SCSI Chartered property, land and construction surveyors

RICS

COMMERCIAL PROPERTY MARKET MONITOR

REVIEW AND OUTLOOK 2025

FEBRUARY 2025

CONTENTS

Chartered property, land and construction surveyors

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KEY FINDINGS

OVERALL MARKET OUTLOOK IN 2025

PRIME INDUSTRIAL

CAPITAL VALUES

▲ +3.2%

RENTAL VALUES

▲ +3.1%

PRIME OFFICE

CAPITAL VALUES

▲ +1.4%

RENTAL VALUES

▲ +1.4%

PRIME RETAIL

CAPITAL VALUES

▲ +1.0%

RENTAL VALUES

▲ +1.2%

IMPROVEMENTS TO OCCUPIER AND INVESTOR DEMAND INDEX

+17%

Occupier demand index at +17% net balance in Q4 2024, up sharply from -4% in Q4 2023.

+5%

Investor demand index at +5% net balance in Q4 2024, a significant recovery from -23% in Q4 2023.

+22%

Retail sector occupier demand index net balance at +22% in Q4 2024, up from +1%, reflecting stronger consumer confidence.

+15%

Office sector occupier demand index net balance rebounded sharply to +15% in Q4 2024, rising from -32%, driven by increased interest and reduced oversupply.

CAPITAL AND RENTAL VALUE INDEX OUTLOOK

+15%

Capital value expectations index up at +15% net balance in Q4 2024, a sharp rise from -27% in Q4 2023.

+19%

Rental value expectations index at +19% net balance for 2025, up significantly from -7% in the same period.

ENERGY EFFICIENT COMMERCIAL PROPERTY

54%

54% of surveyors report increased occupier demand for sustainable offices, with retrofitting seen as integral to the sector's ESG priorities.

78%

78% of surveyors observe no change in occupier demand for sustainable retail spaces, with cost-sensitive tenants deprioritising ESG.

71%

71% of surveyors expect increased demand for retrofitting, with 36% predicting a rise in office retrofits, while retail and industrial lag behind. High costs, perceived risks, and limited funding are barriers to retrofitting older commercial properties, impacting investor demand.

OVERVIEW OF THE COMMERCIAL PROPERTY MARKET

The 2024 global economy faced significant uncertainty because of geopolitical tensions and price inflationary pressures. Despite this, Ireland's financial resilience was supported by strong foreign direct investment (FDI), export-led growth, and Government surpluses bolstered by record corporate tax revenues. Tax receipts of €108bn were collected in 2024, ahead of the previous year by €19.9bn (22.6%)[1]. The concentration of corporate tax revenue among a small group of multinationals raises concerns about the long-term financial stability of Exchequer income. This reliance on non-Irish corporations, coupled with U.S. and global tax policy uncertainties, could influence future commercial property demand.

Ireland's GDP contracted by 0.5% in 2024, primarily due to weaker multinational exports, but the European Commission (EC) projects a strong recovery with 4% growth in 2025. Unemployment remains low, with both the EC and Central Bank of Ireland (CBI) forecasting rates of 4.4-4.5%, reflecting a stable labour market. Private consumption is set to recover modestly, supported by rising wages and strong employment. Inflation, forecast by the CBI to stabilise at 1.7% and by the EC at 1.9% in 2025, creates a favourable economic environment for businesses and consumers.[2,3]

The commercial property market in Ireland continues to be shaped by several factors, including economic performance, inward investment, and the changing supply and demand levels of office, retail and industrial property. SCSI members, such as commercial agents and valuation surveyors, provide frequent insights and expectations to the SCSI on commercial property performance. There is a notable improvement in sentiment across occupier and investor demand. The SCSI Index for capital value expectations (+6 months) increased from -27% in Q4 2023 to +15% in Q4 2024. Similarly, overall national rental expectations for the first six months of 2025 increased from -7% to +19%, reflecting renewed optimism among professionals about the sector's resilience. This improved outlook suggests a potential stabilisation in the market, driven by a combination of increasing confidence in Ireland's economic recovery and a recalibration of space usage patterns to meet evolving tenant needs.

Sustainability has become one of the main focuses in the commercial property market, driven by European directives like the Energy Performance of Buildings Directive (EPBD) and Corporate Sustainability Reporting Directive (CSRD). Demand for sustainable buildings is strong, with 54% of surveyors reporting increased occupier interest in green office spaces, and 42% noting increased investor demand. The industrial sector has seen similar trends, though retail properties lag behind.

The commercial property market in Ireland continues to be shaped by several factors, including economic performance, inward investment, and the changing supply and demand levels of office, retail and industrial property.

1 https://www.gov.ie/en/publication/7e8e9-fiscal-monitor-december-2024/
2 https://www.centralbank.ie/docs/default-source/publications/quarterly-bulletins/qb-archive/2024/quarterly-bulletin-q4-2024.pdf?sfvrsn=ac4641a_5
3 https://economy-finance.ec.europa.eu/economic-surveillance-eu-economies/ireland/economic-forecast-ireland_en

INVESTMENT AND OCCUPIER DEMAND ON THE RISE

The SCSI Annual Commercial Property Market Monitor tracks Chartered Surveyor sentiment of those providing sales, rental and valuation services to clients. The SCSI survey also forms part of the Royal Institution of Chartered Surveyors (RICS) Global Commercial Property Market Monitor, which tracks similar sentiment regarding investment and occupier trends in some of the main developed countries across the globe. The SCSI Commercial Property Market Monitor tracks office, retail, and industrial property activity across Ireland.

Figure 1 illustrates National Occupier and Investor Demand Sentiment, which tracks overall activity in the commercial market across the office,

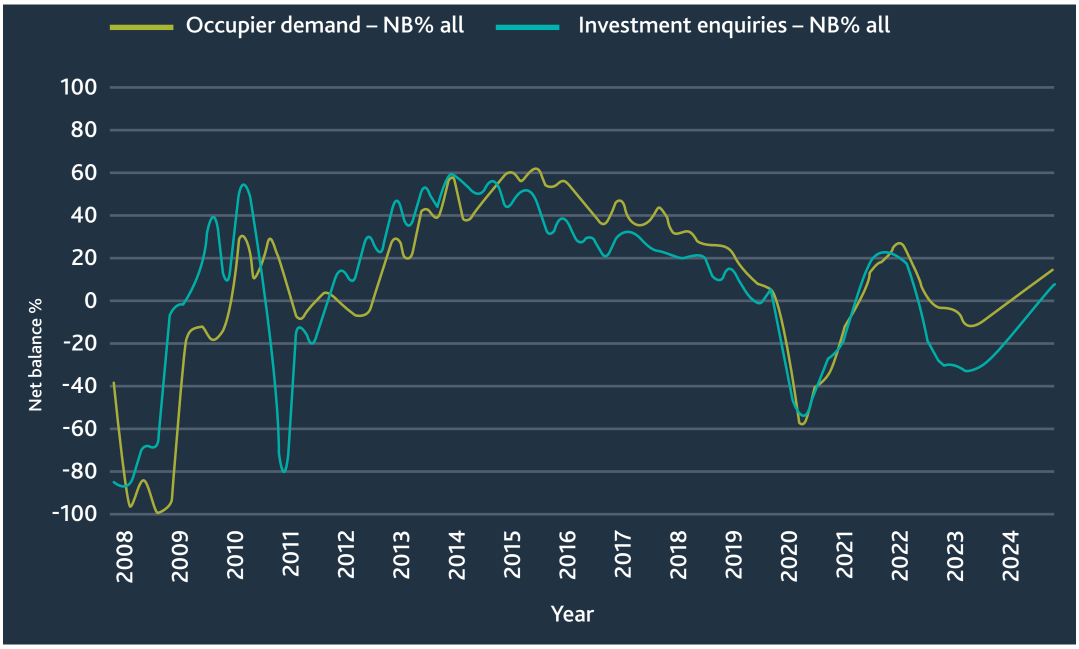

FIGURE 1: National Occupier and Investor Demand Sentiment Indices – net balance.
Source: SCSI research. Note: net balance = proportion of respondents reporting a rise in a variable minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance would be 25%). Net balance data can range from -100 to +100.

