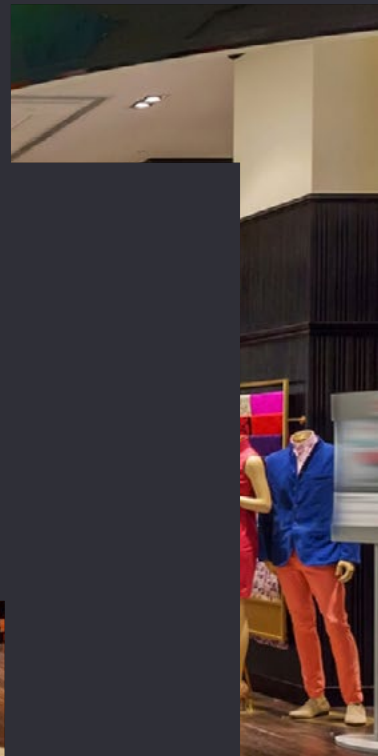


July 2023
Edition no. 19



Bannon **Retail Pulse**



Key Points for H1 2023

The strong retail leasing activity witnessed in 2022 has continued into the first half of 2023. This was driven by both new entrants to the market as well as existing occupiers. Retail schemes and high streets have been experiencing high occupancy rates during this period. However, the closure of Argos and Gamestop stores in June did have a slight impact on these rates. Nevertheless, most of these units have already found new occupiers and shouldn't remain empty for too long.

Retailers, have been reporting strong trade in H1, which suggests occupancy levels will likely remain high. This high occupancy rate may contribute to reduced leasing activity in the latter half of the year due to the lack of space available.

Overall, H1 for the retail market has been characterised by strong leasing activity, high occupancy, and positive trading for retailers.

