

BELFAST COMMERCIAL REPORT

Q1 2020

The Lisney logo consists of the word "Lisney" in a white, sans-serif font, enclosed within a white rectangular border. This logo is positioned in the top right corner of the page, which has a solid purple background. In the background of the entire page, there are large, faint, light-purple outlines of the letters "Q1" and "Q2", suggesting a quarterly report format.

Lisney

BELFAST MARKET IN NUMBERS

INVESTMENT

£70
MILLION

INVESTMENT
TRANSACTIONS
IN Q1

RETAIL

O'NEILL'S

TAKES NEW
FLAGSHIP STORE
IN CASTLECOURT

OFFICES

67,622
SQFT

TAKE UP
IN Q1

INDUSTRIAL

100,000
SQFT

MANUFACTURING
FACILITY IN CAULSIDE
DR, ANTRIM SOLD



“ INVESTMENT VOLUMES ROBUST
PRIOR TO COVID LOCKDOWN. ”

SLATE ASSET MANAGEMENT
ACQUIRED ABBEY RETAIL
PARK FOR £34M IN FEBRUARY

ACTIVITY

The Q1 Investment volumes in Northern Ireland show a sector which was performing robustly prior to the announcement of a UK wide “lockdown” on March 23rd. In fact, virtually all of the transactions in the quarter happened in January and February, as the threat of COVID-19 became more apparent through the month of March momentum certainly slowed, otherwise we may have surpassed £100m.

A new entrant to our Investment market in Slate Asset Management offers some positive news, the Canadian investor acquired Abbey Retail Park in February, which was their first European acquisition outside their German grocery real estate strategy .

A large industrial investment in Mallusk also traded, this asset was purchased off market by a private investor. These transactions along with the £4.2m sale of Beaufort House, one of HMRC's Belfast offices, make up the majority of the £70m that traded in the quarter.

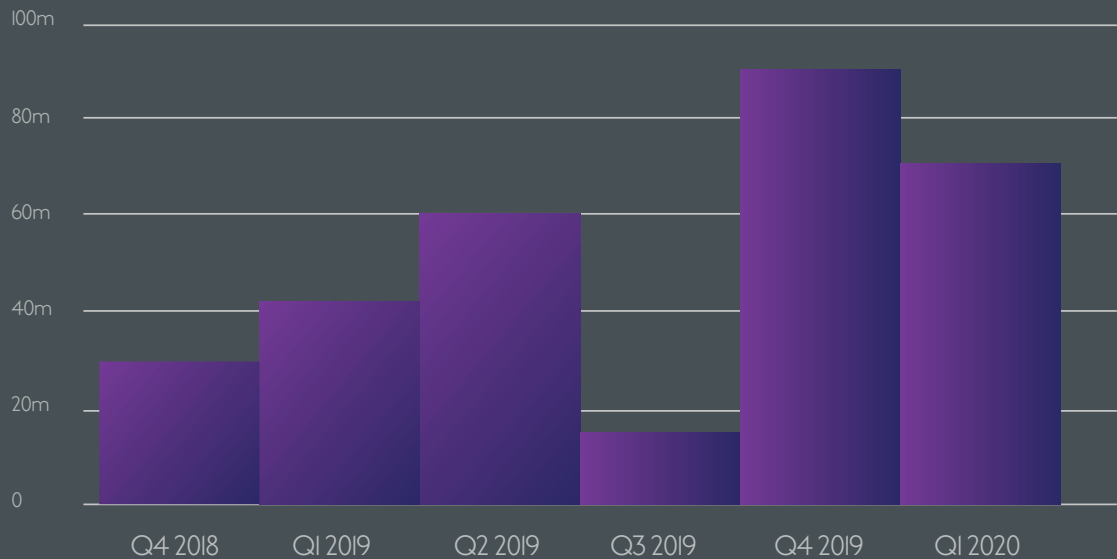
Looking forward Q2 is unlikely to see any significant transactions. The lockdown means the most basic of visual assessments can't be undertaken, investors are unable to travel, tenanted buildings are potentially empty and landlords are likely more focused on rent deferments or property management issues, this makes the job of progressing transactions very challenging

The unprecedented impact of Covid 19 will cause Investors to consider potential structural changes over the longer term and how this will impact on demand for property both from occupiers and investors. There are undoubtedly potential changes in occupational trends given the current social distancing measures in place however the need for people to congregate and to share thoughts and ideas should not be underestimated. Change will inevitably be a catalyst for activity.

