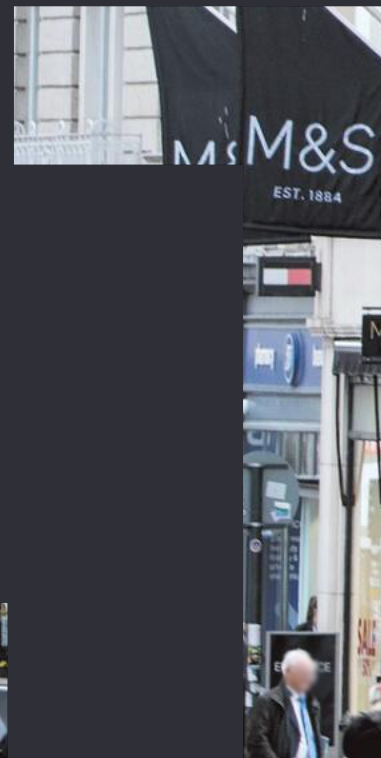


July 2024
Edition no. 31



Bannon Retail Pulse



Key Points for H1 2024

Retail leasing activity was slightly more subdued in H1 2024 than the same time last year, however we would attribute this to the high occupancy rates across high streets, retail schemes and retail parks. There continues to be new entrants to the market along with expansion from both national and international retailers and strong demand from Irish restaurant operators. The closure of The Body Shop saw a lot of activity on those units, with some competition to secure the units from new market brands including Kiko Milano and Lovisa. The Health Store has recently been put into liquidation and Carpetright's parent company is in administration in the UK which suggests some more units being available in shopping centres and retail parks. Overall total occupancy across all of our tracked schemes is up marginally to 93.25%.

