



RETAIL MARKET SNAPSHOT

Q1 2023

Ireland Economic & Retail Market Overview ~ Q1 2023

The Retail Sales monthly indices for value and volume increased by 1.8% and 0.7% respectively in February, when compared with the month previous. The largest monthly volume increases were recorded in Bars (+4.7%) and Hardware, Paints & Glass (+2.5%).

Economic forecasts for 2023 remain positive, albeit revised downwards from 2022. Personal consumption and modified domestic demand are forecasted to increase by 1.8% and 1.2% respectively, according to the Department of Finance Budget 2023 projections.

In Q4 2022 total employment stood at 2,575,000 representing an increase of 252,000 (10.7%) persons from Q3 2019. The unemployment rate was also down to 4.2% in the quarter.

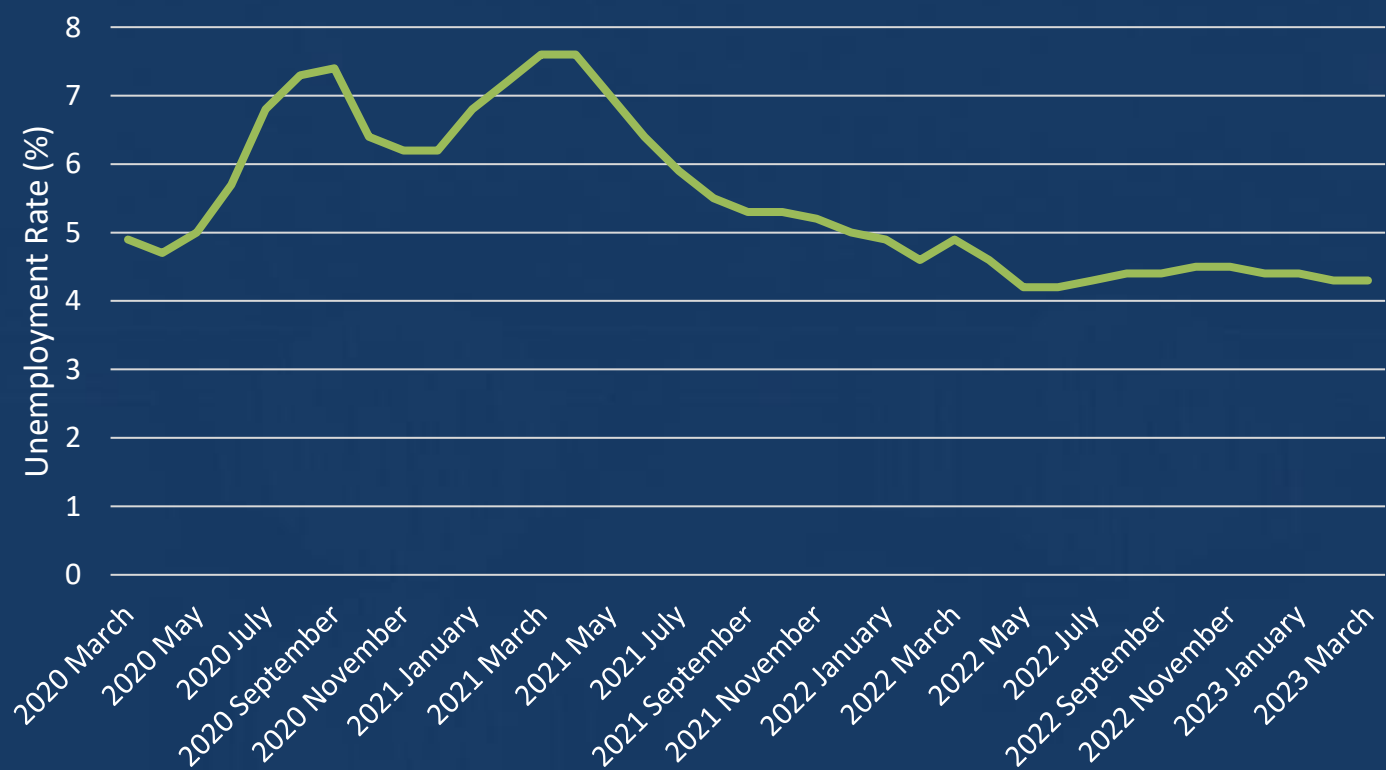
Total card spending fell by 7%, or €555 million, in February 2023 (€7.5 billion) compared to the previous month. When compared with February 2022, total card spending had increased by 9% or €589 million. The increase was driven primarily by a 23% increase in other spending.

