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INDUSTRIAL

PROPERTY REPORT

Lisney

Q3

2019

Industrial in numbers

TAKE-UP

43,800sqm

A lower level of activity in Q3

CONSTRUCTION

65,000sqm

65,000 sqm under construction at the end of September

LARGEST DEAL

8,000sqm

The largest deal was the letting of Unit 407 in Northwest Business Park

DEAL TYPE

68%

Lettings accounted for over two-thirds of activity

13 Whitestown Drive , Tallaght Business Park, Dublin 24

> "Take-up totalled 43,800 sqm"

OVERVIEW

Take-up in the Dublin industrial market totalled 43,800 sqm in the third quarter of the year. This was a significant reduction on the Q2 quarterly take-up level, due to a lack of supply as well as wider market uncertainty. Supply levels remain largest in the southwest region where the stock of industrial buildings is greatest. Demand for industrial land also remained strong, particularly for serviced sites suitable for immediate development.

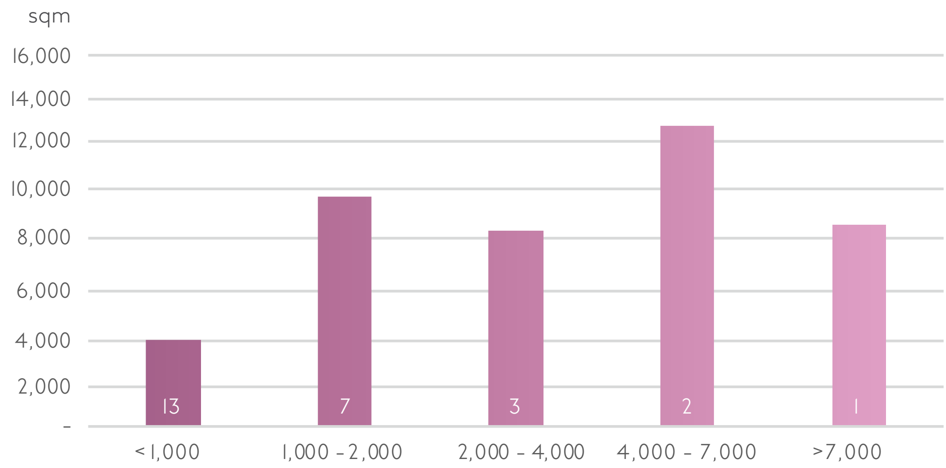
ACTIVITY

Industrial take-up totalled 43,800 sqm in Q3, which was 52% lower than Q2. However, this follows 12 months of very strong activity and on a 12-month rolling basis meant activity was at 324,800 sqm. In Q3 there were 26 transactions, which were spread throughout the size brackets. The average lot size was 1,790 sqm in the quarter. Lettings dominated activity in Q2, accounting for over two-thirds of the total.

The largest deal was the letting of Unit 407 in Northwest Business Park, 8,600 sqm to Joule, a heating and water solutions company on a 10-year lease. Also, in Northwest Business Park, Unit 200 (6,550 sqm) was let to McQuaid O'Flanagan Warehousing & Transport on a five-year lease. In terms of sales, the former Molloy & Sherry facility in Santry Hall Industrial Estate (6,500 sqm) was the largest in the quarter.

There are several large short-term requirements currently in the market and there is a good level of demand to purchase industrial buildings up to €1m. In Q3, transactions of less than 1,000 sqm made up almost 50% of all deals (13) but accounted for 9% of the total volume of space. Activity in the mid-sized market was strong with 10 deals ranging from 1,000 sqm to 4,000 sqm. Mid-sized deals accounted for 41% of the total volume of space. Deals for larger buildings (over 4,000 sqm) were active accounting for 12% of the total number of deals and 50% of the total volume of space.

