

NORTHERN IRELAND COMMERCIAL PROPERTY REPORT

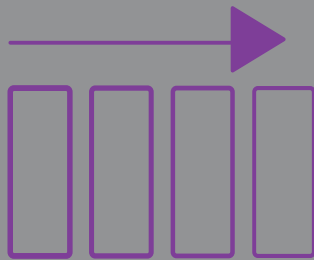
Q4 2021

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

Lisney

NI COMMERCIAL PROPERTY MARKET IN NUMBERS

INVESTMENT



£53 MILLION
TRANSACTIONED Q4

OFFICES



39,972 SQ. FT. TAKE UP
Q4

RETAIL



DISCOUNT RETAIL
DOMINATES THE MARKET

INDUSTRIAL/ LOGISTICS



LOGISTICS DEMAND
OUTSTRIPS SUPPLY



OMAGH SHOWGROUNDS
SOLD FOR £16.5M

OVERVIEW

Property Investment in Q4 remained strong with activity levels consistent with Q2 and Q3 at £53m. Economic activity in Q4 continued to demonstrate positive signs of recovery, however, inflationary pressure and the high cost of raw materials are causes for concern as is the emergence of the Omicron variant of Covid 19.

Borrowing costs look set to increase as the Bank of England along with many other central banks look to curb inflationary pressure by increasing rates.

Most economists believe that there will be a gradual increase in the Bank of England base rate with 1% likely at some point in 2022. Despite these concerns, the outlook for 2022 remains strong and there is a healthy appetite from investors for appropriately priced property investments.

ACTIVITY

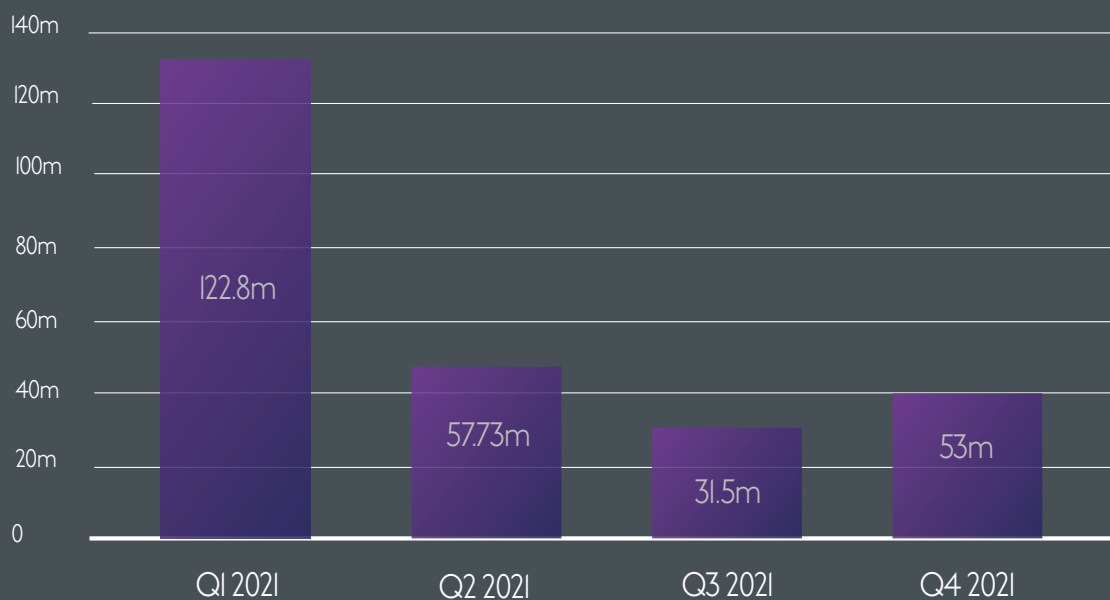
The sale of retail assets dominated the quarter with the largest transaction being the £16.5m off market sale of Omagh Showgrounds by Tristan Capital Partners and Pradera to Colombia Threadneedle. The 90,000 sq ft Retail Park was developed by local developer Corbo in 1992 and has a strong tenant line up, including Marks & Spencer, Argos, Next, River Island and Sports Direct.

A number of smaller Retail Parks also hit the market in Q4 including Braidwater in Ballymena, Abbey Trading Estate in Newtownabbey and Merchants Quay in Newry. All properties were sold to local purchasers.

