

RETAIL MARKET COMMENTARY

2018 REVIEW &
2019 OUTLOOK



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 Q4 2018



OCCUPANCY (UNITS)

GRAFTON STREET	96%
HENRY/MARY STREET	98%

KEY ECONOMIC INDICATORS

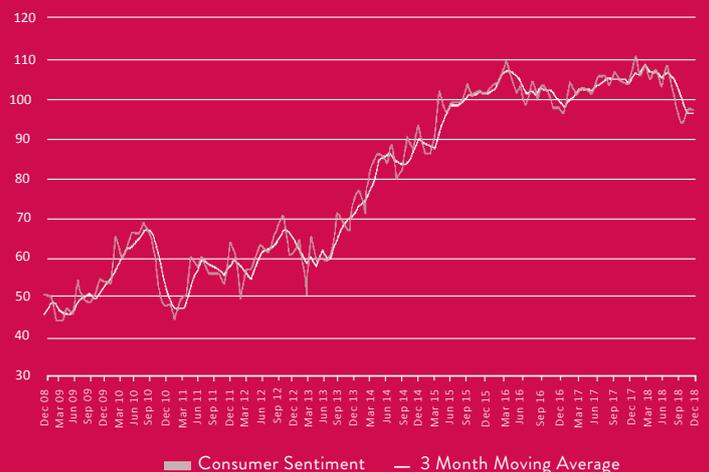
INDICATOR	PERIOD	ANNUAL % CHANGE
TOTAL EMPLOYMENT	Q4 2018	3.0%
FULL-TIME EMPLOYMENT	Q4 2018	2.5%
UNEMPLOYMENT RATE (MONTHLY)	December 2018	5.3%
CONSUMER SENTIMENT (NATIONAL)	December 2018	-6.5%
CONSUMER SENTIMENT (DUBLIN)	Q4 2018	-4.9%
OVERSEAS VISITORS	Year to November	6.7%
AVERAGE WEEKLY EARNINGS	Q3 2018	3.2%
RETAIL SALES VOLUMES (EX. MOTOR)	December 2018	5.1%
RETAIL SALES VALUES (EX. MOTOR)	December 2018	3.4%
NEW HOME COMPLETIONS	Q3 2018	42%
RESIDENTIAL PROPERTY PRICES (NATIONAL)	November 2018	7.1%
RESIDENTIAL PROPERTY PRICES (DUBLIN)	November 2018	5.0%

RETAIL SALES – ANNUAL GROWTH

YEAR TO DECEMBER 2018



CONSUMER SENTIMENT INDEX



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



The Ilac Centre



ECONOMY

The Irish economy will continue to grow through 2019, however, growth is expected to be at a slower pace due to the uncertainty regarding Brexit. Nominal GDP growth of 6.2% is expected while real GNP is expected to grow by 3.9% in the year. 2018 saw an increase of 50,500 jobs, this represents an increase in the work force of 2.3%, with total employment at 2.28 million at the end of December.

Tourism continues to contribute positively to the Irish economy with in excess of 10.6 million overseas visitors to Ireland in 2018, representing an annual increase of 6.89% and a 10.77% increase on 2016 figures.

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

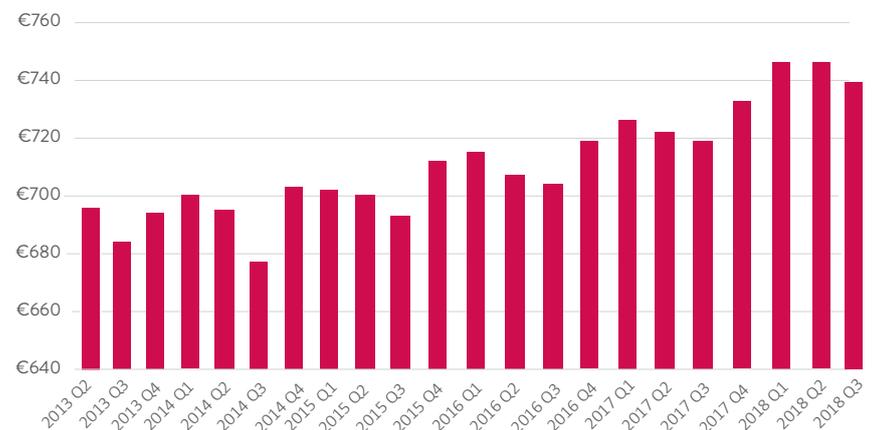


CONSUMER ECONOMY

Consumer confidence took a hit in the second half of 2018. The KBC/ESRI Consumer Sentiment Index dipped to 96.5 in November and stayed constant through December influenced by the considerable global uncertainty. This represents an annual contraction of 6.5% and a rise of 122.5% since sentiment reached its lowest point in 2008.

