Lisney
COMMERCIAL REAL ESTATE

INVESTMENT REPORT

Q1 2025

Q1 2025

The Irish CRE investment market began 2025 with renewed momentum. However, as the quarter progressed, some uncertainty crept back into the market as US trade policy and the fall out in the financial markets impacted sentiment. In spite of this, both market turnover and average deal size were higher in Q1 when compared to the same period last year. There was strong interest from private buyers, French SCPIs, and a growing pool of international investors. Off-market sales continued to dominate activity.

€546.5m

Turnover

26

No of Deals

€220m

Oaktree Retail Park Portfolio across Ireland

Largest Deal

46%

Dublin

Proportion of the market

82%

Off-Market

€21m

Average Deal Size

Over €1m deals

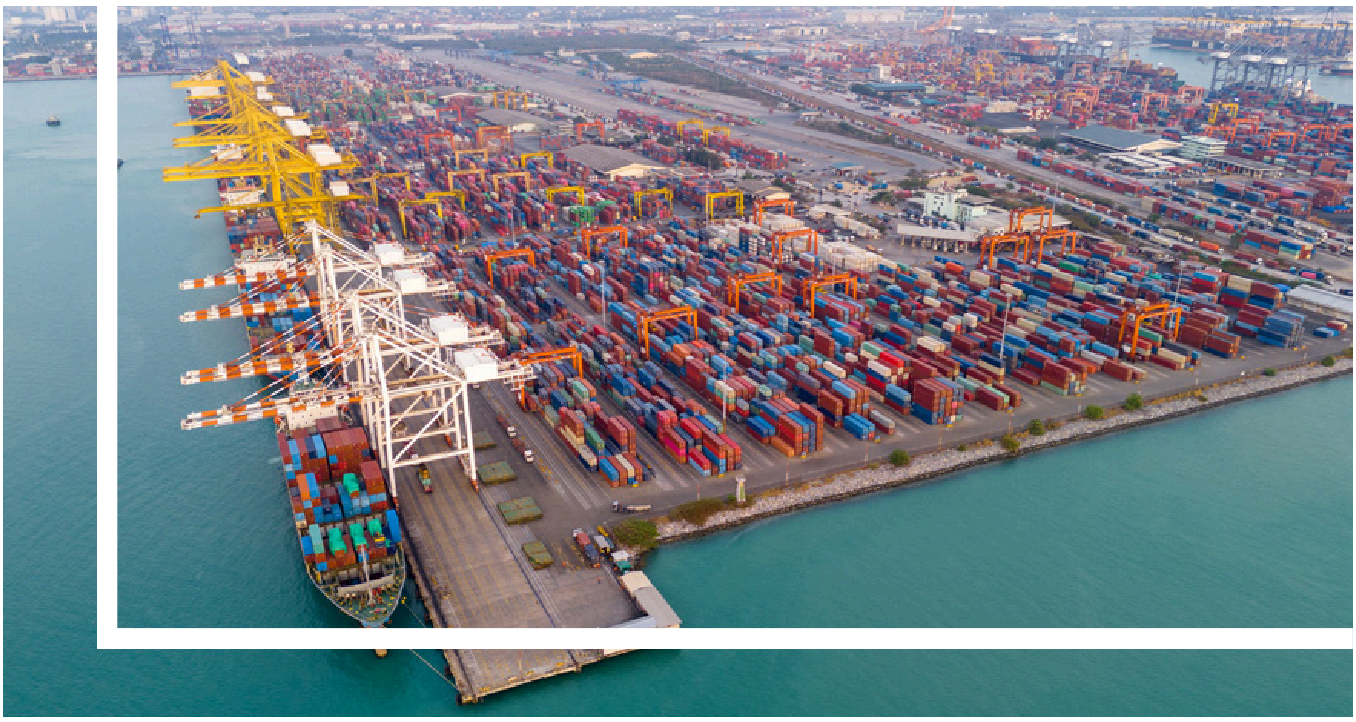
Arrows represent quarterly trends unless otherwise stated.

