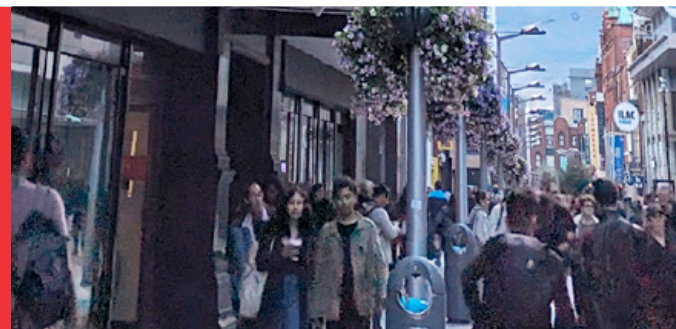


Lisney

COMMERCIAL REAL ESTATE

RETAIL REPORT

Q2 2023



Q2 2023

Despite the wider global environment, there were many positive indicators in the Irish retail sector in Q2 2023, fuelled by considerable built-up savings, low unemployment, and improved consumer confidence. 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.

▲ 63.7

June 2023

Credit Union Consumer Sentiment Index

▲ 9.2%

Annual Change (May 2023)

Retail Sales Value (CSO)

▲ 5.2%

Annual Change (May 2023)

Retail Sales Volume (CSO)

▼ 6.1%

March 2023

Inflation (CSO)

▼ 5.6%

March 2023

Online Retail Sales* (CSO)

▶ 76.4%

2022

Consumers buying online (Statista)

* Only enterprises registered in Ireland.

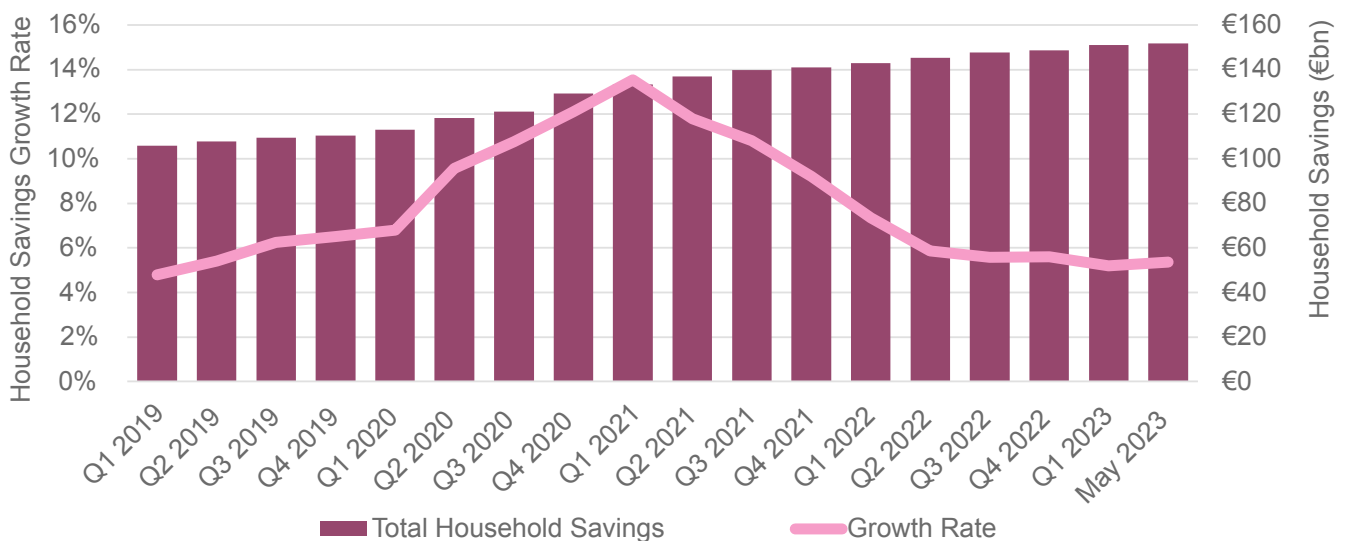
Arrows represent quarterly trends unless otherwise stated.

Savings

Household deposits in Ireland reached an all-time high of €151.8bn in April 2023 and slightly decreased to €151.1bn in May. The May figure represented an increase of €7.2bn over the previous 12 months. This included an additional €2.56bn saved by Irish households in 2023 to date, 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 and 5.0% in May 2023. 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 – May 2023)



