

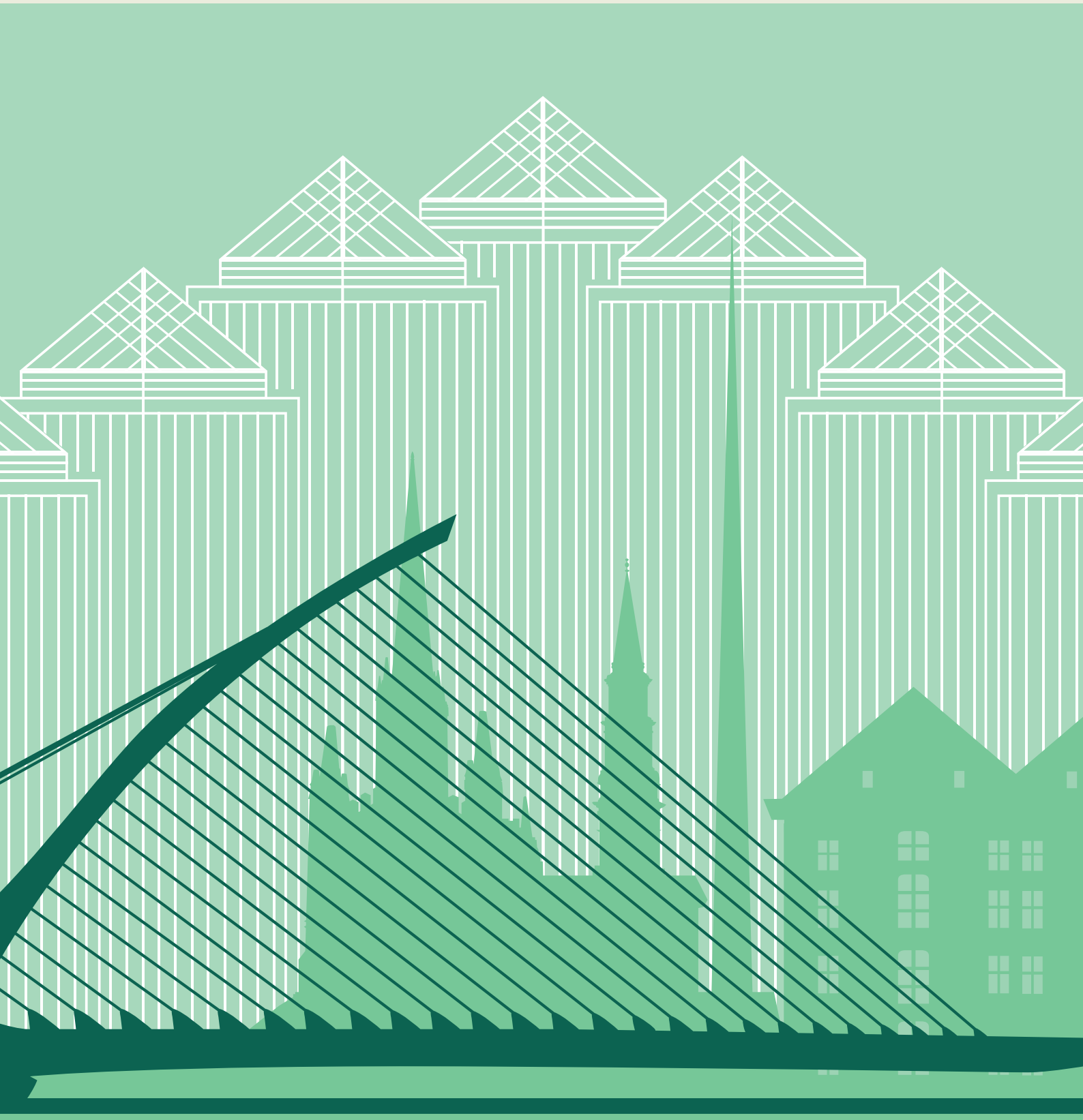
Dublin Office Market



Q3 2024

Spotlight on Demand for Space with ESG credentials

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5 Key Takeaways

2.6%

MDD (modified domestic demand) growth forecast for 2024
PAGE 3

51%

Of the space that is currently due to complete in Dublin's city centre between 2024-2026 is pre-let
PAGE 3

