

DUBLIN INDUSTRIAL REPORT

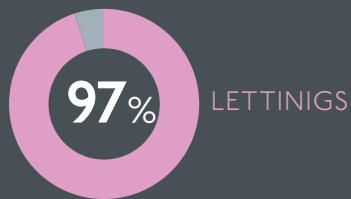
Q3 2022



ACTIVITY

161,700 SQM
31 DEALS

DEAL ANALYSIS



LARGEST DEAL

30,000 SQM
BLOCK C, GREENOGUE
LOGISTICS PARK, CO DUBLIN
AFL TO UNIPHAR

AVERAGE LOT
SIZE

5,200 SQM

PRIME HEADLINE RENT

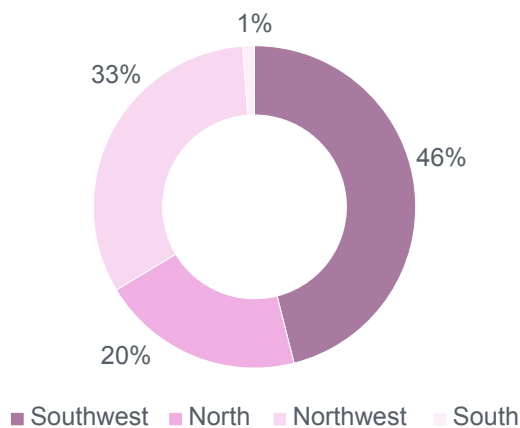
€124 psm
€11.50 psf

VACANCY RATE

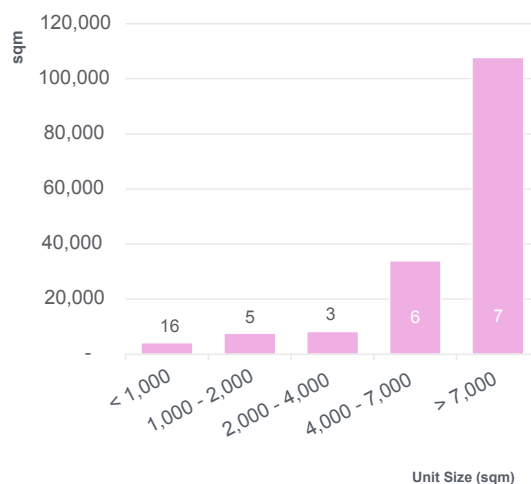


OVERVIEW

Despite the adjustments in the global economy, including rising interest rates and reduced growth forecasts, the Dublin industrial market remained exceptionally strong in Q3. Take-up was 161,700 sqm, substantially above the 65,000 sqm long-term quarterly average. Supply fell even further in the quarter with the vacancy rate standing at approximately 2.4% at the end of September. Occupier demand remained robust, much of which continued to stem from 3PL and large retailers as well as from the pharma sector. On-site construction activity decreased slightly in the quarter, however, the pipeline of developments with planning permission but not yet under construction and in pre-planning stage has increased. Most accommodation under construction already has deals 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
Q3 2022

