

IRELAND

Cushman & Wakefield

Global Cities Retail Guide



Ireland has a stable, competitive and secure environment for retailers. It can be considered a modern knowledge economy, with a focus on high tech industries and services. The economy is projected to keep growing robustly, as domestic demand is set to remain solid.

As employment and disposable income continues to rise throughout Ireland, retailers have experienced a stable environment for trade. This can mainly be witnessed in the key cities in Ireland, Dublin, Cork, Galway, Limerick and Waterford, with other regional locations experiencing a more tempered growth.

Cork, Limerick and Galway are the main attractions for retailers outside of Dublin and they are seeing new retailers expanding into these areas, where space is available; this trend is set to continue.



IRELAND OVERVIEW

IRELAND

ECONOMIC OVERVIEW

ECONOMIC SUMMARY

| ECONOMIC INDICATORS* | 2018 | 2019F | 2020F | 2021F | 2022F |
|----------------------------|------|-------|-------|-------|-------|
| GDP growth | 6.8 | 2.7 | 2.3 | 2.2 | 2.2 |
| Consumer spending | 3.0 | 2.3 | 2.8 | 2.9 | 2.9 |
| Industrial production | 0.1 | 4.5 | 1.7 | 1.8 | 2.0 |
| Investment | 7.8 | -10.8 | 4.1 | 4.5 | 4.2 |
| Unemployment rate (%) | 5.8 | 5.6 | 5.6 | 5.6 | 5.4 |
| Inflation | 0.5 | 1.5 | 1.8 | 1.9 | 1.9 |
| US\$/€ (average) | 1.2 | 1.1 | 1.2 | 1.2 | 1.3 |
| Interest rates 3-month (%) | 0.0 | 0.0 | 0.2 | 0.5 | 0.7 |
| Interest rates 10-year (%) | 0.8 | 0.8 | 1.0 | 1.3 | 1.7 |

ECONOMIC BREAKDOWN

| | |
|-------------------------|--|
| Population | 4.9 million (2019F) |
| GDP (nominal) | US\$381.4 billion (2019F) |
| Public Sector Balance | -0.0% of GDP (2019F) |
| Public Sector Debt | 52.3% of GDP (2019F) |
| Current Account Balance | 4.0% of GDP (2019F) |
| Parliament | Coalition: Fine Gael, Independents |
| Head Of State | Michael D. Higgins |
| Prime Minister | Leo Varadkar |
| Election Date | 2018 (Presidential), 2021 (General Election) |

RETAIL SALES GROWTH: % CHANGE ON PREVIOUS YEAR

| IRELAND | 2018F | 2019F | 2020F | 2021F | 2022F |
|----------------|-------|-------|-------|-------|-------|
| Retail Volume* | 4.0 | 4.2 | 5.1 | 3.6 | 2.9 |

NOTE: *annual % growth rate unless otherwise indicated. Figures are based on local currency and in real terms. E estimate F forecast

SOURCE: Oxford Economics Ltd.

| CITY | POPULATION |
|---------------------------|------------|
| Dublin | 554,554 |
| Limerick (City & County) | 194,899 |
| Cork | 125,657 |
| Waterford (City & County) | 116,176 |
| Galway | 78,668 |



IRELAND LARGEST CITIES

IRELAND

RETAIL OVERVIEW

MAJOR DOMESTIC FOOD RETAILERS

Musgrave Group, Dunnes Stores

MAJOR INTERNATIONAL FOOD RETAILERS

Tesco, Aldi, Lidl, Iceland, Marks & Spencer

MAJOR DOMESTIC NON-FOOD RETAILERS

Dunnes Stores, Penneys (Primark), Arnotts and Brown Thomas (owned by Selfridges Group)

INTERNATIONAL RETAILERS IN IRELAND

Inditex Group (Zara, Massimo Dutti, Bershka, Pull & Bear Etc.), H&M Group (H&M, Cos, & Other Stories), Next, Miniso Bestseller Group (Jack & Jones, Vila, Name It, Vero Moda, Selected.), TK Maxx, Homesense, Next, Marks & Spencer, Abercrombie & Fitch, Gap, Primark, Disney, Mint Velvet, The White Company, Coach, Victoria's Secret, Kate Spade, Under Armour, Rituals, Nespresso

