

# RETAIL REPORT

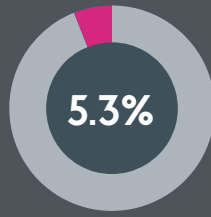
Q1 2022

Lisney

## KBC CONSUMER SENTIMENT INDEX

74.9

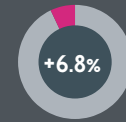
## INFLATION



THE LARGEST ANNUAL CHANGE SINCE JUNE 2001

SOURCE: CSO

## RETAIL SALES



ALL SALES BETWEEN DECEMBER 2019 & DECEMBER 2021



ALL SALES ANNUAL CHANGE TO DECEMBER 2021

SOURCE: CSO

## RETAIL SALES VOLUME BETWEEN DECEMBER 2020 & DECEMBER 2021

+36.6% BARS

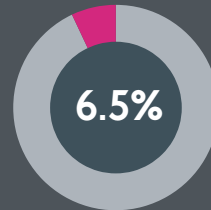
-18.0% MOTOR TRADES

## RETAIL SALES VOLUME BETWEEN DECEMBER 2019 & DECEMBER 2021

+22.5% FURNITURE & LIGHTING

-49.3% BARS

## ONLINE SALES



PORTION OF TOTAL SALES COMPLETED ONLINE IN DECEMBER 2021

SOURCE: CSO

## OVERVIEW

The opening months of 2022 remained challenging for the retail market, despite the significantly better conditions to the previous 18 months. While physical stores were open and there was a bounce in demand, supply chain constraints and staffing shortages remained impediments to business operations. Rising prices and the war in Ukraine impacted upon consumer sentiment, albeit with the volume of retail sales higher than pre-pandemic.

## KBC CONSUMER SENTIMENT INDEX



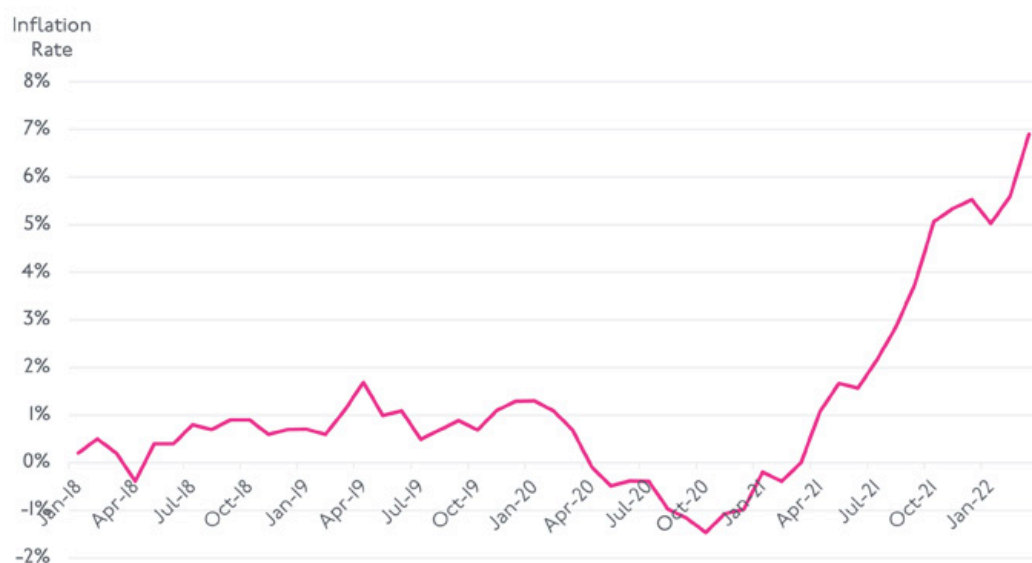
Source: KBC Bank Ireland, HPSC

## CONSUMER SENTIMENT

Consumer sentiment began the year in a positive position as there were signs of COVID-19 easing following the Christmas period with all non-essential retail and leisure premises reopening. However, cost of living concerns were present, driven by pent-up demand from the previous two years combined with supply shortages.

As the quarter progresses, inflation concerns developed further with sentiment weakening in February, particularly around economic conditions. March saw the largest monthly decline in consumer sentiment in two years (since the onset of the pandemic) with consumer expectations having the largest impact as rising prices intensified and the Russian Government invaded Ukraine. The fall-out from the war in Ukraine and the consequences of the global sanctions on Russia on energy prices continues to impact the world economy and in turn on prevailing consumer sentiment.