Source: Lisney

TAKE-UP BY DEAL SIZE
Q3 2022

ACTIVITY

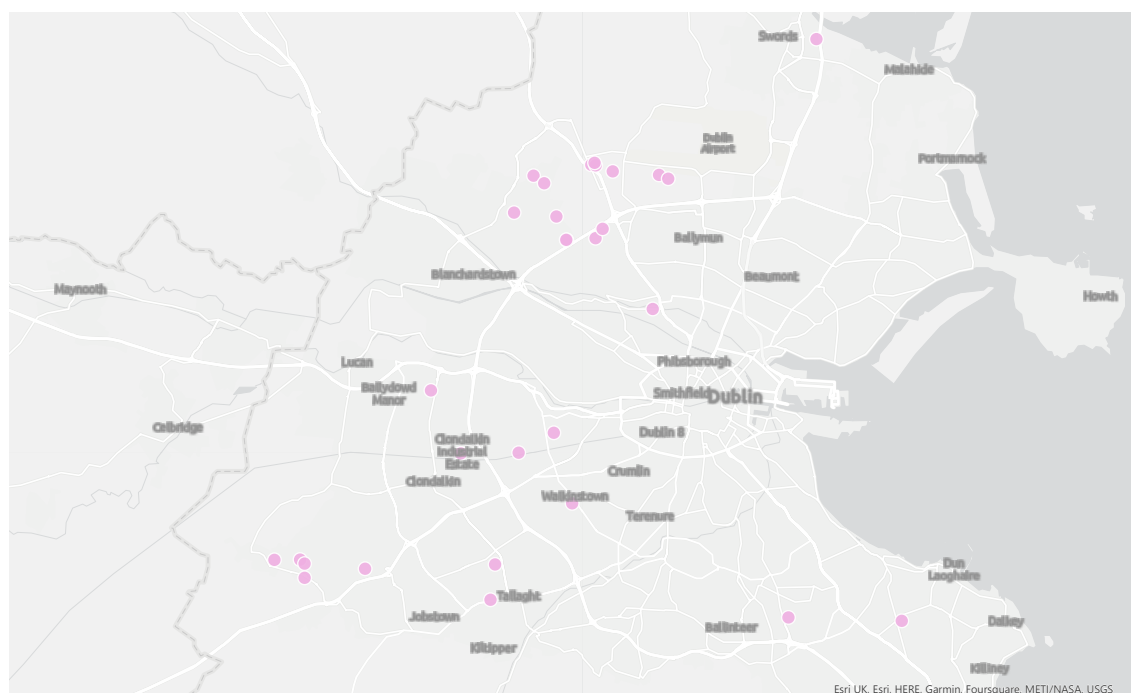
Take-up in Q3 2022 reached 161,700 sqm across 31 transactions and brought the total take-up to 313,800 sqm for the first nine months of the year. Activity in Q3 was 225% higher than in Q2 and 58% higher than in Q1. The average lot size in the quarter was an exceptionally large 5,200 sqm, the largest on record and up from 1,990 sqm in Q2. Lettings continued to dominate market activity, accounting for 97% of space transacted and 84% of number of deals. All of the ten largest deals were lettings and when combined accounted for 79% of total activity with an average lot size of 12,700 sqm. Notably, each of the top five deals was larger than 10,000 sqm.

The largest transaction in the three months was Uniphar's agreement for lease of 30,000 sqm at Block C, Greenogue Logistics Park. Other notable lettings included pre/mid-leases by landlord IPUT at the under construction Quantum Distribution Park, Kilshane Cross in Dublin II. It leased Unit I (19,200 sqm) to DHL, and under separate deals leased Units 2 and 3 (8,900 sqm and 16,600 sqm) Maersk Shipping (a Danish international container shipping company). By way of reference, Unit 2 (8,900 sqm) was let to Harvey Normal earlier this year. Other substantial deals include Iron Mountain taking 15,000 sqm at Unit Q, Aerodrome Business Park and a confidential deal of 10,100 sqm at Block F in Greenogue Business Park.

The southwest region was the busiest, accounting for 46% of the total take-up (but 39% of the total number of transaction). This was followed by the northwest region at 33% of the take-up, the north at 20% and the south at 1.2%. The regional breakdown was very much influenced by the top ten deals with four of them in the southwest region and another four in the northwest region. Combined, the top four deals in the southwest region accounted for 38% of the overall activity and 83% of the region's activity while the top four deals in the northwest region accounted for 32% and 97% respectively.

In terms of the lot size, the largest number of transactions (16) related to individual units of less than 1,000 sqm, of which six 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 three deals completed in the 2,000 to 4,000 sqm bracket. There were 13 deals completed that were in excess of 4,000 sqm each. This is substantially larger than in the previous quarters.