581,000 sq ft

Office market take-up in Q3 2024
PAGE 4

2m-2.2m sq ft

Forecast for total office market take-up in 2024
PAGE 5

€141.8m

Invested in office assets in Q3 2024
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Dublin Office Market

The strength of the labour market continues to support economic growth. Inflation has come down well below the 2% target rate and further cuts in interest rates are expected. Combined, these positive economic variables are supporting a significant upturn in office occupier activity.

ECONOMIC CONTEXT

The strength of the domestic economy is a key factor supporting growth in 2024. Headline GDP has been more volatile over the last twelve months, reflecting the impact of activities in the multinational sector such as the export of Intellectual Property.

“Employment in the economy continues to increase with 2.75m people at work, the highest on record, reflecting an increase of 71,500 between Q2 2023-Q2 2024.”

Consumer demand, government investment, lower interest rates and inflation, combined with the strength of the labour market, all support continued growth in the domestic economy.

Modified Domestic Demand (MDD) is forecast to be over 2% in 2024 and in excess of 3% in 2025.

Consumer price inflation (CPI) has fallen to an annual rate of 0.7% in September, down from 6.4% in September 2023. The harmonised index of consumer prices (HICP) has also fallen significantly and was flat at 0% year-on-year in September, down from 5% in September 2023. With eurozone inflation below 2%, the ECB is expected to continue to cut interest rates into 2025, further supporting economic activity and improving sentiment.

“Risks remain firmly on the side of geo-politics, with an additional spotlight on the outcome of the US Presidential election and its potential impact on global developments.”

DUBLIN'S OFFICE MARKET DEVELOPMENT PIPELINE CONTINUES TO TIGHTEN

2024 is on track to deliver a total of 1.9m sq ft of new office space in Dublin's city centre. Of that 61% is now pre-let.

51%

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

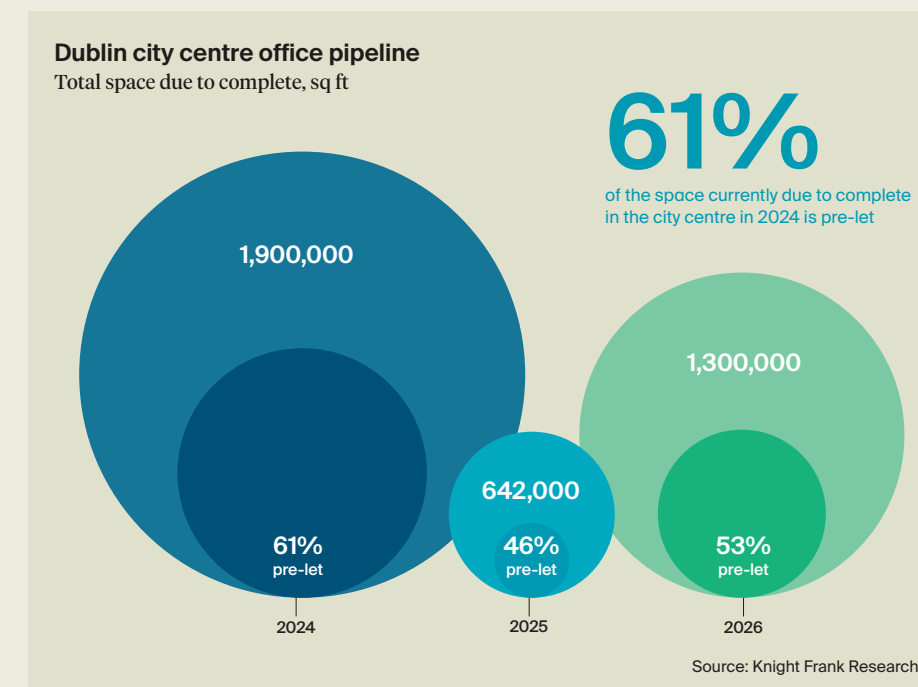
There were two buildings completed in Q3, one of which is available (50,000 sq ft at The Malt House in Dublin 2).

