



RETAIL



2016 RETAIL YEAR



JAN

The **KBC / ESRI Consumer Sentiment Index** rose to a 15 year high with expectations for the year ahead positive following strong Christmas sales.

SuperValu continued as market share leader, capturing 25% of the grocery market but Dunnes Stores made the largest gains.

Another landmark store in the O'Connell Street area, **Boyers**, closed its doors after 100 years.

The 110,000 sqm **Blanchardstown Centre** was put on the market by **Green Property** and was eventually sold in June to **Blackstone** for a reported €950m.

For the fourth time since the 1990s, a liquidator was appointed to **XtraVision**. The company, owned by **Hilco Capital** since 2013, operated 83 stores across Ireland, which have all since closed.



FEB

The **general election** took place on the 26th February but it took 63 days to form a government. This, along with **Brexit** and other global worries, resulted in significant uncertainty and consumer sentiment experienced the largest monthly drop in 17 months.

Ann Summers leased the former Pamela Scott premises at 3 Henry Street. A number of retailers had expressed an interest in the store resulting in competitive bidding. A Zone A rental rate of €4,845 psm was agreed.



MAR

1916 commemorations began and retailers benefited from an early Easter.

SuperValu remained the grocery market leader with a market share of 23.1%. **Tesco** stayed in second place at 22.2% and **Dunnes Stores** were at 21.8% at the end of the month.



APR

TK Maxx opened a store in **Douglas Village Shopping Centre**, its second store in Cork and its 23rd in Ireland. As is usual with this retailer, it agreed a deal whereby rent would be set on a percentage of turnover basis, reportedly at 5% with a 24 month rent free period.

British department store **BHS** was put into Administration. Rescue attempts failed and the decision to wind down the 88 year old company and close all 163 stores came in June.



MAY

IKEA signed a lease on their second store in Dublin, a smaller 'Order and Collect' facility. The opening adds to the success of Carrickmines Retail Park as Ireland's number one retail park.

Sports Direct bought Boyers' former store on Talbot Street for €12m. This added to Sports Direct's investment in Ireland in 2016 with the firm having acquired the outstanding shares in the Heatons chain in March.



JUN

The United Kingdom voted to exit the EU following a referendum. This immediately had an impact on the sterling / euro exchange rate making it more favourable for consumers to shop in Northern Ireland.

In one of the few lease premium deals of the year, **Loake Shoes** acquired the lease of French tea company, Palais des Thes, at 31 Wicklow Street, Dublin 2. A premium of €75,000 was paid.

The US women's lingerie company **Victoria's Secret** was reported as the new occupier of 28-29 Grafton Street, Dublin 2 formally occupied by **BT2**. The retailer is paying a Zone A rent of €6,900 psm.



JUL

The ownership of **Dundrum Town Centre** officially changed as **Hammerson** and **Allianz Real Estate** concluded an agreement with Chartered Land. This followed the sale of the loans relating to the centre in 2015.

GNC, the American health food brand, opened a store on Henry Street at a Zone A rent of €3,400 psm.



AUG

Consumer sentiment, measured by **KBC Bank Ireland** and the **ESRI**, recovered most of the post Brexit fall.

Further expansion of **Liffey Valley Shopping Centre** was granted permission with an Olympic-sized ice rink a key element. Affordable retail units and a Garda office will also form part of the development.

The High Court approved the restructuring of **Debenhams'** Irish arm with discounts applied to unsecured creditors and various leases restructured.



SEPT

Following the reopening of a number of stores in 2015, **HMV** announced the closure of stores in Ireland once again. The **HMV** brand will focus on an online video streaming service with owners, **Hilco Capital**, investing €6.4m into the venture.

Harvey Norman confirmed expansion plans as sales in its 13 Irish stores increased by 10%. The retailer is actively seeking to move into regional markets.

Retail Excellence Ireland reported that Dublin retailers experienced declines in sales of between 25% and 60% on the days of Dublin Bus strikes.



OCT

L'Oreal lodged a planning application for change of use at 50 Grafton Street, which it plans to operate as a "high class shop" under one of its brands. Under the Grafton Street Area of Special Planning Control a number of uses, including cosmetics, requires planning permission for change of use.

