

INVESTMENT
MARKET
REMAINED
SUBDUED
WITH MARKET
TURNOVER AT
£200M



CHALLENGING TIMES

BELFAST

INVESTMENT

The investment property market remained subdued in 2019 with turnover estimated at £200m, two-thirds of the five-year average. Given that Northern Ireland is the UK's only land border with Europe, it has frequently been in the headlines. This has resulted in Brexit uncertainty being amplified in the region and investment decisions difficult. Early 2020 is also expected to be challenging for the investment property market. The sector is traditionally dominated by larger transactions, often involving investors from outside of the region. This pool of external investors is now shallower than in the past and is likely to remain as such while the Brexit withdrawal agreement is unresolved. Despite this negativity, the perceived illiquidity has created opportunities for some investors. Those that can take a longer-term view can take advantage of the softening prices and better returns on offer compared to other cities in the UK and Ireland.

To blame all market issues on Brexit would be an over-simplification. Northern Ireland's investment market has traditionally been dominated by retail-led transactions. Given poorer consumer confidence, slowing price inflation and the structural shift in how people shop, the sector has seen a significant pausing in recent times. In spite of this, two retail parks sold in 2019; Crescent Link Retail Park in Derry (£30m / yield of 11.4%) and Sprucefield Retail Park outside Lisburn (£4m / yields of 8.7%). The yields achieved for these investments demonstrate the level of return on offer in Northern Ireland.



+70,000

PRS IS LIKELY TO SEE
**SIGNIFICANT
GROWTH**
IN INVESTMENT
VOLUMES

PEOPLE
LIVING IN THE CITY
BY 2035

INVESTMENT

When quality investment opportunities are available in the other sectors of the market, there is investor appetite. This is likely to improve over the course of 2020. Rents in the office market continue to grow and there are healthy levels of occupier demand. This means that there may be some investors seeking to sell office investments and capitalise on recent rental uplifts and refurbishments. Notable transactions in 2019 included the sale of a 133,000 sq ft office building in the Titanic Quarter to Citi for £34m and the sale of Donegall House (35,000 sq ft) at 5-7 Donegall Square North for £9.6m / net initial yield of 5.63%.

Investors interested in the industrial sector will continue to be able to purchase existing properties below the replacement cost. Rents in the sector remain static but there will be some upward pressure for quality space in 2020. This will lead to better investment returns and greater levels of demand.

The alternative investment sector, a growing favourite for UK institutions, continues to grow in market share. The challenge for Northern Ireland is to harness some of that capital and deliver the product to facilitate investment. The private residential sector (PRS) is the most likely to see significant growth in investment volumes in the short to medium-term. There are several schemes in the pipeline and these dovetail with the ambitious plans of Belfast City Council to have an additional 70,000 people living in the city in 15 years' time. Having this many extra people living in the city centre will require significant strategic planning in terms of jobs, infrastructure and amenities to facilitate the flow of investment capital. PRS is an area to watch in the coming years.



450,000
SQ. FT

Chichester House

TRANSACTIONED
IN 2019

THE TECH AND DIGITAL SECTOR REMAIN
ACTIVE, WHICH IS VERY MUCH A
POSITIVE FOR THE BELFAST MARKET

OFFICES

The office occupational market remains active with an estimated 400,000 sq ft transacted in 2019. However, unsurprisingly in the context of Brexit, there was a dip in 2019 take-up when compared to the five-year average level of 450,000 sq ft.

A notable and very positive deal in 2019 was PWC's decision to take a further 46,000 sq ft (in addition to its original acquisition of 155,000 sq ft) to secure the entire of Merchant Square. This city centre building is being developed by Oakland Holdings and is located at the junction of Wellington Place and Upper Queen Street, combining the former Oyster House and Royston House.

Also in 2019, Deloitte announced that it had chosen Bedford Square as the location for its new HQ in Northern Ireland. Bedford Square is a 213,000 sq ft Grade A office development, being delivered by McAleer & Rushe. The development is due for completion in early 2021 and Deloitte will be the anchor tenant, having committed to 100,000 sq ft, which is expected to accommodate over 1,000 staff.

The tech and digital sector remain active, which is very much a positive for the Belfast market. This has been highlighted in recent research released by the government's Digital Economy Council and Digital Economy Advisory Group. It found that Belfast is one of the top four UK cities for high-paying digital jobs with over 16,000 new posts created in the last 12 months. This is a sector to continue to watch in 2020.

Another trend to continue to watch in 2020 is the further expansion of the co-working sector. Most existing operators are now close to full capacity, which provides additional opportunities. A notable new entrant to the market in 2019 was the 30,000 sq ft Eagle Star House on Upper Queen Street. This added 500 desk spaces to the city centre. A key question for the wider market now is if the growing supply of co-working / serviced office space will have a negative impact on the demand for 'traditional' floor plates of less than 5,000 sq ft as has been reported in other regional cities throughout the UK.

Entering 2020, the immediately available supply of Grade A accommodation within Belfast CBD is less than 200,000 sq ft, which is spread across several buildings. Encouragingly, there is still a strong pipeline of new stock due throughout 2020 and 2021.



“ FOOTFALL IN THE CITY CENTRE HAS BEEN ASSISTED BY STRONG AND GROWING TOURISM NUMBERS IN RECENT TIMES. ”

M&S, Carrickfergus

RETAIL

2019 was another challenging year in the retail market. The ongoing political and economic uncertainty continues to suppress consumer confidence, and the strong growth in online sales combined with a weak pound is squeezing retailer's margins. This has led to several high-profile retail insolvencies such as Debenhams, Arcadia, Mothercare, Bon Marche and Monsoon with the inevitable store closures.

