



Your Property. Our Business



3rd Quarter 2015

Consumer Spending

Furniture and lighting increasing strongly.

Demand

New enquiries remain strong.

Supply

Prime vacancy rates at historically low levels.

➔ Rents

➔ Yields

➔ Supply

➔ Demand

Dublin Retail Update



Hugo Boss, Grafton Street

combined with the increase in active demand, will undoubtedly result in further rental rises in the coming months.

Consumer Spending

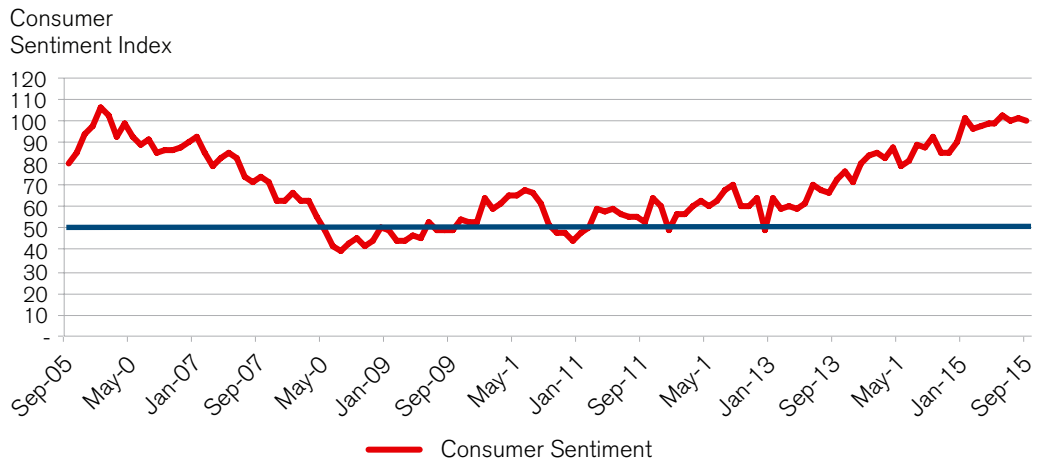
The KBC Bank Ireland / ESRI consumer sentiment index continues to display mixed results with monthly fluctuations a feature (despite this, levels remained generally at very strong levels). The index weakened marginally to stand at 100.6 in September from 101.1 in August (a reading greater than 50 shows expansion), but is higher than July at 99.7. Focusing on September, it was stated that consumers appear to be feeling more confident about the general economic situation, however remain cautious in regard to future prospects.

According to the CSO, both the volume and value of retail sales increased on an annual basis in Q3, by 9.1% and 5.5% respectively. Excluding motor trades, these figures are slightly less at 7.2% and 3.5%. Notably over the 12 months, the sale of furniture and lighting increased by 22% and the sale of electrical goods increased by 13.7%, both in volume terms. This is positive for the outlook in the bulky goods, retail warehousing part of the market. Also of note for high streets and shopping centres was the 14.2% increase in the volume of sales of textiles, clothing and footwear.

