

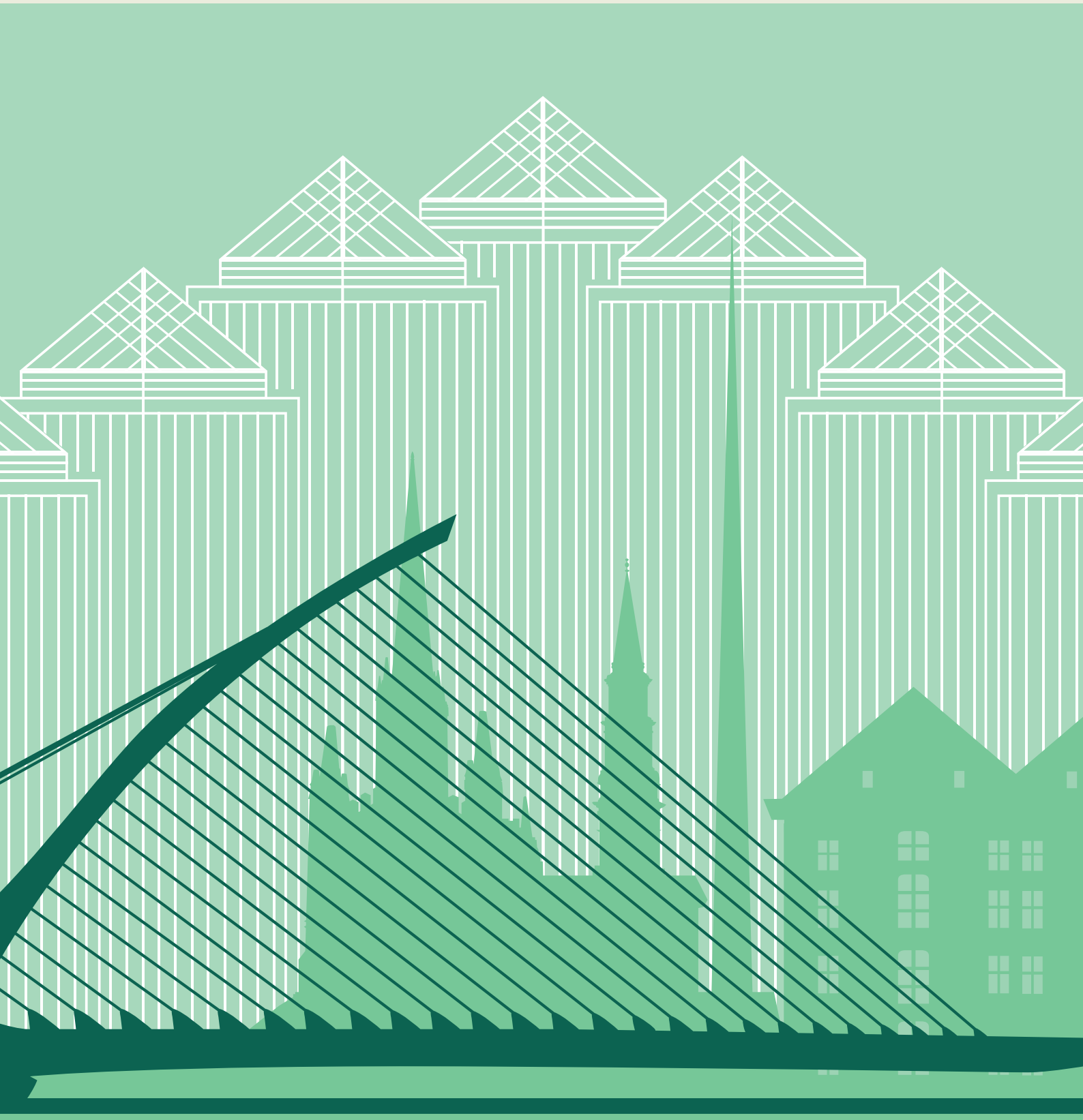
# Dublin Office Market



Q3 2023

Spotlight: Key Global Occupier Trends

[knightfrank.com/research](https://knightfrank.com/research)



# 5 Key Takeaways

**2%-2.5%**

GDP growth forecast for 2023  
PAGE 3

**327,058 sq ft**

office market take-up in Q3  
PAGE 4

**30%\***

of space due to complete in 2023 is pre-let  
PAGE 8

**39%**

of total investment spend in Q3 was on office assets  
PAGE 10

**€175m**

invested in office assets in Q3 2023  
PAGE 10

\*includes space at 2-4 Wilton Park, which is pre-let but also on the grey market

