



# Belfast Local Development Plan

Office Study  
August 2018





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## 1.0 Executive Summary

### Key Findings

- Office market activity in Belfast has had a strong start to 2018, reaching the highest half year take-up level on record.
- At 538,646 sq. ft, activity in the first half of 2018 was more than double the same period in 2017 and 49 percent above the five-year H1 average<sup>1</sup>;
- Occupier demand for high quality space continued with Grade A stock accounting for 78 percent of take-up but there is generally considered to be an undersupply<sup>2</sup>;
- Prime headline rent are now considered to be £20 per square foot.
- Strong pipeline supply of 175,000 sq. metres of extant planning permissions within the city centre and a potential pipeline of 272,603 sq. metres of pending planning applications for office development;
- The current amount of vacant office space in Belfast city centre is 114,127 sq. metres with a vacancy rate of 15.4 percent.
- Whilst a strong pipeline of consented schemes exist there is little appetite from developers to start developing speculatively.
- Some secondary office space has been repurposed as hotel and residential accommodation.

### Approach

- Proceed with a city centre first approach to new office development to ensure it remains the economic driver of the region;
- Given level of vacancy within city centre and pipeline supply of extant and pending planning applications for office development there should be no allowance for additional offices at Belfast Harbour, Titanic Quarter or other existing employment locations unless ancillary to the main use. However, an exception to this should be made for office development that cannot be accommodated within the city centre and would otherwise result in the loss of significant inward investment.

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<sup>1</sup> Lambert Smith Hampton Commercial market Report 2018 H1  
<https://www.lsh.co.uk/commercial-property-research/2018/july/belfast-office-market-update-h1-2018>

<sup>2</sup>Lambert Smith Hampton Commercial market Report 2018 H1  
<https://www.lsh.co.uk/commercial-property-research/2018/july/belfast-office-market-update-h1-2018>

- Create a portfolio of sites across the city to allow for appropriate spread and to ensure all office occupier requirements are met. A threshold restriction of 400 sq. metres for district and local centres should be set to limit impact on Belfast city centre; and
- Allow unrestricted B1(a) office use within Queens University Campus area and up to 200 sq. metres within the wider Queens Office Area to recognise the important link and synergy between the university and businesses.

## 2.0 Introduction

- 2.1 The Planning Act (Northern Ireland) 2011 requires councils to prepare a Local Development Plan (LDP). On 1st April 2015, as part of local government reform, Belfast City Council assumed responsibility for numerous functions, including statutory planning and therefore the preparation of an LDP. The LDP will set out a strategy for delivering growth, managing change and protecting the natural and built environment. As part of this, the LDP will provide an analysis of the Belfast City office market focusing on the needs and opportunities for new office development in Belfast City Centre, the district and local centres and arterial routes. It will also review the two existing BMAP office designations, Stormont Office Node and Queens Office Area.
- 2.2 This study will provide essential background information to assist the Council in the production of the Draft Plan Strategy, the first of two parts of Belfast Local Development Plans (LDP). It will also support the Council's development management function.
- 2.3 The study has been prepared in the context of current Strategic planning policy and emerging development plan policy, as well as other key material considerations; principally the Strategic Planning Policy Statement for NI (SPPS) published in September 2015.

### The Study Area

- 2.4 The study/catchment area defined for the purpose of this study principally covers the Belfast City Council area as indicated in Figure 1 overleaf:

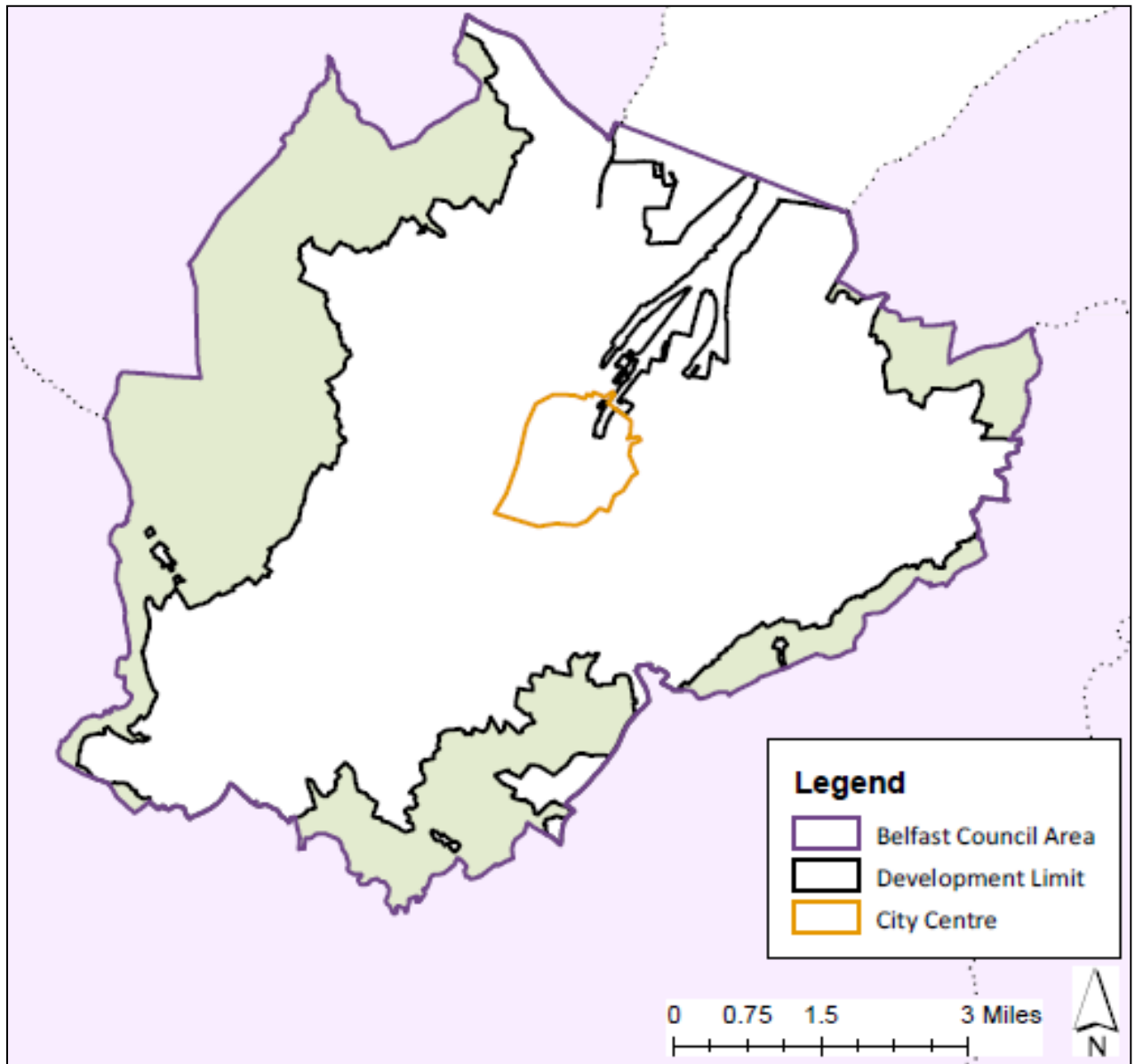


Figure 1: Map showing Belfast City Council Area



## 3.0 Economic Context of the Area

### Overview

- 3.1 This section of the study examines the economic context of the Belfast City Council area by reviewing recent economic trends and conditions. It carries importance as it identifies inherent strengths and weaknesses of the local economy and highlights any variables that may influence the demand and supply of future office space.
- 3.2 By analysing the current and future market, the Council can then make informed decisions in terms of land use allocation for the office sector and ascertain spatial thresholds.

### Population

- 3.3 The study area for this piece of work is defined by the Belfast City Council boundary as outlined under the Local Government (Boundaries) Act (NI) 2008 and as identified in Figure 1 on page 4. Under the reform, Belfast City Council expanded to take in approximately 53,000 additional residents, 21,000 households and 1,000 business premises from adjacent former Council areas<sup>3</sup>.
- 3.4 Belfast is the administrative capital and the largest city of Northern Ireland. The population size has increased gradually with the introduction of peace agreements in the late 1990s, growing from 276,000 people in 2001 to 295,000 in 2014<sup>4</sup> and 339,600 in the 2016 midyear estimate<sup>5</sup>. Belfast accounts for over 18 percent of Northern Ireland's population.
- 3.5 The city has a young demographic composition with 56 percent of people under 40 years old<sup>6</sup>.

