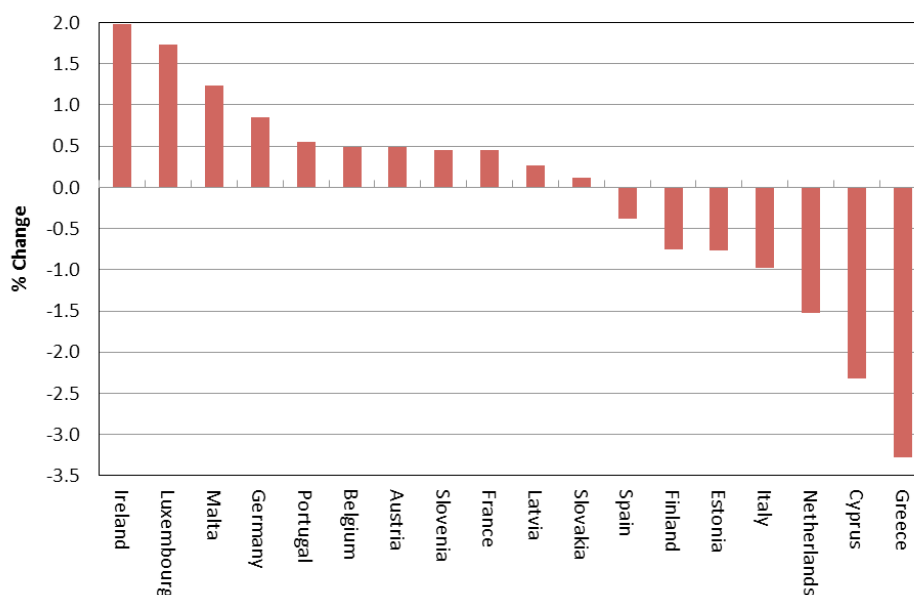


Ireland Retail Market in Minutes Q2 2014

GRAPH 1
Euro Area Employment Growth - Q1 2013 - Q1 2014



Source: Eurostat

SUMMARY

Ireland's Retail Market

- Recovery in full-time employment boosts economic momentum
- Rebound in larger purchases as confidence hits seven year high
- Improving sentiment and retail sales beginning to push prime rents higher
- Competitive interest in prime properties demonstrates improving market

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 “The recovery in full time employment has led to a fundamental shift in the consumer psychology. This renewed confidence is evident in the retail sales data which shows a strong rebound in purchases of larger items such as cars and furniture.”

John McCartney, Director of Research, Savills Ireland.

→ Economic Overview

Ireland's economy has expanded in six of the last seven quarters and GNP grew by 3.4% in the year to March. Critically, domestic demand is now contributing to growth with consumption and investment respectively increasing by 0.2% and 2.9% year-on-year (y/y) in Q1. Jobs creation has been the driving force behind this turnaround in our economic fortunes and, as shown in Graph 1, Ireland has been the Euro Area's top labour market performer since the beginning of last year.

Overall, 76,600 new jobs have been added in net terms since the low point in Q1 2012 but the structure of employment growth has also been changing. Graph 2 shows an emerging trend of part-time jobs growth being converted to full-time employment as the recovery becomes more established and employers regain their confidence. ■

Retail Economy

With more people working full time, the public finances are recovering ahead of expectations. As a result, consumer confidence is rebuilding and disposable incomes are improving. This is feeding directly through to the tills with retail sales up 8.6% in July, the ninth consecutive month of growth, see Graph 3.

Reflecting a pronounced shift in the consumer psychology, sales are now being propelled by larger items of expenditure, particularly cars and furniture. Car sales increased 32.2% y/y in July and have now risen for 13 consecutive months. Meanwhile, furniture & lighting sales have increased in each of the last 12 months and rose by 13.3% in the year to July, see Graph 4. ■

Market Activity

Activity in Q2 was focused on prime high streets and shopping centres in Dublin and the main regional cities. Q2 saw an increase in store openings and Savills expects many more deals currently in negotiation to convert into new openings in Q3 and Q4. Notable deals in Q2 include:



GRAPH 2
The Changing Structure of Employment Growth



Source: CSO

■ 26-27 Grafton St. – Due to the proximity of this former Awear unit to Brown Thomas and M&S, it has attracted a lot of interest. Eight bids were received with a host of international brands interested. H&M owned & Other Stories is rumoured to be the lead bidder.

■ 117 Grafton St. – Savills acted for Argento, one of the fastest growing Jewellery retailers in the UK and Ireland, which has opened a flagship store.

■ Ilac Centre – TK Maxx opened its second Dublin City Centre store, a 35,000 sq ft unit over two levels.

■ Dundrum Town Centre – Mint Velvet opened its first Irish standalone store in Dundrum, where Savills are the joint leasing agents. TK Maxx also signed to take a new 22,000 sq ft store with planned opening in September 2014. Savills acted jointly for the landlord in this letting.



