

Dublin Office Market



Q2 2024

Spotlight on Dublin's evolving Flexible Office Market

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5 Key Takeaways



3%

GDP growth forecast for 2024
PAGE 3



50%

of the space due to complete in the city centre between 2024-2026 is pre-let
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928,328 sq ft

office market take-up in Q2 2024
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2m sq ft

forecast for total office market take-up in 2024
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€80m

invested in office assets in Q2 2024
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Dublin Office Market

An increasingly positive outlook for the economy supports stronger office occupier activity as interest rates start to come down, inflation is close to target levels and employment numbers remain strong.

ECONOMIC CONTEXT

Economic conditions and activity have improved since the beginning of the year, at a eurozone level and in turn in Ireland where GDP increased by 0.3% and 0.7% respectively in Q1. Modified domestic demand in Ireland grew by 1%, largely driven by the ICT and the Professional, Administrative & Support sectors.

Consensus forecasts are that the global economy will grow by close to 3% this year, the eurozone by 1% and the Irish economy is expected to see GDP growth in the region of 3%.

“Considerably lower inflation and the start of a series of ECB interest rate cuts will add further momentum in the second half of the year.”

Capacity constraints remain a key challenge for Ireland. With the economy operating at full employment, increased economic activity further highlights the infrastructure deficit, from housing to transport. The government will be under pressure when finalising Budget 2025 to get the balance right between investment, to address these priority issues, and the need to set aside some of the current surplus for the future.

In the meantime, Ireland remains set to benefit from the overall improved global economic conditions.

“Risks are focused firmly on the side of geopolitics, including the wider pressure from the ongoing wars and the uncertainty regarding the outcome and implications of the US presidential election later in the year.”

CONTINUED SPOTLIGHT ON THE DEVELOPMENT PIPELINE

Q2 was a significant quarter for Dublin office completions with 1.55m sq ft delivered across the entire market.

Of this, Block N, Central Park in Sandyford was the only building to complete in the suburbs, delivering 200,000 sq ft of space.

The remaining 1.35m sq ft was located in the city centre locations of Dublin 1 and 2 and consisted of a mix of let, speculative and grey space. The largest scheme to complete was the 434,000 sq ft of space at Two-Four Wilton Park in Dublin 2, all of which was originally pre-let to LinkedIn. 271,000 sq ft of this, across Two and Three Wilton Park, was made available again via the grey market, but is in the process of being re-absorbed, with deals expected to close in Q3.

Two large schemes (three buildings), namely Building Two, Cooper’s Cross and College Square make up 50% of the total space

“There remains no new office space due to be delivered to the market after 2026.”

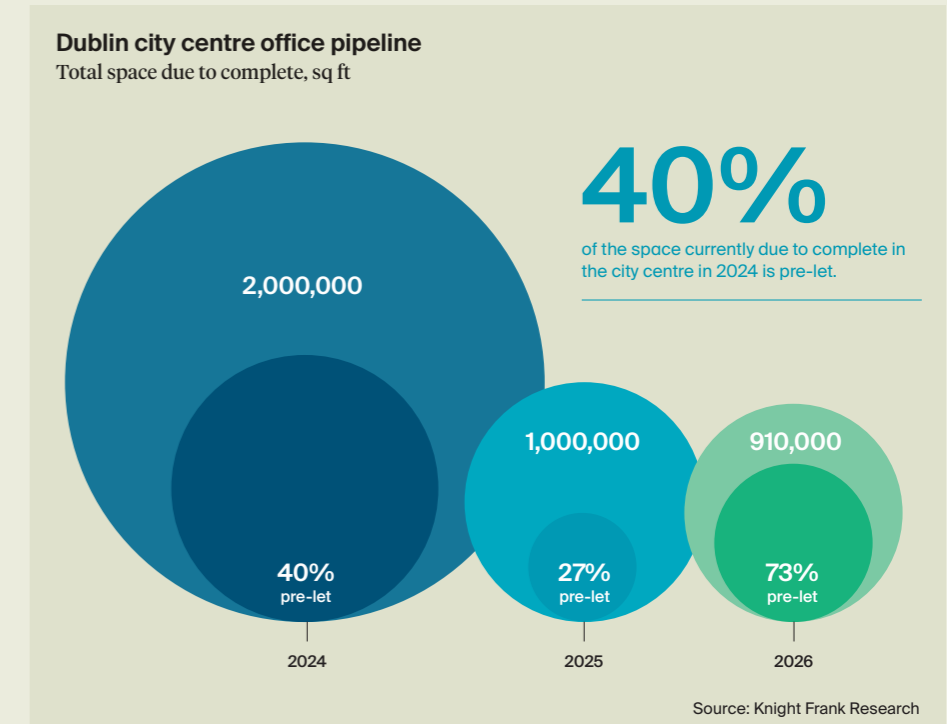
delivered in Q2. These schemes are currently available.

