

Market in Minutes

Focus on Grafton & Henry/ Mary Streets

Q2 2012



Image: Henry Street, Dublin 1

SUMMARY

Dublin's prime retail streets maintain high occupancy rates. However there are a number of units trading on short-term leases and as a result there is more space available than 12 months ago.

■ Dublin's prime retail streets Grafton Street and Henry/Mary Streets maintain high occupancy rates (sq m), at 98% and 100% respectively.

■ Henry/Mary Streets had two vacant units this time last year which are now occupied by new retailers (Holland & Barrett and Hairspray). All units on these streets are trading, however 5 units are trading but available.

■ A number of new retailers have opened on Grafton Street over the last 12 months such as Gino's Gelato, Genius, Halpenny Golf and John Brereton.

■ There are six vacant units on Grafton Street including the unit formerly held by the lingerie shop La Senza and the

unit vacated by Irish Nationwide Building Society.

■ There are also five units trading but available on Grafton Street. This trading but available space refers to units trading on leases available on assignment and where retailers are trading on short term leases.

■ The total available* retail space represents 5% of the retail space (sq m) on Grafton Street and 1% of the retail space (sq m) on Henry/Mary Streets.

■ Dublin's prime retail streets have maintained their premium retail mix with department stores and clothing and footwear stores continuing to dominate trading space.

■ Investment activity on both Grafton and Henry/Mary Streets has been minimal over the last 24 months and this makes prime high street yields difficult to estimate. However we would estimate prime yields in the region of 7.5% for over rented properties, with variances depending on security of income and length of lease.

* Total available retail space consists of vacant & trading but available space

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 "Dublin's prime retail streets maintain high occupancy rates, at 98% and 100% respectively. Short term leases dominate recent activity so in reality there is more space available than the headline occupancy rates indicate." Joan Henry, Director of Research, Savills Ireland

→ The consumer economy

Following a sharp decline in retail sales in 2009 and 2010, retail sales stabilised slightly in 2011. All retail sales were positive in December 2011 (1% in volume & value) compared to December 2010. Department Store sales were stronger in the same period with an increase of 3% in the volume of sales and 4% in the value of sales.

The first quarter of 2012 has seen retail sales return to a downward trend, albeit at a slower rate than in previous years. When comparing the first quarter of 2012 with the same period last year, the volume of retail sales (excluding Motor Trades) was down by 2.2% and the value of sales was down by 1.4%. Although the quarter ended with a slight recovery from February to March (0.7% in value and 0.2% in volume), sales in March were down 1.8% in volume terms and 0.7% in value terms compared to March 2011.

Further examination of the individual sectors shows significant variation. Compared to last year, Q1 2012 has seen the volume of retail sales increase in food (1.2%), electrical goods (1.7%), non-specialised stores (0.8%) and pharmaceuticals (0.6%).

Sectors where the volume of sales are down in the first quarter of 2012 (compared to the same period last year) include books, newspapers and stationery (-8.6%), hardware, paints and glass (-8.4%) and bars (-8.2%).

“The Yes vote in the Stability Treaty referendum and an improvement in consumer sentiment give a more positive backdrop for the second half of 2012.”

Joan Henry, Director of Research, Savills Ireland

Department store retail sales have also been weak during the first quarter of 2012. January saw the most significant fall in department store sales and the subsequent months showed slight signs of recovery but this has not been enough to show an annual increase in the volume and value of sales. The volume and value of department store sales were down 5.1% and 5% respectively when compared to the same quarter last year.

The poor performance of retail sales so far in 2012 comes after the introduction of a 2% increase in VAT in January, the implementation of a new €100 annual charge on households and continuing high levels of unemployment (14.3% in April 2012).

Surprisingly consumer sentiment has improved on a monthly basis since December 2011. This is the first time since January 2007 that consumer sentiment has increased for four consecutive months.