Topshop announced that it is to open a new store in the Jervis Shopping Centre. This centre is currently home to a number of **Arcadia** brands including **Wallis**, **Miss Selfridge**, **Burton**, **Topshop** and **Topman**. The five stores will be replaced with one 1,900 sqm store. The rent is reported to be €1.25m.



NOV

The US presidential election took place with Donald Trump elected the new president.

Bypassing SuperValu and Tesco, **Dunnes Stores** was identified as Ireland's largest grocery retailer, increasing its market share to 22.6%. The success is largely down to its "Shop and Save" campaign whereby shoppers receive a €10 voucher for every €50 spent.

Avoca opened its 12th store, in Dunboyne, Co. Meath, which is the largest Avoca store in Ireland.



DEC

A brand owned by the Swedish retail company **H&M, & Other Stories**, finally opened its doors at 26/27 Grafton Street. The building, which was previously occupied by **A-Wear** and **HMV**, has undergone extensive refurbishment works to create a light-filled store.

Penneys opened a new 5,000 sqm store in the recently finished western extension of **Liffey Valley Shopping Centre**.



ZIZZI, DUNDRUM TOWN CENTRE

2016 REVIEW AND OUTLOOK FOR 2017

2016 was a year of uncertainty for retailers and consumers both internationally and at home.

Brexit, the US Presidential elections and domestically, the general election and stability of the government, caused volatility in consumer sentiment and fluctuations in consumer spending. This uncertainty will continue into 2017 as consumers get to grips on how these macro issues will impact upon their households and spending capacity.

The ultimate effects of Brexit on the Irish economy, retailers and consumers are still unknown. However, some short-term impacts have already emerged. Retailers are coming under pressure as sterling weakens and their cost base rises. They also have the added problem of consumers travelling to Northern Ireland to benefit from cheaper products. This will continue to be an issue for them and their business plans in 2017.

CSO data show that the volume and value of retail sales rose by 4.3% and 2.1% respectively in the 12 months to November 2016 (motor trades excluded). Notably, the gap between the volume and value of core retail sales remained throughout 2016 with the former now just 2.5% behind peak 2007 levels, while the value of sales remained 12.5% behind peak levels. The shift in consumer buying patterns

is now evident and the trend in heavy price discounting that was a feature of 2016 is likely to continue into 2017. Consumers are well accustomed to seeking out a bargain and steer towards discounted items. Retailers will need to find innovative ways to try change consumer behaviour and increase the value of retail sales as this trend has been in place since the recession. Interestingly, Dunnes Stores has put its recent success as Ireland's number one supermarket down to encouraging larger shopping trips through its innovative "Shop and Save" promotional campaign, which has been hugely successful countrywide.

Vacancy rates in Dublin and in prime retail locations nationwide have reached extremely low levels. This has had a negative impact on retailers in recent times as they seek to source new locations and grow their businesses. With little or no new construction underway, expansion opportunities in key areas will be difficult for the foreseeable future.

Requirements for stores from new entrants into the Irish market stalled somewhat in 2016. As a result, demand softened and rents did not increase quite as quickly as anticipated. Additionally, only a limited number of lease premiums were achieved on the open market. However, we

envisage that demand from international brands will increase in 2017 as they look to expand into new markets such as Ireland. Due to the limited availability, this demand together with the requirements from existing retailers, should lead to rental growth and a greater number of leases being sold.

With existing retailers less likely to roll out a large number of new stores than they did in the past, many are now getting to grips with their internet savvy and time-starved consumers. Increasingly, it is about brand awareness and driving internet sales. IKEA opened its first 'Order and Collect' store in Ireland in 2016 and this is a trend that many retailers may look to follow as internet sales continue to grow. Internet retailing has become a fundamental part of the multi-channel retailing strategies for many of Ireland's retailers and will continue to gain ground throughout 2017.

The sale of numerous shopping centres and retail schemes across the country has meant ERVs and required rents have been pushed out considerably. There may be some rebalancing required over 2017 between landlord's expectations and retailers' capacity to pay rents. There is an increasing variance in the level of rents that different types of retailers can pay. Restaurants and food operators have been the driving force behind the increase in rents in schemes. This is something that landlords will need to take cognisance of if they are to ensure a good tenant mix in schemes in the years ahead.



IKEA, CARRICKMINES

