

WE INFORM
YOUR
FUTURE

BELFAST

COMMERCIAL
PROPERTY REPORT

The Lisney logo consists of a red square with a white border. Inside the square, the word "Lisney" is written in white, bold, sans-serif capital letters.

Lisney

Q4

2019

Belfast Market Headlines

INVESTMENT



£90_m

Investment transactions during quarter 4, 2019

RETAIL



REDEVELOPMENT OF THE 180,000 SQ FT ODYSSEY COMPLEX

to get underway in January 2020

OFFICES



272k_{sq ft}

272,403 sqft take up across Belfast Q4 2019

INDUSTRIAL & LOGISTICS



BOMBARDIER SELLS

its historic 560,000 sq ft wing-making factory in Belfast to Spirit Aerosystems

Q4

INVESTMENT



New River acquired Sprucefield Retail Park, Lisburn for £40m

“ £90ml
of transactions
in Q4 ”

OVERVIEW

A flurry of activity in the last quarter of the year has boosted Northern Ireland's annual investment volumes to £210m.

ACTIVITY

Whilst the overall numbers are better than many would have expected it would be a mistake to gloss over what has been a difficult year in which Brexit related uncertainty has been rampant. Regardless of the industry, this backdrop makes investment decisions difficult, but particularly in commercial real estate. Property investment in N Ireland is weighted more heavily towards larger property transactions, often involving investors from outside of the region it's not surprising to see the effect this had over the early parts of the year where activity levels have been muted. It should also be noted that 2 large owner occupier purchases accounted for 40% of the numbers up to end Q3.

The external investor pool was undoubtedly shallower while Brexit remained unresolved but this perceived illiquidity created opportunity for some investors hunting for yield. It was this opportunity that created a rally late in the year rather than any Brexit related "stability". Investors are still seeking to fully understand potential competitive

advantages the Withdrawal Agreement could create in NI, but as the trade negotiations advance and any concerns around border bureaucracy allay, Northern Ireland will begin to attract more investment capital. The challenge in our view will not be investor appetite but delivering sufficient amounts of product to satisfy it. The argument stands to reason that we now have the platform to create a genuine USP for the region and combined with the restoration of the local assembly, the year ahead will undoubtedly be a more positive one.

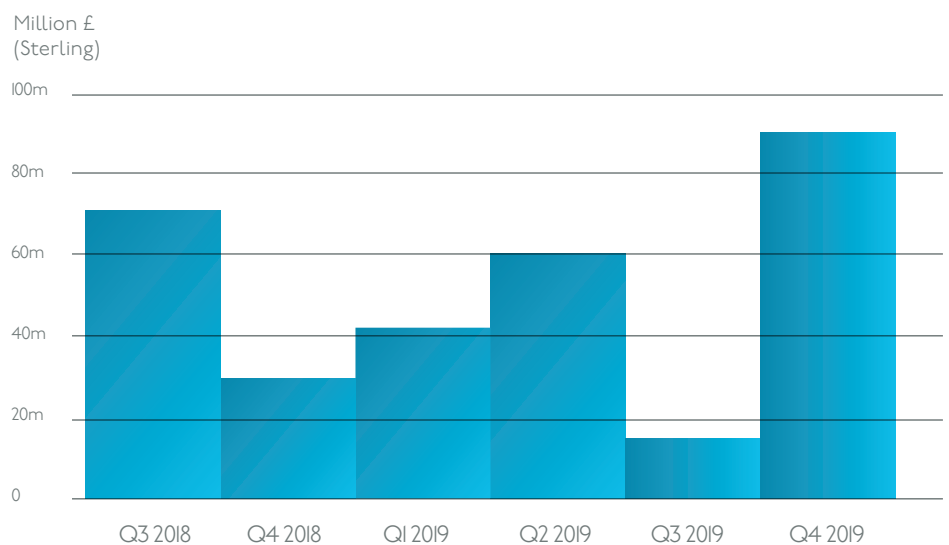
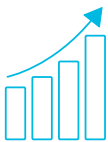
Notably sales in Q4 included Crescent Link Retail Park in Derry, sold to a UK investor in October for £30m reflecting 11.4%. Then in November 2019, New River acquired Sprucefield Retail Park, Lisburn for £40m reflecting 8.7%. The sales of these assets are a positive for the market given the significant headwinds in 2019.

