



# A better future Belfast

November 2020

The real estate industry has a once in a lifetime opportunity to bring about real change. Our experience of 2020 has forced us into a new way of working and living that will change how we use our built environment forever. There is a growing realisation that we don't need to go back to the way we were – lengthy commutes, long working hours, less time with friends and family – so what does the future look like for our towns and cities?

As part of our 'Future Cities' campaign, Shoosmiths is holding a series of virtual 'think tank' discussions with prominent local stakeholders in different locations across the UK to share insights and ideas around what the future holds for these locations. Here we discuss Belfast, with the view from the panel being that the upward curve the city was on before the pandemic hit will return sooner rather than later, and the lifestyle, diversity and affordability benefits offered by the city will continue to be attractive to investors and residents in what is hoped will be a new era of growth for the city.

We set out below a summary of the discussion, which was chaired by Belfast-based real estate partner, Mark Blair.

## Panelists

- Damian Mitchell, Property Director, Causeway Asset Management
- Scott Wilson, Development Director, Belfast Harbour
- Cathy Reynolds, Director City Regeneration & Development, Belfast City Council
- John Armstrong, Managing Director, Construction Employers Federation
- Simon Brien, Partner, Simon Brien Residential
- Mukesh Sharma MBE, Chair of National Lottery Heritage Fund (Northern Ireland) and Director of Belfast Mela
- John Palmer, Partner, Shoosmiths
- Sarah Ewing, Partner, Shoosmiths

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## Which industries in Belfast are best placed to thrive in the post-Covid / post-Brexit climate and why?

**Cathy Reynolds** – Times have obviously been challenging, but there are some strong sectors in the city, including fintech, the creative industries, advanced manufacturing, life sciences etc. Even during lockdown there has been continued investment from FDI into Belfast, which is a positive sign, and there is a strong focus on digital innovation. There is, however, still a way to go in terms of the residential sector, particularly with city centre living. While there have been a number of planning approvals, there has been very little built out. There is significant interest though, which indicates scope in the near future for an increased focus in the residential and housebuilding sectors.

**Scott Wilson** – If you look at what has been resilient since March, the fintech companies are still employing people, healthtech is growing and greentech is emerging. If you look at the Economy Minister, Diane Dodds' announcement in June around the 'Rebuilding a Stronger Economy' plan, there was a focus on those sectors as not only being resilient but being part of the future growth plan. So those sectors are the ones around which we should pivot our efforts to enable them to grow. On residential, it was a flat quarter 2 but quarter 3 seems to have taken off, and the ambitious plans of the council on this front are commendable. There is a lot of talk around 'build to rent', but we haven't as yet got an operational BTR scheme in Belfast, although there are a handful of schemes that are close to commitment. Some doubts do exist as to whether there is sufficient demand in the city to pay the rents needed to support investment, but apartment lets appear to be holding up in the city centre.

Looking forward, we will be restricted in the short-term but eventually we will get out of this situation and thrive again. With the office market, for example, if a reduction in office usage keeps cars off the road then that will lead to lower emissions and support government initiatives in this area. What will that mean for the office estate? The concept of 'hubs' may come back.



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## How do we make Belfast city centre grow and thrive?

**Damian Mitchell** – Flexibility will be key going forward, particularly from an office point of view. Yes we're in the midst of the Covid crisis and Brexit is on the horizon, but you've got to look at what has gone on in Belfast for the previous couple of years, and it has been around the success of the talent the universities have been producing. The new business coming into the city is here for the talent, and that trend will continue. It is not what the government has or hasn't done that has driven the office market in Belfast, it is around what is happening in the private sector. What we've done with our StepSpace scheme is scaling solutions to help businesses grow, and that demand is still there. Covid has certainly slowed the speed of that growth, but I think it will continue. We won't know for sure until we are through the winter months here, but the flexibility market is absolutely key, and that will also relate to lease length for owner occupiers in any size of space going forward. Ultimately, there are different types of space for different requirements across the city and office as a use class is not dead. Companies will need to build an ethos and character, and they'll need a space within which to do that. How that space will look is questionable at the moment, whether shared space or independent space, but it will continue. I envisage a pick-up in Q1 and Q2 next year.

