

THE GENERAL
TREND IN
**SPENDING ON
ENTERTAINMENT
AND SOCIALISING
RATHER THAN
MATERIAL GOODS**
LOOKS SET TO BE
CONTINUED



FAST PACED & EVER-CHANGING

RETAIL

The retail property market is now one of the most complex sectors; it is a fast paced and ever-changing environment.

Retailers are faced with numerous issues, from moving consumer demands to the speed of technology advancement, the impact of sustainability to the potential threats from Brexit. From a landlord's perspective, they are adjusting to more flexible lease terms and the continuing impact of upward/downward reviews introduced almost a decade ago. In some situations, they are repurposing retail space that is surplus to requirements.

Economic indicators remain mixed. While employment levels are at an all-time high and average earnings have increased, consumer sentiment remains volatile. In September 2019, the KBC Consumer Sentiment Index fell to a six-year low, largely attributed to Brexit concerns before rebounding in November. There has been a shift in consumer behaviour towards cautious spending. Credit card use has declined but is balanced by debit cards, suggesting consumers are spending albeit more thoughtfully and within their means. The general trend in spending on entertainment and socialising rather than material goods looks set to be continued.



**FUTURE FASHION SECTOR TREND:
BARCODES WILL BE SCANNED INSTORE
TO UNDERSTAND THE LIFE
CYCLE & SUSTAINABILITY
OF THE GARMENT**

ECOMMERCE

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With ecommerce advancing rapidly globally, retailers in Ireland and Europe are only at the early stages of use when compared to countries like China. In spite of this, many stores in Ireland are successfully implementing omni-channel shopping and providing a seamless customer experience. Consumers are encouraged to ROPO or 'Research Online, Purchase Offline' or indeed buy online, and post photographs of purchases on Instagram and Facebook. In China, Alibaba's physical stores (or offline stores as they are called), Hema, has gone further. This supermarket allows customers to use a mobile app to scan barcodes throughout the store to identify product information and origin, and to get recipe ideas. This trend is likely to follow into the fashion sector where barcodes will be scanned instore to find complementary clothing to complete outfits and understand the life cycle and sustainability of the garment.





72%

OF SHOPPERS BELIEVE
IT'S IMPORTANT
THAT BRANDS HAVE
**SUSTAINABLE
CREDENTIALS**

60%

ESTIMATED RISE IN
GREENHOUSE
GASES
FROM TEXTILES BY
2030

SUSTAINABILITY

The UN has stated that greenhouse gas emissions from global textiles production is more than all international flights and maritime shipping combined and it is estimated to rise by 60% by 2030. In the fashion industry, enough water to meet the needs of five million people is used annually. Consumers, particularly Millennials and Generation Z, are becoming much more considered when it comes to social consciousness and want to understand a retailer's sustainable credentials. In the UK, 72% of shoppers believe it is important that the brands they shop have sustainable credentials.

Well known fashion brands like Primark and H&M have come under pressure for 'Fast Fashion Retail' and for the use of synthetic fibres in clothing. Both brands defended their position and are already working towards greater sustainability. Primark is selling a sustainable collection of cotton and denim from organic cotton farms and stress that they are creating less pollution as they do not provide home delivery. H&M has its 'Conscious Exclusive' collection and 100% of its cotton is now recycled or from sustainable sources. It is also trialing a rental scheme with collection from their flagship store in Stockholm. The rental clothing market in the US and UK is rapidly evolving with brands such as Rent the Runway (recently valued at \$1bn and opened an office in Galway). Closer to home there are some start-ups adopting this approach such as Borrower Boutique and The Nu Wardrobe, which are based on sharing. In the household goods area, Ikea will test furniture leasing in 30 markets this year.

On the grocery side, Iceland led the charge setting a target to remove all plastic from their own label products by the end of 2023. This has been further developed by other supermarket brands. Supervalu is using compostable produce bags in the fruit and veg section and compostable cups for the Frank & Honest brand and Aldi has partnered with Food Cloud, donating surplus food to charities and the community.

With online shopping so accessible, the number of physical stores in retailers' portfolios will diminish. However as both channels are required a greater emphasis now needs to be put on the quality of the in-store shopping experience. Training of employees, hosting events, use of QR codes and improving speed at tills and changing rooms are just some examples of where the consumer experience can easily be improved, and a point of difference created. As the sustainability agenda gathers further momentum, retailers will be further impacted in terms of product range, store design and size and ultimately how they trade in the future and so there are more changes on the way.



AS ONLINE EVOLVES,
THE POOL OF RETAILERS
AND THE NUMBER OF
STORES THEY REQUIRE
CONTINUES TO DECREASE

Folkster, Dundrum
Town Centre, Dublin 14

RETAIL PROPERTY MARKET

RETAIL PROPERTY MARKET

The seismic shifts in the operation of retail businesses is having real effects in the Irish retail property market, albeit at a slower pace than expected. Short-term licence agreements or pop-ups are often being used to fill empty units in the short-term. This extends void periods and allows landlords time to find suitable tenants capable of paying rents that will maintain the rental tone of the shopping centre or high street stores. However, as online shopping evolves, the pool of retailers and the number of stores they require continues to decrease.

In the past, significant demand in Ireland came from the UK. But in the UK, many retailers continue to tidy up their property portfolios through CVAs (Company Voluntary Arrangement), which means they are not now in a position to expand or no longer wish to roll out the same volume of stores they once did. The most notable CVA cases in the UK in 2019 were Mothercare (in the UK only), Mamas & Papas, Links of London, Thomas Cook, Coast, Jack Wills and Debenhams. As the retail property market in the UK is struggling with a glut of vacancies, retailers there have become more accustomed to a property market with sizeable incentives and reduced rents, and therefore if they are in a position to expand into Ireland, they will no doubt expect similar deals here over the coming year.

Across shopping centres and shopping streets in Ireland, there has already been a general shift towards increasing the amount of accommodation devoted to F&B and in a small number of cases, a repositioning of retail into residential. This trend is likely to evolve further as surplus retail is changed into entertainment, hospitality and living / working centres providing for more sustainable community hubs and creating spaces where people want to dwell and connect from the isolation of online shopping.