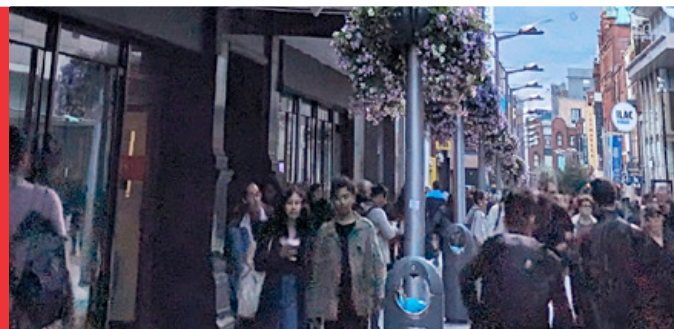
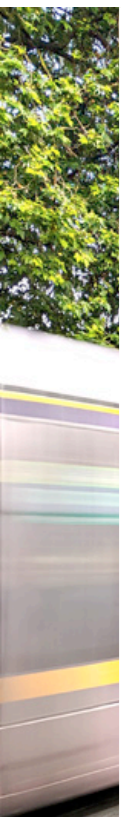


RETAIL REPORT

Q4 2023



Q4 2023

The retail industry continues to contend with a rapidly evolving landscape, not just in terms of accelerated technological change but also economic, geopolitical and ecological impacts. E-commerce and omni-channel offerings have become a reality for almost all traditional bricks-and-mortar retailers. Dublin's prime city centre retail core - the Grafton Street and Henry Street / Mary Street areas - continued to experience interest from high-profile brands with several new shop openings.



62.54

December 2023

**Credit Union Consumer
Sentiment Index**



5.8%

Annual Change (November 2023)

**Retail Sales Value
(CSO)**



1.3%

Annual Change (November 2023)

**Retail Sales Volume
(CSO)**



4.6%

Annual Change (December 2023)

Inflation (CSO)



5.7%

November 2023

**Online Retail Sales*
(CSO)**



4.0%

2022

**Social Commerce
Share of total online
spending (Statista)**

* Only enterprises registered in Ireland.

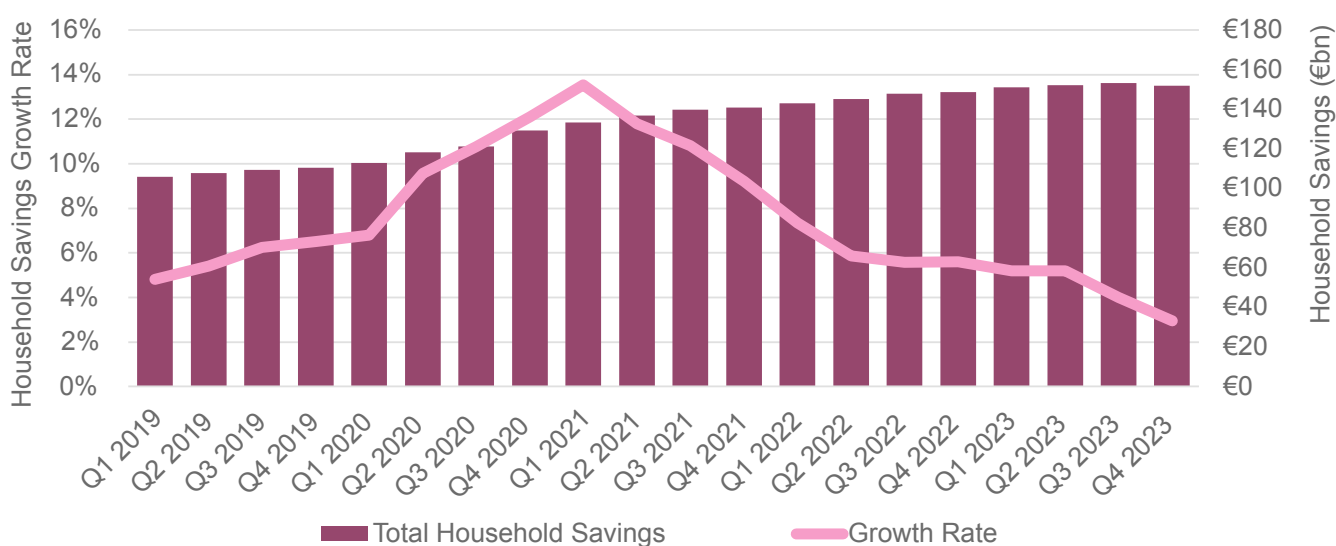
Arrows represent quarterly trends unless otherwise stated.

