ITNI Q4 2024

Investment Transactions Northern Ireland

Lambert Smith Hampton

SUPPLY CRUNCH

Q4 PICK-UP

Investment in commercial property across all sectors has been impacted in 2024 by the prolonged supply crunch. All asset classes have experienced low supply and reductions in investment volume, but nonetheless where opportunities arise, active investors are quick to move.

At £127.1m, investment volume in 2024 was 51% below the five-year average and the lowest annual total since 2012. While Q4 volume was 48% below the five-year quarterly average, there was a pick-up in transactional levels with 15 deals completed totalling £33.2m.

SHORT ON PRIME

Retail was, characteristically, the best performing asset class in 2024, but at £61.3m retail volume was 50% below the five-year average. After a strong 2023 for shopping centres and retail parks, there was a shortage of prime assets brought to the market.

The largest deal of 2024 was Ellandi LLP's sale of Bloomfield Shopping Centre and Retail Park, Bangor for £22.7m to a local propco. In Q2 Cork-based propco, Urban Green Private, purchased The Quays Shopping Centre, Newry for an undisclosed sum.

Other transactions of note included The Linen Green, Dungannon (£4m), Homebase (£3m) and M&S (£1.95m) at Orritor Retail Park, Cookstown (£3m) and American Golf/Polonez at Boucher Crescent, Belfast (£1.5m). In the final quarter a Dublin based private investment firm sold the mixed use retail and office asset at 49-51 Donegall Place/42-46 Fountain Street, Belfast to a local propco for £7m.

TRENDING BEST

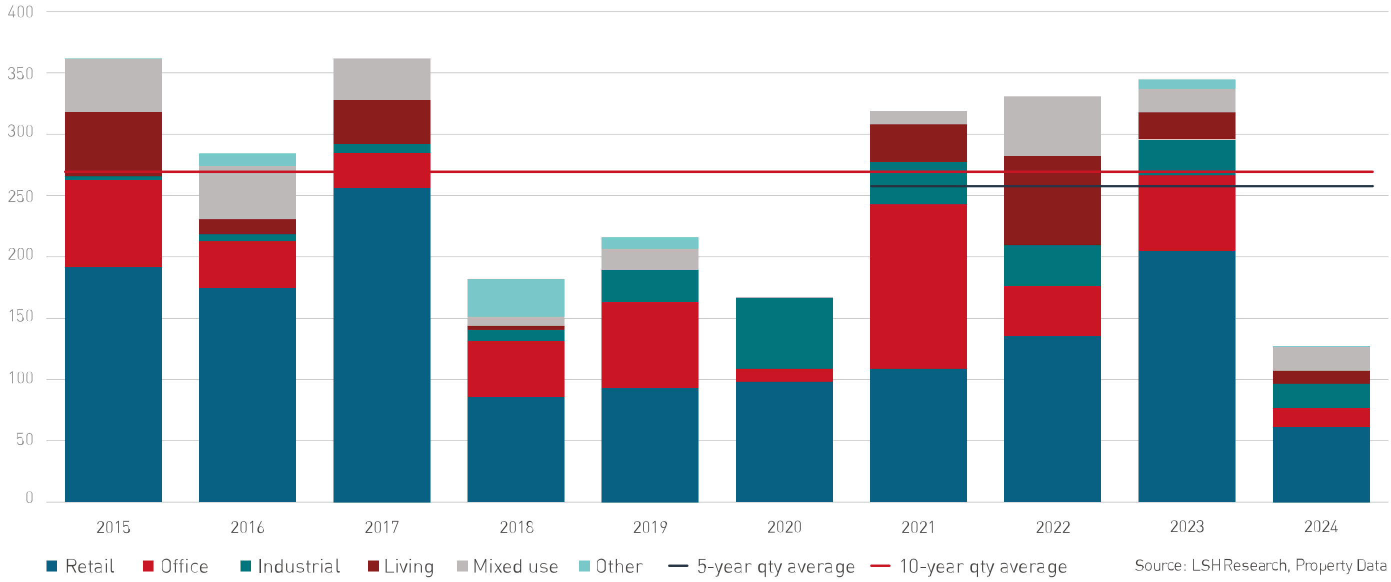
Although the industrial sector also experienced a reduction in volume it performed best against trend, with volume of £20.2m standing 42% below the five-year annual average. Randox's sale of Central Park, Mallusk to local propco, MJM Group, for an undisclosed sum underpinned activity in this sector. Other notable deals included the sales of 2-10 Duncrue Road, Belfast for £3.1m and the Royal Mail delivery office at Balteagh Road, Craigavon for £1.6m (NIY 6.70%) by local private investors.

At £15m office accounted for only 12% of volume in 2024, and stood 72% below the five-year annual average. The key deal in this sector was Elkstone Partner's purchase of Murray's Exchange, Belfast for an undisclosed sum from an undisclosed vendor. The remaining deals in this sector were sub £2m. This sector has arguably been the hardest impacted in recent years with post-pandemic change in working patterns, increased vacancy rates and stricter ESG requirements. While there has been an increase in at office working and occupancy take-up in 2024, asset selection is increasingly important in this sector. Those assets with strong fundamentals will gain confidence from the improving occupational market.

