

SKY HIGH AMBITION



BELFAST OFFICE
MARKET REPORT
H1 2019

COUNTING CRANES

AT A GLANCE Q2 2019

H1 TAKE-UP VS 5-YEAR
H1 AVERAGE

-34%

YEARS OF
SUPPLY

1.5

GRADE A SHARE
OF SUPPLY

62%

PRIME
YIELD

6.00%

Q2 2019 PRIME HEADLINE
RENT (PER SQ FT)

£23.00

DEMAND

TAKE-UP TUMBLES

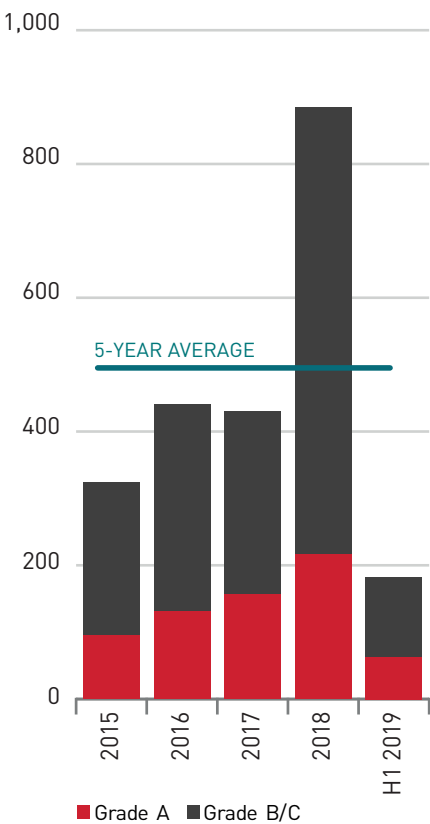
Following a stellar 2018, office take-up was subdued in the first half of this year. Standing at 181,970 sq ft take-up was 66% below the same period last year and 34% below the five-year H1 average. Healthy occupier demand for high quality space has continued, however, with grade A accounting for almost two-thirds of all take-up.

The three largest deals in H1 were at buildings undergoing major refurbishment. PwC leased a further 46,000 sq ft at Merchant Square, taking the remainder of the available space at their new headquarters (a total 201,000 sq ft). An undisclosed serviced office/co-working business pre-let 31,969

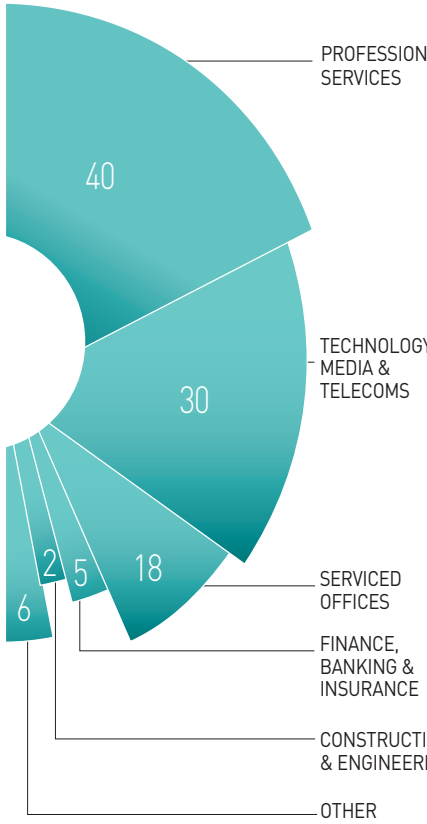
sq ft at Eagle Star House and Neueda leased the West Tower at Lanyon Plaza (29,220 sq ft).

Take-up was driven by two sectors, which combined accounted for more than two-thirds of take-up, specifically the professional services (40%) and technology, media and telecoms (30%). While these sectors were active across all floorplate sizes, there was significant activity by small occupiers, mainly tech start-ups, in the sub 5,000 sq ft market.

TAKE-UP (000 SQ FT)



TAKE UP BY SECTOR (%)



OUTLOOK FOR H2 2019

On the back of the spectacular year for take-up and headline deals in 2018, 2019 has been subdued by comparison. However, with the previously announced Deloitte and Kainos deals still to be signed and counted, take-up is forecast to be boosted in the latter half of this year.

A raft of both new build and refurbishment developments are set to deliver good quality schemes to further replenish the market and drive the prime headline rent to a new high. However, with much of this stock scheduled to be delivered from 2020, take-up for 2019 is expected to be more in keeping with the five-year average trend.



GREG HENRY
Associate
Director – Agency
+44 (0) 28 9026 9265
ghenry@lsh.ie



DONALL MCCANN
Head of UK Regional
Capital Markets
+44 (0) 28 9026 9220
dmccann@lsh.ie

CURRENT SUPPLY

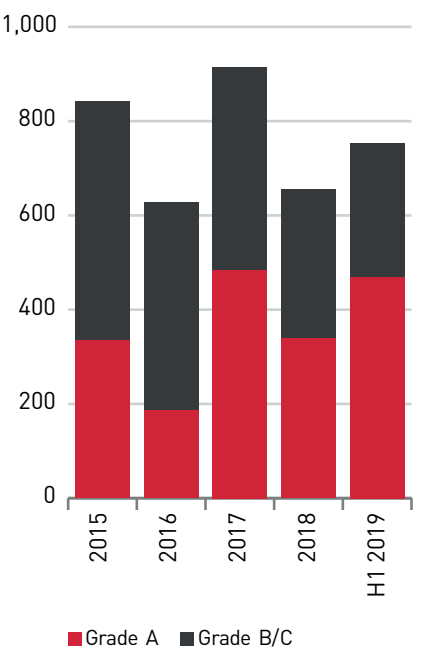
ON THE UP

Availability increased by 15% since the end of 2018, although a significant amount of this space is not ready for immediate occupation. At 752,757 sq ft, current availability is tight, equivalent to 1.5 years of supply based on average take-up.

