

**DUBLIN
INDUSTRIAL
REPORT**

Q1 2022

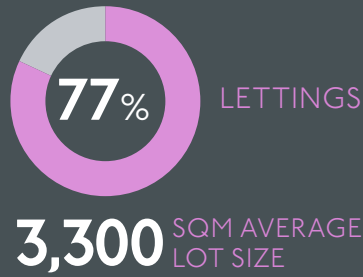
Lisney



ACTIVITY

102,400 SQM
31 DEALS

DEAL ANALYSIS



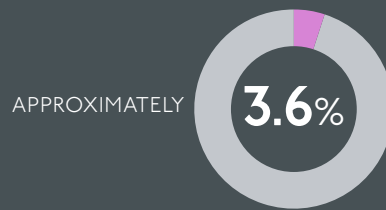
LARGEST DEAL

18,580 SQM
LETTING OF
UNIT 902 NORTHWEST
LOGISTICS PARK,
BALLYCOOLIN,
DUBLIN 15

PRIME HEADLINE RENT

€118 psm /
€11 psf

VACANCY RATE



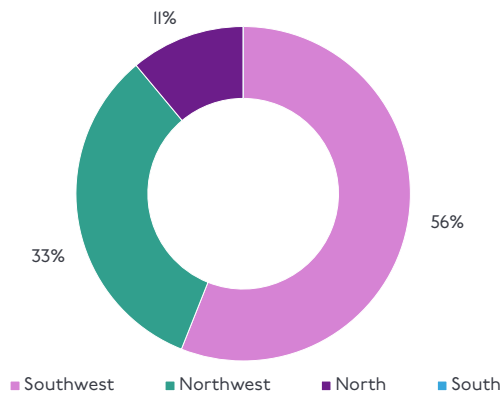
UNDER CONSTRUCTION

48%
OF NEW
STOCK BEING
BUILT IS IN THE
SW REGION

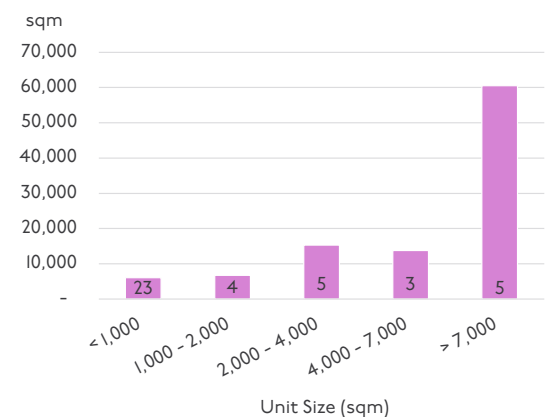
OVERVIEW

Dublin industrial market take-up was 102,400 sqm in Q1 2022, substantially higher than the long-term quarterly average of approximately 63,100 sqm. Supply fell significantly in the quarter with the vacancy rate standing at approximately 3.5% at the end of March. Occupier demand remained robust, much of which stemmed from 3PL and large retailers. Although on-site construction activity increased further in the opening months of the year, the contribution to much needed supply will be insignificant. This is because most accommodation under construction has deals already agreed and the remainder will likely be agreed prior to PC.

