

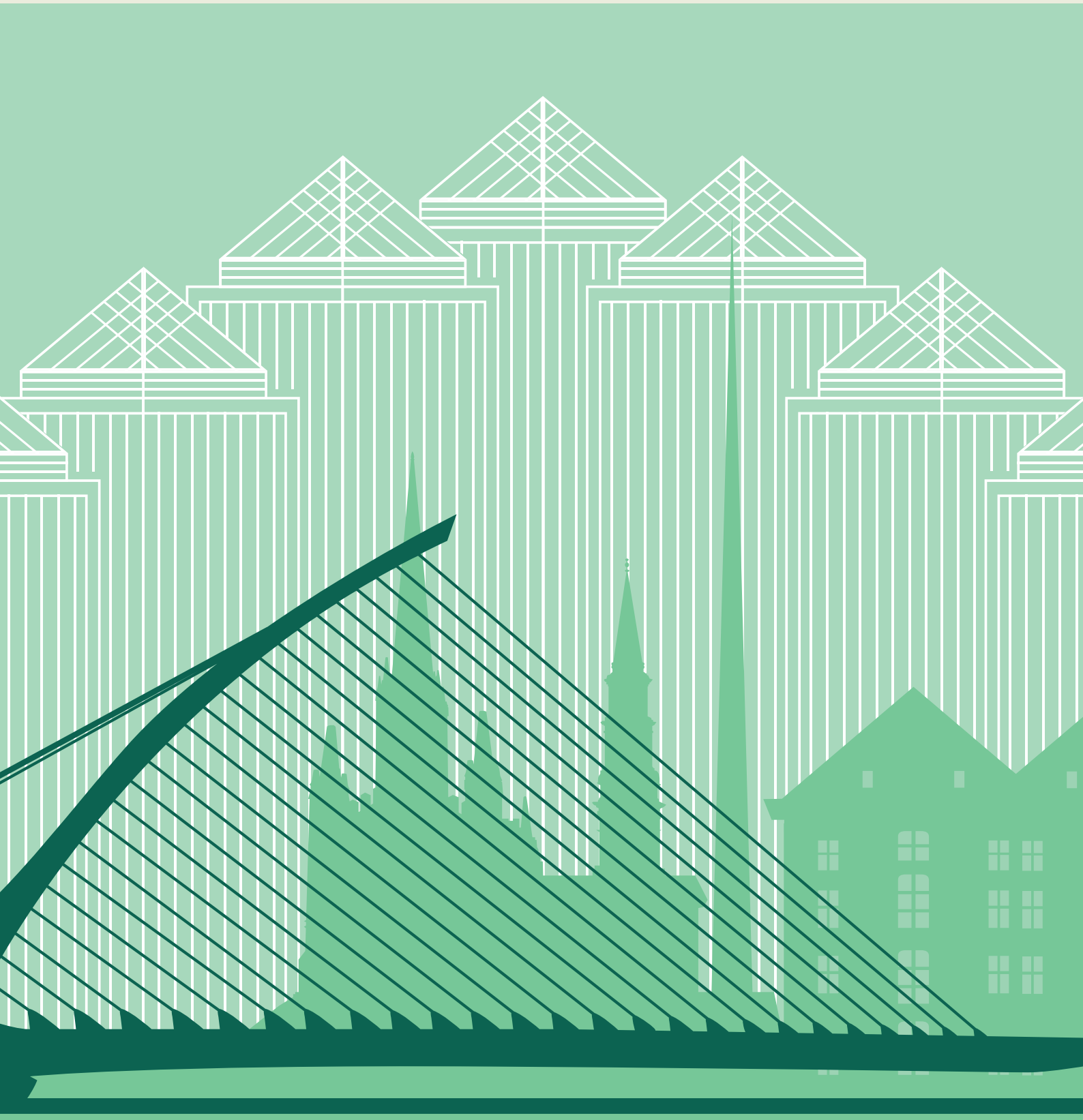
Dublin Office Market



Q4 2023

Spotlight: Leading Indicators for 2024

knightfrank.com/research



5 Key Takeaways

-0.9% - 0%

GDP growth forecast for 2023, however the economy is expected to return to growth in 2024
PAGE 3

367,000 sq ft

office market take-up in Q4, taking total take-up to 1,382,000 sq ft for 2023
PAGE 4

38%*

of space due to complete in the City Centre in 2024 is pre-let
PAGE 8

18%

of total investment spend in Q4 was on office assets. For 2023 as a whole, 21% of investment spend was on office assets
PAGE 10

€78m

was invested in office assets in Q4 bringing the total to €385.4m for 2023
PAGE 10

*includes space at 2-4 Wilton Park which is pre-let but coming to the grey market in 2024

Dublin Office Market

2023 was a year of transition, with the slowdown in demand a reflection of wider global financial market and geo-political uncertainty. 2024 is expected to see more activity, driven by clarity on interest rates and an appetite to move ahead with strategic real estate decisions in relation to office space requirements and investments.