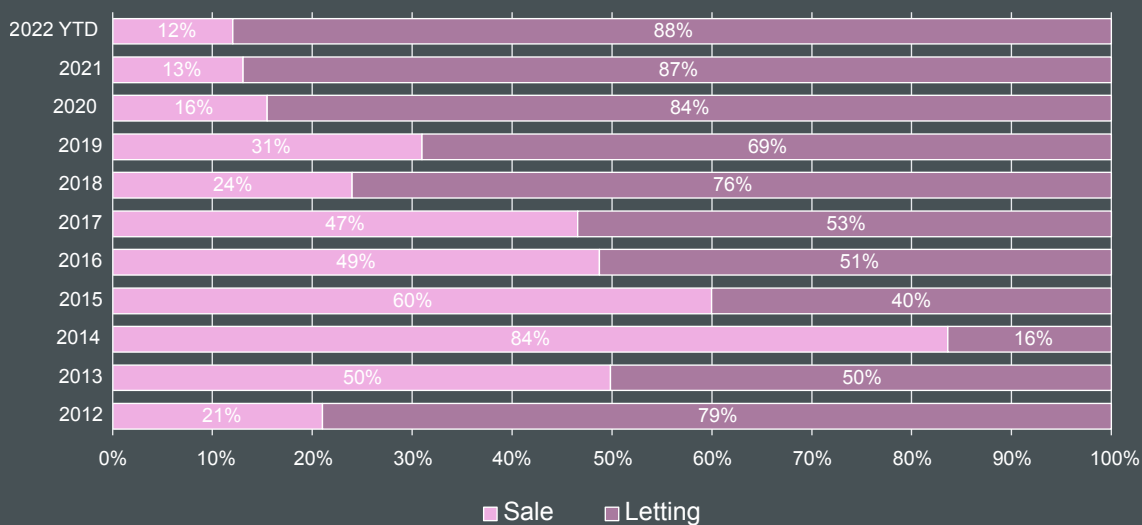
INDUSTRIAL TAKE-UP (SEPTEMBER 2022)



Source: Lisney

TAKE-UP BY DEAL TYPE

(2012 – 2022 YTD)



Source: Lisney

TOP 10 TRANSACTIONS

PREMISES	SQM	REGION	DEAL TYPE
Block C, Greenogue Logistics Park, Co. Dublin	30,000	Southwest	Letting
Unit I, Quantum Logistics Park, Kilshane Cross, Dublin II	19,200	Northwest	Letting
Unit 3, Quantum Logistics Park, Kilshane Cross, Dublin II	16,550	Northwest	Letting
Unit Q, Aerodrome Business Park, Rathcoole, Dublin 24	15,000	Southwest	Letting
Block F, Greenogue Business Park, Co Dublin	10,100	Southwest	Letting
N8, Horizon Logistics Park, Sword, Co Dublin	8,500	North	Letting
Huntstown Business Park, Ballycoolin, Dublin II	8,500	Northwest	Letting
Unit 4, Quantum Logistics Park, Kilshane Cross, Dublin II	6,850	Northwest	Letting
Block E, Greenogue Business Park, Co. Dublin	6,700	Southwest	Letting
N6 Horizon Logistics Park, Sword, Co. Dublin	5,650	North	Letting

