

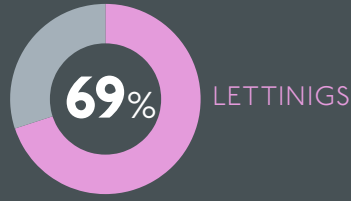
**DUBLIN
INDUSTRIAL
REPORT**

Q4 2022



ACTIVITY

51,000 SQM
28 DEALS



LARGEST DEAL

8,060 SQM
MALAHIDE ROAD INDUSTRIAL ESTATE, COOLOCK, DUBLIN 17
PURCHASED BY M7 REAL ESTATE

AVERAGE LOT SIZE

1,820 SQM

PRIME HEADLINE RENT

€129 psm
€12.00 psf

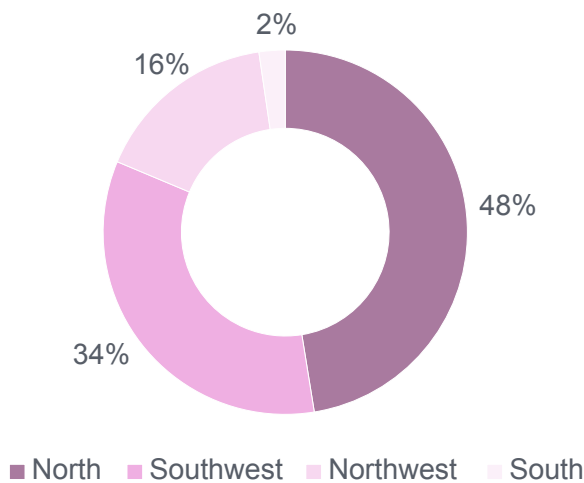
VACANCY RATE



OVERVIEW

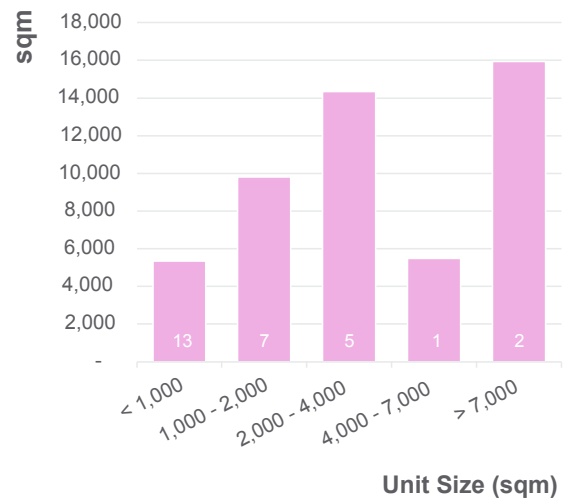
Despite the adjustments in the global economy, including rising interest rates and reduced growth forecasts, the Dublin industrial market remained active in Q4 with take-up reaching 51,000 sqm. Supply remained at record lows with the vacancy rate standing at approximately 1.9% at the end of December 2022. Occupier demand was strong, much of which continued to stem from 3PL and large retailers as well as from the pharma sector. On-site construction activity decreased slightly in the quarter but the pipeline of developments with planning permission but not yet under construction and in pre-planning stage remained the same. Most accommodation under construction already has deals agreed with occupiers and any that do not will likely be agreed prior to PC.

TAKE-UP BY REGION
Q4 2022



Source: Lisney

TAKE-UP BY DEAL SIZE
Q4 2022



ACTIVITY

Take-up in Q4 2022 reached 51,000 sqm across 28 transactions and brought the total take-up for 2022 to 365,500 sqm. While Q4 accounted for only 14% of the annual activity, the 2022 take-up was the fifth largest on record, significantly above the long-term annual average (273,100 sqm). The average lot size in Q4 was 1,800 sqm, much lower than the average size in Q3 (5,200 sqm), and also below the 2022 average size of 3,130 sqm. Although less dominating than in previous quarters, lettings nonetheless accounted for 69% of all space transacted and 79% of the number of deals.