FOOD AND BEVERAGE OPERATORS

Starbucks, Costa Coffee, Café Nero, Bewleys, Butlers Chocolates, McDonalds, Burger King, KFC; Supermac, TGI, Eddie Rockets, Five Guys, Milano, Jamie's, Carluccio's, Nando's, Hotel Chocolat, Zizzi. The Ivy, Marquette

TYPICAL HOURS

MONDAY – FRIDAY

09.00-18.00
(Thursdays until 21.00)

SATURDAY

09.00-21.00

SUNDAY

10.00-18.00

NEW ENTRANTS TO MARKET

| | | | | |
|-------------------|--------------------|-----------|--------------|------------|
| Victoria's Secret | & Other Stories | Decathlon | Homesense | Kate Spade |
| The White Company | Rituals | Coach | Under Armour | Prada |
| Puma | Noia by Seven Wood | Moncler | | |



IRELAND

RETAIL SCENE

The Republic of Ireland has a population of almost 4.8 million. This means that the Irish retail market is relatively small in comparison to other Western European countries. Nonetheless, Ireland is a mature and competitive retail market and has seen new and growing entrants over the past number of years.

The total existing stock of shopping centre space (over 5,000sqm) in Ireland totalled over 2 million sqm GLA as at Jan. 1, 2012. A significant amount of new shopping centre development had occurred over the decade preceding 2012. Many provincial towns were over-supplied with retail space, which has gradually become occupied over the past two-three years.

Regionally, the country is beginning to see the green shoots of development emerging again. This primarily focuses on expansions as opposed to new build. Crescent Shopping Centre in Limerick expanded with a number of other shopping centres in Cork, Galway and Waterford currently preparing for expansion.

The Irish retail warehousing market remains challenging in a regional context. As with shopping centres, large volumes of accommodation were built in the last decade and it is likely that some schemes will be converted into alternative uses but again this is a more regional issue in smaller towns. Traditionally, such schemes comprised of bulky goods retailers, however, in more recent years; fashion uses have been permitted and where this open use can be achieved it is popular with international retailers.

