

# Q1

## THE LISNEY BELFAST COMMERCIAL PROPERTY REPORT



The Difference

## The Market in Numbers

### Office



# 270k<sup>sq ft</sup>

Highest quarterly office take up on record took place in Q1, 2018

### Investment



# £10<sup>m</sup>

£10 million of transactions during Q1, 2018

### Retail



# £150<sup>psf za</sup>

Retail market dominated by CVA's and restructuring.

### Industrial



# 1m+<sup>sq ft</sup>

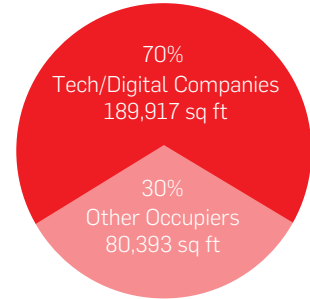
Notable transactions during Q1, 2018 in excess of 1,000,000 sq ft



## Overview

Q1 2018 has seen record breaking volumes of office take up with c. 270,310 sq. ft. transacting across 23 deals. Similarly to quarters 3 & 4 2017, take up by tech/digital and media occupiers continues to account for the lion's share of activity, equalling 70% in Q1 2018. The emergence of these sectors as the dominant force in the market has been a real positive for Belfast.

### Q1 Take Up Analysis



Total Q1 2018 Office Take Up  
270,310 sq ft



## Activity

Notably a large proportion of Q1 take up, c. 60%, was attributable to transactions involving owner occupiers such as Allstate who were forced (due to lack of supply) to acquire and develop their own 140,000 sq. ft. facility, which arguably isn't reflective of a fully functioning occupier market. In addition, Aperture purchased 21 Linenhall Street totalling 26,955 sq. ft, which we understand was also an owner occupier purchase. It is worth noting that these two transactions were the largest in Q1 2018.

Following several tentative enquiries from ROI based occupiers seeking a presence in NI, presumably to offset the effects of Brexit, we have now seen an ROI based tech company take space in Belfast. Ammeon, a Dublin Headquartered IT firm, has now acquired space in the City centre and moving forward we would anticipate more of the same from ROI based occupiers.

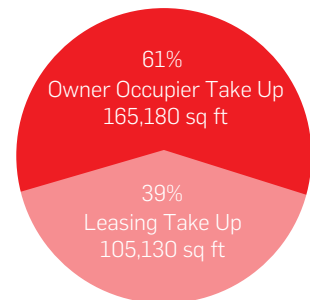
*\*The above said, leasehold take up alone at c. 105,000 for Q1 2018 would reflect what we would expect of a 'normalised' office market.*

In addition to the 'Brexit factor', Ammeon stated that the quality of highly skilled available staff in Belfast was a considerable draw. This can only be a positive as the City continues to attract tech /digital occupiers to the province.



KPMG took additional space at The Soloist in Q1 2018

### Q1 Owner Occupier Versus Lease Take Up



Total Q1 2018 Office Take Up  
270,310 sq ft

### Notable Office Transactions, Q1 2018

Landlord	Tenant	Size (sq. ft.)	Location
Allstate	N/A	138,225	East Bridge Street
Aperture	N/A	26,955	21 Linenhall Street
McAleer & Rushe	Axon Solutions	13,130	8th Floor Millennium House, Great Victoria Street
Private	Aecom	9,560	10th Floor, Clarence Street West
Capital London	KPMG	8,868	Part 3rd Floor, The Soloist Building, 1 Lanyon Place

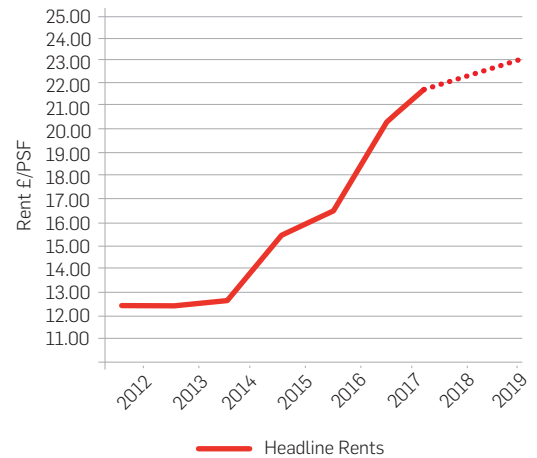
## Office

As a word of caution, we foresee supply constraints throughout 2018, specifically in the availability of larger floor plates in excess of 20,000 sq. ft.

As a result, there is a greater emphasis on delivering several of the proposed city centre office schemes such as the redevelopment of the former Belfast Telegraph Building, Merchant Square, City Quays 3 and Bankmore Square.

