SPRING 2025

Market Matters

Murphy Mulhall

The Inside Track
Office & Investment Markets analysed

London Calling
Key highlights from a mature office market

Vive La France
Insights from an important investor

Key Themes for 2025
Our expert view on what lies ahead

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INTRODUCTION

Welcome to the 5th edition of Market Matters. Thanks for all the great feedback over the years on our ever-popular annual publication. Our straight-talking style will never change and we're glad you like it!

Reflecting briefly on this time last year, it seems like a different commercial property market we now inhabit. 12 months ago we were in the middle of the worst Q1 Take-Up ever witnessed in the Dublin Office Market. ECB key interest rates were 4.5% (now 2.9% - February 2025) and we were craving transactions in the investment market to create a case for stability.

Thankfully, the Dublin Office Market re-bounded dramatically and produced a healthy take-up level for the year (2 million sq.ft.). During 2024, I certainly felt a stronger sentiment towards RTO with in-built employee flexibility and I see this continuing into 2025.

The investment market has been helped by a reducing interest rate environment. Our experience of the €1m-€5m price bracket has been very positive and this sector is busy with some good product available for high net worths. European/International/Institutional investors are still cautious, and we need to monitor their country-by-country activity levels into 2025.

In this edition we will take a closer look at the Dublin Office Market, provide our usual updates from international industry colleagues and offer our views on how we see 2025 playing out.

As always, I hope you take something useful from the report.

All the best,

James

James Mulhall
Managing Director

QUICK FACTS

OFFICES

2
MILLION SQ FT
OFFICE TAKE-UP
2024

€51
PER SQ FT
PRIME 'BIC'
NET EFFECTIVE
RENT

125
OFFICE AGENT
REQUIREMENTS
(OAR'S)

70%
OCCUPIER DEMAND
0-10,000 SQ.FT
SIZE

INVESTMENT

€2.4bn
INVESTMENT
SPEND
2024

117
TOTAL NO.
TRANSACTIONS
2024

80%
TRANSACTIONS
IN DUBLIN

70%
TRANSACTIONS
FOREIGN
INVESTORS

1. OFFICE MARKET REVIEW

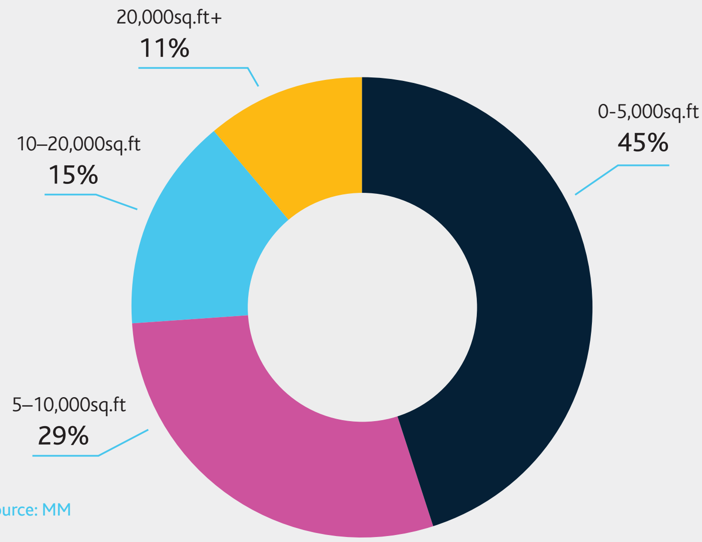
Summary

After a very slow start, 2024 became very busy in the Dublin Office Market with a total take-up of 2 million sq.ft. across 185 transactions. An increase of 66% on 2023 take-up levels.

The 0 – 10,000 sq.ft. size range remains the most active, accounting for 74% (137 x no. transactions) in 2024. Of these, 14 x transactions were within "Best in Class" (BIC) office buildings. The 'floor by floor' size range (10 – 20,000 sq.ft.) also experienced significant activity, with 28 x transactions in total with x 7 of these occurring within 'BIC' office buildings.

There were some notable lettings within the 20,000 sq.ft.+ category in 2024, particularly within 'BIC' buildings, which were clearly the office asset class of choice for larger occupiers.

