

Dublin Logistics



Unit 629, Northwest Logistics Park, Ballycoolin, Dublin 15 – Let by Savills in Q2 2019

Economic Overview

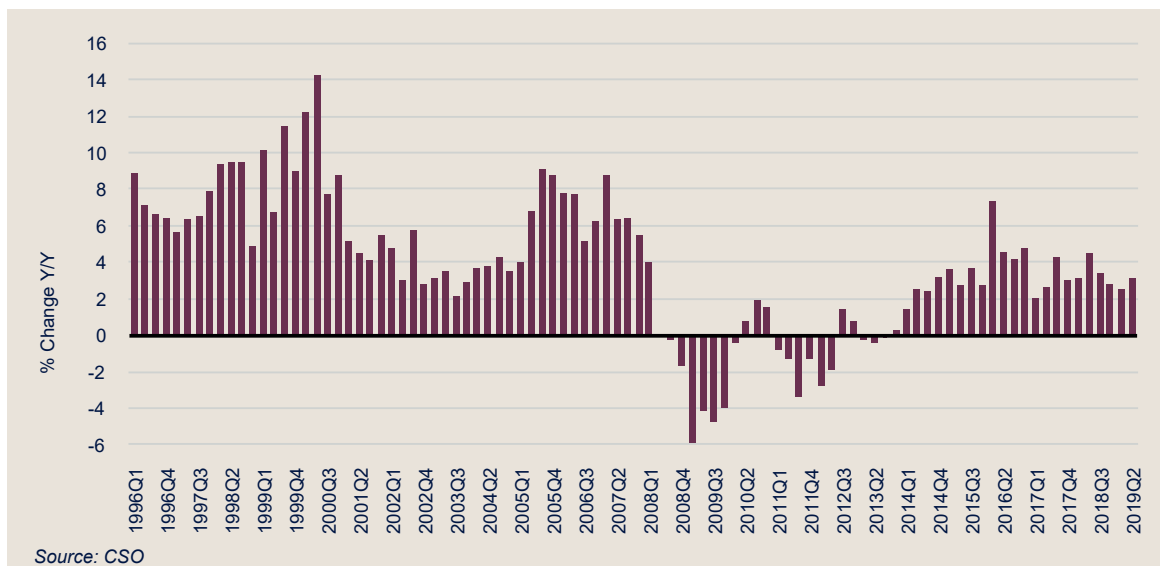
Ireland continues to enjoy strong growth, with GDP increasing by 5.8% Y/Y in Q2 2019; once again the fastest expansion rate in the EU. The underlying strength of the economy is reflected in the labour market; 53,700 new jobs were created in the year to September (+2.4%) and employment in Transportation and Storage is currently rising at 7.3% (12-month rolling sum).

While the economy is still growing strongly, households are becoming more cautious. One sign of this is a 15-month decline in the Consumer Sentiment Index. A more cautious psychology is also reflected in the

household savings ratio and deposit balances which have both increased. With personal consumption expenditure accounting for roughly 32% of GDP, this has the potential to feed through to the real economy. It remains to be seen whether there will now be a bounce-back in confidence as a result of the more positive Brexit news-flow.

In summary, the fundamentals of the Irish economy remain solid and the jobs market has proved very strong. However, consumer sentiment appears to have gone through a soft patch, possibly due to Brexit uncertainty and US/China trade tensions.

Figure 1 - Personal Consumption Expenditure



5.8%
GDP Growth
in Q2 2019



53,700
Jobs added in the
last 12 months



7.3%
Employment rise
in Transport and
Storage sector



32%
Consumption
expenditure as
% of GDP

Market Trends

Market Demand

After four consecutive quarters of strong logistics take-up in Dublin, Q3 2019 was slightly weaker, with 53,876 sq m of space taken-up between July and September. Nonetheless, on a year-to-date basis there has been an overall upward trend in take-up from 2017 (Figure 2).¹

Five large deals (> 5,000 sq m) took place in Q3, including the pre-let of 10,684 sq m in Horizon Logistics Park and 5,481 sq m in Dublin Airport Logistics Park. Excluding the Horizon pre-let, the three largest deals were two lettings in Northwest Business

Park for a total of 15,140 sq m, and a 6,484 sq m sale in Santry Hall Industrial Estate.

