Investing in Belfast's Future

A Real Estate Research Report

An overview and analysis of Belfast's growth and development between 2015 and 2020 and the city's future outlook.

Introduction

PART OF THE CBRE AFFILIATE NETWORK

Renewed Ambition is a joint public and private sector-led initiative which aims to shape how we reimagine the future of our city and act together to deliver that ambition in the months and years ahead.

Over the last 12 months, Renewed Ambition has delivered an intensive collaborative programme across five key pillars: a series of events and webinars to shape the conversation about the city and engage with the investment community; a stakeholder engagement strategy; a research pillar; PR, communications and media engagement and, finally, a repository of relevant information for sponsors to access through the Invest in Belfast website.

As part of the research pillar, it was agreed we would commission two pieces of research.

The first is a detailed market insights analysis to understand the performance of the real estate market in Belfast over the last five years and also to identify the opportunity that lies ahead.

In January 2021, CBRE NI was appointed to carry out the research and we are pleased to present their market insights, based on their view of the commercial real estate market.

A second piece of research is also underway which will assess the social impact of real estate investment in the city. We look forward to sharing that too in the coming months.

On behalf of the Renewed Ambition Taskforce, I would like to thank all those who have been involved in shaping this document. Collectively, we have developed a new research asset containing invaluable insights and information which many international investors, banks and property companies will be keenly interested in.

I hope all the partners involved in Renewed Ambition will find this research acts as a useful and insightful tool when having those all-important conversations with investors and key stakeholders.

We look forward to strong recovery and growth in our re-energised capital city, Belfast, and across the wider region in the months ahead.

Joe O'Neill
Chair, Renewed Ambition
Chief Executive, Belfast Harbour

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Executive summary

Belfast is a city full of ambition, optimism, and above all opportunity. As a talented, competitive and connected city, we're the second fastest growing knowledge economy in the UK, with excellent digital infrastructure and thriving clusters of high growth companies. It's no wonder that 80% of businesses that locate in Belfast choose to re-invest.

Belfast is a city with a passion for progress. It is the energetic, youthful and flourishing regional capital of Northern Ireland and the second-largest city on the island of Ireland.

It is a city celebrated for its industrial leadership.

In engineering, it has enjoyed world renown in areas such as shipbuilding and aircraft manufacture. And, as the largest global producer of linen, it earned the unofficial title 'Linenopolis'.

Those heady days of industrial prowess left their ingenious mark on the city's people. They are passionate about innovation; it is in their DNA and has earned the city a new unofficial title – 'Techopolis'. Now it is spearheading progress in other fields – like cancer research, health sciences, food security, data analytics, cyber security – and in the engineering of tomorrow.

Belfast has become a world-leading hub of discovery in digital technology, creating a thriving knowledge economy ecosystem. A total of 44% of new jobs are in the tech sector and it is listed among the world top 10 locations of the future for technology investment, just behind London and Singapore. It is a leading European city for investment from US-based cyber security firms, as well as being a strategic sister city to Boston and Nashville, building on its international connections, heritage and reputation.

What does all this mean for our future? This report, commissioned by Renewed Ambition, analyses the opportunities for continued growth and investment. It focuses on the real estate market, examining current levels of performance and looking ahead.

However, no report of this kind can ignore today's great challenges. Progress will be influenced by the social and economic effects of Covid-19 and the continuing impact of Brexit. Belfast is a city which has faced uncertainty before, tackling difficulties which few other cities have endured and overcoming them to emerge renewed and confident. In times of turmoil, resilience defines the winners who will emerge the strongest and Belfast has it in abundance.

Our report identifies and examines a range of opportunities:

The Belfast Region City Deal is one of the most important recent achievements – a £1 billion co-investment package that is vital for growth. It is estimated that the deal will create up to 20,000 new and better jobs, delivering a 10-year programme to unlock new innovations and R&D pathways whilst ushering in a new era of inclusive economic growth. Our report examines that potential in detail.

We have a young and highly educated population, essential to developing the tech sector and fuelling the demand for talent from global companies locating into the region, as well as fast-growing indigenous businesses.

Our city provides the unique benefit of dual market access to the UK and EU. For companies looking to serve the UK and EU markets we are the

Executive summary continued

ideal location. Consequently, the real estate market is experiencing a positive impact with an upswing in interest right across the region.

The growth of online retailing and the escalation of last mile delivery, with a consequent requirement for further space, is leading to significant demand for logistics and industrial development, increasing the need for further space.

The office market has been the city's strongest-performing sector since 2015. An imbalance in supply and demand, coupled with high levels of foreign direct investment, means that the development pipeline will continue to expand over the next few years. Despite the challenge of Covid, our unique location and business environment remained a strong attractor for international companies with 2020 and 2021 to date seeing several new FDI entrants with significant job announcements land in the city.

Our universities and colleges have 30,240 full-time students who study and live within the city. The demand for new student accommodation continues to increase and at a pace far greater than the current supply can offer.

Many of these students will graduate with the skills Belfast needs and will stay to live and work here. Belfast City Council has set an ambitious target of attracting 66,000 people to live and work in the city and also 31,600 additional homes across Belfast by 2035.

This is a city which will be home to the professionals of tomorrow. It is also a compact city, easy to get around and an attractive place in which to live, where the journey to the office is not an arduous one and the countryside and coast are just minutes away.

We also assess the city's unique geographical advantages and transport connections with Dublin, GB and Europe. Belfast has become one of Ireland's premier business cities with the largest employed population in Northern Ireland. It enjoys major success in securing foreign direct investment, attracted by skills availability, competitive operating costs and our advanced telecoms infrastructure.

Since 2015, there have been over £343.5m of office investment deals in Belfast, most notably the sale of Merchant Square for £87m, the largest such sale in Northern Ireland, which reflected a yield of 5.2%. There has also been £34.47m worth of industrial investment, including Amazon's Last Mile distribution hub at Channel Commercial Park, sold to UBS for £27.12m in 2020, at a reported yield of 5.5%.

The hotel sector has been badly hit by the pandemic. Pre-Covid, occupancy was approaching 72% with a RevPar of £57.25 and an Average Daily Rate of £78.20[1]. The market will benefit from the gradual easing of restrictions, the ambitious tourism and cultural strategy outlined by Belfast City Council and the investment in new tourism attractions funded through the Belfast Region City Deal. Transactions since 2015 have included the sale of the Hilton Belfast (part of a wider portfolio sale known as Project Dragonglass) in 2018; Project Trident (the Tifco Hotel Platform) to Apollo Global Management, including the Travelodge Hotels in Belfast and Derry; Dalata Hotel Group buying 22 Ormeau Avenue for £18.5m and the £17m spent by Ampleforth Group to buy the Fitzwilliam Hotel.

Going forward, the city has strong fundamentals in place to support an upsurge in Build-to-Rent (BTR) with a major opportunity for first-mover advantage. Whilst there aren't any major BTR developments under construction at this time, several investors and developers are progressing plans with a number of schemes currently progressing at planning.

Belfast is alive with entrepreneurial spirit, ambition and optimism. This report projects a picture of great opportunity, unique to Belfast and unlike any other city in the UK. A picture of a city poised for an exciting economic future with untapped investment opportunities.

[1](Source: STR. 2021 © CoStar Realty Information, Inc.)

Robert Ditty
Investment Director
CBRE NI

Gavin Elliott
Investment Director
CBRE NI

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Reasons to invest

Uniquely positioned for growth

"Belfast will continue on its journey of attracting investment to develop the infrastructure needed to support our city's ambitious economic and social plans.

Powered by its young, vibrant and highly-educated workforce and home to a growing raft of inward investors and fast-growing indigenous companies, Belfast is primed for an exciting economic future, focused on sustainability and inclusive growth.

Add to that the city's access to both UK and European markets – a factor which is catching the attention of investors from across the world – the city's growth potential is immense."

Suzanne Wylie
Chief Executive
Belfast City Council

Reasons to invest

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THE PEOPLE

There is a highly-educated population with over 40% of residents educated to NVQ level 4 or above. Belfast benefits from two world-class universities with Ulster University's new campus, due to open towards the end of 2021, bringing 15,000 students and staff into the city centre. 26% of the population is aged between 16-34 which is one of the youngest populations in Europe.

ICT INFRASTRUCTURE

Northern Ireland is one of the best connected regions in Europe. It has the highest availability of fibre broadband in the UK at 95%, projected to increase to 99% in the near future. Project Kelvin, the transatlantic fibre optic network which links Europe to the US, has its first connecting hub in Europe on Northern Ireland's north coast. This allows Northern Ireland based servers to send data to the US quicker than any other part of Europe.

CONNECTIVITY

Northern Ireland is a compact region with strong connectivity. It benefits from two airports connecting with GB, Europe and further afield. London is 1 hour by plane, Dublin 1 hour 30 minutes by car and Scotland 2 hours 30 minutes by ferry. In addition the region has a well-connected motorway network and the majority of large cities and towns in the wider area can be accessed within 15 to 45 minutes' drive. There is extensive investment in the transport infrastructure such as the new Belfast Rapid Transit System and the new transport hub in Belfast city centre, due to open in 2025, will further improve connectivity.

QUALITY OF LIFE

Belfast has a lot to offer. Excellent education, healthcare, affordable housing, quality public facilities and amenities provide the city and its residents with a very high quality of life. Glassdoor named Belfast as one of the top cities in the UK in which to work and live.

THE ECONOMY

Belfast has a high GDP per capita of £44,300. GDP growth for 2021 is estimated at 4.9% which is ahead of the UK average. The region is also creating jobs at a faster rate than the UK, led by the tech sector with 44% of jobs created, compared to a UK average of 12%.

DUAL MARKET ACCESS

The region is unique in having dual market access within the UK and European markets. This has the potential to create unparalleled opportunities and advantages in a range of areas including manufacturing, life sciences and financial and professional services.

Reasons to invest

BELFAST REGION CITY DEAL
The Belfast Region City Deal is a £1 billion co-investment package. The UK Government has contributed £350m, the NI Executive is expected to add at least a further £350m and six councils and two universities will contribute over £150m. Direct investment from the private sector will take the overall package to over £1bn. The deal's target is the creation of up to 20,000 new and better jobs in a 10-year programme of economic growth, including an increase of £470m GVA.

OFFICE SECTOR
This continues to be one of the best performing sectors in Northern Ireland. Rents are very competitive at £23.00 psf and are a significant discount when compared to Dublin (€60.00 psf), Cork (€32.50 psf), Edinburgh (£36.00 psf), Glasgow (£32.50 psf), Bristol (£37.00 psf), Leeds (£32.00 psf), Manchester (£37.50 psf), Birmingham (£37.00 psf) and Liverpool (£25.00 psf). Office yields at 5.75% offer are also at a discount in comparison to the UK (4.75%) and Dublin (4.00%). We expect there will be future yield compression and rental growth in this sector.

INDUSTRIAL & LOGISTICS SECTOR
This sector is expected to see huge growth over the next five years with no speculative schemes on site and nearly 2 million sq ft of unfulfilled requirements. Current rents have risen considerably in the last few years but are still off a low base of £4.50 psf compared to Dublin (€10.50 psf), Cork (€8.50 psf), Edinburgh (£9.50 psf), Glasgow (£8.75 psf), Bristol (£7.50 psf), Leeds (£6.75 psf), Manchester (£6.95 psf), Birmingham (£7.75 psf) and Liverpool (£6.50 psf). We expect strong rental growth as prime supply is very limited and will reach levels that make speculative development possible. Industrial yields at 5.75% offer are also discounted from those in the UK (4.00%) and Dublin (4.75%).

RETAIL SECTOR
Belfast retail has faced a succession of major challenges, including the shutdown caused by Covid. We believe it will begin to pick up towards the end of 2021, due to the easing of restrictions and driven by further growth in tourism, increased city centre living and cross-border shopping.

MULTIFAMILY SECTOR
There is a huge opportunity in this sector with strong demand and affordable levels of rent. Belfast City Council is strongly promoting city centre living. This will involve significant investment from the private sector and will be further driven by growth in the commercial property sectors.

LOW CARBON
Belfast City Council has established a Resilience and Sustainability Board with an ambition to make the transition to a low-carbon economy in a generation. This is seen as a key objective of local government which will help future-proof the city and wider region.

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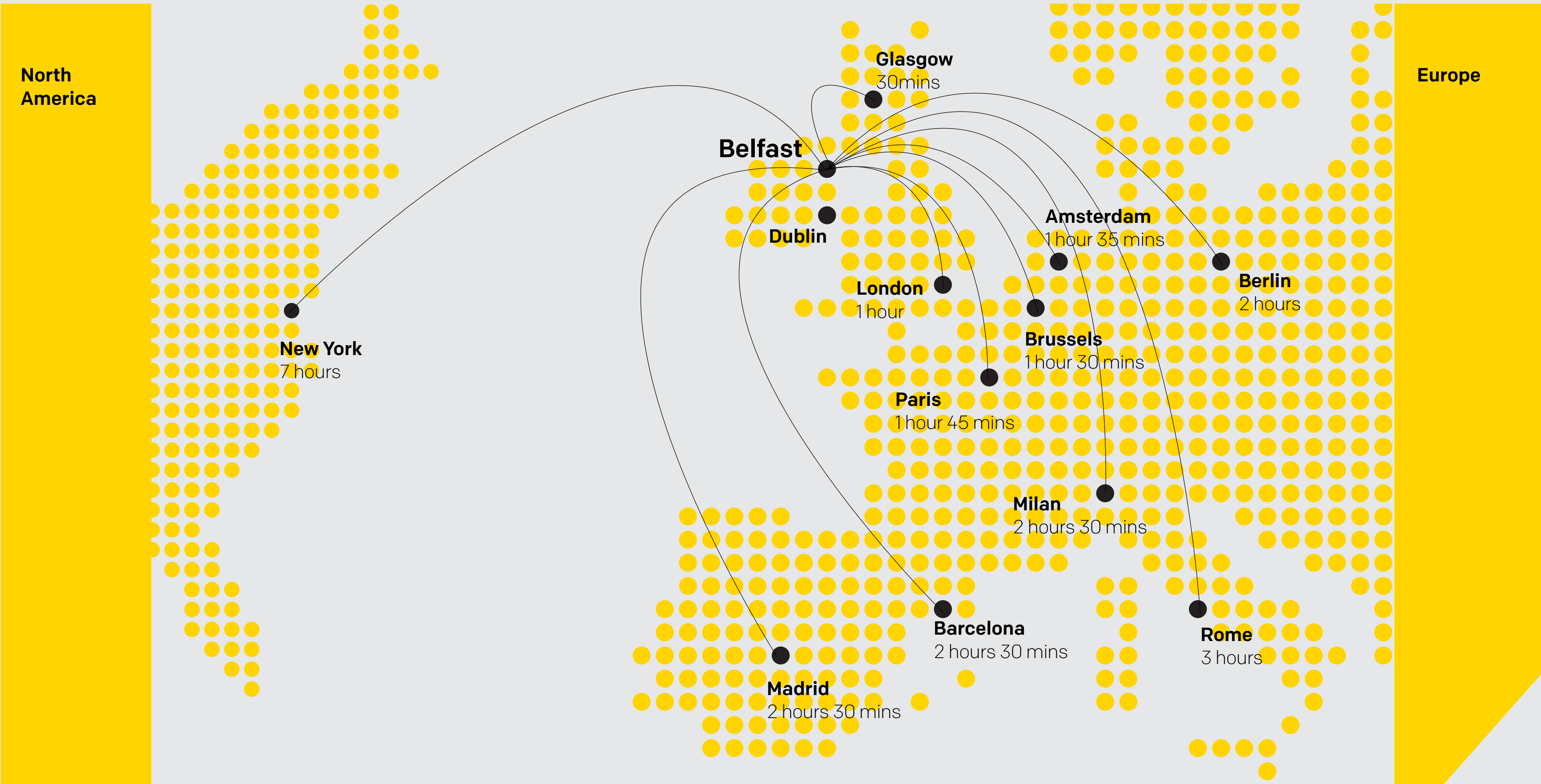
Northern Ireland overview

Flight time map



Northern Ireland snapshot

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Demographics

Population 1.88m
28% of population of Ireland and 3% of the UK

26%
People aged between 16-34. One of the youngest populations in Europe

0.64%
Highest population growth in the UK 2019

5.7%
second highest predicted population growth over the next 25 years in the UK

69.4%
Employment rate of between people aged 16-64 years old

Economy

42%
Amount of residents educated to 3rd level education or above

£47K
GVA per head

55.3%
Business start up survival rate

3.2%
Growth in the average national salary, £28,000

4.9%
Estimated GDP growth for 2021

Job Creation

44%
Tech jobs (vs. 12% in the UK)

9%
Across all jobs (vs. 6% in the UK)

10%
Office based jobs (vs. 9% in the UK)

Geography

2HR 15
Ferry crossing to Scotland

1HR 30
Drive time to Dublin

1HR
Flight time to London

1HR 50
Belfast to Dublin train

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Belfast in the context of UK & Ireland

Belfast

Belfast is the largest city in Northern Ireland and the second largest on the island of Ireland after Dublin. Named amongst the top 10 best places on the planet to visit over the next decade by Big Travel 7, the city has flourished in recent years and is a top destination for commerce, education and tourism both in the UK and on the island of Ireland.

- The city is alive with entrepreneurial spirit and capital investment is evident everywhere. Construction and development remain at the forefront of the city's onward projection.

- From innovation in the legal sector to ground-breaking cancer research, Belfast can boast global research centres of excellence and supporting high growth clusters. It is the leading city in Europe for new software development and is home to global businesses in fintech, data analytics and encryption, access control systems, and intelligent surveillance technologies. It has a film industry which has expanded in scope and reputation. As the place that produced Game of Thrones, it is firmly on the global tourist trail. Growth is likely to continue for the foreseeable future with Belfast Harbour planning to invest a further £45m to quadruple the size of their current studios.

- Belfast is also home to a rapidly growing fintech industry and is recognised as a world-leading hub for cybersecurity. fDi Intelligence ranked Belfast as 3rd globally for "Fintech Locations of the Future 2020". Global software companies include Allstate, Citi and Rapid7.