ECONOMY

The Irish economy has felt the weight of global geo-politics and tight monetary policy with economic growth, as measured by GDP, expected to be flat to slightly negative for 2023 as a whole.

Modified domestic demand (MDD), which more accurately reflects domestic economic activity, is expected to show growth of 2%-3% for 2023.

Key underlying components which continue to support the domestic economy are the labour market and export demand.

The rate of unemployment has ticked up to 4.9% but remains at a level that is considered to be close to, or at, full employment. The total number of people employed in the economy remains above 2.6m.

Data for 2023 shows the impact of job losses in sectors such as TMT. While there were 500 less people employed between Q3 and Q2, there were almost 5,000 more people employed in Q3 compared to Q1 reflecting underlying job creation across this sector. Employment in the TMT sector also has to be looked at across a longer time period with 56,000 more people employed in Q3 2023 compared to Q1 2019.

Export demand remains strong with a 13.8% increase in the value of exports recorded between Q2 2022 and Q3 2023.

Demand for Irish exports has been strongest from the EU followed by the US. Demand from the UK, while still positive, fell over the same time period.

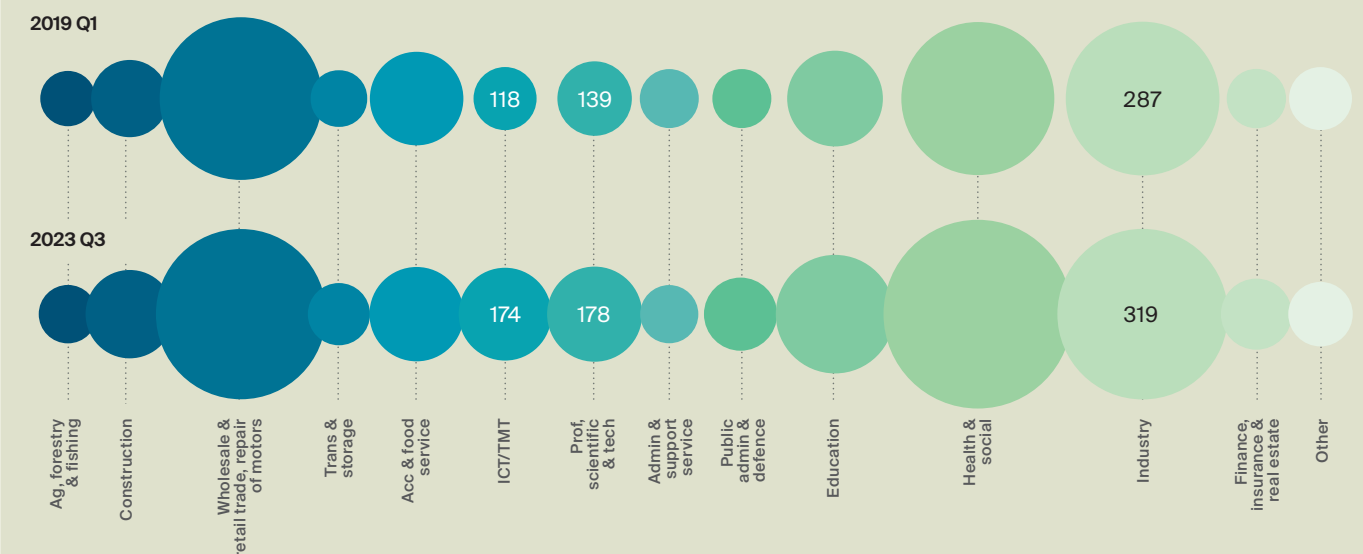
ECB interest rate increases, while weighing on investor sentiment, are having the intended effect on inflation.

“Exports of medical and pharmaceutical products were up by 16% between Q3 2022 and Q3 2023 and comprised 43% of total exports.”

Consumer Price Inflation (CPI) has fallen to 4.6% in December down from 7.8% in January 2023. Meanwhile, the Harmonised Index of Consumer Prices (HICP) stood at 3.2% in December having started the year at 7.5%. Further falls are expected in 2024 with inflation in the services sector expected to be slower to adjust than the price of goods.

Overall, the Irish economy remains in a strong position despite the slowdown in 2023. Arguably the largest challenge facing the economy remains capacity and supply constraints in numerous sectors. Expectations are that the economy will return to growth later in 2024, which will accelerate in 2025 as the economies of Ireland’s global trading partners start to recover.

Employment by sector, Q1 2019 compared to Q3 2023 (000's)



Source: Knight Frank Research/CSO

Occupier Trends

TAKE-UP

367,000 sq ft of office space was let in the Dublin market in Q4 taking the total for the year to 1,382,000 sq ft – the midpoint of Knight Frank’s forecast range at the beginning of the year.

Take up by quarter 2023	Sq ft
Q1	282,000
Q2	406,000
Q3	327,000
Q4	367,000

Source: Knight Frank Research

Successive interest rate increases throughout the second half of the year had the expected impact of compounding occupier caution, already

enhanced by geo-political uncertainty and evolving workplace strategies.

