



Lisney

Sotheby's
INTERNATIONAL REALTY



OUTLOOK

2023



RETAIL

There will be a cautious start to 2023, due to challenges including increased cost of goods, fluctuating consumer sentiment, rising energy costs, labour shortages and supply chain issues.

CAUTIOUS START

There will be a cautious start to this year. Retailers, restaurateurs, coffee shop and leisure operators will continue to analyse the ongoing viability of their business, focusing on income generation and the prevailing challenges of the increased cost of goods, fluctuating consumer sentiment, rising energy costs, labour shortages and supply chain issues.

In the latter months of 2022, there appeared to be more of an acknowledgement and acceptance that there has been a change in the city centre footfall, particularly regarding office workers and hybrid working. Tuesday, Wednesday and Thursday are the busiest weekdays in city centre and while there is a push from employers to increase the number of staff coming into the office, retailers report that footfall is ultimately down two days a week.

The impact of this on retailers is being exacerbated by the squeeze in discretionary spending as overall household costs continue to rise with inflation at 8.9% in November 2022. This is also evidenced by the CSO's data on core retail sales where a gap has emerged between the volume and value of sales, particularly since April. While value of sales (or how much is taken in at the tills) increased by 3.6% in the year to October 2022, the volume of sales (or the amount of goods sold) decreased by 4.5%.

READJUSTED DEALS

In the property market, the changing trends in footfall and spending are affecting rental affordability for many operators. Landlords who offered abatements during the pandemic want to revert to pre-pandemic levels while some tenants do not foresee the same level

of turnover being achieved going forward. Negotiations between the parties will happen in 2023, which will be location and business specific. Where deals cannot be reached or business models no longer make sense after three difficult trading years, stores will close and the general vacancy rate will rise.

The CVA process in the UK has not gone away. While the number of retailers going into voluntary arrangements declined over COVID, some high-profile brands entered CVA last year including Poundstretcher, AMT (Coffee specialist), Joules, Misguided e-commerce fashion and TM Lewin. With changing businesses models as noted above, further retailers are earmarked to enter CVA this year. While this relates to UK multiples, it will impact their operations in Ireland.

Notwithstanding, Grafton Street had a very good year in 2022. The vacancy rate (based on the number of units) fell to 7.6% with seven new operators taking stores. These retailers were mainly from overseas and agreed deals on adjusted terms to those sought prior to the pandemic. While the vacancy rate is higher on Henry Street (close to 13%), there will be further interest in this area during the year. The mixed-use scheme at Clerys Quarter on O'Connell Street, along with the sale of the former Debenhams store (if concluded in early 2023), will bring new life to this northern shopping core.

OMNI CHANNEL FOOD OFFERING

Similar to fashion and household retailing, there is now an omni channel expectation from operators in the food business. This includes click-and-collect, online delivery or eating on the premises are all now demanded by the consumer. Experiential dining will grow further this year, but with

Lego Store, Grafton Street, Dublin



prices rising, there will be a greater expectation from consumers that they are getting service and value for their money. Those less impacted by rising costs and with a greater ability to spend, will have higher expectations. Those with more constrained spending will still seek good quality food at a reasonable price point, while those operators in the middle may suffer.

SUSTAINABILITY

As with all parts of the economy in 2022, sustainability moved up the agenda for retailers. Larger operators in the market are keeping a close eye on their social and environmental responsibility whilst also considering their operational ability. Supply chain resilience, circular economy and eco light packaging are terminology being increasingly used. This will continue to move up the agenda for both big and small retailers over the year as consumers, particularly younger consumers, focus on brands that align with their values.

**GRAFTON STREET'S
VACANCY RATE
FELL TO**



**WITH 7 NEW
OPERATORS
TAKING STORES**



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