



2nd Quarter 2016

Retail Sales

High at the end of May despite slip in sentiment

Activity

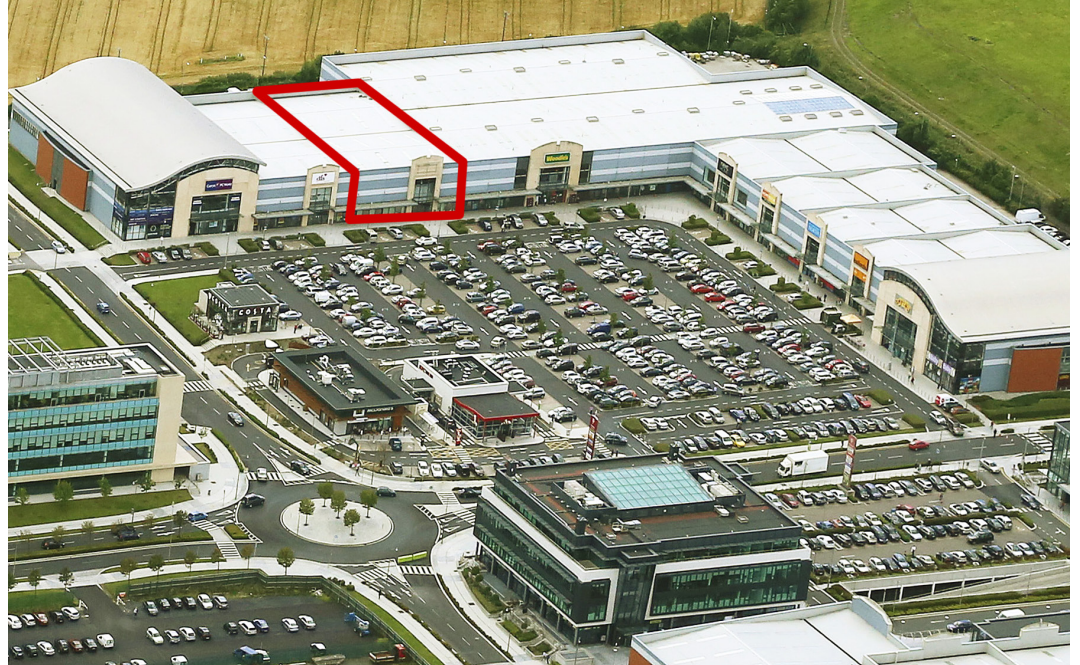
Mike Ashley of Sports Direct has invested €60m in Irish retail in H1 2016

Shutter Count

The number of unoccupied units remained at low levels

-  Rents
-  Yields
-  Supply
-  Demand

Dublin Retail Update



Lisney in conjunction with Cushman & Wakefield acted on behalf of IKEA in the acquisition of Unit 7, The Park, Carrickmines

Overview

'Uncertainty' is undoubtedly the key word in Q2. Heading into 2016, retail finally seemed to be on the way back with all the main statistics pointing in a positive direction. Most notably, the KBC Bank Ireland / ESRI consumer sentiment index had reached its highest level in almost ten years and reports were indicating the best year for retail since 2008.

While the statistics generally remained positive in Q2, there is no doubt that there was an air of hesitation amongst consumers. This was looming since the beginning of March in the aftermath of the general election. The delay in the forming a government; combined with the impact of the LUAS strikes, meant that there was no time for the mood to lift before Brexit. In reality, the full impact of the UK leaving the EU will be unknown for some time. In the short-term, it is likely that many will adopt a 'wait-and-see' approach, which will undoubtedly affect consumer activity

and in turn retail property decisions. A number of well-known UK retailers, some of whom are represented on Irish high streets, such as Marks & Spencer and Mothercare (or through concessions such as Kurt Geiger and Burberry) have openly expressed their desire to remain in the EU and continue to trade openly as before.

This growing uncertainty in the market is highlighted in the KBC Bank Ireland / ESRI consumer sentiment index. In January, the index had a reading of 108.6, which has progressively fallen over the first half of the year. In May, the reading had decreased to 98.1 before rising again to 103.4 in June.