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<sup>3</sup> <http://www.belfastcity.gov.uk/council/localgovernmentreform/localgovernmentreform.aspx>

<sup>4</sup> <http://worldpopulationreview.com/world-cities/belfast-population/>

<sup>5</sup> <https://www.nisra.gov.uk/publications/2016-mid-year-population-estimates-northern-ireland>

<sup>6</sup> <http://www.belfastcity.gov.uk/business/investinginbelfast/belfast-facts-figures.aspx>

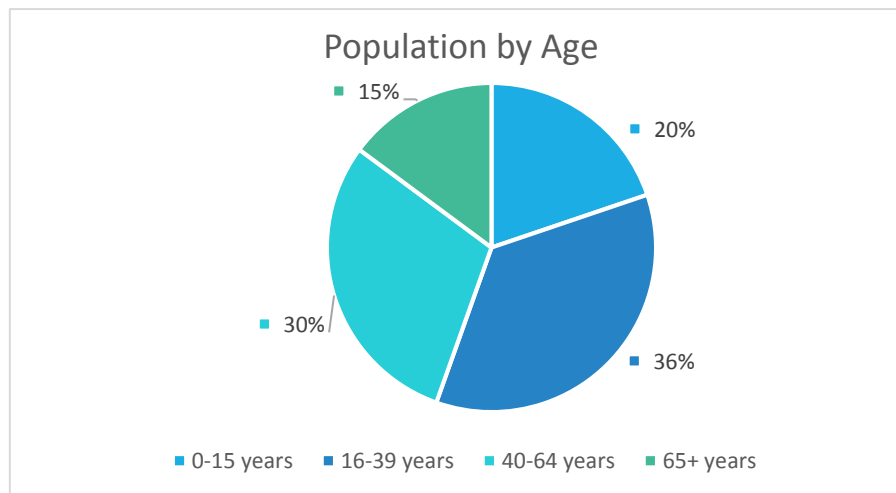


Figure 2: Population by Age

### Competitive edge

- 3.6 The city is well serviced by good transport networks to the rest of the United Kingdom and the Republic of Ireland. Daily direct flights from over twenty European cities and a number of North American locations fly into Belfast City airport, which is located a mere 3 miles out of the city centre. There is also a direct rail link from Dublin and multiple sea crossings from Scotland and England, making the city an attractive place to do business.



- 3.7 Belfast has the highest density of digital fibre connectivity in Europe and 83 percent of the Council area has access to superfast broadband making it the highest concentration of any region in the UK. The city also has a terrestrial telecommunications link to North America boosting transatlantic trade. This advanced

digital and telecoms capacity has exponentially increased new sections of the economy, making the Belfast the fastest growing knowledge economy in the UK<sup>7</sup>.

- 3.8 Given the above advantages that the city inhibits, the Council area still remains competitive in terms of operating expenses with lower salary costs than other European cities and a government commitment to reduce corporation tax to 12.5 percent.

### Economic conditions

- 3.9 Belfast is the driver of the regional economy, comprising:
- 220,190 jobs (31 percent of all jobs in Northern Ireland)
  - 10,100 VAT registered businesses
  - A 70.8 percent employment rate<sup>8</sup>
  - Average earnings of £25,650 in comparison to the Northern Ireland average of £21,345 per annum<sup>9</sup>
- 3.10 While the city encompasses a significant amount the regions' job share, there is a still a large imbalance in terms of business sector composition and levels of engagement with the market. Employment in Belfast is heavily dependent on the public sector in comparison to the UK average, with a split of 31 percent public sector and 69 percent private sector<sup>10</sup>.
- 3.11 The city is the second lowest council area in the region for levels of entrepreneurship, with only 4.5 percent of the population starting or in the process of starting a business, this is in comparison to the Northern Ireland average of 5.1 percent<sup>11</sup>. However, the three year survival rate of indigenous firms in Belfast is 55.3 percent, which is higher than the UK average of 54.4 percent<sup>12</sup>.

<sup>7</sup> <http://www.belfastcity.gov.uk/business/investinginbelfast/Connectivity.aspx>

<sup>8</sup> <http://www.belfastcity.gov.uk/business/investinginbelfast/belfast-facts-figures.aspx>

<sup>9</sup> Invest NI Belfast City Council Area Profile January 2016 City Stats

<sup>10</sup> <https://www.nisra.gov.uk/publications/bres-publications-and-tables-2016>

<sup>11</sup> Invest NI Belfast City Council Area Profile January 2016 City Stats

<sup>12</sup> ERC, 2016

## Employment

- 3.12 As the capital city, Belfast is home to a significant amount of regional government office space and is the chosen location for the administrative headquarters of many international businesses who decide to set up base in Northern Ireland.
- 3.13 Due to the mainly urban composition of Belfast and the presence of two world leading universities<sup>13</sup> and several hospitals, the area is heavily influenced by professional, scientific and technical services sectors as is seen in the Figure 3<sup>14</sup> below. In employment terms, agriculture and construction are underrepresented in comparison with regional averages. Therefore, based on the prevalent employment sectors, there is likely to be an increasing demand for office space within the study area over the coming years.

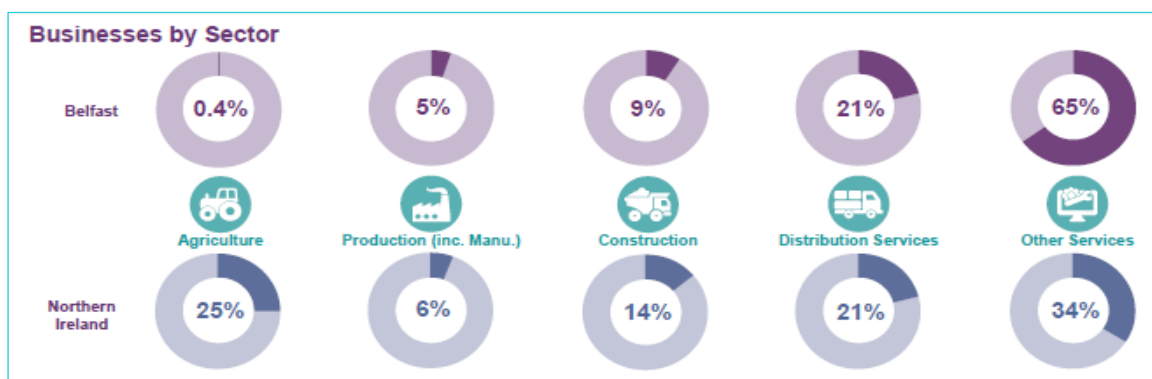


Figure 3: Business by Sector: Belfast v NI

- 3.14 Building on inherent strengths to date, the Council believes the city has the capacity to develop world class employment sectors and is targeting key growth areas in digital media, IT, life sciences and advanced manufacturing and engineering. Significant growth projections have been established and the Council is seeking to facilitate their attainment through various internal policies and collaborative mechanisms<sup>15</sup>.

<sup>13</sup> <http://www.belfastcity.gov.uk/business/investinginbelfast/belfast-facts-figures.aspx>

<sup>14</sup> Invest NI Belfast Council Area Profile January 2016 City Stats

<sup>15</sup> <http://www.belfastcity.gov.uk/business/investinginbelfast/belfast-facts-figures.aspx>

Sectors with high job growth expected up to 2025	Current jobs	Projected new jobs by 2025	Change
Information and communication	18,000	+15,430	+86%
Professional, scientific and technical	37,500	+15,398	+41%
Manufacturing	84,250	+13,769	+16%
Hospitality	49,500	+7,731	+16%
Retail	146,250	+7,429	+5%

Figure 4: Sectors with projected high job growth

### Productivity

- 3.15 Productivity (measured by Gross Value Added (GVA) per worker) within Belfast is relatively high in comparison with other regional averages. In 2016, Belfast had a GVA of £35,791 per head, ahead of the East of NI region (18,547 per head), the West and South of NI (17,473 per head), Outer Belfast region (16,382 per head) and North of NI (15,488 per head) as seen in the source below<sup>16</sup>.
- 3.16 The 2016 GVA figure for Belfast was not only above each of the remaining NI regions (with a NI average of £19,997 per head) but it was also above the UK average of £26,339 per head.

