

# Q3 2017

### Investment volume

At £194.4m, investment volume in Q3 2017 was outstanding, with the second highest quarterly performance in recent years. While activity in Q3 was underpinned by one major transaction, if we exclude this, the volume of investment was four times higher than Q2.

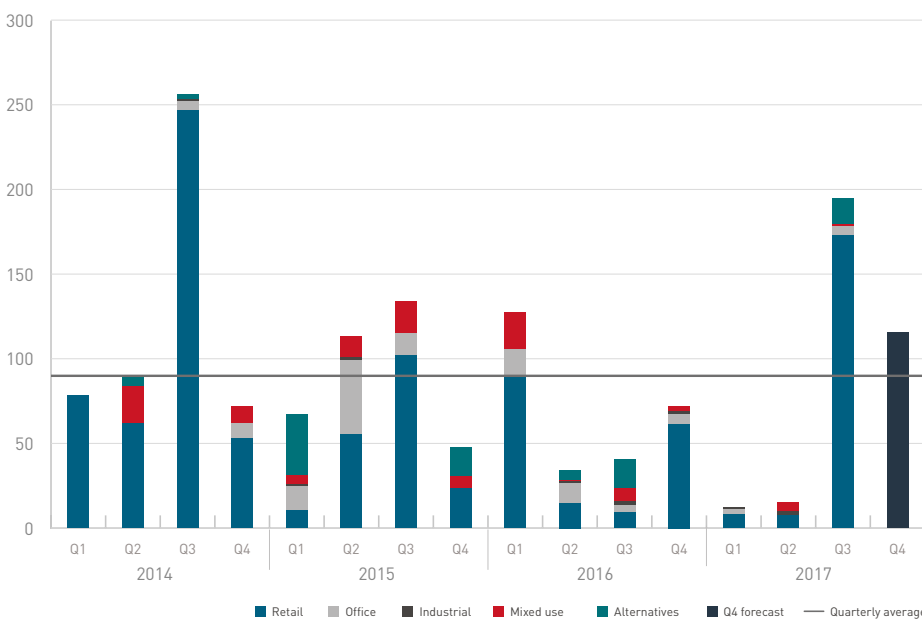
### Sector focus

At £172.8m, retail transactions accounted for 89% of Q3 activity. While dominated by Wirefox's £123m purchase of CastleCourt Shopping Centre (NIY 6.27%), a further £50m of retail transactions were also recorded. These included the £27.7m Tesco Extra, Newry (NIY 6.00%), £11.1m Valley Retail Park in Newtownabbey and the £9.2m Great Northern Retail Park in Omagh (NIY 8.02%).

Accounting for 7.6% of total volume, the alternative sector recorded more activity in Q3 than the traditional core sectors of office, industrial and mixed-use. Although, it must be noted that alternative activity was attributed to a single deal, a portfolio of care homes in Armagh and Jordanstown purchased by LXi REIT for £14.9m (NIY 6.48%). While office investments represented only 3% of the Q3 volume, at circa £5.3m, activity was improved compared with the previous 2017 quarters.

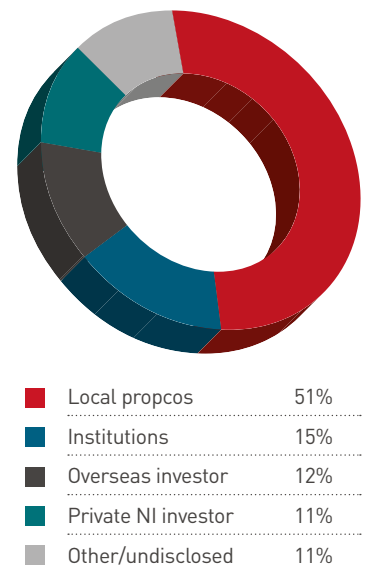
Year-to-date, local property companies have been responsible for over half of investment activity. This, however, is skewed by the purchase of CastleCourt by local property company Wirefox. The YTD volume masks the activity of Northern Irish investors, who are typically one of the most active investor types, and who have been the purchaser of 22 of the 38 deals.

### QUARTERLY INVESTMENT VOLUME BY SECTOR (£M)



Source: LSH Research, Property Data, Property Archive

### VOLUME BY INVESTOR TYPE YTD (%)



Source: LSH Research

## TOP FIVE DEALS Q3 2017

	Sector	Price (£M)	NIY	Purchaser	Vendor
CastleCourt Shopping Centre, Belfast	Retail	123.0	6.27%	Wirefox Investments Ltd	Hermes Real Estate Investment
Tesco Extra, Downshire Road, Newry	Retail	27.7	6.00%	Overseas investor	Aberdeen Standard Investments
Portfolio care homes (Armagh & Jordanstown)	Alternative	14.9	6.48%	LXI REIT	Emerald Construction
Valley Retail Park, Newtownabbey	Retail	11.1	-	Harry Corry Pension Fund	AEW UK REIT plc
Great Northern Retail Park, Omagh	Retail	9.2	8.02%	Harry Corry Pension Fund	Private NI investor

Source: LSH Research

## Q3 2017 PRIME YIELDS

SECTOR	Prime yields			YIELD SENTIMENT
	Q3 2017	3 MONTH MOVEMENT (BPS)	12 MONTH MOVEMENT (BPS)	
Prime shops	5.50%	◀▶	◀▶	◀▶
Prime shopping centres	6.00%	◀▶	◀▶	◀▶
Office	6.25%	◀▶	◀▶	◀▶
Industrial	6.00%	◀▶	◀▶	◀▶

Source: LSH Research

## Outlook

The outlook for the final quarter of 2017 is positive for the commercial property market. Investment volume YTD is £222.1m and it is expected to reach £350m by end of year. Compared with 2016, total investment activity will be approximately 25% higher.

The main barrier to activity in the first half of 2017 was the mismatch between healthy investor demand and the scarcity of larger value assets available. The pick-up in Q3 and forecast for Q4 is the result of an increase in supply of good quality, larger value assets. These assets have helped to relieve investor frustrations, although they have been predominantly in the retail sector. A fluid supply of this asset type is required to maintain activity.

During recent months, there has been a trend of competitive bidding for smaller lots with attractive and/or strong tenants. For example, the Starbucks and Boojum properties on Botanic Avenue, the Caffè Nero in Newcastle and Greggs properties in Bangor and Lisburn have attracted significant interest amongst local investors. In the coming months, a number of similar properties will come to market, and again we expect they will generate high levels of interest.

The health of the Northern Irish investment market is showing signs of continued resilience. While the impact of Brexit negotiations will continue to influence in the next few years, local demand for good quality stock will continue and, with ongoing uncertainty, supply could present a challenge.

## CONTACTS

### PADDY BRENNAN

Head of Capital Markets - Ireland  
+44 (0)28 9026 9206  
pbrennan@lsh.ie

### DONALL MCCANN

Head of UK Regional Capital Markets  
+44 (0)28 9026 9220  
dmccann@lsh.ie

### NEIL MCSHANE

Director - Capital Markets  
+44 (0)28 9026 9205  
nmcshane@lsh.ie

### MARTIN MCCLOY

Director - Capital Markets  
+44 (0)28 9026 9236  
mmccloy@lsh.ie

### PADDY CUSACK

Director - Capital Markets  
+44 (0)28 9026 9233  
pcusack@lsh.ie

### LAURENCE HIGGINS

Director - Property Finance  
+44 (0)28 9026 9262  
lhiggins@lsh.ie

### CLAIRE COLE

Research Analyst - Ireland  
+44 (0)28 9026 9235  
ccole@lsh.ie

**Lambert  
Smith  
Hampton**