The SCSI Commercial Property Market Monitor tracks office, retail, and industrial property activity across Ireland.

INVESTMENT AND OCCUPIER DEMAND

industrial and retail sectors. This Index peaked in Q2 2022, reflecting strong post-Covid recovery. However, from late 2022 to mid 2023, the market experienced significant declines, partly due to higher credit costs and global economic uncertainty stemming from events like the war in Ukraine. Some sector-specific challenges exacerbated the challenges, such as the office sector that faced an oversupply of office space in some locations, the retail sector continued to be impacted by the growth of e-commerce, and industrial demand, while initially strong, began to decline in performance by the end of 2022. As a result, both the occupier and investor sentiment weakened during this period.

By Q4 2023, the indices showed early signs of recovery, with occupier and investor sentiment improving as market conditions began to stabilise. In the Q4 2024 survey, the Index net balance was at +17% for occupier demand and +5% for investor demand, up from -4% and -23%, respectively, in Q4 2023, signalling a steady return to growth and confidence in the commercial property market.

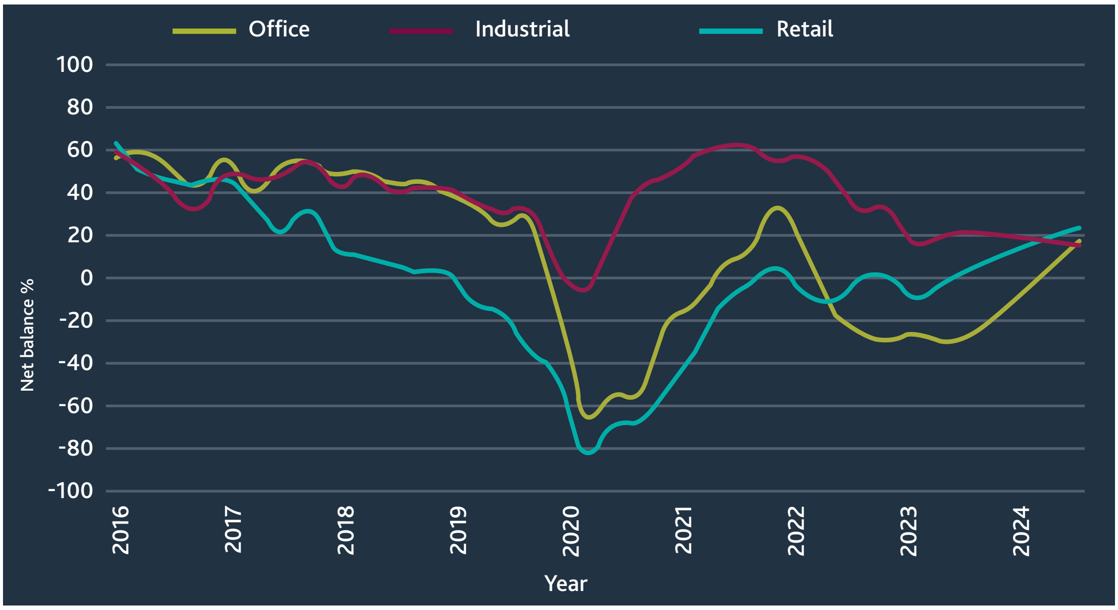

FIGURE 2: National Occupier Sentiment Index – retail, office, industrial – net balance.
Source: SCSI research. Note: net balance = proportion of respondents reporting a rise in a variable minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance would be 25%). Net balance data can range from -100 to +100.

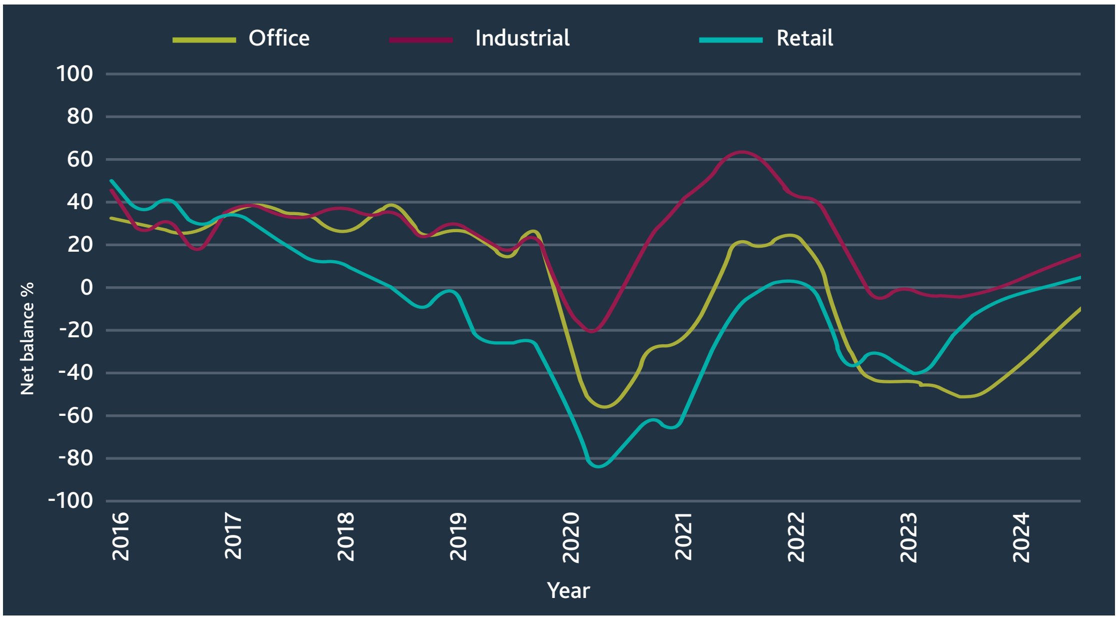

FIGURE 3: National Investment Sentiment Index – retail, office, industrial – net balance.
Source: SCSI research. Note: net balance = proportion of respondents reporting a rise in a variable minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance would be 25%). Net balance data can range from -100 to +100.

Occupier demand for office, industrial and retail in positive growth

The SCSI Occupier Demand Sentiment Index for the industrial sector peaked in 2021 and 2022 (**Figure 2**), with a net balance of +62% in Q3 2021, driven by post-pandemic recovery and growth in key sectors like pharmaceuticals. The sentiment index declined with seasonal fluctuations to +13% by Q4 2024, as the supply of units catches up with demand.

The retail sector rebounded from a net balance of +1% to a much improved +22% in Q4 2024, reflecting stronger consumer confidence. The office sector also experienced a significant recovery, improving from a net balance of -32% in Q4 2023 to +15% in Q4 2024, driven by higher levels of interest from occupiers and lower levels of oversupply stock.

Investment sentiment on the rise for retail and industrial – office declining but at a slower pace

Reflecting the strong occupier demand, the investment sentiment has improved across all three sectors since the previous report (**Figure 3**). While still negative, the office sector has seen a significant improvement in its net balance, rising from -52% in Q4 2023 to -7% in Q4 2024. The industrial investment index has a positive net balance for the first time in two years, with the net balance increasing from -4% in Q4 2023 to 16% in Q4 2024. Similarly, the retail sector has maintained its upward momentum, with its net balance improving from -13% to +5% over the same period.

Member commentary from survey:

"Market somewhat stable, clear evidence of shortage of prime spaces throughout urban areas where demand is strong, and population is at a level to sustain or offer opportunities to services and retail sector in particular."

"Market recovering after interest rates reduced in Q4 2024. ESG in commercial buildings highlighting green obsolescence in second- and third-generation stock. Investors with second- and third-generation assets will be forced to retrofit or sell asset at a discount."

"Positive outlook going into 2025. Demand exceeding supply in retail."

