

# UK Retail Monitor Q3 2016

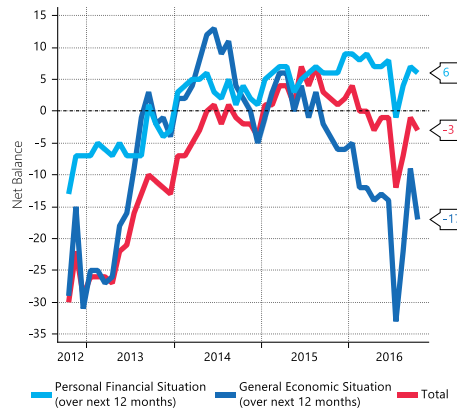
## KEY HEADLINES

- Q3 covers the three months post the Referendum vote on 23 June and is therefore a good barometer for the immediate aftermath.
- Despite all the ongoing noise, the only palpable negative impact to date has been the widely-documented devaluation of Sterling (15-20% lower vs the US Dollar).
- Other indicators have been surprisingly robust. After an initial (and inevitable) post-Referendum dive, consumer confidence has already recovered to pre-Brexit levels.
- Consumer demand has also held up and shoppers continue to spend. In Q3, retail sales volumes were up 5.1% year-on-year, while retail sales values rose by 3.4%. If anything, there has actually been a slight acceleration in retail sales growth since June, with volumes up 3.9% and values up 1.4% in Q2.
- The ongoing gap between volumes and value underlines the fact that retail is still a deflationary sector, for the moment at least.

“Lots of noise, but still very little by way of tangible evidence of any post-Brexit fall-out for UK Retail. The real tests will come in 2017 when the inflation conundrum comes to a head.”

### Consumer Confidence

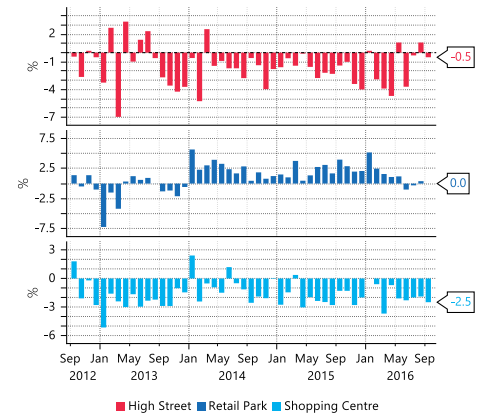
The post-Brexit plummet proved short-lived



