Lisney
COMMERCIAL REAL ESTATE

Lisney
Sotheby's
INTERNATIONAL REALTY

OUTLOOK 2025

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FOREWORD

After 5 years of a confluence of challenges fundamentally shaping the real estate landscape, 2024 was a year where we began to have greater visibility of stability returning to the markets in which we operate. As we turned the corner from 2023 into 2024 it was evident that the cycle of interest rate increases was coming to an end, and as predicted, there was a gradual decline in rates in 2024 as inflation returned from double digit levels to closer to the ECB's target of 2%. This, for the first time since 2022, provided a greater degree of certainty and stability, most particularly in the commercial real estate markets.

In this environment, the underlying appeal of Ireland as a relatively stable and attractive destination for investment is culminating in a re-invigorated commercial property sector. Occupational demand for office accommodation is improving. In recent months, there has been a noticeable push globally in high profile employers insisting on greater office attendance. Although working from home will continue to be a feature of many professions, we believe the trend of a 'return to the office' will sustain. Whilst the ability to WFH has many benefits, a greater office presence has knock-on benefits for our towns and cities and the businesses that rely on the working population.

The Irish economy remained resilient throughout the year, with growth driven primarily by strong performances in sectors like technology, pharmaceuticals and financial services, which continue to attract FDI. Unemployment levels remained stable at 4.1%, however labour shortages persist in certain sectors, particularly in hospitality, construction and technology. It must be said that the lack of supply of housing within the country is a contributing factor for those with valuable skillsets being reticent about either returning or relocating to Ireland.

Perhaps unsurprisingly, the residential market remained exceptionally strong throughout last year as the imbalance of supply and demand continued to impact the market. Prices grew 9.4% nationwide and this upward trajectory is likely to continue in 2025 with another strong year of grow ahead in certain segments of the market.

John F. Kennedy said, 'change is the law of life and those who look only to the past or present are sure to miss the future'. The real estate sector is no exception to this rule. Whilst stability is returning to the sector, the pace of change in the world around us is perhaps faster than at any point in history. Sustainability will be the cornerstone of the property sector in Ireland into the future, reflecting a broader global shift toward more environmentally responsible and socially equitable practices.

By prioritising sustainability, the Irish property sector aligns with national and global climate targets while contributing to the broader objective of fostering resilient, low carbon economies. This alignment is crucial as Ireland works to fulfil its obligations under the Paris Agreement, with the aim of limiting global temperature increases to less than 2°C.

JOHN F. KENNEDY SAID

‘CHANGE IS THE LAW OF LIFE AND THOSE WHO LOOK ONLY TO THE PAST OR PRESENT ARE SURE TO MISS THE FUTURE’

As Ireland confronts the challenges of climate change and evolving market demands, incorporating sustainability into property practices will be vital for future growth and stability in this sector. Embracing sustainability is not just an obligation but also an opportunity for developers, investors and communities to foster healthier, more resilient environments, setting the stage for a sustainable future in Ireland’s real estate landscape.

The increasing advancement of AI will no doubt be the greatest advancement in change that we will witness in the years ahead. It will transform the world we live in profoundly, reshaping various sectors and affecting how individuals interact with technology and each other. AI is poised to revolutionise various sectors, and the real estate industry is no exception. AI is emerging as a game changer in how real estate professionals operate, make decisions, and interact with clients.

Emotional intelligence and the value of human judgement backed by data and experience will of course endure. However, combined with technological advancements, human perspective and foresight will provide better outcomes for all and this is true in the property sector.

We live in exciting times and after some turbulent years globally, I am very optimistic about the outlook for 2025. With greater stability returning to the markets in which we operate, I believe this year will be a year of opportunity for those willing to take advantage of it. As always, we remain committed to delivering best in class advice to our clients to ensure they are best placed to take advantage of the opportunities that exist. We look forward to working with you to achieve your goals in 2025 and beyond.

David Byrne,
Managing Director

MARKET OVERVIEW

Last December I wrote an article discussing how the Irish property market is operating in a VUCA world. I think it is worth mentioning again given how apt it is just now. I first heard the term 'VUCA world' a few years ago; an acronym for volatility, uncertainty, complexity and ambiguity. Made famous by the US Army War College at the end of the Cold War, it is now used by management consultants to convey how the environments in which businesses and people operate in are globally connected and fast-paced. I have seen the term defined as 'it's a crazy world out there', which I think is fitting. As a strategic framework, it is very relevant in today's property market given how intertwined the Irish market is with macroeconomic, geopolitical, technological and ecological issues.

Last year was the busiest year in history for elections with half the world's population having the opportunity to go to the polls – about 2.7bn people within 72 countries. These elections are reshaping global politics as well as future economic and environmental policies. Aside from the Irish election last year, the US Presidential election last November and the European Parliament elections last July will have the greatest influence on the factors that impact the Irish property market in 2025 and beyond – from domestic housing policies to US taxation and tariffs, and to an EU-wide green transition.

Here in Ireland, a new government has been formed at the time of writing. A 157 page programme for government has been agreed upon, making almost 280 spending pledges across a wide range of important areas. Critically, accelerating housing supply gets its own chapter, albeit just 10 pages, but covering important issues like increased housing targets (60,000 annually); infrastructural deficits (especially water); implementing the Planning & Development Act 2024; reducing delays and red tape; retaining the Help-to-Buy scheme until 2030; further capitalising the LDA; and putting in place practical housing options for positive ageing.

Other areas covered that are crucial to the property market include growing the economy and creating an additional 300,000 new jobs by 2030; an action plan focusing on competitiveness and productivity; recognising the central role of data centres and their contribution to economic growth; a new 5-year IDA strategy that plans for global changes and arising opportunities; expanding the tourism offering; positioning Ireland as a leader in the digital economy and AI; prioritising the review of the NDP; actions to reduce emissions; ramping up BER B2 retrofit targets; accelerating green energy; investing in student accommodation; improved transport networks; road investment; and rejuvenating Dublin city centre.

In both the commercial and residential property markets, many of the macro trends from the latter half of 2022 and throughout 2023 began to ease last year with further progress due this year. Global interest rates, which had impacted sentiment and pricing, began to fall in H2 2024 and are expected to revert to lower levels by the end of 2025. Construction costs have stabilised, albeit remain 35% to 40% higher than three years ago. The delays in the planning system are continuing but as the Planning & Development Act is implemented this will hopefully improve. The move towards sustainability in the built environment is continuing but has become better understood, and the evolution in building occupancy continues with many industry sectors back in the office a greater number of days.

In the Irish investment market, the recovery in 2024 was not as strong as I expected it to be 12 months ago. That said, Q1 2024 was the bottom of the market and despite the VUCA headwinds, we are very optimistic for an improved performance in Ireland's property investment market in 2025. There will be a greater number of active investors and as a result greater supply will come to the market, some of which will come from distressed sales.

We expect activity levels to improve in the office market this year and in the medium-term, this is likely to settle around 230,000 to 250,000 sqm per annum – not as strong as the exceptional years of 2017 to 2019, but realistic for a market the size of Dublin. The lack of new buildings coming on stream in the next few years could undermine this, but there will be opportunities to capitalise on future demand through extensive refurbishments of older stock.

The industrial / logistics market should also have a good 2025. The heightened level of requirements that prevailed during the pandemic and as a result of Brexit have diminished and the market this year will revert to longer-term trend. The sub-2% vacancy rate will remain the greatest constraint in the market but in spite of this, the pace of rental growth will be more limited.

In the development land market, as has been the case for several years, demand will be greatest for sites with viable residential planning permissions. 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. Both on and off-market supply should improve, coming from various sources including those impacted by recent policy changes.

Across other CRE sectors, retail will continue to attract new entrants and supply in prime areas will be limited. The demand for licensed premises will be focused on city centre locations and the licences from the closure of rural premises will continue to be bought by those in the off-licence trade, particularly supermarkets. The non-traditional property market sectors such as PBSA and healthcare will be busy from an operational point of view, but they will continue to contend with regulations and costs.

Finally, in the parts of the residential market we operate in, demand will remain unwaveringly strong and with unrelenting supply constraints, prices will grow further, albeit the pace will be slower than the almost 11% growth last year. Lifestyle choices will be to the fore at the upper-end of the market, particularly for coastal locations. It is very positive that an element of bridging finance returned to the market last year through ICS, and we are hopeful that the pillar banks will follow suit but have made no indication of doing so as of yet. While this will not fix the supply constraints in the market, it is one of the factors that will assist.

157 PAGE 'PROGRAMME FOR GOVERNMENT' HAS BEEN AGREED UPON

280

SPENDING PLEDGES

More than ever, events across the world will impact the performance of the Irish property market this year. Despite the VUCA world, I believe 2025 is going to be a busier year across all real estate sectors. Demand for accommodation by occupiers will improve and this will give comfort to investors and funders.