Key Deals / Openings - new entrants



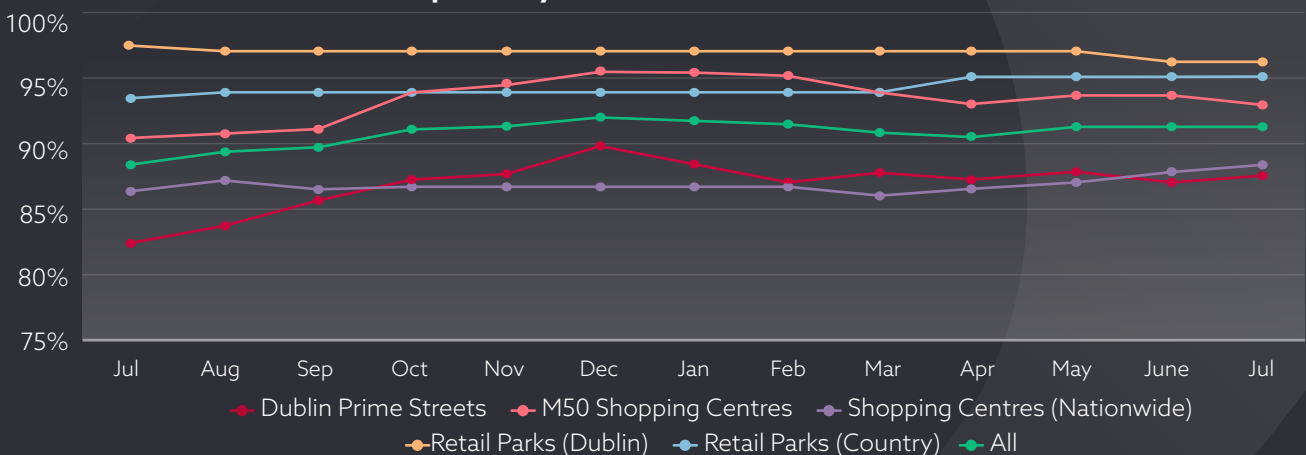
Existing Traders



Ongoing Requirements



Bannon Retail Occupancy Tracker



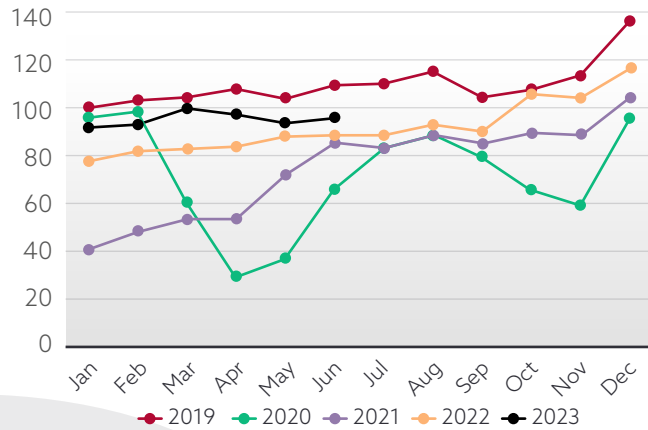
Bannon Trading Analysis

As at 30th June 2023



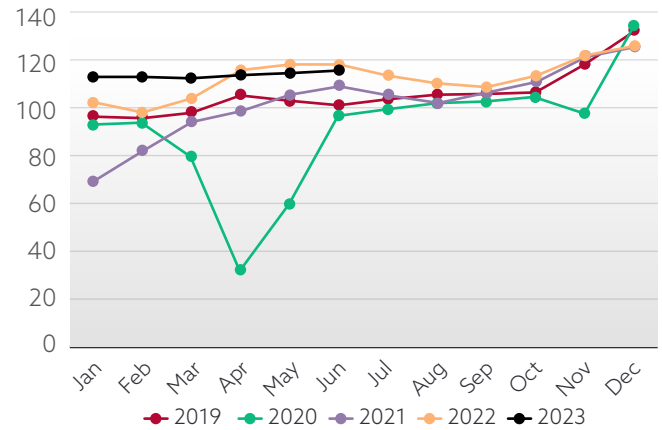
Shopping Centre Footfall

(Indexed: Based = Jan '19)



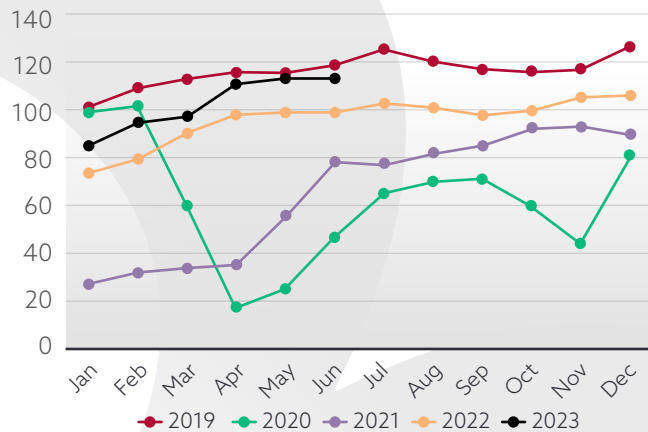
Retail Park Footfall

(Indexed: Based = Jan '19)



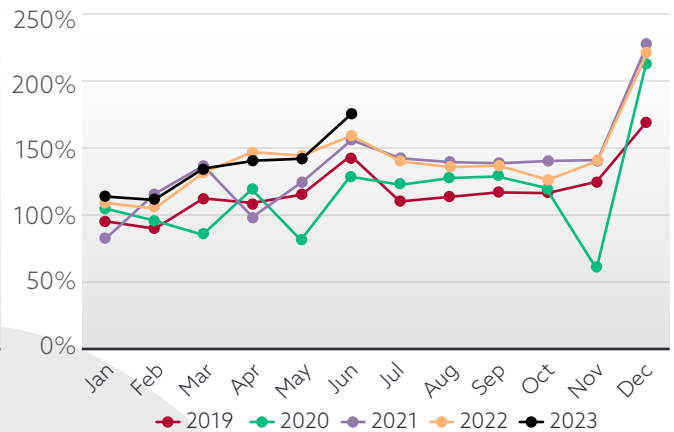
High Street Footfall

(Indexed: Based = Jan '19)



Ratio - Sales : Footfall

(Indexed: Based = Jan '19)



Footfall levels across our Shopping Centre Portfolio in June 2023 were 7.95% ahead of June 2022. Shopping centre sales for June 2023 were ahead of June 2022 by 16.5%.



