

RETAIL MARKET COMMENTARY

Q3 | 2018



Q3 2018 AT A GLANCE

PRIME RENTS CURRENT PRIME ZONE A RENTS (€ PER SQ. M.)

| | |
|-------------------------------|--------|
| GRAFTON STREET | €7,000 |
| HENRY STREET | €4,500 |
| DUNDRUM TOWN CENTRE | €4,500 |
| BLANCHARDSTOWN CENTRE | €3,300 |
| LIFFEY VALLEY SHOPPING CENTRE | €2,800 |
| PAVILIONS SHOPPING CENTRE | €2,600 |
| THE SQUARE TALLAGHT | €2,200 |

OCCUPIER ACTIVITY KEY LETTINGS IN Q3 2018



RETAIL SALES – ANNUAL GROWTH YEAR TO AUGUST 2018



Sources: Bannan Research, CSO, KBC/ESRI Consumer Sentiment Index

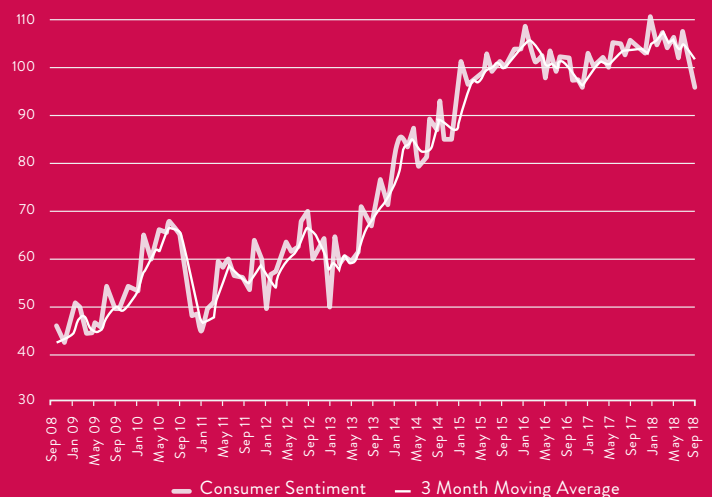
OCCUPANCY (UNITS)

| | |
|-------------------|-----|
| GRAFTON STREET | 96% |
| HENRY/MARY STREET | 98% |

KEY ECONOMIC INDICATORS

| INDICATOR | PERIOD | ANNUAL % CHANGE |
|--|-------------|-----------------|
| TOTAL EMPLOYMENT | Q2 2018 | 3.4% |
| FULL-TIME EMPLOYMENT | Q2 2018 | 4.2% |
| UNEMPLOYMENT RATE (MONTHLY) | August 2018 | 5.6% |
| CONSUMER SENTIMENT (NATIONAL) | August 2018 | -0.5% |
| CONSUMER SENTIMENT (DUBLIN) | Q2 2018 | 3.7% |
| OVERSEAS VISITORS | Q2 2018 | 6.6% |
| AVERAGE WEEKLY EARNINGS | Q2 2018 | 3.3% |
| RETAIL SALES VOLUMES (EX. MOTOR) | August 2018 | 7.1% |
| RETAIL SALES VALUES (EX. MOTOR) | August 2018 | 6.1% |
| NEW HOME COMPLETIONS | Q2 2018 | 34% |
| RESIDENTIAL PROPERTY PRICES (NATIONAL) | July 2018 | 10.4% |
| RESIDENTIAL PROPERTY PRICES (DUBLIN) | July 2018 | 7.2% |

CONSUMER SENTIMENT INDEX





The Ilac Centre



ECONOMY

Irish economic growth has continued at pace with the European Commission now predicting strong growth of 5.7% in 2018 with personal consumption and investment remaining key drivers. The second quarter of 2018 saw an increase of 74,100 jobs or 3.4% in employment (seasonally adjusted) year on year, with total employment standing at 2.25 million at the end of July.

Tourism continues to contribute positively to the Irish economy with just over six million overseas visitors to Ireland from January to July 2018 representing an annual increase of 7.8%. Total tourism earnings from overseas visitors to Ireland increased by 5% in Q2 from the same period twelve months prior to reach €1.97 billion.

Tourism Ireland expect tourism spend to reach a record **€6 billion** for the year.

