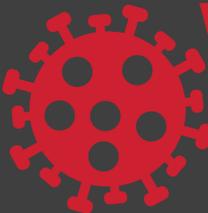


UPS &
DOWNS



BELFAST

COVID CONTAINS THE MARKET

AT A GLANCE Q2 2020

H1 TAKE-UP VS 5-YEAR H1 AVERAGE

-64%

YEARS OF SUPPLY

0.8

GRADE A SHARE OF SUPPLY

68%

PRIME YIELD

6.00%

Q2 2020 PRIME HEADLINE RENT (PER SQ FT)

£23.00

DEMAND

A NEW LOW

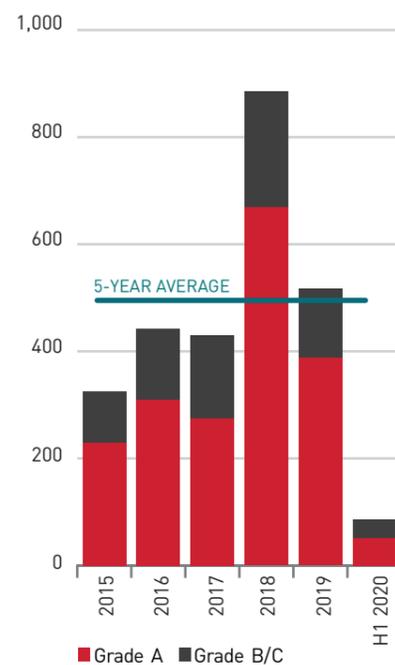
COVID-19 and the lockdown inevitably weighed heavily on the Belfast office market in H1 2020, mirroring the pattern across the UK. H1 take-up was the lowest on record, standing at 86,216 sq ft, 53% below the same period last year and 64% below the five-year H1 average. With lockdown enforced throughout Q2, take-up slumped to less than 25,000 sq ft.

The largest H1 deals were Applied Systems at Adelaide Exchange (19,160 sq ft) and Imperva at Arnott House (17,397 sq ft). While grade A space accounted for 60% of take-up, there

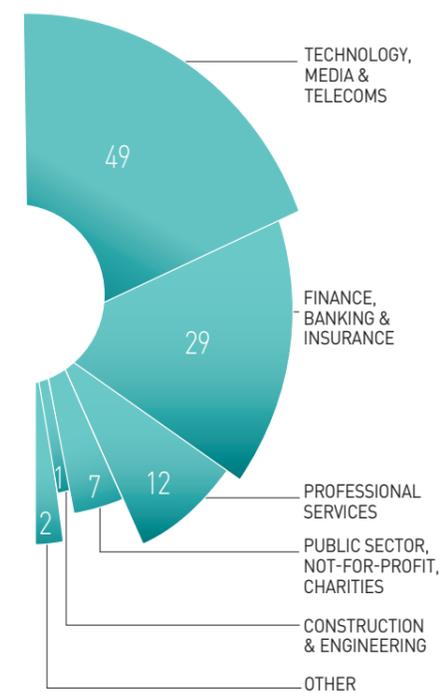
was an absence of large and medium sized deals, with the majority of deals being less than 5,000 sq ft.

Activity was driven by the technology, media and telecoms sector and accounted for just under half of H1 take-up, including the aforementioned Applied Systems and Imperva deals. The finance, banking and insurance sector accounted for 29% of take-up driven by CME Group's letting of an additional 17,000 sq ft at Millennium House, bringing their total occupancy to 51,000 sq ft.

TAKE-UP (000 SQ FT)



TAKE UP BY SECTOR (%)



OUTLOOK FOR H2 2020

The first half of 2020 has been unprecedented, COVID-19 has caused significant economic shocks and the full consequences on the employment market are yet to be felt as the government's furlough scheme is only just starting to be wound down. The sudden necessity to shift office employees from the office environment to working from home and its general success has the potential to create significant long-term change in the office occupier market.

With government advice changing offices are gradually re-opening with many employees expressing happiness returning to their office, meeting their colleagues and having a clearer demarcation between home and work. That said, occupiers are likely to be more amenable to flexible working practices and may be re-assessing the quantity or type of office space they really require.

As one of the tightest supplied markets in the UK, Belfast is relatively well-placed to deal with the impact of COVID-19. Demand from occupiers remains, but with many delaying returning to their current premises until at least September momentum on new deals is slow. While it is expected that take-up in the second half of the year will remain subdued, the key city fundamentals of lower employer and occupancy costs, lower cost of living and highly skilled people, along with the forthcoming new developments, will continue to attract potential occupiers.



