



GRADE A RESULTS

BELFAST OFFICE
MARKET REPORT
H1 2018

H1 TAKE-UP HIGHEST ON RECORD

SINGLE BIGGEST LETTING IN A DECADE AT NINE LANYON PLACE

408,900 SQ FT OF GRADE A REFURBISHMENT ONGOING

NEW BUILD PROJECTS TO COMMENCE BY YEAR END

BELFAST

RECORD BREAKING START TO THE YEAR

DEMAND

Office market activity in Belfast had a stellar start to 2018, reaching the highest half year take-up on record and surpassing the annual total for the past ten years. At 538,646 sq ft, activity in the first half of 2018 was more than double the same period in 2017 and 49% above the five-year H1 average.

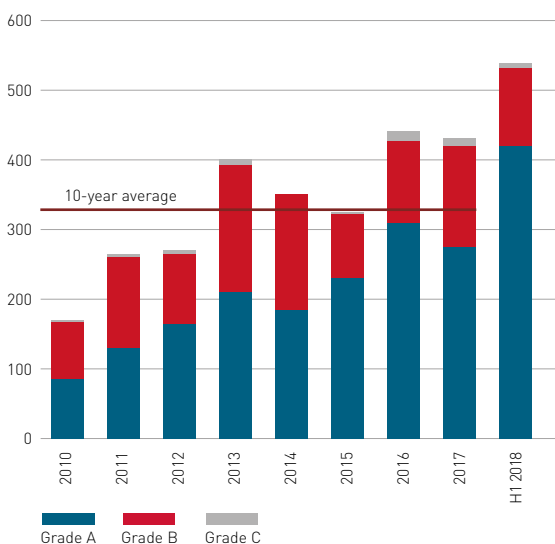
Occupier demand for high quality space has continued with grade A stock accounting for 78% of take-up. The continued dominance of grade A lettings was sustained by the boost in grade A supply noted at the end of 2017.

H1 take-up was underpinned by the completion of Allstate's new 138,225 sq ft headquarters on the former Maysfield Leisure Centre site and the Department of Finance's 150,000 sq ft lease of Nine Lanyon Place. The lease of Nine Lanyon Place to a high quality government tenant is the single biggest letting in the past decade.

Demand has been primarily driven by the technology, media and telecoms (TMT) sector, responsible for 47% of take-up and 21 of the 46 H1 deals. With a growing tech hub in the city, around half of the TMT transactions were in the sub-5,000 sq ft end of the market mainly to start-ups. There was also new international TMT entrants including Uno Square at Mays Chambers (11,361 sq ft), Seopa at Adelaide Exchange (8,358 sq ft) and Synopsys at Adelaide Exchange (8,358 sq ft).

Serviced offices continue to grow their presence in Belfast. Ormeau Baths has extended by 7,873 sq ft and StepSpace opened their 5,636 sq ft flexible office at Centre House. Recently, Glandore have announced an extension to their Belfast operations and Danske Bank unveiled their plans for a shared working environment for small companies in their headquarters.

TAKE-UP (000 SQ FT)



