

IRELAND

Industrial Market Snapshot

Fourth Quarter | 2018



MARKET INDICATORS

Market Outlook

Prime Rents:	Rental growth forecasted, driven by construction inflation costs and demand/supply imbalances.	▼
Prime Yields:	Yield stability for prime industrial product will remain for 2019, at 5.00%.	►
Supply:	Although on paper supply remains high, there is a shortage of Grade A quality stock.	▲
Demand:	Logistics sector continues to drive activity.	▼

Prime Industrial Rents – December 2018

LOGISTICS LOCATIONS	€	US\$	GROWTH %	
	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Dublin	100	10.59	13.6	9.0
Cork	85	9.00	13.3	12.3
Galway	80	8.47	6.7	13.2
Limerick	59	6.25	9.3	9.4

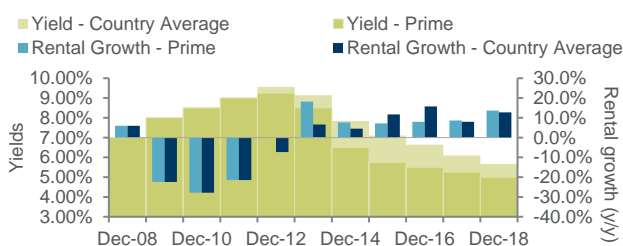
Prime Industrial Yields – December 2018

LOGISTICS LOCATION (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Dublin	5.00	5.10	5.25	9.25	5.00
Cork*	6.50	6.50	7.50	9.50	6.50
Galway*	7.75	8.00	8.00	11.00	7.75
Limerick*	8.00	8.25	9.00	10.00	8.00

Note: * 5yr record

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

Recent performance



Overview

The performance of the industrial sector continues to improve, albeit with a lack of availability of quality stock impacting occupier options. This lack of availability is not only placing upward pressure on rents, but has also culminated in a strengthening of lease terms in favour of the landlord.

Occupier focus

Most of the large box enquiries are being derived from Logistics Pharmaceutical, Aviation, Data Centres and E-retailer operators. Some occupiers are struggling to obtain Grade A space for a term of less than ten years due to contract driven requirements. Occupiers are generally focusing on Dublin's M50 belt as a key location, more specifically Southwest and Northwest Dublin.

Investment Focus

Ireland is seen as a growing market in terms of logistics, and investor interest in the market is certainly rising. Despite the strong interest portrayed by investors, a lack of product is a factor hindering the market. Industrial assets, despite rising, account for quite a small share of the overall investment market, as lot sizes tend to be small. In order to combat this, a recent acquisition by a European fund required a number of properties to be clubbed together to achieve a €20 million plus lot size. It is likely the market will see more deals of this nature will in the coming years. Like other sectors, investors are also looking regionally to satisfy their industrial requirements.

Outlook

There is a positive development pipeline for Grade A warehouse accommodation across the Dublin market. Speculative large box pipeline in excess of 6,000 sq m is predominantly focused on the N7 corridor in the area of Rathcoole, with activity in the 2,000 – 5,500 sq m size category being built speculatively in Northwest Dublin. The lack of progress in ongoing Brexit negotiations does not seem to be having any significant impact on occupier requirements and in fact, we have noted around six large box enquiries since the commencement of 2019.

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