Lisney
COMMERCIAL REAL ESTATE

INDUSTRIAL REPORT

Q3 2024

Q3 2024

Despite robust levels of demand, activity in the industrial market remained slow in Q3, continuing the trend experienced earlier in the year. This was particularly the case for mid to larger warehouses (greater than 3,000 sqm). Supply shortages persisted, however construction activity increased slightly with developers predominantly focused on design-and-build projects.

35,600 sqm

Activity

23

No of Deals

9,270 sqm

Sale of Building 1, Damastown Industrial Park

Largest Letting

67%

Lettings

1,550sqm

Average Lot Size

1.7%

Vacancy Rate

62%

Southwest

Busiest Region

€140 psm

(€13.00 psf)

Prime Headline Rent

84,400 sqm

Under Construction

* Arrows represent quarterly trends unless otherwise stated.

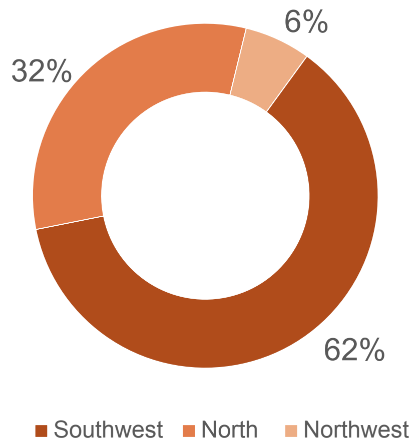
Activity

Activity in Dublin's industrial market in Q3 2024 remained relatively subdued, reaching 35,600 sqm across 23 deals

This followed on from 33,800 sqm of activity in Q2, bringing the total for the first nine months of the year to 112,150 sqm. Analysis based on a quarterly take-up of 35,600 sqm highlights the following:

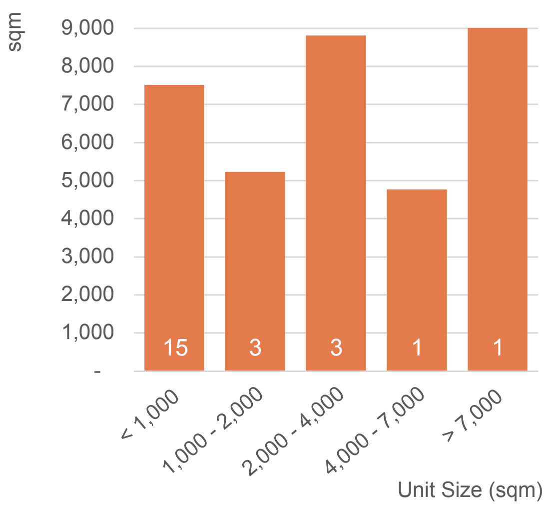
- The southwest region was the busiest, accounting for 62% of total Dublin take-up. This was followed by the north and northwest regions at 32% and 6% respectively. There was no activity in the south region.
- The average lot size was 1,550 sqm, smaller than 1,700 sqm in the previous quarter and also falling short of the 2,400 sqm average achieved in Q1 2024.
- The greatest number of transactions (15) related to units with floor areas of less than 1,000 sqm, of which eight were smaller than 500 sqm. The mid-size market was reasonably active in Q3 with three deals in the 1,000 to 2,000 sqm bracket and five deals each larger than 2,000 sqm.
- Lettings continued to dominate the market accounting for 67% of all space transacted. There were six sales, three of which made it into the top ten transactions.
- The top 10 deals combined made up 84% of the total activity, averaging 3,000 sqm. Seven of these were lettings. Eight of the top ten deals were more than 1,000 sqm with two deals in excess of 4,000 sqm. The largest deal accounted for 26% of the total quarter's activity.
- Six out of the top 10 deals were in the southwest region and combined accounted for 52% of the overall activity and 85% of the region's activity. Three deals in the top 10 were in the north region accounting for 29% of the total take-up and 92% of the region's activity. One deal in the top 10 was in the northwest region.

