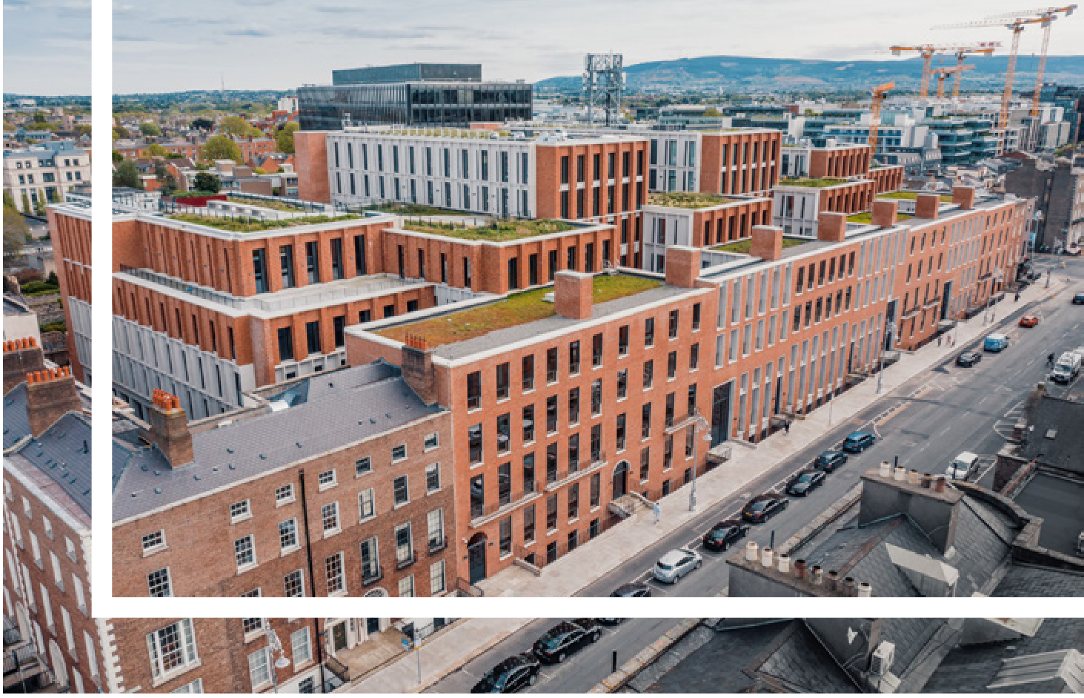
Source: Lisney

Office Take-Up Q3 2024



Source: Lisney

RIGHT:
28 Fitzwilliam,
Dublin 2

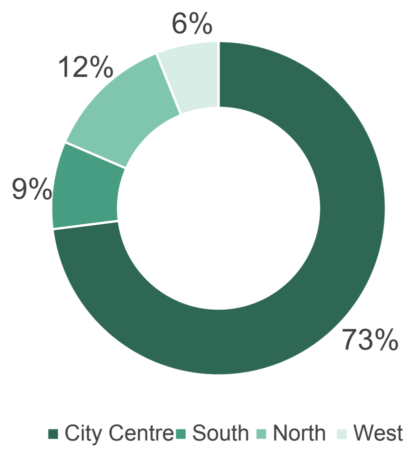


Activity

Office market activity continued to recover in Q3 2024 although at a slower pace than in the previous quarter. It reached 52,500 sqm, bringing the total for the first nine months of the year to 152,300 sqm surpassing the entire of 2023 (124,700 sqm). In Q3 2024:

- The city centre region remained the most active with 73% of all activity taking place there.
- 52 deals completed with the top 10 accounting for 60% of the overall take-up. Of these, two were in excess of 3,000 sqm each and one was larger than 10,000 sqm. The largest deal accounted for 24% of the quarter's activity.
- The largest deal comprised EY, a professional services firm, assigning a long-term lease from Linkedin on Two Wilton Park in Dublin 2 (12,400 sqm) which forms a part of a wider IPUT-development office scheme. Linkedin also agreed to assign their lease at One Wilton Park to Stripe earlier this year. Following these two deals, Linkedin no longer have any grey space available at the Wilton Park Development and will hold onto their leases at 3,4 & 5 Wilton Park. All buildings at Wilton Park are designed to LEED Platinum Certification, (BREEAM Outstanding equivalent), WiredScore Platinum rating, WELL building gold as well as BER A3 energy rating.
- The average deal size in Q3 was 1,000 sqm. This compares to 1,750 sqm in Q2, 525 sqm in Q1 and the 10-year average of 1,200 sqm.
- Occupiers from North America were the most active in the market, making up half of the activity while domestic occupiers accounted for 15% of the total. The average lot size taken by North American occupiers was 1,660 sqm, while Irish companies averaged 520 sqm per deal.
- Smaller size lettings, sub-1,000 sqm, continued to dominate the office market in Q3 (41 out of 52 deals), however in terms of size, combined they accounted for 38% (19,940 sqm) of all space transacted.
- Professional Services was the most active occupier type, at 42% of Q3's take-up, which was driven by the letting of Two Wilton Park. The Tech sector, which had dominated the market between 2014 and 2020 but retrenched in recent years, accounted for 12% of the total, down from 24% in Q2 and 21% in Q1. Financial firms also made up 12% of the total take-up, an increase from 9% in the previous quarter.
- Ten deals (combined 24,100 sqm) were within new buildings that were never previously occupied while 42 lettings (28,440 sqm) occurred within used accommodation that was previously occupied by another tenant. Only two lettings took place in refurbished office space (1,100 sqm).

Take-Up by Region (Q3 2024)



Source: Lisney

TERMS

The prime city centre headline rent remained stable in the quarter, at €678 psm (€63 psf), having been at €700 psm (€65 psf) at the end of 2023. It is now at the same level as prior to the onset of the pandemic. Rental rates on secondary space also remained steady in Q3. Lease terms have stabilised after swinging in favour of the tenants over the last 18 months. We anticipate that the letting incentives on offer for city centre buildings will move more in favour of landlord in the first half of 2025. Overall, Lisney's office rent index for the Dublin region (prime and secondary buildings in all areas) was 6.5% lower in September 2024 than it was in March 2020.

DEMAND

At the end of September 2024, there was close to 83,000 sqm of office accommodation reserved, of which 76% was in the city region. This included 38,660 sqm reserved by Workday at College Square in Dublin 2; 3,575 sqm reserved by the ESB at The Sidings, Grand Canal Dock; and 3,950 reserved by the HSE in Swords Business Campus.

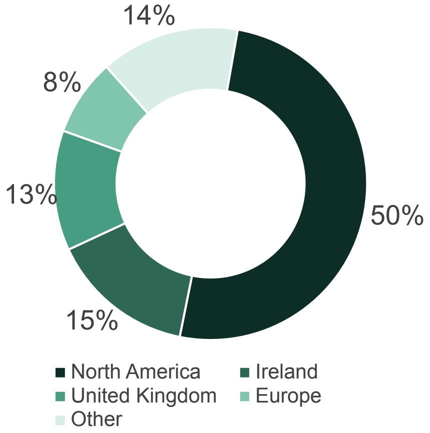
Deloitte, a leading global professional services firm, has agreed terms in principle to pre-let 20,000 sqm on Adelaide Road. CVS Pharma has agreed to let 2,000 sqm at 4 & 5 Park Place on Adelaide Road. Additionally, there is significant demand for office accommodation from professional services firms such as Maples, Marsh, Eversheds, Bank of Canada, Hudson River, Dillon Eustace, and The Pensions Authority all of which are actively looking in the market. More demand is also expected from the State and State-backed bodies, including purchases of new premises in addition to some of the premises it already occupies as tenants.

The evolving landscape of WFH and hybrid working presented significant challenges for occupiers in recent years as they struggled with defining their property needs. However, in 2024, a clearer understanding of space requirements and staff patterns has emerged. While demand for fully fitted space persists as the preferred option, companies are increasingly more open to taking newly built grade A space and investing in fit outs, reflecting the growing confidence in their size requirements.

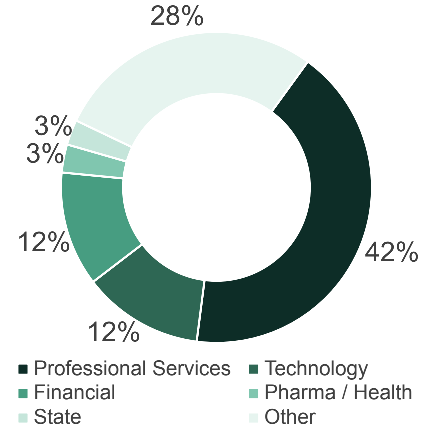
Location, amenities and transport links are crucial for businesses seeking to attract employees back to the workplace. Hence, most of the demand is for city centre space. In the suburbs, the south suburban market is the slowest to recover from the impact of COVID. Meanwhile, the west and north suburbs are performing well, possibly due to the increase in residential developments in those areas.