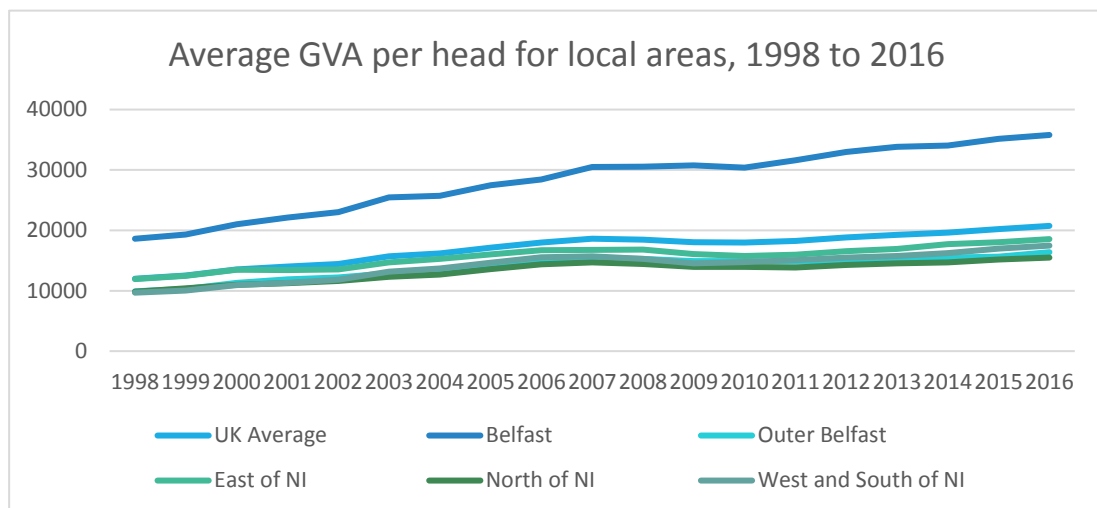


Figure 5: GVA per Head

<sup>16</sup><https://www.ons.gov.uk/economy/grossvalueaddedgva/bulletins/regionalgrossvalueaddedbalanceduk/1998to2016>

3.17 However, in terms of capital cities where most of GVA growth is concentrated, Belfast slipped from first to last place between 2015 and 2016. In 2015 Belfast grew GVA per head 4.7 percent and increased total GVA 5.4 percent, putting it ahead of Edinburgh, Cardiff and London. Then in 2016, whilst all capital cities continued to show growth, Belfast dropped to 2.1 percent of annual GVA growth per head as can be seen in the Figure 6.

Capital City	Population	Total GVA (£ million)	Annual growth in total GVA (%)	GVA per head (£)	Annual growth in GVA per head (%)
London	8,787,892	408,479	5.1	46,482	3.7
Cardiff	361,468	9,933	5.7	27,480	4.5
Edinburgh	507,170	19,942	4.6	39,321	2.9
Belfast	339,579	10,866	2.3	31,999	2.1

Figure 6: GVA City Comparison

3.18 It should be noted that the GVA results for Belfast may be skewed due to the spatial boundary assigned to the data. The 'Belfast' designation for GVA analysis includes a wider geographical extent that takes into consideration the commuting population from surrounding affluent areas, this may distort the information and present a less reassuring picture for the city.

## 4.0 Policy Context

### Overview

4.0 New office development is influenced by existing planning policy, which in Belfast is currently addressed in the following five documents:

- Regional Development Strategy (RDS)
- Belfast Urban Area Plan 2001 (BUAP)
- Draft Belfast Metropolitan Area Plan 2015 (BMAP)
- Planning Policy Statement 4: Planning and Economic Development (PPS 4)

### Regional Context

#### Regional Development Strategy 2035

4.1 The RDS 2035 provides a framework for strong sustainable economic growth across the region and recognises that a growing regional economy needs a co-ordinated approach to the provision of services, jobs and infrastructure. It provides regional guidance to ensure an adequate supply of land to facilitate sustainable economic growth. RG1 ensures that there is adequate supply of land to facilitate economic growth. Land should be accessible and located to make the best use of available services.

4.2 The Metropolitan Area of Belfast is one of the key components of the Spatial Framework Guidance. SFG3 enhances the role of Belfast City Council as the regional capital with focus on admin, commerce, specialised services and cultural amenities.

#### Strategic Planning Policy Statement (SPPS) – September 2015

4.3 The Department of the Environment's 'Strategic Planning Policy Statement for Northern Ireland' - Planning for Sustainable Development (SPPS), was published in final form on 22nd September 2015. This publication consolidates over twenty separate publications into one document under the reformed two-tier planning system. The provisions of the SPPS must be taken into account in the preparation of Local Development Plans, and are also material to all decisions on individual planning applications and appeals.

- 4.4 The underlying message of the SPPS is to promote sustainable development through the integration and balancing of economic, social and environmental factors. This document facilitates economic growth through large scale investment and job creation by improving competitiveness and building a larger and more export driven private sector and aims to promote well-being and a shared society through delivery of homes, investment in physical regeneration and promoting good design in the built environment.
- 4.5 In relation to Offices, this policy aims to support and sustain vibrant centres through Local Development Plans (LDPs) and decision making by adopting a town centres first approach to main town centre uses which includes offices.
- 4.6 In relation to economic development and commerce, the SPPS states that in larger settlements appropriate proposals for Class B1 business uses (offices, call centres and research and development) should be permitted if located within city or town centres, and in other locations that may be specified for such use in a LDP, such as a district or local centre.

#### **Planning Policy Statement 4: Planning and Economic Development (PPS 4)**

- 4.7 The RDS and the SPPS are complemented by 23 Planning Policy Statements, the most relevant of which is PPS 4 Planning and economic development. This sets out the Department for Infrastructures planning policies for economic development uses and indicates how growth associated with such uses can be accommodated and promoted in development plans. Its remit covers industrial, business and storage and distribution uses as currently defined in Part B “Industrial and Business Uses” of the Planning (use Classes) Order (Northern Ireland) 2015 which includes B1(a) general Offices.
- 4.8 The key aim of this PPS is to facilitate the economic development needs of the Region in ways consistent with protection of the environment and the principles of sustainable development. It recognises that changing patterns of employment in NI require more flexible approach when determining the types of economic development that are acceptable in particular locations.
- The policy most relevant is PED 1 Economic Development in Settlements. This policy sets out the criteria in the assessment of economic development uses in settlements which includes B1(a) offices stating that they will be permitted in a town centre or other area as designated in an area plan.



## Local Policy Context

### Belfast Urban Area Plan 2001 (BUAP)

- 4.9 The BUAP is now the adopted plan for Belfast following the quashing of BMAP as a result of a judgement in the Court of Appeal delivered on 18th May, 2017. As a consequence of this, the Belfast Urban Area Plan 2001 (BUAP) is now the statutory development plan for the area. The office policies contained within the BUAP include:
- Policy OS 01 office conversion in the Queens University area – This policy states that office conversions will not normally be allowed within the University area except where they meet special University needs or help to conserve Important properties. Conversion of vacant office stock in peripheral locations within the University area back to residential use will be encouraged.
  - Policy OS 2 small office units in the city centre. This encourages the development of clusters of office units under 200 sq. metres (2,200 sq. ft.) within the City Centre, particularly in Northside and Laganside.
  - Policy 03 refurbishment and conversion- This encourages refurbishment of obsolescent commercial accommodation in the City Centre Conservation Areas for office use as a development priority.
  - Policy OS 4 conversion of housing stock – This protects existing housing stock, stating that property suitable for single family accommodation will not normally be considered as suitable for conversion to offices.
  - Policy OS 5 scale of offices – A policy that is design focused. It states that office conversions or the redevelopment of previously converted office property must be sympathetic in scale to adjoining properties.

### Belfast Harbour Local Area Plan 1990-2005

- 4.10 The quashing of BMAP also means that the Belfast Harbour Area Local Plan (adopted in 1991) was also re-instated as the statutory development plan for Belfast Lough and its foreshores, encompassing land east of the Belfast to Larne railway line and west of the Sydenham By-Pass and the Belfast to Bangor road. It was prepared within the strategy set out in the Belfast Urban Area Plan 2001 and underlines the importance of the harbour area to Belfast and to the Northern Ireland economy.

### **Draft Belfast Metropolitan Area Plan 2015 (dBMAP)**

- 4.11 Although formally adopted in 2014, this process of final BMAP adoption was declared unlawful as a result of a judgement in the court of appeal delivered on 18 May 2017. This means the Belfast Urban Area Plan (BUAP) 2001 and the other Development Plans provides the statutory plan context for the area. However, BUAP was published in 1990, nearly 30 years ago. The Belfast City Council Plan Area has undergone massive transformation since then, particularly in the city centre. The formal development plans which apply are dated and silent on many of the planning issues pertinent to needs of current planning decision making. In recognition of this unique circumstance and taking account of the short term transitional period in advance of the adoption of the Local Policies Plan it is important to provide clarity in relation to the application of planning policy.
- 4.12 Draft BMAP, in its most recent, post-examination form remains a significant material consideration in future planning decisions. It was at the most advanced stage possible prior to formal adoption. Draft BMAP referred to throughout this document therefore refers to that version. However, in preparing this document the council has also had regard to the provisions of the draft BMAP which was published in 2004, the objections which were raised as part of the plan process and the Planning Appeals Commission Inquiry report.
- 4.13 The SPPS's transitional arrangements provide for continuity until such times as a new LDP for the whole of their council area is adopted to ensure continuity in planning policy for taking planning decisions.
- 4.14 The following designations are covered under dBMAP:

#### **City Centre**

- 4.15 Policy OF 1 relates to Belfast city centre and other centres within the Belfast Metropolitan Area and states that Belfast City Centre will be the first choice location of major office development. It is the most accessible location. Under dBMAP there was a designated office area covering part of the city centre. However at the public inquiry it was removed in favour of offices being permissible in the whole of the city centre.

