

Figures

Dublin Retail Market

Q2 2024

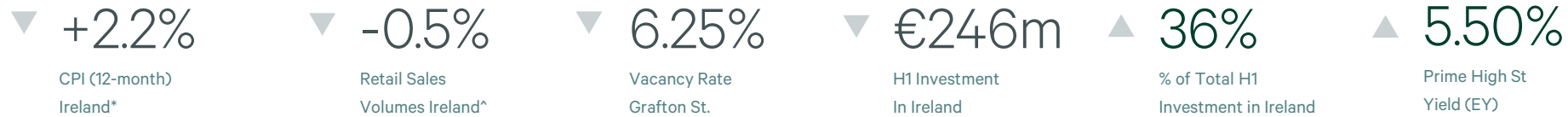
Experiential & Leisure Offerings Bringing a New Dynamic to the Retail Market

CBRE RESEARCH

JULY 2024



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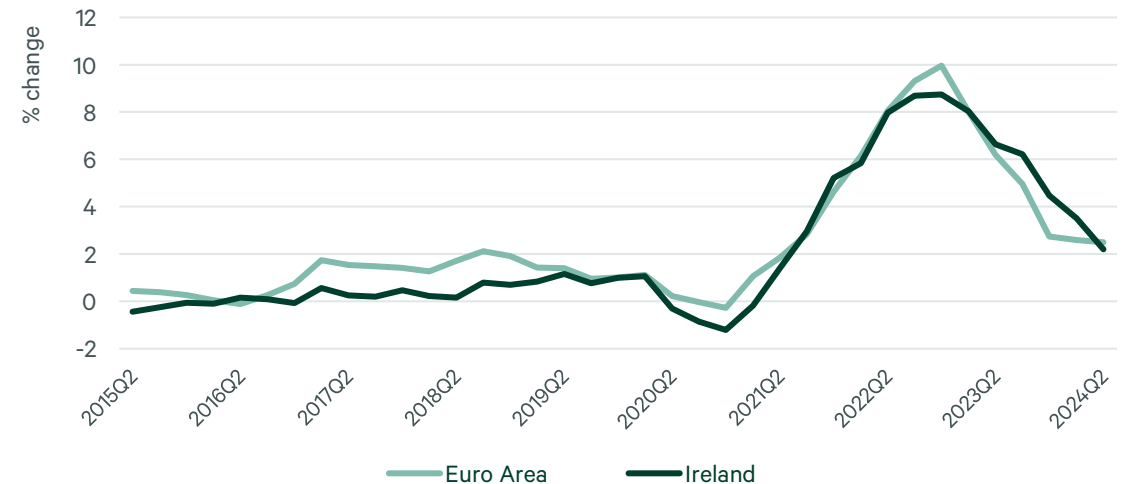


Note: Arrows indicate change from previous quarter.
 *End Q2 2024
 ^End May 2024

Q2 Highlights

- Irish consumer price inflation has fallen in recent months, from +4.6% in December to +2.2% in June, and is now close to reaching the target +2% rate
- Although retail sales volumes have fallen year-on-year (y-o-y), Ireland’s sales volumes index continue to trend higher than the equivalent Eurozone benchmark
- In the last 12 months, a number of international retailers have entered the Irish market, while existing brands are also seeking expansion opportunities
- Several international brands providing an experiential retail and leisure offering are set to make their debut in the Irish market, including Barry’s, Bounce Ping Pong, Flight Club, Pitch Golf, Sandbox VR and Lane7 Bowling
- Shopping centres and retail parks both continue to perform well. At the end of Q1, the MSCI reported that the vacancy rate in shopping centres and retail parks nationally was 2.8% and 4.1% respectively
- For the second consecutive quarter, retail was the most invested sector in the Irish market accounting for 34% of all spend (36% in H1). Retail parks accounted for 60% of all retail investment in H1
- One of the most high-profile deals of H1 was the sale of two retail parks, Deerpark Retail Park in Kerry and Letterkenny Retail Park in Donegal, to Investcorp for approximately €40 million

