

Quarter 2, 2018

# Q<sup>2</sup>

## THE LISNEY BELFAST COMMERCIAL PROPERTY REPORT



The Difference

## The Market in Numbers

### Investment



# £55<sup>+</sup>m

Investment volumes surpassed £55 million in Q2, 2018

### Office



# 500k<sup>+</sup> sq ft

Office take up totalling 268,336 in Q2 resulted in a half yearly take up figure in excess of half a million sq ft.

### Retail



# CVA

Retail market dominated by CVA's and restructuring.

### Industrial



# 78,971<sup>sq ft</sup>

Notable transactions during Q2



## Overview

Activity levels in Q2 picked up significantly after our traditionally slow start to the year. Transaction volumes hit £55m with the sale of Next on Donegall Place to Corum Asset Management being the most positive in a sector which has experienced significant headwinds in the last 12 months. The transaction was Corum's first in Northern Ireland and Lisney were delighted to have advised them in the acquisition.



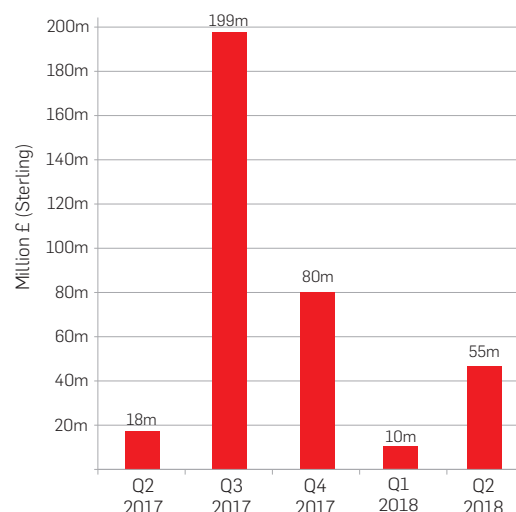
## Activity

Confidence in the local investment sector is undoubtedly under pressure in light of numerous CVA's but sentiment around prime pitches has been more robust. Elsewhere we continue to see good demand from local investors for bankable assets at a lower lot size, importantly this demand is not solely focused on Belfast. Lisney recently advised Parker Green on the sale of an Iceland anchored mixed use scheme in Newry which they developed, and included the first new build office space the city has seen for some time.

Office is arguably our strongest sector at the moment, with both take up and rental growth supporting a compelling narrative for investors, this has been borne out in strong demand for two prime investments currently being marketed by Lisney. The Obel is agreed ahead of asking and we have similar expectations for The Metro building which sits in the heart of Belfast's office district.

Despite Investors enduring Brexit related uncertainty on an almost daily basis many recognise our core fundamentals locally remain

**Investment Volumes, Q2 2017 - Q2 2018**



robust and whilst private sector resilience has surprised some, clarity going forward is required to maintain momentum.

Decision makers in the property industry, like most others are becoming more and more cognisant of March 2019 and until there is some understanding of what comes next there is little opportunity to plan. This issue is more acute in NI with our well-publicised border issues and is compounded by our lack of local government.

Whilst we feel the circumstances could present an opportunity for the region, it remains to be seen if our economic ambitions can marry with the political. Either way, the property sector is on a stable footing, well positioned to grow and offers opportunity for investors, additional certainty at a political level will make those opportunities all the more obvious.

**Notable Deals, Q2 2018**

Property	Details	Pricing
NCP Car Parks, Belfast	Alternative	£28m
Next, Donegall Place, Belfast	Retail	£16.4m
Strabane Shopping Centre	Retail Park	£3.25m
Pure Gym, Adelaide Street, Belfast	Leisure	£2.46m
Iceland, Monaghan Street, Newry	Mixed Use	£2.225m



Lisney advised in French asset manager Corum's first acquisition in Northern Ireland