“The development pipeline for 2025 and 2026 continues to tighten at a pace that considerably reduces the office product that will be available to occupiers seeking new space after 2026.”

Zero

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

Currently, there will be five schemes available in 2025 and only two in 2026. Landen House and 2 Grand Canal Quay, both of which are located in Dublin 2, will offer 103,000 sq ft and 144,000 sq ft respectively in 2025 while Waterfront South Central in Dublin 1 will offer 220,000 sq ft if it completes in 2026.



Occupier Trends

“Take-up of 581,000 sq ft in Q3 brings total take-up for the year to date to 1,679,684 sq ft. This is greater than the 1.4m sq ft that transacted throughout all of 2023.”

TAKE-UP

The profile of occupiers taking space in Q3 reflects the sectors with the strongest employment growth, with Professional Services in particular accounting for 30% of activity. Overall, Professional Services, Financial Services and TMT companies together accounted for just under 70% of all Q3 activity.

TMT companies comprised the largest share of activity during the year to date with companies such as Stripe, Bloomberg, Honeywell, SAP and Personio among the occupiers that have been active so far in 2024.

Apple completed the largest TMT deal in Q3 taking 24,401 sq ft at 5 Hanover Quay in Dublin 2.

EY's decision to take in excess of 130,000 sq ft at 2 Wilton Park was the largest Professional Services deal in Q3 while Fisher Investments took 33,348 sq ft at 24-26 City Quay in Dublin 2 in what was the largest deal by a Financial Services company in Q3.

Almost 70,000 sq ft was taken up in the North Suburbs in Q3. Flogas and

“The increase in activity reflects more certainty regarding key variables such as inflation, interest rates and employment growth; which in turn allow for clearer decisions in relation to activating office relocation and expansion plans.”

55%

of Q3 take-up was for space located in Dublin 2 (53% year to date). The wider city centre locations represented 69% of Q3 take-up (62% year to date).

Boeing's decision to take 29,968 sq ft and 20,850 sq ft respectively at Two Dublin Airport Central were the largest deals in the North Suburbs. The HSE was also active in the North Suburbs taking 9,500 sq ft in One Northwood Avenue in Dublin 9.

With the exception of one deal – the signing of 11,567 sq ft by Regus at Temple House in Blackrock – smaller deals dominated activity in the South Suburbs in Q3 where a total of 48,041 sq ft was taken-up.

The amount of reserved space has increased considerably with over 1m sq ft currently reserved.

“Total take-up in 2024 will exceed 2m sq ft (excluding the Workday deal which is expected to sign early in 2025).”

The most significant space reserved in Q3 was a result of Workday's decision to choose the whole of the College Square development in Dublin 2. The College Square development is comprised of two buildings, extending to 416,000 sq ft, which were completed in Q2 of this year.

VACANCY

As city centre grey market space continues to be absorbed, and the amount of new space being delivered reduces, the overall market vacancy rate has fallen to 15.1% at the end of Q3 compared to 15.9% at the end of Q2.

Knight Frank had previously forecast that the vacancy rate would peak by year end.

“In fact, given the strong demand over the last two quarters, our analysis indicates that the overall vacancy rate has peaked. It is expected to be on a clear downward trajectory in 2025.”

The vacancy rate for the best space (which has ESG credentials) is much lower, particularly in Dublin 2, with further downward movement expected in Q1 2025.

RENTS

Prime headline rents remain at €62.50 psf, as has been the case throughout 2024.