Consumer prices remain a topic to the forefront of consumer's minds. The Consumer Price Index (CPI) rose by 8.5% between February 2022 and February 2023, up from an annual increase of 7.8% in the 12 months to January 2023. This is the seventeenth straight month where the annual increase for the CPI has been at least 5%.

According to estimates by the CSO, seasonally adjusted average weekly earnings in Ireland were approximately €897 in Q4 2022, an increase of 4% from €862 in Q4 2021

Irish Economic Overview

Monthly Unemployment Rate, March 2020 – March 2023



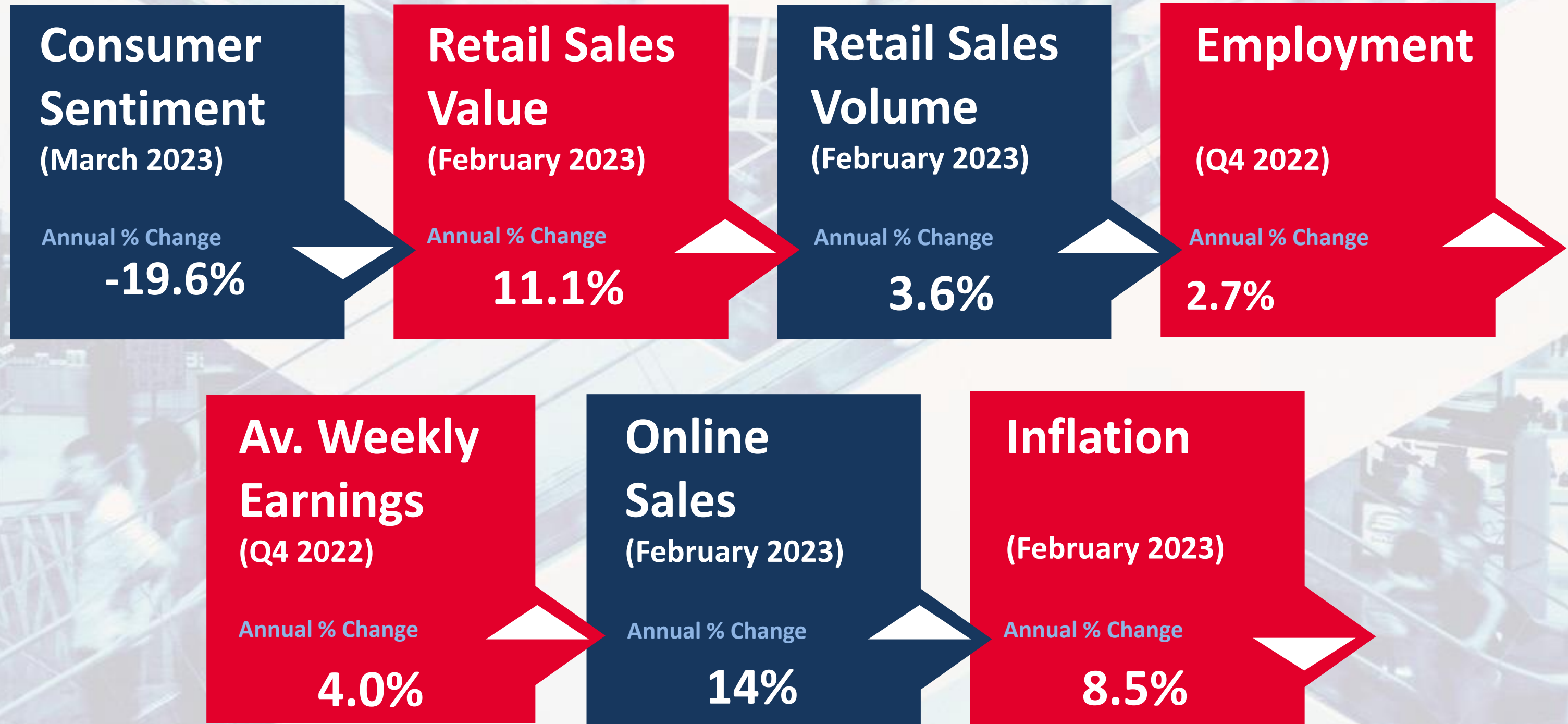
Source: Central Statistics Office

Monthly Card Spending Statistics February 2020 – February 2023



Source: Central Bank of Ireland

Retail Market Economic Indicators



In the infographic supplied, these arrows show the potential impact on the market (i.e. whether a fall in consumer sentiment has a potential positive or negative impact on the market).

Q1 ~ Overview and Outlook

The retail landscape has been far from predictable since the start of 2023. Consumer sentiment climbed to an eight-month high in February to 55.6 however this remained well below the previous year where it was at 77.0 for February, and in March is almost 20% down on the same period last year.

Despite this the **Irish economy has remained resilient** and the biggest fears from a year ago have thankfully not been realised. Having said that, retailers are still facing rising costs and the tightness in the labour market has continued to provide its own unique challenges. Coupled with a level of uncertainty both locally and globally it's not been an easy time for retailers however there **are positive signals across the market**.

As of **February 2023**, the **volume of retail sales and online sales are trending positive**. In addition, IBEC expect increased consumer spending and overall domestic demand in the Irish economy. The domestic economy is forecast to grow by 3.6% in 2023 and inflation to fall to under 4% by year end. The Irish labour market remains tight – with employment growing strongly, despite challenges for some sectors notably technology.

