

UK Retail Monitor

Q3 2021

KEY HEADLINES

The period marked the first fully operational quarter without government-imposed restrictions on trading (in England) for the retail sector since Q4 2019. While retailers were thankful for the ability to trade again, the possibility of a Covid-19 resurgence alongside supply chain and labour issues quickly dampened any feelings of euphoria.



July marked six months of improvement in consumer confidence, reaching a new high of +7pts. However, this proved short-lived and the index deteriorated to -13 pts in September, driven by fears over the wider economy (-16 pts) on the news of rising inflation. Both CPI and RPI rose +1.0% during the quarter affecting food, clothing, and household goods. Crucially, the perceived impact on personal finances was less severe, remaining positive at +5pts.



Footfall continued to improve, with 89% of consumers indicating a degree of comfort in visiting retail destinations. High Streets and Shopping Centres were the biggest beneficiaries with uplifts of +10.2% and +6.6% respectively.



There was an inevitable deceleration in retail sales after the huge post-lockdown surge. Q3 retail sales values were still up +0.9% YoY, but down -3.5% QoQ (with Q2 sales +20.6%). The monthly figures suggest a return to more "normalised" trading patterns and any slowdown was not reflected in retailers' trading statements, which generally remained cautiously optimistic.



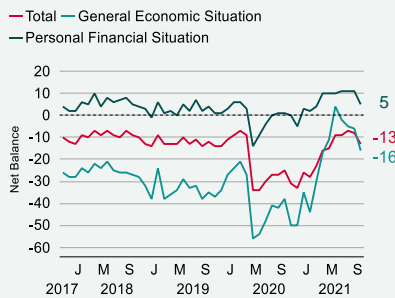
"A strong July, but much more muted performance in August and September. More a return to something like normal rather than an abrupt slowdown. All to play for over the festive period."



STEPHEN SPRINGHAM
HEAD OF RETAIL RESEARCH

Consumer Confidence

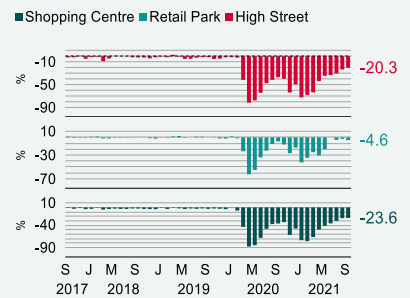
Confidence over the next 12 months



Source: GfK, Macrobond

Retail Footfall

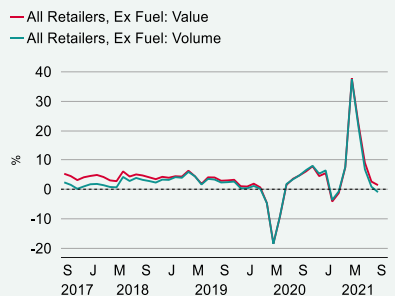
Monthly y-o-y change over the last 4 years, %



Source: BRC, Springboard, Macrobond

ONS Retail Sales

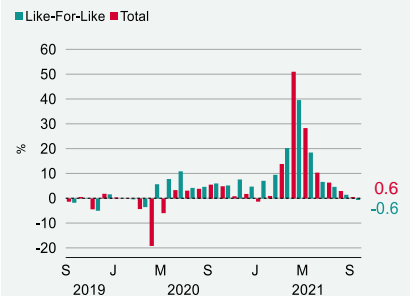
Monthly y-o-y change over the last 4 years, %



Source: ONS, Macrobond

BRC Retail Sales

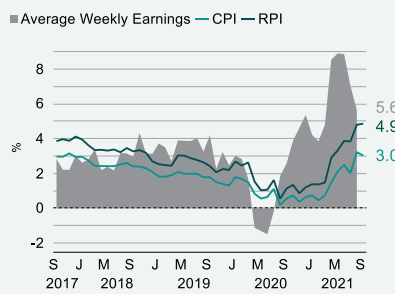
Monthly y-o-y change over the last 2 years, %



Source: BRC, Macrobond

Average Weekly Earnings

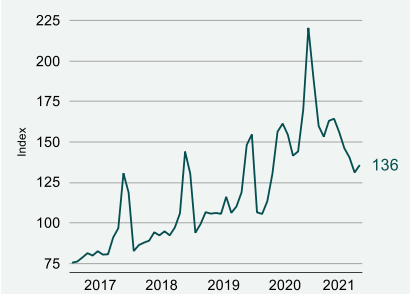
Annual change over the last 4 years, %



Source: ONS, Macrobond

Online Retail Sales Index

July 2018 = 100



Source: ONS, Macrobond

KEY HEADLINES

Online sales declined -4.5% as digital sales continued to revert to more normalised levels. However, seasonal adjustment quirks in the ONS data meant that the percentage of all retail sales made online showed marginal increases over the quarter (July 27.4%; August 27.9%; Sept 28.1%).



