



We Know Property



3rd Quarter 2016

Quarter Take-Up

Highest quarterly level of take-up this year

Demand

Lettings dominated activity in Q3

Availability

Reduced by 5% over the quarter

Dublin Industrial Update



Wilton Works, Naas Road, Clondalkin, Dublin 22

- ➔ Rents
- ➔ Values
- ⬇ Supply
- ⬆ Demand

Overview

Total take-up in the year to date, stands at approximately 192,700 sqm. This figure is around 40% below the same period in 2015, when 317,850 sqm transacted. However, there was a major surge in take up in 2015 and a reduction in transaction levels was avoidable; largely due to existing stock constraints.

Uncertainty has been caused by Britain's exit from the European Union and has made some logistics companies anxious; depending on the products being supplied in to the UK market

In previous years, sales dominated the profile of transactions. However, lettings have gained ground and now account for over half of all deals; due to choice being limited in many size brackets.

Activity

An exceptional level of take-up was recorded in Q3. Transaction levels reached 81,750 sqm, representing the highest

quarterly level this year. This was spread across 37 individual deals. In volume terms, this represented a significant decrease when compared with the same period last year (-40%), however it is up a huge 63% on Q2 levels.

An examination of all transactions in Q3 reveals that 51% of the number of deals was for buildings less than 1,000 sqm. In terms of the quantum of space, this figure falls to just 12%. Accommodation between 1,000 and 4,000 sqm accounts for 38% of the number of transactions, while buildings greater than 4,000 sqm accounted for 11% (or 52% of the size).

The southwest region remained the location of preference in Q3 once again, accounting for 56% of all space transacted. This was followed by the northwest region at 29% and the north at 14%. The south region accounted for just 1% of take-up.

In Q3, lettings dominated sales by 60/40, in terms of the number of transactions and in terms of the quantum of space taken-up. This is as a result of choice being limited in many size brackets.

Another factor to consider is that the owners of industrial property, who bought between December 2011 and December 2014, are only eligible for the CGT waiver on disposal of these assets if they hold them for a minimum of seven years. This will have an impact on the number properties being brought to the market for outright sale. The largest sale in Q3 was the sale of the former Sercom Solutions Facility in the Cloverhill IDA Business & Technology Park, (18,650 sqm) which sold for a price in the order of €3.5m. In addition, a modern detached unit in Aerodrome Business Park of 2,800 sqm, was sold. In terms of lettings, the largest deal

over the three months was the lease of a unit in Ballycoolin of 11,850 sqm. The unit has reportedly been leased for use as a data centre.

There was a pre-let of 7,450 sqm to global transportation and logistics company Kuehne & Nagel in Horizon Business Park for Green REIT. The reported rent is over €97 psm (€9 psf), which is approximately 15% ahead of top market headline rates for existing space. This is the economic rent required to justify a new build and is the fourth major pre-let to be agreed since the market peaked in 2007.

The former DHL facility in Swords Business Park of 4,550 sqm, was also let.

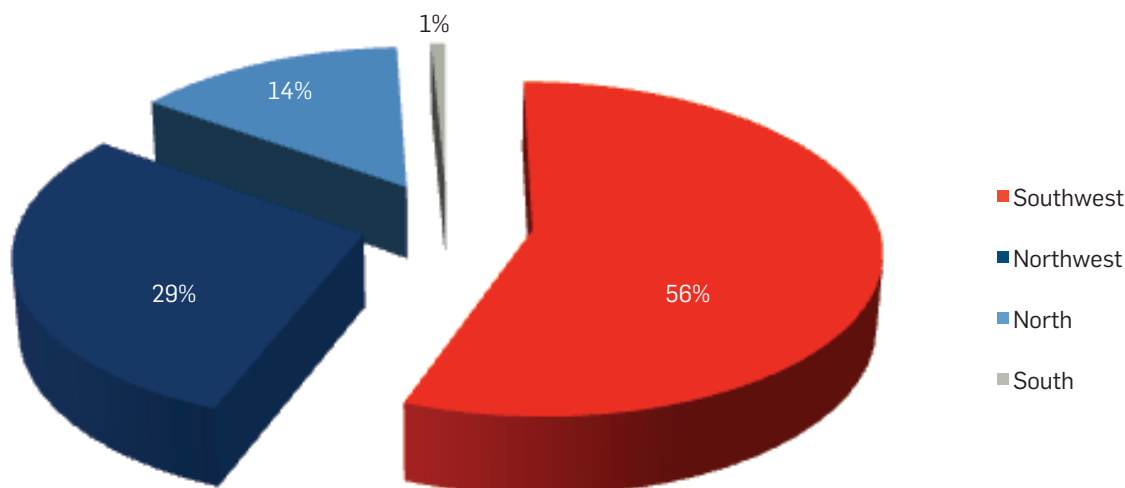
Meanwhile, unit 4 in Wilton Works on the Naas road, a semi-detached high bay warehouse extending to 1,950 sqm, was let at approximately €71 psm (€6.5 psf) to Doyles Fruit Distributors. Prime industrial rents remained stable at €80 psm during the quarter.

