Figures

Dublin Office Market

Q2 2024

Take-Up Rebounds Strongly With the Return of Some Big Lettings

CBRE RESEARCH

JULY 2024

Take-Up Rebounds Strongly With the Return of Some Big Lettings

▲ 86,729 sq m	▼ 47,566 sq m	▲ 1,701 sq m	▶ €673psm	▲ €90m	▶ 5%
Take-Up	Reserved Stock	Average Deal Size	Prime Rents	Investment	Prime Yield

Note: Arrows indicate change from previous period.

Q2 Highlights

– Dublin office take-up totalled 86,729 sq m in Q2, the strongest quarter of take-up since Q4 2021, and a nearly five-fold increase on the level of take-up in Q1 2024

– In total, 51 office transactions were signed in Dublin in Q2, and the market saw the notable return of some 'big lettings' at One Wilton Park, The Shipping Office and 3-8 Hume Street, along with the sale of the Seamark Building at Elm Park Green

– The largest leasing deal of the quarter was signed by Stripe at One Wilton Park, where they agreed to a lease assignment of 14,195 sq m from LinkedIn, a boost to Dublin market sentiment

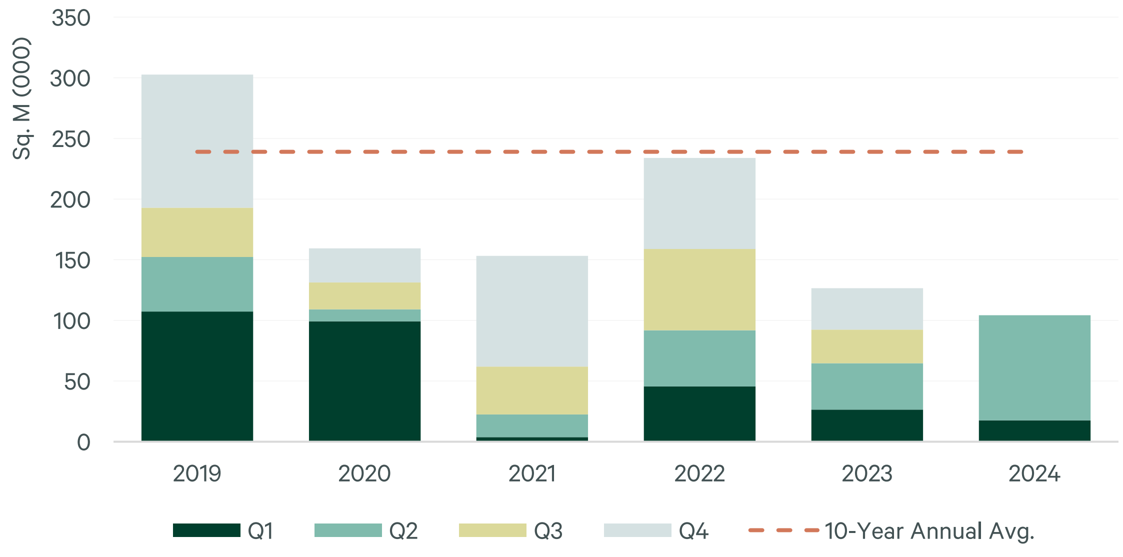
– The level of Dublin office stock that was 'reserved' at the end of Q2 totalled 47,566 sq m, down nearly 30% quarter-on-quarter as several processes were fulfilled

– There was an uplift in the number of active requirements to more than 249,000 sq m at the end of Q2, a 5% increase quarter-on-quarter

– The Dublin office vacancy rate is now just over 18% following the practical completion of some notable developments in Q2, including the final building of Kennedy Wilson's 'Cooper's Cross

– The investment market also saw the return of some notable deal flow with the completion of the sale of 40 Molesworth St. to Deka Immobilien for €37.5m

FIGURE 1: Dublin Office Take-Up 2019 – 2024



Source: CBRE Research

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Take-Up

Dublin office take-up totalled 86,729 sq m (933,500 sq ft) in Q2, nearly five times the level of activity that was recorded in Q1. This quarter's take-up was over 30% above the 10-year quarterly average of just under 60,000 sq m. Notably, it was the strongest quarter of deal activity since Q4 2021.