**Mukesh Sharma** – We have all been learning to live in a different way and now that needs to be extrapolated beyond this situation, because we need a more flexible approach to building and construction and the setting up of office spaces in Belfast. Employers are already looking at having rotations of staff in their offices, and we've seen that they are able to get more out of their staff when working from home in a more flexible environment.



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**Simon Brien** – Post-lockdown, our offices have been exceptionally busy, initially for the first few weeks dealing with pent-up demand, but that demand has been sustained as people have had time to consider how they want to live, their behavioural patterns and what their needs are, and that is the driving force behind what we are now seeing. It is not like 2006, when people were trying to get on the housing market because the prices would be so much dearer the next year. Now it is around very practical reasons for wanting to move to a new house, which does give us a more sustainable path going forward. Interest rates are also very low and will remain low for a long time, and that is helpful for the market.

In the context of city living, there has been a lot of talk about the 'build to rent' sector and Belfast City Council is keen to encourage further development of city living, but Belfast has for a while now been a long way behind other UK and European cities. It is only when Lagside developments, including Greggs Quay, Titanic Quarter, Obel and Lagan View, started happening that we began to see communities in the city.

There are further private owner-occupier / BTR and PRS developments in the planning process and undoubtedly developers will be placing more focus on social, recreational and lifestyle amenities, which should be an integral part of the schemes to create a vibrant living community. It is clear that a refocus of lifestyle priorities during lockdown has created more specific preferences and demands from both buyers and tenants.

In many European cities, a lot of the inner-city residential schemes incorporate more lifestyle components, which some of our older existing developments lack, such as outside communal space, internal amenity space, recreational facilities, car-sharing schemes etc. People will consider these things more going forward if they want to live in the city – what will my quality of life look like? Any larger schemes now need to think about the amenities they offer to create a more vibrant city centre. A lot of the PRS operators elsewhere in the UK have great schemes with roof top terraces (and even football pitches!), gyms, cinema clubs etc, which inspire people to want to live there. If we are looking to create a Belfast that is the equivalent to any European city, we need to keep pushing the design standards not only in terms of the apartment layouts, communal areas and external elevations, but also in terms of the overall living environment that is being created.

**Cathy Reynolds** – Diversification of uses in the city centre is also key in order to help address the challenges faced by the retail sector, in particular. How we use our city centre spaces is also important. The council has been working with Df and DfC on a “Bolder Vision” Connectivity Study, which explores how our public spaces and places within the city centre are being used and how they could be more connected, accessible, attractive and improve connectivity to neighbourhoods. It is about how we use our streetscapes and introduce, for example, more green space or perhaps pedestrianisation in certain areas. There are a few pilot projects in train, such as the pop-up park in the Cathedral Gardens and an Entries & Lanes Initiative to open or upgrade many of the city centre entries, as well as smaller environmental improvement and public realm schemes. We see these all as being important in helping to incrementally change how we use city centre space. Increased city centre living across all tenures will be a key element in helping to diversify and grow the city centre. There has been a lot of interest in this recently and there are of course a number of existing city centre residents and communities that border the city centre, as well as students now living centrally. So, there is a real opportunity now to build on this momentum to bring about more city centre living, which could also help address some of the challenges faced by city centre businesses. As a council, we have also been working on bringing forward some of our own land assets in the city centre, alongside other public sector bodies and the private sector, for housing-led regeneration schemes, which we believe will help drive forward increased city centre living.

**John Armstrong** – The construction industry is there to facilitate the growth of Belfast and I see two key themes there. Firstly, we need to improve our public transport connectivity, and we’re beginning to see that through the likes of the Belfast Transport Hub, but it is important we see that improve as my sense is that inward investment sees the involvement of the public sector as a key criterion. For example, it is important that the York Street Interchange is completed because, whichever way vehicles are powered in the future, we need to get that bottleneck out of the city. Secondly, there is housing and the need to get people to live in the city centre. The council has an ambition to increase the population of the city centre by 50,000 as part of its area plan, which is great, but this links to the big problem around the lack of wastewater treatment capacity. That is a huge issue and it will stop developments of all kinds in their tracks.

