Lisney COMMERCIAL REAL ESTATE

OFFICE REPORT

Q4 2024

Q4 2024

Office market activity remained steady in Q4 2024 and on an annual basis there was a good recovery. Demand continued to focus on central locations and in the suburbs, there were stronger performances in the west and north. The professional services sector dominated activity in Q4 while the tech sector was quiet. While demand for fully fitted space is the preferred option, companies are increasingly more open to taking newly build grade A space and investing in fit outs. Sustainability continued to shape occupier preferences and is driving landlord upgrades to meet ESG requirements.

47,300 sqm

Take Up

46

Number of Transactions

1,030 sqm

Average Lot Size

71%

City Centre

Busiest Region

60%

Professional Services

Busiest Sector

€678 psm

(€63 psf)

City Centre Prime Headline Rent

110,400 sqm

83% in the city centre

Reserved

16.9%

Dublin Headline Vacancy Rate

190,400 sqm

Under Construction

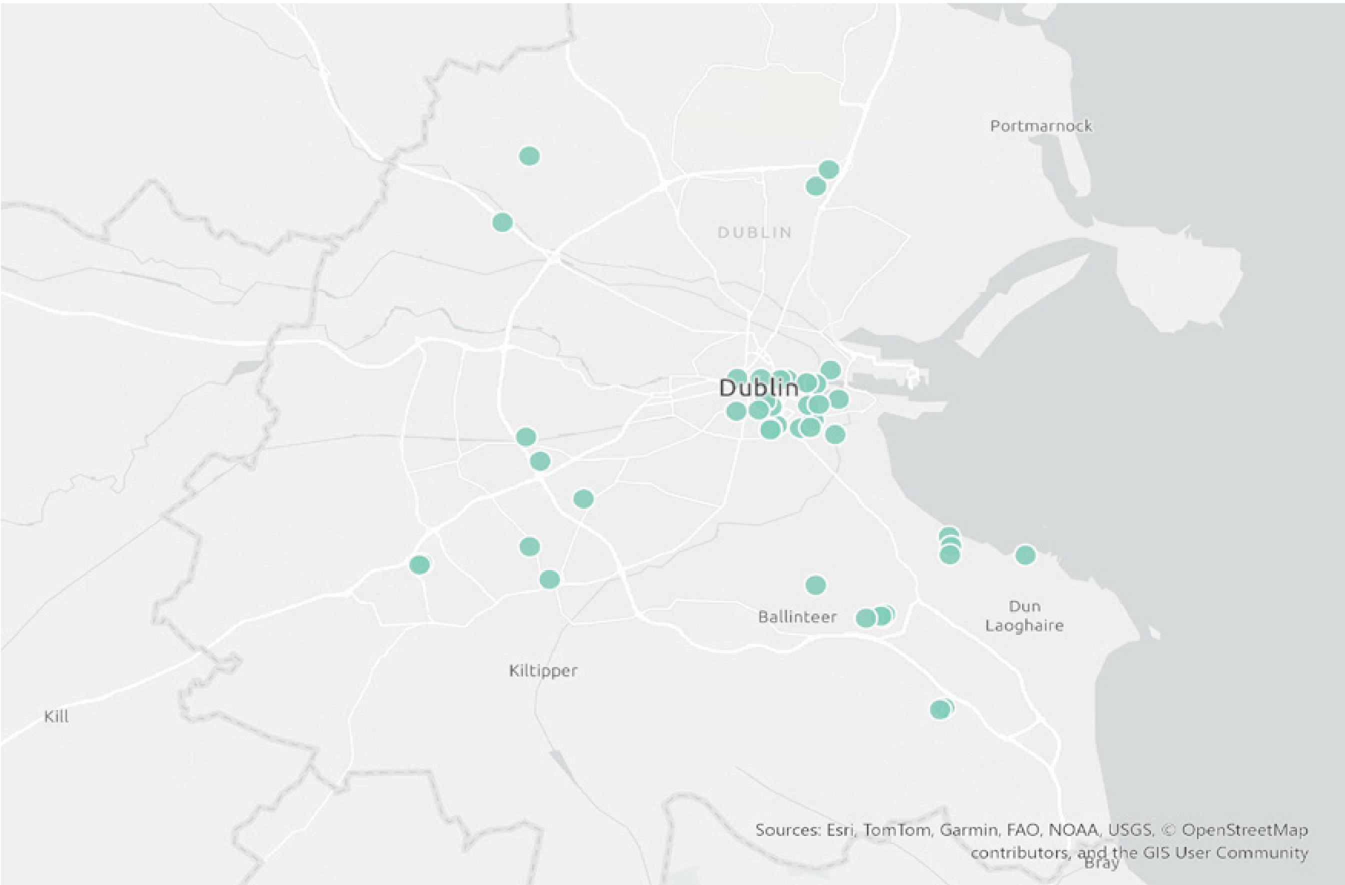
Arrows represent quarterly trends unless otherwise stated.

