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Market Outlook



Ireland Retail Investment Market Overview

Research, August 2022

Focus on – Shopping Centres, High Street & Retail Parks

knightfrank.com/research

4.2%

The unemployment rate has been falling rapidly and is now well below its pre-Covid level

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€171m

was invested in retail assets in the first half of 2022, compared to a total of €285m in 2021

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9.1%

Annual increase in consumer prices in Ireland in June 2022

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5 KEY TAKEAWAYS

€116m

has been invested in regional shopping centres in the first half of 2022

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€6.8 bn

invested in retail assets between 2013 - Q2 2022

PAGE 6

IRELAND RETAIL INVESTMENT MARKET OVERVIEW 2022

Consumers face the challenge of weighing the positives of strong employment growth against concerns about inflation and higher interest rates. On balance, key factors that drive Irish retail demand remain in place and will support the sector longer term.

ECONOMIC CONTEXT

There is no doubt that the Irish economy bounced back exceptionally well after the Covid pandemic, with consumer spending back to 2019 levels before the end of 2021. Retail sales recovered very strongly in 2021, driven by pent-up savings, employment growth and the increased activity across key economic sectors.

Retail sales volumes remain above 2019 levels and consumer demand in 2022 is set to be balanced between the positive impact of a tight labour market, the negative impact of increasing prices, concerns about the Ukrainian war and higher interest rates.

Average weekly earnings increased by an average of 2.3% across all sectors in the year to Q1 2022. Higher increases are evident in the three sectors which are driving high value adding employment in the economy; Professional, Science & Technical Services have increased by 9.0% between Q1 2021 and Q1 2022, by 5.4% in Information &

Overall the strength of the labour market is supporting consumer behaviour and the unemployment rate has fallen rapidly, dropping to 4.2% in July.

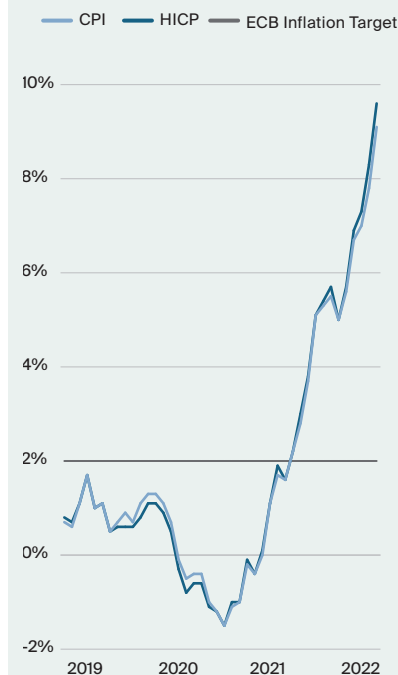
Technology and by 1.0% in Financial, Insurance & Real Estate Services.

While the gap between earnings growth and inflation, which reached 9.1% in June, is expected to narrow, it will remain a key challenge across all sectors.

Overall consumer demand, while more cautious, is expected to remain a contributor to growth in 2022, with the volume of retail sales (excluding motor trades) 5.7% higher in June 2022 than before the Covid pandemic in February 2020.