Decline in Irish consumer sentiment falls in line with declines for the US and Euro area. The UK market has continued its slow downward spiral with continued uncertainty as Brexit rapidly approaches Earnings increased in all 13 employment sectors in the year, with the largest increases recorded in the transport and storage activities sector (5.8%).

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 3.7% in the year to December 2018 while sales values rose by 2.2%. When motor trades are excluded, sales volumes saw annual growth of 5.1% with sales values up 3.4% year-on-year. The sectors with the largest annual increases in volume terms were electrical goods (22.1%), household equipment (16%) and furniture and lighting (8.8%).

New data from the Central Bank shows total e-commerce expenditure to have reached €5.0 billion in December 2018. As previously noted a significant proportion of this is likely attributable to non-retail purchases such as on-line media subscriptions, bills and travel expenses. E-commerce as a total of new transactions has fallen to 27% from its peak of 29% in January 2018.

The quarterly value of card expenditure increased by 12% on an annual basis to €14.4 billion, a new quarterly record high, in the final quarter of 2018. Debit card expenditure equated to €11.4 billion in the fourth quarter, an increase of 13 per cent on the same period in 2017.

Debit card expenditure accounted for 79% of card expenditure over the quarter. Credit card expenditure also increased in year-on-year terms in Q4, albeit by a lower extent, rising by 7%.

New home construction has continued to increase during Q3, 23% year on year, bringing the total for 2018 to 12,582 units. This represents an annual increase of 40% demonstrating housebuilding activity to be growing strongly again. This, coupled with growth in employment should further bolster consumer demand for DIY and household items with the retail park sector expected to benefit greatly.



Butlers Kiosk in Blanchardstown



OCCUPIER ACTIVITY

FOOD AND BEVERAGE

- Butlers Chocolates have opened a second location in Blanchardstown
- Isabelles by the Press Up Group have opened a new restaurant in Royal Hibernian Way
- Esquires and Pitta Pit have opened new stores in Blanchardstown adjacent to Krispy Kreme
- Hotel Chocolat have opened their 2nd Irish store at No.1 GPO Buildings, Henry Street
- Five Guys are reported to have signed a new lease on the former Spur unit in Liffey Valley
- Five Guys have also opened a new restaurant in Frascati Shopping Centre, Blackrock
- Blanchardstown Centre are launching 9 new F&B units to the market.
- Featherblade are soon to begin fitting out a new restaurant at 32 Camden Street Lower
- Elephant & Castle have opened a new restaurant in Rathmines are due to open a further store in Monkstown in 2019
- A new Stella cinema has opened in the Devlin Hotel, Ranelagh
- Mad Egg opened a second store on Millennium Walkway
- Bear Market have signed terms for the former Bewley's on South Great George's Street
- Shake Dog have opened a new restaurant in Quayside Sligo
- KC Peaches are to open a further outlet on Thomas Street, Dublin 8
- Leon, the UK based "Natural Fast Food" concept have signed their first Irish store in Dundrum Town Centre

CLOTHING AND FOOTWEAR

- North Face have opened two new stores on Grafton Street and in Jervis Shopping Centre.
- Carraig Donn have opened a new store on Level 1 Blanchardstown
- JD Sports have opened a new flagship store in Jervis Shopping Centre with direct access to Mary Street.
- Nespresso have opened a new location in Blanchardstown Centre
- Nespresso have also opened a new short-term inline store in Dundrum Town Centre
- Gant have re-located in Dundrum to an internal mall unit on Level 1
- Rituals have opened their 2nd and 3rd Irish stores in Blanchardstown and on Grafton Street.
- Timberland have opened a new store on Level 1 in Jervis Shopping Centre
- 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
- Aldi have opened their newest store in Frascati Shopping Centre, Blackrock.
- Iceland are to expand further announcing that they are to open at Nenagh Retail Park in Tipperary
- Donnybrook Fair with outlets in Donnybrook, Baggot Street, Stillorgan, Malahide and Greystones was acquired by Musgrave.
- Lidl have taken a new store in Wellpark Retail Park, Galway with an ongoing requirement for new locations nationwide.

