Retail Market

Tenth Annual Report Belfast 1999

Belfast City

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VALUATION & LANDS AGENCY

This is the tenth annual report on the Belfast Retail Market produced jointly by the Valuation and Lands Agency and the University of Ulster.

Its aim is to provide an impartial commentary which, as long as it is treated with an appropriate degree of caution, should give guidance to both existing and potential investors in the Belfast Retail Market.

Included for the first time is information on pedestrian flows within the city centre - See figure 7

Market Commentary

Donegall Place

Prime Retail Space at a Premium in Belfast City Centre

There has been a reality behind the headline. Five and six figure premiums have been achieved for leasehold interests in Belfast's prime retail area. Multipliers in the range of one to two times rental value are indicative of the going rate.

Despite much comment about difficult conditions in the UK retail sector, the Belfast retail market continues to perform strongly. This has been due primarily to a continued imbalance between demand and supply of prime retail space.

Over the last year, demand for prime units has remained at a high level. This coupled with the lack of suitable premises has resulted in substantial premium levels.

New arrivals have seen Clinton Cards, Karen Millen, Lush and Scottish Fashion Retailer USC locate in Donegall Place / Castle Lane.

Castlecourt Shopping Centre has seen units taken by Gerry Weber, Wax Lyrical, Exhibit and Turbine.

With limited transactions in the prime retail pitches, lettings in off prime locations have been notable. These have included Internationale and Ann Summers in Rosemary Street, East and Boots in Castle Place - the latter as a “rebranding” of a Connors Chemist unit - a local retail chemist chain acquired by Boots.

The completion of the subdivision of the former Littlewoods store in Ann Street has seen units occupied by Lifestyle Sports, Bon Marche and Berkertex.

Argos opened its first Northern Ireland superstore in the former Ross's Court complex. In terms of floor space this is the single largest retail letting in the City Centre since Debenhams arrived in Castlecourt in 1991.

Selfridges, John Lewis, House of Fraser and Harvey Nicholls may all be viewed as possible anchors as plans emerge for a number of major new retail developments. The potential schemes include an extension to Castlecourt Shopping Centre by MEPC. Also envisaged is a proposed shopping centre of c 30,000 sq m by Dunloe Ewart Plc to link Royal Avenue into the City's recently designated Cathedral quarter. A third proposal sees the provision of a scheme at Victoria Square due east of Donegall Place.

The time does seem right for some new shopping location to be established in the City Centre. Given the level of outstanding requirements, put at c 27,000 sq m, it is anticipated that a suitable scheme with a strong anchor would prove successful.

Rents and Yields

The dearth of prime retail space has ensured that a Zone A figure breaching the £2,000/sq m mark cannot be headlined in this year's report.

Now ‘dated’ rental evidence indicates a top line figure exceeding £1,900/sq m for the city's main prime retail pitch of Donegall Place. Meantime, a level of £2,200/sq m Zone A is being widely anticipated by the market as “only a matter of time”.


City Hall Grounds - Donegal Square North

Castlecourt too has seen a lack of open market lettings. However it has recently been learnt that £1,800 Zone A has been achieved for a unit to be taken by Baby Gap. A premium of £65,000 is also to be paid. Elsewhere in Castlecourt Gerry Weber's acquisition of a first floor unit required a £50,000 premium.

Significant premium levels have been attained from other newcomers this year. In particular £350,000 has been paid by Clinton Cards on assignment, from Burtons, of a unit at Donegall Place/Castle Lane.

Karen Millen has occupied a landmark unit at the corner of Donegall Place and Donegall Square North. This triggered a payment of £150,000 to outgoing tenant H Samuel just before a review was due in October 1998.

Details from off-prime locations show £1,400/sq m for a refurbished unit at Castle Place let to East. The same Zone A level has also been indicated in Arthur Square.

Elsewhere the split up of Littlewoods has seen £1,000 / sq m Zone A in Ann Street confirmed.

55 Rosemary Street's proximity to Royal Avenue has helped set a record rent for the street. The letting early in the year to Ann Summers has turned a level of £1,000 Zone A for this location from one of mere fantasy into one of fact.

On the investment sales front there have been no purely retail investment transactions during the year. Two major mixed retail and office sales have, however, been recorded. One of these had TopShop and Dillons as tenants, with TopShop fronting onto Donegall Place. Access to Dillons was from Fountain Street. The four floors of offices, some of which were unlet, were also accessed from Fountain Street. The price of £13M plus showed an initial yield of 6.25% and the deal involved two local investors.