Debt providers too will be important stakeholders in our property market over the coming months, both on the basis of current exposures, their views on loan to value pressures as existing bank facilities expire and their desire to fund post the “new normal”. These factors will be determining factors in deciding the levels of activity we are likely to see over the rest of the year.

INVESTMENT VOLUMES

Million £
(Sterling)



NOTABLE TRANSACTIONS

PROPERTY	SECTOR	PURCHASE PRICE (M)
ABBAY RETAIL PARK, NEWTOWN ABBEY	RETAIL WAREHOUSE	£34M
INDUSTRIAL INVESTMENT, MALLUSK	INDUSTRIAL	C.£30M
BEAUFORT HOUSE, WELLINGTON PLACE, BELFAST	OFFICE	£4.2M



APPLIED SYSTEMS
TAKES 19,160 SQFT IN
ADELAIDE EXCHANGE

OVERVIEW

After a busy Q4 2019, the office market continued to be active in Q1 in the expectation of a more positive, post Brexit era.

Whilst the impact of the withdrawal agreement has yet to be fully understood (never mind implemented), business has been preparing for the future following the prolonged debate between the UK government and the EU.

Take up figures for Q1 2020 totalled 67,622 sq ft in Belfast city centre which when compared year on year to the same quarter in 2019 is down c 37%. A main driver for this is a lack of quality supply. This is supported by the evidence gleaned through our research that all of the deals recorded were concluded in existing or refurbished space.

Towards the end of the Quarter there was a growing awareness of a changing world due to the onset of Covid 19. The first evidence of this was being felt in early March as a number of occupiers adopted a 'wait and see' approach before committing to new leases.

The lockdown imposed on 23rd March has certainly influenced opinion and predictions for the future.

ACTIVITY

Take up was assessed over 11 deals in the quarter with 2 deals accounting for c 36,000 sq ft out of the total, ie the lettings to Applied Systems (19,160 sq ft) and CME at Adelaide Exchange and Millenium House (17,000 sq ft) respectively.

In the remaining 9 deals the size range in the deals recorded was from c 600 sq ft to 4,500 sq ft.

As has been the case for some time the Tech sector has been the most active as illustrated above but there is evidence that the legal, financial services and professional bodies have been engaging also.

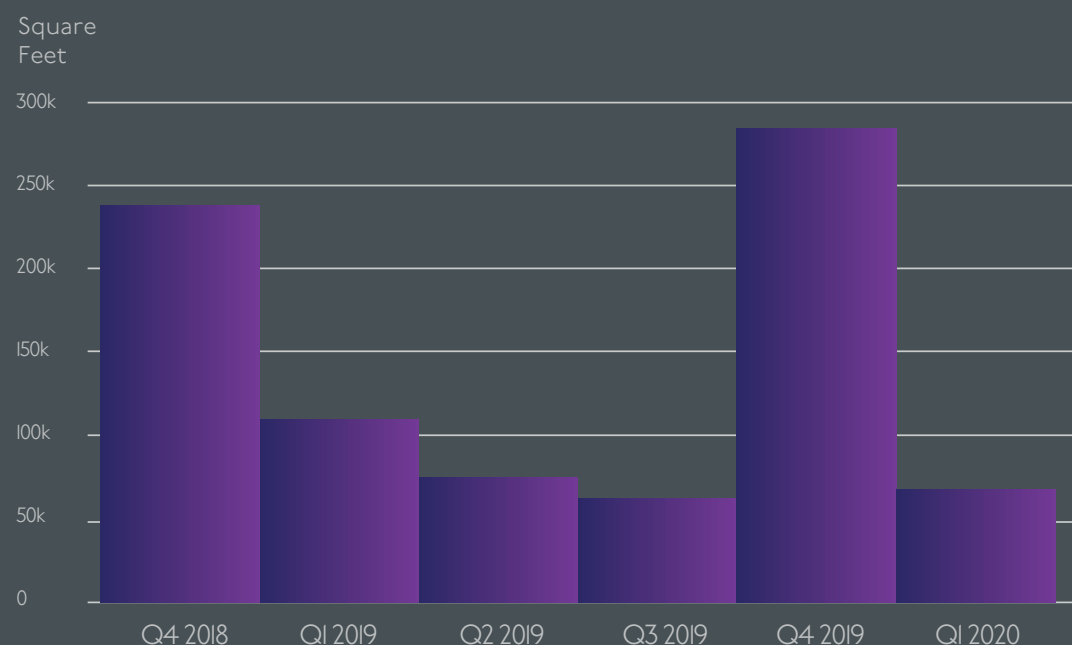
SUPPLY / DEMAND

Stock levels are recorded at c 500,000 sq ft and we note that c 80% of this space is regarded as being second hand. Any on site construction work, post lockdown, will seek to re dress the balance however delivery dates will be impacted.