"I work solely in office leasing. Demand is there for the better-quality, well-located buildings. Main issue is the capital expenditure required for fitting out spaces, so newly fitted space by way of sublease is the strongest performing space."

"General level of well-founded optimism in the Irish market but this could all be upset if international trading tariffs are introduced next year by major trading partners. So still a high level of uncertainty."

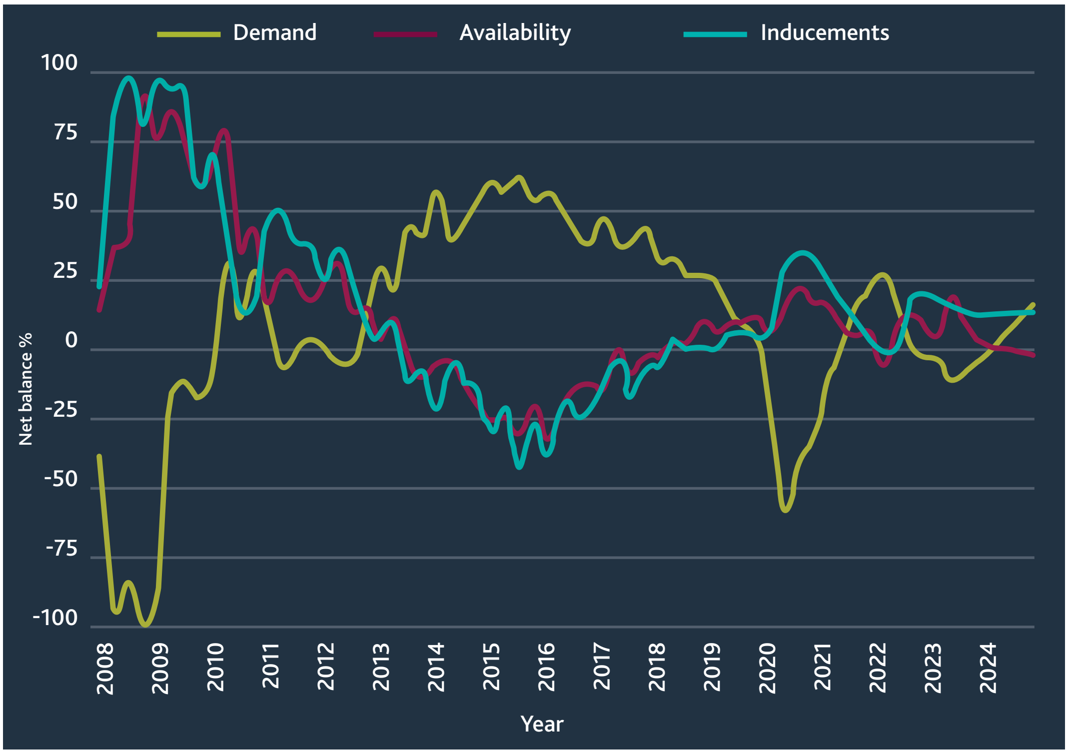

FIGURE 4: National Occupier Demand, Availability and Inducements Index – net balance.
Source: SCSI research. Note: net balance = proportion of respondents reporting a rise in a variable minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance would be 25%). Net balance data can range from -100 to +100.

"General level of well-founded optimism in the Irish market but this could all be upset if international trading tariffs are introduced next year by major trading partners. So still a high level of uncertainty."

INVESTMENT AND OCCUPIER DEMAND

Sharp rise in occupier demand in 2024

Figure 4 illustrates a comparison of sentiment regarding overall national occupier demand, availability of stock, and level of inducements. Sentiment towards demand, which had maintained a negative balance since Q4 2022, has shown a significant improvement and now stands at +17%. The sentiment for availability and inducements has experienced only minor fluctuations. Sentiment regarding the availability of stock decreased slightly to -1% in Q4 2024 from 4% in Q4 2023, while sentiment for inducements has risen modestly from +13% to +15% during the same period. The level of inducements provided to tenants across the different sectors can be seen in **Figure 5**. In the office sector, the proportion of surveyors reporting an increase in inducements fell from 50% in Q4 2023 to 39% in Q4 2024, while those reporting decreases rose from 2% to 7%. The industrial sector remains stable, with 87% in Q4 2023 and 81% in Q4 2024 reporting no change in inducements. Similarly, the retail sector shows minimal shifts, with 24% reporting increase in Q4 2023 compared to 22% in Q4 2024. Across the three sectors, investment enquiries have recovered significantly, with the average net balance rising from -23% in Q4 2023 to +5% in Q4 2024 (**Figure 6**). Foreign investment has also shown notable improvement, increasing from -40% in Q4 2023 to -1% in Q4 2024. However, sentiment regarding the supply of stock remains negative, with only a slight improvement from -13% in Q4 2023 to -10% in Q4 2024. Commentary from survey respondents:

- *"Overall market conditions are good with decent demand across all sectors. Pricing is key, and location and quality of building very important factors."*
- *"Likely uptick in demand for well-located, best-in-class office buildings, whilst secondary office accommodation will become even more stranded and ultimately unlettable."*
- *"Older commercial units are proving hard to sell in this current market. Investors are not active, and older units are remaining on the market for a number of years."*

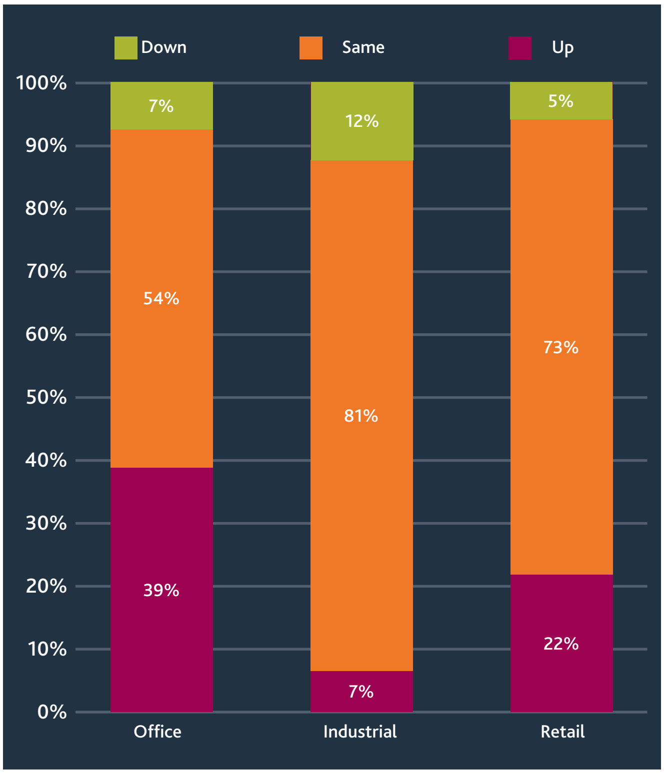

FIGURE 5: Value of inducements to new tenants during Q3 and Q4 2024.
Source: SCSI research.