Source: Central Bank of Ireland



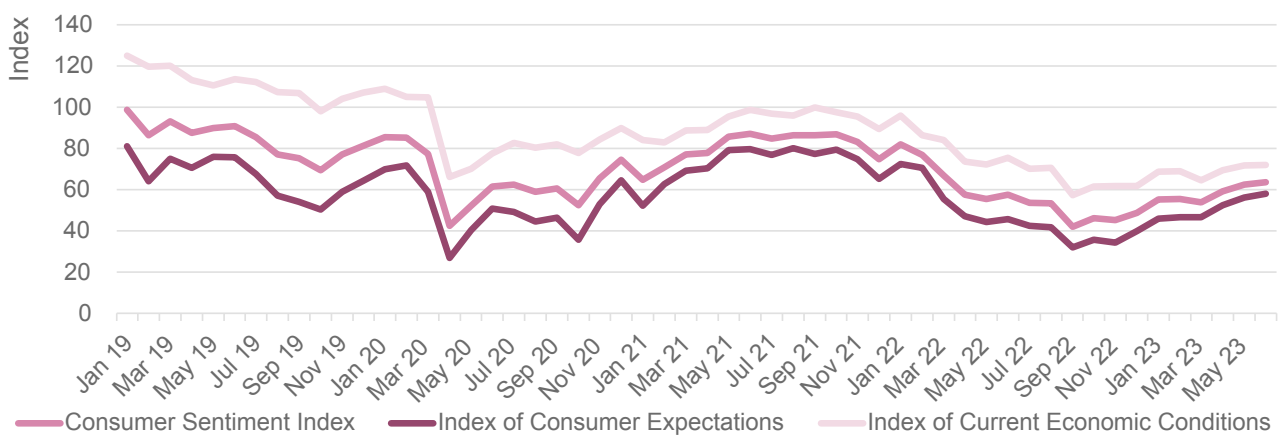
ABOVE:
Grafton Street, Dublin 2

Consumer Sentiment

The Irish League of Credit Unions Consumer Sentiment Index improved to 63.7 in June 2023, up from 62.4 in May and 59.2 in April (a reading above 50 indicates improvements in sentiment from the previous month).

The increase in the index was partly driven by suggestions that food and energy price inflation may have peaked, easing concerns about household finances and suggesting ongoing, albeit limited, relief from cost-of-living concerns. However, the overall sentiment still reflects caution and lingering worries about personal financial circumstances and the broader economic outlook.

Consumer Sentiment Index (January 2019 – June 2023)



Source: Irish League of Credit Unions

Inflation

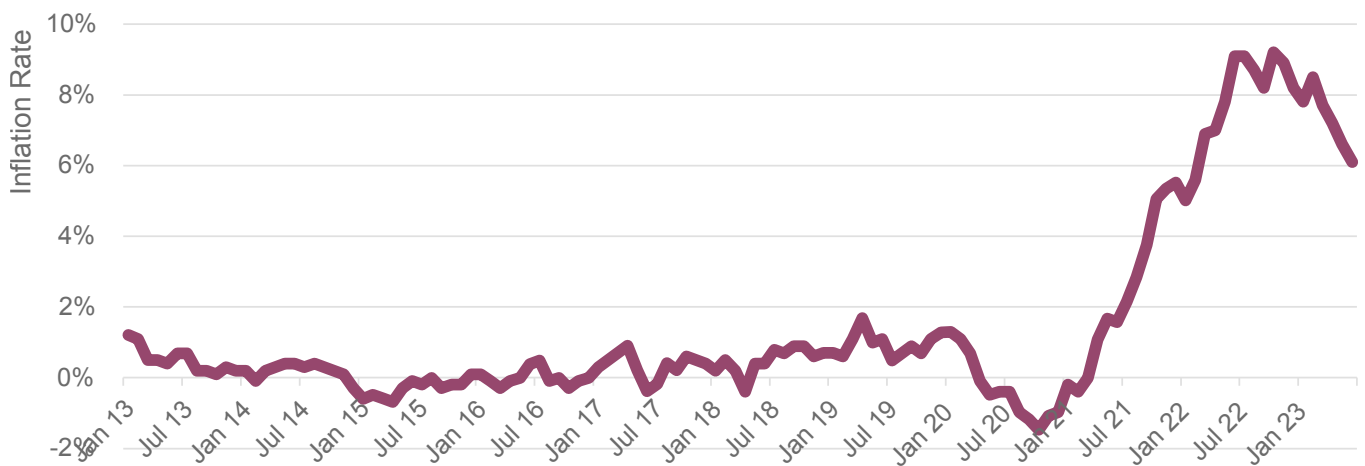
While still over three times higher than the accepted target rate of 2%, the Irish annual rate of inflation (measured by CPI) continued to move downward in Q2 2023. It stood at 6.1% in June 2023, having been at 7.7% at the end of the previous quarter and 9.2% at its height in October 2022.