# Dublin Office Market Q3 2023

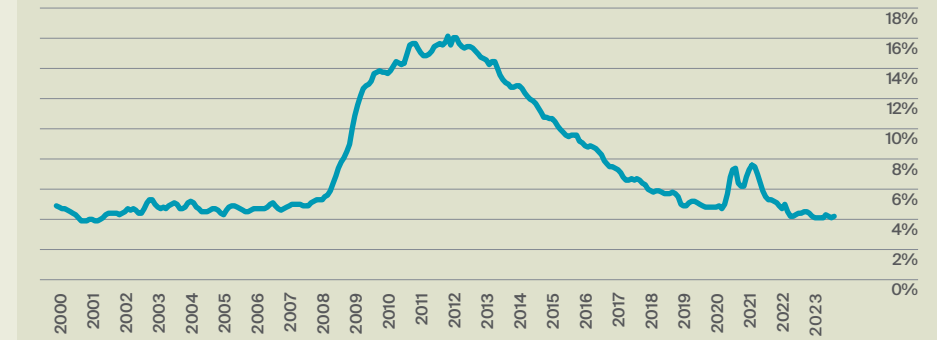
While economic growth in Ireland is set to remain positive, capacity constraints and cautious global sentiment will weigh on activity in the final quarter of 2023.

## ECONOMY

Continued global uncertainty, both economic and political, are weighing on sentiment and having an impact on overall economic growth. Forecasts for Irish economic growth, while remaining positive, have edged lower again. Expectations at the start of Q4 are that GDP will increase by 2%-2.5% while modified domestic demand will increase by between 2.5%-3%.

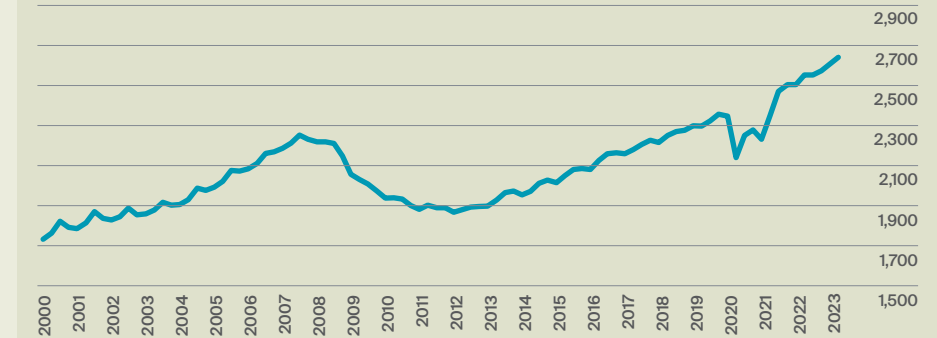
The labour market remains tight, and while the pace of employment growth is expected to moderate, there were 340,000 more people

## Unemployment (%)



Source: CSO/Knight Frank Research

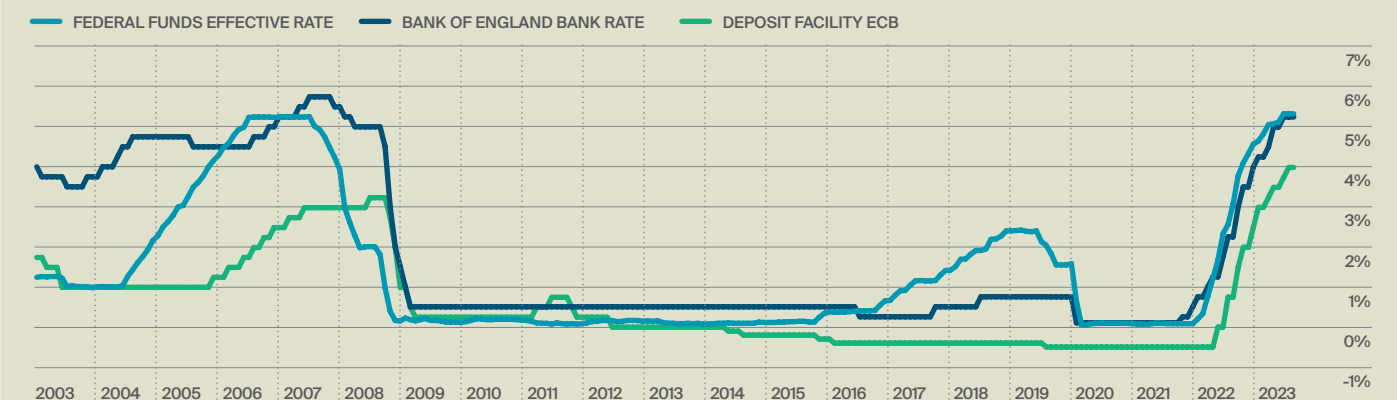
## Employment (000's)



Source: CSO/Knight Frank Research

“The government faces the ongoing challenge of an economy operating at full capacity across most sectors and infrastructure (housing and transport services in particular) which is inadequate to meet the population growth and pace of activity across the economy.”

## Eurozone, US & UK interest rates



Source: ECB, US Fed, Bank of England

in employment as of mid-2023 compared to the beginning of 2019. The unemployment rate remains at a level that reflects full employment (4.1%).

The government announced a total package of €14 billion for Budget 2024 along with a series of once-off spending measures totalling €2.7 billion which are aimed at cushioning the impact of higher inflation.