FIGURE 1: Consumer Price Index – 12 Month % Change



Source: Oxford Economics

Retail Economics

Inflation & Retail Sales

The annual Irish consumer price inflation rate has fallen this year from +4.6% in December to +2.2% in June and is now close to reaching the target +2% rate. Notably, this is the lowest Irish inflation reading in almost three years. Irish inflation is now trending lower than in the Euro Area (+2.5%) for the first time since Q1 2023. Slowing price inflation will have a positive impact on consumer purchasing power and retail sales through the rest of the year.

While retail sales volumes in Ireland fell 0.5% in the 12 months to the end of May 2024, it is important to note that sales remain considerably higher (approx. 9%) when compared to May 2019. By sector, the largest annual volume declines in May included ‘Hardware, Paints & Glass’ (-5.5%) and ‘Department Stores’ (-4.0%), while sectors showing the highest growth included ‘Books, Newspapers & Stationery’ (+8.1%) and ‘Clothing, Footwear & Textiles’ (+4.9%).

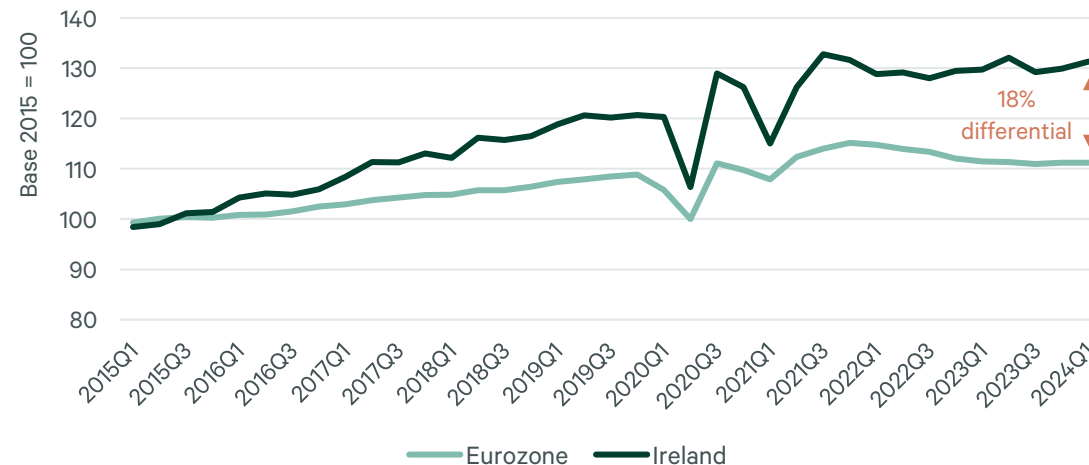
Irish retail sales volumes continue to trend higher than the Eurozone average over the long run, according to data from Oxford Economics. At the end of Q1, there was an 18% differential in the performance of the Irish retail sales index versus the Eurozone index, when based to 2015.

Wages & Savings

The Irish labour market remains in rude health, with national employment levels at an all-time high of 2.7 million people and the unemployment rate now standing at just 4.2%. Employment levels are forecast to continue to trend upward, and the Irish Central Bank predicts that the nominal employment rate will reach 2.8 million people by the end of 2025. While a robust employment market is clearly a positive indicator for the economy, retailers are now consistently highlighting ‘labour cost & availability’ as a challenge for their operations.