The top ten deals combined made up 78% of the total activity, with an average deal size of 3,960 sqm. Seven of these were lettings. Each of the top three deals were larger than 5,000 sqm. M7's acquisition of the former Bunzl building (8,060 sqm) in Malahide Road Industrial Estate was the largest transaction in the three months. Units A, C, D and E in JFK Industrial Estate (2,540 sqm) and Unit 10 Rosemount Park Drive in Rosemount Business Park (1,960 sqm) were the other two sales in the top ten deals.

The second largest transaction was a letting of 7,900 at Unit 1 Brownsbarn on Naas Road, Dublin 22. Other notable lettings included Cube Logistics short-term subletting of 5,500 sqm at Osprey House in Dublin Airport Logistics Park; 3,800 sqm at Unit 628 Northwest Logistics Park in Ballycoolin, Dublin 15; and a 20-year lease to IPS at Unit 2 in Swords Business Park (2,600 sqm).

While typically the southwest is the busiest region, most activity occurred in the north region in Q4, with 48% of the total take-up occurring there. This was followed by the southwest region at 34% of the take-up, the north region at 16% and the south region at 2%. Four out of top ten deals were in the north region and combined accounted for 38% of the overall activity and 79% of the region's activity.

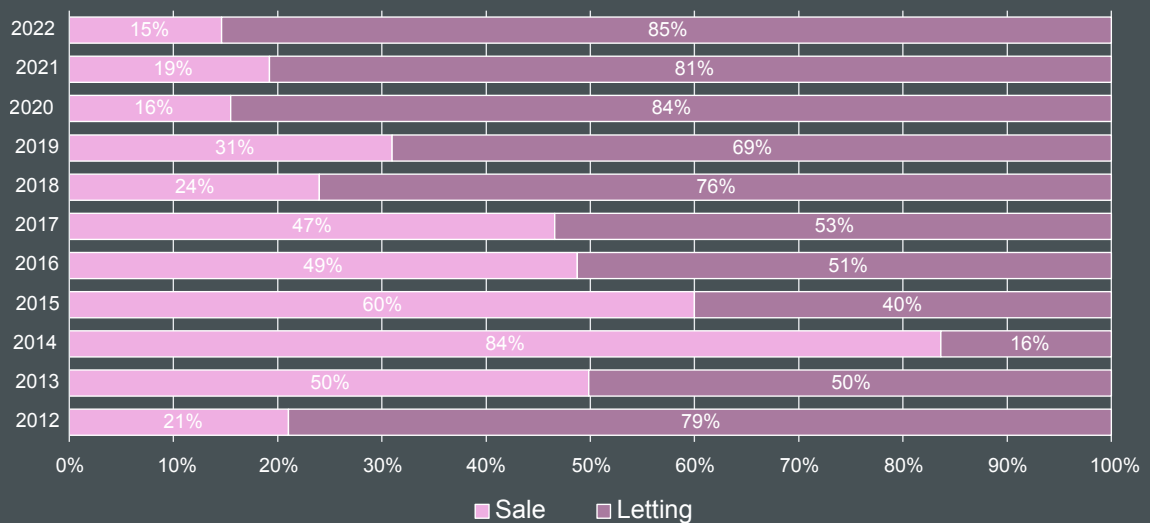
In terms of the lot size, the largest number of transactions (13) related to individual units of less than 1,000 sqm, of which nine were smaller than 500 sqm. The mid-size market was less active with seven deals in the 1,000 to 2,000 sqm bracket and five deals completed in the 2,000 to 4,000 sqm bracket. Only three deals were completed in excess of 4,000 sqm each.



UNIT A5A NORTH CITY BUSINESS PARK
(LEASED IN Q4 2022) A ROHAN HOLDINGS DEVELOPMENT

TAKE-UP BY DEAL TYPE

(2012 – 2022)



Source: Lisney

TOP 10 TRANSACTIONS

PREMISES	SQM	REGION	DEAL TYPE
Malahide Road Industrial Estate, Dublin 17	8,060	North	Sale
Unit I, Brownsbarn, Naas Road, Dublin 22	7,890	Southwest	Letting
Osprey House, Dublin Airport Logistics Park, Swords, Co Dublin	5,480	North	Letting
Unit 628 Northwest Logistics Park, Ballycoolin, Dublin 15	3,810	Northwest	Letting
Americold Building, Food Central, St. Margaret's, Co Dublin	3,030	North	Letting
Unit 2 Swords Business Park, Swords, Co Dublin	2,610	North	Letting
Units A,C,D and E, JFK Industrial Estate, Dublin 12	2,540	Southwest	Sale
A5A North City Business Park, Dublin 11	2,360	Northwest	Letting
Unit 10 Rosemount Park Drive, Dublin 11	1,960	Northwest	Sale
Unit 2b South West Business Park, Cheeverstown, Dublin 24	1,860	Southwest	Letting

