

UK Retail Monitor

Q2 2020

KEY HEADLINES

Mandated closure of all but 'essential' retail (ca. 17%) caused sharp declines in Q2 retail sales values (-7.9%) and volumes (-8.0%), with record monthly-lows in April (-18.3%) and May (-9.5%). Performance between food and non-food was heavily polarised: grocery spiked +8.4% y-o-y (May) vs. a -54% slump in fashion and footwear.



June's ONS release satiated economists' predictions of a 'V' shaped recovery (values +1.5%; volumes +1.7%) - omitting the fact that the supposed 'retail rebound' was driven purely by buoyant food sales (+6.5% y-o-y). Non-food posted a -36% y-o-y decline, signaling a long road to recovery.



The government's 'Stay At Home' message dramatically curtailed footfall: High Streets and SCs witnessing declines between -88% and -65%. Retail Parks saw lesser declines (April -63%; May -55%; June -34%), in part due to car accessibility and large store formats suitable for social distancing.



Consumer confidence fell off a cliff between Q1/Q2 (-34), with only marginal recovery by quarter-end (-27). Personal finance concerns peaked in April (-14) as anxieties over job security emerged following swathes of employee furloughing.



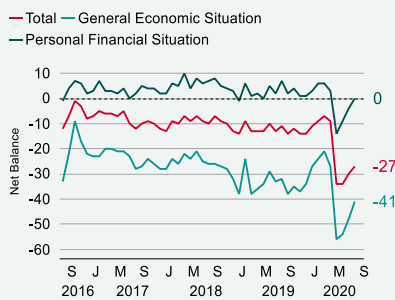
"Q2 saw some of the worst retail statistics on record, illustrating the crippling effects of COVID-19 and subsequent lockdown. Relaxation of restrictions occurred just over a week before quarter-end in England and NI and has thus far brought little respite".



STEPHEN SPRINGHAM
HEAD OF RETAIL RESEARCH

Consumer Confidence

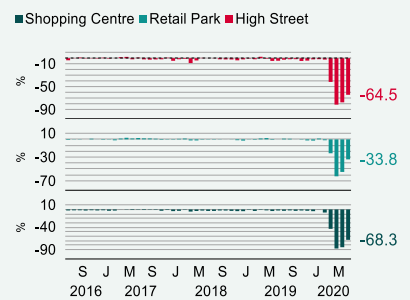
Confidence over the next 12 months



Source: Gfk, Macrobond

Retail Footfall

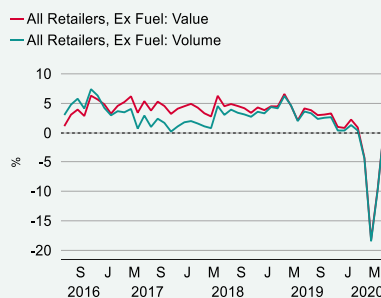
Monthly y-o-y change over the last 4 years, %



Source: BRC, Springboard, Macrobond

ONS Retail Sales

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



Source: ONS, Macrobond

BRC Retail Sales

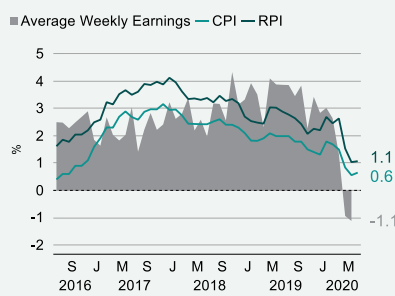
Monthly y-o-y change over the last 2 years, %



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

Average earnings fell into negative territory (-1.1%). The headline figures suggest decelerating inflation (CPI +0.6%; RPI +1.1%), but actual shop prices moved into deflationary territory, as retailers discounted heavily to stimulate demand and shift excess seasonal stock.