In addition the 76 acre Antrim Technology Park let almost entirely to Schrader Electronics Ltd sold prior to Christmas, as did the 120,000 sq ft Richmond Centre in Derry which was bought by the Martin Group.

INVESTMENT VOLUMES 2021

Million £
(Sterling)



DUE FOR COMPLETION OR ON THE MARKET Q4 2021

PROPERTY	QUOTING PRICE
CONNSWATER SHOPPING CENTRE AND RETAIL PARK	15.5m
CITYSIDE RETAIL AND LEISURE PARK	13m
MONTGOMERY HOUSE BELFAST	9m
ABBEY TRADING CENTRE NEWTOWN ABBEY	4.5m
BRAIDWATER RETAIL PARK BALLYMENA	4.5m
MERCHANTS QUAY RETAIL PARK NEWRY	5m



OVERVIEW

Take up levels in Q4 remained relatively consistent in the earlier part of the year with 39,972 sq ft having transacted. The impact of Covid has for the second year running had a significant effect on total take up levels, with the total take up for 2021 reaching just over 170,000 sq ft which is well short of the five year average.

Businesses in general are reviewing their occupational footprint with a view to downsizing as a result of the adoption of new hybrid operating practices.

The use of the office is also changing with a greater emphasis on using the office as a collaboration hub where you drop in and use the space when required. A surprising winner in the office market has been serviced office providers where occupation levels have remained strong from tenants with lease expires and break options seeking to downsize and/or move to better quality space and requiring “stopgap accommodation” before a move to more permanent premises.

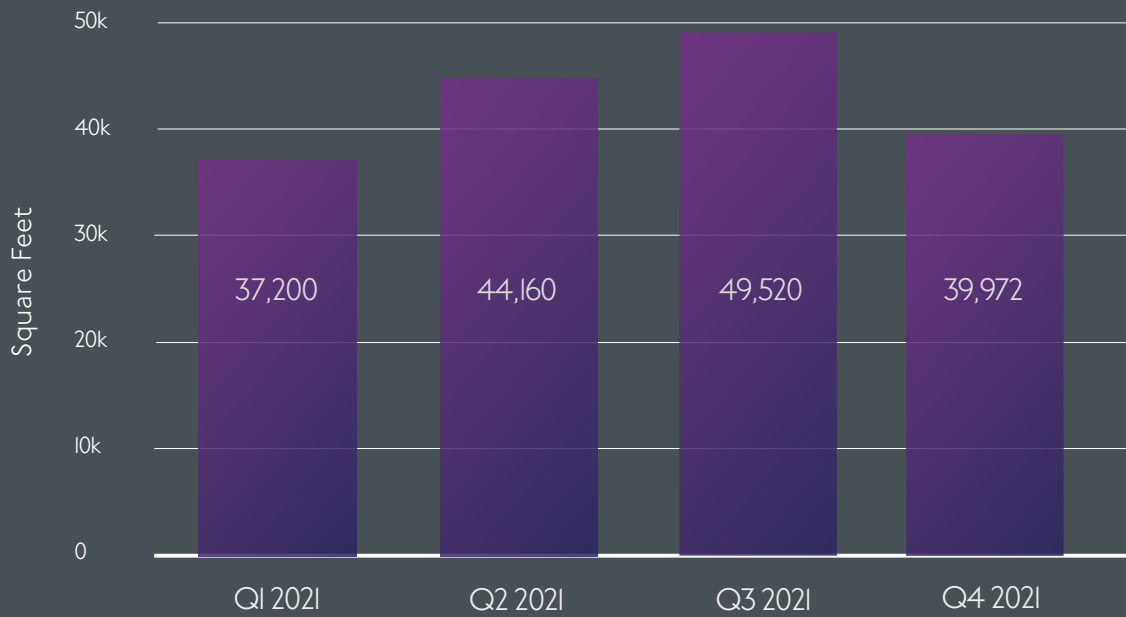
ACTIVITY

Of the eight transactions recorded in Q4 the largest was the letting by Oxford Street Capital of 10,500 sq ft of Mc Auley House in Castle Street to Daily Pay. Three other lettings to Optical Express, The Department of Health and Workwise made up the majority of the take up.