Take-Up by Region (Q3 2024)



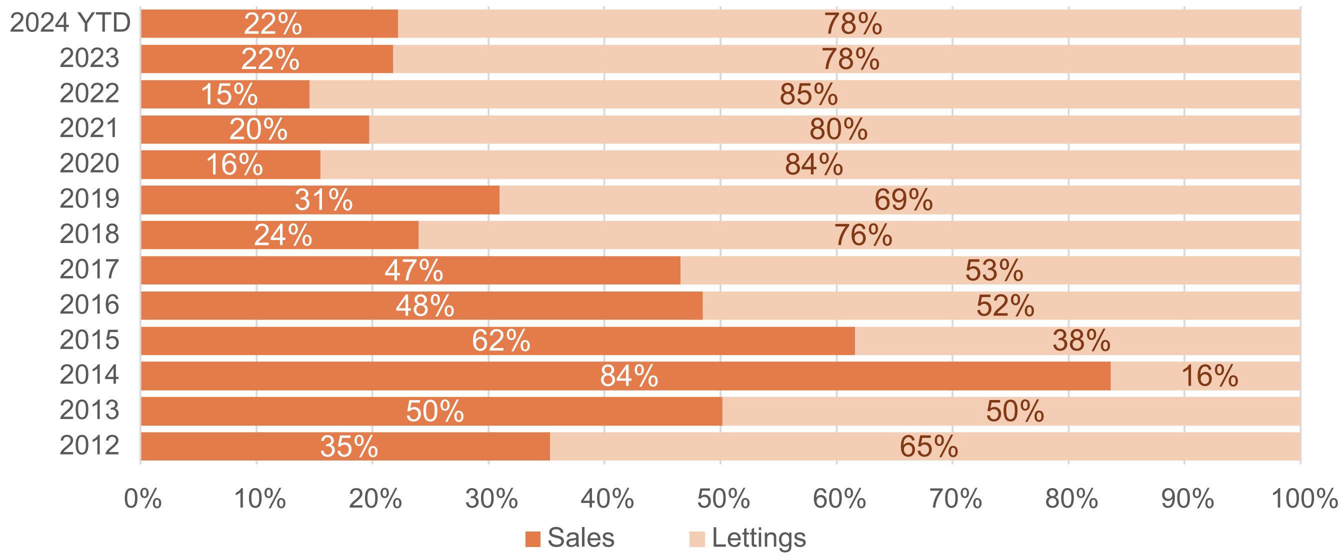
Source: Lisney

Take-Up by Deal Size (Q3 2024)



Source: Lisney

Annual Take-Up by Deal Type (2012 – 2024 YTD)



Source: Lisney

The largest deal of the quarter was the letting of Building One at M50 Logistics Hub in Western Industrial Estate (9,270 sqm) to JYSK, the Danish furniture retailer. Meanwhile Northern Ireland-based EOS IT Solutions purchased Estuary House (3,840sqm) in Swords Business Park, the former HQ building of Gamestop in Ireland for a reported price of €5.1m. This deal highlights the competition between owner-occupiers and investors for second-hand buildings, albeit all types of buyers are still trying to get comfortable with refurbishment dynamics. Another notable transaction in Q3 included the sale of the newly completed A4 in North City Business Park in Finglas (4,770 sqm), which was purchased by the Dublin Fire Brigade and will be used for the management and maintenance of its vehicle fleet.

Top 10 Transactions

PREMISES	SQM	REGION	DEAL TYPE
Building 1 M50 Logistics Hub, Western Business Park, Dublin 22	9,270	Southwest	Letting
A4 North City Business Park, Finglas, Dublin 11	4,770	North	Sale
Estuary House, Swords Business Park, Co Dublin	3,840	North	Sale
M50 Business Park, Ballymount, Dublin 12	2,590	Southwest	Letting
9A Park West Industrial Park, Nangor Road, Dublin 12	2,380	Southwest	Letting
D Aerodrome Business Park, Dublin 24	1,970	Southwest	Letting
81A Baldoyle Industrial Estate, Dublin 13	1,810	North	Sale
Units 2&9 Cookstown Industrial Estate, Dublin 24	1,450	Southwest	Letting
Unit 2A Avonbeg Industrial Estate, Long Mile Road, Dublin 12	980	Southwest	Letting
Unit 253 Blanchardstown Corporate Park, Dublin 15	760	Northwest	Letting

Source: Lisney

Supply

At the end of September 2024, Dublin industrial supply stood at 140,500 sqm, a decrease of 23% in three months from 181,500 sqm. Supply continues to remain unsustainably low with the vacancy rate at 1.7%. While there were variations across regions, by the end of Q3 all areas had a vacancy rate of 2.2% or below. The southwest region had the lowest vacancy rate at 1.4%.