Aoife Brennan,
Senior Director, Head of Research

RESIDENTIAL

2025 will be another busy year across the residential market. Unrelenting supply constraints will result in further prices increases.

OUR VIEW

Trends and official statistics relating to the overall residential market do not always correlate with what Lisney Sotheby's International Realty agents experience on a day-to-day basis. Lisney Sotheby's International Realty is most active at the upper end of the market in specific locations, and so our view is not always representative of the entire market. Additionally, trends experienced by agents on-the-ground can take some time, perhaps up to six months, to feed through into official market statistics due to the length of time it takes to conclude a sale. The 'Lisney Sotheby's International Realty View' set out in this report relates to our experience in the parts of the Irish property market we operate in.

DUBLIN

- The Dublin residential market was exceptionally busy in 2024, a trend that will persist in 2025. Demand will remain **unwaveringly strong** across all parts of the market and with unrelenting supply constraints, prices will grow further albeit the pace will be slower than the almost 11% growth last year.

- While falling interest rates will motivate renewed activity by certain buyers and sellers, geopolitical and macroeconomic factors may impact the market, both directly and indirectly. Domestically, the **Programme for Government** contains ambitious pledges in relation to the economy, jobs, education, sustainability, and housing (among other areas). An aligned, stable coalition government is positive for the market for the next five years. However, fulfilling the many promises being made will be critical in improving the residential supply / demand imbalance, specifically in the context of labour and skills shortage, but also considering the changing administrations around the world, notably in the US as it becomes more protectionist.

St. Ann's, Killiney Hill Road, Killiney, Co. Dublin

Avondale, Avoca Avenue, Blackrock, Co. Dublin

- While high level economic data does not fully reflect all parts of the Irish population and their lived experience, it is encouraging for the market in the year ahead that the **economic growth** rate (measured by Modified Domestic Demand) will increase to 4%; Irish household savings are at record highs, growing €7bn last year (and €47bn since the onset of the pandemic); there is full employment with many economic sectors seeking to recruit talent; inflation has fallen below the 2% target rate; and sentiment among many cohorts of the population is strong.

- At the upper end of the property market, **lifestyle** decisions will be a critical demand factor again in 2025. Properties along the coast will experience significant demand and will achieve premium pricing compared to the general market. Purchasers will also remain attracted to **good quality homes** in well-connected desirable locations. Like recent years, homes in turnkey condition or only needing decorative work will be most sought after. Similarly, the energy **efficiency** of properties will be of considerable interest to buyers. The fact that lower 'green mortgage' rates are generally on offer for properties of B3 or better is also contributing to demand.

LIFESTYLE DECISIONS WILL BE A CRITICAL DEMAND FACTOR

Killead, 23 Shrewsbury Road, Ballsbridge, Dublin 4

- **International** confidence also remains strong and overseas buyers will be active at the upper end of the market. Asian buyers in particular are seeking to invest in the perceived strength of the Irish market and there is still a large number of people moving through the now closed Irish Immigrant Investor Programme. Most are focused on locations with good schools and amenities.

- **Supply** will remain constrained and self-perpetuating in 2025 and will be the greatest impediment in the market. The lack of buying options will further fuel the reluctance to sell by those seeking to trade up or down. Throughout 2024, there was about 3,500 second-hand homes for sale in Dublin at any given time (and even fewer entering January at sub-3,000). Ideally, there should be close to double this amount on offer to allow a smooth functioning of the market that provides options and limits price inflation. With the seasonality of the property market now all but disappeared, it is unlikely that the upcoming Spring selling season (March / April) will bring any significant increase in supply – as was the case in the Autumn selling season last year where the traditional bounce of about 30% in properties for sale in September did not materialise.

- Budget 2025 last October made amendments to **stamp duty**. On homes priced above €1.5m, the portion above €1.5m is now taxed at 6% (with under €1m remaining 1% and the portion between €1m and €1.5m at 2%). To date, this has not caused any major reverberations. However, only about 150 sales in Dublin were impacted in the final months of the year and a greater time period will be required to assess if there is a longer-term impact to demand and prices at the upper end of the market. It is welcome that it is a graduating scale and the 6% does not apply to the full price as otherwise artificial ceilings would be created.

WHILE
BRIDGING FINANCE
WILL NOT
FIX SUPPLY
CONSTRAINTS
IT WILL ASSIST

- For more than a decade, Lisney has discussed the lack of **bridging finance** in the market and how this is resulting in a Catch-22 situation for would-be sellers waiting to trade-down and right-size their housing requirement. It was very positive that an element of short-term funding to bridge the gap between buying and selling was introduced by non-bank lender, ICS Mortgages, last October. We are hopeful for further expansion of such products by other lenders in 2025, particularly the pillar banks. While bridging finance will not fix supply constraints, it is one of the many factors that will assist.

- It is unfortunate that the '**Seller's Legal Pack for Property Buyers Bill 2021**' did not progress prior to the general election and there are no commitments to it or an alternative in the programme for government. We continue to fully support the objectives of this bill (i.e. that a full set of legal documents will be made available to potential buyers from the outset of marketing, hence ensuring the sale and conveyancing process moves more efficiently) and are hopeful that the proposed plan to succeed 'Housing for All' will address it.

Censure, Howth, Co. Dublin

CORK

- Generally, the **trends** in the Dublin market outlined above follow through to the Cork market. Supply constraints and delays in concluding deals will remain the key impediments in the market this year. However, the market will be active, and prices will continue to increase – following on from average growth of 6% last year.

- Reducing interest rates will assist all parts of the Cork market, providing buyers with greater repayment capacity. **Demand** will remain focused on turnkey properties that are energy efficient. Most buyers will price in the costs and time implications of refurbishments and as such, this part of the market will remain price sensitive. Coastal locations will continue to attract very strong interest, particularly at the upper end of the market where lifestyle is a key consideration.

- The gap in pricing between new and second-hand properties in Cork will continue with **new homes** often achieving significant premiums given the better BER, availability of green mortgages and lower ongoing utility costs. Compared to other markets nationwide, Cork's new homes sector is very active. In the 12-months to October 2024, almost 30% of all sales in the county were newly constructed properties; nationwide and in Dublin the average was 24% and 25% respectively. Many schemes are on-site and we expect this trend to continue in 2025.

DEMAND IS FOCUSED ON **TURNKEY PROPERTIES THAT ARE ENERGY EFFICIENT**

Villa Lilla, Sneem, Co. Kerry

The European Club, Brittas Bay, Co. Wicklow

COUNTRY HOMES & CASTLES

- Many of the trends at the upper end of the Dublin market remain relevant for country home sales. Demand in 2025 will continue to be driven by **international cash buyers** making lifestyle choices. They will be a mix of Irish returning from abroad (many that moved in the 1980s and had successful careers in the US, UK and Europe), but also citizens of other countries seeking a second home in Ireland. Traditionally, this type of buyer purchased in France, Spain, Portugal or Italy, but climate change with hotter and more humid summers is now impacting their decision.

- Country estates focused on rewilding and ancient woodlands, flora and fauna are now more sought after than those exclusively focused on hunting, fishing and shooting. Coastal living has become one of the most desirable **lifestyle** choices since the onset of the pandemic. Prices for such homes will remain strong in 2025 given the limited supply, and premiums will continue to be paid in 2025 for properties with direct frontage to the sea, rivers or lakes.

- Buyer's will continue to seek homes in excellent **condition** and will not want the hassle of engaging builders and overseeing a project (especially from overseas). As with coastal homes, buyers will continue to pay a premium for properties benefiting from top quality renovations.

- At the start of 2025, there were only 26 country home properties outside of County Dublin with asking prices above €2.5m publically available on the market, the majority (62%) of which were in Wicklow, Meath and Kildare. This is well below the level of **supply** of country homes and estates that is required, and significant improvements are unlikely this year, which could hamper activity levels. Nevertheless, demand will remain strong in 2025 for country homes and castles priced to align with market expectations and meet the lifestyle needs of purchasers.