Cleaver House which includes 1st class retail covenants on the ground floor with Donegall Place frontage was sold "off the market" to Prudential. Details as yet are unknown.

Rental Index for 1998

The 1998 Rental Index at Figure 1 shows a yearly rise of 4%, identical to last year.

It indicates that there has been some increase in rents but also suggests a year of consolidation.

However this modest increase probably reflects the lack of open market lettings during the period within the prime pitch.

This is a reasonable assumption given the strong underlying demand. This is evidenced by the incidence and level of premiums forthcoming.

The table and graph compare the performance of Belfast's prime retail property with the Retail-Price Index and the IPD UK Retail Rental Growth Index.

Figure 1
Unit Size: Gross

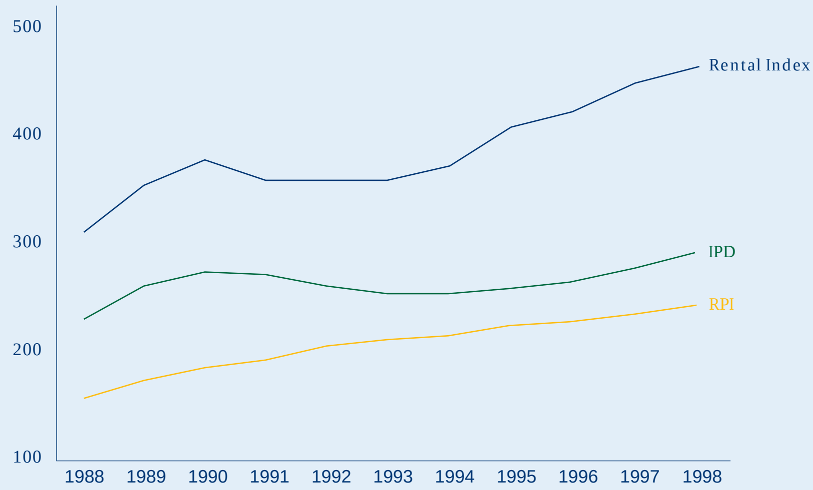
Range	sq m	Units	%
Less than 100m²	6,566	112	4
100 - 200m²	11,295	81	8
200 - 500m²	23,996	77	17
500 - 4000m²	43,245	45	31
Over 4000m²	54,628	8	40
Totals	139,730	323	100

Figure 2
Unit Size: Sales

Range	sq m	Units	%
Less than 100m²	8,446	148	9
100 - 200m²	12,527	90	14
200 - 500m²	16,472	54	18
500 - 4000m²	36,211	28	39
Over 4000m²	18,946	3	20
Totals	92,602	323	100

Figure 3
The Belfast Retail Rental Index

Year	Rental Index	IPD	RPI
1988	315	227	158
1989	352	259	171
1990	370	272	187
1991	354	270	195
1992	354	264	201
1993	354	256	204
1994	361	256	209
1995	404	259	216
1996	428	266	221
1997	445	280	229
1998	465	293	232
% Change	4	5	3