Over and above any Brexit effect the Retail sector is enduring structural change which is continuing to evolve. Where we expect good Retail schemes and parks to be more resilient the secondary and tertiary sectors will face an even greater challenge next year, with alternative use in these locations unlikely to show viability the future for these assets will require some creative thought through engagement with a variety of local stakeholders.

Our office occupational market continues to provide growth and healthy levels of demand. We are likely to see the outworking of refurbishment and let up strategies in 2020, or investors cashing out following capturing the reversionary potential in their buildings. The static nature of rents in the industrial sector is seeing signs of upward pressure for quality space but while investors can benefit from acquisition at less than replacement cost, this key matrix isn't enough without signs rents are beginning to move.

The alternative sector, a favourite for institutions in the UK continues to grow market share and the challenge for NI is to seek to harness some of that capital and deliver the product to facilitate investment. The residential sector is the most likely to see significant growth in investment numbers, with a few schemes in the pipeline and the ambitious plans from Belfast city council to deliver 70,000 more people living in the city over the next 15 years, those numbers will require significant strategic planning in terms of jobs, infrastructure and amenity to facilitate the flow of investment capital. Watch this space.

INVESTMENT VOLUMES, Q3 2018 - Q4 2019



ON THE MARKET Q4 2019



PROPERTY	DETAILS	PRICING
Great Northern Tower, Great Victoria Street, Belfast	108,000 sq.ft. Office Building	£24.5m/6.75%
Abbey Retail Park, Newtownabbey	220,000 sq.ft. Foodstore and Retail Warehouse Park	£38m/8.25%
36/38 Boucher Road, Belfast	2x Standalone Retail Units	£3m/5.25%

NOTABLE TRANSACTIONS Q4 2019



PROPERTY	SECTOR	PURCHASE PRICE
Sprucefield Retail Park, Lisburn	Retail	£40m
Crescent Link Retail Park, Derry	Retail	£30m
Victoria House, Gloucester Street, Belfast	Office	£12.5m



Deloitte take 80,000 sq ft in the Ewart

“ Deloitte take 80,000 sqft in Bedford Square ”

OVERVIEW

After 2 ‘sluggish’ quarters in 2019, a much improved Q4 accounted for just over 50 % of the annual office take up by floor area. This trend is also reflected across the other main sectors in the wider property market where the outcome was a better than expected set of results at the year end.

ACTIVITY

Office ‘Take up’ in 2019 totalled 517,380 sq ft with 272,403 sq ft transacted in Q4 alone. The strong surge in Q4 brought total take up for 2019 ahead of the 5 year rolling average in a total of 26 deals. This has brought the total number of recorded deals for 2019 to 64 across over the 4 quarters.

The tech/digital and creative sectors (mostly FDI requirements) featured strongly in the take up figures along with Accountants and Solicitors. These results are encouraging especially since the economic and political background to the economy was not particularly positive in the earlier months of the year.

The size of transactions throughout the quarter varied though the vast majority of the take up (162,000 sq ft) was completed in three deals, the most significant of these was the letting of 80,000 sq ft to Deloitte of the 213,000 sq ft building, The Ewart promoted by Mc Aleer & Rushe.

The remaining take up was made up of 23 transactions with the average size between 4,500 and 5,000 sq ft.

