

SUPPLY DRAGS ON VOLUME

SEEKING NEW OPPORTUNITIES

Northern Ireland investment volumes have historically been driven by the retail sector, and 2024 has continued this trend. However, it is the limited availability of opportunities across all sectors that is shaping market activity this year.

Our latest UK research indicates that a healthy supply of retail investments pushed retail volumes to a seven-year high in Q3 2024. In recent years some of the most high-profile Northern Irish retail assets have transacted after strong interest, and consequently supply has significantly diminished, frustrating many buyers who are particularly active in this sector. Another key reason for this shortage is that many local retail landlords, particularly those involved in asset management and development, are reluctant to sell as they continue adding value to their properties. This shortage of opportunities is expected to affect investment volumes for 2024, with year-to-date volume at £92.1m, 50% below the five-year average for this period.

KEEPING LOCAL

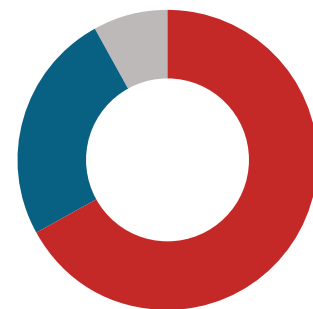
The stalwarts of the Northern Irish investment market, local private investors, were solely responsible for Q3 activity which totalled just £4.5m. The most notable deal was the purchase of a single-let medical office on the Holywood Road, Belfast for £1.6m. Investment into retail included the American Golf unit at Boucher Crescent, Belfast sold for £1.55m and a retail parade at the Market Centre, Strabane sold for £1.05m.

DEPLETED SUPPLY

While the ebb and flow of supply of investment properties to the Northern Ireland investment market is expected, our analysis lays bare the extent of the supply slump that the market is currently experiencing. Supply offered to market in the last five consecutive quarters has been below average and has had a significant impact upon investment volume.

As a smaller market, strong investment volume is reliant on higher ticket items. Twelve substantial retail assets have traded since