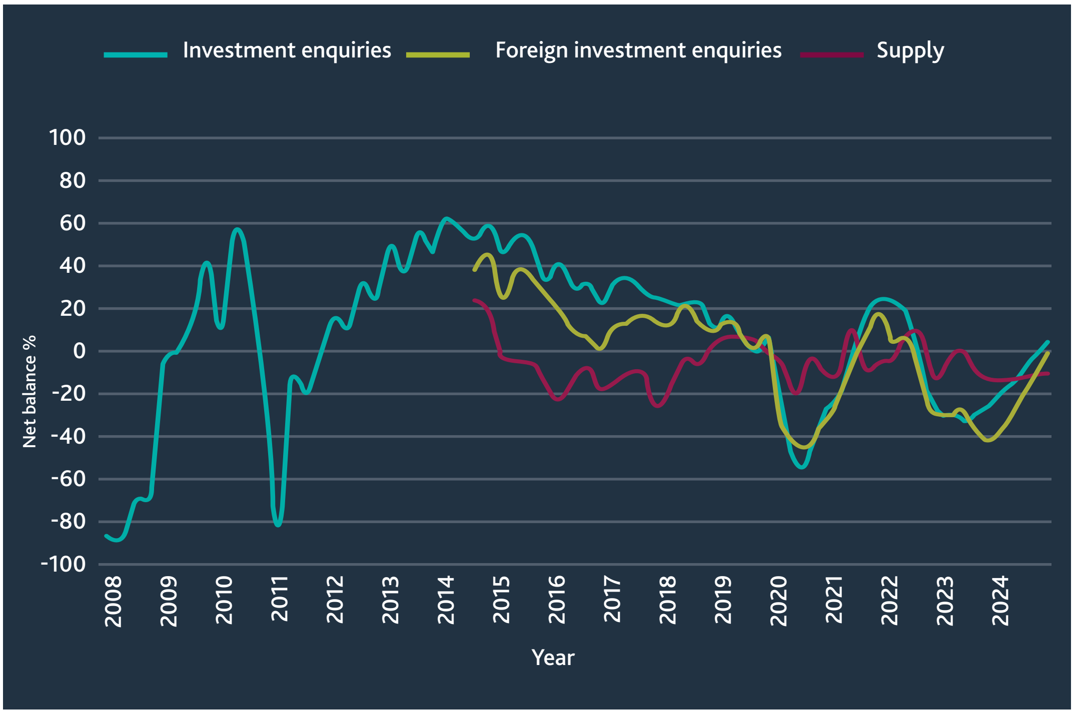

FIGURE 6: Investment enquiries, supply and foreign investment enquiries across office, retail and industrial.
Source: SCSI research. Note: net balance = proportion of respondents reporting a rise in a variable minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance would be 25%). Net balance data can range from -100 to +100.

CREDIT CONDITIONS IMPROVE

The sentiment regarding credit conditions has shifted positively in Q4 2024, wherein 45% of surveyors believe that credit conditions have improved slightly or significantly (**Figure 7**). This is a notable increase compared to only 7% in Q4 2023 and 14% in Q4 2022. At the same time, the proportion of surveyors who believe credit conditions have deteriorated slightly or significantly has gone down, from 68% in Q4 2022 and 66% in Q4 2023, to just 10% in Q4 2024. This positive outlook can be attributed to several interest rate cuts made by the European Central Bank (ECB) throughout 2024, along with subsequent rate reductions by the Central Bank of Ireland (CBI). These actions have contributed to a more favourable perception of the credit conditions.

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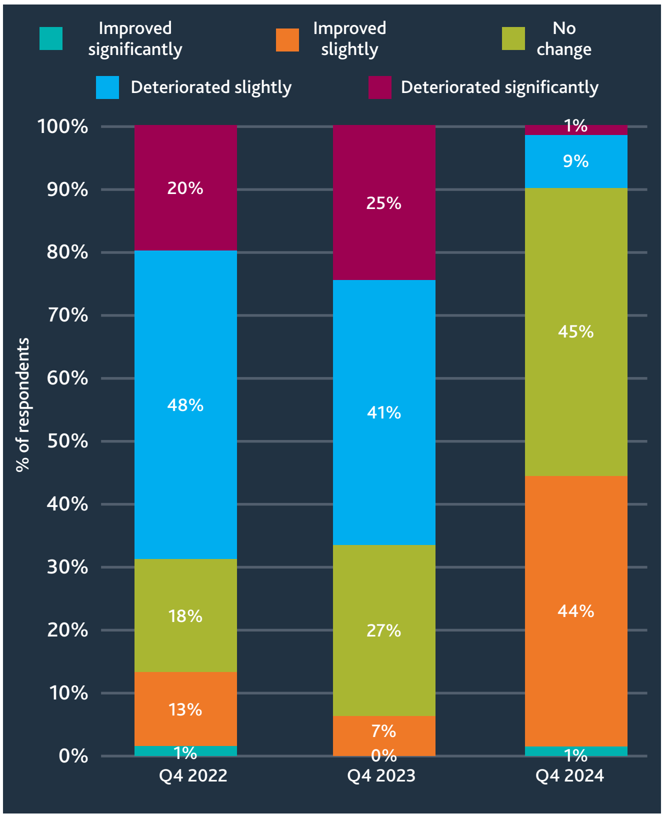


FIGURE 7: Views on credit conditions Q4 2022, Q4 2023 and Q4 2024.
Source: SCSI research.

MARKET VALUATION LEVELS

There has been a slight decrease in the proportion of surveyors who perceive property values as either expensive or very expensive. This figure has dropped from 47% in Q4 2022 and 42% in Q4 2023 to 35% in Q4 2024 (**Figure 8**). Conversely, there has been a slight increase in the perception that property values are cheap or very cheap, rising from 2% in Q4 2022 and 3% in Q4 2023 to 9% in Q4 2024.

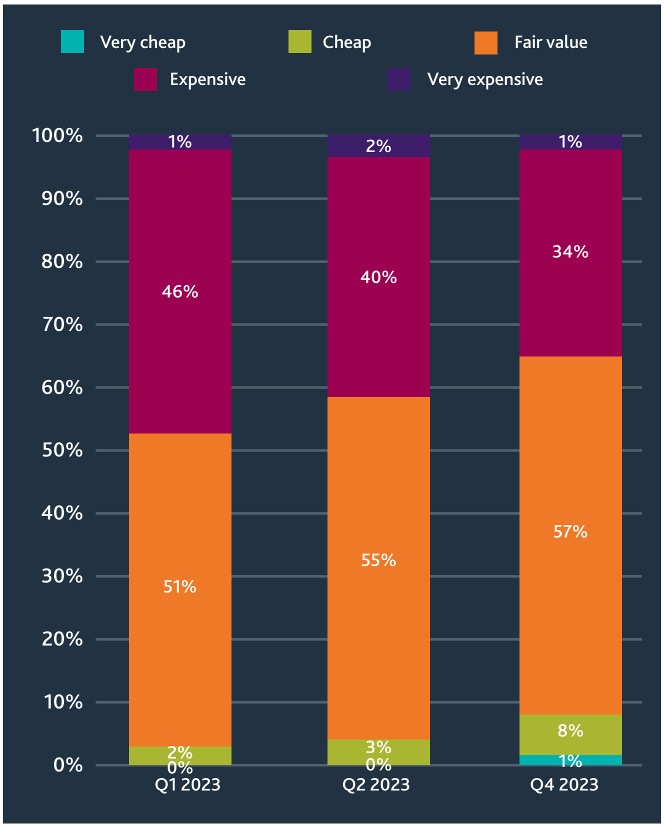


FIGURE 8: Views on current market valuation levels Q4 2022, Q4 2023 and Q4 2024.
Source: SCSI research.