## On The Market, Q2 2018

Property	Details	Pricing
The Metro Building, Belfast	Office	£21m
Obel 68, Belfast	Office	£15m
Castlebawn Retail Park, Newtownards	Retail Park	£8.75m
Knockmore Industrial Estate, Lisburn	Industrial	£8.5m
Grove Shopping Centre, Downpatrick	Retail	£6m
Devenish Nutrition, Duncrue Street, Belfast	Industrial	£2.5m
Baker Tily, Lanyon Quay, Belfast	Office	£2.3m

# Office



## Overview

The office market continues to surge ahead with 'take up' totalling 268,336 sq. ft. transacting across 23 deals in Q2. This brings 2018 H1 'take up' volume to 538,646 sq. ft and represents the highest half year office take up levels on record since our research began in 2012.

The trend towards increasing activity levels from the Technology, Media & Telecoms sectors has continued with 48% of all Q2 office deals involving occupiers from this sector.



Causeway Asset Management launched StepSpace at Centre House on Chichester Street in Q2, 2018



## Activity

Similar to activity evidenced in Q1 it is notable that 'take up' volumes continue in a wide range from the sub 1000 sq. ft. up to the 149,200 sq. ft. achieved in the letting of the newly refurbished Nine Lanyon Place to Northern Ireland Civil Service as it seeks to consolidate operations.

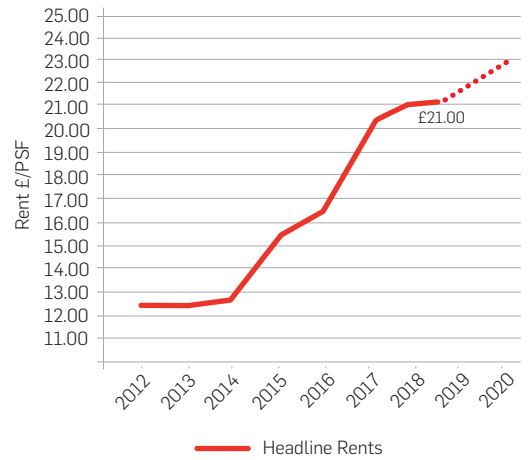
Our previous predictions on the emerging trends to look out for within the office sector through 2018 are beginning to become apparent as we see a growing appetite for collaborative working space locally.

The Ormeau Baths Tech Hub, which opened in Q2 2017, has acquired a further 7,873 sq. ft. to support ongoing growth, while the StepSpace, a concept that bridges the gap between co-working and private offices, was launched by Causeway Asset Management at Centre House. This new concept provides occupier companies with a unique alternative to a long lease in the form of space that can be scaled up in a matter of days.

Elsewhere, supply levels have been boosted in this sector with the completion of the newly refurbished 'River House' in High Street which is set to include c 26,000 sq. ft. serviced office/co-working space and c 50,000 sq. ft. of traditional office space.

Otherwise, the supply side remains something of a challenge with no 'new' stock scheduled to be available to occupy through the remainder of 2018.

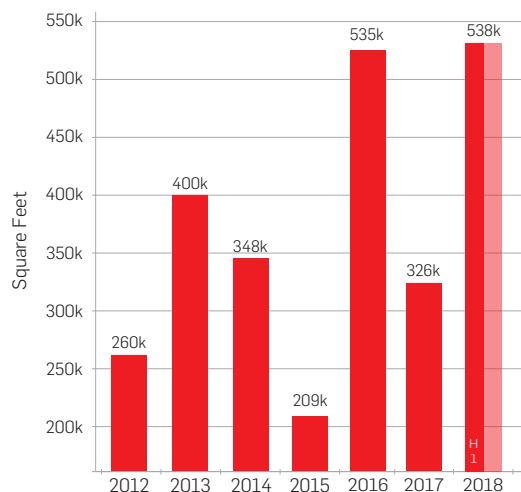
Headline Rents, Q2 2018



We do however expect to see supply levels grow in the foreseeable future with the arrival of a number of refurbished buildings including Chichester House (48,000 sq. ft.), Moneda House (17,000 sq. ft.) and Artola House (19,000 sq. ft.).