AVAILABLE	140,500 sqm
LARGEST SUPPLY	45% Southwest Region
LARGE UNITS (>10,000 SQM)	Only 2 available
SMALL UNITS (<1,000 SQM)	≈ 85
VACANCY RATE	≈ 1.7%

Options remained very limited for occupiers requiring larger-sized units with only two properties available that are more than 10,000 sqm in size, making up 15% of all supply in Dublin. As has been the case for the last few years, smaller units (less than 1,000 sqm) make up the bulk of supply, accounting for approximately 72% of all units available for occupation. However, most are dated in terms of specification.

Given robust demand and low supply, UK developer Chancerygate (which entered the Irish market in 2022) will be on-site in early 2025 to build out its Airport Trade Park scheme on the Old Swords Road, with 13 separate units ranging from 330 sqm to 2,100 sqm. This scheme will be the first multi-let, smaller unit scheme to be built since 2007 and is positive in terms of providing new, sustainable (LEED Gold), modern accommodation in the smaller size bracket.

DEMAND

While industrial market demand in Q3 2024 was healthy, it has softened when compared to two or three years ago. Many businesses are delaying relocation or expansion decisions and are weighing the benefits of upgrading to a more efficient building versus remaining at their existing premises and benefiting from a lower rent. High-profile occupiers continued to seek good quality, modern space, however, many of the active requirements are 3PL contract-led and therefore they will not commit to long-term deals. Most of these occupiers require lease terms of less than 5 years.

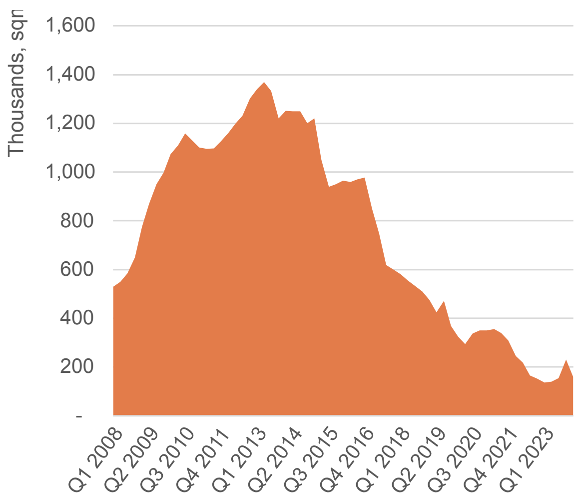
JYSK, the Danish retailer that has rapidly expanded in Ireland in recent years, has chosen the former DHL facility on Oak Road, Dublin 12 as its preferred distribution hub location. JYSK has advertised this as a 'dark store', a facility that is not open to customer visits but is intended primarily to service JYSK's existing retail network and the growing online sales. This further emphasises the continued focus on securing supply chains post-Brexit. With the disruption caused over the pandemic and the continuing war in Ukraine, many retailers want to have stock available locally if required.

TERMS

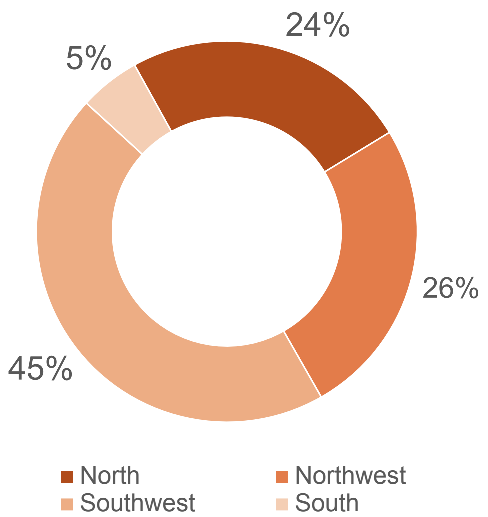
Industrial / logistics rents remained steady in Q3 with the prime headline rate at €140 psm (€13.00 psf). For large new build units, most landlords continue to secure 10 to 15-year leases with break options at years 5 or 10, rent-free periods of 3 or 4 months and headline rents at €134 - €140 psm (€12.50 - €13.00 psf). Rents for smaller enterprise units of sub 1,500 sqm have also remained stable with a number of deals being done in excess of €172 psm (€16.50 psf).

Lisney's index of industrial property rents in Dublin (prime and secondary buildings of varying sizes across the four regions) grew by 1.05% in 12 months to the end of September and no change in three months.