### **Commercial Nodes, District Centres and local Centres**

- 4.16 Policy OF 2 relates to office development in Commercial Nodes, District Centres and Local Centres. It allows for office development up to 400 sq. metres in these location subject to normal planning criteria. The following district centres are designated in draft BMAP- Connswater, Hillview, Kennedy Centre, Park Centre, Westwood Centre and Cityside (Yorkgate). Two local centres designated in dBMAP include Kingsway and Kings Square. Under dBMAP Office Development of up to 400m2 is acceptable in district centres and local centres.
- 4.17 At the public inquiry into the objections to dBMAP the Planning Appeals Commission concluded that the 400 sq. metres had worked effectively at accommodating the local needs of businesses in district and local centres and at the same time did not adversely impact on the role of city and town centres as the primary focus for office development.
- 4.18 Whilst there are larger offices in excess of the 400 sq. metres, these appear to be granted planning permission as exceptions to this threshold. An example of this is the government office development in Kennedy Centre of 3121 sq. metres approved under planning Ref: Z/2007/0016/F. The justification for this planning approval being that it was for a jobs and benefit office to serve the local population of West Belfast.

### **Shopping commercial areas**

- 4.19 Policy OF 3 allows for office development in shopping/ commercial areas of up to 200 sq. metres. This is to ensure that the traditional function of local shopping areas on the designated Arterial Routes is maintained and enhanced. In terms of policy OF 3, it was concluded at the public inquiry into dBMAP that the 200 sq. metres threshold has applied successfully for many years in other areas of Belfast and that the focus on identified shopping/commercial areas on arterial routes was justified. The PAC further argued that the time that it would be a matter for the development management process to respond in circumstances where it could be demonstrated that a use is justified as an exception to policy but in broad terms a restriction to Class A2 offices would normally be sufficient to meet local office need.

### **Major and Existing Employment Locations**

- 4.20 Policy OF 4 relates to Major Employment Locations. Within Belfast City Council area there is one designated MEL, Belfast Harbour. Belfast Harbour is the largest

employment location within the city. It extends for approx. 800ha. At the inquiry into dBMAP the objectors had sought some office use because of the park's location next to Belfast City airport and the flexible policy that had always applied to its development. They argued that the business park had operated for decades without any harm being caused to Belfast City Centre or local centres. The number of plots that would be suitable was limited due to the Control of Major Accident Hazard Regulations and it was only these plots that were sought for office use. The then Department for the Environment accepted the logic of this argument and agreed that these factors were sufficient to distinguish the site as a special case. They considered that a maximum overall amount of floor space should be stipulated (5000 sq. metres was suggested) rather than identifying specific plots within the business park. The objectors at the Inquiry accepted this compromise. Following this inquiry planning permission was granted in 2014 for 26 no. business units to include 8no. for B1(a) use (gross floor space 4800sq. metres) and 18 no. for Class B1(c) use . This planning permission remains extant, but unimplemented.

4.21 BMAP zoned 87.31ha within Titanic Quarter TQ for mixed-use including employment with business uses as specified in Class B1 (a), (b) or (c) of the Planning (Use Classes) Order (Northern Ireland) 2004, updated in 2015, and light industrial use as specified in Class B2 of the same Order. This area now comprises apartments within Abercorn Basin, Thompson Dry Dock and Pump House tourist facilities, Belfast Metropolitan College and sports complex, office buildings, an exhibition hall, a hotel within former Drawing Offices and film studios. A portion of land to the western waterfront has been reclaimed to form part of the zoning.

4.22 BMAP sets out a number of key site requirements for TQ. The most relevant key site requirement states that:

- B1 (a) Offices shall not exceed 15,000 sq. metres. However consideration may be given to office proposals above 15,000 sq. metres where it can be demonstrated that the proposal cannot be accommodated within Belfast City Centre and which would otherwise result in a loss of significant inward investment.

4.23 Currently 11,200 sq. metres of B1(a) general offices has been built out in TQ. Taking into account the planning approval for Olympic House (planning ref: Z/2013/0931/F), which remains extant until August 2019, this creates an overall B1(a) floor space provision of 14170 sq. metres. This leaves 830 sq. metres remaining of the total

15,000 sq. metres permissible under the key site requirements. It is also worth noting that planning permission was granted for a 50,000 sq. metres Financial Services Campus as an exception to the 15,000 sq. metres threshold with TQ, construction of which has yet to start.



Figure 7: Belfast Harbour Area dBMAP



### Queens Office Area

- 4.24 Policy OF 5 allows for offices development that is for university related uses to reflect the synergy between the Queen's University and businesses. The Queens Office policy in dBMAP 2015 allowed for office development in the A2 Use class up to 200 sq. metres and unrestricted floor space for B1(a) and B1(c) class which it could be demonstrated that it is for universities related uses within the Queens University campus area. The economic importance of the two universities needs to be recognised in the LDP. Both Queens and the Ulster University play an important role at delivering a highly skilled workforce necessary to attract foreign direct investment and support the growth of the economy. High-value employment, rooted in the local economy, will be less vulnerable to economic downturn over the plan period so it is important that any policy coming forward seek to ensure the synergy between the universities and business is built upon.

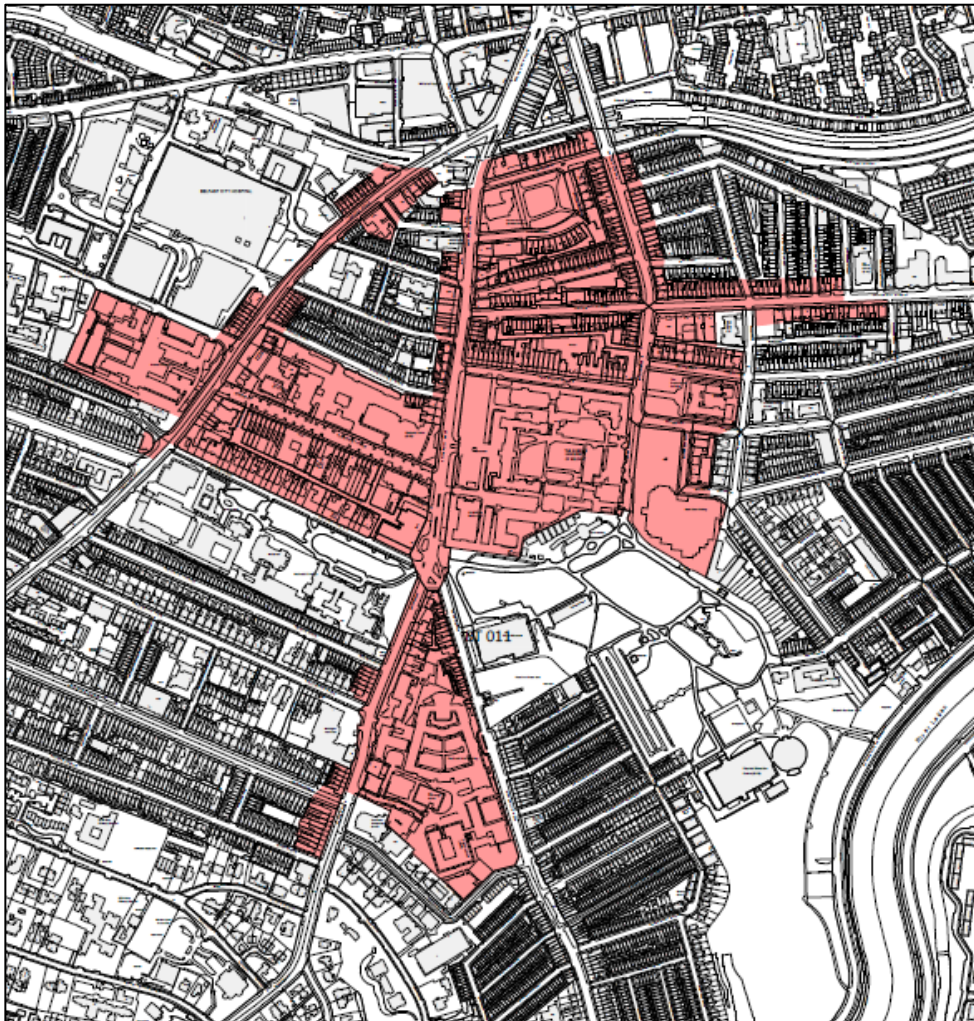


Figure 9: Queens Office Area dBMAP

### Stormont Office Node

- 4.25 Policy OF 6-Within the designated office node at Stormont planning permission will be granted for public sector administration office development and no other type of office use. A large portion of Northern Ireland's public administration office provision still operates from Stormont.