In a further positive development, plans have been submitted recently for the redevelopment of the former Belfast Telegraph building to be renamed 'The Sixth'. This is being promoted by a JV comprising Belfast City Council and McAleer & Rushe and represents a major regeneration project for the redevelopment of a 'landmark' Belfast Telegraph and will provide 230,000 sq. ft. of state of the art workspace.

Annual Office Take Up 2012 - H1 2018



Nine Lanyon Place was let to Northern Ireland Civil Service in Q2, 2018

## Office

### Notable Office Transactions, Q2 2018

Landlord	Tenant	Size (Sq Ft.)	Location
Lanyon Place Ltd	NI Civil Service	149,200	9 Lanyon Place, Belfast
Redbay Developments	Options IT	13,678	Ground, 1st & 2nd floor, Linen Loft, 27 Adelaide Street, Belfast
Belfast Harbour Commissioners	Baker McKenzie	11,388	3rd Floor, City Quays 2, Belfast
Orby Investment	Uno Square	11,361	Mays Chambers, May Street, Belfast
Oxford Street Capital Ltd	Bazaarvoice	10,050	3rd floor, McAuley House, 2-14 Castle Street, Belfast

## Retail



### Overview

Dark clouds continued to hover over the sector in Q2 as news of further CVAs and administrations held common place amongst the headlines.

House of Fraser, the 169-year-old department store, entered a CVA in what is undoubtedly the most high profile casualty of Q2.

Unfortunately, HOF are not alone, other retailers have entered CVAs including; The Original Factory Shop, Carpetright, Mothercare, and Poundworld entered administration. That said, it is not all doom and gloom...



Poundworld entered administration in Q2



### Activity

As we experienced earlier in the year, a level of incremental demand exists from opportunistic retailers, seeking to expand their portfolios. In some instances retailers have been able to negotiate attractive terms, especially where risk

adverse Landlords wish to avoid vacant property costs. We have seen the likes of Poundstretcher, B&M Bargains and the Range capitalising upon newly available stock.

Belfast City Centre has by and large escaped the recent wave of CVA, administrations and store closures, and continues to be a favourable trading environment. With limited stock available and competitive tensions at play we have seen rental values on Donegall Place finally push through the £150 per sqft ZA ceiling, to £180 per sq ft ZA.

Coffee operators continued to be amongst those most active this quarter, with new openings for the locally based Ground and Bob & Berts, as well as the greatly anticipated Tim Hortons on Belfast's Wellington Place.



Carpetright going Mothercare in a Q2 CVA

Q2 brought new entrants to the casual dining sector, Pizza Punks and Tony Macaroni opened first outlets in Belfast and Bangor, whilst Slims Healthy Kitchen opened in Magherafelt. With deals recently completed with Nandos and Five Guys at Rushmere Shopping Centre, it is encouraging to see a level of activity which has been absent over the last 12-18 months.

We expect these themes to continue into the second half of 2018. As the House of Fraser CVA is debated in court we believe that the use of these will come under increased scrutiny, and that based on recent activity Landlords will be keen to explore the market for replacement options where CVAs and Administrations dictate concessionary terms.



House of Fraser was undoubtedly the most high profile casualty of Q2

### Notable Transactions, Q3 2017

Trader	Type	Location	Town/City
Tim Hortons	Food & Beverage	Wellington Place	Belfast
Pavers	Shopping Centre	Bloomfield Shopping Centre	Bangor
Tony Macaroni	Food & Beverage	Bloomfield Shopping Centre	Bangor
Ground	Food & Beverage	Victoria Square	Belfast
Ground	Food & Beverage	Main Street	Banbridge
Bob & Berts	Food & Beverage	Fountain Place	Belfast
Pizza Punks	Food & Beverage	Longbridge House	Belfast
Eurochange	Shopping Centre	Castlecourt Shopping Centre	Belfast
Adidas	Shopping Centre	The Boulevard	Banbridge
Taboo Donuts	High Street	Ann Street	Belfast
Slims	High Street	Market Street	Magherafelt



## Overview

Quarter 2 has ended with a number of positive announcements in the sector including the first commercial datacentre being opened at the Atlantic Link Enterprise Campus in Coleraine by 5NINES, Queens University opening a £7.5m advanced manufacturing facility and Invest NI offering support to 6 local manufacturing companies for expansion and job creation.

