

A black and white photograph of a woman from the side, wearing a light-colored coat and a white knit hat. She is carrying several shopping bags over her shoulder. The background is blurred, suggesting an urban environment.

RETAIL MARKET SNAPSHOT

Q2
2022

Ireland Economic & Retail Market Overview ~ Q2

Despite increased risks and uncertainties on the global and national economic front as the war in Ukraine continues, all forecasts continue to indicate **economic expansion** in the short term.

The labour market is performing well. As of Q1 2022, a total of 2.5 million persons were in employment, reflecting an increase of 7.3% since Q1 2021. The **unemployment rate** was also down to 4.8% in Q1 2022.

Consumer prices on average, as measured by the CPI, increased by 0.9% in May 2022 when compared with the month previous and increased by +7.8% when compared on an annual basis.

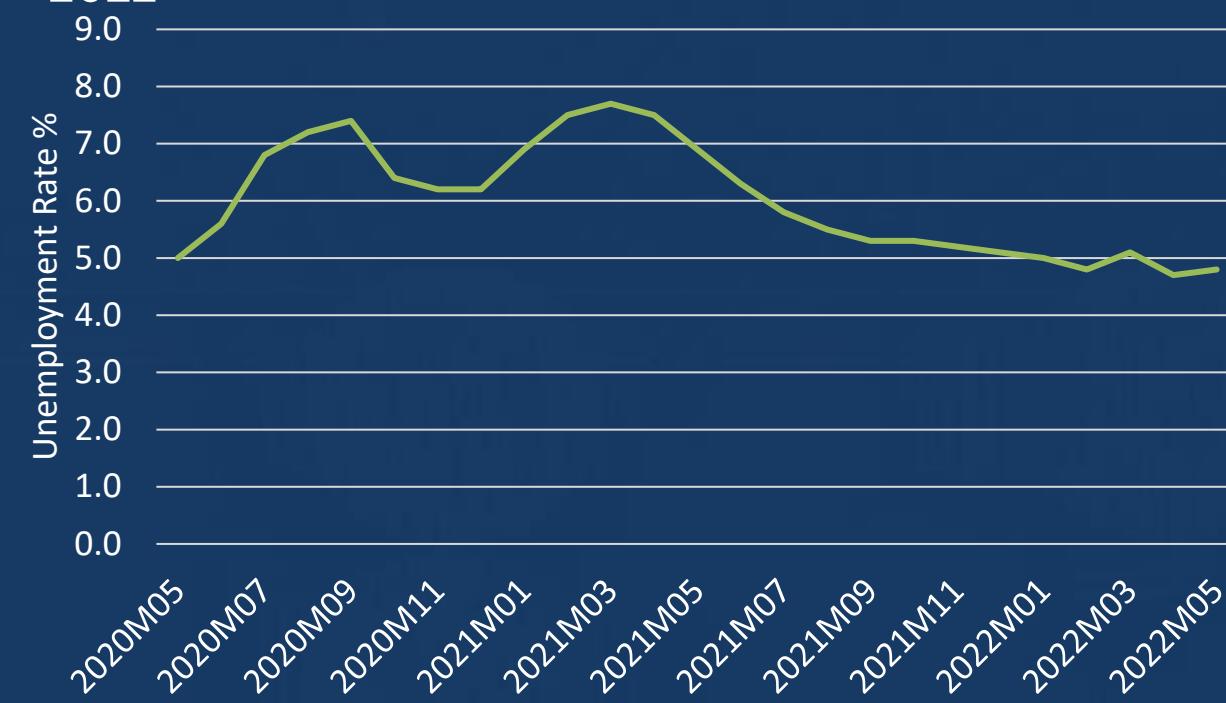
Personal consumption and modified domestic demand are forecasted to increase by 5.9% and 4.3% respectively, according to the Central Bank's July bulletin.

Detailed card spending data from the Central Bank of Ireland reveals spending reached €8.5billion in May, a 12% increase when compared with the month previous. This represents the highest value in spending since this statistical collection began.

According to preliminary estimates by the CSO, seasonally adjusted **average weekly earnings** in Ireland were approximately €870 in Q1 2022, an increase of 0.6% from the quarter previous.

