DUBLIN

INDUSTRIAL & LOGISTICS MARKET

Q4 2020

CUSHMAN & WAKEFIELD

INTRODUCTION

The Dublin industrial market experienced a year of strong demand in 2020. Covid-19 adversity created unique opportunities which lead to increased activity in a market with limited availability. A total of 251,650 sq m was taken up via leasehold and freehold transactions.

Despite the rise in demand, occupier transaction levels were below the long run market average of 356,150 sq m, as availability of product continues to limit the market. Outside of occupier activity, investor demand also increased in the year, with occupiers facing increased competition from investors for available product.

"While there was a significant amount of speculative space under construction at the beginning of the year, due to limited availability and strong demand, it is expected that at least 80% of this space will be reserved well in advance of the buildings being PC'd."

— Brendan Smyth, Head of Industrial and Logistics, Cushman & Wakefield Ireland

Industrial & Logistics Market	Dublin
Take Up Q4 2020	85,250 sq m
Take Up 2020	251,650 sq m
Availability	293,785 sq m
Vacancy Rate	6.8%
Under Construction	112,650 sq m
Prime Rents	€112 per sq m

Source: Cushman & Wakefield Research

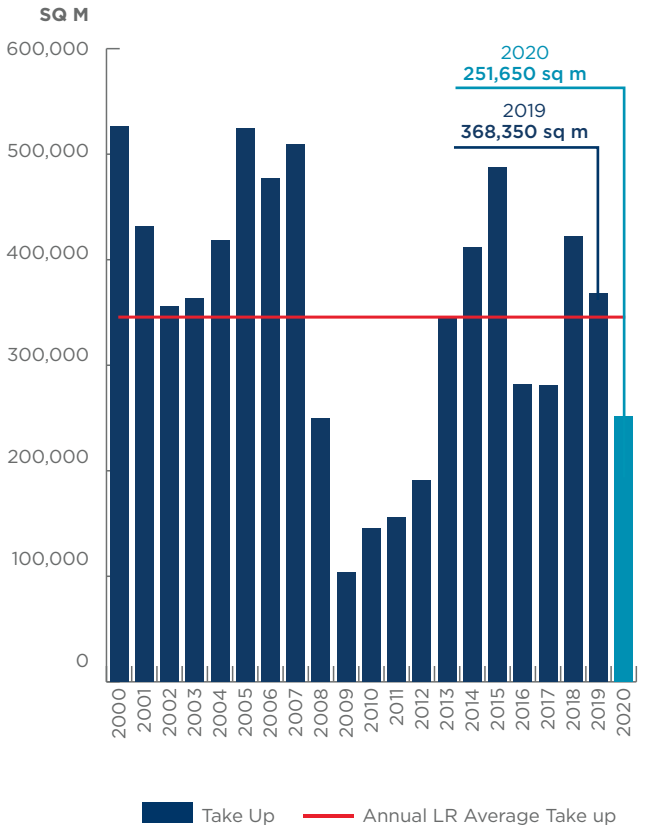
251,650 sq m

A TOTAL OF 251,650 SQ M WAS TAKEN UP VIA LEASEHOLD AND FREEHOLD TRANSACTIONS

356,150 sq m

OCCUPIER TRANSACTION LEVELS WERE BELOW THE LONG RUN MARKET AVERAGE OF 356,150 SQ M, AS AVAILABILITY OF PRODUCT CONTINUES TO LIMIT THE MARKET

Transaction Activity, 2000 - 2020



Source: Cushman & Wakefield Research

DUBLIN INDUSTRIAL & LOGISTICS MARKET

TRANSACTION ACTIVITY

Driving demand at present is a mix of occupiers from medical, homeware, food & beverage and of course logistics and manufacturers which are typically more prevalent at the larger end of the market.

