Quarter 1, 2018

Q1

DUBLIN INDUSTRIAL

Lisney

The Difference

The Market in Numbers

Take-Up

72k sqm

Total take-up in the quarter reached 72,000 sqm

Activity

76%

Lettings accounted for 76% of the number of transactions in Q1

Vacancy Rate

11.5%

The vacancy rate stood at 11.5%

Availability

-10%

Availability reduced by 10% on an annual basis

Overview

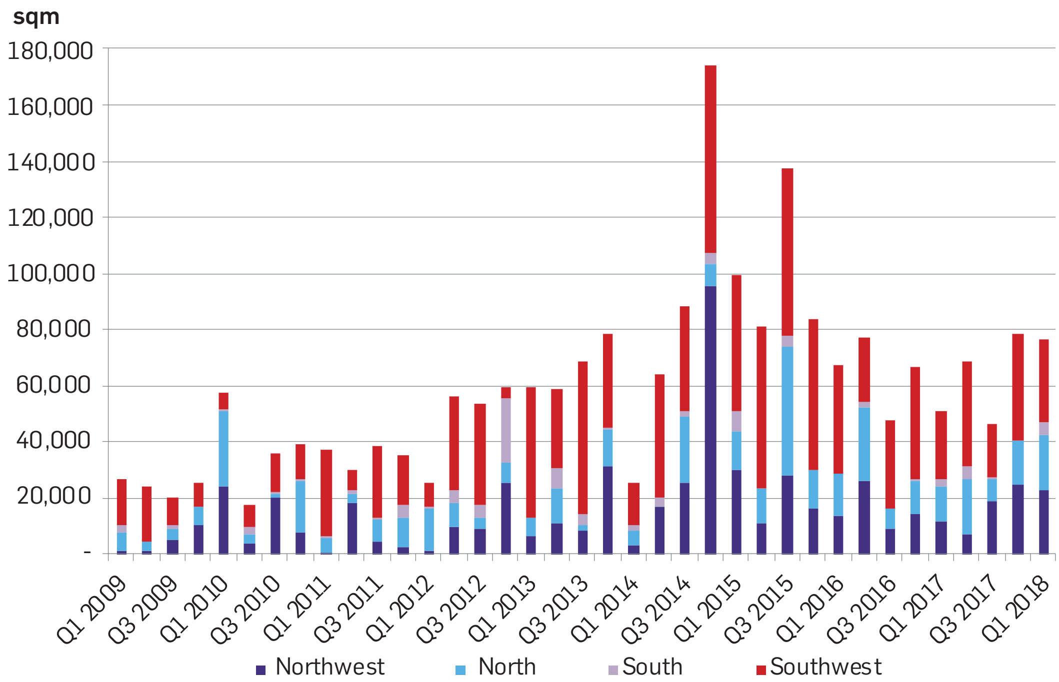
Transaction activity remained at a high level in the opening quarter of the year. Lettings dominated activity, while the southwest and northwest regions combined accounted for 72% of total take-up. Overall supply levels in Dublin increased by 4.8% in Q1, with the vacancy rate at 11.5%. However annually, availability fell by 10.1%. Rents rose further in the quarter with the Lisney index for Dublin increasing by 1.8% and by 13.6% in the year.

Activity

Q1 take-up was just over 72,000 sqm; a decrease of 8.4% compared to the previous three month period but up 41% compared to Q1 last year. The 72,000 sqm comprised 54 individual transactions with the average size per deal approximately 1,350 sqm. Lettings drove demand in Q1 in terms of the number of transactions (76%) and in terms of the amount of space taken up (70%). This is because companies are still cautious and are drawn towards letting rather than taking on debt for new design-and-build purchases.

The southwest region was the busiest in Q1, continuing to account for the largest share of space either leased or sold in the quarter (41%). This was followed by the northwest (25%), north (27%) and the south (6%).

