

# Market Watch

## Industrial Division

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### Outlook for 2008 and beyond

- It is anticipated that the letting market will remain buoyant for the remainder of the year and will dominate over sales activity.
- It is expected that approximately 200,000sq.m of industrial space will be taken-up for 2008 as a whole.

### Summary January - July 2008

- Almost 100,000sq.m of industrial space was taken-up in the greater Dublin area in the first half of the year, representing a surge of 35% when compared with the first half of 2007.
- The vacancy rate registered a very slight increase from 13% in January 2008 to 13.2% in July 2008.
- Although we saw a surge in take-up we did not see a corresponding fall in vacancy levels, this is due to the fact that a number of additional industrial units have come to the market.
- A new record rental level for industrial property of €14.50 per square foot was achieved in North Dublin.

### A snap shot of some of the larger deals done by Savills Hamilton Osborne King in 2008...

- The assignment of the 9,290sq.m John Player facility at Parkwest to Nissan Ireland Ltd. at a passing rent of €865,000 per annum.
- The letting of Unit S2 Parkwest Industrial Estate (6,085sq.m) to Harvey Norman for €650,000 per annum.
- The letting of Unit C2/C3 Airside Enterprise Centre in Swords to Golf Vision on a 25 year lease at a rent of €89,000 per annum equating to €14.50 per sq.ft - a record level for north Dublin.

### Approximate Take-up by area

	Northeast	Northwest	Southeast	Southwest	Total
Jan- June 07	7,500 sq.m.	28,000 sq.m.	2,700 sq.m.	33,000 sq.m.	71,200 sq.m.
July- June 08	13,000 sq.m.	40,500 sq.m.	3,000 sq.m.	39,500 sq.m.	96,000 sq.m.

Source: Savills Research Unit

### Approximate Vacancy by area

	Northeast	Northwest	Southeast	Southwest	Total
Jan 08	94,000 sq.m.	146,000 sq.m.	11,000 sq.m.	188,000 sq.m.	439,000 sq.m.
July 08	93,000 sq.m.	149,000 sq.m.	13,000 sq.m.	189,500 sq.m.	444,500sq.m.

Source: Savills Research Unit

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# Industrial Market Watch

## The Industrial Market Watch in 2008

The deterioration in the market environment in 2008 has impacted activity in the industrial sector. Industrial sales have slowed and as a result there has been little transactional evidence of downward price adjustments. Tighter availability of credit has meant that there have been delays in finalising deals and an increase in the number of deals which have fallen through.

Furthermore there has been a marked shift towards leasing industrial premises instead of purchasing. Enquiries for the second quarter of 2008 are down slightly on the first quarter as tighter credit has led to many potential buyers postponing their purchasing plans and instead opting to rent short-term accommodation.

However despite this we have seen take-up in the first half of 2008 surge 35% compared with the first half of 2007. However, it must be noted that a significant proportion of these deals were agreed at the end of 2007, when the market backdrop was relatively more positive.

Under normal circumstances in the Industrial market, take-up of this level in the first half of the year would point to a potential annual take-up in the region of 300,000sq.m. This is based on historical market experience that the second half of the year generates twice as much activity as the first half. For example in 2007, transactions in the second half of the year accounted for 70% of the total take-up. However, in light of the changing economic environment, we predict that the total take-up for 2008 will be in the region of 200,000sq.m.

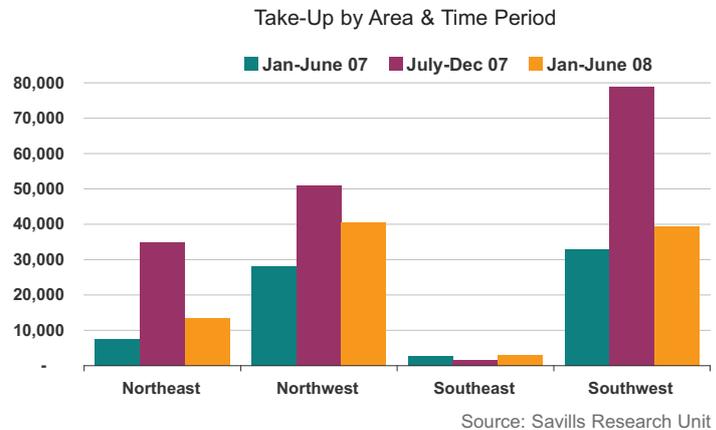
Comparing availability levels with December 2007 Savills Research Unit reveals that vacancy levels have remained relatively steady, with the vacancy rate rising slightly from 13% in January 2008 to 13.2% in July 2008. Although we saw a surge in take-up we did not see a corresponding fall in vacancy levels. This is due to the fact that a number of additional industrial units have come to the market since January 2008. These properties have absorbed a significant amount of the take-up activity in the first six months of 2008.

## Northeast Dublin

Northeast Dublin experienced very positive take-up levels in the first half of 2008. More than 13,300sq.m was taken-up, representing a surge of 77% in take-up compared with the first half of 2007. Industrial space in Northeast Dublin enjoys an advantageous position with easy access to the primary transport nodes such as the airport, the Dublin Port Tunnel, the M50 as well as the M1. This makes this location attractive to transport and logistics companies, especially in an environment of soaring fuel costs.

