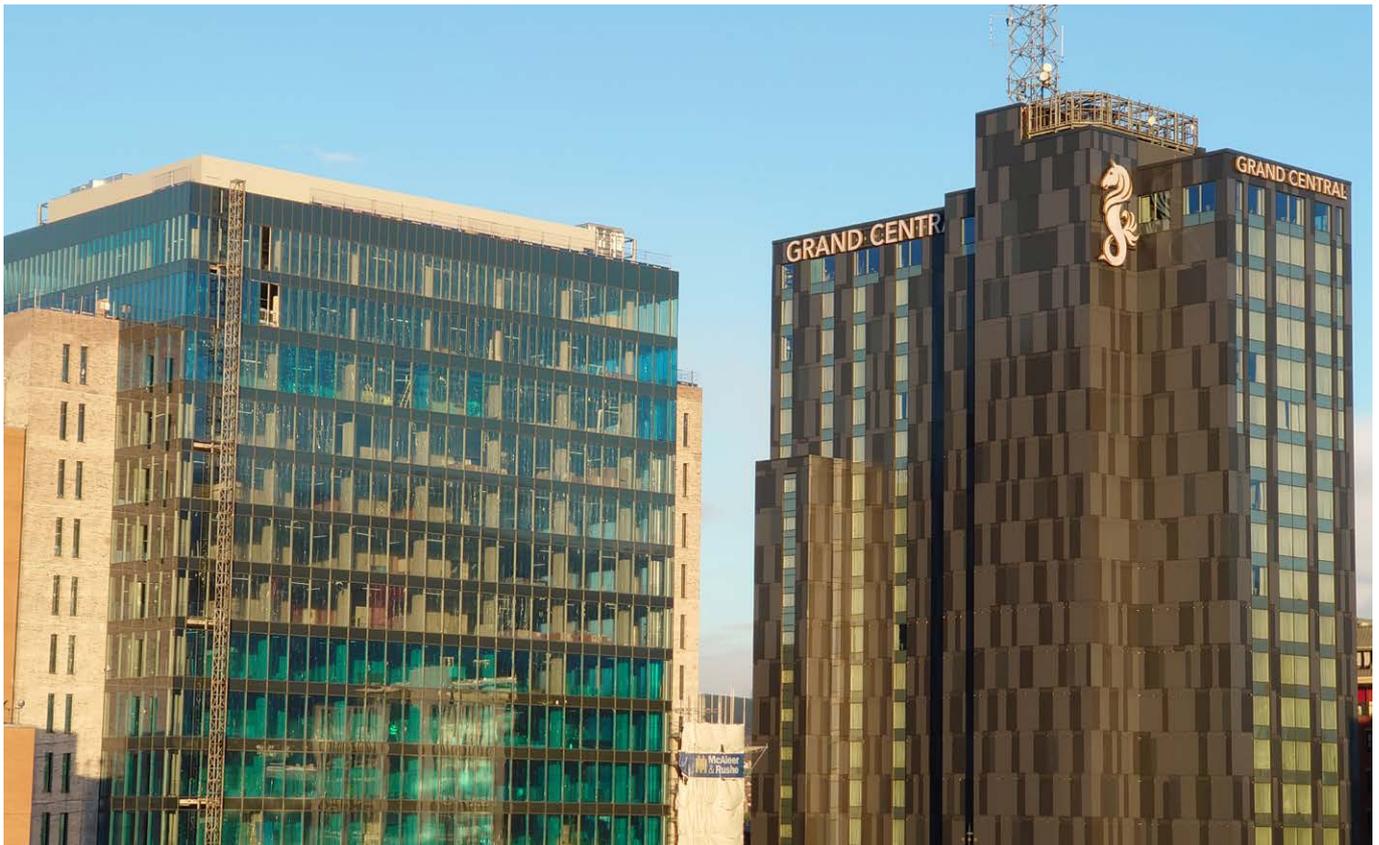


Northern Ireland, Q3 2021

Commercial investment market witnesses continued investor activity



OFFICES

Belfast City Centre recorded take up of 49,502 sq ft in Q3 2021 bringing the year-to-date figure to 130,862 sq ft. In total 12 deals were signed in Q3 bringing the total number of deals for the year to 30. Whilst take up still remains low, the number of deals has increased quarter on quarter during 2021. The largest of the quarter was Hinduja Global Solution leasing just over 9,000 sq ft at Adelaide Exchange on Adelaide Street which will act as their NI hub following their announcement to create 565 roles in Northern Ireland.

Whilst take up is below pre-pandemic level it has been encouraging to note that the level of enquiries and viewings has increased throughout the last quarter, which we expect will translate into early 2022

transactions. Occupiers are continuing to work out their return to work strategies, which in part is influencing flight to quality buildings with staff wellness and sustainability high up on the agenda.

A number of new developments are due to be finished in the next 3 to 6 months to include City Quays 3, The Ewart and Olympic House which will provide choice to the market. This is particularly important given the high level of recent jobs announcement from Invest NI to include 180 technology jobs from ASOS and 78 jobs from law firm Ogletree Deakins.

INVESTMENT

Investment activity in Northern Ireland during 2020 was limited due to obvious challenges presented by Covid-19. The yearly investment total for 2020 was £136 million a decrease of 36% from 2019 which reflected those challenges. Investment spend has substantially improved during 2021 with £234 million having transacted by the end of quarter 3. Of the total spend so far 51% came from Institutional investors, 18% from Property Companies, 29% from local investors and 2% from Owner Occupiers.

