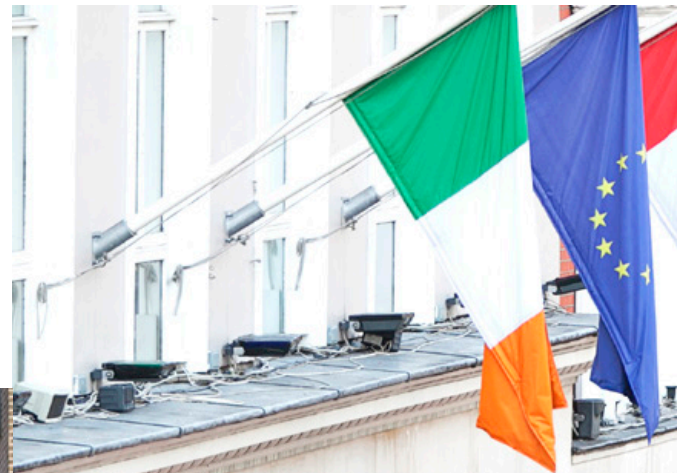


Lisney

COMMERCIAL REAL ESTATE

RETAIL REPORT

Q1 2024



Q1 2024

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. Nearly all traditional brick-and-mortar retailers now embrace e-commerce and omni-channel strategies. Nevertheless, 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 in recent times.

▲ 69.5

March 2024

Credit Union Consumer Sentiment Index

▼ 3.0%

Annual Change (February 2024)

Retail Sales Value (CSO)

▼ 1.1%

Annual Change (February 2024)

Retail Sales Volume (CSO)

▼ 2.9%

Annual Change (March 2024)

Inflation (CSO)

▼ 4.9%

February 2024

Online Retail Sales* (CSO)

▼ 11.8%

2023

eCommerce Share of total online spending (Statista)

* Only enterprises registered in Ireland.

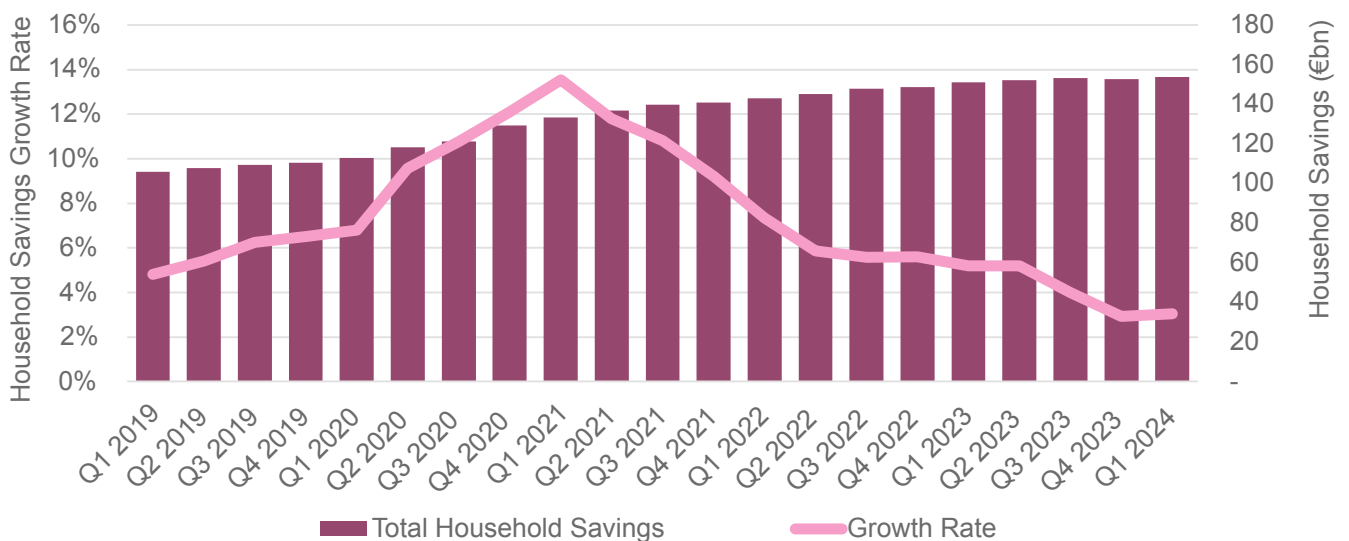
Arrows represent quarterly trends unless otherwise stated.