Overview

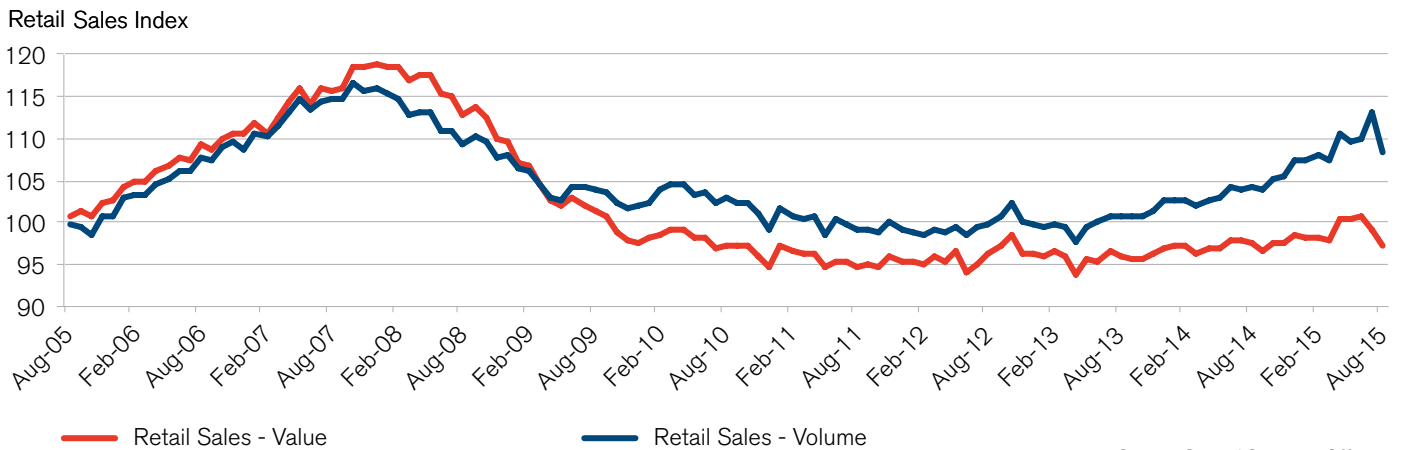
The retailing environment continued to improve in Q3 with core retail sales increasing and consumer sentiment running at robust levels. The number of new enquiries for prime units remained solid with indigenous and overseas retailers actively seeking space. Prime vacancy rates were at low levels at the end of September. Rents were stable in Lisney's retail rental index in Q3, following notable increases in Q2. However, the current lack of supply on prime pitches,

CONSUMER SENTIMENT INDEX



Source: KBC Bank Ireland / ESRI

RETAIL SALES



Source: Central Statistics Office

Demand

There was a notable increase in the number of enquiries from UK and European retailers in recent months. This is a good indicator that the retail market continues to move forward on the path to recovery. However, while new entrants to the market are considering Ireland for the first time since the recession, retailers who are already active in the market and wish to expand are unable to find suitable accommodation in prime locations.

There has been increased demand from restaurateurs in recent months, particularly for the Dublin 2 area but also for the inner suburbs and regional scale shopping centres on the M50 ring. The Italian restaurant chain the Azzurri Group, which operates the Ask & Zizzi restaurants, is seeking restaurants in these areas.

Activity

NORTH INNER RETAILING CORE

Irish Life bought No. 3 Henry Street and is expected to seek a new tenant. It is anticipated that a new trader will pay a rent in excess of €300,000 pa for the 210 sqm of retailing space.

The shutting of Clery's together with the forthcoming closure of Boyers on North Earl Street in early 2016 is a major cause for concern. This will have an impact on retailing in the north inner core, particularly in terms of footfall on the east side of O'Connell Street and on North Earl Street. Dublin City Council currently has

the scheme of special planning control for O'Connell Street on public display. This is designed to protect the area's architectural, cultural, civic and historic character.

SOUTH INNER RETAILING CORE

Given the lack of available units on prime pitches in the Grafton Street area, good secondary streets remained in focus in Q3 with excellent competitive demand for any properties offered.

Wicklow Street has been active in recent months with Italian brand Baggatt taking No. 34 while UK retailer Joules paid a significant premium to acquire the former Lacoste store at No. 12.

Jigsaw, which previously traded on Grafton Street but sold its lease in 2007, has returned to Dublin. It has done a deal to take a lease of a unit in the Grafton Buildings on South Anne Street.

On Grafton Street itself, the former Vero Moda premises at No. 69 has been agreed to a new tenant. In addition, Pandora is expanding and taking the former O2 unit (No. 87) beside Brown Thomas. Just into Q4, Hugo Boss opened its doors in the former Next unit at No. 68.

DUBLIN SUBURBS & NATIONWIDE

In the suburbs, new entrant to the market Aéropostale, a well-known US fashion brand, has taken a store in Liffey Valley Shopping Centre. The UK DIY operator, The Range has reportedly acquired four DIY stores across the country, including a unit at Gullivers Retail Park in Santry and Childers Road in Limerick.