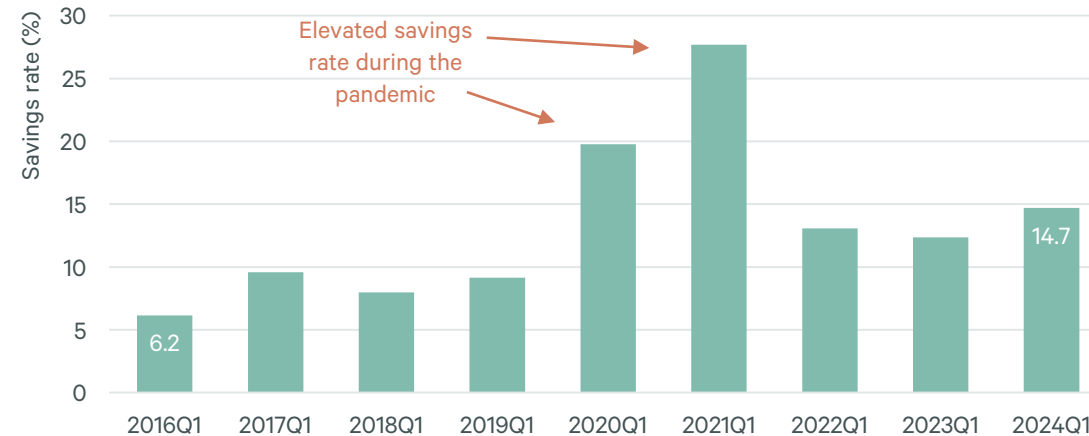
Wages and disposable income continue to rise, with total household disposable income having increased by 45% since 2019 and average weekly earnings increasing by 26% in the same timeframe. Naturally, household savings rose during the Covid-19 pandemic, and while the savings ratio has returned to a more moderate level of 14.7%, this is still comfortably above the pre-pandemic average of approximately 10%.

FIGURE 2: Retail Sales Volumes (Ireland* v Eurozone)



Source: Oxford Economics; *national retail sales index excluding motor trades

FIGURE 3: National Household Savings Rate



Source: CSO

City Centre

New Signings & Openings

Encouragingly, in the last 12 months, a number of international retailers have entered the Irish market and have chosen to locate on prime Dublin high streets, while several existing brands are also seeking expansion opportunities.

A highlight deal of the year so far in the city centre was Zara’s expansion of their current store on South King Street into an adjacent unit previously occupied by H&M. This expansion will see Zara’s presence on the street grow from 1,300 sq m to 3,100 sq m (due to reopen in September).

Elsewhere in the south city centre, Spanish fashion retailer Mango has agreed to a deal at 112-113 Grafton Street, as they continue to grow their Irish presence, while CBRE understands that fast-growing athletic apparel brand, Alo Yoga, has also made an offer on space on the street. Separately, H&M-owned clothing brand, Arket, are due to open their first Irish store at Grafton Place (60 Dawson Street) later this year.

On the north side of the city, international sporting goods retailer Decathlon opened its first city centre store at Clerys Quarter on O’Connell Street in Q2, having recently signed a long-term lease. Alongside Decathlon, the Clerys Quarter development is now also anchored by H&M, who opened their flagship store there in Q1. These two strong anchor tenants will draw footfall and retail interest on O’Connell Street and the surrounding streets.

Also in H1, Bolands Mills, Google’s new mixed-use development in Grand Canal Dock secured lease up of over 80%, attracting a number of new independent brands and due to open in late 2024. These include a bar by the Animal Collective and a Reformation Pilates studio.

