

SHOPPING AROUND

ON THE UP

At £341.4m, investment volume in 2023 was 24% above the five-year average and the highest annual total since 2017. Transactional activity also increased in 2023 with 52 deals recorded, the highest number since 2018.

As expected, investment volume in the final quarter of 2023 was subdued after a strong Q3. Total Q4 volume stood at £51.2m, 25% below the five-year quarterly average. Nonetheless, transactional levels remained robust in Q4 with the number of deals on trend.

RETAIL REVIVAL

Retail was the best performing asset class in 2023. At £204.4m retail volume was 60% above the five-year average and the highest annual volume since 2017. The sale of several prime shopping centres contributed to retail dominance, with five transactions accounting for £120.7m of total volume.

The largest deal of 2023 was the acquisition of Rushmere Shopping Centre, Craigavon for £46.5m (NIY 12.17%) by Killahoey Limited. Forestside Shopping Centre, Belfast was purchased for £42m (NIY 7.91%) by

Mussenden Properties Limited and Foyleside Shopping Centre, Derry-Londonderry, was sold to a consortium of local investors for £27m (NIY 14.45%).

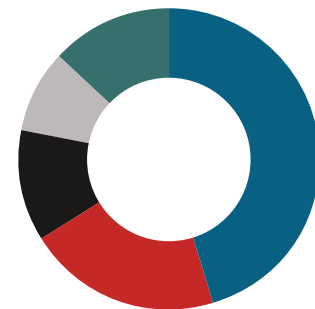
Retail parks also remained resilient with four deals totalling £65.4m. The largest was the purchase of Abbey Retail Park, Newtownabbey, for £40.6m by Realty Income Corporation. Magmel (Ballymena) Ltd purchased both Riverside Retail Park, Coleraine for £10.3m (NIY 7.32%) and Braidwater Retail Park, Ballymena for £9.5m (NIY 8.23%).

BEST OF THE REST

Elsewhere, activity was subdued across the other core sectors in 2023, although the office sector performed best against trend, with volume of £58.7m standing 6% below the five-year average. The largest on market office deal since April 2021 was the sale of Bedford House which was acquired by a local private investor in May 2023 for £20.2m (NIY 7.53%).

The living sector also demonstrated resilience, with volume of £22m standing 12% below the five-year average. This was, however, due to a sole transaction; the sale of a portfolio of care homes owned by Target Healthcare REIT.

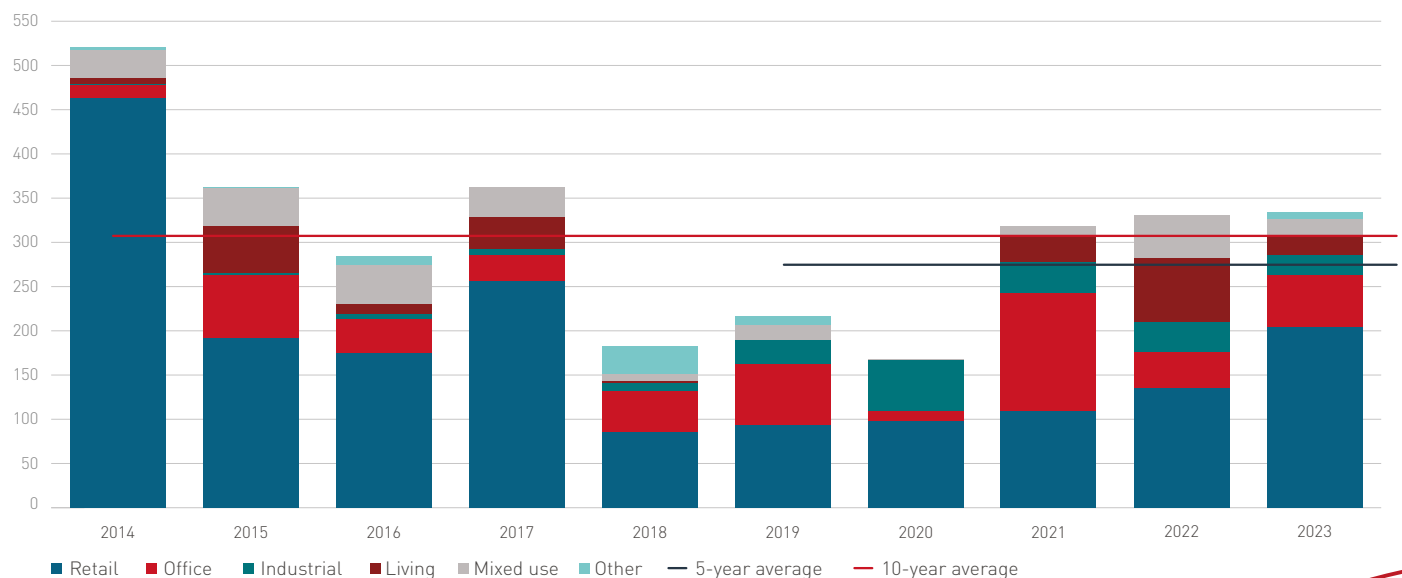
VOLUME BY INVESTOR TYPE 2023



Propcos	46%
Private NI Investors	21%
Institutional	12%
Overseas	9%
Other	13%

Investment into industrial, a solid focus of demand in recent years, slipped to a five-year low of £29.2m, 20% below the average level. The recurring theme in this sector is a continued lack of supply.