Availability

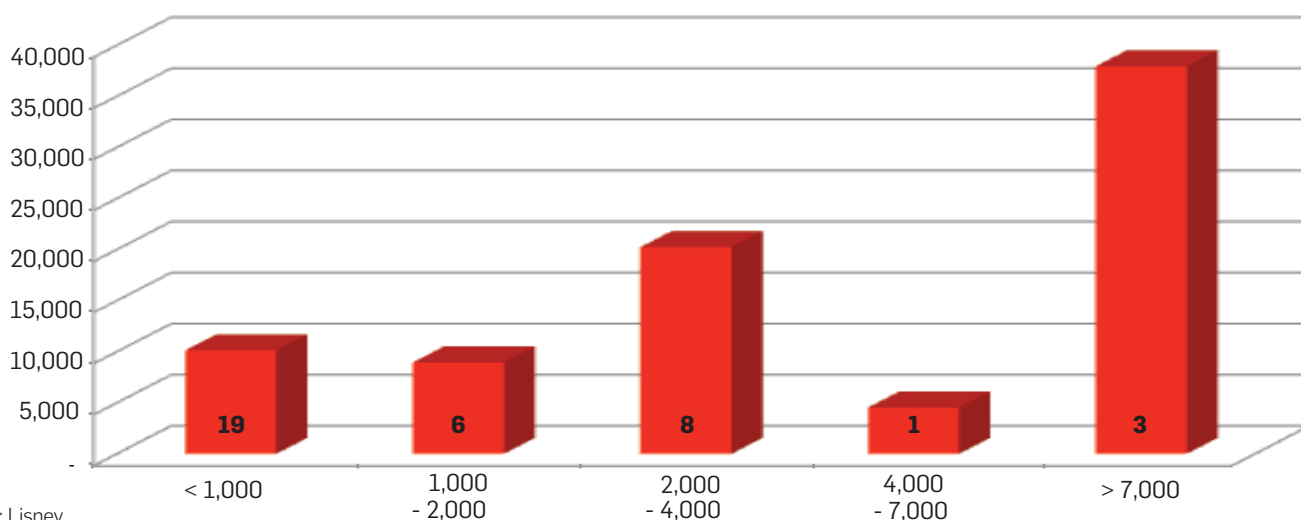
The downward trajectory in supply levels recommenced in Q3. The level of vacant accommodation reduced by 4.9% in the quarter, to stand at 969,300 sqm. The corresponding vacancy rate also dropped; now standing at 14.9%.

Supply levels remain largest in the

TAKE-UP: BY REGION Q3 2016



TAKE-UP: SIZE & NUMBER OF TRANSACTIONS Q3 2016



Source: Lisney

southwest region, accounting for half of all available space. Conversely, the south region accounts for the lowest amount of available space. This is due to the low level of building stock in this area.

The supply of small to medium size industrial accommodation is still relatively healthy with good opportunities on offer. However, for larger units, availability is more limited. In the south region there are no available units measuring greater than 10,000 sqm.

Outlook

- Rental and capital values will increase further in Q4 2016 and in 2017. This will be evident for all types of quality, size and location of stock.
- Planning applications for industrial buildings will increase as demand for pre-letting, pre-sale and speculative development rises.
- Sale prices on second-hand buildings are likely to stay below the cost of replacement for the coming months but this gap will tighten until fully eradicated during 2017.

Top 5 deals Q3 2016

Property	Region	Size (sqm)	Transaction
Former Sercom Solutions Facility, Cloverhill Industrial Estate, Clondalkin, Dublin 22.	SW	18,650	Sale
Ballycoolin Business Park, Dublin 15	NW	11,850	Letting
Horizon Logistics Park, Airport, Swords, Co. Dublin	NW	7,450	Letting
Former DHL Facility, Swords Business Park, Swords, Co. Dublin	N	4,550	Letting
Airport Business Campus, Swords Road, Santry, Dublin 9	N	2,950	Sale

Source: Lisney

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