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Dublin Industrial Update

3

3rd Quarter 2015

Take-Up
319,300 sqm transacted in the first nine months of 2015, 80% higher than same period of 2014.

Availability
Continued to reduce with vacancy rate falling to15%.

Industrial Land
Values rising with a number of significant transactions occurring.

Rents

Values

Supply

Demand

McQuaid O'Flanagan Warehousing & Transport sub-leased the 10,550 sqm former Wincanton building at Tolka Quay in Q3.

Overview

The strong demand witnessed in recent quarters for industrial space continued with pace in Q3 2015. Transaction levels reached exceptional levels, marking one of the largest quarterly take-up levels recorded. Rents are beginning to rise for well-located modern stock, despite the fact potential tenants are still cautious when taking a new lease.

Existing available stock continues to diminish and constraints are evident in some areas. Consequently, many occupiers are now once again looking at design-and-build options.

Supply fell in Q3 as did the vacancy rate.

Furthermore, demand for industrial land is improving with some recent deals showing increased values.

Activity

Significant activity was recorded in Q3 with take-up reaching 137,200 sqm. This is one of the highest levels recorded in recent times, following remarkable transaction levels in Q4 2014 (174,300 sqm). In the nine months to end September, take-up exceeded 319,300 sqm, which is almost 80% higher than levels recorded in the same period last year. Notably, take-up for 2014 as a whole totals just 9% more than this level, which further highlights the strong demand witnessed in the period.

Transactions in Q3 were spread across 43 individual deals. Notably, five of the deals were greater than 10,000 sqm. This accounts for 60% of total take-up and as a result, skewed the figures. However, appetite for larger sized deals is a trend that continues to dominate the market and is expected to continue in the medium-term.

Significant value remains when purchasing larger industrial facilities as sale prices are still below the replacement cost. A number of occupiers continued to take advantage of this in Q3, notably the online retailer Amazon. It was the most active purchaser over the three months. Building on its existing presence in Tallaght, it purchased the former Jacob's biscuit factory (26,400 sqm) on Belgard Road, which has been

Top 5 deals Q3 2015

Property	Region	Size (sqm)	Transaction
Former Jacobs Facility, Belgard Road, Dublin 24	Southwest	26,400	Sale
Clonshaugh Business & Technology Park, Dublin 17	North	18,450	Sale
Airton Road, Tallaght, Dublin24	Southwest	15,050	Sale
Orion Business Campus, Blanchardstown, Dublin 15	Northwest	11,200	Sale
Tolka Quay, Dublin 1	North	10,550	Letting

vacant since 2008. This was the largest sale in the quarter and in the year-to-date. Additionally, it acquired an 18,450 sqm facility on 24 acres in Clonshaugh Business & Technology Park in Dublin 17 in Q3.

Buildings on Airton Road were sold on in Q3 to Irish investors. They comprise two large industrial building extending to a combined area of 15,070 sqm and which have significant refurbishment potential.

US technology company Symantec purchased a further 11,200 sqm in Orion Business Campus in Blanchardstown. This acquisition and expansion of its operations further cements Symantec's commitment to the area and Ireland.

In terms of lettings, the largest in Q3 was the 10,550 sqm former Wincanton building at Tolka Quay in the docklands. Wincanton sub-leased this high-bay modern building to McQuaid O'Flanagan Warehousing & Transport.

In the quarter, sales accounted for 42% of the number of deals but 72% of the space transacted. This further highlights the demand to purchase larger buildings. Interestingly, of the 20 deals less than 1,000 sqm in Q3, 15 of these (or 75%) were lettings.

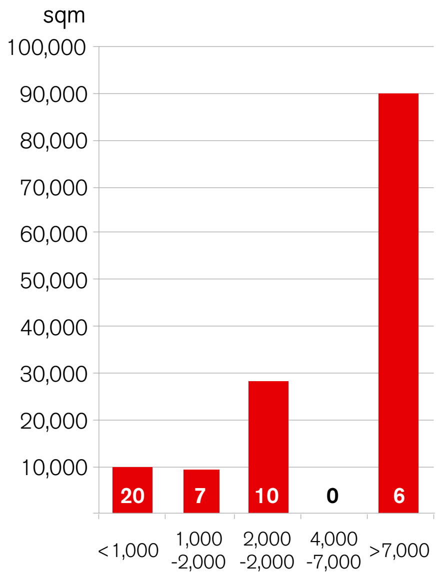
A further examination of the size of individual transactions reveals that 86% of the deals were for buildings less than 4,000 sqm. The southwest and north regions accounted for 70% of this. Interestingly, there were no deals between 4,000 sqm and 7,000 sqm. The remaining deals, greater than 7,000 sqm in size, accounted for 14%.