ANNUAL INVESTMENT VOLUME BY SECTOR (£M)



Source: LSHResearch

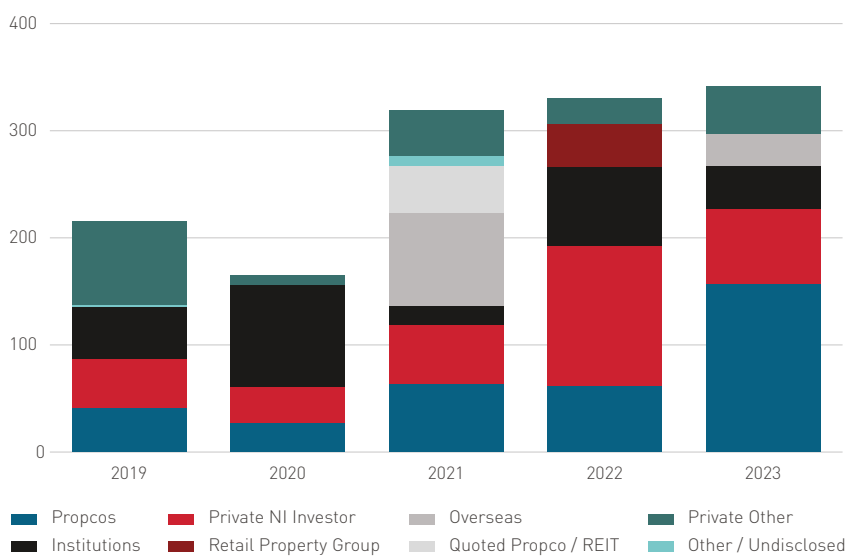
PROPCOS TAKE CHARGE

Propcos drove purchasing in 2023 with £156.6m of investment volume, standing 125% above the five-year average and the highest volume since 2017. The key trend amongst this buyer type was home grown propcos deploying capital into the retail sector, which resulted in a number of prime shopping centres and retail parks trading in 2023. Of the nine propco purchases, seven were by local propcos and seven were in the retail sector.

Investment from local private investors fell in 2023 to £70.5m, but nonetheless stood 5% above the five-year average. The number of purchases by local private investors, however, was at its highest level in 2023 suggesting a shortage of higher value opportunities in the sub-£10m market rather than a lack of appetite.

Institutions/private equity were the biggest vendor type in 2023 with £144.3m of disposals, primarily shopping centres and retail parks. Kildare Partners sold Forestside Shopping Centre, Belfast and Foyleside Shopping Centre, Derry~Londonderry for a combined total of £69m.

ANNUAL INVESTMENT VOLUME BY INVESTOR TYPE 2019 – 2023



Source: LSH Research

KEY DEALS 2023

	Date	Sector	Price (£M)	NIY	Purchaser	Vendor
Rushmere Shopping Centre, Craigavon	Feb-23	Retail	46.5	12.17%	Killahoey Limited	Administrator
Forestside Shopping Centre, Belfast	Sep-23	Retail	42.0	7.91%	Mussenden Properties Limited	Kildare Partners
Abbey Retail Park, Newtownabbey	Sep-23	Retail	40.6	-	Realty Income Corporation	Slate Asset Management
Foyleside Shopping Centre, Derry~Londonderry	Sep-23	Retail	27.0	14.45%	Private NI Consortium	Kildare Partners
Target Healthcare Portfolio	Mar-23	Living	22.0	-	Undisclosed	Target Healthcare REIT

Source: LSH Research

OUTLOOK

Despite supply issues during 2023, investment volume exceeded expectations and has been remarkably consistent between 2021 and 2023. There was also a continuing improvement in the depth of activity and a renewed interest in shopping centre assets, driven by rebased pricing and attractive returns.

Looking into 2024, there are over £50m of deals either agreed or in legal. Continuing the 2023 trend, retail will be key to volume at the beginning of the year, with Bloomfield Shopping Centre and Retail Park, Bangor and The Quays Shopping Centre, Newry both expected to trade in the first quarter. Hotels will also make a welcome return with the ETAP Hotel,

Belfast, also agreed for sale. As investors become more educated on the requirements of ESG, we anticipate a more prominent impact on pricing with ESG-compliant assets commanding a premium.

While the tight supply has not translated into a decrease in investment volume or activity, supply issues remain and the number of properties brought to the market in the final quarter of 2023 reduced to single figures. The buyers are out there, particularly local investors who are poised to snap up opportunities. Vendors remain cautious, but stabilising economic conditions and the potential for the return of the Northern Ireland Executive in 2024 may instil confidence and unlock much needed supply.

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