In the sub 10,000 sq. ft. floor plate range, the refurbishment of the 46,000 sq. ft. Chichester House, Chichester Street along with Moneda House, Wellington Place (17,000 sq. ft. approximately) commenced in earnest in Q1 2018.

Headline Rents, Q1 2018



## Investment



### Overview

The Investment market in Q1 followed the trend of previous years with a subdued level of activity to start the year, transacting just over £10m by volume. The largest deal of the quarter was the Sale of Meadowlane Shopping Centre in Magherafelt by McAleer and Rushe to a private, local investor which is encouraging in the context of a challenging retail backdrop.

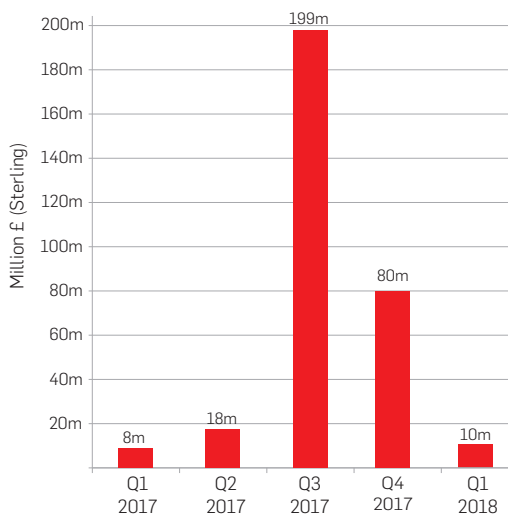
The combination of the political stalemate and continued uncertainty in relation to Brexit has undoubtedly been unhelpful and has contributed to a pausing effect, that said the encouraging levels of occupier activity in the office and industrial sectors assist in underpinning the positive fundamentals in these sectors.

We expect to see good demand for office investments coming to the market over the next quarter which will contribute to much stronger volumes later in the year.



### Activity

Investment Volumes, Q1 2017 - Q1 2018



The remainder of Q1 volumes are made up of sub £2m investments for which there continues to be strong demand, with no signs of abating as we see more Southern Irish investors looking to Northern Ireland in the face of tightening yields south of the Border.

The low interest rate environment combined with inflationary pressures have pushed many local high net worths to consider property investment. We have seen cross sectoral competitive demand for assets in this lot size with the main difficulty being sourcing sufficient stock, the economics of supply and demand look compelling for sellers of good quality, bankable assets.

## Investment

### On The Market, Q1 2018

Property	Details	Pricing
Longwood Retail Park, Newtownabbey	OOT Retail Park	£47.78m
Kilroot Business Park, Carrickfergus	Industrial Park	£12.284m
Laharna Retail Park, Larne	OOT Retail Park	£5.78m
Iceland, Monaghan Street, Newry	High Street Mixed Use Retail	£2.6m



The largest deal of the quarter was the Sale of Meadowlane Shopping Centre in Magherafelt by McAleer and Rushe

## Retail



### Overview

Q1 kicked off with reports of poor trading, profit warnings, board restructures, capital injections, as well as the spectre of retailer CVA's and Administrations. Retailers have been hit hard by Brexit-fuelled inflation, increased labour costs and falling consumer confidence with many reporting poor trading as a result.



### Activity

Toys R Us CVA, which was passed in December, didn't last 3 months with them falling into administration by the end of February. The much anticipated New Look CVA became a reality in March, Maplin collapsed into administration in February and there is much talk about other casualties in the wings with Carpetright and Mothercare seeking restructuring advice.

That said, Northern Ireland has weathered the storm relatively well so far with no New Look



Toys R Us fell into administration at the end of February

stores closing and strong interest in the few Maplin and Toys R Us stores that are available. The 2017 vacancy numbers were released which showed further reduction in empty shops, vacancy in Belfast's prime pitches having reduced to 9.1%, which is below the UK average for the first time since we started our vacancy research 7 years ago.

## Retail

There has been a steady flow of new openings throughout the province in Q1 with the likes of EZ Living opening their second NI store at Holywood Exchange, Marks & Spencers new store in the extension of The Quays in Newry and Belleek Living's new outlet at Bloomfield in Bangor.

The coffee operators have all been active again with Costa, Nero, Starbucks and Ground all opening new stores in Q1. There have been a steady flow of deals agreed at the start of 2018 with the likes of B&M, The Range, Patisserie Valerie, The Entertainer, Tim Horton, Quiz and many others signing up to new stores which bodes well for the rest of the year.

With the NI economy expected to grow throughout the remaining quarters and inflation anticipated to slow, we may see an easing of the squeeze on consumer spending, which should be of particular benefit to the retail sector.



Marks & Spencer opened their new store in the extension of The Quays in Newry during Q1.

