OFFICE REVIEW & OUTLOOK

H1 2024

HWBC

OFFICE STATISTICS H1 2024

Take Up H1 2024	1.1m sq ft
Vacancy Rate (entire market)	16.5%
New Completions H1 2024	1.4m sq ft
% Pre-committed on completion	35%
Under Construction	CBD:2.725m sq ft (52% reserved) Suburbs: n/a

Strong rebound in Q2 lettings as market on track to exceed 2M sq ft FY take up

The recovery in office demand in Dublin has been gathering pace and saw a sharp rebound in Q2 with 900k sq ft of signed deals to bring the total for the first half of the year to 1.1m sq ft. The strong performance in Q2 had been building over the previous quarters with weak take up in Q1 arguably marking the low point of the cycle. There was only one deal over 50k sq ft in the entire of 2023 and this year has already had 5 with more to come in the second half of the year.

- *There were a number of significant deals signed in Q2 across the full range of sectors including health, government, finance and technology. Take up for the first 6 months is 62% ahead of the same period last year and the average deal size has risen to 15,000 sq ft. The number of large transactions recorded in Q2 is encouraging as it marks returning confidence from the corporate sector in the importance of the office headquarters. In some of the highlight deals BNY Mellon will be moving to the newly completed Shipping Office in the South Docks taking 85,000 sq ft and Mark Anthony Brands are expanding taking 44,000 sq ft for the top two floors at One Charlemont Square.*
- *The secondary 'grey space' market has been active in Q2 with deals agreed at IPUTs new development at Wilton Park to Stripe and EY choosing this location for its new headquarters. LinkedIn had offered surplus space of 272k sq ft by sub-lease which will now be reabsorbed by the market which is positive. These are significant deals not only in scale but will reduce the available grey space and help offset the impact on vacancy of large new completions at Coopers Cross and College Square.*
- *The quarter also saw a shift in how the market is adjusting to changing demand with surplus stock being repurposed to alternative uses. The HSE emerged as the purchaser of the Seamark Buildings in Elm Park, Dublin 4 (182k sq ft) which were vacant for a number of years. Despite being high quality offices the location failed to attract office tenants and will now be repurposed for health sector use and removed from vacancy and office stock.*
- *The pipeline of active demand is strong with a number of large office requirements expected to contract in the second half of the year. Workday are actively considering sites to accommodate around 400k sq ft campus to consolidate and expand their operations in Dublin. There are a limited number of locations to cater for this size requirement and the Kennedy Wilson scheme at Coopers Cross (400k sq ft) and Marlets at College Square (420k sq ft) are in the running.*
- *Including Workday there are a number of other large requirements from Deloitte, EY and ESBI expected to complete in the second half of the year to add around 700k sq ft of potential lettings which should see the total for 2024 exceed 2M sq ft.*

Headline Office Rents (Jun 2024)	
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

OFFICE SUPPLY / NEW CONSTRUCTION

- *2024 will mark the peak of speculative office delivery in Dublin with a total of 2M sq ft of new completions expected by the end of the year. There is a further 2M sq ft to be completed over the next two years with little expected beyond 2026. Currently 41% of the office space to complete by the end of this year is reserved including the new A&L Goodbody HQ at North Wall Quay (154k sq ft) being developed by IPUT and 2-3 Wilton Park reserved by EY.*

One Pembroke, Ballsbridge, Dublin 4. New landmark offices coming soon to Ballsbridge. (96,000 sq ft to lease)

- *Some of the larger schemes due to complete over the next two years include Bolands Bakery (274k sq ft) for Google, the new KPMG campus at Harcourt Square (337k sq ft) and Citi HQ at Waterfront South Central (375k sq ft). Although at first glance there appears to be a lot of new offices under construction, 52% of the total is reserved so the volume of speculative new space is reasonably well balanced.*
- *New completions which are currently available on the market include Clancourts 4&5 Park Place (200k sq ft), College Square (420k sq ft) and the Bartra development at The Sidings (161k sq ft) all of which are in active discussions with occupiers.*
- *The amount of speculative stock scheduled for completion from 2026 will drop dramatically and virtually non-existent from 2027 which in our view will lead to pressure on supply for Tier 1 space and prime rent levels.*
- *There are a number of well-located sites in Dublin 2 for future developments of scale such as the current KPMG campus and ex Anglo HQ on St Stephens Green, Clanwilliam Place and the Deloitte HQ on Earlsfort Terrace. However none of these schemes could be delivered for occupation until nearer the end of the decade.*

SUBURBS

- *There is no speculative office space under construction in the suburbs as subdued demand and elevated supply levels continue to weigh on activity. Out of town office markets are more sensitive to the slowdown in demand from the technology sector where demand is still muted due to over expansion during the pandemic.*
- *In the south suburbs medtech firm APC continued to expand taking 60,000 sq ft in Cherrywood. Sandyford also secured a significant letting with John Paul Construction deciding to move their long-established HQ from Dundrum and take 20,000 sq ft in Termini.*

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

Top 5 Office Deals H1 2024	Size (sq ft)	Tenant	Sector
1. The Seamark Building, D4	182,000	HSE	Government /Health
2. One Wilton Park, D2	156,000	Stripe	Technology
3. The Shipping Office, D2	79,000	BNY Mellon	Finance
4. Building G3 Cherrywood, Co. Dublin.	60,000	APC	Health
5. 3-8 Hume Street, D2	49,000	Iconic Offices	Professional

- *Rent levels for the best new space in the south suburbs have largely remained static this year but there is more pressure on landlords to increase tenant incentives such as rent free or flexible lease terms to secure lettings in all but the best space. Lease terms for older space have continued to soften as most demand is for energy efficient and sustainable stock.*
- *Oversupply is still an issue for many suburban locations with not enough active demand to absorb the existing stock. There has been no new construction starts in the suburbs over recent years which will eventually help to rebalance the market as the best space is slowly absorbed.*

OUTLOOK 2024

There is growing consensus that this year will mark the low point of the cycle with a number of positive indicators including increased demand from corporate occupiers and steady absorption of the overhanging grey space on the market. The new supply of speculative office space will see a dramatic fall next year which will start to put pressure on the top tier of the CBD market where most of the demand is focused. Interest rates are on a downward trajectory which should provide some certainty for business on costs looking at investment and expansion.

The top tier of the market is performing well but the outlook for older office buildings with poor BER ratings is not so positive. Terms on these buildings will continue to soften as landlords offer ever more attractive terms to secure lettings for empty floors. For occupiers the next six months may mark the 'sweet spot' to acquire space on the most favourable terms as the market slowly corrects in terms of quality supply available.

With the pandemic firmly in the rear-view mirror companies are increasingly making decisions on office requirements for the medium term with big names like EY, Deloitte, BNY, Citi and Workday all showing confidence in the importance of the physical office for staff, clients and future growth. More certainty on occupier strategy is leading to increased activity on the investment side with significant volumes of capital looking to invest in the Dublin office market for the right product at the right price. We expect investors to start reviewing suitable CBD sites for the next construction cycle to deliver into an under supplied post 2026 market.

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