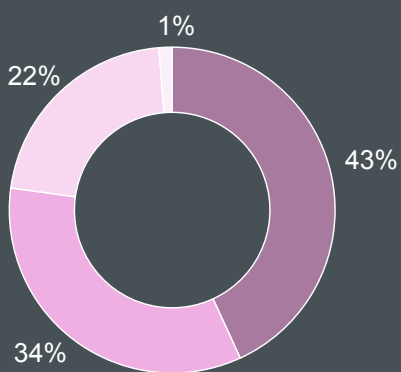
Source: Lisney

SUPPLY

Supply fell further in the quarter to stand at 152,000 sqm at the end of December, the lowest level since Lisney's records began. This represents a vacancy rate of approximately 1.9%. Since the highs reached in mid-2013, supply has fallen by 89% and since the onset of the pandemic by 59%.

While there were variations across the regions in terms of the vacancy rates, all locations had a vacancy rate below 3% with the south being the lowest given the smaller levels of stock in the region, sub 1%. As has been the case for the last few years, the number of smaller units (less than 1,000 sqm) available to let is healthier, accounting for approximately 78% of all units on the market. Options remain much more limited for larger-sized units with only three premises available that are more than 10,000 sqm in size, making up 37% of all supply.

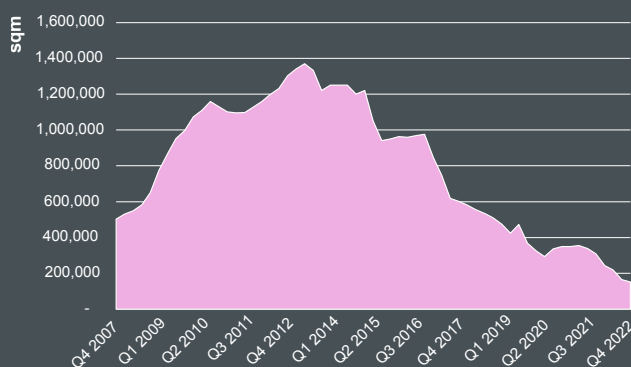
INDUSTRIAL SUPPLY BY REGION
Q4 2022



- Southwest
- Northwest
- North
- South

Source: Lisney

DUBLIN INDUSTRIAL SUPPLY
Q4 2007 - Q4 2022



A6B NORTH CITY BUSINESS PARK,
FINGLAS, DUBLIN II



UNIT 2 SWORDS BUSINESS PARK
(LET TO IPS IN Q4 2022).

DEMAND

There are numerous high-profile occupiers currently seeking space or negotiating deals in. At the end of December 2022, combined requirements exceeded 460,000 sqm across Dublin. This is equivalent to between 15 and 18 months take-up and includes An Post's requirement for its new facility of 46,500 sqm. In reality, this combined demand figure is likely to be larger as some deals are being completed off-market.

TERMS

It remained a landlord market in Q4 with rents continuing to rise. As a result, it is possible that some of the occupier sectors could be reaching the ceiling in terms of what they can pay. For large new build units, most landlords are currently securing 20-year leases with break options pushed out to years 10 or 12, rent-free periods of 3 or 4 months and headline rents at €118 - €129 psm (€11.00 - €12.00 psf).

