

# BELFAST COMMERCIAL REPORT

Q1 2021

The Lisney logo consists of a red square with a white border. Inside the square, the word "Lisney" is written in a white, sans-serif font.

Lisney

# BELFAST MARKET IN NUMBERS

## INVESTMENT



**£133,000,000**  
TRANSACTIONED Q1  
SIGNIFICANT IMPROVEMENT

## RETAIL



**CONTINUED STRONG**  
ACTIVITY FROM  
FOOD STORES

## OFFICE



**37,200** SQFT

TAKE UP ON Q1

**DEMAND CONTINUES**  
TO BE MUTED

## LOGISTICS /WAREHOUSING



**Occupational**

DEMAND STRONG  
**CAPITAL VALUES AND**  
RENTS INCREASING



## OVERVIEW

Despite the ongoing issues with Covid and the limited amount of transactions in 2020, Investment volumes rebounded strongly in Q1 2021 with reported volumes of £133m for the first three months of the year.

## ACTIVITY

The most significant transaction was the sale of Oakland Holdings Office and retail development at Merchant Square in the centre of Belfast. The building is fully let to PWC and a number of ground floor retailers and totals just over 240,000 sq ft. At £87m this is the largest office investment deal on record and the Net Initial Yield of 5.2% is one of the strongest yields ever achieved for an office building in the local market.

From a Northern Ireland perspective it is interesting to note that international capital has been attracted to this asset in Belfast, no doubt this is a reflection of the quality of the tenant and the location of the building in Belfast's city centre.

Other significant transactions included Supermarket Income REIT's purchase of the Sainsburys anchored Baloo Retail Park for £24.8m. The property includes a 60,000 sq ft Sainsburys and a 44,000 sq ft Homebase with a combined rent of £1.64m and an unexpired lease term in excess of 10 years. Despite the troubles with Homebase, the entire property achieved a net initial yield of 6.6%.

Kilroot Business Park was also sold during this quarter to a joint venture between Wallop Estates and Consolidated Property group. The business park had been on the open market for some time and sold for £9.35m reflecting a net initial yield of 16.68% and a triple net yield of just over 13.5%. No doubt the improvements to the road network to Carrickfergus and the continued investment in the adjoining power station have contributed to the decision to invest in this property.

The outlook for Q2 is also looking positive with a number of properties coming to the market or closing including Tesco in Royal Avenue, Fairhill and Connswater Shopping Centres, Shane Retail Park and The Linen Green in Dungannon.



## NOTABLE TRANSACTIONS Q1 2021

PROPERTY	PRICE	YIELD	PURCHASER
MERCHANT SQUARE, BELFAST	£87,000,000	5.2%	ALBILALD CAPITAL
BALLOO RETAIL PARK	£24,800,000	6.6%	SUPERMARKET INCOME REIT
KILROOT BUSINESS PARK	£9,350,000	16.66%	CPG WALLOP



BALLOO RETAIL PARK



EAST TOWER LANYON PLAZA

## OVERVIEW

The effects of Brexit, the Pandemic and the continued requirement to work from home are still being felt across the Belfast office market.

## ACTIVITY

Take up for 2020 totalled a lowly 140,083 sq ft across only 28 deals and we predict that this sluggish appetite will continue into the early months of 2021. However, with the vaccination roll out gathering momentum it is not inconceivable that a return to work and an air of normality is on the horizon.

We are now past the period of transition post Brexit and whilst there are still issues with the workings of the Northern Ireland Protocol, it is felt broadly within the business community that having a dual interface with the EU single market and GB is unique and as such has to be a positive story even though the longevity of the situation is still in question as a review is scheduled to occur in 2025.

The dominant sectors in the office market for some time have been 'Tech' and 'Financial Services' and this trend looks as if it will continue. Take up in Q1 2021 amounted to 37,200 sq ft across 8 deals which is not entirely surprising and when further analysis is undertaken, it is clear that there is still a predominance of interest in space below 5,000 sq ft (5 deals) with only 1 transaction in excess of 10,000 sq ft.

It is noteworthy that through the various lockdowns, recruitment, especially in the 'Tech' sector, has continued and despite all the chatter about the likelihood of hybrid models of working being accepted by some employers we predict there will be a growing need for space in the context of much needed social and collaborative interaction between employees.



We have seen a number of employers taking brave steps to entice their workforce back into refurbished, heavily design led space to create an attractive physical office where employees want to be and give strong market presence.

On the supply side, stock levels have been reducing for some time although with the completion of 4 new schemes, currently under construction, c. 450,000 sq ft of new space will be delivered in 2021 i.e. Ewart, CQ3, Olympic House and then Paper Exchange in 2022. Added to this we have to recognise that a further 130,000 sq ft at Kelvin, Vantage and 35 DP is/will be available shortly.

Rental levels continue to be in the range £18 - £23 psf depending largely on whether the stock is new or refurbished.

Despite the slow start to the year we expect Q3 and Q4 will be much busier based on a number of active large requirements currently looking for a home.

#### SIGNIFICANT TRANSACTIONS Q1 2021

PROPERTY	SQ FT	TENANT	LANDLORD
EAST TOWER LANYON PLAZA	11,768	BAZAAR VOICE	OXFORD STREET CAPITAL
46 BEDFORD STREET	7,250	GERMINAL	PRIVATE CLIENT
LANYONVIEW - EAST BRIDGE STREET	7,322	SOS BUS	TULLYHAPPY



LIDL - HILLVIEW RETAIL PARK

## OVERVIEW

Following a flurry of activity in the run up to Christmas as lockdown restrictions were eased all too briefly, the sector again ground to a halt in Quarter I as non-essential retailers closed their doors on Boxing Day. Positively, a sense of pent-up demand from consumers was quite clear, with many retailers seeing average spends touch pre-covid levels, which is a nod towards the role that bricks and mortar retail continues to play in the sector, despite the rapid rise of online shopping.