### ANNUALISED RATE OF IRISH INFLATION (JANUARY 2018 – MARCH 2022)



Source: CSO

## INFLATION

Inflation at the end of March 2022, measured by the Consumer Price Index (CPI), was running at a significant 6.9% per annum. This was the largest annual change in the price of goods and services since April 2001.

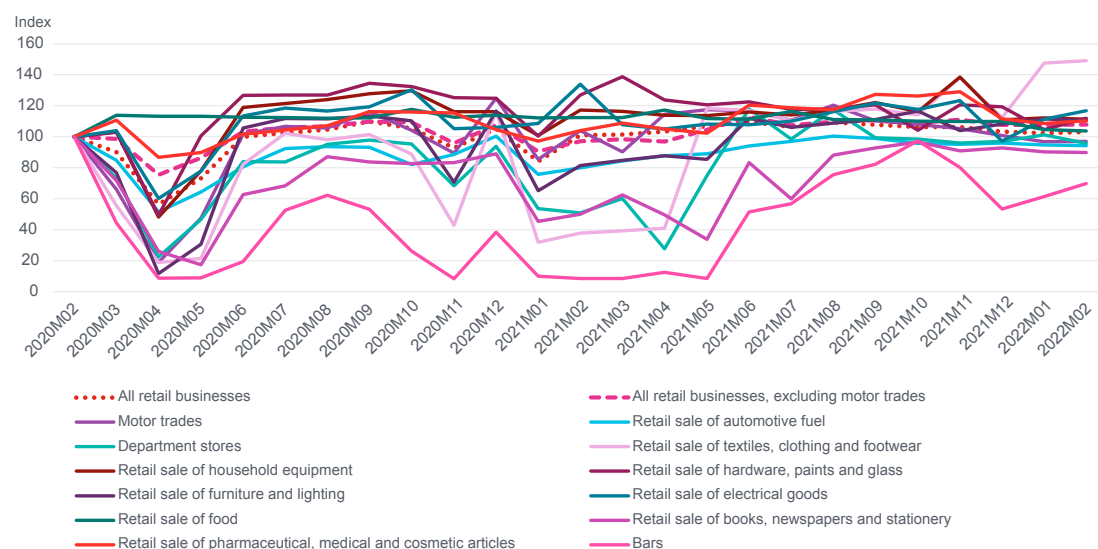
To set this in context, Central Banks globally, including the ECB, generally seek to keep inflation within an economy at or below 2% per annum, and since the mid-1980s, Irish CPI has averaged 2.1%. Just prior to the onset of the pandemic, Irish CPI was just under 1%. With the economy effectively closing in March 2020, the country entered a period of deflation for about a year before growth in prices returned in mid-2021 – as restrictions and restriction-related unemployment eased, consumer sentiment and demand improved, and global supply chain constraints took hold. Energy prices have also been influencing Irish inflation since early 2021, however the events in Ukraine in recent weeks has exacerbated this.

## RETAIL SALES

Month-to-month movements in the CSO's retail sales indices have been erratic over the past two years because of the various COVID-related openings and closings of non-essential retail. Consequently, it is more appropriate to review changes in the volume and value of retail sales over a two-year period. Compared to February 2020 (pre-COVID), the volume of retail sales was 3.1% higher in February 2022, while the value of retail sales was 4.3% higher. When 'motor trades' are excluded, the volume of sales was 7.9% higher and the value 9.5% higher.

Different categories of retail sales continue to perform differently. The sale of 'textiles, clothing and footwear' has increased by the greatest level over the period, both in terms of volume (+49%) and value (+42%). As to be expected, retail sales within the 'bars' category remains well below pre-pandemic levels, down by 30% in volume and 25% in value. The sale of 'automotive fuel' is interesting to note and as to be expected, the volume of sales is down due to fewer journeys (-6%) but the value of sales has increased by +10%, signifying the growth in fuel prices over the period. The sale of 'hardware, paints and glass' experienced strong growth in the mid phases of the pandemic as consumers sought to occupy themselves in periods of lockdowns. From the high in September 2020, the volume of sales in this category has fallen back by almost 17%.