TAKE-UP BY REGION
Q1 2022



TAKE-UP BY DEAL SIZE
Q1 2022

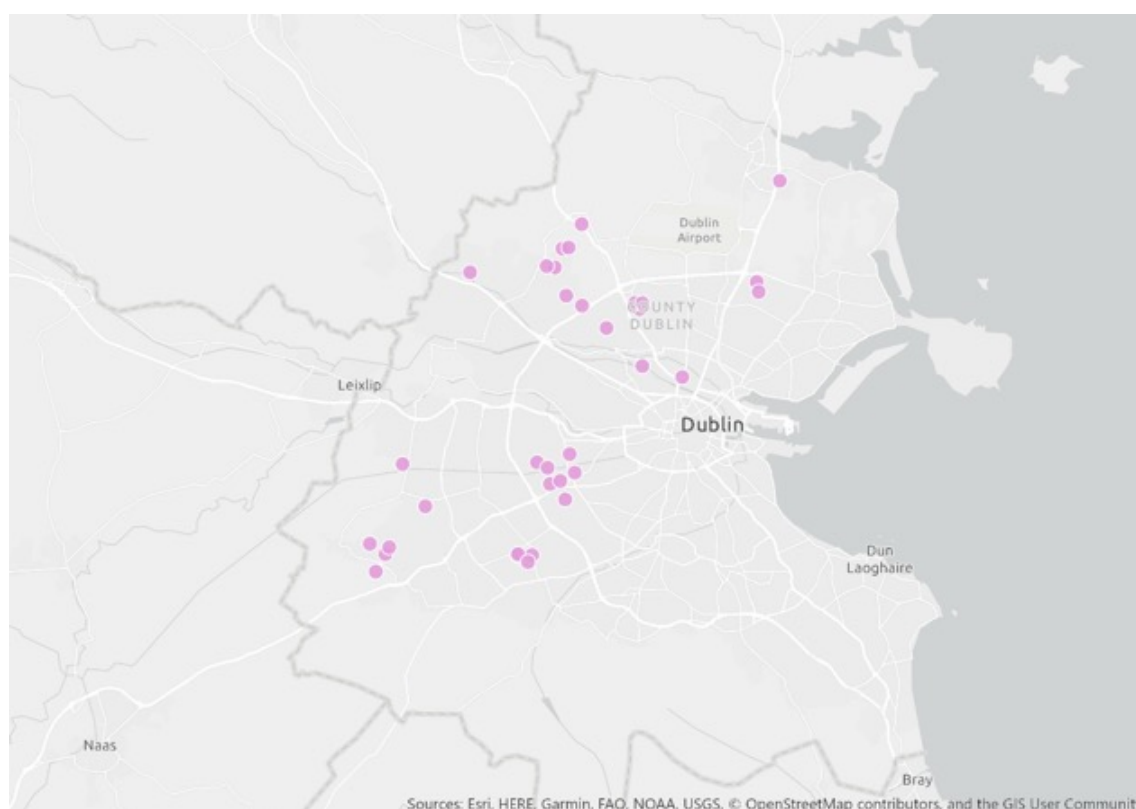


Source: Lisney

ACTIVITY

Take-up in Q1 2022 reached 102,400 sqm across 31 transactions. The average lot size was 3,300 sqm, up from the average size of 2,100 sqm in the previous quarter. However, this was skewed by the top three deals – one sale and two lettings, which combined accounted for 44% of Q1 activity.

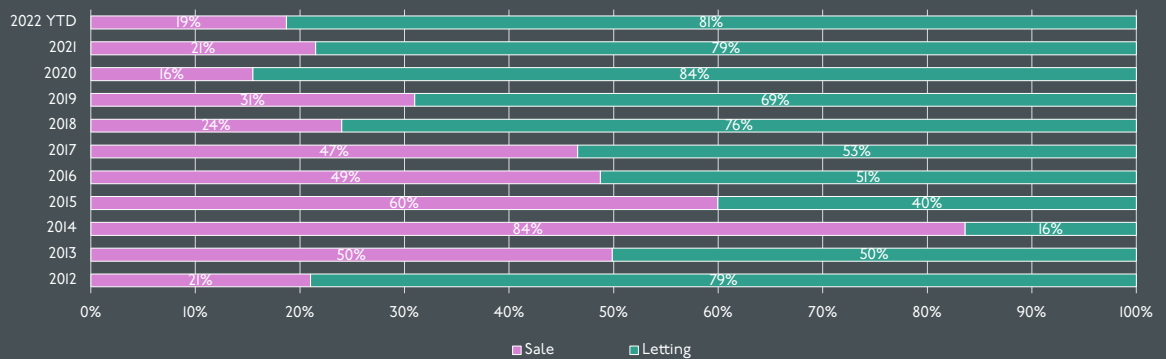
Lettings continued to dominate market activity, accounting for 81% of space transacted and 77% of the number of deals. Nine of the ten largest deals were lettings and when combined accounted for 66% of total activity. The largest transaction in the three months was the confidential letting of Unit 902 Northwest Logistics Park in Ballycoolin. Other notable lettings included DB Schenker taking 12,400 sqm at Mountpark Baldonnell and Fastway taking 7,480 sqm in nearby Greenogue Logistics Park. Both lettings illustrate the continued demand from 3PL operators to fulfil expanding logistical requirements. The largest sale of the quarter was M7 Real Estate's acquisition of the Cookstown Collection; seven industrial buildings with a combined floor area of 13,850 sqm. While the transaction comprised the sale of buildings with vacant possession, it is likely that in the more medium-term the properties will be redeveloped, with the previous owner having been unsuccessful in achieving a BTR planning grant.