Smaller deal sizes continued to be a key trend throughout 2023. Thirty of the forty-one deals that completed in Q4 were for space that was less than 10,000 sq ft in size.

“The largest deal completed in 2023 was the NTA’s decision to take 79,600 sq ft at Haymarket House in Smithfield in Dublin 7. This was the only deal in excess of 50,000 sq ft for the year as a whole.”

The two largest deals of the quarter were from companies in the TMT sector with Intercom taking 39,364 sq ft at 124-127 St Stephen’s Green in Dublin 2 while Yahoo took 35,703 sq ft at the Exo Building in Dublin 1. The City Centre accounted for 69% of take-up in Q4.

Demand for space in the Suburbs represented 29% of take-up in Q4. The largest deal was Laya Healthcare’s decision to take 25,000 sq ft at Building 8, Cherrywood Business Campus in Dublin’s South Suburbs. Greencore’s decision to take just over 10,000 sq ft at Dublin Airport Central was the largest deal in the North Suburbs. Overall, demand for space in the North Suburbs was relatively strong in Q4 with just over 52,000 sq ft let across eight separate deals.

“Occupier preference for space in Dublin 2 made up the largest share of take-up in 2023 (34%). Pinterest’s decision to take almost 28,000 sq ft at 60 Dawson was one of the most significant deals completed in Dublin 2 in 2023.”

Looking at 2023 as a whole, demand for space in the City Centre accounted for 58% of take-up with Dublin 2 representing almost two-thirds of that. Companies in the TMT sector completed four of the top ten deals throughout the year, the State completed the largest deal of the year and one other of the top ten deals.

The TMT sector represented the largest share of take-up in 2023 accounting for 28%, led by deals

to Datadog, Intercom, Yahoo and Pinterest. Financial Services companies accounted for 22% of take-up followed by Professional Services companies which comprised 16%.

VACANCY RATE

The overall market vacancy rate edged up marginally to 14.4% from 14.3% at the end of 2023. The withdrawal of some buildings for redevelopment and conversion to other uses as well as delays to the delivery deadlines for a number of buildings, which reduced the amount of new space added to the market, limited the increase in the vacancy rate in Q4. However, the delayed completions will add to overall vacancy early in 2024.

The vacancy rate for City Centre space which meets sustainable credentials remains much lower.

RENTS

Prime headline rents ended the year at €62.50 psf. Knight Frank expect that prime rents will remain flat at, or close

to, this level for at least the first half of the year until some larger deals close.

There is increasing evidence that enhanced incentives and rent-free terms will maintain prime rents at this level as activity gains some momentum throughout 2024. Thereafter, rents are expected to slowly increase as occupier preference for the best sustainable space, along with higher costs across the board, limit further downside potential.

OUTLOOK

Space reserved at the start of 2024 is estimated at 600,000 sqft. Knight Frank expect that a number of large deals will complete in 2024 driven by demand from the Professional Services sector which has been steadily expanding.

The State and Finance sectors are also expected to be active, as is the TMT sector, with newer and smaller companies driving demand in that sector.

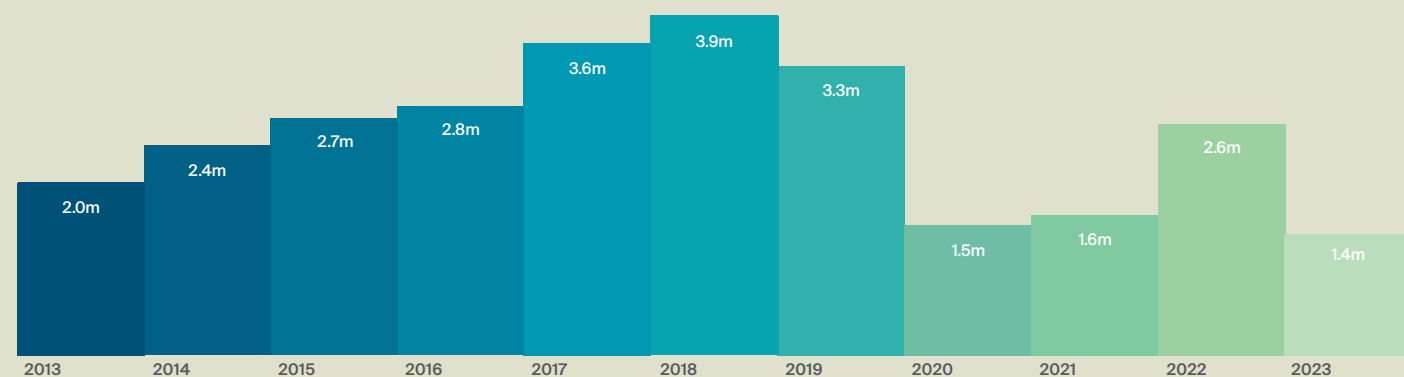
While it is quite early in the year to be exact, office market take-up is predicted to fall into a higher range of 1.5 – 2m sq ft for 2024 as a whole.

