Cautious start to 2026 amid structural constraints

CBRE NI QUARTERLY REPORT — Q1 2026

Summary

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Northern Ireland's commercial property market has made a cautious start to 2026 reflecting concerns on the economy and wider unsettling influences.

Activity in Q1 has been more measured than the relatively strong finish to 2025, underlying demand across several sectors remains resilient but development viability remains a serious problem.

Investment activity has been a notable bright spot, with volumes reaching just under £71 million in Q1, almost double the same period last year.

As in recent quarters, many transactions were completed off market, reflecting a preference for discreet deal-making by local investors.

Pricing remained broadly stable with limited yield movement, however, global economic factors, including geopolitical tensions and delayed interest rate adjustments, continue to weigh on sentiment and are likely to temper short-term pricing shifts.

The office market experienced a quieter quarter, with take-up of just under 60,000 sq ft across seven transactions. While down on Q4 2025, this reflects a degree of normalisation. Prime rents remain at £26.50 per sq ft, with further growth anticipated as high-quality supply tightens.

Several large requirements and lease events are expected to drive future activity, although development viability remains a key challenge, particularly in light of potential changes to vacant rates.

In the industrial sector, enquiry levels have strengthened, particularly for larger-scale manufacturing and logistics requirements. However, a shortage of modern, high-quality stock continues to constrain the market, limiting the ability to convert demand into completed transactions.

Retail performance has remained steady building on momentum from 2025. Belfast continues to dominate as the prime retail destination, with strong occupier demand and limited availability in core locations. Shopping centres and retail parks are performing well, supported by investment and low vacancy levels.

The food and beverage sector is particularly active, with new entrants enhancing the retail offering.

The living sector continues to face structural challenges, again around development viability. While rental growth in Belfast has outpaced other UK cities, this has not yet translated into sufficient new supply. Several schemes are progressing for delivery in 2026, but a lack of new starts points to a constrained pipeline. Without meaningful intervention, meeting long-term housing targets will remain difficult.

The hotels sector has carried positive momentum into 2026, supported by openings, refurbishments and a strong pipeline. Trading performance is marginally ahead of last year, and sentiment remains positive. Several high-profile openings scheduled this year will enhance Belfast's hospitality offering.

Overall, Q1 reflects a market that is best described as quiet, with better external news necessary on stability and affordable lending and energy, to start it moving forward at any pace.

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Investment

- Q1 investment volumes were higher than expected, reaching just under £71 million - a 99% increase on the £35.7 million recorded in the same quarter of 2025.
- In line with last year's trend, 56% of transactions were completed off market.
- The industrial sector accounted for the largest share of investment activity at 56% of total spend, followed by retail at 42%.
- Institutional investors were the most active by volume, contributing 79% of year-to-date transactions, with domestic investors accounting for the remaining 21%.
- The market continues to tread water, with minimal yield movement and only marginal income growth.
- The Iran conflict escalation has delayed any potential downward movement in interest rates, UK Gilts, and inflation.
- A number of investment opportunities are expected to be brought to market towards the end of April, with over £50 million of assets currently under offer or in legals.

Prime Investment Yields:

8.25% (Stable)

Retail

8.00% (Stable)

Office

6.25% (Stable)

Industrial

8.00% (Stable)

