



BELFAST COMMERCIAL REPORT

Q3 2020



BELFAST MARKET IN NUMBERS

INVESTMENT



£48,000,000
OF RETAIL PARKS
ON THE MARKET

RETAIL



RETAIL
REOPENS AFTER
12 WEEK CLOSURE

OFFICES

19,328
SQFT

VOLUMES DOWN
BY 18% IN Q3

INDUSTRIAL

279,345
SQFT

LARGEST
INDUSTRIAL LETTING
OF THE YEAR



LISNAGELVIN RETAIL PARK
ON THE MARKET FOR £10,750,000

OVERVIEW

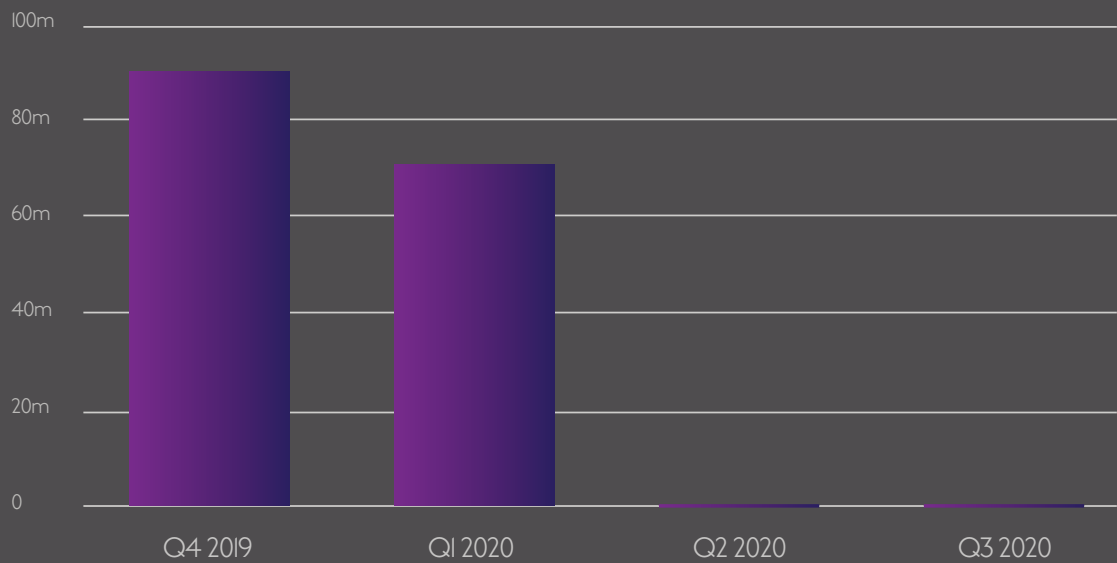
The local investment market in Q3 mirrored Q2 in terms of activity, challenges relating to Covid created a difficult transactional environment and significantly hampered volumes. That said, the relative downtime has obviously afforded vendors time to prepare properties for market with several retail warehousing schemes launching during the quarter.

Covid has accelerated the already significant structural changes in the retail market, but it's worth noting that parts of the retail market have performed well throughout 2020 including Retail Parks and the food stores. Retail Parks generally offer a stronger compliment to a retailer's online presence compared to the equivalent high street locations particularly as they benefit from ease of parking. This has arguably been even more pronounced since March this year and that sentiment has been reflected in the capital markets.

ACTIVITY

Looking to the wider UK, commercial property investment volumes recovered sharply in September, with a 90% rise on July and August. It is notable that around half of those deals were in Central and Greater London, a common trend when emerging from a recession, as investors become risk averse and look to prime locations. Global activity remains considerably below pre-COVID levels as investors continue to react cautiously to the ongoing uncertainty caused by the pandemic and the disparity of recovery across markets. Despite this, and as Brexit related uncertainty begins to re-emerge we can point to several significant transactions close to completion in NI, including the sale of the new Amazon Distribution warehouse in Titanic Quarter and two Retail Park investments which will significantly boost the Q4 numbers.

INVESTMENT VOLUMES

Million £
(Sterling)BALLOO RETAIL PARK - ON
THE MARKET ASKING £28.5ML



INVESTMENT PROPERTIES ON THE MARKET Q3

PROPERTY	DETAILS	PRICING
BALLOO RETAIL PARK	105,000 Sq.ft. Retail Warehouse Let To Sainsbury's And Homebase	£28.5m / 5.4%
LISNAGELVIN RETAIL PARK	62,000 sq.ft. open Retail Warehouse Let to TK Maxx, Next and Matalan	10.75m / 10.5%
153 HILLSBOROUGH ROAD	53,000 sq.ft. Retail Warehouse Let to DSG	£9m / 12%
KILROOT BUSINESS PARK	750,000 sq.ft. Multi Let Business Park	£10m / 15.6%



IQ - EQ LEASE 5,878 SQ FT IN
FORSYTH HOUSE

OVERVIEW

Q3 has undoubtedly been a challenging period for Landlords with transactional volumes continuing to be well down when compared to corresponding periods through recent years.