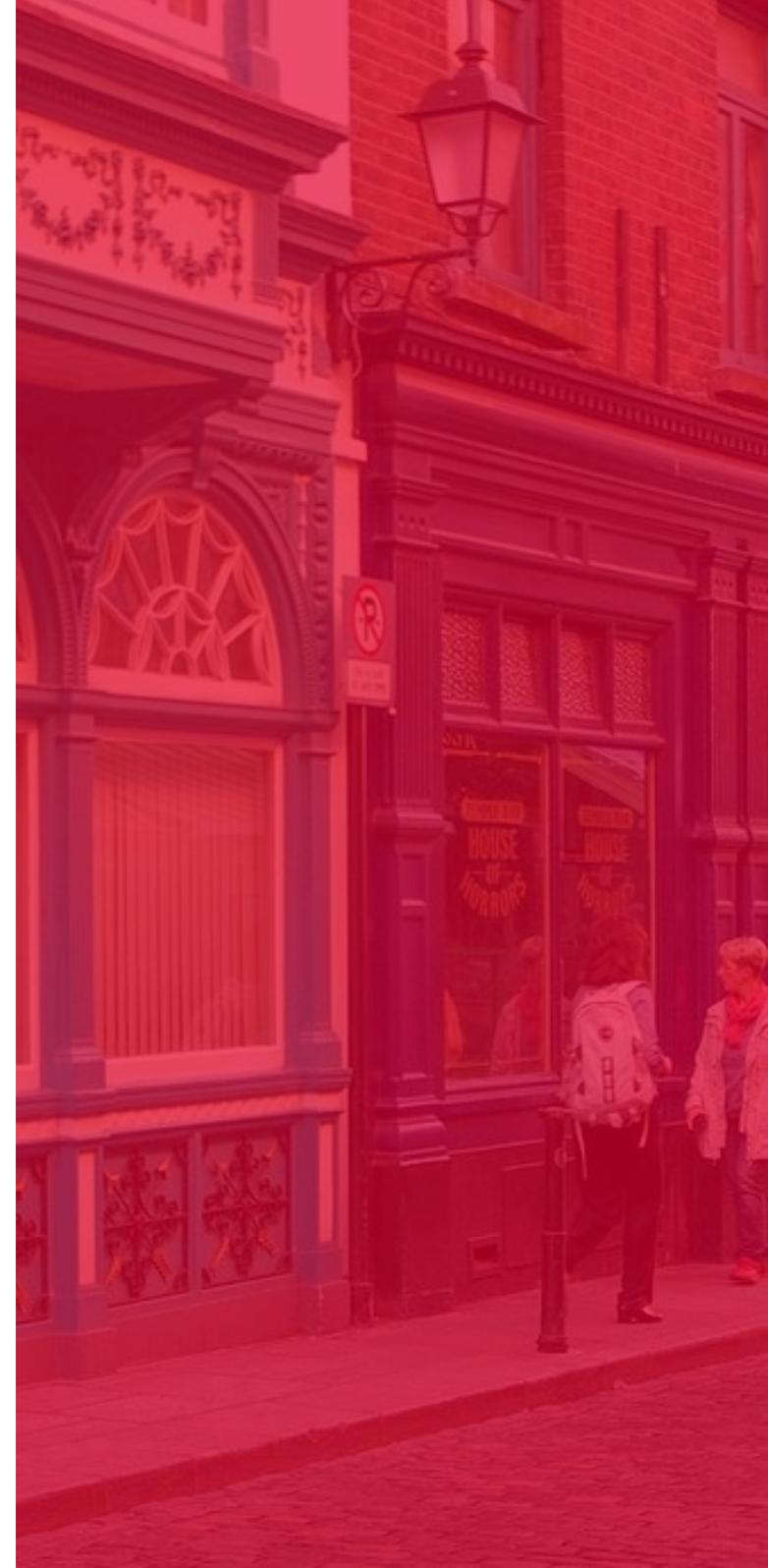
The factory outlet centre market in Ireland is relatively small, with only two outlets throughout the country. The largest of these, Kildare Village, is operated by the Value Retail Group and in the greater Dublin area. This scheme continues to perform very well and is planning its second extension.

E-commerce continues to develop and has been enhanced in recent times with international retailers opening up their sites to Irish customers. Currently a significant proportion of spend is directed online, with two thirds to international retailers.

It is possible to enter the Irish retail market direct, though many also franchise and enter via concessions/ shop-in-shops.

There are no restrictions on foreign companies either buying or renting property in Ireland. It is generally believed that the traditional Irish lease structure is more orientated toward landlord than tenant; however, the nature of leases is changing. While upwards only rent review clauses still exist in legacy leases (pre-February 2010), such clauses are now legally prohibited in all new leases. The length of leases has become shorter -10 years. Break options will depend on the location and relative strength of the parties.

Although it is possible to occupy a new building within a few weeks, it is more realistic to expect that on average it will take 6-9 months from initialising the property search to taking occupation of an existing property. This includes time for considering location options, the identification of buildings or sites, negotiating leasehold or freehold terms and drafting of the appropriate legal documentation.



IRELAND

SHOPPING CENTRES

TOP SHOPPING CENTRES BY SIZE

| NAME | CITY | SIZE (GLA SQM) | YEAR OPENED |
|-------------------------------|----------|----------------|-------------|
| Dundrum Town Centre | Dublin | 140,000 | 2005 |
| Blanchardstown Centre | Dublin | 120,000 | 1996 |
| Liffey Valley Shopping Centre | Dublin | 57,500 | 1996 |
| The Square Town Centre | Dublin | 53,000 | 1990 |
| Pavilions Swords | Dublin | 45,523 | 2001 |
| Crescent Shopping Centre | Limerick | 33,154 | 1973 |
| Whitewater Shopping Centre | Kildare | 32,000 | 2006 |
| Jervis Shopping Centre | Dublin | 30,416 | 1996 |
| Mahon Point Shopping Centre | Cork | 24,000 | 2005 |
| Navan Town Centre | Meath | 23,379 | 1981 |