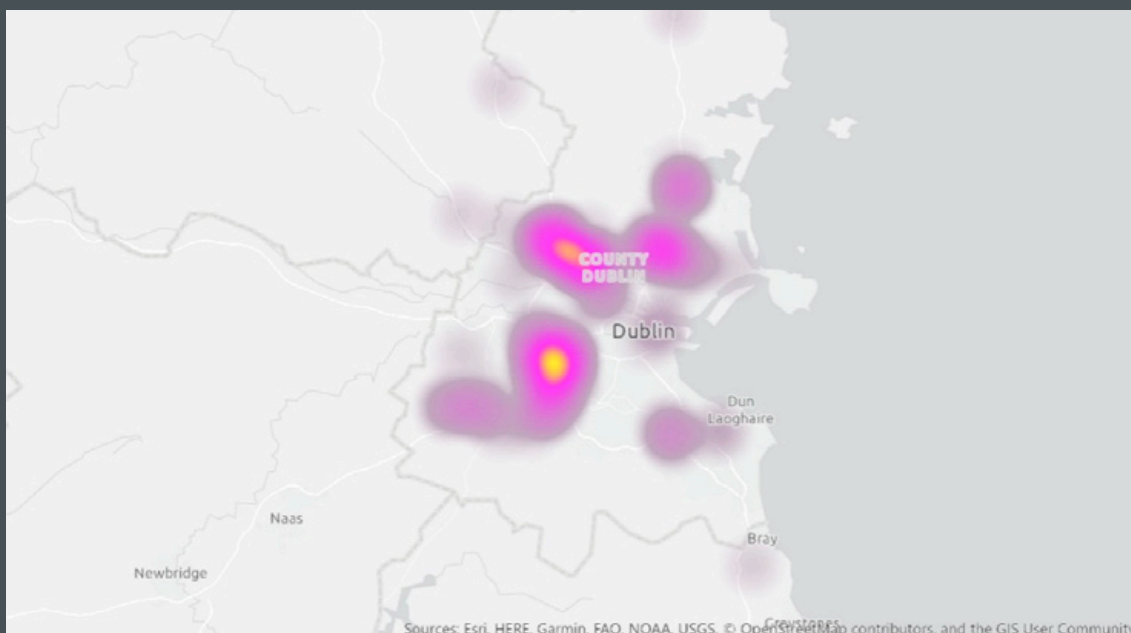
Source: Lisney

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 September 2022, it was at its lowest level since Lisney's records began. Standing at just under 165,000 sqm, it represented a vacancy rate of approximately 2.4%. Since the highs reached in mid-2013, supply has fallen by 88% and since the onset of the pandemic by 55%.

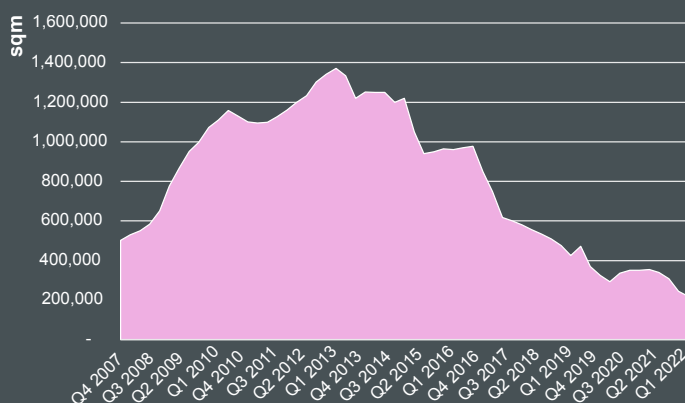
While there were variations across the regions in terms of the vacancy rates, all locations had a vacancy rate below 3.5% with the south the lowest given the smaller levels of stock in the region, at around 1%. As has been the case for the last few years, the number of smaller units (less than 1,000 sqm) available to let is healthier, accounting for nearly 73% of all units on the market. Options remain much more limited for larger-sized units with only three premises available that are more than 10,000 sqm in size. Worryingly for occupier choice, these three units make up 30% of all supply.

INDUSTRIAL SUPPLY (JUNE 2022)