Schemes of this scale are potentially suitable to meet a single large requirement such as Workday’s estimated 400,000 sq ft active requirement.

There are eight buildings due to complete throughout the rest of 2024. 53% of the space in these buildings is already pre-committed, the largest being A&L Goodbody’s pre-let of 155,000 sq ft at 25 North Wall Quay.

50%

of the total space under construction in Dublin’s city centre between 2024 and 2026 is pre-let.



Occupier Trends

TAKE-UP

After a slow start in Q1, there was a considerable bounce in occupier activity in Q2.

The improvement in activity reflects an increase in sentiment and confidence that economic growth will be stronger in 2024 and into 2025. The start of a series of interest rate cuts by the ECB, even if the pace and timing is unclear, also allows for more certainty in relation to funding costs and options going forward.

The profile of occupiers taking space in Q2 was broad with the State completing the largest deal via its purchase of the Seamark Building (182,000 sq ft) for occupation by the HSE.

“928,382 sq ft was signed throughout the quarter taking total take-up to 1.1m sq ft for the first half of the year.”

“Almost 90% of the companies that signed deals for office space in Q2 were taking larger spaces, reflecting strong employment growth across the economy, an improvement in sentiment and more clarity on hybrid working policies.”

The State also completed the largest deal in the north suburbs with the HSE taking 42,500 sq ft at Swords Business Campus.

Leading Irish Biotech company, APC, took 60,000 sq ft in Cherrywood, a significant pre-let in the south suburbs.

Stripe's decision to take 156,000 sq ft at One Wilton Park was the largest tech deal while BNY Mellon's signing of 79,000 sq ft at the Shipping Office was the largest deal by a financial services company.

53% of Q2 take-up was for space located in Dublin 2, as is the case for the year to date.

VACANCY

New completions in Q2 have driven an increase in the overall Dublin office vacancy rate to 15.9%, 1% higher than at the end of Q1.

This increase was expected. Two components – grey space coming back to the market for sub-let and a significant delivery of new space – have driven up the vacancy rate over the last two years. The 2024 delivery pipeline is now the only component actively putting pressure on the vacancy rate.

69%

of the space taken-up in Q2 was LEED certified.

The amount of grey space coming to the market has plateaued and is likely to decline with some of the larger grey spaces expected to be re-absorbed in the second half of the year.

The reality at this point in the cycle is that a significant proportion of the increase in new available space is made up of a small number of large schemes. For example, College Square and Building Two, Cooper's Cross completed in Q2, and when Building One, Cooper's Cross, which completed at the end of 2023, is included, these two schemes currently account for 10% of total vacancy in the market (across all building rating types).

300,000 sq ft of additional new space which is not currently pre-let is due to complete in the second half of the year and will see the vacancy rate edge higher and peak by year end.

There remains no new space currently under construction and due to complete after 2026.

RENTS

“Prime headline rents remain at €62.50psf.”

The second half of 2024 offers a window for occupiers to negotiate rental terms close to or at this level, particularly those seeking large spaces.