Vacancy Rate

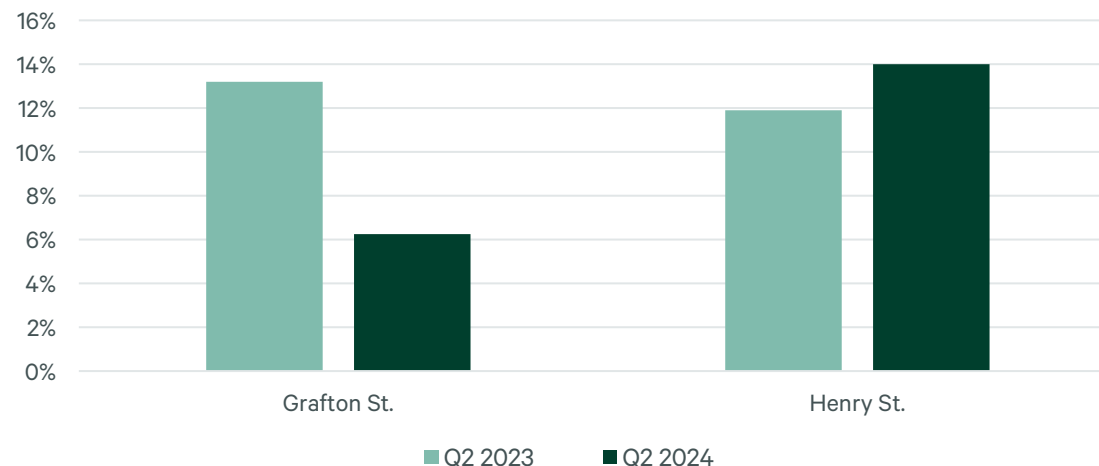
At the end of Q2, the vacancy rate on Grafton Street, when taking account of space that has lease agreements in place (but not necessarily trading yet), was 6.25%, with just six of the 96 units on the street vacant, primarily smaller units (<150 sq m). While on Henry Street, the vacancy rate stood at 14% (nine units).

FIGURE 4: Notable City Centre Take-Up H1 2024

Quarter	Tenant	Sector	Address	Approx Size Sq M
Q2	Zara	Fashion & Footwear	South King Street	3,100
Q1	Decathlon	Sportswear	Clerys Quarter	2,800
Q1	Arket	Fashion/Homeware	Grafton Place	1,150
Q2	Mango	Fashion & Footwear	Grafton Street	850
Q2	Kiko	Cosmetics	Henry Street	120

Source: CBRE Research

FIGURE 5: City Centre Vacancy Rates



Source: CBRE Research

Experiential Retail, Leisure & F&B

Several international brands providing an experiential retail and leisure offering are starting to enter the Irish market. Barry’s recently announced their expansion into Ireland. Having signed a long-term lease in Q2, the boutique fitness franchise is due to open at One Molesworth Street later this year.

Several other experiential retail and leisure concepts are expanding to Dublin. Flight Club, a social darts franchise, is due to open at the Dawson Hotel. Bounce, a ping pong bar, has also agreed a lease at Central Plaza, the former Irish Central Bank building in the city centre. Lane7, a bowling alley and bar, recently announced plans to expand into Dublin, by opening two stores at Chatham & King and Dundrum Town Centre. This will mark the brand’s first venue outside of the UK.

Last year, Pitch, an indoor golf experience, agreed to lease 840 sq m of space at Grafton Place (60 Dawson Street) and Sandbox VR, a virtual reality experience, is also set to open at the same location. These experiential retail and leisure offerings will be a positive addition to Dublin’s retail and nighttime economy.

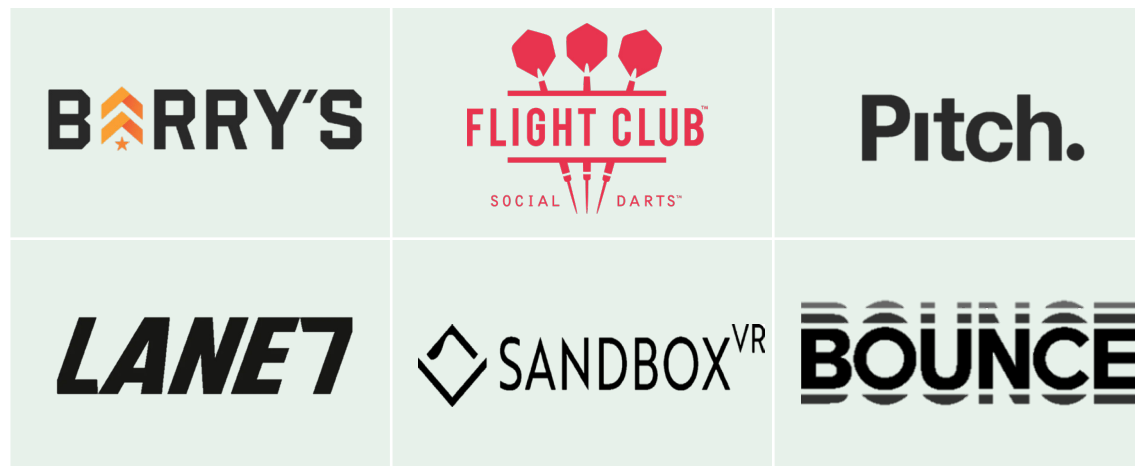
Food & Beverage (F&B)

