

Dublin Logistics and Industrial Market

May 2024

Occupier and investment trends in the Dublin logistics and industrial market.

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Weakest opening quarter of the last five years

The cautious approach that characterised occupier activity in the second half of 2023 continued into the opening quarter of 2024. Economic headwinds and operational cost pressures have resulted in transactions taking longer to complete with just 41,165 sq m signing in Q1.

“The largest transaction, Sports Direct’s design and build agreement for a new 26,013 sq m unit at Dublin Airport Logistics Park, accounted for 63% of take-up.”

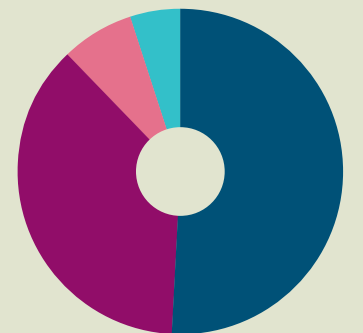
While the Sports Direct transaction underlined the continued strong demand for best-in-class space, it nevertheless distorted activity. Aside from this, transactions were predominantly smaller in nature (Deals of 2,500 sq m or less in size accounted for 72% of take-up) and concerned second-hand stock (None of the units that signed had a BER rating of C1 or above). 51% of take-up transacted in the South-West followed by 37% in the North-West. The remaining 12% occurred in the North and South-East.

Despite the slow start, inflation is falling and interest rate cuts are on the horizon. Meanwhile, the structural trends underpinning occupier demand remain strong:

Ecommerce: Although e-commerce growth slowed from its pandemic highs as consumers returned to in-person shopping and pulled back on discretionary spending, it remains an incremental demand driver for the long term as existing bricks-and-mortar retailers invest in their supply chains to capture more online sales. According to eCommerceDB, online sales accounted for 17.2% of the retail volume in Ireland in 2023. This is forecast to grow to 23.8% by 2028.

Geopolitical: Though many firms have reverted to just-in-time inventory strategies post-Covid due to cost

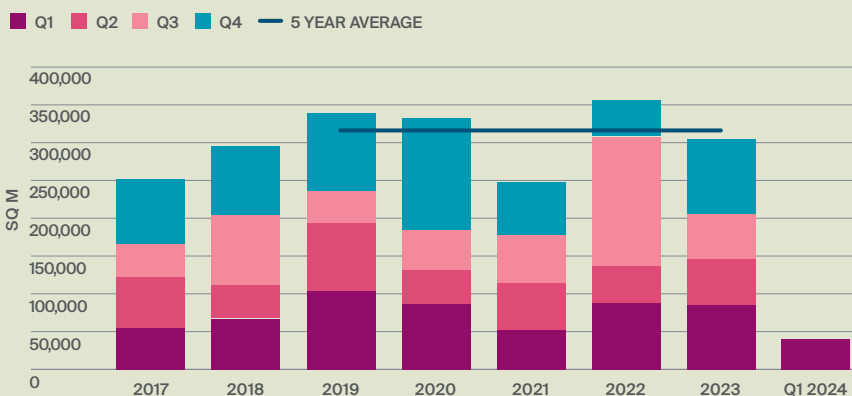
Take-up by location, Q1 2024*



South-West	51%
North-West	37%
North-East	7%
South-East	5%

* Excludes the Sports Direct deal
Source: Knight Frank Research

Take-up, 2017 – Q1 2024



Source: Knight Frank Research

Top 5 take-up deals, Q1 2024

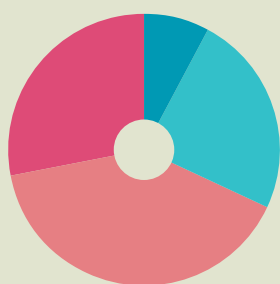
Ranking	Property	District	Size (Sq m)	Tenant	Type
1	Unit at Dublin Airport Logistics Park, Co. Dublin	North-West	26,013	Sports Direct	Sale
2	Unit at John F Kennedy Park, Dublin 12	South-West	4,290	Laydex	Letting
3	John F Kennedy Enterprise Centre, John F Kennedy Industrial Estate, Dublin 12	South-West	1,638	Confidential	Sale
4	Unit 4, Ballyboggan Industrial Estate, Dublin 11	North-West	1,572	Hermeq	Letting
5	Unit B2, Airport Business Park, Co. Dublin	North-West	1,555	Sixt Car Hire	Letting

Source: Knight Frank Research

pressures and improved efficiencies, inventory levels remain elevated. Ongoing geopolitical concerns in the Middle East and Ukraine continue to pose risks for international trade and highlight the need for resilient supply chains. This is supporting occupier demand, with a need to source or store more goods domestically rather than rely upon lengthy, just-in-time supply chains.

