

Figures

# Dublin Industrial & Logistics

## Q2 2024

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Slowdown in Take-Up in H1;  
Demand Remains Healthy  
and Outlook for H2 is  
Positive

CBRE RESEARCH  
JULY 2024



FIGURES | DUBLIN INDUSTRIAL & LOGISTICS (I&L) | Q2 2024

# Slowdown in Take-Up in H1; Demand Remains Healthy and Outlook for H2 is Positive

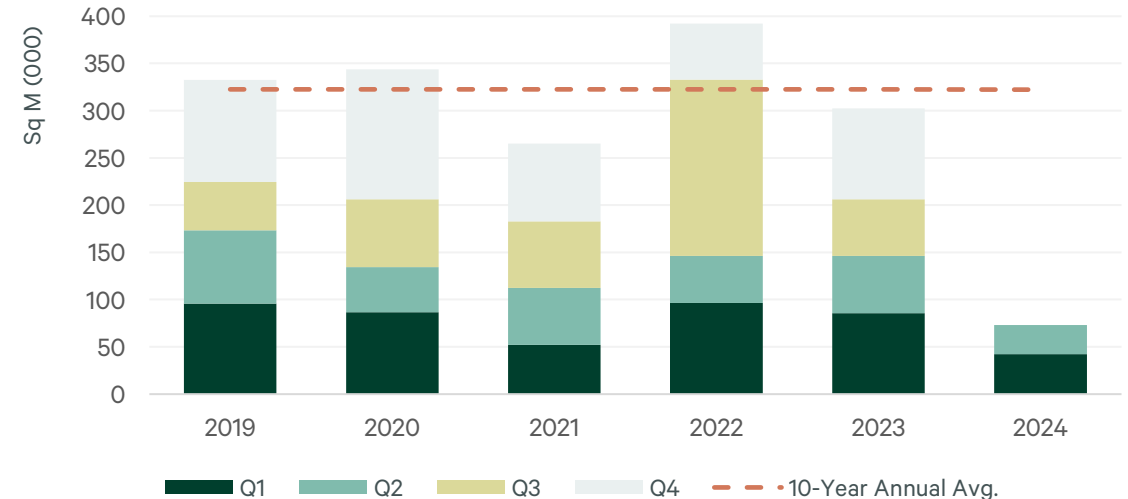


Note: Arrows indicate change from previous quarter.

## Q2 Highlights

- Over the last 18 months, a slight change in tone has been evident across some European industrial & logistics (I&L) markets
- Take-up in the south east UK and greater Amsterdam industrial markets fell by over 40% in 2023, and rental growth forecasts for 2024 in some markets have been reduced
- Dublin continued to see solid levels of activity in 2023, but a greater decline in take-up has been evident this year. However, demand remains healthy and activity in H2 should improve
- Dublin take-up totalled just over 31,000 sq m (0.34 million sq ft) in Q2, 60% below the long-term quarterly average for the market and the lowest quarter of activity since Q1 2014
- Higher interest rates and rising rents preventing tenants from taking on new leases, along with the low availability of prime stock have all been cited as catalysts for the fall in take-up
- West Pharmaceutical Services signed the largest deal in Q2, acquiring a 9,043 sq m facility in Damastown Industrial Estate as part of the Orbital Portfolio sale
- The vacancy rate across the top I&L parks in Dublin remains low, at just 2.3%
- Prime rents are unchanged at €139.9 psm (€13.00 psf) while prime yields also remain unchanged at 4.75% and stable

Figure 1: Dublin Industrial & Logistics Take-Up 2019 - 2024



Source: CBRE Research

## Market Overview

Over the last 18 months, a change in tone has been evident across some European industrial & logistics markets. Take-up in the south east UK and greater Amsterdam industrial markets fell by over 40% in 2023, and rental growth forecasts for this year across some European markets have been reduced.

Ireland, particularly the Dublin market, continued to enjoy solid levels of demand and take-up through 2023, but in Q1 and now in a more pronounced fashion in Q2, a material slowdown in take-up is evident. However, encouragingly the underlying level of new demand requirements in the market remain healthy, which should translate into more deal activity in H2.