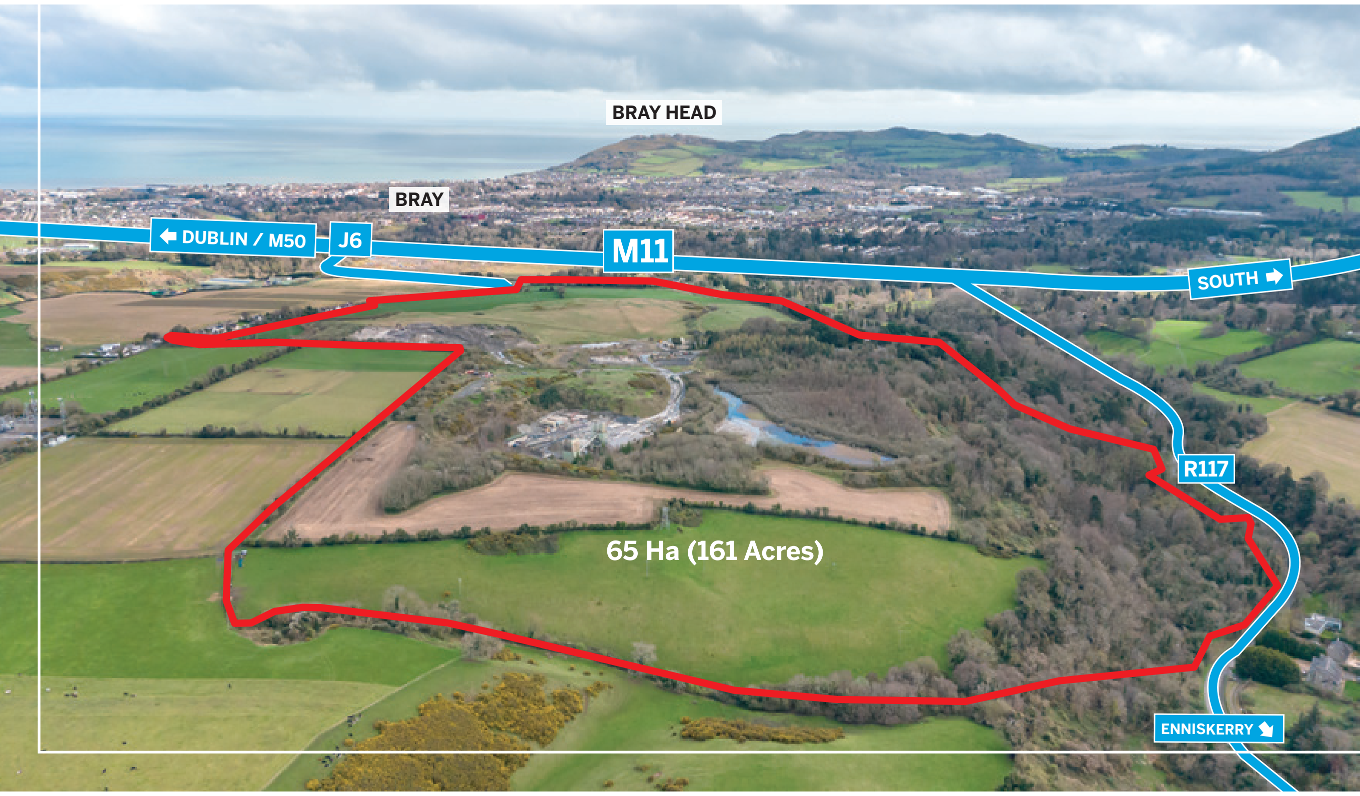
2

DEVELOPMENT LAND

The outlook for 2025 is positive in terms of increased supply and activity, and will be assisted by falling interest rates.

- In 2024, development land market turnover was approximately €370m in the Greater Dublin Area, which will be emulated in 2025 with incremental increases in **activity**. This will be in spite of the established challenges around high construction costs, planning delays and finance remaining features of the market.
- As has been the case for several years, **demand** will be greatest for sites with viable residential planning permissions (both greenfield and brownfield). 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.
- Some buyers in 2025 will be adopting a **longer-term strategy** and acquiring well-located, residentially zoned lands without planning permissions. For these acquisitions, pricing will reflect the cost of holding the lands for several years (including future zoned land taxes), planning-related risks, and the extended timeframe for development.
- While **supply** has been constrained in recent years, there will be continued improvements in both on and off-market offerings in 2025. This will come from various types of vendors, including those that are under pressure from funders (including owners in receivership), those selling due to an inability to develop-out schemes because of higher cost, and others because of the zoned residential land tax. Certain institutions will also bring lands to the market.

Fassaroe, Junction 6 M11, Bray, Co. Wicklow



Brighton Road, Foxrock, Dublin 18

THE PUBLIC SECTOR THROUGH THE LAND DEVELOPMENT AGENCY, LOCAL AUTHORITIES AND APPROVED HOUSING BODIES WILL BE THE KEY PURCHASERS OF LAND IN 2025

- In terms of new scheme **viability**, there will be both positive and negative factors at play. Construction cost inflation should stay relatively stable this year, but costs will remain 35% to 40% more than pre-pandemic. Following some declines last year, global interest rates are predicted to fall further over the course of the year, which will assist in the cost and availability of finance – both to buy land and fund development. However, **funders** will remain cautious around development and will continue to assess the risk profile of the proposed development and the developer, and make judgements on margin based on the profile. This will mean that cash purchasers will be in a strong position, but they will be selective and will only progress with deals where they perceive clear value.
- The new Programme for Government outlines plans for 12,000 new social homes annually. Consequently, there will continue to be considerable funding available for **government-backed** entities such as Approved Housing Bodies (AHBs), local authorities, and the Land Development Agency (LDA) and they will remain very active buyers in the market. They will engage in straight forward land purchases as well as engaging in joint ventures, pre-funding and turnkey deals with private developers. However, the overall pace in activity may be constrained by individual bodies' capacity limitations – particularly around staffing.

- The **Planning & Development Act 2024** was finally signed into law in October. Not all of the Act has commenced, but most (if not all) sections will become operational in 2025 and will have an impact on the land market and development sector. The key components of the Act include extending development plans to 10-years but with a midpoint review; replacement of LAPs with three types of focused Area Plans (Urban, Priority and Co-ordinated); upgrading S28 Ministerial Guidelines and Policy Directives to National Planning Statements; renaming An Bord Pleanála to An Coimisiún Pleanála and changing its structure to include a governing board and a separate operational section of planning commissioners; mandatory pre-application consultations for large schemes; strict timelines for planning decisions; and changes to Judicial Reviews including refined eligibility (must have direct or indirect material impact, and unincorporated bodies such as residents associations must fulfil certain requirements to bring proceedings), changes to costs, and a correction of error can be made.

- The **Residential Zoned Land Tax** (RZLT) will also have an impact on the market in 2025. The aim of the tax is to encourage housing development on zoned and serviced lands. Maps identifying liable sites will be updated annually and will be taxed at 3% of market value each year. The first liability date is 1st February 2025 with landowners self-assessing value and registering it with Revenue's online system. There are limited exemptions including existing residential properties that are paying the Local Property Tax and land that is currently being used for the operation of a business. Farmers can request an exemption in 2025 if they seek to rezone their land to reflect farming activity. Payment deferral is also possible where there is a judicial review pending or where a commencement notice has been lodged.

- The **Updated Draft Revised National Planning Framework** was published in November 2024 and is awaiting final approval from government. The key change within the draft is a new set of home building targets – 50,500 homes per year initially, scaling up to 60,000 homes in 2030 and maintained at this level thereafter is included. This is a more realistic requirement and is positive, however resources in terms of funding and skills will be required to achieve this, particularly given that the targets were missed in 2024.

Site C, M1 Business Park, Junction 5 M1 Motorway, Balbriggan, Co. Dublin

Gilford Road, Sandymount, Dublin 4

- The Government published its long-awaited **Land (Zoning Value Sharing) Bill** in October 2024, the aim of which is to enable the State to benefit financially in the uplift in value of lands rezoned for certain uses. The levy is proposed at a rate of 25% (originally discussed at 30%) which will be paid before a commencement notice can be submitted for a development. Despite the government formation talks remaining ongoing at the start of 2025, this is likely to progress further during the year.
- While the Programme for Government contains many proposed actions related to the property sector. Notable is the desire to create a **land price register**. We welcome this transparency in the market and believe that a robust register feeding from stamp duty returns is the best option rather than a register based vendor or purchaser input.

THE PLANNING & DEVELOPMENT ACT 2024 WAS FINALLY SIGNED INTO LAW IN OCTOBER

3

NEW HOMES

The new homes market will remain exceptionally busy in 2025 with continued strong buyer sentiment outstripping supply.

- **First-time buyers (FTB)** will be particularly active as they seek to exit the rental market or living with family, and avail of government initiatives like the Help-to-Buy and First Home Shared Equity schemes. These schemes have been instrumental in assisting FTB and have been crucial in supporting affordability in the last few years as construction costs grew. It is very welcome that the Programme for Government has pledged to extend the schemes until 2030, providing certainty to buyers and developers for five years. However, we strongly recommend a review of the €500,000 threshold, which is now quickly becoming inadequate in Dublin and pushing more buyers out to the surrounding counties.

