

**DUBLIN  
INDUSTRIAL  
REPORT**

Q3 2020



# INDUSTRIAL IN NUMBERS

## TAKE-UP

**55,700**  
SQM

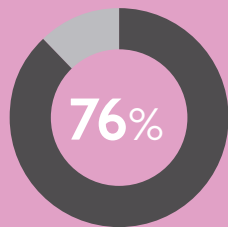
25% HIGHER  
THAN IN  
IN Q2

## LARGEST DEAL

**8,870**  
SQM

FORMER ELETROLUX  
FACILITY ON THE  
NAAS ROAD

## DEAL TYPE



LETTINGS STILL  
DOMINATING WITH  
76% OF ALL DEALS

## CONSTRUCTION

**71,000**  
SQM

WITH MORE  
SPECULATIVE SPACE  
DUE TO START



55,700  
SQM

8,870  
SQM

TAKE-UP  
Q3

LARGEST  
DEAL  
Q3

FROMER LUFTHANSA BUILDING - AVAILABLE TO LET

## OVERVIEW

Take-up in the Dublin industrial market reached 55,700 sqm in Q3, bringing the total for the first nine months of 2020 to 187,200 sqm. In spite of the good levels of activity in the quarter, supply increased slightly, but remains at a very low level with limited availability of quality second-hand stock. Approximately 71,000 sqm of accommodation was under construction at the end of September, 80% of which was available.

## ACTIVITY

In the context of the COVID-19 crisis and the ever-closer Brexit deadline, take-up in the Dublin industrial market was good in Q3 with 55,700 sqm completed. This is 25% higher than in Q2 and 29% higher than the same period of 2019. In the first nine months of 2020, take-up reached 187,200 sqm with the year-end figure likely to reach 280,000 sqm.

As is usual, the southwest region was the most active, accounting for 41% of all activity in the quarter. This was followed by the north region at 36% and the northwest region at 23%. There was only one small transaction in the south region and it accounted for just 0.5% of the quarterly take-up.

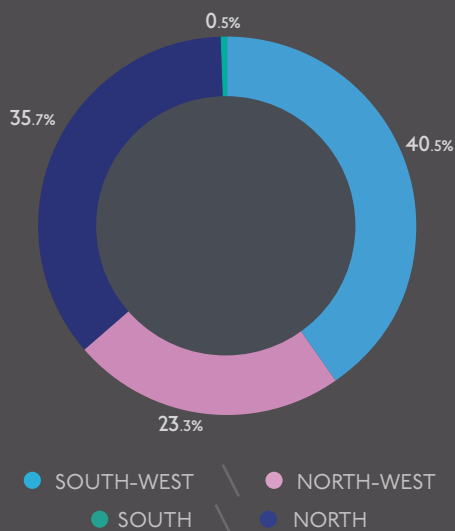
Almost 40% of activity in the southwest region related to the largest deal of the quarter, DHL taking 8,870 sqm of space in the former Electrolux facility on the Naas Road. Also of note in the southwest region was DHL leasing 3,570 sqm in M50 Business Park in Ballymount. In the north region, the former Arvato Bertelsmann premises in Balbriggan (6,040 sqm) was sold off-market, while Screwfix continued its expansion by taking 770 sqm in Malahide Road Industrial Park. In the northwest region, retailer Harvey Norman leased 3,730 sqm in Rohan Holdings' North City Business Park in Finglas and 3,720 sqm was let in Park Development's Northwest Logistics Park.

3PL operators were busy in Q3. In addition to the two DHL deals already mentioned, DB Schenker were also involved in two lettings (1,860 sqm in Greenogue Business Park and 300 sqm in Grattan Business Park) and domestic logistics company Reynolds Logistics took 170 sqm in Santry Business Park.