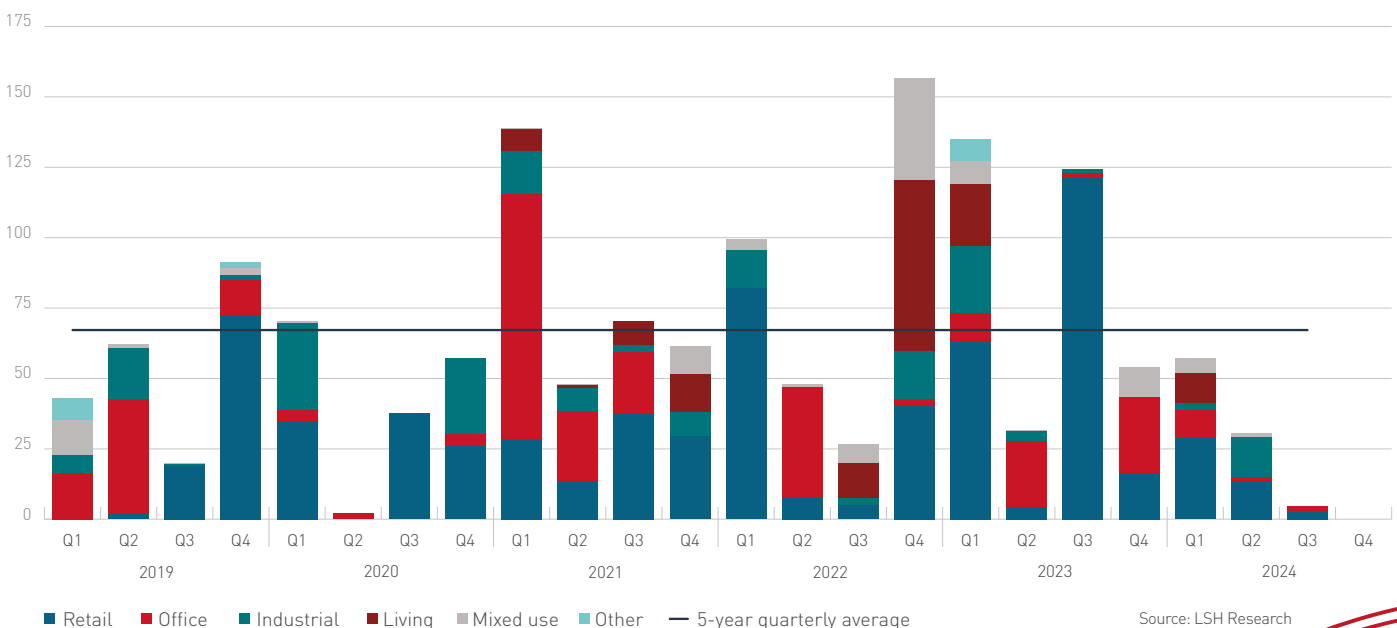
VOLUME BY INVESTOR TYPE YTD



Propcos	67%
Private NI Investors	25%
Other	8%

the beginning of 2022, totalling over £310m, substantially reducing the supply of higher value retail assets until the cycle to exit is complete. This coupled with heightened caution in the office sector has resulted in the dearth of higher value opportunities stymieing activity amongst investors.

QUARTERLY INVESTMENT VOLUME BY SECTOR (£M)



STILL IN DEMAND

Notwithstanding the lack of supply, our analysis also shows that demand has not weakened in the same manner. On average since H2 2018, 80% of the value brought to market has transacted and in recent years the bigger ticket assets are attracting more attention from local investors and propcos who are now successfully competing with institutions for high quality opportunities. For properties transacted since the beginning of 2022, the majority have sold at or in excess of the guide price.

The rest of the UK has seen a similar pattern of subdued volume, activity and supply in recent years, although less severely. Mid-2024 the UK market is experiencing a pickup in activity crucially underpinned by the living sector, although volume remains below trend. Meanwhile, Northern Ireland has seen a pickup in the number of properties offered to the market picked up in the first half of this year, standing only 12% below the five-year trend, although the H1 value remains low.

VOLUME AND PROPERTIES OFFERED TO MARKET



Source: LSH Research

KEY DEALS Q3 2024

	Date	Sector	Price (£M)	Purchaser	Vendor
415 Hollywood Road, Belfast	Sep-24	Office	1.6	Private Investor	Private Investor
61-63 Boucher Crescent, Belfast	Aug-24	Retail	1.55	Private Investor	Private Investor
The Market Centre, Strabane	Aug-24	Retail	1.05	Private Investor	Private Investor

Source: LSH Research

OUTLOOK

Looking into Q4, there are no signs of any significant improvement in either activity or supply with approximately £10m of deals currently in legals. We expect that low volume will be the consistent theme for 2024 and this year will finish with the lowest annual total since our records began at approximately £100m.

The impact of the depletion of stock is clearly evident and will continue to be felt into 2025. That said, there are tentative signs of optimism. In the UK the investment market is shifting to a focus on living and Northern Ireland, while it has a smaller pool of stock to draw from, will follow suit. The Premier Inn, Alfred Street, Belfast has been brought to market in Q4 and a substantial off-market deal in this sector is expected to complete early next year.

Occupational activity in the office sector has improved markedly during 2024 and businesses are continuing to implement return to office policies.

Although these factors are unlikely to result in a momentous turnaround in this sector, it will bring some confidence to office vendors and increase the likelihood of activity returning.

Whilst the Northern Irish market currently lacks opportunities for investment, the wider market conditions are favourable. Investor sentiment, particularly amongst local investors, is resilient and this prolonged period of scarcity of investment opportunities means there is pent up demand and the undersupply has created competitive bidding for good quality assets. The improving UK economics are also positive, with inflation at target, the recent Bank of England interest rate cut and the announcement of the Autumn Budget.

Although we do not expect there to be a burst of activity and the usual race to the end of a calendar year in Q4, the tide is turning and we will see improvements in activity and volume in 2025.

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