VOLUME BY INVESTOR TYPE 2024

Propcos	48%
Private NI Investors	28%
Institution	12%
Other	12%

ANNUAL INVESTMENT VOLUME BY SECTOR (£M)



Source: LSH Research, Property Data

PROPCOS LEAD AGAIN

For the second year running, propcos led volume by investor category with £61.1m invested across six properties, 17% below the five-year annual average for this investor type. In addition to the three highest value deals, homegrown propcos purchased 49-51 Donegall Place/42-46 Fountain Street, Belfast (£7m) and 21-23 Arthur Street, Belfast (£2.5m).

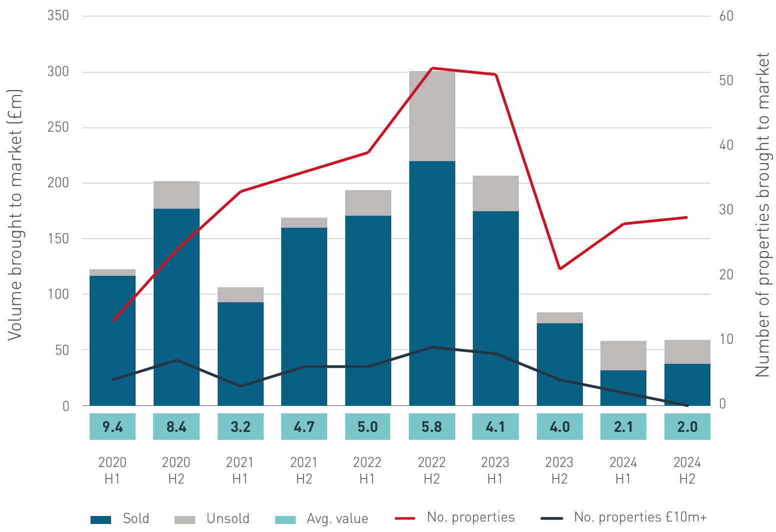
Investment from local private investors fell to 2020 levels, with 2024 volume of £35.8m standing 45% below the five-year annual average. That said, amongst both propcos and local private investors activity was above trend in 2024, demonstrating that it is not a lack of appetite but the lack of opportunities that is curtailing volume.

At £15.3m institutional volume fell to its lowest level accounting for only 12% of volume, with notable deals including Murrays Exchange, Belfast and a portfolio of Northern Irish assets.

DEMAND VS SUPPLY

Since the second half of 2023 assets offered to the market have undergone acute decline and this has been the key driver of 2024's low investment. Significantly, there has been a dearth of higher value properties in the £10m+ bracket with only six brought to market since mid-2023 compared with an average of ten per year. At £117m the volume of assets offered to the market in 2024 fell to its lowest since our records began, 61% below the five-year annual average.

VOLUME AND PROPERTIES OFFERED TO MARKET



Source: LSH Research

Nevertheless, demand for assets remains as illustrated by our analysis. Approximately 90% of assets offered to market in H2 2023 sold and 60% of assets offered to market in 2024 have been sold or agreed, with this proportion expected to increase as we move into 2025.

KEY DEALS 2024

	Date	Sector	Price (£M)	NIY	Purchaser	Vendor
Bloomfield Shopping Centre & Retail Park, Bangor	Mar-24	Retail	22.7	-	Local propco	Ellandi LLP
ETAP Hotel, Belfast	Mar-24	Living	7.35	6.88%	Andras House	CBRE Global Investors
Central Park, Mallusk	May-24	Industrial	Undisclosed	-	MJM Group	Randox
The Quays Shopping Centre, Newry	May-24	Retail	Undisclosed	-	Urban Green Private	Administrator
Murray's Exchange, Belfast	Feb-24	Office	Undisclosed	-	Elkstone Partners	Undisclosed

Source: LSH Research

OUTLOOK

The depletion of stock that has been evident for some time hit investment volumes hard in 2024. Positively there was a pick up in the last quarter of 2024 and there is circa £23m of deals agreed as we move into 2025. However, in the short term the supply crunch shows little sign of easing with properties offered to market predominantly in the sub £5m category and therefore little to entice institutional investors.

Encouragingly, the stalwarts of the Northern Irish market, the local propcos and private investors, have shown no diminishment in investor sentiment. If anything this situation has created pent up demand and more competitive bidding. Retail assets have been revived in recent years and we expect to see continued interest for retail assets in 2025 as demonstrated by the swift agreement of Shore Road Retail Park, Newtownabbey at above asking price in December 2024. There is also a wider shift to living assets in the UK, a trend we expect to follow from a smaller pool of stock.

Unfortunately, investment volume will remain subdued until there is a significant resupply of assets. When stock does begin to flow again it will take time to feed into volume, with improvements not expected until the second half of 2025. While vendors have been cautious due to fluctuations in asset values, those who bring their asset to market in the coming months will benefit from 'first mover advantage' in this limited market, and those with strong fundamentals can expect to garner considerable attention.

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