

# UK Retail Monitor

## Q3 2020

### KEY HEADLINES

July marked the first full month 'non-essential' retailers were permitted to operate, with F&B resuming operations from 4 July. Although 71% of units were eligible (LDC data), not all operators chose to reopen their doors.



Footfall inevitably improved with easing of social restrictions (July: -42.1%; August -34.3%; September -30.1%) but lack of government guidance over transport and office working kept figures well below pre-pandemic levels. Retail parks led (+15.5% MoM) lagged by shopping centres (+12.0%) and high streets (+10.6%).



An apparent rebound in quarterly retail sales (+4.5%) and volumes (+4.8%) to pre-pandemic levels peddled positivity, but concealed polarisation among sub-sectors and eschewed the millions lost in the intervening months. Grocery remained the key driver of growth (+3.5%) throughout. September marked a return to growth for non-food (+0.5%), a major turning point following average monthly declines of -3.4% (March - June).



Online sales recorded their worst MoM decline in July (-7%) as physical retail gradually returned to capacity. Online penetration decelerated -600bps, (July +29.4%; August +28.3%; Sept +27.5%) down from a 33.4% peak achieved by being the sole channel to obtain non-essential goods. Online grocery similarly receded to 11% from 14%.

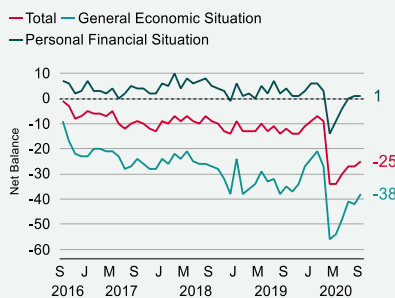


*"A turbulent Q3 which laid bare the realities of a very long road to recovery. Despite easing of restrictions, localised lockdown loomed by quarter end (since escalating to national level), underlining the fragility of any gains made during the quarter."*



### Consumer Confidence

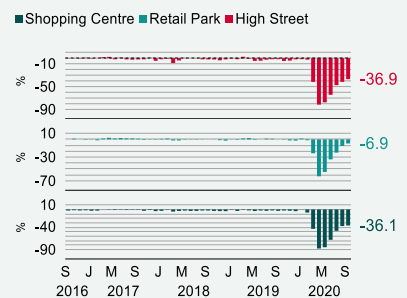
Confidence over the next 12 months



Source: GfK, Macrobond

### Retail Footfall

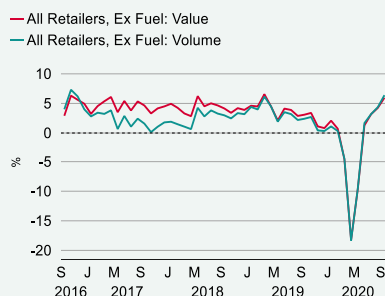
Monthly y-o-y change over the last 4 years, %



Source: BRC, Springboard, Macrobond

### ONS Retail Sales

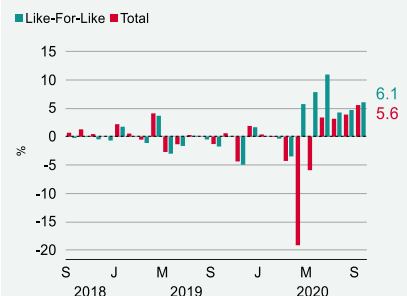
Monthly y-o-y change over the last 4 years, %



Source: ONS, Macrobond

### BRC Retail Sales

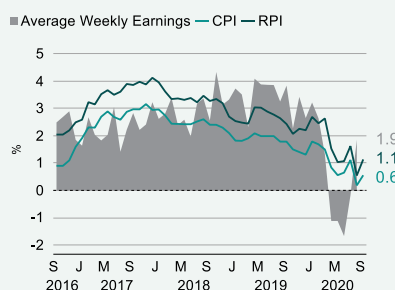
Monthly y-o-y change over the last 2 years, %



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 returned to positive territory (+1.9%) but remained weak. August saw inflation hit its lowest level in five years (CPI +0.2%; RPI +0.5%), driven in part by EOTHO promotions. Inflation pushed up in September when the scheme expired (CPI +0.6%; RPI +1.1) but remained well below the 2% BoE target.