Two new funds are being established; firstly, the Future Ireland Fund, which the government estimate has the potential to grow to over €100 billion by the middle of the next decade and aims to protect living standards and public services. Secondly, €14 billion is being put aside in the Infrastructure, Climate and Nature Fund by 2030 to allow for sustained levels of investment in infrastructure in the event of economic downturns and to support climate and nature-related projects. Total tax revenue has reached record high levels in 2022 and into 2023 (driven by strong employment growth as well as high corporation tax receipts) and setting up these funds is an important step in

safeguarding some of this revenue for the future.

Consumer Price Inflation (CPI) has dropped considerably compared to this time last year, but having fallen to an annual rate of 5.8% in July, has edged up to 6.4% in September. The Harmonised Index of Consumer Prices (HICP) is lower at an annual rate of 5%. The expectation is that inflation will fall over the coming months as ten successive ECB interest rate increases take effect.

Overall, while the Irish economy remains in a strong position, there continue to be numerous global challenges impacting sentiment and filtering into corporate decision making.

**“All indications are that the ECB has reached a plateau after ten interest rate increases, but markets now clearly expect interest rates to remain higher for longer.”**

**“While the consumer side of the economy is expected to continue to perform in 2023, investor and occupier activity is expected to remain slow for the rest of the year as real estate decision makers navigate the impact of higher interest rates and multiple geo-political stresses.”**

#### TAKE-UP

327,058 sq ft of office space was let in the Dublin market in Q3 taking the total for the year so far to 1.014m sq ft.

At the end of Q2, Knight Frank predicted that the second half of the year would be quieter in terms of deals closing, reflecting the more difficult backdrop being faced by the real estate sector this year, particularly in the context of persistent interest rate increases throughout Q2 and into Q3.

With the ECB and other key global central banks indicating that they are at or near the end of this tough tightening

period, real estate decision makers can now start to take a longer-term approach to their occupier strategies.

Overall, Q3 activity was lower than in Q2 when 405,968 sq ft was let.

Smaller deal sizes continue to be a key trend in 2023 as occupiers take a more considered approach to re-location requirements, amenities and ESG priorities.

Of the 46 deals that closed in Q3, 41 were for space of less than 20,000 sq ft and 35 of those were for space of less than 10,000 sq ft. There were no deals in excess of 50,000 sq ft and only five deals in excess of 20,000 sq ft.

Demand for space in the suburbs represented 32% of total take-up in Q3. The largest deal was the purchase of 3007 Lake Drive, Citywest Business Campus in the West Suburbs by Sisk/Capwell while the second largest deal was the letting of 22,500 sq ft at Unit 9, Swords Business Campus in the North Suburbs.

Take-up in the City Centre amounted to 66% of the total. Two deals of note in Dublin 2 were Bentley System’s decision to take just over 10,000 sq ft at 1 Cumberland Place, while K&L Gates

# 23%

of total space taken was located in Dublin 4 with Coimisiún na Meán/BAI’s decision to take 20,519 sq ft at One Shelbourne Buildings representing the largest deal in this location.

took a similar amount of space at One Park Place.

#### VACANCY RATE

The vacancy rate in the Dublin market continued its upward trajectory, rising from 13.4% in Q2 to 14.3% in Q3. This increase was largely driven by the completion of a number of new schemes, however space being made available via the grey market continued to have an impact, but to a lesser extent than in previous quarters.

Further upward movement is expected by year end. When buildings

with lower BERs are excluded however, the vacancy rate reduces considerably.

#### RENTS

Prime headline rents are achieving in the region of €62.50 - €65.00 psf. Rents are expected to end the year closer to €62.50 psf with evidence suggesting that enhanced incentives and rent-free terms will maintain a floor under prime rents close to this level. Upward pressure on rents is expected in 2024, largely driven by cost inflation and occupier preference for new, sustainably certified space.

#### OUTLOOK

Space reserved at this point in the year is estimated at just over 600,000 sq ft.

Total take-up for 2023 is forecast to reach between 1.3m-1.5m sq ft, a tighter, but slightly higher range than forecast at the end of Q2.