Take-up in Dublin this quarter has fallen to its lowest level since 2014, and total space taken up in the first half of the year (73,187 sq m) is lower than the 10-year historical average for just one quarter. Notably, some of the decline in Dublin has been replaced by take-up activity in industrial parks on the M7 Corridor in Kildare, where new speculative development is ongoing.

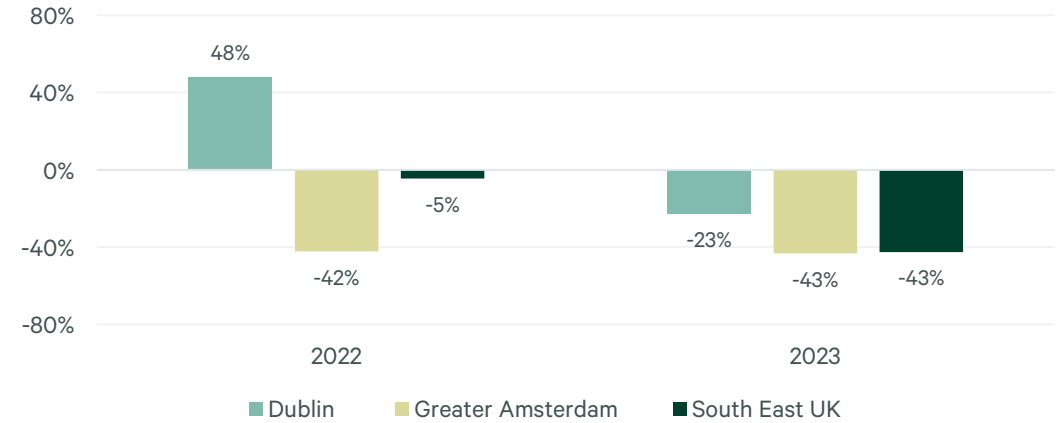
### Global Challenges

- Cost escalation: a higher cost of capital, labour costs, energy costs and construction costs have all placed more pressure on occupiers cost base.
- Economic uncertainty: despite Ireland’s continued robust economic performance, at a global level, a softening in consumer demand, slowing economic growth and geopolitical instability have led to a slowdown in corporate decision-making.

### Domestic Challenges

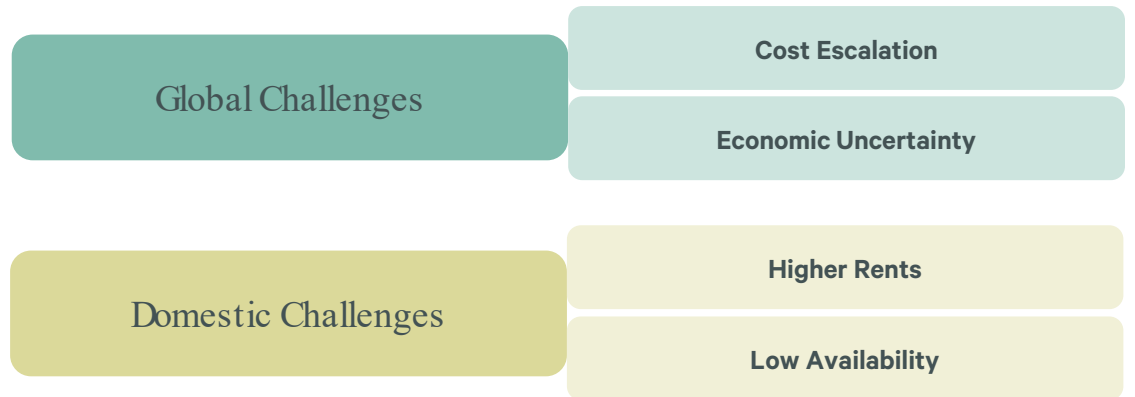
- Higher rents: while the Dublin market has experienced exceptional levels of rental growth, at both a prime and secondary level, over recent years, this has led to cost-conscious tenants being more hesitant to take on new leases.
- Low availability: A lack of available stock in Dublin has also contributed to lower levels of take-up in the last six months.