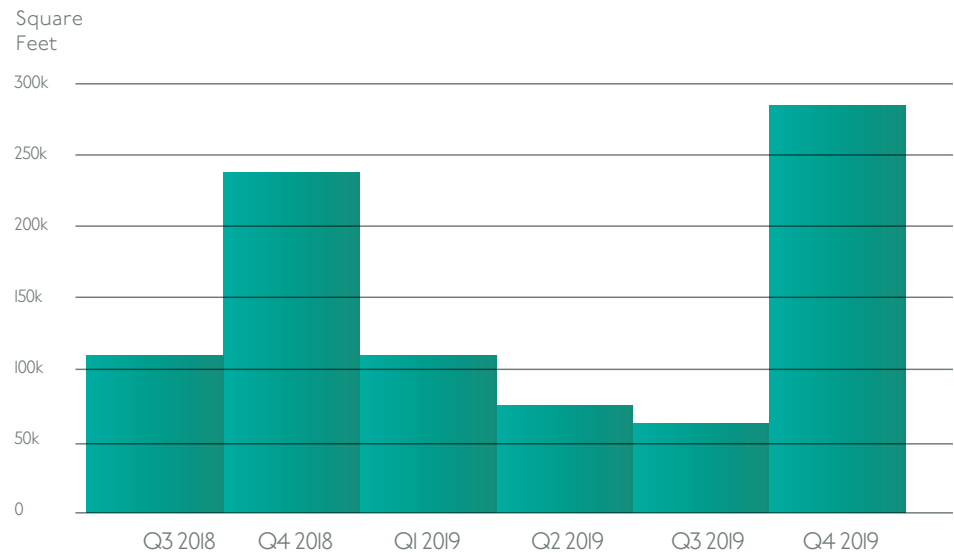
Strong occupier demand continues however there will be constraints on take up figures going forward due to a lack of immediately available larger floor plates required by FDI corporate occupiers. Trends in the office occupier market are also set to continue with co working/ serviced office providers predicted to continue their significant expansion throughout the UK.

The outlook for 2020 for the office sector also looks strong with stated requirements in the market in excess of 400,000 sq ft including the NI Civil Service Requirement for 161,500 sq ft and the as yet unsatisfied CITI requirement for 120,000 sq ft.

Available prime office stock is as usual fairly limited though buildings including The Sixth, Paper Exchange and The Mercantile, all in prime locations could be brought on stream this year subject to suitable pre lets. A notable change in our market is the emergence of mid lets where Developers speculatively go on site and lettings are completed during the construction phase. Where funding is available mid lets will become increasingly common as it gives occupiers certainty on delivery.

The first year of the new decade promises to be an interesting phase in the development cycle.

OFFICE
TAKE UP
Q3 2018 - Q4 2019



NOTABLE
TRANSACTIONS
Q4 2019



LANDLORD	TENANT	SIZE	LOCATION
Mc Aleer & Rushe	Deloitte	80,000	Bedford Square, The Ewart Building, Bedford Street
Kilmona	Rapid 7	48,000	Chichester House , 19 Chichester Street
Linfield Properties	Proofpoint	34,000	Laser 2 Building - Weavers Court, Linfield Road



272,403 'TAKE UP' IN BELFAST
CITY CENTRE
SQUARE FEET IN QUARTER 4, 2019



Hobbycraft's first NI store at Longwood Retail Park

“The long anticipated redevelopment of the Odyssey will get under way in January 2020”

OVERVIEW

2019 has been another challenging year for the retail market, with ongoing political and economic uncertainty suppressing consumer confidence, strong online sales growth and a weak pound squeezing retailer's margins. This has led to a number of high profile retail insolvencies such as Debenhams, Arcadia, Mothercare, Bon Marche and Monsoon with the inevitable store closures.

ACTIVITY

Belfast city centre has held up well with strong demand from retailers and leisure occupiers maintaining healthy occupancy levels and underpinning rents. Belfast's prime retail vacancy rate reduced slightly in 2019 from 10.2% to 9.8% which highlights the resilience of the city's retail core.

Our out of town market is also fairing relatively well as retailers such as B&M, Lidl, M&S, Iceland, and Home Bargains have continued to be active with new openings throughout 2019. Our out of town vacancy rate across NI has remained static at around 14% over the last few years, and with new out of town entrants such as Food Warehouse, Hobbycraft, Jysk and Wren Kitchens actively working on their roll out plans for Northern Ireland we expect this to improve in 2020.