Top 10 Office Transactions (Q4 2024)

BUILDING	SQM	REGION	OCCUPIER
1 Adelaide Road, Dublin 2	14,400	City South	Deloitte
Frascati House, Blackrock, Co Dublin	2,510	South Suburbs	Dublin Academy of Education
One Cooper Cross, Dublin 1	2,410	City North	Wells Fargo
Four & Five Park Place, Dublin 2	2,230	City South	CVS Pharma
40 Mespil Road, Dublin 4	2,110	City South	Mars / Eagle Street
The Eight Building, Newmarket, Dublin 8	1,500	City South	RKD
Block 3, West Pier Business Campus, Dun Laoghaire, Co Dublin	1,380	South Suburbs	Bord Iascaigh Mhara
Block 18B, Parkwest Business Park, Dublin 12	1,360	West Suburbs	IPS-Integrated Project Services
124/127 Stephens Green, Dublin 2	1,340	City South	Bird & Bird
The Chase Building, Arkle Road, Sandyford, Dublin 18	1,260	South Suburbs	Roughan & O'Donovan

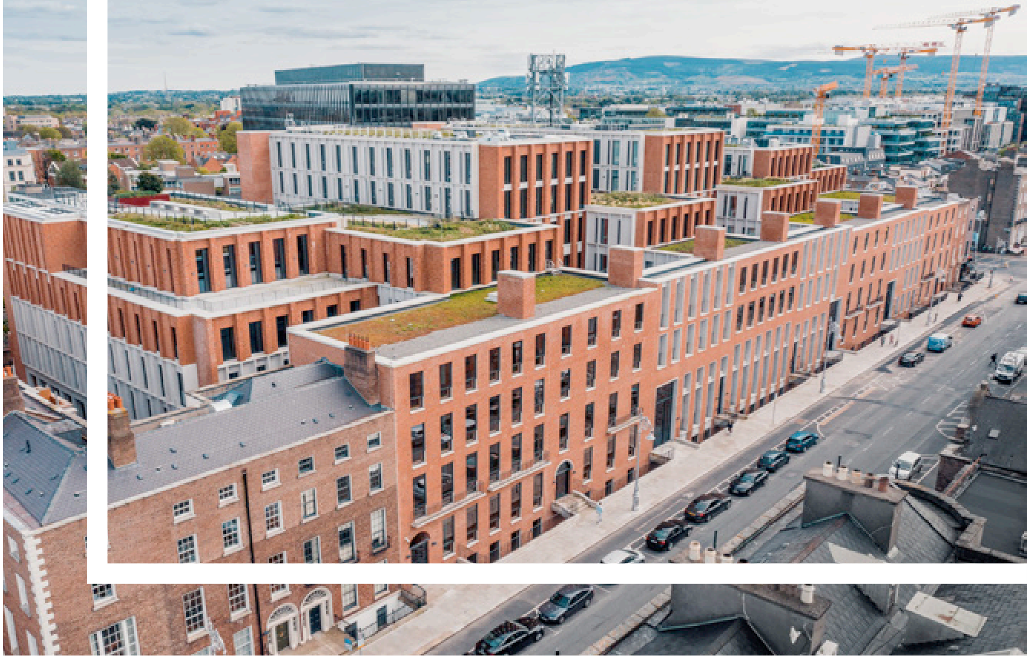
Source: Lisney

Office Take-Up Q4 2024



Source: Lisney

RIGHT:
28 Fitzwilliam,
Dublin 2



Activity

Office market activity rebounded strongly in 2024, with annual take-up reaching 200,000 sqm, significantly exceeding the 124,700 sqm recorded in 2023. Q4 2024 take-up was 47,300 sqm, reflecting a stable performance compared to the previous quarter (52,550 sqm). Q4 accounted for almost one-quarter of the year's total activity.

