

RETAIL ONSIDE

BOUNCE BACK

As retail investment made a resurgence, investment volume totalled £122.7m in Q3, more than three times Q2 volume and 78% above the five-year quarterly average. This strong performance was despite the number of transactions dipping below trend. Year-to-date total investment volume stands at £289.5m, 52% above the five-year Q1-Q3 average and 66% above the same period in 2022.

BRUCE-Y BONUS

The recently completed purpose built managed student accommodation (PBMSA) at Bruce Street, Belfast was sold by Vita Group to Savills Investment Management as part of a portfolio of three PBMSA schemes for over £300m. The apportioned value for the Belfast scheme has not been disclosed and therefore, it has not been included in this analysis.

THE BIG THREE

The retail sector regained momentum in Q3 with the largest quarterly volume since

Q3 2017. Retail accounted for almost 99% of volume this quarter, underpinned by the sale of three high profile assets. Investor interest in the retail sector, particularly from local investors, has improved in recent times.

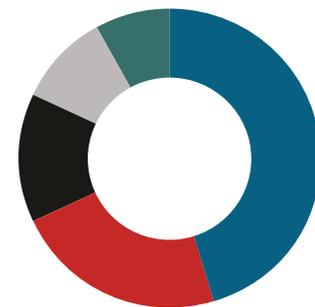
Forestside Shopping Centre, Belfast, the largest single Q3 transaction, was purchased by Mussenden Properties Limited, a vehicle for a local private investor, for £42.0m (NIY 7.91%) from Kildare Partners. Foyleside Shopping Centre, Derry-Londonderry, was purchased by a consortium of local investors for £27.0m (NIY 14.45%) also from Kildare Partners.

Abbey Retail Park, Newtownabbey, was purchased by Realty Income Corporation for approximately £40.0m from Slate Asset Management.

QUIET ELSEWHERE

While retail investment is showing signs of recovery, investment volume in the office sector was subdued at £1.5m, 91% below the five-year quarterly average. The key deal in this sector was the purchase of 16 Wellington Park for £1.0m (NIY 6.45%) by a local private investor.

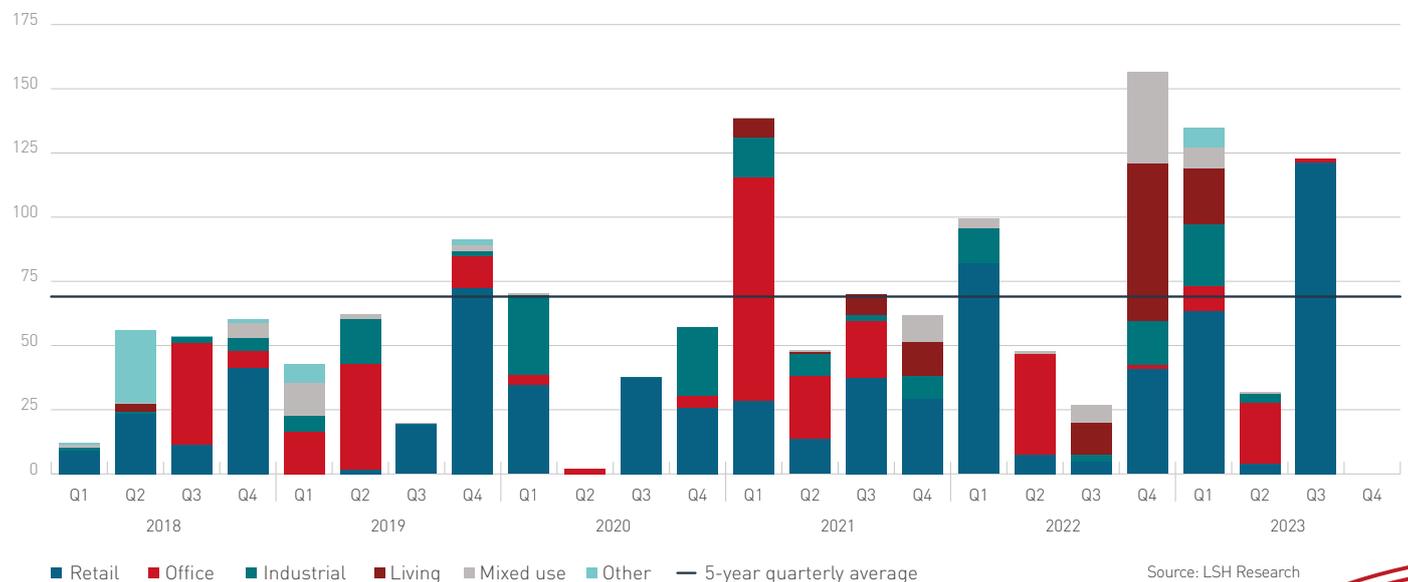
VOLUME BY INVESTOR TYPE YTD



Propcos	46%
Private NI Investors	23%
Institutional	14%
Overseas	10%
Other	8%

The industrial sector slowed to a stop in Q3 with zero transactions reported. That said, six industrial properties are currently agreed and expected to complete before the end of the year.