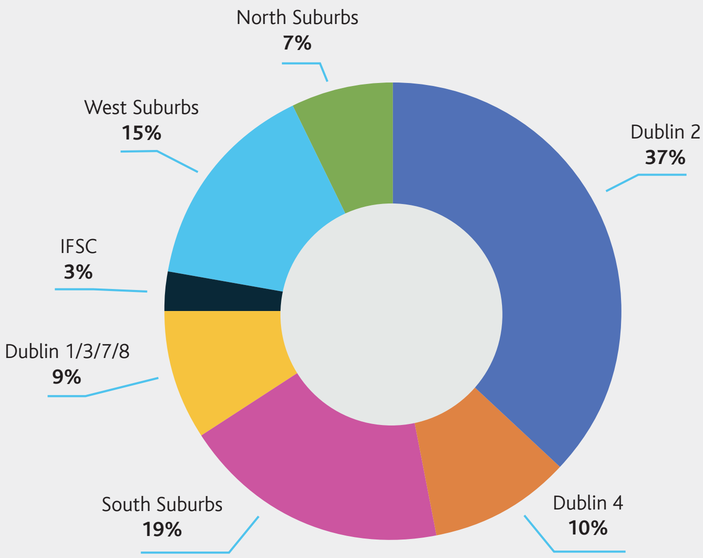
Take-Up by Size (Based on No. of Deals) 2024



Source: MM

The CBD (Dublin 2) continues to be the location of choice and in particular Dublin 2/4, however, suburban locations continue to attract interest, particularly the South Suburbs.

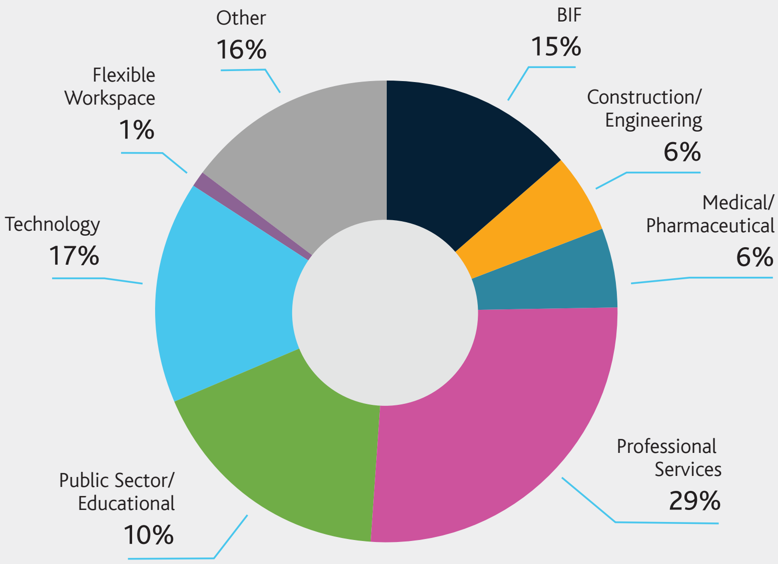
Take-Up by Location (Based on No. of Deals) 2024



Source: MM

The professional services sector was the most active, accounting for 29% of the total sq.ft. take-up in 2024. This was followed by the Tech sector at 17%. There is continued strong demand from professional services and public sector occupiers seeking space currently in the Dublin market in 2025.

Take-Up by Sector (Based on Sq.ft.) 2024



Source: MM

The strong finish to 2024 has carried into 2025 with approx. 1.1 million sq.ft. of OAR's and 1.23 million sq.ft. currently in legals. The notable shift toward 'BIC' office spaces witnessed in 2024 will continue into 2025 also. The CBD will remain the location of choice (for a variety of amenity and building choice reasons) and we are seeing access to public transport options featuring higher up occupiers' agenda's. 0-10,000 sq.ft. will remain the most active size band being sought.

Rents & Incentives

Quoting Rents remained stable throughout 2024 in the Dublin Office Market and currently stand as follows:

	CBD	Suburbs
Best in Class	€57.50 - €65 per sq.ft.	€30 - €35 per sq.ft.
Grade A	€52.50 -€57.50 per sq.ft.	€27.50 - €29.50 per sq.ft.
Grade B+	€45 - €55 per sq.ft.	€18 - €25 per sq.ft.
Grade B or below	€30 - €45 per sq.ft.	€15 - €18 per sq.ft.

Rents will begin to rise for 'BIC' Buildings (particularly in CBD). Certain occupiers require the best ESG credentials and prefer quality options in order to attract and retain staff. These occupiers do not see 'BIC' rental levels as productive in their bigger financial company picture.