If viewed in isolation, the Q1 lockdown could be considered a backwards, or at best a sideways step, however importantly it coincided with the commencement of the NI Covid-19 vaccine roll-out, the first of which was administered 8th December 2020. In impressive fashion, over 40% of the population had received their first dose by the end of March 2021. Therefore as with Q4, a sense of optimism remained and news that click & collect services from non-essential retailers were set to resume in April only buoyed this further.

## ACTIVITY

As could be expected, new store openings in the quarter were limited to those retailers that were deemed essential and therefore able to trade under the current government guidelines. Consistently the regions fastest growing supermarket in recent years, Lidl continued to press on with their expansion plans by opening 2 new stores. The first of which at Hillview Retail Park will anchor the scheme and represents an investment of £6.7m.

Lidl's newest NI store to date opened a week later at Castlebawn Road Newtownards, a relocation and upsizing of the Jubilee Road store which marked a further £6 million investment. Elsewhere, Poundstretcher's new 8,874 sq ft Bow Street location is a welcome addition, occupying the former Easons unit, while Tim Hortons opened their 4th NI drive-thru at Riverside Retail Park, with news of a 5th at Bloomfield Shopping Centre also being announced.

While it is certainly encouraging that previous eases to lockdown restrictions, however fleeting, have been met with positivity by consumers, who have returned to stores in their droves when allowed to do so, securing the long-term future of bricks and mortar retail will require innovation and forward thinking. The sector needs to evolve in line with changing, more discerning consumer demands if it is to continue to plot a path towards recovery.

There is no doubt that online shopping will continue to hold a large market share moving forward, so the focus must shift to providing more destinational retail locations with an offering that cannot be replicated online. A strong retail, leisure and hospitality mix will be at the forefront of any resurgence, however those schemes who can take one step further with experience packages, concierge services and the like will be the market leaders in a sector which is rapidly changing.

TRADER	TYPE	LOCATION	TOWN/CITY	AREA SQ FT.	COMMENTS
POUND-STRETCHER	HIGH STREET /SHOPPING CENTRE	BOW STREET	LISBURN	8,874	OPENED 12TH JAN
TIM HORTONS	OUT OF TOWN	RIVERSIDE RETAIL PARK	COLERAINE	3,305	OPENED 25TH JAN
LIDL	OUT OF TOWN	HILLVIEW RETAIL PARK	BELFAST	23,110	OPENED 18TH FEB
LIDL	OUT OF TOWN	CASTLEBAWN ROAD	NEWTOWNARDS	23,734	OPENED 25TH FEB



TIM HORTONS - RIVERSIDE RETAIL PARK





CLOUGHFERN AVENUE, NEWTOWNABBEY - 127,306 - LETTING

## OVERVIEW

The Northern Ireland logistics and warehousing sector continues to grow with occupiers reacting to the growth in online retail.

Advances in technology accelerated by Covid has helped transfer much of retailing online and has significantly reduced the demand for shops on the high street. As a consequence, demand in the warehousing and logistics sector to fulfil home deliveries has soared.

Given the levels of occupier demand that we are seeing for larger modern units, with eaves heights of 8 metres-plus, we do not think it will be long before we see rental levels in this sector start to catch up with the levels that are being achieved for similar locations in the rest of the UK and Republic of Ireland - where tenants are paying between £8 and £11 psf, depending on specifications.

## ACTIVITY

We are noticing a significant increase in demand from both occupiers and investors in this sector, as evidenced by the sale earlier this year of the 750,000 sq ft Kilroot Business Park in Carrickfergus

Occupational demand continued throughout the quarter with companies like BlkBox, a local manufacturer of strength & conditioning equipment, taking occupation of a manufacturing facility on Cloughfern Avenue, Newtownabbey. This comprised 127,306 sq ft on a self-contained site of c. 10 acres.

Capital values for warehousing and logistic properties are on the rise as demand outstrips supply. With a limited number of properties available on a for sale basis we are seeing growth in capital values throughout Northern Ireland as evidenced by the sale of a 29,000 sq ft property at Station Road, Armagh, where the price achieved was well ahead of asking.

As there is now evidence of heightened demand, improving capital values and rents, there is now a growing justification for speculative warehousing and logistic development in strategic locations throughout Northern Ireland.

As with all markets those that have the ability to be the first movers in this market will reap the rewards of this star performer.



## TRANSACTIONS Q4 2020

LOCATION	SIZE (SQFT)	TYPE
KILROOT BUSINESS PARK, CARRICKFERGUS	750,000	SALE
CLOUGHFERN AVENUE, NEWTOWNABBEY	127,306	LETTING
STATION ROAD, ARMAGH	20,900	SALE
BROOKFIELD INDUSTRIAL ESTATE, BANBRIDGE	11,232	LETTING
32 ANNESBOROUGH IE, LURGAN	7,676	LETTING
*APPROXIMATE SIZES		



KILROOT BUSINESS PARK, CARRICKFERGUS - 750,000 - SALE

## THE BELFAST COMMERCIAL TEAM



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## THE LISNEY RESEARCH TEAM



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MEET OUR TEAM



# BELFAST COMMERCIAL REPORT

Q1 2021

## OUR OFFICES

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The Lisney logo consists of the word "Lisney" in a white, sans-serif font, centered within a red square. The square has a thin white border.