

DUBLIN INDUSTRIAL REPORT

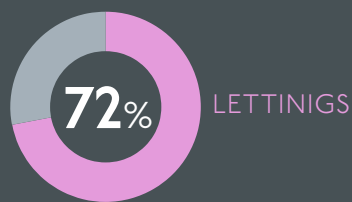
Q2 2022



ACTIVITY

49,800 SQM
25 DEALS

DEAL ANALYSIS



LARGEST DEAL

7,300 SQM
I STADIUM BUSINESS PARK,
DUBLIN II LETTING TO
DUNNES STORES

AVERAGE LOT
SIZE

1,990 SQM

PRIME HEADLINE RENT

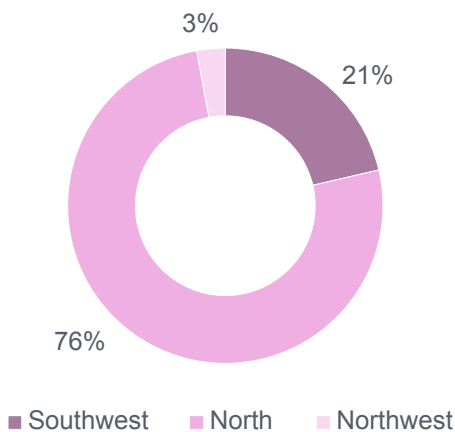
€121 psm
€11.25 psf

VACANCY RATE

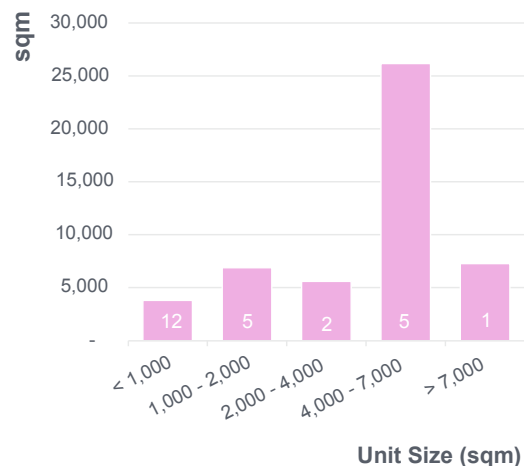


OVERVIEW

Dublin industrial market take-up was 49,800 sqm in Q2 2022, below the long-term quarterly average of approximately 63,100 sqm. Supply fell further in the quarter with the vacancy rate standing at 2.9% at the end of June. Occupier demand remained, much of which continued to stem from 3PL and large retailers. On-site construction activity decreased slightly in the quarter, however, the pipeline of developments with planning permission but not yet under construction has substantially increased. Most accommodation under construction has deals already agreed with occupiers and any that do not, will likely be agreed prior to PC and the contribution to much needed supply will be insignificant.