Take-up provides a simple indicator of market activity. But changes in the occupied stock give a more complete picture of the underlying market dynamics. Quarterly data (Figure 3) show a solid change in occupied space for the first three quarters of the year, reflecting the strength of economic activity; in the year to September 2019 occupied space in Dublin rose by over 51,000 sq m

Figure 2 – Q1 to Q3, Dublin Industrial Take-Up

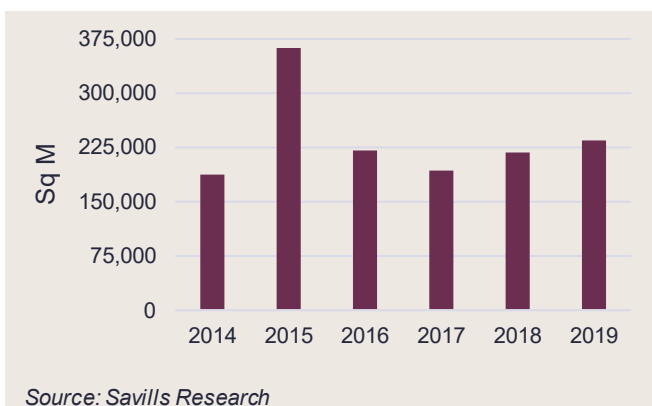
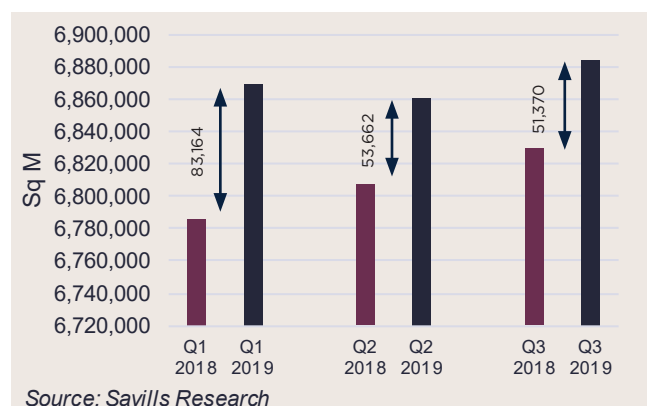


Figure 3 – Occupied Stock (500+ Sq M) in Dublin



Market Supply

Total industrial stock in Dublin has risen in the 12 months to September, with 11 new units delivered. The largest new build (> 18,000 sq m) was delivered in Baldonell Business Park and has been occupied by the homeware provider Home Store + More.

Looking ahead, there is potential for change of use to net against new logistics development. The National Planning Framework stipulates that at least 40% of all new housing is to be delivered within the existing built-up areas of cities, towns and villages on infill and/or brownfield sites. This has led Dublin's local authorities

to initiate variations to their development plans which will allow for the redevelopment of industrial estates into residential; the so-called “sheds-to-beds” trend.

Examples of older industrial units purchased with the intention of being redeveloped as residential include the sale of the 6,484 sq m unit in Santry Hall, and over 10,000 sq m on Greenhills Road.

¹ Unusually high take-up in Q1-Q3 2015 was driven by an exceptional 8 deals of over 10,000 sq m, which accounted for 34.3% of take-up for that period.

Vacancy

As Table 1 shows, the increase in stock outstripped the absorption of space in the year to September. As a result, available space rose marginally by 29,746 sq m.

The vacancy rate across the market, however, remains extremely low at 3.6%. A regional breakdown of Dublin shows no material change in local vacancy rates compared with the last quarter (see Figure 4), except in Central Dublin, where vacancy edged down from 0.6% to 0.3%.² With no development added to the area, this was due to the leasing of two buildings in Rialto, for a total size of 2,882 sq m.

Since speculative development recommenced in 2016, Savills' data show that 19 new units have been completed. Fourteen of these are currently occupied and the five remaining vacant units are among the smallest that were developed.³ All of the 14 occupied new builds were taken-up before practical completion; four before construction commenced (pre-lets) and 10 during the construction phase (mid-lets).