COMMERCIAL PROPERTY CYCLE – RECOVERY AND GROWTH PHASE

In Q4 2024, there was a noticeable shift in surveyors' perceptions regarding the property cycle, with a significant portion now of the view that the market is in a recovery and growth phase compared to the Q4 2023 report. Specifically, the percentage of surveyors identifying the market at its peak has risen from 5% to 16%, those saying the market is in the mid-upturn phase increased from 11% to 16%, and those stating it is in the early recovery phase jumped from 5% to 28% (**Figure 9**). Conversely, in the same period, there has been a decrease in surveyors perceiving the market as being in mid-downturn, which fell from 29% to 10%, and those viewing it as being in the early downturn dropped from 32% to 11%. This trend reflects a growing optimism and movement toward the phases indicating recovery and growth. The positive outlook is also supported by some of the surveyor comments such as:

- *"Sentiment has improved in the market, which in my opinion will lead to more market activity and transactions, thereby providing further confidence in the market."*
- *"Positive outlook going into 2025."*
- *"Reduction in interest rates should have a modest positive effect on each commercial asset class in 2025."*

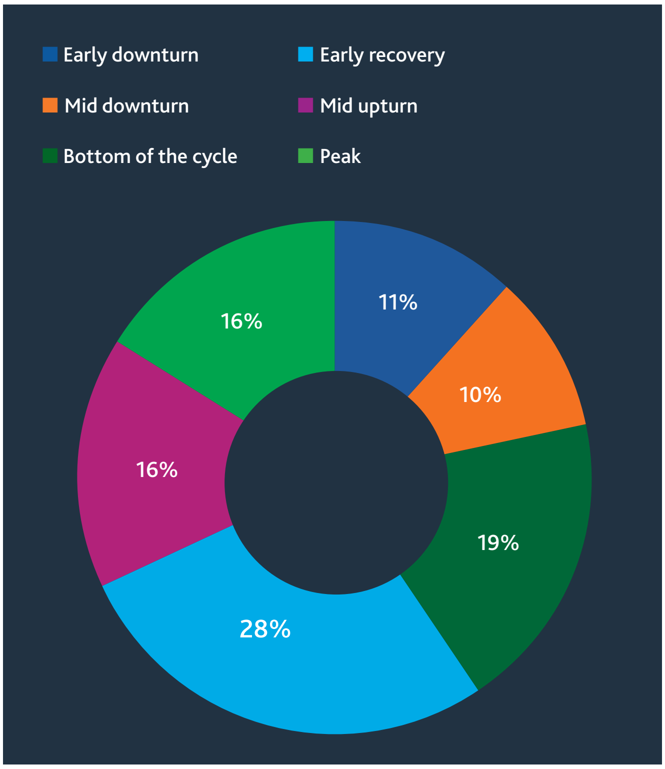


FIGURE 9: Overall average perception of the property cycle at the end of Q4 2024.
Source: SCSI research.

POSITIVE OUTLOOK FOR 2025

The overall capital value and rental expectations for all three commercial property asset types show a positive outlook for 2025. This optimism is supported by increasing demand from occupiers and investors. Additionally, Ireland's economy is projected to perform well in 2025, further benefiting the commercial property market. Specifically, the expectation for overall capital values improved significantly, rising from -27% in the Q4 2023 report to +15% in the Q4 2024 report. Similarly, rental expectations for 2025 increased from -7% to +19% during the same period (**Figure 10**).

There are notable differences in capital and rental values across various property types within the different sectors. According to surveyors in the year ahead, industrial properties, both prime and secondary, are anticipated to experience the highest increases in capital and rental values.

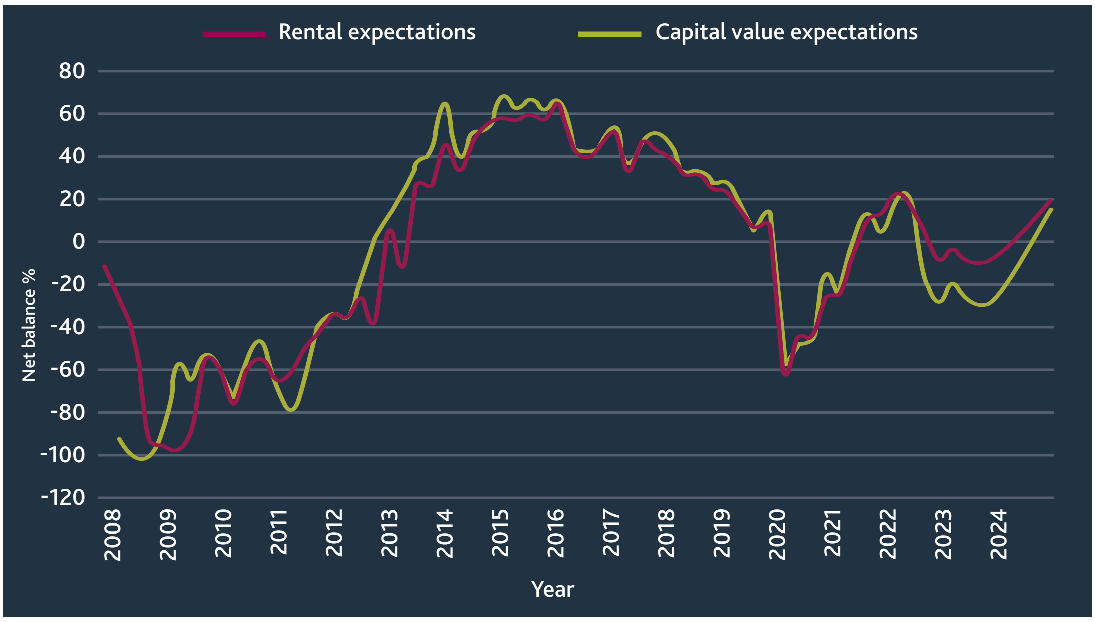


FIGURE 10: Anticipated percentage change in capital values and rental expectations (+6 months), office, industrial and retail – net balance.
Source: SCSI research.
Note: net balance = proportion of respondents reporting a rise in a variable minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance would be 25%). Net balance data can range from -100 to +100.

As seen in **Figure 11**, 45% of surveyors expect that the capital value of the prime office will increase, while 38% expect it to remain the same, and 19% expect it to decrease (figures are rounded off). In terms of rent for the prime office, 46% of surveyors anticipate an increase, whereas 39% expect the rent to stay the same, and 17% expect it to decrease. Regarding secondary offices, 82% of surveyors expect the capital value to remain the same or decrease, while 81% anticipate that rental prices will also stay the same or decrease. The industry sector indicates a stronger expectation of price increases for both prime and secondary properties (**Figure 12**). For prime industrial properties, 61% of surveyors expect the capital value to increase, and 67% anticipate an increase in rental values. In contrast, for secondary industrial properties, only 36% expect capital values to increase, and 39% expect rental prices to rise. However, a significant portion, 44% for capital and 50% for rental, respectively, expect prices to remain the same.

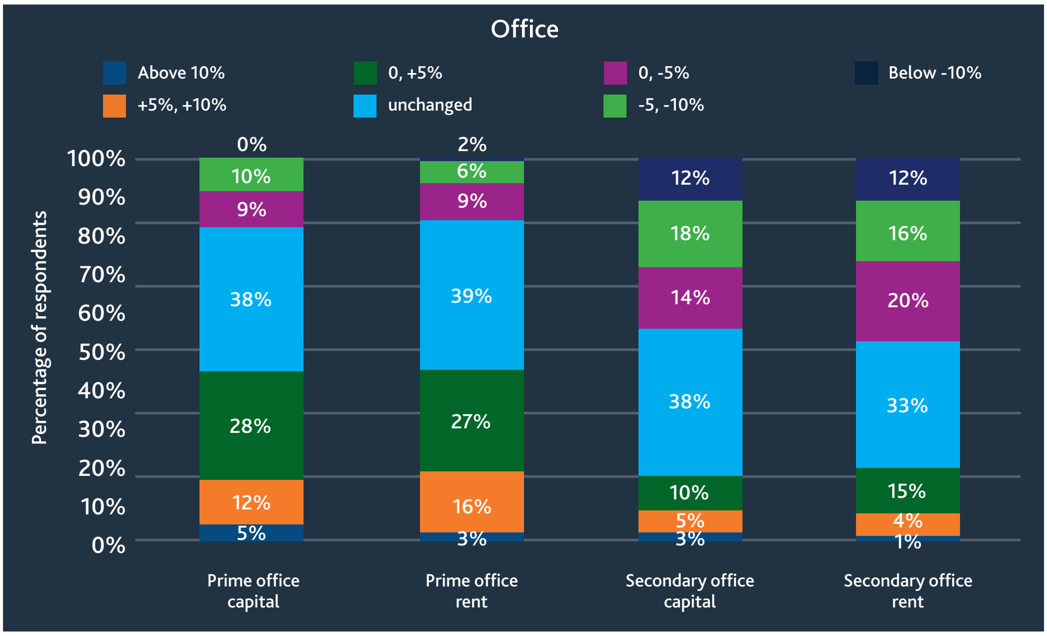


FIGURE 11: Anticipated percentage change in office capital and rent values in 2025 (% of respondents).
Source: SCSI research. Figures are rounded off and may not add up to 100%.