Savings

Household deposits in Ireland stood at €151.84bn in November 2023 having reached an all-time high of €153.2bn in September 2023. According to the Central Bank of Ireland, the November figure represented a decrease of €1.265bn in the month and an increase of €4.3bn over the previous 12 months. This included an additional €3.15bn saved by Irish households in 2023 to November, which may seem surprising at a time when the cost of living remains elevated and there are more economic headwinds. However, it may well indicate precautionary savings by some but also a reluctance to spend given the higher costs of goods and services.

This trend in significantly increased savings began during the pandemic with savings growing by 18.2% annually in February 2021, the highest growth rate since 2007. But in more recent times, as consumer activity recovered, this annual growth rate moderated to 5.5% in 2022 and 3.1% in the 12-months to November 2023. As with many economic indicators, consumers' life experiences across society can be different to what the data is showing. Christmas spending was likely one factor in the decrease in November. Figures for the following months will be watched carefully to establish if trends are changing.

Household Deposits – Annual Rate of Change (January 2019 – November 2023)



Source: Central Bank of Ireland



ABOVE:
Grafton Street, Dublin 2

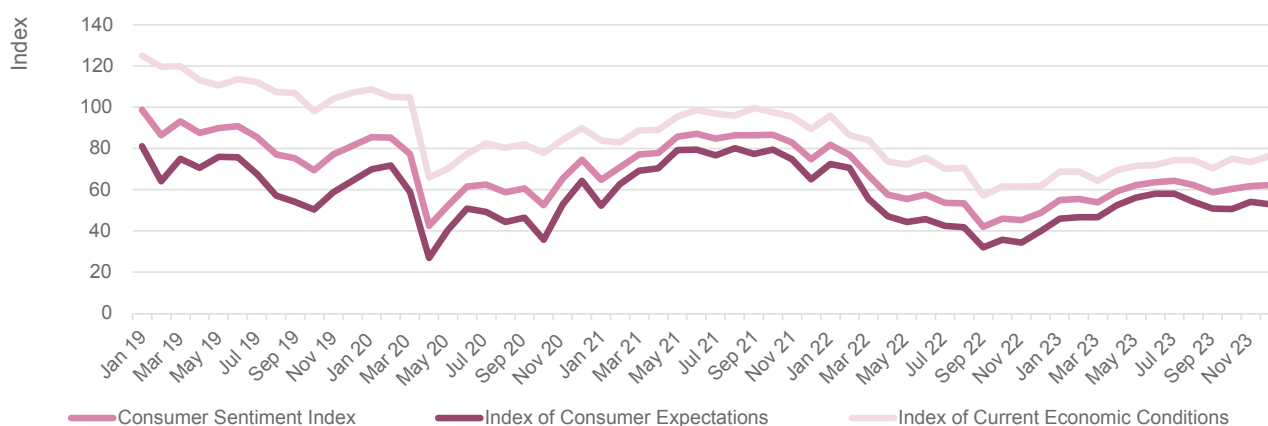
Consumer Sentiment

The Irish League of Credit Unions Consumer Sentiment Index increased to 62.4 in December from 61.9 in November and 60.4 in October (a reading over 50 represents expansion), hinting at a still tentative easing in cost-of-living pressures and a little less worry about the outlook for household finances.