This measurement of consumers attitude increased significantly in January (16%) and February (13%), a further 2% in March and 8% in April compared to the same months in 2011.

Occupancy levels

In terms of total retail space, both Grafton and Henry/Mary Streets are maintaining high occupancy levels, at 98% and 100% respectively.

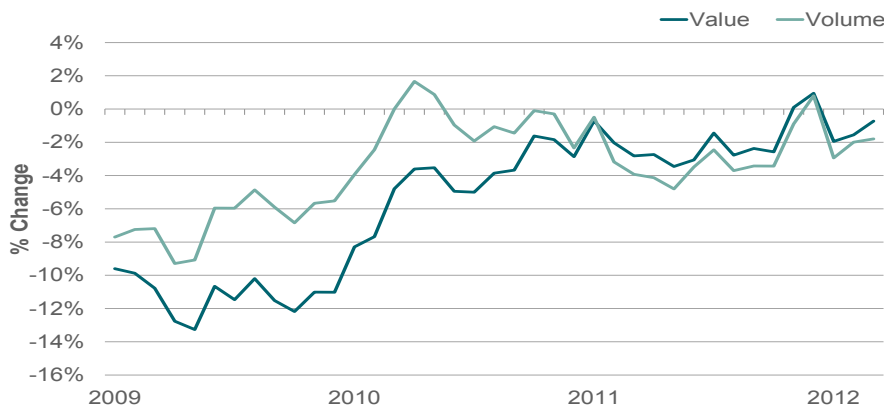
On Grafton Street there are six vacant retail units.

New retailers

Grafton Street has seen significant activity over the year with five new businesses taking space - Halpenny Golf, Gino's Gelato, Genius and John Brereton.

Two units which were vacant on Henry Street this time last year are now occupied by Holland & Barrett (also on Grafton Street) and Hairspray (a 100% Irish owned brand launched in 2007). Hairspray now have four stores in Dublin and plan to open more units in Ireland and the UK.

GRAPH 1
Change in volume and value of retail sales



Graph Source: CSO

GRAPH 2
Consumer Sentiment Index



Graph Source: KBC Bank Ireland, ESRI Consumer Sentiment Index

➔ **Investment**

Investment activity in both Grafton and Henry/Mary Streets has been minimal over the last 24 months.

The lack of transactional activity makes it difficult to be exact as to where investment yields are for both locations. However, we are currently estimating prime high street yields to be in the region of 7.5% for over rented properties, with variances depending on security of income and length of lease.

Availability

Although both prime retail streets have high occupancy levels, short-term leases and tenants currently trading with leases available on assignment mean a significant amount of retail space is trading under temporary conditions.

Grafton Street currently has 11 units available to let*, equating to approximately 1,700 sq m, or 5% of the total retail space of the street. Five of these units are currently trading.

Henry/Mary Streets have five units available, totalling approximately 860 sq m, or 1% of total retail space. All of these units are currently trading.

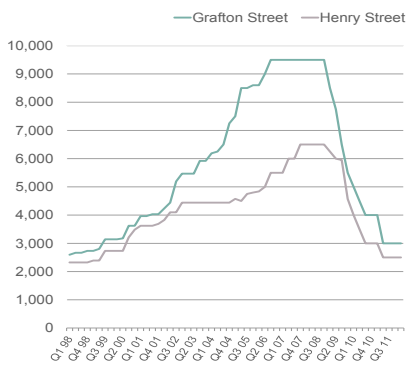
Rents

Rents on Dublin's prime retail streets have adjusted downward by between 50-60% since the peak of the market in 2006.

Landlords have adjusted expectations considerably and we expect this to continue on a case by case basis having regard for size, condition, location etc.

*This consists of vacant & trading but available retail space.