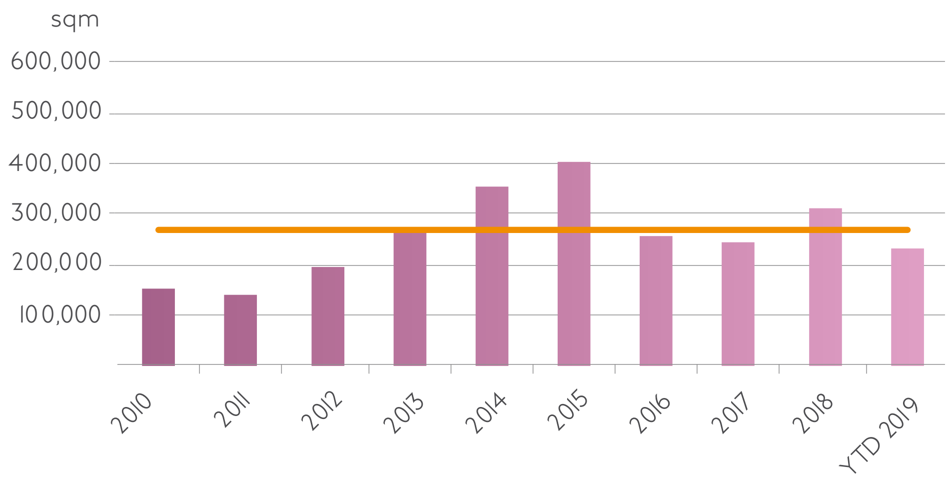
TAKE-UP BY SIZE & NUMBER OF TRANSACTIONS
Q3 2019



Source: Lisney

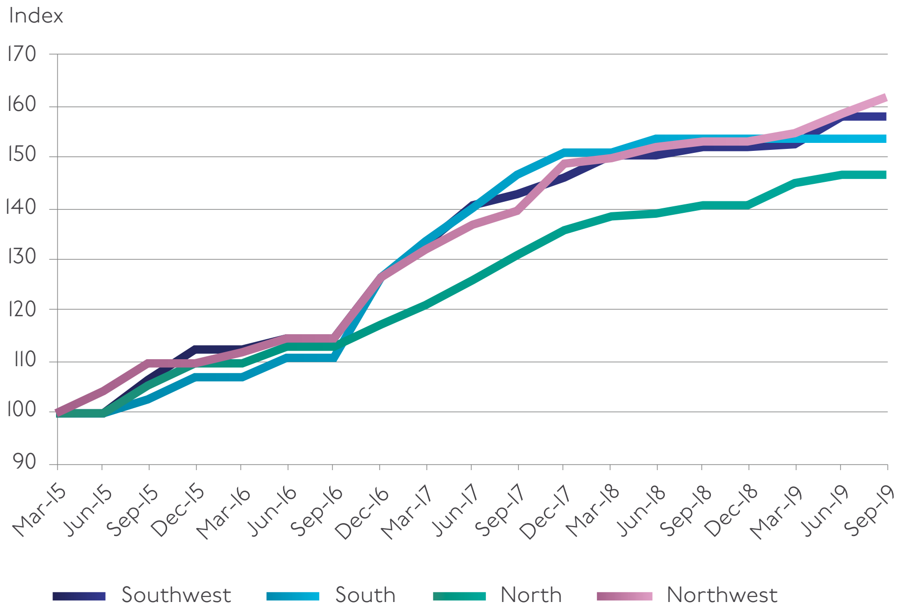
It is worth noting that even though Q3 was a less busy period in the Dublin industrial market, the cumulative take-up for the first nine months of 2019 was an impressive 233,500 sqm. An analysis of annual take-up levels over the last 20 years reveals the long-term average take-up level is 266,200 sqm. This is just 12% higher than the take-up level for the first nine months of the year. As such, it is very likely that the long-term average level will be exceeded again in 2019.

LONG-TERM ANNUAL TAKE-UP
2010 - 2019



Source: Lisney

INDUSTRIAL RENTS BY REGION Q3 2019



Source: Lisney

DUBLIN INDUSTRIAL RENTS

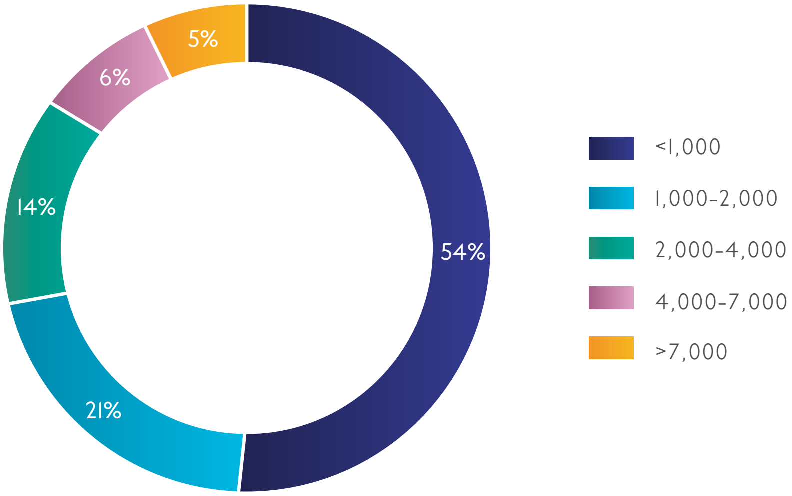
There was marginal growth in the Lisney Industrial Rental Index in Q3, increasing by 0.5% in the three months and by 4.2% in the first nine months of the year. In annual terms, the rental index increased by 4.2% to the end of September. In terms of regional variations in the industrial index, the northwest region was the only region that recorded growth in the quarter.

