

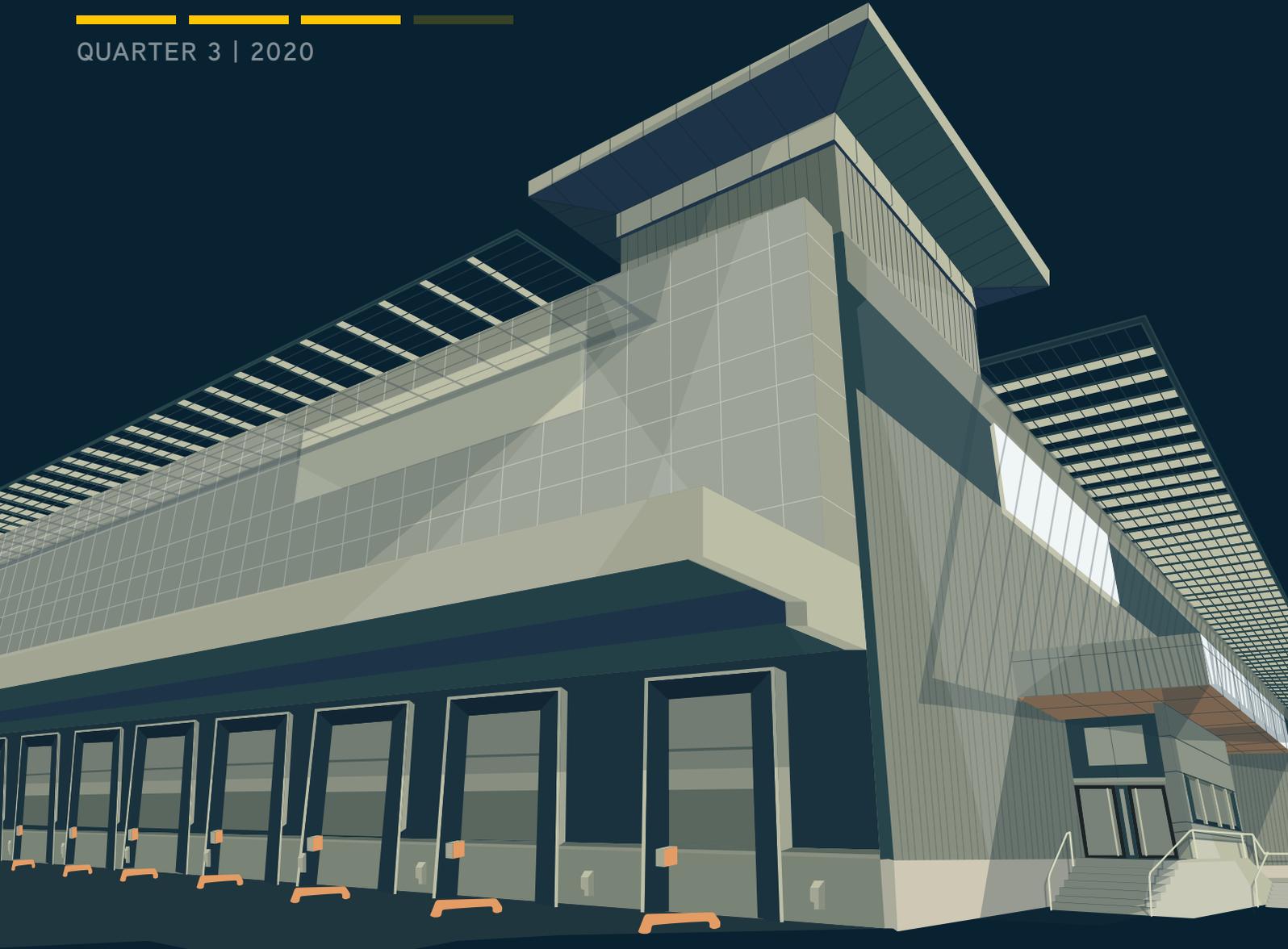


IRELAND

INDUSTRIAL

& LOGISTICS

QUARTER 3 | 2020



OVERVIEW

The industrial and logistics sector remains resistant to the wider shocks of Covid-19 and activity has largely been underpinned by the ongoing rise of e-commerce. Take-up in the quarter increased nearly 40% quarter on quarter, although buoyant take-up figures come against a backdrop of softening manufacturing and production data. The latest statistics from the CSO show that Production in Manufacturing Industries for September 2020 was 4.9% lower than in August 2020. Irish industrial sectors continued to perform much better than the services sector, although the figures have also weakened in line with a general softening of the economy. September's AIB manufacturing PMI was 50 – the breakeven point between expansion and contraction. Interestingly, Ireland is now the only EU country to grow goods exports in January to July – our import decline is also the smallest.

OCCUPATIONAL MARKET

Industrial take-up rose to 66,900 sq m, which represents a near 40% increase on the Q2 figures. Year to date take-up now stands at approx. 183,400 sq m. Lettings continue to account for the bulk of activity, representing approx. 70% of all transactions and demand was largely driven by Brexit-planning and e-commerce. A lack of supply continues to be a major factor of the market and Grade A options of scale are limited. Prime headline rents in Dublin increased during the quarter and now stand at €112.50 per sq m (€10.45 per sq ft) supported by ongoing shortages of Grade A distribution space. The two largest deals in the quarter accounted for approx. 