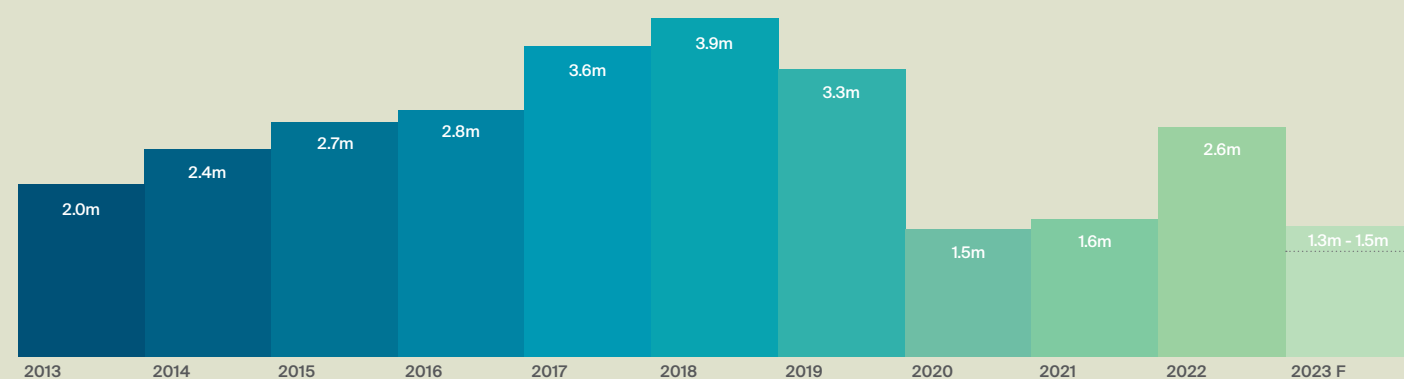
Knight Frank are tracking 2m sq ft of active demand and a number of large requirements between 70,000-180,000 sq ft. An increase in return to office mandates from a range of occupiers is also expected to have a positive impact on enquiry levels and active demand into 2024.

#### Top 5 office leasing transactions, Q3 2023

Property	Tenant	Sector	Size (Sq ft)
3007 Lake Drive, Citywest Business Campus, Dublin 24	Sisk/Capwell	Other	35,219
Unit 9, Swords Business Campus, Co. Dublin	Confidential	Pharma/Medical	22,500
55 Charlemont Place, Dublin 2	Carne Group	Finance	21,779
1 Grand Canal Square, Dublin 2	Procore	TMT	21,205
One Shelbourne Buildings, Dublin 4	Coimisiún na Meán/BAI	State	20,519

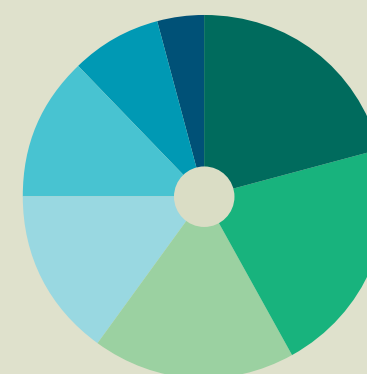
Source: Knight Frank Research

#### Office take-up sq ft (millions)



Source: Knight Frank Research  
F=forecast

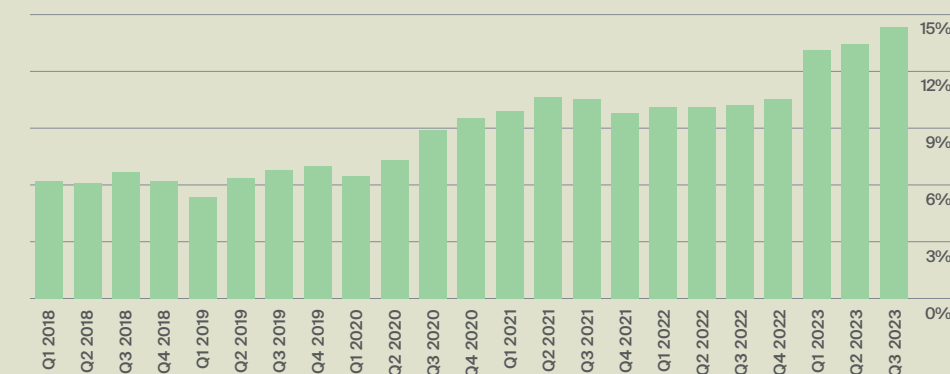
#### Take-up by sector, Q3 2023



Other	21%
Professional Services	21%
Finance	18%
TMT	15%
Pharma/Medical	13%
State	8%
Coworking	4%

