

UK Retail Monitor

Q1 2022

KEY HEADLINES

A seemingly turbulent quarter for the retail market. But in, reality, one of continuing recovery. Jubilation surrounding the UK's transition away from ongoing restrictions to 'living with Covid' was swiftly overshadowed. 'Crisis' once again became the over-arching theme, with narratives of an impending consumer squeeze dominating against a wider global backdrop of economic and political upheaval.

Consumer confidence weakened considerably amid headlines of record food and fuel inflation. But note the index has not tracked positively since March 2016. Confidence fell -12pts across Q1 to reach -31pts, the lowest since October 2020. Although far from positive, negative sentiment surrounding personal finances was more subdued (-26pts, March) than that of the wider economy (-55pts, March).

Seemingly at odds with confidence indicators, retail sales figures showed scant evidence of consumer 'belt tightening'. Sales rose +10.1% YoY demonstrating many were willing and able to spend despite price rises. Comforted by the volume of personal savings accumulated, consumers spent leisurely - the novelty of unrestricted spending still apparent after two long years of lockdown.

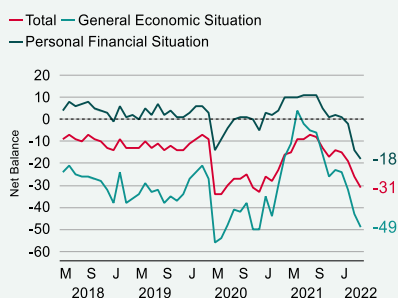
But we are only just seeing retail spend return to a meaningful definition of 'normal' i.e. all 'lost spend' during the pandemic fully recovered. But this varies by sector with some adrift of where they should be (non-food down ca. -£4.5bn; clothing -£7bn; cosmetics -£540m).

"Out of the Covid frying pan, into the inflation fire? Inflation is not helpful to the retail market, but is better than deflation and more manageable than enforced lockdown."

STEPHEN SPRINGHAM
HEAD OF RETAIL RESEARCH

Consumer Confidence

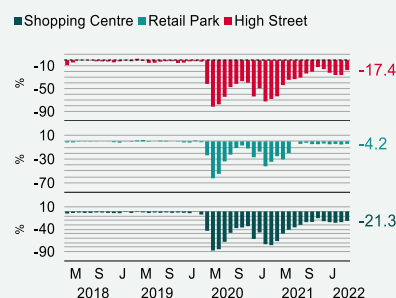
Confidence over the next 12 months



Source: GfK, Macrobond

Retail Footfall

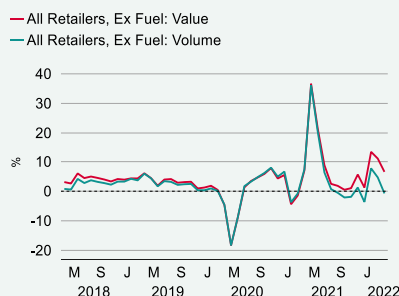
Monthly y-o-y change over the last 4 years, %



Source: BRC, Springboard, Macrobond

ONS Retail Sales

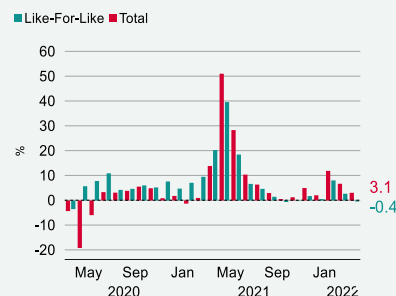
Monthly y-o-y change over the last 4 years, %



Source: ONS, Macrobond

BRC Retail Sales

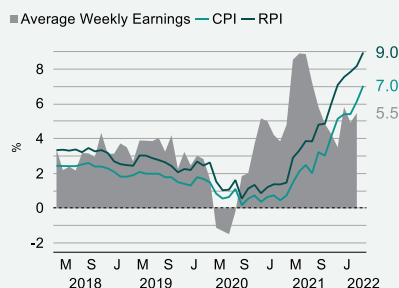
Monthly y-o-y change over the last 2 years, %