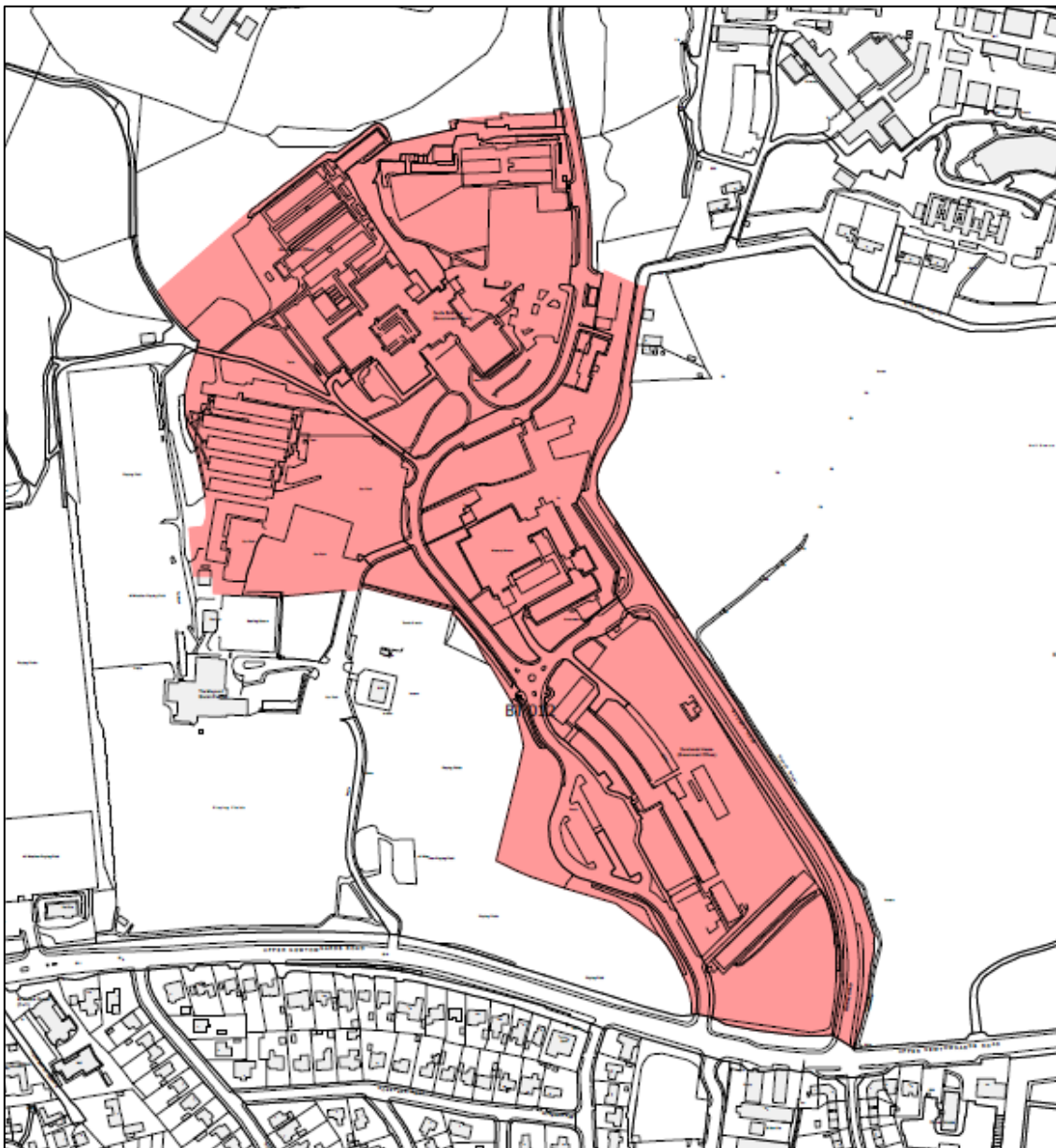


Figure 10: Stormont Office Node dBMAP



## 5.0 Office Property Market Analysis

### Overview

- 5.1 This section provides an overview of the current office space in Belfast and recent trends and changes to the supply.
- 5.2 Northern Ireland's commercial property market has remained subdued since the Brexit referendum. The resulting uncertainty has caused a drop in the number of transactions taking place across the wider market. The office sector has, however, remained extremely active as the service sector in Northern Ireland continues to grow. It is clear that the majority of office activity is still centred on Belfast city centre with continued foreign direct investment bringing a range of occupiers mainly focused in the technology sector and a mix of multi-national and indigenous companies widening their range of services and facilitating back office functions. Generally activity in out of centre areas is sporadic, however, there is a continuing trend of established businesses seeking to purchase premises using cash reserves rather than rent.

### City Centre

- 5.3 Belfast city centre continues to lead the way as the most active area in the Northern Ireland office market. As the office market has developed over the last 5 years various sub markets have emerged in different areas of the city, meaning that there is now a "tiered" office market where occupiers can choose between modern "Grade A" buildings or original stock depending on their occupational needs and budget.
- 5.4 The commercial agents have recorded "office take-up" figures for the last number of years which has been a useful barometer on market performance.

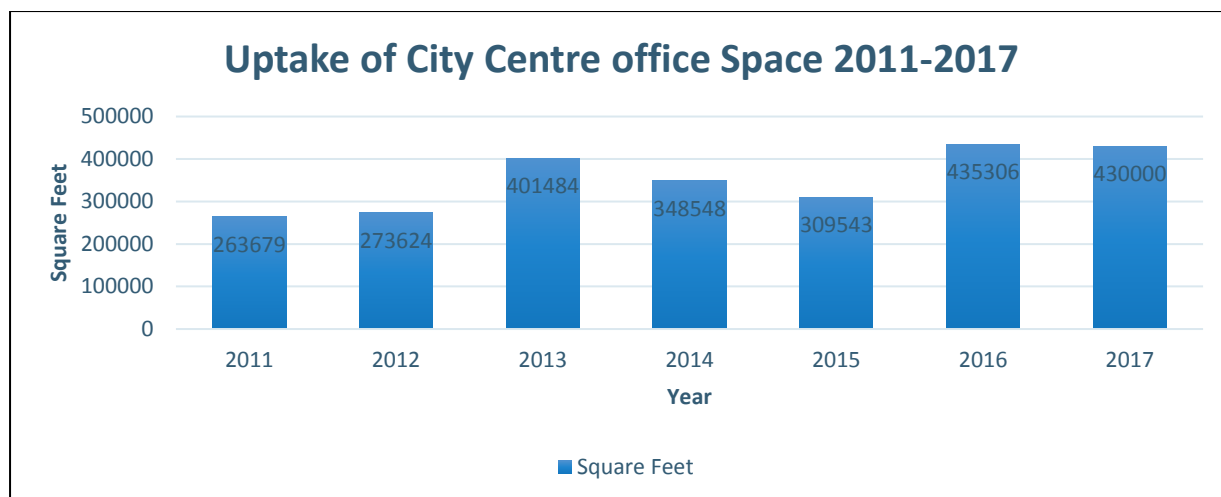


Figure 11: Uptake of City Centre Office Space

5.5 Figure 11 demonstrates that take-up has been reasonably consistent from 2013 – 2017 and has steadily risen from a low of 263,679 sq. ft in 2011. Remarkably, recently published figures for the first half of 2018 has shown record uptake levels of 539,000 sq. ft, already. This was more than double the same period in 2017 and almost 50% above the five-year H1 average<sup>17</sup>. Occupier demand for high quality space has continued with grade A stock accounting for 78% of take-up. Notable completions underpinning the H1 take-up include Allstate’s new 138,225 sq. ft headquarters on the former Maysfield Leisure Centre site and the Department of Finance’s 150,000 sq. ft lease of Nine Lanyon Place. The lease of Nine Lanyon Place to a high quality government tenant is the single biggest letting in the past decade. Demand has been primarily driven by the technology, media and telecoms (TMT) sector, responsible for 47% of take-up and 21 of the 46 H1 deals.

### City Centre Office Rents

5.6 Headline office rents have moved forward in the last 24 months. In 2016 headline rental levels sat at around £16.00 per sq. ft for Grade A stock and have now reached £20.00 per sq. ft as indicated in figure 12.

