

Figures

Dublin Industrial & Logistics

Q1 2024

Take-Up Slower in Q1; 'Big
Box' Deal Closes for the
Second Successive Quarter

CBRE RESEARCH
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FIGURES | DUBLIN INDUSTRIAL & LOGISTICS (I&L) | Q1 2024

Take-Up Slower in Q1; ‘Big Box’ Deal Closes for the Second Successive Quarter

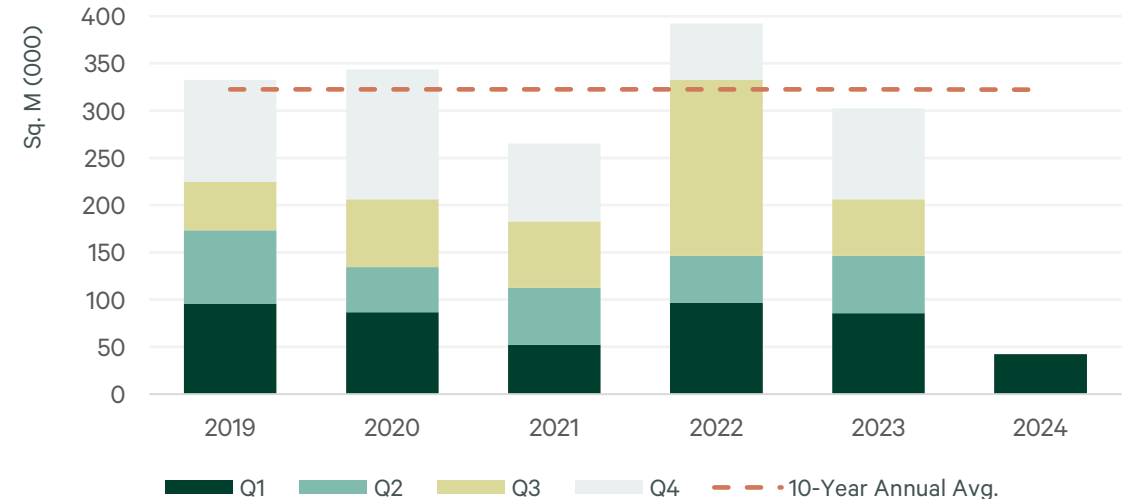
▼ 42,111 sq m Take-Up
 ▲ 30,017 sq m Completions
 ▲ 1.7% Vacancy Rate
 ▶ €139.9 psm Prime Rents
 ▼ €8.75m Investment
 ▶ 4.75% Prime Yield

Note: Arrows indicate change from previous quarter.

Q1 Highlights

- Dublin industrial and logistics (I&L) take-up totalled just over 42,100 sq m (0.45 million sq ft) in Q1
- This was the lowest quarter of deals since Q2 2018, and was approximately 50% below the long-term quarterly average for the Dublin market
- While deal flow was lower, one exceptionally large prime deal signed in Q1. *Sports Direct* signed contracts for the acquisition of an approx. 26,000 sq m facility on a subject to planning basis
- The transaction is noteworthy in that it is a 100% absorption of new stock, and the reasons for the purchase reflect many of the macro-trends that have been driving demand in recent years
- The vacancy rate across standing stock at the top I&L parks in Dublin is now 1.7%, trending higher quarter-on-quarter
- Approximately 120,000 sq m (1.3 million sq ft) of new Dublin I&L stock is under construction across 14 buildings, with just one of these units located in south Dublin
- Prime rents were unchanged at €139.93 psm (€13.00 psf), the first quarter since Q4 2022 where prime rents did not increase
- Q1 investment was low (€8.75m), but will increase materially in Q2 and H2 of this year

Figure 1: Dublin Industrial & Logistics Take-Up 2019 - 2024 Q1



Source: CBRE Research

Market Overview

Dublin industrial and logistics (I&L) take-up totalled just over 42,100 sq m (0.45 million sq ft) in Q1. Following another strong year of sales and leasing in 2023, when take-up totalled 302,486 sq m (3.25 million sq ft), this was the lowest quarter of deals since Q2 2018, and approximately 50% below the long-term quarterly average for the Dublin market.