### Notable Transactions, Q3 2017

Trader	Type	Location	Town/City
EZ Living	Out of Town	Hollywood Exchange	Belfast
Anytime Fitness	Gym	Great Victoria Street	Belfast
Belleek Living	Shopping Centre	Bloomfield Shopping Centre	Bangor
Caffe Nero	Food & Beverage	Weaving Works, Ormeau Avenue	Belfast
Costa	Food & Beverage	Capital House, Wellington Place	Belfast
Dog Track	Food & Beverage	Weaving Works, Ormeau Avenue	Belfast
Ground	Food & Beverage	Laganbank Retail Park	Lisburn
Little Wing	Food & Beverage	Conway Square	Newtownards
Marks & Spencer	Shopping Centre	The Quays	Newry
Poundstretcher	Out Of Town	Faustina Retail Park	Londonderry
Starbucks	Food & Beverage	Harvester House, Adelaide Street	Belfast
Therapie Clinic	High Street	Ann Street	Belfast





## Overview

2017 saw just over 2.1 million sq ft of space transacted, both on a purchase and leasing basis and is consistent with previous years. 2018 has begun with announcements of a number of large transactions occurring to include the sale of the Caterpillar factory in Monkstown and also the Michelin Factory in Ballymena. However while we continually try to be positive we are forced to discuss jobs being lost in manufacturing, which unfortunately cannot be ignored.

As we go to press it has been announced that Linwoods are to cut 90 Jobs in County Armagh, which comes on the back of other job losses including Williams Industrial Services, Kilroot Power Station and Lagan Construction Group.



## Activity



The former Caterpillar Factory on Doagh Road, Monkstown

Notable transactions included the Caterpillar Factory on Doagh Road, Monkstown which was purchased by CDE Group. The property comprised c. 295,000 sq ft on a site of 21.5 acres and it is positive to see it being purchased by a local manufacturing company.

Another large transaction was the purchase of the former 58 Acre Michelin Factory on Raceview Road, Ballymena by Silverwood Property Developments. The new owners plan a mixed use enterprise park on the site that will increase their holdings by c. 800,000 sq ft. Other completed transactions included the sale of a building on Cookstown Road, Dungannon comprising a total of 24,197 sq ft on

c. 1.9 acres and on a letting basis an excellent part high bay unit on Moneymore Road, Magherafelt comprising 20,345 sq ft.

On the supply front a large distribution warehouse comprising 53,942 sq ft on a self-contained site of c. 2.9 acres in Kilbegs Antrim and a manufacturing facility at 5 Ferguson Drive, Knockmore, Lisburn comprising 25,200 sq ft both came to the market.

A number of buildings comprising c. 90,000 sq ft on the former Coca Cola site in Lambeg have also been brought to the market following a purchase late last year.

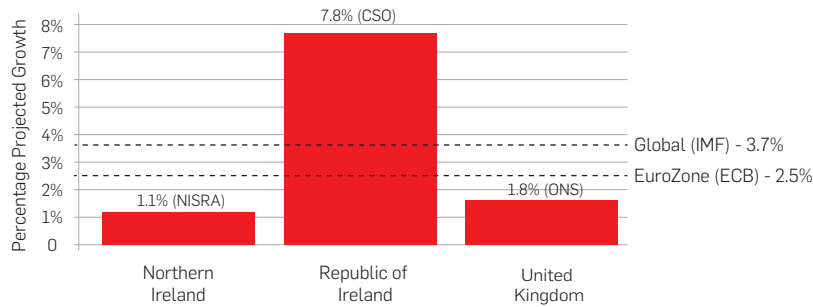
### Notable Industrial Transactions, Q1 2018

Location	Size (Sq Ft)	Type
Raceview Road, Ballymena	800,000	Sale
Doagh Road, Monkstown	295,000	Sale
Cookstown Road, Dungannon	24,197	Sale
Moneymore Road, Magherafelt	20,345	Lease
<b>Total</b>	<b>1,139,542</b>	

## Global View



### 2017 GROWTH



NISRA - Northern Ireland Statistics and Research Agency  
CSO - Central Statistics Office  
ONS - Office of National Statistics

IMF - International Monetary Fund  
ECB - European Central Bank



## Outlook

### Office

- Take up to remain strong given the level of agreed deals in the market.
- Supply in 2018 restricted to refurbished buildings

### Investment

- Volumes to increase in Quarter 2 2018 as more product transacts
- Pension buyers remain very active in the midst of inflationary pressures.

### Retail

- CVA/restructuring continues to dominate market.
- Competitive tension in the coffee sector.

### Industrial

- Demand from export focused manufacturing strong reflecting the fall in the value of sterling.

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