QUARTERLY INVESTMENT VOLUME BY SECTOR (£M)



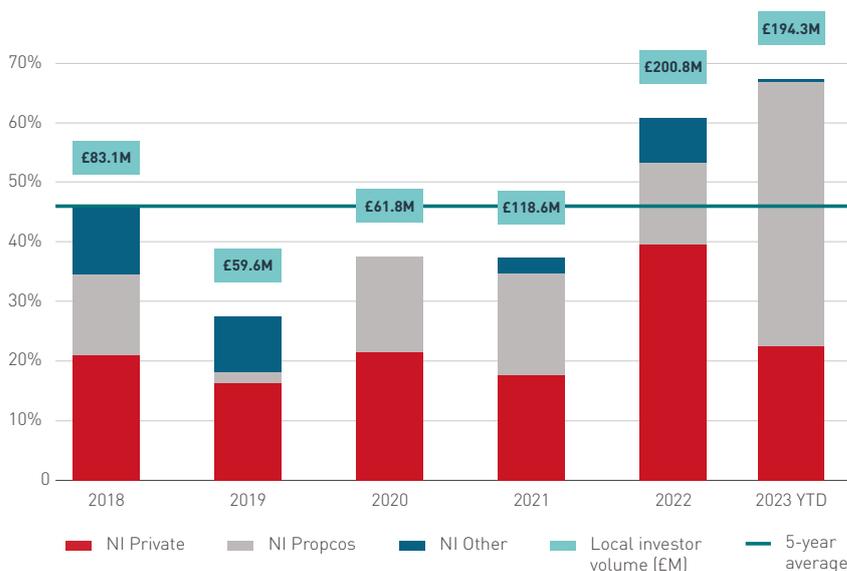
SHOP LOCAL

Local investors are undoubtedly the mainstay of the Northern Irish investment market. Typically they are more active than any other investor group, usually seeking value amongst the lower price point assets.

The macroeconomic landscape has led to a shift in investor trends, with local investors not only being the most active, but also accounting for the largest proportion of investment volume in 2022 and 2023 YTD. Local propcos and consortiums of local investors are filling the void at the higher end of the market where previously institutional and overseas investors were the most common buyers.

This is particularly evident for shopping centre investments which have seen strong local investor interest, and in the case of Forestside Shopping Centre sold for significantly above the guide price. Since early 2022, over £130m has been invested in Northern Irish shopping centres across four schemes, accounting for over a fifth of total volume since the beginning of 2022.

LOCAL INVESTMENT VOLUME 2018 – 2023 YTD (%)



Source: LSH Research

KEY DEALS Q3 2023

	Date	Sector	Price (€M)	NIY	Purchaser	Vendor
Bruce Street, Belfast	Sep-23	Student Housing	Undisclosed	-	Savills Investment Management	Vita Group
Forestside Shopping Centre, Belfast	Sep-23	Retail	42.0	7.91%	Mussenden Properties Limited	Kildare Partners
Abbey Retail Park, Newtownabbey	Sep-23	Retail	40.0	-	Realty Income Corporation	Slate Asset Management
Foyleside Shopping Centre, Derry-Londonderry	Sep-23	Retail	27.0	14.45%	Private NI Consortium	Kildare Partners

Source: LSH Research

OUTLOOK

There was a welcome turnaround in the Northern Irish investment market in Q3 2023. Rebased retail rents and attractive double digit yields have brought shopping centres back into focus for investors. This has been particularly true for local investors, who have been adding value to recently purchased schemes, enhancing the offer beyond simply shopping to leisure, lifestyle and wellbeing uses.

By comparison, the office market remains lacklustre. Demand remains for prime offices with strong ESG credentials, but there is a lack of supply of these types of assets. The sale of the recently completed PBMSA scheme on Bruce Street demonstrates that investor appetite remains buoyant for prime assets within the living sector. With a number of other

PBMSA schemes recently, or almost, complete we expect to see further transactions in this sector in the near future.

The final quarter of 2023 is expected to be subdued, compared with Q3, and there is approximately £20m of deals either agreed or in legal as we move into Q4. Although annual volume for 2023 will be ahead of trend, new supply to the market has slowed to a trickle. While economic headwinds continue to create challenges, the easing of inflationary pressures and the likely stabilising of interest rates should increase confidence in potential vendors who may capitalise on the current supply issues.

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