

OBSERVATIONS ON SUPPLY
& DEMAND OF INDUSTRIAL
& LOGISTICS
ACCOMMODATION IN
SOUTH DUBLIN COUNTY
COUNCIL AREA

SEPTEMBER 2021

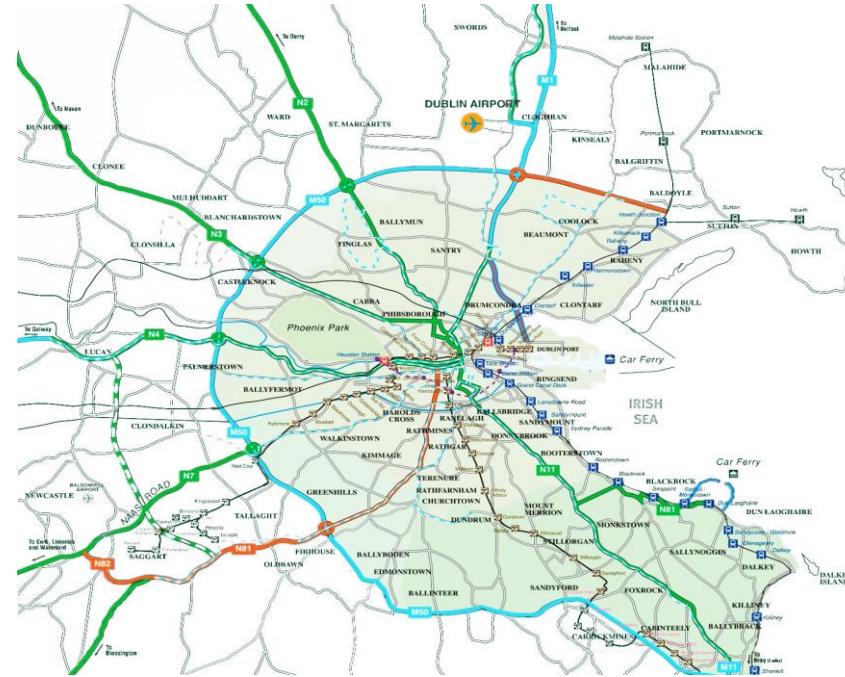


Prepared by CBRE Ireland



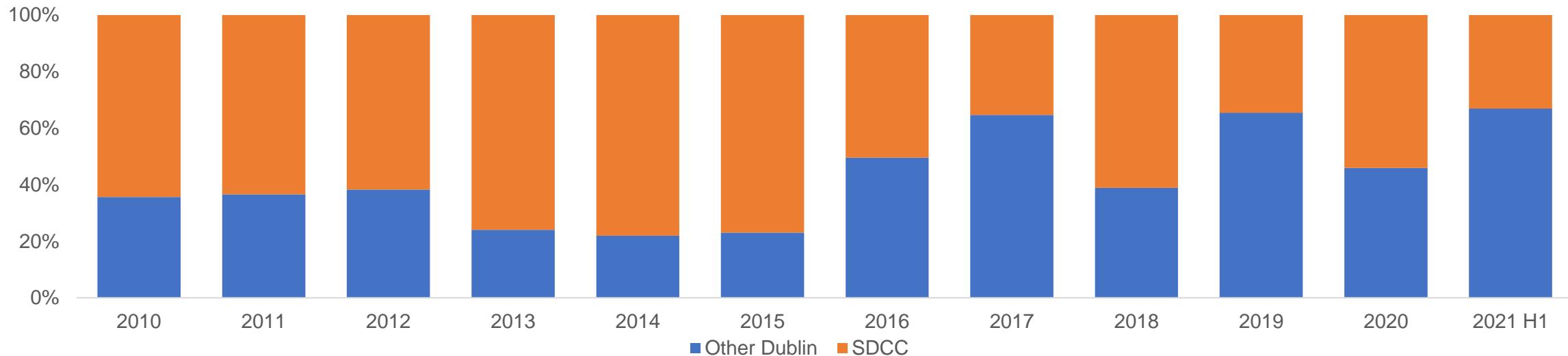
Industrial & Logistics Take-Up in Dublin