Vacancy accelerated +90bps during Q3 as occupier fall-out turbo-charged. High streets and shopping centres bore the brunt with several high profile CVAs (e.g. New Look, EWM, Select). More administrations are on the horizon. Record number of net store closures (ca. 11,000+) present grim reading but ca. 5,000+ openings prove that the direction of travel is not completely one-way.



Capital and rental correction continued, although the rate of decrease in all retail capital values eased QoQ in Q3 (-3.2%). However, this masked considerable divides between retail sub-sectors (e.g. Supermarkets (+0.5%) vs. Shopping Centres (-6.7%)). The rate of rental decline also decelerated to -2.5% in Q3.



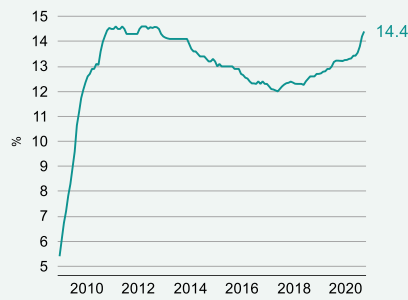
Q3 saw a cautious return of investment activity, with renewed demand for essential and convenience retailers with strong covenants. In Q3, there were 122 deals totaling £1.4bn, +58% on Q2 volumes. Supermarkets (£368m) accounted for 26% of transaction value, while Retail Parks (£465m) made up 32%, with demand strongest for discount and bulky goods operators, perceived to be more insulated from the effects of e-commerce.



The retail sector remains in crisis management mode. Localised lockdowns, renewed social restrictions and a full national lockdown in November are frustrating the path to recovery and tempering any lingering expectations of a return to normality in 2020.

### Retail Vacancy Rate

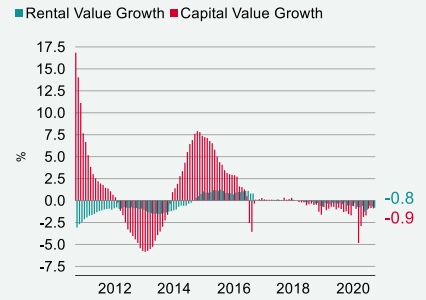
Last 10 years, %



Source: Local Data Company, Macrobond

### All Retail - Rental / Capital Value Growth

Last 10 years, %



Source: MSCI, Macrobond

### Retail Rental Growth by sub-sector

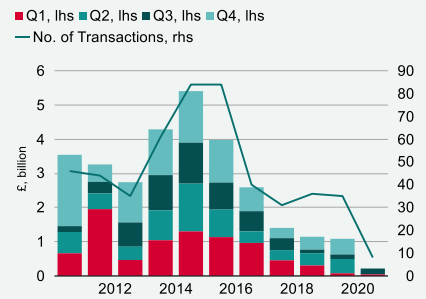
Last 5 years, %



Source: MSCI, Macrobond

### Shopping Centre Transactions

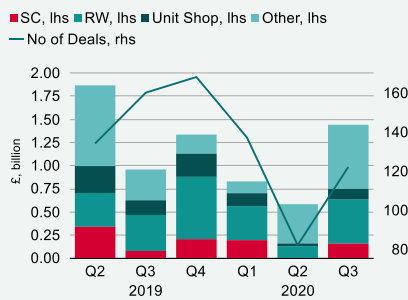
Last 10 years



Source: Knight Frank, Macrobond

### Investment Volumes by sub-sector

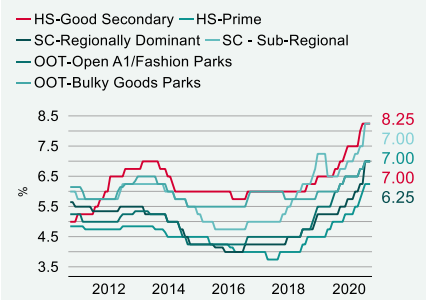
Last 6 quarters, £ billions



Source: Property Data, Macrobond

### Yields

Last 10 years, %



Source: Knight Frank, Macrobond

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