November 2023
Edition no. 23

bannon

Bannon
Retail Pulse

Pop-Up Shops

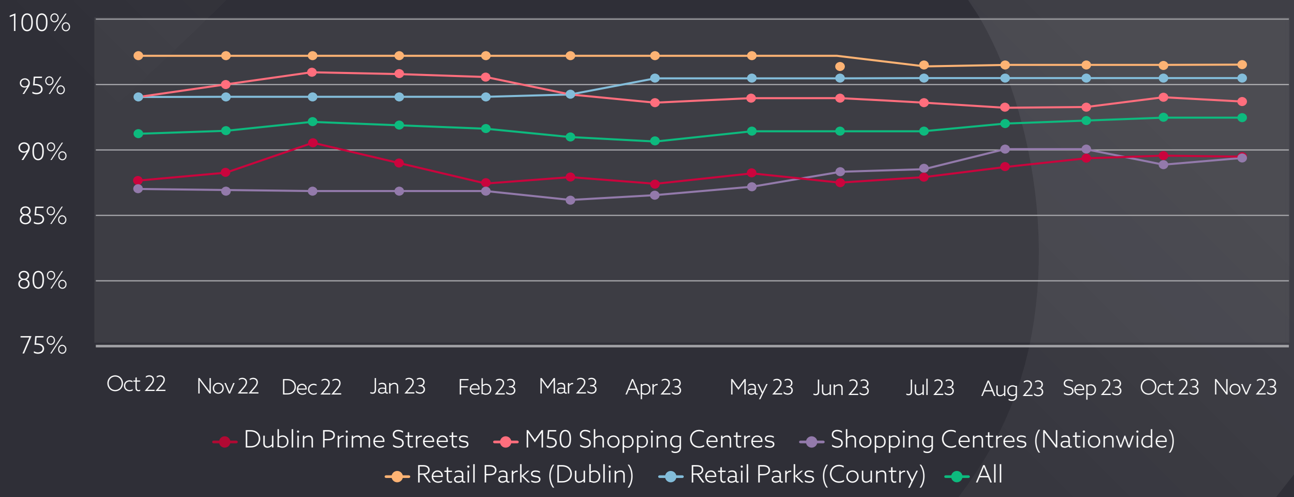
The run up to Christmas each year sees a flurry of Pop-Up activity on vacant units where brands are keen to engage with their customers through a physical store capturing, in most cases, additional turnover. Pop-Up shops also provide brands with the opportunity to trial a unit before making a decision on whether a long-term commitment to a location is justified.

This year however, with the robust occupancy rates, brands are having a more difficult time in securing pop up space, showing the confidence retailers have in Ireland for longer term occupancy.

Active Pop-Up Brands

Calendar Club
The Gift Shed
HOF House of Fragrance
BPerfect Cosmetics
Cogs Toys & Games
Sinead Keary
The Head Plan
Blossom Wood
Zo&Co
Champion Green
Emporium
Chapters Bookstore
The House of Peroni Nastro Azzurro
Chemist Warehouse

Bannon Retail Occupancy Tracker

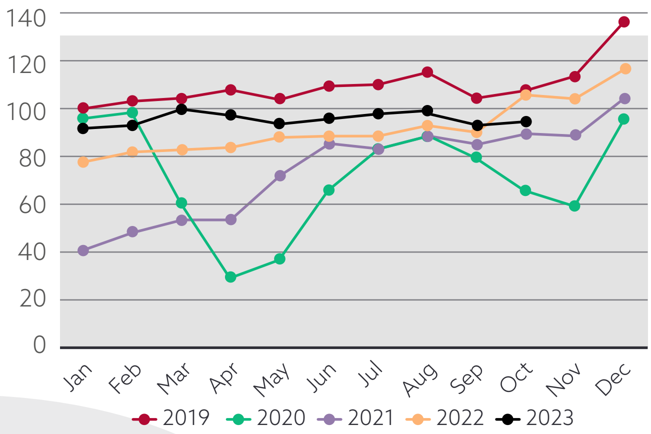


Bannon Trading Analysis

As at 31st October 2023

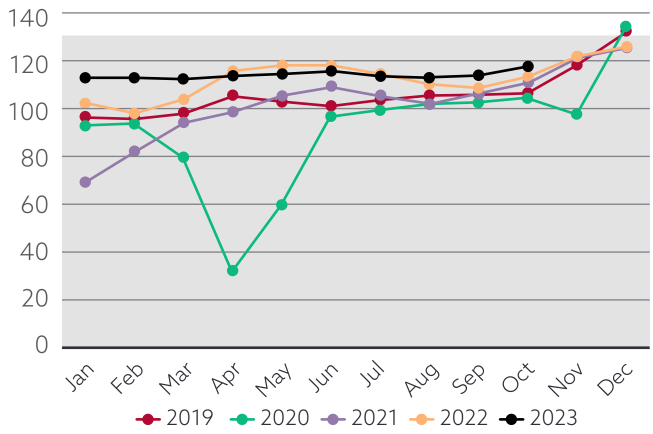
Shopping Centre Footfall

(Indexed: Based = Jan '19)