Market Backdrop

The global economy continues to face ever-evolving challenges. Geopolitical tensions remain in certain regions, and unpredictable US trade policy has created renewed economic uncertainty globally.

The escalation of trade tariffs by the US and countermeasures by other countries, as well as the subsequent pause on certain tariffs and the threat of new sector-specific tariffs, has resulted in a complex and fluid situation. In January 2025, the IMF was forecasting global economic growth of 3.3% in both 2025 and 2026. This has been downgraded to 2.8% and 3% respectively following the US administration's announcement on 2nd April. While downside risks dominate the economic commentary, there are positives. Most economies are forecast to remain in a growth position and above recession levels in spite of the trade policies, including the US, the EU, the UK, and China. While there is a threat of higher inflation in certain regions impacted by tariffs, interest rates are expected to continue to decline, which will boost the CRE investment market.

Domestically, Modified Domestic Demand (MDD – a proxy for GDP in Ireland) is currently expected to remain resilient, forecast to grow by 3% in 2025 and 2.8% in 2026. Inflation is projected to hover between 2% and 2.2% this year and next, and the country will remain in full employment. The key threat in Ireland from US tariffs relates to the pharma and tech industry, both of which are currently exempt from tariffs, albeit this may change. While these are valuable industries in Ireland in terms of employment and contribution to the economy, their operations are generally not easy to dismantle and reshore; it is estimated to take up to 14 years to plan a new high-tech manufacturing facility. Any vulnerability to the economy is a more longer-term challenge that must be managed. Uncertainty will continue to impact the Irish CRE market in the coming months but if greater certainty emerges from the US, we expect strong demand and activity in the second half of the year.

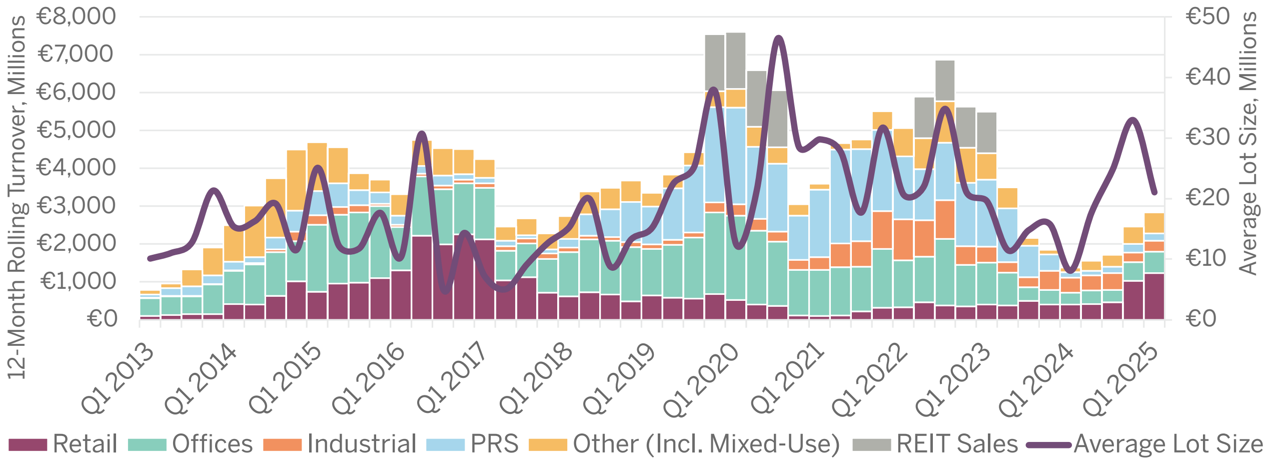


Activity & Demand

In Q1 2025, Irish investment activity reached €546.5m across 26 deals, a significant improvement compared to Q1 2024, when just €161.8m was recorded across 20 deals. The average deal size in Q1 2025 was €21m, nearly three times higher than the €8.1m average in Q1 2024.

