

Q1

THE LISNEY INDUSTRIAL REPORT



The Difference

The Market in Numbers

Take-Up



51k^{sqm}

17% less than Q1 2016

Transactions



7k^{sqm}

JMC Van Trans expanded in the former SDS property on the Naas Road

Vacancy Rate



13%

Supply decreased to 850,000 sqm

New Construction



28k^{sqm}

Rohan Holdings will commence development within three parks

Land



€100k^{per acre}

Quoting price for good industrial land near Dublin Airport



Overview

The opening quarter of the year brought with it relatively strong take-up levels of approximately 51,200 sqm. However, this figure is 17% below the same period in 2016 and 5% behind the figure recorded in the previous quarter.

Some logistics companies operating in the UK market are feeling insecure following the activation of Article 50 and the UK's planned exit from the European Union.

Lettings rather than sales dominated activity in the opening quarter, accounting for 60% of all transactions. This is different to recent years where sales made up most of the transactions.



Activity

Transactions in Q1 totalled 51,210 sqm, spread across 38 individual deals. In volume terms, this represented a decrease of 24% when compared with the same period last year and is 23% behind the previous quarter. The average amount of space taken per transaction in Q1 was almost 1,350 sqm, which was about a fifth smaller than the average amount of space taken in 2016 overall.

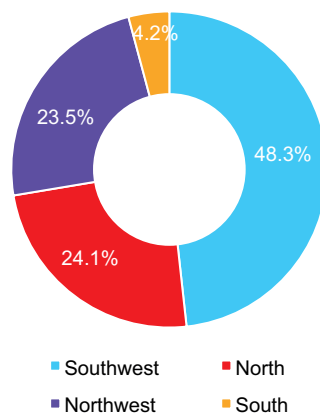
An examination of the size of transactions in the three months reveals that 63% of the number of deals done was for buildings of less than 1,000 sqm. In terms of the quantum of space, this figure falls to just 17%. These were almost equally spread across the southwest, northwest and north regions.

Accommodation between 1,000 and 4,000 sqm was the most active size category and accounted for 59% of space either let or sold in the quarter. This was spread across 12 (32%) individual deals. Of note was the sale of the former IBM facility in Ballycoolin (3,950 sqm) and the letting of Unit 5 in Airways Industrial Estate (3,860 sqm).

For buildings, greater than 4,000 sqm, there were just two deals, which made up 24% of activity and both of which were in the southwest region. The largest deal comprised a letting of 7,020 sqm to JMC Van Trans in the former SDS facility on the Naas Road, beside the Red Cow roundabout. JMC was already a tenant of the building and took additional space from the landlord, Hibernia REIT. The second largest deal was a sale of Unit 3 South City Business Park (5,030 sqm), a former chewing gum manufacturing facility, to Broderick's (markers of chocolate bars and cakes) for over €3.5m (€696 psm).

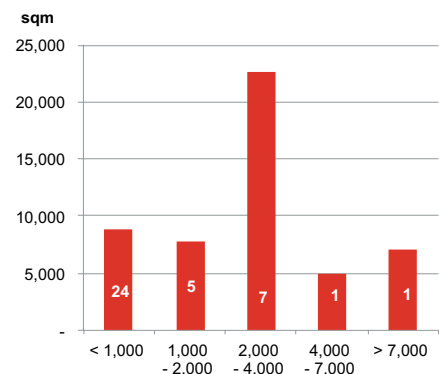
Between 2013 and 2015, sales rather than lettings made up the majority of transactions. However, due to a lack of supply of larger buildings for sale (despite good demand), this changed in 2016 with lettings dominating once again. This trend continued into Q1 2017 with lettings accounting for 60% of accommodation transacted and sales accounting for 40%.

Take-Up: By Region Q1 2017



Source: Lisney

Take-Up: Size & Number of Transactions, Q1 2017



Source: Lisney



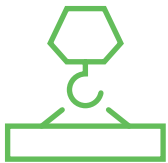
Top 5 Deals

Address	Region	Sqm	Type
Former SDS Facility, Naas Road, Dublin 12	Southwest	7,000	Letting
Unit 3 South City Business Park, Tallaght, Dublin 24	Southwest	5,050	Sale
Former IBM Facility, Ballycoolin IDA Business & Technology Park, Dublin 15	Northwest	3,950	Sale
Unit 5 Airways Industrial Estate, Dublin 9	North	3,850	Letting
Clonshaugh Business & Technology Park, Dublin 17	North	3,700	Sale



Availability

Supply continued to decrease in Q1 with approximately 850,000 sqm of accommodation available at the end of March. This indicated a vacancy rate of close to 13%. Interestingly, this drops even further, to around 530,000 sqm, if buildings with an eaves height of less than 7m are excluded, and to 378,000 sqm if only buildings with 10m plus eaves height are considered.



New Construction

Committing to a design-and-build project is a massive undertaking for occupiers. But with diminishing availability, this will be increasingly required if occupiers are to obtain the space they need for expansion.

Green REIT is continuing with its building works in Horizon Business Park, close to Dublin Airport. It is expected to proceed with further speculative development in the immediate future. Last year it had started a 4,150 sqm building speculatively but let the building before it was complete to Kuehne & Nagel at €96.90 psm (€9 psf).

Rohan Holdings, a leading industrial developer, has embarked on a substantial development programme that will deliver in excess of

27,870 sqm of speculative warehouse space across Dublin over the next few years. Rohan's two main Parks in north Dublin are Dublin AirPort Logistics Park and North City. While in south Dublin, Rohan is planning to deliver three industrial buildings in a newly acquired site just off the N7 at Cheeverstown, which will be known as Southwest Business Park.

Additionally, Mountpark Logistics EU (a joint venture between UK based Mountpark and the USAA Real Company from the US) has just received planning permission for three units at Baldonnell. These will total approximately 32,700 sqm with speculative development likely to commence this year.



Industrial Land

Some large land holdings came to the market in Q1. Of note is 23.5ha (58 acres) close to Ninth Lock in Lucan, adjacent to Grange Castle IDA Business & Technology Park. This parcel of land is likely to be sold to the IDA and South Dublin County Council for between €200,000 and €300,000 per acre. A 11.33ha (28 acres) site at Dubber Cross near Dublin Airport has also been placed on the market, which is zoned for industrial use and has a quoting price of €2.8m (€100,000 per acre). This follows some land sales at M1 Business Park, Balbriggan and at Silloge near Horizon Logistics Park.



Outlook

- Rental and capital values will increase further during 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 some second-hand buildings are still likely to stay below the cost of replacement for the coming months but this gap is tightening and is likely to become irrelevant during 2017.



Unit 3 South City Business Park

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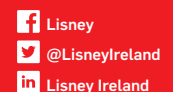
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