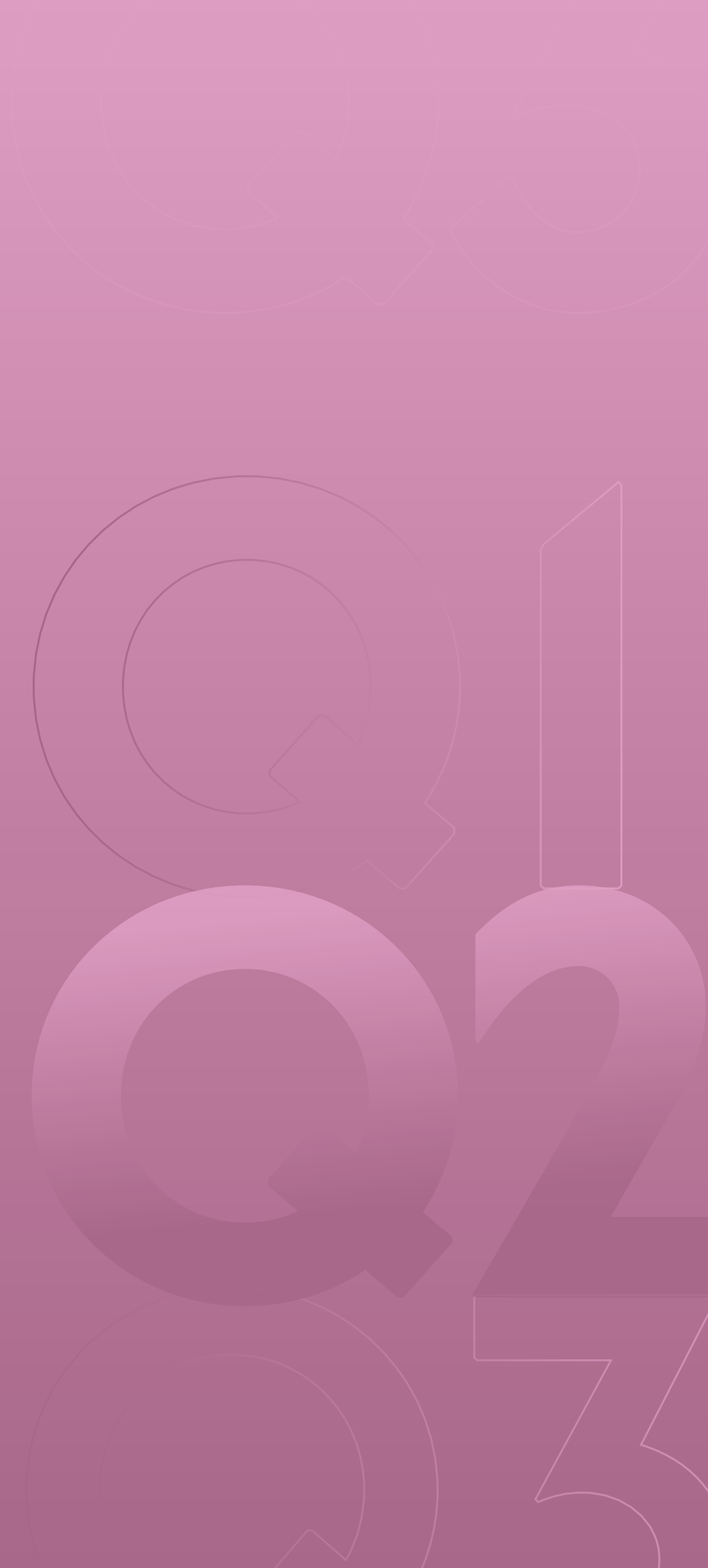




**DUBLIN
INDUSTRIAL
REPORT**

Q2 2020



INDUSTRIAL IN NUMBERS

ACTIVITY

44,650

SQM

REASONABLY GOOD
LEVEL OF ACTIVITY
IN Q2

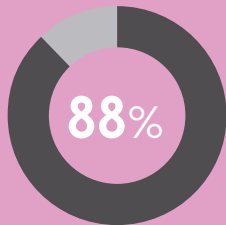
LARGEST DEAL

13,000

SQM

PARKWEST
BUSINESS PARK

DEAL TYPE



LETTINGS
ACCOUNTED FOR
88% OF ALL DEALS

CONSTRUCTION

71,000

SQM

UNDER
CONSTRUCTION
IN Q2



OVERVIEW

Take-up in the Dublin industrial market totalled 44,650 sqm in Q2. Supply remained at a low level, less than 295,000 sqm with limited options available for quality second-hand stock. No new buildings finished construction in Q2 but 71,000 sqm remains ongoing.

