

Q4

DUBLIN INDUSTRIAL



The Difference

The Market in Numbers

Q4 Take-Up



78.6k^{sqm}

Total take-up in the quarter reached 78,600 sqm

Activity



56%

Lettings accounted for 56% of the number of transactions in Q4

Vacancy Rate



11.5%

The vacancy rate was unchanged in the quarter

Availability



-22%

Availability reduced by 22% on an annual basis



Overview



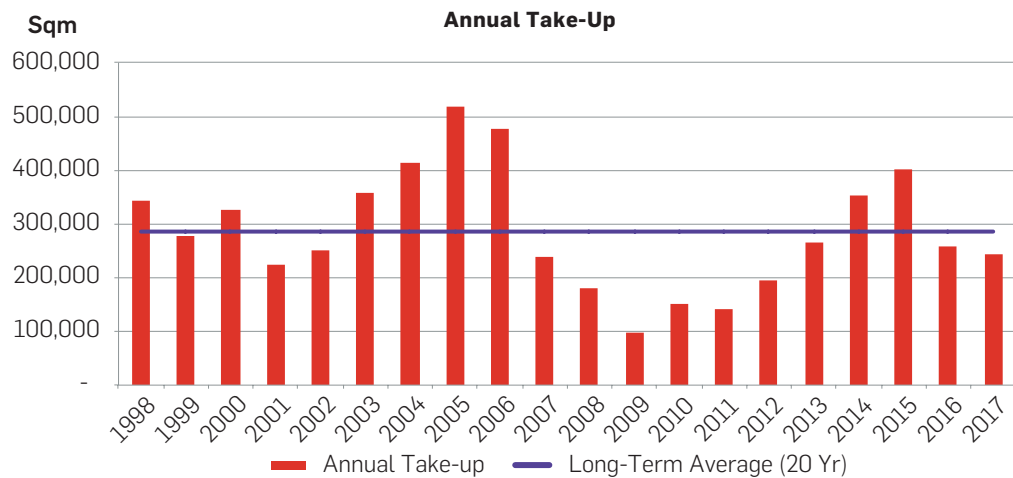
Activity

Activity levels reached 78,600 sqm in Q4, a significant 70% uplift on the previous quarter. The amount of space taken up was evenly spread between sales and lettings in the quarter. Total take-up for the year reached 244,500 sqm.

Overall supply levels in Dublin increased marginally by 0.3% in Q4, with the vacancy rate unchanged at 11.5%. However annually, availability fell by 22%. Rents rose further in the quarter with the Lisney index for Dublin increasing by 3.8% and by 16.4% in the year.

Q4 take-up reached 78,600 sqm; an increase of 70% compared to the previous three month period and was up 18% compared to Q4 the previous year. Lettings drove demand in Q4 in terms of the number of transactions (56%) but in terms of the amount of space taken up, sales and lettings were at similar levels (51% and 49% respectively).

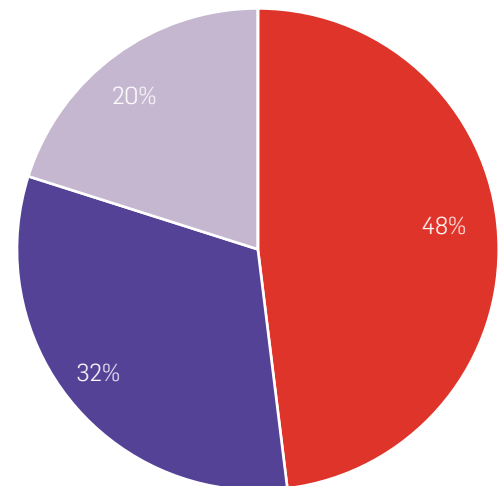
Over the entire year, transaction levels reached 244,450 sqm. Although this is a healthy level of activity, the total is 5.3% less than the 2016 figure and is also less than the 20 year average of 285,750 sqm. This is due to a lack of suitable available units rather than a lack of demand and as such, demonstrating the need for additional supply.



Source: Lisney

The 244,450 sqm comprised 154 individual transactions with the average size per deal approximately 1,600 sqm. Lettings comprised 96 of these deals, while sales accounted for 58. Companies are still cautious and are drawn towards letting rather than taking on debt for new design-and-build purchases.

Take-Up by Region, Q4 2017



Legend: Southwest (Red), Northwest (Blue), North (Purple)

Source: Lisney

The southwest region was the busiest in Q4, continuing to account for the largest share of space either leased or sold in the quarter (48%). This was followed by the northwest (32%), north (20%) and there was no activity in the south in Q4.

SIZE ANALYSIS

Transactions of less than 1,000 sqm accounted for half of all activity in Q4 across 18 deals. The total amount of space taken by smaller sized units was only 11%.

In terms of the mid-sized market, buildings ranging from 1,000 to 4,000 sqm accounted for 31% of the number of transactions (or 28% of the volume of space).