Base Year 1980 = 100

Figure 4
Gross Area

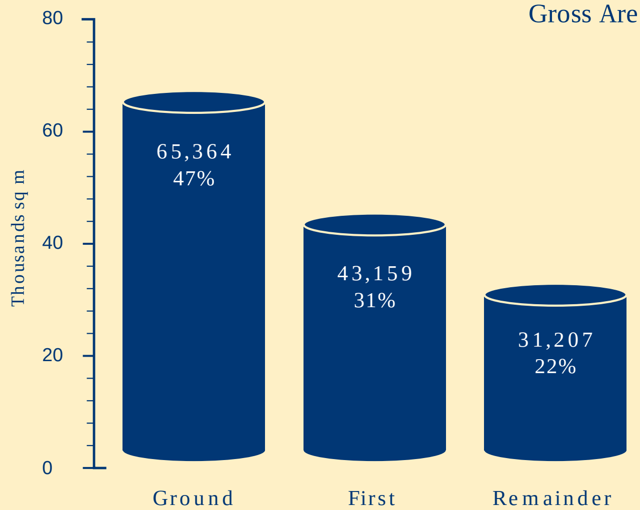
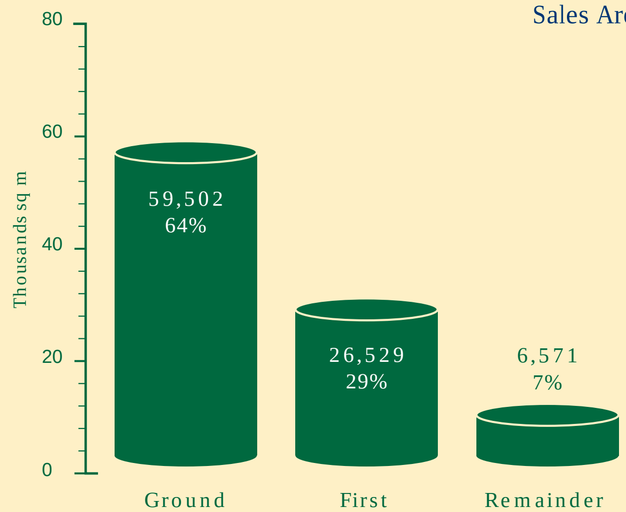


Figure 5
Sales Area



Royal Avenue

Floorspace Analysis

Retail Space information has been obtained from the Valuation and Lands Agency main database. Only properties used wholly or mainly for retail purposes have been included.

Floor Space areas are net internal, exclude common parts where appropriate, and are expressed in square metres.

Large Stores are those shops having retail floorspace over 4,000 square metres.

Gross Areas consist of all space within a unit on one or more floors. This includes ancillary space such as storage and administrative offices as well as sales areas. The total floorspace within our sample is 139,730 square metres. A breakdown per floor is shown in Figure 4. Of the total floorspace 66% is directly devoted to sales. Figure 5 shows how this is divided between floors. Some 64% of all sales floorspace is on the ground floor.

Figure 1 shows the breakdown of both size and number of units. Figure 2 repeats the procedure for sales floors alone.

Use Categories

Figure 6 illustrates the categories into which the city's retail space has been divided. Some of these categories are necessarily subjective but we believe that they do provide a reasonable picture of the retail base as a whole. It should be stressed that the large stores contribute sales across most categories.

1998 has shown a dynamic that has:

Vacant units well down, from the previous abnormal high, as the former Ross's Court Centre was redeveloped as an Argos Superstore;

A decrease of 25% of footwear floorspace that mirrors the difficulties facing the shoe sector;

Household and electrical increase almost 20% due to the opening of Argos Superstore;

Take up of space within books and cards lead to a 26% increase;

An increase of 25% in leisure and sport reflects the trend for branded sports clothing and goods;

Department store numbers drop by one causing a 9% decrease in such space on the subdivision of Littlewoods Store.

Figure 6
Beakdown of Use Categories

		Units	% (Floorspace)	Sq m
0	Vacant	16	3	4,602
1	W & M Fashions	30	14	19,062
2	Womens Fashions	53	8	10,974
3	Mens Fashions	20	2	2,888
4	Shoes	15	3	4,637
5	Household / Electrical	39	12	16,407
6	Department	7	35	49,808
7	Books, Cards, Stat	26	6	8,000
8	Leisure & Sport	25	4	6,070
9	Food	31	5	6,936
10	Health & Beauty	17	2	2,678
11	Jewellers	14	2	2,009
12	Records & Videos	6	2	3,231
13	Miscellaneous	24	2	2,428
	Totals	323	100	139,730