Top 5 office occupier deals, Q4 2023

Property	Tenant	Sector	Size (Sq ft)
124-127 St Stephen’s Green, Dublin 2	Intercom	TMT	39,364
The Exo Building, Dublin 1	Yahoo	TMT	35,703
The Earl Building, Dublin 1	HSE	State	28,000
One Charlemont Square, Dublin 2	SEI Investments	TMT	25,365
Building 8, Cherrywood Business Campus, Dublin 18	Laya Healthcare	Finance	25,000

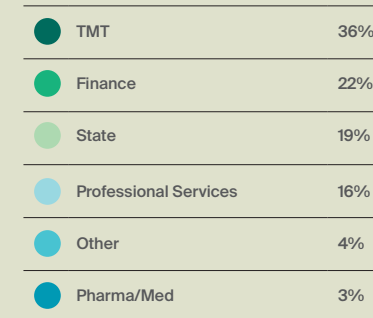
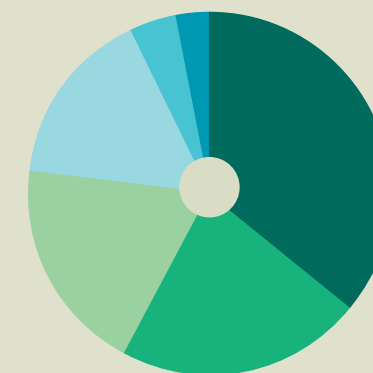
Source: Knight Frank Research

Office take-up sq ft (millions)