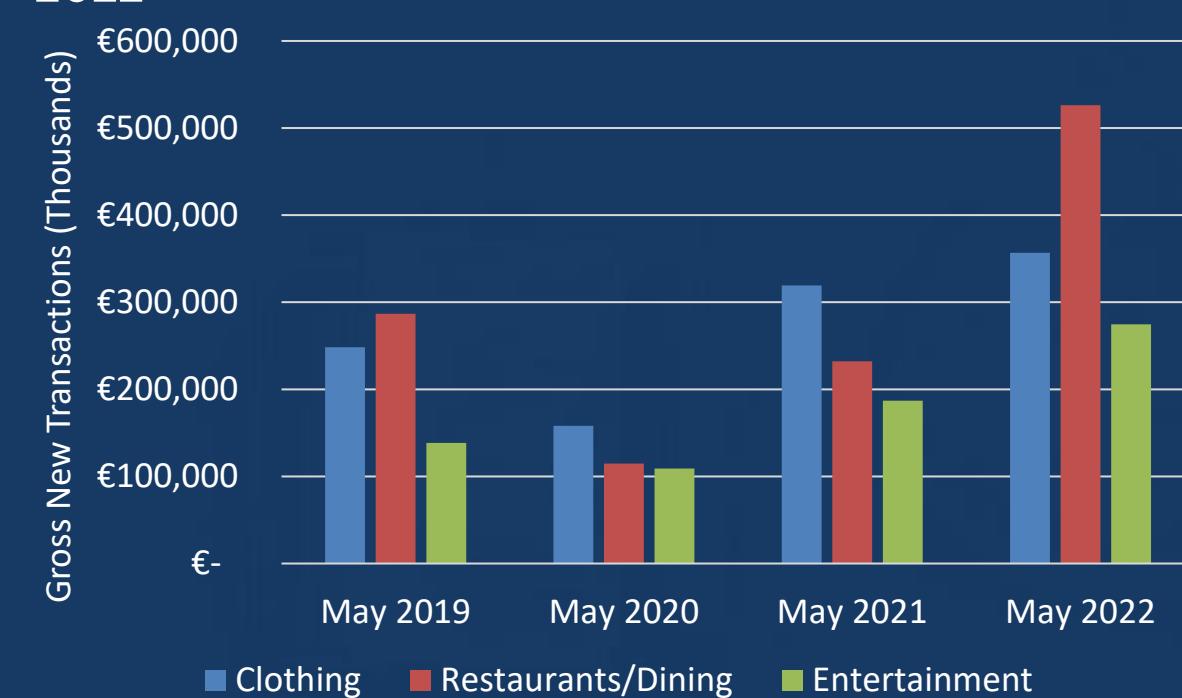
Irish Economic Overview

Monthly Unemployment Rate, May 2020 – May 2022



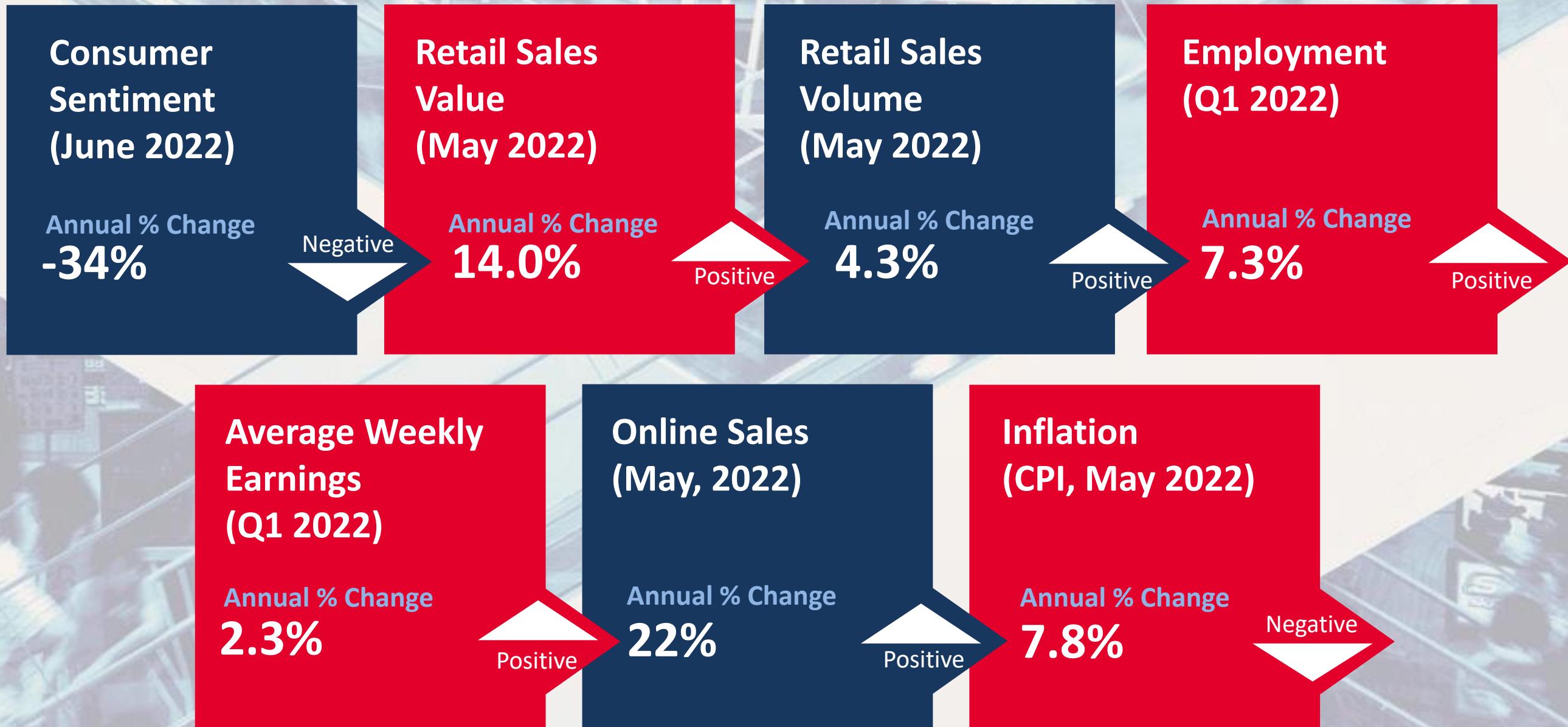
Source: Central Statistics Office

Monthly Card Spending Statistics, May 2019 – May 2022



Source: Central Bank of Ireland

Retail Market Economic Indicators ~ Q2



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).

Q2 Overview and Outlook

As 'normality' continues to re-establish itself, office workers returning to our cities and tourists returning to the country, there is a welcome air of positivity around at the end of quarter 2. As the nation emerges from restrictions and embraces shopping, partying, socialising and dining once more, the retailers and food & beverage operators are reaping the rewards of the pent up demand, for now.

