Lisney
COMMERCIAL REAL ESTATE

Lisney
Sotheby's
INTERNATIONAL REALTY

# OUTLOOK 2025

6

# INDUSTRIAL & LOGISTICS

## 2025 will be another active year in the Dublin industrial and logistics market but supply constraints will persist.

- The industrial and logistics market will **remain active** in 2025, albeit with demand and activity levels more in line with longer-term trends. The heightened level of requirements that prevailed during the pandemic and as a result of Brexit, diminished in 2024 and the market has reverted to more normal levels of demand. Given the various constraints around supply – slower construction completions and historically low second-hand availability – take-up in 2024 was under 200,000 sqm, about one-third below the long-term average.

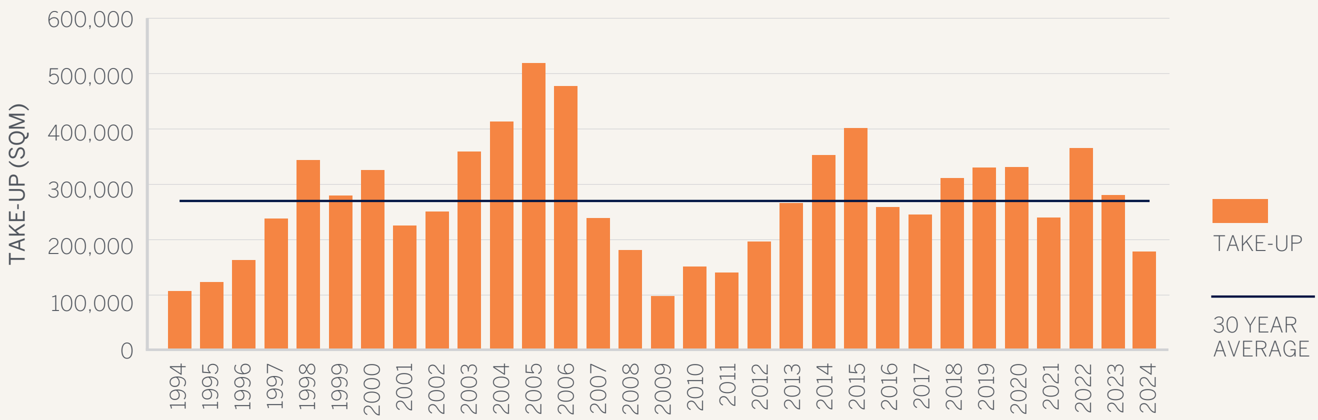
- The 30-year annual average **take-up** figure is 275,000 sqm and we expect a similar level of activity in 2025. The main headwind will continue to be supply and a lack of suitable accommodation.

- With the Dublin vacancy rate sub-2%, **supply** continues to be the key constraint in the market. Encouragingly, several substantial buildings (combined about 70,000 sqm) are due to reach practical completion in the opening months of 2025. Over 90% of the space has been speculatively built and will add just under one percentage point to the vacancy rate. While any increase is positive, supply will remain well below what the market requires in 2025.

- Strongest **demand** will continue to come from 3PL operators and individual retailers as well as pharma and medical. A lasting trend into 2025 will be certain 3PL operators with contracts in Ireland and the UK continuing to review the Irish market as a hub for both locations. In the past, such contracts were fulfilled from the UK but with Brexit, it is more advantageous for some of those importing goods from Europe to have operations in Ireland. Examples include Smyth's Toys and JYSK. In 2025 there will continue to be demand for space along the M1 corridor towards Northern Ireland from such operators.

- **Lettings** have made up between 80% and 85% of all space transacted in the last five years with vacant possession sales accounting for just 15% to 20%. Lettings will continue to dominate the market in 2025 but with interest rates trending downwards, smaller scale owner-occupiers may consider buying as repaying a mortgage is likely to be less than rent. They will have a strong preference for buildings that are in good condition and do not need substantial refurbishment as costs are still high and timelines for programmes of work uncertain.

**ACTIVITY**




**Source:** Lisney


Unit 1 South West Business Park, Dublin 24

- Lisney's index of industrial property **rents** in Dublin (prime and secondary buildings of varying sizes across the four regions) grew by 5% in 2024, a reduction in the pace of growth compared to the last five years (up to 9% annually). The prime headline rate for a larger logistics premises was €145 psm (€13.50 psf) entering 2025 with smaller enterprise type units at €172 psm (€16.50 psf).

- For good quality accommodation, there will be little change in other lease **terms**, Landlords will continuing to seek 10 to 15 year terms with break options at years 5 or 10 and rent free periods between 3 and 4 months.

- Speculative **new buildings** will remain slow to start in the months ahead. However, it is noteworthy that UK developer Mountpark, is now on-site at Grangecastle West, speculatively building 40,000 sqm of Grade A space. As development finance improves and investment yields harden, the risk profile will be less, and greater volumes of new building and refurbishment should occur. It will remain important for developers to have planning grants in place and be ready to move on-site quickly. Positively, there is about 250,000 sqm of accommodation with planning permission but not yet commenced. However, as this moves to a construction phase it will need to be replaced by further grants of permission.

- Landlords will continue to be more focused on **sustainability** 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 lease clauses will be common practice 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 through **refurbishment**, 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.

Lisney
COMMERCIAL REAL ESTATE

Lisney
Sotheby's
INTERNATIONAL REALTY

# OUTLOOK 2025