- Belfast has a business start-up survival rate of 55.3%, one of the best rates in Europe.

- There are over 895 international companies based in Belfast, responsible for the employment of some 98,000 people.

- International recruitment firm Glassdoor recently named Belfast as one of the top cities in the UK in which to live and work – representing real value for money for both employer and employee. Belfast has significantly lesser costs attached to labour, commercial rents and tax compared to the rest of the UK corporate market. And with an average home value of £159,625 and median base salary of £28,000, Belfast has emerged as a highly desirable place in which to live. Northern Ireland is the top performing UK region for GCSEs per head of population and over 40% of Belfast's near 630K regional catchment population are educated to NVQ level or above. Its two universities, Ulster University and Queen's University Belfast, have approximately 50,000 students, many of whom stay in Belfast once they have graduated.

- Belfast is projected to have the second highest population growth in the UK over the next 25 years (at around 5.7%). The past five years have also witnessed more people moving to Belfast than leaving, as net migration increases. 2019's figure of 4,100 was the highest in well over 10 years.

One of the world's top destinations for **fintech.**

5th best city in the UK for quality of lifestyle.

24.6 million tonnes of goods and **1.5 million passengers** passed through Belfast Harbour in 2019.

100% 4G broadband coverage in Belfast, the first in Europe. Voted **"best city for tech"** by Zoopla.

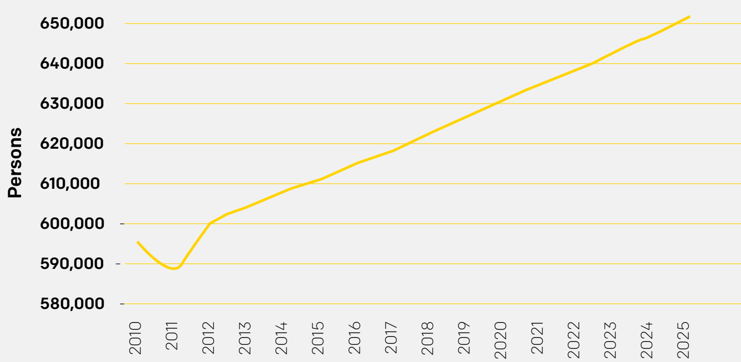
1.5 million - the amount of overnight trips per year that contribute some **£334 million** to the economy (pre-Covid).

Two well-renowned universities with over **50,000 students** studying in Belfast.

Belfast

- Belfast is a young city and has one of the youngest populations in Europe. Approximately 26% of the population are aged between 16-34.
- Enhanced connectivity – the Belfast Rapid Transit System has been a huge success since it launched in 2018. Weavers Cross transport hub will further improve accessibility across Northern Ireland and into the Republic of Ireland. Belfast is the 7th best city in Europe for connectivity, as awarded by fDi Intelligence. Moreover, 24.6m tonnes of goods and 1.5m passengers passed through Belfast Harbour in 2019.
- Approx. 2.2m people visit Northern Ireland every year, according to research from Tourism Ireland. This is worth over £1bn to the economy.
- Belfast was the first city in Europe to achieve 100% broadband coverage and was also ranked the best city in the UK for tech lovers by Zoopla. Urban innovation is at the core of the city.
- Through its Smart Belfast framework, Belfast has become a 'living laboratory' and is harnessing the city's talent pool, creativity and technical infrastructure to support the city's growth.

Belfast Metropolitan Population Projection



Source: Oxford Economics

The investor opportunity across the Belfast Region

The Brexit advantage for the Belfast Region

Northern Ireland has the only UK land border with the European Union. This provides some unique competitive advantages:

- Northern Ireland has retained tariff-free access to the European Union.
- Northern Ireland remains in the EU's single market for goods.
- Dual market access to both the UK and EU means the Belfast Region can become a gateway for the sale of goods into both markets.
- Northern Ireland is the only region free from customs declarations, rules or origin certificates and non tariff barriers on the sale of goods to both the UK and EU.
- These benefits will provide a positive boost for Northern Ireland based companies to show a further competitive advantage when considering locating or expanding. They already benefit from a highly skilled labour pool, lower occupational costs and business friendly environment.

"Selling something from Northern Ireland into Great Britain? There are zero issues. There is no paperwork or exit declarations needed".

Steve Harper
Executive Director of International Business
Invest Northern Ireland

A unique real estate investment prospect

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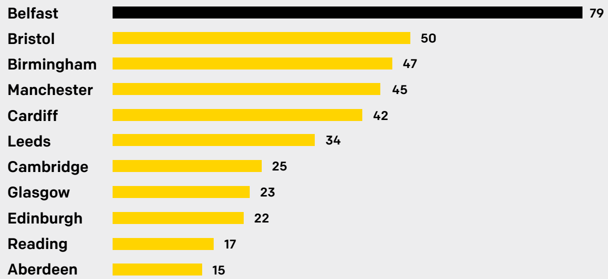
Belfast Renewed Ambition

Belfast's commercial property market is highly competitive and represents real value for money. Its Grade A office rents are some of the most affordable in both the UK and ROI. At present, there is a large supply-demand imbalance, particularly in office, industrial and residential sectors.

- Belfast has witnessed record levels of office, hotel and student accommodation take-up since 2015.
- Office take-up has averaged 482,322 sq ft per annum with Grade A rents having grown from £15.00 psf in 2015 to £23.00 psf in 2021.
- fDi Intelligence ranked Belfast as best small city in the world for business in 2018 and has named it as one of the top 25 cities in the world for attracting foreign direct investment. 71% of investors in Northern Ireland reinvest and we believe this number will only rise in the following years.
- The Belfast Region City Deal will see a £1bn co-investment package for the wider city region. It is hoped the deal will create up to 20,000 new skilled jobs alongside a 10-year programme of economic growth, including an increase of £470m Gross Value Added (GVA).
- The £100m Northern Ireland Investment Fund, targeted at stimulating development throughout Northern Ireland, and the Belfast City Centre Investment Fund, aimed at stimulating further regeneration in the city centre, will provide welcome support for the property sector as it navigates its way forward.
- The impact of Covid-19 has hit real estate trends with the growth of online retail and working from home. However both of these were already well advanced in Northern Ireland so Belfast is in a strong position to bounce back quicker than most in 2021 and beyond.
- Brexit has also presented a unique opportunity for CRE in Northern Ireland, with the country now having a foot in both the EU and UK markets. Both the public and private sector have a chance to maximise full potential of the dual access market.

Belfast is UK's most important regional FDI hub

Percentage of total regional FDI projects for leading UK cities, 2018-2019



(Source: EY UK Attractiveness Survey 2020)

Belfast City Council has made it a priority for the city to reduce its carbon footprint. Belfast's Resilience Strategy sets out a total of 30 transformational programmes to transition the city to an inclusive, zero-emissions, climate-resilient economy in a generation.

The Resilience Strategy is the first time that individuals and organisations have worked together to identify the shocks and stresses which make Belfast more vulnerable and could threaten our economic, social or environmental future.

Belfast City Council has set 30 foundational programmes to achieve decade-long interventions which will have a positive impact, at scale, across the city to help achieve their resilience goal.

Belfast

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2020 Total Investment Volume: £57.04 million
Number of Deals: 7

Prime Office Yield
5.75%

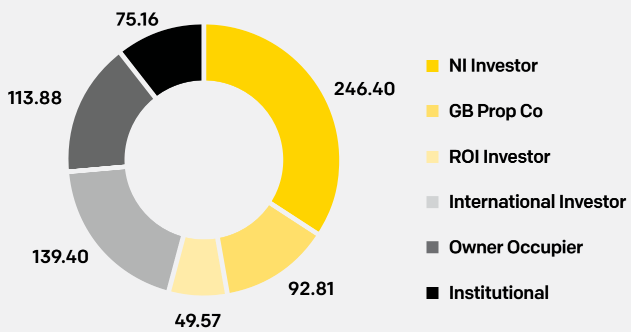
Prime Industrial Yield
5.75%

Prime Retail Yield
7.5%

2020 at a Glance

Investment activity during H2 was again limited due to challenges presented by Covid-19, particularly investors' ability to inspect properties and undertake due diligence. The investment spend over the second half of the year across all sectors in Northern Ireland totalled £57.3m, bringing the 2020 yearly investment total spend to £136m, a decrease of 36% from 2019. Office, industrial and supermarket yields have remained stable over the year. However, we have seen a considerable softening of yields in the retail sector, primarily driven by the effects of Covid-19 and ongoing structural changes in the sector.

Investor Type by volume (£m) Since 2015



Belfast's USP

Belfast continues to have one of the most unique markets in the UK. The city benefits from having two well-renowned universities and an excellent primary and secondary school system. Belfast has built a strong global reputation for being a market leader in a number of sectors including cybersecurity, fintech and film production. The city also benefits from having one of the lowest occupational and operational costs in the UK as well as access to best-in-class ICT infrastructure. We believe that Belfast is uniquely positioned following Brexit to benefit from having dual access to the UK and EU markets.

Recent Deals

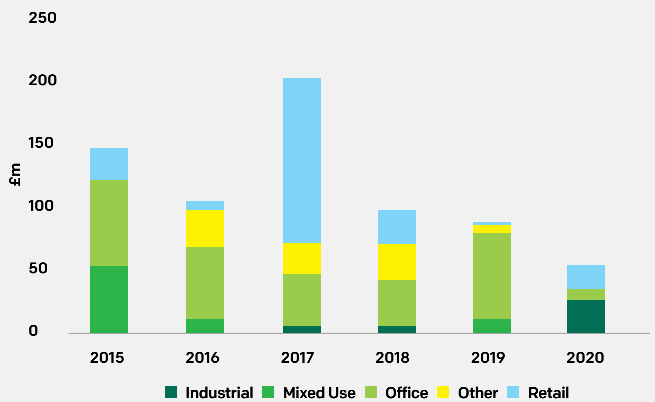
Merchant Square, March 2021

Area: 240,204 sq ft
Notable Tenants: PwC
Lease Term: WAULT c.9.88 Yrs
Rent pa: £4,850,000
Price: £87m
NIY: 5.20%
Purchaser: Albilad Capital

Channel Commercial Park, October 2020

Area: 99,338 sq ft
Notable Tenants: Amazon
Lease Term: WAULT c.10 Yrs
Rent pa: £1,590,000
Price: £27.12m
NIY: 5.5%
Purchaser: UBS Asset Management

Belfast Investment Volumes 2015 – 2020



UK & Ireland investment volumes for 2020

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Belfast Renewed Ambition

In comparison to other regional cities, Belfast offers significant headroom for growth and value for money. As the development pipeline across the various sectors increases, we expect that transactional volumes will also increase and lead to yield compression driven by strong investment fundamentals.

	2020 Investment Volumes	Investment Volumes 5yr-Average	Prime Office Yield (%)	Prime Industrial Yield (%)	Prime Retail Yield (%)	Prime Office Rents (PSF)	Prime Industrial Rents (PSF)	Prime Retail Rents (PSF ZA)
Belfast	**£57.04 million**	**£113.10 million**	**5.75%**	**5.75%**	**7.50%**	**£23.00**	**£4.50**	**£125**
UK Key Markets	£3.38 billion	£5.26 billion	4.75%	4.00%	5.25%	-	-	-
Birmingham	£859.07 million	£1.32 billion	4.75%	4.25%	6.75%	£37.00	£7.75	£190
Bristol	£669.05 million	£610.72 million	4.75%	4.35%	9.75%	£37.00	£7.50	£76.50
Edinburgh	£667.80 million	£904.12 million	4.50%	4.50%	6.00%	£36.00	£9.50	£175
Glasgow	£250.61 million	£713.08 million	5.25%	4.50%	6.00%	£32.50	£8.75	£229.50
Leeds	£348.96 million	£511.30 million	5.00%	4.75%	6.25%	£32.00	£6.75	£191.25
Liverpool	£81.75 million	£327.13 million	6.75%	4.50%	5.80%	£25.00	£6.50	£198.90
Manchester	£2.17 billion	£1.89 billion	4.75%	4.00%	6.50%	£37.50	£6.95	£221.85
Dublin	€3.2 billion	€3.4 billion	4.00%	4.75%	5.50%	€60.00	€10.50	-
Cork	€27.2 million	€102.7 million	5.50%	6.50%	7.50%	€32.50	€8.50	€180

Source: CBRE

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The Belfast Region

The investor opportunity across the Belfast Region

In addition to Belfast City Council, the wider Belfast Region encompasses Antrim and Newtownabbey Borough Council, Ards and North Down Borough Council, Lisburn and Castlereagh City Council, Mid and East Antrim Borough Council and Newry, Mourne and Down District Council.

The Belfast Region is a compelling investment proposition, perfectly positioned post-Brexit, with unique strengths including the competitive advantage of access to EU and GB markets and connections to international markets such as the US.

Belfast Region Industrial & Logistics

The industrial and logistics sector has been the best performing over the past five years in Great Britain. Belfast and the wider region are only beginning to see significant investment and occupier interest over the past 12 months and we believe there is huge opportunity for first mover advantage in the sector.

- Changing behaviours in the retail sector to online has resulted in significant developer and investor activity in the industrial and logistics sectors across Europe.
- Belfast and the wider region has not witnessed any speculative activity in the Industrial or Logistics sectors since 2007.
- Since Q4 2020, investor enquiries for logistics have increased significantly.
- Logistics & Industrial development represents one of the largest potential growth sectors for the Belfast Region.
- The pandemic has accelerated changes that were already underway as many temporary behaviours become more permanent. The growth of online retailing has helped support the need for further logistics space. Belfast and the wider region offer opportunities for both investors and occupiers seeking lands zoned for logistics space.
- CBRE is currently tracking occupier requirements for in excess of 1.9 million sq ft Logistics accommodation throughout Northern Ireland. There is currently no supply to meet this demand. Equally there are very limited new build opportunities for existing businesses to grow into and there is a need for smaller schemes to meet this need.
- There are a number of Ireland wide logistics requirements which could be in part a result of lack of space and pricing on the greater Dublin area.

The investor opportunity across the Belfast Region

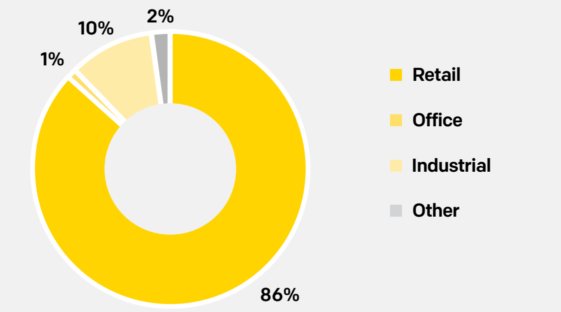
Development Opportunities across the Belfast Region

- The Belfast Region Investment Guide identifies a number of strategic opportunity sites potentially available for investment.
- The strategic location on the eastern economic corridor of Ireland makes it one of the most industrious and ambitious regions and best placed to take advantage of the cross border location, Brexit advantages and locational advantages into the UK and EU.
- Across the partner councils, a number of local and regional projects have been selected to help transform and regenerate the wider region.
- Investment has been secured to deliver some of these flagship projects but many more opportunities are available to be realised across the Belfast Region.

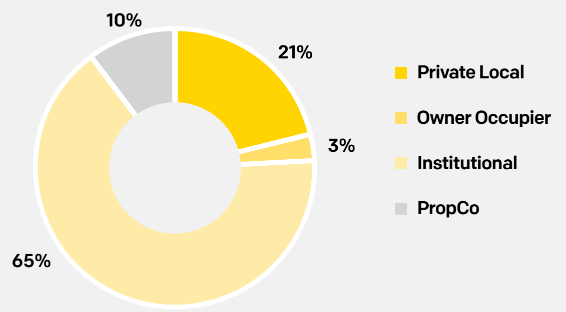
Who has invested in the Belfast Region?

Overview:
Between 2015 - 2020 investor activity in the Belfast Region (excluding Belfast City and the Greater Belfast Area) totalled £428.34m. A selection of Belfast Region deals are detailed below.

Belfast Investment by Sector 2015 – 2020



Belfast Investor Type 2015 – 2020



Address	Purchaser	Price	Sector	Purchaser Type
Valley Retail Park, Newtownabbey	AEW Europe	£7,150,000	Retail	Institutional
Bloomfield Shopping Centre & Retail Park, Bangor	Tristian Capital Partners	£54,150,000	Retail	Institutional
The Boulevard, Banbridge	Tristian Capital Partners	£11,000,000	Retail	Institutional
The Junction, Antrim	Tristian Capital Partners	£21,795,000	Retail	Institutional
Highfield Retail Park, Craigavon	Private Local	£14,250,000	Retail	Institutional
Damolly Retail Park, Newry	MJM	£30,750,000	Retail	Private Local
Tower Centre, Ballymena	Private Local	£6,500,000	Retail	Private Local
Curry's / PC World, Lisburn	Aberdeen Asset Management	£13,925,000	Retail	Institutional
Tesco Extra, Newry	Investec	£27,250,000	Retail	Institutional
Castlebawn Retail Park, Newtownards	Home Bargains	£7,200,000	Retail	Owner Occupier
Down Retail Park, Downpatrick	Comer Group	£11,000,000	Retail	PropCo
Bow Street Mall, Lisburn	Comer Brothers	£12,500,000	Retail	PropCo
Antrim Business Park, Antrim	UK Private	£12,500,000	Industrial	PropCo
Clandeboye Retail Park, Bangor	Harry Corry Pension Scheme	£8,700,000	Retail	Private Local
Sprucefield Retail Park, Lisburn	NewRiver Retail	£40,000,000	Retail	Institutional
Abbey Retail Park, Newtownabbey	Slate AM	£33,000,000	Retail	Institutional
Royal Mail, Mallusk	Unknown	£30,000,000	Industrial	Private Local
Curry's / PC World, Sprucefield	Private Local	£8,000,000	Retail	Private Local

Statistics exclude Belfast City and the Greater Belfast Area.
Source: CBRE.