Q4 saw a number of new out of town openings including B&M's new flagship 25,000 sq ft store at Bloomfield Retail Park in Bangor, Hobbycraft's first NI store at Longwood Retail Park, Newtownabbey, Lidl's new format store in Dundonald and Crew Clothing opening their first NI store at the Boulevard in Banbridge.

In town we saw Sports Direct open their excellent new flagship store at the Tower Centre in Ballymena, incorporating Game and USC, Joules opened at the Quays in Newry and Toytown opened in Ards Shopping Centre Newtownards. In Belfast we saw the new Flannels store opening within House of Fraser at Victoria Square, further underpinning the schemes fashion credentials.

On the Leisure front we had the announcement that the long anticipated redevelopment of the Odyssey would get underway in January with the signing of Cineworld and Hollywood Bowl to anchor this exciting project being let by Lisney.

Whilst our strong urban locations and dominant out of town retail parks have managed to fill the voids created by the recent retailer failures, some of our more regional locations are struggling to keep occupancy levels from dipping and this is having a downward effect on rents in these locations.

The outlook for Belfast is good with the eagerly anticipated Ulster University campus getting closer to completion and strong tourism growth we expect to see retail footfall in the city increasing, fueling selective demand from retailers and restaurant groups to get representation or expand in the city. Elsewhere our retail parks and regionally dominant shopping centres should fare well, however some of our more provincial retail locations will come under pressure.

NOTABLE TRANSACTIONS Q4 2019



TRADER	TYPE	LOCATION	TOWN/CITY	AREA (SQ FT)
Centra	High Street/ Shopping Centre	Donegall Square East	Belfast	4,000
Hobbycraft	Out of Town	Longwood Retail Park	Newtownabbey	10,760
Toytown	High Street/ Shopping Centre	Ards Shopping Centre	Newtownards	2,900
Flying Tiger	High Street/ Shopping Centre	Abbey Centre	Newtownabbey	2,000
Starbucks	High Street/ Shopping Centre	Marlborough Retail Park	Craigavon	2,100
Levi	Out of Town	The Boulevard	Banbridge	2,600
Flannels	High Street/ Shopping Centre	Victoria Square	Belfast	30,000
Starbucks	Out of Town	The Junction	Antrim	3,200
House Proud	Out of Town	Longwood Retail Park	Newtownabbey	11,000
Lidl	Out of Town	Dundonald	Belfast	16,700
Joules	High Street/ Shopping Centre	The Quays	Newry	1,500
Crew Clothing	Out of Town	The Boulevard	Banbridge	1,000
Sports Direct	High Street/ Shopping Centre	Tower Centre	Ballymena	35,000
B&M	Out of Town	Bloomfield Retail Park	Bangor	25,000

Q4

INDUSTRIAL
& LOGISTICS

15 Ballinderry Road, Lisburn. Sold for £1.5m

“Bombardier
sells its 560,000
sq ft wing-making
factory in Belfast to
the US aerospace
manufacturer Spirit
Aerosystems”

OVERVIEW

The year has ended with a number of significant deals completing primarily in the 20,000/30,000 sq ft range. Whether this is just a coincidence it is difficult to say but as a result there is limited availability in this size bracket on the open market and strong demand.

ACTIVITY

Activity in Q4 has included Fortress Diagnostics announcing that they are investing over £8million in new UK headquarters in Antrim Technology Park in a new build 30,000 sq ft facility. Occupation anticipated for early 2020.

Harland & Wolff has been purchased by Infrastrata in a £6m deal and Wrightbus has been taken over by Jo Bamford, both of which are great for the sector.

The sale of a warehouse facility on Ballinderry Road, Lisburn also completed at c.£1.5ml comprising 32,884 sq ft on a

self contained site of 2.48 acres. Another building in Lisburn, a new build unit at Lissie Walk, Lissie Industrial Estate, was also let, comprising 28,800 sq ft to Decora.