CBRE



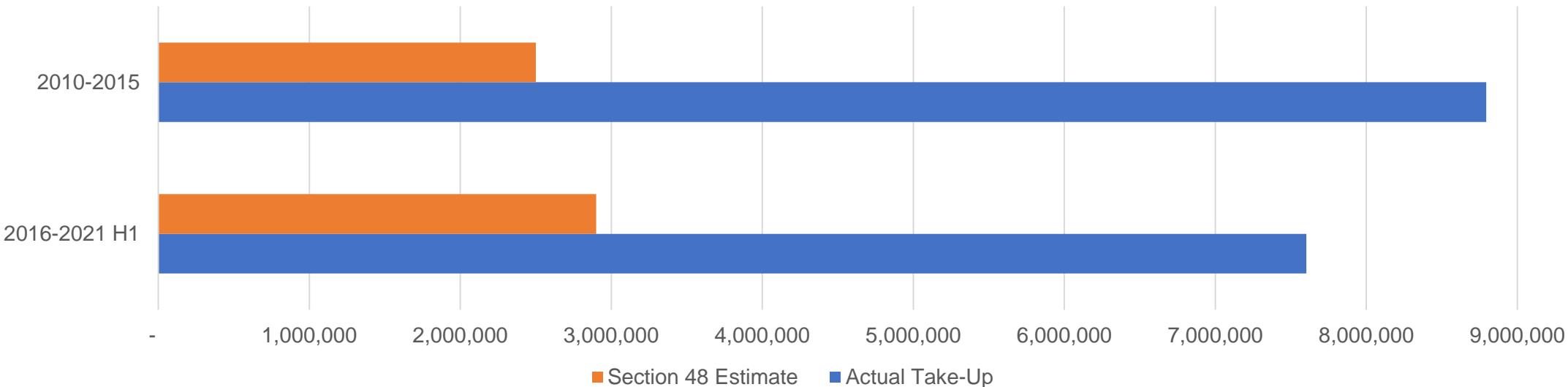
- CBRE have been tracking the volume of sales and lettings of traditional industrial and logistics buildings in Dublin for more than 20 years. This dataset of occupier transactions is exclusive of sales of land to facilitate the development of 'build-to-suit' premises and/or data centres.
- CBRE analyse industrial & logistics transactions by size and by location, using proximity to major road networks to identify transactions on our in-house databases. For the purposes of this analysis, we have focussed in particular on take-up along the N7 and N81 road corridors in South Dublin County Council, which are well established industrial locations and more recently have seen a significant concentration of data centres and large industrial facilities being developed.
- More than 3 million square metres (32.4 million square feet) of industrial and logistics buildings have been let or sold in Dublin in the last decade, of which 54% has occurred in the period 2016-2021(H1). According to our research, **47% of all industrial and logistics take-up that has occurred in the Dublin market in the last decade has been concentrated in the South Dublin County Council (SDCC) area, with this location consistently proving popular with occupiers**, many of whom look to cluster alongside similar industries in established industrial locations. SDCC's dominance as a location of choice for would-be industrial & logistics occupiers is currently hampered by a shortage of modern accommodation and sites to facilitate new development. **As a result of a shortage of zoned land to facilitate development of new facilities in the SDCC local authority area, an increasing proportion of industrial & logistics take-up in recent years is occurring in Fingal and other locations.**