Lease lengths will remain flexible, with 5 – 10-year terms available on most stock (with the exception of some 'BIC' offices where 7 – 10-year terms are being sought).

Note: Based on our review of the 2024 take-up stats, not all SME occupiers lease 'BIC' space. Some are perfectly happy with Grade B+ and perhaps do not want to pay the rent associated with BIC. They are happy to seek value in the "Best of the Rest" (BOTR) office space bracket.

Rent free periods are now 1 – 1.8 months per year term certain depending on building, spec, location, lease length and local market.

Occupier Demand

As of 1st January 2025 there were a total of 76 x deals in legals (approx. 1.23 million sq.ft.) of these, 0 – 10,000 sq.ft. occupiers accounted for 70% (53 x no. of deals). See table below:

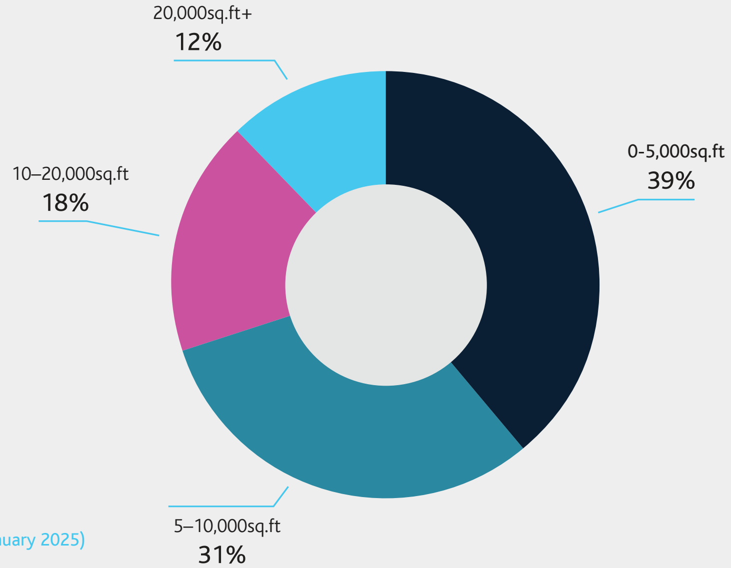
Q1 2025 – 76 Deals Reserved

Deal Size	No. of Deals
0-5,000 sq.ft.	28
5-10,000 sq.ft.	25
10-20,000 sq.ft.	13
20,000 sq.ft.+	10

Source: MM

There are currently 125 Office Agent Requirements (OAR's). Again 0 – 10,000 sq.ft. occupiers are the most active in the Dublin Office Market.

Current Office Agent Requirements (OAR) by Deal size



Source: MM
(August 2024 – January 2025)

Current Office Agent Requirements (OAR) Analysis

62%	Preference for City Centre
36%	Preference for Suburbs
42%	Preference for Fitted Space
30%	Preference for Short Term Lease (<5 years)

Source: MM (August 2024 – January 2025)

In 2025, we believe stronger conversations between employers and employees will continue around Return-to-Office (RTO) protocol. The physical office and employee presence therein is becoming important once again for efficiency, collaboration, productivity and mental wellbeing. This point remains sector specific, however, we believe that more and more companies will seek to increase in-person attendance in 2025 and as a result there will be higher demand for office space.

Supply

UNDER CONSTRUCTION
There is only approx.
220,000 sq.ft.
due for PC in 2025

VACANCY RATE
15.8%
Overall

SME OCCUPIERS
25
Options
to consider in Dublin 2 for 5 - 10,000 sq.ft. in 'BIC' space

Key Themes in the Dublin Office Market in 2025

1. **Stronger RTO Conversations:**

   Stronger conversations between employers and employees around Return-to-Office (RTO) protocol will continue into 2025 as the office begins to find its place of importance once again. Albeit still sector specific and likely 3 - 4 days per week.

2. **Dwindling Supply of 'BIC' options:**

   There will be a dwindling supply of "Best in Class" options for occupiers seeking between 5 - 10,000 sq.ft. The availability of 'BIC' office space is becoming increasingly constrained, especially in the CBD. Therefore, occupiers will need to start making decisions quicker or start exploring lower quality options.

3. **'Best of the Rest' Opportunity:**

   There is a great opportunity for Landlord's in what I call "Best of the Rest" (BOTR) class to look at attracting the occupiers who either do not require "BIC" space or do not want to pay the rent associated with it.