On a macro level, **signs across the global economy point to some easing of inflationary pressures, less volatility in wholesale energy prices and signs that global demand is proving resilient**, despite sharp increases in interest rates. The year ahead still carries uncertainties as to how the global economy navigates the delicate balance between inflation, growth and interest rates. However IBEC now expect a quicker recovery in the global economy – particularly in the US. Europe is also facing significantly reduced exposure to fluctuations in energy prices for 2023, due to higher-than-expected storage levels and reduced demand over winter. This, in turn, makes a prolonged recession in Europe unlikely.

More locally, **Dublin City Centre is blossoming as footfall continues to grow**, aided by increased tourist levels which are increasingly closer to pre pandemic levels. **Vacancy levels in the Grafton Street area have substantially reduced** with limited options now available.

While we are aware of a number of new requirements from new entrants for space on the street and its environs, the challenge remains in terms of finding a suitable space.



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Dublin City Centre is blossoming as footfall continues to grow, Vacancy levels in the Grafton Street area have substantially reduced

Q1 ~ Overview and Outlook

The dramatic reduction in vacancy on Grafton Street is now starting to be felt on **Henry Street** with a substantial take up of vacant retail space the street is getting the injection of new life it deserves.

International brands including Levi's and Footlocker have secured space on the street for flagship stores as well as Dubray Books, with a number of additional deals currently agreed. 2023 looks set to be a welcome **game changer for the Street**.

The **prime shopping centres are holding their own** in terms of deals being agreed and new openings planned for quarter 2, while **out of town retail remains solid**. The retail park market is still experiencing limited vacancy rates across any of the prime parks.