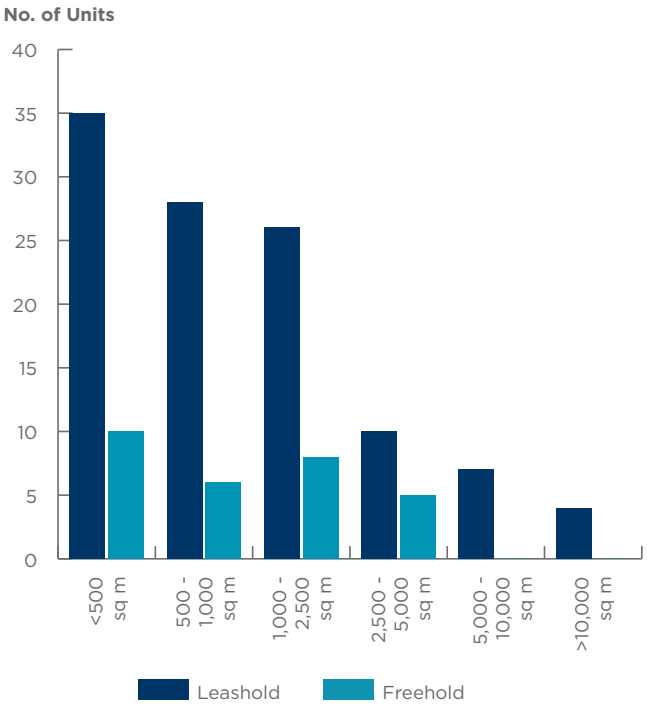
The disruption created by COVID-19 has rapidly increased the structural change of e-commerce worldwide. In Ireland, the growth of online sales was already in motion, however, the pandemic accelerated the demand for infrastructure to support this. This is best encapsulated by the recent Amazon deal, which saw it agree to pre-let 60,750 sq m at Mountpark, Baldonnell to create its first fulfilment centre in Ireland.

Transaction activity by occupiers is largely led by leasehold transactions, which account for almost 80% of all units taken up in 2020. In terms of size, the 500 sq m lot size accounted for almost a third of all deals completed, with activity in this size bracket being fast paced. Limited availability means units of this size are trading very quickly when released to the market.

Owner occupiers are still a feature of the market despite what the breakdown might suggest. However, once again availability is playing a role here. The majority of space available on the market is for leaseholds. Similarly, for those available to purchase, occupiers are facing increased competition from investors looking to get a foothold in the market.

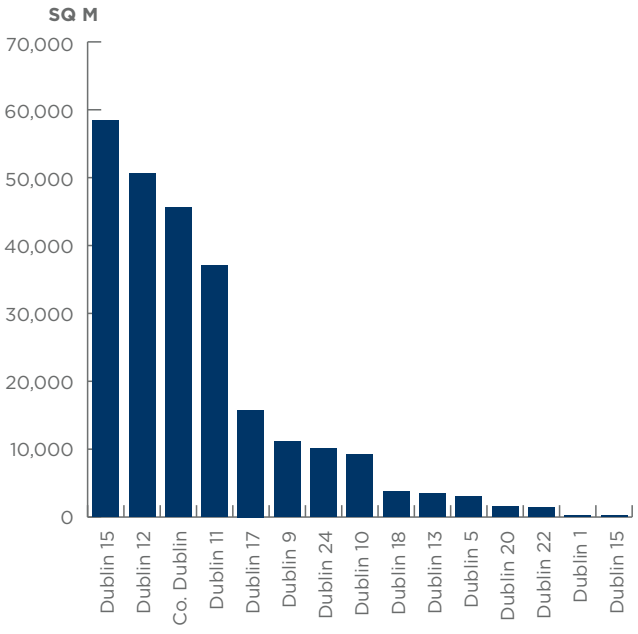
In terms of location, the past two years has witnessed a big shift in the location of activity. The North West accounted for 46% of space transacted in the twelve-month period, followed by the South West. With current and pipeline development activity located in both areas, the North is expected to continue to account for a higher proportion of activity than it historically did.

Transaction Activity by Type & Size, 2020



Source: Cushman & Wakefield Research

Transaction Activity by Postcode, 2020



Source: Cushman & Wakefield Research

DUBLIN INDUSTRIAL & LOGISTICS MARKET

AVAILABILITY & DEVELOPMENT ACTIVITY

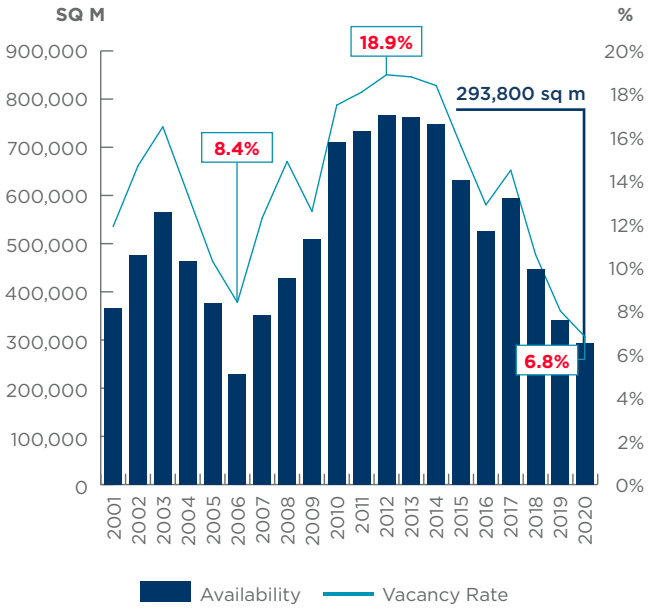
Availability in the Dublin industrial and logistics market has been a talking point for a number of years. With a total of 293,800 sq m available at the end of quarter four, this represented a decline of 13.8% annually.