4. **'FDI & Trump':**

   We await the impact on Foreign Direct Investment (FDI) as the new Trump administration and its proposed tax reforms begin. Ireland has long been an attractive hub for multinational companies, thanks to its favourable tax environment. As new proposals and changes are discussed in the U.S., businesses are cautiously awaiting clarity on how these reforms may impact their physical office footprint in Ireland.

London Calling

2. LONDON OFFICE MARKET REVIEW

Rhodri Phillips, Partner – London Offices at Newmark (MM International Affiliate)

2024 Central London Key Highlights

- Occupier take-up in Central London was 13.7m sq.ft. in 2024, up 16% on 2023. Demand improved in most submarkets, predominantly in core West End and City locations.
- Overall occupier demand remains just shy of the 2010-2019 average but is trending higher and is skewed toward Best in Class accommodation. Prime stock, with the strongest ESG credentials, in attractive amenity-rich locations is in highest demand across every central London sub-market.
- Most office occupiers have established post-pandemic working policies and many are now ramping up RTO mandates. Floor space requirements have become clearer, and this is having a positive net impact on demand, although occupier activity continues to be lease event-driven, so it is taking time to filter through the market.
- Media and Technology companies and Professional Services firms recorded the strongest growth in occupier take-up in 2024. However, it is occupiers in the Finance and Banking sector that continue to account for the largest share of demand – representing over a quarter of all lettings in 2024.
- Overall London availability rates look to have peaked, falling from 9% in Q4 2023 to 8% in Q4 2024. Best in Class occupier requirements often have very few suitable options, especially in core markets. There is sub-market variance to this headline figure though with markets such as King's Cross and Euston (where large scale Life-Science related) developments added to supply in 2024.
- Prime rents continue to grow strongly, with average increases of 5.9% in central London in 2024. The most notable increases were recorded in core West End locations such as Mayfair & St James's, Marylebone, and Soho in 2024.
- However, the rental market also continues to be characterised by significant rental premiums being paid the higher up you are within a building. There are substantial rent disparities between prime high floors with terraces compared with mid-tower settings. In 2024, all major London markets collectively had above-inflation year-on-year prime headline rental growth, which stands in contrast to the hiatus over 2021 and 2022.

