

## Quick Stats Q2

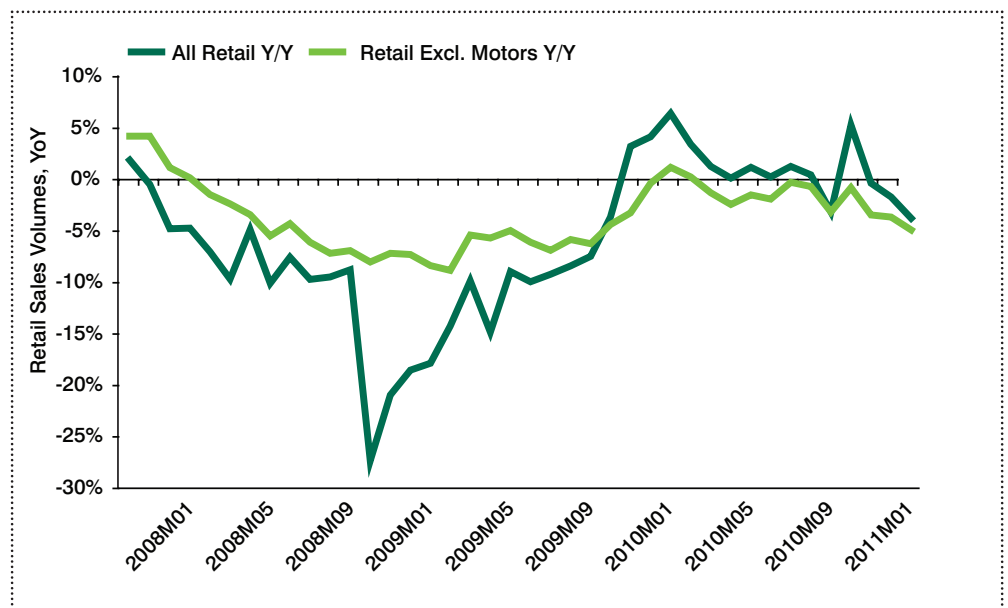
Change over last 12 months

|                   |   |
|-------------------|---|
| Retail Sales      | ↓ |
| Retail Rents      | ↓ |
| Availability      | → |
| Demand            | → |
| Equivalent Yields | → |

## OVERVIEW

- Retail sales activity remains fragile**  
 There has been some improvement at a sectoral level in the Irish retail sales market in recent months. However, for the most part, consumer sentiment is still weak with retail sales having declined for 39 consecutive months and conditions remain challenging.
- Many retailers are taking advantage of current market conditions and pursuing expansion plans**  
 From a property perspective, transactional activity in the retail sector has been holding up relatively well with a number of retailers, both Irish and international, announcing entry and expansion plans, taking advantage of their ability to secure attractive terms and conditions from landlords in the current climate. However, it is taking some time to complete deals at present.
- 26% of international retailers have a presence in the Irish market**  
 26% of international retailers now have a presence in the Irish market, up from 25% last year, making Ireland the 32<sup>nd</sup> most international retail market in the world. Dublin ranks 65<sup>th</sup> out of 150 cities in terms of the number of international retailers that have a presence in the capital.
- Vacancy on Dublin's high streets is negligible**  
 Although retailers on Dublin's high streets have experienced very difficult trading conditions since the onset of the economic downturn and there have been several high-profile closures, aggregate ground floor vacancy on the prime high streets is approximately 0.6% in Q2 2011, compared to 5.0% this time last year.
- Decline in footfall on Dublin's high streets in the last 12 months**  
 Despite the volume and value of retail sales on Dublin's high streets falling over the course of the last three years, the average footfall on the capital's high streets has remained relatively consistent over the period. However, compared to this time last year, footfall on both Henry Street and Grafton Street is down.
- Rents remain under downward pressure**  
 Having already experienced declines of more than 50% from peak levels in 2007, rents in the retail sector of the Irish market remain under pressure, particularly in secondary and provincial schemes.
- Uncertainty about Government proposals on rent reviews**  
 Huge uncertainty remains about Government proposals to review rent review mechanisms in all business leases. In many cases, landlords are giving generous concessions to tenants who demonstrate genuine difficulties in meeting rental payments.