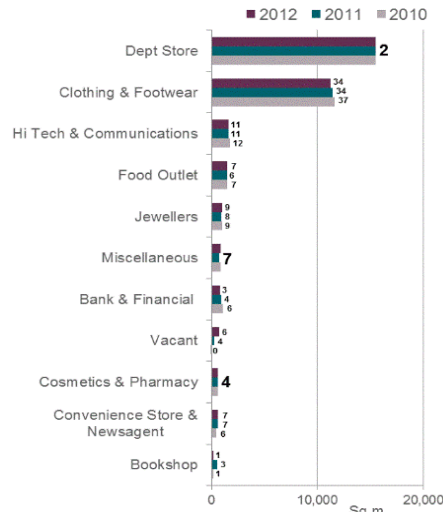
GRAPH 3
Rents* per sq m on Grafton & Henry/Mary Streets



Graph Source: Savills

*These rental levels are to indicate a trend, exact rents are unit and location specific

GRAPH 5
Retail mix on Grafton Street (sq m & units)



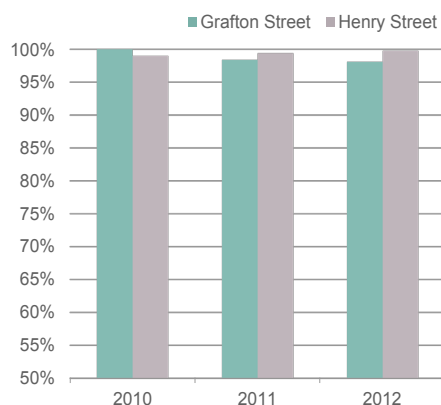
Graph Source: Savills

Grafton Street

Grafton Street continues to hold a premium retail mix in 2012. Department stores (M&S and Brown Thomas) dominate in terms of retail space (44% of total retail space). Clothing and footwear stores occupy the highest number of units on the street (34 units). Changes on the street include the opening of another jewellery store John Brereton, a sports store Halpenny Golf, a male clothing store Genius and an ice cream parlour, Gino's Gelato.

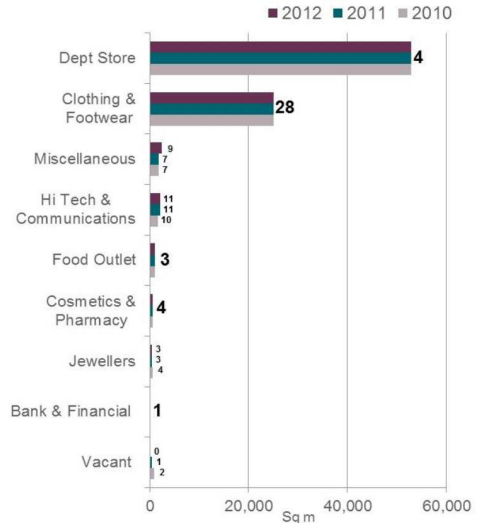
The occupancy rate (sq m) has remained stable over the past 12 months. It was 100% in 2010. Units that have become vacant include the lingerie store, La Senza (when the company went into administration in January 2012) and the Irish Nationwide Building Society unit (now merged with Anglo Irish Bank into IBRC).

GRAPH 4
Occupancy rate on Grafton & Henry streets (sq m)



Graph Source: Savills

GRAPH 6
Retail mix on Henry/Mary Streets (sq m & units)