Take Up by Region, Q1 2008 - Q1 2018

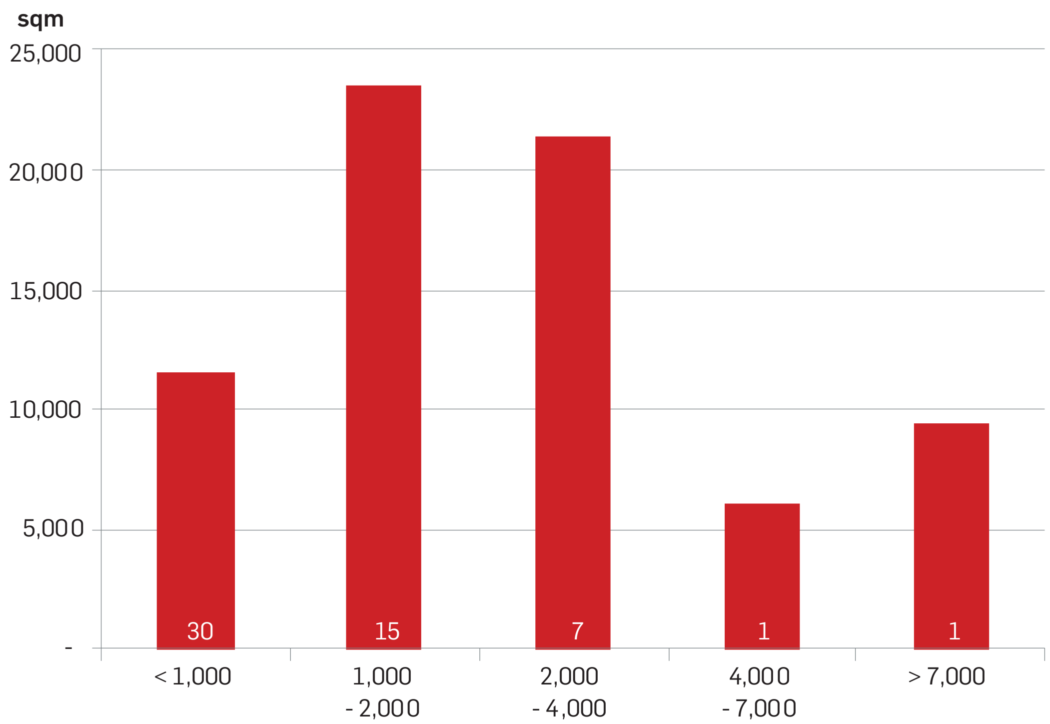


Source: Lisney

SIZE ANALYSIS

Transactions of less than 1,000 sqm accounted for 56% of all deals (30) in Q1, however the volume of space amounted to just 16%. In terms of the mid-sized market, buildings ranging from 1,000 to 4,000 sqm accounted for 41% of the number of transactions (or 62% of the volume of space). There were just two deals in excess of 4,000 sqm in Q1. Combined, these made up 22% of space transacted, but only 4% of the total number of sales.

Take-Up by Size & Number of Transactions, Q1 2018



Source: Lisney

LARGEST DEALS

The largest deal in Q1 was the sale of a unit in Clonshaugh Business & Technology Park, Dublin 17 (9,450 sqm). Other notable deals in Q1 2017 comprised the lettings of Unit K Furry Park, Swords Road, Dublin 9 (6,100 sqm) to Euro Car Parts; unit 526 Greenogue Business Park, Rathcoole (3,900 sqm); and the former DHL Facility on Ballymount Road Lower (3,900 sqm).

Top Four Deals, Q1 2018

Address	Area	Sqm	Transaction
Clonshaugh Business & Technology Park, Dublin 17	N	9,450	Sale
Unit K, Furry Park, Swords Road, Dublin 9	N	6,100	Letting
Unit 526 Greenogue Business Park, Rathcoole, Co. Dublin	SW	3,900	Letting
Ballymount Road Lower, Former DHL Facility	SW	3,900	Letting

Source: Lisney

Demand

For the past number of months, there have been a number of large requirements in the market. These are mostly emanating from large brands in the bulky goods retail sector. It is very likely that two of these requirements will be fulfilled in Q2, each taking around 16,000 sqm. Similar to Holland & Barrett's acquisition in 2017, they will be in design-and-build schemes at Dublin AirPort Logistics Park (a Rohan Holdings development) and at Mountpark, Baldonnell.

Dublin Industrial Rents

Prime industrial rents increased by 3.8% during Q4 2017. A breakdown of regions reveals that all locations recorded quarterly increases; northwest (6.5%), north (3.9%), south (2.7%) and southwest (2.5%).