While large-ticket asset sales have been limited in recent years, bigger opportunities are returning to the market. How these sales process progress over Q2 will give a clearer indication of how US trade policy is impacting market sentiment. In Q1 2025, €306m was invested in assets with lot sizes over €50m, building on the momentum from Q4 2024 (€929.5m) which followed a subdued opening quarter when no such deals occurred. 2024 recorded a total of €2.28bn in large-scale transactions, more than double the €893m total in 2023.

Quarterly 12-Month Rolling Turnover by Sector & Average Lot Size (Q1 2013 – Q1 2025)



Source: Lisney

TRANSACTION TRENDS

Dublin accounted for 46% of total turnover in Q1 2025, a notably low share compared to its quarterly average of 82% since 2019. This decline is primarily attributed to two major multi-county portfolio sales, that combined represented 44% of total market activity. Excluding these portfolios, Dublin led with 82% of market activity. Off-market sales continued to be a prominent feature in the market, making up 82% of total turnover.

INVESTOR PROFILE

There was a notable increase in investor enquiries in Q1 2025, driven by strong interest from private investors, French SCPIs, and a growing number of international buyers. The buyer profile also remained diverse, with active participation from France, Germany, and the US. International capital accounted for 85% of total investment, with large-scale transactions (over €50m) almost exclusively backed by overseas buyers. In contrast, private investors were the primary drivers of sub-€10m sales, which continued to trade well, subject to sector, location, and capital expenditure requirements.

ASSET PREFERENCES

Investors in Q1 2025 continued to focus on assets with strong tenant covenants, longer WAULTs (typically over six years), and high ESG credentials, particularly given the high cost of refurbishment and the challenges in improving BERs in tenant-occupied buildings. There was a renewed interest in super-prime locations.

Demand remained strong for resilient sectors that performed well during the pandemic, with retail leading activity for the fifth consecutive quarter. The healthcare sector also saw steady investor interest, with three transactions totalling €43.4m. Although appetite for residential assets remains healthy across Europe, Ireland's rental caps continue to deter many investors.

“€272m

As was the case since Q1 2024, retail remained the busiest sector in Q1 2025, with €272m invested across eight deals.”

Activity By Asset Type

RETAIL

As was the case since Q1 2024, retail remained the busiest sector in Q1 2025, with €272m invested across eight deals. This accounted for half of total market turnover, with an average deal size of €34m, down from the strong Q4 2024 (€104m), but notably higher than Q1 2024 (€10m). Investor interest in retail assets, particularly in well-performing, out-of-town high-yielding opportunities remained strong. Retail parks where tenants trade well remained most in demand amongst larger investors, while smaller-scale investors focused on acquiring individual prime high-street stores.

The sector's activity was driven by the sale of the Oaktree Retail Park portfolio, which accounted for 40% of the total turnover in Q1. The portfolio comprised eight retail parks in Navan, Bray, Sligo, Waterford, Naas, Drogheda, Galway and Limerick, and was sold to US investor Realty Income REIT for a reported €220m. Excluding this deal, retail accounted for just 16% of total activity.

Remaining retail sector activity focused on high-street assets in Dublin, with three sales on Grafton Street and one on Henry Street. Notably, 78/79 Grafton Street (Bewley's Café, €14.5m) and 70 Grafton Street (PTSB, €12.5m) were re-acquired by Johnny Ronan, having previously been offered to the market by receivers Grant Thornton as part of a wider portfolio owned by Ronan Group Real Estate.

OFFICES

Investment in the office sector reached €87.4m (16% of total activity) across six deals in Q1 2025. This followed a strong Q4 2024 with the activity of €247m and was substantially stronger when compared to subdued €12.6m in Q1 2024, however it remained significantly below the 10-year quarterly average of €306m. The average lot size in Q1 2025 was €14.6m, consistent with recent quarters reflecting the continued focus on mid-sized assets.

