

Lisney

COMMERCIAL REAL ESTATE

RETAIL REPORT

Q4 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.

▲ 73.9

December 2024

**Credit Union Consumer
Sentiment Index**

▲ 0.3%

Annual Change (December 2024)

**Retail Sales Value
(CSO)**

▲ 0.8%

Annual Change (December 2024)

**Retail Sales Volume
(CSO)**

▲ 1.4%

Annual Change (December 2024)

Inflation (CSO)

▲ 6.0%

December 2024

**Online Retail Sales*
(CSO)**

▶ 14%

2024

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

* Only enterprises registered in Ireland.

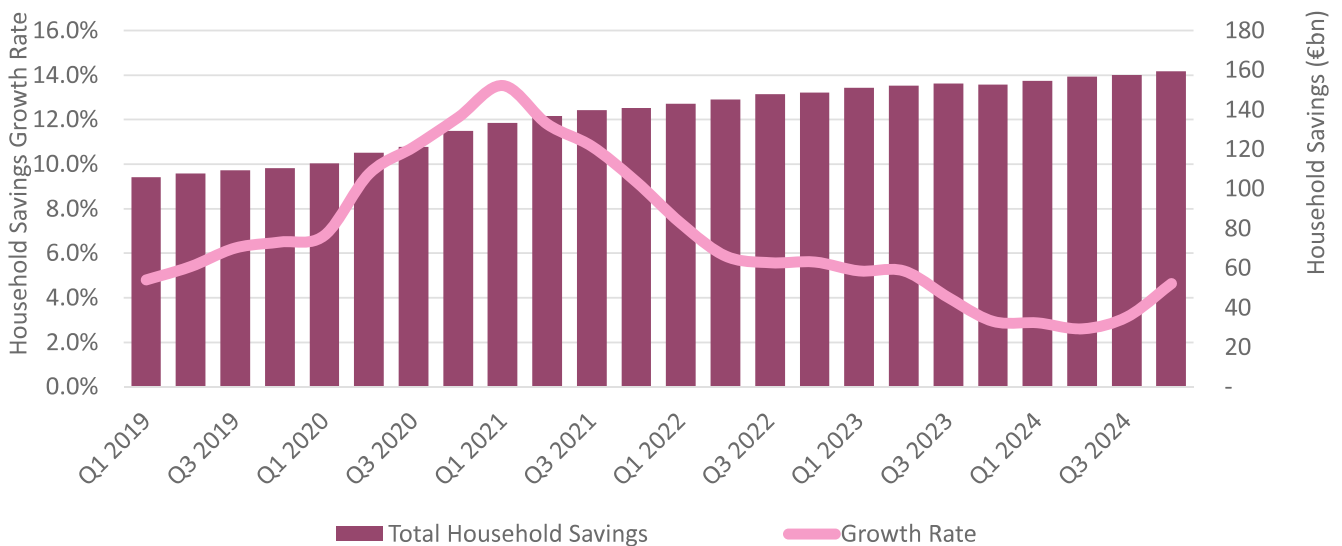
Arrows represent quarterly trends unless otherwise stated.

Savings

Household deposits in Ireland stood at €159.34bn in December 2024. According to the Central Bank of Ireland, the December figure represented a decrease of €0.25bn in the month and an increase of €10.65bn in 2024. 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, the savings growth rate reduced, standing at 1.8% in April, the lowest since August 2015. Since then, the savings growth rate increased to 3% and in December it was 4.5%.

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 – December 2024)