Dublin Industrial Supply (Q1 2008 – Q3 2024)



Industrial Supply by Region (Q3 2024)

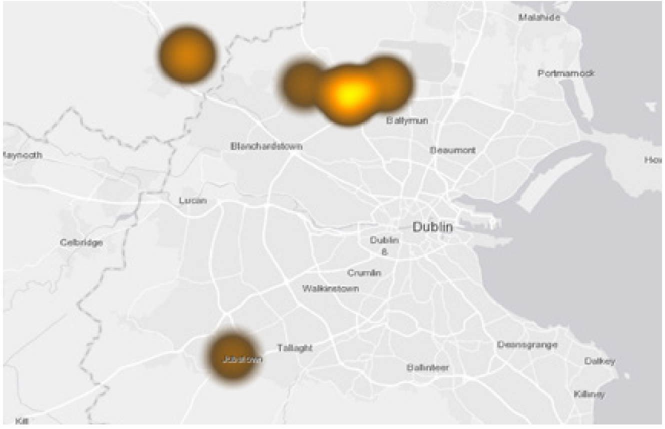


Source: Lisney

New Stock

In Q3, Rohan Holdings completed Unit A4 North City Business Park (4,770 sqm) which was purchased by the Dublin Fire Brigade. This brought the total completions for the year to the end of September to 14,600 sqm. Approximately 84,400 sqm of accommodation remained under construction at the end of September. 62% of this is in the northwest region, 21% in the adjoining north region and the remaining 16% in the southwest region

Under Construction Activity (End-September 2024)



Source: Lisney

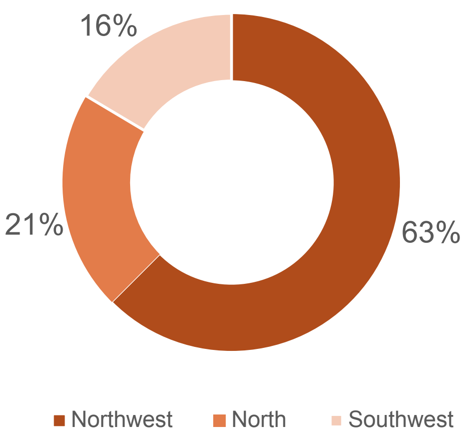
The average new building size is 8,400 sqm with eaves height at 12m across all but one building - Unit 735 Northwest Logistics Park in Ballycoolin, Dublin 15 will have an eaves height of 14.6m.

Most of the accommodation under construction is being speculatively built with just 4% it already taken, either as design-and-build or mid-construction. This is a significant reduction when compared to Q1 2023 when 48% of accommodation being built was spoken for. That said, with elevated building costs and softening yields, developers continue to focus on achieving an agreement for lease or purchase to be signed before committing to any construction.

At the end of September, the largest building under construction was 34 Magna Business Park (13,900 sqm) which commenced construction in Q3 and is being developed by Exeter. Construction continued of A03 Hub Logistics Park (12,700 sqm), which is being developed by Denis Coakley and is available to let. In Q3, Denis Coakley commenced construction of Unit A01 in the Hub Logistics Park, which on completion will extend to 6,800 sqm. Construction is ongoing on two units in Horizon Logistics Park, totalling a combined 11,000 sqm; only one of these is still available. Construction works also continued on Erigo's development of Phase II of Vantage Business Park (close to the M2/M50 junction), where four buildings with a combined floor area of 35,000 sqm will be built and all of which are available to let. Park Developments continued construction on 735 Northwest Logistics Park (5,300 sqm), which is also available to let and will benefit from a taller eaves height.

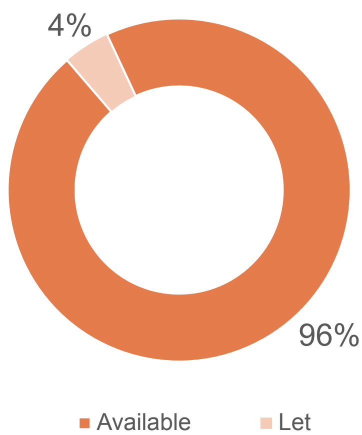
In terms of pipeline, approximately 250,000 sqm of industrial space had planning permission granted but had not yet started construction at the end of September 2024. 49% of this is in the north region with the remainder spread across the northwest (27%) and southwest (24%) regions. Additionally, Mountpark purchased 78 acres at Grange Castle Business Park in southwest Dublin with plans to develop a new scheme. These units will start at 6,500 sqm and will be available from Q1 2025 onwards.