ACTIVITY

In the context of COVID-19 crisis and closure of much of the economy, industrial take-up in Dublin was good in Q2, at 44,640 sqm. Although a significant reduction on Q2 2019 (-48%) and indeed on Q1 2020 (-49%), it was an active three months with 23 deals closing. The average lot size in the quarter was 1,940 sqm, 29% smaller than Q1 and is also skewed by three larger deals; the median lot size was just 650 sqm. In addition, and not included in the figures, there were also several high profile lease renewals.

The majority of activity in Q2 was in the southwest region (63% of all space transacted) with the northwest region at 21% and the north region at 16%. There were no deals in the south region.

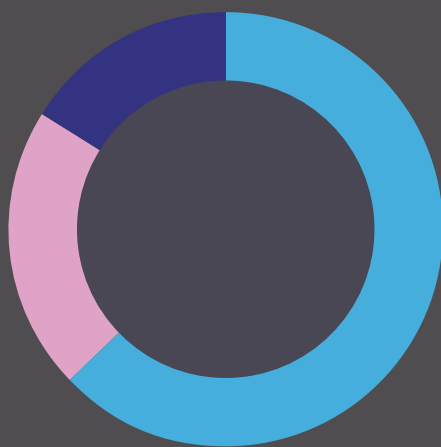
As with recent quarters, lettings continued to dominate activity, comprising eight of the top ten deals. Lettings made up 88% of all space transacted in Q2, which was similar to the previous quarter where the proportion was 90%. The split between lettings and sales in the Dublin industrial market has traditionally evolved with movements in values. When capital values are low, more occupiers are inclined to purchase buildings for their own use (or in 2014 due to the capital gains tax holiday). However, as values increase, occupiers often judge that the larger amounts of capital tied up in owning a building could be put to better use and decide that renting is the better option. Lettings have dominated the market in the past four years and have been very strong to date in 2020.

ACTIVITY (CONTINUED)

The largest deal in Q2 was a letting in the southwest region where Silent Aire (manufacturers of heating, ventilation and air conditioning equipment) took 13,000 sqm in Park West Industrial Park. This was followed by lettings in Kilcarberry Business Park (southwest region, 7,900 sqm) and in Northwest Business Park (northwest region, 6,530 sqm), where the latter was taken by GLS Logistics on a short-term basis. The largest sale was also in Northwest Business Park, where Unit 509 (1,510 sqm) on an enlarged site was sold.

In terms of size profile, just two deals were of a larger lot size, in excess of 7,000 sqm, but these accounted for 47% of all space transacted. There were a further two mid-sized deals, between 2,000 and 7,000 sqm, but they comprised 22% of all accommodation. At the smaller end (less than 2,000 sqm) there were 19 deals done but these only comprised 31% of all space. Sales were more dominant at the smaller end with seven of the 13 transactions of less than 1,000 sqm comprising sales.