A total of 51 office deals completed in Q2, marginally ahead of the 10-year market average of 50 deals per quarter. The average deal size in Q2 was 1,701 sq m (17,933 sq ft), with the long-term market average approx. 1,140 sq. m (12,270 sq ft), up significantly from Q1 (580 sq m).

Q2 was characterised by the return of large deals. A total of five separate transactions completed that were greater than 4,500 sq m in size, and these accounted for approximately 48,600 sq m (523,000 sq ft), or 54% of total take-up for the quarter. Prior to the pandemic, when multinational technology firms were in their high-growth expansion phase, the Dublin market was characterised by these large-scale-lettings, which were the key driver of record-setting take-up levels from 2015 to 2019.

Tenants Moving Forward with More Certainty Around Real Estate Strategy

The amount of reserved office stock (47,566 sq m) is down nearly 30% quarter-on-quarter due to the completion of some long-running processes, but remains healthy. Continued momentum in leasing activity is expected in H2. Indeed, following the end of the quarter, some of this reserved stock translated into deal activity, with 'Big Four' accounting group EY agreeing to a long-term assignment (approx. 31,700 sq m) from LinkedIn at Two and Three Wilton Park.

Take-up for H1 2024 now totals over 104,000 sq m, over 60% higher than H1 in 2023. The uptick in activity is down to several factors, but most notably, prospective tenants now have more certainty in relation to in-office attendance trends and requirements, and the decision-making process around office portfolio strategy has quickened as a result.

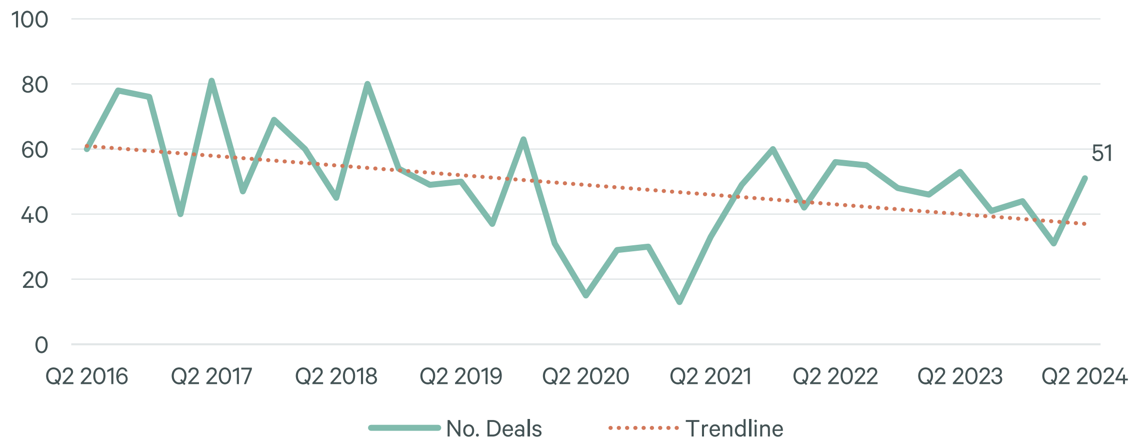
Also, the pickup in market activity should lead to some tenants, who have been assessing potential moves, mobilising more quickly to secure their preferred option ahead of others who have been evaluating the same space.

FIGURE 2: Dublin Office Take-Up - Top 10 Deals as a % of Overall Take-Up 2018 vs. H1 2024

2018	Sq M
Top 10 Take-Up 2018	171,806
% of Overall Take-Up	47%
H1 2024	**Sq M**
Top 10 Take-Up H1 2024	63,610
% of Overall Take-Up	61%

Source: CBRE Research

FIGURE 3: Dublin Office Take-Up - No. Transactions per Quarter



Source: CBRE Research

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Market Activity

The largest leasing deal of the quarter was One Wilton Park in Dublin 2, where global payment processor Stripe agreed to take 14,195 sq m of Grade A+ space on a lease assignment from LinkedIn. The deal is a significant boost to Dublin office market sentiment and gives Stripe the capacity to grow its headcount in Dublin to 1,500 employees. The deal is also a notable commitment to physical office space by a FinTech occupier, one of the key tenant groups who are favourable to hybrid working.