<sup>17</sup> Lambert Smith Hampton Commercial market Report 2018 H1  
<https://www.lsh.co.uk/commercial-property-research/2018/july/belfast-office-market-update-h1-2018>.

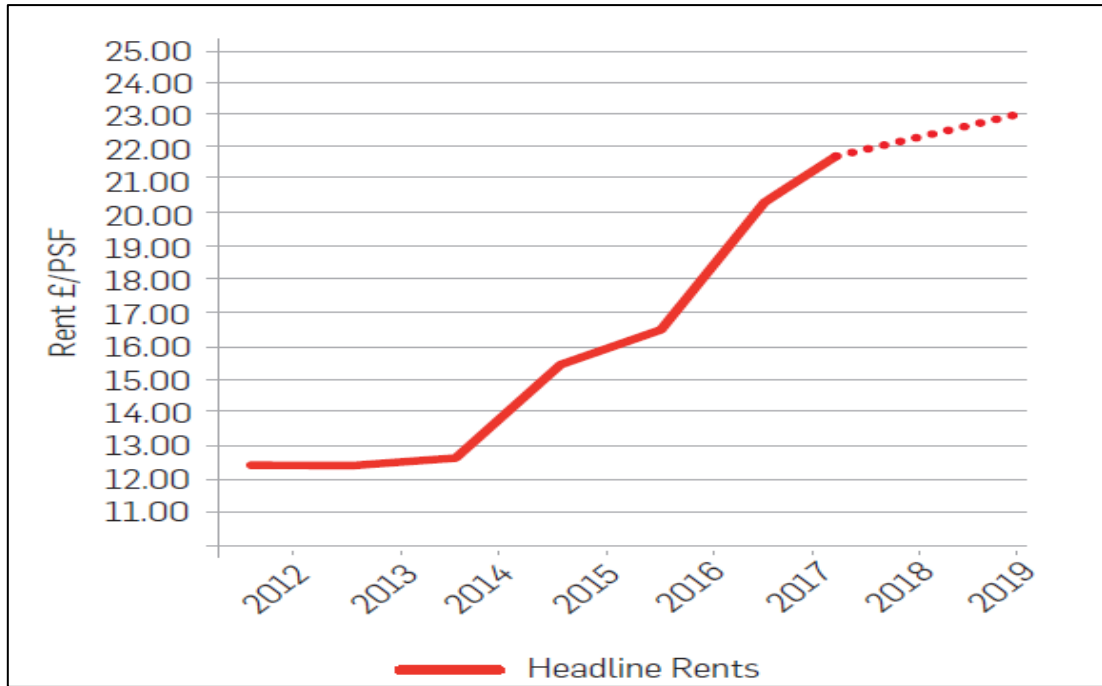


Figure 12: Headline Rents Q1 2018: Source Lisney

5.7 However, it is worth noting that prime headline rents are still below other UK cities and significantly below those in Dublin as shown in figure 13.

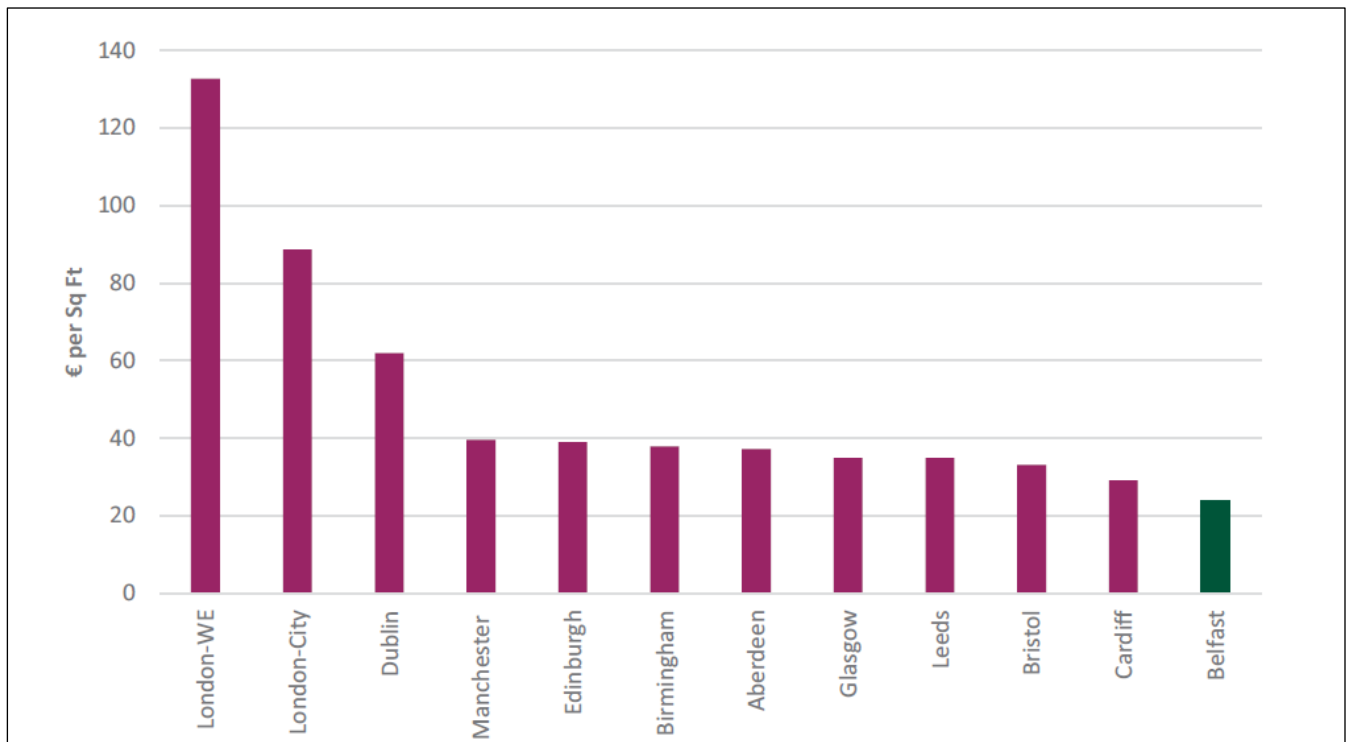


Figure 13: Headline Rents UK Cities: Source Savills NI Market Jan 18

- 5.8 Now that there is a functioning “tiered market” there is evidence that larger corporate brands are willing to pay top rents for Grade A space but the larger number of transactions have taken place in the £16.00 - £18.00 per sq. ft price range, which seems to be more acceptable to local professional services firms and the large number of IT/technology businesses who have expanded into Northern Ireland.

### Demand

- 5.9 It would be expected from the take-up figures shown in Figure 7 that demand has been reasonably strong over the last 24 months. There are a number of live requirements circulating at present and also a number of long-term requirements which remain unfulfilled including ranging from 30,000 sq. ft to 150,000 sq. ft
- 5.10 In reality the above requirements will require new build “standalone” office buildings or significant portions of large scale developments. However it is generally accepted that there is little appetite from developers to start developing speculatively. This will certainly affect supply especially in regards to Grade A office stock.
- 5.11 The Council’s City Centre Regeneration and Investment Strategy (BCCRIS) highlights the need to increase the availability of Grade A office space in the city centre. Increasing Grade A office space will help to attract high quality employment by providing office space suitable for the knowledge economy, an essential driver of economic growth.
- 5.12 The Council has now established an £18.77 million City Centre Development Fund which is to be used to kick-start some projects in partnership with the private sector. Stakeholders from across the city who were central in developing the strategy also have vital roles to play in delivering it.

### Supply

- 5.13 In terms of existing availability, the vacancy rate at the end of 2017 stood at 7.2 percent, with the Grade A vacancy at 3.1 percent. There are no city centre options available that can offer in excess of 25,000 sq. ft of contiguous space.<sup>18</sup> The Belfast overall vacancy rate of 7.2 percent<sup>19</sup> is above the European average vacancy rate of 6.9 percent<sup>20</sup>. A recent search of property letting agent’s websites for available office

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<sup>18</sup> Savills NI market Economic Report January 2018

<sup>19</sup> <http://www.costar.co.uk/en/assets/news/2018/January/Belfast-take-up-surges-in-Q4/>

<sup>20</sup> Savills, Market Report European Offices. Published December 2017.

premises has revealed 67,000 sq. metres of vacant office space within the city centre. However it is accepted that not all vacant office space is currently available and published for rent. Recently obtained figures from Land and Property Services (LPS) show that there is estimated total office floor within the city centre of 739,800 sq. metres (occupied and vacant) with an estimated 114,127 sq. metres of the total currently registered on their database as vacant (August 2018). This equates to a vacancy rate of approximately 15.4 percent.