Grade A stock accounts for 62% of availability and has increased by more than a third since the end of 2018. Supply has been boosted by the commencement of the currently under construction Mercantile (73,000 sq ft) on Donegall Square South and the high quality refurbishment of the 37,000 sq ft The Kelvin (Stokes House) on College Square East, both due for completion in mid-2020.

Elsewhere and ready for immediate occupation is the Lighthouse Building at the Gasworks (60,000 sq ft). Refurbished space due to complete late this year or early next is available at East Tower, Lanyon Plaza (41,000 sq ft), Chichester House (45,998 sq ft) and 20 Adelaide Street (18,858 sq ft).

AVAILABILITY (000 SQ FT)



DEVELOPMENT AND REFURBISHMENT

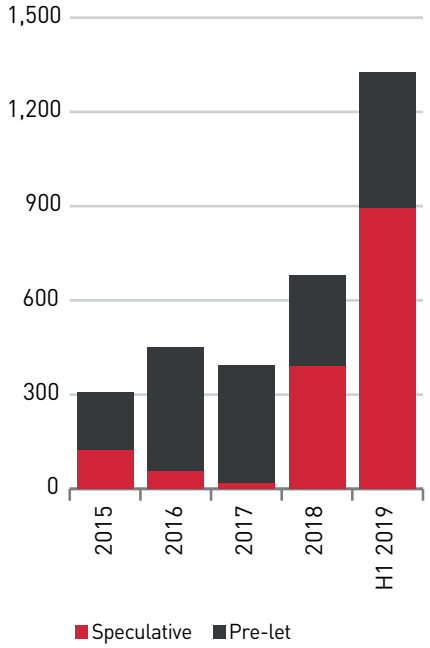
SPECULATIVE DEVELOPMENT RETURNS

After a lengthy period of limited speculative development, signs of improvement are evident with the number of cranes for office developments at the highest for the past decade. Current construction of new and refurbished offices has peaked at 1.3m sq ft, of which two-thirds is speculative.

On Donegall Square South, the 78,869 sq ft Mercantile is under construction and due for completion in 2020. The Ewart at Bedford Square (215,000 sq ft) scheduled to complete in 2021 is partially (100,000 sq ft) pre-let to Deloitte.

In a joint venture between Titanic Quarter Ltd and Belfast Harbour, enabling works commenced on Olympic House (150,000 sq ft) in June 2019. Belfast Harbour also commenced City Quays 3 (180,000 sq ft) in May 2019. Both buildings are scheduled to complete in 2021.

UNDER CONSTRUCTION (000 SQ FT)



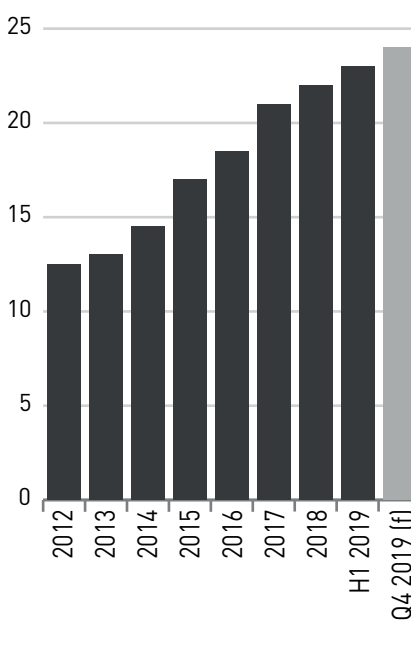
RENTAL VALUES AND YIELDS

RENTS RISING, YIELDS STABLE

Belfast's prime headline rent has risen gradually since 2011, from £12.00 per sq ft to the current levels of £23.00 per sq ft. The delivery of new build and high quality refurbished space is set to continue to promote steady rental growth. The prime rent is forecast to reach £24.00 by the end of 2019.

Prime yields are holding steady at 6.00%. Citibank's purchase of their Belfast HQ, the Gateway Office in the Titanic Quarter, for c.£34m (NIY 5.48%) was the largest single deal since Q3 2017. Elsewhere, Timber Quay in Londonderry was purchased by a local investor for £5.3m (NIY 11.50%) and 15-17 Chichester Street in Belfast was also purchased by a local investor for £1.4m (NIY 6.71%).

PRIME RENTAL VALUES FORECAST (£ SQ FT)



STUART DRAFFIN
Head of Agency – Belfast
+44 (0) 28 9026 9215
sdraffin@lsh.ie

GREG HENRY
Associate Director – Agency
+44 (0) 28 9026 9265
ghenry@lsh.ie

CLAIRE COLE
Senior Research Analyst – Ireland
+44 (0)28 9026 9235
ccole@lsh.ie

SAMANTHA WALLACE
Placement Student – Research, Ireland
swallace@lsh.ie

lsh.ie

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