



AVAILABILITY

Availability and development activity are key focuses for the Dublin industrial market at present, as demand surges and supply remains limited. However, 2021 to date has proven an interesting period both from a standing stock perspective and the potential new space coming on stream.

Availability levels within the Dublin industrial & logistics market have grown increasingly tight in recent years. Just 258,625 sq m was available in the market as of the end of September 2021. This reflects an annual decrease of over 20% while a staggering 52% decrease from the same period five years previous.

The decline in availability reflects a vacancy rate of just 6%, the lowest rate in over 20 years. Vacancy levels are in sharp decline also across the regional markets of Cork, Limerick & Galway. This decline is the result of a number of factors. On the supply side, limited development activity for the past decade and exceptionally low levels of market churn in the past year have both played a role. The market has also recorded a loss of some stock for redevelopment purposes, a feature evident across other markets in Europe also.

When analysing availability, it is also important to look at the breakdown of this by grade. As of Q3 2021, Grade A units account for just 20% of availability. Therefore, much of the stock available at present reflects poorer quality old stock which in many cases, fails to meet the requirements of modern-day occupiers. This is unsurprising given the breakdown of development activity in the Dublin market. The majority of stock was delivered to the market during the 90's and 00's. Stock increased by just 5.5% during the most recent decade, 2011 -2020.

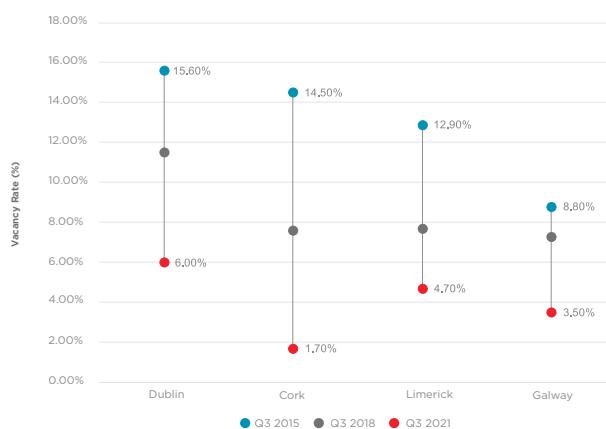
Looking beyond grade, it is also vital to look at the size composition of the stock available at present. Smaller lot sizes dominate, with 40% of all units below 500 sq m. A further 23% and 25% are between 500 - 1,000sq m and 1,000 - 2,500 sq m in size respectively. Critically, just one unit greater than 10,000 sq m in size is available at present, while just nine in the 5,000 - 10,000 sq m bracket. With a number of large-scale requirements in the market at present, meeting these will be a struggle.

258, 625 sq m

WAS AVAILABLE IN THE MARKET AS OF THE END OF SEPTEMBER 2021 RELFECTING AN ANNUAL DECREASE OF OVER 20%

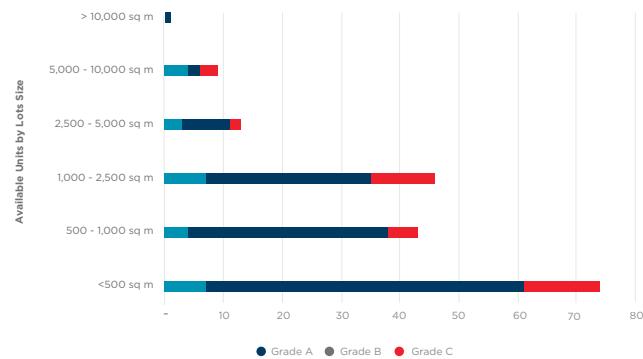


Vacancy Rate, by Region, Q3 2015 – Q3 2021



Source: Cushman & Wakefield Research

Availability by Lot Size & Grade, Q3 2021



Source: Cushman & Wakefield Research



Positively, a total of 210,450 sq m of space was under construction at the end of Q3 2021 which is due to be delivered over the next 15 months. Already, 96,650 sq m of this is pre-let however market intelligence indicates further pre-lets are expected to occur as these unit's progress towards completion. In the year to date, completions have reached just 22,400 sq m, all of which is occupied.

Interestingly, in contrast to what is available on the market, the median size of units currently under construction is just under 8,000 sq m, with the sizes in totally ranging from 1,850 sq m to 60,750 sq m. Development activity is split between the South West and North regions.

