

Lisney

COMMERCIAL REAL ESTATE

RETAIL REPORT

Q2 2024



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The retail industry continues to contend with a rapidly evolving landscape, not just in terms of accelerated technological change but also economic, geopolitical and ecological impacts. Nearly all traditional brick-and-mortar retailers now embrace e-commerce and omni-channel strategies. Nevertheless, 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 shops opening in recent times.

▲ 70.5

June 2024

**Credit Union Consumer
Sentiment Index**

▼ 1.5%

Annual Change (May 2024)

**Retail Sales Value
(CSO)**

▼ -0.6%

Annual Change (May 2024)

**Retail Sales Volume
(CSO)**

▼ 2.2%

Annual Change (June 2024)

Inflation (CSO)

▼ 4.9%

June 2024

**Online Retail Sales*
(CSO)**

▶ 12.98%

2023

**eCommerce Share of
total online spending
(Statista)**

* Only enterprises registered in Ireland.

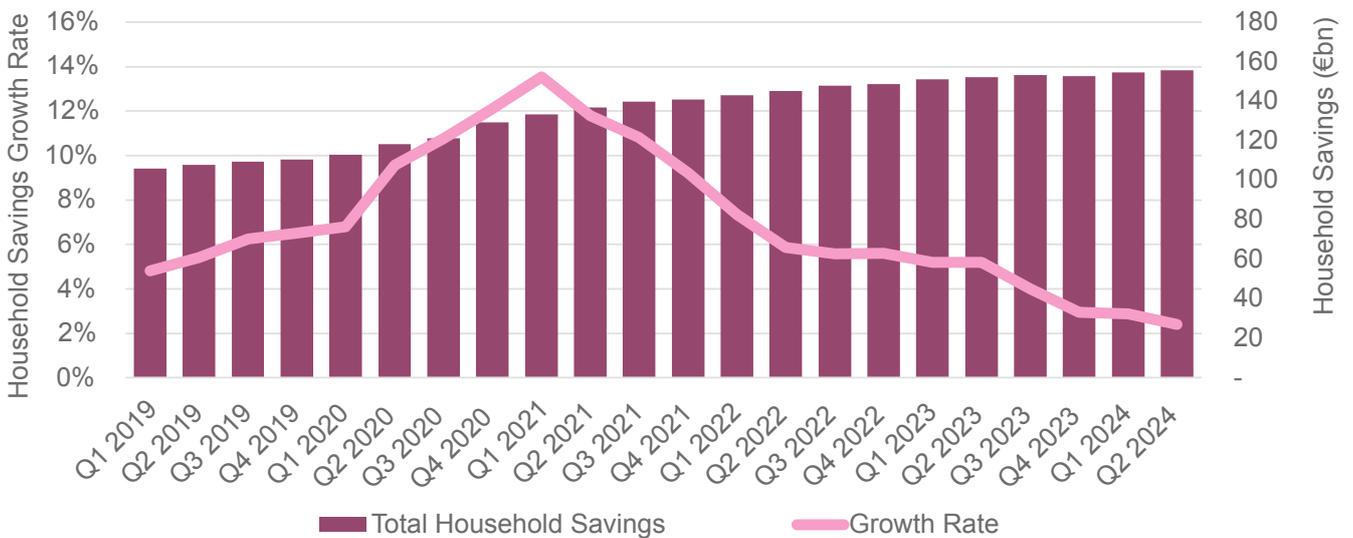
Arrows represent quarterly trends unless otherwise stated.

Savings

Household deposits in Ireland stood at €155.62bn in May 2024. According to the Central Bank of Ireland, the May figure represented an increase of €1.093bn in the month and an increase of €4.489bn over the previous 12 months. 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.

As consumer activity recovered, this annual growth rate moderated to 5.4% in 2022, and 2.9% in 2023. In 2024 to May, savings grew by 1.9%. Despite the slower pace of growth, practically each month in the last few years has set an new all-time high in terms of savings. This may seem surprising at a time when the cost of living remains elevated and there are economic headwinds. On one hand, it may well indicate precautionary savings by some and also a reluctance to spend given the higher costs of goods and services, but on the other hand, there is a cohort of the population in strong, well-paid employment.