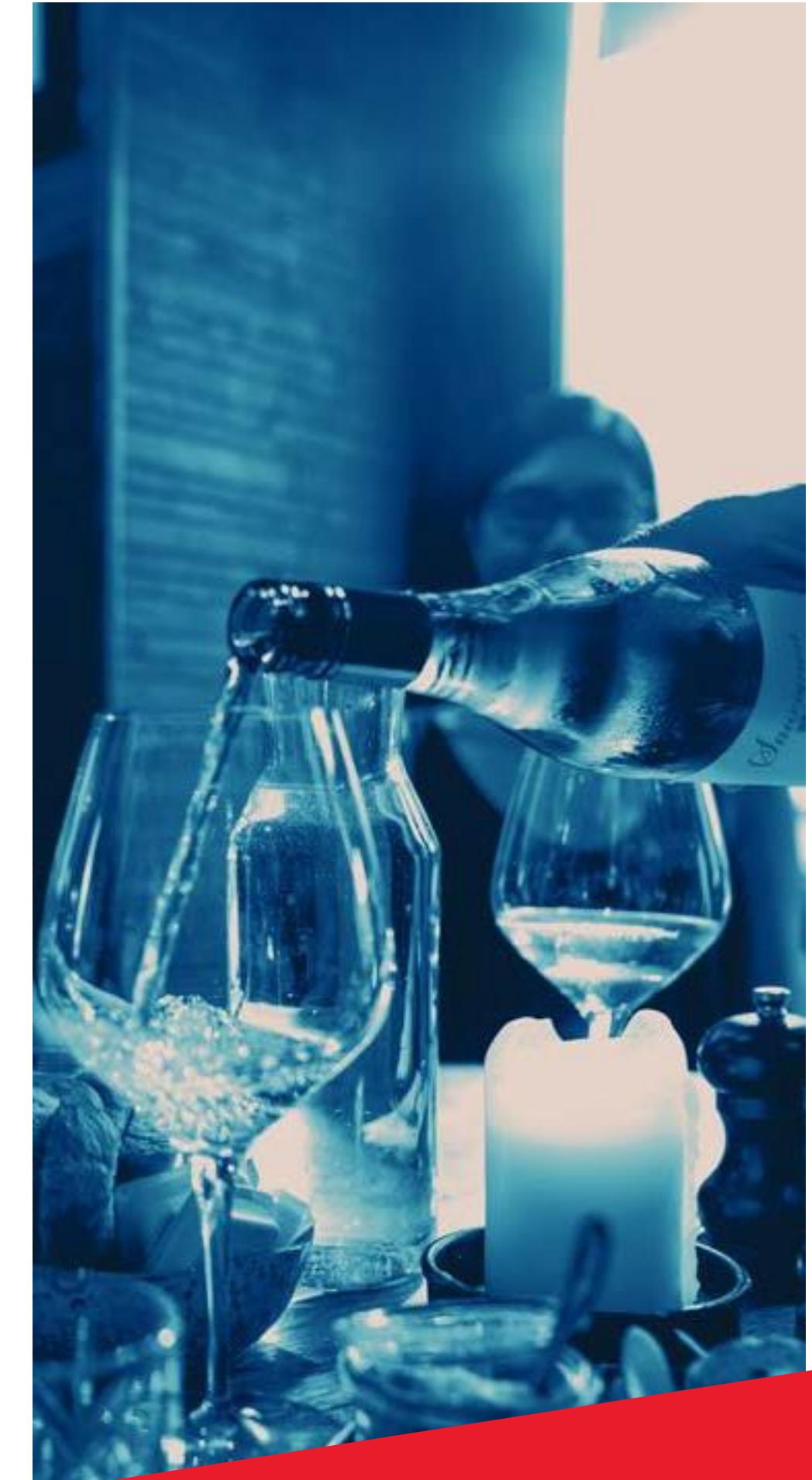
After a strong start to the year in terms of spending coupled with a welcome rise in tourism, a number of macro economic factors have started to impact consumer sentiment this quarter as we began to see further declining sentiment into quarter 2. Although KCB have reported a slight bounce in sentiment for June, this is thought to be a short lived and the previous four month decline is more reflective of the current pessimistic view. Despite this, Bank of Ireland debit and credit card analysis for May revealed a 13% overall monthly spending increase, as many consumers parked inflationary fears resulting in boosted sales across a variety of business areas. However according to Kantar, Irish grocery sales fell by 7.2% in April however, while overall sales are down online sales are up 3.2% year on year.

Despite the decline in grocery spending and the external challenges facing the market and the economy as a whole, there is a healthy level of activity across the retail market to include high streets, shopping centres and retail parks. A number of new requirements have come live this quarter and we are seeing good activity in the city centre particularly. We are also starting to see some competition in prime locations and the vacancy rates are gladly beginning to decline. Leasing activity on Grafton Street has continued into quarter 2 with some exciting new announcements including Russel & Bromley and Canada Goose who have recently signed deals for space on the street. In addition to this we understand there are a number of outstanding requirements for space in the city centre and no doubt we will see further activity into the second half of the year. Furthermore, as we start to see vacancies filled and positive leasing activity returns to the high street, we believe the rents on Grafton Street have bottomed out and we expect to see some level of growth to return in the latter part of the year.

Some emerging trends for 2022 as reported by Deloitte include; increased demand for a frictionless and contactless retail experience including checkout free stores and ultrafast delivery will become more mainstream; digital will become less and less confined to start-ups or online business as the major established retailers start to embrace digital as they diversify and move into completely new business lines, in order to utilise their assets better and find new sources of growth; and as Generation Z start to enter the work force and will have their own spending power, along with their distinctive needs and wants, which retailers and brands will need to consider and provide for going forward.