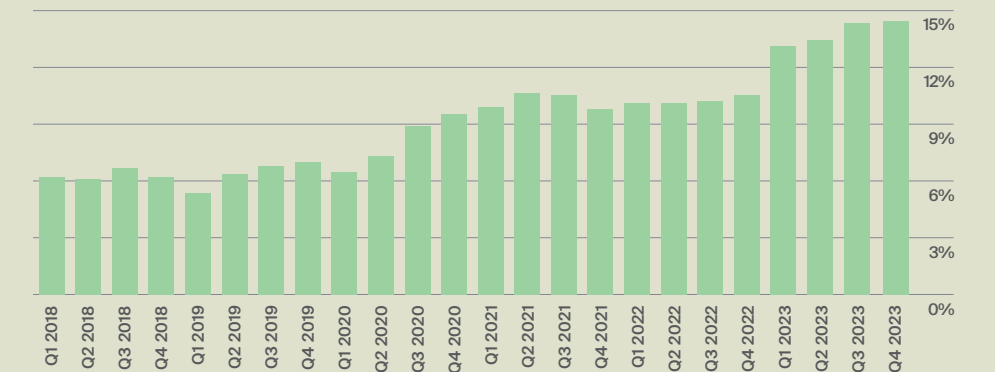
Source: Knight Frank Research

Take-up by sector, Q4 2023



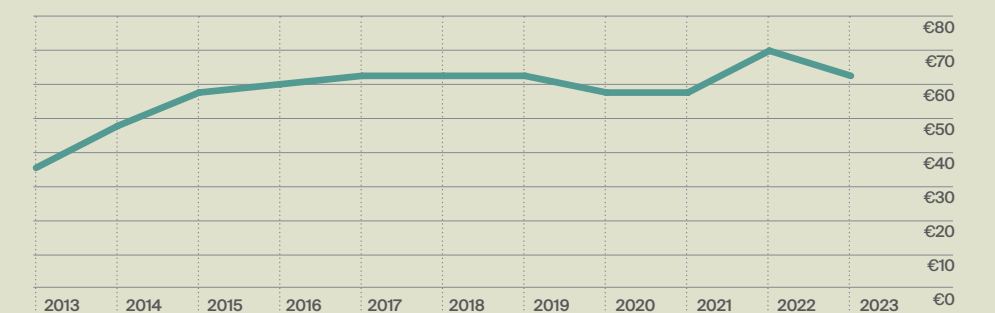
Source: Knight Frank Research

Dublin market vacancy rate



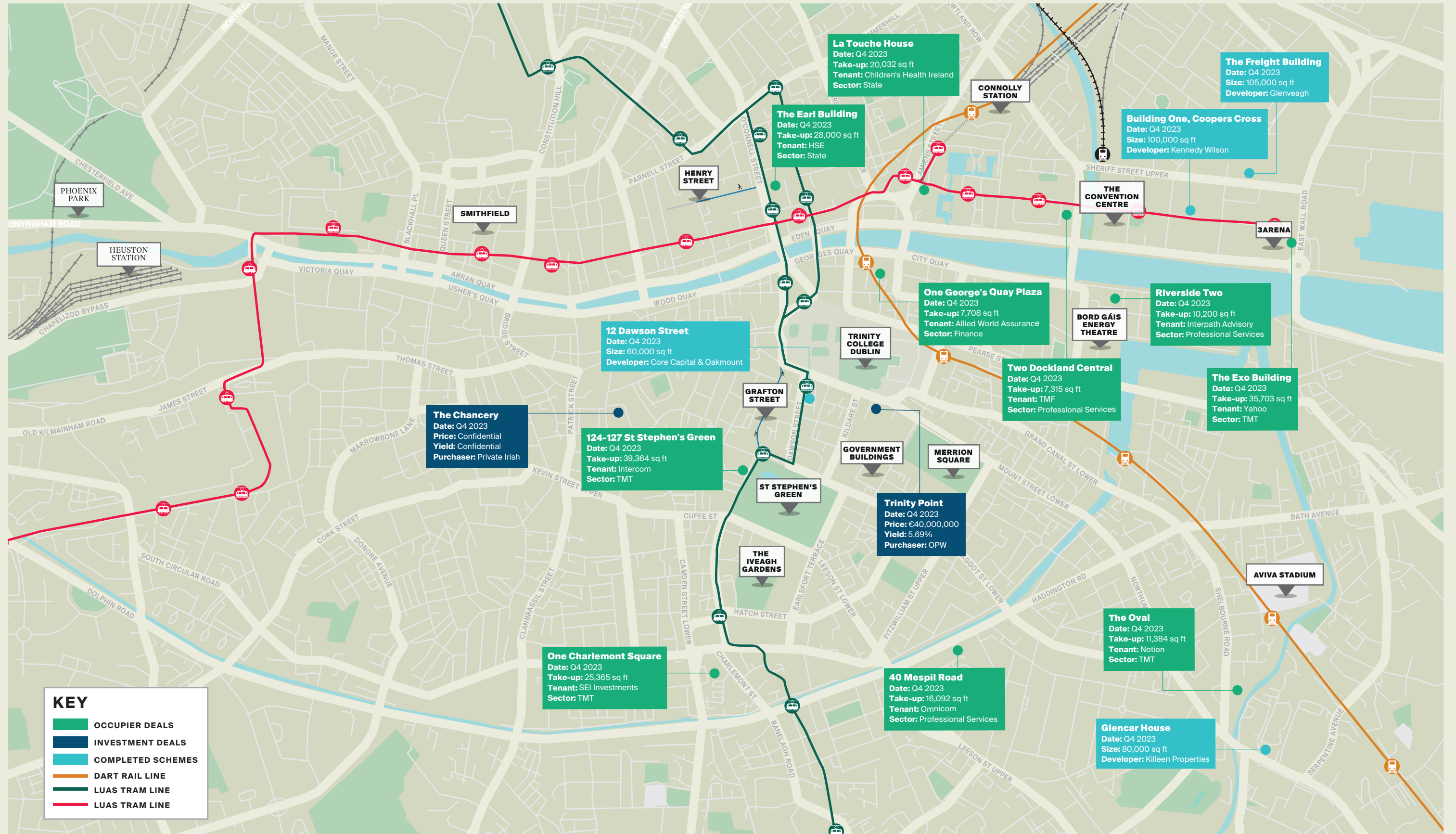
Source: Knight Frank Research

Prime rental series (per sq ft)



Source: Knight Frank Research

Notable Deals Q4 2023



Source: Knight Frank Research

OFFICE DEVELOPMENT

Just over 800,000 sq ft of office space was completed in 2023, all of which was located in the City Centre. A number of buildings did not meet expected delivery dates by year-end but are anticipated to complete in early 2024.

OUTLOOK

Based on current delivery dates, 2.0m sq ft is due to complete in the City Centre in 2024, 38%* of which is pre-let.

Looking at the first half of the year, nine buildings of scale make up the majority (83%) of the space due to complete in the City Centre.

The largest development due to complete is 2-4 Wilton Park (434,000 sq ft), all of which is pre-let. However, 271,000 sq ft of this space is available to sub-let, making this, as noted in our previous report, the only example in the market whereby space that is under construction, and pre-let, has become available again via the grey market.

Just over 200,000 sq ft at Block N, Central Park in Sandyford, which was due to complete at the end of 2023 but is now scheduled for Q1 2024, represents

“Given some delays, the quantum of space due to complete in the first half of 2024 has increased to 2.1m sq ft, 1.8m sq ft of which is in the City Centre.”

the only new space that will be delivered in the Suburbs this year. There is also only one building due to complete in the City Fringe this year, namely Two Grand Parade in Dublin 6, where 115,000 sq ft is expected to be delivered in Q1.

Delivery estimates for 2025 remain considerably lower. There are six developments under construction which will deliver a total of 1m sq ft between them. All of them are located in the City Centre. The Boland’s Bakery scheme, which is being developed by Google, makes up 27% of the total space due.

One scheme, Camden Yard, makes up just over 40% of the total space that will be delivered in 2025.

