

QUALITY ASSETS IN DEMAND

FIVE-YEAR LOW

At £176.6m, investment volume in 2018 was at its lowest since 2013. The annual total was 48% lower than 2017 and 12% lower than the 10-year average.

After a slow first quarter, the quarterly activity consistently exceeded £50m for the remainder of the year. Q4 volume stood at £55.0m, underpinned by £40.7m of retail transactions.

RETAIL BOOSTS VOLUME

Despite challenges in the retail sector, retail transactions accounted for almost half of 2018 activity demonstrating that high quality retail assets remain in demand. Notable deals included 40-46 Donegall Place for £16.4m (NIY 7.05%), Bow Street Mall for £12.3m (NIY 16.07%) and Castlebawn Retail Park for £7.2m (NIY 7.28%).

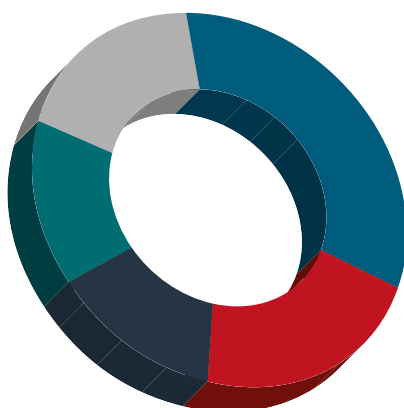
Office activity picked up in the second half of the year, with the sale of Metro Building for £21.8m (NIY 5.75%) and Obel 68 for £15.2m (NIY 6.73%). Activity also continued to grow in the alternative sector, reflecting strong demand for long-leased index-linked assets. Car parks, car showrooms, gyms and hotels were amongst the alternative assets that changed hands over the past 12 months.

HEALTHY INSTITUTIONAL ACTIVITY

Private Northern Irish investors were most active in 2018, accounting for a third of investment volume.

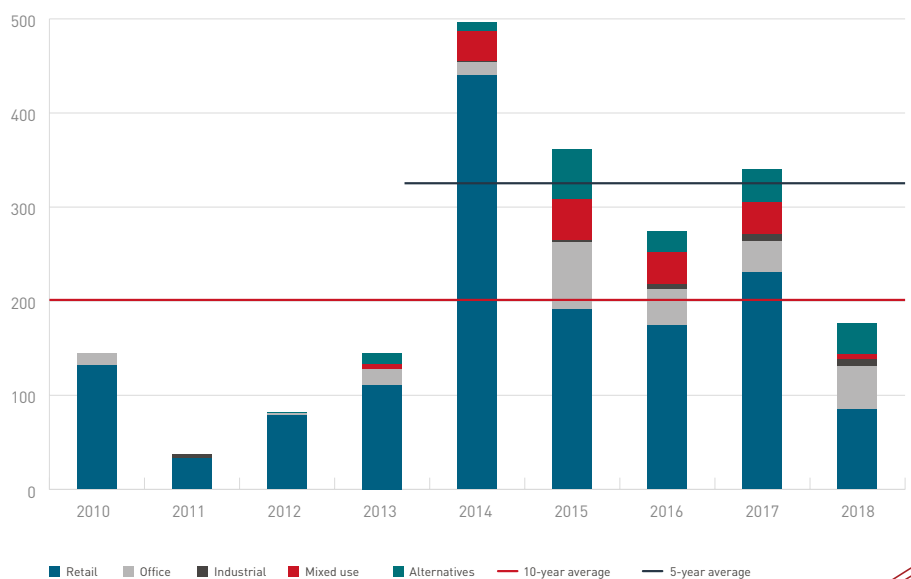
Institutional activity increased proportionately from 11% of volume in 2017 to 21% in 2018. Notable institutional transactions included CBRE Global Investors £18.4m purchase of the NCP Car Park, Montgomery Street and Corum Asset Management's £16.4m purchase of 40-46 Donegall Place (NIY 7.05%).

VOLUME BY INVESTOR TYPE 2018 (%)



Private NI investor	33%
Institutions	21%
Propcos	14%
Overseas investor	14%
Other/undisclosed	18%

ANNUAL INVESTMENT VOLUME BY SECTOR (£M)



Source: LSH Research, Property Data

TOP TEN DEALS 2018

	Sector	Price (£M)	NIY	Purchaser	Vendor
Metro Building, Belfast	Office	21.8	5.75%	NI propco	Private NI investor
NCP Car Park, Montgomery Street	Alternative	18.4	-	CBRE Global Investors	Undisclosed
40-46 Donegall Place, Belfast	Retail	16.4	7.05%	Corum Asset Management	Redevco
Obel 68, Belfast	Office	15.2	6.73%	Belfast Harbour Commissioners	Marathon Asset Management
Bow Street Mall, Lisburn	Retail	12.3	16.07%	Private ROI investor	Private NI investor
NCP Car Park, Dublin Road	Alternative	9.9	-	Private NI investor	Undisclosed
Castlebawn Retail Park, Newtownards	Retail	7.2	7.28%	Home Bargains	Tesco
Meadowlane Shopping Centre, Magherafelt	Retail	7.0	9.80%	Private NI investor	NI propco
Laharna Retail Park, Larne	Retail	3.5	12.60%	Private NI investor	Mansford LLP
Strabane Shopping Park, Strabane	Retail	3.3	8.00%	Lidl	Mansford LLP

Source: LSH Research, Property Data

Q4 2018 PRIME YIELDS

SECTOR	Prime yields			YIELD SENTIMENT
	Q4 2018	3 MONTH MOVEMENT (BPS)	12 MONTH MOVEMENT (BPS)	
Prime shops	5.75%			
Prime shopping centres	6.25%			
Office	6.00%			
Industrial	6.00%			

Source: LSH Research

OUTLOOK

The challenging political environment has undoubtedly had a negative effect on investment activity over the past two years, with 2017 boosted by the £123m sale of CastleCourt Shopping Centre. While overall the market has demonstrated a level of resilience, there is a lack of supply of good quality assets and investor caution is evident.

The usual trend of a quiet first quarter is likely to be exacerbated in 2019 by Theresa May's plans to re-open negotiation on the Irish backstop and the fast approaching deadline for the UK to

leave the EU in March. Both buyers and sellers are delaying decisions until there is clarity on the withdrawal agreement or on no agreement, as the case may be.

Investment activity is expected to pick up when the terms of the future relationship are clearer and the transition period begins. Activity in 2018 has demonstrated that good value investments continue to be attractive to a diverse range of investors. In the short-term it is expected that this flight to quality will continue, along with demand for alternative assets.

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