

Lisney

COMMERCIAL REAL ESTATE

# RETAIL REPORT

# Q1 2023



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Despite the wider global environment, there were many positive indicators in the Irish retail sector in Q1, fuelled by considerable built-up savings, low unemployment, and improved consumer confidence. Encouragingly, in Dublin's prime retail core, the Henry Street / Mary Street area experienced a revival in interest from high profile brands in recent months.

▲ 53.9

April 2023  
Index Reading

Credit Union Consumer  
Sentiment Index

▲ 5%

Annual Change  
(March 2023)

Retail Sales Value  
(CSO)

▲ 0.6%

Annual Change  
(March 2023)

Retail Sales Volume  
(CSO)

▲ 7.7%

March 2023

Inflation (CSO)

▲ 5.6%

March 2023

Online Retail Sales\*  
(CSO)

▶ 76%

2021

Consumers  
buying online  
(ecommerceDB)

\* Only enterprises registered in Ireland.

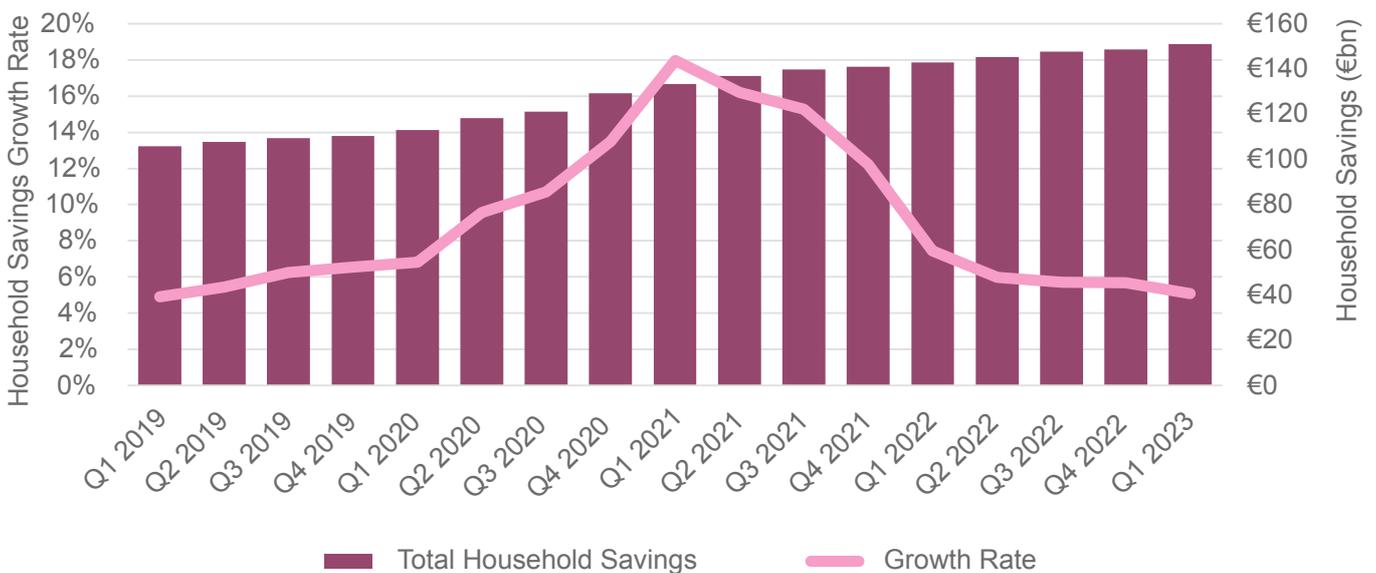
Arrow direction indicates trend since previous quarter

# Savings

Household deposits in Ireland were at an all-time high of €150.9bn in March 2023, having increased by €8bn over the previous 12 months. This included an additional €2.34bn saved Q1 2023, which may seem surprising at a time when the cost of living remains elevated and there are greater 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 growth rate moderated to 5.5% in 2022. The Central Bank of Ireland forecasts that growth will remain positive over the remainder of this year, but moderate to around 4%. As with many economic indicators, consumers life experiences can be different to what the data is showing, as can the divide between different members of society.