In terms of current local trends, retailers are seeing a reduction in online sales however the bounce in footfall and customers visiting the bricks and mortar stores has increased resulting in increased store sales. We expect to see further growth in the indigenous F&B market with a number of exciting live requirements, while the underserviced leisure market should start to evolve with numerous occupiers actively seeking space in Dublin city centre in particular.

Overall, there has been a strong level of leasing transactional activity across the market this quarter (and for the first half of the year) which we expect will continue into the second half of the year. We do however acknowledge that there are a number of challenges remaining in terms of staffing issues across retail and food & beverage, rising inflation impacting consumer spending, as well as increased construction and fit out costs which has impacted both landlords and tenants. How these challenges will impact the market in the short term remains to be seen however, the immediate outlook remains cautiously optimistic.



Q2 ~ Retail Investment Market Activity

The retail investment sector is starting to see the impact of higher inflation as consumer start to rein in spending. On a positive note however, the first half of 2022 has seen a number of key transactions take place including Manor West Retail Park in Tralee trade for over €50 million and both Ashbourne Town Centre, Co. Meath and Corrib Shopping Centre, Galway, both trade ahead of quoting levels. Moreover, as borrowing costs start to increase, we may see investor sentiment toward retail cool somewhat over the later half of the year.

On a positive note, given the arbitrage between borrowing costs and retail yields, we should see investors remain open to well-leased retail opportunities. As a result, we expect yields for all retail asset classes to either remain stable (especially in the case of retail parks), while in the case for shopping centres perhaps they will soften slightly.

The underlying fundamentals in the sector remain strong, with occupier demand holding steady, yields still appear attractive compared to other asset classes, while rebuild costs in most cases are still higher than the asset value itself.

Overall, we expect the market to remain relevant into the second half of 2022 and of interest to opportunistic investors with strong asset management skills.



IN THE NEWS...

GRAFTON STREET GEARING UP FOR OPENING OF NEW WAVE OF RETAILERS

International retailers are now vying for pitches in Dublin's premier shopping centre, in addition to five new lettings on Grafton Street. Undoubtedly, the success of oversea retailers, such as Lululemon, has further encouraged retailers to consider Dublin as a key location in their international expansion programmes. The introduction of Lego and Russell & Bromley on Grafton Street indicates the beginning of a fresh influx of new, high-profile occupiers. It is reported that Dr Martens and Anthropologie are looking for locations in the area and Skechers is reportedly close to signing a deal.

CENTRA SEE MOVE TO CHEAPER 'OWN BRANDS' AMID INFLATION

The convenience retailer have noted a large increase in demand in the company's own brand offering - up to 1,000 products which are 33% cheaper than established brands. Whilst Kantar state a 4.5% price inflation across the sector, Centra claim that inflation across their 483 stores throughout Ireland stood at 3.5% in March 2022. Thus, it is unspringing that Irish consumer sentiment fell from 67 in March to 57.7 in April, significantly below the long-term average of 86.6, reflecting concerns regarding intensified living costs.

IRELAND IS THE SECOND MOST EXPENSIVE EURO ZONE COUNTRY FOR FOOD AND ALCOHOL

The Republic is the second most expensive country in the euro area for food and alcohol and the most expensive for tobacco, according to the Central Statistics Office (CSO). Food prices are 17% above the EU27 average making the state the second most expensive jurisdiction in the euro zone behind Luxembourg.

PRIMARK ANNOUNCES EXPANSION OF SUSTAINABLE COTTON PROGRAMME

Primark announced plans to expand its Sustainable Cotton Programme in support of its goal to ensure all the cotton in its clothes is organic, recycled, or produced using sustainable practices by 2027. Given that more than 50% of Primark's clothes are made with cotton, this programme aims to offer 80% more training for smallholder cotton farmers, resulting in significant environmental improvements, tackling over dependence on chemical fertilisers and pesticides.

NEXT EXPERIENCE INCREASED SALES DESPITE DIP IN ONLINE SALES

Next stated that April sales continued to grow by 21.3% on the same period last year. However, the retailer noted that online sales had decreased by 11% annually. CEO of Next stated that the company expects a further price increase of 6.5% on fashion by the end of 2022, but the closing of stores within Russia and Ukraine will result in a loss of £85 million in sales and £18 million in profit.