The cost of building to the standard required to gain ESG credentials will put upward pressure on development costs and therefore on prime rental levels.

“Knight Frank continue to hold the view that as the impact of the tighter supply pipeline becomes evident in 2025 prime rents will start to edge upwards, with more significant increases expected in 2026.”

Outlook

At this point in the year, it is clear that office occupier activity has gained considerable momentum with larger requirements closing across a number of sectors.

Occupier preference for the best space, particularly in Dublin 2, continues to lead activity and this is evident from the profile of space that is also being reserved.

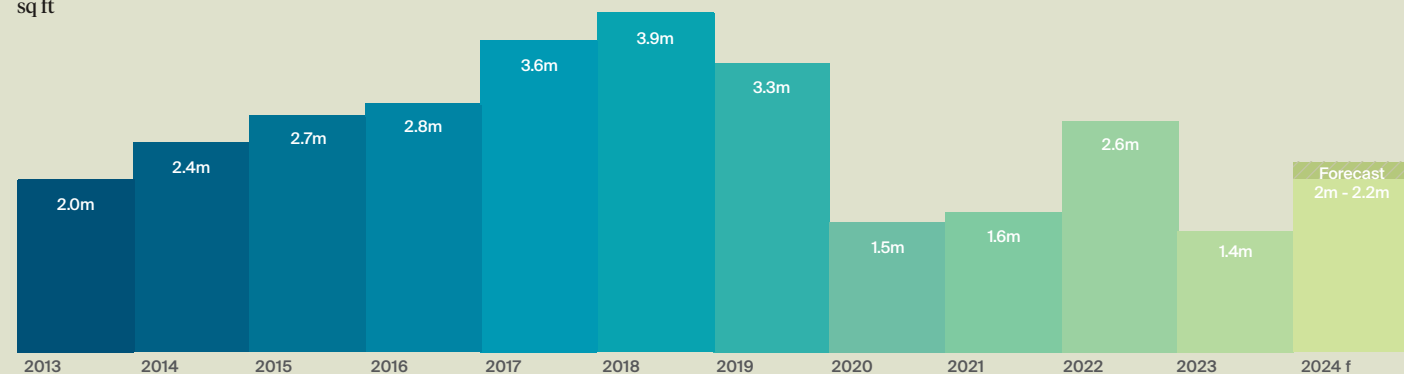
With the market on track to reach a total of 2m-2.2m sq ft of take-up for the year, we predict that 2025 will see a similar if not stronger level of demand.

Top 5 office leasing transactions, Q3 2024

Property	Tenant	Sector	Size (Sq ft)
2 Wilton Park, Dublin 2	EY	Professional Services	Excess 130,000 sq ft
24-26 City Quay, Dublin 2	Fisher Investments	Finance	33,348
Two Dublin Airport Central, Co. Dublin	Flogas	Other	29,968
Block A, Joyce's Court, Dublin 1	ICOT	Education	29,460
Fitzwilliam 28, Dublin 2	Addleshaw Goddard	Professional Services	25,052

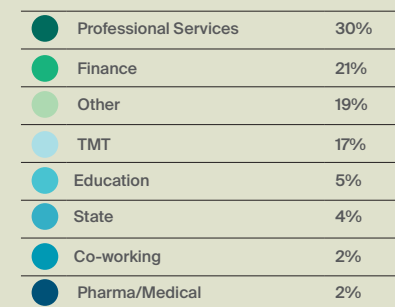
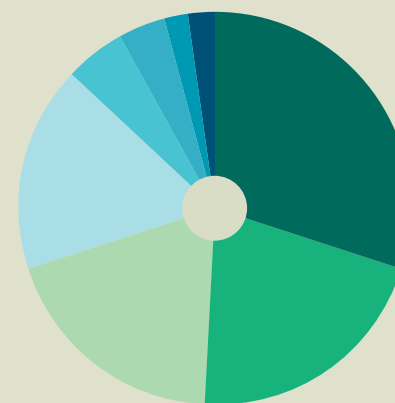
Source: Knight Frank Research

