

Northern Ireland MARKET BRIEFING

Spring 2018

Strange Market....

Great Potential - Great Uncertainty....

The property community in Northern Ireland are by nature, and often by necessity, a resilient lot - but even their patience is being tested...

As 2018 dawned the market continued to suffer from a combination of restraining forces, in particular the political vacuum caused by a year-long suspension of the Stormont Executive, and the on-going anxiety over Brexit.

The failure of our local politicians to make any headway over the last year towards re-forming an Executive has damaged market confidence, both domestic and international, and the result is a lot of sitting on hands; a blockage of pent-up demand; and perhaps missed opportunities on the investment and occupier fronts.

The business community appears united in the expectation that Northern Ireland is ideally placed to come out of Brexit smelling of roses, if only we could grasp the opportunity – the “foot in both camps / special case” theory. It seems some politicians remain to be convinced.

There is however still a great sense of optimism that we will overcome these problems, as borne out by the number of cranes which continue to multiply on the Belfast skyline - evidence of the amount of property development and refurbishment which is emerging to meet anticipated demand.



Grand Central Hotel Belfast, Bedford Street
Formerly Windsor House
Acquired for Hastings Hotels

In the Hospitality sector, new hotel developments are coming out of the ground at a rate of knots.

2018 is going to be a record year for hotel openings, with over 1,000 new rooms already set to come on stream in Belfast alone. The new hotel developments currently underway include Hastings' Grand Central on Bedford Street; Easy Hotel on Howard Street; the Maldron on Brunswick Street; Hampton by Hilton on Hope Street; and Belfast Harbour's Marriot AC at City Quays.

Other hotel developments in the pipeline include Signature Living's George Best Hotel on Donegall Square, where Signature has just gone on-site having invited public funding from £80,000 per room.



MCCONNELL
CHARTERED SURVEYORS & PROPERTY CONSULTANTS
EFFECTIVE AND PROFESSIONAL PROPERTY ADVICE



Northern Ireland MARKET BRIEFING

Spring 2018

The Retail market is alive and well, with vacancy rates decreasing and new entrants coming into the local market. Sterling's slide against the Euro has encouraged shoppers from the Republic of Ireland into the North, and the border cities of Derry and Newry in particular are seeing increased footfall.

On the industrial front there is renewed occupier demand particularly in the established distribution locations like Mallusk and the North Foreshore where rents have risen.

The office market continues show the best potential of all the property sectors, albeit constrained by a continuing lack of supply. There is considerable unsatisfied demand for Grade A offices particularly at the higher end of the size spectrum.

Capital Markets

It might sound like a broken record, but the investment market continues to suffer from a severe lack of supply, whilst demand at all levels remains strong.

A combination of the general air of uncertainty, coupled with the hope or expectation of continuing capital growth, appear to be amongst the factors which are holding some potential vendors back from going to market.

Suffice to say that any sensibly priced investments which do come up for sale are attracting competitive bidding once again.

The highlight of 2017 was the acquisition of CastleCourt Shopping Centre in Belfast by Wirefox for £125m.

Other recent bigger ticket sales included a Tesco Extra in Newry (£27.25m / 6% NIY); Cleaver House, Belfast, office/prime retail (£15.25m / 8.3% NIY); Great Northern Retail Park, Omagh (£9.2m / 8% NIY).

At the lower end of the price range there are plenty of buyers in the market for assets up to £1m and yields continue to harden.

Retail Investment opportunities in Provincial towns in particular are in high demand.



Church Street, Coleraine

*Acquired for private investment clients prior to Auction at
£950,000 reflecting a Net Initial Yield of 8.9%*



MCCONNELL
CHARTERED SURVEYORS & PROPERTY CONSULTANTS
EFFECTIVE AND PROFESSIONAL PROPERTY ADVICE



Northern Ireland MARKET BRIEFING

Spring 2018

Development

The latest Belfast Crane Count conducted by Deloitte records 25 new development schemes under construction, nine of which went on site during 2017.

The surge in development activity reflects growing confidence particularly in the hospitality, student and office sectors.



River House, High Street, Belfast
McConnells are Managing & Letting Agents
80,000 sq ft Grade A Offices Completing Q2 2018

The latest tourism figures from the Northern Ireland Statistics and Research Agency report 4.98 million trips to Northern Ireland in the year to September 2017, up by 11% compared to the same period in 2016, with a total of 1.74 million overnight stays and expenditure by visitors rising by 18% to £951m.

