

DUBLIN LICENSED & LEISURE REPORT

HI 2022

Lisney

Morrissey's



THE THREE TUNN TAVERN, BLACKROCK, CO. DUBLIN (NOW THE BLACKROCK)
ACQUIRED BY NOEL ANDERSON AND HIS PARTNERS OF THE BRIDGE 1859 AND LEMON & DUKE

OVERVIEW

The licensed premises sector performed well in the first half of 2022 with strong demand from operators and investors for pubs. 12 premises were sold in the six months with a further eight sales agreed at the end of June. Supply improved in HI with potential vendors becoming more confident as pandemic related restrictions eased and more normal trading resumed. Trade within the sector has recovered, but not evenly.



THE EAGLE HOUSE DUNDRUM, DUBLIN 14
ACQUIRED BY AARON GROOM & RONAN FLOOD, REFRESH HOSPITALITY

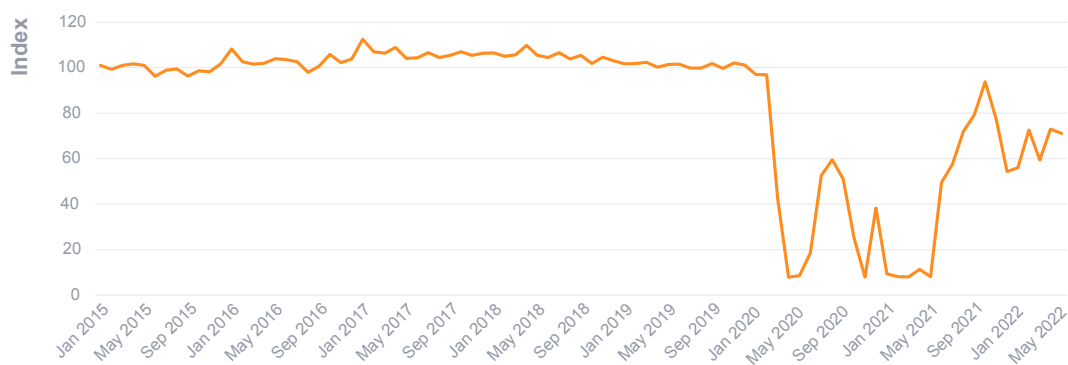


THE BLACK WOLF, BLANCHARDSTOWN, DUBLIN 15
LARGEST TRANSACTION OF HI 2022 - ACQUIRED OFF-MARKET BY DAVE CLARKE AND HIS TWO SONS DILLON & ROSS.

While the pub trade has recovered substantially from the lows witnessed during the height of the pandemic, the volume of sales within 'bars' (a Central Statistics Office (CSO) measure) remained 27% below February 2020 levels at the end of May. It should however be noted that the CSO's 'bars' category also includes coffee shops and as such, is slightly distorted.

From Lisney's extensive experience meeting with publicans, it is clear that not all businesses have recovered equally and while some operators are back to previous trading levels, many are not. Anecdotally, premises within well-established densely populated suburban areas are faring best, continuing to capitalise on people working from home more often and spending more time in their local area, particularly on weekdays. Many of these have recovered to pre-pandemic levels.

VOLUME OF SALES – BARS* (JANUARY 2015 – MAY 2022)



Source: CSO

* The CSO's 'bars' category comprises all beverage sales for immediate consumption in pubs, nightclubs, cocktail lounges and coffee shops.



DUDLEY'S, THOMAS STREET, DUBLIN 8
SOLD OFF-MARKET TO AN INVESTOR

City centre premises have also experienced continual improvements in trade over the past six months as workers and tourists return to the city – according to Dublin City Council, footfall in the city centre increased by 80% between January and June 2022. However, trends in the city centre are changing in line with social habits. Thursday evening is now widely reported as the preferred 'drinks after work' day, replacing the traditional Friday social gathering. Businesses with a mix of local residential, office workers and tourist have generally recovered to 70% to 80% of pre-pandemic levels, while tourist-focused city pubs have recovered to 80% to 90% of past levels.