RETAIL PARK MARKET

- Boots have signed a lease on a new 7,000 sq. ft. pharmacy in Phase 2 of Gateway Retail Park, Galway which is now under construction
- Michael Murphy have opened in Retail Park 2 at Blanchardstown Centre
- JYSK have signed leases on 4 units including Naas, Drogheda and Navan and plan to open 15 more stores in Ireland over the next 2 years.
- Homestore & More have leased a new unit at Letterkenny Retail Park, Donegal

OTHER

- The Works have opened a new store in Gorey Shopping centre.
- Therapie have opened new outlets in Dundrum Town Centre and Liffey Valley Shopping Centre
- 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
- Miniso, Chinese low-cost variety store are understood to have secured their first Irish store on Level 1, Jervis Shopping Centre
- Mountain Warehouse have an ongoing requirement for new stores around the country
- Trespass have opened a flagship store in November at Mahon Point Shopping Centre, Cork
- Superdrug have opened a new flagship store in Jervis Shopping Centre and are continuing to open stores around Ireland with ongoing requirements
- Las Iguanas have agreed an Irish franchise agreement and there is an active requirement for space
- Carluccios and Milano are actively looking for new stores.
- Dundrum Town Centre have reportedly agreed terms with two further restaurants in addition to Leon in the space formerly occupied by Hamleys, Cath Kidston and Gant
- POCO by Pippa are rolling out pop up shops around the country with Liffey Valley having recently traded successfully



AVAILABILITY

- There is currently one vacant unit on Grafton Street No. 3.
- We understand both Dunnes Stores and Pamela Scott are marketing their leases on Grafton Street
- There are currently three available units on Henry Street two of which are occupied and trading at present.
- Occupancy across the Bannon portfolio of shopping centres and retail parks stood at 94% in December.
- 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 Folkster.



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 December 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 December, while retail warehouses are seeing sustained rental inflation of 2.8% annually.

We intend moving our quarterly retail report to the mid-point in the quarter. This is to facilitate analysis of turnover data which is received quarterly, giving us the opportunity to provide an accurate reflection of the performance of the market.



2018 CONCLUSION

- Now that turnover data has been received on the 50 retail schemes that Bannon manage it is clear that the popular narrative of retail sales being in free fall is simply untrue.
- While footfall was down 1% across the Bannon portfolio this figure includes the disruption due to severe snowfall, without this disruption footfall would be positive.
- Of the 250 pieces of turnover data that Bannon receive, turnover performance for 2018 was on par with 2017. Obviously there will be winners and losers in different sectors, however the combined turnover for 2018 was up 0.5% from 2017, notwithstanding the footfall issues, this is in stark contrast with trends in the UK.
- This coupled with significant leasing activity in the final quarter provide a good foundation for what is likely to be a busy transactional year ahead.



OUTLOOK

Despite all of the negative sentiment coming from the UK, the retail market in Ireland is performing relatively well with retail turnovers and footfall remaining on par with 2017. This data suggests Ireland is out performing relative to a number of international locations. The deal pipeline for 2019 is strong with action expected in all sectors of the market. That said, retail is not without its challenges, the older adversarial landlord and tenant relationship no longer exists with a partnership approach establishing itself. This will ensure that retailer performances are stronger, which results in sustainable turnovers and ultimately a more sustainable rent roll for the landlord. Where the equation needs some work is on the Omni-channel elements of performance. As retailers seek to grow their online sales, affecting sales from physical stores, a changing approach may be required in deal structures and also the physical space required by retailers. Tenant mix, which is always an important factor, will be key for retail schemes and Landlord's need to ensure that a balanced mix is created to drive footfall and turnovers. Some of the larger regional schemes may see some of the international fashion brands replaced with domestic fashion and service based uses. The food and beverage sector should continue to thrive, with a number of new brands entering via franchise models in addition to some indigenous brands expanding.



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