As is usual, the southwest region was the busiest in the Dublin market at 56% of the total. This was followed by the northwest region at 33% and the north region at 11%. There was no activity in the south region over the period. The regional breakdown was very much influenced by the larger deals. For example, the 18,500 sqm largest deal of the quarter was in the northwest region and made up over half of all activity in this area. The second and third largest deals (Cookstown Collection and Unit D Mountpark) were in the southwest region and also accounted for almost half of activity in the region.

In terms of the lot size, the largest number of transactions (14) relates to the units of less than 1,000 sqm in size, of which nine were smaller than 500 sqm. The mid-size market was less active with five deals completed in the 2,000 to 4,000 sqm bracket and four deals in the 1,000 to 2,000 sqm bracket. There were eight deals completed what were in excess of 4,000 sqm each.

TAKE-UP BY DEAL TYPE (2012 – 2022 YTD)



Source: Lisney

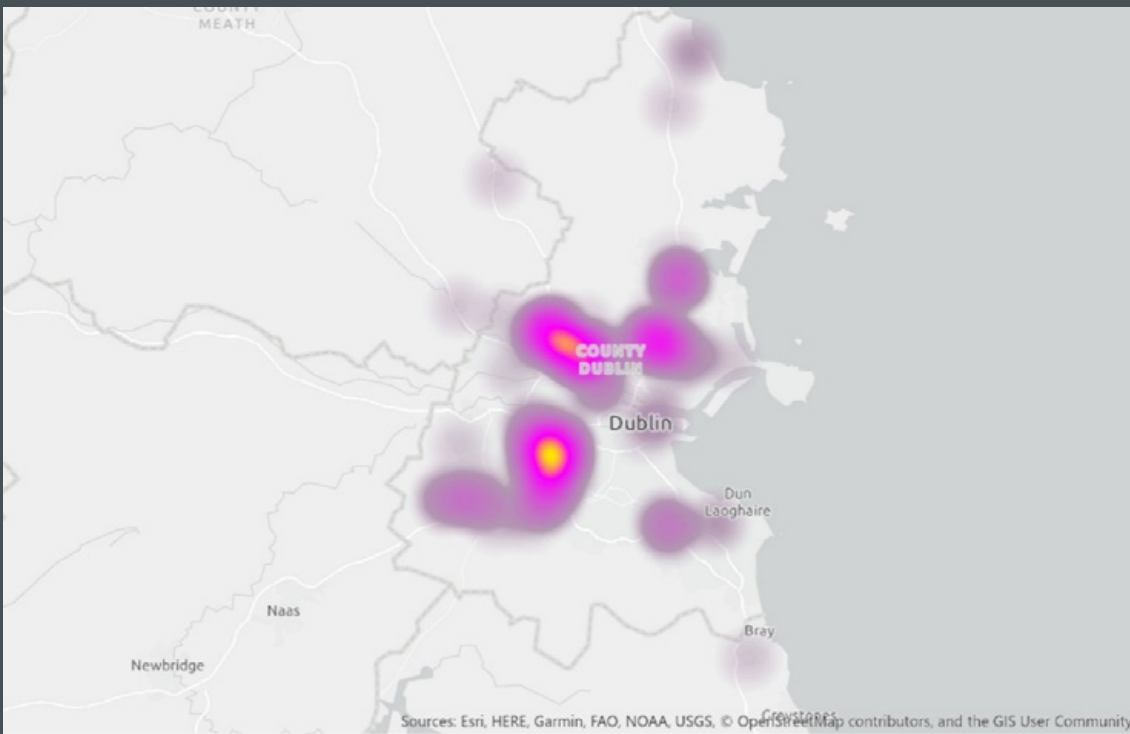
TOP 10 TRANSACTIONS

PREMISES	SQM	REGION	DEAL TYPE
Unit 902 Northwest Logistics Park, Ballycoolin, Dublin 15	18,580	Northwest	Letting
The Cookstown Collection, Tallaght, Dublin 24	13,850	Southwest	Sale
Unit D Mountpark Baldonnell, Dublin 22	12,400	Southwest	Letting
605 Greengoue Business Park, Rathcoole, Co Dublin	8,200	Southwest	Letting
Part Building One, Greenogue Logistics Park, Co Dublin	7,480	Southwest	Letting
601 Greenogue Business Park, Rathcoole, Co Dublin	5,050	Southwest	Letting
613 North West Business Park, Ballycoolin, Dublin 15	4,600	Northwest	Letting
201 Northwest Business Park, Ballycoolin, Dublin 15	4,120	Northwest	Letting
