

Dublin Logistics and Industrial Market

Q1 2023

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

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OCCUPIER MARKET

Robust take-up in the opening quarter

85,376 sq m of logistics and industrial space was taken-up in Dublin in the opening quarter of 2023 across 34 deals, a strong start to the year.

Demand for larger sized units remained strong. 44% of take-up in Q1 was comprised of deals over 10,001 sq m, while 15% was between 5,001 and 10,000 sq m and 23% was between 2,501 and 5,000 sq m. 18% of take-up in Q1 was comprised of deals that were 2,500 sq m or lower in size. The average deal size in Q1 was 2,511 sq m.

Strong demand for best-in-class buildings

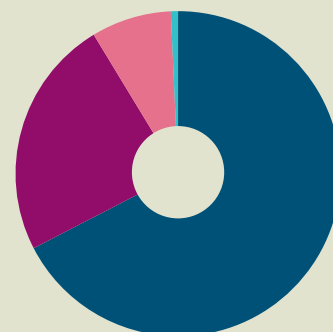
New build units led demand, comprising 76% of take-up in Q1. Their environmental credentials and modern specifications – such as higher eaves, EV charging and generous yard space - are increasingly in demand as occupiers seek to improve their operational efficiencies.

The South-West region experienced the highest levels of demand in Q1 accounting for 67% of take-up. The largest deal of Q1 consisted of the letting of 26,674 sq m at Building Two, Greenogue Logistics Park, Co. Dublin

to Wincanton, a 3PL provider for IKEA. This was followed by the letting of 6,749 sq m at Unit F, Mountpark Baldonnell II, Dublin 22 to DSV, another 3PL.

The North-West region accounted for 24% of take-up in Q1. The largest deal in this region was the sale of 11,077 sq m at Unit 637, Northwest Logistics Park, Dublin 15. The remaining 9% of take-up in Q1 was split between the North-East and the South-East.

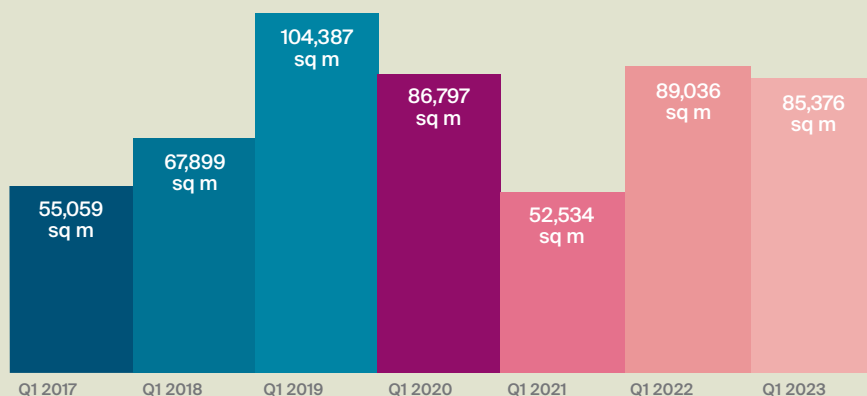
Take-up by location, Q1 2023



● South-West	67%
● North-West	24%
● North-East	8%
● South-East	1%

Source: Knight Frank Research

Opening quarter take-up, Q1 2017 – Q1 2023



Source: Knight Frank Research

Top 5 take-up deals, Q1 2023

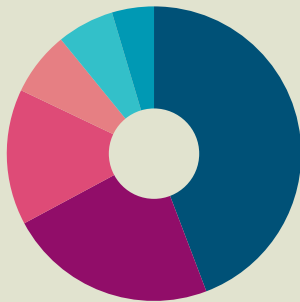
Ranking	Property	District	Size (Sq m)	Tenant	Type
1	Building Two, Greenogue Logistics Park, Co. Dublin	South-West	26,674	Wincanton	Letting
2	Unit 637, Northwest Logistics Park, Dublin 15	North-West	11,077	Confidential	Sale
3	Unit F, Mountpark Baldonnell II, Dublin 22	South-West	6,749	DSV	Letting
4	Unit 2 Brownsbarn, Citywest Business Campus, Dublin 24	South-West	5,990	Confidential	Letting
5	Unit 3, South West Business Park, Dublin 24	South-West	4,784	Toolbank	Letting

