

# UK Retail Monitor

Q1 2020

## KEY HEADLINES

Most of the key indicators for Q1 do scant justice to the devastation that COVID-19 has brought to the retail market. Concern and reported cases were rising slowly in February, but the UK did not enter full lockdown until 24 March, one week before quarterend.



Lockdown decreed that all “non-essential” retailers (ca. 69% of UK retail stock) were subject to enforced closure, for an initial three week period, subsequently extended for a minimum of a further three weeks. There is little prospect of many opening before mid-May, at the very earliest. Only 17% of retail stock has traded through the lockdown period.



A decline in Q1 retail sales values of -0.4% does not tell the full story of strong pre-lockdown foodstore sales (Q1 +5.1%) and very soft non-food demand (Q1 -7.6%), nor major differences in monthly trends (Jan +2.2%, Feb +0.9%, March -3.9%). The clothing market has been especially hard hit by weak consumer demand (March -35.7%).



Online has inevitably increased its share of retail spending while stores have remained closed, reaching a peak of 22.3% in March. But the fundamental message is that online is only picking up a limited proportion of the slack from lost store-based sales.



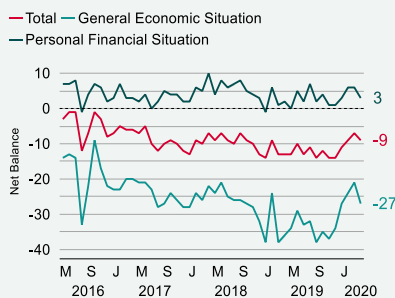
**“COVID-19 is the most devastating force to hit the UK retail sector since World War II. Its impact will far surpass that of any post-War recession, including the Global Financial Crisis.”**



STEPHEN SPRINGHAM  
HEAD OF RETAIL RESEARCH

### Consumer Confidence

Confidence over the next 12 months



Source: GfK, Macrobond

### Retail Footfall

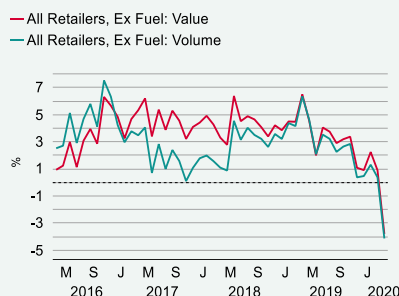
Monthly y-o-y change over the last 4 years, %



Source: BRC, Springboard, Macrobond

### ONS Retail Sales

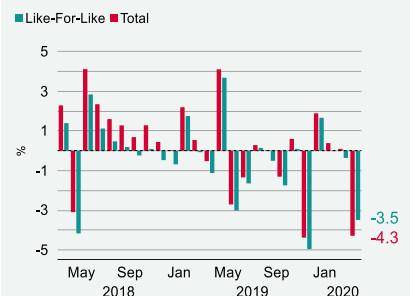
Monthly y-o-y change over the last 4 years, %



Source: ONS, Macrobond

### BRC Retail Sales

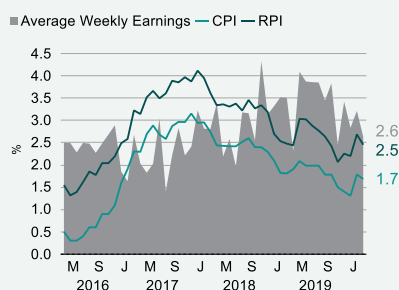
Monthly y-o-y change over the last 2 years, %



Source: BRC, Macrobond

### Average Weekly Earnings

Annual change over the last 4 years, %



Source: ONS, Macrobond

### Online Retail Sales Index

July 2016 = 100



Source: ONS, Macrobond

## KEY HEADLINES

Operating on a near zero cashflow basis for an extended period will inevitably push many retail occupiers to the brink and there will be numerous casualties. In Q1 alone, Debenhams, Oasis, Warehouse, Cath Kidston, Brighthouse, Laura Ashley and Carluccio's all filed for administration, although most continue to trade for now.

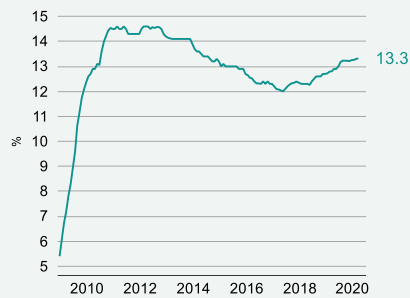
The slide in retail capital values continued in Q1, regardless of COVID-19. All retail capital values declined by a further -5.94% (-14.63% annualised) with shopping centres experiencing the sharpest rebasing (Q1: -10.44%, annualised: -22.99%). This slide will clearly accelerate going forward.