In 2026, the delivery pipeline is particularly tight with only three schemes due to complete – 73% of the space is already pre-committed. This includes Harcourt Square which is let to KPMG. Elsewhere, almost 60% of Waterfront South Central in Dublin’s North Dock’s was purchased by Citigroup for their new headquarters.

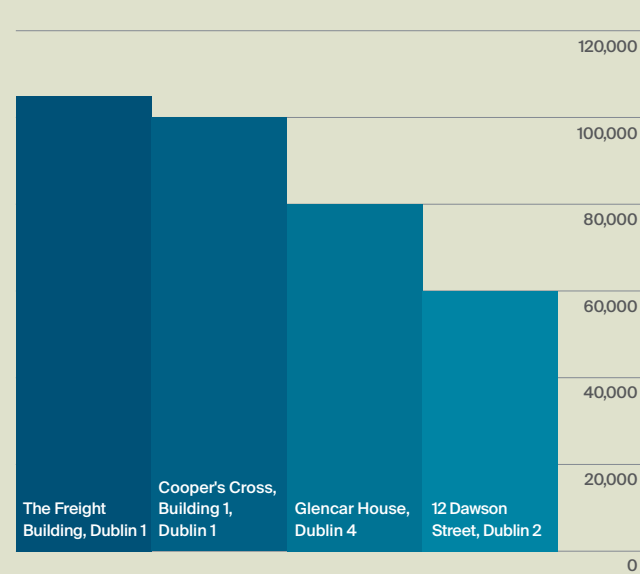


“There is 1m sq ft due in 2025 of which 27% is pre-committed.”

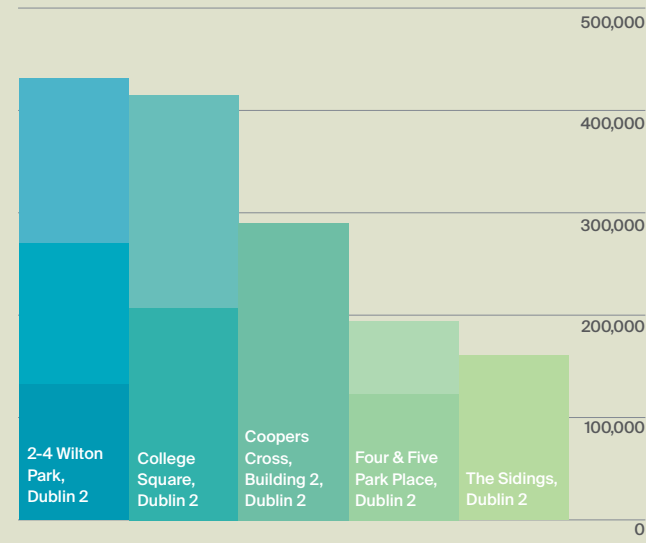
Knight Frank continue to hold the view that 2024 will be a year where occupiers, who know their requirements and are able to move quickly, will have considerably more choice in the City Centre than they have had for a number of years. This is expected to remain the case into 2025, after which the current pipeline is very tight.

“Four buildings reached completion in Q4 totalling 345,000 sq ft.”

City Centre buildings that completed, Q4 2023 sq ft



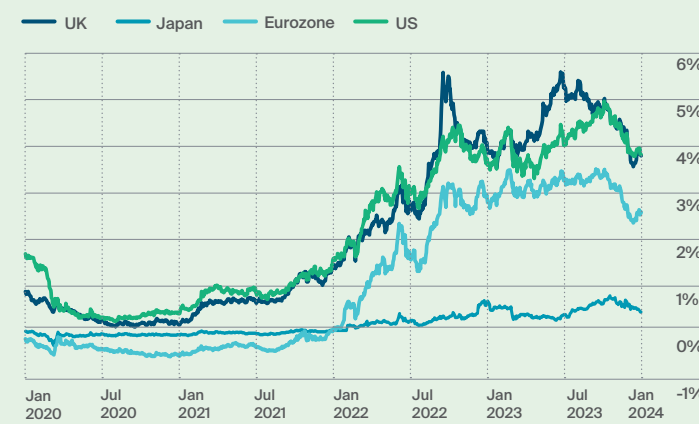
City Centre schemes over 150,000 sq ft due to complete in H1 2024 (nine buildings) sq ft



Spotlight: Leading Indicators for 2024

Sentiment across global financial markets is improving, largely driven by more certainty in relation to interest rates. Concerns about market volatility and systemic stress have also reduced considerably.