While overall take-up in Dublin was lower this quarter, this was in part due to a lack of available stock, particularly in south Dublin. Indeed, this undersupply of space in south Dublin has led to more interest in logistics parks further along the M7 corridor, most notably at Globe Logistics Park and Momentum Logistics Park, just outside Naas in Co. Kildare.

The effect of higher interest rates is also likely a factor that has come through in leasing and sales activity this quarter, as some occupiers have been more hesitant to commit to large capital expenditure in recent months, given the higher cost of finance. Also, the market has clearly been on an exceptional growth run, with record levels of transactional activity and rental growth, and while there is still strong demand, activity was expected to normalise in 2024.

Notable Transactions: Sports Direct Acquisition at DALP

One exceptionally large prime deal signed in Q1, with UK retailer Sports Direct signing contracts for the acquisition of an approx. 26,000 sq m (280,000 sq ft) warehousing and distribution facility at Dublin Airport Logistics Park, on a subject to planning basis. The facility has an expected completion date of late 2025. Notably, Sports Direct has not previously had its own warehouse presence in the Irish market, so the deal reflects 100% net absorption of new stock.

The transaction is also noteworthy in that it reflects all of the broader trends that have been supporting demand for I&L stock in Ireland over recent years: e-commerce growth, Brexit-related near-shoring, and the general de-risking of supply chains. Indeed, it is another sign of confidence in the exceptional economic and demographic growth of the country.

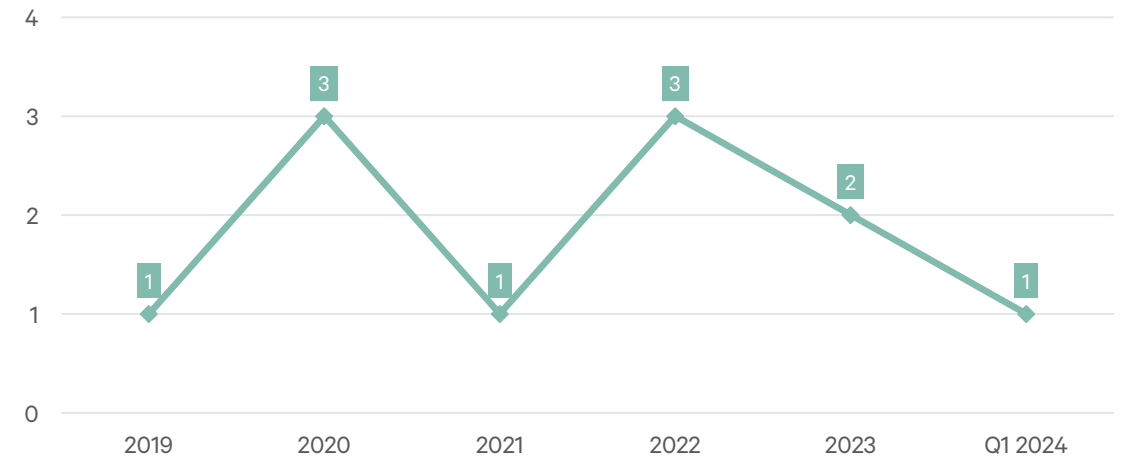
It was the second successive quarter where a ‘big box’ deal of such scale has closed. In Q4 ‘23, PRL Group agreed a long-term lease at Unit R, Aerodrome Business Park (22,340 sq m or 250,000 sq ft).

Figure 2: Top 5 Dublin Industrial & Logistics Transactions Q1 2024

Property	Road Corridor	Transaction Type	Size Sq M	Tenant/Purchaser
Unit at Dublin Airport Logistics Park	Dublin North (M2)	Freehold Sale	26,013	Sports Direct
1 Killeen Rd., John F Kennedy Park	Dublin South West (N7)	Letting	4,290	Laydex
Former Ardsbeg Unit, John F Kennedy Industrial Estate	Dublin South West (N7)	Freehold Sale	1,638	Undisclosed
Unit 4, Ballyboggan Business Centre	Dublin North (M2)	Letting	1,572	Hermeq
Unit B2, Airport Business Park	Dublin North East (M1)	Letting	1,555	Sixt Car Hire

