

# RETAIL RETURNS

### QUARTERLY LOW

At £19.4m, investment volume in the third quarter was very subdued and the lowest quarterly volume since Q1 2018. Q3 volume stood 64% below the same period in 2018 and 71% below the five-year quarterly average.

Retail dominated Q3 volume and this quarter saw transactions in the retail sector exceeding £1.0m for the first time this year. The largest deal this quarter was Columbia Threadneedle's sale of Clandeboye Retail Park in Bangor to Harry Corry Pension Fund for £8.7m (NIY 13.50%).

Year to date investment volume stands at £124.0m, standing 2% above the same period of 2018.

### WETHERSPOON'S REVOLUCIÓN

The return of retail volume in Q3 was further boosted by Wetherspoon's purchase of Revolución de Cuba in Belfast for £3.3m (NIY undisclosed). Other high street investments also featured with private local investors purchasing 23-29 Queen Street in Belfast for £950,000 (NIY undisclosed) and 40-46 Bow Street in Lisburn for £850,000 (NIY 6.75%).

In the largest retail transaction since late 2017, the sale of Crescent Link Retail Park in Londonderry completed in the first week of Q4 for approximately £30m. This transaction will provide a significant boost to the year end volume.

The only non-retail deal of Q3, was the purchase of City Business Park in Dunmurry for £479,000 (NIY 8.98%) by a private Northern Irish investor.

### INSTITUTIONAL BOOST

Year to date, the primary investor type is the 'other' category, accounting for half of volume and mostly contributed to Citibank's purchase of the Gateway building in Q2.

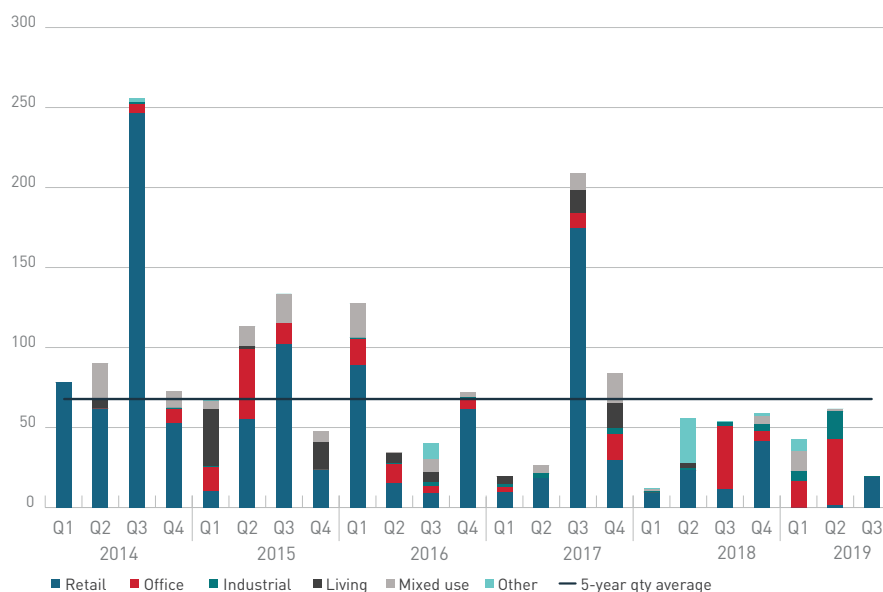
This quarter saw the second largest transaction by an institutional purchaser this year with Harry Corry Pension Fund's purchase of Clandeboye Retail Park.

As usual, private Northern Irish investors continue to be the most active investor type. Over half of transactions this year involved a local purchaser and accounted for over a quarter of volume at £31.9m.

### VOLUME BY INVESTOR TYPE YTD (%)



### QUARTERLY INVESTMENT VOLUME BY SECTOR (£M)



Source: LSH Research

## TOP FIVE DEALS Q3 2019

	Sector	Price Achieved (£M)	NIY	Purchaser	Vendor
Clandeboyne Retail Park, Bangor	Retail	8.7	13.50%	Harry Corry Pension Fund	Columbia Threadneedle Investments
Revolución de Cuba, Belfast	Retail	3.3	-	Wetherspoons	Private NI investor
Queen Street/College Court, Belfast	Retail	0.9	-	Private NI investor	Private NI investor
40-46 Bow Street, Lisburn	Retail	0.9	6.75%	Private NI investor	Private NI investor
City Business Park, Dunmurry	Industrial	0.5	8.98%	Private NI investor	Private NI investor

Source: LSH Research

## Q3 2019 PRIME YIELDS

SECTOR	Prime yields			YIELD SENTIMENT
	Q3 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

Q3 volume was not the expected return to form for the Northern Irish investment market. Activity in the final quarter is expected to be significantly stronger with over £31.0m worth of deals already completed in the first three weeks of October, including Crescent Link Retail Park, and over £30.0m of deals agreed.

Retail activity will dominate the latter half of 2019 and has the potential to retain its position as dominant asset class should Sprucefield Retail Park also be sold in Q4, breaking the dominant run of the office sector year to date. That said, city centre office investments remain the most in demand asset class due to the continued strength of the office occupier market.

We expect that the annual total for 2019 will exceed the £210m mark, exceeding both 2018 volume and the ten year annual average.

Over the last three years, the Northern Irish investment market has been slowed by a combination of local and national political uncertainty. While there is evidence that investor activity has declined post-referendum, the market is not in as poor a condition as activity may suggest. Demand for commercial property remains, however, sellers are delaying bringing assets to the market until there is clarity on the UK exit from the EU.

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