

# UK Retail Monitor

Q2 2022

## KEY HEADLINES

A huge mismatch between the seemingly darkening mood of the nation and the performance of the retail market. Despite macro-economic headwinds, retail sales held steady, occupier markets strengthened, investment surged, and footfall and vacancy rates both improved.



Consumer confidence hit a new record low (-41pts), with the state of the wider economy (-57pts) troubling consumers more than personal finances (-28pts). The rate of decline in sentiment slowed significantly in Q2 (down -3pts) vs. Q1 (-12pts), suggesting the bottom may have been reached.



A tight jobs market continues to provide comfort to the majority of consumers. Employment levels remained high, whilst unemployment reached its lowest rate (3.7%) since the 1970s. Job vacancies and average weekly earnings growth also accelerated, whilst redundancies fell.



Retail sales figures have yet to show any real evidence of a squeeze. Q2 sales were firmly in positive territory (+1.5%), with food sales up +1.3% and non-food higher at +3.8%. Inflation is in evidence (volumes -6.1%) with consumers buying less, but still able/willing to pay more. Shop price inflation (June 7.6%) tracked lower than CPI (9.4%) with inflation varying across categories (food 8.3% vs. electricals 0.1%)



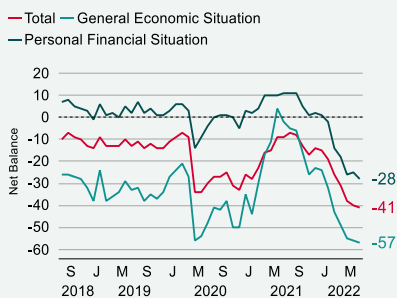
*“A mass of contradictions. Consumer confidence at its lowest ever ebb, yet decent retail sales. Rocketing inflation, yet buoyant employment markets. Huge economic pressures, yet zero occupier distress. Dampening sentiment, yet improving real estate returns.”*



STEPHEN SPRINGHAM  
HEAD OF RETAIL RESEARCH

### Consumer Confidence

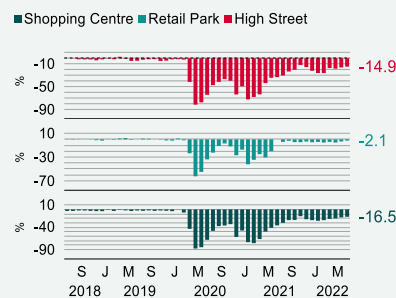
Confidence over the next 12 months



Source: GfK, Macrobond

### Retail Footfall

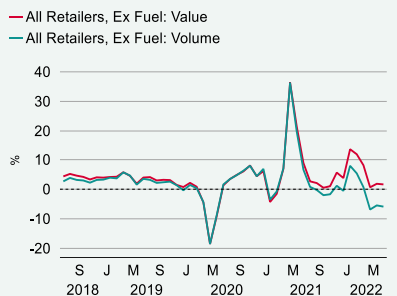
Monthly y-o-y change over the last 4 years, %



Source: BRC, Springboard, Macrobond

### ONS Retail Sales

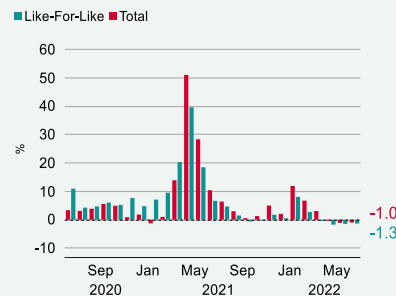
Monthly y-o-y change over the last 4 years, %



Source: ONS, Macrobond

### BRC Retail Sales

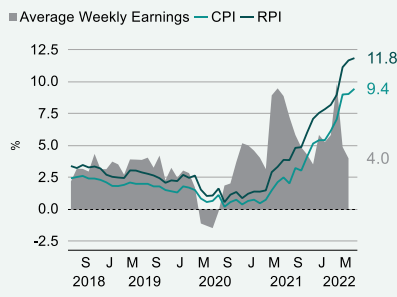
Monthly y-o-y change over the last 2 years, %



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

Online sales were the major drag on performance, as the inevitable unwinding of artificial peaks achieved during the pandemic continued. Online's share of retail spend declined to 25.3%, a -300bps decline since January (28.3%). The anticipated bottoming out has yet to materialize: E-commerce sales failed to achieve one single positive metric in June (food -13.4%, non-food -9.4%) with 'pure-players' (-9.1%) taking a bigger hit than multi-channel retailers (-7.4%).