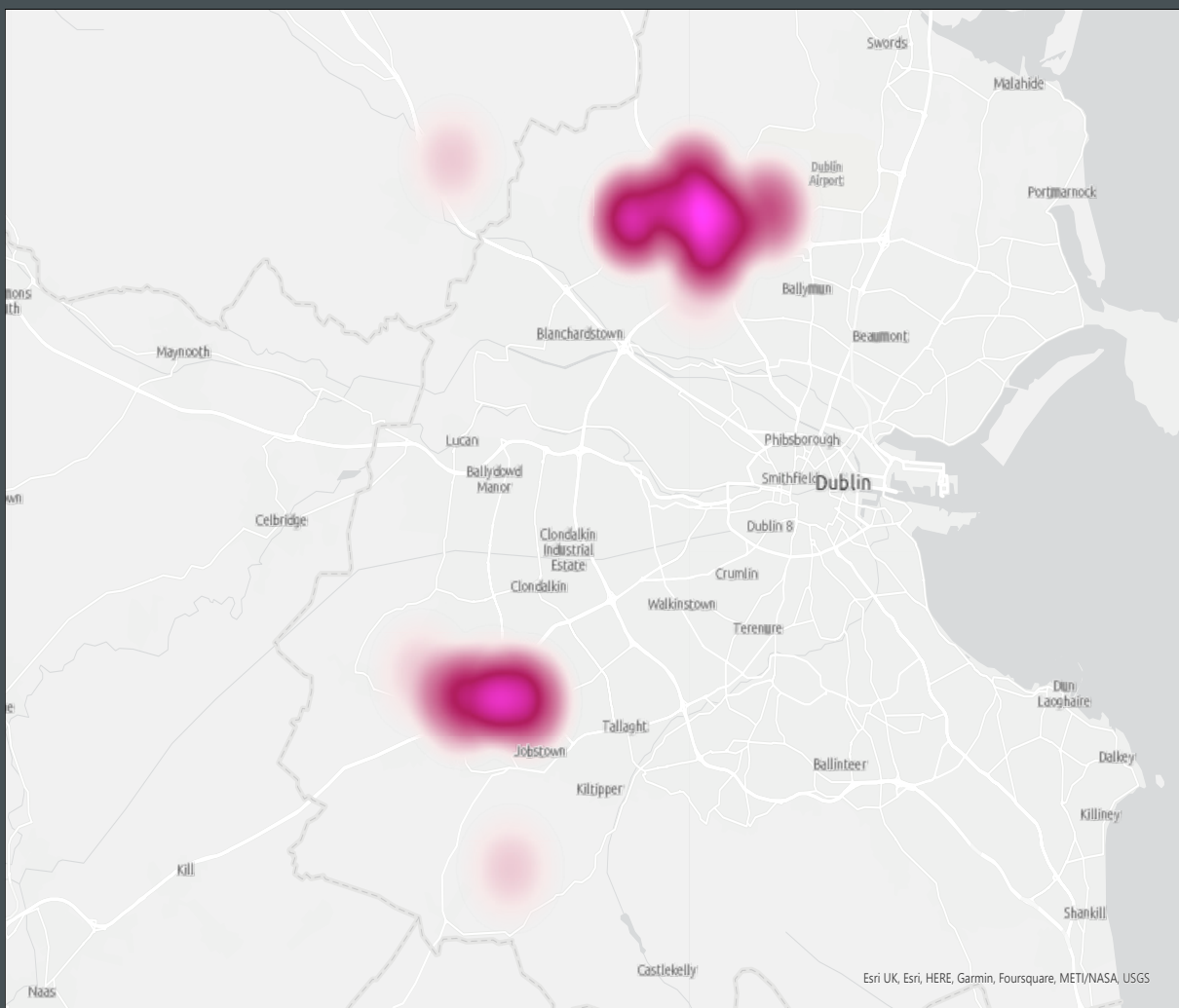
Lisney's index of industrial property rents in Dublin grew by 6.1% over the 12 months to the end of December 2022 and by 34.6% in the last five years. This pace of growth is significantly greater than any other commercial sector, but it is still playing catch-up on growth achieved earlier in the market cycle in sectors such as offices.

NEW STOCK

At the end of December 2022, there was approximately 205,400 sqm of accommodation under construction, a decrease of 12,500 sqm (5.7%) compared to three months previous. 45% of this was in the northwest region with the remainder in the southwest and north regions (each 27%). The average building size was 7,100 sqm with eaves height across all ranging between 12m and 14m. 58% of accommodation is already earmarked for occupation; either as design-and-builds or taken mid-construction. As construction costs rise and yields soften, development activity is beginning to shift toward design-and-build rather than spec buildings. In many cases, developers are seeking an AFL signed before committing to any construction.