The importance of ESG continues to strengthen in businesses' 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.

Take-Up by Occupier Origin (Q3 2024)

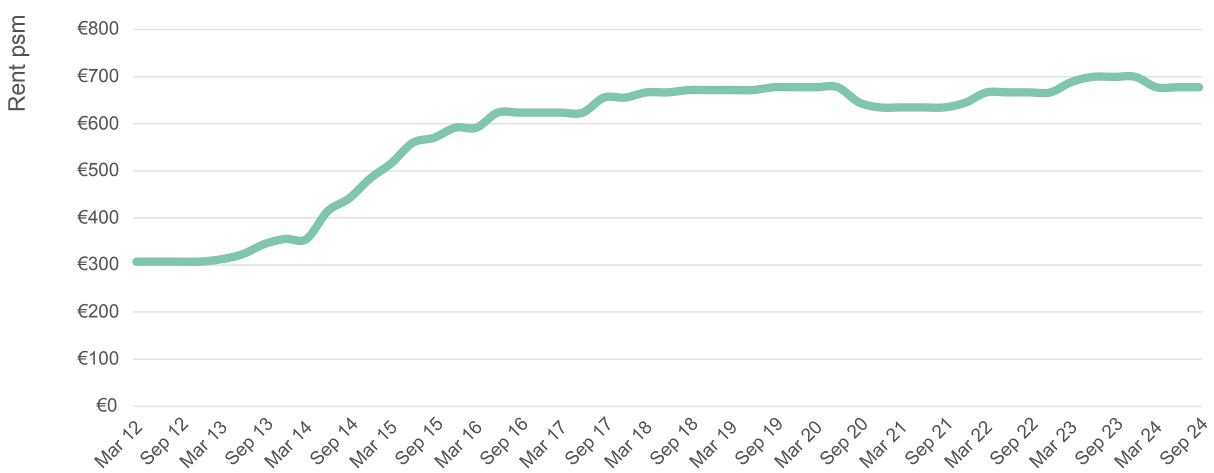


Take-Up by Occupier Sector (Q3 2024)



