

Lisney

COMMERCIAL REAL ESTATE

RETAIL REPORT

Q3 2024



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The Irish retail industry continues to navigate a rapidly changing landscape, driven by technological shifts and global economic challenges. Most traditional brick-and-mortar retailers have adopted e-commerce and omni-channel strategies. Meanwhile, Dublin's prime retail areas - Grafton Street and Henry/Mary Street - are experiencing strong demand. Several high-profile brands have opened stores in these areas recently, reflecting continued interest in physical retail despite ongoing pressures.

▲ 71.9

September 2024

**Credit Union Consumer
Sentiment Index**

▼ -2.2%

Annual Change (September 2024)

**Retail Sales Value
(CSO)**

▼ -2.5%

Annual Change (September 2024)

**Retail Sales Volume
(CSO)**

▼ 0.7%

Annual Change (September 2024)

Inflation (CSO)

▶ 4.9%

September 2024

**Online Retail Sales*
(CSO)**

▶ 13.4%

2024 (projected)

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

* Only enterprises registered in Ireland.

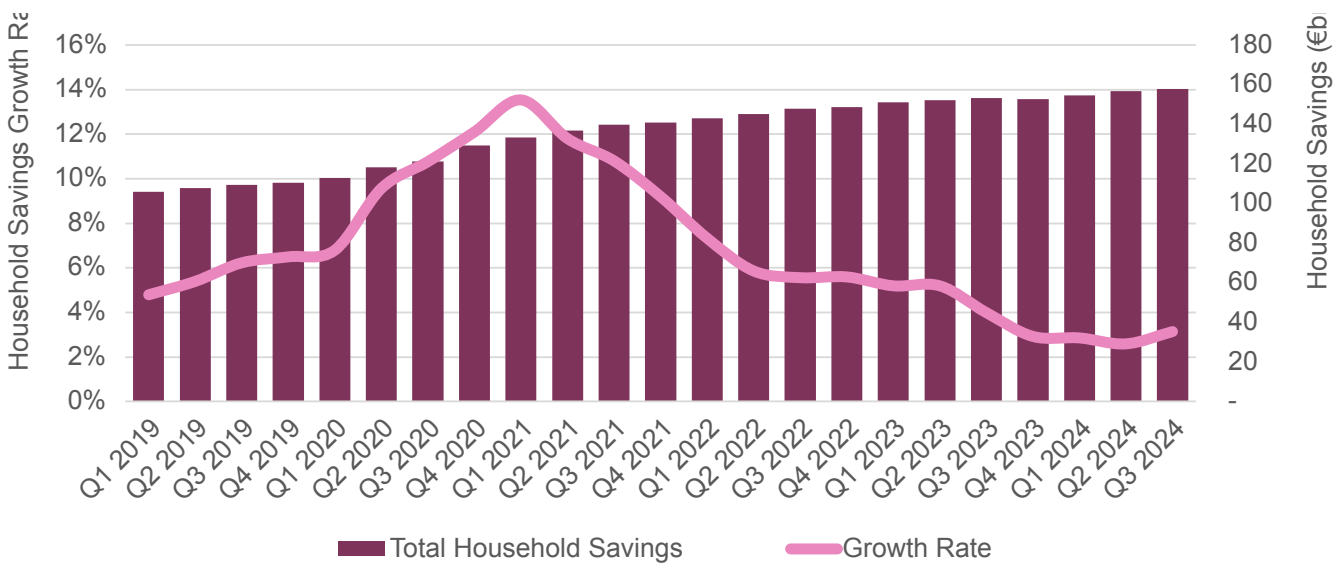
Arrows represent quarterly trends unless otherwise stated.

Savings

Household deposits in Ireland stood at €157.712bn in August 2024. According to the Central Bank of Ireland, the August figure represented an increase of €1.348bn in the month and an increase of €5.99bn 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 the first quarter of 2024 savings growth rate reduced standing at 1.8% in April, the lowest since August 2015. Since then, the savings growth rate increased to 3.0% and in August it was 3.4%.