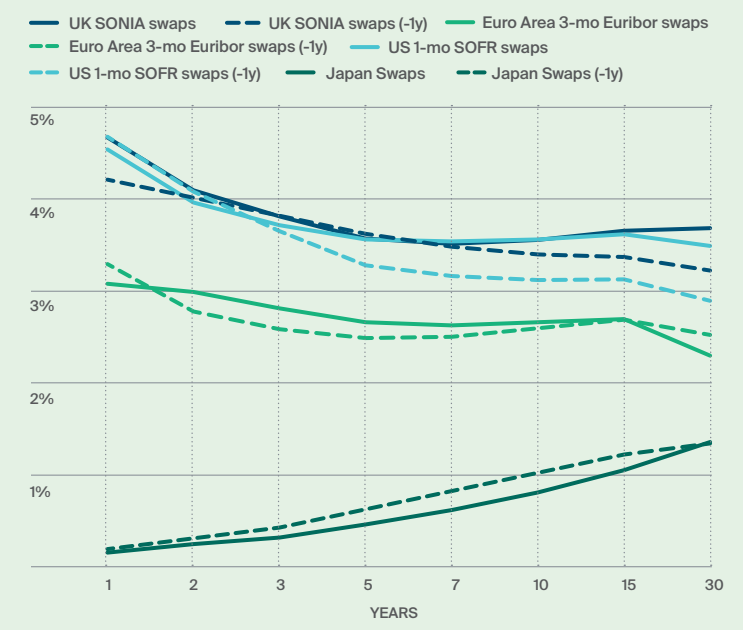
Interest rate swaps
5 year swap rates, %



	Last	1 day	1 week	1 month	Jan '20
Eurozone	2.66	2.59	2.63	2.48	-0.13
Japan	0.48	0.47	0.48	0.61	0.03
Singapore	3.66	-	-	-	1.50
UK	4.04	3.81	3.90	3.91	0.88
US	4.02	3.91	3.95	3.90	1.70

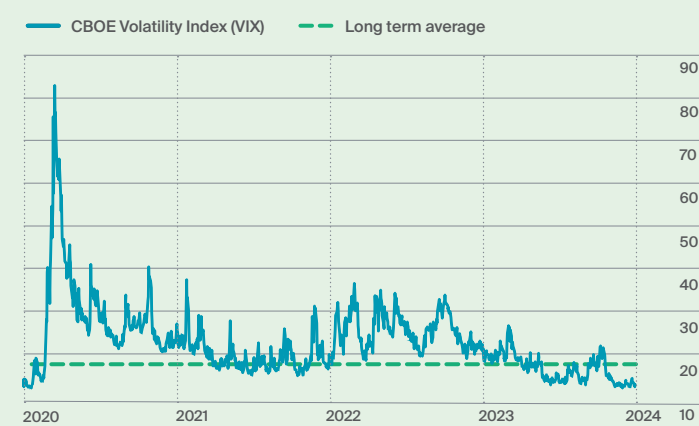
Swap curves

Latest swap curves vs one year ago, %



Volatility index

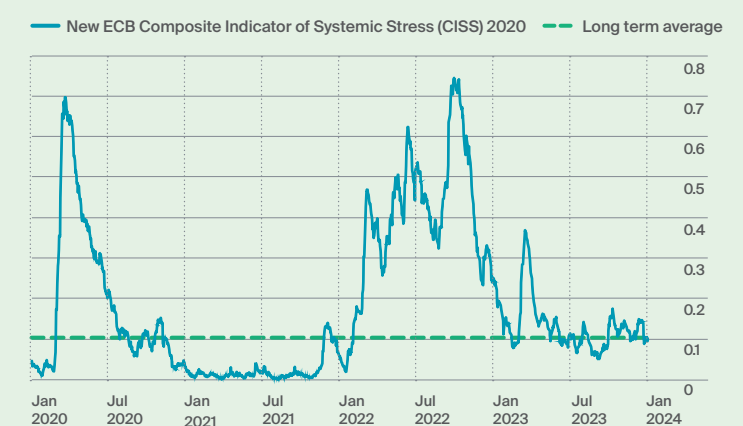
Near term stock price volatility indicator



	Last	1 day	1 week	1 month	Jan '20
CBOE VIX	14.8	14.8	12.4	12.6	13.8
Euro Stoxx 50 VIX	15.1	15.1	13.9	12.9	14.0
Nikkei VIX	20.5	20.7	21.1	18.5	14.8
KOSPI VIX	18.3	19.3	17.1	14.3	14.7

Systemic Stress

Measures FX, money, sovereign and bond yield volatility



	Last	1 week	1 month	Jan '20
Systemic stress composite	0.088	0.115	0.109	0.023
Equity markets stress sub index	0.037	0.071	0.053	0.009
Bond markets stress sub index	0.056	0.069	0.065	0.020
FX markets stress sub index	0.015	0.027	0.027	0.004

INVESTMENT MARKET

A total of €1.84 billion was invested in Irish real estate assets in 2023. Of this, €385.4 million was invested in office assets (21%). The level of office investment in 2023 was the lowest in over a decade mirroring the trend across other European cities last year.

Inflation, geo-political uncertainty, the increased cost of finance and limited liquidity combined to accelerate investor caution, particularly in relation to office transactions. A lack of opportunities on the market also impacted transaction volumes.