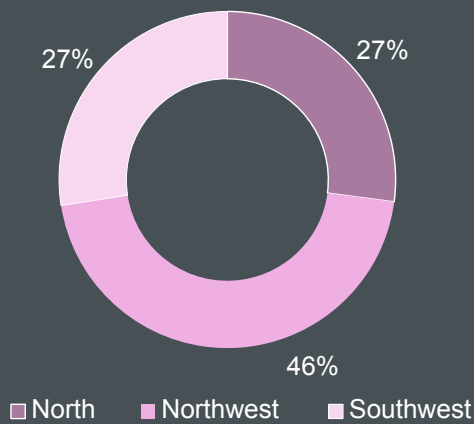
New building completions were limited in Q4 2022. Block D (12,400 sqm) in Baldonnell Business Park, Dublin 22, was finished by Mountpark, however construction works on the other two buildings in the park continued – Unit G (8,700) and Unit F (6,500), both of which are available to let. The largest building under construction at the end of Q4 was 637 Northwest Logistics Park in Ballycoolin, Dublin 15 (11,100 sqm), which is being developed by Park Developments and is sale agreed to Irish Life. The construction of the four buildings in Quantum Logistics Park (which is adjacent to Dublin Airport) also continued at the end of December. All of these buildings are spoken for and on completion will comprise a combined 51,400 sqm. Erigo continued works on Phase II of Vantage Business Park (close to the M2/M50 junction), where four buildings with a combined floor area of 34,700 sqm will be built.

UNDER CONSTRUCTION (DECEMBER 2022)

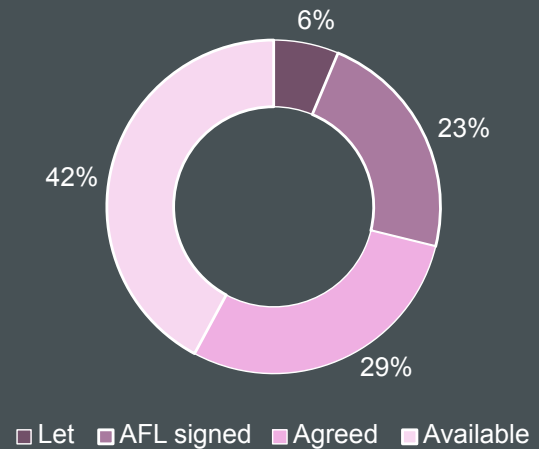


Source: Lisney

ACCOMMODATION UNDER CONSTRUCTION BY REGION (Q4 2022)



ACCOMMODATION UNDER CONSTRUCTION BY STATUS (Q4 2022)



Source: Lisney

OUTLOOK

- 1 Occupier demand will remain strong in 2023. However, if some of the active requirements are put on hold there will be a negative impact on take-up levels in 2023.
- 2 Many of the larger requirements will need to be accommodated by design-and-build agreements, some of which may be across two buildings to offset future reletting risk. Despite the overall market shortages, the commencement of speculative new buildings will be slower because of higher construction costs but also yield softening in the investment sector and the cost of finance. It will be important for developers to have planning grants in place and be ready to move on-site quickly when required. Occupiers with smaller requirements may need to settle for accommodation that is not a perfect fit either in terms of specification or location, or both.
- 3 The pace of rental growth in 2023 will be slower. Landlords will remain bullish on lease terms with any new buildings achieving 25-year leases with break options at year 12 or 15. Given the rise in interest rates, owner-occupiers seeking to buy vacant premises will be more limited, but capital values will still push forward due to a lack of availability.
- 4 Construction of smaller / trade counter type units will recommence in 2023 as no such stock has been developed in over 15 years. Rental levels for such units will also continue to increase at perhaps a more accelerated growth to justify any construction.
- 5 ESG has come more into focus in the logistics space for larger landlords and occupiers, a trend that will strengthen in 2023. Given the large carbon footprint of the operations of logistics companies, many are seeking to reduce the embodied carbon in their warehouses. For example, timber-frame (glue-laminated timber) warehouses are being considered instead of steel frames. Green clauses are also becoming more common in leases as investors seek to make good on their ESG promises and meet the EU Taxonomy Regulations.



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