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



Source: Central Bank of Ireland



Grafton Street,  
Dublin 2

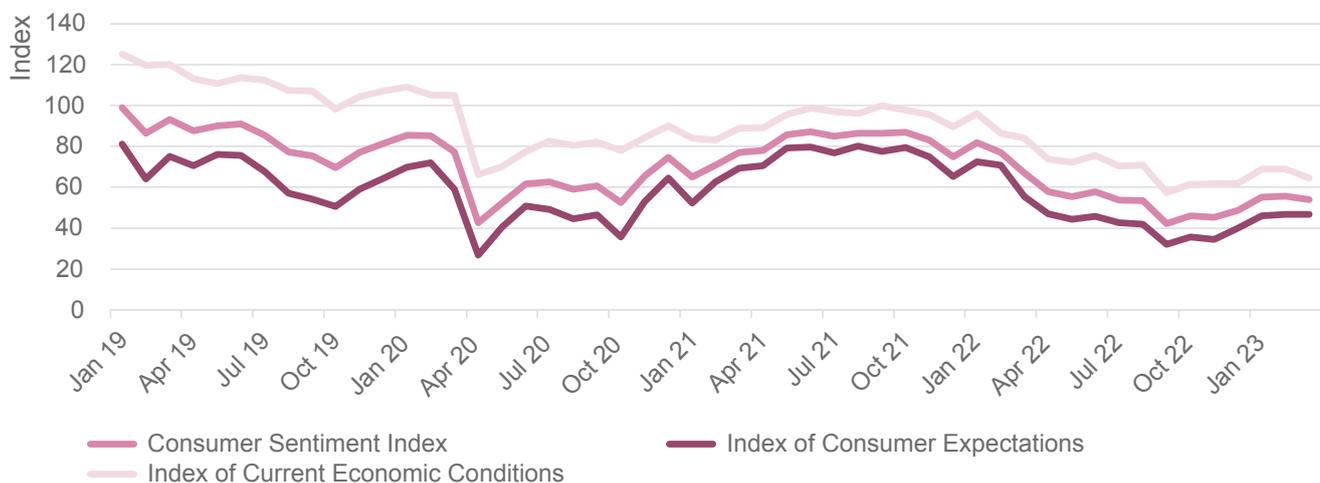
## Consumer Sentiment

The Irish League of Credit Unions Consumer Sentiment Index improved to 59.2 in April 2023, up from 53.9 in March and 55.6 in February, the best level in 13 months. The increase in the index was driven by a decline in negative views on the economy and household finances, rather than an improvement in current conditions.

The Easter break and the anniversary of the Good Friday Agreement may have also contributed to the boost in confidence. However, despite the improvement, caution still dominates the consumer mood due to financial strains and uncertainty. In terms of handling financial emergencies, 44%

of consumers said they would use savings (up from 34% in 2022). However, 17% of consumers said they have no way of handling financial emergencies, which is up from 7% a year ago.

### Consumer Sentiment Index (January 2019 – April 2023)



Source: Credit Union

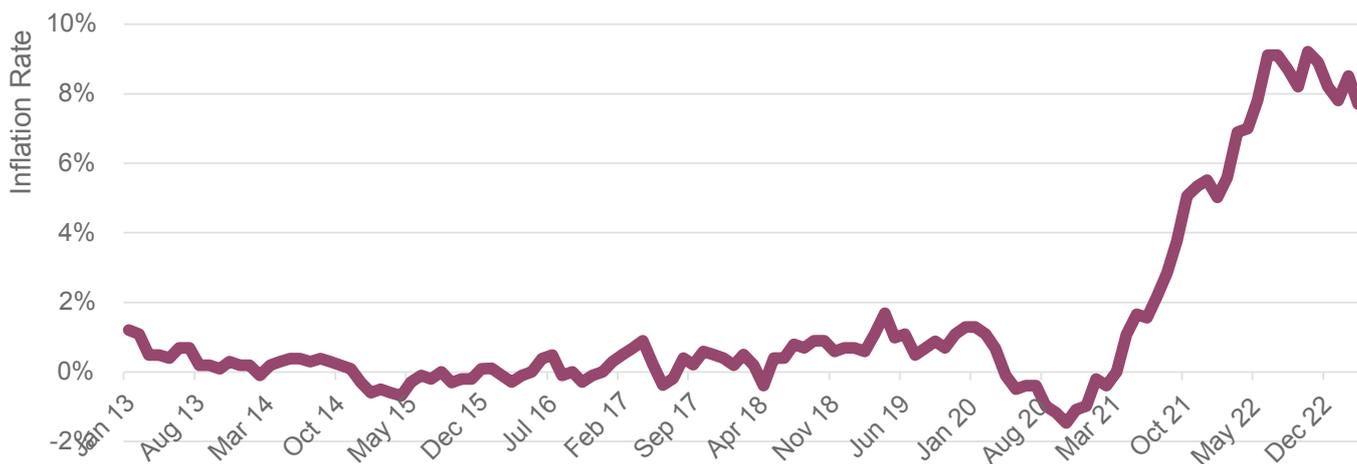
# Inflation

While still almost three times higher than the accepted target rate of 2%, the Irish annual rate of inflation (measured by CPI) continued to move downward in Q1 2023.