The most notable deals to have completed in the third quarter include the sale of Shane Retail Park in Belfast to DS Properties for £23 million, Danesfort office complex in Belfast to Martin Group for £5.25 million and Fairhill Shopping Centre in Ballymena to Melcorpo Group for £6.9 million. By the end of quarter, the largest investment sector has been offices representing over 55% of the total investment spend followed by Retail at 32% and industrial at 10%.

Over the year we have seen a significant increase in investor appetite for properties across all sectors. This has been primarily driven by the low interest rate environment and the continuing improvement in the occupier markets and the wider economy. Furthermore, with inflationary pressure being felt throughout the UK economy investor sentiment for real estate will continue to strengthen.

Properties currently on the market or sold during the quarter include:

Shane Retail Park, Belfast:
sold for £23 million

Fairhill Shopping Centre, Ballymena:
sold for £6.9 million

Danesfort, Belfast:
sold for £5.25 million

City Business Park, Dunmurry:
sold for £1.7 million

Iceland, Dungannon:
sold for £1.075 million

Cityside Retail and Leisure Park, Belfast:
quoting £13 million

Marlborough House, Belfast:
quoting £3 million

Ballygowan Road, Belfast:
quoting £1.1 million



RETAIL

The retail market continues to battle considerable challenges, in terms of activity during Q3. Key transactions and openings include leisure brands Fit Pink Fitness and Craghoppers at Victoria Square, Tesco Express and Rangers Store on Donegall Place, Butlers Home on Castle Lane and Belleek Living and Pelo Hairdressing at CastleCourt. Molton Brown has also relocated to Arthur Street and Mint Velvet will also be opening on the street during Q4 2021. In addition 4 new deluxe brands, Omega, Gucci Watches, Breitling and MontBlanc will also open new standalone stores at Queen’s Arcade.

Outside Belfast city centre, Primark and Sports Direct have announced they are opening new stores in the former Debenhams at Rushmere Craigavon, Lidl have opened their new 23,000 sq ft store at Buttercrane, Newry and DV8 have relocated and upsized at Abbey Centre. Local ladies fashion boutique Vogue, have opened at Forestside Shopping Centre.

The retail warehouse sector remains resilient with limited vacancy. EZ Living and Dreams have both recently upsized at Shane Retail Park in Belfast. Home

Bargains have opened at Longwood Retail Park, Newtownabbey and will shortly open beside Lidl at Hillview Retail Pak, Crumlin Road, Belfast. Dreams have also opened a new store adjacent to M&S at Marlborough Retail Park, Craigavon. Poundland have also been very active having just opened at Laharna Retail Park, Larne with a number of other new store openings planned before the end of the year.

The food and beverage sector also remains strong with continued openings from local operators as well as multinationals. Bob & Berts are opening on Castle Lane. Starbucks have acquired sites at Hillview Retail Park, Belfast and at Castlebawn in Newtownards.

It is clear that 2021 will remain a very challenging year for the retail sector, and in particular high street and shopping centre locations, as vacancy levels remain high and rental levels are again coming under pressure. Landlords and their leasing teams will have to continue to develop innovative leasing strategies to combat market conditions, and a central component of this will be flexibility on acceptable commercial terms and lease structure.



HOTELS

After a dearth of transactional activity in recent years, there has been a flurry of hotel sales over the last few months. In one of Northern Ireland's largest ever hospitality transactions, the Slieve Donard Resort and Spa in Newcastle, Co. Down was purchased off market by US-based Adventurous Journeys (AJ) Capital Partners from Hastings Hotels. The prestigious Resort will be operated under their Marine & Lawn Hotels & Resorts brand – a collection of bespoke hotels in the world's most distinguished golfing destinations. In July, the 145 bedroom Park Inn by Radisson together with the office building on Clarence Street West in Belfast city centre was purchased by private investors. The third deal involved Loughview Leisure Group expanding their hotel portfolio with the acquisition of the Hilton Belfast Templepatrick Golf & Country Club in August. Following refurbishment, the hotel will be rebranded to a DoubleTree by Hilton and will operate under a franchise agreement with Hilton Worldwide.

Since re-opening for all guests on 24 May, hotels across Northern Ireland have benefitted from pent up demand. The majority of this demand has been those on staycations, with an increased number of guests from the Republic of Ireland. While occupancy remained below 2019 levels, record Average Daily Rates (ADR) were achieved in July and August.

Since March 2020, hotel operators have relied on a number of Government incentives and support. These have included the Coronavirus Job Retention Scheme (furlough), a reduction in the hospitality VAT rate and the commercial property rates holiday until the start of April 2022. As at 30th September 2021, furlough ended and the VAT rate increased to 12.5% (after being at 5% since 15 July 2020). However, hotels will hopefully benefit from the spend of the £100 High Street Voucher Scheme during October and November.

In Belfast, there has been very limited new hotel supply opening since approximately 1,500 bedrooms opened during 2017 and 2018. In September, The Aparthotel on Queen Street which has been pre-let to Lamington Group's room2 hometels brand went on site and is scheduled to open in 2023.

Longer term, the Northern Ireland tourism and the hospitality markets have been given a boost after the announcement that the Open Golf will return to Portrush in 2025 after successfully hosting the event in 2019.



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Prime Yields Belfast		Trending
Prime Retail	7.75%	Weakening
Prime Office	5.50%	Stable
Prime Industrial	5.75%	Stronger
Secondary Retail	12.00%	Weakening

Prime Rents Belfast		
Zone A Retail	£90 per sq ft	£968 per sq m
Prime Office	£21 to £23 per sq ft	£226 to £248 per sq m
Secondary Office	£12 to £18 per sq ft	£129 to £194 per sq m
Prime Industrial	£5.00 per sq ft	£54 per sq m

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