The Lisney industrial index rose significantly in 2017 overall, increasing by 16.4% in the year. At the end of December 2017, the Dublin industrial index had increased by 64.0% since the cycle low in 2013 and was 18.0% behind its cycle peak. We anticipate further growth in 2018 across all locations.

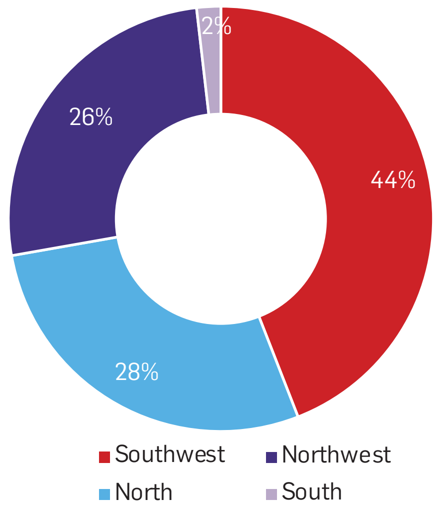
Supply

Supply levels increased by 4.8% in Q1. As a result, the Dublin vacancy rate stood at 11.5% at the end of March. However, the amount of available space decreased by 10.1% on an annual basis.

Supply remained largest in the southwest region, accounting for 44% of all available space; however this area has the largest stock of industrial buildings in Dublin. The north and northwest regions made up 28% and 26% respectively, while the remaining 2% was in the south region.

The supply of small to medium-sized industrial buildings remains healthy with good opportunities available. For larger units, the choice is more limited. At the end of Q1 there were just 12 units greater than 10,000 sqm in size available, one of these was previously a data centre. Half of these units are located in the southwest region, four in the northwest and two in the north.

Availability by Region, Q1 2018



Source: Lisney

In Focus Brexit Impact

As the March 2019 deadline gets closer, there still is no clear understanding of the exact implications of what Ireland and the EU's trading relationship with the UK will look like post-Brexit. There will be a transitional period between March 2019 and December 2020 to allow new practices to settle in and the UK will remain in the single market and customs union for this period.

The UK and the EU need to agree a new trade agreement on tariffs, custom declarations and VAT and with a particular focus on the border in Northern Ireland. It is likely that many types of goods will still move in and out smoothly with pre-cleared/approved importers and exporters. In spite of this, there will have to be checks and this will involve stopping, searches and administration and with that comes a requirement for buildings and yard areas for this to take place.

Considerable works have commenced at Dublin Port to provide for the checks. Increased facilities and areas for the movement and the separation of goods coming into Ireland from the UK are being created in the form of a new East Terminal.

Many logistics companies are now focusing on their future shipping arrangements. While access to countries such as Germany and Denmark will more than likely continue through the UK, France, Spain and possibly Belgium may be direct from southern ports in Ireland. This will mean that ports such as Foynes, Cork and Rosslare will grow in importance and this will provide significant opportunities for new logistics premises in these areas.

Brexit provides plenty of challenges and businesses. Future supply route planning should now be in hand for all companies exporting goods and not left until next year when Brexit is upon us.

The Hub Logistics Park, Clonee, Co. Meath

Outlook

- The changes to the CGT waiver hold period will present opportunities for investors and occupiers as more product is brought to the market.
- There are some large requirements in the market at present, which may be fulfilled in Q2 as design and build lettings.
- As demand for pre-letting, pre-sale and speculative development continues to grow, planning applications for industrial buildings is increasing.
- Secondary rents will continue to grow and present opportunities for some investors.

The Lisney Industrial Team

Cathal Daughton
Director

John McIntyre
Chartered Surveyor

James Kearney
Chartered Surveyor

The Lisney Research Team

Aoife Brennan
Director of Research

Tanya Duffy
Research Analyst

David Walls
Research Analyst

Our Offices

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

CORK
1 South Mall,
Cork
T12 CCN3
T: +353 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

LONDON
33 Cavendish Square,
Marylebone, London
United Kingdom, W1G 0PW
T: +44-203-714-9055
E: london@lisney.com

Lisney
@LisneyIreland
Lisney Ireland

lisney.com