

UK Retail Monitor

Q1 2021

KEY HEADLINES

Any optimism for the New Year was short-lived, with the government announcement of a third national lockdown mandating closure of non-essential retail for the entirety of the quarter. Q1 additionally marked the first anniversary of Lockdown V1 (23 March 2020) but will hopefully be the last full quarter of restrictions for the sector.



Retail sales were up +0.9% YoY in Q1, an impressive feat considering these limitations. Monthly figures showed a building of momentum ahead of lockdown being lifted (Jan -4.2%; Feb -1.5%, March +7.6%), with some £125bn estimated in pent-up savings. The gulf between grocery and non-food sales remained, although significantly, March witnessed a turnaround in non-food sales (+4.5%, vs. grocery +0.1%) – a first month of positive growth since October 2020.



Consumer confidence saw sharp improvement (+12 pts) reflecting stabilisation of infection rates, rapid vaccine rollout, and clear roadmap out of the crisis. Income expectations contributed significantly to the rise (+15 pts) marking a 12-month high, although fears over job losses continued to loom, highlighting the fragility of any recovery.



Steady rises in footfall (Jan -65.6%; Feb -61.0%; March -28.1%) were fuelled by lockdown fatigue, with consumers turning to retail parks (-38.6%) for leisure-based trips. Despite eagerness of consumers to return to bricks & mortar, the absence of students, commuters, and tourists saw a clear disparity between major urban destinations and smaller, localised centres.

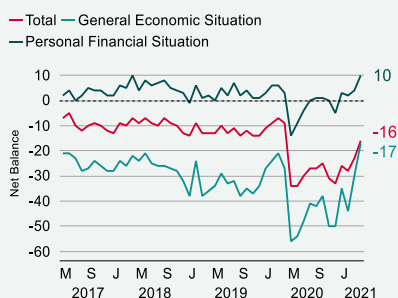


“The consumer bounce back will be both swift and sustainable – shoppers have both the cash and a willingness to spend it. But there will be a considerable time lag between the re-opening process and occupier markets fully stabilising”.



Consumer Confidence

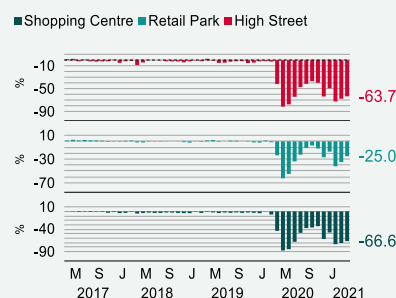
Confidence over the next 12 months



Source: GfK, Macrobond

Retail Footfall

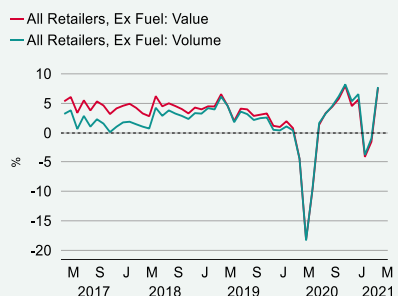
Monthly y-o-y change over the last 4 years, %



Source: BRC, Springboard, Macrobond

ONS Retail Sales

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



Source: ONS, Macrobond

BRC Retail Sales

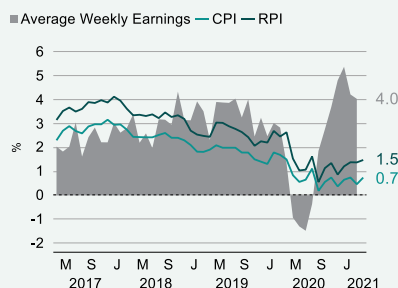
Monthly y-o-y change over the last 2 years, %



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

Online penetration peaked at a record high of 36.1% in February, but subsequently slipped back -150bps to 34.7% in March. Overall, the ONS online sales index declined -26 pts, casting doubt over the notion of the consumer shift to online being permanent. Further declines in online penetration are inevitable as lockdowns are eased.