## ACTIVITY (CONTINUED)

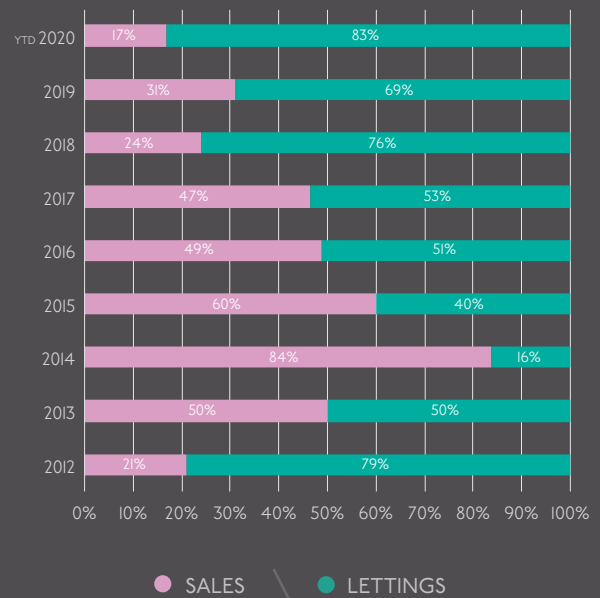
In Q3, 38 deals were concluded, 29 of which were lettings. This is a similar trend to recent quarters where lettings have significantly dominated the market. The split between lettings and sales in the Dublin industrial market has traditionally evolved with movements in values. When capital values are low, more occupiers are inclined to purchase buildings for their own use (or in 2014 due to the capital gains tax holiday). However, as values increase, occupiers often judge that the larger amounts of capital tied up in owning a building could be put to better use and decide that renting is the better option.

**TAKE-UP BY REGION**  
Q3 2020



Source: Lisney

**SALES V LETTINGS**  
2012 - YTD 2020



Source: Lisney

The average deal size in Q3 was 1,465 sqm but this was distorted by one large deal in excess of 7,000 sqm and one slightly smaller deal just over 6,000 sqm. Combined, these two transactions accounted for almost 27% of all activity. The median deal size was 693 sqm, which is slightly larger than that achieved in Q2. The majority of activity in terms of the number of transactions was for smaller units of less than 1,000 sqm. There were 22 of these that made up 58% of all transactions but just 18% of the space transacted. Interestingly, the majority of sales occurred in the mid-size range with five of the nine sales ranging in size between 1,000 sqm and 3,000 sqm.

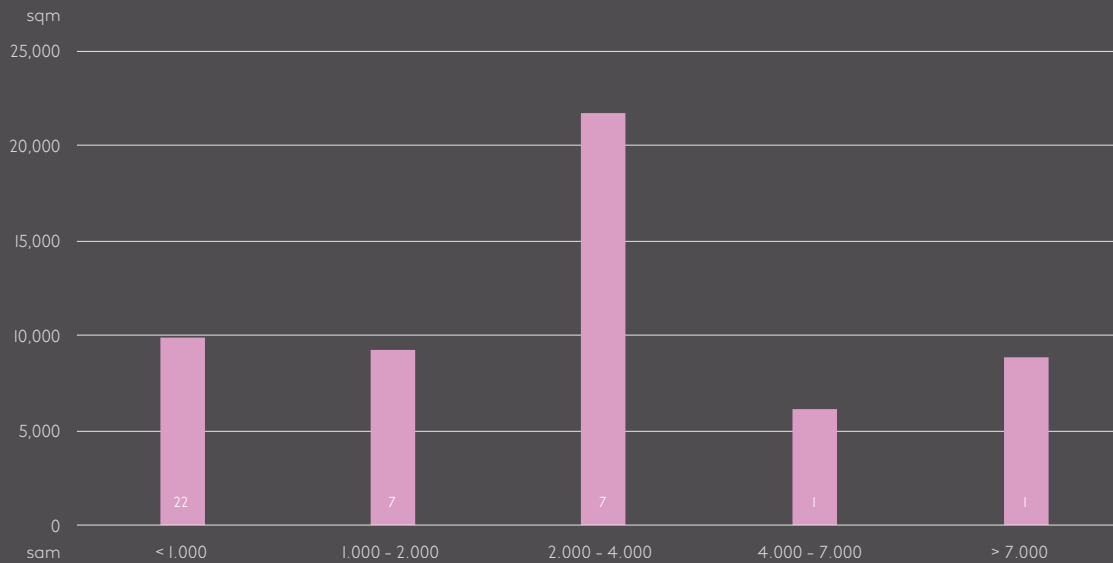
## SUPPLY

Supply fell to a historic low in Q2 2020 but did improve slightly in Q3. At the end of September the amount of stock available stood at approximately 336,500 sqm, which remains a very low level. Notably, it was about one-third less than what was on the market at the height of the last property market cycle in 2006 / 2007.

The vacancy rate across Dublin was close to 5% at the end of September with the regions at varying levels. The southwest and northwest regions accounted for most of the available accommodation but are also the two largest regions for industrial stock.