## Retail Sales Volume – Year to April 2011



Source: Central Statistics Office

## OVERALL MARKET COMMENTARY

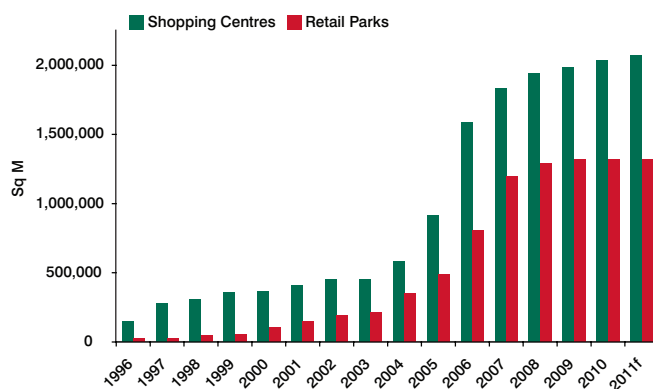
With Ireland still in the throes of economic crisis, it is not surprising that the retail sector of the Irish economy remains under severe pressure. In the year to April 2011, there were some improvements in retail sales volumes at a sectoral level but overall retail sales were down 3.9% year-on-year. With the level of unemployment remaining firmly in excess of 14.5%, personal debt levels continuing to increase and interest rate rises looming, Irish consumers remain understandably cautious. While some sectors of the retail market have held up reasonably well, discretionary spending has been significantly curtailed and retailers have had to become more proactive and innovative in an effort to attract and retain consumers.

Unsurprisingly, there is virtually no new retail development coming on stream at present. Our research indicates that there are no retail park schemes due for completion in Ireland in 2011. The total stock of retail parks in the country is now just over 1.32 million square metres. A small amount of new shopping centre accommodation is coming on stream during 2011 including the recently opened Mill Centre in Balbriggan in North Dublin. According to our research, the total stock of shopping centre accommodation in Ireland is forecast to reach approximately 2.06 million square metres by year end 2011. The total stock of shopping centre accommodation in Dublin will extend to less than 570,000 square metres by the end of 2011 while the stock of retail park accommodation in the capital will be in the order of 340,000 square metres with no new retail parks developed in Dublin in the last two year period.

Despite the difficult trading conditions, vacancy remains low in the major shopping centres and key shopping streets in Dublin, with strong demand from retailers to let accommodation being vacated in prime locations, albeit on shorter leases and reduced rents. A large proportion of transactions, particularly in the fashion sector are now turnover-related while shorter leases and frequent break clauses are now common. Although retailers on Dublin's high streets have experienced very difficult trading conditions since the onset of the economic downturn and there have been several high-profile closures, our research indicates that aggregate ground-floor vacancy on the prime high streets in the capital is approximately 0.6% in Q2 2011, compared to 5.0% this time last year. Of the 86 shops on Grafton Street (from St Stephens Green to College Green), 3 are currently vacant. In terms of square footage, which gives a clearer perspective on vacancy, the vacancy rate of ground floor units facing onto Grafton Street at the end of Q2 2011 is approximately 1.1%, compared to 3.2% this time last year. The vacancy rate of retail units facing onto Henry/Mary Street at the end of Q2 2011 stands at 0.3% compared to 5.8% this time last year.