Industrial & Logistics Take-Up in Dublin By District



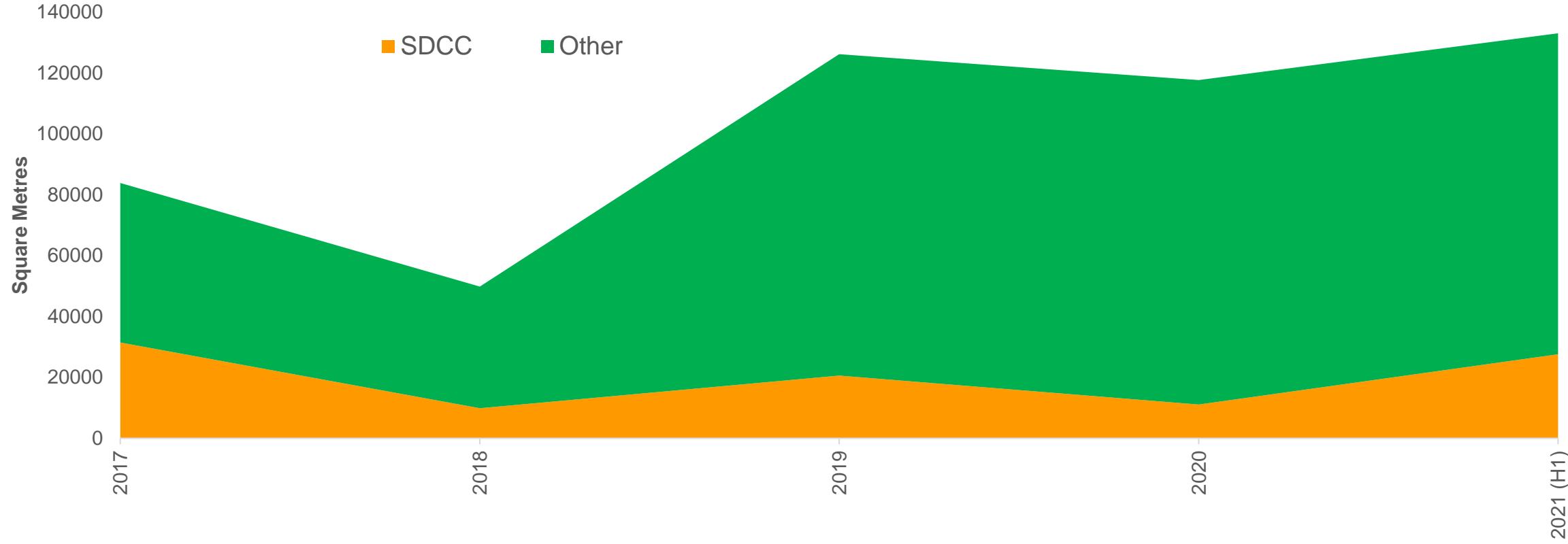
- In the last decade, the South Dublin County Council area has accounted for 47% of all take-up in the Dublin industrial market. However, **the volume of transactional activity located in the SDCC district has been declining as a proportion of overall take-up in recent years** due to a scarcity of buildings and zoned land to facilitate the delivery of new facilities. As a direct result, an increasing proportion of transactional activity has occurred in Fingal and other locations in the city. **From a peak in 2013, 2014 and 2015, when SDCC accounted for 76%, 78% and 77% of overall industrial and logistics activity in the Dublin market, a mere 33% of transactional activity in the first half of 2021 was located in SDCC** with the bulk of take-up in H1 2021 occurring in the Fingal district.
- Since the South Dublin County Council development plan 2016-2022 came into force, a total of 706,525m² (7.6 million square feet) of industrial and logistics accommodation has been sold or let in the South Dublin County Council district, accounting for 43% of total industrial take-up in Dublin in the period. This is exclusive of land sold for the development of data centres or other 'build-to-suit' premises. **Despite SDCC's historical dominance as an industrial location, the shortage of modern accommodation and more importantly land to facilitate the development of same, is leading to leakage to other locations.** It is our contention that the proportion of overall industrial & logistics take-up occurring in SDCC each year would be higher if suitable land and buildings were available for occupiers with activity increasingly being displaced to Fingal and other parts of the city.