CITY CENTRE DOMINANCE

- The city centre region remained the most active in Q4 with 71% of all activity taking place there. This reflects the ongoing demand for centrally located well-connected office space.

TRANSACTION INSIGHTS

- 46 deals were completed in Q4, with the top 10 accounting for 64% of the total take-up .
- Five deals exceeded 2,000 sqm each, including one greater than 10,000 sqm.
- The largest deal comprised accountancy firm Deloitte leasing 1 Adelaide Road in Dublin 2 (14,400 sqm). This letting will consolidate Deloitte's operations in Dublin and accounted for 30% of the quarter's activity.

DEAL SIZES

- The average deal size in Q4 increased slightly to 1,030 sqm, up from 1,010 sqm in Q3, however, it remained below the 10-year average of 1,250 sqm.
- Smaller lettings (<1,000 sqm) continued to dominate transaction numbers accounting for 33 out of 48 deals, however in terms of size, combined they accounted for 28% (13,490 sqm) of all space.

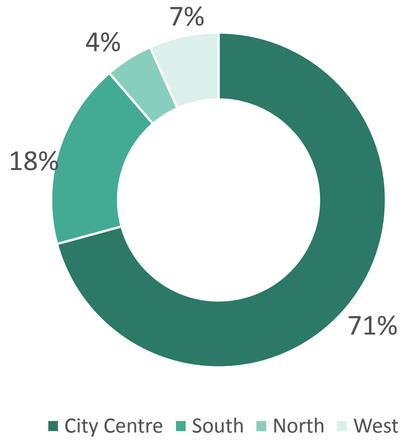
OCCUPIER ORIGIN & TYPE

- UK occupiers led take-up in Q4, accounting for 36% of the quarter's activity, while domestic occupiers followed closely, at 33%. Deloitte's deal significantly contributed to the UK's activity share, and when excluded, UK occupiers accounted for only 8.2% of the total.
- The average lot size taken by the UK occupiers was 3,400 sqm (670 sqm excluding Deloitte's letting), compared to 770 sqm taken by Irish companies.
- Professional Services was the most active occupier type at 60% of Q4's take-up, primarily driven by Deloitte's lease. The tech sector continued to decline accounting for only 4% of the total, down from 12% in Q3, 24% in Q2 and 21% in Q1.

BUILDING TYPE

- There were six deals of newly constructed buildings (21,300 sqm).
- Refurbished properties contributed three deals (2,240 sqm).
- Previously occupied spaces dominated with 37 deals (23,760 sqm).

Take-Up by Region (Q4 2024)



Source: Lisney

TERMS

The prime city centre headline rent remained stable in the quarter, at €678 psm (€63 psf), having been at €700 psm (€65 psf) at the end of 2023. Rental rates on secondary space also remained steady in Q4. Overall, Lisney's office rent index for the Dublin region (prime and secondary buildings in all areas) was 2.8% lower in December 2024 than it was 12 months ago and 6.5% lower than in March 2020.

DEMAND

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

At the end of December 2024, there was close to 111,000 sqm of office accommodation reserved, of which 83% was in the city region. This includes 38,660 sqm reserved by Workday at College Square in Dublin 2; 3,630 sqm reserved by the ESB at The Sidings, Grand Canal Dock; and 3,950 reserved by the HSE in Swords Business Campus.

There is significant demand for office accommodation from professional services firms such as Maples, Marsh, Eversheds, Bank of Canada, Hudson River, Dillon Eustace and The Pensions Authority all of which are actively looking in the market. More demand is also expected from the State and State-backed bodies, including purchases of new premises in addition to some of the premises it already occupies as tenants.

The importance of ESG continues to strengthen in businesses' property decision-making. This is encouraging landlords with tenants in place to ensure their buildings meet the required credentials to encourage tenants to renew agreements as lease events approach.

