Q4 DUBLIN OFFICE MARKET 2024

33 SIR JOHN ROGERSON'S QUAY

BNP PARIBAS REAL ESTATE

Q4 2024 KEY TRENDS

JUST UNDER 44,100 SQ M TAKEN IN Q4
Flat Q/Q but up 51% y/y

Takes FY total to
JUST UNDER 195,000 SQ M

One large professional services letting accounted for
32% OF TAKE-UP

TECH SHARE OF LEASING FALLS BELOW 5%
the lowest since our records began

LEASE ASSIGNMENTS, SUB-LETTINGS AND MOVEMENT WITHIN THE MARKET
remain a feature

VACANCY EDGED MARGINALLY LOWER IN Q4
due to deferred completions

However 2025 supply pipeline becomes stronger as a result
VACANCY REMAINS ON UPWARD TREND

PRIME HEADLINE RENTS STATIONARY AT €673 PSM PA
but net effective rents remain under pressure

SUBURBS AND OLDER BUILDINGS UNDERPERFORMING
with average rents down across the market

MARKET ACTIVITY

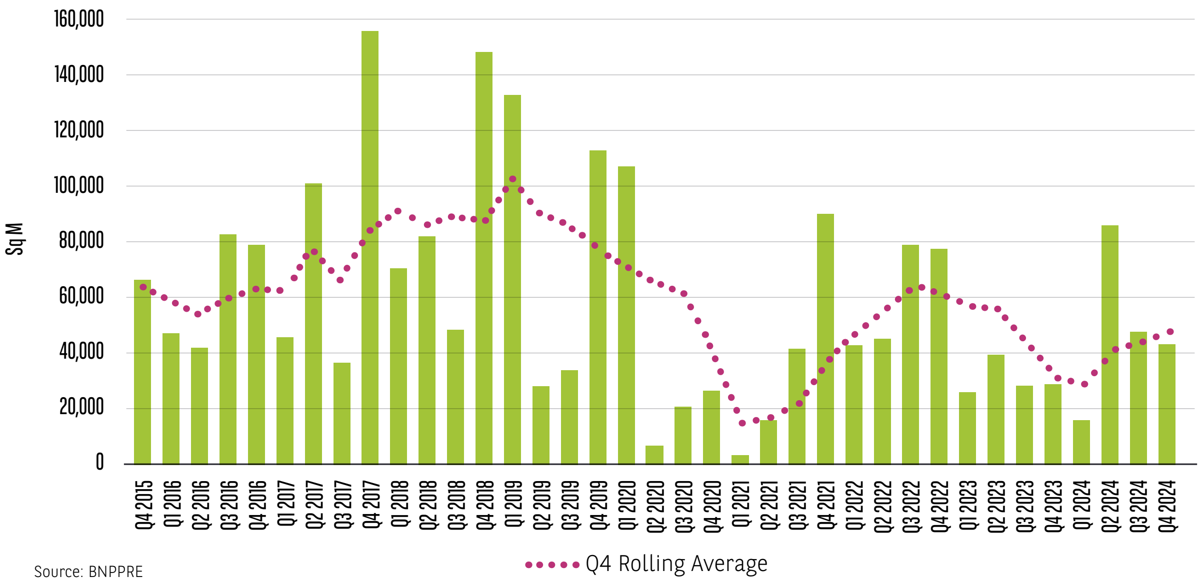
JOHN MCCARTNEY
Director & Head Of Research
BNP Paribas Real Estate

44,095 sq m of purpose-built office space was taken-up in Dublin in the final three months of 2024. Although this represents a 51% uplift compared with Q4 2023, it was the third slowest Q4 in the last decade, and the total amount of space taken was just over half the ten-year average. Paradoxically, however, agents were kept quite busy – 45 deals were done which is in-line with the quarterly average, and only a bit behind the Q4 average of 50 transactions. With Deloitte's pre-let of 1 Adelaide Road (14,028 sq m) being the only 5,000+ sq m deal, the average letting size came in just below 1,000 sq m. This is on-par with the last three years, but well below the 1,324 sq m average that was registered during the heyday of Dublin tech leasing between 2017-2021.

