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OUTLOOK 2025

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RETAIL

Demand will remain healthy in 2025 with new and expanding retailers active on prime high streets, as well as in some shopping centres and retail parks.

- The Irish retail property market continues to adapt to the vast changes that has impacted it in recent years, most notably technological advancements and global economic, geopolitical and ecological pressures. Notwithstanding, we expect 2025 to be a **good year** in both the occupational and investment markets. This will build on a much improved 2024 where new retailers entered the market, others already here expanded, and investor sentiment for certain retail sub-sectors was at its highest level in many years.

- Despite lived realities and the ongoing cost of living pressures many Irish consumers face, there is a cohort of the population in a strong financial position as is borne out by various **positive economic indicators** that impact the retail market.

  - **Modified domestic demand** (a measure of domestic economic activity) expanded by just over 3% in the first nine months of 2024 with calendar year estimates at 3.1%.

  - The **employment** rate was at its highest level since the CSO began measuring it 26 years ago, at 75.3%. Correspondingly, the unemployment rate fell almost half a percentage point, and at 4.1% in November and was at what is considered full employment.

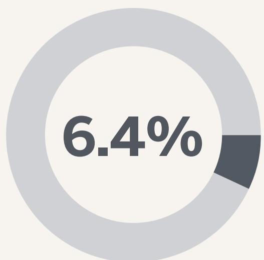
  - **Savings** (household deposits) remain at an all-time high of almost €160bn, growing nearly €7bn last year and up €47bn since the onset of COVID.

  - The annual rate of **inflation** fell to 1% in November 2024 – at half the 2% stability target rate.

  - The Credit Union **Consumer Sentiment** Index returned mixed but generally positive readings in 2024 with the December figure 11.5 points higher than a year previous.

  - Both the volume and value of **core retail sales** were positive albeit relatively stable throughout the year (+0.9% and +0.1% respectively).

Grafton Street, Dublin 2



GRAFTON STREET VACANCY RATE

- The changing face of Dublin City Centre's prime high street core continued in 2024 as several international brands opened new stores. Examples include Alo Yoga, Build-A-Bear, Austin & Blake, KIKO Milano. This has been positive for **vacancy levels**. Taking the stores undergoing fit out at the end of 2024 as occupied, the vacancy rate on Grafton Street was 6.4% (down from 7.7% 12 months ago) while Henry Street / Mary Street was at 12.9%. It is also notable that planning permission was granted for apartments over Swarovski's store at 4/5 Grafton Street in recent weeks and this trend of creating high quality residential accommodation may become a growing trend in the years ahead.

- **Demand** will remain healthy in 2025 and additional new and expanding retailers will be active in the prime city centre high street areas as well as in some key shopping centres and retail parks. A lack of supply in certain key areas will be noticeable. Indeed, practically no new retail accommodation has been built in almost two decades and despite the requirement for new space in a limited number of specific locations, this is unlikely to materialise in the medium-term.

- **Retail rents** and letting deals remained mixed in 2024, a trend that is likely to continue this year. On Grafton Street in particular, there has been a fragmentation in Zone A rates, based on quality and layout of buildings and pitch on the street. Some of this may be as a result of fewer institutional owners compared to the past. We do not expect any significant increase in rental values in 2025 and the rents achieved will very much depend on the nature of the landlord and individual building / location specifics.

- The city centre core was also impacted in August, when the first measures of the contentious **Dublin City Centre Transport Plan 2023** were implemented; private vehicle restrictions were put in place from 7am to 7pm daily along the north and south quays of the River Liffey. Daily commuters walking, cycling or using public transport have benefited from the reduced congestion and quicker access to work, while retailers continue to raise concerns about reduced spending, particularly in light of further proposed changes. The Dublin City Centre Traders Alliance argues that there will be a loss of spending in the city of over €141m in 2028 (when all the proposed changes are implemented) as well as a loss of almost 1,800 jobs. The group was granted permission for a judicial review on the matter in December, as they state that the adoption of the plan was invalid. There will be further developments on this matter in 2025 as the JR proceeds.

- **Experiential retail** has been on the rise for several years across a variety of outlet types. All are focused on creating an enjoyable atmosphere and use technology to enhance customer interactions. The leisure and entertainment industry is ideally positioned to take advantage with new establishments opening in Dublin city and suburbs in 2024 such as Pitch Golf on Dawson Street and Super Social at Leopardstown Racecourse. We anticipate further growth in this space in 2025.

- Between 2017 and 2021, the revenue generated from **online sales** to Irish customers grew exponentially, by 115%, according to Statista. The pandemic, as well as retailers' investment in an omni channel model, drove this growth. Since then, ecommerce revenue has plateaued, only growing 1.5% in three years. This is not unique to Ireland but was also experienced globally and is due to a variety of factors such as reduced disposable income with the cost of living crisis, a desire for experiential shopping with more in-store visits, sustainability and fast-fashion concerns, and the increased cost of social ad impressions. However, growth is anticipated to resume its upward trajectory in 2025 with Statista suggesting +15.5% in Ireland (and +16.4% globally). This will be assisted by the adoption of more advanced AI and AR tech as well as improvements in discretionary income.

- **Sustainability** is high on the agenda for most retailers and consumers. Ireland's Climate Action Plan emphasises the circular economy, which will impact the retail trade and in turn the property market in the months and years ahead. At the start of 2024, Ireland had a circularity rate of just 1.8%, which lags the 12.8% EU average. With the launch of the 'Re-turn' scheme last February, improvements are anticipated but more will be needed. Consumers are placing greater emphasis on sustainability and ethical sourcing. Retailers adopting eco-friendly practices, such as reducing packaging waste and ensuring fair labour conditions, are gaining favour. Transparent communication about these efforts is crucial, as customers seek brands that align with their values and contribute positively to society.

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