In spite of this, retail sales have been performing quite well. Since January, both the volume and value indices (excluding motor trades) have increased each month except one. In May, despite the uncertainty mentioned, the indices increased by 1.2% and 1.5% respectively, and over the year, grew by 6.5% and 3.9%. Encouragingly for the retail warehousing sector, the volume

of sales in the 'furniture and lighting' sector grew by 14.4% and 'hardware, paints and glass' grew by 19.6%. On a further positive note, the value of these sales are now also growing strongly; by 10.5% and 17.6%.

Other positive indicators from recent months worth noting were 'employment and tourism', both of which affect the retail market. The number of people employed has increased by almost 47,000 in the past year with the unemployment rate falling from 10.0% to 8.3%. Additionally, overseas trips to Ireland increased by 16.6% in Q1, while the spend by these visitors grew by 18.6% in 2015.

Activity

Reports from retailers for the first half of the year are positive, particularly with well known brands. The severe shortage of vacant retail units, particularly in the city centre, is further evidence of this. Earlier market indicators suggested that premiums for leases were going to make a comeback this year, particularly on prime shopping streets. However, it would appear that while there are retailers in the market willing to pay premiums in order to acquire prime units, landlords are often not willing to accept them as tenants due to the quality of their covenant or due to the proposed use. Despite the fact that there is demand in the market for key locations, the quality of some of the tenants may not be as strong as that desired by landlords.

CITY CENTRE

Requirements for retail units in the city centre continued to be driven by the food sector in Q2 with numerous restaurants and coffee shop operators actively seeking properties in Dublin 2, 4 and 6. However, there was little or no stock available for them to choose from.

On Grafton Street, IPUT is reported to be close to finalising its deal with Victoria's Secret at 28/29 Grafton Street, currently occupied by BT2. IPUT is also now well advanced on the refurbishment works of 72 Grafton Street, the former Karen Millen premises. We understand that while there is interest in this unit from a number of retailers, the quoting rent of €800,000 pa has not yet been realised. This suggests that demand from UK anchor retailers has eased somewhat.

In the central northern shopping core, the most recent transaction was the purchase of Boyers department store on North Earl Street by Sports Direct for a reported €12m. The opening of the store will no doubt improve the footfall on the street and benefit other retailers in the area. It has also been reported that British department store John Lewis is entering the Irish market. It will trade from two floors of Arnotts' department store, selling products from its own-brand home and lifestyle range. This will be a good market tester given that John Lewis previously had a strong interest in acquiring a department store in Dublin. It also may increase the demand for stores generally in the area as concessions look to take new stores outside of Arnotts.

RETAIL WAREHOUSE

As evidenced by the improvements in retail sales of bulky goods items, there has been a definite lift in the retail warehousing market with a number of retailers actively seeking stores. This is particularly the case in the stronger performing parks with The Park Carrickmines and Airside Retail Park leading the way. Requirements vary but there has certainly been an increase in the number of retailers seeking units in excess of 930 sqm (10,000 sqft).

The most notable letting in Q2 was IKEA's acquisition of Unit 7 The Park Carrickmines. IKEA will open its first

'Click & Collect' store in Ireland from this 1,400 sqm (15,000 sqft) unit. Also of note, Michael Murphy Home Furnishings has taken a 2,100 sqm (22,800 sqft) store in Airside Retail Park at a reported rent of €270 psm (€25 psf). This is its fifth store with a presence already in Leopardstown, Newbridge, Wexford Town and New Ross. Equipet, the pet shop operator, is also on the acquisition trail and recently took its fifth store, which is due to open in August in Dundalk Retail Park.

Other News

An interim examiner was appointed in May to Debenhams Retail (Ireland) Limited, which operates 11 stores across Ireland. Consistent losses since the recession in 2007, which the company blamed on staff costs and high rents, and the fact that the UK parent company, Debenhams Retail plc, was no longer prepared to support the Irish arm, were cited as the reasons. Towards the end of June, Debenhams itself emerged as the preferred bidder with the only other reported interested party Mike Ashley of Sports Direct. Interestingly, Mr. Ashley has invested approximately €60m into Irish retail this year, acquiring the remaining 50% interest in Irish department store Heaton's and as already mentioned, acquiring the former Boyers store.

