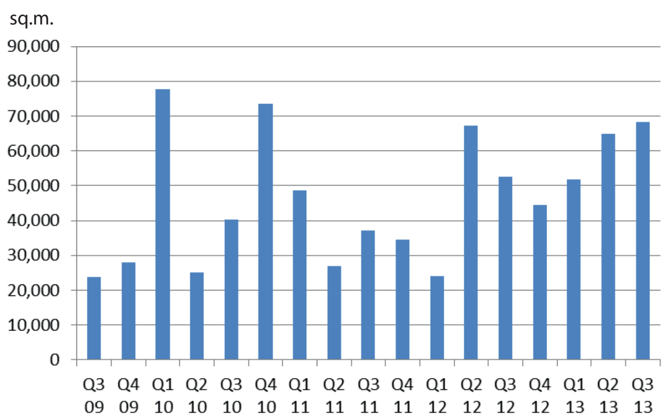
Market in Minutes
Dublin industrial market

Q3 2013

GRAPH 1

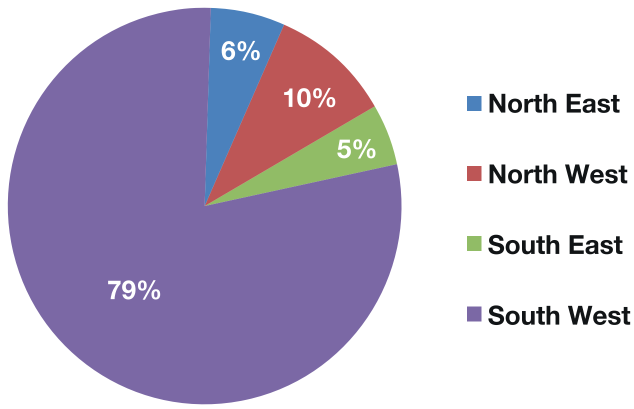
Quarterly take-up



Source: Savills

GRAPH 2

Take-up (by volume of space) in Q3 by location



Source: Savills

SUMMARY

Dublin industrial market

■ Industrial take-up in Dublin was approximately 68,000 sq.m. in Q3 - the highest level since Q4 2010.

■ Cumulative take-up in the first three quarters has been approximately 185,000 sq.m. - just short of the 189,000 sq.m. taken-up in the entire of 2012.

■ For the first time since 2008, vacancy rates have fallen for two consecutive quarters as take-up outstrips the supply of space coming to the market.

■ Southwest Dublin continues to dominate with almost 80% of Q3 take-up occurring in this location.

■ Sales accounted for 46% of all Q3 transactions, up from 41% in Q2 and 20% in Q1. The vast majority of sales were to cash buyers and, with prices at an all-time low, value for money is driving this demand.

■ The distribution and logistics sector accounted for 36% of Q3 take-up, with the construction/ engineering and manufacturing/ pharmaceutical sectors accounting for 23% and 21% respectively.

■ In a review of European logistics property markets, Capital Economics recently highlighted Ireland as one of three countries where capital value growth will be strongest over the next 5-10 years.

“ The proportion of sales continues to increase and accounted for 46% of Q3 transactions. The recent extension of the CGT waiver until the end of 2014 will continue to drive industrial property sales over the next fifteen months.” Gavin Butler, Director, Industrial, Savills Ireland

Market Trends

Almost 80% of total transactions took place in Southwest Dublin. Sales accounted for 44% of Q3 transactions in this location. These included the sale of the former McCormick MacNaughton facility at Greenogue Business Park (9,000 sq.m.) and the former Manvik facility on the Lower Ballymount Road (8,400 sq.m.). One of the larger lettings included the letting of a 2,600 sq.m. facility at the M50 Business Park in Ballymount.

Northwest Dublin accounted for 10% of total Q3 take-up, and 40% of transactions were sales. These include the sale of a 2,457 sq.m. unit in Northwest Business Park. The largest letting was a 2,537 sq.m. facility also in Northwest Business Park.

Activity was weaker in the Northeast and Southeast regions which accounted for just 6% and 5% of total take-up respectively. One of the larger deals in northeast Dublin was the sale of an asbestos roofed facility in Malahide Road Industrial Estate comprising 1,002 sq.m.. Sales accounted for 80% of third quarter transactions in Southeast Dublin whereas one-third of deals in Northeast Dublin were sales.

Despite another strong quarter of take-up, there remains a general oversupply of industrial space in the Dublin area. Consequently, rental and capital values remain subdued. However, we predict a modest uptick in values next year for good quality modern stock over 1,000 sq.m. as the availability of this space continues to contract. There continues to be an overhang of units below 1,000 sq.m., and this segment of the market is likely to remain challenged.

Prime rents are in the region of €45 - €55 per sq.m. per annum with prime capital values ranging from €450 - €600 per sq.m. Competitive bidding is resulting in higher prices being achieved in certain cases.

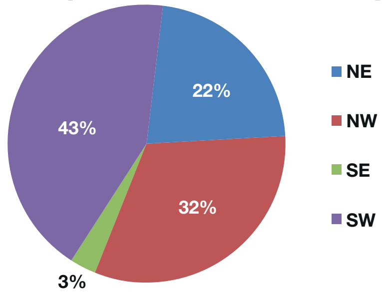
With prices now significantly below construction cost, there is superb value for money in industrial property, particularly when the extension of the CGT waiver until the end of 2014 is taken into account. However, values will have to double before there is a return to any speculative development. Consequently, vacancy rates are likely to decline further, albeit moderately, over the coming months and there is likely to be modest rental growth for prime space in prime locations.

We predict take-up for 2013 to be in the region of 225,000 – 250,000 sq.m.. This will be the highest level of take-up recorded since the property downturn.

"We predict a modest uptick in values next year for good quality modern stock over 1,000 sq.m." Gavin Butler, Director, Industrial, Savills Ireland

GRAPH 3

Proportion of available space by region



Source: Savills

GRAPH 4

Sample of deals by Savills – Q3, 2013

Address	Size (Approx.)	Transaction Type
Lands at Killamonan, Cherryhound / M2 Interchange, Co. Dublin	16 hectares / 40 acres	Acquisition
Former Manvik facility, Lower Ballymount Road, Ballymount, Dublin 22	8,388 sq.m. on 2.78 ha	Sale
Former Blue Circle facility, M50 Business Park, Ballymount, Dublin 24	2,600 sq.m.	Letting
Unit 5, Northwest Business Park, Ballycoolin, Dublin 15	2,457 sq.m.	Sale
Unit 100, Malahide Road Industrial Estate, Dublin 17	1,002 sq.m.	Sale

Source: Savills

Savills Industrial

Please contact us for further information




Gavin Butler
Director, Industrial
Savills Ireland
+353 (0)1 618 1340
gavin.butler@savills.ie

James Smith
Negotiator, Industrial
Savills Ireland
+353 (0)1 618 1371
james.smith@savills.ie

Daniel Blain
Negotiator, Industrial
Savills Ireland
+353 (0)1 618 1475
daniel.blain@savills.ie

John McCartney
Director of Research
Savills Ireland
+353 (0) 1 618 1427
john.mccartney@savills.ie