Source: CBRE Research

Figure 3: Take-Up of >200k Sq Ft Units in Dublin - No. Deals Per Annum



Source: CBRE Research; Explanation of analysis: number of I&L lettings or freehold sales of units >200k sq ft in size per year in Dublin

Market Activity

In total, 16 transactions were signed in the I&L sector in Q1, of which 14 comprised lettings and 2 comprised sales. This is a decline from the 25 transactions completed in Q4 and is below the average for the market in 2023, which was 28 deals per quarter.

Take-Up by Road Corridor

Dublin North (M2) accounted for 66% of total take-up in Q1, albeit this was largely driven by the sale of the Sports Direct unit in Dublin Airport Logistics Park.

Typically, the South West (N7) road corridor has seen the largest proportion of take-up, however in Q1 it accounted for just 18% of total take-up. Dublin North East (M1) accounted for 12% of take-up.

Take-Up by Size

Approximately 62% of take-up in Q4 comprised of transactions for buildings greater than 9,290 sq m (greater than 100,000 sq. ft) in size, again driven by the sale of the Sports Direct unit.

A total of five deals in the 930-1,858 sq m (10,000-20,000 sq. ft) bracket completed in Q1, accounting for 18% of take-up.

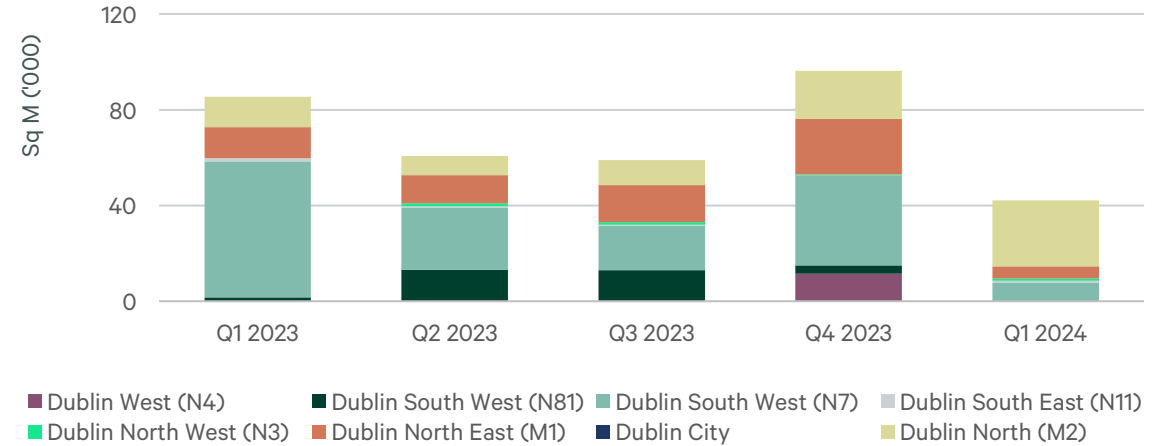
The average deal size in Q1 was 2,632 sq m (28,330 sq ft), compared to an average of 3,852 sq m (41,462 sq ft) in Q4. The average deal size in the year 2023 was 3,191, sq m (34,348 sq ft).

Demand & Vacancy

New demand requirements recorded in Q1 totalled 118,772 sq m (1.28 million sq ft), with strong demand evident across all unit sizes.

