



9 Lanyon Place

# KEY STATISTICS AT A GLANCE

## H1 2017

**Take-up**  
167,568 sq ft

Year-on-year  
**28%**

**Available**  
982,000 sq ft

Year-on-year  
**22%**

**Prime rent**  
£20.00 sq ft

Year-on-year  
**8%**

## Outlook



**Under construction /  
refurbishment**  
747,350 sq ft



**Pipeline**  
815,000 sq ft



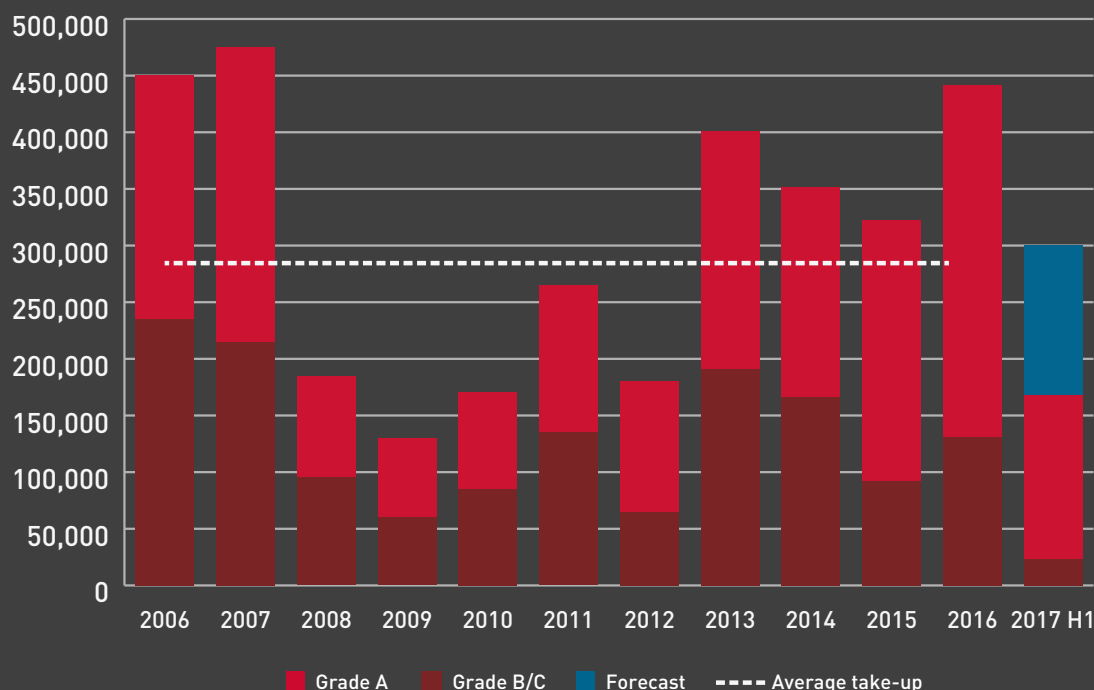
**Prime rent**  
£21.00 sq ft

## DEMAND

After the very strong 2016, Belfast occupier activity in H1 2017 has been subdued by comparison. At 167,568 sq ft, take-up in H1 2017 was down 20% on the previous six months and 28% on H1 2016. Whilst take-up has decreased, there is over 100,000 sq ft of space currently under offer and total activity for 2017 is on course to exceed the 10-year average.

Grade A stock dominated take-up during the first six months of 2017, accounting for 86% of all activity. The completion of refurbishment projects has been critical in providing grade A accommodation to meet occupier demand.

