

IRELAND

Industrial Market Snapshot

Second Quarter | 2019



MARKET INDICATORS

Market Outlook

Prime Rents:	Rental growth forecasted, driven by construction inflation costs and demand/supply imbalances	▼
Prime Yields:	Yield compression will continue in the short term	▲
Supply:	Although on paper supply remains high, a lack of high quality suitable supply remains	▲
Demand:	Logistics sector continues to drive activity.	▼

Prime Industrial Rents – June 2019

LOGISTICS LOCATIONS	€	US\$	GROWTH %	
	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Dublin	100	11.22	9.9	9.0
Cork	85	9.54	0.0	13.6
Galway	80	8.98	6.7	13.2
Limerick	65	7.29	10.2	11.3

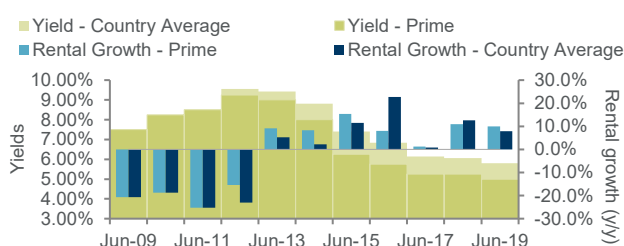
Prime Industrial Yields – June 2019

LOGISTICS LOCATION (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Dublin	5.00	5.00	5.25	9.25	5.00
Cork*	6.25	6.50	7.50	9.50	6.25
Galway*	7.75	7.75	8.00	11.00	7.75
Limerick*	8.00	8.00	8.50	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 market continues to perform strongly, with demand steady across all facets of the market. However, a lack of good quality available stock continues to be feature. Occupiers seeking modern buildings will be subject to prime rents, but also the prospect of signing up to a greater term. A lack of supply is putting pressure on contract driven occupiers who are unwilling to commit to long term leases.

Occupier focus

Most of the large box activity in the market at present is derived from Pharmaceuticals, Data Centres, E-Retailers and Logistic operators. Occupiers are generally focusing on Dublin's M50 belt as a key location, more specifically Southwest and Northwest Dublin. It is worth noting a number of UK trade counter requirements are being touted within the market, with at least one of these making a conscious effort to secure space. Lastly, traditionally a size bracket where supply was adequate to plentiful, a lack of developer appetite in constructing small enterprise units' (1,500 – 3,500 sq ft) points to a supply problem in the short to medium term.

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 continued lack of product is restricting the volume of transactions. This lack of product combined with minimum transaction lot sizes of €10 million plus for many domestic / overseas institutional buyers further limits opportunities of scale for cash rich purchasers.

Double digit returns in the Dublin market are increasingly difficult to come by, with value-add opportunities of scale also difficult to get hold of. This is due to a combination of the multiple freehold ownership structure of many Dublin based business parks, in addition to many inner city estates being rezoned for residential uses.

Outlook

There are signs of pre-let activity for speculative builds within the market, where a deal has been agreed prior to reaching practical completion. Occupiers with contract work seeking short term space may face an uphill battle to secure good quality space. Brexit related requirements remain relatively subdued; however, this could change as result if a hard BREXIT is seen in late October.

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Marian Finnegan

Chief Economist, Director
Silverstone House, Ballymoss Road, Sandyford,
Dublin 18, Ireland
Tel: +353 1 237 6341
Research@cushwake.ie