Several new F&B offerings have opened in Dublin in recent months, particularly in the upmarket category. Jean-Georges Vongerichten opened his eponymous restaurant at the recently opened Leinster Hotel on Merrion Square, marking his entry into the Irish market. NolaClan, the group behind the late bars House and 37 Dawson Street, is set to open a rooftop restaurant at Central Plaza on Dame Street.

One interesting trend in the F&B market in Dublin is the growing interest in pizza slice shop concepts. Following the success of Bambino on Stephen Street Lower and Mani on Drury Street, numerous pizza restaurants are looking to open ‘slice shops’.

Take-up for prime city centre restaurants is strong, with several deals in legals due to complete before year end and CBRE understands there will be four to five new market entrants while national and independent brands continue to seek opportunities.

FIGURE 6: New Experiential Retail & Leisure Offerings in Dublin



Source: CBRE Research

FIGURE 7: Experiential Retail & Leisure Highlight H1 2024

OCCUPIER: Barry’s

LOCATION: One Molesworth Street

MARKET COMMENT:

Global fitness franchise Barry’s signed a long-term lease for 450 sq m (4,860 sq ft) at Henderson Park’s One Molesworth Street in Q2.

This will be Barry’s first studio in Ireland and is due to open before year end.



Source: CBRE Research

Shopping Centres, Retail Parks & Supermarkets

Shopping centres in Dublin continue to perform well and enjoy strong footfall and occupancy levels. Data from MSCI shows that the national vacancy rate in the shopping centres covered by in the Irish index was just 2.8% at the end of Q1 2024, down from 15.3% in Q1 2022.

Blanchardstown Centre is operating at close to full occupancy, and footfall levels at the shopping centre are reaching all-time highs. Shopping centre asset manager Falcon AM reported record levels of footfall at the centre for May 2024. Blanchardstown has witnessed a number of new openings recently, including FatFace, Salsa Jeans and Bperfect Cosmetics. Hobbs, Phase Eight, and The North Face are also due to open soon.

At Dundrum Town Centre, Hammerson reported a 3.3% increase in footfall at the centre year-on-year in 2023. Leasing activity is also healthy. In May, Mango opened its sixth Irish store in the centre, while Space NK, a cosmetics brand, has also recently opened its second Irish store at Dundrum. JD Sports, a sportswear retailer, is also reportedly doubling its existing footprint at the shopping centre.

Retail parks are also trading well. At the end of Q1, MSCI reported a national vacancy rate of just 4.1% at the basket of properties covered in the Irish index. Available units at retail parks nationally continue to see strong demand, with demand now outweighing supply. Recent retail warehouse openings include JYSK in Liffey Valley Retail Park and EZ Living Interiors in Belgard Retail Park. Notably, Chemist Warehouse recently doubled their original store size in Blanchardstown’s West End Shopping Park.

Some rental growth is now evident in certain retail subsectors, particularly in retail parks and in prime shopping centres. The availability of units is low and competitive tension can arise for select space.

Supermarkets continue to record strong trading levels. Data from Kantar indicates that grocery price inflation has cooled, with the lowest inflation level since March 2022 recorded in June (+2.5% in the 12 weeks to June), while national grocery sales also increased by 3.4% nationally in the 4 weeks to June. All of the major chains continue to seek new space.