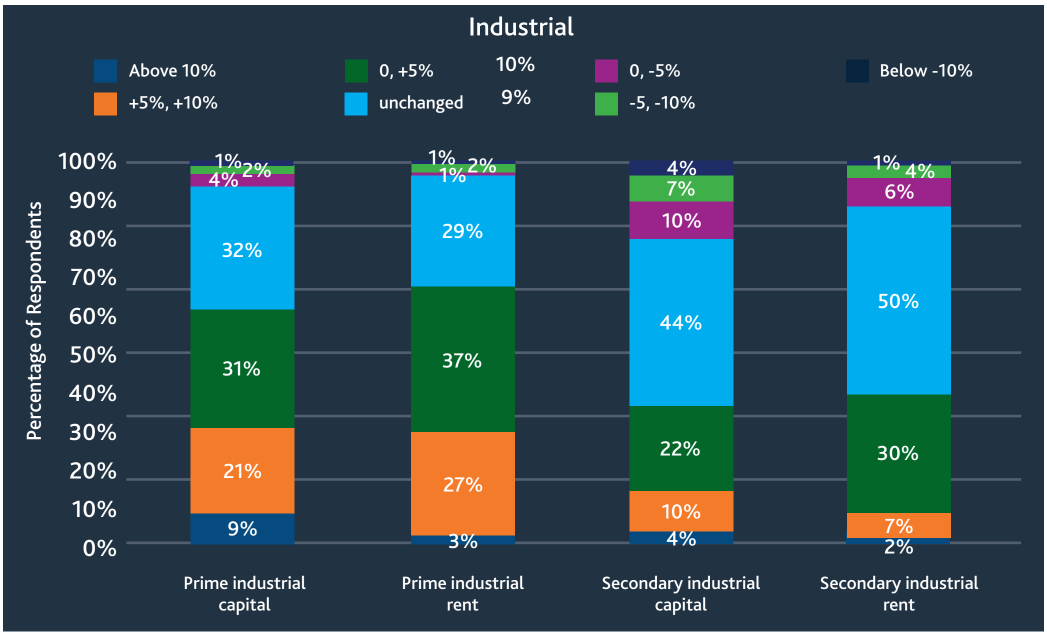


FIGURE 12: Anticipated percentage change in industrial rents and capital values in 2025 (% of respondents).
Source: SCSI research. Figures are rounded off and may not add up to 100%.

POSITIVE OUTLOOK FOR 2025

For prime retail spaces, 36% of surveyors expect capital values to increase in 2025, while 43% anticipate an increase in rental values (**Figure 13**). However, a majority, 49% for capital and 45% for rental, believe these values will remain the same. In contrast, for secondary retail spaces, 36% of surveyors expect capital values to decrease, along with 36% expecting a decrease in rental values. A majority of 49% for capital and 52% for secondary retail rental expect the values to remain the same.

Sector-wise, prime office spaces are expected to see a 1.4% increase in both capital and rental values (**Figure 14**). In comparison, prime retail spaces are projected to have a 1% increase in capital value and a 1.2%

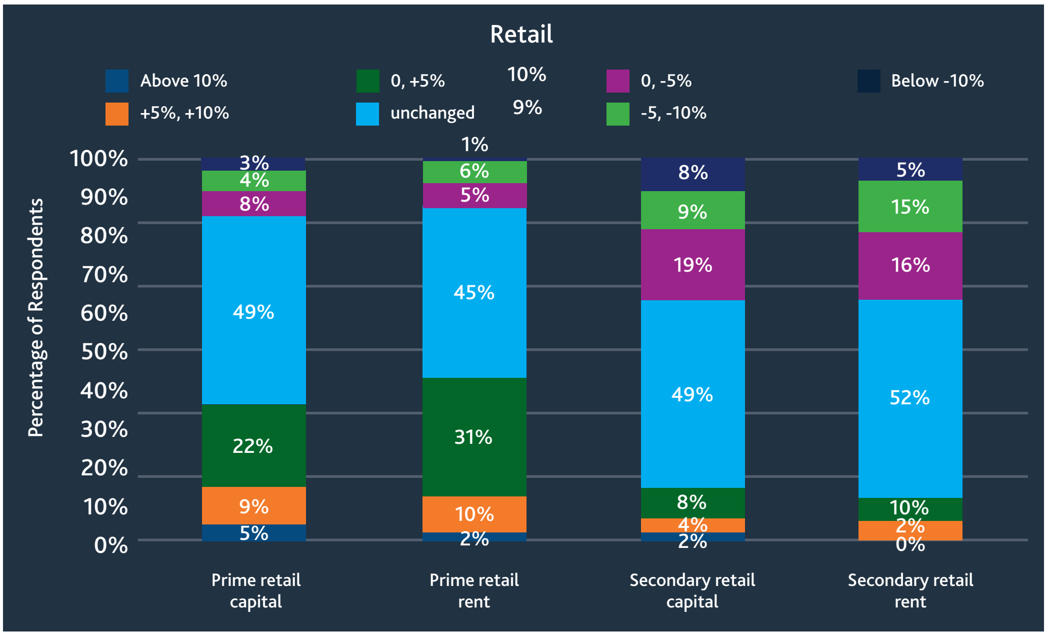


FIGURE 13: Anticipated percentage change in retail rents and capital values in 2025 (% of respondents).
Source: SCSI research. Figures are rounded off and may not add up to 100%.