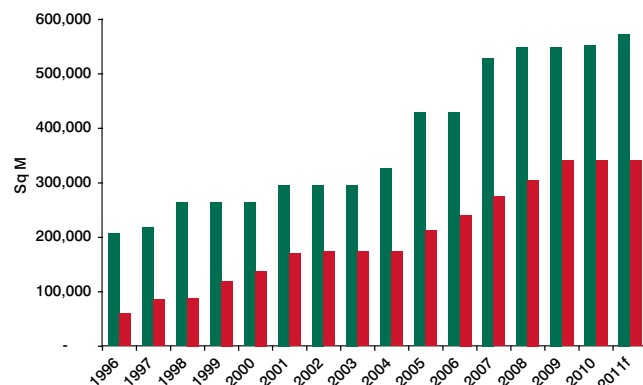
Approximately 11,600 shoppers per hour were recorded on Dublin's Grafton Street on Saturdays in Q2 2011, down 4% on the same period last year. In comparison, approximately 11,200 shoppers per hour were recorded on Henry Street on Saturdays in the second quarter of 2011, a 10% decrease on the same period in 2010.

## Irish Shopping Centre and Retail Park Supply 1996 – 2011 (f)



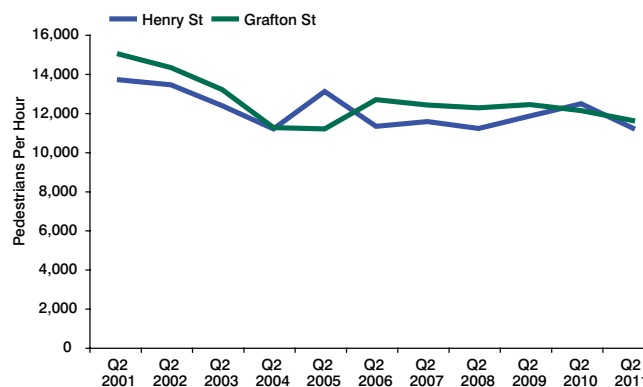
Source: CB Richard Ellis Research

## Dublin Shopping Centre and Retail Park Supply 1996 – 2011 (f)



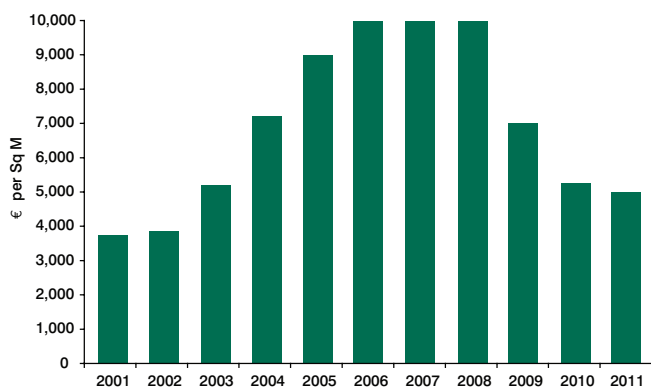
Source: CB Richard Ellis Research

## Dublin High Street Pedestrian Footfall Counts 2001 - 2011



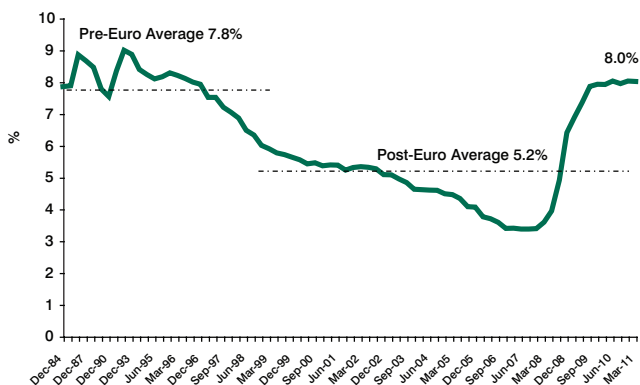
Source: CB Richard Ellis Research

### Prime Zone A Rental Values Grafton Street 2001 – Q2 2011



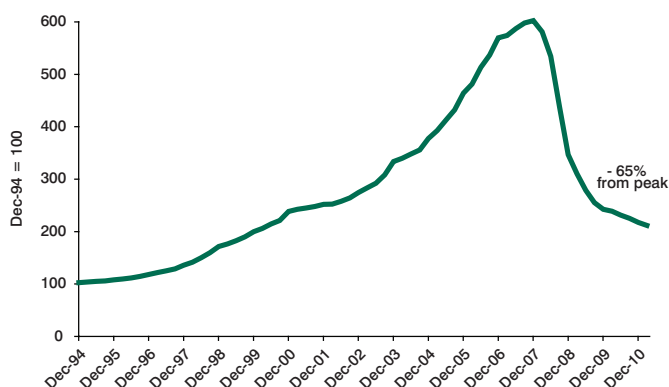
Source: CB Richard Ellis Research

### Irish Retail Equivalent Yields 1984 – Q1 2011



Source: IPD

### Irish Retail Capital Value Index 1994 – Q1 2011



Source: IPD

Prime rents in the retail sector continued to decline in recent months although the pace of rental decline has now eased considerably. The CB Richard Ellis series of prime headline quoting rents indicates a 50% decrease in Zone A rental values in Dublin from peak levels in 2007. This level of decline is considerably higher than the peak-to-trough rental declines experienced in most other European cities in the most recent cycle. Increases in retail rental values are expected to remain relatively modest across the Eurozone region for the foreseeable future and it is reasonable to assume that retail rents in the Irish market will remain under pressure for some time yet.