Figure 2: Dublin vs. European Markets - Annual % Change in Take-Up



Source: CBRE Research

Figure 3: Catalysts for the Recent Slowdown



Source: CBRE Research

## Take-Up

Dublin industrial and logistics (I&L) take-up totalled just over 31,000 sq m (0.34 million sq ft) in Q2, approximately 25% below the level of take-up in Q1 and approximately 60% below the long-term quarterly average for the Dublin market (80,000 sq m). Indeed, this was the lowest quarter of take-up activity since Q1 2014.

In recent years, deal activity in the Dublin market has been underpinned by large-scale, pre-letting and build-to-suit structured transactions, typically involving modern, prime, sustainable facilities. There was a notable absence of such transactions in Q2, with 100% of take-up involving second-hand stock.

Similarly, international third-party logistics, retailers and pharmaceutical groups have been key to driving this type of take-up activity in the last number years. There was a sharp decline in activity among this cohort in Q2, with nine of the top ten deals involving domestic occupiers. West Pharmaceuticals being the only exception.

### Notable Transactions: The Orbital Portfolio Sale

The largest deal of Q2 was the sale of Building 1, Damastown Industrial Estate, as part of the Palm Capital/KKR Orbital Portfolio sale. US pharmaceutical manufacturer West Pharmaceutical Services was the acquirer of the 9,043 sq m (97,500 sq ft) warehousing and distribution facility on the N3. Alongside this sale, Palm Capital/KKR also successfully closed the disposal of a separate smaller unit at Sandyford Industrial Estate to Jaguar Ireland in Q2 as part of the same portfolio. The sale of a further two units within the portfolio continues to progress.

The largest leasing deal of Q2 was at Irish Life’s Uniphar House at Belgard Road Industrial Estate on the N81, where domestic logistics group Caulfield Transport signed a 5-year lease for 6,713 sq m (72,259 sq ft).

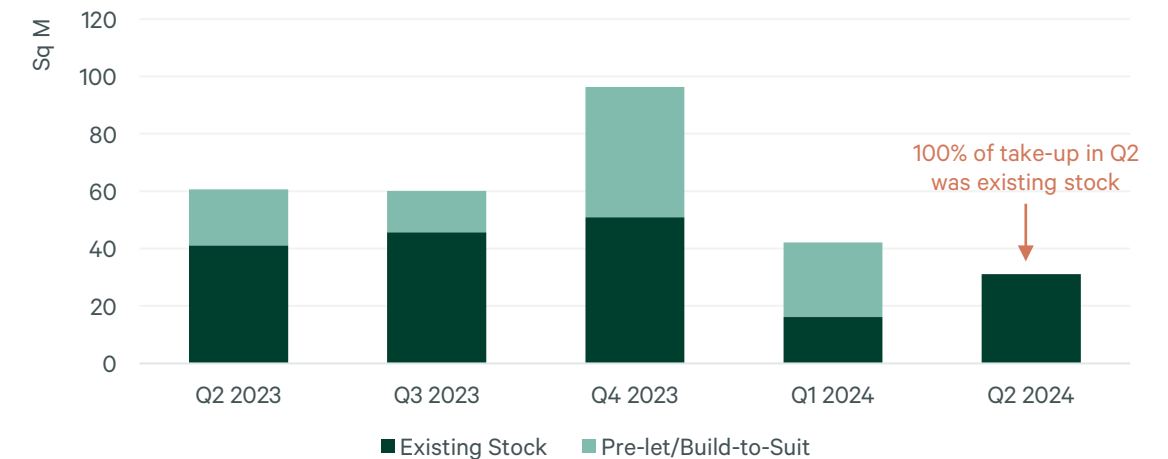
Outside Dublin, the most notable deal of Q2 was the pre-letting of 7,897 sq m (85,000 sq ft) of warehousing space at Momentum Logistics Park on the M7 corridor in Co. Kildare. Elsatrans signed a long-term lease for the facility, which is due to reach practical completion in 2025. Units at Momentum have attracted considerable interest, and two further deals are progressing.