Savings

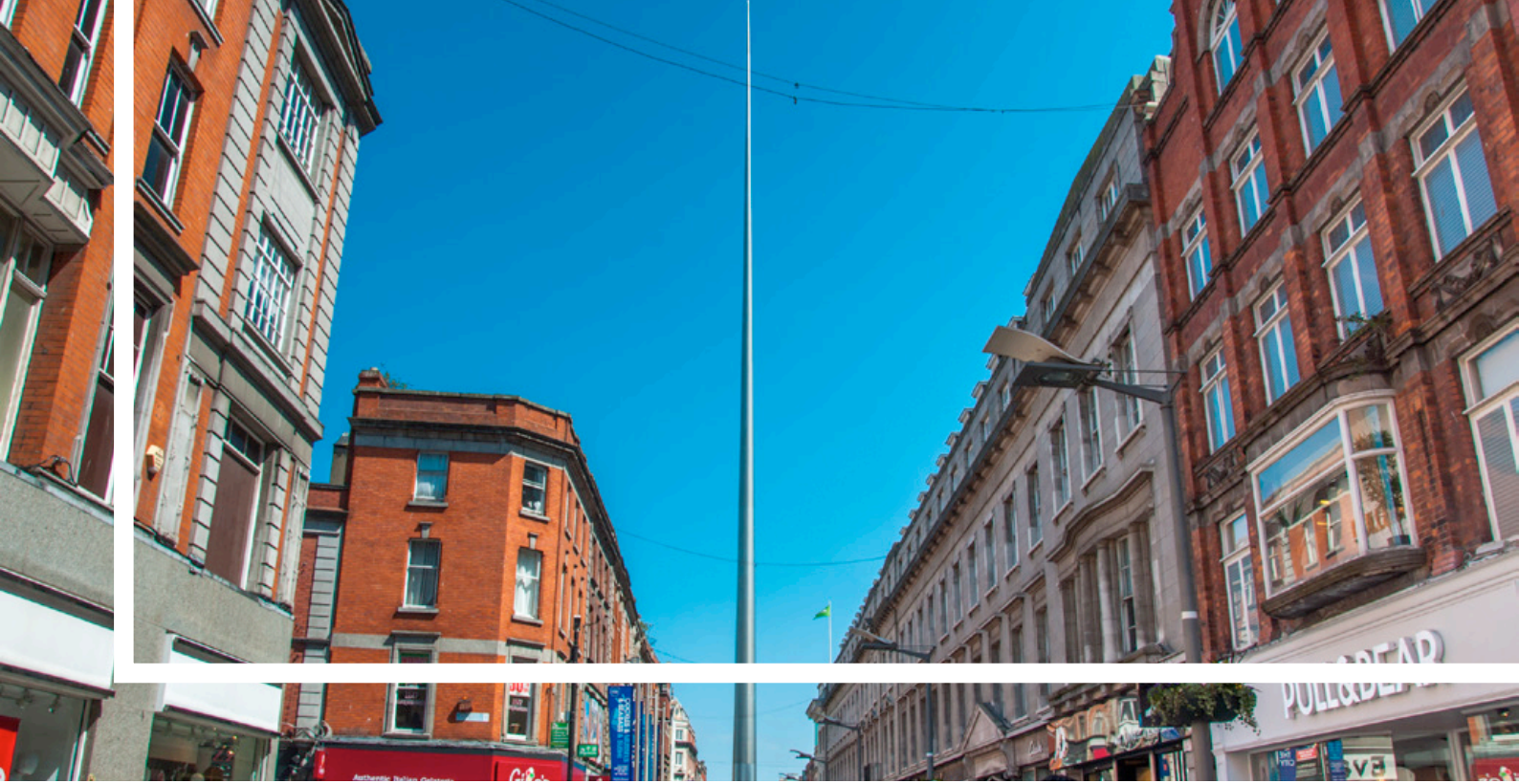
Household deposits in Ireland stood at €153.64bn in February 2024 at all time high. According to the Central Bank of Ireland, the February figure represented an increase of €1.126bn in the month and an increase of €4.97bn over the previous 12 months. This may seem surprising at a time when the cost of living remains elevated and there are 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. As consumer activity recovered, this annual growth rate moderated to 5.4% in 2022, and 2.9% in 2023. As with many economic indicators, consumers' life experiences across society can be different to what the data is showing. Figures for the following months will be watched carefully to establish if trends are evolving.