Much uncertainty remains about the Government's proposal to realign rent costs to 2011 levels in all business leases regardless of the terms of the lease. This has understandably been welcomed by the many retailers who are currently struggling to meet high rental payments. In many cases, landlords have negotiated rental reductions with their tenants who are in genuine distress. However, the Government's proposal, as it stands, aims to introduce a 'one size fits all' solution that effectively benefits all occupiers, regardless of whether their business is suffering or if they genuinely need assistance. It remains to be seen what the outcome will be. In the meantime, the proposal is of little relevance to retail tenants who are negotiating lettings at open market rents in the current climate.

There has been some stabilisation in retail yields in recent quarters, with the most recent data from the Investment Property Databank (IPD) showing retail equivalent yields standing at 8.0% at the end of Q1 2011. This compares with approximately 7.8% pre-Euro and a post-Euro average of 5.2%. However, until such time as there is clarity with regard to Government proposal on rent review reform, investors remain cautious and there is potential for yields to trend weaker. There were no retail investment transactions completed in the Irish market in the first quarter of 2011, confirming the negative impact of the uncertainty.

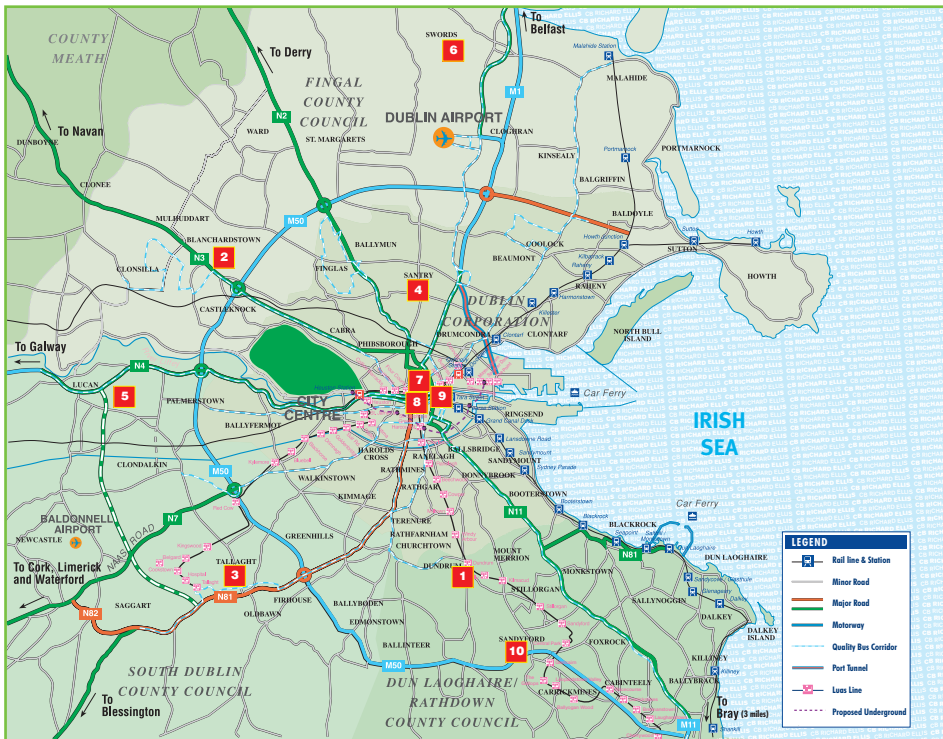
Capital values in the retail sector of the Irish commercial property market have experienced a decline of some 65% from peak levels according to the most recent data from the Investment Property Databank (IPD) while the average decline in commercial property prices (office, retail and industrial) in Ireland has been approximately 60%.