Industrial & Logistics Take-Up in Dublin By District



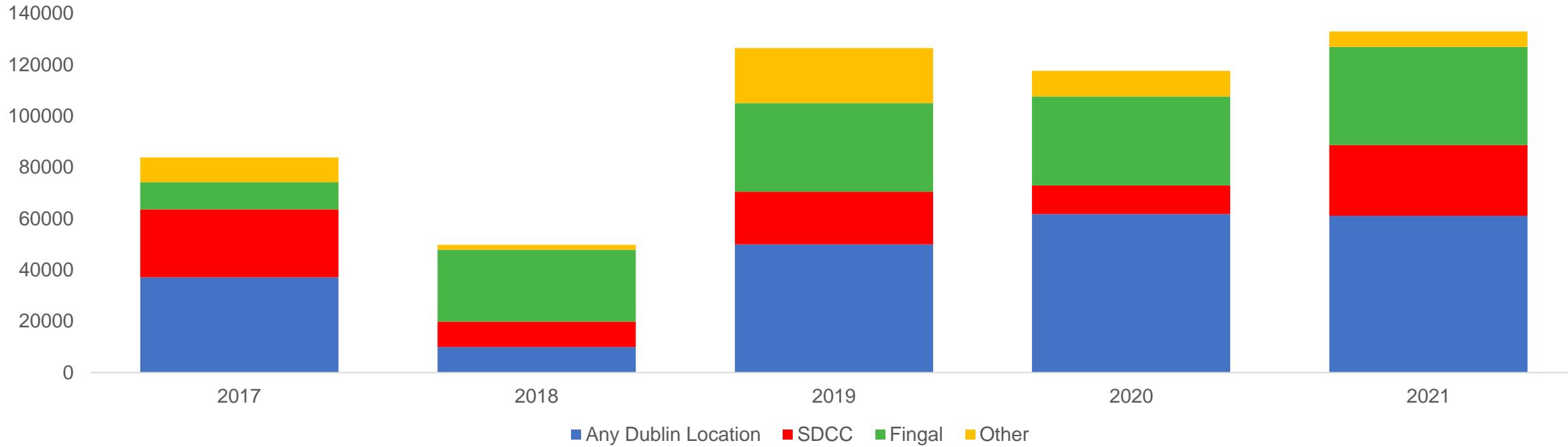
- According to CBRE Research, **a total of 817,289m² (8.79 million square feet) of industrial and logistics accommodation was let in the SDCC local authority area during the lifetime of the 2010-2015 Development Plan for the area. In comparison, the Section 48 estimates of industrial take-up anticipated in the development plan was 232,342m² (2.5 million square feet).** The volume of industrial & logistics activity recorded in SDCC in the period was therefore **3.5 times higher than anticipated by the local authority**, which is remarkable considering that CBRE statistics exclude land sold for the development of data centres and build-to-suit premises in the period.
- While the current development plan period is still not concluded, **CBRE Research shows total take-up of 706,525m² (7.6 million square feet) of industrial and logistics accommodation has transacted in the period 2016-2021 H1 to date, which is 2.6 times higher than the volume of activity anticipated in Section 48 forecasts for the entire period of the development plan.** This is despite the fact that take-up in SDCC would have been significantly higher if suitable land and buildings were available and displacement to other districts such as Fingal was not occurring. This clearly demonstrates **a significant underestimation of transactional activity in this local authority area over the lifetime of the two most recent development plans.**