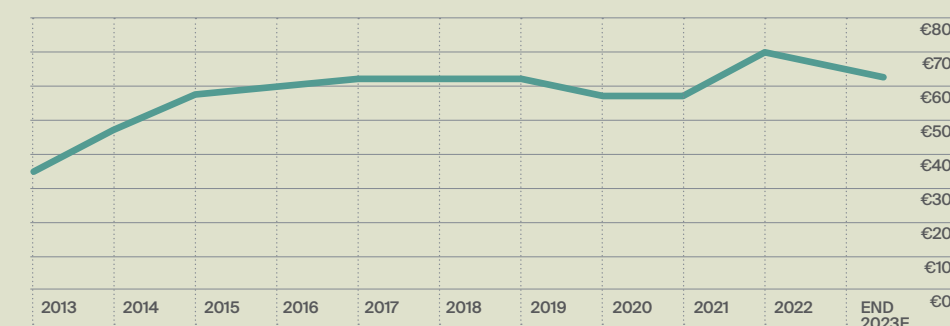
Source: Knight Frank Research

#### Dublin market vacancy rate



Source: Knight Frank Research

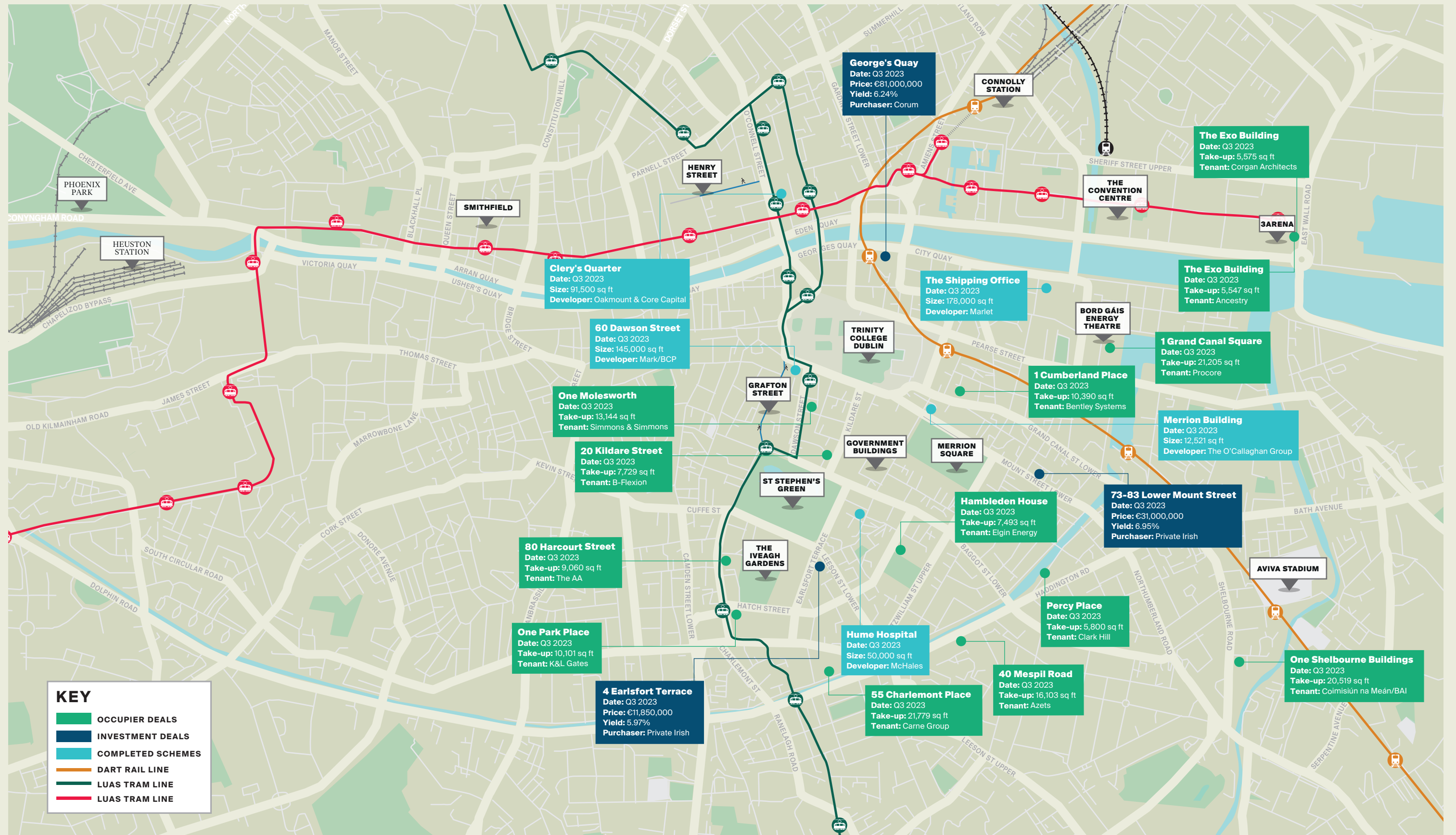
#### Prime rental series (per sq ft)



Source: Knight Frank Research



# Notable Deals Q3 2023



Source: Knight Frank Research

**OFFICE DEVELOPMENT**

Following a period of prolonged delays, Dublin's office development pipeline is catching up with a number of schemes reaching practical completion. After a quiet first half of the year, 477,021 sq ft completed in Q3.

24% of the space completed in Q3 is pre-let consisting of 115,781 sq ft at 60 Dawson St in Dublin 2. There were no completions in the suburbs in Q3.

**OUTLOOK**

Q4 is set to be a busy quarter for completions. By the end of 2023, if current completion dates are achieved, 1.8 million sq ft will have been delivered in the City Centre, 36% of which is currently pre-let.