However, the scale of completed lettings and sales for the quarter are significantly smaller in size when compared to the headline sales in the first few months of the year.



Neill's Flour at Titanic Quarter



## Activity

As mentioned above the 45,000 sq ft 5NINES datacentre is located in Northern Ireland's newest enterprise zone. The datacentre is taking advantage of the Project Kelvin transatlantic cables offering high speed connectivity to the USA.

Channel Commercial Park in Titanic Quarter continues to attract new tenants with a further letting completing, comprising 23,122 sq ft over 3 bays. The location of the park and quality of the accommodation appeals to a wide variety of tenants to include the recently mentioned letting to Neills Flour.

Other completed transactions included a letting and sale on the Ballinderry Road in Lisburn, of 5,871 sq ft and 4,978 sq ft respectively.

On the supply front another large industrial facility in Monkstown, comprising 165,000 sq ft on a self-contained site of c. 15 acres came to the market, which follows the recent sale of the Caterpillar factory in Quarter 1 2018 that was in close proximity.

The 15 acre Schlumberger facility comprises two main industrial buildings which could be used for industrial, manufacturing or for logistics warehousing.

From an industrial investment perspective, a 40,815 sq ft warehouse space and offices building on a freehold site of c. 2.4 acres, currently leased to Devenish Nutrition Ltd has also recently come to market.



The Schlumberger facility came to the market in Q2

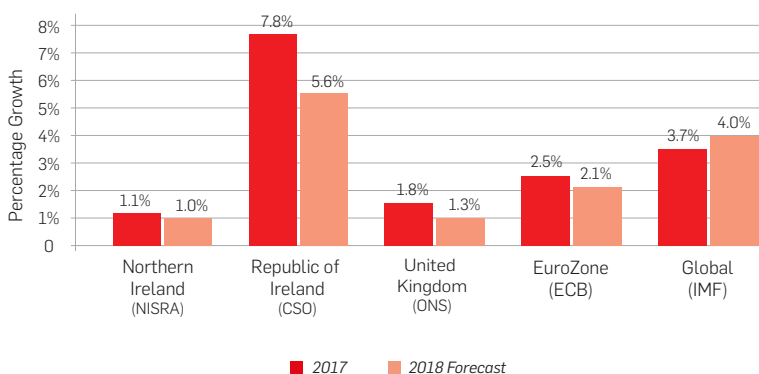
### Notable Industrial Transactions, Q2 2018

Location	Size (Sq Ft)	Type
Atlantic Link Enterprise Campus, Coleraine	45,000	Letting
Channel Commercial Park, Belfast	23,122	Letting
Ballinderry Road, Lisburn	5,871	Letting
Ballinderry Road, Lisburn	4,978	Sale
<b>Total</b>	<b>78,971</b>	

## Global View



### 2017 GROWTH VERSUS 2018 FORECAST



NISRA - Northern Ireland Statistics and Research Agency

CSO - Central Statistics Office

ONS - Office of National Statistics

IMF - International Monetary Fund

ECB - European Central Bank

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## Outlook

### Office

- Office take up target for 2018 is the highest since our records began in 2012.

### Investment

- Core fundamentals in the commercial property investment market remain strong.
- Volumes will depend on vendor appetite.

### Retail

- CVA/restructuring continues to dominate market.

### Industrial \*One To Watch!\*

- Yields tightening in UK and ROI as demand increases

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