The **convenience sector remains buoyant** with strong sales performance across the board. The outlook for this sector for 2023 in terms of real estate is likely to see the **majority of operators in expansionary** mode as well as **investing in existing stock** including store revamps and investment in sustainable strategies.

Another **growing trend** is the increase in **gym / leisure requirements** as these types of occupiers prepare to expand their offerings due to the increased demand at long last.

In addition, **sustainability and partnerships** are becoming increasingly **topical** as we are seeing more and more retailers realise the benefits of partnerships in store and attracting that new customer base. **Retailers continue to pivot and evolve reacting to the market demands** around them.

While we entered the year with a level of uncertainty and concern, the **market has shown resilience and activity across all sectors** and therefore we are optimistic that the retail market can perform into Q2 and beyond. Obvious challenges remain however, all the signs are pointing in the direction of **new requirements and live interest** in the market, leading to **leasing transactions and eventual new openings** and **declining vacancy**. All of the above the form the ingredients for a **healthy retail market going forward** and for this reason we remain optimistic for quarter 2.



Brands such as Levi's, Footlocker and Dubray Books have secured space on Henry street



Increase in gym / leisure requirements is growing



Retailers continue to pivot and evolve reacting to the market demands around sustainability and partnership's.

The market has shown resilience and activity across all sectors leading to leasing transactions and eventual new openings and declining vacancy.



Q1 2023 ~ Retail Investment Market Activity & Outlook

Following a **very strong 2022**, the **retail investment market** accounted for **7% of the total transaction volumes in the first quarter**, totalling €65,815,000. As with all other sectors, it has been more subdued over the first quarter of 2023. This is not surprising given the **turmoil in the debt markets** following the collapses of Credit Suisse in early March. As a result **lending into the commercial property sectors has become more expensive** with lenders less willing to lend against all but the best in class assets. One such case was, of one of the pillar Irish Banks reportedly pulling out of lending against a Irish Regional Shopping Centre portfolio due to the current market uncertainty. We are seeing **this turmoil starting to ease** and we expect that over the **latter part of the year lending conditions should improve**. Notwithstanding all of that **Q1** saw a number of **significant sales complete** including the following:

- **Fairgreen Shopping Centre in Carlow for €20m**
- **Douglas Village in Cork for €22.975m**
- **Wellpark Retail Park for €20m**

Looking ahead, there is still **strong investor demand for retail parks** on the back of a very robust occupier market with **shopping centres also in demand** especially those that are **community based, convenience led**. Yields are likely to remain stable over the near term with the anticipation that retail park yields will harden during the latter part of the year as new investors enter the market.

Liquidity for large assets **remains challenging** especially for regional assets but we believe that Dublin based assets will continue to attract international investors drawn to the city due to the **scarcity of product** and the high level of **occupier demand pushing rental growth**.

Overall retail investment volumes should **match or surpass 2022** levels and continue to attract new investors due to the **relatively high returns** that are achievable compared with other sectors of the market.

‘A number of significant sales were completed in Q1 and retail investment volumes are expected to match or surpass 2022 levels’

In The News...

RETAIL SALES RISE IN JANUARY DESPITE INFLATIONARY PRESSURES

According to the latest figures from the Central Statistics Office, retail sales rose slightly in the month of January, increasing by 0.1% on December figures despite increased cost-of-living. Clothing, footwear and textiles sales increased by 26.5% and furniture and lighting increased by 28%. In contrast, sales volumes decreased by 20.4% in bars, 5% in department stores and 3.4% in non-specialized stores (including supermarkets). Undoubtably, inflationary pressures are directly impacting consumer spending as sales values were 10.5% higher than January 2022 even though the volume of sales increased by 3%, illustrating that consumers must pay more to buy less.