Demand for Industrial & Logistics Accommodation in Dublin



- There has been a notable increase in demand for industrial & logistics accommodation in Dublin in recent years, fuelled by increased demand as a result of Brexit and more recently as a direct result of an increase in Ecommerce in light of the Covid-19 pandemic.
- **According to CBRE Research, there has been active demand for an average of 98,660m² (1.06 million sq ft) of accommodation in the Dublin market since 2017**, peaking at over 133,000m² (1.4 million sq ft) at the mid-year point in 2021. As requirements are fulfilled, new ones emerge with demand continuing to increase despite large volumes of sales and lettings being recorded.
- **Despite the year-on-year increases in overall demand for industrial & logistics accommodation in Dublin over the last five years, the proportion specifically focussed on SDCC hasn't increased**, with occupiers frustrated by the scarcity of completed buildings and sites to facilitate the delivery of build-to-suit options in this location and opting to seek opportunities in North Dublin instead.

Demand for Industrial & Logistics Accommodation in Dublin



- The chart above analyses the locations that potential occupiers are specifically targeting and shows the proportion of overall demand focussed specifically on SDCC in comparison to other locations in Dublin.
- **There has been a notable deterioration in occupier demand for SDCC in recent years in response to the shortage of land and buildings in this district.** Looking at current demand requirements, in addition to 21% of occupiers who specifically want to locate in SDCC, 46% of occupiers are open to 'Any Dublin location' while 29% are specifically focussed on opportunities on locating in Fingal where there is a greater availability of land to facilitate the development of 'build to suit' options and greater availability of modern buildings to purchase or lease.
- **Demand for industrial accommodation in the South Dublin County Council area would be higher if suitable buildings and sites to facilitate new 'build to suit' developments were available. However, much of the land zoned for Enterprise & Employment in the local authority area has been sold in large blocks to data centre occupiers and other occupiers to facilitate the delivery of large plants or to facilitate future expansion.**