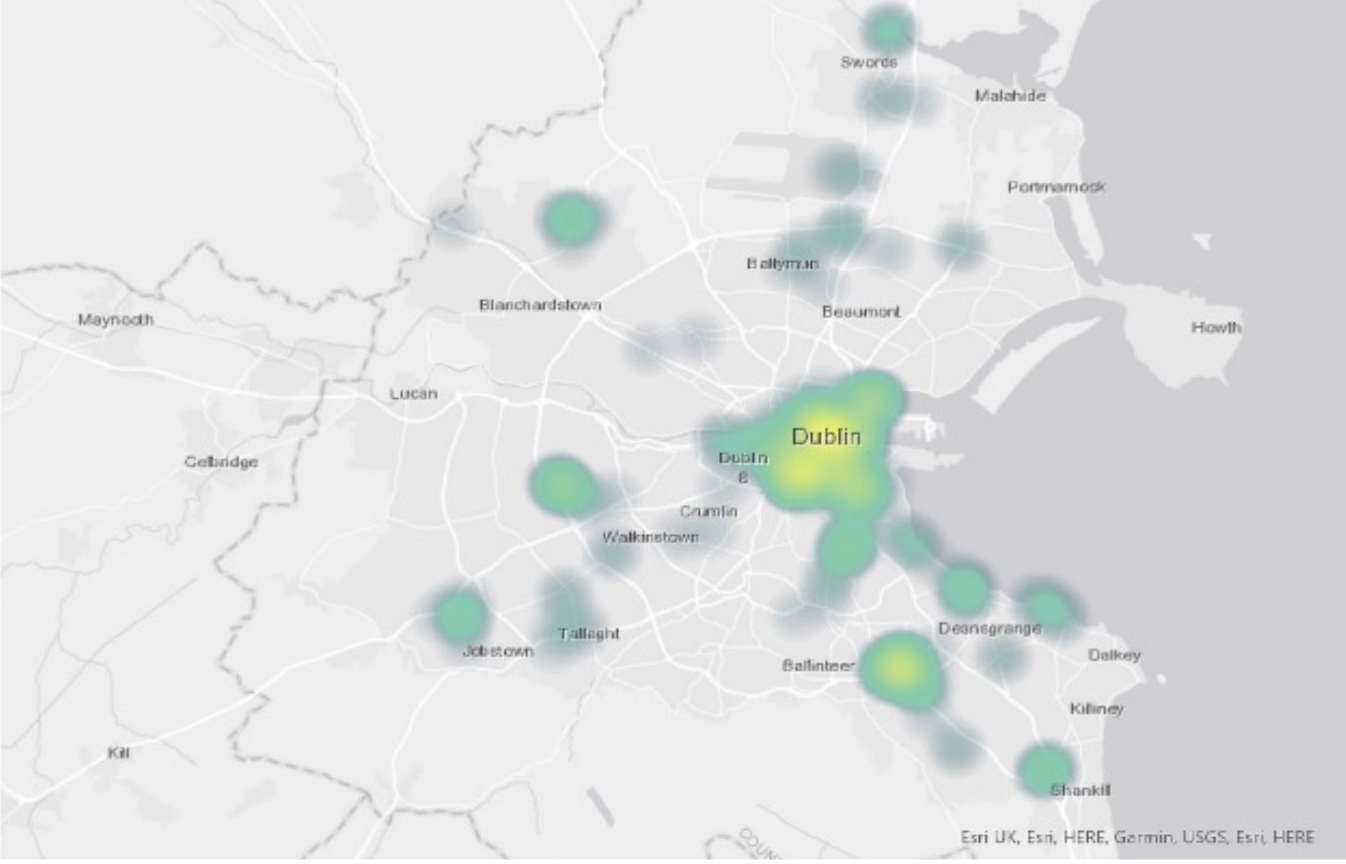
Source: Lisney

Prime City Centre Headline Office Rent (Q1 2012 – Q3 2024)



Source: Lisney

ABOVE:
24-26 City Quay,
Dublin 2



*ABOVE: Office Supply Q3 2024

Supply

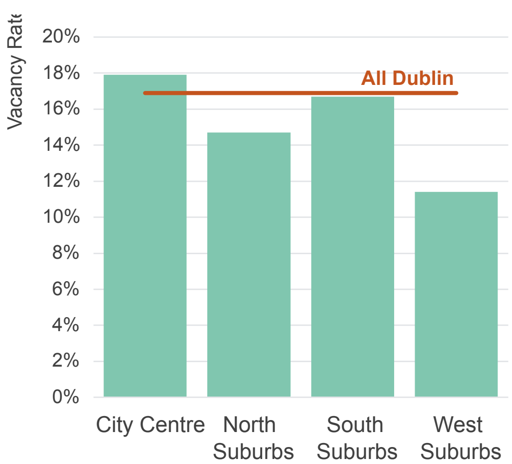
At the end of Q3 2024, 762,200 sqm of modern, purpose-built office accommodation was vacant across Dublin. This represented a 2.2% increase from 746,000 sqm in Q2.

Fiobanacci Square in Ballsbridge, Dublin 4 had the greatest amount of accommodation available within one scheme (35,300 sqm) with Coopers Cross and 4 & 5 Grand Canal Square also having a substantial amount available (33,800 sqm and 23,100 sqm respectively).

Dublin's overall headline vacancy rate was 16.9% at the end of September, a slight increase from 16.7% in June 2024.

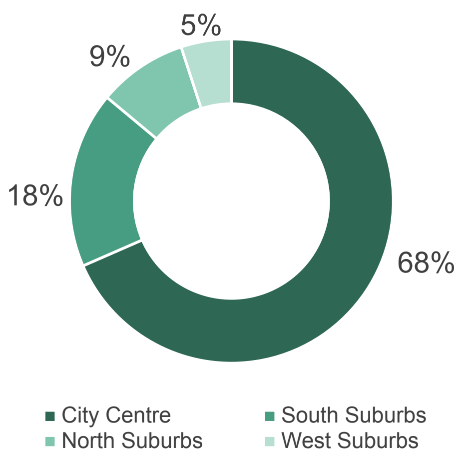
The rate has increased 2.5 fold since early 2020 when it was just 6.9% with the majority of the increase coming from new speculatively built buildings and grey space. The vacancy rates across the regions varied with the city centre headline rate at 17.9% in September and with the true rate (when obsolete stock that is never likely to be occupied again is removed) at 17.1%.