NEXT EXPECTS CLOTHING INFLATION TO EASE

Next, which is often considered a good barometer of how consumers are faring, said inflationary pressures were expected to ease as freight costs drop and the cost of goods improve. The retailer, which trades from about 500 stores and online, has shown more resilience than most to the cost-of living crisis and is considered by analysts to be one of the best run retailers. It now expects like-for-like price inflation in spring/summer of seven per cent and three per cent in autumn/winter – down from its previous forecast of eight per cent and six per cent respectively.

CORK CITY CENTRE RETAIL INVESTMENT, OPERA LANE GUIDING €26.75M

Opera Lane retail scheme was brought to the market with a guide price of €26.75 million and a NIY of 9.22%, offering a prime portfolio of retail properties located in Cork city centre. The scheme boasts an unrivalled tenant line-up, including Tommy Hilfiger, H&M, Next, New Look, Starbucks and Skechers, whilst offering 25m of frontage onto St. Patrick's Street - Cork's premier retail street. This investment opportunity, in addition to the imminent sale of the former Debenhams is set to exacerbate the revival of Cork city centre, further supported by the city council's investment in new pedestrian infrastructure and public transport connections.

GAMESTOP SPARKS CLOSING RUMOURS

GameStop Ireland has announced that it will be stopping several services currently provided, including the sale of gift cards and the cancellation of pre-orders. Following turbulent Covid-19 sales, this announcement has furthermore sparked rumours that the gaming retailer is set to close their doors. GameStop currently operates 35 stores across Ireland, eight of which are in Dublin, with six in Cork and three in Limerick. The company has continually decreased the size of its Irish operations over the past decade, having operated over 50 stores in 2010.

ARGOS SET TO CLOSE ALL IRISH OUTLETS BY JUNE 2023

Argos announced plans to close all 34 stores throughout Ireland by June. The UK chain stated that Argos's operations in NI, Scotland, England and Wales will remain unaffected. This decision was based on Argos's conclusion that required investment to modernize the Irish part of the business proved unviable, in addition to high rents and supply chain challenges as a result of Brexit. Argos reported a fourfold increase in pre-tax losses from €13.06 to €133.76 due to sales volumes decreasing by 21.5%.

IKEA TO OPEN THEIR FIRST IRISH DISTRIBUTION CENTRE

Furniture giant, IKEA plans to open a new distribution centre in addition to three 'plan and order' points in at least three counties throughout Ireland. This will enable quicker fulfilment of products for Irish consumers, in-turn reducing delivery times by more than half. Whilst the location of the distribution centre remains unconfirmed, Drogheda, Cork and Portlaoise will be added to the existing list of 'plan and order' points.

RETAIL PORTAL UFURNISH RAISES €3.8M IN FUNDING

Ufurnish is an Irish founded online furniture sales portal, utilised by many of the UK's largest furniture retailers including John Lewis, Argos, Habitat and Wayfair. The company has raised an impressive €3.8 million in seed funding from private investors, 30% of which are female. Ufurnish have stated that Brexit is currently holding them back from entering the Irish furniture market.

URBAN GREEN PRIVATE COMPLETES €23.M PURCHASE OF CORK SHOPPING CENTRE

Real estate investment firm, Urban Green Private has completed the acquisition of Douglas Village Shopping Centre, Cork. The scheme is located on a 2.47 hectare site only 3.5km from Cork city centre. The scheme extends to a total of 21,863sq m (230,000sq ft), anchored by Tesco and M&S with other notable occupiers including TK Maxx, Eurogiant, BOI and Petstop. The total current rental income is €2,407,282 annually with a WAULT is 7 years to break options and 11 years to expiry.

PLAN SUBMITTED TO TURN DUBLIN'S CHQ BUILDING INTO A MULTI-STALL FOOD MARKET

A planning application seeking permission to turn the ground floor of the listed 19th Century CHQ building into a multi-stall food market with an event space on mezzanine level has been lodged. The proposed scheme also includes the construction of a five-storey building. This proposal aims to create a cultural quarter within George's Dock, providing a unique experience for tourists within Dublin.

Elsewhere...