Household Deposits – Annual Rate of Change (January 2019 – May 2024)



Source: Central Bank of Ireland



ABOVE: Henry Street, Dublin 2

Consumer Sentiment

The Credit Union Consumer Sentiment Index increased to a reading of 70.5 in June 2024 from 65.7 in May and 67.8 in April as falling energy costs, 25 bps lower ECB rate and several encouraging economic releases prompted a more favourable assessment of the outlook for household finances and the broader Irish economy.

The June reading marks the first monthly increase since January following four consecutive monthly declines between February and May. However, the current level of the sentiment index remains some distance below the long-term average of 84.5. Four out of five key sub-indices measured by the Credit

Union Consumer Sentiment Index increased in the month – current conditions (84.9 up from 80.7), consumer expectations (60.9 up from 55.7), general economic outlook (31.1 up from 27.6), and major purchases (93.4 up from 91.0) - while only one decreased – outlook for unemployment (61.4 down from 61.5).

Consumer Sentiment Index (January 2019 – June 2024)



Source: Irish League of Credit Unions, Lisney analysis

Inflation

The Irish annual rate of inflation (measured by CPI) decreased in Q2 2024; however, it remained slightly higher than the target rate of 2%, standing at 2.2% in June 2024. This is down from 2.6% in May 2024 and 4.6% at the end of 2023. June was the eighth consecutive month where the inflation rate was lower than 5%. Notably, percentage changes in 'services' outweighed the increases in 'goods' (3.2% v 0.8%). Services, excluding mortgage interest repayments, increased by 2.4% on an annual basis.

Annualised Rate of Irish Inflation – Pre-War in Ukraine to Present (February 2022 – June 2024)

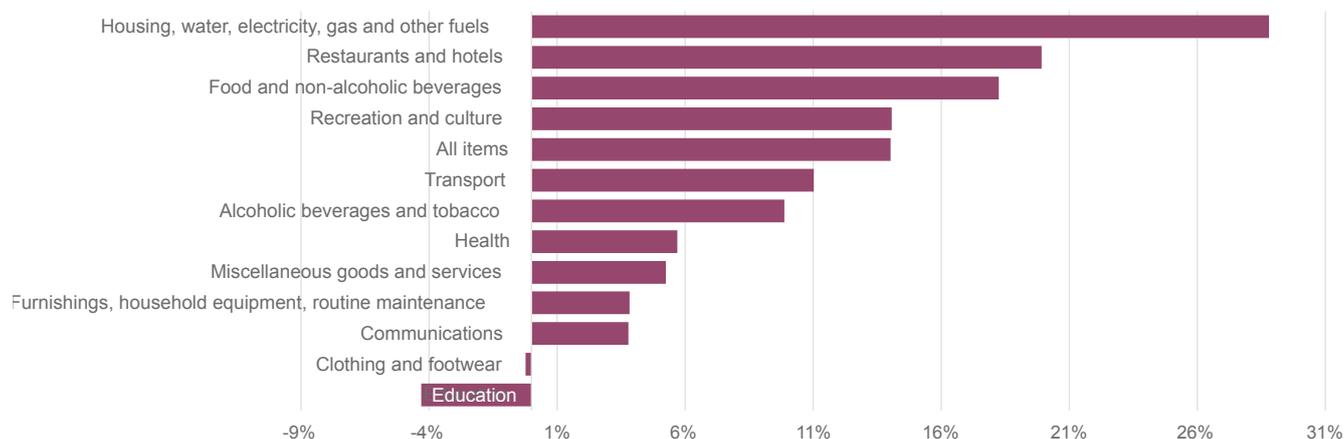


Source: CSO, Lisney analysis

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 2024. As to be expected, the most notable changes in the period are increases in 'housing, water, electricity, gas & other fuels' (+28.8%), 'restaurants and hotels' (19.9%) and 'food

and non-alcoholic beverages' (+18.2%). Despite this, it appears that prices associated with energy are beginning to moderate and this should be reflected in the index in the months ahead – price growth in this category only grew by 0.08% in the year to June.

Annualised Rate of Irish Inflation – Pre-War in Ukraine to Present (February 2022 – June 2024)



Source: CSO, Lisney analysis



ABOVE: Grafton St, Dublin 2



ABOVE: Grafton St, Dublin 2

Retail Sales

Based on CSO data, there continued to be a slight divergence in the scale of change in the volume and value of retail sales. In Q2 2024, the value of core retail sales decreased by 0.8% while the volume of core sales fell by 0.7% over the same period. On an annualised basis, the value and volume increased by 0.2% and decreased by 1.8% respectively.

