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Market Outlook



Dublin Industrial & Logistics Market Overview

Research, Q1 2022

knightfrank.com/research



89,036 sq m

of industrial and logistics space was taken up in Q1 2022, the second strongest opening quarter of the last five years.

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4.00%

prime yields now stand at 4.00%, down from 4.25% compared to Q1 last year.

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5 KEY TAKEAWAYS

35%

of the industrial and logistics space that was taken up in Q1 was in excess of 10,000 sq m.

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23%

of investment activity in Q1 was comprised of industrial and logistics assets. This was the second most sought after asset class in Q1 after PRS.

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€118 psm

prime rents now stand at €118 psm, up 9% compared to the €108 psm that was observed in Q1 last year.

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DUBLIN INDUSTRIAL & LOGISTICS MARKET OVERVIEW Q1 2022

In Q1 the industrial and logistics market experienced its second strongest opening quarter of the last five years in terms of occupier activity and was the second most sought after investment asset class reflecting both the strength of demand across the economy and shifts in consumer behaviour over the last two years.

ECONOMY

The value of the Irish economy has almost doubled in recent years with rapid changes in global demand having a positive multiplier effect.

Demand for products in key sectors, such as the Medtech sector, coupled with a rapid acceleration in changes to consumer behaviour, have been key drivers of a re-positioning of the industrial and logistics sector to what is now considered to be a critically important cornerstone of economic activity. Developments in the Irish commercial property market reflect this, with demand reaching new highs for industrial and logistics assets.

The sector's rapid elevation to one of increased importance is set to continue as a result of added supply chain and

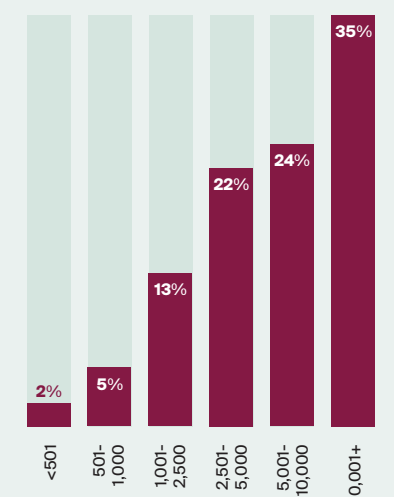
inflationary pressures due to the war in Ukraine. As a result, some occupiers are expected to carry higher stock levels in an effort to mitigate these pressures which will result in additional demand for industrial and logistics space going forward.

OCCUPIER ACTIVITY

Total take-up in the Dublin industrial and logistics market for Q1 2022 was 89,036 sq m, the second strongest opening quarter of the last five years.

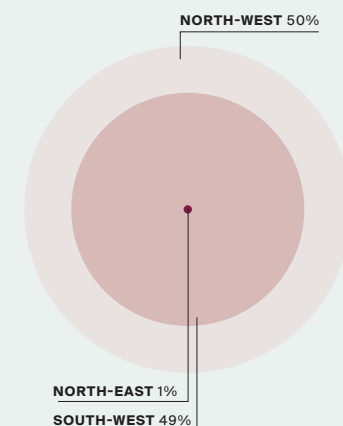
Demand was strong for larger units with deals in excess of 10,000 sq m accounting for 35% of take-up

