

# Market in Minutes

## Dublin Industrial Market

Q1 2018

### Economic Overview

Ireland's positive economic story has remained firmly intact since our last report and continues to be underpinned by the strong performance of the labour market. More than 62,000 net new jobs are being created annually across a broad range of sectors. Included in this is logistics where, at 10.1%, employment is rising at a faster annual rate than overall jobs growth. Activity in the sector is intrinsically linked to the ever-evolving e-commerce market. Figure 1 shows that trends in logistics employment and online consumer spending tended to move together. While growth rates have retreated from their unsustainably high levels, both measures remain in positive territory. The growing need to facilitate goods movements, and increased staffing levels, are undoubtedly driving stronger demand for logistics property.

FIGURE 1  
**Logistics Employment (4 Qtr Mov Avg) and VISA Ireland Online Consumer Spending Index**

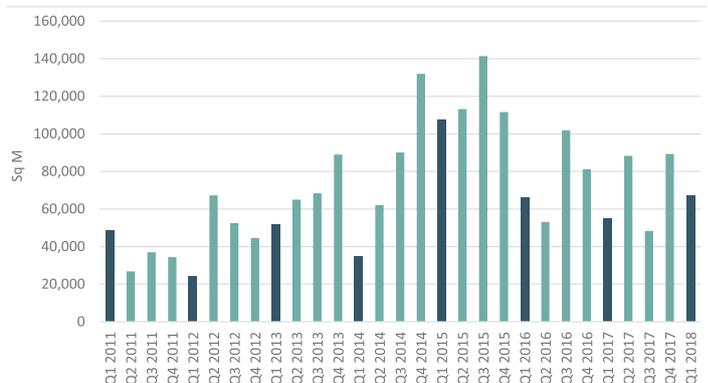


Source: CSO, VISA Ireland

### Market Trends

A busy start to 2018 saw gross take-up of industrial space exceed 67,000 sq m in Q1. This is up 22% on the same period last year and, leaving aside 2015, when a residual of deals linked to the run-out of the CGT incentive inflated take-up, represents the strongest opening quarter in eight years (see Figure 2).

FIGURE 2  
**Industrial Take-Up**



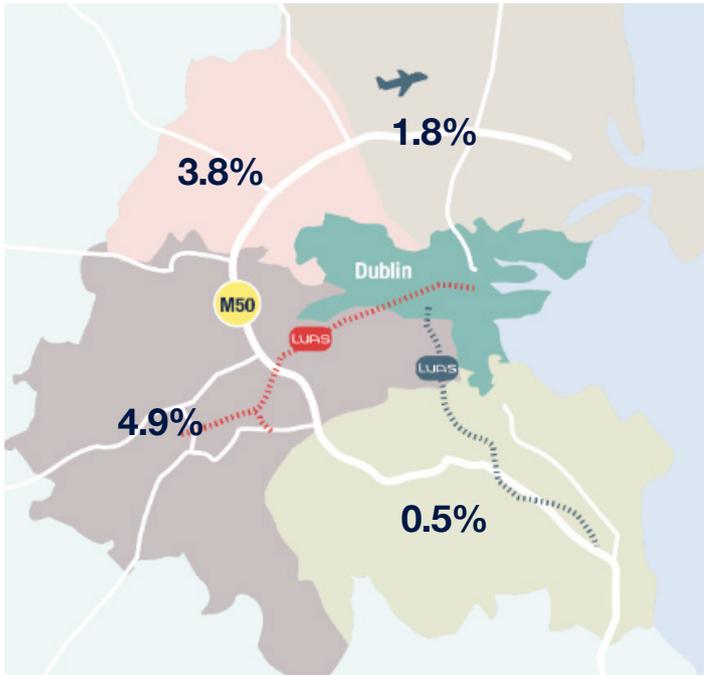
Source: Savills Research

Outright sales' share of transactions continues to trend lower and has almost halved from 71% to 37% over the past three years. This reflects the growing scarcity of good quality modern freehold opportunities. Demand for these properties is such that each sale is setting a new benchmark for values. Interest is not limited to owner-occupiers. With industrial property typically offering more attractive returns than other sectors of the market, investors are willing to purchase vacant units with a view to securing tenants at a later date. The favourable yield profile might also explain why owners have become slower to sell.

### Vacancy

Dublin's vacancy rate, for units of 500 sq m or more, stood at just 3.3% at the end of Q1 2018. While the amount of space available for immediate occupancy is low across the board, it is likely that certain estates, where buildings are becoming functionally obsolete or where the current zoning permits, will eventually be redeveloped for alternative uses once vacant possession can be achieved.

FIGURE 3  
**Vacancy Rates (for units of 500 sq m +)  
by Broad District**



## Rents and Yields

Latest MSCI data show that ERVs for a sample of prime industrial properties rose by 6% in the year to March and we believe headline rates currently stand at approximately €100 per sq m per annum. While prices for good quality modern units are also rising, values remain below the cost at which developers can provide new space to owner-occupiers. However, with prime yields at or north of 5%, build-to-rent is viable. In turn, this is facilitating speculative development.

## OUTLOOK

Prospects for the Irish economy remain favourable and the sustained recovery in employment will continue to underpin the domestic economy. The current consensus is for GDP growth of 4.9% in 2018 and 3.9% in 2019 with jobs growth of around 51,000 and 44,000 this year and next. As such, demand for warehousing and logistics property is set to remain strong.

Approximately 37,000 sq m of speculative space is due for completion in 2018, with further development planned next year. The majority of activity is taking place in North Dublin between Blanchardstown and the airport. However, development is also occurring in established industrial locations along Dublin's South West corridor.

## Savills Industrial

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