Lisney
COMMERCIAL REAL ESTATE

INVESTMENT REPORT

Q4 2024

Q4 2024

There was a substantial uptick in activity in the Irish commercial property market in Q4, supported by reducing interest rates. As the busiest quarter of the calendar year, the average deal size grew. Retail was the most active sector, while investment into the office sector improved, and the PRS market remained subdued in line with poorer investor sentiment in the sector.

▲ €1.19bn

Turnover

▲ 36

Deals

▲ €575m

Blanchardstown Centre Dublin 15

Largest Deal

▲ 89%

Dublin

Proportion of the market

▲ 82%

Off-Market

▲ €32.91m

Average Deal Size

Over €1m deals

Arrows represent quarterly trends unless otherwise stated.

Market Backdrop

The global economy continues to face challenges as geopolitical tensions remain in focus and the new administration in the US creates uncertainty around trade and corporate taxation policies.

In spite of this, global economic growth is anticipated in 2025 (+3.3% according to the IMF), albeit uneven across sectors and regions. Held back by larger economies like Germany, France and Italy, growth in the Eurozone is forecast at +1%, while the UK is at 1.6%. In Ireland, GDP growth is forecast at 3.3% and MDD (modified domestic demand) at 3%.

With inflation easing, both the European Central Bank (ECB) and the US Federal Reserve continue to lower interest rates. ECB rates fell by 135 bps in H2 2024 and are projected to decline by a further 115 bps to 2% in 2025, providing a more favourable borrowing environment. The formation of a stable Irish government is expected to further support market recovery. However, headwinds remain domestically, including the potential tax changes in the US, ongoing EU sustainability directives, and a global shift toward protectionist policies amongst newly elected governments around the world. Despite these uncertainties, the outlook for Ireland's property investment market in 2025 remains optimistic, with improving conditions expected to drive a stronger performance.

Activity & Demand

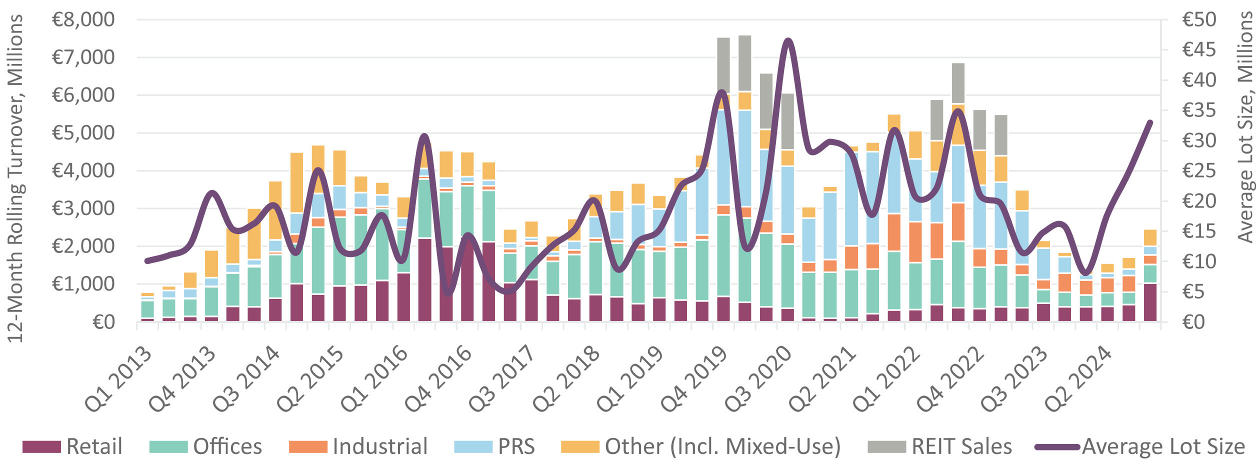
In Q4 2024, Irish investment activity reached €1.19bn across 36 transactions (greater than €1m), a significant rebound from a modest start in Q1 2024 (€162m). This was the strongest quarter of the year in terms of both the number of sales and their combined value.

The average deal size surged to €32.91m in Q4, building on a strong Q3 where the average deal size stood at €24.86m.