44,095 sq m

TAKEN-UP IN **Q4**

FIGURE 1: OFFICE MARKET TAKE-UP - DUBLIN

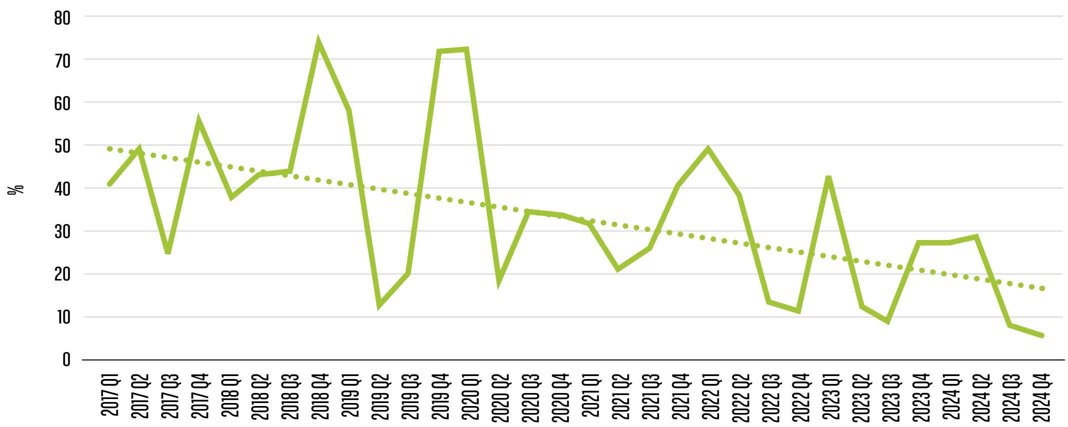


Source: BNPPRE

TAKE-UP BY SECTOR

With one large letting dominating, we should be cautious not to infer too heavily from the sectoral distribution of activity in Q4. However, the decline of tech is clearly visible when viewed in a longer-term perspective. ICT occupiers were almost totally dormant in Q4 with just 2,166 sq m taken. This accounted for less than 5% of total take-up, the lowest tech share since our records began.

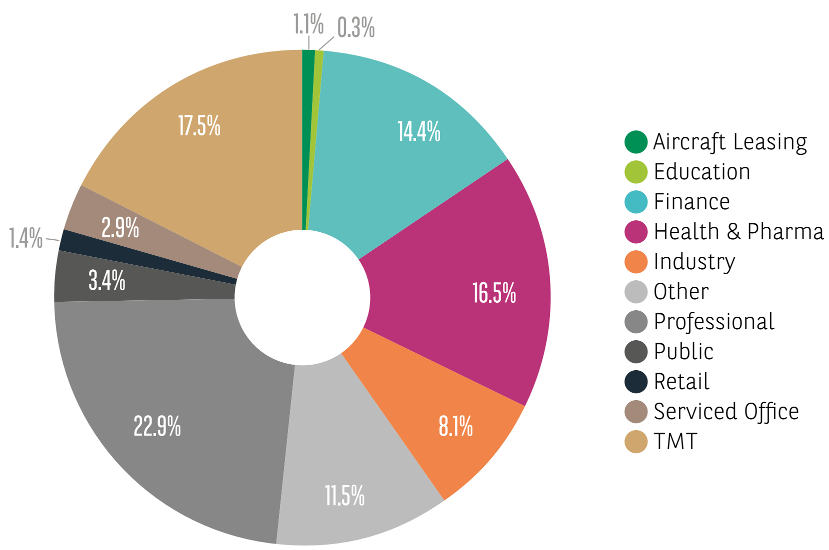
FIGURE 2: TECH SHARE OF OFFICE TAKE-UP, DUBLIN



Source: BNPPRE

In the absence of major tech lettings, professional services was the most active sector in 2024, taking almost 44,500 sq m - 23% of the year's total. The Deloitte pre-let ensured that this remained the case in Q4. However this and one other deal - the EY letting at Wilton Park in Q3 - accounted for 59% of the year's professional services lettings and, outside of these big transactions, the average professional services deal in 2024 was just 546 sq m. An additional cautionary note is that many of the major professional services firms (which also include KPMG and A&L Goodbody) have taken large parcels of space over recent years, and it remains to be seen whether the flow of these deals will continue now that such major requirements have been met.