The other hugely significant transaction in Q2 was the leasing of four floors of Grade A+ space at The Shipping Office on Sir John Rogerson's Quay in Dublin 2. BNY Mellon signed a long-term lease for 7,320 sq m at the recently completed Marlet development. A total of 8,678 sq m of space remains available to lease in the building. The deal represents positive net absorption of Grade A+ space and is another strong commitment to physical office space by a multinational group.

Some notable leasing deals were also signed by flexible/serviced office operators in Q2. Iconic Offices agreed to a long-term lease at 3-8 Hume Street (4,531 sq m), located just off St. Stephen's Green, and DanuExp signed for 1,243 sq m at The Freight Building in the north docklands. CBRE Research previously detailed how this subsegment was enjoying a boost in interest from operators since the pandemic.

Also, notably, the long-running sale of the Seamark Building at Elm Park Green in Dublin 4 completed in Q2. The HSE have acquired the building on a vacant possession basis, an important strategic acquisition given its close proximity to St. Vincent's Hospital.

Deal Structure: Grade A+ 'Grey Space' Slowly Being Absorbed

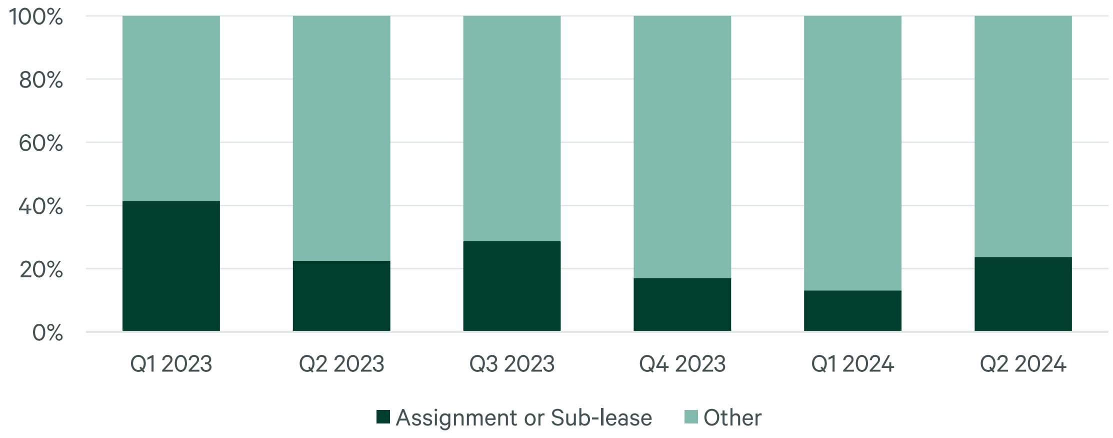
The absorption of Dublin grey space continued in Q2 with deals at 1 Windmill Lane in Dublin 2 (1,696 sq m) and 35 Shelbourne Road in Dublin 4 (1,235 sq m). Assignment and sub-lease transactions accounted for 23% (20,317 sq m) of take-up in Q2 and have now accounted for 22% of all take-up in the year to date. Some notable transactions involving prime located grey space will close in the second half of this year.

FIGURE 4: Notable Dublin Office Take-Up Q2 2024

Property	District	Size Sq M	Tenant	Transaction Type
The Seamark Building	Dublin 4	16,940	HSE	Freehold Sale
One Wilton Park	Dublin 2	14,195	Stripe	Assignment
The Shipping Office	Dublin 2	7,320	BNY Mellon	Letting
Building 12 Cherrywood Business Park	Dublin 18	5,574	APC	Letting
3-8 Hume Street	Dublin 2	4,531	Iconic Offices	Letting

Source: CBRE Research

FIGURE 5: Dublin Office Take-Up By Deal Structure (%)



Source: CBRE Research

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Market Activity

Take-Up by Sector: Financial Services the Most Active Sector in Q2 and YTD

In Q2, the financial services sector (32%) accounted for the largest proportion of Dublin take-up across 8 separate leasing deals. The public sector was the next most active and accounted for 28% of take-up in Q2.

On a year-to-date basis, the financial services sector (33%) continues to account for the largest share of activity and there has been continued evidence of larger financial firms exploring the opportunity to upgrade to higher-quality space. Stripe, BNY Mellon, Bloomberg, and Renaissance RE have all accounted for a large proportion of this take-up in the year-to-date.