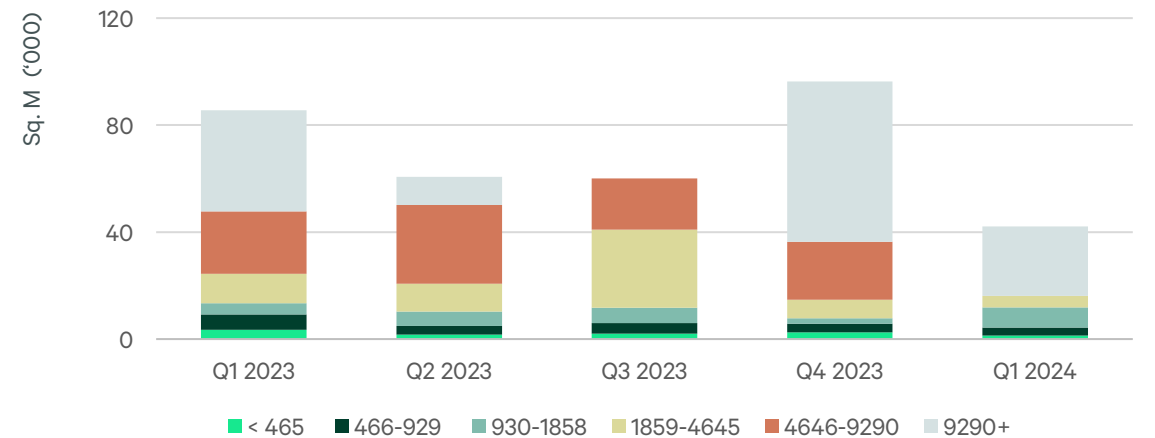
At the end of Q1, the vacancy rate across standing stock at the top I&L parks in Dublin was 1.7%, trending higher quarter-on-quarter.

Figure 4: Dublin Industrial & Logistics Share of Take-Up By Road Corridor



Source: CBRE Research

Figure 5: Dublin Industrial & Logistics Share of Take-Up By Size Bracket (Sq. M)



Source: CBRE Research

Supply Pipeline

Total stock at the largest I&L parks in Dublin is approximately 3.9 million sq m (42 million sq ft). The only practical completion in Q1 2024 was Unit C at Greenogue Logistics Park, which is fully pre-let to ISEQ-listed pharmaceutical manufacturer Uniphar plc.

Progress On Site Can Help to Attract Tenants

There is a more conservative approach being taken by developers at this point. Pre-let and build-to-suit agreements are a requirement for some parties to commence construction. However, the ability to physically show some progress on a prospective development can be the differentiating factor for a tenant when deciding on occupying a new building, while there continues to be very little available modern standing stock in the market. On this basis, developers with a higher risk appetite may be able to take first-mover advantage.

Under Construction: One Unit in South Dublin

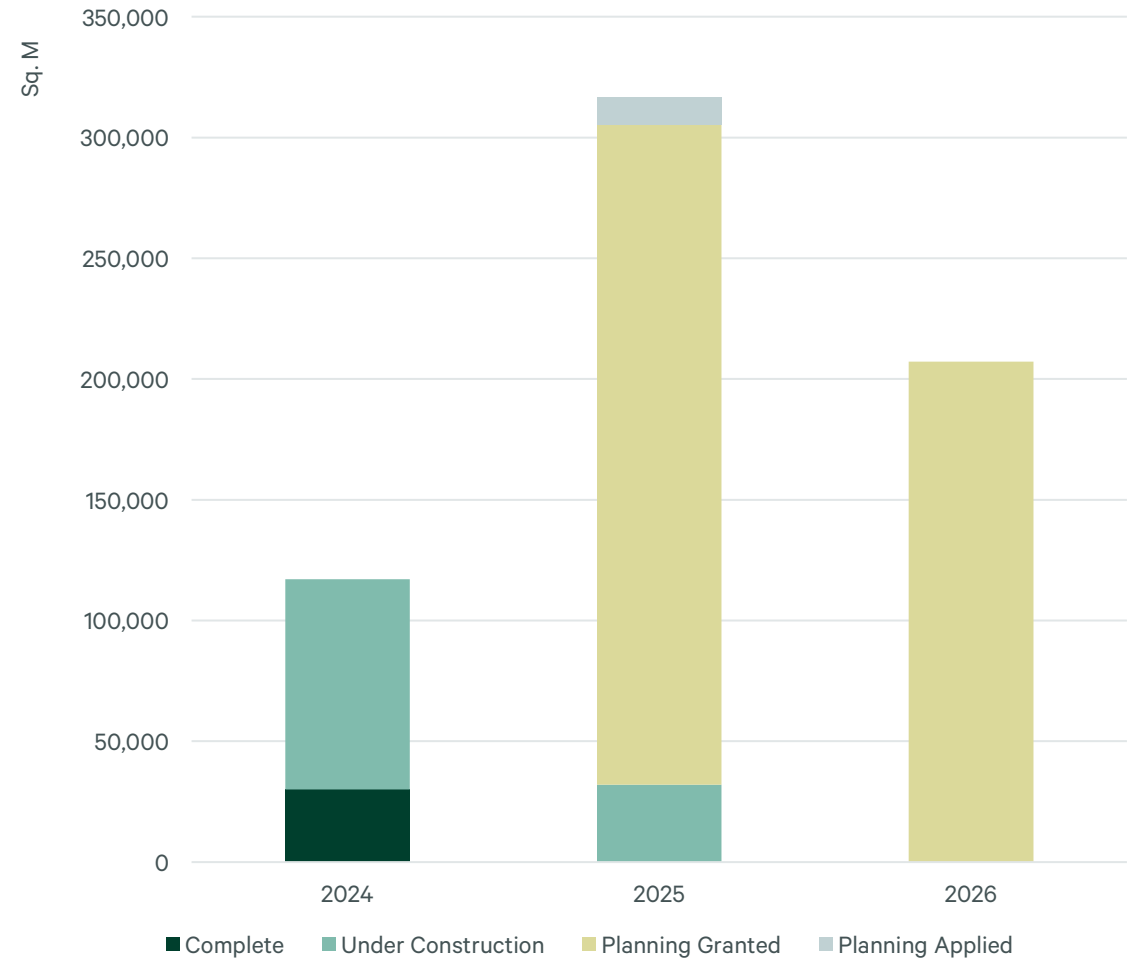
Approximately 120,000 sq m (1.3 million sq ft) of new Dublin I&L stock is under construction across 14 buildings, all due for delivery over the next 12 months. Approximately 40% of this stock is pre-let or reserved.

