Dublin Logistics and Industrial Market

March 2024

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

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Strong take-up recorded in the final quarter

99,173 sq m transacted in Q4 bringing take-up for 2023 to 304,585 sq m. This was 14% behind the 355,966 sq m that signed in 2022 as occupiers took a more cautious approach, particularly in the second half of the year, in the face of heightened macroeconomic and geopolitical uncertainty.

A more longer-term view of activity shows that take-up in 2023 was still only 3% behind the five-year average of 314,144 sq m demonstrating that the market was still quite resilient in the face of these more adverse headwinds.

Occupiers continue to seek large, high-quality and modern facilities

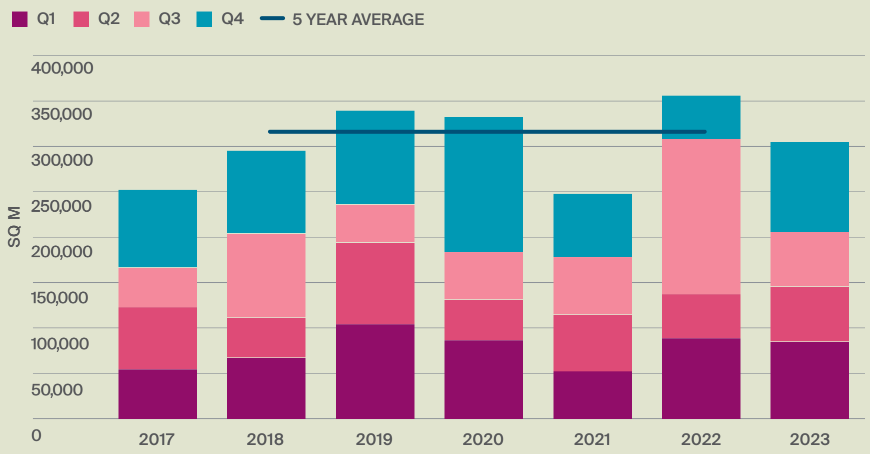
Demand remained strong for larger unit sizes throughout 2023 with 36% of take-up comprising of deals over 10,001 sq m while 27% was between 5,001 and 10,000 sq m. A further 19% of take-up was comprised of deals that were between 2,501 and 5,000 sq m while the remaining 18% were 2,500 sq m or lower in size. The average deal size was 2,695 sq m.

Driven by achieving their ESG goals, reducing running costs and enhancing operational efficiencies through automation and technology, 57% of take-up in 2023 comprised of new, speculatively developed space, build-to-suit or pre-let units.

The 3PL sector drove activity last year with the largest deal consisting of Wincanton's taking of 26,674 sq m at Building Two, Greenogue Logistics Park. Elsewhere, PRL Group took 22,342 sq m at Block R, Aerodrome Business Park while FedEx pre-let 15,143 sq m at Unit F1, Horizon Logistics Park.

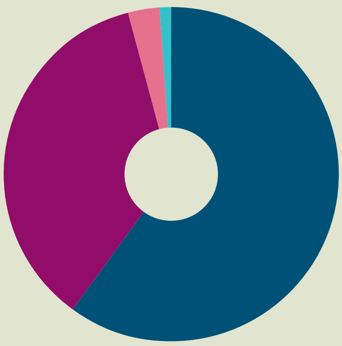
Demand in 2023 was strongest in the South-West which accounted for 60% of take-up followed by the North-West on 36%. The North-East and the South-East accounted for the remaining 4% of take-up.