10 Largest Occupier Transactions on N7 Corridor since 2016

Baldonnell Business Park Baldonnell, Dublin 22	Unit E, Mountpark Baldonnell	60,746	2020 / Q4	Leasehold	Pre-Let Development	Under Construction	Amazon
Harris Industrial Complex Naas Road, Bluebell, Dublin 12	Building 2 & 3	23,305	2019 / Q4	Leasehold	Secondhand / Refurbished	Existing Building	DHL Supply Chain Ltd
Former Lufthansa Premises & Site Naas Road, Dublin 12	Entire	20,425	2018 / Q3	Freehold	Secondhand / Unrefurbished	Existing Building	Balmoral International Land Holdings
Former Lufthansa Premises & Site Naas Road, Dublin 12	Entire	19,787	2020 / Q1	Leasehold	Secondhand / Unrefurbished	Existing Building	Various to facilitate Intel Expansion in Leixlip
Baldonnell Business Park Baldonnell, Dublin 22	Unit B	16,537	2018 / Q4	Leasehold	Pre-Let Development	Under Construction	Homestore & More
Park West Industrial Park Nangor Road, Park West Dublin 12	Unit S1 Friel Avenue	13,006	2020 / Q2	Leasehold	Secondhand / Unrefurbished	Existing Building	Silent Aire
Baldonnell Business Park Baldonnell, Dublin 22	Unit A Mountpark Baldonnell	11,045	2019 / Q1	Leasehold	New	Under Construction	United Drug
Kilcarbery Business Park Nangor Road, Clondalkin Dublin 22	Unit F	10,219	2018 / Q4	Leasehold	Secondhand / Unrefurbished	Existing Building	Primeline & Lucy Transport
Greenogue Business Park Rathcoole, Dublin 22	665	10,149	2018 / Q3	Leasehold	Secondhand / Unrefurbished	Existing Building	Zeus Packaging
Citywest Business Campus Dublin 24	Units 2007/2008	9,423	2018 / Q2	Leasehold	Secondhand / Unrefurbished	Existing Building	UTC Fire & Security Ireland Ltd

10 Largest Occupier Transactions on N81 Corridor since 2016

Belgard Square Belgard Road, Dublin 24	11,362	2017 / Q2	Freehold	Second-hand / Poor Quality	Marlet
Phase 1, Tallaght Industrial Estate Airton Road, Tallaght, Dublin 24	10,382	2016 / Q4	Freehold	Secondhand / Unrefurbished	Power City
Belgard House Belgard Road, Dublin 24	9,183	2017 / Q2	Freehold	Secondhand / Unrefurbished	Marlet
Former BWG Greenhills Road, Tallaght, Dublin 24	8,553	2016 / Q4	Freehold	Secondhand / Unrefurbished	Private Investor (Waste Management business)
South City Business Park Tallaght, Dublin 24	5,028	2017 / Q1	Freehold	Secondhand / Refurbished	
Phase 2 Airton Road, Dublin 24	4,582	2017 / Q3	Freehold	Secondhand / Refurbished	Tennants
Units 5A-5C, Cookstown Industrial Estate Cookstown Road, Tallaght Dublin 24	2,806	2016 / Q2	Freehold	Secondhand / Unrefurbished	
Bays 1&2 Sarsfield House, Airton Business Park Airton Road Tallaght, Dublin 24	2,787	2020 / Q3	Leasehold	Secondhand / Unrefurbished	Nisbets Ireland
70-74 Broomhill Business Complex Broomhill Road Tallaght, Dublin 24	2,513	2017 / Q1	Leasehold	Secondhand / Unrefurbished	Label Art
9/10 Broomhill Business Complex Broomhill Road Tallaght. Dublin 24	2,295	2016 / Q4	Freehold	Secondhand / Unrefurbished	

Landbank Sales in South Dublin County Council Area

Entity	Approx. Size of Land Acquired (acres)	Public / Private Ownership	Approx. Size of Facility Developed	Primary Use
Microsoft	Approx. 130	Public (SDCC)	Unknown	Data Centre
Cyrus One	Approx. 15	Public (SDCC)	Unknown	Data Centre
Amazon	Approx. 40	Public (SDCC)	Unknown	Data Centre
Amazon (Land)	Approx. 145	Private Ownership	Unknown	Data Centre
Interxion	Approx. 9	Public (SDCC)	Unknown	Data Centre
Digital Realty	Approx. 9	Private Ownership	Unknown	Data Centre
Pfizer	Approx. 75	Public (SDCC)	Unknown	Pharma
EdgeConneX	Approx. 15	Private Ownership (Linked into SDCC for services)	Unknown	Data Centre
EdgeConneX (Phase 2)	Approx. 58	Private Ownership	Unknown	Data Centre
Ferrovial	Approx. 28	Private Ownership	Unknown	Logistics
Aryzta	Approx. 23	Public (SDCC)	450,000 sq ft	Manufacturing
Amazon	Approx. 10	Private Ownership		Data Centre
Google	Approx. 50	Public (SDCC)	Unknown	Data Centre