210, 450 sq m

OF SPACE WAS POSTIVELY UNDER CONSTRUCTION AT THE END OF Q3 2021



22, 400 sq m

WORTH OF COMPELETIONS IN THE YEAR TO DATE ALL OF WHICH ARE OCCUPIED



Largest Units Under Construction, Q3 2021

Property	Region	Size (Sq M)	Type	Estimated Completion
E MountPark, Baldonnel, D22	South West	60,750	Pre-Let	2022
2 Greenogue Business Park, Co. Dublin	South West	26,600	Available	2021
D8 Horizon Logistics Park, Co. Dublin	North West	15,350	Pre-Let	2021
Q Aerodrome Business Park, Co. Dublin	South West	14,850	Available	2022
D MountPark, Baldonnel, D22	South West	12,450	Available	2022

Source: Cushman & Wakefield Research



DUBLIN INDUSTRIAL MARKET

TRANSACTION ACTIVITY:

Occupier activity continues to surge in the Dublin industrial and logistics market as Covid-19 and Brexit drives structural demand changes. A total of 228,200 sq m transacted in the year to date. This includes space taken up in both free-hold and leasehold deals which amounts to 128,750 sq m, while also pre-let activity of units in the development pipeline which total 99,450 sq m.

This reflects an increase on the same period last year, when the equivalent figure reached was 176,650 sq m.

Overall, occupier transaction activity has decreased since 2018, as a lack of product acted as a constraint on the market reaching its full potential. The significant uptick in development in the past few quarters is now providing scope for greater transaction volumes, as evident by year to date totals.

Demand in the market at present is evident across buildings in all locations and of all grades. Given the level of demand at present the market is recording some interesting transactions with units of poorer quality or size, which would typically have been viewed as difficult to market, taken up. There is also strong activity recorded outside of the Dublin county bounds, which are not captured in these statistics, however once again illustrate the changing nature of demand and exceptional transition of this market.

"The lack of supply has become very evident during Q3, with a number of Grade C buildings being taken up. This is being driven by a relatively modest level of new product coming to the market and the majority of which is pre-let before the unit completes construction"

BRENDAN SMYTH, HEAD OF DEVELOPMENT LAND & LOGISTICS, CUSHMAN & WAKEFIELD IRELAND



Source: Cushman & Wakefield Research

Interestingly, a breakdown of space both occupied and pre-let during the year to date, reveals a prominence of lettings over freehold transactions amongst occupiers. Close to 90% of the space transacted in 2021 is as a leasehold. The reason for this is twofold. Firstly, availability once again limits options open to occupiers seeking to purchase their unit. Secondly, the increased occupier demand for industrial and logistics space is mirrored, if not surpassed by investment activity. Occupiers are facing intense competition from investors across all vacant units, leading to in most cases, occupiers being outbid by investors.





DUBLIN INDUSTRIAL MARKET

RENTAL TRENDS:

Unsurprisingly, rental growth continues in the Dublin industrial and logistics market, as demand outstrips supply. Another important element to this growth is construction cost inflation, which in recent times has accelerated.

As of Q3 2021, prime rents are €112 per sq m. This reflects an annual increase of 1.8%. Upward pressure sees forecasts for year-end placing prime rents at €115 per sq m. Market intelligence suggests rental levels at present are stronger in North Dublin than the South West, however with availability in the South West becoming an issue going forward, further rental pressure is expected here.

€112 per sq m

AS OF Q3 2021, PRIME RENTS ARE €112 PER SQ M REFLECTING AN ANNUAL INCREASE OF 1.8%



Prime Dublin Industrial & Logistics Rents, 2000 – 2025F



Source: Cushman & Wakefield Research

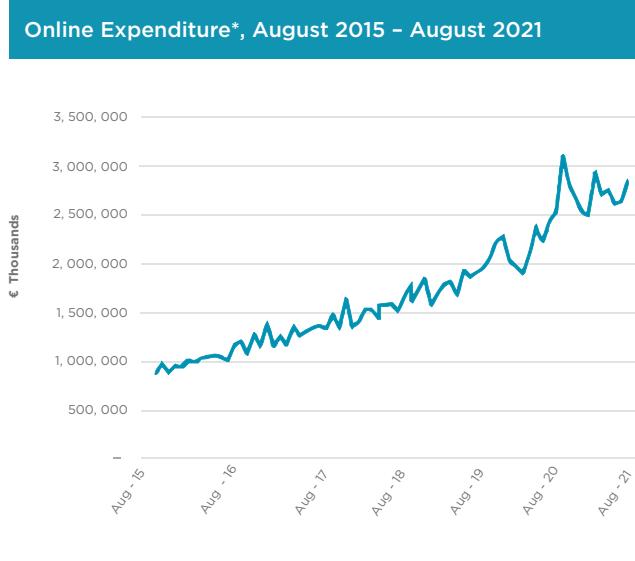
DUBLIN INDUSTRIAL MARKET

MARKET OUTLOOK:

Overall, the outlook for the Dublin industrial and logistics market is positive. Occupier demand is thriving and although availability at present is limited, the emergence of a meaningful volume of development activity will aid in satisfying larger scale requirements in the market. As we enter the final quarter of 2021 and look towards 2022, the following topics are some key considerations of the market going forward.