TAKE-UP BY REGION
Q2 2022

Source: Lisney

TAKE-UP BY DEAL SIZE
Q2 2022

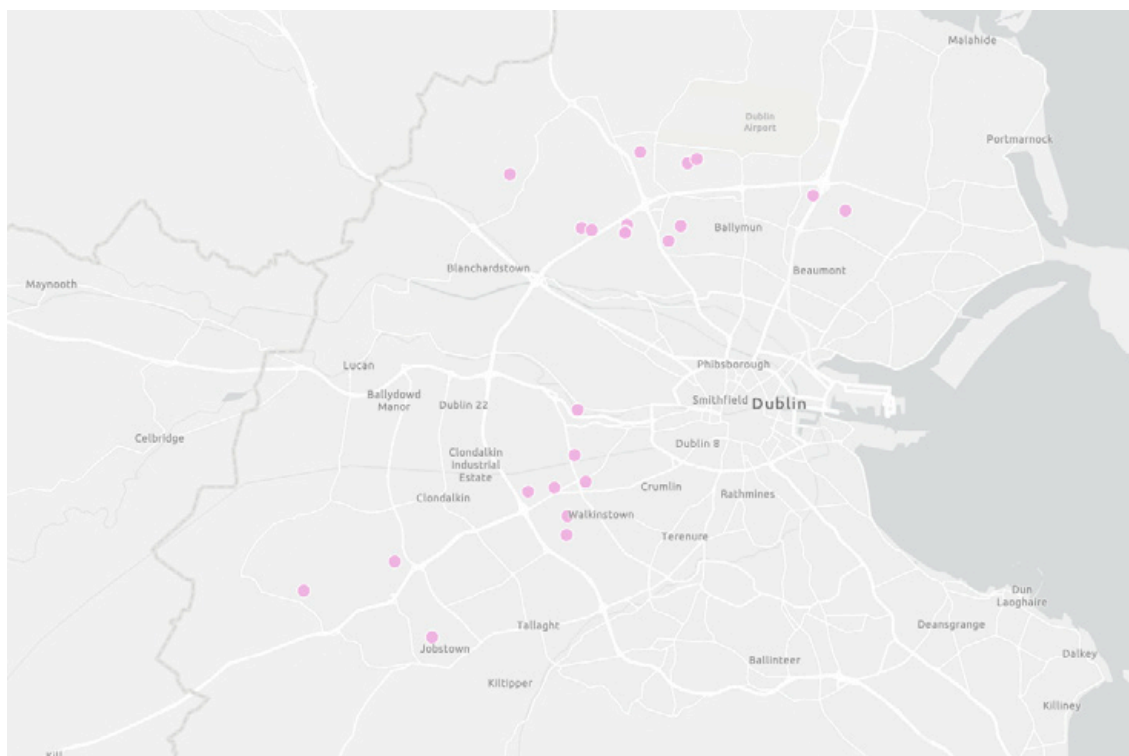
ACTIVITY

Take-up in Q2 2022 reached 49,800 sqm across 25 transactions and brought the total take-up to 152,200 sqm for the first half of the year. Q2 activity was approximately half the previous quarter and had an average lot size of 1,990 sqm, down from 3,300 sqm in Q1 and 2,100 sqm in Q4 2021.

Lettings continued to dominate market activity, accounting for 72% of both space transacted and the number of deals. Eight of the ten largest deals were lettings and when combined accounted for 65% of total activity. The largest transaction in the three months was the letting of I Stadium Business Park, Dublin 11 (7,290 sqm) to Dunnes Stores on a long-term lease. Other notable lettings included a confidential deal of 6,900 sqm in Horizon Logistics Park, Swords, and the letting of Building 2 Harris Industrial Complex on Naas Road, Dublin 12 (4,630 sqm). Furthermore, Clinigen (a pharmaceutical company) took 4,270 sqm at 12 Boeing Road, Airways Industrial Estate, Dublin 17. The largest sale of the quarter was Yourway's (the US-headquartered Bio-pharma company) acquisition of the recently completed Contrail House in Dublin Airport Logistics Park extending to 6,240 sqm. The price was reported to be in excess of €17m.

Contrary to the norm, the north region was the busiest in the Dublin market in Q2, accounting for 76% of the total take-up and 52% of the total transaction numbers. This was followed by the southwest region at 21% of the quantum of take-up and 36% of the number of transactions. The remaining activity was in the northwest region at 3% and 12% respectively. There was no activity in the south region in Q2 2022. The regional breakdown was very much influenced by the top ten deals with eight of them in the north region, which when combined accounted for 73% of the overall activity and 96% of the region's activity. Interestingly, the average deal size was much larger in the north region, particularly when compared to the southwest. This is generally because the age profile of the stock in the north is newer than in the southwest.