The largest building under construction is Unit F1 at Horizon Logistics Park, which is fully pre-let to global third-party logistics provider FedEx. Only one unit is under construction in south Dublin, Unit 4065 Kingswood in Citywest, which is pre-let to Richmond Marketing. The remainder of ongoing construction is in north Dublin.

Planned Development: Additional Units at Nexus Logistics Park

Approximately 320,000 sq m of Dublin stock has received a grant of planning and is yet to commence construction. Most notably, in Q1, IPUT Real Estate’s Nexus Logistics Park received planning permission to deliver an additional 150,000 sq m (1.6 million sq ft) of space across 12 new units. This takes the total size of planned development at the site to over 230,000 sq m (approx. 2.5 million sq ft).

Figure 6: Dublin Industrial & Logistics Development Supply Pipeline



Source: CBRE Research

Rents

Prime Dublin I&L (nominal) rents rose 13% in 2023, following an exceptionally strong year of growth in 2022 (+9.5%). In Q1 2024, prime rents were unchanged at €139.93 psm (€13.00 psf). This was the first quarter since Q4 2022 where prime rents did not increase.

Build Cost Inflation Now Tapering Off

There are currently prime ‘big box’ logistics schemes with asking rents of €150.00 psm (approx. €14.00 psf) in Dublin and on the M7 corridor. CBRE anticipate that there will be strong demand for these units at these rent levels, which will likely lead to some further rental growth this year.

However, while the supply demand imbalance in the market is one factor driving rental growth, construction cost inflation has also been a primary factor driving higher rents in new build ‘big box’ logistics, a category which encompasses much of the new stock being delivered around the M50. In this context it is worth noting that this cost inflation has started to taper off.

The *CSO Construction Materials WPI Index* has declined by 0.3% in the last 12 months to the end of Q1. Structural steel prices, the key construction input for warehousing and distribution units, have fallen by 8.0% over the same period. Steel prices remain 70% above pre-pandemic levels and clearly will not be returning to anywhere near pre-pandemic levels, but ultimately it appears that a corner has been turned and input costs are stabilising. This must be considered when analysing the potential for further prime rental growth, particularly in the years post-2024.