Online penetration of all retail spending reached a 'high water mark' of 33.4% in May. Whether this is a permanent flight to online remains to be proven as: 1) multi-channel consistently outperformed pureplay operators during lockdown; 2) numerous trading reports demonstrated e-commerce failed to offset bricks and mortar losses; and 3) June's partial store reopening saw online's share decline by 150bps.



Vacancy (+10bps) is yet to reflect announcements made by retailers shedding underperforming stores e.g. John Lewis (8 stores); Monsoon Accessorize (35); Pret (30), while pre-pack administration deals confirmed closures of some entire estates e.g. Cath Kidston (60), Laura Ashley (147), TM Lewin (66); Oasis and Warehouse (92);



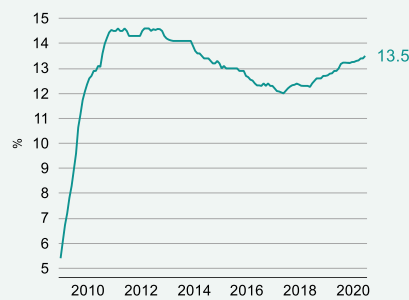
Investment volumes saw 82 deals complete totaling just £0.58bn. SCs and unit shops suffered significantly, down -98% and -79% respectively on Q1. Retail warehousing fared better (£0.13bn) as did supermarkets, which accounted for 65% of the quarter's transaction value (£0.38bn).



The effects of the pandemic will continue to unravel during H2 with the conclusion of government protections (CRJS - 31 Oct; Moratorium on Forfeiture for Non Rent Payment - 30 Sep). Any meaningful 'retail rebound' is unlikely to materialize until 2021, possibly 2022.

Retail Vacancy Rate

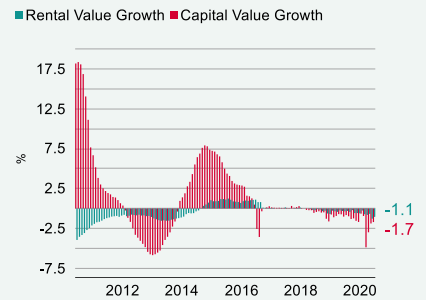
Last 10 years, %



Source: Local Data Company, Macrobond

All Retail - Rental / Capital Value Growth

Last 10 years, %



Source: MSCI, Macrobond

Retail Rental Growth by sub-sector

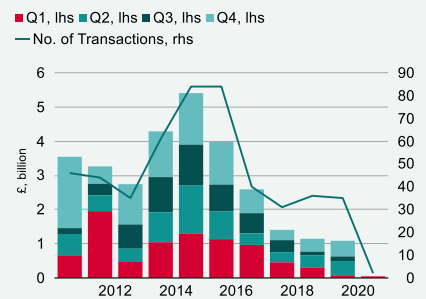
Last 5 years, %



Source: MSCI, Macrobond

Shopping Centre Transactions

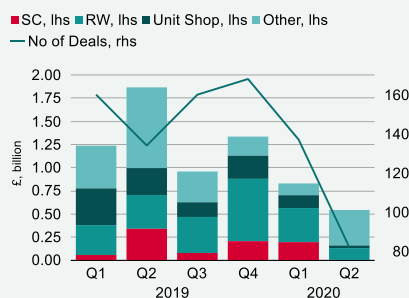
Last 10 years



Source: Knight Frank, Macrobond

Investment Volumes by sub-sector

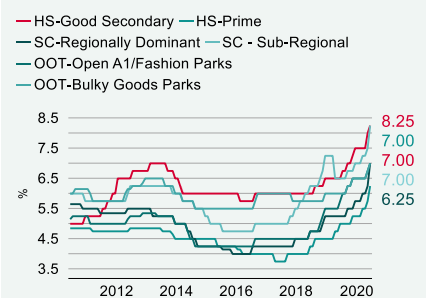
Last 6 quarters, £ billions



Source: Property Data, Macrobond

Yields

Last 10 years, %



Source: Knight Frank, Macrobond

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