

INVESTMENT VOLUME

In keeping with the general first quarter trend, investment activity in 2018 has started slowly. At £11.9m volume was low, standing 85% below the five-year quarterly average and significantly affected by the lack of larger deals completing in the opening quarter.

The forecast for the second quarter, however, is much stronger with an above-average £82.3m of deals currently under offer and set to complete during Q2 2018.

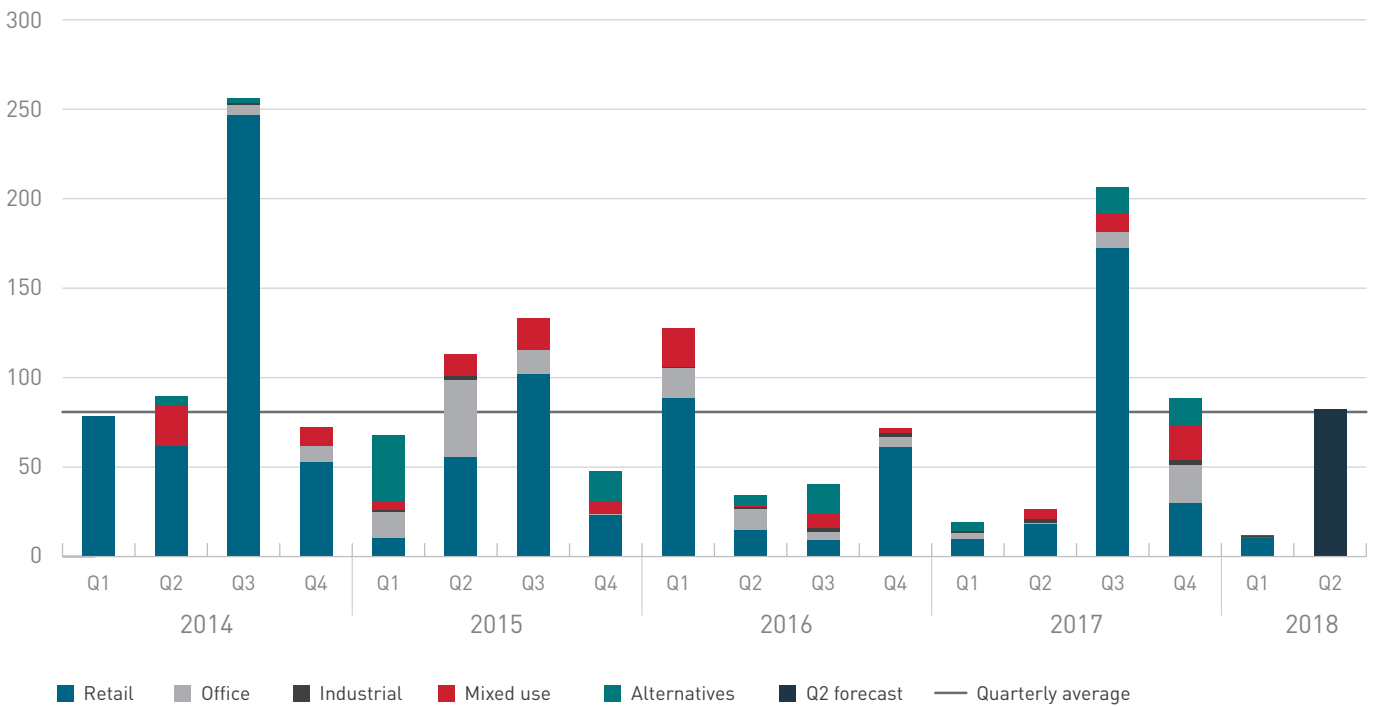
SECTOR FOCUS

Retail transactions continued to dominate, accounting for 88% of activity in Q1. This included Meadowlane Shopping Centre in Magherafelt for £7m (NIY 9.80%), Supervalu in Comber for £1.9m (NIY 6.76%) and a three unit retail parade on the Upper Newtownards Road for £1.4m (NIY 6.45%).

As a consequence of the nature and volume of investment opportunities, local private investors were the most active investor type, responsible for seven of the eight Q1 deals. Other investor types were quiet, and the only deal of note was Starwood Capital Group's purchase of the 198-room Hilton Hotel at Lanyon Place as part of a £135m seven hotel portfolio in February¹.

¹This transaction is included for information only and not included in the quarterly total.

QUARTERLY INVESTMENT VOLUME BY SECTOR (£M)



Source: LSH Research, Property Data, Property Archive

TOP FIVE DEALS Q1 2018

	Sector	Price (£M)	NIY	Purchaser	Vendor
Meadowlane Shopping Centre, Magherafelt	Retail	7.0	9.80%	NI private investor	NI propco
Supervalu, Castle Street, Comber	Retail	1.9	6.76%	NI private investor	NI private investor
310-322 Upper Newtownards Road, Belfast	Retail	1.4	6.45%	NI private investor	NI private investor
5 Edgewater Road, Belfast	Industrial	0.8	8.00%	NI private investor	NI propco
Lanyon Quay Car Park, Belfast	Alternative	0.5	9.32%	NI private investor	NI private investor

Source: LSH Research

Q1 2018 PRIME YIELDS

SECTOR	Prime yields			YIELD SENTIMENT
	Q1 2018	3 MONTH MOVEMENT (BPS)	12 MONTH MOVEMENT (BPS)	
Prime shops	5.50%	◀▶	◀▶	◀▶
Prime shopping centres	6.00%	◀▶	◀▶	◀▶
Office	6.00%	◀▶	▶25	◀▶
Industrial	6.00%	◀▶	◀▶	◀▶

Source: LSH Research

OUTLOOK

After the slow start to 2018, the Northern Irish commercial property market is set for significantly increased activity in Q2 with £82m of deals expected to complete. Total volume in H1 2018 is on track to surpass £100m, a twofold increase on H1 2017 and on par with the five-year H1 average.

Looking more closely at Q2, investment in the alternatives sector is expected to continue to grow. Alternatives accounts for over a third of the Q2 forecasted volume, surpassing current expectations for the core sectors of retail, office and industrial. Anticipated alternative transactions in Q2 include leisure facilities and car parks.

With the UK/EU trade negotiations scheduled to begin this month and the October 2018 target date for agreement on the withdrawal treaty, further clarity on the future relationship between the UK and the EU will be forthcoming during this year. Progress on the Brexit negotiations, and a better understanding of the implications of Brexit, bodes well for the Northern Irish investment market in the medium to long-term, as removing a degree of uncertainty is expected to enhance supply and help to relieve investor frustrations.

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