On an annual basis, transactions of less than 1,000 sqm made up almost two-thirds of all deals during the year. 96 deals were spread across the four suburbs, accounting for 62% of the total number of transactions. The overall quantum of space apportioned to smaller sized units was just 16%. In terms of the mid-sized market, buildings ranging in size between 1,000 and 4,000 sqm accounted for 26% of the number of transactions (or 37% of the volume of space) in 2017. There were 17 deals in excess of 4,000 sqm over the 12 months. Combined, these comprised almost half of all space transacted, but only 11% of the total number of sales.

LARGEST DEALS

The largest deal in Q4 and the year was the sale of Unit 103 Northwest Business Park (12,550 sqm) to IPUT. Other notable deals in Q4 2017 were; Unit D2 Horizon Business Park (7,450 sqm) and Oakwest House in Western Industrial Estate (5,250 sqm), both of which were lettings. The former Electrolux Facility, Naas Road, Dublin 12 (8,550 sqm) and Unit 21 First Avenue, Cookstown Industrial Estate (5,600 sqm) were both sold during the quarter.



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%).

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.

The Lisney industrial index rose significantly in 2017 overall, increasing by 16.4% in the year. At the end of December 2017, the Dublin



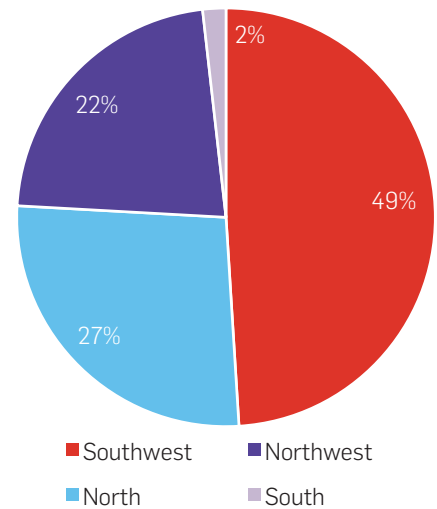
Availability

Supply levels increased marginally by 0.3% in Q4. As a result, the Dublin vacancy rate was unchanged and stood at 11.5% at the end of December. However, the amount of available space decreased by 22% on an annual basis.

760,000 sqm drops to about 592,750 sqm if units with eaves heights of less than six metres are excluded

Supply remained largest in the southwest region, accounting for almost half of all available space (358,900 sqm); however this area does have the largest stock of industrial buildings in Dublin. The north and northwest regions made up 27% and 24% respectively, while the remaining 2% was in the south region.

Availability by Region, Q4 2017



Source: Lisney

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 Q4 there were just 11 units greater than 10,000 sqm in size available; one of these was previously a data centre. The overall supply level of

in North City Business Park. Green REIT is developing space at Horizon Business Park. On the south side, 665 Grants Crescent in the Greenogue Business Park in Rathcoole is being developed, while Mount Park is developing units at Baldonnell Business Park.



Construction

Construction of new industrial buildings is increasing in response to the lack of supply of modern good quality stock in key locations. A large proportion of this stock is being constructed on the north side of the city by Rohan Holdings, with three separate units in Dublin AirPort Logistics Park and three

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With regard to the construction pipeline, Park Developments has secured planning permission for six units and is seeking to engage in pre-lets or sales in Northwest Business Park. Full planning permission has been received for three units ranging from 6,500–12,650 sqm in The Hub Logistics Park in Clonee (N3) close to the new Shire and Facebook facilities.

Meanwhile, planning permission has been lodged by Erigo Developments for 9,745 sqm across two buildings at the newly planned Vantage Business Park just off the N2/M50 at Coldwinters.

There were a number of industrial land transactions in 2017 in the Dublin region with some high prices achieved. Over 6 acres at Northwest Business Park achieved a reported price of €220,000 per acre, while a 4 acre site in Greenogue Business Park achieved over €300,000 per acre.

A site 4.4 acres in Huntstown just off the M2/M50 junction was sold to energy company Viridian where it plans to build out the existing planning permission for an anaerobic digester plant for the generation of 2MW of power.

In addition, a substantial 10 acre site was sold in the Kingswood Business Park in Tallaght just off the M7 Kingswood interchange.

- Activity levels will remain robust in 2018. The changes to the capital gains tax (CGT) waiver means assets bought since mid-2012, 2013 and 2014 can now be traded without a CGT liability. This will present opportunities for investors wishing to buy and sell in 2018.
- Activity will also be boosted by the number of large requirements in the market and some of these deals will be agreed as design-and-build projects.
- As demand for pre-letting, pre-sale and speculative development continues to grow, planning applications for industrial buildings will increase.
- Rental and capital values will increase further over 2018. This should be evident across all types of quality, size and location of stock and in particular secondary rents in good locations.



Industrial Land



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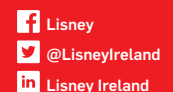
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