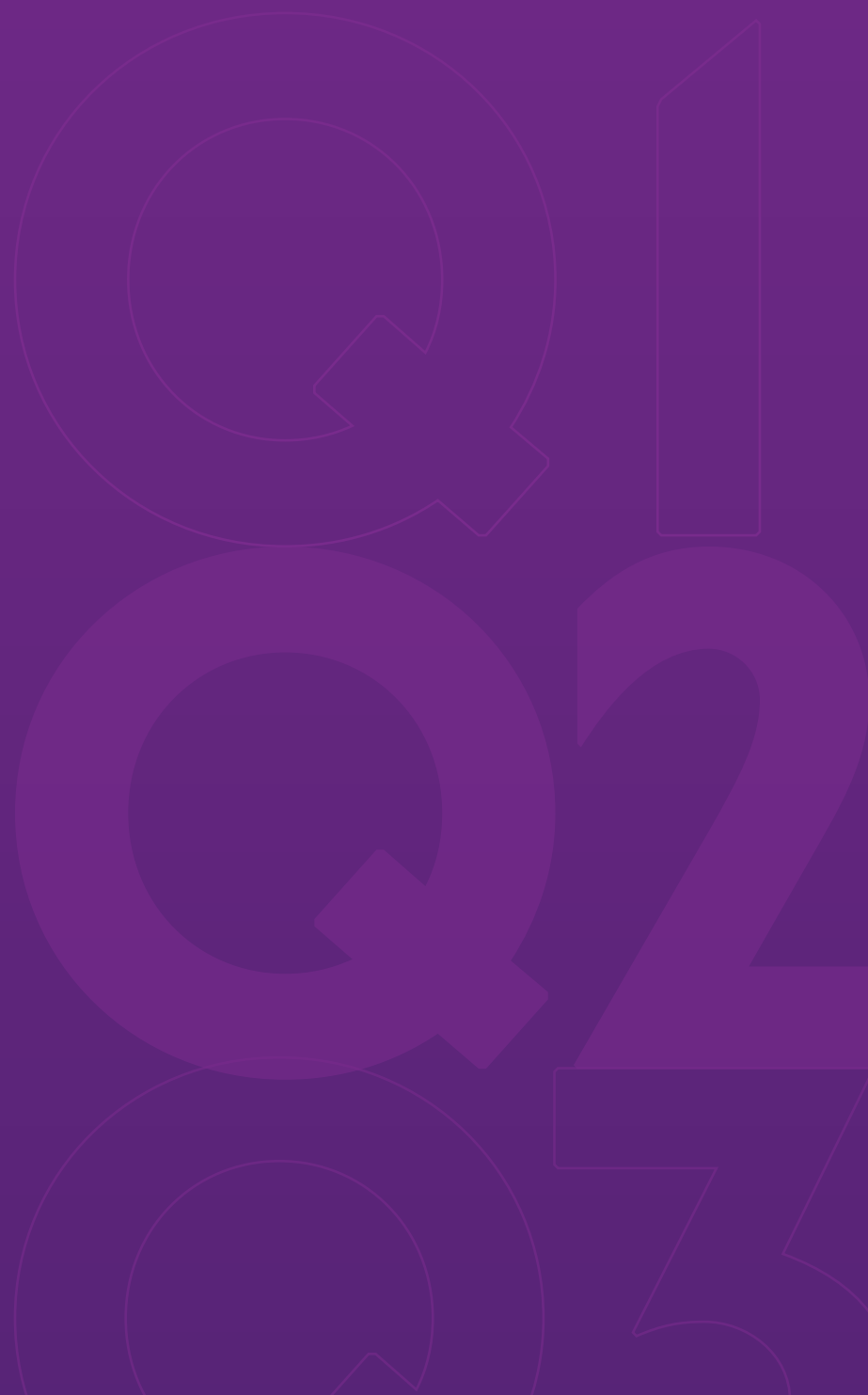


**BELFAST
COMMERCIAL
REPORT**

Q2 2020

Lisney



BELFAST MARKET IN NUMBERS

INVESTMENT



LOWEST INVESTMENT
LEVEL ON RECORD
IN Q2

RETAIL



MAJORITY OF
RETAIL CLOSED
NUMEROUS CVA'S

OFFICES

23,554
SQFT

VOLUMES DOWN
BY 70% IN Q2

INDUSTRIAL

PPE

DEMAND
FOR PPE
PRODUCTION SPACE



AMAZON DISTRIBUTION WAREHOUSE, TITANIC QUARTER. FORWARD PURCHASE OPPORTUNITY ON THE MARKET AT £24.5M/5.74%

OVERVIEW

At a macro level approximately £600m of new commercial real estate stock was launched in the UK through April and May, compared to a normal monthly average of around £2bn, unsurprisingly transaction levels in Northern Ireland slumped to some of the lowest levels on record.