Retail Warehouse

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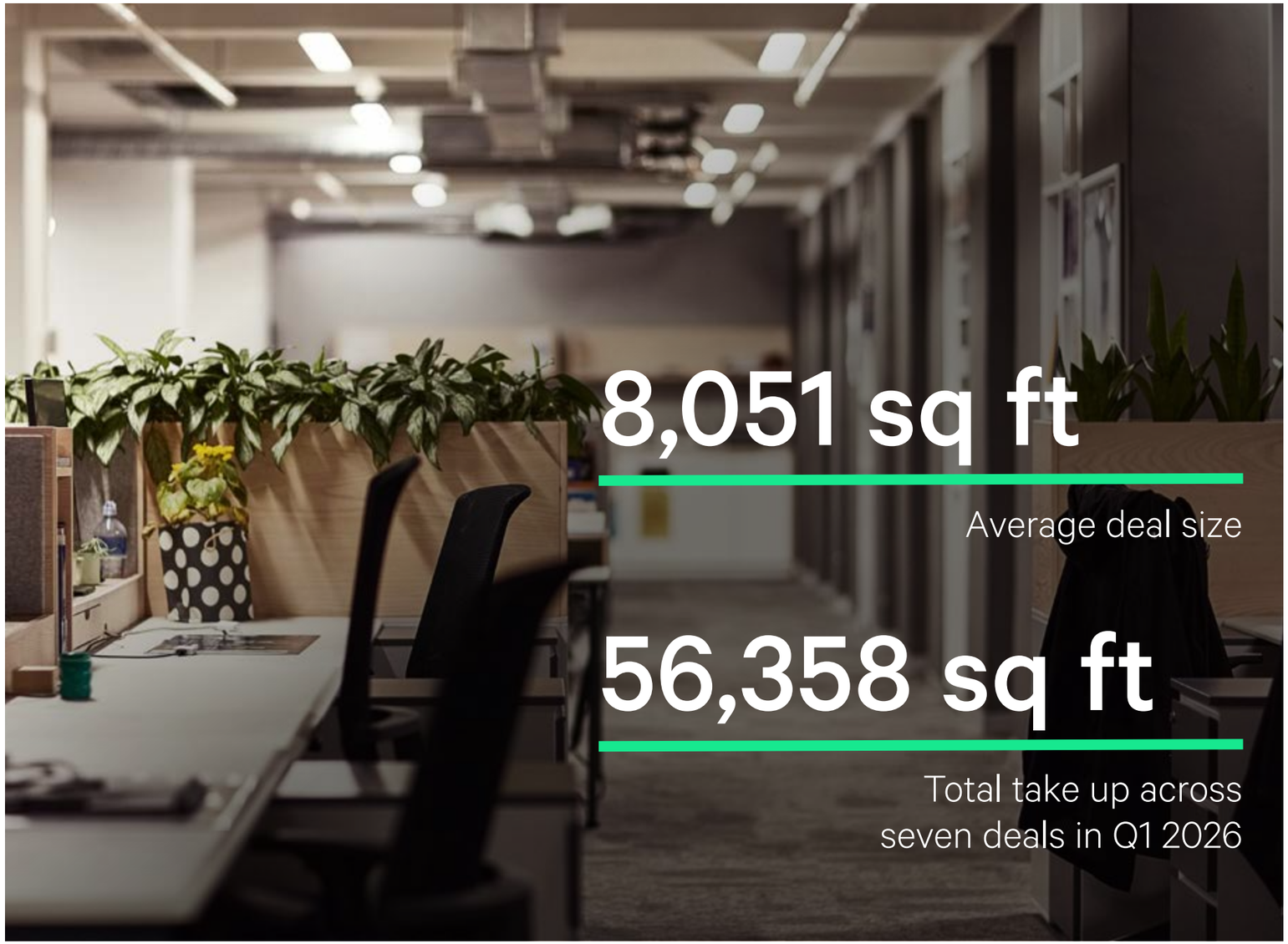
Offices

- Rolling four-quarter take-up stands at 287,057 sq ft, slightly ahead of the five-year rolling average.
- Compared to Q1 2025, take-up levels in Q1 2026 have remained broadly stable.
- Best-in-class rents remain at £26.50 per sq ft, with further rental growth anticipated due to a tightening supply of high-quality stock.
- Several major requirements and ‘Stay vs Go’ projects are expected to place increased pressure on the remaining quality stock and help catalyse the next wave of refurbishments and new development.
- For this to materialise, rents will need to rise substantially to bridge the viability gap.
- Ongoing consultation around the potential introduction of 100% vacant rates is likely to stifle speculative new development.



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Retail

- Belfast has maintained its position as the dominant retail destination.
- Several international brands have recently opened in the city and increased occupier demand has led to limited availability within the prime retail core, with retailers now struggling to secure suitable space in key pitches.
- Recent retail announcements include the opening of Sephora at Victoria Square and Abercrombie & Fitch's intention to open at the centre later this year.
- Prime shopping centre schemes continue to perform strongly, with private owners committing to extensive refurbishment programmes.
- The retail warehouse sector remains robust, while vacancy rates remain low at approximately 5%.
- The food and beverage sector remains particularly active, with strong demand from chicken operators including Wingstop.

Lidl continues to lead the grocery sector, operating 44 stores and planning further openings in 2026.

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Industrial

- The industrial market has experienced a notable uplift in enquiry levels during Q1 2026, particularly for larger-scale facilities.
- A continued lack of high-quality, modern industrial stock remains a key constraint on market activity.
- Planning approval has been secured for a new facility for DHL at Houston Business Park, Newtownabbey. This development is expected to further strengthen the area's position as a key industrial and logistics hub.
- Industrial rents were recorded at £6.00 - £6.50 per sq ft for existing stock, while design and build assets were priced at £11.00 - £12.00 per sq ft.