The traditional industrial area of the southwest region of Dublin remained the location of preference in Q3, accounting for 43% of all space transacted. This was followed by the north region at 33%, the northwest at 21% and 3% in the south.

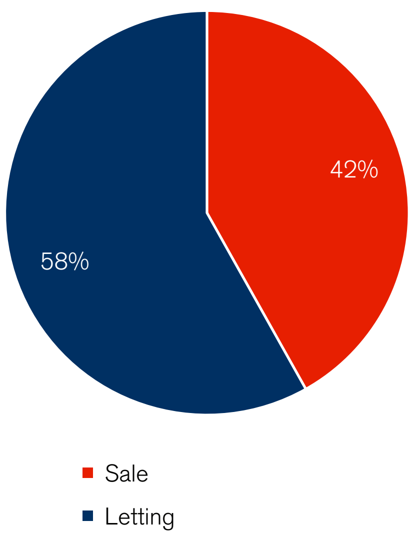
New Construction

In one of the more interesting deals in Q3, Fynes Logistics agreed the first pre-sale in seven years of a new warehouse facility in Horizon Logistic Park, close to Dublin Airport. This will extend to about 2,000 sqm when complete and the sale price is understood to be approximately €3.4m. Green REIT is the investor behind this development and it has simultaneously commenced construction on an adjacent site of the first speculatively built industrial property in Dublin since 2007. This spec-built warehouse will be 4,150 sqm and is due to be completed by Q1 2016.

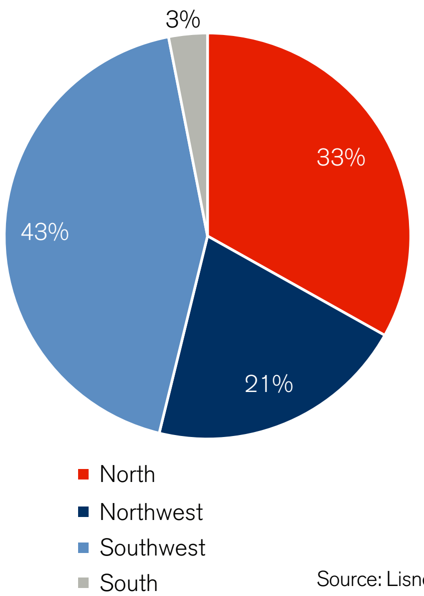
TAKE-UP SIZE (SQM) & NUMBER OF TRANSACTIONS Q3 2015



NUMBER OF INDUSTRIAL SALES VS LETTINGS Q3 2015



TAKE-UP: BY REGION Q3 2015



Source: Lisney

Orion Business Campus 1, Blanchardstown acquired on behalf of Symantec11,200 sqm.

Availability

In the first half of the year, supply levels began to fall after three years of record highs. Further decreases were experienced over Q3, falling by 8% and dipping below the 1m sqm mark for the first time since 2009. Although the reduction was not as sharp as Q2, (-18%), the quarterly drop remains substantial.

There is currently approximately 940,000 sqm of vacant industrial accommodation on the market. This represents an overall Dublin vacancy rate of just over 15%.

The supply of small to medium size industrial stock is still relatively healthy with good opportunities on offer.

However, for larger units, availability is more limited. But if an investor is willing to carry out works to an older building, they will benefit from the current supply shortages and growing rents.

Land

Demand for industrial zoned land has increased in the last 18 months with a number of deals concluding. The lands at the Cherryhound interchange on the M2 motorway, comprising approximately 24.3ha (60 acres) of part industrial / part agricultural lands, went to best bids recently and was purchased by Fingal County Council. Similarly, adjacent lands to Cherryhound, known as Airlink, comprising approximately 30.3ha (74.9 acres) also went to best bids. It is likely that these lands could achieve up to €200,000 per acre. Outside of Dublin, there was a formal tender for the substantial industrial sale of part of Tougher Business Park in Naas Co. Kildare, which is expected to achieve in excess of €16m.

Outlook

- Large variances remain in rental levels achieved depending on building quality, size and location. However, rents will rise across all types of industrial buildings in the short-term.
- For larger buildings, particularly those in prime locations, competitive bidding will occur as occupiers vie for limited space.
- Pre-letting / pre-sales transactions and speculative development will intensify in the medium-term.
- Value will remain in the short-term for owner-occupiers seeking to purchase as sales prices are still less than the replacement cost. However prices are rising and will continue to be under upward pressure.

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