Take-Up by Location: Nearly 80% of Take-Up in Q2 Occurred in Dublin 2/4

A 'Flight to Core' continues to play-out in the Dublin office market, with demand primarily focused on the most sustainable buildings within the core city centre districts. This bifurcation will persist into the second half of 2024.

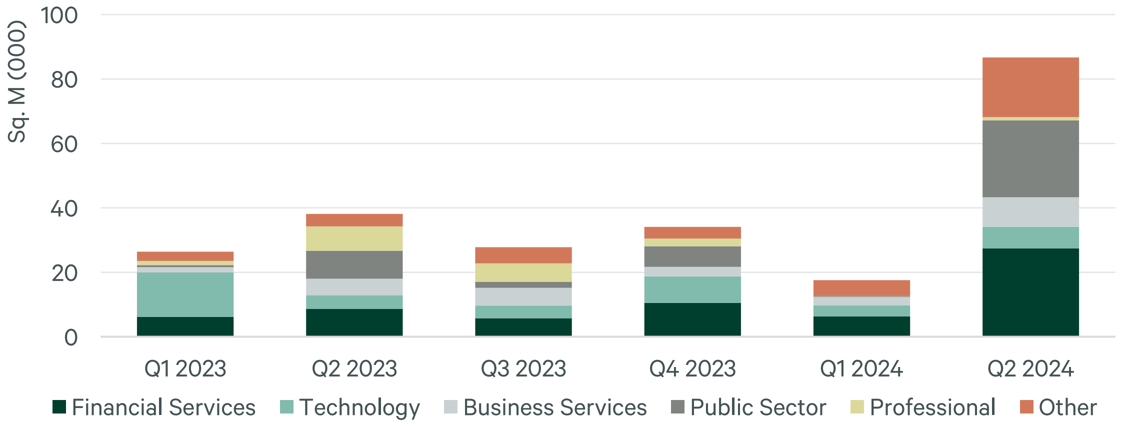
A total of 66,771 sq m of take-up was signed in Dublin 2/4, accounting for 77% of all take-up in the quarter. There were 15,770 sq m of lettings recorded in the suburbs during Q2, of which 56% (8,817 sq m) occurred in the south suburbs, with the remaining 44% (6,953 sq m) occurring in the north and west suburbs. In Q2, the city centre accounted for just over 80% of all office take-up, with the remaining 20% occurring in the suburbs.

Active Demand: Requirements Increase in Q2

Total demand requirements were up 5% in Q2, now standing at more than 249,000 sq m. This is more than the equivalent of one full year worth of historical take-up in the Dublin market (which has averaged approx. 240,000 sq m over the last 10 years).

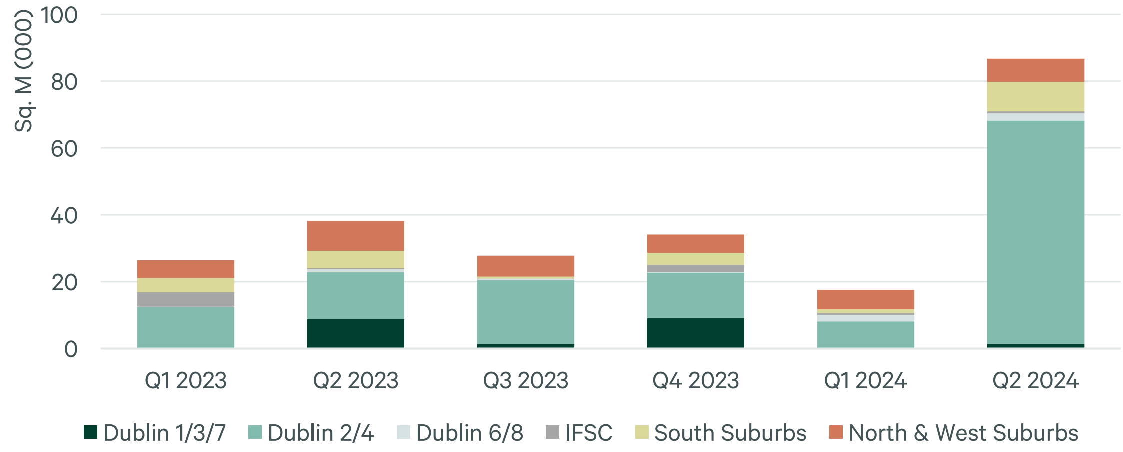
This increase in demand is led by several notable new requirements for space greater than 4,645 sq m (50,000 sq ft) in size from business and financial services occupiers. The majority of the largest new requirements were for core city centre districts.

