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OUTLOOK 2025

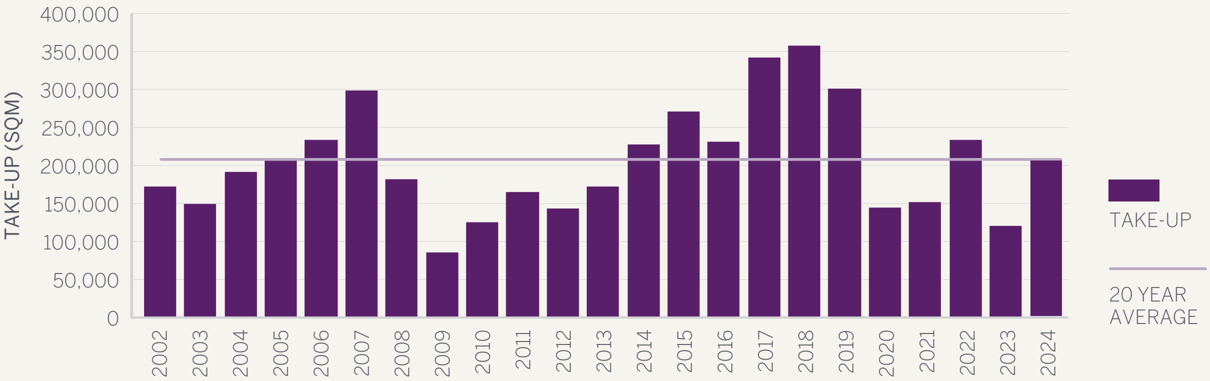
5 OFFICES

5 Harcourt Road, Dublin 2

During 2024, many of the post-pandemic trends lessened in intensity.

- While hybrid working continued, many staff had a greater number of contact days in the office. The amount of grey space stabilised as did the vacancy rate, and while most of the tech titans were absent from the market, other smaller scale tech companies were active. A trend that remains is the focus on **sustainability**, and the ever-increasing gap between buildings fulfilling ESG criteria and those that are not – from a rental and capital value perspective, but also from a funding, operational and demand standpoint.
- Market **activity** in 2024 was just under 200,000 sqm of take-up and remains about 16% below the 10-year annual average and 40% below the very strong years of 2017, 2018 and 2019. About 110,000 sqm of space was reserved at the beginning of 2025 and as such, we expect activity levels to improve slightly in 2025. However, in the more medium-term, this will likely settle around 230,000 sqm to 250,000 sqm per annum. Taking all market dynamics into account, this is a realistic market size for Dublin, but the lack of new supply in the medium-term could undermine this.

ACTIVITY



Source: Lisney.

The Sidings, Grand Canal, Dublin 2

THE **PRIME AREA HAS CONTRACTED** TO INCLUDE THE TRADITIONAL **CBD OF D2** & **CENTRAL D4**

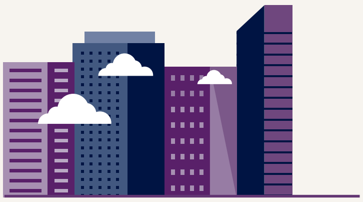
- The market perception is that the prime area has contracted to include the traditional CBD of D2 and central D4. Demand is more selective than in the past and it will remain focused on this CBD area in 2025 as occupiers seek to provide **city centre** lifestyle choices around F&B, leisure and social activities to staff. During the initial stages of the pandemic, many believed the suburbs would boom and predicted the decline of the city. However, generally the opposite has happened with the city accounting for three-quarters of activity in the last four years. With hybrid working, many staff now want to be in the city and experience all it has to offer on the limited number of days that they commute into the office. But there are some exceptions in the suburbs; business parks where landlords have worked hard to create communities and provide workers with good amenities and services will continue to attract occupiers.

- The **demand** profile in 2025 will be similar to 2024 at a high level. Last year, professional services firms were the most active in the market as some of the larger accountancy practices took new accommodation. This year, and in the medium-term, profession services will again be the most active sector, but law firms will take the lead as the Irish legal sector continues to undergo change through M&A. This change is taking various formats; some smaller to mid-size Irish firms are joining up with one another, and large international practices (mainly from the UK and US) are entering the market and either merging with existing Irish firms or establishing new operations.

Coopers Cross, Dublin 1

- There is much talk about the threat to Ireland's **FDI industry** with the change in US government and its adoption of protectionist policies. The IDA maintains that Ireland will 'continue to be attractive to international investors' and despite the slight drop in the number of projects it was involved in last year (-5.9%), the number of people employed by IDA backed companies grew in 2024. This suggests that going forward, FDI in Ireland might be more focused on growing corporations already here than attracting new entrants where the competition from other cities or countries to secure them is intense. Accordingly, in the medium to longer term, we do not see large corporations pulling out of Ireland and their European HQs, but demand may come more from expansions rather than newcomers.

- The rapid increase in **supply** that began in 2020/2021 thankfully stabilised in 2024 with the vacancy rate even falling one percentage point between January and December. Grey space (accommodation available as a sub-lease) also fell over the course of the year, by 15%. In spite of this, the quantum of stock available remains double its pre-pandemic level with close to half comprising top grade stock that was built in recent years. While on the surface this appears to provide occupiers with plenty of options, in reality, there will be pockets of supply constraints emerging towards the end of this year. This will relate to new, top quality accommodation that meets all ESG criteria and is located in prime CBD of D2 and D4.



GREY SPACE
FELL IN 2024 BY
15%

- As 2025 progresses, **rental terms** will begin to tighten in favour of the landlord; rent free periods will lessen and break options will be pushed out. While rents will remain generally stable over the year, rental terms for newer quality buildings in prime city areas will improve. Similarly, voids and rental terms will improve heading into H2 2025 for landlords of well positioned business parks, including for example Citywest Business Campus and Blanchardstown Corporate Park.

- 220,000 sqm of accommodation remained **under construction** entering the new year, 93% of which is in the city centre and 40% already pre/mid-let. Completions will reach 47,000 sqm this year with the remainder due in 2026. Developers and their funders continue to assess the risk profile of development. Despite the reductions in interest rates, development funding for speculative schemes will remain tight and/or expensive, and we only expect one or two new starts in 2025, most likely towards the end of the year. While this is logical at the moment, new supply cannot be turned on and off – the lack of building now will create problems for the market in several years' time, particularly when there is a growing need for top quality, ESG compliant buildings.

- To capitalise on this future demand, there will be some landlords / developers who will decide to proceed with extensive **refurbishments** of Grade C or lower Grade B buildings, bringing them up to a BER of A or high B. If buildings do not reach A3 standard, certain occupiers will not consider them, including the State. From a funding perspective, refurbishment is less risky and will generally include full M&E replacement and reverting to the concrete structure and re-cladding the fabric of the building. Full refurbishment is a much quicker process than new development, generally taking nine to twelve months to complete compared to two years construction for new buildings plus the time it takes to get through planning and likely subsequent appeals.

- Following a steep learning curve in the last two to three years, **sustainability** and its implications on the office market became better understood in 2024. We suspect the new US administration will focus less on sustainability and certain US occupiers will adopt a similar mindset. However, the various European and domestic sustainability policies will continue to influence how properties are funded and occupied. We believe the flight to quality will intensify for many cohorts of occupiers – both to meet their own ESG promises, but also to assist in attracting staff to the office and providing attractive work-life amenities. As we move closer to 2030, the focus on sustainability will intensify.

5 Dublin Landings, Dublin 1

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