Consumers remain concerned about their financial circumstances and cautious in their thinking about the year ahead, but they are notably less negative and fearful than they were 12 months ago. Two of the five key sub-indices measured by the Credit Union Consumer Sentiment Index increased in

the month, i.e. current conditions (76.5 up from 73.5), and major purchases (86.4 down from 84.0). The remaining two decreased: general economic outlook (26.8 down from 27.0), consumer expectations (53.1 down from 54.2), and outlook for the jobs market (54.9 down from 61.5).

Consumer Sentiment Index (January 2019 – December 2023)



Source: Irish League of Credit Unions

Inflation

The Irish annual rate of inflation (measured by CPI) decreased in Q4 2023; however, it remained over two times higher than the target rate of 2%. It stood at 4.6% in November 2023, up from 3.9% in October and having been at 6.4% at the end of the previous quarter. It remained substantially below 9.2% at its height in October 2022. December was the second consecutive month since September 2021 that the annual growth in the CPI has been below 5.0%. Notably, percentage changes in 'services' significantly outweigh the increases in 'goods' (6.0% v 2.8%), primarily driven by utilities and transport services.

With Russia's invasion of Ukraine the catalyst for much of the increases, it is interesting to view the most significant price changes between February 2022 and December 2023. As to be expected, the most notable changes in the period are increases in 'housing, water, electricity, gas & other fuels' (+30.2%) and 'food and non-alcoholic beverages' (+17.0%). It should also

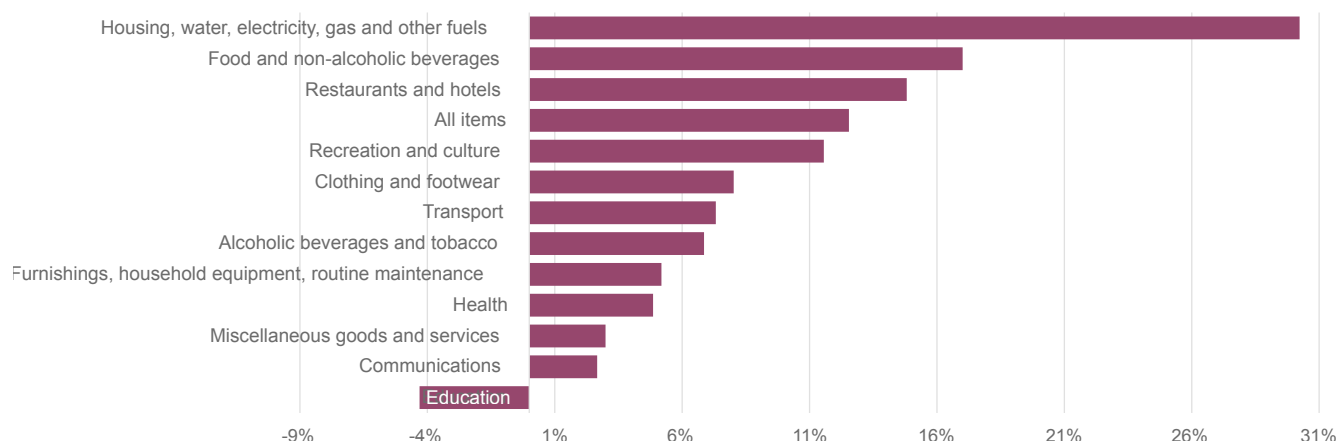
be noted that prices overall were 17.9% higher in December 2023 compared to the onset of the pandemic in March 2020, and with 'housing, water, electricity, gas & other fuels' 46.4% higher. In spite of this, it appears that prices associated with energy are beginning to decline and this should be reflected in the index in the months ahead.

Annualised Rate of Irish Inflation (January 2013 – December 2023)



Source: CSO, Lisney analysis

Annualised Rate of Irish Inflation – Pre-War in Ukraine to Present (February 2022 – December 2023)



Source: CSO, Lisney analysis



ABOVE:
Temple Bar,
Dublin City Centre



ABOVE:
South Anne Street,
Dublin 2

Retail Sales

Based on CSO data, there continued to be a divergence in the scale of change in the volume and value of retail sales in the first 11 months of 2023, albeit at a slower pace compared to last year.

