RESEARCH
INDUSTRIAL MARKET INSIGHT Q1 2017

Strong export and manufacturing activity continues to underwrite the demand for industrial property. According to the CSO, the value of exports in March 2017 was 9% higher compared to the same month last year.

Additionally the manufacturing sector registered 46 consecutive months of expansion with the Investec Purchasing Managers' Index standing at 53.6 in March 2017. Of particular significance is the fact that new orders have risen for the past eight months with respondents reporting increased business from international clients.

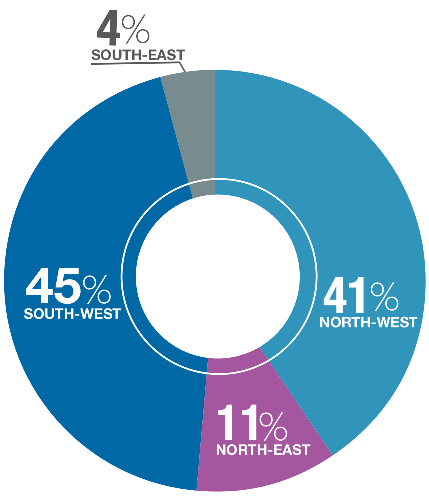
55,059 sq m of take-up was recorded in Dublin across 40 transactions during Q1. While this represented a decrease in comparison to previous quarters, this can be attributed to the significant shortage of modern industrial stock along Dublin's most important road networks, rather than a decrease in occupier demand.

Unit 526, Greenogue Business Park

FIGURE 1
Take-up by type

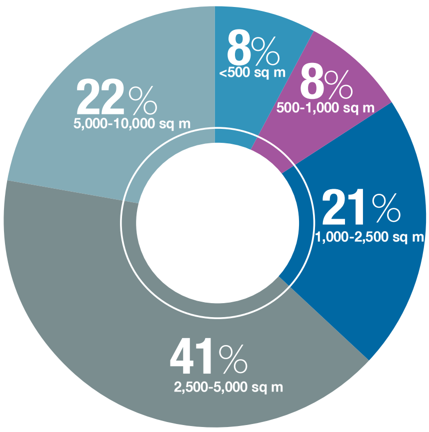
Source: Knight Frank Research

FIGURE 2
Take-up by location



Source: Knight Frank Research

FIGURE 3
Take-up by deal size



Source: Knight Frank Research

Of Dublin's take-up, lettings accounted for 63% while 37% was comprised of sales. Demand for space was highest in Dublin South-West with the area accounting for 45% of take-up, followed closely by Dublin North-West which accounted for a further 41% of take-up.

Of the amount of space transacted in Q1, 41% was between 2,500 sq m and 5,000 sq m. In addition, 22% was between 5,000 sq m and 10,000 sq m, while there were no transactions in excess of 10,000 sq m. Prime rents stand at €98 per sq m while rents for secondary product are in the region of €54 - €65 per sq m.

Industrials are continuing to post the highest total returns compared to retail and offices which is encouraging investor appetite for this asset class. According to the IPD/MSCI index, the Dublin industrial sector achieved total returns of 3.2% in Q1 2017, ahead of retail (2.4%) and office (1.7%).

However, supply of prime industrial units is constrained, particularly for larger lot sizes. Of the €469 million invested in the Irish commercial property investment market in Q1, 8% was comprised of industrial assets. Prime industrial yields in Dublin remained at 5.25% in Q1.

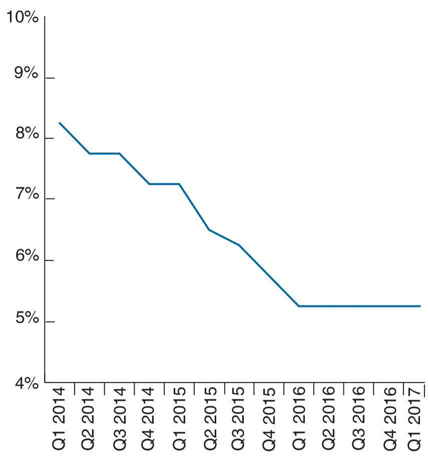
In terms of new construction, prime rental values are now close to levels that justify new development which will drive demand for industrial

55,059
sq m of take-up transacted in Q1 2017

development land and increase construction activity. Green REIT is constructing approximately 3,000 sq m of industrial space at the Horizon Logistics Park which is expected to be completed in Q2 2017.

Rohan Holdings is also developing approximately 28,000 sq m of industrial space in a variety of locations across Dublin including Dublin Airport Logistics Park as well as the North City and Southwest Business Parks. Meanwhile, Park Developments have recently lodged planning permission for in excess of 20,000 sq m of logistics space at Northwest Business Park in Ballycoolin.

FIGURE 4
Industrial yields



Source: Knight Frank Research

FIGURE 5
Top 10 industrial transactions

Property	District	Size (Sq m)	Type
Former SDS Facility, Naas Rd, Dublin 22	South-West	7,022	Letting
Unit 3, South City Business Park, Dublin 24	South-West	5,028	Sale
IBM Facility, Ballycoolin Industrial Estate, Dublin 15	North-West	3,953	Sale
Unit 5, Airways Industrial Estate, Dublin 9	North-West	3,860	Letting
Clonshaugh Business & Technology Park, Dublin 17	North-East	3,705	Sale
Unit B2, Horizon Logistics Park, Co. Dublin	North-West	3,061	Letting
Unit 517, Greenogue Business Park, Co. Dublin	South-West	2,744	Letting
12 Northern Cross Business Park, Dublin 11	North-West	2,712	Letting
70-74, Broomhill Road, Dublin 24	South-West	2,513	Letting
Bracetown Business Park, Dublin 15	North-West	1,955	Letting

Source: Knight Frank Research

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