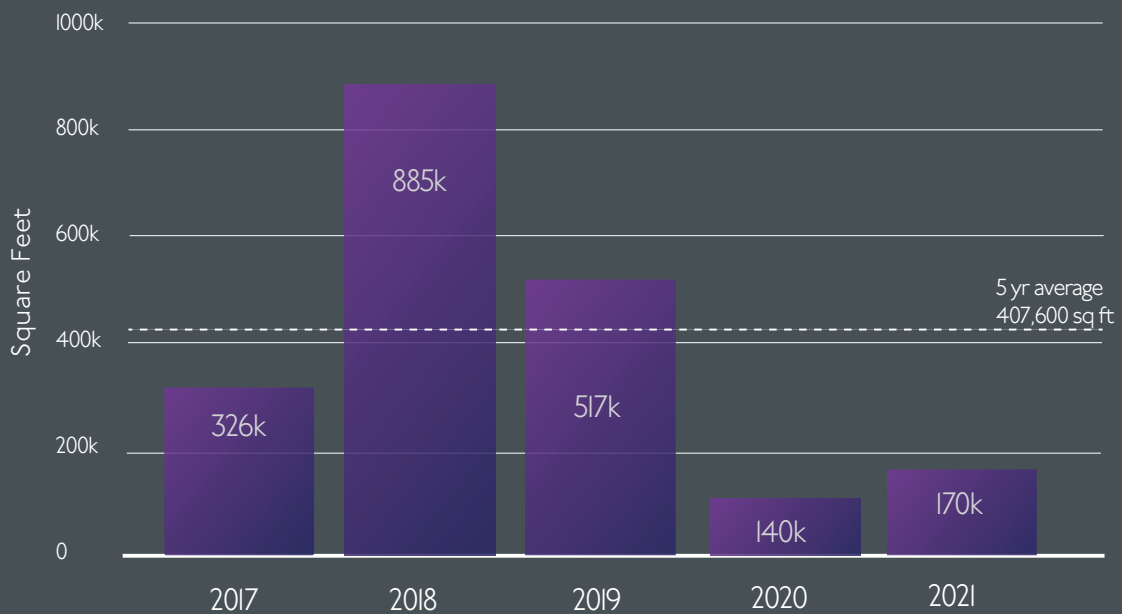
In terms of rental levels, there is little evidence of a significant reduction in headline rents given the lack of significant transactions, though there is undoubted pressure on rent free periods and increased contributions towards fitout costs.

Flexibility is also key for many tenants with the frequency of break clauses increasing reflecting the relative strength of the tenant as their bargaining position in lease negotiations increases.

OFFICE TAKE UP 2021



OFFICE ANNUAL TAKE UP 2017 - 2021



SIGNIFICANT OFFICE TRANSACTIONS Q4 2021

PROPERTY	SQ. FT.	TENANT
3RD FLOOR MC AULEY HOUSE CASTLE STREET	10,500	Daily Pay
35/47 DONEGALL PLACE	9,049	Workwise
1ST & 3RD FLOORS CORN EXCHANGE	8,360	Department of Health
TOTAL	27,909	



HOME BARGAINS, HILLVIEW

OVERVIEW

Northern Ireland experienced its second consecutive quarter without any retail lockdown restrictions. As a result of this and a number of other factors, footfall was particularly strong in the region when compared to its GB counterparts. At the forefront of the positive trend in footfall on our high streets was the Spend Local Scheme, which saw over 18s become eligible to apply for a £100 pre-paid card to be spent across local retail, hospitality and service sectors.

With total spend under the scheme pushing towards £140m, footfall on NI high streets declined by just 5.2% in November, when compared with the same period in 2019. To provide some context around this, footfall in England was down 15.7% on the same period, with Wales and Scotland down 16.7% and 19.8% respectively.

While there was certainly an encouraging level of positive sentiment within the sector in the run up to the traditionally busy Christmas trading period, supply chain issues remained a factor with the shortage of HGV drivers continuing to impact many retailers. There were early signs of this situation easing, however, this is likely rumble on into 2022.

ACTIVITY

In what has become a common theme in recent quarters, leasing activity was again dominated by discounters, who have continued to thrive throughout the pandemic, however increased activity outside of this sector is certainly a reason for optimism and perhaps points to the start of a period of recovery.

Poundland were involved in a flurry of activity, opening 3 new stores across the country; taking 7,000 sq ft in Laharna Retail Park Larne, 8,500 sq ft on Seymour Street Ballymoney and 8,500 sq ft in Longwood Retail Park Newtownabbey, which represented significant investment in the region alongside plans to refurbish 13 of their already established stores.