The Belfast Region City Deal

What is it?

The Belfast Region City Deal is a collaboration between the Belfast Region partner councils, Queen's University Belfast, Ulster University and the regional Further Education Colleges alongside NI and UK Governments. Partners have agreed an integrated programme to transform the region's economy. The £1 billion co-investment package will seek to address a number of key barriers to growth.

What will it deliver?

The Belfast Region City Deal will deliver growth in the city regions economy with a 10 year programme to increase GVA by £470m and creating up to 20,000 new and better jobs, accessible to people from all communities.

The Belfast Region City Deal partners have agreed four investment pillars:

- Infrastructure
- Tourism and Regeneration
- Innovation and Digital
- Employment and Skills

What are the advantages?

1. Excellent Transport Infrastructure

- Two airports offering daily scheduled flights across UK, Europe and other worldwide destinations.
- Belfast Harbour is the second busiest port on the island of Ireland.
- Motorway network linking all areas including easy access to Dublin and the EU.

2. Location

- Easily accessible location. London is an hour away by air and Dublin is 90 minutes by car.
- Northern Ireland is the only part of the UK sharing a land border with the EU.

3. Competitive Operating Costs

- Salary costs are lower than other regions of the UK and up to 30% lower than London, Dublin and Paris.
- Operating costs are lower than the rest of the UK and Europe (FDI benchmarking).
- Prime office rents are amongst the lowest in Europe and are lower than many other UK regional locations and Dublin.
- The overall tax burden in Northern Ireland is the lowest of all the major European economies.

4. Digital Connectivity

- Northern Ireland was the first region in Europe to achieve 100% broadband coverage.
- Project Kelvin offers resilient and fast connectivity to North America.

5. Highly Skilled & Talented Workforce

- The Belfast Region provides access to over 1 million people. It generates approximately £47,000 GVA per head.
- 61% of all jobs in Northern Ireland are based in the region.

£1 billion value of the Belfast Region City Deal

£470 million planned increase in GVA

Belfast Region City Deal – Projects

The following are a selection of projects being progressed as part of the Belfast Region City Deal.

i4C Innovation Centre

St. Patrick's Barracks, Ballymena

Click here to read more.

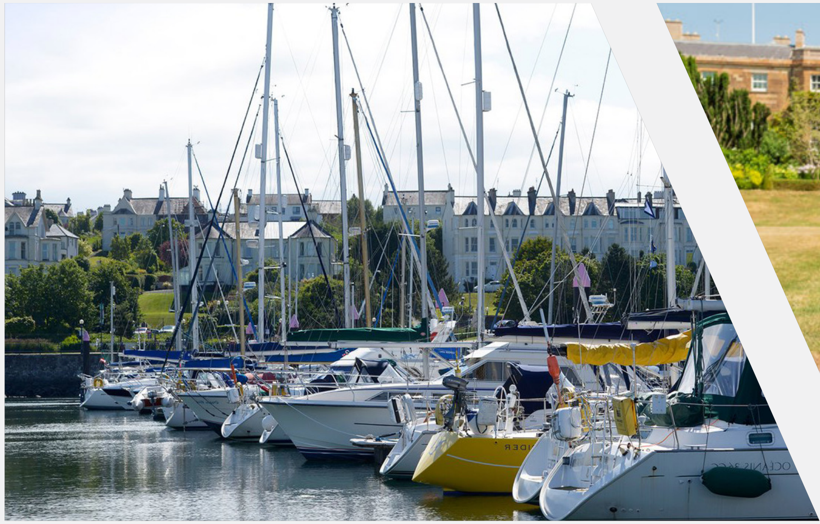
Belfast Destination Hub

Belfast city centre

Click here to read more.

Belfast Region City Deal – Projects

The following are a selection of projects being progressed as part of the Belfast Region City Deal.



Bangor Waterfront

Bangor

Click here to read more.

Hillsborough

Hillsborough

Click here to read more.

Belfast Region City Deal – Projects

The following are a selection of projects being progressed as part of the Belfast Region City Deal.

Newry City Centre Regeneration

Newry

Click here to read more.

Advanced Manufacturing Innovation Centre (AMIC)

Belfast Region

Click here to read more.

06

Real estate market performance & outlook

06 A

Investment market

Investment market

Overview:
The Belfast Commercial Real Estate (CRE) investment market has traditionally been much smaller than in other major UK cities, with over half of its investments since 2015 coming from domestic UK investors. This being said, what Belfast's CRE market perhaps lacks in stature, it makes up for in value. Attractive yields, positive rental growth, large public sector employment and a growing tech industry are all reasons investors continue to choose Belfast.

As the second largest city on the island of Ireland, it has huge investment potential. Northern Ireland and Belfast have a unique competitive advantage as a consequence of Brexit, with arrangements eliminating tariffs for UK businesses trading with the EU. Northern Ireland firms will also avoid the need for new regulatory checks because they will still be following EU single market rules. This should attract new occupiers and business seeking to benefit from its exceptional status, which in turn should be a positive boost for the Belfast CRE industry.

Furthermore, given that no other UK country shares a border with the EU, Belfast offers a gateway to Europe - less than a 90-minute drive to Dublin, a city that witnessed €3.2bn of CRE investment in 2020. Many commentators suggest that capital previously deployed into Dublin may be invested into Belfast in future years as Belfast establishes itself as a portal of trade for the UK and EU.

On average, **£132m of CRE investment** takes place in Belfast each year.

Property returns of **7.7%** for Belfast in 2019, exceeding that of other UK nations.

Averaged against the 3 main property asset classes, yields equate to **6.28%**.

71% of investors reinvest in Belfast.

Notable Belfast Investments

Address	Date Sold	Purchaser	Price	NIY	Sector
Merchant Square	Mar-21	International	£87,000,000	5.20%	Offices
Holywood Exchange	Nov-20	GB Prop Co	£17,920,000	9.74%	Retail
Amazon, Channel Commercial Park	Oct-20	Institutional	£27,120,800	5.50%	Industrial
CastleCourt Shopping Centre	Jul-17	International	£123,000,000	6.41%	Retail
John Bell House, Belfast	–	NI Investor	£30,000,000	TBC	Other
Metro Building, 6-9 Donegall Square South	Sep-18	NI Investor	£21,800,000	5.52%	Office
NCP Car Park, Montgomery Street	Jun-18	Institutional	£18,040,000	4.27%	Other
40/46 Donegall Place, Belfast	Jun-18	International	£16,400,000	7.00%	Retail
Cleaver House, Donegall Place	Sep-17	ROI Investor	£15,250,000	7.63%	Mixed Use
Obel 68	Aug-18	Institutional	£15,200,000	6.64%	Office

Source: CBRE.

Investment market

CBRE | NI

Belfast Renewed Ambition

Investment Volumes:
2020 Investment volumes across the market are down – 35% from the 2019 figure and 49% down on the five year average, as investors are forced to take stock and consider their options.

However, there was some encouraging news in 2020. Industrial properties had an exceptional year with £29.57m of industrial investment sales, making it the busiest for industrial investment sales in well over six years.

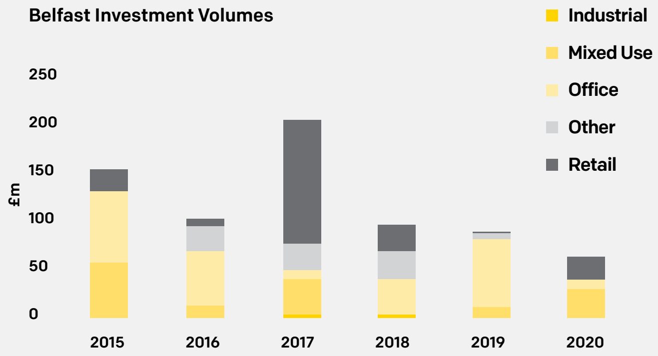
Since 2015, £717m worth of CRE stock has transacted between investors in Belfast. This equates to 101 deals. The largest deal in this period was Wirefox's purchase of CastleCourt in July 2017, a deal that achieved a yield of some 6.41%. Other large purchases included the £30m purchase of John Bell House student accommodation, UBS's purchase of Amazon's Last Mile Distribution Hub at Titanic Quarter and the sale of the Metro Office Building in September 2018 for £21.8m.

During March 2021, Merchant Square sold to Albilad Capital for £87m, reflecting an net initial yield of 5.20% which is the largest office investment and strongest yield achieved in the Belfast market. This bodes well for the future of the office sector in the region.

Type of Investor:
Unlike the rest of the UK, the market over the past six years continues to be largely dominated by domestic investors, with 34% of the market share being attributed to NI investors. However, with 13% and 19% respectively, GB property companies and international investors continue to appreciate the value of the Northern Ireland market and are still very much active across all asset classes.

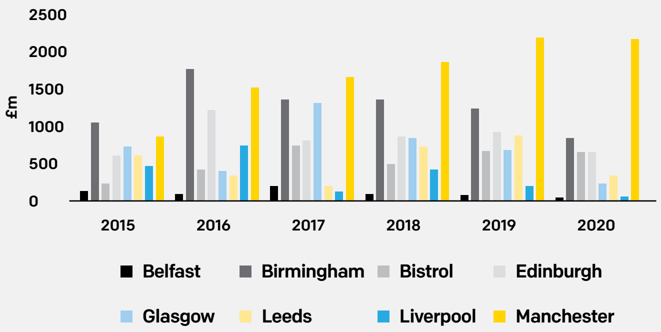
The past couple of years has started to see a shift with more foreign money taking a look - and indeed investing - in the Belfast CRE market. With the expected growth in the industrial and residential sectors, the attention of foreign investment is likely to increase.

Belfast Investment Volumes



Source: CBRE

UK Investment Volumes



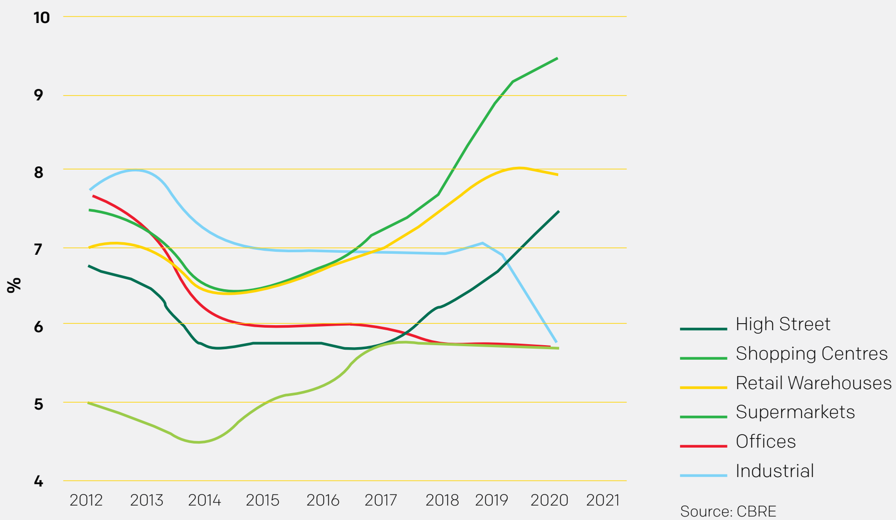
Source: CBRE/PropertyData

Investment market

Investment returns & yields:

- At an all property level, Belfast's total return was 1.4%. Belfast's office return was underpinned by an income return of 7.5%. Belfast's comparatively high overall income return of 7.1% continues to make the city a competitive property investment destination in a pan-European context.
- Further encouragement in the investment market can be taken from Belfast property yields in 2020 were able to hold stable, with only retail yields softening. Averaged across the three main asset classes, Belfast's property yields at the end of 2020 equated to 6.3%, putting it on a par with Bristol (6.28%).

Belfast Investment Yields



Source: CBRE

Merchant Square sold for £87m in March 2021, reflecting NIY of 5.2%

Investment market

Prime yields at the end of 2020

	Belfast	UK Regional Cities	Dublin
Retail			
High Street Shops	7.50%	5.25%	7.50%
Shopping Centres	9.50%	7.00%	5.50%
Retail Warehouses (bulky)	8.00%	6.50%	5.75%
Office	5.75%	4.75%	4.00%
Industrial (Estates)	5.75%	4.50%	4.75%

06 B

Office market

A resilient market

"Rapid7 is committed to investing in the company's global expansion, particularly in areas with impressive technical talent such as Belfast. Causeway Asset Management understood our vision and expansion goals and truly partnered with us to develop the right solution for our future success in Belfast."

Jamie Kinch
Vice President of Real Estate & Workplace Experience

"The growth of our Belfast office has been a remarkable success story which would not have been possible without the exceptional pool of talent here from both legal and business backgrounds, which has allowed us to create highly skilled and specialised opportunities in Northern Ireland."

James Richards
Executive Director

"This move underlines the PwC Executive Board's confidence in Northern Ireland as a location and the success of the firm here. We will continue to grow in local, national and international markets from Belfast, drawing on the technology skills emerging from our schools, universities and colleges."

Paul Terrington
Northern Ireland Chair and Head of UK Regions

Prime rents: £23psf

Availability: 763,000 sq ft

2020 take-up: 140,911 sq ft

5-yr average take-up: 482,322 sq ft

Office market

CBRE | NI

Belfast Renewed Ambition

Demand supported by a range of occupiers

Belfast take-up 2019 vs five year average

Professional services

37%

Five-year average 22%

Deloitte.
pwc
MTB

Creative industries

32%

Five-year average 20%

RAPID7
Neueda
proofpoint.

Business services

17%

Five-year average 16%

VENYOU
MEARS
SIGNIFYD

Notable Deals

Merchant Square

Size: 200,000 sq ft
Practical Completion: 2020
Occupier: PwC

Erskine House

Size: 100,000 sq ft
Practical Completion: 2019
Occupier: HMRC

The Ewart

Size: 209,000 sq ft
Practical Completion : 2021
Occupier: Part let to Deloitte (80,000 sq ft)

Allstate HQ, East Bridge St.

Size: 138,225 sq ft
Date: 2018
Occupier: Allstate Investment

Office market

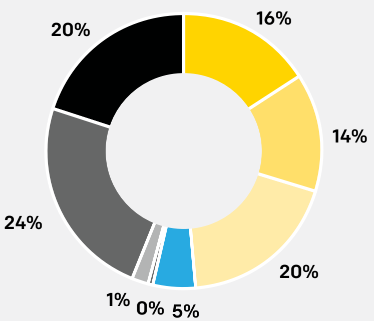
Overview:
The Belfast office market has been the city's strongest-performing sector in both take- up and investment since 2015. Five-year annual office take-up average stands at 482,322 sq ft, remarkable given that the 2011 – 2015 five-year average equated to 319,000 sq ft. Rising by almost 200,000 sq ft per year is no mean feat and is testament to the occupational market Belfast has, with modern stock and low overheads attractive to both occupiers and investors.

Office take-up has over the past few years gathered momentum, with notable deals including PwC taking over 200,000 sq ft at Merchant Square, the Department of Finance taking 149,000 sq ft at 9 Lanyon Place and HMRC taking over 100,000 sq ft at Erskine House.

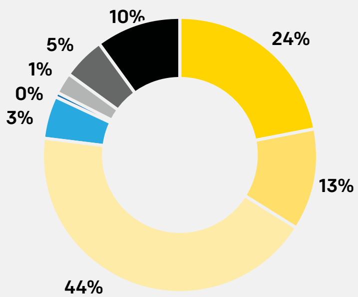
The public sector was historically the largest occupier in the office market. However this situation has significantly reduced over the years with a huge rise in the tech, creative and professional service industries resulting in many global organisations calling Belfast their home.

Developments:
In recent years, over 670,000 sq ft of office stock has been developed and Belfast city centre has some of the most modern, Grade A office buildings in the UK. Although speculative development has been limited over the last five years, most schemes have been fully leased by practical completion. Recent completed developments include City Quays 2, River House, The Laser, Merchant Square and The Weaving Works.

Belfast office sector take-up 2011-2019



Belfast office sector take-up 2020



- Banking & Finance
- Consumer Services & Leisure
- Professional
- Business Servics
- Insurance
- Public Sector
- Tech
- Manufacturing Industrial & Energy

Notable Developments

The Weaving Works

Completed: 2017
Developer: Karl Group
Size: 30,528 sq ft

River House

Completed: 2018
Developer: Castleforge Partners
Size: 78,000 sq ft

City Quays 2

Completed: 2017
Developer: Belfast Harbour
Size: 80,000 sq ft

Merchant Square

Completed: 2020
Developer: Oakland Holdings
Size: 201,000 sq ft

Office market

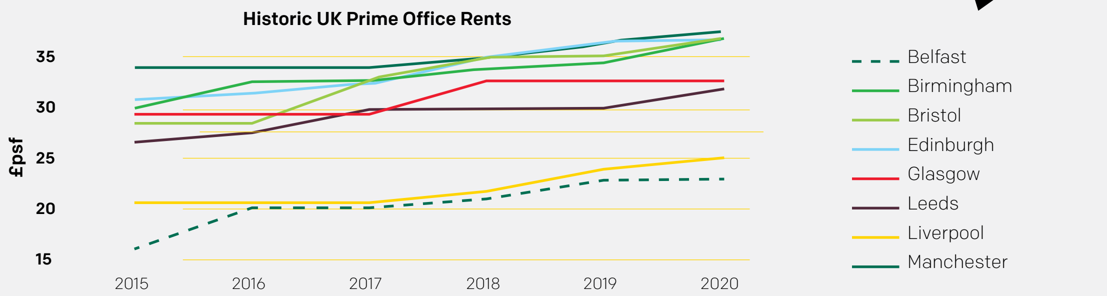
Prime rents:
The current rise in prime rents is forecast to continue. Grade A rents for Belfast equated to £23.00 per sq ft, up some 43% since 2015. This rapid rise in rental values is extremely attractive to investors. However, at just £23psf for city centre Grade A space, Belfast represents one of the few major cities in the UK with modern office stock at relatively low prices.