June was the 21st straight month where the figure was above 5%. Notably, percentage changes in 'services' significantly outweigh the increases in 'goods' (10.3% v 1.0%), 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 June 2023. As to

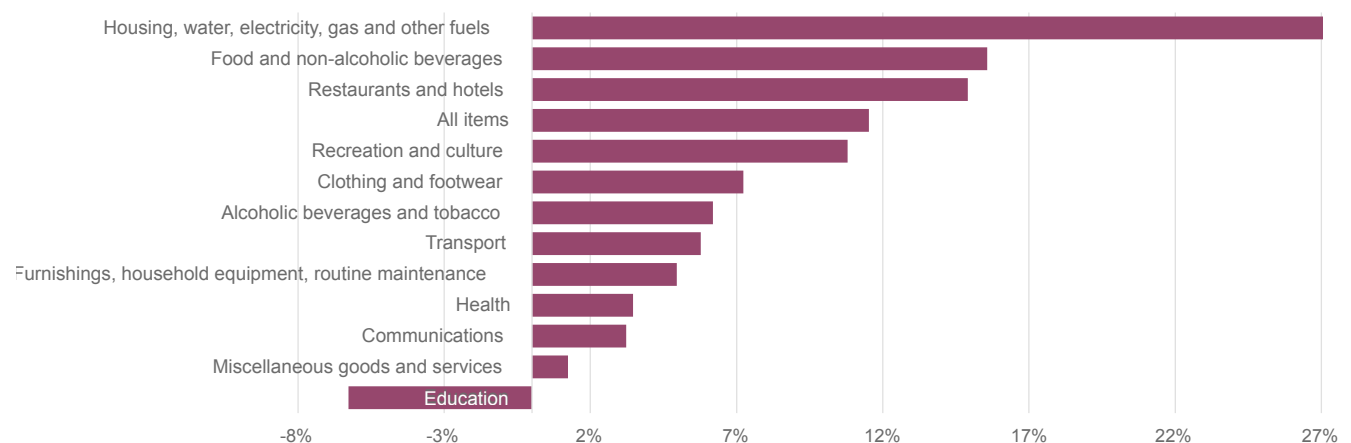
be expected, the most significant changes in the period are increases in 'housing, water, electricity, gas & other fuels' (+28.5%) and 'food and non-alcoholic beverages' (+15.6%). It should also be noted that prices overall were 17% higher in June 2023 compared to the onset of the pandemic in March 2020, and with 'housing, water, electricity, gas & other fuels' 44% higher.

Annualised Rate of Irish Inflation (January 2013 – June 2023)



Source: CSO, Lisney analysis

Annualised Rate of Irish Inflation – Pre-War in Ukraine to Present (February 2022 – June 2023)



Source: CSO, Lisney analysis



ABOVE:
Canada Goose new store at 64 Grafton Street, Dublin 2



ABOVE:
Sweaty Betty's first standalone store at 32-33 South Anne Street, 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 in the first five months of 2023, albeit at a slower pace compared to last year.

With inflation high, the value of core retail sales (excluding motor trades) rose by 8.1% in 2022 while the volume of core sales increased by just 0.4%. From January to May 2023, these figures were at 3% and 2% respectively and 4.2% and 2.1% on an annualised basis.

On a quarterly basis to the end of May, in terms of business sectors, 'electrical goods' along with 'pharmaceutical, medical and cosmetic articles' had a good three months with the volume of sales growing by 8.2% and 4.1%, but with the value of sales in these sectors growing to a greater extent; 9.4% and 6.1%. 'Clothing and footwear' along with 'hardware, paints and glass', 'furniture and lighting', 'books, newspapers and

stationery', 'automotive fuel' and 'bars' experienced declines over the three months to May, 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 9.3% while the value of those goods is 18.6% higher. The only sectors where the volume of sales is low now compared to pre-COVID is 'bars' (-18.8%), 'books, newspapers and stationery' (-20.8%), and 'department stores' (-4.6%). 'Pharmaceutical, medical and cosmetic articles' has increased the most, at +22.7% in volume terms.

Change in Volume and Value of Retail Sales (excluding motor trades) (February 2020 - June 2023)



Source: CSO, Lisney analysis

E-Commerce

Data from the CSO for May 2023 shows that 5.2% 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.

“
€5.32 BILLION

Online purchases in Ireland accounted for 16.1% of all transactions in 2022, totalling US\$5.32bn, slightly down from 16.7% (US\$5.7bn) in 2021.

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The insights set out below from Statista and eCommerceDB outline the key trends shaping Ireland's eCommerce landscape. When comparing data, it is important to consider that the impacts of the pandemic were still being experienced in 2021.

Online Purchases and Revenue

- Online purchases in Ireland accounted for 16.1% of all transactions in 2022, totalling US\$5.32bn, slightly down from 16.7% (US\$5.7bn) in 2021.
- Revenue in the Irish eCommerce market is projected to grow by 8.8%, reaching US\$5.78bn in 2023, maintaining a market share of 16.1%.
- Going forward, the market is expected to show an annual growth rate of 10.5%, resulting in a projected market volume of US\$8.63bn by 2027 in Ireland.
- 73% of total online spending was with domestic companies in 2021, and this is forecasted to maintain a 72% share in 2022 and 2023.