Multi-Let Logistics Rental Growth Outlook

Multi-let logistics units (defined as 2,500 sq ft to 25,000 sq ft in size), particularly at locations inside or in close proximity to the M50, continue to attract higher rents than prime levels in many instances, with more examples of this in Q1. Most notably at M7 Real Estate’s Airport Business Park in Santry, where a new letting in Q1 achieved close to €188.40 psm (€17.50 psf).

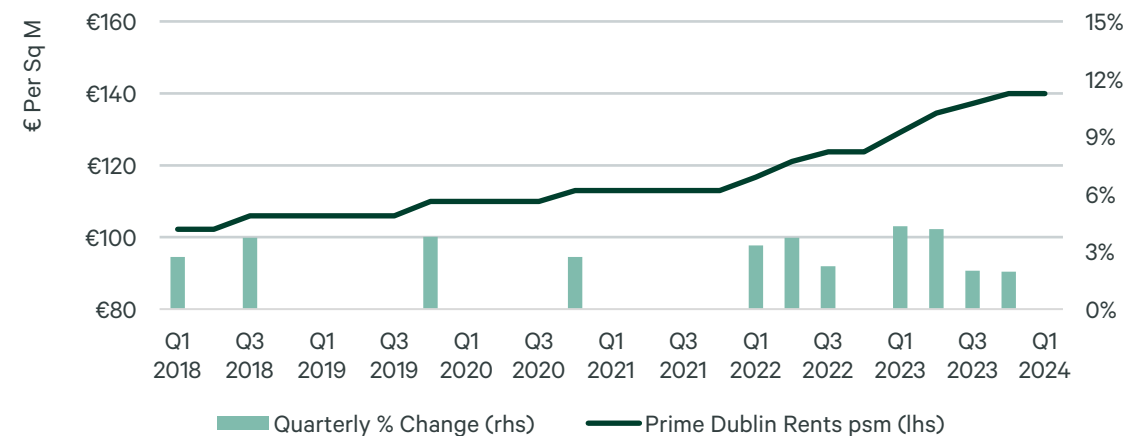
CBRE continue to forecast that prime rents will grow to €148.00 psm (€13.75 psf) by the end of 2024 but rents for prime Dublin second-hand stock, which is more reflective of multi-let logistics units, arguably have a stronger rental growth outlook at this point.

Figure 7: Industrial & Logistics Rents Q1 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	+4.5%
Secondary Dublin	€102.25	€9.50	-
Prime Cork	€134.55	€12.50	+8.7%
Provincial	€75.35	€7.00	-

Source: CBRE Research

Figure 8: Prime Dublin Industrial & Logistics Rents 2018 - 2024



Source: CBRE Research

Investment Market

Some Large-Scale Deals Will Complete This Year

European investors continue to identify ‘Beds & Sheds’ as the sectors displaying the most solid fundamentals in commercial real estate. Prime logistics buildings with Tier-1 covenants and modern sustainability credentials remain the most attractive play for *long-income core money* in the Irish market, and only a limited number of prime investable opportunities arise each year.

These larger-scale deals are typically being conducted on an off-market basis, and are being well-sought after by both institutional investors and special purchasers, such as ultra-high net worth private capital. CBRE expect at least two of these transactions to close again this year, following the completion of the sale of Phase II Mountpark Baldonnell (sale price approx. €225m) and 1&2 Greenog Logistics Park (sale price approx. €110m) in 2023.