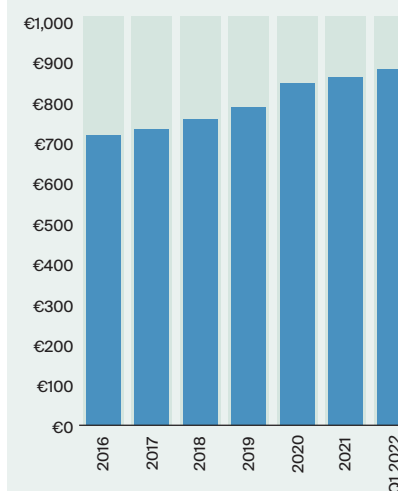
Ireland Inflation Rate

Annual % Change



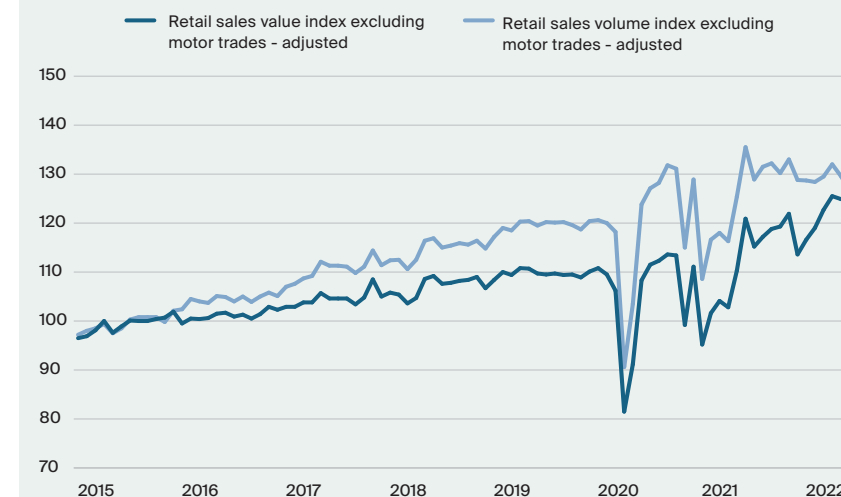
Source: Knight Frank Research/CSO

Average weekly earnings - all sectors 2016-Q1 2022



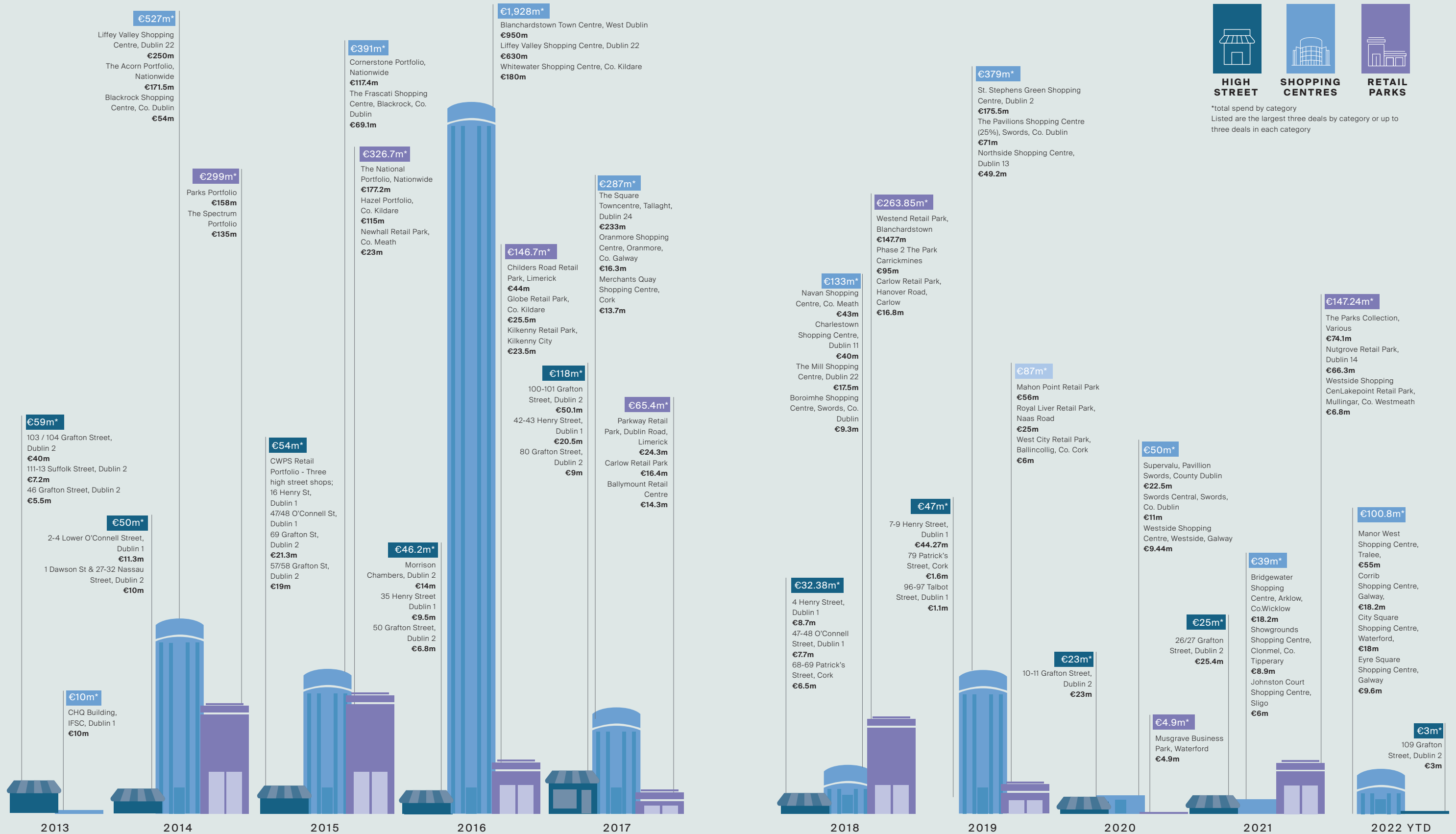
Source: Knight Frank Research/CSO

Retail Sales



Source: Knight Frank Research/CSO

RETAIL INVESTMENT MARKET OVERVIEW - FOCUS ON HIGH STREET, SHOPPING CENTRES AND RETAIL PARKS



RETAIL INVESTMENT MARKET

€6.8 billion has been invested in retail assets between 2013 and the second quarter of this year. 82% of that total has been invested in high streets, shopping centres and retail parks nationwide.

2016 was exceptional, with €2.2 billion invested. Blackstone's purchase of The Blanchardstown Shopping Centre made up 40% of this spend.

In 2020, albeit driven by a global shock, retail investment spend exceeded that of 2013. €285m was invested in retail assets in 2021, a strong outcome given the level of lockdown that the domestic and global economies were under for a large proportion of that year.

2021 marked the beginning of a new market cycle for the retail sector, a cycle which will incorporate changed consumer behaviour's – a return to in person shopping combined with a much better acceptance of the importance of on-line

shopping as an option for consumers. The continued modernisation of Dublin's city retail space with, for example the redevelopment of space at the corner of Nassau and Kildare Streets, will add to the attractiveness of Dublin to international investors seeking prime retail assets.

Retail warehousing will lead retail investment activity due to the perception that rents have rebased to more sustainable levels, the reliability of the income and in some cases pricing underwritten by potential for conversion to alternative uses such as residential and industrial. Supermarkets are also experiencing strong demand due to the long leases and strong covenants being offered.

Six regional shopping centres have traded to date in 2022, totalling €116m. The largest three were the sales The Manor West Shopping Park in Tralee for €55m, Corrib Shopping Centre in Galway for €18.2m and