In terms of business sectors, those that showed the greatest annual volume growth in June 2024 were Electrical Goods (+12.9%), Hardware, Paints & Glass (+2.1%), and Fuel (+0.3%). The largest annual volume declines in June 2024 were in Clothing, Footwear & Textiles (-6.0%), Department Stores (-3.6%), Non-Specialised Stores (incl. Supermarkets) (-3.5%), and Furniture & Lighting (-2.4%).

Data from the CSO for June 2024 shows that 4.9% of turnover from Irish registered companies was generated from online sales in the month. This compares to 4.8% in May 2024, 5.8% in June 2023 and the highs of over 15% in May 2020 during COVID lockdowns. However, this only relates to Irish companies and consequently, the proportion of money spent online is significantly higher.

Data from Statista (an independent specialist in surveys and data gathering) show that online purchases in Ireland accounted for 12.9% of all transactions in 2023, totalling

US\$4.78bn with expectations that 2024 will reach US\$5.41bn, an annual growth of 10.05%. The market share is also anticipated to grow to 14.0% in 2024. By 2029, online purchases are expected to exceed US\$8.76bn.

In 2023, the top five online stores in the Irish eCommerce market were amazon.co.uk, tesco.ie, next.ie, currys.ie, and apple.com. Leading the market was amazon.co.uk, which had revenues of US\$338.6m in 2023 in Ireland. This was followed by tesco.ie with sales of US\$252.9m and then next.ie with sales of US\$192.9m. Together, the top three online stores accounted for a market share of 25.7% of the top 100 stores in the Irish eCommerce market.

Hobby & Leisure was the largest market and accounted for 24.6% of the Irish eCommerce revenue. It was followed by Electronics with 21.7%, Fashion with 18.6%, Furniture & Homeware with 11.5%, Care Products with 9.1%, DIY with 8.8%, and Grocery with the remaining 5.8%.

Volume and Value of Retail Sales (excluding Motor Trades) (February 2020 – May 2024)



Source: CSO, Lisney analysis



Henry Street,
Dublin 1



ABOVE: Grafton St, Dublin 2

Retail Property Market Trends

Movement in Dublin's high street areas continued in Q2 2024. Dublin City Council refused planning retention for a souvenir shop at 111 Grafton Street, stating that it would set an undesirable precedent for similar developments and devalue surrounding properties. Fashionflo Investments, which had been trading as 'Seasons of Ireland' on Grafton Street for 27-years, had moved to 111 Grafton Street in the summer of 2023 after their lease expired at 34 Grafton Street.

Other movements in the area include the following:

- Decathlon, the global sports retailer, opened its third store in Ireland at Clery's Quarter in June 2024, joining H&M, which opened earlier in the year. Decathlon opened its first store in Ballymun, Dublin in 2020, followed by the second store in Limerick in 2023.
- Book retailer Eason opened a new store in Arnotts, which is located on the lower ground floor adjacent to FAO Schwarz's toy store.
- Irish-owned fashion retailer Folkster opened at 11 South

William Street, Dublin 2 in April in the former McCullough Piggott music shop. The brand already trades from locations in Kilkenny and previously had a pop-up store at Dundrum Town Centre in south Dublin.

Outside of the city centre:

- Space NK, a beauty retailer, opened in May in Dundrum. This marked its second location in Irish following its debut on Grafton Street in 2014.
- Notable new leases signed at the Blanchardstown Centre in 2024 include Lego, Calvin Klein and Tommy Hilfiger.
- Danish retailer Jysk further expanded its Irish presence in early 2024, opening a new store in Liffey Valley. This brings their total number of locations across Ireland to 23.
- Penneys opened a new store in Bray, Co Wicklow, its first in the town. The store occupies one floor in Bray Central. Now Penneys has 38 stores across 21 counties in Ireland having opened its first store on Mary Street in Dublin 55 years ago.



Stephen's Green
Shopping Centre
Dublin 2

Rents in retail parks are expected to show moderate growth in 2024, given the lack of available supply.



Outlook

Leasing activity across the country will remain good in H2 2024 as active requirements prevail in spite of ongoing market uncertainty. The closure of Argos and Iceland's operations in 2023 brought some supply to retail parks nationally with many of these units now taken.

Rents in retail parks are expected to show moderate growth in 2024, given the lack of available supply. Dublin high street rents will be largely stable through 2024, with perhaps some modest upside for specific units.

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.

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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