Like all businesses, those in the F&B trade are experiencing the pressures of increased costs, mainly through staffing and utilities, but also with inflation on goods and services. Combined, these issues are putting pressure on pub operators' profitability. However, and positively, in acknowledgement of these trading difficulties, the Government has launched a new pilot grant scheme to help boost the night-time economy with funds available for qualifying businesses to assist in the provision of entertainment during off-peak times. In further support to the industry, the Government has committed to an extension to the lower tourism VAT rate of 9% until 28th February 2023. While this will not impact on the sale of alcohol, it does affect food sales, reducing the cost to consumers.

PROPERTY MARKET

Activity

Despite the difficulties in trading, 2021 was an exceptionally strong year for Dublin pub sales – the strongest on record. 30 licensed premises transactions occurred and when combined achieved over €124m. This trend followed through into 2022 with strong demand and activity levels recorded. In the

first six months of the year, 12 licensed premises were sold and had a combined value in excess of €25m. The largest deal in the period was the sale of The Black Wolf in Blanchardstown, which was acquired off-market by publican Dave Clarke and his family. Also of note in terms of being acquired by publicans was The Eagle House in Dundrum, which was purchased by Refresh Hospitality's Aaron Groom and Ronan Flood; and The Three Tunn in Blackrock, purchased by Noel Anderson and his partners of The Bridge 1859 and Lemon & Duke.

In addition to completed sales, there were a further eight properties sale agreed at the end of June, totalling €16.5m. While 2021 was an exceptional year, it is worth noting that the 10-year average annual market turnover between 2010 and 2020 was €35m. Given the sales that have concluded in H1 2022 and those sale agreed, the outlook for 2022 full calendar year turnover is positive. While it is unlikely to exceed 2021, it will be ahead of the longer-term average.

As with other sectors of the property market, off-market sales processes are occurring in the licensed sector. In H1 2022, 40% of sales were completed off-market and 50% of deals agreed were off-market. This is a trend that will continue in all parts of the property market in the short-term as purchasers identify opportunities they require and as vendors seek to streamline sales processes or test the market.

Purchasers

While publicans have traditionally dominated the market in terms of purchaser type, this has evolved in recent years with investors and developers also very active in the market. In the past few years, publicans have dominated the smaller lot sizes with investors and private equity sourcing the larger deals, which at times includes portfolios of properties.

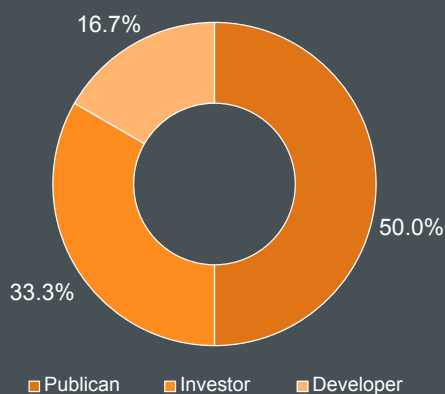
In 2021, investors (including Private Equity) comprised 78% of money spent on licensed premises (or 47% based on the number of deals). In terms of the deals closed in H1 2022, this cohort of buyer accounted for one-third of sales (both value and number). The traditional publican purchaser was involved in half of all sales in H1 2022, an increase on last year when they were involved in 37% of sales.

A trend that is very notable at present is developers sourcing older licensed premises in suburban areas that are suitable for redevelopment. Some of the new proposed schemes will include a future licensed element, however many do not and are more likely to be redeveloped for residential purposes. Developers acquired 16% of properties sold in Dublin in 2021 and in H1 2022 were involved in a similar number at 17%.

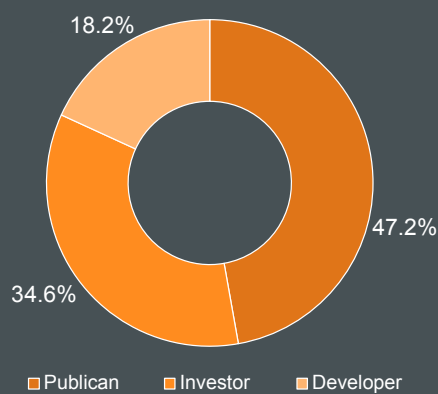
Supply

At the end of June 2022, there were 10 licensed premises available in on-market sales. Given the nature of the market and the large volume of deals being completed off-market, in reality, supply is likely higher heading into H2 2022.

PURCHASER TYPE BY VOLUME OF SALES



PURCHASER TYPE BY VALUE OF SALES



Source: Lisney

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