This reduction in available space is a result of the strong levels of demand combined with very little market churn in 2020. Critically, the volume of space now available in the market stands below the long-run market average for take up of 356,150 sq m and only marginally above 2020 transaction levels.

Furthermore, with relatively limited development activity in the market since prior to the financial crash, a significant volume of the stock currently available does not meet the requirements of a modern-day occupier.

A breakdown of availability by grade highlights this lack of good quality product, with Grade A space accounting for just 15% of Q4 availability figures. There is no Grade A unit greater than 10,000 sq m currently available, while just two greater than 5,000 sq m.

Dublin Availability and Vacancy Rate, 2001 - 2020



Source: Cushman & Wakefield Research

In order to address this significant shortfall of quality available product, focus has now turned to development activity. In 2020, 34,050 sq m of space completed construction. All of this space was pre-let prior to its completion, signalling the demand within the market.

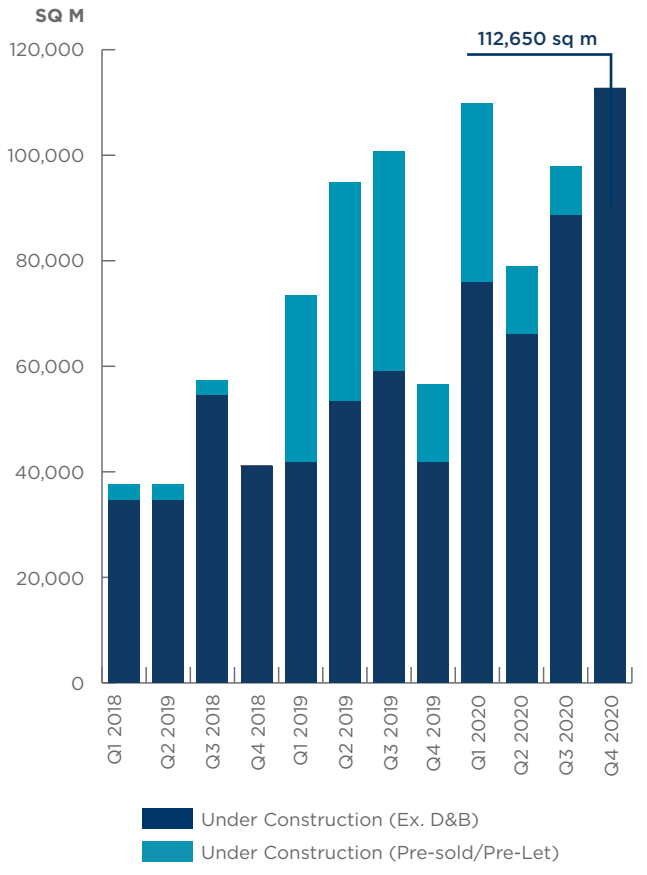
Construction activity increased in the final quarter of 2020, with an additional three units coming on site. A total of 112,650 sq m of space was under construction at the end of December, all of which is due to complete in 2021.

The majority of this space is located in the South West, where 76,350 sq m is on site. This is across five units in Greenogue Business Park and Aerodrome Business Park.