In terms of the construction industry, at the start of the Covid period, contrary to the national advice, we advised the local construction sector to close down. We then spent a month working with the Health & Safety Executive to agree safe working practices and then asking Construction Employers Federation members to consider if they can adopt the practices and go back to work. So, the construction industry was one of the first to return post-Covid and is currently doing pretty well. However, our recent survey of members showed that, once the furlough scheme ends, around 27% of our members are looking at redundancies. So, buoyant at the moment but that could take a dip in the autumn.



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**Simon Brien** – One of the biggest deterrents, particularly since the market has been consolidating, is planning policy and actually getting things delivered on the ground. In order to find our way through the planning system, we need a city masterplan setting out where we want to get to in terms of the parameters set out for different areas of the city regarding density, height, required amenities etc, which would enable developers to assess sites better pre-acquisition. The planning process could then be streamlined if applications falling in line with the pre-determined criteria are submitted. This would greatly encourage onward investment in Belfast by developers not only from NI but further afield.

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## How will the retail and leisure industries play a part in this and what role do they have in the city's plans going forward?

**Mukesh Sharma** – Speaking as someone involved in the National Lottery Heritage Fund, the city itself needs to create more open and green space within it. Even before Covid, the number of applicants looking for funding to support leisure uses was increasing, and now that trend will be accelerated as people have begun to appreciate our environment more than ever before through home working. If our city has more to offer in that regard it will attract more people into the city. Furthermore, our city was already getting great feedback from visitors from all over the world, and that will only increase as we continue to put investment back into the city.



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**Sarah Ewing** – The same issues discussed around housing apply to retail, which even before Covid was struggling, and the trend was leading to retail needing to provide more of an experience, which necessarily has to include leisure and hospitality as well. Key will be making the city centre somewhere people want to visit and enjoy. It all comes down to quality of life, and if people want bigger houses with more green space, then we need to find a way to facilitate that in the city centre. But the opportunities in retail are still there, they are just more challenging. The high street will endure, but those businesses which have not been viable for a while now will not survive, and the success of local shops and smaller retailers merely reflects people's habits following on from Covid. The supermarkets are performing, but even in that segment those with a large number of smaller express stores are performing best. And actually, Covid is a tremendous opportunity for all businesses to reset and diversify and work out how they can build back better and stronger, which will be led by the creativity that is apparent in a lot of retailers' businesses. There is also a trend to move more towards turnover rents, where landlords and tenants share the risk and reward, particularly in certain locations.

**Mark Blair** – From a landlord's perspective, we manage a number of retail centres and I'm seeing more lease regears come through now than in any time in my career, and I see that as a positive; it's not tenants disappearing, it's tenants trying to negotiate and keep going.



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## How important will infrastructure be in terms of getting Belfast thriving?

**John Palmer** – With the zero carbon target, there is a real push now to progress better infrastructure in the city, and future developments have to be based on a green policy, with zero net emissions and a source of green energy. There is an increasing demand for electricity and industrial projects to decarbonise, so we have to look at how best to do that. If it is through hydrogen, then we will need to consider the infrastructure for how to provide hydrogen to those industries. It is the same with housing, where in GB they are passing legislation that will require EV charging points in all new developments. Anyone building resi now has got to ask themselves whether that house will be marketable in five years' time when this becomes commonplace. I know people can look at green energy projects and policies and think it is sci-fi, but the reality is that it is here now and, for developments of all kinds, they will have to comply if they want to be successful.



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## Why should we be optimistic about Belfast's future?

**Damian Mitchell** – We know we are staring down a dark tunnel at the moment with Covid, but in the mid-term forward we need to reflect on what Belfast has done in the last few years. There are a lot of public/private platforms working together to plan a successful future for the city, and that has never happened before in Belfast. We do need an infrastructure plan as we can't just pick parts of the city for development sporadically, there needs to be a joined-up plan. Ultimately, we are a world of cities and we are competing with those cities for FDI investment, but there is a lot of positive work going on and Belfast has been successful in attracting knowledge-based industries through the universities, and I see that as a fundamental cornerstone moving forward. That's not stopping, and we are still seeing new entrants into the market, which is encouraging. We need that to continue so that there is a reason for people to come into the city centre to work, which leads to demand for accommodation in the centre, and the 'build to rent' sector has a key role here. But you've got to plan it properly in terms of green space and we have to be careful of the carbon footprint of the city. We have an important role to play as an industry and need to pay much closer attention to issues around carbon reduction.