- The **green credentials** of newly constructed dwellings will continue to add to their attractiveness in 2025. With a BER of A, new homes offer significant savings in terms of running costs and lower green mortgage rates. The turnkey nature of new homes is also very attractive and provides occupiers with a quick and easy settling-in period where no costly refurbishment works are required.

- While new home completions have experienced a significant uptick in 2022 and 2023, 2024 was disappointing with targets missed and an annual decline of 7% registered. Part of the reason maybe due to a focus on commencements. A **temporary waiver** of S48 development contributions and the refunding of water and waste water connection fees was introduced in April 2023 and ran until December 2024. Over the 21-month period this was in place, housing commencements grew 73% when compared to the previous 21-month period (85,700 starts compared to 49,500). As such, the measures have been very successful in bringing forward construction through improved viability. It is unfortunate that the waivers were not extended. While its benefits will remain in 2025 as homes are built out, as 2026 progresses, this progress may fall away.

- There will be a further increase in the involvement of **government-backed entities** in the new homes sector in 2025. Last year, the Land Development Agency (LDA) established a framework with 15 private sector homebuilders to realise the second phase of Project Tosaigh (5,000 affordable homes) and separately, it received an additional €1.25bn in funding to progress affordable schemes on both directly owned sites and through partnerships. In the coming five years, the Programme for Government pledges to further capitalise the LDA, strengthen its powers and streamline its processes, including the acceleration of transfer of state lands.

IN 2024, FIRST TIME BUYERS MADE UP ALMOST

OF THE
NEW HOMES MARKET
NATIONWIDE

AN AVERAGE OF
47%
IN THE LAST
10 YEARS

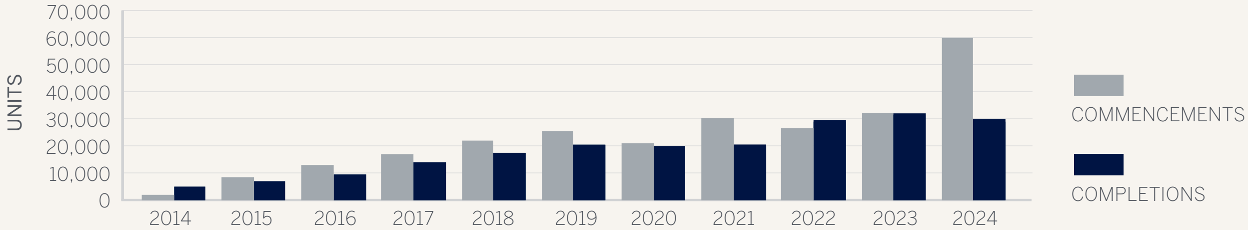
Wellfield, Malahide

- A key market constraint that will remain in 2025 will be the deficits in **infrastructure** – water, wastewater, drainage, power and transport connections. This will have an impact on the industry's ability to deliver housing at scale, particularly considering the higher targets now in place. There were examples in recent times where multi-phase developments had to pause construction mid-stream while they waited for utility companies to catch-up and install the necessary pipes and infrastructure. Even when all required infrastructure is in place, there are often substantial delays in getting utility connection commissioned and activated at completed properties, delaying move-in dates for new homeowners. The programme for government has pledged investment in the sector but this will need to progress rapidly to remove the blockages.

- Outside of the measures already mentioned, the **Programme for Government** sets out a significant number of pledges in relation to housing more generally in a bid to accelerate supply. Notably, it confirms a successor to Housing for All that is underpinned by a multi-annual finding commitment; ramping up construction to 300,000 homes by the end of 2030 (averaging 60,000 per year); fully implementing the Planning & Development Act 2024; resourcing the planning sector; increasing the supply of zoned and serviced land; continuing to implement Land Value Sharing, Residential Zoned Land Tax and Vacancy taxes; and working to revise state aid rules with the EU.

- Despite the demand, there are only a limited number of new apartment schemes for sale that are available to owner-occupiers. Apartment development viability, including in prime residential locations, remains marginal in many cases given the substantial increases in construction costs in recent years (+35% to 40%). The government's **Croí Cónaithe** (Cities) scheme seeks to bridge this viability gap. The level of funding available is capped at 20% of costs. In September last year, a third round of expressions of interest in the scheme was launched and follows on from a lower than expected uptake in the previous rounds. While the scheme has the potential to really assist apartment viability, the timing of the funding at the point of final conveyance to an owner-occupier means that the developer still has to carry all costs until the very end,

RESIDENTIAL DEVELOPMENT



Source: CSO, Department of Housing, Local Government & Heritage, Lisney analysis.

4 INVESTMENT

Irish property investment market performance will be much improved in 2025.

- 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.

- **Demand** will come from a variety of sources but will evolve as the year progresses. French investors were very dominant in the market last year and will remain active buyers, including some new French entrants. There will also be other European investors in the market with German buyers likely to make a larger impact towards the latter half of the year as they are not generally first movers. Certain North American buyers were active last year, and they will be back in greater numbers this year. Private Irish investors (generally seeking lots up to €5m) have been buyers in the last two to three years and will remain so in 2025 (but greater amounts of stock will be required to fulfil their demand). Encouragingly, Irish funds were active again in the latter part of 2024 and will have demand once again this year for good quality opportunities.

- **Distressed sales** will increase this year; certain investors are now in breach of their loan-to-value covenants with funders and not in a position to refinance. This will be most prevalent in the office sector where certain large lot sized properties have experienced between 40% and 60% loss in value. Certain retail and industrial assets, as well and more alternative sectors, will be less impacted as they are generally not as distressed.

- For the market overall, we expect continually improving **supply** as the year progresses with more on and off-market opportunities materialising. This will come from distressed sales but also from vendors that were waiting on improvements in the market.

- 2024 market **turnover** reached €2.4bn, slightly better than 2023, but was made up of several chunky trades. 2025 will exceed this, likely to reach €3bn, but this will be contingent on what comes to the market from distressed sources. Q1 2024 was a trough in terms of turnover, and we will continue to see a quarter-on-quarter improvements in the level of deals in the year ahead.

- Compared to two to three years ago, there is now a much improved understanding of the impact of **sustainability** across all sectors, and it remains a key factor in decisions and pricing. To date, it has impacted the office market to the greatest extent, however with improvements in the occupational sector (more staff based in the office, greater

North Dock House, Dublin 1

3016-3018 Lake Drive, Citywest Business Campus, Dublin 24

demand, levelling-off of vacancy) and with values having been hit hard in recent years, we believe we are nearing the low point for many office buildings in terms of prices. With fewer investors sitting on the fence in 2025, there will be improvements in both investment levels and the values of certain buildings, particularly as the year progresses.

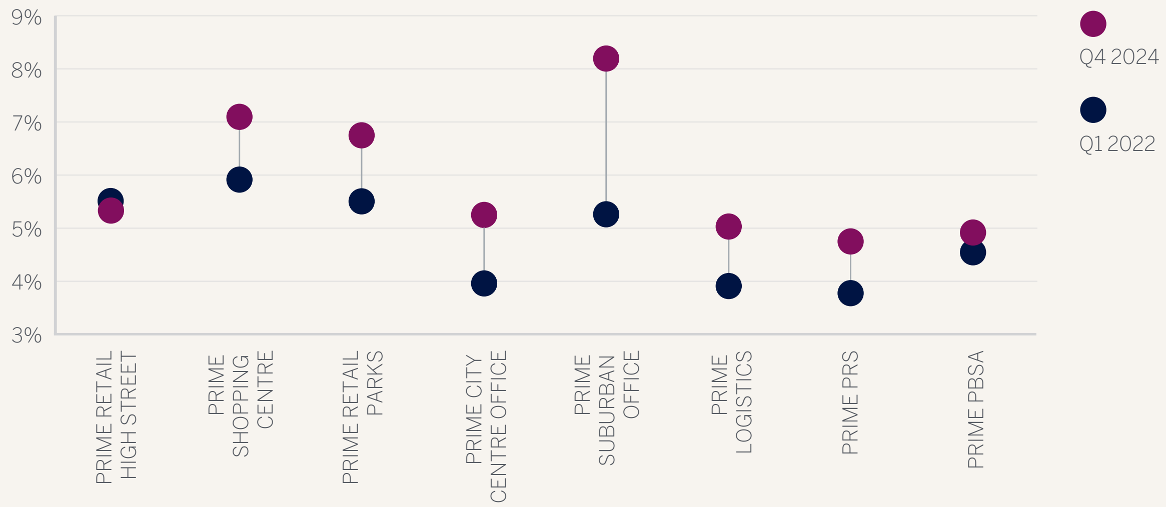
- The influence of sustainability measures is also a growing trend in the **industrial and logistics** sector and in 2025, landlords of both new and refurbished buildings will continue to focus on sustainability and seeking certifications. The occupational market will remain strong, albeit with occupier demand reverting to more normal (pre-COVID) levels but the vacancy rate staying below 2%. This will be positive for investor sentiment and demand for investment opportunities will be strong this year, but with a lack of suitable opportunities likely to hold back transaction levels.