#### CHANGE IN VOLUME OF RETAIL SALES BY SECTOR (FEBRUARY 2020 – FEBRUARY 2022)



Source: CSO, Lisney analysis

#### CHANGE IN VALUE OF RETAIL SALES BY SECTOR (FEBRUARY 2020 – FEBRUARY 2022)



Source: CSO



## ONLINE SALES

Prior to COVID-19, online retail sales within Irish registered companies averaged 3.3% of all retail sales with the remainder related to traditional in-store shopping. However, there was obviously greater levels of online spend with overseas registered companies such as Amazon. During periods of the pandemic when non-essential retail was closed, the proportion of sales online grew but with those to Irish registered stores peaking at 15.3% in April 2020. While figures have dropped considerably, the prevailing average is now higher than pre-pandemic, at approximately 5%. This represents more consumers shopping online, but also a greater number of indigenous retailers developing their online presence.

PayPal's recent report, Retail Trends and Spends Study, found that Irish consumers online spending was 41% higher in 2021 compared to 2020 with the average spend in the 12 months at €503. The UK topped the list of non-Irish shopping destinations with 74% of those taking part in the study buying from sites based there. Europe accounted for 48% and China at 28%.

### CHANGE IN VALUE OF RETAIL SALES BY SECTOR (FEBRUARY 2020 – FEBRUARY 2022)

Online % of  
Retail Sales



Source: CSO





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## RETAIL PROPERTY MARKET TRENDS

1 There are different levels of demand and supply across the retail property market.

- Even though retail parks have been trading well, there has not been an influx of new occupiers taking new units despite some looking at schemes.
- In the well-performing suburban shopping centres and neighbourhoods, and in regional towns, there is very little on offer for those seeking space. Much of this is due to the greater levels of local demand in the past two years as consumers work from home. It also reflects the fact that there has been little or no retail construction in 15 years.
- In the city centre, demand is more limited. It appears to be the case that physical stores are only just beginning to trade more normally as tourists and workers return bringing greater levels of footfall to the streets. Notable active requirements will take some more time to feed through as retailers assess the trading environment.

2 While there are some deals being completed and under negotiation, they are softer than pre-covid transactions.

3 There was positive activity in the opening months of the year:

- In the city centre, Lego announced plans in February to open its first Irish store on Grafton Street in the summer. We understand there are a few other negotiations ongoing for stores in the city centre shopping core, with deals expected to be completed in the coming months.
- In Dundrum Town Centre, Brown Thomas opened its new 5,760 sqm store in February, while Penneys is due to relocate to a new 5,600 sqm store (64% larger than its existing unit) later this year. Also in Dundrum, a new planning application has been lodged for 10 retail units along with over 880 PRS apartments, which will add to the potential shoppers living immediately adjacent to the centre.
- Flannels, a premium fashion retailer part of the Frasers Group, confirmed a second Irish store in Blanchardstown Centre in March, and will be taking the ground floor of the former Debenhams store. Flannels has already signed up to part of the retail space in the Clerys Quarter on O'Connell Street.
- With the changed trading environment, and staffing and supply chain constraints, many retailers are still taking stock of the current situation. It is likely that the retail property market will need another three to six months to stabilise and find its feet. On a positive note, indications from listed company Hammerson are showing current Irish rent collection rates at 75% in Q1 2022, up from just 31% 12 months previous. But there are some further headwinds; retailers have been supported by commercial rates waivers which have now ceased, and the employment wage subsidy scheme (EWSS) has also ended.



## THE LISNEY RETAIL TEAM



**EMMA COFFEY**  
Director



**JENNIFER PRUNTY**  
Surveyor

## THE LISNEY RESEARCH TEAM



**AOIFE BRENNAN**  
Senior Director



**AUSRA MARCELYTE**  
Senior Research Analyst

## OUR OFFICES

### DUBLIN

St. Stephen's Green House,  
Earlsfort Terrace,  
Dublin 2, D02 PH42  
**T** +353 (0) 1 638 2700  
**E** dublin@lisney.com

### CORK

1 South Mall,  
Cork,  
T12 CCN3  
**T** +353 (0) 21 427 5079  
**E** cork@lisney.com

### BELFAST

Montgomery House,  
29-33 Montgomery Street,  
Belfast, BT1 4NX  
**T** +44 2890 501501  
**E** belfast@lisney.com

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