High street footfall in June 2023 was 14.2% ahead of June 2022 and 5.2% behind pre-COVID levels (June 2019).



Footfall across our retail park portfolio in June 2023 was marginally behind June 2022 (-2.7%).

Data is preliminary in nature and subject to revision.



Expert Insight

By Neil Bannon

“Online sales growth is 4 times that of instore sales”

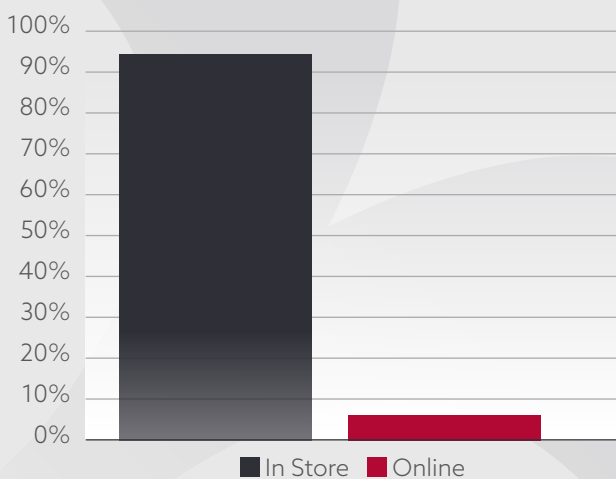
“In store retail sales grew at 4 times the level of online”

These two headlines are based on the same assumption, it's just a question of perspective. What narrative you are pushing, or which one has taken hold to such a degree that drowns out the other.

For the last 15 years or so we have been listening to reports of how the internet is going to close all shops as we convert to a nation of couch potatoes ordering our every desire from our phones. Backing up this narrative have been the impressive statistics of double-digit online sales growth compared to an apparently lacklustre growth in sales within actual shops. Every retailer failure was blamed on a combination of greedy landlords and Jeff Bezos. However, it is worth stepping beyond the headlines to look at what is actually happening in the Irish retail market.



Irish Retail Sales



94% of all Irish retailer sales take place in store (CSO). That is more than 15 times greater than online sales. Consequently, in store sales only have to grow by 1.27% to match a 20% growth in online sales in euro terms. Between May 2019 – May 2023 total Irish retail sales grew in value terms by 23.4%, with 9.3% growth in the last 12 months alone, and in Euro terms, which is the only

metric that really matters to a retailer, the overwhelming majority of that growth has been instore. These figures are backed up by the 500+ pieces of retailer turnover our property management team collect every month. If you need further proof get off the couch and put down the phone and visit a shopping centre, retail park, Grafton or Henry Street and you will notice almost all the shops are full or being fitted out. We are managing and/or leasing agents on just under a third of Irish retail schemes which enjoy an aggregate occupancy rate of almost 90%.

Perhaps this is why the clever money has been pivoting their investment interest to the retail market (39% of investment turnover in Q2 2023 - Bannon research) while the balance of the investment market stalls in a period of post interest rate hike price discovery. If you can buy retail assets for between 7-10% yield and have transparency on the sustainability of the rent, which is supported by retail sales growth, it makes sense.

This is also why the main online retailers have been opening physical stores. Why play in the kiddie pool where 6% of the sales take place when you can get into the grown-up pool where 94% of the action is happening. You might have trouble finding a shop though as most of them appear to be occupied.

(The answer to the headline riddle is if online sales which are 6% of total retail sales grow by 20%, they grow to 7.2%, i.e. a growth of 1.2%. If instore sales grow by just 5% ($94\% \times 5\% = 4.7\%$) and 4.7% is 3.92 times 1.2%).

July 2023

Bannon Retail Pulse

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