Figure 4: Top 5 Dublin Industrial & Logistics Transactions Q2 2024

Property	Road Corridor	Transaction Type	Size Sq M	Tenant/Purchaser
Building 1, Damastown Industrial Estate	Dublin North West (N3)	Freehold Sale	9,043	West Pharmaceutical
Uniphar House, Belgard Road Industrial Estate	Dublin South West (N81)	Letting	6,713	Caulfield Transport
Unit 5 & 8, Cookstown Industrial Estate	Dublin South West (N81)	Letting	1,684	House of Padel
Unit 1-4, Church Lane, Santry Hall Industrial Estate	Dublin North East (M1)	Freehold Sale	1,415	P&C
Warehouse 1, Cookstown Industrial Estate	Dublin South West (N7)	Letting	1,394	Conneally’s Construction

Source: CBRE Research

Figure 5: Breakdown of Take-Up – Pre-Let/Build-to-Suit vs. Existing Stock



Source: CBRE Research

## Market Activity

In total, 23 transactions were signed in the Dublin I&L sector in Q2, of which 16 comprised lettings and seven comprised sales. This is an increase from the 16 transactions completed in Q1, however it still trends below the average for the market in 2023, which was 28 deals per quarter.

### Take-Up by Road Corridor

The Dublin North-West (N3) road corridor accounted for the largest proportion of take-up (32%) in Q2. This was largely driven by the sale of Building 1 in Damastown Industrial Estate. Dublin South-West (N7) followed closely, led by the largest letting of the quarter at Belgard Road Industrial Estate.

Typically, the South-West (N7) Corridor has seen the largest proportion of take-up. It rebounded in Q2 and accounted for 31% of total space taken up, an increase from 18% in Q1. Dublin North-East (M1) accounted for 22% of take-up.

### Take-Up by Size

Over 40% of take-up in Q2 comprised of transactions for buildings less than 465 sq m (less than 5,000 sq ft) in size. A total of eight deals in the 930-1,858 sq m (10,000-20,000 sq ft) bracket completed in Q2, accounting for 35% of take-up.

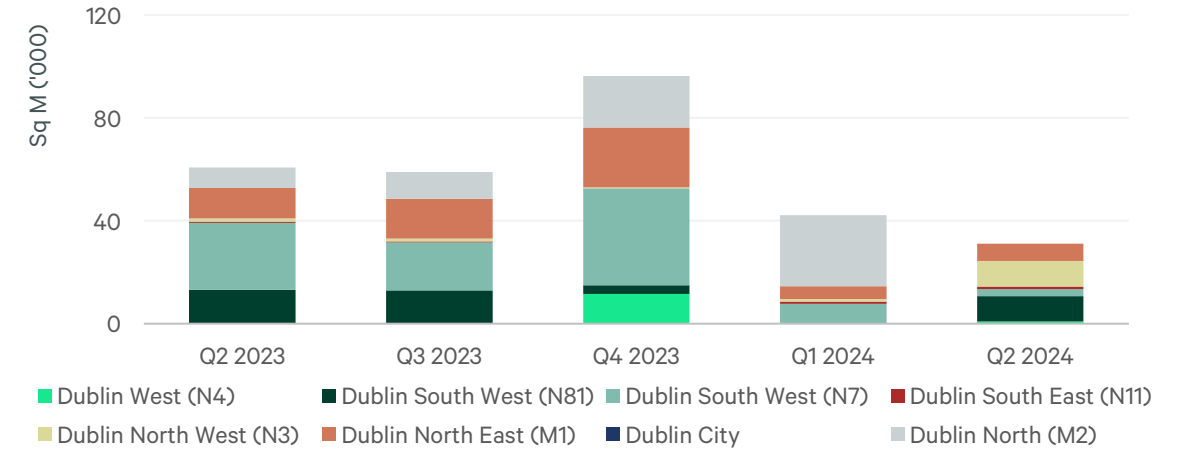
The average deal size in Q2 was 1,351 sq m (14,542 sq ft), compared to an average of 2,632 sq m (28,330 sq ft) in Q1. The average deal size in the year 2023 was 3,191 sq m (34,348 sq ft).

### Demand & Vacancy

New demand requirements recorded in Q2 totalled 105,300 sq m (1.13 million sq ft), down just over 10% quarter on quarter.