We continue to expect upward pressure on prime rents in 2025, driven by cost pressures, increased demand and the beginning of a tightening in the supply pipeline.

“Larger deals in the second half of 2024 will be led by professional and financial services companies while TMT will remain active for smaller spaces.”

OUTLOOK

“Knight Frank Ireland expect that total take-up for 2024 will be close to 2m sq ft.”

At mid-year, there is increasing evidence that the occupier market has turned a corner with a recovery in demand well underway.

Numerous variables which caused shockwaves across the market in recent years, from Covid to the spike in interest rates, have bottomed out, creating more certainty for occupiers.

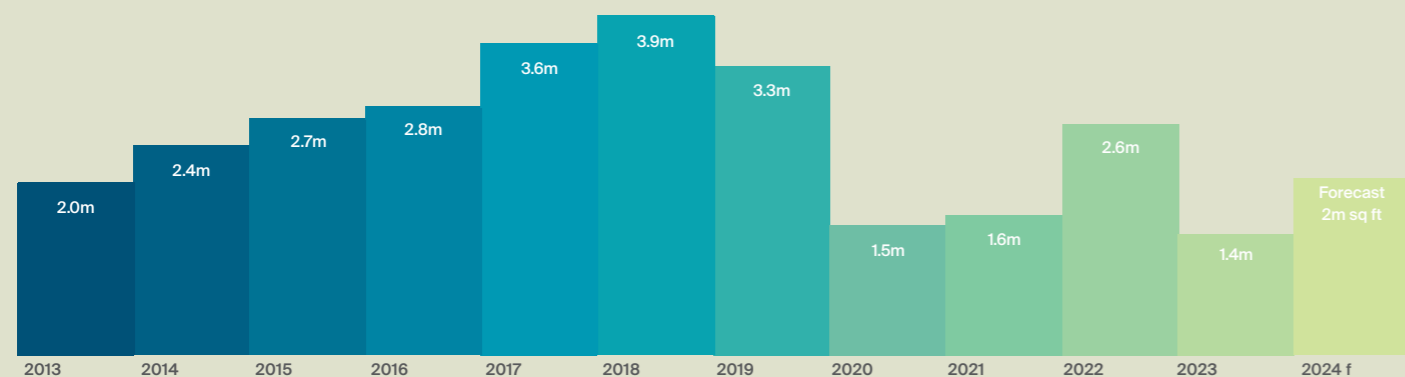
Economic conditions, particularly the labour market, provide ongoing support for the market and, if anything, have exceeded expectations given the number of financial and geopolitical challenges.

Top 5 office leasing transactions, Q2 2024

Property	Tenant	Sector	Size (Sq ft)
The Seamark Building, Dublin 4	HSE	State	182,340
One Wilton Park, Dublin 2	Stripe	TMT	156,000
The Shipping Office, Dublin 2	BNY Mellon	Finance	78,919
Building G3, Cherrywood Business Park, Dublin 18	APC	Pharma/Medical	60,000
3-8 Hume Street, Dublin 2	Iconic Offices	Coworking	48,767

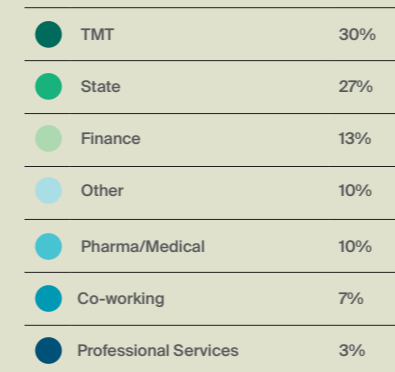
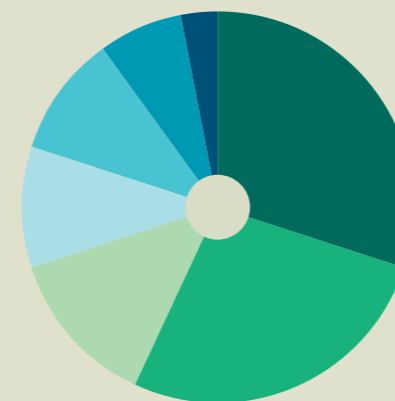
Source: Knight Frank Research

