October 2024
Edition no. 34

Bannon
Retail Pulse

Robust Leasing Activity

Occupancy rates in the tracked retail schemes and high streets are increasing on the run up to the Christmas period with available space for new entrants getting more difficult to find. There are requirements across all sectors from both national and international retailers. So far 2024 has seen take up from some notable brands and some new to market and others enhancing their current portfolio.

Notable Openings / Signings

swatch

Agreed the lease assignment of the former Molton Brown at 80 Grafton Street

alo

Have taken a new lease on the former Dunnes Stores at 62 Grafton Street

new balance

Recently opened their first Irish store at 104 Grafton Street

MANGO

Signed a new lease on 112/113 Grafton Street

VS / Bath & Body Works

The Next owned brands have agreed to take two new stores in the Opera Lane Scheme, Cork

MOUNTAIN WAREHOUSE

Currently in the process of acquiring multiple locations for larger format stores

SPACE NK APOTHECARY LONDON

Have opened a new store in Dundrum Town Centre

HOBBS LONDON / Phase Eight

Have opened new stores in Blanchardstown Centre

KIKO MILANO

Have opened a new store on Henry Street and have agreed a second store in Blanchardstown Centre

Lovisa

Expanding rapidly, they have opened in Dundrum Town Centre, Henry Street and Shop Street and have a number of other locations agreed

ARKET

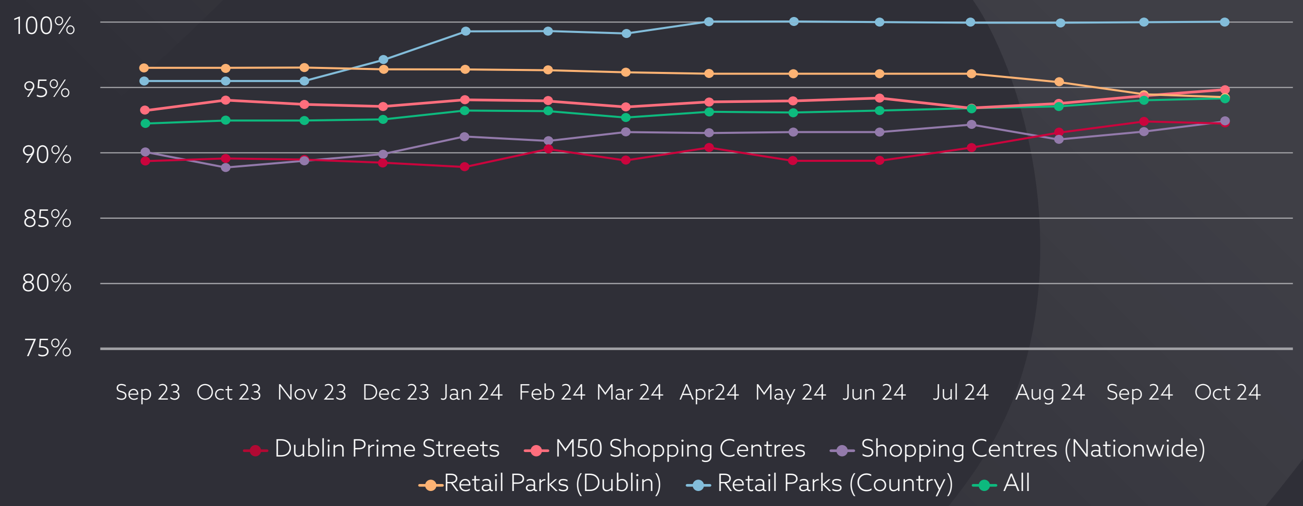
The H&M owned brand have signed to take a new store in the Grafton Place Scheme on Dawson St

Austen & Blake

Due to open their flagship Henry Street store early November

Bannon Retail Occupancy Tracker

Tracked Representative Sample

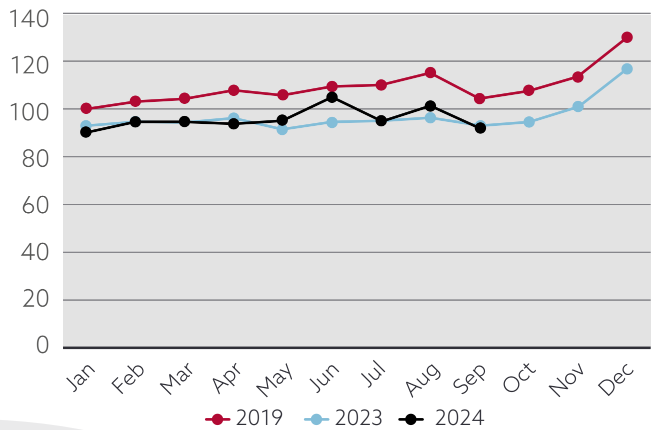


Bannon Trading Analysis

As at 30th September 2024

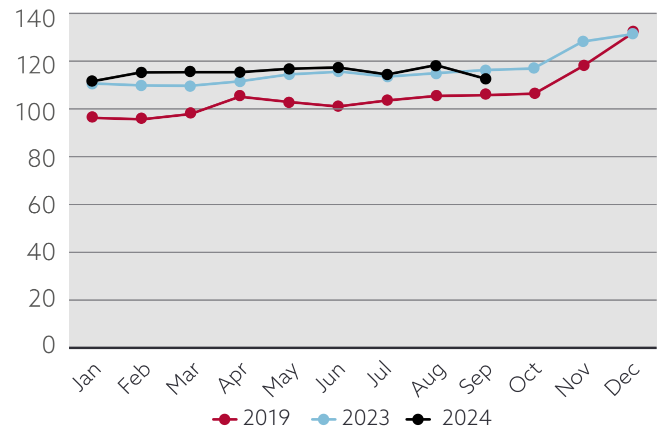
Shopping Centre Footfall

(Indexed: Based = Jan '19)