FIGURE 6: Dublin Office Take-Up By Occupier Type



Source: CBRE Research

FIGURE 7: Dublin Office Take-Up By Location



Source: CBRE Research

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Development & Supply

Several office buildings reached practical completion in Q2, the largest of which was Kennedy Wilson's Building 2 Cooper's Cross in the north docklands (26,731 sq m). Four Wilton Park (17,225 sq m) also reached practical completion, marking the culmination of IPUT's construction of this campus development in the heart of the city.

In total, in the first half of the year, approximately 121,000 sq m of new office stock has reached practical completion in Dublin, and CBRE's research shows that just over 70,000 sq m of Dublin City Centre office stock will reach practical completion in H2.

Noteworthy developments that are due to complete in H2 include College Square in Dublin 2 (39,019 sq m), The Sidings (19,900 sq m) in the south docklands and IPUT's 15 George's Quay redevelopment and extension (6,531 sq m in total size), on the south quays.

The level of new office stock reaching practical completion in Dublin will fall post-2025, with commencements having slowed nearly entirely. One notable new commencement in Q2 was at 1 Adelaide Road in Dublin 2, where Irish Life has started demolition works for the redevelopment and extension of the old Deloitte House building at Earlsfort Terrace.

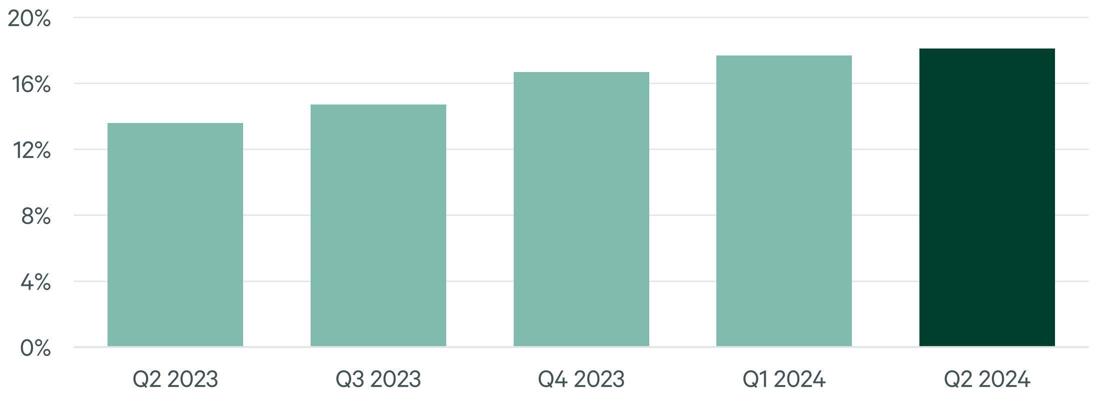
Vacancy Rate: Getting Closer to Peak

The Dublin office vacancy rate increased in Q2 as more speculative buildings were delivered to the market. At the end of the quarter, the vacancy rate (including the city and suburbs) was just over 18%. This includes both 'true' vacant stock and a further 248,000 sq m of 'grey space'. The Seamark Building, which was included in vacancy calculations, will now be removed having been acquired by the HSE for potential repurposing.

Rent Levels & Incentives: Prime Headline Rents Steady

Headline prime (nominal) rents in the city centre remained steady at €673 per sq. m (€62.50 per sq. ft) in Q2 for the best-in-class, most sustainable space. Rents in other segments of the market, particularly in secondary markets and suburban localities, are experiencing more incentives, such as longer rent-free periods and earlier break options.

FIGURE 8: Dublin Office Vacancy Rate* (Dublin City & Suburbs)



Source: CBRE Research; *Includes 'True' Vacant Space & Grey Space

FIGURE 9: Dublin Office Guideline Rents Q2 2024

Prime Headline Office Rents	Euro Per Sq M	Euro Per Sq Ft
City Centre	€673	€62.50
South Suburbs	€318	€29.50
North Suburbs	€221	€20.50
West Suburbs	€194	€18

Source: CBRE Research

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Investment Activity

Total Irish office investment in Q2 was €90m (across 6 deals), accounting for 18% of all investment in the Irish market in Q2. Total office investment in H1 totalled just over €118m.

