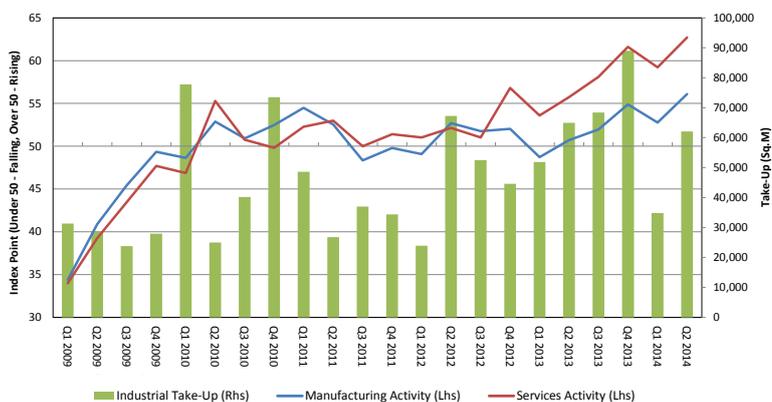


# Market in Minutes Dublin Industrial Market

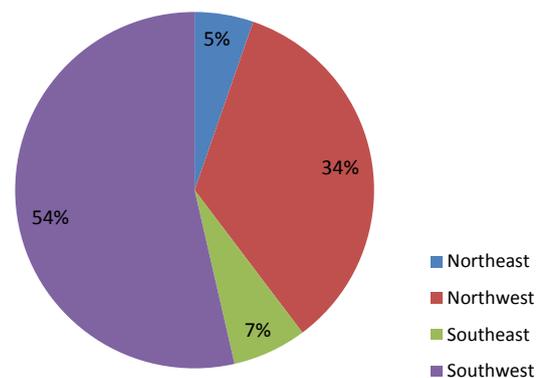
Q2 2014

GRAPH 1  
Manufacturing/Services Activity & Industrial Take-Up



Source: Investec, Savills Research

GRAPH 2  
Take-Up by Region - Q2 2014



Source: Savills Research

## Dublin Industrial Market

### Introduction

Ireland's economic recovery is now well established. The most recent national accounts show that the economy grew by 3.4% in the year to Q1 2014. Within this the transport / distribution and industrial sectors have expanded by 8% and 2.1% respectively, underpinning strong demand for industrial property.

Total take-up of industrial space in Dublin during the second quarter was approximately 62,000 sq.m., a 78% increase on the opening three months of the year. Sales accounted for almost four-fifths of transactions – nearly twice the proportion recorded in the same period last year. This reflects both the

improvement in occupier confidence and the value for money that is currently available in the market.

More than 90% of Q2 take-up was accounted for by services (including distribution firms) and manufacturing firms. This reflects strong underlying activity within these sectors. According to the latest purchasing managers' indices, manufacturing orders increased at their fastest rate for 40 months in June, while service sector firms have reported expanding activity in every month since August 2012.

A key dynamic in the first half of 2014

has been the improvement in Ireland's retail economy and the related uplift in demand for logistics space. Retail sales rose for the eighth consecutive month in June and this has led to an increased throughput of goods within the distribution network. This is reflected in both strong commercial vehicles sales (new goods vehicles licenced for the first time up 44% in the first half of the year) and strong take-up of industrial space by distribution firms which accounted for nearly 15% of market activity in Q2 2014. ■

## Market Trends Q2 2014

- Cash transactions, rather than financed deals, have continued to dominate sales as vendors prefer to minimise execution risk by targeting cash buyers.
- Despite strong lettings there was negative net absorption in Q2 as significant space came on to the market. As a result, vacancy levels edged up by almost 25,000 sq.m.. However the overall trend is one of falling vacancy rates, and availability is now 21% lower than this time last year.
- Southwest Dublin continues to dominate activity accounting for approximately 54% of all transactions in Q2.
- The largest letting in the April – June period was the re-gear of a lease on a 6,500 sq.m. modern warehouse facility in Orion Business Park, Ballycoolin, Blanchardstown, Dublin 15.

## OUTLOOK 2014

- In light of the increasing take-up levels in Q2 2014, and with a significant number of properties either under offer or soon to complete, take-up is likely to remain strong for the remainder of this year.
- As a result of this, vacancy rates should continue on the long-term downward trend.
- Demand will continue to come from occupiers expanding out of smaller facilities as their short term leases begin to expire. With the economic recovery firmly taking hold, occupiers are now beginning to plan for their longer term needs.
- Q2 saw an increase in the number of auction disposals as some banks and receivers have sought to expedite the sales process. However the most common method of sale continues to be by private treaty.
- With the CGT waiver not due to expire until the end of 2014 there continues to be a strong incentive for occupiers to buy. The case for outright purchases is strengthened by capital values which are running at around half the cost of developing industrial space.
- Cash purchasers will remain prominent. However as confidence grows and the market continues to recover we expect to see an increase in the number of financed deals which should support increasing values over the next 6 – 12 months.
- Prime rental values range from €45 - €60 per sq.m. per annum with prime capital values ranging from €450 - €550 per sq.m. We expect to see an increase in both rental and capital values towards the end of 2014 for prime properties over 1,000 sq.m.

## Savills Industrial

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