Flannels announces the rebranding of Oxford Street flagship as **Flannels X** with new 'Youth-Phoria' project. Youth-Phoria is an all-new creative scheme aimed at championing the next generation of emerging creatives.

Boohoo launched its first ever pop-up shop in London March 25th - 26th showcasing its latest spring collection. Additional services included personal styling sessions with Georgie Gray and a beauty corner, offered blow dries and brow treatments.

Sports Direct has opened its most advanced store to date putting in-store technology centre stage for its new flagship in Manchester's Arndale Centre. The 50,000 sq ft space spans across five floors and includes interactive experiences, curated activation spaces and specialist sporting zones.

Walmart is set to invest around 27 billion pesos (\$1.49 billion) in its Mexican and Central American stores, known as **Walmex**, this year. Just under half of the investment will go to remodeling and maintenance on existing stores, while nearly 30% will be used for new stores and clubs.

ASDA is set to stock **Claire's Accessories** products in over 500 stores in a new partnership. The supermarket will stock a range of Claire's products including hair, cosmetics and fashion accessories, as well as seasonal pieces for back-to-school and Christmas periods.

TK Maxx is set to occupy the former Debenhams space at Westfield London. The clothing and homeware retailer will open a 30,000 sq ft shop in the White City mall in the autumn.

The Perfume Shop has rolled out its biggest perfume bottle recycling scheme across all 211 UK stores. The scheme is an extension of the retailer's first bottle recycling and reuse initiative launched in 2018.

Tesco has announced the launch of a £5m grant programme this summer to boost school funds across the UK for extra food to tackle classroom hunger. 5,300 schools across the nation will be able to apply for support funding to get nutritious food and resources.

Spanish fashion retailer **Mango's** sales hit a record €2.68 billion last year, exceeding pre-pandemic levels by 13% as shoppers kept spending on clothing amid high inflation and as the company expanded in the United States and India.

Greggs opens 'Tasty by Greggs' café in **Primark's** Newcastle store. The new café follows the success of the first two 'Tasty by Greggs' café openings in 2022 in Primark's largest stores in Birmingham and Oxford Street East.

The Body Shop is offering product refill stations in 800 of its stores around the world. Eligible products come in refillable bottles made of 100% aluminum, as part of an ongoing effort to keep containers from ending up in landfills and the ocean.

Tommy Hilfiger debuted a multi-metaverse hub, powered by Emperia, across various virtual platforms for Metaverse Fashion Week. Tommy Hilfiger introduced both digital and real-life clothing to the event with pieces available for sale in both wearable forms. Attendees can either purchase clothing pieces to be shipped to their door, or they can wear the exact same piece in online game environments.

Ulster Bank has announced that its remaining 63 branches in the Republic of Ireland will close in late April this year. In its update on phased withdrawal from the country, the bank said its remaining branches will cease transactions on 31 March 2023 and close on 21 April 2023.