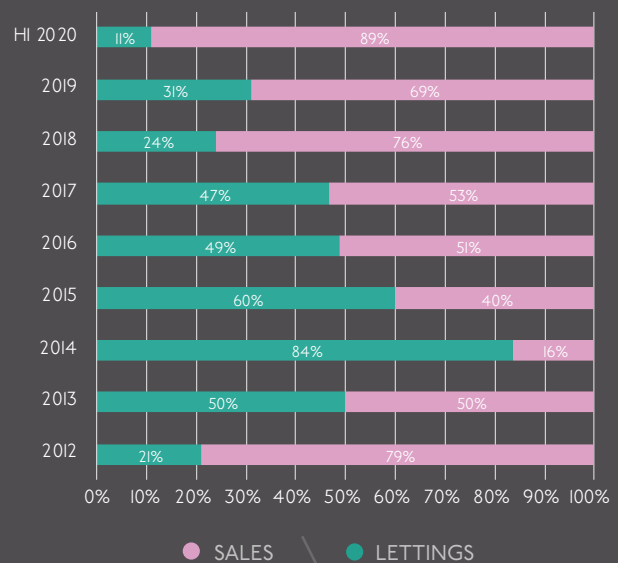
TAKE-UP BY REGION
Q2 2020



● NORTH-WEST ● NORTH
● SOUTH ● SOUTH-WEST

Source: Lisney

SALES V LETTINGS
2012 - H1 2020



Source: Lisney

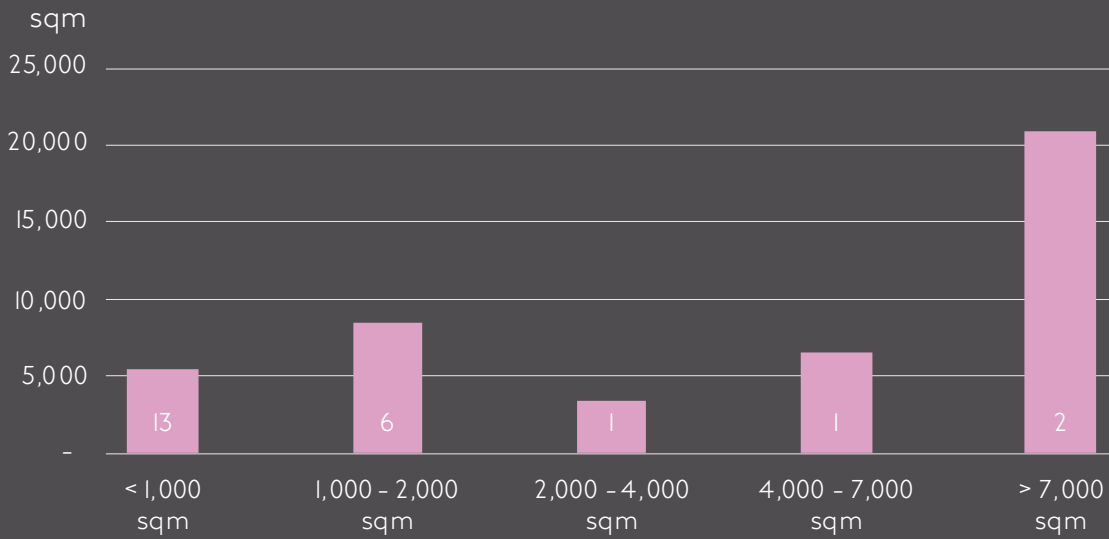
SUPPLY

Supply remained at a historically low level at the end of June 2020, at less than 295,000 sqm. This is even lower than that experienced in 2006 / 2007 in the last property market cycle. 295,000 sqm implied a vacancy rate of approximately 4.5% across Dublin but with the regions at varying levels. The southwest and northwest regions accounted for most of the available stock, a combined 79%. The north region had 20% of supply with the south region at just 0.8%.

While supply is constrained generally, the number of smaller units (less than 1,000 sqm) available was high (half of all units on the market). Choice was much more limited for larger-sized units with just four premises on the market greater than 7,000 sqm including just one that would satisfy an occupier requirement of 10,000 sqm.

The lack of supply of quality second-hand stock remains the key issue in the market. In recent months this has been highlighted further by the pandemic and the considerable demand for short-term space (12 to 24 months) as occupiers decide the best way forward for their business. Encouragingly, many design-and-build projects are moving ahead due to the continued demand for larger logistics space, which is positive for the market, although it will not add to supply levels generally.

TAKE-UP BY SIZE PROFILE & NUMBER OF TRANSACTIONS Q2 2020



Source: Lisney

CONSTRUCTION

Given the closure of building sites for seven weeks between the end of March and mid-May due to COVID-19, no new industrial buildings completed construction in Q2 2020. At the end of June, there was about 71,000 sqm of new industrial accommodation under construction in Dublin with 60% of this is in the southwest region.

Building works are ongoing in the southwest region on two large units in Greenogue Business Park (combined 42,300 sqm), which are being forward funded by KKR and Palm Capital and developed in conjunction with Irish partner Jordanstown Properties. Both buildings will have large yard areas, clean internal height of 12.5m, and will have LEED certification.

In the northwest region, Park Developments is currently constructing five units (17,000 sqm combined) at Northwest Business Park, Ballycoolin, Dublin 15.

In the north region, construction continues on a unit in Vantage Business Park by Erigo Developments (4,250 sqm). In addition, Unit D2 Horizon Logistics Park is currently undergoing an extension, expanding by 7,430 sqm.

There is an additional 75,000 sqm of space in the pipeline (in the north, northwest and southwest regions) where planning permission has been granted but no construction has commenced.



UNIT I NORTHERN CROSS,
FINGLAS, DUBLIN II

OUTLOOK

- 1 Activity levels will be down in 2020, however much of this will be as a result of a lack of suitable supply and not necessarily due to COVID-19.
- 2 Requirements for short-term space, for a period of up to two years, will continue as occupiers will see value in the flexibility it offers before committing to a premises for a longer-term.
- 3 For larger buildings, design-and-build discussion between developers and occupiers will continue but with many decisions unlikely to be reached until 2021 as occupiers benefit from short-term space. The majority of design-and-build will be on a rental basis.
- 4 In preparation for 2021, well advised developers will seek to secure planning permission for units and complete as much site preparation works as possible.
- 4 Owner-occupiers will become more active for buildings smaller than 1,000 sqm.
- 4 Brexit related issues remain and it seems to be moving towards a 'no trade deal' situation. While this may evolve further in the coming months, preparation will still be ongoing by industrial occupiers.

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