

CITI BANKS ON BELFAST

A RETURN TO FORM?

At £61.7m, investment volume in the second quarter was healthy, standing 10% above the same period in 2018. Although, Q2 volume was the highest quarterly total for six consecutive quarters, it remained 22% below the five-year quarterly average.

Volume was boosted by the largest single deal since Q3 2017, Citibank's purchase of their Belfast headquarters, the Gateway Office in the Titanic Quarter, for c.£34m (NIY 5.48%). Elsewhere, Antrim Business Park was purchased by a private Northern Irish investor for c.£12.5m (NIY 14.50%).

Year to date investment volume stands at £104.6m, exceeding £100m in H1 for the first time since 2016 and standing only 7% below the five-year H1 average.

OFFICES OUTPERFORM

Office investments have continued to dominate, accounting for two-thirds of Q2 volume. In addition to the Citibank deal, 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%).

At £17.3m, investment in industrial assets in Q2 exceeded the annual totals in this sector for the last decade. In addition to the Antrim Business Park deal, CD Group, Mallusk was bought by Alterity Investments for £2.6m (NIY 7.23%) and Portview House, Belfast was bought by a private ROI investor for £1.3m (NIY 10.19%).

OTHERS TAKE OVER

Notably the key investor type during the first half of 2019 is the 'other' category, accounting for over half of volume year to date. In a change from the usual trend, significant investment has been made this year by a variety of investors including Citibank, local government and, local company, Hendersons.

Private Northern Irish investors, however, continue to be the most active investor type. Over half of transactions this year involved a local purchaser, with a total spend of over £25m.

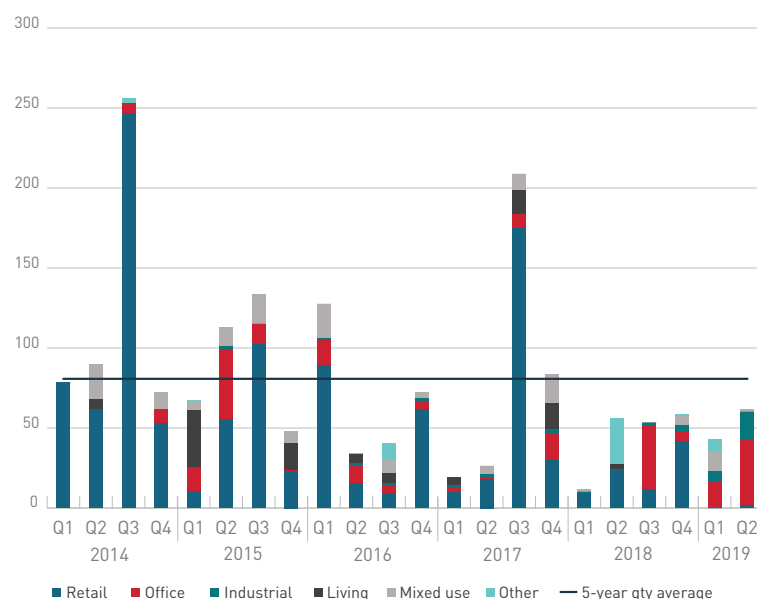
Retail remains largely absent amongst transactions, accounting for only 2% of volume year to date and 95% below the same period of 2018. All retail investments this year have been purchased by a local investor.

VOLUME BY INVESTOR TYPE YTD (%)



Private NI investor	24%
Rest UK/ROI investor	10%
Propcos	9%
Institutions	1%
Other/undisclosed	55%

QUARTERLY INVESTMENT VOLUME BY SECTOR (£M)



Source: LSH Research

TOP FIVE DEALS Q2 2019

	Sector	Price Achieved (£M)	NIY	Purchaser	Vendor
Gateway Office, Belfast	Office	c.34.0	5.48%	Citibank	Titanic Quarter
Antrim Business Park, Antrim	Industrial	c.12.5	14.50%	Private NI investor	Private NI investor
Timber Quay, Londonderry	Office	5.3	11.50%	Private NI investor	Private NI investor
2 Blackwater Road, Mallusk	Industrial	2.6	7.23%	Alterity Investments	Private NI investor
Washington House, Belfast	Mixed use	1.6	10.19%	Private NI investor	Private NI investor

Source: LSH Research

Q2 2019 PRIME YIELDS

SECTOR	Prime yields			YIELD SENTIMENT
	Q2 2019	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

While Q2 volume suggests a return to form for the Northern Irish investment market, activity was dominated by a single owner occupier deal. The market continues to be hindered by both local and national politics. The lack of local assembly, the risk of a no-deal Brexit and the current contest for the next UK Prime Minister continues to deter both vendors and buyers.

Retail transactions have been practically non-existent so far this year but we expect to see more activity in this sector in the latter half of 2019, with both retail parks and high street investments expected to complete in Q3.

As previously forecast, office investments continue to be the predominant asset class. Offering stronger fundamentals than retail, investors are hunting for secure income. That said, investors are also broadening their horizons, with industrial and alternative assets set to continue to perform well.

With around £60m of deals currently agreed or in legals, we expect that the £170m mark will be exceeded during Q3 despite the usually quiet summer months. Activity this year indicates that Northern Ireland remains an attractive place to invest, although an enhanced supply of good quality assets is required to maintain this momentum.

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