Savills Research – Q2 2023

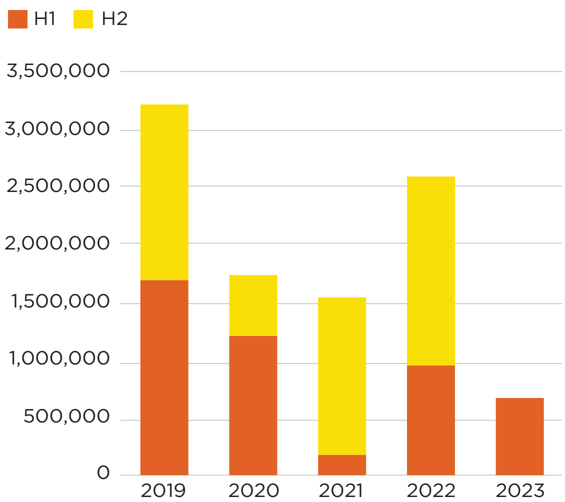
Dublin Office Market

Key Statistics, sq ft*

	Q1 2023	Q2 2023	▲ q/q
Stock	45.98m	46.01m	+33,900
Take-up	276,600	389,417	+112,187
Vacancy rate	13.8%	14.9%	+110 bps
Grey space as a % of vacancy rate	31.1%	32.6%	+150 bps
Completions	113,250	183,458	+70,208

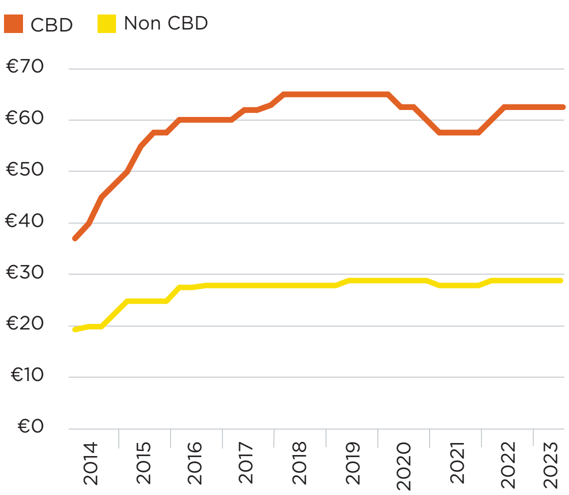
Source: Savills Research

Figure 1: Take-up, sq ft



Source: Savills Research

Figure 2: Headline rents, psf



Source: Savills Research

***Note:** All sq ft quoted in estimated net terms

Small office deals characterise activity

Market down in the first half of the year, with new delivery set to peak in the second half of the year.

The Dublin office market recorded 389,400 sq ft of take-up across 49 deals in Q2, bringing take-up in H1 to 666,000 sq ft. This represents a 30% decline compared to H1 2022.

All of the top five deals were for newly developed office stock. The largest letting was the National Transport Authority's relocation to Haymarket House, where it took 79,600 sq ft. The second biggest transaction was KKR's taking of 39,200 sq ft at Cadenza, Earlsfort Terrace, under a lease assignment from Intercom. The third-largest deal involved engineering firm Jacobs' taking of 30,500 sq ft at Termini, Sandyford, while KPMG exercised its option for a further 27,100 sq ft at Harcourt Square in what was the fourth largest transaction of the quarter. Rounding off the top five was software company Synopsys' taking of 22,900 sq ft at 2 Stemple Exchange, Blanchardstown Corporate Park.

ANALYSIS

The quarter was dominated by activity in the smaller end of the market, with the 32 deals taking place under 5,000 sq ft being the highest number in this category since Q2 2017 when 42 transactions of this size were recorded. There were a further nine deals completed in the 5,000-10,000 sq ft category, which was in line with the five-year average. Nevertheless, when analysing market share on a sq ft basis, the five deals over 20,0000 sq ft still accounted for 51% market share, whereas the smallest size category made up only 24% of space taken.

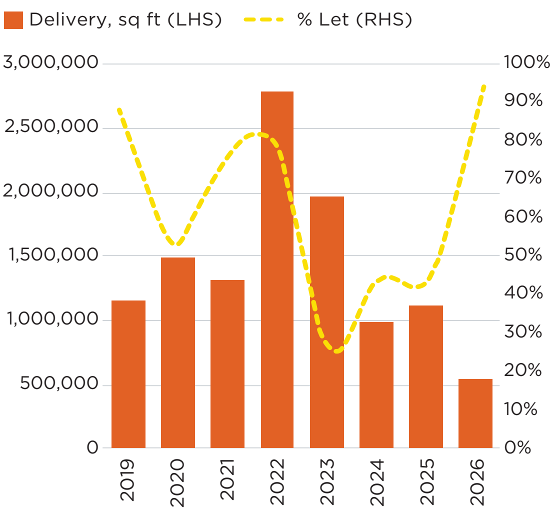
On a sectoral basis, financial services accounted for the highest proportion of space taken at 28%, followed by the State at 24% and professional services at 22%. Just 6% of space was taken by tech occupiers, reflecting the current sentiment in that sector. In terms of transaction volumes, 14 deals were attributable to financial services which was twice the five-year average and in line with the comparable quarter last year.