Headline Vacancy Rate by Region(September 2024)



Source: Lisney

Supply by Region (September 2024)



Source: Lisney

ABOVE:
5 Hanover Quay,
Dublin 2

New Stock

In Q3 2024, just under 60,000 sqm of office accommodation, across four schemes, was completed. This brought the total completions for 2024 to 159,000 sqm.

UNDER CONSTRUCTION	190,400 sqm
LARGEST NEW SCHEME	Waterfront Central, North Wall Quay, Dublin 1
AVERAGE NEW SCHEME SIZE	13,400 sqm City Centre 14,750 sqm Suburbs
DEAL AGREED / RESERVED PRE-COMPLETION	45%

The schemes completed in Q3 comprise:

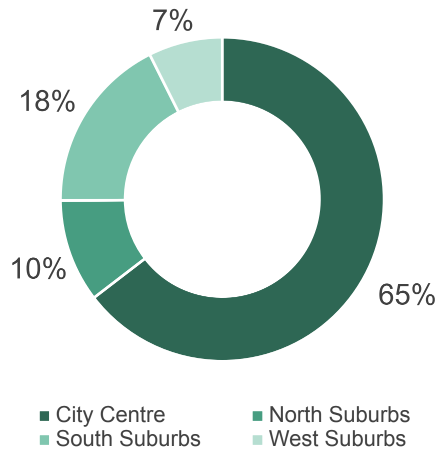
- Coopers Cross One & Two, Dublin 1 (8,500 sqm and 25,300 sqm) – available
- 15 Georges Quay, Dublin 5 (6,500 sqm) – Fully let to Aon, MUFG & Paysafe.
- Longstone House (College Square 2), Dublin 2 (19,400 sqm) – reserved to Workday

At the end of September 2024, there was approximately 190,400 sqm of office space under construction. The substantial schemes in the city centre include:

- Waterfront Central, North Wall Quay, Dublin 1 (40,000 sqm) – part is available with Citi Bank taking 60% of the scheme
- Camden Yard, Kevin Street, Dublin 2 (53,100 sqm) – available
- Harcourt Square, Dublin 2 (32,000 sqm) – pre-let to KPMG

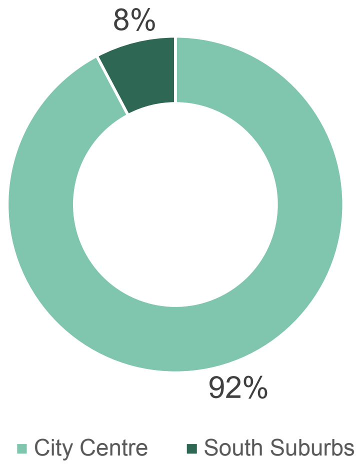
Building works will continue on accommodation already under construction, and while there are a substantial number of new schemes available, as the last property cycle showed, these can get taken up very quickly as the market improves. Notably, this brings future risks as a shortage of A-rated / zero-emission buildings could emerge in two to three years 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 (September 2024)



Source: Lisney

Office Stock Under Construction (September 2024)



Source: Lisney

We expect calendar year 2024 take-up to reach 200,000 sqm.

Outlook

We expect calendar year 2024 take-up to reach 200,000 sqm.

While gone are the days of employees being in the office five days a week, many employers are now insisting on a greater level of office contact each week rather than fully remote work. Occupancy levels within buildings is beginning to improve and in turn, will generate more certainty for businesses on space requirements in the months ahead. Ultimately, this will result in market activity, albeit potentially of smaller lot sizes than in the past.

Encouragingly, the vacancy rate appears to be stabilising – just a slight 20 bps increase in the quarter. However, a meaningful reduction is not expected until the latter half of 2025, following the completion of several new schemes currently under construction. A total of 27,000 sqm is expected to be completed in the final months of 2024, with an additional 133,000 sqm due in 2025.

We anticipate a continued reduction in the amount of grey / sub-lease space coming to the market as much of this space has already been leased and tech companies are returning to the office, utilising space they previously didn't need.

As mentioned above, 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. With offices, it generally makes most financial sense to fully refurbish or rebuild (if permitted due to embodied carbon) older Grade C buildings, and this cost will be reflected in their value. However, this will be more difficult with older Grade C or D-rated buildings and there is a concern that some of those buildings will become stranded assets and redundant without investment as it will be too costly to justify the upgrading. 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. 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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