

PANDEMIC PAIN

BIG DEALS BOOST

The practicalities of lockdowns during 2020 severely curtailed investment activity. At £156m, investment volume in 2020 was 28% below 2019 and 33% below the five-year average. While 2020 volume was below trend, the depth of activity was even thinner, with the number of deals 69% below the five-year average.

Extremely subdued activity for sub-£5m lot-sizes, typically the mainstay of the NI investment market, weighed heavily on volume as private investors demonstrated extreme caution in both buying and selling. 2020 comprised only seven sub-£5m deals compared with the five-year annual average of 33. Meanwhile, the over-£20m market held up well with four deals, the highest since 2015, providing a much needed boost to volume.

RETAIL REIGNS

Despite retail being at the eye of the COVID-19 storm it continued to dominate investment activity. Retail volume of £90.3m was on par with 2019's level, and accounted for 58% of total volume in 2020. The headline deal was NewRiver REIT's sale of a 90% stake in Sprucefield Retail Park, Lisburn for £34.7m (NIY 9.00%) to their joint venture partner Bravo Strategies III.

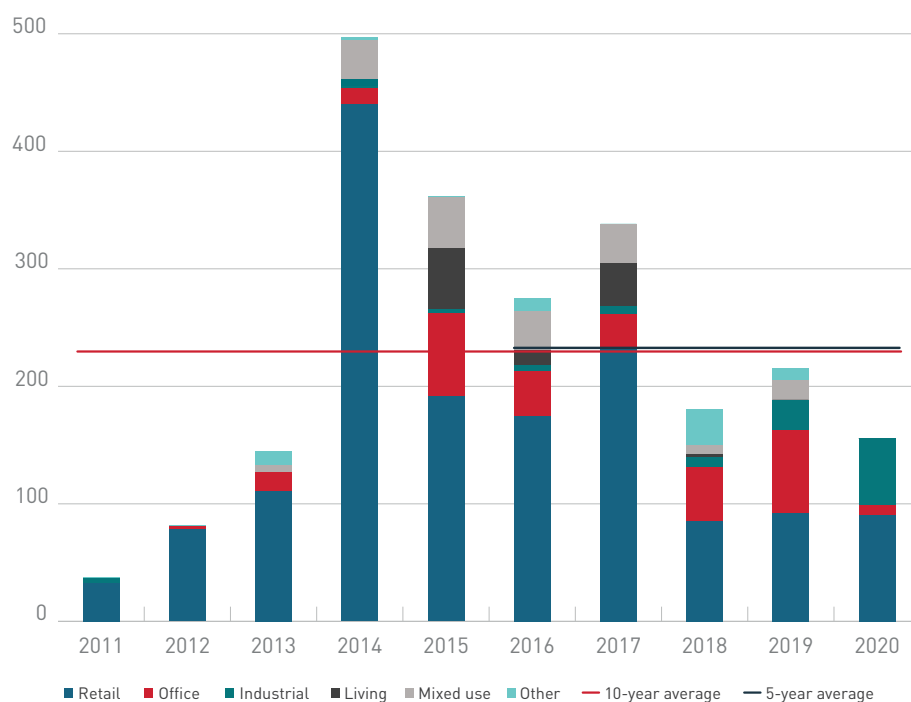
Retail parks were the primary focus of retail investment. Slate Asset Management purchased Abbey Retail Park, Newtownabbey for £33m (NIY 9.10%) from Hammerson Plc and David Samuel Properties purchased Holywood Retail Park, Holywood for £17.8m (NIY 9.25%) from Aviva Investors.

RECORD INDUSTRIAL HIGH

Given the pivotal role of distribution warehouses in keeping consumers supplied throughout lockdown and investors seeking strong tenant covenants, industrial was the strongest performing sector across the UK in 2020. At £57.1m, Northern Irish industrial investment surged to a record high, almost three times the five-year average. In December, UBS Asset Management purchased the recently completed Amazon distribution warehouse at Channel Commercial Park for £27.0m (NIY 5.50%) from Titanic Quarter Limited.