SUPPLY

Supply levels were 11.2% higher on a quarterly basis, due to a lower level of activity and an increase of second-hand stock coming on-stream. However, supply levels were 12% lower on an annual basis. Consequently, the vacancy rate stood at 7.0% at the end of September, up from 6.3% in Q2. Supply levels remained largest in the southwest region where the stock of industrial buildings is the greatest, accounting for 46% of the total available space. Supply in the northwest and north region accounted for at 28% and 24% respectively. The available supply in the south was just 2%.

At the end of September, the supply of smaller units was healthy with available space under 1,000 sqm accounting for over half of all units available. Choice was more limited for larger-sized units with 13 buildings available over 7,000 sqm, nine of which were in the southwest region. While no units of this size were in the south or north regions, the northwest region had three units above 7,000 sqm available.

AVAILABILITY BY SIZE
Q3 2019



Source: Lisney

> "Over 65,000 sqm of new space was under construction in Dublin"

CONSTRUCTION

At the end of September 2019, over 65,000 sqm of new industrial space was under construction in Dublin. 40% of the accommodation was in the north region, 34% in the southwest region and 26% in the northwest region.

In the north, Rohan Holdings is progressing with its delivery of two new units, measuring a combined 9,000 sqm. Construction is underway in Vantage Business Park (just off the M50 at St Margaret's) by Erigo Developments. This comprises 9,750 sqm across two buildings at the N2/M50 interchange at Coldwinters. One of the units (5,500 sqm) has been sold to Irish packaging company NPP for a reported price of €1,614 psm (€150 psf). In addition, Unit D2 Horizon Logistics Park is currently undergoing an extension, expanding by 5,400 sqm.

In the southwest region, Mountpark is nearing completion of two units at Baldonnell Business Park (approximately 22,250 sqm), both of which are pre-let, to Home Store + More and United Drug. In the southwest, Park Developments is currently constructing five units (17,000 sqm combined) at Northwest Business Park, Ballycoolin, Dublin 15. Notably, additional space will become available in others location such as M1 Business Park, Balbriggan and Naas Enterprise Park due to the excellent road infrastructure.

With commercial property build cost inflation currently running at 7% per annum in Dublin, rents for the newly built units are expected to range from €97 - €118 psm (€9 - €11 psf) depending on size. The cost of construction continues to rise and adds to the increasing economic price which must be secured for any new design and build industrial premises delivered; either on a for sale or to let basis. Furthermore, there are additional energy related criteria that must now be delivered to achieve 'Nearly Zero Energy Building' (NZEB) ratings in these new buildings.

LAND

Demand for industrial zoned land remains positive with some large sites in north Dublin changing hands off-market. Fingal County Council is believed to be in the process of selling some or all its lands at the Cherryhound Roundabout on the M2.

The recent purchase of approximately 32 acres at Kilshane by IPUT will see a new park being developed adjacent to the Rohan developed Dublin Airport Logistics Park. About 27 acres at Huntstown has been placed on the market with a guide price of €5.25m. It is zoned for heavy industry and is for sale by tender.

Large land banks sale agreed include 67 acres at Abbottstown Business Park, Cappagh Road (guiding €11.9m); and approximately 10 acres at the Naas Road/ Citywest junction (guiding €5m).

OUTLOOK

- The lack of larger sized industrial units (greater than 7,000 sqm) will lead to design-and-build being the only option open to occupier's requiring units of this size.
- The cost of construction continues to rise and the 'Nearly Zero Energy Building' (NZEB) requirements will impact all new buildings occupied after 31st December 2020. This will lead to a greater volume of leasing than purchasing design-and-builds due to its cost.
- Many occupiers are still examining what Brexit may mean for them and have already invested significant time and money to get Brexit-ready. As such, businesses will continue to consider all options available to them.

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