The largest office transaction of the quarter was the €42m off-market sale of Central Quay on Sir John Rogerson's Quay in Dublin 2 to French investor Atland. Camgill, a Canadian investor, acquired Swift Square and Metro Park Collection in Northwood, Dublin 9 for €30m. The property comprises two modern stand-alone office blocks. Johnny Ronan bought back a further two properties from the Ronan Group Real Estate portfolio offered to the market last year; Percy Exchange on Percy Place in Dublin 4 (€4m) and St James House on Adelaide Road in Dublin 2 (€4m).

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 sustainability 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

Despite a quieter quarter compared to Q4 2024, investor interest in industrial and logistics assets remained strong, particularly for well-located properties with solid tenant profiles and rental growth potential.

In Q1 2025, €41.3m was invested in the industrial sector across five transactions, accounting for 7.5% of total market activity. This was up from Q1 2024 (€11m) but remained below the €70.9m recorded in Q4 2024. The average deal size was €8.25m, down from €11.8m in Q4 but still more than double the Q1 2024 average of €3.7m.

The largest industrial deal of the quarter was Exeter's €22.5m off-market acquisition of 103 Northwest Business Park in Dublin 15. One building in Parkmore West Business Park, Galway was sold for €7.2m, while the remaining three deals were each under €5m.

PRS

Activity in the PRS sector was yet again subdued in Q1 2025 with only €10.6m spent on two assets, accounting for 1.9% of total quarterly turnover. This is a sharp drop from the €43.6m recorded in Q1 2024 and well below the €59.5m in Q4 2024. It was the weakest opening quarter since Q1 2017 (€10.4m) for the sector. Average deal size also fell in Q1 to €5.3m, substantially below all quarters in 2024, where the average deal sizes ranged from €22m to nearly €40m.

ABOVE: 70 Grafton Street,
Dublin 2

ABOVE: 78-79 Grafton Street,
Dublin 2

Compared to peak years in 2019 (€2.39bn) and 2021 (€2.14bn), the decline in activity highlights the ongoing challenges facing the PRS sector, particularly around viability, construction costs, and rental market policy. Despite investor interest in residential assets, rental caps continue to dampen institutional demand, making large-scale transactions difficult to progress. While some activity returned in recent quarters, overall market confidence remains weak. As a result, developer focus has increasingly shifted toward sales to Approved Housing Bodies (AHBs) and the Land Development Agency (LDA), which continue to purchase turnkey units as well as forward fund opportunities to address the nationwide social and affordable housing crisis.

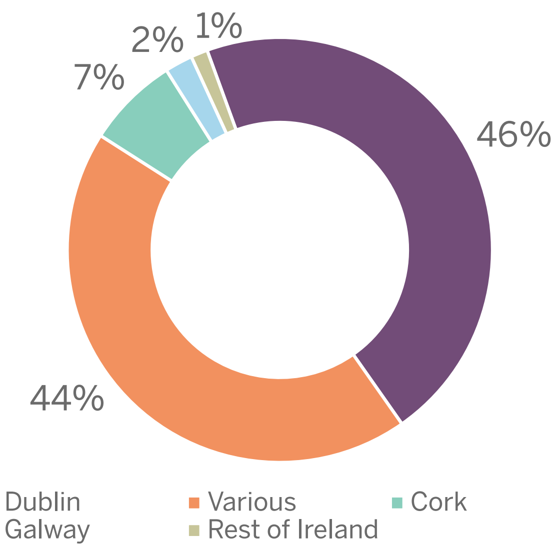
LEFT: An Post, Unit 12,
Docklands Business Park, Limerick

“€10m

Activity in the PRS sector was yet again subdued in Q1 2025 with only €10.6m spent on two assets, accounting for 1.9% of total quarterly turnover.”

