

INSTITUTIONS TAKE THE LEAD

INVESTMENT VOLUME

At £54.3m, investment volume in the second quarter picked up substantially from Q1 and was more than double the same period in 2017. While there was a significant improvement compared with Q1, activity overall is still some 34% below the five-year quarterly average. A number of transactions that were scheduled to complete in Q2, however, are now expected to transact in Q3.

Year-to-date total investment volume stands at £66.2m, an increase of 45% on H1 2017 but an under-performance compared with the five-year H1 average.

SECTOR FOCUS

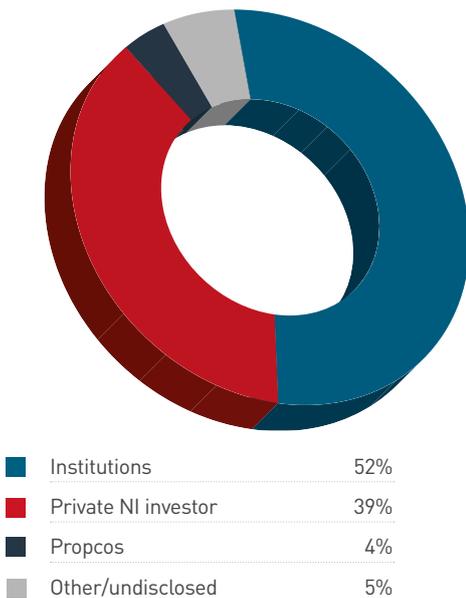
Despite the well documented challenges in the retail market, two-fifths of Q2's deals were in the retail sector. Notable deals included 40-46 Donegall Place for £16.4m (NIY 7.05%), Strabane Shopping Park for £3.3m (NIY 8.00%) and an Iceland-anchored mixed use investment in Newry for £2.3m (NIY 7.20%).

Meanwhile, activity continues to grow in the alternative sector, reflecting strong demand for long-leased index-linked assets. Part of 22 Adelaide Street, leased to PureGym until 2029, was purchased by a private investor for £2.5m (NIY 6.52%).

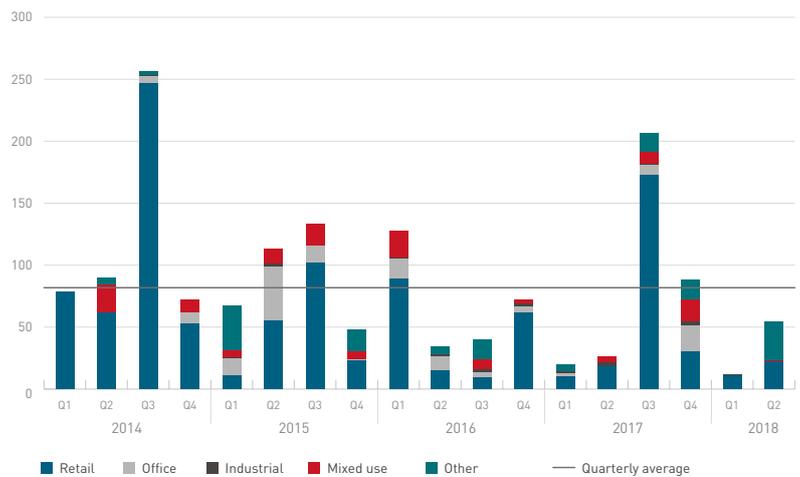
INVESTOR ACTIVITY

Q2 saw the return of institutional and propco investor activity in Northern Ireland. The £16.4m Next and Eason building on Donegall Place was purchased by the French asset management company, Corum Asset Management. This sale demonstrates that there is continued demand for assets, including retail assets, in Northern Ireland that have strong fundamentals and are reasonably priced.

VOLUME BY INVESTOR TYPE YTD (%)



QUARTERLY INVESTMENT VOLUME BY SECTOR (£M)



Source: LSH Research, Property Data

TOP FIVE DEALS Q2 2018

	Sector	Price (€M)	NIY	Purchaser	Vendor
40-46 Donegall Place, Belfast	Retail	16.4	7.05%	Corum Asset Management	Redevco
Strabane Shopping Park, Strabane	Retail	3.3	8.00%	Lidl	Mansford
PureGym, Adelaide Street, Belfast	Alternative	2.5	6.52%	Private NI investor	NI propco
Iceland, Monaghan Street, Newry	Retail	2.3	7.20%	Private NI investor	NI propco
Southern ITEC Business Centre, Newry	Industrial	0.7	9.75%	Private NI investor	Private NI investor

Source: LSH Research

Q2 2018 PRIME YIELDS

SECTOR	Prime yields			YIELD SENTIMENT
	Q2 2018	3 MONTH MOVEMENT (BPS)	12 MONTH MOVEMENT (BPS)	
Prime shops	5.75%	▲ 25	▲ 25	◀▶
Prime shopping centres	6.25%	▲ 25	▲ 25	◀▶
Office	6.00%	◀▶	▼ 25	◀▶
Industrial	6.00%	◀▶	◀▶	◀▶

Source: LSH Research

OUTLOOK

While traditionally the quietest quarter of the year, the outlook for Q3 is positive. With around €30m of deals currently agreed or in legals, and a number of higher value assets expected to be agreed in coming weeks, we expect that the €100m mark will be exceeded during Q3. Current availability in Northern Ireland indicates an enhanced supply of quality retail and office properties on the open market.

The alternatives sector is forecast to continue to grow as investors seek diversification from the traditional 'core' property sectors and are attracted to the longer than average lease terms with exposure to indexation and strong tenant covenant profiles. The alternatives sector accounted for a record 27% of investment

volume in the UK in 2017 and many sectors once considered 'alternative' such as student accommodation, PRS, healthcare, hotels and car parks are now becoming established mainstream markets.

As we get closer to the October 2018 target date for agreement on the shape of the UK/EU relationship after withdrawal, the commercial property market is steadily moving in the right direction. While supply remains tight, it has started to increase again and investor frustrations are somewhat abated. That said, demand remains for quality assets, overseas investors are examining Northern Ireland's potential and an improving opportunity exists for vendors.

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