Despite the slower pace of growth, practically every month in the last few years has set a 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

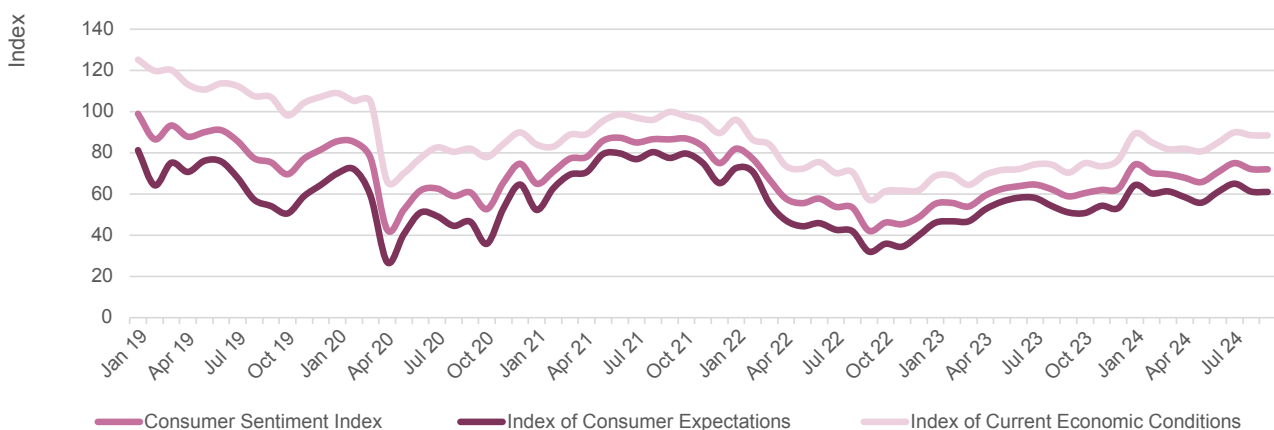
Consumer Sentiment

The Credit Union Consumer Sentiment Index remained at a similar level at 71.9 in September 2024 compared to 72.0 in August and was higher than 70.5 in June (Q2 2024).

This broadly unchanged sentiment shows no significant change in the mood of Irish consumers, who appear to be in a cautious "watch, wait, and worry" mode. Factors such as global economic uncertainty, the cost-of-living crisis, job losses, and divided opinions about the Budget were creating a confusing outlook. While sentiment has improved compared to 2022 and 2023, it remained below the long-term average, reflecting a sense of economic uncertainty.

All five elements of the Credit Union Consumer Sentiment Survey weakened in the month- current conditions (88.4 down from 88.5), consumer expectations (60.9 down from 61.1), general economic outlook (33.2 down from 32.5), major purchases (95.2 down from 96.5) and outlook for employment (61.3 down from 64.0).

Consumer Sentiment Index (January 2019 – September 2024)



Source: Irish League of Credit Unions, Lisney analysis

Inflation

The Irish annual rate of inflation (measured by CPI) decreased further in Q3 2024 standing at 0.7% in September 2024, well below the target rate of 2%. This is down from 1.7% in August 2024. June was the second consecutive month where the inflation rate was below 2%. Notably, percentage changes in 'services' outweighed the increases in 'goods' (2.3% v 1.7%). Services, excluding mortgage interest repayments, increased by 1.8% on an annual basis. The difference between services and goods growth is a global trend and not unique to Ireland.

Annualised Rate of Irish Inflation (January 2013 – September 2024)



Source: CSO, Lisney analysis

However, despite the slowdown in inflation (disinflation – growth but at a reduced rate), prices remain significantly higher than pre-crisis levels, standing approximately 18.8% above pre-COVID levels and 13.4% above pre-Ukraine war levels. While disinflation offers some relief, the affordability of goods and services remains a concern, as consumers are still dealing with elevated prices reflecting the lasting impact of global supply chain disruptions and energy price shocks.



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 Q3 2024, the value of core retail sales decreased by 0.8% while the volume of core sales fell by 1.0% over the same period. On an annualised basis, the value and volume decreased by 2.2% and 2.5% respectively.

In terms of business sectors, those that showed the greatest annual volume growth in September 2024 were Furniture & Lighting (+2.2%), Hardware, Paints & Glass (+1.8%), Clothing, Footwear & Textiles (+0.8%), and Books, Newspapers & Stationery (+0.7%). The largest annual volume declines in September 2024 were in Electrical Goods (-8.0%), Bars (-5.6%), Motor Trades (-4.9%), Food, Beverages & Tobacco (Specialised Stores) (-3.4%), and Fuel (-2.7%).

Data from the CSO for September 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.