Office take-up sq ft (millions)



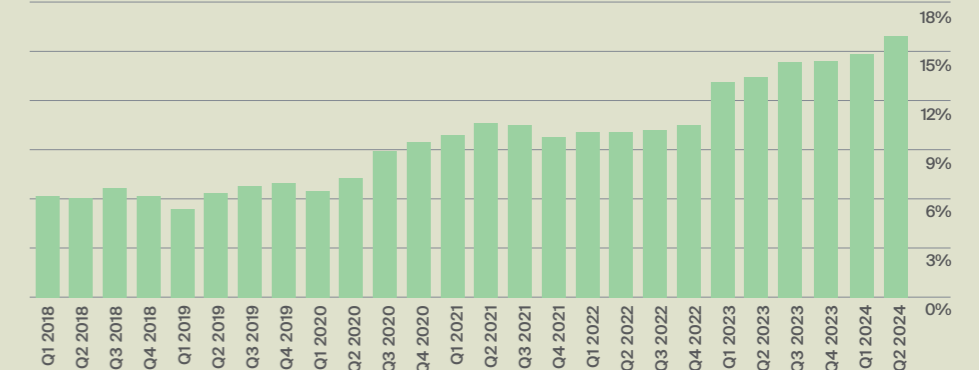
Source: Knight Frank Research
f = forecast