Take-up, 2017 – 2023



Source: Knight Frank Research

Take-up by location, 2023



South-West	60%
North-West	36%
North-East	3%
South-East	1%

Source: Knight Frank Research

Top 5 take-up deals, 2023

Ranking	Property	District	Size (Sq m)	Tenant	Type
1	Building Two, Greenogue Logistics Park, Co. Dublin	South-West	26,674	Wincanton	Letting
2	Block R, Aerodrome Business Park, Co. Dublin	South-West	22,342	PRL Group	Letting
3	Unit F1, Horizon Logistics Park, Co. Dublin	North-West	15,143	FedEx	Letting
4	4065 Kingswood Road, Citywest, Dublin 24	South-West	11,897	Richmond Marketing	Letting
5	Unit 637, Northwest Logistics Park, Dublin 15	North-West	11,077	Rhenus Logistics	Sale

Source: Knight Frank Research

172,477 sq m of new build space was delivered to the market in 2023. However, 76% of this was already let prior or upon completion with a further 20% signing in the immediate months after delivery. Just 4% of this was available to let at the end of last year.

Given the velocity at which new build space is being absorbed by the market, it is little surprise that the vacancy rate remains remarkably low, standing at just 1.9% at the end of 2023.

While the vacancy rate did edge up marginally throughout last year, this was predominantly driven by occupiers releasing second-hand stock back to the market.

New development starts remains constrained

A combination of inflated build and financing costs is keeping the construction pipeline tight with just 129,721 sq m under construction (55% is already let). This will limit upside in the vacancy rate in 2024.

Prime rents finished 2023 at €140 psm, an increase of 8.5% compared to the €129 psm that was being achieved at the end of 2022. With demand forecast to remain robust in 2024 against a backdrop of tight supply, it is likely that there will be further upward pressure on prime rents this year.

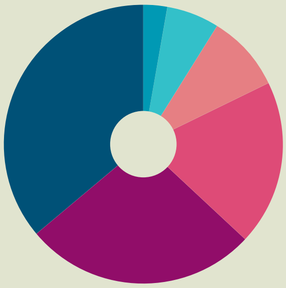
Investor demand is set to remain strong

€258.5 million transacted in Q4. The majority of this was attributed to the acquisition of Phase 2 of Mountpark, Baldonnell by Pontegadea for €225.0 million in what was the largest investment transaction in the Irish market last year.

€508.3 million traded in 2023, an increase of 10.9% in comparison to 2022. The sector also accounted for 28% of investment in Irish property last year, making it the most sought-after asset class for the first time.

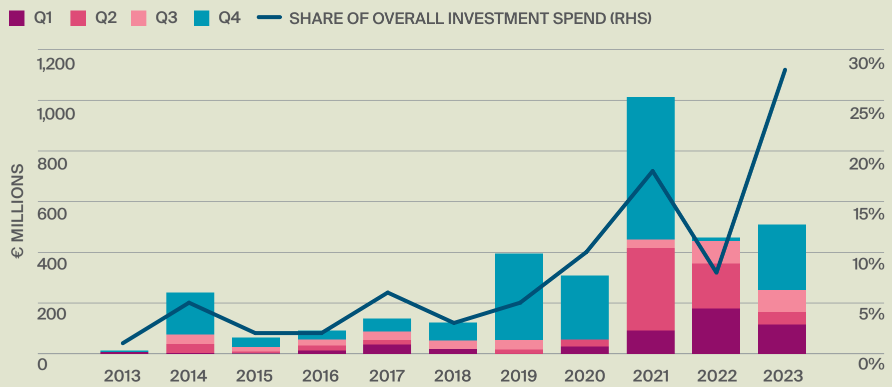
This reflects the market's positive fundamentals and comes amid a more difficult trading environment with wider global economic, financial and geopolitical factors weighing on investor appetite in other sectors. Prime yields finished the year at 5.00%, up from 4.75% in 2022.

Take-up by deal size, 2023



Source: Knight Frank Research

Industrial and logistics investment, 2013 - 2023



Source: Knight Frank Research

Rental analysis, Q4 2023

Type	Rental range (psm)	Specification	BER	Examples
Prime Logistics	€135-€140	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	€118-€124	8m clear internal height. Metal deck roof.	C	Rosemount Business Park, Fonthill Business Park, Greenogue Business Park.
First Generation Industrial	€92-€113	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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