While supply is constrained generally, the number of smaller units (less than 1,000 sqm) available was high, accounting for over half of all units on the market. As has been the case for some time, choice was much more limited for larger-sized units with only three premises available that are more than 10,000 sqm in size. Additionally, the lack of supply of quality second-hand stock remains the key issue in the market. In recent months this has been highlighted further by the pandemic and the considerable demand for short-term space (12 to 24 months) as occupiers decide the best way forward for their business. Encouragingly, many design-and-build projects are moving ahead due to the continued demand for larger logistics space, which is positive for the market, although it will not add to supply levels generally. Practically all new industrial premises built since 2015 were let or sold prior to practical completion.

## TAKE-UP BY SIZE PROFILE & NUMBER OF TRANSACTIONS Q3 2020



Source: Lisney

## CONSTRUCTION

There was about 71,000 sqm of industrial accommodation under construction across Dublin at the end of September, almost two-thirds of which is in the southwest region. Of note, works continue on two large units in Greenogue Business Park (combined 42,200 sqm), which are being forward funded by KKR and Palm Capital, and developed in conjunction with Irish partner Jordanstown Properties. Both buildings will have 14m eaves with large yard areas and will have LEED certification.

In the northwest region, Park Developments is currently constructing five units (17,000 sqm combined) at Northwest Business Park, Ballycoolin, Dublin 15. Amazon is understood to be close on concluding a deal with Park Developments for two of these units; Unit 628 (7,250 sqm) and Unit 633 (3,700 sqm). The online retailer is reportedly seeking its first warehouses to fulfil orders currently shipped from the UK.

In terms of future development, there was almost 74,000 sqm of space with planning permission in the pipeline at the end of Q3 but had not yet commenced. Positively, there have been some announcements in recent weeks from developers, confirming they will be going on site to speculatively build. In the north region, Rohan Holdings just commenced construction on 11,200 sqm of prime logistics space in Dublin AirPort Logistics Park across two buildings. Crane House will provide 4,770 sqm of accommodation including 10% office space and will have 12m eaves, five dock levellers, two doors at grade and a 54m yard providing truck and trailer parking. Cardinal House will extend to 6,400 sqm (also including 10% office space) with 12m eaves, seven dock levellers, two doors at grade and a 50m secure yard. Both available Q4 2020. They also have received planning permission for Unit A6A/B in North City Business Park (4,180 sqm), which can be split in to two units and it planned to start construction in January 2021.

In the southwest region, IPUT has confirmed that it will go on-site shortly in Aerodrome Business Park, where it will build a 14,150 sqm premises. To be known as Unit G, this premises will have LEED gold certification and is due to be completed in late 2021.

## OUTLOOK

- 1 2020 take-up is likely to reach 280,000 sqm, which is greater than the long-term, 25 year, average of 270,000 sqm. This will be a very strong level of activity given that supply was always going to be constrained in 2020 due to the lack of construction of new product. Although this will be a 15% reduction on 2019, Q1 2021 could also be strong given the number of deals agreed and currently with solicitors for completion.
- 2 Lettings have dominated the market in the past four years and have been very strong to date in 2020. This will continue to be the case in Q4 and in 2021, particularly as the average size of new builds increases.
- 3 For larger buildings, design-and-build discussion between developers and occupiers will continue but with many decisions unlikely to be finalised until early 2021. The majority of design-and-build will be on a rental basis.
- 4 In preparation for 2021, well advised developers will seek to secure planning permission for units and complete as much site preparation works as possible.
- 5 Brexit related issues remain and the prospect of a 'no trade deal' situation is still live. While it looks like it is evolving positively in the coming days/weeks, preparation is still required by industrial occupiers.
- 6 Supply will continue to be restricted and occupiers will continue to have limited options available to them if they require modern premises larger than 2,500 sqm in the greater Dublin area.
- 7 The recent announcements from developers confirming they are going on site to speculative build is positive for the market heading into 2021 and will assist in satisfying some of the larger occupier requirements.
- 8 Several sites suitable for industrial development have traded or are in the process of trading, especially in northwest Dublin. This is a trend that may continue as occupiers weigh up the costs of entering into a design-and-build project or purchasing their own site and carrying out construction themselves.
- 9 There will continued to be demand from purchasers seeking properties suitable for investment grade product.



HUB LOGISTICS PARK IN CLONEE

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MEET OUR TEAM

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