

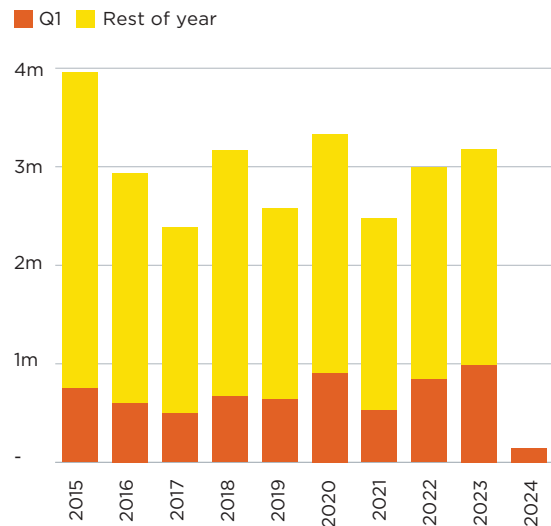
Dublin Industrial and Logistics Market



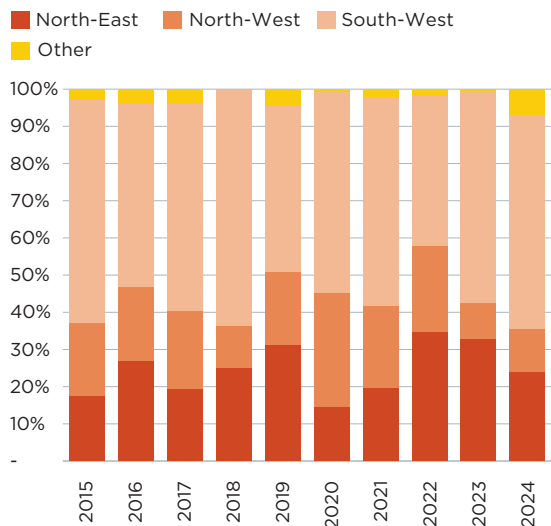
Table 1: Key statistics, sq ft

	Q4 2023	Q1 2024	q/q
Take-up	870,800	143,600	727,300
Completions	68,700	0	-68,700
Vacancy Rate	1.7%	1.7%	-
Prime Rent	€13.00	€13.00	-
Net Absorption	189,300	-32,100	-221,400

Source: Savills Research

Figure 1: Take-up, sq ft

Source: Savills Research

Figure 2: Take-up by location

Source: Savills Research

Q1 Dublin industrial and logistics market

Take-up sees a surprise fall in Q1 due to a combination of factors.

143,600 sq ft worth of take-up was recorded across nine deals in Q1, representing the lowest quarterly level of take-up in over ten years. This put the average deal size at 16,000 sq ft, which is less than half the five-year average of 35,300 sq ft and the weakest quarter in our series. The slowdown in activity is partly attributable to the large number of deals signing at the end of 2023, the absence of any new build completions in Q1, and the limited availability of large high spec units for rent. However, it may also indicate a weakening of tenant demand, reflective of a slowdown already underway internationally, including in the US and the UK. While this remains to be seen, Q2 take-up will be much stronger than Q1 with 450,000 sq ft of space already reserved.

This quarter's largest transaction was the 46,200 sq ft leasing of John F Kennedy Park, Dublin 12, to construction suppliers Laydex. This was followed by the sale of the 17,600 sq ft John F Kennedy Enterprise Centre, Dublin 12, to a confidential Chinese purchaser. The third-largest deal involved the leasing of 16,900 sq ft at Unit 4, Ballyboggan Industrial Estate, Dublin 11, to Hermic, while Sixt Car Hire's letting of 16,700 sq ft at Unit B2, Airport Business Park, North County Dublin, was the fourth-largest signing. Rounding off the top five was Alumax's taking of 13,300 sq ft at Unit 8, Finches Industrial Estate, Dublin 12.

ANALYSIS

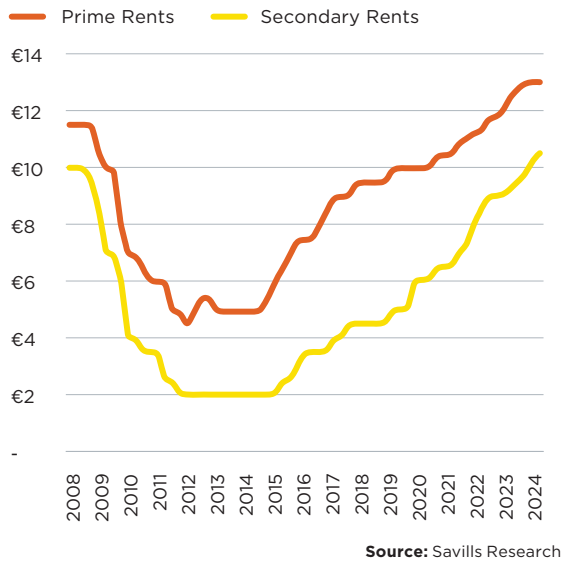
Four deals were completed in the South-west, with three occurring in the North-east. These amounted to 82,600 sq ft and 34,200 sq ft, respectively. There was no activity in central locations for the seventh quarter running, reflecting its relatively low share of stock when compared with the South-west and North-east – which, together, account for 66% of space in Dublin. Elsewhere, one deal each occurred in the North-west and South-east, at respective sizes of 16,900 sq ft and 9,900 sq ft. This was the first transaction in the South-east following two consecutive quarters of no activity, reflecting the particular lack of supply in this region.