Recent Retailer Activity

- **Levi's** have taken a lease on the former Evans store in Henry Street. This high profile corner location will be home to their Irish flagship. The building extends to 961 sqm in total over four floors, with 260 sqm at ground floor.
- Sports footwear and apparel retailer, **Foot Locker** is to open two new stores later this year, including a flagship store in the Ilac Shopping Centre in Dublin city centre and Pavilions Shopping Centre in Swords. Footlocker will occupy units 1 and 2 within the Ilac Centre, extending to 1,184 sq.ft with extensive frontage onto Henry Street. The store is set to open at the end of Q2 2023, also bringing this centre to full occupancy.
- **Penneys** set to anchor new shopping centre, Bray Central developed by Oakmount. The store will open later this year, making it Penneys 38th store in Ireland and part of retailer's wider plans to invest €250m in Ireland over the next 10 years. In addition, Penneys are set to invest €14.8m in fit out for new store in Dundrum Town Centre which will also open later this year.
- **Sports Direct** to set become anchor tenant within Athlone Towncentre, opening a new store situated in a prime position on the ground floor of the scheme, extending to 19,000 sq. ft. The new opening will strengthen Athlone Towncentre's position as one of Ireland's leading shopping destinations, adding to an already strong tenant line up including River Island, Zara, H&M, Next, TK Maxx and Eason.
- **Kering** has announced it will create an in-house beauty division to develop cosmetics and perfumes for its brands including **Bottega Veneta, Balenciaga, Alexander McQueen, Pomellato** and **Qeelin**.
- **Next** buys **Cath Kidston** brand for £8.5 million, after the vintage-inspired British retailer fell into administration for the second time in two years. The acquisition marks the latest step by Next to add to its brand portfolio, which already includes the rights to distribute US fashion chains GAP and Victoria's Secret in the UK.
- Beyoncé and **Adidas** mutually agree to end Ivy Park collaboration following sales decline. The partnership is set to end later this year after another round of merchandise from the Ivy Park line hits market.
- **Hotel Chocolat** announced in January that it intends on opening 50 new stores in the UK in the next three to five years, after enjoying its best Christmas shop sales since it was founded nearly 20 years ago.
- **M&S** is partnering with CommerceHub to enhance the customer experience as it aims to hit £1bn of third-party sales. CommerceHub is one of the world's largest commerce networks and provider of software solutions connecting supply, demand and delivery for retailers and brands globally.
- **Iceland** has teamed up with **Just Eat** to offer shoppers a rapid grocery delivery service. It will initially launch in more than 200 of the frozen food retailer's sites, including London, Manchester, Belfast and Leeds, with plans to roll out in more cities across 2023.
- All **Paperchase** stores are set to close for good within days as it as it enters the final stages of its closing down sale. **Tesco** snapped up the retailer's brand and IP in a pre-pack administration deal with plans to bring the brand in-store.



Active Retailer Requirements / Retail



WEEKDAY

DECATHLON



PULL&BEAR

SuperValu

fresh
THE GOOD FOOD MARKET

Calvin Klein



TESCO



ARKET

Dealz



**SPORTS
DIRECT.COM**

**UNI
QLO**

new balance

OLIVER
BONAS



 MOUNTAIN
WAREHOUSE

**LUSH
FRESH
HANDMADE
COSMETICS**

Party Delights

FRASERS
GROUP

RAINS

Hale



Lovisa

ace & tate

Active Retailer Requirements / Leisure

BARRY'S
BOOTCAMP

TRIB3



STRONG
PILATES

IMMERSIVE
STUDIOS



UBXTM
BOXING + STRENGTH



MOVIES
@

UNIT I

TIVOLI
CINEMA CAFE BAR

Active Retailer Requirements / Food & Beverage

TULA
MEXICAN GRILL

Butlers



COOL HAND
COFFEE ROASTERS



GRIOLLADH
GRILLED CHEESE & TASTY BEVERAGES

Romayo's
EST. 1989
Diner

Tim Hortons

SHAKA



POKÉ



Krispy Kreme
DOUGHNUTS

3fē

SAO

ZAKURA



Contact us ...



KARL STEWART
DIRECTOR & HEAD OF RETAIL
Karl.Stewart@cushwake.com



PETER LOVE
DIVISIONAL DIRECTOR
Peter.Love@cushwake.com



ANNA GILMARTIN
ASSOCIATE DIRECTOR
Anna.Gilmartin@cushwake.com



CONOR NILAND
ASSOCIATE DIRECTOR
Conor.niland@cushwake.com



BENJAMIN ASHE
SENIOR SURVEYOR
Benjamin.ashe@cushwake.com



JOANNA BERRY
NEGOTIATOR
Joanna.berry@cushwake.com



CAROLINE O'CONNOR
NEGOTIATOR
Caroline.oconnor@cushwake.com



www.cushmanwakefield.ie



01 639 9300



@CWRetail_Irl

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