INDITEX EXPERIENCES SIGNIFICANT REBOUND IN SALES AS SHOPPERS RETURN TO THE HIGH STREET

Spring retail sales rose by 36% as shoppers flooded back to their high street outlets. This significant rebound in footfall traffic offset the 6% decline in online sales. However, the temporary closure of 335 stores, in Russia and Ukraine, led to a €216m charge on the business during the quarter. Nevertheless, Inditex's ability to offer new fashion to consumers in an economic downturn indicates that they have the ability to further outperform sales in a wider recessionary environment.

UK RETAIL SALES SOAR IN APRIL DESPITE FASTEST INFLATION RISES IN DECADES

UK retail sales rose in April by 1.4%, despite economic forecasts that they would decline by 0.3%. Despite inflation peaking at 9%, the highest level recorded since 1980, retail sales remained high due to volume spending in supermarkets and online clothing. According to the Central Statistics Office (CSO), several sectors illustrated large annual increases. Clothing and footwear sales have increased 282% annually and department store sales increased by 117% annually, reflecting post pandemic recovery despite threat to real incomes caused by inflation.

FRASERS GROUP ACQUIRES MISSGUIDED

British retail and intellectual property group Frasers Group (FG) has bought online women's fashion retailer, Missguided, out of administration for a reported £20m. FG plans to operate Missguided as a standalone business within the group.





ELSEWHERE

Zara strikes a deal to occupy a new outlet unit in Blanchardstown. The unit was previously occupied by Debenhams, enabling Zara to grow their footprint at Blanchardstown from 16,000sq ft to 52,000sq ft.

Primark have opened their new store in Carlow Town. The €12 million investment is the first major milestone as part of the €250 million which the retailer has committed to invest in Ireland over the next ten years.

Flannels have announced they are set to open three new stores in Blanchardstown, Cork and a flagship store in Dublin. All of these stores are set to open between Autumn 2022 and Summer 2023.

Russell & Bromley is to open its first store outside of its domestic UK market with a deal signed for key Dublin shopping location on Grafton street. Based on the success of this store, a second Dublin location is could be on the cards.

Hawksmoor will open upmarket steakhouse in high-profile Dublin building, the former National Bank premises formerly occupied by Abercrombie & Fitch on College Green. The company intend to open their Dublin restaurant in Spring 2023 subject to planning permission.

SPAR intends to significantly expand their store network within Ireland by opening an additional 30 new stores. New locations include a prime site on the new Strand View in Bray, Clancy Quay and Carrickmines. In each of these stores, SPAR places emphasises on modern and unique store design, combined with a high quality grocery offering to ensure that the brand remains attractive to independent retailers wanting to capitalise on new opportunities.

Brown Thomas in Arnotts are offering new opportunities for five local Irish start-ups to pitch for a retail opportunity in store and online. This is in addition to a €10,000 business development fund, part of the Pitch 22 initiative.

Next have partnered with a group of finance firms to buy baby goods retailer **JoJo Maman Bébé**. The high street giant acquired 44% of the firms shares, with the intention to keep the baby goods retailer separate to retain their brand identity, values and talent.

French Connection are the first major fashion brand to launch on-demand rental service for latest-season stock in the UK. This move reflects the increasing importance being placed on sustainable and circular fashion by global fashion retailers.

Sports Direct's newly appointed CEO unveiled plans to open ten new flagship stores. Furthermore, he plans to make these stores different to previous stores to ensure that people have a "reason to shop".

Four retailers including **TM Lewin, Cath Kidston, Debenhams and Topshop** have all secured administration deals enabling re-launches as online only brands. Each retailer now positions themselves as a digital-first department store and marketplace, adopting a new capital light and lower risk operating models.

The White Company reported that operating profits have doubled, increasing by an impressive 122% throughout the 2020/21 financial year. The lifestyle retailer stated that it had experienced high demand in home-related retail during the pandemic, coupled with strong performance following the reopening of stores post pandemic.

LK Bennett plans on growing their retail footprint, eyeing opportunities for further expansions following their most recent store opening in Hampstead in London in April.