Belfast city centre has held up reasonably well. There is good demand from retailers and leisure occupiers, which has maintained healthy occupancy levels and has helped underpin rents. The out-of-town market is also fairing relatively well. In 2019, retailers such as B&M, Lidl, M&S, Iceland and Home Bargains were all active with new openings.

While the strong urban locations and dominant out-of-town retail parks have managed to fill the voids created by retailer failures, some of the more regional locations continue to struggle and this is having a downward effect on rents in these locations. This trend will continue in 2020 and landlords will seek to keep occupancy levels from dipping.

Footfall in the city centre has been assisted by strong and growing tourism numbers in recent times. This will be assisted further in the short-term as the eagerly anticipated Ulster University campus is getting closer to completion. Increased footfall is fuelling selective demand from retailers and restaurant groups, both those entering the Belfast market for the first time or existing occupiers seeking to expand.

INDUSTRIAL

Total industrial activity is estimated to have fallen below 2m sq ft in 2019, a level that was achieved in preceding years. In spite of this, the prospects for 2020 are promising and good levels of activity in the industrial and logistics market is expected. The strongest demand will be from logistics operators, driven by retailers or those connected with ecommerce and online shopping. With this demand, rents of £4.50 psf and above will continue to be achieved on existing stock while capital values will range between £30 psf and £40 psf.

Key recent lettings include Greiner Packaging's take of 113,550 sq ft in Ballygawley, along with Terex taking 105,000 sq ft in Campsie in Derry and Huhtamaki leasing 57,000 sq ft in Antrim. While an investment sale, the most noteworthy industrial-related transaction in 2019 was Antrim Business Park, which comprised 580,400 sq ft of buildings on 30 acres, plus an additional 44 acres of development land. It sold in excess of the £12.5m asking price.

Entering 2020, the supply of warehousing and distribution accommodation greater than 20,000 sq ft remains extremely limited. However, capital values for second-hand stock are still well below the replacement cost, which makes new construction unviable. Demand from retailers for distribution accommodation may result in advanced distribution centres being considered in Northern Ireland, similar to that seen in other parts of the UK.

BELFAST

Various large-scale redevelopment projects are either ongoing or proposed for central Belfast in the coming years. The map opposite outlines some of the key developments.



	KEY DEVELOPMENTS	STATUS
1	ULSTER UNIVERSITY	Ulster University's move from Jordanstown to its new £263m city centre campus is progressing and will be ready for occupation in 2022. The new campus will be in the Cathedral Quarter, the artistic and cultural centre of the city. Work recommenced in 2018 following the failure of the main contractors and phase one is complete. There is significant interest in PBSA in this area, which is acting as a catalyst for regeneration.
2	WEAVERS CROSS (THE BELFAST HUB)	This almost 20-acre site, adjacent to the city centre, has been identified as a new neighbourhood. It is the existing site of the Europa Bus Centre and Great Victoria Street Train Station. At the centre of the proposals is a new public transport hub along with over 1m sq ft of commercial accommodation. Site clearance is complete, and the first phase commenced in December 2019. A key theme of this project is 'regeneration through reconnection', aiming to 'bring to life the area's past, regenerating its present and reimagining its future to benefit the whole community'.
3	BELFAST WATERSIDE (FORMER SIROCCO SITE)	This 16-acre former industrial site is at Short Strand and adjacent to Bridge End and the River Lagan. A masterplan has been devised and in June 2019, Osborne + Co had its proposals approved by Belfast City Council's Planning Committee. This is a £400m scheme comprising 675 residential units, a hotel, serviced apartments and creative working spaces. Additionally, planning permission was granted in August 2018 for a 13-storey, 250,000 sq ft office building, which will be completed 2021. The masterplan also includes proposals for community, cultural and leisure facilities such as cafes, bars, restaurants, a gym and local retail. In terms of the residential element, it will include a mix of home types and tenures to assist in developing a new vibrant community that will include a mix of affordable and social, along with private homes to rent or to purchase.
4	TRIBECA BELFAST (FORMERLY THE NORTH EAST QUARTER)	This 12-acre site in Belfast city centre was previously the Royal Exchange. A £500m regeneration project was proposed, which would have provided 1.5m sq ft of residential, office, retail and restaurant accommodation. However, in 2019 the developers, Castlebrooke Investments, altered designs following opposition. A 10-week public consultation process was carried out and in September, an outline planning application was submitted, which included a reduction in height of the office scheme at the corner of Rosemary Street and North Street from 27 storeys to 10 storeys, as well as the retention of non-listed facades on Donegall Street and North Street. The retail space was downsized and the underground car park at Writer's Square was dropped.
5	ERSKINE HOUSE	Erskine House is on Chichester Street and is nearing completion with fit-out works ongoing at the end of 2019. It comprises a new eight storey, 105,000 sq ft office building with retail space on the ground floor. HM Revenue & Customs has signed an agreement to lease the office space for 25 years and is expected to take occupation in early 2020. Anthropologie, the fashion and lifestyle retailer, has opened a store on the ground floor.
6	BEDFORD SQUARE	McAlear & Rushe continue construction works at Bedford Square on an £85m, 213,000 sq ft Grade A office scheme. This is due for completion in early 2021 and Deloitte will be the main tenant, having already committed to about 100,000 sq ft of space for over 1,000 employees. This will be Deloitte's HQ in Northern Ireland.