Vacancy rates registered a third consecutive quarter of improvement, though rates remain 2 percentage points higher than pre-pandemic. A significant North-South divide still exists, with shopping centres also lagging behind high streets and retail parks. Indicative of the sustained recovery, vacancy is forecast to improve further as redevelopment activity takes hold.



Total Retail returns registered 3.04% in Q2, beating the wider market average (All Property 2.93%), with capital values and income return up 1.74% and 1.28% respectively. Retail Warehousing returns led the pack (4.93%), even surpassing Industrial returns (4.51%) with robust capital growth (3.52%) and income return (1.38%). RW yields were the only retail sub-class to harden (-50bps) over the quarter.



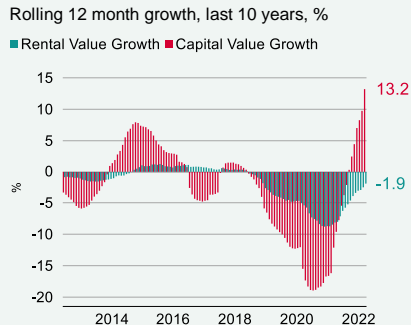
£4.18bn worth of retail-related assets were transacted in Q2, representing a massive surge QoQ (+157%) and YoY (+101%). Investment flooded into all categories with QoQ uplifts across High Streets (+40%), Shopping Centres (+16%) and Retail Warehousing (+87%). Notable transactions included several large deals to councils: Guildhall, Exeter (£41.5m), Newhall Walk, Sutton Coldfield (£15.6m), and Brunel Centre, Bletchley (£4.4m). But clearly some of the Q2 heat has already dissipated as sentiment takes another reality check.

### Retail Vacancy Rate



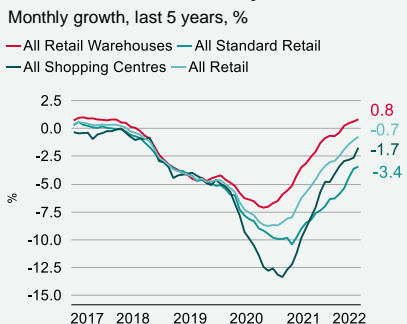
Source: Local Data Company, Macrobond

### All Retail - Rental / Capital Value Growth



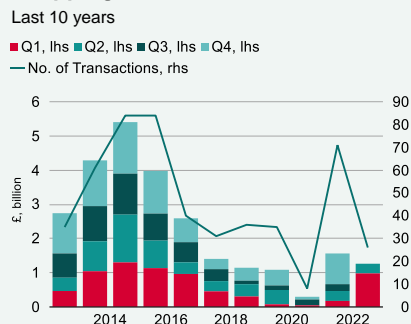
Source: MSCI, Macrobond

### Retail Rental Growth by sub-sector



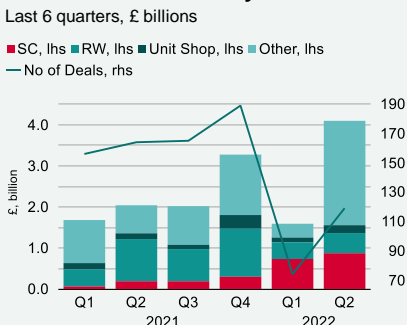
Source: MSCI, Macrobond

### Shopping Centre Transactions



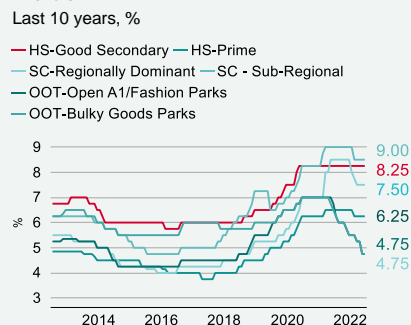
Source: Knight Frank, Macrobond

### Investment Volumes by sub-sector



Source: Property Data, Macrobond

### Yields



Source: Knight Frank, Macrobond

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