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INTERNATIONAL REALTY

# OUTLOOK

2023

# 12 NORTHERN IRELAND

## The NI Business Rating Revaluation 2023 will shift the burden of rates liability across the sectors.

## INVESTMENT

### CASH BUYERS WELL PLACED

While some high-profile investment opportunities transacted last year, others that came to the market in the second half of the year have yet to secure buyers. Interest rate increases in all major economies have severely impacted the cost of finance for investors, which further impacts the price they can pay for assets and pushes yields out. This year, vendors will give greater consideration to the timing of potential sales, and it is likely that buyer activity will be quiet in the initial months of the year but improve as there is greater knowledge on when interest rates will stabilise. That said, experienced investors are well accustomed to head winds and know that opportunities will emerge as yields edge out. Cash buyers will be well placed as access to traditional debt finance is constrained. They will dictate pricing in the coming months.

## OFFICES

### ESG WILL GAIN FURTHER TRACTION

The office market will remain in transition this year, adjusting to the post pandemic norm of remote or hybrid working. Encouragingly, a gradual staff increase in occupation of offices is anticipated for this year and unfulfilled occupier requirements that were put on hold during COVID are being reconsidered and new entrants are emerging. Rising building costs and lower market absorption rates in the last three years means that the delivery of new Grade A office buildings in 2023 will be limited. Albeit four new builds are due that will deliver a combined 45,500 sqm; The Ewart, Olympic House, City Quays and Paper Exchange. ESG will continue to gain traction and become more relevant for landlords and tenants in 2023. While minimum EPC standards for GB do not apply yet in NI, it will have a growing impact as corporate occupiers apply their GB policy standards to new leases.

## INDUSTRIAL

### HIGH-BAY WAREHOUSING REMAINS WELL SOUGHT AFTER

The industrial occupier market will remain active this year. Owner-occupiers and tenants will continue to bid strongly for existing good quality industrial properties. Supply of new buildings to the market will be hampered by rising build costs, which will put further pressure on capital and rental values. In spite of the value increases, speculative new builds in the immediate term may be limited, impacted by interest rates and wider factors. High-bay warehousing remains well sought after and building location has and will continue to be of less significance due to its scarcity. In the absence of speculative development, demand for design-and-build options will help drive industrial land values in the right locations.

## RETAIL

### ONLINE DECLINE AND RATES REVALUATION DELIVERING OPPORTUNITIES

Given the rising cost of living and wider macro-economic issues globally, consumer sentiment was impacted last year, and the retail property market suffered. In spite of this, there is more positivity for bricks-and-mortar this year as shopping habits are changing post COVID and the business rates revaluation will take affect from April.

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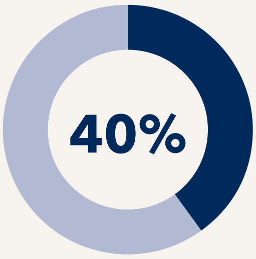


OF TRADE WITHIN BUSINESSES THAT OFFER THIS SERVICE

Online retail sales across Northern Ireland peaked during the pandemic and has since fallen back. A recent Barclays survey about retailing in NI shows the growth in popularity of omni channel shopping with click-and-collect now accounting for almost 40% of trade within businesses that offer this service. It also found that there is still considerable consumer support for high streets and retailers believe that operating a physical store is vital to their success. The rising cost of logistics premises is also affecting their ability to provide affordable delivery and online services. This bodes well for high street and shopping centre demand and activity in 2023.

The NI Business Rating Revaluation 2023 will come into effect on 1st April and with it a shift in the burden of rates liabilities across the sectors. Retail will benefit the most and savings may be significant enough to act as a catalyst for retailers to expand or relocate to more desirable locations that are now more affordable.

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