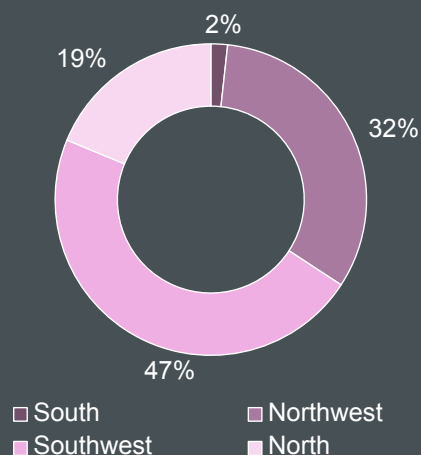
Source: Lisney

DUBLIN INDUSTRIAL SUPPLY Q4 2007 – Q3 2022



Source: Lisney

INDUSTRIAL SUPPLY BY REGION Q3 2022





DEMAND & TERMS

Occupier demand remained robust in Q3 2022, with a significant portion coming from 3PL and large retailers, along with the pharma sector. The requirements overall seem to be getting larger with a total of over 460,000 sqm of active requirements currently in the market. This includes the recent An Post requirement for its new facility of 46,500 sqm as well as a few other similar size requirements. 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 €118 - €129 psm (€11.00 - €12.00 psf). The market remains favourable to landlords, which was highlighted in the Nippon Express deal at Dublin Airport Logistic Park. This Japanese global logistics company took Peregrine House (4,700 sqm) on a 25 year lease with a break option in year 15 and a 12 month rent penalty for operating the break clause. Given the supply shortage, good quality used space is also achieving similar terms and incentives but at perhaps slightly lower rents €102 - €108 psm (€9.50 - €10.00 psf).

At the smaller end of the market (1,000 to 4,000 sqm) demand also remained strong, however, break options are being achieved sooner, generally at year 5 or 7. Rents achieved for this type of unit 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 6.4% over the 12 months to the end of September 2022 and by 38.8% in the last five years. This pace of growth is significantly greater than any other commercial sector, but it is still playing catch-up on growth achieved earlier in the market cycle in sectors such as offices.

NEW STOCK

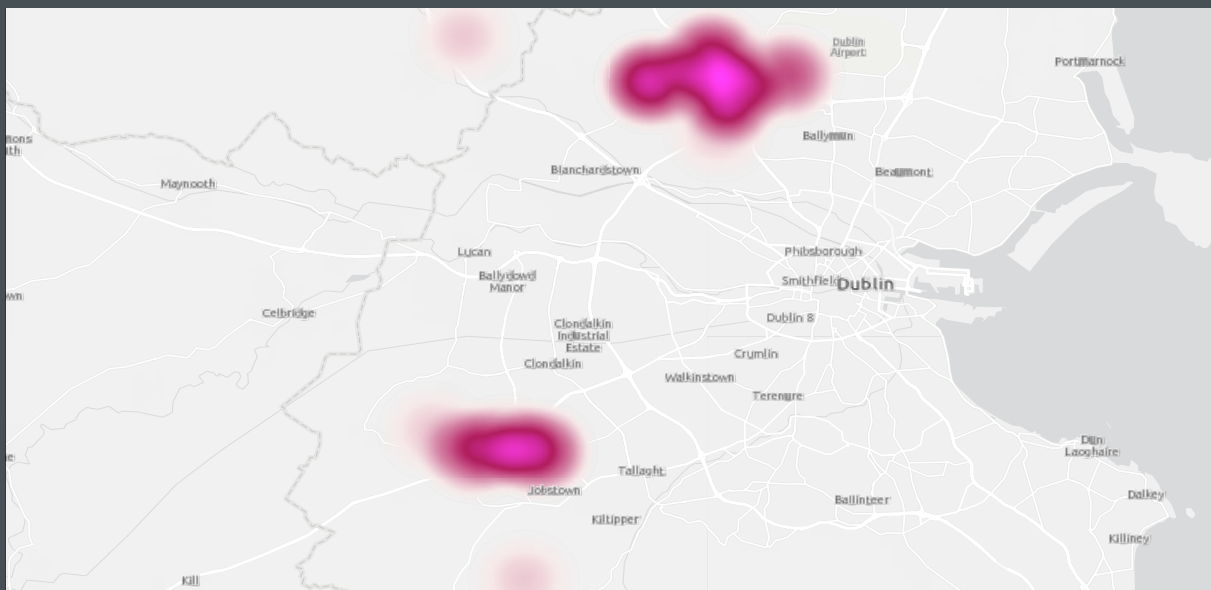
At the end of September 2022, there was approximately 218,000 sqm of accommodation under construction, a decrease of 65,000 sqm (23%) compared to three months previous. 43% of this was in the northwest region with the remainder in the southwest (32%) and north (26%) regions. The average building size was 7,300 sqm with eaves height across all ranging between 12m and 14m. 52% of accommodation is already earmarked for occupation; either as design-and-builds or taken mid-construction. In terms of new buildings added to stock in Q3 2022, Blocks E, F and D in Greenogue Business Park (combined 22,400 sqm) were completed by Palm Logistics. Rohan Holdings has also completed Peregrine House in Dublin Airport Logistics Park, extending to 4,700 sqm.