Demand was not just limited to greater Belfast as we have seen a 30,028 sq ft unit in Tobermore Road, Magherafelt let at a strong rent of £5 per sq ft. The property was well located on the main road between Magherafelt and Cookstown, had an eaves height of 6.6m and three dock levellers, which is increasingly difficult to obtain in the market.

On the supply front a number of properties have been brought to the market on a for sale basis including warehouse facilities at Lambeg Mills, Lambeg of approximately 35,000 sq ft on 2.2 acres. A further two self-contained units in Altona Industrial Estate, Lisburn comprising 32,232 sq ft on c. 1.9 acres and 9,251 sq ft with capital values in the region of £43.44 per sq ft and 30.27 per sq ft respectively.

On a to let basis two further buildings in Grange Park, Mallusk comprising 11,553 sq ft and 19,031 sq ft respectively have come to the market with asking rents of £4.50 per sq ft.

On a wider note Bombardier has agreed to sell its historic wing-making factory in Belfast to the US aerospace manufacturer Spirit Aerosystems as part of a \$1.1bn (£850m) deal that ends months of uncertainty over the jobs of 3,500 highly skilled workers. Subsequently the new owners have submitted a planning application for a 333,000 sq ft extension to their current facility at Belfast which bodes well for the continuation of the Airplane industry in Belfast.

Entering 2020, the supply of warehousing and distribution accommodation greater than 20,000 sq ft remains extremely limited. However, capital values for second-hand stock are still well below the replacement cost, which makes new construction unviable.

Demand from retailers for distribution accommodation may result in advanced distribution centres being considered in Northern Ireland, similar to that seen in other parts of the UK.

NOTABLE TRANSACTIONS Q4 2019



LOCATION	AREA* (SQ FT)	TYPE
15 Ballinderry Road, Lisburn	32,884	Sale
Tobermore Road, Magherafelt	30,028	Letting
1 Lissue Walk, Lissue Industrial Estate	28,800	Letting
Unit 4, 2-10 Duncrue Road, Belfast	20,173	Letting
Building 1, Unit 4, Central Park, Mallusk	19,961	Letting

*Approximate Sizes

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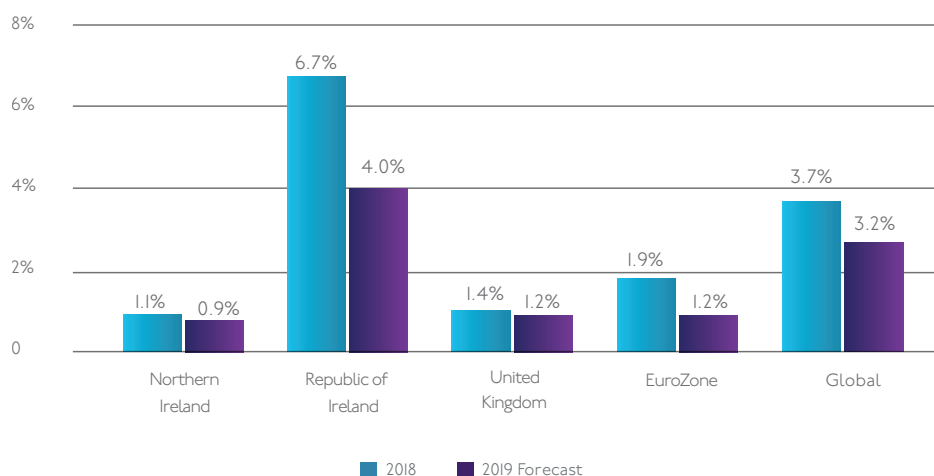


OUTLOOK

- Investment – positive outlook given stability in local and National governments
- Office – strong levels of stated demand for prime offices
- Retail – Expect further casualties after the Christmas period
- Industrial – Strong regional demand

GLOBAL VIEW

2018 Growth Vs 2019 Forecast



LISNEY BELFAST TEAM



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Managing Director



David McNellis
Director (Agency)



Gareth Johnston
Director (Professional Services)



Nicky Finnieston
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