25% of all take-up. The largest was the 8,865 sq m letting of the Former Electrolux Facility on the Naas Road in Dublin 12 to DHL. Elsewhere, Easons took 8,215 sq m in Part of Former Georgia Pacific facility along McKee Avenue in Dublin 11.

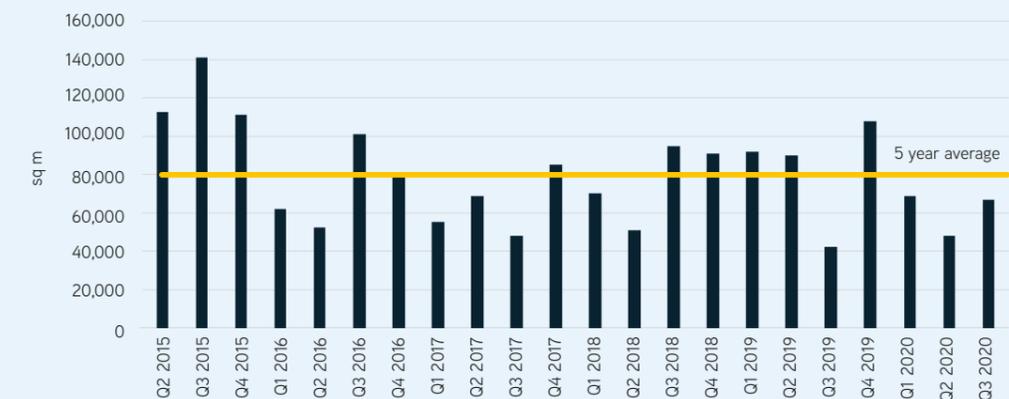
The market remains a landlord's market with overall availability forecast to fall over the next 12 months. In Q3, some 82,685 sq m (890,000 sq ft) of new space was reported to be under construction.

INVESTMENT MARKET

There were no reported investment deals in the quarter, although this was due to a lack of stock - investment opportunities at all levels are scarce amid acute investor interest. A number of substantial, high profile deals are currently progressing off market and expectations for a busy Q4 are well founded. Mountpark are in the process of disposing of a substantial, international logistics portfolio comprising 11 properties, two of which are in Dublin. The lot size is reported at €530m with an NIY of region 4%. Elsewhere, active buyers including Core Industrial REIT and M7 Real Estate who are reported to be looking for 'value add' redevelopment and asset management opportunities, while Rohan Holdings are pursuing planning on a number of new sites.

