

Logistics

Irish Market Report Q3 2024





Introduction

The Irish industrial and logistics real estate sector is experiencing robust demand driven by certain factors such as undersupply, low vacancy rates, and fewer new sites starting construction in Dublin. The market is adapting with a shift towards suburban and regional parks to meet demand. Rising rents, EU sustainability directives, and the changeable nature of the e-commerce space are also shaping the market landscape. The diverse occupier base and the need for flexible, modern facilities underscore the dynamic nature of the sector. Addressing these challenges and capitalising on opportunities will be crucial for stakeholders moving forward.

Market trends in the Irish Industrial & Logistics Real Estate Sector

Structural Demand Drivers in Place:



Undersupply of Modern Distribution and Warehousing Facilities

The Irish industrial and logistics market still faces a significant undersupply of modern distribution and warehousing facilities. Businesses are increasingly seeking advanced spaces to integrate technology and improve logistics operations. Existing infrastructure, often outdated, cannot meet these evolving needs. New EU directive on Embodied Carbon emissions requires all buildings to have zero emissions by 2050, which is also factored in for new leases on old stock. This undersupply is a critical structural driver that continues to shape the market dynamics. As a result, vacancy rates are at an all-time low of 1.7%, indicating intense demand and limited availability.



Slowdown in Dublin Construction Commencements

Adding to the supply constraints, new construction commencements in Dublin are slowing. The high demand and limited supply are keeping vacancy rates at historic lows, further intensifying the competition for available spaces.



Broad Mix of Occupier Types & Flexibility

The industrial and logistics sector is characterized by a broad mix of occupier types, each requiring different levels of flexibility. From e-commerce giants to pharma and manufacturing firms, the demand for versatile and adaptable spaces is rising. Flexibility in facility use has become a key factor for tenants, accommodating a wide range of operational needs.



Rising Prime Rents in Dublin

Prime rents in Dublin rose by 13% in 2023, reaching €140 per square metre. The supply-demand imbalance in the market suggests that rents will continue to rise.



E-Commerce and Manufacturing Trends

While the e-commerce growth rate is slowing from its extremes of the pandemic era, the sector continues to be a significant driver of demand for logistics space. Stable manufacturing activities also contribute to steady demand. The manufacturing sector's resilience provides a stable foundation for the industrial real estate market, balancing the fluctuations seen in e-commerce growth.



Sustainability and Corporate Governance

Sustainability has become a crucial consideration for both tenants and investors. LEED Gold minimum certification is becoming standard for new facilities and refurbishments. Corporate governance is increasingly dictating better sustainability credentials. Therefore, sustainable buildings are more resilient in terms of rental income and demand, as businesses prioritize eco-friendly spaces.