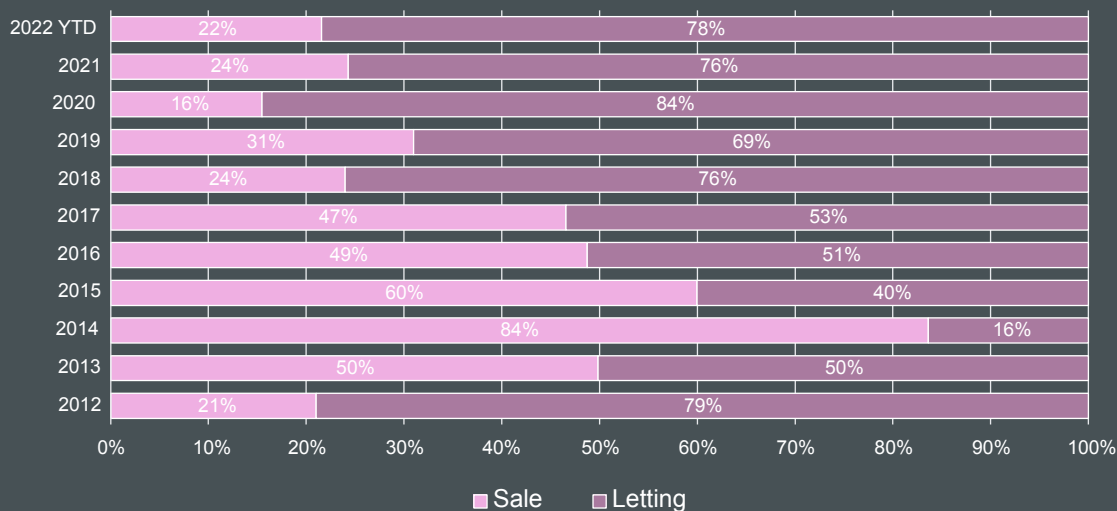
In terms of the lot size, the largest number of transactions (12) relates to the units of less than 1,000 sqm in size, of which ten were smaller than 500 sqm. The mid-size market was less active with five deals in the 1,000 to 2,000 sqm bracket and only two deals completed in the 2,000 to 4,000 sqm bracket. There were six deals completed that were in excess of 4,000 sqm each.



Source: Lisney

TAKE-UP BY DEAL TYPE

(2012 – 2022 YTD)



Source: Lisney

TOP 10 TRANSACTIONS

PREMISES	SQM	REGION	DEAL TYPE
I Stadium Business Park, Dublin II	7,290	North	Letting
Horizon Logistics Park, Swords, Co Dublin	6,900	North	Letting
Contrail House, Dublin AirPort Logistics Park, Co Dublin	6,240	North	Sale
Building 2 Harris Industrial Complex, Naas Road, Dublin I2	4,630	Southwest	Letting
I2 Boeing Road, Airways Industrial Estate, Dublin I7	4,270	North	Letting
Former Haribo Premises, McKee Avenue, Dublin II	4,120	North	Sale
N7 Horizon Logistics Park, Sword, Co Dublin	3,250	North	Letting
CI North City, Finglas, Dublin II	2,355	North	Letting
A6B North City Business Park, Dublin II	1,880	North	Letting
Kylemore Way, Inchicore, Dublin 8	1,570	Southwest	Letting