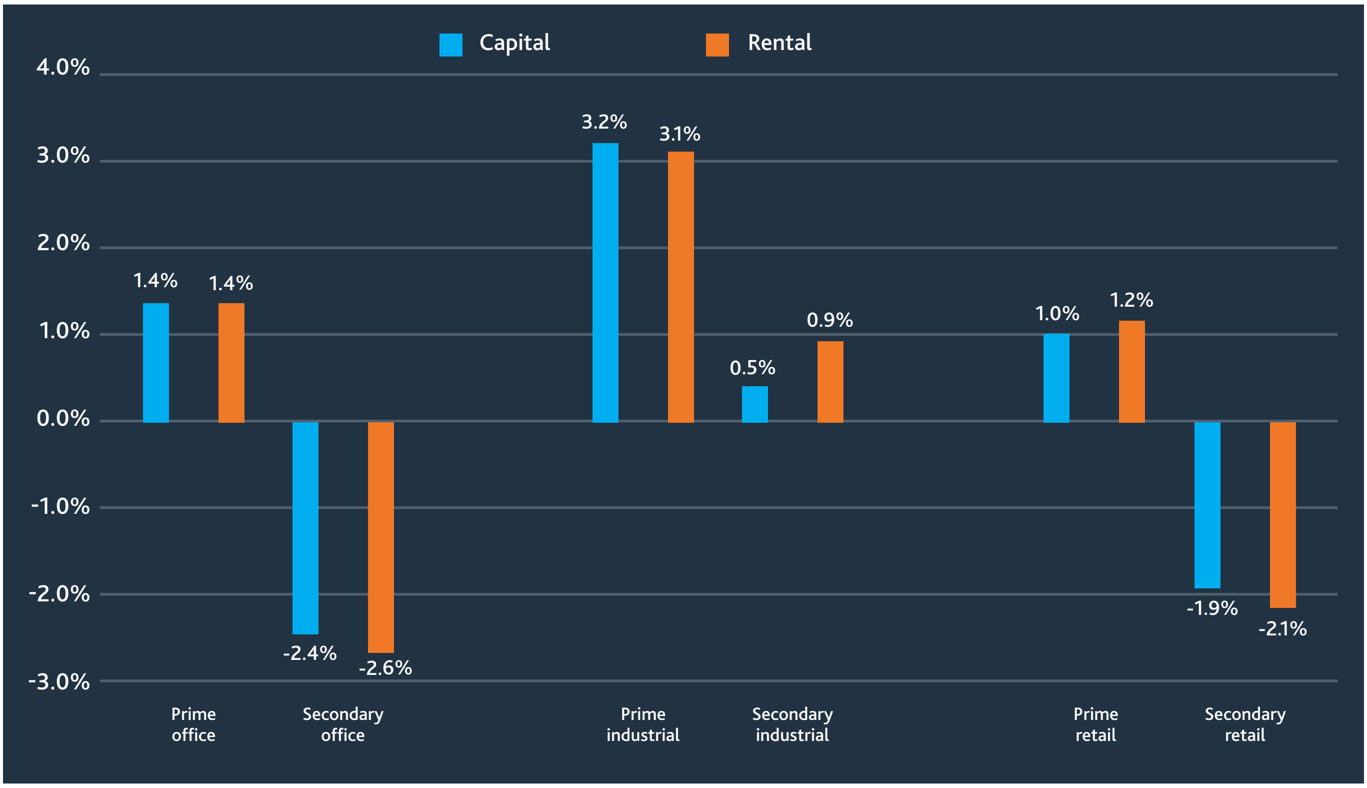


FIGURE 14: National average capital and rental value (+12 month) expectations (% forecast).
Source: SCSI Research.

increase in rental value. Prime industrial spaces are anticipated to experience the highest increases, with capital values rising by 3.2% and rental values by 3.1%.

In **Figures 15** and **16**, the average capital and rental value expected is depicted for a few commercial property types. On average, all the property types are expected to have more than a 2% increase in capital values and rental values in 2025.

Prime industrial spaces are anticipated to experience the highest increases, with capital values rising by 3.2% and rental values by 3.1%.

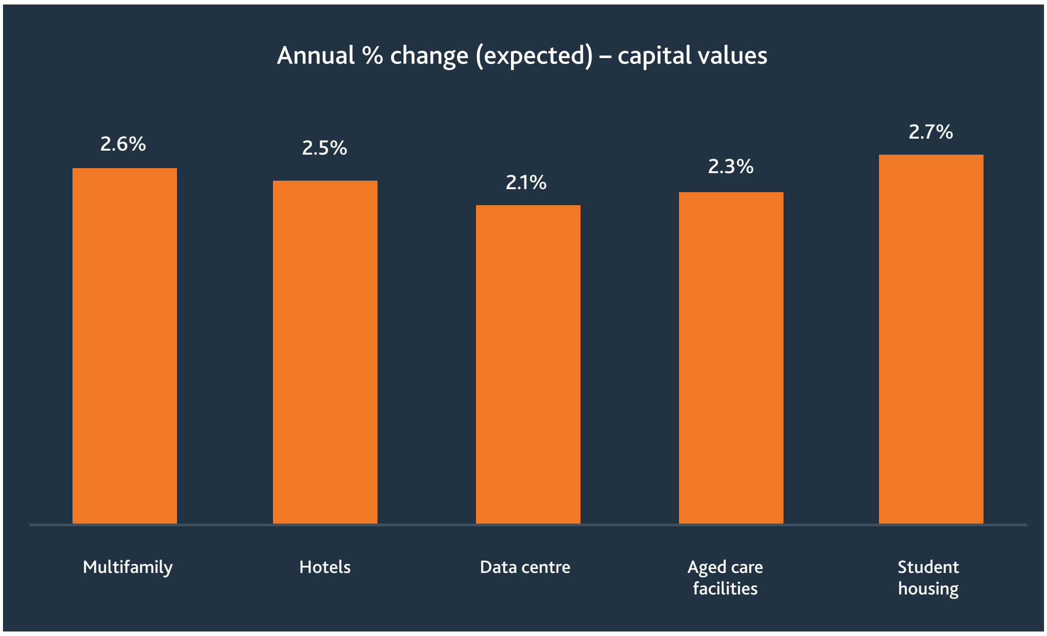


FIGURE 15: National average capital value (+12 month) percentage change for 2025..
Source: SCSI research.

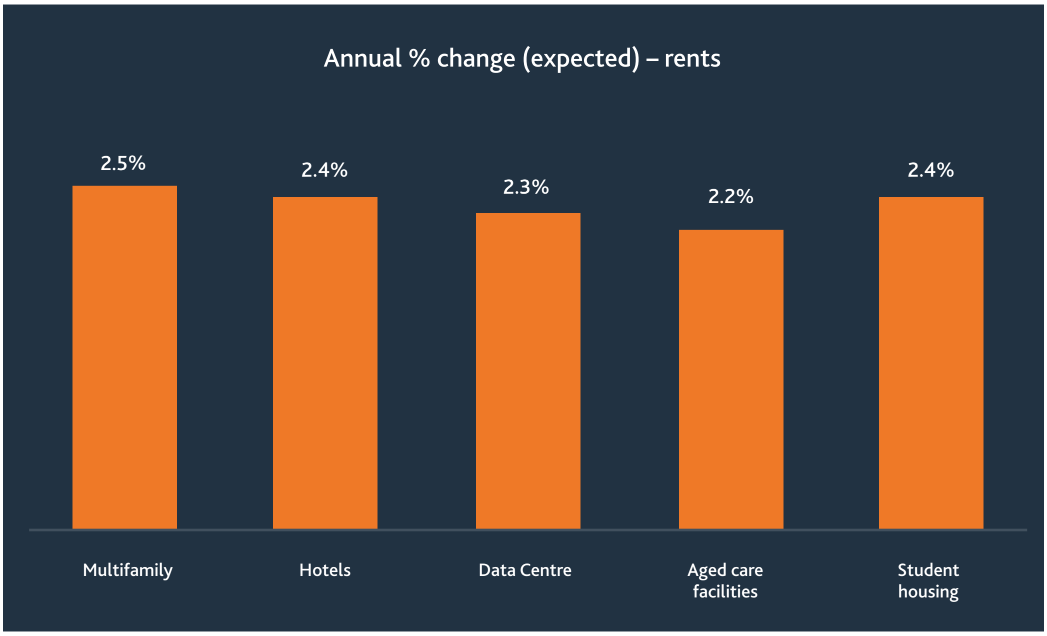


FIGURE 16: Expected national average rent change in 2025.
Source: SCSI research.

GROWING DEMAND FOR MORE ENERGY-EFFICIENT BUILDINGS

Stronger demand for more sustainable assets

The EPBD targets include achieving a minimum BER rating of B by 2030 for existing commercial buildings and ensuring all new properties meet nearly-zero energy building (NZEB) standards. The CSRD, effective in 2024, requires large companies to report on ESG performance, including the environmental impact of real estate holdings. By 2026, this will extend to smaller companies in supply chains. Non-compliance could reduce asset valuations and limit access to capital, as investors prioritise ESG-aligned properties. **Figure 17** highlights a significant proportion of surveyors express mixed sentiments for the demand for sustainable/green buildings. In the office sector, 54% of surveyors indicate increased demand from occupiers, while 42% report increased demand from investors. In the industrial sector, 65% of surveyors reported no change in occupier demand for more energy-efficient industrial space, while 58% noted no change in investor demand. In contrast, a vast portion of surveyors, 78% for occupier demand and 76% for investor demand, report no change in demand for more energy-efficient retail properties. The strong demand for sustainability in the office sector, contrasted with the weaker focus in retail, is underscored by surveyors' comments such as: "Sustainability for the office market is integral. Offices will see more retrofits than other sectors," highlighting the proactive approach in office spaces. In contrast, the retail sector is struggling with the challenge of finance and occupancy over ESG priorities, which can be seen from comments such as "Retail remains difficult with low-quality covenants seeking leases".