Graph Source: Savills

Henry/Mary Streets

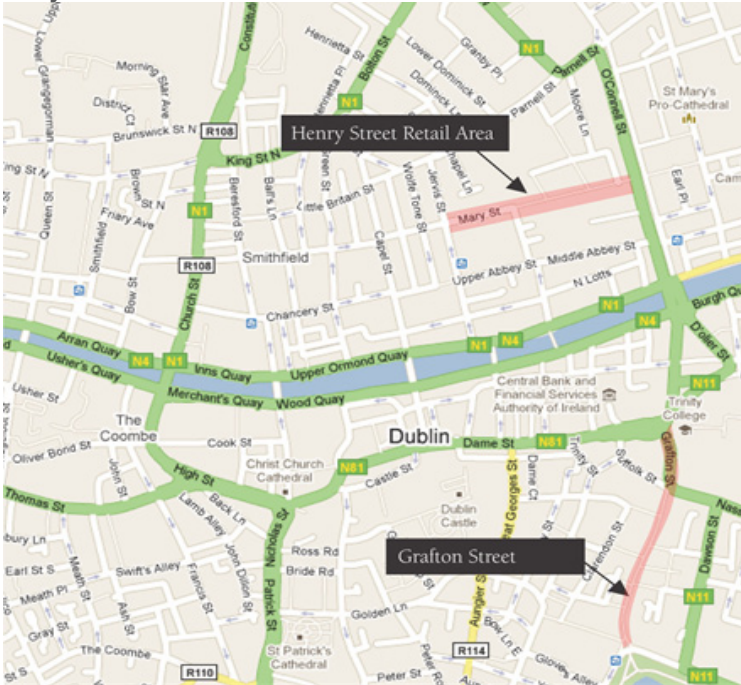
Henry/Mary Streets had two units vacant this time last year but two new retailers, Hairspray, an Irish owned beauty store specialising in hair products and Holland & Barrett, a UK health store chain are currently trading in these units.

Similar to Grafton Street, the dominance of department stores and clothing and footwear stores continues on Henry/Mary Streets. Department stores (M&S, Arnotts, Dunnes and Debenhams) occupy 62% of the retail space (sq m) on the street and a further 29% is occupied by clothing and footwear stores.

Retail space (sq m) on Henry/Mary Streets is fully occupied (100%) which is up from 99% in 2011 and 2010. The comparative strength of Henry/Mary Streets in the current market is off the back of the successful refurbishment and recovering performance of Arnotts and the wide range of anchor stores including Pennys (Primark), Forever 21, Debenhams, Dunnes Stores and Marks & Spencers.

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 "Henry/Mary Street is undoubtedly benefiting from its broad anchor mix with major retailers offering both choice and value to its customers."
 Larry Brennan, Director Retail, Savills Ireland

→ GRAPH 7
Dublin's prime retail streets - Grafton Street & Henry/Mary Streets



“Space on Dublin's prime retail streets continues to be dominated by department stores and clothing and footwear stores. This trend is expected to continue.” Joan Henry, Director of Research, Savills Ireland

OUTLOOK

- The outlook for both Grafton and Henry/Mary Street is positive in 2012. Their prime locations and continuing demand from retailers to locate there are expected to continue to make Dublin's prime streets attractive to international and domestic occupiers.
- Henry/Mary Streets have no vacant units and five trading units available on the market.
- Grafton Street's occupancy rate (sq m) has remained high and stable over the last twelve months. There are 11 units available on the market including six vacant units and five trading units.
- Space on both prime retail streets continues to be dominated by department stores and clothing and footwear stores. This trend is expected to continue.
- Rental levels on both prime streets have adjusted by between 50-60% depending on exact location etc. Rents are at best expected to stabilise close to current levels in 2012.
- Investment activity on Dublin's prime retail streets has been minimal over the last 24 months and it is therefore difficult to be exact as to where prime yields are.
- We estimate that prime yields are currently in the region of 7.5% for over rented properties, with variances depending on security of income and length of lease.

Savills Retail & Research teams

Please contact us for further information



Larry Brennan
 Director, Retail
 +353 (0)1 618 1302
 larry.brennan@savills.ie



David Potter
 Director, Retail
 +353 (0)1 618 1309
 david.potter@savills.ie



Denise Turner
 Director, Retail
 +353 (0)1 618 1412
 denise.turner@savills.ie



Fergus O' Farrell
 Director, Investments
 +353 (0)1 618 1311
 fergus.ofarrell@savills.ie



Joan Henry
 Director of Research
 +353 (0)1 618 1487
 joan.henry@savills.ie

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