Investment:
Since 2015, deals worth more than £343.5m have been concluded, most notably Citibank purchasing The Gateway for £34m and The Metro Building for £21.8m, Obel 68 selling for £15.2m in August 2018 and James House selling for £16m in March 2019. Merchant Square sold in March 2021 for £87m, the largest office investment ever sold in Northern Ireland and reflecting an initial yield of 5.20%.

Looking forward:
Encouragingly, live requirements for space in Belfast continue as occupiers seek the benefit of the Belfast office market fundamentals. These requirements, if fulfilled, would equate to some 1.4m sq ft. It should be noted that as of March 2021 there is only 1.19m sq ft of available office space but a further 723.629 sq ft of office development due for completion by the end of the year will help to satisfy demand.

Belfast has another 2.7m sq ft of identified office developments which have obtained planning permission and could start in the medium term. The development pipeline offers a great opportunity for investors to secure best-in-class schemes over the next five years and build critical mass within the market.

With yields reflecting c5.75%, office investments in Northern Ireland look well priced compared to other UK and European cities.



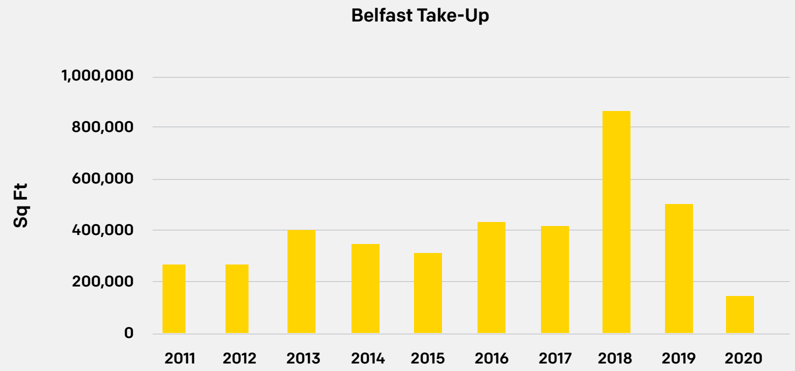
Source: CBRE

Notable Belfast Office Investments

Address	Tenants	Sq Ft	Date Sold	Purchaser	Price
Merchant Square	PwC	240,204	Mar-21	International	£87,000,000
Victoria House, 15-27 Gloucester Street	Various	58,254	Nov-19	Private Investor	£12,500,000
The Gateway Offices	CitiBank NA	133,205	Apr-19	International	£34,350,000
James House, Gasworks	Department of Finance and Personnel	111,488	Mar-19	Government	£16,000,000
Metro Building, 6-9 Donegall Square	Capita, Yell	69,611	Sep-18	Private Investor	£21,800,000
Obel 68	Allen & Overy	52,169	Aug-18	Harbour Commissioners	£15,200,000
Ulster Bank, Shaftesbury Square	The Royal Bank of Scotland Plc	35,631	Apr-16	Private Investor	£9,890,000
Capital House Wellington Place/Upper Queen Street	Northern Ireland Water, Diageo, Capita and Steria	72,083	Jan-16	ROI Investor	£11,050,000
The Soloist Building, Lanyon Place	Pinsent Masons	88,000	Dec-15	UK Investor	£14,500,000
Clare House, 303 Airport Road West	Department of Finance and Personnel	66,210	Mar-15	Government	£8,000,000
Causeway Exchange, 1-7 Bedford Street, Belfast	Department of Finance and Personnel	71,554	Feb-15	Government	£12,150,000

Source: CBRE

Demand for new space increasing development activity



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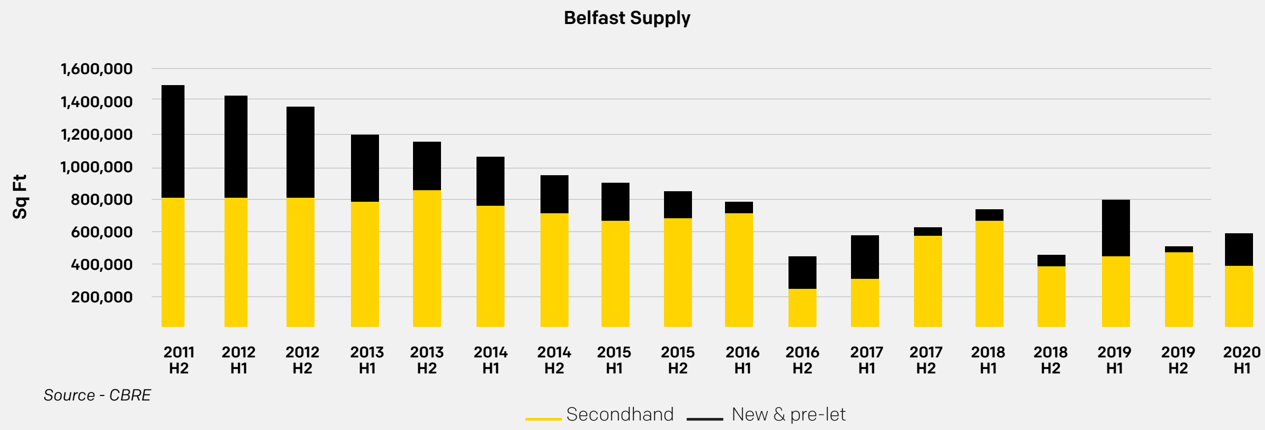


Source - CBRE

Notable Developments

City Quays 3

Completed: Q4 2021
Developer: Belfast Harbour
Size: 260,000 sq ft

Olympic House

Completed: Q4 2021
Developer: Titanic Quarter and Belfast Harbour
Size: 146,746 sq ft

The Ewart

Completed: Q4 2021
Developer: MRP
Size: 209,000 sq ft

The Paper Exchange

Completed: Q1 2022
Developer: Wirefox
Size: 156,000 sq ft

Thought piece - The growth of tech

It is estimated that around 60,000 people are employed by technology companies in Belfast, making it one of the leading cities in Europe for new software development. The wider Northern Ireland tech ecosystem can lay claim to over 1,200 companies, ranging from large multi-nationals to small start-ups. It is home to global businesses in financial software, data analytics and encryption, access control systems, and intelligent surveillance technologies: with occupiers such as Concentrix, Rapid7, Neueda and Proofpoint all taking new office space in recent years.

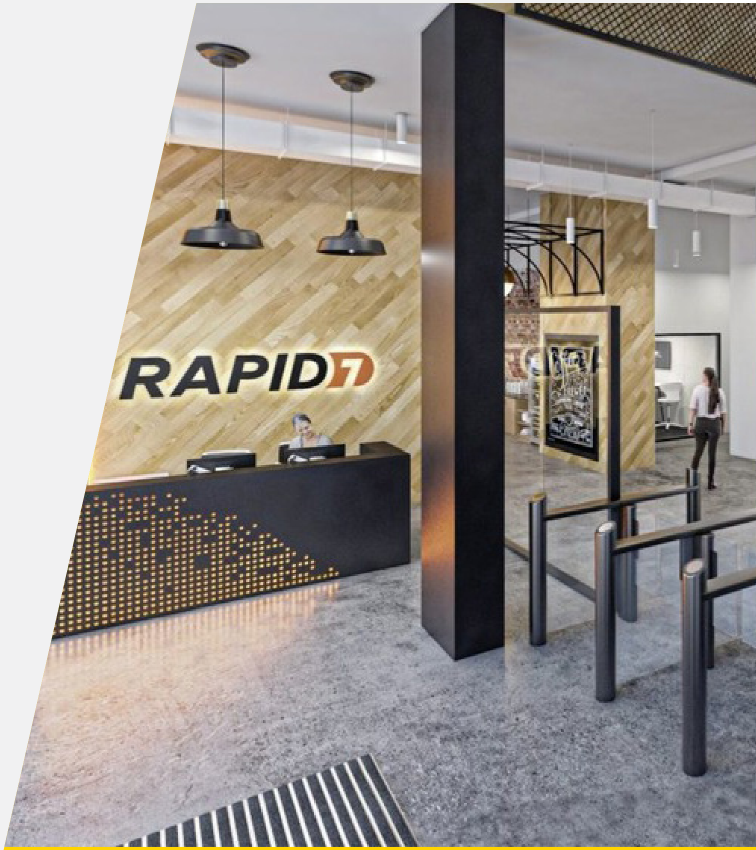
Supporting all these businesses is a strong network of regional and UK government investment programmes and world-class academic institutions. Queen's University Belfast is globally-renowned for its Centre for Secure Information Technologies (CSIT), an innovation and knowledge centre for cyber security and the largest of its kind in the UK, with BAE Systems, Infosys, IBM and Thales among its partners. Belfast is the world's number one destination for US-based cybertech investment and is fast becoming a global cyber security hub. This sector employs over 1,200 people. With a pipeline of talent, pioneering research and innovation and secure and resilient infrastructure, it will be one of the world's leading cyber economies by 2026.

These tech companies have excellent reasons to be based in Belfast. Not only does it represent competitive value for money, but it is one of the most technologically advanced cities in the UK. Belfast has invested heavily in infrastructure that supports tech companies.

Add to this an exceptionally talented, young and highly-educated workforce, and it becomes apparent why the business start-up survival rate in the city is 55.3%, one of the highest in Europe. Belfast has in place all the elements needed to grow and nurture a thriving tech community.

Both Queen's University Belfast and Ulster University are investing heavily in electronics, computer sciences and cybersecurity. The region is expanding its economic development efforts, with the Northern Ireland Executive publishing its New Decade, New Approach agreement, which included a call to promote the region as a global cyber security hub.

The £1bn Belfast Region City Deal will also play a substantial part in growing the tech sector even further.



New offices at Chichester House for cyber-security company Rapid7

06
C

Retail market

Reasons to be optimistic

"The retail sector in Belfast like the rest of the UK and Ireland continues to face considerable head winds, however, despite this there are more than enough reasons to be optimistic about the market in Belfast, with very limited availability in retail parks and the supermarket sector performing particularly well.

Economists are adamant it will be a consumer-driven economic bounce back once the pandemic is over, with thousands of households sitting on surplus capital accumulated during lockdown.

We believe that the current market offers a once in a generation opportunity to reimagine and reposition our high streets and city centres for the requirements of the future."

CBRE NI Retail

Prime rents: £125 psf Zone A

Prime yields: 7.5%

5-yr investment volume figure £216.14m

Retail market

CBRE | NI

Belfast Renewed Ambition

Overview:
Although Belfast has faced the same retail challenges as the rest of the UK, the market here has shown reasons to be optimistic.

The Covid crisis has perhaps acted as a catalyst towards a more sustainable and sensible retail sector. Landlords have willingly cooperated with many tenants, restructuring leases and in some instances allowing rental 'holidays' in an attempt to ensure that when the restrictions are lifted, as many retailers as possible are in a position to bounce back strongly. The freezing of business rates is another encouraging move from local government and again should certainly level the playing field in the short term for when lockdown is finished. It is also important to remember that some retail sectors in 2020 performed very well. Retail warehousing continues to be hugely popular and the supermarkets, exempt from the lockdown restrictions, performed strongly, with many new stores now looking for additional space.

- Retail has traditionally been a strong sector in Belfast, largely due to limited institutional investment stock availability coupled with a strong occupier market driven by cross-border trade and limited online retail penetration in comparison to GB. Over the past five years, retail represents the second biggest asset class in terms of investment volumes, falling just short of the office market at £216.14m.

- On the high street, many retailers have taken space in Belfast city centre over the past few years with occupiers such as Smiggle, Hotel Chocolat, Oliver Bonas, Tommy Hilfiger, Vans and Bunsen all entering the market. The Pragma Retail Report of 2020 detailed evidence to suggest that Belfast High Street also had a higher rate of independent stores than the rest of the UK (49%); showing the real viability for smaller retailers.

- Retail parks have not been adversely impacted during 2020 given that parking is free and units tend to be larger, making it easier to maintain social distancing.

- There has been noticeable activity in the food sector as well. Lidl remains incredibly active and Tesco continues to dominate the convenience market in Belfast with a 35.2% market share (December 2020), according to research produced by Kantar.

Retailers continuing to expand

OLIVER BONAS

TOMMY HILFIGER

HOTEL Chocolat.

Smiggle

ANTHROPOLOGIE

SPORTSDIRECT.com

LIDL

b&m

STARBUCKS COFFEE

Retail market

Investment:
Limited retail transaction activity in 2020 made determining pricing more challenging. However, yields have weakened since the start of 2020 and are expected to weaken further into 2021. All Belfast high street shops have moved out, with prime yields now at c.7.5% and prime shopping centres at c.9.5%. Prime retail warehouses have been the least impacted, standing at 8%.

International capital can be attributed to the two largest deals in this time frame, displaying the appetite they often have for multi-let retail properties. GB capital in the form of UK property companies spent £19.92m while Northern Irish domestic investors attributed to £22.55m.

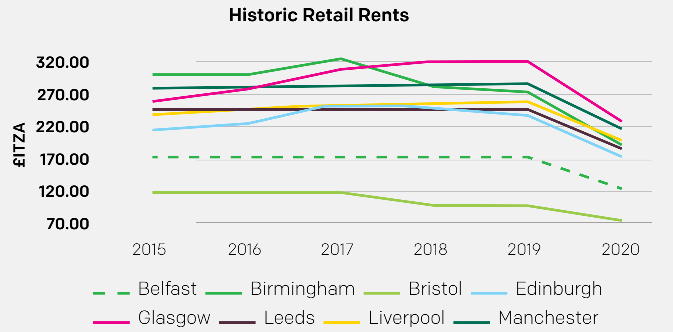
In terms of volumes, retail has proven a popular investment historically. Since 2015, £216.14m of retail has transacted, the second biggest spend on asset class after offices.

Looking Forward
News that the Bank of England CPI inflation will remain at around 0.5% until late spring is welcome, as low inflation will provide a sizeable boost to household spending power and disposable income, which at the last recorded figure in 2019 for Belfast was averaging approx. £19,000 per household, significantly higher than comparable cities.

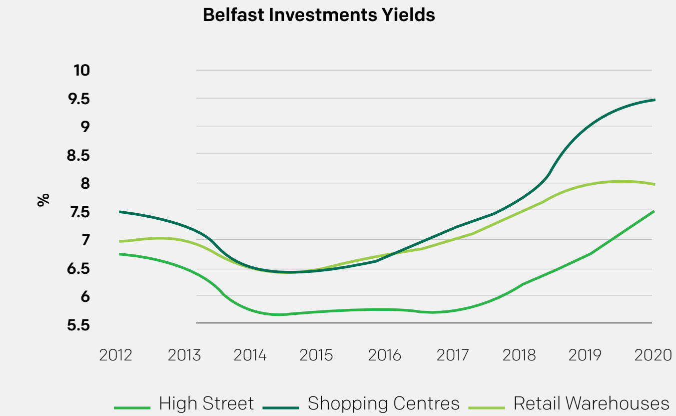
Supermarkets will outperform other asset types over the next five years, driven by increased sales and store expansions. Capital values are forecast to increase by 1% (5-year annualised) and total returns averaging around 6% (five-year annualised) according to CBRE's MSCI forecast.

Belfast city centre is well positioned for future occupiers and investment in the sector, driven by Ulster University's new campus which is due to open in summer 2021, and ambitions to significantly increase city centre living over the next 10 years, continuing growth in tourism and the completion of new office schemes in the city.

The city has a high number of independent retailers which strongly complements the multinational operators. However, there exists an opportunity to attract other key national and international retailers who are currently not represented in the region.



Source - CBRE



Source - CBRE

Retail market

CBRE | NI

Belfast Renewed Ambition

Notable investment transactions

CastleCourt Shopping Centre

Completed: July 2017
Price: £123m
Yield: 6.41%
Purchaser: Wirefox & Tianlie

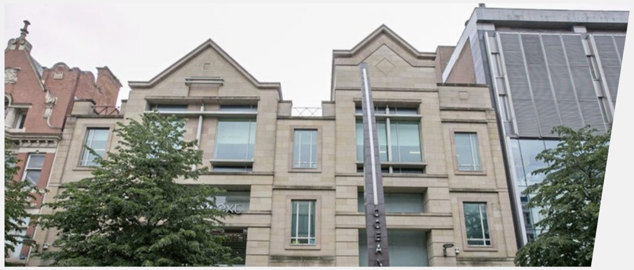
Fountain House, Donegall Place

Completed: October 2018
Price: £14m
Yield: 4%
Purchaser: Primark

Cleaver House, Donegall Square North

Completed: September 2017
Price: £15.25m
Yield: 7.63%
Purchaser: ROI Investor

40/46 Donegall Place



Completed: June 2018
Price: £16.4m
Yield: 7%
Purchaser: Corum Asset Management

Holywood Exchange

Completed: November 2020
Price: £17.92m
Yield: 9.74%
Purchaser: DS Properties

Donegall Arcade, Castle Place

Completed: November 2015
Price: £15.8m
Yield: 4.53%
Purchaser: Sports Direct

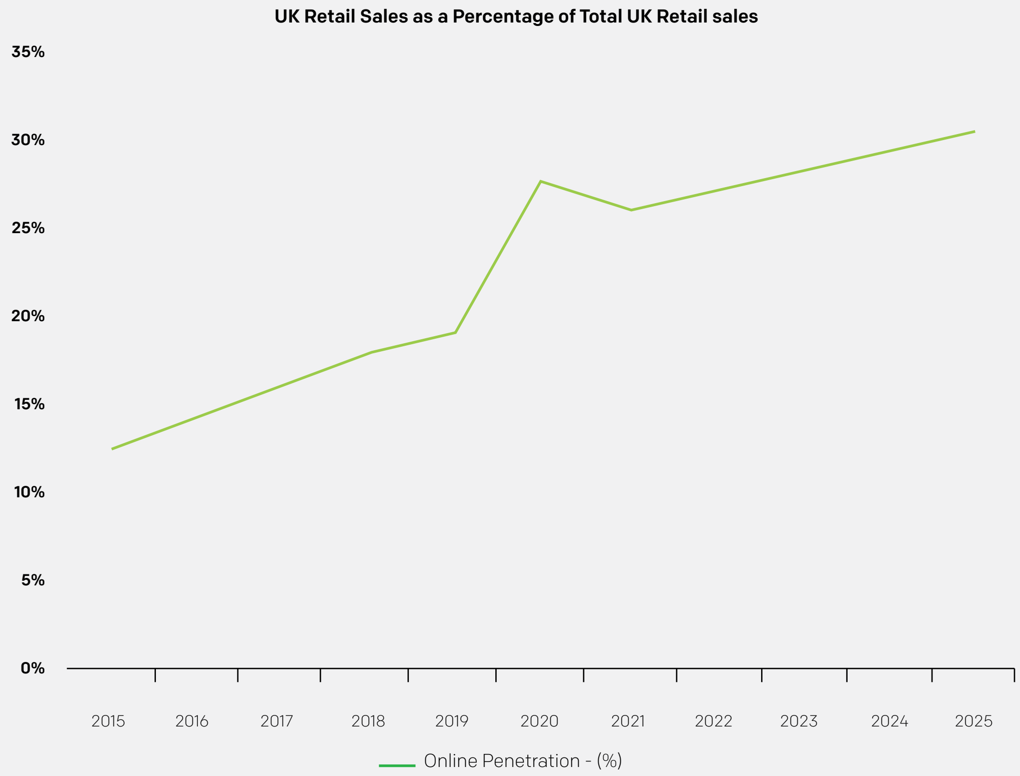
Retail market

Thought piece – ahead of the curve: the transition to online shopping

E-commerce is the fastest growing segment of the retail market in Europe and North America. Indeed an average of 61.1% of the population of Western Europe shopped online at least once in 12 months. Combined ecommerce sales in Western Europe (UK, Germany, France, Netherlands, Italy and Spain) were £152.20bn in 2015 and reached £224.425bn in 2019 (+47.5% growth). The United Kingdom has the most advanced e-commerce market in Europe. Covid-19 is expected to see one quarter of the UK's whole population make a permanent switch to online shopping as the pandemic accelerates the move from 'bricks to clicks'.