Table 1: Top five deals

Property	Sq ft	Tenant	Sector
Haymarket House, D7	79,600	National Transport Authority	Public Sector
Cadenza, Earlsfort Terrace, D2	39,200	KKR	Financial Services
Termini, D18	30,500	Jacobs	Industry
Harcourt Square, D2	27,100	KPMG	Professional and Technical Services
2 Stemple Exchange, D15	22,900	Synopsys	Tech

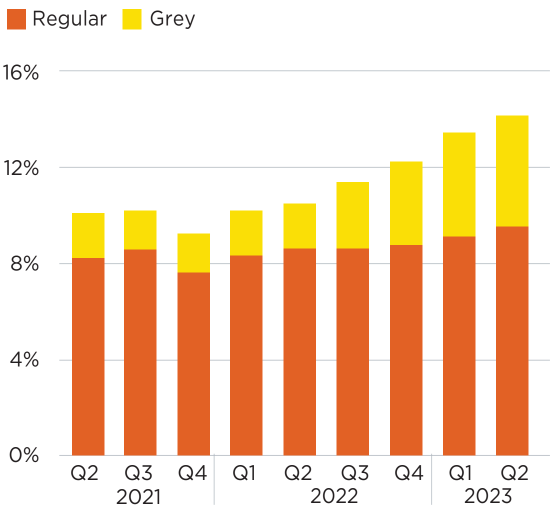
Source: Savills Research

Figure 3: Development Pipeline



Source: Savills Research

Figure 4: Vacancy by type



Source: Savills Research

DEVELOPMENT PIPELINE

There was just one completion of scale in Q2, namely 177,000 sq ft at the Shipping Office, located at Sir John Rogerson's Quay. The eight-storey block has a BER rating of A3 and NZEB status. Looking ahead, we forecast 1.6 million sq ft will be delivered in the latter half of the year, with new supply equally split between Q3 and Q4. Notable developments slated for completion include 390,000 sq ft at Coopers Cross, Dublin 1, 197,000 sq ft at Four and Five Park Place, Dublin 2 and 168,000 sq ft at Block N, Central Park Dublin 18. In total, 2.0 million sq ft will be delivered across 2023 before falling back to 1.0 million sq ft in 2024.

VACANCY

The addition of the Shipping Office to stock combined with the 259,000 sq ft of grey space brought to market in Q2, saw the vacancy rise to 14.9%. This was up from 13.8% in Q1 and 10.9% in Q2 2022. Among submarkets, the CBD saw the greatest increase in the vacancy rate, going from 13.3% to 15.1% quarter on quarter. Grey space has accounted for over 80% of the increase in the CBD vacancy rate in the last couple of years. Net absorption, on a four quarter moving average basis, ticked negative to 185,000 sq ft in Q2.

Table 2: Top five developments due in H2

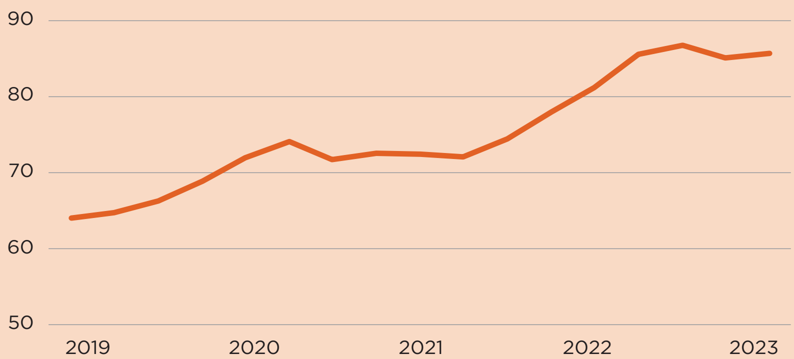
Property	Sq ft	Submarket
One and Two, Coopers Cross, D1	390,000	CBD
Four and Five Park Place, D2	197,000	CBD
Block N, Central Park, D18	168,000	Suburbs
60 Dawson Street, D2	147,000	CBD
The Freight Building, D3	105,000	Fringe

Source: Savills Research

Macro View

Dublin office-based employment expanded by 2.0% y/y in Q1. Tech performed better than the average at 2.5%, despite the difficult 12 months for the sector. With 86,000 now employed in the tech sector in Dublin, it means that the sector has added and retained 20,000 jobs since Q2 2019. Therefore, while the sector is proving resilient from an employment point of view, working from home trends have impacted office demand. There are signs that tech companies are reversing this trend due to productivity concerns, with firms such as Google changing stance in that regard in Q2. This could provide the basis for a recovery in office demand.

Figure 5: Dublin tech employment, thousands



Source: CSO, Savills Research

Savills team

Please contact us for further information

Andrew Cunningham
Director, Head of Offices
+353 (0) 1 618 1720
andrew.cunningham@savills.ie

Roland O'Connell
Director, Office Agency
+353 (0) 1 618 1315
roland.oconnell@savills.ie

Shane Duffy
Director, Office Agency
+353 (0) 618 1351
shane.duffy@savills.ie

John Ring
Director, Research
+353 (0) 1 618 1431
john.ring@savills.ie

Natasha Browne
Senior Research Analyst
+353 (0) 1 618 1773
natasha.browne@savills.ie