ACTIVITY

The total deals completed for the nine month period ending in September 2020 came to 105,544 sq ft with deals occurring only in the 3,000 - 6,000 sq ft range in Q3. Interestingly, fintec company Fintru accounted for 10,400 sq ft in 2 separate deals in two different buildings.

We are aware of a number of deals that are known to be in 'legals' however negotiations on most deals have been protracted and as expected total take up for the year, will be well below previous years which is similar to many other cities throughout the UK and Ireland.

In the context of cost reduction / mitigation many occupiers are being forced to dust down records to understand when pre negotiated break clauses can be exercised and are asking the question can any surplus space be assigned / sub let. In many cases medium to long term decisions are being postponed.

This has meant that occupiers who have requirements to re locate at this time are making short term decisions and require flexibility in any lease structure. Serviced offices though not functioning well at the moment are likely to bounce back quickly as the effect of Covid decreases given the amount of flexibility that they offer. A recent entrant to the market, Urban HQ at the former Eagle Star building on Queen Street, as evidenced in several press announcements, appears to be 'making hay'.

Only when restrictions are lifted and a return to work is implemented will some form of normality appear and we will then be able to provide accurate commentary as to the level of demand after revisiting the 'old' stated requirements and assessing the impact of any forthcoming Lease events.

SUPPLY / DEMAND

Strong levels of demand, pre Covid, with restricted levels of new stock coming on stream has meant that supply levels have continued to be low. It is worthy of mention that construction work at 'The Ewart' on Bedford Street, promoted by McAleer & Rushe', is continuing after lockdown and a much needed significant boost to supply will be delivered in Q4 2021. This follows the recent announcement of a significant pre let of c 80,000 sq ft to Deloitte.

Whilst no specific research has been undertaken to understand an evolving situation it is thought that some space will become available as occupiers get to grips with the 'new norm' with employees voicing the opinion that they want to continue to work in different ways from that experienced pre Covid. Many commentators expect that a hybrid form of working from home and the office will evolve.

Whilst vacancy rates are difficult to assess it is expected that vacancy levels of pre occupied space are expected to grow in Q4 although any announcement about the delivery of a vaccine could reverse any such thinking.

RENTS

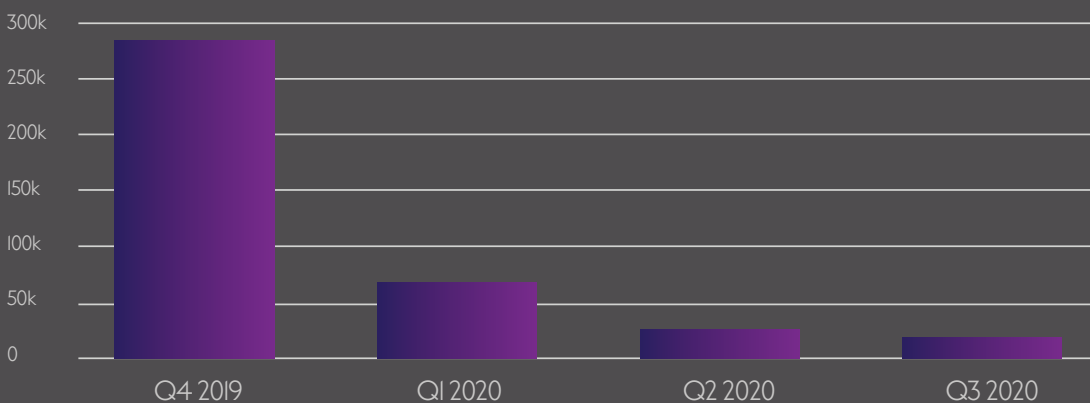
Once again, in the context of a 'thin' market it is difficult to provide commentary around any perceived softening of rental levels however it is probably fair to say that any impact could affect viability in new schemes so landlords may be forced to consider incentive packages/flexibility as opposed to adjusting the rental tone.