Online shopping here to stay...

A significant driver of the rise in demand in the logistics sector, not only in Ireland but around the world, is this surge in online sales. This structural change has been growing for a number of years, however Covid-19 accelerated this change. Most recent data from the Central Bank of Ireland reveals online expenditure totalled €2.8 billion in August, a monthly rise of 8%. It also reflects an annual increase of 27%. Although the reopening of physical stores has led to a fall in the proportion of online sales versus in store sales, which is expected and welcomed, the rise in online sales is here to stay. This is leading to demand from not only the retailers who are selling the product however also the



Source: Central Bank

*Online expenditure defined as where the physical card is not present during the transaction. It includes where card details are processed online or communicated via telephone

distributors of such goods. A good example of this is the occupation of 20,450 sq m in Q3 2021 by reportedly An Post, at the Former Lufthansa building on the Naas road, Dublin 12.

Brexit providing requirements boost...

Although Brexit has caused issues in terms of trade at ports, it has also created new demand in the industrial and logistics market through Brexit related requirements. These initially emerged in temporary form, for example the lead up to the deadline the market saw a rise in short term leases as occupiers stockpiled. These temporary impacts have now dissipated, with more long-term requirements evident. For example, the reported creation of an Amazon distribution hub in Dublin, it's first, is widely considered to be in part led, or certainly, accelerated by Brexit.

Land development shortages in the South West market...

The South West has typically accounted for the largest share of availability and stock within the Dublin industrial and logistics market. For example, five years ago, the South west accounted for 63% of availability in Q3 2016. Today, the region accounts for the majority of availability, marginally, at 53% of Q3 2021 availability. Availability levels in the South West will be one to watch going forward as market intelligence suggests that land availability in the area is becoming increasingly tight, limiting the volume of construction which may occur in this area going forward. This has led to a lot of developers pushing further out along the N7, something previously not seen in the market. In contrast, the North has more land coming to the market, with developers also holding land in this area, therefore the North could potentially be leading development activity in the future.

63%

The south west accounted for 63% of availability in Q3 2016.

Sustainability & Economies of Scale driving demand for new product...

As evident across all asset classes, sustainability is becoming increasingly important in the industrial and logistics sector. As many companies make commitments to sustainability and carbon emissions measures, the quality of unit they occupy will come under greater scrutiny. This is driving some of the demand for larger scale requirements. In conjunction with the growing feature of sustainability, large scale requirements are also a feature of the desire to achieve economies of scale. Large occupiers with multiple units located around the county are seeking to improve their efficiency and costs, by combining where possible, activities into one unit

Investor activity showing no signs of abating...

Similar to trends witnessed across Europe, the growing occupier demand in industrial and logistics is attracting investor attention. This is evident in the market in numerous forms. For example, from a traditional capital markets perspective, investment in the asset class reached €445million in the year to date. This includes a forward commit style transaction of €50million and a number of portfolios also. However, beyond what is captured in capital market statistics, there is an increased level of investment activity in vacant units. Some of these are coming back onto the market as a to let opportunity quite quickly, while others are undergoing refurbishments before being relaunched.

Overall, prime yields for Dublin industrial and logistics are contradicting, and have now fallen below prime retail for the first time on record.

Prime Industrial and Logistics Yields, Q3 2021 & 2022 Outlook:

Market	Q3 2021	Annual Bps Change	12 Month Outlook
Dublin	4.00%	-75bp	Contraction
Cork	5.50%	-75bp	Contraction
Limerick	7.25% - 7.00%	-75bp	Contraction
Galway	7.25% - 7.00%	-75bp	Contraction

Source: Cushman & Wakefield Research

€445 million

FROM A TRADITIONAL CAPITAL MARKETS PERSPECTIVE INVESTMENT IN THE ASSET CLASS REACH €445 MILLION IN THE YEAR TO DATE



€50 million

INCLUDES A FORWARD COMMIT STYLE TRANSACTION OF €50 MILLION AND A NUMBER OF PORTFOLIOS ALSO







CONTACT DETAILS

AUTHORS

Kate English

**Chief Economist,
Head of Ireland Research & Insights**

+353 (0) 1 639 9206
kate.english@cushwake.com

Brendan Smyth

**Head of Industrial & Logistics,
Director Ireland**

+353 1 639 9383
brendan.smyth@cushwake.com

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