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OUTLOOK 2025

12

CORK

We expect better market performance across all commercial property occupational market sectors in Cork in 2025, as well as renewed interest in investment opportunities.

INVESTMENT

- Having fallen by 135 bps in H2 2024, ECB **interest rates** are forecast to fall by a further 115 bps, to 2%, over the course of 2025. This, along with the formation of a stable Irish government, will greatly assist in the recovery of the market. Headwinds will remain, linked to potential taxation changes in the US (tariffs and corporation tax), the continued impact of EU sustainability directives and the desire to meet ESG criteria, and the global implications of the geopolitical conflicts in the Middle East and newly elected governments globally becoming more protectionist. In spite of this, we are very optimistic for an improved performance in Ireland's property investment market in 2025.

- 2024 market **turnover** in Cork reached €112.6m, a 15.4% increase on the €97.6m completed in 2023. However, this comprised two notable retail assets; Mahon Point (€50m) and Blackpool Shopping Centre & Retail Park (reported €48m). With an improved investor sentiment this year, we expect turnover in the Cork market to grow this year, but this will be contingent on what comes to the market, particularly larger lot sizes. There is likely to be greater activity from international capital, particularly French. They will be sector agnostic and instead will be focused on yield target and length of guaranteed income.

DEVELOPMENT LAND

- The development land market in Cork, as with other parts of the country, will continue to experience greatest **demand** for sites with viable residential planning permissions in 2025. This is due to the lengthy delays, costs and risks involved in achieving a finalised planning grant. Encouragingly, the Planning & Development Act 2024 should take full effect this year and if it materialises in practice as envisaged, planning delays should reduce, particularly for larger schemes subject to judicial reviews. The gap in value between zoned land and land with a finalised planning permission may widen further this year before improving in the medium-term.

- Several **notable residential land sales** transacted in Cork's metropolitan area last year, mainly with the benefit of planning permission. This compares favourably to the previous year when there was only one notable ready-to-go sale. The new homes market is very active in Cork and as a proportion of total sales, the county is the strongest for new home sales in Ireland. This will spur on further improvements in 2025, particularly if the mismatch in pricing between some buyers and sellers close. As with other urban area, the Land Development Agency and Approved Housing Bodies will be active.

Unit E, Thompson House, MacCurtain Street, Cork

1st & 2nd Floors, Navigation Square 1, Albert Quay, Cork City

OFFICES

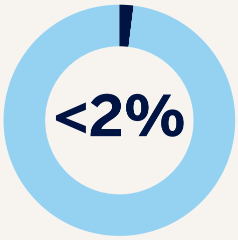
- During 2024, many of the **post-pandemic trends** in the office market lessened in intensity. While hybrid working continued, many staff had a greater number of contact days in the office, and for the overall Cork market, the vacancy rate fell below to just below 12% (it had been closer to 15%). A 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.
- The Cork market has been relatively immune to the global trend of **grey space** (accommodation available to sub-let from existing occupiers). There is very little of this type of space available in the Cork market (less than 5,000 sqm), and we do not expect this to change dramatically in 2025.
- **Take-up** was relatively muted last year and fell about one-third short of the previous year. We do expect some improvements in activity in 2025 and this will be focused on the city centre as employers seek to provide wider amenities to their staff. As with other years, some suburban locations will do better than others.
- Headline **rents** remained relatively stable last year (albeit depending on location, between 4% and 9% down compared to early 2022). They are likely to hold steady in most regions this year. Incentive packages may become more landlord favourable as the year progresses.
- There remains a large amount of office space with **planning permission** but not yet commenced across Cork (approximately 130,000 sqm). Unless pre-lets are secured, it is very unlikely any of this will progress speculatively in the short-term.

THERE IS
LESS THAN
5,000SQM
OF GREY ACCOMMODATION AVAILABLE IN THE CORK MARKET –
3 MONTHS
AVERAGE TAKE-UP

INDUSTRIAL

- Despite strong demand, last year was a relatively poor year in Cork's industrial market with **activity** levels substantially down on the previous year and on the longer-term trend. Take-up continues to be impacted by the lack of suitable supply.
- The **vacancy rate** is 1.7%, well below what is required for a functioning market. There is about 50,000 sqm under construction across several schemes with the same again with planning permission but not yet commenced. While some of this will add to supply in the short-term, it will not fully provide for what is required.
- **Rents** are likely to continue to increase, which will be required to justify new developments. Speculative building will remain limited given the elevated costs and softer investment yields. This will mean certain occupiers with active demand may need to agree terms on a design-and-build basis.

THE VACANCY RATE FOR CORK'S INDUSTRIAL SECTOR REMAINS AT



Dunkettle Interchange upgrade - image source: Transport Infrastructure Ireland (TII)

RETAIL

- The Irish retail property market continues to adapt to the vast changes that has impacted it in recent years, most notably technological advancements and global economic, geopolitical and ecological pressures. Notwithstanding, we expect 2025 to be a reasonably **good year**. This will build on a much improved 2024 where new retailers entered the market and others already here expanded.

- Despite lived realities and the ongoing cost of living pressures many Irish consumers face, there is a cohort of the population in a strong financial position as is borne out by various **positive economic indicators** that impact the retail market.

  - **Modified domestic demand** (a measure of domestic economic activity) expanded by just over 3% in the first nine months of 2024 with calendar year estimates at 3.1%.

  - The **employment** rate was at its highest level since the CSO began measuring it 26 years ago, at 75.3%. Correspondingly, the unemployment rate fell almost half a percentage point, and at 4.1% in November and was at what is considered full employment.

  - **Savings** (household deposits) remain at an all-time high of almost €160bn, growing nearly €7bn last year and up €47bn since the onset of COVID.

  - The annual rate of **inflation** fell to 1% in November 2024 – at half the 2% stability target rate.

  - The Credit Union **Consumer Sentiment** Index returned mixed but generally positive readings in 2024 with the December figure 11.5 points higher than a year previous.

  - Both the volume and value of **core retail sales** were positive albeit relatively stable throughout the year (+0.9% and +0.1% respectively).

- These positive consumer trends have supported good levels of retailer occupancy on prime high streets and in key shopping centres and retail parks. Retail parks have been performing very well in terms of footfall and trading levels and have attracted significant investor interest in recent times. The **vacancy rate** on Patrick Street was 17% at the end of 2024 and 9% on Oliver Plunkett Street – a reduction from 20% and 10% respectively in December 2023. However, some of these unoccupied units have deals agreed with new occupiers and vacancy rates will further in the coming months. Additionally, Opera Lane reached full occupancy recently, the first time in five years.

- **Penneys'** is due to commence its €60m expansion on Patrick Street this April. Penneys will increase its floorspace by over 50%. With the former Debenhams store still lying vacant, this redevelopment by Primark is very positive for Patrick Street the city centre as a whole.

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