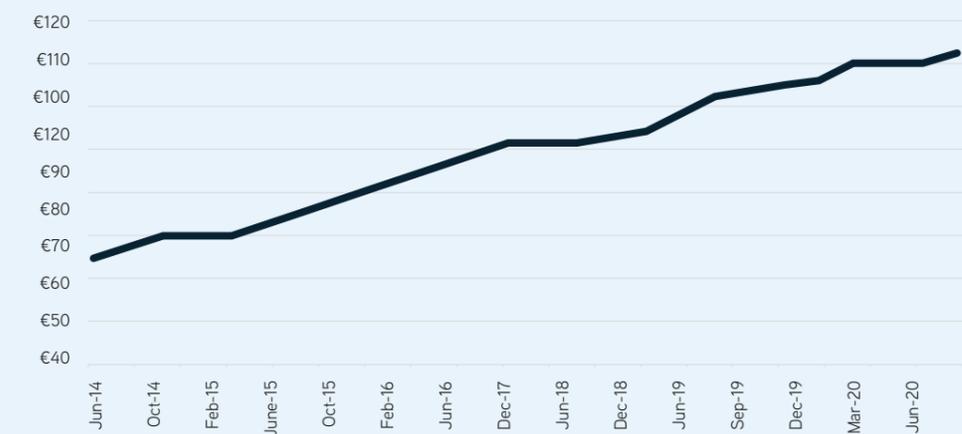
Prime yields have remained broadly stable at 4.85%, although there was a lack of transactional activity to support any movement. Short to medium term forecasts is for yield contraction due to the sheer weight of capital now looking to be deployed in the sector. Demand for industrial and logistics investment opportunities is at unprecedented levels and this trend is playing out across Europe, where we are now seeing premiums being achieved for European industrial and logistics portfolios of scale.

FIGURE 1: QUARTERLY TAKE-UP



Source: Colliers International

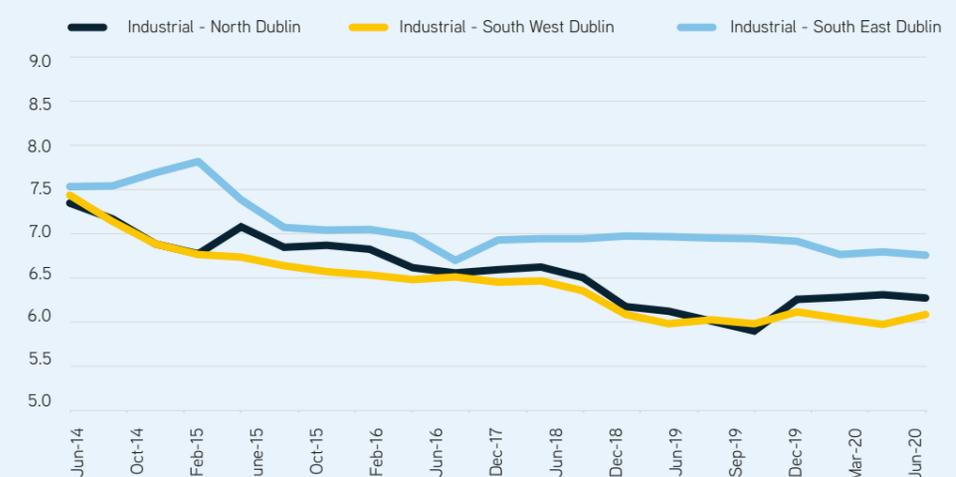
FIGURE 2: DUBLIN - PRIME RENT PER SQ M



Source: Colliers International

Figure 2 Prime rents rose during the quarter, having remained flat since Q4 2019.

FIGURE 3: MSCI EQUIVALENT YIELDS



Source: MSCI

Figure 3 Q3 2020 data from MSCI shows that equivalent yields across industrial assets in Dublin are stable.

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