Source: Knight Frank Research

Shortage of units persists

The supply pipeline remains constrained – 147,000 sq m is currently under construction of which 68% is already pre-committed or reserved. As such, there was continued upward pressure on prime rents which rose from €124-129 psm to €129-€135 psm in Q1. Due to a combination of inflated build and financing costs, we expect that new development starts will remain constrained, keeping a floor on prime rents for the remainder of 2023 with some potential on the upside.

Take-up by deal size, Q1 2023



● <501	5%
● 501-1,000	6%
● 1,001-2,500	7%
● 2,501-5,000	23%
● 5,001-10,000	15%
● 10,001+	44%

Source: Knight Frank Research

INVESTMENT MARKET

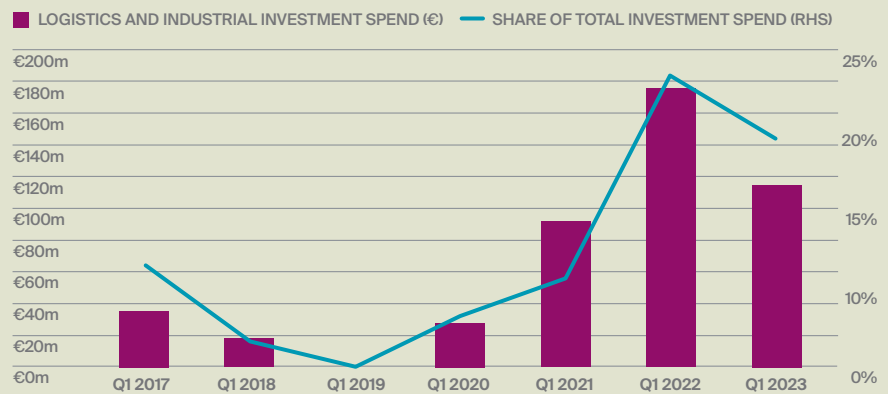
Yields continue to soften

Two assets transacted in Q1, totalling €114.8 million. Representing 18% of the total investment spend in Ireland in Q1, logistics and industrial assets were the second most sought after asset class after PRS. In what was the largest transaction of Q1, KKR and Palm Capital sold Building One and Two, Greenogue Logistics Park, Co. Dublin to Ingka Investments for €100.0 million, representing a net initial yield of 4.30%. Ingka investments are the investment arm of the Ingka Group, the largest owner and operator of IKEA Retail. The final transaction saw Kennedy Wilson purchase a portfolio of logistics and industrial assets for €14.8 million, representing a net initial yield of 5.15%.

Even though the sector remains a key target for investors, driven by strong occupational demand, sluggish supply and continued rental growth, tougher lending conditions will limit investment activity. In conjunction with the continued shortage of investable, ESG certified stock on the market, investment volumes are expected to remain subdued for at least the first half of 2023. Prime yields softened by 25 basis points in Q1, rising to 5.00%.

Prime new assets will increasingly outperform secondary assets. Older, or poorly specified units, which may previously have been redeveloped or refurbished, now face a greater risk of obsolescence due to the rising costs associated with construction and financing.

Opening quarter investment spend, Q1 2017 - Q1 2023



Source: Knight Frank Research

Rental analysis, Q1 2023

Type	Rental range (psm)	Specification	BER	Examples
Prime Logistics	€129-€135	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	€97-€118	8m clear internal height. Metal deck roof.	C	Rosemount Business Park, Fonthill Business Park, Greenogue Business Park
First Generation Industrial	€86-€97	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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