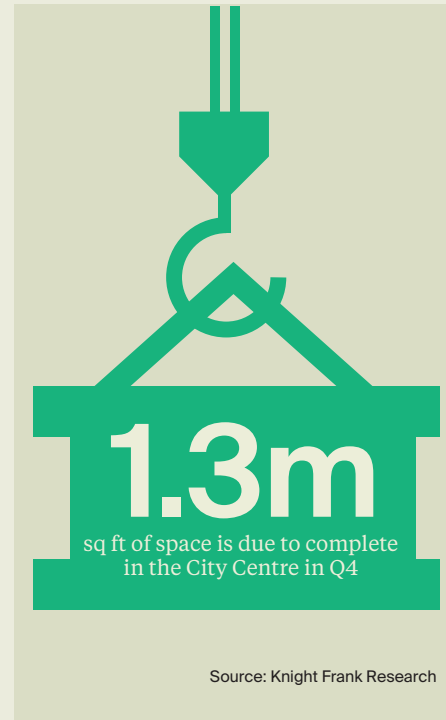
One of the largest buildings due to be delivered in the City Centre in Q4 is 2-4 Wilton Park which will extend to 434,000 sq ft and is pre-let to LinkedIn. However, 271,382 sq ft of this is available via the grey market. If this is excluded, the amount of space currently pre-let in the City Centre falls to 20%. The space at 2-4 Wilton Park is the only example whereby space that is under construction, and

pre-let, is becoming available again via the grey market.

Delivery estimates for 2024 and 2025 are considerably lower, totalling 1m sq ft for each year. In 2026, the delivery pipeline is particularly tight, with only two buildings due to complete – the vast majority of Harcourt Square in Dublin 2 is pre-let to KPMG and Block 2, Waterfront South Central in Dublin 1 was purchased by Citi.

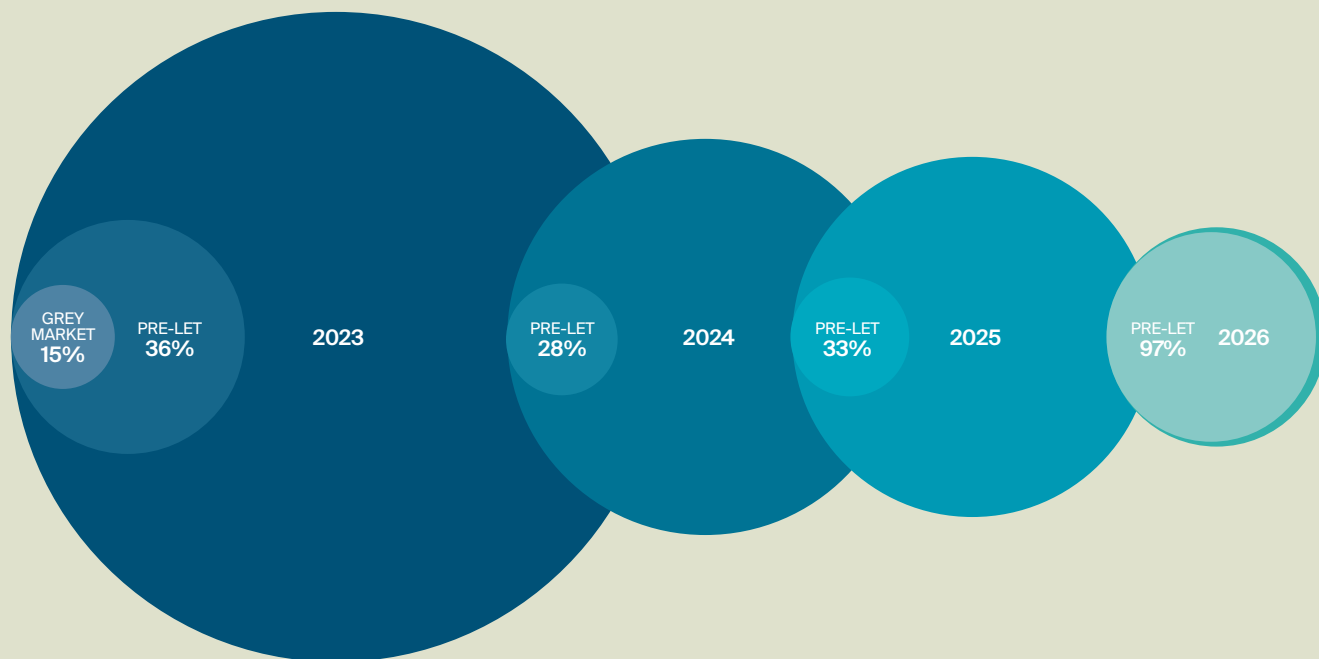
In summary, we hold the view that occupier demand for new space will far exceed demand for older space

**“This reflects the particular complexity in the market at present whereby an increase in grey market space and a peak in the delivery of new space are creating a one-off spike in the amount of space available in the City Centre market for occupiers ready to make decisions.”**



over the coming years, as the ESG agenda becomes more critical and occupiers navigate more complex considerations about the type of space they need to offer employees in a more dynamic working environment.