Household Deposits – Annual Rate of Change (January 2019 – February 2024)



Source: Central Bank of Ireland



ABOVE:
Henry Street, Dublin 2

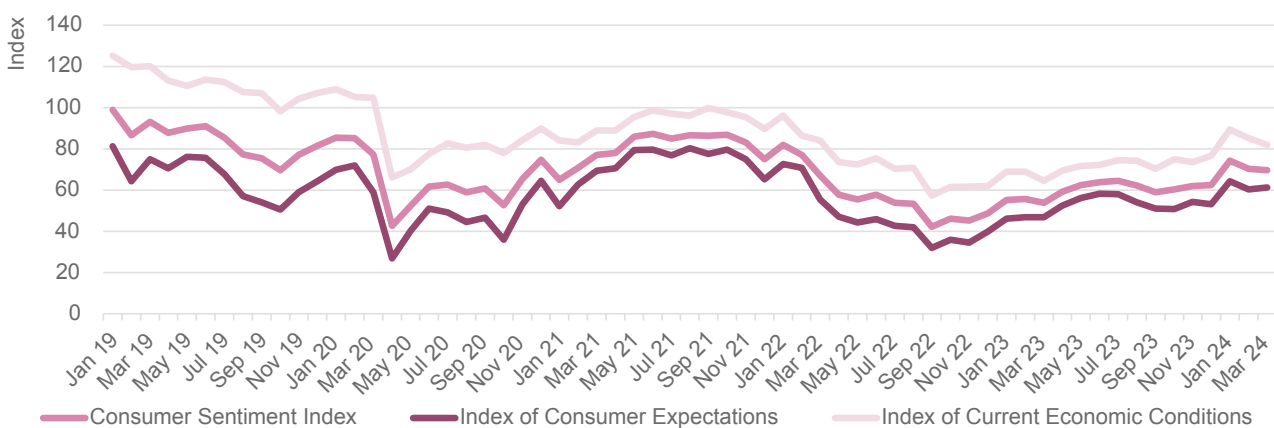
Consumer Sentiment

The Irish League of Credit Unions Consumer Sentiment Index decreased marginally to 69.5 in March 2024 from 70.2 in February 2024 as continuing increases in living costs, disappointing economic news, further geopolitical conflicts and likely delays in the timing of rate cuts translated into a still challenging environment for many households.

Three out of five key sub-indices measured by the Credit Union Consumer Sentiment Index decreased in the month i.e. current conditions (81.8 down from 85.2), major purchases (89.0 down from 91.0), and general economic outlook (30.6 down from

31.1). The other two increased – consumer expectations (61.2 up from 60.2) and outlook for unemployment (64.7 up from 61.0).

Consumer Sentiment Index (January 2019 – March 2024)