### Belfast take-up (sq ft)



Source: LSH Research

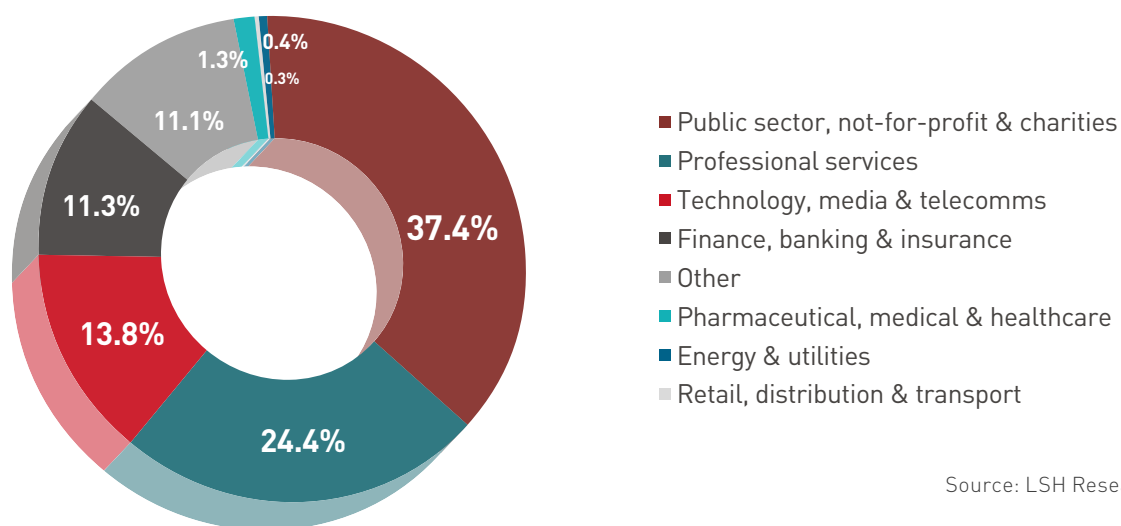
## Brexit: One year on

Take-up in the office market during the 12 months post the Brexit referendum totalled 379,772 sq ft, 30% above the 10-year average but 16% down year-on-year. Given the political instability that followed the referendum both locally and nationally, the office market has been very resilient and continues to demonstrate Belfast's attractiveness as an office location.

## Occupiers

During the past 12 months, demand has been driven by public sector and professional services occupiers, together accounting for 61.8% of take-up. Notable occupiers in the public sector included HMRC (104,220 sq ft) and Tourism NI (17,649 sq ft). Within professional services notable occupiers included KPMG (39,374 sq ft) and Axiom (26,100 sq ft).

### Take-up by occupier type (%)



Source: LSH Research

### Key deals, H1 2017

PROPERTY	SIZE (SQ FT)	OCCUPIER	OCCUPIER TYPE	QUARTER
MILLENNIUM HOUSE	13,130	HCL	TECHNOLOGY, MEDIA & TELECOMS	Q1 2017
ERSKINE HOUSE	104,220	HMRC	PUBLIC SECTOR, NOT-FOR-PROFIT & CHARITIES	Q2 2017
DANSKE BUILDING	13,377	GRANT THORNTON	FINANCE, BANKING & INSURANCE	Q2 2017
LINEN LOFT	9,212	SPENCE & PARTNERS	FINANCE, BANKING & INSURANCE	Q2 2017

## SUPPLY AND DEVELOPMENT

Availability has increased significantly in the first half of 2017, rising by 56% to circa 982,000 sq ft, this is equivalent to 3.2 years supply based on ten-year average take-up. Available grade A space more than doubled, boosted by the (imminent) completion of a wave of speculative development and refurbishment projects.

Sizable grade A options are available at City Quays 2 (91,104 sq ft), River House (79,662 sq ft) and Chichester House (56,000 sq ft).

Over half of the current supply is located in the key office districts, the Linen Quarter (24%) and the Northern Quarter (33%). In the Linen Quarter, grade A space is available at

Adelaide Exchange (42,410 sq ft) and Bedford House (19,184 sq ft), with grade B space available at 21 Linenhall Street (26,955 sq ft). In the Northern Quarter floorplates over 20,000 sq ft floorplates are exclusively grade B/C, however, 13,405 sq ft of grade A space is available at Danske Building.