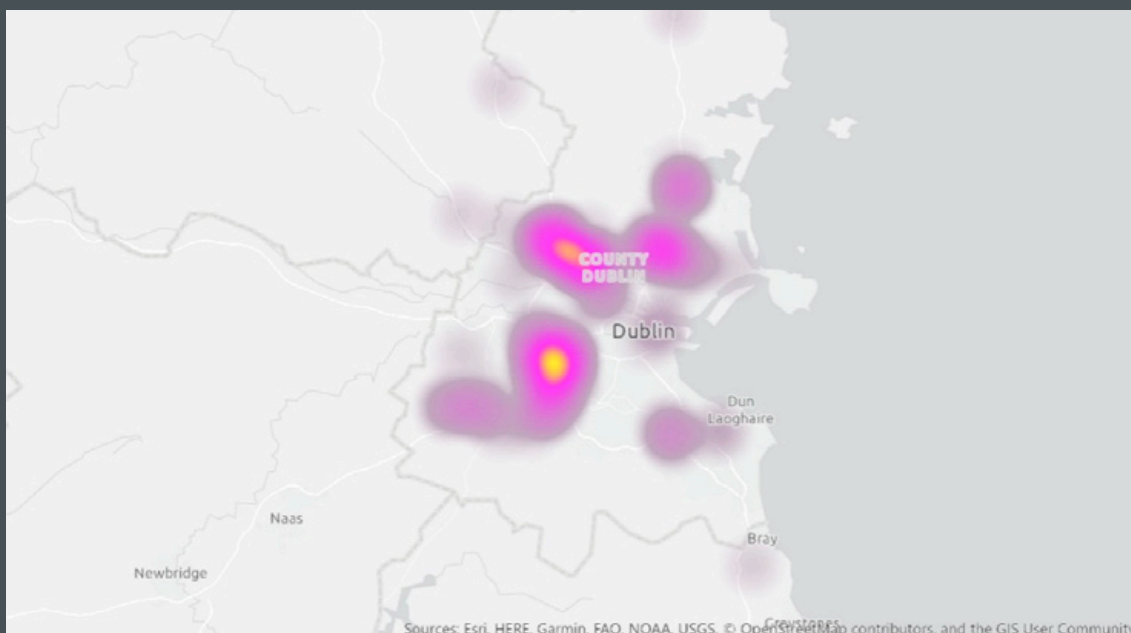
Source: Lisney

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 June 2022, it was at its lowest level since Lisney's records began and standing at almost 220,000 sqm representing a vacancy rate of approximately 2.9%. Since the highs reached in mid-2013, supply has fallen by 84% and has fallen by 40% since the onset of the pandemic.

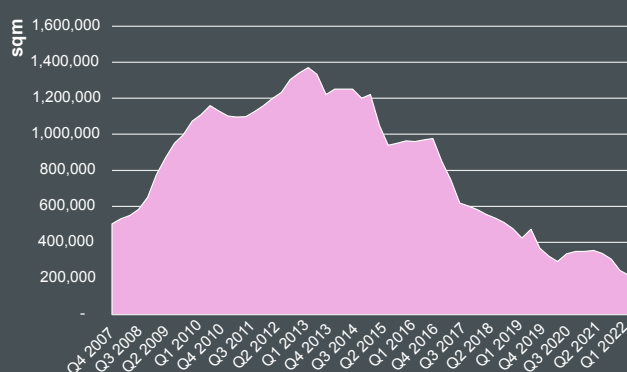
While there were variations across the regions in terms of the vacancy rates, all locations had a vacancy rate below 4.5% with the south the lowest given the smaller levels of stock in the region, at around 1%. As has been the case for the last few years, the number of smaller units (less than 1,000 sqm) available to let is healthier, accounting for nearly 66% 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.

INDUSTRIAL SUPPLY (JUNE 2022)



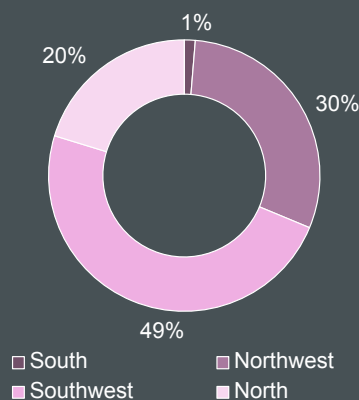
Source: Lisney

DUBLIN INDUSTRIAL SUPPLY Q4 2007 – Q2 2022



Source: Lisney

INDUSTRIAL SUPPLY BY REGION Q2 2022





DEMAND & TERMS

Occupier demand remained robust in Q2 2022, much of which continued to come from 3PL and large retailers. There is over 300,000 sqm of active requirements currently in the market, which includes the recent An Post requirement for its new facility of approximately 46,500 sqm. In reality, this number is likely to be higher as some deals are being completed off-market directly with developers and investors.

For large new build units, most landlords are currently securing 20-year term leases with break options pushed out to year 12 at a minimum, rent-free periods of 4 or 5 months and headline rents at €113 - €121 psm (€10.50 - €11.25 psf). In addition, CPI-linked rent reviews are becoming increasingly popular with developers once again. 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 (1,000 to 4,000 sqm) demand also remained robust, however, break options are being achieved sooner in the leases, generally at year 5 or 7. Rents achieved for these type of units vary depending on location and condition, but are generally between €107 psm (€10 psf) and €130 psm (€12 psf) with some quoting rents exceeding €140 psm (€13 psf).