Office take-up sq ft



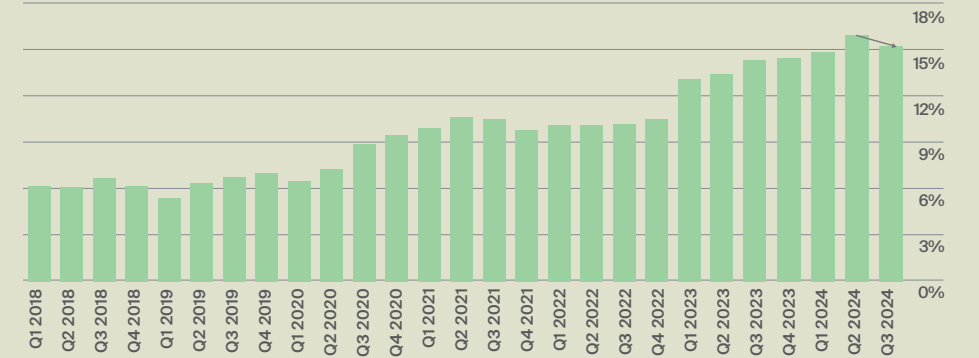
Source: Knight Frank Research
f = forecast

Take-up by sector, Q3 2024



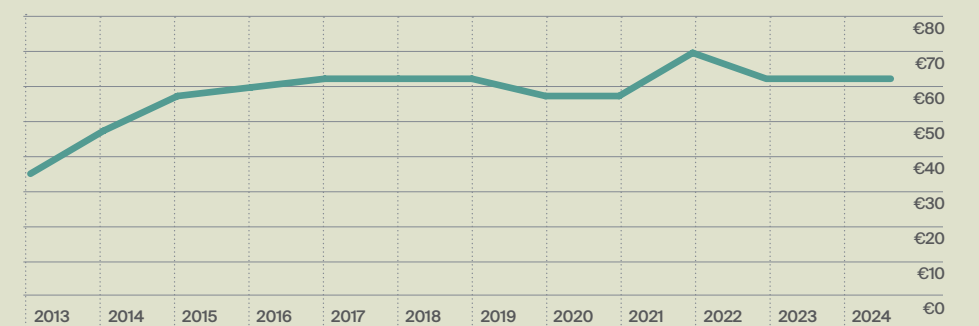
Source: Knight Frank Research

Dublin market vacancy rate



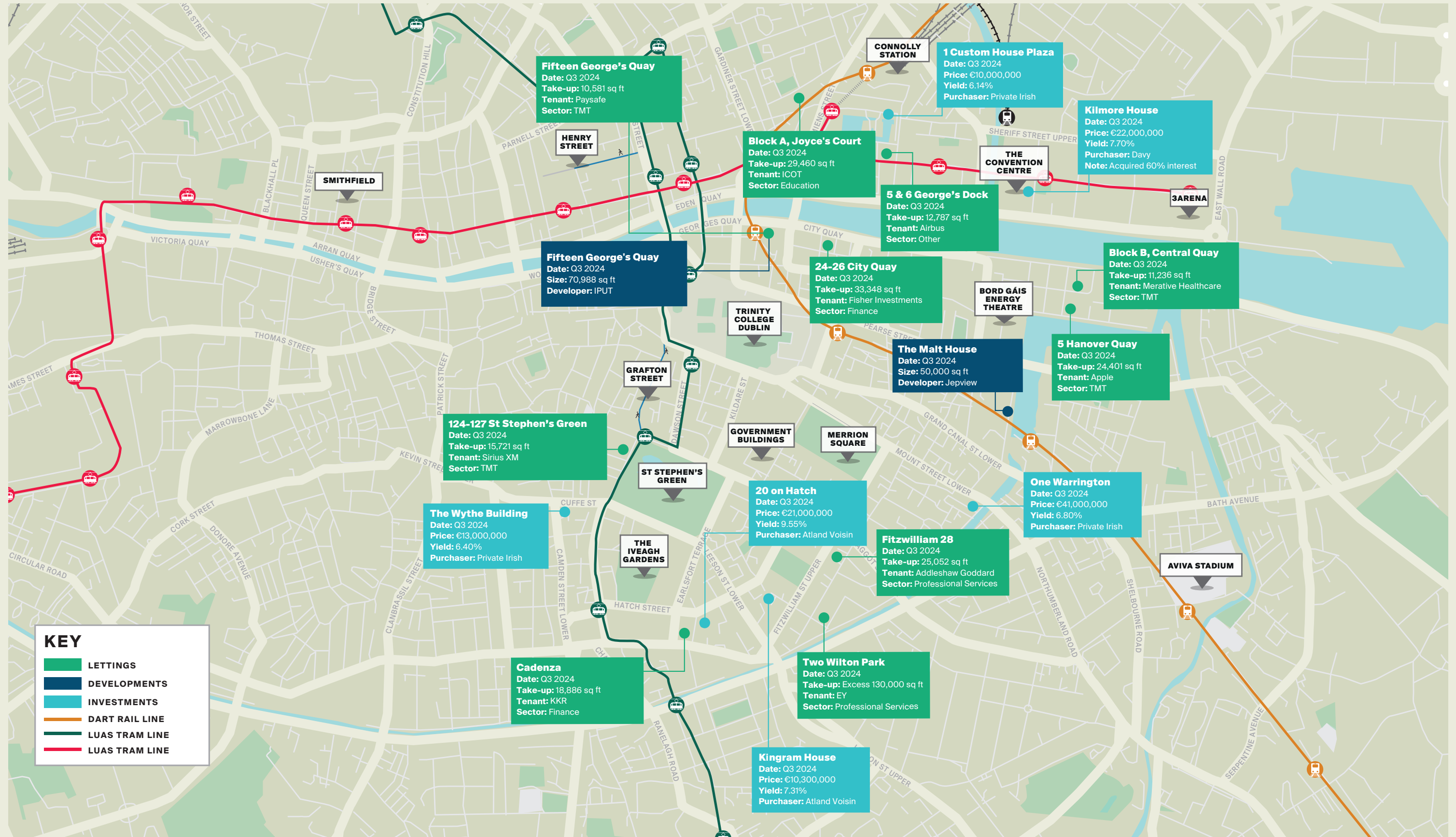
Source: Knight Frank Research

Prime rental series (per sq ft)



Source: Knight Frank Research

Dublin Office Market Activity, Q3 2024



Source: Knight Frank Research

INVESTMENT MARKET

Investor activity was steady on a quarterly basis with total spend reaching €591.2m compared to €510.2m in Q2.

“Total investment spend for the year to date reached €1.26bn with quarter one now clearly the low point in the market cycle (€159.3m).”

Retail assets represented the largest share accounting for 32% of spend during the year to date. The largest transaction in Q3, and so far in 2024, was the sale of The Square Shopping Centre, Tallaght by Oaktree to Arrow/Eagle Street for €130m.

“In terms of office assets, spend totalled €141.8m in Q3 which is considerably higher than the €80m that was invested in Q2. The total for the year to date stands at €250.3m or 20% of the overall spend in the Irish market.”

The largest PRS transaction also took place in Q3 with the purchase by Hines of Scape Dublin, a 298-bed PBSA asset, for €75m.

“The most significant prime office transaction of Q3 was the sale by Irish Life of One Warrington in Dublin 2 to a private Irish investor for €41m.”