30 Robinhood Industrial Estate, Dublin 22	3,800	Southwest	Letting
Damastown Road, Dublin 15	3,530	Northwest	Letting

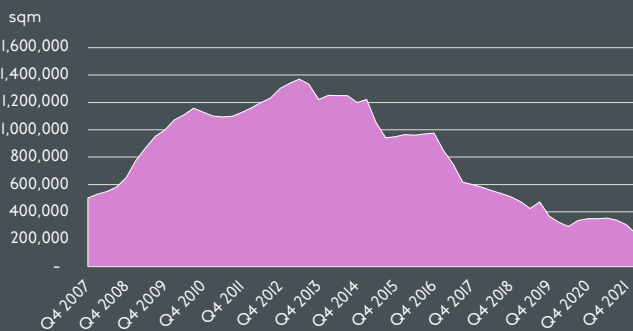
SUPPLY

Despite the slight jump up in supply towards the end of 2020 and into 2021, the amount of accommodation available remains on a downward trajectory. At the end of March 2022, it was at its lowest level since Lisney's records began and standing at almost 245,000 sqm represented a vacancy rate of approximately 3.5%. Since the highs reached in mid-2013, supply has fallen by 82% and has fallen by 30% in the past 12 months.

While there were variations across the regions in terms of the vacancy rates, all locations had a vacancy rate below 6% with the south the lowest (as to be expected given the smaller levels of stock in the region) at around 1%. Although supply is constrained generally, the number of smaller units (less than 1,000 sqm) available to let is healthier, accounting for nearly 60% of all units on the market. Choice remains much more limited for larger-sized units with only three premises available that are more than 10,000 sqm in size.

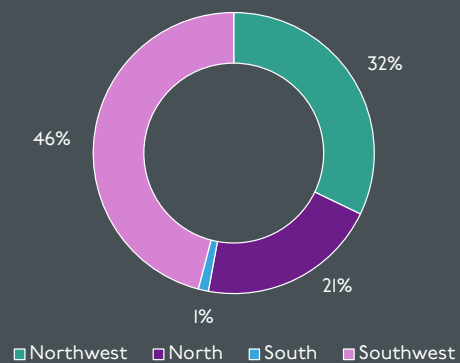


DUBLIN INDUSTRIAL SUPPLY
Q4 2007 – Q1 2022



Source: Lisney

INDUSTRIAL SUPPLY BY REGION
Q1 2022





PART BUILDING ONE,
GREENOGUE LOGISTICS PARK, CO DUBLIN

DEMAND & TERMS

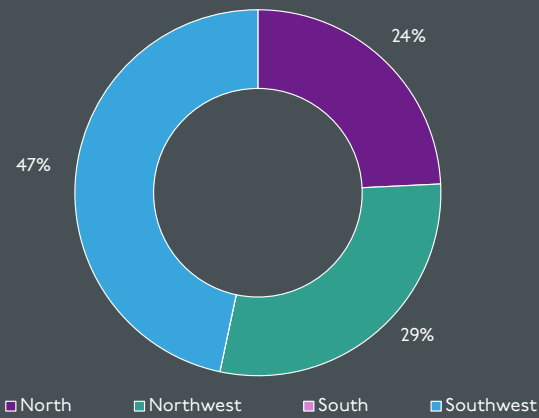
Occupier demand remained robust in Q1, much of which stemmed from 3PL and large retailers. There is over 300,000 sqm of active requirements currently in the market. In reality, this figure is likely to be higher as some deals are being completed off-market directly with developers and investors.