Source: Central Bank of Ireland



ABOVE: Henry Street, Dublin 2

Consumer Sentiment

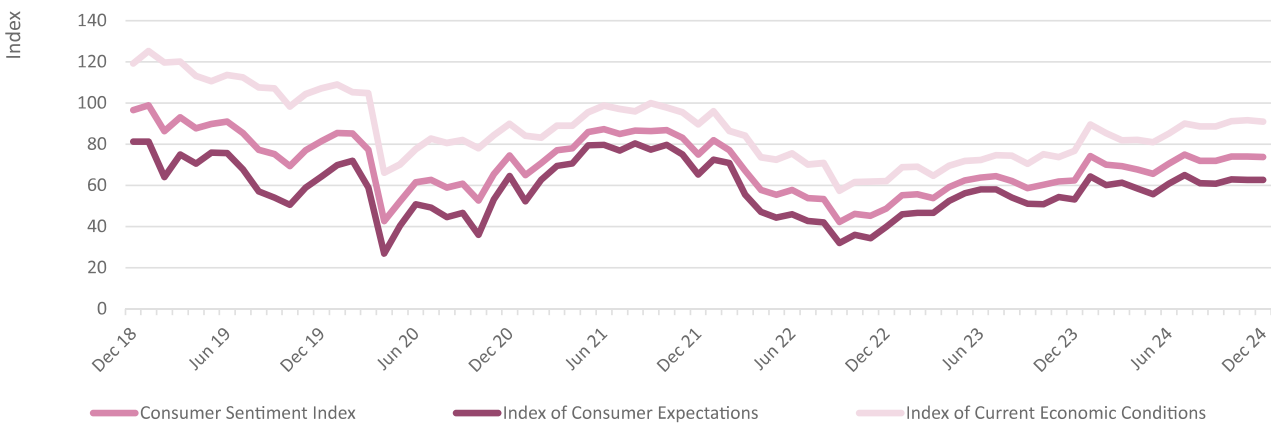
The Credit Union Consumer Sentiment Index stood at 73.9 in December, marginally down from 74.1 in November, but up from 71.9 in September.

The index is still well below the long-term average of 84.3 and as such, signals that Irish consumer sentiment is more subdued at present. However, it also represents a significant improvement on the December 2023 reading of 62.4 and is also slightly higher than the average figure of 71.6 recorded in 2024. It appears that Irish consumers' concerns have eased somewhat through the past year.

How did Consumer Sentiment elements change in the month of December?



Consumer Sentiment Index (December 2018 – December 2024)