Q4 brought the total annual activity for 2024 to €2.46bn across 109 transactions with the average deal size rising to €22.6m, up from €16.6m in 2023 despite a similar number of transactions (111 in 2023). The rise in average deal size, particularly in the second half of 2024, highlights an ongoing shift towards larger transactions (sales over €50m).

In 2024, total investment in assets with lot sizes over €50m reached €1.39bn across 11 transactions, a 55% increase in total value from 2023 (€893m across nine deals). While the number of transactions rose only slightly from the previous year, the average deal size rose to €125.9m from €99.2m in 2023.

Quarterly 12-Month Rolling Turnover by Sector & Average Lot Size (Q1 2013 – Q4 2024)



Source: Lisney

ASSET PREFERENCES

Investor interest continued to diversify across asset classes in Q4. The retail sector led investor spending, driven by the €575m sale of Blanchardstown Centre, while the office sector also experienced a resurgence. Notably, in just the second purpose-built student accommodation (PBSA) deal of the year, Greystar acquired Point Campus, a 966-bedroom scheme, in Dublin 1 for €150m. Two hotels were also sold for €12m and €7.5m.

TRANSACTION TRENDS

Dublin dominated the market, accounting for 89% of total turnover in Q4. Off-market sales continued to be a prominent feature in the market, making up 82% of total turnover. If the sale of Blanchardstown Centre is excluded, Dublin still led the market with 78% of market activity, while off-market deals made up 66% of total turnover.

INVESTOR PROFILE

The buyer profile in Q4 remained mixed but with notable participation from French, German and US investors.

International investors accounted for 81% of the total spent and they continued to focus mainly on properties where returns were between 6% and 9%. Interestingly, domestic investors' share of the market has been growing in recent quarters and while in 2024 it stood at 23%, lower than 31% in 2023, it remained significantly higher than 9% in 2021 and 12% share in 2022. However, large-scale transactions (over €50m) were almost exclusively driven by overseas capital.

Investors continued to show strong interest in resilient sectors that performed well during the pandemic. These include industrial, retail warehousing, supermarkets and healthcare. In addition, assets with strong tenant covenants and longer WAULTs (typically over six years), as well as a renewed focus on super-prime locations, were key considerations. Good ESG credentials are increasingly more important, especially given the high costs of refurbishment and the challenges in improving BERs in tenant-occupied buildings. While investment appetite in the residential sector remains healthy across Europe, Ireland's rental caps continue to deter many investors.

“

€70.9m

In Q4 2024, industrial investment reached €70.9m across six transactions, accounting for 6% of total quarterly turnover

”

Activity By Asset Type

RETAIL

As was the case in all individual quarters in 2024, retail remained the busiest sector in Q4 2024 with €623.2m invested across six deals, accounting for over half (53%) of all market activity with an average deal size of €103.86m. This follows a steady climb in retail investment throughout the year, from €66.7m in Q1 to €142.9m in Q2 and €194.4m in Q3, bringing a total for 2024 to €1.03bn (42% of total activity), the highest since 2016.

Retail activity in Q4 was largely skewed by the largest transaction of the quarter (and the year) with an SVP (a US-based global investor) acquiring Blanchardstown Centre for €575m from Goldman Sachs. Goldman Sachs took control of the shopping centre from Blackstone in 2020 by swapping debt for equity as rental income declined during the pandemic. Blackstone had originally acquired the Centre in 2016 for €950m. Excluding this deal, the remaining five retail transactions ranged from €1.6m to €38.3m.

Investor interest in retail assets, particularly in well-performing out-of-town high-yielding opportunities, remained strong. Shopping centres and retail parks where tenants are trading well remained most in demand amongst larger investors. Smaller-scale private investors continued to acquire individual prime high-street stores.

OFFICES

Investment in the office sector continued to recover in Q4 2024, with turnover reaching €246.7m (21% of total activity) across 15 deals. This was the strongest quarter for offices in 2024, following €143.4m in Q3, €92.4m in Q2, and a subdued €12.6m in Q1. In Q4, the average lot size was €16.4m, up from €13m in the previous quarter and higher than an average of €13.7m in 2024.

Despite this recovery, total office investment for the year stood at €493.4m, significantly below the 10-year annual average of €1.2bn and the second weakest year for the sector in the past decade. This reflects ongoing structural challenges, including post-COVID vacancy rates, financing difficulties, and tighter ESG requirements.