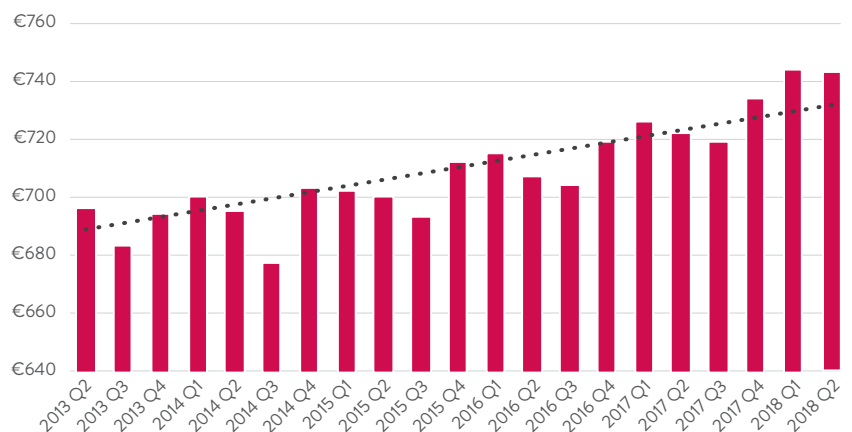


CONSUMER ECONOMY

Consumer confidence remains high with the KBC/ESRI Consumer Sentiment Index reaching 107.6 in July despite considerable global uncertainty. This represents an annual improvement of 2.4% or a rise of 172% since sentiment reached its lowest point in 2008.

Growth in Irish consumer sentiment contrasts with declines in similar indicators for the US and Euro area, however the UK market also experienced a slight upturn in July. Earnings increased in all 13 employment sectors in the year, with the largest increases recorded in the financial, insurance and real estate activities sector (6.5%).

AVERAGE WEEKLY EARNINGS



RETAIL SALES

Rising employment has continued to boost disposable incomes and support retail sales growth, with the latest data showing overall retail sales volumes (seasonally adjusted) to have risen by 5.7% in the year to August 2018 while sales values rose by 5.1%. When motor trades are excluded, sales volumes saw annual growth of 7.1% with sales values up 6.1% year-on-year. The sectors with the largest annual increases in volume terms were electrical goods (18.1%), household equipment (13.1%) and furniture and lighting (9.7%).

New data from the Central Bank shows total e-commerce expenditure to have reached €1.57 billion in August. As previously noted a significant proportion of this is likely attributable to non-retail purchases such as online media subscriptions, bills and travel expenses.

In terms of face-to-face spending, debit card points of sale transactions in August 2018 reached €5.2 billion. Of this, €1.7 billion was attributable to retail, €820 million to services and €374 million to food and leisure.

Recent data from the CSO has provided clarity on the true level of new home construction, which totalled 16,278 units in the year to June 2018. This represents an annual increase of 40% demonstrating housebuilding activity to be growing strongly again. A further 824 new homes were created during this period through the completion of previously unfinished properties. This, coupled with gains in employment should further bolster consumer demand for DIY and household items with the retail park sector expected to benefit greatly.



Krispy Kreme, Blanchardstown



OCCUPIER ACTIVITY

FOOD AND BEVERAGE

- The Ivy have opened their first Irish restaurant on Dawson Street
- Central Plaza have reportedly 3 food and beverage deals agreed
- Krispy Kreme have opened in Blanchardstown and the store is reported to be one of their busiest ever openings
- Wahlburger, US burger chain owned by actor Mark Wahlburg and his brothers have a requirement for 4 stores in Ireland
- Leon, the UK based “Natural Fast Food” concept are looking at opening stores in Ireland with 3 reportedly under offer
- Irish restaurant Just Wing It have agreed to take a new store on South Great George’s Street
- Ginzing Asian fusion restaurant are looking for new stores around Dublin
- Fallon & Byrne are about to open a new gastro bar in Rathmines
- Independent Irish brands such as Mad Egg, Wishbone, Bujo and Ely are actively seeking additional locations

CLOTHING AND FOOTWEAR

- Rituals have opened their first Irish store in Dundrum Town Centre. Rituals have also just signed a lease on a new store in Blanchardstown Centre and are fitting out a new store on Grafton Street
- Short term lettings have been agreed in Dundrum Town Centre with Gym+Coffee and Couture Club
- JD Sports have opened a new flagship store in Pavilions Swords
- Inditex the owner of brands such as Zara, Berskha and Pull & Bear have a continued requirement for additional space in Liffey Valley Shopping Centre

GROCERY

- The Park Carrickmines has successfully tendered the supermarket in the new Quadrant 3 development
- The marketing for the new 500,000 sq. ft. Cherrywood Town Centre development has been launched and the agents are currently targeting potential occupiers

RETAIL PARK MARKET

- Harvey Norman have signed leases on two new stores, one in Gateway Shopping Park, Galway and the second in Sligo Retail Park. Gateway Shopping Park Phase II is now under construction and is the first major retail development to take place outside Dublin since 2008
- PC World Currys have opened a new store in Waterford Retail Park
- Petstop have secured the former Maplin unit in Limerick One Shopping Park