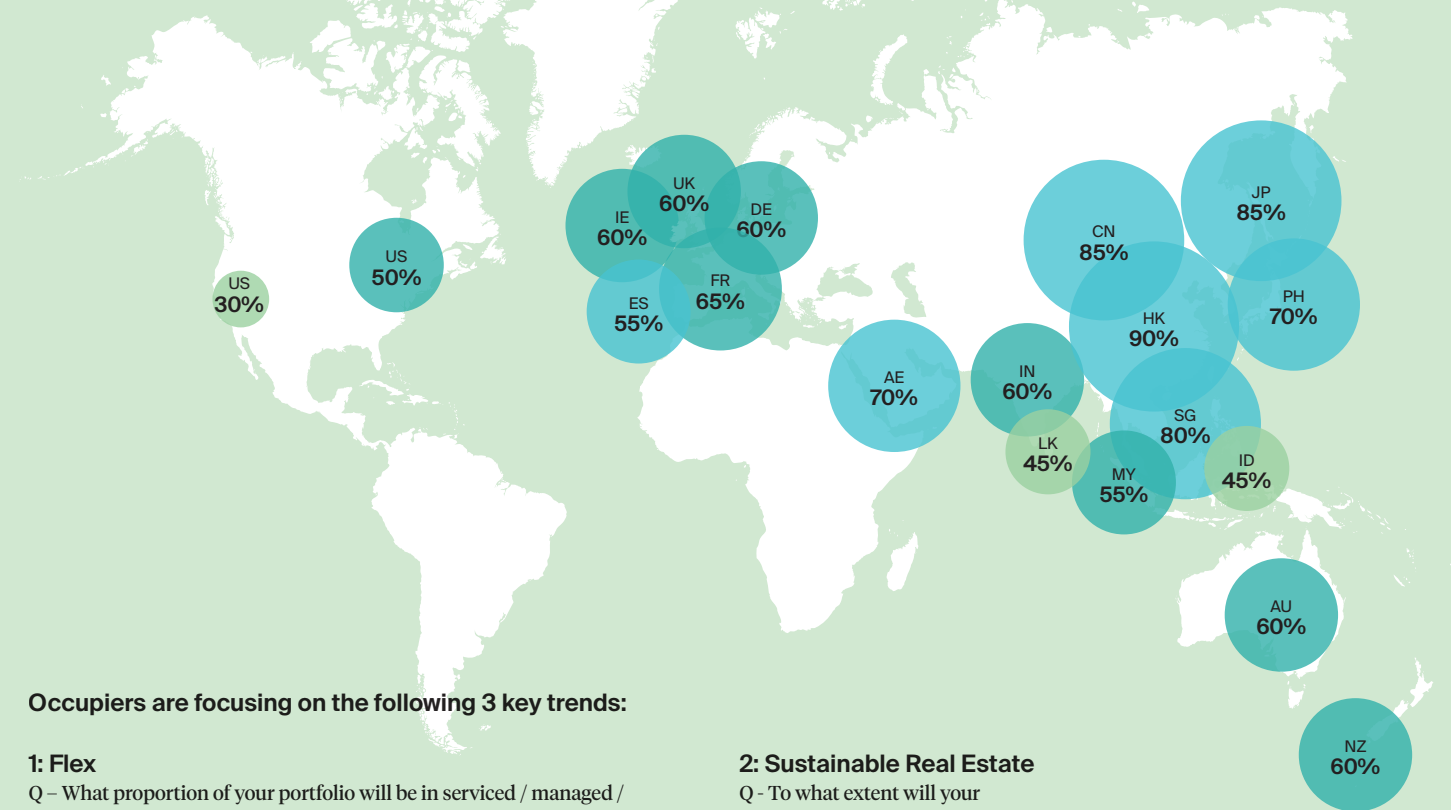
**Office space due to be delivered in the City Centre between 2023 - 2026**  
% of the total sq ft



# Spotlight: Key Global Occupier Trends

**Global office occupancy rates, mid-2023**

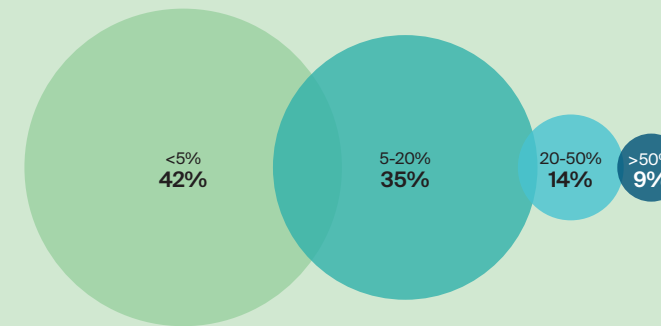
gives a directional view of global occupancy



**Occupiers are focusing on the following 3 key trends:**

**1: Flex**

Q – What proportion of your portfolio will be in serviced / managed / co-working space 3 years from now?



**2: Sustainable Real Estate**

Q - To what extent will your company's ESG strategy / commitments influence the real estate decisions you make over the next 3 years?



**3: The Extension of Amenities**

Q - What services / amenities do you think your staff will demand from their workplace over the next 3 years?



