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COMMERCIAL REAL ESTATE

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INTERNATIONAL REALTY



OUTLOOK 2025

NORTHERN IRELAND

We expect a more positive property market in NI in 2025, particularly in the investment and build-to-rent sectors.

INVESTMENT

- Wider economic and geopolitical issues, continued elevated interest rates, increasing demands to meet ESG credentials, evolving occupational demand, and the UK government's autumn budget are some of the factors that resulted in a subdued commercial property investment market in NI in 2024. While many of the challenges have not significantly diminished, improvements in global interest rates and sentiment will assist with uncertainty and we expect a **more positive market in 2025**.
- Investment **supply** was down about 70% last year as would-be vendors took a 'wait and see' approach. However, there were some improvements in the final months of the year, which will assist with market turnover in H1 2025.
- Given the dearth of supply, there is **pent up demand**, particularly from local private investors, for well let commercial investments at sub-£5m lot sizes. Larger lot sized, retail parks and supermarket-anchored shopping centres, where rents have rebased, will remain in most demand. Similar to last year, local NI private investors will remain the largest cohort of buyer this year.

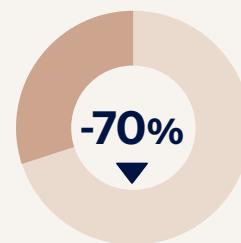
HOTELS

- The hotel sector was NI's **most active** property sector last year – in terms of investment sales, sales as a going concern or to an owner-operator, and construction activity – a trend that will continue in 2025. The hospitality sector as a whole continues to perform well with annual tourist visits now surpassing pre-pandemic levels. This has boosted hotel occupancy levels (Belfast averaging 75%) and revenue (+8% in 18 months), and in turn investor confidence in the sector. Several notable transactions completed in 2024 and there will be activity again in 2025 as various hotels investments were available at the start of 2025.
- Since mid-2023, seven new hotels (520 beds) have opened across NI, and further new accommodation is due. Several projects are progressing well such as Hamilton Dock (228 bed) in Belfast's Titanic Quarter, the Bedford Hotel (102 bed) on Donegall Square and Marcus Hotel (83 bed) in Portrush. On the north coast, the 5-star exclusive **Dunluce Lodge** (35 beds) on the fourth fairway of Royal Portrush is due to open in February in time for the 153rd Open Championship in July.

THERE IS PENT UP DEMAND FROM LOCAL PRIVATE INVESTORS FOR WELL LET INVESTMENTS

SUB £5m

IN LOT SIZE



SUPPLY IN
2024

BUILD-TO-RENT

- Almost **1,200 BTR units** are due to be completed in Belfast city centre in the next two to three years. The construction of NI's first institutionally backed BTR scheme was continuing at pace entering 2025 with Loft Lines (778 units, 151 of which will be affordable) in Belfast's Titanic Quarter due during the summer of 2026. Two additional high-density BTR schemes were granted planning permission in 2024 including MRP's 298-unit scheme on Corporation Street and Belfast Harbour's 256-unit scheme at City Quays 4.
- Belfast's young population demographic and strong professional work force provides the perfect demand pool for BTR accommodation and as Belfast City Council aims to attract a further 66,000 residents to the city by 2035, the demand for high-quality, professionally managed rental accommodation is only set to increase further. We are likely to see **further schemes** in the pipeline in the short to medium-term.

PURPOSE-BUILT STUDENT ACCOMMODATION

- Full time **student numbers** across NI have grown by about 30% over the past five years, with the international student population skyrocketing, by +235%, over the same period. In turn, demand for student accommodation has intensified and average rents in Belfast for PBSA rooms for the 2024 / 2025 academic year were up by 8% to 10%.
- In 2024, approximately 1,250 **new bed spaces** were completed across three schemes – at Nelson Street, York Street and Bradbury Place. The short-term pipeline is also strong with a further 7,750 beds either under construction or in the planning system in Belfast and Derry.