Source: GfK

### Retail Footfall

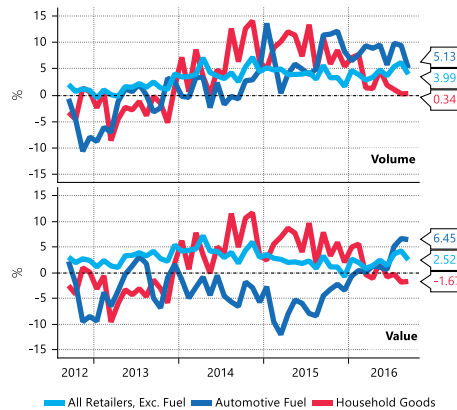
Annual % Change to Q3 2016



Source: BRC

### ONS Retail Sales

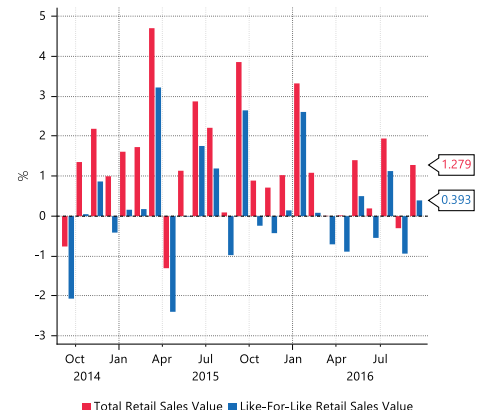
Annual % Change to Q3 2016



Source: ONS

### BRC Retail Sales

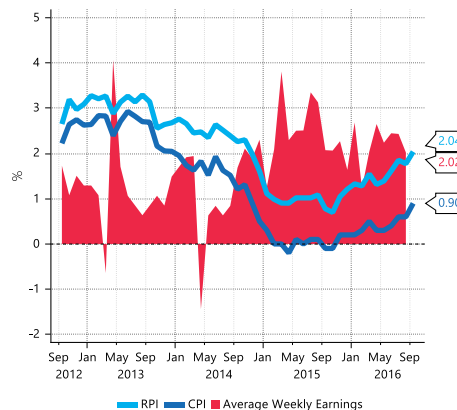
Annual % Change to Q3 2016



Source: BRC

### Average Weekly Earnings Growth vs Inflation

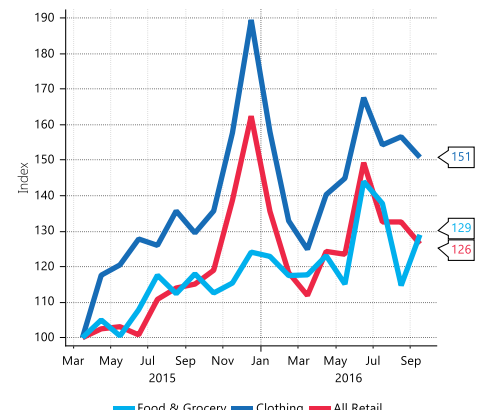
Annual % Change to Q3 2016



Source: BRC

### Online Retail Spend Index

Online spend peaked in June, but has since slipped back



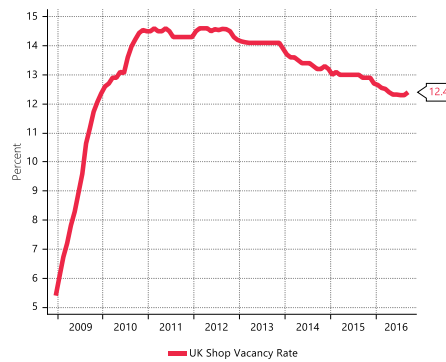
Source: Verdict

## KEY HEADLINES

- 'Business as usual' is the watchword among most retail occupiers, albeit with a strong note of caution. Retail vacancy rates continue to decline very slowly and there have been no post-Brexit failures or administrations of any note.
- There are also increasingly encouraging signs in retail property investment markets. Capital markets inevitably reacted negatively to the outcome of the Referendum initially. More recently, however, investment activity has picked up and continues to do so in Q4.
- Q4 is undoubtedly the most important period for UK retailers as it includes Christmas. Last year's figures for Q4 were fairly weak and these relatively benign comparables should ensure that healthy retail sales growth is maintained for the rest of this year, including the all-important festive trading period.
- 2017 is likely to prove far more challenging as this is when currency hedges with suppliers lapse for many retailers. If Sterling does not recover, retailers are faced with potential hikes in sourcing costs. Only some of these will be passed onto the consumer in the form of higher prices, placing many retailers' margins under pressure.

### Retail Vacancy Rate

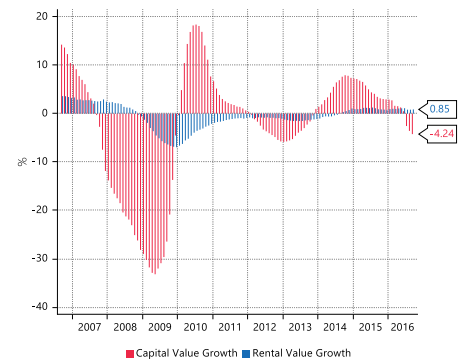
Retail vacancy rates are largely stable. Vacancy is lower on retail parks (5.7%) than in shopping centres (13.2%)



Source: Local Data Company

### All Retail - Rental and Capital Value Growth

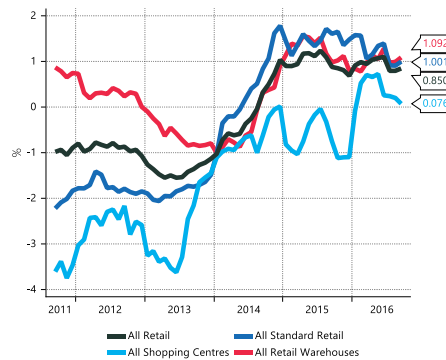
Capital values declined sharply pre- and post-Brexit. In July, all retail capital values were down by -2.8%.



Source: MSCI

### Retail Rental Growth by sub-sector

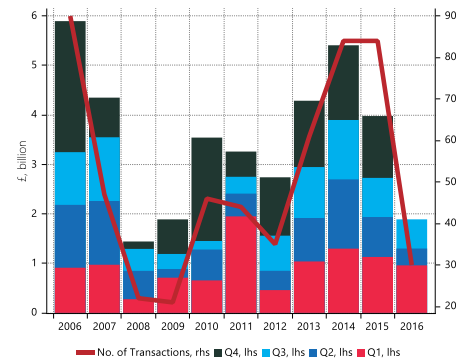
Rents dipped in July, but have since returned to marginal growth territory in standard shops and retail warehouses



Source: MSCI

### Shopping Centre Transactions

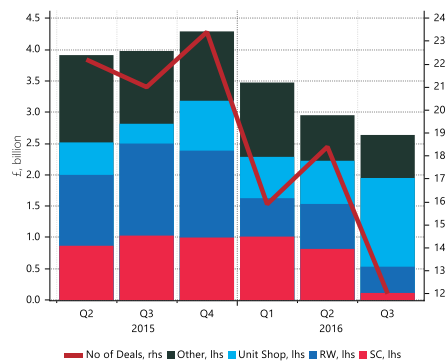
Q3 investment volumes of £590m were flattered by a single deal (50% of Merry Hill for £410m)



Source: Knight Frank Research

### Investment Volumes by sub-sector

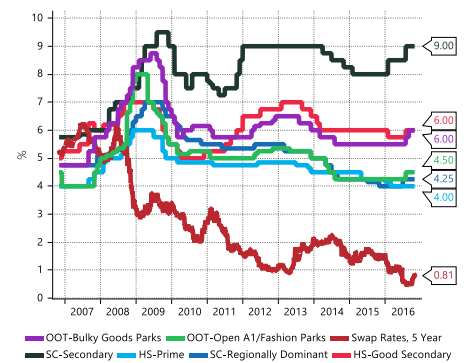
Overall retail volumes were down 33% year-on-year in Q3. Anecdotally, the market has picked up since



Source: Property Data

### Yields

Some pricing correction in the wake of Brexit was inevitable



Source: Knight Frank Research



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