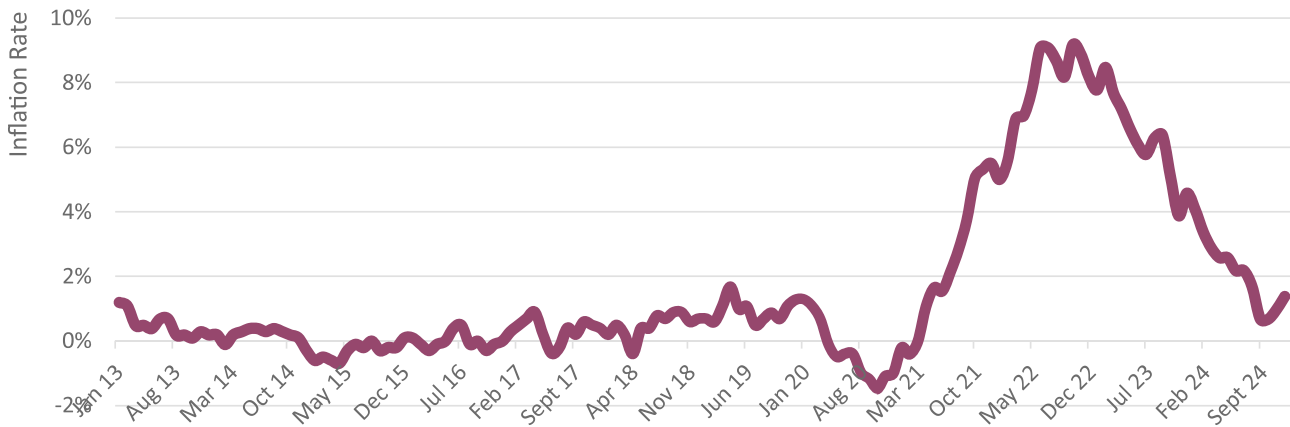


Source: Irish League of Credit Unions, Lisney analysis

Inflation

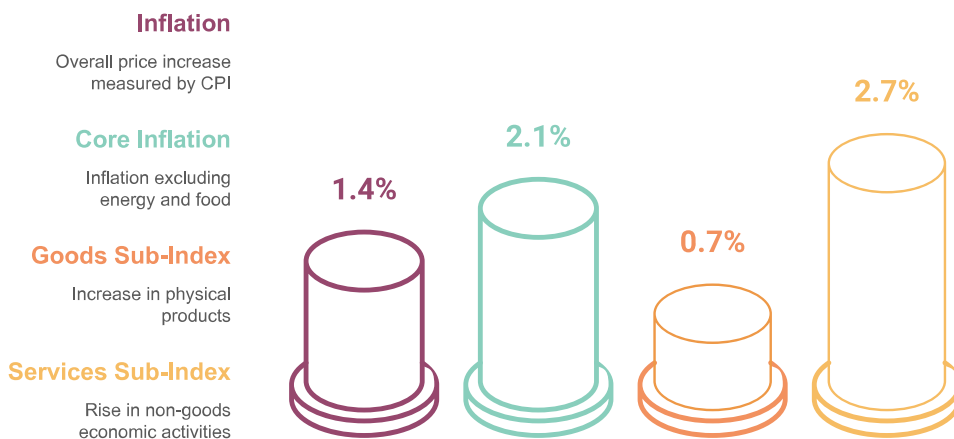
The Irish annual rate of inflation (measured by CPI) stood at 1.4% in December 2024, up from 1% in the previous month and 0.7% in September. Despite the slowdown in inflation (disinflation – growth but at a reduced rate), prices remain significantly higher than pre-crisis levels, standing approximately 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 remain a concern, as consumers are still dealing with elevated prices reflecting the lasting impact of global supply chain disruptions and energy price shocks.

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



Source: CSO, Lisney analysis

Irish Inflation annual Change (December 2024)