Source: BRC, Macrobond

Average Weekly Earnings

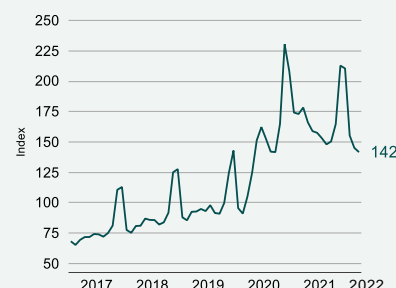
Annual change over the last 4 years, %



Source: ONS, Macrobond

Online Retail Sales Index

July 2019 = 100



Source: ONS, Macrobond

KEY HEADLINES

Retailers gained greater control over staffing levels in March with the dismantling of legal requirements around self-isolation rules. But staffing headaches were / are far from over. Cost pressures stayed at the forefront, with a +6.6% increase in the National Living Wage effective from April. Plus, pressure has mounted to attract footloose workers to plug vacancy gaps with higher salaries, as earnings lag CPI and RPI rises.



Vacancy rates dropped to 15.5% through renewed occupier acquisition activity, a reduction in overall retail floorspace, and some repurposing to alternative uses. Although tangibly higher than pre-pandemic levels (13.3%), the current direction of travel is both positive and sustainable.



Retail capital values saw a major increase in March (+2.9%) vs. February (+0.9%). In February, retail rents entered positive territory (+0.0%) for the first time since 2018. By March, rental growth had strengthened to +0.2%. This was predominately led by growth in Retail Warehousing (+0.4%) but there are also signs of stabilisation at both High Streets and Shopping Centres.

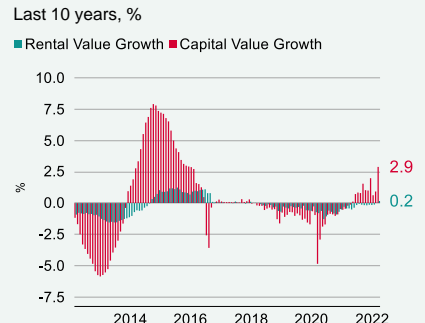


In terms of deals, a robust £1.59bn was transacted in Q1, ca. -25% below the 5-year quarterly average. Shopping Centres enjoyed a renaissance amongst investors with £736m transacted, nearly half of the quarter's total volume. Some £600m of this originated from the portfolio sale of just two designer outlets, Cheshire Oaks and Swindon, reinforcing and buoying confidence in the turnover-based factory outlet model.

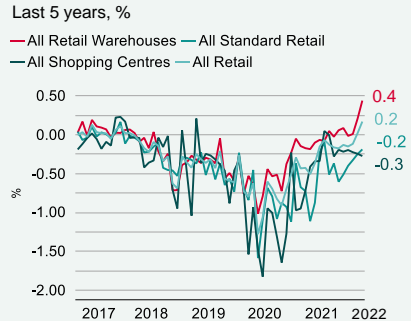
Retail Vacancy Rate



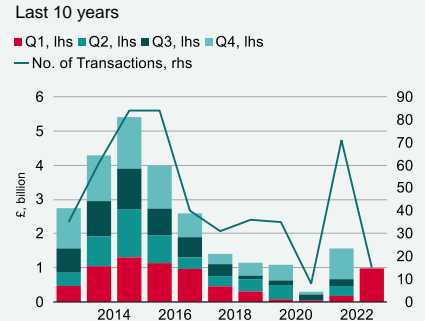
All Retail - Rental / Capital Value Growth



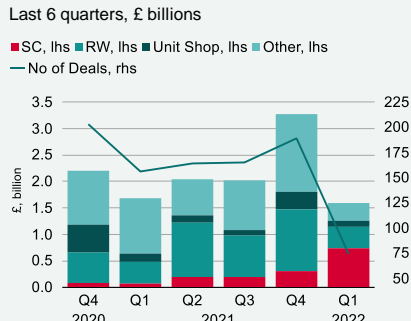
Retail Rental Growth by sub-sector



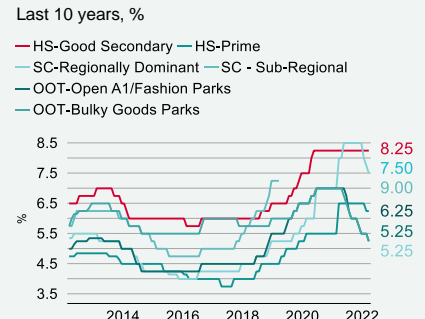
Shopping Centre Transactions



Investment Volumes by sub-sector



Yields



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