Development in Belfast has gained momentum, with 815,000 sq ft of speculative development anticipated to commence over the next 12 months, including One Bankmore Square (250,000 sq ft), Bedford Square (215,000 sq ft), The Paper Exchange (200,000 sq ft) and Olympic House (150,000 sq ft). Further, there is 1.8m sq ft of planning approved office space and 641,000 sq ft with planning applications pending.



# UPCOMING DEVELOPMENTS



## RENTAL VALUES AND INVESTMENT

Prime rents at the end of H1 2017 are benchmarking at £20.00 per sq ft, 8% above Q4 2016. We anticipate that prime rents will reach £21.00 per sq ft by the end of 2017, a notable 14% increase year-on-year.

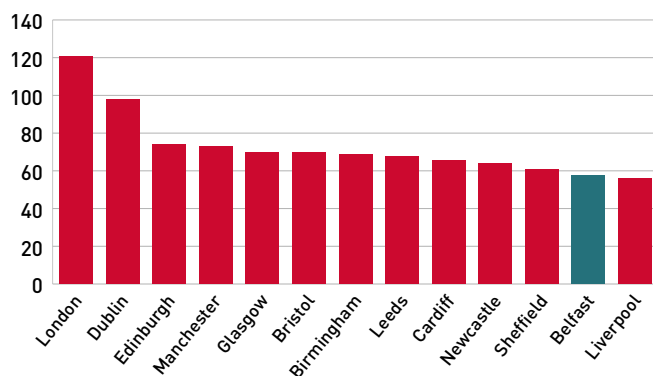
The investment market in Northern Ireland has been subdued in the first half of 2017, restricted by scarcity of larger assets rather than weak investor appetite. Office deals in H1 2017 have included Chancery House (£1.7m) and Elizabeth House (£1.3m). A further £7.7m of office investments are currently agreed for completion during H2 2017.

Prime and secondary office yields have remained stable at 6.25% and 7.50% respectively since Q2 2016. Sentiment indicates that these levels will continue to remain stable.

## OUTLOOK

Despite the climate of uncertainty, the outlook for the Belfast office market is positive. Healthy demand exists among occupiers, and there has been a welcome improvement in quality supply and speculative development. With an additional 100,000 sq ft of office space agreed and some of the lowest occupational costs in the UK and Ireland, we forecast that 2017 take-up will exceed the 10-year average and total circa 300,000 sq ft.

**Total occupier costs (£ per sq ft)**



The slippage in the devolution of Corporation Tax presents a challenge for the office occupier market. However, the market continues to be driven by local indigenous companies and a number of recent announcements from foreign direct investors to include Anomali, Unosquare, Bazaarvoice and Redline Trading Solutions.

Future investment in the office market and Belfast more widely, secured through the recently launched Belfast City Centre Investment Fund, aims to further enhance delivery of new grade A office space to attract more corporate employers. Also, the additional funding resulting from the Conservative-DUP agreement should have a positive impact upon the market, with some of this earmarked to enhance the city's key road networks.

As the tool for business needs in a modern society, new offices will be greener, super-connected, smarter and designed to improve employee wellbeing. Contemporary space will provide different workspaces for different work phases, 'on demand' space and flexibility to change as business needs evolve. The success of the Ormeau Baths technology hub demonstrates Belfast's ability to respond to these occupier needs, and we predict further development of the non-traditional office environment.

### Stuart Draffin

HEAD OF AGENCY - BELFAST  
sdraffin@lsh.ie  
+44 (0)28 9026 9215

### Greg Henry

ASSOCIATE DIRECTOR,  
OFFICE ADVISORY  
ghenry@lsh.ie  
+44 (0)28 9026 9265

### Paddy Brennan

HEAD OF CAPITAL MARKETS -  
IRELAND  
pbrennan@lsh.ie  
+44 (0)28 9026 9206

### Donall McCann

HEAD OF UK REGIONAL  
CAPITAL MARKETS  
dmccann@lsh.ie  
+44 (0)28 9026 9220

### Claire Cole

RESEARCH ANALYST - IRELAND  
ccole@lsh.ie  
+44 (0)28 9026 9235

**Lambert  
Smith  
Hampton**

www.lsh.ie