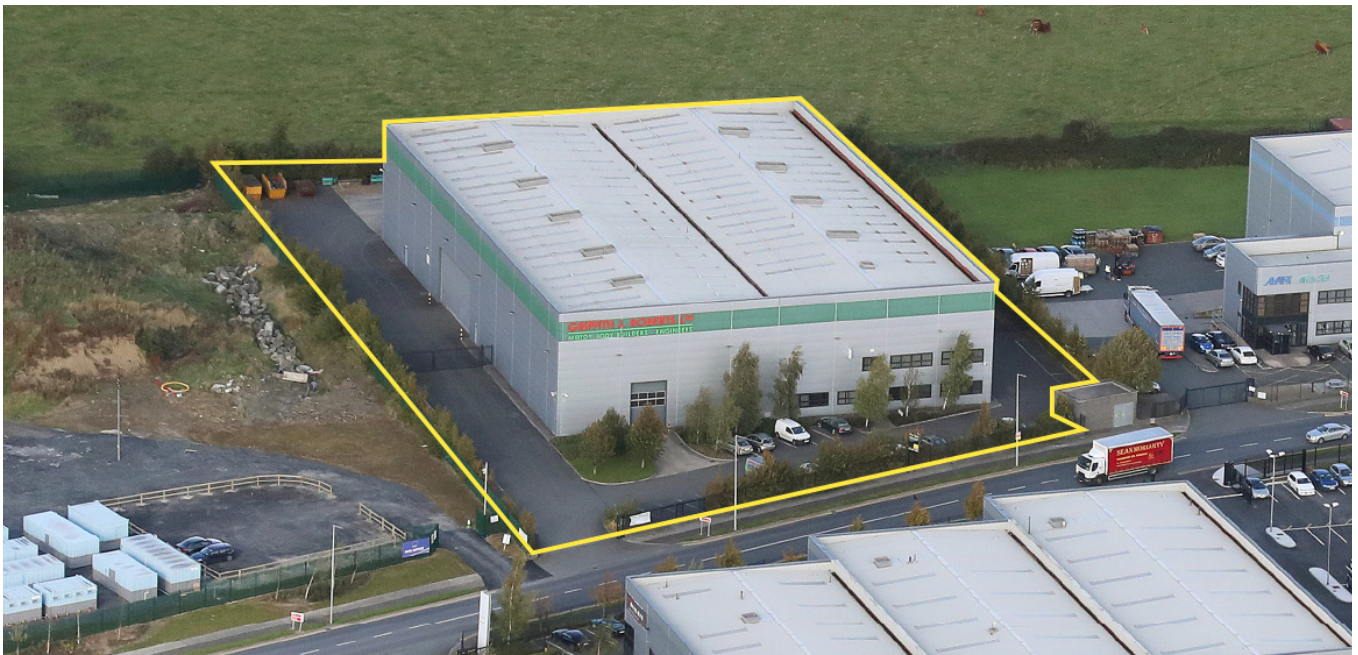
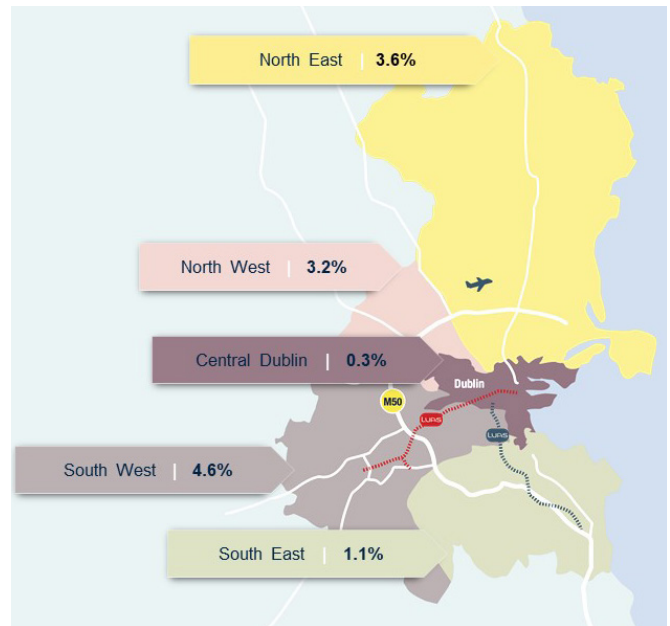
A closer analysis of the current vacant stock shows that vacancy among buildings larger than 4,000 sq m is extremely low at 2.9%. Almost 60% of the available space in this size category was developed between the 1970s and the 1990s, and may therefore be considered obsolete or approaching obsolescence. By contrast, no building above 4,000 sq m built after 2010 is currently available.

