



Lisney  

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Sotheby's  
INTERNATIONAL REALTY



# OUTLOOK

2023



# INDUSTRIAL

The commercial property market dynamics changed as interest rate increases took hold, but the industrial sector remained the star performer.

## ACTIVITY

### HIGH PROFILE REQUIREMENTS

While the overall commercial property market dynamics changed last summer as interest rate increases took hold, the industrial occupational sector remained the star performer. There are numerous high-profile occupiers currently seeking space or negotiating deals, and entering the new year, combined requirements exceeded 460,000 sqm across Dublin. This is equivalent to between 15 and 18 months take-up. On the surface, this suggests another good year in 2023. However, some of these deals are sizeable and if one or two are put on hold, there will be a negative impact of activity levels, particularly in H2.

## SUPPLY & CONSTRUCTION

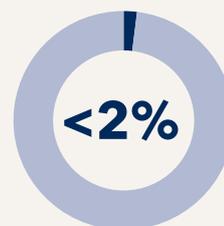
### LESS THAN 6 MONTH'S STOCK

Supply constraints are also likely to affect activity levels this year. Dublin's vacancy rate is now sub-2% with less than six months stock available. Consequently, many of the larger requirements will need to be accommodated by design-and-build agreements, some of which may be across two buildings to off-set future re-letting risk. Despite the overall market shortages, commencement of speculative new buildings will be slower because of higher construction costs but also yield softening in the investment sector and the cost of finance. Notwithstanding, it will be important for developers to have planning grants in place and be ready to move on site quickly when required. Occupiers with smaller requirements may need to settle for accommodation that is not a perfect fit either in terms of specification or location, or both. However on a positive note, construction of smaller / trade counter type units will recommence this year; none have been built in over 15 years.

COMBINED  
REQUIREMENTS EXCEEDED  
**460,000 SQM**  
ACROSS DUBLIN

THIS IS EQUIVALENT  
TO BETWEEN  
**15 & 18 MONTHS**  
**TAKE-UP**

DUBLIN'S  
VACANCY RATE IS



WITH **LESS THAN**  
**SIX MONTHS** STOCK  
AVAILABLE



## TERMS

### LANDLORDS TO REMAIN BULLISH

Headline rents continued to grow last year with prime rates rising by almost 20% and reaching levels beyond that of the mid/late-2000s. This was due to both higher construction costs but also competition for buildings. The pace of growth this year will be slower as there is a ceiling on what 3PL operators can pay with their margins on contracts tight. Landlords will remain bullish on lease terms with any new buildings achieving 25-year leases with break options pushed out to year 12 or 15. Given the rise in interest rates, owner-occupiers seeking to buy vacant premises will remain more limited, but capital values will still push forward due to lack of availability.

## TRENDS

### ESG

ESG is coming more into focus in the logistics space for larger landlords and occupiers. Given the large carbon footprint of the operations of logistics companies, many are seeking to reduce the embodied carbon in

their warehouses. For example, timber-frame (glue laminated timber) warehouses are being considered instead of a steel frame, where the frame can be 30% more expensive. While we have seen a few examples of this in Dublin, it is a trend that will grow in the years ahead. Green clauses are also becoming more common in leases as investors seek to make good on their ESG promises and meet the EU Taxonomy Regulations.

### CITY EDGE MOVING FORWARD

The City Edge project continues to move forward with a high-level strategic framework released mid-2022. While this is a 50-year project and there is some way to go before it is placed on a statutory basis, businesses in the area need to be aware of what is proposed. It is a welcome plan for regenerating and intensifying uses close to the city centre. However, it appears little has yet been considered on how to accommodate many of the industrial building occupiers that will be displaced. The success of the project will greatly depend on this and where alternative accommodation or zoned land will be created.



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