Dublin Retail Update

Nobody knows property like us.

1st Quarter 2016

Supply
Vacancy rates in prime locations at low levels

Demand
Demand is present from national and international retailers

Supply
Further increases in rents are expected for prime units over the remainder of 2016

- **Rents**
- **Yields**
- **Supply**
- **Demand**

Dune, 69 Grafton Street

Overview

Following on from a strong 2015, the retailing environment began 2016 on a positive note. The KBC Bank Ireland / ESRI consumer sentiment index was at a 15 year high in January and retail sales had performed strongly following the Christmas sales. However, with the looming Brexit vote in the UK and prospect of prolonged political uncertainty, sentiment fell in February and March. In spite of this, the pace of growth in core retail sales was strong and in the 12 months to the end of February, the volume and value of sales (excluding motor trades) grew by 7.1% and 4.7% respectively.

The national minimum wage was increased to €9.15 per hour in January and its impact on the retail market is two-fold. From retailer employers' point of view, it is an added cost that will come out of underlying profits. While on the other hand, it will mean that a large cohort of consumers will have more disposable income. It was also interesting that some retailers are now considering paying a 'living wage' of €11.50 per hour. IKEA, Aldi and Lidl were some of the first retailers to introduce this.

Activity

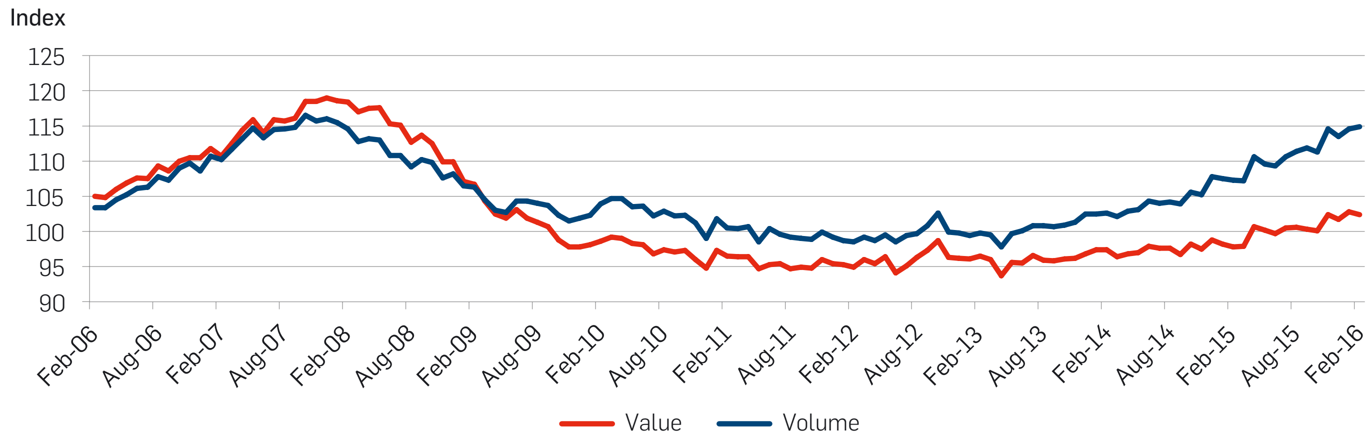
SOUTH INNER CITY RETAILING CORE

Grafton Street is set to have a major facelift when works are completed on some of the largest stores on the street. Major refurbishment is well underway on Bewley's Café, the former Karen Millen premises at 95 Grafton Street (currently on the market to let with a quoting rent of €800,000 pa) and the & Other Stories unit at 26/27 Grafton Street.

The letting of 69 Grafton Street (540 sqm) was completed to Dune of London in recent months and this store is now open and trading. Additionally, it has been reported that Victoria's Secret, the US lingerie brand, has done a deal to lease the BT2 store at No. 28/29 Grafton Street. However, this has not been confirmed.

Nearby, at the junction of Trinity Street and St Andrew Street, Cotswold, which specialise in outdoor clothing and equipment, has leased its first Irish premises. This extends to 550 sqm of the ground floor space at 13 Trinity Street in a reported off-market deal at €300,000 pa. Additionally, men's fashion chain Magee is due to open a new store on South Anne Street in the unit previously occupied by Kitchen Compliments.

RETAIL SALES



Source: Central Statistics Office

Dealz, Henry Street

NORTH INNER CITY RETAILING CORE

Interest in units on Henry and Mary Streets improved considerably towards the end of 2015 and into Q1 2016. The former Pamela Scott premises at 3 Henry Street attracted strong interest, resulting in competitive bidding from a number of international retail brands. Ann Summers outbid a diverse range of retailers including The Works, Card Factory and Foot Asylum, reportedly agreeing to pay a Zone A rent in the region of €4,520 psm (€420 psf).

After a number of failed tenancies at 39 Mary Street, including lettings to national brands A-Wear and Best, the landlord Irish Life has secured a very strong covenant in its most recent letting to Poundland, which will trade as Dealz. Dealz previously occupied the unit on a rolling licence agreement.

Demand for retail space in the north inner shopping core continues to grow with numerous retailers actively seeking accommodation with large floor plates. However, no suitable units of size are available. Works were due to commence on Dublin North Central, however there is now increased uncertainty surrounding this development. A recent High Court order resulted in further buildings being declared a 1916 battlefield site and therefore collectively the buildings constitute a national monument. Originally, only 14-17 Moore Street had this designation but following the recent order, the Judge declared No's 10, 12, 18, 20, 21 and a portion of No 13 Moore Street, O'Brien's water works and the White House all national monuments.

Supermarkets

The grocery sector continued to perform well in Q1. Kantar Worldpanel produced figures towards the end of March that showed that consumers were spending 4.6% more on their grocery shopping than 12 months previous. Notably, consumers spent an extra €40m on groceries for Easter this year.