Having hit new highs, vacancy rates started to ease slightly (July 15.9%; August 15.9%, September 15.8%) indicating that some stability has returned to occupier markets, for the time being at least.



Investment levels increased +31% YoY with 167 deals totalling £1.89bn. Supermarket and 'Other Retail' continues to attract significant capital, accounting for 43% of transaction volumes (ca. £804m), up +20.1% QoQ. Retail Parks remain in favour with investors, contributing 42% of deal volumes (ca. £785m). HS and SC volumes totalled £117m and £184m respectively.

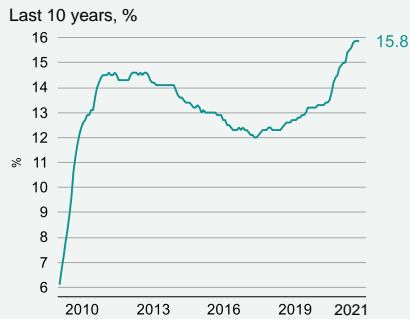


Capital value growth strengthened +80bps to reach +1.6% in September, marking the strongest monthly performance for the sector since 2016. Rents continued to decline marginally (July -0.2%; August -0.1%; Sep -0.2%) despite a +10bps improvement in RPs. Over the quarter Retail Parks yields hardened by ca. 50bps to 6.00%. Shopping Centres and High Streets were stable.

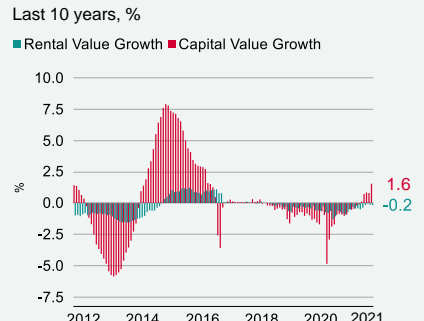


A quarter of mixed results which lays bare the scale of the path to recovery. With the focus now firmly on the remaining quarter, retailers will undoubtedly be putting their best foot forward over a festive period that promises much. Above all else, consumers are expected to splurge this Christmas following the disappointment of 2020. Q4 and Christmas in particular will be an important step on the long road to recovery.

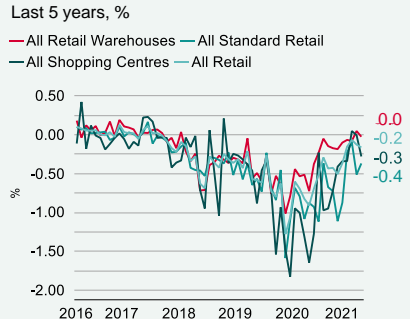
Retail Vacancy Rate



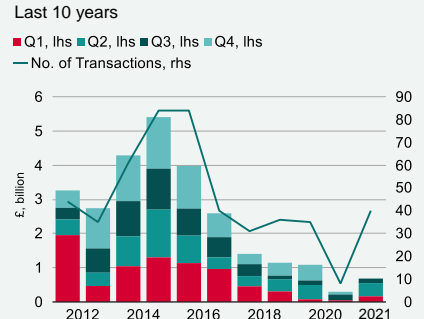
All Retail - Rental / Capital Value Growth



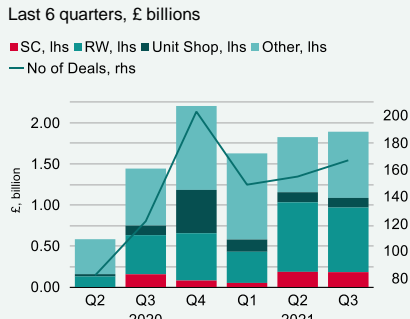
Retail Rental Growth by sub-sector



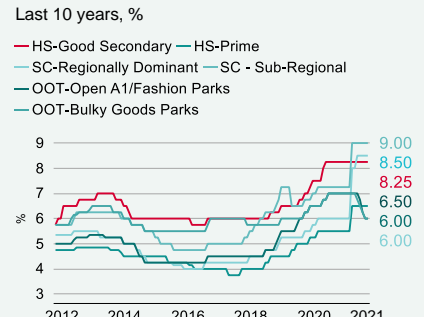
Shopping Centre Transactions



Investment Volumes by sub-sector



Yields



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