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CURRENT SUPPLY

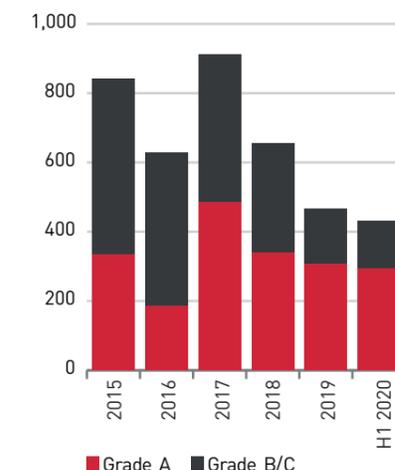
SUPPLY EBBS

Despite weak take-up, supply continues to ebb, falling by a further 8% in H1. At 430,807 sq ft, current availability is lowest on record, equivalent to 0.8 years of supply based on average take-up.

While grade A stock accounts for 68% of supply, it stands at its lowest level since 2016. Moreover, a number of buildings are under construction and therefore not ready for occupation. Schemes that are immediately available include the Lighthouse Building at the Gasworks (60,000 sq ft) and 20 Adelaide Street (18,858 sq ft).

Comprehensive refurbishments make up a significant proportion of grade A availability, including The Vantage (65,000 sq ft), The Kelvin (37,796 sq ft) and East Tower, Lanyon Plaza (35,100 sq ft). All of these buildings were due for completion in the next nine months, but may be delayed due to COVID-19.

AVAILABILITY (000 SQ FT)



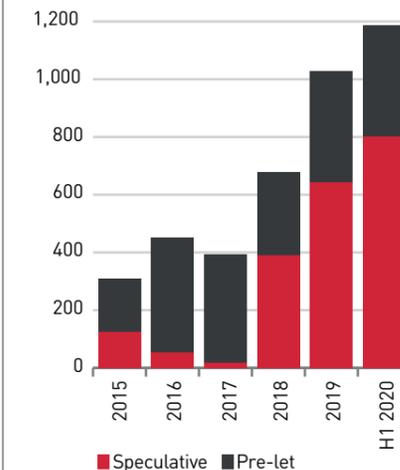
DEVELOPMENT AND REFURBISHMENT

ON THE UP

In recent years refurbished offices have filled the void of speculative development, but that trend has reversed more recently with the return of new build development. There is over 1.1m sq ft of office space currently under development/refurbishment, of which 920,322 sq ft is new build.

Most notably during the first half of 2020, two speculative schemes got underway. Wirefox's Paper Exchange on Chichester Street commenced in February 2020 (155,133 sq ft) and the joint venture between Titanic Quarter Ltd and Belfast Harbour of Olympic House (150,000 sq ft) commenced in June 2020. Both buildings are scheduled to complete in 2022 and, while they may be delayed somewhat due to the lockdown, their completion dates will not slip significantly.

UNDER CONSTRUCTION (000 SQ FT)



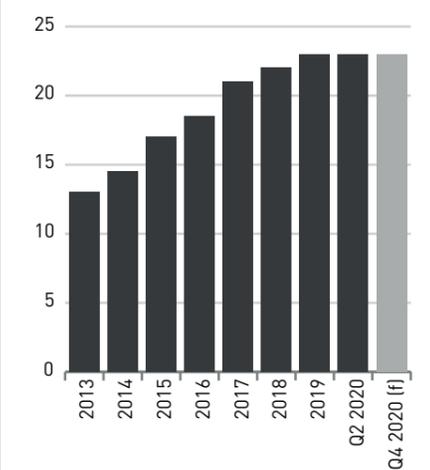
RENTAL VALUES AND YIELDS

NO MOVEMENT

Although steady rental growth was expected during 2020, the impact of COVID-19 on the occupier market indicates that prime headline rents will remain stable at £23.00 per sq ft during this year.

Prime yields are also holding steady at 6.00%, with a lack of transactions to support evidence of movement. Sentiment across the UK office investment market suggests that prime yields in the UK's key regional markets, such as Belfast, will hold steady and investors will keep a very close eye on the occupational market and the continued impact of COVID-19.

PRIME RENTAL VALUES FORECAST (£ SQ FT)



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