FIGURE 3: DUBLIN OFFICE TAKE-UP BY SECTOR, 2024

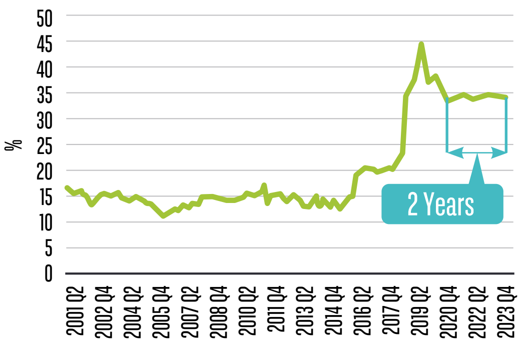


Source: CSO

REMOTE WORKING

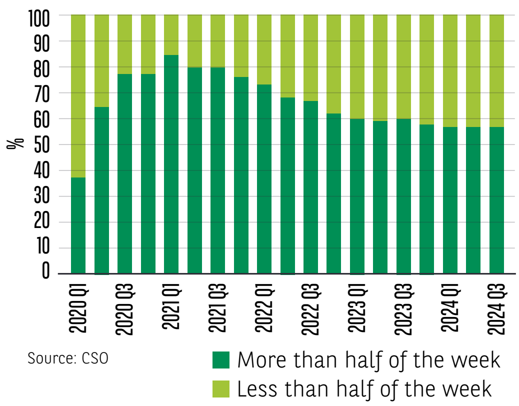
The national debate on remote working has become somewhat politicised, with protagonists on both sides advancing sometimes conflicting information to support their position. In this context it makes sense to refer to the official Labour Force Survey data from the CSO, which is a disinterested party. After initially retreating from its pandemic peak the proportion of employees using remote work stopped falling in Q3 2022 and has stabilised at around 34% since then. This is approximately 2.5x the pre-Covid level (Figure 4a). Despite this, a low-key return to the office continued until late 2023 as the proportion of remote workers spending more than half of their working week at home gradually crept lower. However, as shown in Figure 4b, this trend appears to have stalled in 2024 with the share of remote workers spending most of their time outside the office stabilising at around 58%.

FIGURE 4a: EXTENT OF WORKING FROM HOME



Source: CSO

FIGURE 4b: INTENSITY OF HOME WORKING

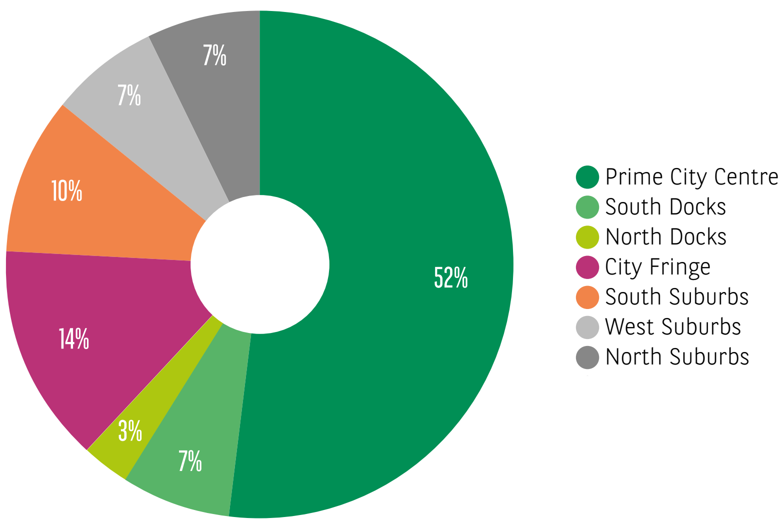


Source: CSO

TAKE-UP BY LOCATION

62% of Dublin office take-up in 2024 was concentrated in the prime city centre and docklands markets – the first time since 2021 that these markets have accounted for a majority of activity.