Other discounters who were active during the quarter included Home Bargains, who opened a new 21,269 sq ft store in Hillview Retail Park and Poundstretcher who opened a 10,450 sq ft store in Bloomfield Retail Park immediately prior to Christmas. In positive news for Belfast City Centre, JD Sports' flagship store on Castle Place was very well received and adds to the retailer's already strong presence in the city.

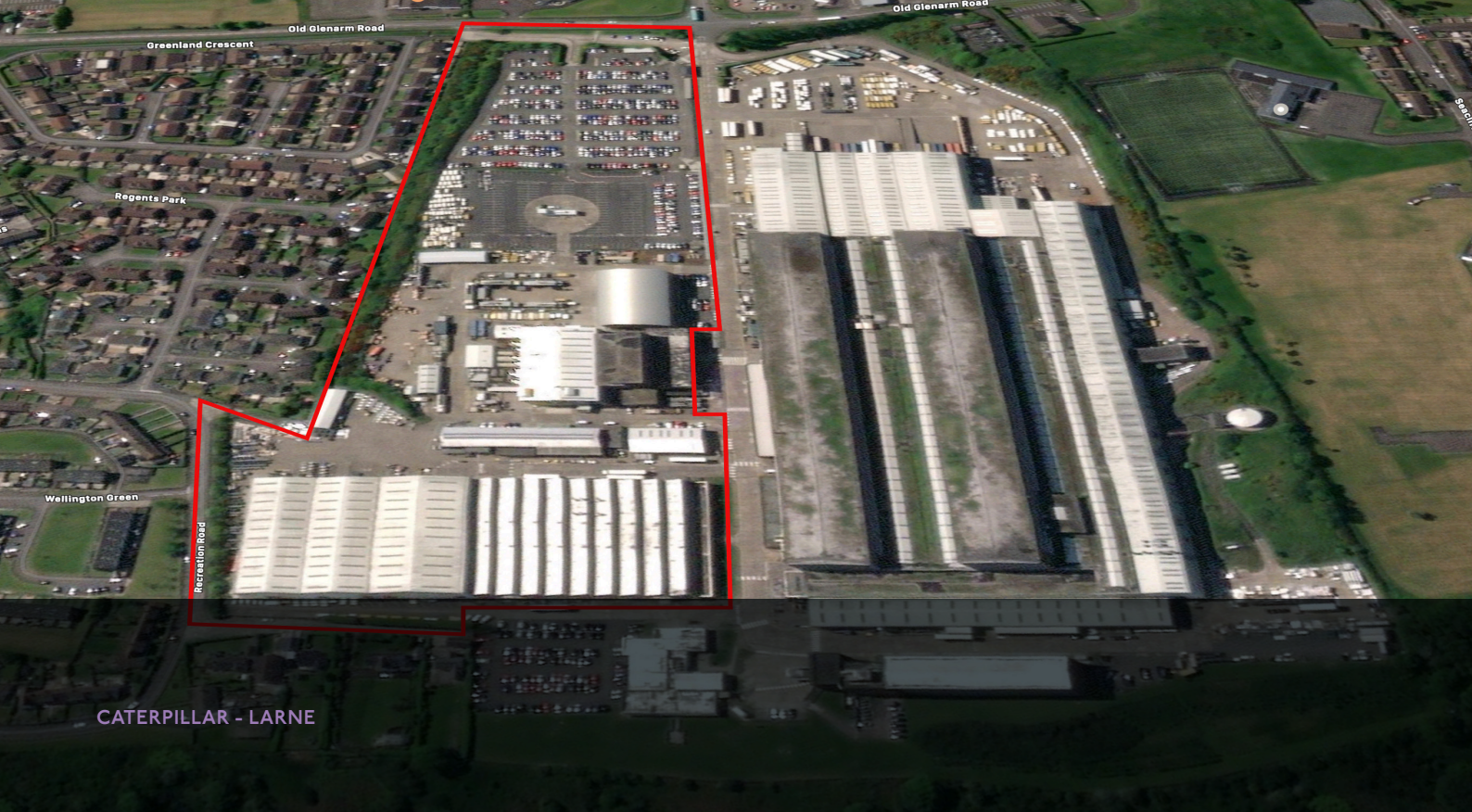
Despite the negative backdrop of the pandemic, the protocol and a myriad of other challenges, it is clear through increasing leasing activity in the sector that many retailers see this as an opportunity for expansion.