Accommodation Under Construction by Region (Q3 2024)



Source: Lisney

Accommodation Under Construction by Status (Q3 2024)



Source: Lisney

In Focus:
Artificial Intelligence In Manufacturing, Logistics & Supply Chain

As part of an in-focus series, Lisney has been reviewing some of the trends in AI as it relates to manufacturing, logistics and supply chain, and how it is transforming these industries by enhancing efficiency, accuracy and decision-making capabilities. In Q2, we provided a brief overview of robotics in logistics, and this quarter, we are focusing on optimised logistics and transportation.

AI-driven route optimisation algorithms are enhancing delivery efficiency by calculating the most efficient paths for transportation, taking into account traffic conditions, weather, road closures, vehicle availability and other variables. Studies show that AI-based route optimisation can reduce delivery times by 15% to 30%, with some cases even exceeding these figures. Reports also indicate fuel savings of 10%-20%, which not only cuts operational costs but also contributes to lower carbon emissions.

Additionally, AI enhances supply chain visibility by providing real-time tracking and monitoring of shipments, allowing companies to respond quickly to disruptions such as delays, shortages, or changes in demand and improve overall supply chain resilience.

Beyond route optimisation, AI is also being integrated into warehouse management systems to streamline inventory tracking and automate order fulfilment. Autonomous vehicles and drones are being trialled in various regions including the United States, Germany, Japan, and Singapore. They offer new possibilities for last-mile delivery, which has traditionally been the most expensive and time-consuming part of logistics.

Looking ahead, AI's role in logistics and transportation will only grow. Autonomous vehicles, drones, and advanced robotics are expected to become more common, particularly in last-mile delivery solutions. AI's ability to integrate into entire supply chain ecosystems will enable predictive maintenance of transport vehicles, further reducing downtime and operational costs.

Demand will remain good for the rest of 2024, but it will be softer than in the last three and a half years and more in line with pre-pandemic times.

Outlook

Demand will remain good for the rest of 2024, but it will be softer than in the last three and a half years and more in line with pre-pandemic times. The lack of suitable supply may hold back transactions, and some occupiers will need to agree design-and-build deals with developers to get the quantity and specification of accommodation they require.

A number of buildings in north Dublin are due to reach practical completion in Q4 2024 and Q1 2025. Consequently, supply will increase slightly but will still remain very low in the overall market context.

Despite market shortages, the commencement of speculative new buildings will continue to be slow in the months ahead. This is due to the elevated cost of construction and finance, as well as softer investment yields. Consequently, it will be important for developers to have planning grants in place and be ready to move on-site quickly when required.

Throughout the remainder of 2024, owner-occupiers' interest in second-hand buildings will continue, particularly given the softening of yields for investors and inflated refurbishment costs.

Landlords will be focused on ESG factors relating to new and refurbished buildings, seeking LEED Gold and other certifications. This comes with an added cost, which will be passed on to the tenant. Given the large carbon footprint of the operations of logistics companies, some will be seeking to reduce the embodied carbon in their warehouses and may consider timberframe (glue laminated timber) premises instead of a steel frame. Green clauses are also becoming more common in leases as investors seek to make good on their ESG promises and meet EU and domestic policies, especially around finance.

In terms of existing older stock, landlords are actively seizing opportunities to improve the energy efficiency ratings of their buildings, particularly when they become vacant – a trend that will continue in the longer-term. The improvements typically include the installation of LED lighting systems, electric car charging stations and the integration of air source heat pumps. This not only contributes to reducing the environmental impact but also aligns with the growing demand for more sustainable resource-efficient industrial spaces.

Meet The Team

THE LISNEY INDUSTRIAL TEAM

James Kearney

Divisional Director

Cathal Daughton

Consultant

Sean Gormley

Surveyor

THE LISNEY RESEARCH TEAM

Aoife Brennan

Senior Director

Ausra Marcelyte

Senior Research Analyst

OUR OFFICES

DUBLIN

St. Stephen's Green House,
Earlsfort Terrace, Dublin 2,
D02 PH42

t: +353 (0) 1 638 2700

e: dublin@lisney.com

CORK

1 South Mall,
Cork, T12 CCN3

t: +353 (0) 21 427 5079

e: cork@lisney.com

BELFAST

Montgomery House,
29-33 Montgomery Street,
Belfast, BT1 4NX

t: +44 2890 501501

e: belfast@lisney.com

Lisney
Commercial Real Estate

PSRA: 001848

lisney.com

@LisneyIreland