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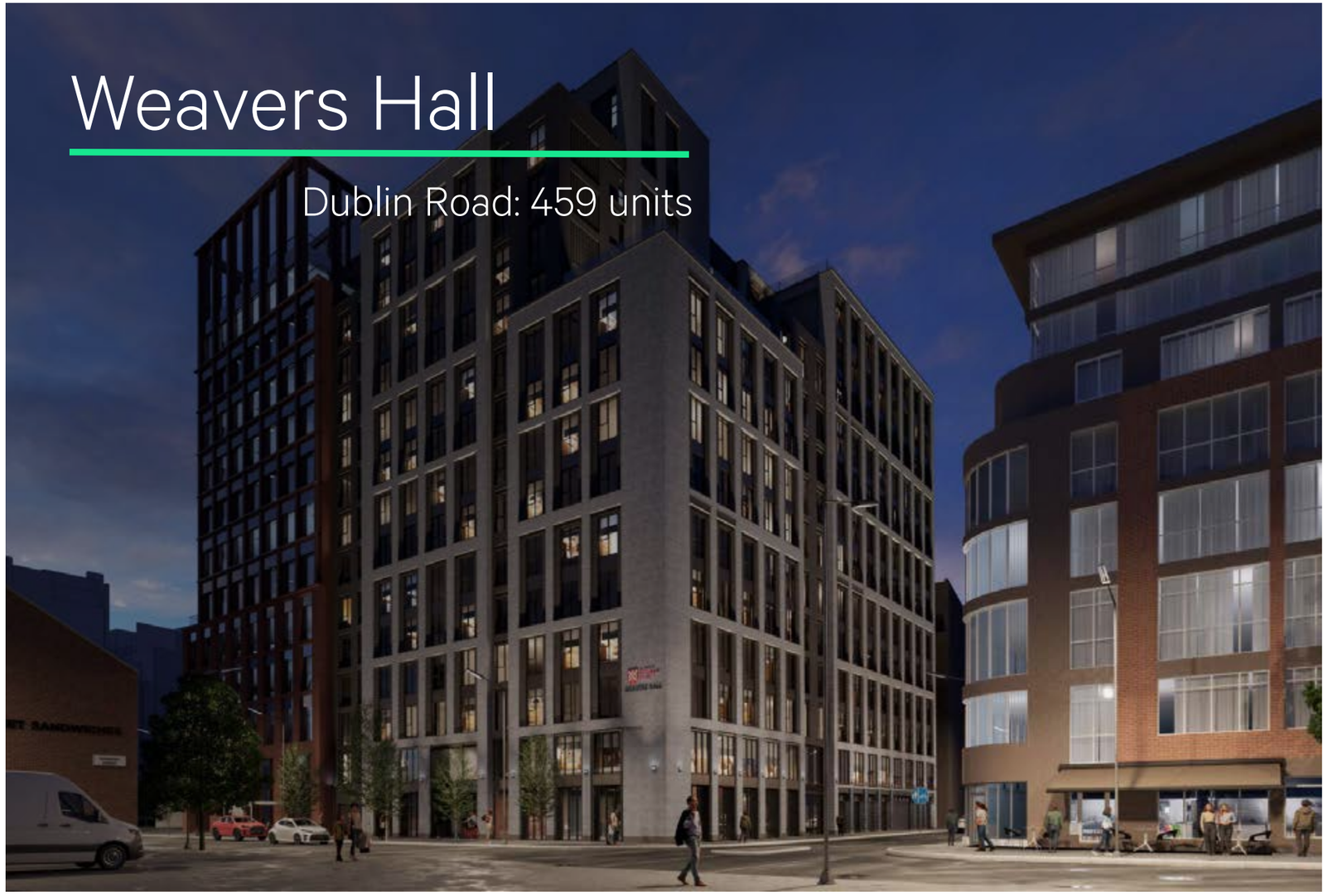
PBSA (Purpose-Built Student Accommodation)

- A total of 1,224 student bedspaces are due to be delivered in 2026. However, no significant schemes are currently expected for delivery in 2027 or 2028.
- Key schemes completing in 2026 include: Weavers Hall, Dublin Road: 459 units (Queen's University Belfast); The Biscuit Factory, Little Donegall Street: 724 units; and 28–38 Elmwood Avenue (Catholic Chaplaincy Belfast): 41 units.
- Fanum House (with planning for 560 rooms) and Norwich Union House (approved for 895 rooms) are existing sites both currently undergoing demolition.
- Research by CBRE indicates that, when benchmarked against comparable regional cities, Belfast still has capacity to accommodate additional PBSA supply.



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Living

- Latest data from PropertyPal shows that Belfast rents have grown faster than any other UK city, increasing by 53% between Q1 2020 and Q4 2025.
- Over the same period, renters are spending a higher proportion of income on rent, rising from 27.6% to 32.2%.
- Loftlines in Titanic Quarter and a Radius Housing scheme adjacent to Belfast's Gasworks will deliver much-needed supply in 2026. However, the lack of new starts means limited completions are expected in 2026 and potentially 2027.
- Without a material improvement in development viability or meaningful public sector intervention, residential targets are unlikely to be met.
- Other UK regional cities have benefited from public sector support, including grant funding and patient equity. Similar interventions will be required locally to stimulate new development.

8,000

new residential units required by 2035

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Hotels

- Northern Ireland's hotel market has entered 2026 with strong momentum, driven by refurbishments, new openings and an active development pipeline, with sentiment remaining positive.

- The Malone reopened in February after a major refurbishment, with The Bedford Hotel set to open in April, followed by Aloft Belfast and Residence Inn by Marriott Belfast in May.

- Planning activity remains robust, including proposals for new boutique and mixed-use hospitality schemes at:
  - Upper Arthur Street/Chichester Street
  - Donegall Square East (Margot Townhouse),
  - Adelaide Street (Clarence Court)
  - Galgorm Castle

- The pause of Reval 2026 business rates offers relief to operators, with overall activity signalling continued confidence and steady growth across Belfast and the wider market.

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