Ironically, investment volumes showed some signs of life in the early part of the year (with the exception of shopping centres) in the wake of the election result in December and seemingly greater political clarity. COVID-19 has since derailed this slight rally. Any low yielding (<5%) retail investment deals are invariably re-purposing plays.

Things will get a lot worse before they get better. Q2 indicators will reflect the full force of COVID-19 and will inevitably be dire. Quarterly rent day in June will be even more of a pinchpoint than in March, for the simple reason that most retail and leisure occupiers will be in far worse cash position. The lockdown is likely to be lifted from mid-May, albeit in phases. Even re-opened retail outlets will see trade significantly below normal levels as they operate under tight social distancing compromises.

### Retail Vacancy Rate

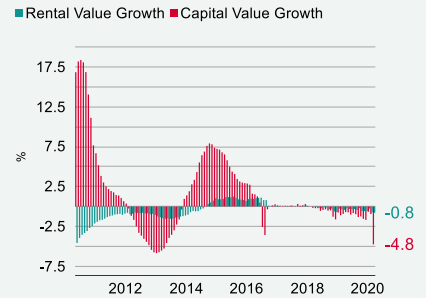
Last 10 years, %



Source: Local Data Company, Macrobond

### All Retail - Rental / Capital Value Growth

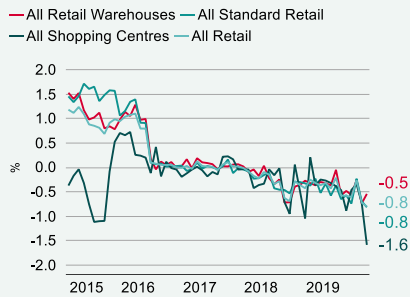
Last 10 years, %



Source: MSCI, Macrobond

### Retail Rental Growth by sub-sector

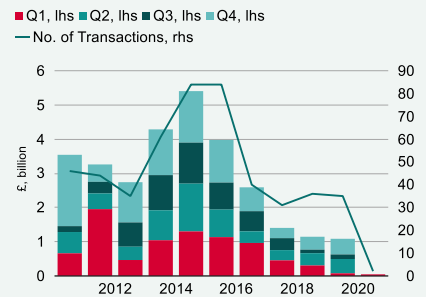
Last 5 years, %



Source: MSCI, Macrobond

### Shopping Centre Transactions

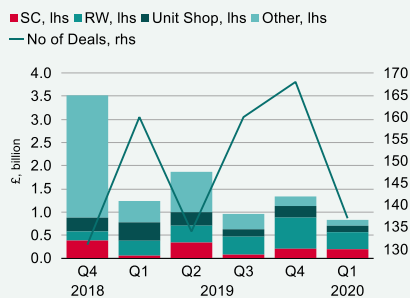
Last 10 years



Source: Knight Frank, Macrobond

### Investment Volumes by sub-sector

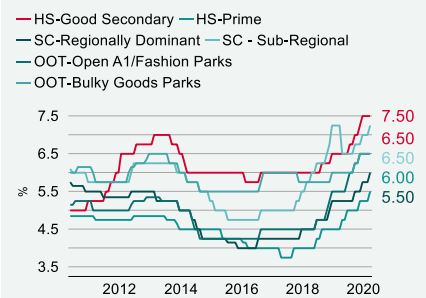
Last 6 quarters, £ billions



Source: Property Data, Macrobond

### Yields

Last 10 years, %



Source: Knight Frank, Macrobond

Please get in touch with us

#### Commercial Research

##### Stephen Springham

Partner, Head of Retail Research

T +44 20 7861 1236

E [stephen.springham@knightfrank.com](mailto:stephen.springham@knightfrank.com)

##### Emma Barnstable

Retail Research Analyst

T +44 20 8106 1385

E [emma.barnstable@knightfrank.com](mailto:emma.barnstable@knightfrank.com)

#### Retail

##### Charlie Barke

Partner, Head of Retail

T +44 20 7861 1233

E [charlie.barke@knightfrank.com](mailto:charlie.barke@knightfrank.com)

Knight Frank Research  
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