The first truly core office investment trade in the Dublin market since 2022 completed in Q2 with the sale of 40 Molesworth Street for €37.5m. The office is situated in the most prime location in the city, at the corner of Dawson Street and Molesworth Street in Dublin 2, and is fully let to UK law firm DLA Piper, with ancillary retail let to Specsavers. Deka Immobilien acquired the building from State Street at a competitive net initial yield.

The number of core investors assessing office opportunities in the market remains relatively shallow; however, French SCPI funds, private high-net-worth individuals, and developers continue to actively view potential office acquisitions, where priced appropriately. High-yielding secondary offices with good location characteristics and/or repositioning potential are still attracting investor interest.

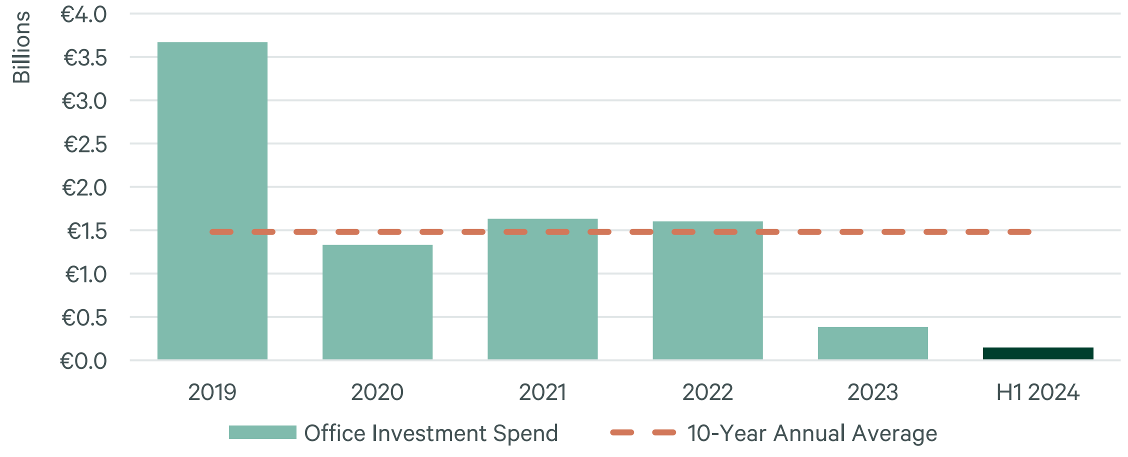
Considering current ongoing sale processes, the level of investment in the Irish office sector will continue to pick up in H2 2024. A number of receivership sales remain ongoing, while recent opportunities launched to the market include the Fumbally Estate in Dublin 8, which is being marketed on behalf of BCP Capital with a guide price of €25m.

Yields: Prime Unchanged in European Markets

Guideline prime Dublin office yields were unchanged in Q2 at 5.0% but still trending 'weaker'. In London West End, prime office yields were unchanged quarter-on-quarter at 4%; yields in the City of London remain at 4.75%; and in Paris Centre-West, pricing was also unchanged at 4.5%. Indeed, in both London and Paris, the trend on pricing has moved from 'weaker' to 'stable'.

Secondary Dublin city centre and suburban office yields are now 7.50% and 9.00%, respectively, but are still trending 'weaker'. Pricing will be dictated by transactional activity in H2, while many investors are now assessing opportunities with more of a focus on capital value per square foot basis, as opposed to yield profile.

FIGURE 10: Annual Irish Office Investment Volumes



Source: CBRE Research

FIGURE 11: Dublin Office Investment Yields (EY)

Category	Q2 2024	Quarterly Change	Q2 2022 – Q2 2024 Change
Prime Dublin*	5.00%	-	+100 bps
Secondary City Centre	7.50%	+25 bps	+225 bps
Suburban Dublin	9.00%	-	+275 bps

Source: CBRE Research; *Prime office yield assumptions: best-in-class office located in the prime CBD, assumes a 10-year FRI lease, rack-rented to a credible tenant, the building should be A rated (BER) with generally high sustainability credentials

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Figure 12: The Freight Building, Dublin 1; DanuExp Signed a 10-Year Lease (1,282 Sq M) in Q2

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