The rise in online penetration levels, driven by the UK's nationwide lockdown, will continue throughout 2021 as retailers continue to invest in their online platforms and move a larger proportion of their sales online. CBRE forecasts that online penetration will reach 26% in 2021 and 30% in 2025.

This one-off step change disguises further change within retail sub-sectors. Online penetration levels for all food retail doubled to around 10% as a result of the pandemic, whereas all non-food retail increased from 22.7% before the March lockdown to around 40% during it, settling at around 25% once non-essential retail stores reopened (ONS, November 2020).



Source: CBRE Research, MSCI, Q3 2020

CBRE | NI
Belfast Renewed Ambition

06
D

Logistics & industrial market

The supercharged market

"The continued acceleration of the global e-commerce market, the property's exceptional covenant and the robust performance of the Northern Irish industrial sector provided us with confidence in the strength of this acquisition. This strategically-located, prime logistics property offers highly defensive characteristics and visible, long-term income streams that align with the returns target of our clients."

Titanic Quarter Logistics acquisition

Gijsbert van Riemsdijk
Head of Transactions Europe,
UBS Global Asset Management

Existing stock: £4.50 psf

Logistics: £6.00 - £7.00 psf

Prime yields: 5.75%

Requirements: 1.9 million sq ft

Logistics & industrial market

Overview:
Belfast's industrial market has always been compact and primarily owner -occupier driven. Most industrial stock within the city is currently occupied, be it let or sold, with vacancy levels at an all-time low. Research from CBRE suggests there are an estimated 50 active industrial requirements for industrial space in Northern Ireland at the moment, equating to some 1.9m sq ft.

Positive success stories:

- The £6m sale of Harland & Wolff to InfraStratta in 2019 was hugely significant, safeguarding some 120 jobs in the process.
- Spirit AeroSystems Belfast (formally owned by Bombardier) plans to expand its aerospace manufacturing facility by some 340,000 sq ft.
- Amazon moved to a new 100,000 sq ft facility at Titanic Quarter as the firm looks to deepen its local networks of delivery vans for its last-mile service. The US firm is also reportedly seeking its first warehouse in the Republic of Ireland to carry out orders currently shipped from the UK, which could see further commerce pass through Belfast as a result.

Development:
The demand for industrial space throughout Northern Ireland is only set to grow in a post-pandemic world. Belfast will need to see further lands zoned for logistics development to meet the demand for warehouse space. However, it is also more than likely that industrial/logistics development will happen in the city suburbs and further afield in the wider Belfast Region.

It is likely that local authorities will become more receptive to logistics developments due to the job creation opportunities. It will therefore be critical for councils to deal with applications quickly in order to facilitate further growth.

Logistics & industrial market

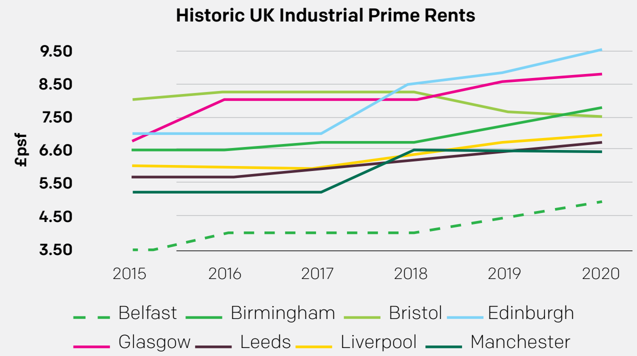
Prime rents
Historically, industrial rents have remained low at £4.50 psf. However, given this lack of quality supply currently available to occupiers, the sector should experience growth in 2021, setting it apart from many other commercial property sectors. New build rents are anticipated at £6.00 - £7.00 psf.

Investment
Since 2015, Belfast has transacted £34.47m worth of industrial investments, with deals growing in stature. Local investors purchased Edenderry Industrial Park for £1.4m in 2017 but this was surpassed by the purchase of 96 Duncrue Street for £2.44m the following year. Then Amazon's Last Mile distribution hub at Channel Commercial Park sold to UBS for £27.12m in 2020 at a reported yield of 5.5%. Out of the seven industrial deals in Belfast since 2015, six have been acquired by Northern Irish investors seeking to to buy up what limited stock comes to the market.

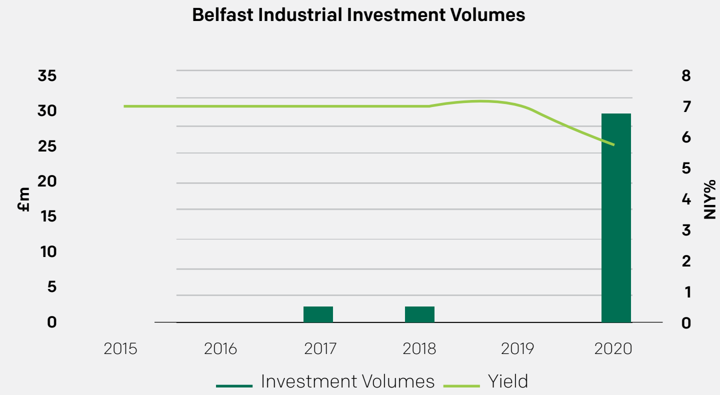
Looking forward
In the short term, it is expected that investor activity will continue to focus on industrial and logistic properties with a growth in investment volumes over the next 18-24 months.

This may well change the type of investor, as other traditional investor types try to gain a foothold in NI industrials. We expect yields to harden and capital values of good quality industrial stock to rise.

The biggest challenge is the continuing lack of suitable investment stock. Therefore we expect the development pipeline to increase significantly to meet investor and occupier demand over the short to medium term.



Source - CBRE



Source - CBRE

Industrial market
Thought piece – outward industrial growth

The logistics and industrial sector is set for significant growth over the next five to ten years. As with the office sector, there is a supply/demand imbalance. There has not been a speculative industrial/logistics scheme built within the last 12 years in Belfast and we expect that new schemes will be brought forward towards the end of 2021 and early 2022.

The Belfast Region has very compelling reasons for investment:

- Northern Ireland prime industrial yields, at 5.75%, are at a large discount to GB (4.00%) and ROI (4.75%);
- Rental levels are one of the lowest in UK and Ireland, offering headroom for growth;
- 1.9 million sq ft of requirements with limited supply;
- Dual market access has the potential for allowing further growth in manufacturing;
- A booming logistics sector with the possibility of serving all Ireland and with links to the UK.

CBRE surveyed over 100 of the largest logistics occupiers in Europe to gain insights on their expansion plans, current challenges, location and building preferences and the impact of Covid-19 on their real estate strategies.

With dual market access, Belfast is very well-positioned to take advantage of this growth and we are already beginning to see significant interest from international investors and occupiers.

Over the next few years the key challenge will be availability of good quality space and supply of land for development. Councils will need to look carefully at existing zoning policies to establish if additional tranches of land can be zoned and potentially released for development purposes.

Important factors for location and building selection

Vitally important or important ↑

- Labour **costs and availability**
- **Delivery time** to customers
- Proximity to **motorways/ freight hubs**
- **Rent** costs and **lease** options
- Quality of **local infrastruture**

Less important ↓

- **Co-location** with similar business
- Proximity to **residential areas**
- **Environmental implications**
- **Building design**
- **Property manager** reputation

Source: CBRE European Logistics Occupier Survey 2020 / Analytia

06
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Hotel & leisure market

Bouncing back stronger

"The NI hotel market has had phenomenal market growth over the last 5 years with 5.3 million trips to ni in 2019. NI hoteliers are very resilient and have experienced challenging times in the past. we expect hoteliers to bounce back again towards the second half of the year."

Paul Collins
CBRE
Head of Hotels Ireland

Average 72.5% occupancy

RevPAR: £56.35

Average daily rate: £77.78

Short term development pipeline limited

1,500 new rooms opened since 2015

Source: STR. 2021 © CoStar Realty Information, Inc.

Hotel market

Overview:
In recent years Belfast has become an increasingly popular destination as tourists flock to explore its history and culture. Tourism was estimated to generate over £1bn to the Belfast economy pre-Covid, with approx. 2.2m people visiting Northern Ireland from overseas, according to research from Tourism Ireland. Oxford Economics believes that visitor numbers to Belfast will rebound to 2019 levels by 2024.

It is estimated that the value of the conference market to Belfast is around £100m+, with the ICC Belfast hosting well over 115 conferences since 2015. In May 2018, it hosted its biggest event to date, with 5,000 delegates attending the Royal College of Nursing Congress.

The Covid-19 pandemic clearly impacted the hotel market during 2020 and the first half of 2021, with only those hotels accommodating essential workers trading but with limited services. Historically, hotel demand has been dominated by leisure and domestic users or visitors from the ROI/UK. Therefore the market is well placed to benefit from pent-up 'staycation' demand, especially during the summer months of 2021.

Developments:
After very limited new supply throughout the last two decades, the period between September 2017 and December 2018 saw a significant number of new hotels and extensions to existing ones. This resulted in the market increasing by 45% to approximately 5,000 bedrooms.

New hotels included; the Titanic Hotel in September 2017 (119 bedrooms), Maldron Hotel Belfast City in March 2018 (237 bedrooms), AC Hotel by Marriott Belfast in April 2018 (188 bedrooms), Grand Central Hotel in June 2018 (300 bedrooms), Hampton by Hilton Belfast in June 2018 (178 bedrooms), Flint Hotel in June 2018 (55 bedrooms) and easyHotel in June 2018 (81 bedrooms).

Existing hoteliers had confidence in the market, which was evident by the number of extensions during 2017/2018. These included the Bullitt Hotel extension in November (31 bedrooms), Ten Square throughout 2017/2018 (107 bedrooms), Holiday Inn Express Belfast - Queen's Quarter in June 2018 (57 bedrooms), Fitzwilliam Hotel Belfast in September 2018 (17 bedrooms) and Jury's Inn Belfast in November 2018 (80 bedrooms).

Recent Developments

Grand Central

Rooms: 300

The Maldron

Rooms: 237

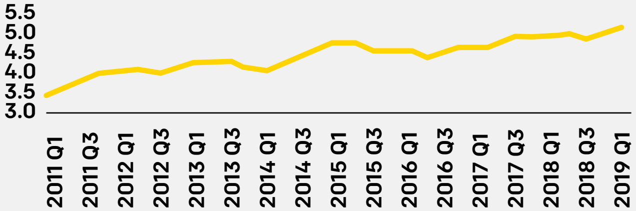
AC Hotel

Rooms: 188

Titantic Hotel

Rooms: 119

Rolling 12-month visitor numbers (millions) to Northern Ireland



Sources: ONS, CSO, Oxford Economics

Hotel market

The current pipeline is limited for hotel development. However there are three aparthotel schemes with planning permission. These include room2 Belfast aparthotel (175 units), Bedford Yard (154 units) and Dublin Road Aparthotel (85 units). The existing Belfast aparthotel market is limited and the most recent to open was Dreams Pods (19 units) in Bank Square.

Occupancy rates, RevPAR & ADR:
Prior to 2020, Belfast was approaching 72% occupancy rate, up 5% from 2014's figure. RevPAR was sitting at £57.25 and the Average Daily Rate reached £78.20[2], well above the regional average.

Investment:
Transactions since 2015 have included the sale of the Hilton Belfast (part of a wider portfolio sale known as Project Dragonglass) in 2018; the sale of Project Trident (the Tifco Hotel Platform which included the Travelodges in Belfast and Derry) to Apollo Global Management; Jury's Inn Belfast (part of portfolio sale) purchased by Pandox in 2017. In 2015, Dalata Hotel Group purchased the former Holiday Inn for £18.5m and in the same year Ampleforth Group purchased the five-star Fitzwilliam Hotel.

Looking Forward:
It is anticipated that with the lifting of restrictions and hotels reopening, Northern Ireland and Belfast will be a popular staycation destination since international travel will be limited in the short term. Our hunger to travel and take holidays is still evident, with Tourism NI forecasting a return to 80% of 2019 levels by the end of 2022 with a fuller recovery by 2024. Results from a recent Tourism NI survey found that around half of holidaymakers expect to take a short break or holiday in Northern Ireland by the end of 2021.

The effectiveness of the vaccine rollout in Northern Ireland will also be key to the hotel market's recovery.

Additional growth in the sector will be driven by the Belfast Region City Deal which will be investing significantly in creating further world-class tourist attractions. An example of this is the newly proposed £100m Belfast Destination Hub in the city centre, a unique international attraction exploring the many stories of the city and its people.

This will be a major, multi-venue cultural centrepiece where local people meet and Belfast connects with its international visitors. It will include a large-scale exhibition space with cafés, restaurants and retail outlets appropriate to the nature and content of the attraction. It will be of landmark architectural quality, with attractive covered outdoor areas.

Northern Ireland Tourism Statistics for 2019

£1bn
Spend
(+8%)

£16.6m
Nights
(+2%)

£2.7m
Holiday trips
(+14%)

148
Cruise calls
to Belfast

£2.9m
Spent each day
by visitors

[2](Source: STR. 2021 © CoStar Realty Information, Inc.)

06
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Multifamily residential market

BTR-huge growth opportunity

CBRE | NI

Belfast Renewed Ambition

"The UK's multifamily residential sector has undergone significant growth, as affordability constraints of home ownership and a variety of lifestyle shifts have resulted in more people renting for longer. High tenant demand, coupled with the historically-attractive risk/return profile of UK residential property, is driving a new wave of institutional investment into the sector.

Belfast has continued to experience high levels of development in the Purpose-Built Student Accommodation (PBSA) sector. Other regional cities ahead of Belfast in the development cycle have then witnessed post-graduate students relocating from PBSA into Co-living and Build to Rent (BTR) markets."

CBRE Research

Multifamily housing market snapshot

CBRE | NI

Belfast Renewed Ambition

The rise of multifamily housing
The expansion of multifamily housing (MFH) as an asset class across Europe has been underpinned by growth in the wider private rental sector (PRS). 31% of European households now live in private rental homes, up from 26% over the last decade. This reflects a range of social and demographic trends. For example, population has been increasing, particularly in the younger, typically renter cohorts.

A compelling investment
Added to the favourable demand profile, MFH provides a compelling investment case. Its income profile, with low volatility and low risk, appeals to a wide range of investors. Often inflation linked, the income stream correlates particularly well with pension fund liabilities. It also gives an opportunity for investors to diversify into an asset class, which has a low correlation with other asset classes and the wider economic cycle. Comparing total returns across assets at a European level shows residential has performed consistently well.

A growing, resilient and evolving sector
MFH is a relatively new asset class in Europe, but CBRE is expecting the level and share of MFH investment to increase in all European markets as momentum gathers. According to CBRE's recent EMEA Investor Intention Survey, a quarter of respondents noted a preference for MFH investment, making it the second most popular property type after offices.

Our forecasts suggest that by 2025 residential investment, of which MFH is around 75%, will total nearly €80bn, up 20% over five years.

Resilient in the face of the pandemic...
The level of MFH investment has increased significantly over the last decade, and particularly since 2015. Moreover, despite the Covid-19 pandemic, MFH investment rose in 2020, totalling €47bn, 27% higher than in 2019.

In contrast, total commercial real estate investment fell by 17%. As a result, MFH accounted for around 17% of total commercial real estate investment. When including other residential sectors, such as the student sector, investment totalled €66bn in 2020, up 7% on 2019

And it's evolving...
As well as growing in size, the market is evolving in nature. For example, over the past few years we have seen an increase in cross-border activity. In 2020, around 17% of investment originated from North America, up from 7% in 2017. Domestic investment still makes up the lion's share, but has fallen from 62% to 48% with the rise in cross border activity.

Investment
Despite Covid-19, MFH investment in 2020 totalled a record high of £3.5bn; 30% up on 2019 and 15% higher than the previous peak in 2018. It now accounts for 8% of total UK investment, up from 5% in 2019. Even throughout a challenging year, 2020 saw several new entrants. For example, Countryside agreed a deal with Goldman Sachs, which could deliver up to 1,000 new rental homes over the next three years. And John Lewis announced plans to move into the sector, with proposals to convert excess space in its retail store portfolio. Existing investors are also expanding and diversifying portfolios.