Take-up by sector, Q2 2024



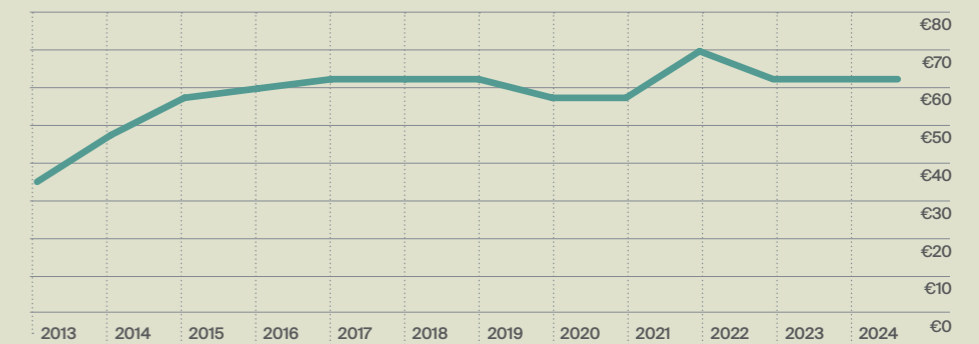
Source: Knight Frank Research

Dublin market vacancy rate



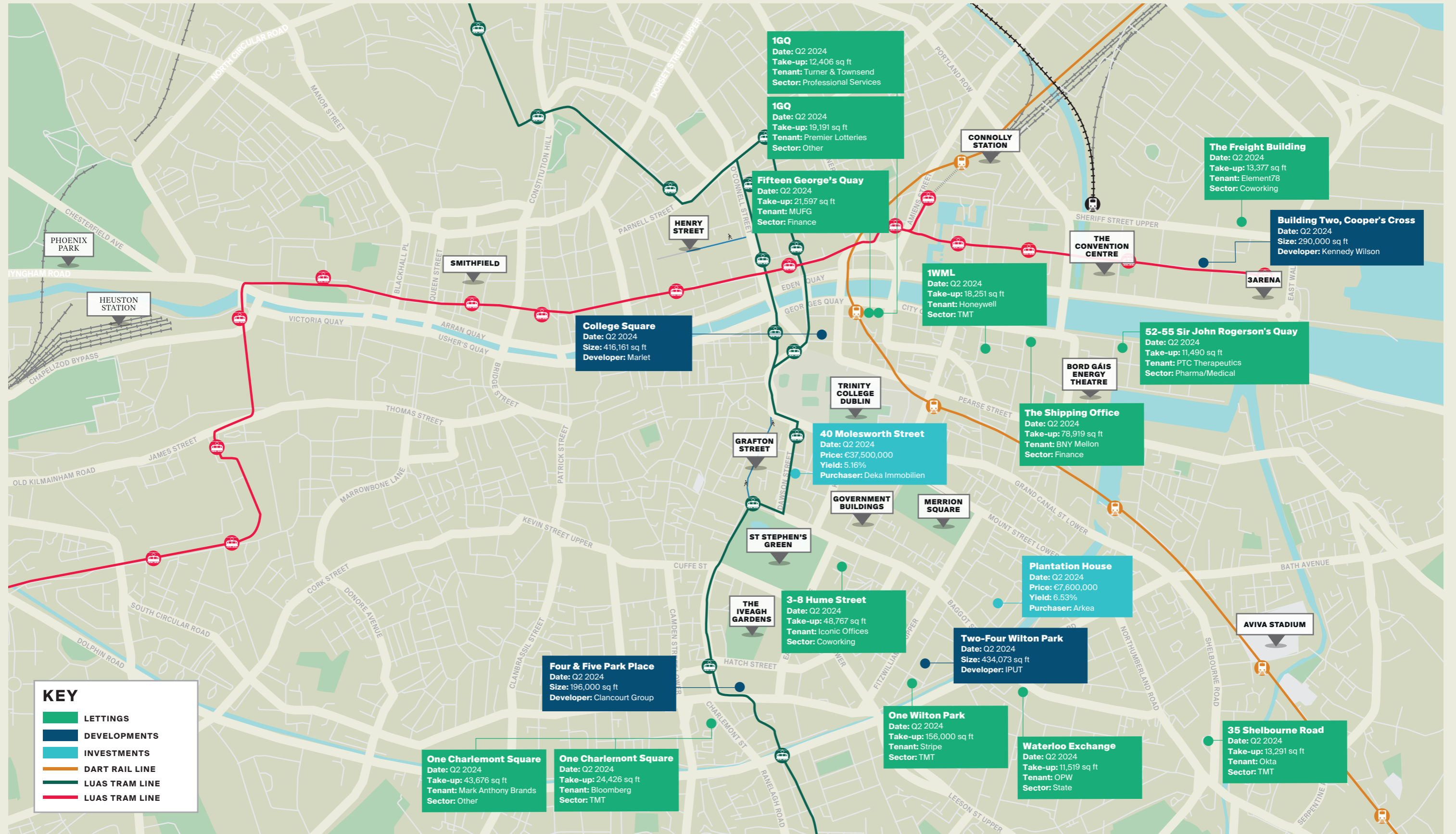
Source: Knight Frank Research

Prime rental series (per sq ft)



Source: Knight Frank Research

Dublin Office Market Activity, Q2 2024



Source: Knight Frank Research

INVESTMENT MARKET

Investor activity improved in the second quarter with total investment spend reaching €514.2m.

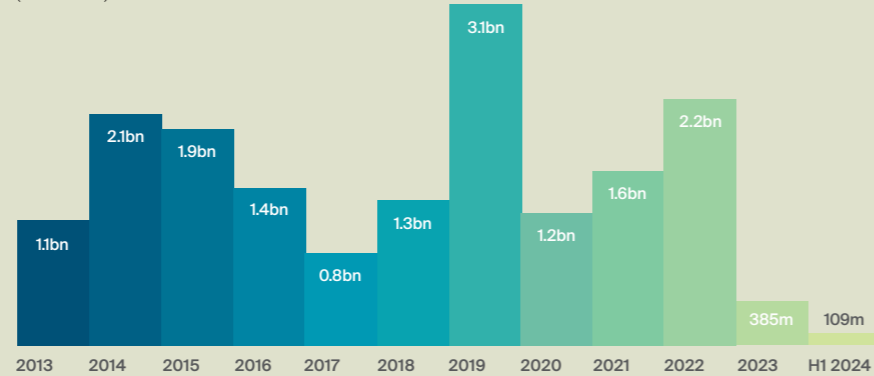
Retail assets made up the largest proportion (28% of total spend) with the sale of three retail parks outside of Dublin accounting for a total of €90.5m in Q2.