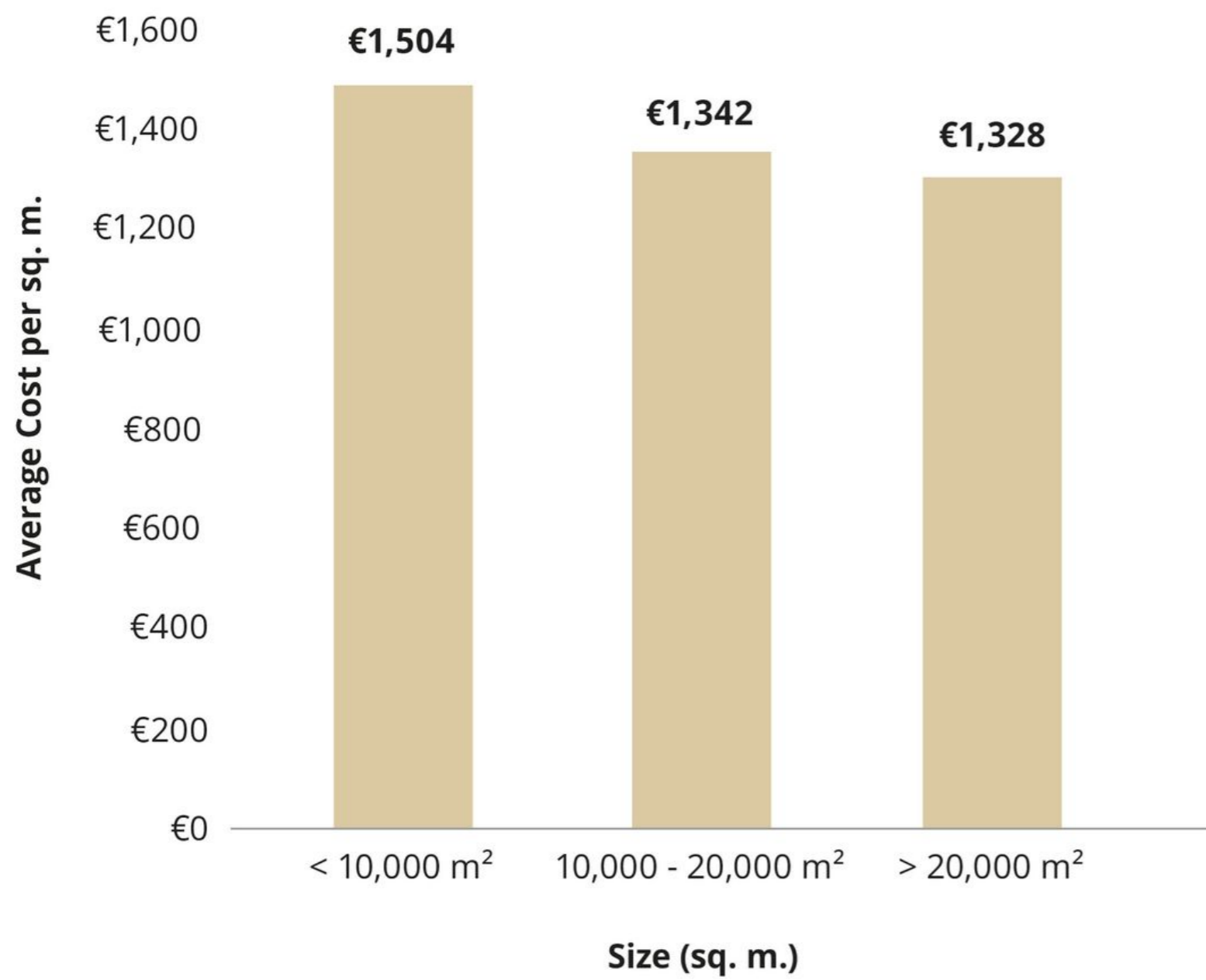
Further to this, new EU directives require all buildings to have Zero emissions by 2050. This is going to pose a challenge for the sector as much of the stock will be considered outdated, requiring retrofitting to meet standards, significantly increasing capex required on older units.



Incorporation of Sustainable Technologies

Modern logistics facilities are incorporating sustainable technologies such as glulam (glued laminated timber), low carbon concrete, solar PV (photovoltaic) panels, and EV (electric vehicle) charging stations. These features not only enhance the environmental performance of the buildings but also attract tenants who prioritize sustainability.

Average Construction Cost Per Square Metre



Factors Affecting Cost:

- Requirements for Sprinklers
- Requirements for ESB Substation
- Sustainability Targets
- Office Space Technical Specification

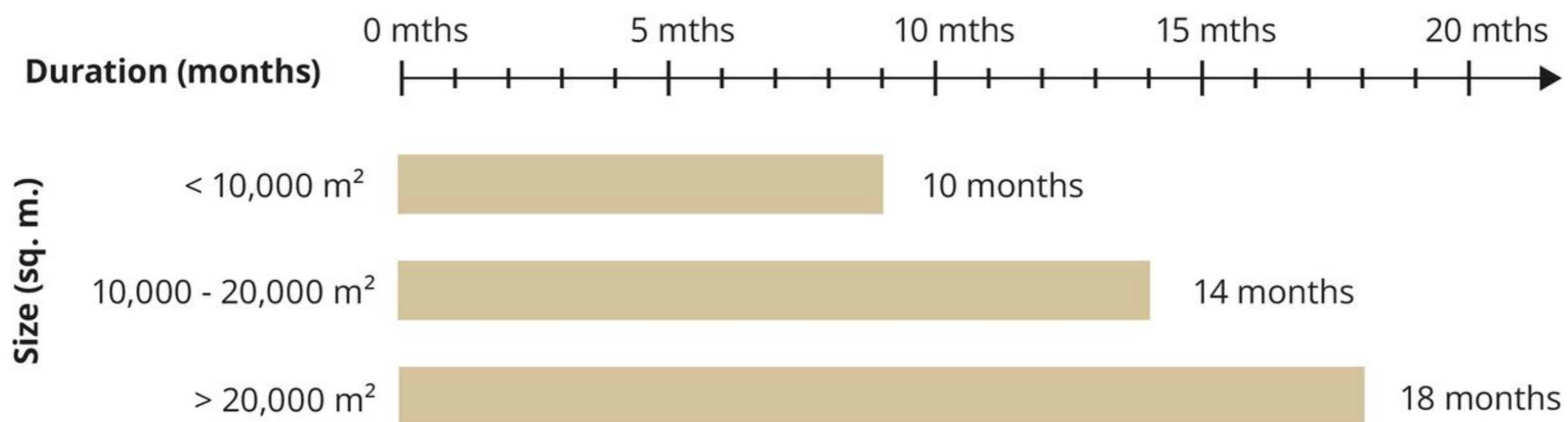
All projects included in our data are LEED Gold with Standard Tenant Fit Out.