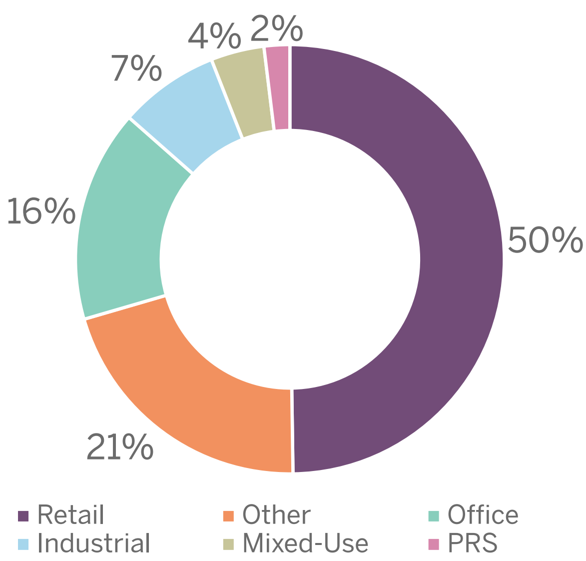
Activity Analysis

Activity By Location (Q1 2025)



Source: Lisney

Activity By Sector (Q1 2025)



Source: Lisney

Top 5 Investment Transactions Q1 2025

PROPERTY	LOCATION	SECTOR	REPORTED PRICE	PURCHASER
Oaktree Retail Parks Portfolio	8 Counties	Retail Parks	€220,000,000	Realty Income
Ruby Molly Hotel, 26-33 East Arran Street, Dublin 1	Dublin	Hotel	€86,000,000	Deka
Central Quay, Dublin 2	Dublin	Office	€42,000,000	Atland
Swift Square and Metro Park Collection	Dublin	Office	€30,000,000	Camgill
103 Northwest Business Park, Ballycoolin, Dublin 15	Dublin	Industrial	€22,500,000	Exeter

Source: Lisney

Pricing

We estimate that prime yields for all sectors in Dublin remained stable in Q1 2025.

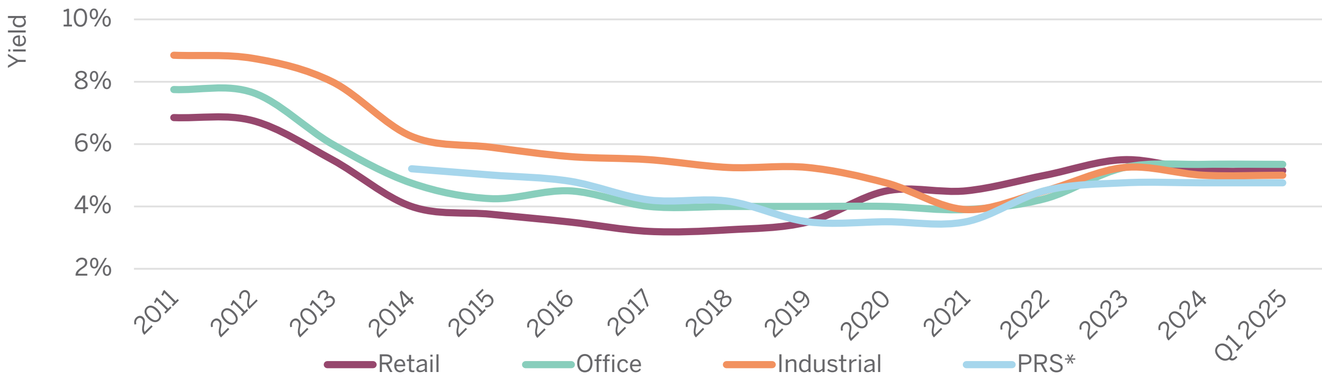
Prime Net Equivalent Yields

	RETAIL	OFFICE	INDUSTRIAL	PRS*
Q1 2025	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 – Q1 2025)