Source: (Y)OUR SPACE, Knight Frank | Cresa's flagship thought leadership research 2023

## INVESTMENT MARKET

After a slow first half of the year, total spend on office investment transactions increased in Q3 with €175m trading. This compares to €42m in Q2 and €90m in Q1.

French investors have been the most active purchasers of office assets so far this year, accounting for 60% of the total value of spend and acquiring the larger assets that have come to the market. Private Irish investors have also been active accounting for close to 20%.

Office investment activity and transaction levels in Ireland continue to reflect the wider trend being experienced across all European markets in 2023.

The cost of finance and weak sentiment continue to be key constraints on activity, with liquidity particularly tight for larger lot sizes.

Investors, both global and domestic, are expected to continue to take a wait and see approach for the rest of 2023 to assess what the impact on pricing will be into 2024.

Prime office yields continue to come under pressure, as is the case across all investment asset classes. Prime yields are estimated to be between 5%-5.25%,

**“French fund Corum was the purchaser of the two largest office assets sold in Q3 – acquiring George’s Quay in Dublin 2 from Henderson Park Capital for €81m and Building F1 at The Campus in Cherrywood in Dublin 18 from Spear Street Capital for €33.4m.”**

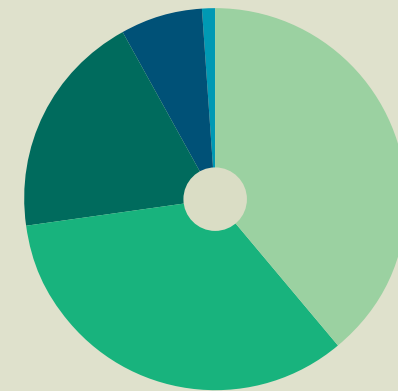
with limited transactional activity making it difficult to be exact.

Further outward movement is possible in early 2024, but to a lesser extent than seen in the year to date, as interest rates peak and markets assess the reality of higher interest rates for longer.

# 60%

French investors have accounted for 60% of the total value of spend on office assets in 2023, acquiring the larger assets that have come to the market this year.

Total investment spend by sector, Q3 2023



Office	39%
Retail	34%
Industrial	19%
Healthcare	7%
Mixed-Use	1%

Source: Knight Frank Research

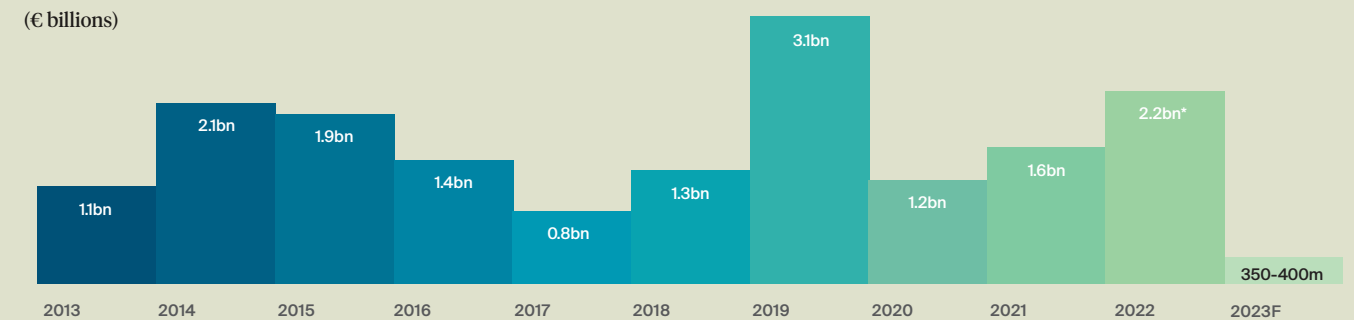
## Top Dublin office investment transactions, Q3 2023

Property	Vendor	Buyer	Price (€ millions)
George’s Quay, Dublin 2	Henderson Park Capital	Corum	€81,000,000
Building F1, The Campus Cherrywood, Dublin 18	Spear Street Capital	Corum	€33,400,000
73-83 Lower Mount Street, Dublin 2	IPUT	Private Irish	€31,000,000
J5 Plaza, Finglas, Dublin 11	Fine Grain Property	Iroko Zen	€18,100,000
4 Earlsfort Terrace, Dublin 2	Irish Life	Private Irish	€11,850,000

Source: Knight Frank Research

**“Private Irish investors acquired two notable office assets in Dublin 2 in Q3. 73-78 Lower Mount St was purchased from IPUT for €31m while 4 Earlsfort Terrace was acquired from Irish Life for €11.85m. Knight Frank acted for the buyer and the seller respectively in these deals.”**

## Dublin office investment volumes (€ billions)



Source: Knight Frank Research \*Includes Salesforce. f=forecast





Ireland Development Land Market H1 2023



New Homes Construction Survey 2023



The Wealth Report 2023



Ireland Student Housing Market 2023



Dublin Industrial & Logistics Market Q2 2023



Active Capital 2023

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.

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