The largest transaction of the quarter comprised the €85m sale of Oaktree and NAMA's North Docks One and Two in Dublin 1 to Starwood, Dublin's first near-zero-energy buildings that were brought to the market by receivers Interpath Advisory for €130m. In addition, Fine Grain acquired Connaught House in Dublin 4 for €65m. The property was offered to the market on behalf of receivers Grant Thornton at a guide price of €80m and formed part of a wider portfolio owned by Ronan Group Real Estate. The majority of the portfolio transacted in 2024. The other office sales ranged between €1.175m to €17m.

Investor appetite remained highly selective, with demand focused on well-located office buildings in prime areas with strong tenant covenants. While financing challenges, vacancy rates, and stricter ESG requirements continue to impact the sector, there are pockets of positivity in the occupier market, particularly for smaller floor plates in prime locations near key amenities or affordable Dublin housing, where office lettings have shown resilience.

INDUSTRIAL

In Q4 2024, industrial investment reached €70.9m across six transactions, accounting for 6% of total quarterly turnover. While quarterly spending declined from €135m in Q3, it remained higher than Q2 (€43m) and Q1 (€11m), bringing total industrial activity for 2024 to €260m. Although Q4 saw a similar number of transactions as Q3 (six verses five), the average deal size decreased from €27m to €11.8m, reflecting a shift toward smaller lot sizes.

The Q4 slowdown was predominantly due to a lower number of large-scale transactions and lack of availability. However, steady demand for well-located logistics and distribution assets remained strong, particularly for high-quality buildings offering stable rental income and long-term growth potential.

The largest industrial transaction of the quarter was the €25m confidential off-market sale comprising two industrial units. The remaining sales ranged from €1.7m to €19m. Four out of six transactions were completed off-market, most on a confidential basis.

ABOVE: North Dock House, Dublin 1

PRS

Activity in the PRS sector remained subdued in Q4 2024 with only two PRS transactions totalling €59.5m and an average deal size of €29.75m, representing 5% of the quarter's turnover. This brought the sector's total activity for 2024 to €227m (9.2% of the entire), the lowest annual activity since 2017.

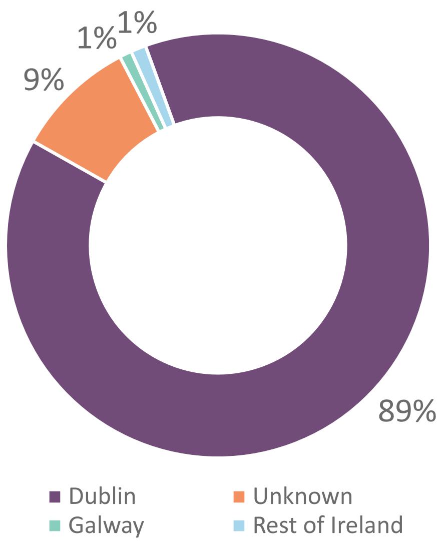
Compared to peak years in 2019 (€2.39bn) and 2021 (€2.14bn), the decline in the activity highlights the ongoing challenges facing the PRS sector, particularly around viability, construction costs, and rental market policy. Despite investor interest in residential assets, the rental caps continue to deter institutional investment, making it difficult for large-scale deals to proceed. While there was some activity in 2024, particularly for smaller, well-located residential assets, overall market confidence in the PRS sector remains weak, with a shift in developer focus toward sales to approved housing bodies (AHBs) and the Land Development Agency (LDA) which continue to purchase in bulk and/or pre-construction to address the nationwide social and affordable housing crisis.

LEFT: The Courtyard, 40a Main Street, Blackrock, Co. Dublin

> **€59.5m**
>
> Activity in the PRS sector remained subdued in Q4 2024 with only two PRS transactions totalling €59.5m and an average deal size of €29.75m, representing 5% of the quarter's turnover.