RESTAURANT SECTOR

The restaurant sector continues to recover with both national and international restaurant chains in acquisition mode. Notably, all shopping centres are actively marketing or have recently agreeing lettings to restaurateurs.

Examinerships

While there is no doubt that the market has improved, economic strains remain for some retailers. In Q3, an interim examiner was appointed to Best Menswear. This was followed by the announcement of an interim examiner being appointed to Mothercare Ireland. Mothercare has now exited examinership, however it will close two stores in Dublin and one in Limerick as part of its restructuring.

Lisney's Shutter Count

Lisney's shutter count at the end of September showed that the number of unoccupied units in prime areas remained at low levels. In terms of prime retail streets, there were four units unoccupied on Grafton Street. The former Spar (at the lower end of the street) and Vero Moda units were vacant at the end of Q3 but terms have been agreed for new lettings in each. The Next unit was undergoing fit-out for Hugo Boss but was not yet opened at the end of September and the Calendar Club opened as a temporary store in the former FoneMe unit.

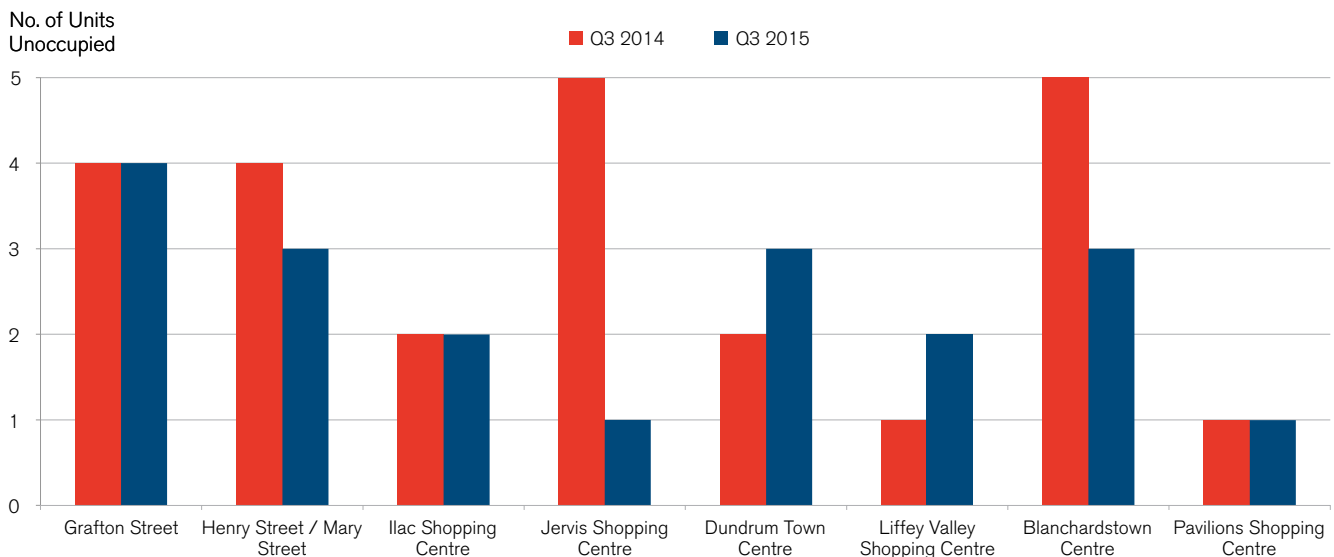
On Henry Street, No. 3, the former Pamela Scott unit, is now vacant. In the Ilac Centre, Pinky Ladies Fashion has relocated beside Diesel, while John Adam Hair & Beauty has taken Pinky's previous unit. Quiz Fashion and Kriza Fashion have both opened in previously vacant units. Consequently, there are now just two unoccupied units in the centre.

Of the four regional scaled shopping centres, the Pavillions in Swords had the lowest vacancy rates with just one unit unoccupied.

Outlook

- Strong demand for prime pitches will continue – from both new entrants to the Irish market and existing retailers.
- 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.

RETAIL SALES & CONSUMER SENTIMENT JUNE 2005 – JUNE 2015



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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