By contrast activity in the office sector continues to be significantly disrupted by COVID-19 restrictions and Northern Irish investment has reflected this. Investment in the office market suffered plummeting to £8.6m, 78% below the five-year average and the lowest since 2012. The only office deal of note took place before the pandemic really took hold, namely Lotus Group's purchase of Beaufort House, Belfast from a local propco which is now subject to an extension and refurbishment plan.

ANNUAL INVESTMENT VOLUME BY SECTOR (£M)



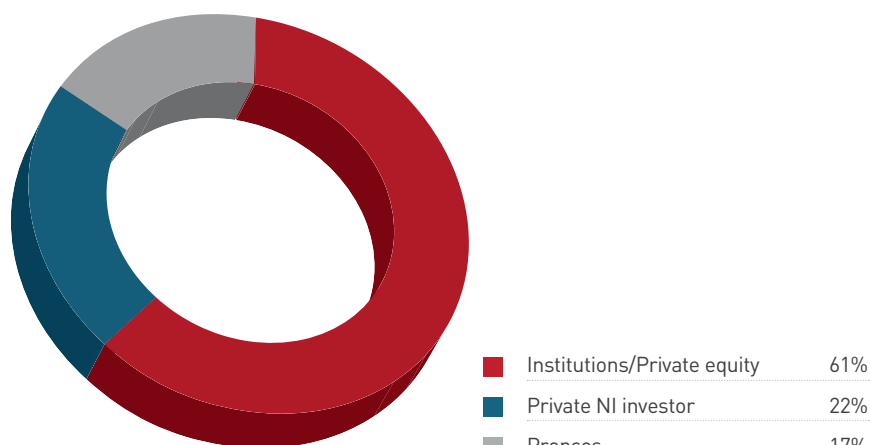
Source: LSH Research, Property Data

INSTITUTIONS LEAD

At £95.2m institutional/private equity investment was 27% above the five-year average and the highest since 2015. These Funds purchased the aforementioned Sprucefield and Abbey Retail Parks and the Channel Commercial Park Amazon warehouse. 2020 volume for all other investor types fell below the five-year average.

Activity from local private investors, typically the most active in the Northern Irish market, ground to a halt in 2020. While volume of £34.4m in 2020, was only 19% below the five-year average, a small number of larger transactions masked extremely subdued activity from a deals

VOLUME BY INVESTOR TYPE 2020 (%)



KEY DEALS 2020

	Date	Sector	Price £M	NIY	Purchaser	Vendor
Sprucefield Retail Park, Lisburn	Sep-20	Retail	34.7	9.00%	Bravo Strategies III	NewRiver REIT
Abbey Retail Park, Newtownabbey	Feb-20	Retail	33.0	9.10%	Slate Asset Management	Hammerson Plc
Amazon, Channel Channel Commercial Park, Titanic Quarter	Oct-20	Industrial	27.0	5.50%	UBS Asset Management	Titanic Quarter Limited
Hollywood Exchange Retail Park, Hollywood	Dec-20	Retail	17.8	9.25%	David Samuel Properties	Aviva Investors

Source: LSH Research, Property Data

OUTLOOK

The unprecedented challenges of COVID-19 had a severe and enduring impact upon the investment market in 2020, particularly in the middle quarters of last year. Whilst we expect the market to remain subdued in the early part of 2021, the roll out of the vaccine coupled with Brexit clarity should breathe life back into the market as 2021 returns to normal, or a 'new' normal.

Pent-up demand, particularly from local investors, will filter through in the coming year. It is anticipated that demand will kick-start as the supply of assets increases when current restrictions are eased. Despite being the dominant asset

class again in 2020, the COVID-19 acceleration of structural changes in physical retail means that investors will remain cautious in this sector.

While talk of the 'end of the office' is overblown, we can expect significant changes to future requirements. In 2021 offices will see the return of employees although increasingly on a more flexible basis. However, the change will largely impact on secondary assets, with high quality office investments continuing to appeal to potential investors and a number of significant off market transactions are agreed and expected to complete in Q1 2021.

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