The evolution of business practice means that occupiers' requirements are leaning towards larger, more modern buildings, which are currently in short supply. As a consequence, an interesting development in recent times has seen occupiers altering their warehouse layouts and racking systems to maximise the cubic capacity of their buildings due to the current scarcity of alternative units that meet their needs.

Table 1 - Analysis of Movement in Vacant Space (Sq M), rolling 12 months to Q3 2019

	Supply	Demand	Net
Net Movement in Stock	81,116		
Net Absorption		51,370	
Movement in Vacant Space			29,746

Figure 4 - Vacancy rates (for units of 500 + sq m) by broad district



615 Northwest Business Park, Ballycoolin, Dublin 15 – For Sale guiding €3 million

² As Central Dublin only contains a small amount (9.8%) of the stock available, the change in vacancy in the area is not enough to drag down the overall rate.

³ Eleven of the 14 occupied units are larger than 4,000 sq m; the remaining three are only slightly below.

Rents

Prime logistics rents are currently in the region of €105 per sq m per year, while secondary rents are at €55 per sq m per year, up 5% and 10% respectively from Q3 2018. Agents report further upward pressure on prime rents, with a number of lettings recently agreed at rents in the region of €107 per sq m per annum. Further rental growth is anticipated in 2020.

Lettings, rather than sales, are more common for new developments. Strong investor demand for tenanted new-builds means that developers are generally seeking to build the unit, let it-up, and sell-on the investment. As a result new buildings are more likely to be leased rather than sold. Meanwhile owner-occupiers are more likely to buy second-hand units.



Zoned & Serviced Industrial Site of 7.5 acres in Magna Business Park, Dublin 24, available in one or more lots.

Outlook

Although activity in the quarter was limited, 2019 take-up to date is in line with the 6-year average and occupied space in Dublin rose by over 51,000 sq m in the 12 months to September. We expect total take-up for 2019 to reach 300,000 sq m. Moreover, current net demand for the next

three years stands at almost 190,000 sq m and roughly 96% of this is for units larger than 4,000 sq m. Therefore, we expect speculative development to continue with good prospects for developers of securing tenants prior to practical completion.



Unit 10 North Park, J5 M50, Dublin 11 – For Sale / To Let

Savills plc: Savills is a leading global real estate service provider listed on the London Stock Exchange. The company established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows, and now has over 200 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East. This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. Whilst every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. All reference to floor size is approximate. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.

Savills team

Please contact us for further information

John McCartney

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

Gavin Butler

Director of Industrial and Logistics
Savills Ireland
+353 (0)1 618 1340
gavin.butler@savills.ie

Peter Levins

Divisional Director of Industrial and Logistics
Savills Ireland
+353 (0)1 618 1739
peter.levins@savills.ie

Stephen Mellon

Senior Surveyor,
Industrial and Logistics
Savills Ireland
+353 (0)1 618 1366
stephen.mellon@savills.ie

Giles Ross

Surveyor,
Industrial and Logistics
Savills Ireland
+353 (0)1 618 1308
giles.ross@savills.ie

Margherita Vinciguerra

Research Analyst
Savills Ireland
+353 (0)1 618 1716
margherita.vinciguerra@savills.ie

Fergal Cleary

Graduate Surveyor,
Industrial and Logistics
Savills Ireland
+353 (0)1 618 1376
fergal.cleary@savills.ie

Gregor Potterton

Junior Surveyor,
Industrial and Logistics
Savills Ireland
+353 (0)1 618 1724
gregor.potterton@savills.ie