- 5.14 In addition, there 175,000 sq. metres of space that has full planning permission, and an additional 272,603 sq. metres in planning submitted phase. Not all of these schemes will be delivered, and it is difficult to predict completion dates for any schemes that are not currently on site.

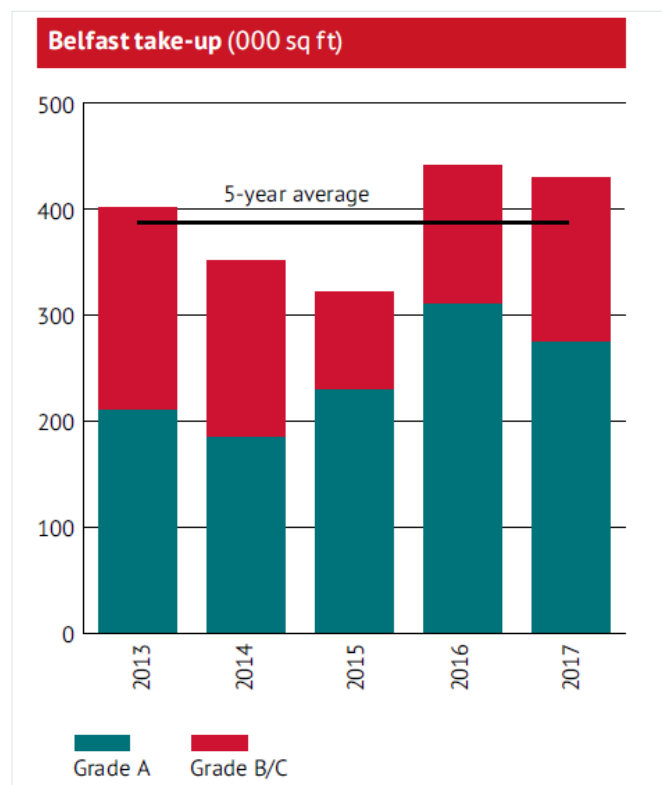


Figure 14 Belfast Office Take-up 2013-2017<sup>21</sup>

- 5.15 An average office building takes between 18-24 months to complete. Assuming these schemes are delivered in the next 3-5 years the supply would meet demand certainly in the medium term.

<sup>21</sup> Lambert Smith Hampton Office Market Report 2018

- 5.16 Supply, although limited at the moment, is likely to increase in the next few years, as pipeline schemes come forward for construction. There is however, a lot of uncertainty in the short-term for global economic and property markets, and therefore it will be important to continue to analyse market demand and supply dynamics, to ensure sustainability continues.

### New Schemes

- 5.17 There are a number of new office schemes expected to come online in the next 24 months. In order to be economically viable it is likely that pre-let agreements in the range of £22.50 - £25.00 per sq. ft will need to be in place before development can commence.
- 5.18 Planning permission has been granted for the development of Phase 2 Bedford Square, Bedford Street, a 200,000 sq. ft office development. Developers McAleer & Rushe are involved with the development of “The Sixth” a proposed office and retail scheme of some 230,000 sq. ft on the site of the former Belfast Telegraph building on Royal Avenue. The scheme is at the pre-application stage of planning and it is hoped that development will commence in 2019.
- 5.19 City Quays has been developed by Belfast Harbour and once completed will comprise some 750,000 sq. ft office and hotel accommodation. City Quays 1 comprises around 70,000 sq. ft of Grade A office accommodation and is let to Baker McKenzie, Cayan and BRS Golf. City Quays 2 consists of c. 95,000 sq. ft with U105, UTV and TP ICAP having agreed to take space by way of pre-let. The first and second floors comprising c. 22,000 sq. ft in total.

### Titanic Quarter

- 5.20 At present the main office developments in Titanic Quarter are the “Gateway Offices” comprising some 130,000 sq. ft, fully let to Citi Group and Northern Ireland Science Park, which provides some 200,000 sq. ft of accommodation on a 24 acre site.
- 5.21 The Science Park has quite a specific user clause in that the occupiers shall at all times be a “Science Park” user meaning that the occupants must be involved in specific activities, not just general office use.

- 5.22 It has been noted that Titanic Quarter is still viewed as being a peripheral location with most professional services firms preferring to locate closer to the CBD albeit the location should improve as amenities and transport links are added.

## OUT OF TOWN LOCATIONS/ARTERIAL ROUTES

### Overview

- 5.23 In recent times there has been a move away from the traditional “red brick” terrace office with on-street car parking to purpose built business parks with dedicated car parking for tenants.
- Traditionally office occupiers have tended to focus around the main arterial routes in and out of Belfast and the Outer Ring given the access to the wider road network and public transport.

### Rents

- 5.24 Generally office rents for out of town offices range from £6.00 per sq. ft for poorer quality accommodation to £12.00 - £13.00 per sq. ft for high quality accommodation in sought after locations. Highlighted below recent transactions and narrative for different areas within the city.
- 5.25 At present there is little “open plan” office accommodation available in south Belfast. This is mainly due to the nature of the existing building stock and there has been little to no new developments in recent years. This is particularly evident in the area surrounding Queens University. Traditionally many local professional services businesses located in the likes of University Street in converted terraced properties. As mentioned above, the nature and layout of these buildings is no longer desired by office occupiers.
- 5.26 There has been a trend whereby a significant number of office premises converted back to residential use or indeed changed to a non-office use as indicated.