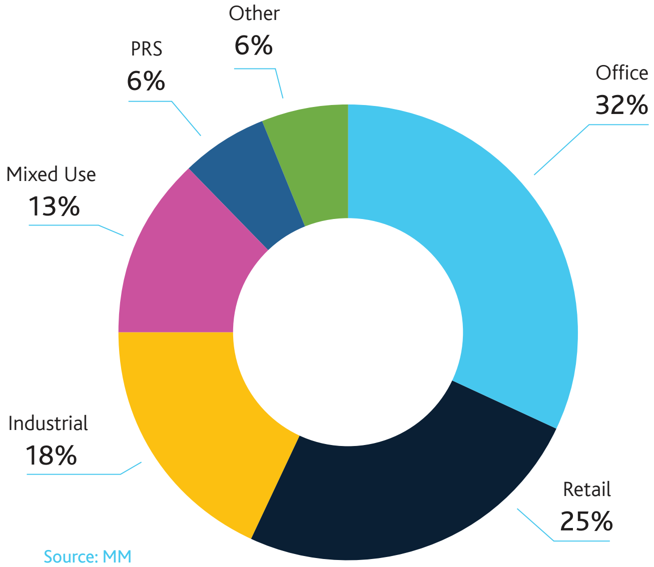

20%
10%
0%
-10%
Mar 2024
Mar 2024

3. INVESTMENT MARKET REVIEW

Market Improvement and Turnover Growth

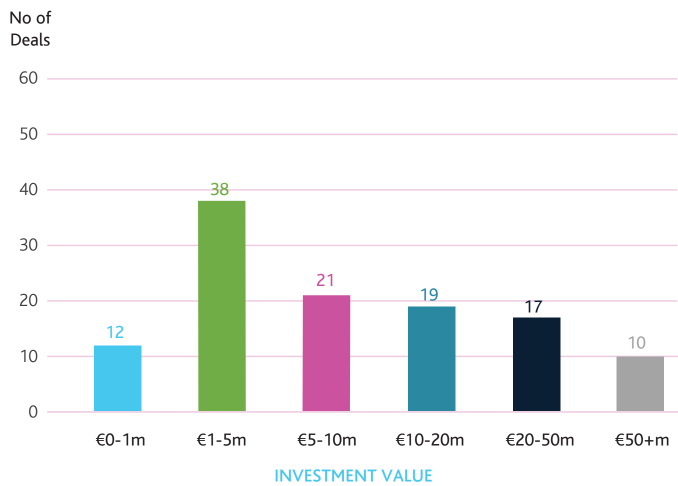
The Irish property market saw a notable rebound in 2024. There was a marked improvement in both turnover and market sentiment. With approximately €2.4 billion across 117 deals, the year was defined by several high-profile transactions, notably the sales of Blanchardstown Shopping Centre, The Square, and Point Campus Student Accommodation. Across all sectors, there was a more robust market environment, despite some lingering uncertainties. Transactions were not only an indicator of market confidence but also suggested that investor appetite remains strong, even amidst global economic uncertainty.

Investment by Asset Class (Based on No. of Deals)



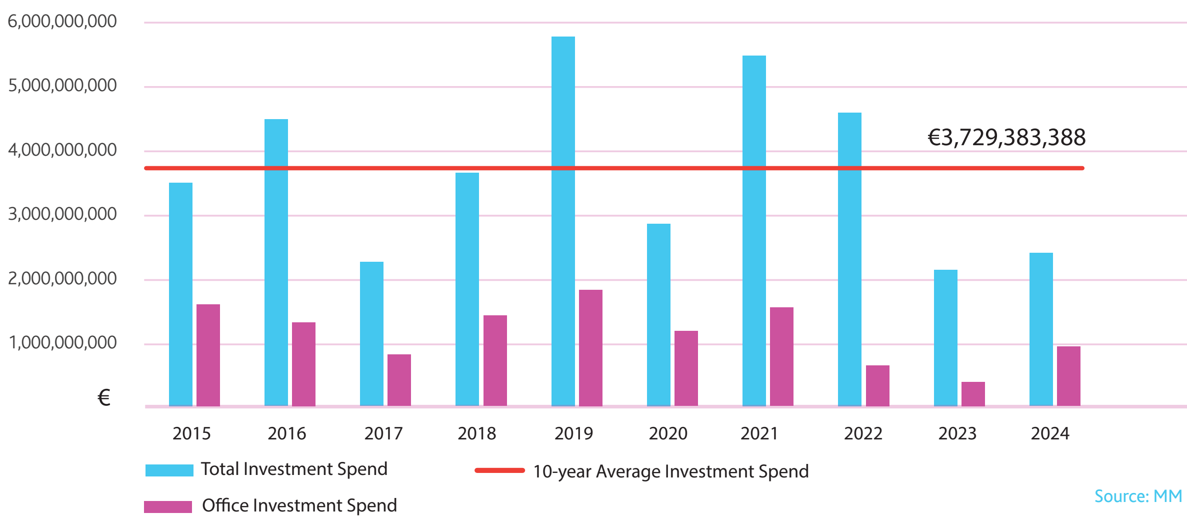
Source: MM

Investment by Asset Class (Based on No. of Deals)



Source: MM

10 Year Average

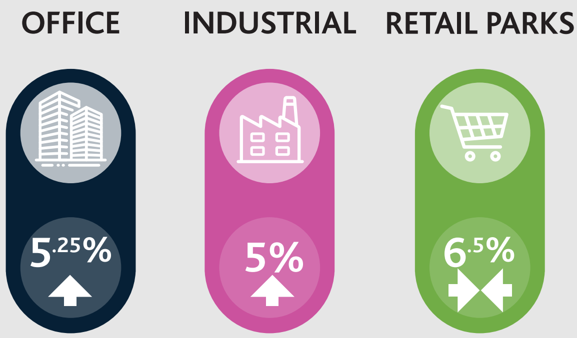


Source: MM

Top 5 Investment Deals 2024

Property	Sector	Price	Purchaser
Blanchardstown Centre, Blanchardstown, Dublin 15	Retail	€575 Million	**SVP**
PBSA, The Liffey Block, Point Campus, Dublin 1	Student Accommodation	€150 Million	**Greystar**
The Square Tallaght, Dublin 24	Retail	€130 Million	**Eagle Street Partners**
North Dock 1 & 2, North Wall Quay, Dublin 1	Office	€85 Million	**Starwood**
Scape PBSA, Dublin 2	Student Accommodation	€80 Million	**Hines**