While the underlying economic situation will continue to impact severely on discretionary spending for the foreseeable future, the outlook for prime shopping centres and the main high streets in Dublin is considerably better than many provincial and secondary schemes or locations.

The EU/IMF Programme of Financial Support for Ireland commits the Irish Government to conduct a study during 2011 on the economic impact of eliminating the current cap on the size of retail premises. In our opinion, eliminating the current cap would not necessarily enhance competition or lower prices for consumers.

While conditions will remain difficult for the foreseeable future, many retailers see the current downturn as an opportunity to invest for future growth. Many are focussing their attention on developing their multi-channel platform and reducing their traditional dependence on physical stores.

Dublin Retail Schemes



- 1. Dundrum Town Centre
- 2. Blanchardstown Shopping Centre
- 3. The Square, Tallaght
- 4. Omni Park Shopping Centre
- 5. Liffey Valley Shopping Centre
- 6. The Pavilions Shopping Centre, Swords
- 7. Jervis Shopping Centre
- 8. St Stephens Green Shopping Centre
- 9. ILAC Shopping Centre, Henry St.
- 10. Beacon South Quarter

MANAGING DIRECTOR

Guy Hollis

RETAIL AGENCY

Michael Harrington  
 Florence Stanley  
 Caren Leon  
 Paul McCoy  
 Allison Dunne  
 Natalie Brennan  
 Shane Cahir  
 Niamh Riney

IRISH CAPITAL MARKETS

Sean O'Brien  
 Colm Luddy  
 Caroline McCarthy  
 Barry Mangan  
 Dessie Kilkenny

DEVELOPMENT CONSULTANCY

Wesley Rothwell

RESEARCH

Marie Hunt  
 Patrick Koucheravy  
 Elaine Linnane

DISCLAIMER 2011 CB RICHARD ELLIS

Information herein has been obtained from sources believed reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to independently confirm its accuracy and completeness. Any projections, opinions, assumptions or estimates used are for example only and do not represent the current or future performance of the market.

This information is designed exclusively for use by CB Richard Ellis clients, and cannot be reproduced without prior written permission of CB Richard Ellis Ireland.

For more information regarding the MarketView, please contact:

CBRE Dublin

Marie Hunt  
 Director, Research Department  
 e: marie.hunt@cbre.com

Patrick Koucheravy  
 e: patrick.koucheravy@cbre.com

Elaine Linnane  
 e: elaine.linnane@cbre.com

CB Richard Ellis  
 Burlington Road  
 Dublin 4  
 Ireland  
 t: +353 1 618 5500

EMAIL

firstname.lastname@cbre.com