ACTIVITY

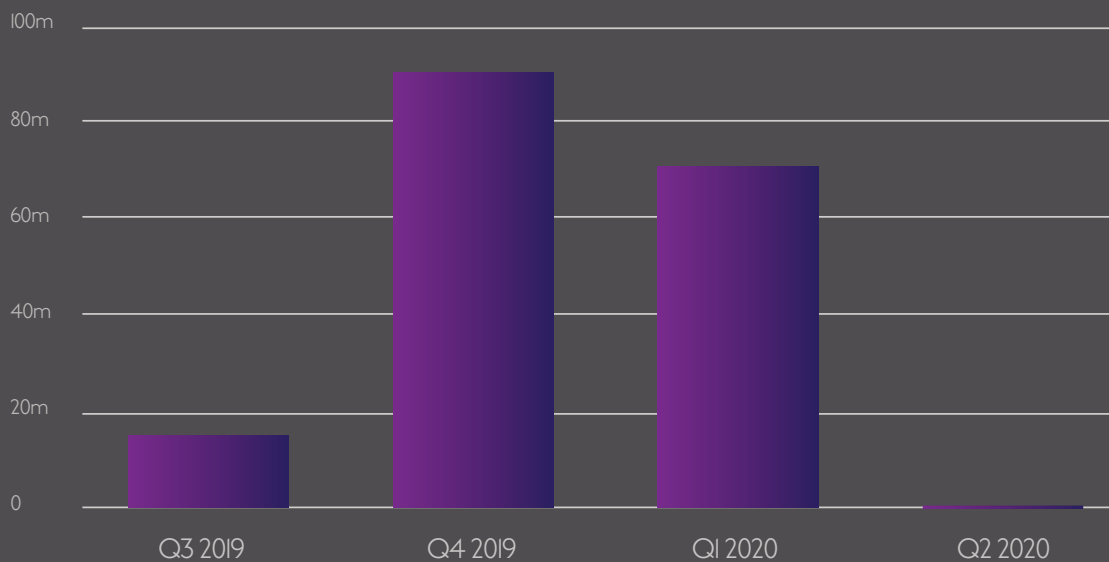
As the UK wide lockdown was introduced on March 23rd property Investment transactions ground to a halt. The market stagnated through April and May and while we have begun to see some activity in June in terms of new properties being brought to market the short term impact of these unprecedented events was clear.

The lockdown prevented the most basic of visual assessments, investors were unable to travel, tenanted buildings were vacant in many cases and the focus was on property and asset management. The economic backdrop has been far from ideal for transactions.

Locally the only significant asset to come to market in Q2 was the Amazon last mile distribution warehouse forward purchase opportunity, which is going to closing bids in July amid significant interest off an asking price of £24.5m/5.74%. While NI is yet to see it, we look to the UK and the significant rebound into June, perhaps unsurprisingly the sectors that remained open and active through the preceding months are enjoying the majority of activity. With investor demand focused on these “functioning” sectors there are a few Out of Town retail, food store and distribution assets being prepared for sale in Q3, when we expect to see transaction levels start to recover.

INVESTMENT VOLUMES

Million £
(Sterling)





ARNOTT HOUSE BELFAST
17,397 SQ FT LET TO IMPERVA

OVERVIEW

Activity in the Office sector in Q2 has been significantly challenged due to the Coronavirus pandemic. The conditions prevailing in the economic lockdown were felt across all market sectors and our research clearly demonstrates the impact that lockdown has had on the office market in Belfast.

ACTIVITY

From the heady heights of record take up in 2019 the world in 2020 is a much different place. As a headline, due to lockdown, the take up experienced in Q2 (23,554 sq ft) and in fact the first 6 months of 2020 (86,216 sq ft) is the lowest on record since our research began in 2012.