Outlook
Pricing generally remained in line with pre-Covid expectations, and the benchmark yields remain largely stable and unchanged in Q4 2020. However, we are seeing indications of prime locations trending stronger. Sentiment remains broadly positive moving forward and a sizeable pipeline will start to feed through to the market. We forecast MFH investment to total £4.1bn by the end of 2021 and surpass £7bn by 2025. We also expect to see a drive of institutional grade capital into Single Family Housing.

(Source CBRE Research – European Multifamily Housing Report April 2021)

EU Urbanisation
84%
in 2020

EU Population
£3.6m
by 2035

The BTR opportunity

- Projected **population growth** over the last five years is equivalent to an additional 2,800 people per year living in the city of Belfast. Over the next 20 years Belfast City Council is targeting population growth of 3,300 people per year.

- Belfast has a **higher proportion of young adults** in the population, compared with Northern Ireland as a whole, in particular in the 20-34 years age bracket. This suggests that a high proportion of young professionals are being attracted to the area. In contrast, the proportion of children and over 40s is lower.

- According to Experian, the socio-demographic profile of the city is diverse. The inner city population is a mix of young people, students and elderly citizens, with most families living in the suburbs. Four groups dominate, two of which are key renter groups.

- 'Transient Renters' and 'Rental Hubs' account for 85,540 people in the city of Belfast - one quarter of the total population. 'Transient Renters' are typically younger and less affluent, often students and young people searching for employment, renting low-cost properties while they establish themselves. The 'Rental Hubs' group is more affluent, a mixture of age groups in professional occupations.

- The latter group is the core target market for a new, high quality, Build to Rent product. However, over time, it is likely that those individuals currently defined as 'Transient Renters' will gain employment and establish themselves in the area, in turn leading them to look for more expensive and desirable rental properties.

Which towns and cities will see the strongest demand in the future?

CBRE | NI

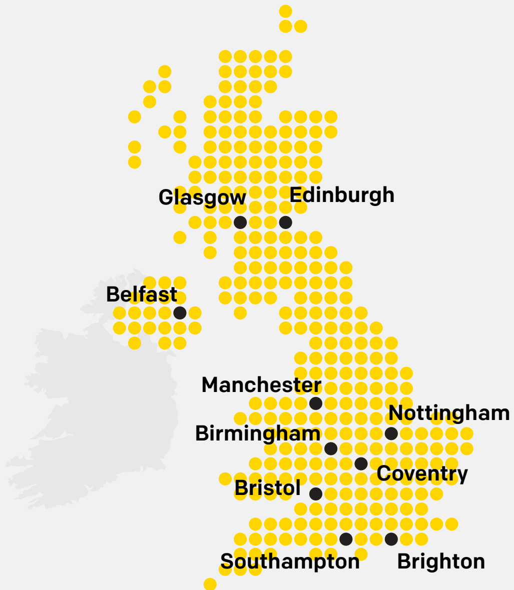
Belfast Renewed Ambition

CBRE Top Picks

- CBRE has identified 20 towns and cities across the UK, including Belfast, that will potentially see the highest demand for private rented accommodation over the next 10 years and where there will also be more demand for multifamily developments.

- CBRE built a statistical model to analyse the demand drivers of the PRS (Private Rented Sector) across all local authorities in the UK. The analysis identifies three main factors influencing greater demand for rental accommodation. These are: locations with higher percentage of population aged 25 to 34; high numbers of students; and the relative size of the economy. These three factors have a quantifiable impact on the size of the PRS in a given town or city.

The findings were then applied to forecasts for each metric to quantify the potential change over the next decade. To further support the findings, CBRE combined the results with three additional metrics, based on CBRE's Creative Cities Index, projected employment growth, and the current multifamily development pipeline.



Multifamily residential market

The emergence of multifamily schemes in Belfast will allow occupiers to transition seamlessly from PBSA into Co-living and Build to Rent.

Students

Historically, the rising number has resulted in traditional halls of residence being unable to accommodate the demand. Many students are forced to rent in the private rental sector or Houses of Multiple Occupation (HMOs).

- Following the introduction of student fees in 2012, there were higher expectations for the entire university experience. Student accommodation became a crucial element and now ranks alongside the course, the location and the reputation that each institution offers.
- PBSAs have provided memorable residential experiences for students and offer experiences, health and wellness support, exceptional amenities, social connections, safety and more.
- In Belfast, the market reacted to this lack of supply for good quality PBSA accommodation and over 6,000 bed spaces have been created with further schemes in the development pipeline.
- Build to Rent development allows post-graduate professionals the opportunity to continue to connect with people, share common spaces, keep costs down and enjoy the time as young professionals.
- Build to Rent is also well suited to young professionals, but often might be couples (could be downsizers) or friends who want more privacy and more personal space but still benefit from a residential community and access to amenities.
- It is clear that there is potential for the multifamily sector to grow within Belfast. This will be driven both by existing investors expanding portfolios and new entrants diversifying from traditional commercial real estate. Belfast's impressive student-to-worker retention ratio will also drive up the demand for new types of housing, much of which will be in the city centre thanks to Belfast City Council's drive to promote city centre living, with a goal of attracting 66,000 people and 31,600 additional homes by 2035.

Laganbank 156 BTR units with planning

Titanic Quarter
800 BTR, social and affordable homes being promoted by Watkins Jones

Multifamily residential market

Across the UK and Ireland, investment into the residential sector has been strong. Alongside logistics, it is arguably the biggest UK investment trend at the moment. Such is the shift to this type of living and this type of investment, that there is now more equity targeting UK multifamily property [approx. £40bn] than Central London office property.

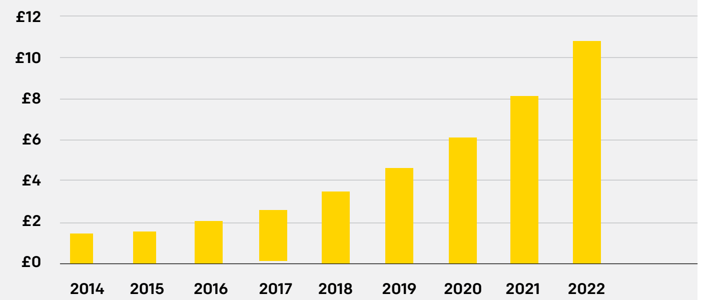
- Build to Rent (BTR) is a new and distinct subsector within the private rental sector. It refers to large blocks of rental homes that are being built as a result of institutional investment. The sector is attracting significant investment and is fast becoming an established segment of the UK and NI housing market.

- UK rental yields are attractive. CBRE estimates these range (on a net basis) from 3.15% at the very prime end to 6% at the more secondary end. A key differentiator among BTR operators (and between BTR and smaller PRS landlords) is management of operational performance. In general, operating costs will account for 24% - 28% of gross income, with larger schemes typically benefitting from greater operational efficiency and economies of scale.

- This market is already worth $103bn in the United States and in the UK over £6bn was invested into the sector in 2020, up 25% year-on-year. It offers strong international appeal, as investors are attracted to the speed and scale in which BTR can be developed.

- The sector is resilient too, continuing to perform well in the face of the global pandemic. According to MSCI, total residential investment returns in the UK for the year to 2020 were 3.3%. This compares with 4.4% for industrial, -1.4% for office and -14.5% for retail. We expect this trend to continue into 2021. Multifamily housing, for example, does not face the same occupier challenges as the more traditional real estate sectors.

UK BTR Annual Investment Volumes (billions)



Source: CBRE

UK BTR Potential

BTR 2020 Total Return (%) 3.3%	Industrial Total Return (%) 4.4%	Office Total Return (%) -1.4%	Retail Total Return (%) -14.5%
BTR 2020 Rental Growth (%) 0.7%	Industrial Rental Growth (%) 1.9%	Office Rental Growth (%) -1.7%	Retail Rental Growth (%) -10.3%

Source: CBRE Research, MSCI, Q3 2020

Multifamily residential market

How to ensure delivery of BTR to Northern Ireland / Belfast.

- Growing volumes of institutional investment into UK BTR over the last five years is transforming the PRS in London and regional cities but it has yet to make a mark in Belfast. The fundamentals for Belfast are positive and there is still an opportunity for first-mover advantage. While there are no BTR schemes currently under construction, a number of developers and investors are progressing opportunities.

- Northern Ireland, and in particular Belfast, is well-positioned to secure investment into the BTR sector, given the considerable investor interest already demonstrated, and the underlying demand dynamics. This in turn should help to retain the talent pool of highly qualified graduates and workforce generally who require good quality residential accommodation and thus it should help boost the economic vibrancy of the city centre.

- CBRE research demonstrates that there is a strong underlying market need for further city centre living accommodation and for this to include BTR. Although there will be demand at the upper end of the market, there is also demand across the whole price / affordability spectrum for good quality rental accommodation, with a professional management offer.

Multifamily residential market

CBRE | NI

Belfast Renewed Ambition

Social housing

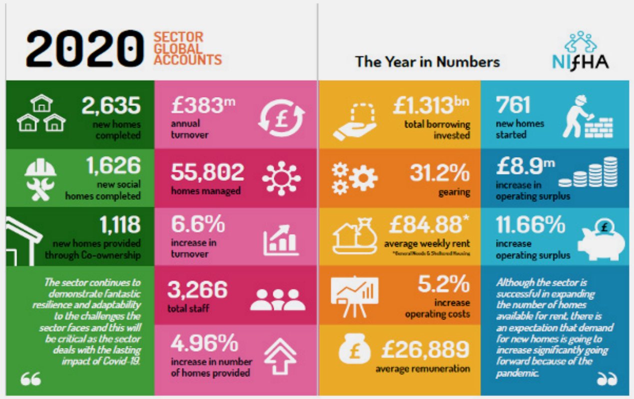
In Northern Ireland, nearly 38,000 people on the social housing waiting list 2019/20, and almost 30,000 of these are recognised as being in housing stress.

- New Decade, New Approach gave commitments on a number of areas key in the social housing sector to include the reversal of reclassification of Housing Associations as public sector bodies, extending welfare mitigation measures and introducing multi-year budgets for the Social Housing Development Programme (SHDP).
- The sector welcomed the reclassification reversal which was achieved in October 2020 and the welfare mitigation payments were extended in April 2020 with no end date and tabled for legislation. In addition, £162m was allocated to the SHDP in 2021/22, an increase of £26m from the previous year, and the proposed reform of the Northern Ireland Housing Executive will enable investment in the required refurbishment of existing NIHE stock.
- Housing Associations in Northern Ireland now own and manage almost 56,000 homes, with 2,635 new social homes completed and 1,118 new homes provided through Co-Ownership in 2020, exceeding the target development programme by c. 30%. The sector provides employment for 3,266 full-time staff, with a total turnover of £382m in 2020.
- The Northern Ireland Federation of Housing Associations' Sector Global Accounts 2020 reports that the total property assets is c. £4.2bn. Meeting the government targets for new housing has been achieved through utilising these to secure private sector borrowing to supplement the Housing Association Grant (HAG). The net book value funded by HAG has been decreasing over the past number of years, from over 70% to 57% at the end of 2019/20 and 31% of the assets are supported through borrowings.
- Traditionally banks in NI, including Bank of Ireland, Barclays, Danske, AIB, Santander, Ulster Bank and The Housing Finance Corporation, have provided funding for the sector with the borrowing profile opposite.
- In 2019, the first private placement form of borrowing on the bond market from UK and North American investors was secured by Radius Housing for £105m, providing longer-term financing at competitive rates.
- Other major bank funding over the past five years has included loans of £135m to Clanmil Housing to underpin an eight-year build programme and the European Investment Bank has provided loans of £280m to other Housing Associations to include Choice Housing and Apex.

Profile of Borrowing

	2020 / £000	2019 / £000	%
Less than 1 year	78,905	69,580	13.40%
1 to 2 years	83,944	139,372	(39.76%)
2 to 5 years	164,202	133,955	22.58%
5 or more years	985,705	809,690	21.74%
Total	**1,312,756**	**1,152,597**	**13.90%**

Source: NIFHA Sector Global Accounts 2020



Source: NIFHA Sector Global Accounts 2020

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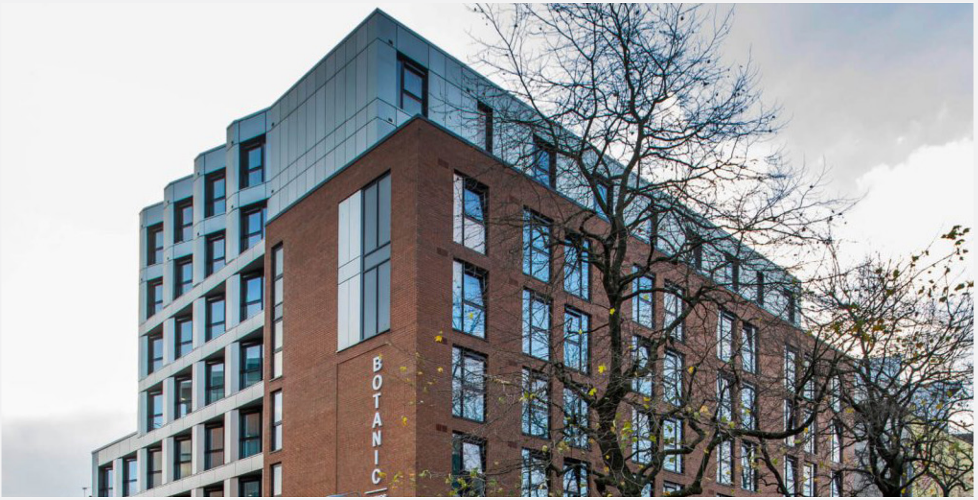
Purpose-Built Student Accommodation

PBSA – a market with demand

After stalling throughout lockdown, investment into the Purpose-Built Student Accommodation (PBSA) sector in the UK is once again active. There is a high volume of activity with an estimated £750m - £1bn of investment currently in the pipeline. Despite the pandemic, UCAS data indicates a 2% rise in applications to study in the UK compared to 2019, with Applications from international (non-EU) students up 10% year-on-year.

There are over 50,000 students in Belfast, 30,000 of which are studying full time. With just over 6,000 bed spaces available in the city, many of which have only complete these past few years, it is clear this critical shortage of supply will surely further entice developers to build & invest in what has the potential to be a very lucrative sector.

Indeed, other regional cities ahead of Belfast in the development cycle have witnessed post-graduate students relocating from PBSA into complimentary Co-living and Build to Rent (BTR) markets – bolstering the economy.



PBSA market

CBRE | NI

Belfast Renewed Ambition

With a total of 30,240 full-time students studying and living within the city, demand for PBSA accommodation continues to increase and at a pace far greater than the current supply can offer.

CBRE anticipates a strong year ahead for the PBSA sector for the following reasons:

- Population number of over 18s in Belfast is rising at one of the fastest rates in Europe. Population growth forecasts over the next 25 years at 5.7%.
- UK and global economies could see a decline after the Covid-19 pandemic. There is an assumption that an increased number of people go to university in a recession, as evidenced during the global financial crisis in 2008-2010, where there was a 30% increase in university applications.
- There may be some students who were put off attending university in 2020/21 and these will likely defer to 2021/22.
- There are only 6,400 PBSA bed spaces in Belfast. 8.93% of students studying in Belfast ive in PBSA compared to the UK average of 21.04%. The demand is far outweighing supply at present.
- Development pipeline - on the supply side, over 2,359 PBSA beds are currently in the planning pipeline.
- Existing operators include Student Roost, Queen's University Belfast and LIV Student.
- Institutional investors represented in the sector include Brookefield, CBRE Global Investors, UBS, Knight Frank Investment Management. Recent developer led schemes / announcements have included Elkstone Partners (156 units at Bradbury Place) and a joint venture between CA Ventures and Harrison Street (251 beds at Botanic Link).

26%
The percentage of NI's population aged between 16-34

6,400
PBSA bed spaces currently in Belfast

8.93%
The percentage of students studying in Belfast who live in PBSA

2,359
The amount of beds currently in the pipeline

£20m
The rumoured price achieved for the PBSA sale at Bradbury Place

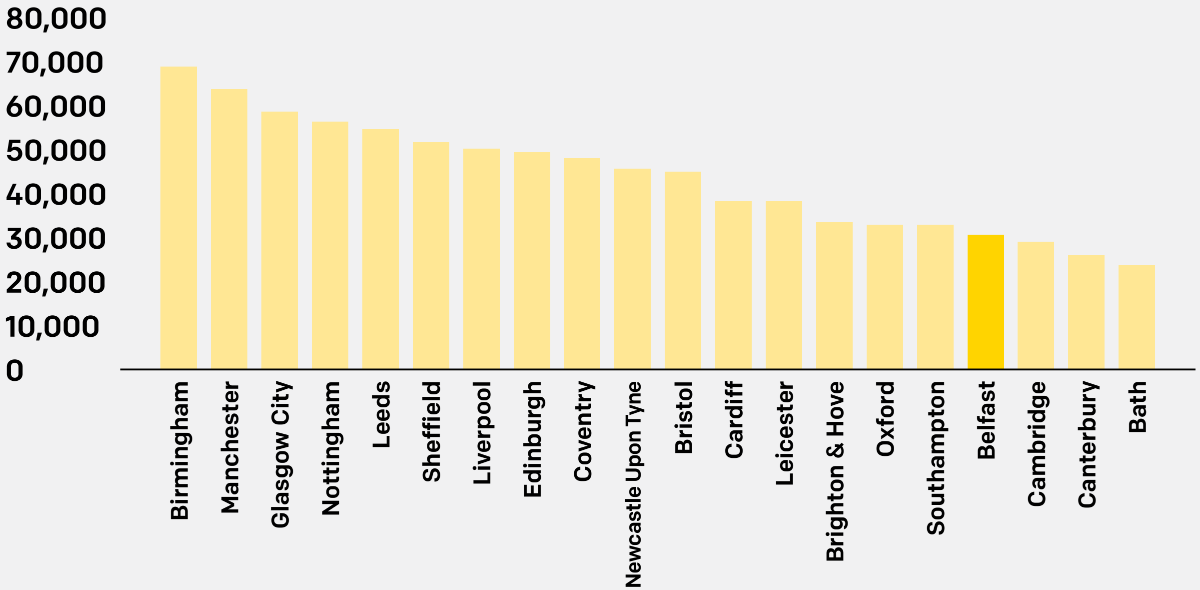
Botanic Link
With 251 beds, this development is due for completion in 2021.