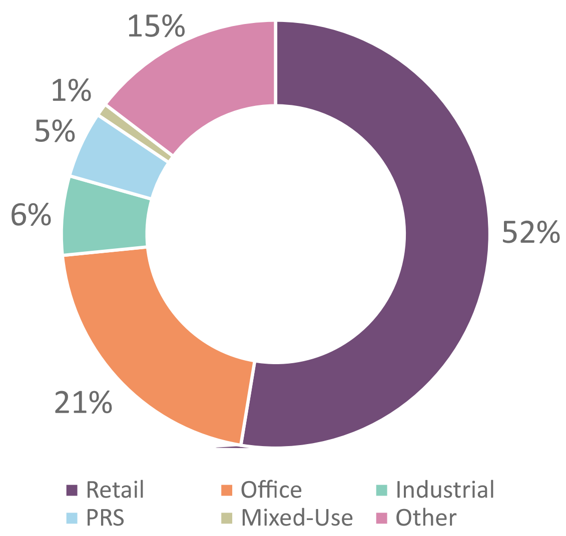
Activity Analysis

Activity By Location (Q4 2024)



Source: Lisney

Activity By Sector (Q4 2024)



Source: Lisney

Top 5 Investment Transactions Q4 2024

PROPERTY	LOCATION	SECTOR	REPORTED PRICE	PURCHASER
Blanchardstown Centre, Dublin 15	Dublin	Retail	€575,000,000	SVP
Point Campus, the Liffey Block, Dublin 1	Dublin	PBSA	€150,000,000	Greystar
North Dock One and Two, Dublin 1	Dublin	Office	€85,000,000	Starwood
Connaught House, Dublin 4	Dublin	Office	€65,000,000	Fine Grain
Block 6 Grand Canal Harbour, Dublin 8	Dublin	PRS	€54,500,000	New Beginning

Source: Lisney

ABOVE: 3016-3018 Lake Drive,
Citywest, Dublin 24

Pricing

We estimate that prime yields for all sectors in Dublin remained stable in Q4.

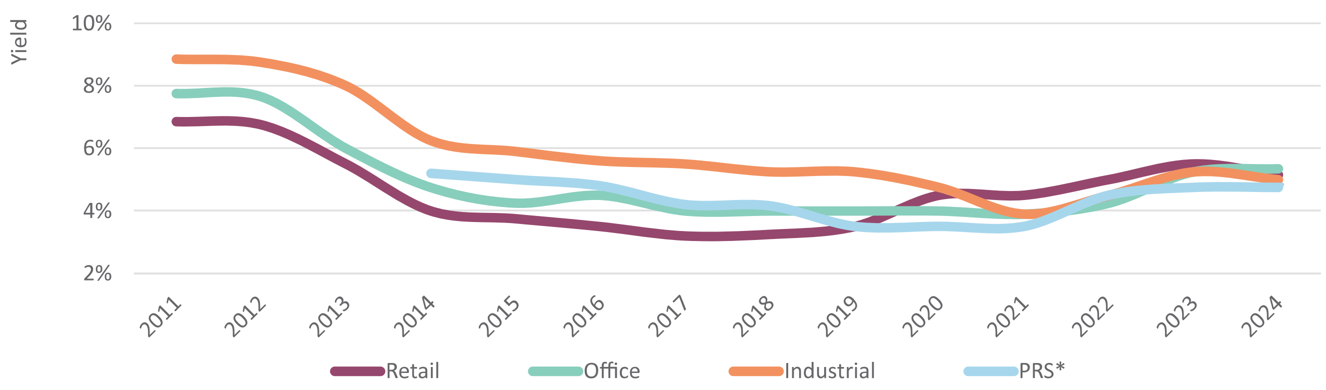
Prime Net Equivalent Yields

	RETAIL	OFFICE	INDUSTRIAL	PRS*
Q4 2024	5.15%	5.35%	5.00%	4.75%
Quarterly Change	0 bps	0 bps	0 bps	0 bps
Annual Change	-35 bps	+10 bps	-25 bps	0 bps

* PRS yields assume OPEX at 20% of income

Source: Lisney

Prime Net Equivalent Yields (2011 – 2024)