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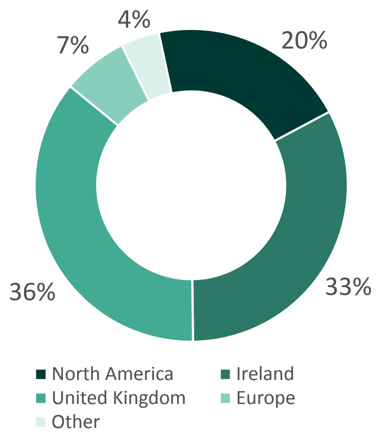
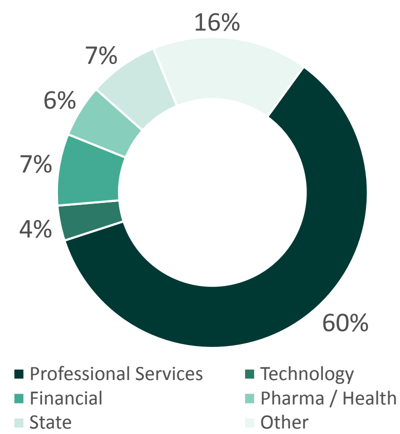
Take-Up by Occupier Origin (Q4 2024)

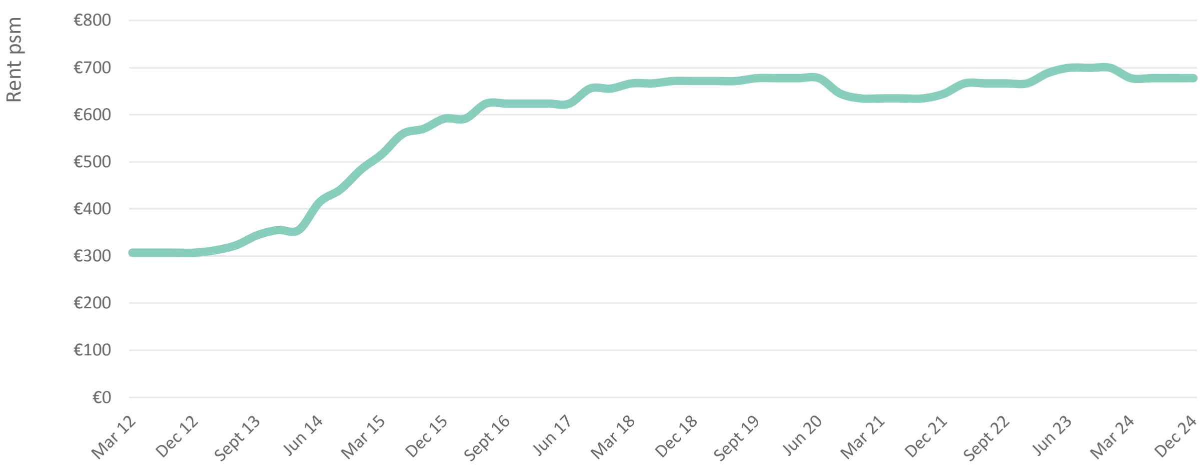


Take-Up by Occupier Sector (Q4 2024)