In terms of supermarket market share, SuperValu had the largest at 24.9%. This was closely followed by Tesco at 23.9% and Dunnes Stores at 23.5%. Aldi and Lidl were at 8.4% and 8.5% market share respectively. Of all supermarkets, Lidl had the strongest sales increase. It is benefiting from more shoppers who are spending more on each visit.

Retail Development

While demand for retail space continues to improve, the availability of prime retail units particularly in the city centre is limited with no large scale developments in the city centre coming on stream. A number of retail schemes are currently undergoing or planning refurbishment programmes as demand for retail development sites has increased.

The improvements at Liffey Valley Shopping Centre in 2015, for example, included upgrades to the food court and the Vue cinema, and the construction of six additional restaurants and a new Penneys store. Simultaneously, a planning application was lodged by Hines in February 2016 for a major extension to the shopping centre. The plan includes an additional 22,000 sqm of retail space, 1,800 car parking spaces, a civic plaza and a 2,500 seat Olympic-sized indoor ice arena.

Other notable developments in the pipeline include Cherrywood, the redevelopment of St Stephen's Green Shopping Centre and The Square Shopping Centre extension in Tallaght.

Lisney's Shutter Count

Lisney's shutter count at the end of March showed that the number of unoccupied units in prime areas remains at historically low levels. In terms of prime retail streets, there were two units unoccupied on Grafton Street. However these units are currently undergoing fit-outs so are not technically available. The former Spar unit (at the lower end of the street) has now been occupied by the Aran Sweater Market. The fashion retailer, Dune of London, has taken the recently extended unit on 69 Grafton Street. Furthermore, Other Stories is currently undergoing a fit-out on 26/27 Grafton Street while the renovation of Bewley's has not been completed yet.

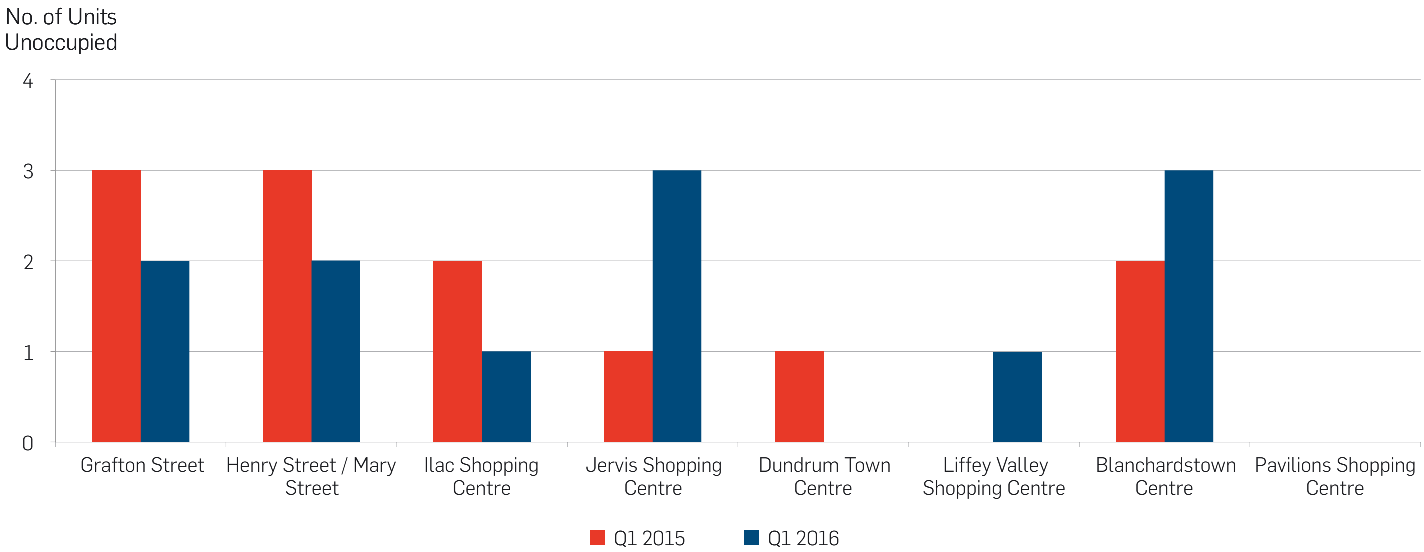
On Henry Street, Sugar Dolls Nails has moved into a previously vacant unit and the former No Name unit is now vacant. In the Jervis Street Centre, the former Mothercare and Only units are now vacant. Consequently, there are three unoccupied units in the centre.

Of the four regional scaled shopping centres, the Pavillions in Swords and Dundrum Town centre both had no vacant space, while Liffey Valley had one unoccupied unit and Blanchardstown centre had just three.

Outlook

- Demand from restaurateurs and coffee shop occupiers in prime areas remains resilient with many international brands actively seeking space.
- Over the year, various leases are expected to change hands in off-market deals that involve premiums.
- With rental growth now re-emerging in the market, further increases are anticipated for prime units in the coming months.
- Prime vacancy levels are expected to remain at low levels.

SHUTTER COUNT Q1 2015 v Q1 2016



Source: Lisney

The Lisney Shutter Count comprises an analysis of closed and non-trading retail units. We have relied solely on what is visible on-site and have not made any further enquiries as to the units' status. Units are registered as unoccupied even if a lease is in place or if undergoing fit-out / refurbishment. The analysis does not include external units that form part of shopping centres. Temporary lettings, such as those for Christmas are excluded. Pop-up stores (which appear on-site to be more than just temporary lettings) are included in the analysis, which may distort the figures given that certain centres do not utilise such arrangements.

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