Source: Irish League of Credit Unions

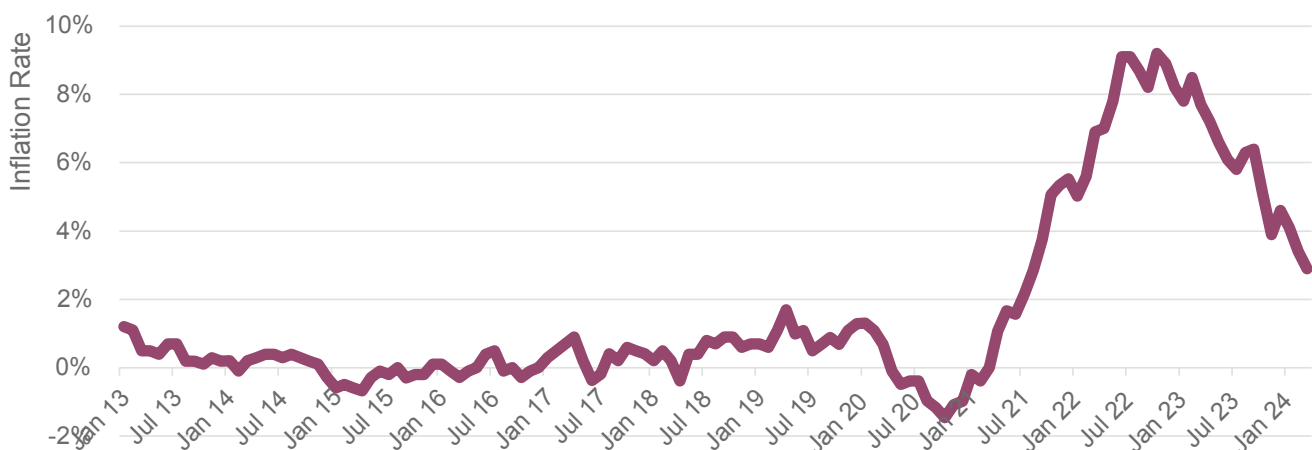
Inflation

The Irish annual rate of inflation (measured by CPI) decreased in Q1 2024; however, it remained slightly higher than the target rate of 2%, standing at 2.9% in March 2024. This was down from 3.4% in February 2024 and 4.6% at the end of 2023. March was the fifth consecutive month where the inflation rate was lower than 5%. Notably, percentage changes in 'services' significantly outweighed the increases in 'goods' (4.5% v 0.5%). Services, excluding mortgage interest repayments, increased by 3.1% in the year since March 2023.

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 March 2024. As to be expected, the most notable changes in the period are increases in 'housing, water, electricity, gas & other fuels' (+28.2%) and

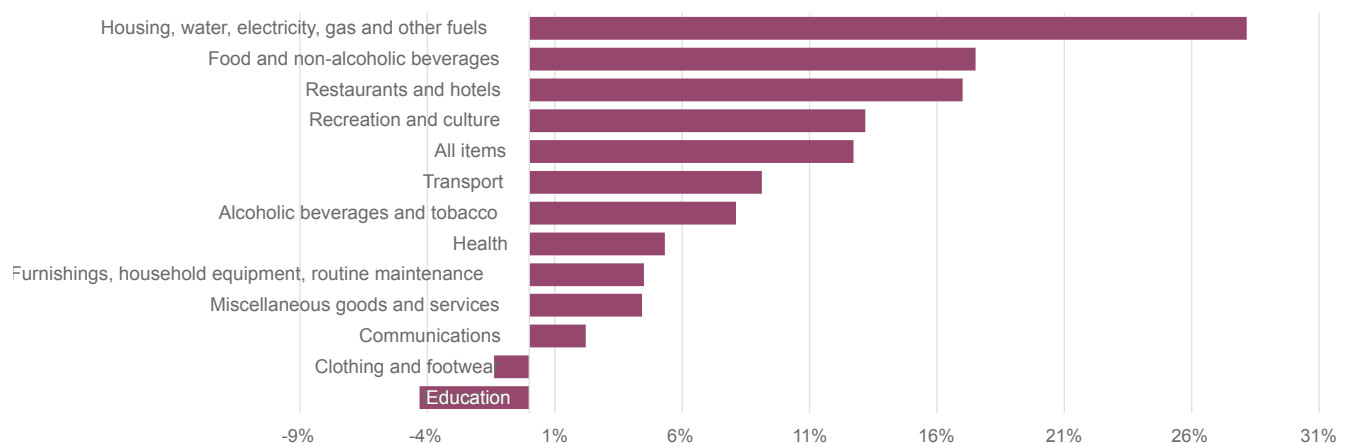
'food and non-alcoholic beverages' (+17.5%). Despite this, it appears that prices associated with energy are beginning to moderate and this should be reflected in the index in the months ahead – price growth in this category only grew by 0.24% in the year to March.

Annualised Rate of Irish Inflation (January 2013 – March 2024)



Source: CSO, Lisney analysis

Annualised Rate of Irish Inflation – Pre-War in Ukraine to Present (February 2022 – March 2024)



Source: CSO, Lisney analysis



ABOVE:
Grafton St,
Dublin 2



ABOVE:
Grafton St,
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. With inflation high, the value of core retail sales (excluding motor trades) rose by 4.2% in 2023 while the volume of core sales increased by 1.4%. From January to February 2024, these figures were at 0.3% and 0.2% respectively and 0.4% and 0.0% on an annualised basis.