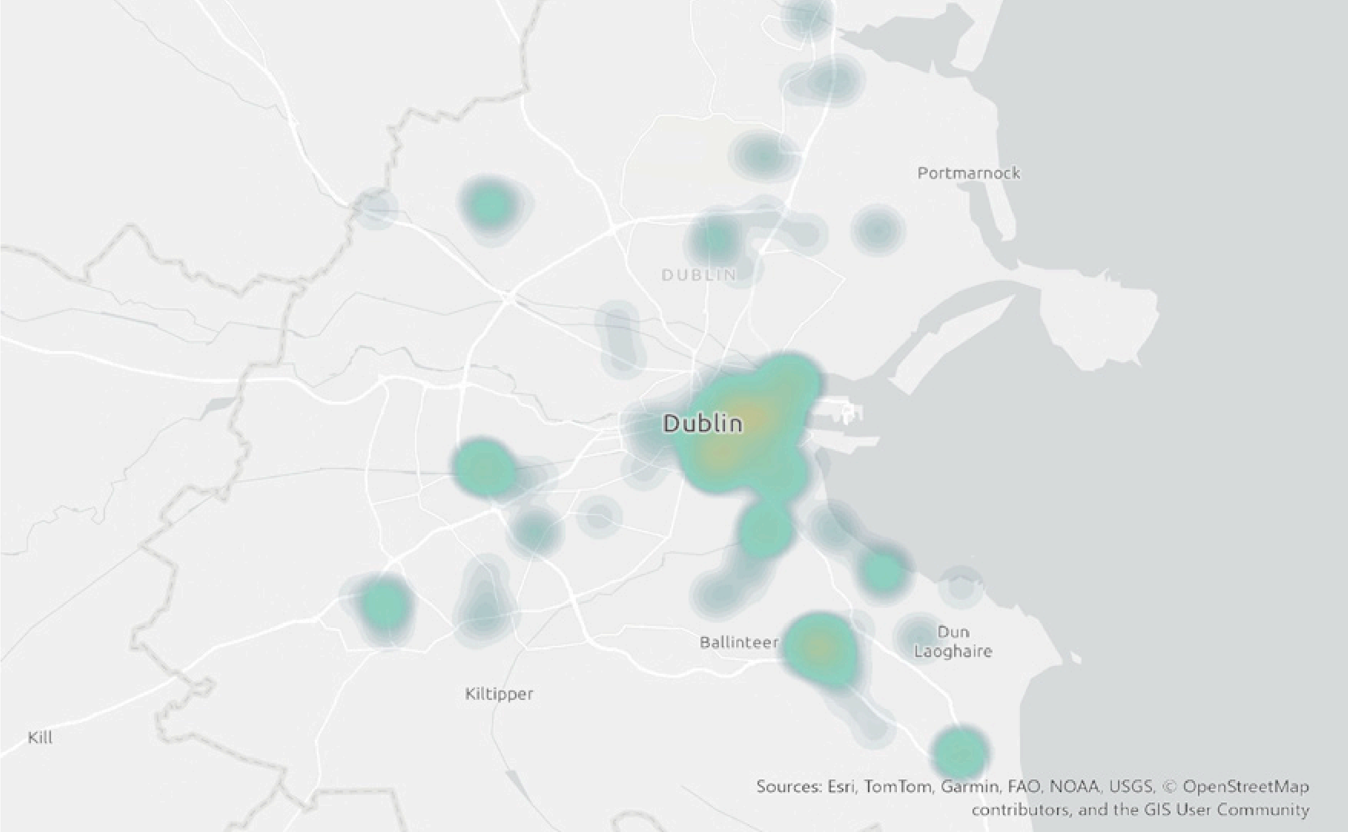
Source: Lisney

Prime City Centre Headline Office Rent (Q1 2012 – Q4 2024)



Source: Lisney

ABOVE:
24-26 City Quay,
Dublin 2



*ABOVE: Office Supply Q4 2024

Supply

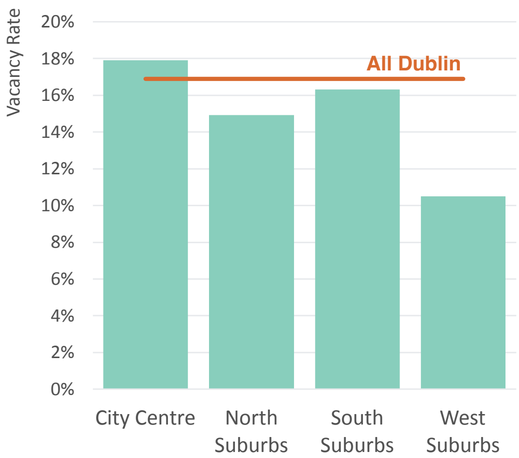
At the end of December 2024, 760,200 sqm of modern, purpose-built office accommodation was vacant across Dublin, a slight reduction from 762,200 sqm in Q3.

The largest availability within a single scheme was in Fibonacci Square in Ballsbridge, Dublin 4 where 35,300 sqm was available to let. This was followed by Coopers Cross One and Two (31,400 sqm) and 4 & 5 Grand Canal Square (23,100 sqm).

Dublin's overall headline vacancy rate was 16.8% at the end of December, stable compared to 16.9% in September. This represents a significant rise from 6.9% in early 2020, with the majority of the increase coming from new speculatively built buildings and grey space. The vacancy rates across the regions varied with the city centre headline rate at 17.9% and the true rate (when obsolete stock that is never likely to be occupied again is removed) at 17.5%.