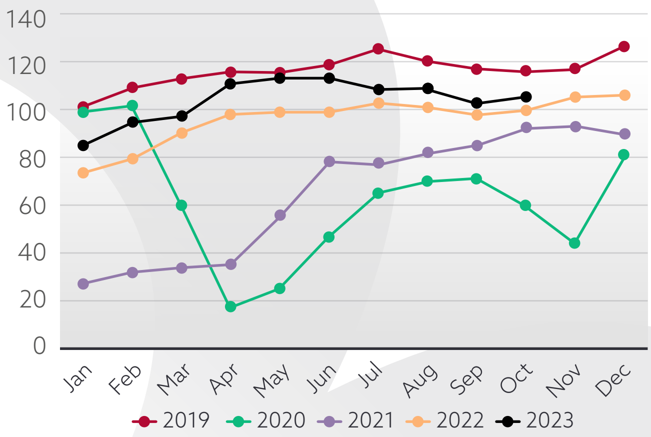
Retail Park Footfall

(Indexed: Based = Jan '19)



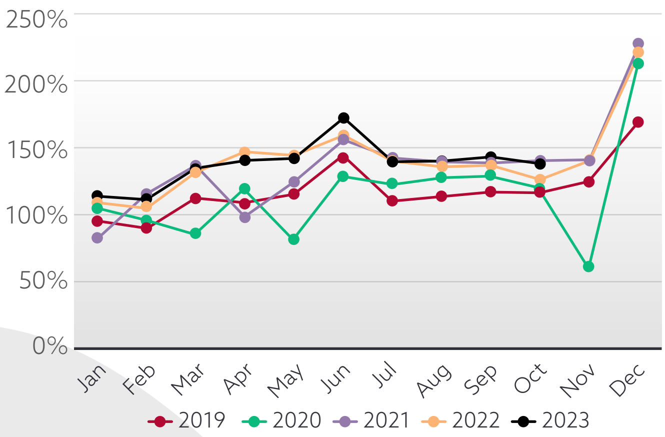
High Street Footfall

(Indexed: Based = Jan '19)



Ratio - Sales : Footfall

(Indexed: Based = Jan '19)



Footfall levels across our Shopping Centre Portfolio in October 2023 were 6.8% behind October 2022. Shopping Centre sales on the other hand were 0.5% ahead of October 2022.

High street footfall in October 2023 was 7.1% ahead of October 2022 and 8.6% behind pre-COVID levels (October 2019).

Footfall levels across our retail park portfolio in October 2023 were 3.2% ahead of October 2022.

Data is preliminary in nature and subject to revision.

Expert Insight

By Neil Bannon

Who is buying all the Retail Assets and Why?

Retail investment has come from a long way back to become the darling of the investment market this year. What is going on?

First, the collapse of other investment volumes is mainly responsible. The market has been dominated by Office and PRS deals for some time and even the previously unloved industrial market, now cleverly rebranded as logistics, had pushed retail down to fourth place. This is the first time we have ever seen this happen. The current problem with all the other sectors is that up until recently they were sitting comfortably in the 4% club.

Within 22 months interest rates increased from 0% to 4%. The only reason to buy a property asset at a 4% yield when the risk-free rate is 4% is because you see the opportunity for considerable rental and capital growth. Unfortunately, this is hard to credibly predict for sectors which have already enjoyed a great run of rental growth, offices 85%, residential 120% and logistics 140% over the last 10 years . All three sectors have or are experiencing a dramatic increase in supply but are challenged by working from home, rent restrictions, and the arrival of an Amazon behemoth, respectively.

By contrast the retail sector is the only one where the yield comfortably exceeds the risk-free rate, typically ranging from 6-10% depending on the asset, location etc. This is because retail yields corrected sharply in 2020 when COVID hit. Consequently, investors are more comfortable with pricing in the retail sector than in others.

Added to this has been the long-term stagnation of retail supply, effectively zero for over 13 years. To put this in context there are 1 million more people in Ireland, a 25% increase since we last built a new retail park or significant shopping centre.

In addition to the lack of new supply, the sector enjoys high occupancy levels and has emerged from the dual body blows of the GFC and COVID demonstrating its long-term resilience. As per our stats in the Retail Pulse, Irish retail parks, shopping centres and major High Streets are almost full. Demand is strong with a wealthy Irish consumer buoyed up by unprecedented level of savings, high employment growth in wages etc.

So, who are the buyers? They tend to be privates rather than institutions and they either have some asset management expertise in house or through a specialist retail asset management partner.

Retail gives you a better return than any other form of commercial real estate, but you need to know what you are doing. So whilst the rest of the market is trying to work out the true value of assets against a backdrop of 4% base rates, expect retail to continue to trade.

A theme we have returned to a number of times in the Retail Pulse is to follow the data not the narrative. This week Dublin's five M50 shopping centres, Grafton and Henry Street will generate over 2 million visits. There may be merit in following the crowd.

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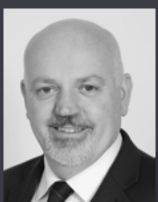
Contact The Retail Team



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