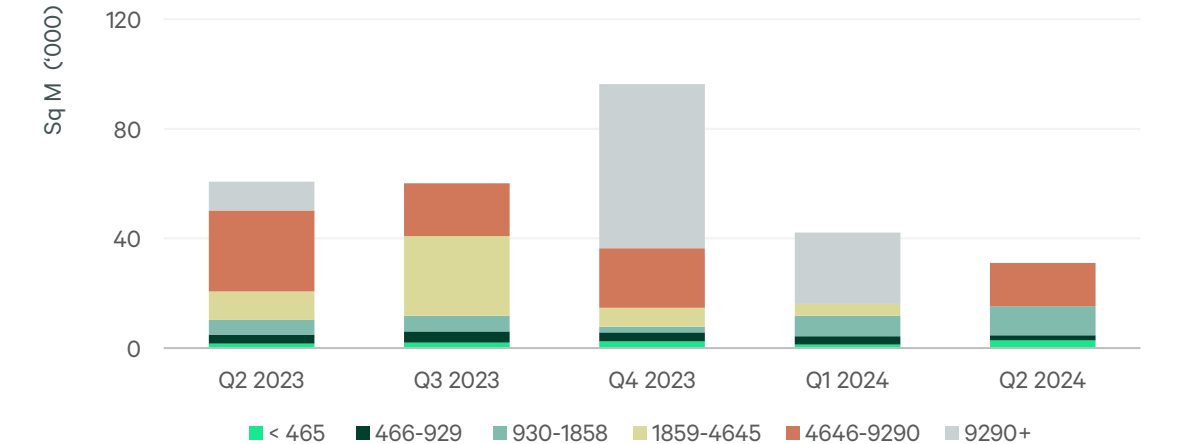
At the end of Q2, the vacancy rate across standing stock at the top I&L parks in Dublin was 2.3%, trending higher quarter-on-quarter.

Figure 6: Dublin Industrial & Logistics Share of Take-Up By Road Corridor



Source: CBRE Research

Figure 7: Dublin Industrial & Logistics Share of Take-Up By Size Bracket (Sq M)



Source: CBRE Research

## Supply Pipeline

Developers continue to take a more conservative approach towards prospective I&L development in Dublin, with pre-let and build-to-suit agreements being a requirement for some to commence construction. Higher construction costs and a slowdown in take-up, combined with higher financing and construction costs, have seen the delivery of new supply slow in 2024.

In H1 2022 and H1 2023, 103,000 sq m and 87,000 sq m of new industrial development reached completion in the Dublin market, respectively. However, this year, just 36,000 sq m has been completed in the corresponding period. The only practical completion in Q2 2024 was Unit 736 at Northwest Logistics Park (6,385 sq m), which is pre-let to PCI Pharma on a 15-year lease by Park Developments. Two units at Henderson Park’s Horizon Logistics Park are also expected to reach practical completion imminently.

Separately, the refurbishment of Ballymount Logistics Hub, a 14,112 (151,889 sq ft), BER A rated, high bay facility in the M50 Business Park is also nearing completion and will be available for occupation from September 2024.