- **Retail** was the busiest sector within the Irish investment market in 2024. Shopping centres and retail parks where tenants are trading well remain most in demand this year – albeit smaller scale private investors who are less focused on ESG will continue to acquire individual prime high street stores. Investor confidence in the sector will be maintained in 2025 with many seeking to take advantage of the 40% decline in values since early 2019.

- **PRS** requirements, especially from international funds, will remain limited in 2025 – but these investors will be active in the sector in other countries across Europe without rent caps. State-backed purchasers, most notably AHBs, will continue to do forward funding and turnkey deals on apartment blocks and will absorb most of the new opportunities.

- Since early-2022 (when interest rates began to climb), office **yields** have softened by between 150 and 275 bps depending on location, quality and lot size, while retail and industrial assets have performed better, with yields generally increasing by up to 100 bps. Yields will harden in most sectors over 2025, the exception will be offices where a stabilisation of yields is more likely.

PRIME YIELD MOVEMENTS



Source: Lisney

5

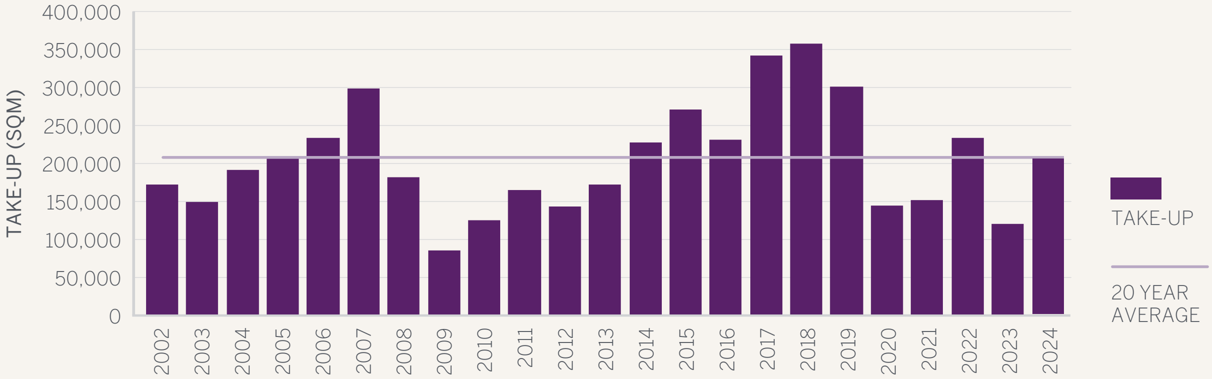
OFFICES

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.

5 Harcourt Road, Dublin 2

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

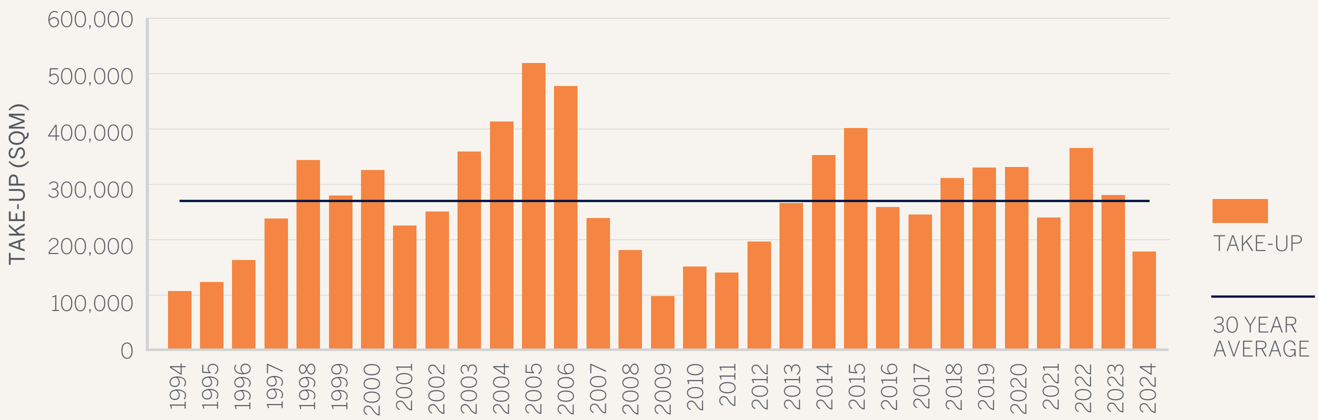
6

INDUSTRIAL & LOGISTICS

2025 will be another active year in the Dublin industrial and logistics market but supply constraints will persist.

- The industrial and logistics market will **remain active** in 2025, albeit with demand and activity levels more in line with longer-term trends. The heightened level of requirements that prevailed during the pandemic and as a result of Brexit, diminished in 2024 and the market has reverted to more normal levels of demand. Given the various constraints around supply – slower construction completions and historically low second-hand availability – take-up in 2024 was under 200,000 sqm, about one-third below the long-term average.
- The 30-year annual average **take-up** figure is 275,000 sqm and we expect a similar level of activity in 2025. The main headwind will continue to be supply and a lack of suitable accommodation.
- With the Dublin vacancy rate sub-2%, **supply** continues to be the key constraint in the market. Encouragingly, several substantial buildings (combined about 70,000 sqm) are due to reach practical completion in the opening months of 2025. Over 90% of the space has been speculatively built and will add just under one percentage point to the vacancy rate. While any increase is positive, supply will remain well below what the market requires in 2025.
- Strongest **demand** will continue to come from 3PL operators and individual retailers as well as pharma and medical. A lasting trend into 2025 will be certain 3PL operators with contracts in Ireland and the UK continuing to review the Irish market as a hub for both locations. In the past, such contracts were fulfilled from the UK but with Brexit, it is more advantageous for some of those importing goods from Europe to have operations in Ireland. Examples include Smyth's Toys and JYSK. In 2025 there will continue to be demand for space along the M1 corridor towards Northern Ireland from such operators.
- **Lettings** have made up between 80% and 85% of all space transacted in the last five years with vacant possession sales accounting for just 15% to 20%. Lettings will continue to dominate the market in 2025 but with interest rates trending downwards, smaller scale owner-occupiers may consider buying as repaying a mortgage is likely to be less than rent. They will have a strong preference for buildings that are in good condition and do not need substantial refurbishment as costs are still high and timelines for programmes of work uncertain.

ACTIVITY



Source: Lisney

Unit 1 South West Business Park, Dublin 24

- Lisney's index of industrial property **rents** in Dublin (prime and secondary buildings of varying sizes across the four regions) grew by 5% in 2024, a reduction in the pace of growth compared to the last five years (up to 9% annually). The prime headline rate for a larger logistics premises was €145 psm (€13.50 psf) entering 2025 with smaller enterprise type units at €172 psm (€16.50 psf).

- For good quality accommodation, there will be little change in other lease **terms**, Landlords will continuing to seek 10 to 15 year terms with break options at years 5 or 10 and rent free periods between 3 and 4 months.

- Speculative **new buildings** will remain slow to start in the months ahead. However, it is noteworthy that UK developer Mountpark, is now on-site at Grangecastle West, speculatively building 40,000 sqm of Grade A space. As development finance improves and investment yields harden, the risk profile will be less, and greater volumes of new building and refurbishment should occur. It will remain important for developers to have planning grants in place and be ready to move on-site quickly. Positively, there is about 250,000 sqm of accommodation with planning permission but not yet commenced. However, as this moves to a construction phase it will need to be replaced by further grants of permission.

- Landlords will continue to be more focused on **sustainability** factors relating to new and refurbished buildings, seeking LEED Gold and other certifications. This comes with an added cost, which will be passed on to the tenant. Given the large carbon footprint of the operations of logistics companies, some will be seeking to reduce the embodied carbon in their warehouses and may consider timberframe (glue laminated timber) premises instead of a steel frame. Green lease clauses will be common practice as investors seek to make good on their ESG promises and meet EU and domestic policies, especially around finance.

- In terms of existing older stock, landlords are actively seizing opportunities to improve the energy efficiency ratings of their buildings through **refurbishment**, particularly when they become vacant – a trend that will continue in the longer-term. The improvements typically include the installation of LED lighting systems, electric car charging stations and the integration of air source heat pumps. This not only contributes to reducing the environmental impact but also aligns with the growing demand for more sustainable resource-efficient industrial spaces.