Logistics accounted for 22,400 sq ft of space taken across two deals, while industrial was the primary use at 121,200 sq ft across seven deals. Within logistics, both occupiers were first-party, with no third-party logistics companies recorded.

Table 2: Top five deals

Property	Sq ft	Occupier	Sub-sector
John F Kennedy Park, Dublin 12	46,200	Laydex	Industrial
John F Kennedy Enterprise Centre, Dublin 12	17,600	Confidential	Confidential
Unit 4, Ballyboggan Industrial Estate, Dublin 11	16,900	Hermic	1PL
Unit B2, Airport Business Park, North County Dublin	16,700	Sixt Car Hire	Industrial
Unit 8, Finches Industrial Estate, Dublin 12	13,300	Alumax Ltd	Industrial

Source: Savills Research

Figure 3: Headline rents, psf


RENTS

Prime rents remained at €13.00 psf for the third quarter in a row but are up from €12.50 psf a year ago. Secondary rents have risen from €9.25 to €10.50 psf over the same period. We remain of the view that prime rents will exceed €14.00 psf by end-2024 as occupiers continue their search for best-in-class units amid constrained supply.

SUPPLY

Although there were no completions in Q1, 263,000 sq ft is due to be delivered across two units in Q2. These are 136,000 sq ft at Hub Logistics Park and 127,000 sq ft at Horizon Logistics Park, both of which are available. Delivery in Q3 is scheduled to total 387,800 sq ft, followed by a further 304,400 sq ft in Q4, bringing the annual total to 955,200 sq ft, of which 18.6% sq ft has been pre-let. This is less than half the 2.2 million sq ft completed in 2023, of which 92.7% was taken before completion.

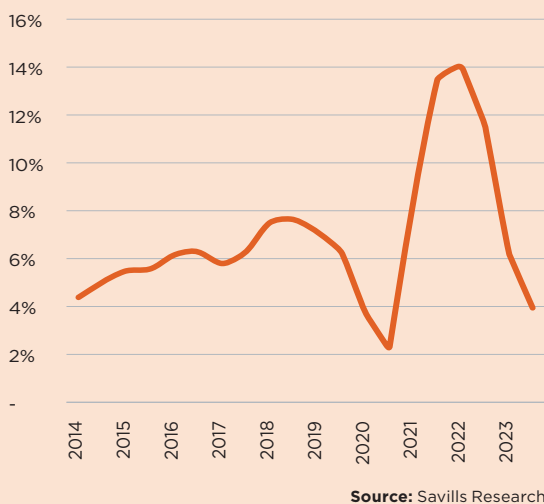
This year's low level of supply is set to underpin rents. Meanwhile, uncertainty around build costs, interest rates and exit yields has delayed some developments. Thus, for many sites with planning permission, construction will likely only proceed on a pre-let basis, rather than speculatively, creating uncertainty over the 2025 pipeline.

VACANCY

The vacancy rate was 1.7% for a second quarter in a row, albeit this was up from 1.2% a year ago, representing an additional 441,300 sq ft over the same period. We expect the vacancy to fall in Q2 given the reserved stock exceeds the new supply coming on stream. Vacancy is highest in the South-west sub-market, where the stock is also highest, and lowest in central Dublin. The largest available unit is the former Crown Paints on Malahide Road at 108,300 sq ft. This is followed by the former Cuisine de France on Belgard Square North at 100,000 sq ft and Building 1, M50 Logistics Hub at 98,400 sq ft. Together, these three buildings account for a fifth of total vacancy.

Finally, the composition of total vacancy by size category has changed over the past year. While units sized below 10,000 sq ft made up 43.2% of all vacant buildings in Q1 2023, that figure has since fallen to 31.1%. The share accounted for by mid-sized units between 10,000-50,000 sq ft has risen slightly from 40.9% to 44.4%. However, the proportion of units larger than 50,000 sq ft has risen from 15.9% to 24.4%.

Figure 4: Vacancy rate

Figure 5: Tender Price Index


Macro View

Despite the prevailing high inflation, high interest rate conditions, the consumer economy is robust. Real VAT receipts and retail sales have both grown by 4.2% over the past year. Consumer price inflation has slowed from a peak of 9.2% y/y in July 2022 to 2.9% in March 2024, albeit there has been a slight recent rebound in prices on a monthly basis, indicating that inflation may be more difficult to moderate from here on in. Build costs are also beginning to ease, with the Society of Chartered Surveyors Ireland's Tender Price Index slowing from 14.0% y/y to 3.9% over the past 18 months.

Nevertheless, a number of risks remain. Manufacturing sentiment is weak amid concerns over the conflict in the Middle East and its potential knock-on effects on supply chains and oil prices, as well as export demand. Notwithstanding, upcoming interest rate cuts expected from June should sustain consumption in the second half of the year as debt becomes cheaper and saving becomes relatively less attractive.



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