Obel Tower, Donegall Quay, Belfast



1,200 BTR
UNITS DUE IN
THE NEXT
3 YEARS

OFFICE

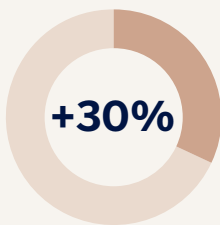
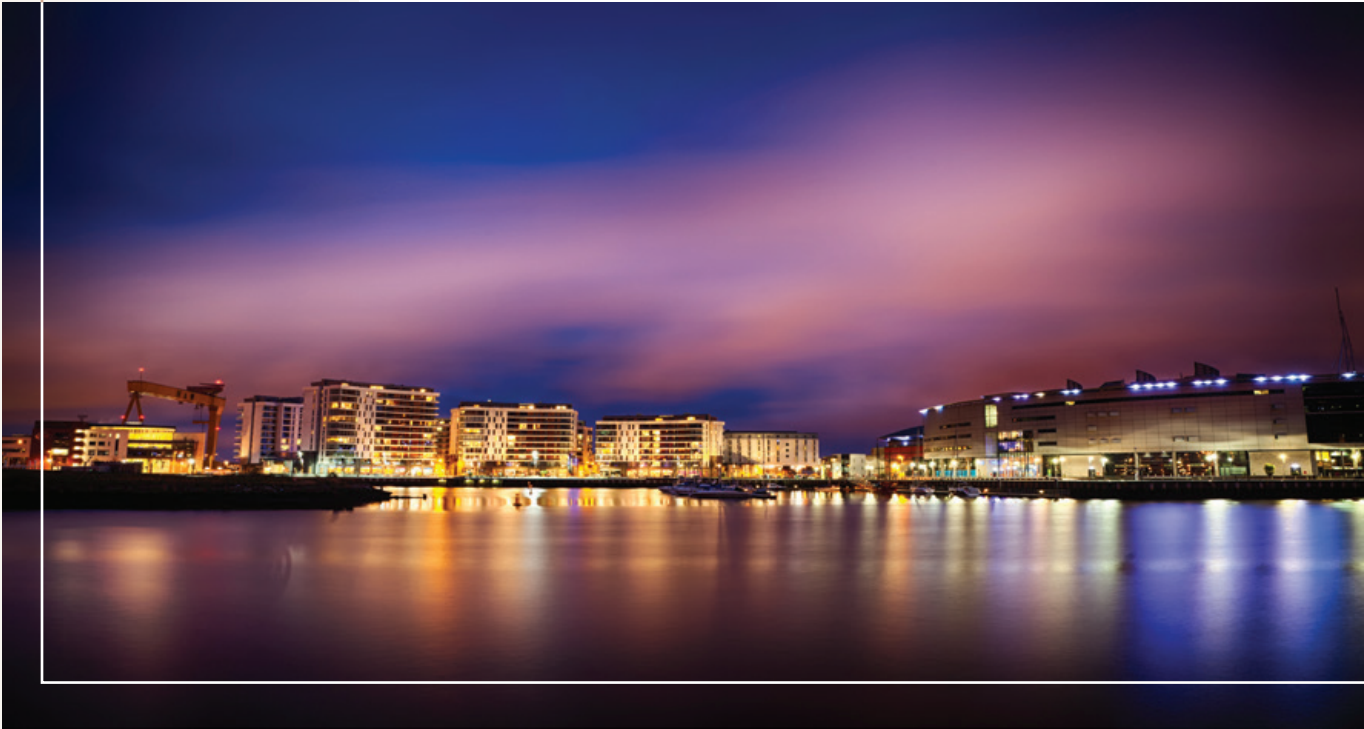
- While the Belfast office market continues to face challenges, we expect **continued improvement** in the sector in 2025. This follows on from a good 2024, where take-up was back to 2019 levels. Just under two-thirds will likely remain related to smaller lot sizes (sub-5,000 sq ft), reflecting the continuing fallout from remote and hybrid working.
- **Supply** continued to improve throughout 2024 (to 2m sq ft), however much of the increase stems from grey space or re-purposing opportunities. Indeed, about 15% relates to three surplus government buildings brought to the market last year and will likely be converted into an alternative use such as residential, hotel or student accommodation. This means, the headline vacancy masks the fact that there remains a lack of Grade A stock available. This is unlikely to improve greatly in the short-term as no new accommodation was completed last year and there is only one new scheme (on the Dublin Road) in the development pipeline.
- The lack of new supply, particularly with the right sized floorplates, is likely to drive prime **rental growth** in 2025, perhaps moving from current quoting rents of £25 psf towards £30 psf. However, a small number of high-profile lettings are not evidence of a properly functioning market and at the corporate-led upper end of the market, the limited pool of specific requirements will continue to be frustrated by lack of size variation or location of the available Grade A supply.

INDUSTRIAL

- Occupier demand remained strong in 2024 but given the lack of supply, this was not fully realised in take-up figures – a trend that will prevail again in 2025. This **strong demand**, coupled with low vacancy levels, will continue driving rents and capital values upwards for good quality existing stock in 2025. Occupiers will continue to put a premium on location and eaves height.
- While new build space is being delivered slowly in some areas, viability can be a challenge for speculatively built space given the high cost of construction and rental gap between new and existing stock. With rental growth, more stabilised construction costs and falling interest rates, new schemes should be **more viable** as 2025 progresses. Given the number of unsatisfied requirements in the market, this will present an attractive prospect to experienced, well backed developers.

RETAIL

- Retail will remain one of the more challenging property sectors in NI 2025 as retailers' operating costs remain high, and consumer spending impacted by the cost of living. Shopping centres and high streets have borne the brunt of consumers' negative sentiment. However, **retail parks** have performed well with demand driven by discounters and food stores. Indeed, demand in the F&B sector (particularly drive thru and drive-to stores) remains strong with new entrants to the market; Mary Browns Chicken and Popeyes – both of which are actively seeking additional locations.
- While the retail landscape will remain difficult to navigate in the short to medium term, there is an emerging trend from some retailers which points to **more positive sentiment** around bricks-and-mortar stores. Last year Deichmann opened its first store on the island of Ireland, and H&M and Apple relocated to new premises while Primark lodged a planning application for a new homeware store. We are aware of similar intentions from a number of other retailers in 2025 and expect this trend to continue.



**INCREASE IN
FULL-TIME
STUDENT
NUMBERS IN THE
LAST 5 YEARS**

**7,750
BED SPACES
IN THE
PIPELINE**

DEVELOPMENT LAND

- There remains an **undersupply** of good quality development land for sale across NI, which to an extent has underpinned land prices in recent years. Good parcels of land continue to attract strong interest as developers seek to fill the gaps within their short to medium-term delivery pipelines. Positively for 2025, build cost inflation has settled, and interest rates are on a downward trajectory, which should give developers a greater degree of comfort prior to committing to new development projects.
- **Protracted planning** timeframes as well as issues relating to wastewater capacity remain some of the key constraints to development across NI and are significantly exacerbating the growing imbalance between supply and demand in the housing market. Beyond the private sector, there are currently about 50,000 people on the social housing waiting list and if this trend continues, then demand for land that can be developed, and its pricing, is expected to increase further.



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