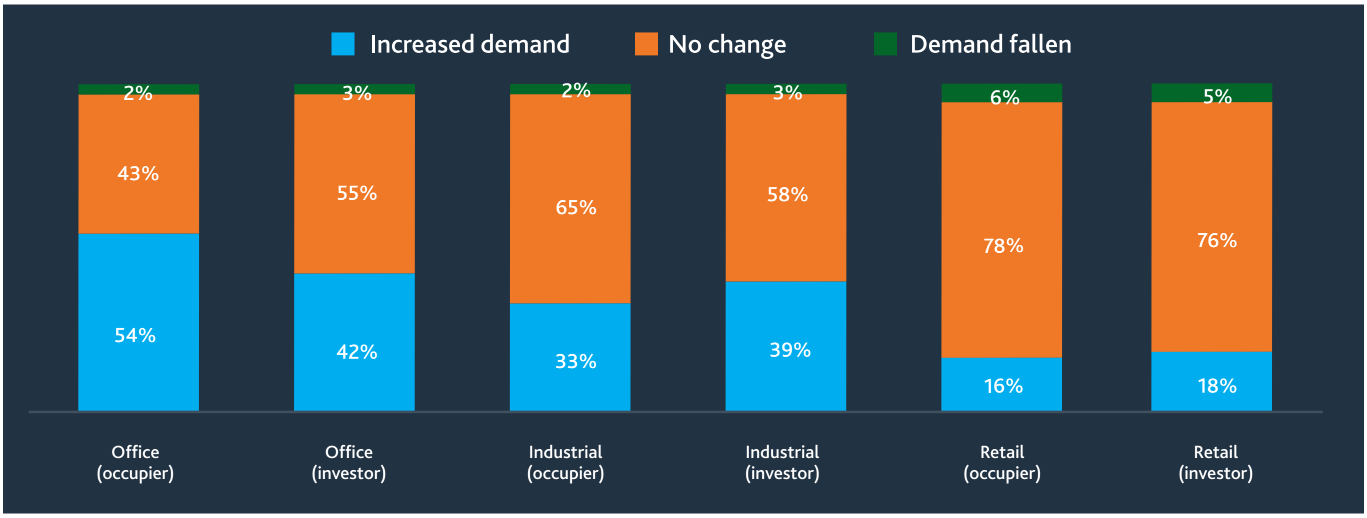


FIGURE 17: Occupier and investor demand for sustainable/green buildings in the second half of 2024.

Source: SCSI research.

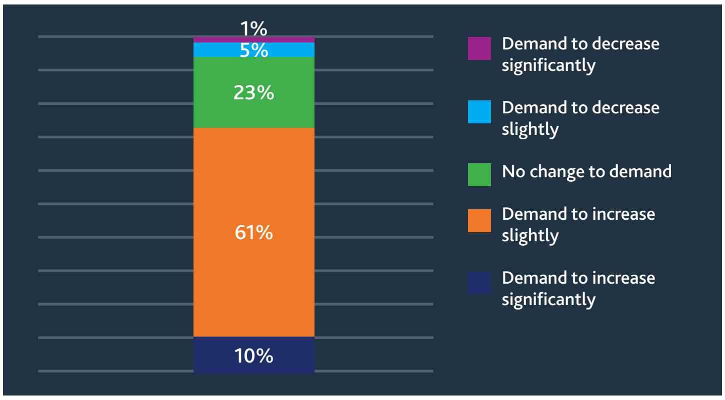


FIGURE 18: Overall expected demand for retrofitting of commercial properties in 2025.
Source: SCSI research.

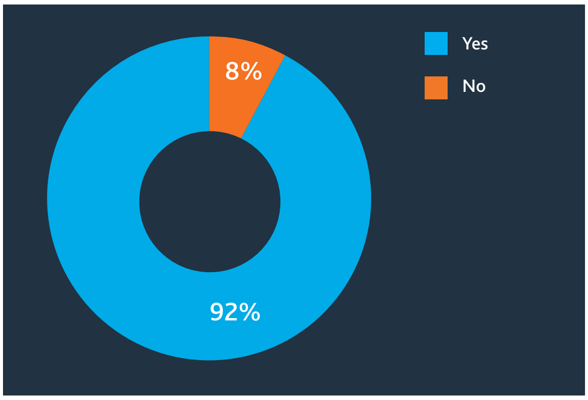
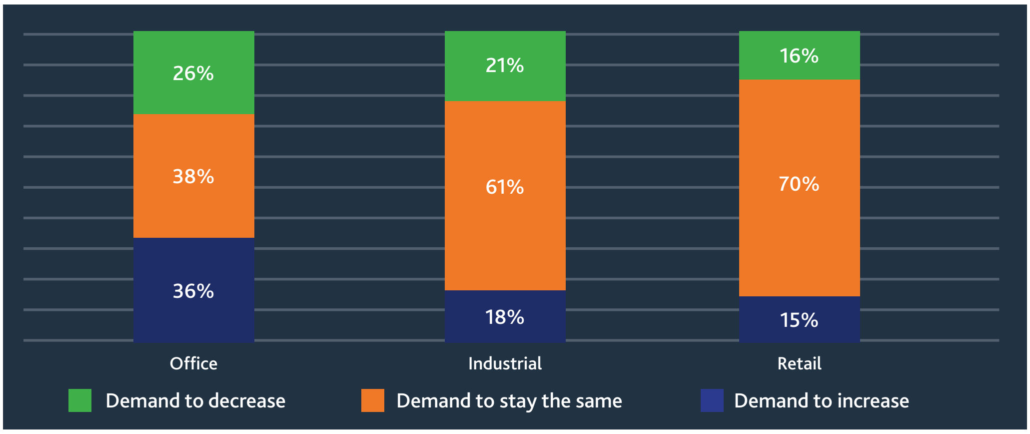


FIGURE 20: Future tenant expectations: increased demand for health and well-being in real estate.
Source: SCSI research.

FIGURE 19: Sector-wise retrofit demand in 2025.
Source: SCSI research.



One of the comments states that: "High street is predominantly barbers, bookies, coffee shops, phone/tech sales and repairs, and discount retailers". These are tenants who are often cost-sensitive and less likely to prioritise sustainability, which is also evident from the comments such as: "Retailers don't seem concerned about sustainability credentials".

Across all three sectors, there is a strong consensus that demand for retrofitting commercial properties will rise. According to surveyors' feedback, 71% believe that the demand for retrofitting will increase either slightly or significantly, while only 29% feel it will remain unchanged or decrease (**Figure 18**). Specifically, 36% of surveyors expect the demand for retrofitting office properties will increase. The demand for retail and industrial retrofitting remains low (**Figure 19**). Furthermore, 92% of the surveyors expect increasing tenant demand in terms of health and well-being from their buildings (**Figure 20**).

This anticipated growth in demand for sustainability and retrofitting aligns with some surveyors' comments.

For instance, one surveyor noted that: "ESG in commercial buildings is highlighting green obsolescence in second- and third-generation stock. Investors with such assets will be forced to retrofit or sell at a discount".

ESG in commercial buildings is highlighting green obsolescence in second- and third-generation stock. Investors with such assets will be forced to retrofit or sell at a discount.

Additionally, some surveyors highlighted challenges associated with retrofitting, such as: "There are pockets of exceptional value in very well-located older office blocks. However, perceived risks, high costs, and limited availability of funding for retrofitting projects are significantly reducing demand".

These insights underscore both the growing necessity for retrofitting to address ESG concerns and the financial and practical barriers that investors and property owners face.

ABOUT THE SCSI AND THE SURVEY

The Commercial Property Monitor Review and Outlook Report 2025 is informed by the surveys completed in December 2024 by Chartered Commercial and Valuation Surveyors.

The Commercial Property Monitor Review and Outlook provide net balance index charts illustrating surveyor sentiment on market trends. Net balance is calculated by taking the total number of "increase" responses from "decrease" responses and displaying the result.
The index charts provided are unweighted composite measures capturing overall market momentum, encompassing variables on supply, demand, and expectations. A total of 161 responses informed this report.

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