Consumer Behaviour

- In 2022, 76.4% of Irish consumers made at least one online purchase.
- This is projected to rise to 77.5% in 2023 and is expected to hit 79.1% by 2027.
- eCommerceDB's December 2022 report highlighted the significance of customer reviews in the decision-making process for Irish online shoppers, with 57% relying on them.
- 59% of shoppers researched online before making major purchases, emphasising the importance of having a strong online presence for omnichannel retailers.
- Interestingly, 28% of shoppers expressed missing the in-store shopping experience when making online purchases.

Social Commerce

- Social commerce, spending on social media platforms, has been on the rise, representing 4.0% of total online spending in 2022, up from 2.4% in 2021.
- Projections indicate continued growth, reaching 5.3% in 2027.
- For comparison, social commerce accounted for only 1.8% of total online spending in 2019.

Top eCommerce Sites

- Amazon.co.uk was the busiest eCommerce site shopped by Irish consumers in 2022, with net online sales in Ireland at US\$319m (€285m), down 12.1% from the previous year.
- Other top stores included tesco.ie, apple.com, currys.ie, and argos.ie (the latter exited the Irish market in June 2023).
- The top five stores combined account for 19.8% of total online spending and 32.5% of the top 100 online stores' revenue in Ireland.

Dominant eCommerce Sectors

- The fashion sector dominated Irish eCommerce in 2022, accounting for 29.7% of total spending. Top online fashion stores included next.ie, hm.com, asos.com, jdsports.ie, and shein.com.
- Other leading sectors were Food & Personal Care (23.2%), Furniture & Appliances (16.1%), Toys, Hobby & DIY (16.0%), and Electronics & Media (15.1%).

1 2022: €1 = US\$1.0538 / 2021: €1 = US\$1.1830

2 A store is considered national if more than 50% of its revenue is generated in its main country. If it is not possible to attribute a main country to the store (where local revenues are less than 50% of the total), the revenues are divided, and each country's share is considered national for that specific country.

3 Social commerce refers to the use of social media platforms and networks to facilitate buying and selling products online. Platforms such as Instagram, Facebook, Pinterest, YouTube, TikTok, and Twitter have already introduced features that support social commerce, such as shoppable posts and live streaming.



ABOVE:
Dubray Books new store at
39 Mary Street, Dublin 1

Retail Property Market Trends

Dublin's high street retail market saw continued positive changes in Q2 2023 with several notable store openings taking place over the three months. Canada Goose made a return to Grafton Street after closing their previous store in 2021. The new store is at 64 Grafton Street. Sweaty Betty opened its first standalone store in Dublin on 32-33 South Anne Street, expanding its Irish presence alongside a concession at Brown Thomas and an outlet store at Kildare Village, which opened in 2021.

Dubray Books opened a new store on 39 Mary Street, bringing its network to 11 stores across Ireland, with nine based in Dublin. Three new shops, including the retailer's first in Cork, have opened since 2020 and it now employs 121 people across Ireland. The bookseller was acquired by Eason in early 2020, with Dubray maintaining its operations as a separate brand.

In addition, Penneys invested nearly €15m in a new store at Dundrum Town Centre, occupying the second and third floors of the former House of Fraser unit. The move to the bigger store created 130 new jobs and brings the total staff headcount at the store to 360. Penneys also has plans to open a new store in Bray, Co Wicklow later this year.

Countrywide, however, there have been closures in the market, with GameStop announcing the closure of its 35 stores, including eight in Dublin. Argos has now closed all of its 34 Irish stores. Ulster Bank also completed the closure of its remaining 63 branches in April, with the first tranche of properties now available for sale and to let. Further branches are expected to come to the market later in the year.

PUBLIC REALM IMPROVEMENTS

Dublin City Centre is currently undergoing several improvement schemes aimed at enhancing the pedestrian experience and improving footfall flow. One of these schemes is the Liffey Street Public Realm project, which falls under the Dublin Public Realm Strategy. The project focuses on improving Liffey Street from its junctions with the Halpenny Bridge and Henry Street, creating a smoother flow of foot traffic between the south side and north side of the city centre. This initiative involves the addition of more green spaces and the widening of the footpaths. As part of this project, a new pedestrian plaza will be created on Liffey Street Lower between Strand Street and the Quays.

Dublin City Council has also begun works on the Temple Bar Square Area Improvement Scheme which is expected to transform the Temple Bar area. The project involves the conversion of Temple Bar Square (including parts of Crown Alley and Fownes Street Lower) to a single surface area between the buildings on either side of the Square. This will include removing the steps in the central portion of the square and addressing the height differential between the kerbs and the carriageway.



Grafton Street,
Dublin 2

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



Outlook

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.

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.

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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