Stated demand levels recorded are c 400,000 sq. ft. with a number of large scale FDI projects identified. It is difficult to predict at this stage however if the strength of this appetite still exists in the current world and it is fair to assume that any acquisitions will probably result from key Lease events as opposed to expansionary pressures.

Future demand and trends resulting from the pandemic will be the pursuit of 'healthy' workplaces coupled with an enforced appreciation of how well (or otherwise) remote working has been accepted by the workplace. The outcome will dictate the development of occupational strategies and how much space is ultimately required.

OFFICE TAKE-UP



NOTABLE TRANSACTIONS

ADDRESS	OCCUPIER	FLOOR AREA	LANDLORD
ADELAIDE EXCHANGE	APPLIED SYSTEMS	19,160 SQ FT	STRABEN
MILLENIUM HOUSE	CME	17,000 SQ FT	MCALEER & RUSHE
ALFRED HOUSE	NI HUMAN RIGHTS	4,500 SQ FT	KILLULTAGH



O'NEILLS
TAKE 8,500 SQFT
IN CASTLECOURT

OVERVIEW

With 2019 being a year of ongoing political and economic indecision, the beginning of 2020 provided somewhat more clarity, or perhaps less uncertainty at the very least. The UK officially left the EU on 31st January and while there is still much to agree during the implementation period, placing a set timeline on discussions has undoubtedly improved market sentiment. This, coupled with the resumption of Stormont and the restoration of devolution has certainly given cause for optimism in the retail sector. While the retail landscape remains challenging, with Brighthouse, Laura Ashley and Hawkins Bazaar joining the list of high profile insolvencies this quarter, indigenous retailers and those who already have a presence in NI continue to see opportunity in the region, with food and value retailers at the forefront of this trend.

ACTIVITY

Belfast continues to perform strongly, with a number of encouraging openings highlighting the ongoing confidence within the city. O'Neills Sportswear continued the expansion of their business, opening in Castle Court on Royal Avenue in a unit of 8,500sq ft which had previously been occupied by Jacamo. The store is their ninth on the island and builds on the success of two further openings in 2019.

Thornton's new café concept on Arthur Square, a slight pivot from their traditional business, is being rolled out to select locations throughout the UK and has been very well received. In the west of the City, the much anticipated Home Bargains store opened in the Park Centre at the end of February, representing a £1.5m investment by the value retailer.

The out of town market saw a new entrant, although one with significant experience in the region with Iceland rolling out their Food Warehouse concept at Longwood Retail Park. The supermarket retailer provides a wider range than its sister brand and specialises in bulk-buy items. The new store represents a £1m investment by the company, who have plans for up to 12 stores in Northern Ireland, showing growing confidence in this sector of the retail market. Lidl continued their rapid expansion by opening their 800th UK store in Q1 which includes two new stores in Northern Ireland this quarter in Limavady and Ballymoney. The German retailer have also recently submitted a planning application which would see a pub opened in its Dundonald store.

ACTIVITY (CONT'D)

Whilst the beginning of the year showed some positive signs of activity, this has since been all but halted by the Covid-19 pandemic which has gripped the planet. With the UK entering lockdown at the end of the quarter on 23rd March and retailers who are considered to be non-essential being forced to close by the government the future is uncertain for many. Although several maintain an online presence, the substantial constraints on their supply chain will no doubt have an increasing impact and it remains to be seen how viable trading virtually is for a number of businesses. While we await clarification of the detail behind the government support packages which have been intimated, it is clear that open lines of communication between landlords and tenants is of extreme importance.

TRADER	TYPE	LOCATION	TOWN/CITY	AREA	COMMENTS
O'NEILLS	HIGH STREET / SHOPPING CENTRE	CASTLECOURT	BELFAST	8,500	OPENED MARCH
THORNTONS	HIGH STREET / SHOPPING CENTRE	ARTHUR SQUARE	BELFAST	2,000	OPENED MARCH
NANDO'S	OUT OF TOWN	THE JUNCTION	ANTRIM	3,500	OPENED FEBRUARY
LIDL	HIGH STREET / SHOPPING CENTRE	HIGH STREET	LIMAVADY	23,000	OPENED FEBRUARY
THE FOOD WAREHOUSE	OUT OF TOWN	LONGWOOD RETAIL PARK	NEWTOWN- ABBEY	15,000	OPENED FEBRUARY
HOME BARGAINS	HIGH STREET / SHOPPING CENTRE	THE PARK CENTRE	BELFAST	20,000	OPENED FEBRUARY
MERMAID COVE	HIGH STREET / SHOPPING CENTRE	RICHMOND CENTRE	DERRY / LONDONDERRY	400	OPENED FEBRUARY
LIDL	HIGH STREET / SHOPPING CENTRE	MEETING HOUSE STREET	BALLYMENA	15,000	OPENED MARCH
BODY SHOP	HIGH STREET / SHOPPING CENTRE	VICTORIA SQUARE	BELFAST	2,000	OPENED FEBRUARY