For design-and-build projects, most landlords are currently securing 20-year terms for buildings with break options pushed out to year 10 or 12 and heading for 15. Rent free periods have fallen to 4 or 5 months with headline rents at €118 psm (€11.00 psf) plus. Given the supply shortage, good quality used space is also achieving similar terms and incentives but at perhaps slightly lower rents €102 - €105 psm (€9.50 - €9.75 psf).

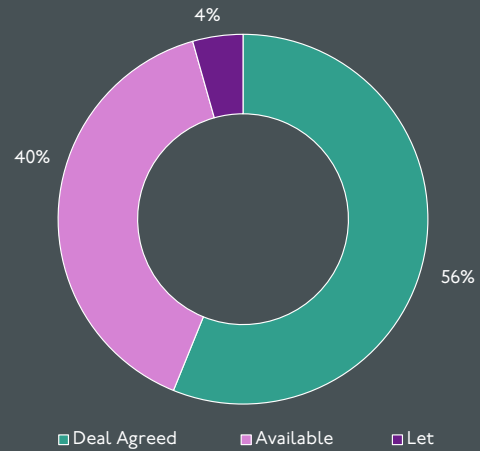
At the smaller end of the market (less than 1,000 sqm), break options are being achieved sooner in the lease, generally at year 5 or 7, with rents varying depending on location and condition. It is noteworthy that there has been a steady increase in demand for modern second-hand units in the 1,000 to 4,000 sqm size bracket and rental levels in excess of €130 psm (€12 psf) have been achieved in recent months.

Lisney's index of industrial property rents in Dublin grew by 9.6% over the 12 months to the end of March 2022 and by 44% in the last five years. This pace of growth is significantly greater than any other commercial sector, but it is playing catch-up on growth achieved earlier in the market cycle in sectors such as offices.

ACCOMMODATION UNDER CONSTRUCTION BY REGION (Q1 2022)



ACCOMMODATION UNDER CONSTRUCTION BY STATUS (Q1 2022)