This increase accounts for a significant proportion of the overall increase in take-up levels for Dublin as a whole. Notable transactions in this region included the sale of Falcon House

## By Area



(4,160 sq.m) at Dublin Airport Logistics Park. Furthermore the letting of Unit C2/C3 Airside Enterprise Centre in Swords to Golf Vision on a twenty-five year lease at a rent of €89,000 set a new benchmark for industrial rents at €14.50 per square foot per annum.

Vacancy in the northeastern region recorded a slight fall of 1%, falling from approximately 94,000sq.m of unoccupied space to approximately 93,000sq.m.

## Northwest Dublin

Northwest Dublin was also particularly active with approx. 40,500sq.m being taken-up between January and July 2008. This area also benefits from close proximity to the airport, the Dublin Port Tunnel as well the main arterial infrastructural routes. One of the largest deals was the pre-letting to Coca-Cola of a 9,300sq.m facility at Huntstown Business Park in Ballycoolin, which is currently under-construction.

This level of take-up in the first half the year indicated a 35% increase compared to the first half of 2007 and points to a very strong performance for the industrial sector given the current backdrop in the commercial property sector as well as the overall economy.

In line with the rest of Dublin, the vacancy rate in northwest Dublin has remained relatively stable, increasing from approximately 146,000sq.m in January 2008 to just over 149,000sq.m in July 2008; a marginal increase of 2%. Northwest Dublin has maintained the reduction in vacancy levels seen since July 2007, when more than 173,000sq.m of industrial space was vacant.

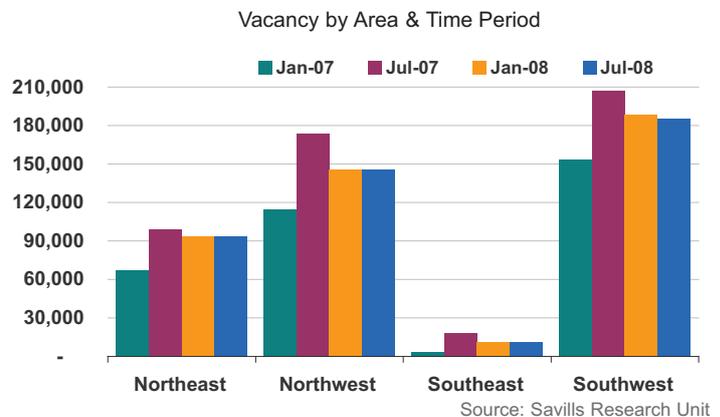
# Industrial Market Watch

## Southeast Dublin

Take-up in southeast Dublin remained limited with approximately 3,000sq.m being taken-up in the first half of 2008. The market for industrial premises in the region is restricted by the lack of product available. This is further underlined by the low levels of vacancy recorded across the area compared to the other Dublin regions. The level of vacancy however has seen an increase of 20%, but this is coming off a very low base. The vacancy rate has risen from approximately 11,000sq.m in January 2008 to approximately 13,000sq.m in July.

As a result of the limited stock of industrial space in the region, occupiers are now extending their search to include locations in north Wicklow such as Bray, Newtownmountkennedy, Rathnew and Ashford.

## Vacancy



## Southwest Dublin

Southwest Dublin accounted for a take-up of approx. 39,500sq.m for the first six months of 2008. When compared with the first half of 2007 this level of take-up represents an increase of 20%, which is extremely positive for the region in light of the general economic environment. This surge in take-up points to continued strong levels of demand in Parkwest, Citywest and the Ballymount areas, where a significant amount of deals were transacted.

Some of the larger deals transacted by Savills Hamilton Osborne King in Southwest Dublin include the acquisition of the former Wyeth Facility (2,650sq.m) at the M50 Business Park in Ballymount for in the region of €7 million as well as the assignment of Unit 56 Parkwest Industrial Park (9,290sq.m) on the Nangor Road at a passing rent of €865,000 per annum, both in January. More recently in May 2008 Savills completed the letting of Unit S2 Parkwest Industrial Estate (6,085sq.m) to Harvey Norman for €650,000 per annum.

The high level of take-up in this area has meant that the level of vacant space has not seen any significant increase. In January 2008 there was approximately 188,000sq.m of industrial space lying vacant- this compares with approximately 189,500sq.m in July 2008; a rise of just 1%.

## Outlook

It is anticipated that the letting market will remain buoyant for the remainder of 2008 and into 2009 given the ongoing restrictive lending environment and increasing levels of caution among purchasers.

The tighter funding conditions have had a pronounced effect upon enquiries for small starter/enterprise units up to 500sq.m. It is expected that the slower levels of take-up already seen in the first half of the year for these types of units will persist through to the end of 2008.

Vendors' expectations are gradually realigning to more realistic levels. This will allow for more flexibility in negotiating deals over the coming months and industrial premises priced realistically will continue to attract interest.

A segment of the market that will face challenges is the 'design and build' sector. By comparison to the beginning of the year, only a fraction of these types of deals are being agreed in the current market. In the short to medium-term we expect that leasing rather than sales will remain the primary form of activity in the sector.

# Industrial Market Watch

## Dublin Industrial Rents 2007 Q1-2008 Q2

	2007 Q1	2007 Q2	2007 Q3	2007 Q4	2008 Q1	2008 Q2
Prime Rental Levels (per sq.m)	€110	€115	€120	€125	€125	€125
Secondary Rental Levels (per sq.m)	€70	€70	€70	€107.50	€107.50	€107.50

Source: Savills Research Unit

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