Lowest Spend Since Q2 2020

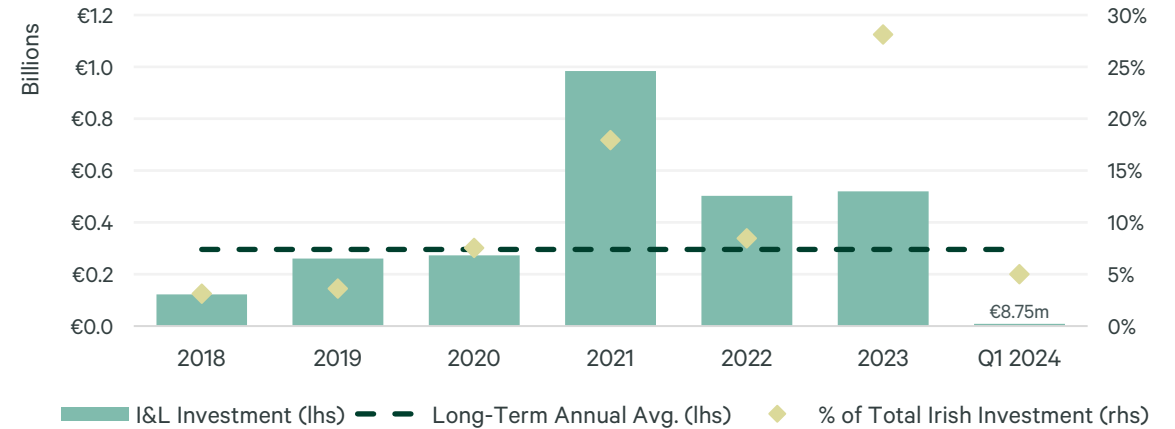
In the opening quarter of 2024, Irish I&L investment was relatively muted, with just €8.75m of spend, accounting for 5% of all Irish investment. One trade of note completed; Arrow Capital Partners continued to grow its presence in the Irish market with the acquisition of units 7-8 at Airways Industrial Estate in Dublin 17 for €7.5m from Slate AM. The units total over 8,000 sq m in size and are fully let to MM Fibre Packaging.

Yields More Resilient than the UK & Netherlands

Valuations for both prime and secondary I&L buildings are now *stable*. The underlying strength of the occupational market and the rental growth over the last two years continue to support values. Prime Dublin yields remain 4.75%, while *secondary* buildings yield 6%.

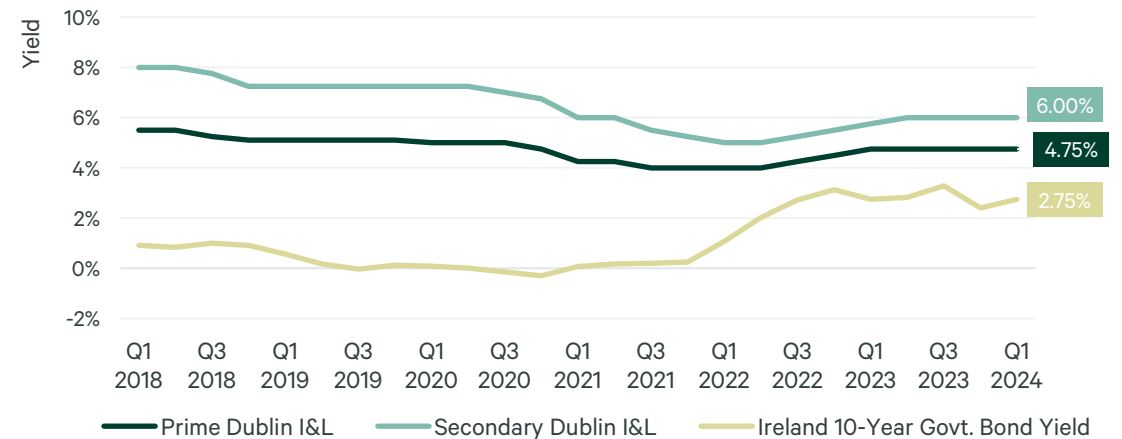
On a comparative basis to other European cities, Dublin I&L values have proved to be more resilient to rising interest rates. Dublin yields have expanded by 75 basis points (bps) to 4.75% between Q2 2022 and the current level. Valuation declines in other markets were much more pronounced. *UK Southeast* yields expanded from 3.50% to 5.25% during this period while in *Schiphol*, prime yields expanded by 160 bps from 3.10% in June of 2022 to 4.70%.

Figure 9: Ireland Industrial & Logistics Investment Volumes 2018 - 2024



Source: CBRE Research

Figure 10: Dublin Industrial & Logistics Yields (EY) 2018 - 2024



Source: CBRE Research

Figure 11: Nexus Logistics Park, Co. Dublin – Image Courtesy of IPUT Real Estate



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