Take-up by deal size (sq m)
Q1 2022



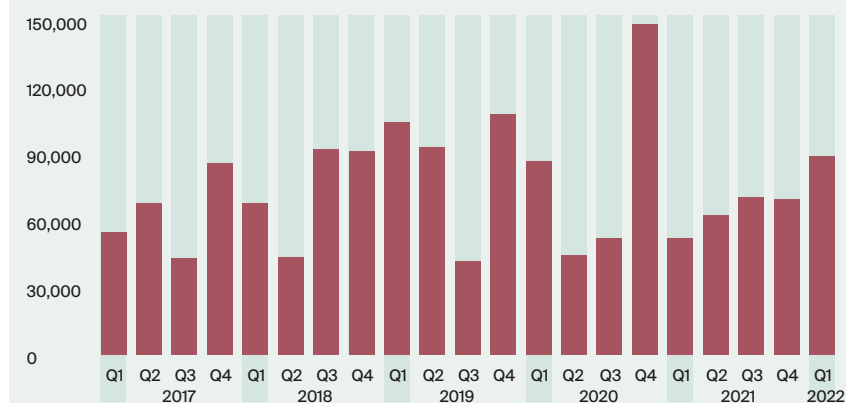
Source: Knight Frank Research

Take-up by location
Q1 2022



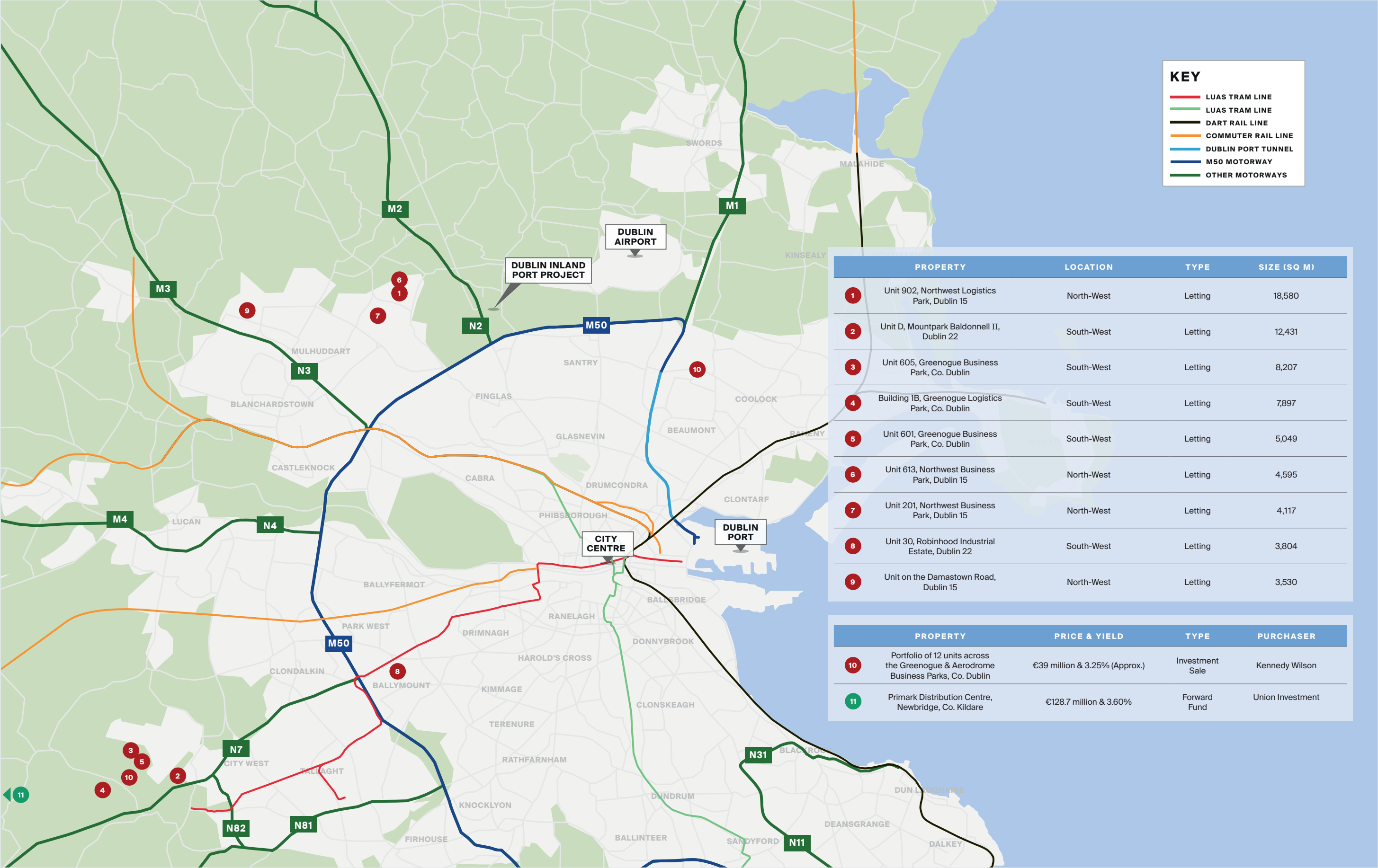
Source: Knight Frank Research

Take-up (sq m)
Q1 2017 - Q1 2022



Source: Knight Frank Research

KEY DUBLIN INDUSTRIAL & LOGISTICS TRANSACTIONS Q1 2022



Elsewhere, 24% of take-up was comprised of deals between 5,001 – 10,000 sq m, while 22% was between 2,501 – 5,000 sq m. Looking at the smaller size deals, 13% of take-up was comprised of deals between 1,001 – 2,500 sq m, 5% was between 501 – 1,000 sq m and 2% was less than 501 sq m. The majority of deals were lettings which comprised 91% of take-up, while sales accounted for the remaining 9%.

Looking at the geographical spread of activity in Dublin, the North-West region experienced the highest levels of demand with 50% of take-up. The largest deal in Q1 in the North-West region was the letting of 18,580 sq m at Unit 902, Northwest Logistics Park. This was followed by the letting of 4,595 sq m at the nearby Unit 613, Northwest Business Park. Both units are located in Dublin 15.