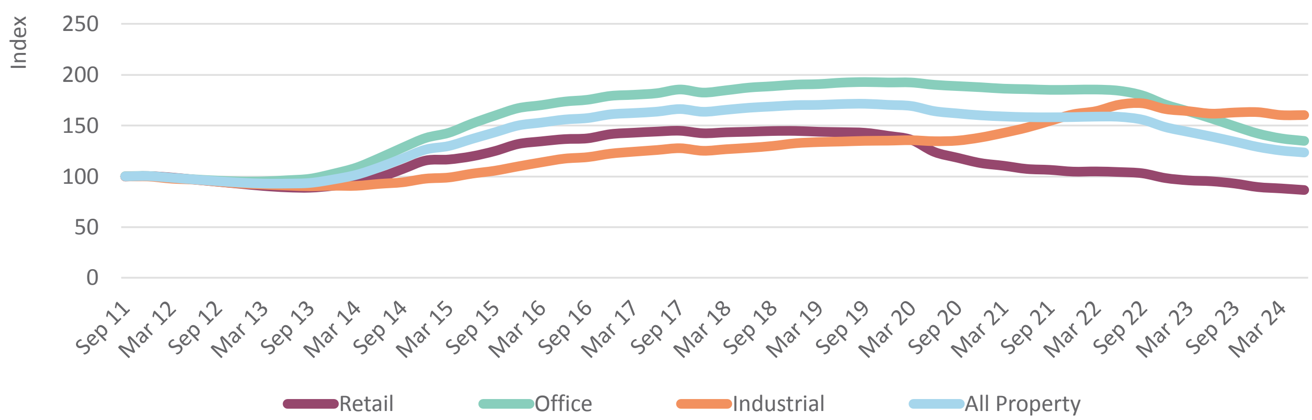


* PRS yields assume OPEX at 20% of income

Source: Lisney

The Q3 2024 MSCI / SCSI Ireland Property Index shows that all sectors experienced a capital value decline on an annual basis. On a quarterly basis, industrial was the only sector to show value growth, while the office sector recorded the largest decline

MSCI / SCSI Capital Value Growth Index (Q4 2011 – Q3 2024)



Source: MSCI, Lisney analysis

Supply

At the end of December 2024, there was approximately €415m worth of on-market investment opportunities available, many of which had deals agreed. However, considering the off-market sales activity, supply is substantially larger.

With the general lack of supply and adequate returns in core markets, many investment strategies are changing. Some investors are considering alternative opportunities, notable healthcare, hotels and licensed premises. Given the general improvement in sentiment and more realistic pricing emerging, fresh supply should come to the market in the months ahead and into the new year.

While the ECB interest rate cuts have come too late to save 2024 annual deal volumes, they have provided more certainty about the future direction of rates and do provide a much more positive outlook for 2025.

Outlook

Activity levels are expected to improve further in 2025 and it will exceed 2024, likely to reach €3bn, but this will be contingent on what comes to the market from distressed sources. We will continue to see a quarter-on-quarter improvements in the level of deals in the year ahead.

Demand will come from a variety of sources in 2025 but will evolve as the year progresses. French investors 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. North American buyers will be back in greater numbers in 2025, while private Irish investors (generally seeking lots up to €5m) will remain active. Irish funds will have demand once again in 2025 for good quality opportunities.

Distressed sales will increase in 2025; 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.

Yields will harden in most sectors over 2025, the exception will be offices where a stabilisation of yields is more likely.

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.

Investor confidence in retail sector will be maintained in 2025 with many seeking to take advantage of the 40% decline in values since early 2019. Demand for investment opportunities will be strong in 2025, but with a lack of suitable opportunities likely to hold back transaction levels.

The various domestic and European sustainability policies will continue to impact how buildings are funded and occupied. For some sectors (especially offices), there is a fear that a certain grade of building will become a stranded asset – too modern to justify the high cost of upgrading significantly, but also not meeting the sustainability standards required in the years ahead. The influence of sustainability measures is 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.

Meet The Team

THE LISNEY INVESTMENT TEAM

Jackie Fitzpatrick

Director

James Nugent

Senior Director & Head of Commercial Real State

Thomas Byrne

Divisional Director

Alannah Kennedy

Surveyor

THE LISNEY RESEARCH TEAM

Aoife Brennan

Senior Director

Ausra Marcelyte

Senior Research Analyst

OUR OFFICES

DUBLIN

St. Stephen's Green House,
Earlsfort Terrace, Dublin 2,
D02 PH42

t: +353 (0) 1 638 2700

e: dublin@lisney.com

CORK

1 South Mall,
Cork,
T12 CCN3

t: +353 (0) 21 427 5079

e: cork@lisney.com

BELFAST

Montgomery House,
29-33 Montgomery Street,
Belfast, BT1 4NX

t: +44 2890 501501

e: belfast@lisney.com