Total of more than 600 acres

Industrial Vacancy & Job Creation



UnitedDrug



- **New facilities such as the scheme developed by Mountpark Developments at Mountpark Baldonnel have been let before practical completion and in some cases while still at planning stage, such is the volume of demand for modern facilities in this location.** This particular scheme has resulted in new occupiers including Harvey Norman, United Drug and Homestore & More locating premises and creating considerable job creation in the area, which would have located elsewhere in Dublin if this scheme was not developed. There has been strong demand for the next phase of development at this particular scheme and also for other new schemes in planning or under construction by Exeter, Palm Capital and IPUT at Greenogue Business Park, with a large proportion of these developments likely to be pre-let prior to completion also, such is the imbalance between supply and demand for modern premises in the South Dublin County Council area.
- According to CBRE Research, **several existing industrial estates in the South West region of Dublin including Baldonnel Business Park, Aerodrome Business Park, Fonthill Industrial Estate, Citywest Business Park, Magna Business Park and Profile Park have virtually no vacancy** at this juncture.

Relocation of Existing Industrial & Logistics Occupiers & ESG



Dublin industrial estates could be rezoned for homes

City councillors will be asked to consider mass rezoning of lands, says housing chief

Mon, Aug 13, 2018, 01:06

Olivia Kelly



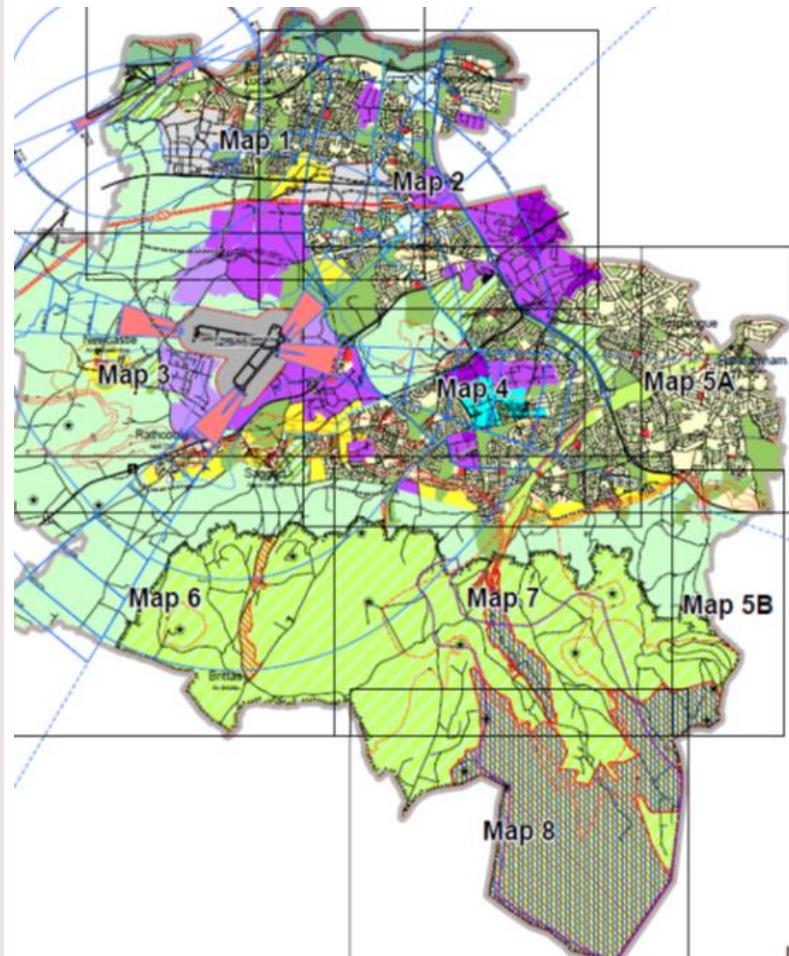
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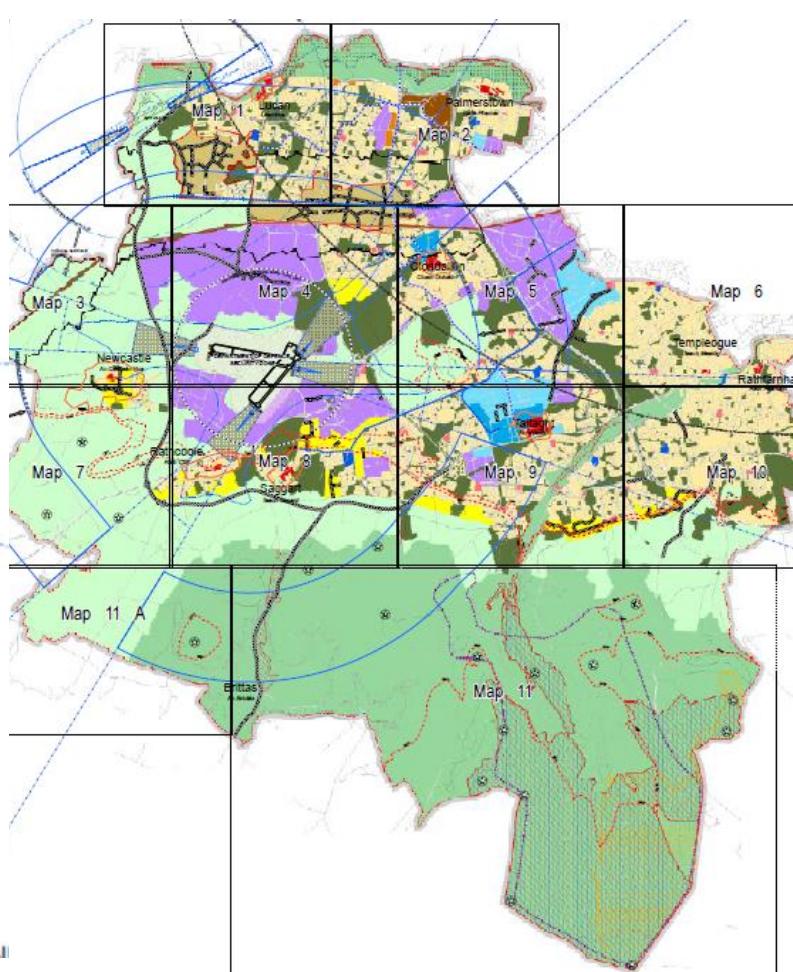
- In addition to new occupiers seeking premises, **many of the older industrial estates and locations within the M50 that are now functionally obsolete and primed for redevelopment for higher value uses such as residential, will in due course force many existing occupiers within these facilities to find new premises and relocate.**
- Other occupiers will seek to move to new premises to facilitate expansion of their businesses and to move from older accommodation that doesn't meet ESG credentials as the demand for sustainable buildings increases further. Most will have a desire to remain in the general area and will be hugely frustrated at the lack of existing buildings or land to accommodate the development of same. Some of these **occupiers will have no alternative but to gravitate towards sites and schemes in North Dublin and elsewhere in the capital if stock is not available in South Dublin to satisfy their requirements. This will in turn have implications for job creation in the SDCC local authority area.**