OTHER

- Therapie Clinic have agreed a new lease on Level 3 Dundrum Town Centre
- Kingdom of Sweets have opened a short term on Henry Street and have an ongoing requirement for Grafton Street
- The JD Sports store on Mary Street is on the market to let following their move into Jervis Shopping Centre
- Carrolls Irish Gifts have taken a new store on O’Connell Street
- Dunnes Stores on Grafton Street is rumoured to be on the market to let
- The Pamela Scott lease on Grafton Street is also on the market
- Mountain Warehouse have an ongoing requirement for new stores around the country
- Trespass have opened new stores in Stillorgan Shopping Centre and The Square, Tallaght. They are due to open a flagship store in November at Mahon Point Shopping Centre, Cork
- Superdrug are continuing to open stores around Ireland with ongoing requirements
- The Works have just taken occupation of a new store in Gorey Shopping Centre
- Kays Kitchen, 5 Guys and Caffè Nero have agreed to take units at the redeveloped Frascati Shopping Centre, Blackrock
- Patisserie Valerie are looking to expand in standalone stores following the successful trial stores in Debenhams, although recent financial issues may put this on hold
- Zizzi have agreed to take an assignment of the Prezzo lease in Liffey Valley and are actively looking for further locations
- Las Iguanas have agreed an Irish franchise agreement and there is an active requirement for space
- Butlers Chocolates have opened a new store at the corner of Dawson Street and Duke Street
- Carluccios and Milano are actively looking for new stores.
- Dundrum Town Centre have reportedly agreed terms with three new restaurants in the space formerly occupied by Hamleys, Cath Kidston and Gant
- The North Face have agreed to take an assignment of the Only store on Grafton Street and are currently fitting out the store
- The White Company have opened on Grafton Street
- Timberland, The North Face and Superdrug have agreed to take new stores in Jervis Shopping Centre and Stradivarius are moving from level 1 to the ground floor
- POCO by Pippa are rolling out pop up shops around the country with Athlone Town Centre having recently traded successfully



AVAILABILITY

- There is currently one vacant unit on Grafton Street. We understand No. 3 Grafton Street was under offer however the transaction is not progressing, and the agents are re-marketing.
- There is currently one vacant unit on Henry Street, No.1 GPO Buildings which was formerly occupied by Barratts and is under contract to Hotel Chocolat.
- A further 4 units including two occupied by JD Sports are available but occupied and trading at present.
- Occupancy across the Bannon portfolio of shopping centres and retail parks stood at 94% in September.
- In Dundrum Town Centre, we understand the owners are seeking additional food and leisure occupiers for the former Hamley's unit and are making good progress. The external unit formerly occupied by Urban Outfitters is occupied on a short term basis by Halloween HQ.
- There is a vacant unit on the first floor of the Jervis Shopping Centre which is believed to be of interest to three traders.



COMMENT

- New store requirements from both existing and new to market multinational and UK retailers are being stymied by an unfounded impression that Ireland is trading with the same issues as the UK and in some cases is being treated as a region of the UK rather than its own independent and unique market.
- Retailers who are firefighting in terms of trading and performance issues in the UK have little time or resources to look to acquire new stores in the Irish market.
- Using data collected from over 250 retailers we can show how turnovers remain on a positive trajectory with some star performing sectors such as Sports, Electrical Goods, Home Furnishings and Hardware.
- Some forward-thinking retailers have identified the ability to grow turnover performance in Ireland and are acquiring new stores, however it is a trend that is not as strong as it should be.
- With the retail conference season upon us, Bannon's retail team are meeting as many retailers as possible explaining the positive underlying fundamentals of the Irish retail market and trading performance that is not only bucking the trend of what is happening in the UK but in most cases, out performs sales densities of some of the best performing UK stores.



RENTS

- Rents were largely unchanged this quarter as supply and demand remained static across the main shopping centres and retail parks.
- Zone A rents on Grafton Street remain at €7,000 per sq. m. with no new deals completed this quarter. Similarly, rents remain in the region of €4,500 per sq. m. on Henry Street. Zone A rents in The Square, Tallaght have improved to €2,200 per sq. m.
- The latest SCSII/IPD Quarterly Property Index figures show retail rents for Grafton Street to have increased by 3.3% in the 12 months to March 2018, while Henry Street saw rental growth of 0.4% annually.
- Overall shopping centre rents, as recorded by the IPD index, increased 6.1% in the year to March, while retail warehouses are seeing sustained rental inflation of 2.8% annually.

Overall **shopping centre rents**, as recorded by the IPD index, increased **6.1%** in the year to March, while retail warehouses are seeing sustained rental inflation of 2.8% annually



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