➔ ■ Swords Pavilions – Primadonna, the Italian based women's footwear and accessories business, has opened its first Irish store. Savills jointly represents the landlord and the centre is effectively fully let.

Despite stronger activity on the ground, relatively few new entrants have come to the Irish market. Moreover, of these new arrivals, the majority are focusing on prime Dublin locations. However, as jobs growth and the housing market recovery diffuse from the main urban centres, there will be a gradual improvement in regional markets. ■

Rents

With improving sentiment and retail sales, rents are starting to rise in prime locations. Currently, Zone A rental values are €4,000-€5,000 on Grafton Street and €3,500-€4,000 on Henry Street. Variation is down to configuration, specific location/pitch and, in some cases, established use that may be difficult to obtain in other pitches on the street under planning rules. ■

Retail Trends

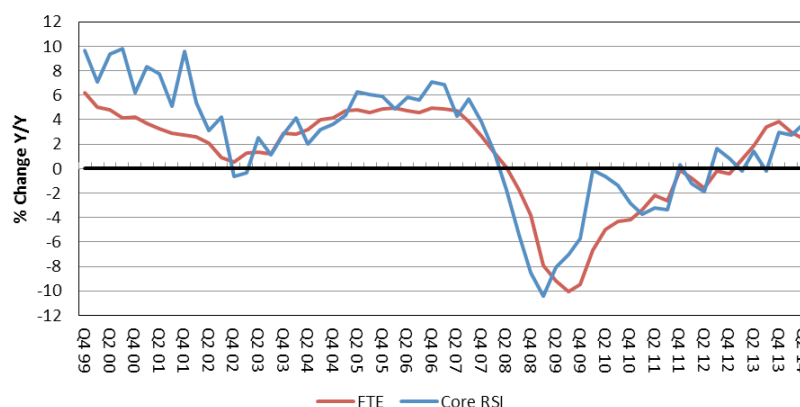
■ Food & Beverages – Reflecting the improved mood of consumers, demand for restaurants and coffee shops remains strong, with the pubs market also showing signs of improvement. However, like general retail, demand tends to be focused on Dublin. Wetherspoons opened the Three Tun Tavern in Blackrock, South Dublin in July and they are in negotiations for several other sites.

■ Retail Investment – This quarter has seen a number of shopping centres and retail parks traded. Project Acorn, comprising three regional shopping centres, was sold for €170m, €40m over the guide price. The Parks Portfolio, encompassing five retail parks, is on the market with a guide price of €110m. Both sales are through NAMA and it is expected more will follow. We anticipate this will lead to redevelopment and asset management opportunities.

■ Examinerships – Following Elverys' well-publicised examinership, no further high profile cases have arisen in Q2. However, Jane Norman, the

GRAPH 3

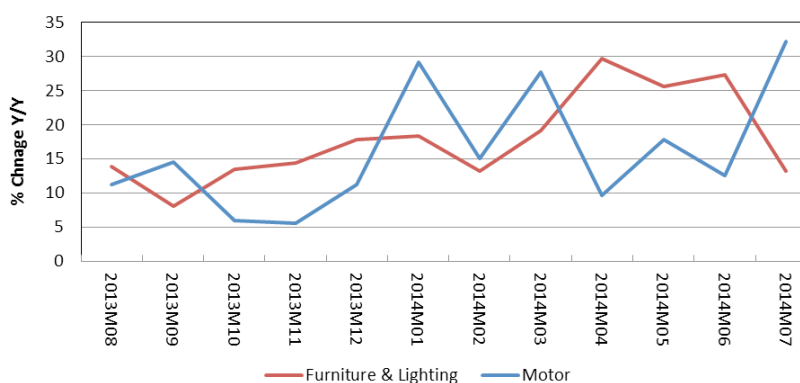
Employment (Full Time Equivalents) and Retail Sales Growth



Source: CSO

GRAPH 4

Retail Sales of Big Ticket Items



Source: CSO

UK based fashion retailer which has a number of department store concessions and a store in the Pavilions Shopping Centre, Swords, was placed in administration.

■ Project Spectrum – Since quarter end Savills has launched Project Spectrum to the Market. This portfolio contains 7 assets, produces €11.1m in rent and is on the market with a guide price of €120m reflecting an initial yield of approx. 9%. ■



Dundrum Town Centre – Mint Velvet

2014 OUTLOOK

- Expected employment growth of 2.1% this year will lead to a continued improvement in the consumer economy.
- Prime high street and shopping centre space remains in demand. Savills expects rents to increase and incentive packages to tighten in these areas. The gap between prime and secondary remains wide with significant incentives required to attract tenants in weaker locations.
- The sale of shopping centres and retail parks is likely to continue this year and next as NAMA continues to dispose of assets.
- Retailers with strong international brands are likely to perform better, particularly multi-nationals. Double digit sales growth in these stores is likely in stronger shopping centres.



Swords Pavilions – Primadonna

Retail Ireland & Research teams

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Savills plc

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