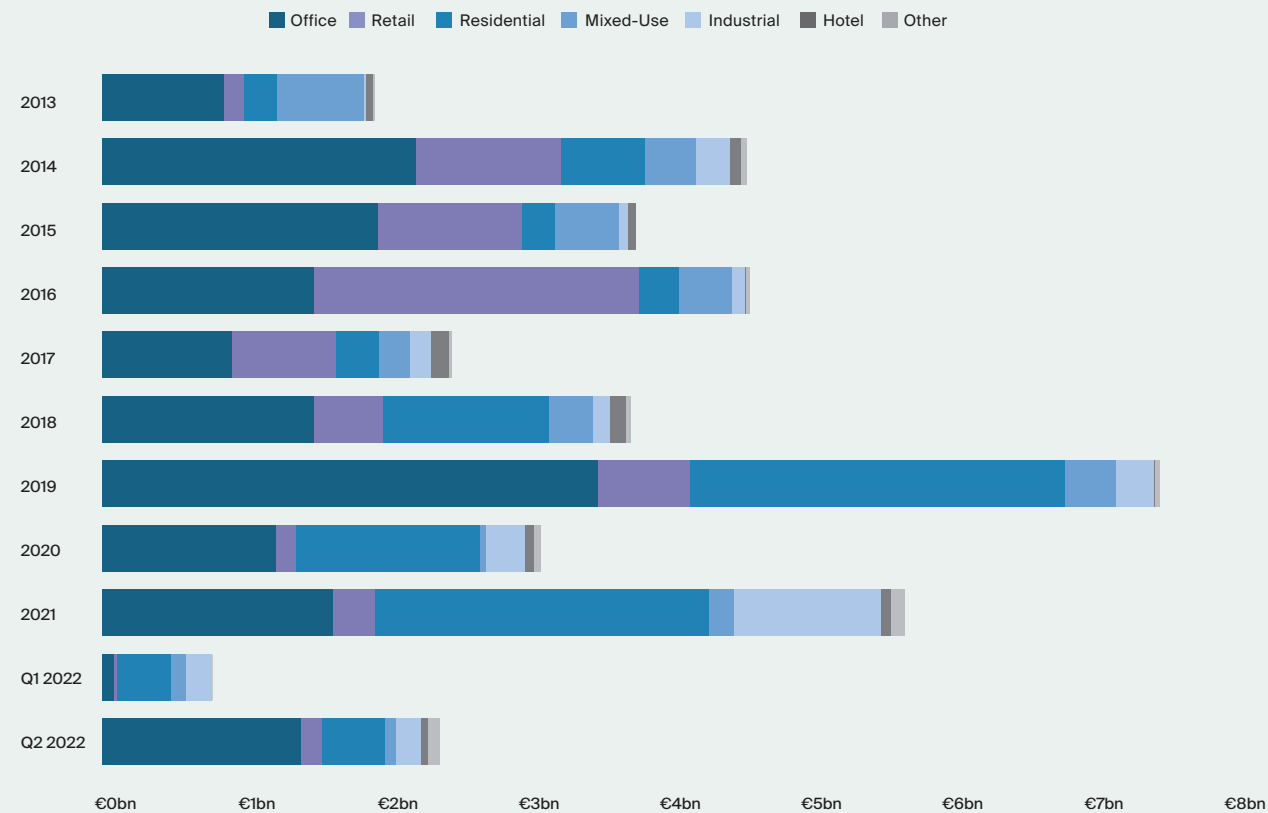
17%

of total investment
(2013-Q2 2022) was
on retail assets

City Square Shopping Centre in Waterford for €18m. There has been one high street transaction in 2022 and that was the off market sale of 109 Grafton Street for €3m.

Current market opportunities include the Charlestown Shopping Centre, Dublin 11 and Marshes Shopping Centre, Dundalk, Co. Louth which are guiding €39.5m and €33.5m respectively.

Total investment spend by sector 2013-Q2 2022 (€bn)



Source: Knight Frank Research

OUTLOOK

1.

The environment for retail has become increasingly more challenging in 2022 as the impact of the war in Ukraine filters rapidly into higher inflation and increased interest rates. Consumers, while still expected to make a contribution to growth, will be more cautious.

2.

Investor confidence in retail will be driven by expectations of longer term gains. Opportunities to purchase regional assets with potential value add or redevelopment will remain sought after.

3.

A lack of prime retail assets available on the market will limit transaction volumes and value in 2022.



Dublin Office Market
Overview Q1 2022



Dublin Industrial Market
Overview Q1 2022



New Homes Construction
Survey 2022



Ireland Residential
Investment Market
Overview Q1 2022

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