Vacancy inched up +50 bps during Q1 in the wake of further store closures - notably all the Arcadia Group fascias - as 'Retail Darwinism' continued to play out. There are an estimated 5,000 fewer stores since the crisis hit, equating to 1 in 7 vacant. Despite the easing of restrictions, further fallout is likely over 2021 with the winding down of government support and lifting of the moratorium on forfeiture (scheduled for 30 June).



Investment levels were subdued (£695m) across 69 deals. Secure long income assets remained much more in favour: supermarkets and retail parks combined accounted for 92% of all investments, at £476m and £165m respectively. Sub-regional shopping centre yields moved out 175bps peaking at a new high of 9.00%+. Councils continue to be the most active buyer group, largely in pursuit of wider regeneration plans.



Retail capital values remained in negative territory (-1.51%) but there was clear deceleration over the course of Q1 (Jan -0.5%, Feb -0.4%, March -0.2%). Retail rents faced continued downward pressure (-1.4%) across all sub markets, with retail warehousing down -0.94% and shopping centres down -2.69% over Q1.



Q1 is now consigned to history - thankfully. The focus in Q2 is on the reopening for both retail (12 April) and indoor hospitality (17 May). Both major milestones, but realistically a return to 'normality' will take considerable time and it will be many months before the sector gets back on its feet, despite the best efforts of the UK consumer.

Retail Vacancy Rate

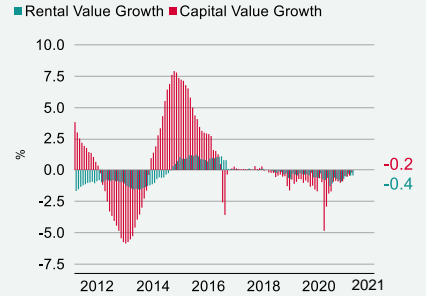
Last 10 years, %



Source: Local Data Company, Macrobond

All Retail - Rental / Capital Value Growth

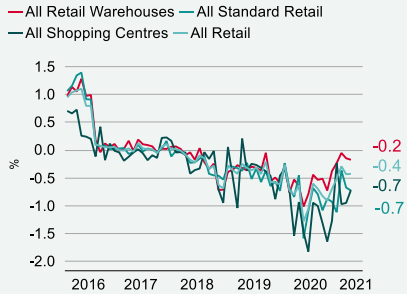
Last 10 years, %



Source: MSCI, Macrobond

Retail Rental Growth by sub-sector

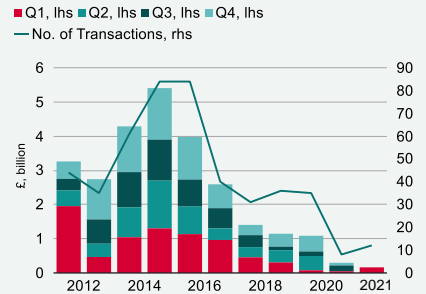
Last 5 years, %



Source: MSCI, Macrobond

Shopping Centre Transactions

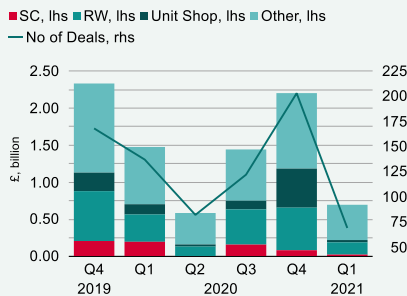
Last 10 years



Source: Knight Frank, Macrobond

Investment Volumes by sub-sector

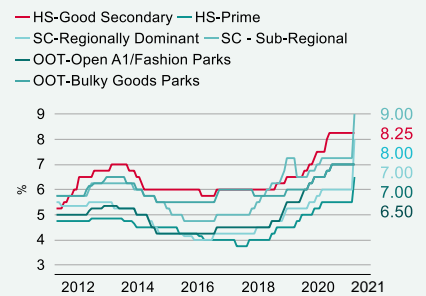
Last 6 quarters, £ billions



Source: Property Data, Macrobond

Yields

Last 10 years, %



Source: Knight Frank, Macrobond

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