

EARLY DIP, LATE SURGE

LIMITED ACTIVITY

On the heels of a subdued Q1, investment volume fell further in Q2 standing 47% below the first quarter. At £30.5m, investment volume stood 55% below the five-year quarterly average. The key factor contributing to the fall in volume is the depletion of stock, resulting in a dip in activity to levels similar to the COVID-19 lockdown quarters.

Year-to-date investment volume stands at £87.6m, falling below £100m in H1 for the first time since the first half of 2020 and standing 33% below the five-year H1 average.

BIG INDUSTRY

The key deal of Q2 was Randox's sale of Central Park, Mallusk to local propco, MJM Group, for an undisclosed sum. Randox purchased the 800,000 sq ft industrial park in November 2022 for £17m.

Shopping centres continue to generate strong levels of interest. Cork-based propco, Urban Green Private, purchased The Quays Shopping Centre, Newry for an undisclosed sum. The Quays will add to Urban Green Private's portfolio of Republic of Ireland shopping centres and is the company's first Northern Irish acquisition.

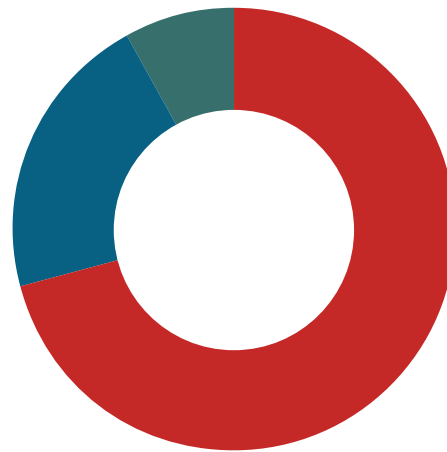
Rathbone Holdings, a local propco, purchased an Antrim office, Lucas Exchange II, from a charity for £1.43m.

PROPCOS PROP UP

The largest proportion of investment volume in Q2 and YTD was driven by propcos. Currently, propcos account for 71% of total investment volume YTD.

The stalwart of the Northern Irish investment market, private investors, continue to hold the title of most active investor type. However, their activity slumped to a record low in Q2 due to the depletion of stock and an almost stand-still in the sub-£5m price bracket where they are particularly active.

VOLUME BY INVESTOR TYPE YTD (%)

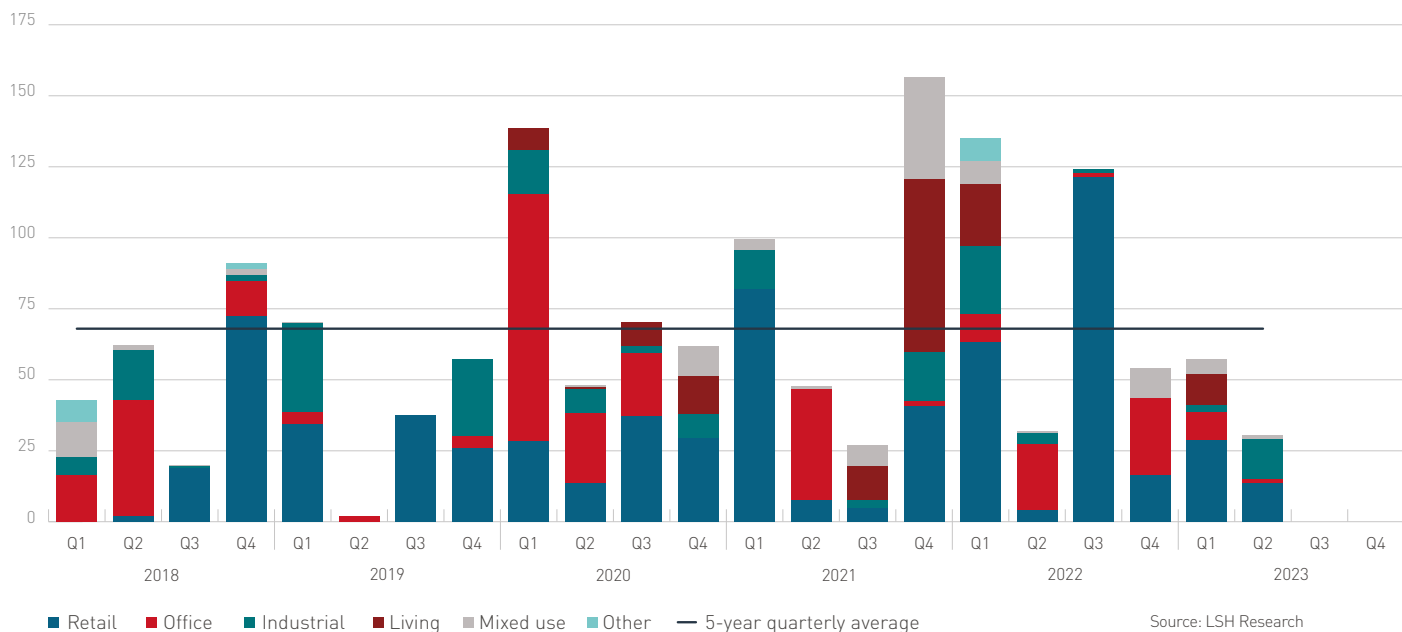


Propcos	71%
Private NI Investors	21%
Other	8%

For context in Q1 2023 16 assets were brought to market in this price bracket compared with just one in Q1 2024. Excluding assets marketed in Q1 2023 that were subsequently withdrawn, 83% were successfully sold to local investors.

Whilst investor confidence and demand remains consistently robust, increasing supply of opportunities and improving macro-economic factors will further enhance investor appetite and activity.

QUARTERLY INVESTMENT VOLUME BY SECTOR (£M)



KEY DEALS Q2 2024

	Date	Sector	Price (£M)	NIY	Purchaser	Vendor
Central Park, Mallusk	May-24	Industrial	Undisclosed	-	MJM Group	Randox
The Quays Shopping Centre, Newry	May-24	Retail	Undisclosed	-	Urban Green Private	Administrator
Lucas Exchange II, Antrim	Apr-24	Office	1.43	-	Rathbone Holdings	Undisclosed

Source: LSH Research

OUTLOOK

The impact of the squeeze on supply that we have been documenting over the past 18 months was evident in Q2. While we expect activity to remain at below average levels throughout the rest of 2024, there are encouraging signs of improvement. There has been an uptick in assets coming to market in Q2, particularly in the sub-£5m bracket appealing to local investors. Further, two large deals are expected to complete in Q3 which will provide a boost to volume in the second half of the year.

While the Bank of England's June decision to hold interest rates may be disappointing, the mood music is suggestive of a cut in August. Alongside inflation hitting the Bank's target for the first time in three years and a general easing of inflationary pressures, there are grounds for optimism. Investor sentiment in Northern Ireland has not shifted significantly with purchasers remaining focussed on good

quality assets, which attract strong levels of interest and are snapped up quickly when brought to market.

Whilst it could be argued that the outcome of UK general elections have less impact in Northern Ireland on the commercial property investment market, post-election certainty will nevertheless add another layer of stability.

The Conservative party has pledged to prioritise economic stability, to back business investment and cut tax. Similarly, Labour has pledged to prioritise economic stability and economic growth across the country. Whilst the outcome of the general election is still to be decided, the energy of a post-election government and interest rate cuts on the horizon should bring further certainty to the commercial real estate markets and in turn translate into increased investor confidence.

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