With inflation high, the value of core retail sales (excluding motor trades) rose by 8.0% in 2022 while the volume of core sales increased by just 0.5%. From January to November 2023, these figures were at 1.4% and 2.1% respectively and 2.1% and -1.2% on an annualised basis.

On a quarterly basis to the end of November, in terms of business sectors, 'motor trades' along with 'automotive fuel' saw the volume of sales growing by 5.5% and 5.0%, and the value of sales growing by 6.4% and 0.7%. In contrast, 'bars', 'department stores', 'hardware, paints, and glass' and 'furniture and lighting' experienced both value and volume declines over the same period.

Data from the CSO for August 2023 shows that 5.7% of turnover from Irish registered companies was generated from online sales in the month. This compares to highs of over 15% in the month of May 2020 during COVID lockdowns. However, this only relates to Irish companies and consequently, the proportion of money spent online is significantly higher. Data from Statista (an independent specialist in surveys and data gathering) show that online purchases in Ireland accounted for 16.1% of all transactions in 2022, totalling US\$5.32bn (about €5.1bn) with expectations that 2023 to reach US\$5.78bn (or €5.4bn), an 8.6% growth but with the market share staying at 16.1%. By 2027, online purchases are expected to exceed US\$8.63bn (over €8bn).

Volume and Value of Retail Sales (excluding motor trades) (February 2020 – November 2023)



Source: CSO, Lisney analysis



George's Street Arcade,
Dublin 2



ABOVE:
Dubray Books new store at
39 Mary Street, Dublin 1

Retail Property Market Trends

In 2023, the Dublin retail occupational market remained. In particular, the prime locations continued to experience good occupational demand. 2023 saw a revival of Dublin's high streets with multiple brands locating in both Grafton Street and Henry / Merry Street areas.

In Q4, Jewellery maker Chupi opened a new flagship store in the former French Connection unit at the front of the Powerscourt Townhouse on Clarendon Street, just off Grafton Street. Chupi previously had a store on the top floor of the Powerscourt Centre, where it was located since 2015. Sports retailer Decathlon will open its flagship city centre store in Clerys Quarter on O'Connell Street in 2024. This will be its third store in Ireland. Other retail occupiers in Clerys include H&M, sushi chain Rolled and coffee shop Pret A Manger. Q4 was also a busy quarter for Blanchardstown Centre which welcomed Calvin Klein, Lego and Tommy Hilfiger stores. Chemist Warehouse opened its ninth Irish store in Westend Shopping Park, Blanchardstown.



Grafton Street,
Dublin 2

With landlords and tenants working cohesively, this will mean further demand and activity for stores in the months ahead.



Outlook

By 1st May 2024, any retailers that warehoused Revenue tax liabilities from pandemic times will have to repay this debt in full. While it remains to be seen how this will play out, it may lead to some retailer distress and in turn either renegotiated deals with landlords and/or tenant defaults resulting in store vacancy.

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, elevated energy costs, labour shortages and supply chain issues.

Retail property transactions will continue to be softer than pre-pandemic levels with landlords continuing to offer more flexible lease terms and contributions to assist tenants with store and restaurant openings. With landlords and tenants working cohesively, this will mean further demand and activity for stores in the months ahead.

As with all parts of the economy, sustainability has moved up the agenda for retailers. In Ireland, the Climate Action Plan 2023 has a major focus on the circular economy, which will impact the retail trade and in turn the property market in the months and years ahead. Ireland has a current circularity rate of just 1.8%, which lags the 12.8% EU average and as such, will have to make significant progress. Notably, there will be a phased introduction of levies on single-use products (such as coffee cups) and brands, big and small, will need to closely monitor their social and environmental responsibility whilst also considering their operational ability.

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