Q3 OFFICE TAKE UP

LANDLORD	TENANT	PROPERTY	AREA SQ FT.
HAYMARKET HOUSE (BELFAST) LTD	IQ-EQ	5th Floor, Forsyth House, Cromac Square	5,878
MULSH SARL	Fintru	Ground & 4th floor 74/76 Dublin road	5,017
ANDRAS HOUSE	Clarksons Plc	Ground floor, Lincoln Building, 27-45 Great Victoria Street	3,033
PRIVATE INDIVIDUAL	Fintru	Ground, 1st and 2nd floor, 5 Cromac Avenue	5,400
TOTAL			19,328

OFFICE TAKE-UP

Square Feet





STARBUCKS TAKE A 2,500 SQ FT POD AT BLOOMFIELD CENTRE

OVERVIEW

While there is still significant uncertainty within the sector in the wake of the 12 week closure of non essential stores, quarter 3 gave rise to some cautious optimism as NI retailers re-opened for business. Footfall, though expectedly lower than the same period last year, continues to improve and many retailers are still reporting higher average spends as browsers have been replaced with buyers.

The message from Stormont remains that people should work from home where possible and as a result, just 5% of office workers in Belfast have returned to their workplaces on a full time basis, 35% working from home, and the remainder are splitting their time between the two. This has undoubtedly had a detrimental impact on Belfast city centre, however regional schemes and out of town locations appear to have benefitted as consumers continue to shop locally.



SPORTS DIRECT TAKE 30,000 SQ FT IN BUTTERCRANE CENTRE NEWRY

ACTIVITY

Activity in the sector remains constrained with most retailers concentrating on consolidating their operations and ensuring the long term viability of existing stores. Those stores that did open will have been in the pipeline pre-covid. One such deal is Starbucks 2,500 sq ft pod at Bloomfield Shopping Centre Bangor, as they continue their roll out of drive-thrus across the province. The much anticipated Sports Direct store opened its doors mid-August at Buttercrane Shopping Centre Newry in a 30,000 square foot unit which will also house USC Fashion and Game. Having been delayed by the lockdown, Joules began trading at The Boulevard Banbridge, further improving the retail line up at the out of town scheme.

While we believe leasing activity is unlikely to improve dramatically before the end of the year, we expect many retailers are looking towards 2021 with the focus on acquiring new stores. Those that are will likely do so on a flexible turnover driven basis and therefore the importance of landlords and tenants working in partnership for the benefit of both cannot be understated. The introduction of innovative ways to drive footfall and increase dwell time is imperative as we approach a traditionally busy time for the retail sector which presents an opportunity to enter the new year on a solid footing.



279,345 SQ FT – THE LARGEST LETTING OF THE YEAR
AT SHORE BUSINESS PARK, CARRICKFERGUS

OVERVIEW

Q1 & Q2 saw a limited number of deals completing in the sector however viewings, negotiations and the legal process were being undertaken with a number of completions occurring in Q3.

In an emerging theme the transactions mainly comprised of short term flexible deals primarily accommodating companies manufacturing PPE / storing equipment and supplies related to the health industry.

ACTIVITY

The largest single letting of the year, so far, completed at Shore Business Park, Carrickfergus . The letting was made up of a number of buildings and totalled 279,345 sq ft. The buildings provided 9m eaves and dock levellers on a large shared site with excellent access to the main Motorway network and the entire Province beyond.

Similarly Devenish Nutrition also took occupation of the Building 7, Central Park, Mallusk. This was another high bay warehouse comprising 30,500 sq ft with 8.5m eaves on a secure shared site with good Motorway links.

A self-contained Hi-Bay warehouse with ancillary offices on Kilbegs Road, Antrim was sold and comprised 17,700 sq ft, which is testament of the level of demand from owner occupiers for units with eaves higher than 6m.

On the supply front, properties new to the market on a For Sale basis include an excellent industrial / warehousing complex with a dedicated office block on Ballynakilly Road, Coalisland. The buildings totals 91,350 sq ft on a self-contained site of 10.43 acres, and represents a great opportunity for owner occupiers.

TRANSACTIONS Q3 2020

LOCATION	SIZE (SQFT)	TYPE
U26/I SHORE BUSINESS PARK, CARRICKFERGUS	76,546	Letting
U3IA SHORE BUSINESS PARK, CARRICKFERGUS	102,551	Letting
U3IB SHORE BUSINESS PARK, CARRICKFERGUS	100,248	Letting
BUILDING 7, CENTRAL PARK, MALLUSK	30,500	Letting
KILBEGS ROAD, ANTRIM	17,700	Sale
SUMMERISLAND ROAD, PORTADOWN	9,768	Letting

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MEET OUR TEAM

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

Lisney