FIGURE 8: Notable Shopping Centre Take-Up H1 2024

Quarter	Tenant	Sector	Centre	Approx Size Sq M
Q1	Mango	Fashion & Footwear	Dundrum	500
Q1	The North Face	Fashion & Footwear	Blanchardstown	300
Q1	FatFace	Fashion & Footwear	Blanchardstown	260
Q2	Accessorize	Fashion & Footwear	Blanchardstown	80
Q1	Phase Eight	Fashion & Footwear	Blanchardstown	644*
Q1	Hobbs	Fashion & Footwear	Blanchardstown	

Source: CBRE Research; *Combined Size, Units are Adjacent

FIGURE 9: Shopping Centre Opening Highlight H1 2024

OCCUPIER: FatFace

LOCATION: Blanchardstown Centre

MARKET COMMENT:

British clothing brand FatFace signed a long-term lease at Blanchardstown Centre at the beginning of 2024. The store opened in May at unit 302. It is the brand’s first new full price store in Ireland in 14 years.



Source: CBRE Research

Investment Activity

In Q2, for the second consecutive quarter, retail was the most invested sector in the Irish market, accounting for 34% of all spend. A total of €246 million was deployed into retail properties in H1, across 16 separate transactions (36% of all investment).

While shopping centres have traditionally been the driver of Irish retail investment, in the last 12 months, retail parks have been the most sought-after assets. In the year to date, retail parks and warehouses have accounted for approximately 60% of retail spend. Notably, the top three retail transactions in H1 were retail parks.

One of the most high-profile retail transactions of H1 was the sale of two regional retail parks, Deerpark Retail Park in Kerry and Letterkenny Retail Park in Donegal, to Middle-Eastern investor Investcorp for approx. €40 million. Notably, the transaction represents Investcorp’s entry into the Irish market and the company’s first retail park acquisition in Europe. The strong operational fundamentals of national retail parks, the high yields available, and the stable valuations in the sector are the key draws for investors.

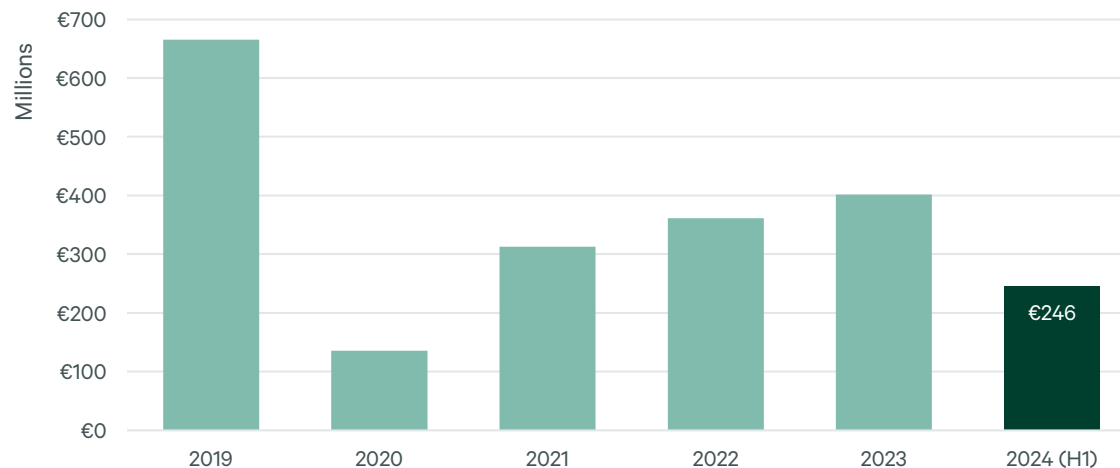
Active Investors

French funds continue to be active acquirers of retail assets in Ireland. In the year to date, French funds have accounted for 40% of all retail investment. The largest retail transaction this year is the sale of Mahon Point Retail Park in Cork to French Fund Corum (€50m). Also, Iroko Zen, another French SCPI, acquired Kilkenny Retail Park in Q1 (€25m). Private capital is also active in the retail market, accounting for a total of seven transactions in the year to date.