Q3 saw UK capital flows of €209.4m into Irish assets, the largest being the purchase of The Square Shopping Centre, Tallaght for €130m followed by the acquisition of the Blackpool Shopping Centre and Retail Park in Cork for €48m. €28m was invested in Unit F, Kilcarbery Business Park in Dublin 22, a multi-let industrial asset. The remaining €3.4m was invested in a small industrial asset in Dublin 11. There have been no UK capital flows into office assets during the year to date.

European capital flows remained strong in Q3 with German investor Deka spending €70m on the purchase of Units 12E & 12F, Ashbourne Business Park, Co Meath, an industrial asset let to Primeline. Meanwhile, French investor Corum purchased Mahon Shopping Centre in Cork in Q2 for €50m.

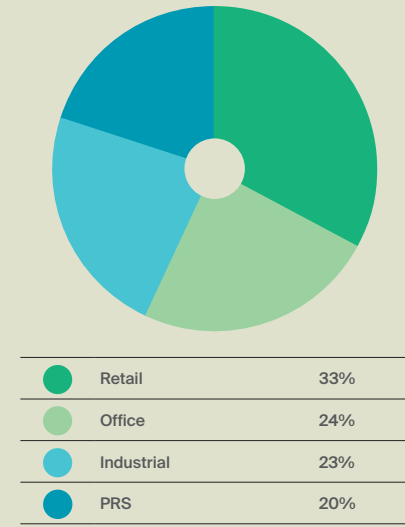
French wealth management fund Atland Voisin purchased two office assets in Dublin 2 in Q3, 20 on Hatch for €21m and Kingram House for €10.3m.

Irish investors have purchased €294.8m worth of investment assets

during the year to date, with €157.2m (53%) of that completed by private Irish investors.

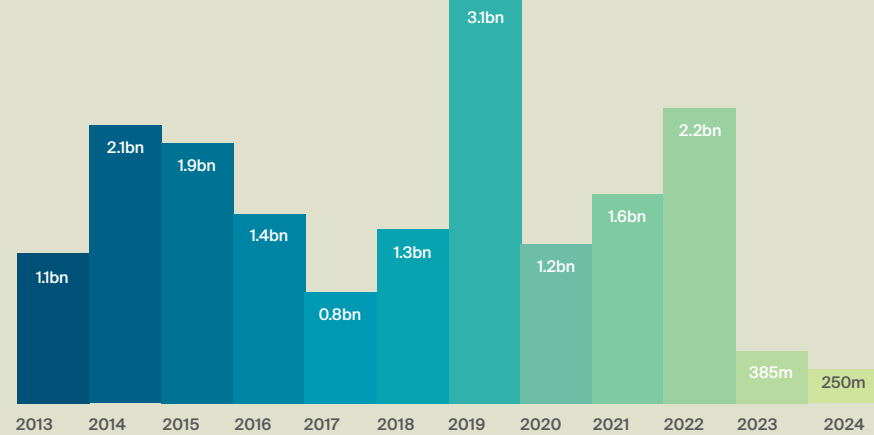
Prime office yields remain steady at between 5-5.25% at the start of Q4.

Total investment spend by sector, Q3 2024



Source: Knight Frank Research

Dublin office investment volumes (€ billions)



Source: Knight Frank Research

Top office investment transactions, Q3 2024

Property	Vendor	Buyer	Price
One Warrington, Dublin 2	Irish Life	Private Irish	€41,000,000
Kilmore House, Dublin 1	Grant Thornton (Receiver)	Davy	€22,000,000
20 on Hatch, Dublin 2	Davy	Atland Voisin	€21,000,000
The Wythe Building, Dublin 2	KanAm	Private Irish	€13,000,000
Kingram House, Dublin 2	Grant Thornton (Receiver)	Atland Voisin	€10,300,000

Source: Knight Frank Research

Spotlight on...

Strong occupier preference for space with ESG credentials leads activity in Dublin's office market

Demand among occupiers for sustainable and amenity rich buildings has strengthened considerably in recent years.

Activity to date in 2024 provides clear evidence that this trend is becoming more pronounced.