Additionally, liquidators were appointed to Hackett Bookmakers in June resulting in the closure of the chain's 18 shops in Dublin, Cork, Limerick and the midlands. In the UK, the long-standing department store BHS is to be wound down after administrators failed to find a buyer for the company. The closure of all 163 stores is the largest retail collapse since Woolworths and Austin Reed went into administration.

Lisney's Shutter Count

Lisney's shutter count at the end of June showed that the number of unoccupied units in prime Dublin areas remained at a low level.

On the south side of the city centre, there were three units unoccupied on Grafton Street - & Other Stories, Bewleys and the former Karen Millen / HMV unit. However, each of these was undergoing fit-out at the time and as such, are not available.

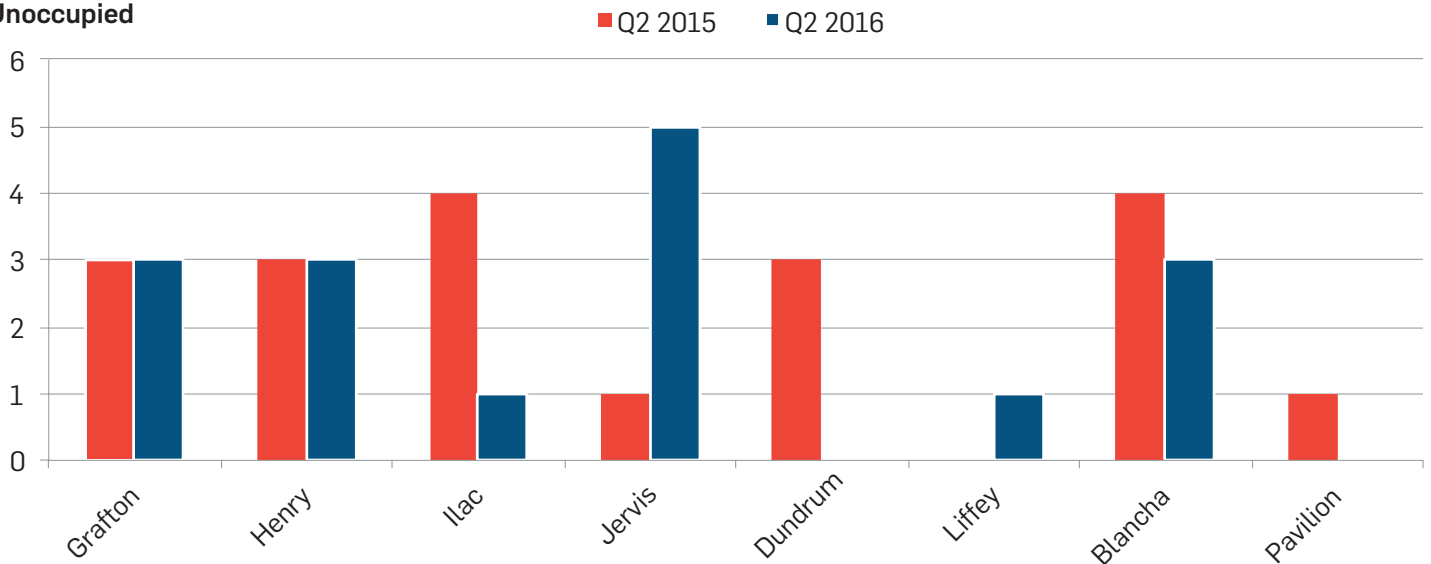
On the north side of the city centre on Henry Street / Mary Street, there were also three stores unoccupied. Notably over the quarter, Ann Summers moved into the former Pamela Scott unit No 3. Close by in the Jervis Centre, there were four units vacant, including the former Change Lingerie, while there was one unit unoccupied in the Ilac Centre.

Of the four regional scale shopping centres, the Pavilions in Swords and Dundrum Town Centre both had no

unoccupied units, while Liffey Valley had one and the Blanchardstown Centre had just three.

Shutter Count

No. of Units Unoccupied



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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