“The largest office transaction in Q4 was the purchase by the OPW (a government body) of Trinity Point in Dublin 2 for €40m from a private Irish investor. The second largest transaction of the quarter was the purchase by a private Irish investor of The Chancery Building in Dublin 8. Credit Suisse was the vendor.”

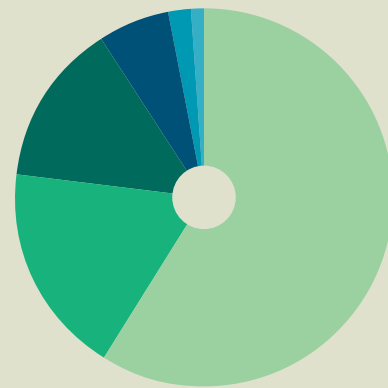
“Large office deals have been particularly impacted. There were no office transactions above €100m in the Irish market in 2023.”

There were only two other office deals in Q4, both below €10m and in suburban locations. There were only two transactions above €50m in 2023 which included Corum’s purchase of George’s Quay in Dublin 2 for €81m and Fine Grain’s purchase of Waterside, Citywest in Dublin 24 for €65.5m.

Limited opportunities and few active buyers continue to put upward pressure on yields across all sectors.

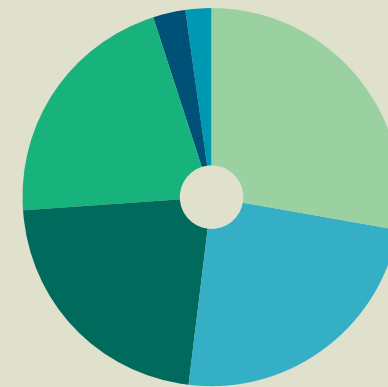
Prime office yields are estimated to be between 5%-5.25% with limited transactional activity making it difficult to be exact. Further outward movement is possible in early 2024, but to a lesser extent than seen in the year to date, as interest rates peak and markets adjust to the reality of higher interest rates for longer.

Total investment spend by sector, Q4 2023



Industrial	59%
Office	18%
Retail	14%
Mixed-Use	6%
Other	2%
PRS	1%

Total investment spend by sector, All 2023



Industrial	28%
PRS	24%
Retail	22%
Office	21%
Mixed-Use	3%
Other	2%

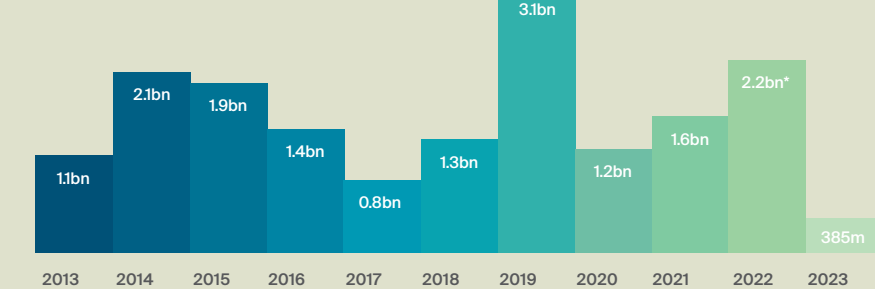
Source: Knight Frank Research

Top Dublin office investment deals, Q4 2023

Property	Vendor	Buyer	Price (€ millions)
Trinity Point, Dublin 2	Private Irish	OPW	€40,000,000
The Chancery, Dublin 8	Credit Suisse	Private Irish	Confidential
Building 8, Cherrywood Business Campus, Dublin 18	Spear Street Capital	La Francaise	€13,000,000
Northwood House, Dublin 9	Baker Anderson	Private Irish	€9,000,000
Landscape House, Dublin 14	Private Irish	Private Investor	€2,150,000

Source: Knight Frank Research

Dublin office investment volumes (€ billions)



Source: Knight Frank Research *Includes Salesforce.



Dublin Office Market
Q3 2023



Dublin Logistics &
Industrial Market
Q3 2023



Ireland Development
Land Market H1 2023



New Homes Construction
Survey 2023



The Wealth Report
2023



Ireland Student
Housing Market 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.

Research

Joan Henry, Chief Economist &
Director of Research
joan.henry@ie.knightfrank.com

Robert O'Connor, Associate Director
robert.oconnor@ie.knightfrank.com

Capital Markets

Adrian Trueick, Director
adrian.trueick@ie.knightfrank.com

Ross Fogarty, Director
ross.fogarty@ie.knightfrank.com

Flexible Office Solutions

Alicia Greene, Flexible Offices Consultant
alicia.greene@ie.knightfrank.com

Offices

Declan O'Reilly, Director
declan.oreilly@ie.knightfrank.com

Paul Hanly, Director
paul.hanly@ie.knightfrank.com

Jim O'Reilly, Director
jim.oreilly@ie.knightfrank.com

Gavin Maguire, Divisional Director
gavin.maguire@ie.knightfrank.com

Tom Fahy, Divisional Director
tom.fahy@ie.knightfrank.com