Key Deals / Signings

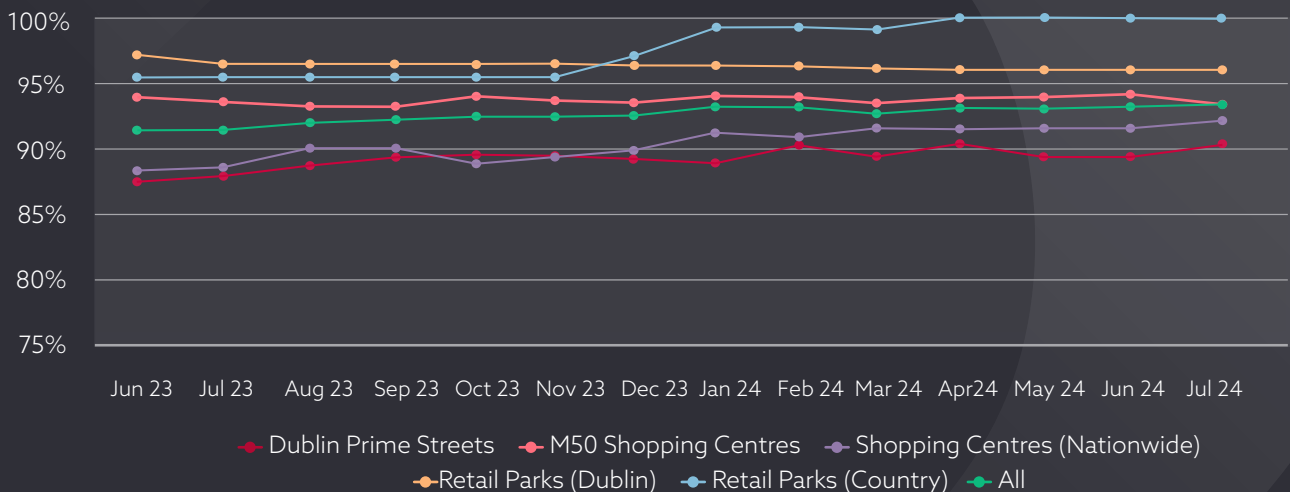


New Openings



Bannon Retail Occupancy Tracker

Tracked Representative Sample



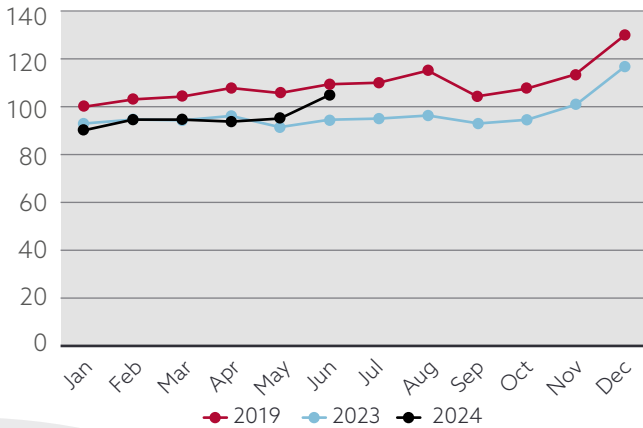
Bannon Trading Analysis

As at 30th June 2024



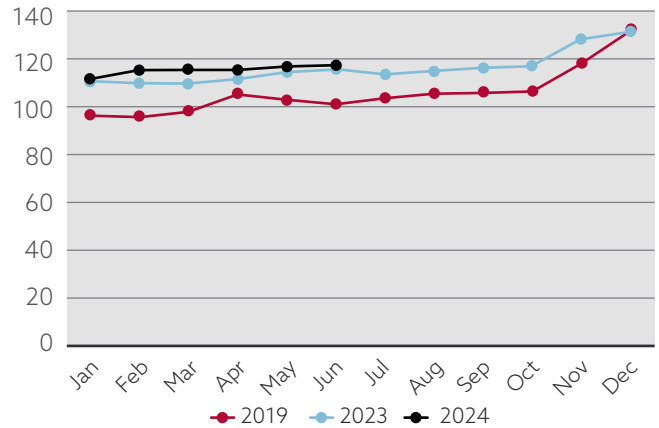
Shopping Centre Footfall

(Indexed: Based = Jan '19)



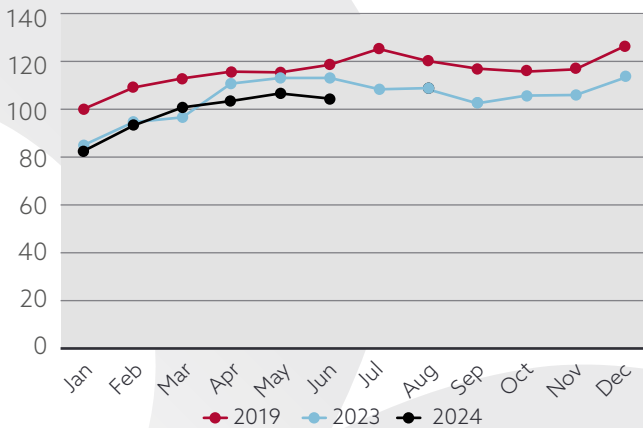
Retail Park Footfall

(Indexed: Based = Jan '19)



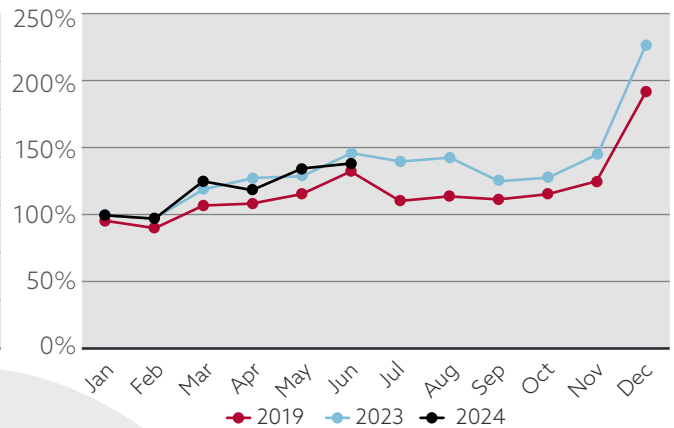
High Street Footfall

(Indexed: Based = Jan '19)



Ratio - Sales : Footfall

(Indexed: Based = Jan '19)



Footfall across our shopping centre portfolio in June 2024 was 7.14% ahead of June 2023. Shopping centre sales during June 2024 were 0.68% back on June 2023.



High street footfall in June 2024 was 8.04% behind June 2023 while also 12.71% behind pre-COVID levels (June 2019).



Footfall across our retail park portfolio in June 2024 was 1.75% ahead of June 2023, and 15.30% ahead of pre-COVID levels (June 2019).

Data is preliminary in nature and subject to revision.

Expert Insight

By Neil Bannon

The Replacement Cost Trap



At the start of the year, in Retail Pulse 25, we highlighted the Irish population growth over the last 25 years and how over the last 15 years this has resulted in a dramatic improvement in the ratio of consumers to retail space, one of the key metrics that international investors look at when considering a new market.

Earlier this month the ESRI published their range of population projections. Their baseline projection is just over 6.1m within the next 16 years with the potential for this to be up 6.3m in higher net migration scenarios. The report is predominantly and understandably focused on the impact of population growth on housing needs, but it further underscores the improvement of the consumer/retail space ratio.

The ESRI estimates that the Irish population was just over 4.2m in 2006, roughly in line with when we stopped any significant additions to the built retail stock in Ireland (2007 was the end of the retail building boom). They are predicting population growth of 2.0m or roughly 50% population growth by 2040 in comparison to 2006. For every two potential consumers there were for Dundrum when it opened in 2005, there will be three in 2040.

We can be reasonably confident that there will be no new significant retail developments due to the Replacement Cost Trap. This occurs when the value of an existing asset falls below the costs of creating a new equivalent asset. Put simply if an investor builds a new asset, they will lose money because the end product will be worth less than they spent. Investors are attracted to markets suffering from the Replacement Cost Trap as they can be confident that their asset will not face any competition for customers unless it increases in value by which time they have made money in any event.

Recent shopping centre transactions indicate that this sub-sector in particular is firmly caught in the Replacement Cost Trap. Shopping Centres are difficult and time consuming to build in Ireland whereas the yields on existing stock are at historical highs. When juxtapositioned with the population growth, both existing and predicted, this makes the sector look very attractive to investors.

July 2024

Bannon Retail Pulse

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