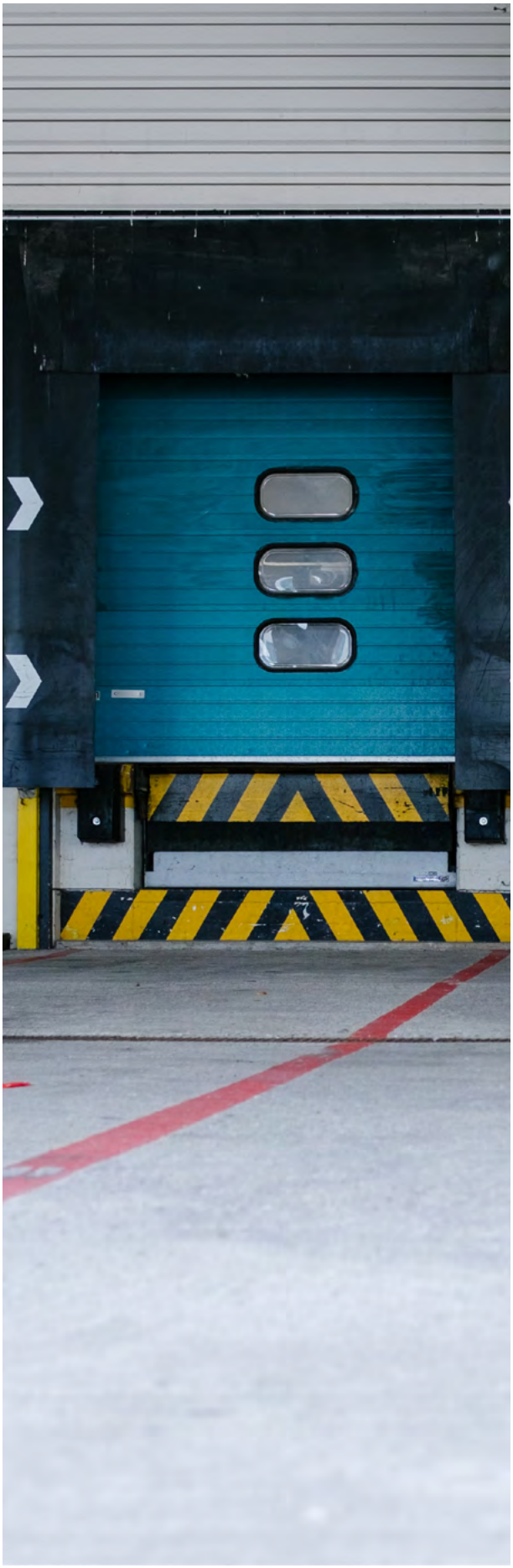
The remaining 36,300 sq m is located in the North West and North East, across five units. These units can be found in areas such as Northwest Logistics Park, Dublin Airport Logistics Park and HUB Logistics Park.

As of the end of 2020, all space under construction was available. However, with the level of requirements in the market at present and the volume of space currently available, market agents are confident that this space will be absorbed quickly, with pre-lets occurring before space completes in the later part of the year.

Development Activity, 2018 - 2020



Source: Cushman & Wakefield Research



Further space is due to enter construction activity statistics in the early part of 2020. The most noteworthy of these is E, Mountpark Baldonell, Dublin 24, which has recently signed to Amazon. Here site works have begun. Further pipeline sites include A6A & A6B at North City Business Park where a combined 4,200 sq m is due to go on site once possible with lockdown restrictions. Similarly, there is further space at Dublin Airport Logistics Park and HUB Logistics Park for which planning permission has been granted.

This space is much welcomed given the volume of new stock which has been added to the market during this cycle remains low. In total, just 235,200 sq m of new space has been added to the Dublin industrial and logistics market during the past decade, of which a notable portion was Design & Builds. This compares to over 1.3m sq m in the decade prior.

Largest Units Under Construction, Q4 2020

Property	Region	Size (Sq M)	Type
B, Greenogue Business Park	South West	26,600	To Let
A, Greenogue Business Park	South West	15,475	To Let
Q, Greenogue Business Park	South West	14,850	To Let
G, Greenogue Business Park	South West	11,175	To Let
637, Northwest Logistics Park	North West	11,075	To Let

Source: Cushman & Wakefield Research

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RENTAL LEVELS & 2021 OUTLOOK

Prime rents in the Dublin industrial and logistics market increased 3.7% in 2020, rising to €112 per sq m. Robust demand in an environment of tight supply is placing upward pressure on rental levels, with further upward movement anticipated in 2021. Cushman & Wakefield forecasts prime Dublin rents will further increase by 2.7% this year, to reach €115 per sq m at year-end. This projection would place prime rents at levels last recorded in 2007.

Overall, industrial and logistics is a sector to watch in 2021. Despite the year commencing in lockdown once more, demand within the market shows little signs of waning. Brexit has led to a number of new requirements within the market, while the highly reported structural shift in retail will continue to play to the advantage of those in logistics.