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**John Palmer** – There are reasons for optimism in the renewables industry in Ireland, particularly in the north. Some of the challenges we are facing here though could easily be resolved by government policy to make us more competitive with the south and also GB for that FDI investment. Facebook has just signed a number of renewable PPAs (power purchase agreements) with Brookfield to reduce the impact of its data centres and offices, and that is a huge industry we in Northern Ireland really need to be going after, and are well placed to get it.

**Cathy Reynolds** – Resilience and partnership working is something that has come through strongly from the pandemic, both business resilience and community resilience, which sets a marker going forward for how we continue to build on this across the business sectors and across our communities. There is an appetite to work together in public/private partnerships, and when you look at Belfast's growth sectors such as digital innovation, cyber tech, new medical and software development etc, there remains opportunity for optimism and investment. The fundamentals of Belfast are still strong in terms of a skilled workforce and from a 'return on investment' perspective.

**Mukesh Sharma** – I'm also encouraged that a lot of businesses are now looking to partner with organisations with which previously they had been in competition. That partnership approach makes us – as a city and as a country – much more resilient and stronger in order to compete with other cities. As a result, my sense is that we will come out of this with a more positive, greener and more thought-through approach in terms of our planning, residents and businesses.



**Scott Wilson** – There is a lot of enthusiasm to get things fixed and back working. However, we need to get that enthusiasm to translate to politicians as we can only do so much. We need to see some policies come in to help unlock all of this and maximise the skills we have in the city. On the emissions side, there is a tension in that you could put up a building with no parking and promote your green credentials, but then someone else could put up a building down the road with lots of parking, and steal all your customers. So, if we are serious about being a greener city then we just need a “level playing field” policy to make everyone do the same thing, otherwise it will take a brave person to make that first move from a development perspective.

**Mukesh Sharma** – Speaking as a Director of the Belfast Mela, I see through the work we have done on that event, which brings thousands of people into the city every year, just how vibrant and diverse our city is. This year we held the event virtually and we had thousands of people from around the world accessing the event online. People from USA, India, all over Asia, Europe, South Africa etc, all taking the time to comment about how they hadn't realised how diverse Belfast is and how beautiful the city is. Translating that into the commercial side, whenever we do go out to bid with Invest NI and have conversations with potential foreign investment parties, one of the key things they want to know is about diversity and whether their employees who come to work here will be part of a multi-cultural and diverse workforce. We have that in Belfast, but we just don't make enough noise about it.



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**Damian Mitchell** – If you look at the FTI Google Outlook report, Belfast is ranked at number two in the world for business friendliness. That is a very strong statement in terms of optimism for our city.

**Simon Brien** – The NI media tends to take a “glass half empty” view and present Northern Ireland in a negative way. But in all of the sectors that have been covered by everyone on this panel today, I see real optimism. With residential specifically, we are one of the most affordable regions in the UK. When you see pundits forecasting 6-8% drops, that may relate to the south of England and London, but Northern Ireland is very different, and where we sit currently in terms of affordability puts us in a good position.

Another dynamic that had been happening over the last year but has gone up over the last three months, is people returning to Northern Ireland. Every week at the moment we are agreeing houses for people in their 30s and 40s who have gone to England but are now returning because the cost of living is cheaper, the quality of living is great and the schooling is exceptionally good and cheaper, and that is happening across the range from £200k up to £1m. There are a lot of collective dynamics at work here, but we are seeing this day-to-day on the ground.



It is only when others from outside look and see what our environment is like and what the city is like to live in, that you realise that Belfast is a superb place with huge potential.

**John Armstrong** – I think we will get out of this pandemic sooner than the media would have you believe, and we will be through the worst of this after the next six months. I share the optimism of others on this panel, but maybe because of our history we tend to underestimate our potential. It is only when others from outside look and see what our environment is like and what the city is like to live in, that you realise that Belfast is a superb place with huge potential. What I am more concerned about is in getting our politicians to make the appropriate policy decisions. I don't have confidence that they will do that, and our system is set up in such a way that it often blocks decision making, which is the case with the dysfunctional planning system and the challenges around wastewater. Those aside, I am very optimistic about the potential for Belfast going forward.

If you have any queries or would like to discuss any of the issues raised in this piece, please contact:



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