7

RETAIL

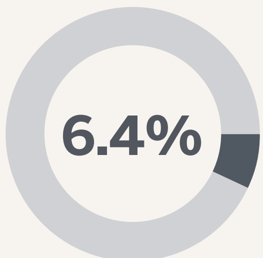
Demand will remain healthy in 2025 with new and expanding retailers active on prime high streets, as well as in some shopping centres and retail parks.

- 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 **good year** in both the occupational and investment markets. This will build on a much improved 2024 where new retailers entered the market, others already here expanded, and investor sentiment for certain retail sub-sectors was at its highest level in many years.

- 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).

Grafton Street, Dublin 2



GRAFTON STREET VACANCY RATE

- The changing face of Dublin City Centre's prime high street core continued in 2024 as several international brands opened new stores. Examples include Alo Yoga, Build-A-Bear, Austin & Blake, KIKO Milano. This has been positive for **vacancy levels**. Taking the stores undergoing fit out at the end of 2024 as occupied, the vacancy rate on Grafton Street was 6.4% (down from 7.7% 12 months ago) while Henry Street / Mary Street was at 12.9%. It is also notable that planning permission was granted for apartments over Swarovski's store at 4/5 Grafton Street in recent weeks and this trend of creating high quality residential accommodation may become a growing trend in the years ahead.

- **Demand** will remain healthy in 2025 and additional new and expanding retailers will be active in the prime city centre high street areas as well as in some key shopping centres and retail parks. A lack of supply in certain key areas will be noticeable. Indeed, practically no new retail accommodation has been built in almost two decades and despite the requirement for new space in a limited number of specific locations, this is unlikely to materialise in the medium-term.

- **Retail rents** and letting deals remained mixed in 2024, a trend that is likely to continue this year. On Grafton Street in particular, there has been a fragmentation in Zone A rates, based on quality and layout of buildings and pitch on the street. Some of this may be as a result of fewer institutional owners compared to the past. We do not expect any significant increase in rental values in 2025 and the rents achieved will very much depend on the nature of the landlord and individual building / location specifics.

- The city centre core was also impacted in August, when the first measures of the contentious **Dublin City Centre Transport Plan 2023** were implemented; private vehicle restrictions were put in place from 7am to 7pm daily along the north and south quays of the River Liffey. Daily commuters walking, cycling or using public transport have benefited from the reduced congestion and quicker access to work, while retailers continue to raise concerns about reduced spending, particularly in light of further proposed changes. The Dublin City Centre Traders Alliance argues that there will be a loss of spending in the city of over €141m in 2028 (when all the proposed changes are implemented) as well as a loss of almost 1,800 jobs. The group was granted permission for a judicial review on the matter in December, as they state that the adoption of the plan was invalid. There will be further developments on this matter in 2025 as the JR proceeds.

- **Experiential retail** has been on the rise for several years across a variety of outlet types. All are focused on creating an enjoyable atmosphere and use technology to enhance customer interactions. The leisure and entertainment industry is ideally positioned to take advantage with new establishments opening in Dublin city and suburbs in 2024 such as Pitch Golf on Dawson Street and Super Social at Leopardstown Racecourse. We anticipate further growth in this space in 2025.

- Between 2017 and 2021, the revenue generated from **online sales** to Irish customers grew exponentially, by 115%, according to Statista. The pandemic, as well as retailers' investment in an omni channel model, drove this growth. Since then, ecommerce revenue has plateaued, only growing 1.5% in three years. This is not unique to Ireland but was also experienced globally and is due to a variety of factors such as reduced disposable income with the cost of living crisis, a desire for experiential shopping with more in-store visits, sustainability and fast-fashion concerns, and the increased cost of social ad impressions. However, growth is anticipated to resume its upward trajectory in 2025 with Statista suggesting +15.5% in Ireland (and +16.4% globally). This will be assisted by the adoption of more advanced AI and AR tech as well as improvements in discretionary income.

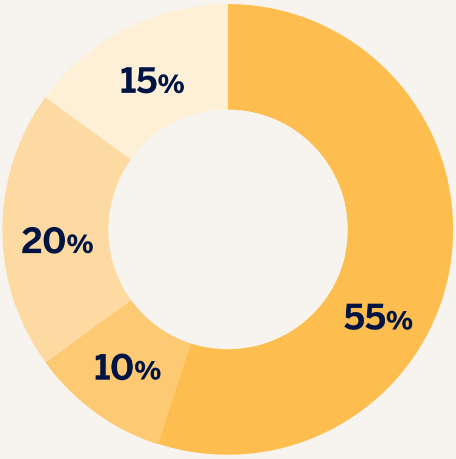
- **Sustainability** is high on the agenda for most retailers and consumers. Ireland's Climate Action Plan emphasises the circular economy, which will impact the retail trade and in turn the property market in the months and years ahead. At the start of 2024, Ireland had a circularity rate of just 1.8%, which lags the 12.8% EU average. With the launch of the 'Re-turn' scheme last February, improvements are anticipated but more will be needed. Consumers are placing greater emphasis on sustainability and ethical sourcing. Retailers adopting eco-friendly practices, such as reducing packaging waste and ensuring fair labour conditions, are gaining favour. Transparent communication about these efforts is crucial, as customers seek brands that align with their values and contribute positively to society.

8 LICENSED & LEISURE

Following on from a steady flow of transactions in 2024 (20 pubs sold in Dublin totalling €70m), activity in the licensed premises property market in Dublin and in most of the larger regional cities will remain healthy this year.

- Demand in 2025 will be more focused on **city centre** locations where there is potential for premium pricing given the reduction in profitability. There will be a softening in demand for some suburban food-driven operations that have to absorb cost pressures.
- Over half of all deals last year were done **off-market** and this is a trend that will continue in 2025, particularly for higher value premises where there are active requirements from a limited pool of well-funded purchasers.
- **Supply** to the market in 2024 primarily stemmed from publicans who were retiring. This is likely to be the case again this year as the continued elevated and rising nature of operational costs coupled with the difficulties in sourcing and retaining staff will impact operators' decisions.
- Similar to last year, **publicans** will be the dominant buyer category in 2025, but developers will also be active, particularly for larger sites in suburban locations. As part of this redevelopment cohort, supermarkets will be increasingly involved where a premises has a large car park, and in many cases where sites match their list of requirements, they will pay more than the going concern value as a licensed premises. Private equity purchasers will continue to seek opportunities that match specific criteria, notably – high profile, city centre premises with lot sizes over €6m. However, the supply of these type of assets will be limited.

2024 BUYER PROFILE - DUBLIN



Publican
Investors
Developers
Private Equity

Source: Lisney

20
LICENSED PREMISES
WERE SOLD IN DUBLIN IN 2024 WITH COMBINED SALES PRICES OF
€70m

The Ivy, Drumcondra, Dublin 9

LICENCE VALUES
WILL CONTINUE RANGE BETWEEN
€50,000 & €55,000

- Well-established regional **tourist areas** will continue to perform relatively well, maintaining their ability to achieve meaningful volumes of seasonal trade. This sector will continue to attract interest from both existing operators and potential new entrants, buoyed by the overall growth in Ireland's tourism sector.
- Outside of well populated city regions, the appetite for licensed premises will remain more limited, but the **closure** of non-viable businesses will continue. As a consequence, there will be an increase in the availability of publican licences. The value of these licences will continue to range between €50,000 and €55,000 with the off-licence sector, predominantly new supermarkets and convenience store outlets, the main purchaser.

9 HEALTHCARE

While occupational demand will remain strong, higher costs and insufficient increases in Fair Deal rates, will mean further nursing home closures.

- Within the nursing home sector, **occupancy** levels will remain high in 2025. The supply / demand imbalance will continue as the Irish population ages (those over 85 doubled in the last two decades) and net bed space remains relatively stable (supply has averaged 32,000 bed spaces since 2019 with little fluctuation).

- Larger operators are forecasting marginal improvements this year as they continue to emerge from a protracted period of difficult operating conditions albeit short-term forecasts remaining well below pre-pandemic levels. **Viability** issues will persist for smaller / family operated centres that do not benefit from the efficiencies larger operators experience in terms of staff and agency costs, catering and utilities. Many of these smaller centres were built prior to the mid-2000s and are not conducive to modern nursing home requirements with the cost of upgrading, reconfiguration and compliance (HIQA, fire and DAC) cumbersome.

- There was a small increase in **Fair Deal** rates for private and voluntary homes at the start of 2025, increasing on average 3.4% since May 2024. The differential from public homes remains high, at 58% (compared to 63% in recent years), which means HSE / State operated homes receive, on average, €36,000 more per resident per year than the private or voluntary sector. Greater increases and a closing of the gap in rates will be required in 2025.