The hospitality industry has reacted in spectacular fashion, with development activity including no less than 10 new hotels or extensions under way, and over 1,000 new rooms opening this year - the largest is Hastings Hotel's Grand Central in what was formerly the 24 storey office tower, Windsor House, which will open in June.

The student housing sector has taken something of a breather with no new developments started in 2017. However there are some 2,000 rooms currently under construction in four major schemes. Completion of the new Ulster University campus has been further delayed, and is not now expected until 2020 at the earliest.

In an effort to encourage commercial development and deliver wider socio-economic benefits, the Department of Finance has launched the £100m Northern Ireland Investment Fund.

The main areas targeted for investment through this initiative are mixed use site developments; offices; industrial, warehousing, distribution, and research & development facilities; and sustainable energy generation projects.

Site remediation and access, together with other physical development that supports economic growth, are also eligible, and applications from all parts of Northern Ireland will be considered.



MCCONNELL
CHARTERED SURVEYORS & PROPERTY CONSULTANTS
EFFECTIVE AND PROFESSIONAL PROPERTY ADVICE

 **JLL**
Alliance Partner

Offices

The office market remains the most exciting of the three main sectors and the outlook, assuming we can see some sort of political stability returning, is looking rosy.

Invest NI continues to do a good job encouraging inward foreign direct investment, and indigenous companies, particularly in the services sector, are expanding into more modern facilities.

Full year Belfast city centre office take-up in 2017, at 430,000 sq ft, was virtually the same as the previous year, buoyed up by a number of large space announcements.

Allstate's new-build adjacent to Central Station (140,000 sq ft) is nearing completion and Concentrix have opened their new HQ in the refurbished former Maysfield Leisure Centre building, also on East Bridge Street, (130,000 sq ft). Tullet Prebon are fitting out three floors at City Quays (34,000 sq ft); and First Derivatives have signed for 25,000 sq ft at the refurbished Weaving Works scheme on Ormeau Avenue which, with deals done on both ground floor restaurant / coffee shop units, is now fully let.

Her Majesty's Revenue & Customs has signed an agreement for lease for it's new Belfast Hub at Erskine House, Chichester Street (104,000 sq ft) where construction has commenced with completion anticipated in 2019 when HMRC will move c. 1,600 staff into the heart of the city centre.

Other completed refurbishment schemes such as Linen Lofts and Flax House, both on Adelaide Street; and Longbridge House on Waring Street are letting well.

Rental inflation has been dramatic with an over 50% increase in the last four years or so. Headline rentals for Grade A product are now nudging, and in some cases exceeding, the £20.00 per sq ft barrier which makes speculative development almost viable. We say "almost" because construction costs, both in raw materials and labour, have also increased dramatically and developers need to watch the expenditure side of the equation carefully.

The supply of new-build and good refurbished offices continues to dwindle and there is only limited supply in the short to medium term pipeline.



*Erskine House, Chichester Street, Belfast
Acting for HMRC with our Alliance Partner JLL
Agreement for Lease negotiated for new
104,000 sq ft Office Hub*



MCCONNELL
CHARTERED SURVEYORS & PROPERTY CONSULTANTS
EFFECTIVE AND PROFESSIONAL PROPERTY ADVICE



Northern Ireland MARKET BRIEFING

Spring 2018

River House on High Street is on course for completion in June 2018, with the delivery of some 80,000 sq ft of Grade A refurbished space in 6,000 sq ft floor plates; and Artola House, a Grade A rebuild behind the retained red brick façades on Victoria Street & Upper Church Lane will bring 20,000 sq ft in c. 4,000 sq ft floor plates, to the market also in Q2 2018.

Retail

The retail market has been in recovery for the last couple of years and prime city centre locations are now in much better shape, and appear to be weathering the storm of exponential growth in online shopping.

As ever with retail location is everything, and secondary pitches continue to struggle.

Prime Belfast Zone A rental levels have stabilised, but are still only around 50% of their pre-recession levels.