Land Acquisition costs were not considered.

* No ESB Substation or Sprinklers required

** ESB Substation and Sprinklers required

Average Construction Programme Duration



Tenant Requirements

Sustainability:



LEED Gold Certification and Sustainable Technologies

Tenants are increasingly demanding sustainable features in industrial and logistics facilities. LEED Gold certification is becoming a standard requirement, signifying a commitment to energy efficiency and environmental responsibility. In addition to LEED certification, tenants are looking for facilities equipped with solar PV panels, EV charging stations, and rainwater harvesting systems, helping buildings align with corporate sustainability goals.



Lower Carbon Alternatives

There is a growing preference for building materials and systems that reduce carbon footprints, such as glulam (glued laminated timber) structures and low carbon cladding panels. These materials help in minimizing environmental impact while providing durable and effective building solutions.

Key Physical Requirements:



Clear Height

Maximising rack height and storage density is a key driver in the design of distribution facilities. Higher clear heights allow tenants to make better use of vertical space, accommodating more inventory and improving operational efficiency.



Slab Design

The increasing use of robotic pickers and very narrow aisle (VNA) racking systems necessitates more stringent requirements for slab loading and flatness. Ensuring that slabs are designed to meet these requirements is crucial for attracting top-tier tenants who rely on advanced warehousing technologies.



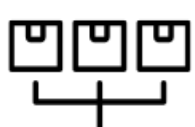
Yard Depth and Truck Access

Adequate yard depth is essential to accommodate a users truck fleet. This feature ensures that logistics operations can handle high volumes and large vehicle traffic efficiently. The potential to service future need for EV truck charging stations is also a consideration.



Future Availability of Power

As tenants move towards electrifying their vehicle fleets, the future availability of sufficient power is becoming a critical consideration. Facilities need to plan for increased electrical load capacities to support EV fleets and other energy-intensive manufacturing operations.



Modern Docking Equipment

State-of-the-art docking equipment is essential for efficient loading and unloading processes. Modern docks with advanced features can significantly enhance operational efficiency and reduce turnaround times for logistics providers.

Statutory Considerations in the Irish Market



Move Towards Sprinkler Systems

There is a growing trend towards Fire Officers making sprinkler systems a requirement in industrial and logistics facilities. Multiple code routes are available for compliance, and careful planning can help businesses choose the most cost-effective option. It is crucial for developers and tenants to work closely with experts to navigate these requirements efficiently.



SUDs and Surface Water Attenuation Requirements

Sustainable Urban Drainage Systems (SUDS) are increasingly important in new developments to manage surface water runoff and prevent flooding. These systems include features such as permeable paving, green roofs, and retention basins. Adhering to these requirements is critical for gaining planning approval and ensuring that developments are sustainable and resilient to climate change impacts.



Connectivity and Placemaking

Planning officials want to see modern industrial and logistics developments that prioritize connectivity and placemaking to enhance the quality of life of staff and users, but also reduce ecological impact. Ensuring easy access to major transport corridors and public transport, which is vital for efficient logistics operations and workforce convenience. Placemaking involves creating environments that are attractive and functional for employees. This can include integrating green spaces, recreational areas, and amenities that contribute to a higher quality of life for workers.



Ecology and Environmental Impact Assessment Reports (EIAR)

Environmental considerations are integral to the planning process. Developments that may have significant effects on the environment require an Environmental Impact Assessment Report (EIAR). Local authorities use EIARs to make informed decisions about planning applications, ensuring that ecological sustainability is factored into development approvals.

Concluding Remarks

The cyclical nature of the supply constraints in the market leading to a slowdown in construction commencements has resulted in increased competition for available spaces. EU directives to achieve Net Zero by 2050 is also driving the demand for modern, purpose built facilities or retrofitted units.

Location, size and specification are still the main cost drivers with the impact of new fire regulations and the trend towards more efficient buildings apparent in the average cost to complete units.

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