Large-Scale Transactions

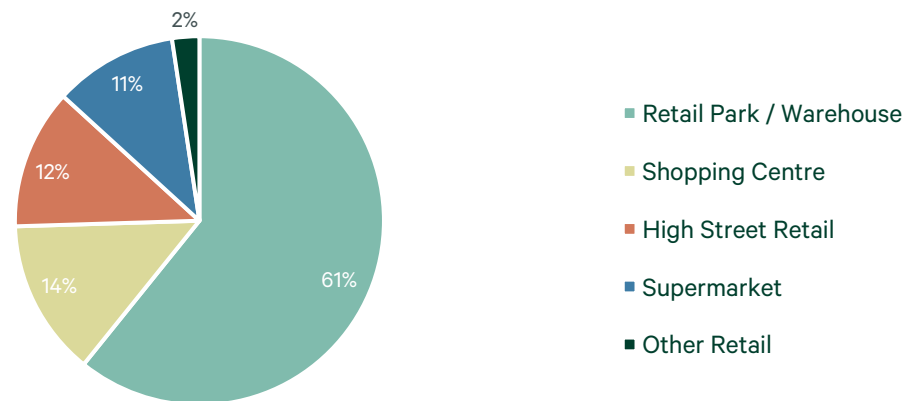
Post quarter-end, it was announced that Hammerson has sold its entire minority stake in Value Retail to L Catterton, a private equity firm backed by the LVMH Group, for an enterprise value of £1.5bn. Value Retail, which operates as ‘the Bicester Collection’, has nine luxury outlet centres in Europe, including Kildare Village in Ireland. Separately the sale of two large-scale prime Dublin shopping centres remain ongoing.

FIGURE 10: Ireland Retail Investment Volumes 2019 - H1 2024



Source: CBRE Research

FIGURE 11: Ireland Retail Investment H1 2024 - Split by Sub Sector



Source: CBRE Research

FIGURE 12: Notable Irish Retail Investment Transactions H1 2024

Period	Property	Location	Sub Sector	Sale Price (Approx. Million)	Purchaser	Vendor
Q2	Mahon Point Retail Park	Co. Cork	Retail Park	€50m	Corum AM	IPUT
Q2	Deerpark Retail Park & Letterkenny Retail Park	Co. Kerry & Donegal	Retail Park	€40m	Investcorp	Davidson Kempner
Q1	Gulliver's Retail Park	Dublin 9	Retail Park	€29.5m	Minaun Capital	Cosgrave Property Group
Q2	Tesco Balbriggan	Co. Dublin	Supermarket	€26.6m	Realty Income Corporation	Varde Partners
Q1	Kilkenny Retail Park	Co. Kilkenny	Retail Park	€25m	Iroko Zen	Aviva

Source: CBRE Research

Investment Yields

- While other sectors have seen significant valuation declines in the last two years, certain retail subsectors have shown some of the most resilient pricing in the market.
- Yields on secondary retail parks warehouses, for example, have expanded by just +25 bps since mid-2022. This is due to the fact that many retail assets had largely repriced in the years prior to 2022.
- Retail warehouses and supermarkets are some of the few subsectors where yields are now trending 'stable'.
- The retail sector, however, has not been immune to valuation declines. Prime shopping centres have seen yields widen by +175 bps in the last two years, including a +100 bps expansion since the end of Q2 2023.
- Similarly, prime high street yields have expanded by +75 bps in the last 12-months. There were a number of high street retail trades in H1, most notably the Grafton Street Collection which traded at a price which supports a guideline prime yield of 5.50%.

FIGURE 13: Ireland Retail Investment Yields (EY) Q2 2024



Source: CBRE Research

Figure 14: Bolands Mills, Dublin 4; Approx. 80% of Available Retail Space is Now Let



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