Given the relatively low cost base provided by the furlough scheme, the suspension of business rates and tenant friendly lease events, a number have thrived during this period of uncertainty and will look to take advantage of lower rents moving forward in order to expand their network of physical stores.

Confidence remains in bricks and mortar retail and highlights its importance in complementing a retailer's virtual offering through providing consumers with the ability to engage with the brand in a way that cannot be replicated online.

Even the likes of Amazon, who are synonymous with online shopping, are expanding into the physical space through their 4 Star stores, most recently in Bluewater Shopping Centre Kent and their grocery stores which already have 6 locations in London.

TRADER	TYPE	LOCATION	TOWN/CITY	AREA SQ. FT.	COMMENTS
EVERTON STORE	HIGH STREET/ SHOPPING CENTRE	CASTLE PLACE	BELFAST	550	OPENED 7TH OCTOBER
LEEDS UNITED STORE	HIGH STREET/ SHOPPING CENTRE	CASTLE PLACE	BELFAST	550	OPENED 10TH OCTOBER
HOME BARGAINS	HIGH STREET/ SHOPPING CENTRE	HILLVIEW RETAIL PARK	BELFAST	21,269	OPENED 30TH OCTOBER
POUNDLAND	OUT OF TOWN	LAHARNA RETAIL PARK	LARNE	7,000	OPENED 6TH NOVEMBER
JD SPORTS	HIGH STREET/ SHOPPING CENTRE	CASTLE PLACE	BELFAST	20,000	OPENED 20TH NOVEMBER
POUNDLAND	HIGH STREET/ SHOPPING CENTRE	SEYMOUR STREET	BALLYMONEY	8,500	OPENED 27TH NOVEMBER
JOLLYES	OUT OF TOWN	LONGWOOD RETAIL PARK	NEWTOWNABBEY	6,700	OPENED 11TH DECEMBER
POUNDLAND	OUT OF TOWN	LONGWOOD RETAIL PARK	NEWTOWNABBEY	8,500	OPENED 11TH DECEMBER
POUNDSTRETCHER	HIGH STREET/ SHOPPING CENTRE	BLOOMFIELD SHOPPING CENTRE	BANGOR	10,450	OPENED 17TH DECEMBER
TIM HORTONS	HIGH STREET/ SHOPPING CENTRE	BLOOMFIELD SHOPPING CENTRE	BANGOR	2,800	OPENED 20TH DECEMBER



OVERVIEW

Demand in the logistics and warehousing sector continues to outstrip supply and while we seem to be repeating ourselves in every quarterly update this year, we also expect this to continue for the coming year.

As we reported previously the same trends remain:

- ♦ The limited supply of product, particularly on a For Sale basis.
- ♦ Capital values and rents continue to increase across the province.
- ♦ Buildings being sold off market.

ACTIVITY

The majority of deals in the quarter were lettings, mainly due to the limited supply of assets available for sale. Although there is great demand from owner occupiers to purchase properties, unfortunately the stock just isn't there.

There have been significant lettings in Mallusk and Vicarage Road in Portadown, as outlined in the table opposite, and in addition a significant proportion of Unit 3 in Greenwood Business Park, Lisburn has been let to an industrial tenant to expand their manufacturing capability. The availability of a high KVA electrical supply to facilitate their production line machinery was an essential requirement of this letting.

Two significant properties have come to the market on a For Sale basis, The South Campus of Caterpillar (NI) on the Old Glenarm Road, Larne and 6 Alexander Road, Castlereagh. The Caterpillar site comprises c. 193,000 sq ft of existing buildings on a site of 18.2 acres, the sale offers a fantastic industrial facility with extensive yard areas and car parking.

On Castlereagh Road, Belfast a property comprising c. 80,000 sq ft of existing buildings on a site of 4.6 acres, the sale offers large space in a greater Belfast location.

TRANSACTIONS Q4 2021

LOCATION	SIZE (SQ. FT.)	TYPE
VICARAGE ROAD, PORTADOWN	27,718	LETTING
8 MICHELIN ROAD, MALLUSK	20,943	LETTING
UNIT 3 (PART), GREENWOOD BUSINESS PARK, LISBURN	22,786	LETTING
UNIT 7 HAWTHORN BUSINESS CENTRE, BOUCHER	11,846	LETTING
1 BALMORAL LINK, BOUCHER	3,237	LETTING
*APPROXIMATE SIZES		

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MEET OUR TEAM

NORTHERN IRELAND COMMERCIAL PROPERTY REPORT

Q4 2021

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