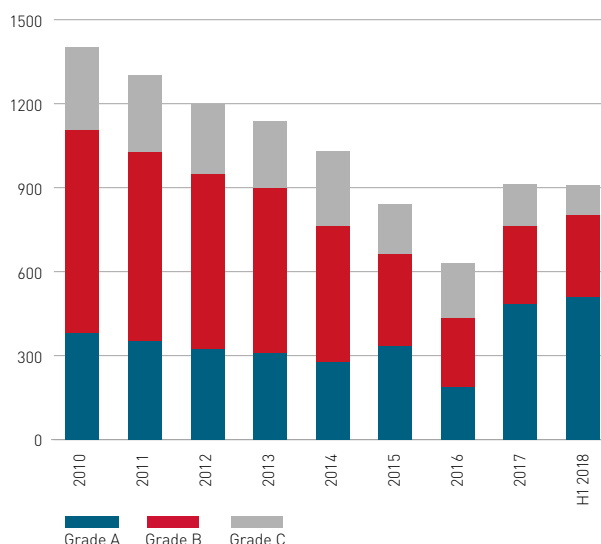
CURRENT SUPPLY

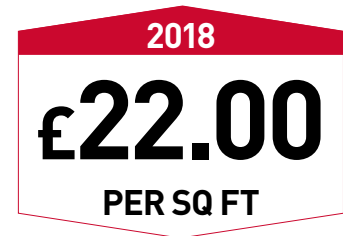
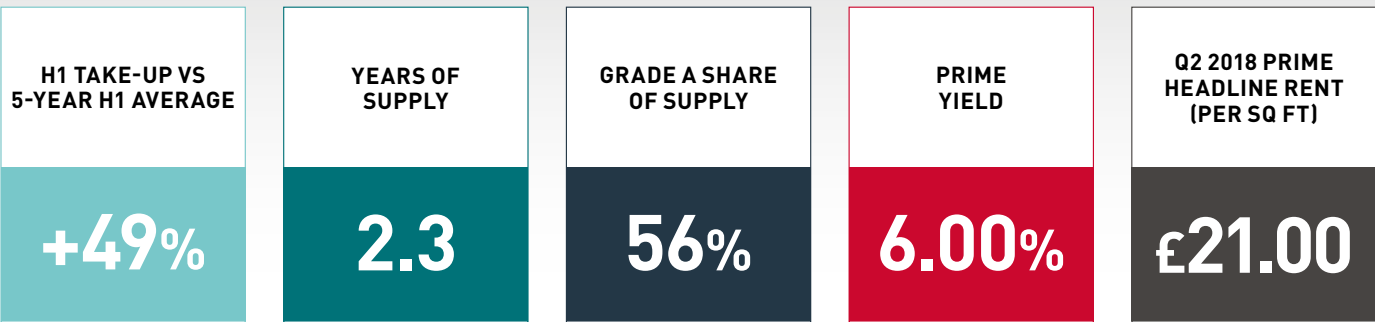
Office supply in Belfast has remained stable over the past six months, currently standing at 907,212 sq ft and only 1% lower than the end of 2017. Based on average take-up this equates to 2.3 years of supply. Availability has been buoyed by the commencement of the Merchant Square (formerly Oyster House and Royston House) development.

Grade A stock has increased by 5% in the past six months and currently accounts for 56% of supply. While there is half a million sq ft of grade A supply in Belfast, only 162,365 sq ft is immediately available with the remainder currently under construction and ready for occupation over the coming 12 months.

Ready for immediate occupation is Adelaide Exchange (34,052 sq ft), City Quays 2 (23,128 sq ft) and Artola House (19,175 sq ft). By year end refurbishment projects at River House (50,000 sq ft), Artola House (19,175 sq ft) and Moneda House (16,758 sq ft) will be complete. Chichester House (55,000 sq ft) will closely follow these schemes with completion in early 2019.

AVAILABILITY (000 SQ FT)





DEVELOPMENT AND REFURBISHMENT

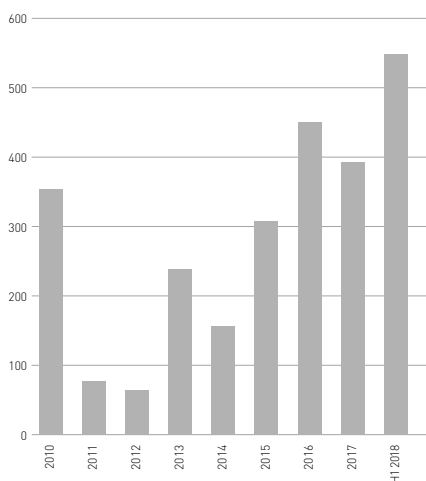
The number of cranes visible on the Belfast skyline is testament to the healthy levels of development currently occurring across the city centre. Current construction of new and refurbished offices has peaked at 548,075 sq ft, of which 82% is speculative development.

New build space is in short supply. With the 100,000 sq ft Erskine House pre-let to HMRC, the only new build under construction is the 40,000 sq ft Lazer 2 building at Weaver's Court which is due for completion in Q2 2019.