PBSA market – recent developments

The growth in the PBSA sector has been evident across the entire UK. It is estimated that there is over £750m worth of investment currently in the PBSA pipeline.

Belfast's renowned reputation as a place of learning and higher education means it attracts students from far and near. With the city having higher historic rates of students living in other rented accommodation as opposed to PBSA, there has been a real focus on providing better PBSA to meet the requirements of the students who come to Belfast in their thousands.

UK Full-time Student Populations

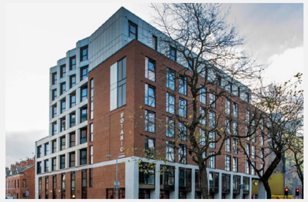


Recent Developments

Wellingon Place

Rooms: 340

Botantic Studios



Rooms: 156

The Elms, BT1 & BT2

Rooms: 1,223

John Bell House

Rooms: 413

Average En-Suite Rent: £119-145 p/w

Average Studio Rent: £139 -179 p/w

Typical Tenancy Lengths: 44-51 weeks

PBSA market – key country metrics

	UK	BELFAST	IRELAND (Cork, Dublin, Galway & Limerick)
Student Numbers	• **1.93m** full-time students (19/20) • **26%** international students • Estimated demand pool: **1.21m**	• **30k** full-time students (19/20) • **11.93%** international students • Estimated demand pool: **14.76k**	• **190k** full-time students (19/20) • **14%** international students • Estimated demand pool: **85k**
Beds & HE Institutions	• **690k** operational PBSA beds • **167+** higher education institutions • **90** globally ranked universities	• **6.4k** operational PBSA beds • **4** higher education institutions • **2** globally ranked universities	• **21k** operational PBSA beds • **23** higher education institutions • **5** globally ranked universities

PBSA market – UK performance

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Investment
Investment into PBSA was strong at the start of 2020, but stalled throughout lockdown. However, this has picked-up since restrictions were eased and a total of eight deals, equating to £280m of investment, have now been agreed since March. There is also an estimated £750m - £1bn worth of investment in the pipeline that is likely to transact before the end of September.

Demand
UCAS applicant data as at June 2020 showed that total applications in 2020 were 2% higher than 2019. Domestic applications were up 2%, although applications from EU students fell by the same level. Applications from international (non-EU) students were up 10% year-on-year, with applications from China, India and Hong Kong up 24%, 23% and 14% respectively. On A-level results day, a total of 415,600 people had a confirmed undergraduate place, up 2% from 2019. The current deferral rate of 5% was level to the previous year.

Supply
There remains an acute supply and demand imbalance across most markets, further impacted by construction delays as a result of Covid-19. The focus is on sites that are close to practical completion to ensure they are ready for the start of the academic year but the funding environment for new development remains challenging.

Rents
At a portfolio level, most large operators were reporting gross rental growth of approximately 3% year-on-year in August 2020.

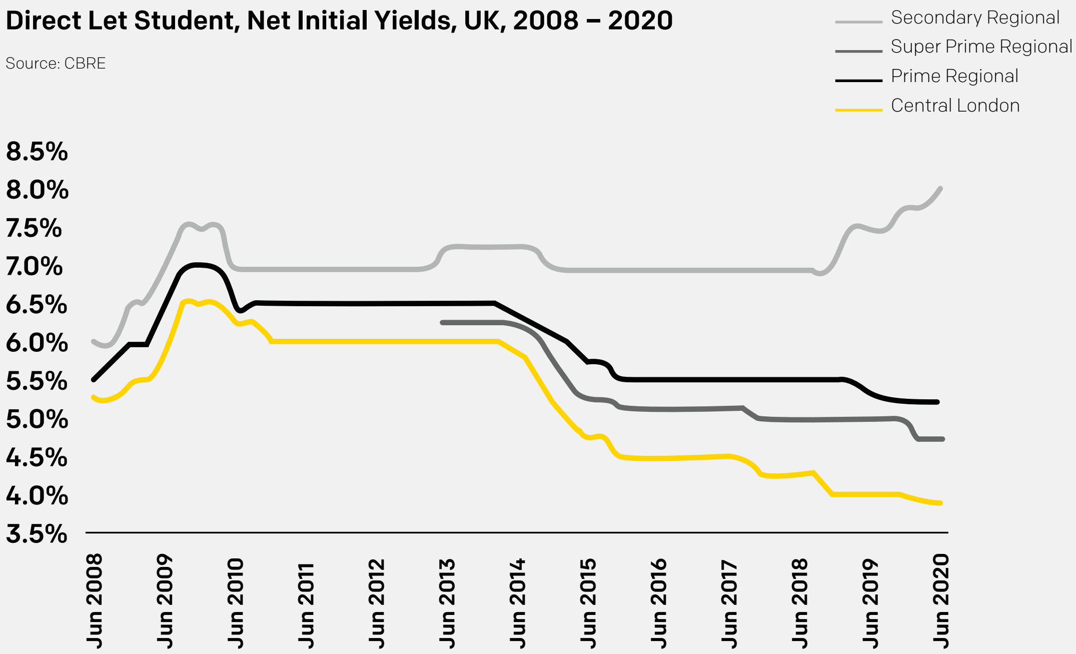
Rental guarantees on new investment deals is underpinning and stabilising pricing. As a result benchmark yields are broadly level with March 2020. Assets have typically seen a 3-5% reduction in capital value where no guarantee is provided.

Outlook
Demand remains resilient, as illustrated by UCAS applicant data, particularly from international students. Investment into the sector is picking up and likely to rebound strongly with a number of new entrants anticipated. Although occupancy levels suffered this year, bookings for the 2020/21 academic year were broadly in line with 2019/20. The PBSA sector has demonstrated its resilience throughout this period of uncertainty. It will continue to be supported by strong underlying fundamentals and we expect to see increased levels of investment and out-performance relative to other real estate sectors.

Stable Yields
Across most markets, yields are remaining broadly stable. Benchmark yields for London, Super Prime and Prime Regions have stayed the same as they were prior to March 2020. However, there has been some softening in secondary locations. This cannot be solely attributed to the impact of Covid-19, although this has perhaps exacerbated the trend. This polarisation has been a theme of the market for some time and is predominantly fuelled by changes in student application trends and speculation over the financial health of some universities. We expect yields to remain broadly stable in the short term.

Direct Let Student, Net Initial Yields, UK, 2008 – 2020

Source: CBRE



07

UK & Ireland cities: CRE summaries

Source (all data): CBRE

Belfast

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Belfast Renewed Ambition

2020 Total Investment Volume: £57.04 million
Number of Deals: 7

Prime Office Yield
5.75%

Prime Industrial Yield
5.75%

Prime Retail Yield
7.5%

2020 at a Glance

Investment activity during H2 was again limited due to challenges presented by Covid-19, particularly investors' ability to inspect properties and undertake due diligence. The investment spend over the second half of the year across all sectors in Northern Ireland totalled £57.3m, bringing the 2020 yearly investment total spend to £136m, a decrease of 36% from 2019. Office, industrial and supermarket yields have remained stable over the year. However, we have seen a considerable softening of yields in the retail sector, primarily driven by the effects of Covid-19 and ongoing structural changes in the sector.

Belfast's USP

Belfast continues to have one of the most unique markets in the UK. The city benefits from having two well-renowned universities and an excellent primary and secondary school system. Belfast has built a strong global reputation for being a market leader in a number of sectors including cybersecurity, fintech and film production. The city also benefits from having one of the lowest occupational and operational costs in the UK as well as access to best-in-class ICT infrastructure. We believe that Belfast is uniquely positioned following Brexit to benefit from having dual access to the UK and EU markets.

Recent Deals

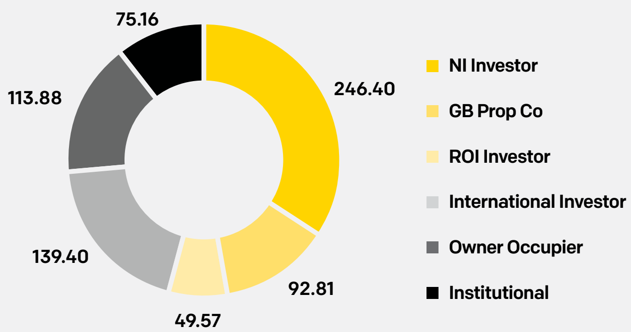
Merchant Square, March 2021

Area: 240,204 sq ft
Notable Tenants: PwC
Lease Term: WAULT c.9.88 Yrs
Rent pa: £4,850,000
Price: £87m
NIY: 5.20%
Purchaser: Albilad Capital

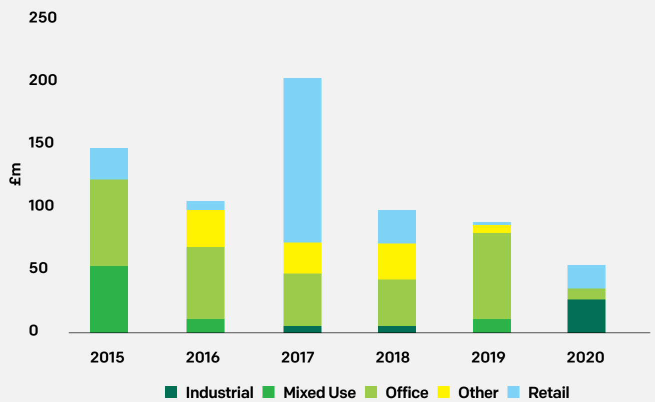
Channel Commercial Park, October 2020

Area: 99,338 sq ft
Notable Tenants: Amazon
Lease Term: WAULT c.10 Yrs
Rent pa: £1,590,000
Price: £27.12m
NIY: 5.5%
Purchaser: UBS Asset Management

Investor Type by volume (£m) Since 2015



Belfast Investment Volumes 2015 – 2020



Birmingham

2020 Total Investment Volume: £859.0725m
Number of Deals: 41

Prime Office Yield
4.75%

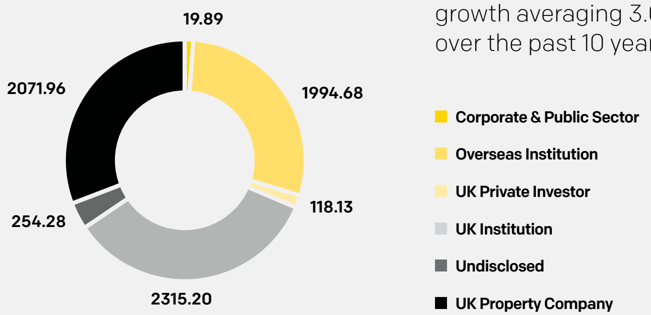
Prime Industrial Yield
4.25%

Prime Retail Yield
6.75%

2020 at a Glance

2020 naturally saw a drop in transaction volumes as a result of several lockdowns. Despite the global pandemic and its impact on transactional volumes, the Midlands logistics and distribution sector has continued to strengthen. The dynamics and resilience of the occupational market and ability to secure rental growth, combined with the negative impact on other sectors caused by the pandemic, have driven demand towards industrial and logistics with several transactions achieving stronger prices than pre-Covid levels.

Investor Type by volume (£m) Since 2015



Birmingham's USP

Birmingham is experiencing a prolonged period of growth and investment. With over £1.3 billion spent on infrastructure since 2010 and another £3 billion planned for new projects over the next decade, including HS2, the city benefits from a globally integrated transport system. Being ranked with the highest quality of life of any city outside of London and lower living costs, Birmingham is drawing an increasing number of professionals from London, with business and living costs in the city up to 60% lower than the capital. Birmingham's office market is currently characterised by its lack of stock. This short supply results in high levels of competition when assets become available, supported by strong occupational fundamentals and positive rental growth averaging 3.08% per annum over the past 10 years.

Recent Deals

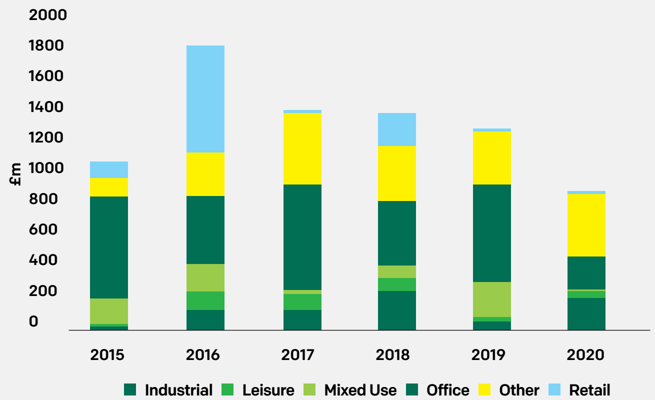
Sainsbury's – Hams Hall, December 2020

Area: 783,674 sq ft
Notable Tenants: Sainsbury's
Lease Term: WAULT c.12.5 Yrs
Rent pa (psf): £5,724,558 p/a (£7.30psf)
Price: £138.51m
NIY: 3.87%
Purchaser: Aviva

55 Colmore Row, October 2020

Area: 156,977 sq ft
Notable Tenants: RICS, Savills, Pinsent Masons, WeWork
Lease Term: WAULT c. 10.23 Yrs
Rent pa (psf): £5,140,917 p/a (£32.00psf)
Price: £105m
NIY: 4.85%
Purchaser: Union Investment RE

Birmingham Investment Volumes 2015 – 2020



Bristol

2020 Total Investment Volume: £669.045m
Number of Deals: 41

Prime Office Yield
4.75%

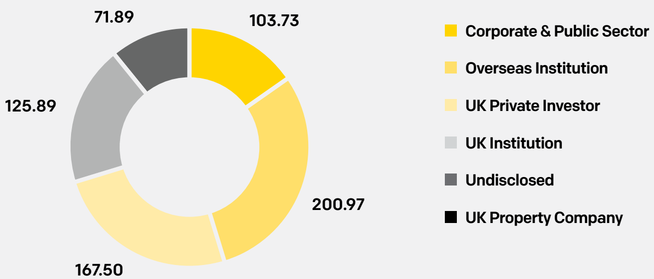
Prime Industrial Yield
4.35%

Prime Retail Yield
9.75%

2020 at a Glance

Transaction volumes in Bristol's office sector totalled £325.9m in 14 deals, accounting for 90% of transactions in the wider region last year. Funds were the most dominant investors in the South West office market accounting for 43% of acquisitions, overseas investment also remained strong accounting for 42% of acquisitions. Bristol's industrial sector saw £76.59m in 8 transactions, accounting for c.20 % of the transactions in the wider region. South West big box prime yields decreased in Q4 2020 by a further 15 bps down to 4.35%. Prime Big Box Rents in Bristol are £7.35 per sq ft.

Investor Type by volume (£m) Since 2015



Bristol's USP

Bristol is widely regarded as one of the UK's best cities to live in, as judged by the Sunday Times in 2017. Economically successful and culturally rich, Bristol boasts a diverse job pool built on aerospace engineering industries, creative media, technology and financial services. Bristol is the South West region's largest financial centre. The city has developed to become one of the main UK finance hubs outside of London.

Recent Deals

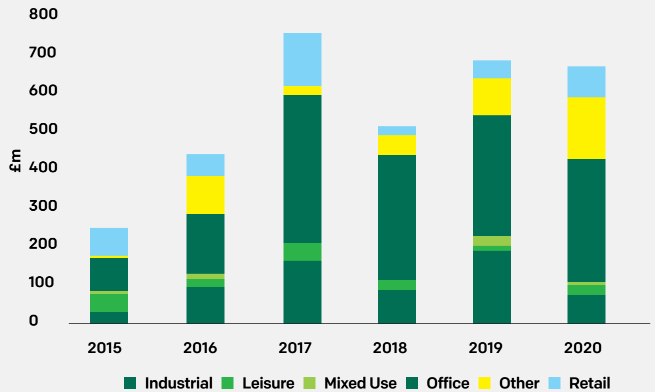
The Assembly, December 2020

Area: 201,201 sq ft
Notable Tenants: BT
Lease Term: WAULT c.20 Yrs
Rent pa (psf): £6,495,500 p/a (£32.50psf)
Price: £135m
NIY: 4.7%
Purchaser: LCN Capital Partners

Halo, June 2020

Area: 116,184 sq ft
Notable Tenants: Osborne Clarke
Lease Term: WAULT c. 8.5 Yrs
Rent pa (psf): £4,136,257 p/a (£35.60psf)
Price: £70m
NIY: 5.53%
Purchaser: Tesco Pension Fund

Bristol Investment Volumes 2015 – 2020



Edinburgh

2020 Total Investment Volume: £667.798m
Number of Deals: 28

Prime Office Yield
4.5%

Prime Industrial Yield
4.5%

Prime Retail Yield
6%

2020 at a Glance

2020 witnessed investment volumes decrease against the long-term average – a similar drop in volumes to rest of UK. Traditionally Edinburgh's investment market is dominated by office and retail activity, but 2020 saw an increased market share for 'alternatives' and industrial reflecting investor priorities. The city's prime office yield has softened 25bps to 4.75%, in response to the downtown in the economy and the pressures of Covid-19 on the office market.

Edinburgh's USP

Edinburgh remains popular with investors due to its strong investment fundamentals. Scotland's capital, and a true international city, 59% of its population are educated to a degree level, with Edinburgh having six universities/colleges. With the highest GVA per capita out with London, Edinburgh's population is predicted to rise 20% by 2040 and it is a city that historically has low levels of unemployment. A lack of development pipeline should ensure rental growth across all sectors meaning investors will continue to be attracted to Edinburgh's offerings.