The largest building with ongoing construction works at the end of Q3 was Unit I Quantum Logistics Park, which is being developed by IPUT. The unit on completion will extend to 19,200 sqm and has an agreement for lease with DHL. The other three buildings in Quantum Logistics Park (which is adjacent to Dublin Airport) are also being developed all of which are spoken for and on completion will comprise a combined 32,300 sqm. In the southwest region, Mountpark is developing three units in Baldonnell Business Park, Dublin 22 – Unit D (12,400 sqm) which is agreed to DB Schenker as well as Unit G (8,700) and Unit F (6,500), both of which are available to let. Erigo commenced ground works on Phase II of Vantage Business Park (close to the M2/M50 junction), where four buildings with a combined floor area of 34,700 sqm will be built. Other notable premises under construction include A03 in The Hub Logistics Park, Co Dublin (12,700 sqm) which is being developed by Denis Coakley (occupier negotiations underway with Rhenus Ireland, a German logistics company).

In terms of the pipeline of future developments, approximately 88,000 sqm of space had planning permission but had not yet commenced construction at the end of September. 43% of this is in the north region with the remainder spread across the northwest (40%) and southwest (17%) regions. Additionally, there are a number of large schemes being master-planned and are likely to be granted planning in the next four to six months. These include Nexus Logistics Park (IPUT), North West Business Park (Park Developments) and Ballymount (Park Developments).

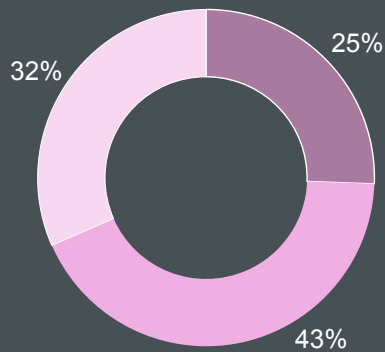
Given the occupier demand, much of this pipeline, along with other proposals, will progress in the short to medium-term, by way of a mix of design-and-build, speculative and some forward funding from investors. Given that much of the industrial zoned lands are located to the north of the city, the north and northwest regions have experienced significant growth in construction activity in 2022, a trend that will continue in the years ahead.

UNDER CONSTRUCTION (SEPTEMBER 2022)



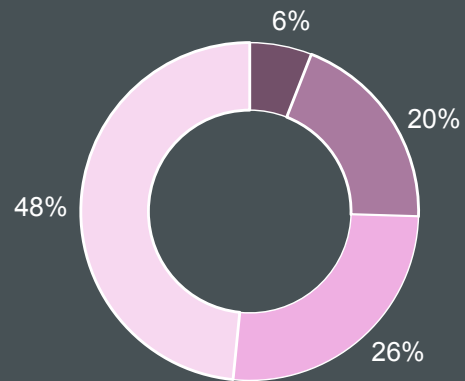
Source: Lisney

ACCOMMODATION UNDER CONSTRUCTION BY REGION (Q3 2022)



■ North ■ Northwest ■ Southwest

ACCOMMODATION UNDER CONSTRUCTION BY STATUS (Q3 2022)



■ Let ■ AFL signed ■ Agreed ■ Available

Source: Lisney

OUTLOOK

- 1 Occupier demand will remain strong throughout the final quarter of 2022. Various larger retailers and logistics companies will continue to seek further warehousing space to cater for online shopping. Many of them will take space 'just in case' so that they can react quicker to supply chain and Brexit related constraints.
- 2 Both rental and capital values will continue to move upwards in the months ahead. 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 2023. Lack of supply, rising construction costs and inflation, combined with the supply chain instability in Europe due to the war in 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 While the investment market changed a lot over the summer months as rising interest rates took hold, the investment market is in a period of price discovery. Industrial yield have softened slightly but investor demand remains. As we have stated previously, 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.

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