FIGURE 5: OFFICE TAKE-UP BY LOCATION

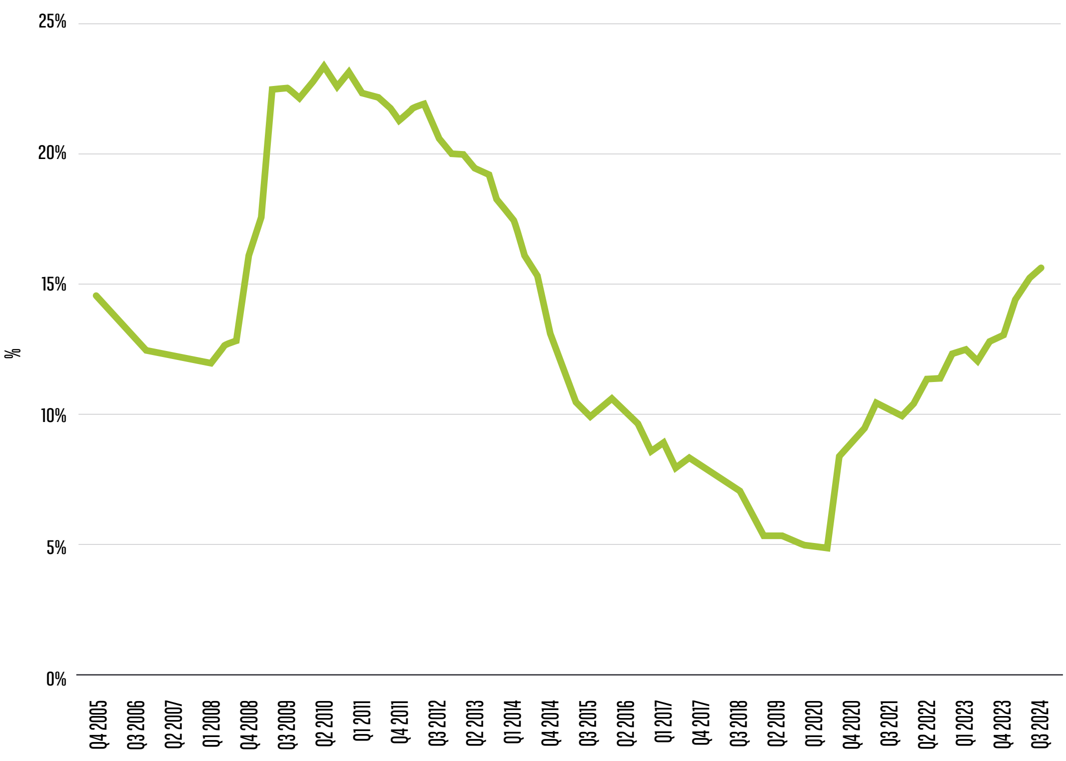


SUPPLY AND VACANCY

Several offices that were scheduled to reach practical completion in Q4 did not get across the line by year end and, to the best of our knowledge, there were no completions or withdrawals in the quarter.

With limited market activity, and with re-locations accounting for nearly four-fifths of the space that transacted, net absorption was relatively modest. However, with no net additions to stock, the vacancy rate edged marginally lower to 15.5% in Q4. While well below the peak of 23.3% that was experienced during the Global Financial Crisis, this is a distance above the natural vacancy rate for Dublin offices. In other words, vacancy is at a level that is dragging on real rents. Furthermore, despite the slight reduction in Q4, vacancy remains on an upward trend as the buildings that failed to complete in Q4 will now emerge from the pipeline as additional supply in H1 2025.

FIGURE 6: VACANCY RATE – DUBLIN OFFICE MARKET



Source: BNPPRE

RENTS AND LEASE TERMS

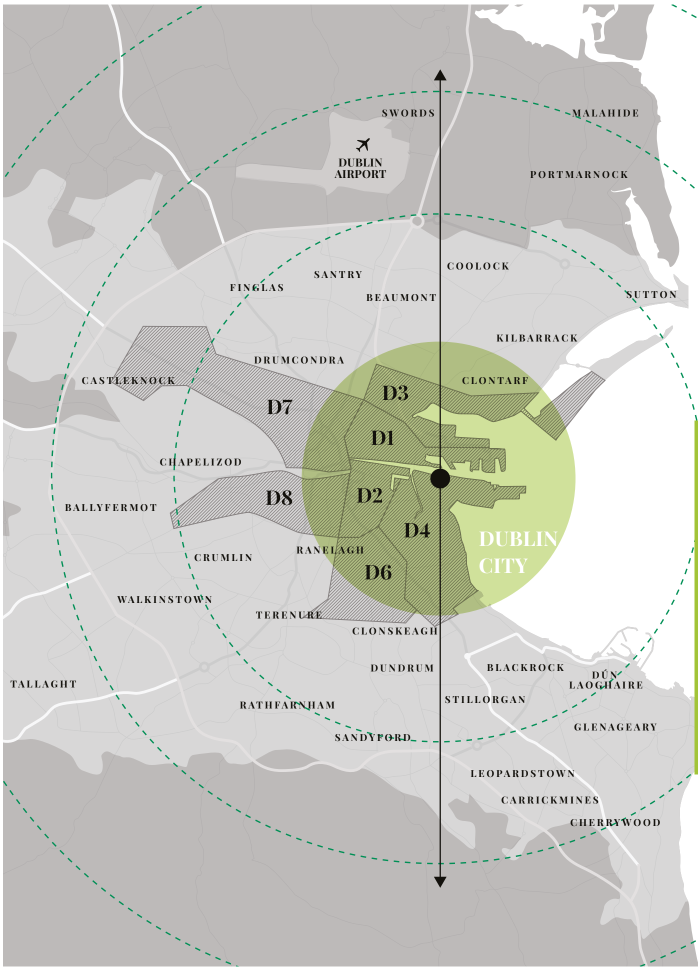
Prime headline rents remain at €673 per sq m per annum – where they have now been for 11 quarters. Inflation has slowed significantly but has nevertheless deducted from the purchasing power of money over this period, meaning that headline rents have fallen in real terms. Moreover, shortening average lease terms and earlier breaks confirm that market conditions are continuing to favour tenants.