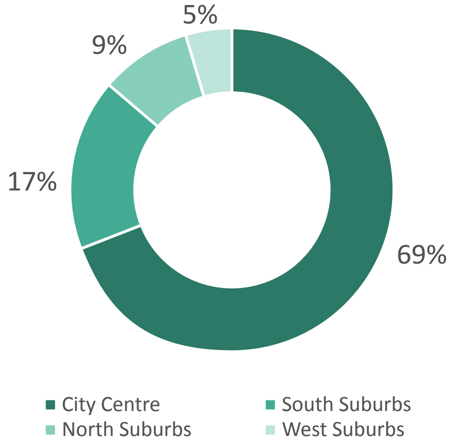
AVAILABLE	760,200 sqm
GRADE	56% used 39% new / not previously occupied
HEADLINE VACANCY RATE	16.8%

Headline Vacancy Rate by Region (December 2024)

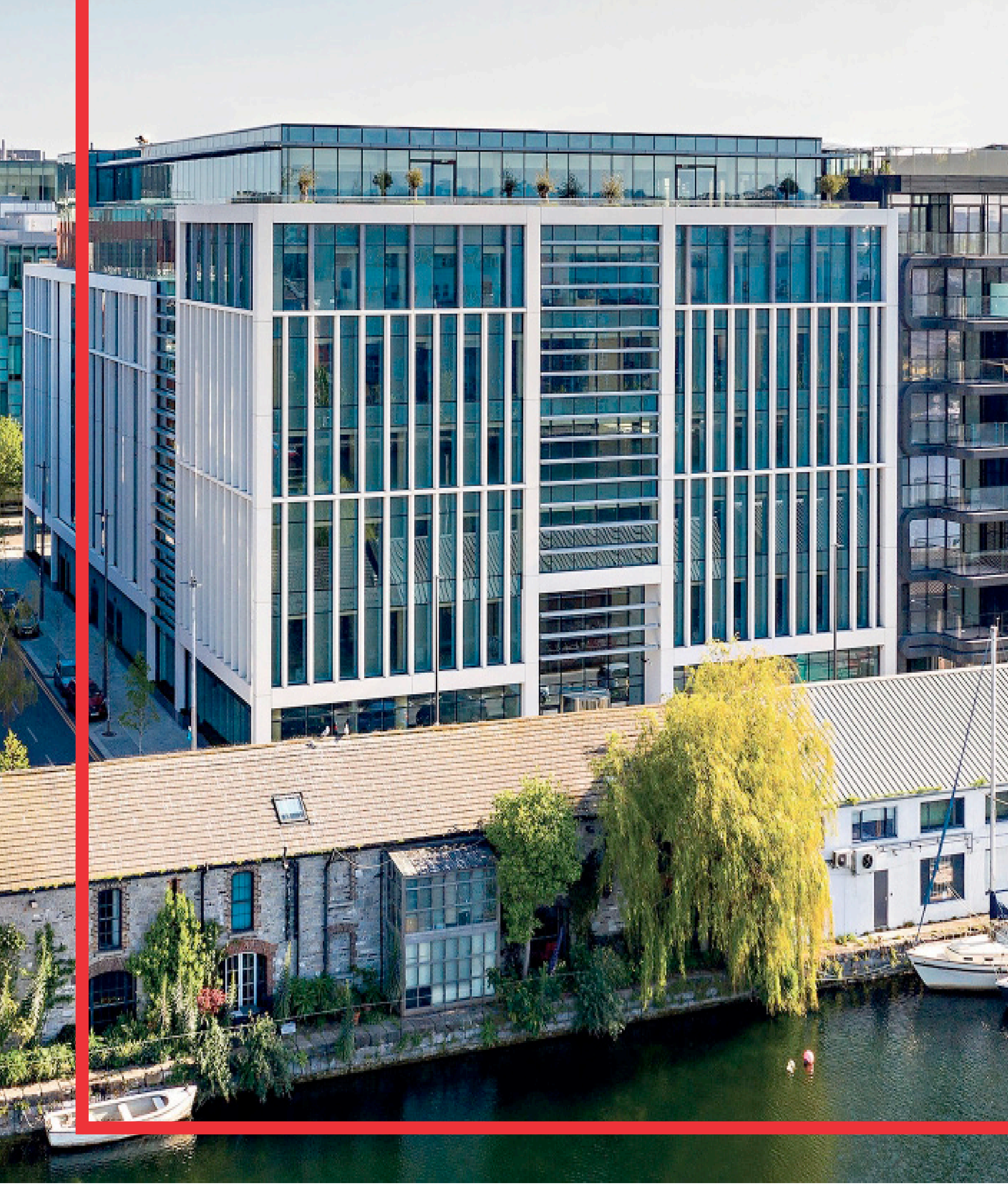


Source: Lisney

Supply by Region (December 2024)



Source: Lisney



ABOVE:
5 Hanover Quay,
Dublin 2

New Stock

UNDER CONSTRUCTION	220,000 sqm
LARGEST SCHEME UNDER CONSTRUCTION	Waterfront Central, North Wall Quay, Dublin 1
AVERAGE NEW SCHEME SIZE	13,000 sqm City Centre 14,750 sqm Suburbs
DEAL AGREED / RESERVED PRE-COMPLETION	38%

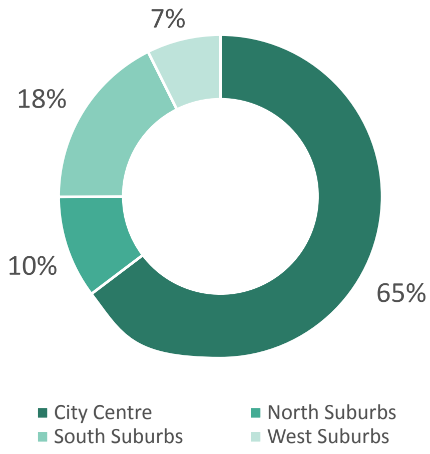
In Q4 2024, The Sidings at Grand Canal Dock in Dublin 2 was completed, adding 14,400 sqm to Dublin's office stock. Of this, 3,630 sqm is reserved by ESB with the reminder available. This brought the total completions for 2024 to 172,700 sqm.

At the end of December 2024, there was approximately 220,000 sqm of office space under construction. Substantial schemes included:

- Waterfront Central, North Wall Quay, Dublin 1 (40,000 sqm) – part is available with Citi Bank taking 60% of the scheme
- Camden Yard, Kevin Street, Dublin 2 (53,100 sqm) – available (albeit, it should be noted that this scheme has gone into receivership and is now on-hold while partly completed)
- Harcourt Square, Dublin 2 (32,000 sqm) – pre-let to KPMG

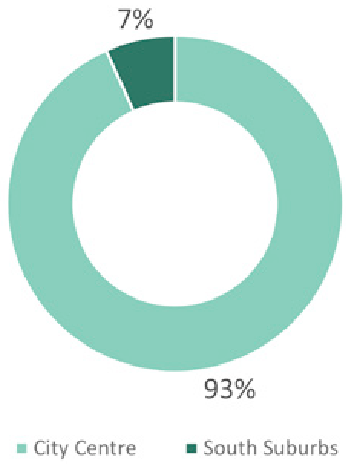
Building works will continue on accommodation already under construction, and while there are a substantial number of new schemes available, as the last property cycle showed, these can get taken up very quickly as the market improves. Notably, this brings future risks as a shortage of A-rated / zero-emission buildings could emerge in two to three years to meet the demand arising from occupiers' 2030 ESG commitments and EU directives. Developers, investors and funders need to keep this in mind and where there is planning for well-located central schemes and funding is available, developers should consider speculatively building.

Existing Office Stock by Region ((December 2024)



Source: Lisney

Office Stock Under Construction (December 2024)



Source: Lisney

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

Outlook

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.

In 2025, and the medium term, professional services will continue to 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.

Available stock remains double its pre-pandemic level, with close to half comprising top-grade stock built in recent years. While on the surface, this appears to provide occupiers with plenty of options, in reality, pockets of supply constraints will emerge towards the end of this year. These will relate to new, top-quality accommodation that meets all ESG criteria and is located in the prime CBD of D2 and D4.

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.

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.

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.

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