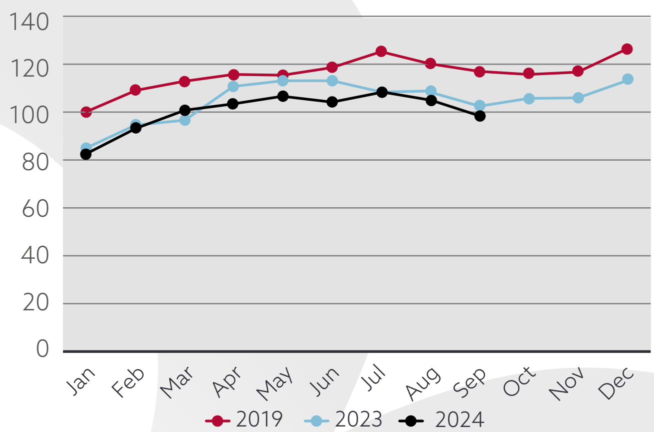
Retail Park Footfall

(Indexed: Based = Jan '19)



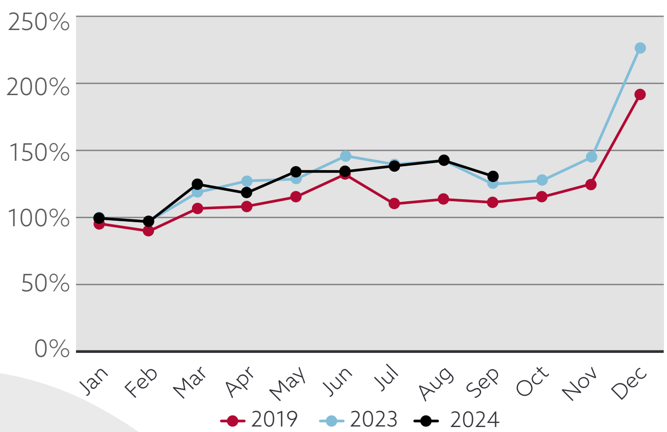
High Street Footfall

(Indexed: Based = Jan '19)



Ratio - Sales : Footfall

(Indexed: Based = Jan '19)



Footfall across our shopping centre portfolio in September 2024 was 1.04% behind September 2023, however we saw a 3.11% increase in sales in the same period.

High street footfall in September 2024 was 2.88% behind September 2023 and 13.68% behind pre-COVID levels (September 2019).

Footfall across our retail park portfolio in September 2024 was 3.17% behind September 2023 and 7.07% ahead of pre-COVID levels (September 2019).

Data is preliminary in nature and subject to revision.

Expert Insight
By Neil Bannon

Lease Inflation

A curious, and to my mind illogical trend, in commercial leases has been evident over the last 20+ years. Lease terms have been getting shorter but the leases themselves have been getting longer. When I started in the 1990's we agreed 35-year leases which were around 25-30 pages long. This document was intended to regulate the relationship between the prospective parties for a generation. Curiously a typical commercial property lease is now regularly over 100 pages long despite the fact that the committed lease term is between 5-10 years.

This has several impacts, but perhaps most importantly and to the frustration of both owners and occupiers it increases the time and costs required to complete a deal. It appears that our lease lengths have moved to a more European model whilst the lease itself has remained fixed in an archaic feedback loop where every new issue is covered by another half a dozen pages of legal speak. A good example is the recent addition of green lease provisions which are guaranteed to lead to further protracted negotiations. Our European retail clients express surprise and much annoyance with how long it takes to do a deal in Ireland, on occasions throwing in the towel, and abandoning their Irish expansion ambitions.

Let's take the rent review provision as an example, it typically absorbs 5-10 pages of the lease despite the fact that in a 10-year lease there is only one review. It is not beyond the capacity of the deal negotiators to come up with an agreement that covers this off commercially, say fixed uplift after 5 years or a CPI linked clause.

Of course, the elephant in the room is the rights of renewal available to occupiers under the Landlord and Tenant Acts. If the occupier can stipulate a new lease of anywhere between 5 and 25 years at the end of the term, then the occupational agreement has to contemplate infinite possibilities in what could be a perpetual relationship renewed every 5-25 years. This is a potentially complicated and expensive process as the recent Bewley's case demonstrated.

Occupiers can contract out of the rights of renewal, and I think there is a logic to offering occupiers two choices at the start of lease. You can have a 5-7 year lease which is 20 pages long, with the inevitable saving in cost and time, if you contract out of the renewal rights or the 100 page+ version if you insist on retaining them. It would be interesting to see which option proves the most popular.

October 2024

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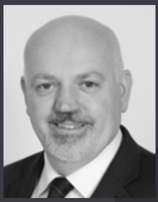
Contact The Retail Team



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