The South-West region also experienced strong demand with 49% of take-up. Looking at the two largest deals in this region in Q1, 12,431 sq m was let at Unit D, Mountpark Baldonnell II, Dublin 22 to DB Schenker, while 8,207 sq m was let at Unit 605, Greenogue Business Park, Co. Dublin.

◆◆

Approximately 50% of take-up in Q1 consisted of pre-lets or space that was let upon completion as occupiers plan ahead due to the lack of space on the market.

◆◆

The lack of space and development opportunities is driving robust rental growth with prime rents now standing at €118 psm, up 9% from the €108 psm observed during Q1 last year.

122,500 sq m of industrial and logistics space is due to complete by the end of the year of which a third is already pre-let. This should result in further upward pressure on prime rents throughout 2022.

INVESTMENT ACTIVITY

The largest deal in Ireland in Q1 was the forward-fund of Primark's new distribution centre in Newbridge, Co. Kildare by Union Investment for €128.7 million. The new unit, which extends to 55,277 sq m, will be completed in 2024.

€49.7 million was invested in the Dublin industrial and logistics market in Q1 2022. Of this, €39.0 million consisted of Kennedy Wilson's acquisition of twelve units across the Greenogue and Aerodrome Business Parks, Co. Dublin.

A total of €178.4m was invested in the Irish industrial and logistics market in Q1, which compromised 23% of the total spend on Irish investment property in the opening quarter of 2022, making it the second most sought after asset class after PRS on 31%.

Prime yields have contracted from 4.25% in the opening quarter of 2021 to the current level of 4.00%, on a par with prime office yields.

◆◆

Demand for industrial and logistics assets is set to remain strong for the rest of 2022. Those already invested in the sector are looking to increase their exposure. This, coupled with demand from new entrants, is expected to result in downward pressure on prime yields throughout 2022.

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OUTLOOK

1.

Demand for industrial and logistics assets is set to be driven by demand from those already invested in the Dublin market and from increased demand from new entrants.

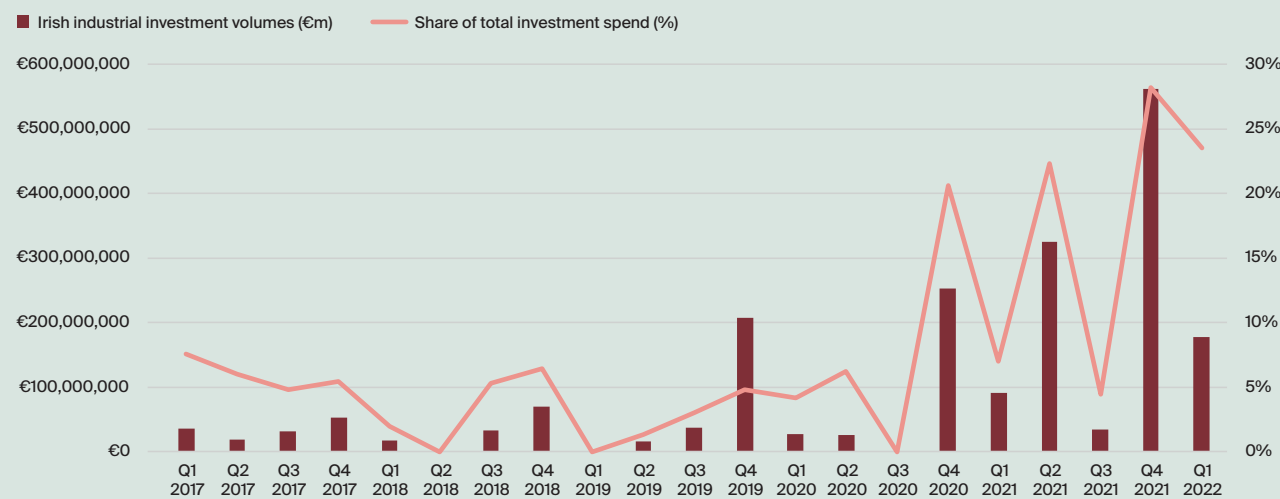
2.

Upward pressure on prime rents is set to increase, driven by strong demand, inflationary pressures and tight supply.

3.

Downside potential for prime industrial yields as the sector benefits from the impacts of the shifts in consumer behaviour post pandemic and ongoing supply chain problems accentuated by the war in the Ukraine.

Irish industrial investment volumes



Source: Knight Frank Research



Ireland Residential
Investment Market
Overview Q1 2022



Ireland Investment
Market Overview Q4 2021



Dublin Office Market
Overview Q1 2022



The Wealth Report 2022

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