It stood at 7.7% in March 2023, having been at 8.2% at the end of the previous quarter and 9.2% at its height in October 2022. March was the 18th straight month where the figure was above 5%. Notably, percentage changes in 'services' significantly outweighs the increases in 'goods' (10.5% v 4.1%), primarily driven by utilities and transport services.

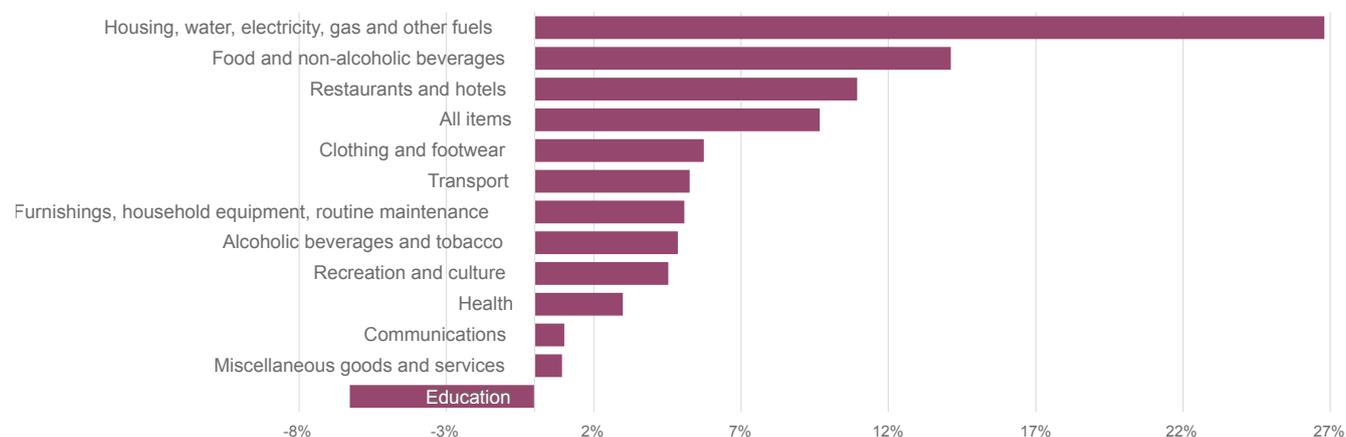
With Russia's invasion of Ukraine the catalyst for much of the increases, it is interesting to view the most significant price changes between February 2022 and March 2023. As to be expected, the most significant changes are increases in 'housing, water, electricity, gas & other fuels' (+26.8%) and 'food and non-alcoholic beverages' (+14.1%).

## Annualised Rate of Irish Inflation (January 2013 – March 2023)



Source: CSO, Lisney analysis

## Annualised Rate of Irish Inflation – Pre & Post War in Ukraine (February 2022 – March 2023)



Source: CSO, Lisney analysis



# 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 Q1. With inflation high, the value of core retail sales (excluding motor trades) rose by 2.1% in the quarter while the volume of core sales increased by 0.1%. Annually to the end of Q1, these figures were at 5.0% and 0.6% respectively.

In terms of business sectors, 'clothing, footwear & textiles' along with 'furniture & lighting' had a good Q1 with the volume of sales growing by 10.8% and 9.5%, but with the value of sales in these sectors growing to a greater extent; 15.9% and 10.5%. Pharmaceuticals along with food, beverage and bars experienced declines in Q1, both in terms of the volume and value of sales. Interestingly, since the onset of COVID (over

three years), the volume of retail goods sold (excluding motor trades) has increased by 7.5% while the value of those goods is 17.2% higher. The only sectors where the volume of sales is low now compared to pre-COVID is bars (-31%), books and newspapers (-18%), automotive fuel (-3%) and hardware and paints (-3%). Textiles and clothing has increased the most, at +38% in volume terms.