### Under Construction: New Stock Being Drip Fed to the Market

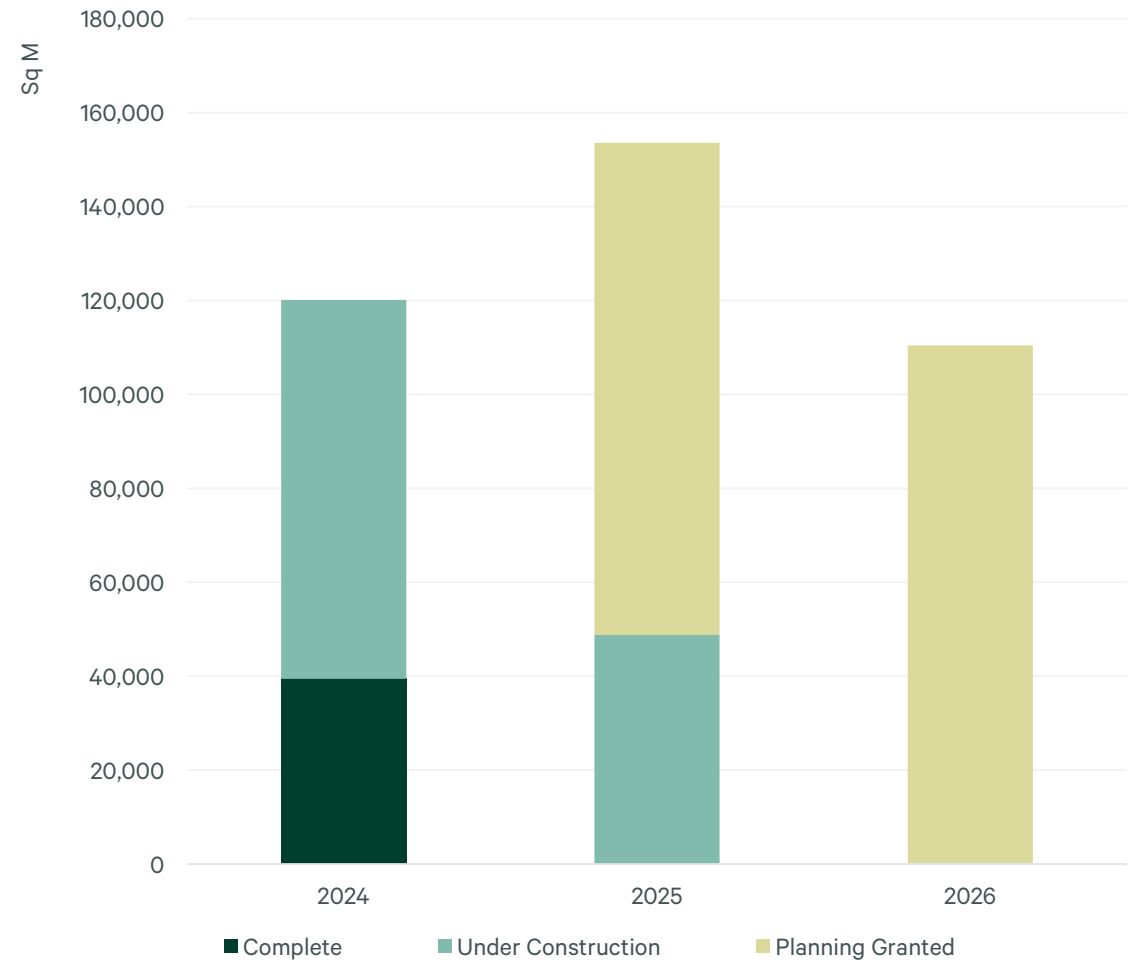
A total of 130,000 sq m (1.4 million sq ft) of new Dublin I&L stock is under construction across 14 buildings, all due for delivery over the next 12 months, over 30% of which is pre-let/reserved.

### Planning Granted: Chancery Gate Multi-let Industrial

There is a growing focus on the development of smaller industrial units in Dublin, where there is now a considerably strong level of market demand and where high rent levels (on a per sq ft basis) can be achieved.

Multi-let specialist industrial developer Chancery Gate, alongside Bridges Fund Management, has been granted planning for the development of 13 new units ranging in 1,300 to 3,120 sq m in size at Airport Trade Park on the Swords Road adjacent to Dublin Airport. This will be the first multi-let industrial development in Dublin in over 15 years, and more developers and investors are now carrying out deeper analysis on the sector.

Figure 8: Dublin Industrial & Logistics Development Supply Pipeline



Source: CBRE Research

## Rents

Prime Dublin I&L (nominal) rents have enjoyed exceptional levels of growth over the last two years, due to both a supply-demand imbalance in the market and a requirement to offset rising construction costs. In 2023, prime Dublin rents rose by 13%, following a 9.5% increase in 2022.

CBRE anticipates that this rental level of growth should moderate in 2024 and is forecasting a more moderate growth of +5.8% in prime rents in 2024, from the current level of €139.9 psm (€13.00 psf) to €148.00 psm (€13.75 psf).