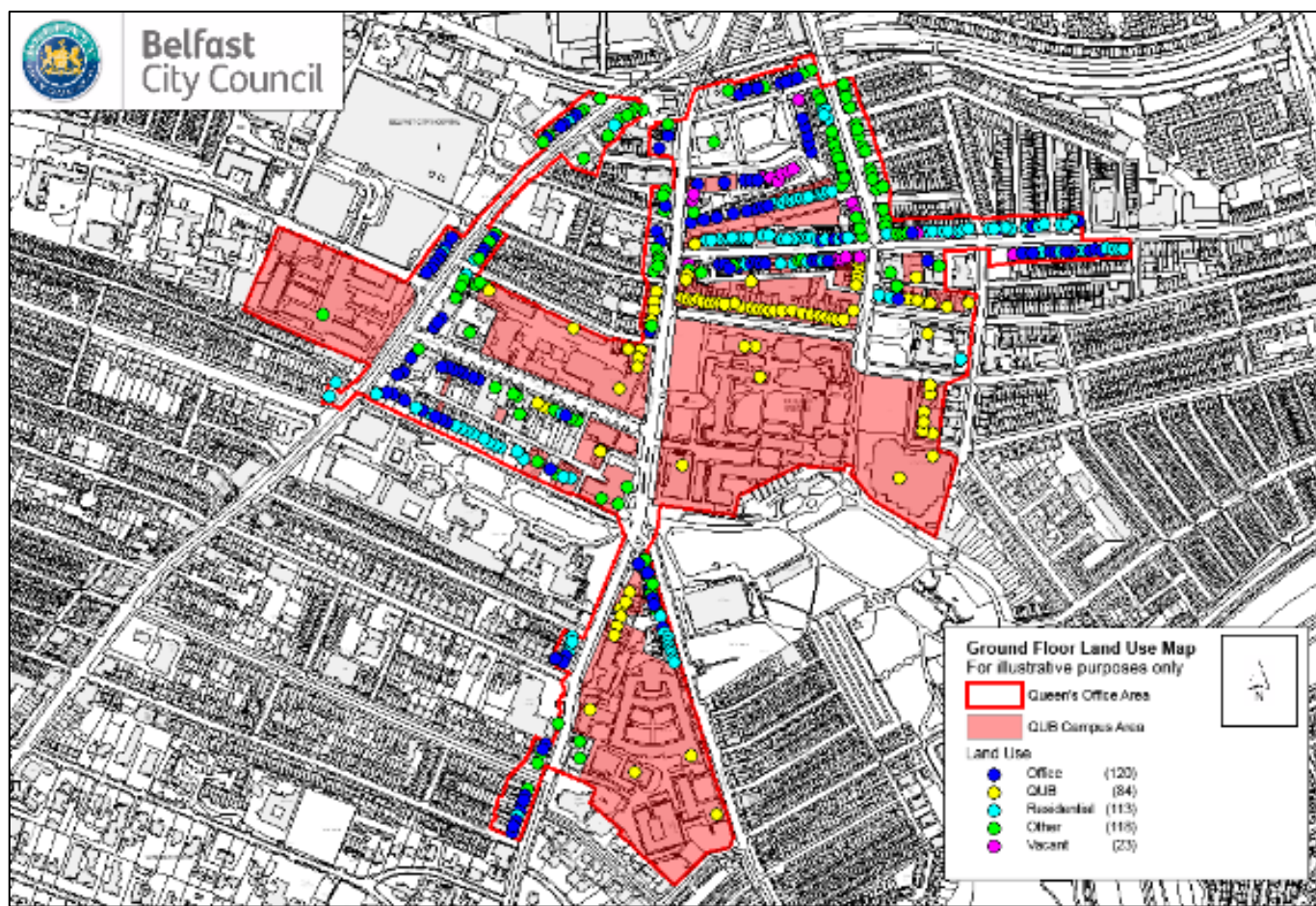


Figure 15: Land Use Survey Queens Office Area March 2018

- 5.27 Generally any new build office accommodation has been developed by Queens University for their own use and has not been made available to general occupiers.
- 5.28 Furthermore, properties on Lower Crescent and Wellington Park are also being returned to their original use as residential property. Osborne King have commented that parking constraints are a concern to business occupiers and when this is combined with the condition and layout of the available premises there are other more attractive options available. They also advise that there will also be a requirement for some office space in this area specifically for uses ancillary to the university and ultimately the lack of occupier demand has meant rents have reduced and are therefore affordable for small or new businesses.
- 5.29 Osborne King has pointed out that the more modern out of town stock is available to the east of the city. Occupiers can acquire 2,000 – 8,000 sq. ft open plan floor plates which meets current demands. This is due to the fact that numerous out of town office development took place in 2005 – 2007 providing good quality accommodation.



Additionally, developers have acquired various 1970s build properties and refurbished them to meet market needs. It is also noted that the lettings all included reasonable car parking allocations.

- 5.30 As mentioned earlier in our report, both north and west Belfast tend to be the least attractive areas for office occupiers. Importantly there is very little by way of modern accommodation in either part of the city which may explain the lack of take-up/ transactions.
- 5.31 As with north Belfast, the properties mentioned above are available To Let. It is rare to find an office transaction of any scale in the west of the city. The larger occupiers such as Convergys, who are a call centre operator, have been attracted to Springbank Business Park by Invest Northern Ireland.
- 5.32 Publically available information has shown the majority of transactions relate to smaller offices of say 250 – 500 sq. ft for small businesses often paying all in monthly rents.

### Sales

- 5.33 In the last 12 months there has been a notable increase in the number of businesses wishing to acquire “out of town” offices for owner occupation. In our opinion, this has been brought about by increasing city centre occupation costs and the fact that cash funds have been giving low returns. Many business owners have been choosing to invest in premises rather than pay rent and effectively have nothing to show for it at the end of the lease. As a general comment “out of town” office buildings tend to sell for anything between £60.00 - £150.00 per sq. ft depending on quality and location.

## 6.0 Forecasted Demand / Supply Balance Assessment

### Methodology

- 6.1 For the purposes of assessing the supply and demand, the Council has used the following methodology. The forecasted demand of office space is based on the employment floor space requirements which is predicated on the population projections over the plan period 2020-2035.
- 6.2 The up-take has been measured from the following sources:
- New-build development from Building Control completions;
  - Change of use to office use completions; and
  - Fit-out / refurbishments that include additional floor space<sup>22</sup>.
- 6.3 The Council commissioned the Ulster University's Economic Policy Centre (UUEPC) to carry out an assessment of the employment land requirements over period 2016-2035.
- 6.4 The employment land requirements were broken down into specific Use Classes which included offices. The employment forecasts suggest growth for B1(a) offices of approximately 224,000 sq. metres over the plan period of 2016-2030 or 15,000 sq. metres annually; and for A2 20,000 sq. metres over the plan period or 1,000 sq. metres annually.
- 6.5 It is accepted that not all future demand will require new buildings. Many businesses will expand within their current footprint and vacant property will also be absorbed, if fit for purpose. The UUEPC report has applied a sensitivity analysis to the overall floor space requirements over the plan period on the basis that a) 10% and b) 20% of employment growth can be absorbed by current provision.
- 6.6 In order to monitor uptake of office space planning approvals for offices use were cross referenced against building control completions over the year 2016-2017. Firstly, this was to measure the uptake of office floor space versus the projected demand, to ascertain whether this was higher or lower over the period, with the overall figure for the plan period 2020-2035 amended accordingly.

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<sup>22</sup> Fit outs or refurbishments of existing offices that include no extension and merely involve rationalisation of internal space have been discounted from the up-take figure.

- 6.7 Taking into account the forecasted demand which has been adjusted to reflect the actual uptake rates over the past three years there is a minimum need for some 14,200 sq. metres/year and 213,000 sq. metres overall. The take-up of existing employment land will be closely monitored, and the ongoing supply managed to reflect changing circumstances.

	UUEPC Forecasted Demand (sq.m.)
2016-2030	229,000
Per annum	16,000
2020-2035 Plan period	240,000

	Office floor Space Requirements (sq.m.)
Build out rate 2016 (Building Control Completions)	18,417
Build out rate 2017 (Building Control Completions)	21478
Shortfall per annum (Forecasted demand minus completions)	16000 – 20,000 = -4,000
Timeline adjustment (2016-2019)	-4,000 x 4 = -16,000
Forecast adjustment (2020-2035 demand + 2016-2019 shortfall)	229,000 – 16,000 = 213,000
LDP demand per annum 2020-2035	<b>14,200</b>

Figure 16: Office Supply v Demand Calculations

- 6.8 The uptake of floor space defined in the methodology as new builds, change of use and refurbishments that include additional floor space, is roughly 4,000 per annum greater than the forecasted demand.
- 6.9 There is over a 3 year supply (67,000 sq. metres) of vacant offices within the city centre alone based on the current build out rates<sup>23</sup>. Given the availability of office space by way of pipeline supply (extant planning permissions) in the city centre there is a further 8 years supply of office floor space based on current building out rates. If 50 percent of pending applications for office development come forward there is a further 5 years of supply, even at the currently higher uptake rate of 20000 sq. metres per annum.

<sup>23</sup> Based on a trawl of multiple commercial letting agents websites

## 7.0 Recommendations

### Approach

- 7.1 The SFG1 of the RDS seeks to promote urban economic development at key locations throughout the BMUA and ensure sufficient land is available for job. SFG3 seeks to enhance the role of Belfast City Centre as the regional capital and focus of administration, commerce and specialised services.
- 7.2 The SPPS states that Belfast city centre must remain the primary office location within the region. To this end, it is fundamental that the city centre remains the focus for office development. The evidence collated demonstrates that there is a current supply of 67,000 sq. metres of vacant and available office space to let in the city centre and that a substantial pipeline 175,000 sq. metres of extant planning permissions and further sizeable supply of pending planning (272,603 sq. metres) that could be realised over the next 5 years.
- 7.3 At the same time there must also be scope to provide for smaller businesses who require other locations within the City. There are a number of factors why business may require premises outside the city centre. These include cost, the move away from the traditional terraced building to purpose-built office accommodation and the lack of off-street car parking. However, locations outside the city centre need to be sustainable and accessible by a choice and means of transport. Any approach must be tempered to ensure that the role of the city centre as the primary location for offices is not undermined or adversely affected.
- 7.4 On the basis of this additional requirement, we consider that there is a clear economic rationale to retain the quantity of office floor space, and subject to the monitoring of take up of the existing supply, seek to encourage an increase in the quantity of office floor space through the development control process in the longer-term. The Council should also look favourably on proposals to upgrade office stock in locations of market demand where stock is poor quality or outdated.
- 7.5 It is recommended that emerging office policies should have regard to the following:

- Belfast City Centre must remain the primary office location within the Council area. A policy should be formulated outlining the sequentially preferable site approach to main town centre uses including offices. This is critical to ensure that Belfast City Centre remains the economic driver of the region. Any policy should clarify the requirements of this approach, something that the SPPS provide little detail on. A specific direction would be to follow guidance elsewhere in the UK with tests centred on suitability, availability and viability arguments.
- Given the pipeline supply of offices within Belfast City Centre and the extant planning permissions that remain at Titanic Quarter and at Sydenham Business Park within Belfast Harbour Area, there is no rationale for allowing further office space in these locations at this stage. Allowing more offices could have the undesirable potential to undermine the role and function of the city centre as primary location of offices within the city. However, an exception to this should be made for office development that cannot be accommodated within the city centre and would otherwise result in the loss of significant inward investment.
- A portfolio of offices locations should be created- which should include district and local centres with consideration of the threshold or not more than 400 sq. metres This would ensure the primacy of the city centre as the main office location within the city is maintain whilst at the same time allows for choice and flexibility across the city.
- Outside of city centre, district centres and local centres, a limit of 200 sq. metres should be considered along arterial routes. However, this should be subject to meeting normal planning considerations such as protecting residential amenity and compatibility with adjacent land use



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