Availability of Land for Industrial & Logistics

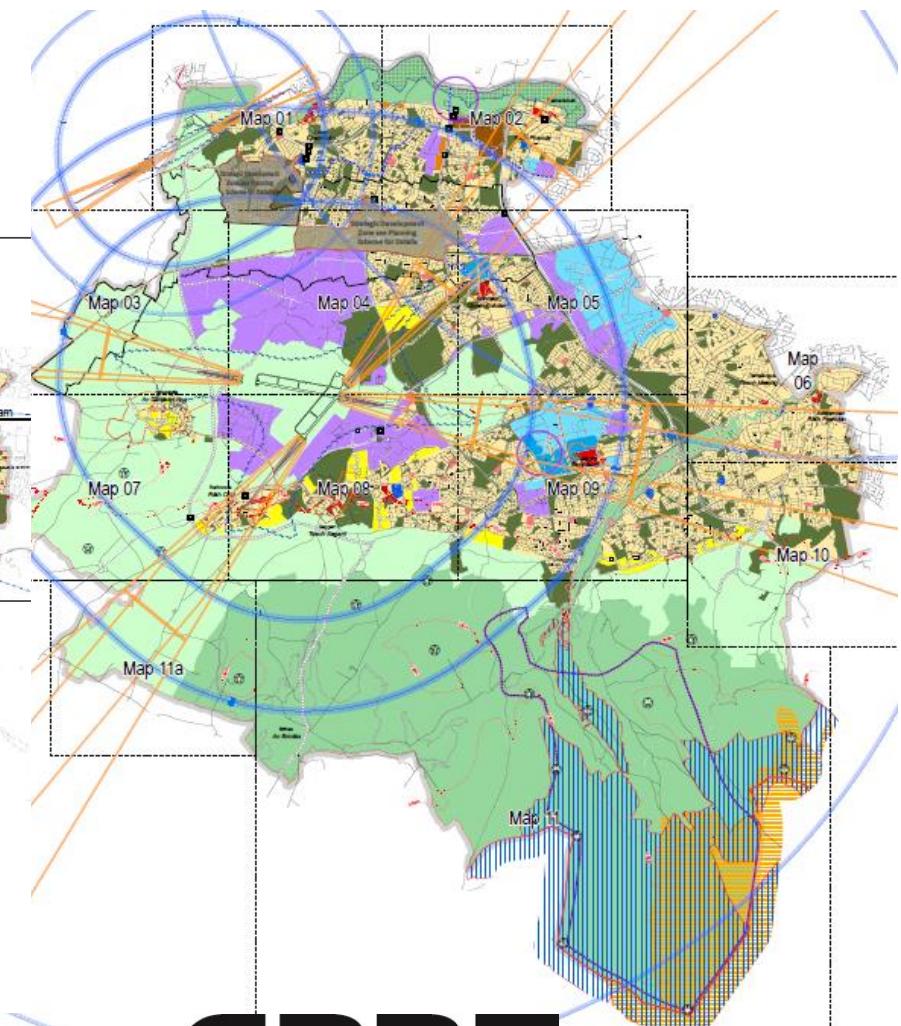
2010-2016



2016-2022



2022-2026



Conclusions

- An analysis of the most recent South Dublin County Council local authority development plan 2016-2022 demonstrates that the vast majority of land zoned as *Objective EE* – “To provide for Enterprise & Employment related uses, which is largely concentrated to the north and south of Baldonnel in the South West of the local authority area, has been fully utilised in the period since 2016. While there was additional land rezoned between the 2010-2015 and 2016-2022 development plan, **there has been very little additional rezoning included in the most recent draft development plan 2022-2026, which seems remiss considering the volume of appetite for traditional industrial & logistics accommodation in this district and the significant extent to which the volume of transactional activity was underestimated in each of the last two development plans.**
- Large tracts of land in local authority ownership as well as some privately owned land has been sold to potential occupiers in the last five-year period. Many of the resulting buildings have comprised data centres and large logistics facilities which were ‘built to suit’ various multinational occupiers, some of whom have acquired additional land in the area to facilitate future expansion. Examples of occupiers with sizeable landholdings and large facilities in the area include Pfizer, Cyrus One, Microsoft, Amazon, Takeda, Digital Realty, Interxion, Edge Connex, Ferrovial, Arysta and Google. According to CBRE Research, **more than 600 acres has been acquired by these entities in recent years, which in turn has impacted negatively on the ability to accommodate traditional industrial & logistics occupiers and led to displacement to other locations.**
- As these large sales and developments have been facilitated, the volume of land available to accommodate the development of traditional industrial & logistics facilities (which are in strong demand and which have potential to provide higher volumes of sustainable job creation than some of the large facilities developed in recent years) has been severely compromised. **An increase in the absorption of modern industrial accommodation and the sale of land to accommodate the development of data centres and other large facilities has severely compromised supply.**

Conclusions

- It is clear that by virtue of the large takes of accommodation and land that have occurred in the South Dublin County Council local authority area over the course of the lifetime of the previous development plan, that there is limited opportunity for new industrial and logistics occupiers or office occupiers, with no strategic landbanks remaining to facilitate the volume of development required over the next decade. Much of the land which was zoned for enterprise and employment use in the previous development plan is now accounted for with that remaining comprising a combination of relatively small infill sites or land that is owned by South Dublin County Council or the Industrial Development Authority. Much of the land that is owned by the local authority or the IDA is focussed on large multinational occupiers whereas **there is limited opportunity to accommodate smaller distribution and logistics requirements and as a result these occupiers are locating in Fingal and elsewhere.**
- Considering the strength of demand for industrial & logistics accommodation, which has only escalated as a result of the growth of Ecommerce and Brexit and is expected to remain strong over the course of the next decade, **there is clearly a need to rezone considerable tracts of privately owned land in south West Dublin to accommodate anticipated demand in the period 2022-2026.** If sufficient land is zoned for enterprise and employment generating uses in the area, there will be potential to develop a range of different industrial typologies and sizes. This in turn will **facilitate the attraction of a mix of end users that will create a higher volume of employment and more sustainable employment than that created by the large-scale occupiers that have dominated activity in the region over the lifetime of the previous development plan.**
- In light of our analysis of supply and demand for modern industrial and logistics accommodation in south Dublin and South Dublin County Councils' stated objective of providing expanded opportunities for employment and the creation of a broad employment base in the local authority area, **CBRE strongly advocate the rezoning of additional land for Enterprise and Employment generating use in the South Dublin County Council Development Plan 2022 – 2026.**