While Dublin take-up has been slower this year, the market remains undersupplied, and many under construction and planned developments have asking rents in this range, which are attracting enquiries. CBRE has oversight on at least three transactions that should close in H2 that support rent forecasts of this level.

Figure 9: European Prime Rental Growth Forecasts - End 2024

Location	% Change
Lisbon	+9.1%
Brussels & Periphery	+7.1%
Dublin	+5.8%
Berlin	+4.8%
Paris Ile-de-France	+4.0%
UK, South East	+2.2%
Amsterdam, Greater Region	+1.7%
Munich	+1.4%

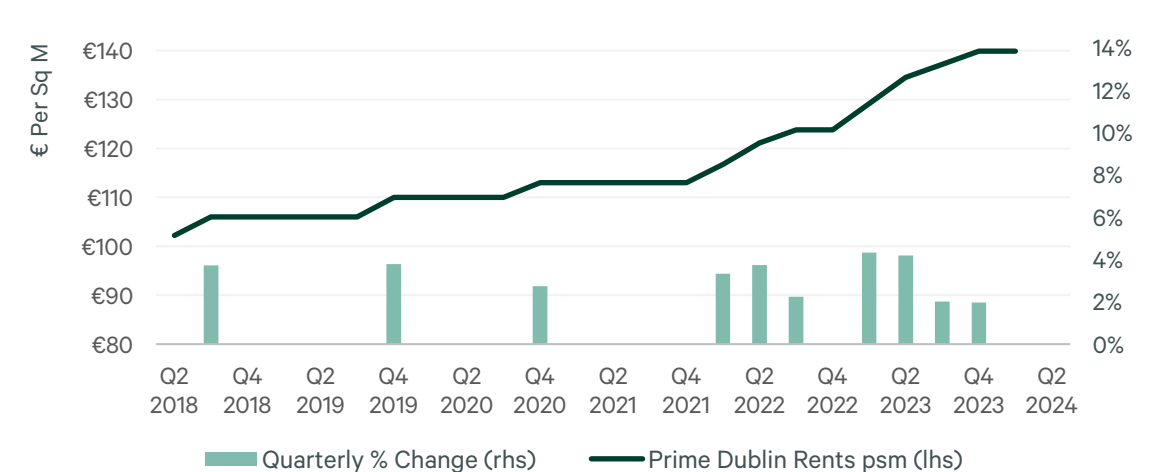
Source: CBRE Research

Figure 10: Industrial & Logistics Rents Q2 2024

Category	Rent Per Sq M	Rent Per Sq Ft	Quarterly % Change
Prime Dublin (New Stock)	€139.93	€13.00	-
Prime Dublin (Second-Hand Stock)	€123.78	€11.50	-
Secondary Dublin	€102.25	€9.50	-
Prime Cork	€134.55	€12.50	-
Provincial	€75.35	€7.00	-

Source: CBRE Research

Figure 11: Prime Dublin Industrial & Logistics Rents 2018 - 2024



Source: CBRE Research

## Investment Activity

Following on from being the most invested sector in 2023, the I&L sector has accounted for just 8% of total investment spend in Ireland in the year-to-date, with a distinct lack of prime investable opportunities in H1. There was a slight uptick in investment volumes from Q1, where just €8.75m was deployed, with €43m being deployed into the sector in Q2. These sales were small-ticket, secondary stock sales in Dublin, Limerick, and Cork.

Active buyers in Q2 again included French funds, with SCPI group MNK acquiring a unit at Model Farm Road in Cork for €6.125m (close to 7% NIY).

While there has been a dearth of big-ticket investment transactions in the first half of the year, there is at least one large-scale, off-market transaction that should close in H2, which has attracted institutional capital. Alongside this, a mid-lot size transaction is progressing well, and a number of smaller deals remain ongoing.

It is worth noting that the lending appetite for I&L properties remains strong. In CBRE’s [European Lender Intentions Survey 2024](#), lenders identified the I&L sector as the most attractive sector for lending. The slightly lower cost of capital available for I&L assets makes debt investing into the sector more viable than other sectors at this point.