Prime Yields (Spring 2025)



Sector Trends: Retail Dominates & Offices Intrigue

Retail remains the most sought-after sector, accounting for over 40% of market activity in 2024. This trend is expected to persist in 2025. Investors continue to focus on high-value retail assets that promise strong returns. Offices are anticipated to be a busier asset class in 2025, particularly if there is a stable economic outlook and businesses move towards seeking more space. The Private Rented Sector (PRS) and Industrial sectors are expected to remain constrained with limited opportunities. Hotels (which performed strongly in 2024) and will also continue to attract investor interest into 2025, driven by Ireland's ongoing appeal as a tourist destination and business hub.

Geographical Focus and Foreign Investment

Dublin continues to dominate the investment landscape, with over 80% of transactions taking place here in 2024. While there remains some investor interest in regional markets like Cork, Galway, and Limerick, opportunities in these cities are limited, and investor appetite is not as pronounced. Foreign investors remain a crucial component of the market, accounting for over 70% of all transactions in 2024. Their significance highlights Ireland's continued attractiveness on the global investment stage.

Looking Ahead: Optimism and Sustainability

Forecasts among Investment Agents for 2025 suggest that turnover will reach between €2.5 billion and €3 billion. A sign of the positive momentum in the Irish property investment market. While economic challenges remain, particularly with the possibility of US trade tariffs within the EU, the overall outlook from investors remains optimistic. The key to this continued optimism will be the ability to secure funding and identify suitable opportunities aligned with specific requirements.

In particular, sustainability has emerged as a top investor priority. Driven by European directives like the Energy Performance of Buildings Directive (EPBD) and Corporate Sustainability Reporting Directive (CSRD), demand for energy-efficient, sustainable properties is growing. The outlook for capital values and rental expectations is also positive. There is continued demand from both occupiers and investors. Ireland's economy is also poised to perform well in the coming year based on a various economic 'think-tank' predictions.

In summary, 2024 set a solid foundation and as we look into 2025, there are several encouraging signs suggesting another year of growth, particularly for high-demand sectors like retail and offices, alongside a focus on sustainability credentials.

A View from Europe

The Investor View – Solly Gubbay – Paris, France

Solly Gubbay (SG) is Managing Partner and Founder at Solly Gubbay Consultants, a Real Estate Investment Advisory Firm with over 40 years of experience in the French Market. He has advised on more than €450 million of Real Estate transactions.

MM MM: What is your current view on French funds/SCPI's in context of the European investment market?

SG: French SCPIs (open-ended funds) are currently less active in the domestic French market, but they still have capital allocated for other European markets, provided there is a positive yield differential compared to France. Their benchmark SCPI yield for European markets outside France is typically around 7% NIY, fully leased, with a minimum lease term of 4 to 5 years. Other French funds, particularly insurers, are largely inactive in European markets at the moment.

MM How important are ESG-compliant buildings with investors' portfolios?

SG: ESG compliance has become a crucial factor for investors. Recent regulations, such as the "Décret Tertiaire" on energy consumption, mandate landlords to reduce energy usage by 40% by 2030, 50% by 2040, and 60% by 2050. This has accelerated the demand for ESG-compliant properties, as buildings meeting these standards will likely be more resilient in the long term. Consequently, we are indeed seeing a shift towards higher-quality, ESG-compliant buildings, and older, non-compliant assets will face greater challenges in attracting investment.

MM What is the current perception on Ireland as an investment location?

SG: Ireland remains a mature and attractive commercial property market, characterized by UK-style FRI institutional leases and a well-established pool of property professionals. However, for Ireland to remain competitive, initial yields should not fall below 7% NIY. While Dublin offers a prime office market, it is relatively smaller compared to other European capitals, which could lead to liquidity challenges during weaker property cycles.

MM Are you actively pursuing investment opportunities, given the current market headwinds?

SG: Yes, we are actively exploring opportunities. The French and Parisian markets may be at an inflection point, as prime office yields have shifted out approximately 25%, rising from around 3% to approximately 4%-4.5%. Despite France's current deficit issues, long-term French Euro interest rates are stable at around 3.2%, which creates a yield premium of 75 to 100 basis points for office investments. Another positive development is the upward trend in prime Paris office rents, which have reached €1,200 per m² on several occasions in 2024, with many leases now being signed at rents close to €1,000 per m².

Murphy Mulhall

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