The most notable deal in Q2 was the letting of 17,397 sq ft to Cyber Security specialist Imperva in Arnott House. The majority of the other deals recorded were much smaller, less than 3,000 sq ft.

NOTABLE TRANSACTIONS

ADDRESS	OCCUPIER	FLOOR AREA	LANDLORD
1ST & 2ND FLOORS, ARNOTT HOUSE 12-16 BRIDGE STREET	IMPERVA	17,397 SQ FT	CAULDHILL LTD

SUPPLY / DEMAND

With no new stock being delivered in 2021, prospective tenants have a limited choice currently, with only c 315,000 sq ft Grade A space being immediately available in a range of floor plate sizes. It should be noted that this is less than one year's normal take up.

We expect construction work to pick up post lockdown particularly for refurbishment projects. The most likely properties to be brought to the market in 2020/2021 include, The Vantage (65,000 sq ft), The Kelvin (37,796 sq ft), and Lanyon Plaza (35,100 sq ft), all of these projects are refurbishments of existing properties.

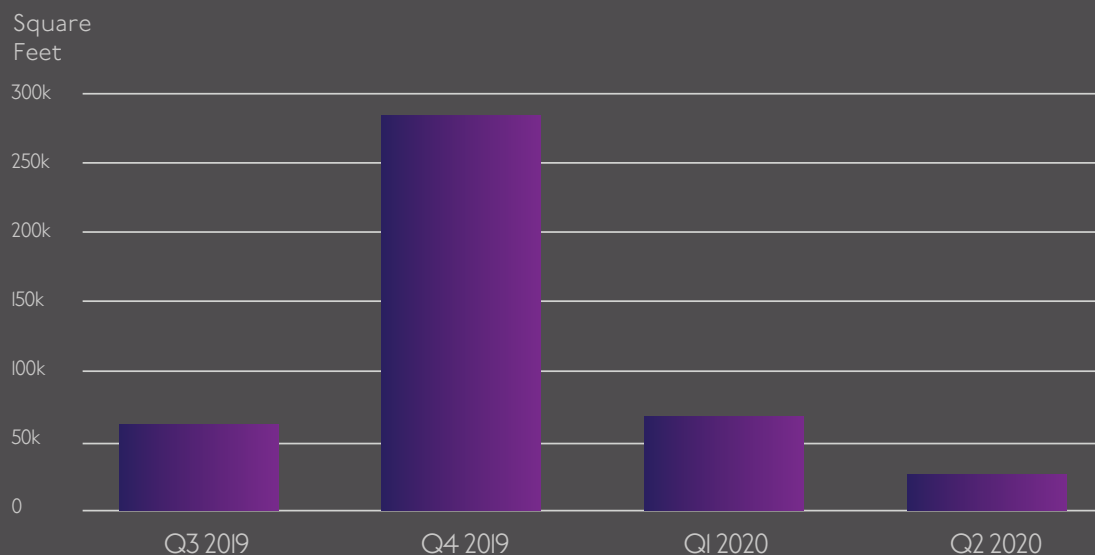
In terms of 'speculative' new build space we should see The Ewart (215,000 sq ft) delivered in Q3/4 2021 a significant proportion of which is pre let to Deloitte. Beyond 2021 space will be created at Olympic House (150,000 sq ft) and City Quays 3 (250,000 sq ft).

Demand levels are likely to be subdued in the short term until working practices are better understood. Understandably many corporates are also currently undertaking a review of their real estate strategies but it is encouraging to note that there are still a number of 'live' large public and private sector requirements and FDI job creation announcements have been noted in the press. Belfast's cost competitive narrative will remain a USP in the minds of many FDI decision makers. Rental levels are dependent upon whether the space is new or refurbished and there is a wide range between £17 - £23 psf pa.

As a result of the Lockdown there has been much debate and discussion between Agents, Owners and Occupiers as to what the medium to long term impact might be in the Office sector. The 2 main arguments are centred around the need for more space due to social distancing and less space because employers (and staff) have been comfortable with the concept of remote working from home with the effectiveness of technology playing a major role. It is fair to say that the jury is still out but a number of commentators have put forward the views that the social aspect of the office should not be underestimated as well as a return to work being absolutely fundamental to the success of our city centre economy. It is likely some form of hybrid will evolve into the 'new norm' of a 'safe' working environment.