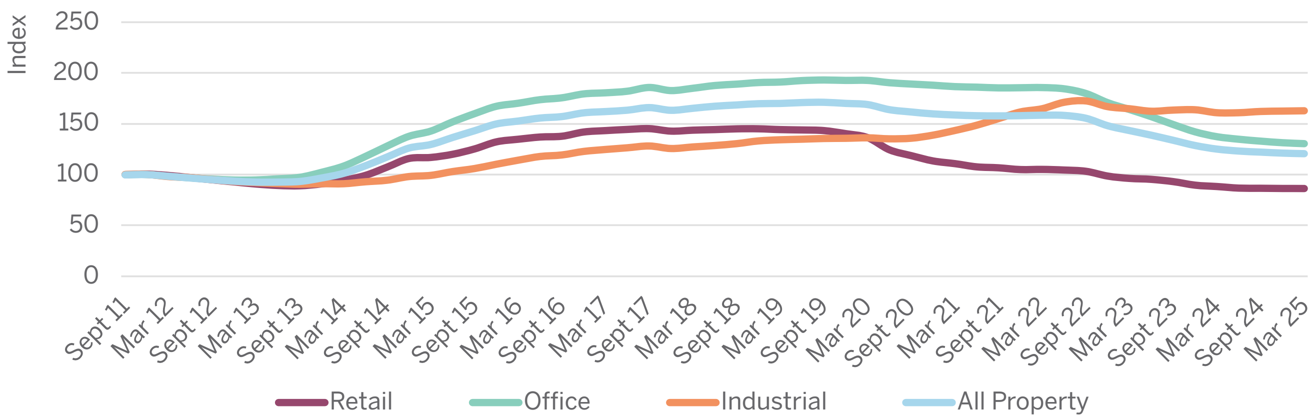


* PRS yields assume OPEX at 20% of income

Source: Lisney

The most recent MSCI / SCSI Ireland Property Index figures are for Q1 2025 where the capital value growth index fell by 3.6% for 'all property' in the year (-0.5% in the quarter). All sectors except industrial faced a capital decline on both an annual and a quarterly basis.

MSCI / SCSI Capital Value Growth Index (Q4 2011 – Q1 2025)



Source: MSCI, Lisney analysis

ABOVE: Naas Retail Park,
Co. Meath

Supply

At the end of March 2025, there was approximately €650m worth of on-market investment opportunities available, many of which had deals agreed. However, considering the off-market sales activity, supply is substantially larger.

There are many large opportunities due to come to the market in the months ahead. These will comprise a mixture of distressed and non-distressed assets. In particular, a large number of office investments are due. The performance of these sales processes will dictate supply levels in the second half of the year.

> **€650m**
>
> At the end of March 2025, there was approximately €650m worth of on-market investment opportunities available

Yields are expected to harden across most sectors in 2025, with offices being the exception, where stabilisation is more likely following substantial repricing over recent years.

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. It will also depend on how US trade policy evolves in the coming months and its wider implications.

Distressed sales will increase, though the pace at which these assets come to market will depend on funder strategy and legal or refinancing processes. This will particularly affect 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 are expected to harden across most sectors in 2025, with offices being the exception, where stabilisation is more likely following substantial repricing over recent years.

The outlook for the remainder of 2025 is cautiously optimistic but very dependent on wider global policy. Demand is expected to come from a range of sources, though it will likely evolve as the year progresses. French investors will remain active alongside other European players, with German buyers expected to become more active in the second half of the year. Private Irish investors (typically targeting lots under €5m) will continue to be active. Irish funds are expected to seek good quality opportunities once again. However, global economic uncertainty, particularly around the US tariffs and European countermeasures, will be closely watched. This could drive a renewed flight to prime, stable assets with long-term, secure income, especially those that demonstrated resilience during Covid and previous periods of market volatility.

PRS requirements, especially from international funds, will remain limited in for the remainder of 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 the retail sector is expected to hold through 2025 with many seeking to take advantage of the 40% decline in values since early 2019. However, transaction volumes may be constrained by a lack of suitable stock

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 Estate

Thomas Byrne

Divisional Director

Troy Ryan

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

Lisney
Commercial Real Estate

PSRA: 001848

lisney.com

@LisneyIreland