Investment in office assets reached just over €80m for the quarter bringing the total for the first six months of the year to €108.6m.

Total investment activity in the first half of the year has been dominated by Irish and European investors who made up 79% of total purchases and 61% of

“The most significant prime office transaction of the quarter was Deka’s purchase of 40 Molesworth from State Street for €37.5m.”

Dublin office investment volumes (€ billions)



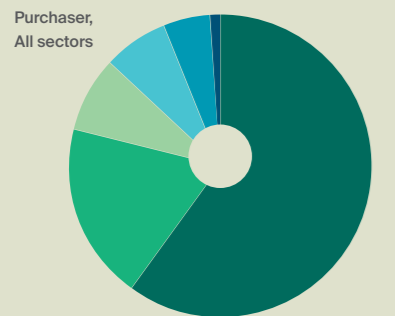
Source: Knight Frank Research

total sales. Dublin office investments have also been largely transacted by European and Irish investors (84% of purchases and 81% of sales).

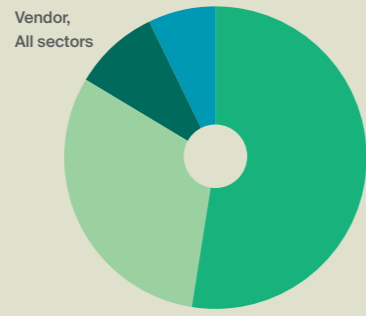
Prime yields are considered to be steady at between 5-5.25% at the mid-year mark with further

cuts in interest rates expected to limit potential outward movement. Investor sentiment, while improving, remains cautious and combined with low levels of office stock on the market will continue to limit total office investment for the rest of 2024.

Investment flows by Location, H1 2024



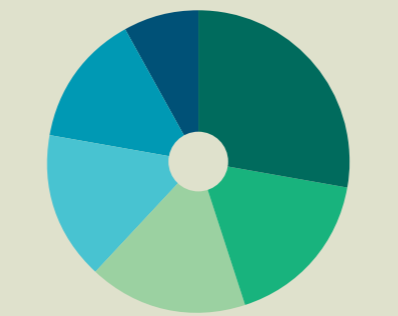
Europe	60%
Ireland	19%
United States	8%
Asia	7%
UK	5%
Other	1%



Ireland	52%
United States	31%
Europe	9%
UK	7%

Source: Knight Frank Research

Total investment spend by sector, Q2 2024



Retail	28%
PRS	17%
Other	17%
Office	16%
Mixed-Use	14%
Industrial	8%

Source: Knight Frank Research

Top office investment transactions, Q2 2024

Property	Vendor	Buyer	Price
40 Molesworth Street, Dublin 2	State Street	Deka	€37,500,000
Elmpark Green Portfolio, Dublin 4	Starwood Capital	HSE	€22,500,000
Block 5, Richview Office Park, Dublin 14	Eagle Street	MNK Partners	€9,620,000
Plantation House, Dublin 2	Aviva	Arkea	€7,600,000
6/7 North Frederick Street, Dublin 1	Private	Private Investor	€2,800,000

Source: Knight Frank Research

Spotlight on...

Dublin is evolving into a prime location for companies valuing flexibility, connectivity and community as the Flexible Office market expands.

There are now over thirty providers in the Irish Flexible Office Space market which is on track to grow by 7% in 2024. Activity has increased significantly year on year with more providers entering the market since 2021 and close to 100,000 sq ft of flexible stock coming to the market between 2022 and 2023.

Key new buildings include Central Plaza, where WeWork brought 73,000 sq ft to the market in June 2024, Hume Street House where Iconic Offices will make 78,000 sq ft available from August 2024 and Ella House by Sonbrook in Merrion Square (50,000 sq ft).