The remaining 408,900 sq ft under construction is associated with major refurbishment projects, including the refurbishment and addition of two extra floors at Merchant Square which will provide 212,000 sq ft when completed in Q2 2019.

While there is limited new build development ongoing, planning consents exist in key city centre locations for significant office developments and paired with current demand affords an excellent opportunity for developers. Over 1.3m sq ft of new build stock is scheduled to commence in 2018/early 2019. While we do not predict that all will proceed, by the end of the year we expect to see work commence at 4-5 Donegall Square South (78,869 sq ft), City Quays 3 (181,169 sq ft), Belfast Waterside (250,000 sq ft) and One Bankmore Square (250,000 sq ft).

UNDER CONSTRUCTION (000 SQ FT)



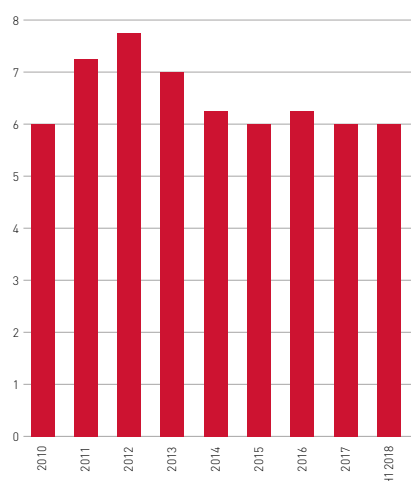
RENTAL VALUES AND YIELDS

Belfast's prime headline rent has increased steadily from 2011, rising from £12.00 per sq ft to the current level of £21.00 per sq ft. With little new build stock, rental values in the high quality refurbishments are keeping pace with new supply.

Grade B floorspace has benchmarked at £15.00 per sq ft, although current market demands are for grade A space and significant levels of grade B space is currently being redeveloped to grade A standard.

The investment market in Northern Ireland has been subdued in the first half of 2018, restricted by supply rather than demand. Two large city centre office blocks, the Metro Building and Obel 68, are currently on market with reports of significant investor interest. Sentiment indicates that prime yields remain at 6.00% at the end Q2 2018.

PRIME YIELDS (%)



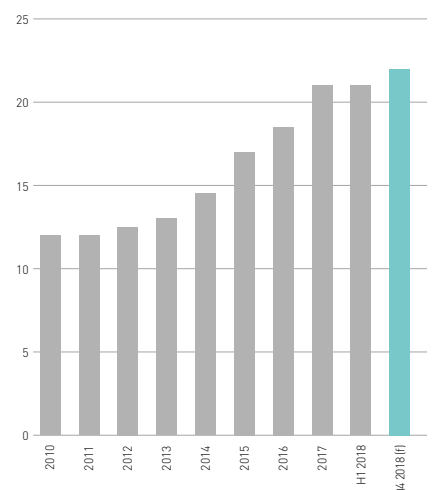
OUTLOOK

The remainder of 2018 looks promising. While we do not expect another record breaking six months, there is a healthy level of active requirements amongst occupiers, many of whom are looking to expand their presence in the city. We forecast that total annual take-up will reach 700,000 sq ft.

Prime rents are forecasted to rise to £22.00 per sq ft by year end, and there is the potential for further rental growth, particularly in the vacuum before new developments are delivered and new space becomes commonplace again.

Despite the uncertain political climate, Belfast has been attracting a great deal of interest from international occupiers who recognise the competitive operating costs, city strengths in fintech and cyber security clusters, access to ultrafast broadband and the close proximity to London, Dublin and other EU hubs.

PRIME RENTAL VALUES FORECAST (£ SQ FT)



STUART DRAFFIN

Head of Agency - Belfast

+44 (0)28 9026 9215

sdraffin@lsh.ie

GREG HENRY

Associate Director, Agency

+44 (0)28 9026 9265

ghenry@lsh.ie

CLAIRE COLE

Senior Research Analyst – Ireland

+44 (0)28 9026 9235

ccole@lsh.ie

lsh.ie

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