The US beauty brand **Glossier** is to increase prices as cost rise. They put a banner across their website announcing the price of some products would increase by \$1 to \$4, starting July 6th due to “higher production costs.”



Recent Retailer Activity

- **Blanchardstown Shopping Centre** has welcomed new tenants Chatime and Sky, in addition to announcing that a deal has been secured with Zara to expand into the former Debenhams unit.
- **Pret a manger** announced further plans to expand across the island of Ireland, opening 20 new stores including Dawson Street which is set to open in Summer 2022.
- **Leon's** Irish franchise closes three stores in Dublin, located in Liffey Valley, Temple Bar's Crown Valley and Millennium Walkway as urban eating habits change as a result of COVID-19.
- Following the success of their 18 month temporary store at No 83 Grafton Street, Canadian luxury outerwear brand **Canada Goose** have signed a long term deal on 64 Grafton Street (formerly Monsoon).
- **Tesco** opened its doors to new express store at Spencer Dock, Dublin 1. The store has been designed to reflect sustainability commitments.
- **Sweaty Betty** have reportedly secured their first Irish store on South Anne Street.
- **Gym plus Coffee** opened the doors to their newest Clubhouse store in Swords Pavilions in April 2022, bringing their total number of stores to 13 stores across Ireland and the UK.
- **Krispy Kreme** have opened their newest outlet at Liffey Valley Shopping Centre. They have also announced that they plan to expand further throughout Ireland over the coming months.
- **Rituals Cosmetics** have signed a lease in The Marshes Shopping Centre, Dundalk. Their expansion plans nationwide continues with additional target locations identified.
- **Avoca** opened their fourteenth store in **Kildare Village**, totalling 2110 sq. ft. Additional pop-up stores to enter the village include Brides Do Good, Spectrum Collections and Max Benjamin.
- **Costa Coffee** have opened their first Irish Drive Thru in Blackwater Retail Park, Navan.
- **Sky** opened the third of their flagship retail stores at Mahon Point shopping centre. This followed the opening of Sky's first two retail stores earlier this year in Blanchardstown and Crescent Shopping Centres. The final store in Dundrum Town Centre is set to open later this month.
- Discount store **Dealz** plan to launch online store in Ireland after purchasing Poundshop.com, providing the business with the infrastructure for ecommerce operations. The company announced that their next steps involve widening the business offering by adding PEP&CO clothing and homeware lines.
- **Skechers** have opened their newest store in Navan Shopping Centre and strong trade has been reported.
- Fashion retailer **Club L London** launched it's dedicated Irish website at the end of May this year. This move was initiated after Club L London recognised that online orders in Ireland figures increased by 91% in Q1 2022.



Active Retailer Requirements

/ Retail



SuperValu

fresh
THE GOOD FOOD MARKET



ANTHROPOLOGIE

DV8

OLIVER
BONAS

FRASERS
GROUP

HOMESENSE



Hale

DUNNES
STORES

Calvin Klein

Dealz

DECATHLON



Bonmarché

R I T
U A L
S ...
COSMETICS

^R
The Range
Home, Leisure & Garden



TK MAXX

TESCO

UNIQLO

SPORTS
DIRECT.com

MONKI

PartyDelights

Lovisa

ace & tate

Active Retailer Requirements / Leisure



TRIB3

F45

énergie
fitness
where you belong...

IMMERSIVE
STUDIOS

DIGME

FLIGHT CLUB®
SOCIAL DARTS®

5i



yogahub

UBX™
BOXING + STRENGTH

MOVIES
@

TIVOLI
CINEMA CAFE BAR

Active Retailer Requirements / Food & Beverage

Butlers

The
NATURAL
BAKERY

M

Romayo's
Diner

Tim Hortons



ORGANIC COFFEE
★ PRET ★
FRESHLY MADE FOOD

base
WOOD FIRED
PIZZA

Krispy Kreme
DOUGHNUTS

SaNo

GRIOLLADH
GRILLED CHEESE & TASTY BEVERAGES

Murashi

B

CHILICH

nobó

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



ELEANOR WOOD
NEGOTIATOR
Eleanor.Wood@cushwake.com



JOANNA BERRY
NEGOTIATOR
Joanna.berry@cushwake.com



www.cushmanwakefield.ie



01 639 9300



@CWRetail_Irl