Source: CSO, Lisney analysis



ABOVE: O'Connell Street Upper, Dublin 1

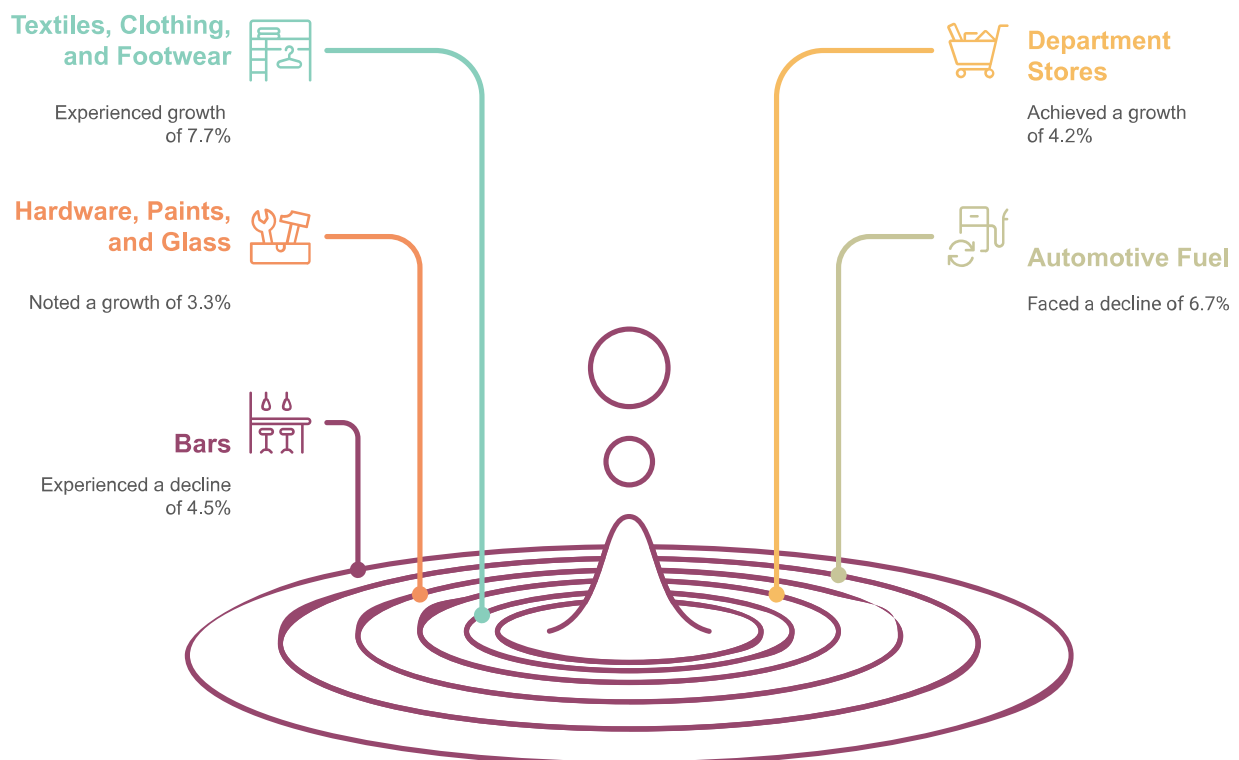


ABOVE: Stephen's Green Shopping Centre, Dublin 2

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 Q4 2024, the value of core retail sales increased by 1.5% while the volume of core sales rose by 1.6% over the same period. On an annualised basis, the value and volume increased by 0.3% and 0.8% respectively.

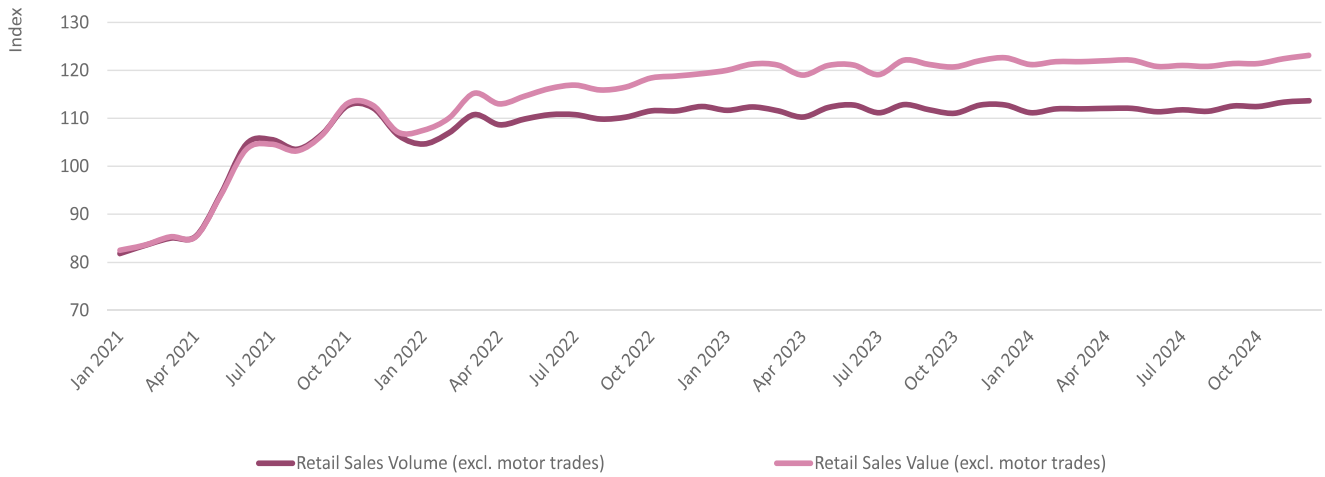
In terms of business sectors, those that showed the greatest annual volume growth in December 2024 were textiles, clothing and footwear (7.7%), department stores (4.2%) and hardware, paints and glass (3.3%). The largest annual volume declines in December 2024 were in automotive fuel (-6.7%) and bars (-4.5%).



Data from the CSO for December 2024 shows that 6% of turnover from Irish registered companies was generated from online sales in the month, unchanged from November and up from 5.1% in September. 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 14% of all transactions in 2024, totalling US\$5.37bn, up from 12.9% (US\$4.75bn) in 2023 with expectations that 2025 will reach 15.6% (US\$6.22bn). By 2029, online purchases are expected to exceed US\$8.69bn.

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



Source: CSO, Lisney analysis



Dame Street, Dublin 1



ABOVE: Grafton Street, Dublin 2

Retail Property Market Trends

The Irish retail property market continues to adapt to the vast changes that have impacted it in recent years, most notably technological advancements and global economic, geopolitical and ecological pressures.

The changing face of Dublin City Centre's prime high street core continued throughout 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.

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.

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 'Return' 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.



Stephen's Green
Shopping Centre,
Dublin 2

Demand will remain healthy in 2025 with new and expanding retailers active on prime high streets



Outlook

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.

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.

We do not expect any significant increase in prime rental values in 2025 and the rents achieved will very much depend on the nature of the landlord and individual building / location specifics. 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.

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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