- In Q4 2024, there was 42 nursing home projects **under construction** (approximately 3,071 beds) across Ireland. Much of this construction activity comprises new developments (31 of the 42) with 11 extensions. The medium to longer-term potential pipeline is positive with planning permission granted for approximately 6,300 bed spaces within 134 schemes. While these have the benefit of planning grants, construction works have not yet commenced, and more than one-third are on hold.

- Despite the supply / demand imbalance, nursing home **closures** will persist in 2025, the number of which may depend on the incoming government's policies and funding of the sector. According to Nursing Home Ireland (NHI), operational costs have grown by 36% in the last five years, while revenue has only grown by 17%, and this has resulted in a funding gap. Consequently, 77 nursing homes (2,800 bed spaces) have closed since 2018, including 11 centres in 2024. New schemes have not fully filled the gap and there has been a net loss of almost 40 nursing homes to the nationwide stock. Many of these are smaller and older homes and are impacted by the disparity in Fair Deal rates between public and private sectors, as well as the cost of meeting the evolving HIQA standards. Many of the closures have been in more rural areas, a trend that will continue.

10

PURPOSE-BUILT STUDENT ACCOMMODATION

Student numbers across Ireland continue to grow, which is a very positive indicator for continued PBSA demand.

- In the 2023 / 2024 academic year, there were almost 266,000 students enrolled in Higher Education Institutions with 206,400 of these in full-time education. Since 2016 / 2017, **student numbers** have grown by 17.9%. However, more importantly in terms of the PBSA sector, the number of international students has jumped by 63.4% to 40,400 (with India, China and the US making up 42% of the overseas total) with 15.2% of the total student population now international. Changing policies in other destinations (such as the UK, Australia and Canada), along with greater Government focus on the higher education sector in Ireland (with a dedicated cabinet minister) have been two of the key reasons for growth in the sector. The availability of on or near-campus accommodation for these international students is essential in continuing to attract them and the economic benefits they bring.

- While the student population has grown substantially in a short space of time, it is likely to grow by up to 20% in the next five years, which would result in nearly 40,000 more students in education. Combined with the ongoing rental / housing crisis in Ireland, as well as the elevated number of domestic students commuting unsustainably long distances several times a week to university or college, **occupational demand** for the PBSA sector will remain exceptionally strong in 2025 and beyond. However, affordability will be an issue for many domestic students.

- There was a change to the operation structure of the sector in July last year when the Residential Tenancies (Amendment) (No.2) Act was signed into law. This bans operators from enforcing a **51 week** student lease and ensures that tenancy agreements are based on a 41 week academic calendar. The Programme for Government reiterates the coalition's commitment to aligning student accommodation leases with the academic year. Students who want more than 41 weeks can request this and remain in the accommodation over

the summer months, which will likely appeal to most international students. In the next academic year and beyond, larger operators with multiple schemes are likely to segregate blocks into either 51 week or 41 week lets. The more centralised blocks will fall into the 41 week category and operators will target the tourism market during the summer months.

- This legislative change, along with the rent caps put in place a few years ago, has implications for the further expansion of the sector. Many international parties are now considering focusing investment in other European cities, particularly those in France and Italy. That said, two notable **investment** deals were completed in the final months of 2024 – Greystar's €150m acquisition of Point Campus (966 beds) and Hines' purchase of Scape Dublin (298 beds) for a reported €80m.

- **New supply** continues to lag what is required. The Programme for Government pledges to prepare a multi-annual plan to urgently deliver new student accommodation, including though State financed PBSA schemes on public or private lands. It also seeks to enable Technological Universities to borrow funds to provide on-campus accommodation. While these are welcome promises, the government will need to deliver on them in the 2025 and beyond. In the final months of 2024, there were about 3,500 bed spaces under construction nationwide and a further 10,700 with planning grants – however, at least half of this pipeline is on hold or is

11

FORESTRY

WHY INVEST?

- Forestry investment has gained significant attention around the world in recent years as investors seek resilient, counter-cyclical and profitable asset classes. Added to this are the moves towards **sustainable investment** and meeting ESG investment criteria. For governments, investment in forestry brings benefits in terms of meeting climate change targets; carbon sequestration, supplying sustainable wood products for construction, protecting habitats, and providing outdoor leisure facilities. Indeed, in Ireland, a very ambitious forestry plan has been put in place having been singled out in the Climate Action Plan as an essential land use to achieve carbon neutrality by 2050.

- Almost one-third of the world's land surface is covered by forest but with half of that in just five countries – Russia, Brazil, Canada, the US, and China. In Ireland, just under **12% of land is covered by forest** and renewal efforts are now in place to increase this to 18% by 2027, which means afforestation of 8,000 ha per year. To achieve this, the Government has put in place the Forestry Programme 2023 – 2027, which includes up to €308m of State aid.

- There are currently two schemes of note under the programme – the '**Afforestation Scheme**' and the '**Native Tree Area Scheme**'. Both are open to farmers and non-farmers / private investors, as well as public sector landowners. Technical approval must be received from the Department of Agriculture, Food and the Marine prior to any planting to be eligible for grant assistance and the relevant licences must also be sought. A forest's composition in terms of tree type and layout must also conform to various prescribed forest types.

- The monetary value of the **grant and premiums** depends on the forest type. The grant is paid in two instalments; the first when the forest is planted (within four months) and the second, four years later, and ranges between €4,450 and €10,500 per ha. Owners may also be eligible for an annual premium for 15 years non-farmers and 20 years for farmers, which generally ranges between €750 and €1,150 per ha per year. There are further grants available for fencing.

- With potentially **up to €30,000 per ha** available from as State aid over a 15-year period, forests offer stable, low-risk investments that will continually assist in meeting sustainability targets. While only a limited number of forests have been sold in Ireland in recent years, there are opportunities for investors interested in the sector in the years ahead.

THE MONETARY VALUE OF GRANTS AND PREMIUMS DEPEND ON THE **FOREST TYPE**

Lisney has sold / sale agreed 1,020 ha (2,500 acres) in 2024 and expect further activity in 2025.

If you are interested in the sector, please get in touch with

Thomas Byrne
e: tbyrne@lisney.com

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

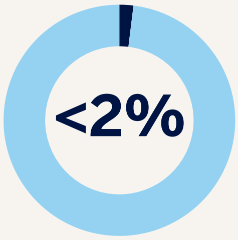
- During 2024, many of the **post-pandemic trends** in the office market lessened in intensity. While hybrid working continued, many staff had a greater number of contact days in the office, and for the overall Cork market, the vacancy rate fell below to just below 12% (it had been closer to 15%). A 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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NORTHERN IRELAND

We expect a more positive property market in NI in 2025, particularly in the investment and build-to-rent sectors.

INVESTMENT

- Wider economic and geopolitical issues, continued elevated interest rates, increasing demands to meet ESG credentials, evolving occupational demand, and the UK government's autumn budget are some of the factors that resulted in a subdued commercial property investment market in NI in 2024. While many of the challenges have not significantly diminished, improvements in global interest rates and sentiment will assist with uncertainty and we expect a **more positive market in 2025**.
- Investment **supply** was down about 70% last year as would-be vendors took a 'wait and see' approach. However, there were some improvements in the final months of the year, which will assist with market turnover in H1 2025.
- Given the dearth of supply, there is **pent up demand**, particularly from local private investors, for well let commercial investments at sub-£5m lot sizes. Larger lot sized, retail parks and supermarket-anchored shopping centres, where rents have rebased, will remain in most demand. Similar to last year, local NI private investors will remain the largest cohort of buyer this year.

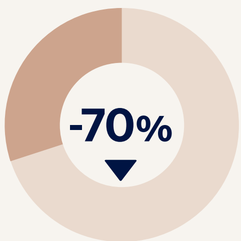
HOTELS

- The hotel sector was NI's **most active** property sector last year – in terms of investment sales, sales as a going concern or to an owner-operator, and construction activity – a trend that will continue in 2025. The hospitality sector as a whole continues to perform well with annual tourist visits now surpassing pre-pandemic levels. This has boosted hotel occupancy levels (Belfast averaging 75%) and revenue (+8% in 18 months), and in turn investor confidence in the sector. Several notable transactions completed in 2024 and there will be activity again in 2025 as various hotels investments were available at the start of 2025.
- Since mid-2023, seven new hotels (520 beds) have opened across NI, and further new accommodation is due. Several projects are progressing well such as Hamilton Dock (228 bed) in Belfast's Titanic Quarter, the Bedford Hotel (102 bed) on Donegall Square and Marcus Hotel (83 bed) in Portrush. On the north coast, the 5-star exclusive **Dunluce Lodge** (35 beds) on the fourth fairway of Royal Portrush is due to open in February in time for the 153rd Open Championship in July.