Given these factors, demand is expected to pick-up during the rest of 2024 and is likely to remain robust over the coming years, albeit at levels that will be lower than the highs witnessed between 2020-2022.

Take-up by deal size, Q1 2024*



<501 sq m	8%
501-1,000 sq m	24%
1,001-2,500 sq m	40%
2,501-5,000 sq m	28%
5,001-10,000 sq m	0%
10,001+ sq m	0%

* Excludes the Sports Direct deal
Source: Knight Frank Research

Further, but more moderate, rental growth forecast

Supply is tight with the vacancy rate remaining in the region of 2%. There was no new space added to availability in Q1 as Block C, Greenogue Logistics Park, which consists of 30,017 sq m and was pre-let to Uniphar, was the only building to complete.

Prime rents remained stable at €140 psm. The outlook is one of further growth this year with supply to remain tight against a backdrop of robust, but

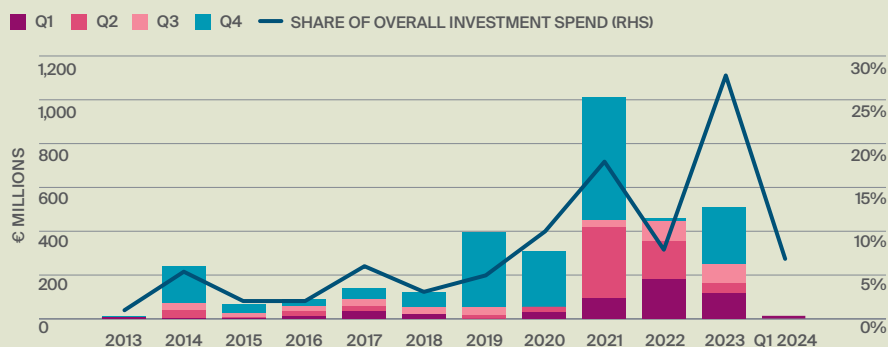
“Further increases in the vacancy rate will be constrained by the limited development pipeline with just 119,000 sq m under construction of which 39% is pre-let or reserved.”

more moderate, demand than seen in previous years. That said, we anticipate rental growth to moderate this year relative to the level witnessed in 2023.

Investor activity remains subdued

Just €11.0 million worth of assets traded in Q1 as the high cost of debt continues to weigh on investment activity. This was largely comprised of Arrow Capital Partner’s acquisition of Units 7 and 8, Airways Industrial Estate from Slate AM for €7.5 million. The prospect of interest rate cuts later this year means that investor optimism is starting to return, and the sector’s positive occupier fundamentals and long-term tailwinds will make it a key target for many. However, the availability of opportunities of scale will be critical for the sector to capitalise on this more positive sentiment. Prime yields remained stable at 5.00%.

Industrial and logistics investment, 2013 - Q1 2024



Source: Knight Frank Research

Rental analysis, Q1 2024

Type	Rental range (psm)	Specification	BER	Examples
Prime Logistics	€135-€140	12m+ clear internal height. Soft landscaping to parks	A	Horizon Logistics Park, Quantum Distribution Park, Mountpark Baldonnell, South-West Business Park, Dublin Airport logistics Park
Modern Industrial/Logistics	€118-€124	8m clear internal height. Metal deck roof	C	Rosemount Business Park, Fonthill Business Park, Greenogue Business Park
First Generation Industrial	€92-€113	6m eave height. Cement fibre roof	D	Airways Industrial Estate, Dublin Industrial Estate, Western Industrial Estate

Source: Knight Frank Research

We like questions, if you’ve got one about our research, or would like some property advice, we would love to hear from you.

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