OUTLOOK

As we enter the new year the market faces ongoing headwinds. On the demand side, the tech leasing hiatus continues. Given the importance of ICT to Dublin's office market in recent years, a reversion to mean levels of activity is unlikely to materialise unless this situation changes. On a positive note, some tech requirements remain in the ether. However the recent US election results, and the associated rise of the deglobalisation agenda, would appear to tilt the risks of a strong tech leasing recovery to the downside. Vibrant professional services demand has, to an extent, compensated for the fall-off in tech leasing since 2022. However, as noted above, a number of large requirements have now been filled, and it is unclear whether the leasing momentum from this source will be sustained in the medium term.

TAKE-UP ROSE BY 51%
year-on-year in Q4

44,095 SQ M OF OFFICE
take up in Q4



2024 Q4 Take-Up

44,095 sq m

DUBLIN CITY (DUBLIN 1,2 and 4)	DUBLIN FRINGE (DUBLIN 3,6,7 and 8)	SUBURBS
30,239 sq m	2,622 sq m	11,234 sq m
68.5%	6.0%	25.5%

“With vacancy remaining above its equilibrium level real growth in office rents is not expected for the time being”

JOHN MCCARTNEY
Director of Research,
BNP Paribas Real Estate Ireland

“Towards the end of 2024 we are seeing a significant increase in Tenant enquiries for offices in Dublin’s CBD with most size requirements typically ranging from 500-1,000 sq.m. The majority of these requirements were in the professional services sector and we expect this trend to continue in 2025”

KEITH O’NEILL
Executive Director,
Head of Office Agency,
BNP Paribas Real Estate

TOP 10 DEALS Q4 2024

	BUILDING	LOCATION	TENANT	SQ M
1	1 Adelaide Road	Dublin 2	Deloitte	14,028
2	Coopers Cross, North Docklands	Co. Dublin	Wells Fargo	2,413
3	Four & Five Park Place, Harcourt Road	Dublin 2	CVS	2,226
4	40 Mespil Road, ground and 1st floor	Dublin 4	Mars / Eagle Street	2,114
5	Third Floor, The Eight Building, Newmarket	Dublin 8	RKD	1,494
6	Block 18B Parkwest, 2nd and 3rd floors	Dublin 12	IPS-Integrated Project Services	1,363
7	124/127 St Stphens Green, 5th Floor	Dublin 2	Unknown	1,336
8	4th Floor, The Chase, Sandyford	Dublin 18	Roughan & O'Donovan	1,260
9	2 Windmill Lane	Dublin 2	Unknown	1,207
10	One Haddington	Dublin 4	Stepstone	1,094


2 GRAND PARADE

TOP DEALS

	CITY CENTRE	SUBURBS
Highest Rents	€673 per sq m pa (Windmill Lane, Dublin 2 - Sublease)	€335 per sq m pa (The Hyde Building, Carrickmines)
Number of Deals	21	21
Average Deal Size	1,440 sq m	535 sq m
Typical Lease Term	15 years	10 years
Typical Lease Break	7-10 years	5 years
Typical Rent Free	12-18 months	18-24 months

* Grade A sustainable buildings.

SPACE TAKEN BY DEAL SIZE AND LOCATION

	<500 SQ M	500 / 999 SQ M	1,000 / 1,999 SQ M	2,000 – 4,999 SQ M	5,000 – 9,999 SQ M	>=10,000 SQ M
City Centre	9	5	3	3	0	1
City Fringe	1	1	1	0	0	0
Suburbs	12	5	4	0	0	0

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