**17-19 Arthur Street - Acting for Private Family Clients
2,334 sq ft Prime Retail Let to Oliver Bonas**



**Church Lane, Belfast - Acting for Northern
Ireland Transport Holding Company
14,300 sq ft Leased to Better Gym**

It is encouraging to see some existing retailers showing an appetite for expansion, and the last few months have seen Oliver Bonas establish a city centre outlet on Arthur Street, to compliment their Lisburn Road store which opened in Spring 2016. Hotel Chocolat have opened a second city centre shop on Donegall Square North, Trespass have upsized to a new unit on Ann Street, and Café Nero continue their aggressive roll out programme with new coffee shops on Ormeau Avenue and Lanyon Place.



MCCONNELL
CHARTERED SURVEYORS & PROPERTY CONSULTANTS
EFFECTIVE AND PROFESSIONAL PROPERTY ADVICE



Alliance Partner

Northern Ireland MARKET BRIEFING

Spring 2018

Industrial

The industrial market is holding up well and there is increasing demand particularly for good manufacturing and logistics warehousing. The difficulty is a lack of supply and rentals remaining at levels where speculative development is simply not viable.

The very best second hand space still struggles to break the £5.00 per sq ft rental barrier, however there is evidence of increasing demand for design and build schemes and a couple of recent deals have been recorded for bespoke space at around £7.00 per sq ft.

Good large space industrial is in demand from owner occupiers particularly in the manufacturing sector.



**Ryobi has taken a further 55,000 sq ft at
Kilroot Business Park in Carrickfergus.
McConnells are managing and letting agents at
Kilroot**

Key Market Indicators - Spring 2018 Belfast – Prime Rentals & Yields

Sector	Rental – Headline / Underlying	Prime Investment Yields *
Prime Grade A Offices	£21.50 / £18.00 psf	6.25%
Prime Retail	£130 psf Zone A	5.75%
Prime Industrial	£5.00 psf	8%

** Forecasting yields in a very thin market is challenging - there is a considerable weight of money, both private and institutional, at all price levels looking for a home, and competition for any good investment product coming to the market will be fierce*



MCCONNELL
CHARTERED SURVEYORS & PROPERTY CONSULTANTS
EFFECTIVE AND PROFESSIONAL PROPERTY ADVICE



Alliance Partner

Northern Ireland MARKET BRIEFING

Spring 2018

McConnells

McConnell Chartered Surveyors is Northern Ireland's oldest major property consultant, tracing its origins back to 1854 when Ephraim Brown & Son opened in Belfast's Donegall Street. Sir R J McConnell set up his business in 1874, and over the years the firm has grown through mergers and acquisitions.

Most recently we brought together Brown McConnell Clark McKee and McConnell Martin to form McConnell Chartered Surveyors in 2010, and acquired Knight & Co in 2011.

McConnells is now amongst the largest Chartered Surveying practices in the Province.

The directors have a long and successful track record of expertise in commercial agency, property management, rent collection, investment, valuation, landlord & tenant and professional advisory work, and are supported by a dedicated team of property surveyors and administrative staff, with a staff count of over 35.

McConnells is the JLL Alliance Partner in Northern Ireland, working on major portfolio instructions and providing expert local property advice to global corporate clients; and through our membership of PAI we have access to a network of local property specialists in all parts of the British Isles.

To find out more about how we can help you or your business please contact any of our Directors:



Rory Clark MRICS
Valuation
Professional Services
Investment
RICS Registered Valuer



Frazer Hood MRICS
Commercial Agency
Investment
Professional Services
RICS Registered Valuer



Ciara McCusker MRICS
Head of Commercial
Property Management
Compliance



Fraser McConnell MRICS
Property Management
Client Accounting
Crown Estate
RICS Registered Valuer



Caroline McKillen MRICS
Commercial Agency
Valuation
Asset Management
RICS Registered Valuer



Carolyn Avery MRICS
Landlord & Tenant
Valuation
Dispute Resolution
RICS Registered Valuer



Rory McConnell MRICS
Commercial Agency
Investment
Tenant Representation
RICS Registered Valuer



Shaun Wallace
Commercial Agency
Investment
Landlord & Tenant

+44 (0)28 90 205 900
mcconnellproperty.com

McConnell Chartered Surveyors | Montgomery House | 29-31 Montgomery Street | Belfast BT1 4NX
+44(0)28 90 205 900 | www.mcconnellproperty.com

© MCSL 2018



McCONNELL
CHARTERED SURVEYORS & PROPERTY CONSULTANTS
EFFECTIVE AND PROFESSIONAL PROPERTY ADVICE