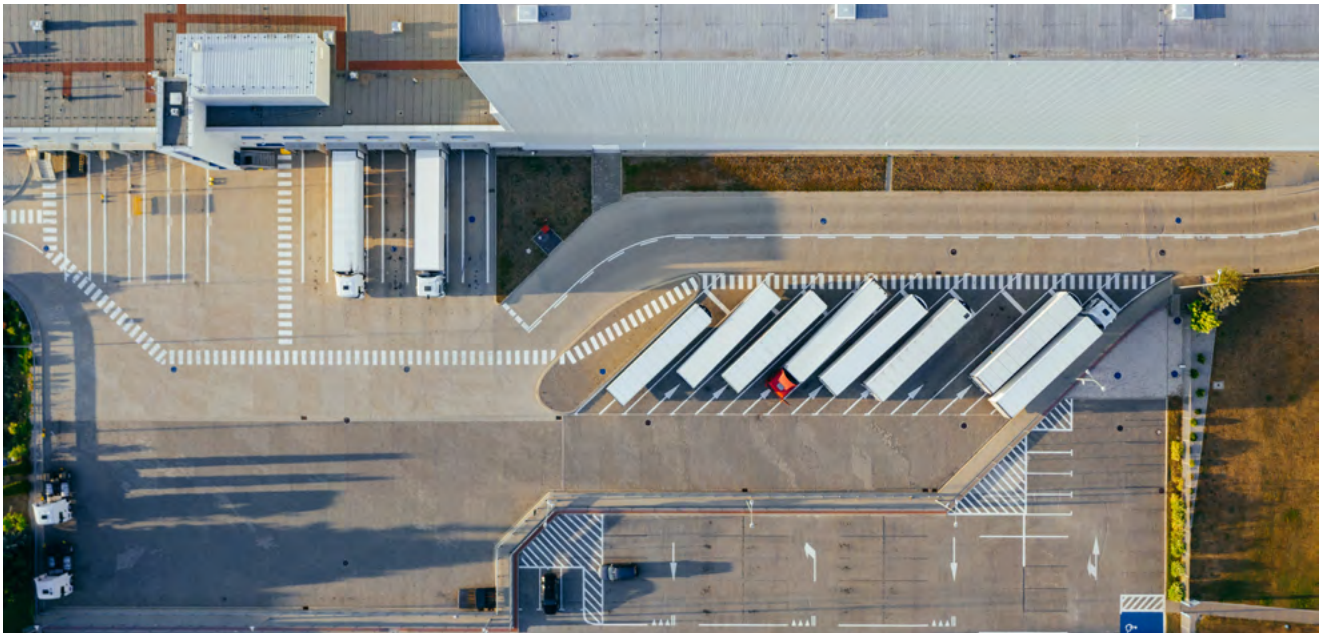
Availability levels are set to remain incredibly tight in the opening half of the year, with building site closures and lockdowns also impacting the launch of existing properties to the market.

However, the final quarter saw an uptick in the volume of space under construction and this is set to be a feature of 2021. There is clear visibility of speculative units primed to start development, while market intelligence suggests there is more to come. The market is therefore set to see, for the first time since prior to the great financial crash, a significant volume of product become available. This is a much welcomed and needed market trend.

Investor interest in logistics has increased substantially and this is expected to continue in 2021. On a larger scale, this is visible in the investment market where investors are purchasing units with a current rental stream. Industrial assets accounted for €265.4m worth of capital turnover in the investment market in 2020.

However, the high level of interest is also visible outside of official investment statistics, as a wider pool of investors are purchasing vacant available units, essentially competing with occupiers. This will intime see this space released back to the market as a lease hold opportunity, suggesting leaseholds will continue to account for the largest proportion of occupier activity.

This rise in investor and occupier demand in logistics coincides with positive returns for the sector from the most recent MSCI/SCSI Ireland Property Index results and is also similar to trends witnessed across European markets. Cushman & Wakefield research shows European logistics rental levels increased 1.2% annually in the final quarter, while prime yields fell to 4.6%. Further yield compression and rental growth is expected over 2021.



"The rise in online sales has played a pivotal role in the explosion of demand from both the occupier and the investor in the Dublin industrial and logistics market. The most recent E-commerce statistics released from the Central Bank give a good indication of this growth in 2020, with online expenditure in December up 21% on an annual basis. Given there remains room for further growth in the online market in Ireland as it lags behind other locations, this would suggest we should continue to see growth in 2021 and beyond."

KATE ENGLISH, CHIEF ECONOMIST,
HEAD OF IRELAND RESEARCH & INSIGHTS

Economic Indicators	2020* Change	2021 Outlook
GDP	▼	▲
Modified Domestic Demand	▼	▲
Inflation	▼	▲
Industrial GVA Growth	▲	▲
Online Retail Sales	▲	▲

*Forecasted Change

Market Indicators	2020 Change	2021 Outlook
Transactions	▼	▲
Availability	▼	▬
Completions	▼	▲
Construction Volumes	▲	▲
Prime Rents	▲	▲
Prime Yields	▼	▼

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