**Change in Volume and Value of Retail Sales (excluding motor trades) (February 2020 – March 2023)**



Source: CSO, Lisney analysis



€3 BILLION

Just over US\$3.4bn (€3bn) was spent by Irish consumers on goods from the top 100 online stores operating in Ireland in 2021.



## E-Commerce

EcommerceDB produced a report in December 2022, which provided an overview of the Irish ecommerce environment including a list of the most shopped online retailers by Irish consumers. Some of the key trends and insights from the report are set out below and relate to 2021. It should be noted that the impacts of the pandemic were still being experienced in 2021 and trends are likely to have evolved in the past 15 months.

- 76% of Irish consumers made at least one online purchase in the year. This compares to 81% in the UK.
- Consumers in the 35 – 44 years age cohort were most active online with women slightly more active than men (53% v 47%).
- Just over US\$3.4bn (€3bn) was spent by Irish consumers on goods from the top 100 online stores operating in Ireland in 2021.
- The top five online stores comprised amazon.co.uk, tesco.ie, currys.ie, argos.ie and littlewoodsireland.ie.
- There were 47 stores selling fashion items in the top 100 with next.ie, asos.com and hm.com the most active.
- 25 stores in the top 100 were active in selling electronics and media while 47 stores were involved with toys, hobby and DIY.
- Between 2019 and 2021, the top 100 stores experienced significant growth in sales volume, increasing by 59%, while the top five online stores grew by 49%.
- Amazon.co.uk was by far the busiest ecommerce site shopped by Irish consumers with net online sales in Ireland detailed at US\$485m (€440m) in 2021, having grown by 13% in the year.
- Dunnes Stores and Woodies are the only two Irish origin brands in the top 20.
- Customer reviews have become increasingly important in the decision-making process for online shoppers in Ireland, with 57% of consumers relying on them.
- 59% of online shoppers research online when planning a major purchase, highlighting the importance of having a strong online presence for omni channel retailers.
- 28% of shoppers surveyed said they miss the shopping experience when they shop online.

Data from the CSO for March 2023 shows that 5.6% 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.





Clearys, O'Connell Street, Dublin 1

# Retail Property Market Trends

## BUSINESS VIABILITY

In the property market, the changing trends in footfall and spending are affecting rental affordability for many operators. Landlords who offered abatements during the pandemic want to revert to pre-pandemic levels while some tenants do not foresee the same level of turnover being achieved going forward. Negotiations between landlords and tenants are occurring with outcomes depending on the location and business type. However, if deals cannot be reached or business models no longer make sense after three challenging trading years, some stores may close.

The CVA process in the UK has not gone away and with changing business models, further retailers are expected to enter CVA this year. While this relates to UK multiples, it will impact operations in Ireland. While not through a CVA, Argos recently announced that it would close all of its stores in the Republic of Ireland by June 2023. The company stated that the investment required to modernise and develop its Irish business was not feasible and that it would shift its focus to other areas of its business. Argos has been in operation in Ireland since 1996.

## HIGH STREET REVIVAL

Despite the challenges, Grafton Street had a successful year in 2022, with several new retailers such as Lego, Canada Goose, Lululemon, Dr Martens and Skechers opening stores, albeit generally on adjusted terms to those sought prior to the pandemic. At the end of Q1 2023, there were only three units available on Grafton Street, down from 15 units at the end of 2021.

Although the interest in the Dublin 1 area did not bounce back to the same extent last year, 2023 to date appears to be a better year in the northern city centre retail core. On Henry Street, there has been an intensification in interest from major brands. Tessuti will open in the Jervis Centre shortly, the first Irish store for the UK premium fashion retailer. Additionally, the former Debenhams building on Henry Street was acquired by UK sports retailer Sports Direct towards the end of last year and will bring further life to the area once operating. Foot Locker is taking the former H&M store in Ilac Centre; Dubray Books is fitting out the ex-Dealz store on Mary Street; and Levi's is planning to open a flagship Irish store in the former Evans store at the corner of Henry/Moore Street. Looking at the wider area, Swedish fashion retailer H&M plans to open a flagship store at Clerys Quarter on O'Connell Street, while UK luxury fashion retailer Flannels is also set to open a store in Clerys.



Henry Street,  
Dublin 1

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



## Outlook

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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.

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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.

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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.

# Meet The Team

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