Lisney's index of industrial property rents in Dublin grew by 7.9% over the 12 months to the end of June 2022 and by 38.1% 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.

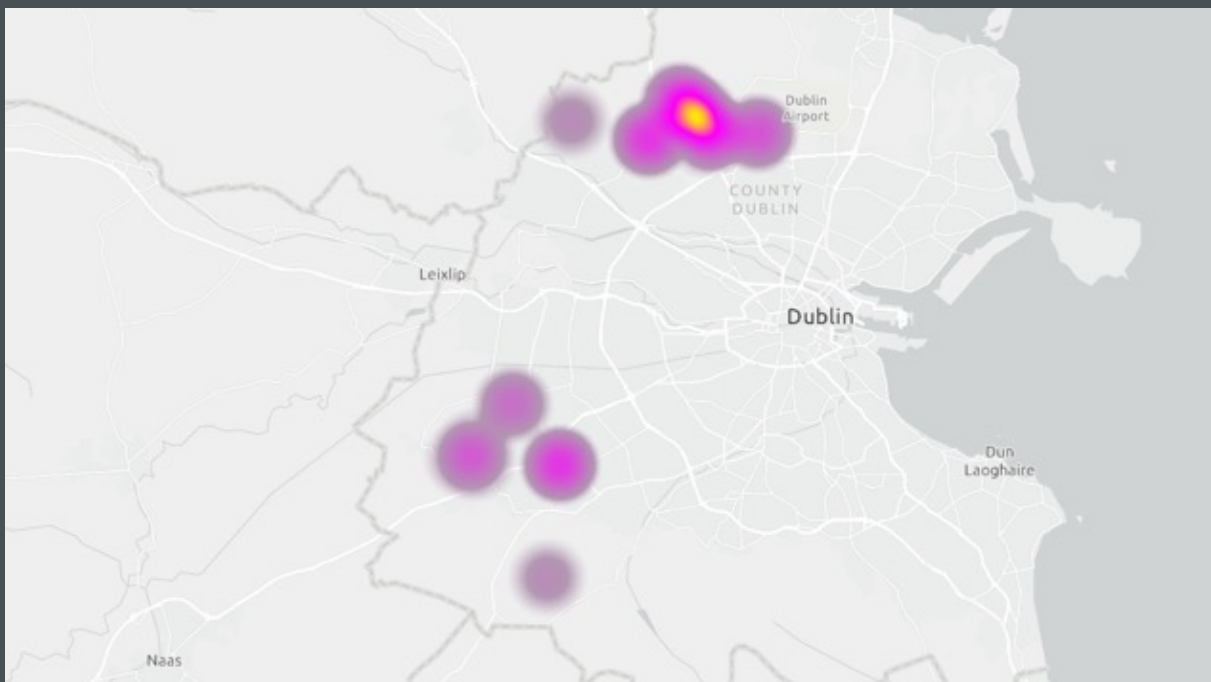
NEW STOCK

At the end of June 2022, there was approximately 283,100 sqm of accommodation under construction, a decrease of 12,000 sqm (4%) compared to three months previous. 60% of this was in the northwest region with the remainder in the north (21%) and southwest (19%) regions. The average building size was 10,900 sqm with eaves height across all ranging between 12m and 14m. 39% of accommodation is already earmarked for occupation; either as design-and-builds or taken mid-construction. In terms of completed stock in Q2 2022, Mountpark completed Amazon's new 60,400 sqm premises in Baldonnell Business Park. Other completed developments include 42,150 sqm at Greenogue Logistics Park developed by Palm Capital and Contrail House in Dublin AirPort Logistics Park (6,500 sqm) developed by Rohan Holdings.