The increasing shift underscores the importance occupiers place on being environmentally conscious

and acquiring sustainable properties, presenting a compelling opportunity for property investors and occupiers alike.

“Knight Frank expect this trend to accelerate further over the coming quarters and to become an embedded feature when occupiers are undertaking their office searches.

At this point in the market cycle this is a demand led dynamic, but over the next twelve months it will become supply led.”

As grey space with ESG credentials continues to be absorbed, as is currently happening, demand for new ESG accredited space can be met in the short term as new supply completes.

Beyond 2026, given current market dynamics, supply constraints will severely limit the options for occupiers, not only putting upward pressure on rents, but running the

risk of leaving the Dublin market in an uncompetitive position versus other European and UK city markets.

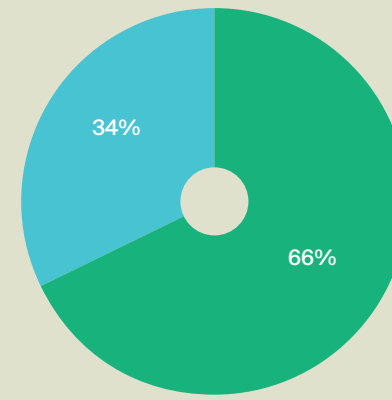
72%

of total space transacted in Dublin's city centre market during the year to date is office space with ESG credentials.

DUBLIN - ALL MARKET

Take-up of office space

ESG CREDENTIALS NO CERTIFICATION



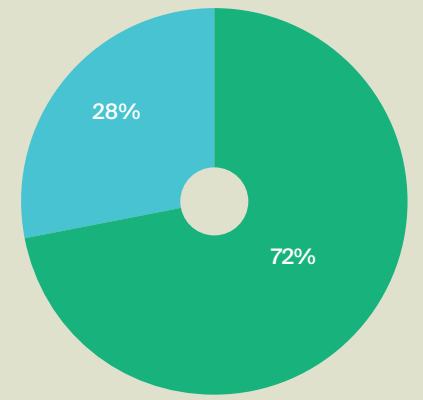
YTD 2024

Source: Knight Frank Research

CITY CENTRE

Take-up of office space

ESG CREDENTIALS NO CERTIFICATION



YTD 2024

Source: Knight Frank Research

Top 5 deals in the Dublin Market Q1-Q3 2024 with ESG Credentials

Building	Occupier	Sq Ft	ESG Certification
The Seamark Building, Dublin 4	HSE	182,340	Platinum
One Wilton Park, Dublin 2	Stripe	156,000	Platinum
2 Wilton Park, Dublin 2	EY	In excess of 130,000 sq ft	Platinum
The Shipping Office, Dublin 2	BNY Mellon	78,919	Platinum
One Charlemont Square, Dublin 2	Mark Anthony Brands	43,676	Gold

Source: Knight Frank Research



Active Capital 2024



Ireland Living Sectors 2024



Ireland Development Land Market Aug 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.

Research

Joan Henry, Chief Economist & Director of Research
joan.henry@ie.knightfrank.com

Robert O'Connor, Associate Director
robert.oconnor@ie.knightfrank.com

Capital Markets

Adrian Trueick, Director
adrian.trueick@ie.knightfrank.com

Ross Fogarty, Director
ross.fogarty@ie.knightfrank.com

Darragh Doyle, Divisional Director
darragh.doyle@ie.knightfrank.com

Flexible Office Solutions

Alicia Greene, Flexible Offices Consultant
alicia.greene@ie.knightfrank.com

Offices

Declan O'Reilly, Director
declan.oreilly@ie.knightfrank.com

Paul Hanly, Director
paul.hanly@ie.knightfrank.com

Jim O'Reilly, Director
jim.oreilly@ie.knightfrank.com

Gavin Maguire, Divisional Director
gavin.maguire@ie.knightfrank.com

Tom Fahy, Divisional Director
tom.fahy@ie.knightfrank.com