IRELAND

KEY FEATURES OF LEASE STRUCTURE

| KEY FEATURES OF LEASE | |
|--|---|
| ITEM | COMMENT |
| Lease Terms | Leases are now more typically for 10 years. Break options tend to be negotiated from year 5 onward, depending on the location and retailer. In the absence of a clear agreement in the lease, the tenant has no legal right to break so long as the landlord fulfils his obligations. |
| Rental Payment | Rents are typically payable quarterly in advance, though monthly payment can be negotiated and it is becoming more commonplace. Turnover/percentage rents are increasingly seen in shopping centres, where a base rent would be included. A security deposit is not normally required for a tenant with a strong covenant or where a parent company guarantee is provided. For weaker covenants, a deposit may be required, by negotiation with 6-12 months' rent equivalent commonplace. |
| Rent Review | Rent reviews are generally to open market rent. For the majority of leases entered into prior to February 2010, rents cannot fall below passing levels, even if the market rate is lower. For leases that commenced after this date, or at lease expiry, rents are to the market rent, so can rise or fall. Indexation is not common practice but is being seen on an increasing basis, together with fixed uplifts. |
| Service Charges, Repairs and Insurance | A service charge is usually payable in multi-tenanted buildings and covers management fees, security, cleaning, landscaping, internal maintenance of common parts, external maintenance and insurance, servicing of elevators, water, heating, air conditioning, management fees and property taxes. It excludes internal maintenance and insurance of rented accommodation, utility charges and VAT. The landlord is responsible for external /structural matters in shopping centres (charged back via service charge) or tenant (except in multi-let buildings). The tenant is responsible for internal matters. The landlord usually insures the main structure and external fabric but will charge this back to the tenant. Insurance for common parts is also paid by the landlord and charged back. The tenant usually pays for internal insurance directly. |
| Property Taxes and other costs | The local government authority charge "commercial rates", the local property tax, which is payable on commercial property. A new rate is struck each year and this is applied to the rateable valuation of the property. Generally, rates will amount to approximately 20% of the rental but this varies. |
| Disposal of a Lease | Sub-letting is usually possible under the terms of the lease, subject to landlord's approval. Assignment rights are normally permitted in the lease but are also be subject to consent, which should not be unreasonably withheld. Early termination is predominantly only by break clause, to be negotiated at outset of lease by mutual consent. At lease end, the tenant is responsible for re-instating the premises to the same condition as at the start of the lease, subject to normal wear and tear. All tenant improvements must be approved by the landlord, subject to the alteration covenant in the lease and the fact that approval should not be unreasonably withheld. |
| Valuation Methods | Shops are valued on a 'zoning' basis on prime High Streets and Shopping Centres only. The retail zoning principle recognises that the area at the front of the shop, adjacent to its primary window frontage (normally referred to as "Zone A") is the most valuable in rental terms. The rate per square foot halves back through regular depths (i.e. the first three zones of 20 ft / 6.1m each) towards the rear of the ground floor, with "Zone B" valued at A/2, "Zone C" at A/4, "Zone D" at A/8 and a "Remainder" zone, typically valued at A/12. Upper and lower sales floors are similarly valued as a proportion of the "Zone A" rate, with basement and/or first floor sales accommodation typically taken at A/10, and ancillary at A/20. |
| Legislation | Landlord and Tenant Act, 1980 (as amended) and subsequent acts. Leases must be in writing and the lease document forms the standard documentation required. A mandatory standard form of lease does not exist although a market standard is in place. Tenants can now contract out of their rights to a new tenancy under legislation which can be useful in certain circumstances such as re-development, but is not as common in longer term leases. |

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WHAT'S NEXT

REDEFINING THE LANGUAGE OF
RETAIL & LEISURE