We will continue to monitor what could be structural changes in the office market with interest in the coming months.

OFFICE TAKE-UP





RETAIL CLOSED IN Q2

OVERVIEW

There is no doubt that the current pandemic is having a hugely detrimental effect on the retail and leisure industries with both Landlords and Tenants facing unprecedented challenges as shops and restaurants have been unable to trade.

Pre lockdown the local retail market had been performing well, with prime vacancy rates in Belfast at c9.8%, c0.5% better than the UK average. The Covid pandemic has however created turmoil in the occupational market and as a result we have seen a number of high profile retailers such as Bon Marche, Poundstretcher, Cath Kidston, Laura Ashley, Monsoon, Oasis, Quiz, Zizzi, Pizza Express and Go Outdoors entering CVA or pre-pack administration. The result of these CVA's is that retailers have been closing non performing stores and have been renegotiating rents on the ones that have been retained. In the short term this has resulted in a softening of market rents.

Those retailers who aren't looking to restructure are focused on getting stores re-opened, trading profitably and negotiating rental concessions with their landlords. With the exception of the food and convenience retailers, there are very few who are actively expanding their portfolios at the present time and demand for new stores is limited.

ACTIVITY

Activity in Q2 has been dominated by lease restructuring, with Tenants struggling to pay arrears coming out of a period of forced closure and Landlords under pressure to collect rents to meet the obligations to their lenders. Lease restructuring provides a mutually beneficial option to allow some short term relief for the Tenant in return for longer term income and more certainty going forward for the Landlord. It is important, given the continued uncertainty as to when retailers are likely to be able to get back to trading as normal, that Landlords and Tenants identify these opportunities now, as accruing arrears does not solve the problem, strains the relationship and will ultimately lead to business failure.

Shops started to re-open from the beginning of June and initial indications are that footfall is down by around 30-40%, however due to pent up consumer demand sales have been strong with many retailers reporting stronger average spend. The anticipation is that whilst footfall should increase in the coming months, spend will fall back to normal levels.

We anticipate letting activity to increase throughout the year as lockdown measures ease, with Out of Town, convenience and food retailers likely to be acquisitive. However we are likely to see an acceleration in the move to more flexible turnover based lease terms.



MEADOWBANK SPORTS ARENA -
SHORT TERM LET TO BLOC BLINDS

OVERVIEW

Q1 saw a number of transactions completing but with the lockdown occurring in March this resulted in limited activity.

The majority of transactions that followed comprised short term flexible deals in order to accommodate companies manufacturing PPE equipment related to the health industry.

ACTIVITY

Bloc Blinds took short term occupation of the 100,000 sqft. Meadowbank Sports Arena in Magherafelt in order to manufacture PPE and there were numerous viewings of similar types of properties from companies for the same use however it resulted in limited additional take up.

The NHS also took occupation of the Nugent Hall in Belfast for the storage of PPE. The building comprises 23,735 sq. ft. and is within the Kings Hall complex on the Lisburn Road.

On the supply front, properties new to the market on a letting basis include Loop Studios on Castlereagh Road, Belfast, a fantastic building capable of accommodating studio / warehousing comprising 89,575 sq. ft. A warehouse and ancillary offices in Hawthorn Business Centre, Wildflower Way, Belfast comprising 11,846 sq. ft. and a high specification warehouse with ancillary offices on Hamiltonsbawn Road, Armagh of 27,225 sq. ft. also came to the market.

We expect demand to increase as we come out of lockdown with distribution/industrial property being one of the sectors that should be least affected by the Covid 19 pandemic.

NOTABLE TRANSACTIONS

LOCATION	SIZE (SQ FT*)	TYPE
NUGENT HALL, KINGS HALL COMPLEX BELFAST	23,735	LETTING
CARROWREAGH BUSINESS PARK, DUNDONALD	2,762	LETTING

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MEET OUR TEAM

BELFAST COMMERCIAL REPORT

Q2 2020

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The Lisney logo consists of the word "Lisney" in a white, bold, sans-serif font, centered within a white rectangular border. This logo is set against a solid red square background.

Lisney