

A challenging year for the Dublin office market

It was a challenging year for the Dublin office market with a combination of higher costs, political uncertainty and structural shift in work patterns continuing the trend of companies being more cautious on office requirements. With the change to hybrid policies now established firms are generally opting for less space but much higher quality in terms of specification, amenities and sustainability. This is leading to a clear demarcation in the market for corporate space with a superior Tier 1 class of buildings emerging with a BER A rating and minimum LEED Gold in highest demand.

- The market slowdown last year was highlighted by the lack of deals over 50k sq ft with only 1 recorded during the year in Smithfield. Unusually, there were no deals over 50k sq ft in the traditional CBD as opposed to 10 recorded in 2022. This is an outlier and we expect numerous large deals to be completed in 2024.
- The most active sectors in the market was professional services and finance at 43% with the tech sector recording 25% down from a high of 60% in 2018. Some of the stand out deals included KKR taking 40k sq ft at the newly completed Cadenza on Earlsfort Terrace and Jacobs Engineering moving from their long established headquarters in Booterstown to Termini (30k sq ft) in Sandyford.
- Demand and activity in the smaller size category stayed robust with the average deal size for the market at 8,250 sq ft recorded over 165 separate deals. Total take up for the year at 1.36m sq ft was about 50% down on the levels recorded in 2022 and the 10 year average of 2.6m sq ft.
- There was 1.18m sq ft of new office completions in 2023 including the Shipping Office in the South Docks (177k sq ft) and Glencar House in Ballsbridge (75k sq ft) which pushed the overall vacancy rate to 16% from 11.5% a year ago. Although this looks high we estimate that around a third of the available space currently on the market is functionally obsolete due to age, specification and poor energy credentials.
- With fewer large mandates from the technology sector, new buildings are leasing on a floor by floor basis where there is stronger demand. Best in class new buildings such as One Charlemont and Two Grand Parade will be multi tenanted as opposed to holding out for a large anchor tenant. Multi occupation puts an increased focus on the quality of management provision in buildings and we have focused on rolling out best practice across our managed estate.

OFFICE STATISTICS FY 2023

Take Up FY 2023	1.36m sq ft
Vacancy Rate (entire market)	16%
New Completions FY 2023	1.18m sq ft
% Pre-committed on completion	31%
Under Construction	CBD: 3.6m sq ft Suburbs: n/a

- Pipeline demand remains strong with over 2m sq ft of tracked enquiries across the full range of tenant requirements from 10k-200k sq ft. There is over 500k sq ft of reserved space heading into the first quarter, so a lot of activity on the ground with much of this demand in the 'sweet spot' range for the Dublin market of 5-20k sq ft. There are a number of large requirements active in the market this year such as EY, Deloitte and BNY Mellon to provide a well-timed boost for the sector.

Headline Office Rents (Dec 2023)

CBD (Grade A)	€57.50 – €62.50 per sq ft
Suburban (Grade A)	€28.00 – €34.00 per sq ft
Car spaces: City	€4,000 pa per car space
Car spaces: Suburbs	€1,750 – €2,000 pa per car space



- ▲ The HIVE, Sandyford, Dublin 18.
HQ Offices for Cubic Telecom, NTR plc and Grafton Group plc
(26,300 sq ft available to let)

OFFICE SUPPLY / NEW CONSTRUCTION

- There is 3.6m sq ft of space under construction in Dublin to be completed by the end of 2025 and around 43% was reserved by year end (this includes 270k sq ft in Wilton Park available on the grey market for sub-lease). Completions for 2024 are estimated to be 1.95m sq ft and 1.65m sq ft for 2025 bringing an end to the supply of new speculative space in this cycle. Around 58% of the space due for completion in 2025 is reserved with Google, Citi and KPMG accounting for over 900k sq ft of the total.
- The net supply of available space under construction is estimated at just over 2m sq ft all of which will be targeting the highest BER rating of A1-3.
- Financing for new schemes will be difficult without pre-lets and this will potentially lead to a shortage of prime CBD space from 2026 and we expect the majority of the current available new buildings will be leased up by the end of 2025.
- Following the GFC there was no new completions of office space in Dublin from 2010 to 2014 and a similar supply gap could emerge from 2026 onwards.
- The secondary grey market for sub-lease accounts for some 2.1m sq ft of current supply, some of which could be withdrawn at short notice if market conditions improve particularly in the technology sector.
- The shortage of quality space is more likely to be felt for companies in the sub 50k sq ft category seeking offices with strong ESG credentials. There are a number of large developments due for completion this year including Coopers Cross (390k sq ft) in the North Docks and College Square (420k sq ft) in Dublin 2 which will be targeting lettings of scale to anchor the schemes.



▲ One Haddington Buildings, Haddington Road, D4.
Grade A HQ building to let 23,500 sq ft
16,000 sq ft let to CPL

SUBURBS

- The suburbs had a quieter year with Jacobs Engineering taking a floor of 30k sq ft in Termini and Laya Health expanding in Cherrywood (30k sq ft) the highlight deals.
- Office rents remained steady over the year but may come under pressure this year due to the level of vacancy and competition from landlords and leaseholders with surplus space.
- There is no speculative office space under construction in the suburbs and this is unlikely to change for the next 2-3 years until the market corrects in terms of available supply.

Top 5 Office Deals 2023	Size (sq ft)	Tenant	Sector
1. Haymarket House, Smithfield, D7	79,600	NTA	Government
2. 124 St Stephen's Green, D2	39,400	Intercom	Technology
3. Cadanza, Earlsfort Terrace, D2	39,200	KKR	Finance
4. Termini, Sandyford, D18	30,500	Jacobs	Professional Services
5. 60 Dawson Street, D2	27,750	Pinterest	Technology

OUTLOOK 2024

There has been a lot of negative sentiment on the office sector over the last 12 months but we think the market is at or close to the bottom of its contraction post pandemic and expect an increase in tenant activity in 2024 with professional service and finance sectors again dominant. With renewed tenant activity in January, take up will be higher this year with the potential to reach around 2m sq ft and closer to the long term average for the market. Large scale technology mandates are unlikely to return as tech companies are still adjusting following the expansion during Covid. Life Sciences, pharma and health related companies are more likely to feature as expanding sectors along with the Government as it continues to upgrade its portfolio of offices to meet carbon reduction targets.

We expect most of the available Tier 1 stock in the CBD will be leased by the end of 2025 reducing the choice for occupiers requiring space 2-3 years out. As the market is now fragmented into energy efficient new stock and older less efficient buildings which are becoming increasingly more difficult to let, we expect rent levels for the highest quality CPD space will hold as the new space leases up.

What to do with older generation office stock will remain a hot topic. Conversion to alternative use including residential is a good idea in principal but difficult to achieve in reality due to the smaller lot size of the early generation stock in Dublin and cost of conversion without financial incentives.

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