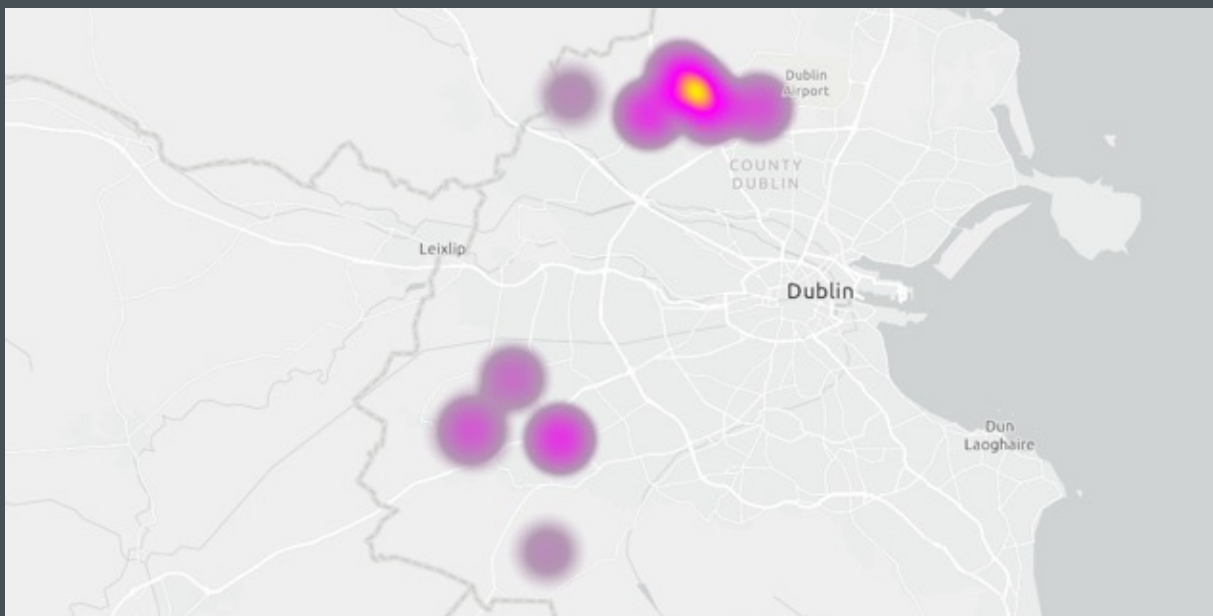


Source: Lisney

NEW STOCK

At the end of March 2022, there was just over 300,000 sqm of accommodation under construction, an increase of 25,000 sqm compared to three months previous. Nearly half (48%) of this was in the southwest region with the remainder in the northwest (29%) and north (24%) regions. The average building size was 10,000 sqm with eaves height across all ranging between 12m and 14m. 61% of accommodation is already earmarked for occupation; either as design-and-builds or taken mid-construction.

The largest building under construction during Q1 remained Amazon's new 60,400 sqm premises in Baldonnell Business Park, which is being built by Mountpark. Neighbouring Unit D was also under construction at the end of March (12,400 sqm) and has just been let to DB Schenker. At Southwest Business Park, adjacent to Cheeverstown Luas Stop, Rohan Holdings commenced construction in January and works continue at pace on four units ranging from 2,000 to 15,000 sqm.



Other notable premises under construction include Unit N7 in Horizon Logistics Park (35,000 sqm) which is being developed by Henderson Park and is available; IPUT's Unit G in Aerodrome Business Park (11,200 sqm), which has been let to LifeStyle Sports; and IPUT's Quantum Distribution Park in Newtown, Kilshane Cross, Co Dublin (four buildings extending to a combined area of 51,000 sqm with only one still available – Unit 2 has been let to Harvey Norman, while terms have been agreed on Unit 1 and Unit 3).

In terms of future development, over 80,000 sqm of space had planning permission but had not yet commenced construction at the end of March. 46% of this is in the north region with the remainder spread across the southwest (40%) and northwest (14%) regions. Given the occupier demand, much of this pipeline, along with other proposals, will progress in the short to medium-term, by way of a mix of design-and-build, speculative and some forward funding from investors. Additionally, as much of the industrial zoned lands are located to the north of the city, it is likely that there will be a growing dominance of industrial accommodation pipeline in the north region in the years ahead rather than in the traditional southwest region.

OUTLOOK

- 1 Occupier demand will remain strong throughout the remainder of 2022. Various larger retailers and logistics companies will continue to seek further warehousing space to cater for the continued growth in consumers engaging in online shopping. Many of them will take space 'just in case' so that they can react more quickly to supply chain and Brexit related constraints.
- 2 Both rental and capital values will continue to move upwards. Headline rents on new builds will exceed €118 psm / €11 psf in the coming months and will grow by more than 10% in the 2022 calendar year. We believe further strong growth will be experienced in the years ahead. Lack of supply, rising construction costs and inflation combined with the supply chain instability in Europe due to the Russia's invasion of Ukraine will all be contributing factors.
- 3 Powered by the continuous demand for smaller and enterprise type of units (750 sqm – 1,500 sqm), the construction of small enterprise buildings may re-emerge in the short-term as no such stock has been developed in 15 years. Rental levels for such units will likely be in the region of €156 psm / €14.50 psf to justify any construction.
- 4 Break options in leases for new buildings will likely move out further (to year 15) in the short-term.
- 5 Investor demand in the industrial sector remains extremely strong; at an all-time Irish high, particularly for larger lot sizes. Given the shortage of suitable supply, there will be a greater number of investors purchasing industrial lands and developing their own stock in the years ahead. This is already occurring with IPUT a notable example; it is currently preparing a master plan for 64 acres at Cherryhound (Nexus Distribution Park) and has also added to its landbank with the purchase of 118 acres in Kilamonan in north Dublin.



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