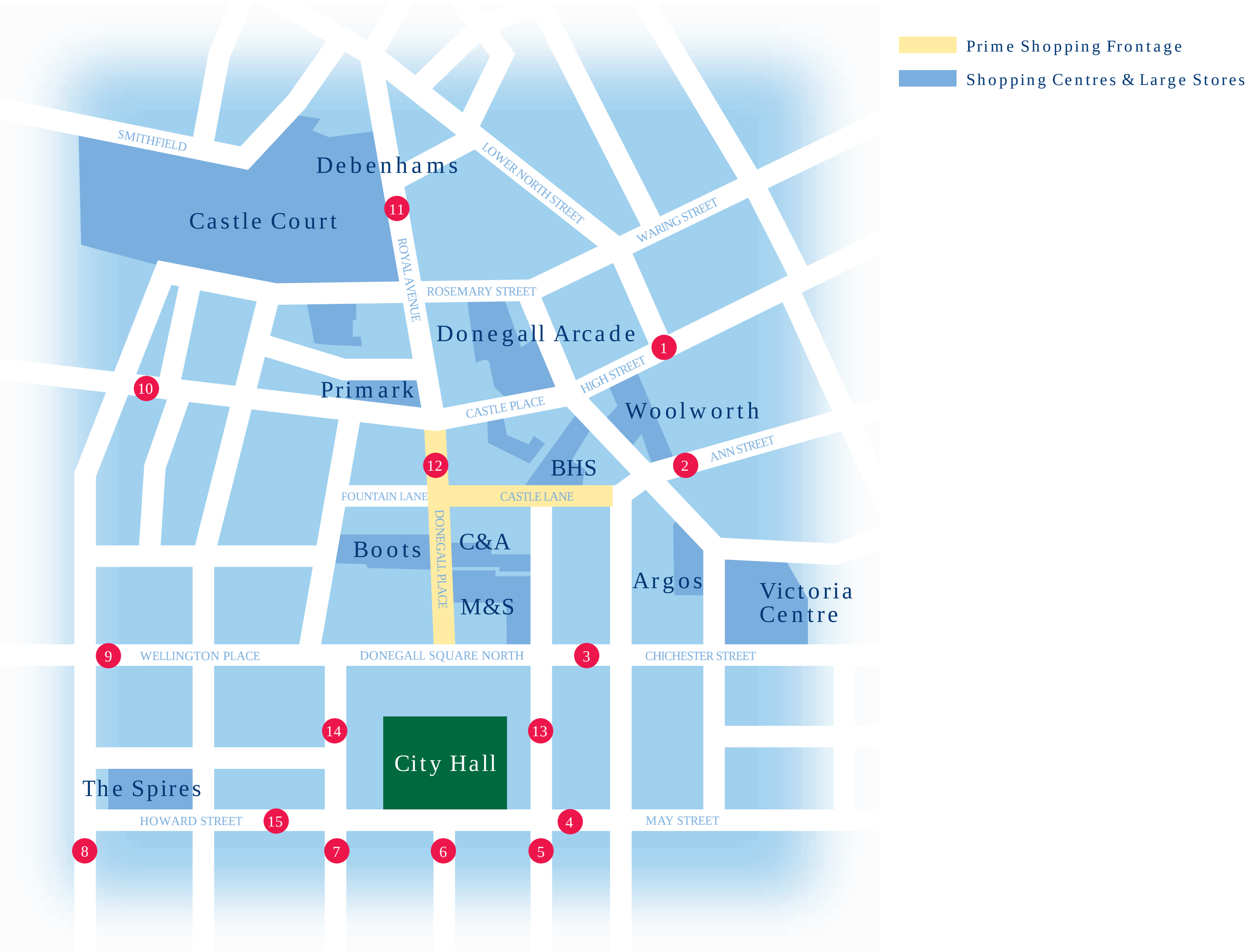


Figure 7

Volumetric Counts (2 way) - Belfast City Centre

No.	Street	Weekday	Saturday
1	High Street / Castle Place	12,330	20,570
2	Ann Street	14,350	39,980
3	Chichester Street	11,550	4,680
4	May Street	5,930	1,210
5	Adelaide Street	5,830	2,310
6	Linenhall Street	4,510	1,750
7	Bedford Street	17,240	8,780
8	Great Victoria Street	12,410	13,950
9	Wellington Place	9,700	6,410
10	Castle Street	8,800	14,050
11	Royal Avenue	20,760	50,520
12	Donegall Place	35,730	42,340
13	Donegall Sq East	11,370	7,230
14	Donegall Sq West	24,440	27,220
15	Howard Street	7,400	8,500

Figures courtesy of DOE Road Service, Belfast Division

Geographical Area and Sample Size

This report covers only those areas which are identified as prime retailing locations within Belfast City Centre.

The sample is based on a simple quality criterion ie those premises which would be likely to attract a first class covenant. This selection process does, however, result in the inclusion of some units, particularly in shopping centres, which might be considered too small to interest a national multiple.

There are now 323 units in our overall sample. As always the rental growth index is based, on evidence from the top 75 which comprise the absolute prime.

Acknowledgements

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