In terms of business sectors, 'sale of textiles, clothing and footwear' saw the volume of sales growing by 30.5% and the value of sales growing by 11.1% in 2024 to the end of February. In contrast, 'department stores' and 'motor trades' experienced both value and volume declines over the same period.

Data from the CSO for February 2024 shows that 4.9% 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 11.8% of all transactions in 2023, totalling US\$4.27bn with expectations that 2024 will reach US\$4.81bn,

a 12.8% growth. The market share is also anticipated to grow to 12.9% in 2024. By 2029, online purchases are expected to exceed US\$7.7bn.

In 2023, the top five online stores in the Irish eCommerce market were amazon.co.uk with a revenue of €338.6m; tesco.ie with a revenue of €252.9m; currys.ie (revenue of €186.2m); apple.com (revenue of €151.6m); and shein.com (revenue of €108m). Combined, the top three online stores have a market share of 25.7% of the top 100 stores in the Irish eCommerce market.

Volume and Value of Retail Sales (excluding motor trades) (February 2020 – February 2024)



Source: CSO, Lisney analysis



1904



PANDORA

PANDORA

Dubray

36



Dubray

36 Grafton Street, Dublin 2

CARROLL'S

ST. PATRICK'S



ABOVE:
Grafton St,
Dublin 2

Retail Property Market Trends

Dublin's high streets experienced a revival in 2023, with numerous brands setting up shops in both the Grafton Street and Henry/Merry Street areas. This trend continued into 2024.

- Danish outerwear lifestyle brand, Rains opened its flagship Irish store on Wicklow Street in Q1 2024. It is their 26th store worldwide.
- Castore, Leinster Rugby's kit partner, also opened a flagship store on Grafton Street in Q1 2024. The store is the first in a planned roll-out of 24 stores in Ireland and the UK over the next 12 months. Castore already has a store in the Aviva Stadium, as well as Kildare Village and a retail presence at the RDS Arena for all Leinster Rugby home games.
- Another sports clothing and footwear brand, New Balance, agreed to a long-term lease at 104 Grafton Street and will open its first standalone store in Dublin later this year. This unit has been vacant since 2016 when Cath Kidston closed and is a very welcome addition to this part of the street.
- Zara on South King Street is expanding into the adjacent retail space formerly occupied by H&M, which will double Zara's presence on the street. It is due to reopen in the summer and excluding department stores, Zara outlet will become the largest fashion store in the Grafton Street area.

- Arket, which is part of the H&M Group, will open a store later this year at Grafton Place, the newly constructed scheme at the corner of Nassau Street and Dawson Street and opposite Trinity College. The other lettings within this scheme include Pitch Golf and Sandbox Virtual Reality, both of which are also set to open later this year.
- On the other side of town, the long-awaited and newly developed Clery's Quarter saw the opening of H&M in March 2024. Decathlon is expected to open mid-2024.

Whilst several high street stores reported strong performance towards the end of 2023 and there remain active international and national requirements for Dublin's prime streets and shopping centres, not all retailers are in the same position. The Body Shop UK entered administration which saw the closure of all its Irish stores – Grafton Street, Blanchardstown Shopping Centre, Dundrum Town Centre and Pavilions Shopping Centre – in Q1 2024. The Body Shop opened its first Irish store in 1981. In addition, Ted Baker is preparing to place its network of stores across the UK and Ireland into insolvency. Superdry is another retailer reportedly not performing well.



Stephen's Green
Shopping Centre
Dublin 2

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



Outlook

The leasing activity in Ireland will remain resilient in 2024 as active requirements prevail in spite of ongoing market uncertainty. The closure of Argos and Iceland's operations has brought some supply to retail parks and warehouses nationally. These units will be taken up quickly in 2024.

Rents in shopping centres and retail parks is expected to show moderate growth into 2024, given the lack of available supply. Dublin high street rents will be largely stable through 2024, with perhaps some modest upside for specific units.

By May 2024, any retailers that warehoused Revenue tax liabilities from pandemic times will have to repay this debt in full. The government has indicated that it will work with those in difficulty but it remains to be seen how this will play out, and 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.

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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