THERE IS PENT UP DEMAND FROM LOCAL PRIVATE INVESTORS FOR WELL LET INVESTMENTS

SUB £5m

IN LOT SIZE



SUPPLY IN

2024

BUILD-TO-RENT

- Almost **1,200 BTR units** are due to be completed in Belfast city centre in the next two to three years. The construction of NI's first institutionally backed BTR scheme was continuing at pace entering 2025 with Loft Lines (778 units, 151 of which will be affordable) in Belfast's Titanic Quarter due during the summer of 2026. Two additional high-density BTR schemes were granted planning permission in 2024 including MRP's 298-unit scheme on Corporation Street and Belfast Harbour's 256-unit scheme at City Quays 4.
- Belfast's young population demographic and strong professional work force provides the perfect demand pool for BTR accommodation and as Belfast City Council aims to attract a further 66,000 residents to the city by 2035, the demand for high-quality, professionally managed rental accommodation is only set to increase further. We are likely to see **further schemes** in the pipeline in the short to medium-term.

PURPOSE-BUILT STUDENT ACCOMMODATION

- Full time **student numbers** across NI have grown by about 30% over the past five years, with the international student population skyrocketing, by +235%, over the same period. In turn, demand for student accommodation has intensified and average rents in Belfast for PBSA rooms for the 2024 / 2025 academic year were up by 8% to 10%.
- In 2024, approximately 1,250 **new bed spaces** were completed across three schemes – at Nelson Street, York Street and Bradbury Place. The short-term pipeline is also strong with a further 7,750 beds either under construction or in the planning system in Belfast and Derry.

Obel Tower, Donegall Quay, Belfast

1,200 BTR
UNITS DUE IN THE NEXT 3 YEARS

OFFICE

- While the Belfast office market continues to face challenges, we expect **continued improvement** in the sector in 2025. This follows on from a good 2024, where take-up was back to 2019 levels. Just under two-thirds will likely remain related to smaller lot sizes (sub-5,000 sq ft), reflecting the continuing fallout from remote and hybrid working.
- **Supply** continued to improve throughout 2024 (to 2m sq ft), however much of the increase stems from grey space or re-purposing opportunities. Indeed, about 15% relates to three surplus government buildings brought to the market last year and will likely be converted into an alternative use such as residential, hotel or student accommodation. This means, the headline vacancy masks the fact that there remains a lack of Grade A stock available. This is unlikely to improve greatly in the short-term as no new accommodation was completed last year and there is only one new scheme (on the Dublin Road) in the development pipeline.
- The lack of new supply, particularly with the right sized floorplates, is likely to drive prime **rental growth** in 2025, perhaps moving from current quoting rents of £25 psf towards £30 psf. However, a small number of high-profile lettings are not evidence of a properly functioning market and at the corporate-led upper end of the market, the limited pool of specific requirements will continue to be frustrated by lack of size variation or location of the available Grade A supply.

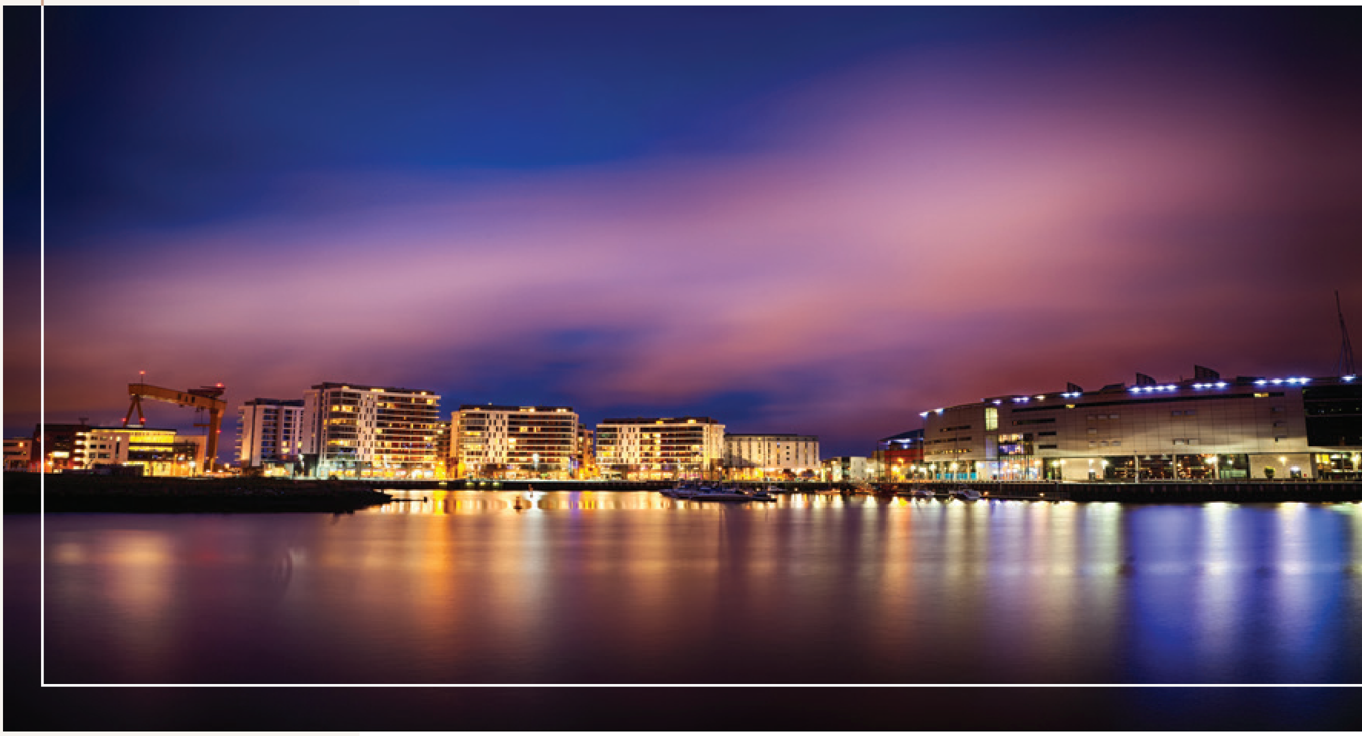
INDUSTRIAL

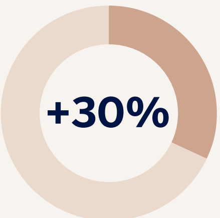
- Occupier demand remained strong in 2024 but given the lack of supply, this was not fully realised in take-up figures – a trend that will prevail again in 2025. This **strong demand**, coupled with low vacancy levels, will continue driving rents and capital values upwards for good quality existing stock in 2025. Occupiers will continue to put a premium on location and eaves height.
- While new build space is being delivered slowly in some areas, viability can be a challenge for speculatively built space given the high cost of construction and rental gap between new and existing stock. With rental growth, more stabilised construction costs and falling interest rates, new schemes should be **more viable** as 2025 progresses. Given the number of unsatisfied requirements in the market, this will present an attractive prospect to experienced, well backed developers.

RETAIL

- Retail will remain one of the more challenging property sectors in NI 2025 as retailers' operating costs remain high, and consumer spending impacted by the cost of living. Shopping centres and high streets have borne the brunt of consumers' negative sentiment. However, **retail parks** have performed well with demand driven by discounters and food stores. Indeed, demand in the F&B sector (particularly drive thru and drive-to stores) remains strong with new entrants to the market; Mary Browns Chicken and Popeyes – both of which are actively seeking additional locations.
- While the retail landscape will remain difficult to navigate in the short to medium term, there is an emerging trend from some retailers which points to **more positive sentiment** around bricks-and-mortar stores. Last year Deichmann opened its first store on the island of Ireland, and H&M and Apple relocated to new premises while Primark lodged a planning application for a new homeware store. We are aware of similar intentions from a number of other retailers in 2025 and expect this trend to continue.

Titanic Quarter, Belfast





INCREASE IN FULL-TIME STUDENT NUMBERS IN THE LAST 5 YEARS

7,750 BED SPACES IN THE PIPELINE

DEVELOPMENT LAND

- There remains an **undersupply** of good quality development land for sale across NI, which to an extent has underpinned land prices in recent years. Good parcels of land continue to attract strong interest as developers seek to fill the gaps within their short to medium-term delivery pipelines. Positively for 2025, build cost inflation has settled, and interest rates are on a downward trajectory, which should give developers a greater degree of comfort prior to committing to new development projects.
- **Protracted planning** timeframes as well as issues relating to wastewater capacity remain some of the key constraints to development across NI and are significantly exacerbating the growing imbalance between supply and demand in the housing market. Beyond the private sector, there are currently about 50,000 people on the social housing waiting list and if this trend continues, then demand for land that can be developed, and its pricing, is expected to increase further.

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