The largest building under construction during Q2 was Unit 637 Northwest Logistics Park, Ballycoolin Dublin 15 which is being developed by Park Developments. The unit is being offered for sale with vacant possession and on completion will extend to 119,200 sqm. Park Developments is also constructing three other buildings in the park, all of which are smaller in size and comprise Unit 633 (3,700 sqm) that is let to Amazon, Unit 632 (2,800 sqm) and Unit 634 (1,860 sqm). Furthermore, IPUT's Quantum Distribution Park in Newtown, Kilshane Cross, Co Dublin remained under construction in Q2 2022. On completion, the Park will comprise four buildings extending to a combined area of 51,400 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. Other notable premises under construction include Unit 1 in Brownsbarn, Citywest, Co Dublin (8,160 sqm) which is being developed by Exeter and has terms agreed with Anixeter (a US distributor of communication and security products). Henderson Park is developing Unit N6 in Horizon Logistics Park (5,650 sqm), which is let to Ceva Logistics.

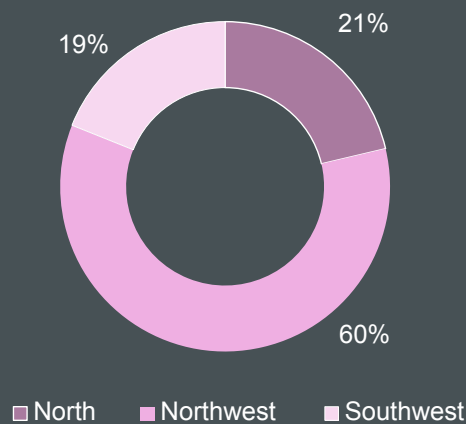
In terms of future developments, approximately 137,600 sqm of space had planning permission but had not yet commenced construction at the end of June. This represents a 70% increase from the previous quarter. 51% of this is in the northwest region with the remainder spread across the north (27%) and southwest (22%) 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. Given that much of the industrial zoned lands are located to the north of the city, the north region has seen significant growth in construction activity in 2022 to date, a trend that will continue in the years ahead.

UNDER CONSTRUCTION (JUNE 2022)

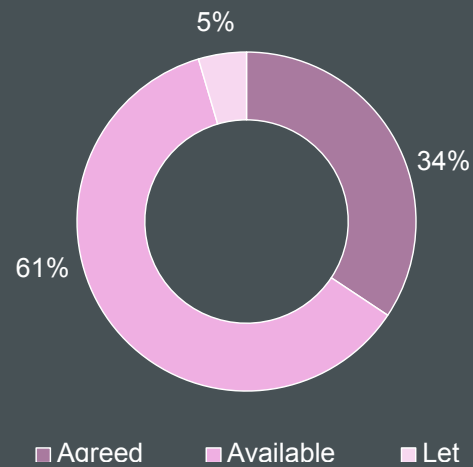


Source: Lisney

ACCOMMODATION UNDER CONSTRUCTION BY REGION (Q2 2022)



ACCOMMODATION UNDER CONSTRUCTION BY STATUS (Q2 2022)



Source: Lisney

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 quicker to supply chain and Brexit related constraints. Year-end take-up may be held back by the lack of supply.
- 2 Both rental and capital values will continue to move upwards in 2022. Headline rents on new builds 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 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 over 15 years. Rental levels for such units will also continue to increase at perhaps a more accelerated growth 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 Kilnamona in north Dublin.

THE LISNEY INDUSTRIAL TEAM



CATHAL DAUGHTON
Senior Director,
Head of Industrial



JAMES KEARNEY
Divisional Director

THE LISNEY RESEARCH TEAM



AOIFE BRENNAN
Senior Director,
Head of Research



AUSRA MARCELYTE
Senior Research Analyst



KRYSTAL CHIKWE
Research Intern

OUR OFFICES

DUBLIN

St. Stephen's Green
House,
Earlsfort Terrace,
Dublin 2, D02 PH42
T +353 (0) 1 638 2700
E dublin@lisney.com

CORK

1 South Mall,
Cork, T12 CCN3
T +353 (0) 21 427 5079
E cork@lisney.com

BELFAST

Montgomery House,
29-33 Montgomery
Street,
Belfast, BT1 4NX
T +44 2890 501501
E belfast@lisney.com