OVERVIEW

Despite the Brexit Hangover, the first quarter of 2020 saw a number of large deals completing, the majority being sales, as can be seen from the transactional table below, the majority ranging in size from 25,000 – 100,000 sq ft. The demand has primarily been from owner occupiers and follows on from similar trends seen in Q4 2019.

Notable company investments in the sector included Armstrong Medical announcing that they are to invest over £8million in their Coleraine business to expand their existing facility by 26,000 sq ft, and Terex have stated they will build a new £4m factory in Omagh. On the planning front Edge Innovate have submitted a planning application for a £4m Factory in Dungannon and CDE Global have received planning permission for a £2.8m R&D facility in Cookstown which is all very positive for the sector.

ACTIVITY

The largest transaction of the quarter was the sale of a manufacturing facility on Caulside Drive, Antrim. Comprising c. 100,000 sq ft on a self contained site plus an additional 5 acres of zoned industrial lands, the property was purchased by an owner occupier.

Other significant sales included a c.57,723 sq ft manufacturing facility on 3.58 acres in Aghnagar Road, Ballygawley, and a c. 25,123 sq ft distribution warehouse in Seaforde on a site of 3 acres

On the letting front we saw further activity at Kilroot Business Park, Carrickfergus where a 24,600 sq ft unit has been let and the new tenants are undertaking a full refurbishment of the space and are a great addition to the park.

In terms of supply a number of properties have been brought to the market on a For Sale basis including a 27,700 sq ft refurbished building at The Brickworks in Dungannon, a 20,900 sq ft property on Station Road, Armagh, and two adjacent buildings on Brookfield Industrial Estate in Banbridge comprising 11,232 sq ft in total

ACTIVITY (CONT'D)

The supply of warehousing and distribution accommodation greater than 20,000 sq ft still remains limited however demand from owner occupiers will continue to dominate going forward.

Activity levels will undoubtedly be constrained in the second quarter of the year with the onset of the Covid 19 lockdown and it remains to be seen where demand levels will rebound to once the pandemic is over.

NOTABLE TRANSACTIONS

LOCATION	SIZE (SQ FT*)	TYPE
CAULSIDE DRIVE, ANTRIM	100,000	SALE
AGHNAGAR ROAD, BALLYGAWLEY	52,723	SALE
FARRANFAD ROAD, SEAFORDE	25,123	SALE
KILROOT BUSINESS PARK, CAR- RICKFERGUS	24,593	LETTING

*Approximate sizes



COVID-19

The Covid 19 Pandemic and subsequent Lockdown of our economy will undoubtedly reshape the Commercial Property market in N Ireland and the remainder of the UK in the short term.

Whilst we have not experienced the effects of a global Pandemic before, the team at Lisney have worked through a series of Property Cycles. Our experience gained working through unforeseen market interruptions including the Global Financial crash of a decade ago and the ongoing exit from the EU will undoubtedly allow us to help our Clients and the wider advisory community chart a way forward and plan for the future.

Please do not hesitate to contact us - We are here to Help.

THE BELFAST COMMERCIAL TEAM



DECLAN FLYNN
Managing Director



DAVID MCNELLIS
Director
Agency



GARETH JOHNSTON
Director
Professional Services



NICKY FINNIESTON
Director
Retail & Investment



ANDREW GAWLEY
Director
Agency



STEPHEN CHAMBERS
Associate Director
Investment

THE LISNEY RESEARCH TEAM



AOIFE BRENNAN
Director



TANYA DUFFY
Research Analyst

OUR OFFICES

BELFAST

Montgomery House,
29-33 Montgomery
Street,
Belfast, BT1 4NX
T +44 2890 501501
E belfast@lisney.com

CORK

1 South Mall,
Cork, T12 CCN3
T +353 (0) 21 427 5079
E cork@lisney.com

DUBLIN

St. Stephen's Green
House,
Earlsfort Terrace,
Dublin 2, D02 PH42
T +353 (0) 1 638 2700
E dublin@lisney.com