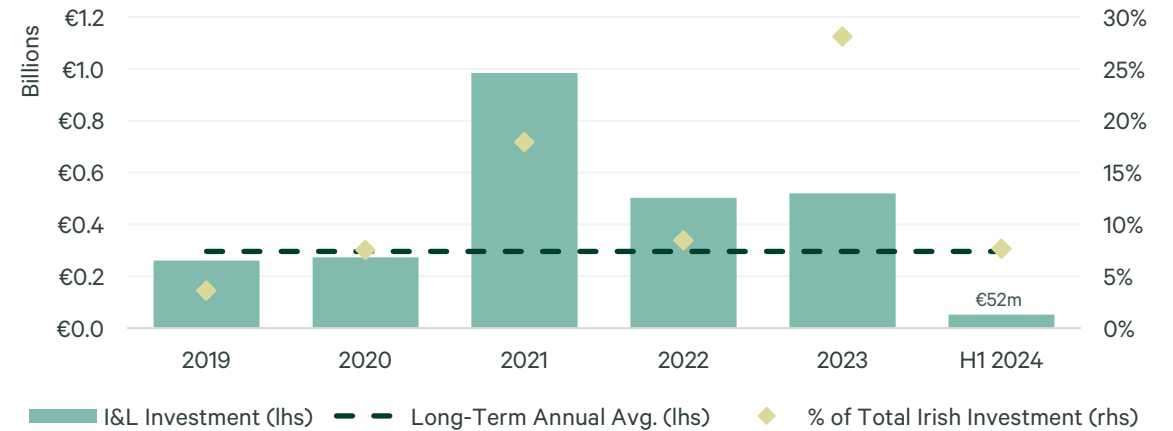
However, capital raising for most European funds in the last 12 months has had a focus on value-add or opportunistic strategies. These funds will see less opportunities in the Irish industrial market where yields remain tight.

### Yields: Prime Pricing Stable Across European Markets

I&L continues to be one of the few sectors to trend *stable*. Prime Dublin I&L yields are currently 4.75%, while secondary buildings are yielding 6.00%. Prime Cork I&L yields have also remained stable at 5.75%.

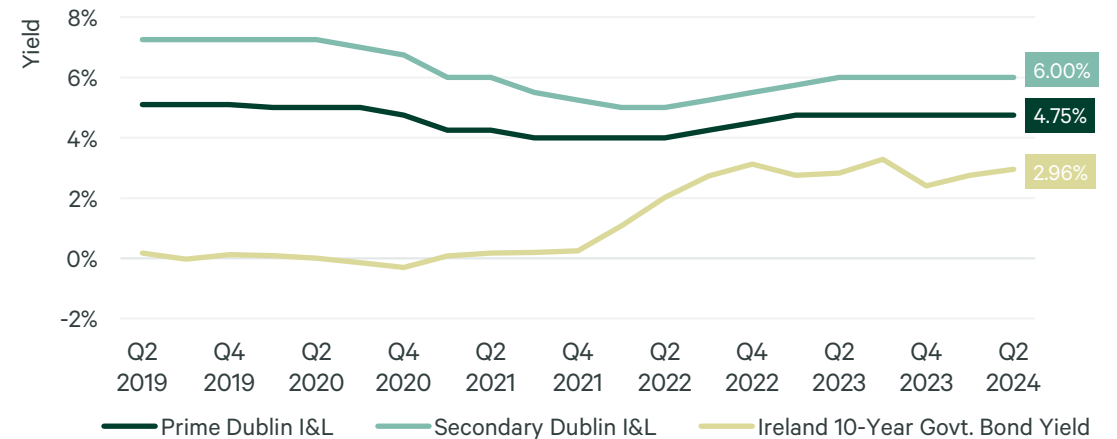
Prime yields around other European markets also remain stable. CBRE Research recorded no yield expansion in the prime logistics category across the key cities in Europe over the last quarter (CBRE Research covers 28 markets in this analysis).

Figure 12: Ireland Industrial & Logistics Investment Volumes 2019 - 2024



Source: CBRE Research

Figure 13: Dublin Industrial & Logistics Yields (EY) 2019 - 2024



Source: CBRE Research

**Figure 14: Ballymount Logistics Hub; Refurbished (BER A) and Available From September 2024**



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