“Tenants are looking for locations that can provide a lifestyle element to a serviced office campus which offers a unique experience to clients and supports hybrid working policies.”

Alicia Greene, Flexible Offices Consultant
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In 2023, 82% of the deals that signed were in Dublin 2 with an average lease term of twenty two months.

The key players in the market in terms of number of locations, square footage and market share are Iconic Offices, Glandore, Regus/IWG, Pembr and WeWork who own an estimated 65% of the total flexible office market.

The most recent entrants to the market have been Sonbrook with Ella House on Merrion Square and then Making It Work IPUT which has grown to five locations since late 2022.

33%

Average desk price increase since 2021



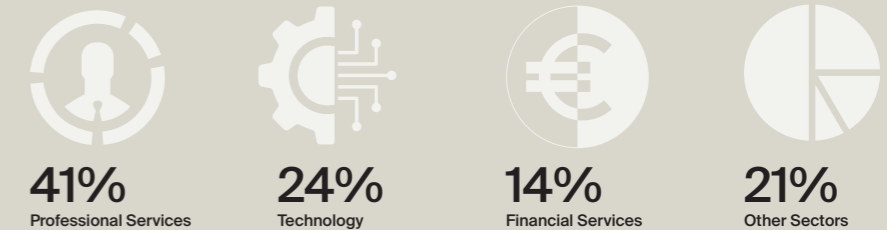
Increase in occupiers looking for open plan, single floor plates ranging from 1,000-3,000 sq ft in Dublin 2.



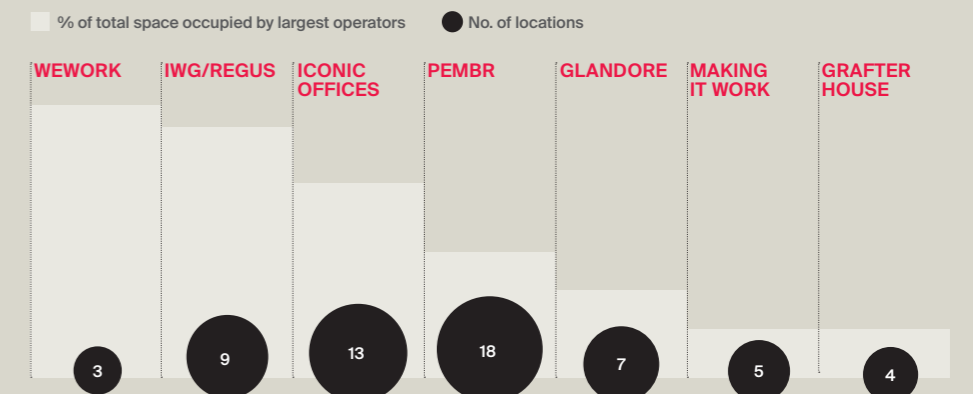
Clients looking for serviced office space are increasingly looking for:

- internal meeting rooms
- collaborative and communal space
- enhanced wellness offerings
- phone booths when looking at serviced office spaces.

Take-up of serviced offices by sector



Service operators

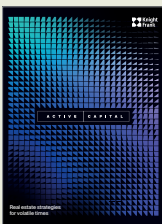


TOP 3 MARKET TRENDS TO WATCH

1 Growth in clients coming from traditional space looking for private floors to be fully managed by a service provider with flexible lease terms from 3-5 years with **all-inclusive pricing.**

2 Increase in the length of terms being requested by tenants generally from **18 months up to 24 months.**

3 Value Add – Clients are seeing the value in increased desk prices when it comes to additional amenities being offered such as gym facilities, access to event spaces, fully stocked kitchen and pantry on-site and concierge style service.



Active Capital 2024



Ireland Living Sectors 2024



Ireland Development Land Market Feb 2024



Dublin Logistics & Industrial Market May 2024



The Wealth Report 2024



Ireland Student Housing Market 2023

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.

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