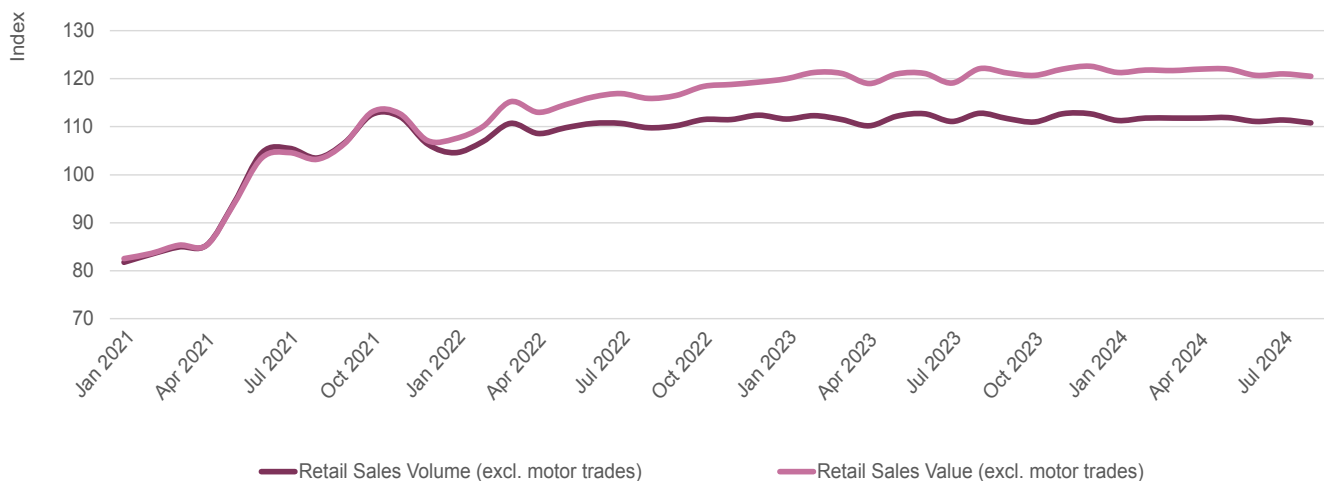
Data from Statista (an independent specialist in surveys and data gathering) show that online purchases in Ireland accounted for 12.9% of all transactions in 2023, totalling

US\$4.78bn with expectations that 2024 will reach US\$5.42bn, an annualised growth of 10%. The market share of online sales as a percentage of total sales is also anticipated to grow to 14% in 2024. By 2029, online purchases are expected to exceed US\$8.75bn.

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 revenue of US\$338.6m in 2023 in Ireland. This was followed by tesco.ie with sales of US\$252.9m and 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 – September 2024)



Source: CSO, Lisney analysis



Henry Street,
Dublin 1



ABOVE: King Street, Dublin 2

Retail Property Market Trends

Movement in Dublin's retail property market continued to accelerate in Q3 2024, with various brands making strategic expansions and new entries across the city. Activity included:

- Austin & Blake, a luxury jewellery brand, secured a lease for 4 GPO on Henry Street, marking its second store in Ireland.
- Alo Yoga, a lifestyle brand specialising in yoga apparel and accessories, is entering the Irish market with its first store at 62/63 Grafton Street. It joins established leisure and apparel brands such as Castore, Lululemon and Sweaty Betty.
- Zara, a global fashion retailer, reopened its refurbished and expanded flagship store on South King Street. The new store is now double in size (taking over the former neighbouring H&M store) and spans three storeys.
- Mango, an international fashion retailer, has been actively expanding. It opened a new store in Dundrum Town Centre in the summer, while its Henry Street store is currently being

refurbished. Additionally, the brand is set to take 112-113 Grafton Street.

- Kiko Milano, an Italian skincare and cosmetics brand, is set to open its first Irish store on Henry Street in October 2024.
- In terms of leisure offerings, Barry's Bootcamp, a fitness franchise offering high-intensity workout classes, plans to open at One Molesworth Street in Winter 2024. The Bounce ping pong bar is expected to open in the basement of Central Plaza by the end of the year.
- Lane7 Bowling, a modern bowling alley has openings planned for Chatham & King Street and Dundrum Town Centre.
- Additionally, Pitch, an indoor golf club, and Sandbox VR, a virtual reality company, are set to launch at Grafton Place, enhancing the entertainment landscape in Dublin city centre.



new balance

Grafton Street,
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 the final months of 2024 as active requirements prevail in spite of ongoing market uncertainty.

Rents in retail parks are reasonably stable, given the lack of available supply. Dublin high street rents are also largely stable with perhaps some modest upside for specific units.

The hospitality sector is facing serious financial pressures, which has led to a substantial number of closures around the country. Rising labour costs, including minimum wage increases and pension auto-enrolment, have compounded challenges for many businesses. High energy costs and inflation further add to these issues. Despite limited support from the recent budget, many in the sector argue that it was insufficient to address their operational challenges, with further well-established businesses fearing closures over the winter months.

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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