Recent Deals

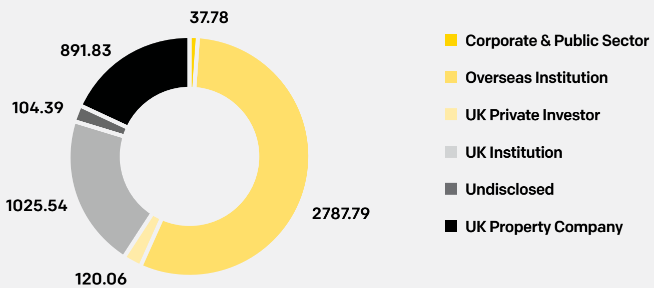
Aegon HQ, July 2020

Area: 247,500 sq ft
Notable Tenants: Aegon
Lease Term: WAULT c.17.5 Yrs
Rent pa (psf): £7,325,000 p/a (£29.60psf)
Price: £133m
NIY: 4.33%
Purchaser: M&G Hyundai AM/ Roebuck AM

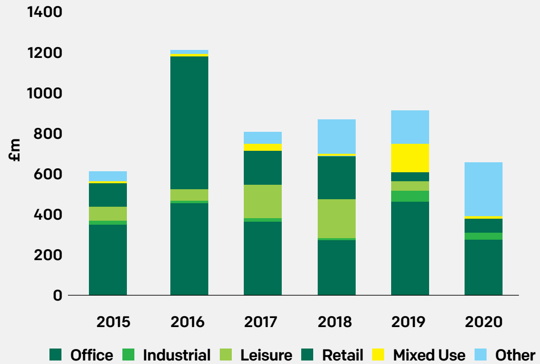
Quartermile 3, September 2020

Area: 73,429 sq ft
Notable Tenants: Cirrus Logic, State Street Bank
Lease Term: WAULT c. 7.25Yrs
Rent pa (psf): £2,227,957 p/a (£29.73psf)
Price: £45m
NIY: 4.33%
Purchaser: KanAm Grund

Investor Type by volume (£m) Since 2015



Edinburgh Investment Volumes 2015 – 2020



Glasgow

2020 Total Investment Volume: £250.605m
Number of Deals: 24

Prime Office Yield
5.25%

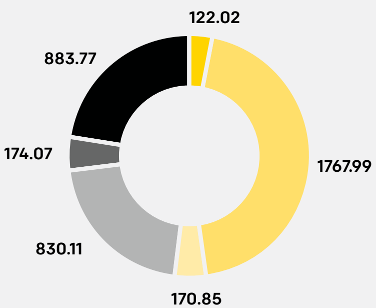
Prime Industrial Yield
4.5%

Prime Retail Yield
6%

2020 at a Glance

Investment volumes declined significantly in 2020 with only five office transactions being completed. Encouragingly, investor demand increased for good quality industrial assets with several significant investment deals going under offer in late Q4 at record yield levels. In contrast, investor demand for high street retail investment remains very limited as yields continue to drift across this sector. Glasgow continues to hold its prime office yield at 5.25%, which still offers the best value of the 'Big 6' office markets.

Investor Type by volume (£m) Since 2015



- Corporate & Public Sector
- Overseas Institution
- UK Private Investor
- UK Institution
- Undisclosed
- UK Property Company

Glasgow's USP

Glasgow is officially the UK's largest retail centre by spend outside London's West End. It is also the largest centre in Scotland in terms of foreign direct investment. On average, office rents are 72% lower and wages 49% lower than London and as a result Glasgow is a well-established home for numerous, globally recognised corporates. The city accommodates 34% of Scotland's jobs and 28% of Scotland's business. Conference facilities such as the Scottish Event Campus (SEC) are also best in class. With an under-supply of office, industrial and BTR stock across the city and further rental growth projected across these asset classes, Glasgow continues to be a highly sought-after investment location.

Recent Deals

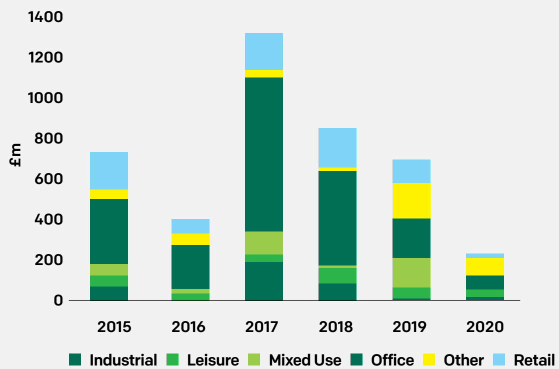
150 Broomielaw, September 2020

Area: 96,750 sq ft
Notable Tenants: Scottish Enterprise
Lease Term: WAULT c.4Yrs
Rent pa (psf): £3,272,726 p/a (£31.76psf)
Price: £40m
NIY: 7.66%
Purchaser: Elite Capital Partners

Guildhall, September 2020

Area: 128,229 sq ft
Notable Tenants: Clydesdale Bank, News Corp, Post Office
Lease Term: WAULT c. 3.75Yrs
Rent pa (psf): £2,791,813 p/a (£21.76 psf)
Price: £29.511m
NIY: 9.51%
Purchaser: Maya Capital

Glasgow Investment Volumes 2015 – 2020



Leeds

2020 Total Investment Volume: £348.962m
Number of Deals: 35

Prime Office Yield
5%

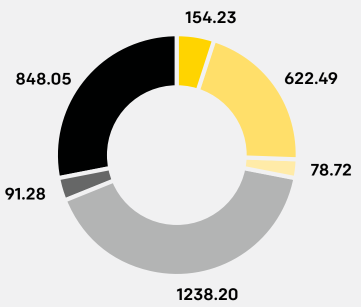
Prime Industrial Yield
4.75%

Prime Retail Yield
6.25%

2020 at a Glance

The Leeds market largely mirrored the national picture in 2020, as office investment volumes dropped significantly, contributing to below average volumes for the year as a whole. This was despite unabated growth in demand for industrial investment, where prime yields sharpened to 4.75% and the biggest problem continued to a be shortage of stock. We envisage the investor preference towards industrial continuing but expect to see a resurgence in office transactions moving into the middle of 2021, driven by the combination of an improving value proposition and a gradual return of the workforce.

Investor Type by volume (£m) Since 2015



Leeds' USP

The size and diversity of the Leeds economy, combined with a central location and a highly-trained workforce, make it one of the fastest-growing and most impressive places to do business in the UK. The city benefits from 38,900 graduates annually, providing direct access to talent, facilitating growth and expansion. The city is also a leader in professional services, digital technologies, manufacturing, healthcare and innovation, resulting in Centre for Cities reporting Leeds to have the fastest-growing private sector jobs rate in the UK. This combination has created significant investor confidence and the Leeds City Region now has over £13bn of investment onsite or in the pipeline.

Recent Deals

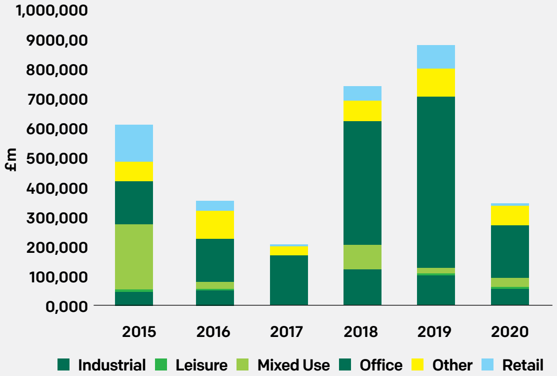
Bridgewater Place, November 2020

Area: 249,900 sq ft
Notable Tenants: DWF, Eversheds, EY
Lease Term: WAULT c.4Yrs
Rent pa (psf): £6,300,000 p/a (£25.20psf)
Price: £84.5m
NIY: 7.2%
Purchaser: M7

Clarendon Quarter, August 2020

Area: 324 BTR Units
Rent pa (psf): £2,600,000 p/a
Price: £41m
NIY: 4.25%
Purchaser: Aberdeen Standard Investments

Leeds Investment Volumes 2015 – 2020



Liverpool

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2020 Total Investment Volume: £81.745m
Number of Deals: 18

Prime Office Yield
6.75%

Prime Industrial Yield
4.5%

Prime Retail Yield
5.8%

2020 at a Glance

Much like the rest of the UK, investment volumes in Liverpool declined over the course of 2020 as the impact of restrictions was felt hard. However, investor appetite post-pandemic should be encouraging. Liverpool is suffering from a critical supply of new Grade A office space and industrial space is highly sought after. Rental growth is expected as a result. Retail occupancy in Liverpool, at a time where the high street is struggling UK-wide, remains relatively high in the city – testament to why retail yields here are much lower than the other main UK cities.

Liverpool's USP

Liverpool is an integral part of the North West, the UK's second largest regional economy, with its own economy worth more than £149 bn. Due to Liverpool's world class infrastructure, high skills base, and low cost of housing, it is identified as having more growth potential than London and many other core regional cities. Liverpool and the surrounding region is the number one recipient of direct foreign investment in the UK outside London and the South East. The area is the base of more than 3,000 businesses, providing compelling evidence of the quality of the city's business environment and commercial opportunities.

Recent Deals

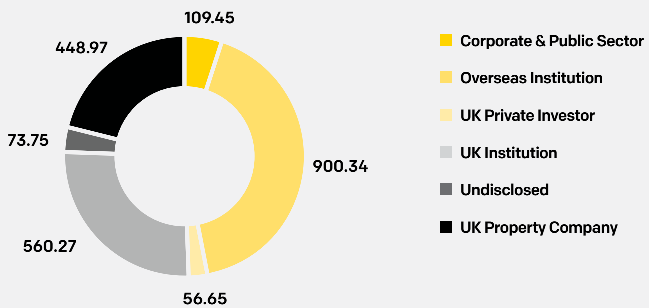
20 Chapel Street, April 2020

Area: 155,000 sq ft
Notable Tenants: LFC, EY, Barclays, Mason Owen
Lease Term: WAULT c.5Yrs
Rent pa (psf): £2,686,000 p/a (£17.33psf)
Price: £37.25m
NIY: 6.75%
Purchaser: Square Ape/Citibank

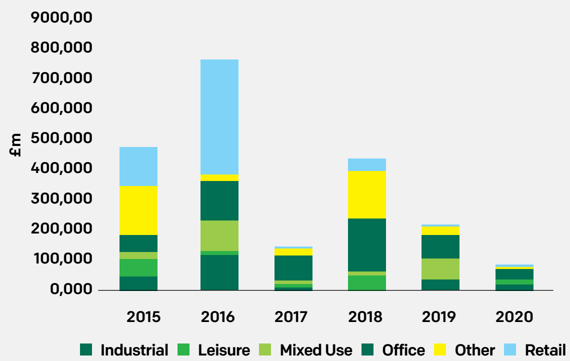
Boulevard Industrial Park, March 2020

Area: 219,619 sq ft
Notable Tenants: Astra Zeneca
Lease Term: WAULT c. 18.2Yrs
Rent pa (psf): £1,218,368 p/a (£5.54 psf)
Price: £20.8m
NIY: 5.49%
Purchaser: Realty Income Corporation Council

Investor Type by volume (£m) Since 2015



Liverpool Investment Volumes 2015 – 2020



Manchester

2020 Total Investment Volume: £2.172bn
Number of Deals: 49

Prime Office Yield
4.75%

Prime Industrial Yield
4%

Prime Retail Yield
6.5%

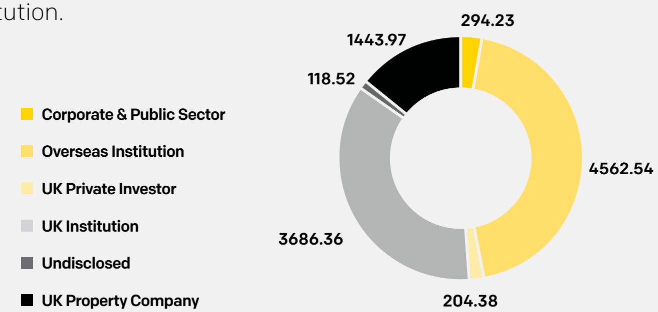
2020 at a Glance

Whilst the number of transactions across all major sectors was down in 2020, each sector's volume was buoyed by large individual sales including The Trafford Centre (rumoured to have sold for just north of £1bn), Manchester Airport Group's portfolio and BT at New Bailey. In office investment, transactional volume was down in 2020 with nine city centre transactions totalling £310.125m. At the absolute prime end of the market, pre-Covid pricing has been sustained. Core plus assets, on the other hand, saw pricing soften by 50-70 bps. The average lot size within the city centre was up to £33.2m as a result of two major office transactions in Q4 – BT at New Bailey (£112m) and Tootal Buildings (£77m). Institutional activity was down in 2020 with just one asset acquired by a UK institution.

Manchester's USP

Manchester remains attractive to investors due to both its strong investment fundamentals and discount to central London pricing. Manchester has an extremely robust occupational market and has seen office-based employment grow by 31% over the last 10 years. Home to four universities with a student population of over 100,000, Manchester benefits from an exceptional talent pool and also has the highest student retention of any regional city with 75% of students remining upon graduating. The city has experienced sustained long-term rental growth over the last 20 years with prime rents increasing by 2.80% per annum on average.

Investor Type by volume (£m) Since 2015



Recent Deals

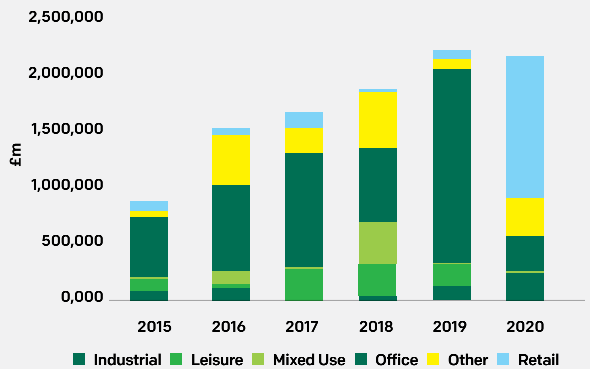
The Trafford Centre, December 2020

Area: 2.2m sq ft
Notable Tenants: John Lewis, Selfridges, Primark, Next
Rent pa (psf): £87,600,000 p/a
Price: c. £1bn
NIY: 8.76%
Purchaser: CPPIB

BT, New Bailey, December 2020

Area: 175,000 sq ft
Notable Tenants: BT
Lease Term: WAULT c. 20Yrs
Rent pa (psf): £4,298,000 p/a (£28 psf)
Price: £112.6m
NIY: 4.25%
Purchaser: Warrington Borough Council

Manchester Investment Volumes 2015 – 2020



Key Ireland markets

2020 Total Investment Volume:
€3.47bn (Cork & Dublin)

Prime Office Yield
4%

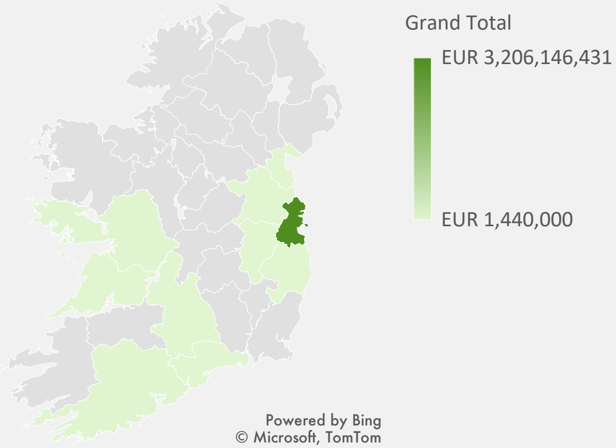
Prime Industrial Yield
4.75%

Prime Retail Yield
5.5%

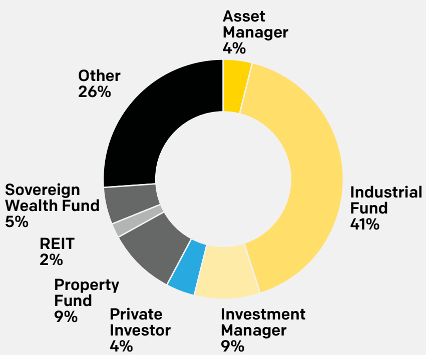
2020 at a Glance

International investors, such a significant driver of activity in the Irish CRE market over the last decade, simply could not travel to inspect investment opportunities during 2020. As a result, many investment sales campaigns were postponed. Despite this, demand for core assets remained remarkably resilient throughout 2020 and some transactions were completed regardless, with investment spend for the year reaching more than €3.6 bn, a decent result considering the challenging conditions. €3.2 bn of this total was invested in Dublin, which has consistently accounted for between 85% and 90% of investment in Ireland in each of the last five years. The vast majority of transactions concluded in the Irish market last year were office and residential investments, with multifamily coming into its own during 2020, having firmly demonstrated its counter-cyclical characteristics.

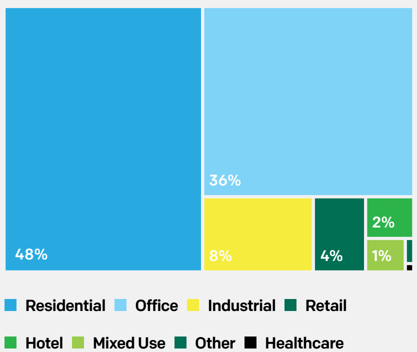
Wealth Distribution



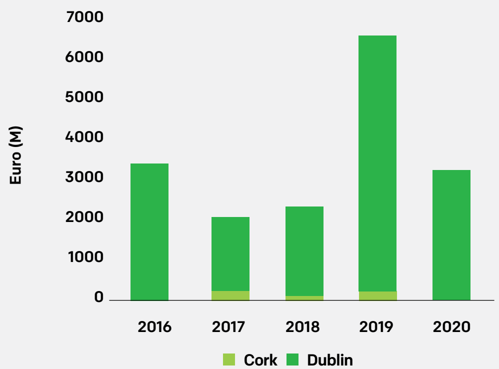
Investor Type 2020



Ireland Sector Type Spend



Investment Volumes 2016 – 2020



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